The Appalachian Regional Commission Request for Proposals: Access to Capital and Credit for Entrepreneurs and Small Businesses in Appalachia

Open Date: June 27, 2022
Questions Due: July 13, 2022
Answers Posted on ARC Website: July 20, 2022
Proposal Due Date: August 8, 2022
Selection Date: September 23, 2022
Contract Period: October 1, 2022 – September 30, 2023

I. Overview of Request for Proposals (RFP)

The Appalachian Regional Commission (ARC) invites proposals from qualified researchers and consultants to examine access to capital and credit for entrepreneurs and small businesses in the Appalachian Region (Region). ARC has commissioned two reports on the subject: first in 2007 and then again in 2013. Both studies provided detailed county-level analysis of lending and financial services in Appalachia and examined local and regional trends. This project would serve as an update to those earlier reports and provide more recent information on the availability of capital and credit in Appalachia. Funding types, levels, needs, and gaps should all be identified. As much as possible, this report should examine the findings from the 2013 report and examine to what extent those takeaways have remained true and/or changed. Innovations that have taken place in the lending and financial services sector should also be examined, along with all relevant data measuring these innovations.

This study should analyze trends in lending and financial services among private banks; credit unions; development finance institutions (DFIs) such as revolving loan funds (RLFs), micro-loan funds, and community development financial institutions (CDFIs); loan programs offered by the Small Business Administration (SBA); venture capital (VC); angel investors; community/regional foundations; credit cards; non-traditional lending sources; and all other relevant sources of capital and credit. The impact of the Community Reinvestment Act (CRA) should also be examined, along with other programs and policies designed to increase access to credit in underserved areas. The study should compare performance in Appalachia versus the United States as a whole, as well as variation within the Region (i.e., subregions, Appalachian portions of states, metro designation, and economic status). Disparities in access based on racial and other demographic characteristics should be examined. When possible, variables should be examined in relation to population and businesses served, and county-level relationships between economic indicators and access to capital and credit should also be explored.
The main purpose of the research is to provide a comprehensive overview of access to capital and credit for entrepreneurs and small businesses throughout Appalachia, focusing specifically on changes over recent years. Particular emphasis should be placed on needs and gaps throughout the Region, and how these vary by geography, socioeconomic conditions, and demographic characteristics. Policy recommendations and strategies should accompany each identified need and gap.

The principal audience for this report includes state and local economic development practitioners, policymakers, development finance professionals, and financial institutions and regulatory agencies.

The selected researcher or consultant will work closely with ARC staff in the development of this report. Required deliverables include the following:

- Final report that includes extensive analysis and discussion, as well as compelling visuals (i.e., graphs, tables, maps).
- A standalone executive summary highlighting key findings and takeaways.
- Presentation to ARC leadership and staff upon completion of the report, which may be conducted virtually. A slide deck should also be provided. Contractor should also be open to additional presentations in order to further disseminate findings and inform stakeholders throughout the Region.
- Data files, including all raw data, edited datasets, and results of statistical analyses. A master county-level dataset should be created, pulling together the various data sources used in the report. An additional master dataset should be created for the specific geographies relevant to ARC (subregions, Appalachian portions of states, metro designations, etc.). The files should be clean and easily navigable, and metadata should accompany each.
- Underlying GIS files for all maps included in the report.

II. Background

A. About Appalachia

The Appalachian Region, as defined in ARC’s authorizing legislation, is a 206,000 square-mile region that follows the spine of the Appalachian Mountains from southern New York to northern Mississippi. It includes all of West Virginia and parts of 12 other states: Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia. Forty-two percent of the Region’s population is rural, compared with 20 percent of the national population.

The Appalachian Region’s economy, which was once highly dependent on extractive industries, has become more diversified in recent times and now includes larger shares of manufacturing and professional services, among other industries. Appalachia has made significant socioeconomic progress over the past five decades: Its poverty rate, which was 30.9 percent in 1960, fell to 15.3 percent over the 2015–2019 period. The number of high-poverty counties in the Region (those with poverty rates greater than 1.5 times the U.S. average) declined from 297 in 1960 to 112 over the 2015–2019 period.
These gains have transformed the Region from one of widespread poverty to one of economic contrasts. Some communities have successfully diversified their economies, while others still require basic infrastructure such as roads, clinics, and water and wastewater systems. The contrasts are not surprising in light of the Appalachia's size and diversity—the Region extends more than 1,000 miles from southern New York to northeastern Mississippi and is home to 26 million people.

**B. About the Appalachian Regional Commission**

The Appalachian Regional Commission (ARC) is a regional economic development agency serving 423 counties across the Appalachian Region. Established by an act of Congress in 1965, the Commission is composed of the governors of the 13 Appalachian states, as well as a federal co-chair appointed by the president and confirmed by the Senate. Annually, the group of governors elects one governor to serve as the states’ co-chair. To strengthen local participation, ARC works with the Appalachian states to support a network of multicounty planning and development organizations, or local development districts (LDDs), throughout the Region. Seventy-four LDDs cover all 423 counties in the Region. The LDDs help identify needs of local communities, assist with participation in ARC programs, and at times serve as pass-through entities or fiscal agents to local grantees.

