



TENNESSEE
Ready to Work

**Tennessee Appalachian Development Program
Fiscal Year 2014 Strategy Statement**

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TENNESSEE APPALACHIAN DEVELOPMENT PROGRAM FISCAL YEAR 2014 STRATEGY STATEMENT

I. Introduction

Each year the thirteen member states of the Appalachian Regional Commission (ARC) submit strategy statements outlining their plans for the use of ARC funds in the region in accordance with Section 5.3 of the ARC Code. Fifty-two Tennessee counties are included in the service region of the ARC. The Tennessee ARC program will implement the goals, objectives, priorities and policies of the State's Strategic Plan. This document broadly outlines the region-wide issues and needs that the Governor has chosen to address with ARC resources and prioritizes development projects and programs focusing on these key issue areas in the five Local Development Districts (LDD).

The Appalachian Regional Commission (ARC) was created by the Congress in 1965 to address economic and quality of life issues in the thirteen-state region. This federal-state partnership works to create opportunities for self-sustaining economic development and improved quality of life for the people of Appalachia. The region includes 420 counties and stretches from southern New York to northern Mississippi. The governors from the thirteen Appalachian states and the Federal Co-Chairman, appointed by the President, formally comprise the Commission.

The Department of Economic and Community Development (ECD) administers the Appalachian Regional Commission funds in Tennessee. Within the department, the Office of Federal Programs is responsible for the day-to-day administrative duties. The Assistant Commissioner for Strategy, Ted Townsend, is the State's Alternate member of the Commission.

II. Annual Assessment of Appalachian Tennessee

A. The Tennessee Economy

According to the Tennessee Business and Economic Outlook (<http://cber.bus.utk.edu/tefs/fall13.pdf>) prepared by the Center for Business and Economic Research (CBER) of the College of Business Administration at the University of Tennessee, the State experienced a year of growth in 2012 that continued through the first quarter of 2013.

Personal income fell in the first quarter in Tennessee mirroring falls across the United States due to the elimination of the payroll tax holiday. However, Tennessee's income growth has since rebounded. Nonfarm employment growth in the State exceeded the rate for the nation (3 percent gain and 1.9 percent gain, respectively) for the first quarter of 2013. (CBER)

In August 2013, the State's unemployment rate remained at 8.5 percent, where it had been for the previous two months. The U.S. average was 7.3 percent (Tennessee Department of Labor and Workforce Development). According to the CBER, Tennessee's rate will continue to fall over the next year but will remain above the nation's unemployment rate.

While State personal income and output growth are expected to accelerate in 2014, nonfarm employment growth including manufacturing employment is expected to slow though still grow. (CBER)

Tennessee has considerable strengths that have led to the economic growth that has occurred over the last few years. The State ranks first in the nation for lowest state debt per capita (The Tax Foundation), has the second lowest cost of living (CNBC's Top State for Business 2013), is number one for overall infrastructure and distribution/logistics hub access (*Area Development*) and is first in the Southeast and fourth in the U.S. for net manufacturing job growth (Bureau of Labor Statistics, Current Employment Statistics). Additionally, the State's merchandise exports totaled \$31 billion in 2012, an increase of 20% from 2010.

B. Regional Growth Trends

Regional growth trends in Tennessee are influenced by a number of factors. Especially important are proximity to metropolitan areas and proximity to the interstate system and major transportation arteries including the Appalachian Development Highway System (ADHS). This does not mean that a location in the dominant county of a metropolitan area or immediately adjacent to high quality transportation is absolutely required for economic growth, but being within the influence area is important.

Growth trends in Appalachian Tennessee dramatize the importance of these two factors. Only 10 Appalachian counties (20 percent) are both located in Metropolitan Statistical Areas and have an interstate highway. Each year, almost half of the new industrial locations or expansions occur in these counties.

This also does not mean that economic growth does not occur in other areas of the state. It does mean, however, that those communities, which have the advantages of location in a metropolitan area and proximity to transportation systems, will have an advantage over those, which do not.

C. Economic Classification System for ARC Counties

The following economic indicators shall be used to designate the economic classification status of Appalachian counties: per capita market income, the poverty rate and the three year unemployment rate. Annually, using these data, the Commission produces a composite index ranking of all counties in the nation based on comparisons of the three indicators for each county to national averages. On the basis of this index, the Commission shall designate each of the following:

1. Distressed Counties: Counties whose composite index ranks in lowest 10% of all counties in the nation.
2. At-Risk Counties: Counties whose composite index ranks within the lowest 25% but greater than the lowest 10% of all counties in the nation.
3. Competitive Counties: Counties whose composite index ranks within the highest 25% but lower than the highest 10% of all counties in the nation.
4. Attainment Counties: Counties whose composite index falls within the highest 10% of all counties in the nation.
5. Transitional Counties: Counties not classified as distressed, at-risk or economically strong are categorized as transitional.

