STATE OF WEST VIRGINIA

FY 2022

STATE APPALACHIAN DEVELOPMENT PLAN AND ANNUAL STRATEGY STATEMENT

for the

APPALACHIAN REGIONAL COMMISSION

Jim Justice, Governor

Prepared by the

West Virginia Department of Economic Development

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Introduction

The State of West Virginia submits this four-year state development plan in compliance with the requirements set forth in Section 5 of the Appalachian Regional Commission Code. West Virginia's state development plan provides an overview of the state's economy, documents needs and opportunities in the state, and outlines the Governor's goals and priorities for the West Virginia ARC program. A focus is provided in the state development plan for addressing the economic development needs and strategies of ARC-designated distressed counties, as required by Section 7.4 of the ARC Code.

The Appalachian Regional Commission (ARC) is a regional economic development agency that represents a unique partnership between 13 states and the federal government. The Commission is composed of the governors of the 13 Appalachian states and a federal co-chair who is appointed by the President. Each year Congress appropriates funds for Commission programs, which ARC allocates among its member states. The Appalachian states include all of West Virginia and parts of 12 other states: Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia.

The West Virginia ARC Program is administered through the Community Advancement and Development Division within the West Virginia Department of Economic Development.

West Virginia's state development plan and annual strategy statement are correlated with ARC's overall strategic plan, Appalachia Envisioned: A New Era of Opportunity 2022-2026. The strategic goals and objectives of ARC's strategic plan are as follows:

- Strategic Goal 1: Building Appalachian Businesses
  - Objective 1.1: Provide financing, technical assistance, and support for entrepreneurship and small business development in the Region.
  - Objective 1.2: Pursue economic and enterprise development strategies that grow existing industries, support economic diversification, and advance economic prosperity at the regional level.
- Strategic Goal 2: Building Appalachia's Workforce Ecosystem
  - Objective 2.1: Develop and support educational programs and institutions from early childhood through post-secondary that provide the building blocks for skills development and long-term employment success.
  - Objective 2.2: Invest in workforce development programs and strategies informed by industry talent needs and designed to allow workers to simultaneously earn, learn, and advance along a career pathway
  - Objective 2.3: Develop a network of employment supports to help Appalachians enter and remain in the workforce.
  - Objective 2.4: Expand access to high quality healthcare as well as programs and services that support overall mental and physical health, for workers and their families.

- Strategic Goal 3: Critical Infrastructure
  - Objective 3.1: Ensure the availability of quality, affordable basic infrastructure to meet the needs of the residents and businesses of Appalachia.
  - Objective 3.2: Ensure that all Appalachians have access to quality and affordable telecommunications and broadband services.
  - Objective 3.3: Support proactive efforts to adopt alternative energy strategies and bolster energy infrastructure.
  - Objective 3.4: Complete the Appalachian Development Highway System and invest in innovative intermodal transportation systems to connect businesses and residents within the Region with global opportunities.
  - Objective 3.5: Support construction of business development sites and public facilities and the adaptive reuse of obsolete and/or unsafe properties to stimulate economic and community development.
- Strategic Goal 4: Natural and Cultural Assets
  - Objective 4.1: Invest in the development of vibrant Appalachian downtowns and provide support for Appalachian placemaking.
  - Objective 4.2: Invest in economic and community development initiatives that preserve and promote Appalachian communities' vibrant arts, cultural, and heritage traditions.
  - Objective 4.3: Preserve and expand Appalachia's natural resources to increase outdoor recreation opportunities for residents and visitors and support sustainable economic growth.
- Strategic Goal 5: Leadership and Community Capacity
  - Objective 5.1: Develop, support, and empower community leaders that are representative of local communities, inclusive in their approach, and focused on long-term, innovative strategies and solutions.
  - Objective 5.2: Build capacity of community organizations and local development districts to effectively access and manage funding, administer programs, and execute projects through implementation.
  - Objective 5.3: Invest in developing the capacity of communities to build ecosystems where government, non-profits, businesses, and philanthropic partners coalesce around a shared vision for economic and community prosperity and collaborate to implement that vision.

West Virginia's state development plan and annual strategy statement contain an overview of the state's economy, challenges and opportunities in West Virginia's ARC distressed counties, the state strategies derived from ARC's overall strategic plan, and the Governor's goals and priorities for the West Virginia ARC program.

Federal-State-Local Partnership

The ARC program is a partnership between the federal government and the 13 states that make up the Appalachian Region. This partnership includes local participation provided through multi-county local development districts (LDDs), which in West Virginia are referred to as Regional Planning and Development Councils.

