



ARC Project Guidelines

Revised November 2023

Introduction

On October 26, 2021, the Appalachian Regional Commission approved its current strategic plan *Appalachia Envisioned: A New Era of Opportunity*. Following its adoption, a revision of the ARC governing Code was undertaken to develop programs and policies to carry out the goals and objectives set forth in the plan. Pursuant to Section 6.5 of the Code, the following project guidelines are established. The guidelines set forth the criteria for approval of ARC projects reflecting the requirements of the Appalachian Regional Development Act of 1965 (ARDA), as amended, the ARC Code, and the provisions of the ARC Strategic Plan.

In accordance with Section 6.5 of the ARC Code, the Commission may, from time to time, approve additional Policy Statements concerning the implementation of Commission Area Development Programs. These Policy Statements will be included as appendices to these guidelines.

Appalachian Regional Development Act

The statutory criteria for approval of ARC projects are found mainly in Sections 223, 224, 225, and 303 of the ARDA (40 U.S.C. 14322, 14523, 14524 and 14525). Primarily, ARC approval requires a determination by the Commission that the project will contribute to the development of the Appalachian Region (Section 223). The pertinent provisions of these sections may be summarized as follows:

- In approving a particular project, the Commission must also consider whether the project will improve, on a continuing rather than a temporary basis, the opportunities for employment, the average level of income, or the economic and social development of the area served by the project (Section 224).
- The Commission must also consider the importance of the project or class of project in relation to other projects or classes of projects which may be in competition for the same funds (Section 224).
- For each project, the Commission must consider the relative financial resources available to the applicant (i.e., its “ability-to-pay”) (Section 224) and determine that there is adequate assurance that the project will be properly administered, operated, and maintained (Section 303).

- To receive ARC approval, a project must implement the Development Plan of the Appalachian State in which it is located and it must have been identified by the state in its annual Strategy Statement (Sections 225 and 303).
- Applications for ARC assistance are made through the state member of the Commission representing the applicant and are submitted to the ARC Federal Co-Chairman for approval. Approval requires a certification by the state member and a determination by the Federal Co-Chairman that the project meets the requirements for assistance (Section 303).
- ARC grants that are administered for the Commission by a basic federal agency must also meet the applicable requirements of that agency (Sections 214 and 223).

ARC Code: General Project Approval Criterion

The strategic planning process undertaken by the Commission generated five goals that will improve the social and economic conditions of Appalachia and help ARC realize its vision. These goals now guide the Commission strategies and program investments. The ARC strategic goals are:

Goal 1—Building Appalachian Businesses: Strengthen and diversify the Region’s economy through inclusive economic development strategies and investments in entrepreneurship and business development.

Goal 2—Building Appalachia’s Workforce Ecosystem: Expand and strengthen community systems (education, healthcare, housing, childcare, and others) that help Appalachians obtain a job, stay on the job, and advance along a financially sustaining career pathway.

Goal 3—Building Appalachia’s Infrastructure: Ensure that the residents and businesses of Appalachia have access to reliable, affordable, resilient, and energy efficient utilities and infrastructure in order to successfully live and work in the Region.

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.

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.

The ARC Code provides a single general project approval criterion to reflect the importance of its strategic goals. That criterion is found in Section 7.3 of the Code, which requires that each project for which ARC approval is requested be supported by a demonstration that it will contribute to the achievement of one or more of the Commission's strategic goals. (A limited exception to this criterion is recognized for individual projects that take advantage of special development opportunities or respond to emergency economic distress.)

Section 1—Objectives

The demonstration required by Section 7.3 of the Code may be accomplished most effectively by explaining how the proposed project moves the region closer to one or more of the objectives specifically identified for each goal area in the ARC Strategic Plan or additional objectives identified by a state in its Commission-approved Plan or Annual Strategy Statement. The Commission's objectives for each goal area are set out below.

Goal 1—Building Appalachian Businesses—Objectives

- a. Provide financing, technical assistance, and other support for entrepreneurship and small business development in the Region.
- b. Pursue economic and enterprise development strategies that grow existing industries, support economic diversification, and advance economic prosperity at the regional level.

