Commonwealth of Virginia Appalachian Regional Commission

2009 Annual Strategy Statement

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Virginia Department of Housing
and Community Development
The Jackson Center • 501 North Second Street • Richmond, VA 23219

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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 six 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, ("Moving Appalachia Forward, ARC Strategic Plan 2005-2010") 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 2009 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, 2009.

Background

The Virginian Appalachian Region encompasses twenty-three (23) counties and seven (7) independent cities. This Region is an area of beauty and natural appeal with mountains of hardwood and coal, fertile valleys, plateaus and ridges

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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, 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 Timothy M. Kaine 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. Mr. Todd Christensen and Ms. Denise Ambrose will serve as ARC Program Managers and be responsible for the program's administration and project implementation. This organizational structure is the most efficient and effective structuring of ARC program administration for Virginia.

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

There are six Planning District Commissions (PDCs) which serve Virginia's thirty (30) Appalachian cities and counties. 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.

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Virginia's ARC Region

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

Counties

Alleghany County	*Transitional*
Bath County	*Attainment*
Bland County	*Transitional*
Botetourt County	*Attainment*
Buchanan County	*At Risk*
Carroll County	*Transitional*
Craig County	*Transitional*
Dickenson County	*Distressed*
Floyd County	*Transitional*
Giles County	*Transitional*
Grayson County	*Transitional*
Highland County	*Transitional*
Lee County	*At Risk*
Montgomery County	*Transitional*
Pulaski County	*Transitional*
Rockbridge County	*Transitional*
Russell County	*At Risk*
Scott County	*At Risk*
Smyth County	*Transitional*
Tazewell County	*Transitional*
Washington County	*Transitional*
Wise County	*At Risk*
Wythe County	*Transitional*

Cities

City of Bristol	*Transitional*
City of Buena Vista	*Transitional*
City of Covington	*Transitional*
City of Galax	*Transitional*
City of Lexington	*Transitional*
City of Norton	*At Risk*
City of Radford	*Transitional*

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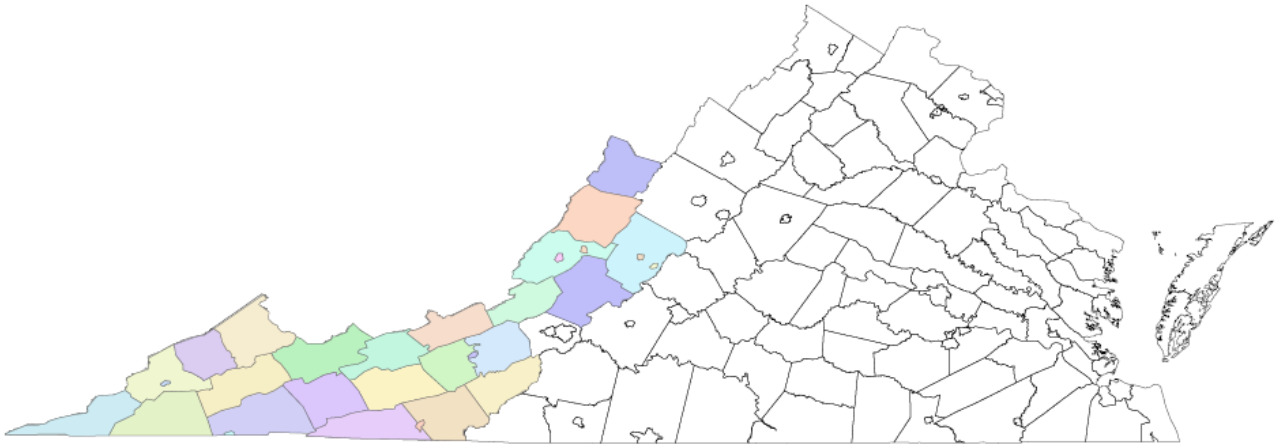
Virginia ARC Localities



THE VIRGINIA ARC REGION DEVELOPMENT PLANNING PROCESS

An input meeting specifically for the PDCs (LDDs) was held on the afternoon of June 12, 2008 to solicit their important feedback on the previous year's Program and to obtain suggestions for the year 2009. The State ARC Program staff consults with the six LDDs throughout the year regarding project development and implementation.

A general Public Input Session was also conducted on June 13, 2008 in Wytheville, Virginia to solicit comments on Virginia's FY 2009 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 2009 ARC Objectives and Strategies.

In addition to these input sessions, the State ARC Program staff will conduct How-to-Apply Workshops to educate interested parties on ARC funding offerings, including Area Development / Distressed Communities and ARC Asset-Based and Telecommunications 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 Crooked Road: Virginia's Heritage Music Trail effort and with the Southwest Virginia Artisans Network. 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.

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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
David Barrett, Executive Director

New River Valley Planning District Commission
6580 Valley Center Drive, Box 21
Radford, Virginia 24141
David Rundgren, 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
A. Ray Griffith, Jr., Executive Director

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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, relatively low educational attainment, 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 2002-2007 is 1.6% while the overall state population grew approximately 5.8% during the same period. Two PDCs, LENOWISCO and Cumberland Plateau, both lost population during the period. It is worth noting that 12 out of 30 localities in the Virginia Appalachian region lost population during that period and that only two localities (Botetourt and Rockbridge) had a higher percentage increase in population growth than the state. Buchanan County had the greatest population loss at approximately 8.6%. Table 1 shows the population change in the six Appalachian Planning District Commissions (PDC) and the state.

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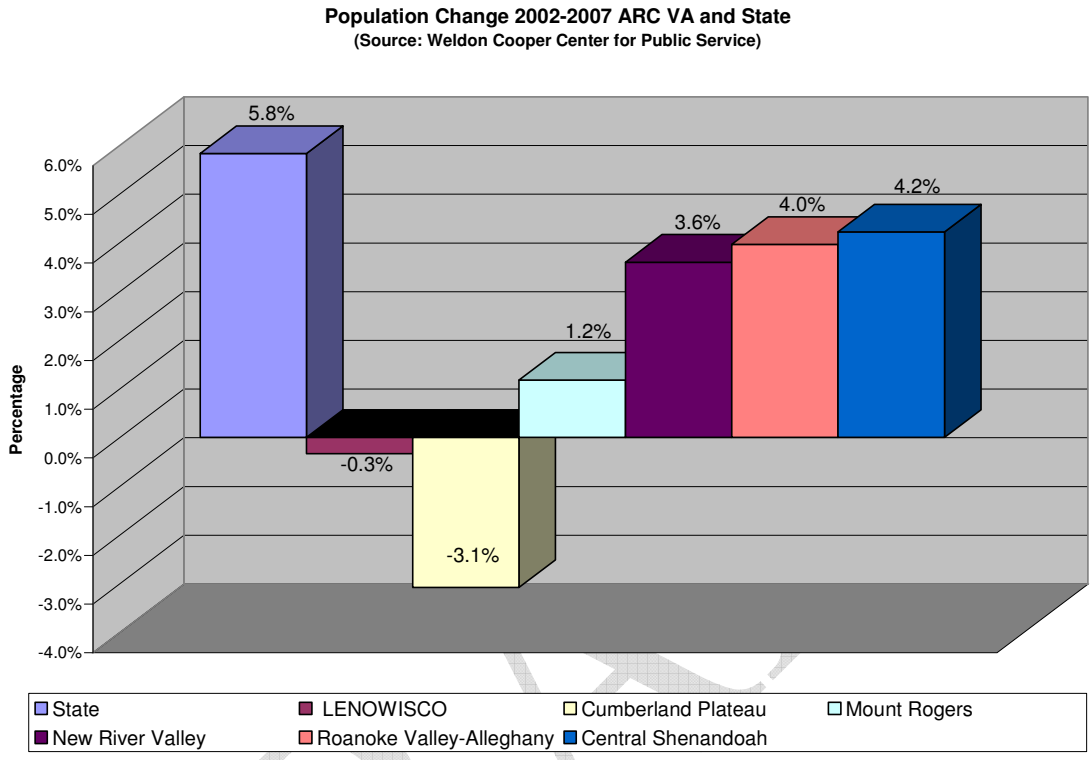
Table 1



Unemployment

The Appalachian Region of Virginia has higher unemployment on average than the rest of the state. The average annualized unemployment rate for localities in the Virginia Appalachian Region (4.4 %) in 2007 was higher than the state rate (3%) for the same period and was just slightly higher than the 2006 rate of 4.2%. The City of Covington had the highest unemployment rate in 2006 at 5.8%. While still almost twice the state average, this did represent a decrease of 1.1% since 2006 and marked a significant decrease from earlier years that witnessed double-digit unemployment in several of the Virginia ARC localities. Eighteen of the thirty ARC localities saw a decline in their unemployment rates from 2006 to 2007, and viewed as an aggregate, the 30 Virginia ARC localities saw an overall decrease in the unemployment rate of 1.1% for that same time. It should also be noted that the 2007 average unemployment rate in Virginia's Appalachian Region was lower than the national unemployment rate (4.6%). However, despite some progress, all six PDCs in Virginia's Appalachian Region had unemployment above the state rate in 2007.

Table 2 shows the average annual unemployment rate for the ARC Virginia PDCs and the state in 2006.

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.

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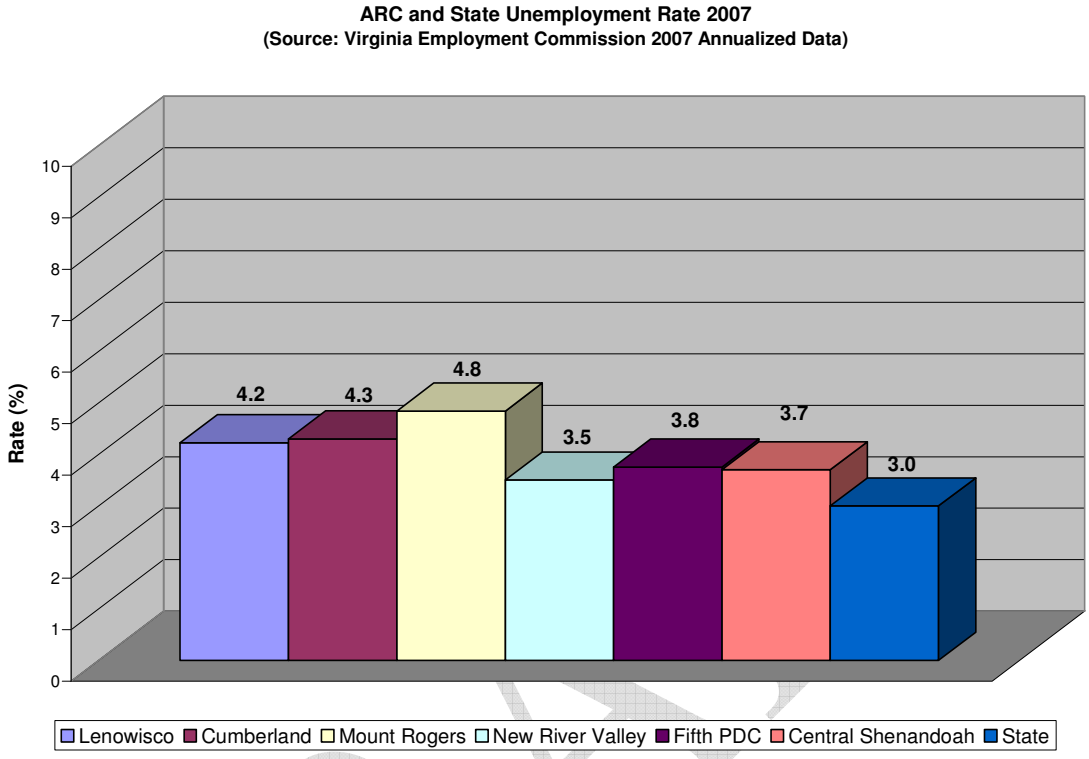
Table 2