West Virginia has 11 Regional Planning and Development Councils that cover all 55 counties in the state. The regional councils offer a wide range of services to support community and economic development, including regional planning, project development, intergovernmental cooperation, grant writing, and project administration.

The regional councils are instrumental in developing the Comprehensive Economic Development Strategy (CEDS) for their regions and updating it annually, implementing a regional planning process that includes local citizen input and participation. The regional councils and the CEDS play a key role in the development of the priorities of the West Virginia ARC program and in its implementation.

In addition to partnering with the state's LDDs, the West Virginia ARC program also collaborates regularly with other federal, state, and nonprofit sector partners. These partnerships allow for a greater leverage of limited ARC funds in the state and promote greater cooperation and alignment of agency funding. The West Virginia ARC program partners include:

- United States Department of Agriculture
- Federal Economic Development Administration
- Department of Housing and Urban Development
- West Virginia Department of Transportation
- West Virginia Department of Environmental Protection
- West Virginia Infrastructure and Jobs Development Council
- West Virginia Department of Health and Human Resources
- West Virginia Broadband Enhancement Council
- National Main Street Program
- West Virginia University Land Use Law Clinic

These partnerships affirm that the West Virginia ARC program strives to not only provide funding for community and economic improvement but also to actively foster and facilitate collaboration, coordination, and information-sharing across public, private, and nonprofit agencies.

Overview of West Virginia Economic and Demographic Data

Overview of State Economy:

West Virginia's economy continues to face structural challenges due to the downturn in the coal industry, consequent losses in coal related supply chain businesses, and loss of manufacturing jobs. In addition, like the rest of the nation, the state's economy is steadily climbing back from the effects of the COVID pandemic. Other major obstacles include the lack of flat land that is out of the flood plain, lack of infrastructure such as water and broadband, population loss, substance use disorders (SUDs), and chronic public health issues such as obesity and diabetes that inhibit industry attraction and business growth.

In response, the state has identified promising economic sectors and industry clusters with potential for economic development, sectors such as energy, downstream oil and gas manufacturing, tourism, chemicals, aeronautics, cybersecurity, and agriculture. Governor Justice's Administration has made several major initiatives to expand economic development and growth in the state:

- Elevating the state's tourism division and development office into separate cabinet-level departments, which will capitalize on the potential of outdoor recreation and tourism in the state and ensure economic development is a priority in the state's executive branch
- Enticing remote workers, particularly professionals who are also outdoor recreation enthusiasts, to live and work in the state through an initiative called Ascend WV, a program that includes an innovative partnership with Inuit and West Virginia University
- Creating West Virginia Business Link, a one-stop online platform that provides comprehensive information and resources for entrepreneurs and business owners in one easy to navigate online location

The focus of the West Virginia ARC program will be to strengthen the necessary infrastructure—water, broadband, site development and preparation—needed for the state to move forward and capitalize on the abundant assets and resources it has to accelerate economic development and innovation in the state.

General Economic Characteristics:

The following economic data, unless otherwise noted, comes from the West Virginia Economic Outlook 2021-2025, produced by the West Virginia University Bureau of Business and Economic Research:

- As with the nation, West Virginia continues to rebound from the effects of the COVID pandemic. The state's unemployment rate surged to nearly 16 percent in mid-April (rising from just under 5 percent), but has quickly reversed course in the months since, falling to just below 9 percent in mid-August.

- Per capita personal income in West Virginia increased 3.5 percent in 2019, marking an appreciable slowdown from the 5.9 rate of growth observed in 2018. Per capita personal income in West Virginia stands at 76 percent or so of the national average.

- West Virginia's real GDP rose 1 percent in 2019, a more than one percentage point drop in the rate of real output growth observed in 2018. The state's economic volatility in recent years has been driven largely by natural gas pipeline construction and energy extraction.

- Only 55 percent of West Virginia's adult population is either working or looking for work. Though an improvement from recent years, this remains the lowest rate of labor force participation among all 50 states and represents a major obstacle to future economic prosperity.

- Despite past volatility, the energy sector remains as a vital factor in the state's overall economy: the Economic Outlook notes that "the natural resources and mining sector accounts for just 3 percent of statewide employment, but their impacts are felt more broadly in the economy thanks to the high level of capital these industries deploy, their direct connection to other industries (i.e. transportation, manufacturing, engineering, etc.) and the high wages coal miners and gas industry workers receive. Indeed, these two industries still accounted for more nearly one-third of total gross state product in 2019."

- According to the US Census Bureau, median household income in West Virginia is $46,711 as compared to $62,843 for the country as a whole.

