



HENRY McMASTER
GOVERNOR

August 17, 2023

Mr. Brandon McBride
Executive Director
Appalachian Regional Commission
1666 Connecticut Avenue NW, Suite 700
Washington, District of Columbia 20009-1068

Dear Mr. McBride,

Please find enclosed South Carolina's 2023 – 2024 Annual Investment Strategy Statement to cover the 2024 federal fiscal year. This submission to the Appalachian Regional Commission (ARC) is in accordance with Section 5 of the ARC Code.

The Strategy Statement identifies my priorities for investing in Appalachia South Carolina to improve the region's economic development potential, continues to implement South Carolina's four-year development plan, and is consistent with ARC's Strategic Plan.

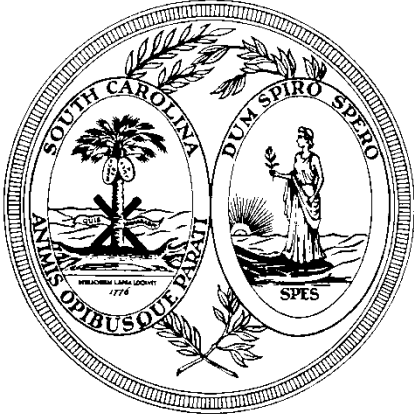
If you have any questions about this investment document, please contact Caroline Griffin, my ARC Program Manager.

Yours very truly,

A handwritten signature in blue ink that reads "Henry McMaster".

Henry McMaster

cc: Mr. Jordan Marsh
South Carolina's ARC Alternate



South Carolina Appalachian Regional Commission Strategy Statement 2023-2024

**State of South Carolina
Governor Henry McMaster**

Prepared by:

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Summary

The Appalachian Regional Commission (ARC) is a regional economic development agency representing a unique partnership of federal, state and local government. Established by an act of Congress in 1965, the Commission is comprised of the governors on the 13 Appalachian States and a federal co-chair, who is appointed by the president. Local participation is provided through multi-county local development districts (LDD) with support from community, business and civic leaders. Each year Congress appropriates funds for Commission program, which ARC allocated among its member states. The governors draw up annual state Appalachian strategies and select projects for approval by the federal

co-chair. ARC has made investments in the essential elements of economic development to include safe and efficient highway systems, education, job-training and healthcare; water and sewer systems and entrepreneurial development.

Appalachian South Carolina

The seven counties that comprise the northwestern geographical area of South Carolina are part of the Appalachian Region. These counties, Anderson, Cherokee, Greenville, Oconee, Pickens, Spartanburg and Union counties are eligible for funding available through the Appalachian Regional Commission.

In spite of economic gains over the last 50 years, problems continue and positive outcomes have not been uniform throughout these counties. There are divergent trends in urban and rural areas of the region. The decline of the textile industry and the difficulty in attracting new jobs continues to hurt rural areas most. There continues to be pockets of poverty within the region that still have problems with education, employment, job training, health care and transportation. Some areas remain substantially below the national average for various socio-economic indicators. Many areas of Appalachian South Carolina still need infrastructure, specifically water and sewer systems, highways and access roads. Though the needed infrastructure is costly, it is essential to support long-term sustainability and economic development of the region, which in turn will lead to the creation of jobs and an improved quality of life for Appalachian residents.

The State has undertaken an assessment of its strengths and weaknesses, needs, and opportunities relative to sustainability and economic competitiveness. The resulting plan provides a framework to increase prosperity and economic opportunities for its citizens. In order to achieve this, South Carolina has developed priorities to ensure that our State provides a more competitive economy and a sustainable quality of life for the citizens within Appalachian South Carolina and throughout the entire State. The State of South Carolina will seek ARC support for projects that achieve the states investment priorities to target limited resources within the state's Appalachian counties. All projects are to be consistent with ARC's Strategic Plan. Only governmental entities and non-profits are eligible to apply for ARC funding opportunities.

2023-2024 Targeted Investment Priorities

Priority will be given to projects that address economic development, workforce development, education, or infrastructure. The Strategy Statement for Appalachian South Carolina focuses on implementation of the following priorities to enhance the State's economic competitiveness:

1. **Economic development that increases income levels:** This includes projects that encourage revitalization of declining downtowns; projects that assist small and medium size businesses

to locate and access markets for their products that will enable them to participate in the global markets; and projects that support the development of industry networks, trade organizations and services for small businesses and entrepreneurs that promote collaboration, resource sharing, and the coordination of business-assisted services.

