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ARC FY 2017 Budget Summary & Highlights

The Federal Co-Chair requests $120 million in direct appropriations for FY 2017 to fund the activities of the Appalachian Regional Commission (ARC), as reauthorized though 2020. Seventy million is requested for the base Area Development activities and an additional $50 million included furthering the Administration’s Power Initiative to support communities that are negatively impacted by the national market transition away from coal as the primary fuel source in the power sector. The Commission’s programs are designed to help the 13-state Appalachian Region achieve socioeconomic parity with the nation. FY 2017 activities will further the White House Rural Council and advance the five goals of ARC’s Strategic Plan which will address persistent challenges and emerging opportunities created by the transitioning Appalachian economy. The Administration expects to submit reauthorization legislation that would continue ARC’s current programs.

Appalachian Development Highway System
The Fixing America’s Surface Transportation (FAST) Act authorized expenditures for construction of the Appalachian Development Highway System (ADHS) and local access roads and continues the authority that increased the allowable federal share for construction of the to 100%. ARC continues to oversee the development of this system.

Area Development
The request includes $57.2 million for base Area Development. At least half of this amount will benefit economically distressed counties and areas. While final program decisions will be made jointly by the Federal Co-Chair and the Appalachian governors, the Commission expects to place a priority on creating jobs to offset the losses in coal mining employment, particularly in Central Appalachia. It will continue its special focus on increasing access to capital and credit, and use of broadband services, expanding access to basic infrastructure and quality healthcare, encouraging entrepreneurship, developing local food economies, helping to meet the goal of the President’s National Export Initiative, and reducing the gap in college attainment rates between Appalachia and the nation. For Local Development Districts, the ARC budget provides $6.2 million.

Salaries and Expenses
To implement the ARC program, the Federal Co-Chair requests $6.5 million for salaries and expenses. This includes full funding of the Office of the Federal Co-Chair, a portion of the Office of the Inspector General and 50% of the administrative expenses of the Commission.

Performance
Performance targets for base program for FY 2017 include: create/strengthen 2,500 businesses; create/retain 20,000 jobs; strengthen/improve skills of 22,000 workers or leaders; provide 22,000 households with basic infrastructure services; improve capacity of 250 communities; and leverage $6 of private investment for every $1 of ARC funds invested in job-creating projects.

<table>
<thead>
<tr>
<th>ARC Budget Summary ($ thousands)</th>
<th>2015 Actual</th>
<th>2016 Enacted</th>
<th>2017 President’s Budget</th>
<th>Change from 2016</th>
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<tbody>
<tr>
<td>ARC Program</td>
<td></td>
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<tr>
<td>Area Development</td>
<td>77,474</td>
<td>133,444</td>
<td>107,281</td>
<td>-26,163</td>
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<tr>
<td>Local Development Districts</td>
<td>6,200</td>
<td>6,200</td>
<td>6,200</td>
<td>0</td>
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<tr>
<td>Salaries and Expenses</td>
<td>6,326</td>
<td>6,356</td>
<td>6,519</td>
<td>163</td>
</tr>
<tr>
<td>Total ARC</td>
<td>90,000¹</td>
<td>146,000²</td>
<td>120,000³</td>
<td>-26,000</td>
</tr>
</tbody>
</table>

¹ Includes $10 million for a program of high-speed broadband deployment in economically distressed counties in Central Appalachia and $10 million for a workforce training program for automotive industry to benefit economically distressed counties in Southern Appalachia.

² Includes $50 million for a program to support the Administration’s Power Initiative and $10 million for a program of high-speed broadband deployment in economically distressed counties in Central Appalachia and $16 million for a workforce development program in Southern Appalachia focused primarily on the automotive-supplier sector and the aviation sector in South Central Appalachia.

³ Includes $50 million for a program to support the Administration’s Power Initiative.
MISSION AND HISTORY
Mission and History

The Appalachian Region includes all of West Virginia and portions of 12 other states: Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia. ARC serves 420 counties that encompass roughly 205,000 square miles, with a population of more than 25 million people. Established by Congress through the Appalachian Regional Development Act of 1965, the Appalachian Regional Commission (ARC) was created to help close the profound socioeconomic gaps between Appalachia and the rest of the nation. These gaps are widespread and generational and still exist today, albeit to a lesser extent. However, a new challenge has confronted Appalachia -- the economic transition of the nation’s coal economy.

In FY 2014, ARC commissioned independent research to examine the changes in the Region since ARC’s inception in 1965 and evaluate the impact of the ARC program and its role as a catalyst for regional community and economic development. The Center for Regional Competitiveness and its partner, West Virginia University completed Appalachia Then and Now which found that the Region had made significant progress and that counties with ARC investments grew at a faster pace than similar counties that did not receive ARC investments, but also that there was more work to be done in order for Appalachia to reach socioeconomic parity with the nation. ARC used this data to drive discussions to update the agency strategic plan.

The research found significant progress in the Region over the past few decades includes these accomplishments:

- The Region’s poverty rate has decreased from nearly 31 percent in 1960 to 17 percent today; and the number of high-poverty counties (those with poverty rates one and a half times the national average) has decreased from 295 in 1960 to 90 today.

http://www.arc.gov/research/researchreportdetails.asp?REPORT_ID=113
Between 1970 and 2012, in counties that received ARC investments, employment increased at a 4.2 percent faster pace, and per capita income increased at a 5.5 percent faster pace, than in similar counties that did not receive ARC investments.

The percentage of adults in the Region with a high school diploma has increased by more than 150 percent, and students in Appalachia now graduate from high school at nearly the same rate as the national average.

The percentage of homes in Appalachia with complete plumbing has increased from 86.4 percent in 1970 to 96.8 percent today, in line with the national rate of 98.0 percent.

The infant mortality rate in the Region has been reduced by two-thirds since 1960.

Despite this progress, continued investment is needed. The Appalachian Region’s economy has historically been dominated by a few industries, including mining, textiles, tobacco, and timber. Dependence on these industries as economic drivers and employers has left many communities, particularly those in the most economically distressed counties, vulnerable to economic fluctuations as their businesses face increasing competition, specialization, and market changes.

One of the most important roles the agency can play is its role as investment partner. ARC will continue to work with public, private, and philanthropic partners—both inside and outside the Region—to advance current and emerging opportunities and to continue to close the gap between Appalachian communities and the rest of the nation on key socioeconomic indicators. For partners at the national level, ARC brings deep knowledge of the Region, a strong track record of impact, and far-reaching networks of critical community, state, and regional partners established over the last 50 years. With ARC’s leadership, national organizations can more easily connect with local and state partners and join with mission-driven organizations committed to helping the Region transition to a more prosperous future.

ARC will continue its long history of working together with other public agencies—both state and federal—to leverage its resources for the benefit of the Region. Most recently, ARC partnered with federal agencies on the Appalachian Regional Development Initiative, the Rural Jobs and Innovation Accelerator Challenge, the Made in Rural America export and investment initiative, the Investing in Manufacturing Communities Partnership initiative, and the Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) Initiative. ARC also recently partnered with the private and philanthropic sectors on regional initiatives that included a capital and credit initiative, which led to the establishment of Appalachian Community Capital; and the research project “Creating a Culture of Health in Appalachia,” in partnership with the Robert Wood Johnson Foundation.

ARC investments have attracted nearly $16 billion in leveraged private investment, the dollar amount of private-sector financial commitments (non-project funds), that result from an ARC investment. Since 1978, when ARC began tracking this data, for each $1 in funds invested by ARC in non-highway projects, an average of $6.40 in private-sector funding has been leveraged. This figure was $8 to $1 in 2015.
### Recent partnerships that attract additional funding to the Region

<table>
<thead>
<tr>
<th>Public</th>
<th>Private</th>
<th>Non-Profit</th>
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</thead>
<tbody>
<tr>
<td><strong>“Local Foods, Local Places”</strong> federal initiative to help create</td>
<td>Appalachian Community Capital (ACC), a new central bank for development</td>
<td>To address disproportionately high rates of obesity and Type 2 Diabetes in</td>
</tr>
<tr>
<td>more livable places by promoting local foods economy. Supported by</td>
<td>lenders that will increase the availability of capital to small</td>
<td>the Region, ARC secured a $2.6 million donation from Bristol-Myers Squibb</td>
</tr>
<tr>
<td>ARC, USDA, CDC, EPA, DOT and DRA, this initiative will provide direct</td>
<td>businesses in the 13-state Appalachian Region closed its first round of</td>
<td>Foundation for Marshall University in West Virginia through ARC’s 15-year</td>
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<td>technical support to rural communities to help them develop action</td>
<td>investment in FY 2015. ARC made a lead investment of $3.45 million in</td>
<td>partnership with the CDC.</td>
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<td>plans for promoting local food systems.</td>
<td>debt and equity from <strong>Bank of America, Deutsche Bank, Calvert</strong></td>
<td>ARC continues to partner with CDC on other chronic health issues in the</td>
</tr>
<tr>
<td></td>
<td><strong>Foundation, and the Ford Foundation.</strong> Additional supporters include</td>
<td>Region.</td>
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<td></td>
<td>the Mary Reynolds Babcock Foundation, the Claude Worthington Benedum</td>
<td>ARC entered a partnership with a three-year, $1 million research</td>
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<td></td>
<td>Foundation, the Annie E. Casey Foundation, and BB&amp;T Bank.</td>
<td>partnership with the <strong>Robert Wood Johnson Foundation</strong> entitled “Creating</td>
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<td></td>
<td></td>
<td>a Culture of Health in Appalachia: Disparities and Bright Spots”. This</td>
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<td>research project will leverage greater financial investment in</td>
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<td></td>
<td></td>
<td>Appalachian health initiatives resulting in improved health conditions.</td>
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<tr>
<td><strong>ARC</strong> made available $50,000 in funding to help organizations</td>
<td>ARC partnered with <strong>Food Traveler Magazine</strong>, the “Bon Appétit</td>
<td><strong>ARC continues to support creation of new</strong></td>
</tr>
<tr>
<td>serving the Region develop applications for the $40 million</td>
<td>Appalachian maker” local-food mapguide showcases 283 of the Region’s</td>
<td>**job opportunities through expansion of the Appalachian Regional</td>
</tr>
<tr>
<td><strong>Make it in America Challenge</strong>, a national federal competition</td>
<td>most distinctive food destinations.</td>
<td><strong>Reforestation Initiative (ARRI)</strong>, a coalition founded in 2004</td>
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<td>focused on increasing the insourcing of American jobs that either</td>
<td></td>
<td>including federal, state, and local governments along with citizens,</td>
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<td>have moved overseas but are now more competitively sourced in</td>
<td></td>
<td>and the coal industry, established to restore forests on poorly</td>
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<tr>
<td>America.</td>
<td></td>
<td>reclaimed coal mined lands in Appalachia.</td>
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<tr>
<td><strong>ARC</strong> worked with <strong>EDA</strong> and USDA to develop guidelines in the</td>
<td><strong>ARC</strong> continues to support creation of new job opportunities through</td>
<td><strong>ARC serves as a Steering Committee Member of the Appalachian Funders</strong></td>
</tr>
<tr>
<td><strong>Rural Accelerator Grant Competition</strong> so that the most economically</td>
<td><strong>ARC</strong> partnered with <strong>Food Traveler Magazine</strong>, the “Bon Appétit</td>
<td><strong>Network</strong>, a group of 80 public and private grantmakers who envision an</td>
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<tr>
<td>distressed communities would be competitive in a national program.</td>
<td>Appalachian maker” local-food mapguide showcases 283 of the Region’s</td>
<td>Appalachian economy that provides opportunity for all while sustaining the</td>
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<tr>
<td><strong>ARC</strong> offered additional funding to successful applicants in the</td>
<td>most distinctive food destinations.</td>
<td>environmental and cultural assets of our region.</td>
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<td>Region.</td>
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<td><strong>ARC</strong> continues to partner with CDC on other chronic health issues in</td>
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<td><strong>ARC</strong> continues to participate in the Administration’s <strong>Investing</strong></td>
<td>In 2013, a report commissioned by ARC on access to capital and credit</td>
<td>the Region.</td>
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<tr>
<td>in <strong>Manufacturing Communities Partnership (IMCP)</strong>.</td>
<td>identified significant gaps in financing for the Region’s small</td>
<td><strong>ARC</strong> entered a partnership with a three-year, $1 million research</td>
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<td></td>
<td>businesses. ARC’s Capital Policy Initiative Advisory Committee,</td>
<td>partnership with the <strong>Robert Wood Johnson Foundation</strong> entitled “Creating</td>
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<td></td>
<td>contracted with <strong>RAIN Source Capital</strong>, a national organization, to</td>
<td>a Culture of Health in Appalachia: Disparities and Bright Spots”. This</td>
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<td></td>
<td>help in the formation of angel funds in the Region. As of June 2015,</td>
<td>research project will leverage greater financial investment in Appalachian</td>
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<tr>
<td></td>
<td>three new angel funds are operating in the Region and six additional</td>
<td>health initiatives resulting in improved health conditions.</td>
</tr>
<tr>
<td></td>
<td>funds are under formation.</td>
<td></td>
</tr>
<tr>
<td><strong>ARC</strong> continues to participate in the Administration’s <strong>Partnerships</strong></td>
<td>In order to strengthen the quality of entrepreneurial efforts of</td>
<td></td>
</tr>
<tr>
<td>for <strong>Opportunity and Workforce Revitalization (POWER)</strong> discussed on</td>
<td>Appalachian Community Colleges, ARC initiated an ongoing partnership</td>
<td></td>
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<tr>
<td>page 33 of this document.</td>
<td>among the National Association for Community College Entrepreneurship,</td>
<td></td>
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<td></td>
<td>the Association of Appalachian Community Colleges, and the</td>
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<td>Tennessee Valley Consortium. Since 2013, these organizations have</td>
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<td></td>
<td>been coordinate activities and sharing ideas to maximize the overall</td>
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<td>benefit to the Region.</td>
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Of particular importance for ARC in FY 2017 is continuing the implementation of Administration’s Partnerships for Opportunity and Workforce Economic Revitalization (POWER) Initiative in FY 2017. POWER is an interagency effort that invests in robust community partnerships to cultivate economic diversity, enhance job training and re-employment opportunities, create jobs in existing or new industries, and attract new economic opportunities to communities that have previously relied on coal mining, coal-fired power plants, and/or their manufacturing or transportation/logistics supply chains. This industry shift impacts workers and communities who have historically relied on the coal economy as a source of good jobs and economic prosperity.

