

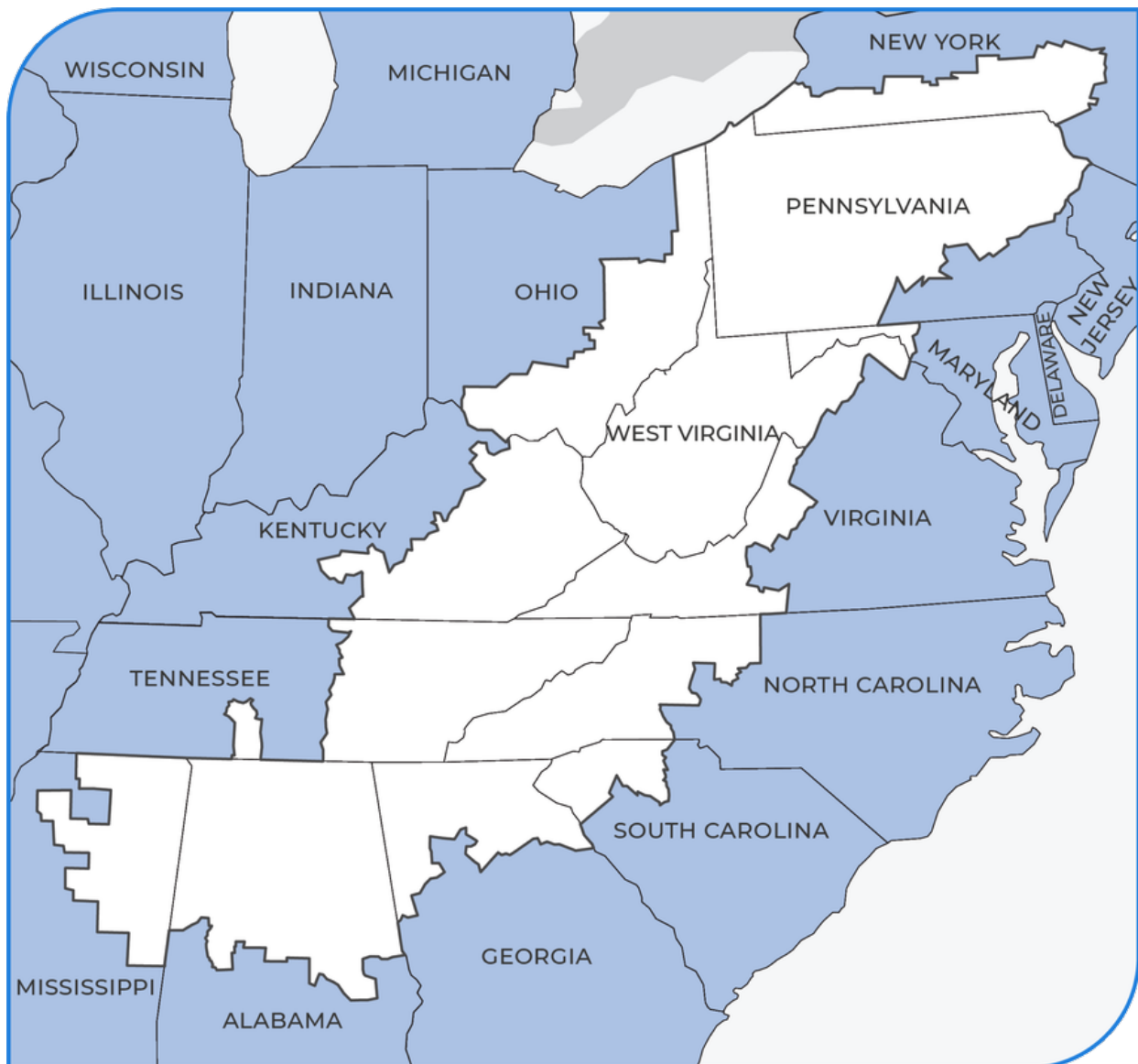


APPALACHIAN REGIONAL COMMISSION

FY 2023 Performance Budget Justification

As Submitted by the Federal Co-Chair to the
Appropriations Committees of the House and Senate

MARCH 2022



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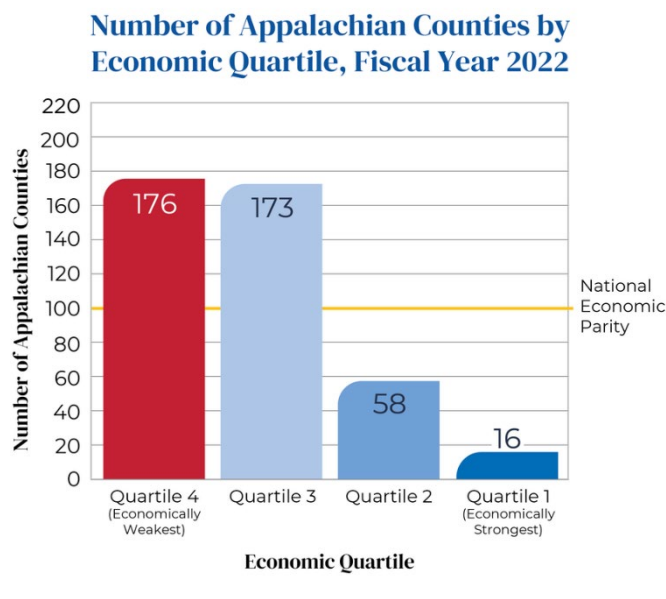
The Federal Co-Chair of the Appalachian Regional Commission (ARC, the Commission) requests \$235 million to fund the programmatic activities for Fiscal Year (FY) 2023. This represents level funding with the President’s request for ARC in the FY 2022 Budget and an increase of \$55 million compared to the FY 2021 enacted level. *Appalachia Envisioned: A New Era of Opportunity | ARC Strategic Plan Fiscal Years 2022-2026* has been formalized and establishes the mission to innovate, partner, and invest to build community capacity and strengthen economic growth in Appalachian Region (the Region). This plan

reflects directives included in Executive Order No. 13985, “Advancing Racial Equity and Support for Underserved Communities Through the Federal Government,” which guides agencies to address barriers that have prevented “underserved communities” from participating fully in aspects of economic, social, and civic life. In FY 2023, ARC will assist communities with accessing other federal resources and designing transformational activities that diversify the Appalachian economy.

ARC’s FY 2023 funding request includes \$118 million to continue the Area Development Base Program and \$32 million for special regional initiatives for distress to continue to address the specific needs of individual states through a bottom-up development process. This request includes funding for competitively selected projects that emphasize large-scale activities, engage a broad range of partners, are sustainable, and can transform the local economy. This request includes funding for two regionally competitive initiatives: \$72 million for the Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) Initiative, designed to assist communities with economic transformation after the downturn of the coal economy, and \$13 million to address workforce challenges caused by the Region’s drug crisis through INvestments Supporting Partnerships In Recovery Ecosystems (INSPIRE). This combination of programmatic strategies enables ARC to address new and existing economic challenges at micro

and macro levels. To accelerate the ability of the agency to address the needs of the Region, the Infrastructure Investment and Jobs Act reauthorized ARC through FY 2026 and provided \$1 billion over five years, starting in FY 2022 with \$200 million annually.

Congress created ARC in 1965 with the realization that the complex challenges of the geographically isolated, economically disadvantaged 13-state Appalachian Region required a tailored approach to overcome systemic generational poverty and to diversify and transform the economy. ARC charts its progress in establishing economic equity and achieving its mission with an index that compares the economic condition of Appalachian counties with all the counties in the nation (based on unemployment, per-capita income, and poverty rates). The Index demonstrates



that Appalachia has proportionally more of the economically weakest counties and fewer of the economically strongest counties compared to the rest of the nation. Moreover, about 22 percent of the weakest counties (includes 81 distressed and 95 at-risk for a total of 176 counties) in the nation are in Appalachia, while the Region has only 2.1 percent of the nation’s strongest counties. When this index shows an equal share of counties across each quartile, Appalachia will be at socioeconomic parity with the nation.

Appalachia has made significant progress since the inception of ARC:

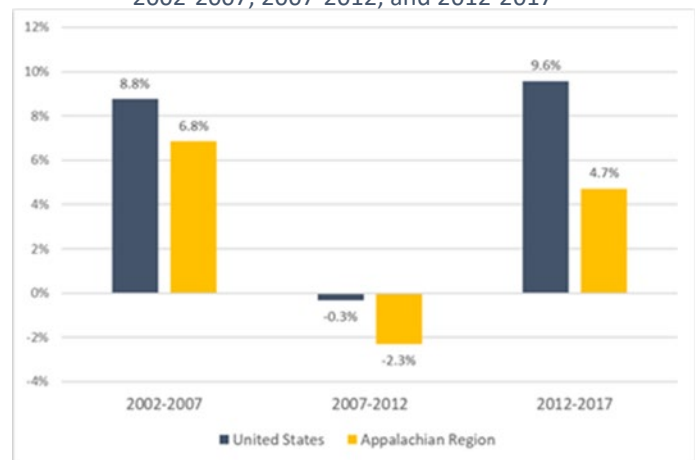
- The number of high poverty counties in Appalachia has been cut by 60 percent, from 295 in 1960 to 112 today.
- The regional poverty rate has been cut almost in half, from 31 percent to 15.2 percent.
- The percentage of adults with a high school diploma has nearly tripled since 1960, and students in Appalachia now graduate from high school at nearly the same rate as that of the nation as a whole.

However, the Region continues to lag behind the nation and encounter new challenges, such as the downturn in the coal economy and disproportionate rates of substance use disorder.

- Appalachia’s per capita market income was over 28 percent lower than the nation’s in 2019.

- Seventy-seven percent of the 39,000 coal mining jobs lost in the United States from 2011 to 2019 were in the Appalachian Region—a loss to the Region of 30,000 direct mining jobs.
- The nation’s substance abuse crisis disproportionately impacts Appalachia, where in 2018, overdose-related mortality rates for the Region’s 25–54-year-old age group—those in their prime working years—were 55 percent higher than for the same age group in the country’s non-Appalachian areas.
- Because Appalachia features a network of single sector economies, previously focusing substantially on mining and manufacturing—both of which have struggled recently—economic downturns hit the Region harder and traditionally last longer than in other areas of the nation. The COVID crisis may have a similar effect. Figure 1 illustrates this trend:

Figure 1 Percent Change in Employment, All Industries, 2002-2007, 2007-2012, and 2012-2017



- From 2002 to 2007, total employment growth in Appalachia was approximately two percentage points less than that in the U.S.;
- From 2007 to 2012, employment declined approximately two percentage points more than it did in the nation as a whole; and
- From 2012 to 2017, the Region experienced growth at only half the rate for the country overall.

ARC is not duplicative, but rather complementary of other federal programs. By using its grassroots delivery system, ARC is able to extend the reach of programs such as those funded by the American Rescue Plan Act into some of the most economically distressed parts of the nation. Providing necessary gap funding and capacity building is critical for rural communities to compete successfully for funding and to implement transformational economic development activities. The ARC Strategic Plan focuses on resilience, innovation, sustainability and equity; the plan positions ARC to collaborate with both federal and nonprofit partners to address the needs of the Region. Consistent with the administration’s emphasis on equity, ARC targets its resources to the areas of greatest need. In FY 2021, 70 percent of ARC’s grant dollars went to support projects that primarily or substantially benefited economically distressed counties and areas.

Examples of federal partnerships include the following:

- Beginning in FY 2019, ARC has partnered annually with the U.S. Department of Labor’s Employment and Training Administration to design workforce development initiatives through the Workforce Opportunity for Rural Communities (WORC) Grant Initiative, funded through the Department of Labor. Activities will result in enhanced training and support activities for dislocated workers, new entrants in the workforce, incumbent workers, and individuals affected by substance use disorder, which is disproportionately high in Appalachia.
- In FY 2021, ARC partnered with the National Energy Technology Laboratory (NETL) on the Advanced Welding Workforce Initiative (AWWI). This pilot partnership included funds from both ARC and NETL to promote education and training for an advanced welding and manufacturing workforce to meet growing demand across a number of industries in Appalachia.
- To further the objectives in Executive Order No. 13895, ARC is initiating a significant capacity-building effort to engage states partners in regional collaboration by convening leadership to strategize opportunities to cross state lines and coordinate in order to access resources available through federal partners such as the Economic Development Administration (EDA). These critical activities require significant staff resources but have great potential to produce unprecedented economic returns in marginalized communities.

Nonprofit, philanthropic, and private sector investors are important partners as well. Partnership examples include:

- When economic research indicated the scarcity of investible capital in the Region, Appalachian Community Capital (ACC) was launched in response, raising an additional \$12 million in debt and equity from Bank of America, Deutsche Bank, Calvert Foundation, the

Infrastructure Jobs Investment Act (IIJA) Collaboration Opportunities for ARC

- As part of its technical assistance outreach for POWER applicants, ARC will highlight the inventory of IIJA programs.
- ARC will work with state partners to streamline the process for linking ARC grants with funding at other federal agencies.
- ARC will provide training and technical assistance to strengthen the local capacity of Appalachian communities to access and strategically deploy funding from other agencies.
- Through expanded research capabilities provided by this funding, ARC can offer increased regional data and analysis to applicants for other national programs to potentially increase the number of successful Appalachian applications.
- ARC will use this funding to emphasize multistate projects and will look for opportunities to combine ARC funding with that of other agencies.

Ford Foundation, Mary Reynolds Babcock Foundation, the Claude Worthington Benedum Foundation, the Annie E. Casey Foundation, and BB&T Bank. Since its inception in 2015 through June 2021, ACC has deployed over \$18.3 million in financing to member community development financial institutions, which have financed 94 small business loans that have created or retained more than 2,000 jobs in rural Appalachia. Forty-five percent of loans were disbursed to minority and/or women-owned businesses. Of jobs created or retained, more than 40 percent are filled by persons from low-income households.

- At the onset of the COVID crisis, ARC worked with ACC to invest \$3.75 million for an Emergency Business Response Assistance Program to strengthen and stabilize the Region's Community Development Financial Institutions and other mission-driven development finance lenders serving struggling small businesses.
- Because of the important role of nonprofits in Appalachia, ARC launched the Appalachia Nonprofit Resource Center to provide technical assistance and curate resources for nonprofit organizations navigating beyond the COVID-19 crisis. To date, approximately 120 nonprofit entities struggling during the COVID crisis received training and assistance. This funding complemented that of other national programmatic activities that lacked sufficient funding to meet the needs of the Region. The high demand for these services dictated subsequent rounds of funding and will be continued in FY 2023.

ARC's program is producing results. Investments of **\$163.4 million** in grant funds across all initiatives in FY 2021 attracted an additional **\$285.4 million** in other project funding, an investment ratio of **2 to 1**, and **\$1.04 billion** in non-project leveraged private investment, a ratio of **6 to 1**. These projects are anticipated to produce the following results:

- 20,624 jobs created or retained.
- 25,102 students, workers, and leaders trained in new skills.
- 69,825 businesses and households with access to improved infrastructure.
- 3,709 businesses created or strengthened.
- 493 communities with enhanced capacity.

