

Commonwealth of Virginia Appalachian Regional Commission

20 | ANNUAL STRATEGY 13 | STATEMENT



VIRGINIA DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT
Partners for Better Communities
www.dhcd.virginia.gov

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INTRODUCTION AND BACKGROUND

Introduction

In accordance with Section 5.3 of the Appalachian Regional Commission (ARC) Code, this document will serve as the State of Virginia's Appalachian Regional Commission Annual Strategy Statement. The purpose of the Strategy Statement is to establish a process to set forth goals, objectives, priorities, and policies for Virginia's ARC Region; identify broad statewide issues and needs that the Governor has chosen to address with ARC resources; and prioritize development projects and programs focusing on these key issue areas in the seven Local Development Districts (LDD). The implementation of the Strategy will continue to meet the diverse and changing needs of Virginia's Appalachian Region by targeting and focusing the resources and strategies that mirror ARC's defined goals and objectives, as well as the Governor's goals and objectives defined in the State of Virginia Strategic Plan. More specifically, the Annual Strategy will:

1. Provide a brief description of Virginia's Appalachian development planning process, including the roles of the LDDs and citizens;
2. Give a general profile of Appalachian Virginia, including the Region's identification and description of distressed, at-risk, transitional, competitive and attainment counties and socio-economic profile;
3. Set forth the Governor's goals, objectives, and priorities for the region and identify the needs on which such goals, objectives and priorities are based;
3. Reflect the Commission's Strategic Plan goals and objectives and its guiding principles, and describe the inter-relationship between economic development in the Appalachian portion of the state and the Appalachian Development Highway System corridors located in the state;
4. Set forth the state operating program policies; and
5. Describe the methods used to review proposals of project applicants to ensure an equitable allocation of state contributions for projects to its Appalachian area, and explain the derivation, rationale, and application of such methods.

In accordance with Section 5.4 of the ARC Code, following the state selection process of the FY 2013 program projects and subsequent recommendations to the Commission, the state ARC office will amend the Annual Strategy Statement to include the State's funded projects. This will be completed prior to May 31, 2013.

Background

The Virginian Appalachian Region encompasses twenty-five (25) counties and eight (8) independent cities. This Region is an area of beauty and natural appeal with mountains of hardwood and coal, fertile valleys, plateaus and ridges for agricultural production. There is no shortage of statistics that show the Region is relatively distressed compared to the rest of Virginia: lower levels of educational attainment, higher unemployment rates, lower median family and household incomes, challenges with access to healthcare, and shortage of four-lane highways that connect to Regional Highway Corridors are just some of the indicators. Therefore the State utilizes the ARC program objectives to help address the economic deficiencies that have existed in the region since the decline of the coal mining industry, the off-shoring of many jobs by employment sectors that were traditionally strongholds in this area, such as manufacturing and textiles, and the gradual move away from tobacco production.

Governor Robert F. McDonnell has appointed William C. Shelton as the Director of the Virginia State Department of Housing and Community Development (DHCD), the agency responsible for ARC program administration. Mr. Shelton will serve as the Governor's Alternate to ARC. Ms. Denise Ambrose will serve as ARC Program Managers and be responsible for the program's administration and project implementation. This organizational structure is the most efficient and effective structuring of ARC program administration for Virginia.

DHCD is a leader in the state for the development and implementation of strategies that improve the quality of life in Virginia communities through local and regional planning, community and economic development programs, the availability of affordable housing, and building local leadership capabilities. DHCD is also the administrator of the Small Cities Community Development Block Grant Program, which enables the agency to be in a unique position to coordinate these programs, as well as maintain the working relationships with other funding sources such as Rural Development, Virginia Department of Health (VDH), Economic Development Administration (EDA), the Virginia Tobacco Indemnification Commission (VTIC) and Virginia Resources Authority (VRA). Additionally, DHCD is located in the State Secretariat of Commerce and Trade and maintains a close working relationship with the Virginia Economic Development Partnership and the State Department of Business Assistance.

There are seven Planning District Commissions (PDCs) which serve Virginia's thirty (33) Appalachian cities and counties. West Piedmont Planning District Commission is the latest member, resulting from the addition of two new counties and one city that were formerly outside of the Virginia ARC region. Local participation in the Virginia ARC program is provided directly through these PDCs, which have been designated as Local Development Districts (LDDs) for executing planning and economic development functions for the Appalachian communities. The LDDs serve as a focal point for citizen participation in the ARC program. DHCD and the LDDs interface frequently to develop investment strategies and projects in the ARC program.

Virginia's ARC Region

In Virginia, twenty-five counties and eight independent cities are eligible for in the ARC program. These localities and their economic stress designation are as follows:

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

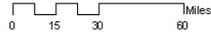
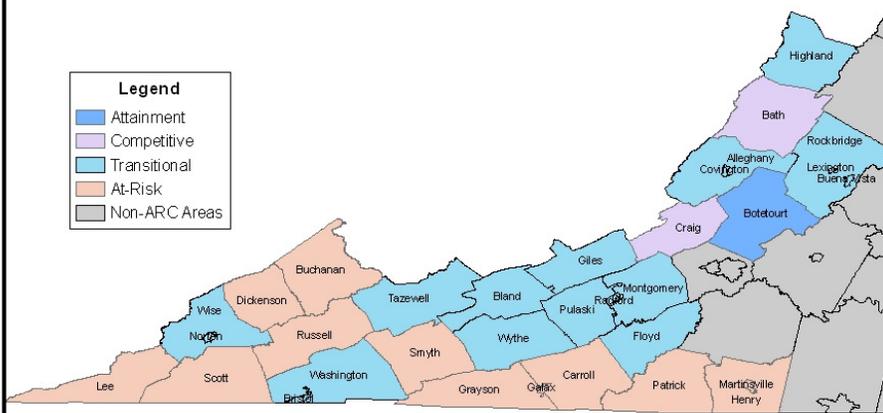
Virginia receives funding from the Appalachian Regional Commission on an annual basis and through special initiatives for distribution in these localities. Virginia prepares a State Strategy on an annual basis which guides its use of ARC funding

Virginia's ARC Program 2013 Economic Status



Legend

- Attainment
- Competitive
- Transitional
- At-Risk
- Non-ARC Areas



THE VIRGINIA ARC REGION DEVELOPMENT PLANNING PROCESS

An input meeting specifically for the PDCs (LDDs) was held on June 6, 2012 to solicit their important feedback on the previous year's Program and to obtain suggestions for the year 2013. The State ARC Program staff consults with the seven LDDs throughout the year regarding project development and implementation.

A general Public Input Session was also conducted on June 7, 2012 in Wytheville, Virginia to solicit comments on Virginia's FY 2013 Annual Strategy Statement and Program Policies. Participants representing LDDs, educational institutions, nonprofit organizations, economic development organizations, public service authorities, and local governments attended. Attendees were asked to give input regarding updating the program. Comments were received on the State's ARC Program policies, priorities, implementation, and project evaluation. The input of those in attendance was useful in preparation of Virginia's FY 2013 ARC Objectives and Strategies.

In addition to these input sessions, the State ARC Program staff conducted a How-to-Apply Workshop to educate interested parties on ARC funding offerings, including Area Development / ARC Asset-Based, Telecommunications, and Energy Initiatives funding.

From time to time Virginia will, in conjunction with its partners in the region, embark on initiatives designed with specific regional foci and outcomes. This is the case with the Southwest Virginia Cultural Heritage Foundation, Heartwood, Southwest Virginia's Artisan Gateway, The Crooked Road: Virginia's Heritage Music Trail effort, the Southwest Virginia Artisans Network, and the Clinch River Development effort. In such cases, Virginia may convene meetings and committees, in conjunction with appropriate LDDs, citizens, sparkplugs, and other appropriate participants to help determine a level of participation and investment through Virginia ARC resources.

Virginia's Local Development Planning Districts

LENOWISCO Planning District Commission
P.O. Box 366
128 LENOWISCO Drive
Duffield, Virginia 24244
Glenn "Skip" Skinner, Executive Director

Cumberland Plateau Planning District Commission
P.O. Box 548
Lebanon, Virginia 24266
Jim Baldwin, Executive Director

Mount Rogers Planning District Commission
1021 Terrace Drive
Marion, Virginia 24354
Michael Armbruster, Executive Director

New River Valley Planning District Commission
6580 Valley Center Drive, Box 21
Radford, Virginia 24141
Kevin Byrd, Executive Director

Roanoke Valley-Alleghany Regional Planning District Commission
P.O. Box 256
Roanoke, Virginia 24010
Wayne G. Strickland, Executive Director

Central Shenandoah Planning District Commission
112 MacTanley Place
Staunton, Virginia 24401
Bonnie Reidesel, Executive Director

West Piedmont Planning District Commission
P.O. Box 5268
1100 Madison Street
Martinsville, Virginia 24115
Aaron Burdick, Executive Director

SOCIAL AND ECONOMIC STATUS OF THE VIRGINIA ARC REGION

Economy

The social and economic assessment of the Virginia Appalachian Region that addressed the region's economic decline has identified lack of population growth, higher unemployment, below average wages, a lack of a technological infrastructure with the capacity to serve commercial/industrial sites as well as residential customers, and a lack of access to health care services. The following is a brief comparative analysis of the state and local economic trends and critical needs in the Appalachian Region of Virginia.

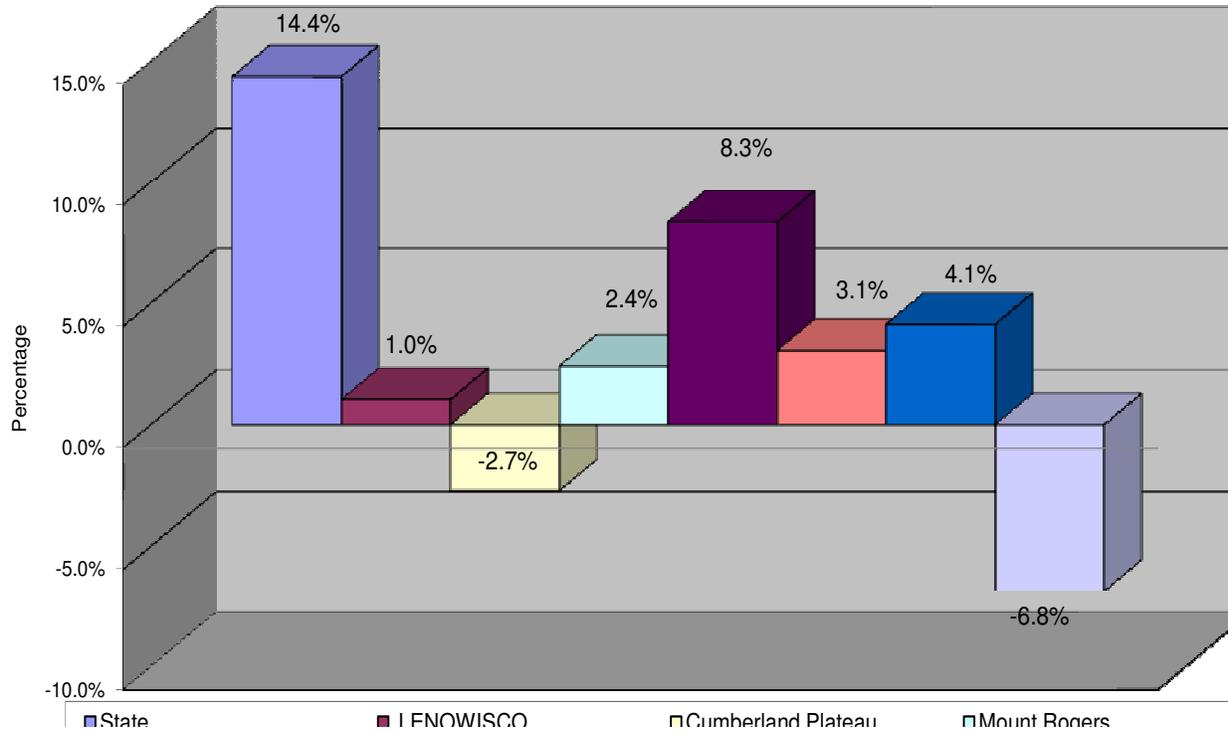
Population

Lagging population growth and in some cases population loss, continue to be issues in Virginia's Appalachian Region. Data estimates for the Planning District Commissions located in the Virginia Appalachian Region indicate the average percentage population increase from 2000-2011 is 1.4% by PDC, while the overall state population grew approximately 14% during the same period. Two Planning District Commissions posted net population losses over this period of time. It is worth noting that sixteen out of 33 localities in the Virginia Appalachian region lost population during that period and none recorded a higher percentage increase in population growth than the statewide average. Buchanan County and the City of Martinsville experienced population losses of greater than 10 percent. Montgomery County with a 13.6 percent increase over this period experienced the greatest growth; this can at least partially be explained by the presence of Virginia Tech, which boasts a student population of close to 30,000 and over 1,300 faculty.

Table 1 shows the population change in the seven Appalachian Planning District Commissions (PDC) and the state.

Table 1

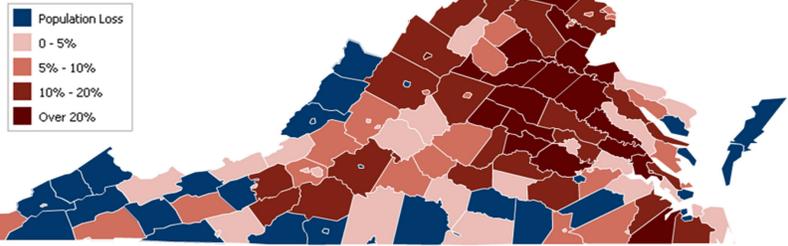
Population Change 2000-2011 - ARC VA and State
(Source: Weldon Cooper Center for Public Service)



As shown below in Table 2, the ARC region of Virginia contains a disproportional number of counties which experienced population loss over the period of 2000-2010.