Initially implemented in FY 2015, the goal of POWER is to align, leverage, and target complementary federal economic and workforce development resources to assist communities and workers negatively impacted by changes in the coal economy. In the first year of the initiative, multiple agencies aligned and leveraged their resources to begin the effort. ARC worked with the Economic Development Administration (EDA), the Department of Labor Employment and Training Administration (ETA), and the Small Business Administration (SBA) to draft a Federal Funding Opportunity (FFO) to solicit and prioritize the selection of applications for projects that integrate various economic and workforce development systems and resources in support of implementing existing economic development strategic plans. ARC invested $443,700 in six projects in four Appalachian states in FY 2015 as part of a total federal POWER investment of more than $14.5 million. Efforts will continue throughout FY 2016 – FY 2017. Successful projects will be large-scale, regional, collaborative, and outcome driven. ARC’s investments will align with those of other agencies participating in the POWER Initiative so as to maximize the economic transformation in coal-impacted communities and regions.

ARC will continue to track progress of its base Area Development program and POWER in completing the mission to bring the Region to socioeconomic parity with the nation, through an index that compares the economic condition of Appalachian counties with all counties in the nation (based on unemployment, per-capita income, and poverty rates). In FY 2016 Appalachia has proportionally more of the economically weakest counties and fewer of the economically strongest counties. Over 25 percent of the nation’s weakest counties are in Appalachia, while the Region has only 2 percent of the nation’s strongest counties—which are often the engines that drive regional economic growth. When this index demonstrates an equal share of counties across each quartile, Appalachia will be at socioeconomic parity with the nation and the mission will be complete.

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5 “Coal economy” is a term that reflects the complete supply chain of coal-reliant industries. This includes, but is not limited to: coal mining, coal-fired power plants, and related transportation, logistics, and supply chain manufacturing.
ARC Strategic Plan

ARC’s Vision
For Appalachia to achieve socioeconomic parity with the nation.

ARC’s Mission
To innovate, partner, and invest to build community capacity and strengthen economic growth in Appalachia.

ARC’s 2016–2020 Strategic Plan was timed to coincide with the 50th anniversary of ARC’s inception in 1965, and was developed following a year-long assessment of socioeconomic trends in Appalachia and a review of past ARC investments completed for the report Appalachia Then and Now: Examining Changes to the Appalachian Region Since 1965. The Commission then launched an intensive process of engaging with local development districts, community leaders, and residents of the Region, as well as with ARC state and Commission staff, to gather input on issues and opportunities critical to Appalachia’s future. With the input from these stakeholders, ARC identified the most significant opportunities for moving the Region’s economy forward and the most important building blocks or capacities that would need to be created or strengthened for those opportunities to be advanced. The message received from more than 3,000 Appalachians committed to helping advance the Region was positive and forward-looking: There is a wide range of new economic opportunities in the Region in growing sectors—including local food systems, tourism, health care, manufacturing, and diversified energy—and the Region has a foundation of strong and valued natural and cultural assets to build on. ARC identified five strategic investment goals and performance measures to advance its mission and measure its work over the next five years.

ARC Strategic Plan Priority Goals:

**Priority Goal 1: Economic Opportunities**

Invest in entrepreneurial and business development strategies that strengthen Appalachia’s economy.

Over the past 50 years, ARC investments, coupled with significant leveraged investments from public- and private-sector partners, have helped improve economic outcomes across the Region. However, work remains to bring the Appalachian Region to economic parity with the rest of the country. Creating opportunities for local ventures by supporting entrepreneurial and business development in existing and emerging sectors can help communities transform their economies. To achieve the greatest impact, ARC’s investments in entrepreneurial development will create and strengthen the ecosystems that provide broad-based support for business development, especially in economically distressed counties and areas. Investments will also support business development targeted to sectors that connect and build on local and regional
assets, have growth potential, and offer better-quality jobs for the Region’s workers. ARC’s investments can also encourage renewed innovation and competitiveness in manufacturing, a regional economic mainstay. ARC’s aim is to support businesses that provide products and services to meet growing national and international demand. ARC will advance all of these efforts in close partnership with federal agencies, the private sector, and regional and national philanthropies.

**Strategic Objectives**

1. **Strengthen entrepreneurial ecosystems and support for existing businesses.**
   Locally owned businesses are important drivers of the Region’s economy. To succeed, these ventures need a strong community environment that encourages and supports entrepreneurship and local business development through technical assistance, incubation and acceleration, capital access, mentoring, networking, business-ownership transition, and other types of support.

2. **Support the startup and growth of businesses, particularly in targeted sectors.**
   In order to compete in a global marketplace, the Region must diversify its economic base. Supporting entrepreneurship and business development in targeted sectors that have growth potential and that build on local and regional assets provides the greatest opportunity for building a strong Appalachian economy. These businesses also offer better job opportunities for Appalachia’s workers. Targeted sectors can include manufacturing, diversified energy, tourism, local food systems, and health care, as well as other sectors with growth potential.

3. **Enhance the competitiveness of the Region’s manufacturers.**
   Appalachia’s historically strong manufacturing sector offers significant potential for growth. Developing networks and supporting innovative manufacturing processes and business plans will enhance the sector’s economic competitiveness.

4. **Promote export strategies to connect start-up and established businesses with external and global markets.**
   Today’s global marketplace gives local businesses the opportunity to sell goods and services on a much broader scale. Demand from outside the Region for both manufactured goods and services has strong potential for growth. Helping Appalachian businesses tap into this growing external demand will contribute to their long-term success.

**Goal 1 Performance Measures**

Goal 1 primarily addresses ARC’s performance targets to create and strengthen businesses, create and retain jobs, and leverage private investment. ARC investments in Goal 1 projects generate additional outcomes tied to specific strategies and activities that contribute to regional success.
Priority Goal 2: Ready Workforce

Increase the education, knowledge, skills, and health of residents to work and succeed in Appalachia.

A healthy, skilled, and ready workforce is a building block for a more prosperous Appalachian Region. Education, particularly postsecondary education, is a key component of the business and entrepreneurial ecosystem and often a primary economic driver. Investments by ARC and its partners aim to connect education, workforce, and business interests in a seamless system that prepares the Region’s young people to succeed in existing and emerging sectors, and creates new opportunities for workers transitioning to new employment. These efforts must begin with strong educational programming and institutions, and ensure that all students have the basic skills, as well as the soft skills, needed for productive employment or entrepreneurship. Particular emphasis will be placed on providing education and training matched to the Region’s current sectors and jobs, while increasing access to advanced skills training for the jobs of the future.

The health status of Appalachia’s residents is also closely tied to the Region’s economic health. A healthy community has increased prospects for business development, civic entrepreneurship, and quality of life. ARC will leverage its resources and partner with other public, private, and nonprofit organizations to advocate for and address—through evidence-based and innovative practices—the challenges posed by poor health conditions, inefficient health-care infrastructure, and other health barriers that keep residents from being active and productive workers.

Strategic Objectives

1. Develop and support educational programs and institutions to prepare students for postsecondary education and the workforce.
   Educational attainment and achievement in Appalachia has improved over the last 50 years; however, more work is needed for the Region to achieve parity with the rest of the nation. It is essential to develop and support early childhood education, as well as primary and secondary programs and institutions, so youth in Appalachia graduate from high school prepared for postsecondary education, training, and entry into the workforce. Investments in postsecondary education—including increased distance learning opportunities, upgraded classroom technology, and improved science facilities—are also needed.

2. Support programs that provide basic and soft-skills training to prepare workers for employment.
   A ready workforce includes workers that have the basic knowledge and skills—such as literacy, numeracy, and problem solving—that are needed to succeed in the workplace. In addition, workers need soft skills—such as communication, time management, and interpersonal skills—in order to obtain and maintain employment. Investing in activities that build the basic and soft skills of Appalachia’s workforce will help retain, attract, and grow businesses in Appalachia.
3. Develop and support career-specific education and skills training for students and workers, especially in sectors that are experiencing growth locally and regionally and that provide opportunities for advancement.

Appalachia’s economy is undergoing transition. New employment opportunities are emerging as the Region’s economic sectors grow and change. However, with these opportunities come new demands on local workers’ skills and knowledge. For workers to take advantage of new employment opportunities they must have access to and engage in career-specific education and skills training that can help them succeed and advance on the job.

4. Increase local residents’ access to STEAM and other skills training on state-of-the-art technology and processes across all educational levels.

A number of emerging sectors in Appalachia, including manufacturing, health care, and energy, require a workforce with strong science, technology, engineering, arts, and math (STEAM) skills. In addition, these sectors require a workforce trained in using cutting-edge technology. For workers to take advantage of employment opportunities in growing sectors, they must have both the foundational knowledge and the relevant technological skills needed to succeed.

5. Improve access to affordable, high-quality health care for workers and their families.

Many parts of Appalachia, particularly economically distressed counties and areas, are underserved by health-care professionals and health-care facilities. Investments that increase access to quality, affordable health care are critical to the Region, as a healthy workforce is essential for Appalachia to compete in today’s economy.

6. Use proven public health practices and establish sustainable clinical services to address health conditions that affect the Region’s economic competitiveness.

