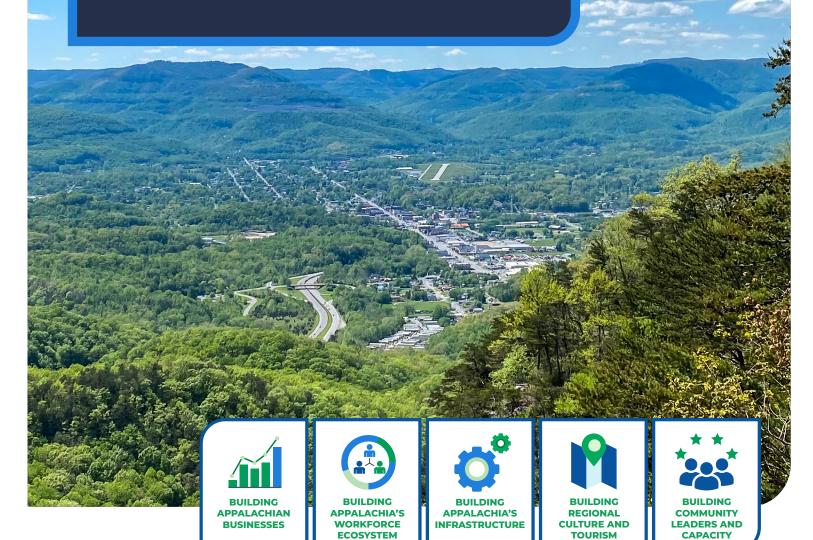
APPALACHIAN REGIONAL COMMISSION



Performance & Accountability Report

FISCAL YEAR 2024



APPALACHIAN REGIONAL COMMISSION

September 30, 2024

Federal Co-Chair Gayle C. Manchin States' Co-Chair Governor Bill Lee

GOVERNORS AND STATE ALTERNATES

Alabama

Governor Kay Ivey Kenneth Boswell

Georgia

Governor Brian Kemp Christopher Nunn

Kentucky

Governor Andy Beshear Matt Sawyers

Maryland

Governor Wes Moore Rebecca L. Flora

Mississippi

Governor Tate Reeves Sam Andrews

New York

Governor Kathy Hochul Mark Pattison

North Carolina

Governor Roy Cooper Jim McCleskey

Ohio

Governor Mike DeWine John Carey

Pennsylvania

Governor Josh Shapiro Neil Fowler

South Carolina

Governor Henry McMaster Jordan Marsh

Tennessee

Governor Bill Lee Brooxie Carlton

Virginia

Governor Glenn Youngkin Bryan Horn

West Virginia

Governor Jim Justice Jennifer Ferrell

States' Washington Representative James Hyland

Executive Director Brandon McBride

APPALACHIAN REGION

The Appalachian Region includes all of West Virginia and parts of Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia. The region is home to more than 26 million people and covers 423 counties and almost 206,000 square miles.



Contents

Message from the Co-Chairs	
PART I: MANAGEMENT'S DISCUSSION & ANALYSIS	
Fiscal Year 2024 Program Highlights	3
ARC Structure and Programs	10
Summary of Achievements in Fiscal Year 2024	20
Financial Management	22
Management Assurances	22
Summary of Financial Status	23
PART II: FISCAL YEAR 2024 PERFORMANCE REPORT	
Introduction	25
Overview of ARC	25
Strategic Investment Goals and Objectives	27
Performance Measurement Methodology	28
Strategic Investment Goal 1: Building Appalachian Businesses	32
Strategic Investment Goal 2: Building Appalachia's Workforce Ecosystems	35
Strategic Investment Goal 3: Building Appalachia's Infrastructure	38
Strategic Investment Goal 4: Building Regional Culture and Tourism	41
Strategic Investment Goal 5: Building Community Leaders and Capacity	43
Performance Targets for Leveraging, Matching, and Distressed	
Counties Areas	45
Summary of Achievements in Fiscal Year 2024	48
Measuring Progress Toward the ARC Vision	50
Progress Toward ARC Strategic Plan Performance Goals,	
Fiscal Years 2022–2026	51
PART III: FISCAL YEAR 2024 FINANCIAL REPORT	
Message from the Executive Director	52
Report of Independent Audit	53
Required Supplementary Stewardship Information	85
PART IV: OTHER INFORMATION	
ARC Performance Targets	87
Improper Payments	88
Inspector General's Summary of Management & Performance Challenges	89
ARC Response to Inspector General's Summary	92
Summary of Financial Statement Audit & Management Assurances	94



Message from Federal Co-Chair Gayle C. Manchin and 2024 States' Co-Chair Governor Bill Lee

We are pleased to present the Appalachian Regional Commission Performance and Accountability Report for Fiscal Year 2024.

For FY 2024, the Commission approved \$364.6 million in funding for 583 projects that advance one or more of the five goals of ARC's 2022–2026 strategic plan, which are

- 1) strengthen and diversify the region's economy through inclusive economic development strategies and investments in entrepreneurship and business development;
- 2) expand and strengthen community systems (education, healthcare, housing, childcare, and others) that help Appalachians obtain a job, stay on the job, and advance along a financially sustaining career pathway;
- 3) ensure that the residents and businesses of Appalachia have access to reliable, affordable, resilient, and energy-efficient utilities and infrastructure to successfully live and work in the region;
- 4) strengthen Appalachia's community and economic development potential by preserving and investing in the region's local cultural heritage and natural assets; and
- 5) invest in the capacity of local leaders, organizations, and communities to address local challenges by providing technical assistance and support to access resources, engage partners, identify strategies and tactics, and conduct effective planning and project execution.





ARC's FY 2024 grant funds attracted an additional \$593.1 million in other project funding, an investment ratio of 2 to 1, and \$5 billion in non-project leveraged private investment, a ratio of 14 to 1. The projects funded during FY 2024 will create or retain an estimated 16,073 jobs and provide new skills training to an estimated 39,631 students and workers.

In working toward its strategic goals in FY 2024, the Commission continued to foster entrepreneurship activities with a particular focus on emerging opportunities: diversifying Appalachia's economy; supporting advanced manufacturing and workforce development initiatives to strengthen Appalachia's competitiveness in the global economy, including re-entry into the workforce of individuals with substance use disorder; and bolstering infrastructure needed to spur development in economically distressed counties, including broadband and basic infrastructure such as water and wastewater systems.

As a member of the White House Interagency Working Group on Coal and Power Plant Communities and Economic Revitalization, the Commission strengthened its relationship with other federal agencies and deepened its focus on helping communities that have been adversely affected by the decline in the coal industry. With additional funding provided through the Bipartisan Infrastructure Law, the Commission funded its first cycle of ARISE grants. The ARISE initiative drives large-scale, regional economic transformation through multi-state collaborative projects across Appalachia. In FY 2024, ARC continued issuing *READY Appalachia* grants and launched *READY Grants to Grow*, an initiative that increases the capacity of local governments, local development districts, regional organizations, and community foundations to serve as pillars for community and economic development.

This report includes information on the Commission's programming actions and financial management during FY 2024. We are pleased to report that ARC's independent auditor, Allmond & Company LLC, has pronounced an unmodified opinion that the financial statements in this document fairly present the Commission's fiscal status.

ARC has provided a complete and accurate report of its performance and stewardship of the public funds entrusted to it. This report is based on data that is reliable and comprehensive. Congress and the American people can also be assured that the financial controls in place at the Commission meet the purposes of the Federal Managers' Financial Integrity Act of 1982.

The achievements reported here contribute significantly toward ARC's mission of helping the Appalachian Region attain socioeconomic parity with the nation.

Sincerely,

Federal Co-Chair

Appalachian Regional Commission

Bill Lee

Governor of Tennessee 2024 States' Co-Chair

November 15, 2024

le le. Manchin

PART I: MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR 2024 PROGRAM HIGHLIGHTS

In Fiscal Year (FY) 2024, the Appalachian Regional Commission's activities advanced the five goals of its 2022–2026 strategic plan: building Appalachian businesses, building Appalachia's workforce ecosystem, building Appalachia's infrastructure, building regional cultural and tourism, and building community leaders and capacity. The Appalachian Regional Commission (ARC, the Commission) supported these goals through multiple grant programs; by providing training, technical assistance, and leadership development; and through interagency efforts such as President Biden's Interagency Working Group on Coal and Power Plant Communities and Economic Revitalization and the Justice40 Program. In FY 2024, ARC also continued to bolster community capacity building and collaboration across the Appalachian Region through its two initiatives made possible through funding from the Bipartisan Infrastructure Law—Appalachian Regional Initiative for Stronger Economies (ARISE) and READY Appalachia. The following sections highlight these and other ARC initiatives that advanced each of the Commission's strategic investment priorities in FY 2024.

ARISE

In FY 2024, ARC made funds available for the Appalachian Regional Initiative for Stronger Economies (ARISE) to drive large-scale, regional economic transformation through multi-state collaborative projects across Appalachia.

In FY 2024, ARC awarded \$73.4 million to 32 projects that expand support to Appalachian businesses, train workers in emerging sectors, expand access to vital services like childcare, build resilient infrastructure, and connect and leverage multi-state outdoor recreation opportunities. Using funding provided by the Bipartisan Infrastructure Law, ARISE strengthens Appalachian businesses and industry, and supports the creation of new economic opportunities across multiple states in Appalachia. In addition to requiring multistate collaborations, ARISE proposals must address at least one of ARC's five strategic investment priorities.

POWER Initiative

ARC continued to provide funding through the Partnerships for Opportunities and Workforce and Economic Revitalization (POWER) Initiative, which helps diversify the economies of communities and regions affected by job losses in coal mining, coal power plant operations, and coal-related supply chain and logistics industries due to the changing economics of America's energy production. In FY 2024, ARC awarded nearly \$70.9 million in 73 investments to help coal-impacted communities in Appalachia diversify and grow their economies.

The awards funded a wide range of activities in Appalachia, targeted at building a competitive workforce, fostering entrepreneurial activities, developing industry clusters in communities, and enhancing access to broadband service.

INSPIRE Initiative

Because the nation's substance use crisis continues to disproportionately impact Appalachia's workforce, ARC continued supporting efforts throughout the region to save lives and strengthen communities. As such, ARC's INSPIRE (INvestments Supporting Partnerships in Recovery Ecosystems) grant initiative addresses the substance use crisis by creating or expanding a recovery ecosystem that will lead to workforce entry or re-entry of individuals in recovery from substance use disorder (SUD). In FY 2024, ARC awarded \$11.5 million in 39 investments to fund support services along with workforce training and employment opportunities to help people with SUD achieve long-term recovery and enter the workforce. These projects aim to be part of a recovery ecosystem—a series of connected interventions that leads to employment for participants and ultimately serves to strengthen communities throughout Appalachia. Since April 2021, ARC has invested \$54.4 million in 168 projects that address Appalachia's SUD crisis across 360 counties.

Community Capacity Building

ARC supports the development of community leaders and community capacity to successfully plan, propose, and implement projects and initiatives. In addition to funding grants that support community capacity, ARC conducts outreach and technical assistance, and offers several programs that build leadership skills across age groups and throughout the region.

READY Appalachia

READY Appalachia is a community capacity-building initiative that builds individual, organizational, and community capacity in Appalachia through no-cost, cohort-based training and funding access. Supported with funding through the Bipartisan Infrastructure Law, READY Appalachia advances ARC's larger investment priority of building community leaders and local capacity to effect sustainable economic development.

READY Appalachia places special emphasis on helping the region's most under-resourced and economically distressed communities to increase their ability to solve pressing issues and create lasting, positive change. Between 2022–2023, READY Appalachia initially targeted its funding to support capacity-building training and funding for nonprofit organizations and local development districts (LDDs) through **READY Nonprofits** and **READY LDDs**, respectively.

In FY 2024, *READY Appalachia* provided targeted community capacity-building training and funding for local governments, and community foundations serving the Appalachian Region:

- Through *READY Local Governments*, launched in April 2024, ARC selected 90 local governments from 12
 Appalachian states to participate in a training program focused on federal grant application and management skills.
 Of those selected, 83 local governments successfully completed the training and will be eligible to apply for the upcoming organizational capacity grant of up to \$50,000 (no match required). Grant applications will be accepted in FY 2025.
- Through **READY Community Foundations**, launched in May 2024, ARC selected 30 community foundations from 10 Appalachian states to participate in no-cost funding. Following completion of the training program, successful participants will be eligible to apply for up to \$25,000 in funding (no match required) to implement internal capacity-building projects.

Additionally, in September 2024, ARC announced the new \$9 million **READY Grants to Grow** opportunity, which offers both planning and implementation grants of up to \$500,000 to eligible entities seeking to build individual,

organizational, and community capacity in underserved Appalachian communities. Applications are due February 14, 2025. In FY 2025, \$9.5 million is available for *READY Appalachia* through the Bipartisan Infrastructure Law.

In May 2024, after a months-long competitive request-for-proposal (RFP) process, ARC contracted with the Research Triangle Institute (RTI) and their partner Rural Local Initiatives Support Corporation (LISC). The research team will develop a strategy for ARC for 2025–2029 that focuses on its capacity building programming, which includes *READY Appalachia*, the Appalachian Leadership Institute, and its Technical Assistance Programs (e.g., workshops and trainings for grantees/applicants). The main deliverables include a literature/document review of ARC's capacity-building work and that of agencies with similar programming, a gap analysis of capacity in the region, an action plan to address the identified gaps, an outreach strategy for underserved/unreached organizations, and suggested performance measures to assess capacity-building impact. These deliverables will together comprise the complete capacity-building strategy, which is expected to be finalized in May 2025.

Academies and Institutes

ARC hosts several academies and institutes for students and adults in science, technology, engineering, and mathematics (STEM) education; entrepreneurship development; applied research; and community leadership. Through these experiential learning opportunities, participants build networks, hone skills, and cultivate an enduring commitment to Appalachia's future.

Programming includes the **Appalachian STEM Academy**, a two-week, hands-on summer learning program delivered through Oak Ridge Associated Universities. In FY 2024, 110 middle school through high school students and four high school teachers participated in the program.

In FY 2024, 24 students completed the **Appalachian Entrepreneurship Academy**, an experiential summer learning program to build high school students' entrepreneurship skills.

ARC also supports the **Appalachian Collegiate Research Initiative**—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 ARC's strategic goals. In FY 2024, 13 colleges and universities in 10 Appalachian states participated in the program.

Finally, the **Appalachian Leadership Institute** aims to equip a diverse network of leaders with the skills, expertise, and vision to address Appalachia's most pressing issues. Fellows participate in seven sessions that focus on economic development and other challenges facing Appalachian communities. In FY 2024, 40 fellows graduated from the Appalachian Leadership Institute.

Appalachian Regional Energy Hub Initiative

Included in the 2022 reauthorization of the Appalachian Regional Commission in the Bipartisan Infrastructure Law was a provision establishing the Appalachian Regional Energy Hub Initiative, for which the Commission was directed to provide \$5 million a year for five years. Pursuant with that direction, in FY 2024, ARC issued a Notice of Solicitation of Applications (NOSA) for Energy Hub proposals from Appalachian communities. The funding opportunity made available up to \$5 million for eligible applicants to (1) conduct research on natural gas and natural gas liquid supply-and-demand opportunities or (2) to support the implementation of an energy hub for hydrogen produced from natural gas using carbon-capture technology. ARC ultimately received three proposals, which are all currently under review.

Partnerships

ARC promotes economic and community development through a framework of federal, state, and public-private partner initiatives. ARC's limited resources are necessary, but obviously not sufficient, for Appalachia to reach parity with the rest of the nation. Therefore, ARC uses a combination of its grassroots delivery system and region-wide partnerships to extend the reach of other federal programs. ARC is often a pre-development resource, especially in economically distressed areas, providing modest amounts of initial funding that are unavailable from other sources because the community cannot qualify for the support or raise adequate matching funds. The Commission may also allow other federal agencies to use ARC funds under their statutory authorities when their own funds are insufficient for projects; in effect, ARC can provide sufficient match for federal grants on behalf of the most distressed Appalachian communities. Recent partnerships include the following.

Interagency Working Group on Coal and Power Plant Communities and Economic Revitalization. In FY 2024, ARC played an increasingly prominent role in national conversations about economic development, particularly related to coal and coal-fired power plant communities. ARC continued its work in President Biden's Interagency Working Group (IWG) 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. The ARC Federal Co-Chair serves as the Chair of the Community Engagement Subcommittee of the IWG.

Rural Partners Network. ARC is one of 16 federal agencies and regional commissions that are part of the U.S. Department of Agriculture's (USDA) Rural Partners Network, an alliance working directly with rural communities to expand prosperity through job creation, infrastructure development and community improvement. In FY 2024, ARC partnered with the U.S. Environmental Protection Agency (EPA), U.S. Department of Energy (DOE), USDA Rural Development, and several state and local partners to host multiple workshops and trainings covering topics including broadband, project development and federal grant management.

Energy Communities AmeriCorps Program. In FY 2024, ARC piloted the Energy Communities AmeriCorps Program (E-CAP) with a grant of \$175,000 to the Conservation Legacy to support the E-CAP Vista member(s) program, which served four Rapid Response Teams (RRT) in support of Energy Communities designated as Rapid Response communities in Appalachia.

Federal and State Basic Agencies. In the past, ARC construction grants were mainly administered under agreements with federal agencies, such as the USDA Rural Development, the U.S. Department of Housing and Urban Development, the Federal Highway Administration, and the U.S. Economic Development Administration. Other agreements have involved such agencies as the U.S. Army Corps of Engineers, U.S. Environmental Protection Agency, U.S. Forest Service, U.S. Department of Energy, U.S. Department of Health and Human Services.

Since 2010, ARC has also developed agreements with 16 agencies across all 13 states to administer construction-related projects. These partners include the Alabama Department of Economic and Community Affairs, the Kentucky Department of Local Government, the New York State Department of Economic Development, the Ohio Department of Development, the Pennsylvania Department of Community and Economic Development, and the West Virginia Department of Economic Development. These Registered State Basic Agencies (RSBAs) now administer more than 80% of ARC's construction-related projects. This percentage is expected to continue to rise in the foreseeable future.

EPA Wastewater Infrastructure Grants in West Virginia. The 2024 interagency agreement between ARC and the U.S. Environmental Protection Agency (EPA) focused on making available \$500,000 in grant funding for local development districts (LDDs) in Southern West Virginia to help communities and local governments implement projects advancing infrastructure for safe and environmentally sustainable drinking and wastewater. ARC and EPA collaborated on developing the grant parameters, and shared them with the three LDDs covering the territory of interest. Southern West Virginia LDDs submitted three grant applications of \$150,000 each, which are currently being reviewed (as of September 2024).

EPA's Recreation Economies for Rural Communities (RERC) Program. In 2022, ARC partnered with the U.S.

Environmental Protection Agency (EPA) on the RERC program, a planning assistance program that helps communities identify strategies to grow their outdoor recreation economy and revitalize their main streets. ARC joins the Northern Border Regional Commission and USDA's Forest Service as federal partners to the EPA for this program. The nationwide program had 25 total participating communities for 2022. ARC's financial participation allowed 12 Appalachian communities to participate in the program. In FY 2023, all 12 Appalachian communities held their workshops, received technical assistance, and worked on finalizing action plans. As of September 2024, applications were being accepted for the next round of RERC in which ARC funding will allow at least eight Appalachian communities to participate. The communities will be selected by December and workshops will be held in 2025.

EPA's Local Foods Local Places Program. In FY 2024, ARC partnered with the U.S. Environmental Protection Agency (EPA) to reestablish the Local Foods Local Places Program (LFLP). The program provides technical assistance to selected communities to develop plans that support local food systems. LFLP assists community-led efforts that preserve open space and farmland, boost economic opportunities for local farmers and businesses, improve access to healthy local food, promote childhood wellness, boost downtown or neighborhood revitalization, and build stronger climateresilient communities. Five ARC communities were selected to participate and started work in October 2024: Wellston, Ohio; Spring City, Tennessee; Braxton County, West Virginia; Ringgold, Georgia; and Pittsburgh, Pennsylvania (Carrick Neighborhood Farmers Market).

DOL's Workforce Opportunities for Rural Communities (WORC) Initiative. ARC continued to partner with the Delta Regional Authority and the Employment and Training Administration in the U.S. Department of Labor (DOL) on the WORC initiative. WORC funds grants that support economic mobility, address historic inequities for marginalized communities of color and other underserved and underrepresented communities, and produce high-quality employment outcomes for workers who live or work in the Appalachian, Delta, and Northern Border regions. In FY 2024, DOL announced the sixth round of WORC funding, which awarded \$21.39 million to 15 projects in at least seven Appalachian states. To date, the DOL has awarded over \$101.4 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.