Table 2
Source: Weldon Cooper Center for Public Service

Population Growth (2000-2010)



Data Source: United States Census Bureau, February 2011 Redistricting Dataset with corrected 2000 population totals

Unemployment

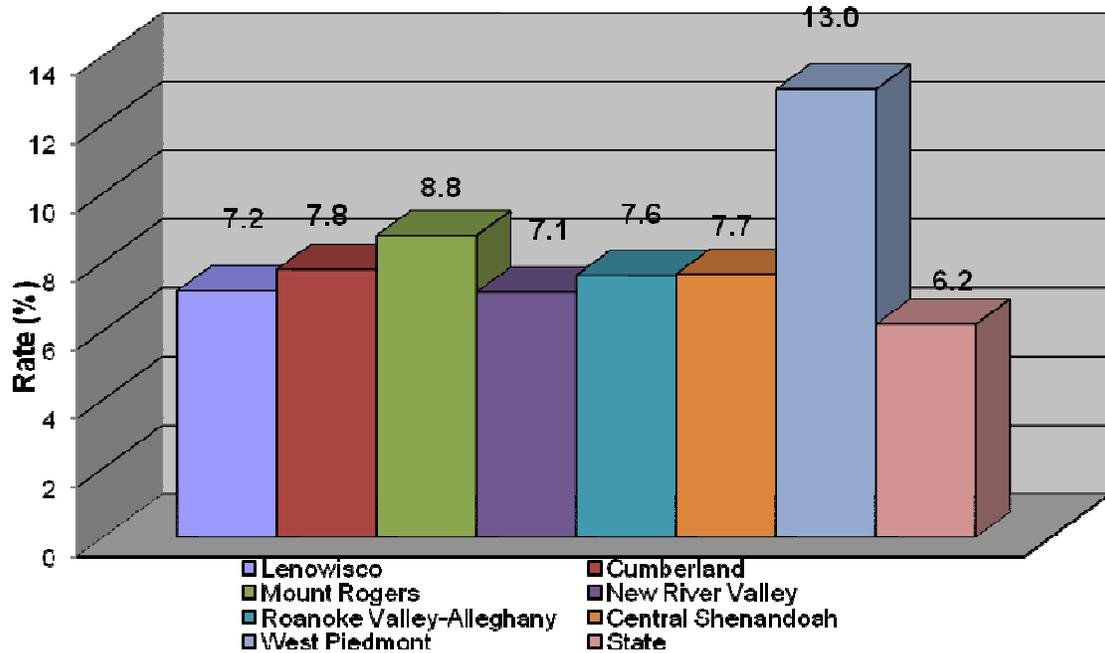
The Appalachian Region of Virginia has higher unemployment on average than the rest of the state, a factor only worsened by the ongoing economic downturn. The average annualized unemployment rate for localities in the Virginia Appalachian Region (8.3%) in 2011 was higher than the state rate (6.2 %) for the same period. The City of Martinsville had the state's highest unemployment rate in 2010 at 18.3%. It should also be noted that the 2011 average unemployment rate in Virginia's Appalachian Region was slightly less to the national unemployment rate (8.9%). All seven PDCs in Virginia's Appalachian Region had average unemployment rates above the state rate in 2011.

Table 3 shows the average annual unemployment rate for the ARC Virginia PDCs and the state in 2011.

There is continued debate on how to statistically describe the true economic needs of a population. The two most notable indicators are the unemployment rate (the percentage of the civilian labor force that does not have a job) and the labor force participation rate (the proportion of the working age population 16 years and older that is employed or actively seeking employment). Neither measure takes into account such population segments as workers who give up looking for a job, homemakers, students and the mentally or physically disabled who lack the ability to participate in productive activities. In describing the true economic needs of Virginia's Appalachian region, some measurement of these additional population segments must be provided to more closely assess the region's current condition.

Table 3

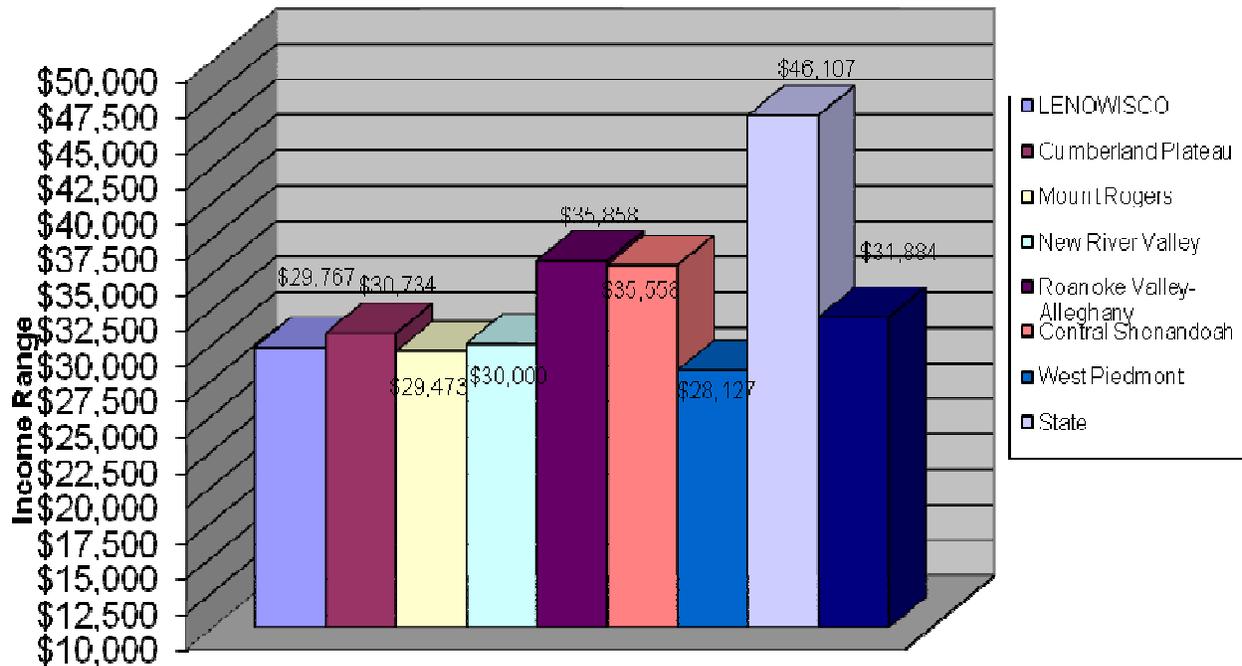
ARC and State Unemployment Rate 2011
(Source: Virginia Employment Commission 2011 Annualized Data)



Income

Increases in income have generally kept pace with the rest of the state (in terms of rate of growth), even exceeding the state average in some areas. The overall individual per capita income of \$31,247 in the Virginia ARC region continues to lag far behind the overall Virginia amount of \$46,107; however, when viewed in comparison to the non-metro average for the state of \$31,774, the gap is negligible. Table 4 presents the per capita income average for each Virginia ARC Planning District Commission and the Commonwealth.

Table 4
Per Capita Income - 2011
 (Source: Bureau of Economic Analysis)

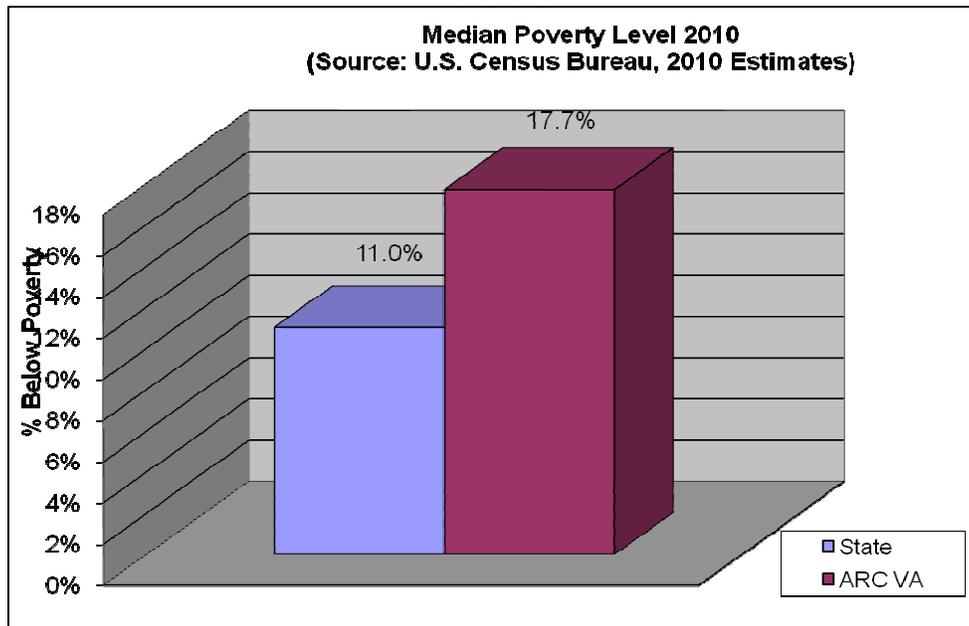


Poverty Level

Poverty continues to be a major factor in Virginia's Appalachian Region. In 2010, poverty level estimates indicate the percentage of citizens below the poverty level statewide was 11%, while the average percentage in Virginia's Appalachian Region is 17.7%, a difference of almost 7% and a gap that has gradually been widening (up from 4% in 2004). Thirty-two of the thirty-three localities in Virginia's Appalachian Region have a higher poverty rate than the statewide average.

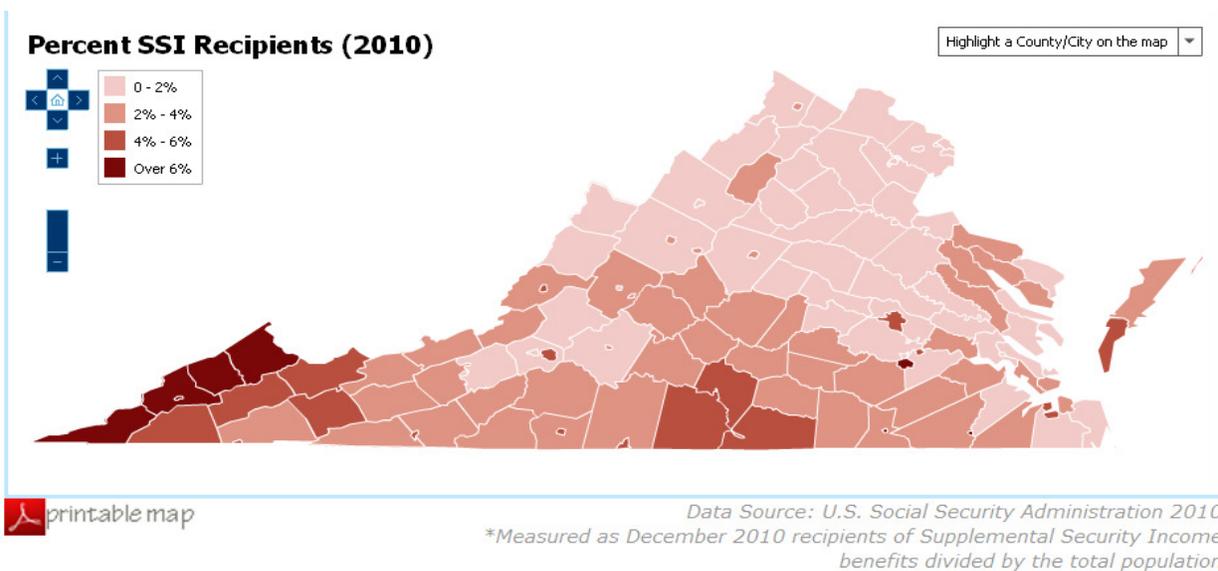
Table 5 shows the median percentage of citizens below the poverty line for Virginia's Appalachian Region and the state for the year 2010.

Table 5



Examining the number of persons receiving Supplemental Security Income payments can also shed light on a region’s economic welfare. The SSI program makes payments to people with low income who are age 65 or older or are blind or have a disability and as seen in Table 6, there is a high percentage of SSI recipients in Virginia’ ARC region.

Table 6
Percent of SSI Recipients

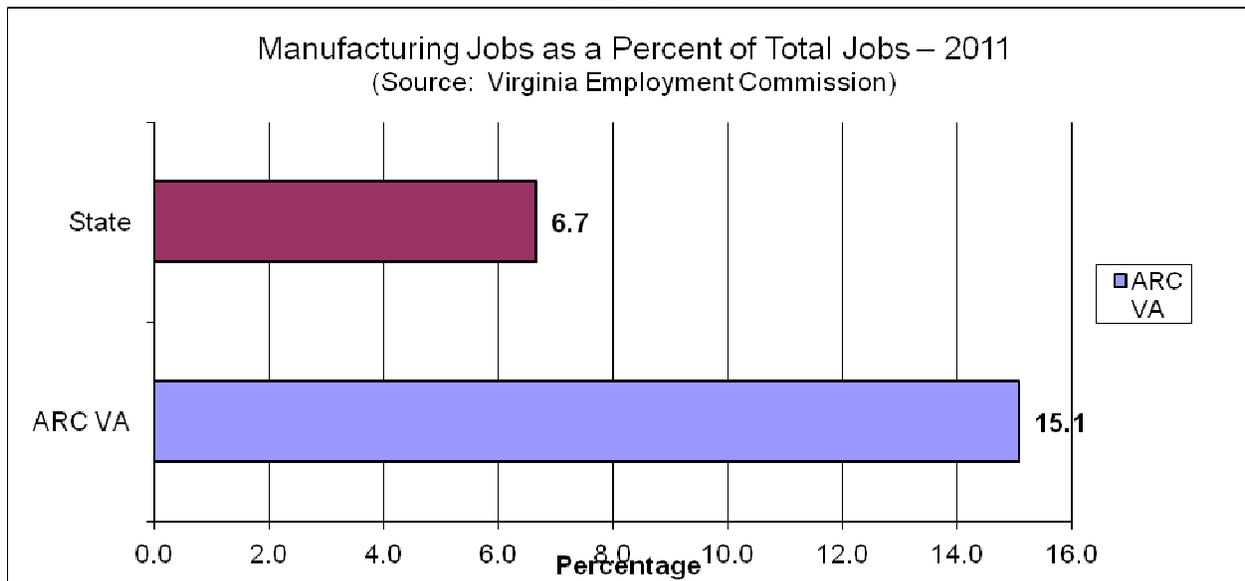


Industry

In 2008, approximately 30,000 manufacturing jobs in Virginia were lost. Although employment in the manufacturing sector in Virginia's Appalachian Region and the state as a whole has declined, the Region continues to rely significantly more on manufacturing as a source of employment than other areas of the state. Efforts in Virginia's ARC region are underway to diversify and restructure local economies; however, there is still a heavy reliance on manufacturing as a source of employment.

In 2011, the manufacturing sector in the Region comprised 15.1% of all jobs while statewide the same sector employed 6.7% of all jobs. Table 7 compares manufacturing employment as a percentage of total jobs in the Region and statewide for 2011.

