



APPALACHIAN REGIONAL COMMISSION

# FY 2026 Congressional Justification

As Submitted by the Federal Co-Chair

May 2025



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# Details from the Technical Supplement to the 2026 Discretionary Budget Request

## Appropriations Language

Appalachian Regional Commission - For salaries and expenses necessary to carry out the Appalachian Regional Development Act of 1965, as amended, including expenses necessary for the Federal Co-Chairman and the Alternate on the Appalachian Regional Commission and payment of the Federal share of the administrative expenses of the Commission, services as authorized by 5 U.S.C. 3109, and hire of passenger motor vehicles, \$14,000,000, to remain available until expended.

*Note—This account is operating under the Full-Year Continuing Appropriations and Extensions Act, 2025 (Division A of Public Law 119–4).*



## FY 2026 Budget Summary and Highlights

The Federal Co-Chair of the Appalachian Regional Commission (ARC, the Commission) requests \$14 million to fund ARC's operations for Fiscal Year (FY) 2026. In 2026, ARC will operate its core programs using the \$200 million advance appropriation provided by the Infrastructure Investment and Jobs Act (IIJA) in 2026. This combination of funding presents a unique opportunity for ARC to make critical investments to address some of the pervasive challenges that have hindered regional development while providing gap funding and launching new ideas in Appalachia.



The 13-state Appalachian Region confronts a combination of challenges that few other parts of the country face—its mountainous terrain and isolation, dispersed population, inadequate infrastructure, lack of financial and human resources, and weak track record in applying for and receiving assistance from other federal programs. ARC is the only federal agency statutorily mandated to address these challenges. *Appalachia Envisioned: A New Era of Opportunity | ARC Strategic Plan Fiscal Years 2022–2026* provides a roadmap to strengthen economic growth in the Appalachian Region and close the gap between Appalachia and the rest of the nation and bring the region's 423 counties and 26 million residents into the economic mainstream. For federal partners at the national level, ARC brings deep knowledge of Appalachia, a strong track record of positive impact, and far-reaching networks of critical community, state, and regional partners established over the last 60 years. ARC charts its progress in establishing economic parity 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.

Figure 1, which shows 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. When this index shows an equal share of counties across each quartile, Appalachia will be at economic parity with the nation.

The FY 2026 Congressional Justification reflects directives from the Presidential Memorandum “Delivering Emergency Price Relief for American Families and Defeating the Cost-of-Living Crisis,” which directed agencies to create employment opportunities for American workers, including drawing displaced workers into the labor force. Every ARC initiative directly meets this mandate.

ARC’s program produces results. Investments of \$364.6 million in grant funds across all initiatives in FY 2024 **attracted \$5 billion in non-project leveraged private investment**, a ratio of 14 to 1; and an additional **\$593.1 million in other project funding**, an investment ratio of 2 to 1.

ARC’s FY 2024 projects are anticipated to produce the following results:

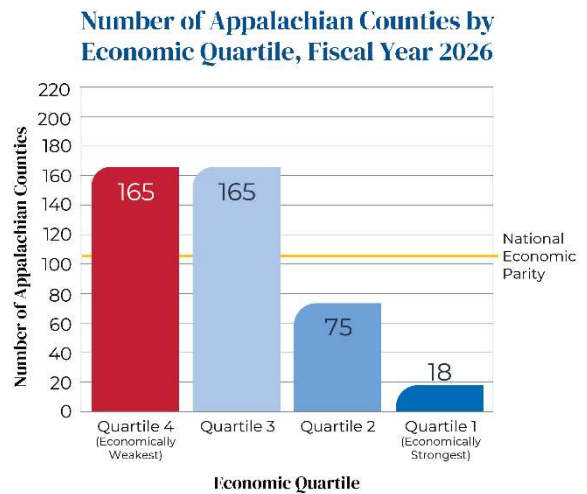
- 16,073 jobs created or retained
- 39,631 students, workers, and leaders trained in new skills
- 95,813 businesses and households with access to improved infrastructure
- 5,416 businesses created or strengthened

Since ARC’s inception in 1965, Appalachia has made significant progress:

- The number of high poverty counties in Appalachia has been cut by 60%, from 297 in 1960 to 123 today.
- The regional poverty rate has been cut by more than half, from 30.9% in 1960 to 14.3% today (2018–2022 period).
- 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, as seen in the 2018-2022 period.
- In the past five years, ARC-funded infrastructure projects have provided 257,546 Appalachian households and businesses with access to clean water and sanitation facilities.

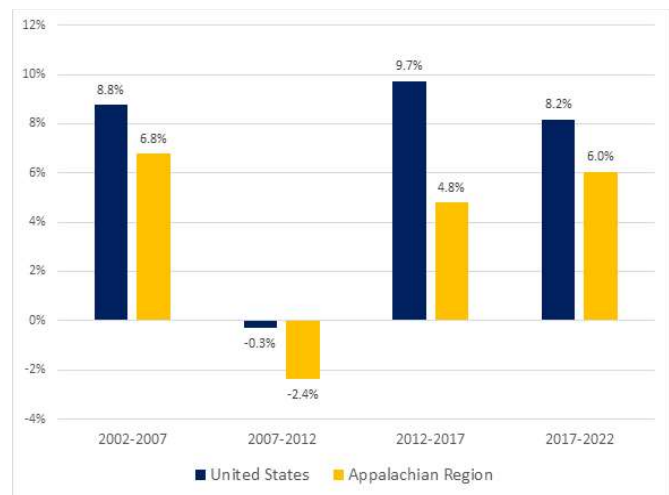
Despite these advances, Appalachia continues to lag behind the nation and encounter new challenges, such as the downturn in the coal economy and disproportionate rates of substance use disorder:

Figure 1 Number of Appalachian Counties by Economic Quartile FY 2026



- Per capita market income in the Appalachian Region was over 27% lower than the U.S. average in 2022.
- The Appalachian Region lost over 625,000 jobs between 2007 and 2010, with losses taking place both during and after the Great Recession. It took Appalachia until 2015 to achieve its pre-recession level of employment; meanwhile, the United States as a whole reached its pre-recession level of employment in 2013. More recent trends continue to show a gap between the Region and the country as a whole: Appalachia saw its total employment grow by 6.0% from 2017–2022 compared to 8.2% in the United States as a whole. Appalachia lags behind the nation in the proportion of adults with a bachelor’s degree (26.7% compared with 34.3% for the nation) in the 2018-2022 period.
- 71 % of the 48,102 coal mining jobs lost in the United States from 2011 to 2022 were in the Appalachian Region—a loss of 34,352 direct mining jobs.
- The nation’s substance use disorder crisis disproportionately impacts Appalachia, where in 2022, overdose-related mortality rates for Appalachia’s 25–54-year-old age group—those in their prime working years—were 53% higher than for the same age group in the country’s non-Appalachian areas. Employment growth in the Appalachian Region lagged behind that of the United States overall between 2000 and 2020. While total employment, the region experienced growth of just 4%. Central Appalachia fared the worst among the subregions, losing over 8% of its total employment over the time period. Because Appalachia features a network of single-sector economies—previously focused substantially on mining and manufacturing, both of which have struggled recently—economic downturns such as that experienced in COVID tend to hit Appalachia harder and traditionally last longer than in other areas of the nation. Figure 2 illustrates this trend through previous periods of economic downturn.

Figure 2 – Percent Change in Employment, All Industries, 2002–2007, 2007–2012, 2012–2017, and 2017–2022



In September 2024, Hurricane Helene impacted seven states within the Appalachian Region. In the immediate aftermath of the hurricane response, ARC compiled and shared a centralized list of resources organized into federal, regional, multi-state and state levels to support recovery. As of February 2025, ARC has also granted \$6.5 million for Hurricane Helene-related business recovery efforts in North Carolina and Virginia. These activities only

represent ARC's initial recovery efforts, as it will take years to rebuild in light of this level of devastation. In the future, ARC will continue to fund projects to rebuild the Appalachian communities affected by Hurricane Helene and other natural disasters, such as the February 2025 flooding impacting Kentucky and West Virginia.

ARC continues to study and evaluate critical economic issues impacting the Appalachian Region to inform its investment priorities and strategies. A recent research report authored by Cambridge Econometrics on behalf of ARC provided a current analysis of key export-oriented industries and industry clusters and their economic characteristics, reflecting the evolving industrial landscape of Appalachia and the global economy these industries serve. Through analysis of these export-oriented industry clusters, this report provides insight into the ports that they use most frequently to ship exports, key trading partners, and updates on key freight trends such as the growth in warehousing and distribution, and the long-term decline of the coal industry. Increased understanding of these industry clusters – such as areas of specialization and multi-modal transportation infrastructure needs – can help policymakers develop effective strategic economic development plans for the region.<sup>1</sup> ARC will continue to assist communities in Appalachia with accessing resources and designing transformational activities that grow new opportunities in the Appalachian economy.

Seventy-three percent of ARC's grant dollars supported projects that primarily or substantially benefited economically distressed counties and areas. Through federal as well as non-federal partnerships, ARC attracts additional resources to Appalachia.

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

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<sup>1</sup> <https://www.arc.gov/report/export-oriented-industry-clusters-trade-and-transportation-in-appalachia/>



Figure 3 details ARC's FY 2024 spending (across all initiatives) and indicates that ARC's broad programmatic impact.