2. **Education and workforce development:** This includes projects that enhance workforce skills through education and training; projects that support apprenticeship programs conducted by technical institutions in direct response to industry needs; projects that enhance relationships between training institutions and businesses to improve workforce readiness and projects that promote the development of skills in math and sciences providing opportunities for future employment in the fields of engineering, technology and entrepreneurial development.
3. **Critical infrastructure:** This includes projects that result in private sector investment and substantially enhance the community and economic development potential of an area; projects promoting multi-county and regionalized approaches to infrastructure management and development and project that support collaboration and coordination between transportation, economic development and trade interests to strengthen access to markets and maximize economic benefits.

Consideration for projects that address other goals and objectives as outline in the State’s 4-year Development Plan will be based on the relative level of impact the project will have on the program’s goals and objectives. For skills training projects, priority consideration will be based on past institutional performance at delivering educational skills training with emphasis on coordination with local industry.

The State will also give funding priority to projects that benefit distressed census tracts. This will ensure that those areas most in need are targeted for assistance. The State will give consideration to an equitable distribution of funds in the event there are multiple projects that benefit the same local government or organization or the same project area. Further, the State will take into consideration whether the request is for continued or recurring funding for additional project phases.

The State will use ARC funds to fill gaps in un-funded or under-funded programs, and not supplant existing funds. The State will also maximize the return on investment of ARC dollars by encouraging applicants to leverage other funds and resources to support and implement program goals and objectives.

State Operating Policies

The State has developed operating policies to govern the implementation of the state’s ARC Strategies. These policies address the process for development and selection of state and community projects that

are consistent with the State's Strategy Statement which is updated annually and the State Development Plan which is updated every four years.

Project Eligibility

All ARC assisted projects are required to comply with the following federal eligibility criteria:

- Relate to one or more goals and objectives set forth in the approved State Appalachian Development Plan.
- Provide reasonable assurance that the project makes maximum use of all available federal and non-federal funds.
- Address a documented need.
- Provide reasonable assurance that the project is not inconsistent with applicable state and/or federal plans, policies and regulations.
- Provide reasonable assurance of the availability of matching funds, as required.
- Provide reasonable assurance that there is management capability to carry out the project or program effectively and in a timely manner.
- Contain detailed outcome measurements by which grant expenditures may be evaluated.

In determining whether to approve and recommend a project for funding, the State of South Carolina will evaluate projects using the following criteria:

1. Establishment or significant enhancement of collaborative relationships, including local governments, non-profits, the private sector, and educational institutions.
2. The nature of the problems and extent of needs in the community and the impact on low and moderate income persons served.
3. Feasibility and cost reasonableness of the project proposal.
4. Construction projects should have a unit of local government as the applicant.
5. Level of general fiscal effort of an applicant as compared to similar local units of government.
6. The relationship of funds available or which may become available to the funds needed or which may be needed for a capital improvement project.
7. The relationship to one or more goals and objectives set forth in the approved SC Development Plan and Strategy Statement.
8. Substantial evidence that intended program benefits will result within a reasonable time period after project completion and that the proposed project's outcomes and outputs are measurable.

Ineligible Projects

The State does not use ARC funding to support:

- Projects that are controversial in nature
- Continued operations funding for organization beyond a startup period

- Projects that support the displacement of residents or businesses

Project Review

The State's ARC Program Manager will review project applications. Proposals will be reviewed for completeness in accordance with ARC application requirements and a site visit may be conducted to determine the eligibility and feasibility of a project. If clarifications are needed, the ARC Program Manager will notify the applicant and provide a timeline for a response. The projects will be reviewed using the criteria and priorities established in this Annual Strategy Statement.

The ARC Program Manager, in consultation with the appropriate state and federal agencies, and the Secretary of Commerce will develop a funding recommendation for the Governor. The Governor or his designee will have final approval for submission of a project for funding. When projects are submitted to the Appalachian Regional Commission, they will be accompanied by a letter of recommendation from the Governor or his alternate. Final approval of all grants under this program will be made at the discretion of ARC's Federal Co-Chair.

Match Thresholds

One of the ARC goals is to target the most distressed areas of the region for assistance. ARC authorizes matching funds based on the level of distress in each Appalachian county. The more distressed the county, the least able it is to provide a matching contribution.

In Appalachian South Carolina, the seven counties fall into three designations based on ARC criteria. The counties of Anderson, Oconee, Pickens, and Spartanburg are "Transitional" counties. Cherokee and Union Counties are designated as an "At Risk" County and Greenville County's designation is "Competitive". In FY 2024, Union County will be designated "Distress".

ARC funding will be limited to 50 percent for all projects, to include LDD administrative grants in Anderson, Oconee, Pickens, and Spartanburg counties. With the exceptions being projects in Cherokee and Union Counties which are eligible for up to 70% ARC funding and Union County becoming eligible for up to 80% in FY 2024. Projects in Greenville County are eligible for up to 30% ARC funding. Access road projects funded under Section 214 are available at 100% federal funding.