Gateway Communities Cultural Heritage Initiative. This ongoing partnership with the National Endowment for the Arts works with the Conservation Fund to provide training and technical assistance to communities that are geographically positioned as "gateways" to the Appalachian Region's public lands and heritage areas. Seven teams from gateway communities across the region met in spring 2024 in Decatur, Alabama, to create individualized community action plans to expand and promote their natural and cultural assets.

Equity

ARC continues its mission to bring Appalachia into socioeconomic parity with the nation by responding to Executive Order 13985, "Advancing Racial Equity and Support for Underserved Communities through the Federal Government," and Executive Order 14008, "Tackling the Climate Crisis at Home and Abroad." ARC is a participant in the Biden Administration's Justice40 Program, which directs agencies to address barriers that have prevented underserved communities from participating fully in aspects of economic, social, and civic life. By law, ARC must direct at least half of its grant funds to projects that benefit economically distressed counties and areas in Appalachia. However, ARC routinely exceeds that requirement with 73% of appropriations invested in distressed counties or areas in FY 2024. ARC's collaborative nature and grassroots delivery system can help to provide small, rural communities with the strategic technical assistance necessary to achieve economic transformation.

Workforce Ecosystem

A ready and productive workforce is the backbone of economic development. ARC investments supported educational opportunities and institutions, especially by connecting skill training with local and regional business needs. Investments also supported workers overcoming challenges like substance use disorder. The goal is to create a seamless system enabling Appalachians to succeed in existing industries, empower displaced workers to transition into new opportunities, and equip all workers with the skills needed for jobs in emerging, high-growth sectors. Together, ARC's workforce ecosystem investments in FY 2024 totaled \$106.9 million across 171 projects.

Infrastructure Investment

In order to compete in the global economy, Appalachia must continue to develop and improve the infrastructure necessary for economic development. In FY 2024, ARC continued to fund more, and larger, infrastructure grants. ARC invested \$209.6 million in 197 projects aimed at bolstering Appalachia's physical infrastructure. These investments—creating and expanding local water and sewer systems; providing access to broadband; building and maintaining access roads; and construction or rehabilitation of combined infrastructure—act as fundamental building blocks for further economic development in Appalachian communities. ARC's FY 2024 infrastructure grant investments were matched by \$488.3 million in other public investments, leveraged \$4.5 billion in non-project private investment, and served 86,065 households and 9,748 businesses. Telecommunications infrastructure is particularly critical to the reduction of Appalachia's isolation and the connection of its businesses and communities with information and markets around the world. The COVID-19 pandemic magnified the importance of device access and broadband subscriptions, with recent data showing that over 19% of Appalachian households lack a broadband internet subscription.

Diversifying Local Economies

ARC recognizes that Appalachia's economic future will require building and strengthening a variety of economic sectors. As Appalachia diversifies its economy, ARC continues to invest in entrepreneurial ecosystems that support locally owned businesses and help existing businesses grow and prosper. To succeed, these ventures need access to capital and vital technical assistance. ARC's investments afford opportunities for communities and nonprofit organizations to pivot towards innovative programming that adapts to a new economy. In FY 2024, ARC funding supported a wide variety of economic sectors and industries to strengthen local businesses and growth while taking advantage of opportunities in emerging industries. Emerging industries include outdoor recreation; food and agriculture; aviation/aerospace; advanced manufacturing; healthcare; and energy.

Outdoor Recreation

In FY 2024, ARC invested over \$16.7 million in 32 projects supporting the region's entrepreneurs, artisans, and smallscale manufacturers to meet the demands for products, services, and experiences of the growing outdoor recreation industry. Appalachia's forests, parks, bodies of water, and mountains anchor the region's outdoor recreation industry and attract thousands of visitors to hike, bike, climb, paddle and explore. Connecting rural communities with trails that guide visitors into small towns boosts local tourism, increases tax revenues, and supports the hospitality industry and related businesses. Investing in this industry supports growth for manufacturers of gear and equipment and providers of tours, experiences, and lodging, while also building amenities that make Appalachia more attractive to outside investors and catalyzing greater economic activity.

Food and Agriculture

The development of local and regional food systems is increasingly recognized as a key lever for economic development in Appalachia. In FY 2024, ARC invested \$4.4 million in eight food and agricultural projects in the region. Given its proximity to large urban markets and boasting more farmers per capita than the United States overall, Appalachia is well positioned to use local and regional food systems as an economic development tool. In April 2022, ARC released the <u>Agriculture and Local Food Economies in the Appalachian Region</u> report, which highlights promising solutions and innovative approaches for building more thriving and resilient food systems across Appalachia. The report also characterizes current dynamics in the region's farm and food economies, based primarily on analysis of the most recent USDA Census of Agriculture (2017).

Aviation/Aerospace

Appalachia has a burgeoning aerospace and aviation industry. ARC continued to support workforce development and training projects throughout the region that are helping to meet the demand for avionics specialists, Federal-Aviation-Administration-certified aviation maintenance technicians, and other skilled workers. To spur further economic development, ARC invested \$3.9 million in infrastructure and workforce development projects in FY 2024 to help expand existing airports and training to support the workforce and economic needs of communities across Appalachia.

Advanced Manufacturing

There is a growing demand in Appalachia for workers who are trained in advanced manufacturing techniques across a number of industries, from automotive to petrochemical. In fact, The Appalachian Energy and Petrochemical Renaissance, a recent report from the U.S. Department of Energy (DOE), found that by 2025, petrochemical manufacturing already in development in Appalachia is projected to attract between \$16 billion and \$20 billion in capital investment, and directly or indirectly create more than 9,800 jobs.

Healthcare

As part of its focus on job creation and entrepreneurship, ARC is supporting the creation, growth, and access to capital for businesses in the healthcare sector. Doing so expands residents' access to care and diversifies the local economy. ARC programs have also supported education and training programs to meet the growing demand for healthcare professionals in Appalachia, including infrastructure projects that provide access to healthcare services to communities in Appalachia. In FY 2024, the J1 Visa Program approved 52 visa waiver requests, helping place physicians in Appalachian communities experiencing shortages of healthcare workers.

Energy

Communities across Appalachia continue to develop sustainable clean energy solutions at a local and regional scale. Encouraging investments in energy resources in Appalachia can increase job opportunities, strengthen energy independence, boost business viability, and bolster long-term climate resilience. In FY 2024, ARC invested \$17 million in 14 projects that either directly or indirectly worked to develop energy efficiency improvements, strengthen the utility grid, increase solar and wind energy production, and boost the green economy.

Appalachian Regional Commission Projects Approved in Fiscal Year 2024 (in thousands of dollars)

	Number of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Asset-Based Development	53	\$31,985.9	\$337.3	\$29,994.5	\$62,317.6
Business Development	64	48,372.3	970.0	64,452.2	113,794.6
Civic Entrepreneurship	19	3,240.2	0.0	1,334.7	4,574.9
Community Development	159	156,104.1	34,137.2	368,509.5	558,750.8
Education and Workforce Development	143	84,649.7	6,788.6	61,525.0	152,963.3
Health	28	20,813.5	187.8	18,585.3	39,586.6
Research and Evaluation	8	1,729.9	0.0	35.0	1,764.9
State and Local Development District Planning and Administration	109	17,715.9	70.0	6,141.9	23,927.8
Totals	583	\$364,611.4	\$42,491.0	\$550,578.0	\$957,680.5

Notes: Totals may not add because of rounding. Table includes access road projects funded through the Highway Trust Fund.

APPALACHIAN REGIONAL COMMISSION STRUCTURE AND PROGRAMS

Congress established ARC to address the profound economic and social problems in the Appalachian Region that made it a "region apart" from the rest of the nation. The Commission was charged to

- provide a forum for consideration of regional problems and proposed solutions, establish special advisory councils, and hold public conferences;
- provide grants that leverage federal, state, and private resources to build infrastructure for economic and human resource development;
- generate a diversified regional economy, develop Appalachia's industry, and build entrepreneurial communities;
- serve as a focal point and coordinating unit for Appalachian programs;
- make Appalachia's industrial and commercial resources more competitive in national and world markets;
- improve the skills of Appalachia's workforce;
- adapt new technologies for the use of Appalachia's businesses, including eco-industrial development technologies;
- improve the access of the region's businesses to the technical and financial resources necessary for the development of business; and
- coordinate the economic development activities of, and the use of economic development resources by, federal agencies in Appalachia.

The challenges confronting Appalachia today are complex. In some areas of the region, basic needs persist in infrastructure, the environment, workforce training, and healthcare. But because the nation and the region now compete in the global economy, the threshold for success is higher than it once was. Appalachia now needs hightechnology jobs rather than manual labor, college education rather than basic literacy, and telecommunications arteries in addition to highways.

Federal agencies are typically national in focus and narrow in scope, but ARC was created to be regional in focus and broad in scope. No other government agency is charged with the unique role of addressing Appalachian problems and opportunities. No other agency is charged with being simultaneously an advocate for Appalachia, a knowledge builder, an investor, a catalyst for economic development, and a partner at the federal, state, and local levels. These roles are essential to making federal investments work to alleviate severe regional disparities in the country.

By law, the Commission directs at least half of its grant funds to projects that benefit economically distressed counties and areas in Appalachia. In part, ARC gauges its long-term progress toward helping the region achieve economic parity with the nation in terms of the gradual reduction in the number of such counties and areas over time. The maps on page 14 show Appalachia's high-poverty counties in 1960 and current high-poverty counties. The change is dramatic. (Also see page 50 for a chart showing the number of Appalachian counties by economic quartile in FY 2024.)

ARC is a federal-state partnership, with a governing board composed of a federal co-chair and the governors of the 13 Appalachian states. Because of its partnership approach, ARC is able to identify and help fund innovative grassroots initiatives that might otherwise languish. In many cases, the Commission functions as a pre-development agency, providing modest initial funding that is unavailable from other sources. ARC funds attract capital from the private sector and from other public entities.

Through the years, ARC support has helped address the problem of historically low public and private investment in Appalachia. ARC has effectively used its funds to help communities qualify for, and make better use of, limited resources from other federal agencies. These federal funds, combined with state, local, and private money, provide a broad program of assistance to Appalachia. In addition, substantial private investment in business facilities and operations has accompanied ARC development projects.

Three studies have found that ARC's coordinated investment strategy has paid off for Appalachia in ways that have not been evident in parts of the country without a regional development approach. A 1995 study funded by the National Science Foundation compared changes in Appalachian counties with their socioeconomic "twin" counties outside the region over 26 years, from 1965 to 1991. This analysis, controlled for factors such as urbanization and industrial diversification, found that the economies of the Appalachian counties grew significantly faster than those of their non-Appalachian counterparts. A later report by Economic Development Research Group extended this analysis to 2000 and confirmed the earlier findings on the impact of ARC's investments. The study found that, on average, the gap between Appalachian counties and their non-Appalachian twin counties grew significantly in the 1990s. In 2005, ARC commissioned a report that analyzed 50 years of socioeconomic trends in Appalachia and summarized the economic impacts accruing to the region through ARC's non-highway investments. The report also includes results from a rigorous quasi-experimental research method indicating that counties that received ARC investments increased per capita income and added employment at a faster rate than similar counties that did not receive ARC investments.

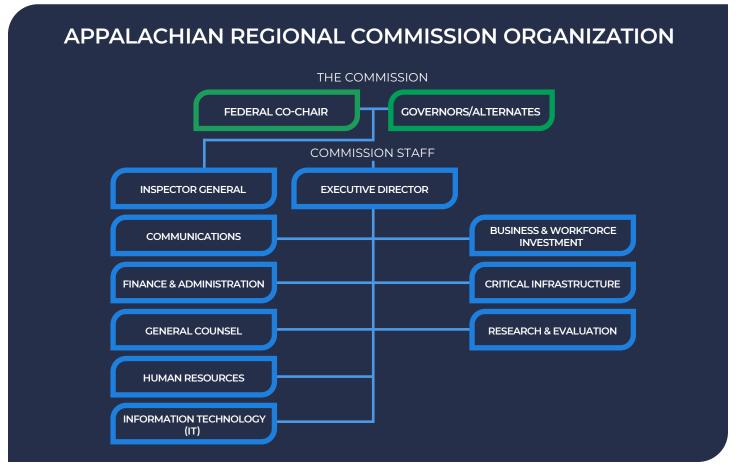
Organization: The ARC Partnership Model

The Appalachian Regional Commission has 14 members: the governors of the 13 Appalachian states and a federal cochair, who is appointed by the President of the United States and confirmed by the Senate. Each year, one governor is elected by his or her peers to serve as the states' co-chair. The partnership nature of ARC is evident in its policymaking. The governors and the federal co-chair share responsibility for determining all policies and for the control of funds. On all Commission decisions, the federal co-chair has one vote, and the 13 governors share one vote. Accordingly, all program strategies, allocations, and other policies must be approved by both a majority of the governors and the federal co-chair. All projects are approved by a governor and by the federal co-chair. This consensus model ensures close collaboration between the federal and state partners in carrying out the mission of the agency. It also gives the Commission a nonfederal character that distinguishes it from typical federal executive agencies and departments.

State alternates appointed by the governors oversee state ARC business and serve as state-level points of contact for those seeking ARC assistance. An alternate federal co-chair appointed by the president has authority to act as the federal co-chair in his or her absence. By law, there is an inspector general for the Commission. The inspector general is under the general supervision of the Commission and has a dual and independent reporting relationship to both the Commission and Congress.

In FY 2024, there were 11 federal positions at the Commission.

The Commission members appoint an executive director to serve as the chief executive, administrative, and fiscal officer. The executive director and staff are not federal employees. The Commission has 83 nonfederal positions.



Commission staff are charged with serving both the federal and the state members impartially in carrying out ARC programs and activities, and they provide the legal support, technical program management, planning and research, and financial/administrative management necessary for ARC's programs.

Commission Activities

With the passage of the Appalachian Regional Development Act in 1965, Congress gave ARC broad program discretion to address problems and opportunities in the region. Accordingly, ARC has emphasized a wide-ranging set of priorities in its grant activities. Projects in recent years have focused on business development, educational attainment, access to healthcare, broadband, and tourism development. In addition, ARC has consistently maintained a focus on the construction of development highways and basic water and wastewater facilities.

ARC Strategic Plan

FY 2024 was ARC's third year of operating under its 2022-2026 strategic plan, Appalachia Envisioned: A New Era of Opportunity. The plan outlines ARC's mission to innovate, partner, and invest to build community capacity and strengthen economic growth in Appalachia, and identifies five strategic goals to help Appalachia reach socioeconomic parity with the rest of the nation:

- 1) Strengthen and diversify the Region's economy through inclusive economic development strategies and investments in entrepreneurship and business development.
- 2) Expand and strengthen community systems (education, healthcare, housing, childcare, and others) that help Appalachians obtain a job, stay on the job, and advance along a financially sustaining career pathway.
- 3 Ensure that the residents and businesses of Appalachia have access to reliable, affordable, resilient, and energy-efficient utilities and infrastructure to successfully live and work in the region.
- 4 Strengthen Appalachia's community and economic development potential by preserving and investing in the region's local cultural heritage and natural assets.
- 5 Invest in the capacity of local leaders, organizations, and communities to address local challenges by providing technical assistance and support to access resources, engage partners, identify strategies and tactics, and conduct effective planning and project execution.

As reported in Part II of this report, the Commission demonstrated progress in FY 2024 toward achieving the strategic plan's performance goals.

Area Development Program

Area development funds are largely allocated to the Appalachian states by formula to provide flexible assistance for individual community projects. In FY 2024, ARC received an appropriation of \$200 million for area development activities and allocated by formula \$110.11 million, 55% of the appropriation, to the states. Within the framework of the strategic plan, the states have wide discretion in the use of these funds. Priorities for area development funding are set forth in the Commission's strategic plan, and state and community leaders work together to package funding from public and private organizations to implement those priorities. All ARC non-highway grants are approved by a governor and by the federal co-chair.

ARC's FY 2024 appropriation included \$65 million for the Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) Initiative, \$16 million for a program to support the automotive and aviation sectors in Southern and South Central Appalachia, \$10 million to continue a program of high-speed broadband deployment in economically distressed counties in central Appalachia, \$15 million for a program addressing North Central/North Appalachian broadband, \$16 million for a program of basic infrastructure improvements in distressed counties in Appalachia, and \$13 million for the INvestments Supporting Partnerships in Recovery Ecosystems (INSPIRE) Initiative.

In addition to the regular Area Development Program, in FY 2024, ARC received an appropriation of \$200 million through the Bipartisan Infrastructure Law. ARC allocated by formula \$100 million, 50% of the appropriation, to the states. The allocation of the Bipartisan Infrastructure Law appropriation also included \$80 million for the Appalachian Regional Initiative for Stronger Economies (ARISE), and \$9.5 million for *READY Appalachia*, a new community capacity-building initiative.

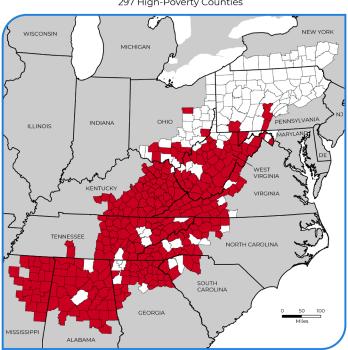
Special Focus on Distressed Counties and Areas

The Commission targets special resources to the most economically distressed counties and areas in Appalachia, using a very conservative measure of economic distress based on three economic indicators: three-year average unemployment rates, per-capita market income, and poverty rates. ARC uses an index-based classification system to compare each county in the nation with national averages on the three economic indicators. Based on that comparison, each Appalachian county is classified within one of five economic status designations: distressed, at-risk, transitional, competitive, or attainment:

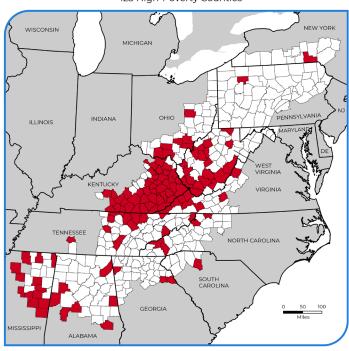
HIGH-POVERTY COUNTIES IN THE APPALACHIAN REGION

(Counties with poverty rates at least 1.5 times the U.S. average)





2018-2022123 High-Poverty Counties



Data Source: U.S. Census Bureau, American Community Survey, 5-Year Estimates, 2018-2022

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

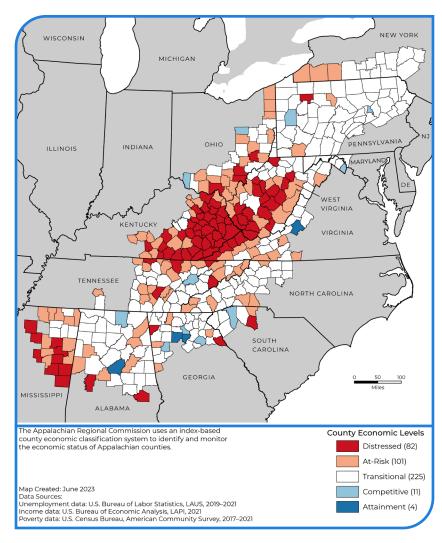
- Distressed counties are those that rank in the worst 10% of the nation's counties.
- At-risk counties rank between the worst 10% and the worst 25% of the nation's counties.
- Transitional counties rank between the worst 25% and the best 25% of the nation's counties.
- Competitive counties rank between the best 10% and the best 25% of the nation's counties.
- Attainment counties are those that rank in the best 10% of the nation's counties.

In FY 2024, 82 counties were designated distressed, 101 were designated at-risk, 225 were designated transitional, 11 were designated competitive, and four were designated attainment. ARC policy stipulates that competitive counties may receive limited assistance, while attainment counties are generally not eligible for funding. See page 15 for a map of Appalachian counties classified by economic status.

Besides allocating funding to benefit distressed counties and areas, ARC has established other policies to reduce economic distress in Appalachia. ARC normally limits its maximum project funding contribution to 50% of costs, but it can increase its funding share to as much as 80% in distressed counties.

COUNTY ECONOMIC STATUS IN APPALACHIA, FISCAL YEAR 2024

(Effective October 1, 2023, through September 30, 2024)



Business Development Revolving Loan Fund and Investment Capital Grants

Business development revolving loan funds (RLFs), pools of money used by grantees for the purpose of making loans to local businesses to create and retain jobs and venture capital investments, have been used by ARC since 1977 as an effective tool for economic development. Limited access to credit is one of the major problems in local business development in Appalachia and is a significant contributing factor to local economic distress. Since the first RLF grants were awarded, ARC-supported RLFs have disbursed over \$801 million in 6,300 loans, resulting in 133,084 jobs created or retained and leveraging over \$1.84 billion for the Appalachian Region.