The Region’s residents, particularly those in economically distressed counties and areas, experience disproportionately high rates of chronic disease, reducing workforce participation and productivity. The Region must invest in proven strategies to reduce those disparities while innovating to meet the unique needs of Appalachia. Initiatives that improve the health of the Region’s residents will help ensure a ready and able workforce, increasing the Region’s overall economic competitiveness.

7. Develop and support sustainable programs that remove barriers to participating in the workforce.

A number of factors—such as access to reliable transportation, affordable elder or child care, and health services—can affect workforce participation. Developing and supporting programs that are specifically designed to reduce employment barriers and increase workforce participation will help ensure a ready and able workforce in Appalachia.

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**Goal 2 Performance Measures**

Goal 2 primarily addresses ARC’s performance target to educate and prepare students and workers to participate in the Region’s economic opportunities. ARC investments generate additional outcomes tied to specific strategies and activities that contribute to regional success.
Priority Goal 3: Critical Infrastructure

Invest in critical infrastructure—especially broadband; transportation, including the Appalachian Development Highway System; and water/wastewater systems.

ARC investments in infrastructure have helped reduce the Region’s isolation, spur economic activity, and improve public health and safety. In order to compete in the global economy, Appalachia must continue to develop and improve the infrastructure necessary for economic development, including broadband and telecommunications; basic infrastructure, such as water and wastewater systems; diversified energy; housing; and transportation, including the Appalachian Development Highway System (ADHS). ARC will also support investments in multi-modal transportation systems that strengthen connections to regional, national, and global markets.

ARC infrastructure investments will address local community needs as well as strategic, innovative approaches to economic development. ARC will provide leadership in helping communities develop long-term plans for effective development and deployment of the infrastructure needed to support economic competitiveness and quality of life. To create the greatest impact, ARC will leverage resources and bring together government agencies and the private sector to build the critical infrastructure needed to strengthen the Region’s economy.

Strategic Objectives:

1. Promote the productive and strategic use of broadband and other telecommunications infrastructure throughout the Region to increase connectivity and strengthen economic competitiveness.

Telecommunications infrastructure can help reduce Appalachia’s isolation and connect its communities with information and markets around the world. But many of the Region’s communities, particularly those in distressed counties and areas, lack access to reliable and affordable telecommunications infrastructure. Investing in telecommunications for these communities, and supporting its productive use, will help strengthen Appalachia’s economic competitiveness.

2. Ensure that communities have adequate basic infrastructure to implement their community and economic development objectives.

Communities need adequate water and wastewater systems, diversified energy sources, and quality affordable housing to sustain businesses, generate jobs, protect public health, and ensure a basic standard of living for residents. Many Appalachian communities continue to lack this basic infrastructure, compromising their ability to pursue broad community economic development objectives. Investing in basic infrastructure that can help advance local community and economic objectives is an investment in the economic potential of the Region, as well as in the health of its residents.

3. Support the construction and adaptive reuse of business-development sites and public facilities to generate economic growth and revitalize local economies.
Communities must have adequate sites and facilities, tailored to the specific needs of the Region’s growing sectors, in order to sustain and grow the businesses that generate local jobs. Investing to create and improve technology centers, incubators, shared work spaces, and commercial, industrial, health-care, creative, and educational sites and facilities, and to reclaim and reuse brownfields, is an important community economic development strategy.

4. Complete the Appalachian Development Highway System and construct local access roads to strengthen links between transportation networks and economic development. Investment in the Appalachian Development Highway System has significantly reduced the Region’s isolation and opened up opportunities for economic growth. Completing the remaining portions and constructing local access roads will further connect the Region to strategic regional, national, and global economic opportunities.

5. Invest in intermodal transportation planning and infrastructure that builds on the ADHS and maximizes the Region’s access to domestic and international markets. In order to compete in a global economy, Appalachia must have reliable access to domestic and international markets. Connecting the ADHS to rail, waterway, and aviation routes can help link Appalachian businesses to regional, national, and international markets.

**Goal 3 Performance Measures**

Goal 3 primarily addresses ARC’s performance target to increase access to improved infrastructure for businesses and households. ARC investments generate additional outcomes tied to specific strategies and activities that contribute to regional success.

**Priority Goal 4: Natural and Cultural Assets**

Strengthen Appalachia’s community and economic development potential by leveraging the Region’s natural and cultural heritage assets.

Appalachia’s natural and cultural heritage assets are significant building blocks for a more prosperous future. They contribute to a sense of identity for Appalachians and provide the basis for sustainable, place-based economic development in many current and emerging sectors. Investments in natural and cultural assets can catalyze other economic development activities in the Region, including the growth of entrepreneurial ventures and high-tech companies, and create an environment that helps attract and retain workers. ARC has an opportunity to promote community and regional planning that takes a long-term view of local assets and emphasizes the balanced use of those assets to generate sustainable economic benefits for local communities.

ARC will work with partners to leverage the productive use of these assets in support of existing and emerging economic opportunities throughout the Region. The restoration and development of natural and cultural assets has the potential to become a critical economic driver, particularly in economically distressed counties and areas.
Strategic Objectives:

1. Preserve and strengthen existing natural assets in support of economic opportunities that generate local and regional benefits.
   Natural assets, such as forests, land, water, and mountains, provide a strong base for the Appalachian economy. Restoring assets and providing for responsible stewardship of these assets, through activities such as improvement of mine-impacted lands, clean-up of streams and other waterways, and sustainable agriculture and forestry, can unlock even greater economic development potential for the Region.

2. Preserve and strengthen existing cultural assets through strategic investments that advance local and regional economic opportunities.
   The Region’s cultural assets, as much as its natural assets, must be preserved and strengthened in order to fully unlock their development potential. Investments that strengthen cultural assets, such as helping maintain cultural traditions and improving or developing unique historic, artistic, and heritage sites—all of which attract tourists, new residents, and businesses to the Region—should be connected to strategic economic development opportunities.

3. Support strategic investments in natural and cultural heritage resources to advance local economic growth.
   Investing in economic development activities that leverage natural and cultural heritage resources is a recognized way to strengthen local communities and economies. Strategic investment in activities such as developing and connecting regional multi-use trails and cultural heritage sites generates interest from residents and tourists alike and results in substantial economic impact in the Region.

4. Support preservation and stewardship of community character to advance local economic growth.
   Appalachian communities are rich in history and heritage, yet many lack the resources to maintain or strengthen the unique community character that could help them advance their local economy. Strategic investments in downtown redevelopment, gateway communities, historic districts, and other unique community features can help revitalize and enrich local economies.

Goal 4 Performance Measures
Goal 4 primarily addresses ARC’s performance target to create and strengthen businesses through initiatives tied to asset development. Goal 4 also addresses ARC’s performance target to enhance community capacity. ARC investments generate additional outcomes tied to specific strategies and activities that contribute to regional success.
Priority Goal 5: Leadership and Community Capacity

*Build the capacity and skills of current and next-generation leaders and organizations to innovate, collaborate, and advance community and economic development.*

Community economic development is, at its core, an exercise in effective leadership. The future of the Appalachian Region depends on both the current and the next generation of leaders. Investing in leadership development programs and activities and providing access to the resources community leaders need to understand their economic opportunities and the root causes of the challenges they face will help create stronger communities in Appalachia.

To achieve the greatest impact, ARC investments in leadership and community capacity building will aim to help communities create a common vision for local development, and develop and execute an action plan for achieving that vision. The plans will be based on model practices in engaging residents in the visioning and implementation processes and will promote effective collaboration and partnerships across geographic and other boundaries. The development plans that emerge will provide a guide for future investments—from ARC and local, state, federal, and other partners—to capture new economic opportunities and create positive community change.

**Strategic Objectives:**

1. **Develop and support robust inclusive leadership that can champion and mobilize forward-thinking community improvement.**
   Appalachia is undergoing a significant economic transition that calls for innovative leaders who think long-term and offer effective strategies for community improvement. Communities need leadership that reflects their demographics, understands the local economic context, and is skilled in collaboration, consensus building, and community engagement.

2. **Empower and support next-generation leaders and encourage authentic engagement in local and regional economic and community development.**
   Young leaders are critical to the future of Appalachia. Providing the next generation with meaningful leadership and engagement opportunities at the local and regional level will motivate them to stay in the Region—establishing careers, creating businesses, and otherwise contributing to community and economic development.

3. **Strengthen the capacity of community organizations and institutions to articulate and implement a vision for sustainable, transformative community change.**
   Community organizations and institutions are integral parts of local communities. Their leadership can help create and implement a vision for community change. However, in many communities across Appalachia, particularly those in economically distressed counties and areas, community organizations and institutions have limited capacity to engage in long-term community improvement efforts. Support is needed to build organizational resources and skills so these entities can have a greater impact in the community.
4. Support visioning, strategic planning and implementation, and resident-engagement approaches to foster increased community resilience and generate positive economic impacts.

Long-term visioning and strategic planning by local and regional leadership provide a way forward for Appalachian communities as they face economic transition. Including residents in community planning processes is important, as they can identify strategies suited to the local culture and economy. In addition, residents involved in planning and contributing to the creation of a common vision are more likely to support and engage in implementing the vision.

5. Develop and support networks, partnerships, and other models of collaboration that catalyze public, private, and nonprofit action for community impact.

It will take many partnerships across business, government, nonprofit, and philanthropic organizations to advance Appalachia’s economy. These collaborations attract investments and produce greater impacts, helping move the Region’s economy forward.

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**Goal 5 Performance Measures**

Goal 5 primarily addresses ARC’s performance target to strengthen leaders and enhance community capacity. ARC investments generate additional outcomes tied to specific strategies and activities that contribute to regional success.
## ARC Area Development Program
### Performance Targets

Based on annual appropriation of $70 million
(Subject to final allocation by the Commission)

<table>
<thead>
<tr>
<th>Priority Goal</th>
<th>Investment Strategy</th>
<th><strong>Annual Performance Target</strong></th>
<th><strong>Five-Year Performance Target</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$13M Economic Opportunities</strong></td>
<td>Invest in entrepreneurial and business development strategies that strengthen Appalachia’s economy</td>
<td>2,500 Businesses created or strengthened</td>
<td>112,500 Businesses created or strengthened</td>
</tr>
<tr>
<td></td>
<td></td>
<td>20,000 Jobs created or retained</td>
<td>100,000 Jobs created or retained</td>
</tr>
<tr>
<td><strong>$17M Ready Workforce</strong></td>
<td>Improve the education, knowledge, skills, and health of residents to work and succeed in Appalachia.</td>
<td>22,000 students, workers, and leaders improved</td>
<td>110,000 students, workers, and leaders improved</td>
</tr>
<tr>
<td><strong>$25M Critical Infrastructure</strong></td>
<td>Invest in critical infrastructure—especially broadband; transportation, including the Appalachian Development Highway System; an water/wastewater systems</td>
<td>22,000 businesses and households with access to improved infrastructure</td>
<td>110,000 businesses and households with access to improved infrastructure</td>
</tr>
<tr>
<td><strong>$1.2M Natural and Cultural Assets</strong></td>
<td>Strengthen Appalachia’s community and economic development potential by leveraging the Region’s natural and cultural heritage assets.</td>
<td>250 communities with enhanced capacity</td>
<td>1,250 communities with enhanced capacity</td>
</tr>
<tr>
<td><strong>$1M Leadership Capacity</strong></td>
<td>Build the capacity and skills of current and next-generation leaders and organizations to innovate, collaborate and advance community and economic development.</td>
<td>6 to 1 Leveraged Private Investment</td>
<td></td>
</tr>
</tbody>
</table>
### SUMMARY OF ACHIEVEMENTS

