



**APPALACHIAN  
REGIONAL  
COMMISSION**

*A Proud Past,  
A New Vision*

*Anne B. Pope  
Federal Co-Chair*

## **Statement of**

**Anne B. Pope  
Federal Co-Chair  
Appalachian Regional Commission**

**Before the  
Subcommittee on Economic Development, Public Buildings and  
Emergency Management of the  
House Committee on Transportation and Infrastructure**

**July 12, 2006**

**STATEMENT OF ANNE B. POPE  
FEDERAL CO-CHAIR, APPALACHIAN REGIONAL COMMISSION**

Thank you, Mr. Chairman. It is indeed a pleasure to be with you to review the work of the Appalachian Regional Commission (ARC). We appreciate your strong personal commitment to the future of the Appalachian region and the work of ARC. All of us in Appalachia appreciate your leadership. The ninth congressional district in Pennsylvania is an important part of the Appalachian region.

This hearing affords us a chance to assess the effectiveness of the 2002 reauthorization, review how ARC's programs are working, and examine the economic development challenges facing rural communities in Pennsylvania and across Appalachia.

The region's traditional reliance on low-skilled jobs—particularly in manufacturing, mining, tobacco, and steel—is rapidly shifting to more knowledge-based employment. While this transformation offers the promise of higher incomes and improved standards of living, many Appalachians—and their communities—are at risk of being unable to compete for these new jobs and businesses.

**Education and workforce development programs geared to high-growth high-demand jobs, entrepreneurial strategies to capitalize on local assets, access to broadband technology, and adequate basic infrastructure are essential if Appalachia's communities are to compete in the global economy.** ARC's flexibility, its ability to adapt quickly, and its expertise in crafting regional approaches make it an effective partner in helping communities put these critical components in place.

**ARC Overview**

I should take just a minute to review ARC's mission and structure, as I think that is a key to ARC's success. The Commission has been charged by Congress with helping bring Appalachia's 410 counties and their 23 million people into socioeconomic parity with the rest of the nation. The Commission represents a vital partnership between the federal government and the 13 Appalachian states. The 13 Governors and the Federal Co-Chair collectively set policy and allocate ARC's dollars in a true partnership that requires a consensus on priorities.

While the formal policies of the Commission are established by the Governors and the Federal Co-Chair, the real strength of ARC rests in our local partners, the local development districts. These multi-county planning organizations act as our local eyes and ears, identifying potential projects, providing technical assistance to small communities, piloting innovative development approaches.

They are indispensable to our effort to move Appalachia into economic parity with the nation.

Every Appalachian county is served by one of the 72 local development districts (LDDs) in our region. Your district is served by four different districts. But the one that serves the bulk of your district is Southern Alleghenies Planning and Development Commission in Altoona. Ed Silveti leads that organization, and I am pleased that you have selected him as a witness for later this afternoon. He is a forceful advocate for innovative regional development.

## **2002 Reauthorization**

Mr. Chairman, I am pleased to report that the 2002 reauthorization has worked quite well. As a result of the legislation and the Administration's focus on results and spending better every year, we have become more **performance-based**, we have increased our **leveraging**, we have expanded our **partnerships**, and we have focused on **innovative, regional approaches** to economic development. These are some of the reasons why the Administration's FY 2007 budget included level funding for ARC and language extending authorization for an additional year.

### ***Performance-based Agency***

ARC is a performance-based organization, with clear goals and performance measures driving everything that we do. I believe that successful organizations are ones that develop a plan, implement it, and then measure what they have accomplished.