Table 7



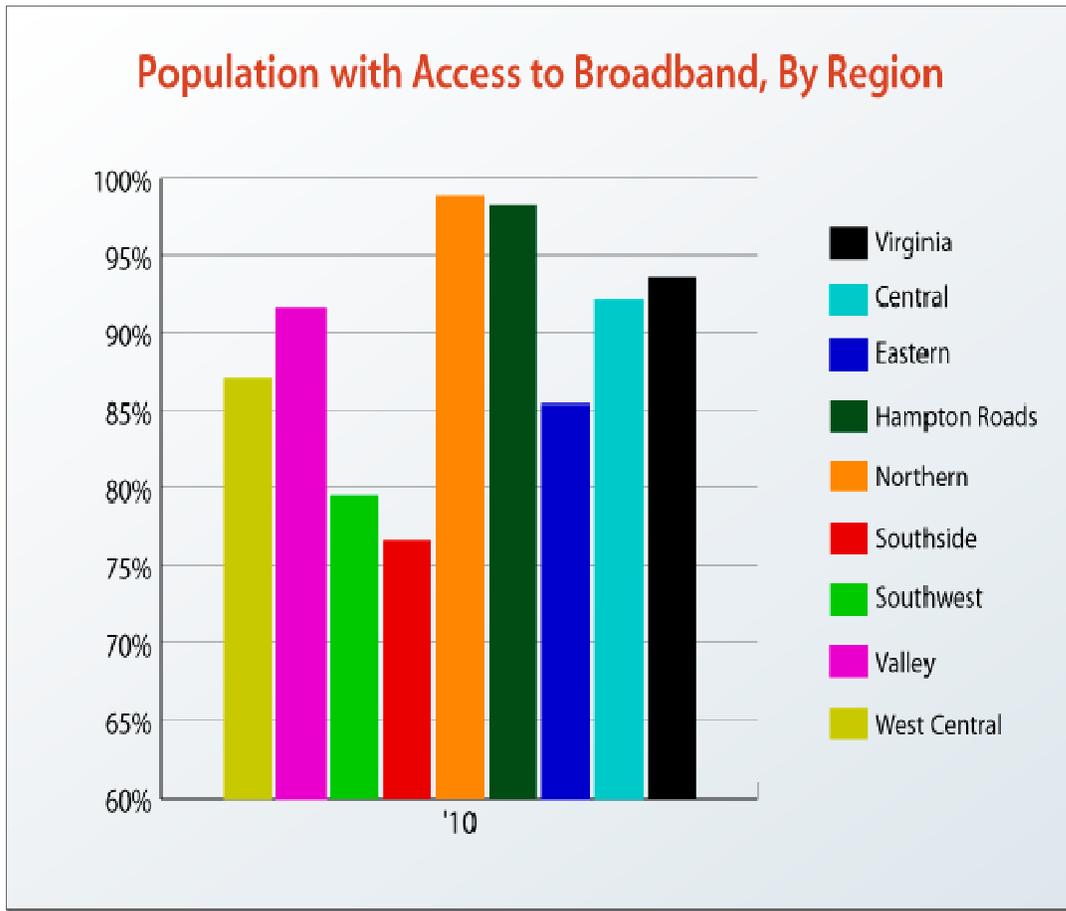
Technology

According to the National Broadband Map created by the National Telecommunications and Information Administration (NTIA), Virginia ranks 39th in the percentage of residents with access to broadband. With 93.6 percent access, Virginia ranks lower than all its peer states (Maryland at 99.3%, Tennessee at 98.7% and North Carolina at 98.5%) -- and lower than the national average of 95.5 percent.

There are also stark regional differences in broadband access within Virginia. While over 98 percent of the Northern (98.9%) and Hampton Roads (98.2%) regions have access to broadband (the only regions above the state average), rates in Southside and Southwest are 76.6 percent and

79.5 percent, respectively. Table 8 presents the percentage of the population in Virginia with access to broadband, by Region.

Table 8
(Source: National Telecommunications and Information Administration)



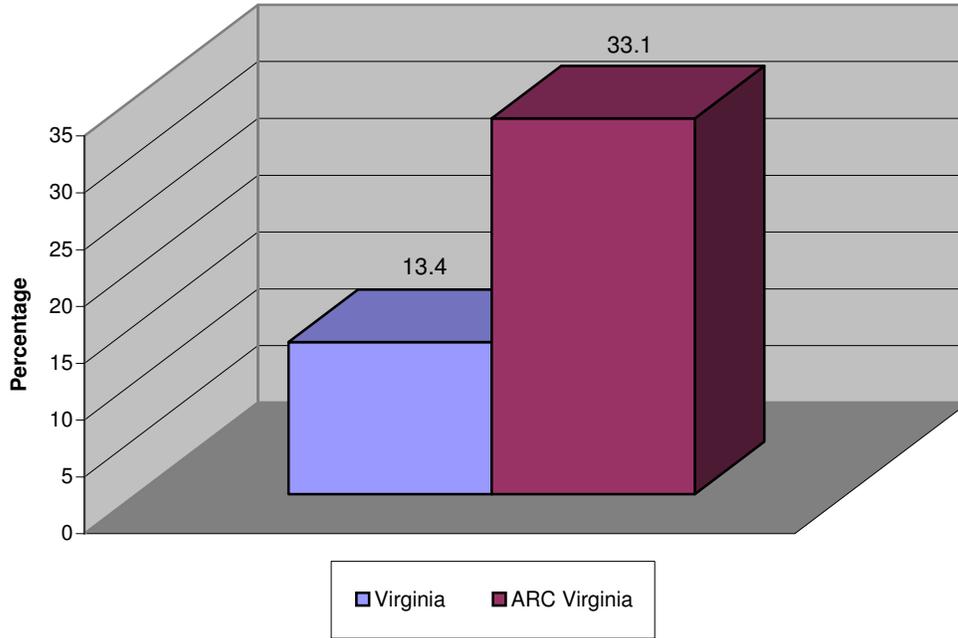
Housing

Data indicates that the housing stock in Virginia’s ARC region is somewhat dated, but that construction of new homes has increased. The median percentage of housing built prior to 1960 for the Region is 33.1%, compared to 13.4% statewide. However, the median percentage of homes built in the Region since 1990 is 17% compared to 8.1% statewide. The county with the oldest housing stock is Highland County, where 53.2% of the housing was built prior to 1960, while the city with the oldest housing stock is Covington, with 70.2% of the housing stock having been built prior to 1960. Craig County had some of the newer housing stock with 28.6 percent of housing being constructed since 1990.

Table 9 compares the housing built in the ARC region of Virginia prior to 1960 with the state.

Table 9

Housing Built Prior to 1960
(Source: Census 2000 Data)



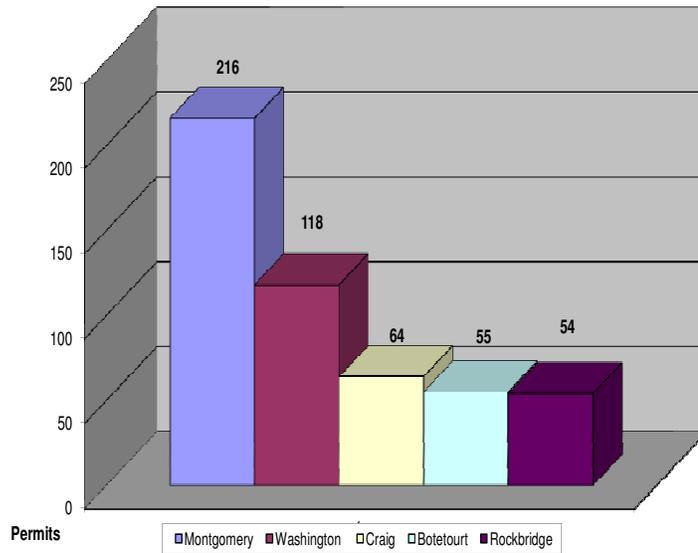
Data on the increase in the number of housing units from 2000-2011 indicates that Virginia’s Appalachian Region lags significantly behind the state. While Virginia’s ARC counties and cities account for nearly 25 percent of all localities in the Commonwealth, the combined new housing starts for the region for 2011 only accounts for approximately 5 percent of the total new housing starts in Virginia over that timeframe. The total number of building permits issued for single family homes in the ARC Region for 2000-2011 was 27,544, approximately 6.6% of the state total of 416,395.

Manufactured housing is much more prominent in the ARC Region of Virginia than the state. The median percentage of manufactured housing by county in the Appalachian Region of Virginia is 20.3% while the state average is 6.4%.

During 2011, Montgomery County had the largest number of building permits for single-family homes issued (216). Table 10 illustrates the top 5 Virginia ARC counties with the most building permits issued.

Table 10

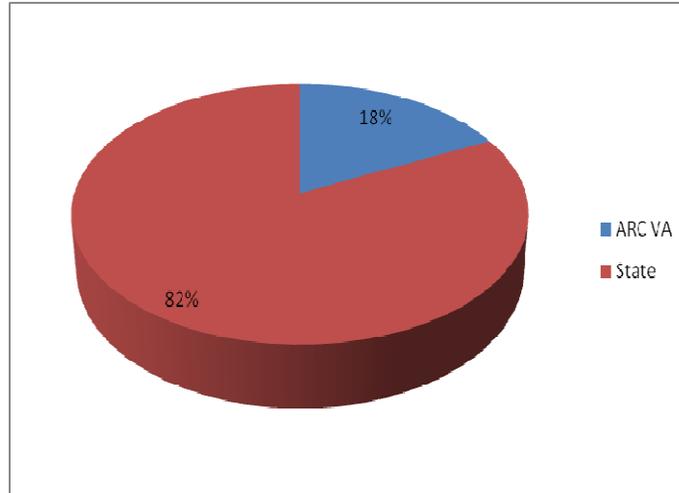
TOP 5 VA ARC Counties with Most Building Permits Issued in 2011
(Source: Weldon Cooper Center for Public Service)



Plumbing Facilities

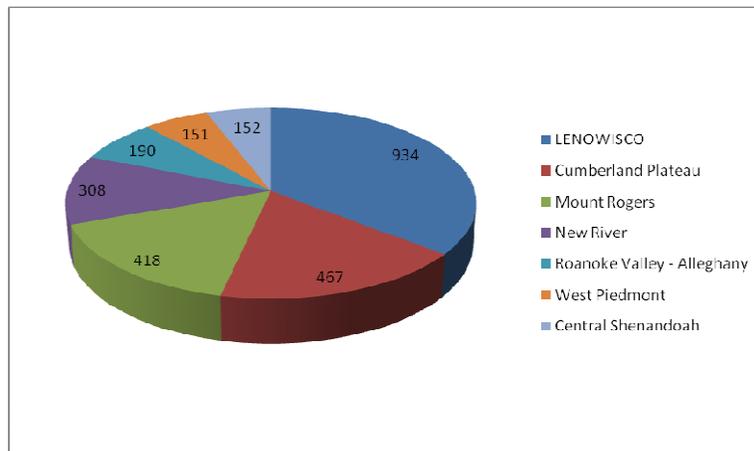
Based on 2011 American Community Survey figures, a rate of 1.0% of occupied housing units, or 14,717 units in Virginia lacked complete plumbing facilities with approximately 2,620 or 18% of the total number of housing units located in Virginia’s Appalachian Region. The counties of Lee and Scott had the highest number of occupied housing units without complete plumbing facilities, or 290 units and 245 units respectively. Table 11 shows the comparison of the percentage of occupied housing without complete plumbing facilities in Virginia and the ARC region of Virginia.

Table 11
Percentage of Housing Units Lacking Complete Plumbing Facilities
Percent Located in ARC VA & State



Over the past two decades programs like the Virginia Indoor Plumbing Rehabilitation program have contributed substantially to decreasing Virginia’s stock of occupied homes lacking complete indoor plumbing. There will, nevertheless, continue to be areas of the Commonwealth where this remains a significant component of the overall housing quality problem. Many of these will be in places that are more difficult to serve because of their isolation, remoteness from viable drinking water sources, or other site-related factors. As shown by the chart below, this is still a prevalent issue in the ARC region of Virginia. Table 12 shows the distribution of homes lacking complete indoor plumbing by ARC Planning District Commission.

Table 12
Percentage of Housing Units Lacking Complete Plumbing Facilities
Percent Located in ARC VA & State



Kitchen Facilities

According to 2011 American Community Survey data, 19,191 occupied housing units in Virginia lacked complete kitchen facilities. At least 2,323 units or 12% of the statewide total are located in Virginia's Appalachian Region.

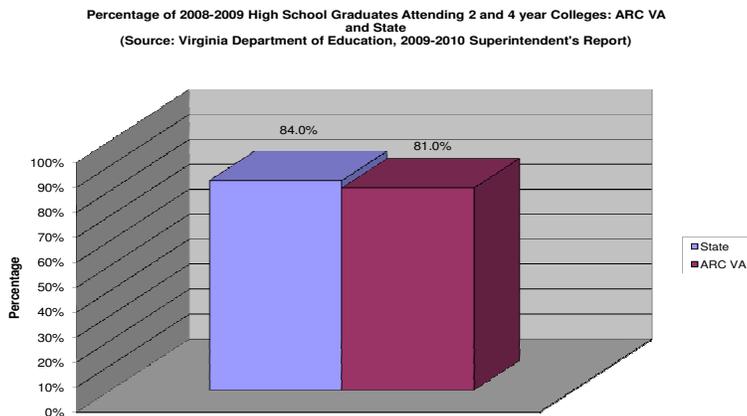
Education

The quality of education continues to improve and it should be noted that as of the 2010 school year, 98 percent of schools in Virginia Appalachian Region were fully accredited, surpassing the rate for the remainder of the Commonwealth (96 percent). For Virginia, this rating marks a substantial improvement over the 2005-06 year, where 89% of schools were fully accredited. Accreditation ratings are based on the achievement of students on tests taken during the previous academic year.

Graduation Rate

The Region is making a concerted effort to ensure a basic level of education for its future workforce. Based on data derived from the 2008-2009 Superintendent's Report (Virginia Department of Education), the Appalachian Region of Virginia's percentage of high school graduates (78.7%) exceeds that of the state average (75.5%). These positive efforts are further substantiated according to additional 2009-2010 data from the Superintendent's report which shows that the percentage of high school graduates attending a 2 or 4-year college in the region (81%) is comparable to the state percentage (84%). Table 13 illustrates the percentage of high school graduates in the Appalachian Region of Virginia attending 2 or 4-year colleges, as well as across the entirety of the state.

Table 13

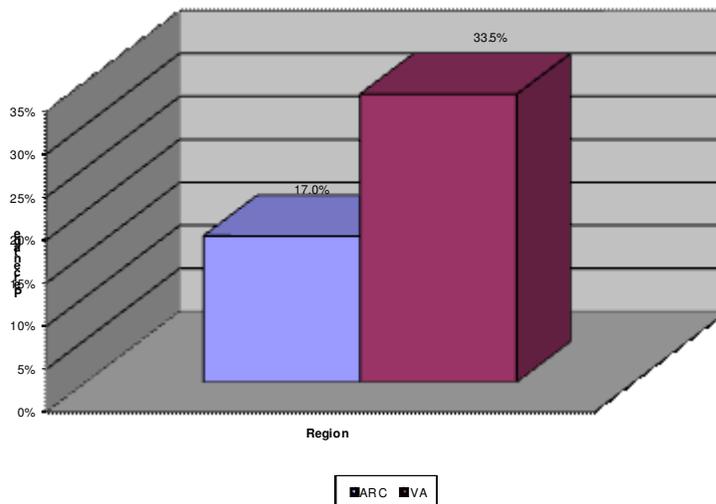


However, it appears that while respectable numbers of high school graduates seek to further their education, substantially lower percentages of a college-educated populace actually live in Virginia's Appalachian Region. According to data provided by a joint venture entitled Censusmapper (by Techbase International, Morrison, Colorado and Stratamodel Professional Geology and GIS Services, State College, Pennsylvania, February 2006) every Virginia Appalachian County showed a marked increase in the percentage of adults with less than 4 years of high school. The loss of a college-educated population must be stopped in order for Virginia's Appalachian Region to compete successfully with the rest of the state and the nation.

Additionally, the median percentage of Appalachian residents aged 25 and over with a bachelor's degree or higher is 17.0%. The statewide percentage of citizens with a bachelor's degree or higher is 33.5%, nearly two times the median Appalachian percentage. Only Montgomery County (39.6%) and the cities of Lexington (47.6%) and Radford (30.7%), communities with major public or private institutions of higher education, had higher percentages than the statewide average of those aged 25 years and older with a bachelor's degree or higher. Table 14 compares the median percentage of Appalachian Region residents 25 and older with a bachelor's degree or higher to the statewide percentage.

