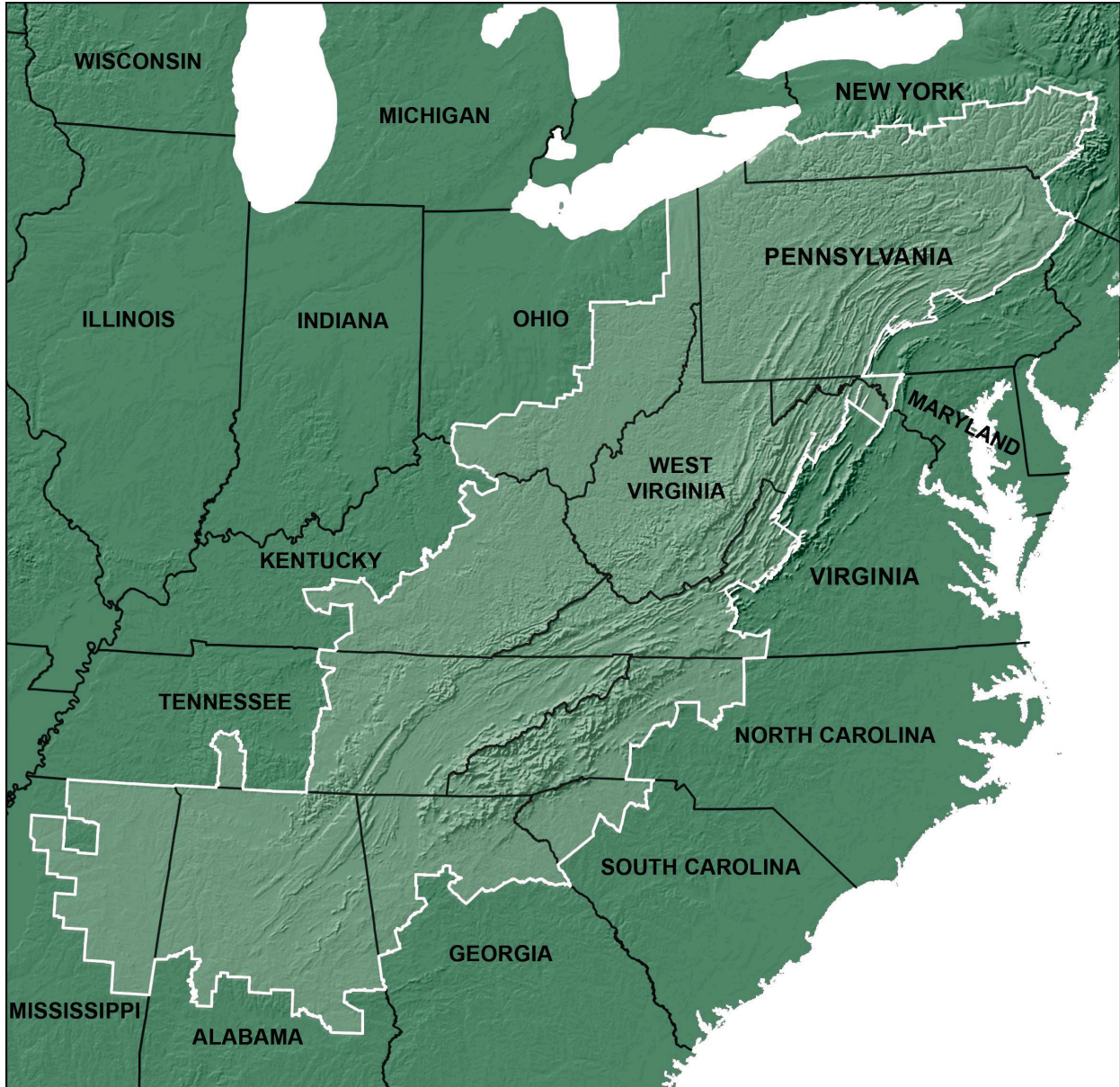




APPALACHIAN REGIONAL COMMISSION

FY 2021 Performance Budget Justification

As Submitted by the Federal Co-Chair to the Appropriations
Committees of the House and Senate
February 2020



Appalachian Regional Commission
FY 2021 Performance Budget Justification
As Submitted by the Federal Co-Chair

February 2020

Table of Contents

FY 2021 Budget Summary and Highlights	2
Major Program Justification: Area Development Base Program	10
Major Program Justification: Coal Impacted Communities Initiative	17
Major Program Justification: Special Regional Initiative for Distress	21
Major Program Justification: Special Regional Initiative for Substance Abuse Mitigation	24
Performance	27
Salaries and Expenses	30
Comprehensive Reform Initiative	34
Appendices.....	41
A. High-Poverty Counties in the Appalachian Region	
B. County Economic Status Designations in the Appalachian Region, FY 2020	
C. Appalachian Regional Commission Organization Chart	



Budget Summary and Highlights



The Federal Co-Chair requests \$165 million to fund the activities of the Appalachian Regional Commission (ARC) for FY 2021. This represents level funding with the amount requested in the President’s Budget for FY 2020. Seventy-three million is requested to continue the Area Development Base Program; \$50 million is requested to continue the effort to assist communities adversely affected by the downturn in the coal industry; \$32 million is requested for special regional initiatives to address distress; and \$10 million to address workforce challenges caused by the Region’s drug crisis. ARC will utilize this funding to

leverage emerging opportunities such as continued development of the southern automotive and aviation clusters, and to address barriers such as effects of the drug crisis on the workforce, as well as the lack of both water, sewer, and broadband infrastructure in the Region. ARC is authorized through FY 2020 – the Administration supports reauthorization legislation. The mission of the ARC is to help close the economic gap between Appalachia and the rest of the nation and bring the Region’s 420 counties and 25 million residents into the economic mainstream. The 13-state Appalachian Region has historically confronted a combination of challenges that few other parts of the country face—its mountainous terrain and isolation, dispersed population, inadequate infrastructure, lack of financial and human resources, and weak track record in applying for and receiving assistance from national federal programs. Additionally, the Region is hit harder by economic downturns and traditionally takes longer to recover. Figure 1 indicates that Appalachia has performed worse than the country overall during each of the three time periods:

- From 2002 to 2007, total employment growth in Appalachia was approximately two percentage points less than in the U.S.;

- From 2007 to 2012, employment declined approximately two percentage points more than it did in the nation as a whole; and
- From 2012 to 2017, the Region experienced growth at only half the rate for the country overall.

Figure 2 indicates the percentage of the population and jobs in the United States that are found in Appalachia. A noticeable gap exists between the two, which can be interpreted to indicate that there are—and have been—fewer jobs available per person in Appalachia than elsewhere in the country. Most recently, downturns in the coal economy and the disproportionately high rate of substance abuse have exacerbated this issue. Because new challenges don’t eliminate or supersede old ones, this request features multiple initiatives that reflect the evolution of Appalachia by including differing, yet complementary programmatic approaches.

Figure 1: Percent Change in Employment, All Industries, 2002-2007, 2007-2012, and 2012-2017

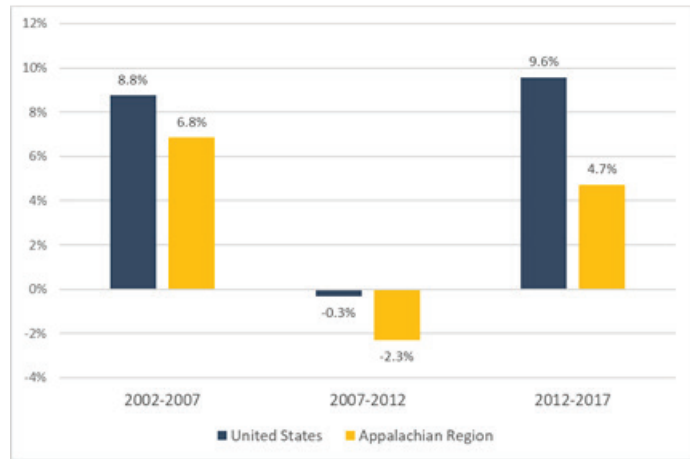
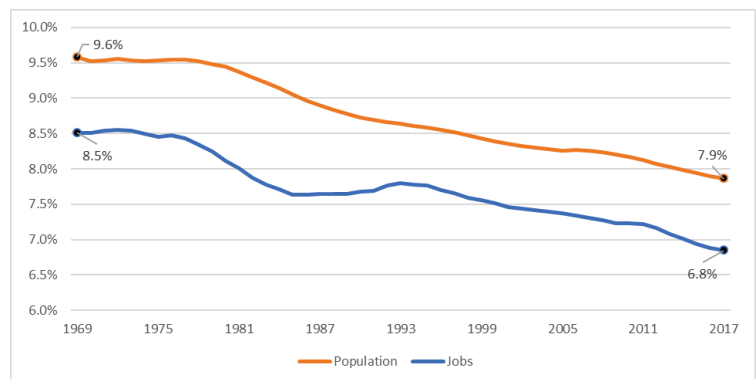


Figure 2: Percentage of U.S. Population and Jobs in Appalachia, 1969-2017



The Area Development Base Program will continue to address the specific needs of individual states, while the Coal Impacted Communities and Substance Abuse Workforce Reentry initiatives will address multi-jurisdictional activities that cross state borders. These multi-state projects are difficult for ARC to fund through the Area Development Base Program. This new approach will enable Appalachia to develop on both a micro and macro level, better positioning the Region to participate in the global economy. ARC is the only federal agency statutorily mandated to address challenges specific to this Region and its work does not duplicate other federal programs. Instead, ARC extends the reach of national programs into the most challenged parts of Appalachia by providing necessary gap funding and technical assistance that enables economically distressed communities to compete successfully for these programs. ARC brings deep knowledge of the Region, a strong track record of impact, and far-reaching networks of critical community, state, and regional partners established over the last 50 years.

In FY 2019, ARC partnered with The U.S. Department of Labor's Employment and Training Administration to design workforce development initiatives through the Workforce Opportunity for Rural Communities grant initiative. Activities will result in enhanced training and support activities for dislocated workers, new entrants in the workforce, incumbent workers, and individuals affected by substance use disorder, which is disproportionately high in Appalachia. A total of 10 applications from the Region received funding in this round and a second request for proposals was under development for release in FY 2020. Other recent partners include the U.S. Departments of Transportation, Agriculture, Commerce, Education, Housing and Urban Development, and the Treasury, the Environmental Protection Agency, Department of Energy including Oak Ridge National Laboratory and the National Energy Technology Laboratory, the Federal Deposit Insurance Corporation, the National Endowment for the Arts, National Institute on Drug Abuse, and the National Trust for Historic Preservation.

ARC has an impressive record of engaging private sector and nonprofit partners to increase the amount of financial and technical assistance flowing to the Region. To deploy computer equipment into the Region, ARC formed a partnership with Microsoft Corporation. Bristol Meyer's Squibb Foundation joined ARC to combat disproportionately high levels of Type 2 diabetes in the Appalachia. When ARC commissioned research on the lack availability of investible capital in the Region, Appalachian Community Capital was launched in response, raising an additional \$12 million in debt and equity from Bank of America, Deutsche Bank, Calvert Foundation, the Ford Foundation, Mary Reynolds Babcock Foundation, the Claude Worthington Benedum Foundation, the Annie E. Casey Foundation, and BB&T Bank. Most recently, ARC addressed a barrier to substance abuse recovery and reemployment -- the lack of transportation services to connect those in recovery to treatment and employment opportunities -- by identifying transportation solutions. Partners engaged in this initiative include national ride-share transportation network companies such as Lyft, and other faith-based service providers. This group will continue to build-out this pilot through FY 2020.

To assess progress in completing the mission, ARC developed an index that compares the economic condition of Appalachian counties with all the counties in the nation (based on unemployment, per-capita income, and poverty rates). While the number of distressed counties for FY 2020 has dropped to a low not seen since pre-recession 2008, Appalachia still has proportionally more of the economically weakest counties and fewer of the economically strongest counties compared to the rest of the nation. Moreover, about 25 percent of the

weakest counties in the nation are in Appalachia, while the Region has only 1.7 percent of the nation’s strongest counties. When this index demonstrates an equal share of counties across each quartile, Appalachia will be at socioeconomic parity with the nation.