Goal 2—Building Appalachia's Workforce Ecosystem—Objectives

- a. Develop and support educational programs and institutions from early childhood through post secondary that provide the building blocks for skills development and long-term employment success.
- b. Invest in workforce development programs and strategies informed by industry talent needs and designed to allow workers to simultaneously earn, learn, and advance along a career pathway.
- c. Develop a network of employment supports to help Appalachians enter and remain in the workforce.
- d. Expand access to high quality healthcare as well as programs and services that support overall mental and physical health, for workers and their families.

Goal 3—Building Appalachia's Infrastructure—Objectives

- a. Ensure the availability of quality, affordable basic infrastructure to meet the needs of the residents and businesses of Appalachia.
- b. Ensure that all Appalachians have access to quality and affordable telecommunications and broadband services.
- c. Support proactive efforts to adopt alternative energy strategies and bolster energy infrastructure.
- d. Complete the Appalachian Development Highway System (ADHS) and invest in innovative intermodal transportation systems to connect businesses and residents within the Region with global opportunities.
- e. Support construction of business development sites and public facilities and the adaptive reuse of obsolete and/or unsafe properties to stimulate economic and community development.

Goal 4—Building Regional Culture and Tourism—Objectives

- a. Invest in the development of vibrant Appalachian downtowns and provide support for Appalachian placemaking.
- b. Invest in economic and community development initiatives that preserve and promote Appalachian communities' vibrant arts, cultural, and heritage traditions.

- c. Preserve and expand Appalachia’s natural resources to increase outdoor recreation opportunities for residents and visitors and support sustainable economic growth.

Goal 5—Building Community Leaders and Capacity—Objectives

- a. Develop, support, and empower community leaders that are representative of local communities, inclusive in their approach, and focused on long-term, innovative strategies and solutions.
- b. Build capacity of community organizations and local development districts (LDDs) to effectively access and manage funding, administer programs, and execute projects through implementation.
- c. Invest in developing the capacity of communities to build ecosystems where government, nonprofits, businesses, and philanthropic partners coalesce around a shared vision for economic and community prosperity and collaborate to implement that vision.

Section 2—Matching

In general, the Commission expects a recipient of an ARC grant to contribute its own resources to a project to the extent it is able to do so and to seek additional non-ARC funding assistance in a diligent manner.

The Appalachian Regional Development Act imposes matching requirements on ARC grants as described below. In addition to these statutory match requirements, however, the individual Appalachian States set forth in their Annual Strategy Statements their own cost-sharing and matching requirements, which may be more restrictive than the statutory limits in a particular instance.

2.1 ARDA Matching Requirements—General

- a. Generally, ARC grants are limited to 50% of project costs.
- b. For projects in ARC-designated distressed counties, this limit can be raised to 80%.
- c. For projects in ARC-designated at-risk counties, this limit can be raised to 70%.
- d. For projects located in ARC-designated competitive counties (those that are approaching national economic norms), funding is usually limited to 30% of project costs.
- e. ARC funding is usually not available for projects located in ARC-designated attainment counties (those that have attained or exceeded national economic norms).

2.2 LDD Match Requirements

LDD administrative grants may be funded at 50%, wherever the LDD is physically located, except that a state may request that the ARC participation be raised to as much as 75% for an LDD that includes a distressed county or counties within its service area and 70% for an LDD that includes an at-risk county or counties within its service area.

2.3 ARDA–Waiver of Restrictions on Projects in Economically Strong Counties

The restrictions on projects in competitive and attainment counties may be waived by the Commission upon a showing of (1) the existence of a significant pocket of distress in the part of the county in which the project is carried out or (2) the existence of a significant potential benefit from the project in one or more areas of the region outside the designated economically strong county in which the project is carried out. Waiver requests are made by the State Alternate representing the potential grantee, and such requests must be approved by the Federal Co-Chairman and State Alternates.

2.4 Multi-County Projects

Special matching rules apply to projects that are carried out in more than one county.

- a. If there is a distressed county in a project:
 1. and at least half the counties are distressed, the project may be funded at up to 80% of project costs;
 2. and at least half the counties are in some combination of distressed and at-risk, ARC assistance can be the higher of 70% of project costs or the average percentage applicable to the various counties in the project; and
 3. but fewer than half the counties are distressed, ARC assistance can be the higher of 50% of project costs or the average percentage applicable to the various counties in the project.
- b. If there is no competitive county or attainment county in a project, and at least half the counties are at-risk, the project may be funded at up to 70% of project costs.
- c. All other projects shall be funded at the average percentage applicable to the various counties in the project; except that the portion of a project, which is attributable to an attainment county in a project not including a distressed county, shall be considered ineligible for ARC assistance and may not be considered for matching purposes.