This request reflects directives from Executive Order No. 14008, "Tackling the Climate Crisis at Home and Abroad," which established the Interagency Working Group on Coal and Power Plant Communities and Economic Revitalization, a collaborative effort of multiple federal agencies to promote and support economic revitalization in communities impacted by coal-specific job losses. ARC uses its membership in this group to participate in the national conversation and to bring the specific needs and issues of the Region to the immediate attention of partner federal agencies. The ARC Federal Co-Chair's service as the Chair of the Community Engagement

Subcommittee enables ARC to deploy its special expertise to build the capacity of underserved communities.

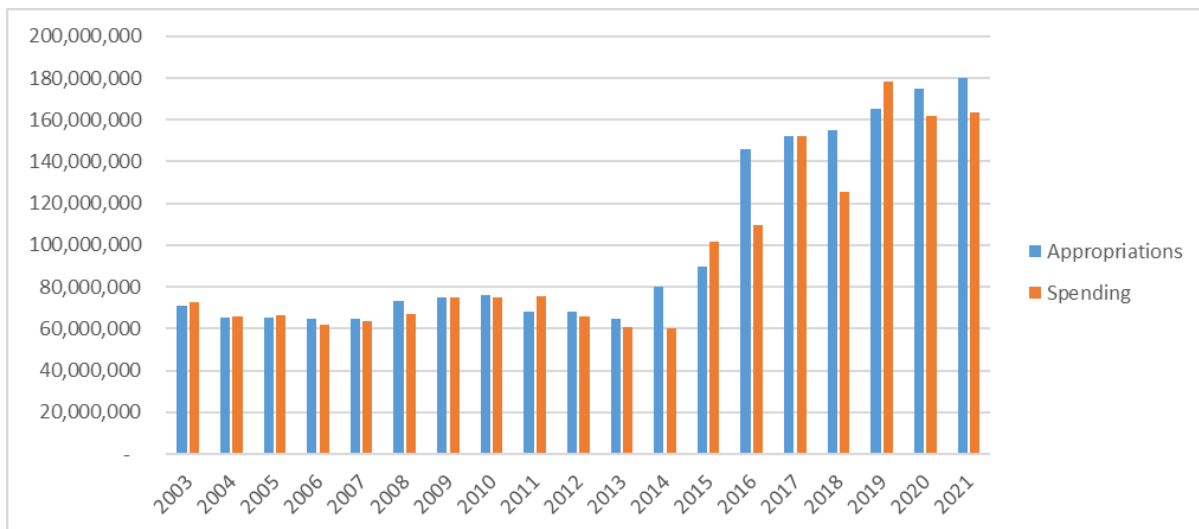
Each of ARC's initiatives are briefly summarized and will be described in more detail in the sections that follow.

Area Development Base Program

Through the Area Development Base Program, ARC continues to address widespread generational poverty through a flexible bottom-up approach, working with state and local partners to implement programmatic activities in a way that is best suited to the unique needs of each state. ARC will innovate, partner, and invest to build community capacity and strengthen economic growth in Appalachia through implementation of *Appalachia Envisioned: A New Era of Opportunity | ARC Strategic Plan Fiscal Years 2022–2026*. ARC’s unique structure of state and local collaboration presents an opportunity to assist communities in coordinating significant funding available through partner agencies efficiently.

The Infrastructure Investment and Jobs Act (IIJA) provides ARC a total of \$1 billion over five years, starting in FY 2022 with \$200 million annually to accelerate economic development in Appalachia. ARC’s statutory authority enables it to increase the allowable federal share of funding in a project so that this funding can be combined efficiently with funds from other federal partners. ARC will devote \$10 million of the IIJA funds to collaboration and capacity building in communities through FY 2022 with the goal of achieving economic equity. This enhanced capacity and available funding will enable states to design large-scale transformational projects that might otherwise have a local match barrier. Figure 2 details ARC’s recent appropriation and spending history (across all initiatives) and indicates that ARC’s programmatic capacity has increased with the appropriation. The budget requests \$118 million to continue this work in FY 2023.

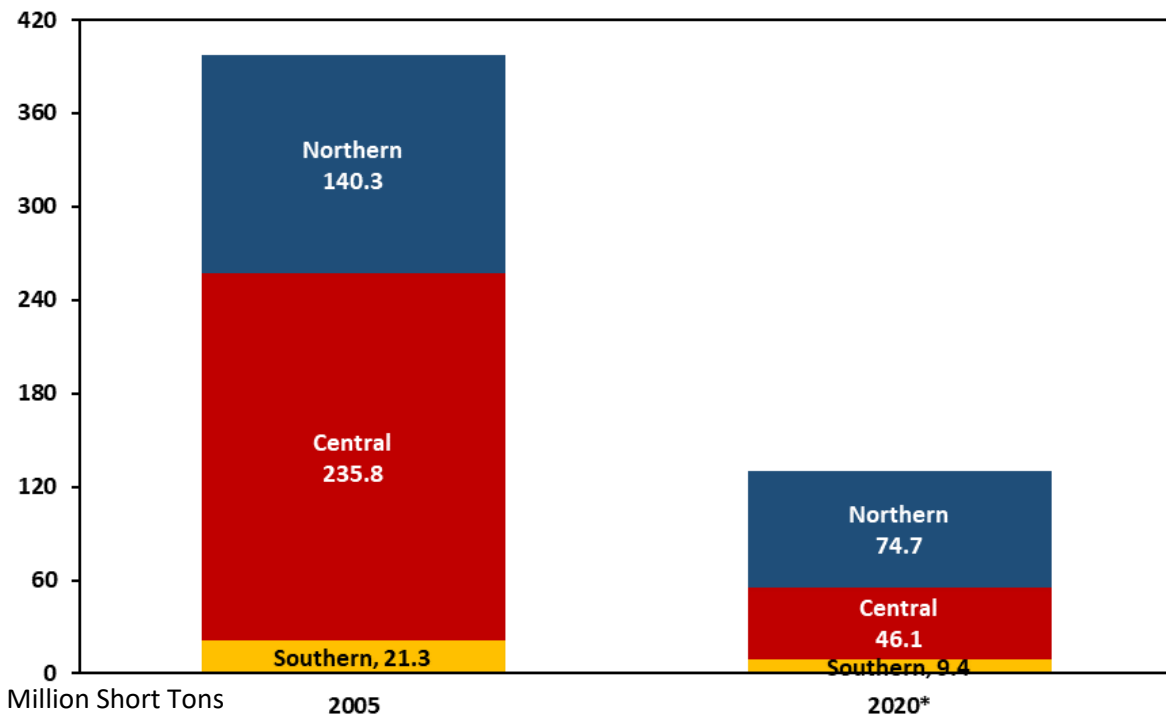
Figure 2 Spending vs. Appropriations 2003-2021



Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) Initiative

The economic downturn of the coal industry has had a significant impact on Appalachia. The COVID pandemic depressed the already declining coal production across the United States. Coal production fell by more than 65 percent overall in Appalachia between 2005 and 2020. This loss is significantly higher than the national rate of decline of approximately 54 percent.¹ Figure 3 indicates the dramatic reduction in coal production across the three Appalachian basins with Central Appalachia output plunging by 80 percent, resulting in the loss of thousands of jobs. ARC designed the regionally competitive Partnerships for Opportunity and Workforce and Economic Revitalization Initiative (POWER) to specifically address economic inequity through a tailored development approach. This initiative is included as a pilot program in the Biden administration’s Justice40 initiative, an effort to ensure that at least 40 percent of the overall benefits from federal investments in climate and clean energy investments serve disadvantaged communities. In FY 2021, 100 percent funding for the POWER Initiative met the requirements of Justice40.

Figure 3 Coal Production, Appalachian Coal Producing Regions



Source: U.S. Mine Safety and Health Administration

Note: * = 2020 production is estimated based on the annualized growth rate of the total production in the first 3 quarters of 2020. Appalachian coal-producing regions include only Appalachian coal-mining counties, defined as those that, based on MSHA data, have non-zero coal production or more than 10 coal-mining jobs in any year between 2005 and 2020.

¹ https://www.arc.gov/wp-content/uploads/2021/04/Coal-and-the-Economy-in-Appalachia_Q4_2020-Update.pdf.

Since the launch of the POWER Initiative in 2015, ARC has invested nearly **\$294.7 million** in **369 projects** touching **354 counties** across Appalachia. Together, these investments are projected to create or retain more than **35,300 jobs**, leverage more than **\$1.5 billion** in additional private investment into Appalachia's economy, and prepare tens of thousands of workers and students for opportunities in entrepreneurship, broadband development, tourism, and other industry sectors. Analysis from an outside evaluator guides evolution of the initiative, embeds flexibility for crises such as COVID-19, and integrates lessons learned and best practices. The budget for FY 2023 requests \$72 million to continue to assist communities in economic diversification through the POWER Initiative.

Special Regional Initiative for Distress

By law, ARC must direct at least half of its grant funds to projects that benefit economically distressed counties and areas in the Region. However, the agency routinely exceeds that requirement with 70 percent of appropriation invested in distressed counties or areas in FY 2021. From FY 2017 through FY 2021, every **\$1 of ARC grant funds leveraged, on average, \$5.99 of private investment**. ARC gauges its long-term progress toward helping the Region achieve equity and socioeconomic parity with the nation in terms of the gradual reduction in the number of distressed counties and areas over time. In FY 2021, the number of distressed counties in the Region dropped to a level not seen since pre-recession 2008. However, the unprecedented economic impact of COVID has caused a slight uptick in economic distress in FY 2022. ARC will continue to make targeted investments in emerging opportunities and activities that reduce economic barriers. Continued expansion of the southern automotive and aviation clusters offers great potential for job creation in Appalachia. In addition, other challenges such as inadequate water, sewer, and broadband infrastructure continue to require substantial resources. The budget requests \$32 million in FY 2023 to develop projects focusing on the reduction/elimination of economic distress in the Region.

INSPIRE Initiative for Substance Abuse Mitigation

The nation's substance abuse crisis disproportionately impacts Appalachia, where in 2018, overdose-related mortality rates for the Region's 25–54-year-old age group—those in their prime working years—were 55 percent higher than for the same age group in the country's non-Appalachian areas. This disparity indicates that the substance abuse crisis is not only a health and public safety issue but also a barrier to economic prosperity because of its impact on the Region's workforce. COVID, as well as the downturn in the coal economy, has only intensified this issue. This threat to economic prosperity makes this issue a priority for ARC. Working through its Substance Use Disorder Advisory Council (a 24-member volunteer advisory group of leaders from multiple sectors from each of the Region's 13 states), ARC designed and launched a strategy to address the workforce impacts of this epidemic and released Investments Supporting Partnerships In Recovery Ecosystems (INSPIRE), a regionally competitive request for proposals to

develop projects focused on workforce reentry strategies that both strengthen local economies and provide support for those in long-term recovery. Since INSPIRE was established in FY 2021, ARC has invested **\$15.7 million** in **49 projects** covering **197 Appalachian** counties. This funding reflects the Biden administration's focus on this issue. This budget requests \$13 million to continue to fund projects to build the recovery ecosystem in the Region in FY 2023.

Local Development Districts

Grassroots participation in the Area Development Base Program comes from 74 Local Development Districts (LDDs), multi-county agencies and boards composed of local elected officials and businesspeople. The budget requests \$8 million to support the work of the LDDs.

Salaries and Expenses

The budget requests funding for salaries and expenses totaling \$14.641 million for the full costs of the Office of the Federal Co-Chair and its immediate staff; a portion of the cost associated with the Office of the Inspector General; programmatic costs of the Commission; and the 50 percent federal share for administrative expenses of the Commission staff. ARC's appropriation has increased significantly. In FY 2014, the Commission received \$80 million; the amount proposed in this budget is almost three times that at \$235 million. ARC did not immediately increase staff as the appropriation increases were incremental and initially appeared to be temporary. At this point, however, ARC's additional program responsibilities appear to be established, if not permanently, at least for the long term. To fully deploy the annual appropriation and meet its concomitant responsibilities, requested staffing increases are necessary.

ARC has allocated portions of its Infrastructure Investment and Jobs Act (IIJA) appropriations from FY 2022 through FY 2026 to cover the costs of administering IIJA programs.

Annual Appropriation Budget Tables – FY 2023 Request

ARC Proposed Budget for FY 2023 (in thousands)			
<u>Area Development Appropriation Detail</u>			
	FY2021 Enacted	FY2022 Continuing Resloution	FY2023 President's Budget
Base Program			
Base Program Administration	3,713	4,855	7,352
Base Program Grants	64,287	63,145	110,648
Total	68,000	68,000	118,000
POWER			
POWER Administration	3,003	3,927	4,486
POWER Grants	51,997	51,073	67,514
Total	55,000	55,000	72,000
Special Initiatives For Distress			
Special Initiatives For Distress Administration	2,566	3,349	1,994
Special Initiatives for Distress Grants	44,434	43,651	30,006
Total	47,000	47,000	32,000
INSPIRE			
INSPIRE Administration	552	714	810
INSPIRE Grant	9,448	9,286	12,190
	10,000	10,000	13,000
Total Funding	180,000	180,000	235,000
Total Grant Funding	163,966	160,955	212,359
Salaries and Expenses			
Commission Administration (50% Federal Contribution)	3,272	3,431	3,907
Commission Programmatic	3,870	6,090	6,850
Office of the Inspector General	745	1,330	1,542
Office of the Federal Co-Chair	1,947	1,994	2,342
Total	9,834	12,845	14,641
Local Development Districts¹	6,200	6,200	8,000

¹ Funded exclusively through Base Program

The chart above details ARC’s funding request for \$235 million for FY 2023. This will allow ARC to continue to provide extensive technical assistance to underserved communities, removing economic barriers and engaging underserved and marginalized communities in accordance with Executive Order No. 13895 and Executive Order No. 14008. This requires ongoing support for administration in order to provide adequate fiduciary responsibility. The request reflects the full costs of the Office of the Federal Co-Chair, its immediate staff, and the full cost associated with the Office of the Inspector General.

To further realize the objectives of Executive Order 13895, ARC is initiating a significant capacity-building effort to enhance regional collaboration among its state partners. This effort will convene state leaders to strategize opportunities that coordinate across state lines to access resources available through federal partners such as the Economic Development Administration (EDA). These critical activities require significant staff resources but have great potential to produce unprecedented economic returns in marginalized communities.

Infrastructure Investment and Jobs Act Detail			
	FY2021 Enacted	FY2022 President's Budget¹	FY2023 President's Budget
State Area Development and Distressed Counties Initiative			
State Area Development and Distressed Counties Administration	--	3,000	4,000
State Area Development and Distressed Counties Grants	--	100,000	100,000
Total		103,000	104,000
Regional Multi-State Initiative			
Regional Multi-State Initiative Administration	--	2,700	3,200
Regional Multi-State Grants	--	80,000	80,000
Total		82,700	83,200
Capacity Building Initiative			
Capacity Building Initiative Administration	--	300	400
Capacity Building Initiative Grants	--	10,000	10,000
Total		10,300	10,400
Program Expenses - Other			
Research/Mapping and Analysis	--	1,000	1,000
Co-Chairs' Development Funding	--	2,000	2,000
Academies and Institutes	--	1,000	1,000
Total		4,000	4,000
Subtotal Grant/Programatic Funding		192,000	190,400
Salaries and Expenses		--	6,000
Subtotal Administration/Salaries and Expenses		6,000	7,600
Total Infrastructure Funding		200,000	200,000

¹ Infrastructure funding is a stand-alone item -- \$1 billion in budget authority appropriated over a 5-year period (FY 2022 – FY 2026).

