

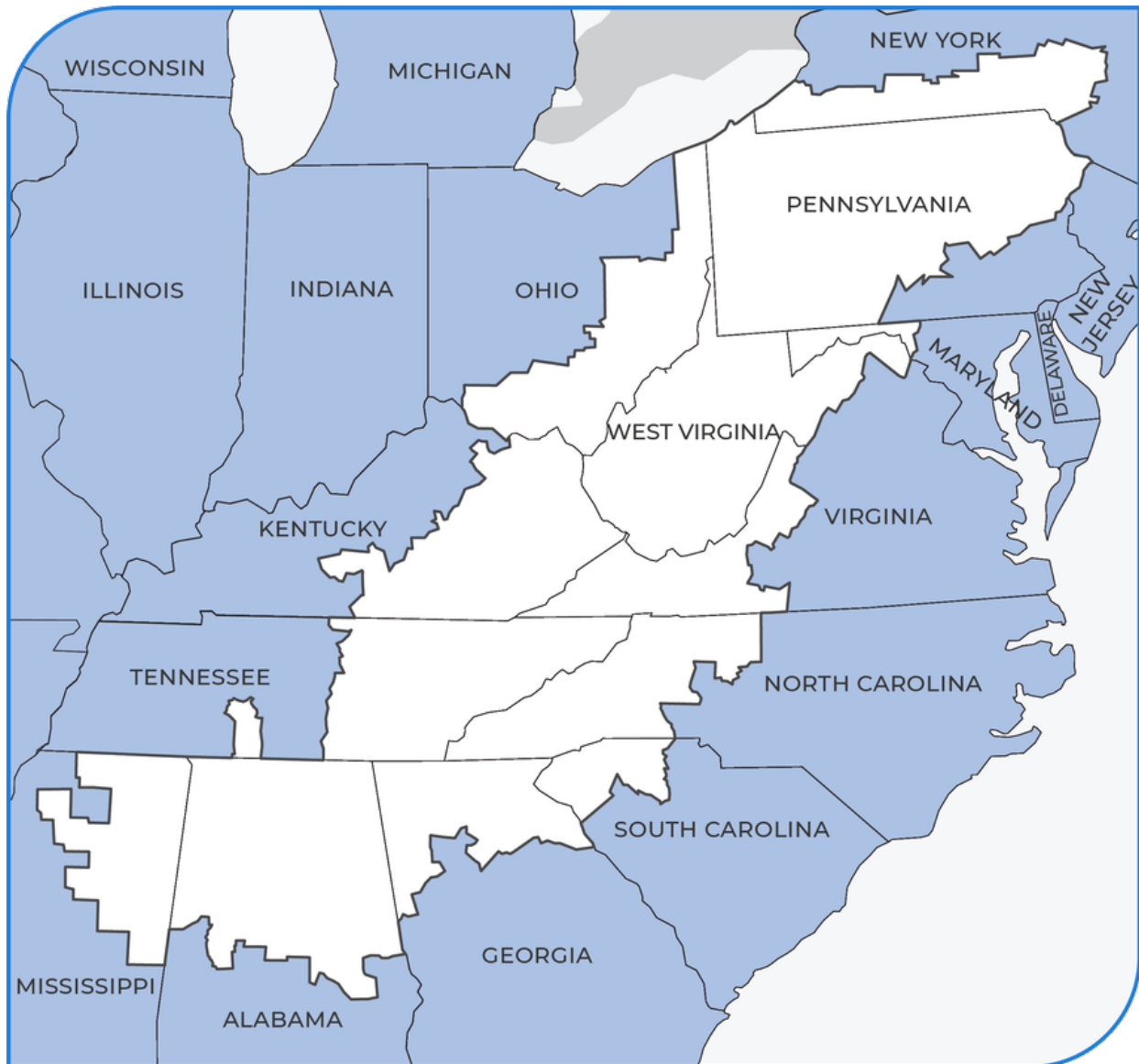


APPALACHIAN REGIONAL COMMISSION

## FY 2025 Performance Budget Justification

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

MARCH 2024



**APPALACHIAN REGIONAL COMMISSION**  
**FY 2025 Performance Budget Justification**  
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## FY 2025 Budget Summary and Highlights



The Federal Co-Chair of the Appalachian Regional Commission (ARC, the Commission) requests \$200 million to fund the programmatic activities for Fiscal Year (FY) 2025. This represents level funding with the amount appropriated by Congress for FY 2023 as well as a 2024 Annualized Continuing Resolution level. ARC’s funding has increased steadily 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 Infrastructure Investment and Jobs Act (IIJA) funds. The IIJA provides \$1 billion for

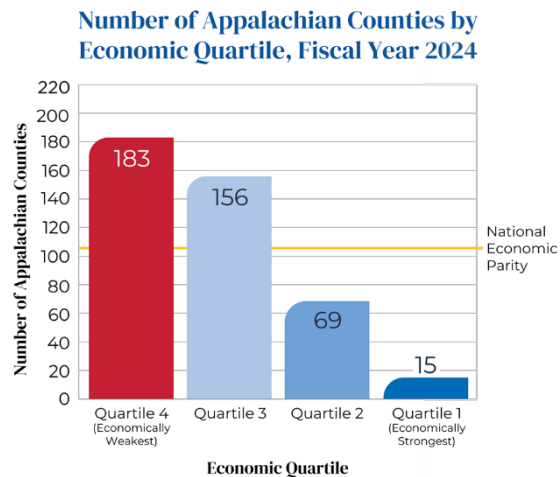
ARC activities over five years, with \$200 million appropriated annually from FY 2022 through FY 2026. The Act also reauthorized the agency through FY 2026 and added three new counties. This combination of funding presents a unique opportunity for ARC to make larger investments and address some of the systemic challenges that have hindered development while providing gap funding and launching new ideas in Appalachia.

*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. Internally, ARC piloted a summer internship program, recruiting students from the Region’s colleges and universities in FY 2023. The program proved extremely successful and will be expanded in future years to target historically black colleges and universities (HBCUs), first generation college students, and/or students from economically distressed communities. ARC will continue to assist communities in Appalachia with accessing other federal resources and designing transformational activities that diversify the Appalachian economy.

ARC’s FY 2025 funding request includes \$85 million to continue the Area Development Base Program and \$31 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 three regionally competitive initiatives: \$65 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 development work, for which a Notice of Solicitation of Applications (NOSA) will be released in FY 2024. This combination of programmatic strategies enables ARC to address new and existing economic challenges at both micro and macro levels. Using the IJJA funding, ARC launched the Appalachian Regional Initiative for Stronger Economies (ARISE) to drive large-scale, regional economic transformation through multi-state collaborative projects and READY Appalachia to provide a series of capacity-building programs targeting specific sectors. In FY 2024, ARC continues to offer 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 2024 regionally competitive funding opportunities: ARISE, INSPIRE, and POWER. These activities will continue through FY 2025.

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 13-state 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 Appalachian counties with all the counties in the nation based on unemployment, per-capita income, and poverty rates. Figure 1, which shows the index, demonstrates that Appalachia has proportionally more of the economically weakest counties and fewer of the economically strongest counties compared to the rest of the nation. When this index shows an equal share of counties across each quartile, Appalachia will be at socioeconomic parity with the nation.

Figure 1 – Number of Appalachian Counties by Economic Quartile, FY 2024



Appalachia has made significant progress since the inception of ARC:

- The number of high poverty counties in Appalachia has been cut by 60%, from 297 in 1960 to 116 today.
- The regional poverty rate has been cut by more than half, from 30.9% in 1960 to 14.5% today (2017–2021 period).
- The percentage of adults with a high school diploma has nearly tripled since 1960, and students in Appalachia now graduate from high school at nearly the same rate as that of the nation as a whole.
- In the past five years, ARC-funded infrastructure projects have provided 343,463 Appalachian households and businesses with access to clean water and sanitation facilities.

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:

- At \$31,098, per capita income in the Appalachian Region was 83% that of the U.S. average of \$37,638 during the 2017–2021 period.
- The Appalachian Region lost over 625,000 jobs between 2007 and 2010, with losses taking place both during and after the Great Recession. It took the Region until 2015 to achieve its pre-recession level of employment; meanwhile, the United States as a whole reached its pre-recession level of employment in 2013. More recent trends continue to show a gap between the Region and the country as a whole: Appalachia saw its total employment grow by 4.2% from 2016–2021 compared to 8.0% in the United States as a whole.
- Appalachia lagged behind the nation in the proportion of adults with a bachelor's degree (26% compared with 33.7% for the nation) in the 2017–2021 period.
- Between 2011 and 2022, coal mining employment in Central Appalachia decreased 66%—over 20,000 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 2021, overdose-related mortality rates for the Region's 25–54-year-old age group—those in their prime working years—were 72% higher than for the same age group in the country's non-Appalachian areas.

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**Infrastructure Investment and Jobs Act  
(IIJA)**

**FY 2022 – FY 2024**

**Complementary Activities**

**Appalachian Regional Initiative for Stronger Economies (ARISE)** provides \$227 million for an initiative to drive large-scale, regional economic transformation through multi-state collaborative projects across Appalachia.

**READY Appalachia** provides \$29 million for a community capacity-building initiative offering flexible funding to Appalachia nonprofit organizations, community foundations, local governments, and Local Development Districts to obtain resources to strengthen these important organizations.

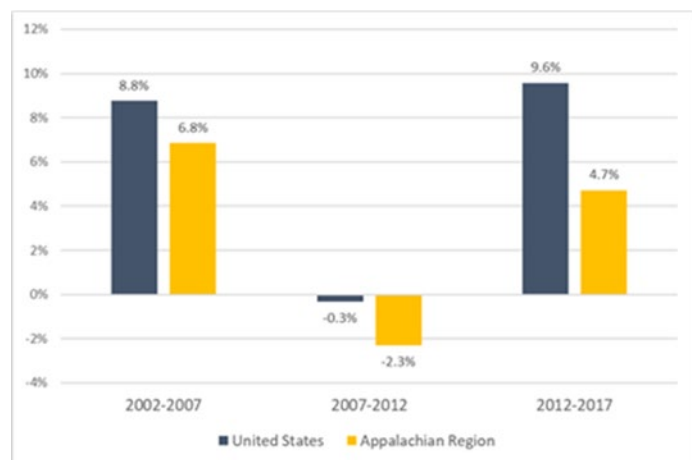
**Base Area Development** funding was increased by \$300 million to continue the ongoing development work on a state-by-state basis and increase the allowable federal share of funding with other national programs such as ARPA through ARC’s flexible statutory authority.