Last year we implemented a new strategic plan to guide the agency for the next five years. We did not just sit in Washington and write a document. Rather, we went out into the region to listen to the people of Appalachia and hear how they thought ARC could best help their communities. We held five town hall meetings across the region, with participation and voting by more than a thousand Appalachian citizens. Then our states, the local development districts, and I sat down to shape these comments into a new plan to govern our investments. That plan articulates four major goals:

- ***Increase job opportunities and per capita income*** through business development and diversification strategies that will capitalize on the region's unique assets, foster local entrepreneurship, expand trade, and encourage technology-related jobs.
- ***Strengthen the capacity of the people to compete in the global economy*** through increased workforce participation and productivity, with emphases on improving educational attainment and training and reducing disproportionately high rates of certain chronic diseases.

- ***Develop and improve regional physical infrastructure***, particularly in economically distressed areas, as an essential step to increase potential for private sector growth by addressing the need for clean water and wastewater treatment facilities and advancing the access to and use of high-speed telecommunications.
- ***Build the Appalachian Development Highway System***, designed to reduce the historic physical isolation of the region and link Appalachia to national and international commerce.

Performance measurement is an integral component of the strategic plan. The Commission has outlined annual and 10-year performance targets that are aligned with these four goals. We analyze each project to see what it contributes to one of these targets.

Those 10-year regional performance targets are as follows:

- Create and/or retain 200,000 jobs in Appalachia
- Position 200,000 Appalachians for enhanced employability
- Provide 200,000 households with basic infrastructure services
- Open 250 miles of the Appalachian Development Highway System

I am pleased to report that we are well on our way to meeting these 10-year targets.

### ***Leveraging***

Meeting these targets will require the investment not just of ARC dollars but of funds and resources from other government agencies and the private sector. We have worked to increase our leverage of outside dollars. Last year, the \$66.3 million in grants that we funded attracted \$170 million in additional project funding, a ratio of almost 3 to 1, and \$560 million in leveraged private investment. That means that **for every dollar that ARC invested in a project, the private sector invested eight dollars**. Since many of our projects are in areas with weak economies, and they often meet needs that are almost pre-development in nature, this private investment is particularly striking and has a significant economic impact.

In our role as advocate for the region, we have been the catalyst for other investments as well. Parametric Technology Corporation (PTC), a leading developer of sophisticated engineering and design software for industry, NASA, and the Defense Department, has worked with ARC to make their Pro-DESKTOP software available for free to all high schools and colleges in the Appalachian region that have a faculty member trained in using the software. So far 31 community colleges, 4 technology centers, 44 high schools, and 1 middle school across 9 ARC states have participated in the project. To date, the market value of the software PTC has donated is \$24 million.

## **Partnerships**

Achieving the goals of our strategic plan requires an extensive network of partnerships—with the private sector, the non-profit community, and other government agencies. Expanding our partnerships has been one of my primary goals at the Commission. I think we are making excellent progress in this area.

The **Interagency Coordinating Council on Appalachia**, which the 2002 legislation created, has been an effective tool for strengthening our partnerships with other federal agencies. Last fall, for example, Labor Deputy Assistant Secretary Mason Bishop and I convened a field meeting of the Council at Zane State College in Zanesville, Ohio to discuss strategies to prepare Appalachia's workers for high growth, high demand jobs. Presidents of 17 community colleges from across Appalachia, along with economic development and business leaders, participated in the conversation.

At that time we announced an innovative pilot program to train workers for jobs in the electric utility industry. An interstate partnership between Zane State in Ohio, Ashland Community College in Kentucky, and West Virginia State Community and Technical College will yield a rich curriculum, open to students in all three colleges. A key private sector partner, AEP, will work with the colleges to make sure that the curriculum matches the jobs that AEP offers. AEP will also offer internships that are integrated into the program. This regional approach to workforce development is just the sort of innovative collaboration that both ARC and the Department of Labor are seeking to foster.

Our relationship with the Centers for Disease Control and Prevention is another innovative federal partnership. Since 2001 the CDC has committed over \$1.4 million to special work in Appalachia targeted to certain diseases, such as diabetes and cancer, that disproportionately affect our region. That partnership has led to three successful ongoing projects: a jointly funded initiative to reduce the high rate of cervical cancer mortality in Appalachia, a partnership with East Tennessee State University to implement a comprehensive cancer control program, and a collaboration with Marshall University to reduce the impact of diabetes on people in Appalachia. For each of these, the CDC has looked to ARC as its connection to local communities and local needs.