**Performance Goals and Results for Fiscal Year 2015 Projects**

<table>
<thead>
<tr>
<th>ANNUAL PERFORMANCE GOALS</th>
<th>FISCAL YEAR 2015 INTERMEDIATE ESTIMATES</th>
<th>RESULTS ACHIEVED</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Jobs and Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outcome Goal: 20,000 jobs created or retained</td>
<td>23,032 jobs created or retained</td>
<td>Exceeded goal</td>
</tr>
<tr>
<td>Leverage Goal: Achieve a 4:1 ratio of leveraged private investment to ARC investment for projects in General Goal 1</td>
<td>Achieved a 6:1 ratio</td>
<td>Exceeded goal</td>
</tr>
<tr>
<td>Targeting Goal: Direct 50% of grant funds to benefit distressed counties or areas for projects in General Goal 1</td>
<td>Directed 51% of funds*</td>
<td>Met goal</td>
</tr>
<tr>
<td><strong>Competitiveness</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outcome Goal: 20,000 students/trainees with improvements</td>
<td>23,123 students/trainees with improvements</td>
<td>Exceeded goal</td>
</tr>
<tr>
<td>Matching Goal: Achieve a 1:1 ratio of non-ARC to ARC investment for projects in General Goal 2</td>
<td>Achieved nearly a 1:1 ratio</td>
<td>Met 78% of goal</td>
</tr>
<tr>
<td>Targeting Goal: Direct 50% of grant funds to benefit distressed counties or areas for projects in General Goal 2</td>
<td>Directed 78% of funds*</td>
<td>Exceeded goal</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outcome Goal: 20,000 households served</td>
<td>25,593 households served</td>
<td>Exceeded goal</td>
</tr>
<tr>
<td>Matching Goal: Achieve a 2:1 ratio of non-ARC to ARC investment for projects in General Goal 3</td>
<td>Achieved a 3:1 ratio</td>
<td>Exceeded goal</td>
</tr>
<tr>
<td>Targeting Goal: Direct 50% of grant funds to benefit distressed counties or areas for projects in General Goal 3</td>
<td>Directed 78% of funds*</td>
<td>Exceeded goal</td>
</tr>
<tr>
<td><strong>Highways</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outcome Goal: 25 additional miles (net increase) of the ADHS opened to traffic</td>
<td>Opened 11.4 additional miles (net increase) of the ADHS to traffic</td>
<td>Met 46% of Goal</td>
</tr>
</tbody>
</table>

*In FY 2015, 72 percent of total grant funds were directed to projects that benefit distressed counties or areas. Project funds are included if the project primarily or substantially benefits distressed counties or areas.*

**Note:** The results listed above for FY 2015 reflect the final year of a prior strategic plan. Goals and outcomes differ slightly from the targets reported in prior sections of this document.
MAJOR PROGRAM JUSTIFICATION:
AREA DEVELOPMENT
(Presented in two sections)
The Federal Co-Chair of the ARC requests $120 million in the Area Development Program and the associated administrative costs. This request is presented in two parts in the pages that follow. The first section reflects a $70 million request for the base Area Development activities. This represents level funding with the amount appropriated to the base program in FY 2016. The second section reflects a $50 million request to further the Administration’s POWER Initiative in the Appalachian Region. This funding is also level with the amount appropriated by Congress for this activity in FY 2016.

<table>
<thead>
<tr>
<th>Summary of Recent Funding History</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Enacted</th>
<th>2017 President’s Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Area Development Program</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Base Program</strong></td>
<td>70.0</td>
<td>70.0</td>
<td>70.0</td>
</tr>
<tr>
<td><strong>Program for high-speed broadband deployment</strong></td>
<td>10.0</td>
<td>10.0</td>
<td></td>
</tr>
<tr>
<td><strong>Program for a workforce development program</strong></td>
<td>10.0</td>
<td>16.0</td>
<td></td>
</tr>
<tr>
<td><strong>POWER Initiative</strong></td>
<td></td>
<td>50.0</td>
<td>50.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>90.0</td>
<td>146.0</td>
<td>120.0</td>
</tr>
</tbody>
</table>
The Federal Co-Chair of the ARC requests $70 million for its base activities in the Area Development Program and the associated administrative costs. This represents level funding with the amount appropriated by Congress in FY 2016. Table 1 outlines recent ARC Appropriation history.

Table 1 History of ARC Appropriations for Base Program

<table>
<thead>
<tr>
<th>Year</th>
<th>Appropriation</th>
<th>2015 Actual</th>
<th>2016 Enacted</th>
<th>2017 President’s Budget</th>
<th>Change from 2016 Enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$70.0</td>
<td>$70.0</td>
<td></td>
<td>$70.0</td>
<td>$0</td>
</tr>
<tr>
<td>2016</td>
<td>$70.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$70.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The ARC is a federal-state partnership composed of the governors of the 13 Appalachian states and a Federal Co-Chair. The FY 2017 request of $70 million reflects direct program funding for area development, full funding of the administrative costs of the Office of the Federal Co-Chair and the Office of the Inspector General as well as 50 percent of the administrative costs associated with the non-federal professional staff that report jointly to the Federal Co-Chair and states. The request includes modest support to the 73 Local Development Districts in the Region whose role is to provide bottom-up support for the program. Table 2 below details the allocation of funds by goal area for direct program funding, support of the Local Development Districts, and ARC administrative expenses. These funds will be heavily targeted to designated distressed counties and areas in Appalachia.

Table 2
Summary of FY2017 Request by Strategic/Performance Goal ($ Millions)

<table>
<thead>
<tr>
<th>Priority Goal</th>
<th>Program Funding</th>
<th>Local Development Districts</th>
<th>Salaries &amp; Expenses</th>
<th>Total Request</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority Goal 1: Increase Economic Opportunities</td>
<td>13.0</td>
<td>1.5</td>
<td>1.7</td>
<td>16.2</td>
</tr>
<tr>
<td>Priority Goal 2: Strengthen a Ready Workforce</td>
<td>17.0</td>
<td>1.2</td>
<td>2.1</td>
<td>20.3</td>
</tr>
<tr>
<td>Priority Goal 3: Develop Critical Infrastructure</td>
<td>25.0</td>
<td>2.8</td>
<td>1.9</td>
<td>29.7</td>
</tr>
<tr>
<td>Priority Goal 4: Strengthen Natural and Cultural Assets</td>
<td>1.2</td>
<td>.3</td>
<td>.2</td>
<td>1.7</td>
</tr>
<tr>
<td>Priority Goal 5: Build Leadership Capacity</td>
<td>1.0</td>
<td>.5</td>
<td>.6</td>
<td>2.1</td>
</tr>
<tr>
<td>Total Base Program Current Request</td>
<td>57.2</td>
<td>6.2</td>
<td>6.5</td>
<td>70.0</td>
</tr>
</tbody>
</table>
Priority Goal 1: Invest in entrepreneurial and business development strategies that strengthen Appalachia’s economy. - $13.0 Million

Appalachia’s economic vitality and stability require a more diversified regional economy. Over the past 50 years, ARC investments, coupled with significant leveraged investments from public- and private-sector partners, have helped improve economic outcomes across the Region. However, work remains to bring the Appalachian Region to economic parity with the rest of the country. Creating opportunities for local ventures by supporting entrepreneurial and business development in existing and emerging sectors can help communities transform their economies particularly in areas that have been adversely impacted by the downturn of the manufacturing and the coal industry.

To achieve the greatest impact, ARC’s investments in entrepreneurial development will create and strengthen the ecosystems that provide broad-based support for business development, especially in economically distressed counties and areas. Investments will also support business development targeted to sectors that connect and build on local and regional assets, have growth potential, and offer better-quality jobs for the Region’s workers. ARC’s investments can also encourage renewed innovation and competitiveness in manufacturing, a regional economic mainstay. ARC’s aim is to support businesses that provide products and services to meet growing national and international demand. ARC will advance all of these efforts in close partnership with federal agencies, the private sector, and regional and national philanthropies.

### Bon Appetit! Appalachia

Working through its 13-state Tourism Advisory Council, ARC developed the Bon Appetit! Appalachia promotional campaign in 2014 with the support of its Tourism Advisory Council, which includes tourism leaders from all 13 Appalachian states. The campaign seeks to capitalize on the Region’s agricultural heritage and burgeoning local food movement to increase tourism in the Region by promoting local farms, farmers markets, restaurants, and other culinary destinations to targeted audiences. The effort includes a social media marketing “cookbook” and facilitated training workshops to help food and farm entrepreneurs reach new customers; a coordinated social media campaign; and a print and Web-based map highlighting the most distinctive local food destinations throughout Appalachia. The interactive Web site features approximately 650 destinations across the Region, including the Happy Cow Creamery in Pelzer, South Carolina, and averages 25,000 unique Web visitors a month. The campaign has generated extensive coverage of Appalachia’s culinary traditions and food destinations by the Wall Street Journal and other publications, and is expanding, with local, state, and ARC support.

**In FY 2017, ARC will:**

- Continue to address the Administration’s focus on the diversification of the Appalachian economy through interagency collaboration on the White House Rural Council and the
Appalachian Regional Development Initiative and develop the Emerging Opportunities framework.

- Assist in meeting the goals of President’s Made in Rural America Export and Investment Initiative, by promoting export development by increasing the number of firms engaged in exporting and increasing the volume of exported goods and services.

- Continue to technical assistance and financial support to Appalachian communities participating in the Administration’s Investing in Manufacturing Partnership Imitative.

- Identify opportunities to provide access to capital especially in the area of micro-lending. Emphasis will be placed on attracting partnerships with philanthropic organizations.

- Promote development in conjunction with the state of Kentucky’s Shaping Our Appalachian Region Initiative (SOAR).

- Partner with federal agencies to address the needs of the 8-county area in southeastern Kentucky that the Administration designated a Promise Zone.

**Priority Goal 2: Increase the education, knowledge, skills, and health of residents to work and succeed in Appalachia. - $17.0 Million**

A healthy, skilled, and ready workforce is a building block for a more prosperous Appalachian Region. Education, particularly postsecondary education, is a key component of the business and entrepreneurial ecosystem and often a primary economic driver. Investments by ARC and its partners aim to connect education, workforce, and business interests in a seamless system that prepares the Region’s young people to succeed in existing and emerging sectors, and creates new opportunities for workers transitioning to new employment. These efforts must begin with strong educational programming and institutions, and ensure that all students have the basic skills, as well as the soft skills, needed for productive employment or entrepreneurship. Particular emphasis will be placed on providing education and training matched to the Region’s current sectors and jobs, while increasing access to advanced skills training for the jobs of the future.

The health status of Appalachia’s residents is also closely tied to the Region’s economic health. A healthy community has increased prospects for business development, civic entrepreneurship, and quality of life. ARC will through its Appalachian Health Advisory Council composed of state rural health directors, academics, local health care practitioners, and economic development officials, to
develop strategies to address current and emerging health issues. ARC will continue to work with partners such as the Centers for Disease Control to leverage its resources and partner with other public, private, and nonprofit organizations to advocate for and address—through evidence-based and innovative practices—the challenges posed by poor health conditions, inefficient health-care infrastructure, and other health barriers that keep residents from being active and productive workers.

**CDC Cancer Patient Navigation Partnership**

Cancer incidence and mortality rates are higher for residents of Appalachia than rates for the rest of the nation. In partnership with the Center for Disease Control’s Division of Cancer Prevention and Control (CDC), ARC made a grant in both 2014 and 2015 to The University of Kentucky’s Prevention Research Center (UK) has requested funding for its effort to develop Cancer Patient Navigation programs for the Appalachian Region. With ARC and CDC support, UK and its partners are establishing an infrastructure for patient navigation training, deploying training services in five Appalachian states, and coordinating services with CDC-funded breast, cervical, and colorectal cancer screening sites in the Region. Training will be based on well-regarded models, but tailored to the context of rural, economically distressed Appalachian communities. Initially, the program will work in Kentucky, Pennsylvania, Tennessee, Virginia, and West Virginia.