Table 14

**Population 25+ with Bachelor's Degree
(Source: Census)**



Health Care

Access to medical care continues to be a major concern in Virginia's Appalachian Region. Data indicates that access to health care professionals is more limited in the Appalachian Region of Virginia than the rest of the state. According to federal guidelines for the designation of geographic areas as a Health Professional Shortage Area (HPSA) the area must be: (1) An urban or rural area (which need not conform to the geographic boundaries of a political subdivision and

which is a rational area for the delivery of health services); (2) a population group; or (3) a public or nonprofit private medical facility. Based on data from the U.S. Department of Health and Human Services, of the thirty-three Virginia ARC localities, twenty-one are designated as a Health Care Professional Shortage Area.

Virginia's Appalachian Region also has a significant number of federally designated medically underserved areas (MUA). A MUA is determined by the following factors: the ratio of primary medical care physicians per 1,000 population; 2) infant mortality rate; 3) percentage of the population with incomes below the poverty level; and 4) percentage of the population age 65 or over. Using these criteria, twenty six of the thirty-three localities in Virginia's ARC region have designation according to the U.S. Department of Health and Human Services.

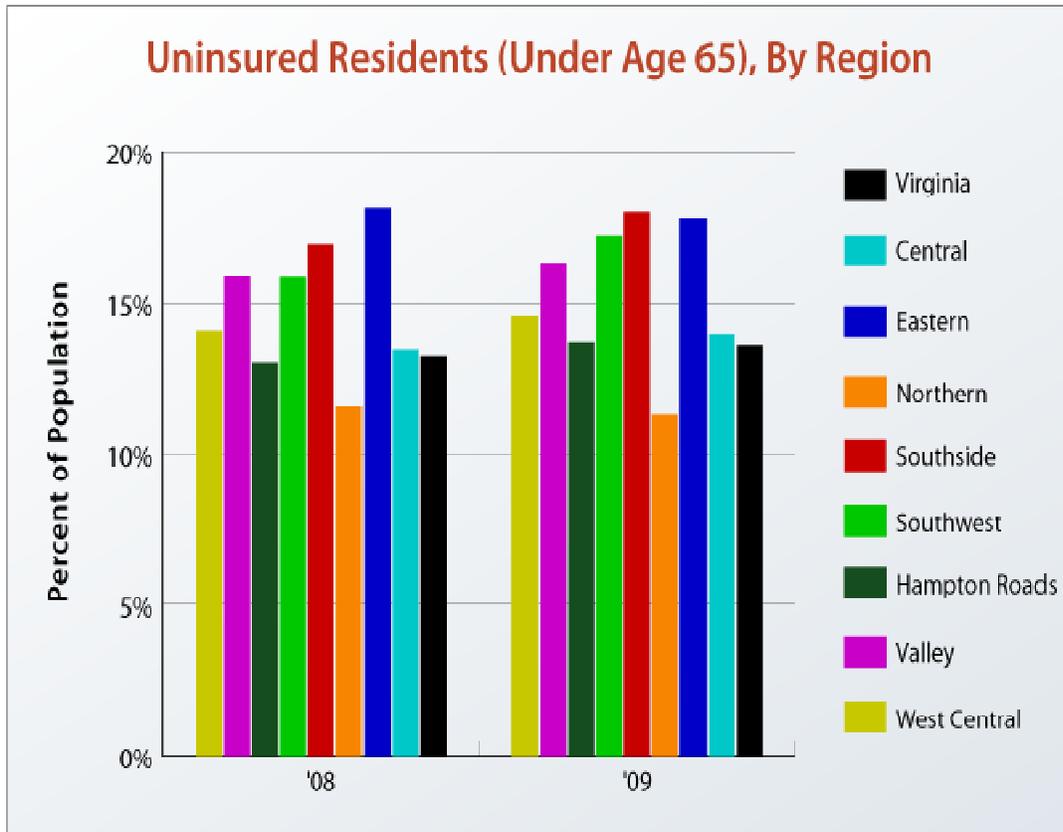
Uninsured Virginians

According to the Council on Virginia's Future, approximately 14 percent of Virginians under the age of 65 were uninsured in 2008-09. This is compared to approximately 16 percent of Virginians living in Southwest Virginia.

Data presented by the Healthy Appalachia Institute further illustrates this problem, where a 2007 survey suggests upwards of 19 percent of adults in the LENOWISCO and Cumberland Plateau Planning District Commissions' service areas are without coverage. This is further substantiated from a 2007 survey, *Health Care Access in Southwest Virginia*, which indicates that of those surveyed, 81 percent had prescription coverage, only 39 percent had dental coverage, and only 38 percent had vision coverage. Table 15 illustrates the percentage of individuals without health insurance in Virginia's Appalachian Region and the state.

Table 15
Percent of Population without Health Insurance,
by Virginia Region, 2008-2009

(Source: Council on Virginia's Future)



Additional Health Indicators

Recent data from an ARC / Center for Disease Control Cancer Initiative revealed that the cancer death rate for persons aged 35-64 in seven of the 23 counties in Virginia's ARC region exceeded the national average by at least 26 percent. Additionally, the lung cancer death rate in nine Virginia ARC counties for the same age group exceeded the national average by at least 32 percent.

Based on this same data, the infant death rate in Appalachian Virginia (5.7 per 1,000 live births) is lower than the statewide average (6.4 per 1,000 live births).

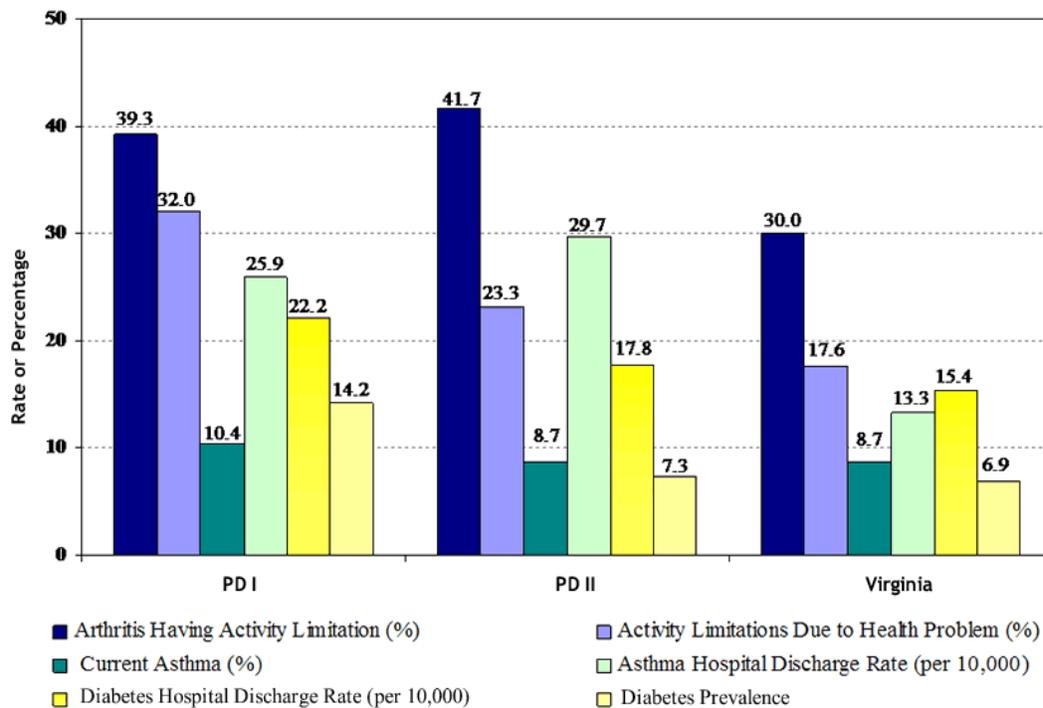
The teen pregnancy rate is also lower in the Region compared to the rate for the Commonwealth. In the Appalachian area, the teen pregnancy rate is 24.8 per 1,000 (for teens age 10-19), less than the state average of 29.4 per 1,000.

With support of ARC funding, *The Healthy Appalachia Institute* at the University of Virginia’s College at Wise has been created to facilitate collaboration of critical thinkers, scholars, system planners and leaders in government, education, business and healthcare who are examining issues that exist at the interface of health and Appalachian culture. This entity is working to develop a common understanding of the region’s health status and a strategic vision of a healthier future for the residents of far Southwest Virginia.

Unfortunately, early indicators produced by the Institute further illustrate the disparities in health care in ARC Virginia’s region and other areas of Virginia. While these measures only reflect data from two ARC Planning District Commissions (LENOWISCO and Cumberland Plateau), this is still representative of the severity of health care issues. Table 16 presents the prevalence of select chronic diseases.

Table 16

2005 Prevalence of Chronic Diseases –Select Virginia PDCS Compared to Virginia
(Source: Healthy Appalachia)



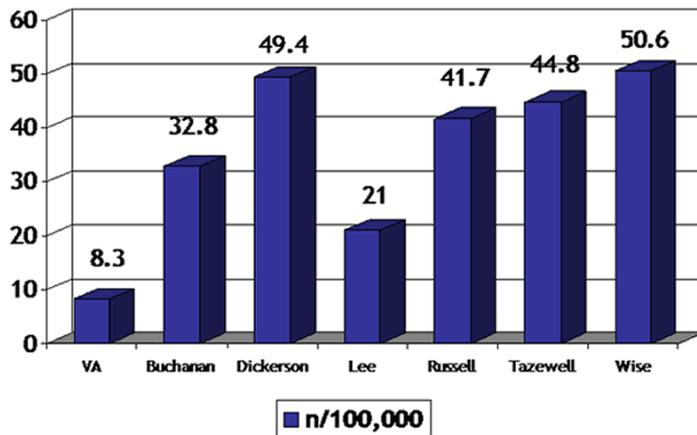
The 2007 Health Care Access in Southwest Virginia also reports that at of the households surveyed, at least one person in the household had a least on of the following problems:

- 20 percent suffered from heart disease (13 percent for US rate)
- 60.8 percent had high blood pressure (27 percent VA rate)
- 25.6 percent suffered from Diabetes
- 47.7 percent has Arthritis

- 34. Percent has a loss of many teeth (14 percent VA rate)
- 28.3 percent suffered from depression (10 percent US rate)
- 44.6 percent were overweight (32 percent US rate)

According to the U.S Drug Enforcement Administration, Virginia is one of the half dozen states commonly cited by law enforcement and medical practitioners when discussing the national OxyContin abuse "epidemic." While specific data was not available, the abuse of OxyContin and other prescription drugs was noted to have a "long history in Virginia, particularly in the southwestern portion of the state." The issue of drug abuse is further substantiated by data collected through Healthy Appalachia, as shown below in Table 17. This table, focusing on a sample of Virginia ARC counties, presents the number of fatal drug overdoses (per 100,000 residents), presents overdose rates ranging from two to six higher in those select counties compared to the state rate.

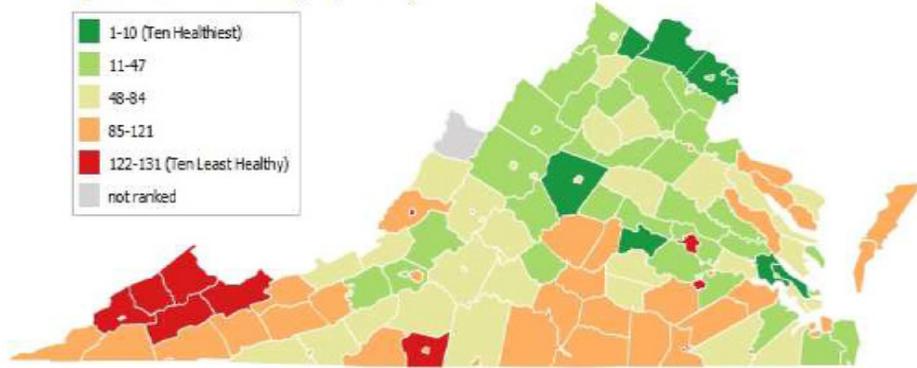
Table 17
Number of Fatal Drug Overdoses – Select Virginia ARC Counties Compared to Virginia Per 100,000 residents
 (Source: Office of the Virginia Medical Examiner, 2006)



Each year the data from the America's Health Rankings and County Health Rankings are collected and can be used to illustrate the Commonwealth's current health status. This data allow a comparison of Virginia to the other 49 states and to the ability to compare each locality to other localities in the Commonwealth. Based on this data, many localities in Virginia's ARC region are not considered as "healthy" as others across the Commonwealth. In fact, six of the 10 least healthy localities are located in this region. Table 18 presents data based on the Commonwealth's standing related to the County Health Rankings.

Table 18
County Health Rankings
 (Source: University of Wisconsin Population Health Institute. County Health Rankings 2012)

County Health Rankings (2012)



Public Safety

According to the Council on Virginia’s Future, residents of Appalachian Virginia do enjoy a significantly lower crime rate when compared against the rest of the Commonwealth. Southwest Virginia has some of the lowest Property Crimes and Violent Crimes rates, by region, in Virginia, in both cases, far below the state average. The state Property Crime rate was 2,327 per 100,000, compared to less than 2,000 in Southwest, and the Violent Crime rate for the state is 214 per 100,000 people, compared to less than 150 per 100,000 in Southwest Virginia. Table 19 illustrates the Property Crime rate by region, while Table 20 shows the Violent Crime rate by region.