We also understand the importance of the private sector, and we have worked to create new partners here as well. In a first-of-its kind collaboration, ARC worked with the **National Geographic Society** to develop a geotourism mapguide to Appalachia, boosting the tourism industry and the jobs that flow from it. The map features 356 sites, including 62 sites in Pennsylvania. This special map is the kind of activity that could only be accomplished through an organization that has a specific, regional focus.

Over the past two years we have worked with **Microsoft Corporation** to make computer software available to more than a hundred organizations across our 13 states. Microsoft initially committed \$1 million in software donations, but when they saw the enormous need there was for this across our region, they quickly increased it to \$2 million. At this point Microsoft has distributed \$1.5 million of that, and additional applications are being processed. Microsoft has been a great partner for us, and we appreciate their commitment to Appalachia.

### ***Innovative Regional Approaches***

ARC stresses innovation and regionalism in building thriving local economies. One of our model innovative programs is the highly successful **Appalachian Higher Education Network**. Originating in Appalachian Ohio, this program provides funding, training, and assistance to high schools to encourage students to undertake post-secondary education. We know that the jobs of tomorrow are going to require enhanced training and education, yet the “college-going” rate for high school students in Appalachia lags behind the rest of the nation. Our Appalachian Higher Education Network speaks directly to this gap.

We have taken the Ohio model, which won an “Innovations in Government” Award from Harvard, and are replicating it across Appalachia. There are now ten centers in nine states. Since 1998, the network’s programs have reached nearly 11,000 high school seniors in Appalachia, of whom 68 percent have enrolled in college. This is an increase of almost 20 percentage points over pre-intervention college-going rates.

We seek opportunities by which our states and communities acting regionally can accomplish more than if they were acting on their own. A good example of regional innovation is the **Southern Appalachian Fund**. In response to ARC studies that documented the lack of equity capital in Appalachia, five states—Tennessee, Kentucky, Mississippi, Alabama, and Georgia—came together and ARC invested \$1 million to help capitalize a venture capital fund focused on Appalachia. This attracted \$11.6 million in funds from other public and private sources, including BankOne and Wachovia, to yield an overall pool of \$12.5 million of venture capital that can only be invested in Appalachian businesses.

The Southern Appalachian Fund is off to a great start. It has now made investments in eight companies, totaling \$4.4 million, resulting in the creation of 100 jobs and leveraging \$18.3 million of additional equity and debt investment. All the money has been invested in low-income census tracts. Here again, without ARC’s special regional focus, these venture capital dollars would not be available to grow businesses in Appalachia.

Another area where we have fostered innovation is **telecommunications and technology**, one of the key elements of the 2002 legislation. Through the first four years of the program (we are now in the fifth year), the Commission spent \$32.2 million on activities related to this important initiative. This has been

matched by \$6.5 million in other federal funds, \$10.3 million in state dollars, and \$41.3 million in local support. These activities are projected to leverage an additional \$61.7 million in private investment.

ARC's program has been built around four broad areas: increasing affordable access to broadband services, providing training and educational opportunities related to telecommunications and technology, increasing the use of e-commerce throughout the region, and increasing entrepreneurial activities within Appalachia in the technology sector. Projects in these areas stress innovation and regionalism.

The direct economic impact of the telecom program has been substantial:

- 2,600 jobs created and 2,100 jobs retained
- 45,000 students served with enhanced academic offerings through distance learning and new technology
- 65 community and regional plans for telecommunications networks and applications

In Pennsylvania, ARC funds have supported a wide range of activities designed to expand broadband access and incorporate technology into the fabric of local economic development efforts. A wireless demonstration project, done in conjunction with Carnegie Mellon's Center for Appalachian Network Access, is providing highspeed access to previously unserved businesses in Perryopolis, while a grant to Allegany College enabled the College to offer expanded distance learning courses at its campuses in Bedford and Somerset Counties. A local development district, SEDA-COG, has used ARC funds to help create over 40 new websites for organizations across an 11-county area.