ARC’s mission is to innovate, partner, and invest to build community capacity and strengthen economic growth in Appalachia. ARC funds projects that address the five goals identified in its strategic plan:

1. Strengthen and diversify the Region’s economy through inclusive economic development strategies and investments in entrepreneurship and business development.
2. 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.
3. Ensure that the residents and businesses of Appalachia have access to reliable, affordable, resilient, and energy efficient utilities and infrastructure in order to successfully live and work in the Region.
4. Strengthen Appalachia’s community and economic development potential by preserving and investing in the Region’s local, cultural heritage, and natural assets.
5. Invest in the capacity of local leaders, organizations, and communities to address local challenges by providing technical assistance and support to access resources, engage partners, identify strategies and tactics, and conduct effective planning and project execution.

Each year, ARC provides funding for approximately 500 projects in the Appalachian Region in areas such as business development, education and job training, telecommunications, infrastructure, community development, housing, and transportation. These projects create thousands of new jobs; improve local water and wastewater systems; increase school
III. Scope of Work

Proposals should present an outline of the research to be conducted in response to the goals and general focus discussed in the preceding Overview section. A detailed work plan, including a schedule for reports and deliverables, should be included. Each of the following topics should be addressed in the proposal:

1) A summary of recent literature on capital and credit availability, lending performance, and access disparities for entrepreneurs and small businesses, particularly in rural and economically distressed communities. Emphasis should be placed on recent literature examining trends and innovations in the sector, and how these changes will impact the research. An additional focus of the literature review should be on how these issues are related to broader economic conditions, including business ownership and outcomes. As much as possible, variations based on race and other demographic characteristics should be examined throughout.

2) Discuss and compare the relative merits of various data sources and methods used for measuring access to capital and credit. Explain the choice of data and methods to be used in this study. Details of each data source should include: variables, geography, frequency, and limitations. This should be done for all data sources, including those that would be used primarily for providing context (i.e., population, number of businesses). Data should measure levels and financial services as they relate to:

- Private banks
- Credit unions
- Development finance institutions
  - Revolving Loan Funds
  - Micro-loan funds
  - Community Development Financial Institutions
- Small Business Administration loan programs
- Venture capital
- Angel investors and impact investors
- Community and regional foundations
- Credit cards
- Non-traditional lending or equity sources (e.g., crowdfunding)
- Other sources of capital and credit, as suggested in the proposal (e.g., New Markets Tax Credits, Opportunity Zones, etc.)
Additionally, data should be gathered to measure the experiences and perceptions of entrepreneurs and small business owners regarding access to capital and credit. Other issues relevant to ARC’s understanding of the sector should be recommended for inclusion and analysis (e.g., how entrepreneurs and small businesses use and manage multiple sources of funding). As much as possible, analysis of COVID’s impact on the lending and financial services sectors should be included, including governmental policies and programs aimed at assisting entrepreneurs and businesses affected by the pandemic.

3) Describe all analyses to be conducted, including methodologies to be utilized (i.e., statistical techniques, index construction) and how these analyses will be framed to better ARC’s understanding of access to capital and credit in Appalachia: how it compares to the United States as a whole, and also how it varies within the Region. Emphasis should be placed on the identification of needs and gaps.

4) Discuss how policy recommendations and strategies will be developed in response to each identified need and gap.

5) Compare and contrast the proposed work with the work that was undertaken in the 2013 report. Justifications for both changes and consistencies should be included.

6) Additional considerations not mentioned in this RFP.

The scope of work should be informed by various data sources and a review of current literature. An extensive knowledge and command of the subject areas should be evident throughout. In addition to ARC’s past work in this space in 2007 and 2013, recent studies and data releases should inform the proposed work. Applicants are encouraged to offer recommendations regarding additional issues to be explored and research questions to be answered as part of this undertaking.

IV. Methodology

The successful applicant will develop a detailed methodology to analyze the topics specified in the Overview and Scope of Work. The methodology should include:

- Description of the literature review to be undertaken, including search methods, types of materials, and themes to be explored. A thorough knowledge of the lending and financial services field should be evident; including examples of literature is highly encouraged.
- Specification of datasets to be used in the research. This should include a detailed discussion of variables, time periods, limitations, level of detail, and coverage of each. Differences between the proposed datasets and those used in the 2013 report should be explicit and clear.
• The types of analyses that will be conducted with each of the datasets recommended in the preceding section. This should include the specific research questions that will be answered by the inclusion of each dataset and how the data will be framed in the report.

• Overview of the process that will be used to identify policy recommendations and strategies in response to each of the identified needs and gaps.

Proposals can offer additional steps and methodological approaches as needed, as well as changes to those described above. The proposal should make clear why the approach is being included and how it will lead to a better overall final report.