The Infrastructure Investment and Jobs Act (IIJA) provided ARC with \$1 billion, thereby providing budget authority of \$200 million a year for fiscal years 2022 through 2026. The table below provides detail on the Commission's allocations of IIJA funds for FY 2022 and planned allocations for FY 2023. This emergency discretionary funding builds upon the base of programmatic efforts funded by annual appropriations. ARC is directing IIJA resources to accelerate economic

transformation and build much needed capacity in some of the most economically distressed areas of the nation. ARC states will use these funds to complete large-scale investment activities and collaborate for even larger scale multi-state regional development efforts. Funding will be provided for leadership development and technical assistance in conjunction with the administration's Rural Partners Network.

In FY 2022 and FY 2023, ARC will fund the following programs and activities with IJA resources:

- **State Area Development and Distressed Counties Initiative:** The funds will be allocated to each of the 13 Appalachian Region states using the formulas for area development and distressed counties that currently determine state allocations under ARC's regular appropriation. The factors in the formulas include economic condition, population, land area, and level of education. To qualify, applications must be submitted by the respective state governor and must demonstrate how the proposed projects would advance at least one of ARC's strategic investment priorities. One-third of the funding is allocated exclusively for the benefit of economically distressed counties.
- **Regional Multi-State Initiative:** These funds will support economic and community development opportunities that reach across state lines and strengthen regional economic clusters. Applications for planning and implementation grants will be awarded on a rolling basis; the grant size will be flexible. Eligible projects must fit within ARC's strategic investment priorities. A single organization can apply for activities in multiple states, or multiple organizations from participating states may submit applications under one overall multistate coordinated investment strategy.
- **Capacity-Building Initiative:** IJA funding will enable ARC to expand its recently launched interagency pilot program of strengthening local capacity, enabling communities to take better advantage of federal and other resources and create a stronger economic future. This will include additional support for Local Development Districts (LDDs), as well as building stronger local nonprofit organizations and engaging other providers
- **Other Programmatic Activities:** This funding increases investment in research, mapping and data analysis, program evaluation, and technical assistance. These tools help inform funding decisions by both ARC and outside organizations. Funding for ARC's Appalachian Entrepreneurship Academy, Oak Ridge Summer STEM Program, and the Appalachian Teaching Project will be shifted to IJA and will no longer draw from annual appropriations.



Program Justification: Area Development Base Program

The Federal Co-Chair of the Appalachian Regional Commission (ARC, the Commission) requests a total of \$235 million, \$118 million of which will continue the activities in the Area Development Base Program and includes enhanced focus on technical assistance necessary to prepare communities for the influx of funding from other national programs. This funding addresses the challenges and opportunities of the Region as it continues a major economic transition.

ARC’s Area Development Base Program relies on a flexible “bottom up” approach to economic development, with funds allocated to states based on economic indicators such as economic condition, population, land area, and level of education. Appalachian state partners solicit applications designed to reflect the goals and objectives of the ARC Strategic Plan. Eligible funding uses include activities that build Appalachian businesses; build Appalachia’s workforce ecosystem; build Appalachia’s infrastructure; build regional culture and tourism; and build community leaders and capacity. Final approval of all proposed investments resides with the Federal Co-Chair of ARC. Eligible applicants include but are not limited to states, local governments, and nonprofits both with and without 501c3 status. Grants range in size from \$10,000 for grass-roots demonstration projects to \$3 million for large critical infrastructure activities. ARC is currently encouraging larger grant application submissions based on increased funding recently made available through the IJA.

Program implementation **reflects local priorities** through a flexible bottom-up approach, enabling communities to tailor the federal assistance to their individual needs. This program **extends the reach of other federal programs** into the most challenged parts of Appalachia by providing the necessary gap funding and convening economically distressed communities to compete and successfully implement funding from national programs. Finally, this program helps **attract private sector investment** to areas that otherwise

ARC STRATEGIC PLAN DEVELOPMENT STAKEHOLDER EQUITY INPUT

- Week 1: April 26–30**
HBCUs, Transportation, DDAA Board, Tourism, Entrepreneurship
- ✓ April 26 at noon – Historically Black Colleges and Universities
 - ✓ April 27 at 3:30 PM – Transportation
 - ✓ April 28 at 3:30 PM – DDAA Board
 - ✓ April 29 at 2:30 PM – Tourism
 - ✓ April 30 at 2:30 PM – Entrepreneurship
- Week 2: May 3–7**
Health, Students, Broadband, Philanthropy
- ✓ May 4 at 11:00 AM – Health
 - ✓ May 4 at 7:00 PM – Students/Youth
 - ✓ May 5 at 2:30 PM – Broadband/Technology
 - ✓ May 7 at 1:30 PM – Philanthropic Funders
- Week 3: May 10–14**
SUD, Leadership, Economic Developers, Water/Sewer, Nonprofits
- ✓ May 10 at 2:30 PM – Substance Use Disorder Advisory Council
 - ✓ May 11 at 12:30 PM – Appalachian Leadership Institute
 - ✓ May 11 at 3:30 PM – Economic Developers
 - ✓ May 13 at 12:30 PM – Water and Wastewater Infrastructure
 - ✓ May 14 at 10:00 AM – Nonprofit Organizations
- Outlier: June 7 at 4:00 PM**

would not likely be considered competitive investment opportunities. In FY 2021, investments of **\$163.4 million** in grant funds across all initiatives attracted an additional **\$285.4 million** in other project funding, an investment ratio of **2 to 1**, and **\$1.04 billion** in non-project leveraged private investment, a ratio of **6 to 1**.

The Infrastructure Investment and Jobs Act provides \$1 billion for ARC activities over five years, with \$200 million appropriated annually from FY 2022 through FY 2026. The Act also reauthorized the agency through FY 2026 and added three new counties. This additional funding presents a unique opportunity for ARC to make larger investments and address some of the systemic challenges that have hindered development in the Region.

ARC launched its new strategic plan, *Appalachia Envisioned: A New Era of Opportunity*, after completing a comprehensive community engagement process through which approximately **2,000 participants** shared insights on strengths, challenges, and opportunities facing Appalachia, along with ideas to advance economic prosperity. This plan will guide ARC programmatic activities and reflects the Biden administration's focus on resilience, innovation, sustainability and equity. The updated goals described below reflect the current economic challenges and opportunities facing Appalachia, including the economic impact from COVID. Recent stakeholder input from the strategic planning process revealed that the pandemic both highlighted and exacerbated the depth and breadth of all of the challenges in the Region.

Goal 1: Building Appalachian Businesses

Strengthen and diversify the Region's economy through inclusive economic development strategies and investments in entrepreneurship and business development.

Collaborative and inclusive approaches to economic development in Appalachia are essential to supporting the Region's businesses and industries and ensuring economic opportunity for its residents. ARC's investments will emphasize the importance of investment in economic growth strategies that capitalize on the Region's unique assets and prioritize assistance for small businesses and entrepreneurs. Job creation is increasing more slowly in the Region than in the nation as a whole. The number of jobs in the nation has jumped 79 percent since 1980, while the number of jobs in Appalachia has increased only 49 percent over the same time period.² As the Region transitions from single-sector economies, it will be necessary to help both new and established businesses and industries to expand their reach in national and international markets.

² Woods & Poole Complete Economic and Demographic Data Source.

Entrepreneurial Support for COVID Crisis

In FY 2020, ARC invested **\$300,000** in the Industrial Commons in Morganton, North Carolina, to purchase materials and coordinate staff to manufacture much-needed medical safety gear. The Industrial Commons and its enterprise, the Carolina Textile District (CTD), organized as one centrally operated manufacturing operation to fill orders for gowns, N-95 masks, and scrubs (personal protective gear, or PPE). To continue to meet the critical need for PPE across the Appalachian Region and the rest of the United States, the grantee secured the use of a 20,000-square-foot idled factory owned by a local furniture manufacturer as a staging facility for shipping and distribution of the equipment being manufactured by over 1,200 entrepreneurial tailors. The project will provide 250,000 masks and 20,000 gowns that are urgently needed and will retain 250 jobs. This is an outgrowth of work ARC funded in 2015 in which the Industrial Commons and another founding CTD partner, the Manufacturing Solutions Center, purchased advanced manufacturing equipment and a state-of-the-art cutter to help the network grow and increase efficiency for its small to mid-sized members.

Goal 2: Building Appalachia’s Workforce Ecosystem

Expand and strengthen community systems (education, healthcare, housing, childcare, and others) that help Appalachians obtain a job, stay on the job, and advance along a financially sustaining career pathway.

Developing and sustaining a strong workforce is a critical component of economic development, both in Appalachia and across the country. Over the 2015–2019 period, the share of adults with a bachelor’s degree or more was seven percentage points lower in Appalachia than in the nation as a whole; and in 294 Appalachian counties, fewer than one in five residents aged 25 and over were graduates of a four-year college or university.³ A strong workforce includes not only educational opportunities, but also soft and technical skills to meet local industry needs as well as access to fundamental supports to keep workers on the job, such as reliable transportation, appropriate healthcare, safe and affordable housing, and quality childcare. The Region cannot achieve economic prosperity without investment in two key components: talent and skill development *and* employment support to keep people in the labor force and contributing to economic and community development.

Workforce Training and Employee Support

The Partnership of Ashe County in Jefferson, North Carolina, was awarded \$300,000 in ARC funding to construct a new child development training center adjacent to the current facility in Jefferson that will provide early childhood education and professional training opportunities for workers in the childcare profession. Partners Appalachian State University and Wilkes Community College will work with the grantee to operate the Early Care and Education Quality Program and offer workforce trainings and coursework for education degree programs to new and incumbent childcare professionals. The project supports the growing need for additional trained childcare providers in the four-county service area. Three new businesses are anticipated and 120 workers/year will be trained.

³ U.S. Census Bureau’s 2015-2019 American Community Survey, as compiled in [ARC’s 2021 Chartbook](#).

Goal 3: Building Appalachia’s Infrastructure

Ensure that the residents and businesses of Appalachia have access to reliable, affordable, resilient, and energy-efficient utilities and infrastructure, including water/wastewater systems; transportation, including the Appalachian Development Highway System; and reliable, affordable broadband.

Businesses and residents alike require access to affordable, energy-efficient, and reliable utilities as well as safe, connected, and strategic transportation systems. However, the Region’s aging and inadequate infrastructure creates a significant barrier to community prosperity. This negatively impacts business and talent attraction and retention, workforce development, community and individual prosperity, and access to healthcare and education. Difficult geography, traditionally underfunded infrastructure systems, natural disasters, and declining revenue are just some of the barriers to building and sustaining Appalachia’s infrastructure.

Investments in basic infrastructure and economic development readiness planning offer one of the largest returns on investment for economic and community prosperity in Appalachia. Basic infrastructure includes water, sanitary sewer, and municipal storm wastewater; energy (including electric, heat, oil and gas, and alternative energy sources); and, where necessary, stormwater and emergency management infrastructure to build resilience and protect against natural disasters. Roughly 20 percent of the Region’s population is not served by a community water system (compared with 12 percent nationally), and 47 percent of Appalachian households are not served by a public sewage system (compared with 24 percent nationally).⁴

Critical Infrastructure

The City of Hinton, West Virginia, in economically distressed Summers County was under a Consent Order due to aging terracotta sewer lines and combined sewer overflows polluting the New River and Greenbrier River. In FY 2021, ARC provided \$1,550,000 in special funding dedicated to sewer work in distressed counties. Along with funding from a Community Development Block Grant (CDBG) and a WV Department of Environmental Protection loan, Hinton received a total of \$3,550,000. When complete, 110 businesses and 1,100 households will have safe, reliable service. The project will also help the vibrant tourism that is developing around the nearby recreational trails and waterways.

⁴ EFC at UNC Chapel Hill, [Drinking Water and Wastewater Infrastructure in Appalachia: An Analysis of Capital Funding and Funding Gaps](#) 2005.

[Estimated Use of Water in the United States County-Level Data for 2000](#), U.S. Geological Survey.

[Estimated Use of Water in the United States County-Level Data for 2015](#), U.S. Geological Survey.

As the pandemic increased workers' reliance on remote interaction, high-speed Internet access has become even more important. During the 2015–2019 period, just over three-quarters of Appalachian households (78 percent) had a broadband Internet subscription, compared to more than 83 percent of households nationwide. Within the Region, there are signs of a rural-urban digital divide: In 18 Appalachian counties, less than 60 percent of households had a broadband subscription. All but one of these counties were outside metropolitan areas, and more than half were in the Region's most rural counties.⁵ Taken together, these are signs that many communities in the Region may be at risk of being left behind. ARC's investments in broadband and data infrastructure help Appalachian communities—especially those in rural and/or distressed counties and areas—compete and participate in the global economy. Ongoing opportunities exist for convening, coordinating, planning, mapping, and funding investments in broadband deployment and smart grids.

Broadband Infrastructure

After completing an FY 2020 POWER-funded Broadband Feasibility Study activity, economically distressed Nobel County, Ohio, initiated a process to reach areas of the county that lacked broadband service. In FY 2022, ARC provided \$750,000 to deploy 15 miles of fiber optic broadband network that will offer 100 Megabit per second Internet service to five businesses and 147 households when the project is complete.

Congress authorized construction of the Appalachian Development Highway System (ADHS) as part of ARC's original enabling legislation in 1965. The completion of the ADHS remains a priority for ARC. Roads, highways, and public and personal transit are critical not only for economic growth and prosperity but also for quality of life and accessing employment opportunities and related employment supports that residents need. The Region continues to struggle with equitable access to reliable, quality transportation systems that can efficiently and conveniently transport goods and people. Increased funding and planning support for transportation infrastructure improvements and innovations are needed for the Region to continue to be an attractive place to live, work, and do business.

Goal 4: Building Regional Culture and Tourism

Strengthen Appalachia's community and economic development potential by preserving and investing in the Region's local cultural heritage and natural assets.

⁵ The U.S. Census Bureau's 2015-2019 American Community Survey, as compiled in [ARC's 2021 Chartbook](#).

Appalachia has unique downtown communities, a vibrant cultural and arts tradition, and diverse natural spaces. Preserving and leveraging these regional assets to support quality of life for residents, community development, economic opportunity, and tourism is an important component of economic development. Investments in the revitalization of Appalachian downtowns, maintenance and promotion of the Region’s arts and cultural heritage, and the preservation and harnessing of natural resources and outdoor spaces for recreation and tourism can be transformational.