2.5 Discretionary Grant Authority

A limited amount of discretionary authority is made available to the Commission under Section 302 of the ARDA (40 U.S.C. 14321). Annually, the Commission allocates this authority to the Co-Chairmen’s Committee and among the Appalachian States. The authority can be used to raise the statutory limits on ARC funding in projects implementing special regional initiatives approved by the Commission. It can also be used, with the approval of the Co-Chairmen’s Committee, in instances of emergency economic distress. Discretionary authority, however, cannot be used to eliminate the funding restrictions on projects in competitive and attainment counties.

Section 3—Miscellaneous Requirements

3.1 The ARC Code (Section 8-4) also specifically restricts the use of ARC funds for:

1. any form of assistance to a relocating industry or business (Section 224(b) of ARDA);
2. recruitment activities that place a state in competition with another state or states; and
3. projects that promote unfair competition between businesses within the same immediate service area.

3.2 The Code (Section 8-1.d) allows an ARC grant involving significant construction to be directly administered by the Commission only if the project will be managed by a Federal or State entity experienced in the management of federally funded construction projects.

3.3 The Code (Section 8.1.e) prohibits grants made directly to a for-profit entity.

3.4 The Code (Section 8.3) requires grantees and subgrantees to maintain written standards of conduct covering conflicts of interest, and to report any potential conflicts to ARC.

3.5 The Code (Section 8.8) states that OMB Property Standards at 2 C.F.R. 200 apply to ARC awards and subawards. ARC retains a property interest in all property and equipment acquired or improved with ARC funds. ARC will require grantees and subgrantees, other than state agencies, to record a notice of federal interest in real property acquired or improved with ARC funds and for equipment acquired with ARC funds when the amount of ARC funding provided for the equipment purchase exceeds the Simplified Acquisition Threshold.

3.6 The Code (Section 8.9) requires grantees and subgrantees to cooperate during post- award evaluations of grant outcomes and investment impacts, which may occur several years after project closeout.

3.7 Generally, assistance for an operations project is not available beyond three years after the effective date, except that a state may request additional funding for such a project pursuant to Section 303 of the ARDA (40 U.S.C. 14322).

3.8 Commission approval of a project for construction, renovation or equipment must take place prior to the letting of any contract. Except for a project under Section 201 of the ARDA (40 U.S.C. 14501) or as otherwise prohibited by law, a State may waive this requirement at its option upon a finding that conditions warrant such action. A State that waives this requirement shall immediately notify ARC of such waiver.

3.9 At the request of a state, the Commission may revoke or revise its approval of any project pursuant to Section 303 of the ARDA (40 U.S.C. 14322) (excluding projects under Section 201 (40 U.S.C. 14501)) if the work intended to be assisted is not under way within 18 months after the date of approval of such project.

Section 4—Project Applications

To assist the Commission with the project evaluations required by the ARDA and the Code, all applications for ARC assistance should provide the following information and explanations:

1. Identification and description of grantee.
2. Identification and description of the area to be served by the project.
3. A brief statement of the objective of the project and an explanation of its relationship to one or more of the Commission's Strategic Goals.
4. A description of the project rationale, including a description of the needs and specific problems to be addressed by the project and a demonstration of the need for ARC financial assistance, including reasonable assurances that the project makes use of all available federal and non-federal funds. An application for an ARC-assisted construction project should include a discussion of any efforts that may have been made to improve the energy efficiency of the project.
5. A detailed description of the work to be undertaken with grant and matching funds with pertinent budget information. Matching funds should be identified by amount and source with evidence of assurance that such funds are available. The application shall also provide reasonable assurance that there is management capability to effectively implement the project, and comply with ARC requirements and federal grant regulations.
6. A description of the output and outcome benefits to be derived from the project with particular emphasis on the extent to which the benefits to the area being served by the project will be realized on a continuing rather than a temporary basis. Benchmarks and performance measures shall be identified for each ARC-assisted project using the following definitions:
 - a. Output measures are indicators that count the goods and services produced by an individual or agency.
 - b. Efficiency measures are indicators that measure the unit cost associated with a given output.
 - c. Outcome measures are indicators that measure the actual impact of public benefit of the actions of an individual or agency.