Highway Program: The Appalachian Development Highway System

Congress created the Appalachian Development Highway System (ADHS) expressly to provide growth opportunities for the residents of Appalachia—the same benefits afforded the rest of the nation through the construction of the interstate highway system, which largely bypassed Appalachia because of the high cost of building roads through the region's mountainous terrain. The ADHS, a 3,090-mile system of modern highway corridors that replaces a network of worn, winding two-lane roads, was designed to generate economic development in previously isolated areas, supplement the interstate system, and provide access to areas within Appalachia as well as to markets in the rest of the nation and overseas.

In FY 2024, funding for the ADHS was included in the overall federal-aid highway funds apportioned to the states. These funds are apportioned to the states annually, with each state using the funding at its own discretion. The federal share of funding for ADHS corridors and access roads can normally range from 80% to 100%, as determined by the state highway agencies. Although funds used for the ADHS are derived from the federal-aid highway funds, ARC exercises policy and corridor alignment control over the system. In FY 2024, the Transportation Appropriation bill also included specifically dedicated ADHS funding of \$100 million from the General Fund, the fourth consecutive year of dedicated funding. The Bipartisan Infrastructure Law, signed in 2022, included an additional appropriation of \$1.25 billion for ADHS projects over five years. In FY 2024, this amounted to a total of \$246.25 million being apportioned to states for ADHS projects. Similar appropriations will continue each year through FY 2026.

At the end of FY 2024, a total of 2,711.9 miles, or 87.8%, of the 3,090 miles authorized for the ADHS were complete; 127.2 miles were under construction or partially complete and open to traffic; 33.5 miles were in the final design or right-of-way acquisition phase; and 217.5 miles were in the location study phase.

Local Development Districts

Local development districts (LDDs) are multi-county planning organizations that facilitate community-based, regionally driven economic development. Guided by local leaders, elected officials, business representatives, and other community stakeholders, ARC relies on LDDs to lead and leverage local partnerships. Every county in the Appalachian Region is served by one of 74 LDDs. While LDDs have a wide array of responsibilities as determined by their individual boards of directors, they typically are involved in four key areas that support the development of Appalachia: providing area-wide planning and program development, and coordination of federal and state funding sources; assisting local governments in providing services, especially in poorer, more isolated communities; promoting public-private

partnerships and assisting in business development; and helping communities assess, plan, and conduct a wide range of activities such as job training, business development, telecommunications planning and implementation, and municipal government support. The Commission has also supported the training and technical assistance activities of the Development District Association of Appalachia, an organization of the region's LDDs.

Research and Technical Assistance Activities

ARC funds research and evaluation studies that produce information on socioeconomic and demographic conditions in Appalachia, including baseline data and trend analysis, economic impact analysis, program evaluation, and regional economic and transportation modeling. ARC-funded research focuses on strategic analyses of key economic, demographic, and quality-of-life factors that affect Appalachia's current and future development prospects. The aim of this research is to help policymakers, administrators, and staff target resources efficiently, and to provide highquality research for the general public and researchers. ARC also funds program evaluations by outside researchers or consultants to assess whether Commission-funded projects have made a measurable difference in social or economic outcomes. The purpose of these evaluations is to determine the extent to which the projects have contributed to the attainment of economic development objectives identified in ARC's strategic plan. In addition, evaluations are used to verify project results and to assess the validity of specific performance measurements for monitoring and evaluating specific types of projects.

Reports and data products are posted on ARC's website at www.arc.gov/research-and-data.

Research completed or in progress in FY 2024 included the following:

- A research project examining food insecurity and access throughout Appalachia
- An update to the Diseases of Despair reports looking at deaths due to overdose, suicide, and liver disease
- Ongoing analysis of coal production and employment trends in Appalachia
- A data update to past research examining the coal industry ecosystem throughout Appalachia, which will serve as the basis for measuring coal impact for POWER applications
- A research project examining worker displacement throughout Appalachia, including worker characteristics, trends, and industries most affected
- A research project analyzing access to capital and credit for entrepreneurs and small businesses throughout Appalachia
- A research project examining water and wastewater infrastructure throughout Appalachia
- A data overview study examining state- and county-level data for the 13 Appalachian states on topics including population, age, race, ethnicity, housing, education, labor force, employment, income, poverty, health insurance, disability status, and migration
- Ongoing maintenance and periodic updates to <u>healthinappalachia.org</u>, an interactive website with data and reports from the Creating a Culture of Health in Appalachia: Disparities and Bright Spots initiative
- An evaluation of ARC's business development investments
- An ongoing evaluation of ARC's health investments
- An ongoing evaluation of ARC's ARISE-funded investments

- Projects with two state departments of transportation to pilot the use of accessibility metrics developed in past ARC research to inform investment prioritization
- A research study to develop recommendations on policies, initiatives, and investment priorities for truck parking throughout Appalachia
- A research study identifying key export-oriented industries throughout Appalachia, the multi-modal transportation needs of these industries, and critical freight trends affecting the region.

Impediments to Progress

Appalachia's isolation and its difficulty in adapting to economic change over past decades are major factors contributing to the gap in living standards and economic achievement between the region and the rest of the nation. Mining and manufacturing, which have long dominated the Appalachian economy, have declined significantly since the turn of the 21st century. Despite progress in some areas, Appalachia still does not enjoy the same economic vitality and living conditions as the rest of the nation; it continues to face many challenges when it comes to poverty, educational attainment, employment, population health, and broadband access.

Poverty

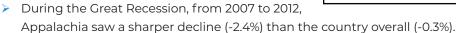
 According to the U.S. Census Bureau's American Community Survey, over the 2018–2022 period, 14.3% of Appalachian residents lived below the poverty level, well above the U.S. average of 12.6%. The median income of Appalachian households was \$61,688, just 82% of the U.S. median of \$75,149.

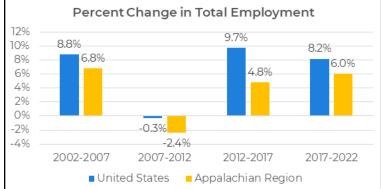
Educational Attainment

• During the same time period, the share of adults with a bachelor's degree or more was 7.6 percentage points lower in Appalachia than in the nation as a whole; and in 268 Appalachian counties, fewer than one in five residents ages 25 and over were graduates of a four-year college or university.

Employment

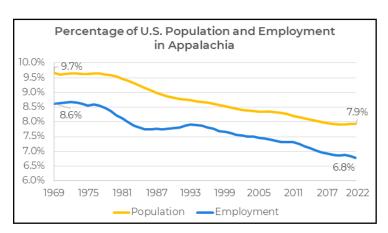
- For generations, employment growth in the Appalachian Region has lagged growth in the rest of United States—and when downturns occur, the region experiences these more acutely. Consider changes in total employment over the past two decades, broken up into four five-year increments:
 - ➤ Heading into the Great Recession, from 2002 to 2007, employment growth in Appalachia (6.8%) trailed that in the U.S. as a whole (8.8%).





- From 2012 to 2017, Appalachia's employment growth (4.8%) was just half that of the U.S. as a whole (9.7%).
- During the most recent five-year period, 2017 to 2022, growth in Appalachia (6.0%) once again trailed that for the country overall (8.2%).
- During the 2017 to 2022 period, four of Appalachia's five subregions experienced slower employment growth than in the country as a whole. Just Southern Appalachia had faster growth (12.4%) than the U.S. overall (8.2%).

- Between 2011 and 2023, coal mining employment in Central Appalachia decreased by 64%—nearly 20,000 jobs were lost—and employment in the industry is not expected to return to previous highs.
- Since the turn of the century, manufacturing employment has declined throughout the United States. However, the decline has been sharper in Appalachia than elsewhere; from 2000 to 2022, the region lost approximately 572,000 jobs in the industry, a 29% decrease, whereas the U.S. as a whole experienced a relatively smaller decline of 24%. Three subregions were hit especially hard by the trend—Northern, North Central, and South Central Appalachia—with all three losing approximately one-third of their employment in the industry over the time period.
- Employment in the health and social services sector has grown more slowly in the Appalachian Region than in the nation as a whole. While the United States overall experienced growth of 17% between 2012 and 2022, employment
 - in the sector grew by just 7% in Appalachia. Northern Appalachia even experienced a decline over the past decade, losing 2.4% of its employment in the sector.
- As seen in the figure to the right, which displays the percentage of the U.S. population and employment found in Appalachia over time, there are fewer jobs available per person in Appalachia than elsewhere in the country—a disparity that has been present since at least 1969. The chart also shows the long-term declines across the region in both categories.



Population Health

- From 2019 to 2022, Appalachia experienced a 19.5% increase in its all cause-mortality rate among people ages 15-64; the rest of the country saw a slightly lower increase of 18.6%. In 2022, the all-cause mortality rate was 34% higher in Appalachia than in the rest of the United States; in 2003, this gap was just 17%.
- In 2022, the overdose mortality rate for people ages 15–64 was 53% higher in Appalachia than in the rest of the United States.
- A report released in 2017 documenting population health in Appalachia included 7 of the 10 leading causes of death in the United States: heart disease, cancer, chronic obstructive pulmonary disease (COPD), injury, stroke, diabetes, and suicide—and the Appalachian Region had higher mortality rates than the nation for each.
- Obesity, smoking, and physical inactivity—risk factors for a number of health outcomes—were all higher in Appalachia than in the nation overall.
- Appalachia also had a lower number of healthcare professionals when compared to the United States as a whole, including primary care physicians, mental health providers, specialty physicians, and dentists.

Broadband Access

 Appalachia lags behind the rest of the nation in access to affordable broadband telecommunications service. This leaves many Appalachians without access to modern telework and tele-education opportunities as well as telehealth services. The lack of broadband service also makes it difficult for local communities to attract new businesses that would help transition their local workforces to modern jobs in advanced manufacturing, health sciences, and other industries.

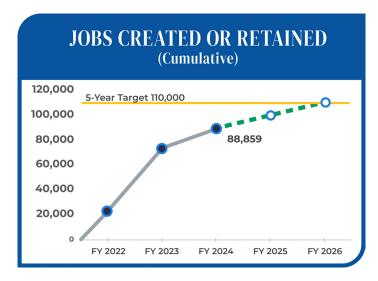
SUMMARY OF ACHIEVEMENTS

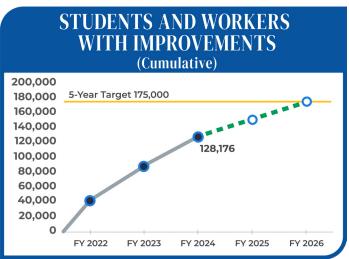
PERFORMANCE TARGETS AND INITIAL ESTIMATES FOR FISCAL YEAR 2024 PROJECTS

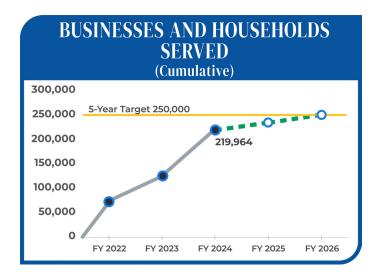
ANNUAL PERFORMANCE TARGETS	INITIAL ESTIMATES	EXPECTED RESULTS	
Outcome Targets			
22,000 jobs created or retained	16,073 jobs created or retained	Met 73% of target	
35,000 students and workers with improvements	39,631 students and workers with improvements	Exceed target by 13%	
50,000 businesses and households with access to improved infrastructure	95,813 businesses and households with access to improved infrastructure	Exceed target by 92%	
4,000 businesses created or strengthened	5,416 businesses created or strengthened	Exceed target by 35%	
400 communities with enhanced capacity	906 communities with enhanced capacity	Exceed target by 127%	
Leverage Target			
Achieve a 6:1 ratio of leveraged private investment to ARC funds (\$6 per \$1 ARC investment)	14:1 ratio* (\$13.70 per \$1 ARC investment)	Exceed target by 128%	
Matching Target			
Achieve a 2:1 ratio of matching funds to ARC funds (\$2 per \$1 ARC investment)	2:1 ratio* (\$1.63 per \$1 ARC investment)	Meet 81% of target	
Distressed Counties/Areas Target			
Direct 50% of ARC funds to benefit distressed counties or areas	73% of funds**	Exceed target by 23 percentage points	
*Ratios are rounded to the nearest whole number. **Project funds are included if the project primarily or substantially benefits distressed counties or areas.			

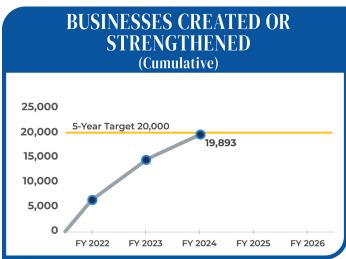
Performance results are assessed in detail in Part II (page 25).

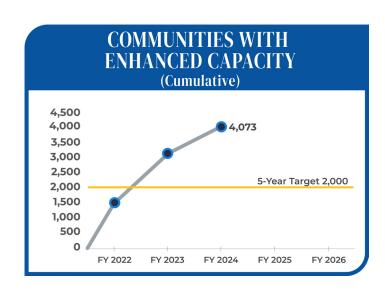
Progress Toward ARC Strategic Plan Performance Goals, Fiscal Years 2022–2026











FINANCIAL MANAGEMENT

Financial Management System

In FY 2024, the Appalachian Regional Commission continued to contract with General Services Administration (GSA) Pegasys Financial Services to perform the Commission's accounting and financial reporting. ARC supplements these financial services with ARCnet, a grant management information system that provides real-time funding, grant-status, and performance-measurement information, as well as grant-related financial data, in an intranet environment available to staff and key state officials.

Management's Responsibility for Internal Control

ARC implemented a process for providing audited financial statements in FY 2002, following the guidance of the Accountability of Tax Dollars Act of 2002. ARC, strictly speaking, is not a federal agency as defined in Titles 5 and 31 of the U.S. Code. ARC keeps accurate and complete records of its doings and transactions pursuant to Section 107 of the Appalachian Regional Development Act of 1965, as amended, 40 USC 14308 (2021). Moreover, the Internal Revenue Service (IRS) has recognized ARC with a 501(c)(3) designation. Consistent with this, the Commission has elected to follow the Office of Management and Budget (OMB) guidance in its reporting because full disclosure of financial information is consistent with the governmental nature of ARC's mission and operations and its stewardship of public funds.

ARC maintains a plan of internal control development and testing, as required by the Federal Managers' Financial Integrity Act of 1982. ARC makes management controls an integral part of the entire cycle of planning, budgeting, management, accounting, and financial auditing. ARC maintains an environment of accountability in which all employees help ensure that government resources are used efficiently and effectively to achieve intended program results with minimal potential for waste, fraud, and mismanagement.

ARC's Office of Inspector General (OIG) conducts independent program reviews and audits. Weekly management team meetings provide an opportunity to address control issues. Finance staff conduct pre-payment examinations of approved payments, as well as oversight reviews of program account obligation and payment details. Finally, the annual financial audit of ARC provides independent assessments of the adequacy of internal controls. The internal control plan assigns responsibility within the Commission for follow-up action on any deficiencies.

ARC is pleased to report that it received an unmodified opinion from its independent auditor, Allmond & Company LLC, on the FY 2024 financial statements provided in this *Performance and Accountability Report*.

MANAGEMENT ASSURANCES

Overall Internal Control

The Appalachian Regional Commission's management is responsible for establishing and maintaining effective internal control and management systems that meet the objectives of the Federal Managers' Financial Integrity Act of 1982. The Commission conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on this evaluation, the Commission can provide reasonable assurance that its

internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2024, was operating effectively.

Internal Control over Financial Reporting

ARC conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with OMB circulars A-123, Management's Responsibility for Internal Control, and A-136, Financial Reporting Requirements. Based on the assessment, ARC can provide reasonable assurance that internal control over financial reporting as of September 30, 2024, was operating effectively.

Management Follow-Up to Inspector General Recommendations

During FY 2024, the OIG issued 40 reports and 52 recommendations. Management decisions were made for 47 recommendations. Twenty-seven final actions were completed during this period of performance, fourteen of which are from recommendations made in previous reporting periods. The dollar value of recommendations with questioned costs where final action was completed in FY 2024 was \$1,865,396. ARC recovered \$7,015.64 in FY 2024 and continues receiving a \$50,000 refund annually from a settlement agreement with a grantee.

Office of Inspector General reports are available at www.arc.gov/office-of-inspector-general.

SUMMARY OF FINANCIAL STATUS

Part III of this Performance and Accountability Report includes information about the financial status of the Appalachian Regional Commission. In the FY 2024 unmodified opinion of ARC's independent auditor, Allmond & Company LLC, indicates that the financial statements included in that section fairly represent, in all material respects, the financial position of the Commission as of September 30, 2024. Thus, ARC's net costs, changes in net position, and budgetary resources for the year ended in conformity with generally accepted accounting principles (GAAP) issued by the Financial Accounting Standards Board and OMB Circular A-136. The financial statements taken together include all aspects of ARC, including the Office of the Federal Co-Chair, Area Development Program, and administrative/operational activities performed by ARC.

Assets on September 30, 2024, totaled \$1,359 million versus \$1,110 million in FY 2023. This amount corresponds to a 22.4% increase relative to FY 2023; the net increase in total assets is primarily due to implementation of SFFAS 54– Leases and recording of Right-to-Use (ROU) lease asset as well as obligated balances not yet disbursed. Liabilities equaled \$27.6 million in FY 2024 versus \$11.9 million in FY 2023. The increase is due primarily to Other Liabilities to implement SFFAS 54 – Leases and recording of Right-to-Use (ROU) liability. The U.S. Treasury held 94% of ARC's total assets. In addition, 2.1%, or \$28.9 million, represents Commission grant funds held by intermediary organizations in Appalachia for the operation of revolving loan funds promoting business development. The federal government retains a residual interest in the loan funds. The remaining amount is spread across other assets such as cash and advances to grantees, accounts receivable and property, plant, and equipment.

The net position increased from \$1,097 million in FY 2023 to \$1,332 million in FY 2024. The net cost of operations for FY 2024 totaled \$166.7 million compared with \$114.8 million in FY 2023. ARC receives most of its resources from

congressional appropriations, which totaled \$400 million in FY 2024. In addition, ARC receives 50% share of the Commission's administrative budgeted expenses from the 13 member states. In FY 2024, this amount was set at \$3.8 million. The Statement of Budgetary Resources reported net outlays of \$177.9 million in FY 2024. ARC incurred obligations of \$392 million in FY 2024 and has an unpaid obligated balance (net, end of year) of \$833.4 million.

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with generally accepted accounting principles (GAAP) for federal entities and the formats prescribed by OMB, the statements, in addition to the financial reports, are used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are prepared for a component of the U.S. government, a sovereign entity. Notes are attached to the financial statements to describe and explain important disclosure information about line items in the statements and related financial policies and programs.

Statement of Assurance

I am pleased to certify with reasonable assurance that our agency's systems of internal control, taken as a whole, comply with Section 2 of the Federal Managers' Financial Integrity Act of 1982. Our agency also is in substantial compliance with applicable federal accounting standards and the U.S. Standard General Ledger at the transaction level, and with federal financial system requirements. Accordingly, ARC fully complies with Section 4 of the Federal Managers' Financial Integrity Act of 1982, with no material non-conformances.

ARC conducted its assessment of the effectiveness of internal controls over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of OMB Circular A-123. ARC has reasonable assurance that internal controls over financial reporting as of September 30, 2024, were operating effectively.

Gavle C. Manchin ARC Federal Co-Chair

rupe Co. Manchin

November 15, 2024

PART II: FISCAL YEAR 2024 PERFORMANCE REPORT

INTRODUCTION

The Government Performance and Results Act of 1993 (GPRA) requires all federal agencies to submit a report to Congress on actual program results at the end of each fiscal year. Part II of this report documents the progress of the Appalachian Regional Commission (ARC, the Commission) toward fulfilling its mission and goals. Part II of this report presents

- an overview of the Appalachian Regional Commission;
- methodology used to monitor project outcomes in compliance with the GPRA;
- ARC's strategic investment goals and action objectives;
- performance targets and initial estimates for FY 2024 and for each of the five prior fiscal years;
- results of project verification and program evaluation;
- progress toward the ARC vision; and
- cumulative progress toward five-year performance targets.

The five strategic investment goals from ARC's 2022-2026 strategic plan, Appalachia Envisioned: A New Era of Opportunity, were used to evaluate performance in FY 2024.