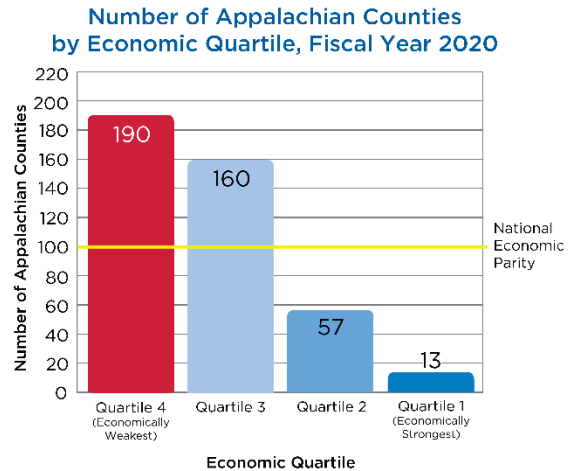
Since its inception, ARC has created an impressive record of accomplishments. The number of high poverty counties in Appalachia has been cut by more than two-thirds, from 295 in 1960 to 98 today and the regional poverty rate

has been cut almost in half, from 31 percent to 16.3 percent. A 2015 study commissioned by ARC found that over the period 1970–2012, employment and per capita income growth rates were higher in Appalachian counties that received ARC investments than in similar non-Appalachian counties that did not. Between FY 2015 and FY 2019, ARC program investments totaled \$665.8 million. Taken together these funds—

- leveraged over \$1.0 billion in other public investment
- attracted almost \$3.9 billion in private investment
- resulted in 107,019 jobs being created or retained
- provided training and new skills to 176,122 students and worker/trainees

But despite the accomplishments, major challenges still confront the Region.

- Nearly one-fifth of Appalachia’s counties still suffer from persistent and severe economic distress
- Per capita market income in Appalachia was nearly 27 percent lower than the nation in 2017
- The Region has been disproportionately affected by the nationwide decline in manufacturing. From 2000 to 2017, Appalachia lost 30 percent of its manufacturing jobs (a loss of 586,000 jobs), whereas the country as a whole experienced a decline of 25 percent (a loss of 4.4 million jobs).
- Appalachia is underserved by basic infrastructure, including broadband service, and lags behind the nation in the percentage of adults with a college education
- 78 percent of the 39,413 coal mining jobs lost in the United States from 2011 to 2018 were in the Appalachian Region—a loss to the Region of 30,657 direct mining jobs

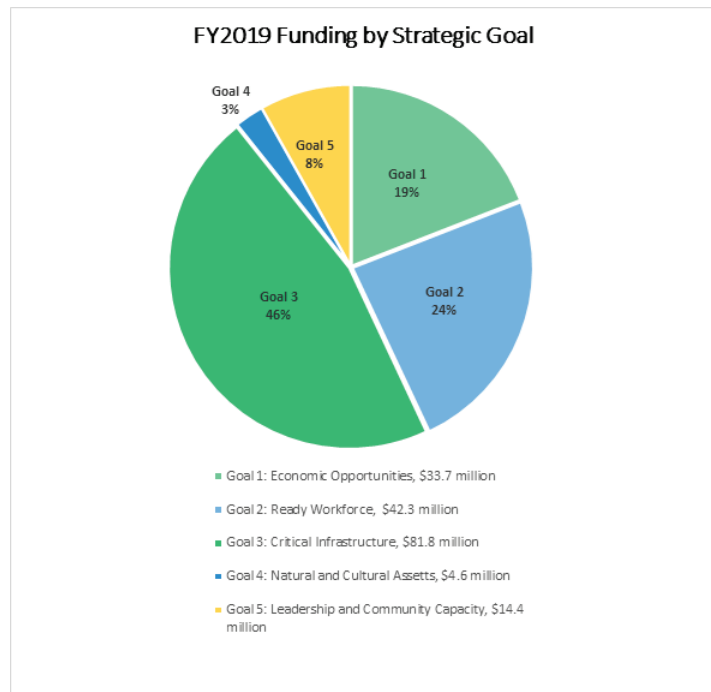


- The nation’s substance abuse crisis continues to disproportionately impact Appalachia. By 2017, the Region had an overdose mortality rate that was 63 percent higher than the nation.

ARC recently released *Strengthening Economic Resilience in Appalachia* in which Downstream Strategies, the Northeast Regional Center for Rural Development, Dialogue + Design Associates and West Virginia University developed best practices for communities to transform and diversify economies and build resilience against future economic shocks.¹ The practices identified match closely with the goals and objectives of ARC’s Strategic Plan.

Area Development Base Program

Through the Area Development Base Program, ARC continues to address widespread generational poverty through a flexible bottom-up approach working with state and local partners with \$73 million dedicated to this activity. ARC will accomplish this mission through implementation of activities within the goals of the agency’s strategic plan which is being updated during FY 2020. ARC will continue to work with state and local partners to address ongoing challenges in the Region in FY 2021.



Coal Impacted Communities Initiative

The economic downturn of the coal industry has had significant impact on Appalachia. Seventy-eight percent of the 39,413 coal mining jobs lost in the United States from 2011 to 2018 were in the Appalachian Region—a loss to the Region of 30,657 direct mining jobs. To address this, Congress appropriated \$50 million to ARC in each FY 2016 – FY 2020 for activities that target federal resources to help communities and regions that have been 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. To date, ARC has invested over \$190 million in 239 projects touching 326 counties across Appalachia through this Initiative. These investments are projected to create or retain more than 23,000 jobs, and leverage more than \$811 million in additional private investment into Appalachia's economy. The FY 2019 round included \$15 million exclusively dedicated to broadband deployment and included a new

¹ https://www.arc.gov/research/researchreportdetails.asp?REPORT_ID=150

investment priority on strengthening substance abuse response. The FY 2020 round built on the findings of an evaluation by an outside contractor and also included special consideration for projects serving Opportunity Zones. The budget requests \$50 million to continue to assist communities adversely impacted by the downturn of the coal industry in FY 2021.

Special Regional Initiative for Distress

ARC by law must direct at least half of its grant funds to projects that benefit economically distressed counties and areas in the Region; however, the agency routinely exceeds that requirement. In FY 2019, 70 percent of ARC's funds were invested in projects for the benefit of distressed communities. 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. In FY 2020, the number of distressed counties in the Region dropped to a level not seen since pre-recession 2008, indicating that this initiative is generating successful results. ARC will continue its effort to reduce distress making targeted investments in emerging opportunities and activities that reduce economic barriers. Continued expansion of the southern automotive and aviation clusters offers great potential for job creation in Appalachia. Other challenges such as inadequate water, sewer and broadband infrastructure and the effects of the drug crisis on the workforce however, continue to require substantial resources to overcome. The budget requests \$32 million in FY 2021 to develop projects focusing on the reduction/elimination of economic distress in the Region.

Special Regional Initiative for Substance Abuse Mitigation

In 2017, the Region had an overdose mortality rate that was 63 percent higher than the nation, and an opioid-related overdose mortality rate that was 79 percent higher than that found in the United States overall. In addition to being considered a health and public safety issue, this problem is now recognized as a barrier to economic prosperity because of the impact of the drug crisis on the Region's workforce. The threat to economic prosperity in the Appalachian Region makes the issue a priority for ARC. In response, ARC convened the Substance Abuse Advisory Council, a 24-member volunteer advisory group of leaders from recovery services, health, economic development, private industry, education, state government, law enforcement and other sectors representing each of the Region's 13 states. The Council's work is guiding ARC's strategy to help address the workforce impacts of the substance abuse epidemic. The budget requests \$10 million in FY 2021 to develop projects focused on workforce reentry strategies that both strengthen local economies and support Appalachians who have achieved long-term recovery from a substance use disorder. This funding reflects the Administration's declaration that the drug crisis is a national emergency and supports the Administration's 2020 National Drug Control Strategy.

Local Development Districts

Grassroots participation in the Area Development program comes from 73 Local Development Districts (LDDs), multi-county agencies and boards composed of local elected officials and businesspeople. The budget requests \$6.20 million to support the work of the LDDs.

Salaries and Expenses

The budget requests funding for salaries and expenses totaling \$9.83 million for the full costs of the Office of the Federal Co-Chair, its immediate staff, and a portion of the cost associated with the Office of the Inspector General, programmatic costs of the Commission and the 50 percent federal share for administrative expenses of the Commission staff.

ARC Proposed Budget for FY 2021

Appalachian Regional Commission Funding

	FY2019 Enacted	FY2020 Enacted	FY2021 President's Budget	Change
Base Program	73,000	73,000	73,000	0
Coal Impacted Communities	50,000	45,000	50,000	5,000
Special Initiatives For Distress	42,000	47,000	32,000	(15,000)
Special Regional Initiative for Substance Abuse Mitigation		10,000	10,000	0
Total	165,000	175,000	165,000	(10,000)
Area Development Program Grants	152,111	159,450	148,966	(10,484)
Local Development Districts	6,200	6,200	6,200	0
Salaries and Expenses				
Commission Administration (50% Federal Contribution)	4,353	3,035	3,272	237
Commission Programmatic		3,832	3,870	38
Office of the Inspector General	551	546	745	199
Office of the Federal Co-Chair	1,785	1,937	1,947	10
Total	6,689	9,350	9,834	484

ARC's appropriation has increased significantly. Five years ago, the Commission received \$80 million; today the amount is more than twice that at \$175 million appropriated in FY 2020. Because appropriation increases were incremental and initially appeared to be temporary, the Commission did not immediately add staff capacity to correspond to the additional grant demand caused by the higher appropriations. At this point, however, ARC's additional program responsibilities appear to be established, if not permanently, at least for the long term. Staffing increases to match up with these new responsibilities can no longer be avoided in order to deploy the full appropriation each year. The request reflects the full costs of the Office of the Federal Co-Chair, its immediate staff, and a portion of the cost associated with the Office of the Inspector General. The request also includes funding for Commission operations through an alternative approach to budgeting that shifts all program costs out of the administrative category where expenses are shared by the states and the federal government. This is consistent with the original organization of ARC in which "administrative" expenses were largely those associated with the planning and research functions of the Commission and grant program costs were in turn borne by the federal government alone through transfers to other agencies who administered ARC Investments. In recent years, ARC has been assigned programmatic responsibilities for appropriations that were previously transferred to other agencies necessitating this change.

The agency is currently engaged in a staff reorganization, of which these increases are a part, designed with the goal of maintaining necessary levels of services to the states while producing long term efficiency savings.



Program Justification: Area Development Base Program

The Federal Co-Chair of the Appalachian Regional Commission requests a total of \$165 million -- \$73 million of which will continue the activities in the Area Development Base Program. This represents level funding with the amount requested in the President's Budget for FY 2020. ARC funding decisions for this program **reflect local priorities** through a flexible "bottom up" approach, enabling communities to tailor the federal assistance to their individual needs. This program **extends the reach of other federal programs** into the most challenged parts of Appalachia by providing the necessary gap funding that enables economically distressed communities to compete successfully in national programs. Finally, this program helps **attract private sector investment** to areas that otherwise would not likely be considered competitive investment opportunities. From FY 2015-FY 2019, on average every \$1 of ARC grant funds leveraged \$5.83 of private investment.

ARC's authorization expires at the end of FY 2020. The Administration supports legislation to reauthorize the program. ARC will update its strategic plan through a comprehensive process that will include stakeholder input as well as socioeconomic and programmatic assessment. The new plan will take effect in FY 2021. While no significant programmatic changes are anticipated, the goals and objectives of the plan will likely shift to reflect the current economic challenges and opportunities. What follows describes the plan enforce at the time of this publication.

Goal 1: Economic Opportunities

Invest in entrepreneurial and business development strategies that strengthen Appalachia's economy.