Figure 3 – ARC Projects – FY 2024

**Appalachian Regional Commission Projects Approved in Fiscal Year 2024**  
(in thousands of dollars)

	Number of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Asset-Based Development	53	\$31,985.9	\$337.3	\$29,994.5	\$62,317.6
Business Development	64	48,372.3	970.0	64,452.2	113,794.6
Civic Entrepreneurship	19	3,240.2	0.0	1,334.7	4,574.9
Community Development	159	156,104.1	34,137.2	368,509.5	558,750.8
Education and Workforce Development	143	84,649.7	6,788.6	61,525.0	152,963.3
Health	28	20,813.5	187.8	18,585.3	39,586.6
Research and Evaluation	8	1,729.9	0.0	35.0	1,764.9
State and Local Development District Planning and Administration	109	17,715.9	70.0	6,141.9	23,927.8
<b>Totals</b>	<b>583</b>	<b>\$364,611.4</b>	<b>\$42,491.0</b>	<b>\$550,578.0</b>	<b>\$957,680.5</b>
<i>Notes: Totals may not add because of rounding. Table includes access road projects funded through the Highway Trust Fund.</i>					

## 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 economic needs of each state. ARC's unique structure of state and local collaboration presents an opportunity to assist communities in coordinating significant funding available through ARC and partner federal agencies. 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. **The 2026 Budget allocates \$86 million in 2026 IJA funding to the Area Development Base Program.**

## POWER Initiative

The economic downturn of the coal industry has had a significant impact on Appalachia, with coal production falling by more than 65% between 2005 and 2020. This loss is significantly higher than the national rate of decline of approximately 54%.<sup>2</sup>

ARC's regionally competitive Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) Initiative advances President Trump's Executive Order on Reinvigorating America's Clean Coal Industry by providing dedicated funding to attract industry and expand job opportunities in Appalachian communities and regions affected by job losses in coal mining, coal power plant operations and coal-related supply chain industries. It is the policy of the United States that coal is essential to our national and economic security, and POWER presents an opportunity to support the expansion of coal technology, including technologies that utilize coal and coal byproducts such as building materials, battery materials, carbon fiber, synthetic graphite, and printing materials. Appalachian coal has qualities that, coupled with its logistical advantages due to its proximity to export ports, underscores its potential in the international markets and role in domestic prosperity and energy security.

### Career Pipelines for Service Members and Veterans in Coal Communities in Alabama

In FY 2024, ARC made a grant for \$454,609 to NextOp, Inc. for the Training-to-Career Pipelines for Transitioning Service Members & Dislocated Veterans in Coal-Impacted Alabama project. This project will provide outreach, recruitment, and wraparound support services, career assessment, training, job placement, and programming to help combat economic barriers experienced by the military/veteran (MIL/VET) population. It will also help meet the talent needs of local and regional employers across 15 counties and provide them with support services for integrating the MIL/VET population into civilian roles. As a result of this project, nine businesses will be improved through a new dedicated workforce pipeline and 300 MIL/VET workers/trainees will be improved through placement in high-quality employment.

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<sup>2</sup> [https://www.arc.gov/wp-content/uploads/2021/04/Coal-and-the-Economy-in-Appalachia\\_Q4\\_2020-Update.pdf](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 **\$484.9 million** in **564 projects** impacting **365 coal counties**. Over the last decade, these projects **attracted more than \$1.85 billion in private investment**. An evaluation conducted by Chamberlin/Dunn indicates that most POWER projects met or exceeded output and outcome targets, with ARC's investments projected to have helped create or retain more than 53,000 jobs and prepared over 142,000 workers and students for new opportunities in entrepreneurship, broadband, tourism, and other growing industries.<sup>3</sup> **The 2026 Budget allocates \$65 million in 2026 IJA funding to advance economic opportunities in coal communities 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 Appalachia. However, the Commission routinely exceeds that requirement—in FY 2024, 73% of its appropriations were invested in distressed counties or areas. ARC gauges its long-term progress toward helping Appalachia achieve economic parity with the nation in terms of the reduction in the number of distressed counties and areas over time.

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 2026 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. FY 2026 demonstrates notable improvements in the region's economic status designations from FY 2025:

- The number of distressed counties will decline from 77 to 75, which is the lowest level recorded in the 20 years of ARC's index system.
- The number of at-risk counties will decrease from 103 to 90.
- The number of transitional counties will increase from 226 to 240, and the number of competitive counties will remain the same at 14.
- The number of attainment counties will increase from 3 to 4.

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<sup>3</sup> <https://www.arc.gov/report/power-initiative-evaluation-the-power-of-change/>

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 2026 Budget allocates \$31 million in 2026 IJA funding to support projects designed to reduce or eliminate economic distress in Appalachia.**

### **INSPIRE Initiative for Substance Abuse Mitigation**

INSPIRE, which was created in the first Trump Administration, reflects the Administration's commitment to ending the addiction crisis. The nation's substance use disorder crisis disproportionately impacts Appalachia, where in 2022, overdose-related mortality rates for the region's 25–54-year-old age group—those in their prime working years—were 53% higher than for the same age group in the country's non-Appalachian areas. This disparity indicates that the substance use disorder crisis is not only a health and public safety issue but also a barrier to economic prosperity because of its impact on Appalachia's workforce. This threat to economic prosperity makes the substance use disorder crisis 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. The strategy, INvestments Supporting Partnerships In Recovery Ecosystems (INSPIRE), funds projects that are dedicated to creating workforce entry reentry strategies that both strengthen local economies and provide support for those in long-term recovery. Since INSPIRE was established, ARC has invested **\$54.9 million** in **168 projects** that are anticipated to **train/prepare 16,200 workers** to fill workforce gaps across **60 counties** in Appalachia. **The 2026 Budget allocates \$13 million in 2026 IJA funding to INSPIRE.**

## Appalachian Energy Hub

In FY 2024, ARC launched a notice of solicitations for applications (NOSA) for projects involving research, analysis, and planning regarding the economic impact of an ethane storage hub in the Appalachian Region. In early FY 2025, ARC awarded nearly \$4.7 million to three projects that will support a regional energy hub in Appalachia for natural gas and natural gas liquids, including hydrogen produced from the steam methane reforming of natural gas feedstocks.

**The 2026 Budget allocates \$5 million in 2026 IJJA funding to the Appalachian Energy Hub to continue to unleash Appalachia’s energy potential.**

## 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 2026 Budget allocates \$8 million in 2026 IJJA funding to continue to support the work of LDDs.**

### H2 Hub Appalachia

In FY 2025, ARC awarded \$2,989,361 to West Virginia Region 1 & 4 Planning & Development Councils for the H2 Hub Appalachia (H2HA) Project. This project will accelerate a regional hydrogen hub based on natural gas and natural gas liquids in Appalachia through community engagement, workforce development planning, and technology demonstrations. West Virginia is poised to become an Appalachian regional energy hub for hydrogen from natural gas feedstocks. Developing this hub can provide value-added processing to Appalachian-produced natural gas feedstocks and thereby serve downstream markets in the agricultural sector.

## Salaries and Expenses

The budget requests funding for salaries and expenses totaling \$14 million for the full costs of both the Office of the Federal Co-Chair, its immediate staff and the Office of the Inspector General; as well as programmatic costs of the Commission, and the 50% federal share for administrative expenses of the Commission staff. Table One displays the FY 2026 Annual Appropriation and IJJA allocations in detail.

Table 1 – Annual Appropriation Budget – FY 2026 Request

### Appalachian Regional Commission

(\$ in thousands)

Annual Appropriations	FY2024 Enacted	FY2025 Enacted	FY2026 President's Budget	Change
<b>Operating Expenses</b>				
Commission Administration (Federal Contribution of 50% of Costs)	3,813	3,851	3,958	107
Commission Programmatic	6,321	6,306	6,362	56
Office of the Inspector General	1,566	1,648	1,529	(119)
Office of the Federal Co-Chair	2,291	2,415	2,151	(264)
<b>Subtotal</b>	<b>13,991</b>	<b>14,220</b>	<b>14,000</b>	<b>(220)</b>
<b>Programs (funded with IJJA in 2026)</b>				
Base Program	55,441	79,080	-	(79,080)
Local Development Districts (funded through Base Program)	[8,000]	[8,000]	-	[(8,000)]
POWER	60,488	60,700	-	(60,700)
INSPIRE	12,159	12,000	-	(12,000)
Special Initiatives for Distress	53,268	29,000	-	(29,000)
Energy Hub Initiatives	4,653	5,000	-	(5,000)
<b>Subtotal</b>	<b>186,009</b>	<b>185,780</b>	<b>-</b>	<b>(185,780)</b>
<b>ANNUAL APPROPRIATION TOTAL</b>	<b>200,000</b>	<b>200,000</b>	<b>14,000</b>	<b>(186,000)</b>
<b>Infrastructure Investment and Jobs Act Advance Appropriations</b>				
<b>Operating Expenses and Other</b>				
Salaries and Expenses	6,250	6,250	-	(6,250)
<b>Subtotal</b>	<b>6,250</b>	<b>6,250</b>	<b>-</b>	<b>(6,250)</b>
<b>Programs</b>				
Base Program	100,000	100,000	86,000	(14,000)
Local Development Districts (funded through Base Program)	[8,000]	[8,000]	[8,000]	[8,000]
POWER	-	-	65,000	65,000
INSPIRE	-	-	13,000	13,000
Special Initiatives for Distress	-	-	31,000	31,000
Energy Hub Initiatives	-	-	5,000	5,000
ARISE Multi-State	80,000	80,000	-	(80,000)
READY Appalachia	9,500	9,500	-	(9,500)
Research/Mapping and Analysis	1,000	1,000	-	(1,000)
Co-Chairs' Development Funding	2,000	2,000	-	(2,000)
Academies and Institutes	1,250	1,250	-	(1,250)
<b>Subtotal</b>	<b>193,750</b>	<b>193,750</b>	<b>200,000</b>	<b>6,250</b>
<b>INFRASTRUCTURE ACT TOTAL</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>	<b>-</b>





## Program Justification: Area Development Base Program

The Federal Co-Chair of the Appalachian Regional Commission (ARC, the Commission) will devote a total of \$86 million through its IJA program to continue expanding Appalachia's economic opportunities and reducing economic distress via the Area Development Base Program. 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.

Appalachia's 13 state partners solicit applications designed to reflect the goals and objectives of ARC's strategic investment priorities to 1.) build Appalachian businesses; 2.) build Appalachia's workforce ecosystem; 3.) build Appalachia's infrastructure; 4.) build regional culture and tourism; and 5.) 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 501(c)(3) status. Grants range in size from \$10,000 for grass-roots demonstration projects to \$5 million for large critical infrastructure activities. In a complementary strategy, ARC is also encouraging larger multi-state grant applications through funding made available by the IJA.