Appalachia has a rich history in a range of arts, music, regional foods, and heritage sites. Investments in these sectors will support community resilience and development, advance place-based economic development, and expand opportunities for residents and visitors alike. The Region offers a myriad of natural assets—mountains, rivers, lakes, forests, parks, waterfalls, and trails. Plentiful outdoor recreation activities were repeatedly mentioned by stakeholders as key strengths for the Region. Continued support for responsible development and expansion of outdoor recreation spaces will help fuel the tourism economy and increase employment opportunities.

Natural and Cultural Assets

In FY 2021, ARC funding of \$1 million was combined with \$1,707,000 from the federal Abandoned Mine Lands program to upgrade infrastructure in Mine Made Adventure Park in economically distressed Knott County, Kentucky. The park, located on 225 acres of a former mining site, hosts several events during the year. Visitors—including campers, hikers, off-roading enthusiasts, and equestrians—provide a significant boost in area tourism. Improvements include water and sewer infrastructure, paved roads around the campground, six new RV pad sites, 10 new rental cabins, expanded restroom and shower facilities, a 4,000 square foot multi-purpose building, renovations to the existing general store and office space, new signage, and site grading for improved drainage. At completion, the project is expected to generate an additional 20,000 overnight visits.

Goal 5: Building Community Leaders and Capacity

Invest in the capacity of local leaders, organizations, and communities to address local challenges by providing technical assistance and support to access resources, engage partners, identify strategies and tactics, and conduct effective planning and project execution.

Achieving economic development goals for the Region is dependent upon a community's ability to prioritize challenges and implement impactful solutions. Many Appalachian communities, particularly in rural and/or economically distressed areas, lack the capacity at the leadership, organizational, or community level to effectively drive the planning and implementation of strategies, projects, and investments.⁶ Out-migration and a lack of focus and investment in leadership and community development has left many communities in the Region without the capacity needed to capitalize on funding opportunities and steer investments to

Equity Investing Strategies Leadership and Capacity Building

In FY 2021, ARC developed **The Appalachian Community Capacity-Building Pilot Program** with an investment of \$440,000 to launch an initiative to provide special capacity-building training to assist economically distressed communities in strategically accessing the American Rescue Plan Act funding as well as other national programs in order to bolster long-term economic health of Appalachian communities. The Environmental Protection Agency joined ARC in this effort, contributing an additional \$500,000 as well as programmatic expertise. Initially, this pilot will train local elected officials and Local Development District staff but will likely expand in subsequent years.

successful outcomes. Building capacity throughout the Region has long been a focus of ARC, which has facilitated significant investments supporting leadership development at multiple levels. Dedicated funding made available through the Infrastructure Investment and Jobs Act provides ARC the opportunity to enhance its focus on leadership and capacity building.

In FY 2021, ARC consolidated its programmatic offerings in leadership development activities into a single unit to achieve economies of scale. ARC's Appalachian Entrepreneurship Academy, Oak Ridge Summer STEM Program, and the Appalachian Teaching Project will be shifted to funds made available through the Infrastructure Investment and Jobs Act, while the Appalachian Leadership Institute will continue to be funded through a partnership with the Department of Agriculture. Academies and institutes offer the following components:

- **ARC Oak Ridge Summer STEM Program** is a two-week, hands-on learning program delivered through Oak Ridge Associated Universities.
- **Appalachian Entrepreneurship Academy** is an experiential learning program to build high school students' entrepreneurship skills.

⁶ [Evaluation of the Appalachian Regional Commission's Leadership and Community Capacity Projects: FY 2008–FY 2015.](#)

- **Appalachian Teaching Project** is an applied research program where participating colleges and universities offer a directed seminar that guides students in developing and executing field-based research projects specific to the needs of their surrounding communities and in alignment with one or more of the ARC strategic goals.
- **Appalachian Leadership Institute** aims to equip a diverse network of leaders with the skills, expertise, and vision to address Appalachia’s most pressing issues. Fellows participate in seven sessions that focus on economic development and other challenges facing rural and Appalachian communities.

Performance Targets

Grant Outcomes	1-Year Target	5-Year Target
Jobs created or retained	22,000	110,000
Businesses created or strengthened	4,000	20,000
Students and workers with improvements	35,000	175,000
Businesses and households with access to improved infrastructure	50,000	250,000
Communities with enhanced capacity	400	2,000

Leverage	1-Year Target	5-Year Target
Ratio of leveraged private investment to ARC dollars	6 to 1	6 to 1

Matching	1-Year Target	5-Year Target
Ratio of matching project funds to ARC dollars	2 to 1	2 to 1

Distressed Counties/Areas	1-Year Target	5-Year Target
Percentage of ARC funds directed to benefit economically distressed counties or areas	50%	50%

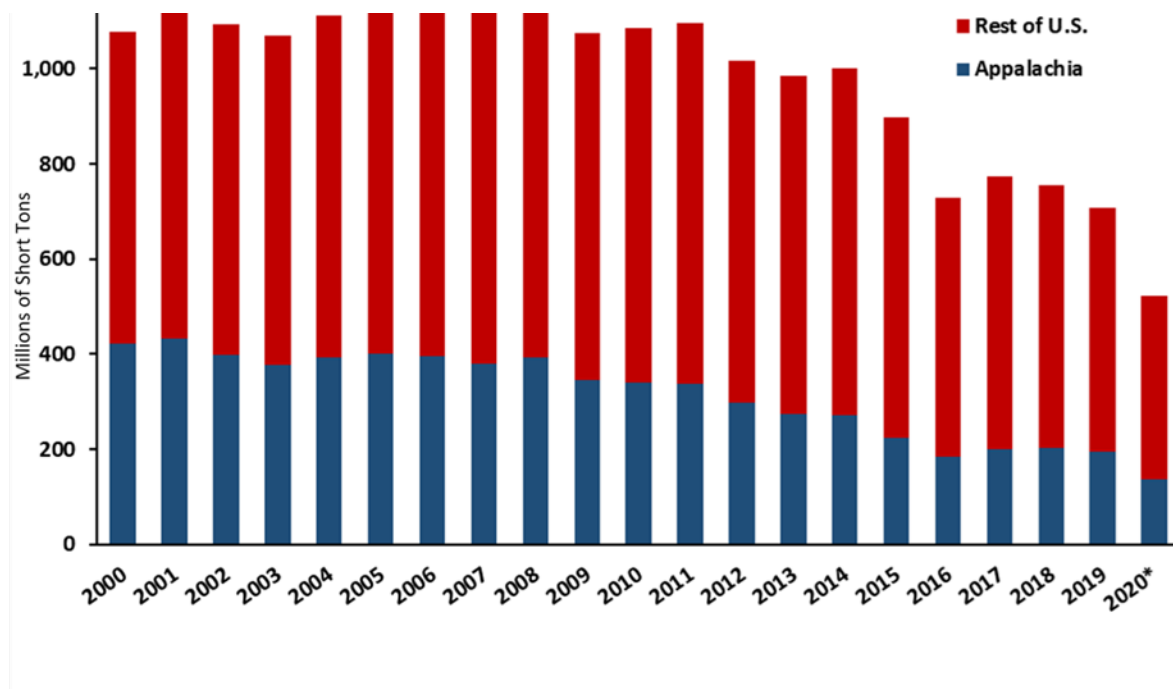
Assuming continued annual funding consistent with the most recent FY 2021 annual appropriations of \$180 million, the Commission is committed to achieving the following performance, leverage, matching, and distressed county/area targets in pursuit of its mission. Future ARC funding changes may necessitate adjustments to performance targets.



Program Justification: Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) Initiative

The Federal Co-Chair of the Appalachian Regional Commission (ARC, the Commission) requests \$72 million to continue the regionally competitive Partnerships for Opportunity and Workforce and Economic Revitalization (POWER). Appalachia has been disproportionately affected by the downturn of the coal industry as demand for coal has fallen across the United States. Between 2005 and 2020, coal production in the United States fell about 54 percent. The majority of this decline came in Appalachia, where coal production dropped 65 percent. This severe decline in production has resulted in the loss of thousands of jobs across Appalachia.⁷

Figure 4 Coal Mining Production, Appalachia and the Rest of the U.S.



ARC's POWER Initiative is an equity-based strategy designed to address rural poverty and assist Appalachia in better competing in the global economy by funding regionally competitively selected projects that emphasize large-scale, multi-jurisdictional activities, engage a broad range

⁷ https://www.arc.gov/wp-content/uploads/2021/04/Coal-and-the-Economy-in-Appalachia_Q4_2020-Update.pdf

of partners, and are sustainable and transformational. Eligible funding uses include enhanced job training and re-employment activities, job creation activities in existing or new industries, and new investment development activities. Eligible applicants include but are not limited to states, local governments, and nonprofits both with and without 501c3 status. Grants range in size from \$100,000 for planning grants to \$2 million for multi-state activities. ARC is currently encouraging larger grant application submissions based on increased funding recently made available through the IIJA.

Figure 5: Coal Mining Employment by Appalachian State

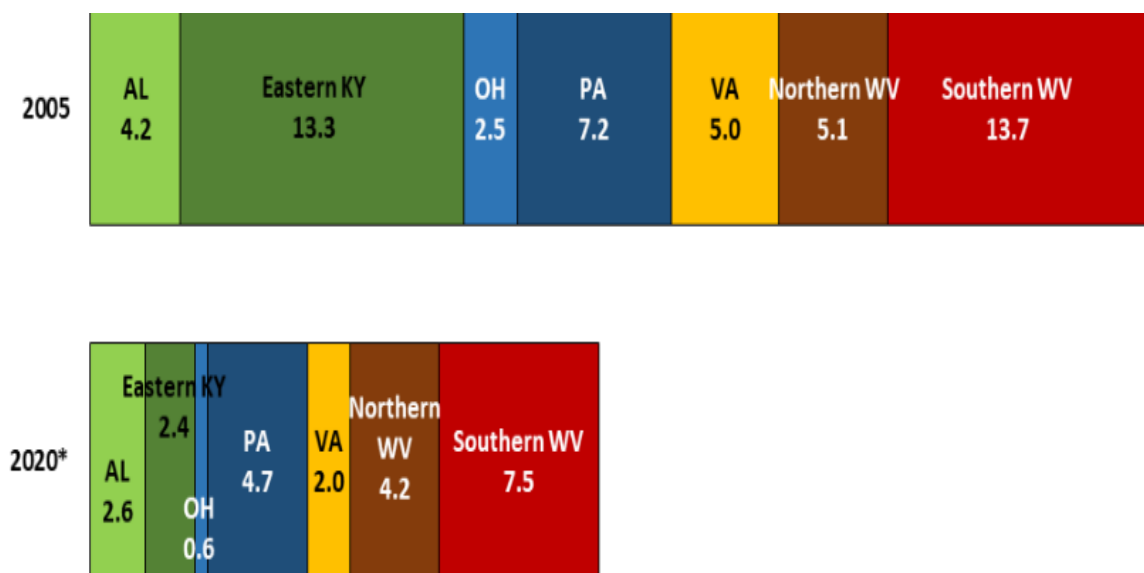


Figure 5 shows recent changes in coal employment for the coal-producing states in the Region. Eastern Kentucky registered the largest drop in coal employment between 2005 and 2020 at 82 percent.⁸

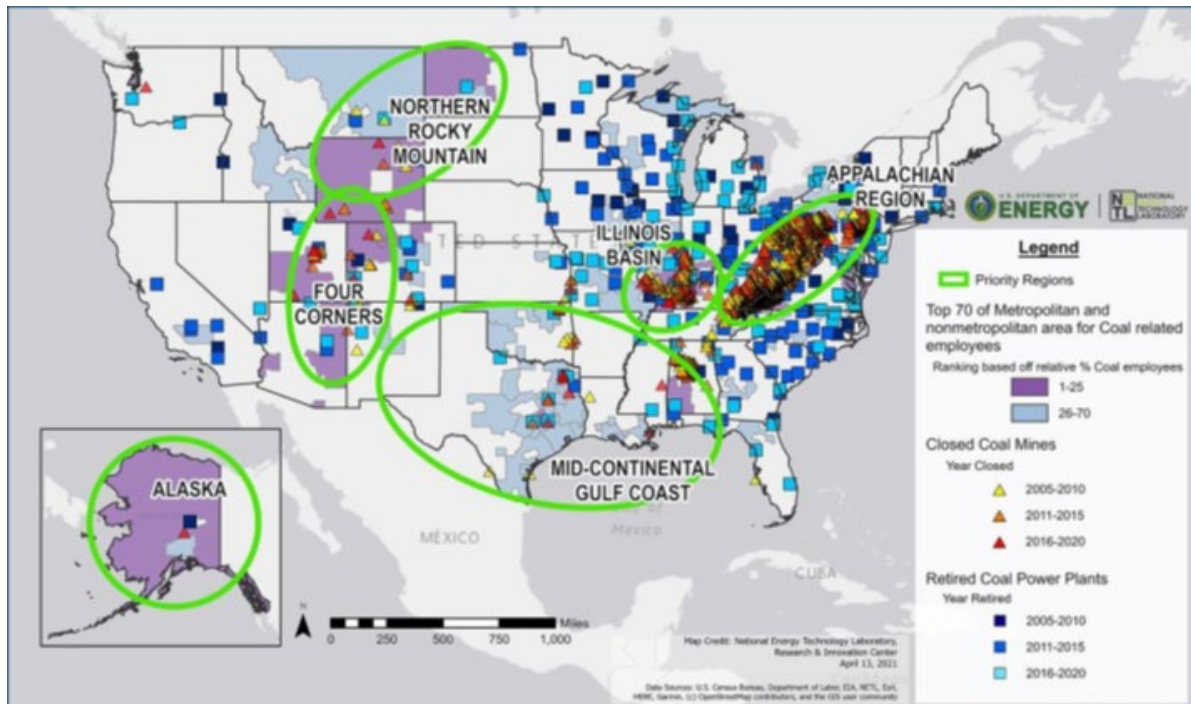
In response to Executive Order No. 14008, “Tackling the Climate Crisis at Home and Abroad,” the Biden administration formed the Interagency Working Group on Coal and Power Plant Communities and Economic Revitalization to address dramatic economic challenges. This group, of which ARC is a member, has a mandate to “coordinate the identification and delivery of federal resources to revitalize the economies of coal, oil and gas, and power plant communities.”⁹ Figure 6 shows the working group’s map of national focus areas. A total of 25 geographic areas, hard-hit by past coal mine and plant closures and vulnerable to more closures, were identified for

⁸ https://www.arc.gov/wp-content/uploads/2021/04/Coal-and-the-Economy-in-Appalachia_Q4_2020-Update.pdf

⁹ <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/23/fact-sheet-biden-administration-outlines-key-resources-to-invest-in-coal-and-power-plant-community-economic-revitalization/>

priority investment and engagement. Eight of these areas are located in Appalachia. Serving as the Chair of the Community Engagement Subcommittee enables ARC to deploy its special expertise to build the capacity of underserved communities and accelerate outreach to the most distressed or marginalized areas to provide listening sessions and roundtable discussions. The first of these sessions, cohosted with the Department of Energy (National Energy Technology Laboratory), took place late in the fourth quarter of FY 2021. While the event was scheduled to be in-person, a last-minute pivot to a virtual format was necessary due to COVID. Additional events are ongoing.