Appalachia is in the midst of an economic transition that presents significant opportunities for the growth of new and expanding businesses—and the new jobs that would result—especially in promising sectors such as health care, energy, local food systems, advanced manufacturing, and tourism. Fostering entrepreneurship and creating an entrepreneurial ecosystem to capitalize on these opportunities is a key component of ARC's economic development efforts. Skilled employees, a robust support system, the right types of investment, and engaged communities are needed for entrepreneurship to flourish. In FY 2019, ARC initiated a **Summer High School Entrepreneurship Program** and is currently working with its implementation partner to deliver the initial session during FY 2020. The goal of the program is to increase next generation

entrepreneurial activity in the Region. ARC will continue to pursue a wide range of activities, including improving access to capital and credit for small businesses, supporting business incubators and accelerators, providing education and training for entrepreneurs, and helping rural firms expand their international market opportunities with special focus on designated Opportunity Zones.

Economic Opportunities

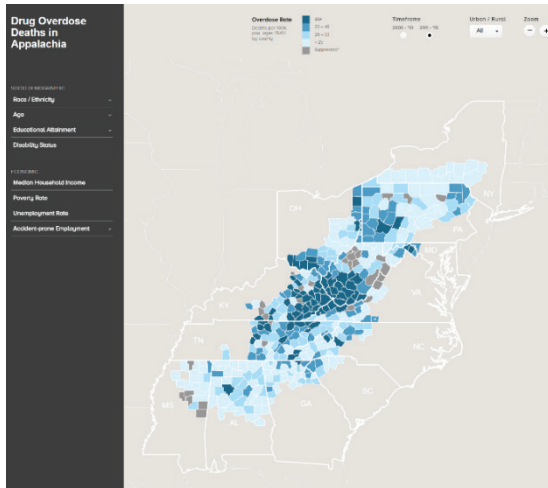
With existing space to launch entrepreneurs and host new businesses almost at capacity in the Starkville, MS area, new space was needed. ARC made an investment of **\$300,000** in FY 2019 in order to rehabilitate a 3-story building to serve as an innovation hub. The building is located near many downtown amenities and to Mississippi State University's Center for Entrepreneurship's Idea Center, making it a desirable location especially for young entrepreneurs. The existing facility provides technical assistance to over 100 people annually who are considering a start-up and logistical resources. The additional 34,000 square foot expansion will enable entrepreneurship to continue growing.

Goal 2: Ready Workforce

Improve the education, knowledge, skills, and health of residents to work and succeed in Appalachia.

Education, particularly postsecondary education, is a key component of the business and entrepreneurial ecosystem and is often an economic driver. However, Appalachia lags behind the nation in the proportion of adults with a college degree (25 percent compared with 32 percent for the nation). Investments by ARC and its partners aim to connect education, workforce, and business interests in a seamless system that prepares the Region's youth to succeed in existing and emerging sectors, and that creates new opportunities for workers transitioning to new employment in high-growth high-demand sectors. This is particularly important for those who have lost jobs in manufacturing and mining or other coal-related industries.

A healthy, skilled, and ready workforce is a building block for a more prosperous Appalachian Region. The nation's substance abuse crisis continues to disproportionately impact Appalachia. By 2017, the Region had an overdose mortality rate that was 63 percent higher than the nation, and an opioid-related overdose mortality rate that was 79 percent higher than that found in the United States overall.



In FY 2018, ARC released the *Appalachian Overdose Mapping Tool*², a data visualization tool illustrating the impact of the opioid epidemic in the Appalachian Region and its relation to socioeconomic factors such as unemployment, poverty, education, and disability. The tool demonstrates the high concentration of opioid overdose cases in Central Appalachia. In FY 2019, ARC convened the **Substance Abuse Advisory Council** a 24-member volunteer advisory group of leaders from recovery services, health, economic

development, private industry, education, state government, law enforcement and other sectors representing each of the Region’s 13 states. The Council’s work is guiding ARC’s strategy to help address the workforce impacts of the substance abuse epidemic as the agency engages with both the Federal Regional Opioid Subcommittee convened by the Administration and the USDA Opioid Misuse Partnership. ARC is well positioned to assist in increasing the treatment and recovery workforce, and expanding employment opportunities for people in recovery as described in the Administration’s 2020 National Drug Control Strategy. ARC will advocate for and address the challenges posed by the drug epidemic and by the generally poor health conditions that present barriers to active employment.

Recovery Workforce

Lack of transportation can be an obstacle preventing people in recovery from getting the care they need to maintain substance abuse disorder recovery and obtain employment. In FY 2019 ARC invested **\$215,000** to assist community leaders in Huntington, WV in developing a pilot project to address this specific challenge. Activities include training treatment and recovery workers to be mobility advisors, enhancing and expanding available transportation options, subsidizing critical treatment and recovery trips, and engaging rideshare and volunteer driving services. Potential partners include national transportation network companies like Lyft, local vehicle donation programs, and faith-based volunteer groups. This pilot will also collect data and monitor the project to measure success in order to offer best practices to other communities facing similar challenges.

Goal 3: Critical Infrastructure

Invest in critical infrastructure—especially broadband; transportation, including the Appalachian Development Highway System; and water/wastewater systems.

² <https://overdosemappingtool.norc.org/>

Equipping Appalachia’s communities with basic infrastructure has been a major focus of ARC since its creation. In order to compete in the global economy, Appalachia must continue to develop and improve the infrastructure necessary for economic development, including broadband and telecommunications; basic infrastructure, such as water and wastewater systems; diversified energy; and transportation, including the Appalachian Development Highway System (ADHS) and local access roads.

Many Appalachian communities lack basic public services and do not have the financial capacity to fund water and wastewater improvements. Roughly 20 percent of the Region's population is not served by a community water system and must rely on private well water for their drinking water needs. Nearly half of all Appalachian households are not served by public sewage systems. ARC's residential infrastructure program targets the Region's most economically distressed communities and utility systems that are struggling to resolve public health and environmental emergencies.

ARC also supports infrastructure investments that promote economic and employment opportunities. The provision of water, sewer, gas, fiber, and access roads are critical to attracting new development and supporting the expansion and economic health of the Region's existing business sector. ARC uses grant funds to leverage other public dollars and private-sector investment to attract commercial and industrial development. These investments are fundamental building blocks for further economic development. Congress has devoted special funding for broadband deployment and basic infrastructure in Central Appalachia. These activities are discussed in more detail in the section titled Special Regional Initiatives for Distress.

Growing Industry Clusters

In FY 2018, ARC invested **\$462,554** along with partner agency EDA in a \$1.5 million project in the city of Chickamauga, Georgia, for critical upgrades to the water system serving a flooring manufacturing factory. The infrastructure improvements will also benefit additional business in the area and will help protect 1,000 manufacturing jobs, including those at the area’s largest employer, and could attract up to \$100 million in private investment. Northwest Georgia is known as “The Carpet Capital of the World,” with 85 percent of all carpet manufactured in the US is produced in Georgia. The region’s industry base is comprised of a diverse set of companies, including multinationals, medium-sized firms, and innovative start-up companies, primarily in textile and textile mill manufacturing. This project supports Floor 360, a voluntary group of industry stakeholders led by the Northwest Georgia Regional Commission and Georgia Tech’s Enterprise Innovation Institute.

Critical Infrastructure for Distressed Counties

The town of Grantsville, in economically distressed Calhoun County, WV received a grant to upgrade its water treatment facility in FY 2019. Project partner USDA Rural Development Service made a grant in the amount of \$1.4 million and a loan in the amount of \$1.76 million, however, an additional **\$1 million** was still needed to move forward. ARC used funds exclusively reserved for work in distressed counties to complete the investment package. A total of 1,336 households and 163 businesses will be served when the project is complete.



Congress authorized construction of the ADHS as part of ARC’s original enabling legislation. This highway system, which supplements the Interstate Highway System, was designed to generate economic development in previously isolated areas by connecting Appalachia to the interstate system and providing access to areas within the Region as well as to markets in the rest of the nation. The ADHS has been a key element of ARC’s economic and community development programs.

Goal 4: Natural and Cultural Assets

Strengthen Appalachia's community and economic development potential by leveraging the Region's natural and cultural heritage assets.

Appalachia’s natural and cultural heritage assets offer great economic potential. They contribute to a sense of regional identity, catalyze entrepreneurship and other economic development activities, and make communities more attractive to visitors and more livable for residents. ARC works with partners to leverage the productive use of the Region’s assets in support of existing and emerging economic opportunities.

ARC has invested in a range of downtown revitalization projects across the Region to help communities strengthen their local economies and improve quality of life. In addition, to capitalize on the expanding recreational tourism industry in the Region, the Commission invested in projects creating and extending hiking, biking, and motorsports trails. In a multi-year partnership with the National Endowment for the Arts (NEA), ARC supports the Appalachian Gateway Communities Initiative to provide technical assistance with natural and cultural heritage tourism development to communities that are geographically positioned as “gateways” to the Region’s public lands and heritage areas.

Natural and Cultural Assets

With outstanding natural assets, world-class recreational opportunities, established regional partnerships in the wood product industry, and improved highway infrastructure connectivity, the Mon Forest region is ripe for recreational tourism industry cluster development. Rural communities like those in West Virginia, lack the capacity and resources needed to successfully support and capitalize on the recreational economy. Creating a complete recreational vacation experience for visitors is key to driving greater visitation and prolonged stays. In FY 2019, ARC invested **\$452,500** matched equally by funds from the U.S. Department of Commerce to Woodland Community Lenders and the Natural Capital Investment Fund to offer loan capital and technical assistance to 85 potential or growing businesses in the area of specialty recreational opportunities in order to generate tourism revenue.

Goal 5: Leadership and Community Capacity

Build the capacity and skills of current and next-generation leaders and organizations to innovate, collaborate, and advance community and economic development.

Cultivating the next generation of Appalachian leaders is key for the Region’s future. ARC’s strategic investments and partnerships achieve the greatest impact by helping build the capacity and skills of current and next-generation leaders and organizations to advance the Region’s community and economic development.

In FY 2018, ARC launched the ***Appalachian Leadership Institute*** with the mission of equipping a diverse network of leaders with the skills, expertise, and vision to address the Region's most pressing issues and increase Appalachia's economic competitiveness. This program includes a year-long leadership module aimed at current or emerging leaders. Ongoing networking and collaborative activities will be encouraged through an active alumni engagement program. The goal of this activity is to provide a toolkit to address challenges and opportunities unique to the Appalachian Region. The first cohort was significantly oversubscribed with ARC receiving over 180 applications for 40 slots. That group began training in FY 2019 and will graduate in FY 2020 and transition to the alumni program.

ARC Area Development Base Program Performance Targets*

Based on annual appropriation of \$73 million
(Subject to final allocation by the Commission)

<u>Priority Goal</u>	<u>Investment Strategy</u>	<u>Annual Performance Target</u>	<u>Five-Year Performance Target</u>
Economic Opportunities	Invest in entrepreneurial and business development strategies that strengthen Appalachia's economy	2,500 Businesses created or strengthened 20,000 Jobs created or retained	112,500 Businesses created or strengthened 100,000 Jobs created or retained
Ready Workforce	Improve the education, knowledge, skills, and health of residents to work and succeed in Appalachia.	22,000 students, workers, and leaders improved	110,000 students, workers, and leaders improved
Critical Infrastructure	Invest in critical infrastructure—especially broadband; transportation, including the Appalachian Development Highway System; and water/wastewater systems	22,000 businesses and households with access to improved infrastructure	110,000 businesses and households with access to improved infrastructure
Natural and Cultural Assets	Strengthen Appalachia's community and economic development potential by leveraging the Region's natural and cultural heritage assets		
Leadership Capacity	Build the capacity and skills of current and next-generation leaders and organizations to innovate, collaborate and advance community and economic development	250 communities with enhanced capacity	1,250 communities with enhanced capacity

6 to 1 Leveraged Private Investment

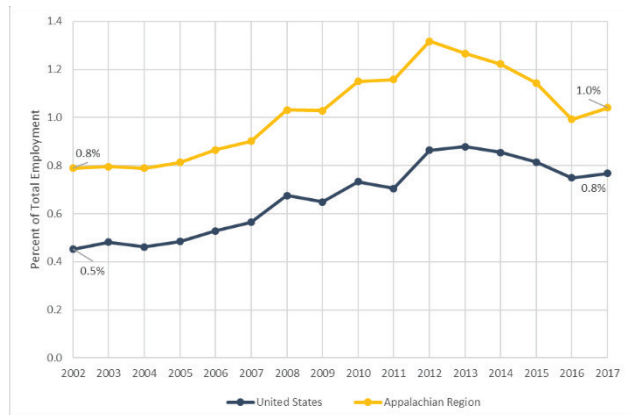
* Subject to change with update of the ARC Strategic Plan for FY 2021



Program Justification: Coal Impacted Communities Initiative

The Federal Co-Chair of the ARC requests \$50 million for its regionally competitive Coal Impacted Communities Initiative. This represents level funding with the amount appropriated by Congress in prior years. Appalachia has been disproportionately affected by the downturn in the coal industry with 78 percent of the 39,413 coal mining jobs lost in the United States from 2011 to 2018 in the Appalachian Region—a loss to the Region of 30,657 direct mining jobs. Figure 3

Figure 3: Industrial Share, Coal, Gas, & Other Mining, 2002-2017



indicates that between 2012 to 2017, both the United States and the Region saw declines -- 2.7 percent for the United States, and 17.3 percent for the Region.