OVERVIEW OF ARC

ARC's Vision

Appalachia is a region of great opportunity that will achieve socioeconomic parity with the nation.

ARC's Mission

Innovate, partner, and invest to build community capacity and strengthen economic growth in Appalachia.

Organizational Structure

The Appalachian Regional Commission is a regional economic development agency that represents a partnership of federal, state, and local governments. Established by an act of Congress in 1965, ARC is composed of the governors of the 13 Appalachian states and a federal co-chair, who is appointed by the president of the United States. Local participation is provided through multi-county local development districts (LDDs).

Each year, Congress appropriates funds for the Commission's programs, which ARC allocates among its member states. At the beginning of their terms in office, Appalachian governors submit development plans for the Appalachian counties in their states. The Commission votes to approve these plans. The governors also submit annual strategy statements developed from the plans and must select projects for ARC approval and funding based on these statements.

Project Funding

In FY 2024, ARC funded 583 projects throughout the 13-state Appalachian Region through its Area Development Program. All projects must address one of the five goals in ARC's 2022–2026 strategic plan: building Appalachian businesses, building Appalachia's workforce ecosystem, building Appalachia's infrastructure, building regional cultural and tourism, and building community leaders and capacity.

In addition to funding for ARC's Area Development Program, in FY 2024 the Commission's appropriation included funding for

- the Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) Initiative, a multi-agency
 initiative that targets federal resources to help diversify economies in communities and regions affected by job losses in
 the coal mining industry;
- the INvestments Supporting Partnerships in Recovery Ecosystems (INSPIRE) Initiative, a program addressing the substance use crisis in Appalachia;
- the Appalachian Regional Initiative for Stronger Economies (ARISE) to drive large-scale, regional economic transformation through multi-state collaborative projects across Appalachia;
- the READY Appalachia initiative, a community capacity-building initiative that offers flexible funding to Appalachian nonprofit organizations, community foundations, local governments, and local development districts (LDDs);
- support of the automotive and aviation sectors in Southern and South Central Appalachia;
- efforts to support a broadband deployment program in Central Appalachia;
- a program of basic infrastructure improvements in distressed counties in Appalachia; and
- a program addressing North Central/North Appalachian broadband.

One of the key differences between ARC and typical federal executive agencies and departments is the flexibility given to the states in determining how their allocated funds will be invested. This flexibility exists within a framework: funds must be invested in counties designated as part of the Appalachian Region; projects must address one or more of the Commission's five strategic investment goals; and a specified amount of the funds allocated to each state can be used only on projects that benefit counties and areas the Commission has designated as economically distressed.

ARC holds itself and its local, state, and regional partners accountable for setting and achieving performance outcomes associated with ARC-supported investments. ARC measures the effectiveness of investments by tracking progress on several performance targets. ARC's strategic plan sets out annual and five-year outcome targets (see page 87).

In FY 2024, ARC met or exceeded all of its performance outcome targets. Initial estimates were particularly strong for investments in job creation and retention, business development and improvement, and community capacity.

FISCAL YEAR 2024 INVESTMENT TARGETS AND INITIAL ESTIMATES			
ANNUAL OUTCOME TARGETS	INITIAL ESTIMATES		
22,000 jobs created or retained	16,073 jobs created or retained		
35,000 students and workers with improvements	39,631 students and workers with improvements		
50,000 businesses and households with improved infrastructure	95,813 businesses and households with improved infrastructure		
4,000 businesses created or strengthened	5,416 businesses created or strengthened		
400 communities with enhanced capacity	906 communities with enhanced capacity		

STRATEGIC INVESTMENT GOALS AND OBJECTIVES



Building Appalachian Businesses

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

Objectives:

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

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.

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



Building Appalachia's Infrastructure

Ensure that the residents and businesses of Appalachia have access to reliable, affordable, resilient, and energy-efficient utilities and infrastructure to successfully live and work in the region.

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



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.

- 1. Invest in the development of vibrant Appalachian downtowns and provide support for Appalachian placemaking.
- 2. Invest in economic and community development initiatives that preserve and promote Appalachian communities' vibrant arts, cultural, and heritage traditions.
- 3. Preserve and expand Appalachia's natural resources to increase outdoor recreation opportunities for residents and visitors and support sustainable economic growth.



Building Community Leaders and Capacity

Invest in the capacity of local leaders, organizations, and communities to address local challenges by providing technical assistance and support to access resources, engage partners, identify strategies and tactics, and conduct effective planning and project execution.

Objectives:

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

PERFORMANCE MEASUREMENT METHODOLOGY

Overview of ARC's Performance Measurement System

ARC's performance measurement system was designed to accomplish two primary objectives: compliance with the Government Performance and Results Act (GPRA) in measuring the outcomes of ARC projects, and creation of a process that allowed for both feedback from grantees and analysis of funded projects to improve programming.

ARC's performance measurement system has three components:

- Project data collection and analysis
- Verification of outcomes
- Independent evaluations

These three components work together to allow GPRA reporting and compliance and to help ARC glean lessons learned from previously funded grants. By structuring the measurement system in this manner, ARC has made the GPRA a management tool and a valuable resource in determining program effectiveness.

Performance Estimates: Initial Estimates

Initial estimates presented in this report are outcome estimates gathered from project applications, as reported by grantees. Critical data from projects submitted to ARC for funding are entered into the Commission's grants management information system to facilitate monitoring of projects. Throughout the fiscal year, ARC staff review performance measurement data to better understand emerging trends, improve data integrity, and shape policy to improve the ARC program. At the close of each fiscal year, ARC staff review and summarize initial estimates for submission to the Office of Management and Budget (OMB) and Congress.

Project Performance Verification: Intermediate Results

The performance verification process, a critical part of ARC's GPRA compliance, is designed to confirm project outcomes after the projects have been completed. In FY 2024, project performance was verified through a grantee survey for projects that were closed in FY 2021 in order to capture more accurate data on performance measures, which can continue to accrue for up to three years after a project has been completed.



Program Evaluations: Final Results

Independent, external evaluation of ARC initiatives and sub-programs is a critical component of ARC's GPRA compliance. Evaluations confirm both the outcomes and the overall effectiveness of projects. Evaluations focus on the extent to which the projects have achieved, or contributed to the attainment of, their objectives. Emphasis is placed on assessing the utility and validity of the outcome measures. The findings of these project evaluations are summarized and made available to state and local organizations engaged in carrying out projects under the five general goals in ARC's strategic plan and are published on ARC's website. Summaries of recent evaluations are included in this report under each strategic investment goal area.

This report presents outcome targets and initial estimates for each of ARC's five strategic investment goals, as well as overall targets for leveraged private investment, matching project funds, and funds directed to distressed counties or areas. In addition, performance verification results and program evaluation results are reported under the appropriate goal area.

Annual Performance Targets and Measures

Each fiscal year, ARC submits to the OMB annual performance targets for projects to be funded in coming years, as required in the budget submission process. In determining these targets, ARC develops likely investment scenarios for the 13 Appalachian states, anticipating how each state will direct ARC funds in addressing the five strategic investment goals. The scenarios are based on state development plans, strategy statements, historical trends, and communication with the states. ARC uses these scenarios to project results; however, the states have flexibility in spending decisions, although all projects are reviewed and approved by the ARC federal co-chair and must pursue one of ARC's five strategic investment goals. The states' spending flexibility is a critical element of the ARC federal-state partnership but poses challenges in setting performance targets. Each state's priorities may shift from year to year, occasionally producing unanticipated results.

To address reporting requirements, ARC reports initial estimates toward reaching performance targets as stated in the strategic plan. Although the projects funded by ARC each year generate many more measures than those reported for GPRA compliance, the measures reported relate uniquely to ARC's five strategic investment goals (see table on page 27).

It is important to note that some outcome measures cut across goal areas. To simplify the reporting of these measures, initial estimates for each performance target are totaled and reported under the strategic investment goal that most closely aligns with the outcome measure. For example, one of ARC's outcome measures is jobs created or retained. ARC measures initial estimates for jobs created or retained by projects funded under all of the strategic goals. For clarity, this outcome measure is discussed, and initial estimates from all strategic investment goal areas are reported, under Strategic Investment Goal 1, "Building Appalachian Businesses."

Outcome Measures

Strategic Investment Goal One: Building Appalachian Businesses. The following outcome measures are presented in Goal 1: The number of jobs created and the number of jobs retained.

 "Jobs created" refers to the number of direct hires (excluding construction) that will result from an ARC project (measured during the project period and up to three years after the project end date).

"Jobs retained" refers to the number of jobs that would have been lost or relocated in the absence of the ARC project.

These two measures are combined and reported together as "jobs created or retained."

Strategic Investment Goal Two: **Building Appalachia's Workforce Ecosystem**. The following outcome measures are presented in Goal 2: *The number of students with improvements and the number of workers/trainees with improvements*.

- "Students with improvements" refers to the number of students who, as a result of an ARC-funded project, either obtain a job in the field for which they were trained; receive a diploma, certificate, or other career credential; or successfully complete a course or unit of study and/or graduate to the next grade level necessary to continue their education (measured during the project period and up to three years beyond the project end date).
- "Workers/trainees with improvements" refers to the number of workers or trainees who, as a result of an ARC-funded project, develop improved skills that enable them to obtain employment or enhance their current employment. Enhancements include higher pay, a better position, or a certification (measured during the project period and up to three years beyond the project end date).

These two measures are combined and reported together as "students and workers improved."

Strategic Investment Goal Three: **Building Appalachia's Infrastructure.** The following outcome measures are presented in Goal 3: The number of residential ("household") and non-residential ("business") customers with new or improved infrastructure.

- "Businesses served" refers to the number of non-residential customers with connections to new infrastructure services—such as water, sewer, natural gas, or telecommunications service—or non-residential customers with improvements in existing infrastructure services.
- "Households served" refers to the number of residential customers with connections to new infrastructure services such as water, sewer, natural gas, or telecommunications service—or residential customers with improvements in existing infrastructure services.

These two measures are combined and reported together as "businesses and households with improved infrastructure."

Strategic Investment Goal Four: **Building Regional Culture and Tourism.** The following outcome measures are presented in Goal 4: *The number of businesses created and the number of businesses strengthened.*

- "Businesses created" refers to the number of new businesses created as a result of an ARC project. This measure is used for business development projects such as entrepreneurship training, value-added agriculture, access to capital, and business incubation programs (including seed accelerators).
- "Businesses strengthened" refers to the number of businesses with a measurable improvement as a result of an ARC project. This measure is used for business development and improvement projects, such as business technical assistance, market expansion, tourism development, and value-added agriculture.

These two measures are combined and recorded together as "businesses created or strengthened."

Strategic Investment Goal Five: Building Community Leaders and Capacity. The following outcome measure is presented in Goal 5: The number of communities with enhanced capacity.

 "Communities with enhanced capacity" refers to the number of communities that have improved ability to address critical community issues as a result of an ARC project. This measure is used for projects that address planning, civic participation, and community capacity.

This measure is reported as "communities with enhanced capacity."

Leverage, Matching, and Distressed Counties Measures

Leverage Measure: The ratio of leveraged private investment (LPI) to ARC investment for all area development grants. LPI refers to the dollar amount of private-sector financial commitments (non-project funds) that result from an ARC project (measured during the project period and up to three years after the project end date).

Matching Measure: The ratio of non-ARC to ARC project investment for all area development grants. This measure helps illustrate the impact ARC's flexible grants can have in the Appalachian Region.

Distressed Counties/Areas Measure: The percentage of total ARC funds invested in projects that benefit distressed counties or areas. Project funds are included if the project primarily or substantially benefits distressed counties or areas.

STRATEGIC INVESTMENT 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 stakeholders emphasized the importance of investment in economic growth strategies that capitalize on the region's unique assets and prioritize assistance for small businesses and entrepreneurs. Stakeholders further noted the importance of providing business support and capacity-building assistance to help established businesses and industries expand their reach in national and international markets and help new businesses to establish themselves and grow.

Objectives

1.1 Provide financing, technical assistance, and other support for entrepreneurship and small business development in the region.

1.2 Pursue economic and enterprise development strategies that grow existing industries, support economic diversification, and advance economic prosperity at the regional level.

Performance Targets and Initial Estimates

Strategic Investment Goal 1 is aligned with the performance measure "jobs created or retained."

Outcome Measures

Because Strategic Investment Goal 1 is most closely aligned with the performance measure "jobs created and retained," initial estimates and verification results for jobs created or retained under all strategic investment goals are reported under this goal. Initial estimates and verification results for businesses created or strengthened are reported under Strategic Goal 4. The initial estimates for leveraged private investment under all strategic investment goals are reported on page 45.

Outcome Target and Initial Estimates

JOBS CREATED OR RETAINED IN FISCAL YEAR 2024		
ANNUAL OUTCOME TARGET INITIAL ESTIMATE		
FY 2024: 22,000 jobs created or retained	FY 2024: 16,073 jobs created or retained	

FY 2024: **Expected to achieve 73% of target.** Outcome results typically fluctuate over the years and the states have prioritized more projects with other measures like businesses and communities.

JOBS CREATED OR RETAINED IN FISCAL YEARS 2019–2023			
ANNUAL OUTCOME TARGETS	INITIAL ESTIMATES		
FY 2019: 20,000 jobs created or retained	FY 2019: 17,282 jobs created or retained		
FY 2020: 20,000 jobs created or retained	FY 2020: 26,319 jobs created or retained		
FY 2021: 20,000 jobs created or retained	FY 2021: 20,624 jobs created or retained		
FY 2022: 22,000 jobs created or retained	FY 2022: 22,597 jobs created or retained		
FY 2023: 22,000 jobs created or retained	FY 2023: 50,189 jobs created or retained		

Project Verification Sampling

In FY 2024, members of ARC's verification team surveyed 50 projects closed in FY 2021 that had targets for jobs created or retained to compare estimated and actual results.

Number of Projects Surveyed	Projected Number of Jobs Created or Retained	Actual Number of Jobs Created or Retained	Results Achieved
50	16,500	17,300	105%

As shown above, the projects surveyed achieved 105% of projected results for jobs created or retained.

Project Evaluation: Final Results

Business Development

In October 2023, ARC finalized the report, *Evaluation of ARC Business Development Projects Closed in 2017–2021: Making Connections for Stronger Businesses and Resilient Communities*, prepared by a team of consulting firms: Working Partner, Wright Venture Services, Buzzworthy Biz, and P/Strada. The report evaluated 220 grants that closed between fiscal years 2017 and 2021, representing nearly \$75 million of ARC investment. The evaluation included analysis of data from ARC's grants management database, an extensive survey of grantees and related focus groups, and 10 in-depth case studies.

The evaluation found that ARC's business development grants closed during that timeframe led to improvements for nearly 11,000 businesses and facilitated the creation of over 14,500 jobs and 1,944 businesses. In addition, ARC-funded business development projects leveraged over \$923 million in private investment. These grants helped beneficiaries start or grow their businesses, access affordable loans or other capital, develop new marketing skills which in turn increased access to new markets, establish new networks, and strengthen their entrepreneurial

mindset. Grantees described additional long-term impacts of their projects, such as increased awareness or enhanced reputation for their projects that extended their reach to new populations; new partnerships and community connections that brought new capacities to the projects; new ways to leverage technology to support rural entrepreneurs; stronger entrepreneur ecosystems; and community improvements that increased community pride.

POWER Initiative

In September 2022, ARC issued the report POWER Initiative Evaluation: The Value of POWER, prepared by Chamberlin Dunn. This report summarized findings and recommendations from the fourth phase of an ongoing formative evaluation of the POWER Initiative. POWER (Partnerships for Opportunities and Workforce and Economic Revitalization) is a congressionally funded initiative that targets federal resources to help communities affected by job losses in coal mining, coal power plant operations, and coal-related supply chain industries due to the changing economics of America's energy production. POWER grants are organized into four broad development categories: workforce development, broadband and telecommunications, entrepreneurship, and business cluster development.

The 2022 evaluation focused on medium- to long-term impacts of closed POWER grants. The evaluation found that most POWER grants with updated post-closeout performance measures were successful at meeting or exceeding their output and outcome targets. Collectively to date, the POWER initiative has led to improvements for more than 160,000 individuals, over \$1 billion in leveraged private investment, over \$54 million in increased sales, nearly 21,000 jobs created or retained, and over 1,500 businesses created. Grantees described other long-term impacts of their projects, such as project sustainability or expansion; new or enhanced regional ecosystems; increased organizational capacity and momentum for grantee organizations; and changing mindsets.

STRATEGIC INVESTMENT 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. A strong workforce is one that has the 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. Stakeholders noted that the Appalachian Region cannot achieve its vision for economic prosperity without investment in two key components: talent and skill development AND employment supports to keep people in the labor force and contributing to economic and community development.

Objectives

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

Performance Targets and Initial Estimates

Strategic Investment Goal 2 is aligned with the performance measure "students and workers with improvements."

Outcome Measures

Initial estimates and verification results for students and workers with improvements under all strategic investment goals are reported under Goal 2.

Outcome Target and Initial Estimates

STUDENTS AND WORKERS WITH IMPROVEMENTS IN FISCAL YEAR 2024			
ANNUAL OUTCOME TARGET INITIAL ESTIMATE*			
FY 2024: 35,000 students and workers with improvements FY 2024: 39,631 students and workers with improvements			
*Excludes projects that provided computers or computer equipment that will benefit large numbers of students.			

FY 2024: **Expected to exceed target by 13%.** Outcome results typically fluctuate over the years as the states' investment priorities vary.

ANNUAL OUTCOME TARGETS	INITIAL ESTIMATES*
FY 2019: 22,000 students, workers, and leaders with improvements	FY 2019: 51,204 students, workers, and leaders with improvements
FY 2020: 22,000 students, workers, and leaders with improvements	FY 2020: 20,792 students, workers, and leaders with improvements
FY 2021: 22,000 students, workers, and leaders with improvements	FY 2021: 25,102 students, workers, and leaders with improvements
FY 2022: 35,000 students and workers with improvements	FY 2022: 41,555 students and workers with improvements
FY 2023: 35,000 students and workers with improvements	FY 2023: 46,990 students and workers with improvements

Project Verification Sampling

In FY 2024, members of ARC's verification team surveyed 42 projects closed in FY 2021 that had targets for students and workers with improvements to compare estimated and actual results.

Number of Projects Surveyed	Projected Number of Students and Workers with Improvements	Actual Number of Students and Workers with Improvements	Results Achieved
42	13,372	16,398	123%

As shown above, the projects surveyed achieved 123% of projected results for students/trainees with improvements.

Project Evaluation: Final Results

INSPIRE Initiative

In July 2023, ARC issued the report Evaluation of ARC's INSPIRE Initiative, prepared by the East Tennessee State University (ETSU) Center for Rural Health Research, in collaboration with the ETSU Addiction Science Center. INSPIRE (INvestments Supporting Partnerships in Recovery Ecosystems) is a grant program aimed at helping communities and states address the workforce impacts of the substance use disorder (SUD) crisis. The goal of the recovery ecosystem is to help individuals in SUD recovery access the support services and training they need to maintain recovery and successfully obtain sustainable employment. INSPIRE projects primarily focus on education and workforce development.

The evaluation focused on the first two cohorts of INSPIRE grants. These 50 grants were awarded in 2021 and represented close to \$15 million in ARC investment. At the time of the evaluation, most of the grants were still open but were able to report preliminary impacts: INSPIRE projects had led to improvements for over 1,000 workers and almost 400 businesses. In addition, the evaluators found that grantees experienced early successes that expanded beyond performance measures, including establishing and expanding partner networks; securing community and organizational support; and providing comprehensive services to individuals in recovery.

Education and Workforce Development

In October 2022, ARC finalized the report, Evaluation of ARC's Education and Workforce Development Projects Closed in 2015-2019, prepared by ICF International, Inc. The report evaluated 383 grants that closed between fiscal years 2015 and 2019, representing more than \$62.5 million of ARC investment. The evaluation included analysis of data from ARC's grants management database, grantee focus groups, 10 in-depth case studies, and an extensive survey of grantees.

The evaluation found that ARC's education and workforce grants that closed during that timeframe served around 440,000 students and 20,000 workers, leading to improvements for over 309,000 students and 16,000 workers. These grants helped beneficiaries earn credentials or certificates, enroll in or complete postsecondary coursework, increase college readiness, improve their academic skills, and have access to increased employment and job placement opportunities.