Program implementation **reflects local priorities**, enabling communities to tailor 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 training and gap funding to prepare economically distressed communities to compete successfully for funding from national programs. Finally, this program helps **attract private sector investment** to areas that otherwise would not likely be considered competitive investment opportunities. In FY 2024, investments of **\$364.6 million** in grant funds across all initiatives attracted an additional **\$593.1 million** in other project funding, an investment ratio of **2 to 1**, and **\$5 billion** in non-project leveraged private investment, a ratio of **14 to 1**.

ARC's strategic plan, *Appalachia Envisioned: A New Era of Opportunity*, development process included comprehensive community engagement through which approximately **2,000 participants** shared insights on strengths, challenges, and opportunities facing Appalachia, along with ideas to advance economic prosperity. The updated goals described below reflect stakeholder input and economic analysis of conditions in Appalachia.

### Goal 1: Building Appalachian Businesses

*Strengthen and expand the region's economy through economic development strategies and investments in entrepreneurship and business development.*

Collaborative and competitive 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 Appalachia’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% since 1980, while the number of jobs in Appalachia has increased only 49% over the same time period.<sup>4</sup> As Appalachia continues to shift 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. ARC will also continue to invest in projects that prioritize building competitive industry sectors across the region.

A program evaluation released in FY 2023 assessed the impact of ARC’s business development grants that were closed between 2017 and 2021; the evaluation found that those investments facilitated the creation or retention of 29,352 jobs and the establishment of 1,944 new businesses in the Appalachian Region. Additionally, ARC’s business development grant projects attracted \$923 million in private investment to the region, resulting in increased economic opportunity for its 26.3 million residents.<sup>5</sup>

## **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 through education, training, and workforce development investments is critical for promoting self-sufficiency and economic development, both in Appalachia and across the country. Over the 2018–2022 period, the share of adults with a bachelor’s degree or more was 7.6 percentage points lower in

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<sup>4</sup> Woods & Poole Complete Economic and Demographic Data Source.

<sup>5</sup> <https://www.arc.gov/report/evaluation-of-arc-business-development-grants-closed-between-2017-2021/>



Appalachia than in the nation as a whole. 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 support to keep workers on the job, such as reliable transportation, appropriate healthcare, safe and affordable housing, and quality childcare. Appalachia cannot achieve economic growth and prosperity without investing 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.

### **Youngstown – Warren Regional Airport Flight Center**

In FY 2024, the Appalachian Regional Commission awarded \$244,100 to the Western Reserve Port Authority for the Youngstown-Warren Regional Airport Flight Center Simulator Equipment Project. There is an estimated pilot shortage of 8,000 pilots currently in the U.S., with that number projecting to grow to 24,000 by 2026. The Western Reserve Port Authority will create a new Flight Center equipped with two Redbird flight simulators at the Youngstown-Warren Regional Airport in Vienna Township, Trumbull County. The Pilot Training School will provide certificate and collegiate-based training to build career pathway systems in a high-growth industry and allow trainees to quickly become familiar with systems and emergency scenarios at a fraction of the cost and risk. This project is projected to serve 100 students.

### **Goal 3: Building Appalachia’s Infrastructure**

*Ensure that the residents and businesses of Appalachia have access to reliable and affordable 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 and reliable utilities as well as safe, connected, and strategic transportation systems. However, Appalachia’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 growth and prosperity, and access to healthcare and education. Difficult geography, costly infrastructure needs, 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 electricity, heat, oil and natural gas); and, where necessary, stormwater and emergency management infrastructure to protect against natural disasters. Roughly 20% of Appalachia’s population is not served by a community water system (compared with 12% nationally), and 47% of Appalachian households are not served

by a public sewage system (compared with 24% nationally). A 2020 independent evaluation of 379 ARC drinking water and wastewater projects found that the \$115 million ARC invested in these projects had led to the creation of 11,668 new jobs and the retention of 22,179 jobs and leveraged \$3.8 billion in private sector investment.<sup>6</sup> ARC is currently conducting an evaluation of the status of infrastructure in the region which will be led by UNC-Chapel Hill.

As the pandemic increased workers' reliance on remote interaction, high-speed Internet access has become even more important. During the 2018-2022 period, the share of Appalachian households with access to broadband internet (including cable, fiber optic, DSL, cellular, or satellite) was nearly four percentage points lower than the national average of 88.3%. There are also signs of a rural-urban "digital divide" within Appalachia: In 73 Appalachian counties, less than 75% of households had broadband internet—all but 10 of these were outside metropolitan areas and more than 40% of which were in rural counties.<sup>7</sup> Many Appalachian communities 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.

ARC is collaborating with National Telecommunications and Information Administration (NTIA) to develop complementary strategies for addressing broadband deployment in Appalachia.

### **Critical Infrastructure**

In FY 2024, the Appalachian Regional Commission awarded \$1,624,000 to the Webster Springs Public Service District (PSD) to modernize its sanitary sewer system, wastewater treatment plant and collection system, thus minimizing inflow and infiltration related to high-water events. The Webster Springs PSD's wastewater collection and treatment services began in the late 1970s. Components within the water system have passed their useful life and cause issues for the PSD and its customers. Wastewater pumping stations are outdated and unsafe, while the treatment plant is overloaded during wet weather events. The wastewater collection system is affected by inflow and infiltration due to its aged clay pipes, and the portion of the collection system located near the Elk River is especially problematic because of direct inflow into the waterway. These issues have led to the WVDEP citing Webster Springs PSD for multiple violations. To comply with the orders and create an improved and resilient sewer system, the proposed project will rehabilitate the five existing pumping stations and build one new pumping station. The proposed improvements will enhance service for 558 households and 49 businesses.

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<sup>6</sup> 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.

<sup>7</sup> ARC Chartbook as compiled from American Community Survey Data (2018-2022).

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 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 Appalachia 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.*

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 development, advance place-based economic development, and expand opportunities for residents and visitors alike. Appalachia offers a myriad of natural assets—mountains, rivers, lakes, forests, parks, waterfalls, and trails. Plentiful outdoor recreation activities provide key strengths for Appalachia and will help fuel the tourism economy and increase employment opportunities.

## Goal 5: Building Community Leaders and Capacity

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

### **Building Economy through Tourism**

In FY 2024, the Appalachian Regional Commission awarded \$435,000 to the City of Gaffney, SC for the Jolly Conference Center. ARC funds will be used to renovate a 6,200 square foot city-owned historic building to serve as a conference center and meeting facility. The structure is located on Railroad Avenue in Gaffney's historic downtown district, next to the Henry L Jolly Park and Amphitheater, adjacent to the Overmountain Victory National Historic Trail and only five blocks from the soon-to-open Revolutionary War Discovery Center. The city will complete renovation of the center to coincide with the opening of the new Revolutionary War Center, and accommodate conferences, meetings, and facility space for the upcoming SC American Revolution Sestercentennial (SC250) celebration. The project is expected to attract more than 2,000 new visitors and 200 overnight visitors annually into downtown Gaffney, increasing spending in the business district and adding tax revenue to the community.

Achieving economic development goals for Appalachia 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.<sup>8</sup> 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 successful outcomes.

**Appalachian Leadership Institute** aims to equip a network of leaders with the skills, expertise, and vision to address Appalachia's most pressing issues. Forty program fellows drawn from across ARC's 13 states participate in a eight-month training program featuring workshops and collaborative activities.

The Commission is committed to achieving above-mentioned performance, leverage, matching, and distressed county/area targets with its 2026 IJJA resources. Table 2 reflects ARC's performance targets for 2022–2026, which assumes level funding with the \$180 million appropriation in place at the time of strategic plan development. In 2026, ARC expects greater levels of impact from its execution of \$200 million in 2026 IJJA funding.

Table 2 – ARC Performance Targets, 2022–2026

**ARC PERFORMANCE TARGETS, 2022-2026**

Targets are based on level annual appropriations of \$180 million.

Grant Outcomes	Annual Performance Target	5-Year Performance Target
Jobs created or retained	22,000	110,000
Students and workers with improvements	35,000	175,000
Businesses and households with access to improved infrastructure	50,000	250,000
Businesses created or strengthened	4,000	20,000
Communities with enhanced capacity	400	2,000
<b>Leverage</b>		
Ratio of leveraged private investment to ARC dollars	6 to 1	6 to 1
<b>Matching</b>		
Ratio of matching project funds to ARC dollars	2 to 1	2 to 1
<b>Distressed Counties/Areas</b>		
Percentage of ARC funds directed to benefit economically distressed counties or areas	50%	50%

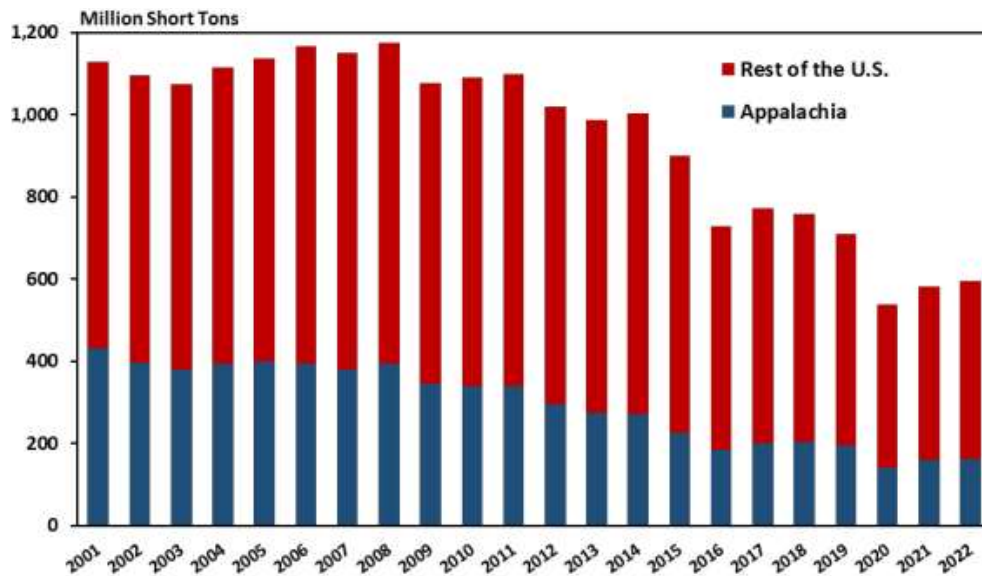
<sup>8</sup> [Evaluation of the Appalachian Regional Commission's Leadership and Community Capacity Projects: FY 2008–FY 2015.](#)



## Program Justification: POWER Initiative

The Federal Co-Chair of the Appalachian Regional Commission (ARC, the Commission) will allocate FY 2026 IJA funding in the amount of \$65 million for FY 2026 to continue the regionally competitive Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) Initiative. It is the policy of the United States that coal is essential to our national and economic security. This presents an opportunity to support the expansion of coal technology, including technologies that utilize coal and coal byproducts such as building materials, battery materials, carbon fiber, synthetic graphite, and printing materials. Appalachian coal has qualities that—coupled with its logistical advantages due to its proximity to export ports—underscores its potential in driving domestic prosperity. Appalachia’s coal industry has been disproportionately affected by the downturn in the coal market. Between 2005 and 2020, coal production in the United States fell about 54%. Most of this decline came in Appalachia, where coal production dropped 65%. This severe decline in production has resulted in the loss of thousands of jobs across Appalachia.<sup>9</sup> Figure 4 illustrates the decline of the coal mining production industry in the broader United States and Appalachia.