**In FY 2017 ARC will:**

- Continue to address the Administration’s focus on the diversification of the Appalachian economy through interagency collaboration on the White House Rural Council and the Appalachian Regional Development Initiative and develop the Emerging Opportunities framework.

- Provide regional leadership to increase the college attendance rate in Appalachia, especially in distressed areas.

- Build the capacity of the Region’s Community Colleges to better address current workforce training requirements and encourage entrepreneurship.

- Expand worker skills in science, technology, engineering, and mathematics (STEM) and promote the Administration’s Tech Hire Initiative.

- Enhance school readiness and high school completion through partnerships with the Department of Energy, Department of Education, National Science Foundation, and other agencies.

- Promote workforce training for high growth industries.

- Continue partnerships with the Bristol-Myers Squibb Foundation, CDC, the Robert Wood Johnson Foundation, medical centers, and health care organizations to address gaps
through screening, prevention, and control programs, especially in distressed counties.

- Support telemedicine as a means of universal access to comprehensive health care.
- Support partnership initiatives addressing the link between food and health issues.
- Promote development in conjunction with the state of Kentucky’s Shaping Our Appalachian Region Initiative (SOAR).
- Increase the supply of health professionals in underserved communities through collaborating with the Region’s medical schools and other health profession institutions.

**Priority Goal 3: Invest in critical infrastructure—especially broadband; transportation, including the Appalachian Development Highway System; and water/wastewater systems. - $25.0 Million**

ARC investments in infrastructure have helped reduce the Region’s isolation, spur economic activity, and improve public health and safety. In order to compete in the global economy, Appalachia must continue to develop and improve the infrastructure necessary for economic development, including broadband and telecommunications; basic infrastructure, such as water and wastewater systems; diversified energy; housing; and transportation, including the Appalachian Development Highway System (ADHS). ARC will also support investments in multi-modal transportation systems that strengthen connections to regional, national, and global markets. ARC infrastructure investments will address local community needs as well as strategic, innovative approaches to economic development. ARC will provide leadership in helping communities develop long-term plans for effective development and deployment of the infrastructure needed to support economic competitiveness and quality of life. To create the greatest impact, ARC will leverage resources and bring together government agencies and the private sector to build the critical infrastructure needed to strengthen the Region’s economy.

Many Appalachian communities lack basic infrastructure services that others take for granted. Residents are forced to haul water from springs or rain barrels and homes lack sewers or septic tanks so they “straight pipe” their untreated waste directly to streams. ARC assists with the development of basic infrastructure through highly leveraged and collaborative funding of projects, with an emphasis on essential clean water and waste disposal in distressed counties and promotion of cost-effective approaches to rural infrastructure design and financing. Supplemental funding authority in the Appalachian Regional Development Act is historically a tool for effective use of ARC funds in combination with USDA, EDA, HUD, EPA, DOT, and other national providers. In FY
2013 HDR Decision Economics completed a program evaluation of ARC infrastructure projects and determined from the sample of 37 projects, a total of 27,488 households were served, more than double the projections provided in the original applications. Approximately 35 percent of the projects would not have occurred without the contributions from the ARC.6

A significant gap in high-speed telecommunications exists between Appalachia and the rest of the country that continues to hinder competitiveness and economic growth. For example, recent study called "Exploring the Digital Nation" shows that 59 percent of West Virginia households subscribe to high-speed Internet. That's the eighth-lowest Internet adoption rate among the 50 states.7 ARC has been involved with aspects of telecommunications development in the Region for many years and has maintained a regional initiative to promote broadband Internet access and e-commerce applications. The specific focus of ARC efforts is to prepare the groundwork and develop community readiness to make use of other resources effectively.

In 2015 ARC commissioned an independent evaluation of its telecom projects during the period between FY 2004 and FY 2010. Over the 7-year grant period, ARC granted nearly $41 million to telecommunications and technology programs, which leveraged another $59 million in local, state, and federal funding for a total of approximately $100 million over 322 projects. ARC invested in a wide range of projects in terms of size, grantees, function, beneficiary, and geography. RTI International found that ARC grantees improved 41,000 households; served over 5,000 businesses; created 2,800 jobs; leveraged over $10 million in private investment; and served 286,000 patients, 152,000 students, and 22,500 workers.8

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Data Communications Hotel

Graham County, NC is one of the most isolated counties and has one of the highest unemployment rates in the state. The county has fiber running throughout and several broadband providers but there are still many areas that remain unserved and other areas that are underserved (underserved areas have broadband access but not at high enough speeds and the access is not reliable). Balsam West created a POP (Point of Presence) to serve as a regeneration site for middle mile fiber facilities. Then the Graham County Economic Revitalization team began developing a wireless site which would feed into the POP and allow the transmission of reliable high speed broadband to the town of Robbinsville and the surrounding areas. The downtown business district will gain affordable high speed access for successful business growth. Over 1,200 students, 60-65 businesses and 350-400 residences will have broadband access available from the wireless system when this project is complete.

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7http://www.wvgazette.com/News/201307140029
8http://www.arc.gov/assets/research_reports/ProgramEvaluationofARCTelecommunicationsandTechnologyProjectsFY2004-2010.pdf
Throughout much of its history, Appalachia suffered the economic consequences of physical isolation caused by its rugged terrain. A balanced, integrated, and efficient transportation system is critical to the Region’s future economic success. To address this, Congress authorized construction of the Appalachian Development Highway System (ADHS), a 3,090-mile system of modern highways that connects with the Interstate Highway System. Since 1965, more than $9 billion in federal dollars has been obligated for the 3,090-mile ADHS, which is now 89 percent complete or under construction. Moving Ahead for Progress in the 21st Century (or MAP-21) increased authorized federal funding for ADHS corridors and local access roads from 80 percent share to 100 percent, beginning in 2012 and lasting through 2021. This increase applies to funds apportioned to the ADHS in prior years, in addition to funds apportioned to the states under other highway programs for future years. Appalachia’s strategic location between the eastern seaboard and the Midwest enhances the national value of the ADHS as a transportation asset to channel increasing domestic and international freight traffic between metropolitan centers and trade gateways. The Commission continues its strong commitment to complete the ADHS.

In FY 2017, ARC will:

- Continue to address the Administration’s focus on the diversification of the Appalachian economy through interagency collaboration on the White House Rural Council and the Appalachian Regional Development Initiative and develop the Emerging Opportunities framework.

- Support water resources management and cooperative solutions among providers.

- Promote multi-county approaches and partnerships with the private sector to manage solid waste disposal, water, and waste treatment.

- Promote renewable energy technologies in construction wherever possible.

- Support waste recycling and new disposal technologies.

- Use authority in surface transportation legislation and ARC funds to construct needed access roads.

- Support environmental quality, especially through cleanup of Brownfield areas.

- Expand private sector telecommunications infrastructure through collaboration.

- Continue to provide regional workshops and training in e-commerce and e-government applications to make full use of telecommunications capacity where it is available.
Promote broadband adoption to disadvantaged communities particularly in Central Appalachia.

Promote development in conjunction with the state of Kentucky’s Shaping Our Appalachian Region Initiative (SOAR).

Continue to build the ADHS in close cooperation with state and federal partners as Highway Trust Fund financing becomes available.

Consider any necessary changes in terminal points or alignments within the system.

Priority Goal 4: Strengthen Appalachia’s community and economic development potential by leveraging the Region’s natural and cultural heritage assets. - $1.2 Million

Appalachia’s natural and cultural heritage assets are significant building blocks for a more prosperous future. They contribute to a sense of identity for Appalachians and provide the basis for sustainable, place-based economic development in many current and emerging sectors. Investments in natural and cultural assets can catalyze other economic development activities in the Region, including the growth of entrepreneurial ventures and high-tech companies, and create an environment that helps attract and retain workers.

ARC has an opportunity to promote community and regional planning that takes a long-term view of local assets and emphasizes the balanced use of those assets to generate sustainable economic benefits for local communities. ARC will work with partners such as the National Endowment for the Arts to leverage the productive use of these assets in support of existing and emerging economic opportunities throughout the Region. The restoration and development of natural and cultural assets has the potential to become a critical economic driver, particularly in economically distressed counties and areas.

Working Together to Invest in Cultural Heritage Resources

The Crooked Road, Virginia’s 330-mile heritage music trail, represents collaboration with more than 100 state, regional, and local government entities, nonprofit organizations, and private-sector partners. It showcases the uniqueness and vitality of the area’s heritage music. 'Round the Mountain is a regional artisan network of more than 550 artisans, craft venues, and agritourism businesses centered around Heartwood, a 29,000-square-foot artisan gateway in Abingdon, Virginia, that serves as a sales center for local crafts and a hub for this unique economic development initiative. ARC has invested more than $8 million over 12 years in research, marketing, heritage site improvement, and youth-development programs. Over time, the region's economy has come to life. From 2004 to 2012, the region saw a nearly $300 million increase in annual travel expenditures and significant growth in local lodging and meal tax revenues.
In FY 2017, ARC will:

- Continue to address the Administration’s focus on the diversification of the Appalachian economy through interagency collaboration on the White House Rural Council and the Appalachian Regional Development Initiative and develop the Emerging Opportunities framework.

- Restore assets and providing for responsible stewardship of these assets, through activities such as improvement of mine-impacted lands, clean-up of streams and other waterways, and sustainable agriculture and forestry, to unlock economic development potential.

- Strengthen cultural assets, unique historic, artistic, and heritage sites in order to attract tourists, new residents, and businesses to the Region.

- Make strategic investments in downtown redevelopment, gateway communities, historic districts, and other unique community features can help revitalize and enrich local economies.

- Promote development in conjunction with the state of Kentucky’s Shaping Our Appalachian Region Initiative (SOAR).

Priority Goal 5:  **Build the capacity and skills of current and next-generation leaders and organizations to innovate, collaborate, and advance community and economic development.** - $1.0 Million

Community economic development is, at its core, an exercise in effective leadership. The future of the Appalachian Region depends on both the current and the next generation of leaders. Investing in leadership development programs and activities and providing access to the resources community leaders need to understand their economic opportunities and the root causes of the challenges they face will help create stronger communities in Appalachia.

To achieve the greatest impact, ARC investments in leadership and community capacity building will aim to help communities create a common vision for local development, and develop and execute an action plan for achieving that vision. The plans will be based on model practices in engaging residents in the visioning and implementation processes and will promote effective collaboration and partnerships across geographic and other boundaries. The development plans that emerge will provide a guide for future investments—from ARC and local, state, federal, and other partners—to capture new economic opportunities and create positive community change.
Facilitating Community-Wide Development with Small Grants

The West Virginia Flex-E-Grant Program, a joint effort of ARC, the Claude Worthington Benedum Foundation, and local investors, provides grants of up to $10,000 to strengthen local leadership, enhance civic engagement, and build organizational capacity across economically distressed, at-risk, and transitional counties in the state. Over 13 years, ARC investments of $2.8 million and the foundation's investments of $1.6 million have helped build community leadership and promote economic development opportunities. In Sutton, West Virginia, community members used their grant to identify local assets and develop a common vision for their economic future. They defined arts, recreation, and historic preservation as key economic drivers for their community and developed a strategic economic development plan to advance their mission, vision, and goals. This process enabled them to participate in the ON TRAC community project, an initiative of the Main Street West Virginia program, which fosters economic development through historic preservation.

In FY 2017, ARC will:

- Continue to address the Administration’s focus on the diversification of the Appalachian economy through interagency collaboration on the White House Rural Council and the Appalachian Regional Development Initiative and develop the Emerging Opportunities framework.

- Develop and support robust inclusive leadership that can champion and mobilize forward-thinking community improvement.