Through expanded **research capabilities** provided by this funding, ARC can offer increased regional data and analysis to applicants for other national programs to potentially increase the number of successful Appalachian applications.

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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% in total employment, the Region experienced growth of just 4%. Central Appalachia fared the worst among the subregions, losing over 8% of its total employment over the time period. Because Appalachia features a network of single-sector economies—previously focused substantially on mining and manufacturing, both of which have struggled recently—economic downturns such as that experienced in COVID tend to hit the Region harder and traditionally last longer than in other areas of the nation. Figure 2 illustrates this trend through previous periods of economic downturn.

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



ARC is not duplicative of other federal programs, but rather complementary. By using its grassroots delivery system, ARC can extend the reach of programs such as those funded by the American Rescue Plan Act (ARPA) into some of the most economically distressed parts of the nation. The ARC Strategic Plan 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 Biden Administration's emphasis on equity, ARC targets its resources to the areas of greatest need. In FY 2023, 70% of ARC's grant dollars supported projects that primarily or substantially benefited economically distressed counties and areas.

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, funded through the Department of Labor (DOL). The WORC Initiative is designed to address persistent economic distress by aligning community-led economic and workforce development strategies and activities to ensure long-term economic resilience and enable workers to succeed in current and future job opportunities. To date, with ARC's programmatic support, the DOL has awarded over \$80 million in total funding to workforce development projects in Appalachia. These projects have provided and will continue to provide valuable career, training, and support services to dislocated workers, new entrants to the workforce, and incumbent workers in counties, parishes, or areas currently underserved by other resources.
- In FY 2021, ARC partnered with the U.S. Environmental Protection Agency (EPA) on a community capacity-building pilot program for the Region. Training components focused on deployment of ARPA funds to reignite local economies. That partnership was the genesis for READY Appalachia and was expanded through the IJJA funding.
- Through a separate partnership with the EPA, the Commission joined the United States Forest Service and the Northern Border Regional Commission in 2022 to sponsor 12 Appalachian communities to take part in the Recreation Economy for Rural Communities (RERC) Program, a planning assistance program for communities wishing to bolster their outdoor recreation sector and connect it with other economic assets in their communities. The program features a two-day workshop, extensive support calls, and the creation of an action plan that includes potential sources of funding for the actions. As of August 2023, all 12 Appalachian communities have had their workshops and are in various stages of finalizing their actions plans. The workshops and technical assistance occurred throughout FY 2023. This partnership was renewed for FY 2024.
- 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. In FY 2023, ARC partnered with the U.S. Department of Agriculture (USDA) and Kentucky Highlands Investment Corporation to host a forum in Appalachian Kentucky designed to build collaboration, capacity, and

relationships by connecting community networks with targeted federal and civic partners. In FY 2024, ARC partnered with the USDA to provide a day and a half of capacity building and in-depth application training for all nine Kentucky Area Development Districts. Forty-five economic developers engaged in the training. ARC will continue to support the mission of the Rural Partners Network with activities that promote job creation, infrastructure development, and community improvement.

- In an effort to coordinate broadband implementation with National Telecommunications and Information Administration (NTIA) funding throughout the Region, ARC participates in Appalachian Cross Connect, a group of state broadband directors from all 13 Appalachian states that convene to discuss issues related to broadband. The group shares lessons learned, provides feedback on ARC's broadband priorities and policies, and identifies potential opportunities to collaborate across state borders.

Nonprofit, philanthropic, and private sector investors are important partners as well:

- When economic research indicated the scarcity of investment 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 Foundation, the Ford Foundation, Mary Reynolds Babcock Foundation, the Claude Worthington Benedum Foundation, the Annie E. Casey Foundation, and BB&T Bank. From 2015 (when ACC first began lending) through December 2022, ACC deployed \$33 million in financing to member Community Development Financial Institutions (CDFIs), which have financed 121 small business loans that have created or retained almost 3,000 jobs in Appalachia. Fifty-three percent of loans were disbursed to minority and/or women-owned businesses.
- 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 program is producing results. Investments of **\$322.9 million** in grant funds across all initiatives in FY 2023 attracted an additional **\$406.6 million** in other project funding, an investment ratio of **1.3 to 1**, and **\$3.13 billion** in non-project leveraged private investment, a ratio of **10 to 1**. These projects are anticipated to produce the following results:

- 50,189 jobs created or retained
- 46,990 students, workers, and leaders trained in new skills
- 52,199 businesses and households with access to improved infrastructure
- 8,139 businesses created or strengthened



- 1,700 communities with enhanced capacity

The FY2025 Congressional Justification 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, 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 this group 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. The ARC Federal Co-Chair serves as the Chair of the Community Engagement Subcommittee and continues to collaborate on actions designed to deploy solutions and information to build capacity. This includes a multi-agency webinar focused on water, sewer, and broadband infrastructure programs in coal-impacted communities in July 2023 and an in-person event in Pennsylvania announcing federal resources to assist employees in October 2023.

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 IJA 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 equity, ARC developed a complementary investment strategy including 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 FY 2023 spending (across all initiatives) and indicates that ARC’s programmatic capacity has increased with the spending, resulting in historic levels of investment. The budget requests \$85 million to continue this work in FY 2025.

Figure 3 – ARC Projects – FY 2023

**Appalachian Regional Commission Projects Approved in Fiscal Year 2023**  
(in thousands of dollars)

	Number of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Asset-Based Development	43	\$15,817.4	\$1,352.0	\$12,154.2	\$29,323.6
Business Development	86	66,911.7	8,103.2	60,997.0	136,011.9
Civic Entrepreneurship	102	7,511.3	77.5	1,416.8	9,005.7
Community Development	199	143,770.5	34,570.0	201,729.6	380,070.1
Education and Workforce Development	143	64,102.9	3,416.8	69,314.8	136,834.5
Health	15	6,070.1	1,000.0	5,765.5	12,835.6
Research and Evaluation	14	2,321.3	0.0	100.0	2,421.3
State and Local Development District Planning and Administration	99	16,394.6	70.0	6,553.1	23,017.7
<b>Totals</b>	<b>701</b>	<b>\$322,899.8</b>	<b>\$48,589.6</b>	<b>\$358,031.0</b>	<b>\$729,520.3</b>
<i>Notes: Totals may not add because of rounding. Table includes access road projects funded through the Highway Trust Fund.</i>					

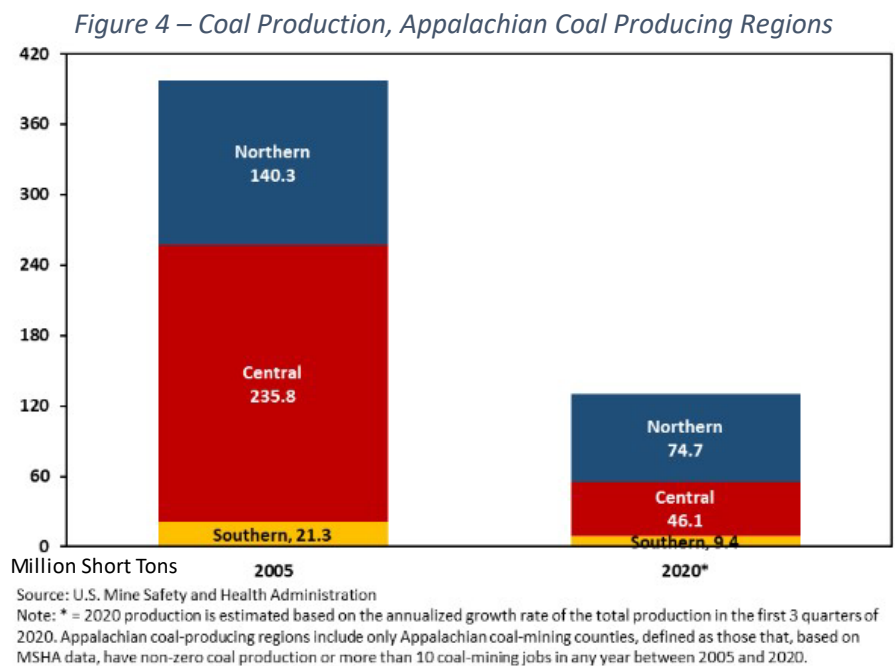
## POWER Initiative

The economic downturn of the coal industry has had a significant impact on Appalachia. The COVID pandemic depressed already declining coal production across the United States. Coal production in Appalachia fell by more than 65% overall between 2005 and 2020. This loss is significantly higher than the national rate of decline of approximately 54%.<sup>1</sup> Figure 4 indicates the dramatic reduction in coal production across the three Appalachian basins, with Central Appalachia output plunging by 80%, resulting in the loss of thousands of jobs. ARC designed the regionally competitive Partnerships for Opportunity and Workforce and Economic Revitalization Initiative (POWER) Initiative 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% of the overall benefits from federal investments in climate and clean energy serve disadvantaged communities.

**From POWER to EDA 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 built on a broad network of partnerships. Working in concert and driven by a strong common vision, these partners can transform the regional economy.

Since the launch of the POWER Initiative in 2015, ARC has invested nearly **\$424.1 million** in **519 projects** impacting **360 coal-impacted counties**. A new evaluation conducted by Chamberlin/Dunn indicates that most POWER projects met or exceeded output and outcome targets, with ARC's investments projected to have helped create or retain more than 39,600 jobs and over 100,000 workers and



<sup>1</sup> [https://www.arc.gov/wp-content/uploads/2021/04/Coal-and-the-Economy-in-Appalachia\\_Q4\\_2020-Update.pdf](https://www.arc.gov/wp-content/uploads/2021/04/Coal-and-the-Economy-in-Appalachia_Q4_2020-Update.pdf).

students for new opportunities in entrepreneurship, broadband, tourism, and other growing industries.<sup>2</sup> The budget for FY 2025 requests \$65 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 requirement: in FY 2023, 70% of its appropriations were invested in distressed counties or areas. 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. FY 2024 demonstrates a slight improvement from FY 2023. While the number of distressed counties will remain the same at 82, the number of at-risk counties decreases from 109 to 101. The number of transitional counties will increase from 218 to 225, and 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 \$31 million in FY 2025 to continue to develop projects focusing on the reduction/elimination of economic distress in the Region.

