

APPALACHIAN REGIONAL COMMISSION

FY 2024 Budget Congressional Justification

As Submitted by the Appalachian Regional Commission Federal Co-Chair to the Appropriations Committees of the United States House of Representatives and Senate

MARCH 2023



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Fiscal Year 2024 Budget Summary and Highlights



The Federal Co-Chair of the Appalachian Regional Commission (ARC, the Commission) requests \$235 million to fund the programmatic activities for Fiscal Year (FY) 2024. This represents an 18 percent increase from the amount appropriated by Congress for FY 2022. ARC's funding has increased significantly in the last decade, and ARC has judiciously increased capacity internally and with state partners to meet the demands of deploying this new level of funding as well as the funds provided by the Investment in Infrastructure and Jobs Act (IIJA) funds. The IIJA provides \$1 billion for ARC activities over five years, with \$200

million appropriated annually from FY 2022 through FY 2026. The Act also reauthorized the agency through FY 2026 and added three new counties to the Region. This combination of funding presents a unique opportunity for ARC to make larger investments and address some of the systemic challenges that have hindered development in Appalachia while providing gap funding and launching new ideas.

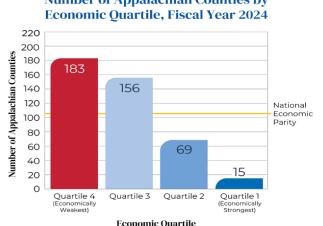
Appalachia Envisioned: A New Era of Opportunity | ARC Strategic Plan Fiscal Years 2022–2026 formalized the mission to innovate, partner, and invest to build community capacity and strengthen economic growth in the Appalachian Region (the Region). This plan reflects directives included in Executive Order No. 13985, "Advancing Racial Equity and Support for Underserved Communities Through the Federal Government," which guides agencies to address barriers that have prevented "underserved communities" from participating fully in aspects of economic, social, and civic life. In FY 2024, ARC will help communities access other federal resources and design transformational activities that diversify the Appalachian economy.

ARC's FY 2024 funding request includes \$113 million to continue the Area Development Base Program; it also includes \$32 million for special regional initiatives for distress to continue to address the specific needs of individual states through a bottom-up development process. This

request includes funding for competitively selected projects that emphasize large-scale activities, engage a broad range of partners, are sustainable, and can transform local economies. This request includes funding for regionally competitive initiatives: \$72 million for the Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) Initiative, designed to assist communities with economic transformation after the downturn of the coal economy, \$13 million to address workforce challenges caused by the Region's drug crisis through INvestments Supporting Partnerships In Recovery Ecosystems (INSPIRE), and \$5 million for energy hub initiative work currently under development. This combination of programmatic strategies enables ARC to address new and existing economic challenges at both the micro and macro levels. Using the IIJA funding, ARC launched the Appalachian Regional Initiative for Stronger Economies (ARISE) to drive large-scale, regional economic transformation through multi-state collaborative projects as well as READY Appalachia to provide a series of capacitybuilding programs that target specific sectors. In FY2023, ARC launched a series of in-person workshops, Getting the Grant: Successfully Applying for ARC Funding Opportunities, designed to help prospective applicants prepare to submit applications for ARC's 2023 regionally competitive funding opportunities: ARISE, INSPIRE, and POWER.

These opportunities, along with the Area Development Base Program, will further ARC's mandated mission. Congress created ARC with the realization that the complex challenges of the geographically isolated, economically disadvantaged 13state Appalachian Region required a tailored approach to overcome systemic generational poverty and to diversify and transform the economy. ARC charts its progress in establishing economic equity and achieving its mission with an index that compares the economic condition of

Figure 1: Number of Appalachian Counties by Economic Quartile, Fiscal Year 2024 Number of Appalachian Counties by



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. Moreover, over 23 percent of the weakest counties (includes 82 distressed and 101 at-risk for a total of 183 counties) in the nation are in Appalachia, while the Region has only 1.9 percent of the nation's strongest counties. When this index shows an equal share of counties across each quartile, Appalachia will be at socioeconomic parity with the nation.

Appalachia has made significant progress since ARC's inception:

- The number of high poverty counties in Appalachia has been cut by 60 percent, from 297 in 1960 to 117 today.
- The regional poverty rate has been cut by more than half, from 31 percent to 14.3 percent.
- The percentage of adults with a high school diploma has nearly tripled since 1960, and students in Appalachia now graduate from high school at nearly the same rate as that of the nation as a whole.

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

- Appalachia's per capita market income was over 72 percent lower than the nation's in 2020.
- Between 2011 and 2021, coal mining employment in Central Appalachia decreased 72 percent—over 22,000 jobs were lost— and it is not expected to return to its historic high.
- The nation's substance abuse crisis disproportionately impacts Appalachia, where in 2020, overdose-related mortality rates for the Region's 25–54-year-old age group—those in their prime working years—were 61 percent 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 the country overall saw an increase of 15 percent in total employment, the Region experienced growth of just 4 percent. Central Appalachia fared the worst among the subregions, losing over 8 percent of its total employment over the time period.
- During the 2016–2020 period, 81 percent of Appalachian households had a broadband internet subscription, compared to more than 85 percent of households nationwide. But there's also a stark rural-urban "digital divide" within the Region, with just 74 percent of rural households in Appalachia having a broadband internet subscription, compared to 86 percent of households in the Region's large metropolitan areas.

Because Appalachia features a network of single-sector economies, historically focused on mining and manufacturing—both of which have struggled recently—economic downturns (such as that experienced in the COVID pandemic) hit the Region harder and traditionally last longer than in other areas of the nation. Figure 2 (next page) illustrates this trend.

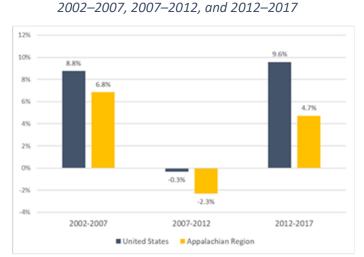
- From 2002 to 2007, total employment growth in Appalachia was approximately two percentage points less that than in the U.S.;
- From 2007 to 2012, employment declined approximately two percentage points more than it did in the nation as a whole; and

• From 2012 to 2017, the Region experienced growth at only half the rate for the country overall.

Figure 2: Percent Change in Employment, All Industries,

ARC is not duplicative of other federal programs, but rather complementary. By using its grassroots delivery system, ARC is able to extend the reach of programs such as those funded by the American Rescue Plan Act into some of the most economically distressed parts of the nation.

The ARC Strategic Plan, 2022-2026, focuses on resilience, innovation, sustainability, and equity; the plan



positions ARC to collaborate with both federal and nonprofit partners to address the needs of the Region. Consistent with the administration's emphasis on equity, ARC targets its resources to the areas of greatest need. In FY 2022, 74 percent of ARC's grant dollars supported projects that primarily or substantially benefited economically distressed counties and areas.

ARC has continued to partner closely with other Federal agencies and provide subject matter expertise on the challenges faced by communities in the ARC region. Examples of federal partnerships include the following:

- Beginning in FY 2019, ARC has partnered annually with the U.S. Department of Labor's Employment and Training Administration to design workforce development initiatives through the Workforce Opportunity for Rural Communities (WORC) Grant Initiative,. Activities will result in enhanced training and support activities for dislocated workers, new entrants in the workforce, incumbent workers, and individuals affected by substance use disorder, which is disproportionately high in Appalachia.
- In FY 2021, ARC partnered with the U.S. Environmental Protection Agency (EPA) on the Community Capacity-Building Pilot Program to help Local Development Districts (LDDs) and local elected officials strategically deploy American Rescue Plan Act funds to reignite their regional economies. That partnership was the genisis of what became READY Appalachia, which was expanded through the IIJA funding. The EPA continues to co-fund the program in FY 2023.

- In FY 2022, in conjunction with participation in the Interagency Working Group on Coal and Power Plant Communities and Economic Revitalization, ARC joined the Biden administration's Rural Partners Network, an alliance working directly with rural communities to expand prosperity through job infrastructure creation, development, and community improvement. ARC continues to partner with the U.S. Department of Agriculture (USDA) to lead support efforts in Appalachian Kentucky. These critical activities require significant staff resources but have great potential to produce unprecedented economic returns in marginalized communities.
- The Consumer Outreach Division of the Federal Communications Commission (FCC) partnered with ARC in FY 2022 to raise awareness for the FCC's \$14 billion Affordable Connectivity Program (ACP). Together, they coordinated a four-state tour through Maryland, West Virginia, Pennsylvania, and Ohio and met with over 65 local leaders to help them develop outreach and enrollment campaigns that would improve broadband affordability in their communities.

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

 When economic research indicated the scarcity of investible capital in the Region, Appalachian Community Capital (ACC) was launched in response, raising an additional \$12 million in debt and equity from Bank of America, Deutsche Bank, Calvert Infrastructure Jobs Investment Act FY 2022 and FY 2023 Complimentary Activities

Appalachian Regional Initiative for Stronger Economies (ARISE) provides \$160 million for a new initiative to drive large-scale, regional economic transformation through multi-state collaborative projects across Appalachia.

READY Appalachia provides \$19.5 million for a community capacity-building initiative offering flexible funding to Appalachian nonprofit organizations, community foundations, local governments, and Local Development Districts, and free cohort-based learning and hands-on training to the Appalachians who work for them.

Area Development Base Program funding was increased by \$200 million to continue the ongoing development work on a state-by-state basis and to increase the allowable federal share of funding other national programs such as ARPA by using ARC's flexible statutory authority.

Through **expanded research capabilities** provided by this funding, ARC can offer more regional data and better analysis to applicants of other national programs, with the goal of potentially increasing the number of successful Appalachian applications.

