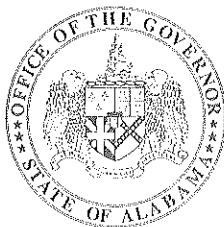


OFFICE OF THE GOVERNOR

KAY IVEY
GOVERNOR



STATE CAPITOL
MONTGOMERY, ALABAMA 36130

(334) 242-7100
FAX: (334) 242-3282

STATE OF ALABAMA

August 23, 2019

Mr. Scott Hamilton
Executive Director
Appalachian Regional Commission
1666 Connecticut Avenue, NW
Suite 700
Washington, DC 20009-1068

Dear Mr. Hamilton:

Please find enclosed the State of Alabama's Strategy Statement for FY 2020. The document outlines our strategies, objectives, and investment priorities for Alabama's Appalachian Region and is consistent with the Appalachian Regional Development Act of 1965, as amended, and Section 5 of the ARC Code.

If you need additional information, please do not hesitate to contact my Alternate State Member, Mr. Kenneth W. Boswell, at (334) 242-8672 or our Program Manager, Crystal Davis, at (334) 353-2630.

Sincerely,

A handwritten signature in cursive script that reads "Kay Ivey".

Kay Ivey
Governor

KI:KWB:dm

Enclosure



Appalachian Regional Commission

State of Alabama
2020 Annual Strategy Statement

Kay Ivey
Governor

Alabama Department
of
Economic and Community Affairs



Introduction

In accordance with Section 5.3 of the Appalachian Regional Commission (ARC) Code, this document serves as Alabama's ARC Annual Strategy Statement for Fiscal Year 2020 (October 1, 2019 – September 30, 2020). The purpose of this Strategy Statement is to establish a process by which the goals, objectives and priorities for Alabama's ARC counties will be achieved. Implementation of this Strategy will allow Alabama to continue meeting the diverse and changing needs of the 37 ARC counties in the state. The 2020 Strategy Statement:

1. Discusses the economic opportunities and challenges, as well as new developments and resources, that impact Alabama's ARC counties;
2. Provides an overview of targeted investment priorities for the 2020 program year;
3. Describes specific strategies targeting Alabama's distressed county (Macon);
4. Sets forth Alabama's ARC program operating policies; and
5. Describes methods used to solicit, review and select proposals.

Governor Kay Ivey serves as Alabama's Commission member. Governor Ivey appointed Kenneth W. Boswell as Director of the Alabama Department of Economic and Community Affairs (ADECA), the state agency responsible for the administration of Alabama's ARC Program. Director Boswell also serves as the Governor's Alternate member on the Appalachian Regional Commission.

Alabama's Appalachian Region

Thirty-seven (37) of Alabama's sixty-seven (67) counties are located within the Appalachian Region.

FY 2020 ARC County Economic Status Designations include:

- **Attainment:** Shelby County
- **Transitional:** Blount, Calhoun, Chambers, Cherokee, Chilton, Cleburne, Colbert, Cullman, Elmore, Etowah, Jackson, Jefferson, Lauderdale, Limestone, Madison, Marshall, Morgan, St. Clair, Tallapoosa and Tuscaloosa Counties
- **At-Risk:** Bibb, Clay, Coosa, DeKalb, Fayette, Franklin, Hale, Lamar, Lawrence, Marion, Pickens, Randolph, Talladega, Walker and Winston Counties
- **Distressed:** Macon County



Alabama's ARC Program partners with eight (8) Local Development Districts (LDDs) for development and implementation of projects designed to meet the needs of communities in Appalachian Alabama. The Executive Directors and staff of Alabama's LDDs work closely with their board members, elected officials, economic developers and citizens to identify priority needs in their communities. In turn, the LDDs develop and implement plans for economic development in their communities.