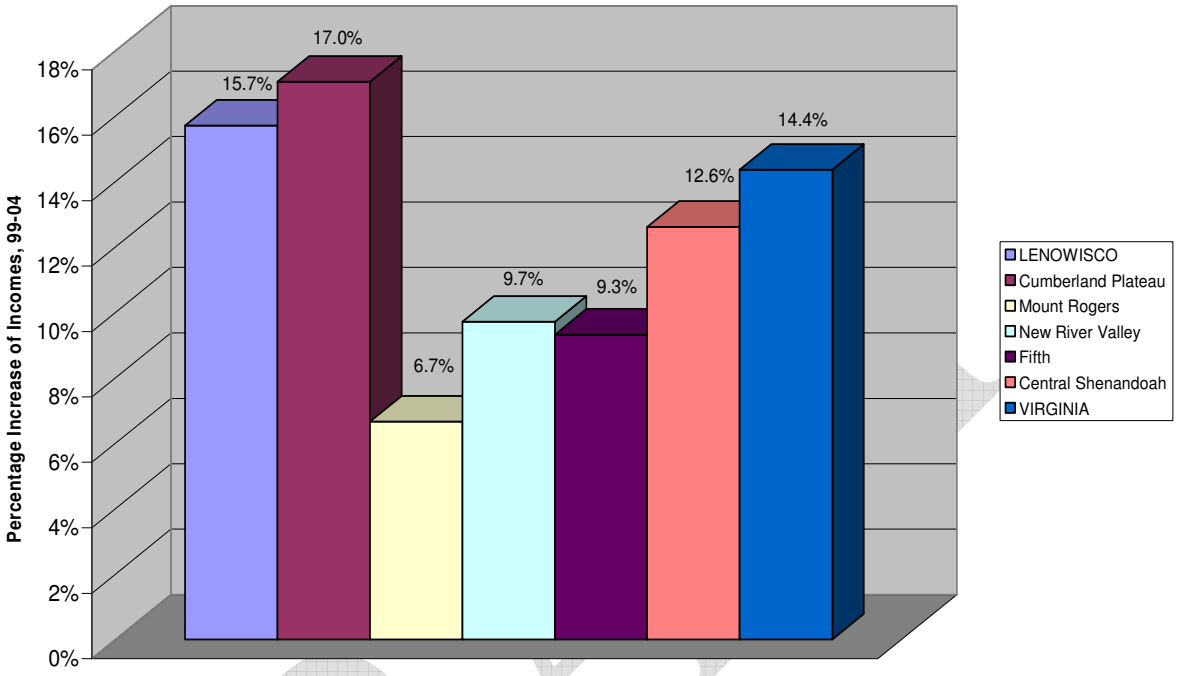
Income

Increases in income have generally kept pace with the rest of the state, even exceeding the state average in some areas. The median adjusted gross income (MAGI) in Virginia grew by an average of 14.4% from 1999-2004, while incomes in Virginia's Appalachian Region localities grew by an average of 11.8% during the same period. In fact, two Planning District Commissions (LENOWISCO and Cumberland Plateau) had an increase that exceeded the state average.

However, while the Appalachian Region of Virginia generally matched the rest of the state in terms of the percentage of income growth, the area still lags behind in terms of average income. The average MAGI for the Appalachian Region of Virginia was $39,029 in 2004 while the state MAGI was $54,567. Table 3 shows the increase in incomes from 1999-2004 for the Virginia Appalachian Region by PDC as compared to the state.

Table 3

Married Couple Median Adjusted Gross Income 1999-2004
(Source: Weldon Cooper Center for Public Service)



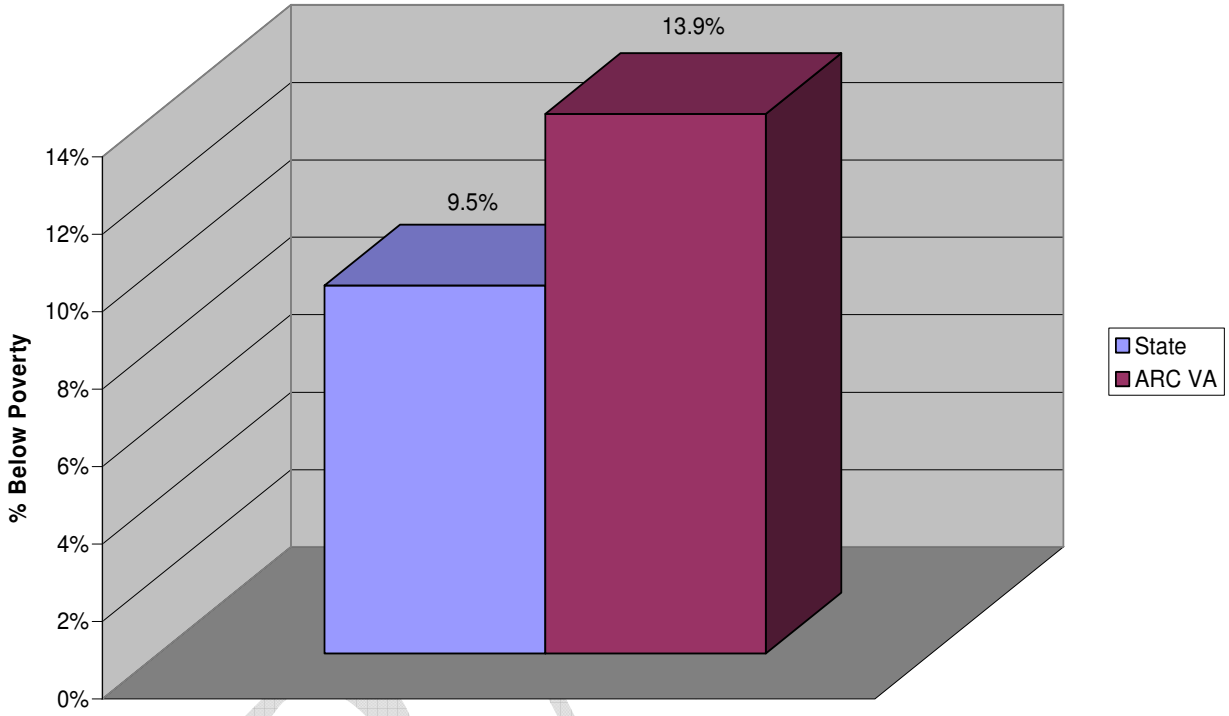
Poverty Level

Poverty continues to be a major factor in Virginia's Appalachian Region. In 2004, poverty level estimates indicate the percentage of citizens below the poverty level statewide was 9.5%, while the average percentage in Virginia's Appalachian Region is 13.9%, a difference of more than 4%.

Twenty-six of thirty localities in Virginia's Appalachian Region have a higher poverty rate that the statewide average. Table 4 shows the median percentage of citizens below the poverty line for Virginia's Appalachian Region and the state for the year 2004.

Table 4

Median Poverty Level 2004
(Source: U.S. Census Bureau, 2004 Estimates)



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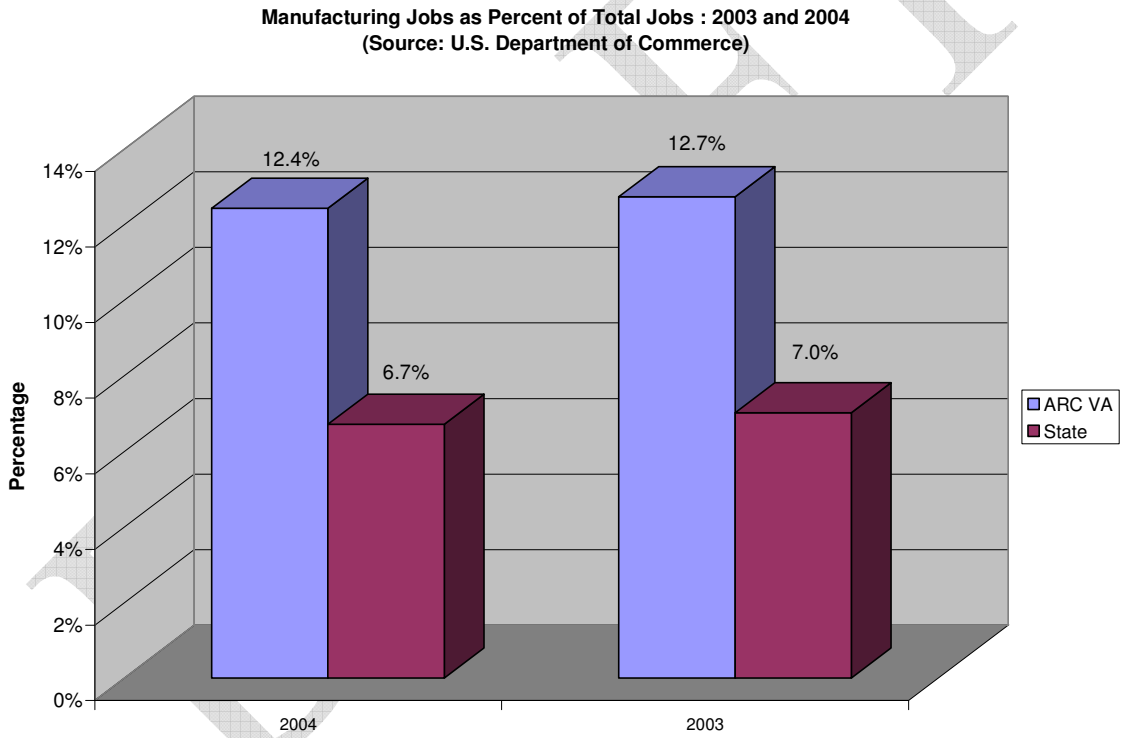
Industry

Although employment in the manufacturing sector in Virginia's Appalachian Region and the state as a whole declined between 2003 and 2004, the Region continues to rely significantly more on manufacturing as a source of employment than other areas of the state.

