

Appalachian Regional Commission

Request for Proposals

Household Wealth and Financial Security in Appalachia

Proposals due on or before September 8, 2009

Appalachian Regional Commission, Suite 700
1666 Connecticut Ave., NW
Washington, D.C. 20009-1068

Attention: David Carrier
dcarrier@arc.gov
202-884-7790

Appalachian Regional Commission - Request for Proposals

Household Wealth and Financial Security in Appalachia

I. Overview

The Appalachian Regional Commission (ARC) invites proposals from qualified researchers and consultants to analyze recent trends in household wealth and poverty in the Appalachian region. Wealth creation and destruction is key to long-term household economic security and changes in intergenerational socioeconomic status. Americans have lost more than \$14 trillion of wealth in this recession, more than the collective income of Americans in all of 2008 ([NYT, 8/3/09](#)). This figure does not include the collapse in home values, which represents the largest asset for most households. This huge loss of wealth comes at an inopportune time, when many Americans have faced flat or declining incomes for many years, borrowed against the value of their homes to sustain current standards of living, are overburdened by debt, or are heading into retirement with far less net worth than they had anticipated. For many households, it will be extremely difficult to restore a sense financial security and economic well-being in the current economic climate.

This “perfect storm” of financial and economic stress raises many important questions: has Appalachia been affected disproportionately by home foreclosures, loan delinquencies, and other measures of financial distress? What has been the impact on household spending, savings, and poverty? How are families who have lost homes, jobs, businesses, or educational opportunities coping with economic insecurity? How will recent changes in aggregate wealth and distribution affect economic opportunity, growth, and productivity in the years to come? The financial crisis presents new information and insight into economic difficulties in the Appalachian region that could help the Commission plan for upcoming problems and impediments related to economic growth and stability.

This research project has three main components. First, it would compare the strengths and weaknesses of various data sources and statistical methods that have been used to measure and index household wealth, asset poverty, and financial distress. It would then quantify the relationship between these measures and key indicators of economic strength and distress in the Appalachian region. For example, the [Federal Reserve Bank of Kansas City](#) developed a county-level household wealth index based on median home values, average value of agricultural land, and per capita dividends interest and rent. It then related these measures of household wealth to measures of economic performance and distress. This approach should be compared to other possible approaches that would yield similar insights.

Finally, the above analysis would be used to generate regression estimates measuring the impact of changes in household wealth on indicators of economic distress over time for Appalachian counties. The immediate need is to assess the impact of the financial crisis on household wealth in Appalachia, and forecast the economic consequences of this recession for counties in the region. The analysis should propose appropriate financial or economic policies that would mitigate these impacts, such as increased support for distressed homeowners, small business lending, revolving loan funds, or other economic development or job creation strategies.

Data from relevant public and proprietary sources should be surveyed, as well as studies on changes in credit availability and aggregate debt. The study should analyze recent trends in lending and banking services in Appalachia, including Revolving Loan Funds supported by ARC and other federal, state and local governments, non-profit development finance institutions, and Community Reinvestment Act funds. The ability or inability of these financial institutions to step in and fill critical needs and gaps in lending should be discussed. This project should draw comparisons between Appalachian and non-Appalachian portions of states, metro and non-metro areas, and counties by category of economic distress within Appalachia.

II. Scope of Work

Proposals should present a general outline of the research to be conducted, a work plan, and a schedule for reports and deliverables, addressing the following elements:

- Review and summarize relevant information from [ARC's prior studies](#) related to household income, wealth, inequality, and poverty, especially *Recent Trends in Poverty in the Appalachian Region*; *Capital and Credit Needs in the Appalachian Region*; and *Access to Capital and Credit for Small Businesses in Appalachia*
- Review of relevant research, data, and analysis related to household wealth, poverty, housing, and financial distress, and their impact on economic growth and distress in rural areas, including:
 - [Federal Reserve Bank of Kansas City](#)- *Center for the Study of Rural America: Regional Asset Indicators; Exploring Policy Options for a New Rural America; Equity for Rural America; Financing Rural America*
 - [Federal Reserve Bank of New York](#)- *Dynamic Maps of Nonprime Mortgage Conditions in the United States by state and county*
 - [Federal Reserve Bank of Cleveland](#)- *Consumer Finances, Foreclosures, and Poverty*
 - [Federal Reserve Bank of Richmond](#)- *Consumer Finances, Housing, and Mortgage Markets*
 - [Federal Reserve Bank of Atlanta](#)- *Economic Turbulence: a Southeastern Perspective*
 - [Board of Governors of the Federal Reserve System](#)- *Flow of Funds Accounts*
 - [Federal Deposit Insurance Corporation](#) *summary of deposits- annual changes*
- Discuss and compare the relative merits of various measures of household wealth, assets, and debt, including BEA's REIS data on personal income by source, as well as housing costs and value data reported in the Census Bureau's *American Community Survey*.
- Create a county index of household wealth (perhaps location quotients measuring the ratio of household assets or property-type income to total personal income) based on this information, and compare merits with existing wealth indexes. Explain the choice of methodology used.
- Prepare spreadsheets and maps of county-level summary statistics for the index and component measures across time (perhaps 2000, 2007, and 2008). Prepare charts and maps of regional aggregations of counties by type (metro vs. non-metro counties, Appalachian vs. non-Appalachian portions of the 13 states, ARC's five categories of economic distress).
- Analyze the relationship of recent changes in household wealth and distribution to changes in housing, lending, financial activity, and indicators of economic growth and distress.
- Summarize conclusions, findings, and policy implications, referring to questions posed in the overview and background on ARC- supported programs: How will recent changes in aggregate wealth and distribution affect economic opportunity, growth, and productivity in the years to come? What can state and regional policy makers and ARC financing programs do to mitigate the effects of this recession, forestall the most severe consequences, and overcome impediments to future economic growth and stability in Appalachia?

ARC-supported financing programs: Appalachian Revolving Loan Funds have provided \$35 million in capitalization grants to 36 RLFs operating in the region that provide financing for property, plant, and equipment purchases and renovations. These RLFs also operate loan funds capitalized by other federal programs, including EDA, USDA IRP, SBA, CDBG, and state loan programs. The total capitalization of these funds is \$96 million, of which \$13.6 million has been invested in the Appalachian region, helping 59 businesses create over 1,000 jobs. These investments leveraged \$44 million of capital from other entities.

III. Deliverables

The contract will require a preliminary draft and a final report with an executive summary that integrates and interprets key findings of the study, a series of thematic chapters, and a conclusion with recommendations for implementation of study findings. The report should be written for a non-technical audience and relate the narrative discussion to descriptive statistics, analyses, graphs and tables where appropriate. Technical details, data tables, and details regarding methodology should be presented in appendices. A printed copy of the final report suitable for reproduction and an electronic file copy must be submitted upon completion of the project (in MS Word and Adobe pdf file formats). These should be accompanied by an Excel workbook of all relevant data compiled during the study.

IV. Methodology

The successful applicant will develop and describe a complete methodology and specify resources that will be required to conduct the analysis specified in the scope of work.

- Specification of resources and data sets appropriate for the analysis, including both public and proprietary data sources. Describe data availability and limitations over time and geographical dimensions.
- Discussion of the scope, advantages, and limitations of these resources for the purposes of this analysis, including issues related to geographical coverage and/or aggregation.
- Preliminary specification of the analytical framework, research methods, and statistical techniques to be used for the proposed analysis. Proposals should discuss the relative merits of various approaches, and outline the advantages and limitations of the selected approach.

Proposals can recommend other methodological approaches as needed. In keeping with the overall budget constraint for this project, proposals may present trade-offs among tasks as long as the research design can ensure the accomplishment of the main research objectives of the project.