Health

In August 2015, ARC issued the report Program Evaluation of the Appalachian Regional Commission's Health Projects, 2004–2010, prepared by the Community and Economic Development Initiative of Kentucky at the University of Kentucky. The report evaluated health projects funded by ARC between FY 2004 and FY 2010. During this period, ARC invested \$30.9 million in 202 health projects. The evaluation analyzed data from ARC's grants management database, administered an online survey to project grantees, and conducted in-depth case studies of 13 projects. The study found that the health projects had met their goals of serving 359,860 patients, 131,464 non-clinical participants, 7,118 students, and 5,056 workers/trainees and that ARC funding had helped attract additional government or philanthropic funding. In addition, more than 95% of survey respondents said that without ARC funding their project would have been cancelled, downsized, or delayed by more than a year. The projects contributed to a number of outcomes, including workforce training, healthcare provision, public health promotion, and public policy development. Analysis of data from ARC's grants management database showed that on average, ARC's health projects have made a substantial impact on participants and patients.

STRATEGIC INVESTMENT GOAL 3



Building Appalachia's Infrastructure

Ensure that the residents and businesses of Appalachia have access to reliable, affordable, resilient, and energy-efficient utilities and infrastructure in order to successfully live and work in the region.

Businesses and residents alike require access to affordable, energy-efficient, and reliable utilities as well as safe, connected, and strategic transportation systems. However, residents and leaders within Appalachia cited aging, inadequate, and unavailable infrastructure as a significant and crosscutting barrier to community prosperity that negatively impacts business talent attraction and retention; workforce development; 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.

Objectives

- 3.1 Ensure the availability of quality, affordable basic infrastructure to meet the needs of the residents and businesses of Appalachia.
- 3.2 Ensure that all Appalachians have access to quality and affordable telecommunications and broadband services.
- 3.3 Support proactive efforts to adopt alternative energy strategies and bolster energy infrastructure.
- 3.4 Complete the Appalachian Development Highway System (ADHS) and construct local access roads to strengthen links between transportation networks and economic development.
- 3.5 Support construction of business development sites and public facilities and the adaptive reuse of obsolete and/or unsafe properties to stimulate economic and community development.

Performance Target and Initial Estimate

Strategic Investment Goal 3 is aligned with the performance measure "businesses and households with access to improved infrastructure."

Outcome Measure

Initial estimates and verification results for the number of businesses and households with access to improved infrastructure under all strategic investment goals are reported under Goal 3.

Outcome Target and Initial Estimates

BUSINESSES AND HOUSEHOLDS SERVED IN FISCAL YEAR 2024			
ANNUAL OUTCOME TARGET INITIAL ESTIMATE			
FY 2024: 50,000 businesses and households served	FY 2024: 95,813 businesses and households served		

FY 2024: Expected to exceed target by 92%. Outcome results typically fluctuate over the years as the states' investment priorities vary. The Bipartisan Infrastructure Law has allowed for more and larger infrastructure projects, and FY 2024 also saw a few large energy projects with a broad scope.

BUSINESSES AND HOUSEHOLDS SERVED IN FISCAL YEARS 2019–2023		
ANNUAL OUTCOME TARGETS	INITIAL ESTIMATES*	
FY 2019: 22,000 businesses and households served	FY 2019: 81,295 businesses and households served**	
FY 2020: 22,000 businesses and households served	FY 2020: 68,191 businesses and households served	
FY 2021: 22,000 businesses and households served	FY 2021: 69,825 businesses and households served	
FY 2022: 50,000 businesses and households served	FY 2022: 71,953 businesses and households served	
FY 2023: 50,000 businesses and households served	FY 2023: 52,199 businesses and households served	
*Initial estimates do not include husinesses and households served by ADC funded water storage tank construction and improvement projects with large		

service areas. **FY 2019 number adjusted from original published total to accommodate one project that was changed from an FY 2019 to FY 2020 project due to delays.

Project Verification Sampling

In FY 2024, members of ARC's verification team surveyed 45 projects closed in FY 2021 that had targets for businesses and households served to compare estimated and actual results. Verification is for businesses and households served with infrastructure projects.

Number of Projects Surveyed	Projected Number of Businesses and Households Served	Actual Number of Businesses and Households Served	Results Achieved
45	12,524	13,224	106%

As shown above, the projects surveyed achieved 106% of projected results for businesses and households served with infrastructure.

Project Evaluation: Final Results

Drinking Water and Wastewater Infrastructure Projects

In May 2020, ARC issued the report Evaluation of the Appalachian Regional Commission's Drinking Water and Wastewater Infrastructure Projects: FY 2009-FY 2016, prepared by the University of North Carolina Environmental Finance Center and Virginia Tech. ARC's water and wastewater infrastructure projects include new water and/ or wastewater systems that serve residential, commercial, or industrial properties, or some combination thereof; rehabilitation of existing water and/or wastewater systems; and the construction or rehabilitation of water storage tanks. The report evaluated 379 drinking water and wastewater projects funded by ARC between FY 2009 and FY 2016, with more than \$115 million in ARC investments. Water and wastewater projects funded by ARC during that time directly benefited more than 294,100 households and at least 17,410 businesses. These projects also led to the creation of 11,668 jobs and the retention of 22,179 jobs. The evaluation also found that communities value the drinking water and wastewater projects, as evidenced by high demand, their key role in project completion, and how they serve to attract and actively leverage additional public and private sector funding. Findings showed the grant portfolio successfully targeted the neediest locations, led to significant improvements in local economic conditions, and met or surpassed locally determined performance goals.

Economic Analysis Study of the Appalachian Development Highway System (ADHS)

In July 2017, ARC published the report Economic Analysis of Completing the Appalachian Development Highway System led by Economic Development Research Group, which analyzed the effect of ADHS development on economic growth in Appalachia and quantified the future economic benefits and costs of completing the system. The study applied a mix of data and modeling efforts to measure passenger and freight traffic, the costs of corridor completion, time savings, and other user benefits of the ADHS, and the broader economic development and trade impacts of the ADHS. The main purpose of the study was to estimate the economic benefits and costs of system and corridor completion to inform stakeholders as they work on funding and constructing the final segments of the ADHS. The study's key findings include the following:

- Increased economic activity associated with the ADHS system has helped create or support more than 168,000 jobs across the 13 Appalachian states, with nearly \$7.3 billion of added worker income annually.
- ADHS investments made between 1965 and 2015 generated more than \$19.6 billion per year of added business sales in Appalachia, representing over \$9 billion of added gross regional product.
- The ADHS saves 231 million hours of travel time annually with 20% of car vehicle hours saved and 31% of freight truck vehicle hours saved associated with trips with at least one end located outside the Appalachian states.
- As of 2015, the value of transportation cost savings and productivity gains associated with the ADHS amounts to \$10.7 billion annually. Informant interviews were conducted to complete case studies of major corridors and multimodal facilities located on or near corridors to show the connection with intermodal transportation.

Telecommunications and Technology

In November 2015, ARC issued the report Program Evaluation of the Appalachian Regional Commission's Telecommunications and Technology Projects: FY 2004-FY 2010, prepared by RTI International and independent consultants. The report evaluated 322 telecommunications and technology projects ARC had funded between FY 2004 and FY 2010, with \$41 million in ARC investments. The evaluation employed a variety of techniques to conduct the research, including a literature review, a survey of project grantees, and case studies of 18 projects that highlighted elements that helped foster project success. The study found that the ARC projects improved 41,000 households; served over 5,000 businesses; created 2,800 jobs; leveraged over \$10 million in private investment; and served 286,000 patients, 152,000 students, and 22,500 workers. The study found that ARC projects expanded the capacities of technology-assisted teachers in the Appalachian Region, increased capacity of local institutions to deliver better services, and bolstered economic vitality.

STRATEGIC INVESTMENT GOAL 4



Building Regional Culture and Tourism

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

Appalachia is a region with unique downtown communities, a vibrant cultural and arts tradition, and diverse natural spaces. Stakeholders emphasized the importance of preserving and leveraging these regional assets to support quality of life for residents, community development, economic opportunity, and tourism. ARC can support these objectives by investing in the revitalization of Appalachian downtowns, providing support for the maintenance and promotion of the region's arts and cultural heritage, and assisting communities in preserving and harnessing natural resources and outdoor spaces for recreation and tourism purposes.

Objectives

- 4.1 Invest in the development of vibrant Appalachian downtowns and provide support for Appalachian placemaking.
- 4.2. Invest in economic and community development initiatives that preserve and promote Appalachian communities' vibrant arts, cultural, and heritage traditions.
- 4.3 Preserve and expand Appalachia's natural resources to increase outdoor recreation opportunities for residents and visitors and to support sustainable economic growth.

Performance Targets and Initial Estimates

Strategic Investment Goal 4 is aligned with the performance measure "businesses created or strengthened."

Outcome Measures

Because Goal 4 is most closely aligned with the performance target "businesses created or strengthened," initial estimates and verification results for new or strengthened businesses for projects under all strategic investment goals are reported under this goal. Initial estimates and verification results for communities with enhanced capacity are reported under Goal 5.

Outcome Target and Initial Estimates

BUSINESSES CREATED OR STRENGTHENED IN FISCAL YEAR 2024		
ANNUAL OUTCOME TARGET INITIAL ESTIMATE		
FY 2024: 4,000 businesses created or strengthened	FY 2024: 5,416 businesses created or strengthened	

FY 2024: Expected to exceed target by 35%. Outcome results are due in part to the priorities of the POWER, ARISE, and INSPIRE initiatives as well as the choice of states to fund more projects with these measures.

BUSINESSES CREATED OR STRENGTHENED IN FISCAL YEARS 2019–2023			
ANNUAL OUTCOME TARGET	INITIAL ESTIMATE		
FY 2019: 2,500 businesses created or strengthened	FY 2019: 4,678 businesses created or strengthened		
FY 2020: 2,500 businesses created or strengthened	FY 2020: 3,361 businesses created or strengthened		
FY 2021: 2,500 businesses created or strengthened	FY 2021: 3,709 businesses created or strengthened		
FY 2022: 4,000 businesses created or strengthened	FY 2022: 6,338 businesses created or strengthened		
FY 2023: 4,000 businesses created or strengthened	FY 2023: 8,139 businesses created or strengthened		

Project Verification Sampling

In FY 2024, members of ARC's verification team surveyed 37 projects closed in FY 2021 that had targets for businesses created or strengthened to compare estimated and actual results.

Number of Projects Surveyed	Projected Number of Businesses Created or Strengthened	Actual Number of Businesses Created or Strengthened	Results Achieved
37	1,706	2,437	143%

As shown above, the projects surveyed achieved 143% of projected results for businesses created or strengthened.

Project Evaluation: Final Results

Tourism, Cultural Heritage, and Natural-Asset-Related Projects

In September 2010, ARC issued the report Program Evaluation of ARC's Tourism, Cultural Heritage, and Natural-Asset-Related Projects, prepared by Regional Technology Strategies with Mt. Auburn Associates and Appalachian State University. The report evaluated a portfolio of 132 ARC tourism, cultural heritage, and natural-asset-related projects, with a total of \$10.8 million in ARC funding. The study used surveys, interviews, and statistical analysis. The study showed that ARC's investment in the tourism projects generated 2,588 jobs, with a new job created for every \$4,161 of ARC funding, and that a new business was created for every \$23,139 in ARC funding. In addition, every \$.40 invested by ARC in the projects reviewed generated \$1.00 in leveraged private investment. Survey responses indicated that the greatest economic impact came from three main outputs: business assets/revenues, public assets/revenues, and employment.

STRATEGIC INVESTMENT GOAL 5



Building Community Leaders and Capacity

Invest in the capacity of local leaders, organizations, and communities to address local challenges by providing technical assistance and support to access resources, engage partners, identify strategies and tactics, and conduct effective planning and project execution.

Achieving economic development goals for the region is dependent upon local ability to prioritize challenges and implement the solutions most impactful to their communities. Stakeholders noted that many areas in the region, 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. Out-migration and a lack of focus and investment in leadership and community development have left many communities in the region without the capacity needed to capitalize on funding opportunities and steer investments to successful outcomes. ARC will use evaluations, performance metrics, and other tools to guide investment strategies and will share outcomes among grantees, beneficiaries, and communities in Appalachia. Stakeholders repeatedly noted that ARC's investment in capacity building and planning support, technical assistance and training, and leadership development and empowerment is equally important as any other funding or program to growing the region's economic and community prosperity.

Objectives

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

Performance Targets and Initial Estimates

Strategic Investment Goal 5 is aligned with the performance measure "communities with enhanced capacity."

Outcome Measures

Initial estimates and verification results for communities with enhanced capacity are reported under this goal.

Outcome Target and Initial Estimates

COMMUNITIES WITH ENHANCED CAPACITY IN FISCAL YEAR 2024			
ANNUAL OUTCOME TARGET INITIAL ESTIMATE			
FY 2024: 400 communities with enhanced capacity	FY 2024: 906 communities with enhanced capacity		

FY 2024: **Expected to exceed target by 127%.** Outcome results are due in part to priorities of the POWER and ARISE Initiatives as well as the choice of states to fund more projects with these measures.

COMMUNITIES WITH ENHANCED CAPACITY IN FISCAL YEARS 2019–2023		
ANNUAL OUTCOME TARGET INITIAL ESTIMATE		
FY 2019: 250 communities with enhanced capacity	FY 2019: 647 communities with enhanced capacity	
FY 2020: 250 communities with enhanced capacity	FY 2020: 335 communities with enhanced capacity	
FY 2021: 250 communities with enhanced capacity	FY 2021: 493 communities with enhanced capacity	
FY 2022: 400 communities with enhanced capacity	FY 2022: 1,467 communities with enhanced capacity	
FY 2023: 400 communities with enhanced capacity	FY 2023: 1,700 communities with enhanced capacity	

Project Verification Sampling

In FY 2024, members of ARC's verification team surveyed 17 projects closed in FY 2021 that had targets for communities with enhanced capacity to compare estimated and actual results.

Number of Projects Surveyed	Projected Number of Communities with Enhanced Capacity	Actual Number of Communities with Enhanced Capacity	Results Achieved
17	106	181	171%

As shown above, the projects surveyed achieved 171% of projected results for communities with enhanced capacity.

Project Evaluation: Final Results

ARISE Initiative

In October 2024, ARC issued the ARISE Program Evaluation Year One Final Report, prepared by Chamberlin Dunn. This report summarized findings and recommendations from the first phase of an ongoing formative evaluation of a new grant program: ARISE. Appalachian Regional Initiative for Stronger Economies is a multi-state initiative that aims to drive large-scale, regional economic transformation through collaborative projects. ARISE grants may focus on any of ARC's strategic investment priorities.

The 2024 evaluation focused on project progress to date, early impacts, and emerging themes related to implementation successes and challenges, with a particular focus on the experience of implementing multistate projects. The evaluation found that ARISE grantees are making progress on milestones and progress towards results. As of September 2024, 11 grantees had provided interim performance data to ARC. Collectively, they reported serving nearly 3,200 people (students, workers, and participants), with nearly 3,000 experiencing improvements; serving about 1,250 businesses and organizations, with nearly 250 businesses experiencing improvements; and serving nearly 500 communities, with 364 experiencing improvements. In addition, grantees pointed to key strengths such as adaptability, effective communication, and common vision as accelerators of success.

Community Capacity Building

In March 2019, ARC issued the report Evaluation of the Appalachian Regional Commission's Leadership and Community Capacity Projects FY 2008-FY 2015, prepared by the Westat Corporation. The evaluation encompassed 152 projects representing \$14.4 million in investments, and included a wide range of project types, including leadership programs, community and organizational capacity-building projects, downtown revitalization efforts, network and partnership-building projects, strategic planning, and technical assistance. The purpose was to determine the extent to which this set of projects has succeeded in attaining its economic development objectives. Through a mix of surveys, site visits, and phone interviews, evaluation results suggested that most projects met or exceeded their own goals, underscoring the effectiveness of their efforts. Projects met or exceeded expected outcomes for the following measures: number of communities improved (91% of grantees using this measure reported meeting or exceeding expected outcomes); number of organizations improved (89% of grantees using this measure reported meeting or exceeding expected outcomes); number of programs implemented (82% of grantees using this measure reported meeting or exceeding expected outcomes); and number of participants improved (78% of grantees using this measure reported meeting or exceeding expected outcomes). Additionally, the report highlights the sustainability of this set of projects, as survey findings indicate that many of the projects surveyed have continued to operate beyond the Commission-supported grant period, and for nearly half of projects for which a survey was completed, respondents reported expanding their efforts. Finally, the projects highlight the benefits accruing to distressed counties and rural or underserved communities.

PERFORMANCE TARGETS FOR LEVERAGE, MATCHING, AND DISTRESSED COUNTIES/AREAS

Leverage Target

The leverage performance target for ARC investments is a ratio of leveraged private investments (LPI) to ARC investments. LPI is the dollar amount of private-sector financial commitments (non-project funds) that result from an ARC project, measured during the project period and up to three years after the project end date.

LEVERAGED PRIVATE INVESTMENT RATIO IN FISCAL YEAR 2024				
ANNUAL TARGET INITIAL ESTIMATES				
FY 2024: 6:1 ratio of leveraged private investment to ARC investment	FY 2024: 14:1 ratio			

FY 2024: **Expected to exceed target by 128%.** Every dollar of ARC funding is estimated to attract \$13.70 of leveraged private investment (non-project funds). Outcome results typically fluctuate over the years as the states' investment priorities vary.

LEVERAGED PRIVATE INVESTMENT RATIO IN FISCAL YEARS 2019–2023			
ANNUAL TARGET	INITIAL ESTIMATES		
FY 2019: 6:1 ratio of leveraged private investment to ARC investment	FY 2019: 3:1 ratio		
FY 2020: 6:1 ratio of leveraged private investment to ARC investment FY 2020: 5:1 ratio			
FY 2021: 6:1 ratio of leveraged private investment to ARC investment	FY 2021: 6:1 ratio		
FY 2022: 6:1 ratio of leveraged private investment to ARC investment	FY 2022: 7:1 ratio		
FY 2023: 6:1 ratio of leveraged private investment to ARC investment	FY 2023: 10:1 ratio		

Matching Target

The matching performance target for ARC investments is a ratio of non-ARC project funds to ARC funds. The ratio illustrates the impact ARC's relatively small, flexible investments can have on the Appalachian Region. Matching funds include only non-ARC sources of project funds, including federal, state, local, nonprofit, and private project funding.

MATCHING PROJECT FUNDS RATIO IN FISCAL YEAR 2024				
ANNUAL TARGET RESULT*				
FY 2024: 2:1 ratio of matching funds to ARC investment FY 2024: 2:1 ratio				
*Ratios are rounded to the nearest whole number.				

FY 2024: **Met 81% of target.** Every dollar of ARC funding attracted \$1.63 in matching project funds. The match rate closely corresponds with funding to distressed counties and areas, as projects in these areas require a lower percentage of matching funds. ARC continues to encourage states and regional partners to direct investment to distressed counties and areas, which could lead to a lower amount of matching funds.

MATCHING PROJECT FUNDS RATIO IN FISCAL YEARS 2019–2023				
ANNUAL TARGET RESULTS*				
FY 2019: 2:1 ratio of matching funds to ARC investment	FY 2019: 1:1 ratio			
FY 2020: 2:1 ratio of matching funds to ARC investment	FY 2020: 2:1 ratio			
FY 2021: 2:1 ratio of matching funds to ARC investment	FY 2021: 2:1 ratio			
FY 2022: 2:1 ratio of matching funds to ARC investment	FY 2022: 2:1 ratio			
FY 2023: 2:1 ratio of matching funds to ARC investment FY 2023: 1:1 ratio				
*Ratios are rounded to the nearest whole number.				

Distressed Counties/Areas Target

The distressed counties/areas target for ARC investments is the percentage of total ARC funds directed to projects that benefit distressed counties or areas. Project funds are included if the project primarily or substantially benefits distressed counties or areas.

PERCENTAGE OF FUNDS TO DISTRESSED COUNTIES/AREAS IN FISCAL YEAR 2024					
ANNUAL TARGET RESULT*					
FY 2024: Direct 50% of ARC funds to distressed counties or areas FY 2024: 73% of funds					
*Project funds are included if the project primarily or substantially benefits distressed counties or areas.					

FY 2024: Exceeded target by 23 percentage points. ARC continues to encourage states and regional partners to direct investment to distressed counties and areas.

PERCENTAGE OF FUNDS TO DISTRESSED COUNTIES/AREAS IN FISCAL YEARS 2019–2023					
ANNUAL TARGETS RESULTS*					
FY 2019: Direct 50% of ARC funds to distressed counties or areas	FY 2019: 70% of funds				
FY 2020: Direct 50% of ARC funds to distressed counties or areas FY 2020: 72% of funds					
FY 2021: Direct 50% of ARC funds to distressed counties or areas	FY 2021: 70% of funds				
FY 2022: Direct 50% of ARC funds to distressed counties or areas FY 2022: 74% of funds					
FY 2023: Direct 50% of ARC funds to distressed counties or areas FY 2023: 70% of funds					
*Project funds are included if the project primarily or substantially benefits distressed counties or areas.					