Distressed counties in Tennessee are Bledsoe, Campbell, Clay, Cocke, Fentress, Greene, Grundy, Hancock, Johnson, Lewis, Meigs, Monroe, Pickett, Scott, Van Buren and White.

At-Risk counties in Tennessee are Carter, Claiborne, Cumberland, Grainger, Jackson, Jefferson, Lawrence, Macon, McMinn, Morgan, Overton, Polk, Putnam, Rhea, Unicoi, Union and Warren.

Transitional counties in Tennessee are Anderson, Blount, Bradley, Cannon, Coffee, DeKalb, Franklin, Hamblen, Hamilton, Hawkins, Knox, Loudon, Marion, Roane, Sequatchie, Sevier, Smith, Sullivan, and Washington.

There are no competitive or attainment counties in Tennessee.

III. ARC Goals, State Objectives And Strategies

Funds must be spent in accordance with at least one of ARC's four strategic goals and Tennessee's state objectives. Specific objectives for the State of Tennessee are as follows:

ARC Goal 1: Increase job opportunities and per capita income in Appalachia to reach parity with the nation.

State Objective 1.1: Grow and diversify the economic base

State Strategy 1.1.1: Promote technological advances and technology-related businesses and services.

State Strategy 1.1.2: Strengthen existing industries.

State Strategy 1.1.3: Explore new approaches to industrial site development.

State Strategy 1.1.4: Provide funding for the projects that develop and expand business and industry and create jobs.

State Objective 1.2: Enhance entrepreneurial activity in the region.

State Strategy 1.2.1: Improve access to investment capital for local businesses.

State Strategy 1.2.2: Educate entrepreneurs through training programs.

State Strategy 1.2.3: Nurture new businesses by creating technical assistance networks.

State Strategy 1.2.4: Promote job creation through adoption of energy efficiency programs and innovative technologies.

State Strategy 1.2.5: Provide assistance for the development and expansion of business accelerators and incubators.

State Objective 1.3: Develop and market strategic assets for local economies.

State Strategy 1.3.1: Identify local and regional assets for development.

State Strategy 1.3.2: Create strategies to help existing and new local businesses to capitalize on assets.

State Strategy 1.3.3: Maximize economic benefits of the Appalachian heritage tourism and crafts industries.

State Strategy 1.3.4: Support training programs and workshops on tourism development for local areas.

State Strategy 1.3.5: Support the development, production, and use of local assets for the energy needs of Appalachian Tennessee.

State Objective 1.4: Increase the domestic and global competitiveness of the existing economic base.

State Strategy 1.4.1: Support research opportunities in global and domestic development.

State Strategy 1.4.2: Support technical assistance and on-going business consultation.

State Strategy 1.4.3: Support strategic planning initiatives.

State Strategy 1.4.4: Encourage partnerships and promote regional efforts in economic development.

State Strategy 1.4.5: Provide training and technical assistance to local governments and other economic development organizations.

State Strategy 1.4.6: Support programs that will increase goods and services exported from Appalachian Tennessee.

State Strategy 1.4.7: Improve worker productivity by supporting outcome-oriented workplace health initiatives.

State Objective 1.5: Foster the development and use of innovative technologies.

State Strategy 1.5.1: Assist in the creation of telecommunication and computing enterprises.

State Strategy 1.5.2: Provide assistance for expanding existing high-technology operations.

State Strategy 1.5.3: Expand and create technology research initiatives in the state's colleges and universities.

State Strategy 1.5.4: Support public sector science and technology programs.

State Strategy 1.5.5: Support the commercialization of new technologies developed by federal labs, universities, and other sources.

State Strategy 1.5.6: Support the development of new energy sources and increase the efficiency of existing sources.

State Strategy 1.5.7: Support job creation through innovation in renewable energy technologies.

ARC Goal 2: Strengthen the capacity of the people of Appalachia to compete in the global economy.

State Objective 2.1: Foster civic entrepreneurship.

State Strategy 2.1.1: Maintain collaborative relationships between training institutions and businesses to improve workforce readiness.

State Strategy 2.1.2: Strengthen school-based civic education through service learning and youth activities.

State Strategy 2.1.3: Develop and support local adult and youth leadership programs to encourage cooperation and collaboration.

State Strategy 2.1.4: Develop and support regional leadership programs to raise awareness of available resources.

State Strategy 2.1.5: Provide training and technical assistance to local governments

State Strategy 2.1.6: Support greater involvement of young people in community activities.

State Strategy 2.1.7: Promote the coordination of health care services within regional health care markets, through community-based dialogue and data-driven assessment of local health issues.

State Objective 2.2: Enhance workforce skills through training.

State Strategy 2.2.1: Support the development of new workforce training and vocational education programs.

State Strategy 2.2.2: Create innovative ways to re-tool the skills of the State's workforce.

State Strategy 2.2.3: Support the expansion and modernization of existing workforce training programs.

State Strategy 2.2.4: Strengthen job training programs available at statewide technology and career centers.