Figure 4 – Coal Mining Production in Appalachia and the Rest of the United States



Source: U.S. Mine Safety and Health Administration (MSHA)

<sup>9</sup> <https://www.arc.gov/wp-content/uploads/2023/09/Coal-Production-and-Employment-in-Appalachia-2023.pdf>

ARC's POWER Initiative is designed to grow industry and attract private investments in coal communities—allowing them to better compete in the global economy. As a competitive funding opportunity, POWER prioritizes projects that emphasize large-scale, multi-jurisdictional activities, engage a broad range of partners, and are financially 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 501(c)(3) status. Grants range in size from \$100,000 for planning grants to \$2 million for multi-state activities with exceptions for broadband deployment and Broadband as a Service projects, which may be awarded up to \$2,500,000.

Figure 5 – Coal Mining Employment by Appalachian State

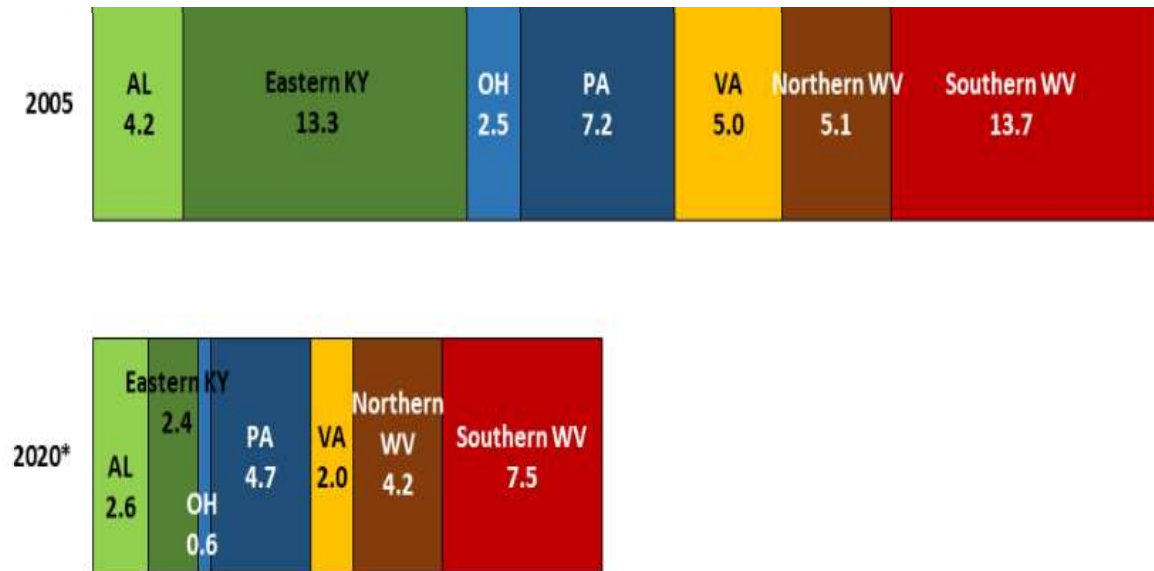


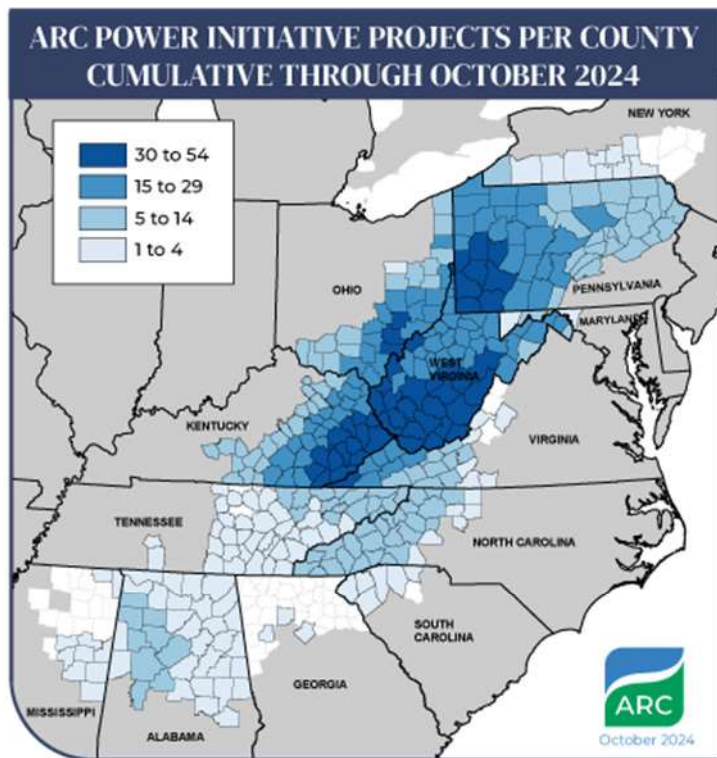
Figure 5 shows recent changes in coal employment for the coal-producing states in Appalachia. Eastern Kentucky registered the largest drop in coal employment between 2005 and 2020 at 82%.<sup>9</sup> Historic flooding in July 2022 complicated Kentucky's challenges.

From its inception in 2015, ARC has invested nearly **\$484.9 million** in **564 projects** impacting **365 coal-impacted counties**. Over the last decade, these projects **attracted more than \$1.85 billion in private investment**. An evaluation conducted by Chamberlin/Dunn indicates that a majority of POWER projects met or exceeded output and outcome targets, with ARC's investments projected to have helped create or retain more than 54,000 jobs, leverage more than \$1.85 billion in additional private investment into Appalachia's economy, and prepare nearly 170,000 workers and students for opportunities in entrepreneurship, broadband development, tourism and other industry



sectors.<sup>10</sup> A new round of grants was announced early in the first quarter of FY 2025. Figure 6 illustrates the cumulative number of ARC POWER projects by county funded to date.

Figure 6 – ARC POWER Initiative Projects Per County Cumulative Through October 2024



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<sup>10</sup> <https://www.arc.gov/report/power-initiative-evaluation-the-power-of-change/>

## **POWER Initiative Funding: Examples of Projects**

### ***Bringing New Health Investments to Coal Communities***

**\$2,000,000** - In FY 2024, ARC granted \$2,000,000 to the University of Pikeville, Inc. for the Appalachian Center for Preventive Medicine (ACPM) project. The leading causes of premature death in the region are heart disease, cancer, and chronic lower respiratory diseases, the mortality rates for these diseases in the ACPM service region are more than twice that of the nation's death rate. Through interdisciplinary rotations at the ACPM, students will be able to improve the health outcomes of the region by utilizing preventative care to help eliminate these leading causes of premature death. By extending the life expectancy of the patient population, which is currently seven years shorter than the national average, the institute aims to improve the quality of life of the patients through programming and education to address these contributing health factors. In addition, the ACPM project will contribute to job growth in the healthcare and social assistance sectors, which are projected to grow more rapidly of any other sector and produce 45% of all projected job gains between 2022-2032. As a result of this project, 400 students will be improved through preventative healthcare education, 4 organizations improved through the ability to conduct preventative research, 15,000 patients improved through increased access to preventative healthcare, and 18 jobs created for medical professionals.

### ***Business Incubation and Advanced Manufacturing***

**\$1,975,000** – In FY 2024, ARC granted \$1,795,000 to the Youngstown Business Incubator (YBI) for the Rising Tides Initiative. The purpose of this project is to provide comprehensive technical assistance and training in advanced manufacturing to incumbent manufacturers located in the Eastern Ohio counties of Ashtabula, Belmont, Columbiana, Jefferson, Mahoning, Monroe, and Trumbull to position them for entry into the microchip, advanced energy, defense, and aerospace industries. Rising Tides will provide existing manufacturers with comprehensive technology education, impactful pilot/demonstration programs, federal research support and other targeted initiatives to enhance manufacturer competitiveness. The project will also introduce local entrepreneurs to manufacturers to accelerate technology implementation, as well as support the commercialization of new technologies within existing manufacturers. This project is expected to improve 90 businesses and 180 workers/trainees, create 2 new businesses and 20 new jobs, and leverage \$9,050,000 in private investment.

### ***Ironworker's Apprenticeship Training Facility***

**\$1,750,000**– In FY 2024, ARC awarded \$1,750,000 to the International Association of Bridge Structure and Ornamental Ironworkers Local 549 for the project titled Wheeling Ironworkers: Building a strong workforce in the tri-state region. The Wheeling Ironworkers Local 549, is spearheading a project to expand their apprenticeship training facility located in Wheeling, West Virginia. The apprenticeship program is in high demand and trains skilled ironworkers across West Virginia, Pennsylvania, and Ohio. The 7,840 SF expansion will modernize the facility and allow the program to accommodate additional apprentices



to the program. This project will address workforce development and strengthen economic outcomes due to the coal industry's decline in Northern Appalachia. The project will include the construction of a 7,840 SF expansion to their apprenticeship facility, serve 77 businesses, and 330 workers.