SUMMARY OF ACHIEVEMENTS

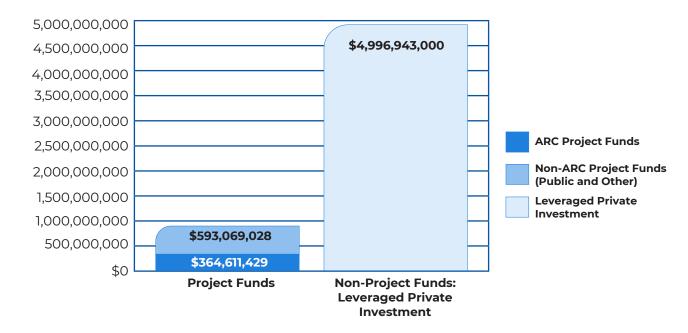
PERFORMANCE TARGETS AND INITIAL ESTIMATES FOR FISCAL YEAR 2024 PROJECTS

ANNUAL PERFORMANCE TARGETS	INITIAL ESTIMATES	EXPECTED RESULTS	
Outcome Targets			
22,000 jobs created or retained	16,073 jobs created or retained	Met 73% of target	
35,000 students and workers with improvements	39,631 students and workers with improvements	Exceed target by 13%	
50,000 businesses and households with access to improved infrastructure	95,813 businesses and households with access to improved infrastructure	Exceed target by 92%	
4,000 businesses created or strengthened	5,416 businesses created or strengthened	Exceed target by 35%	
400 communities with enhanced capacity	906 communities with enhanced capacity	Exceed target by 127%	
Leverage Target			
Achieve a 6:1 ratio of leveraged private investment to ARC funds (\$6 per \$1 ARC investment)	14:1 ratio* (\$13.70 per \$1 ARC investment)	Exceed target by 128%	
Matching Target			
Achieve a 2:1 ratio of matching funds to ARC funds (\$2 per \$1 ARC investment)	2:1 ratio* (\$1.63 per \$1 ARC investment)	Meet 81% of target	
Distressed Counties/Areas Target			
Direct 50% of ARC funds to benefit distressed counties or areas	73% of funds**	Exceed target by 23 percentage points	
*Ratios are rounded to the nearest whole number. **Project funds are included if the project primarily or substantially be	enefits distressed counties or areas.		

Investment Summary for FY 2024 Projects

LEVERAGE, MATCHING, AND DISTRESSED COUNTIES/AREAS SUMMARY					
Leveraged private investment	\$4,996,943,000	14:1 ratio of leveraged private investment to ARC investment			
Non-ARC matching project funds	\$593,069,028	2:1 ratio of non-ARC project investment to ARC project investment			
ARC project funds targeted to distressed counties or areas	\$267,874,489*	73% of total ARC project funds directed to projects that benefit distressed counties or areas			
*Project funds are included if the project p	rimarily or substanti				

Funding and Leveraged Private Investment for All ARC Projects in Fiscal Year 2024



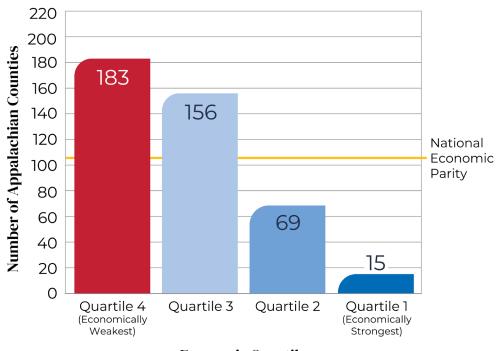
MEASURING PROGRESS TOWARD THE ARC VISION

ARC's overall vision is that Appalachia is a region of great opportunity that will achieve socioeconomic parity with the nation. One way to measure Appalachia's progress toward this vision is to compare the economic status of Appalachian counties with all counties nationwide.

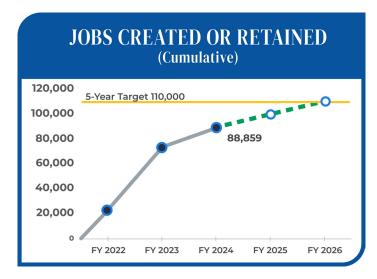
In order to provide a single unified measure of regional progress and economic change, ARC developed an index to track improvement over time. Drawing on the three variables ARC uses annually to determine the economic status of Appalachian counties, staff developed a national composite index of distress. The three variables (threeyear annual unemployment, per-capita market income, and poverty rates) are applied to each county in the nation and compared with national averages. The resulting values are summed, averaged, and ranked to create four quartiles with an approximately equal number of counties in each group.

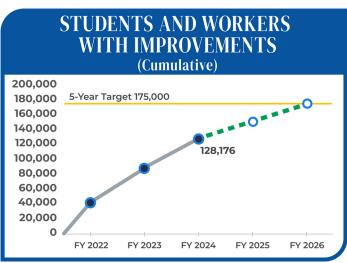
Using this index, ARC can compute annually the number of Appalachian counties in each quartile, as well as an overall regional index value. This can be directly compared with the national index value to measure progress. In addition, progress can be clearly measured by reductions in the number of Appalachian counties in the economically weakest quartile. As the figure below shows, Appalachia continues to have a disproportionately high number of counties with underperforming economies and a smaller share of counties with strong economies, compared with the nation.

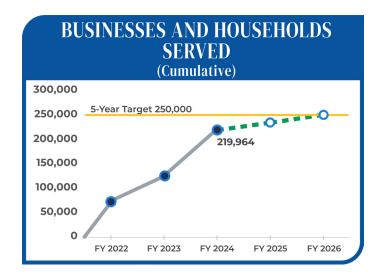
Number of Appalachian Counties by Economic Quartile, Fiscal Year 2024

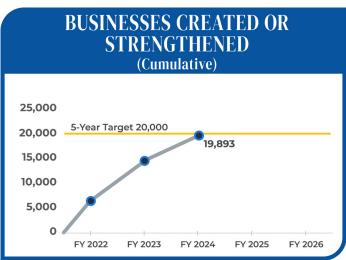


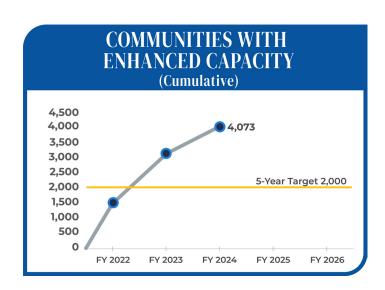
Progress Toward ARC Strategic Plan Performance Goals, Fiscal Years 2022–2026











PART III: FISCAL YEAR 2024 FINANCIAL REPORT



MESSAGE FROM THE EXECUTIVE DIRECTOR

The executive director of the Appalachian Regional Commission is appointed by the federal co-chair and the governors of the 13 member states to be the chief executive officer of the organization, a responsibility that includes financial management. ARC recognizes its responsibility to demonstrate to the American public that it exercises proper stewardship of the public resources entrusted to it. The financial statements in this Performance and Accountability Report fairly present the financial position of ARC.

I am very pleased to report that Allmond & Company LLC, the independent auditor of ARC's financial statements for 2024, has rendered an unmodified opinion about the adequacy of the statements. The independent audit was performed in cooperation with the Office of Inspector General (OIG).

The Commission maintains written financial management guidelines and accounting internal control policies and procedures governing accounts, payments, procurement, administration, and travel policy. The guidelines are provided to all staff and are reviewed at least annually and are amended to reflect changes in policy or revised procedures resulting from tests of internal controls.

On behalf of the entire Commission, I pledge a continued commitment to promptly address all financial management issues that need further attention and to maintain the strengths the Commission has achieved.

Brandon McBride **Executive Director**

Appalachian Regional Commission

In Matinda

November 15, 2024

REPORT OF INDEPENDENT AUDIT



Office of Inspector General

Appalachian Regional Commission

Fiscal Year 2024 **Financial Statement Audit Opinion**

Report Prepared by Allmond and Company

Report Number 25-07

November 15, 2024

Appalachian Regional Commission Office of Inspector General 1666 Connecticut Avenue, Suite 718 Washington, D.C. 20009



November 15, 2024

Brandon McBride Executive Director, ARC

This memorandum transmits the results of the audit of the Commission's financial statements for the fiscal year ended September 30, 2024 and 2023. We contracted with the independent certified public accounting firm Allmond & Company, LLC to conduct this audit. Allmond & Company, LLC expressed an unmodified opinion that concluded the financial statements were presented fairly, in all material respects, in accordance with the applicable financial reporting standards.

My office has policies and procedures that are designed to provide assurance that work performed by non-Federal auditors complies with the auditing standards. In connection with this contract, we review the final report of Allmond & Company, LLC and related documentation and made inquiries of its representatives.

Our oversight of Allmond & Company, LLC's audit did not disclose any instances where they did not comply, in all material respects, with the U.S. generally accepted government auditing standards; however, this review cannot be construed as an audit, and is not intended to enable us to express, and we do not express, any opinion on the Commission's financial statements. Allmond & Company, LLC is solely responsible for the audit report dated November 14, 2024 and the conclusions expressed in the report.

Thank you for the cooperation and courtesies extended to both Allmond & Company, LLC, and my staff during this audit.

Sincerely,

Clayton Fox Inspector General

Attachment

ARC-2024 Financial Statement Audit Contract: 47QRAA21D0026/ARC21P052

Appalachian Regional Commission (ARC) Fiscal Year 2024 Financial Statement Audit

Final Independent Auditor's Report

Submitted for review and acceptance to: Virginia King, Assistant Inspector General for Audit Office of Inspector General Appalachian Regional Commission 1666 Connecticut Ave, NW, Suite 700 Washington, DC 20009-1068

Submitted by: Jason L. Allmond, CPA, CGFM, CISA, CISM Managing Member Allmond & Company, LLC 7501 Forbes Boulevard, Suite 200 Lanham, MD 20706 301-918-8200 mailto:jallmond@allmondcpa.com

Final Independent Auditor's Report

Prepared under contract to the Appalachian Regional Commission (ARC) Office of Inspector General to provide financial auditing services

APPALACHAIN REGIONAL COMMISSION **AUDIT REPORT SEPTEMBER 30, 2024**



ALLMOND & COMPANY, LLC Certified Public Accountants 7501 Forbes Boulevard, Suite 200 Lanham, Maryland 20706 (301) 918-8200



CERTIFIED PUBLIC ACCOUNTANTS

7501 Forbes Boulevard, Suite 200 Lanham, Maryland 20706 (301) 918-8200 FACSIMILE (301) 918-8201

Independent Auditor's Report

Federal Co-Chair and Executive Director Appalachian Regional Commission:

Report on the Financial Statements

Opinion

In accordance with the Accountability of Tax Dollars Act of 2002, we have audited the Appalachian Regional Commission (ARC) financial statements. ARC financial statements comprise the balance sheets as of September 30, 2024 and 2023; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements.

In our opinion, ARC's financial statements present fairly, in all material respects, ARC's financial position as of September 30, 2024 and 2023, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the ARC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for

- the preparation and fair presentation of the financial statements in accordance U.S. generally
 accepted accounting principles;
- preparing, measuring, and presenting the Required Supplementary Information (RSI) in accordance with U.S. generally accepted accounting principles;
- preparing and presenting other information included in ARC's Performance and Accountability Report (PAR), and ensuring the consistency of that information with the audited financial statements and the RSI; and
- designing, implementing, and maintaining effective internal control relevant to the preparation
 and fair presentation of financial statements that are free from material misstatement, whether due
 to fraud or error.

1

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with GAAS, generally accepted government auditing standards (GAGAS), and OMB Bulletin No. 24-02 will always detect a material misstatement or material weakness when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, GAGAS, and OMB Bulletin No. 24-02, we;

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to
 fraud or error, and design and perform audit procedures that are responsive to those risks. Such
 procedures include examining, on a test basis, evidence regarding the amounts and disclosures in
 the financial statements.
- Obtain an understanding of internal control relevant to an audit of the financial statements in
 order to design audit procedures that are appropriate in the circumstances, but not for the purpose
 of expressing an opinion on the effectiveness of ARC's internal control over financial reporting.
 Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant
 accounting estimates made by management, as well as evaluate the overall presentation of the
 financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope of and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the financial statement audit.

Required Supplementary Information (RSI)

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the information in the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses

Independent Auditor's Report

to our inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

ARC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in ARC's Performance and Accountability Report. The other information comprises the *Management and Discussion Analysis* and *Performance* sections but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exist between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control over Financial Reporting

In connection with our audits of ARC's financial statements, we considered ARC's internal control over financial reporting, consistent with the auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of ARC's internal control over financial reporting. Given these limitations, during our fiscal year 2024 audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses; however, material weaknesses or significant deficiencies may exist that have not been identified.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to ARC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards and OMB audit guidance.

¹ A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

Responsibilities of Management for Internal Control over Financial Reporting

ARC management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of ARC's financial statements as of and for the fiscal year ended September 30, 2024, in accordance with U.S. generally accepted government auditing standards, we considered ARC's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ARC's internal control over financial reporting. Accordingly, we do not express an opinion on ARC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that;

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and
- transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of ARC's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of ARC's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of ARC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2024 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to ARC. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards and OMB audit guidance.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

ARC management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to ARC.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to ARC that have a direct effect on the determination of material amounts and disclosures in ARC's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to ARC. We caution that noncompliance may occur and not be detected by these tests.

<u>Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements</u>

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Allmond & Company, LLC

Lanham, MD November 14, 2024



Appalachian Regional Commission

FINANCIAL STATEMENTS

As of And For The Fiscal Years Ended September 30, 2024 and 2023

BALANCE SHEETS As of September 30, 2024 and 2023 (in thousands)

(in thousands)				2023
		2024	(R	eclassified)
Assets:				
Intragovernmental:				
Fund Balance with Treasury	(Note 2) \$	1,272,115	\$	1,050,005
Accounts receivable		835		1,252
Advances and prepayments	(Note 4)	316		0
Total Intragovernmental	•	1,273,266		1,051,257
Other than Intragovernmental:				
Cash and Other Monetary Assets	(Note 3)	2,305		2,396
Accounts Receivable, net		25		11
Property, Plant and Equipment, net	(Note 5)	13,285		722
Advances and prepayments	(Note 4)	70,405		55,439
Total Other than Intragovernmental		86,020		58,568
Total Assets	\$	1,359,286	\$	1,109,825
Liabilities:	(Note 6)			
Intragovernmental:	•			
Accounts Payable		8		0
Advances from others and deferred revenue	\$	105	\$	105
Other liabilities	(Note 7)	66		62
Total Intragovernmental		179		167
Other than Intragovernmental:				
Accounts payable		10,981		8,551
Federal Employee Salary, Leave and Benefits Payable		1,502		1,366
Advances from others and deferred revenue		218		917
Other liabilities	(Note 7)	14,717		928
Total Other than Intragovernmental		27,418		11,762
Total Liabilities		27,597	\$	11,929
Commitments and Contingencies	(Note 16)			
Net Position:				
Unexpended Appropriations - Funds from Other than Dedicated Collections	\$	1,347,138	\$	1,113,798
Cumulative Results of Operations - Funds from Other than Dedicated Collections	_	(15,449)		(15,902)
Total Net Position	\$	1,331,689	\$	1,097,896
Total Liabilities and Net Position	\$	1,359,286	\$	1,109,825

STATEMENTS OF NET COST

For the Fiscal Years Ended September 30, 2024 and 2023 (in thousands)

2024

2023

Gross Program Costs:		
ARC:		
Gross Cost	\$ 174,046	\$ 120,547
Less: Earned Revenue	 7,351	 5,789
Net Program Costs	 166,695	114,758
Net Cost of Operations	\$ 166,695	\$ 114,758

STATEMENT OF CHANGES IN NET POSITION For the Fiscal Year Ended September 30, 2024 and 2023 (in thousands)

			2024	_	2023
Unexpended Appropriations:					
Beginning Balance		\$	1,113,798	_\$	830,240
Appropriations received Appropriations used Net Change in Unexpended Appropriations			400,000 (166,660) 233,340	_	400,000 (116,442) 283,558
Total Unexpended Appropriations		\$	1,347,138	_\$	1,113,798
Cumulative Results from Operations:					
Beginning Balance Changes in accounting principles (+/-) Corrections of errors (+/-) Beginning balance, as adjusted		\$	(15,902) 39 434 (15,429)	_	(17,865) 0 193 (17,672)
Appropriations used Imputed Financing Net Cost of Operations Net Change in Cumulative Results of Operations	(Note 11)) 	166,660 15 (166,695) (20)	_	116,442 86 (114,758) 1,770
Total Cumulative Results of Operations			(15,449)		(15,902)
Net Position		\$	1,331,689	\$	1,097,896

STATEMENTS OF BUDGETARY RESOURCES

For the Fiscal Years Ended September 30, 2024 and 2023 (in thousands)

		2024 Budgetary		2023 Budgetary	
	_				
Budgetary Resources: Unobligated balance from prior year budget authority, net (discretionary and mandatory) Appropriations (discrectionary and mandatory) Spending authority from offsetting collections (discretionary and mandatory) Total budgetary resources	(Note 12) -	\$	425,817 400,000 6,357 832,174	\$ 	316,000 400,000 6,014 722,014
Total budgetary resources	-	Ψ	002,174		722,014
Status of Budgetary Resources:					
New obligations and upward adjustments (total)	Note 10)_	\$	391,834	\$	346,035
Unobligated balance, end of year:			_		_
Apportioned, unexpired account			422,181		370,976
Unapportioned, unexpired accounts			18,159		5,003
Unobligated balance, end of year (total)	_		440,340		375,979
Total budgetary resources	_	\$	832,174	\$	722,014
Outlays, net:					
Outlays, net (total) (discretionary and mandatory)		\$	177,890	\$	146,715
Agency outlays, net (discretionary and mandatory)	_	\$	177,890	\$	146,715

Notes to the Financial Statements September 30, 2024, and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Appalachian Regional Commission (ARC) was established under the Appalachian Regional Development Act of 1965, as amended. ARC is a regional development agency designed to function as a federal, state, and local partnership. ARC, strictly speaking, is not a federal executive branch agency as defined in Titles 5 and 31 of the United States Code and by the Department of Justice.

Commission members are comprised of a federal member (Federal Co-Chair), who is appointed by the President of the United States, and the governors of each of the 13 states in the Appalachian Region. The state members elect a State Co-Chair from their members. ARC has an Executive Director and Program and Administrative Offices that implement the policies and procedures established by the Federal and State Co-Chairs. ARC personnel are comprised of both federal and non-federal employees.

ARC supports economic and social development in the Appalachian Region. The Appalachian Region is almost a 206,000 square mile region from Southern New York to Northern Mississippi. The ARC programs affect 423 counties located in 13 states including all of West Virginia and parts of Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia.

The reporting entity is a component of the U.S Government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government.

Accounting Policies

Starting in FY 2024, Federal reporting entities are required to report a right-to-use lease asset and lease liability for non-intragovernmental, non-short-term contracts or agreements, when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement. Effects of this implementation are disclosed in Notes 5, 7 and 9.

Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if need, to prevent the disclosure of classified information. ARC did not have classified activities as of September 30, 2024.

Fund Accounting Structure

ARC's financial activities are accounted for by utilizing individual funds and fund accounts in reporting to the U.S. Treasury and the Office of Management and Budget (OMB). For financial statement purposes, these funds are classified as all other funds, which consist of area development program funds and funding for the Office of the Federal Co-Chair and the Office of Inspector General.

ARC has Miscellaneous Receipt Funds which are considered non-entity accounts since ARC management does not exercise control over how the monies in these accounts can be used. Miscellaneous Receipt Fund accounts hold receipts and accounts receivable resulting from miscellaneous activities of ARC where, by law, such monies may not be deposited into funds under ARC management control. The U.S. Department of the Treasury (U.S. Treasury) automatically transfers all cash balances in these receipt accounts to the General Fund of the U.S. Treasury at the end of the fiscal year. ARC's miscellaneous receipt funds consist of the following: General Fund Proprietary Receipts, Not Otherwise Classified – mainly Program Income.

Budgets and Budgetary Accounting

ARC receives an annual congressional appropriation from which it makes financial assistance awards and carries out activities, funds the administrative costs of the Office of the Federal Co-Chairman, the Inspector General, the non-federal programmatic costs, and half the cost of the non-federal administrative costs. Contributions from 13 states in the Appalachian Region cover 50% of the Commission Administrative Budget.