Table 19
Property Crimes – State and by Region
 (Source: 2010 – Council on Virginia’s Future)

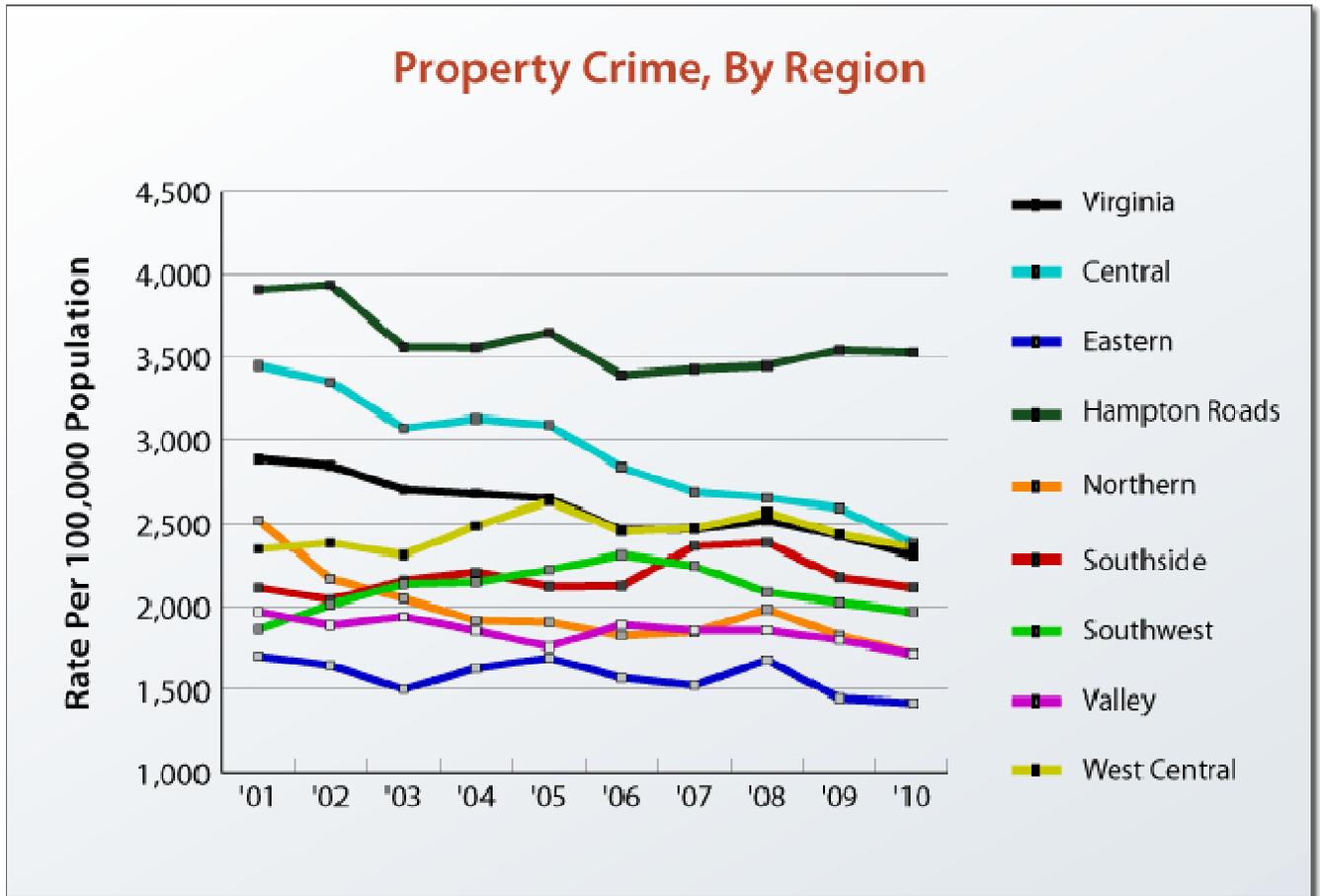
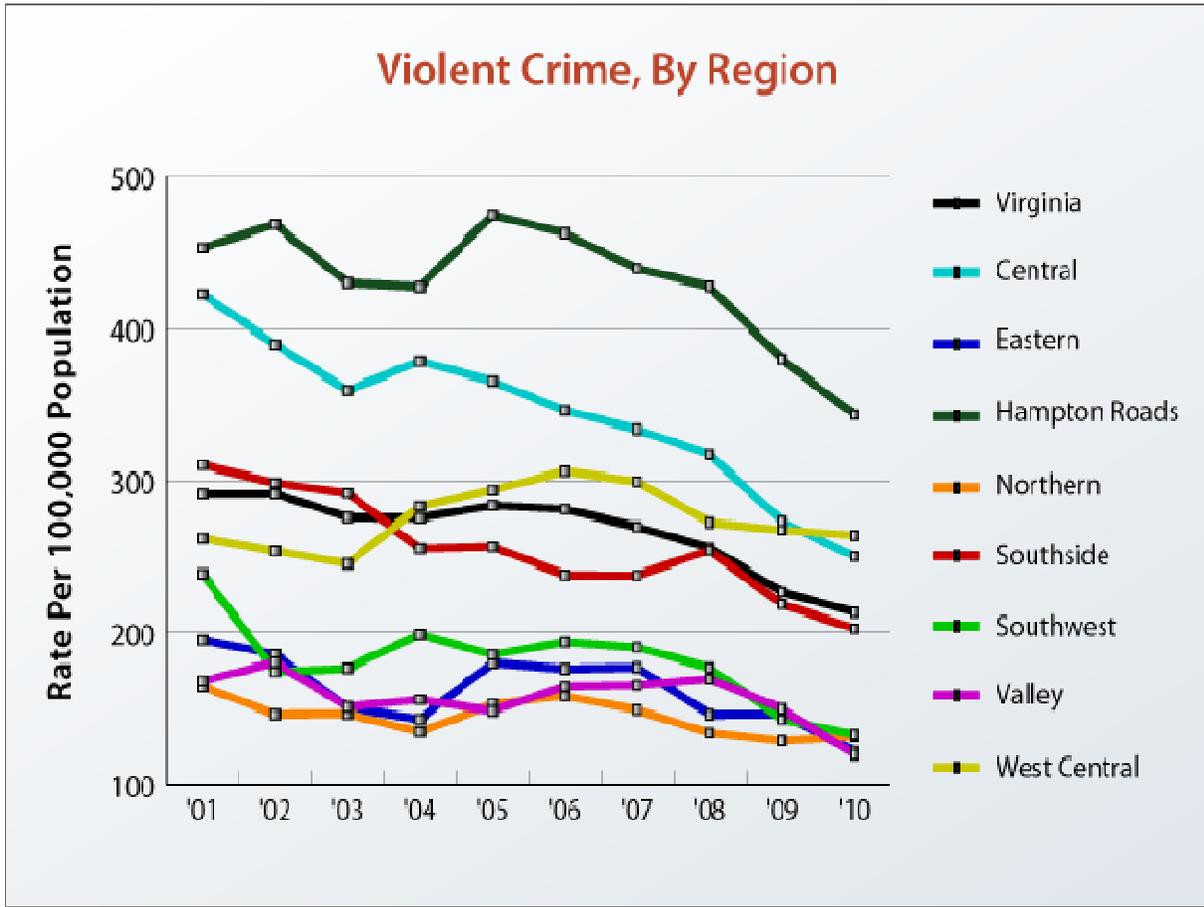


Table 20
Property Crimes – State and by Region
 (Source: 2010 – Council on Virginia’s Future)



Community Revitalization

Revitalization of communities and neighborhoods to provide a high quality living environment remains a major state strategic goal. Efforts are underway on a number of fronts to promote this goal. Comprehensive technical assistance and training are offered to local Main Street organizations for downtown revitalization. The Federal and State Enterprise Zone Community Program provides a major resource for community revitalization by providing tax credits to businesses that create jobs targeted for economically distressed individuals of the area. The Virginia Community Development Block Grant Program offers many options for grant money for community, neighborhood and downtown revitalization, along with economic development.

The Commonwealth has initiated several key efforts that will provide a significant boost to the Region. The Southwest Virginia Cultural Heritage Foundation has taken the lead in developing a creative economy in Southwest Virginia, including oversight of a multifaceted plan which identifies the cultural and natural assets of the region; coordinates initiatives, organizations and venues engaged in cultural and natural heritage toward more efficient operations for all partner organizations; and, develops a comprehensive strategy and capital improvements plan. Included as well is the coordination of *Appalachian Spring*, a three-year project to formalize and deliver an asset-based approach to economic restructuring of Southwest Virginia.

The Foundation is charged with managing several other key undertakings, including The Crooked Road, 'Round the Mountain, and Heartwood. The Crooked Road: Virginia's Heritage Music Trail and the Virginia Artisan Network will build upon the rich heritage of Appalachian music, arts, and crafts by connecting major venues and coordinating marketing and promotional efforts. Heartwood, Southwest Virginia's Artisan Gateway, opened in 2011 and showcases the cultural and natural heritage of Southwest Virginia. Heartwood serves as a gateway for southwest Virginia and is representative of crafts created by individuals as well as venues that include craft as an institutional program. Promotion of visitation to these sites and selected individual studios are a priority of the Gateway's visitor services. Heartwood is catalyst for community development, fostering partnerships for education, marketing, and entrepreneurial activities related to the region's tourism opportunities and will promote an appreciation for the rich culture of southwest Virginia.

DHCD places a high emphasis on Economic Restructuring for rural downtowns, and a significant amount of energy has been targeted to communities in Virginia's ARC region. The intent is to drive and direct the actions that will best engender true economic revitalization in the community, with the centerpiece being the Economic Restructuring Plan, the conceptual framework around which the community can galvanize resources to attract investment and re-energize the economy. Participation of ARC or CDBG funds in downtown revitalization projects requires the development of a stakeholder-driven Economic Restructuring Plan. DHCD also brings to bear technical resources from Virginia's Main Street program to assist communities in their restructuring, branding, and marketing efforts.

In 2011 the Commonwealth introduced the Industrial Revitalization Funds (IRF) to catalyze reinvestment in derelict industrial and commercial structures, with an emphasis on investment in distressed communities. The \$3 million budget allocation was made possible through the "Opportunity at Work" budget initiative recommended by the Distressed Communities Subcommittee of the Governor's Commission on Economic Development and Job Creation. Selected projects will bring new jobs and further private investment to communities. The initial round of investments included projects in three ARC communities and one includes leveraging of ARC funds. An additional \$1 million is available in 2012.

Governor Bob McDonnell also announced in 2011 the Building Collaborative Communities program, a new effort designed to assist regions in creating and sustaining new economic opportunities across Virginia. The program promotes regional economic collaborations in economically distressed areas that stimulate job-creation, economic development, and build

community capacity and leadership. Building Collaborative Communities is a broad-based program that brings to bear resources from a number of state entities, including the Lieutenant Governor's Office, Department of Business Assistance, Virginia Tourism Corporation, Virginia Economic Development Partnership, the Department of Housing and Community Development, the Virginia Community College System, and other agencies as appropriate. The Commonwealth is providing \$200,000 to support this program in FY2012, along with another \$200,000 in FY2013. From the initial round of funding, two projects which were selected are located in Virginia's ARC region.

Governor McDonnell declared 2012 "The Year of the Entrepreneur" in Virginia, saying "Virginia is an incubator for good ideas and we have the right tax, regulatory and business climate for entrepreneurs to turn those ideas into job-creating businesses. DHCD's community revitalization philosophy has long supported the creation of a supportive entrepreneurial environment, recognizing how this is a basic building block for a community's success, and continues to provide financial and technical assistance, particularly in distressed areas of the Commonwealth. This strategy has been incorporated into larger economic restructuring efforts which are being applied on a local level as well as through larger, regional undertakings, including the Southwest Virginia Entrepreneurship Blueprint and Clinch River Valley Initiative. The former effort seeks to create an ecosystem to create a pipeline of entrepreneurs, engaging the youth and encouraging them to see starting their own business as a viable career option and promoting the region as a fertile location for starting or growing a business; the latter is a collaborative planning effort to build local economies in the coalfields of Southwest Virginia, focusing on the Clinch River, one of the most biodiverse river systems in North America, and includes the development of entrepreneurship as a critical strategy.

In 2005, \$5,000,000 in state General Funds was allocated to help pay the capital costs for safe drinking water and wastewater treatment in the LENOWISCO, Cumberland Plateau, and Mount Rogers planning districts. These funds, leveraged with other sources such as ARC and CDBG, have provided a substantial improvement to the quality of life for residents in Virginia's Appalachian region. An additional \$17,000,000 in state funding was also allocated in 2007 to improve water quality in the streams and groundwaters of the "southern rivers" regions of Virginia while directly enhancing the quality of life of communities and their residents through installation and expansion of sewage treatment and collection systems. A number of communities in Virginia's ARC region were awarded funds through this program.

The state and the Department of Housing and Community Development have recognized the importance of telecommunications, particularly as an economic development tool in rural communities. State funds, combined with Community Development Block Grant and ARC funds, have been utilized to develop Community Telecommunications Plans and implementation projects to help level the playing field in rural Virginia. Through these efforts, many communities have been able to plan for and obtain affordable, high-speed broadband services that provide improved delivery of health care, distance learning opportunities, and the ability for entrepreneurs and large companies alike to be able to work and enjoy the quality of life offered in rural Virginia. In 2009, DHCD coordinated the submission of proposals under funding made available through the American Recovery and Reinvestment Act (ARRA) to

construct community telecommunications networks; several projects were for communities in Virginia's ARC region. To date, nearly \$40 million in ARRA telecommunications funds have been awarded to support the expansion of broadband in southwestern Virginia. The State, through the Virginia Tobacco Indemnification and Community Revitalization Commission, has invested over \$118 million over the past decade in broadband deployment projects, many of which were aimed at developing the infrastructure and network system of Virginia's ARC Region.

In 2008, the Commonwealth was awarded approximately \$38.7 million in Neighborhood Stabilization funds to assist areas hardest hit by the recent foreclosure crisis. Presently one project in the ARC region of Virginia has been awarded funds to purchase, rehabilitate, and resell foreclosed and vacant properties. Overall these projects are expected to help curb declining property values, increase the amount of affordable housing stock, and prevent these properties from becoming sources of blight within the targeted neighborhoods.

Nine counties in Virginia's Appalachian region have embarked on an ambitious effort to recruit former residents back to the area. The *Return to Roots* initiative seeks to match companies in the participating areas to those who want to return to the region or those who want to relocate. This initiative has received much support from private companies that need skilled workers to fill new job opportunities.

Civic Development and Leadership

The State ARC office will continue to look at efforts to increase the capacity of existing local development organizations. This involves professionally delivered assistance in the areas of leadership development and training, institution of community strategic planning processes, utilization of telecommunications and technology in local government management, community and economic development, and use of innovative approaches to service delivery, including public-private sector partnerships and regional approaches, wherever possible. Virginia operated a very successful ARC FLEX-E-GRANT Program in past years, however, as of this Strategy, those funds are no longer available does not have any designated distressed localities. However, DHCD will continue to encourage similar activities to be undertaken through the ARC Area Development program as appropriate.

Critical Needs of the Region

The key to future economic growth and prosperity in the Appalachian region of Virginia lies in strengthening the competitiveness of existing industry, supporting the formation of new small and medium sized businesses, especially high-wage, high technology firms, and continued development of the state's tourism industry.

Input from stakeholders in Virginia's ARC region has identified three main areas of need: the lack of access to affordable health care services, the need for a trained workforce that is ready to meet the new demands of businesses in Appalachian Virginia, and the need to expand and extend public water and sewer, particularly sewer, to address both substandard living conditions and

enhance economic development opportunities. Other specific needs of the region include the following:

- Shortage of affordable capital;
- Support for improved development, networking, and marketing of the state's tourism attractions;
- Improved coordination of business assistance including consolidation of business services at central locations, where possible, for more comprehensive service;
- Assistance with worker training technology adaptation/modernization and formation of new technology-based businesses;
- Support for manufacturing enterprises, which would process and add value to existing Virginia products, particularly wood products.
- Continued support for the area's entrepreneurial business efforts
- Assistance in locating and accessing markets, particularly exporting assistance;
- Assistance in providing telecommunications infrastructure and access;
- Assistance in developing telemedicine infrastructure;
- Lack of properly trained hospitality staff;
- Need for quality social and cultural amenities that can be found in larger, metro areas;
- Support for homeownership and availability of affordable housing.
- Need to diversify the local economies and promote green and renewable energy options
- Continued regional collaboration.