### ***Lineman and Commercial Driver's License (CDL) Training Program***

**\$1,633,164** – In FY 2024, ARC granted \$1,633,164 to Southeast Kentucky Community and Technical College for the Pathways to Power: Lineman and CDL Training Program in Southeast Kentucky project. The establishment of CDL and lineman training programs will bolster transportation networks and ensure reliable electricity supply in Southeast Kentucky. Given the rugged terrain and harsh weather conditions, skilled line workers are crucial for maintaining and promptly restoring electrical infrastructure and ensuring uninterrupted power supply to residents and businesses alike. Across the transportation industry, companies are not successfully filling positions, leading to disruptions in the supply chain. The Pathways to Power program will prepare individuals as professional drivers and linemen in the trucking and utility industries. The project aims to establish accessible pathways for GED-seeking students, underemployed workers and dislocated individuals by enabling them to undergo specialized training for stable employment with family-supporting wages. With ARC's investment, the project will create CDL and lineman training programs to support 372 students with sustainable careers in Southeast Kentucky.



## Program Justification: Special Regional Initiative for Distress

The Federal Co-Chair of the Appalachian Regional Commission (ARC, the Commission) will allocate FY 2026 IJJA funding in the amount of \$31 million in FY 2026 for Special Regional Initiatives for Distress in Appalachia to continue efforts to reduce the disproportionately high rate of economic distress in Appalachia. ARC uses this initiative to augment the existing work in distressed communities through the Area Development Base Program and the POWER Initiative. Appalachian community challenges such as inadequate water, sewer, and broadband infrastructure continue to present significant barriers and require substantial resources. However, the expansion of the southern automotive and aviation clusters continues to offer great potential for job creation and economic development. FY 2026 economic county designations demonstrate notable improvements from FY 2025. In FY 2026, the number of distressed counties will decline from 77 to 75, which is the lowest level recorded in the 20 years of ARC's index system. The number of at-risk counties will decrease from 103 to 90. The number of transitional counties will increase from 226 to 240, and the number of competitive counties will remain the same at 14. The number of attainment counties will increase from 3 to 4. Dedicated funding for—and attention to—growing economic opportunities in distressed counties and areas must be maintained to continue to see progress.

ARC was an early investor in the automotive manufacturing industry, with the Appalachian governors voting to allocate funding across multiple states to build infrastructure in South Carolina to allow 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 support activities to expand the automotive sector, as a cluster of manufacturers—including Mercedes, Toyota, Mazda, and Honda and their supply chain partners—continue to locate plants and grow jobs throughout the southern Appalachian states. These manufacturers have benefited from ARC investments, primarily for the basic

### **Industrial Development in the Southern Automotive and Aviation Cluster**

In FY 2024, ARC awarded \$891,614 to the City of Oxford, AL to improve one lift station and install water and sewer improvements in the Oxford West Industrial Park in Oxford, AL. These infrastructure improvements are expected to benefit three businesses, one of which is an interiors supplier to the automotive industry. Welborn Cabinet invested \$17 million in the industrial park in 2022. The cabinet manufacturer takes up nearly half of the industrial park and has promised 300 new jobs within three years with a target number of 415 by year five. Kronospan announced in May 2023 an investment of \$350 million in a new Oriented Strand Board (OSB) manufacturing plant creating 125 new jobs.

infrastructure and workforce training necessary to accommodate their manufacturing operations. ARC recently funded training activities for the states of Alabama and Mississippi where Mazda Toyota Manufacturing, U.S.A., has a new manufacturing facility. This work will prepare and train Appalachians to fill the projected 6,000 jobs that will become available. Additional opportunities are being explored in the energy sector, including development of an energy storage hub in Appalachia.

Despite the success in the southern automotive sector and energy economy, nearly one-fifth of Appalachia's counties still suffer from persistent and severe economic distress, primarily as a result of Appalachia's historic reliance on single-sector economic drivers like coal extraction and traditional manufacturing. Compounding this issue, central Appalachia lags behind the nation in basic infrastructure availability. Roughly 20% of the region's population is not served by a community water system (compared with 12% of the rest of the nation's population), and 47% of Appalachian households are not served by a public sewage system (compared with a national average of 24%).<sup>11</sup> In FY 2024, ARC contracted UNC Chapel Hill to update data related to the state of water and sewer infrastructure in Appalachia.

In addition, Appalachia, like most of rural America, continues to lag behind the nation in access to advanced telecommunications infrastructure. During the 2018-2022 period, the share of Appalachian households with access to broadband internet (including cable, fiber optic, DSL, cellular, or satellite) was nearly four percentage points lower than the national average of 88.3 percent. There are also signs of a rural-urban "digital divide" within Appalachia: In 73 Appalachian counties, less than 75% of households had broadband internet— all but 10 of these were outside metropolitan areas and more than 40% percent of which were in rural counties.<sup>12</sup> In ARC's 2015 reauthorization, Congress recognized the importance of Appalachian access to advanced telecommunications infrastructure and authorized ARC facilitate broadband deployment. ARC continues to provide support and collaborate with other federal partners to increase broadband access in the region.

These infrastructure conditions prompted Congress to provide special funding designated for improving water and sewer infrastructure in distressed counties in central Appalachia and broadband service in distressed counties in north and central Appalachia. To date, almost \$60 million has been invested in KentuckyWired, which is Kentucky's state broadband initiative, to develop broadband access throughout eastern Kentucky by the creation of a large middle-mile network. This project will bring enhanced broadband

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<sup>11</sup> 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.

<sup>12</sup> U.S. Census Bureau's 2020-2016 American Community Survey, as compiled in <https://www.arc.gov/the-chartbook/>

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 2026, 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. Table 3 lists potential outcomes for project development.

*Table 3 – Potential Outcomes for Project Development  
(Includes Funds for Administration)*

<b>Potential Outcomes for Project Development (Includes Funds for Administration)</b>
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) will allocate FY 2026 IJJA funding in the amount of \$13 million in FY 2026 to continue to implement INvestments Supporting Partnerships In Recovery Ecosystems (INSPIRE) to address Appalachia's substance use disorder (SUD) crisis by creating or expanding a recovery support systems (also called a *recovery ecosystem*) leading to workforce entry or re-entry and self-sufficiency. In addition to being considered a health and public safety issue, SUD is now recognized as a barrier to economic prosperity because of its impact on Appalachia's workforce. The INSPIRE Initiative is included in the Administration's FY 2026 National Drug Control Budget. This funding initiative reflects the Trump Administration's commitment to ending SUD and the drug crisis.

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 and enable businesses to be recovery ready.

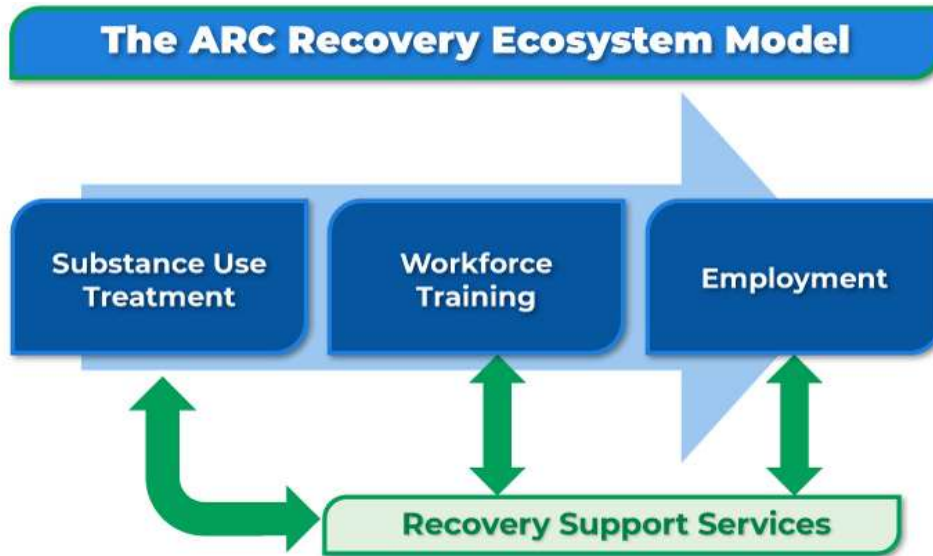
Eligible applicants include but are not limited to states, local governments, and nonprofits both with and without 501(c)(3) status. Grants range in size from \$15,000 for planning grants to \$500,000 for implementation activities.

Appalachia has been disproportionately impacted by the SUD crisis. In 2022, overdose-related mortality rate for the region's 25–54-year-old age group—those in their prime working years—were 53% higher than for the same age group in the country's non-Appalachian areas.<sup>13</sup>

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

Figure 7 – The ARC Recovery Ecosystem



As illustrated in Figure 7, 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 SUD 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 Appalachia. Siloed service delivery has complicated the burden of navigation and successful workforce reentry.

Since INSPIRE’s inception, ARC has invested **\$53.6 million** across **166 projects**. Together, the projects will impact **360 Appalachian counties**, improve over **3,000 businesses**, and help prepare nearly **16,200 students and workers** for new opportunities in the workforce. This funding initiative reflects the Trump Administration’s commitment to ending the drug crisis. In FY 2026, 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**

### ***Expanding Successful Recovery Workforce Development Ecosystems to Create Lasting Pathways to Employment***

**\$499,206** – In 2024, ARC made a grant of \$499,206 to Kentucky River District Health Department in Whitesburg, Kentucky, for the HUB-Letcher County (HUB-LC) project. The HUB-LC will develop and expand the recovery ecosystem in rural Appalachian Kentucky. Through partnerships with Southeast Community and Technical College, local employers will provide an opportunity for individuals to come out of substance use disorder (SUD) treatment and into training or an apprenticeship program. It is intended that this training will lead to careers and help trainees gain self-sufficiency. It is anticipated that 29 businesses will be improved by gaining a skilled workforce, and 800 participants will be improved by gaining skills and the removal of barriers to their immediate employment.