Other states have similarly used ARC's telecommunications program to boost broadband access and use. Earlier this year I joined Mississippi Governor Haley Barbour in officially "lighting" a new fiber network that will serve the bulk of northeast Mississippi. ARC provided \$2 million of a total \$7 million project, in partnership with TVA, HUD, and the private sector, to install a fiber loop that will link major state universities, the largest rural teaching hospital in the nation, several small cable companies, and a growing number of private businesses. This project has the potential to transform the economy of that part of Mississippi.

As you can see, Mr. Chairman, the telecom authority provided in the 2002 legislation has enabled us to make significant progress in connecting Appalachia to the information highway.

## **Highways**

While the primary focus of today's hearing is ARC's nonhighway program, I do want to touch briefly on the status of the Appalachian Development Highway

System, since it is the linchpin of our efforts to connect Appalachia with the international economy. As of September 30 of last year, 2632 miles—85% of the 3,090 miles authorized—were open to traffic or under construction.

Last year's highway bill provides funding for the ADHS out of the federal highway trust fund at \$470 million per year. This will enable us to make significant progress in completing our highway system, and I thank you and your colleagues for your leadership in ensuring that the ADHS was included in SAFETEA-LU.

### **Strategies for the Future**

As you look to the future, Mr. Chairman, I want to discuss briefly the steps ARC is taking to ensure that our programs respond to the challenges of Appalachia's changing economic landscape.

**Targeting.** First, we are continuing our focus on the areas of Appalachia that have the greatest need. To help us do that, we recently developed an economic condition index that enables us to directly compare the condition of our counties with the counties in the rest of the nation. Using unemployment, poverty, and per capita market income, the index assigns a score to every county in the country, and then divides those counties into quartiles. Attached to my testimony is a map that shows the distribution of counties across the nation according to the index. The index reveals that Appalachia has more of the worst counties and fewer of the best than it would if the region was at the national average.

We have traditionally focused special attention on those counties that are formally classified as economically distressed. This year there are 77 of those across the region. But many of our counties are just on the cusp of being distressed; and therefore, ARC is focusing attention and resources on them to ensure that they do not become distressed.

The Commission now has begun formally designating these "at-risk" counties. In FY2006, there are 81 of them, including five in Pennsylvania. This designation will allow ARC to give additional funding priority to projects in these counties.

**Telecommunications.** As I noted earlier, over the past five years we have had a robust telecommunications program that has significantly expanded the access and use of telecom and technology in Appalachia. But the region continues to lag behind the nation in access to broadband, and businesses and communities too often fail to capture the economic potential offered by new technology.

According to a study we conducted initially in 2002 and updated in 2004, *Links to the Future*, in December 1999 there were 44 percent of Appalachian zip codes with at least one high-speed provider, compared to 60 percent for the nation. In December 2002, the Appalachian percentage had increased to 63 percent. That



is definite progress, but the national rate had grown to 88 percent, actually increasing the gap between Appalachia and the rest of the nation.

We expect to continue our work in this area. We are pursuing several strategies. One is ensuring that whenever we do a basic infrastructure project, we consider whether there is value in including a telecommunications component as well. Another is to continue our focus on e-commerce, training our small businesses to take full advantage of the business opportunities and efficiencies offered by the Internet. Finally, we will continue our commitment to distance learning, telemedicine, and demand aggregation projects.

