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OVERSIGHT OF THE APPALACHIAN REGIONAL COMMISSION

FIELD HEARING

BEFORE THE

SUBCOMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

OF THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS UNITED STATES SENATE

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

AUGUST 8, 2000
NELSONVILLE, OHIO

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C O N T E N T S

OVERSIGHT OF THE APPALACHIAN REGIONAL COMMISSION

TUESDAY, AUGUST 8, 2000

U.S. SENATE,
SUBCOMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
Nelsonville, Ohio.

The subcommittee met, pursuant to notice, at 9 a.m. at the Opera House, Nelsonville, OH. Hon. George V. Voinovich (chairman of the subcommittee) presiding.

Present: Senator Voinovich.

OPENING STATEMENT OF HON. GEORGE V. VOINOVICH, U.S. SENATOR FROM THE STATE OF OHIO

Senator VOINOVICH. Good morning. This hearing will come to order. Very nice to be here in Nelsonville in this wonderful opera house. I think that people responsible for the restoration should be given a big hand for the great job that they've done.

The only drawback here is that I can't see the expressions on your faces. In Washington, when we have hearings, we don't have this fancy setting as we have here today.

We're going to conduct this hearing as one that we would conduct in Washington. It's referred to as a field hearing of the Environment and Public Works Committee of the U.S. Senate. One of the real honors that I have is to be the chairman of a subcommittee of the Environment and Public Works Committee, and that subcommittee is known as the Transportation and Infrastructure Subcommittee. That means I have all the roads, bridges, the General Service Administration, the Army Corps of Engineers. And, lo and behold, the Appalachian Regional Commission.

We are what we refer to as the authorizing committee. We can authorize programs. We can authorize the expenditure of money. But in Congress, the only way you can really get it is you have to go to an Appropriations Committee, and they're the ones that come up with the money. So it's a two-step process.

Many people feel the authorization committee did it and we got it. Well, that's part of it. You have to get the appropriators to provide the money, as Jesse knows.

We're very, very fortunate to have the Federal co-chairman of the Appalachian Regional Commission with us, Jesse White, who I've known for a long time. Jesse, I think the first time I met you was when you and my wife Janet were honored at Ohio University at the Osteopathic College for your contributions to the region and Janet's to families and children.

I'm really pleased that I have this chairmanship of the subcommittee because it allows me to focus on some issues that are very important to Ohio and also to this region of the United States. You may or may not know this, but the current authorization for the Appalachian Regional Commission is set to expire next year and my Senate colleagues and I will be working to reauthorize ARC during the remainder of this year and in the next.

I think that's something that we ought not to take for granted, because I think we all know that—how long was it, there was an effort to do away with the Appalachian Regional Commission? Some Members of Congress feel that there shouldn't be a special program for this part of the country. So what we're trying to do is to obtain an overview of the importance of the ARC programs to Appalachia and to closely examine the progress that's been made with respect to the implementation of these programs.

In addition, we will look to identify the challenges that still must be overcome for the region to fully participate in the Nation's economy so that no one will be left behind. I think one of the great frustrations that I have and so many of you have and I certainly had it as Governor, as hard as we tried, we just—we never could bring that unemployment rate down in this region of the State. It's affected Ohio. If you look around this region in the distressed counties, it's the same thing in Kentucky and some other places.

So today we've brought together an impressive array of witnesses who are going to testify about the ARC and the ways the ARC funds can be used to foster local economic and social development. I really appreciate our witnesses coming this morning.

In 1965, Congress established the ARC to bring the Appalachian region of our Nation into the mainstream of America's economy. The region includes 406 counties. We have 88 counties in Ohio. Four hundred and six counties in 13 States with a population of about 22 million people. It's composed of the Governors of the 13 Appalachian States and a Federal representative who is appointed by the President of the United States. The Federal representative serves as the Federal co-chair of the Appalachian Regional Commission. The Governors elect one of their members to be the other co-chair. All decisions really are made by the co-chairs working together.

As a unique partnership between the Federal Government and these 13 States, the ARC runs programs in a wide range of activities, including highway construction. I think that's something that most of us are well aware of. It's kind of about the most single—most important thing I think that we think of. Education, training, health care, housing, enterprise development, export promotion, telecommunications, and water and sewer infrastructure. I might just say, telecommunications and water and sewer infrastructure have become more and more important.

All of these activities help achieve the goal of a viability and self-sustaining goal in the five goals developed by the ARC in its strategic plan. The first thing is developing a knowledgeable and skilled population. People are very important. A knowledgeable, trained workforce. That's what attracts people. That's what keeps people in an area and attracts them to come in. Strengthening the region's physical infrastructure.

We were out this morning to Rocky Boots and their distribution facility. Without the infrastructure there that was participated in by ARC and by the State of Ohio and by the local community, they might not have built that facility there. They may have gone to some other State. So that was very important to have the sewers and water.

Then building a local and regional capacity. That's an economic development capacity that can put a deal together. Creating a—for creating a dynamic economic base. And, five, fostering a healthy people. That's real, real important. The ARC is real proud of the health care improvements that have been made in this region over the years.

ARC's programs fall into two broad categories. The first is a 3,025-mile highway corridor to break the region's isolation created by the mountainous terrain, linking Appalachian communities to national and international markets. I know about that as Governor. We could talk highway, highway, highway. Got to get the highways in, right, Nancy, so we could get our goods in and get them out. Roughly 80 percent of the Appalachian Development Highway System is either completed or under construction. I think we still have about 41 miles, Joy, don't we, left in Ohio that has to be completed?

The second is an area of development to create a basis for sustained local economic growth ranging from, as I mentioned, water to sewer infrastructure, worker training, to business financing, to community development. These provide communities with the critical building blocks for future growth and development.

The sweeping range of options allows Governors and local officials to tailor the Federal assistance to their individual needs.

The ARC currently ranks all of the 406 counties in the Appalachian region, including the 29 counties in Ohio and they have various levels: distressed, transitional, competitive, and attainment. I think many of you are familiar with the series of articles that were in the Columbus Dispatch, and one of the things that bothered me a little bit about the articles is they were talking about the ARC as it was, you know, 10 or 12 years ago and failed to mention the fact that a lot of the, "pork" that they complained about is no longer possible because we have designated that money to those communities that are considered to be distressed. They get most of the help. We'll be hearing from some people that are in transitional and competitive today.

That classification determines the extent of help that's given by the ARC. I'm not going to get into the details of it, but it deals with poverty and it deals with the percentage of per capita and so on. The ARC uses the Federal dollars it receives to leverage additional State and local funding in order to undertake a wide variety of projects to help improve the region's economy and its people. I'm really anxious to hear more about that today, how the leveraging goes on.

In rough figures, every ARC dollar Ohio received in resulted in $2 in Federal funds. I'd like to see more leveraging going on.

In Ohio, the ARC funds support projects in five categories: skills and knowledge, physical infrastructure, community capacity, dynamic local economies, and health care. In fiscal year 1999, ARC provided approximately $4.2 million to fund projects in Ohio. About 38 percent of the funding is spent exclusively on projects in Ohio's nine distressed counties. So that gives you an idea of where the money's going.

Moreover, the ARC announced that last year they spent about half of its money on programs that included the poorest communities. This allows communities throughout Ohio and Appalachia to have tailored programs which help them to respond to a variety of grass roots needs.

Since 1965, the ARC has had a dramatic effect on improving lives, helping to cut the region's poverty rate in half, doubling the percentage of high school graduates, slowing the region's outmigration and reducing unemployment rates. Although, I think that we still see too many counties, Jesse, with very high unemployment rates.

Despite the successes to date, the ARC has not completed its mission in southeastern Ohio and throughout Appalachia. It is the type of initiative that the Federal Government should be encouraging. When I think about the Federal Government, I think we need to prioritize our dollars and get them into the areas that need it the most. I believe that government should do for a group of people what they're unable to do for themselves. There are areas where help is needed, and that's where we should on the Federal level be directing our resources. I know that there's a vast reserve of potential in Appalachia. It's just waiting to be tapped. I wholeheartedly agree with one of ARC's guiding principles that the most valuable investment that we can make in the region is its people.

Today's hearing is the first step toward reauthorization of ARC. I'm anxious to hear testimony of our witnesses and to hear their views as to their experience with ARC. I'm especially interested in hearing from the witnesses especially when they believe ARC—what they believe ARC should be doing in cooperation with other Federal and non-Federal agencies to do the most good for the region's people with limited resources.

You know, it's really important that people like myself get out. I can read about the ARC until I'm blue in the face, but it really doesn't have the meaning that it should until you get out and you hear about the programs and you visit them. That's what we're trying to do this next day and a half. I've been very involved, for those of you in the Portsmouth area, in trying to bring compensation to the civilian victims of the coal war, those brothers and sisters of ours that worked in the nuclear energy industry, nuclear power industry that were exposed to uranium and to plutonium, and so on.

I read about it a lot in newspapers and other articles. But it really didn't hit me until I went down to Piketon and I listened to the testimony. It didn't really hit me until they came to Washington and I heard the testimony from the individuals that were involved. Because of that, that touched my heart. We're trying right now to put a program together that we're going to try to compensate those people without them having to go through the marginal line to get the help that they deserve. We owe it to them. But I have to tell you that without my getting out and spending time with people and listening to them, that I would never have fully appreciated what their needs were. So I'm really glad to be here today and I'm anxious to hear from our witnesses this morning.

Our first panel is going to be Dr. White, who I mentioned is the Federal co-chair; and then Joy Padgett, who is the director of the Governor's Office of Appalachia on behalf of Governor Taft. Joy and I have known each other for a long time, from the days when she was a member of the Ohio House of Representatives. She's been to see me in Washington a couple times and she's, well, excited about her job and enjoys it very, very much. So we'll start with you, Dr. White, and then we'll move on to Joy.

If you would honor the policy of this committee, we'd like you to limit your presentation to 5 minutes. Your written testimony will be made a part of the record of these hearings. Once we've completed panel one, we'll have some questions and then we'll move on to panel two.

So, Dr. White, we're very happy to have you with us today.

STATEMENT OF JESSE WHITE, FEDERAL CO-CHAIRMAN, APPALACHIAN REGIONAL COMMISSION

Mr. JESSE WHITE. Thank you very much, Mr. Chairman. You made my task of holding my comments down much easier. I was going to put in the record sort of the history and main features of ARC. I think you've done that to about the best ability that I've ever heard anyone do it. I'm very pleased to be here in Ohio and thank you for calling this hearing.

You mentioned the difference between authorization and appropriations. I think it's important to note that when the Congress did reauthorize us year before last it was the first time in almost 20 years that the agency had been authorized. It's made a huge difference to us, being able to have a little longer planning horizon. So for a long time, it was year-to-year appropriations language, as was EDA. So it makes a tremendous difference to us to have that authorization. We certainly will work with you on the reauthorization issue when it comes back up.

I'm delighted to be with my colleague, Joy Padgett, my partner on the commission, and Nancy Hollister, who I haven't seen in a year or two but with whom we worked so closely, and our local partners like Bob Proud and our local development districts here.

As you probably know, every Governor has an alternate who represents the Governor in his absence. There is an alternate Federal co-chairman who I would like to introduce and who appeared before your committee, Ella Rusinko. Ella, if you would stand? I just swore her in yesterday as the new alternate Federal co-chairman of the ARC.

Senator VOINOVICH. Congratulations. I'm very happy to have you before our committee.

Ms. RUSINKO. Thank you, Mr. Chairman.

Mr. JESSE WHITE. I couldn't agree more that getting out into the region is so important. We had a commission meeting several years ago in Somerset, Kentucky. Congressman Hal Rogers hosted us and we took some folks even from the commission family into some of the tough coal country of eastern Kentucky to show them what distressed counties were really like.

And when we make this allocation every year to distressed counties, about four of our States have none. So they step aside and actually give up some of their, "allocations to help the distressed counties." I'm going to show you a chart about that in just a minute. They really came away proud of the investments that we do make and the targeting that we do make.

You pretty much highlighted the three key elements of the ARC strategy—what they've always been. One is connectivity. Our highway program. We brought this chart, Senator, that shows what the interstate system looked like in 1965 on the top. You can see gaping holes as the interstates bypassed the mountains. Then on the chart below, you see the ADHS, the Appalachian Development Highway System, and the way that was designed some 35 years ago to connect our region basically to the interstate grid. That has been a very productive investment. We appreciate the Congress continuing to fund that.

The second one is our area development program where we work on those other goals of economic development. There are a number of key elements to that. You'll see those reflected in the five goals that you mentioned in our strategic plan. They deal with everything from human resource development to infrastructure development.

One thing I think that's important to point out, and I think you will hear from our local partners today, is that even though the ARC money is relatively small compared to other Federal agencies, our money is so flexible that it's often the glue money that puts a project together. I have heard this hundreds of times in my 6 years as Federal co-chairman. Traveling the region, it may only be 20 percent of the project, but we couldn't have made it go without the ARC piece.

That brings me to really the way ARC money was designed originally. It was meant to be a very flexible extra little piece of Federal money that poor communities could use to glue a project together. And it still continues to fulfill that purpose.

The final feature, of course, is this partnership structure that you mentioned. In some ways, I think that is as important as the money, because the ARC engages the State and local officials in our process in a way that's unique in Washington. Part of that is the fact that the Federal co-chairman only has half the votes on the commission. So I have to get the agreements of the Governors and they have to get my agreement. So it's really a joint policymaking model. We say it's neither dictating policy from Washington nor abdicating it to the States. We have to sit down once a year to come up with an investment plan and agree on things.

The last 6 years since I've been there, certainly, the ones I can speak to, we have tried to revitalize the ARC and modernize it by adopting our new strategic plan, by launching some regional initiatives. We've had a regional initiative in telecommunications, export trade, leadership development. We're now in the third year of an initiative on entrepreneurship trying to create an entrepreneurial approach to development. I think for a long time in rural, small town America we've had an idea that long-term development is bringing a plant in. Somebody else is creating jobs and we've got to go get them. That has a place to play.

I think what we've ignored is, what is the real infrastructure for small business creation and development in our community. That's what this initiative is working on. We're very excited about it. A lot of good exciting stuff is going on here in Ohio in that initiative which we can speak to.

So we're continuing to try to think creatively at the commission level through our strategic plan, through our regional initiatives, through targeting our resources to distressed counties. We spend about half of our non-highway money on about 10 percent of our people that live in these distressed counties. I think that's a proud record of targeting by anybody's definition.

Finally, by fulfilling our mission of advocacy in the region, one of the mandates in the Appalachian Regional Development Act is for us to be an advocate. We have rebuilt our relationship with other Federal agencies. We have partnerships with the Department of Transportation, HUD, with USDA, with many other agencies. One of my jobs is to try to get the big guys with the real money invested in the region. I think we've come a long way in doing that.

As you know, for 8 years, we were under this severe assault which you mentioned and it was kind of hard for us to be a player. But now with the support of President Clinton, with the support of the Hill, we are able to rebuild those relationships with the other Federal agencies in Washington and we will continue to do that.

So let me thank you for having us and let me say that we will be glad to work with you in any way that we can toward a good reauthorization of the commission. Thank you.

Senator VOINOVICH. Thank you.

Joy Padgett.

STATEMENT OF JOY PADGETT, DIRECTOR, GOVERNOR'S OFFICE OF APPALACHIA, ON BEHALF OF HON. BOB TAFT, GOVERNOR, STATE OF OHIO

Ms. PADGETT. Thank you. Good morning, Senator. My name is Joy Padgett. I'm the director of the Governor's Office of Appalachia and I also serve as State alternate for Governor Bob Taft.

I certainly appreciate that you chose Nelsonville to serve as the site for this particular hearing, because I think it truly symbolizes the struggling communities in Appalachia that once were very thriving and bustling centers of transportation and mining and manufacturing and industry. I believe that there is a resiliency. You mentioned that as we drove in today to these communities. What's self-evident about it is that many of the local residents are beginning to learn that the solutions for meaningful change have to be initiated locally. I believe that the ARC is a key partner in making that happen.

In my testimony, what I would like to do is to focus on a little bit of an overview of the Governor's Office of Appalachia, the socioeconomic status of this region, and the cultural uniqueness of this region. Very quickly, the Ohio General Assembly created the Governor's Office of Appalachia in 1988 and the mission of the GOA is and always has been to promote opportunities to achieve an improved quality of life in this area. I'm very proud to have two of the former directors here who have mentored me throughout this year. They're really ready to kick me out of the nest. But Nancy and Dan Neff are in the audience. I don't believe I could have made it through this first year without them. So I want to thank them particularly.

The Governor's Office of Appalachia is managing the Federal dollars from the ARC and we also now are managing the State matching dollars that Governor Taft has put in so that we have essentially been able to double our budget and then serve as an advocate for setting some of the policy in conjunction with our agencies.

As you well know, having been Governor, that the State of Ohio can only be as strong as each of its counties. Realizing the validity of that statement, we have begun, as you mentioned earlier, leveraging additional dollars with the ARC. So we're looking at a holistic approach in Appalachia now, particularly with the distressed counties. Each State department has been asked to work with the GOA as they re-examine the special needs of the distressed counties as well as the at-risk counties throughout the Appalachian region. Matching, of course, the Federal ARC dollars with State dollars.

Actually, 60 percent of those State dollars will be targeted at either distressed or at-risk counties, which I am very concerned about. Those six counties that are teetering there with one additional company closing or another additional job loss could very quickly jump into the distressed category.

We have added a community development specialist that serves in the Governor's regional offices and they are working on communication with the local development districts in order to provide more technical assistance for building community capacity, encouraging philanthropic investment, which you will hear about later with Leslie Lilly speaking, and then appointing a rural revitalization task force. We have completed our hearings and are now putting a report together for Governor Taft to see if there are additional policies that we can look at to—as you said, to encourage some of the re-energizing of this particular area, and that report is due in September.

I just cannot stress to you enough the strong relationships and partnerships that have evolved into what we call a team approach within the Governor's Office of Appalachia. Because we do have limited time today, I did provide your office with some statements that perhaps you can look at, but it talks—it's a snapshot of the statuses of our distressed counties. Those we can look at again later and you can refer to.

But over the weekend, I had read a story and I just decided I needed to tell it, and it was about a wealthy father who arranged for his son to take a trip to southeastern Ohio because he had the firm purpose of showing his son how poor people can be. So that boy spent a day and a night on the farm of a very, very poor Appalachian family. When he returned back to the city, the father said to him, "Well, son, how was that trip?" He said, "It wasn't very good, Dad." He said, "Good. Did you see how poor people can be?" The son said, "Yes."

He said, "Well, what will you learn?" He said, "Well, I saw that we have a dog at home and they've got four. We have a pool that's in our back yard, and they have a creek that doesn't even have an end, dad. We have these imported lamps in the garden and they've got all these millions of stars. You know our patio reaches the front yard and they've got the whole horizon.'' When the little boy finished speaking, his father was speechless. His son said, ''Gosh, Dad, thanks for showing me how poor we are.''

This very theory of Appalachian poor people was obviously shattered by that boy's story. As director of the Governor's Office of Appalachia, my personal No. 1 goal is to shatter the misguided perception that Appalachia as a region cannot thrive economically. I think if you take a step back in the cultural history, you'll see that the migration through the Cumberland Gap and what happened is that people actually did not settle in towns, but they settled on mountain tops and near streams. There was not an early-on, structured religion tradition. They had religion, but not a structure because they didn't build churches in communities and they didn't have the organized school systems that create knowledge of institutions.

I believe that we still see some of that lack of generational knowledge of institution. It still influences today, because there was a time when coal companies and other extractive economies structured everything that happened in a community. Whether it was religion or health care or educational activities or political. Now we're beginning to see the citizens, as I said earlier, come to realize decisionmaking requires their own direct participation.

I can't believe 5 minutes have gone by, so I'm going to sneak one more. ARC is about hands-on facilitation. Many communities have difficulty with that 20 percent match often. We're working very, very creatively with saying where there is a will, there is a way. The ARC is providing that financial gap that allows us to leverage all those other sources.

Senator these people really, really do understand your slogan of doing more with less. If anybody ever does understand it, they understand it here. Yet these are citizens who work hard. They play fair and have missed the rewards of that vibrant economy. Maybe it is because we're extractive.

I would just close by saying that I do have a major complaint about the ARC and the LDDs, and I think I need to make that complaint public. That is that they refuse to claim their bragging rights. They absolutely do. The good stories haven't been told nearly enough about the positive differences that have happened in so many places. So I know you're a baseball fan. I thought I would reach back to Yogi Berra who said, ''If you did it, it ain't bragging.''

The ARC has done a great amount of good for a great amount of people over a great amount of time. I think it is just—no, I know, I don't think, I know it is important that the unique relationships and the partnerships that have been created be allowed to continue. I thank you for your time and the opportunity to tell the story.

Senator VOINOVICH. Thank you, Joy. I'm sure that during this next day and a half that you're going to establish your bragging rights about the ARC.

I want to introduce Ellen Stein. Ellen is the staff director of my Subcommittee on the Transportation, Infrastructure and the Public Works Committee. A little story about Ellen. The former chairman of this committee was John Warner. You can get a little appreciation of how good I feel to be chairman of this committee. John's been in the Senate 24 years. He moved from the chairmanship of this subcommittee over to being chairman of the Armed Services Committee. So he gave it up.

When I came in, I was trying to find someone who could carry on the work with the committee. I think he wanted Ellen to go with him, and we talked about it. I was so pleased when she decided that she'd stay and be our staff director. She does a terrific job. She has a very, very big job. She has a lot of responsibilities and she gets very little help in the committee. I just want you to know how much I appreciate your being here today with us, Ellen.

Ms. STEIN. Thank you.

Senator VOINOVICH. I'd like to just ask a couple of questions. I'm going to try to keep my questions real short because I want to make sure the panels have an opportunity to be heard. I'd like both of you to comment on something.

I'm starting to see that maybe more of this is going on than I suspected. I'm a great believer in together we can do it and symbiosis. Bob knows coalitions, Children and Family First initiatives, bringing people together and so forth. There seem to be a lot of resources here.

I would like you to comment on your observations about whether or not we are galvanizing all of the resources as effectively as we can here in this region. I'd be interested in your comments on how you think that—if we are doing it, how we can do a better job of doing it. That's one.

The other is that a lot of these counties in the region just don't have the capacity to get things done. It's great now that we're going to have an Appalachian foundation that's created and have the private sector involved so they can put some money into things. It's called the yeast that raises the dough. You know, a little here and a little there.

Do we need to develop some expertise in the region that could kind of move from one area to another, deal makers, others that can provide that? You know, combine the resources so that you can have available to these counties the expertise that counties in other parts of the State of Ohio have because they're able to afford to hire these people? So those two questions, I'd be interested in your comment on.

Jesse, why don't you start?

Mr. JESSE WHITE. Well, I think that's very important. I think that Ohio—when I look at all 13 States—Ohio is blessed in having an institutional skeleton in Appalachia, OH and a lot of resources through which I think technical assistance could be cost-effectively brought. I do think there's a need for more of it. You've got the three very good local development districts here. You've got the university with branch campuses. You've got other colleges.

There is an institutional backbone here through which I think more effective technical assistance could be given to communities, because you're right, a lot of communities don't even have the technical expertise to get in the game. They really do need technical assistance, whether it's grant writing, understanding the Federal system. I think that more technical assistance would be a cost-effective way to help these communities bootstrap themselves.

Senator VOINOVICH. I just—I think about the Federal programs and we've got CDBG—and we now have the money to TANF, the money from Human Services. We have money that comes from the employment—unemployment training money. Do you think that the Federal pots of money are analyzed thoroughly enough to see how they can be melded together?

I remember way back when I was Lieutenant Governor of Ohio and Nancy and I served on the intergovernment commission, and we talked about something called a negotiated investment strategy that came out of Kettering Institute over in Dayton, Jim Kundey headed it up. It was very, very interesting and the whole concept was just to try to get the Federal agencies that were there that could impact to be at the table and talking to each other, and then get the local agencies at the table, and then get the State agencies to see if somehow they could pool their resources to make things happen. Is anything like that happening anywhere in Ohio or around the country?

Mr. JESSE WHITE. I'll let Joy speak to Ohio.

Ms. PADGETT. I'll speak to Ohio. I think we have set out a structure that is more than going to happen. We actually have very good examples. Pooling immediately the Governor's regional reps to work with the local development districts I think have made a real major difference in Ohio because we can look at these things a little more holistically which in my personal opinion is the way we need to look at this entire region. Certainly working very closely with Jackie Wonozynski with the old TANF funds and to do economic development and job training in those kinds of areas.

I agree with you, and I have—ever since I taught school and used to coach, used T-E-A-M, Together Everyone Accomplishes More. I do believe that you need to bring all these folks to the table. We are able to leverage additional dollars, for example, from those PRC funds with ARC funds, with some local funds, in order to do some of the job training and the skill building that is necessary.

I wanted to touch back on what Dr. White mentioned because if there's any one thing that I can point out immediately, that was a result of those four field hearings that we did, was the need for technological infrastructure. You experienced a little bit of that down time yourself this morning when you attempted to use your cell phone and there's just a time there that you just could not use it. Basically when that happens, you are not connected.

So if I were to leave you with any one single thing where we certainly do need a tremendous amount of assistance, not just with dollars, but I believe that it's not just about money, but it's about changing policies also; that a tremendous amount of good could be done in this region. The technical assistance is great, but if you can only do it in little spots where—well, we can use technology here, but if you go 20 miles down the road, you can't use it; you go 20 more miles and then maybe you can use it.

You can teach everybody all the skills they can possibly have, but if they don't have the infrastructure in place to be able to use those skills, companies will locate somewhere else. The ability to compete is crucial for us to share in these technology-based industries that are now out there. Being wired is what it's all about.

Also, I wanted to quickly mention venture capital is another area. We have developed the Appalachian Development Fund through a lot of hard work with people in the area. That is, again, financial resources for people who want to start businesses, is at a minimum very, very difficult to obtain. If there's any other one thing that we need to do, it is to develop pots of venture capital money and other kinds of money to be able to help people do those home-grown businesses that we were talking about.

Senator VOINOVICH. Thank you.

Mr. JESSE WHITE. Can I mention something?

Senator VOINOVICH. Yes.

Mr. JESSE WHITE. Just in terms of what maybe some other States are doing, I know Governor Patten in Kentucky has created a Kentucky Appalachian Commission in essence which does try at the State level to coordinate the expenditure of funds in eastern Kentucky. They meet two or three times a year. He makes all of his cabinet members sit for the whole day, even if it's Hazzard or someplace that's hard to get to. I heard some grumbling from some of them one day; but he does focus on making the State level, which includes flow through some Federal funds, coordinate in eastern Kentucky.

One thing I've certainly noticed at the Federal level is that Federal agencies left to their own devices in writing regulations to implement legislation will overlook rural and small town America if you're not careful. One of the things we're constantly fighting is trying to be a voice with the big Federal agencies, not to forget Appalachia. Write the regs so that our people will have a chance at this money. We got a million dollars from H.U.D. for technical assistance in distressed counties and for housing in Appalachia. So we are making some progress in trying to marshal and coordinate Federal resources into the region. It's a constant challenge.

Senator VOINOVICH. That's an interesting thing. I was writing it down, that the results act on a Federal level; each agency has to come up with the results act. We're starting to get into those and read them. One of the things that's lacking, frankly, is where they touch other agencies to deal with problems is not as well coordinated. We're having the Health and Human Services rewrite. In fact, they're going to have a separate document on Health and Human Services and the Department of Education where they deal with children in early childhood.

They've got programs that are very close together. They have Head Start and Education has their pre-school. They just really haven't sat down to see how they touch each other. Maybe what we ought to do is look at when they are coming up with their plans for their agencies to look at how they envision that they would direct those dollars to, say, the Appalachian region. Make that part of one of their little challenges.

How do we figure out on the national level? The best way to do it is to get it on the local level and have you guys sit down and figure it out. It would be nice if that study were done. Then maybe we could get it in Washington and have them direct their attention toward doing a better job with the money.

Ms. PADGETT. Senator, although, you know, we're pleased that H.U.D. is working with us, when I brought that news back to Ohio, they started asking about the rules and the regulations that went along with being able to access these dollars. I believe that that's part of that issue. It's not just about money. The money is fine, but if the policy is set that it doesn't fit into our area—and I didn't know this, but in talking with some of the experts that work with H.U.D., they said, "Was that in H.U.D.—speak or was that in English?" I guess there's a different language over there that I was not aware of. Again, it's a matter of policy.

Another area that could truly make such a significance in all rural areas, not just Appalachia, is the Department of Health. Because health initiatives need to be different. They need to be written so that they fit into rural Ohio as opposed to the urban centers that they so often focus on.

Senator VOINOVICH. OK. Jesse, the only last thing I'd say to you is if you've got any suggestions in putting together the reauthorization on changes in legislation, I'd sure be interested.

My next two witnesses, the Honorable Nancy Hollister. Most of you know Nancy. A little inside story that I haven't told too often is that I asked Nancy—I got to know Nancy through the State and local government commissions when we were both Mayors. She was the Mayor of Marietta and I was the Mayor of Cleveland. I asked her to go out and find somebody that would go out and head up the Appalachian National Commission. Sounds to me like Dick Cheney. I said, Nancy, you know something? You're the best person that could do this job.

So she gave up her job, popular Mayor, Mayor of Marietta, came to work for the State of Ohio to head up the Appalachian Regional Commission. For that, I was very grateful. It's such a good job, I asked her to be my Lieutenant Governor when I ran the second time. We're happy to have Nancy as the State representative. So you have lots of perspectives and probably know this area as well as anybody.

And then Bob Proud, we've worked together for a long time. Bob's a leader among commissioners in the State of Ohio. I think we did most of our work with kids; didn't we? Children and Family First initiative and our local consortiums. You've got to know that on the Federal level, I haven't given up on kids. We're trying to get Federal dollars to go into States where they have formed statewide collaboratives to deal with the problems of families and children. Then if the States have a coordinated effort, then money can flow into the counties if the counties have in place collaboratives. Basically, kind of using a Federal dollar to encourage local agencies to work together to pool their resources to make a difference in the lives of our families and our kids.

We really appreciate all the work that you've done, Bob. You come from a county where part of it is just booming and then you have another part that's distressed. We're interested in having your perspective also. So we'll start off with Nancy.

STATEMENT OF HON. NANCY HOLLISTER, REPRESENTATIVE, OHIO HOUSE OF REPRESENTATIVES

Ms. HOLLISTER. Good morning, Senator. I appreciate the introduction and the story. As you stated, I am the State representative for the 96th district which includes Morgan County and parts of Athens, Muskingum, and Washington Counties. Two of those counties, Morgan and Athens, are listed in the distressed category. I know that everyone here, not only those who are going to testify this morning, but those who came to listen and participate, are delighted that you've taken the time to come to the region to listen to some of our successes as well as our challenges and our concerns.

As a former Mayor of Marietta and a director of the Governor's Office of Appalachia and Lieutenant Governor in this great State, for over 20 years, it has been my pleasure and my frustration to participate in the ARC process. It's been a pleasure because ARC truly works from the grass roots up, from the bottom up, not from the top down. Because local projects with regional input, local input, and State government support are what make ARC so successful in the State and in the Nation.

My frustration with the process has been the constant battle of explaining the benefits and the necessity of ARC to Members of Congress. Why? Well, this is sort of a personal point of view, because in watching and being involved for a long, long time, when the ARC was initiated and created, along with the War on Poverty in this country in 1965, statements were made that the ARC would eradicate poverty, would eliminate poverty. These statements, while very, very noble, in my opinion, were not realistic.

Those comments were held as a report card some 25 and 30 years later with which, in my opinion, were used to criticize ARC. Because to me, the geography, the culture, the changing—constant changing economic conditions will never truly allow for the elimination of poverty. I think Director Padgett's story was very well put, because sometimes poverty depends on your definition of such.

Because in my experience, the true nature of partnership between the ARC and the Federal and the State and the local level is one of opportunity. It's the opportunity to make a difference in the quality of citizens' lives.

Having been in this business for so long, we talk about results and we talk about economic development. That's a key word. When there is an interesting analysis that if you have economic development, you have results. We count heads. How many jobs did you create on this given day? How many companies did you bring in? I think we've been trained to do that. I think that's erroneous.

I think that Dr. White was right on point in his comments because, to me, economic development is community development. If your communities are not sustainable from an education level, from a health care level, from a communications standpoint, your housing, the quality of your housing is not up to par. If your infrastructure is not in place, if you do not have community development, you will not have the overall economic development.

So I think we need to change our definition and our perspective of exactly what it is. Because it isn't about counting heads. It's about a quality of life, a sustainable economy in a region of the

State that was part of the beginning of the State of Ohio, beginning of the movement westward in this country.

But I can tell you that ARC is an organization that adapts to the political, economic, and social changes that occur throughout the region across the Nation. My job, that I have been assigned to this morning, is to talk to you about distressed counties and how some of these things evolved, because ARC is at a crossroads in their history. There are many crossroads in ARC, and this is definitely going to be one of them, about where they are focusing their efforts. Through our previous administration as well as to the current administration, we have definitely been involved in the discussion of allocation of funds to distressed counties.

In 1965, when ARC was created, moneys went to growth centers, designated growth centers, throughout Ohio as well as the other 12 States involved in the Appalachian Regional Commission and because the feeling was get in there, punch it, make a difference and to generate development to show results, if you will, as quickly as possible. But in 1981, the growth center model came into a great deal of question and debate as ARC faced possible elimination. The commission then identified and sought to focus on counties that had not shared in the benefits of the ARC's initial investments.

ARC then proposed to Congress that we establish the distressed counties program and specifically cited the needs of clean water and adequate sewers as top priorities.

So the distressed counties program was born and it was implemented in fiscal year 1983. There was a set-aside of 20 percent of project funds through ARC that must be allocated to distressed counties. But in the 1990's, one of my biggest frustrations as a former director was that we were dealing with 10-year-old figures. Distressed counties were identified based on old information and not changed for 10 years. So many times it was not appropriate at all. In the 1990's, we changed the way distressed counties were designated.

There was an adaptability and flexibility that allowed us to really look and work with these counties to see exactly where they were and not have everybody in lockstep for 10 years. It was much, much more flexible and I think much more responsive.

Then in 1994–95, when ARC's support strengthened again—what they called a worst first strategy was the approach then—to again, become more focused and more specific. The set-aside was increased to 30 percent. There was a development of a four-tier system of categorizing counties, including distressed and transitional, competitive, and attainment. Those are things that have already been touched on. There was a restriction virtually eliminating anyone for attainment counties, and a great deal of restriction for competitive counties. I had two of my counties that would be classified as competitive. That in and of itself has generated some interesting debate and discussion. Yes.

So this is sort of a history of distressed counties because I think we are at a crossroads as to where we go from here as far as a focus of funding. Do we put it in distressed counties? How do you put it there in allowing these local projects as you've mentioned in the discussion with Dr. White and Director Padgett about how you spend this money and what kind of resources are available? I think these are ongoing discussions.