State Strategy 2.2.5: Support training and continuing education opportunities in energy efficiency for operators of public infrastructure and utilities.

State Strategy 2.2.6: Expand healthcare workforce training opportunities in rural areas and other underserved communities, especially through place-based training in primary care fields.

State Objective 2.3: Increase access to quality childcare and early childhood education.

State Strategy 2.3.1: Support efforts to initiate, expand and improve the quality of early childhood education programs.

State Strategy 2.3.2: Support local and regional efforts to increase access to early childhood education programs.

State Strategy 2.3.3: Support efforts to increase access to quality childcare.

State Objective 2.4: Increase educational attainment and achievement.

State Strategy 2.4.1: Improve reading, writing, math and basic computer literacy skills in direct preparation for training, employment and higher education.

State Strategy 2.4.2: Establish a system of tracking students to prepare them for the transition from school to work and from secondary education to higher education.

State Strategy 2.4.3: Support dropout prevention programs.

State Strategy 2.4.4: Continue to support the Tennessee Appalachian Higher Education Center to improve the college-going rate.

State Strategy 2.4.5: Support strategies that help students complete post secondary degrees and certificates

State Strategy 2.4.6: Support the development and expansion of higher level education in the STEM (Science, Technology, Engineering, and Math) fields Pre-K through 12 and in post-secondary institutions.

State Strategy 2.4.7: Encourage health-care career pathway systems for all levels Kindergarten through professional school.

State Objective 2.5: Provide access to healthcare professionals.

State Strategy 2.5.1: Attract health professionals to underserved areas through participation in the J-1 Visa Program and other strategic recruitment initiatives.

State Strategy 2.5.2: Encourage the efficient delivery of health services by creating and expanding telemedicine systems.

State Strategy 2.5.3: Improve access to care by investing in capital facilities and equipment for public and non-profit health providers.

State Strategy 2.5.4: Meet immediate patient needs by providing short-term operational support for sustainable clinical health and dental services, especially primary care services for indigent patients in underserved areas.

State Objective 2.6: Promote health through wellness and prevention.

State Strategy 2.6.1: Address chronic disease conditions such as obesity, diabetes, and heart disease by deploying best practices in community health education and prevention.

State Strategy 2.6.2: Support partnerships that address the use and abuse of cigarettes, alcohol, prescription medications, and illicit drugs.

State Strategy 2.6.3: Encourage community-based initiatives to promote nutrition, physical activity, and other healthy lifestyle changes.

ARC Goal 3: Develop and improve Appalachia's infrastructure to make the Region economically competitive.

State Objective 3.1: Build and enhance basic infrastructure.

State Strategy: 3.1.1: Give a high priority for State and Federal funding for infrastructure which serves areas without public services or where public services are inadequate to meet acceptable standards.

State Strategy 3.1.2: Ensure safe and affordable housing for all residents of Appalachian Tennessee.

State Strategy 3.1.3: Expand the existing production of energy resources from Appalachian Tennessee.

State Strategy 3.1.4: Provide water, sewer and physical infrastructure needed to serve new and expanding industries.

State Strategy 3.1.5: Pursuant to ARC's residential service policy, ensure public health, regulatory compliance, and economic opportunity by providing new and existing customers with safe drinking water. The State will give priority to water projects that serve areas with documented health hazards.

State Strategy 3.1.6: Pursuant to ARC's residential service policy, ensure public health, regulatory compliance, and economic development by providing new and existing customers with wastewater disposal and treatment services. The State will give priority to wastewater projects that serve areas with documented health hazards.

State Objective 3.2: Increase accessibility and use of telecommunications technology.

State Strategy 3.2.1: Develop within each county the capability for teleconferencing and Internet access at local rates.

State Strategy 3.2.2: Continue to work with the telecommunications industry to develop affordable user fees.

State Strategy 3.2.3: Help citizens learn to use information technologies to access distance learning opportunities and to identify markets and consumer groups.

State Strategy 3.2.4: Improve the quality and efficiency of health care by deploying electronic medical records, health information exchanges, and other technology initiatives in the health care field.

State Strategy 3.3.5: Encourage the use of telecommunications applications for use in education and government initiatives.

State Strategy 3.2.6: Increase local and regional connectivity by providing planning assistance for telecommunications development such as installation of a telecommunication conduit in larger infrastructure projects.

State Objective 3.3: Build and enhance environmental assets.

State Strategy 3.3.1: Encourage recycling and the reuse of solid waste resources.

State Strategy 3.3.2: Support reclamation and reuse of brownfield properties in industrial areas and mine-impacted communities.

State Strategy 3.3.3: Encourage eco-industrial development.

State Strategy 3.3.4: Support regional planning and economic development policies and promote good stewardship of the state's natural resources.

State Objective 3.4: Promote the development of an Intermodal Transportation Network.

State Strategy 3.4.1: Support analysis of strategic locations for inland ports.

State Strategy 3.4.2: Sponsor regional forums to discuss the potential for intermodal development.