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

- businesses. Of jobs created or retained, more than 40 percent are filled by persons from low-income households.
- At the onset of the COVID crisis, ARC worked with ACC to invest \$3.75 million for an Emergency Business Response Assistance Program to strengthen and stabilize the Region's CDFIs and other mission-driven development finance lenders serving struggling small businesses.

ARC's programming is producing results. Investments of \$239.7 million in grant funds across all initiatives in FY 2022 attracted an additional \$389.5 million in other project funding, an investment ratio of 2 to 1, and \$1.04 billion in non-project leveraged private investment, a ratio of 7 to 1. These projects are anticipated to produce the following results:

- 22,597 jobs created or retained
- 41,555 students, workers, and leaders trained in new skills
- 71,953 businesses and households with access to improved infrastructure
- 6,338 businesses created or strengthened
- 1,467 communities with enhanced capacity

This request reflects directives from Executive Order No. 14008, "Tackling the Climate Crisis at Home and Abroad," which established the Interagency Working Group on Coal and Power Plant Communities and Economic Revitalization (hereafter IWG), a collaborative effort of multiple federal agencies to promote and support economic revitalization in communities impacted by coal-specific job losses. ARC uses its membership in the IWG to participate in the national conversation and to bring the specific needs and issues of the Region to the immediate attention of partner federal agencies. ARC's Federal Co-Chair serves as the IWG Chair of the Community Engagement Subcommittee, enabling ARC to deploy its special expertise to build the capacity to strengthen coal-impacted communities, including a major multi-agency funding effort.

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

Area Development Base Program

Through the Area Development Base Program, ARC continues to address widespread generational poverty through a flexible bottom-up approach, working with state and local partners to implement programmatic activities in a way that is best suited to the unique needs of each state. ARC will innovate, partner, and invest to build community capacity and strengthen economic growth in Appalachia through implementation of *Appalachia Envisioned: A New Era of Opportunity | ARC Strategic Plan Fiscal Years 2022–2026.* ARC's unique structure of state and local collaboration presents an opportunity to assist communities in coordinating significant funding available through 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 Infrastructure Investment and Jobs Act (IIJA) provides ARC a total of \$1 billion over five years, starting in FY 2022 with \$200 million annually to accelerate economic development in Appalachia. With the goal of achieving economic parity, ARC developed a complementary investment strategy that includes components of capacity building, multi-state collaboration, and increased attention to needs specific to communities through ARC's formula of distribution to member states. This enhanced capacity and available funding will enable states to design large-scale transformational projects that might otherwise have a local match barrier. Figure 3 details ARC's recent appropriation and spending history (across all initiatives) and indicates that ARC's programmatic capacity has increased with its spending, resulting in historic levels of investment in 2022. The budget requests \$113 million to continue this work in FY 2024.

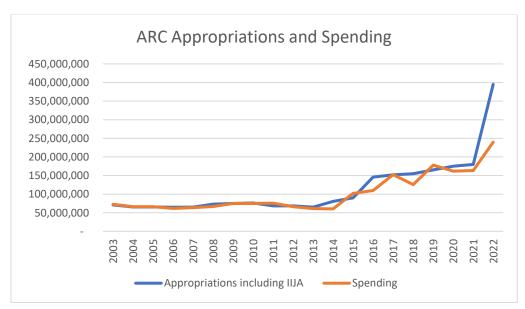


Figure 3: Spending vs. Appropriations 2003–2022

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

The economic downturn of the coal industry has had a significant impact on Appalachia. The COVID pandemic depressed the already declining coal production across the United States. Coal production fell by more than 65 percent overall in Appalachia between 2005 and 2020. This loss is significantly higher than the national rate of decline of approximately 54 percent. Figure 4 indicates the dramatic reduction in coal production across the three Appalachian basins with Central Appalachia output plunging by 80 percent, resulting in the loss of thousands of jobs. ARC designed the regionally competitive Partnerships for Opportunity and Workforce and Economic Revitalization Initiative (POWER) to specifically address economic inequity through a tailored development approach. This initiative is included as a pilot program in the Biden administration's Justice40 initiative, an effort to ensure that at least 40 percent of the overall benefits from federal investments in climate and clean energy investments serve disadvantaged communities. In FY 2022, 100 percent of the POWER Initiative's funding met the requirements of Justice40.

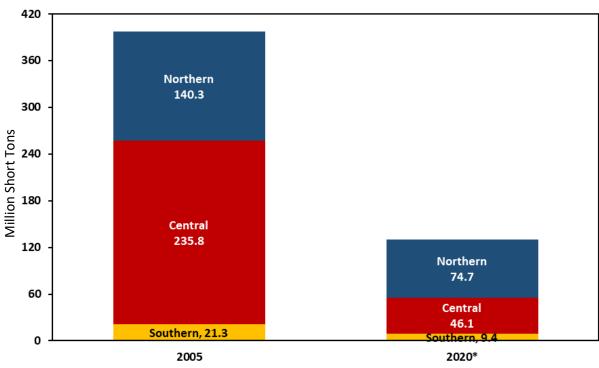


Figure 4: Coal Production, Appalachian Coal Producing Regions

Source: U.S. Mine Safety and Health Administration

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

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

Since the launch of the POWER Initiative in 2015, ARC has invested nearly \$368.1 million in 449 projects impacting 360 coal-impacted counties. A new 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 39,600 jobs and over 100,000 workers and students for new opportunities in entrepreneurship, broadband, tourism, and other growing industries.² The budget for FY 2024 requests \$72 million to continue to assist communities in economic diversification through the POWER Initiative.

Special Regional Initiative for Distress

By law, ARC must direct at least half of its grant funds to projects that benefit economically distressed counties and areas in the Region. However, the agency routinely exceeds that

From POWER to EDA's Build Back Better

Multiple POWER grants to Coalfield Development Corporation (Coalfield) in Huntington, West Virginia, along with individual POWER grants to six of Coalfield's partners, helped position the organization to win \$62.8 million, the largest award in the Economic Development Administration's (EDA) recent Build Back Better Regional Challenge. The project focuses on renewable energy, sustainable mine land reclamation, clean manufacturing, and entrepreneurship in the heart of coal country. A large portion of the required match was provided by ARC through POWER grants to Coalfield's partners, including Generation WV, the WV Community Development Hub, Advantage Valley, the WV Hive Network, and Rural Action in Ohio. From its inception, POWER has emphasized regional projects that are built on a broad network of partnerships. Working in concert and driven by a strong common vision, these partners can transform the regional economy.

requirement with 74 percent of grant dollars invested in distressed counties or areas in FY 2022. ARC gauges its long-term progress toward helping the Region achieve equity and socioeconomic parity with the nation in terms of the gradual reduction in the number of distressed counties and areas over time. In FY 2021, the number of distressed counties in the Region dropped to a level not seen since pre-recession 2008. However, the unprecedented economic impact of COVID caused an uptick in economic distress in FY 2023. Slight improvement is predicted in FY 2024: While the number of distressed counties will remain the same at 82, the number of at-risk counties decreases from 109 to 101, and the number of transitional counties will increase from 218 to 225. The number of competitive counties will increase from 10 to 11.

ARC will continue to make targeted investments in emerging opportunities and activities that reduce economic barriers. Continued expansion of the southern automotive and aviation clusters offers great potential for job creation in Appalachia. In addition, other challenges such as inadequate water, sewer, and broadband infrastructure continue to require substantial resources. The budget requests \$32 million in FY 2024 to continue to develop projects focusing on the reduction/elimination of economic distress in the Region.

² https://www.arc.gov/report/power-initiative-evaluation-the-power-of-change/

INvestments Supporting Partnerships In Recovery Ecosystems (INSPIRE) Initiative for Substance Abuse Mitigation

The nation's substance abuse crisis disproportionately impacts Appalachia, where in 2020, overdose-related mortality rates for the Region's 25–54-year-old age group—those in their prime working years—were 61 percent higher than for the same age group in the country's non-Appalachian areas. This disparity indicates that the substance abuse crisis is not only a health and public safety issue but also a barrier to economic prosperity because of its impact on the Region's workforce. The COVID pandemic, as well as the downturn in the coal economy, has only intensified this issue. This threat to economic prosperity makes this issue a priority for ARC. Working through its Substance Use Disorder Advisory Council (a 24-member volunteer advisory group of leaders from multiple sectors from each of the Region's 13 states), ARC designed and launched a strategy to address the workforce impacts of this epidemic: INvestments Supporting Partnerships In Recovery Ecosystems (INSPIRE). INSPIRE is a regionally competitive request for proposals to develop projects focused on workforce reentry strategies that both strengthen local economies and provide support for those in long-term recovery. Since INSPIRE was established in 2021, ARC has invested \$28.1 million in 84 projects across 289 counties, improving nearly 1,200 businesses and helping prepare nearly 6,500 students and workers for new opportunities in the workforce. The funding reflects the Biden administration's focus on this issue. This budget requests \$13 million to continue to fund projects to build the recovery ecosystem in the Region in FY 2024.

Local Development Districts

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

Salaries and Expenses

The budget requests funding for salaries and expenses totaling \$16.56 million for the full costs of the Office of the Federal Co-Chair and its immediate staff; a portion of the cost associated with the Office of the Inspector General; programmatic costs of the Commission; and the 50 percent federal share for administrative expenses of the Commission staff. Details on staffing are provided below in Table 1.