I've been asked to cover also a number of goal areas, but I'm not going to do that, because it's for the record. There are some projects that I know I helped bring to fruition under those goals. We can discuss those individually. But you're going to have some really good witnesses coming before you in the time remaining. So I will allow my testimony to stand for the record and end my comments. Thank you.

Senator VOINOVICH. Thank you, Nancy.

Bob, I failed to mention, is also chairman of the Ohio Valley Regional Development Commission and interested in, I'm sure, your perspective on how ARC is dealing with that. Again, coming from a county that's not distressed in one part and distressed in another, I'd be interested in your perspective. Glad to have you here with us, Bob.

STATEMENT OF BOB PROUD, COMMISSIONER, CLERMONT COUNTY

Mr. PROUD. Thank you, Senator. As usual, it's good to see you, too.

Speaking to that, I have to tell a story, too, on Nancy, in that Nancy when she first became director of GOA said she didn't believe Clermont County was Appalachia. I said, come on down. We had a motorhome full of people. We just took her and told her to buckle up; here we go. We had the developed site. I remember Nancy shaking her head saying she had never seen anything like this, these two counties.

Again, my name is Bob Proud. I'm Clermont County commissioner. I appreciate the opportunity to address you, Senator, and provide testimony to the rest of the subcommittee. ADRC is one of the three local development districts representing southern Ohio which includes 11 ARC eligible and one EDA eligible member county with a total population of 646,000. That's a 1999 committee estimate. Our district also includes 6 out of the 10 distressed counties in Ohio. They are Adams, Gallia, Jackson, Pike, Scioto, and Vinton. Their combined population in 1999 estimate is 216,311. In 1995, median annual household income for the whole region was $27,972. For some of our distressed counties, this figure is as low as $23,000. A 1995 median household income from Ohio was $35,202. As a local development district, ADRC plays a crucial role in developing projects in the region.

What you've heard from the testimony earlier this morning, is that it is a bottom-up process. As a former county commissioner, I know you appreciate the fact too that we always had mandates. I know unfunded mandates is a war cry and one that we picked up in Clermont County and ADRC as well. To have a Federal program that is starting at the bottom, priorities are set by our county caucuses which is made up of local-elected officials. It's made up of economic development people, non-profit agencies, and we are the ones that develop what our priorities are going to be.

Then we take those priorities and then we take them to what—we have a project review committee within ADRC. Each of the LDDs have one, too, in which they then rank the projects from our

11 ARC eligible counties. Then that ranking then is ratified or adjusted somewhat by the executive committee of the ARDC. Then what we do is then that is sent up to GOA, working again with all of the three LDDs in Ohio and also the regional economic development reps, which we're glad that you instituted when you were Governor. We're glad that Governor Taft has just carried on that tradition as well in working with Director Padgett, and they come up with the Ohio package to ARC.

So, again, it's driven from the local level. I don't know that many Federal programs that are driven from the local level. So as a local-elected official, I appreciate that so much as well.

But I want to talk a little bit about distressed counties since we have six out of these in Ohio in our district. ARC's programs granted investments in our district has done so much to improve the quality of life of our residents, bringing safe drinking water which is one of Joy Padgett's pet projects, too, eliminating groundwater pollution.

ARC investments in Pike County have enabled over 50 miles of water lines to be sent to local residents who had no access to safe drinking water. The story is the same as in Adams and Vinton County to receive water who didn't have it previously. ARC grant funds to wastewater treatment systems that can have serious groundwater impact as well.

But summarizing overall figures for our distressed counties in our region, in the last 4 years, 1996–99. During that period, ARC grants to ADRC distressed counties amounted to $5,476,992 for water and sewer infrastructure improvements. The key thing is that those moneys leveraged over $27,692 for these projects. Again, we talked about the leveraging as well.

There's a lot of other stories that earn the testimony of projects we have, but one thing I really want to talk about is our economic development problem. The ADRC region is going to be further exacerbated by the recent announcement by USEF that they will close the Piketon Uranium Enrichment Plant in June 2001. I appreciate your efforts in trying to get them to reconsider and go back to the original commitment of what they said. But, again, that's going to terminate about 1,500 highly-skilled jobs.

We talked about transitional counties and competitive. Of course, coming from one competitive county, Clermont, to recognizing that we are more than willing to only have 30 percent funding, because that's fair. We would like to see more of the moneys going to distressed counties.

Again, you know, when I used to work for a senior service organization, our goal and our theme was helping people help themselves. That's exactly what ARC does. They give us the tools. They help us help ourselves. So as Churchill said, give us the tools and we'll finish the job. That's exactly what we want as well.

We have one of the things in Clermont County that we received moneys from 1996 from ARC for our Career Center, our video conferencing center and video lab. We have done some wonderful things with that, too. We had an interactive video conference with Jess and Congressman Portman when they were in Washington and we had some students from vocational schools throughout the region testifying to them on the effectiveness of ARC funds while they were in Bethel, OH, in Clermont County. ADRC has used that with video conferencing with three other LDD sites with Northern Ireland. We have U.S. Precision Lens, one of our major employers in the county, who they interviewed prospective employees worldwide. So that saves them as well.

But, again, as Nancy has said, my testimony is going to be part of the record, too, but I just want to thank you for coming out here and actually seeing. Because one thing as you know as a local elected official, too, is that many times we have to get out of the beltway and actually to come out of the ivy tower—to come out of that and see what actually is going on.

Again, you can get reports. You can read newspaper articles and everything. Until you actually get out here and see and talk to the people who are on the front lines, how ARC is effective. One suggestion I would have—I'm not going to make a criticism—suggestion on access roads funds is that when you get access roads funds, you have to adhere to the Federal highway standards. If you are building an industrial access road in Appalachia, you don't need 6-foot shoulders. That's one thing that—one reason a lot of counties do not access, take advantage of access road funds, because of the fact that they can't afford them because it escalates the cost of the project so much.

In closing, we are having—this is a commercial. September 17th, 18th, and 19th, we are having in Clermont County—hosting ARC entrepreneurial conference at our hall in Eastgate. We've had some heavy hitters coming for that. It's going to be an excellent conference. I'm going to personally give you a brochure and ask you to feel free to stop in and see us on that one, because it's going to be excellent, too. Again, that is something that is a wave of the future and something that we support wholeheartedly.

On behalf of the ADRC, I want to thank you Senator for coming out. It's always a pleasure.

Senator VOINOVICH. Good to see you, Bob. Thank you very much.

Mr. JESSE WHITE. Can I make one comment?

Senator VOINOVICH. You certainly can.

Mr. JESSE WHITE. Just to talk about this, this map shows side by side the distressed counties by current definition as they existed in 1960 and then the current.

Senator VOINOVICH. Can everybody see that? It shows the distressed.

Mr. JESSE WHITE. The red is distressed. So it shows the progress we've made and what we still have to do.

Senator VOINOVICH. Just thinking, in the reorganization language, are the categories—the distressed categories written in the language or is that something that you folks did in the ARC itself?

Mr. JESSE WHITE. Well, the commission had adopted those policies, but the Congress actually wrote them into our statute. So they are statutory.

Senator VOINOVICH. So that some of the limitations on what you can do with money, you're going to be reviewing that and getting back to me on any changes that you think——

Mr. JESSE WHITE. Right.

Senator VOINOVICH. I'd really like to know what the commission thinks about, and then I think it would be good from my perspective, Joy, if you would get your team here and get them in the room and look over the language to see if there are some changes that we could make, maybe get more flexibility. We'll be having some hearings on that in Washington. I think you could get started on that right now and get a better feel for it.

Ms. PADGETT. The category that does not appear in the language is the at-risk category which I use. It falls between distressed and transitional. But I do believe it's a very critical other category that we need to look at to know that many of these categories are bumping down toward distressed rather than moving up toward transitional.

Senator VOINOVICH. It's the emergency money that you need. Sometimes we can provide it. I know that when we were asked here for $75,000 for one of our areas where we got some real problems—that might have some pop there that you could direct and be a way of moving in quickly where help is needed. I know that we need to deal with some of the lost jobs we have, for example, at the Meigs mine situation. Too often, I don't think we can respond quick enough to some of the real at-risk situations that we have.

I notice that you've used some of the ARC money on water. Is that for sewer, waste treatment, and also on water supply?

Mr. PROUD. Yes, sir.

Senator VOINOVICH. Are these mandates that are coming out of the EPA and the local community doesn't have the resources to deal with them and, therefore, you're having to access the ARC money?

Mr. PROUD. Not every one of them, but a great majority of them are as a result of EPA funds.

Senator VOINOVICH. So it's not an issue of putting in the waste treatment or the water system for economic development, but more in response to something that you've got to do under a Federal mandate?

Mr. PROUD. It covers, again, both categories. A lot of the areas have wells and then your groundwater might have contamination into it, too. So they had to have a more safe drinking water source, too. But, again, some of it also is because of the economic development and a plant or company is going to need to have water and wastewater, too.

Senator VOINOVICH. I'd be interested in how that's broken down. One of the things that I'm starting to pick up as I travel the State is that we're on the edge of some really draconian things happening to a lot of communities being fined for past pollution of water. I was in one community last week and they said it's going to cost $26,000 per resident to pay the fine. Let alone get the money to do what they're being mandated to do.

I'd be real interested in that, because those are resources that you're putting them, into waste treatment into water, which are very important, of course, fundamentals, but it does mean that those dollars are not available for some other purpose. It would be interesting to get a breakdown of—do you have that, Jess? A breakdown by category of how all the money's going out nationally in the ARC? I'm not sure how much for waste treatment facility, how much for water treatment, just public water supply, safe drinking water?

Mr. JESSE WHITE. We do have the figures broken down between sanitary sewer systems and drinking water. I don't know whether we have the figures about which ones are EPA compliance issues versus just, you know, more basic infrastructure.

Tom, do you know whether we have that?

Mr. JESSE WHITE. We could probably tabulate that for you.

Senator VOINOVICH. That would be interesting to find out where the dollars are going by category.

Any thoughts either one of you have on how maybe we could do a better job of coordinating resources to make a bigger—getting a bigger bang for our buck and also the need for expertise? For instance, you've got the entrepreneurship conference and people will be coming in. Should the ARC be looking at perhaps bringing in more staff people that would be—or creating a source of revenue where they could go out and spend time providing entrepreneurial training in the eligible counties?

Ms. HOLLISTER. I think even in listening to the infrastructure comments, because I think it goes back to infrastructure at the same time that you look at entrepreneurship. Because if you don't have the infrastructure in place, you won't have the entrepreneurship. And I think right now I know from Director Padgett or even from Dr. White's perspective as well as the local officials that are here, they can show you areas in their county that either have severe contamination problems or no infrastructure at all.

I think that one of the things that could possibly be considered is a concept—and also a debatable point about land use planning at the local level, with townships and counties, and talking about where do we want this water and sewer to go? Where do we want some of these wireless or wired efforts with telecommunications to go? Where can we upgrade highways? Where should we have housing?

I think that some of the distressed counties especially could use the targeted assistance to help them have these countywide discussions and debates about where they want to go. Because if they have a plan, then they can make better use of the resources.

Then to partner with that, it has been a source of my frustration in dealing with USEPA that the State of Ohio receives an enormous amount of money in a revolving loan fund, and it's a low interest loan fund. I think you've probably heard me say this before. There's an echo in this room. But there are many of our distressed counties that won't play. They won't participate in the loan fund because the regulations are strangulation and they can't afford to pay it back.

So, one of the things even at the Federal level in looking at this and having ARC as a player, to even have a set-aside or an earmark, whatever, to say that for distressed counties there would be a portion that if you participated through ARC in the EPA loan fund that you also got an equal grant amount—something there to allow them to move forward I think a little more proactively. But I think it goes back to combining resources for communitywide discussions in every county and maybe putting forward some funding to say this is what we want to look like in 2 or 3 or 5 years.

Senator VOINOVICH. You mean a facilitator to kind of help?

Ms. HOLLISTER. Yes, but that takes some funding.

Senator VOINOVICH. Get everybody together and lay out a 5-year plan, what their provision is.

Ms. HOLLISTER. That's tough to do because we have counties that don't want to do it.

Mr. JESSE WHITE. Last week, we were in the process of doing this comprehensive look at our distressed counties. Last week we had a field meeting in one of the two distressed counties in Pennsylvania. We heard a very moving story from Schuylkill County, which is a county that had communities on either side of the ridge who never worked together, and they went through a strategic planning process that really pulled the county together. That county's going to make it.

But it was through sort of, "soft investments" developing the city infrastructure of that community, pulling them together, working with the newspaper, working with the private sector, and developing the vision. That's what a lot of our distressed counties need, I think, is really pulling themselves together and developing the vision and moving forward.

Mr. PROUD. Senator, you talked about having somebody to facilitate meetings. That's one thing that we do in our local development districts. With ADRC, we have contracts with counties to help them develop land use plans and because they didn't have the expertise in-house. So they went to ADRC, CDBG. Some of them don't have staff to administer all of the bureaucratic red tape that's entailed with that.

So that's something that the LDD's are available to do, as well as to go in there and to assist. Not telling them what to do, but we go into the counties and into the townships and the villages and say, we are here to help you. You tell us what you want.

Senator VOINOVICH. What are these, the countywide LDCs?

Mr. PROUD. The local development district covers all 11 of our counties, but we can go into any county that invites us.

Senator VOINOVICH. So you do have that expertise to help someone?

Mr. PROUD. Yes.

Senator VOINOVICH. One of the things that Ellen pointed out is that I introduced a bill reauthorizing the State developing loan fund. We do have specific language in there dealing with disadvantaged communities, to give them a break. One of the things that really needs to get across to everyone is the unmet needs that we have in this country today. We're celebrating the big surplus. The fact is that last year was the first year we had—and we really have not had a surplus, because the surplus initially was Social Security surplus. And last year we lockboxed that.

But the fact is that we still have, "surpluses" because we have more money coming in from payroll tax from Medicare that's not going on. So that's money that's extra. They quote that as they consider that to be surplus. So there really isn't a quote on budget surplus to surplus. There's trust funds and Social Security.

Now, we may have one based on some new provisions this year, but not a whole lot. If you look at that and you look at the unmet needs—I was in Cincinnati with the Mill Creek water district, water shed. I was presented with a national estimate of the unmet needs for O&M and for operations for sewer and water and just safe drinking water. In 20 years, we're talking about $2 trillion. So you understand what $2 trillion is, our budget this year in the Federal Government is $1.7 trillion. That's the whole budget. We're talking two trillion in that area.

And then, part of my responsibility as chairman of the subcommittee is the Water Resource Development Act, the word of that legislation. We have $39 million worth of unmet needs. These are projects that have been authorized, that the money has been either spent on literally construction or design. We only appropriate each year in the energy and water appropriations $1.3 billion.

We just have this stuff stacking up out there and nobody's kind of even paying attention. It doesn't count, and it seems to me that in any responsible organization you would look at these unmet needs that are out there where the Federal Government does have a role to play, and say, "How can you be talking about new programs and some other ideas when you've got these things that need to be taken care of?" So I think that in the process of—we need to put in and we did that in the Safe Drinking Water Act, put in some special language for disadvantaged communities.

Mr. PROUD. Senator, you know, talking about many areas, small communities will get water lines extended to them but still have onsite systems. Therefore, they use more water now. They take showers a little bit longer. Therefore, the onsite systems start malfunctioning and cause a problem as well. Then the health department comes in and things like that.

There could be some way, again, that we could—where you put in that almost—have that highly recommended that also they would have wastewater. I know it might be difficult to do, but I know just in Clermont itself that has caused so many problems when a rural water company comes in and extends lines but there's no sewer available. Sometimes it exacerbates the problem.

Senator VOINOVICH. Well, and some of that stuff you guys at the county level have to do.

Mr. PROUD. Give us the tools, and we will.

Senator VOINOVICH. That's a good suggestion.

I'm not going to ask any more questions, but I really would be interested in—we've got these priorities of where we can spend money, and I'd be real interested in getting your thoughts written down on—you know, there's water. One of the things that I remember most from dealing with Lake and Meigs County, they just wanted that. They needed an industrial park, but they couldn't have an industrial park without having the infrastructure in place. They needed the roads and they needed the water. How do you get the money in there to do it?

It's the same thing when I was out at Rocky Boots this morning. If they hadn't had the money to put in the water lines or the roads, they may have gone somewhere else. I think that's something that we need to talk about maybe on the Federal level, but also on the State level in terms of, you know, things that the State should be looking at as to helping in terms of economic development.

I want to thank you very much for being here today, and keep working.

Our next panel is made up of Rick Platt, Larry Merry, June Holley, Eugene Collins, Mr. Wayne White, Dan Neff, and Leslie Lilly.

I want to thank you very much for being here today. Since there are so many of you, I'm going to do what I do in Washington sometimes. And when that red light comes on, we'll have to call your testimony. Again, I want to emphasize that your written statements will be made part of our record, so it's available to the staff of the committee.

I have no idea how you were chosen who was to speak first or last, but the first person that I have on my list here is Rick Platt, and I would ask that as you begin your testimony, if you could just give us just a couple of sentences about what your organization does so we could get a feel for that, unless your testimony goes into that part of it, OK? So I have a better idea and the folks that are here have a better idea of what it is that you're doing.

Rick, I have a pretty good idea of what you do. You're over in Steubenville and Jefferson County, executive director of Alliance 2000, which I think is an economic development arm of the county. We're glad to have you here. Rick has worked with us and went over to Jefferson County. So we'll start with you.

STATEMENT OF RICK PLATT, EXECUTIVE DIRECTOR, ALLIANCE 2000

Mr. PLATT. Senator, I'll join with everybody in thanking you for coming here today and giving us a chance to talk about what's happening in Appalachia and in Ohio. I'm going to be very brief. First off, let me tell a story.

In 1997, one of our existing companies, a distribution firm with about 100 employees, came to us and said they had to expand, which is a good thing. They had run out of space where they are, could not expand their building, needed to have a new site, new building. They came to us. We showed their CEO our industrial park or what we called our industrial park, but it didn't have water and sewer and the roads weren't widened. It was really just an open field. He also went to West Virginia and saw what they called their industrial park. He located in West Virginia, left our county and took those hundred jobs away.

It's not sour grapes that I tell that story, because ironically the West Virginia industrial park had ARC funds to get it ready. When he went to see their park, he saw water. He saw sewer. He saw roads that were ready to go.

The story to finish—the end of the story is today, though, we are ready with ARC funds funding, attracting, leveraging more funds. Today we have an industrial park with the water capacity, the sewer capacity, three phase power, 35 minutes from Pittsburgh International Airport.

This is a map that I brought up, and it shows several dots on that map. One of those dots is our industrial park looking at the micro level, looking at what we needed to do—water, sewer, roads—to get our park ready. But eastern Ohio has several industrial parks, the purple dots on this map. The counties that are on a corridor between Columbus and Pittsburgh are industrial parks that in the last 10 years have been funded with ARC funds.

Senator VOINOVICH. So people can get an idea, why don't you just quickly go over them so they get a sense of what you're talking about.

Mr. PLATT. We have our Jefferson County industrial park outside of Steubenville. Cadiz, Newcomerstown, Coshocton is working on one right now. Guernsey County has several. Zanesville has one that's been very successful. We'll hear from them. Those are the counties that are in eastern Ohio that have industrial parks, so dots on the map.

What we're saying here, though, is let's take a macro picture. We need to connect these dots. It's not about pork. Connecting the dots is something that we need to do. Five key projects really will connect the dots—these industrial parks in eastern Ohio. We have this 12 miles between Coshocton and Dresden that's two-lane right now that really connects the western part of this Columbus/Pittsburgh corridor with I–77. We have 28 miles from Newcomerstown to Cadiz. Right now there's nothing there. We need to connect to finish the eastern leg all the way to Pittsburgh and Pittsburgh International Airport. Those two highway projects alone give eastern Ohio access to direct flights to Europe out of Pittsburgh.

Senator VOINOVICH. How much of that area is in ARC?

Mr. PLATT. All of the yellow counties that I show on here, there are 12 counties shown, 10 of them are Appalachian counties.

Senator VOINOVICH. Any of those roads on the grid, they're new ones?

Mr. PLATT. No. None of them are on the grid. We mentioned the 41 miles. Those are not part of the 41 miles.

Senator VOINOVICH. So that's probably something that they are seeking to do?

Mr. PLATT. I think ARC funds give us the opportunity to use the leverage to get started on these projects so that we can see them, sometime in our lifetime, get done. They're essential. They connect the dots. They give us access to things that we just don't have right now. When we talk to companies at our industrial park, we can't talk about anything west of us because you can't get there.

They say when Jimmy Carter's motorcade came to Steubenville in 1979, you couldn't get from Steubenville to there. The motorcade got lost in Weirton. But with Route 22 being completed through Jefferson County, now we can get to Pittsburgh.

Our unemployment rate is low because people are now commuting into Pittsburgh to find work. I think that with these highway improvements, we can stretch that further into parts of Appalachia, connect the true corridor between Columbus and Pittsburgh. We also show two key railroad projects that are part of the project. No. 1, from Newcomerstown down to Cambridge, to kind of reconnect some railroads that have been disconnected over the last few years and open all of really that southern part of Appalachia into the railroad again. It is still very viable. Then at the other end, off the Panhandle Rail line again, a small connection into the Warrenton River Terminal to give really Columbus one of the first connections to the Ohio River, many companies along this corridor the ability to get their product either off or on the Ohio River and everything with that, and then last, then, improving that river port at Warrenton to give greater capabilities.

So, again, my perspective is on the micro level, but we also have these projects connecting the dots. I think the key thing is—and it's been said by others, there's unfinished business in Appalachian Ohio. When you're talking about the reauthorization of ARC, clearly there's more work to be done by ARC. ARC work is not done in Appalachian Ohio.

Senator VOINOVICH. That puts it together. It's interesting that I, once in a while, am in Pennsylvania and the Governor of Pennsylvania continues to complain that businesses in western Pennsylvania are moving to Ohio. I think that the Workers' Comp system that we reformed, people don't really pay attention to it, but it was called a silent killer of jobs at one time. Today it's one of the best systems in the country. Now people are wanting to come to Ohio because of what we're doing in that area. So thank you very much.

Our next witness is Larry Merry. He's the executive director of the Zanesville Muskingum County Port Authority. Good to have you here.

STATEMENT OF LARRY MERRY, EXECUTIVE DIRECTOR, ZANESVILLE-MUSKINGUM COUNTY PORT AUTHORITY

Mr. MERRY. Thank you, Senator.

Also, I want to thank you for your interest in working with the ARC. I know what you did for the Office of Development when you were Governor. If you can help ARC, that's going to be a great step.

I'm going to touch a little bit on the past and Muskingum County and my written testimony touches on that. We're a county that's in a lot of transition and we're growing. A lot of that has been because, basically, to go back to the baseball analogy, we've built the ballpark. And when you go to the field of dreams, build it and they will come. The problem that many counties have in Appalachia is that they're not able to build it because you can't get them to come unless you have the ballpark already built.

In Muskingum County, in 1992, when I became county commissioner, we had basically half of an industrial park is what I'd like to call it. We used some ARC funds, some CDBG funds, built an access road through it and been able to expand and bring projects to it. That isn't on Rick's map, but we do need to put on another purple dot. We also were able to develop our airport park and have several projects there and extension. ARC helped with the extension of a water line—a project that I think you're very well aware of that our county was successful in recruiting was the Auto Zone distribution center. I'm very pleased to tell you that they're close to 600 employees now——

Senator VOINOVICH. No kidding?

Mr. MERRY [continuing]. At that facility. Yes. It's been a real success story. ARC money was involved in helping to place that infrastructure, a very expensive venture.

Our county has been very committed and the commissioners continue to spend vast local dollars. But those local dollars can only be stretched so far. ARC's been a big player in that. We now have the third industrial park that is currently under construction that you will be very pleased is using some reclaimed strip mine land to put it to work in a different form than what it is today. I guess my plea is that there's a lot of communities that do not have that ability, that do not have the locations, and many of them surround Muskingum County. Morgan County still has a double-digit unemployment rate that they have not been able to enjoy some of the things. They're very dependent upon a lot of counties, Muskingum County, for a place to work.

ARC—if there was a change in ARC, I would like to empower them. When we do ARC, we end up working with other agencies which are great, and we work with those agencies to receive some funding, but the complication that it adds in working directly. ARC makes local decisions by local people who are led by organizations that Muskingum County works with, Omega, and through Omega. I would rather see that be direct and I would rather see the money go directly and flow through there because they understand the local history, the local people, and the local needs. With it being driven—I know that's a change. I still think that there can be a sistering or a brothering of the agencies, but I think it's the complication and then it gets scary.

There's three people that work at the port authority. Many counties in Appalachia have part-time economic development people. To start talking about doing several applications or different things and then if you apply for ARC and then you go to CDBG and go through that bureaucracy, many people—this is not a negative toward it, but they don't understand Appalachia when you start dealing with those other agencies. They don't know what it's like in Appalachia. They just assume that you've got a 10 person staff or something that's working in these counties. Many times, you don't.

Senator VOINOVICH. I don't understand. You say Omega. You have to go through Omega to get your——

Mr. MERRY. That's the local.

Senator VOINOVICH. What is Omega? What is it, an A–95 group?

Mr. MERRY. We do that. We are also a sister agency with the Ohio Valley development commission. There's three LDD's in Ohio. The third one is the Buckeye Hills, Buckeye Valley Commission in Marietta.

Senator VOINOVICH. You're saying the ARC money have to go through Omega before the counties gets it?

Mr. MERRY. I think that if that works, if the money could come through to those local agencies and be hand—basically work together, they could understand and work closely with them instead of working through the complicated system. That is giving ARC totally—it's changing it an awful lot, but it also gives them the responsibility and that ability to work through that agency.

I guess I want to close with the fact that our unemployment rate in Muskingum County is 5.6 percent. I think it's the lowest it's been in many, many years. But there are still a tremendous amount of unemployed people. We have a lot of youth in Appalachia and a lot of that youth continues to move out and move away. That's OK if that's a choice they want to make, but many times it's a choice that they have to make.

Appalachian Regional Commission's job is not done. We need to continue that effort to be able to work to allow things to grow. I guess more than anything people in Appalachia have a spirit and it's a spirit to continue and to continue to work to improve, and not to quit and leave. ARC needs to help that develop and to continue to let that spirit grow and flourish here. Thank you, Senator.

Senator VOINOVICH. Thank you very much.

We'll now hear from June Holley. June is president of the Appalachian Center for Economic Networks, ACE Net.

STATEMENT OF JUNE HOLLEY, PRESIDENT, APPALACHIAN CENTER FOR ECONOMIC NETWORKS (ACENET)

Ms. HOLLEY. Right. I'd like to give you some of the testimony that evidently got lost on the way to Washington.

I'd like to start giving just a little background information about ACE Net. We're an economic development organization that works with many other organizations to create a strong regional economy. Our strategy is kind of unique in that we focus just on two sectors—specialty food processing and technology—and try to mobilize as many resources in each of those sectors as we can. We've been working on the food sector for 5 years.

Really, working with these partners, we've just assembled an incredible array of resources so that anybody with an idea for a food business can get the help they need to get started and then really grow rapidly. So the results, just to give us an idea, we had only five or six small food processing businesses 5 years ago when we started, and now we've worked in some way or another 175 in the Appalachian Ohio region. Many of them are startup. So we're getting this culture of entrepreneurship that a lot of us have been talking about. Now we really have these excellent entrepreneurs who are really capable of creating what we call $1 to $5 million businesses in the next couple of years.

Senator VOINOVICH. What do they do?

Ms. HOLLEY. They're food processors. We have businesses that make pasta. We have six salsa businesses. We have people that are getting into "nutriceuticals," just food supplements. Many of them are very high value food businesses, not just commodity kinds of businesses. They're making really state-of-the-art products that are very valued on the market and many of them are unique and innovative. We have this goal creating 50 $1 to $5 million businesses which would create 1,500 quality jobs in the area. So this is an idea of extreme focus on a sector.

ARC has been incredibly important in this. First, we talked about a one to two leveraging ratio. These projects have all—these funds have leveraged many times more than that. We have a kitchen incubator. It's a licensed processing facility where you can rent the use of ovens or an automated bottling line to start your business without a huge capital expenditure. So lots of businesses come and get started there and then we help them move to their own facility. The dollars invested by ARC leveraged from the local banks and the Ohio Department of Development eight times a month that ARC invested.

Then other ARC funds helped us sort of ratchet up the resources we could give these businesses. So we developed these food sciences resources. Five thousand dollars from ARC leveraged twenty-five thousand dollars in expert consultants' advice that the businesses can access. So they have really quality products and they can get into regional, national, and international markets. So now we're working to even double that amount. So it will begin——

Senator VOINOVICH. Where are you located?

Ms. HOLLEY. We're in Athens, but we work with businesses throughout Appalachian Ohio. So we've worked with businesses in Zanesville and even out toward Pike County.

Then—so that's the food sector. Now we're starting to work on the technology center with the Voinovich Center at O.U. and a lot of the other partners, Hocking College Innovation Center. But our first step in that area was this issue that you talked about really needing a work force. So we are setting up in the high schools a youth computer entrepreneurship program. It's a year-long program. Young people learn e-commerce skills so they can make really good e-commerce sites. Then they actually set up businesses and they start earning money right away part-time to supplement their family income.

What we find out is that then they go on to college. These are kids who weren't going to go to college. They start going to college. Many of them keep this entrepreneurship. Some of them are starting to get really good jobs back in the area. We think that's really important that it's not just work force training, but sort of an entrepreneurial slant. So they can at any time go out and start their own business or work in some of the expanding businesses. But ARC money is kind of seed money to help us try that out.

We've now leveraged that 20 times over with money from the Department of Education. We're going in seven schools this fall and probably the same amount next fall.

So, you know, ARC is really making a difference through these programs. I think there are three concerns that we have, and the first is simply dollars. I just got in the mail last night the Journal of Appalachian Studies, and it said that ARC region only gets 28 percent per capita of the public investment of the rest of the country. Only 28 percent. So no wonder we still have—you know, we have not only huge problems, but we are getting less public dollars than other parts of the country. I think that to have this entrepreneurial economy is going to require some public investment to get things to catalog.

Senator VOINOVICH. What are you talking about, 28 percent of public investment? What do you mean?

Ms. HOLLEY. I can send you the article. I just glanced at it.

Senator VOINOVICH. What is that?

Ms. HOLLEY. I'm not exactly sure how they defined it in that. I just glanced at that and then it popped into my head this morning when I was thinking about this talk. I'll be glad to fax you that article. It was shocking to me to realize that there's that little per capita coming into the area.

I think also another issue is that especially with some of these entrepreneurial projects, ARC has been sort of like seeding the field and just giving 1-year grants to a lot of programs. I think that we need to learn from what's been happening out there and identify those projects that are successful and do some multiyear funding. Because there are projects, there's a lot of mistakes you have to make. You have to figure things out. Then that's a longer term process. So having more multiyear funding I think is going to be really important.

The third area which is already starting to happen somewhat is to be able to get a continual improvement system among these projects. They need to be linked up and networked so that we can be sharing among projects what we're—you know, funded projects, what we're learning, and find out what really works in this region. I know the office has supported a loose effort called the Appalachian Support Network. They helped us set up a youth entrepreneurship program that the Voinovich Center co-sponsored. It was a great opportunity for the people in the region.

They're also going to be helping with just a small amount of money so that we can bring in some national founders who are really for the most part ignoring Appalachia, period, as well as Appalachian Ohio, and help them find out about the need here so that we can bring in some more private dollars into the area.

Senator VOINOVICH. Thank you. Thank you very much.

We also have with us today Mr. Eugene Collins who's president of the board of Portsmouth Inner-City Development Corporation. Mr. Collins, we're very happy to have you here and we look forward to your testimony.

STATEMENT OF EUGENE COLLINS, PRESIDENT OF THE BOARD, PORTSMOUTH INNER CITY DEVELOPMENT CORPORATION

Mr. COLLINS. Thank you, Senator. First of all, I can say it's indeed an honor and a pleasure to be sitting here and testifying in front of the U.S. Senator and also ex-Governor Voinovich who played a very important role in Portsmouth Inner-City Development Corporation.

A story with Nancy that everybody seems to be telling, we have about—we had a million dollar project on a housing project, and we had a link of about $50,000 short. We contacted Nancy's office at the time and discussed this with her because the project was being held up by that. Nancy was able to give us the technical assistance of how we could go about getting some ARC discretionary fund money to deal with that project. I sit here proud to say that we now have senior citizens in 25 apartments that was done by Nancy's giving us the proper guidance on how to go about doing it. Otherwise, that project would have been hung up.

There's no question about ARC. ARC is definitely a necessity in the Appalachian area. The thing that I'm here to talk about mainly, though, today is that we have a special project that deals with youth entrepreneurs. The reason why I think that it is very, very important that this project continues, first of all, in the Appalachian region area, for whatever the reason is, a lot of people in many key positions don't feel that any blacks live south of Columbus. I sit here to tell you that there are blacks that live south of Columbus. Everybody seems to think that the only blacks are in urban cities. There are blacks that are living in Appalachian Ohio, and we're proud to say that we're part of Appalachia. And we intend and will continue to live in Appalachia.

Because of that, we started a project for the youth entrepreneurs. This project is focused on minorities and females, but we don't turn away anybody who's interested in going into business. What we're saying to these young future entrepreneurs, that there are goals and objectives in life, and you can set your goals and objectives. If your goal is to be a business person, you should not let anything interfere with you not reaching those goals. So we feel very strongly that this can happen.

One of the things that we have been able to look at and we think that it's very important that even from Washington back to look at this, and that is everybody is saying that now it's time to stop the welfare role. That sounds good and that's great, but the bottom line is that a lot of these young people are caught up into a system of many generations of welfare. It makes it very difficult for them to be able to leave this mechanism until such time that they get the proper training and understand that there is another way that they can go. This is one way that we think the youth entrepreneurship training program can work out for them. It will give them an opportunity to see how they can fit in somewhere else.

In the midst of doing this, we have brought in presenters to come in and give presentations to them, how they can take a small plan of action and make it a future for them. Many of the young people are going to be looking at this. One of the things that we measured out was that in Ohio we found that if a youth is incarcerated, it costs between $25 to $32 thousand a year. And we're dealing with over 100 youths throughout special areas in the Appalachian region, such as Portsmouth, Gallipolis, Chillicothe, Hillsboro. Those are the areas that we're working very closely with, and we have over 100 kids that are involved in this. We have also put together computer labs because we think it's very important that every young person realize that the computer is the way of life.

So in working in that manner, we think that the only way this would have happened would have been through the Appalachian Regional Commission. We think that by doing away with welfare, which I think everyone is aware of the fact that it is 5 years and out, now the question is what are we going to do at 5 years from now when we have this same problem existing as far as the poverty end of it? So that's why it's important that we say to the young people now that now is the time that you can do something with your life and you can make this work.