* The above information is also outlined in greater detail in project application checklists and associated guidance found in the resources section on ARC's website.

Section 5—Local Access Roads

5.1 Authority.

The construction of local access roads in the Appalachian Region is authorized under Section 201 of the Appalachian Regional Development Act of 1965, as amended (ARDA) (40 U.S.C. 14501). The ARDA authorizes the construction of up to 1,400 miles of local access roads that will serve recreational, residential, educational, commercial, or industrial sites, or facilitate a school consolidation program. ARDA Section 201 access road projects must be approved by the Commission, the State Department of Transportation and the Federal Highway Administration. Projects are usually administered by the State Department of Transportation.

A State may also use a portion of its ARC Area Development allocation to fund an access road project under Section 214 of the ARDA (40 U.S.C. 14507). Such a project must be authorized under another Federal grant program and will be administered by the basic Federal agency (HUD, EDA or Agriculture) having responsibility for such grant program. Project criteria and matching limits for ARC Section 214 projects are discussed in the ARC Project Guidelines.

5.2 Funding.

The ARC Code allows Appalachian States to apply a portion of their ADHS funds to access road projects (Section 9.5.c). Annually, each State with uncompleted ADHS corridor sections may use up to \$5 million from balances of funds that have been allocated to it for the ADHS for access road projects, except funds specially designated by Congress for Corridor construction. Access road authority is not cumulative, but must be approved by ARC during the year of availability.

5.3 Standards.

Section 201 of the ARDA requires Appalachian access road projects to be designed, constructed and maintained in accordance with the provisions of Title 23 of the U.S. Code. Section 109 of Title 23 allows road projects, such as access roads, that are not on the National Highway System, to be designed and constructed in accordance with State standards. ARC access roads are to be designed to accommodate the types and volumes of traffic that are anticipated for the 20-year period following construction.

5.4 Specific Project Criteria.

Section 9.6.b of the ARC Code provides criteria for specific types of ARC access roads:

Industrial, Commercial and Service Areas. Projects serving such areas must provide significant employment opportunities or otherwise meet the criteria set forth in an approved State Strategy Statement. A program for stimulating development in the area served by the project must be in existence, or specifically planned and funded. Such programs shall make provisions for necessary utilities, and shall be compatible with other development plans for the area.

Residential Developments. Projects may be approved to provide access to sites required to satisfy demonstrated needs for permanent housing.

Recreation Areas. Projects serving a recreational development must have a significant impact on the local economy. A program for stimulating development in the area served by the project must be in existence, or specifically planned and funded.

Educational Areas. Projects serving school consolidations or other educational activities shall be designed, wherever possible, to serve additional developmental objectives.

Timber Areas. Projects may be approved to facilitate the harvesting of timberlands which have significant commercial value. Priority shall be given to projects that complement other developmental activities serving the same areas.

5.5 Eligible Activities.

ARC local access road projects may provide funding for preliminary engineering, purchase of rights-of-way and construction. ARC funds are available for initial construction of local access roads but not for resurfacing, rehabilitation, upgrading or safety improvements on previously constructed ARC access roads. Eligibility of specific costs items are governed by the appropriate Federal-aid and State regulations for engineering, right-of-way and construction, including regulations pertaining to utility adjustments and accommodation.

5.6 Project Applications.

In addition to the information required by Section 5 of the ARC Project Guidelines, local access road project applications must include a certification by the State Department of Transportation that the project has been, or will be, included in the statewide transportation improvement program (STIP), that it meets state design criteria and that funds and obligation authority necessary for the project will be made available from the State's ADHS account for the project. The application should also include a description of the project including the roadway typical section(s), length to the nearest hundredth of a mile, pavement structure, and applicable design criteria, as well as a schedule for the completion of important project components.

Section 6—Regional Skills Partnerships

6.1 ARDA Authority.

Section 205. Assistance to regional skills partnerships in the Appalachian Region in order to improve the job skills of Appalachian workers for a specified industry is authorized by Section 205 of the Appalachian Regional Development Act of 1965, as amended (ARDA) (40 U.S.C. 14506). Section 205 grants are made and administered directly by the Commission. Section 205 contains eligibility criteria for grantees and projects that are summarized in these guidelines.