In addition to the above federal policies, the State expects a recipient of ARC project funds to contribute its own resources to a project to the extent it is able to do so and to seek additional non-ARC funding assistance in a diligent manner. The State will give preference to those projects in which the jurisdiction commits more than the minimum amount, provided the project adequately addresses a Goal, Objective, and Strategy as set forth in State's Development Plan.

Basic Agency Requirement

All construction projects must have an ARC approved basic agency serve as the fiscal agent between the grantee and ARC. A basic agency (BA) has experience in managing federal construction projects. ARC approved basic agencies include the Economic Development Administration (EDA), USDA Rural Development, Federal Highway Administration (FHWA), Housing and Urban Development (HUD) and the South Carolina Department of Commerce (SCDOC). Grantees will be required to follow the programmatic and financial guidelines set forth by the respective BA. The applicant must provide documentation that the BA agrees to oversee the proposed project.

Maximum Grant Amounts

The funding maximums are as follows:

- Construction Projects: \$1,000,000
- Non-Construction Projects: \$ 250,000
- Planning Projects: \$ 50,000

Project Proposal and Application Deadlines

Projects will be considered in a two-step process that first involves submission of a Preapplication Request. Those projects that most appropriately meet the eligibility criteria and priorities will be invited to submit a detailed application in the second step of the process.

Proposals must provide the following minimum information on a summary form to be provided by the ARC Program Manager:

- Name, address, email and contact number for the applicant
- Description of the project; including the need and impact
- Description of the activities to be undertaken and the county(ies) served
- Listing and status of any outstanding ARC projects
- Amount of ARC funds being requested
- Source and amount of other funds being contributed to the project
- Basic Agency and confirmation of eligibility
- Goals and objectives to be addressed by the proposal
- Attachments:
 - A detailed cost estimate
 - Maps and/ or other limited attachments, if appropriate

Proposals should be as complete as possible in order to ensure a timely selection of projects to be invited to submit an application. Selected proposals will be invited to submit a full application and projects not selected will be notified. Those invited to apply will be required to attend a mandatory application webinar to take place prior to the submission of the application. The application deadline will be designated in the invitation. Application forms to be used in the submission will be provided by the ARC Program Manager. The application will expand on information from the proposal and provide detail on the how the project will work and how performance goals will be met. The State may invite more projects to submit applications than funding available. Projects invited to submit full applications are not guaranteed funding.

Proposal Deadlines

Application requests may be submitted for consideration at any time but must be received no later than 5pm on November 20, 2023. Application request may be submitted via email or hard copy to the South Carolina ARC State Program Manager.

All applicants that are invited to make a full application must commit to participate in a mandatory webinar to be held in early December 2023. These applicants must also submit all required documentation no later than 5pm on February 1, 2024. Full applications with all appropriate materials should be mailed to the South Carolina Department of Commerce, Business Incentives and Community Development Division. Please include one original and one copy plus an electronic version of all application materials.

Questions about ARC projects, the application process and technical assistance should be directed to South Carolina's ARC Program Manager.

Project Development and Administration

The South Carolina Appalachian Council of Governments (SCACOG) is involved in the planning and project development activities required for implementation of the state's Appalachian program for Anderson, Cherokee, Greenville, Oconee, Pickens and Spartanburg counties. The South Carolina Catawba Regional Council of Governments is involved in the planning and project development activities required for implementation of the state's Appalachian program for Union County. The staffs of SCACOG and Catawba Regional COG normally assists in the development of ARC construction applications, as well as applications submitted to the basic federal agency. Generally, the Board of Directors of the Appalachian Council of Governments and the Catawba Regional Council of Governments are made aware of projects prior to submission to the Governor and the South Carolina Department of Commerce for recommendation to the ARC.

Close coordination exists between both the Councils of Governments and the SC Department of Commerce in working on program review for the Small Cities Community Development Block Grant

Program; therefore, the SC Appalachian Council of Governments and Catawba Regional Council of Governments are an excellent resource for post award project administration. Applicants are strongly encouraged to utilize SCACOG and Catawba Regional COG as a project administrator for ARC projects, based on their familiarity with federal program requirements and day to day project administration using SCDOC guidelines. SCDOC also reserves the right to require the use of SCACOG or Catawba Regional COG as a project administrator for ARC construction projects.

Other Information

Economic development projects that involve job creation and that arise as a result of a company's plans for expansion or relocation or other projects of an urgent and compelling nature may be submitted on an as needed basis. The Governor reserves the right to maintain up to 10% of the funds available to respond to economic development or other critical needs that meet ARC goals, objectives and strategies.