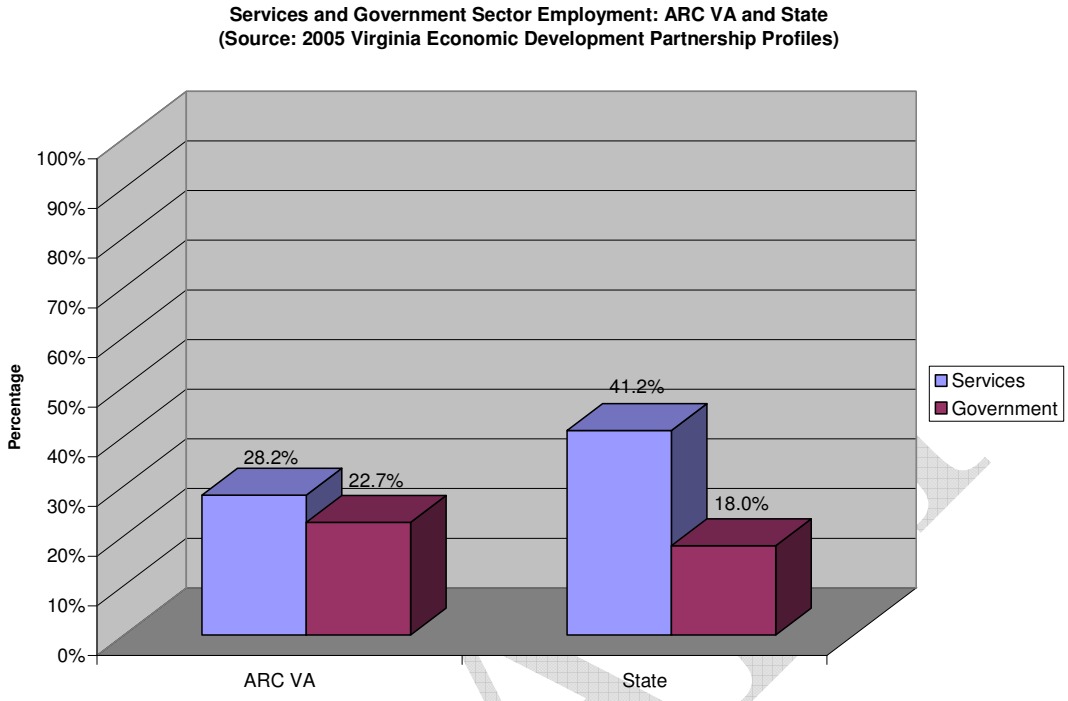
In 2004, the manufacturing sector in the Region comprised 12.4% of all jobs while statewide the same sector employed 6.7% of all jobs. Table 5 compares manufacturing employment as a percentage of total jobs in the Region and statewide between 2003 and 2004.

Table 5



During 2005, data indicates the average percentage of service sector jobs in the Appalachian Region of Virginia (28.2%) was lower than the average percentage of service sector jobs statewide (41.2%). A slightly higher percentage of workers (22.7%) were employed by government (local, state, federal) in the Appalachian Region of Virginia than statewide (18%). Table 6 compares the average percentage of service and government sector jobs in the Appalachian Region of Virginia and the state.

Table 6



Technology

Cable Modem Access

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

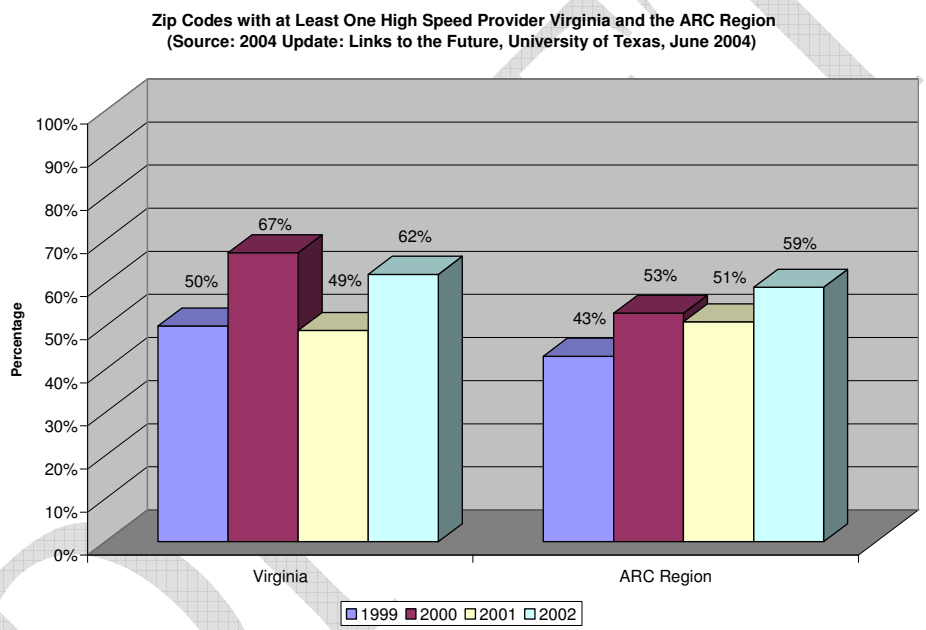
Digital Subscriber Line Access

Data from the 2004 Update: Links to the Future on digital subscriber line access also indicates that, while services are increasing in the Virginia ARC region, the service is still significantly limited. Data indicates that in 2000, three Virginia ARC region counties had 1-3 DSL ready telephone switches while in 2003 there were seven counties with 1-3 DSL ready telephone switches and one county with 4 or more switches. The authors of the report again indicate the presence of central office DSL switches does not mean that service is widely available throughout a county, especially in more remote rural areas.

High Speed Providers by Zip Code

The 2004 Update: Links to the Future also indicates there has been a modest increase in the number of high speed internet providers in the ARC region as a whole. In 1999, the percentage of zip codes with at least one high speed provider in the entire ARC Region (not just Virginia) was 43% while in 2002 the percentage was 59%. Table 7 compares the percentage of zip codes with at least one high speed provider in the state and the ARC Region as a whole between 1999-2002.

Table 7



The Virginia Center for Innovative Technology (June 2002, updated in 2004), divides Virginia into 9 technology regions, 3 of which encompass the Appalachian Region.

The New Century Technology Region, which includes the Appalachian localities of Smyth, Wythe, Bland, Giles, Pulaski, Montgomery, Floyd, Craig, Botetourt, and Alleghany Counties, as well as the cities of Covington and Radford, employed approximately 7.8% of the total high technology/ telecommunications workforce in Virginia in 2004, up from 6% in 2001. In 2001, average annual wages in the tech region were $46,127, as compared to $28,585 for all other industries.

The Southwest Virginia Technology Region (Lee, Scott, Wise, Dickenson, Russell, Buchanan, and Tazewell Counties and the City of Norton) employed 1.6 % of the high technology/telecommunications

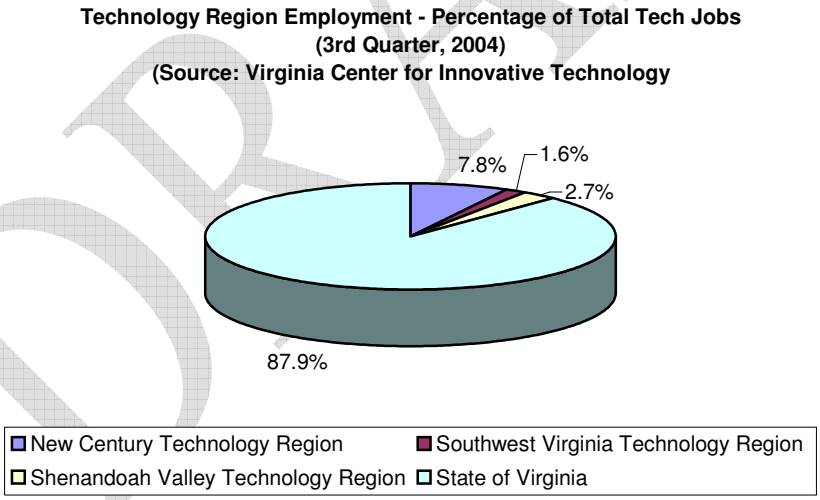
workforce in Virginia in 2004, down slightly from the 2001 figure of 2.2%. The average wage per worker in 2001 for the high tech region was $31,000 compared to $25,200 for all other industries.

The Shenandoah Valley Technology Region (Bath, Rockbridge and Highland Counties as well as the cities of Buena Vista and Lexington and other non-ARC localities) employed 2.7% of Virginia's high technology workforce in 2004, down from 4.4% in 2001. The average annual wage in 2001 in the Tech region was $48,038 as compared to an average annual wage of $27,328 for all other industries.

The median salary for the three tech regions, $46,127, is comparable to the median salary ($46,968) for the remaining tech regions in the state. Table 8 compares the percentage of technology jobs in the ARC technology regions with the state.

To date, the Virginia Employment Commission (VEC) has indicated that there is no definitive measurement of technology employment throughout the state. A more definitive standard may well gauge technology sector employment in Virginia's Appalachian Region and the state.

Table 8

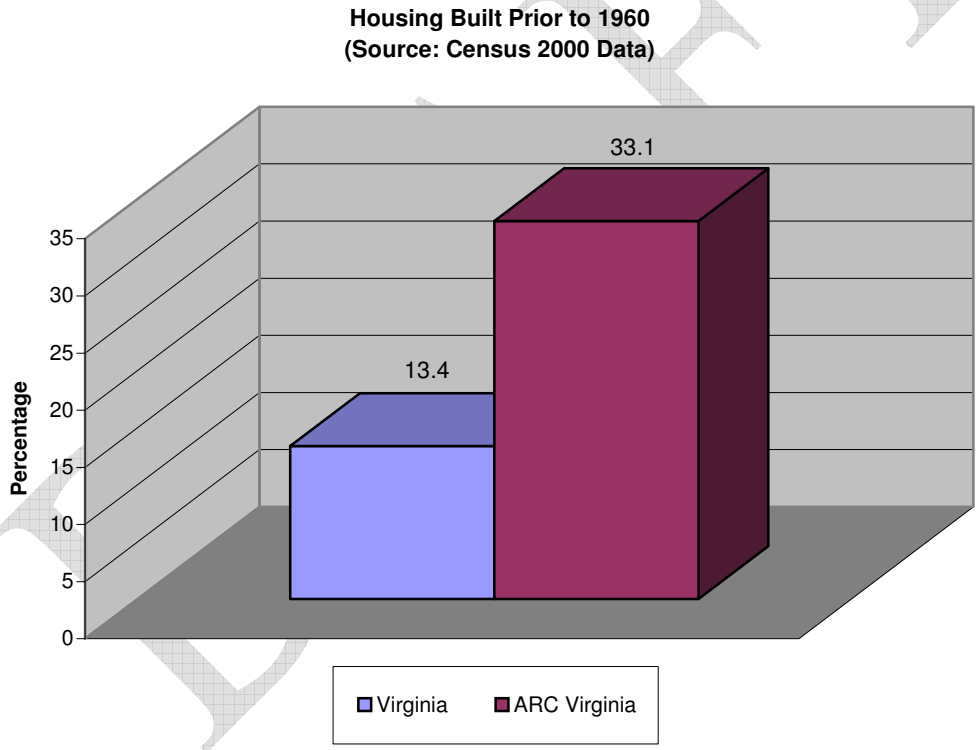


Housing

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



Data on the increase in the number of housing units from 2000-2005 indicates that Virginia's Appalachian Region lags significantly behind the state. From 2000 through 2005, the estimated percentage increase in the number of housing units in Virginia's Appalachian Region was 4.3%, while the percentage increase statewide was more than double Virginia's Appalachian Region at 8.9%. Botetourt County (8.9%) and

Rockbridge County (9.5%) were the only Virginia ARC counties that matched or had a higher percentage increase in the number of housing units than the state. The Virginia Appalachian Region cities of Covington (1.2%), Norton (1.3%) Lexington (1.3%) and Galax (1.4%) have the lowest percentage increases. Table 10 compares the estimated percentage increase in the number of housing units in Virginia's Appalachian Region and the State.