Other Authorities for ARC Job-Training and Skills Development Projects. A State may also use a portion of its ARC Area Development allocation to fund job-training and skills development projects under Sections 214 and 302 of the ARDA. (40 U.S.C. 14507 and 14321)

A project under Section 214 must be authorized under another Federal grant program and will be administered by the basic Federal agency having responsibility for such grant program. The Carl D. Perkins Vocational and Technical Education Act of 1998, administered

by the Department of Education, is mentioned specifically in Section 214, but other Federal grant programs for such assistance may also be available for ARC project funding. Project criteria and matching limits for ARC Section 214 projects are discussed elsewhere in these Guidelines.

Grants for such projects under Section 302 are made and administered directly by the Commission and are not subject to the eligibility restrictions of Section 205 grants.

6.2 Eligible Entities.

Section 205 funding is available only to a consortium established to serve one or more industries in a specified geographic area of the Region, which consists of representatives of businesses or a nonprofit organization that represents businesses, labor organizations, State and local governments, or educational institutions.

6.3 Eligible Activities.

In general, Section 205 funding is available for any project that is intended to improve the job skills of workers for a specified industry in a specified geographic area of Appalachia. The ARDA includes as eligible for funding under Section 205 the following types of projects; other types of projects, however, that meet the general eligibility criteria may also be considered for funding: (1) assessments of training and job skill needs for an industry; (2) development of curricula and training methods, including electronic learning or technology-based training; (3) identification of training providers and the development of partnerships between the industry and educational institutions, including community colleges; (4) development of apprenticeship programs; (5) development of training programs for workers, including dislocated workers; and (6) development of training plans for businesses.

6.4 Restriction on Administrative Costs.

A grantee consortium under a Section 205 grant may not use more than 10% of the grant funds to pay the administrative costs associated with its project. Administrative costs, however, may be used to supply the grantee's cost share obligations for its grant.

6.5 Project Applications.

In addition to the information required by Section 4 of the ARC Project Guidelines, regional skills partnership project applications must include a description of the consortium that is applying for the grant indicating the geographic area and the industry or industries it serves along with a listing of its members and their business or organizational affiliations. The project application must also indicate the specific industry for which it is designed to improve workers' skills. Evaluation measures keyed to jobs created or preserved by the project must be included.

Appendix—Policy Statements

Policy for the Development of the Travel and Tourism Industry

The Appalachian Regional Commission (ARC) recognizes the development of the travel and tourism industry as an important component of the Commission's strategy to improve the economic health of the Appalachian Region.

ARC will support activities as they relate to the travel and tourism industry in the context of an overall development strategy - such as:

- Planning and research
- Training and technical assistance
- Education and capacity building
- Marketing and promotional efforts

Infrastructure projects related to the travel and tourism industry will be reviewed using the same criteria as that used for all other economic development projects. Proposals to use ARC funds for capital investments in this sector, including construction and acquisition, are not prohibited but will be reviewed stringently. In particular, such projects must be an integral part of a strategic plan for the community and/or region and must meet the highest standards of a cost-benefit analysis as to economic outcomes.

All local and regional proposals for travel- and tourism-related funds should be discussed with the States at the earliest possible state of development.

Policy for the Use of ARC Export Funds for Trade Events

ARC funds may not be used to support travel for persons acting in the capacity of private business people.

ARC funds may be used for trade events overseas as noted below:

1. Travel support for one public sector representative per ARC state
2. Translation of materials to be used at the event and general translation services at the event
3. Shipping materials to the event
4. Exhibit space and registration fees for the event for private businesses
5. Incidental services for the event

ARC funds should be used for value-added export promotion projects within the Appalachian portion of each state and should not be used to replace state funds in on-going state projects or programs. ARC-funded activities should be part of a comprehensive marketing effort.

Policy for Residential Infrastructure Projects

The Commission will provide grants for basic residential infrastructure projects only for communities in ARC designated distressed counties except that such assistance may be provided in a transitional and at-risk county upon a special showing of compelling need such as the location of the project in a distressed area of the county or as disaster relief or to address a mandate of the Federal EPA or a state health or environmental agency. Self-help projects for basic residential infrastructure may also be funded in transitional and at-risk counties.