Local Development Districts in Appalachian Alabama include:

- Northwest Alabama Council of Local Governments (NACOLG): Colbert, Franklin, Lauderdale, Marion and Winston Counties
- West Alabama Regional Commission (WARC): Bibb, Fayette, Hale, Lamar, Pickens and Tuscaloosa Counties
- Regional Planning Commission of Greater Birmingham (RPCGB): Blount, Chilton, Jefferson, St. Clair, Shelby and Walker Counties
- East Alabama Regional Planning and Development Commission (EARPDC): Calhoun, Chambers, Cherokee, Clay, Cleburne, Coosa, Etowah, Randolph, Talladega and Tallapoosa Counties
- South Central Alabama Development Commission (SCADC): Macon County
- Central Alabama Regional Planning & Development Commission (CARPDC): Elmore County
- North Central Alabama Regional Council of Governments (NARCOG): Cullman, Lawrence and Morgan Counties
- Top of Alabama Regional Council of Governments (TARCOG): DeKalb, Jackson, Limestone, Madison and Marshall Counties

Economic Opportunities

The aerospace and aviation industries sustain a healthy commerce for the state by offering high-paying jobs and contributing to the low unemployment rate. Aerospace manufacturing accounts for approximately 13,200 jobs in the state with Alabama ranking among the top five states for aerospace engineers. Nearly \$2.4 billion in aerospace equipment and parts were exported from the state in 2018. More than 300 aerospace companies from more than 30 different countries have located businesses in the state. In Huntsville, Redstone Arsenal is a major research, engineering, and test center housing the Army's critical missile defense and aviation programs. The Arsenal is also the home of the Marshall Space Flight Center which is one of the National Aeronautics and Space Administration's largest facilities. Alabama boasts an extensive list of training programs and assets due to the extensive presence of the aerospace/aviation industry within the state.

Accelerating growth in the automotive industry sector has had a vast impact on the state's economy with vehicles becoming the number one export with annual shipments to approximately 90 countries around the world. Exports of Alabama-made vehicles and parts totaled \$7.5 billion in 2018. Additionally, in 2018, Alabama automakers combined produced approximately one million cars and light trucks with the state ranking in the Top 5 for the production of those vehicles. The automotive manufacturing sector accounts for nearly 40,000 jobs in the state. Of those, approximately 27,000 are in the state's growing automotive supplier network which includes over 200 companies. The \$1.6 billion joint venture assembly plant (under construction)

in Alabama by Mazda Toyota Manufacturing USA will boost employment and production drastically.

Alabama's forest products industry is expanding its base with the state already having the second largest timberland base in the United States. Large companies continue to make investments within the state. Alabama has near 23 million acres of timberland with forests that are so fertile, the growth of softwood and hardwoods consistently exceeds their removal rate. Alabama houses more than 650 forest manufacturing companies which employ nearly 25,000 individuals. As of 2016, Alabama exported \$1.3 billion of Alabama forest products and new capital investment by forest-product companies topped \$1.1 billion, creating 1,000 jobs.

Tourism in North Alabama is still a thriving industry. A variety of attractions can be found in the area, including Alabama State Parks, where visitors can enjoy fishing, golfing, dining, ziplines and trails. A wide selection of camping and lodging options are available at Alabama State Parks such as chalets, cabins, hotels, pet friendly facilities, primitive campgrounds, and semi-primitive campgrounds. Activities that can be experienced in North Alabama include hiking, camping, boating, rock climbing, birding and biking. Land Trusts and Nature Preserves offer many of these activities. The Appalachian counties are home to numerous historic, cultural, religious, educational, recreational, artistic, and natural attractions alike.

In March 2018, Governor Ivey signed into law the Alabama Broadband Accessibility Fund (Fund), which was created by the Alabama Legislature. As of July 15, 2019, more than \$1.14 million in grants has been awarded to provide access to high-speed internet in several Alabama communities. The Fund provides grants for service providers to supply high-speed internet services in unincorporated areas or communities with 25,000 people or less with the grant total not to exceed 20 percent of the total cost of the project. It is the goal that access to high-speed internet in the states' rural areas will open the way to improved educational opportunities, economic development projects and better health-care services.