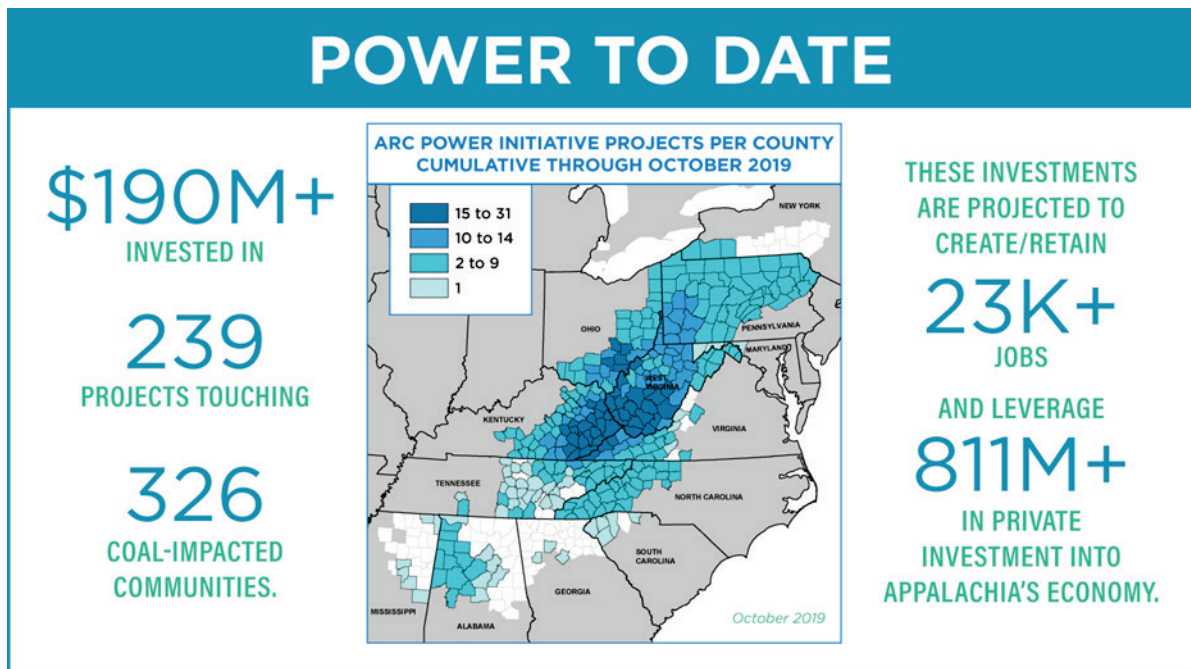
This initiative assists communities and regions adversely affected by job losses in coal mining, coal power plant operations, and coal-related supply-chain industries in diversifying their economies. It is designed to assist Appalachia in better competing in the global economy through transformational activities that cross state borders to connect development efforts. Prior year requests for proposals have been significantly oversubscribed, demonstrating both the significant need and the volume of opportunities. Therefore, the Federal Co-Chair will take measures to expedite deployment of these funds.

The Coal Impacted Communities Initiative will enhance job training and re-employment opportunities, creating jobs in existing or new industries, and attracting new sources of investment. ARC has funded activities in coal-impacted communities through a competitive grant process with a preference for one or more of five priority areas:

Building a Competitive Workforce	Enhancing Access to, and use of, Broadband
Fostering Entrepreneurial Activities	Growing Industry Clusters
Substance Abuse Mitigation	

A request for proposals (RFP) for the FY 2019 built on prior rounds and featured a \$15 million exclusively dedicated to broadband deployment and included a new investment priority on strengthening substance abuse response. That round yielded 54 new investments totaling \$44.4 million bringing the overall total for this initiative to \$190 million. Funded activities include strengthening the response to substance abuse in Central Appalachia, training workers for private-sector technology jobs in eastern Kentucky, boosting entrepreneurship and innovation in southwest Pennsylvania, and expanding support for tourism businesses in Virginia and West Virginia

An RFP for FY 2020 was released in the first quarter of FY 2020 and included modifications based on best practices and lessons learned from the Chamberlin/Dunn program evaluation conducted during FY 2019 and special consideration for applicants proposing to serve Opportunity Zones in conjunction with the Administration’s initiative.



Coal Impacted Communities Initiative Funding Examples

FY 2019

Building a Competitive Workforce

\$1,461,078 In FY 2019, ARC made a grant to Eastern Kentucky Concentrated Employment Program, Inc. (EKCEP) in Hazard, KY, for the Eastern Kentucky Addiction Recovery & Training Program (eKART). EKCEP is partnering with Sullivan University and Addiction Recovery Care to implement the program, which will bridge the gap between addiction recovery and productive participation in the workforce for individuals in recovery. The program will provide career training and supportive services, as well as cultivate second chance job opportunities. Sullivan University, which is successfully training individuals in recovery to become Peer Support Specialists, will enable participants to return to the workforce in jobs where they can help other individuals enter and complete recovery. The project will train 65 new peer support specialists and at least 125 individuals in recovery will re-enter the Eastern Kentucky workforce. Sixty-three businesses will be certified as recovery-friendly workplaces. Additional funding is provided by the Kentucky Department of Behavioral, Developmental, and Intellectual Disabilities and Kentucky Opioid Response Effort.

Growing Industry Clusters

\$1,100,000 In FY 2019, ARC made a grant to Clarion University in Clarion, PA, for the Northwest Pennsylvania Diversifying the Regional Economy project. The project offers training opportunities to reinvigorate the regional economy and prepare for the emerging petrochemical industry by developing highly skilled secondary education pre-apprenticeship programs, offering certification of employer-demanded apprenticeships, creating career-ladder training in targeted industry clusters, identifying customized training needs to upgrade the existing workforce, and implementing entrepreneurial training leading to job growth. By the conclusion of the project, 150 high school students will have obtained employment or enrolled in further education or training, 75 workers/trainees will have enhanced their position or found new employment, and 30 adult participants will have completed entrepreneurship training and started at least four businesses.

Enhance access to Broadband Services

\$2,147,125 In FY 2019, ARC made a grant to Duck River Electric Membership Corporation (DREMC) in Shelbyville, TN, for its East Loop and Smart Grid Fiber Communication project. The project will deploy smart grid improvements that form the backbone of a gigabit-speed fiber retail broadband network. The project will enable DREMC's Internet service provider (ISP) partners to provide affordable broadband access to 1,202 businesses and 2,876 households in Franklin, Coffee, and Marion Counties, resulting in the creation of 103 new jobs.

Fostering Entrepreneurial Activities

\$796,924 In FY 2019, ARC made a grant to Grow Ohio Valley (GOV) in Wheeling, WV, for the Agribusiness Development in the Upper Ohio Valley project. Serving agricultural producers and businesses in a three-state region (West Virginia, Ohio, and Pennsylvania), Grow Ohio Valley will launch a year-round consignment market in an unused downtown space of Wheeling, West Virginia, and develop a branded product line featuring local ingredients to be sold at the market. Additional market opportunities for farmers will be developed through the expansion of GOV's FARMacy initiative, which partners with healthcare providers to offer prescriptions of fresh produce to patients suffering from chronic diseases and substance abuse issues. The project will also roll out a STEM-focused curriculum in Ohio County, West Virginia, schools that equips high school students to pursue indoor agricultural careers. The project will improve 100 businesses, create 66 jobs, launch three businesses, and leverage more than \$460,000 in private investment.

ARC Area Development Program – Coal Impacted Community Initiative

Performance Targets

Based on \$50 Million
Includes funds for Administration

Investment Strategy	Annual Performance Target
Invest in entrepreneurial and business development strategies that strengthen the Appalachian Economy	5,000 Students/Workers Improved
Improve the education, knowledge, skills, and health of residents to work and succeed in Appalachia	5,000 Jobs Created/Retained
Invest in critical infrastructure- especially broadband; transportation; including the Appalachian Development Highway System and water/wastewater systems	2,000 Businesses Improved
Strengthen Appalachia’s community and economic development potential by leveraging the Region’s natural and cultural heritage assets	400 Businesses Created
Build the Capacity and skills of current and next generation leaders and organizations to innovate, collaborate and advance community and economic development	100 Communities Improved
	1:1 Match to ARC Ratio
	2:1 LPI to ARC Ratio

This Initiative targets communities that face extreme economic challenges due to the downturn in the coal economy and will require significant upfront investment to achieve long term goals.



Program Justification: Special Regional Initiative for Distress

The Federal Co-Chair of the Appalachian Regional Commission requests \$32 million for Special Regional initiatives for Distress in Appalachia. ARC will use this funding to augment the existing work being done in distressed areas through the Area Development Base Program and the Coal Impacted Communities Initiative and reduce the disproportionately high rate of distress in the Appalachian Region. In FY 2020, the number of distressed counties dropped to 80, a low not seen since pre-recession 2008, suggesting successful impact from this initiative. Expansion of the southern automotive and aviation clusters continues to offer great potential for job creation. However, other challenges such as inadequate water, sewer, and broadband infrastructure coupled with the effects of the drug crisis on the workforce continue to present significant barriers and require substantial resources to overcome.

ARC was an early investor in the automotive manufacturing industry, with the Appalachian governors voting to allocate funding across multiple states to assist South Carolina in providing the necessary infrastructure for BMW to expand in the Region. Twenty years later, in 2012, automotive cluster analysis found that BMW alone was responsible for creating 7,000 jobs. With the company's growth, an extensive supplier network has developed in the state, creating additional jobs.

ARC has continued to seed development of this sector as a cluster of automotive manufacturers including Mercedes, Toyota, and Honda and their supply chain partners add plants throughout the southern Appalachian states. All of those manufacturers have benefitted from ARC investments, primarily for the basic infrastructure necessary to help transition these communities out of economic distress. ARC is leveraging this opportunity by providing funds to expand workforce opportunities and develop necessary infrastructure most recently for the states of Alabama and Mississippi as Mazda-Toyota opens a new manufacturing facility anticipating jobs for 4,000 employees who will need enhanced training.

Southern Automotive Cluster Development

In FY 2019, ARC made two investments to support buildout of southern automotive employment opportunities at the Scott G. Davis Industrial Park in economically at-risk Bibb County, AL. A total of **\$630,840** was provided to build a 300,000-gallon water tank. Later, an investment of **\$1,200,745** was made for sewer system improvements and an interconnection to provide redundancy. Park tenants currently include Mercedes-Benz U.S. International and two supply chain distributors with future expansions under development. Together these investments will result in \$300 million leveraged private investment and will result in creation of 265 jobs when complete.

Despite the success in the southern automotive sector, nearly one-fifth of Appalachia’s counties still suffer from persistent and severe economic distress due primarily to the Region’s historic reliance on single sector economic drivers like coal extraction and traditional manufacturing. Central Appalachia lags behind the nation in basic infrastructure availability. Roughly 20 percent of Appalachian households are not served by a public water system (compared with 10 percent of the rest of the nation’s households), and 47 percent of Appalachian households are not served by a public sewage system (compared with a national average of 24 percent). Appalachia, like most of rural America, continues to lag behind the nation in access to advanced telecommunications infrastructure in addition to the basic infrastructure mentioned earlier. Many areas still do not have cell coverage and broadband service; if broadband is available, it is usually only in the downtown and the immediate surrounding area. Even when available, rural access tends to be slower and less reliable.