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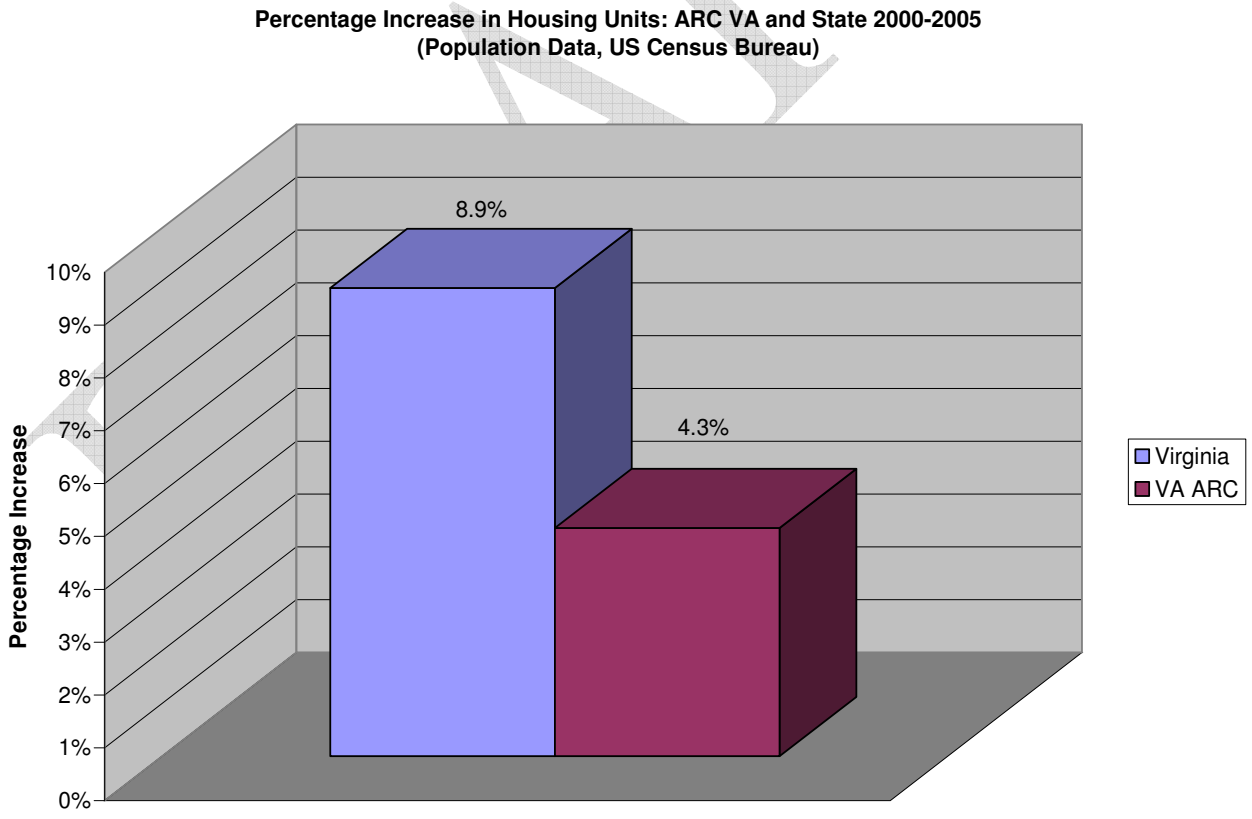
Table 10



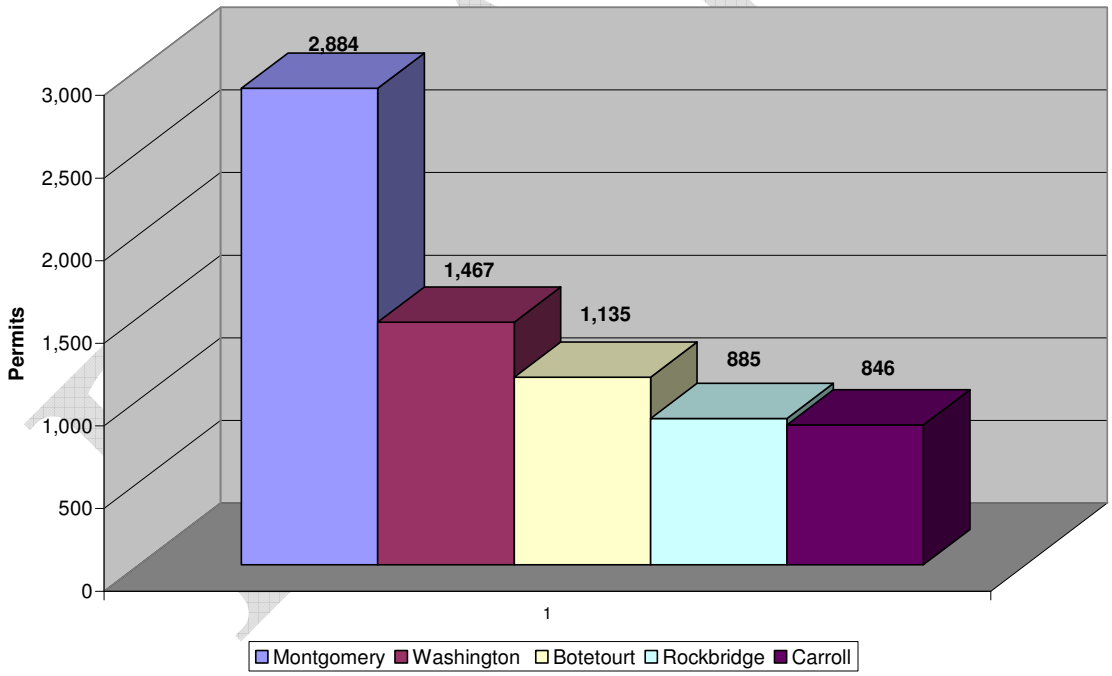
During 2002-2006, Montgomery County had the largest number of building permits issued (2,884) while the City of Norton had the lowest number of building permits issued (17). The total

number of building permits issued in the ARC Region for 2002-2006 was 13,244, approximately 5.8% of the state total of 227,483. Table 11 illustrates the top 5 Virginia ARC counties with the most building permits issued.

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%.

Table 11

TOP 5 VA ARC Counties with Most Building Permits Issued 2002-2006
(Source: Weldon Cooper Center for Public Service)



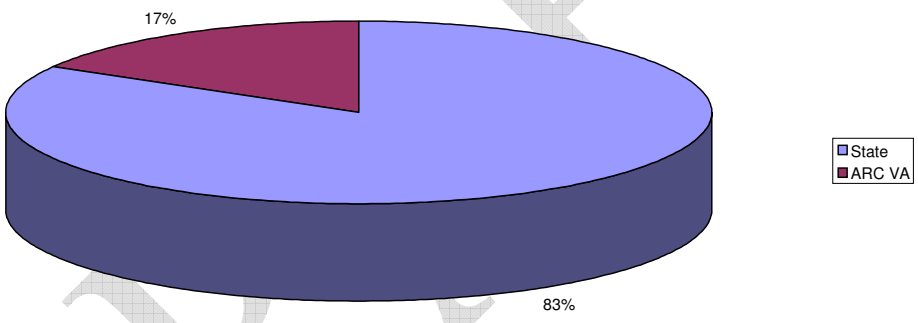
Plumbing Facilities

Based on 2000 Census figures, a rate of 1.0% of occupied housing units, or 19,550 units in Virginia lacked complete plumbing facilities with approximately 3,253 or 16.7% of the total number of housing units located in Virginia's Appalachian Region. The counties of

Scott and Washington had the highest number of occupied housing unites without complete plumbing facilities, or 302 units and 245 units respectively. Table 12 shows the comparison of the percentage of occupied housing without complete plumbing facilities in Virginia and the ARC region of Virginia.

Table 12

Percentage of Housing Units Lacking Complete Plumbing Facilities
Percent Located in ARC VA & State
(Source: Census 2000)



Water and Sewer Connection

Unlike the 1990 Census, Census 2000 does not provide data on the number of households with water and sewer connections. As a result, current data on water and sewer connections is unavailable.

Kitchen Facilities

According to Census 2000 data, 15,070 occupied housing units in Virginia lacked complete kitchen facilities. At least 1,758 units or 11.7% of the statewide total are located in Virginia's Appalachian Region.

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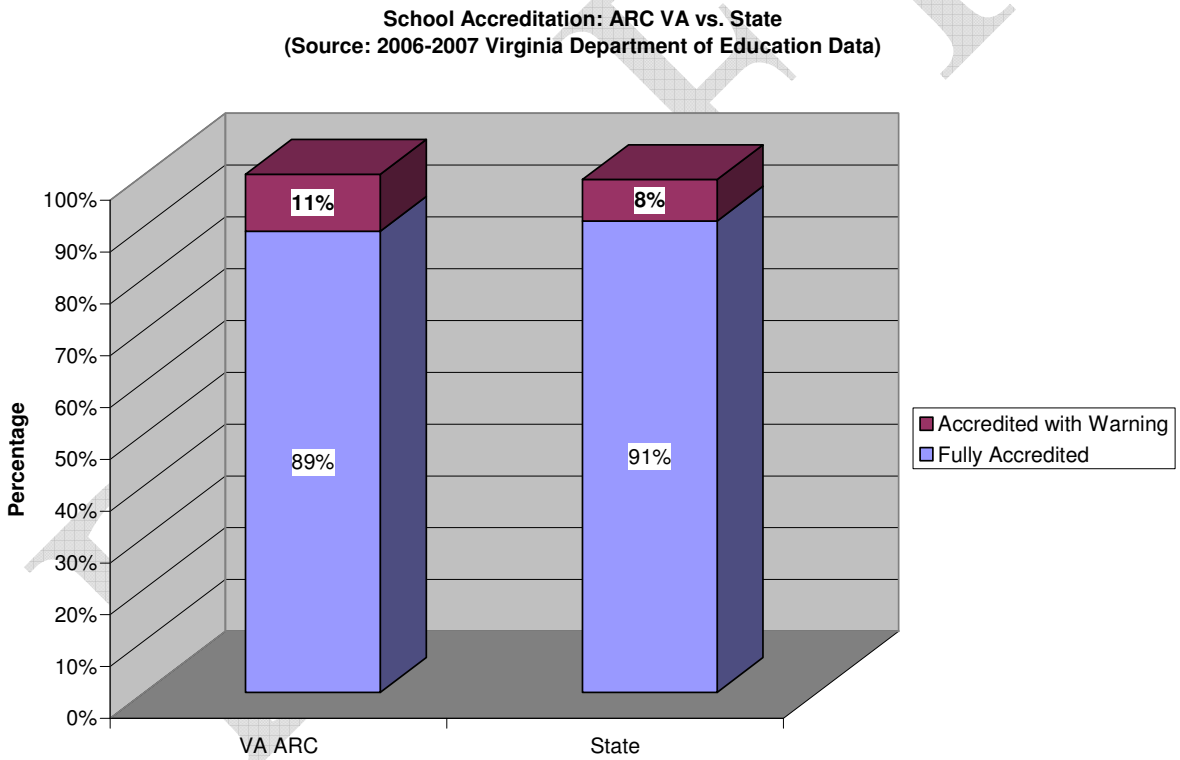
Education

Based on an informal analysis of each Virginia Appalachian county and city accreditation rating for the 2006-2007 school year, 89% of all public schools in the region were fully accredited while statewide the percentage was 91%. Virginia's Appalachian region accreditation rating is comparable to the statewide average. Accreditation ratings are based on the achievement of students on tests taken during the previous academic year. Table 13 illustrates the percentage of public schools in the Appalachian Region of Virginia and the state that have received basic accreditation.