We have put together this program with the idea of hoping that some of these young people will go into business, establish their own business. We feel very strongly that some of these young people will establish their own business. We know that there is one young lady right now—her and her sister are putting together a business that deals with selling Christian CD's. There is a possibility, they have set a goal that by the year 2001 they want to have sold over $20,000 worth of CD's. It makes it very, very difficult for you as a Christian to look a young person in the face at 16 trying to sell you a CD and say you will not buy. They have something going.

So what the young people come up with and the ones that we have met and talked to, they gave us their motto, which I think was very appropriate, in which they said business first in the 21st century. We feel that if we can get 50 percent of those young people to continue their education and go into any type of business, it's going to be beneficial to the Appalachian area. It's better to pay now than to pay later for young people. We feel that if we do not give them some ideals and some opportunities, then we'll pay later by having them incarcerated. We don't think that's the answer to the problem. We think that we can help solve the problem.

I want to close by saying one thing. I think it's of the utmost importance, Senator, that the people in Washington realize that everyone that lives in Appalachia in most cases live there because we love it. Because there's other parts of the country that we could live. And for that reason, we feel that if we could get the assistance financially, the technical experts in this area could see that this area moves forward in the future. We think the 21st century is going to be really surprising to people as to what Appalachia can do if the Appalachian Regional Commission stays in existence. Thank you.

Senator VOINOVICH. Thank you very much, Mr. Collins.

Our next witness will be Mr. Wayne White, who is the executive director of the Ohio Appalachian Center for Higher Education, Shawnee State University.

STATEMENT OF WAYNE WHITE, EXECUTIVE DIRECTOR, OHIO APPALACHIAN CENTER FOR HIGHER EDUCATION, SHAWNEE STATE UNIVERSITY

Mr. WAYNE WHITE. Good morning, Mr. Chairman. As you said, I am Wayne White with the Ohio Appalachian Center for Higher Education, Shawnee State University. We often refer to it as OACHE.

OACHE is a consortium with 10 colleges and universities within the 29 counties of the Ohio Appalachian region. The mission is simple: To increase the college-going rate. This mission closely correlates with the first stated goal of ARC. In fact, Federal co-chairman Dr. White had the list of goals up earlier, and the first one listed says that Appalachian residents will have the skills and knowledge necessary to compete in the world economy in the 21st century.

The catalyst for the formation of OACHE was a comment by our famous restauranteur and then member of the Ohio Board of Regents, Bob Evans. Bob Evans made a comment to one of the presidents, and I think I can hear Bob saying this. You college presidents need to do something about our students not going on to college. From that comment came discussions that the local and State level and funding for Ilgard to do a study on what the college-going rate in Ohio Appalachia was. More importantly, it turns out, to delineate those barriers that prevent Ohio Appalachians from going to college.

We all know obviously that Appalachians are proud, patriotic, hard working, honest individuals. However, these attributes are not sufficient for Appalachians to fully participate in the current economic growth our country is experiencing. In today's fast-paced, technology-driven economy, advanced skills and a life-long commitment to training are essential to secure and keep a meaningful living wage job. Again, as Bob Evans puts it often, the days are gone when hard work alone will get you there.

To help our citizens free themselves from the vicious cycle of poverty, unemployment, and underemployment, we must address the issue of education. To that end, the access and success study by Ilgard forces us to reflect some disturbing facts. The college-going rate in Ohio Appalachia is 31 percent, compared to 41 percent in the State of Ohio and 62 percent nationally. Some barriers that are delineated in this study would include poverty, lack of role model, with only 8.8 percent of adults over 25 having a 4-year degree compared to about 23 percent nationally; lack of knowledge about college, including cost; the availability of relatively good paying blue collar jobs in the past that did not require high education attainment.

But there's no question, Senator, the No. 1 barrier to postsecondary education by the folks in our area is low self-esteem. Our children have the ability. They just don't know it. In fact, the study by Ilgard, when they asked the high school seniors in the 29-county area to rate themselves as above average, average, or below average in intelligence, 29 percent of Ohio Appalachian seniors report themselves above average. The same question of a national sample produces 58 percent that rate themselves above average.

The socioeconomic picture is no better, Mr. Chairman, in other parts of the 13-State region. The New York Times article ran on July 27 noted that with the national economy bubbling along, soaking up workers and spreading wealth, much of Appalachia live not only with poverty and unemployment, but also with the humiliation of being taken for ignorant. This article notes that low educational attainment not only impacts the individual, but represents a huge reservoir of potential work force talent that is tragically going to waste.

With this study in hand, the Ohio General Assembly in 1993 established the Ohio Appalachian Center for Higher Education. I'm pleased to say, obviously, it was approved by our Governor and began to offer programs in public schools to address those barriers delineated in the study. I'm pleased to tell you that today we've had 79 projects with partnerships with schools along this 29-county area that increased the average college-going rate 29 percent the first year and 24 percent for the first 2 years combined. These are all run in public schools by unpaid coordinators at the local level.

Newcomerstown, for example, from 28 to 45 to 56 to 72 to 56 to 78, and then 80 percent going to college. In Monroe County, over 50 percent of those students are going to college. You mentioned Meigs County, Southern High School there in Racine, for the last 3 years has beat the national average in college-going rate and ARC has been right with us.

The Federal co-chair addressed us in 1995. They were developing the strategic plan. We have a system going on now that I think you'll be very proud of to talk about—technology. The presidents wanted to link these institutions with the distance learning system. ARC gave us two planning grants. We parlayed those dollars with the help of Ameritech, Honeywell, GTE, and the Ohio Board of Regents to four and a half times that. We now have the dollars to link these institutions with the distance learning system. We have an educational training center from the Department of Education. We have one of the new projects in three seventh-grade schools, Trumbull, New Lexington, and Roseville up in Franklin County. The list goes on and on, Mr. Chairman.

But the Federal co-chair and his staff, as well as Director Padgett and the previous directors of the office of—the Governor's Office of Appalachia, including the one seated on my right, have been so helpful to this consortium as it tries to address the educational attainment level that will give our children throughout the 29-county area some hope and some skills that will move them hopefully from a way of poverty. There's more testimony, obviously, and I'd be glad to leave that for the record. Thank you, sir.

Senator VOINOVICH. Thank you very much for being here.

Our next witness is someone that's familiar to a lot of people here in the audience, and that's Dan Neff, who's the director of the Ohio Mid-Eastern Governments Association. You bring lots of background to that organization. I'm glad to have you here, Dan.

STATEMENT OF DAN NEFF, DIRECTOR, OHIO MID-EASTERN GOVERNMENTS ASSOCIATION

Mr. NEFF. Thank you, Senator. It's a pleasure for me to be here today and be a part of this panel. I think you can see today from the previous testimony the many positive aspects of the ARC program.

Senator VOINOVICH. Let me just say something. It really tickles me to see some of our people that worked in State government moving out and going to various places. It's part of the job of being Governor that you see all these people growing and taking on new things. I have to tell you it makes me feel very, very good.

Mr. NEFF. I appreciate those comments. I have to tell you, one of the most difficult decisions I had was to leave your Administration. I had the pleasure of working with many fine people, yourself, and Lieutenant Governor Nancy Hollister who I hold very dear. It means a lot to me personally as well as professionally. I would not have left if it wasn't for the fact that I quite frankly really believe in the work of ARC and the work of the local development districts. I think they have a very important role to play. I believe they are making a difference. You do have my testimony for the record. I'll try to keep my comments brief.

I would like to point out a couple things that have been touched upon, and I want to just touch upon them a little bit further. First of all is the flexibility of the program. I think that is one of the one elements of its success and that it has really done a lot in the respect that when you think Federal programs, oftentimes you think bureaucracy, time, paperwork, all the things that make people cringe. As Larry Merry cited, different application forms and all the different things you have to go through.

One thing about ARC, while there are applications and processes to go through, they're not big on bureaucracy. They're a phone call away. Staff is looking for ways to help you approve projects, not to find ways to disapprove projects. That's at the State level as well as the Federal level.

The other thing is the fact that the commission has really seen fit to try to be a flexible and balanced program. We've heard a lot of talk about distressed counties today. I think that's very critical. The ARC and the dollars that have been spent on distressed counties has exceeded 50 percent. That has a lot to say about the program. However, I don't think we can lose sight of the fact that there are growth centers that still need to be primed and ready. Larry, again, cited those in Muskingum County. I think from our standpoint, Muskingum County is one of our prime growth centers.

It would be remiss for us not to look at—while the fact that Muskingum County itself is prosperous and growing and having new plants and expansion, it's also benefiting a region around that area that includes distressed counties and at-risk counties, including Perry and Morgan and Guernsey. So there is really very great benefit for all of those counties, not just Muskingum County, with the investment that ARC is making.

I'd also like to point out again the value of the partnership that exists at the local, State, and Federal level. It's a very unique structure. I do not know of another Federal agency that has the structure and where, as Commissioner Proud pointed out, the driving takes place from the bottom up. Most of the project priorities are taking place in Ohio at the local level with the local leader being mayors and economic development professionals. They're saying these projects are what are important for us to do to make a difference for our communities and improvement the quality of life in these communities. So that has made a big difference. One of the things that I'm most proud of is the fact that we can play an important role in that process of bringing those people together as facilitators and helping them be successful at the local level.

Again, the strong leadership from Dr. White—that I think it is important to point out that he and the Governors play a vital role in determining policy and direction and where the program is headed, and what those priorities are going to be. I have to point out, too, that the fine executive director leadership of Tom Hunter has honed the machine to be very lean and mean, if you will. The money can flow quicker and faster to those areas that have the needs that they do.

Again, the value of the interchange between the State and Federal Government, the flexibility and accountability that exist in the program. The partners that Dr. White mentioned with the other Federal programs, I think that's been critical to the success of the Appalachian Regional Commission in these past several years. And, also, the initiatives that have been cited—leadership, export, telecommunications, and now entrepreneurship. One that hasn't been mentioned yet, that I think needs to be pointed out, is the transportation effort that has really done a lot to promote growth in the transportation area, with an intermodal focus of roads, rail, air and river.

One of the things they're working on right now is river development with the Ohio River and trying to lead an effort that will bring together Pennsylvania, West Virginia, Ohio, and Kentucky to look at the Ohio River and marketing the Ohio River to the rest of the Nation and the world as to what it can bring and do to improve transportation of products. So, again, I thank you. I appreciate the opportunity to come today. I look forward to the rest of your visit.

Senator VOINOVICH. Thanks very much, Dan.

Our next witness is Leslie Lilly. She's president and chief executive officer, Foundation for Appalachia in Ohio. Leslie and I had a chance to talk a little bit earlier today. I really don't think that enough Ohioans are aware of the fact of the tremendous role that the foundation has played in the lifeblood of our State. We have one of the best statewide organizations that tie together.

I don't know, Leslie, if you've had a chance to go to any of their meetings yet, but you've got some real great colleagues throughout the State. One of the things that I'm very proud of is that the First Community Foundation was founded in Cleveland, OH. When we lost our daughter in 1979, we created a foundation in her memory for the major work program in Cleveland. The Cleveland foundation is running that for us. Just to have the foundation there that can kind of be the host for this whole thing that we're doing in memory of our daughter is really heart warming.

I also mentioned to Leslie that little controversy about the estate tax law in the State. I've been pretty clear that I'm not for reducing any taxes right now. I think what we need to look at is estate tax, the marriage penalty, a lot of things. The whole tax reform. The fact that 60 percent of people in this country have to hire some lawyer or accountant to figure out their taxes is a mess.

I think that we talked about some other unmet needs that we have in our country. We also have a big national debt. It's $5.7 trillion. One of the things that really is of concern to me and I think should be of concern to everyone at this table as they're looking at the Appalachian Regional Commission and looking at some of these other Federal programs is that at this stage we're spending 13 cents out of every dollar on interest payments. We spend more money on interest today than we do on Medicare. We do another couple of pennies on defense more than that, and then we spend another 4 cents more than we do on paying interest for what we call non-defense discretionary domestic spending. Then 53 cents goes for mandated costs.

We call them entitlements. Medicare, Medicaid, Social Security. In 10 years, 70 percent of the budget is going to be used for Medicare, Medicaid, and Social Security. That leaves 30 percent to take care of the ARC, pay interest, provide for our national defense. Anyone that's been in government as long as I have, knows when you hear that kind of debt and you have a couple of good years, what you want to do is pay the debt down and reduce it.

When I got married almost 40 years ago, we paid 6 cents on every dollar. Now it's 13 cents. And if you can get rid of that interest cost, then there's more money for the kind of programs that we're talking about here and also for some legitimate tax reductions that are more evenly based. But one of them was the estate tax.

I was pointing out that a lot of people are not aware of the fact that the person that was one of the biggest proponents of the estate tax in the United States was a man by the name of Andrew Carnegie. Andrew Carnegie was an immigrant from Donfern, Scotland. He came here and he made a whole pile of money. He left Scotland because he didn't like it. One of the things he wanted to do was make sure that we didn't end up in the United States with the kind of system that they have over there. It still exists. There's a big gulf between the real haves and the have-nots. So one of the things he did was he thought that the estate tax would help to eliminate that situation.

I know some people say, ‘‘Well, it’s an anti-free enterprise.’’ I think that too many people are included today and we need to change it. But the point I’m making is, his attitude was he didn’t want to have this whole gigantic structure like they have over there.

The last thing he said, it’s kind of interesting, is that if he had the estate tax, it would encourage people to be involved in philanthropy. I’m sure everybody at this table gives a lot of money to charity. I’m sure I would continue to do it. It sure helps that it’s deductible. I look around at hospitals and other things that are being done around this country and foundations that have been created and so on and so forth. I can’t help but believe that one of the incentives for it is the fact that people would rather give it out to something that they’d like to have a handle on than wait until they die and have Uncle Sam take it away from them.

But that’s just a little sideline of some of the things that we’re dealing with today in Washington. But I’m so tickled to hear that we’re going to have this Appalachian Foundation and it’s going to benefit, what, all of the——

Ms. LILLY. Twenty-nine counties.

Senator VOINOVICH. The counties that are involved in Ohio. Its home is going to be right downstairs; isn’t it?

Ms. LILLY. That’s right.

Senator VOINOVICH. That’s wonderful. So we’re anxious to hear what you’re doing.

STATEMENT OF LESLIE LILLY, PRESIDENT AND CHIEF EXECUTIVE OFFICER, FOUNDATION FOR APPALACHIAN OHIO

Ms. LILLY. Thank you.

It’s a privilege to have you visit this morning. I shared in a lot of excitement with the community. Six months ago, the foundation wasn’t on the town square. We were still at the leadership level really beginning to do the work of developing the organization and building a steering committee of leaders that came together across the region who were concerned for the future of Appalachian Ohio, but understood the significance that philanthropy can mean for communities who are doing the tough work of community development.

I know that you’re here today in a community, too, that is typical of the region that it was really based on an economy that came from an area that never envisioned a time or era when the future economy of the region wouldn’t be driven by that. You’re in a community that helped to develop a strong mode of optimism about the future in Appalachian Ohio. It built this town square. It helped raise this beautiful opera house. It gave flower to what turned out to be a relatively short-lived era of prosperity.

So when folks talk about the whole notion of resilience, of volunteerism, of love of community and the ability to give, this community and the leadership that you’ve heard from today really exemplifies in my mind some of the best of what can happen when the talent and skills of our communities come together to help make a positive change.

The Foundation for Appalachian Ohio is unique. I think that's a watershed for a variety of reasons. In 1998, the foundation was the recipient of a 3-year grant from the agency in the amount of about $400,000. This grant was made by ARC to the foundation as seed and development money and, in my knowledge, a type of grant for purposes that are really unprecedented in the agency's history. Its purpose was to provide startup funding which also helped to leverage other money from private sources, both other foundations in the State, individual donors, and then ultimately a million dollar challenge grant from the State of Ohio which we also hope to encourage private funding and funding from other corporate donors and individuals in the region who have also been a part of the Appalachian experience, either came to school here, worked here, born and raised here, who have gone someplace else who want to find a way to give back.

The reason that the foundation was created was because Appalachian Ohio has over 12 percent of the State's population but less than 2 percent of the State's philanthropic assets are found here. If you've ever been on the grant seeking side of the table and you begin to look at the kinds of dollars that are needed to leverage community opportunities, you understand how important that venture capital from private sources can be.

So philanthropy has been another one of the missing ingredients that together form the infrastructure for community development that's needed by Appalachian Ohio. When you compare this region to the rest of the State and Nation, permanent philanthropic assets and institutions are largely absent or undercapitalized here. We are, however, extremely fortunate that Appalachian Ohio has approximately 20 community foundations that now exist or that serve various portions of the State in the 29 counties. But typically the size of their endowment and the amount of their grants each is able to make is far less than urban institutions.

As you noted, Ohio invented the community foundation. We have the largest one in the country in Cleveland. But of the top 10 independent foundations by assets, the top 10 community foundations by assets, and the top 10 corporate givers by giving, none are located in Appalachian Ohio. You know that location of permanent assets is strongly related to the issue of where grants are in majority need. So Appalachian Ohio is not a funding priority of any of the top 10 charitable givers in the State.

So it's a circumstance of place—this is something that we can work with the partners external to this region, but in the end, Appalachian Ohio needs its own infrastructure to promote charitable giving. The grant made to the foundation by ARC is all about building home-grown possibility to attract and build charitable assets.

We spoke earlier about endowment. Endowment is the way to give back to the community in perpetuity so that the endowment is held forever and it's the earnings that are created by that endowment that help to give communities the capital that they need to undertake creative projects.

So we think that endowment needs to be built two ways in Appalachian Ohio. One is to create an overarching source of capital for regional improvement to help communities do the work of coming together, and another is to provide money that can be held locally as assets in the form of charitable foundations or community funds. We have a partner here, the Muskingum County Community Foundation, an excellent example of the kind of local institution that every community really needs the benefit of, in order to have resources to help fuel the kinds of things that communities think are important to do and for which is their priority.

So, in summary, I would just say that the grant money by ARC is important for a couple of reasons. First, it recognizes that philanthropy is an important ingredient in community development that the region needs that we haven't had but we've had the capacity to develop. Second, is that philanthropy is a big partner in the efforts being taken, partnering with national foundations, as well as those within the region or those locally. The conference on entrepreneurship is an excellent example.

So the work is not yet done. The Foundation for Appalachian Ohio is just getting started. But our goal is to help communities do the work and make philanthropy part of the vehicle to get that done.

Senator VOINOVICH. Thank you very much.

I just checked with Ellen, and we're supposed to end the hearing at 11 o'clock and it's 11:30. So we've been having fun. I just want to say thanks to all the witnesses for being here today. You have given me some different facets of this diamond of the ARC and helped me to better understand what's happening here. Frankly, I'm very impressed with some of the very positive things that you all had to say.

I look forward to getting out today and seeing some of the projects firsthand that have benefited from leadership from people like yourselves and from the money provided by the ARC. Thank you very, very much.

Again, I want to thank the community for allowing us to use this wonderful facility. I'd love to come back sometime and see a performance here. Thank you very much.

[Whereupon, at 11:33 a.m., the subcommittee was adjourned, to reconvene at the call of the chair.]

[Additional statements submitted for the record follow:]

STATEMENT OF EUGENE COLLINS, PORTSMOUTH OHIO INNER CITY DEVELOPMENT CORPORATION

To the Chairman and members of the Environment and Public Works, Transportation and Infrastructure Subcommittee.

My name is Eugene Collins. I am an American citizen and a veteran of the United States Army and President of Portsmouth Ohio Inner City Development Corporation, a 501–C3 non profit corporation. We are a recipient of an Appalachian Regional Commission regional initiative grant that focuses on developing an interest in entrepreneurship among youth in a ten county area.

This project has touched the lives of over one hundred youth in several Appalachian communities within the Ohio Valley Regional Development District. The reason this program has been so special to us is because we feel that small business ownership is a way that any American can be successful if he or she sincerely believes in the business and works hard to make it a success. We are also very high on entrepreneurship because it is still the case that small businesses account for the vast majority of new jobs created by the American economy.

Participation is open to all young people in the target area who are between the ages of fourteen to twenty-two. However, the project places special emphasis on minorities and females. Many of our participants face enormous barriers to success. They are being raised in poverty stricken homes and are at risk of dropping out of school and/or engaging in criminal behavior. We feel that our Youth Entrepreneurship Initiative gives them a new career option to consider and fortifies them with the motivation to break the cycle of poverty that is so common to Appalachia.

The project's work plan consists of structured training seminars and workshops held in various locations throughout the region. Participants are given the basic information necessary for starting up and maintaining a new business. The hands-on instruction is presented by successful business owners whose background resembles that of the participants. The project supplements the nuts and bolts information with motivational speakers and presenters who emphasize the importance of education as the key to successful business operation and show them ways in which that education can be obtained. Participants are also linked with a mentor in their home area who has successfully started and operated a thriving business. The mentor is available to answer questions, help develop business plans and offer other follow-up support. The mentorship component also gives the youngsters the opportunity to see first hand how entrepreneurs operate their businesses.

The project will also provides no interest loans for up to twenty-five young men and women who wish to start their own full or part-time venture and develop workable business plans.

Ultimately, we wish to instill in the youth of our area the belief that regardless of race, creed, color or where you may live in America you can be a successful businessperson.

We believe that the creation of a new group of potential entrepreneurs within Appalachian Ohio will be a positive force for economic development of the area. This project and others like it deserve the continued support of the Appalachian Regional Commission and other funding sources.

The Motto of our program is: *Business First in the Twenty-First Century.*

A synopses of the project's approved work plan is attached to this statement.

IDENTIFICATION AND DESCRIPTION OF THE AREA TO BE SERVED BY THE PROJECT

The area to be served consists of Scioto, Gallia, Lawrence, Pike, Ross, Adams, Brown, Highland, Jackson, and Vinton counties of Ohio. The project's target group will be minority and/or disadvantaged youth aged fifteen through twenty-one who display an interest in entrepreneurship as a career choice.

OBJECTIVES OF THE PROJECT AND RELATION TO ARC STRATEGIC GOALS AND REGIONAL/LOCAL DEVELOPMENT PLANS

The continuation project relates to Federal/State ARC goals of creating dynamic local economies and support of entrepreneurial activities in Appalachian counties. It addresses regional goals of access to capital and financial assistance and technical and managerial assistance. The major objectives for the project are:

To introduce a minimum of 130 young men and women to the opportunities available through entrepreneurship and self-employment as career options.

To identify and utilize no fewer than 20 successful businesspersons to serve as mentors to participants.

To identify and recruit appropriate providers of financial, technical and business support services.

To provide opportunities for participants to actually begin their own businesses through small start-up loans and assistance in consignment of participant generated goods or services through appropriate outlets. It is expected that 30 participants will take advantage of this opportunity.

The youth business loan component will be administered in much the same way as PIDC manages its existing adult microloan component. However, some concessions will be made to the particular needs and circumstances of the target group. For example, requirements for personal credit histories and collateralization of loans will be waived.

PIDC's microloan committee will review applications for youth microloans, which will average $500. That committee consists of PIDC senior staff and selected members of the Ohio Valley Minority Business Association. Approval will be based upon the viability of the individual business plan submitted by the loan applicant. Development of a successful business plan will be a key element of the workshops and seminars referred to below in this narrative. In addition, project staff will provide hands on assistance to participants in developing their specific plans. Loans will be made at no interest and will normally be repayable in equal monthly installments with the first payment due six months from the business start-up date. Repayments will be deposited in an escrow account and will be used to maintain an ongoing capacity to make future youth microloans after the termination of ARC support.

NEED/PURPOSE OF THE PROJECT

Appalachian Ohio has not fully enjoyed the benefit of the longest peacetime economic boom in the nation's history. Unemployment and poverty rates remain unacceptably high within the target area. Monthly unemployment statistics in each of our counties are consistently double the State and national averages. Youth unemployment shows even higher percentages than those for the general population. Although some economic development activities have been successful in obtaining new jobs in the area, these efforts have not kept pace with the need. The lack of opportunity is compounded for many minority youths who are faced with a number of other barriers to successful employment. One significant barrier we have found is that many minority youngsters are reluctant to consider self-employment as a career option.

The Youth Entrepreneur Initiative recognizes that the vast majority of new jobs generated in our national economy are created by either new or expanding small businesses and we propose to address our local need by expanding the pool of potential entrepreneurs in the area.

DESCRIPTION OF THE PROJECT

Informational meetings will be held in each of the ten counties to explain the format and content of the Youth Entrepreneurship training. These meetings will describe the opportunities and obligations associated with the formation and management of one's own business. PIDC's project staff and appropriate program consultants will conduct the meetings. Transportation will be provided for those require assistance in attending.

PIDC will publicize the meetings through an extensive media campaign using both regional radio and newspaper advertisements and radio and TV public service announcements. Informational material promoting the program will be distributed to each high school, vocational school and college within the region. Material will also be made available to local economic development and social service agencies for distribution.

The program will culminate in a series of ten workshops in various regional locations that will provide detailed information to participants on the basics needed to launch an entrepreneurial enterprise. Topics will include, but not be limited to: legal requirements, financial planning, banking, accounting, capital development, personnel selection and management, taxes, EPA/OSHA standards and business plan development. The workshops will be conducted by program staff and specialized consultants/presenters in each of the fields referenced above. They will be assisted by local volunteer professionals who have working expertise in each topic. Transportation will be provided for those without a means to otherwise attend.

The project will continue to refine the content and curricula for the workshops. The approved content will be the joint responsibility of the individual program consultant/presenter and PIDC staff. Content will vary depending upon the specific areas of expertise each consultant/presenter brings and the needs and interests of the workshop participants.

As a part of the program follow-up activities, each workshop participant will be linked to a local mentor who is engaged in or has expertise in the young person's field of interest. Each mentor will commit to a minimum of six instructional visits at the mentor's work site or other appropriate place. Mentorship visits will consist of participants engaging in supervised hands-on work, question and answer sessions and instruction in a variety of business procedures. Mentors will be selected on the basis of their expertise and ability to communicate information and their geographic proximity to the assigned participant.

The program will continue to utilize its linkages to regional minority business organizations and the larger business community for identification and recruitment of mentors. These resources include the Ohio Valley Minority Business Association, businesses participating in the MCBAP activities, the economic development agencies in Portsmouth, Ironton, Chillicothe and Hillsboro, Chambers of Commerce, local financial institutions and post-secondary schools.

BENEFITS/RESULTS OF THE PROJECT

It is expected that up to thirty of the young people participating in the project will ultimately engage in entrepreneurship as a career choice. This would result in creation of as many as 100 to 150 new jobs within the area, thus providing an ongoing benefit to local economies in the form of payrolls, expanded tax bases and stabilization of population. A shorter term benefit will be the income generated and hands on experience gained by those participants involved in the start-up grant and consignment components of the program.

STATEMENT OF HON. NANCY HOLLISTER, STATE REPRESENTATIVE, OHIO HOUSE OF REPRESENTATIVES

Good morning, my name is Nancy Hollister, State Representative of the 96th District, which includes Morgan County, and parts of Athens, Muskingum and Washington Counties. I welcome you Chairman Voinovich and members of the Subcommittee to this great region of the State.

As a former Mayor of Marietta, Director of the Governor's Office of Appalachia, and Lieutenant Governor it has been my pleasure and frustration to participate in the ARC process. It has been a pleasure because ARC truly works from the "grassroots" up: local projects with regional input and State government support. My frustration has been the constant battle of explaining the benefits and the necessity of ARC to Congress.

Why? When ARC was initiated, the war on poverty was declared and statements like "We will eradicate poverty" were made. These statements, while noble, were not realistic. The geography, the culture, and the changing economic conditions will never create allow the "elimination of poverty." The true nature of the partnership between the ARC Federal, State, and local levels is one of opportunity to make a difference in the quality of citizens' lives.

I can tell you that it is an organization that adapts to the political, economic and social changes occurring throughout the region and across the nation. One example of this adaptation is the ability of the Commission to deal with distressed counties. When the ARC was created in 1965, Congress mandated a "growthcenter" approach to community and economic development. The areas served were those that had "significant potential for future growth where the return on public dollars invested [would] be the greatest." The thought was to generate development as quickly as possible.

In 1981, that "growth-center" model came into question as ARC faced possible elimination. The Commission identified and sought to focus on counties that had not shared in the benefits of ARC's initial investments. ARC proposed to Congress the Distressed Counties Program and cited the needs of clean water and adequate sewers as the top priorities.

When the Distressed Counties Program was implemented in Fiscal Year 1983, the program set aside 20 percent of ARC project funds for distressed counties. In the 1990s, the way counties were designated was changed from being decided every 10 years to being decided every year based on rolling three year old numbers. This change allowed the designations to be more flexible and moreresponsive to changes in the economy.

In 1994–95, as ARC support strengthened again, many called for a move toward a "worst first" strategy. From these discussions came an increase of the set-aside for distressed counties from 20 to 30 percent in Fiscal Year 1996 and the development of a four tier system of categorizing counties including: distressed and transitional (counties below national economic averages), competitive (counties near national averages), and attainment (counties at or above national averages). Program funding followed these categories as funding was restricted for competitive counties and virtually eliminated in attainment counties.

When Congress reauthorized ARC in 1998 for the first time since 1980, the ARC's distressed counties policy and classification system were written into the legislation.

ARC has not been successful at self-promotion. But, I think they deserve credit for their successes. Prior to ARC's inception in 1965, there were 219 counties that met the current definition of distress. Since 1960, more than 100 counties have moved out of economic distress. This is a clear indicator of the progress that the program has made to the region's most in need residents.

But, they know they have a long way to go. The number of distressed counties is on the rise again including in Ohio where Jackson County is now considered distressed. ARC is working to develop new strategies to address the problem.

ARC GOAL AREAS

In 1998, Congress recognized the value of the goals and objectives of the ARC as a viable means to increase economic and human development. Through the reauthorization of ARC, Congress basically put into law ARC's strategic plan. Each State has the ability to identify its objectives and strategies for reaching the ARC goals through its own strategy statement.

In Ohio, we embrace the five goal areas that ARC proposed to improve the quality of life for all Appalachians. I would like to take this opportunity to tell you about what Ohio has done within these goal areas during the last decade.

Goal 1

The first goal identified by the ARC is that Appalachian residents will have the skills and knowledge necessary to compete in the world economy in the 21st Century.

• Wayne White, of the Ohio Appalachian Center for Higher Education will address you in a few minutes on the success of his project based in part from assistance the ARC has given his organization.

• The ARC funded the Jefferson Community College Engineering Computer Project in FY 1991. The project's purpose was to expand computer learning to meet specific industry needs. Industry in Jefferson County had concluded that Jefferson Community College was an excellent source for highly motivated and competent employees. Hoping to hire even more employees, the firms recommended that the college update its Computer-Aided-Design Laboratory and establish an Engineering Computation Laboratory. In its first year, the new CAD facility directly benefited over 220 design students. Over 1,100 students were served by the Engineering Computation Laboratory, through new courses in computer science as well as significant enhancements to the College's advanced mathematics, science and engineering curriculum. ARC put $75,000 into this project leveraging an additional $75,000 in local and State match.

Goal 2

The second goal identified by ARC is that Appalachian communities will have the physical infrastructure necessary for self-sustaining economic development and improved quality of life.

• Larry Merry of the Zanesville-Muskingum County Port Authority will be speaking to you shortly about the gap that ARC funding was able to fill allowing the Port Authority to construct an access road to an industrial park.

• Rick Platt of the Alliance 2000 will address you regarding the role of ARC in an industrial park.

• ARC funded the Austin Powder Rail Project in FY 1991. CSX Railroad announced that it would abandon nine miles of track serving the Austin Powder Company. Local leaders in Vinton County were very concerned as it served the Austin Powder plant, the county's largest private business, providing more than 260 jobs. Working closely with Austin Powder company officials, community leaders decided to try to save the line and sought support from the city of Jackson, in adjacent Jackson County, which already had acquired over 50 miles of track from CSX in an effort to sustain local industry. The city of Jackson secured funding to acquire the Austin Powder line and arranged for the Indiana and Ohio Shortline Railroad to operate and maintain the track. Instead of closing, the Austin Powder Company invested $4 million to expand its plant and created 50 new jobs. The rail has helped stabilize the local economy, which had a poverty level close to 50 percent when the project was originally proposed. The rail acquisition program has maintained rail service to over ten local companies, currently employing over 1,000 people. The ARC funded $192,495 while State and local sources contributed $650,000. ARC has shown how its gap funding can make the difference in whether or not a project gets done.

Goal 3

The third ARC goal is that the people and organizations of Appalachia will have the vision and capacity to mobilize and work together for sustained economic progress and improvements of their communities.

• Leslie Lilly, CEO of the Appalachian Foundation, knows the importance of local capacity and philanthropy and will discuss that in her testimony as she describes the assistance that the ARC has given the Foundation.

• Institute for Local Government Administration and Rural Development (ILGARD) at Ohio University, now part of the George V. Voinovich Center for Leadership and Public Affairs. Since 1981, this organization has expanded the capacity of government and nonprofit agencies to serve Appalachia's 29 Ohio counties. Functioning as a public service educational laboratory, ILGARD has provided small communities the same access to applied research and technical assistance as larger, wealthier communities. Staff and students work on approximately 35 projects per year. One typical project was the Monday Creek Watershed, a top State environmental restoration project. ILGARD helped establish a priority list of problems, coordinated volunteer projects and used its Geographic Information Systems (GIS) capabilities to create interactive maps of the watershed.

Goal 4

The fourth goal area is that the Appalachian residents will have access to financial and technical resources to help build dynamic and self-sustaining local economies.

- The Revolving Loan Fund (RLF) program administered by the Ohio Valley Regional Development Commission (OVRDC). In 1995, OVRDC agreed to participate in a financing package involving private lending and owner equity in order to help a small manufacturing business expand. That business is MACA Plastics, Inc, a female-owned and operated plastic injection molding manufacturing firm in Adams County. As a result, 18 new jobs were created and the loan was paid off in two years. The company now employs 125 people and continues to grow and thrive as a major employer in the region. The RLF received an initial capitalization of $500,000 in Fiscal Year 1985 and has been recapitalized several times since then. Each time the fund has been recapitalized, the local match has been equal to the amount that ARC has invested in the fund. The other two LDDs have similar RLFs with very similar results.

Goal 5

The fifth goal area is that Appalachian residents will have access to affordable, quality health care.

- Although Ohio still has a lot of progress to make in this final goal area, we do have a big success to tout. The Southeastern Ohio Dental Clinic is a full-service dental facility that was developed by a group of citizens and representatives of organizations whose goal is to provide low-income families access to low cost preventative and corrective dental services. The Community Action Corporation (CAC) of Washington and Morgan Counties manages the clinic. The successes of the program are astounding in the first six months of its second year of funding, the dentist saw 1,950 patients and the hygienist saw 645. Of that total number, 44 percent were receiving Medicaid, 51 percent were self-pay and only 5 percent had dental insurance. The clinic has expanded its acceptance of dental insurance and has achieved its goal of self-sufficiency. The clinic received funding in Fiscal Year 1998 and Fiscal Year 1999 totaling $110,000 leveraging $317,500 in local and State monies.