### INSPIRE Initiative for Substance Abuse Mitigation

The nation's substance abuse crisis disproportionately impacts Appalachia, where in 2021, overdose-related mortality rates for the Region's 25–54-year-old age group—those in their prime working years—were 72% 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. COVID, as well as the downturn in the coal economy, has only intensified this issue. This threat to economic prosperity makes the substance abuse crisis a priority for ARC. Working through its Substance Use Disorder Advisory Council (a 24-member volunteer advisory group of leaders from multiple sectors from each of the Region's 13 states), ARC designed and launched a strategy to address the workforce impacts of this epidemic. The strategy, Investments Supporting Partnerships In Recovery Ecosystems (INSPIRE), 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 **\$43.4 million** across **130 projects**. Together, the projects will impact

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

**349 Appalachian counties**, improve **2,178 businesses**, and help prepare **9,772 individuals** for new opportunities in the workforce. This 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 2025.

### **Appalachian Energy Hub**

In FY 2024, ARC is launching a NOSA to solicit projects involving research, analysis, and planning regarding the economic impact of an ethane storage hub in the Appalachian Region that supports a more-effective energy market performance due to the scale of the project and that will help establish a regional energy hub in Appalachia for natural gas and natural gas liquids, including hydrogen produced from the steam methane reforming of natural gas feedstocks.

### **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 LDDs in FY 2025.

### **Salaries and Expenses**

The budget requests funding for salaries and expenses totaling \$14.22 million for the full costs of both the Office of the Federal Co-Chair, its immediate staff and the Office of the Inspector General; as well as programmatic costs of the Commission, and the 50% federal share for administrative expenses of the Commission staff. As previously mentioned, ARC initiated an internship program targeting students from higher learning institutions within the Appalachia Region. In FY 2023, three candidates were selected to staff divisions based on position descriptions for each opening. The program is being expanded in FY 2024. ARC will continue to provide extensive technical assistance to underserved communities, removing economic barriers and engaging communities in accordance with Executive Order No. 13985 and Executive Order No. 14008. Details on staffing are provided below in Table 1.

ARC has allocated portions of its IJJA appropriations from FY 2022 through FY 2026 to cover the costs of administering IJJA programs.

Table 1 – Annual Appropriation Budget – FY 2025 Request

**Area Development Program Detail**

(\$ in thousands)

	FY2023 Enacted	FY2024 Continuing Resolution	FY2025 President's Budget	Change
<b>Base Program</b>				
<i>Base Program Administration</i>	4,027	4,178	6,053	1,875
<i>Base Program Grants</i>	55,584	55,433	79,080	23,647
<b>Total</b>	<b>59,611</b>	<b>59,611</b>	<b>85,132</b>	<b>25,521</b>
<b>POWER</b>				
<i>POWER Administration</i>	4,394	4,546	4,646	100
<i>POWER Grants</i>	60,645	60,493	60,700	207
<b>Total</b>	<b>65,039</b>	<b>65,039</b>	<b>65,346</b>	<b>307</b>
<b>Special Initiatives For Distress</b>				
<i>Special Initiatives For Distress Administration</i>	3,869	4,003	2,220	(1,784)
<i>Special Initiatives for Distress Grants</i>	53,405	53,271	29,000	(24,271)
<b>Total</b>	<b>57,274</b>	<b>57,274</b>	<b>31,220</b>	<b>(26,054)</b>
<b>Energy Hub Development</b>				
<i>Energy Hub Initiative Administration</i>	338	350	383	33
<i>Energy Hub Initiatives Grants</i>	4,665	4,653	5,000	347
<b>Total</b>	<b>5,003</b>	<b>5,003</b>	<b>5,383</b>	<b>380</b>
<b>INSPIRE</b>				
<i>INSPIRE Administration</i>	883	914	919	5
<i>INSPIRE Grant</i>	12,190	12,159	12,000	(159)
<b>Total</b>	<b>13,073</b>	<b>13,073</b>	<b>12,919</b>	<b>(154)</b>
<b>Total Funding</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>	<b>(0)</b>
<b>Total Programmatic Funding</b>	<b>186,489</b>	<b>186,009</b>	<b>185,779</b>	<b>(229)</b>

**ARC Operating Expenses**

(\$ in thousands)

	FY2023 Enacted	FY2024 Continuing Resolution	FY2025 President's Budget	Change
<b>Operating Expenses</b>				
<i>Commission Administration (50% Federal Contribution)</i>	3,663	3,813	3,851	38
<i>Commission Programmatic</i>	6,341	6,321	6,306	(15)
<i>Office of the Inspector General</i>	1,403	1,566	1,648	82
<i>Office of the Federal Co-Chair</i>	2,104	2,291	2,415	124
<b>Total</b>	<b>13,511</b>	<b>13,991</b>	<b>14,220</b>	<b>229</b>
<b>Local Development Districts<sup>1</sup></b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>-</b>

<sup>1</sup> Funded exclusively through Base Program

Table 1 details ARC’s funding request of \$200 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 2023 investing record funding.

Table 2 – IJA Detail

**Infrastructure Investment and Jobs Act Detail<sup>1</sup>**

(\$ in thousands)

	FY2023 Enacted	FY2024 Continuing Resolution	FY2025 President's Budget*	Change
<b>Base Program</b>				
<i>Base Program Administration</i>	3,226	3,226	3,226	-
<i>Base Program Grants</i>	100,000	100,000	100,000	-
<b>Total</b>	<b>103,226</b>	<b>103,226</b>	<b>103,226</b>	<b>-</b>
<b>ARISE Multi-State Initiative</b>				
<i>ARISE Multi-State Initiative Administration</i>	2,581	2,581	2,581	-
<i>ARISE Multi-State Grants</i>	80,000	80,000	80,000	-
<b>Total</b>	<b>82,581</b>	<b>82,581</b>	<b>82,581</b>	<b>-</b>
<b>READY Appalachia</b>				
<i>READY Appalachia Administration</i>	306	306	306	-
<i>READY Appalachia Grants</i>	9,500	9,500	9,500	-
<b>Total</b>	<b>9,806</b>	<b>9,806</b>	<b>9,806</b>	<b>-</b>
<b>Other Programs</b>				
<i>Other Programs Administration</i>	137	137	137	-
<i>Research/Mapping and Analysis</i>	1,000	1,000	1,000	-
<i>Co-Chairs' Development Funding</i>	2,000	2,000	2,000	-
<i>Academies and Institutes</i>	1,250	1,250	1,250	-
<b>Total</b>	<b>4,387</b>	<b>4,387</b>	<b>4,387</b>	<b>-</b>
<b>Total Funding</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>	<b>-</b>
<b>Total Programmatic Funding</b>	<b>193,750</b>	<b>193,750</b>	<b>193,750</b>	<b>-</b>
<b>Operating Expenses</b>				
<i>Personnel and Operating Expenses</i>	6,250	6,250	6,250	-
<b>Total</b>	<b>6,250</b>	<b>6,250</b>	<b>6,250</b>	<b>-</b>

<sup>1</sup> Infrastructure funding is a stand-alone item -- \$1 billion in budget authority appropriated over a 5-year period (FY 2022 – FY 2026).

\* FY2025 represents planned allocations across initiatives.

The IJA 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 IJA funds for FY 2023–FY 2024 and planned allocations for FY 2025. This emergency discretionary funding builds upon the base of programmatic efforts funded by annual appropriations. ARC is directing IJA resources to accelerate economic transformation and build much-needed capacity in some of the most economically distressed areas of the nation.

Pending Commission approval, ARC will fund the following programs and activities in FY 2025:

- **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. One-third of the funding is allocated exclusively for the benefit of economically distressed counties.
- **Appalachian Regional Initiative for Stronger Economies (ARISE):** ARC launched this initiative to drive large-scale, regional economic transformation through multi-state collaborative projects. In FY 2023, ARC awarded \$50.4 million to 17 projects that expand broadband access, educate workers in emerging sectors, bolster green manufacturing, and support workforce and business opportunities across 12 states. Funding for this initiative will be awarded on a rolling basis so initial impacts will be realized almost immediately. With projects underway, ARC contracted Chamberlin/Dunn to evaluate initial implementation and identify best practices and lessons learned to share with new applicants.
- **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. The first track of the initiative, READY Nonprofits, launched in July 2022; ARC announced 75 nonprofit participants representing 52 counties across all 13 Appalachian states and cover a wide variety of sectors. Seventy-four organizations successfully completed the training, and thus were eligible to apply for a \$25,000 organizational capacity grant from ARC with optional match commitment. Seventy-three of those organizations submitted applications, and by the end of FY 2023, 59 projects had been approved for a total of \$1.5 million.
- **READY LDDs:** The second targeted track, READY LDDs, launched in October 2022. This track accepts applications from ARC’s Local Development Districts. In FY 2023, ARC funded 41 READY LDD grants for a total of \$3.6 million.



- **READY Local Governments Training Program and READY Community Foundations Training Program:** In FY 2023, ARC also launched a Request for Proposals (RFPs) for contractors to support the third and fourth tracks, READY Local Governments Training Program and READY Community Foundations Training Program, as well as the development of a long-term capacity strategy for fiscal years 2025–2029.
- **Other Programmatic Activities:** Funding for other programmatic activities 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, have been shifted to IJJA and will no longer draw from annual appropriations.



## Program Justification: Area Development Base Program

The Federal Co-Chair of the Appalachian Regional Commission (ARC, the Commission) requests a total of \$200 million, \$85 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 in the last decade. 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 can continue its efforts to focus on the severe economic distress that continues to challenge Appalachia. The funding analysis provided in Table 1 illustrates the allocation of a \$200 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 Appalachian businesses; build Appalachia's workforce ecosystem; build Appalachia's infrastructure; build regional culture and tourism; and build community leaders and capacity. Final approval of all proposed investments resides with the Federal Co-Chair of ARC. Eligible applicants include but are not limited to states, local governments, and nonprofits both with and without 501(c)(3) status. Grants range in size from \$10,000 for grass-roots demonstration projects to \$5 million for large critical infrastructure activities. In a complementary strategy, ARC is also encouraging larger multi-state grant applications through funding made available by the 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 2023, investments of **\$322.9 million** in grant funds across all initiatives attracted an additional **\$406.6**

**million** in other project funding, an investment ratio of **1.3 to 1**, and **\$3.13 billion** in non-project leveraged private investment, a ratio of **10 to 1**.