This initiative will continue to address these deficits by providing funds to expedite build-out of water, sewer, and broadband infrastructure, particularly in Central Appalachia. As part of the agency’s reauthorization in 2015, Congress recognized the importance of this by creating a new authority for ARC to work in broadband deployment. This strategy aligns with the FY 2017 recommendations of the Department of Agriculture’s Interagency Task Force on Agriculture and Rural Prosperity, which acknowledges that reliable and affordable high-speed internet e-connectivity will transform rural America as a key catalyst for prosperity.

Central Appalachia Distressed County Infrastructure

In FY 2019, ARC invested \$1,000,000 to rehabilitate a wastewater treatment plant in Middlesboro in economically distressed Bell County, KY in order to resolve violations with the Kentucky Division of Water. When complete, this project will serve 4,345 households and 609 businesses, of which 569 are commercial, 7 are industrial, and 33 are community amenities. The project used special statutorily discretionary authority provided to ARC enabling funding up to 100% in certain emergency cases on a limited basis. New city management committed to restoring the plant to operating compliance and to proper maintenance of the rehabilitated equipment going forward and is in the process of making phased rate increases to fund ongoing maintenance.

ARC is a key partner in the effort to develop broadband access throughout eastern Kentucky through the creation of a large middle-mile network known as KentuckyWired. This network will bring enhanced broadband access to 119 community anchor institutions in eastern Kentucky and provide the platform necessary for providers to branch out and provide last-mile facilities in selected areas. ARC has already invested over \$52 million in this initiative, which has received special congressional funding for improving broadband service to distressed counties in Central Appalachia. Despite these challenges, opportunities exist in the Region.

Substance abuse poses a major threat to the economic prosperity of Appalachia. In October 2017, the Administration declared a national public health emergency, underscoring the challenge this crisis poses nationally. This issue is particularly striking for Central Appalachia. In 2018, West Virginia has an overdose mortality rate more than twice the national average. The pervasiveness of drug abuse has a negative impact on the Region’s workforce, diminishing

regional economic opportunity. Taken together, these conditions create major barriers to development of a strong regional economy and require a special targeted approach.

Throughout FY 2021, ARC will continue to work with public and private sector partners to leverage opportunities such as the growth of the southern automotive sector and to eliminate economic barriers such as the lack of critical water, sewer, and broadband infrastructure and to combat the effects of substance abuse and other diseases of despair on the Appalachian workforce in order to reduce economic distress in the Region. Outcome measures will be developed in conjunction with state and local partners as this initiative is developed.

Potential Outcomes for Project Development	
<i>(Includes funds for Administration)</i>	
Businesses Improved	
Communities Improved	
Households Improved	
Participants Improved	
Students Improved	
Workers and Trainees Improved	



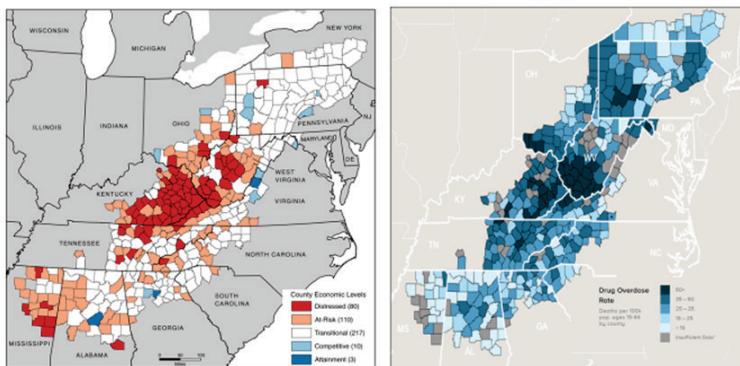
Program Justification: Special Regional Initiative for Substance Abuse Mitigation

The Federal Co-Chair of the ARC requests \$10 million to implement a regionally competitive initiative to address the substance abuse crisis that disproportionately affects Appalachia. In addition to being considered a health or public safety issue, substance abuse presents a barrier to economic prosperity because of its impact on the workforce, making this issue a priority for ARC. In FY 2021, ARC will continue its initiative piloted in FY 2020 and launch a regionally competitive request for proposals to fund activities that focus on the build-out of the recovery ecosystem necessary to support workforce reentry. This funding reflects the Administration's declaration that the drug crisis is a national emergency and supports the Administration's 2020 National Drug Control Strategy.

While the Region has made progress in achieving its mission of reaching socioeconomic parity with the nation, it continues to be buffeted by a series of economic challenges including the substance abuse epidemic. ARC will continue to focus efforts on the existing economic challenges such as the Region's lack of adequate water and sewer infrastructure and the significant downturn of the coal economy, but the negative impact of the substance abuse epidemic on the Region's workforce and subsequent economic prosperity require a special tailored focus. Substance abuse has been cited as a significant factor, although not the only factor, impacting the availability of workers in Appalachia. The socioeconomic conditions

within this issue are not surprising: unemployment is high, educational attainment is low and life expectancy is poor -- all challenges that have plagued Appalachia for decades. The burden placed on communities attempting to compete

Substance use disorder in Appalachia



in the global economy while facing these barriers is almost insurmountable. By 2017, the Region had an overdose mortality rate that was 63 percent higher than the nation, and an opioid-related overdose mortality rate that was 79 percent higher than that found in the United States overall. This suggests a cyclical relationship between poverty and substance abuse that presents a special challenge for Appalachia requiring a specialized targeted funding approach.

Through the SUPPORT for Patients and Communities Act, Congress and the Administration recognized the severity of the substance abuse issue in Appalachia and provided special guidance for ARC to address this issue. Building on this Congressional guidance, ARC convened the Substance Abuse Advisory Council, a 24-member volunteer advisory group of leaders from recovery services, health, economic development, private industry, education, state government, law enforcement and other sectors representing each of the Region's 13 states. Through a series of listening sessions held in 2018 and 2019, ARC discovered significant barriers to addressing substance abuse. Many rural communities throughout Appalachia lack the infrastructure needed to support individuals in recovery and help them successfully obtain sustainable employment. Even in communities with adequate infrastructure, services and systems are often siloed, making it difficult for individuals in recovery to navigate the various needed services to successfully reenter the workforce.

The advisory council produced a report of recommendations which was formally accepted by ARC late in FY 2019. The report outlined proposed steps that ARC could take to support community efforts to address this crisis. These recommendations target the ARC recovery-to-work ecosystem model, and include:

- Developing a recovery ecosystem model that addresses stakeholder roles and responsibilities as part of a collaborative process that develops infrastructure and operations, and fund deployment of local planning and implementation of the model, and examine funding models to sustain the recovery ecosystem.
- Developing and disseminating a playbook of solutions for communities addressing common ecosystems gaps and services barriers.
- Developing model workforce training programs that incorporate recovery services with appropriate evaluation measures.
- Convening experts to develop and disseminate an employer best practices toolkit to educate employers and human resource experts in recruiting, selecting, managing, and retaining employees who are in recovery.
- Funding local liaison positions across Appalachia responsible for promoting a recovery ecosystem by building bridges between employers, workforce development agencies, and recovery organizations, and disseminating an employer best practices toolkit.

The substance abuse recovery ecosystem, within the context of building and strengthening economically resilient communities in Appalachia, is a complex linkage of multiple sectors, including, but not limited to: recovery communities, peer support, health, human services, faith communities, criminal justice, public safety, housing, transportation, education, and employers, designed to help individuals in recovery access the support services and training they need to maintain recovery and successfully obtain sustainable employment. In FY 2020, ARC will use its grassroots delivery system by collaborating with state, local, other federal, and private sector partners to address this epidemic through regionally competitive activities designed in accordance with this ecosystem architecture plan. ARC will continue to work with the Substance Abuse Advisory Council in FY 2021 to incorporate best practices and lessons learned from the FY 2020 initiative in Appalachia

ARC's work will not duplicate that of other federal programs; instead, it will focus on a specific element of recovery by facilitating successful workforce reentry. It will also extend the reach of national programs into the most challenged parts of Appalachia by providing necessary gap funding and technical assistance. ARC will continue to participate in both the Federal Regional Opioid Subcommittee convened by the Administration and the USDA Opioid Misuse Partnership consisting of federal and non-profit partners collaborating to address substance abuse.

Recovery to Work Pilot

In FY 2020, ARC made a grant in the amount of \$133,681 to the Graham County Governments to promote a pilot program supplying recovery ecosystem activities in economically distressed Graham County, North Carolina. The county will partner with NCWorks, Industrial Opportunities Inc, Tri-County Community College, GC Department of Health, GC Department of Social Services, GC Transit, NC Vocational Rehab, NC DHHS, & Celebrate Recovery (Grace Extended Ministries). Recovery to Work will identify clients coming out of rehabilitation, as well as unemployed citizens who are actively in recovery, to re-enter into the workforce by working in concert with these partners to connect clients directly to employment through a certified Peer Support Specialist (PSS). The PSS will connect clients with meaningful, competitive employment, workforce training, recovery support programs, and transportation while working in conjunction with project partners to ensure each client has the strongest possible opportunity for a sustained recovery and employability. Ninety workers and 163 businesses will be served across 6 communities. If this pilot is successful, it will be replicated throughout other counties in the state.



Performance and Evaluation

ARC is a performance-driven organization with a systematic program for performance measurement in place, in accordance with its 2016–2021 strategic plan. The strategic plan establishes both long- and short-term goals and performance measures to track progress in meeting the agency’s mission. A multi-level evaluation system was designed in accordance with the Government Performance and Results Act.

Grant information and performance is tracked by ARC’s intranet management system, ARC.net. Data elements are geared to performance measures and strategic objectives from the strategic plan. As each grant is closed, ARC staff collects output and outcome information and tracks data against anticipated performance. The performance data is validated through a process that confirms project outcomes three years after the projects have been completed. The three-year period allows ARC to accurately capture data on performance measures, which can continue to accrue after a project has been completed.

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

ARC will update its strategic plan through a combination of stakeholder input as well as programmatic and socioeconomic assessment in FY 2021.