The Region's Strengths, Weaknesses, and Opportunities

The following is a listing of the strengths, weaknesses and opportunities that are critical elements which feed into the assessment of the above mentioned economic and social indicators and the region's critical needs. These elements have been identified by participants during focus groups and other meetings in the region.

Strengths:

- Strong work ethic;
- Unique natural and cultural heritage;
- Quality of life;
- Tradition of regional cooperation and progressive local elected leadership;
- Economic development structure in place and functioning;
- Excellent LDDs;
- Access to technical and planning resources;
- Strong, well-respected two-year and four-year colleges;
- Collaborative and committed healthcare community;
- Workers returning home (Return to Roots Initiative);
- Telecommunications infrastructure
- Good highway access;
- New market rate housing being constructed;

- Growing pride in the region;
- Low cost of living.

Weaknesses:

- Outmigration of educated workers;
- Average annual wages below state level;
- Lack of infrastructure;
- Heavy reliance on single sector employment (lack of diversification);
- Lack of developable land for industrial sites;
- Negative perceptions of rural Virginia;
- Lack of affordable and accessible health care
- Lack of affordable housing;
- Prepared workforce and educational attainment;
- Lack of trained hospitality staff;
- Entrepreneurial business assistance
- Quality cultural and social amenities
- Access to transportation system
- Last Mile telecommunications infrastructure.
- Lack of adequate and affordable childcare

Opportunity Identification for the Region:

- Fund a variety of projects with longer ranged impact and leverage with varying funding sources to ensure success;
- Create community awareness among young people;
- Strengthen asset-based development efforts
- Provide incentives for students to stay in the Region;
- Encourage and reward regional partnerships;
- Maintain ARC program flexibility
- Coordination with CDBG and other revitalization programs;
- Pursue improvements in telecommunications;
- Explore/develop nontraditional businesses;
- Promote long-term comprehensive, regional planning
- Promote emerging energy and nanotechnology fields;
- Support coal mine reclamation efforts;
- Advanced manufacturing sector;
- International business opportunities;
- Collaboration with other states;
- Provide assistance to existing business in the Region to help them expand, grow, and create jobs;
- Capitalize on eco/heritage tourism opportunities;
- Improve workforce development efforts;
- Examine alternative sewage disposal systems.

- Agritourism

Overall economic growth is a critical need of the Region, and is the focus of the Virginia ARC program. Virginia's challenge is to work with the strengths of the Region, find methods to take the best advantage of the Region's many opportunities, and to deal with its imperfections.

Emerging Trends

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

- Energy, including resurgence of the coal and gas mining industry, as well as opportunities for alternative forms such as wind;
- Workforce housing and decreasing supply of affordable housing;
- High-speed telecommunications;
- Transportation, including impact of increased commuting costs and lack of good alternate transportation options;
- Provision of wastewater disposal services (sewer)
- Loss of key leadership to retirement; succession planning;
- Tourism, asset-based development
- Adapting workforce and workforce training to meet new job demands
- Downtown revitalization; return to cultural centers

Participants of more recent input session echoed many of the same issues and trends as the previous year but also identified several new items and areas of interest, including:

- Place-based education in schools which ties local geography, history, arts, and other subject matter academic objectives.
- Trail development, moving beyond planning to construction and implementation
- Substance abuse as a significant hindrance to economic development since employers cannot find a suitable workforce and because of the cost of the broken families and displaced children

Participants also felt the Virginia ARC Region is transitioning and is suddenly becoming linked to the rest of the world. The area's remoteness and undeveloped land, once seen as a detriment, is now considered an asset. However, the challenge moving forward is to preserve these qualities and embrace the culture while also ensuring that development occurs in a managed and "smart" manner.

Identification of Distressed and Competitive Counties

Distressed County

There are not any localities in Virginia designated by the Appalachian Regional Commission (ARC) as distressed. Prior to 2012, Dickenson County had been designated as distressed and significant efforts, utilizing ARC and other resources, were undertaken to improve the community and economic conditions.

Attainment County

Botetourt County is Virginia's only ARC-designated attainment county. Income, unemployment and poverty measures since 1980 reflect the county's overall stable, positive economic vitality. Within Botetourt County, economic disparity exists between the southern part of the county that is part of the Roanoke region and the northern part of the county whose economy identifies more closely with the Alleghany Highlands' economic profile. Therefore, Botetourt overall economic indicators of income, population growth, unemployment, and poverty tend to be indicative of the county's positive economic contributions generated as part of the Roanoke economic region.

Competitive County

Bath County is the only Competitive County in Virginia's ARC region this year.

At-Risk County

ARC has recently adopted the "At-Risk" designation for counties that are in danger of becoming economically distressed. As a result of the ARC reauthorization, At-Risk Counties are now eligible for ARC funding of up to 70 percent of project costs. In Virginia, the Counties of Buchanan, Carroll, Dickenson, Grayson, Henry, Lee, Patrick, Russell, Scott, and Smyth have received this designation. In many instances, these counties were in recent years classified as Distressed, with Dickenson designated as distressed until 2012.

All localities not designated as Attainment, Competitive, or At-Risk are classified as Transitional.

Alternative Measures for Determining Economically Distressed Counties and Areas in the Appalachian Region

ARC has recognized that the current measures used to assign the level of economic stress for localities may not provide the best assessment of wellbeing. As such, ARC commissioned a study to offer additional insights on the set of distress indicators and their respective measures that can prove comprehensive, practical, and valuable in guiding the future work of the ARC. The report outlines the strengths and limitations associated with such indicators and evaluates a series of new indices and data sources that may promote greater accuracy in terms of monitoring the long-term socioeconomic complexion of counties in the region.

Virginia is very supportive of identifying new indicators that are “forward-looking” and which tap a wider range of socioeconomic dimensions of distress, beyond the standard economic indices conventionally employed by the ARC. It has been widely noted at various gatherings in Virginia that the current measures employed by ARC, particularly that of “unemployment rate” do not portray the true social and economic conditions. The state and fully supports continued research, and ultimately, recommendations for new, more appropriate, indicators.

STATE OBJECTIVES AND STRATEGIES

In response to the Appalachian Regional Commission's current Strategic Plan and priority issues identified for the new Plan, the Commonwealth of Virginia has developed objectives and strategies that will guide Virginia's investments of Appalachian Region Commission (ARC) funds for Fiscal Year 2013. These goals, objectives and strategies are described below:

Commission Goal 1:

Increase Job Opportunities and Per Capita Income in Appalachia to Reach Parity with the Nation.

State ARC Objective:

Promote regional partnerships that support regional economic development, encourage activities that diversify the economic base, enhance entrepreneurial activities, develop a highly skilled, competitive workforce, and provide training and technical assistance to agents engaged in economic development.

Strategies:

- 1.1 Encourage public-private sector partnerships and regional approaches to economic development, marketing, regional competitiveness, and business assistance.
- 1.2 Develop and market strategic assets for local economies (heritage and cultural tourism and creative economies).
- 1.3 Support tourism activities that are directly linked to overall regional economic development strategies.
- 1.4 Encourage projects which diversify the economic base, including asset-based development and energy-related projects.
- 1.5 Encourage communities and community leaders to develop the skills and tools necessary to use existing and innovative telecommunications technology to assist in their community and economic development efforts.
- 1.6 Participate in business development efforts which will assist existing businesses with expansion activities.
- 1.7 Assist with installation of public infrastructure (water, sewer, fiber) for new business location / expansion, creating jobs for the Region.
- 1.8 Assist in the expansion of the availability of capital for small and medium-sized businesses, including microenterprises and new small technology-based companies through the use of revolving loan funds or other financing mechanisms.
- 1.9 Assist small and medium-sized businesses to access markets for their products, with emphasis on export training and assistance that will enable them to participate in the international marketplace.

- 1.10 Encourage the development of telecommunications and other technologies to assist in improving the participation of Appalachian businesses in the international marketplace.
- 1.11 Support the expansion of value-added businesses and sustainable development strategies to build sustainable local economies.
- 1.12 Capitalize on the economic potential of the Appalachian Development Highway System.
- 1.13 Support programs that will ensure the availability of a workforce with skills and abilities required to promote economic retention and growth.
- 1.14 Implement workforce readiness programs such as technologically literate workforce training and technological training in math, science, and engineering that will ensure students are given the necessary skills to enable them to find and hold jobs.
- 1.15 Strengthen the delivery of workforce training programs among the various provider agencies in order to improve the business retention, expansion, and formation efforts.
- 1.16 Support programs that will provide access to entrepreneurship training for high school students and adults.
- 1.17 Foster civic entrepreneurship.
- 1.18 Assist communities and regions in establishing ongoing strategic planning and management processes.
- 1.19 Encourage efforts to establish ongoing local and regional civic and leadership development programs.
- 1.20 Encourage Local Development Districts (LDDs) to become more involved in local and regional capacity building.
- 1.21 Support energy-related projects, including energy-efficiency technologies, alternative energies and biofuels, natural gas research, and coal mine reclamation.
- 1.22 Support projects that encourage broad-based, regional cooperation and provide increased regional economic growth opportunities.

Commission Goal 2:

Strengthen the Capacity of the People of Appalachia to Compete in the Global Economy

State ARC Objective:

Develop a world class work force that is well educated and appropriately trained for the job market, as well as provide adequate health care services throughout the Region.

Strategies:

- 2.1 Provide skill development training for high demand jobs which currently lack adequate training programs (ex. Construction, telecommunications, energy).
- 2.2 Continue to support initiatives that will reduce the school dropout rates.
- 2.3 Support programs that will improve the enrollment of Virginia Appalachians in post-secondary education.

- 2.4 Continue to expand educational opportunities through telecommunications.
- 2.5 Strengthen the delivery of workforce training programs among the various provider agencies in order to improve the business retention, expansion and formation efforts.
- 2.6 Implement work force readiness programs such as technologically literate work force training and technological training in math, science that will ensure students are given the necessary skills to enable them to find and hold jobs.
- 2.7 Encourage educational programs which train students in cultural and heritage arts, such as traditional music and craft production.
- 2.8 Encourage communities and community leaders to develop knowledge, skills and abilities necessary to use existing and innovative telecommunications technology to assist in their community and economic development efforts.
- 2.9 Encourage the establishment of partnerships and innovative arrangements among health care providers in Appalachian Virginia in order to assure quality care and the efficient use of available health care resources.
- 2.10 Encourage the use of telemedicine technology to assist in the delivery of rural health care services, to include wellness and prevention efforts
- 2.11 Support projects which include wellness and healthcare prevention efforts.
- 2.12 Continue efforts to place doctors and other medical professionals in medically underserved areas through physician and other recruitment programs.
- 2.13 Support efforts to initiate and expand early childhood education programs.
- 2.14 Support programs to increase access to quality child care.
- 2.15 Encourage local leaders to develop innovative, cost-effective arrangements for delivery of healthcare services, including regional approaches, privatization and service consolidation.
- 2.16 Foster civic entrepreneurship.

Commission Goal 3:

Develop and Improve Appalachia’s Infrastructure to Make the Region Economically Competitive

State ARC Objective:

Assist communities to provide and develop an adequate physical infrastructure to support economic development opportunities and improve the quality of life.

Strategies:

- 3.1 Assist community water supply and wastewater treatment projects that will support private investment leading to job creation or retention.
- 3.2 Assist community water supply and wastewater treatment projects that will support private investment leading to job creation or retention in distressed counties and that will

- address serious health/environmental compliance problems. Such projects could be proposed to be carried out through a Self-Help method of implementation.
- 3.3 Support continued efforts to expand the Region's stock of safe, affordable housing.
 - 3.4 Build and enhance environmental infrastructure, such as brownfields redevelopment and eco-industrial activities.
 - 3.5 Support infrastructure projects where installation of telecommunication conduit (dark fiber) is included in construction with the larger infrastructure project, to increase local and regional connectivity.
 - 3.6 Provide financial and technical assistance to communities for development of industrial sites and parks, shell buildings, business incubators and micro-enterprises.
 - 3.7 Increase accessibility and utilization of telecommunications technology, especially to identify markets and consumer groups.
 - 3.8 Support public-private sector partnerships, which provide clear and measurable service outcomes directly associated with quality sustainable job creation activities, to deploy advanced traditional and nontraditional cost-effective solutions and increase advanced telecommunications infrastructure capacity.
 - 3.9 Provide access to child and adult care services in specific work-related environments.
 - 3.10 Assist in the local revitalization efforts that will increase the physical and economic revitalization of communities, neighborhoods and downtowns.
 - 3.11 Support local access road projects which would result in job creation or retention opportunities or community revitalization.
 - 3.12 Help establish multi-county projects for establishing solid waste collection, disposal and recycling.
 - 3.13 Foster development of an intermodal transportation network.
 - 3.14 Capitalize on the ADHS and its development potential.
 - 3.15 Support projects that promote energy conservation, green building, use of eco-friendly resources, and sustainable land-use practices.
 - 3.16 Encouraging sustainable economic use of natural resources.
 - 3.17 Conserving the natural places in the region for ecotourism.
 - 3.18 Supporting land use and development strategies that promote sustainable communities and which seek to align transportation, housing, economic development, and environmental issues.

Commission Goal 4:

Build the Appalachian Development Highway System to Reduce Appalachia's Isolation

State ARC Objective:

Expand and upgrade existing roadways in rural communities to allow greater access to resources and opportunities for increased economic growth

Strategies:

- 4.1 Capitalize on the ADHS and its development potential.
- 4.2 Promote a development approach for the ADHS that preserves the cultural and natural resources of the Region while enhancing economic opportunity.
- 4.3 Encourage strategic, appropriate development along ADHS corridors (industrial parks, commercial development, and intermodal transportation).
- 4.4 Continue to support the development of the Coalfields Expressway.
- 4.5 Support infrastructure projects where installation of telecommunication conduit (dark fiber) is included in construction with the larger infrastructure project to increase local and regional connectivity.
- 4.6 Foster civic entrepreneurship.

Virginia's Regional Development Priorities

Governor Robert F. McDonnell took office in January 2010 and shortly thereafter, the Governor began to lay the foundation for his vision for the Commonwealth. Steps Governor McDonnell has taken are discussed below.

Overall Economic Development Plan

Virginia's emphasis on creating a healthy, economically supportive environment has been consistently recognized across the country. For example:

- Virginia has improved to the top rank in regulatory environment for business in the annual Forbes "Best States for Business" survey released yesterday. The survey cited Virginia's "strong incentive offerings" and "business friendly government policies." Virginia's overall rank among "Best States for Business" was #2, coming in among the top 5 states in half of the categories considered in the annual study and in the top half of states in all categories.
- The United States Chamber of Commerce commended Virginia as America's "Most Livable State" in its annual "Enterprising States: Policies that Produce" ranking. The report noted that Virginia ranks #1 nationally in median family income, STEM job concentration and in the high-tech share of all businesses.
- Site Selection magazine named Virginia the winner of its 2011 Competitiveness Award, which recognizes excellence on the part of a state-level economic development group.