ARC's strategic plan, *Appalachia Envisioned: A New Era of Opportunity*, development process included comprehensive community engagement through which approximately **2,000 participants** shared insights on strengths, challenges, and opportunities facing Appalachia, along with ideas to advance economic prosperity. 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% since 1980, while the number of jobs in Appalachia has increased only 49% over the same time period.<sup>3</sup> 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.

A program evaluation released in FY 2023 assessed the impact of ARC's business development grants that were closed between 2017 and 2021; the evaluation found that those investments facilitated the creation or retention of 29,352 jobs and the establishment of 1,944 new businesses in the Appalachian Region. Additionally, ARC's business development grant projects

#### **Entrepreneurial Support of Manufacturing Sectors**

In FY 2023, ARC made a grant of \$750,000 to Catalyst Connection for Shale POWER 2.0: Supporting Appalachian Businesses to Diversify into the Shale-Manufacturing Sectors. The three-year project will reach manufacturers in a three-state region and leverage the recent international developments that make the Appalachian Basin a critical U.S. energy asset. With ARC's investment, 80 businesses will be impacted because of the services received and almost all counties (11) will have a business improved, leading to sustaining jobs in each community. Additionally, 160 jobs will be created, and 880 jobs will be retained. The businesses improved are projected to experience an average of \$300,000 of private investment, for a total of \$24 million of leveraged private investment.

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<sup>3</sup> Woods & Poole Complete Economic and Demographic Data Source.

attracted \$923 million in private investment to the Region, resulting in increased economic opportunity for its 26.3 million residents. <sup>4</sup>

## **Goal 2: Building Appalachia’s Workforce Ecosystem**

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

Developing and sustaining a strong workforce is a critical component of economic development, both in Appalachia and across the country. Over the 2017–2021 period, the share of adults with a bachelor’s degree or more was 7.7 percentage points lower in Appalachia than in the nation as a whole.

A strong workforce includes not only educational opportunities, but also soft and technical skills to meet local industry needs as well as access to fundamental 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: talent and skill development *and* employment support to keep people in the labor force and contributing to economic and community development.

### **Heavy Equipment and Diesel Mechanics Training**

With the need for post-secondary education growing in recent years as businesses report a lack of skilled workers to fill their open positions and as the income gap widens between college and high school graduates, ARC made a grant in the amount of **\$500,000** to **Mifflin County Academy of Science and Technology** in FY 2023. Funds will be used to purchase equipment for post-secondary students enrolled in training for both heavy equipment operators and diesel mechanics. The existing training programs in the area cannot train enough students to fill the current positions in the market. This program will provide training for 80 students and serve nine businesses during the term of the grant.

## **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, 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,

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<sup>4</sup> <https://www.arc.gov/report/evaluation-of-arc-business-development-grants-closed-between-2017-2021/>

community and individual prosperity, and access to healthcare and education. Difficult 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% of the Region’s population is not served by a community water system (compared with 12% nationally), and 47% of Appalachian households are not served by a public sewage system (compared with 24% nationally).<sup>5</sup> In FY 2024, ARC launched an evaluation of the status of infrastructure status in the Region which will be conducted by UNC Chapel Hill.

#### **Critical Infrastructure**

In FY 2023, ARC made a grant of \$1,452,000 to the Town of Junior, in economically distressed Barbour County, West Virginia, for a Water System Improvement Project. In 2017, a sanitary survey conducted by the Town of Junior revealed that only 50% of the town’s overall water use could be accounted for due to deterioration of water mains and mainline valves. The State of West Virginia Bureau for Public Health requires water accountability to be at a minimum of 85%, so the system was out of compliance. Match funding is provided through a USDA Rural Development loan and a grant from the WV Infrastructure and Jobs Development Council. Once complete, the project will result in improved service to 395 households and help bring the system back into compliance with state regulations.

As the pandemic increased workers’ reliance on remote interaction, high-speed Internet access has become even more important. During the 2017–2021 period, 82.8% of Appalachian households had a broadband Internet subscription, more than four percentage points below the national average of 87%. There are also signs of a rural-urban digital divide within the Region: In 42 Appalachian counties, less than 70% of households had a broadband subscription. All but five of these counties were outside metropolitan areas, and almost half were in the most rural counties.<sup>6</sup> 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, planning, mapping, and funding investments in broadband deployment and smart grids. With additional funding provided through the IJJA, ARC

<sup>5</sup> EFC at UNC Chapel Hill, [Drinking Water and Wastewater Infrastructure in Appalachia: An Analysis of Capital Funding and Funding Gaps](#) 2005.

[Estimated Use of Water in the United States County-Level Data for 2000](#), U.S. Geological Survey.

[Estimated Use of Water in the United States County-Level Data for 2015](#), U.S. Geological Survey.

<sup>6</sup> ARC Chartbook as compiled from American Community Survey Data (2017-2021).

is collaborating with National 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, 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*

##### **Equity Investing Strategies Leadership and Capacity Building**

ARC granted \$320,000 to the Berea College Brushy Fork Leadership Institute for the Brushy Fork Community Leadership Program: People Ready Communities in FY 2023. The project will utilize the Brushy Fork Leadership Institute's already-established People Ready Communities to conduct a series of workshops for community leaders and, following that, a mini-grant program. The People Ready Communities concept is centered around preparing communities sustain a diverse workforce, industry, tourists, and entrepreneurship development. The project is expected to result in 120 participants and eight communities improved, and eight programs implemented.

*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 to effectively drive the planning and implementation of strategies, projects, and investments.<sup>7</sup> Out-migration and a lack of focus and investment in leadership and community development has left many communities in the Region without the capacity needed to capitalize on funding opportunities and steer investments to successful outcomes. Building capacity throughout the Region has long been a focus of ARC; the dedicated funding made available through the IJA provides ARC the opportunity to expand its focus on leadership and capacity building.

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 IJA, while the Appalachian Leadership Institute will continue to be funded through a partnership with the United States Department of Agriculture. Academies and institutes offer the following components:

- **ARC Oak Ridge Summer STEM Program** is a two-week, hands-on learning program for teachers and high school and middle school students delivered through Oak Ridge Associated Universities.
- **Appalachian Entrepreneurship Academy** is an experiential learning program to build high school students' entrepreneurship skills.
- **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. Forty program fellows drawn from across ARC's 13 states participate in a nine-month training program featuring workshops and collaborative activities.

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<sup>7</sup> [Evaluation of the Appalachian Regional Commission's Leadership and Community Capacity Projects: FY 2008–FY 2015.](#)

Table 3 – ARC Performance Targets, 2022–2026

### ARC PERFORMANCE TARGETS, 2022-2026

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

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

Assuming continued funding consistent with the FY 2021 appropriations of \$180 million, the Commission is committed to achieving above mentioned performance, leverage, matching, and distressed county/area targets in pursuit of its mission. Table 3 reflects ARC’s performance targets for 2022–2026. Future ARC funding changes may necessitate adjustments to performance targets.

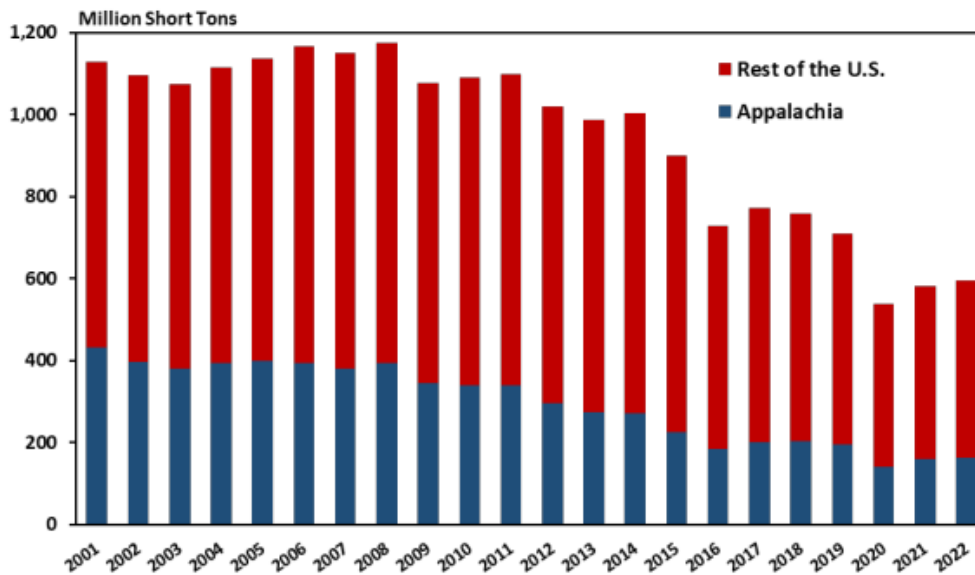




## Program Justification: POWER Initiative

The Federal Co-Chair of the Appalachian Regional Commission (ARC, the Commission) requests \$65 million for FY 2025 to continue the regionally competitive Partnerships for Opportunity and Workforce and Economic Revitalization (POWER). As demand for coal has fallen across the United States, Appalachia’s coal industry has been disproportionately affected. Between 2005 and 2020, coal production in the United States fell about 54%. Most of this decline came in Appalachia, where coal production dropped 65%. This severe decline in production has resulted in the loss of thousands of jobs across Appalachia.<sup>8</sup> Figure 5 illustrates the decline of the coal mining production industry in the broader United States and Appalachia.

Figure 5 – Coal Mining Production in Appalachia and the Rest of the United States



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

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 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

<sup>8</sup> <https://www.arc.gov/wp-content/uploads/2023/09/Coal-Production-and-Employment-in-Appalachia-2023.pdf>

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 Appalachian Regional Initiative for Stronger Economies (ARISE) funding recently made available through the Infrastructure Investment and Jobs Act (IIJA).