Table 13

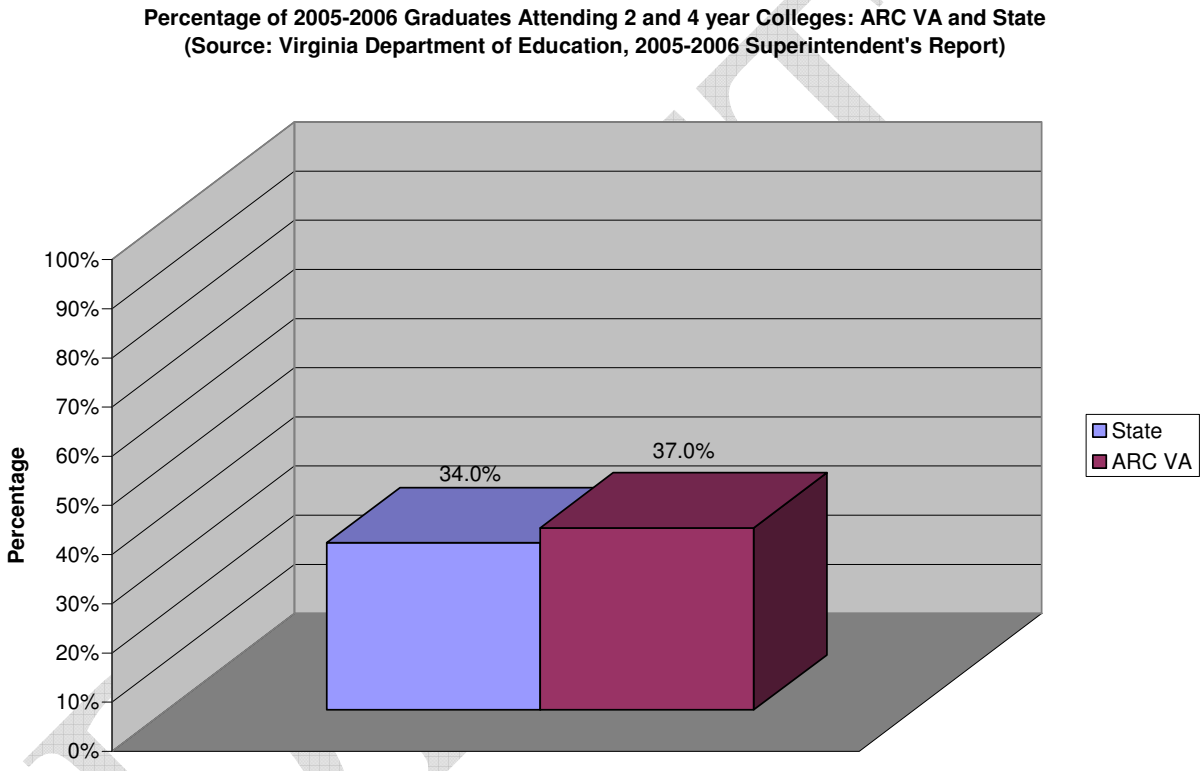


Graduation Rate

Based on data derived from the 2005-2006 Superintendent's Report (Virginia Department of Education), the Appalachian Region of Virginia's percentage of high school graduates (81%) exceeds that of the state average (76%). The Region is making a concerted effort to ensure a basic level of education for its future workforce. This effort is further substantiated according to additional 2005-2006 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 (34%) is comparable to the

state percentage (37%). Table 14 illustrates the percentage of high school graduates in the Appalachian Region of Virginia attending 2 or 4-year colleges as well as the state.

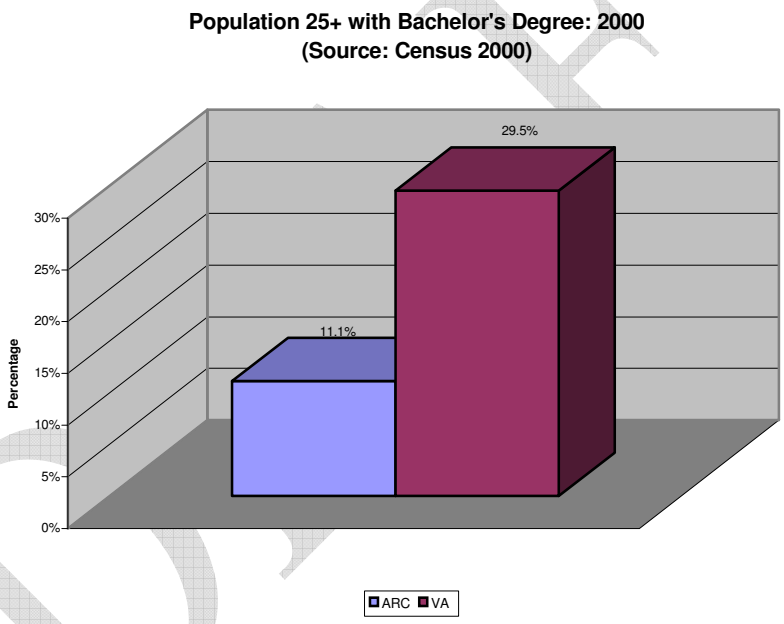
Table 14



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. While the median percentage of Appalachian residents aged 25 and

over with a high school diploma is 70.6%, the median percentage of Appalachian residents aged 25 and over with a bachelor's degree or higher is 11.1%. The statewide percentage of citizens with a bachelor's degree or higher is 29.5%, over two and one-half times the median Appalachian percentage. Only Montgomery County (35.9%) and the cities of Lexington (42.6%) and Radford (34.1%), 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 15 compares the median percentage of Appalachian Region residents 25 and older with a bachelor's degree or higher to the statewide percentage.

Table 15



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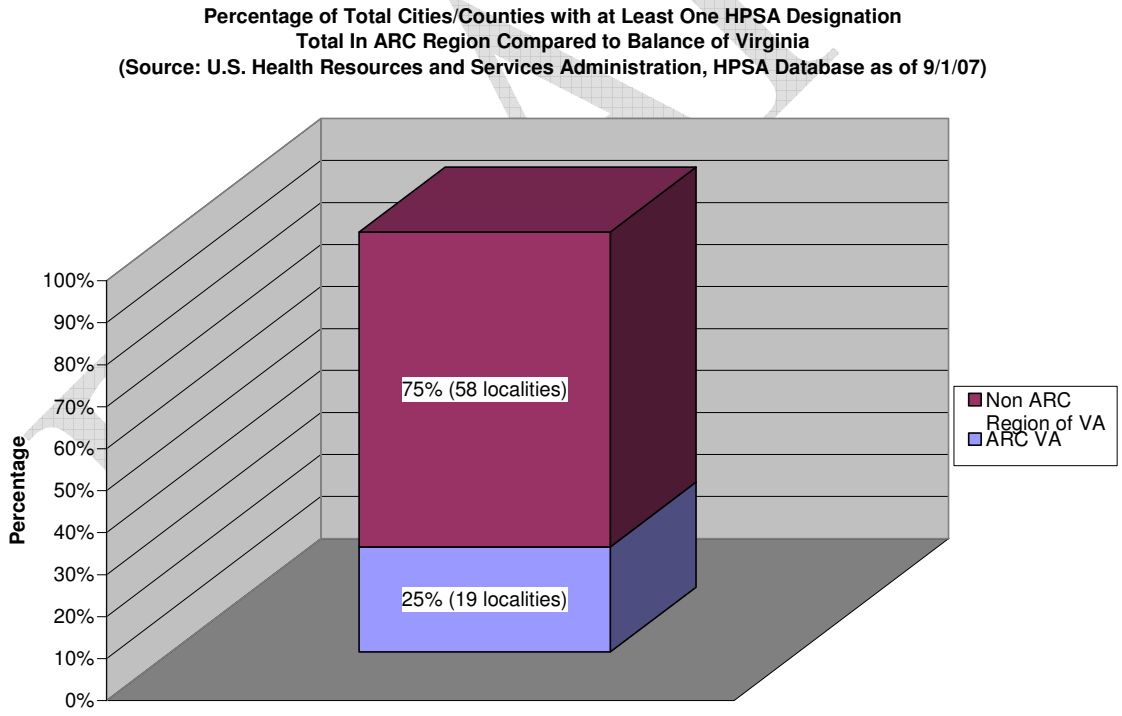
Health Care

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. In Virginia, at least 77 counties and cities have received at least one HPSA designation. Of that number, at least 19 of those counties and cities (25%) are located in Virginia's Appalachian Region. Table 16 compares HPSA counties and cities in the Appalachian Region of Virginia and the rest of the state.

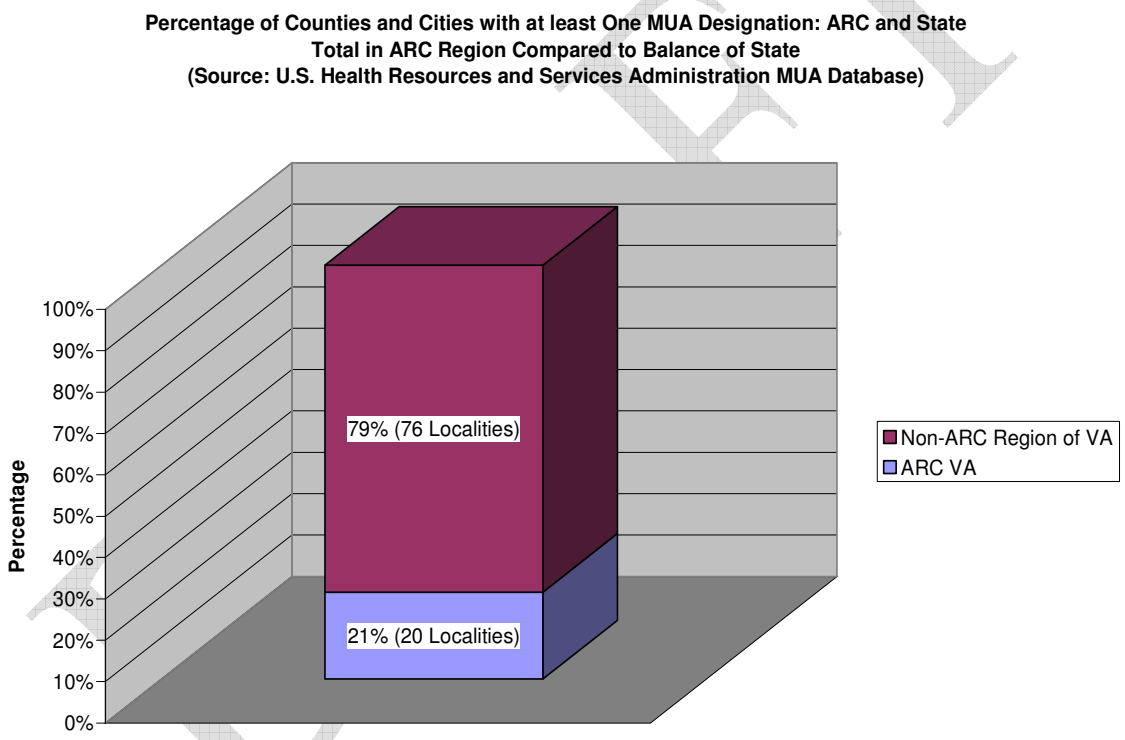
Table 16



Virginia's Appalachian Region has a significant number of federally designated medically underserved areas (MUA). A MUA is determined by the following factors: the ratio of primary medical care physicians per 1,000 population; 2) infant mortality rate; 3) percentage of the population with