**Asset-Based Development.** ARC is now in the second year of a special initiative designed to help tap the full potential of the region's natural, cultural, leadership, and structural resources. Too often we in Appalachia tend to focus on our deficits, on the barriers to economic development. And much of what ARC does is help overcome those barriers. But I come from the business world, where the balance sheet has two sides—the deficits, or liabilities, AND the assets or revenue streams. ARC is working with our communities to help them identify their assets and put in place strategies that will capitalize on them.

This initiative has sparked considerable enthusiasm around the region, as communities take a new look at the economic development resources they have within their own borders. Some examples include the following:

- Mingo County, West Virginia has used water in abandoned mines as the basis for a thriving aquaculture business that grows and sells arctic char to high-end restaurants along the East Coast.
- In Virginia, the 250-mile "Crooked Road" driving trail links 8 music venues in 10 counties in an exploration of the region's rich musical heritage.
- Appalachian Pennsylvania is capitalizing on some of the finest hardwood forests in the world to promote sustainable agriculture, value-added wood products, and job creation.

Both ARC and our communities believe that this asset-based approach to local economic development affords a realistic opportunity to diversify our local economies.

Patterns in global trade and technology have shaken Appalachia's historic reliance on traditional manufacturing, extractive industries, and tobacco, threatening many communities whose local economies were already fragile. For example, Appalachian coal mining, long a mainstay of the economy of central Appalachia, has fallen from 101,500 workers in 1987 to 46,000 in 2003, largely because of productivity gains. Similar employment declines have occurred in manufacturing, with significant Appalachian job losses in textiles and apparels and primary metals. Our asset-based approach offers an additional tool for communities as they refocus their economies.

**Energy.** One asset class to which we are dedicating special attention is energy. Appalachia is rich in energy resources—fossil fuels, renewables, and the research capacity to develop alternative energy sources. From coal to oil and gas to wind to biomass, all of the Appalachian states have significant energy assets.

Earlier this year the Appalachian Governors and I committed the Commission to developing an “energy policy blueprint” for Appalachia that can boost the region’s economy. We are currently conferring with energy experts, as we work to have our regional energy blueprint ready to unveil at our annual conference this fall.

The challenge is to craft regional strategies that will use these resources to spur widespread economic growth and job creation. Tapping Appalachia’s energy potential for economic development is about more than just getting additional coal out of our mines. Rather, it requires looking at the entire energy supply chain—research, commercialization, manufacturing, exporting—and seeing it all as one comprehensive economic development strategy for our region.

Our blueprint will provide a strategic framework for the Commission to promote new energy-related job opportunities by stimulating sustainable energy production, efficiency, and conservation efforts throughout Appalachia. It will assess the current energy landscape and examine both non-renewable and renewable energy assets, as well as emerging energy technologies, and outline the potential for developing energy-related job opportunities in the region.

**Basic Infrastructure.** The bulk of ARC’s funding continues to go to basic infrastructure. Lack of adequate water and wastewater systems is frequently a major impediment to local economic growth.

ARC recently commissioned a study to document the region’s funding resources and gaps for drinking water and wastewater infrastructure. It found that, using EPA data, Appalachian counties require investments of at least \$11.3 billion for drinking water needs and \$14.3 billion for wastewater needs. According to the study, Appalachia’s water and wastewater service lags behind the U.S, and local technical, managerial and financial capacity is significantly lower in Appalachia. On average, community water systems in distressed counties have greater financial needs per person served than systems in non-distressed counties.

ARC will continue to help communities with these challenges in a number of ways:

- *Targeting our infrastructure investments.* ARC will continue to focus its funding on those communities with the greatest economic need and those with critical public health and safety issues.
- *Strengthening our partnerships with other federal agencies.* We have historically had a strong relationship with Rural Development at the Department of Agriculture, and we have been expanding our partnership with the Environmental Protection Agency.