Funds appropriated to ARC are available without fiscal year limitation and remain available until expended. Because of the no-year status of the funds, unobligated amounts are not returned to the U.S. Treasury.

Basis of Accounting and Presentation

These financial statements present the financial position, net cost of operations, changes in net position, and budgetary resources of ARC in accordance with U.S. generally accepted accounting principles (GAAP) and form and content requirements of OMB Circular A-136 Financial Reporting Requirements. GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official standard-setting body for the federal government. The financial statements have been prepared from the books and records of ARC and include the accounts of all funds under the control of the ARC reporting entity.

U.S. generally accepted accounting principles encompass both accrual and budgetary transactions. Under accrual accounting, revenues are recognized when earned, and expenses are recognized when incurred. Budgetary accounting facilitates compliance with legal constraints on, and controls over, the use of federal funds. These financial statements are prepared by ARC pursuant to OMB directives and used to monitor ARC's use of budgetary resources.

All dollar amounts included in the financial statements and footnotes have been rounded to the nearest thousands. Due to rounding, totals presented may not add up.

Fund Balance with U.S. Treasury

ARC's cash receipts and disbursements are processed by the U.S. Treasury. Funds with U.S. Treasury represent obligated and unobligated no-year funds available to finance allowable current and future expenditures.

Cash in Commercial Institutions

ARC uses commercial bank accounts to accommodate collections and payments that cannot be processed by the U.S. Treasury. ARC maintains commercial bank accounts for the purpose of processing its non-federal employee payroll and flexible benefits.

Accounts Receivable

Accounts receivable, net represents monies owed to ARC, including collectibles from the ARC's Office of the States' Washington Representative; U.S. Department of Labor (DOL), U.S. Department of Agriculture (USDA) and from Environment Protection Agency (EPA) for expenses incurred on the Office's behalf. ARC has historically collected any receivables due and has had no need to establish allowance for uncollectible accounts.

Advances and Prepayments

Advances are cash outlays made by a federal entity to its employees, contractors, grantees, or others to cover a part or all the recipients' anticipated expenses or as advance payments for the costs of goods and services the entity receives. Prepayments are payments made by a Federal entity to cover certain periodic expenses before those expenses are incurred.

ARC advances funds to federal agencies for work performed on its behalf under various reimbursable agreements. These intra-governmental advances are recorded as an asset, which is reduced when actual expenditures or the accrual of unreported expenditures are recorded.

In addition, ARC has made advances to grantees. These primarily include revolving loan fund and equity fund payments to provide pools of funds to be made available to grantees to create and retain jobs. These advance payments are recorded by ARC as an asset, which is reduced if the revolving fund is terminated.

ARC also has prepayments made to cover certain periodic expenses before those expenses are incurred.

Property, Plant, and Equipment (PP&E), Net

Property, Plan, and Equipment (PP&E) is reported at acquisition cost. Depreciation is computed using the straight-line method over the estimated useful life of the assets with zero salvage value and depreciation begins in the month it is placed in service The capitalization threshold is \$35,000. Maintenance and repairs are expensed as incurred unless expenditure materially increases the value or useful life of the existing assets which are then capitalized.

Liabilities

Liabilities represent probable amounts to be paid by ARC as a result of past transactions. Liabilities covered by budgetary or other resources are those for which Congress has appropriated funds or funding is otherwise available to pay amounts due.

Liabilities not covered by budgetary or other resources represent amounts owed in excess of available congressionally appropriated funds or other amounts. The liquidation of liabilities not covered by budgetary or other resources is dependent on future Congressional appropriations or other funding.

Accounts Payable

Accounts payable consists of amounts owed to grantees and amounts owed to federal and nonfederal entities for goods and services received by ARC.

Benefits Due and Payable:

Unfunded Annual Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. Each year, the balance in the accrued leave account is adjusted to reflect current pay rates. To the extent current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as taken.

Retirement Benefits

ARC's federal and certain non-federal employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). FERS was established by the enactment of Public Law 99-335. Pursuant to this law, FERS and the Social Security and the Thrift Savings Plan program automatically cover most employees hired after December 31, 1983. Employees hired before January 1, 1984, elected to participate in the FERS and Social Security or to remain in CSRS.

All federal and certain non-federal employees are eligible to contribute to the Thrift Savings Plan (TSP). For those employees participating in the FERS, a TSP account is automatically established,

and ARC makes a mandatory one percent contribution to this account. In addition, ARC makes matching contributions, ranging from one to four percent, for FERS eligible employees who contribute to their TSP accounts. Matching contributions are not made to the TSP accounts established by CSRS employees. FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, ARC remits the employer's share of the required contribution.

For federal employees, the Office of Personnel Management (OPM) actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to ARC. OPM also provides information regarding the full cost of health and life insurance benefits. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of OPM.

ARC also has a frozen Defined Benefit Pension Plan. Staff hired after January 2020 are not eligible for this plan. ARC uses an October 1 measurement date to determine any cash contributions.

In February 2000 ARC established a 401(k) retirement plan that mirrors FERS. The plan covers substantially all non-federal employees, without federal benefits. Employees who opted out of the Defined Benefit Pension Plan receive a discretionary contribution of 6% of salary and a matching contribution up to 6%. Those who remain participants in the Defined Benefit Pension Plan receive a discretionary contribution of 3% of salary and a matching contribution maximum of 3% (50% match of 6% contribution or under). All new employees hired after the freezing of the Defined Benefit Pension Plan are eligible to receive a discretionary contribution of 4% of base salary and a matching contribution up to 4%. All participants are fully vested.

Parent Child Reporting

ARC is a party to allocation transfers with federal agencies as both a transferring (parent) entity and receiving (child) entity. Allocation transfers are legal delegations by one entity of its authority to obligate budget authority and outlay funds to another entity. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived. ARC allocates funds, as the parent agency, to the U.S. Department of Transportation, Housing and Urban Development, the Rural Development Agency, and the Economic Development Agency. Additionally, ARC receives allocation transfers, as the child agency from the U.S. Department of Transportation to cover Appalachian Development Highway System administrative costs.

Net Position

Net position is the residual difference between assets and liabilities and is comprised of unexpended appropriations and cumulative results of operations. Unexpended appropriations

represent the amount of unobligated and unexpended budget authority. Unobligated balances are the amounts of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. The cumulative results of operations are the net results of ARC's operations since inception.

Net Cost of Operations

Earned revenues from the collection of state contributions and other inter-agency agreements are deducted from the full cost of ARC's major programs to arrive at net program cost. Earned revenues are recognized by ARC to the extent reimbursements are payable from the public, as a result of costs incurred, or services performed on the public's behalf.

Budgetary Financing Sources

Budgetary financing sources other than earned revenues provide funding for ARC's net cost of operations and are reported on the Statement of Changes in Net Position. These financing sources include amounts received from Congressional appropriations to support its operations. A financing source is recognized for these appropriated funds received.

Permanent Indefinite Appropriations

The Commission's permanent indefinite appropriation includes the trust fund which has not been used since FY 2014. This trust fund was once established to receive, hold, and disburse monies collected to cover the administrative expenses of ARC.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Exempt Status

As a federal-state partnership created by the Appalachian Regional Development Act of 1965, ARC is exempt from income taxes imposed by any governing body whether it is a federal, state, commonwealth, local, or foreign government and exempt from sales and use taxes of the District of Columbia.

Reclassification of Prior Year Amounts

These financial statements for FY 2024 and FY 2023 (prior year) are presented on a comparative basis. ARC has reclassified the FY 2023 balance sheet data related to Federal Employee Salary, Leave, and Benefits payable for a comparable format in accordance with U.S. Treasury's updated U.S. Standard General Financial Statement Crosswalk for FY 2024.

NOTE 2 – FUND BALANCE WITH TREASURY

ARC's Fund Balance with Treasury as of September 30, 2024, and 2023 consisted of the following:

	2024		2023
A. Fund Balances General Funds Trust Funds	\$	1,271,702 413	\$ 1,049,592 413
Total Fund Balance with Treasury	\$	1,272,115	\$ 1,050,005
 B. Status of Fund Balance with Treasury 1) Unobligated Balance (a) Available (b) Unavailable 2) Obligated Balance not yet Disbursed 3) Temporary Sequestration 		408,096 18,160 845,228 631	368,901 5,003 675,479 622
Total	\$	1,272,115	\$ 1,050,005

A trust fund was once established to receive, hold, and disburse monies collected to cover the administrative expenses of ARC. This fund has not been used since FY 2014. The balance of \$413 in the trust fund continues to be sequestered as of September 30, 2024.

NOTE 3 – CASH AND OTHER MONETARY ASSETS

Cash as of September 30, 2024 and 2023, were as follows:

	2024	2023
Commercial Bank Balance	\$2,305	\$2,396

NOTE 4 – ADVANCE AND PREPAYMENTS

Advances as of September 30, 2024 and 2023 consisted of the following:

	2	2024	2	2023
Intragovernmental		_		
EDA	\$	300	\$	-
Defense		49		_
OPM		(33)		_
Total Intragovernmental	\$	316		-
Other than Intragovernmental				
Advances to Grantees to Finance Program Expend	litures			
-Revolving Loan Fund	\$	28,897	\$	27,857
-Non Federal Grantees		36,451		22,866
Prepaid Pension Expense		5,057		4,716
Total Other than Intragovernmental	\$	70,405	\$	55,439
Total Advances and Prepayments	\$	70,721	\$	55,439

Intragovernmental: ARC advances funds to federal agencies for work performed on its behalf under various reimbursable agreements for construction projects. These intra-governmental advances are recorded as an asset, which is reduced when actual expenditures or the accrual of unreported expenditures are recorded.

Other than Intragovernmental: ARC also has advances made to grantees that are not federal entities. Most of these advances are disbursed to grantees operating revolving loan funds (RLF), the remaining amounts are to all other grantees.

- Revolving Loan Fund ARC provides grants to revolving loan funds operating in its region for the purpose of saving and creating private-sector jobs. Because of the revolving nature of the funds, the grants have no fixed end date. Grant funds provided to revolving loan funds retain their federal identity and are subject to the Cash Management Improvement Act of 1990 (Public Law 101-453), for which the Appalachian Regional Commission has established a policy on excess cash. Accounting treatment of RLF transactions is that cash outlays are recorded as increases to SGL 1410 Advances and Prepayments and refunds of excess cash are recorded as decreases to SGL 1410 Advances and Prepayments.
- Non-Federal Grantees ARC advances funds to non-federal grantees for work performed on its behalf under various grant agreements. These advances are recorded as an asset, which is reduced when actual expenditures or the accrual of unreported expenditures are recorded. Non-federal grants include funding capital for Loan and Investment Funds.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT (PP&E), NET

Property, Plan, and Equipment (PP&E) is reported at acquisition cost. The general components of capitalized property and equipment, net of accumulated depreciation as of September 30, 2024 and 2023 is as follows:

	Fur	niture,				
	Fixt	ures &	Rigl	nt-to-Use		
2024	Equ	pment	Lea	se Asset		Total
Cost Balance, beginning of year Effects of Implementation of SFFAS 54 (see	\$	761	\$	-	\$	761
Note 9)		(761)		14,521		13,760
Cost Balance, end of year	\$	_	\$	14,521	\$	14,521
CY amortization of right-to-use lease assets		-		(1,236)		(1,236)
Net Book Value	\$	-	\$	13,285	\$	13,285
2023	Fixt	niture, ures & pment		nt-to-Use se Asset		Total
Cost Balance, beginning of year	\$	_	\$	_	-\$	_
Additions		761		-		761
Cost Balance, end of year	\$	761	\$	_	\$	761
Accumulated Depreciation		(39)		_		(39)
Net Book Value	\$	722	\$	-	\$	722

As of September 30, 2024, amortization expense was \$1,236. As of September 30, 2023, depreciation expense was \$39.

NOTE 6 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The accrued liabilities of ARC are comprised of program expense accruals, payroll accruals and unfunded annual leave earned by employees. Program expense accruals represent expenses that were incurred prior to year-end but were not paid. Similarly, payroll accruals represent payroll expenses that were incurred prior to year-end but were not paid. The only liability not covered by budgetary resources is the unfunded leave and the lease liability as shown below.

Liabilities as of September 30, 2024, and 2023 consisted of the following:

	2	024	 2023
Other than Intragovernmental Unfunded Leave	\$	732	\$ 723
Lessee Liability		13,817	_
Total Liabilities not covered by budgetary resources		14,549	723
Total Liabilities covered by budgetary resources		12,147	10,278
Total Liabilities not requiring budgetary resources		900	928
Total Liabilities	\$	27,596	\$ 11,929

NOTE 7 – OTHER LIABILITIES

As of September 30, 2024, and 2023, Other than Intragovernmental Other Liabilities consisted of Other Liabilities Without Related Budgetary Obligations and Lessee Lease Liability. Intragovernmental Other Liabilities consisted of Employer Contributions and Payroll Taxes Payable.

Intragalornmental	Non-C	Current		rrent	T	otal
Intragovernmental Employer Contributions and Payroll Taxes Payable (without reciprocals) Benefit Contributions Payable (Employer Contributions and Payroll Taxes Payable)	\$	-	\$	50 16	\$	50 16
Total Intragovernmental		-		66		66
Other than Intragovernmental Other Liabilities Without Related Budgetary				900		900
Obligations Lessee Lease Liability		13,101		900 716		900 13,817
Total Other than Intragovernmental		13,101		1,616		14,717
Total Other Liabilities	- \$	13.101	-\$	1,682		14,783
Intragovernmental	Non-C	Current_		123 rrent	To	otal
Employer Contributions and Payroll Taxes Payable (without reciprocals) Benefit Contributions Payable (Employer	\$	-	\$	42	\$	42
	\$	-	\$	42 20	\$	42 20
(without reciprocals) Benefit Contributions Payable (Employer	\$	- - -	\$		\$	
(without reciprocals) Benefit Contributions Payable (Employer Contributions and Payroll Taxes Payable) Total Intragovernmental Other than Intragovernmental Other Liabilities Without Related Budgetary	\$	- - -	\$	20 62	\$	20
(without reciprocals) Benefit Contributions Payable (Employer Contributions and Payroll Taxes Payable) Total Intragovernmental Other than Intragovernmental Other Liabilities Without Related Budgetary Obligations		- - -		20 62 928		20 62 928
(without reciprocals) Benefit Contributions Payable (Employer Contributions and Payroll Taxes Payable) Total Intragovernmental Other than Intragovernmental Other Liabilities Without Related Budgetary	\$ \$	- - - -	\$ \$	20 62	\$ \$	20

NOTE 8 – RETIREMENT PLANS

Federal

ARC participates in the Federal Employees Retirement System (FERS) for federal and certain non-federal employees. The FERS plans are administered by the OPM. ARC's contributions to the FERS plans were \$240 and 281, for FY 2024 and FY 2023 respectively.

Several employees also participate in the Federal Employees Health Benefit plan (FEHB) and the Federal Employees Group Life Insurance program (FEGLI), also administered by OPM. ARC pays a portion of the cost of current employees. Post-retirement benefits are paid by OPM. ARC's

contributions to these plans were \$73 and \$2 for FY 2024 and \$78 and \$2 for FY2023 for FEHB and FEGLI, respectively.

ARC does not report in its financial statements FERS, FEHB or FEGLI assets, accumulated plan benefits or unfunded liabilities, if any, applicable to its employees.

For FY 2024, ARC contributed \$14 and \$54 to the Federal Thrift Savings Basic and Matching Plans respectively, and for FY 2023, ARC contributed \$16 and \$61 respectively.

Non-Federal

Findley, Inc., a division of USI Insurance Services, is ARC's administrator for ARC's non-federal retirement plans. The following table presents the net periodic benefit cost for the defined benefit pension plan by component for fiscal years 2024 and 2023:

Net Periodic Benefit Cost

	<u>2024</u>	<u>2023</u>
Service Cost	\$159	\$187
Interest Cost	1,409	1,339
Expected Return on Assets	(2,117)	(1,995)
Amortization of Prior Service Cost	0	212
Amortization of Net (Gain)/Loss	0	66
Net Periodic Benefits Cost	\$(550)	\$(192)

The following tables present the accumulated contributions in excess of net period benefit cost and projected benefit obligations for fiscal years 2024 and 2023:

Accumulated Contributions in Excess of Net Period Benefit Cost

	<u>2024</u>	<u>2023</u>
Accumulated Amount at Beginning of Period	\$5,057	\$4,716
Net Period Benefit Cost	550	192
Employer Contributions	0	150
Accumulated Amount at End of Period	\$5.607	\$5.057

Reconciliation of Projected Benefit Obligation

	<u>2024</u>	<u>2023</u>
PBO at the Beginning of Period	\$25,978	\$26,785

PBO at End of Period	\$28,863	\$25,978
Benefits Paid	(1,204)	(1,121)
Change in Mortality Assumption (Gain)/Loss	-	-
Change in Discount Rate (Gain)/Loss	2,327	(1,271)
Actuarial (Gain)/Loss	195	59
Participant Contributions	-	-
Interest Cost	1,409	1,339
Service Cost	159	187

The following tables present funded status as well as plan assets for fiscal years 2024 and 2023:

Funded Status

	<u>2024</u>	<u>2023</u>
Projected Benefit Obligation	\$(28,863)	\$(25,978)
Fair Value of Assets	35,224	30,018
Funded Status	\$6,361	\$4,040

Plan Assets

	<u>2024</u>	<u>2023</u>
Fair Value of Assets at Beginning of Period	\$30,018	\$28,298
Actual Return on Assets	6,410	2,691
Employer Contributions	0	150
Participant Contributions	-	-
Benefits Paid	(1,204)	(1,121)
Fair Value of Assets at End of Period	\$35,224	\$30,018

The accumulated benefit obligation was \$28,312 and \$25,476 at September 30, 2024 and 2023, respectively.

Weighted average of economic assumptions used to determine benefit obligations at September 30:

	<u>2024</u>	<u>2023</u>
Discount rate	5%	6%
Rate of compensation increase	3%	3%

Weighted average of economic assumptions used to determine net periodic benefit cost for the years ended September 30:

	2024	2023
Discount rate	6%	5%
Rate of compensation increase	3%	3%
Expected long-term return on plan assets	7%	7%

Plan Assets

Pension plan weighted-average asset allocations at September 30, 2024 and 2023, are as follows:

Asset Category	<u>2024</u>	<u>2023</u>
Equity securities	45%	41%
Debt securities	49%	54%
Real Estate	5%	4%
Other	1%	1%
Total assets	100%	100%

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Fiscal Year	Amount
2025	\$1,769
2026	1,781
2027	1,828
2028	1,831
2029	1,922
2030 - 2034	\$9,811

Paylocity Corporation processes payroll for ARC's non-federal employees while John Hancock Financial administers the 401K plan. ARC contributed \$689 and \$616 to the 401(k) plan for the years ended September 30, 2024, and 2023, respectively. For Health Benefits Insurance, ARC contributed \$785 and \$675 for the year ended September 30, 2024, and 2023 respectively. For Group Life Insurance, ARC contributed \$5 and \$6 for the year ended September 30, 2024, and 2023 respectively.

NOTE 9 – LEASES

Lease Liability

ARC's headquarters lease commenced on April 30, 2013. The lease was amended in December 2022 and now extends through June 30, 2035. The initial lease payments were \$119 per month with

a 2% annual increase. The lease includes abated lease payment for January through the life of the lease and February of each year through 2026. The lease was discounted using the Federal Funds rate applicable on October 1, 2023, of 5.33%. The lease also included an incentive of \$2,820. This incentive was discounted at the interest rate stated in the lease, of 7.00%. The future minimum lease payments required are as follows:

Fiscal Year	Principal		Interest		Total	
2025	\$	716	\$	748	\$	1,464
2026		785		706		1,491
2027		993		657		1,650
2028		1,081		602		1,683
2029		1,177		538		1,715
2030-2034		7,540		1,555		9,095
2035		1,525		35		1,560
Total	\$	13,817	\$	4,841	\$	18,658

The total payments of principal and interest during the year ended September 30, 2024, were \$704 and \$733, respectively. The remaining principal balance is included in "Other liabilities" as disclosed in Note 7.

Other Leases

ARC had a lease for an office space in Charleston, West Virginia, that commenced on July 1, 2022, and ended on June 30, 2023. The rent for the office in Charleston transitioned to a month-to-month basis after June 30, 2023.

Lease expenses for the years ended September 30, 2024, and 2023 totaled \$1,252 and \$905 respectively.