Continuing this long tradition of fostering a strong economic development environment, Governor McDonnell has introduced new ideas and initiatives to sustain this positive climate. One of the first actions by Governor McDonnell was to establish a Chief Job Creation Officer and Governor's Economic Development and Job Creation Commission. This Commission was tasked with identifying impediments to and opportunities for job creation and ensures the Commonwealth maintains its standing as the best place to do business in the country. The Commission is organized into the following subcommittees reflecting key economic development priorities for the Commonwealth:

1. Business Development
2. Business Recruitment
3. Economically Distressed Areas
4. Energy
5. Manufacturing
6. Small Business
7. Technology
8. Tourism
9. Workforce Development

Since its formation, the Commission has developed strategies and policy recommendations to better position Virginia to create jobs and grow the economy. This group analyzed Virginia's economic development programs and agencies; assessed competitive initiatives in other states; considered existing tax and regulatory impediments to job creation; and, engaged private sector and state and local government stakeholders.

The Administration has also been successful in passing a number of bills from the "Jobs and Opportunity" legislative agenda. Designed to spur job creation and promote economic development in Virginia, the measures:

- Strengthens the criteria for Governor's Opportunity Fund (discretionary funds available to secure a business location or expansion project) and allows the Governor discretion regarding the local match for the Governor's Opportunity Fund
- Expands the Major Jobs Facilities tax credit
- Expands economic development incentive programs to attract major businesses to locate in Virginia by allowing Governor's Development Opportunity funds to assist with construction or build-out of privately owned buildings
- Establishes a major employment / investment project site planning grant fund
- Expands Enterprise Zones and reinvests surplus into real property grants
- Creates a Green Jobs tax credit
- Creates a motion picture film production tax credit
- Provides for temporary business licenses to applicants who hold a comparable license or certification issued by another state
- Dedicates a portion of the wine liter tax for wine marketing, research, and education efforts that is linked to the growing success of the industry
- Grants income tax exemption on capital gains related to investments in science based or bio-tech start-ups
- Creates the Universities Clean Energy Development and Economic Stimulus Foundation
- Adds the Lieutenant Governor and Commerce and Trade Secretary to Center for Rural Virginia Board of Trustees

As discussed previously, the Governor also supported several key economic development and job creation items, including the provision of funding for redevelopment of industrial and commercial structures that are no longer economically viable (Industrial Revitalization Fund), support for new regional economic development partnerships (Building Collaborative Communities), and increased support for downtown revitalization program (Virginia Main Street) and the Virginia Enterprise Zone program, and designating 2012 as the Year of the Entrepreneur.

Governor Bob McDonnell issued Executive Order #39 establishing a multidisciplinary task force to analyze Virginia's economic competitiveness and versatility in advance of the potential for federal spending cuts in the future. The task force is led by Lieutenant Governor and Chief Jobs Creation Officer Bill Bolling.

The Governor has also signed several pieces of job creation and economic development legislation, including bills from his 2012 jobs and economic development agenda, which include measures which:

- Allows natural gas infrastructure expansion for the purpose of economic development projects where it is not already available
- Improves the process for approval of electric transmission lines of 138 kv
- Decreases from five to three years the legal presence requirement to be considered an existing Virginia manufacturer under the Virginia Investment Partnership Act
- Extends the time period during which the major business facility job tax credit may be taken within a two-year allowance
- Allows a business creating permanent, full-time positions to be eligible for both the major business facility job tax credit and enterprise zone job creation grants

A key component of Virginia's economic success lies with the great natural, cultural, and heritage assets. In 2011 visitors to Virginia generated \$20.4 billion in revenue from tourism, an 8 percent increase over 2010. In 2011, tourism in Virginia supported 207,000 jobs, an increase of nearly 2 percent in employment, and provided more than \$1.32 billion in state and local taxes. This Administration's commitment to supporting this industry is illustrated through its commitment support of innovative tools such as the Virginia Tourism Development Financing project, a new program providing gap financing for tourism development projects which are identified as critical to local economic development, and Tourism Marketing Grants, awarded to increase visitor spending by leveraging marketing dollars, stimulate new tourism marketing through partnerships, and extend the "Virginia is for Lovers" brand.

Governor McDonnell has recently introduced a newly created Agriculture and Forestry Industries Development (AFID) Fund to support economic development and job creation efforts. With the release of these guidelines, Virginia, for the first time, has an economic development grant program designed specifically to support agriculture and forestry development projects.

As a result of the Governor's and Lieutenant Governor's actions, since January 2010, Virginia has announced over 1,000 economic development projects, the creation of over 60,613, and capital investment of over \$10 billion.

Energy and Natural Resources

Virginia continues to press forward with the development of both traditional and alternative energy solutions. Working to make Virginia the "Energy Capital of the East Coast," Governor McDonnell has pursued an "all of the above" strategy for advancing development of Virginia's energy resources, through the passage of legislation, updating Virginia's Energy Plan, and working with industry and stakeholder groups.

In 2010 Virginia hosted the First Annual Governor's Conference on Energy that had over 1,000 participants and more than 100 exhibitors. The conference focused on doing energy business in

Virginia. Building on the success of that inaugural event, this has now become an annual event, bringing together some of the nation's leaders in the energy industry.

Renewable energy opportunities are also an important piece of the Governor's energy agenda. With a focus on offshore wind and the development of biomass plants, the Commonwealth has become a leader in growing the renewable energy industry.

The Governor has also shown a strong dedication to enhancing Virginia's natural resources so that they can be enjoyed by generations to come. Efforts include providing funds in to support this goal, including \$1 million for land conservation easement through the Department of Conservation and Recreation, \$1 million to the Civil War Battlefield preservation program at the Department of Historic Resources, and \$400,000 through the Farmland Preservation Office at VDACS. Additionally just in 2012, the Virginia Outdoors Foundation permanently protected 26,375 acres of open space through 127 conservation easements. The Administration will help keep Virginia beautiful by ensuring the Commonwealth conserves another 400,000 acres by the conclusion of the Governor's term in January 2014.

Education

Education has been a priority for this Administration, and the Governor continues to put forward initiatives to further improve the educational quality. The nation's leading education journal ranked Virginia as fourth in the nation in overall educational quality and performance. The recently released Forbes' annual "America's Top Colleges" report shows the University of Virginia and William and Mary once again ranking No. 1 and No. 2 for public non-service academy colleges in the country. Twenty two Virginia schools were included in the "America's Top Colleges" report.

As part of Virginia's commitment to quality education, Governor McDonnell has introduced the "Opportunity to Learn" initiative. This effort is designed to offer options and innovation for all Virginia schoolchildren, but especially those who are at-risk or in underperforming school systems. The three key components of the package – improving public charter school applications, developing criteria for virtual school programs, and establishing college partnership laboratory schools exemplify the Commonwealth's commitment to providing children with a world-class education.

Governor McDonnell has also established the Commission on Higher Education Reform, Innovation, and Investment. The Commission is charged with ensuring instructional excellence, creating affordable pathways to college degree attainment for many thousands more Virginians, preparing citizens of Virginia for employment in the high-income, high-demand fields of the new economy, fostering socio-economically important research and development, and guaranteeing affordable access to appropriate post-secondary education, training, and re-training for all Virginians.

The Higher Education Advisory Committee was created as a result of the Virginia Higher Education Opportunity Act of 2011, the "Top Jobs Act." This recognizes the excellence and

diversity of the existing higher education system in Virginia and builds on past reforms and innovations and it brings into sharp focus the relationship between the Virginia higher education system, the state's economy, and job creation. The Advisory Committee has representation from both policymaking branches of state government; higher education institutions; the State Council and the business community, which has been such an important partner in these efforts.

Governor McDonnell's has also introduced the "All Students" initiative, which includes legislative proposals to reward and recognize excellent teachers, broaden educational opportunities, and strengthen instruction and accountability in the Commonwealth's public schools. These proposals include:

- Establishing an A-F rating system for public schools
- Instituting new accountability, support and governance measures for chronically low-performing schools
- Increasing support and accountability for early reading achievement
- Incorporating the Early Intervention Reading and Algebra Readiness initiatives into the state's Standards of Quality
- Creating the Governor's Center for Excellence in Teaching to provide professional development opportunities for exemplary teachers
- Establishing the Strategic Compensation Grant Initiative to reward effective teacher leaders assuming additional responsibility or priority assignments
- Extending the probationary period for new teachers to allow a more thoughtful examination of performance before they can earn continuing contract status while streamlining grievance procedures for experienced teachers
- Placing Teach-for-America graduates in hard-to-staff schools

To increase educational opportunities, Governor McDonnell signed legislation to create a tax credit for scholarship donations to non-profit organizations to be given to K-12 students whose family's annual household income is not in excess of 300 percent of the poverty guidelines and certain students with disabilities.

Housing

Recognizing that affordable and safe housing is a fundamental component of healthy and prosperous communities, Governor McDonnell established Virginia's first executive housing policy framework to help guide the development of a housing policy. The Governor's policy addresses homelessness and expanding affordable housing, as well as workforce housing, economic development, healthy neighborhoods, effective coordination of transportation, environmental issues and other opportunities. The guiding principles for the formation of the policy framework are:

- Recognizing the role of the housing industry as a critical economic development engine within the Commonwealth by streamlining regulations, ensuring robust finance and construction sectors, promoting the development of workforce housing, reducing commute times between home and work, and increasing residential access to

transportation systems, while furthering public understanding of housing finance and economic literacy.

- Promoting sustainable and vibrant communities through measures that promote mixed use development, increase energy efficiency and use of cost effective green building concepts, support the rehabilitation of substandard housing, clarify the role of community associations in common interest communities, and expand public-private cooperation in addressing affordable safe housing.
- Ensuring that a range of housing options can be provided to meet the housing needs of a dynamic and changing population, achieve proper balance between homeownership and rental options, promote a continuum of quality housing options for special needs populations, match existing subsidies with areas of housing need, and increase the emphasis on fair housing (eliminating barriers to housing).
- Increasing capacity to address the needs of homeless Virginians by focusing on the reduction of chronic homelessness, ensuring the continued viability of the safety net of shelters and services, and investing in transitional and permanent supportive housing.

The National Council of State Housing Agencies recognized Virginia for outstanding achievement in the development of a statewide housing policy.

Governor McDonnell also signed two bills into law this year to support important housing initiatives. Senate Bill 786 helped ensure that foreclosure mitigation counselors would not be restricted by undue licensure requirements. House Bill 1950 enhanced the Livable Homes Tax Credit which encourages housing accessibility.

The Governor has also announced the state is making significant headway toward the goal of reducing statewide homelessness. Citing data collected by local Continuum of Care groups across the Commonwealth, the governor announced that overall homelessness has declined 8 percent from 2010 to 2012 and for families the reduction has been even more pronounced, an 11 percent reduction. Additionally, there has been a drop of 36 percent in the number of people experiencing chronic homelessness in Virginia.

Health Care

The Governor understands the critical issue of providing access to quality and affordable health care services, particularly in rural areas of Virginia. The Governor McDonnell signed into legislation a measure to dramatically expand telemedicine coverage for Virginians and makes certain that health insurers will cover and reimburse for healthcare services provided through telemedicine.

The Commonwealth, through Governor McDonnell's leadership, has initiated a Health Reform Initiative to prepare Virginia for the implementation of federal health reform by planning for the expansion of Medicaid eligibility. However, the effort will not be limited to federal health care reform but will also help to ensure a safe, effective, and high quality health care delivery system while reducing costs. The Initiative will promote innovation, quality and cost-effectiveness

within Virginia's health care delivery system and seek to reduce the regulatory burden on all Virginians.

Government Reform and Restructuring

To ensure that the Commonwealth of Virginia provides the necessary and appropriate core services utilizing the most cost effective methods available, Governor McDonnell has been conducting a comprehensive, systematic and ongoing evaluation of the effectiveness and need for the state's existing agencies, governing bodies, programs, and services. This comprehensive review will make certain that duplicative, outdated, unnecessary and ineffective services and service delivery methods are eliminated and that state revenues are dedicated to the core functions of government.

To facilitate this effort, Governor McDonnell created the Commission on Government Reform and Restructuring, tasked with putting forth bold and innovative ideas to ensure that duplicative, outdated, unnecessary and ineffective services and service delivery methods are eliminated and that state revenues are dedicated to the core functions of government. The Commission's mission is to:

- Identify opportunities for creating efficiencies in state government, including streamlining, consolidating, or eliminating redundant and unnecessary agency services, governing bodies, regulations and programs;
- Explore innovative ways to deliver state services at the lowest cost and best value to Virginia taxpayers;
- Seek out means to more effectively and efficiently perform core state functions, including potential privatization of government operations where appropriate, and restore focus on core mission-oriented service;
- Examine ways for state government to be more transparent, user friendly and accountable to the citizens of the Commonwealth.

Public input has been critical to the Commission and several processes have been put in place to maximize participation, including regional public town hall meetings and an online submission process. In November 2011 the Commission released a report of recommendations to the Governor. As a result of this work, Governor McDonnell has signed legislation to reduce mandates on local governments to reduce redundant mandates and allow localities to focus on core functions.

As part of the efforts, Governor Bob McDonnell has launched the Governor's Regulatory Reform initiative and creation of a new portal for citizens to submit ideas for regulatory reform. Governor McDonnell has also charged regulatory agencies to conduct a comprehensive review of regulations currently in place and repeal regulations that are unnecessary or no longer in use, reduce unnecessary regulatory burdens on individuals, businesses, and other regulated groups, and identify statutes that require unnecessary or overly burdensome regulations. The initiative is an extension of Governor McDonnell's efforts as Attorney General to eliminate unnecessary and burdensome regulations through his Task Force on Regulatory and Government Reform. The

task force made more than 300 recommendations to streamline Virginia’s Administrative Code, and reduce burdensome government regulation.

The Governor has also established an Operational Review Task Force to look for cost cutting best practices in Virginia’s operational costs. This Task Force was formed as a result of a recommendation by the Commission and will be chaired by Special Advisor to the Commission Bill Leighty, chief of staff to former Governors Mark Warner and Tim Kaine. The Task Force will evaluate 12 areas of government to identify potential savings in operational costs and recommend strategies for realizing those savings. The Operational Review Task Force focuses on the Commonwealth’s:

- Usage of Energy
- Usage of Water
- Usage of Waste Management
- Usage of Phones and Data
- Usage of Printers, Copiers and Fax Machines
- Asset Inventory & Management
- Travel
- Fleet Management
- Usage of Banking Services
- Accounts Receivable
- Surplus Property
- Insurance (Health & Risk Management)

While most of these policies are developed from a statewide perspective, the direct impact on Virginia’s ARC Region is significant. Future decision-making and strategic investment decisions in the Region will align with the Administration’s initiatives and priorities.

There is a very strong and direct relationship between the State’s Four Year Plan and the goals and initiatives set forth by Governor McDonnell’s Administration. Many of the Governor’s stated goals and objectives clearly support the Commission’s goals and will target services and funds to Virginia’s Appalachian Region.

Commission Goal 1:

Increase Job Opportunities and Per Capita Income in Appalachia to Reach Parity with the Nation.