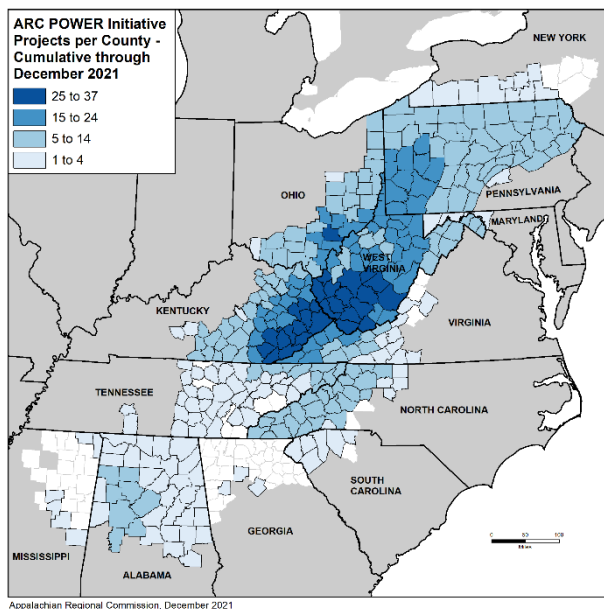
Figure 6 Coal Mine and Power Plant Closures, 2005–2020



The POWER Initiative is included in the Biden administration’s Justice40 initiative, an effort to ensure that federal agencies work with states and local communities to deliver at least 40 percent of the overall benefits from federal investments in climate and clean energy investments to disadvantaged communities. In FY 2021, 100 percent of the program funding for POWER met the criteria for Justice40.

POWER is generating results. From its inception in 2015, ARC has invested nearly **\$294.7 million** in **369 projects** touching **354 counties** across Appalachia. Together, these investments are projected to create or retain more than **35,300 jobs**, leverage more than **\$1.5 billion** in additional private investment into Appalachia’s economy, and prepare tens of thousands of workers and students for opportunities in entrepreneurship, broadband development, tourism, and other industry sectors.

Analysis from an outside evaluator, Chamberlin/Dunn, guides evolution of the POWER Initiative and embeds flexibility for crises such as COVID and integrates lessons learned and best practices. In FY 2021, Chamberlin/Dunn identified 12 outcome areas where POWER is exceeding expectations:¹⁰



- Participants served (43,259, 625% of target) and improved (16,320, 326%)
- Students served (95,188, 141%) and improved (68,213, 188%)
- Jobs retained (9,127, 206%)
- Businesses created (1,230, 173%) and improved (5,506, 141%)
- Workers/trainees served (17,872, 165%) and improved (10,266, 136%)
- Patients served (28,821, 166%) and improved (28,821, 166%)
- Export sales revenues increased (\$28.03M, 140% of target)

¹⁰ *POWER Initiative Evaluation: The POWER of Change Stories of Results for Individuals, Businesses, and Communities.* Chamberlin and Dunn, September 2021.

POWER Initiative Funding: Examples of Projects

Building a Competitive Workforce

\$994,883 – In FY 2021, ARC made a grant to Catalyst Connection in Pittsburgh, Pennsylvania, to fund the REAL Jobs in Energy & Manufacturing project. The project is expected to help create 272 new jobs and leverage \$5 million in new private investment. A previous POWER grantee, Catalyst Connection serves as the Manufacturing Extension Partnership (MEP) Center for southwestern Pennsylvania. Focusing on the energy and manufacturing sectors, Catalyst Connection will undertake and coordinate new workforce development activities across a 12-county region with established partner networks. Components of the program are organized into four parts: 1) recruitment and provision of pre-employment training; 2) placement of manufacturing workers with engaged and supported employers; 3) training incumbent workers through on-the-job and apprenticeship programs; and 4) provision of real-time data on employment demand and project analysis. Matching funds are provided by several public and private sector entities, including Chevron Corporation, the Richard King Mellon Foundation, the Pennsylvania Department of Community and Economic Development, and the Claude Worthington Benedum Foundation.

Growing Industry Clusters

\$977,850 – In FY 2021, ARC provided funding to the Industrial Commons in Morganton, North Carolina, for its “Creating a Textile and Furniture Circular Economy” project. The project will create a textile and furniture circular economy, marked by recycling, which supports small to midsize manufacturers in diversifying and expanding into new sustainable markets. The Industrial Commons, an interconnected web of employers, networks, and cooperatives, will expand operations of a waste aggregation site, initiate production of and demand for recycled yarn, create two new companies, and deliver innovative training programs. These training programs will include a focus on key business sectors such as business finance and entrepreneurship and will offer skills training to those overcoming substance abuse issues. In addition to the creation of two new enterprises, the program will create 30 new jobs and improve five businesses and 360 participants. The project will result in \$1.175 million of leveraged private investment and will serve businesses in western North Carolina and upstate South Carolina. The project is the outgrowth of a feasibility study funded under a prior POWER grant.

Enhance Access to Broadband Services

\$2,353,788 – In FY 2021, ARC provided funding for the Thundercloud Gigabit City Deployment in a grant to Thundercloud, Inc., of Huntington, West Virginia. The project will support approximately 25 miles of fiber construction to create a fiber loop connecting Barboursville to downtown Huntington. The project will deploy a robust last-mile underground fiber ring linking businesses and anchor institutions to gigabit speed infrastructure. Once fully operational, it is estimated 500 businesses will utilize the fiber ring. It will be part of a larger planned broadband network in the nine-county Advantage Valley region. Large anchor institutions are likely

candidates to use the data center services. The center would also connect to the established state-of-the-art data center in South Charleston. Thundercloud will boost telehealth and telelearning progress, drive new economic development, serve downtown and technology park businesses seeking better broadband access, and upgrade four key Huntington municipal and public safety facilities.

Fostering Entrepreneurial Activities

\$1,498,637 – In FY 2021, ARC made a grant to the Foundation for Appalachian Ohio for the Social Enterprise Ecosystem (SEE) Impact. Through technical assistance, outreach, and the formation of an investment fund, SEE Impact will grow the capital resources available to fund social enterprises in Appalachian Ohio and West Virginia. Using the Social Return on Investment (SROI) methodology, which was developed and refined by Ohio University under prior POWER grants, SEE Impact will provide angel and venture capital investors quantitative measures of social impact in financial terms, facilitating “triple bottom line” investment opportunities in Appalachian social enterprises. The new investment fund will be capitalized at \$1 million. As a result of this project, 120 businesses, 45 communities, and 80 participants will be served; 60 businesses, 45 communities, and 20 participants will be improved; 25 businesses and 55 jobs will be created; and \$17 million of total private investment will be leveraged. Ohio University will be a key partner in the project.



Program Justification: Special Regional Initiative for Distress

The Federal Co-Chair of the Appalachian Regional Commission (ARC, the Commission) requests \$32 million for Special Regional Initiatives for Distress in Appalachia to continue the effort to reduce the disproportionately high rate of distress in Appalachia. While the economic impact of COVID has yet to be fully realized, it will likely be significant in remote economically distressed areas. ARC uses this funding to augment the existing work in distressed communities through the Area Development Base Program and the POWER Initiative. In FY 2021, the number of distressed counties dropped to a low not seen since pre-recession 2008, suggesting a successful impact from this initiative. However, the economic impact of the COVID crisis resulted in a slight uptick, for a total of 81 distressed counties in FY 2022. Challenges such as inadequate water, sewer, and broadband infrastructure continue to present significant barriers and require substantial resources. However, expansion of the southern automotive and aviation clusters continues to offer great potential for job creation and economic development.

ARC was an early investor in the automotive manufacturing industry, with the Appalachian governors voting to allocate funding across multiple states to assist South Carolina in providing the necessary infrastructure for BMW to expand in the Region. Twenty years later, in 2012, automotive cluster analysis found that BMW alone was responsible for creating 7,000 jobs. With the company's growth, an extensive supplier network has developed in the state, thereby creating additional jobs.

ARC has continued to seed development of this sector as a cluster of automotive manufacturers including Mercedes, Toyota, Mazda, and Honda and their supply chain partners locate plants and add jobs throughout the southern Appalachian states. All of those manufacturers have benefitted from ARC investments, primarily for the basic infrastructure necessary to accommodate manufacturing operations. Additional ARC funding continues to expand workforce opportunities, most recently for the states of Alabama and Mississippi where Mazda-Toyota has a new manufacturing facility. Enhanced training provided

Southern Automotive and Aviation Cluster Development

Prior to FY 2021, several industrial companies in search of pad-ready sites with utilities had contacted Pontotoc County, Mississippi, seeking space. Because no such sites existed, Pontotoc lost the opportunity. In FY 2021, ARC assisted Pontotoc County to expand an industrial park. ARC provided site preparation work, specifically water, sewer, and site grading improvements, adding 15 acres of land available for industrial development. ARC invested \$999,000, the Tennessee Valley Authority invested \$650,000, and Pontotoc County invested an additional \$350,000.

by ARC will benefit employees needed to fill the projected 6,000 jobs that will become available. Additional opportunities are available in the energy sector. ARC is pursuing several opportunities, including development of an energy storage hub in Appalachia.

Despite the success in the southern automotive sector and new energy economy opportunities, nearly one-fifth of Appalachia’s counties still suffer from persistent and severe economic distress, due primarily to the Region’s historic reliance on single-sector economic drivers like coal extraction and traditional manufacturing. Central Appalachia lags behind the nation in basic infrastructure availability. Roughly 20 percent of the Region’s population is not served by a community water system (compared with 12 percent of the rest of the nation’s population), and 47 percent of Appalachian households are not served by a public sewage system (compared with a national average of 24 percent).¹¹

Central Appalachia Distressed County Infrastructure

In FY 2022, ARC assisted the City of Jackson in economically distressed Breathitt County, Kentucky with the renovation of their water treatment plant. Repairs required that the plant be taken offline frequently. ARC used special funding designated for infrastructure projects in distressed counties in the Region. Additionally, ARC used its special statutory authority to waive the federal match requirement in order to expedite the project. A total of \$1,994,812 was provided and when the project is finished, 261 businesses and 1,808 households will have reliable potable drinking water.

In addition, Appalachia, like most of rural America, continues to lag behind the nation in access to advanced telecommunications infrastructure. During the 2015–2019 period, just over three-quarters of Appalachian households (78 percent) had a broadband Internet subscription, compared to more than 83 percent of households nationwide. Within the Region, there are signs of a rural-urban digital divide: In 18 Appalachian counties, less than 60 percent of households had a broadband subscription. All but one of these counties were outside metropolitan areas, and more than half were in the Region’s most rural counties. As the COVID-19 pandemic has increased workers’ reliance on remote interaction, high-speed Internet access has become even more important. Taken together, these are signs that many communities in the Region may be at risk of being left behind.¹² Congress recognized the importance of this by creating a new authority for ARC to work in broadband deployment in its 2015 reauthorization, and ARC continues to provide support and collaborate with other federal partners.

These circumstances prompted Congress to provide special funding designated for improving water and sewer infrastructure in distressed counties in central Appalachia and broadband

¹¹EFC at UNC Chapel Hill, [Drinking Water and Wastewater Infrastructure in Appalachia: An Analysis of Capital Funding and Funding Gaps](#) 2005.

[Estimated Use of Water in the United States County-Level Data for 2000](#), U.S. Geological Survey.

[Estimated Use of Water in the United States County-Level Data for 2015](#), U.S. Geological Survey.

¹² U.S. Census Bureau’s 2015-2019 American Community Survey, as compiled in [ARC’s 2021 Chartbook](#).

service in distressed counties in north and central Appalachia. To date, almost \$60 million has been invested in KentuckyWired to develop broadband access throughout eastern Kentucky through the creation of a large middle-mile network. This project will bring enhanced broadband access to 119 community anchor institutions in eastern Kentucky and provide the platform necessary for providers to branch out and provide last-mile facilities in selected areas.

Throughout FY 2023, ARC will continue to work with public and private sector partners to build community capacity; leverage opportunities, such as the growth of the southern automotive sector; and eliminate economic barriers, such as the lack of critical water, sewer, and broadband infrastructure, particularly in North and Central Appalachia. Outcome measures will be developed in conjunction with state and local partners as this initiative continues.

Potential Outcomes for Project Development (Includes funds for administration)
Businesses improved
Communities improved
Households improved
Participants improved
Students improved
Workers and trainees improved



Program Justification: INSPIRE Initiative for Substance Abuse Mitigation

The Federal Co-Chair of the Appalachian Regional Commission (ARC, the Commission) requests \$13 million to implement INvestments Supporting Partnerships In Recovery Ecosystems (INSPIRE), to address Appalachia’s substance use disorder (SUD) crisis by creating or expanding a recovery ecosystem leading to workforce entry or re-entry. In addition to being considered a health and public safety issue, this problem is now recognized as a barrier to economic prosperity because of the impact of the drug crisis on the Region’s workforce.

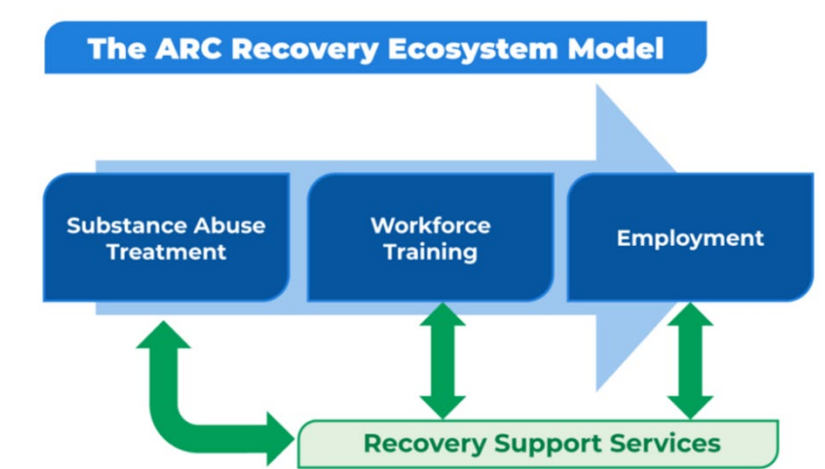
ARC’s INSPIRE Initiative supports activities in the post-treatment to employment continuum through a regionally competitive selection process. Eligible funding uses include the following:

- Support of healthcare networks and SUD recovery professionals
- Recovery-focused job training programs, including workforce reentry and employment retention, basic and advanced training, soft-skills development, up-skilling, and clear career pathways
- Coordination or linking of recovery services and training that support the recovery ecosystem

Eligible applicants include but are not limited to states, local governments, and nonprofits both with and without 501c3 status. Grants range in size from \$15,000 for planning grants to \$500,000 for implementation activities.