Figure 6 – Coal Mining Employment by Appalachian State

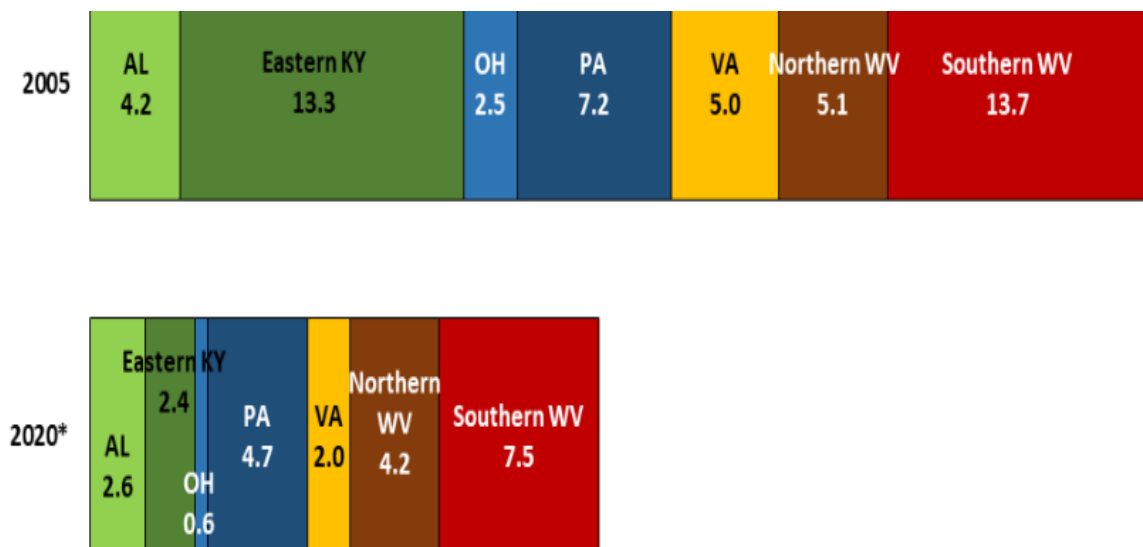


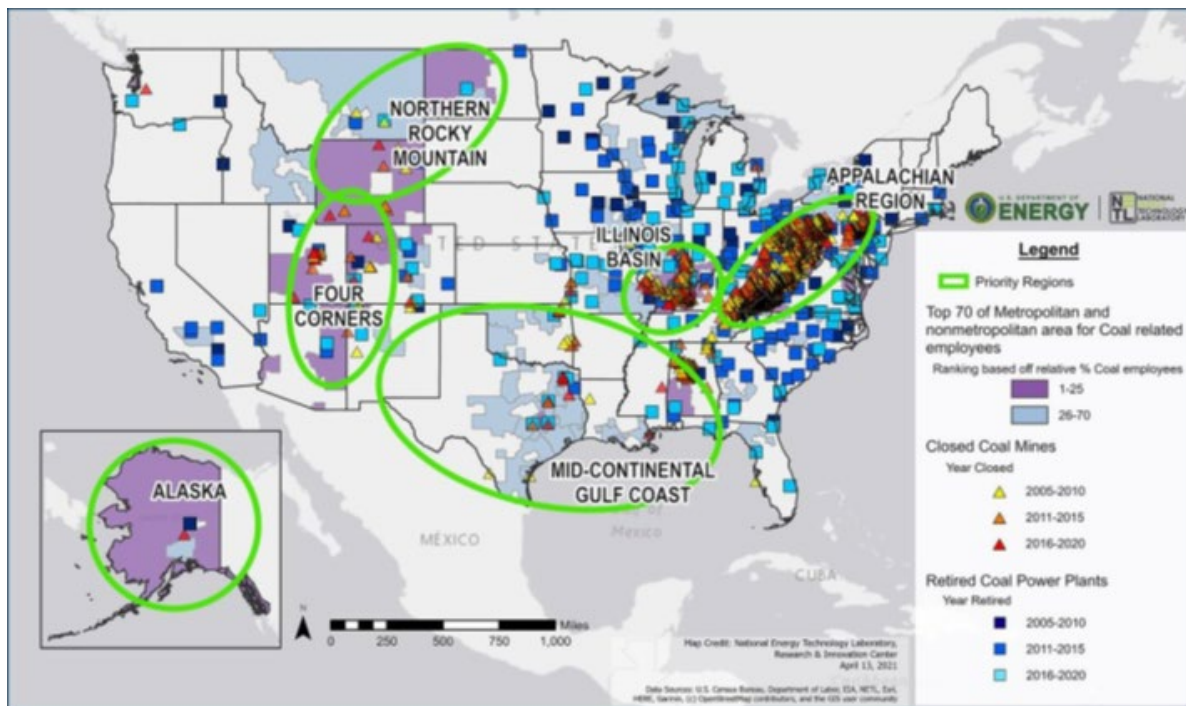
Figure 6 shows recent changes in coal employment for the coal-producing states in the Appalachian Region (the Region). Eastern Kentucky registered the largest drop in coal employment between 2005 and 2020 at 82%.<sup>9</sup> Historic flooding related to climate change in July 2022 complicated Kentucky’s challenges. ARC supported Kentucky and other Appalachian states by convening discussions with the Federal Emergency Management Administration (FEMA) in order to facilitate investment and coordinate assistance. ARC hosted FEMA’s Assistant Administrator at its policy development meeting in FY 2022 and developed better strategies for coordination.

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 to address dramatic economic challenges. This group, of which ARC is a member, has a mandate to “coordinate the identification and delivery of federal

<sup>9</sup> [https://www.arc.gov/wp-content/uploads/2021/04/Coal-and-the-Economy-in-Appalachia\\_Q4\\_2020-Update.pdf](https://www.arc.gov/wp-content/uploads/2021/04/Coal-and-the-Economy-in-Appalachia_Q4_2020-Update.pdf)

resources to revitalize the economies of coal, oil and gas, and power plant communities.”<sup>10</sup> Figure 7 shows the working group’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 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. This effort is complimented by the Biden administration’s Rural Partners Network led by the U.S. Department of Agriculture (USDA). In FY 2023, ARC partnered with the USDA and Kentucky Highlands Investment Corporation to host a forum in Appalachian Kentucky designed to build collaboration, capacity, and relationships by connecting community networks with targeted federal and civic partners. ARC will continue to support the mission of Interagency Working Group on Coal and Power Plant Communities and Economic Revitalization as well as that of the Rural Partners Network with activities that promote job creation, infrastructure development, and community improvement.

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

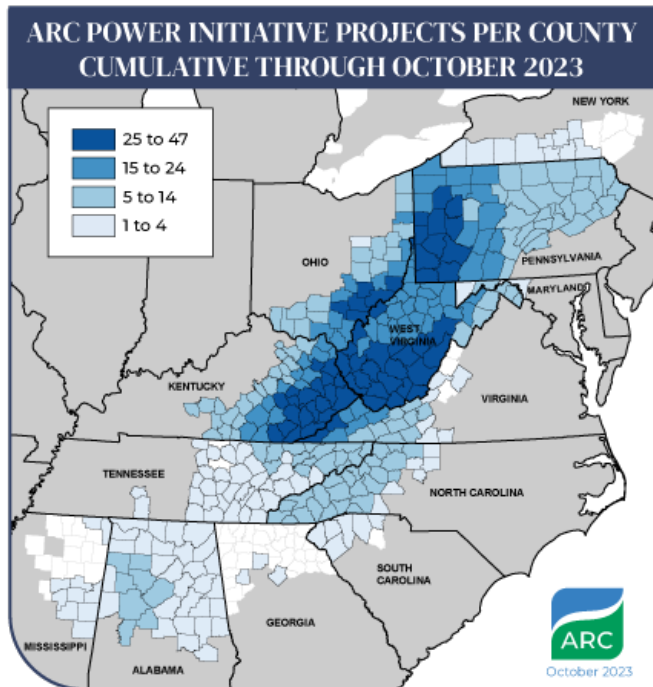


The POWER Initiative is included in the Biden administration’s Justice40 initiative, an effort to ensure that federal agencies work with states and local communities to deliver at least 40% of the overall benefits from federal investments in climate and clean energy to disadvantaged

<sup>10</sup> <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/>

communities. From its inception in 2015, ARC has invested nearly **\$421.6 million in over 507 projects impacting 365 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 53,000 jobs and over 142,000 workers and students for new opportunities in entrepreneurship, broadband, tourism, and other growing industries.<sup>11</sup> A new round of grants was announced early in the first quarter of FY 2024. Figure 8 illustrates the cumulative number of ARC POWER projects by county funded to date.

Figure 8 – ARC POWER Initiative Projects Per County Cumulative Through October 2023



<sup>11</sup> <https://www.arc.gov/report/power-initiative-evaluation-the-power-of-change/>

## POWER Initiative Funding: Examples of Projects

### Bringing New Investment to Underserved Coal Communities

**\$1,499,850** – In FY 2023, ARC made a grant of \$1,499,850 to Appalachian Community Capital (ACC), in Christiansburg, Virginia, for the Opportunity Appalachia—Expanding Opportunity: Bringing New Investment to Underserved Coal Communities project. The project will enable six participating Appalachian states—Virginia, Kentucky, North Carolina, Ohio, Tennessee, and West Virginia—to provide direct development technical assistance to 30 communities. Technical assistance providers will work with the communities, selected through a competitive process, to develop high-impact development projects with prospectus materials and project pitch videos and presentations. When the communities complete the investor prospectus materials, Opportunity Appalachia will reach out to pre-vetted investors directly and through a high-level investor convening. The following project partners will offer outreach and technical assistance to communities: Fahe (Kentucky), Mountain BizWorks (North Carolina), OhioSE, University of Tennessee, University of Virginia–Wise, and West Virginia Brownfields Assistance Center. National partners include Main Street America and Coastal Enterprises, Inc. The project is expected to serve and improve 30 businesses and communities, engage 600 participants, create 1,200 jobs and 11 businesses, and leverage \$150 million in private investment during the grant period and up to three years after.

### Cybersecurity Workforce Development

**\$1,150,000** – In FY 2023, ARC made a grant of \$1,150,000 to the LindenPointe Development Corporation (LDC) for the Pennsylvania Cybersecurity Center (PCC) project. With ARC's investment, 300 workers/trainees will be prepared to grow the cybersecurity talent pipeline in Appalachian Pennsylvania. The PCC estimates there are 750,000 job openings in the cybersecurity industry nationally, yet the industry lacks equitable pathways for individuals to enter, especially to upskill or reskill workers in Appalachian Pennsylvania outside of the traditional higher education degree system. The proposed POWER project will enable the PCC to expand the geographic reach from Mercer County to the other seven counties in the Northwest Commission in Appalachian Pennsylvania and expand the numbers enrolled and placed in employment. The PCC supplements this coursework with a Cyber Range, a virtual environment where workers/trainees practice handling specific real-world scenarios as cyber professionals. PCC then recruits workers/trainees from partnering high schools, colleges, and adult workforce agencies, including the West Central Job Partnership. After training, the PCC places students into jobs within the cybersecurity and IT industry through their current and future employer partnerships. The project is anticipated to serve 455 workers/trainees through expanded cyber courses and wraparound services.