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

Table 1: Annual Appropriation Budget—FY 2024 Request

(\$ in thousands	s)		
			FY2024
	FY2022	FY2023	President's
	Appropriated	Appropriated	Budget
Base Program			
Base Program Administration	3,948	4,020	7,997
Base Program Grants	56,052	55,980	105,003
Total	60,000	60,000	113,000
POWER			
POWER Administration	4,277	4,355	5,112
POWER Grants	60,723	60,645	66,888
Total	65,000	65,000	72,000
Special Initiatives For Distress			
Special Initiatives For Distress Administration	3,751	3,595	2,272
Special Initiatives for Distress Grants	53,249	53,405	29,728
Total	57,000	57,000	32,000
Energy Hub Developmment			
Energy Hub Initiative Administration		335	354
Energy Hub Initiatives Grants		4,665	4,646
Total		5,000	5,000
INSPIRE			
INSPIRE Administration	855	871	921
INSPIRE Grant	12,145	12,190	12,079
_	13,000	13,000	13,000
Total Funding	195,000	200,000	235,000
Total Grant Funding	174,155	178,489	210,344
Federal Request for Salaries and Expenses			
Commission Administration (50% Federal Contribution)	3,431	3,663	4,116
Commission Programmatic	6,090	6,341	8,490
Office of the Inspector General	1,330	1,403	1,649
Office of the Federal Co-Chair	1,994	2,104	2,401
Total	12,845	13,511	16,656
Local Development Districts ¹	8,000	8,000	8,000
Funded exclusively through Base Program			

Table 1 details ARC's funding request of \$235 million. ARC's appropriation has increased significantly over the last decade, and ARC has judiciously increased internal capacity to successfully deploy and monitor this level of funding with FY 2022 reaching investing record levels of funding. Appalachia is historically underserved and marginalized; therefore, ARC funding is necessary to help this Region reach socioeconomic parity with the nation. This funding will allow ARC to continue to provide extensive technical assistance to underserved communities, removing economic barriers and engaging communities in accordance with Executive Order No. 13895 and Executive Order No. 14008. The request reflects the federal share of Commission operations and

the full costs of both the Office of the Federal Co-Chair, its immediate staff, and the Office of the Inspector General.

Table 2: Infrastructure Investment and Jobs Act Detail

<u>Infrastructure Investment and</u> (in thousands)	Jobs Act Detail		
	FY2022 Appropriation	FY2023 Appropriation	FY2024 Estimated
Base Program			
Base Program Administration	3,100	3,289	3,289
Base Program Grants	100,000	100,000	100,000
Total	103,100	103,289	103,289
ARISE Multi-State Initiative			
ARISE Multi-State Initiative Administration	2,500	2,632	2,632
ARISE Multi-State Grants	80,000	80,000	80,000
Total	82,500	82,632	82,632
READY Appalachia			
READY Appalachia Administration	400	329	329
READY Appalachia Grants	10,000	9,500	9,500
Total	10,400	9,829	9,829
Program Expenses - Other			
Research/Mapping and Analysis	1,000	1,000	1,000
Co-Chairs' Development Funding	2,000	2,000	2,000
Academies and Institutes	1,000	1,250	1,250
Total	4,000	4,250	4,250
Total Infrastructure Funding	200,000	200,000	200,000
Total Infrastructure Grant/Programatic Funding	190,000	189,500	189,500
Salaries and Expenses			
Personnel and Rent	6,000	6,250	6,250
Total	6,000	6,250	6,250
Infrastructure funding is a stand-alone item \$1 billion in budget authority appropriated over a 5-year period (FY 2022 – FY 2026).			

The Infrastructure Investment and Jobs Act (IIJA) provided ARC with \$1 billion, thereby providing budget authority of \$200 million a year for fiscal years 2022 through 2026. Table 2 provides detail on the Commission's allocations of IIJA funds for FY 2022 and FY 2023 and planned allocations for FY 2024. This emergency discretionary funding builds upon the base of programmatic efforts funded by annual appropriations. ARC is directing IIJA resources to accelerate economic

transformation and build much-needed capacity in some of the most economically distressed areas of the nation.

Pending continued planning and Commission approval, ARC plans to fund the following programs and activities in FY 2024 using IIJA resources:

- State Area Development and Distressed Counties Initiative: The funds will be allocated to each of the 13 Appalachian Region states using the formulas for area development and distressed counties that currently determine state allocations under ARC's regular appropriation. The factors in the formulas include economic condition, population, land area, and level of education. To qualify, applications must be submitted by the respective state governor and must demonstrate how the proposed projects would advance at least one of ARC's strategic investment priorities.
- Appalachian Regional Initiative for Stronger Economies (ARISE): ARC launched this initiative to drive large-scale, regional economic transformation through multi-state
 - collaborative projects. Funding for this initiative will be awarded on a rolling basis; therefore, initial impacts will be realized almost immediately. In FY 2023, ARC made its first ARISE award of \$6.5 million to **Connect Humanity** to work with multiple partners across Appalachia and to help communities develop tailored digital equity plans designed to deliver appropriate technology, business, and financing plans necessary to ensure highspeed and affordable internet for all, device access, and digital literacy training. This planning project positions communities to

Connect Humanity Partners



access the funds available through the National Telecommunications and Information Administration (NTIA).

- READY Appalachia: ARC expanded its recently launched interagency pilot program of strengthening local capacity, enabling communities to take better advantage of federal and other resources and create a stronger economic future. This will include additional support for LDDs as well as building stronger local nonprofit organizations and engaging other providers.
- Other Programmatic Activities: This funding increases investment in research, mapping and data analysis, program evaluation, and technical assistance. These tools help inform funding decisions by both ARC and outside organizations. Funding for ARC's Appalachian Entrepreneurship Academy, Oak Ridge Summer STEM Program, and the Appalachian

Collegiate Research Initiative (ACRI), formerly known as the Appalachian Teaching Project, will be shifted to IIJA and will no longer draw from annual appropriations.

Table 3 – Appalachian Regional Commission Funding Detail

ARC Funding Detail (\$ in thousands)

	Arte running Detail (5 in thousands)					
	Enacted/Requested	Carryover*	IIJA Funding	Total Resources	Obligations	Net Outlays
FY 2022 Actual	195,000	134,395	200,000	529,395	239,700	129,000
FY 2023 (Est)	200,000	296,147	200,000	696,147	452,000	249,000
FY 2024 (Est.)	235,000	261,000	200,000	435,000	483,000	336,000
Change from FY 2023	35,000	n/a	0	(261,147)	n/a	n/a

^{*}Includes recoveries



Program Justification: Area Development Base Program

The Federal Co-Chair of the Appalachian Regional Commission requests a total of \$235 million, \$113 million of which will continue the activities in the Area Development Base Program and includes enhanced focus on technical assistance necessary to prepare communities for the influx of funding from other national programs. This funding addresses the challenges and opportunities of the Region as it continues a major economic transition. ARC's funding has increased significantly in the last decade, and ARC has increased capacity internally and with state partners to meet the demands of deploying this new level of funding as well as the funding provided through the Infrastructure Investments and Jobs Act (IIJA). With this capacity in place, ARC has the ability to continue its efforts to focus on the severe economic distress that continues to challenge Appalachia. Table 1: Annual Appropriation Budget—FY 2024 Request illustrates the allocation of a \$235 million appropriation across all ARC initiatives with administrative costs.

ARC's Area Development Base Program relies on a flexible "bottom up" approach to economic development, with funds allocated to states based on economic indicators such as economic condition, population, land area, and level of education. Appalachian state partners solicit applications designed to reflect the goals and objectives of the ARC Strategic Plan. Eligible funding uses include activities that build Appalachia's businesses, workforce ecosystem, infrastructure, regional culture and tourism, and 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 \$3 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 IIJA.

Program implementation reflects local priorities, enabling communities to tailor the federal assistance to their individual needs. This program extends the reach of other federal programs into the most challenged parts of Appalachia by providing the necessary 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 2022, investments of \$239.7 million in grant funds across all initiatives attracted an additional \$389.5 million in other project funding, an investment ratio of 2 to 1, and \$1.57 billion in non-project leveraged private investment, a ratio of 7 to 1.

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

Goal 1: Building Appalachian Businesses

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

Collaborative and inclusive approaches to economic development in Appalachia are essential to supporting the Region's businesses and industries and ensuring economic opportunity for its residents. ARC's investments will emphasize the importance of investment in economic growth strategies that capitalize on the Region's unique assets and prioritize assistance for small businesses and entrepreneurs. Job creation is increasing more slowly in the Region than in the nation as a whole. The number of jobs in the nation has jumped 79 percent since 1980, while the number of jobs in Appalachia has increased only 49 percent over the same time period.³ As the Region transitions from single-sector economies, it will be necessary to help both new and established businesses and industries to expand their reach in national and international markets.

Entrepreneurial Support for COVID Crisis

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

In FY 2023, Industrial Commons was invited to submit a full application to expand their work through the ARISE Initiative.

Goal 2: Building Appalachia's Workforce Ecosystem

³ Woods & Poole Complete Economic and Demographic Data Source.

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

Developing and sustaining a strong workforce is a critical component of economic development, both in Appalachia and across the country. Over the 2016–2020 period, the share of adults with a bachelor's degree or more was 7.5 percentage points lower in Appalachia than in the nation as a whole; and in 283 Appalachian counties, fewer than one in five residents aged 25 and over were graduates of a four-year college or university.⁴ A strong workforce includes not only educational opportunities, but also soft and technical skills to meet local industry needs as well as access to fundamental supports to keep workers on the job, such as reliable transportation, appropriate healthcare, safe and affordable housing, and quality childcare. The Region cannot achieve economic equity and prosperity without investment in two key components: (1) talent and skill development *and* (2) employment support to keep people in the labor force and contributing to economic and community development.

Goal 3: Building Appalachia's Infrastructure

Historically Black College and University Engagement

In FY 2023, ARC made a grant in the amount of **\$50,000** to increase engagement with Appalachia's 15 Historically Black Colleges and Universities (HBCUs) in the second annual *HBCU Engage Conference*. Funds supported travel and registration fees for staff of the Appalachian HBCUs to attend. The event convenes multi-sector thought leaders and practitioners to develop actionable strategies that magnify the impact of engagement for research-engaged higher education institutions, companies, and innovation communities. Multi-sector partners share best practices and collaborate in science, data, and technology to help enhance STEM-related academic programming and grow research facilities at HBCU campuses. This conference addresses the issue that HBCUs across the country, including the 15 located in the Appalachian Region, currently do not have the capacity to offer graduate-level academic programming and lack research facilities on campus.