### ***Shawnee State University Center for Rural Community Health***

**\$490,570** – In FY 2024, ARC made a grant of \$490,570 to Shawnee State University (SSU) in Portsmouth, Ohio, for the SSU Center for Rural Community Health: Addressing the Unique Health Needs of Our Region through Research, Education, and Collaboration project. This project will support new program initiatives for the soon-to-be-launched College of Health and Human Services Center for Rural Community Health, which will focus on developing and implementing solutions to strengthen the substance use disorder (SUD) recovery ecosystem in southern Ohio and northern Kentucky. Through research, data analysis, and collaboration with over 80 community partners throughout the seven-county service area, the grantee will develop resources to address the impact of SUD on children; create a Support Navigator position that will function as a one-stop shop for assisting local K-12 and SSU students with locating recovery resources for themselves or family members in addiction; and establish a pilot pathway-to-degree program in which SSU students in recovery will receive tuition assistance and tutoring in order to successfully complete an associate's degree program. It is anticipated that by the end of the three-year grant period, 3,810 K-12 and SSU students will be served and 30,808 improved; 51 business will be served and 40 improved; 44 organizations will be served and 35 improved; and seven communities will be served and improved by the project. This project will also create two jobs.

### ***Williamson Health and Wellness Center***

**\$500,000** – In FY 2024, ARC granted \$500,000 to Williamson Health and Wellness Center for New Heights Recovery Continuum project. The New Heights project will provide a post-treatment-to-employment continuum by leveraging partnerships with employers and recovery organizations to reduce the stigma around hiring individuals in recovery; provide soft skill training at residential housing and inpatient treatment facilities and recruit individuals to enroll in the program; develop stronger partnerships with healthcare networks and other organizations that support substance use recovery; launch supportive recovery-focused job training programs; and coordinate recovery services and employment training. The project will serve unemployed and underemployed adults (18+), who are in

recovery from substance use disorder (SUD) in Mingo County, WV and Pike County, KY. Nearly every person in the service area has been impacted by the opioid crisis, which had the fourth highest cumulative drug overdose death rate in the nation between 1999-2014. With ARC's investment, 40 businesses, 96 workers/trainees, and 200 participants will be served/improved as a result of the proposed project.

### **LevelUP**

**\$499,949**– In FY 2024, ARC granted \$499,949 to the Marshall University Research Corporation (MURC) to establish the LevelUP program, a new initiative to serve underserved young people ages 18-25 in Cabell, Boone, and Clay counties who are leaving foster/kinship care and in need of support as they transition to adulthood and independence. The grantee will provide young people in recovery transitioning out of foster care with educational opportunities and entrepreneurship courses that will create sustainable career pathways, as well as workforce training, certifications, and job placement assistance in targeted industries including manufacturing where there is a shortage of qualified workers. Young people will also be provided with extended care services through early adulthood, including basic healthcare, mental health support, physical wellness, life and career coaching and peer support, and transportation and housing assistance. These and other essential extended care services will improve economic opportunities and health outcomes for young people in recovery leaving foster care and put them on a secure path to adulthood and long-term recovery prepared for meaningful employment and positive engagement with the community. It is anticipated that by the end of the 15-month grant period, one Guidance Document will be prepared; 15 businesses, 10 organizations, 100 workers/trainees and 185 participants will be served.



## 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 Commission's mission. Feedback from the comprehensive information gathering sessions yielded goals and objectives in a framework with pillars of resilience and innovation. A multi-level evaluation system was designed in accordance with the Government Performance and Results Act and the Evidence-Based Policymaking Act.

Grant information and performance is tracked by ARC's grants management system, ARCnet. 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 Commission's website at [www.arc.gov](http://www.arc.gov).

Table 4 – Summary of Achievements: Performance Targets and Initial Estimates for FY 2024 Projects

## SUMMARY OF ACHIEVEMENTS

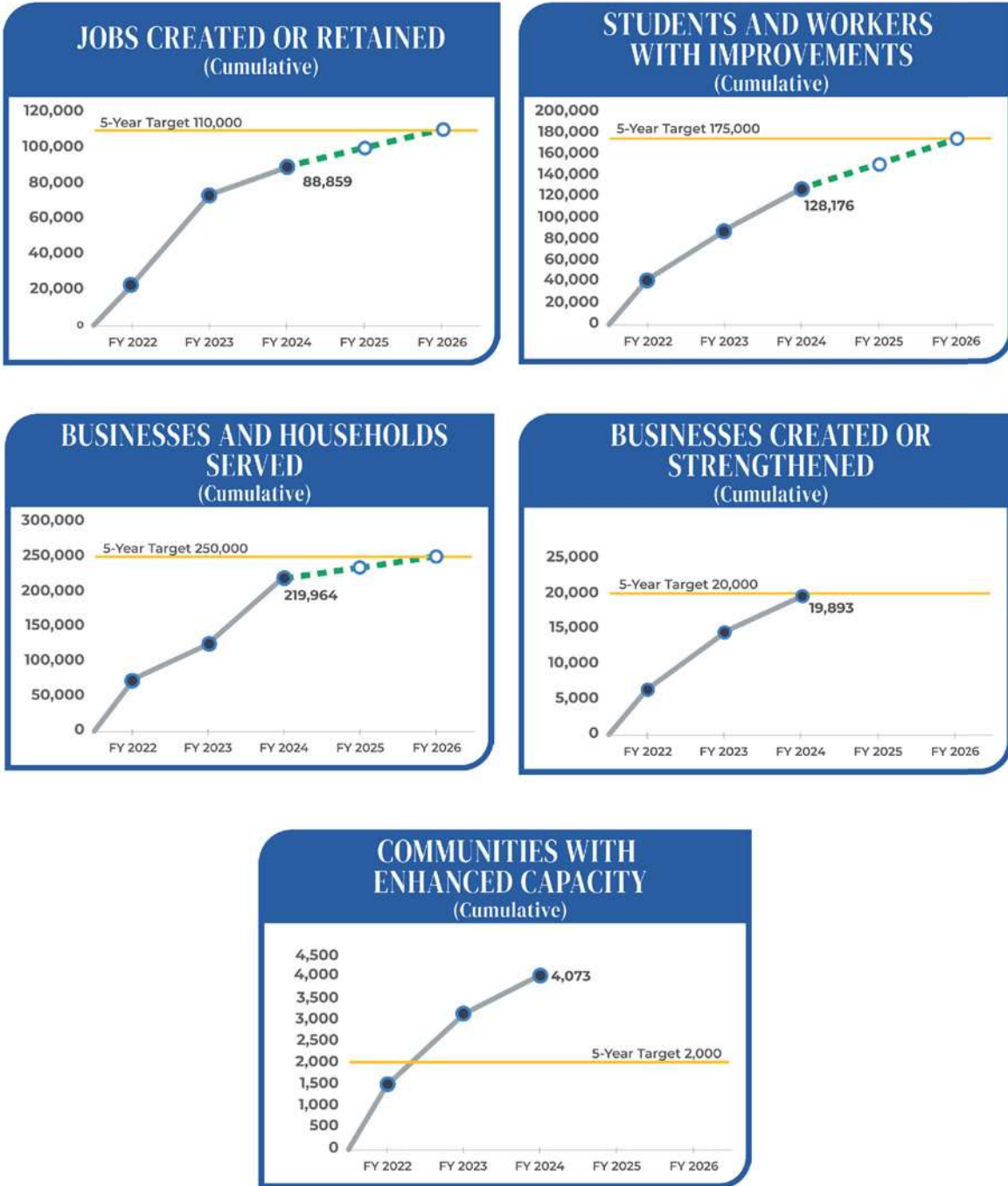
### PERFORMANCE TARGETS AND INITIAL ESTIMATES FOR FISCAL YEAR 2024 PROJECTS

ANNUAL PERFORMANCE TARGETS	INITIAL ESTIMATES	EXPECTED RESULTS
<b>Outcome Targets</b>		
22,000 jobs created or retained	16,073 jobs created or retained	Met 73% of target
35,000 students and workers with improvements	39,631 students and workers with improvements	Exceed target by 13%
50,000 businesses and households with access to improved infrastructure	95,813 businesses and households with access to improved infrastructure	Exceed target by 92%
4,000 businesses created or strengthened	5,416 businesses created or strengthened	Exceed target by 35%
400 communities with enhanced capacity	906 communities with enhanced capacity	Exceed target by 127%
<b>Leverage Target</b>		
Achieve a 6:1 ratio of leveraged private investment to ARC funds (\$6 per \$1 ARC investment)	14:1 ratio* (\$13.70 per \$1 ARC investment)	Exceed target by 128%
<b>Matching Target</b>		
Achieve a 2:1 ratio of matching funds to ARC funds (\$2 per \$1 ARC investment)	2:1 ratio* (\$1.63 per \$1 ARC investment)	Meet 81% of target
<b>Distressed Counties/Areas Target</b>		
Direct 50% of ARC funds to benefit distressed counties or areas	73% of funds**	Exceed target by 23 percentage points
*Ratios are rounded to the nearest whole number.		
**Project funds are included if the project primarily or substantially benefits distressed counties or areas.		

ARC's annual performance targets are established in the agency's 2022–2026 strategic plan. The performance targets assume level funding with the \$180 million appropriation in place at the time of strategic plan development. In 2026, ARC expects greater levels of impact from its execution of \$200 million in 2026 IJA funding. Table 4 delineates the FY 2024 targets and their expected outcomes. Figure 8 illustrates ARC's progress toward the strategic plan performance goals as of FY 2024.

Figure 8 – Progress Toward ARC Strategic Plan Performance Goals, Fiscal Years 2022–2026

Progress Toward ARC Strategic Plan Performance Goals, Fiscal Years 2022–2026





## Salaries and Expenses

The Federal Co-Chair of the Appalachian Regional Commission (ARC, the Commission) requests \$14 million for salaries and expenses to deploy the \$200 million in IJA funding in FY 2026, as delineated in Table 5.