### Enhance Access to Broadband Services

**\$2,497,161** – In FY 2022, ARC made a grant of \$2,497,161 to Ashtabula County, Ohio, for the Connecting Underserved Ashtabula County, Ohio, project. The project will enable Ashtabula County to expand broadband access in underserved or unserved areas of the county. Ashtabula County businesses and residents who have never had access to this type of service will also need training and access support for the investment to be transformational. Through this project, broadband service will be made available to 2,986 unserved or underserved households and 90 unserved or underserved businesses located across 14 communities.

### Steamfitter’s Advanced Employment and Training Program

**\$1,400,000** – In FY 2023, ARC made a grant of \$1,400,000 to the Tri-County Workforce Investment Board, Inc., for the Building a Competitive Workforce to Boost Semiconductor Manufacturing in the ARC Region project. This project addresses the direct impact of coal-related job losses in 15 Western Pennsylvania counties by providing free training required to obtain jobs in the areas of HVAC-R, welding processes/building trades, semiconductor manufacturing, and building information modeling. Central to the project is a partnership with the Steamfitters Local Union 449 JATC, which will offer trainings at its Steamfitters Technology Center in Harmony, Pennsylvania, and utilize ARC funding to equip its orbital welding lab and semiconductor plastic fusion lab. Additionally, an outreach and recruitment campaign will be deployed to enroll workers in new training opportunities. With ARC’s investment, 550 workers/trainees will be trained to support the emerging market of semiconductor manufacturing and related industries.



## Program Justification: Special Regional Initiative for Distress

The Federal Co-Chair of the Appalachian Regional Commission (ARC, the Commission) requests \$31 million in FY 2025 for Special Regional Initiatives for Distress in Appalachia to continue the effort to reduce the disproportionately high rate of economic distress in Appalachia. While the economic impact of COVID 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 2024 the number of distressed counties will remain the same as the prior year 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 on 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 Appalachian Region (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 continue to locate plants and add jobs

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

In FY 2023, ARC made a grant in the amount of \$1,000,000 to Lawrence County Commission in Alabama to make infrastructure improvements to the West Morgan – East Lawrence Water and Sewer Authority's sewer and water system and the access road serving the facility. Match funds of \$1,500,000 were provided by the state through the Community Development Block Grant (CDBG) program. This project will help provide infrastructure needed for First Solar Inc. to construct a more than \$1 billion plant to keep up with North America's growing demand for solar energy. First Solar is the only U.S.-headquartered solar manufacturer that is not manufacturing in China. The company committed to create 715 jobs and will likely attract supply chain manufacturers to the area.

throughout the southern Appalachian states. All those manufacturers have benefitted from 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 Manufacturing, U.S.A., 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% of the Region's population is not served by a community water system (compared with 12% of the rest of the nation's population), and 47% of Appalachian households are not served by a public sewage system (compared with a national average of 24%).<sup>12</sup> In FY 2024, ARC contracted UNC Chapel Hill to update the state of water and sewer infrastructure in the Region.

In addition, Appalachia, like most of rural America, continues to lag behind the nation in access to advanced telecommunications infrastructure. During the 2017–2021 period, 82.8% of Appalachian households had a broadband Internet subscription, more than four percentage points below the national average of 87%. There are also signs of a rural-urban digital divide within the Region: In 42 Appalachian counties, less than 70% of households had a broadband subscription. All but five of these counties were outside metropolitan areas, and almost half were in the most rural counties.<sup>13</sup> This is an indicator that many communities in the Region may be at risk of being left behind.<sup>14</sup> In ARC's 2015 reauthorization, Congress recognized the importance of Appalachian access to advanced telecommunications infrastructure by authorizing ARC to work in broadband deployment, and ARC continues to provide support and collaborate with other federal partners.

These infrastructure conditions prompted Congress to provide special funding designated for improving water and sewer infrastructure in distressed counties in central Appalachia and broadband service in distressed counties in north and central Appalachia. To date, almost \$60

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<sup>12</sup>EFC at UNC Chapel Hill, [Drinking Water and Wastewater Infrastructure in Appalachia: An Analysis of Capital Funding and Funding Gaps](#) 2005.

[Estimated Use of Water in the United States County-Level Data for 2000](#), U.S. Geological Survey.

[Estimated Use of Water in the United States County-Level Data for 2015](#), U.S. Geological Survey.

<sup>13</sup> ARC Chartbook as compiled from American Community Survey Data (2017-2021).

<sup>14</sup> U.S. Census Bureau's 2020-2016 American Community Survey, as compiled in <https://www.arc.gov/the-chartbook/>.



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.

Throughout FY 2025, 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 4 lists potential outcomes for project development.

*Table 4 – Potential Outcomes for Project Development (Includes Funds for Administration)*

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



## Program Justification: INSPIRE Initiative for Substance Abuse Mitigation

The Federal Co-Chair of the Appalachian Regional Commission (ARC, the Commission) requests \$13 million in FY 2025 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 Appalachian Region’s workforce. The INSPIRE Initiative is included in the FY 2025 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 and enable businesses to be recovery ready.

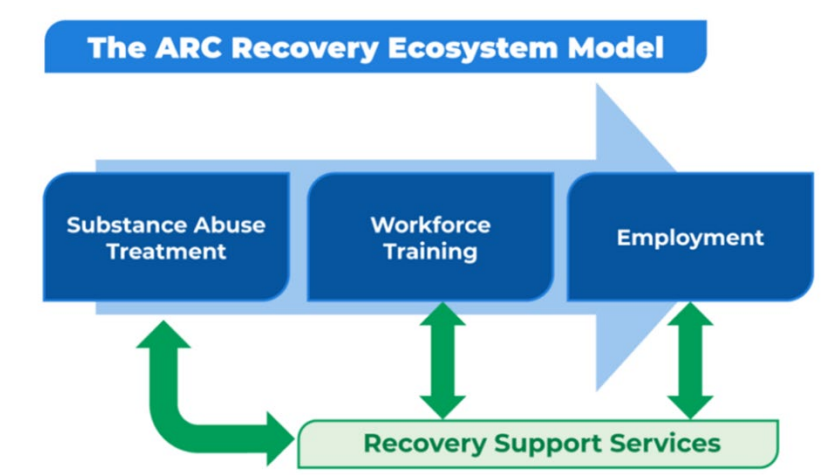
Eligible applicants include but are not limited to states, local governments, and nonprofits both with and without 501(c)(3) status. Grants range in size from \$15,000 for planning grants to \$500,000 for implementation activities.

Appalachia has been disproportionately impacted by the substance abuse crisis. In 2021, overdose-related mortality rate for the Region’s 25–54-year-old age group—those in their prime working years—were 72% higher than for the same age group in the country’s non-Appalachian areas.<sup>15</sup>

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<sup>15</sup> CDC’s Multiple Cause of Death database, as compiled in ARC’s 2020 report, [Appalachian Diseases of Despair](#).

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. ARC used its Substance Use Disorder Advisory Council to develop and launch activities to address significant barriers to recovery employment in the Appalachian Region (the Region). Siloed service delivery has complicated the burden of navigation and successful workforce reentry.

Since INSPIRE was established in 2021, ARC has invested **\$43.4 million** across **130 projects**. Together, the projects will impact **349 Appalachian counties**, improve **2,178 businesses**, and help prepare **9,772 individuals** for new opportunities in the workforce. This continued funding reflects the Biden administration’s focus on this issue. In FY 2025, 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 2023, ARC made a grant to the WCI Educational Foundation (WCI-EF) to support the WNC Recovery Friendly Workplaces and Wellbeing Initiative, a collaboration between WCI-

EF and community partners that will build the SUD recovery ecosystem in 27 counties of western North Carolina by facilitating the development of Recovery Friendly Workplaces (RFW). This new program will provide comprehensive and coordinated employment support and recovery services, which people in recovery need to successfully enter or reenter the workforce and maintain recovery. The program will also create opportunities for local businesses in need of workers to access a pool of highly qualified new employees in recovery, as well as retain good existing employees who may be experiencing a substance use disorder. By the end of the three-year grant period, an estimated 20 businesses will be improved and designated as Recovery Friendly Workplaces, and 112 program participants will be improved with workforce support and wraparound services and will secure employment in Recovery Friendly Workplaces.

#### Recovery Reintegration Program – Lincoln, Pulaski, Rockcastle

**\$465,208** – In FY 2023, ARC made a grant to Volunteers of America Mid-States, Inc., in Louisville, Kentucky, for the Recovery Reintegration Program—Lincoln, Pulaski, Rockcastle project. The Recovery Reintegration Program will provide career planning, job placements into in-demand positions with recovery-friendly employers, and career advancement assistance to underemployed individuals seeking higher-paying jobs. Job training programs will focus on healthcare, trades (electrical lineman, welding, plumbing, etc.), transportation (commercial driving license), technology, peer support certifications, and other positions to be identified based on the individual's skills and interests, and availability at local educational providers. Through partnerships with Goodwill Industries of Kentucky, Daniel Boone Community Action Agency, and Kentucky Chamber Foundation, the project will improve 60 participants through employment attainment; improve 65 businesses through increased SUD knowledge and/or by the hiring of individuals in recovery; and improve three communities through increased workforce knowledge, skills, and abilities of residents in recovery.

#### The Lovelady Center

**\$500,000** – In FY 2023, ARC made a grant to the Lovelady Center (TLC), located in Birmingham, Alabama, for the Recovery-to-Work: Expanding Recovery and Employment Services to Appalachia project. TLC will use funding to expand its current services of counseling and mental health support, adult education, and wraparound services to women across Appalachian Alabama's 37 counties. TLC will address workforce participation challenges through counseling and mental health support, conducted by three full-time licensed professional counselors and assist in participants' recovery from past trauma and SUD adult education. GED certification and job training for medical-focused fields, including certified nursing assistant and medical transcription training will be provided as well as a myriad of wraparound services, including but not limited to parenting, financial literacy, and life skills classes. The project is expected to serve 875 workers/trainees.