ARC Funding in Ohio FY 1991–99

Goal	No. of Projects	ARC dollars	Other Fed dollars	State dollars	Local dollars	Total Cost dollars
1	71	$7,765,842	$79,870	$3,465,892	$4,592,677	$15,904,281
2	141	25,136,903	27,683,114	34,140,028	52,423,608	139,383,653
3	32	2,127,570	230,053	67,170	2,367,427	4,792,220
4	51	4,125,326	319,340	1,261,789	2,374,306	8,080,761
5	9	646,211	183,720	448,634	512,883	1,791,448
Total	304	$39,801,852	$28,496,097	$39,383,513	$62,270,901	$169,952,363

CONCLUSION

ARC is now in a period of its history when they are addressing the harder-to-serve areas. ARC must be an integral part of any solution aimed at dealing with these harder-to-serve areas. The strategy should not be to pull away from ARC as the means to accomplish our goal of improving the quality of life for all Appalachians. They must be given continuing opportunities to complete the job that they have so successfully started.

STATEMENT OF LESLIE LILLY, PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE FOUNDATION FOR APPALACHIAN OHIO

Several weeks ago I attended a town meeting organized by the Appalachian Regional Commission on strengths and strategies in economically distressed communities of the region. Of all the things said that day, I was most stunned by a remark made in passing by Governor Paul Patton of Kentucky. He said, simply, that the future of coal is dead.

You are here today in a community and part of the region where the future of coal and by its extension, exportation of resources, was presumed to be forever. Think minerals, timber, clay, oil, gas, and river networks. Think agriculture, manufacturing, mining, construction, transportation, and trade. The region is blessed with an abundance of natural resources around which eternal enterprise and expansion of industry seemed not to be an unreasoned or unwarranted expectation. That strong note of optimism built this town square, raised this beautiful opera house, and gave flower to what turned out to be, on the lifetime scale of people and places, a short lived era of prosperity.

Times changed. The economy changed. Assets left and were exported from our region that never came back. It didn't happen all at once. It didn't occur in the absence of community leaders that recognized that a sea-change was coming. They struggled to find alternatives. That challenge has always been formidable in the face of rural. Rural is not your one-size-fits all kind of place. Singular dependencies are hard to break precisely because it takes a great deal of ingenuity and sustained investment to take something in its natural state and to transform and add to its value, pursue markets, and supply demand when demand, by definition is so far away and fickle. You get something done one time and you tend to think you have accomplished your goal in a rural area and rightly so. Every economic benchmark achieved by this region has been hard won. So it isn't surprising that this combination of enterprise and success never mind the durability of it all still live on in this century. Quick fixes and short-term political memory go a long way in the face of long-term obstacles to diversified development.

The remains of development-past linger on in Appalachian Ohio. This is commerce whose vestige is based in industries that have since been transformed by globalization and innovations in technology and communications. The region has the same old problem, but it has an updated and more modern look. Same dance, new shoes: not enough jobs, and not enough quality jobs in Appalachian Ohio that ensure a decent standard of living for those who would make and have made the choice to live here. But it doesn't stop there: the lack of jobs begat a lack of many other things that are needed to form the basis of a healthy cycle of community development:

When the pace of development faltered in Appalachian Ohio or didn't occur with some cumulative measure or succession of positive effects, it meant that roads were neglected or never built or never completed; that transportation systems were not put in place or strategically positioned to attract and support commerce; that public investments were not made that ensured better government, better public facilities, better schools and better schooling; that access to health and medical services were limited at best, or, at their worse, nonexistent; that basic infrastructure water, sewer, and phone service, developed like a patch work quilt. Some communities have it all while in others, feasibility and construction costs are still an issue; and that the pattern of this underdevelopment extended itself into present circumstance and is now manifest in the digital era as the digital divide. Appalachian Ohio is not ready and not wired for the 21st Century. If the marketplace solely drives the creation of that capacity, there is healthy reason to suspect that the region will never be connected in ways comparable to urban communities unless the public interest prevails.

Put all these things together and the conditions of economic context and geographic place together fostered a condition and culture of poverty for many of Appalachian Ohio's people. It is not just an attitude or a problematic mindset; or, as some would accuse, having an absence of resolve to do better or differently. It is a new verse, to the same song, sung in a present reality, that jobs in Appalachian Ohio have continued to vanish. While the State's metro areas have been scrambling to find workers, Appalachian Ohio suffered a series of devastating job losses in 1999 and more are predicted to follow as the region's traditional base of manufacturing and mining continue to shrink.

In a rural market, the magnitude of the loss of 1,200 jobs ripples out into the region in countless ways, leaving behind a wake of economic decline and despair that penetrates deep into ancillary businesses and services. Were he to ask, Governor Patton would only find agreement in Meigs County that coal is, indeed, dead, at least for the 800 miners that will be the last to turn out the lights as they leave their jobs, many after over 20 years of labor in the mines. No one yet knows where next they may turn to work or even if there will be work.

You are thus in a region that stands straddled across a threshold, with one foot deeply rooted in past social and economic history; and the other extended, tentatively poised, ready to strike out and step onto new ground and enter into a new era. Because of this, you are in a place of stunning contradictions: where 40 percent of the children ages 3–4 in Athens County live below the federally-defined poverty level, and live out this devastation in the shadow of a world class university; where all the resources of the world can be accessed on the Internet highway, but if you want to drive somewhere in the region you mostly can't get there from here (or if you can, you'd better have plenty of time) because there isn't a modern road system; where young people and adults will soon have access to the latest and best in training on e-commerce at Hocking College but if you own a small or medium size business, you can't get a high speed connection to the Internet in most communities; and where the rise between 1984 to 1996 in real per capita income based on 1992 dollars isn't enough cash today for you to go out and pay the book value on a used car made in '92. Appalachian Ohio is like a house that is being remodeled while you live in it: you know it is going to be so great when the job is finished but, in the meantime, there's the devil to pay.

So do we need the Appalachian Regional Commission? Is its job done so we can all go home and spend these Federal dollars more wisely, or on something or somewhere else, or perhaps not at all? Based on unemployment, average per capita income, and poverty rates, Appalachian Ohio is the fourth poorest among Appalachian States. Federal money, as in all things characterized as "big government", is declining and spending by the State in Appalachian Ohio averages $3 per capita. Kentucky by comparison spent more than $18 per capita last year in its Appalachian communities. The paucity of both State and Federal resources being targeted to Ohio's rural areas of greatest need is an issue of both public and private proportion, but neither sector is capable or able to alone shoulder the leadership required to transform the region's shrinking economy. This is the crux of an important issue: who are and will be the future partners to accomplish what remains to be finished?

The Foundation for Appalachian Ohio is unique among grantees of the Appalachian Regional Commission (ARC). In 1998, the Foundation was the recipient of a three-year grant from the agency in the amount of approximately $400,000. The grant made by ARC to the Foundation is, to my knowledge, a type of grant for purposes unprecedented in the agency's history. The Foundation for Appalachian Ohio is one of the more recently created foundations among all those that exist that represent an important network of community funds that are established in and across Appalachian Ohio. The Foundation for Appalachian Ohio was created in 1998 by a broad based group of community leaders concerned for the future of Appalachian Ohio. Appalachian Ohio continues to suffer from high rates of poverty, unemployment, and under-employment. In 1995, approximately 1.4 million people or about 12 percent of all Ohioans resided in the Appalachian region of the State. Yet less than 2 percent of the State's foundations assets were held in the region.

Philanthropy is thus another of the ingredients that is incomplete or missing that together form an infrastructure for community development in Appalachian Ohio. When the region is compared to the rest of the State and nation, permanent philanthropic assets and institutions are now largely absent or undercapitalized in Appalachian Ohio. This is an issue and an opportunity: Appalachian Ohio's capacity for self-help depends in large measure on having the means through which the region can invest in itself. There has never been a more promising era within which to grow and promote charitable giving in the region. The nation is experiencing the greatest expansion in its economy in modern history; and a vast, inter-generational transfer of wealth representing trillions of dollars will occur over the next ten years. Appalachian Ohio deserves to benefit from this abundance. The region, if it is to successfully tap and leverage this expansion of charitable wealth, must have homegrown capacity.

In the State of Ohio, of the top ten independent foundations by assets, of the top ten community foundations by assets, of the top ten corporate givers by giving, none are located in Appalachian Ohio. The corollary to where permanent assets are held is "as to where grants are made" and by that measure, Appalachian Ohio is regrettably no where high on the priorities of the "Big Ten" in Ohio no matter what the brand or the origin of the philanthropic wealth may be. The continued growth and expansion of community foundations and other forms of organized philanthropy in the region is fundamental if the region is to attract and build the permanent assets that can be used to help communities in the region do the work of helping themselves.

The philanthropy gap in Appalachian Ohio is an issue that is of concern to all our communities. It affects the extent to which a strong nonprofit community can exist and flourish in Appalachian Ohio; it affects the present and future sustainability of the organizations that public and private grantmakers seed and grow; and it affects the capacity of our communities to effectively network, collaborate, and together work in relationships and with the array of resources needed to accomplish results that are in the context of deeply rooted and formidable barriers to change.

As a new form of venture philanthropy, the Foundation for Appalachian Ohio is a convergence of public, private and community resources focused on increasing the entire constellation of resources with which to promote charitable giving toward the development of communities throughout the region. Clearly, the scale and breadth of what must be accomplished is the work of many hands and many institutions in many places if the region is to reverse an historic pattern of decline.

Implicit in the Foundation's vision is the value of partnerships and collaborations in helping the region to do better by working together. And while there are many old deficits with which the region must reckon, it is the region's opportunities for positive change that stimulated the Foundation's creation. There has never been, in our estimation, a climate more favorable or the timing more fortuitous to help Appalachian Ohio reach higher ground on a litany of old issues that have troubled the region's economy; and for all time, to help the region claim its equitable share in the prosperity of the State and the nation.

There are strengths on which the region can build. Appalachian Ohio is fortunate to have the committed presence of the approximately twenty community foundations and the additional private sources of charitable funds that now exist in and/or serve Appalachian Ohio. Other communities are working hard to accomplish a similar charitable presence in their areas. Seldom is there a need to convince community leaders of the incalculable worth of a strong philanthropic partner in helping to increase the bottom-line needed to attract and grow a community's assets. At the Foundation, we believe philanthropic resources need to be grown at two levels in Appalachian Ohio: regionally, to help the region do better by working together; and locally, to help local communities capitalize on their own individual and unique opportunities. But building up a treasure chest for the sake of the size of the treasure is a hollow pursuit if, at the end of the day, that is all there is. At the heart of this enterprise is the love of the region and the gift of giving. It is the people, the communities and the relationships that foster improvement in the lives of families and children in the region that is the embodiment of the spirit of philanthropy. Philanthropy is, above all else, about creating partnerships.

Sustainable development in poor and underserved communities requires at its core a process involving the breadth and commitment of diverse community partners public, private, and philanthropic. It takes communities that work like a community together, with each other, for each other, and for the long haul. The Foundation's presence is witness to what can happen when the public sector works to leverage for all time, the assets every community has hidden, waiting like diamonds to be unearthed if the right people, the right partners, the right ideas, and come together at the right time to make a difference.

Appalachian Ohio has had its fair share of palliatives that cured nothing but remedied the symptoms. We believe the investment made in the Foundation by the Appalachian Regional Commission is its signature upon a crucial and timely recognition: indigenous, philanthropic institutions are a crucial and needed partner if communities are to have the capacity to build on and successfully leverage the comparatively shorter term investments enabled by the ARC and the public and private sectors. It is within the power and resources of every community to invite and promote acts of charitable giving that, in time, become permanent sources of regional endowment. We think the region is on the precipice of something new, something exciting, and something that will work.

For our purposes today, it would be impossible to consider the likelihood of continued progress in making positive change without the committed presence of and partnership with the Appalachian Regional Commission. There are many places where it is making a deeply felt and genuine difference in the lives of our region's citizens. The Federal commitment to focus on the unique challenges of Appalachia gives substance to the idea that Federal citizenship means something. Appalachia's fortunes are indivisible from the fortunes of the nation. The State of Ohio's unprecedented public investment of $1 million in the Foundation signals a broad-based, public recognition that, for the State of Ohio to truly prosper, prosperity must be broadly shared. It is a principle and action that sets a new standard of engagement for those who claim to be serious about the business of building community no matter where they or the community might be. At its core are a philosophy of abundance and a commitment of responsibility.

The Foundation supports the mission of the Appalachian Regional Commission. The agency is a knowledgeable and seasoned practitioner in the craft of what has and hasn't worked well in Appalachia. The focus and benefit of that experience is beginning to bear fruit that has been a long time in the making in Appalachian Ohio. This region and many of its sister communities may have, for the first time, a genuine opportunity to get their feet anchored and wholly planted in today's modern economy. The Appalachian Regional Commission deserves much credit for the opportunity that now illuminates the region's future possibilities. It should be allowed to finish the job.

ATTACHMENTS

RESOURCES FOR THE REGION: A MODEL FOR BUILDING AND SUSTAINING PERMANENT INVESTMENT CAPITAL IN APPALACHIA

Decades have passed since the original groundswell of interest in Appalachia, more than a generation in fact. But, what has come about once usually comes about again. And so it is with the rising tide of interest in Appalachia these days.

We are experiencing interest and involvement from the private sector, government, and foundations, and the media, among others. Each has been urged to take its interest one step further and provide more resources or provide resources more effectively in other words, to invest more and invest more wisely in the Appalachian Region.

And yet, behind all the excitement and energy, something is missing. We expect to invest more, but we have no comprehensive model for achieving an even greater rising tide of resources and investment. We expect to invest more wisely, but we have no measure of success that values self-sustaining momentum and permanent capacity and assets, objectives that prior efforts failed to realize. Consider three conditions that may be holding us back, despite the renewal of interest in and present wave of excitement and energy about Appalachia.

First, those of us who are focused on the Appalachian Region are doing our work and fulfilling our commitment in isolation—working, if you will, in our own silos from our turfs, as if each of us alone is shouldering the entire burden.

Second, and related to the first, we are often looking to one another with expectations that someone else can help, or what could be worse, that someone else can provide us the resources to do our work. Thus, government convenes foundations and hopes they can help. And foundations look to government for funding philanthropic associations. And both look to the private sector—financial institutions, utilities, and other corporations—for investment capital. Seen this way, the public, philanthropic and private sectors are each working to leverage resources and investment capital from one another. Seen another way, we are all fund raisers and we are all donors.

We need to realize that the problem is the size of the pot of resources we are allocating—and that the pot is quite small. We need a bigger constellation of resources and a larger universe of donors than those that currently exist. Per capita giving and endowment levels vary widely in Appalachian counties, but per capita giving and endowment, private investment, and government spending are in the aggregate very, very low. Focusing on philanthropy alone would unleash untapped resources in the region that could help significantly in creating and sustaining cycles of place-based community development that is regionally-managed and "owned." We might also discover that existing resources and dollars could be more strategically applied.

Third, also related to the first and second, is the absence of common ground or a civic space, free of the agendas embedded in government, foundations, and corporations in which we might converse, plan and work together on building investment and capital; raising resources; and providing leadership for the Region. While some of us have and provide more resources than others, and in that sense are not equal, we are equal in our interest and in our intention.

Windows like this don't happen often. It is a continuum of resources—private, public and philanthropic—that has the best chance of succeeding in helping the region to build on its full array of opportunities. We need to be able to link resources and capacity together and separately in ways that can help actualize the right idea at the right time in the right place with the right leadership. Entrepreneurship and flexibility are key. Sufficient capital and capable leadership, provided they are nimble, will effectively respond to opportunities. But sufficient capital and capable leadership are themselves insufficient because, in order to operate effectively, they require preconditions like well-oiled working relationships and established communication networks, heretofore lacking in the Region.

Were we to assume that the first, second, and third are right for now, what institutional perspectives and cultures, aside from the media, could be brought together for this conversation? What "divides" currently exist, with respect to the Region, might be bridged in this uncommon yet common conversation?

- a *geographical divide* between those inside and those outside (the region)
- a *philanthropic divide* between types of foundations and foundation funds
- an *institutional divide* between foundations, government, and the private sector

• a *technological divide* between those with technology and those without technology
• a *digital divide* significantly disadvantaging small to medium sized businesses, rural communities, and philanthropic nonprofit organizations (in the region)
• a *mission divide* between private venture capital and philanthropic venture capital (or between profit and not for profit venture capital)
• an *income and wealth divide* between those that have and those that have not
• a *political divide* between parties, partisans, and political leaders
• a *cultural divide* between developed and less developed communities and between urban and rural populations
• a *racial and ethnic divide* between persons white and persons of color
• a *strategic divide* between what can be politically sustained in the short term and what must be practically accomplished in the long term in persistently poor communities

Clearly, we could be building better bridges and creating a conversation space between capital in its three forms—one, *financial capital* (market investments, philanthropic grants); two, *social and human capital* (leadership development, networking, constituency-building, relationship development, service, volunteering), and three, *civic capital* (leadership, engagement, participation).

We could be finding more ways to convene and create cross-conversation between those inside and outside the Region who could be investing in the Region.

We could also be addressing what may be no more than an unfortunate consequence of language and metaphor—that we are unable to see how the public sector (local, State, regional and Federal agencies and political leaders), private sector (individual investors, investment firms, financial service institutions and utilities), and philanthropic sector (private foundations, community foundations, corporate giving programs) are each, in their own way, from within or from without, investing and providing resources to the Region. Borrowing a phrase from Paul Newman as "Cool Hand Luke," "what we (may) have here is a (not insignificant) failure to communicate."

Seen broadly, where are the resources, ideas, and contributions for this conversation?

• Federal Agencies (Appalachian Regional Commission; Departments; Federal Reserve
• Congress
• Governors and State Legislatures (including Office(s) of (Appalachia)
• Local Governments
• Private Sector (Financial Service Institutions, Investment Firms, Corporations, Individual Investors, especially Private Venture Capital Firms)
• Non-Governmental Organizations [for example, Ohio Appalachian Development Fund, Corporation for Ohio Appalachian Development]
• Philanthropic Sector:
  • Grantmaking Organizations (Corporate Foundations and Giving Programs, Community Foundations, Private Independent and Family Foundations)
  • Local and Regional Community Foundations
  • National/International Associations of Grantmakers (Council on Foundations)
  • The Forum of Regional Associations of Grantmakers, especially New Ventures in Philanthropy
  • Regional Associations of Grantmakers (Council of Southeastern Foundations, Atlanta and the Ohio Grantmakers Forum, Columbus)
  • Others including the Aspen Institute, Rural Development and Community Foundations Initiative (RDCFI), Community Strategies Group
  • The Investment Fund for Foundations, Charlottesville (TIFF)

Consider three ideas for bringing these caregivers and investors together for a common conversation.

First is a project to develop a marketing campaign complete with literature, web sites, speech material and so on focused on Ways to Give and Invest in Appalachia and, for those within the Region, Ways Appalachia Gives and Invests in Itself. Some themes, were alliteration to be important, could be wealth, work and wisdom...or investment, initiative and interest....or the more traditional, stewardship-oriented time, treasure and talent. Possibilities for the ways to give and invest could include:

• Government investments
• Private investments
• Philanthropic grants and program-related investments
• Investments from foundation endowments and portfolios (asset allocations for community re-investing, venture capital)
• Region-focused or advised and directed funds in foundations

- Planned gifts (lead and remainder trusts, estate and gift planners, advisers, including the Planned Giving Design Center and other information sources)
- Newly-organized foundations (community foundations, family foundations)
- Citizenship, civic participation, leadership and ambassadorship
- Volunteer service (board service, advocacy; remaining true to roots as especially sons and daughters of the region staying home, coming home)

Second is a pilot project in one sub-region, perhaps Appalachian Ohio, to develop and implement ways in which those inside and outside the region and those from the public, philanthropic and private sectors can better work together for the benefit of and increase their investment in the region.

Third is a conference convened jointly by the public, philanthropic and private sectors and community sectors and charged with addressing these issues, building the relationships we need, and breaking new common and uncommon ground.

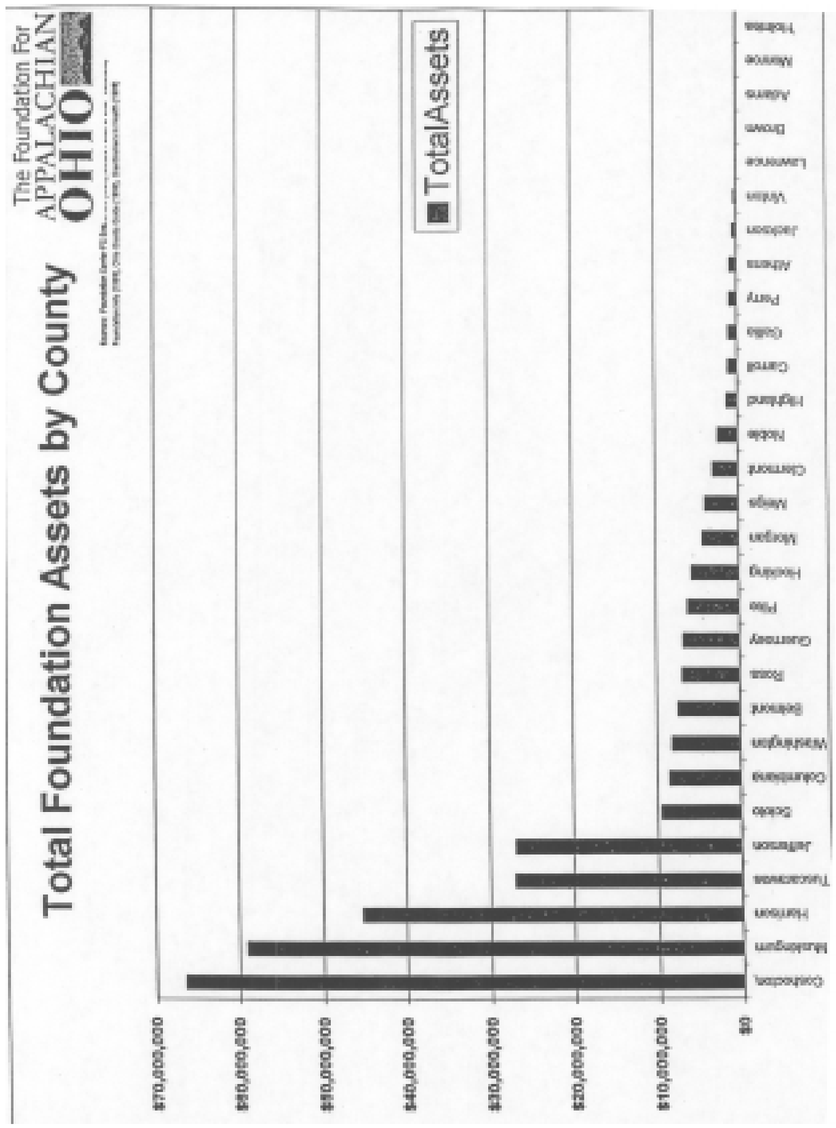
Windows of opportunity like this don't happen often.

Distribution of Foundation Assets In Ohio

		Assets	1997 Population		Assets per Capita 1997
State of Ohio	$	11,514,776,550	11,202,691.00	$	1,028
29 County Appalachian Area	$	301,612,433	1,449,731.00	$	208
Non-Appalachian Ohio	$	11,213,164,117	9,752,960.00	$	1,150

		Assets	1997 Population		Assets per Capita 1997
3 Appalachian Counties with the *Most* Assets	$	170,504,465	136,812	$	1,246
Percent of Appalachian Area		57%	9%		
Coshocton		$66,329,047	36,204	$	1,832
Muskingum		$58,988,095	84,603	$	697
Harrison		$45,187,323	16,005	$	2,823

		Assets	1997 Population		Assets per Capita 1997
26 Remaining Appalachian Counties	$	130,867,948	1,312,919	$	100
Percent of Appalachian Area		43%	91%		


Total Foundation Assets by County
The Foundation For
APPALACHIAN
OHIO
TotalAssets
$70,000,000
$60,000,000
$50,000,000
$40,000,000
$30,000,000
$20,000,000
$10,000,000
$0
Coshocton
Muskingum
Harrison
Tuscarawas
Jefferson
Scioto
Columbiana
Washington
Belmont
Ross
Guernsey
Pike
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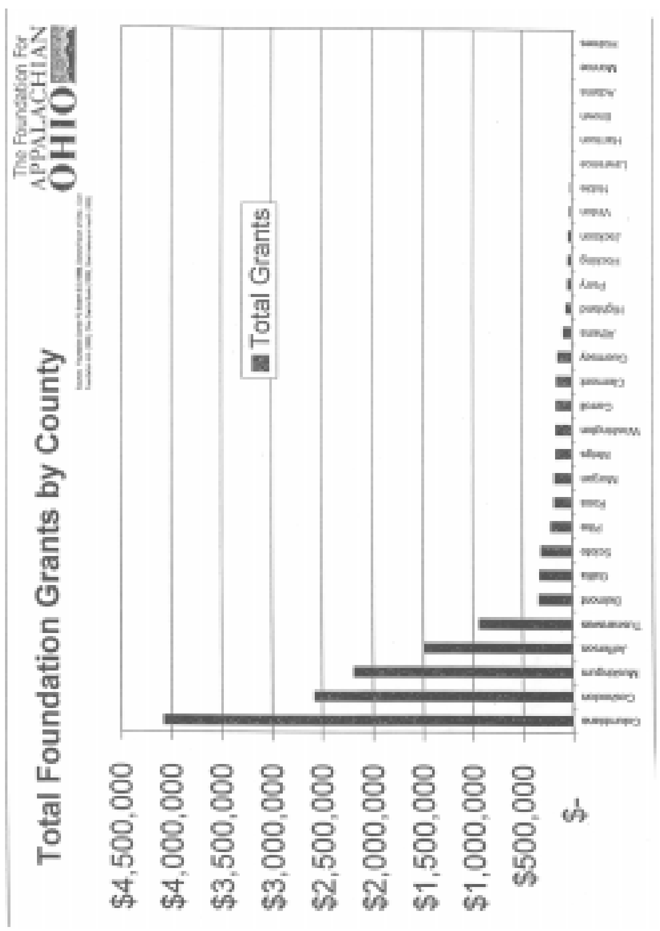


STATEMENT OF DANIEL L. NEFF, EXECUTIVE DIRECTOR, OHIO MID-EASTERN GOVERNMENTS ASSOCIATION

Good Morning Mr. Chairman: Thank you for the opportunity to testify before the Committee on Environment and Public Works Subcommittee on Transportation and Infrastructure. I feel privileged to be given the time to talk about a program—the Appalachian Regional Commission (ARC)—which I believe has and continues to play a significant and meaningful role in the development and growth of one of our nation's most isolated and distressed regions.

Having been involved with the ARC in different capacities for over 16 years, I obviously come from a less than unbiased position about the virtues of the program. Yet I believe that this experience, which includes 4 years as your Alternate to the Commission, provides me with some perspective about ARC which few would have. As an aside, it would be remiss of me not to mention or to thank you Senator for the opportunity that I had to serve your administration when you were Governor. I have many fine memories of those years—especially in working with your Lt. Governor, Nancy Hollister.

Under your leadership, a great deal was accomplished to improve the economy and quality of life for the citizens of Ohio including the residents of our 29 county Appalachian region of eastern and southern Ohio. While much of this region continues to face levels of poverty and economic and social distress that are above State and national averages, statistics that were often in double digits are now typically well below 10 percent . In particular, Jobs Bills I, II and III continue to positively impact the State's economy and overall fiscal well being. In Appalachia, the focus on developing rural industrial parks in Jobs Bill III has had a significant impact on the ability to attract new industry into the region. This, coupled with the resources of the First Frontier Program enable our communities to more successfully market these sites to the rest of the country and the world.

Of course, it is my fervent belief that the ARC program is at the core of much of the progress that has been made in Ohio Appalachia. The "bottom up" process of ARC funding coupled with the wide array of eligible activities that can receive assistance truly does make it an intergovernmental model that has not only proven to be extremely successful but I believe is worthy of emulation in other geographic areas of distress in the country. While the program's funding levels have never been very high (Ohio's non-highway ARC funding has averaged approximately between $4 to $4.5 million per year during the last decade), it has, nonetheless, been able to leverage significant amounts of other Federal, State, local and private sector support. Indeed, ARC requires some level of matching funds in virtually all of the projects in which it is involved. (ARC can fund up to 80 percent of a project in a Distressed County and no more than 50 percent of a project in a Transitional County. Ohio presently has 9 Distressed Counties and 19 Transitional Counties. Clermont County is defined as a Competitive County and therefore eligible for no more than 30 percent of ARC funding for a given project.) This requirement has enabled a little bit of ARC money to go a long way.

ARC policy provides each of the 13 Appalachian States and their governor a great deal of discretion in developing priorities and determining how ARC funding will actually be spent. Ohio, I believe, has one of the best systems in place to make those decisions. Through the direction of the Governor's Office of Appalachia (GOA) and its coordination with Ohio's 3 Local Development Districts (Buckeye Hills-Hocking Valley Regional Development District in Marietta, the Ohio Mid-Eastern Governments Association in Cambridge, and the Ohio Valley Regional Development Commission in Waverly) the spending of the vast majority of Ohio's ARC allocation is determined in large part through decision making at the local level. This is accomplished through the Board of Directors of each of the Local Development Districts (LDDs) which are primarily made up of elected local officials.. While the process varies with each LDD, each Board of Directors ultimately prioritizes its projects and submits them to GOA. At that point, the LDDs meet with GOA to determine the State's project funding priorities for a given Federal fiscal year.

This structure helps to "depoliticize" the project selection process and makes it more objective in nature. It supports the logic that local officials know best as to what their needs and priorities are . With limited funding from ARC and other Federal and State sources, the process also takes advantage of LDD staff expertise in helping to coordinate the overall funding package of any given project. As a result, those projects which have most of the funding "pieces" in place and have been identified as priority projects for ARC consideration can be moved ahead in a timely fashion.

The flexibility of ARC funding also compliments the locally driven decision making process of the program. The following 5 goals that were adopted by ARC provide an overall umbrella that is used to determine project eligibility:

- *Goal one:* Appalachian residents will have the skills and knowledge necessary to compete in the world economy in the 215' century.
- *Goal two:* Appalachian communities will have the physical infrastructure necessary for self-sustaining economic development and improved quality of life.
- *Goal three:* The people and organizations of Appalachia will have the vision and capacity to mobilize and work together for sustained economic progress and improvement of their communities.
- *Goal four:* Appalachian residents will have access to financial and technical resources to help build dynamic and self-sustaining local economies.
- *Goal five:* Appalachian residents will have access to affordable, quality health care.

As can be seen, many types of activities can be accomplished within the parameters offered by these goals. Again, it is then up to the States and the local and regional partners within each State to develop their strategies and ideas to ultimately determine what their funding priorities will be.

While the ability to fund many types of projects is critical, it is also important to note that the administration of the ARC program by the agency's staff and the Federal Co-Chairman's office is not done in a manner that many would consider to be "typical Washington bureaucracy." ARC has shown that it is a program that seeks to simplify rather than to complicate. It does not try to operate under a rigid or lengthy review and approval process that in many other programs tend to frustrate and confuse the applicant. Indeed, perhaps the most important thing that I can add in this regard is that ultimately ARC operates with a programmatic mindset that seeks to find ways to work with the States in order to get their priorities funded. It does not search for ways to turn applicants away.

The flexibility of ARC can also be seen in the structure of the LDDs. These organizations were established through the Appalachian Development Act of 1965 as the "local partner" in the ARC intergovernmental model. At present, there are 71 LDDs covering 406 counties within the 196,000 square miles that make up the 13 State Appalachian region. With administrative financial support from ARC, each LDD serve as a "convener" of local governments and organizations within the area that they serve. Each organization seeks to "assess, plan, and facilitate action within their locality in efforts aimed toward achieving the quality of life enhancement goals of the ARC."

In addition, however, each LDD has its own particular role and function within the area that it serves. In Ohio our 3 LDDs are involved in numerous activities that seek to address economic and social concerns that impact the counties and communities that make up their district. These activities include the administration of Revolving Loan Fund programs for small to medium sized business. In Ohio Appalachia, ARC funds coupled with those from the Economic Development Administration has resulted in almost 150 loans totaling over $8 million which has brought about the creation of approximately 1,600 jobs.

Ohio's LDDs are also involved in international trade activities that seek to encourage business and industry in the region to become more involved with world markets. This not only involves direct counseling but also includes participation in various trade events and activities that help to benefit local companies. Buckeye Hills, OMEGA and OVRDC (Ohio's 3 LDDs) have each been designated an International Trade Assistance Center by Ohio's Small Business Development Center (SBDC) program.

Another important function the LDDs have been involved with is supporting the development of intermodal transportation plans that would bring about increased economic development for our region. Various projects have involved highway and rail enhancements along with a project that would seek to better utilize the Ohio River for the shipment of products. This project has received ARC funding of over $50,000 and seeks to bring together public and private sector parties from Kentucky, Ohio, Pennsylvania and West Virginia to develop a regional marketing strategy that would attract industry that would benefit from using the Ohio River as a transportation corridor.

Other activities that involve one or more of Ohio's 3 LDDs include: administration of the Ohio Public Works Commission programs, administration of an Area Agency on Aging program, participation in SBDC counseling for those interested in starting their own business, grantsmanship training and counseling for public agencies and non-profit organizations, serving as a census and demographic affiliate for the Ohio Department of Development and providing GIS services to member governments and other interested parties.

As can be seen, the LDDs play a varied but important role in each of the districts that they serve in Ohio Appalachia. With guidance and direction from their Board of Directors, each LDD seeks to fill gaps and voids in support and services that many of our communities in Appalachia need but simply do not have the financial or human capacity to accomplish.

In conclusion, it is my hope that this testimony has helped to shed some light on important role that ARC plays in sustaining a unique but most needed local, State, and Federal partnership that means so much to many areas of this nation's Appalachian region. While it is not without wart or blemish, the program has a proud history of meaningful accomplishment throughout its 35-year history. It has proven to be an effective program that has been a worthwhile investment of public resources. However, while much has been accomplished, there is still much more that needs to be done to help improve the quality of life for much of the Appalachian region.

STATEMENT OF JOY PADGETT, DIRECTOR, OHIO GOVERNOR'S OFFICE OF APPALACHIA

Good morning, my name is Joy Padgett, Director of the Governor's Office of Appalachia (GOA).

I appreciate the opportunity to testify before you as Governor Bob Taft's State Alternate. Governor Taft sends his regrets for not being able to attend personally; however, he had this entire week scheduled for almost a year.