Economic Challenges

Infrastructure: Many areas in Appalachian Alabama lack proper infrastructure. Increased investments in critical infrastructure is necessary to improve educational opportunities, provide safe methods of transportation, and to attract new businesses to help grow the state's economy.

Transport Infrastructure

The conditions of the state's ports and harbors, roads and bridges, alternative transportation routes, airports, and rail services significantly impact decisions for businesses to locate in the state. Many of the state's ports need assistance with improving, promoting, and developing its ports and maintaining and operating harbors. Ports located on rivers or streams navigable for commercial traffic or those that can be made so lack needed facilities such as warehouses, water and rail terminals, and facilities needed for the convenient use of the port to aid in commerce. Additionally, dredging is a fundamental activity for most ports and harbors. Alabama's ports and harbors must be prepared to accommodate the newest generation of ships and other cargo vessels.

The national transportation research group TRIP released a report on February 26, 2019, stating that deteriorated roads and bridges, congestion and lack of desirable safety features are costing

Alabama motorists \$5.3 billion per year in extra vehicle operating costs due to the cost of lost time waiting in traffic, wasted fuel due to congestion and the financial cost of traffic crashes. The report, "Alabama Transportation by the Numbers: Meeting the State's Need for Safe, Smooth and Efficient Mobility" indicated that 30 percent of major road and highways in the state are in poor or mediocre condition and approximately the same with locally and state-maintained roads. The report states, "In urban areas, drivers lose up to \$990 and nearly one full work week per year sitting in congestion." That same report identifies seven percent of Alabama's bridges as structurally deficient and while most bridges are designed to last 50 years before major overhaul or replacement work is required, nearly half of the state's bridges were built in 1969 or earlier. As the state's road transportation system significantly contributes to the health and growth of the economy, Alabama's roads and bridges need significant improvements. Not only will the citizens of the state benefit but also tourists, existing businesses and businesses considering locating in the state will reap the more efficient, safe and reliable mobility.

Alternative methods of transportation are also a priority when attracting businesses to the state and improving the lives of Appalachian Alabamians. Some benefits of these alternate transportation methods include cost savings, reduction in congestion, less carbon pollution, and travel productivity. Multimodal transportation needs such as Transit and Intercity Bus, Passenger Rail, Bicycle and Pedestrian Mobility, and Aviation were addressed in the Alabama Department of Transportation's Alabama Statewide Transportation Plan Summary dated July 31, 2017. Air freight and rail services also provide much needed transportation for the export of goods produced in the state.

Wet Infrastructure

Inadequate and deteriorating water supply systems, water and wastewater treatment systems and ineffective or a lack of flood management planning can significantly hinder economic progress in Appalachian Alabama. In addition, failing and inadequate systems can affect the health and safety of the workforce reducing job productivity.

Information Infrastructure

Basic communication and network services, specifically broadband, is a unique challenge for Appalachian Alabama. Much of Alabama's ARC region is unserved or underserved with respect to broadband access. The need for access to high-speed broadband internet is vital to the success of the Appalachian counties in the state. It is key to economic development and to ensuring that students in rural areas of Alabama have the same competitive advantage and educational opportunities as students in urban areas. Businesses rely heavily on sending and receiving data at all hours and require a high-capacity transmission medium that can carry signals from multiple independent network carriers. In order for Appalachian Alabama businesses to realize true benefits, broadband infrastructure and digital technologies must be available at a level that meets the user's demand.

Workforce Development: Having a well-educated workforce that is equipped with the skills and knowledge to support future economic development is crucial to Appalachian Alabama. Governor Ivey is working to align Alabama's high schools, community colleges, and adult education programs to career pathways in high-demand fields. Governor Ivey tasked the Alabama Attainment Committee to develop a statewide goal for postsecondary attainment so that

Alabamians are prepared to meet current and future workforce demand. The Alabama Attainment Committee has mapped out Alabama's future workforce needs and recommended adding 500,000 high skilled employees to Alabama's workforce by 2025.