V. Technical, Management, and Cost Proposal

Contents

A. Technical Proposal
The narrative should not exceed 12 pages, not including the abstract and accompanying resumes and organizational background materials.

i. Summary Abstract (300 words)
In this section, provide a brief abstract of the proposal by summarizing the background, objectives, proposed methodologies, and expected outputs and results of the research.

ii. Methodology
Describe the step-by-step approach or methods intended to accomplish all the tasks specified in this request for proposals (RFP). The proposal should provide a detailed explanation of the datasets and methodologies to be used, describe the scope and limitations each, and justify why the proposed datasets and methodologies were selected over others. The proposal should identify the points and tasks in this research project that will require participation by ARC staff. Finally, the proposal should identify any difficulties that may be encountered in this project and propose practical and sound solutions to these problems.

iii. Project Work Plan and Milestones
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. Regular check-in meetings with ARC staff are also required. Please note: It is the responsibility of the contractor to provide line editing of the final report/deliverable. Contractors should budget accordingly.

iv. Key Personnel
All personnel taking part in the research must be described in this section. Brief resumes should include the professional classifications (e.g., project director, economist, analyst, consultant, GIS specialist, line editor, etc.), education, and relevant experience of key personnel. 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
Resources and capacities related to the planning and management of the research project will be considered as part of the proposal selection process.

i. Business Management Organization and Personnel
Furnish a brief narrative description of the organization, including the division or branch planned to perform the proposed effort, and the authority responsible for controlling these resources and personnel.

ii. 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 assigns the full time equivalent (FTE) commitment of each 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 and subcontractors.

iii. Relevant Prior Experience
The proposal must describe the qualifications and experience of the organization and the personnel to be assigned to the project. Information provided should include direct experience with the specific subject-matter area and must provide examples (links and/or attachments) of the three most similar research reports undertaken by the applicant’s organization and the extent to which performance goals were stated and achieved. Provide organization names and addresses, names of contact persons, and telephone numbers for reference.

iv. Contract Agreement Requirements
This section of the proposal should contain any special requirements that the contractor wants included in the contract.

C. Cost Proposal
The contract awarded for this project will be a FIRM FIXED-PRICE CONTRACT, with a total budget ranging from $250,000 to $300,000. Payments shall be made on a monthly or quarterly schedule (depending on contractor preference). 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.

Proposals 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 databases), total direct cost and overhead, and total cost and fee or profit.

Proposals should include a plan for a kickoff meeting, regular check-in meetings, and a final presentation of key findings and recommendations to all staff. We anticipate these meetings
to be conducted virtually. However, proposals should include travel costs if applicable for any potential in-person activities such as site visits.

ARC policy on allowable indirect overhead costs for university-based contracts is to permit universities to charge the same rates charged to their own state agencies. ARC will honor indirect rates as suggested by the contractor. However, be aware that a lower indirect rate may be more competitive in the selection process.

**VI. Copyrights**

The Federal Government, through the Appalachian Regional Commission (ARC), reserves a royalty-free, nonexclusive, and irrevocable license to reproduce, publish, or otherwise use, and to authorize others to use, for federal government purposes, any work developed under a contract, grant, subgrant, or contract under a grant or subgrant, and to use, and authorize others to use for federal government purposes, any copyrights which a grantee, a subgrantee, or a contractor purchases with grant support or contract funds. Such license to use includes but is not limited to the publication of such work on an ARC website and social media. Use of such works for purposes related to Appalachia and the development of Appalachia is generally authorized by ARC to state and local governments in the Appalachian Region and to other public and private not-for-profit organizations serving Appalachia, including the Appalachian local development districts.

**VII. Proposal Submission**

Proposals are due on or before 5:00 p.m. EDT on August 8, 2022. Please send proposals as one PDF file to Logan Thomas, Economist, at lthomas@arc.gov.

Additionally:

- Submissions must be sent via email.
- Responses or unsolicited amendments will not be accepted after the closing date and time.
- Requests for time extensions past any deadlines will not be considered.
- Questions may be submitted to Logan Thomas (lthomas@arc.gov) by July 13, 2022. Answers will be posted on the Available Opportunities section of the ARC website on July 20, 2022.

**VIII. Evaluation of Proposals**

All proposals will be evaluated based on the following criteria:

- A complete, clearly articulated, and logical study design that responds to each element of the RFP.
- Technically competent methodology.
• Qualifications and prior research experience in:
  - Measuring disparities in access to capital and credit
  - Lending and financial services
  - Entrepreneurship and small business development
  - Challenges faced by rural and underserved communities

• A credible management proposal for staffing, and the capability to carry out and support the project in a timely fashion.

• Cost effectiveness of the proposal.

• All else being equal, preference will be given to firms and organizations located in or near the Appalachian Region.

It is anticipated that the contractor will be selected by September 23, 2022 for an estimated contract start date of October 1, 2022 and completion date of September 30, 2023.