Recovering Together: A Community Outreach and Employment Project to Combat Substance Abuse in Appalachia

**\$478,000** – In FY 2023, ARC made a grant to the West Virginia Drug Intervention Institute (WVDII), in Charleston, West Virginia, for the Recovering Together: A Community Outreach and Employment Project to Combat Substance Abuse in Appalachia. In partnership with the Police Assisted Addiction and Recovery Initiative (PAARI), ONEbox LLC, and HarborPath, WVDII will establish a new community outreach and employment program to combat the economic effects of SUD and build a stronger recovery ecosystem across 15 high-risk counties in West Virginia and Kentucky. The program will provide employment opportunities for up to 10 individuals in recovery and/or the justice system, working with local police departments and the PAARI Recovery Corps to educate community members about the use of the overdose reversal drug naloxone, overdose prevention, and SUD treatment and recovery resources. Through training, education, certifications, and wraparound support services, the project will help to increase the number of addiction professionals in areas of high need; support local businesses and industry by increasing the number of trained and job-ready individuals; and increase law enforcement's knowledge of non-arrest pathways to treatment and recovery to build a healthier and more productive workforce in Appalachia. The project is expected to serve 10 workers/trainees, 400 businesses, and 300 participants, including law enforcement and public safety employees.

## Performance and Evaluation

The Appalachian Regional Commission (ARC, the Commission) is a performance-driven organization with a systematic program for performance measurement in place, in accordance with its strategic plan, titled *Appalachia Envisioned: A New Era of Opportunity | ARC Strategic Plan Fiscal Years 2022–2026*. The strategic plan establishes both long- and short-term goals and performance measures to track progress in meeting the 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 (IIJA) enabled ARC to extend the reach of research and evaluation activities by providing additional funding from the IIJA 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, ARCnet. Data elements are geared to performance measures and strategic objectives from the strategic plan. As each grant is closed, ARC staff collects output and outcome information and tracks data against anticipated performance. The performance data is validated through a process that confirms project outcomes three years after the projects have been completed. The three-year period allows ARC to accurately capture data on performance measures, which can continue to accrue after a project has been completed.

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

Table 5 – Summary of Achievements: Performance Targets and Initial Estimates for FY 2023 Projects

## SUMMARY OF ACHIEVEMENTS

### PERFORMANCE TARGETS AND INITIAL ESTIMATES FOR FISCAL YEAR 2023 PROJECTS

ANNUAL PERFORMANCE TARGETS	INITIAL ESTIMATES	EXPECTED RESULTS
<b>Outcome Targets</b>		
22,000 jobs created or retained	50,189 jobs created or retained	Exceed target by 128%
35,000 students and workers with improvements	46,990 students and workers with improvements	Exceed target by 34%
50,000 businesses and households with access to improved infrastructure	52,199 businesses and households with access to improved infrastructure	Exceed target by 4%
4,000 businesses created or strengthened	8,139 businesses created or strengthened	Exceed target by 103%
400 communities with enhanced capacity	1,700 communities with enhanced capacity	Exceed target by 325%
<b>Leverage Target</b>		
Achieve a 6:1 ratio of leveraged private investment to ARC funds (\$6 per \$1 ARC investment)	10:1 ratio* (\$9.69 per \$1 ARC investment)	Exceed target by 62%
<b>Matching Target</b>		
Achieve a 2:1 ratio of matching funds to ARC funds (\$2 per \$1 ARC investment)	1:1 ratio* (\$1.26 per \$1 ARC investment)	Meet 63% of target
<b>Distressed Counties/Areas Target</b>		
Direct 50% of ARC funds to benefit distressed counties or areas	70% of funds**	Exceed target by 20 percentage points
<small>*Ratios are rounded to the nearest whole number.  **Project funds are included if the project primarily or substantially benefits distressed counties or areas.</small>		

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 5 delineates the FY 2023 targets and their expected outcomes.

Figure 10 – Progress Toward ARC Strategic Plan Performance Goals, Fiscal Years 2022–2026

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







## Salaries and Expenses

The Federal Co-Chair of the Appalachian Regional Commission (ARC, the Commission) requests \$14.22 million for salaries and expenses associated with a requested Area Development Program funding level of \$200 million for FY 2025. The costs associated with administration of the \$1 billion in the Infrastructure Investment and Jobs Act are not included in this request.

Table 6 – Area Development Salaries and Expenses Detail

<b>ARC Operating Expenses</b>				
(\$ in thousands)				
	FY2023 Enacted	FY2024 Continuing Resolution	FY2025 President's Budget	Change
<b>Operating Expenses</b>				
<i>Commission Administration (50% Federal Contribution)</i>	3,663	3,813	3,851	38
<i>Commission Programmatic</i>	6,341	6,321	6,306	(15)
<i>Office of the Inspector General</i>	1,403	1,566	1,648	82
<i>Office of the Federal Co-Chair</i>	2,104	2,291	2,415	124
<b>Total</b>	13,511	13,991	14,220	229
<b>Local Development Districts<sup>1</sup></b>	8,000	8,000	8,000	-
Funded exclusively through Base Program				

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

Table 7 – Office of the Federal Co-Chair Detailed Budget

<b>Office of the Federal Co-Chair</b>				
(\$ in thousands)				
	<b>2023</b>	<b>2024</b>	<b>2025</b>	
	<b>Enacted</b>	<b>Continuing Resolution</b>	<b>President's Budget</b>	<b>Changes</b>
Personnel Compensation	1,043	1,203	1,261	58
Personnel Benefits	310	337	353	16
Travel & Transportation	150	150	190	40
Rent, Communications	260	260	270	10
Printing	1	1	1	-
Services	300	300	300	-
Supplies	20	20	20	-
Equipment	20	20	20	-
<b>Total</b>	<b>2,104</b>	<b>2,291</b>	<b>2,415</b>	<b>124</b>

The request for the Office of the Federal Co-Chair shown in Table 7 provides for an immediate staff of 10 employees including portions of shared Commission staff and related benefits, rent, travel, services, and other expenses. This staff is tasked with assisting in carrying out the Federal Co-Chair’s responsibilities. These include working with federal agencies; serving as the Commission’s liaison to Congress and the federal administration; representing the administration in working with the member states to formulate regional strategies and other policy; and reviewing projects for final approval by the Federal Co-Chair.

Table 8 – Office of the Inspector General Detailed Budget

<b>Office of the Inspector General</b>				
(\$ in thousands)				
	<b>2023</b>	<b>2024</b>	<b>2025</b>	
	<b>Enacted</b>	<b>Continuing Resolution</b>	<b>President's Budget</b>	<b>Changes</b>
Personnel Compensation	579	702	769	67
Personnel Benefits	155	195	210	15
Travel & Transportation	6	12	12	-
Rent, Communications	51	64	67	3
Printing	-	-	-	-
Services	582	558	555	(3)
Supplies	10	12	12	-
Equipment	20	23	24	1
<b>Total</b>	<b>1,403</b>	<b>1,566</b>	<b>1,648</b>	<b>82</b>

The Office of Inspector General (OIG) provides audit, oversight, and investigative support services covering all of ARC’s programs and strategic operations. Its mission is to promote and preserve the Commission’s effectiveness, efficiency, and integrity. Table 8 details the OIG’s budget request. The OIG will use contractor support to perform the independent audit of ARC’s annual financial statement and to audit ARC grantees’ use of grant funds. In addition to these reviews, and based on available resources, the OIG will identify other areas to audit. The OIG request also includes funds for travel and training to meet the office’s continuing requirements for professional education for audit, technical knowledge, and other skills. The Commission’s budget request contains resources to support OIG’s five full-time staff members and has been certified by the Inspector General.

Table 9 – Commission Operations Detailed Budget

<b>Commission Operations</b>						
(\$ in thousands)						
	2023 Enacted	2024 Continuing Resolution	2025		2025 Breakdown	
			President's Budget	Changes	Program 100% Federal	Administrative State/Federal
Personnel Compensation	8,096	8,414	8,738	324	4,465	4,273
Personnel Benefits	2,932	2,782	2,255	(527)	1,153	1,102
Travel & Transportation	275	325	365	40	225	140
Rent, Communications	996	905	927	22	14	913
Printing	16	20	22	2	-	22
Training	-	-	50	50	25	25
Services	1,254	1,382	1,520	138	424	1,097
Supplies	61	64	70	6	-	70
Equipment	37	55	61	6	-	61
<b>Total</b>	<b>13,667</b>	<b>13,948</b>	<b>14,008</b>	<b>60</b>	<b>6,306</b>	<b>7,703</b>

The Commission operating budget is shown in Table 9. ARC’s authorizing legislation specifies that Commission staff shall not be considered federal employees for any purpose. Accordingly, these 85 professionals are neither state nor federal employees, even though they work directly for the joint federal-state partnership entity. An Executive Director, who is appointed by the states and the Federal Co-Chair, manages this staff and is the Chief Executive Officer of the Commission. This request addresses the Inspector General’s identification of staff size as a potential challenge for ARC with the appropriation level now stable at an increased level.

Each year, the states and the Federal Co-Chair must approve the Commission’s operating budget. Following completion of appropriations action, final non-federal staffing decisions are made and must be approved at a Commission meeting of the member states with the Federal Co-Chair. As a result of this consultative process, final allocations may differ from the estimates of operating expense amounts by object class for FY 2025. Table 9 shows the Commission operating expenses.



## Operational Effectiveness Initiative

### ARC Dashboard: Operational Effectiveness Initiatives

The Appalachian Regional Commission (ARC, the Commission) continues to identify, analyze, and implement workplace efficiencies to ensure 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 that demand innovation and evolution. Below, ARC has documented ongoing and completed actions to improve efficiency and effectiveness. These actions enhance ARC's mission.