Established a Chief Job Creation Officer and Governor’s Economic Development and Job Creation Commission

The Commission is organized into the following subcommittees reflecting key economic development priorities for the Commonwealth:

1. Business Development

2. Business Recruitment
3. Economically Distressed Areas
4. Energy
5. Manufacturing
6. Small Business
7. Technology
8. Tourism
9. Workforce Development

Passed a number of bills from the "Jobs and Opportunity" legislative agenda with measures to:

- Strengthens the criteria for Governor's Opportunity Fund (discretionary funds available to secure a business location or expansion project) and allows the Governor discretion regarding the local match for the Governor's Opportunity Fund
- Expands the Major Jobs Facilities tax credit
- Expands economic development incentive programs to attract major businesses to locate in Virginia by allowing Governor's Development Opportunity funds to assist with construction or build-out of privately owned buildings
- Establishes a major employment / investment project site planning grant fund
- Expands Enterprise Zones and reinvests surplus into real property grants
- Creates a Green Jobs tax credit
- Creates a motion picture film production tax credit
- Provides for temporary business licenses to applicants who hold a comparable license or certification issued by another state
- Dedicates a portion of the wine liter tax for wine marketing, research, and education efforts that is linked to the growing success of the industry
- Grants income tax exemption on capital gains related to investments in science based or bio-tech start-ups
- Creates the Universities Clean Energy Development and Economic Stimulus Foundation
- Adds the Lieutenant Governor and Commerce and Trade Secretary to Center for Rural Virginia Board of Trustees

Issued Executive Order #39 establishing a multidisciplinary task force to analyze Virginia's economic competitiveness and versatility in advance of the potential for federal spending cuts in the future.

Moved forward with recommendations from the Virginia Energy Plan, including growing both traditional and alternative energy production, jobs and investment.

Supported several key economic development and job creation items, including the provision of funding for redevelopment of industrial and commercial structures that are no longer economically viable (Industrial Revitalization Fund), support for new regional economic development partnerships (Building Collaborative Communities), and increased support for downtown revitalization program (Virginia Main Street) and the Virginia Enterprise Zone program, and designating 2012 as the Year of the Entrepreneur.

Introduced a newly created Agriculture and Forestry Industries Development (AFID) Fund to support economic development and job creation efforts. With the release of these guidelines, Virginia, for the first time, has an economic development grant program designed specifically to support agriculture and forestry development projects.

Commission Goal 2:

Develop a world class work force that is well educated and appropriately trained for the job market, as well as provide adequate health care services throughout the Region.

Introduced the “Opportunity to Learn” initiative to offer options and innovation for all Virginia schoolchildren, but especially those who are at-risk or in underperforming school systems.

Established the Commission on Higher Education Reform, Innovation, and Investment.

Created the Chief Job Creation Officer to help coordinate all economic and workforce development and job creation initiatives.

Introduced the "All Students" initiative, which includes legislative proposals to reward and recognize excellent teachers, broaden educational opportunities, and strengthen instruction and accountability in the Commonwealth's public schools. These proposals include:

- Establishing an A-F rating system for public schools
- Instituting new accountability, support and governance measures for chronically low-performing schools
- Increasing support and accountability for early reading achievement
- Incorporating the Early Intervention Reading and Algebra Readiness initiatives into the state's Standards of Quality
- Creating the Governor's Center for Excellence in Teaching to provide professional development opportunities for exemplary teachers
- Establishing the Strategic Compensation Grant Initiative to reward effective teacher leaders assuming additional responsibility or priority assignments
- Extending the probationary period for new teachers to allow a more thoughtful examination of performance before they can earn continuing contract status while streamlining grievance procedures for experienced teachers
- Placing Teach-for-America graduates in hard-to-staff schools

Signed legislation to create a tax credit for scholarship donations to non-profit organizations to be given to K-12 students whose family’s annual household income is not in excess of 300 percent of the poverty guidelines and certain students with disabilities.

Established the Virginia Health Workforce Development Authority to facilitate the development of a statewide health professions pipeline that identifies, educates, recruits, and retains a diverse, appropriately geographically distributed and culturally competent quality workforce.

Established the Governor’s Economic Development and Job Creation Commission, where one areas of focus is workforce development.

Expanded public education about Virginia’s energy production and consumption, its effect on our economy, and how Virginians can use energy more efficiently.

Created the Virginia Universities Clean Energy Development and Economic Stimulus Foundation to promote green energy research and development and make Virginia’s universities and colleges national leaders in this growing industry.

Initiated a Health Care Reform Initiative to prepare Virginia for the implementation of federal health reform by planning for the expansion of Medicaid eligibility.

Expanded telemedicine coverage for Virginians and makes certain that health insurers will cover and reimburse for healthcare services provided through telemedicine.

Established the Higher Education Advisory Committee as a result of the Virginia Higher Education Opportunity Act of 2011, the “Top Jobs Act.”

Commission Goal 3:

Develop and Improve Appalachia’s Infrastructure to Make the Region Economically Competitive

Developing a state housing policy to address homelessness and expanding affordable housing, as well as workforce housing, economic development, healthy neighborhoods, effective coordination of transportation, environmental issues and other opportunities.

Ordered a comprehensive performance and financial audit of the Virginia Department of Transportation, noting that a comprehensive approach, including greater management efficiency, more innovation and new sources of funding are needed to get long overdue construction underway.

Compiling ideas for making laws and programs more efficient and effective. These ideas cover all modes of our transportation system and have been collected from a wide variety of sources. The ideas fall into four general categories: state code initiatives; federal initiatives; administrative initiatives; and funding. The goal is to complete a finalized list of ideas around which a consensus can be formed.

Commission Goal 4:

Build the Appalachian Development Highway System to Reduce Appalachia’s Isolation

Ordered a comprehensive performance and financial audit of the Virginia Department of Transportation, noting that a comprehensive approach, including greater management efficiency,

more innovation and new sources of funding are needed to get long overdue construction underway.

Made significant advances in transportation to include:

- A historic investment in transportation of \$4 billion without raising taxes.
- Reopening 19 closed rest areas and developing innovative new partnerships with the private sector to offset rest area maintenance and operating costs
- Completing four audits of transportation agencies resulting in the identification of more than \$1.4 billion in unspent transportation funds and a more streamlined project development process to expedite construction and maintenance work
- Creating the Office of Transportation Public-Private Partnerships
- Reaching agreements with private-sector partners to advance the Coalfields Expressway and the Route 58 Corridor Improvement projects. Both of these projects will benefit transportation and economic development in western Virginia.

Compiling a list of ideas for making laws and programs more efficient and effective. These ideas cover all modes of our transportation system and have been collected from a wide variety of sources. The ideas fall into four general categories: state code initiatives; federal initiatives; administrative initiatives; and funding. The goal is to complete a finalized list of ideas around which a consensus can be formed

STATE OPERATING POLICIES

Outcome Funding Investment Approach

In order to comply with the incremental phasing in of the Government Performance and Results Act of 1993 (GPRA), the State ARC office has aggressively moved toward incorporating outcome funding into the administration of its federal programs. The Commonwealth of Virginia intends to use an outcome framework with the expenditure of all ARC program funds. Funded projects must demonstrate a direct relationship with the achievement of tangible improvements in the economic health of the community. Projects must be sustainable or replicable to other communities, provide measurable long-term outcomes, as well as distinct and measurable outputs.

Each project will include a description of the output and outcome measures to be derived from the project. Benchmarks for each project and the time frame for measurement will be established as part of the initial contract negotiation.

Performance milestones will be monitored and managed by the appropriate state, ARC, and basic federal administering agency staff. An initial risk analysis will be completed on each project to determine its level of difficulty and to gauge the extent of technical assistance that may be warranted.

Funding Policies and Principles

Virginia will incorporate several funding policies and principles into the implementation of its ARC Program. These policies and principles are as follows:

- A. VA ARC funding for a construction project is limited to a maximum of \$500,000. With support and guidance from ARC, a process has been implemented by which DHCD may implement construction projects funded through ARC. DHCD will assess the appropriateness of acting in this capacity in the project development and project review phases. At DHCD's discretion, non-profit applicants planning to submit a construction project may be required to partner with an eligible unit of local government to ensure the applicant has the capacity to successfully complete the project and to facilitate the environmental review process.
- B. VA ARC funding for a non-construction project is limited to a maximum of \$100,000. In instances where there is a regional project that DHCD determines has a clear, specific, significant, and targeted economic development impact, VA ARC non-construction funding is limited to a maximum of \$500,000.

- C. DHCD reserves the right to require that applicants demonstrate sufficient organizational capacity in order to receive funds. DHCD will evaluate factors such as organization's staffing, including the presence of full-time, dedicated staff, a proven track record in implementing similar projects, fiscal accountability, and organization sustainability.
- D. VA ARC participation costs for a project will be limited to 50 percent (50%) of total project costs, with the following exceptions:
1. For community development projects that are located in ARC designated distressed counties and will provide basic services, the maximum ARC grant will be 80 percent (80%) of total project costs;
 2. For community development projects that are located in ARC designated at-risk counties and will provide basic services, the maximum ARC grant will be 70 percent (70%) of total project costs;
 3. For community or business development projects that are located in an ARC designated economically competitive county, the maximum ARC grant will be 30 percent (30%) of the project costs; and
 4. For the State's consolidated technical assistance program the maximum ARC grant will be 50 percent (50%) of total project costs.
 5. For the State's local development access road projects, the maximum ARC grant will be up to 100 percent (100%) of total project costs.
- E. For Fiscal Year 2013, Virginia will not have any designated Distressed localities.
- F. In addition to meeting the requirements of the Appalachian Regional Development Act (ARDA) of 1965, each project must demonstrate that it will contribute to the achievement of one or more of the Commission's goal(s) and objective(s). Except that the State may request, in accordance with Section 303 of the ARDA, approval of a project or projects without such supporting demonstration to take advantage of special development opportunities or to respond to emergency economic distress.
- G. The focus of the Virginia ARC program is economic development. Projects that have a greater and direct impact on this focus will receive more favorable consideration than those projects of lesser and indirect impact. To demonstrate direct impact, documentation of job creation or retention and private sector investments must be provided along with how the project will benefit the establishment, expansion, or modernization of firms.

- H. ARC assistance for equipment projects must be matched dollar-for-dollar with non-ARC equipment purchases.
- I. ARC assistance for solid waste is eligible for multi-county (or city) projects for planning solid waste systems, organization of solid waste systems (including recycling / re-use), and for landfill establishment.
- J. Demonstration, planning and technical assistance funds will be available to provide for such activities as more effective delivery of programs/services (multi-jurisdictional consolidations), business development research, technical assistance, community capacity building planning, developing civic entrepreneurship, and technical assistance designed especially for distressed counties.
- K. Virginia will limit the use of the ARC Access Road funding to “development access roads” to be used after other state access road funds have been exhausted.
- L. Preference will be given to projects that address identified regional needs and reflect cooperative efforts among local governments, nonprofits, the private sector, and/or educational institutions.
- M. Funding recaptured through closeout of older Virginia Appalachian Regional Commission projects may, from time to time, be committed to new projects that meet the policies and principles defined above. These projects may be unsolicited and do not have to be received under the competitive ARC programs administered by Virginia, however, they would need to demonstrate special merit and timeliness.
- N. All construction projects must have a project sign installed at the construction site within thirty (30) days of the execution of the ARC Grant Agreement. The sign must include the DHCD and ARC logos and information about the project. Guidance will be provided to successful applicants.

Project Development, Selection, and Evaluation

Project Development

The Virginia ARC project development process involves two separate phases: the proposal phase (conducted between October and February) and the final application phase (conducted between February and July of the following calendar year).

The Virginia ARC project development process begins in October of the current fiscal year. After notification by the State ARC Office to local governments, educational institutions, nonprofit organizations, and the LDDs in the region, the State ARC Office and the LDDs provide technical assistance to applicants in the development of proposals. A “How-to-Apply”

workshop was held on July 11, 2012 to provide project development technical assistance for FY 2013 Area Development proposals.

During October, the State ARC Office begins the process of reviewing and evaluating each project proposal.

Project Selection

The following qualification and proposal evaluation criteria levels will be utilized in the project selection process for 2013 proposals.

Level 1:

Review at this level will concentrate on the project's:

1. Applicant and activity eligibility;
2. Demonstrated demand for the project;
3. Project description clarity;
4. Ability to meet the challenges and opportunities identified in the proposed service area; and
5. Ability to fill a "gap" in currently offered services available locally or regionally.

Level 2:

Review at this level will concentrate on the project's:

1. Possession of clearly described performance targets (product-focused outputs) to be achieved throughout the project and the overall outcomes;
2. Capacity of applicant organization to implement the project and readiness to-go of project;
3. Leveraging of non-ARC resources;
4. Creativity of approach; and
5. Establishment or significant enhancement of collaborative relationships among local and regional providers.
6. Sustainability or the ability to maintain the proposed effort into the future.
7. Potential of project to meet current expectations and directives of the Federal Co-Chair's office

Project Evaluation

Project implementers will have the responsibility of documenting the project's achievement of the intended performance targets. Implementers should not wait until the end of the project to evaluate performance target attainment. Evaluative measures will focus on verifying whether the customers (1) experienced the desired effect in each performance target, and (2) successfully moved to the next level of performance targets. Strategically timed and direct customer verification will allow for necessary program analysis and reconfiguration in order to achieve the overall project outcome.

As the **project investor**, the Virginia ARC Office will periodically review the customer verification of performance target attainment. Evaluative measures will focus on highlighting goal attainment and providing technical assistance in project reconfiguration.

Investment Timetable

The above described proposal evaluation and selection process for the Virginia ARC program will occur during the months of October and November (except as noted). This office anticipates amending this Strategy Statement with the selected FY 2013 project recommendations by February 2013.

Changes to the Regional Initiatives Programs

Strategies for past years' ARC regional initiatives in telecommunications, internationalization of the economy, civic development, and most recently, asset-based development and energy have been integrated into the state's strategies and objectives and are fundable in the State's Area Development program. Virginia has developed a new RFP that consolidates all ARC programs into one, which is a change from previous years where a separate amount of funding was set-aside for Regional Initiative projects.

Virginia has also streamlined the allowed funding caps, where the maximum of Virginia ARC funding for a construction project is limited to \$500,000 and the non-construction project maximum is \$100,000. In instances where there is a regional project that has a clear, specific, significant, and targeted economic development impact, Virginia ARC non-construction funding is limited to a maximum of \$500,000.

2012 ARC Proposals

A total of approximately \$2.1 million was awarded in 2012 through Virginia's ARC program. All selected projects support the Commonwealth's goals of encouraging economic development in the Appalachian Region such as infrastructure, entrepreneurship support and workforce development. Funds are meant to provide a catalyst for growth and will be "concentrated in areas where there is significant potential for future growth, and where the expected return on public dollars invested will be greatest." Additionally ARC funds support the goal of building a strong and sustainable asset-based economy by bringing jobs and prosperity to Appalachian communities while preserving their character. These projects address the leveraging of cultural assets, natural assets, community assets, structural assets, and economic assets.

ARC Access Road Projects

DHCD continues to work with partners to develop access roads in support of increased economic opportunities. The process by which funds will be allocated and projects will be developed is under revision as Virginia's Department of Transportation works to develop a new state Highway Plan. DHCD will be working closely with VDOT to ensure the Access Road program

continues to support the needs of Virginia's Appalachian Region. The Plan is expected to be released in Spring, 2013.