Appalachia has been disproportionately impacted by the substance abuse crisis. In 2018, overdose-related mortality rates for the Region’s 25–54-year-old age group—those in their prime working years—were 55 percent higher than for the same age group in the country’s non-Appalachian areas.¹³

¹³ CDC’s Multiple Cause of Death database, as compiled in ARC’s 2020 report, [Appalachian Diseases of Despair](#).



The recovery ecosystem is a complex linkage of multiple sectors, including but not limited to recovery communities, peer support, mental and behavioral health, human services, faith communities, criminal justice, public safety, housing, transportation, education, and employers organized and positioned to help individuals in recovery access the support services and the training they need to maintain recovery and successfully obtain sustainable employment.

Through the 2018 SUPPORT (Substance Use–Disorder Prevention that Promotes Opioid Recovery and Treatment) for Patients and Communities Act, Congress recognized the severity of the substance abuse issue in Appalachia and provided special authorization for ARC to address this issue. ARC used its Substance Use Disorder Advisory Council to develop and launch activities to address significant barriers to recovery employment in the Region. Siloed service delivery has complicated the burden of navigation and successful workforce reentry.

Since INSPIRE was established in FY 2021, ARC has invested **\$15.7 million** in **49 projects** covering **197 Appalachian** counties. This funding reflects the Biden administration’s focus on this issue. In FY 2023, ARC will continue to use its grassroots delivery system by collaborating with state, local, other federal, and private sector partners to assist communities in better identifying these complex recovery connections.

INSPIRE Initiative Funding: Examples of Projects

Matched for Success

\$489,110 – In FY 2021, ARC made a grant to Ridgeview Behavioral Health Services in Oak Ridge, Tennessee, for the Matched for Success project. This project will strengthen the local recovery ecosystem in Scott and Campbell counties by introducing the Dartmouth evidence-based Individualized Placement & Support (IPS) employment model; partnering with community and technical colleges; collaborating with the Tennessee Department of Children’s Services for youth exiting custody; engaging with recovery courts and recovery housing; and providing necessary linkages to substance use disorder outpatient treatment. The program will have two county-specific Employment/Education Specialists and one part-time Peer Recovery Specialist.

Throughout the life of the grant, the project is expected to improve 15 businesses, 64 worker/trainees, and 15 students.

Community Recovery Program (CRP) Expansion

\$498,961 – In FY 2021, ARC made a grant to Piedmont Regional Community Services Board (PRCSB) in Martinsville, Virginia, for the Community Recovery Program (CRP) Expansion in Henry and Patrick counties and City of Martinsville. The project will increase the number of recovering individuals in the city of Martinsville and Henry County and will expand the CRP to serve individuals in Patrick County. The primary focus will be transitioning the vocational training program from an in-house service to a community-focused service where CRP will offer the service to community agencies and faith-based organizations. This collaboration provides another opportunity for CRP participants to secure work experience and build skills. It can also provide resources for the program to sustain an increase in staff. The project will strengthen the recovery ecosystem by increasing the number of Peer Specialists and sponsoring training and credentials for a Peer Specialist Trainer so that future prospects can be prepared to serve the community from within the community. The project is expected to improve 10 businesses, 130 worker/trainees, and 200 students.

West Virginia Inspiring Hope

\$499,176 – In FY 2021, ARC made a grant to West Virginia University Research Corporation in Morgantown, West Virginia, for the West Virginia Inspiring Hope project. The grantee will enhance and expand its existing recovery-to-work ecosystem to address gaps for individuals affected by a substance use disorder (SUD) across a seven-county service area (Clay, Fayette, Greenbrier, Nicholas, Pocahontas, Summers, and Webster). Key elements of that ecosystem will include training, job placement, recovery treatment, housing, and transportation. West Virginia Inspiring Hope will capitalize on an extensive network of local and state partners, including Fruits of Labor, a nationally certified culinary and agricultural training center for individuals in recovery; God's Way Home, a provider of recovery coaching and support; and Seneca Health Services, a mental health organization that provides medication-assisted services, individual and group counseling, peer recovery support, case management, and 24/7 crisis services. The project will provide recovery and workforce development services to 42 workers/trainees affected by a SUD to prepare them for the workforce.

Southern Ohio Employer Resource Network

\$500,000 – In FY 2021, ARC made a grant to the Ohio Valley Regional Development Commission (OVRDC) in Waverly, Ohio, for the Southern Ohio Employer Resource Network. Through a partnership with the Ross and Jackson-Vinton Community Action Commissions, the Southern Ohio Employer Resource Network will facilitate collaboration among employers and social service providers to support successful employment for individuals affected by substance use disorder in Ross, Jackson, and Vinton counties. Success coaches will work at participating

employer locations to connect employees to resources and address barriers by facilitating access to treatment, peer support, mental and physical healthcare services, transportation, housing, childcare, financial management, job readiness skills, education, and workforce training. The Network builds on a proven employer-based model that reduces employee absenteeism and increases employee retention. Through the project, 1000 workers/trainees will be improved and six businesses will receive support services to retain and develop their workforce.



Performance and Evaluation

The Appalachian Regional Commission (ARC, the Commission) is a performance-driven organization with a systematic program for performance measurement in place, in accordance with its strategic plan, titled *Appalachia Envisioned: A New Era of Opportunity | ARC Strategic Plan Fiscal Years 2022–2026*. The strategic plan establishes both long- and short-term goals and performance measures to track progress in meeting the agency’s mission. Feedback from the comprehensive information gathering sessions yielded goals and objectives in a framework with pillars of resilience, innovation, sustainability, and equity. A multi-level evaluation system was designed in accordance with the Government Performance and Results Act and the Evidence-Based Policymaking Act. Funding provided through the Infrastructure Investment and Jobs Act enabled ARC to extend the reach of research and evaluation activities by providing an additional \$1 million in FY 2022 to enhance program evaluation and analyze a variety of regional issues and trends in economic development.

Grant information and performance is tracked by ARC’s grants management system, ARC.net. Data elements are geared to performance measures and strategic objectives from the strategic plan. As each grant is closed, ARC staff collects output and outcome information and tracks data against anticipated performance. The performance data is validated through a process that confirms project outcomes three years after the projects have been completed. The three-year period allows ARC to accurately capture data on performance measures, which can continue to accrue after a project has been completed.

ARC conducts an outside evaluation of each strategic goal area on a rotational basis. Each study assesses how well ARC projects met their projected performance targets and offers recommendations for ways to improve the grants process. This information is published on the ARC website and used to guide future Commission policy. ARC performance is published annually in its Performance and Accountability Report, which is available on the agency’s website at www.arc.gov.

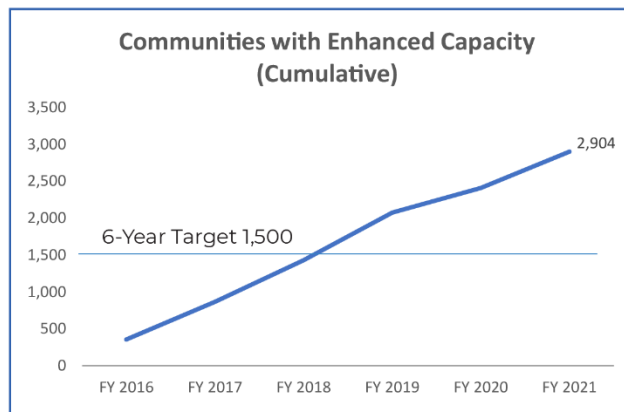
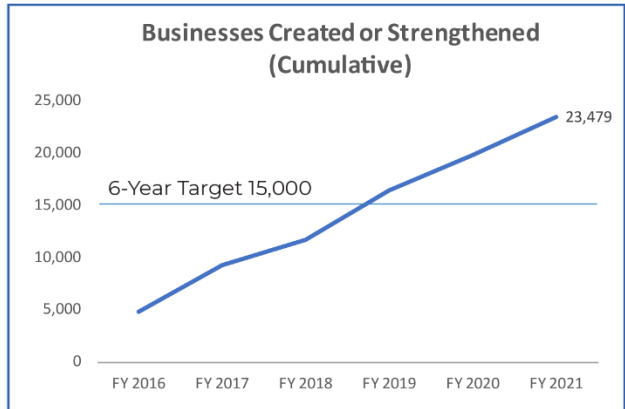
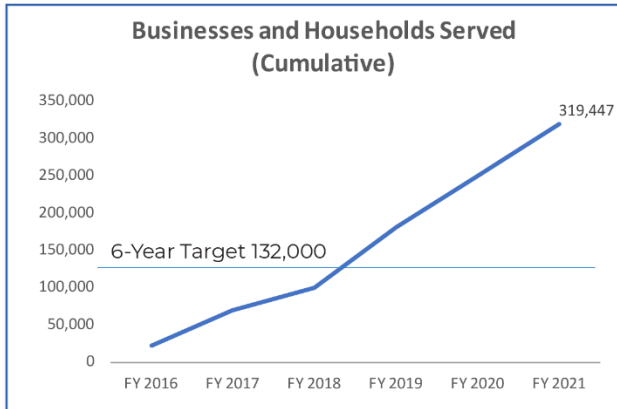
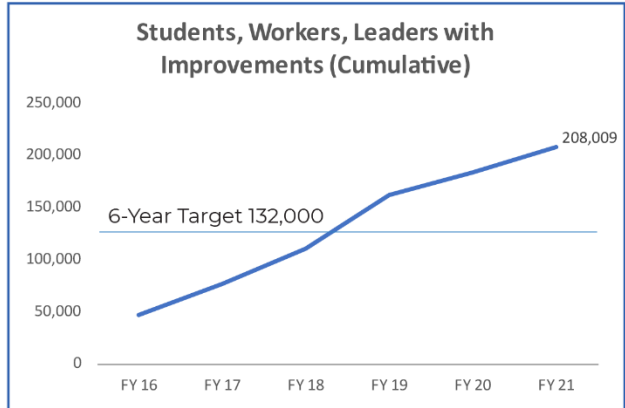
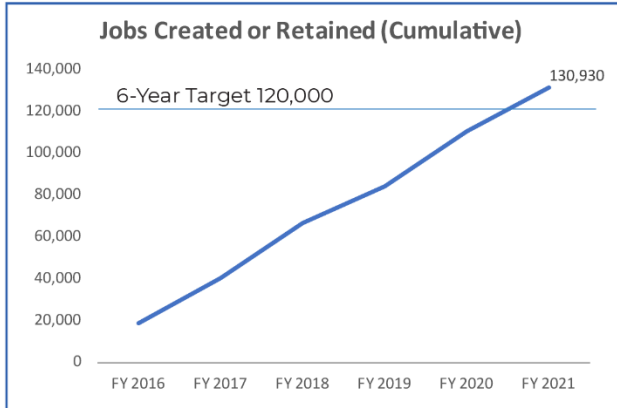
SUMMARY OF ACHIEVEMENTS

PERFORMANCE TARGETS AND INITIAL ESTIMATES FOR FISCAL YEAR 2021 PROJECTS

ANNUAL PERFORMANCE TARGETS	INITIAL ESTIMATES	EXPECTED RESULTS
Outcome Targets		
20,000 jobs created or retained	20,624 jobs created or retained	Exceed target by 3%
22,000 students, workers, and leaders with improvements	25,102 students, workers, and leaders with improvements	Exceed target by 14%
22,000 businesses and households with access to improved infrastructure	69,825 businesses and households with access to improved infrastructure	Exceed target by 217%
2,500 businesses created or strengthened	3,709 businesses created or strengthened	Exceed target by 48%
250 communities with enhanced capacity	493 communities with enhanced capacity	Exceed target by 97%
Leverage Target		
Achieve a 6:1 ratio of leveraged private investment to ARC funds (\$6 per \$1 ARC investment)	6:1 ratio* (\$6.39 per \$1 ARC investment)	Exceed target by 7%
Matching Target		
Achieve a 2:1 ratio of matching funds to ARC funds (\$2 per \$1 ARC investment)	2:1 ratio* (\$1.75 per \$1 ARC investment)	Meet 87% of target
Distressed Counties/Areas Target		
Direct 50% of ARC funds to benefit distressed counties or areas	70% of funds**	Exceed target by 20 percentage points
<small>*Ratios are rounded to the nearest whole number. **Project funds are included if the project primarily or substantially benefits distressed counties or areas.</small>		

ARC's annual performance targets are established in the agency's 2016–2020 strategic plan. Due to COVID, development of the new plan was postponed and the plan in place was extended through FY 2021. These targets are based on an annual appropriation of \$70 million as was the trend at the time the plan was developed. Congress provided additional funding for regional initiatives that have resulted in significantly higher results estimates for FY 2021.

Progress Toward ARC Strategic Plan Performance Goals, Fiscal Years 2016–2021



*Based on prior Strategic Plan.



Salaries and Expenses

The Federal Co-Chair of the Appalachian Regional Commission (ARC, the Commission) requests \$14.641 million for salaries and expenses to implement the \$235 million Area Development program and its associated costs. The costs associated with administration of the \$1 billion in the Infrastructure Investment and Jobs Act are not included in this request. The chart below summarizes ARC’s total request for salaries and expenses for FY 2023 compared with prior year appropriations. ARC’s appropriation has increased significantly. In FY 2014, ARC received \$80.3 million; the amount proposed in this budget is almost three times that at \$235 million. This request reflects staffing necessary to carry out these new responsibilities.

ARC Salaries and Expenses Appropriation History				
	2021 Enacted	2022 Continuing Resolution	2023 President's Budget	Change in Federal Request
Commission Administration Federal Contribution	3,272	3,431	3,907	476
State Contribution	3,272	3,431	3,907	476
Program Administration	3,870	6,090	6,850	760
Commission Operations Total	10,414	12,952	14,664	1,236
Office of the Federal Co-Chair	1,947	1,994	2,342	348
Inspector General	745	1,330	1,542	212
TOTAL FEDERAL REQUEST	9,834	12,845	14,641	1,796

This request reflects the federal share of Commission administrative expenses, the full costs of the Office of the Federal Co-Chair, its immediate staff, and the Office of the Inspector General. The Commission is currently engaged in a staff reorganization, of which these increases are a part, designed with the goal of maintaining necessary levels of services to the states while producing long-term efficiency savings.

Office of the Federal Co-Chair				
	2021	2022	2023	Change
	Actual	Continuing Resolution	Request	
Personnel Compensation	708	987	1,243	256
Personnel Benefits	233	276	348	72
Travel & Transportation	42	140	150	10
Rent, Communications	185	250	260	10
Printing	1	1	1	0
Services	505	300	300	0
Supplies	3	20	20	0
Equipment	21	20	20	0
Total:	1,698	1,994	2,342	348

The request for the Office of the Federal Co-Chair provides for an immediate staff of eight positions, with related benefits, rent, travel, services, and other expenses. This staff is paid entirely by the federal government and assists in carrying out the Federal Co-Chair’s responsibilities. These include working with federal agencies; serving as the Commission’s liaison to Congress and the federal administration; representing the administration in working with the member states to formulate regional strategies and other policy; and reviewing projects for final approval by the Federal Co-Chair.