Table 5 – Operating Expenses

<b>Appalachian Regional Commission</b>				
(\$ in thousands)				
<b>Annual Appropriations</b>	<b>FY2024 Enacted</b>	<b>FY2025 Enacted</b>	<b>FY2026 President's Budget</b>	<b>Change</b>
<b>Operating Expenses</b>				
Commission Administration (Federal Contribution of 50% of Costs)	3,813	3,851	3,958	107
Commission Programmatic	6,321	6,306	6,362	56
Office of the Inspector General	1,566	1,648	1,529	(119)
Office of the Federal Co-Chair	2,291	2,415	2,151	(264)
<b>Subtotal</b>	<b>13,991</b>	<b>14,220</b>	<b>14,000</b>	<b>(220)</b>

This request reflects the Commission programmatic costs and the federal share of Commission administrative expenses, the full costs of the Office of the Federal Co-Chair, its immediate staff, the Office of the Inspector General. Individual requests are presented on the pages that follow. Local Development Districts are funded with 2026 IJA resources.

Table 6 – Office of the Federal Co-Chair Detailed Budget

<b>Office of the Federal Co-Chair</b>				
(\$ in thousands)				
	<b>2024</b>	<b>2025</b>	<b>2026</b>	
	<b>Actual</b>	<b>Enacted</b>	<b>President's</b>	<b>Changes</b>
			<b>Budget</b>	
Personnel Compensation	1,022	1,261	1,010	(251)
Personnel Benefits	338	353	345	(8)
Travel & Transportation	56	190	180	(10)
Rent, Communications	223	270	275	5
Printing		1	1	-
Services	431	300	300	-
Supplies	8	20	20	-
Equipment	1	20	20	-
<b>Total</b>	<b>2,079</b>	<b>2,415</b>	<b>2,151</b>	<b>(264)</b>

The request for the Office of the Federal Co-Chair shown in Table 6 provides for an immediate staff of 7 employees including portions of shared Commission staff and related benefits, rent, travel, services, and other expenses. This staff is tasked with assisting 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 policies; and reviewing projects for final approval by the Federal Co-Chair.

Table 7 – Office of the Inspector General Detailed Budget

<b>Office of the Inspector General</b>				
	(\$ in thousands)			
	2024	2025	2026	
	Actual	Enacted	President's Budget	Changes
Personnel Compensation	522	769	702	(67)
Personnel Benefits	139	210	158	(52)
Travel & Transportation	6	12	12	-
Rent, Communications	82	67	73	6
Printing	0	-	-	-
Services	822	555	552	(3)
Supplies	1	12	12	-
Equipment	1	24	20	(4)
<b>Total</b>	<b>1,573</b>	<b>1,648</b>	<b>1,529</b>	<b>(674)</b>

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. Table 7 details the OIG’s budget request. 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 four full-time staff members and has been certified by the Inspector General.

Table 8 – Commission Operations Detailed Budget

<b>Commission Operations</b>						
(\$ in thousands)						
	2024 Actual	2025 Enacted	2026		2026 Breakdown	
			President's Budget	Changes	Program 100% Federal	Administrative State/Federal
Personnel Compensation	7,918	8,738	8,851	113	\$ 4,367	\$ 4,484
Personnel Benefits	2,006	2,255	2,325	70	1,288	1,037
Travel & Transportation	114	365	365	-	225	140
Rent, Communications	1,362	927	956	29	15	941
Printing	9	22	23	1	-	23
Training	-	50	60	10	30	30
Services	1,015	1,520	1,567	47	437	1,130
Supplies	29	70	70	(0)	-	70
Equipment	13	61	61	0	-	61
<b>Total</b>	<b>12,466</b>	<b>14,008</b>	<b>14,278</b>	<b>270</b>	<b>6,362</b>	<b>7,916</b>
Federal Contribution	3,813	3,851	3,958	107		
State Contribution	3,813	3,851	3,958	107		
Program Operations	6,321	6,306	6,362	56		
	13,948	14,008	14,278	270		

The Commission operating budget is shown in Table 8. ARC's authorizing legislation specifies that Commission staff shall not be considered federal employees for any purpose. Accordingly, these 85 professionals are neither state nor federal employees, even though they work directly for the joint federal-state partnership entity. 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.

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 2026. Table 9 shows the Commission operating expenses.





# Operational Effectiveness Initiative

## ARC Dashboard: Operational Effectiveness Initiatives

The Appalachian Regional Commission (ARC, the Commission) continues to identify, analyze, and implement workplace efficiencies to ensure 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 that 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 Appalachian 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 most efficiently. 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. New programs have been launched to improve employee collaboration and efficiency in the following ways:
  - ARC has increased self-service through automation for new and existing staff, providing a single platform to address most needs. New staff are engaged early in the onboarding process and existing staff are engaged through regular branded internal communications.
- 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 utilizes interns from learning institutions in the region to assist with the annual project validation process.

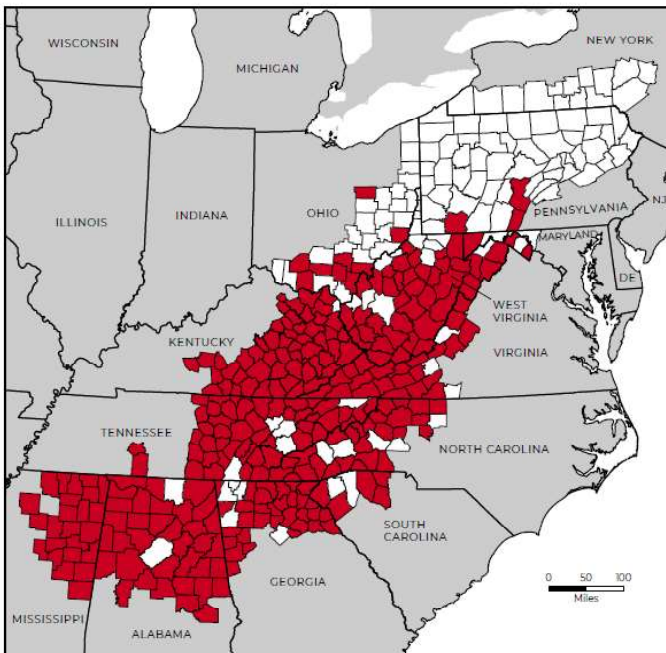
- In accordance with the SECURE Technology Act, ARC has established a separate Information Technology (IT) division. The division has a dedicated Division Director and additional IT staff to provide centralized management and support of ARC's IT systems, implement technological enhancements that increase workforce efficiency and customer satisfaction, and manage ARC's cybersecurity technologies. Specific activities include the following:
  - Implementation of and migration to a new grants management system, Pathways. This started in FY 2023 and is expected to be complete in the first quarter of FY 2026. The effort includes requirements gathering, technological implementation, process refinement, and staff and user training design and delivery.
  - Continued support and development of ARCnet, ARC's current grants management system.
  - Management of ARC's cloud-based infrastructure. This includes the ARCnet system, servers, and Microsoft-based productivity services such as OneDrive, Exchange Online and SharePoint Online.
  - Management of ARC's cybersecurity program, which includes cloud-based endpoint management, a staff training and security awareness program, and multi-factor authentication. Improvements in inventory software and server management tools are planned in FY 2026.
  - Maintenance of ARC's office equipment, including switches, firewalls and other network equipment, printing facilities, AV and other conferencing technologies.
- ARC initiated service mindset training in FY 2024. This training delivered cross-divisional workshops that advanced knowledge in process improvement principles that benefit our partners and stakeholders. The workshops trained employees on skills to create a consistent, solution-oriented environment and to enhance communication and problem-solving techniques. The results of this training will improve responsiveness and service delivery to our stakeholders and improve cross-divisional processes.

# Appendix A

## High-Poverty Counties in the Appalachian Region, 1960 and 2019–2023

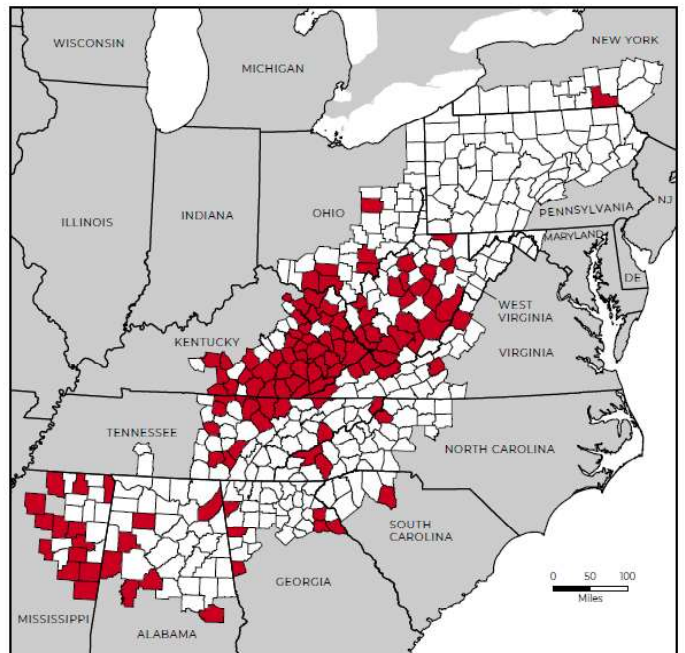
**High-Poverty Counties in the Appalachian Region**  
(Counties with Poverty Rates At Least 1.5 Times the U.S. Average)