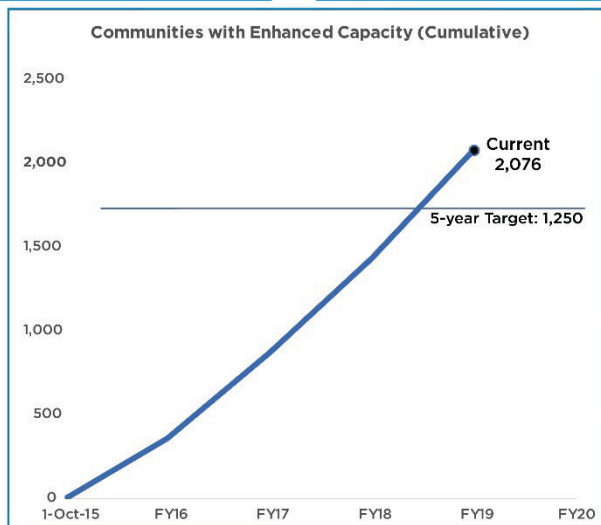
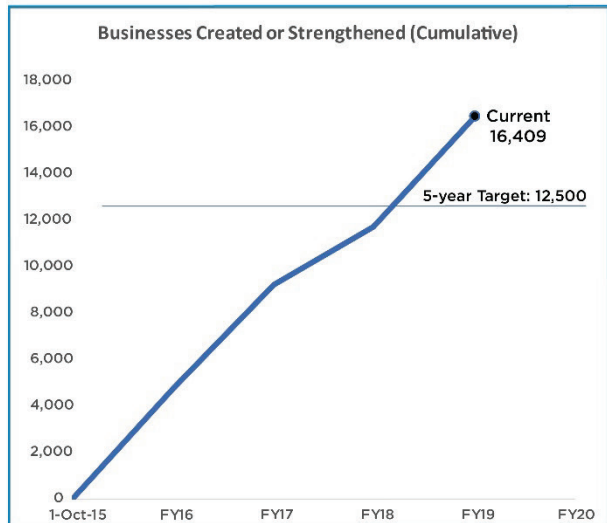
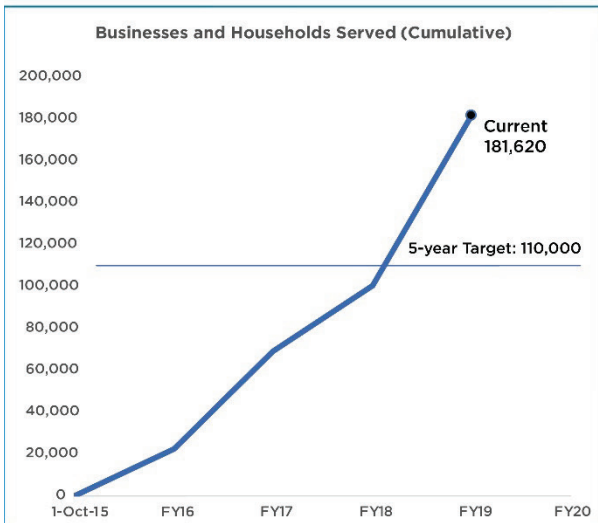
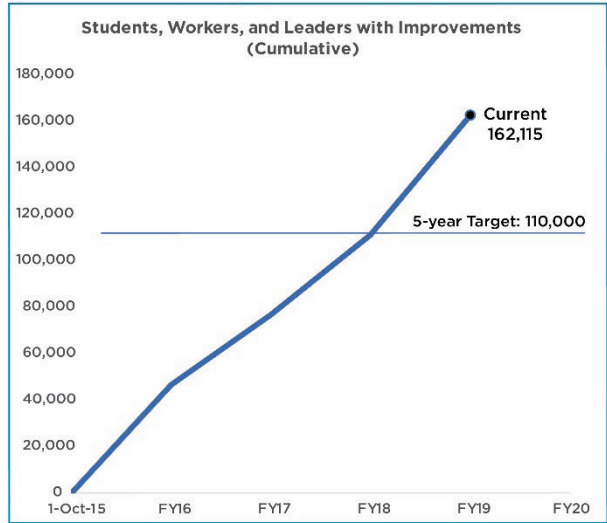
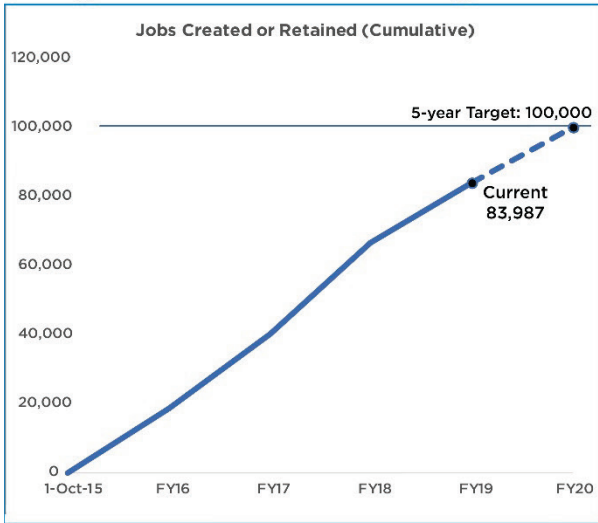
SUMMARY OF ACHIEVEMENTS

PERFORMANCE TARGETS AND RESULTS FOR FISCAL YEAR 2019 PROJECTS

ANNUAL PERFORMANCE TARGETS	RESULTS: INITIAL ESTIMATES	RESULTS ACHIEVED
Outcome Targets		
20,000 jobs created or retained	17,282 jobs created or retained	Met 86% of Target
22,000 students, workers, and leaders with improvements	51,204 students, workers, and leaders with improvements	Exceeded Target by 133%
22,000 businesses and households with access to improved infrastructure	81,484 businesses and households with access to improved infrastructure	Exceeded Target by 270%
2,500 businesses created or strengthened	4,678 businesses created or strengthened	Exceeded Target by 87%
250 communities with enhanced capacity	647 communities with enhanced capacity	Exceeded Target by 159%
Leverage Target		
Achieve a 6:1 ratio of leveraged private investment to ARC funds	Achieved a 3:1 ratio	Met 51% of Target
Matching Target		
Achieve a 2:1 ratio of matching funds to ARC funds	Achieved a 1:1 ratio*	Met 70% of Target
Distressed Counties/Areas Target		
Direct 50% of ARC funds to benefit distressed counties or areas	Directed 70% of funds**	Exceeded Target by 20 percentage points
<i>*Ratios are rounded to the nearest whole number. **Project funds are included if the project primarily or substantially benefits distressed counties or areas.</i>		

ARC's annual performance targets are established in the agency's 2016 – 2021 strategic plan. These targets are based on an annual appropriation of \$70 million as was the trend at the time the plan was developed. Congress provided additional funding for regional initiatives that have resulted in significantly higher results estimates for FY 2019.

Progress Toward ARC Strategic Plan Performance Goals, Fiscal Years 2016–2020





Salaries and Expenses

The Federal Co-Chair requests \$9.834 million for Salaries and Expenses to implement the Area Development program and its associated costs. The chart below summarizes ARC’s total request for salaries and expenses for the base program for FY 2021 compared with prior year appropriations. ARC’s appropriation has increased significantly. Five years ago, the Commission received \$80 million; today the amount is more than twice that at \$175 million. ARC did not immediately increase staff as the appropriation increases were incremental and initially appeared to be temporary. At this point, however, ARC’s additional program responsibilities appear to be established, if not permanently, at least for the long term and requested staffing increases are necessary to match up with these new responsibilities and can no longer be avoided in order to fully deploy the annual appropriation. In FY 2021, ARC will conduct a study of relevant costs and efficiencies and begin the process of decentralizing operations from the current Washington DC offices into the region, considering economic distress in the area of any new location.

ARC Salaries and Expenses Appropriation History

	2019 Enacted	2020 Enacted	2021 President's Budget	Change in Federal Request
Commission Administration Federal Contribution	4,354	3,035	3,272	237
State Contribution	4,354	3,035	3,272	237
Inherently Federal Base Program Costs	--	3,832	3,870	38
Commission Operations Total	8,707	9,902	10,414	275
Office of the Federal Co-Chair	1,785	1,937	1,947	10
Inspector General	551	546	745	199
TOTAL FEDERAL REQUEST	6,690	9,350	9,834	484

ARC continues the alternative approach to budgeting adopted in FY 2020 that shifts all program costs out of the administrative category where expenses are shared by the states and the federal government. Additionally, ARC anticipates an additional change in accounting by

allocating a percentage of administrative expenses across each of its programmatic initiatives. This request reflects the federal share of Commission administrative expenses, the full costs of the Office of the Federal Co-Chair, its immediate staff, and the Office of the Inspector General. The Commission is currently engaged in a staff reorganization, of which these increases are a part, designed with the goal of maintaining necessary levels of services to the states while producing long term efficiency savings

The request for the Office of the Federal Co-Chair provides for an immediate staff of eight positions, with related benefits, rent, travel, services, and other expenses. The Federal Co-Chair’s staff is paid entirely by the federal government and assists in carrying out the Federal Co-Chair’s responsibilities. These include working with federal agencies; serving as the Commission’s liaison to the Congress and the Administration; representing the Administration in working with the Member states to formulate regional strategies and other policy; and reviewing projects for final approval by the Federal Co-Chair.

Office of the Federal Co-Chair

	2019	2020	2021	Change
	Actual	Enacted	President's Budget	
Personnel Compensation	708	1,121	1,113	(8)
Personnel Benefits	218	313	307	(6)
Travel & Transportation	133	100	115	15
Rent, Communications	161	175	180	5
Printing	1	1	1	
Services	465	206	210	4
Supplies	12	11	11	
Equipment	10	10	10	
<i>Total:</i>	1,708	1,937	1,947	10

The Office of the Inspector General’s request funds a three-person staff, related expenses, and required contract audit, investigative, training, legal support and support for the Council of the Inspectors General on Integrity and Efficiency as required by the Inspector General Reform Act (PL 110-409) passed by Congress in 2008. This legislation placed increased requirements on the office of each Inspector General. Inspector General activities will continue to emphasize the effectiveness and efficiency of program operations and compliance with laws and regulations affecting grant programs. This includes review and evaluation activities in connection with the *GPR Modernization Act of 2010*, the Single Audit Act, and GISRA, as well as coordination and cooperation with other oversight offices on crosscutting issues and legislated reviews. Audit activities enable the Commission to produce audited financial statements, as other agencies are required to do under the Accountability of Tax Dollars Act. The request will cover expenses for necessary investigative and legal support, which will be obtained through reimbursable

agreements and Memoranda of Understanding with other Federal Offices of Inspector General. This budget has been certified by the Inspector General.

Office of the Inspector General

	2019	2020	2021	Change
	Actual	Enacted	President's Budget	
Personnel Compensation	177 ¹	213	360	147
Personnel Benefits	30	65	90	25
Travel & Transportation		25	25	
Rent, Communications	36	39	40	1
Printing		1	1	
Services	293	195	225 ²	30
Supplies	1	2	2	
Equipment	1	2	2	
Training		4		(4)
Total:	538	546	745	199

¹ Includes the full compensation of the Inspector General transitioned from the Commission operating budget.

² An additional \$300,000 in Coal Impacted Communities funding will be provided to the IG for work on that Initiative.

Each year, the states and the Federal Co-Chair must approve the Commission's operating budget. Following completion of appropriations action, final non-federal staffing decisions are made and must be approved at a Commission meeting of the member states with the Federal Co-Chair. As a result of this consultative process, final allocations may differ from the estimates of operating expense amounts by object class for 2021. The following table shows ARC Commission operating expenses.

Commission Operations

	2019 Actual	2020 Enacted	2021 President's Budget	Division of 2021 Operating Expenses Areas		Change
				Administrative		
				Split State/Fed	Programatic	
Personnel Compensation	4,317	6,059	6,178	3,589	2,589	119
Personnel Benefits	1,831	2,127	2,328	1,364	964	201
Travel & Transportation	254	146	206	54	152	60
Rent, Communications	951	938	978	964	14	40
Printing		17	8	8	0	(9)
Services	1,760	537	638	487	151	101
Supplies	36	34	34	34	0	0
Equipment	60	44	44	44	0	0
Total:	9,209	9,902	10,414	6,544	3,870	512
Federal Contribution	4,605	3,035	3,272			237
State Contribution	4,354	3,035	3,272			237
Inherently Federal Program Costs	--	3,832	3,870			38
	8,958	9,902	10,414			512

ARC's authorizing legislation specifies that Commission staff shall not be considered federal employees for any purpose. Accordingly, these professionals are neither state nor federal employees, even though they work directly for the joint federal-state partnership agency. An Executive Director, who is appointed by the states and the Federal Co-Chair, manages this staff and is the Chief Executive Officer of the Commission.

In FY 2019, ARC's obligations included a substantial investment in contractor services to assist with upgrade and buildout of the agency's web-based grants management tool, ARC.net. Personnel compensation for Commission staff generally follows that of federal employees in the metropolitan area and benefits are budgeted accordingly. The FY 2021 request reflects costs associated with the Commission's responsibility for funding its own private pension plan for Commission staff. Periodically, prior year balances are invested to meet the fiduciary requirements of the plan. Accounts payable and related activities have been transitioned to the US Department of Agriculture and several federally required system administration responsibilities have been outsourced.



Comprehensive Reform Initiative



ARC Dashboard Organizational Effectiveness Initiatives

Status as of January 2020

The Appalachian Regional Commission (ARC) continues to identify, analyze, and implement workplace efficiencies to ensure the highest possible output using cost- and time-effective resources. ARC proactively makes these decisions during its normal course of business while adjusting to internal and external forces which demand innovation and evolution. On April 12, 2017, Office of Management & Budget (OMB) released Memo M-17-22 “Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce”. Below, ARC has documented key actions that align with this directive, highlighting accomplishments already completed and those in progress, towards maximizing employee performance, organizational restructuring, improving efficiency and effectiveness, and workforce management. These changes will enhance ARC’s mission and effectiveness in carrying out the critical work of economic development in the Appalachian Region.