V. Proposal Submission, Evaluation, Cost and Timing

The Commission anticipates that the level of effort required for this project will be medium scale (\$75k to \$149k). The contract will be a FIRM FIXED-PRICE CONTRACT. The Commission anticipates that the work will take 12 months to complete all phases of the project.

An original and three copies of the proposal must be submitted to the Regional Planning and Research Division, Appalachian Regional Commission, 1666 Connecticut Avenue, NW, Suite 700, Washington, D.C., 20009-1068, on or before **September 8, 2009**. Questions about this proposal should be directed to David Carrier, Senior Economist, dcarrier@arc.gov.

All proposals will be evaluated based on the following criteria:

- Qualifications, relevant prior experience, and demonstrated knowledge of existing research on energy workforce issues, energy efficiency, and regional economic development; and the ability to synthesize and interpret research findings in a credible and useful manner.
- Complete, clearly articulated, logical study design and technically competent methodology.
- A credible management proposal for staffing and completing the project in a timely fashion.
- Cost effectiveness of the proposed project design.

VI. Outline of Technical Proposal Contents

A. Technical Proposal Narrative should not exceed 10 pages, not including the accompanying resumes and organizational background materials.

Project Work Plan and Milestones: Please provide a brief abstract of the proposal by summarizing the background, objectives, proposed methodology, and expected outputs and results of the research. The proposal should describe the phases into which the proposed work can be logically divided and performed. A schedule of milestones and deadlines should be specified for the completion of various work elements, including information collection, interviews, surveys, analyses, quarterly progress reports, preliminary drafts for review, and final draft reports.

The proposal should identify the points and tasks in this research project that will require participation by the Commission and ARC staff. Further, the statement should identify specific information needs according to sources, procedures, and individual tasks of the research that may need to be supplied by the Commission. Finally, the proposal should identify any difficulties that may be encountered in this project and propose practical and sound solutions to these problems.

Personnel performing the work must be described in this section in terms of numbers of people and their professional classification (e.g., project director, web-designer, analyst, program designer, etc.). Brief resumes of the education and relevant experience of the principal investigator, co-investigator, and other key personnel are required. The selected contractor will be required to furnish the services of those identified in the proposal as key personnel. Any change in key personnel is subject to approval by ARC.

B. Management Proposal

The resource capability and program management for planning and performing the work will be considered in the proposal selection process.

- *Business Management Organization and Personnel:* Furnish a brief narrative description of the organization that will perform the proposed work effort, and the authority responsible for controlling resources and personnel.
- *Staffing Plan* A staffing plan is required that describes the contractor's proposed staff distribution to accomplish this work. The staffing plan should present a chart that partitions the time commitment of each professional staff member to the project's tasks and schedule. In addition, the proposal should include a detailed description of activities for key project-related personnel and anticipated deliverables. Finally, the proposal should identify the relationship of key project personnel to the contracting organization, including consultants.
- *Relevant Prior Experience* The proposal must describe the qualifications and experience of the organization and the personnel to be assigned to the project. Information should include direct experience with the specific subject-matter area and organizations, addresses, contact persons, and telephone numbers for such references.
- *Contract Agreement Requirements* This section of the proposal should contain any special requirements that the contractor wants to have included in the contract.

C. Cost Proposal

Each proposal submitted must contain all cost information, including direct labor costs consistent with the staffing plan, labor overhead costs, travel, estimated cost of any subcontracts, other direct costs (such as those for creating or maintaining databases), university overhead, total costs, overhead, and contract fees or profit. ARC policy on allowable indirect overhead costs for university-based research is to permit universities to charge the same rates charged to their own state agencies. The contractor should include estimated expenses for presenting study findings at a one-day meeting at the ARC offices in Washington, D.C. This activity will be over and above routine meetings with ARC staff during the course of the project.

The contract awarded for this research project will be a FIRM FIXED-PRICE CONTRACT, with payments on a quarterly schedule. The contract terms shall remain firm during the project and shall include all charges that may be incurred in fulfilling the terms of the contract.