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

Businesses and residents alike require access to affordable, energy-efficient, and reliable utilities as well as safe, connected, and strategic transportation systems. However, the Region's aging and inadequate infrastructure creates a significant barrier to community prosperity. This negatively impacts business and talent attraction and retention, workforce development, community and individual prosperity, and access to healthcare and education. Difficult

⁴ U.S. Census Bureau's 2016–2020 American Community Survey, as compiled in https://www.arc.gov/the-chartbook/

geography, traditionally underfunded infrastructure systems, natural disasters, and declining revenue are just some of the barriers to building and sustaining Appalachia's infrastructure.

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

Critical Infrastructure

In FY 2022, ARC made a grant in the amount of \$1,9777,000 to assist the City of Hazard, Kentucky, in economically distressed Perry County to repair segments of sewer line that were failing and leaking waste into the nearby North Fork of the Kentucky River, resulting in multiple violations issued by the Kentucky Division of Water.

When complete, the project will improve sewer service for 2,220 households and 280 businesses in the project service area.

(compared with 12 percent nationally), and 47 percent of Appalachian households are not served by a public sewage system (compared with 24 percent nationally).⁵

As the pandemic increased workers' reliance on remote interaction, high-speed internet access has become even more important, yet over 5 million Appalachians still lack affordable highspeed internet in their homes.6 Many communities in the Region may be at risk of being left behind. ARC's investments in broadband and data infrastructure help Appalachian communities—especially those in rural and/or distressed counties and areas—compete and participate in the global economy. Ongoing opportunities exist for convening, coordinating,

Broadband Infrastructure

After completing an FY 2020 POWER-funded Broadband Feasibility Study activity, economically distressed Noble County, Ohio, initiated a process to reach areas of the county that lacked broadband service.

In FY 2022, ARC provided **\$750,000** to deploy 15 miles of fiber optic broadband network that will offer 100-megabits-per-second (Mbps) internet service to five businesses and 147 households when the project is complete.

planning, mapping, and funding investments in broadband deployment and smart grids. With additional funding provided through the IIJA, ARC is collaborating with National

<u>Estimated Use of Water in the United States County-Level Data for 2000</u>, U.S. Geological Survey. <u>Estimated Use of Water in the United States County-Level Data for 2015</u>, U.S. Geological Survey.

⁵ EFC at UNC Chapel Hill, <u>Drinking Water and Wastewater Infrastructure in Appalachia: An Analysis of Capital Funding and Funding Gaps</u> 2005.

⁶ The U.S. Census Bureau's 2015-2020 American Community Survey, as compiled in ARC's 2022 Chartbook.

Telecommunications and Information Administration (NTIA) to develop complementary strategies for addressing broadband deployment in Appalachia.

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

Goal 4: Building Regional Culture and Tourism

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

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,

Natural and Cultural Assets

In an effort to increase tourism, ARC made a grant in the amount of \$358,035 in FY 2022 to the Breaks Interstate Park in Kentucky. The project provides funding to renovate the parking and hospitality facilities around the Ratliff Hole Area of the and connect these facilities by trail to the future Potter's Flats Bridge, a pedestrian suspension bridge currently under construction. Current visitor counts to the Breaks average 275,000-300,000 persons annually. By 2025, visitation to the park is projected to double to 550,000-600,000 persons annually as components of the strategic plan are implemented.

music, regional foods, and heritage sites. Investments in these sectors will support community resilience and development, advance place-based economic development, and expand opportunities for residents and visitors alike. The Region offers a myriad of natural assets mountains, rivers, lakes, forests, parks, waterfalls, and trails. Plentiful outdoor recreation activities provide key strengths for the Region 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 technical assistance and support to access resources, engage partners, identify strategies and tactics, and conduct effective planning and project execution.

Achieving economic development goals for the Region is dependent upon a community's ability to prioritize challenges and implement impactful solutions. Many Appalachian communities,

particularly in rural and/or economically distressed areas, lack the capacity at the leadership, organizational, or community level effectively drive the planning and implementation of strategies, projects, and investments.⁷ 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. Building capacity throughout the Region has long been a focus of ARC and the dedicated funding made available through the IIJA provides ARC the opportunity to expand its focus on leadership and capacity building.

Equity Investing Strategies Leadership and Capacity Building

ARC made a grant in the amount of \$154,000 to the Great Wilkes-Barre Chamber of Business and Industry (CBI) in FY 2022. The grantee and its partners will develop the Connect Inclusive **Program (CIP),** providing accessible and inclusive resources for disadvantaged business enterprises, training, and technical assistance to startup and existing businesses. The goal is to tailor services to the specific needs of disadvantaged business enterprises. The project will serve 80 businesses, 77 communities, and 100 participants. Additionally, the project will improve 40 businesses, 14 communities, and 100 participants.

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

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

⁷ Evaluation of the Appalachian Regional Commission's Leadership and Community Capacity Projects: FY 2008–FY 2015.

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

Assuming continued funding consistent with the FY 2021 appropriations of \$180 million, the Commission is committed to achieving the following performance, leverage, matching, and distressed county/area targets in pursuit of its mission. Table 4 reflects ARC's performance targets for 2022–2026. Future ARC funding changes may necessitate adjustments to performance targets.

Table 4: ARC Performance Targets, 2022–2026

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
Leverage		
Ratio of leveraged private investment to ARC dollars	6 to 1	6 to 1
Matching		
Ratio of matching project funds to ARC dollars	2 to 1	2 to 1
Distressed Counties/Areas		
Percentage of ARC funds directed to benefit economically	50%	50%



Program Justification: POWER Initiative

The Federal Co-Chair of the Appalachian Regional Commission requests \$72 million to continue the regionally competitive Partnerships for Opportunity and Workforce and Economic Revitalization (POWER). Appalachia has been disproportionately affected by the downturn of the coal industry as demand for coal has fallen across the United States. Between 2005 and 2020, coal production in the United States fell about 54 percent. The majority of this decline came in Appalachia, where coal production dropped 65 percent. This severe decline in production has resulted in the loss of thousands of jobs across Appalachia. Figure 5 illustrates the decline of the coal mining production industry in the broader United States and Appalachia.

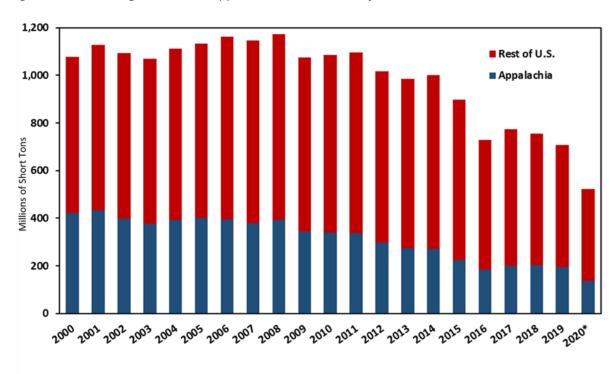


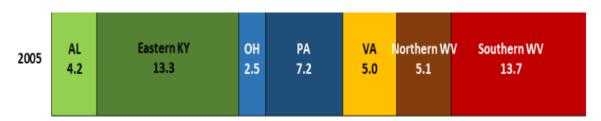
Figure 5: Coal Mining Production, Appalachia, and the Rest of the United States

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

⁸ https://www.arc.gov/wp-content/uploads/2021/04/Coal-and-the-Economy-in-Appalachia Q4 2020-Update.pdf

of partners, and are sustainable and transformational. Eligible funding uses include enhanced job training and re-employment activities, job creation activities in existing or new industries, and new investment development activities. Eligible applicants include but are not limited to states, local governments, and nonprofits both with and without 501(c)(3) status. Grants range in size from \$100,000 for planning grants to \$2 million for multi-state activities. In a complementary investment strategy, ARC is encouraging larger grant application submissions through ARISE funding recently made available through the IIJA.





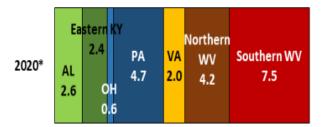


Figure 6 shows recent changes in coal employment for the coal-producing states in the Appalachian Region. Eastern Kentucky registered the largest drop in coal employment between 2005 and 2020 at 82 percent. Complicating Kentucky's challenges are climate-change-related disasters that resulted in historic flooding in 2022. ARC supported Kentucky and other Appalachian states by convening discussions with the Federal Emergency Management Administration (FEMA) to facilitate investment and coordinate assistance. ARC hosted FEMA's Assistant Administrator at its policy development meeting in FY 2022.

In response to Executive Order No. 14008, "Tackling the Climate Crisis at Home and Abroad," the Biden administration formed the Interagency Working Group on Coal and Power Plant Communities and Economic Revitalization (hereafter IWG) to address dramatic economic challenges. IWG, of which ARC is a member, has a mandate to "coordinate the identification and delivery of federal resources to revitalize the economies of coal, oil and gas, and power plant

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⁹ https://www.arc.gov/wp-c<u>ontent/uploads/2021/04/Coal-and-the-Economy-in-Appalachia Q4 2020-Update.pdf</u>

communities."¹⁰ Figure 7 shows IWG's map of national focus areas. A total of 25 geographic areas, hard-hit by past coal mine and plant closures and vulnerable to more closures, were identified for priority investment and engagement. Eight of these areas are located in Appalachia. Serving as the Chair of the Community Engagement Subcommittee enables ARC to deploy its special expertise to build the capacity of underserved communities and accelerate outreach to the most distressed or marginalized areas to provide listening sessions and roundtable discussions. As part of this effort, ARC participates in the Biden administration's Rural Partners Network. Working with the USDA, ARC leads this work in Appalachian Kentucky.