- Strengthen cultural assets, unique historic, artistic, and heritage sites in order to attract tourists, new residents, and businesses to the Region.
The Federal Co-Chair of the Appalachian Regional Commission (ARC) requests $50 million to continue implementation of the Administration’s Partnerships for Opportunity and Workforce Economic Revitalization (POWER) Initiative in FY 2017. This represents level funding with the amount enacted Congress for this activity in FY 2016. POWER is an interagency effort that will invest in robust community partnerships to cultivate economic diversity, enhance job training and re-employment opportunities, create jobs in existing or new industries, and attract new economic opportunities to communities that have previously relied on coal mining, coal-fired power plants, and/or related supply chain industries. This industry shift impacts workers and communities who have historically relied on the coal economy as a source of good jobs and economic prosperity.

Communities that are negatively impacted by this national market transition away from coal as the primary fuel source in the power sector face significant challenges as the economy transitions. The U.S. Energy Information Administration estimates that thermal coal production in Central Appalachia will drop 70.8 percent from its 2011 level by 2020. This decline affects not only mining jobs, but also power plant and supply chain employment as well. Recently, CSX Transportation, Inc. announced that 180 jobs would be cut at its Corbin, KY facility, only days after laying off 270 employees, most of the workers at the Erwin train yard in Unicoi County, TN. With coal economy employment in decline, these workers are searching for other opportunities to support their families, and many without as much as a high school diploma.

Despite these challenges new opportunities for Appalachian entrepreneurs are under development as partnerships between government, business, schools, non-profits and philanthropies are driving innovative approaches to economic transition and development. Angel investors, lenders, and regulators are working together to ensure new businesses have access to capital at all stages of growth. Some businesses are re-shoring their manufacturing resulting in new jobs at home, while other enterprises are finding ways to expand exports and increase local opportunities. In some communities local leaders are helping businesses organize into producer networks to enhance their access to markets, and innovation between industry and educational institutions is driving the creation of new

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9 “Coal economy” is a term that reflects the complete supply chain of coal-reliant industries. This includes, but is not limited to: coal mining, coal-fired power plants, and related transportation, logistics, and supply chain manufacturing.

products and technologies. Broadband availability is reducing isolation and presenting economic opportunities. Appalachia is positioned to be the next great investment opportunity.

In answer to these challenges and opportunities, the Administration directed ARC and other federal agencies to make funds available on a competitive basis for investment in project implementation and strategic planning projects within impacted coal communities and regions. The goal of POWER is to align, leverage, and target complementary federal economic and workforce development resources to assist communities and workers negatively impacted by changes in the coal economy. By aligning and leveraging multiple federal agency program resources, ARC worked with the Economic Development Administration (EDA), the Department of Labor Employment and Training Administration (ETA), and the Small Business Administration (SBA) to draft a Federal Funding Opportunity (FFO) to solicit and prioritize the selection of applications for projects that integrate various economic and workforce development systems and resources in support of implementing existing economic development strategic plans.

ARC invested $443,700 in six projects in four Appalachian states in FY 2015 as part of a total federal POWER investment of more than $14.5 million along with the EDA, ETA, and the SBA. The following table details the projects that ARC funded.

<table>
<thead>
<tr>
<th>Partners</th>
<th>Grantee</th>
<th>ARC Funds</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARC, EDA and ETA</td>
<td>Shaping our Appalachian Region (SOAR), KY</td>
<td>$75,000</td>
<td>To offer advanced training and professional development to regional economic developers through the Kentucky Institute for Economic Development.</td>
</tr>
<tr>
<td>ARC and EDA</td>
<td>Appalshop, KY</td>
<td>$75,000</td>
<td>To develop a comprehensive workforce development program to train workers in southeast Kentucky for careers in the tech industry.</td>
</tr>
<tr>
<td></td>
<td>Friends of Southwest Virginia, VA</td>
<td>$75,000</td>
<td>To continue cultivating the growing tourism and recreation industry in the region through business development.</td>
</tr>
<tr>
<td></td>
<td>Williamson Health and Wellness Center, WV</td>
<td>$75,000</td>
<td>To continue developing the Health Innovation and Food HUB, a business incubator facilitating entrepreneurial development.</td>
</tr>
<tr>
<td></td>
<td>Kentucky Center for Agriculture and Rural Development, KY</td>
<td>$75,000</td>
<td>To provide technical assistance, business planning, and marketing for the Jackson County Regional Food Center in Tyner, Kentucky.</td>
</tr>
<tr>
<td>ARC, SBA</td>
<td>Rural Action, OH</td>
<td>$68,700</td>
<td>To expand social enterprise development and technical assistance to support regional emerging economic sectors such as sustainable forestry.</td>
</tr>
</tbody>
</table>
In FY 2017, ARC will provide $50 million to follow-on the FY 2016 funding of $50 million to partner with other federal agencies for another round of POWER grant competition to stimulate strategic regional development of economic transition activities. The focus of ARC’s POWER initiative will be activities that address the economic and workforce development challenges facing coal-impacted communities in the Appalachian Region as well as technical assistance activities to help these communities develop partnerships and economic development strategies. Projects selected for funding will be large-scale, regional, collaborative, and outcome driven. ARC’s investments will align with those of other agencies so as to maximize the economic transformation in coal-impacted communities and regions. Priority areas include:

- Building a competitive workforce
- Enhancing access to and use of broadband services
- Fostering entrepreneurial activities
- Developing industry clusters in communities

It is anticipated that implementation projects receiving ARC funding will include one or more of the following as their primary outcomes:

- Businesses created or retained
- Jobs created or retained
- Students, workers or leaders with improved capacity
- Businesses or Households with access to improved infrastructure
- Communities with enhanced capacity

Examples of emerging opportunity sectors that could be supported by the POWER initiative are as follows:

**Building a Competitive Workforce:**

In 2015 Hazard Community and Technical College, located in the heart of Kentucky coal country, offered a variety of automotive training programs but the equipment used in the automotive technician and collision repair programs were obsolete by industry standards. ARC supported this institution with a grant to help purchase new equipment for use in both programs. This included basic equipment such as hand tools, air hose reels, car jacks, work lights, etc., but also included technical equipment including scanners, computers, specialized software, a Laser Lock Measurement System and a Hunter Alignment Machine.
Enhancing Access to and Use of Broadband Services:

At the peak of the recent recession, some communities in Garrett County, a rural county in the far western corner of Maryland, lacked adequate access to telecommunications services. ARC helped fund a study that examined options for improving broadband services in the county, and, based on the study’s findings, provided funding for a “last mile” broadband access project that will serve as many as 2,450 businesses and homes in the county. The project, which started in 2013 and is expected to be completed in 2017, uses a wireless spectrum technology that can reach around hills and through foliage—crucial for rural areas. When the broadband system is completed, it will be operated by an Internet service provider that will maintain the service and upgrade the system as needed, through fees generated from users.

Fostering Entrepreneurial Activities:

In a region often characterized by a shortage of support for business growth, the Ohio University Innovation Center (OUIC) is part of a robust entrepreneurial ecosystem in Appalachian Ohio that provides “assistance that can help a company thrive,” according to director Jennifer Simon. Partnering with TechGROWTH Ohio, the East Central Ohio Tech Angel Fund, and Ohio University, OUIC connects entrepreneurs with resources that include investors, technology, business support, executive leadership, and research. Many of the center’s clients, including Third Sun Solar, Ecolibrium Solar, and ECO2Capture, are on the forefront of tech-based clean energy innovations. With 86 percent of its clients still in business, OUIC demonstrates the economic impact a business incubator can have when it focuses its entrepreneurial support services on a promising sector like clean energy.

Developing Industry Clusters in Communities:

Manufacturing is poised to grow again in the Appalachian Region with the help of the Investing in Manufacturing Communities Partnership initiative, led by the National Economic Council with coordinated support from ARC and ten federal agencies. Manufacturing clusters in three Appalachian areas—the Tennessee Valley, northwest Georgia, and Pittsburgh—were among 24 manufacturing communities granted access to over $1 billion in assistance. These clusters were selected because of their workforce and training capacity, advanced research strategies, infrastructure and site-development alignment, existing supply-chain support, export-promotion strategies, and access to capital.

The Pittsburgh cluster, located in the heart of the coal economy, will build on the region’s historic strengths in metals manufacturing by using innovative technologies such as 3D printing, robotics, and advanced materials. Public- and private-sector partners plan to launch an apprenticeship program for workers in manufacturing startups and to create hardware design centers to foster promising product-oriented innovators and encourage "making" as a viable career option.
# ARC Area Development Program – POWER Initiative Performance Targets

Based on annual appropriation of $50 million  
(Estimated Investment Deployment)  
($1 million reserved for administration and program evaluation)

<table>
<thead>
<tr>
<th>Priority Goal</th>
<th>Investment Strategy</th>
<th>Annual Performance Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Opportunities $18.5M</td>
<td>Invest in entrepreneurial and business development strategies that strengthen Appalachia’s economy</td>
<td>1,785 Businesses created or strengthened</td>
</tr>
<tr>
<td></td>
<td></td>
<td>14,285 Jobs created or retained</td>
</tr>
<tr>
<td>Ready Workforce $19.2M</td>
<td>Improve the education, knowledge, skills, and health of residents to work and succeed in Appalachia.</td>
<td>15,714 Students, Workers and Leaders improved</td>
</tr>
<tr>
<td>Critical Infrastructure $11.1M</td>
<td>Invest in critical infrastructure—especially broadband; transportation, including the Appalachian Development Highway System; and water/wastewater systems</td>
<td>15,714 Businesses and Households with access to improved infrastructure</td>
</tr>
<tr>
<td>Natural and Cultural Assets $.7M</td>
<td>Strengthen Appalachia’s community and economic development potential by leveraging the Region’s natural and cultural heritage assets.</td>
<td>178 communities with enhanced capacity</td>
</tr>
<tr>
<td>Leadership Capacity $.5M</td>
<td>Build the capacity and skills of current and next-generation leaders and organizations to innovate, collaborate and advance community and economic development.</td>
<td>6 to 1 Leveraged Private Investment</td>
</tr>
</tbody>
</table>

6 to 1 Leveraged Private Investment
SALARIES & EXPENSES
Appalachian Regional Commission
Salaries and Expenses

The Federal Co-Chair requests $6,519 million for Salaries and Expenses to implement the Area Development program and its associated costs. Table 3 summarizes ARC’s total request for salaries and expenses in for the base program for FY 2017 compared with prior year prior year appropriation history. Please refer to Appendix C for the ARC organizational chart which shows the federal and non-federal staff organization of the Commission.

Table 3
Salaries and Expenses
(Thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2015 Actual</th>
<th>2016 Enacted</th>
<th>President’s Budget</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriation</td>
<td>6,326</td>
<td>6,356</td>
<td>6,519</td>
<td>163</td>
</tr>
</tbody>
</table>

The request for salaries and expenses provides for the full costs of the Office of the Federal Co-Chair, its immediate staff, and a portion of the cost associated with the Office of the Inspector General. The request also includes the 50 percent federal share for administrative expenses of the non-federal Commission staff. Subtotals for appropriations for FY 2017 and prior years can be seen in Table 4.

Table 4
Salaries and Expenses
(Thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2015 Actual</th>
<th>2016 Enacted</th>
<th>2017 President’s Budget</th>
<th>Change</th>
</tr>
</thead>
</table>
| 1. Federal Co-Chair
  Immediate Staff | 1,733       | 1,749        | 1,766                   | 17     |
  Inspector General | 481         | 486          | 544                     | 58     |
  Subtotal:        | 2,214       | 2,235        | 2,310                   | 75     |
| 2. Commission Administrative Expenses (50% federal contribution) | 4,112 | 4,121 | 4,209 | 88 |

Total Request: 6,326 6,356 6,519 163
As required by the Appalachian Regional Development Act, member states collectively contribute the other 50 percent of the Commission’s non-federal staff and related costs.