**1960**  
297 High-Poverty Counties



Data Source: U.S. Census Bureau, 1960 Census

**2019-2023**  
119 High-Poverty Counties



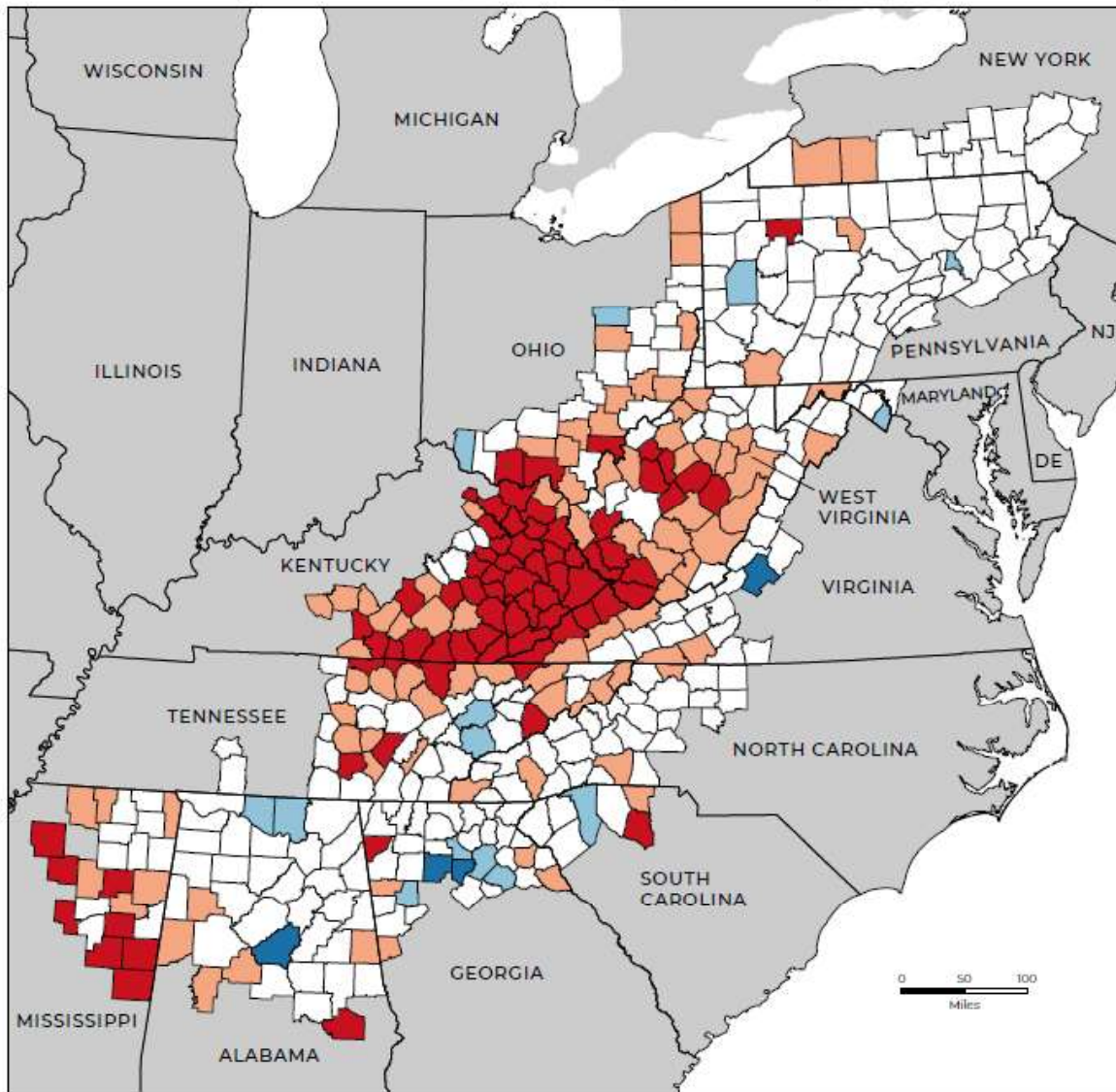
Data Source: U.S. Census Bureau, American Community Survey, 5-Year Estimates, 2019-2023

# Appendix B

## County Economic Status in Appalachia, FY 2026

### County Economic Status in Appalachia, Fiscal Year 2026

(Effective October 1, 2025 through September 30, 2026)



The Appalachian Regional Commission uses an index-based county economic classification system to identify and monitor the economic status of Appalachian counties.

#### County Economic Levels

- Distressed (75)
- At-Risk (90)
- Transitional (240)
- Competitive (14)
- Attainment (4)



Map Created: January 2025  
Data Sources:  
Unemployment data: U.S. Bureau of Labor Statistics, LAUS, 2021-2023  
Income data: U.S. Bureau of Economic Analysis, LAPI, 2023  
Poverty data: U.S. Census Bureau, ACS, 2019-2023

## County Economic Status Designations in the Appalachian Region, FY 2026

The Infrastructure Investment and Jobs Act reauthorized ARC in FY 2022 and added three additional counties to the Appalachian 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 2026 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 (75)**

- Alabama (1) – Macon
- Georgia (1) – Chattooga
- Kentucky (38) – Bath, Bell, Breathitt, Carter, Casey, Clay, Clinton, Cumberland, Elliott, Estill, Fleming, Floyd, Harlan, Jackson, Johnson, Knott, Knox, Lawrence, Lee, Leslie, Letcher, Lewis, Magoffin, Martin, McCreary, Menifee, Metcalfe, Morgan, Owsley, Perry, Pike, Powell, Robertson, Rockcastle, Rowan, Wayne, Whitley, and Wolfe
- Mississippi (8) – Chickasaw, Kemper, Montgomery, Noxubee, Oktibbeha, Panola, Winston, and Yalobusha
- Ohio (3) – Adams, Meigs, and Scioto
- Pennsylvania (1) – Forest
- South Carolina (1) – Union
- Tennessee (7) – Bledsoe, Clay, Cocke, Grundy, Hancock, Pickett, and Scott
- Virginia (4) – Buchanan, Dickenson, Lee, and Wise (+ Norton city)
- West Virginia (11) – Braxton, Calhoun, Clay, Lincoln, Logan, McDowell, Mingo, Roane, Webster, Wirt, and Wyoming

### **At-Risk Counties (90)**

- Alabama (5) – Bibb, Fayette, Hale, Pickens, and Randolph
- Georgia (4) – Elbert, Franklin, Heard, and Polk
- Kentucky (12) – Adair, Boyd, Edmonson, Green, Greenup, Hart, Laurel, Lincoln,

Monroe, Nicholas, Pulaski, and Russell

- Maryland (1) – Allegany
- Mississippi (6) – Benton, Calhoun, Clay, Marshall, Monroe, and Tishomingo
- New York (2) – Allegany and Cattaraugus
- North Carolina (4) – Alleghany, Cherokee, Jackson, and Rutherford
- Ohio (12) – Ashtabula, Athens, Coshocton, Jackson, Jefferson, Lawrence, Monroe, Morgan, Noble, Pike, Trumbull, and Vinton
- Pennsylvania (2) – Cameron and Fayette
- South Carolina (1) – Cherokee
- Tennessee (16) – Campbell, Carter, Claiborne, DeKalb, Fentress, Greene, Hawkins, Jackson, Johnson, Meigs, Morgan, Overton, Sequatchie, Unicoi, Van Buren, and Warren
- Virginia (5) – Carroll (+ Galax city), Grayson, Russell, Scott, and Tazewell
- West Virginia (20) – Barbour, Boone, Fayette, Gilmer, Greenbrier, Hardy, Jackson, Lewis, Mason, Mercer, Nicholas, Pocahontas, Raleigh, Randolph, Ritchie, Summers, Tyler, Upshur, Wayne, and Wetzel

### **Transitional Counties (240)**

- Alabama (28) – Blount, Calhoun, Chambers, Cherokee, Chilton, Clay, Cleburne, Colbert, Coosa, Cullman, DeKalb, Elmore, Etowah, Franklin, Jackson, Jefferson, Lamar, Lauderdale, Lawrence, Marion, Marshall, Morgan, St. Clair, Talladega, Tallapoosa, Tuscaloosa, Walker, and Winston
- Georgia (26) – Banks, Barrow, Bartow, Carroll, Catoosa, Dade, Douglas, Fannin, Floyd, Gilmer, Gordon, Gwinnett, Habersham, Haralson, Hart, Lumpkin, Madison, Murray, Pickens, Rabun, Stephens, Towns, Union, Walker, White, and Whitfield
- Kentucky (4) – Clark, Garrard, Madison, and Montgomery
- Maryland (2) – Garrett and Washington
- Mississippi (10) – Alcorn, Choctaw, Itawamba, Lee, Lowndes, Pontotoc, Prentiss, Tippah, Union, and Webster
- New York (12) – Broome, Chautauqua, Chemung, Chenango, Cortland, Delaware, Otsego, Schoharie, Schuyler, Steuben, Tioga, and Tompkins



- North Carolina (27) – Alexander, Ashe, Avery, Buncombe, Burke, Caldwell, Catawba, Clay, Cleveland, Davie, Forsyth, Graham, Haywood, Henderson, Macon, Madison, McDowell, Mitchell, Polk, Stokes, Surry, Swain, Transylvania, Watauga, Wilkes, Yadkin, and Yancey
- Ohio (15) – Belmont, Brown, Carroll, Columbiana, Gallia, Guernsey, Harrison, Highland, Hocking, Mahoning, Muskingum, Perry, Ross, Tuscarawas, and Washington
- Pennsylvania (47) – Allegheny, Armstrong, Beaver, Bedford, Blair, Bradford, Cambria, 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, Washington, Wayne, Westmoreland, and Wyoming
- South Carolina (4) – Anderson, Oconee, Pickens, and Spartanburg
- Tennessee (27) – Anderson, Bradley, Cannon, Coffee, Cumberland, Franklin, Grainger, Hamblen, Hamilton, Jefferson, Lawrence, Lewis, Loudon, Macon, Marion, McMinn, Monroe, Polk, Putnam, Rhea, Roane, Sevier, Smith, Sullivan, Union, Washington, and White
- Virginia (15) – Alleghany (+ Covington city), Bath, Bland, Craig, Floyd, Giles, Henry (+ Martinsville city), Highland, Montgomery (+ Radford city), Patrick, Pulaski, Rockbridge (+ Buena Vista city + Lexington city), Smyth, Washington (+ Bristol city), and Wythe
- West Virginia (23) – Berkeley, Brooke, Cabell, Doddridge, Grant, Hampshire, Hancock, Harrison, Kanawha, Marion, Marshall, Mineral, Monongalia, Monroe, Morgan, Ohio, Pendleton, Pleasants, Preston, Putnam, Taylor, Tucker, and Wood

### **Competitive Counties (14)**

- Alabama (2) – Limestone and Madison
- Georgia (4) – Dawson, Hall, Jackson, and Paulding
- Ohio (2) – Clermont and Holmes
- Pennsylvania (2) – Butler and Montour
- South Carolina (1) – Greenville
- Tennessee (2) – Blount and Knox



- West Virginia (1) – Jefferson

**Attainment Counties (4)**

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

# Appendix C

## ARC Organization



### APPALACHIAN REGIONAL COMMISSION ORGANIZATION