State Strategy 3.4.3: Construct access roads that link economic development opportunities to the ADHS and other major highways.

ARC Goal 4: Build the Appalachian Development Highway System to reduce Appalachian isolation.

State Objective 4.1: Developing leaders and expanding community capacity

State Strategy 4.1.1: Support local and multi-jurisdictional forums to promote communication and mutual understanding, and resolution of the barriers to completing the remaining ADHS miles.

State Strategy 4.1.2: Encourage collaboration among Federal and State agencies involved in the Region's economic development.

State Objective 4.2: Promote on-schedule completion of the ADHS.

State Strategy 4.2.1: Work with TDOT to identify and overcome barriers to the development of ADHS sections in the location study phase.

State Strategy 4.2.2: Assist TDOT in solving design problems and moving ADHS sections to the construction phase.

State Strategy 4.2.3: Work with TDOT to accelerate construction of the highway system.

State Objective 4.3: Coordinate work on ADHS state-line crossings.

State Strategy 4.3.1: Coordinate with adjoining states technical information, funding, distribution, and construction scheduling.

IV. State-Funded Initiatives to Implement Goals/Objectives

In addition to the use of ARC funds to achieve the goals and objectives of the ARC Strategic Plan, Tennessee invests a substantial amount of state money in projects and

programs that relate directly to the regional goals. The purpose of this section is to highlight some of these activities.

The state-funded programs, which contribute to the development of Appalachian Tennessee, are included in this Strategy Statement because they are current programs.

Economic Development

Jobs Base Camps

ECD has nine regions across the state: five of these regions encompass ARC territory. Each base camp will work with local partners to execute a regional economic development plan and align existing federal and state resources around that plan. A key function of these jobs base camps will be reaching out to rural counties to incorporate them into broader regional economic development strategies that leverage existing resources and maximize the assets of rural communities. (tn.gov/e.cd)

Regional Job Accelerators

Nine regional accelerators statewide, five of which are located in ARC regions, have been established to assist Tennessee entrepreneurs. The accelerators provide mentoring, education, and training, strategic and technical support, and assistance identifying sources of capital. Launch TN is a public-private partnership that coordinates the accelerators. (launchtn.org)

Select Tennessee

Based on feedback from site selectors and companies and the lack of a national standard for certification, Tennessee saw a need for identifying and promoting sites that are prepared for development. The Select Tennessee program certifies industrial development sites that meet rigorous standards and can be marketed as ready for development. Of the 22 sites certified through October, 2013, 9 of them are in the ARC region. (selecttennessee.com)

Community Development

Three-Star

The Three-Star program has a thirty year history of encouraging community development across the state. Under the Haslam administration, the Three-Star program has been enhanced to focus on the Governor's priorities for communities: jobs and economic development, fiscal strength and efficient government, public safety, education and workforce development, and health and welfare. Communities that are certified as Three-Star communities develop an Action Plan and implement strategies to address local needs in the five focus areas in order to compete at a higher level for

jobs and industry. 48 counties in the ARC region in Tennessee are participating in the program. (tn.gov/eecd)

Other Community Development Programs

The state of Tennessee invests in other community development programs including Retire Tennessee, Main Street and Tennessee Downtowns. These programs focus on recruiting retirees to the state and promoting downtown development and are targeted to rural areas. The programs are housed in ECD's Community and Rural Development Division that focuses on building vibrant communities with a high quality of life and connecting rural communities to resources. 12 Appalachian communities participate in the Retire Tennessee program, 13 in Main Street and 13 in the Tennessee Downtowns program. (tn.gov/eecd/CD_home.shtml)

Education

Pre-K Program

The goal of the Tennessee Pre-K program is to provide every 4-year old child with the learning experiences needed to succeed in kindergarten. Every classroom will have licensed teachers with pre-k endorsement; low teacher-student ratios; small class sizes; and age appropriate curriculum.

The Tennessee Voluntary Pre-K Program for ALL will prepare children for school by providing an opportunity for them to develop school readiness skills in an environment that fosters the love and joy of learning. Participation in the Pre-K program will help children develop pre-academic and social skills that will help them in their educational career. The program serves 18,000 children in 935 classrooms across the state. (tn.gov/education/prek)

Basic Education Program

Tennessee will provide adequate and equitable funding for Tennessee schools. The Basic Education Program provides a rational, stable, and equitable funding mechanism. The BEP components serve as the basis for calculating the level of funding for each school system; these components represent the level of support necessary for our schools to succeed. The strategy is to maintain full funding to provide schools with essential components including personnel, technology, textbooks, materials, transportation and capital expenditures. Equity adjustments (cost of operations adjustment and fiscal capacity adjustment) equalize responsibility among the local school systems based on variations in the cost of delivering services to students and in relative fiscal capacity. (tn.gov/sbe/bep)