**Office of the Federal Co-Chair**

The request of $1,766 million for the Office of the Federal Co-Chair provides for an immediate staff of eight positions, with related benefits, rent, travel, services, and other expenses. This includes the estimated cost associated having agencies show the full costs of retirees’ annuities and health benefits.

The Federal Co-Chair’s staff is paid entirely by the federal government and assists in carrying out the Federal Co-Chair’s responsibilities. These include working with federal agencies and chairing an interagency organization as provided in the ARDA; serving as the Commission’s liaison to the Congress and the Administration; representing the Administration in working with the Member states to formulate regional strategies and other policy; and reviewing projects for final approval by the Federal Co-Chair.

<table>
<thead>
<tr>
<th></th>
<th>2015 Actual</th>
<th>2016 Enacted</th>
<th>2017 President's Budget</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Compensation</td>
<td>728</td>
<td>1,025</td>
<td>1,031</td>
<td>6</td>
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<tr>
<td>Personnel Benefits</td>
<td>213</td>
<td>266</td>
<td>269</td>
<td>3</td>
</tr>
<tr>
<td>Travel &amp; Transportation</td>
<td>59</td>
<td>85</td>
<td>85</td>
<td>0</td>
</tr>
<tr>
<td>Rent, Communications</td>
<td>141</td>
<td>160</td>
<td>165</td>
<td>5</td>
</tr>
<tr>
<td>Printing</td>
<td>1</td>
<td>5</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Services</td>
<td>241</td>
<td>187</td>
<td>190</td>
<td>3</td>
</tr>
<tr>
<td>Supplies</td>
<td>7</td>
<td>11</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td>Equipment</td>
<td>1.2</td>
<td>10</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>1,391</strong></td>
<td><strong>1,749</strong></td>
<td><strong>1,766</strong></td>
<td><strong>17</strong></td>
</tr>
</tbody>
</table>

**Office of Inspector General**

The Inspector General Act Amendment of 1988 (P.L. 100-504) requires ARC to maintain an independent Office of Inspector General (OIG). The Dodd-Frank Wall Street Reform and Consumer Protection Act (PL 111-203) Sections 989B and 989D mandated that the Inspector General be responsible to the full Commission. OMB has concurred that ARC is subject to this law; therefore, ARC is implementing a staged transition of this office which had been carried as an admin expense of the Office of the Federal Co-Chair in the past. Table 6 demonstrates administrative costs of the OIG with exception of the salary of the Inspector General which is accounted for in Table 7 with the Non-Federal operating expenses in accordance with Dodd-Frank. The OIG workload includes a variety of headquarters and grantee reviews, inquiries, and investigations that are performed by permanent and contract staff. For certain investigations and legal issues, the OIG uses reimbursable agreements and Memoranda of Understanding with other federal OIGs.
The OIG’s request funds a three-person staff, related expenses, and required contract audit, investigative, training, legal support and support for the Council of the Inspectors General on Integrity and Efficiency as required by the Inspector General Reform Act (PL 110-409) passed by Congress in 2008. This legislation placed increased requirements on the office of each Inspector General. Inspector General activities will continue to emphasize the effectiveness and efficiency of program operations and compliance with laws and regulations affecting grant programs. This includes review and evaluation activities in connection with the *GPRA Modernization Act of 2010*, the Single Audit Act, and GISRA, as well as coordination and cooperation with other oversight offices on crosscutting issues and legislated reviews. Audit activities enable the Commission to produce audited financial statements, as other agencies are required to do under the Accountability of Tax Dollars Act. The request will cover expenses for necessary investigative and legal support, which will be obtained through reimbursable agreements and Memoranda of Understanding with other federal Offices of Inspector General. This budget has been certified by the Inspector General and reflects a request for increased funding to complete increased oversight as the ARC appropriation has increased. Tables 5 and 6 show object class estimates for the request for the Offices of the Federal Co-Chair and the Inspector General, respectively.

![Table 6](image)

**Commission Non-Federal Operating Expenses**

Annual appropriations for ARC fund half of the costs to maintain a professional staff to provide technical support to the states and the federal staff in implementing Commission programs. These funds and an equal contribution from member states are used to pay Commission expenses. Together with prior year balances, these resources finance all non-federal Commission operating expenses.

ARC’s authorizing legislation specifies that Commission staff shall not be considered federal employees for any purpose. Accordingly, these professionals are neither state nor federal employees, even though they work directly for the joint federal-state partnership agency. An Executive Director, who is appointed by the states and the Federal Co-Chair, manages this staff and
is the Chief Executive Officer of the Commission. Table 8 shows the plan for financing Commission operations.

The request would provide minimum operations to support regional planning and programs at the requested level and to manage the approximately 2,000 ARC grants in force. Staff operations have included a significant effort by ARC to assure performance accountability and strong financial management, as well as to implement e-government business processes.

Each year, the states and the Federal Co-Chair must approve the Commission’s operating budget. Following completion of appropriations action, final non-federal staffing decisions are made and must be approved at a Commission meeting of the member states with the Federal Co-Chair. Please refer to Table 7 below which shows ARC Non-Federal Operating Expenses. As a result of this consultative process, final allocations may differ from the estimates of operating expense amounts by object class for 2017.

ARC continues its management goal to develop effective and efficient management systems and processes and to promote a high-performance organizational culture supporting the Strategic Plan. Commission staff will continue to use available resources to promote innovation, improve core competencies and internal communications, enhance technical assistance, and improve monitoring and evaluation of project operations, stress customer service, and deploy affordable technology wherever possible. The IT resources included in this request have been reviewed and approved by the agency Chief Information Officer.

Personnel compensation for Commission staff generally follows that of federal employees in the metropolitan area and benefits are budgeted accordingly. The FY 2017 request reflects costs associated with the Commission’s responsibility for funding its own private pension plan for Commission staff. Periodically, prior year balances are invested to meet the fiduciary requirements of the plan. This budget includes a reduction in the required contribution to the pension plan for FY 2017. Accounts payable and related activities have been transitioned to the US Department of Agriculture and several federally required system administration responsibilities have been outsourced. Additional increases in the services category are attributed to IT modifications. Additionally, the salary of the IG has transitioned to the Commission in accordance with Dodd-Frank Wall Street Reform and Consumer Protection Act as mentioned above. Some expenses for federally required activities have been reallocated to the budget of the Office of the Federal Co-Chair in order to offset the addition to the Commission operating expenses. This is a budget neutral transition for the states and the federal government.

<table>
<thead>
<tr>
<th></th>
<th>2015 Actual</th>
<th>2016 Enacted</th>
<th>2017 President's Budget</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Contribution</td>
<td>4,112</td>
<td>4,121</td>
<td>4,209</td>
<td>88</td>
</tr>
<tr>
<td>Federal Contribution</td>
<td>4,112</td>
<td>4,121</td>
<td>4,209</td>
<td>88</td>
</tr>
<tr>
<td>Total:</td>
<td><strong>8,224</strong></td>
<td><strong>8,242</strong></td>
<td><strong>8,418</strong></td>
<td><strong>176</strong></td>
</tr>
<tr>
<td></td>
<td>2015 Actual</td>
<td>2016 Enacted</td>
<td>2017 President's Budget</td>
<td>Change</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-------------</td>
<td>--------------</td>
<td>-------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>Personnel Compensation</td>
<td>3,984</td>
<td>4,522</td>
<td>4,847</td>
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<td>Personnel Benefits</td>
<td>2,113</td>
<td>2,126</td>
<td>1,911</td>
<td>-215</td>
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<td>Travel &amp; Transportation</td>
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<td>Rent, Communications, Utilities</td>
<td>752</td>
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<tr>
<td>Printing</td>
<td>2</td>
<td>20</td>
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<tr>
<td>Services</td>
<td>535</td>
<td>615</td>
<td>624</td>
<td>9</td>
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<tr>
<td>Supplies</td>
<td>37</td>
<td>35</td>
<td>44</td>
<td>9</td>
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<tr>
<td>Equipment</td>
<td>14</td>
<td>41</td>
<td>48</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>$ 7,566</strong></td>
<td><strong>8,242</strong></td>
<td><strong>8,418</strong></td>
<td><strong>176</strong></td>
</tr>
</tbody>
</table>
PROGRAM ASSESSMENT & EVALUATION
ARC assesses the overall progress of the Region over the long term through special research, fine-grained analyses of decennial census data, and monitoring the number of severely distressed counties over time. That information is essential for understanding remaining gaps between the Region and the rest of the country in terms of jobs, income, educational attainment, and quality of life. In addition to long term assessments, the Commission has conducted a program of performance measurement linked to the Strategic Plan under the GPRA Modernization Act of 2010 process. ARC’s performance measurement program can be discussed in three areas:

- Return on investment, documenting how well ARC leverages other resources;
- Project performance, using data collection and analysis in a management information system validated by site visits to document actual outcomes; and
- Independent project evaluations.

ARC performance is published annually in the Performance and Accountability Report, which is available to the general public on the ARC website.

**Leveraged Public and Private Investment**

ARC has a statutory responsibility to use its advocacy and grant activities to increase investment of public and private funds in the Region. Underinvestment of federal program funds and private sector resources in Appalachia was a fundamental concern when the Commission was founded, and it continues to be a barrier to self-sustained economic growth. Accordingly, the Commission stresses leveraging of all other resources to the maximum extent possible in its grant initiatives and undertakes to regularly monitor leveraging efficiency within and across grant areas by goal. ARC values how well its grants provide seed money for local investments that leverages other federal, state and local funds as well as private funds. For example, an evaluation of infrastructure projects funded by ARC between 1998 and 2004 leveraged total private-sector investment of $1.7 billion. In FY 2015 each dollar of ARC funding across all investment areas leveraged $2.00 in non-ARC funding and leveraged $8.00 in private investment attracted as a result of the project.

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Project Performance

ARC has structured a systematic program of performance measurement for its grants in accordance with the Strategic Plan, and it tracks individual grant information and performance in an intranet database available to program managers. Data elements for specific project grants are linked to the measures in the annual performance plan for each strategic goal. The system not only provides a means to document output and outcome performance for each fiscal year and over time, but also provides management information that strengthens project oversight and troubleshooting. In addition, the system provides a means to identify lessons learned and best practices that can be shared across the Region. Site visits two years after funding are used to validate performance information reported in the project management system, based on a sample of 50–60 projects annually. In FY 2015 ARC commissioned an independent evaluation of the program since inception. Therefore, no project site visits were completed that year as the comprehensive evaluation yielded the necessary information.

Since initiating its project measurement system under GPRA, the Commission has established a solid record of performance. Appendix B includes a summary of many of the measurements used in the past several years for various program objectives.

Independent Evaluations

Closely aligned with project performance tracking is a multi-year plan whereby ARC uses independent or external evaluations to determine how well projects have achieved their objectives. These evaluations place a special emphasis on assessing the utility and validity of output and outcome measures. Results provide important management information to the Commission for policy development purposes. Findings are also made available to state and local organizations that are in a position to affect future programming. Evaluation reports are published by topic area on ARC’s website at [http://www.arc.gov/research](http://www.arc.gov/research).

ARC’s current research agenda includes the following:

**RECENTLY COMPLETED:**

- Economic Impact of the Appalachian Regional Commission examines ARC’s contribution to Appalachia’s economic development since 1965 and documents significant structural and socioeconomic changes to the Appalachian Region during this time period.
- Diversifying Appalachia evaluates economic diversity in Appalachia’s counties, analyzes and compares strategies for successful economic diversification, and customizes a set of policy recommendations and best practices that can be implemented throughout Appalachia.
- Program Evaluation of ARC Investments in Health examines the extent to which ARC health projects have improved patient and community level outcomes in the health arena.
- Analysis of Educational Barriers and Opportunities for College Drop-Outs quantifies and analyzes the magnitude and severity of college drop-outs in Appalachia and identifies strategies for drop-out re-entry.
- Local Food Trends in Appalachia documents food and farm activity in Appalachia to analyze trends and help local stakeholders identify capacity and establish priorities for action.
- Economic Diversification in Appalachia’s Distressed Rural Counties compares strategies for
economic development and identifies factors that contributed to success as well as factors that inhibited growth in Appalachia’s distressed rural counties.