I would like to welcome you Chairman Voinovich and members of the Subcommittee to Appalachian Ohio. We appreciate that you chose Nelsonville to serve as the site for this hearing as it truly symbolizes the struggling communities in Appalachian Ohio that once were thriving, bustling centers of transportation, mining, manufacturing and industry. The resiliency of these communities is self-evident as local residents are learning that solutions to meaningful change must be initiated locally.

In my testimony, I would like to focus on an overview of the Governor's Office of Appalachia, the socioeconomic status of the Appalachian Region of Ohio, and the cultural uniqueness that exists here.

OVERVIEW OF GOVERNOR'S OFFICE OF APPALACHIA

The Ohio General Assembly created the Governor's Office of Appalachia (GOA) in 1988. The mission of GOA as it always has been is to promote opportunities to achieve an improved quality of life for the people of the Appalachian Region of Ohio. I am very proud to have previous directors here who have mentored me throughout this past year.

The GOA manages the Federal ARC dollars and State matching dollars. It serves as an advocate for the region by developing policy in conjunction with other State agencies and it promotes specific projects and proposals that originate from the region's residents.

The State of Ohio can only be as strong as each of its counties. Realizing the validity of this statement, Governor Taft put forth a plan in conjunction with the ARC to further development opportunities. Some actions include:

- Encouraging a holistic approach in dealing with the distressed counties by asking each State department head to work with the GOA as they re-examine their missions in relation to the special needs of the distressed counties as well as across the Appalachian Region.
- Matching the Federal ARC dollars with State dollars. Sixty percent of the Ohio match is targeted to distressed and at-risk counties to further the ARC goals and to provide planning grants that are largely focused on distressed communities.
- Adding a Community Development Specialist to each of our Appalachian Regional offices. This will provide more hands on technical assistance for building community capacity.
- Encouraging philanthropic investment in the Appalachian region by providing a one million dollar challenge grant to the Appalachian Foundation. This is a dollar for dollar match grant.
- Appointing a Rural Revitalization Task Force that has completed its hearings and is working with the Governor's staff to develop a prioritized list of recommendations from throughout the region. This has been an excellent opportunity for folks to come together to identify regional issues and to offer solutions. A final report is due in September.

Just as Dr. Jesse White described the unique partnership between the Federal Government and the 13 States, GOA accomplishes its mission through communication, cooperation and collaboration with the three Local Development Districts (LDDs), the three Governor's Regional Economic Representatives, the Ohio Department of Development and other State agencies to aid local efforts in the five ARC goal areas including: (1) Education (2) Physical Infrastructure (3) Community Capacity (4) Dynamic Local Economies, and (5) Health Care. Representative Nancy Hollister will describe in her testimony the history of ARC's involvement in Ohio since 1990 and discuss projects within each of the goal areas.

I cannot stress enough the strong relationships and partnerships that have evolved into our T.E.A.M. approach of Together Everyone Accomplishes More.

OVERVIEW OF APPALACHIAN OHIO

Due to our limited time today, I have attached a few documents describing Ohio's Appalachian region. The first is from Ohio's Fiscal Year 2001 State Strategy Statement detailing the socioeconomic status of the Appalachian region. The second provides a snapshot of the status of our distressed counties and the final document outlines Ohio's progress on the Appalachian Development Highway System.

With a population of 1.5 million (based on 1998 population estimates), Appalachia Ohio represents only 13 percent of Ohio's total population of 11.3 million. The region, however, makes up one-third of the State's total geographic area. Of our 29 Appalachian counties stretching from Columbiana County in Northeastern Ohio to Clermont County in Southwestern Ohio, ten are considered distressed (Adams, Athens, Gallia, Jackson, Meigs, Monroe, Morgan, Pike, Scioto, and Vinton.) Six counties are considered at-risk of becoming distressed within the next year including Belmont, Guernsey, Harrison, Lawrence, Noble and Perry counties.

CULTURAL UNIQUENESS

As Director of the GOA, my personal number one goal is to shatter the misguided perceptions that Appalachia as a region cannot thrive economically.

A step back into the cultural history of Appalachian Ohio shows that during the late 1700's until the 1870's, migration through the Cumberland Gap into Southeastern Ohio occurred in small numbers of people that did not settle into towns or communities but on mountains and near streams, therefore there was not an early-on structured religious tradition or organized school system. This created a lack of generational knowledge of institutions which is still an influence particularly in communities where only a generation ago the coal companies controlled all structured activities including political, religious, health care, and educational activities. Only recently have remaining residents come to realize that decision-making requires their direct participation through visioning, leadership training, and community capacity building.

Building civic capacity is even more important in those communities where industries have left and eroded the tax base. From 1999 through 2001, we calculate that 5,667 direct jobs or 22 percent of the total manufacturing employment in ten of our 29 counties will be lost. Please refer to the "Job Loss Chart" at the back of your packets.

Folks in many of these communities believe it is not even remotely possible to make life better. Often as I travel and listen, people are surprised when I respond that we have programs to teach them "how to fish". Recently, I met with five mayors from small communities on the Ohio River to talk about untapped opportunities. By 9:00 a.m. the next morning, two of them had called and are now "rollin' on the river". More will follow them.

ARC is about hands-on facilitation. Many communities have difficulty with the 20 percent or more match. We are working creatively to make sure that the old adage of "where there is a will, there is a way". ARC provides the gap financing that leverages other resources. This financing often makes the difference as to whether a project is first doable, but secondly sustainable. Communities whose citizens have very high LMI (Low-to-Moderate Income) cannot afford operating and maintenance fees without significant up-front capitalization costs covered in the form of grants.

Senator, these people really do understand your slogan of "doing more with less". Appalachian Ohio represents citizens who work hard and play fair and yet have missed the rewards of a vibrant economy.

This may be the result of the extractive industries for which we are known . . . coal, oil and gas, and timber.

The ARC is providing opportunities for putting back much of what has been extracted. It is not about giving away fish, but teaching citizens of character how to fish.

The ARC five goal area structure assists communities who choose to do something about their problems. Later testimony will discuss the role of the Local Development Districts as they identify, assist, and trouble-shoot selected projects.

Our additional State funds will enable us to fund projects this coming year that have had difficulty making it to the top due to lack of dollars. Examples would include Community Health Access Program (CHAPs) demonstration project targeted at screening of diseases such as diabetes, high blood pressure, and cholesterol. Another example is a full-scale Appalachian Community Learning Program (ACLP) for community capacity building.

These are both high priority projects for me.

CONCLUSION

My major complaint about the ARC and the LDDs is that they refuse to claim their bragging rights. The good stories haven't been told nearly enough about the positive differences in so many places. I agree with Yogi Berra who said, "If you did it, it ain't braggin'!!! "The ARC has done a great amount of good for a great amount of people over a great amount of time. It is important that the unique relationships and partnerships that have been created continue.

Thank you, Senator Voinovich and others for the opportunity to tell the story.

STATEMENT OF RICHARD J. PLATT OF ALLIANCE 2000, STEUBENVILLE, OHIO

First of all. Welcome, Chairman Voinovich and distinguished committee members, to Appalachian Ohio. I will truly be brief because the point I wish to make is a simple one. It's been said by others, and I'll repeat, there is unfinished business in Appalachian Ohio. The Appalachian Regional Commission has helped us but the work here is not done.

I was asked to speak about the role of the Appalachian Regional Commission in developing an industrial park project. I am the director of a small, private non-profit development firm serving Jefferson County, Ohio.

In Jefferson County, in 1997, officials of one of our existing distribution-related businesses came to us seeking sites for a more than doubling of its existing warehouse space. It employed over 100 people here. When the CEO came to see what we were calling our Industrial Park, all we could show him was an open field. The water and sewer was not there. The only road was a narrow county road not ready for heavy trucks. We had just secured funding commitments for installing public improvements, but we were still months short of starting construction. Our industrial park was "unfinished."

If he was to build his large warehouse there, he had to take our word on it.

He didn't. It's understandable. Not too many businesses can be expected to make multimillion dollar decisions based on an economic development guy's sales pitch or the county commissioners' promise to bring water and sewer to its site. Instead, the firm moved to a competing industrial site in Weirton, West Virginia where two years earlier funding helped to get that counties' open field "finished" and truly prepared for development. It was ARC funding that got that West Virginia Industrial Park ready to go.

This story isn't sour grapes though. It's a story that illustrates the difference between a community where the ARC funding was involved and one where it wasn't.

Today, with ARC, funding which helped to leverage other Federal and State funding, we have an industrial park of our own—93 acres with water, sewer, three-phase power, and widened roads. The park is 1.5 miles off of four-lane US Route 22 with no stop lights for the 35 miles east to Pittsburgh International Airport. Our park's infrastructure was completed late last year, a spec building completed this Spring, and a flex space building expected to start construction next year. We hope to accept our first permanent tenant soon.

ARC's $300,000 grant for public infrastructure improvements was matched by Economic Development Administration (EDA) funding ($926,000), State of Ohio grant money ($500,000) and local funding too ($500,000). That 12 percent funding was the difference between a Park that was unfinished and one that was finished--truly ready to go. We are now equipped to retain our existing businesses while seeking to attract businesses that want to access markets from our location.

Additionally, the Ohio Mid-Eastern Governments Association, the local development district that supports Jefferson County and others in Eastern Ohio, was a useful provider of grant support and advice. The Governor's Office of Appalachia was there to help pull it together too. Now that it's complete, ARC funding is helping us market the Park too.

The completion of the Park, though, does not mean we are finished. And I think our story in Eastern Ohio is true in many other parts of Appalachia too. We have more important work to get done.

Thanks in part to ARC, there are now industrial parks dotting most of Eastern Ohio's counties between Columbus and Pittsburgh. When you widen the view from our one county to a twelve-county corridor between Pittsburgh and Columbus, you see though, that the dots aren't connected.

There are five key projects that need to be completed. Please see the exhibit map.

The highways that link Pittsburgh and Columbus, chiefly US Routes 22 and 36, need to be connected. One project is just 12 miles between Coshocton and Dresden and the other is 28 miles connecting US36 and US22 between Newcomerstown and Cadiz. These two projects would connect many of the ARC-funded industrial parks to a viable corridor.

Other modes of transportation remain critical as well. The Ohio-owned Panhandle railroad line which once ran between Pittsburgh and Columbus is doing well again. It needs to be "finished," though, by reconnecting Cambridge and points South to the line at Newcomerstown. We need to assist in refurbishing the best connection the Panhandle makes to the Ohio River where the Warrenton River Terminal provides a way to get Ohio-made goods on to the River and to global ports of entry.

Five key projects—16 miles at Coshocton, 28 miles at Newcomerstown, 20 miles of railroad at Cambridge, 15 miles of railroad at Rayland, and an upgraded Warrenton River Terminal—are central to finishing some of the unfinished business of Appalachian Ohio.

Of the twelve counties on this three-State, Pittsburgh-Columbus Corridor, ten are Appalachian counties. Connecting the dots in Appalachia. That's what its about. And its no different in Appalachia than elsewhere.

In Columbus, the $127 million Franklinton Floodwall has been a mostly federally-funded project. It gets Federal funding on the premise that it will help economic development for the residents of a part of Columbus. The projects I've mentioned benefit economic development for a whole region.

In Cleveland, they want $4 billion in mostly Federal funds to finish their airport and gain access to International flights. We need considerably less than that to connect Eastern Ohio with daily direct flights to London, Frankfurt, and Paris out of Pittsburgh International Airport. The projects I've mentioned will do that.

We don't begrudge Columbus or Cleveland or cities where Federal funds have helped to make them more competitive. In Appalachia, funding flows a different way. That's all. We get it through ARC. ARC's work is not done because their remains unfinished business in Appalachian Ohio.

Thank you.

STATEMENT OF BOB PROUD, CLERMONT COUNTY COMMISSIONER AND CHAIRMAN OF THE OHIO VALLEY REGIONAL DEVELOPMENT COMMISSION (OVRDC)

Good morning, my name is Bob Proud, Clermont County Commissioner and Chairman of the Ohio Valley Regional Development Commission, (OVRDC). As chairman of the OVRDC, I appreciate the opportunity to address you Senator Voinovich and the members of the Subcommittee on Transportation and Infrastructure of the Committee on Environment and Public Works. OVRDC is one of Ohio's three Local Development districts (LDD's) representing southern Ohio, which includes eleven ARC eligible and twelve EDA eligible member counties with a total population of 646,000 (1999 estimate). Our district also includes six ARC-designated distressed counties: Adams, Gallia, Jackson, Pike, Scioto and Vinton, with a combined population of 216,311 (1999 estimate). The 1995 median annual household income for the OVRDC region is $27,972 and for some of our distressed counties this figure is as low as $23,000. This compares to a 1995 median annual household income for Ohio of $35,022. (For more detailed socio-economic data on the region, see Attachment I OVRDC Counties profile).

OVRDC, as a Local Development District, plays a crucial role in developing successful ARC projects in our region. The planning and project development process is very much a "bottoms up" grass roots planning process. Annually, each of our counties has a county caucus meeting, whose membership includes local elected officials, commissioners, and key non-profit and economic development groups. Each caucus decides on its priority development needs and projects for the year. These top county projects are then reviewed and ranked by OVRDC's Project Review Committee and ratified by the Executive Committee in order to develop a regional project package to submit to the Ohio Governors Office of Appalachia (GOA). OVRDC and the other two Ohio LDD's then meet with the GOA and the Governors regional development representatives to compile the annual Ohio ARC Project Package. OVRDC staff then assist local projects listed in the State package in completing their ARC applications.

ARC's distressed county program and grant investments in OVRDC's distressed counties have done much to improve the infrastructure and quality of life for many residents in the region, bringing safe drinking water and eliminating ground water pollution. ARC investments in Pike County, for instance, have enabled over fifty miles of water lines to be extended to many rural residents, who had no reliable access to safe drinking water. The story is the same in our other distressed counties, such as Adams and Vinton, where hundreds now receive reliable public water who didn't previously. ARC grant funds more recently have enabled many financially strapped villages to improve or construct new wastewater treatment systems and correct potentially serious ground water contamination problems. We have several villages, such as Centerville in Gallia County and Beaver in Pike County, who with ARC assistance are in the process of building wastewater projects.

Summarizing the overall figures for ARC distressed county grants for the OVRDC region for the last four years (1996–1999) will give some idea of the significant impact that this assistance has had on improving the quality of life of our region's residents. During this period, ARC grants to OVRDC distressed counties amounted to $5,476,992 for water and sewer infrastructure improvements. These ARC grants leveraged over $27,692,000 in other funds to make possible new water and wastewater services for 2622 residents, who did not previously have them.

For instance, a Lucasville sewer extension grant in Scioto County of $200,000 leveraged an additional $375,000 that brought wastewater service to 90 new households. (For a further breakdown of distressed county grants and basic information on five recent projects, please see Table I attached)

The regions economic development problems will be further exasperated by the recent announcement by the United States Enrichment Corporation (USEC) that they will close the Piketon uranium enrichment plant in June 2001. This proposed closure would terminate approximately 1500 highly skilled jobs. Additional Federal assistance will be needed in the near future to help the region plan and adapt to the potential severe economic impact, especially in the distressed counties of Jackson, Pike, and Scioto.

The situation is better in our five other ARC counties, (four transitional and one competitive) due to continued population and economic growth over the last ten years, including new plants and expansions.

Five of OVRDC's fastest growing counties are those counties closest to the growing metropolitan areas of Cincinnati and Columbus and served by limited access highways built in part through ARC assistance. These are Adams, Brown, and Clermont counties served by S.R. 32 from Cincinnati and Pike and Ross counties served by U.S. 23 from Columbus. The availability of limited access highways has provided a very important foundation for their growth. Jackson County, which also has good highway access, has shown significant growth in population and in business expansions.

ARC grant assistance has been critical in providing the necessary infrastructure improvements to support these new industries and expansions in our non-distressed counties. Key expansion projects include: the Wards Corner access road, supporting the location of a new International Paper facility in Clermont County; (600 jobs), the Mount Orab new water tower in Brown County supporting an expansion of the Cincinnati Milacron plant; the new water treatment plant in Chillicothe, supporting the expansion of Kenworth Truck and the Jackson access road that supported an expansion of Merilatt Industries and a new McCarty facility. Recent plant closures in Lawrence County have created a greater need for ARC assistance to develop a major new industrial park in the coming year to help the community recover.

ARC grant funds have supported infrastructure for industrial expansion in some of our distressed counties as well. Recent projects include: the New Boston (Scioto County) rail spur which supported Osco Industries new plant; (100 new jobs), infrastructure to the new Gallia County industrial park, which has so far created 58 new jobs and infrastructure to the Zahns Corner industrial park in Pike County, which has so far created 100 new jobs. Without this crucial ARC grant assistance, most of these projects would probably never have developed because our communities do not have the financial resources to replace these lost grant funds. A summary of all the region's ARC area development grants over the last four years shows that they collectively created over 2,100 new jobs and retained over 1600 jobs, and that they leveraged from 3 to 7 dollars in other funds for these projects. (For a summary of recent area development projects and information on five selected projects, see attached Table II).

Since a well trained labor force is critical for development, improvement of the region's education and training system has been a consistent OVRDC, as well as ARC goal. Over the last ten years, several ARC education/training projects have been approved, which have allowed our colleges and vocational schools to modernize their equipment to provide more state-of-the-art training in electronics, computers, auto mechanics and other areas, such as distance learning.

One of OVRDC's recent significant education projects is the 1996 ARC grant of $146,015 to the U.S. Grant Career Center in Clermont county. This grant assisted in the development of an audio-video interactive conference center and a 25-station computer lab in the school's new wing. The computer lab has been a vital resource for basic skills remediation for students needing to pass the Ohio 9th grade proficiency test, allowing them to progress at their own speed with customized software.

The Keith W. Boys Conference Center has already brought several videoconference training sessions to students, as well as area residents. OVRDC has used the school as a site for several video training conferences sponsored by ARC and the Development District Association of Appalachia (DDAA). On May 19, 2000, OVRDC used the Conference Center as one of four United States sites (three Appalachian Development Districts and ARC Washington) in an international video conference that connected two sites in Northern Ireland. The conference included community and economic development professionals in both countries, who shared background information and insights on development needs and activities. In addition, Clermont County businesses such as Cincinnati Milacron, U.S. Precision Lens and Spirit of America National Bank have used the facility. (For more information on this grant see the attached ARC Project Profile).

An additional resource provided by OVRDC in order to help address the need for more accessible equity capital for small business development in the region is our

ARC revolving loan fund. This loan fund was originally established and has been recapitalized by ARC grant funds. During the 14 years that our loan fund has operated, OVRDC has made 24 loans totaling $1,623,089. These loans have enabled local businesses to expand and create 138 total new jobs and retain 859 jobs. One example of a recent loan is a $50,000 loan to Greenfield Products, which enabled them to purchase equipment and expand their operation and thereby add 23 new jobs. (Please see Table III for summary information regarding these 24 loans).

OVRDC also offers several other services that assist in the development of southern Ohio, including: administration of the regions Ohio Public Works Commission infrastructure assistance program, the provision of export assistance to the regions businesses, assistance in developing Economic Development Administration projects, and assistance in planning and securing financing for other priority projects. (For more information on OVRDC and the types of assistance offered, see Attachment II, OVRDC Summary of Services).

KEY NEEDS FOR THE OVRDC REGION

Even though ARC investments over the last couple of decades have had a significant impact on the region, the region still lags behind in having the basic infrastructure, developed industrial sites, the community capacity, and the business assistance capacity to compete successfully with the rest of the nation.

In closing, I would like to outline some key needs for which continued Appalachian Regional Commission assistance is needed.

1. ARC assistance and Federal Highway Trust Funds are needed to complete the limited access Appalachian Highway Corridors B and C through southern Ohio (limited access from Columbus to the Ironton area).
2. Funding for industrial park development and infrastructure.
3. Funding for the planning and development of business incubator facilities and services.
4. Assistance in increasing the region's access to equity and venture capital for new business start-ups and expansions.
5. Funding is still needed for poor communities to be able to extend safe and reliable drinking water to many residents.
6. Funds are needed to assist small communities build new wastewater treatment systems or to upgrade seriously inadequate systems.
7. Since many communities do not have the financial resources to even assess their basic infrastructure needs, OVRDC urges that ARC set aside planning funds for grants to distressed counties and communities to undertake such feasibility studies.
8. Assistance and funds are needed to improve the basic electronic infrastructure to the region, as well as improve the region's access to the Internet and video conferencing and distance learning.
9. It is recommended that the current 30 percent set-aside in ARC's budget for distressed counties be increased because of the extent of the need.

OVRDC and I would like to thank you Senator Voinovich and the members of the Subcommittee on Transportation and Infrastructure for giving us the opportunity to discuss the importance of recent and continued ARC assistance to the southern Ohio area.

Table I.—OVRDC Region Overview of ARC Distressed County Projects 1996–99

Combined Statistics for All Projects By Year

Fiscal Year	ARC Funds	Funds Leveraged	Total Project Cost	Estimated No. of New Residents Served
1996	$1,644,749	$8,273,669	$9,918,418	180
1997	1,193,620	5,206,710	6,400,330	410
1998	1,164,603	4,610,100	5,774,703	1286
1999	1,474,020	9,602,200	11,076,220	846

Statistics on Selected Projects

Project Name	No. Served	Linear Feet	ARC Funds	Funds Leveraged	Fiscal Year
Pike Lake Road Waterline	25 households	10,500	$136,000	$34,000	1998
Walls Road Waterline	25 households	10,300	67,200	16,800	1997

Statistics on Selected Projects

Project Name	No. Served	Linear Feet	ARC Funds	Funds Lever- aged	Fiscal Year
Lucasville Phase 4 Sewer	90 households	11,000	200,000	375,000	1997
West Ports. Phase 7 WWT	290 customers	26,000	200,000	1,017,000	1996
County Road 8 Waterline	52 households	25,000	200,000	52,150	1997

Table II.—OVRDC Region Overview of ARC Area Development Projects 1996–99

Combined Statistics for All Projects By Year

Fiscal Year	Jobs Cre- ated	Jobs Re- tained	Other $ Lever- aged/ ARC $	Cost/ Job	ARC $/Job
1996	1018	904	7	4409	546
1997	25	0	3	28000	8000
1998	905	0	4	4277	839
1999	190	730	3	3645	982

Statistics on Selected Projects

Project Name	Jobs Created	Jobs Retained	ARC Funds	Funds Leveraged	Private Investment	Fiscal Year
Zahn's Corner Ind. Park	100	n/a	$400,000	$1,960,694		1998
Gallia County Ind. Park	58	n/a	250,000	1,930,000		1996
New Boston Ind. Park Rail	100	224	300,000	199,000	$15,000,000	1996
Wards Corner Access Road	693	367	250,000	785,000	67,500,000	1996
S. R. 93 Alt. Ind. Park	420	n/a	132,200	794,320	975,000	1998

Table III.—OVRDC Region Overview of ARC Revolving Loan Fund Projects 1986–2000

OVRDC ARC RLF History, Combined Statistics for All Loans

Number of Loans	24
Total RLF Dollars Loaned	$1,623,089.20
Jobs Created	138
Jobs Retained	859
Private Funds Leveraged	$5,143,545.00
RLF Dollars Per Job	$1,627.97

Projects Receiving ARC Loans by Business Status

Types	Number	Percent
Startups	8	24%
Retention	2	10
Expansions	14	66
Total	24	100%

Businesses Receiving ARC Loans by Business Type

Types	Number	Percent
Industrial	7	41%
Commercial	8	28
Service	9	31
Total	24	100%

ARC PROJECT PROFILE

Grantee: U.S. Grant Career Center, Clermont County
Use of funds: Video Conference Equipment and Computers
ARC Funds = $146,015 (FY 1996)
State of Ohio = $106,491
Applicant = $102,464
Total = $354,970

Grant Career Center's Keith W. Boys Business and Industry Conference Center serves Clermont County as well as Brown and Adams Counties. The purpose of the facility is to bring educational instruction for both high school and adult students and business, industry, and government in the following areas: management, human resources, customer service and sales training, communications, small business and financial planning, entrepreneurship, and employability. This system enables full access to the information highway through an interactive audio, video, and data network in Clermont County and surrounding Western Ohio Appalachian counties.

The Grant Career Center satellite down-linked audio-video conference center and 25 station computer resource lab help in remediation for students needing to pass the 9th grade proficiency test with customized software training. The conference center and computer lab are linked to share information. Educational access opportunities have been maximized with great success for students and business.

Listed below are users/uses (not inclusive) of the video conference center.

Ohio School Net—Video Conference

Bethel-Tate High School Employees—Computer Training

United Way—System Use

HUD Meeting, Congressman Rob Portman

OVRDC Interactive Video Conference with Congressman Rob Portman and ARC Co-chairman Jesse White in Washington D.C. and vocational students from the region

Clermont County Sheriff's Department—Staff Computer Training

Clermont County Educational Service Center—System Use

U.S. Precision Lens—Video Conferences

Ohio Supreme Court Justice Evelyn Stratton—Video Conference and Grant Social Studies Students

Interactive Video Conference with Fernald Plant, Grant, and Anderson High School Students as experiments were done and discussed.

Interactive Video Conference with Newport Aquarium and approx. 75 other schools in Ohio regarding the "Jason Project".

OVRDC Video Conference with Northern Ireland.

ATTACHMENT I

OVRDC COUNTIES

POPULATION

646,201 (1999)

OHIO VALLEY REGIONAL DEVELOPMENT COMMISSION

SIZE

6,022 Square Miles

OVRDC DISTRICT

COUNTY BUSINESS PATTERNS A	Number of Establishments		Number of Employees *	
	1996	1997	1996	1997
Total	10,433	11,356	141,198	150,212
Agriculture, forestry, and fisheries	158	198	803	928
Mining	46	37	626	1,068
Construction	1,221	1,382	6,337	7,933
Manufacturing	596	643	35,046	35,798
Transportation and public utilities	474	537	7,062	7,409
Wholesale trade	568	658	5,523	6,286
Retail trade	3,136	3,276	39,873	43,206
Finance, insurance, and real estate	798	858	7,450	7,797
Services	3,349	3,716	39,263	43,553
Unclassified establishments	93	51	136	70

* A range of numbers instead of exact numbers denotes figures withheld to avoid disclosing data for individual companies

LABOR FORCE ESTIMATES B & C	Labor Force	Employed	Unemployed	Unemployment Rate
1990 Census	239,348	218,657	20,691	8.60%
Ohio Bureau of Employment Services (OBES) - 1998 Annual Averages	295,500	278,100	17,400	5.90%
OBES Most Current Month/Year				

MAJOR EMPLOYERS Name of Company	Products or Services	D & E # of Employees
ZF Batavia	Automotive Transmissions	1,275
Milacron	Plastic Machenery	1,400
U.S. Precision Lens	Optical Lens	1,000
Structural Dynamics Research Corp.	MCAE Software & Engineering Services	1200
Pillsbury	Frozen Foods	1,300
Mills Pride	Cabinets and Particle Board	2,500
Candle-Lite, Inc.	Candles	1400
Holzer Center Hospital	Medical Services	820
Gallipolis Developmental Center	Developmentally Handicapped Education	600
US Enrichment Corp.	Enriched Uranium	1,500
Cinergy	Utilities	700
Mead Corporation	Book, Bond, and Magazine Paper	2,083
V.A. Medical Center	Veteran's Hospital	1,141
Kenworth Truck Co.	Assembly of Heavy Trucks	1,800
Luigino's, Inc.	Frozen Foods	950
Adena Regional	Health/Medical Services	1,300
U.S. Health Corp. of Southern Ohio	Hospital & Health Services	1,816

SOURCES:

A-County Business Patterns 1993, 1995, Bureau of Census, Economics & Statistics Administration, U.S. Dept. of Commerce

B-Population & Housing Characteristics, Summary Tape File 3A, 1990 Census, Bureau of Census, U.S. Dept. of Commerce

C-Labor Force Estimates, Annual Averages 1998, Ohio Bureau of Employment Services, Columbus, OH

D-Various County Chambers of Commerce, 1998

OVRDC DISTRICT

CLIMATE 1997	D
Average Annual Temperature	52 deg F
Average Annual Precipitation	38 in.

STATE PARKS 1998	D
Facilities	18
Acreage	14,351

POVERTY IN 1995	D
Number below poverty level	105,881
Percent below poverty level	18.70%
% change, 1993-1995	2.20%
Children age 5 through 17	27,150
Percent below poverty level	23.90%
% change, 1993-1995	1.30%

Median Household Income	D
Median Household Income, 1995	27,972
Median Household Income, 1993	24,960
Percent Change, 1989-1993	18.30%
EDUCATIONAL ATTAINMENT 1990	**A**
Persons 25 years and over	366,708
Less than 9th grade	48,727
9th to 12th grade, no diploma	74,306
High school graduate	141,219
Some college, no degree	48,876
Associate degree	16,518
Bachelor's degree	23,678
Graduate or professional degree	12,396
PUBLIC SCHOOL ENROLLMENT 1997-98	**B**
Adams County	5,345
Brown County	8,357
Clermont County	29,966
Fayette County	5,257
Gallia County	6,366
Highland County	8,121
Jackson County	5,802
Lawrence County	12,052
Pike County	6,062
Ross County	14,041
Scioto County	14,446
Vinton County	2,388
Total Public School Enrollment	118,143

PRIVATE SCHOOLS 1998	D
Number of private schools	23
Private school enrollment	3,319

HEALTH STATISTICS 1997	C
Total Births	8,596
Births to teenagers	1654
*Rate per 1,000 population	3.8
Marriages - 1997	4,358
*Rate 1,000 population	8
Deaths	6,108
*Rate per 1,000 population	11.2

MEDICAL SERVICES 1997	D
Hospitals	13
Number of beds	2007
Physicians	884
Extended care homes	124

CRIME 1995	D
Adult crimes per 1,000 pop.	12.6

TRANSPORTATION 1995		D
Highways		
	Interstate Routes	2 totaling 29 miles
	U.S. Routes	27 totaling 888 miles
	State Routes	155 totaling 1,893 miles
Railroads		
	Freight lines	Norfolk Southern, CSX Conrail, Indiana & Ohio
	Passenger services	Amtrak in KY
Airservice		
	Private/General Aviation	Airport in each County
	Nearest Commercial Airport	Cincinnati, Columbus Huntington

COMMUNICATIONS 1997		D
Radio Stations		28
Television Stations		Cinci, Cols, Hunt chnls
Newspapers		
	Daily	6
	Weekly	18
	Out of Town Daily	33
Phone systems		Ohio Bell, Cinci. Bell GTE, 4 Independents

SOURCES:

A - Population & Housing Characteristics, Summary Tape File 3A, 1990 Census, Bureau of Census, U.S. Dept. of Commerce

B - Public/Non-Public Enrollment 1997-98, Ohio Dept. of Education, Information Management Service, Columbus OH

C - Vital Statistics, Webpage, Ohio Dept. of Health, Columbus, OH

D - 1999 Ohio County Profiles, Ohio Data Users Center, Ohio Dept. of Development, Columbus, OH

OVRDC DISTRICT

OVRDC DISTRICT	POPULATION									HOUSING			INCOME	
	1990	Sex		Race			Age			Number of	Number of	Number of	1989 Per	1989 Median
	Total	Male	Female	White	Black	Other	Under 18	18-64	65 & Over	Families	Households	Housing Units	Capita	Household
Total	581,740	285,167	296,573	565,586	13,002	3,152	160,604	349,008	72,128	160,026	210,259	227,893	$9,872	$21,453
Adams	25,371	12,452	12,919	25,212	47	112	7,188	14,570	3,435	7,056	9,192	10,237	$8,407	$16,318
Brown	34,966	17,161	17,805	34,487	406	73	10,012	20,484	4,470	9,755	12,379	13,720	$10,498	$25,286
Clermont	150,187	73,621	76,566	148,084	1,291	812	44,646	93,090	13,051	41,347	52,726	55,315	$13,308	$32,465
Fayette	27,466	13,327	14,139	26,593	662	211	7,245	16,158	4,063	7,682	10,221	10,816	$10,300	$22,704
Gallia	30,954	15,131	15,823	29,831	871	252	8,266	18,713	3,975	8,543	11,367	12,564	$8,711	$20,372
Highland	35,728	17,350	18,378	34,876	692	160	9,792	20,579	5,357	9,986	13,230	14,842	$9,848	$21,595
Jackson	30,230	14,498	15,622	29,895	218	117	8,303	17,695	4,232	8,491	11,269	12,452	$9,228	$18,298
Lawrence	61,834	29,415	32,419	60,115	1,559	160	16,707	36,909	8,218	17,574	22,899	24,788	$9,336	$19,454
Pike	24,249	11,804	12,445	23,807	327	115	6,965	13,994	3,290	6,742	8,805	9,722	$8,950	$19,488
Ross	69,330	36,091	33,239	64,362	4,467	501	17,333	43,427	8,570	18,057	24,325	26,173	$10,750	$24,288
Scioto	80,327	38,960	41,367	77,253	2,458	616	21,500	46,985	11,842	21,676	29,786	32,408	$9,253	$17,505
Vinton	11,098	5,447	5,651	11,071	4	23	3,077	6,496	1,525	3,117	4,069	4,856	$8,828	$19,056

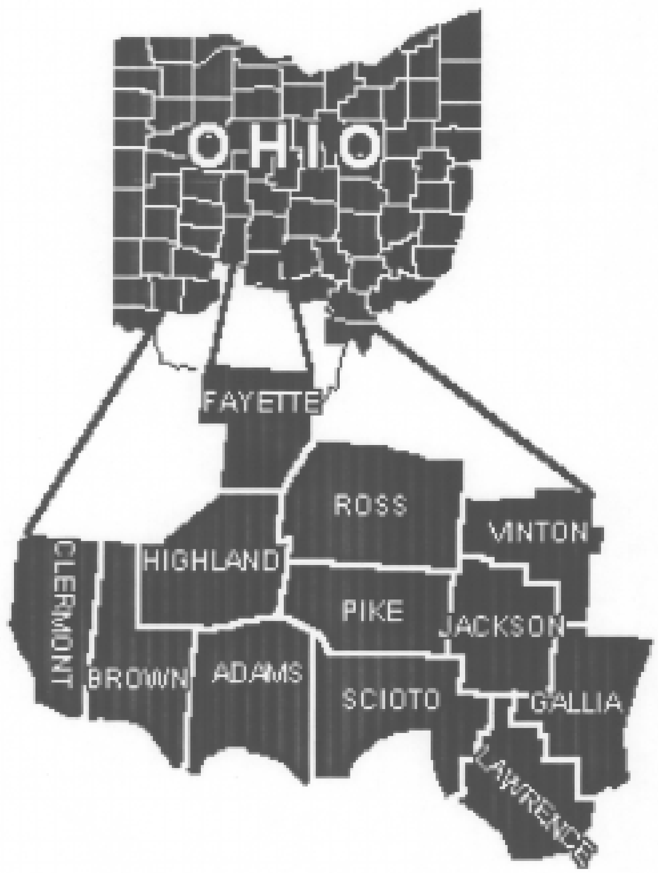
SOURCE: Population & Housing Characteristics, Summary Tape Files 1A & 3A, 1990 Census, Bureau of Census, U.S. Department of Commerce

County	1980	1990	1995	2000	2005	2010	2015		% change 1990-2015
Projections:	554,149	581,740	615,540	637,180	665,720	685,680	708,800		21.8%

SOURCE: Office of Strategic Research, Ohio Dept. of Development

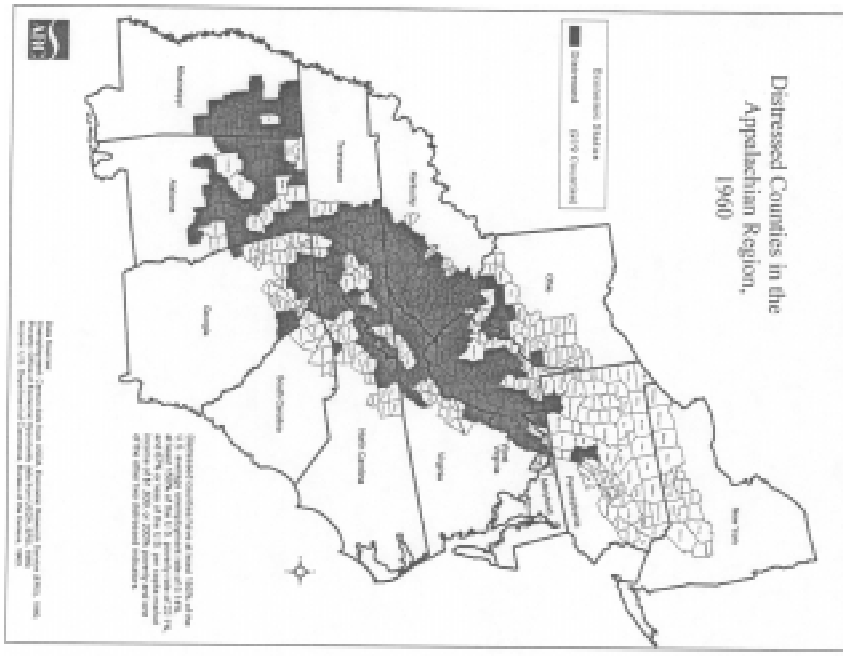
ATTACHMENT II

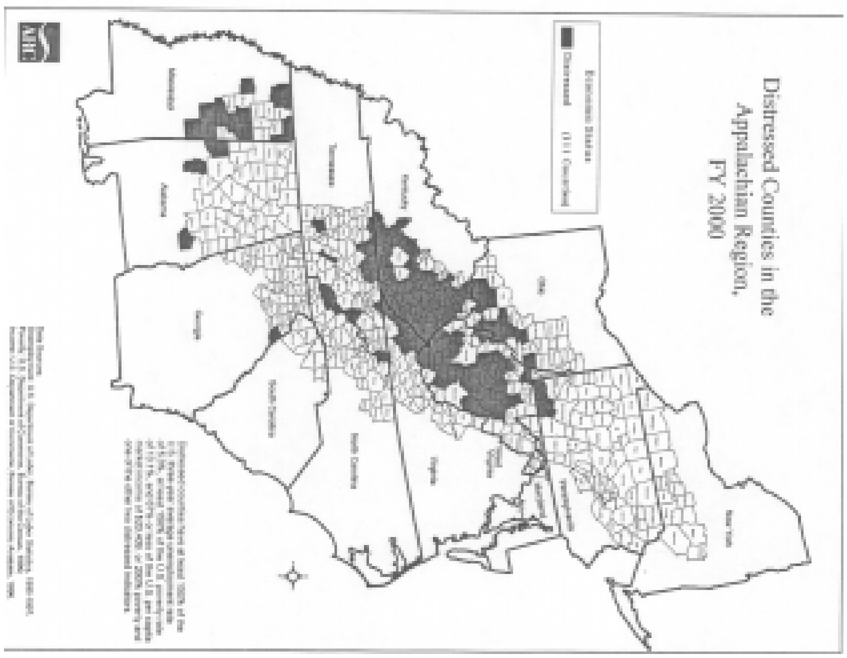
Ohio Valley Regional Development Commission



Summary of Services

A Regional Partnership Dedicated to the Development of Southern Ohio


Distressed Counties in the
Appalachian Region,
1960


Distressed Counties in the
Appalachian Region,
FY 2000

Introducing the OVRDC

The Ohio Valley Regional Development Commission is a public regional planning and economic development agency that coordinates Federal, State and local resources to encourage development in twelve southern Ohio counties: Adams, Brown, Clermont, Fayette, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto and Vinton.