- *Fostering regional approaches to water and wastewater service.* Economies of scale—and improved service reliability—occur when small communities come together to develop interconnected systems that operate on a county-wide or regional basis. ARC will continue to emphasize a regional approach to basic infrastructure.
- *Encouraging innovative solutions to infrastructure needs.* The combination of rugged terrain and low incomes puts traditional systems beyond the financial reach of some of the more remote, distressed communities. This calls for alternative approaches, such as the Self-Help program in Virginia, innovative financing options, and alternative technologies. ARC will examine ways of deploying these alternative solutions across Appalachia.

## Conclusion

Mr. Chairman, since ARC was created, Appalachia has experienced significant economic improvement:

- The number of **economically distressed counties** has been cut by more than half, from 223 distressed counties in 1965 to 77 counties in 2006.
- The **per capita income gap** between Appalachia and the U.S. has been reduced from 22 percent below the national average in 1965 to 18 percent in 2001, and the **poverty rate** has been cut more than half, from 31 percent to 13 percent.
- Appalachia's **infant mortality rate** has been cut by two-thirds, and more than 400 ARC-funded rural health facilities have expanded access to health care across Appalachia.
- The percentage of Appalachian adults with a **high school diploma** has increased by over 70 percent (from 45 percent in 1960 to 77 percent in 2000), and ARC has helped build and equip 700 vocational education facilities.
- In the past five years alone ARC grants have provided **clean water and sanitation facilities** for over 183,000 Appalachians.
- Since 1977 ARC has invested \$36.7 million in **revolving loan funds** that generated \$115 million in loans for small businesses and leveraged \$8.59 in other investment for each ARC dollar, helping create over 30,000 jobs.

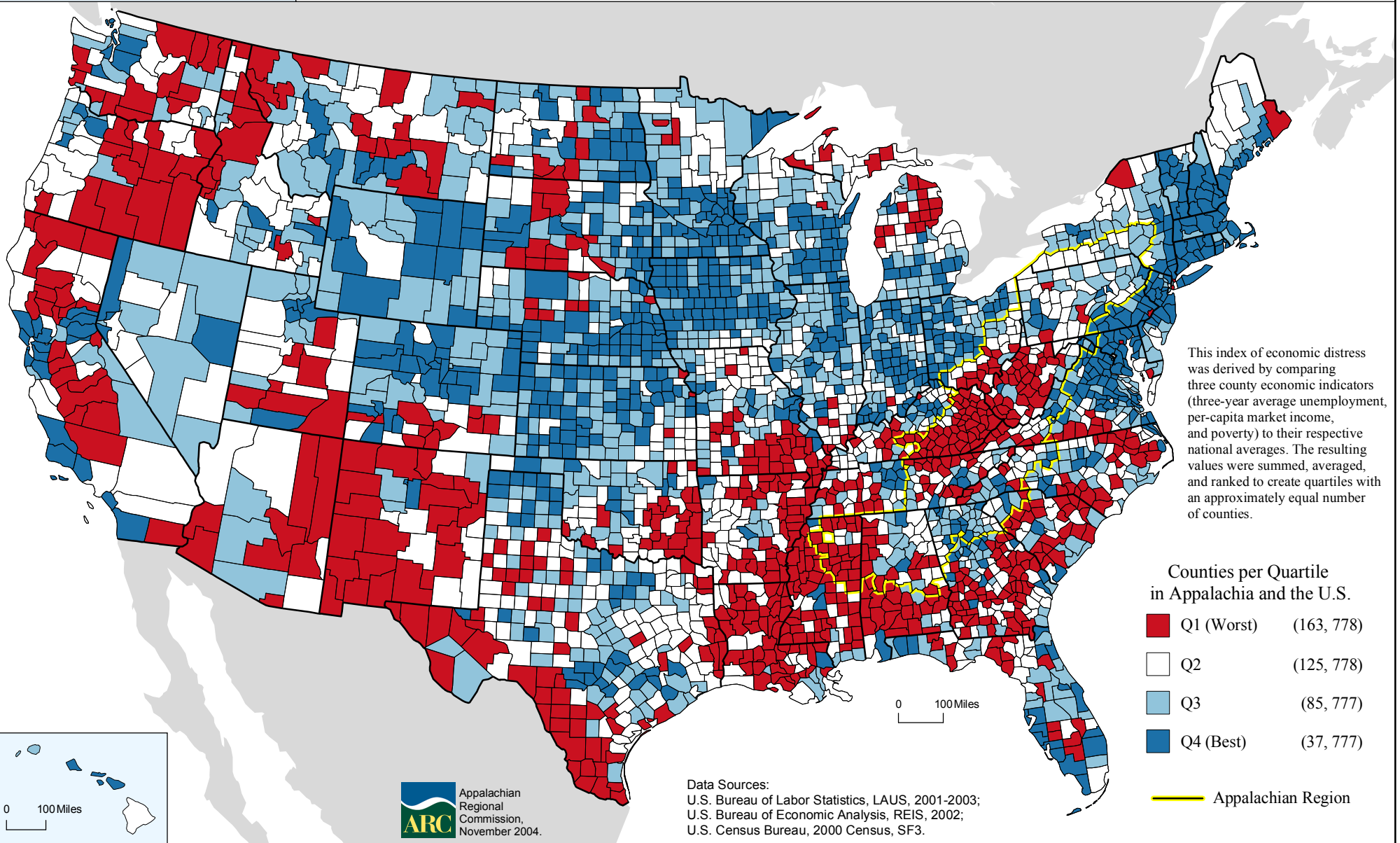
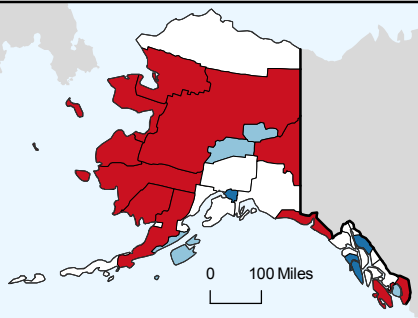
Despite these significant improvements, Appalachia still does not enjoy the same economic vitality and living conditions as the rest of the country. I have already outlined some of the challenges in telecommunications, infrastructure and employment, but let me suggest a few more of the region's continuing needs.