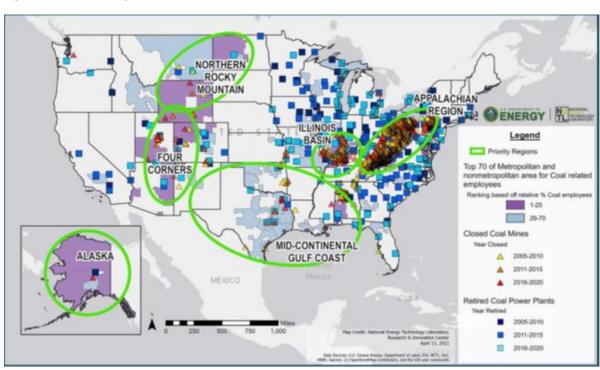


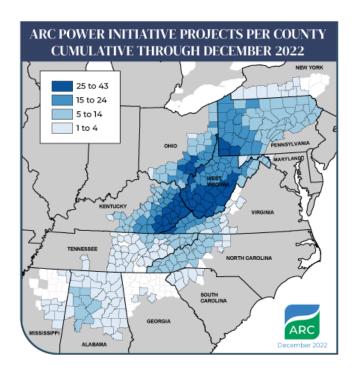
Figure 7: Coal Mining and Power Plant Closures, 2005–2020

The POWER Initiative is included in the Biden administration's Justice40 initiative, an effort to ensure that federal agencies work with states and local communities to deliver at least 40 percent of the overall benefits from federal investments in climate and clean energy investments to disadvantaged communities. In FY 2022, 100 percent of POWER's program funding met the criteria for Justice40. Since 2015, ARC has invested more than \$368.1 million in 449 projects touching 360 counties across Appalachia through the POWER Initiative. Together, these investments are projected to create or retain nearly 40,000 jobs, leverage more than \$1.57

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

billion in additional private investment into Appalachia's economy, and prepare over **100,000** workers and students. Figure 8 illustrates the cumulative number of ARC POWER projects by county.

Figure 8: POWER Initiative Projects per County, Cumulative Through December 2022



POWER Initiative Funding: Examples of Projects

Success Initiative at Work Ready Training Center

\$1,500,000 – In FY 2022, ARC made a grant of \$1,500,000 to Southeast Kentucky Community and Technical College (SKCTC) in Cumberland, Kentucky, for the Success Initiative at Work Ready Training Center (WRTC). Across the Kentucky-Tennessee-Virginia tristate area, the WRTC will offer academic training focused on the growing industry sectors of healthcare, advanced manufacturing, technology, and transportation and logistics for local residents, distance learners, high school students, local substance abuse recovery residents, and incarcerated individuals, creating both recovery and educational opportunities. Partnerships with Eastern Kentucky Concentrated Employment Program, Inc. (EKCEP) and KCEOC Community Action Partnership, Inc. will create links between local and regional businesses to provide trainings that meet business needs, and lead trainees directly to employment, thereby spurring economic growth and diversity in this coal-impacted region. Programming will be based at SKCTC's new campus in Knox County. Over the course of three years, the WRTC expects to serve 1,397 students, with 630 receiving a credential or diploma. SKCTC estimates 50 businesses will demonstrate improvement by the end of the project by having access to the talent pool of 625 workers who are expected to participate in training provided by the WRTC.

High-Technology Advanced Manufacturing Initiative (HAMI)

\$886,762 – In FY 2022, ARC made a grant of \$886,762 to the West Virginia Regional Technology Park Corporation in South Charleston, West Virginia, for the High-technology Advanced Manufacturing Initiative (HAMI). In partnership with the Robert C. Byrd Institute (RCBI) of Marshall University, the project will provide hands-on training in the form of customized on-the-job training for incumbent workers; fast-track, short-term customizable training and traditional academic courses (1- and 2-year program options) for under and unemployed individuals; and single topic course offerings for incumbent, underemployed, and unemployed individuals. Training will guide participants to manufacturing career opportunities and includes industry-recognized credentials, formal skill set certificates, a one-year Certificate of Applied Science degree, and an Associate of Applied Science degree. The project will serve six counties in central West Virginia that have been adversely affected by the loss of jobs in coal mining or coal-supply chain industries. The project will work closely with local economic development organizations, such as the Charleston Area Alliance and local manufacturing industry partners. Over the first two years, the project team expects to serve 33 students and 195 workers, as well as improve 15 local businesses.

Enhance Access to Broadband Services

\$2,400,000 – In FY 2023, ARC made a grant of \$2,400,000 to the Summers County Commission in Hinton, West Virginia, for the Summers County Broadband Expansion Project. The project will

build 28 miles of fiber optic network infrastructure to connect 489 homes and 179 businesses to reliable and affordable broadband services, enabling the economic growth and diversification necessary to overcome the downturn of the coal industry. This project directly impacts the currently unserved businesses and homes in the project footprint. The grantee will competitively select an internet service provider partner to maintain and operate the network and ensure that those connected have access to this enabling set of services..

Steamfitter's Advanced Employment and Training Program

\$1,120,637 – In FY 2022, ARC made a grant of \$1,120,637 to Tri-County Workforce Investment Board, Inc. (TCWIB) in Butler, Pennsylvania, for the Steamfitter's Advanced Employment and Training Program. TCWIB will subcontract will Steamfitters Local 449 to implement this project, which will first identify the current and future workforce needs of skilled workers and contractors in 16 coal-impacted counties in Appalachian Pennsylvania by collaborating with multiple contractors and key stakeholders. Next, they will provide customized trainings to meet the diverse workforce needs, while making sure they align with current and expected labor market demands. There will be two types of trainings: advanced skill trainings (specific to the needs identified by contractors) and employability skills trainings (soft skills and customer service). Training sessions will be held at Steamfitters Local 449's Training Center and will be free to the workers/trainees served by this project. Over three years, the program is expected to serve 1,000 workers/trainees and improve the employability of 950 workers/trainees.



Program Justification: Special Regional Initiative for Distress

The Federal Co-Chair of the Appalachian Regional Commission requests \$32 million for Special Regional Initiatives for Distress in Appalachia to continue the effort to reduce the disproportionately high rate of distress in Appalachia. While the economic impact of the COVID pandemic has yet to be fully realized, it will likely be significant in remote, economically distressed areas. ARC uses this initiative to augment the existing work in distressed communities through the Area Development Base Program and the POWER Initiative. Challenges such as inadequate water, sewer, and broadband infrastructure continue to present significant barriers and require substantial resources. However, expansion of the southern automotive and aviation clusters continues to offer great potential for job creation and economic development. In FY 2021, the number of distressed counties dropped to a low not seen since pre-recession 2008. However, effects of the COVID crisis influenced national data in FY 2023 resulting in a downturn in the Region. For FY 2024, the number of distressed counties remains constant at 82. The number of at-risk counties will decrease from 109 to 101. The number of transitional counties will increase from 218 to 225. The number of competitive counties will increase from 10 to 11. The effort to focus attention on distressed counties and areas as well as opportunities for economic transformation must be maintained with additional funds.

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

ARC has continued to support development of this sector as a cluster of automotive manufacturers including Mercedes, Toyota, Mazda, and Honda and their supply chain partners locate plants and add jobs throughout the southern Appalachian states. All of those manufacturers have benefitted from

Southern Automotive and Aviation Cluster Development Electronic Vehicle Maintenance

In FY 2022, ARC invested \$229,960 to assist Northeast State Community College in Appalachian Tennessee to engage with industry partners and national experts in electric vehicle (EV) curriculum and technology to update its existing Automotive Service Technology program and address a demonstrated need for EV maintenance and repair skills in the regional workforce and beyond. Project partners include NextEra Energy, the Center for Renewable Energy Advanced Technological Education, Indian River State College & National Electric Vehicle Consortium, ACTS Fleet Maintenance, and Bristol Motor Speedway. Matching funds in the amount of \$142,971 were provided by the National Science Foundation.

ARC investments, primarily for the basic infrastructure and workforce training necessary to accommodate manufacturing operations. ARC recently funded training activities for the states of Alabama and Mississippi where Mazda-Toyota has a new manufacturing facility. This work will benefit employees needed 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 new energy economy, nearly one-fifth of Appalachia's counties still suffer from persistent and severe economic distress, due primarily to the Region's historic reliance on single-sector economic drivers like coal extraction and traditional manufacturing. Central Appalachia lags behind the nation in basic infrastructure availability. Roughly 20 percent of the Region's population is not served by a community water

system (compared with 12 percent of the rest of the nation's population), and 47 percent of Appalachian households are not served by a public sewage system (compared with a national average of 24 percent).¹¹

In addition, Appalachia, like most of rural America, continues to lag behind the nation in access to advanced telecommunications infrastructure. Between 2016–2020, 81 percent of Appalachian households had a broadband internet subscription, compared to more than 85 percent of households nationwide. However, there's a stark rural-urban "digital divide" within the Region, with just 74 percent of rural households in Appalachia having a broadband internet subscription, compared to 86 percent of households in the Region's large metropolitan areas.

Central Appalachia Distressed County Infrastructure

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

All but one of these counties were outside metropolitan areas, and more than half were in the Region's most rural counties. This is an indicator that many communities in the Region may be at risk of being left behind.¹² Congress recognized the importance of this by creating a new authority for ARC to work in broadband deployment in its 2015 reauthorization, and ARC continues to provide support and collaborate with other federal partners.

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

¹¹EFC at UNC Chapel Hill, <u>Drinking Water and Wastewater Infrastructure in Appalachia: An Analysis of Capital Funding and Funding Gaps</u> 2005.

<u>Estimated Use of Water in the United States County-Level Data for 2000</u>, U.S. Geological Survey. Estimated Use of Water in the United States County-Level Data for 2015, U.S. Geological Survey.

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

Throughout FY 2024, 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 5 lists potential outcomes for project development.