Career & Technical Education

Career and Technical Education is an integral component of public education in Tennessee providing individuals (secondary students, post-secondary students, and adults) with opportunities to attain occupational competencies and relevant academic instruction. The system is dedicated to helping all students achieve levels of personal accomplishment consistent with their interests, aptitudes, desires, and abilities. In consultation with teachers and counselors, students in junior high school are required to select a college preparatory or vocational “track” which they will pursue through the remainder of their secondary education. Rather than just taking sufficient classes to graduate, those students who do not elect the college track have a program that is directed toward a specific vocational objective. The 2013-2014 academic year has nine programs of study and sixteen career clusters as well as other programs in high schools, community colleges available. (tn.gov/education/cte)

Job Skills

Adult Education/Workforce Training

The Tennessee Career Center System was designed with valuable input from businesses and private industry statewide. The result was a system able to provide maximum workforce results from one convenient location. The system is designed to provide 75% of our citizens access to free, comprehensive employment related services at a facility within 25 miles of their home. The other 25% can access services from affiliated sites. The centers offer a place where employers can go to find the workers they need and job seekers can get assistance and career information. (tn.gov/labor-wfd/cc)

FastTrack Job Training Assistance Program

Tennessee operates the FastTrack Job Training Assistance Program (FJTAP), funded with state funds, for customized training assistance for new employees of companies, which are locating or expanding in the state. The FJTAP works very closely with the human resource staff in these companies to determine the extent of their training needs, and develops and implements a program to meet these needs. Training commonly occurs in community colleges, state technical institutes, area vocational schools, or even company facilities. Existing faculty at these institutions will be used, as well as instructors provided by the vendors of equipment for which training will be provided. (tn.gov/e cd/BD_FastTrack)

Tennessee Job Skills

Similar to FJTAP, but with a focus on employers and industries that create high-skill, high-wage jobs in emerging, high-demand and technology focused sectors of the economy. Training staff at ECD work with companies to develop a unique, flexible, comprehensive training plan that meets the company's initial training needs and will

then follow up to insure each phase of the program meets the company's needs.
(tn.gov/e cd/BD_FastTrack)

The JobSkills program is funded by a percentage of the payments made to the Unemployment Trust Fund. However, when the Trust Fund falls to a certain level, no additional funds may be removed. As unemployment has increased, resulting in additional claims against the Trust Fund, the amount of money, which can be removed for the JobSkills program, has dwindled. The future of this program is tied to the economic fortunes of the state, particularly levels of unemployment and the amount of future claims against the Fund.

Transportation

The mission of the Tennessee Department of Transportation is to plan, implement, maintain and manage an integrated transportation system for the movement of people and products, with emphasis on quality, safety, efficiency and the environment.

The goal of the department is to link the outlying areas to the interstate system, the Appalachian Development Highway System, and other state and federal highways. They are trying to create the means for economic growth in these areas.
(tdot.state.tn.us)

Infrastructure Development

The state holds periodic public meetings to determine the needs and priorities of local elected officials for the use of state and federal grant funds. Water and wastewater needs are consistently expressed as the greatest problem and highest priority for the use of these funds, including Community Development Block Grant (CDBG) funds. With the exception of the federal programs, there are no other programs available in Tennessee that provide grant assistance to local governments for general water and wastewater infrastructure.

The Department of Economic and Community Development administers the FastTrack Infrastructure Development Program (FIDP) that provides grants for public infrastructure, which are needed for an industry to locate or expand in Tennessee. Most of these funds are used for water and sewer projects, but rail lines, telecommunications, and industrial site preparation are also eligible activities.
(tn.gov/e cd)

Telecommunications Infrastructure

Through Connected Tennessee, a public-private partnership whose goal is to accelerate technology in the state, Tennessee has invested in assessing and increasing the adoption and deployment of broadband. Efforts are being made to increase access to broadband for businesses, healthcare, education, government and citizens.
(connectedtn.org)

Development Districts

Local Development Districts are enabled by state statute, but are organized by local governments, to provide planning and technical assistance to the governmental entities in their areas. There are five Appalachian districts (one of which has only four counties in the region). In addition to federal funds (including ARC) which are available for the support of development district activities, the state annually appropriates funds to support administrative costs. These funds are used to match federal and other state-funded programs, and the districts offer a variety of services to local governments and businesses.

The development districts that serve the ARC region are as follows:

First Tennessee Development District
3211 N. Roan St.
Johnson City, TN 37601
(423) 928-0224, ftdd.org

East Tennessee Development District
P.O. Box 249
216 Corporate Place
Alcoa, TN 37701-0249
(865) 273-6003, etdd.org

Southeast Tennessee Development District
1000 Riverfront Pkwy
Chattanooga, TN 37405-0757
(423) 266-5781, sedev.org

Upper Cumberland Development District
1225 South Willow Avenue
Cookeville, TN 38506-4158
(931) 432-4111, ucdd.org

South Central Tennessee Development District
101 Sam Watkins Blvd.
Mount Pleasant, TN 38474
(931) 379-2929, sctdd.org

(tennesseedevelopmentdistricts.org)