Office of the Inspector General				
	2021	2022	2023	Change
	Actual	Continuing Resolution	Request	
Personnel Compensation	435	617	706	89
Personnel Benefits	108	144	170	26
Travel & Transportation		52	52	0
Rent, Communications	48	45	55	10
Printing		1	--	(1)
Services	217	447	516	69
Supplies	6	5	13	8
Equipment	5	19	30	11
Training	--	--	--	
Total:	819	1,330	1,542	212

The Office of Inspector General (OIG) provides audit, oversight, and investigative support services covering all of ARC’s programs and strategic operations. Its mission is to promote and preserve the Commission’s effectiveness, efficiency, and integrity. The OIG will use contractor support to perform the independent audit of ARC’s annual financial statement and to audit ARC grantees’ use of grant funds. In addition to these reviews, and based on available resources, the OIG will identify other areas to audit. The OIG request also includes funds for travel and training to meet the office’s continuing requirements for professional education for audit, technical knowledge,

and other skills. The Commission’s budget request contains resources to support OIG’s five full-time staff members and has been certified by the Inspector General.

Each year, the states and the Federal Co-Chair must approve the Commission’s operating budget. Following completion of appropriations action, final non-federal staffing decisions are made and must be approved at a Commission meeting of the member states with the Federal Co-Chair. As a result of this consultative process, final allocations may differ from the estimates of operating expense amounts by object class for FY 2023. The following table shows ARC operating expenses.

Commission Operations						
	2021 Actual	2022 Continuing Resolution	2023 President's Budget	2023		Change
				Programatic	Administrative/ Split State/Fed	
Personnel Compensation	5,613	7,923	8,756	4,625	4,131	833
Personnel Benefits	1,930	2,703	3,073	1,584	1,489	370
Travel & Transportation	11	181	259	180	79	78
Rent, Communications	968	945	969	13	956	24
Printing		11	21	0	21	10
Services	819	1,102	1,476	448	1,028	374
Supplies	31	38	57	0	57	19
Equipment	79	49	53	0	53	4
Total:	9,451	12,952	14,664	6,850	7,814	1,712
Federal Contribution	3,272	3,431	3,907	--	3,907	476
State Contribution	3,272	3,431	3,907	--	3,907	476
Program Administration	3,870	6,090	6,850	6,850	--	760
	10,414	12,952	14,664		14,664	1,712

ARC’s authorizing legislation specifies that Commission staff shall not be considered federal employees for any purpose. Accordingly, these professionals are neither state nor federal employees, even though they work directly for the joint federal-state partnership agency. An Executive Director, who is appointed by the states and the Federal Co-Chair, manages this staff and is the Chief Executive Officer of the Commission.

As mentioned above, the amount proposed in this budget, \$235 million, is almost three times the appropriation in FY 2014, and additional staff are included in this request to ensure proper fiduciary management of the appropriation. This request addresses the Inspector General’s identification of staff size as a potential challenge for ARC with the appropriation level now fairly stable at a much higher level.



ARC Dashboard: Operational Effectiveness Initiatives

The Appalachian Regional Commission (ARC, the Commission) continues to identify, analyze, and implement workplace efficiencies to ensure equity and the highest possible output using cost- and time-effective resources. ARC proactively makes these decisions during its normal course of business while adjusting to internal and external forces which demand innovation and evolution. Below, ARC has documented ongoing and completed actions to improve efficiency and effectiveness. These actions enhance ARC's mission.

- Program staff has been divided into two separate divisions, each with its own Division Director:
 - Division of Critical Infrastructure, including all investments and opportunities pertaining to broadband, transportation, and other regional infrastructure needs.
 - Division of Business and Workforce Investment, including all investments and opportunities pertaining to workforce development, entrepreneurship, education, health, and other issues affecting the Region's workforce.
- Human Capital continues to be a major focus as the size and composition of staff evolves to meet the needs of the Region and to implement the new strategic plan and increased funding level. The Executive Director offers weekly office hours to ensure employees can raise questions, make suggestions, and maintain open lines of communication. All-staff meetings are held every two weeks. They provide a forum to share updates, successes, and information throughout the organization while fostering employee engagement and minimizing "silos."
- Planning & Research Division has reorganized to better reflect the Division's focus on research, evaluation, and analysis. A multi-level evaluation system has been implemented in accordance with the Government Performance and Results Act and the Evidence-Based Policymaking Act. Each year this Division hires two paid interns from learning institutions in the Region to assist with the annual project validation process.
- In accordance with the SECURE Technology Act, ARC has established a separate Information Technology (IT) Division. The division has a dedicated Division Director and additional IT staff to completely evaluate all of ARC's cybersecurity systems and

implement technological enhancements that will increase security, workforce efficiency, and customer satisfaction as required by Executive Order No. 14028. Specific activities include the following:

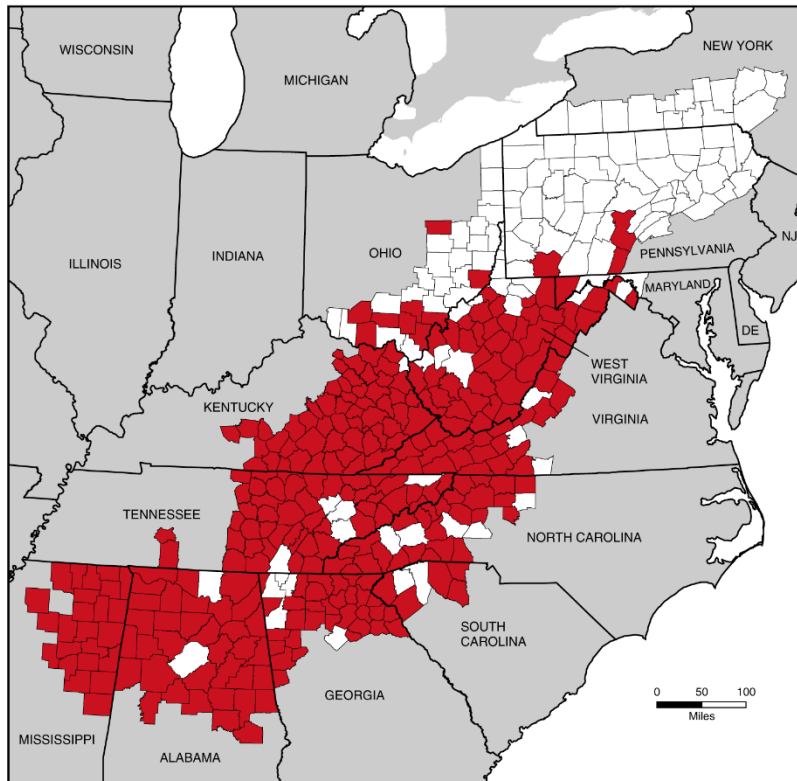
- ARCnet, ARC's current **grants management system**, is currently under review, which will guide direction on future functionality. A selection and acquisition process will immediately follow the review, and a subsequent implementation of and migration to a replacement system is highly likely.
- ARC reviewed its cybersecurity posture at the end of FY 2021. In response, it is taking steps to formalize a new **cybersecurity program**. Auditing and inventory software are being improved and network monitoring and implementation of organization-wide **multi-factor authentication** is in progress. A new staff training and awareness program has been initiated and system password management tools have been improved. ARC will migrate to a cloud-based endpoint management system more appropriate to a remote, mobile staff in the near future.
- ARC is planning to migrate its on-premises server systems to more reliable and secure **cloud-based infrastructure**.
- Several updates are required to support the increased volume of work ARC will experience. An **upgraded wireless network** to improve service to staff as well as improved production and printing facilities are planned.
- Due to COVID-19, ARC implemented a telework policy in FY 2020 and made available technology resources to enable continuity of effort with secure remote access. ARC continues to work in a hybrid structure.
- In accordance with Executive Order No. 14058, "Transforming Federal Customer Experience and Service Delivery to Rebuild Trust in Government," ARC continues to evaluate programmatic processes and enhance stakeholder experience. The existing grants management system has been upgraded to reduce time for grantees and is currently being evaluated by an outside contractor for future development. Additionally, ARC's website has been redesigned to offer better accessibility and ease of use.

Appendix A

High-Poverty Counties in the Appalachian Region, 1960 and 2015–2019

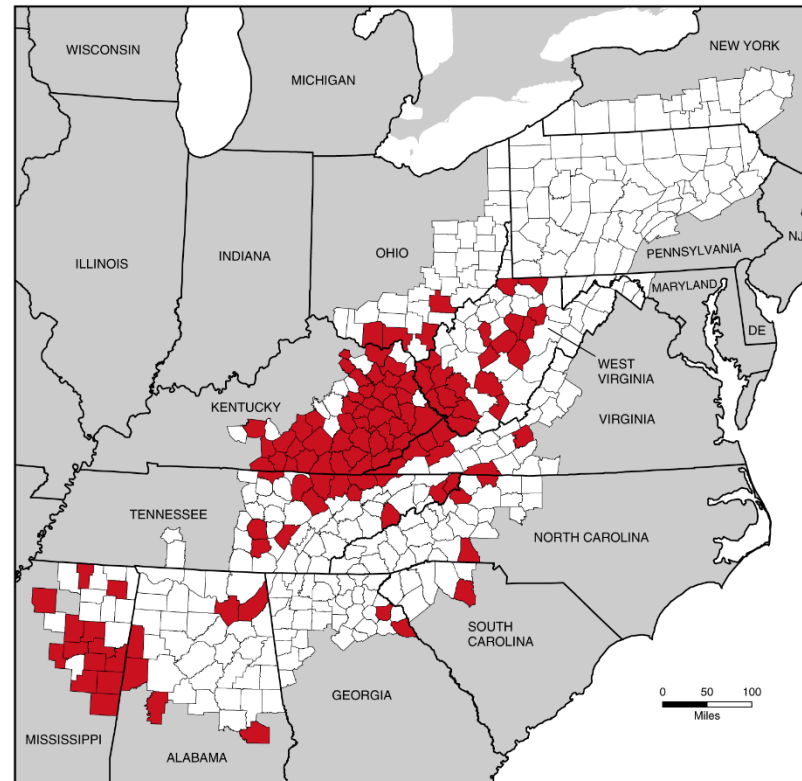
High-Poverty Counties in the Appalachian Region (Counties with Poverty Rates At Least 1.5 Times the U.S. Average)

1960
297 High-Poverty Counties



Data Source: U.S. Census Bureau, 1960 Census
Revised with 3 new counties added on 11/15/2021

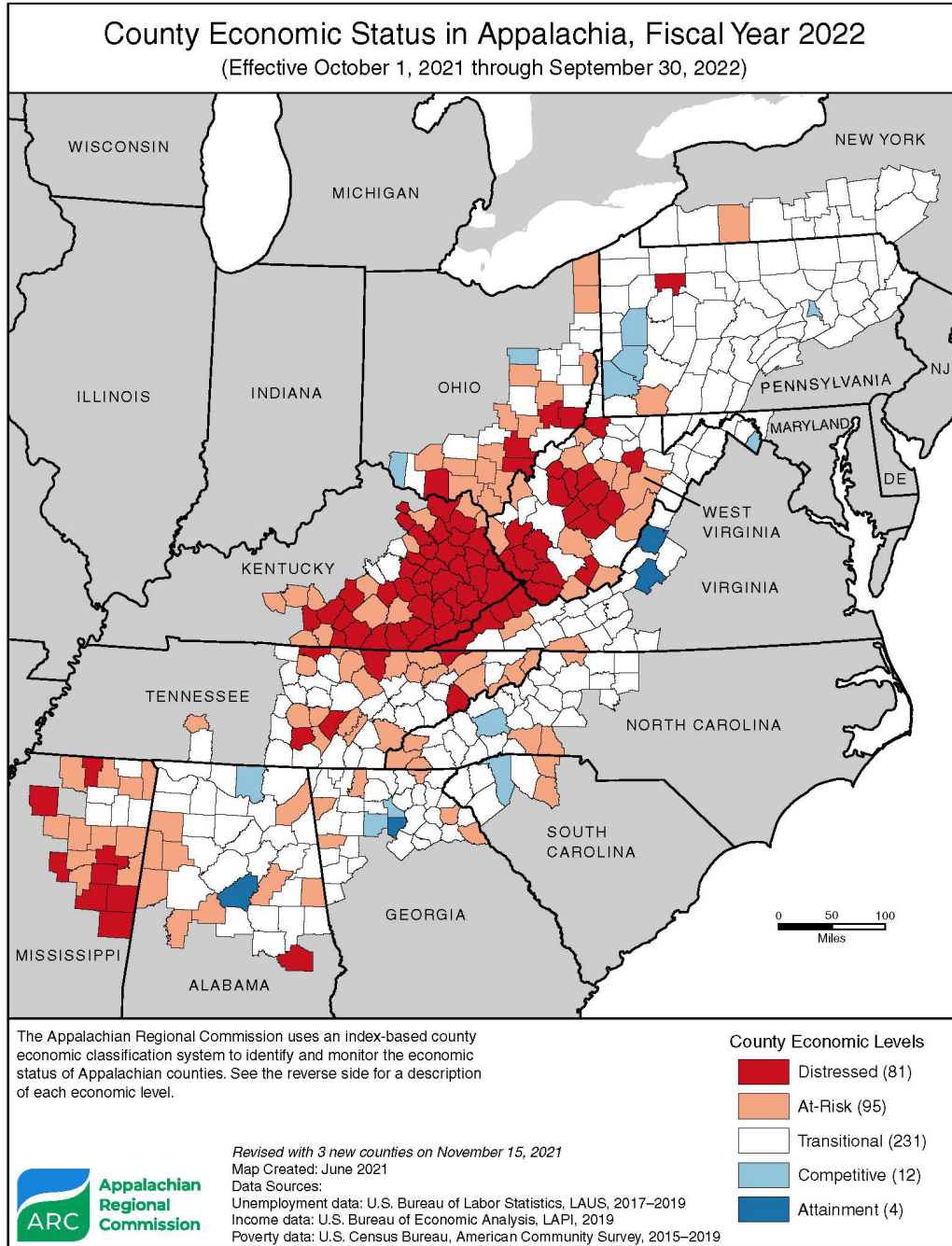
2015–2019
112 High-Poverty Counties



Data Source: U.S. Census Bureau, American Community Survey, 5-Year Estimates, 2015–2019
Revised with 3 new counties added on 11/15/2021

Appendix B

County Economic Status in Appalachia, FY 2022



County Economic Status Designations in the Appalachian Region, FY 2022

The Infrastructure Investment and Jobs Act reauthorized ARC in FY 2022 and added three additional counties to the Region, bringing the total from 420 to 423 counties. In accordance with the Commission's policy for determining the economic status of the Appalachian counties, the research staff has analyzed the distribution of distressed, at-risk, transitional, competitive, and attainment counties for FY 2022 using the most current data available. ARC uses an index-based county economic classification system to identify and monitor the economic status of Appalachian counties. The system involves the creation of a national index of county economic status through a comparison of each county's averages for three economic indicators—three-year average unemployment rate, per capita market income, and poverty rate—with national averages. The resulting values are summed and averaged to create a composite index value for each county. Each county in the nation is then ranked, based on its composite index value, with higher values indicating higher levels of distress.