Established in 1967 as a not-for-profit corporation, the OVRDC was designated by the State of Ohio in 1977 as a Regional Planning and Development Organization. The OVRDC also serves as a Local Development District for the Appalachian Regional Commission and as an Economic Development District for the U.S. Department of Commerce, Economic Development Administration.

The OVRDC is governed by a Full Commission of more than 150 officials who meet semi-annually. Members include representatives of county and local governments, social service and educational organizations, minorities and the private sector. Membership in each county is referred to as a County Caucus. This Caucus serves as the forum for local project planning.

Routine oversight of the OVRDC is provided by an Executive Committee with representation from all twelve OVRDC counties; Portsmouth and Chillicothe; and the business/education/minority community. The Executive Committee's monthly meetings are open to the public.

The OVRDC receives financial support from a combination of Federal and State grants and local service contracts. Member counties also pay annual contributions to the OVRDC, with contributions based on each county's population.

This attachment briefly summarizes the services offered by the OVRDC.

Development Planning Assistance

The OVRDC helps localities plan and secure funding for development-related projects such as construction, repair or upgrade of roads, bridges and water and sewer lines, industrial park development, as well as projects related to community services, education and workforce development. Staff offer expertise in dealing with the following funding sources:

- *Appalachian Regional Commission.*—The ARC is a multi-state commission, which fosters development in Appalachia. Eleven of the OVRDC's twelve counties (all but Fayette) lie within the Appalachian region. ARC funding can assist with a wide variety of project activities in the areas of education, infrastructure, civic leadership, local economies and health. As a Local Development District, the OVRDC provides guidance in the application process, assistance in project packaging and in securing funding and participates in assembling the State of Ohio's ARC investment package.
- *Economic Development Administration.*—A part of the U.S. Department of Commerce, the EDA provides funding for job-creation projects in distressed areas around the nation. Assistance can also be provided to communities with plant closures and to industries affected negatively by international trade. The OVRDC is a designated Economic Development District, serving as a liaison between the EDA and eligible applicants in the district, and assists with EDA projects.

The OVRDC submits a Comprehensive Economic Development Strategy (CEDS) annually to the EDA. This CEDS assesses the district's strengths and weaknesses and identifies short- and long-term development priorities. Any potential project seeking EDA assistance must be identified as a priority in the CEDS in order to receive funding consideration.

- *Ohio Public Works Commission.*—The OVRDC coordinates this state-level grant/loan program, (also known as the State Issue 2 program), for the District 15 Public Works Integrating Committee (all OVRDC counties except Clermont). Eligible projects include the construction, repair or replacement of roads, bridges and water and wastewater infrastructure. The OVRDC also coordinates the Local Transportation Improvement Program, which funds eligible road improvement projects using proceeds from the State gasoline tax.
- *Community Development Block Grant Program.*—OVRDC staff can provide financial packaging assistance with projects involving Community Development Block Grant funding. Examples of eligible projects include, but are not limited to, the development or upgrade of local parks and community centers; sewer, water and road projects that protect public health and safety or create jobs; downtown revitalization; or the acquisition of fire and rescue facilities and equipment. For an administrative fee, OVRDC staff can help subdivisions develop and administer CDBG program applications.

• *USDA Rural Development.*—OVRDC signed a Partnership Agreement with the State Rural Development office in 1998. OVRDC staff can assist local communities and organizations in better utilizing the Rural Development grant and loan programs, including community facility, water and sewer and business assistance programs.

• *Other Infrastructure Planning Assistance.*—OVRDC staff can also advise subdivisions that wish to apply to other infrastructure funding sources such as the Ohio Water Development Authority and the Ohio Department of Development. Assistance with other funding sources may also be available; contact the OVRDC office for more information.

SMALL BUSINESS ASSISTANCE

• *Low Interest Financing.*—The OVRDC offers two low-interest Revolving Loan Fund programs to provide gap financing for small businesses seeking to start up or expand in the district. The two RLFs, capitalized by the ARC and EDA, support private businesses that create or retain jobs. The OVRDC also helps small businesses find other sources of capital for their start-up or expansion needs.

• *Marketing Assistance.*—The OVRDC provides marketing assistance to small and mid-sized businesses in the district, helping them grow in both domestic and international markets. Participating companies receive regular trade opportunity notices and assistance in developing export markets for their products. OVRDC staff can also help companies analyze their export-readiness and marketing strategies.

• *Other Entrepreneurial Assistance.*—Thanks to an ARC Entrepreneurial grant, OVRDC staff will offer mini grants and business counseling and other critical assistance for new or expanding businesses. Such assistance for new businesses includes legal, financial, marketing and engineering related assistance.

DATA AND MAPPING

As a regional data center affiliated with the Ohio Department of Development's Office of Strategic Research, the OVRDC maintains a comprehensive data base of national and State economic and demographic statistics, including U.S. Census information. Frequently requested data are compiled in easy-to-use profiles for each member county and for the entire district. In addition, the OVRDC maintains a data base on available industrial and commercial sites and buildings in the district.

These data resources and the agency's geographic computer mapping services are available to communities, businesses and the general public upon request. A reasonable processing fee may be charged.

STRATEGIC PLANNING

The OVRDC offers its strategic planning expertise to member counties and communities. Staff can meet with local leaders to explain the strategic planning process and how to adapt it to a community's needs.

The OVRDC released its revised Strategic Plan in 1997 to guide the district's development efforts over the next 5 years. The agency routinely incorporates plan elements into its work programs and seeks to make the plan a responsive document that reflects the district's ever-changing opportunities and challenges.

INTERGOVERNMENTAL REVIEW

The OVRDC is a designated Areawide Clearinghouse in Ohio's Intergovernmental Review Process. The OVRDC coordinates a preliminary review of most applications requesting Federal funds. The review is intended to ensure that projects will not duplicate existing services or facilities and that those who might be affected have the opportunity to offer their input on a proposal. The OVRDC's Executive Committee serves as the review committee.

TRANSPORTATION PLANNING

The OVRDC began the process of major highway corridor transportation planning in 1998. The agency participated in the U.S. 23 corridor study and has assisted in the U.S. 35 corridor study. Various corridor maps, plans and data are available for a fee upon request. OVRDC will continue to offer planning and implementation support to the corridor committee and other priority projects.

DEVELOPMENT LAND USE ANALYSIS

Using the resources available in the agency's Geographic Information System and local knowledge, staff will perform an analysis of the land's physical suitability to support various types of development. The end product of such an analysis is a development potential map: areas are classified into several categories of suitability for different types of development based primarily on physical characteristics of the land. The suitability analysis and greenway planning services are offered on a contractual basis.

HOW DO PROJECTS BECOME PRIORITIES?

OVRDC staff are ready to assist you with questions regarding potential local projects. All local projects are presented to the local county caucus annually in order to be prioritized by the county caucus. OVRDC's Regional Project Review Committee then meets annually to review the priority county projects and to approve a regional project package. These projects are ranked objectively based on their urgency of need, readiness, economic impact and other factors.

STATEMENT OF JESSE L. WHITE, JR., FEDERAL CO-CHAIRMAN, APPALACHIAN REGIONAL COMMISSION

Mr. Chairman. Thank you for the opportunity to appear before the Subcommittee to discuss the work of the Appalachian Regional Commission and to share with you our story of having worked with the Congress to turn around and revitalize this agency. I'm particularly pleased that you have chosen to hold this hearing in the heart of Appalachia. Southeast Ohio shows both the tremendous payoffs of prior ARC investments and the continuing need for the Commission's assistance—assistance that can help create self-sustaining local economies among a proud and resilient people who are struggling to accommodate the sweeping changes spawned by technological innovation and globalization.

This hearing affords us a chance to review how ARC's programs respond to the economic development challenges facing rural communities and small towns in Ohio and across Appalachia. We hope it will also lay the groundwork for ARC's reauthorization early in the next Congress.

ARC OVERVIEW

Congress established the ARC in 1965 to bring roughly 400 counties in the 13-State Appalachian Region into the mainstream of the American economy, to make these 22 million people and their hundreds of communities contributors to, rather than drains on, the national resources. Through its flexible programs, ARC helps equip communities with the basic building blocks of economic development: a trained and educated workforce, basic infrastructure, local leadership and civic capacity, entrepreneurial local economies, and access to health care.

The Commission represents a unique partnership between the Federal Government and the 13 States we serve. The Federal Co-Chairman of ARC—appointed by the President and confirmed by the Senate—has one half of the votes on the commission and the 13 governors have the other half. No policy can be set or any money spent unless the Federal representative and the governors reach agreement. The ARC model represents neither the dictation of policy from Washington nor the abdication of policy to the States; rather, it is a joint policymaking model that yields true collaboration.

The ARC story is one of substantial progress in giving Appalachia a full seat at the table of America prosperity. When we were created in the 1960s, 219 of our counties were economically distressed. Today that number has been cut roughly in half. Other indicators also show marked improvement: the infant mortality rate has been cut by two-thirds; the regional poverty rate has been cut in half; the per capita income gap between Appalachia and the U.S. has been narrowed; the percentage of adults with a high school education has doubled; and the percentage of Appalachian students completing high school now is slightly above the national average.

In more concrete terms, more than 840,000 Appalachians now have access to clean water and sanitation facilities through ARC grants; a network of more than 400 ARC-funded primary care health facilities has been completed; and ARC grants to revolving loan funds have assisted 1,234 small businesses in creating over 24,000 new jobs and saving 28,000 existing jobs. From any perspective, then, ARC's impact in Appalachia has been substantial.

REVITALIZATION OF THE AGENCY

I am pleased to represent a President whose commitment to Appalachia and to ARC has been unwavering. The Clinton-Gore Administration has requested unprecedented levels of funding for the Commission's highway and non-highway programs.

And the Congress, on a bipartisan basis, has responded by providing record funding for our highway system and strong support for our non-highway work. This same bipartisanship marked the 1998 reauthorization of ARC, the first in almost 20 years.

I am proud to say that we the ARC family of Federal, State, and local partners, with great support from the Congress have reformed and revitalized the Commission. For example, in 1994 we made the decision, with your support as one of our Governors, to mark our 30th anniversary, not by having a celebration, but by taking a long, hard look at the region and at ourselves.

We spent a full year engaged in a strategic planning process for the Commission because we knew that the region and the world itself had changed profoundly in the past thirty years. We did not hire a consulting firm to do this plan; we did it ourselves, convening four interstate town meetings, listening to focus groups, commissioning research, holding consultations with experts, and hammering out a shared vision among the Federal, State, and local partners.

The result of this planning effort was a new vision and mission for the ARC. We agreed that we must invest in five essential building blocks of economic development for Appalachia, and they are set forth in our five goals statements. All ARC projects must clearly advance at least one of these goals:

Goal 1. Appalachian residents will have the *skills and knowledge* necessary to compete in the world economy in the 21st century.

Goal 2. Appalachian communities will have the *physical infrastructure* necessary for self-sustaining economic development and improved quality of life.

GoaL 3. The people and organizations of Appalachia will have the *vision and capacity* to mobilize and work together for sustained economic progress and improvement of their communities.

Goal 4. Appalachian residents will have access to financial and technical resources to help build *dynamic and self-sustaining local economies.*

Goal 5. Appalachian residents will have access to affordable, quality *health care.*

In addition, the Commission launched special regional initiatives with dedicated multi-year funding. These initiatives address challenges which span the region and which can benefit from interstate approaches to solving problems and capitalizing on opportunities. These initiatives have emphasized telecommunications, export promotion, leadership development, and entrepreneurship. All have yielded impressive results.

In our 1998 reauthorization, Congress recognized the effectiveness of these revitalization efforts, incorporating a number of our internal reforms into our statute and, under the leadership of this Committee, giving us our first full-fledged reauthorization in almost 20 years. Taken together our own reforms and those reflected in our reauthorization have enabled the agency to renew its commitment to the Region and better seek to complete its job.

DISTRESSED COUNTIES

Just as impressive as these reforms have been to our program, however, has been the commitment of the Commission to *target our resources* to the areas of greatest need . . . to our distressed counties. The Commission targets its resources in two fundamental ways: first, it sets aside funds for use exclusively in economically distressed counties; second, it restricts funding in counties that are performing at or near national economic norms.

Currently the Commission reserves 30 percent of its project dollars for use solely in the counties that are classified as economically distressed. In effect, States with no or few distressed counties voluntarily agree to allocate more resources to the distressed counties in other Appalachian States. While these funds can be used only in distressed counties, States may also use other ARC funds in the distressed counties. And they are doing so. During the past three fiscal years, States have consistently exceeded the 30 percent set-aside, spending about half of their total project funds on programs that benefit distressed counties. This means that about 50 percent of ARC project funds are being spent on programs to benefit the 11 percent of Appalachia's population living in distressed counties.

It should be noted, as well, that our definition of distress is a rigorous one. To qualify as distressed, a county must have unemployment and poverty rates that are at least 150 percent of the national averages and a per capita market income that is no more than two-thirds of the national average. These are clearly counties struggling with long-term, systemic economic difficulties.

Mr. Chairman, I think it also important to point out that many of Appalachia's counties, while not formally classified as distressed, are only a plant-closing away from becoming distressed. Their economies remain fragile, often lacking diversification. We informally refer to them as "at risk." Our States spend a significant portion of their funds on these counties as well.

At the other end of the economic spectrum are our counties that are performing at national averages on key economic indicators. Generally, those counties are precluded from receiving ARC project funds. They have no need for ARC's special assistance. In addition, counties that are approaching national economic norms are limited in the amount of project funding that they may get from ARC.

Taken together, the set aside for distressed counties and the limitations on funding projects in economically strong counties ensure that ARC's limited dollars go where the needs are greatest. We at the ARC have worked very hard on this targeting policy; and I am proud to say that there has never been a negative vote on these policies from a Federal Co-Chairman or from any of the States, some of whom are net "losers" in this allocation procedure. All have been willing to help the neediest of our counties.

Earlier this year the Appalachian Governors and I launched a regional outreach effort to craft an enhanced program for our distressed counties. This initiative follows an extensive review of ARC's existing policies and programs in distressed counties. To date we have had focus groups or town meetings in five of our States—including a tri-state town meeting in Ironton last month—and two other States plan to hold listening sessions later this month.

These meetings are designed to identify new strategies to help Appalachia's poorest communities become more competitive. While money is of course one of the issues, this process attempts to discover ways to achieve greater results within distressed counties with existing ARC dollars. At its October meeting in West Virginia, the Commission is expected to review a proposed strategic plan for distressed counties and make recommendations on how to implement the plan. We will keep your Committee informed as we create this enhanced program for distressed counties.

ECONOMIC CONDITIONS IN APPALACHIA

As our focus on distressed counties suggests, despite robust economic growth nationally, some communities have yet to share fully in the nation's unprecedented prosperity. Too many rural areas—many of them here in Southeast Ohio—still remain cut off by terrain and by history from the broad economic currents that are raising American standards of living.

Almost a fourth of the region's counties can be classified as economically distressed, suffering the debilitating effects of persistently high unemployment, low per capita income, and widespread poverty.

Structural changes in declining sectors such as coal mining, manufacturing, textiles, and agriculture—exacerbated by globalization and technological change—have hit Appalachia disproportionately hard, threatening to reverse the modest economic gains that many communities have made. A culture of economic dependency continues to impede the drive toward entrepreneurial innovation and risk-taking that is reshaping so much of the national economy, while a widening digital divide threatens to leave Appalachia's residents disconnected from the educational and e-commerce opportunities created by the technology revolution.

These trends are particularly evident in Southeastern Ohio, where 9 of the State's 29 counties are classified as economically distressed. Indeed, while much of the rest of the region has been moving forward, a combination of plant and mine closings and depressed agriculture prices has hit Appalachian Ohio hard. For example, six counties entered distressed status during the mid-1990s, as Ohio's counties have fallen further behind on national indicators.

HIGHWAYS

From ARC's inception, highways have been central to the economic development of Appalachia. A region unconnected to the transportation grid of the nation cannot possibly participate fully in its economy. Because the interstate system had bypassed much of Appalachia, Congress authorized the Appalachian Development Highway System (ADHS), the only major highway system created primarily to foster economic development.

The ADHS consists of 3,025 miles, reaching across all 13 of our States. At the end of FY 1999, 81.2 percent of these miles were open to traffic or under construction. In Ohio, there are 201 miles authorized for ADHS construction, of which 161 are open to traffic. Changes adopted by the Commission in 1999, in response to the request of the State of Ohio, shifted mileage along Corridor C, creating a new Corridor C1. This will enable the ADHS to better meet the traffic needs of this part of Ohio. At the same time, the Commission's action reaffirmed that the planned

Portsmouth Bypass remains a part of the system, linking central Ohio with Kentucky, Virginia, and North Carolina.

TEA–21 for the first time authorized funding for the ADHS out of the Highway Trust Fund, authorizing $450 million per year for work on the System. With this increased funding our States are making major progress toward completing the System. But we are also encountering some of the most difficult terrain, which results in higher construction costs. When it comes time for your Committee to write the next multi-year highway bill, we hope you will continue to provide substantial funding from the Highway Trust Fund, accelerating the day that the entire system will be completed. At current funding levels based on our last cost to complete estimate—the entire system could be completed in a little less than two decades.

Two years ago we commissioned a study of the economic impact of the ADHS—the first full-scale, rigorous assessment of the effectiveness of the system in contributing to economic growth. Conducted by Wilbur Smith Associates, a leading transportation consulting firm, the study examined 12 of our 26 corridors, focusing on those corridors that are largely complete and therefore should be contributing to job creation in the region.

The results are both dramatic and reassuring:

- *Creating jobs.*—The report estimated that the 12 corridors had produced a net increase of 16,000 jobs by 1995 and projected a net increase of 42,000 new jobs by 2015. These jobs would not have been created without the ADHS. Only a portion of these were construction jobs attributable to the actual building of the corridors.
- *Generating economic benefits.*—The report estimated that the total economic impact of the completed work on the 12 ADHS corridors at $5.48 billion from 1965–2005, without considering direct construction benefits. When construction benefits are included, the total impact rises to $6.9 billion over the same period. Each $1 of Federal investment will yield $1.32 in economic impact benefits.
- *Making travel easier, safer, and more cost-effective.*—The ADHS highway corridors are expected to produce travel efficiencies nationwide valued at $4.89 billion over the 1965–2025 period.

AREA DEVELOPMENT

While a network of modern highways is essential to Appalachia's economic growth, highways by themselves are not sufficient to enable many of the region's communities to prosper. Through a flexible approach that embraces basic infrastructure, jobs skills training, local leadership development, small business assistance, and improved health care, ARC offers Appalachia's communities the tools to create self-sustaining local economies. Through the years, including your tenure as Governor, Ohio has tapped the full range of these options. Ohio has been one of a handful of States to emphasize the use of ARC funds for jobs skills training and education.

ARC spends about two-thirds of its annual nonhighway budget on infrastructure and public works projects in the region. These typically include water and sewer systems, industrial parks, access roads, and business incubators.

We recently released the results of an outside evaluation of ARC's infrastructure projects. Examining a representative sample of projects, the study shows that these projects are creating more jobs than anticipated and are spurring significant economic activity across the region. Roughly three-fourths of the sampled projects with specific business or job-related goals either met or exceeded their projections.

The local impact of these ARC projects is dramatic: in 45 of the 65 counties for which measures could be developed, the report found that ARC infrastructure investments created jobs equaling at least 10 percent of all net employment growth in the counties between 1990 and 1996.

Other findings include the following:

- *Private investment.*—The ARC projects have leveraged a total private sector investment of $3.075 billion, in a ratio of almost $107 to every dollar invested by ARC. When an unusually large project in the study is excluded from the analysis, the private sector investment is $1.675 billion, with a ratio of $58 to $1.
- *Wages.*—The total $32.4 million in ARC support has led to $576.9 million of new wages annually for the jobs created by the projects. This has led to a net expansion of $950.3 million of personal income.
- *Tax revenue.*—Each year the ARC projects are yielding $14.3 million of State income tax revenue, $13.9 million of State and local sales tax revenue, and $29.2 million in local property tax revenue. The annual property tax revenue alone almost equals the entire amount of the ARC investment.

"BOTTOMS UP" APPROACH

The secret to much of the success that this study documents can be found in the effectiveness of the region's 71 local development districts (LDDs), multi-county economic development planning agencies that work with local governments, non-profit organizations and the private sector to determine local economic development needs and priorities. For many communities, these LDDs are the principal source of professional guidance in crafting and implementing local economic development strategies. They are literally the first stop on a community's path to economic self-sufficiency.

Appalachian Ohio is served by three excellent LDDs—the Ohio Valley Regional Development Commission, the Buckeye Hills Regional Development District, and the Ohio Mid-East Governments Association. These local groups, whose boards contain local elected officials and private sector representatives, are responsible for developing most of the projects that are submitted to ARC. This local orientation creates a genuine "bottoms up" approach that is the hallmark of ARC.

NEW MARKETS AND ENTREPRENEURSHIP

Appalachia's future economic vitality depends in large measure upon nurturing homegrown firms—businesses that create jobs, increase local wealth, and ultimately reduce the region's need for outside subsidies. Unfortunately, due to Appalachia's longstanding dependence on extractive industries and branch plant manufacturing, the culture of entrepreneurship in the region is neither broad nor deep, and research findings suggest that there are many gaps in the infrastructure needed to support entrepreneurship.

Responding to these conditions, in 1998 the Commission launched a multi-year, $15 million initiative to build entrepreneurial economies across Appalachia. The initiative has focused on four essential components in building sustainable entrepreneurial economies:

- Entrepreneurial education and training
- Technical and managerial assistance to new and expanding businesses
- Developing entrepreneurial networks and sectors
- Improving access to debt and equity capital

To guide its investments, ARC has relied upon working groups composed of regional practitioners, State partners, private sector investors, Federal agencies, and foundations.

Some of the most exciting entrepreneurship work is taking place right here in Southeastern Ohio. The Appalachian Ohio Development Fund, a venture capital fund targeted to the needs of small businesses in this part of Ohio, is a creative response to the call for equity financing options. ACENet, led by June Holley, has earned a national reputation for its specialty foods incubator, benefitting both small businesses and agricultural producers in the Athens County area. And Junior Achievement, which has an active presence in Ohio, offers one of the premier programs for entrepreneurial education in our high schools.

So far our Entrepreneurship Initiative has funded 133 projects. The 25 projects that have been completed reported the creation of 198 new businesses and creation or retention of 539 jobs. The 108 on-going programs are projected to create 342 new businesses and create or retain 2,951 jobs.

ARC's entrepreneurship work complements the President's New Markets Initiative, which passed the House with a strong bipartisan majority late last month, and which we hope the Senate will consider in September. The first stop on the President's New Markets tour last summer was Appalachian Kentucky. Taken together, the New Markets Initiative and our Entrepreneurship Initiative can provide scores of Appalachian communities and businesses with new opportunities for private investment and locally based growth.

ADVOCACY AND COLLABORATION

From its creation, ARC's unique Federal-State partnership has had a mandate to be an advocate for the region. It has offered a platform for galvanizing other Federal, State, and private sector efforts to move the region into the nation's economic mainstream. ARC works closely with other Federal agencies to avoid duplication while helping ensure that these other Federal programs respond effectively to the particular challenges that Appalachian communities face. It also seeks to leverage investment in the region by non-profit organizations and the private sector. Some recent activities suggest the scope of this work.

- *Transportation Summit.*—Building on their traditional highway partnership, ARC and the Department of Transportation last year jointly sponsored a regional summit on intermodal transportation and laid the groundwork for 10 ARC intermodal grants, including a joint Ohio-West Virginia-Kentucky project to capitalize on the potential of the Ohio River.

• *EPA Brownfields.*—In July ARC and EPA entered into a memorandum of agreement designed to give Appalachia's communities a greater role in EPA's brownfields program. We are hoping this collaboration, which includes technical assistance workshops for local officials, will result in more brownfields cleanup funds flowing into our region.

• *Kellogg Foundation.*—ARC and the W.K. Kellogg Foundation have teamed up for an unprecedented collaboration to harness technology in promoting community and economic development. Focused on Northwest Pennsylvania and Southeastern Ohio, in June this partnership resulted in Kellogg grants of $200,000 each to two community teams from those States. This money likely would not have gone to Appalachia if ARC had not taken the lead in promoting the region.

• *First Union Bank.*—First Union Bank has been a key private sector participant in our entrepreneurship work. As a result of this involvement, last year First Union committed $5 million for small business lending and investment in Appalachia, and this year they will commit additional dollars for venture capital funds serving Appalachia.

• *Diabetes Outreach.*—To help lower the risk of diabetes in Appalachia, which suffers from a disproportionately high incidence of diabetes, and reduce the likelihood of long-term complications of those already afflicted by this disease, the ARC and the Centers for Disease Control will collaborate on an educational outreach initiative. This pilot project will help local health educators conduct a range of diabetes prevention and control outreach programs.

Mr. Chairman, these activities suggest the broad mandate that ARC has to address the needs of Appalachia. The economic challenges facing Appalachia are difficult; they require a multi-faceted, comprehensive approach. With its renewed commitment to the region's most distressed areas, augmented by a special focus on entrepreneurship and private sector investment, ARC is positioned to help Appalachia's communities participate fully in the American economy of the 21st century. We look forward to working with you and the Committee in accomplishing this task.

STATEMENT OF WAYNE F. WHITE, OHIO APPALACHIAN CENTER FOR HIGHER EDUCATION

Good Morning!

I'm Wayne White with the Ohio Appalachian Center for Higher Education, often referred to as OACHE. OACHE is a consortium of ten public colleges and universities serving the Ohio Appalachian region with a mission to increase the college-going rate.

This mission closely correlates with the first listed goal of ARC's Strategic Plan—*"Appalachian residents will have the skills and knowledge necessary to compete in the world economy in the 21st Century."* The catalyst for the formation of OACHE was a comment from famous restaurateur and then-member of the Ohio Board of Regents Bob Evans. In 1990 he commented to Dr. Clive Veri, President of Shawnee State University that the college presidents in the 29 county Ohio Appalachian region needed to do something about our children not participating in college.

Acting on that comment, the college presidents, Ohio legislators, the Chancellor of the Board of Regents and Bob Evans met to discuss the problem. From these discussions came funding for a study that would accurately determine the college-going rate and, importantly, identify the barriers to participation in post secondary education. The results of that research have become known as the *Access* and *Success* study.

As we all know, Appalachians are proud, patriotic, hardworking, honest individuals. However, these attributes are not sufficient for Appalachians to fully participate in the current economic growth our country is experiencing. In today's fast-paced and technology-driven economy, advanced skills and a lifelong commitment to training are essential to secure and keep a meaningful, living-wage job. As Bob Evans so eloquently puts it, *"The days are gone when hard work alone will get you there."* To help our citizens free themselves from the vicious cycle of poverty, unemployment and underemployment, we must address the issue of educational attainment. To that end, the Access and Success study forces us to reflect on some disturbing facts:

The college-going rate in Ohio Appalachia was estimated at 30 percent compared to the State average of 41 percent and the national average of 62 percent . Barriers delineated in the study include:

1. Poverty

2. Lack of role models (only 8.8 percent of Ohio Appalachian adults over age 25 have a 4-year college degree compared to nearly 23 percent nationally).

3. Lack of knowledge about college, including cost. (When asked to estimate the cost of college the subjects responded with figures twice as high as the actual cost.)

4. Availability of living-wage blue-collar jobs in the past that did not require high educational attainment.

5. But the primary barrier to college participation by Appalachians and probably others living in impoverished areas in our country is low self-esteem. Our students have academic ability—they just don't know it! Only 29 percent of seniors rate themselves above average compared to 58 percent nationally. (These figures correspond closely to the college going rate of 30 percent for the region and 60 percent for the nation.)

The low levels of educational attainment in Ohio Appalachia are linked to the region's chronic and severe economic distress. The trend in living-wage employment over the last several decades has turned away from blue-collar jobs and toward higher-skill jobs, especially those involving technology. Unfortunately, a high percentage of those Ohio Appalachian students who are not college-bound lack the advanced skills required by today's increasingly technology-oriented employers.

Not surprisingly, unemployment in Ohio Appalachia is higher than for the State as a whole. Virtually the entire area suffers from unemployment rates well above the State (4.1 percent) and national averages (4.0 percent for both, as of June 2000). All nine Ohio counties with the highest unemployment in June 2000 were Appalachian counties, and four reported unemployment rates at or over 10 percent.

Unemployment figures along under-represent the extent of economic hardship truly experienced in the region. Virtually all the region's net job growth over the last two decades has occurred in the services and retail-trade sectors of the economy; these jobs typically pay low wages and/or are part-time positions offering few or no benefits. Therefore, major declines in unemployment during economic recovery periods of the 1980s and 1990s have not led to comparable reductions in economic distress. Instead they have merely increased the number of working poor. According to 1995 poverty estimates, Ohio Appalachia is now poorer than it was two decades ago.

For Ohio Appalachia, which lags behind the rest of the State in all economic and educational indices, it is clear that increased access to affordable higher education is a critical precondition to breaking the cycle of poverty, unemployment and underemployment that plagues the region.

The socioeconomic picture is no better in other parts of the 13-State Appalachian region. A recent New York Times article run on July 27, 2000 noted that, "*with the national economy bubbling along, soaking up workers and spreading wealth, . . . much of Appalachia live not only with poverty and unemployment but also with the humiliation of being taken for ignorant.*" This article notes that low educational attainment not only impacts the individual but also represents a huge reservoir of potential workforce talent that is tragically going to waste.

The article also points out that social programs born in the 1960s focused on supporting the needy at subsistence levels, making laudable efforts to feed, clothe, nurse and shelter the destitute and disenfranchised in what is otherwise the richest nation on earth. But critics say these programs have also, in many cases, institutionalized illiteracy, dependency on welfare and a low standard of living.

Bob Evans would be quick to tell you that in his 82 years he has seen many different development and social initiatives come and go. Yet the fact is, few have ever really worked. When things don't work, Bob would say, you pull out the directions. And the directions say we need to provide people with education, and to help them take advantage of that education we need to help them overcome the barriers they face in getting that education.

In an effort to address such challenges the OACHE was established by the Ohio General Assembly in 1993 with just that approach in mind. The OACHE immediately began addressing the *Access* and *Success* barriers through programs in member institutions and, on a competitive basis, in partner public schools. The results have been better than perhaps anyone envisioned.