Local Government Management

The Municipal Technical Advisory Service (MTAS), an organization within the Institute for Public Service at the University of Tennessee, provides municipal management

service to city governments in Tennessee including, but not limited to, personnel, finance, purchasing, and other elements of successful city management. (mtas.tennessee.edu) The County Technical Assistance Service (CTAS), a sister organization to the municipal organization, provides similar management services to county governments. (ctas.tennessee.edu)

Primary Health Care

A major focus of the Department of Health is the provision of primary health care to medically underserved areas of the state. Local health departments in all 52 Appalachian counties offer a variety of preventative and acute care services (including dental care). The specialties provided include the following: family practitioners, internal medicine, obstetricians, pediatricians, psychiatrists, preventive medicine physicians, nurse practitioners, nurse midwives, and physician assistants. (health.state.tn.us)

V. Tennessee ARC Investment Priorities FY 2014

A. Area Development

Priorities for the use of ARC funds in FY 2014 continue to be based on three factors: (1) the goals of Governor Haslam as expressed in the Tennessee Appalachian Development Plan, (2) priorities of local elected officials, especially mayors and county executives, as expressed in the public participation process conducted annually, (3) areas where the greatest gaps in services exist, and where ARC funds can have the greatest impact.

FY 2014 priorities are in the following areas: (1) economic development and job creation; (2) industrial and community development infrastructure; (3) “projects of opportunity” related to the implementation of the ARC Strategic Plan. These priorities are explained more fully below.

1. Economic Development and Job Creation

With the decreasing availability of federal funds and the stress of the economic recession on all community budgets, local governments have not been able to invest in economic development projects as much as has been needed over the last five years. Projects that promote economic development and job creation vary greatly from entrepreneurial accelerators to capacity building projects for economic developers and elected officials in the most rural and distressed communities.

ECD will consider these projects based on the potential for job creation, potential for expansion throughout the region and the state if successful and potential impact on the community.

Projects should focus on giving entrepreneurs increased access to capital, development of the industry clusters present in the region, maximizing the strengths of local communities and providing technical assistance.

2. Industrial and Community Development Infrastructure

Industrial infrastructure is physical infrastructure related to the location, expansion, or start-up of private businesses. This includes, but is not limited to, water and wastewater projects, the provision of rail, water and air transportation, telecommunication equipment, electrical power and natural gas.

Basic public infrastructure is assumed to be available, or will be made available, when an industry makes a location decision. When that infrastructure is not present, the industry will assume that it will be provided on the same basis as for other infrastructure users in the community. ARC assistance will be used to help the communities provide the services required for a successful location or expansion.

Industrial infrastructure is related to the provision of new jobs and capital investment. It is not speculative in that the company has already made a commitment to locate or expand prior to the funding being requested by the community. It is assistance to the community in meeting the infrastructure requirements of the industry, rather than assistance or a subsidy to the industry.

Infrastructure demands caused by normal community growth can be accommodated, particularly by the more affluent communities, through user fees and an allowance for depreciation of the system assets. In the case of infrastructure required by industry, however, there are two problems, which make this difficult for small communities to address.

First, this often represents a sizable infrastructure expansion with large costs. This can more easily be accommodated in larger cities whose infrastructure systems are capable of absorbing such impacts. For smaller communities and rural areas, however, these costs cannot be absorbed without raising the user fees dramatically.

Second, such large impacts normally cannot be planned. An industrial expansion or location occurs on the industry's schedule, not the fiscal year schedule of the local government, which is providing the infrastructure. These costs must be budgeted, and budgets are prepared only once a year. When the costs are sizable, it is very difficult for a local government to react in a reasonable time frame.

The level of ARC assistance for industrial development projects will depend upon a number of factors including, but not limited to, the number of jobs being created and the capital investment of the company, and the minimum infrastructure requirements that are required to meet the needs of the company.

Community development infrastructure is that required for general community use. This includes business use, but does not involve the impact of new industrial development. The majority of community development infrastructure will be water and sewer projects related to health and safety considerations and to ensuring that the community will be able to meet the requirements of its citizens for normal water and wastewater usage. Other types of community development infrastructure including housing will also be eligible, especially if this addresses an issue of community health or safety.

ARC assistance for community development infrastructure will be based on the severity of the problem being addressed (minerals or bacteria in the water, septic tank failures, treatment plant inadequacies, etc.), and the ability of the community to fund the project itself. Grants for community development infrastructure will not be limited to distressed counties, but a priority will be given to assisting those communities which are distressed, or near distressed and which have limited ability to fund the improvements themselves through increased user fees.

Grants for basic residential infrastructure projects (water line or sewer line) will only be provided in ARC distressed counties.

3. Projects of Opportunity

While some projects originate at the state level (i.e. adult literacy, health and safety), and are delivered to local governments, most originate at the community level and are submitted to the state for funding consideration.