Table 5: Potential Outcomes for Project Development (Includes Funds for Administration)

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



Program Justification: INSPIRE Initiative for Substance Abuse Mitigation

The Federal Co-Chair of the Appalachian Regional Commission requests \$13 million 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 ecosystem leading to workforce entry or re-entry. In addition to being considered a health and public safety issue, this problem is now recognized as a barrier to economic prosperity because of the impact of the drug crisis on the Region's workforce. The INSPIRE Initiative is included in the FY 2024 President's National Drug Control Strategy through the Office of National Drug Control Policy.

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

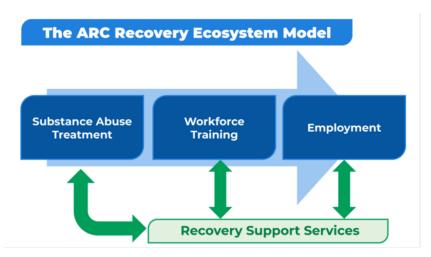
- Support of healthcare networks and SUD recovery professionals
- Recovery-focused job training programs, including workforce reentry and employment retention, basic and advanced training, soft-skills development, up-skilling, and clear career pathways
- Coordination or linking of recovery services and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

Eligible applicants include but are not limited to states, local governments, and nonprofits both with and without 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 substance abuse crisis. In 2020, overdose-related mortality rate for the Region's 25–54-year-old age group—those in their prime working years—were 61 percent higher than for the same age group in the country's non-Appalachian areas.¹³

¹³ CDC's Multiple Cause of Death database, as compiled in ARC's 2020 report, <u>Appalachian Diseases of Despair</u>.

Figure 9: The ARC Recovery Ecosystem



As illustrated in Figure 9, the recovery ecosystem is a complex linkage of multiple sectors, including but not limited to recovery communities, peer support, mental and behavioral health, human services, faith communities, criminal justice, public safety, housing, transportation, education, and employers organized and positioned to help individuals in recovery access the support services and the training they need to maintain recovery and successfully obtain sustainable employment.

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

Since INSPIRE was established in 2021, ARC has invested \$28.1 million in 84 projects across 289 counties, improving nearly 1,200 businesses and helping prepare nearly 6,500 thousand students and workers for new opportunities in the workforce. The continued funding reflects the Biden administration's focus on this issue. In FY 2024, 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

\$500,000 – In FY 2022, ARC made a grant to the Federation of Appalachian Housing Enterprises, Inc. (Fahe) for the Expanding Successful Recovery Workforce Development Ecosystems to Create Lasting Pathways to Employment in the Kentucky counties of Breathitt, Floyd, Harlan, Knott,

Leslie, Letcher, Perry, and Pike. Expanding on prior ARC grants, Fahe will create a second tier of its Second Chance employment program by engaging additional area employers, as well as improve vocational and workforce training opportunities for individuals in substance use disorder (SUD) recovery. Fahe will do this by engaging new employers from diverse sectors to address stigma and other barriers to employment for individuals with SUD; documenting best practices for onboarding new partners; and delivering supportive services (e.g., transportation, financial literacy, etc.) to successfully reintegrate individuals with SUD back into their community.

Partners for Success: Supporting Growth from Recovery to Career

\$500,000 – In FY 2022, ARC made a grant to the Lawrence Economic Development Corporation in Ironton, Ohio, for the Partners for Success: Supporting Growth from Recovery to Careers project. Lawrence Economic Development Corporation (LEDC) will support and expand its tristate community's recovery ecosystem by connecting individuals experiencing substance use disorder (SUD) with treatment, comprehensive skills training, hands-on work experience, employment, comprehensive supportive services (restorative dental care, childcare, etc.), career-building, and industry-recognized credentials in high-demand trade professions in Ohio, Kentucky, and West Virginia. LEDC will partner with the Ironton-Lawrence Community Action Organization, a local nonprofit whose recovery-to-work program provides step-by-step, comprehensive assistance for people transitioning from early SUD recovery to permanent employment opportunities. LEDC will support the success of participants by collaborating to provide paid work experience and fund other vital supportive services. As participants continue in the work experience portion of the project, LEDC will engage employers to make available additional industry-recognized credential training to enhance employees' work skills and counseling businesses concerning marketability for eligible participants. The project is expected to serve 40 workers, 10 students, 20 participants, and 10 businesses, and improve 28 workers, eight students, and seven businesses.

Discovering Destiny – Training through Recovery

\$497,618 – In FY 2022, ARC made a grant to the Millard College, in Louisa, Kentucky, for the Discovering Destiny—Training Interwoven with Recovery project in eastern Kentucky. In partnership with Addiction Recovery Care and Eastern Kentucky Concentrated Employment Program, the Mildred College will establish a community working group to provide training and workforce experience for individuals undergoing a recovery treatment program. After individuals have completed a 2–3- month substance use disorder recovery program with Addiction Recovery Care, interested individuals may choose to continue the recovery program and apply to the Millard College for employment services. Employment services include two phases: job-readiness training to assist individuals with interviewing, resume writing, professionalism, ethics, and stress and money management; and occupational training through classes and unpaid internships. Participants will be able to choose from the following five programs: addiction recovery studies,

carpentry, general studies, peer support, and welding. The project is expected to serve 100 workers and 10 businesses and improve 80 workers and eight (8) businesses.

Recovering & Ready to Work in West Virginia

\$500,000 - In FY 2022, ARC made a grant to Mountain Health Network (MHN) for Recovering & Ready to Work in West Virginia. The project will use ARC funds to strengthen the delivery of coordinated wraparound social supports, workforce training, work entry and reentry, and entrepreneurship services to unemployed and underemployed adults in recovery from substance use disorder (SUD). In close collaboration with community partners and local businesses, MHN will pilot improvements to the recovery-to-work ecosystem in the West Virginia counties of Cabell, Lincoln, Putnam, and Wayne. MHN will work directly with Marshall University's Creating Opportunities for Recovery Employment (CORE) program to coordinate project activities and serve as the entry point for participant assessments and referrals to network partners. MHN will also conduct needs assessment activities with local businesses, train employers in recovery workplace best practices, and recruit them—and other potential partners—into the program network. Together, these activities will create a stronger, more comprehensive, and better coordinated recovery ecosystem and workplace "corps," able to welcome and support people in recovery for sustained employment. At the end of the three-year grant period, an estimated 125 workers/trainees in recovery will be improved with training and successful job placements; 100 participants will be improved with support services; 15 businesses will be improved through the program partnership; and 12 new microbusinesses will be created by program participants.



Performance and Evaluation

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

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

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

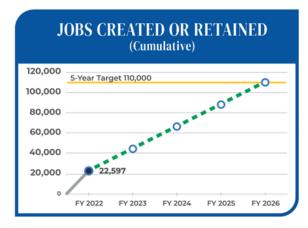
ARC's annual performance targets are established in the agency's 2022–2026 strategic plan. The performance targets assume level funding with the \$180 million appropriation in place at the time of strategic plan development. Table 6, below, delineates the FY 2022 targets and their expected outcomes. Similarly, Figure 10 shows ARC's progress toward the strategic planning goals.

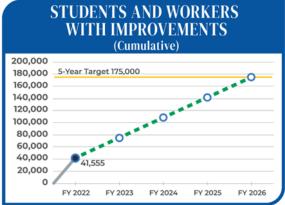
SUMMARY OF ACHIEVEMENTS

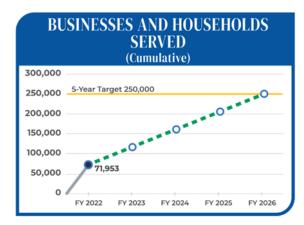
PERFORMANCE TARGETS AND INITIAL ESTIMATES FOR FISCAL YEAR 2022 PROJECTS

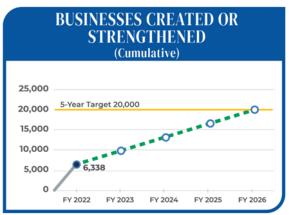
ANNUAL PERFORMANCE TARGETS	INITIAL ESTIMATES	EXPECTED RESULTS
Outcome Targets		
22,000 jobs created or retained	22,597 jobs created or retained	Exceed target by 3%
35,000 students, workers, and leaders with improvements	41,555 students, workers, and leaders with improvements	Exceed target by 19%
$50,\!000$ businesses and households with access to improved infrastructure	71,953 businesses and households with access to improved infrastructure	Exceed target by 44%
4,000 businesses created or strengthened	6,338 businesses created or strengthened	Exceed target by 58%
400 communities with enhanced capacity	1,467 communities with enhanced capacity	Exceed target by 267%
Leverage Target		
Achieve a 6:1 ratio of leveraged private investment to ARC funds (\$6 per \$1 ARC investment)	7:1 ratio* (\$6.54 per \$1 ARC investment)	Exceed target by 9%
Matching Target		
Achieve a 2:1 ratio of matching funds to ARC funds (\$2 per \$1 ARC investment)	2:1 ratio* (\$1.62 per \$1 ARC investment)	Meet 81% of target
Distressed Counties/Areas Target		
Direct 50% of ARC funds to benefit distressed counties or areas	74% of funds**	Exceed target by 24 percentage points
*Ratios are rounded to the nearest whole number. **Project funds are included if the project primarily or substantially be	enefits distressed counties or areas.	

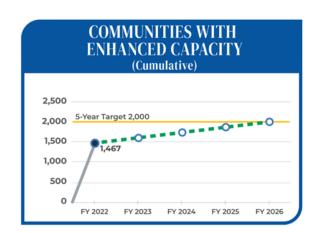
Progress Toward ARC Strategic Plan Performance Goals, Fiscal Years 2022–2026













Salaries and Expenses

The Federal Co-Chair of the Appalachian Regional Commission requests \$16.65 million for salaries and expenses associated with a requested Area Development Program funding level of \$235 million for FY 2024, which is illustrated below in Table 7. This request includes a 5.2 percent civilian pay raise. The costs associated with administration of the \$1 billion in the Infrastructure Investment and Jobs Act are not included in this request.