Using the *Access* and *Success* study as the guide, schools were invited to submit to the OACHE Board of Directors a proposal of how they could best address the barriers with a $10,000 project. To date, 79 projects have been sponsored and they have averaged increasing the rate 20 percent the first year and 34 percent the first two years combined. Let me mention the impact of a few partner school projects, all of which are administered by unpaid coordinators at the local level (an "*" indicates a funded year).

Newcomerstown High School was one of the first partner school projects funded by the OACHE. Before the grant Newcomerstown's college-going rate was 28 percent .

Newcomerstown 28% –45%* –56%* –72%* –56%* –58% –80%

Vocational schools have historically had an even lower college participation rate. Swiss Hills, in distressed Monroe County, has proven such does not need to be case.

Swiss Hills Vocational 21% –17% –31% –28% –51%* –57%*

And Southern Local along the Ohio River in distressed Meigs County is now exceeding the State and national average.

Southern (Meigs) 61% –59% –58% –73% –84%* –82%*–89%*

Portsmouth East is a good example of a partner school achieving immediate results.

Portsmouth East 35% –39% –33% –29% –55%* –70%*

Perhaps Bob Evans, in an article published by ARC in its Appalachia magazine, best summed up the results of these projects. Bob said, "*I can't believe all this has happened. I never thought that just a few years we could encourage so many Ohio Appalachians to go to college.*"

In addition to sponsoring very successful partner school projects, OACHE has parlayed its State funds into additional dollars to address low educational attainment in the region. The ARC has been one of many public, private and not-for-profit partners in the OACHE's efforts:

1. With two ARC grants totaling $126,400, the OACHE leveraged additional grant funds from Ameritech, the Honeywell Foundation, GTE and the Ohio Board of Regents to plan and pursue implementation of a compressed-video network linking OACHE member institutions across the 29-county region. These additional grants total nearly $582,000, more than 4.5 times the original ARC investment. I am pleased to report that, with ARC as the catalyst and with the efforts of the presidents of the member institutions and OACHE staff, this project has come to fruition; this unique multi-institutional network will be operational in the fall 2000 academic year to increase access to higher education across the region.

2. In 1994 OACHE successfully competed for an Educational Opportunity Center. (A U.S. Department of Education TRIO program) This program provides assistance to low-income first generation adults in their desire to enter or reenter college.

3. With support from the Thomas L. Conlan Educational Foundation, Ameritech, and other partners, OACHE recently won a five-year, $2,060,000 Federal GEAR UP grant.

4. Something that is very exciting is the decision of the Community Colleges of Appalachia to promote OACHE-like centers. The first such center, the North Central Appalachian Center for Higher Education (NCACHE) at Bluefield State College, opened in fall 1998. And yes, the ARC financially supports these projects.

5. Following the success of the NCACHE, the ARC again stepped up to create more OACHE-like centers throughout the rest of the 13-State region. In February 2000, the governors of the 13 States, led by Governors Taft and Underwood, voted to replicate the OACHE model with the use of challenge grants. The OACHE and NCACHE have worked closely with the ARC to establish the new program and choose the first grantees, which will open their doors in fall 2000.

The ARC has demonstrated its commitment to Ohio Appalachia in other ways besides its two grants to the OACHE. ARC Federal Co-Chairman Jesse White addressed the OACHE's Second Annual Conference in 1995, and subsequently informed us that the OACHE had inspired him to stress the importance of education in the ARC Strategic Plan; as you may know, education is the #1-listed goal in the plan.

Since that time we've also been honored to have Cari Morningstar and Jack Russell address our OACHE Conferences. And the Governor's Office of Appalachia, Ohio's liaison between the ARC and the Governor of Ohio, has been an integral partner with the OACHE in conferences and other initiatives for many years.

I would like to add that the highest-ranking educator in the free world, U.S. Secretary of Education Richard Riley, traveled to Portsmouth to address the fifth annual conference. His personal participation was so uplifting to educators, and more importantly, to students of the region. It brought a loud and clear message, that children who happen to live in property poor areas are important too!

In closing, the OACHE strongly supports the ARC as a vital player in the socioeconomic development of Ohio Appalachia. Like the OACHE, the ARC's efforts go beyond providing for subsistence needs to building capacity that will enable our citizens to help themselves. As you have seen from my testimony and that of my fine colleagues who are here before you today, the needs in Ohio Appalachia are numerous and daunting. As a region and State, we certainly could not have accomplished what we have without the resources that the ARC has invested in our people and infrastructure. But much more remains to be done. As the ARC Federal Co-Chairman himself has said, we look forward to the day when the ARC will no longer be needed, but that day is not yet in sight. Until then, we have a challenging and important job ahead of us. The continued partnership of the ARC will be instrumental in helping us reach that point.

Senator Voinovich, I would like to thank you, your staff, and your colleagues for conducting this hearing and for providing me an opportunity to inform you of the OACHE, on behalf of the presidents of the ten colleges that comprise the OACHE consortium, the many educators who work so diligently to assist students along a path that will lead them from poverty, but I want to thank you especially for the children of the region.

HIDDEN VALLEY RANCH, INC.,
Bidwell, Ohio, May 6, 2000.

Mr. WAYNE F. WHITE, *Executive Director,*
Ohio Appalachian Center for Higher Education,
c/o Shawnee State University,
Portsmouth, Ohio.

DEAR MR. WHITE: The continued success of the Ohio Appalachian Center for Higher Education (OACHE) and programs like it is the only hope I see to help Appalachians and other poor rural areas out of poverty. During my lifetime, I have observed many attempts to initiate economic development and thus a better quality of life for our residents but few have proven successful! The fact is that we now need to address the extremely low level of educational attainment before we can find a path that leads to economic development for impoverished areas.

I have followed the tremendous success of OACHE and Ohio Appalachian partner schools increasing the college-going rate an average of 20 percent the first year and 34 percent during the first two years. In addition, I was pleased to learn that a pilot project in West Virginia, sponsored by the North Central Appalachian Center for Higher Education (NCACHE), increased the college-going rate over 50 percent in one year. Now this is the way to fight poverty!

I'll always have a warm spot in may heart for West Virginia. My grandfather died young and left a large family. My father, who had only been able to attend public school four years, enrolled in Rio Grande College at age 17 for six weeks then passed the examination to qualify as a teacher. He could not get a teaching job in Ohio; however, he was employed to teach in Bud, WV, where he was able to provide much-needed money for his widowed mother. That's the kind of people who live in West Virginia! One just doesn't forget good deeds like this.

Based on the success of the OACHE and NCACHE partner schools, I have decided that I want to help place the West Virginia project on solid funding. Although I have not been solicited, please accept this donation and place it in a foundation at Bluefield State College for NCACHE to sponsor $10,000 OACHE-model partner school projects. As part of this contribution I would like the following:

(1) Have these OACHE Model programs administered by Ms. Sarita Gattuso with oversight by Mr. Wayne White. I have seen the way these two individuals provide guidance and motivate educators to assist students in overcoming barriers to college. Having talented, experienced individuals who are dedicated and understand the challenges of disadvantaged students is critical to the success of the program.

(2) I suggest the Board of Directors include the President of Bluefield State College, the Governor of West Virginia or his/her representative, a school teacher, a guidance counselor and a school administrator.

Once I receive verification that sufficient funding has been secured to operate and administer the West Virginia center for a minimum of three years, NCACHE is free to award these dollars to partner schools in West Virginia using the normal OACHE/NCACHE competitive process. If such verification is not confirmed my expectation would be to have the donation returned to me in full.

It is my hope that a National Center also be established at Bluefield State College so students in other areas of this country can have an opportunity to reach their potential. I am confident funders from foundations, business, industry, individuals and government will also be interested in giving students in high-poverty areas an opportunity to succeed.

Unfortunately, children from these areas have been told for too long that they are somewhat less intelligent and a lot less motivated. Although these children do face additional barriers which result in low-educational attainment, OACHE has clearly demonstrated these barriers can be overcome.

I am so please to see our kids have a chance to succeed. They are proud, hard-working, honest individuals and they too deserve a chance to participate in the economic growth our country is experiencing.

Sincerely,

BOB EVANS.

ARC's mission is to be an advocate for and partner with the people of Appalachia to create opportunities for self-sustaining economic development and improved quality of life.

Goal 1.—Appalachian residents will have the skills and knowledge necessary to compete in the world economy in the 21st century.

Goal 2.—Appalachian communities will have the physical infrastructure necessary for self-sustaining economic development and improved quality of life.

Goal 3.—The people and organizations of Appalachia will have the vision and capacity to mobilize and work together for sustained economic progress and improvement of their communities.

Goal 4.—Appalachian residents will have access to financial and technical resources to help build dynamic and self-sustaining local economies.

Goal 5.—Appalachian residents will have access to affordable, quality health care.

Table 1.—Ratio of Total Results per Public Dollar for Non-Residential Economic Development Projects

	Project impact	Ratio per ARC dollar	Ratio per public dollar
Total Private Investment	$3.075 billion	107:1	29:1
Jobs:			
New Jobs: Direct	23,377	$1,222/job	$4,574/job
New Jobs: Total	44,331	$ 645/job	$2,412/job
Total New and Retained Jobs	60,178	$ 470/job	$1,761/job
Income:			
From New Jobs: Direct	$ 577 million	20:1	5.4:1
From New Jobs: Total	$ 950 million	33:1	8.9:1

Note: All ratios are based on non-residential project funding: ARC $28.6 million, total public $106.9 million; see text for important limitations on interpretations of these ratios

STATEMENT OF ROGER W. MCCAULEY, EXECUTIVE DIRECTOR, CORPORATION FOR OHIO APPALACHIAN DEVELOPMENT (COAD)

Dear Chairman Voinovich and Members of the Committee: I am pleased to submit this written testimony to your Committee on the Appalachian Regional Commission. The Corporation for Ohio Appalachian Development (COAD) is private, non-profit community-based organization serving rural, mostly Appalachian, counties in eastern and southern Ohio. It is comprised of seventeen Community Action Agencies that serve a 30-county service area. COAD's mission is to provide a unified voice and representation for its member agencies and the constituencies that they serve, primarily low-income families, children and the elderly.

Throughout its 29-year history, COAD and its member agencies and the communities they serve, have benefited from the resources and assistance provided by the Appalachian Regional Commission. Let me site you two recent examples:

PROJECT GOOD START

The Appalachian Regional Commission supported Project Good START (Small Town Assessment and Readiness Techniques), from December 1996 through January 1998, with a modest $52,800 grant under the ARC Regional Initiatives Program. Project Good Start set into motion events that are still reaping rewards today. As Congress had intended, ARC funds acted as a catalyst for Federal agency programming and financial support that continues to this day.

Project Good START, as part of the Ohio Rural Enterprise Project, is currently funded by the U.S. Department of Agriculture's Rural Development. After five years of operation, the program has provided community strategic planning and economic development support in forty communities throughout rural Ohio, with twenty of those communities in Appalachian Ohio. (See attached map of Project Good START communities in Appalachia Ohio.)

During the eighteen months of ARC funding, Project Good START worked in eight communities. For example, in nearby Glouster and Albany, both in Athens County, each community is benefiting from the activities (community-wide surveys, goal setting, and small business support groups) that were undertaken nearly three years ago. Both of these villages now have community festivals that grew out of food or crop industries that have enjoyed success in these supportive community environments. The festivals literally grew from the need of new entrepreneurs to bring focus and recognition to their products. In Glouster the community supported the newly relocated, but local, Frog Ranch Salsa Company, and the Good START Committee helped to form a community festival committee with the support and encouragement of Frog Ranch Salsa. The result is the first Ohio Chili Pepper Festival.

In Albany, on the other side of Athens County, a similar circumstance has supported the development of an unusual crop, the native pawpaw fruit. Local entrepreneur Chris Chmiel has developed a thriving pawpaw business that is not only a nursery to propagate the distribution of the fruit tree, but also develops and sells numerous products from the fruit. Chris became a member of the Good START Committee in Albany, now known as the Albany Business and Community Development Committee, and encouraged the community support of a Pawpaw Festival. The first year was a great success, even attracting outside interest from Beffer Homes and Gardens Magazine, and the Washington Post. The Good START process in Albany also sparked the development of a local Chamber of Commerce.

The communities that have participated in the Good START process constantly refer to the effort as a catalyst" for renewal, as an "organizing" influence, and as a "road map" for community-based improvement activities.

APPALACHIAN LEADERSHIP ACADEMY

The Appalachian Leadership Academy (ALA) is a hands-on training program to help prepare middle management employees for leadership positions within their agencies and communities. ALA's curriculum provides leadership and skill building opportunities to professionals in local governments and non-profit organizations throughout Ohio's Appalachian region. The Academy's goals are:

- Build leadership skills and organizational capacity within institutions that serve the region,
- Equip the region's future leaders with the skills necessary to guide Ohio Appalachia through change and into the future,
- Motivate future leaders to think strategically about the region,
- Deepen the knowledge and understanding of the history, opportunities, resources, strengths, and challenges of the Appalachian Ohio region.

The Academy received initial funding from the Appalachian Regional Commission during its research and design phase. Working in collaboration with the Institute for Local Government Administration and Rural Development at Ohio University, the Academy's curriculum and program content were developed based on surveys and information from agency directors and local government officials. The curriculum is based on five core competencies including self-knowledge, visioning, human resource management, effective communication and effective management. The curriculum is delivered through interactive II learning sessions, small group work, individual class work and homeworkassignments, site visits, teambuilding exercises, lectures, mentoring and individual or group projects during the 12-month program.

The Appalachian Regional Commission also provided second year funding to support the implementation of the Academy's program to the charter class of 36 mid-level managers of community action agencies. This first class is scheduled to graduate later this month.

As a result of the initial 2-year funding from the Appalachian Regional Commission which ends this fall, COAD has been able to leverage other Federal and State funds for on-going support. The current State budget includes an appropriation of $75,000 per year for the program. The Academy's second class, which begins this September, includes representatives of local governments, local school districts, colleges and universities, health care organizations, economic development organizations and other non-profit organizations.

SUMMARY

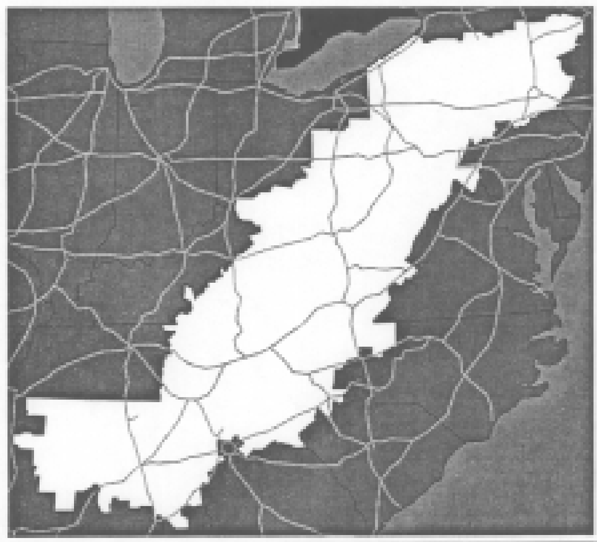
Both of these projects are examples of the Commission's commitment to civic *capacity and leadership*——

> "The people and organizations of Appalachia will have the vision and capacity to mobilize and work together for sustained economic progress and improvement of their communities"

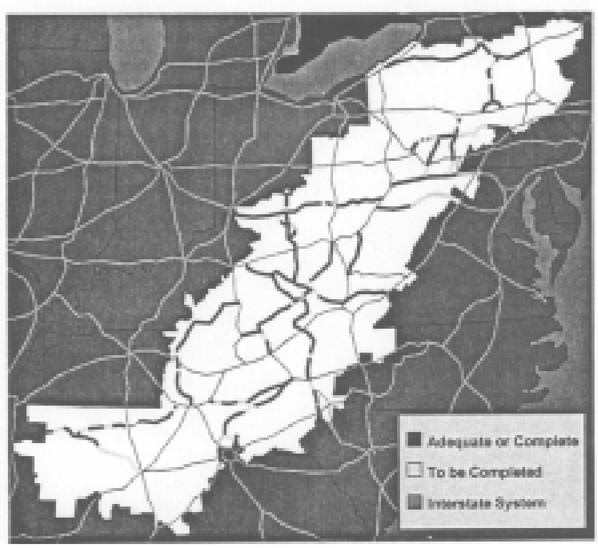
Although the Commission's financial commitment to the two projects was relatively small in comparison to the costs of other projects such as infrastructure and highways, the long-term impact will be just as important to the region's future growth and development. Leadership development and civic capacity are critical to a community's economic viability and stability. The Appalachian Regional Commission should be commended for its investment in these types of activities.

Thank you, again, for allowing me to submit this written testimony. If further information or clarification is needed, please contact me directly.

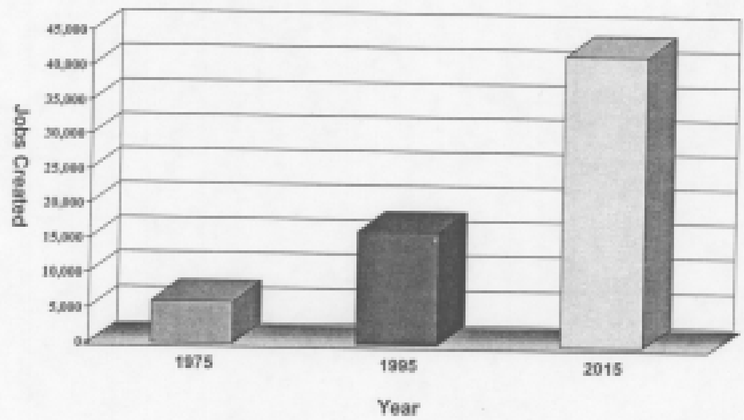
Interstates



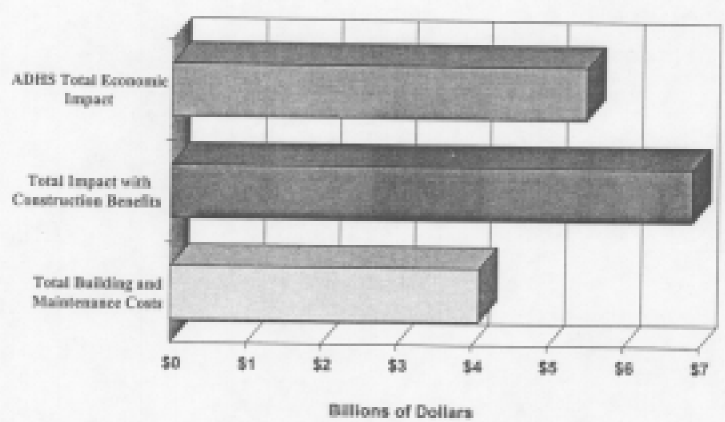
Appalachian Development Highway System



The ADHS is Helping Create Jobs in Many Sectors



ADHS Benefits Exceed Costs



OVERVIEW OF OHIO DISTRESSED COUNTRIES

This brief report presents an overview of the basic socioeconomic and demographic conditions of Ohio's counties, with details provided in the attached tables. Table summarizes the data used for the FY 2000 county-level economic designations. In FY 2000 there are 9 distressed counties, and 19 transitional counties, and one competitive county in Ohio.

Demographic features: a few key points emerge about Ohio's distressed counties.

- Only on distressed county (Monroe) experienced a population decline since 1990, but this was relatively small (−140); in contrast two transitional counties experienced larger declines (Belmont with −1,899, and Jefferson with −5,700).
- In 1998, four distressed counties had populations between 10,000 and 25,000, including Meigs (24,006), Monroe (15,357), Morgan (14,536), Vinton (12,158) and five counties with populations greater than 25,000, including Adams (28,587), Athens (61,490), Gallia (33,422), Pike (27,775), and Scioto (80,355).
- *Only two counties have been persistently distressed* since 1988, as shown in Table 2 which presents a history of distress status since 1988 (Adams and Pike).
- Six counties entered distressed status during the mid-1990's (Athens, Meigs, Monroe, Morgan, Scioto, and Vinton), and Gallia County has entered distressed status after a decade of being classed transitional.
- Urban-Rural Characteristics:
  - Two counties have urban populations of 20,000 or more and are adjacent to a metro area (code 4, Table 1);
  - Four counties are adjacent to a metro area with urban populations of 2,500 to 19,999 (code 6);
  - One county is not adjacent to a metro area with urban populations of 2,500 to 19,999 (code 7);
  - One county is completely rural with an urban populations of less than 2,500, but is adjacent to a metro county (code 8);
  - One county is completely rural with an urban populations of less than 2,500, but is not adjacent to a metro county (code 9);

GOAL 1.—EDUCATIONAL ATTAINMENT

Educational attainment rates within Ohio's Appalachian counties are shown in Table 3 of the attachments.

- Two of the distressed counties have relatively high educational achievement rates, with double-digit college completion percentages, and high school completion percentages above 64 percent (Athens and Gallia). Athens has the highest college completion rate (23 percent), but his is largely due to the presence of Ohio University.
- None of the distressed counties had high school completion rates below 50 percent.
- The other seven counties registered high school completion rates between 58 percent and 72 percent—all below the national average of 75 percent.

GOAL 2.—INFRASTRUCTURE

Measures of Infrastructure needs are based on the 1999 LDD survey which provides some detail on water and sewer service, public access telecommunications facilities, and the extent of industrial parks and business incubators within each county.

Public Water System

The percent of households served by public water systems in distressed counties broke into three groups:

- 6 distressed counties had 75 percent or more of their households served by a public system;
- 2 distressed counties had between 51 percent and 74 percent of households served by a public water system;
- 1 distressed county had 50 percent or less of their households served by a public system.

Public Waste Water System

The percent of households served by public water systems in distressed counties broke into three groups:

- None of the distressed counties had 75 percent or more of the households served by a public wastewater system;
- 1 had between 51 percent and 74 percent of households served by a public wastewater system;

• 8 other distressed counties had 50 percent or less of their households served by a public wastewater system.

• These data indicate a high reliance on private septic systems in over half the counties, and probably a high incidence of poorly treated or untreated residential waste water.

Industrial park development is found in seven of the distressed counties, but *business incubators* are located in only one of the distressed counties (Athens).

Public access telecommunications facilities: Seven of Appalachian Ohio's distressed counties have public access telecommunications facilities, while public access facilities are not found in Meigs and Monroe counties.

GOAL 3.—COMMUNITY LEADERSHIP

The 1998 LDD survey indicates the presence of a leadership program in 5 of the 9 distressed counties (those without are Adams, Athens, Meigs, and Monore).

GOAL 4.—DYNAMIC LOCAL ECONOMIES

An economic profile of the local economies of each of the distressed counties is provided in Table 4 which shows the major employment sectors by county and industry based on 1996 data. The Table also details how a county's employment share in a particular industry compares to national employment share in the industry in question (as measured by the "location quotient" or LQ). Generally Table 4 identifies those industries with high employment shares and LQs that are greater than 1.5.

Several findings are evident from the county-level employment data.

Manufacturing sectors are important for 3 of the 9 distress counties, accounting for over 20 percent of private, non-farm, employment in Monroe, Morgan, Pike, and Vinton. Monroe is the most manufacturing dependent with primary metals being the dominant industry. Pike is dominated by chemicals, Morgan has a fairly diverse manufacturing base, while Vinton has a large presence of chemicals, and lumber and wood products.

Coal mining employment is a major employer in only Meigs, and has a smaller presence in Monroe and Vinton.

Lumber and Wood Products The lumber and wood products industry has a presence in 7 of the distressed counties, and 5 counties have over 250 jobs in these industries (Adams, Morgan, Pike, Scioto and Vinton), with Pike (1946), and Adams (456) being the largest employers.

Apparel and Textiles The apparel and textiles industries has a small presence in Adams and Athens.

Health services is very important in Ohio's distressed counties, as seven of the nine distressed counties (Adams, Athens, Gallia, Meigs, Morgan, Scioto and Vinton) have 10 percent or more of their private non-farm employment in health-related activities. Health services is the largest private employment sector in Adams, Gallia, and Scioto (which has the largest workforce by far with 4,000 health service workers, inclusive of doctors).

Retail is very important in Adams, Athens and Scioto, suggesting that these counties may supply surrounding counties with much of the diversity of retail goods and services

Farming (not shown in Table 4), is only significant in Adams county. The high dependency on farming raises a questions about what strategies have been adopted by local development efforts to cultivate "value-added" business related to these counties farming specialties.

Diversified Economies. A couple of these distressed counties have fairly diversified economies, with a good mix of manufacturing sectors, service sectors, finance, and retail employment, particularly in Adams, and Scioto.

Table 1.—Appalachian Counties' Economic and Demographic Status

County	State	Econ Status FY2000	Unemploy-ment Rate 1995–97 (percent)	Per Capita Market Income 1996 (dol-lar)	Poverty Rate 1990 (percent)	Population 1998	Pop change since 1990	Metro99	Urban-Ruarl Code 0–9
Adams	Ohio	1	12.0	8,881	28.5	28,587	3,216	non-metro	6
Athens	Ohio	1	5.4	11,082	28.7	61,490	1,941	non-metro	4
Belmont	Ohio	2	7.1	12,472	17.4	69,175	−1,899	metro	3
Brown	Ohio	2	5.8	13,755	14.2	40,795	5,829	metro	1
Carroll	Ohio	2	5.1	13,906	11.7	29,095	2,574	metro	2
Clermont	Ohio	3	4.3	18,135	8.7	175,960	25,793	metro	0
Columbiana	Ohio	2	5.8	13,780	15.9	111,521	3,245	metro	2
Coshocton	Ohio	2	6.0	14,157	13.2	36,115	688	non-metro	6
Gallia	Ohio	1	8.6	11,455	22.5	33,422	2,468	non-metro	6
Guernsey	Ohio	2	8.0	11,181	17.5	40,994	1,970	non-metro	7
Harrison	Ohio	2	7.8	10,330	19.7	16,097	12	non-metro	6
Highland	Ohio	2	6.2	12,134	16.5	40,364	4,636	non-metro	6
Hocking	Ohio	2	6.8	12,666	15.7	29,004	3,471	non-metro	6
Holmes	Ohio	2	3.4	13,263	17.2	37,841	4,992	non-metro	7
Jackson	Ohio	2	7.7	11,268	24.2	32,563	2,333	non-metro	7
Jefferson	Ohio	2	10.0	13,211	17.1	74,558	−5,740	metro	3
Lawrence	Ohio	2	6.5	10,690	23.5	64,427	2,593	metro	2
Meigs	Ohio	1	10.8	9,568	26.0	24,006	1,019	non-metro	6
Monroe	Ohio	1	10.2	11,726	21.5	15,357	−140	non-metro	6
Morgan	Ohio	1	13.4	10,992	21.2	14,536	342	non-metro	8
Muskingum	Ohio	2	7.5	14,781	14.7	84,470	2,402	non-metro	4
Noble	Ohio	2	7.5	11,302	16.4	12,343	1,007	non-metro	8
Perry	Ohio	2	8.3	10,202	19.1	34,290	2,733	non-metro	7
Pike	Ohio	1	9.0	10,997	26.6	27,775	3,526	non-metro	6
Ross	Ohio	2	5.9	13,807	17.7	75,473	6,143	non-metro	4
Scioto	Ohio	1	9.8	10,942	25.8	80,355	28	non-metro	4
Tuscarawas	Ohio	2	5.4	15,319	11.1	88,608	4,518	non-metro	4
Vinton	Ohio	1	11.2	10,159	23.6	12,158	1,060	non-metro	9
Washington	Ohio	2	6.2	15,212	13.7	63,413	1,159	metro	3

Table 2.—Designation of County Economic Status in the Appalachian Region, FY1988–FY2000

County	State	FY1988	FY1989	FY1990	FY1991	FY1992	FY1993	FY1994	FY1995	FY1996	FY1997	FY1998	FY1999	FY2000
Adams	OH	1	1	1	1	1	1	1	1	1	1	1	1	1
Athens	OH	2	2	2	2	2	2	1	1	1	1	1	1	1
Belmont	OH	2	2	2	2	2	2	2	2	2	2	2	2	2
Brown	OH	2	2	2	2	2	2	2	2	2	2	2	2	2
Carroll	OH	2	2	2	2	2	2	2	2	2	2	2	2	2
Clermont	OH	2	2	2	2	2	3	3	3	3	3	3	3	3
Columbiana	OH	2	2	2	2	2	2	2	2	2	2	2	2	2
Coshocton	OH	2	2	2	2	2	2	2	2	2	2	2	2	2
Gallia	OH	2	2	2	2	2	2	2	2	2	2	2	1	1
Guernsey	OH	2	2	2	2	2	2	2	2	2	2	2	2	2
Harrison	OH	2	2	2	2	2	1	1	1	1	2	2	2	2
Highland	OH	2	2	2	2	2	2	2	2	2	2	2	2	2
Hocking	OH	2	2	2	2	2	2	2	2	2	2	2	2	2
Holmes	OH	2	2	2	2	2	2	2	2	2	2	2	2	2
Jackson	OH	2	2	2	2	2	2	2	2	2	2	2	2	2
Jefferson	OH	2	2	2	2	2	2	2	2	2	2	2	2	2
Lawrence	OH	2	2	2	2	2	2	2	2	2	2	2	2	2
Meigs	OH	2	2	2	2	2	2	1	1	1	1	1	1	1
Monroe	OH	2	2	2	2	2	1	1	1	1	1	1	1	1
Morgan	OH	2	2	2	2	2	2	1	1	1	1	1	1	1
Muskingum	OH	2	2	2	2	2	2	2	2	2	2	2	2	2
Noble	OH	2	2	2	2	2	2	2	2	2	2	2	2	2
Perry	OH	2	2	2	2	2	2	1	1	1	2	2	2	2
Pike	OH	1	1	1	1	1	1	1	1	1	1	1	1	1
Ross	OH	2	2	2	2	2	2	2	2	2	2	2	2	2
Scioto	OH	2	2	2	2	2	1	1	1	1	1	1	1	1
Tuscarawas	OH	2	2	2	2	2	2	2	2	2	2	2	2	2
Vinton	OH	2	2	2	2	2	1	1	1	1	1	1	1	1
Washington	OH	2	2	2	2	2	2	2	2	2	2	2	2	2

Tabel 3.—Educational Attainment in Appalachian Counties based on the 1990 Census

State	County	FY2000 EC Level	Population 25 Yrs +	8th Grade Completed	Total Number HS Grads	Completed High School (percent)	Associate Degree	Total Number College Grads	Completed College (percent)	HS Dropouts	Dropouts (percent)
OH	Adams	1	15,569	3,226	9,090	58.4%	549	812	5.2%	6,479	41.6%
OH	Athens	1	30,179	2,455	22,517	74.6	1,732	7,065	23.4	7,662	25.4
OH	Belmont	2	48,645	5,637	35,191	72.3	2,496	4,391	9.0	13,454	27.7
OH	Brown	2	21,769	3,076	14,130	64.9	875	1,614	7.4	7,639	35.1
OH	Carroll	2	17,124	1,627	12,248	71.5	591	1,348	7.9	4,876	28.5
OH	Clermont	3	91,613	8,826	66,679	72.8	4,772	13,266	14.5	24,934	27.2
OH	Columbiana	2	70,249	6,847	50,439	71.8	3,198	5,998	8.5	19,810	28.2
OH	Coshocton	2	22,878	2,450	16,319	71.3	809	1,863	8.1	6,559	28.7
OH	Gallia	1	19,586	3,235	12,570	64.2	795	2,130	10.9	7,016	35.8
OH	Guernsey	2	25,188	2,462	17,974	71.4	1,082	2,322	9.2	7,214	28.6
OH	Harrison	2	10,726	1,182	7,482	69.8	382	750	7.0	3,244	30.2
OH	Highland	2	22,784	3,018	15,147	66.5	929	1,876	8.2	7,637	33.5
OH	Hocking	2	16,368	1,659	11,105	67.8	771	1,333	8.1	5,263	32.2
OH	Holmes	2	17,780	5,863	8,341	46.9	489	1,170	6.6	9,439	53.1
OH	Jackson	2	19,136	3,042	11,650	60.9	598	1,504	7.9	7,486	39.1
OH	Jefferson	2	54,294	5,766	39,026	71.9	2,713	4,803	8.8	15,268	28.1
OH	Lawrence	2	39,219	5,180	25,837	65.9	1,553	3,235	8.2	13,382	34.1
OH	Meigs	1	14,772	2,258	9,458	64.0	651	1,074	7.3	5,314	36.0
OH	Monroe	1	10,196	1,453	7,081	69.4	383	689	6.8	3,115	30.6
OH	Morgan	1	8,980	963	6,428	71.6	360	662	7.4	2,552	28.4
OH	Muskingum	2	51,692	4,977	36,774	71.1	2,722	5,199	10.1	14,918	28.9
OH	Noble	2	7,235	673	5,054	69.9	237	403	5.6	2,181	30.1
OH	Perry	2	19,411	2,028	13,307	68.6	832	1,130	5.8	6,104	31.4
OH	Pike	1	15,099	2,719	9,176	60.8	678	1,201	8.0	5,923	39.2
OH	Ross	2	45,531	4,821	30,770	67.6	2,220	4,207	9.2	14,761	32.4
OH	Scioto	1	51,585	8,456	32,889	63.8	2,727	4,380	8.5	18,696	36.2
OH	Tuscarawas	2	55,192	5,563	39,693	71.9	2,235	4,986	9.0	15,499	28.1
OH	Vinton	1	6,963	1,147	4,087	58.7	215	336	4.8	2,876	41.3
OH	Washington	2	40,411	3,214	31,321	77.5	2,336	5,346	13.2	9,090	22.5