Opioid and other Drug Addiction: Combating the opioid crisis, and drug addiction in general, in Appalachia Alabama is essential to improving the quality of life and the ability of our citizens to become productive members of the workforce. The opioid and addiction crisis affect every area of the economy. According to the Alabama Department of Mental Health, from 2006 to 2014 there were 5,128 deaths from overdose in Alabama. A critical component to fighting the opioid epidemic is providing access to treatment. Providing treatment for opioid addiction will help increase the number of addicts that are on the path to recovery. Supporting the workforce and creating new jobs in the health care area for Appalachia Alabama will strategically help with the opioid crisis. Governor Ivey created the 40-member Alabama Opioid Overdose and Addiction Council. The Council will propose ways to address the overdose crisis in Alabama.

New Developments or Resources

Opportunity Zones: The Opportunity Zones program is a new alternative economic development program established by Congress in the Tax Cuts and Jobs Act of 2017 to foster private-sector investments in low-income rural and urban areas. The program provides a federal tax incentive for investors to use their unrealized capital gains into Opportunity Funds dedicated for investing in the designated Opportunity Zones. Congress empowered governors to nominate Opportunity Zones in their states by using up to 25 percent of their low-income community census tracts. In Alabama, 629 of the state's 1,181 census tracts qualified as low-income community tracts. Governor Ivey, with the input of the Alabama Department of Economic and Community Affairs (ADECA), identified and selected 158 Opportunity Zones in the state with each of Alabama's 67 counties having at least one designated zone. The zones were approved by the Treasury Department and the IRS on April 18, 2018. Ninety-two of those zones are located in Alabama's ARC region. The location of the tracts is an economic driver to attracting potential investors.

POWER Initiative: The decline in the coal industry has significantly impacted the economy in Alabama's Appalachian counties. The POWER (Partnerships for Opportunity and Workforce and Economic Development) Initiative, which was introduced by the federal government in 2016, has allowed communities that were affected by the declining coal industry the opportunity to strengthen and grow their economy. The POWER Initiative assists communities and regions affected by job losses in coal mining, coal power plant operations, and coal-related supply chain industries. This Initiative will help create or retain jobs, leverage private funding and prepare workers and students for jobs in sectors that will create a strong economic future for Appalachia Alabama.

In previous years, Alabama received POWER Initiative funding to assist displaced workers, allowing them to develop skills to secure employment in fields other than the coal industry and to encourage entrepreneurship. Alabama has a strong network of community colleges that offer training and resources targeting emerging industries. Additionally, in FY 2019, Alabama received two POWER Initiative grants. The Northwest Alabama Revitalization project in which funds will be used to purchase equipment to provide broadband access to one of the most distressed areas of the state. This project is also anticipated to create 300 new jobs. The second

project will create Opportunity Zones-based funding and business development ecosystem within the 29 non-attainment counties most affected by the decline in Alabama's coal industry. The projected job creation for this project is 500 with 45 new businesses to be created over the next five years.

Targeted Investment Priorities

1. Economic development and job creation in distressed Macon County
2. Expand broadband access throughout Appalachian Alabama
3. Promote Governor Ivey's priorities for Appalachian Alabama, which include:

Alabama's "Strong Start, Strong Finish" Education Initiative

- Prioritize science, technology, engineering and mathematics (STEM)
- Computer Science for Alabama (CS4AL)
- Advanced Training leads to Better Jobs (Advanced Training, Better Jobs)

Workforce Development

- The Success Plus Postsecondary Education Attainment Goal
- Braiding Alabama's Federal Education and Workforce Funding Streams
- Creating the Alabama Industry-Recognized and Registered Apprenticeship Program (AIRRAP)

Job Creation

- Continue to recruit job-creating industries to the state
- Ensure Alabama's workforce is well-educated and ready for new industries creating jobs in the state