The OMB memo directs agencies to act on:








- Short-term workforce reductions
- Short-term cost savings
- Maximizing employee performance
- Long-term workforce reductions




When implemented, the efforts are expected to result in the following objectives:






1. Lean, more accountable, more efficient government
2. Effectively and efficiently deliver programs that are highest need to citizens
3. Align workforce to meet needs of today and future
4. Remove barriers that hinder employees from delivering results

Date <i>completion or estimated completion</i>	Strategy or Action	Description	Status Complete In-progress 	Analysis Impact 1. Eliminate activities 2. Restructure/merge 3. Improve org efficiency & effectiveness 4. Workforce management
September 2015	Internal Communications Strategy	With leadership guidance from the executive director, increased frequency and transparency of all-staff communications related to ARC mission, operations, and processes. Through quarterly all staff meetings, monthly lunchtime presentations, and collaborative working groups, relevant information is shared and discussed to ensure strong decisions are made in the best interest of ARC’s investments. With this level of communication, employees are provided necessary resources to maximize their performance.		Efficiency & Effectiveness; Workforce management

August 2015	External Communications Strategy	Consolidated Public Relations Information Officer position within the Communications team. Hired Communications Director and implemented communications strategy including e-newsletter, updated web pages, and social media outreach. Streamlined and strengthened communications with partners, states and others to coordinate information sharing related to investments and successes in the region.		Efficiency & Effectiveness; Workforce management
September 2016	Document Position Descriptions	In coordination with a subject matter expert (SME) consultant, conducted a compensation and classification analysis. Interviewed all employees and directors to obtain accurate and current data on job tasks and responsibilities. Utilizing external resources, knowledge and experience, drafted, discussed, and finalized position descriptions and pay grades for every ARC position.		Workforce management; Restructure
October 2016 January 2018	Performance Management	Enhanced performance management and reward/pay process to objectively align outcomes with employee goals, impact of job functions and relevant competencies. Implemented new appraisal form which better emphasizes job responsibilities, goal achievement, and competencies along with integrated professional development. Conducted all staff training on the new system, its purpose, outcomes and action items. Provided additional staff resources and support through goal setting workshops, coaching and employee performance criteria development. Provided all staff training on SMART-ER Goal development and provided in-house consultation on goal setting to ensure alignment with ARC strategy and priorities.		Workforce management
December 2016	Organizational Effectiveness	Working with a consultant, identified organizational effectiveness opportunities to leverage knowledge management, developed a more efficient team structure, and implemented an action plan for mission priorities and strategies. Reduced administrative burden for project coordinators by re-allocating administrative functions to a centralized role. Implemented new team structure to balance changing workloads.		Restructure; Efficiency & Effectiveness
December 2016	Cross-training	Conducted cross training and SOP documentation in all critical roles and functions. This proactively provides critical function coverage for staff departures and identifies any areas for improved efficiency in work process.		Efficiency & Effectiveness; Workforce management

January 2017 May 2018	Consolidate Positions	Using job analysis to ensure agency needs are met sufficiently, combined Administrative Assistant and Executive Assistant roles into one and leveraged use of technology to reduce time spent on administrative requirements. Anticipate further position consolidation and workforce re-structuring in Communications, Local Development District, and Finance teams following RIO.		Workforce Management; Restructure
February 2017	Enterprise Technology	Through an RFP process, selected and worked with a consultant team to facilitate an analysis of the current grant management work processes. From that, the team identified efficiencies and enhanced workflow. Engaged services of an applications developer to code those identified technical efficiencies and enhance user experience in current system.		Restructure; Efficiency & Effectiveness
May 2017	Retirement Plan, Pension	Analyzed current plan document related to eligible creditable service for early retirement; determined gap for potential early retirement between age 55 and 62; evaluating return on investment of plan amendment allowing relevant non-ARC employment to apply towards creditable service thereby allowing participants to reach early retirement eligibility sooner. (does not impact benefit amount; only years to early retirement)		Workforce management
May 2017	Retirement Incentive Option (RIO)	Offered a Retirement Incentive Option (RIO) to 16 eligible employees. Six (6) employees accepted the offer with retirement effective dates between January and April 2018. Goal met to reduce staff overhead costs and align workforce to meet the needs of today and the future through a voluntary offer. Provided eligible employees with financial planning resources to help with decision-making.		Workforce management
June 2017	Travel System	Implemented web-based travel agency system to leverage technology, streamline of information and 24/7 access bypassing costly services performed by outsourced services. This enhancement will make travel administration and reservations easier, faster, and more accurate, using online profiles, internet-based access to travel arrangements and streamlined internal approvals.		Efficiency & Effectiveness
June 2017	HR Policy Updates	Updated personnel policies which result in more efficient workforce management, increased efficiencies and strengthen accountability through performance management and reward program tied to performance.		Efficiency & Effectiveness; Workforce management
July 2017	Phone System	Implemented technology-based phone system to leverage integration with Microsoft Outlook. This		Efficiency & Effectiveness

		change will remove barriers that hinder ability to do the work by being able to provide more timely responses to telephone communications despite travel, work locations or job function.		
November 2017	Excel Training	Conducted Excel Level 1 and Level 2 training for approximately 25 employees. Developed learning objectives to align with ARC roles and responsibilities. Majority of participants learned new tools that will be useful in their job and enable more efficient work processes.		Efficiency & Effectiveness; Workforce management
December 2017, 2018, 2019	Anti-Harassment and Anti-Discrimination	Conducted training to provide awareness to all employees about activities that are not professionally acceptable in the workplace as well as specific personnel policies and EEO items. This resulted in an organization-wide understanding of ARC's policy along with culture of respect and professionalism.		Efficiency & Effectiveness; Workforce management
August 2018	Re-organization	<p>Implemented a staff re-organization to address increased scope and depth of programs (last five years operating budget increased from \$65M to \$155M) as well as the assumption of additional programmatic responsibilities previously assigned to other Federal agencies. This change will enhance staff capacity. The key elements of the reorganization include:</p> <ol style="list-style-type: none"> 1. Dividing program staff into two separate divisions – each with its own Division Director: <ul style="list-style-type: none"> - Infrastructure & Transportation, including all investments and opportunities pertaining to broadband, transportation and other regional infrastructure needs. This involves moving transportation staff to this division to increase collaboration related to the Region's needs. - Business & Workforce Development, including all investments and opportunities pertaining to workforce development, entrepreneurship, education, health and other issues affecting the Region's workforce. 2. Renaming the Planning & Research Division to the Research & Evaluation Division to better reflect the Division's focus on research, evaluation and analysis. This includes moving transportation staff from this division to the Infrastructure & Transportation Division. 3. Establishing a separate IT Division with a dedicated Division Director to assess, implement and lead technological enhancements which will increase workforce efficiency. 4. Recognizing POWER, the Appalachian Leadership Initiative and LDD support as regional programmatic 		Restructure/merge; Efficiency & effectiveness; Workforce management

		initiatives which will report directly to the Executive Director.		
August 2018	Technical Assistance	ARC States and grantee partners have identified increased needs for technical assistance to support grant funded programs in the Region. Many grantees and partners may not have the resources to fully understand and comply with the evolving requirements and conditions for federally funded programs. This re-designed role (vacated as a result of the Retirement Offer) provides technical assistance by developing, delivering, and assessing strategic and tactical training, support and education to more than 70 Local Development Districts (LDD), 13 State Program Managers, potential and current grantees, and others.		Efficiency & effectiveness; Workforce management
August 2018	Employee On-boarding & Resources	Implemented an on-boarding program to decrease time to assimilation for new hires. Program includes first day agenda covering topics such as benefits, operating procedures, policy review, and performance management training. Developed and implemented an internal Portal utilizing SharePoint technology to provide Benefit/Payroll and ARC Resources/Information to all staff. Access to the Portal is through secure Office 365 site and updates are made weekly to ensure timely and accurate information is made available to all staff. The Portal compiles information that was previously stored in various electronic and hard copy documents in various locations.		Efficiency & Effectiveness; Workforce management
October 2018	Applicant Tracking System	Implemented an applicant tracking system (ATS) to increase efficiency in recruitment efforts. The ATS reduces administrative work and time to fill while increasing the availability of data and metrics to assist with strategic decision-making and strategic workforce planning.		Efficiency & effectiveness
June 2019	ARC.gov web site re-design	Conducted feasibility study of ARC's web site redesign which included divisional input, Federal and States needs assessment. Launched RFP for implementation for new web site.		Efficiency & Effectiveness
October 2019	Proposed Code Changes	Drafted changes to ARC's code in the areas of Personnel, Transportation, and Grants Management. Presented and discussed changes to Federal and State Co-Chairmen and all Alternates. Proposed changes to Personnel provide long-term financial sustainability for Commission costs as well as modernized benefits for current and future workforce management.		Efficiency & Effectiveness; Workforce management

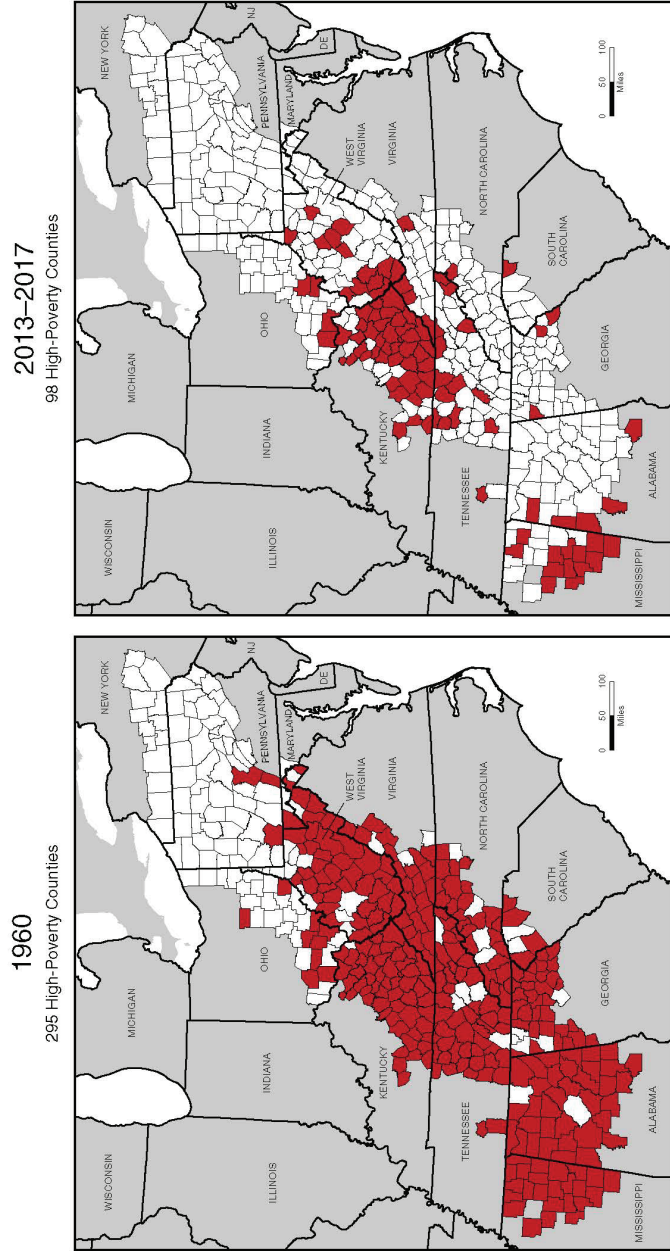
October 2019	HR Policy Updates	Implementing additional Human Resources policy changes and updates to reflect enhancements in staff accountability and efficiency as well as changes to ARC Code. Areas of substantive updates include performance management, professional development, benefits, employee status, leave management.		Efficiency & Effectiveness; Workforce management
December 2019	Retirement Plan, 401(k)	Review options and opportunities to maintain same plan design but change to a newer platform which shifts administrative burden/tasks to the administrator (currently performed by ARC staff). Also review option to provide expanded investment options for participants to maximize retirement earnings.		Efficiency & Effectiveness
January 2020	Video Conference technology + AV equipment	Implemented organization-wide video conferencing technology to allow easy to access and highly effective conference capabilities. Completed AV installation in two conference rooms and Federal Co-Chairman's office. Scheduled AV installation for Large Conference room in late 2019. Improved AV hardware and accessible software provide cost-effective communications tools to ensure effective collaboration, especially when travel is not a viable option.		Efficiency & Effectiveness
January 2020	Payroll Administration	Following a review of service gaps in current payroll and HR administration, ARC undertook a review of private sector payroll vendors. ARC selected a new vendor to administer the payroll and HR data management functions for non-Federal staff with non-Federal benefits. This change is expected to have a cost savings after year one and an increase in data accessibility immediately.		Efficiency & Effectiveness
December 2020	Enterprise System	Build out web-based grants management system to be a fully automated, end-to-end application incorporating best practices and identified work flow efficiencies. The system will be designed to be user friendly and capitalize on technology capabilities to minimize administrative tasks. Developed a Request for Proposals (RFP) then identified a technology consultant to complete the overhaul of the grants management system. Through time-based sprints, the IT team along with the consultant are implementing on-going system improvements, leading to a fully integrated application.		Efficiency & Effectiveness
On-going	Staffing	Hired 13 new staff since May 2018. Review and revise position descriptions for ten other positions and are actively recruiting for new employees. Actively recruitment qualified candidates from a variety of sources, utilizing cost-effective methods.		Efficiency & Effectiveness; Workforce management