Table 7: Area Development Salaries and Expenses Detail

Area Development Appropriation Detail					
	FY2022 Appropriated	FY2023 Appropriated	FY2024 President's Budget		
Federal Request for Salaries and Expenses					
Commission Administration (50% Federal Contribution)	3,431	3,663	4,116		
Commission Programmatic	6,090	6,341	8,490		
Office of the Inspector General	1,330	1,403	1,649		
Office of the Federal Co-Chair	1,994	2,104	2,401		
Total	12,845	13,511	16,656		

The request shown below in Table 8 reflects the federal share of Commission administrative expenses, the full costs of the Office of the Federal Co-Chair, its immediate staff, and the Office of the Inspector General. Individual requests are presented in the pages that follow.

Table 8: Office of the Federal Co-Chair Detailed Budget

Office of the Federal Co-	Chair		2024
	2022 Actual	2023 Appropriated	President's Budget
Personnel Compensation	716	1.043	1,336
•		•	,
Personnel Benefits	263	310	334
Travel & Transportation	32	150	150
Rent, Communications	183	260	260
Printing	1	1	1
Services	593	300	300
Supplies	11	20	10
Equipment	7	20	10
Total:	1,806	2,104	2,401

The request for the Office of the Federal Co-Chair found above in Table 8 provides for an immediate staff of ten federal employees as well as 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 policy; and reviewing projects for final approval by the Federal Co-Chair.

Table 9: Office of the Inspector General Detailed Budget

Office of the Inspector General						
	2022 Actual	2023 Appropriated	2024 President's Budget			
Personnel Compensation	571	579	702			
Personnel Benefits	155	155	195			
Travel & Transportation	1	6	11			
Rent, Communications	45	51	54			
Printing			1			
Services	506	582	650			
Supplies	1	10	12			
Equipment	11	20	24			
Training						
Total:	1,290	1,403	1,649			

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 9 details the Office of Inspector General'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 five full-time staff members and has been certified by the Inspector General.

Each year, the states and the Federal Co-Chair must approve the Commission's operating budget. Following completion of appropriations actions, 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 2024. Table 10 shows the Commission operating expenses.

Table 10: Commission Operations Detailed Budget

Commission Operations					
•				2024 Request	
	2022	2023			
	Actual	Appropriated		Administrative -	
			Programatic/	<u>Split</u>	
			<u>Federal</u>	State/Federal	Total Request
Personnel Compensation	6,705	8,096	5,885	4,334	10,219
Personnel Benefits	2,434	2,932	1,853	1,811	3,664
Travel & Transportation	83	275	252	85	337
Rent, Communications	1,047	996	24	1,000	1,024
Printing		16	0	16	16
Services	518	1,254	426	902	1,328
Supplies	60	61	20	51	71
Equipment	113	37	30	32	62
Total:	10,960	13,667	8,490	8,231	16,721
Federal Contribution	3,431	3,663	0	4,116	4,116
State Contribution	3,431	3,663	0	4,116	4,116
Program Administration	6,090	6,341	8,490	0	8,490
	12,952	13,667	8,490	8,232	16,721

ARC's authorizing legislation specifies that Commission staff shall not be considered federal employees for any purpose. Accordingly, these professionals are neither state nor federal employees, even though they work directly for the joint federal-state partnership agency. An Executive Director, who is appointed by the states and the Federal Co-Chair, manages this staff and is the Chief Executive Officer of the Commission. This request reflects increased staffing, which addresses the Inspector General's identification of staff size as a potential challenge for ARC.



Operational Effectiveness Initiative

ARC Dashboard: Operational Effectiveness Initiatives

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

- Program staff has been divided into two separate divisions, each with its own Division Director:
 - Division of Critical Infrastructure, including all investments and opportunities pertaining to broadband, transportation, and other regional infrastructure needs.
 - Division of Business and Workforce Investment, including all investments and opportunities pertaining to workforce development, entrepreneurship, education, health, and other issues affecting the Region's workforce.
- Human Capital continues to be a major focus as the size and composition of staff evolves to meet the needs of the Region and to implement the new strategic plan and increased funding level. The Executive Director offers weekly office hours to ensure employees can raise questions, make suggestions, and maintain open lines of communication. All-staff meetings are held every two weeks. They provide a forum to share updates, successes, and information throughout the organization while fostering employee engagement and minimizing "silos." New programs have been launched to improve employee experience 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 on-boarding process and existing staff are engaged through regular branded internal communications.
 - As a transition to our post-COVID-19 environment, ARC increased the regularity and variety of events that provide opportunities for staff interaction. This includes a program where existing staff meet and engage with all new hires and new informal monthly gatherings to promote development of interdivisional

relationships. Virtual collaboration using multiple platforms has also been accelerated.

- Planning & Research Division has reorganized to better reflect the Division's focus on research, evaluation, and analysis. A multi-level evaluation system has been implemented in accordance with the Government Performance and Results Act and the Evidence-Based Policymaking Act. Each year this Division hires two paid interns from learning institutions in the Region to assist with the annual project validation process.
- In accordance with the SECURE Technology Act, ARC has established a separate Information Technology (IT) Division. The division has a dedicated Division Director and additional IT staff to completely evaluate all of ARC's cybersecurity systems and implement technological enhancements that will increase security, workforce efficiency, and customer satisfaction as required by Executive Order No. 14028. Specific activities include the following:
 - ARCnet, ARC's current grants management system, was reviewed to guide direction on future functionality. A selection and acquisition process followed the review, and a subsequent implementation of and migration to a replacement system will begin in FY 2023.
 - ARC reviewed its cybersecurity posture at the end of FY 2021. In response, it is taking steps to formalize a new cybersecurity program. Auditing and inventory software are being improved, and network monitoring and implementation of organization-wide multi-factor authentication is in progress. A new staff training and awareness program has been initiated and system password management tools have been improved. ARC will migrate to a cloud-based endpoint management system more appropriate to a remote, mobile staff in the near future.
 - ARC is planning to migrate its on-premises server systems to more reliable and secure cloud-based infrastructure.
 - Several updates are required to support the increased volume of work ARC will experience. An **upgraded wireless network** is planned to improve service to staff as well as to improve production and printing facilities.
- Due to COVID-19, ARC implemented a telework policy in FY 2020 and made available technology resources to enable continuity of effort with secure remote access. ARC continues to work in a hybrid structure.
- In accordance with Executive Order No. 14058, "Transforming Federal Customer Experience and Service Delivery to Rebuild Trust in Government," ARC continues to evaluate programmatic processes and enhance stakeholder experience. The existing grants management system has been upgraded to reduce time for grantees and is

currently being evaluated by an outside contractor for future development. Additionally,

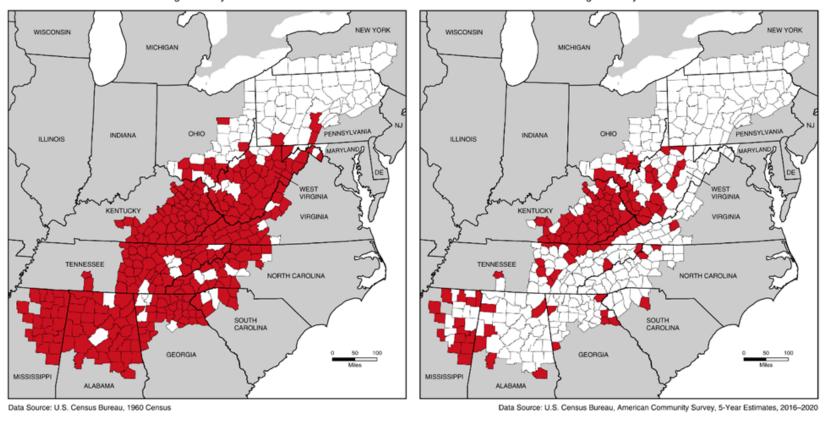
ARC's website has been redesigned to offer better accessibility and ease of use.

Appendix A: High-Poverty Counties in the Appalachian Region, 1960 and 2016–2020

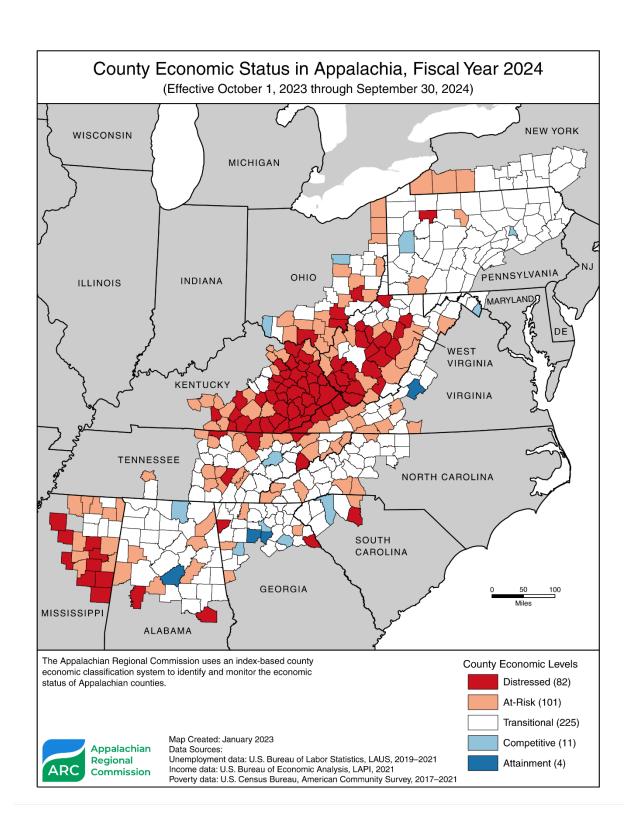
High-Poverty Counties in the Appalachian Region