The right-to-use asset is included in Property, Plant, and Equipment, Net, in Note 5.

ARC has an auto lease which is in the process of being renewed. For FY2024 and FY2023, the auto lease expenses were \$9 and \$3 respectively. ARC also has a copier lease and the total copier lease expenses for FY2024 and FY2023 were \$8 and \$6 respectively.

NOTE 10 – APPORTIONMENT CATEGORIES OF NEW OBLIGATIONS AND UPWARD ADJUSTMENTS: DIRECT VS REIMBURSABLE OBLIGATIONS

Apportionment is a plan, approved by the OMB, to spend resources provided by one of the annual appropriations acts, a supplemental appropriations act, a continuing resolution, or a permanent law (mandatory appropriations). OMB Circular A-11 defines apportionment categories as follows:

• Category A apportionments distribute budgetary resources by fiscal quarters.

- Category B apportionments typically distribute budgetary resources by activities, projects, objects, or a combination of these categories.
- Exempt Exempt from apportionment.

New Obligations and Upward Adjustments reported on the Statement of Budgetary Resources consist of the following:

	2024		2023
Direct Category B Obligations			
Cat B - Non-Highway Programs	\$	373,736	\$ 313,584
Cat B - RD (12-46X0200.020)		8,838	26,646
Cat B - EDA (13-46X0200.020)		2,282	1,800
Cat B - FHWA Non-Highway Programs (69-46X0200.05)		2,132	91
Total Direct Obligations		386,988	342,121
Reimbursable Category B Obligations			
Cat B - Non-Highway Programs		4,621	3,914
Cat B – WORC		225	-
Total Reimbursable Obligations		4,846	3,914
Total Obligations	\$	391,834	\$ 346,035

NOTE 11 – INTER-ENTITY COSTS

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by ARC are recognized as imputed cost and are offset by imputed revenue. The amounts of Imputed Costs and Financing Sources were \$15 for FY 2024 and \$86 for FY 2023. Such imputed costs and revenues relate to business-type activities (if applicable), employee benefits, and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

NOTE 12 – NET ADJUSTMENTS TO UNOBLIGATED BALANCE BROUGHT FORWARD, OCTOBER 1

During the years ended September 30, 2024, and 2023, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2023, and 2022. These adjustments include, among other things, upward adjustments to undelivered and delivered orders that were obligated in a prior year fiscal year. The adjustments during the years ended September 30, 2024, and 2023 are presented below.

	2024	 2023
Unobligated balance, brought forward from prior year	\$ 375,980	\$ 283,173
Adjustments made during the current year Adjustment to SOY balance brought forward	12,790	_
Recoveries of prior year unpaid obligations Recoveries of prior year paid obligations	37,047	 30,241 2,586
Unobligated balance brought from prior year budget authority	\$ 425,817	\$ 316,000

NOTE 13 - UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered orders represent the value of goods and services ordered and obligated that have not been received. This amount includes any orders for which advance payment has been made but for which delivery or performance has not yet occurred.

	2024			2023		
Federal Undelivered Orders	-\$	1,245	-	\$	2,080	
Non-Federal Undelivered Orders		904,406			721,108	
Total Federal/Non-Federal Undelivered Orders	\$	905,651	_	\$	723,188	
Paid Undelivered Orders - Federal		550			236	
Paid Undelivered Orders - Non-Federal		71,671			56,703	
Unpaid Undelivered Orders - Federal		696			1,903	
Unpaid Undelivered Orders - Non-Federal		832,734			664,346	
Total Paid/Unpaid Undelivered Orders	\$	905,651	_	\$	723,188	
Total Undelivered Orders	\$	905,651	_	\$	723,188	

NOTE 14 – EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES (SBR) AND THE BUDGET OF THE U.S. GOVERNMENT

SFFAS No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, requires an explanation of material differences between budgetary resources available, the status of those resources and outlays as presented in the Statement of Budgetary Resources to the related actual balances published in the Budget of the United States Government (Budget).

The Budget that will include FY 2024 actual budgetary execution information is scheduled for publication in February 2025, which will be available through OMB's website at http://www.whitehouse.gov/omb. Accordingly, information required for such disclosure is not available at the time of publication of these financial statements.

Balances reported in the FY 2023 SBR and the related President's Budget reflected the following:

	New Obligations & Upward Budgetary Adjustments							
FY 2023	Res	Resources		Resources ((Total)		Outlays
Statement of Budgetary Resources		722	\$	346	\$	147		
Difference 1 - Rounding (+/-)						(1)		
Budget of the US Government	\$	722	\$	346	\$	146		

The difference between the SBR and the *Budget of the United States Government* for budgetary resources, new obligations, and upward adjustments (total) and net outlays are primarily due to rounding.

NOTE 15 – RECONCILIATION OF NET COST TO OUTLAYS

The Commission has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

FY2024

	Intragove	ernmental	er than vernmental	Total
Net Operating Cost (SNC)	\$	(519)	\$ 167,214	\$ 166,695
Components of Net Operating Cost Not Part of the Budgetary Outlays				
Lessee Lease Amortization		-	(1,236)	(1,236)
Increase/(Decrease) in Assets not affecting Budget Outlays:				
Accounts receivable		(417)	14	(403)
Other assets		316	14,153	14,469
Accounts payable		(8)	(2,430)	(2,438)
Lessee Lease Liability		-	(13,817)	(13,817)
Federal employee salary, leave, and benefits payable		-	(136)	(136)
Other Liabilities		(4)	727	723
Other Financing Sources			-	
Imputed Cost		(15)		(15)
Total Components of Net Operating Cost Not Part of the Budget Outlays		(128)	(2,725)	(2,853)
Components of the Budget Outlays That Are Not Part of Net Operating Cost				
Acquisition of capital assets			 14,521	 14,521
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost		-	14,521	14,521
Miscellaneous Items				
Other Temporary Timing Differences			(473)	(473)
Total Other Reconciling Items			 (473)	 (473)
Net Outlays (Calculated Total)	\$	(647)	\$ 178,537	\$ 177,890
Budgetary Agency Outlays, net (SBR Line 4210)				\$ 177,890

FY 2023

	Intragove	rnmental	ner than vernmental	Total
Net Operating Cost (SNC)	\$	(660)	\$ 115,418	\$ 114,758
Components of Net Operating Cost Not Part of the Budgetary Outlays				
Property, plant, and equipment depreciation		-	(39)	(39)
Increase/(Decrease) in Assets not affecting Budget Outlays:				
Accounts receivable		1,252	11	1,263
Other assets		(30)	7,197	7,167
(Increase)/Decrease in Liabilities not affecting Budget Outlays:				
Accounts payable		-	22,621	22,621
Federal employee salary, leave, and benefits payable		-	(141)	(141)
Other Liabilities		62	540	602
Other Financing Sources				
Imputed Cost		(85)	-	(85)
Total Components of Net Operating Cost Not Part of the Budget Outlays		1,199	30,189	31,388
Components of the Budget Outlays That Are Not Part of Net Operating Cost				
Acquisition of capital assets		-	762	762
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost		-	762	762
Miscellaneous Items				
Other Temporary Timing Differences		-	(193)	(193)
Total Other Reconciling Items		-	(193)	(193)
Net Outlays (Calculated Total)		539	\$ 146,176	\$ 146,715
Budgetary Agency Outlays, net (SBR Line 4210)			=	\$ 146,715

NOTE 16 – COMMITMENTS AND CONTINGENCIES

All ARC contingencies are related to the lease liability. Please refer to Notes 6, 7 and 9.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Stewardship Investments

Stewardship investments are substantial investments that are made by the federal government for the benefit of the nation but are not physical assets owned by the federal government. Such investments are measured in terms of expenses incurred for non-federal physical property, human capital, and research and development. ARC invests in non-federal physical property, human capital, and research and development through its Area Development Program, which funds projects that support the goals and objectives set forth in the Commission's strategic plan.

ARC Investment in Non-Federal Physical Property

Non-federal physical property investments are expenses included in net cost of operations for the purchase, construction, or major renovation of physical property owned by state and local governments. In FY 2024, ARC's investment in non-federal physical property included grants for water and wastewater system construction and improvements; broadband expansion; infrastructure improvements; and access road construction.

ARC Investment in Non-Fe	ederal Physical Property
Fiscal Year 2020	\$69,186,941
Fiscal Year 2021	\$51,443,262
Fiscal Year 2022	\$52,278,994
Fiscal Year 2023	\$44,691,208
Fiscal Year 2024	\$60,957,064

ARC Investment in Human Capital

Human capital investments are expenses included in net cost of operations for education and training programs that are intended to increase or maintain national economic productive capacity and that produce outputs and outcomes that provide evidence of maintaining or increasing national productive capacity. ARC's investments in human capital in FY 2024 included grants for education and job training programs in areas including workforce training, vocational education, dropout prevention, math and science, substance use disorder response, and health.

ARC Investment in Human Capital				
Fiscal Year 2020	\$26,406,576			
Fiscal Year 2021	\$27,207,627			
Fiscal Year 2022	\$33,686,031			
Fiscal Year 2023	\$45,363,058			
Fiscal Year 2024	\$53,444,169			

ARC Investment in Research and Development

Research and development investments are expenses included in net cost of operations that support the search for new or refined knowledge and ideas, and for the application or use of such knowledge and ideas, with the expectation of maintaining or increasing national economic productive capacity or yielding other future benefits. In FY 2024, ARC invested in applied research through the following projects:

- An evaluation of ARC's business development investments
- An ongoing evaluation of ARC's ARISE-funded investments
- An ongoing evaluation of ARC's health investments
- Examination of mortality from diseases of despair.
- Analysis of coal production and employment trends.
- Coal industry ecosystem data update.
- Research examining food insecurity and access.
- Analysis of capital and credit access for entrepreneurs and small businesses.
- · Research examining worker displacement.
- Research examining water and wastewater infrastructure
- Data overview study examining state- and county-level data for the 13 Appalachian states.

ARC Investment in Research and Development				
Fiscal Year 2020	\$913,063			
Fiscal Year 2021	\$864,705			
Fiscal Year 2022	\$637,267			
Fiscal Year 2023	\$1,018,661			
Fiscal Year 2024	\$1,020,381			

PART IV: OTHER INFORMATION

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

IMPROPER PAYMENTS

Improper Payments Information Act of 2002, as Amended

The Improper Payments Information Act (IPIA), as amended, and OMB implementing guidance, OMB Circular A-123, Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments, require agencies to review all programs and activities they administer to identify those susceptible to significant improper payments. OMB defines significant improper payments as gross annual improper payments (i.e., the total amount of overpayments plus underpayments) in a program exceeding (1) both 2.5% of program outlays and \$10 million of all program or activity payments made during the fiscal year reported, or (2) \$100 million, regardless of the improper payment percentage of total program outlays. ARC's top-down approach for assessing the risk of significant improper payments allows the reporting of results by its one mission-aligned program—Area Development.

In accordance with the IPIA, as amended, and OMB implementing guidance, ARC assessed its program and activities for susceptibility to significant improper payments. Based on the results of the risk assessment for the period ended September 30, 2024, the Commission concluded that the program was not susceptible to significant improper payments.



Office of Inspector General

Appalachian Regional Commission

Management and Performance Challenges Report

Appalachian Regional Commission
Office of Inspector General

Report Number 25-04

October 15, 2024

Appalachian Regional Commission
Office of Inspector General
1666 Connecticut Avenue, Suite 718
Washington, D.C. 20009



October 15, 2024

Report Number 25-04

Commissioners:

This memorandum transmits the Inspector General's summary of the top management and performance challenges facing the Commission and briefly assesses management's progress in addressing these challenges.

I have identified two management and performance challenges: (1) updating management information systems, and (2) addressing risks associated with the rapid growth of ARC funding. These challenges were identified based on work by the Office of Inspector General, discussions with Commission management, and knowledge of the Commission's programs and operations.

Updating Management Information Systems

In fiscal year 2025, the Commission will begin transitioning to a new grant management system, replacing its current system known as ARCNet. The Commission has selected a vendor and entered into a contract to implement the new system. The vendor will facilitate the changeover to prevent compromising the Commission's grant management and oversight responsibilities.

The challenge facing the Commission is replacing ARCNet with the new grant management system, while avoiding disruption to the current grant process and Commission operations. During the acquisition phase, system requirements were identified and defined to help with the transition to the new system. Now the Commission must integrate the new system while maintaining its current operations.

Transitioning to the new system will create challenges including:

- Implementing a data migration plan,
- Maintaining old records with full accessibility,
- Planning communications strategies,
- Establishing responsibilities among staff,
- Training staff, partners, and grantees; and
- Adjusting to any initial application complications.

These challenges will require the Commission to carefully plan and sensibly introduce the new system while adapting its processes to ensure that the transition does not affect grant procedures or Commission operations.

Risks Associated with the Rapid Growth of ARC Funding

The Commission's appropriated funding has rapidly increased over the past decade leading to significant growth in grant awards and program operations. In addition to increases in appropriations, the Infrastructure Investment and Jobs Act is providing the Commission \$1 billion over the course of fiscal years 2022 through 2026 to fund multi-state projects throughout Appalachia. This large influx of funding has already changed how the Commission operates and manages its grants, programs, and internal functions.

The rapid increase in funding has added to the size, complexity, and attention needed for the grants awarded. Additional funding has also bolstered new initiatives adding to the management load of Commission staff. Increasing the size of grants being awarded and managed creates risks. It will be more challenging for the Commission to evaluate grant proposals, measure program performance, and conduct appropriate oversight with the creation of new initiatives and the receipt of increased funding.

As the Commission adjusts to the rapid growth in funding and operational complexity, human capital capacity remains an important focus in order to affectively handle the increase. Human capital capacity measures the extent to which an organization has sufficient staff, knowledge, and technical skills to effectively meet its program goals. The need for human capital will shift as programs are either added or adjusted. A lack of capacity can result in less staff time administering and monitoring grant programs. The government as a whole has experienced strategic human capital management challenges over the past two decades as there has been a struggle to attract, develop, and retain a skilled and versatile workforce. The ability to recruit and retain a full staff, to adequately manage increased program operations, is of the utmost importance to manage the risks imposed by increased funding.

Additionally, the Commission should consider the rapid growth of funding as it relates to ARC's state partners and grantees and the potential effect on their operations and performance. The Commission should maintain a continual process that assesses grant management capacity and performance measures as it relates to the increase in program expenditures and size. The ability to identify and monitor important risk factors as it relates to rapid growth will help mitigate any potential issues when administering larger awards and achieving program goals.

I will continue to monitor the Commission's efforts to address these management challenges and will also ensure that our office works with you and management to identify and mitigate risks in the furtherance of accomplishing the Commission's goals.

Clayton Fox Inspector General

Appalachian Regional Commission



Date: November 13, 2024

To: Clayton Fox, ARC Inspector General

From: Brandon McBride, ARC Executive Director

Re: Report Number 25-04

Dear Mr. Fox:

This communication provides an update on the Appalachian Regional Commission's (ARC) management actions to address the two (2) identified top management and performance challenges facing the Commission as described in Report 25-04.

Upgrading Management Information Systems

ARC is aware of the identified challenges present with transitioning from ARCNet to Pathways, the new grant management system, and welcomes the opportunity to share some of the ways the Commission is preparing for this transition without negatively impacting grant procedures and Commission operations.

For data migration, our plan has been to discover and remediate incorrect or inconsistent data in the existing system, a process that has been underway the past year. We are working with the implementation team on understanding the data import capabilities, and soon will begin performing numerous test migrations well in advance of go live of the new system, with validation of the test migrations performed by ARC IT staff and verified by programmatic staff.

In terms of maintaining old records, due to data quality preceding a major update of ARCnet in 2008, we plan to migrate project data for all in-progress projects, as well as closed projects from at least the past 10 years. After the go-live of Pathways, ARC will maintain the legacy system in a read-only state with access restricted to ARC staff and State partners for research and historical purposes. In the long run, this read-only data can be migrated to simpler data stores for long term archival.

Our communications and training strategies continue to involve ARC staff at all levels from coordinator to executive in design and testing functions. We have had several engagements with State partners to show them the work so far and this will continue as we build out the Area Development components of Pathways. ARC has hired staff to produce educational and training materials for Pathways and is working now to design training opportunities and materials for applicants, grantees, and staff at local, State and ARC level well in advance of the go-live. Training will include material on how to reach out for support, which will be key in the period following go-live. Many staff responsibilities will remain the same when Pathways goes live, but in the course of the requirements gathering and implementation stages ARC has expanded the role of Project Control as a coordinating function and adjusted staff roles and responsibilities to match.

ARC understands the risks of post-launch complications. The Pathways go-live is not yet tied to a specific date; even once one is determined, we will gather concurrences on system readiness to make a go/no-go decision prior to go-live, and reschedule in the event of a no-go. The contract with the vendor and implementation partners includes go-live support, and ARC is suitably staffed to be able to handle direct user support in the period immediately following go-live. In the event the go-live fails, ARC can revert to ARCnet while issues are addressed, and reschedule.

Risks associated with rapid growth of ARC funding

ARC leadership continues to manage operational needs related to the growth in funding and subsequent increase in number and size of grant awards. We have observed benefits in efficiency and quality related to organizational and training adjustments made in the last few years. A few examples include relocating the project control and local development district positions to better align those functions with the divisions in which they are located enabling more efficient operations.

On the training front, ARC continues training ARC staff in ethics, performance management, Uniform Guidance, and goal setting standards, and ensuring the onboarding process includes adequate training for new staff members. The HR division also offers resources to provide other targeted training for individual staff on an as-needed basis. In addition, the Office of the General Counsel continues to host monthly meetings with staff to discuss compliance related matters and brief the staff on the latest developments in the legal and regulatory field that impact ARC operations and program delivery. Looking ahead, ARC will continue to make capacity and operations adjustments to meet the high standards of program implementation at the Commission.

The Commission is cognizant of potential challenges State partners and grantees may face with the increased funding. As such, the Commission continues to make available supplemental funding for State personnel responsible for administering ARC grants and offers numerous annual training opportunities for State partners, applicants and grantees to enhance capacity and grants management skills. Additionally, ARC has offered training on the implementation of the new Uniform Guidance to keep staff, grantees, and partners up to date with the new regulations applicable to federal financial assistance. Further, ARC's READY Appalachia initiative, a multi-pronged community capacity building effort focused on building the capacity of different segments of Appalachian communities is well underway. ARC believes these capacity building activities are beneficial in proactively addressing potential challenges grantees may face related to their operations and performance.

The Commission appreciates the opportunity to share ongoing efforts to address the management and performance challenges shared in Report 25-04, and looks forward to continuing to work collaboratively in addressing these challenges, as well as others that may arise.

Brandon McBride **Executive Director**

Appalachian Regional Commission

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

The following tables provide a summarized report of ARC's financial statement audit and its management assurances. For more details, see the auditor's report on pages 53–84 and ARC's management assurances on page 22.

Summary of Financial Statement Audit

Audit Opinion: Unmodified

Restatement: No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting—Federal Managers' Financial Integrity Act of 1982—FMFIA, Section 2

Statement of Assurance: Unmodified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Our FY 2024 financial statements and notes to the financial statements are free of material misclassifications.

Effectiveness of Internal Control over Operations—FMFIA 2

Statement of Assurance: Unmodified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Conformance with Financial Management System Requirements—FMFIA 4

Statement of Assurance: Systems conform with financial management system requirements

Non-Conformance	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Non-Conformance	0	0	0	0	0

Compliance with Federal Management Improvement Act

	Agency	Auditor
Overall Substantial Compliance		
1. System Requirements	No noncompliance noted	
2. Federal Accounting Standards	No noncompliance noted	
3. United States Standard General Ledger at Transaction Level	No noncompliance noted	

Grants Oversight and New Efficiency Act Requirements

In FY 2024, ARC had no federal grant or cooperative agreement awards and balances for which closeout had not occurred but for which the period of performance had elapsed by more than two years.

Category	2–3 Years	>3–5 Years	>5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	0	0	0
Number of Grants/Cooperative Agreements with Undisbursed Balances	0	0	0
Total Amount of Undisbursed Balances	0	0	0



Authorization to reproduce this report in whole or in part is granted. While permission to reprint this publication is not necessary, the citation should be as follows: Appalachian Regional Commission, Appalachian Regional Commission Performance and Accountability Report, Fiscal Year 2024. Washington, D.C., November 2024.

This report is available on ARC's website at www.arc.gov.

APPALACHIAN REGIONAL COMMISSION

1666 Connecticut Avenue, NW, Suite 700 Washington, DC 20009-1068 202.884.7700 | info@arc.gov www.arc.gov