Distressed Counties (81)

- Alabama (1) – Macon
- Kentucky (39) – Adair, Bath, Bell, Breathitt, Carter, Casey, Clay, Clinton, Elliott, Estill, Floyd, Harlan, Jackson, Johnson, Knott, Knox, Lawrence, Lee, Leslie, Letcher, Lewis, Magoffin, Martin, McCreary, Menifee, Metcalfe, Morgan, Nicholas, Owsley, Perry, Pike, Powell, Robertson, Rockcastle, Rowan, Russell, Wayne, Whitley, and Wolfe
- Mississippi (8) – Benton, Clay, Kemper, Montgomery, Noxubee, Oktibbeha, Panola, and Winston
- Ohio (5) – Adams, Athens, Meigs, Monroe, and Noble
- Pennsylvania (1) – Forest
- Tennessee (6) – Bledsoe, Clay, Cocke, Grundy, Hancock, and Scott
- Virginia (4) – Buchanan, Dickenson, Lee, and Wise
- West Virginia (17) – Barbour, Boone, Braxton, Calhoun, Clay, Gilmer, Lincoln, Logan, McDowell, Mingo, Nicholas, Roane, Summers, Webster, Wetzel, Wirt, and Wyoming

At-Risk Counties (95)

- Alabama (9) – Bibb, DeKalb, Fayette, Hale, Lamar, Marion, Pickens, Randolph, and Talladega
- Georgia (6) – Chattooga, Elbert, Franklin, Murray, Polk, and Towns
- Kentucky (12) – Boyd, Cumberland, Edmonson, Fleming, Green, Greenup, Hart, Laurel, Lincoln, Monroe, Montgomery, and Pulaski

- Mississippi (11) – Calhoun, Chickasaw, Choctaw, Lowndes, Marshall, Monroe, Prentiss, Tippah, Tishomingo, Webster, and Yalobusha
- New York (1) – Allegany
- North Carolina (6) – Alleghany, Cherokee, Clay, Cleveland, Graham, and Rutherford
- Ohio (14) – Ashtabula, Coshocton, Gallia, Guernsey, Highland, Jackson, Jefferson, Lawrence, Morgan, Perry, Pike, Scioto, Trumbull, and Vinton
- Pennsylvania (1) – Fayette
- South Carolina (2) – Cherokee, Union
- Tennessee (20) – Campbell, Carter, Claiborne, Fentress, Grainger, Greene, Hawkins, Jackson, Johnson, Lewis, Meigs, Monroe, Morgan, Pickett, Rhea, Sequatchie, Unicoi, Union, Van Buren, and Warren
- Virginia (2) – Grayson and Russell
- West Virginia (11) – Fayette, Lewis, Mason, Mercer, Monroe, Pocahontas, Randolph, Ritchie, Tyler, Upshur, and Wayne

Transitional Counties (231)

- Alabama (25) – Blount, Calhoun, Chambers, Cherokee, Chilton, Clay, Cleburne, Colbert, Coosa, Cullman, Elmore, Etowah, Franklin, Jackson, Jefferson, Lauderdale, Lawrence, Limestone, Marshall, Morgan, St. Clair, Tallapoosa, Tuscaloosa, Walker, and Winston
- Georgia (28) – Banks, Barrow, Bartow, Carroll, Catoosa, Dade, Douglas, Fannin, Floyd, Gilmer, Gordon, Gwinnett, Habersham, Hall, Haralson, Hart, Heard, Jackson, Lumpkin, Madison, Paulding, Pickens, Rabun, Stephens, Union, Walker, White, and Whitfield
- Kentucky (3) – Clark, Garrard, and Madison
- Maryland (3) – Allegany, Garrett, and Washington
- Mississippi (5) – Alcorn, Itawamba, Lee, Pontotoc, and Union
- New York (13) – Broome, Cattaraugus, Chautauqua, Chemung, Chenango, Cortland, Delaware, Otsego, Schoharie, Schuyler, Steuben, Tioga, and Tompkins
- North Carolina (24) – Alexander, Ashe, Avery, Burke, Caldwell, Catawba, Davie, Forsyth, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Stokes, Surry, Swain, Transylvania, Watauga, Wilkes, Yadkin, and Yancey
- Ohio (11) – Belmont, Brown, Carroll, Columbiana, Harrison, Hocking, Mahoning, Muskingum, Ross, Tuscarawas, and Washington

- Pennsylvania (46) – Armstrong, Beaver, Bedford, Blair, Bradford, Cambria, Cameron, Carbon, Centre, Clarion, Clearfield, Clinton, Columbia, Crawford, Elk, Erie, Fulton, Greene, Huntingdon, Indiana, Jefferson, Juniata, Lackawanna, Lawrence, Luzerne, Lycoming, McKean, Mercer, Mifflin, Monroe, Northumberland, Perry, Pike, Potter, Schuylkill, Snyder, Somerset, Sullivan, Susquehanna, Tioga, Union, Venango, Warren, Wayne, Westmoreland, and Wyoming
- South Carolina (4) – Anderson, Oconee, Pickens, and Spartanburg
- Tennessee (26) – Anderson, Blount, Bradley, Cannon, Coffee, Cumberland, DeKalb, Franklin, Hamblen, Hamilton, Jefferson, Knox, Lawrence, Loudon, Macon, Marion, McMinn, Overton, Polk, Putnam, Roane, Sevier, Smith, Sullivan, Washington, and White
- Virginia (17) – Alleghany, Bland, Carroll, Craig, Floyd, Giles, Henry, Highland, Montgomery, Patrick, Pulaski, Rockbridge, Scott, Smyth, Tazewell, Washington, and Wythe
- West Virginia (26) – Berkeley, Brooke, Cabell, Doddridge, Grant, Greenbrier, Hampshire, Hancock, Hardy, Harrison, Jackson, Kanawha, Marion, Marshall, Mineral, Monongalia, Morgan, Ohio, Pendleton, Pleasants, Preston, Putnam, Raleigh, Taylor, Tucker, and Wood

Competitive Counties (12)

- Alabama (1) – Madison
- Georgia (2) – Cherokee and Dawson
- North Carolina (1) – Buncombe
- Ohio (2) – Clermont and Holmes
- Pennsylvania (4) – Allegheny, Butler, Montour, and Washington
- South Carolina (1) – Greenville
- West Virginia (1) – Jefferson

Attainment Counties (4)

- Alabama (1) – Shelby
- Georgia (1) – Forsyth
- Virginia (2) – Bath and Botetourt

Appendix C

ARC's Response to COVID-19

The Appalachian Regional Commission (ARC, the Commission) responded quickly to the challenges of COVID-19, transitioning programs to a virtual platform, extending application deadlines, offering grantees the flexibility to revise their activities, repurposing funds to help small businesses and nonprofits, deploying new funds to meet regional and national needs, and exercising new flexibility afforded by the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Soon after the pandemic hit, ARC commissioned a rapid response report on the concerns of each of the Appalachia states, along with recommendations on how the agency could best meet the needs of the Region's communities. Concerned about the impact of COVID-19 on grantees, ARC asked external evaluator Chamberlin/Dunn to detail the COVID-19 issues faced by grantees in ARC's special program for coal-impacted communities (POWER). Grantees shared their concerns about organizational financial health, project timelines and logistics, and the ability to meet outputs and outcomes. The Commission used these findings to anchor its flexible approach to changes in grant scopes of work.

In its role as a source of key information about the Region, the Commission created a dedicated page on its website and launched two innovative tools to assist communities and policymakers: an Appalachian Region COVID case tracking map, and a County-Level Coronavirus Impact Planning tool, which is a searchable database providing a snapshot of cases, deaths, and risk factors. An internal report, *COVID and Appalachia: An Economic Perspective*, outlined how the pandemic may affect the Region's economy. ARC's research team continues to examine emerging data about the impact of COVID-19 on the Region's health and economy, and an internal report is issued every two weeks summarizing ARC's operations, outreach, and impact during the pandemic crisis.

Highlights of the Commission's programmatic and operational responses to COVID-19 include the following:

Provided support to the Region's small businesses and community development lenders.

Within the first two months of the pandemic, ARC repurposed \$3.75 million of prior funding to provide operational support to 30 community development lenders serving all 13 ARC states. This enabled the lenders to temporarily waive loan repayments from their borrowers and bolstered the technical assistance they provide to small business borrowers. These funds are projected to help 400 businesses and nonprofits, leverage \$15 million in private investment, and retain 200 jobs. In West Virginia in early July 2020, ARC made grants totaling \$6 million to recapitalize six revolving loan funds, expanding the volume of capital available to small

businesses at a critical time. A \$1 million grant in North Carolina similarly recapitalized a revolving loan program serving Western North Carolina. Reflecting the urgent demand for capital by small businesses, the loan fund was fully subscribed within a matter of days. In Kentucky, ARC repurposed \$75,000 of a prior investment in the Appalachian Impact Fund to permit “business rescue” loans to small downtown businesses struggling in the wake of COVID-19. These loans will provide emergency financial relief from pandemic-forced closures of small businesses, helping them return to full operation and employment.

[Expanded the availability of personal protective equipment.](#)

A \$300,000 grant to the Industrial Commons in North Carolina helped 15 textile and apparel manufacturers retool and begin producing personal protective equipment (PPE) for national distribution, preserving the jobs of 250 employees. In Ohio, a \$119,554 grant enabled the Buckeye Hills Regional Council to acquire PPE for medical and home health staff across an eight-county region, serving 1,945 patients and improving 39 businesses. Through an ARC grant of \$200,000, students at Shawnee State in Portsmouth, Ohio, began using 3D printing technology to produce PPE near the beginning of the pandemic. The additional equipment has allowed Shawnee State to meet increased demand from local schools, businesses, and industry, while improving production efficiency and reducing costs.

[Created an online resource center for Appalachian nonprofits.](#)

Recognizing the importance of Appalachian nonprofits to economic and community development and the severe financial and operational hardship COVID-19 created for many of them, ARC opened the Appalachia Nonprofit Resource Center, an innovative program to provide the Region’s nonprofit organizations with tools and strategies to be resilient and survive the pandemic. The center offers two components: (1) a publicly available online center of curated resources most likely to benefit Appalachian nonprofits and (2) a program of virtual, individualized instruction for cohorts of 3–4 nonprofits each. Course lengths span 5–11 weeks and began in November 2020. ARC has selected 105 nonprofits from 12 states to participate in the cohort training; the online resources will be accessible by any interested nonprofit.

[Transitioned traditional programs to a virtual environment.](#)

For the first time in its 30-year history, the ARC/Oak Ridge National Laboratory Summer STEM Program went virtual. As part of the program, students collaborate with award-winning scientists from the Oak Ridge National Lab on guided science, math, and computer science technology research projects, while high school teachers work with science practitioners to develop STEM-related curricula. Due to COVID-19 concerns, this year’s students and teachers participated via a specialized three-week online curriculum, which included lectures, group work, and individual STEM skill development. Students presented their work during a final virtual showcase. The program provided students with computers, 3-D printers, and other needed materials.

As part of the 20th Annual Appalachian Teaching Project (ATP), this year's two-day capstone symposium—where college students present findings of their community-based research to an audience of peers and ARC staff—was transitioned to virtual presentations and dialogue. ATP features approximately 150 students representing 13 colleges across Appalachia. It builds student leadership skills by taking students out of their classrooms and into their communities, where they work with local partners to address critical issues, particularly in economically distressed counties. The two-day virtual event was held November 13–14, 2020, and included student presentations on issues such as substance use disorder in Appalachia, local responses to COVID-19, and asset-based development.

The first class of the Appalachian Leadership Institute (ALI) began in September 2020, envisioning a year of field-based learning experiences and networking. It, too, moved online, for a series of intensive seminars. Learning in real time what community crisis leadership requires, the institute fellows strengthened their bonds and learned from each other's experiences. The second ALI class began their training online as well, with intent to restart field visits once the COVID-19 crisis has passed.

The inaugural year of the Appalachian Entrepreneurship Academy, envisioned as a four-week residential summer program for rising high school seniors, was redesigned as a year-long virtual program. The Academy builds students' skills in business planning, product development, idea modeling, and digital marketing.

Leveraged the Region's leadership for effective local responses.

ARC's annual summit for economic and community development leaders was quickly reconceived as an online seminar series titled *Economic Innovation & Ingenuity During COVID: An Appalachian Perspective* and attracted over 800 online viewers. The Summit showcased economic innovation and ingenuity during COVID-19 from an Appalachian perspective. Four virtual sessions focused on lessons learned in leadership during the pandemic crisis; innovations in infrastructure from highways to cyberways; Appalachia's dual pandemics, substance abuse and COVID; and attracting the socially distant tourist.

In an online conversation that was shared with leaders across Appalachia, ARC's Appalachian Leadership Institute (ALI) hosted a webinar detailing ALI members' responses to COVID-19. Six ALI fellows, all local officials, held a live chat about their communities' responses to COVID, from launching local emergency funds to waiving utility late fees for struggling families. ARC also hosted a learning exchange specific to managing food enterprises during the pandemic, which featured many ARC grantees and partners working on local agriculture and food entrepreneurship.

Exercised flexibility in grant terms and conditions.

Soon after the pandemic hit, the Commission's members reaffirmed that much of ARC's programming should continue as it had, and that the Commission's work is in large part to position communities for economic growth as the pandemic recedes. At the same time, the Commission recognized the need to adjust some of its guidelines and rules to accommodate new realities being faced by Appalachia's communities. These included the need by existing grantees to adjust their scopes of work and timelines, and the major decline in revenues being experienced by local governments, which impeded their ability to provide the statutory match required for ARC grants. Congress recognized this latter point, and the CARES Act gave ARC the authority to waive the match requirement because of economic distress related to COVID-19.

Because of the pandemic, ARC extended the application deadline for its POWER program for coal-impacted communities by a month and allowed applicants to incorporate changes to proposals to accommodate COVID-19 impacts. ARC also delayed the release of a request for proposals for the INSPIRE program addressing substance use disorder. Originally planned for late spring, the RFP was issued in early September.

Adapted the Commission's operations and plans.

When 2020 began, ARC expected to devote much of the year to creating a new strategic plan for the agency. Central to this work would be extensive outreach to stakeholders in the Region, including a number of in-person listening sessions and focus group discussions across Appalachia. The arrival of COVID-19 completely disrupted those plans. Consequently, the Commission voted to extend its current strategic plan by a year, through 2021. That allowed ARC to develop a different approach to obtaining stakeholder suggestions and also enabled the plan to respond to the changes that communities were experiencing as a result of the pandemic. The new strategic plan was developed and adopted in FY 2022.

ARC leadership quickly launched a staff telework policy in mid-March 2020, so that the Commission could keep employees safe while maintaining its business operations. Staff productivity did not suffer. To facilitate its operations, ARC launched an online interim report and payment system and an automated electronic grant approval system. After evaluating federal, state, and local policies and guidelines, ARC adopted a hybrid schedule allowing telework two days a week.

Appendix D

ARC Organization

APPALACHIAN REGIONAL COMMISSION ORGANIZATION