While the state's priorities are clearly in job creation and industrial and community development infrastructure as described above, there are other meritorious projects which originate in communities and which are related to the implementation of the goals of the ARC Strategic Plan and the Tennessee Appalachian Development Plan. Equal funding consideration will be given to "projects of opportunity" where these are closely related to achieving one or more of the regional or state goals.

B. Distressed Counties

1. Situation

Of Tennessee's 52 Appalachian counties, 16 are designated as distressed by ARC for FY 2014. These counties are among Tennessee's most distressed regardless of the measures used and will receive special consideration and treatment in order to move them from their distressed county designation.

It should be recognized that there are other counties, which, while not officially designated as distressed, still have major economic problems. The general strategy that will be applied to distressed counties, will also be applied to other counties or parts of other counties that exhibit many of the same characteristics and problems.

The designation of distressed counties is largely an identification of rural poverty. It may be useful, therefore, to identify the causes of rural poverty, which have resulted in distressed counties designations before specific development strategies are proposed.

The trend in economic development in Tennessee in recent years has been for industries to locate and expand on the fringe of urban areas and in medium sized towns, especially those which are located on or adjacent to interstates or other transportation corridors. This is not to say that rural areas distant from good transportation or from the advantages of urban areas are never the location of economic growth, only that most locations or expansions occur in urban areas and in medium size communities that are on or have access to good transportation. Interstates and federal and state highways provide better access for suppliers of raw and semi-manufactured materials, and improved access to markets for finished products. Transportation is a major cost of production, and ready access to enhanced transportation significantly reduces production costs.

Rural areas often lack concentrations of business services, which are needed to supplement many manufacturing processes, nor do they always offer the health services and other quality of life characteristics which are important to expanding industries.

Industries that may find a rural location advantageous often face the problem of inadequate skills in the labor force. Many rural areas traditionally have not had access to educational and training opportunities that prepare the labor force to operate in a high technology work environment. This deficiency becomes more of a problem as industry utilizes evermore complex machinery and equipment. This problem is sometimes compounded by the lack of training facilities in the immediate area, which can upgrade the skills of the local labor force. Therefore, even if industries locate in rural areas, it is often difficult for those individuals with inadequate skills to secure and maintain employment.

2. Development Strategy

Tennessee's strategy for reducing the number of distressed counties consists of the following elements: a) economic development planning and leadership development, b) infrastructure development, c) workforce development, and d) intensified efforts at job creation.

a. Economic Development Planning and Leadership Development

The regional Jobs Base Camp support growth of businesses, economic development planning and the recruiting of new industry to the area. The five Accelerators in the region will provide mentoring, education, training, strategic support, technical support and assistance in identifying sources of capital for high growth potential companies in the region.

b. Infrastructure

The provision of infrastructure, for both quality of life and economic development purposes, is a high priority in distressed counties. For this reason, infrastructure grants in distressed counties will be funded at the maximum 80 percent. In addition, where the financial ability of the city or county grantee would indicate the need, the state will provide additional funding to ensure the infrastructure is constructed. Communities are encouraged to use other sources of funding as well for infrastructure projects including UDSA Rural Development, Community Development Block Grants and the State Revolving Loan fund.

c. Workforce Development

As indicated above, inadequate education and training in many of Tennessee's rural areas represents a serious disadvantage to economic development. The Basic Education Program, funded by the Tennessee General Assembly, and administered by the Tennessee Department of Education, represents a major initiative to equalizing access to education and training. Other opportunities to enhance the capabilities of the workforce in distressed counties will be sought.

d. Job Creation

Tennessee has a number of economic development programs that involve the creation of expanded employment opportunities. Special efforts in job creation will be made in distressed counties. This will involve industrial recruitment efforts, assistance to existing industries, and helping to nurture high growth industries. These efforts will involve preferential treatment of distressed areas, including staff attention, tax credits, higher grant rates, lower interest rates on industrial loans, and other incentives designed to specifically help distressed counties reach economic parity with the rest of Tennessee.

C. Regional Initiatives

Even though there is not a dedicated set aside for regional initiatives, they continue to be eligible for area development funding.

1. *Telecommunications*

The telecommunications regional initiative focused on two areas, business use of telecommunications and the use of telecommunications by local governments.

2. *Asset-based Development*

Locally owned businesses play an important role in the economies of Tennessee communities. They serve as important hubs of economic activity and are often the source of new job creation, generating wealth which is more likely to be reinvested

locally. Developing an infrastructure which actively supports the growth of homegrown assets can make an enormous difference in the future health and vitality of the state's communities.

Many Tennessee communities have not typically focused on local assets as the basis for economic development. In some instances, the potential may not have been understood. Other possible reasons include the lack of an inventory or a well-positioned catalyst to spur development efforts toward a specific direction. As envisioned by ARC, an asset-based regional initiative provides the stimulus to focus on something other than traditional industrial recruitment. It provides an enabling framework from which to begin, giving information about what works and what does not. And it provides a protected fund for asset-based development opportunities which cannot be used for traditional industrial recruiting, making it easier for states to "take a new look" at economic development.