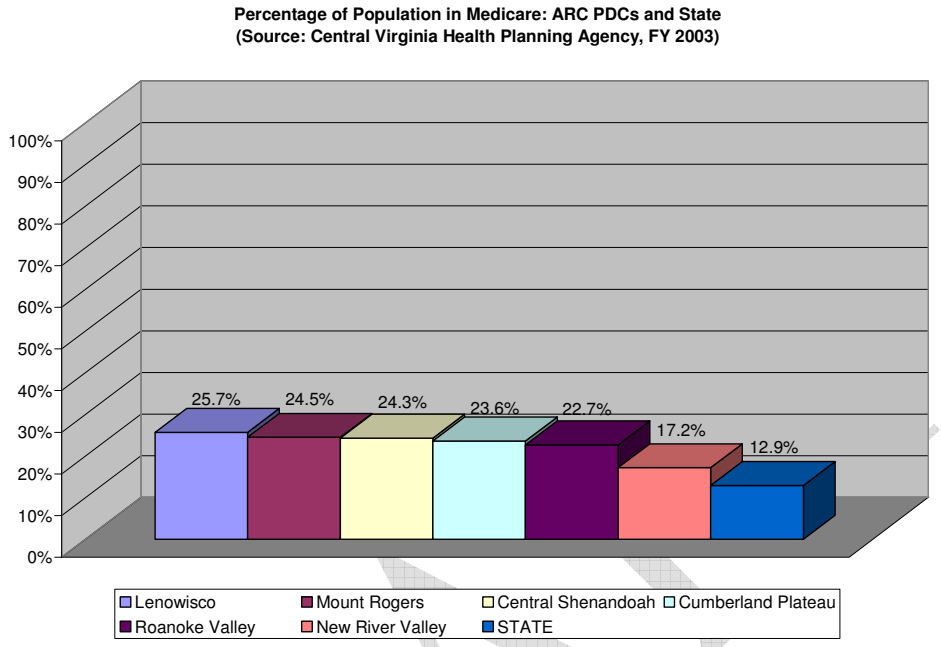
incomes below the poverty level; and 4) percentage of the population age 65 or over. Using this criteria, at least 96 counties and cities statewide have at least one MUA designation. Of the total number, at least 20 counties and cities in Virginia's Appalachian Region have received at least one MUA designation. Table 17 compares MUAs in the Appalachian Region of Virginia with the rest of the state.

Table 17



According to Fiscal Year 2003 data from the Central Virginia Health Planning Agency, approximately 12.9% of the population is enrolled in the Medicare program statewide while 23% of the populations of the six PDCs that encompass Virginia's Appalachian Region are enrolled in the program. Table 18 illustrates the percentage of population in each Virginia ARC PDC compared with the state.

Table 18

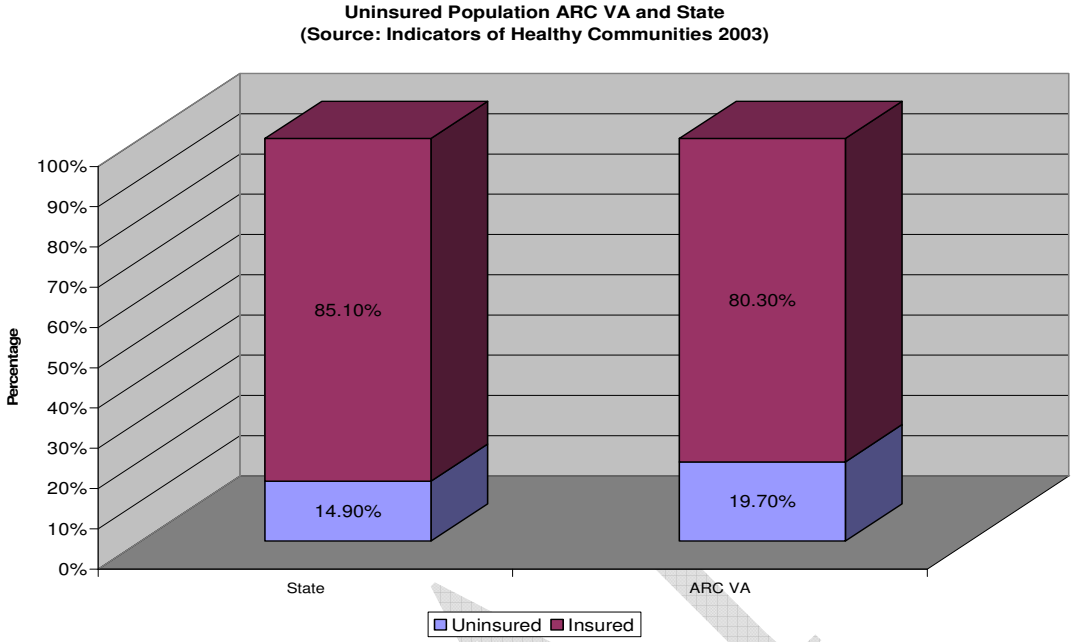


Similarly, FY 2003 data from the Central Virginia Health Planning Agency also shows a disproportionate amount of the population in Virginia ARC PDCs enrolled in the Medicaid Program (average of 12.5% of the population) as compared with the state percentage of 7.4%.

Uninsured Virginians

According to the document *Indicators of Health Communities 2003,* the estimated percent of individuals that are uninsured in the state is 14.9%, or 1,070,972 individuals. At least 12.1% of the total or 129,965 individuals are located in Virginia's Appalachian Region. Virginia's Appalachian Region continues to have a disproportionate number of individuals without health insurance relative to the state. Table 19 illustrates the percentage of individuals without health insurance in Virginia's Appalachian Region and the state.

Table 19



Additional Health Indicators

Based on 1998-2002 data from the Virginia Department of Health, the Appalachian Region of Virginia has a higher overall average heart disease and cancer death rate per 100,000 population than the state as a whole. In Virginia, the heart disease death rate during the period is 185.7 per 100,000 population while the rate in Virginia's Appalachian Region is 293.8. Virginia's Appalachian Region also had a slightly higher cancer death rate at 210.2, while statewide the rate is 204.8.

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."

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.

Public Safety

According to the Virginia Health Care Foundation, residents of Appalachian

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Virginia do enjoy a significantly lower crime rate when compared against the rest of the Commonwealth. The crime rate for the region is 2,555 per 100,000, whereas the state crime rate is more than double (5,435 per 100,000).

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 and downtown revitalization.

The Commonwealth has initiated several key efforts that will provide a significant boost to the Region. 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, will showcase the cultural and natural heritage of Southwest Virginia and contribute to a sustainable economy. Heartwood will serve as a gateway for southwest Virginia and will be 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 will be a priority of the Gateway's visitor services. Heartwood will be a 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. These efforts are both closely aligned to Governor Kaine's Economic Development Strategic Plan and the *Virginia Works* Initiative.

Additionally, $5,000,000 in state General Funds was allocated in 2005 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, will provide a substantial improvement to the quality of life for residents in Virginia's Appalachian region. An additional $17,000,000 was also allocated 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

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economic development tool in rural communities. State funds, combined with Community Development Block Grant and ARC funds, have been utilized to development 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.

Through a newly launched campaigned, 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 is entering its seventh year of participation in the ARC FLEX-E-GRANT Program. Virginia's efforts target leadership and capacity-building in the Distressed Counties.

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'a ARC region has identified two main areas of need: the lack of access to affordable health care services and the need for a trained workforce that is ready to meet the new demands of businesses in Appalachian Virginia. 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;

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- Continued support for safe, reliable water supplies and systems;
- 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.

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;

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- 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.

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

During the June ARC Input sessions, participants were asked to consider what the next "big thing" is, what trends are developing that will significantly impact the Virginia ARC region. 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;

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- 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

Identification of Distressed and Competitive Counties

Distressed County

The Appalachian Regional Commission (ARC) designated one county as a Distressed County for FY 2009. This county is Dickenson. The ARC designated distressed counties are generally located in the coalfield's subregion of Southwest Virginia. The economies of these counties are traditionally based on coal mining and other natural resource industries. The lack of economic diversity, their relative geographic isolation, and the quasi-dependence on the coal industry have been, in the past, contributors to the area's limited economic vitality. With the decline in coal employment driven by global economic trends, technical innovation, and reserve depletion, renewed efforts are underway to reinvigorate the local economies.

Much of this distressed county area has a mountainous terrain and substantially inadequate infrastructure; provision of basic services such as water, wastewater and solid waste is expensive. Groundwater sources are limited and of poor quality. The areas are highly rural, characterized by isolation and scattered settlements typical of Central Appalachia. The local governments have a very limited local ability to generate revenue. Several droughts in recent years have contributed to the extent of the need for water in several of the distressed counties. The area is struggling with developing infrastructure telecommunications and access to help overcome their geographic isolation.

The Virginia ARC program provides financial leveraging incentives for projects developed in these distressed counties. The program also seeks to contribute to the enhancement of economic development activities in the distressed counties. Strategies to promote infusion of ARC funds into this County includes:

- Continuation of funding for regional water and sewer infrastructure projects
- Continuation of regional initiative efforts that promote asset-based development and telecommunications
- Exploration of solutions for health issues and use of telemedicine to address these
- Continuation of telecommunications projects in Distressed areas
- Administration of Flex-E-Grant Program and similar capacity building efforts

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- Continuation of efforts to capitalize on the region's rich cultural heritage

Attainment County

Bath and Botetourt Counties are Virginia's ARC-designated attainment county. Income, unemployment and poverty measures since 1980 reflect the county's overall stable, positive economic vitality. Within Botetourt County, economic disparity exists between the southern part of the county that is part of the Roanoke region and the northern part of the county whose economy identifies more closely with the Alleghany Highlands' economic profile. Therefore, Botetourt's overall economic indicators of income, population growth, unemployment, and poverty tend to be indicative of the county's positive economic contributions generated as part of the Roanoke economic region. Until 2005, Bath had been categorized as a transitional county. However, improved economic conditions in the county have led to changes in its designation from Competitive in 2006-2008 and now Attainment.

Competitive County

There are no Competitive Counties 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. In Virginia, the Counties of Buchanan, Lee, Russell, Scott, and Wise have received this designation. Several of these counties, such as Buchanan, Lee, Scott, and Wise, were in recent years classified as Distressed.

New Counties and Cities

No new counties or cities were added to Virginia's Appalachian region for FY 2009.

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STATE OBJECTIVES AND STRATEGIES

In response to the Appalachian Regional Commission's strategic plan, "Moving Appalachia Forward, ARC Strategic Plan 2007-2010" strategic goals, the Commonwealth of Virginia has developed objectives and strategies that will guide Virginia's investments of Appalachian Region Commission (ARC) funds for Fiscal Year 2009. 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 research of carbon sequestration, energy-efficiency technologies, alternative energies and biofuels, 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.

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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.

2.14 Encourage local leaders to develop innovative, cost-effective arrangements for delivery of healthcare services, including regional approaches,

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privatization and service consolidation.

2.15 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.

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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.

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.

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Virginia's Regional Development Priorities

Governor Timothy M. Kaine took office in January 2006. Shortly thereafter, the Governor began to lay the foundation for his vision for the Commonwealth. Steps Governor Kaine has taken are discussed below.

Virginia designated a representative from the Department of Mines, Minerals, and Energy to participate in the ARC Energy Blueprint discussions. This person will work closely worth staff from DHCD as the framework for this plan is developed. Recently, the Governor released the *Virginia Energy Plan*, a proposal to promote the Commonwealth's energy independence and to educate consumers on energy conservation and efficiency. The Plan was prepared by a broad-based advisory group representing citizens, consumers, the environmental community, and Virginia energy producers.