- Program Evaluation of ARC Investments in Education and Training examines how ARC education investments have impacted workforce readiness and access to jobs, information, resources, and technology.
- Assessment of Appalachian Natural Assets: Forests evaluates the contribution made by forests and wood products to sustainable economic growth in the Appalachian Region.
- Assessment of Appalachian Natural Assets: Water develops an inventory of aquatic assets that measures water quantity, quality, value, access, and usage; assess their potential contribution to economic development of the Region; and provide a framework that can help determine their best use.
- Access to Capital and Credit in Appalachia examines recent trends in the availability of capital and credit for small businesses in Appalachia and assesses the impact of strategies to address capital gaps in underserved communities.
- Program Evaluation of ARC Investments in Infrastructure examines how ARC infrastructure projects improved job creation and retention potential, business creation and retention potential, and households served.

IN DEVELOPMENT IN 2016:

- Socioeconomic Overview of Appalachia examines state- and county-level data on population, age, race and ethnicity, housing occupancy and housing tenure, education, labor force, employment and unemployment, income and poverty, and migration patterns for the 13 Appalachian states.
- Program Evaluation of ARC Investments in Telecommunications and Technology evaluates the extent to which ARC’s investments in telecommunications helped Appalachian communities and businesses access educational opportunities, health care services, and entrepreneurship efforts to strengthen economic development.
- Program Evaluation of ARC Investments in Job Creation assesses the impact of ARC’s non-infrastructure job creation and retention investments on local economic development.
APPENDIX A
Designated Distressed and At-Risk Counties

The Commission has targeted special assistance to severely distressed counties in the Region since 1983. For the 2016 program year, there are 93 counties so designated, and they receive a special allocation of one-third of all the ARC grant funds allocated to the states. States invest additional funds in these areas from their allocations under the Area Development program. At the same time, ARC allows up to 80 percent participation in grants in the severely distressed areas, 70 percent to areas considered at-risk of becoming severely distressed, 50 percent in areas considered transitional, 30 percent in areas that are considered competitive, and it virtually eliminates funding to areas that have attained at least parity with the rest of the country.

ARC uses an index-based county economic classification system which closely aligns with the agency mission to achieve economic parity with the nation. The index monitors the economic status of the Appalachian counties relative to all counties in the nation. The Commission’s distress measures: the three-year average unemployment rate, the per capita market income, and the poverty rate are used to compute the index.

Distressed Counties

Distressed counties are determined by taking the worst 10 percent of the nation’s counties and then identifying the Appalachian counties within this part of the worst quartile group.

For FY 2016, 93 counties, or 22 percent of the 420 counties in the Appalachian Region, are designated as economically distressed. This represents a net increase of 3 counties from FY 2015. Counties designated for FY 2016 are as follows:

- **Alabama** (2) – Hale, and Winston
- **Georgia** (3) – Chattooga, Hart, and Murray
- **Kentucky** (38) – Bath, Bell, Breathitt, Carter, Casey, Clay, Clinton, Cumberland, Elliott, Estill, Floyd, Harlan, Hart, Jackson, Johnson, Knott, Knox, Lawrence, Lee, Leslie, Letcher, Lewis, Lincoln, Magoffin, Martin, McCreary, Menifee, Metcalfe, Monroe, Morgan, Owsley, Perry, Powell, Rockcastle, Russell, Wayne, Whitley, and Wolfe
- **Mississippi** (14) – Benton, Chickasaw, Clay, Kemper, Marshall, Montgomery, Noxubee, Oktibbeha, Panola, Prentiss, Tippah, Tishomingo, Webster, and Winston
- **North Carolina** (4) – Cherokee, Graham, Rutherford, and Swain
- **Ohio** (7) – Adams, Athens, Meigs, Morgan, Pike, Scito, and Vinton
- **Tennessee** (15) – Bledsoe, Campbell, Claiborne, Cocke, Fentress, Grundy, Hancock, Johnson, Lewis, Morgan, Pickett, Rhea, Scott, Van Buren, and White
- **Virginia** (1) – Lee
- **West Virginia** (9) – Calhoun, Clay, Gilmer, Lincoln, McDowell, Mingo, Roane, Webster, and Wirt

**At-Risk Counties**
ARC recognizes and closely monitors transitional counties that are “At Risk” of distress. At-risk counties are identified by taking the residual of the worst quartile counties and designating them accordingly.

- **Alabama** (13) – Bibb, Chambers, Cherokee, Clay, Choosa, Dekalb, Fayette, Franklin, Lamar, Macon, Marion, Pickens, and Randolph
- **Georgia** (12) – Elbert, Fannin, Franklin, Gilmer, Gordon, Habersham, Haralson, Heard, Polk, Rabun, White, and Whitfield
- **Kentucky** (12) – Adair, Edmonson, Fleming, Garrard, Green, Laurel, Montgomery, Nicholas, Pike, Pulaski, Robertson, and Russell
- **Mississippi** (7) – Alcorn, Calhoun, Choctaw, Lowndes, Monroe, Union, and Yalobusha
- **North Carolina** (14) – Alleghany, Ashe, Avery, Burke, Caldwell, Clay, Jackson, Macon, McDowell, Mitchell, Surry, Watauga, Wilkes, and Yancey
- **Ohio** (6) – Ashtabula, Highland, Jackson, Monroe, Noble, and Perry
- **Tennessee** (19) – Carter, Claiborne, Clay, Grainger, Greene, Jackson, Jefferson, Lawrence, Macon, McMinn, Meigs, Monroe, Morgan, Overton, Polk, Unicoi, Union, Warren, and White
- **Virginia** (10) – Buchanan, Carroll, Dickenson, Henry, Lee, Patrick, Russell, Scott, Smyth, and Wise
- **West Virginia** (17) – Barbour, Boone, Braxton, Doddridge, Fayette, Hampshire, Hancock, Jackson, Logan, Mason, Mingo, Pocahontas, Tucker, Tyler, Wetzel, Wirt, and Wyoming
County Economic Status in Appalachia, FY 2016

Created by the Appalachian Regional Commission, March 2015
Data Sources:
Income data: U.S. Bureau of Economic Analysis, REIS, 2013
Poverty data: U.S. Census Bureau, American Community Survey, 2009–2013

Effective October 1, 2015 through September 30, 2016
APPENDIX B
Project Performance Review

ARC’s project performance measurement program was designed to accomplish two primary objectives. The first is compliance with the GPRA Modernization Act of 2010 in measuring the outputs and outcomes of ARC projects. The second objective is creation of a process that allowed for both feedback from grantees and analysis of funded projects in an effort to help improve programming.

Measuring project performance involves three components:

- Project data collection and analysis through use of a management information system;
- Site visits to validate actual outcomes of a sample of projects; and
- Independent project evaluations.

These three components together support GPRA reporting and compliance, as well as help ARC glean “lessons learned” from previously funded grants. By structuring the program in this manner, ARC has made the GPRA a management tool and a valuable resource in determining program effectiveness.

Performance results for each of ARC’s goal areas across recent years are presented in the following pages.
# SUMMARY OF ACHIEVEMENTS

## Performance Goals and Results for Fiscal Year 2015 Projects

<table>
<thead>
<tr>
<th>ANNUAL PERFORMANCE GOALS</th>
<th>FISCAL YEAR 2015 INTERMEDIATE ESTIMATES</th>
<th>RESULTS ACHIEVED</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Jobs and Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outcome Goal: 20,000 jobs created or retained</td>
<td>23,032 jobs created or retained</td>
<td>Exceeded goal</td>
</tr>
<tr>
<td>Leveraging Goal: Achieve a 4:1 ratio of leveraged private investment to ARC investment for projects in General Goal 1</td>
<td>Achieved a 6:1 ratio</td>
<td>Exceeded goal</td>
</tr>
<tr>
<td>Targeting Goal: Direct 50% of grant funds to benefit distressed counties or areas for projects in General Goal 1</td>
<td>Directed 51% of funds*</td>
<td>Met goal</td>
</tr>
<tr>
<td><strong>Competitiveness</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outcome Goal: 20,000 students/trainees with improvements</td>
<td>23,123 students/trainees with improvements</td>
<td>Exceeded goal</td>
</tr>
<tr>
<td>Matching Goal: Achieve a 1:1 ratio of non-ARC to ARC investment for projects in General Goal 2</td>
<td>Achieved nearly a 1:1 ratio</td>
<td>Met 78% of goal</td>
</tr>
<tr>
<td>Targeting Goal: Direct 50% of grant funds to benefit distressed counties or areas for projects in General Goal 2</td>
<td>Directed 78% of funds*</td>
<td>Exceeded goal</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outcome Goal: 20,000 households served</td>
<td>25,593 households served</td>
<td>Exceeded goal</td>
</tr>
<tr>
<td>Matching Goal: Achieve a 2:1 ratio of non-ARC to ARC investment for projects in General Goal 3</td>
<td>Achieved a 3:1 ratio</td>
<td>Exceeded goal</td>
</tr>
<tr>
<td>Targeting Goal: Direct 50% of grant funds to benefit distressed counties or areas for projects in General Goal 3</td>
<td>Directed 78% of funds*</td>
<td>Exceeded goal</td>
</tr>
<tr>
<td><strong>Highways</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outcome Goal: 25 additional miles (net increase) of the ADHS opened to traffic</td>
<td>Opened 11.4 additional miles (net increase) of the ADHS to traffic</td>
<td>Met 46% of Goal</td>
</tr>
</tbody>
</table>

*In FY 2015, 72 percent of total grant funds were directed to projects that benefit distressed counties or areas. Project funds are included if the project primarily or substantially benefits distressed counties or areas.

## Investment Summary for FY 2015 Projects

### LEVERAGING, MATCHING, AND TARGETING SUMMARY
**for All ARC Nonhighway Projects**
**Fiscal Year 2015**

<table>
<thead>
<tr>
<th>Project Type</th>
<th>Amount</th>
<th>Ratio Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leveraged private investment</td>
<td>$765,770,662</td>
<td>8:1 ratio of leveraged private investment to ARC investment</td>
</tr>
<tr>
<td>Non-ARC matching project funds</td>
<td>$204,919,462</td>
<td>2:1 ratio of non-ARC project investment to ARC project investment</td>
</tr>
<tr>
<td>ARC project funds targeted to distressed counties or areas</td>
<td>$73,402,111*</td>
<td>72% of total ARC project funds directed to projects that benefit distressed counties or areas</td>
</tr>
</tbody>
</table>

*Project funds are included if the project primarily or substantially benefits distressed counties or areas.
Progress toward ARC Strategic Plan Performance Goals
Fiscal Years 2005–2016

Goal 1: Jobs Created or Retained (Cumulative)

- **Twelve-Year Performance Goal:** 240,000 jobs will be created or retained.

Goal 2: Students/Trainees with Improvements (Cumulative)

- **Twelve-Year Performance Goal:** 240,000 citizens will benefit from enhanced education and job-related skills.

Goal 3: Households Served (Cumulative)

- **Twelve-Year Performance Goal:** 240,000 households will be served with new or improved water and sewer infrastructure.

Goal 4: ADHS Miles Opened to Traffic (Cumulative)

- **Twelve-Year Performance Goal:** 300 additional miles (net increase) of the Appalachian Development Highway System will be opened to traffic.
APPENDIX D

High-Poverty Counties in the Appalachian Region
(Counties with Poverty Rates at Least 1.5 Times the U.S. Average)

1960
295 High-Poverty Counties

2008–Present
107 High-Poverty Counties