Tennessee's asset-based development program will focus on the following areas: (a) cultural assets, focusing on traditional arts, culture, and heritage, and providing support for entrepreneurs and attracting visitors to the state; (b) natural assets, focusing on the beauty of the mountain and valley regions themselves, adding value to our natural resources; (c) leadership/community assets, focusing on our communities and the organizations that represent them; and (d) structural assets, focusing on opportunities such as declining downtown business districts, brownfield sites such as abandoned railroads and mines, and adaptive reuse of aging landfills, schools, and industrial properties.

Activities undertaken should be tied to well-planned local or regional strategies and are expected to produce measurable economic impact, with the goal of leveraging private and other public investment to create jobs and new economic opportunity for the residents of Appalachian Tennessee.

D. Development Districts

Tennessee relies on the development districts for regional and local planning, project development, application preparation, and grant administration. These are extremely useful services, especially in the rural areas and distressed counties. This will continue, and the state will look for additional opportunities to strengthen the development districts.

E. Appalachian Development Highway System

As indicated in earlier sections, adequate transportation is essential for economic development to occur. This includes the interstate system, the ADHS, other federal and state highways.

Tennessee has always recognized the significance for economic development of the completion of the ADHS as evidenced by the extent of pre-financing that Tennessee

has done. Tennessee has been successful in using its transportation network for economic development. Communities which are located on or are adjacent to an Appalachian corridor have enjoyed higher growth rates than those located in more remote areas. Tennessee will continue to take advantage of its transportation network, will continue to pursue the completion of the ADHS in Tennessee, and will support the completion of the system in other states.

VI. State Policies

A. Ineligible Activities

There are certain types of projects which are inappropriate for federal funding. Except for very unusual circumstances, which will be fully documented and explained, the following types of activities will not be eligible for ARC funding in Tennessee:

1. Projects that would result in the relocation of business enterprises from another state to Tennessee.
2. Funding commitments that will influence the location of new industry or the expansion of existing business enterprises within the state. This restriction, however, will not extend to assisting a community in meeting the infrastructure or social demands that may be placed on it by a business that has already decided to locate or expand.
3. Projects that are related to the general operation of local governments. This would include the construction of city halls, courthouses, jails, etc., as well as salaries and operating costs related to these governmental functions. This restriction will not, however, extend to programs operated by local governments that provide direct service to the residents of Appalachian Tennessee such as education or health services.
4. Political activities of any kind, at the local, state, or national level, will be ineligible for ARC funding.

B. Grant Rates

Distressed counties may be funded to the maximum 80 percent ARC funding, and total federal funding will be limited to 80 percent. At-Risk counties will be eligible for 70 percent. Transitional counties may be funded to the maximum 50 percent ARC funding, and total federal funding will be limited to 80 percent. Competitive counties (there are none currently in TN) may be funded to the maximum 30 percent ARC funding, and total federal funding will be limited to 30 percent. Attainment counties will not be eligible for ARC funding. These percentages apply to construction projects. Non-construction projects may have different requirements.

For multi-county projects, if half or more of the counties participating are distressed, the project may be funded at 80 percent. If less than half but at least one of the participating counties are distressed counties, ARC assistance may be limited to the higher of 50 percent or the average percentage applicable to the various counties in the project. If a multi-county project includes at least one competitive county but no distressed counties, funding will be limited to the average percentage applicable to the various counties in the project. The portion of project costs attributable to an attainment county in a multi-county project not including a distressed county shall be considered ineligible for ARC assistance, and may not be considered for matching purposes. The total federal funding for multi-county projects may not exceed 80 percent.

Heretofore, development districts have been funded at 50/50, with 25 percent of the match being allowed from other federal sources. The remaining 25 percent, however, had to be non-federal. In the 2002 reauthorization legislation, Congress authorized ARC funding at 75 percent, with the 25 percent being non-federal, if a district has at least one distressed county. All of Tennessee's five Appalachian developments have at least one distressed county. Consequently, these five will be offered the opportunity to take advantage of the more lenient match requirements.

C. Maximum Grants

Grant amounts will not exceed \$500,000 in most cases. However, for very large and complex projects, with high total costs, a \$500,000 maximum grant may place an inordinate burden of funding on the local government. Therefore, projects which reach the \$500,000 ceiling will be individually evaluated against the financial ability of the potential grantee, and grants in excess of \$500,000 will be recommended if this is warranted.

D. Exceptions Authorized

The above policies are reasonable, and the state fully intends to implement them as stated. The state also recognizes that there may be instances where one size does not fit all, and unusual conditions will warrant exceptions. It is not possible at this time, however, to identify conditions which will warrant exceptions because this will be different in each situation. Therefore, each situation which warrants an exemption to the state's base policies will be fully explained when the application is submitted.

E. Notices

The state sends emails to eligible grantees when pre-applications are due. The information is also given to the development districts and consultants.