- Program staff has been divided into two separate divisions, each with its own Division Director:
  - Division of Critical Infrastructure, including all investments and opportunities pertaining to broadband, transportation, and other regional infrastructure needs.
  - Division of Business and Workforce Investment, including all investments and opportunities pertaining to workforce development, entrepreneurship, education, health, and other issues affecting the Appalachian Region's workforce.
- Human capital continues to be a major focus as the size and composition of staff evolves to meet the needs of the Region and to implement the new strategic plan 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 onboarding 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 began 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** was completed in FY 2023. A new staff training and awareness program has been initiated, and system password management tools have been improved. In the near future, ARC will migrate to a cloud-based endpoint management system more appropriate to its remote, mobile staff.
  - ARC has migrated 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** to improve service to staff as well as improved production and printing facilities are planned.
- In accordance with Executive Order No. 14058, “Transforming Federal Customer Experience and Service Delivery to Rebuild Trust in Government,” ARC initiated service mindset training in FY 2024. This training will deliver cross-divisional workshops that advance knowledge in process improvement principles that benefit our partners and

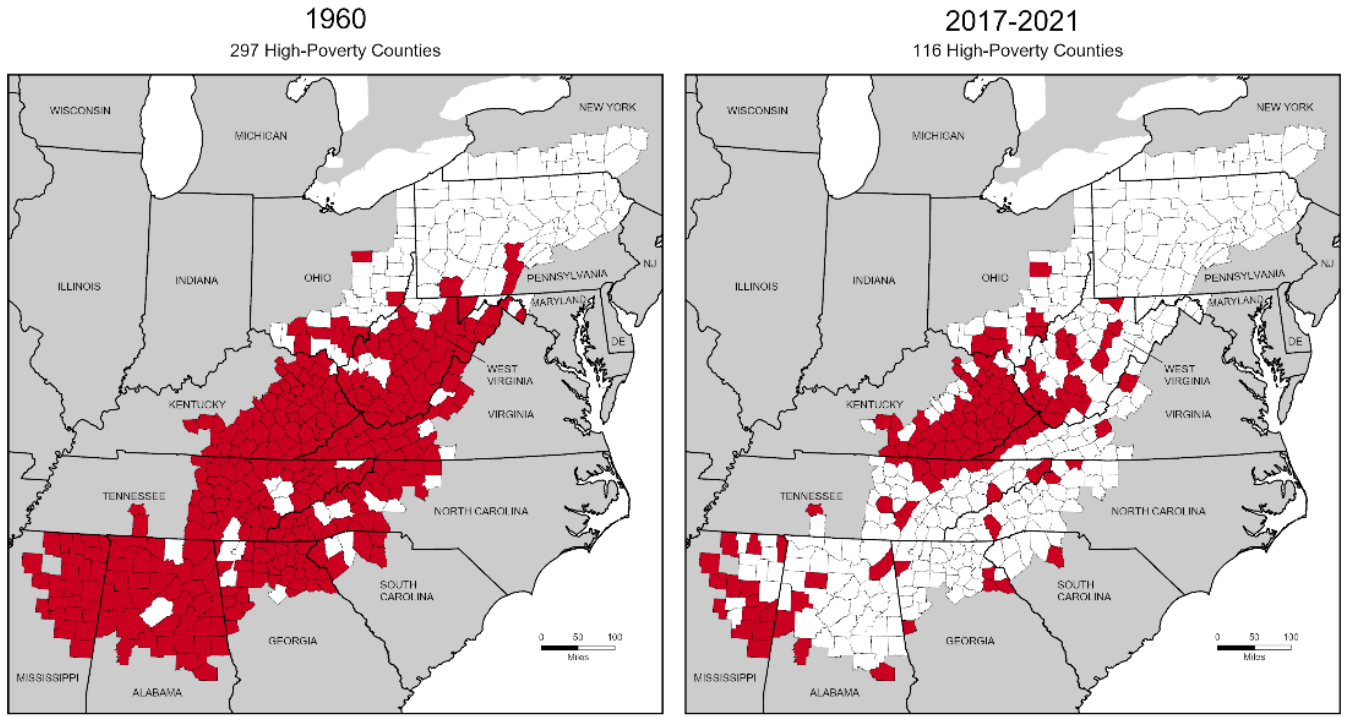
stakeholders. The workshops will develop skills oriented to providing a consistent, solution-oriented environment and to enhance communication and problem-solving techniques. The results of this training will improve responsiveness and service delivery to our stakeholders and improve cross-divisional processes.

# Appendix A

## High-Poverty Counties in the Appalachian Region, 1960 and 2017–2021

### High-Poverty Counties in the Appalachian Region

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



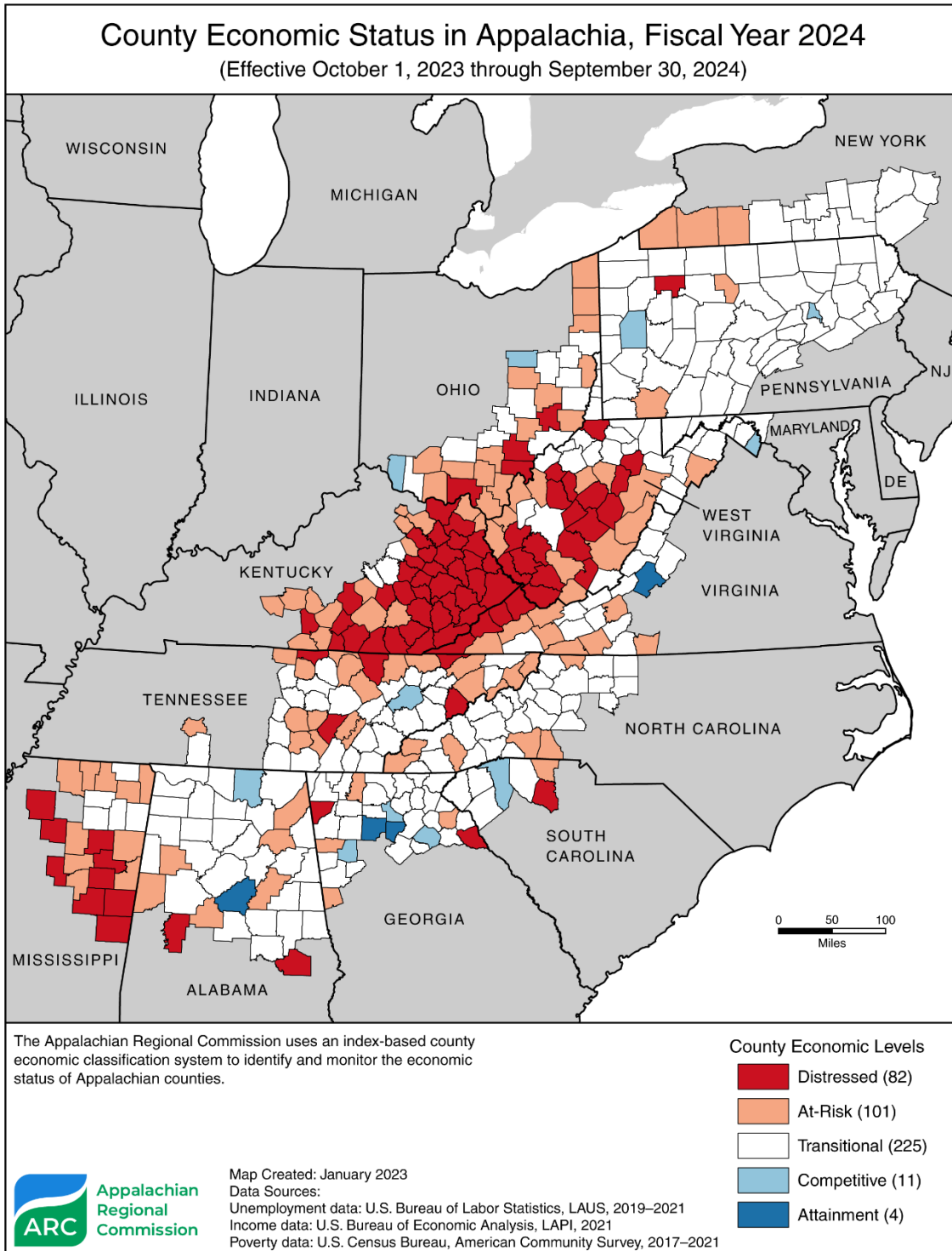
Data Source: U.S. Census Bureau, 1960 Census

Data Source: U.S. Census Bureau, American Community Survey, 5-Year Estimates, 2017-2021



# 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 Appalachian Region, bringing the total from 420 to 423 counties. In accordance with the Commission's policy for determining the economic status of the Appalachian counties, the research staff has analyzed the distribution of distressed, at-risk, transitional, competitive, and attainment counties for FY 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
- Kentucky (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
- Mississippi (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
- Virginia (4) – Buchanan, Dickenson, Lee, and Wise (+ Norton city)
- 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

- Kentucky (15) – Adair, Boyd, Cumberland, Edmonson, Fleming, Green, Greenup, Hart, Laurel, Lincoln, Monroe, Montgomery, Nicholas, Pulaski, and Robertson
- Mississippi (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
- Tennessee (19) – Campbell, Carter, Claiborne, Fentress, Greene, Grundy, Hawkins, Jackson, Johnson, Lewis, Macon, Meigs, Morgan, Pickett, Rhea, Sequatchie, Unicoi, Van Buren, and Warren
- Virginia (8) – Carroll (+ Galax city), Grayson, Henry (+ Martinsville city), Montgomery (+ Radford city), Russell, Scott, Smyth, and Tazewell
- West Virginia (12) – Cabell, Gilmer, Greenbrier, Hardy, Jackson, Lewis, Mason, Mercer, Pocahontas, Raleigh, Randolph, and Wayne

### **Transitional Counties (225)**

- Alabama (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
- Georgia (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
- North Carolina (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
- Pennsylvania (47) – Allegheny, Armstrong, Beaver, Bedford, Blair, Bradford, Cambria, Carbon, Centre, Clarion, Clearfield, Clinton, Columbia, Crawford, Elk, Erie, Fulton, Greene, Huntingdon, Indiana, Jefferson, Juniata, Lackawanna, Lawrence, Luzerne, Lycoming, McKean, Mercer, Mifflin, Monroe, Northumberland, Perry, Pike, Potter, Schuylkill, Snyder, Somerset, Sullivan, Susquehanna, Tioga, Union, Venango, Warren, Washington, Wayne, Westmoreland, and Wyoming
- South Carolina (4) – Anderson, Oconee, Pickens, and Spartanburg
- Tennessee (27) – Anderson, 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
- Virginia (12) – Alleghany (+ Covington city), Bath, Bland, Craig, Floyd, Giles, Highland, Patrick, Pulaski, Rockbridge (+ Buena Vista city + Lexington city), Washington (+ Bristol city), 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
- (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
- Virginia (1) – Botetourt

# Appendix C

## ARC Organization

### APPALACHIAN REGIONAL COMMISSION ORGANIZATION