The Plan would reduce the rate of growth in energy use by 40 percent, reduce greenhouse gas emissions by 30 percent, and seeks to increase in-state energy production by 20 percent. The Plan also calls for expanded consumer energy education, and capitalizes on areas where Virginia has a strategic advantage for economic development and research and development.

The Plan establishes four broad goals for energy:

- Increased energy independence through expanded conservation and efficiency, and increased in-state energy production;
- Expanded consumer education on energy use;
- Reduce 2025 baseline greenhouse gas emissions by 30 percent and create a Climate Change Commission; and,
- Capitalize on economic development opportunities and increase research and development in four strategic areas – nuclear technologies, alternate transportation fuels, coastal energy production, and carbon capture and storage.

Objectives outlined in the *Virginia Energy Plan* closely relate to and support ARC's overall mission and goals.

The Administration views increased access to high-speed telecommunications, particularly in rural areas of Virginia, has become a high priority. The budget for the Commonwealth includes allocations to help address this by designating funds to provide $500,000 for feasibility studies of best last-mile solutions for rural areas. An additional $200,000 will be used to support the extension of broadband infrastructure from the Crossroads Institute in the City of Galax to business and customer locations in Carroll and Grayson Counties, the City of Galax, and the Town of Independence. Governor Kaine has also announced the formation of a Broadband Roundtable, charged with developing a "last-mile" telecommunications blueprint for advancing his goal of ensuring broadband access for every Virginia business. The Roundtable will be led by former Governor Mark Warner and Virginia Secretary of Technology Aneesh Chopra.

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As part of the Governor's community and economic development plan, the Administration is continuing to support former Governor Warner's initiatives under the *Virginia Works Program*, a number of which advance efforts in Virginia's ARC region. The Governor also convened a series of statewide Economic Development and Workforce Development input sessions. One of these sessions took place in Abingdon Virginia, located within Virginia's ARC region. These sessions were designed to engage stakeholders—such as local representatives, community leaders, employers, state agencies, educators, and so forth—in identifying critical needs and priorities for the Commonwealth and crafting strategies to address these issues. Work sessions covered a range of topics, from tourism, rural area needs, infrastructure and transportation, education, and improvements to the workforce development system. Building upon information collected at these input sessions, the Governor's released his Economic Development Strategic Plan—Virginia Leading the Way—to help keep Virginia's economy strong. The Plan focuses on strengthening and maintain Virginia's award-winning business climate while expanding opportunities for all of the Commonwealth's regions and citizens. Overall, the plan outlines nine goals as follows:

> Goal One: Enhance Virginia's strong business climate to expand economic opportunities and job growth.
>
> Goal Two: Establish state and local programs that identify and meet the needs of existing businesses and facilitate their expansion in Virginia.
>
> Goal Three: Provide a world-class workforce system that is responsive to employer and worker needs and creates a well-trained, well-educated and globally competitive workforce.
>
> Goal Four: Enhance economic development efforts in Virginia's distressed areas to help reduce economic disparity and to promote opportunity for all Virginia's regions.
>
> Goal Five: Emphasize regional cooperation in economic, workforce, and tourism development.
>
> Goal Six: Use Virginia's proximity to the national capital and strong military presence in the state as a base for further economic growth.
>
> Goal Seven: Support technology, research and development, and other emerging sectors to diversify Virginia's economy and maintain its competitive edge.
>
> Goal Eight: Strengthen Virginia's competitive position in national and international travel and tourism markets.
>
> Goal Nine: Develop a coordinated international marketing strategy for Virginia including both foreign direct investment and export / import features.

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Input collected during these sessions has also been utilized in the development of the Workforce Development Strategic Plan, *Making Connections: Virginia's New Direction for Workforce Development*. This plan represents efforts to transform Virginia's fragmented array of workforce programs into a model that will make a significant difference in the lives of those living and working in Virginia. The following workforce strategic goals will help Virginia's efforts to maintain its competitive edge:

- Create substantial reform through consolidations to reduce administrative costs and streamline and integrate workforce policy and services for businesses, workers, and job seekers.
- Demonstrate results and value in the workforce system that meet business needs through performance measurement and assessment.
- Respond to long-range talent and skill forecasts as well as emergent near-term market and business needs.

In 2006, Governor Kaine created the Health Reform Commission to improve access to competent, affordable healthcare for all Virginians. The Commission's final report, *Roadmap for Virginia's Health,* addresses four key areas: Access to Care; Quality, Transparency, and Prevention, Healthcare Workforce, and Long-Term Care. The report concludes that while the state has made great strides in education and business development, its overall health care rankings, when compared to others states, has dropped from a high of 10th nationwide in 1998 to 21st presently. This report lays out the steps necessary to reduce infant mortality, racial disparities, obesity, the number of uninsured, and make many other changes that will improve Virginia's health care system.

Governor Kaine in 2006 announced a pilot program which utilizes business leaders to motivate students to complete a rigorous course of study in high school, one that will give them a boost in college and their careers. The *Commonwealth Scholars* program is funded by a two-year, $300,000 "State Scholars Initiative" grant from the U.S. Department of Education and encourages students in participating school divisions to take rigorous courses that go beyond the minimum graduation requirements for a Standard Diploma. The program trains private-sector volunteers to make presentations on how rigorous high school courses can enhance career opportunities. The program also provides instructional support for students who pursue the Commonwealth Scholars Core Course of Study. In 2007-08, with support from the ARC Flex-E-Grant program, the Commonwealth Scholars program was expanded to include Dickenson County.

Governor Kaine established the Working Group on Early Childhood Initiatives to coordinate executive branch efforts on early childhood programs and strengthen public and private programs. Out of this working group several key initiatives have emerged, including the *School Readiness Task Force*, which focuses on developing an effective system for assessing and evaluating the school readiness of Virginia's children and *Smart Beginnings*, a public-private

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strategic plan for early childhood initiatives to build and sustain a system to support parents and families as they prepare their children to arrive at kindergarten healthy and ready to succeed.

Governor Kaine has also announced a goal to protect 400,000 acres of open space by 2010. Governor Kaine plans to more than double the amount of land in conservation easements, as well as invest in new public parks, forests and preserves. In support of this effort, the Virginia Department of Agriculture and Consumer Services allocated $4.25 million to 14 Virginia localities to preserve farmland within their boundaries. Related to this is the Governor's initiative on *Sustainable Community Investment* which will help ensure that investment decisions promote economically and environmentally sustainable communities. Eight principles have been developed to guide investment in:

1) Innovation
2) Existing infrastructure
3) Compact development
4) Protection and restoration of Virginia's natural resources
5) Conservation of limited natural resources
6) Diverse housing opportunities
7) Transportation choices
8) Projects that take a long-term view

There is a very strong and direct relationship between the State's Four Year Plan, the Virginia Economic Development Plan, and the Commission's four goals. Many of Governor Kaine's stated goals and objectives clearly support the Commission's goals and will target services and funds to Virginia's Appalachian Region. The full strategic plan can be found on the Secretary of Commerce and Trade website at: http://www.commerce.virginia.gov.

Commission Goal 1:
Increase Job Opportunities and Per Capita Income in Appalachia to Reach Parity with the Nation.

Virginia Leading the Way, Goal One: Enhance Virginia's strong business climate to expand economic opportunities and job growth.

- Evaluate and realign Virginia's incentives to fit current requirements of growth industries crucial to our economy.
- Encourage and retain capital investment, venture capital, and angel investment in order to attract and retain growth industries in financial services, insurance, and companies investing heavily in machinery and equipment such as industrial machinery or information technology.
- Foster available and affordable telecommunications infrastructure.
- Adopt a diversified approach to economic development through entrepreneurship, artisanship, small business development, tourism, and emerging technologies.

Virginia Leading the Way, Goal Two: Establish state and local programs that identify and meet the needs of existing businesses and facilitate their expansion in Virginia.

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- Enhance the economic value and long-term viability of Virginia's agricultural and forestry industries by promoting beneficial diversification.
- Promote the development of high value, value-added or specialty agribusiness firms and products, develop higher value, niche and direct market opportunities for agricultural and forestry products.\

Virginia Leading the Way, Goal Four: Enhance economic development efforts in Virginia's distressed areas to help reduce economic disparity and to promote opportunity for all Virginia's regions.

- Focus state economic development activities and incentives on regions with the greatest need.
- Increase the number of companies in strategic business sectors visiting Virginia's distressed communities by 5 percent per year.
- Support infrastructure development in distressed areas and cluster state investments in roads, water, sewer, and telecommunications in areas identified for development.
- Develop regionally tailored workforce development plans.

The Department of Housing and Community Development will also seek to strategically target the investment of funds in communities that have an unemployment rate of 150 percent or higher than the state average.

Virginia Leading the Way, Goal Five: Emphasize regional cooperation in economic, workforce, and tourism development.

- Restore funding to the Regional Competitiveness Program to foster economic problem-solving across political boundaries.
- Encourage Local Planning District Commissions, the VEDP and Community Colleges to perform regional gap analysis to assess Virginia's regional strengths and weaknesses and to construct business growth strategies that align with the focus areas.

Virginia Leading the Way, Goal Seven: Support technology, research and development, and other emerging sectors to diversify Virginia's economy and maintain its competitive edge.

- Focus on the need to improve Virginia's competitive posture in emerging markets.
- Promote early stage / venture capital financing in Virginia and establish a significant fund that focuses on investing in Virginia-based venture companies.

Virginia Leading the Way, Goal Eight: Strengthen Virginia's competitive position in national and international travel and tourism markets.

- Increase focus on community tourism development, tourism planning, and capital access.
- Increase thee economic impact of

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tourism.

- Increase the sustainability of Virginia's tourism economy.

Virginia Leading the Way, Goal Nine: Develop a coordinated international marketing strategy for Virginia including both foreign direct investment and export / import features.

- Develop and implement a comprehensive strategy to recruit foreign investment from emerging markets.
- Increase Virginia exports by seven percent by 2010.
- Increase foreign direct investment in Virginia.

Virginia Energy Plan, Goal One: Capitalize on economic development opportunities and increase research and development in four strategic areas – nuclear technologies, alternate transportation fuels, coastal energy production, and carbon capture and storage.

Virginia Energy Plan, Recommendations: Support energy research and development to foster long-term improvements in how much Virginia and the nation produce and use energy.

Virginia Energy Plan, Recommendations: Invest in infrastructure to support carbon capture and storage in unminable coal seams. Make additional investments in the research facilities needed to develop this technology.

Virginia Energy Plan, Recommendations: Target business development actions to those energy businesses that produce employment and capital investment gains.

Virginia Energy Plan, Recommendations: Monitor new technology development and provide financial support to encourage early adoption of emerging energy technologies.

Sustainable Community Investment recommendations to value:

Innovation

- Strengthen natural resource-based businesses, such as energy production, agriculture, forestry, fisheries, recreation and tourism, that are pioneers in the use of sustainable practices.
- Assist emerging research and industries in their burgeoning early stages, and encourage efforts of existing industries to become more sustainable.

Existing infrastructure

- Focus efforts to increase job opportunities on companies that are located near existing or planned water and sewer infrastructure, housing, existing workforce and transportation access.

<u>Commission Goal 2:</u>
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.

Virginia Leading the Way, Goal One: Enhance Virginia's strong business climate to expand economic opportunities and job growth.

- Improve the educational

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attainment and skills of Virginia's workforce by expanding access to quality early childhood education to promote school readiness, enhance early reading and literacy education, increase the rigor of middle and high school curricula, and support programs to raise high school graduation and post-secondary participation rates.