Table 4.—Economic Base Analysis

SIC	Industry	Sector	Jobs(96)	Percent of Emp	LQ
	Adams, Ohio, FIPS Code: 39001, Distressed Status: 1				
8000	Health services	SER	598	14.9%	1.38
5800	Eating and drinking places	RET	463	11.5	1.59
2400	Lumber and wood products	MFG	456	11.3	15.83
5400	Food stores	RET	306	7.6	2.36
5500	Automotive dealers & Service Stations	RET	224	5.6	2.51
5300	General merchandise stores	RET	164	4.1	1.84
5900	Miscellaneous retail	RET	157	3.9	1.51
3700	Transportation equipment	MFG	154	3.8	2.57
3500	Industrial machinery and equipment	MFG	146	3.6	1.93
8300	Social services	SER	143	3.6	1.58
0700	Agricultural services	AFF	87	2.2	3.52
1400	Nonmetallic minerals, except fuels	MIN	76	1.9	19.16
2300	Apparel and other textile products	MFG	68	1.7	2.05
5200	Building materials & garden supplies	RET	64	1.6	2.12
4900	Electric, gas, and sanitary services	TPU	55	1.4	1.59
4970	Administrative and auxiliary	TPU	14	0.3	1.95
	Athens, Ohio, FIPS Code: 39009, Distressed Status: 1				
5800	Eating and drinking places	RET	1867	15.8	2.17
8000	Health services	SER	1735	14.6	1.36
5400	Food stores	RET	750	6.3	1.96
5900	Miscellaneous retail	RET	646	5.5	2.11
8300	Social services	SER	543	4.6	2.03
6500	Real estate	FIR	467	3.9	2.83
3100	Leather and leather products	MFG	333	2.8	33.21
2300	Apparel and other textile products	MFG	333	2.8	3.41
2700	Printing and publishing	MFG	296	2.5	1.71
4900	Electric, gas, and sanitary services	TPU	192	1.6	1.88
5200	Building materials & garden supplies	TPU	153	1.3	1.72
3900	Miscellaneous manufacturing industries	MFG	149	1.3	3.28
0800	Forestry	AFF	7	0.1	2.82
	Belmont, Ohio, FIPS Code: 39013, Distressed Status: 2				
8000	Health services	SER	3288	18.5	1.72
5800	Eating and drinking places	RET	1905	10.7	1.48
5400	Food stores	RET	1241	7.0	2.16
5300	General merchandise stores	RET	1083	6.1	2.76
5500	Automotive dealers & service stations	RET	640	3.6	1.62
3400	Fabricated metal products	MFG	600	3.4	2.36
1200	Coal mining	MIN	545	3.1	33.20
5600	Apparel and accessory stores	RET	349	2.0	1.90
2300	Apparel and other textile products	MFG	317	1.8	2.16
5700	Furniture and home furnishings stores	RET	287	1.6	1.88
4900	Electric, gas, and sanitary services	TPU	247	1.4	1.62
	Gallia, Ohio, FIPS Code: 39053, Distressed Status: 1				
8000	Health services	SER	1911	21.4	1.99
4900	Electric, gas, and sanitary services	TPU	1014	11.4	13.21
3600	Electronic & other electric equipment	MFG	467	5.2	3.46
8200	Educational services	SER	405	4.5	2.20
5500	Automotive dealers & Service stations	RET	362	4.1	1.83
3700	Transportation equipment	MFG	255	2.9	1.92
5200	Building materials & garden supplies	RET	122	1.4	1.82
1200	Coal mining	MIN	60	0.7	7.27
2900	Petroleum and coal products	MFG	31	0.3	3.27
	Guernsey, Ohio, FIPS Code: 39059, Distressed Status: 2				
8000	Health services	SER	1835	15.2	1.41
3000	Rubber and misc. plastics products	MFG	987	8.2	8.37
3500	Industrial machinery and equipment	MFG	454	3.8	2.00
3600	Electronic & other electric equipment	MFG	438	3.6	2.40
5500	Automotive dealers & service stations	RET	426	3.5	1.59
3400	Fabricated metal products	MFG	386	3.2	2.23

Table 4.—Economic Base Analysis—Continued

SIC	Industry	Sector	Jobs(96)	Percent of Emp	LQ
3200	Stone, Clay, and glass products	MFG	305	2.5	5.21
2800	Chemicals and allied products	MFG	268	2.2	2.72
4900	Electric, gas, and sanitary services	TPU	236	2.0	2.27
1200	Coal mining	MIN	223	1.8	19.97
1600	Heavy construction, ex. building	CON	169	1.4	2.01
2600	Paper and allied products	MFG	127	1.1	1.72
1300	Oil and gas extraction	MIN	80	0.7	2.63
6700	Holding and other investment offices	FIR	68	0.6	1.90
	Harrison, Ohio, FIPS Code: 39067, Distressed Status: 2				
8000	Health services	SER	427	15.1	1.41
2400	Lumber and wood products	MFG	386	13.7	19.09
1200	Coal mining	MIN	272	9.6	04.3
5000	Wholesale trade-durable goods	WHL	189	6.7	1.83
5400	Food stores	RET	151	5.4	1.66
2700	Printing and publishing	MFG	131	4.6	3.18
3500	Industrial machinery and equipment	MFG	96	3.4	1.81
6500	Real estate	FIR	91	3.2	2.32
3200	Stone, clay, and glass products	MFG	50	1.8	3.66
4400	Water transportation	TPU	14	0.5	3.02
0800	Forestry	AFF	2	0.1	3.39
	Jackson, Ohio, FIPS Code: 39079, Distressed Status: 2				
2000	Food and kindred products	MFG	1841	18.3	12.16
6100	Nondepository institutions	FIR	846	8.4	15.96
3000	Rubber and misc. plastics products	MFG	531	5.3	5.42
6000	Depository institutions	FIR	497	5.0	2.46
2400	Lumber and wood products	MFG	474	4.7	6.59
5500	Automotive dealers & service stations	RET	383	3.8	1.72
3300	Primary metal industries	MFG	211	2.1	3.14
3200	Stone, clay, and glass products	MFG	178	1.8	3.66
2300	Apparel and other textile products	MFG	158	1.6	1.91
1200	Coal mining	MIN	147	1.5	15.85
1400	Nonmetallic minerals, except fuels	MIN	29	0.3	2.93
	Jefferson, Ohio, FIPS Code: 39081, Distressed Status: 2				
8000	Health services	SER	3363	15.3	1.42
3300	Primary metal industries	MFG	3331	15.1	22.65
8200	Educational services	SER	1290	5.9	2.85
5400	Food stores	RET	1232	5.6	1.73
4900	Electric, gas, and sanitary services	TPU	1111	5.1	5.88
5300	General merchandise stores	RET	737	3.4	1.51
8600	Membership organizations	SER	735	3.3	1.54
7200	Personal services	SER	503	2.3	1.81
1200	Coal mining	MIN	73	0.3	3.59
0800	Forestry	AFF	8	0.0	1.74
	Meigs, Ohio, FIPS Code: 39105, Distressed Status: 1				
1200	Coal mining	MIN	772	24.2	61.5
8000	Health services	SER	451	14.1	1.31
5400	Food stores	RET	229	7.2	2.22
5500	Automotive dealers & service stations	RET	120	3.8	1.69
1500	General contractors and operative builder	CON	72	2.3	1.84
1300	Oil and gas extraction	MIN	55	1.7	6.85
5200	Building materials & garden supplies	RET	42	1.3	1.75
2400	Lumber and wood products	MFG	36	1.1	1.57
1400	Nonmetallic minerals, except fuels	MIN	34	1.1	10.79
4400	Water transportation	TPU	8	0.3	1.52
	Monroe, Ohio, FIPS Code: 39111, Distressed Status: 1				
3300	Primary metal industries	MFG	2340	54.9	82.12
1200	Coal mining	MIN	335	7.9	85.06
3990	Administrative and auxiliary	MFG	100	2.3	1.77
2400	Lumber and wood products	MFG	67	1.6	2.19
1400	Nonmetallic minerals, except fuels	MIN	9	0.2	2.14

Table 4.—Economic Base Analysis—Continued

SIC	Industry	Sector	Jobs(96)	Percent of Emp	LQ
	Morgan, Ohio, FIPS Code: 39115, Distressed Status: 1				
2400	Lumber and wood products	MFG	352	16.1	22.40
8000	Health services	SER	327	14.9	1.39
3500	Industrial machinery and equipment	MFG	324	14.8	7.86
3400	Fabricated metal products	MFG	142	6.5	4.53
5400	Food stores	RET	131	6.0	1.85
5500	Automotive dealers & service stations	RET	91	4.1	1.87
6000	Depository institutions	FIR	76	3.5	1.72
1600	Heavy construction, ex. building	CON	40	1.8	2.63
2500	Furniture and fixtures	MFG	20	0.9	1.87
1400	Nonmetallic minerals, except fuels	MIN	17	0.8	7.86
	Perry, Ohio, FIPS Code: 39127, Distressed Status: 1				
3300	Primary metal industries	MFG	665	14.8	22.1
8000	Health services	SER	581	12.9	1.20
3200	Stone, clay, and glass products	MFG	474	10.5	21.74
5400	Food stores	RET	251	5.6	1.73
3500	Industrial machinery and equipment	MFG	233	5.2	2.76
8300	Social services	SER	187	4.2	1.84
8600	Membership organizations	SER	156	3.5	1.60
5500	Automotive dealers & service stations	RET	155	3.4	1.55
1300	Oil and gas extraction	MIN	116	2.6	10.26
5200	Building materials & garden supplies	RET	55	1.2	1.63
1400	Nonmetallic minerals, except fuels	MIN	46	1.0	10.36
1200	Coal mining	MIN	37	0.8	8.90
2900	Petroleum and coal products	MFG	16	0.4	3.35
	Pike, Ohio, FIPS Code: 39131, Distressed Status: 1				
2800	Chemicals and allied products	MFG	2500	30.0	36.78
2400	Lumber and wood products	MFG	1946	23.3	32.57
8300	Social services	SER	331	4.0	1.76
	Scioto, Ohio, FIPS Code: 39145, Distressed Status: 1				
8000	Health services	SER	4180	23.4	2.18
5800	Eating and drinking places	RET	2264	12.7	1.75
5400	Food stores	RET	1037	5.8	1.80
5500	Automotive dealers & service stations	RET	719	4.0	1.81
5300	General merchandise stores	RET	678	3.8	1.71
8300	Social services	SER	653	3.7	1.62
3300	Primary metal industries	MFG	621	3.5	5.20
7200	Personal services	SER	355	2.0	1.57
2200	Textile mill products	MFG	325	1.8	3.19
3200	Stone, clay, and glass products	MFG	282	1.6	3.25
2400	Lumber and wood products	MFG	250	1.4	1.95
4100	Local and interurban passenger transit	TPU	152	0.9	2.07
	Vinton, Ohio, FIPS Code: 39163, Distressed Status: 1				
2400	Lumber and wood products	MFG	387	23.5	32.75
2800	Chemicals and allied products	MFG	289	17.5	21.50
8000	Health services	SER	173	10.5	0.98
5400	Food stores	RET	117	7.1	2.20
4200	Trucking and warehousing	TPU	112	6.8	3.75
1200	Coal mining	MIN	110	6.7	72.17
6000	Depository institutions	FIR	70	4.2	2.10
4100	Local and interurban passenger transit	TPU	26	1.6	3.84
5200	Building materials & garden supplies	RET	26	1.6	2.10
6700	Holding and other investment offices	FIR	11	0.7	2.25

STATUS OF CORRIDORS IN OHIO

APPALACHIAN DEVELOPMENT HIGHWAY SYSTEM (ADHS) OHIO CORRIDORS AS OF SEPTEMBER 30, 1999

Summary

Total Number of ADHS Miles	303.6 miles
Number of ADHS Miles Eligible for Funding	201.7 miles
Number of ADHS Miles Open to Traffic	161.6 miles
Miles Remaining to be Completed	40.1 miles
Total ADHS-Funded Obligations (Federal and State)	$274.4 million
Estimated Cost to Complete, Federal and State Funds (as of September 30, 1996)	$391.8 million
Corridor B	$204.8 million
Corridor B1	complete
Corridor C	$58.0 million
Corridor C1	added since the 1997 Cost Estimate
Corridor D	$129.0 million

FEDERAL FUNDING FOR OHIO CORRIDORS IN FISCAL YEAR 1999

In fiscal year 1999 Ohio was apportioned $22,008,205 from TEA–21 for use on their ADHS Corridors. In addition, Ohio received $1,125,000 in Demonstration Funds from Section 1602 of TEA–21, ($562,500 for Corridor B and $562,500 for Corridor C1).

FISCAL YEAR 1999 OBLIGATIONS

During fiscal year 1999 Ohio obligated $19.4 million in TEA–21 funds on the ADHS.

FEDERAL FUNDING FOR FISCAL YEAR 2000

Ohio's TEA–21 apportionment for FY 2000 was $22,008,205. Ohio also received $1,350,000 in Demonstration Funds from Section 1602 of TEA–21 ($675,000 for Corridor B and $675,000 for Corridor C1).

STATUS OF CORRIDORS

Corridor B (State Route 253, U.S. 52, U.S. 23)

Corridor B runs from the Kentucky State line at Greenup Dam along the Ohio River around Portsmouth and northwest to Corridor C near Lucasville. The total length of the corridor is 33.6 miles.

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Authorized for Funding	26.0 miles
Open to Traffic	10.1 miles
Design & ROW Under Way	15.9 miles

Corridor B1 (U.S. 23)

Corridor B1 runs from the Kentucky State line at Portsmouth north to Corridor B. The total length of the corridor is 4.7 miles.

Authorized for Funding	0.5 miles
Open to Traffic	0.5 miles

Corridor C (U.S. 23)

Corridor C runs from its junction with Corridor B north of Portsmouth to I–270 at Columbus. The total length of the corridor is 71.7 miles.

Authorized for Funding	13.4 miles
Open to Traffic	6.0 miles
Location Studies Under Way	7.4 miles

Projects currently under way on Corridor C in Ohio include:

- Location studies of two sections, bypasses of Waverly and Ashville, on U.S. 23.

Corridor C1 (U.S. 35)

Corridor C1 runs from its junction with Corridor C at Chillicothe to its junction with Corridor D at Jackson. The total length of Corridor C1 is 24.0 miles.

Authorized for Funding	9.4 miles
Location Studies Under Way	9.4 miles

Corridor D (State Route 32, State Route 124. U.S. 50)

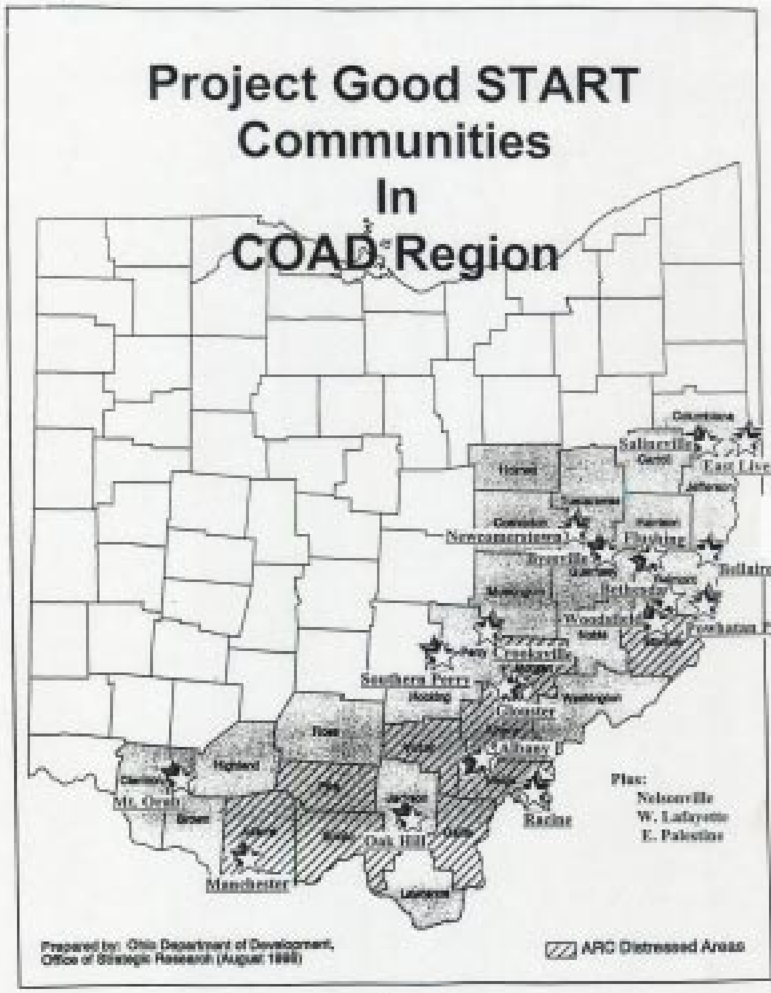
Corridor D runs from 1–275 east of Cincinnati to the West Virginia State line at Belpre and Parkersburg. The total length of the corridor is 169.6 miles.

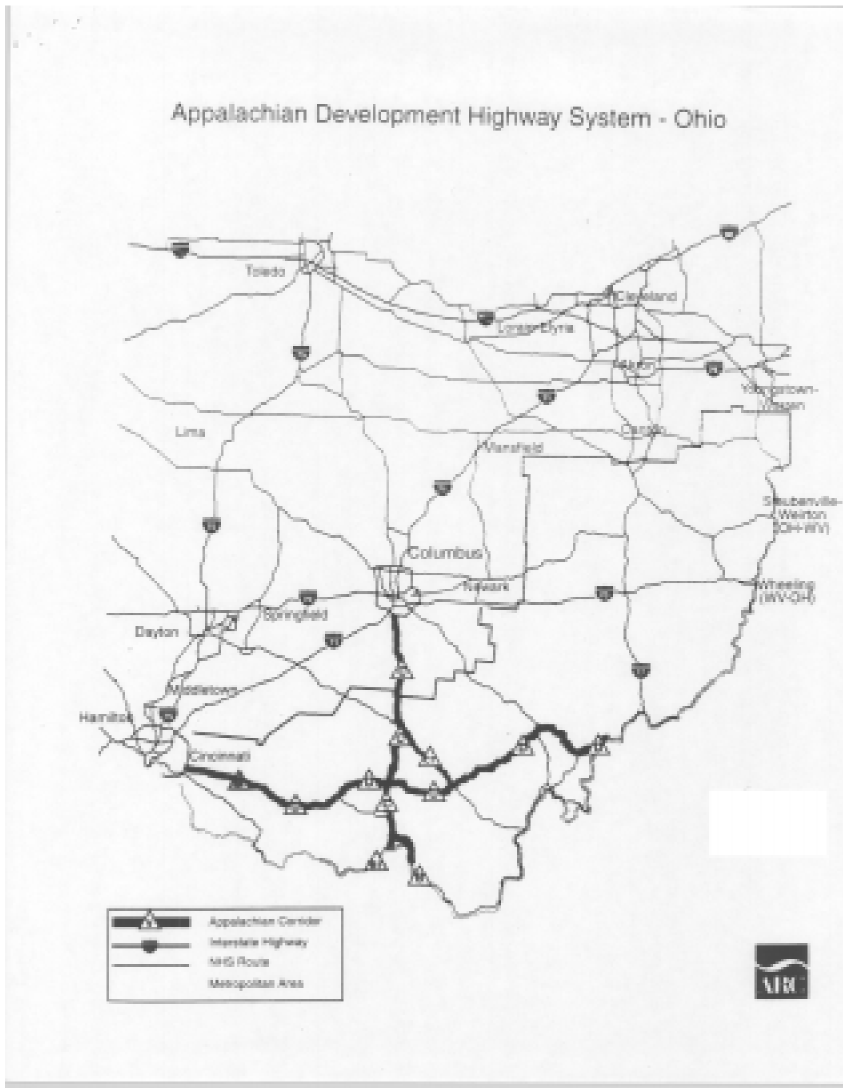
Authorized for Funding	152.3 miles
Open to Traffic	144.9 miles
Construction Under Way	6.9 miles
Location Studies Under Way	0.5 miles

Projects currently under way on Corridor D in Ohio include:

- Construction of 6.9 miles on U.S. 50/State Route 32 east of Athens.

Appalachia Ohio
ARC Distressed Areas
Criteria - 150% of U.S. unemployment rate, 150% of U.S. poverty rate, and 67% or less of U.S. per capita income.
Prepared by: Ohio Department of Development, Office of Strategic Research. (May 2000)


Project Good START
Communities
In
COAD Region
Salineville
East Liverpool
Columbiana
Carroll
Jefferson
Holmes
Coshocton
Newcomerstown
Flushing
Bellaire
Bethesda
Woodsfield
Powhatan Point
Muskingum
Noble
Perry
Crooksville
Southern Perry
Hocking
Washington
Chester
Albany
Ross
Highland
Clermont
Mt. Orab
Brown
Jackson
Oak Hill
Racine
Manchester
Lawrence
Plus:
Nelsonville
W. Lafayette
E. Palestine
Prepared by: Ohio Department of Development,
Office of Strategic Research (August 1998)
ARC Distressed Areas



STATEMENT OF HOCKING COLLEGE APPALACHIAN REGIONAL COMMISSION, NELSONVILLE, OHIO

Hocking College began as Tri-County Technical Institute in 1968. The Appalachian Regional Commission (A.R.C.) provided partial funding for the construction for the first college building. As the college outgrew the Tri-County facility, A.R.C. provided construction funding for the first, second and third phases of construction on the 250 acre site of the present campus. The funding in all of these instances was primarily for bricks and mortar with some targeted instructional laboratory equipment. This investment by A.R.C. launched Hocking College during the late 1960's and 1970's. Without the A.R.C. investment, Tri-County Technical Institute would not have had the capability to grow to meet the region's needs.

Hocking College is the largest technical college in Ohio with nearly 5000 students at the Nelsonville campus and over 1500 students at other locations throughout the region. Students attend from every county in Ohio, 30 different States and over 50 different foreign counties. The Athens, Hocking and Perry County service district is the smallest population base of any Ohio college district.

An early and continuing A.R.C. initiative is health care. The shortage of trained personnel in such basic health careers as nursing was critical. Hocking College began all of its early health education technologies with assistance from A.R.C. Today, the Hocking College nursing program has received numerous excellence awards, has the top average among schools of nursing in Ohio on passage of the State board exam and graduates more nurses than any other college in Ohio (including Ohio State University.) The Schools of Nursing and Allied Health enroll nearly 1000 students annually.

A.R.C. assisted in funding the Hocking Valley Motor Lodge in 1973. During the last week in July 2000, the student chef team of the Hocking College Culinary Institute placed second in the nation in the American Culinary Association annual competition in Nashville, Tennessee. Hocking College probably would not have had a culinary program, if A.R.C. had not built what is now the Ramada Inn. In addition to serving as the laboratory for hospitality technologies, the Inn has hosted countless events that brought people to Nelsonville and expanded the service capabilities of the college to its community.

The uniqueness of Hocking College programs has allowed it to develop as a full time residential college. Over 2000 students move to the area for residence during their school years. The economic impact of the resident and commuter (2500) students is very significant. Program uniqueness has also encouraged the college to host many annual events. The Paul Bunyan Show, hosted by the forestry technology, is the largest annual event in southeastern Ohio with an annual economic impact estimate of over $2 million.

One of the more recent A.R.C./Hocking College projects was the water and sewer lines for the Perry Campus in New Lexington. A.R.C. also provided the initial laboratory equipment for the startup of the Perry Campus. The Ohio Board of Regents does not set aside funds for new program startup. Consequently, A.R.C. assistance is critical to new program development that requires extensive laboratory investment. Once the program has enrollment, Ohio Board of Regents funding is adequate to sustain most programs. But, without A.R.C., startup costs are often a major impediment. It is important to remember that Ohio is in the bottom ⅓ of States, in terms of support for higher education. Participation rates also lag other States. Participation rates in Appalachia remains lower than the statewide average.

A.R.C. and specifically the Buckeye Hills Hocking Valley Regional Development District has provided excellent planning and economic development assistance. The goals and strategies which are constantly updated have assisted Hocking College and all agencies in the region with garnering additional private and public funds. The response and often the willing partnering of Buckeye Hills Hocking Valley Regional Development has provided the strength that individual agencies, even a State-assisted college, can't muster by themselves.

In spite of the good works, and outstanding cooperation on regional issues, A.R.C. has not led the region into uniform economic prosperity. While the evolution of economic prosperity is somewhat mystic, the tangible contributions of A.R.C. are perhaps most recognizable at places like Hocking College. Not only have thousands of Appalachian youth and adults received the very best career education, but thousands more have come to the region, contributed to it and move on because of the attraction of the programs of Hocking College. At least, part of the mystery of positive regional economics is about creating attractions i.e. attractions for commercial investment or attractions for individual investments. Individuals invest two years of their time in Nelsonville when they attend attractive programs at Hocking College.

The Hocking Valley Scenic Railroad and Robbins Crossing on the Hocking College campus attract over 30,000 visitors annually. Any enhancement that A.R.C. can provide to existing attractions will have continued long range positive economic impact. Perhaps the greatest current attraction is an available labor pool. Appalachians are known for their outstanding work ethic. The current problem is lack of technology skills. High school completion rates are low. Higher education participation is low. Investment in technical education for 18 to 30 years of age is a no brainer. This investment would be an outstanding commercial attraction. An attraction that would bring jobs and long term careers

In looking to the future of the region and reflecting on investments of the past, stewardship remains a critical force. Every investment will not pay huge economic dividends. There will be disappointments. In the long run, the investments made with eye to the permanence of their steward will have lasting value. A.R.C. for the most part has provided resources to permanent institutions of the region. This practice should continue to build the region's economy. Overall, ARC has become a key-stone in the regional economy. An economy that desperately needs to expand. Changing the keystones configuration will have a significant regional economic effect.

SOCIAL AND ECONOMIC STATUS OF APPALACHIA

POPULATION

With a population of 1.5 million (based on 1998 population estimates), Appalachia Ohio represents only 13 percent of Ohio's total population of 11.3 million. The region, however, makes up one-third of the State's total geographic area.

While the State has seen a net migration of −157,655 from 1987 to 1998, many Appalachian counties have seen positive net migration.

The following depicts counties with positive net migrations over 1,000 persons from 1987 to 1998.

Columbiana	1197
Meigs	1200
Perry	1292
Lawrence	1295
Jackson	1387
Tuscarawas	1912
Adams	2058
Hocking	2266
Carroll	2621
Pike	3598
Ross	4109
Highland	4119
Brown	4843
Clermont	16181

The following depicts counties with negative net migrations from 1987 to 1999:

Jefferson	−5411
Belmont	−1925
Holmes	−1170
Washington	−921
Scioto	−914
Muskingum	−784
Harrison	−547
Monroe	−515
Athens	−322

The remaining five counties: Coshocton, Gallia, Guernsey, Morgan, Noble and Vinton.

EDUCATION

From 1980 to 1990, the percent of high school graduates increased from 59.8 percent to 69.2 percent in Appalachia Ohio. The greatest percent increase of 12 percent occurred in both Clermont and Brown Counties. The lowest increase, 4 percent, occurred in Holmes County. To what extent the large Amish population (who traditionally does not attain education beyond the 8th grade) influenced the numbers in Holmes County is unknown. Current statistics regarding Ohio's graduation rates will not be made available until 2003, when the Census data for 1990–2000 will be distributed. In addition to the Census data, Ohio will be examining student achievement through its mandatory proficiency testing systems for 4th, 6th, 9th, and 12th grade students.

Schools within Appalachia are increasing their percentages of students attending college. Beaver Local High School in Columbiana County has increased its percentage from 48 percent in FY 1996 to 58.1 percent in FY 1999. Buckeye Local High School in Jefferson County has increased its rate from 53 percent in FY 1994 to 64 percent in FY 1999. There are several other examples of this successful increase in college-going rate. These schools have participated in an ARC-sponsored program known as the Ohio Appalachian Center for Higher Education (OACHE). Statistics are not available for the entire area at this time.

ECONOMIC

Per capita income (PCI), as an average for Ohio in 1998, totaled $26,073 and a corollary to this PCI dollar amount, the percent change from 1993 to 1998 for Ohio was nearly 20 percent. The Appalachian region had a Per capita income of $18,538 in 1998, thirty percent lower than the State's average. In 1998, the highest Appalachian PCI was in Clermont County with $24,828; the lowest was $13,564 in Noble County.

The State of Ohio's average unemployment was 4.4 percent in 1999. Such is not the case in Appalachia Ohio where only two Appalachia counties (Holmes and Clermont) fell below the State's rate in 1998. Double-digit unemployment rates were observed in Adams (10.9 percent), Meigs (10.5 percent), Morgan (13.1 percent), and Vinton (10.9 percent) counties. All four of these counties ranked in the top four in the State for their high rates.

HEALTH CARE

The three leading causes of death in both the Appalachian region and the nation are chronic heart disease, malignant neoplasm and other cardiovascular diseases. They account for 2/3 of all deaths in the region. "Of the 398 Counties (In 1994, there were only 398 counties) of the Appalachian region, 67 have an age adjusted cancer mortality rate that is lower than the U.S. mean, and 37 counties have an age adjusted rate higher than the U.S. mean. . . . Cancer is a problem of about the same magnitude in Appalachia as in the rest of the United States. The exception to this generalization is the string of counties beginning in Alabama and extending along the Cumberland Mountains from Tennessee through Kentucky and West Virginia and into Ohio and western Pennsylvania where cancer mortality rates are significantly higher than the rest of the nation". (National Institutes of Health. *Sowing Seeds in the Mountains.* Pg. 54. September 1994)

According to the Robert C. Byrd Health Sciences Center at West Virginia University in their report "Heart Disease in Appalachia," they found that for chronic heart disease mortality from 1983–1993 was consistently higher in Appalachia than the entire United States for white adults. For African American adults, there was little difference between Appalachia and the entire nation. They also reported that high rates of chronic heart disease mortality were concentrated mainly in central Appalachia counties including southern Ohio.

Many health programs are not equipped to identify mental health issues and Alcoholism, however practitioners in the region do recognize that serious problems exist in Southeastern Ohio.

According to the National Institute of Health's Appalachian Initiative on Cancer, programs designed to promote health at the community level need to be based on the recognition that the state of people's health is deeply rooted in the daily conditions of their lives.

By measuring the infant mortality rates, Ohio is able to assess one aspect of health care in its Appalachian counties. To reduce dramatic swings in rates, the data were compiled in 3-year cycles. The most recent data measuring Infant mortality rates indicate that Appalachia Ohio is fairly consistent with the region and the nation. In the three-year cycle from 1992–1994, Ohio Appalachia's rate was 8.3 percent, which was the same as the region and one-tenth of a percent above the national average. This figure, however, is deceptive in that the range of infant mortality rates among Ohio Appalachian counties vary considerably. The highest rate of 16.4 percent is found in Meigs County compared to 2.3 percent in Noble County.

Another indicator of health care in Appalachia is the number of Health Professional Shortage Areas (HPSAs). The U.S. Department of Health and Human Services designate HPSAs. The designation is indicative of a shortage of primary care physicians in a rational service area. Shortage areas are identified through analysis of physician/population ratios. Twenty-four of the 29 Appalachian counties have areas that are considered HPSAs.

TRAVEL AND TOURISM

According to a Travel Tourism Economic Impacts report by MarketVision Research, the following data was recorded for Appalachia Ohio for 1998:

Direct Employment (Jobs)	$20,580
Direct Output (Sales Receipts)	563,236,000
Direct Payroll	194,325,000
Consumer Sales Tax Receipts	26,572,000
Motor Fuel Tax	8,035,000
Personal Income Tax Receipts	6,704,000
Corporate Net Income Tax Receipts	1,152,000

Note: The 1999 report should be available in late August 2000 and will provide a clearer picture of county variations in tourism activity.

PHYSICAL INFRASTRUCTURE

The overall needs in terms of infrastructure development in Appalachia Ohio can be summarized in two broad categories: new/expansion and repair/replacement infrastructure. In terms of new/expansion infrastructure, many of Ohio Appalachia's small communities lack potable water and sanitary sewer service. This situation is more pronounced in distressed counties. Typically, these are residential needs that have a community development orientation. Often these communities face Environmental Protection Agency (EPA) findings and orders and need to make improvements for the sake of public health and safety. The job creating economic development projects typically happen in or on the fringe of municipalities. In these cases, infrastructure expansion which may include extending water, sewer, rail lines, and other inter-modal transportation systems, or water and wastewater treatment plant upgrades are needed to support the increased usage. New and/or expanded access roads are also needed to support industrial/business/commercial parks.

APPALACHIAN DEVELOPMENT HIGHWAY SYSTEM (ADHS)

In 1964, the President's Appalachian Regional Commission (PARC) reported to Congress that economic growth in Appalachia would not be possible until the Region's isolation had been overcome. Because the cost of building roads through Appalachia's mountainous terrain was high, the Region had never been served by adequate roads. Its network of narrow, winding, two-lane roads, snaking through narrow stream valleys or over mountaintops, was slow to drive, unsafe, and in many places worn out. When the Interstate system was built, large areas of Appalachia were simply bypassed, compounding the problems of the Region's troubled economy.

The PARC Report and the Appalachian governors placed top priority on a modern highway system as the key to economic development. Today the resulting Appalachian Development Highway System (ADHS') is the backbone of ARC's cooperative regional approach to problem solving and of all its other development efforts.

By mid-1965, the 13 States, working together, had mapped out most of the system; ground was broken for the first highway corridor in July 1965. Between 1965 and 1980, Congress authorized a plan for a 3,025-mile highway system combining new construction with improved existing roads.

The ADHS in Ohio as of September 30, 1999:

Total Number of ADHS Miles	303.6 miles
Number of ADHS Miles Eligible for Funding	201.7 miles
Number of ADHS Miles Open to Traffic	161.6 miles
Miles Remaining to Be Completed	40.1 miles
Estimated Cost to Complete (Federal and State Funds as of September 30, 1996)	$391.8 Million

Ohio was apportioned $22,008,205 from TEA–21 for use on the ADHS corridors for both Federal fiscal year 1999 and FY 2000. Ohio obligated $ 19.4 Million in

TEA–21 funds for FY 1999. In addition, Ohio received $1,125,000 in Demonstration Funds from Section 1602 of TEA–21, ($562,500 for Corridor B and $562,500 for Corridor C1) in FY 1999 and $1,350,000 in Demonstration Funds from Section 1602 of TEA–21 ($675,000 for Corridor B and $675,000 for Corridor C).

From 1998 to mid-1999, over 3,000 jobs had been lost or were in the process of being lost in Regions 7 and 11. Below is an updated list from 1999 through 2001.

Company	County	Jobs Lost	Status
Trinity Industries	Brown	200	Closing July 2000
Goodyear	Hocking	600	Closed October 1999
Internet	Lawrence	619	Closed March 2000
Cabletron	Lawrence	300	Closed March 1999
Allied Signal	Lawrence	48	Layoffs in May 1999
Southern Ohio Coal	Meigs	830	Tentative closure in 2001
Consol Coal	Monroe	300	Layoffs 1998; closed mid-1999
Ormet Corp.	Monroe	270	Layoffs in June 2000 (hopefully temporary)
Central Ohio Coal	Noble/Morgan	230	Layoffs in 1999 closure planned for 2000
USEC	Pike	1,900	Closure by June 2001
Kenworth/Paccar	Ross	300+	Layoffs in July or August 2000
Eramet	Washington	70	Layoffs by end of 2000
Total		5,667 Jobs.	

We calculate 5,667 direct jobs are being lost, which is over 22 percent of Total Manufacturing Employment in the 10 affected Counties. The jobs being lost are high paying (mostly union) jobs. Given that these jobs are some of the few value-added jobs in the region, they support many retail, service and government jobs (a multiplier as high as 5-to-1 for mining jobs). The effect of the loss of these jobs will be devastating to the region. Very, very few high-wage jobs are being created in the region to replace these jobs. We cannot state emphatically enough just how critical the situation is becoming in southern Ohio. We fear that when the economy turns down, the situation will deteriorate further.

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