Infrastructure

- Ensure that Alabama citizens in rural areas have access to high-speed broadband internet
- Ensure that Alabama's infrastructure keeps up with the needs of our growing economy
- Develop a modern transportation infrastructure to help create jobs by recruiting industry

Healthcare

- Combatting the Opioid Problem
- Adequate Healthcare Facilities

Strategies for Distressed Macon County

Alabama's ARC program will give special emphasis to distressed Macon County. Projects that promote economic and community development, increase community capacity, strengthen workforce development and create jobs in Macon County will be prioritized. Macon County is also in the Delta Regional Authority (DRA); therefore, Alabama's ARC program will collaborate with DRA on economic development projects in Macon County when possible. Alabama's ARC program staff will work closely with the Mayors of Tuskegee and Shorter, local economic developers and community leaders to identify opportunities for economic development and the

creation of new jobs. To assist Macon County in recruiting industries, ARC funding will be used for critical infrastructure and industrial site development in Macon and surrounding counties connected by I-85 with the purpose of benefiting Macon County (Primarily Exit 38).

Alabama ARC Operating Policies

ADECA solicits applications for ARC funding from Local Development Districts, educational institutions, non-profit organizations, and governmental entities. ADECA notifies the public when ARC funding is available via the ADECA website, social media and through an email distribution list. Programs and activities benefiting the residents of Appalachian Alabama are eligible to receive consideration for ARC's congressionally designated allocations. Applications for ARC funding should be mailed to ADECA:

**Alabama Department of Economic and Community Affairs
Kenneth W. Boswell, Director
ARC Program
401 Adams Avenue
Montgomery, AL 36103-5690**

The Alabama ARC staff, in conjunction with federal ARC staff, typically host an ARC application workshop, at which the goals of the ARC, state priorities and how to apply for ARC funding are emphasized. The application submission deadline is also announced at that time.

Applications for ARC funding are reviewed by ADECA staff in the Community and Economic Development Division for eligibility and alignment with ARC goals and state priorities. Applications are ranked based on impact to the community, alignment with goals of the ARC and state priorities, project feasibility, community capacity, and performance measures. Applications that promote economic development and job creation in distressed counties are prioritized. Applications that promote the Governor's priorities are given special consideration. After the review process, recommendations for funding are submitted to the Director of ADECA and Governor Ivey for review and approval.

The state's maximum investment for counties as designated by the ARC are as follows:

- | | |
|----------------|------------------------------|
| • Distressed | 80% of Total Project Cost |
| • At-Risk | 70% of Total Project Cost |
| • Transitional | 50% of Total Project Cost |
| • Competitive | 30% of Total Project Cost |
| • Attainment | Not eligible for ARC funding |

The maximum investment of ARC funding in a project is \$200,000.00; however, the ceiling may be raised in certain critical and/or promising circumstances. Cost overruns on previously approved projects will generally not be considered for funding. Overrun requests may be considered if additional jobs will be created by the modification.

Proposals for the following activities are not eligible for ARC funding: construction of schools, libraries, government offices, community centers, law enforcement facilities or day-use recreational facilities.

Investment opportunities outside of the state's targeted priorities may be considered for ARC funding if they are consistent with the goals and objectives outlined in the state's broader Appalachian Development Plan and the ARC Strategic Plan.

General Information

The ARC Application Workshop is generally held in late summer or early fall. The FY 2020 Workshop will be held on August 28, 2019.

The deadline for submission of FY 2020 ARC applications is November 1, 2019, at 12:00 Noon.

Applicants should submit an original application and one copy for non-construction projects. An original application and two copies should be submitted for construction projects.

ARC funds will not be used for projects that duplicate services available from other established state funded programs.

Generally, ARC projects are funded for one year but may be considered for more years, depending on project performance, expansion of services or added components. A new proposal must be submitted each year to receive consideration.

All required forms and information related to Alabama's ARC program can be found at <http://adeca.alabama.gov/Divisions/ced/Pages/Appalachian-Regional-Commission.aspx>.