Appendices

APPENDIX A

High-Poverty Counties in the Appalachian Region (Counties with Poverty Rates At Least 1.5 Times the U.S. Average)



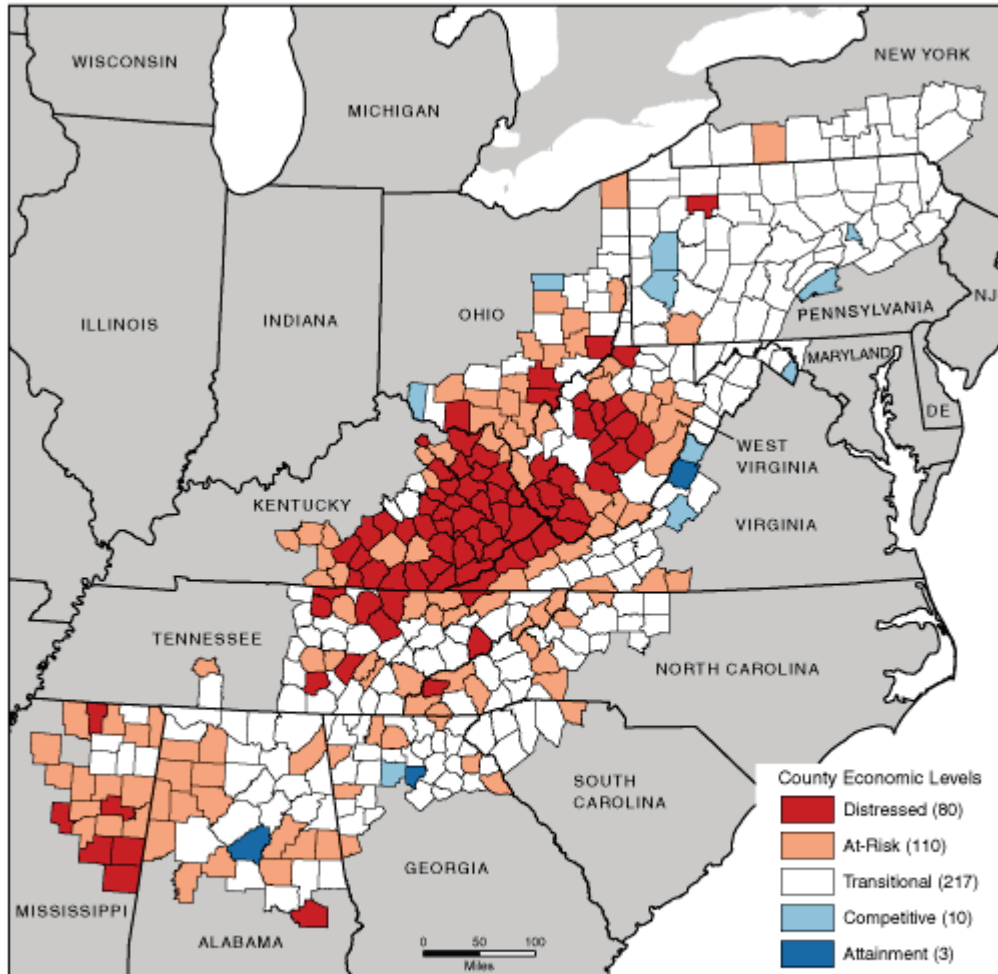
Data Source: U.S. Census Bureau, 1960 Census

Data Source: U.S. Census Bureau, American Community Survey, 5-Year Estimates, 2013-2017



APPENDIX B

County Economic Status in Appalachia, FY 2020



Created by the Appalachian Regional Commission, June 2019
Data Sources:
Unemployment data: U.S. Bureau of Labor Statistics, LAUS, 2015–2017
Income data: U.S. Bureau of Economic Analysis, REIS, 2017
Poverty data: U.S. Census Bureau, American Community Survey, 2013–2017

Effective October 1, 2019
through September 30, 2020

County Economic Status Designations in the Appalachian Region FY 2020

In accordance with the Commission's policy for determining the economic status of the 420 Appalachian counties, the Research staff has analyzed the distribution of distressed, at-risk, transitional, competitive, and attainment counties for FY 2020 using the most current data available. ARC uses an index-based county economic classification system to identify and monitor the economic status of Appalachian counties. The system involves the creation of a national index of county economic status through a comparison of each county's averages for three economic indicators—three-year average unemployment rate, per capita market income, and poverty rate—with national averages. The resulting values are summed and averaged to create a composite index value for each county. Each county in the nation is then ranked, based on its composite index value, with higher values indicating higher levels of distress.

Distressed Counties, FY 2020

- Alabama (1) – Macon
- Kentucky (38) – Adair, Bath, Bell, Breathitt, Carter, Casey, Clay, Clinton, Elliott, Estill, Floyd, Harlan, Jackson, Johnson, Knott, Knox, Lawrence, Lee, Leslie, Letcher, Lewis, Lincoln, Magoffin, Martin, McCreary, Menifee, Morgan, Owsley, Perry, Pike, Powell, Robertson, Rockcastle, Rowan, Russell, Wayne, Whitley, and Wolfe
- Mississippi (6) – Benton, Clay, Kemper, Montgomery, Noxubee, and Winston
- North Carolina (1) – Graham
- Ohio (4) – Adams, Athens, Meigs, and Monroe
- Pennsylvania (1) – Forest
- Tennessee (9) – Bledsoe, Clay, Cocke, Fentress, Grundy, Hancock, Jackson, Morgan, and Scott
- Virginia (4) – Buchanan, Dickenson, Lee, and Wise
- West Virginia (16) – Boone, Braxton, Calhoun, Clay, Fayette, Gilmer, Lincoln, Logan, McDowell, Mingo, Nicholas, Roane, Webster, Wetzel, Wirt, and Wyoming

At-Risk Counties, FY 2020

- Alabama (15) – Bibb, Clay, Coosa, DeKalb, Fayette, Franklin, Hale, Lamar, Lawrence, Marion, Pickens, Randolph, Talladega, Walker, and Winston
- Georgia (8) – Chattooga, Elbert, Franklin, Gilmer, Heard, Murray, Polk, and Towns
- Kentucky (13) – Boyd, Cumberland, Edmonson, Fleming, Green, Greenup, Hart, Laurel, Metcalfe, Monroe, Montgomery, Nicholas, and Pulaski
- Mississippi (13) – Calhoun, Chickasaw, Choctaw, Lowndes, Marshall, Monroe, Oktibbeha, Panola, Prentiss, Tippah, Tishomingo, Webster, and Yalobusha

- New York (1) – Allegany
- North Carolina (9) – Alleghany, Cherokee, Clay, Jackson, McDowell, Rutherford, Swain, Watauga, and Yancey
- Ohio (14) – Ashtabula, Coshocton, Gallia, Guernsey, Highland, Jackson, Jefferson, Lawrence, Morgan, Noble, Perry, Pike, Scioto, and Vinton
- Pennsylvania (1) – Fayette
- South Carolina (1) – Cherokee
- Tennessee (15) – Campbell, Carter, Claiborne, Grainger, Hawkins, Johnson, Lewis, Meigs, Monroe, Overton, Rhea, Unicoi, Union, Van Buren, and Warren
- Virginia (6) – Grayson, Henry, Patrick, Russell, Scott, and Tazewell
- West Virginia (14) – Barbour, Lewis, Mason, Mercer, Monroe, Pleasants, Pocahontas, Raleigh, Randolph, Ritchie, Summers, Tyler, Upshur, and Wayne

Transitional Counties, FY 2020

- Alabama (20) – Blount, Calhoun, Chambers, Cherokee, Chilton, Cleburne, Colbert, Cullman, Etowah, Jackson, Jefferson, Lauderdale, Limestone, Madison, Marshall, Morgan, St. Clair, Tallapoosa, and Tuscaloosa
- Georgia (27) – Banks, Barrow, Bartow, Carroll, Catoosa, Dade, Dawson, Douglas, Fannin, Floyd, Gordon, Gwinnett, Habersham, Hall, Haralson, Hart, Jackson, Lumpkin, Madison, Paulding, Pickens, Rabun, Stephens, Union, Walker, White, and Whitfield
- Kentucky (3) – Clark, Garrard, and Madison
- Maryland (3) – Allegany, Garrett, and Washington
- Mississippi (5) – Alcorn, Itawamba, Lee, Pontotoc, and Union
- New York (13) – Broome, Cattaraugus, Chautauqua, Chemung, Chenango, Cortland, Delaware, Otsego, Schoharie, Schuyler, Steuben, Tioga, and Tompkins
- North Carolina (19) – Alexander, Ashe, Avery, Buncombe, Burke, Caldwell, Davie, Forsyth, Haywood, Henderson, Macon, Madison, Mitchell, Polk, Stokes, Surry, Transylvania, Wilkes, and Yadkin
- Ohio (12) – Belmont, Brown, Carroll, Columbiana, Harrison, Hocking, Mahoning, Muskingum, Ross, Trumbull, Tuscarawas, and Washington
- Pennsylvania (46) – Armstrong, Beaver, Bedford, Blair, Bradford, Cambria, Cameron, Carbon, Centre, Clarion, Clearfield, Clinton, Columbia, Crawford, Elk, Erie, Fulton, Greene, Huntingdon, Indiana, Jefferson, Juniata, Lackawanna, Lawrence, Luzerne, Lycoming, McKean, Mercer, Mifflin, Monroe, Northumberland, Pike, Potter, Schuylkill, Snyder, Somerset, Sullivan, Susquehanna, Tioga, Union, Venango, Warren, Washington, Wayne, Westmoreland, and Wyoming
- South Carolina (5) – Anderson, Greenville, Oconee, Pickens, and Spartanburg
- Tennessee (28) – Anderson, Blount, Bradley, Cannon, Coffee, Cumberland, DeKalb, Franklin, Greene, Hamblen, Hamilton, Jefferson, Knox, Lawrence, Loudon, Macon, Marion, McMinn, Pickett, Polk, Putnam, Roane, Sequatchie, Sevier, Smith, Sullivan, Washington, and White

- Virginia (12) – Alleghany, Bland, Carroll, Craig, Floyd, Giles, Montgomery, Pulaski, Rockbridge, Smyth, Washington, and Wythe
- West Virginia (24) – Berkeley, Brooke, Cabell, Doddridge, Grant, Greenbrier, Hampshire, Hancock, Hardy, Harrison, Jackson, Kanawha, Marion, Marshall, Mineral, Monongalia, Morgan, Ohio, Pendleton, Preston, Putnam, Taylor, Tucker, and Wood

Competitive Counties, FY 2020

- Georgia (1) – Cherokee
- Ohio (2) – Clermont and Holmes
- Pennsylvania (4) – Allegheny, Butler, Montour, and Perry
- Virginia (2) – Botetourt and Highland
- West Virginia (1) – Jefferson

Attainment Counties, FY 2020

- Alabama (1) – Shelby
- Georgia (1) – Forsyth
- Virginia (1) – Bath

APPENDIX C

APPALACHIAN REGIONAL COMMISSION ORGANIZATION