Virginia Leading the Way, Goal Three: Provide a world-class workforce system that is responsive to employer and worker needs and creates a well-trained, well-educated and globally competitive workforce.

- Champion a quality statewide education system, including affordable access to post-secondary education for all Virginians.
- Reform the local WIBs and local infrastructure to improve the efficiency and effectiveness of the Virginia Workforce Network, sustain business involvement and ensure that workforce development and training are responsive to labor markets, commuting patterns, economic cluster data, education attainment data, job projection data, existing higher education infrastructure, and other strategies economic demands.
- Focus the use of more corporate incentives more on workforce training, retraining, and education.
- Establish tuition reimbursement or loan forgiveness for students in science, technology, engineering, mathematics, nursing, education, and other critical fields.
- Align workforce development and training activities with state, local, and regional economic development goals and objectives.
- Promote parity in skills development in areas of the state where individual skill levels do not meet economic demand.

Virginia Leading the Way, Goal Four: Enhance economic development efforts in Virginia's distressed areas to help reduce economic disparity and to promote opportunity for all Virginia's regions.

- Support infrastructure development in distressed areas and cluster state investments in roads, water, sewer, and telecommunications in areas identified for development.

Virginia Leading the Way, Goal Nine: Develop a coordinated international marketing strategy for Virginia including both foreign direct investment and export / import features.

- Increase educational focus on foreign language and international skills in pre-K12 education.

Virginia Energy Plan, Recommendations: Provide workforce services that support development of adequate numbers of trained workers for energy businesses.

Making Connections: Virginia's New Direction for Workforce Development, Goal 3:

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- Respond to long-range talent and skill forecasts as well as emergent near-term market and business needs.

Roadmap for Virginia's Health, Recommendation: Create a social marketing campaign that creates a positive image of direct support professionals and identifies the importance of this workforce.

Roadmap for Virginia's Health, Recommendation: Require all University Presidents to submit strategic plans that identify enrollment capabilities and resource requirements to increase medical school size.

Roadmap for Virginia's Health, Recommendation: Strengthen Community-Based Safety Net Providers

School Readiness Task Force, Recommendations:

- Develop a standard definition of school readiness that can be used for consistent evaluation of pre-k programs as well as the overall preparation of Virginia's children to succeed in school
- Stabilize funding of the PALS screening tools for pre-k programs
- Increase the state's capacity to proactively evaluate programs and policy options in order to understand and improve upon the school readiness of four-year-old children and the effectiveness of pre-k programs that serve these children.

Smart Beginnings, Objectives:

- Create and sustain a statewide public-private entity to consistently guide early childhood initiatives and provide resources, technical assistance, and accountability to local coalitions
- Increase the capacity of local partnerships working to coordinate, improve, and expand delivery of early childhood programs and services
- Promote a high quality workforce providing services for young children and families
- Improve the quality of early care and education programs
- Expand availability and access to high quality early care and education programs
- Foster public and private sector initiatives to improve the affordability of health services
- Increase access to health services through expansion, increased coordination, and effective practices and policies

Commission Goal 3:
Develop and Improve Appalachia's Infrastructure to Make the Region Economically Competitive

Virginia Leading the Way, Goal One: Enhance Virginia's strong business climate to expand economic opportunities and job growth.

- Ensure that every business in the Commonwealth has access to broadband services anywhere and anytime by 2010.
- Foster available and affordable telecommunications infrastructure, particularly broadband access, to attract new businesses and accommodate growth by existing businesses.
- Create incentives for the

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development and preservation of workforce housing.

Virginia Leading the Way, Goal Four: Enhance economic development efforts in Virginia's distressed areas to help reduce economic disparity and to promote opportunity for all Virginia's regions.

- Support infrastructure development in distressed areas and cluster state investments in roads, water, sewer, and telecommunications in areas identified for development.

Virginia Energy Plan, Recommendations: Ensure that there is an adequate infrastructure to provided needed energy supplies to Virginia.

Sustainable Community Investment recommendations to value:

- Encourage the rehabilitation and adaptive re-use of existing infrastructure, giving preference to preservation and reuse of historic structures, rehabilitation of existing housing and schools, and redevelopment of brownfields
- Create walkable, mixed-use districts within communities
- Coordinate the provision of housing with the location of jobs, transportation options, and public services
- Make alternatives to automobile travel – such as rail, transit, teleworking, walking, and bicycling – available and attractive, and provide intermodal connections

<u>Commission Goal 4:</u>

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

Virginia Leading the Way, Goal Four: Enhance economic development efforts in Virginia's distressed areas to help reduce economic disparity and to promote opportunity for all Virginia's regions.

- Support infrastructure development in distressed areas and cluster state investments in roads, water, sewer, and telecommunications in areas identified for development.

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Regional Initiatives

Strategies for past years' ARC regional initiatives in telecommunications, internationalization of the economy, civic development, and most recently, asset-based development, have been integrated into the state's strategies and objectives and are fundable in the State's area development program. The state will continue to monitor and provide allocated resources to projects underway within these three initiatives.

To capitalize on the contributions of entrepreneurs to the economic vitality of the region, the State ARC office launched a new small business development program through the Appalachian Entrepreneurship Initiative in 1998. This Initiative continued through 2004.

In 2005, ARC introduced the Asset-Based Development Initiative with the goal to build a strong and sustainable asset-based economy, bringing jobs and prosperity to Appalachian communities while preserving their character. Replacing the previous Entrepreneurship Initiative, this program seeks to develop the cultural, natural, community, structural, and local business and economic assets of the Region. For fiscal year 2008, over $280,000 was available for Virginia's ARC Regional Initiatives.

For 2009, changes affecting the allowed funding per project and method of distribution will be enacted. The new amounts of funding available for each initiative is detailed in the Asset-Based and Telecommunications sections. For the distribution of Regional Initiative funds, it is anticipated that all funds available under the Regional Initiatives program will be committed during the competitive round. However, in the event funds remain available, DHCD may evaluate additional proposals on an open submission basis and award funding for additional eligible projects. DHCD will accept additional proposals on an open basis as long as funds remain or until July 1, 2009. Applicants anticipating the submittal of projects beyond the September deadline should contact DHCD directly for guidance.

Virginia's ARC Asset-Based Development Initiative (ARC ABD)

The Commonwealth of Virginia intends to continue to use an outcome framework with the expenditure of these funds. Projects funded under this initiative will demonstrate a direct relationship with the achievement of tangible, measurable improvements to the economic health of the community. Projects may be pilots or start-ups, but must be sustainable or replicable to other communities, and must on their own merits provide a measurable, long-term outcome, as well as distinct and measurable outputs (the immediate tangible product of the ARC investment). DHCD will use performance measures of the rate and number of outputs produced, or targets, in contracts with ARC ABD grantees. Examples of outputs are the number of persons trained and certified or the number of jobs produced; an example of an outcome is the long-term impact of the quality of jobs or diversification of the local economy and the improved

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overall economic health of the community.

Preference is given to proposals focused on a community's individual economic needs, growth-oriented businesses, attracting new dollars into Virginia's ARC region, creating or expanding value-added businesses that may attract other ancillary businesses, and proposals focused on creating multiple smaller-scale firms instead of a single firm. In 2008, amounts of up to $50,000 for Distressed Counties and up to $40,000 for Transitional or Competitive counties were available for individual projects. In 2009, the awards caps have been increased up to $75,000 for Distressed Counties and $50,000 for Transitional, At-Risk, and Competitive Counties.

2008 ARC ABD Proposals

A total of $48,000 was awarded under Virginia's 2008 ARC ABD program. Amounts of up to $50,000 for Distressed Counties and up to $40,000 for Transitional or Competitive counties were made available for projects that would support asset-based development. All selected projects support the Initiative's regional goal. That goal is to identify advantages and opportunities that already exist and leverage these strengths to create a more dynamic and self-sufficient economy. In 2008, two Asset-Based Development Initiative projects were funded under this initiative. Both projects addressed heritage and cultural tourism, with one focused on highlighting a unique cultural asset and the other supporting the collection and archival of significant historical and cultural documents and objects.

Virginia's ARC Telecommunications Initiative (ARCTI)

In response to the ARC Telecommunications Initiative *Information Age Appalachi*a Virginia initially developed its ARC Telecommunications State Strategy Initiative in FY 2003.

The focus of *Information Age Appalachia* is not only on access to infrastructure, but also on applications that use that access. Instead of simply promoting technology by itself, the program seeks to stimulate economic growth and improve the standard of living in the Region through technology-related avenues.

Virginia's overall program will support the Commission's four strategic goals by focusing on the following four distinct subject areas:

Focus Area One: Access and Infrastructure

Broaden the availability of advanced telecommunications services by promoting increased infrastructure investments from both private sector and government sources.

Focus Area Two: Education and Training

Ensure that the region is supporting today's workforce as well as developing the workforce of tomorrow by integrating technology into K-12 and continuing education programs plus expanding community awareness and training programs.

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Focus Area Three: e-Commerce

Improve the competitiveness in businesses in the region by increasing the adoption of e-commerce practices.

Focus Area Four: Technology Sector Job Creation

Increase employment in the technology sector for producer and user industries through investment and entrepreneurship support.

Outcome-Based Implementation

Virginia's ARC Telecommunications Initiative (TI) program focuses on aspects of the overall "Information Age Appalachia" program and will be implemented on an outcome basis. Virginia, along with ARC, views its role as that of an investor. In the outcome context, proposals must demonstrate a direct relationship between intended project efforts and measurable, tangible improvements to the health of the community being served.

2008 ARC TI Proposals

One Telecommunications Initiative project was awarded funding in 2008. This program will provide training and education to promote technology-based business development.

VA ARC TI Funding Caps

In 2009, the amounts of assistance available for the eligible activities noted below have changed. The following chart reflects the new funding caps.

	Distressed	**Transitional**	**Competitive**
Planning	$30,000	$25,000	$25,000
System Development and Tech. Support	$40,000	$30,000	$30,000
Implementation	$100,000	$80,000	$80,000
Total may not exceed:	$130,000	$105,000	$105,000

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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.

B. VA ARC funding for a non-construction project is limited to a maximum of $100,000.

C. VA ARC Area Development funds in the amount of $250,000 will be made available for energy related projects and efforts that capitalize on assets of the region. Projects must have a significant regional impact and demonstrate the potential to have a substantial stimulating effect on the economy. Requests will be received on a first-come, rolling basis from September 26, 2008 though June 1, 2009.

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

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80 percent (80%) or total project costs;

2. 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

3. For the State's consolidated technical assistance program and local development access road projects, the maximum ARC grant will be 50 percent (50%) of total project costs.

E. For Fiscal Year 2009, Virginia will consider one county as a designated distressed county: Dickenson.

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.

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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.

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 will be held on July 24, 2008 to provide project development technical assistance for FY 2009 Area Development, Telecommunications, and Asset-Based Development proposals.

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

The exception to the project development timeline is for the $250,000 set-aside of Area Development funds targeted for "just-in-time" energy related or asset-based projects. As noted earlier, these projects must have a significant regional impact and demonstrate the potential to have a substantial stimulating effect on the economy. Requests will be received on a first-come, rolling basis from September 26, 2008 though June 1, 2009. Virginia ARC program staff will work with applicants at any point during the noted timeframe to determine the appropriateness of the proposed project and to provide necessary technical assistance. The Project Selection and Project Evaluation steps outlined below will be followed accordingly.

Project Selection

The following qualification and proposal evaluation criteria levels will be utilized in the project selection process for 2009 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.

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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 2009 project recommendations by February 2010.

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