- **Widespread poverty.** One fourth of Appalachia's counties have a poverty rate more than 150% of the national average.
- **Persistent unemployment.** A majority of Appalachian counties have a higher unemployment rate than the national average.

- **Lower per capita income.** Appalachia trails the rest of the nation by 18% in per capita income.
- **Educational attainment gaps.** The number of Appalachian residents with a college degree is less than three-fourths of the national average and the gap is widening.
- **Health disparities.** Appalachia has higher rates of cancer, heart disease, diabetes and chronic obstructive pulmonary disease compared with the nation as a whole.

Mr. Chairman, we are on the right track; the region is moving forward, but we still have key obstacles to overcome if we are to move Appalachia to economic parity with the nation. We believe that ARC can be a key partner in helping achieve this ultimate goal, and we look forward to working with you and other Members of Congress.

# Index of County Economic Distress in the United States, Fiscal Year 2006



This index of economic distress was derived by comparing three county economic indicators (three-year average unemployment, per-capita market income, and poverty) to their respective national averages. The resulting values were summed, averaged, and ranked to create quartiles with an approximately equal number of counties.

### Counties per Quartile in Appalachia and the U.S.

<span style="color: red;">■</span> Q1 (Worst)	(163, 778)
<span style="color: white;">■</span> Q2	(125, 778)
<span style="color: lightblue;">■</span> Q3	(85, 777)
<span style="color: darkblue;">■</span> Q4 (Best)	(37, 777)

— Appalachian Region



Data Sources:  
U.S. Bureau of Labor Statistics, LAUS, 2001-2003;  
U.S. Bureau of Economic Analysis, REIS, 2002;  
U.S. Census Bureau, 2000 Census, SF3.