(Counties with Poverty Rates At Least 1.5 Times the U.S. Average)





Appendix B: County Economic Status in Appalachia, FY 2024



County Economic Status Designations in the Appalachian Region, FY 2024

The Infrastructure Investment and Jobs Act reauthorized ARC in FY 2022 and added three additional counties to the Region, bringing the total from 420 to 423 counties. In accordance with the Commission's policy for determining the economic status of the Appalachian counties, the research staff has analyzed the distribution of distressed, at-risk, transitional, competitive, and attainment counties for FY 2024 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 (82)

- Alabama (2) Hale and Macon
- Georgia (2) Chattooga and Elbert
- <u>Kentucky</u> (36) Bath, Bell, Breathitt, Carter, Casey, Clay, Clinton, Elliott, Estill, Floyd, Harlan, Jackson, Johnson, Knott, Knox, Lawrence, Lee, Leslie, Letcher, Lewis, Magoffin, Martin, McCreary, Menifee, Metcalfe, Morgan, Owsley, Perry, Pike, Powell, Rockcastle, Rowan, Russell, Wayne, Whitley, and Wolfe
- <u>Mississippi</u> (9) Chickasaw, Clay, Kemper, Montgomery, Noxubee, Oktibbeha, Panola, Winston, and Yalobusha
- Ohio (4) Athens, Meigs, Noble, and Scioto
- Pennsylvania (1) Forest
- South Carolina (1) Union
- Tennessee (5) Bledsoe, Clay, Cocke, Hancock, and Scott
- <u>Virginia</u> (4) Buchanan, Dickenson, Lee, and Wise (plus the city of Norton)
- West Virginia (18) Barbour, Boone, Braxton, Calhoun, Clay, Fayette, Lincoln, Logan, McDowell, Mingo, Nicholas, Roane, Summers, Upshur, Webster, Wetzel, Wirt, and Wyoming

At-Risk Counties (101)

- Alabama (6) Bibb, DeKalb, Etowah, Fayette, Pickens, and Talladega
- Georgia (4) Franklin, Heard, Murray, and Polk

- <u>Kentucky</u> (15) Adair, Boyd, Cumberland, Edmonson, Fleming, Green, Greenup, Hart, Laurel, Lincoln, Monroe, Montgomery, Nicholas, Pulaski, and Robertson
- <u>Mississippi</u> (10) Benton, Calhoun, Choctaw, Lowndes, Marshall, Monroe, Prentiss, Tippah, Tishomingo, and Webster
- New York (3) Allegany, Cattaraugus, and Chautauqua
- North Carolina (6) Alleghany, Cherokee, Cleveland, Graham, Jackson, and Rutherford
- Ohio (15) Adams, Ashtabula, Coshocton, Gallia, Guernsey, Highland, Jackson, Jefferson, Lawrence, Mahoning, Monroe, Morgan, Pike, Trumbull, and Vinton
- Pennsylvania (2) Cameron and Fayette
- South Carolina (1) Cherokee
- <u>Tennessee</u> (19) Campbell, Carter, Claiborne, Fentress, Greene, Grundy, Hawkins, Jackson, Johnson, Lewis, Macon, Meigs, Morgan, Pickett, Rhea, Sequatchie, Unicoi, Van Buren, and Warren
- <u>Virginia</u> (8) Carroll (plus the city of Galax), Grayson, Henry (plus the city of Martinsville),
 Montgomery (plus the city of Radford), Russell, Scott, Smyth, and Tazewell
- West Virginia (12) Cabell, Gilmer, Greenbrier, Hardy, Jackson, Lewis, Mason, Mercer, Pocahontas, Raleigh, Randolph, and Wayne

Transitional Counties (225)

- <u>Alabama</u> (27) Blount, Calhoun, Chambers, Cherokee, Chilton, Clay, Cleburne, Colbert, Coosa, Cullman, Elmore, Franklin, Jackson, Jefferson, Lamar, Lauderdale, Lawrence, Limestone, Marion, Marshall, Morgan, Randolph, St. Clair, Tallapoosa, Tuscaloosa, Walker, and Winston
- <u>Georgia</u> (26) Banks, Barrow, Bartow, Carroll, Catoosa, Dade, Douglas, Fannin, Floyd,
 Gilmer, Gordon, Gwinnett, Habersham, Hall, Haralson, Hart, Lumpkin, Madison, Pickens,
 Rabun, Stephens, Towns, Union, Walker, White, and Whitfield
- Kentucky (3) Clark, Garrard, and Madison
- Maryland (3) Allegany, Garrett, and Washington
- Mississippi (5) Alcorn, Itawamba, Lee, Pontotoc, and Union
- New York (11) Broome, Chemung, Chenango, Cortland, Delaware, Otsego, Schoharie,
 Schuyler, Steuben, Tioga, and Tompkins

- <u>North Carolina</u> (25) Alexander, Ashe, Avery, Buncombe, Burke, Caldwell, Catawba, Clay, Davie, Forsyth, Haywood, Henderson, Macon, Madison, McDowell, Mitchell, Polk, Stokes, Surry, Swain, Transylvania, Watauga, Wilkes, Yadkin, and Yancey
- Ohio (11) Belmont, Brown, Carroll, Columbiana, Harrison, Hocking, Muskingum, Perry, Ross, Tuscarawas, and Washington
- <u>Pennsylvania</u> (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
- <u>Tennessee</u> (27) Anderson, Blount, Bradley, Cannon, Coffee, Cumberland, DeKalb, Franklin, Grainger, Hamblen, Hamilton, Jefferson, Lawrence, Loudon, Marion, McMinn, Monroe, Overton, Polk, Putnam, Roane, Sevier, Smith, Sullivan, Union, Washington, and White
- <u>Virginia</u> (12) Alleghany (plus the city of Covington), Bath, Bland, Craig, Floyd, Giles, Highland, Patrick, Pulaski, Rockbridge (plus the cities of Buena Vista and Lexington), Washington (plus the city of Bristol), and Wythe
- West Virginia (24) Berkeley, Brooke, Doddridge, Grant, Hampshire, Hancock, Harrison, Kanawha, Marion, Marshall, Mineral, Monongalia, Monroe, Morgan, Ohio, Pendleton, Pleasants, Preston, Putnam, Ritchie, Taylor, Tucker, Tyler, and Wood

Competitive Counties (11)

- Alabama (1) Madison
- Georgia (3) Dawson, Jackson, and Paulding
- Ohio (2) Clermont and Holmes
- Pennsylvania (2) Butler and Montour
- South Carolina (1) Greenville
- Tennessee (1) Knox
- West Virginia (1) Jefferson

Attainment Counties (4)

- Alabama (1) Shelby
- Georgia (2) Cherokee and Forsyth
- <u>Virginia</u> (1) Botetourt

Appendix C: ARC's Response to COVID-19

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

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

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

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

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

Within the first two months of the pandemic, ARC repurposed \$3.75 million of prior funding to provide operational support to 30 community development lenders serving all 13 ARC states. This enabled the lenders to temporarily waive loan repayments from their borrowers and bolstered the technical assistance they provide to small business borrowers. These funds are projected to help 400 businesses and nonprofits, leverage \$15 million in private investment, and retain 200 jobs. In West Virginia in early July 2020, ARC made grants totaling \$6 million to recapitalize six revolving loan funds, expanding the volume of capital available to small businesses at a critical time. A \$1 million grant in North Carolina similarly recapitalized a revolving loan program serving Western North Carolina. Reflecting the urgent demand for capital by small

businesses, the loan fund was fully subscribed within a matter of days. In Kentucky, ARC repurposed \$75,000 of a prior investment in the Appalachian Impact Fund to permit "business rescue" loans to small downtown businesses struggling in the wake of COVID-19. These loans will provide emergency financial relief from pandemic-forced closures of small businesses, helping them return to full operation and employment.

Expanded the availability of personal protective equipment.

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

Created an online resource center for Appalachian nonprofits.

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

Transitioned traditional programs to a virtual environment.

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

As part of the 20th Annual Appalachian Teaching Project (ATP), this year's two-day capstone symposium—where college students present findings of their community-based research to an

audience of peers and ARC staff—was transitioned to virtual presentations and dialogue. ATP features approximately 150 students representing 13 colleges across Appalachia. It builds student leadership skills by taking students out of their classrooms and into their communities, where they work with local partners to address critical issues, particularly in economically distressed counties. The two-day virtual event was held November 13–14, 2020, and included student presentations on issues such as substance use disorder in Appalachia, local responses to COVID- 19, and asset-based development.

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

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

Leveraged the Region's leadership for effective local responses.

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

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

Exercised flexibility in grant terms and conditions.

Soon after the pandemic hit, the Commission's members reaffirmed that much of ARC's programming should continue as it had, and that the Commission's work is in large part to position communities for economic growth as the pandemic recedes. At the same time, the

Commission recognized the need to adjust some of its guidelines and rules to accommodate new realities being faced by Appalachia's communities. These included the need by existing grantees to adjust their scopes of work and timelines, and the major decline in revenues being experienced by local governments, which impeded their ability to provide the statutory match required for ARC grants. Congress recognized this latter point, and the CARES Act gave ARC the authority to waive the match requirement because of economic distress related to COVID-19.

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

Adapted the Commission's operations and plans.

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

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

Appendix D: ARC Organization

APPALACHIAN REGIONAL COMMISSION ORGANIZATION

FEDERAL CO-CHAIR GOVERNORS/ALTERNATES Commission Staff OFFICE OF INSPECTOR EXECUTIVE DIRECTOR COMMUNICATIONS DIVISION OF BUSINESS & WORKFORCE INVESTMENT FINANCE & ADMINISTRATION DIVISION OF CRITICAL INFRASTRUCTURE GENERAL COUNSEL RESEARCH & EVALUATION HUMAN RESOURCES