Demographics

- West Virginia's population declined from 1,852,994 in 2010 to 1,793,716 in 2020, a decrease of 59,278. Of the 13 Appalachian states, only Mississippi experienced a decline in population but at a smaller amount of only 6,018 (U.S. Census Bureau).

- According to the US Census Bureau, only 5 of the state's 55 counties are estimated to have gained residents between 2018 and 2019. Those gains are concentrated in the north central and eastern panhandle parts of the state.

- West Virginia is projected to go through a sustained population loss at least through 2030, losing nearly 19,500 residents in that period (West Virginia University, Bureau of Business and Economic Research, Population Trends in West Virginia through 2030).

- West Virginia's overall poverty rate is 17.6%, higher than the national average of 13.4%. West Virginia has a total of 19 counties with poverty rates over 20% (U.S. Census Bureau).

- West Virginia's percentage of population 65 and older is 20.5%, higher than the national average of 16.5%. West Virginia has the third highest percentage of elderly population in the nation, behind only Florida and Maine (US Census Bureau and World Atlas, 2016). This trend is projected to continue, and by 2030 22.9% of the state's population will be 65 or older, as compared to 20.3% nationally (West Virginia University, Bureau of Business and Economic Research, Population Trends in West Virginia through 2030). The aging population of the state will increase demand and need for public services and spending, including health care, in-home and community-based services, and transportation.

Economic and Community Development Challenges in West Virginia

General:

Population per square mile for West Virginia is 77.1, as compared to 87.4 for the United States. The sparse and dispersed population reflects the rural nature of the state, which in turn impacts community and economic development efforts in significant ways:

- Rural economies are often focused around one industry, usually an extractive industry based upon abundant natural resources. Such economies are very vulnerable to sudden or even gradual economic shocks or transitions that adversely impact a specific industry. The lack of economic diversification means a lack of resilience to economic change, which can lead communities on a path of severe and long-term economic collapse.

- In terms of funding, rural communities are frequently overlooked by federal, state, and foundation funders because their sparse populations lack the scale or numbers that funders like to see in projects that they fund. A sort of bias exists among many funders that quantity matters, that larger impact is to be gained only where there are larger populations of people. All too often this leads to rural communities being overlooked or simply outmatched by urban centers.

- Rural communities possess smaller tax bases and fewer local funders that can provide matching funds for projects. This produces a vicious cycle where larger populated areas with larger tax bases—and local funders that can contribute matching funds—continue to receive a larger share of dollars from funders, whether public or private.

- Another common characteristic of rural residents is that many live in unincorporated areas and therefore lack a central local government that can act as a vehicle to manage local public spaces, provide local services, and apply for and manage funds for further development.

Specific needs and challenges in the state:

Infrastructure:

- The 2020 Infrastructure Report Card for West Virginia, produced by the American Society of Civil Engineers, graded both the state's water and wastewater infrastructure as D. The report noted that approximately 30% of homes in West Virginia are not connected to a public water system or utilize wells. Challenges with wastewater systems include aging systems for customers that are served and the widespread reliance upon septic systems that frequently fail, resulting in untreated discharges into nearby streams.

- A review of the project priority lists from the Regional Planning and Development Councils in the state (May 2021) lists over 200 water and wastewater projects with firm cost estimates that have yet to receive full funding, with a combined cost of a little over $1 billion.

- West Virginia's geography and geology result in relatively higher costs for underground infrastructure, such as water and sewer projects. This impact exists not only for new construction, but for replacement and rehabilitation projects as well. Typically, existing systems will expand service to more accessible areas first. As time progresses, the remaining unserved areas will tend to be in more remote, rugged, and less densely populated areas. This tends to result in higher costs, both on a per-customer and per-mile basis (West Virginia Infrastructure and Jobs Development Council, Infrastructure Needs Assessment, 2014).

- The infrastructure bill recently passed and signed into law will provide an excellent opportunity to address the water infrastructure needs in the state. The flexibility of the ARC program will allow the state to work with its other federal and state partners to get much-needed funding to projects that have been waiting for assistance. However, infrastructure projects are developed and implemented at the local level, and capacity at that level needs to be strengthened if the additional grant dollars are to be deployed in a timely and efficient manner.

Geography:

- West Virginia's mountainous terrain hinders the development of large-scale industry, which normally requires large tracts of flat land. Because of the steep and mountainous terrain, building an industrial or commercial facility requires substantial up-front investment in moving earth just to prepare the site for development. This added cost handicaps efforts to attract or develop industry and pushes local communities out of competition for development since firms are much more likely to locate where development costs are lower.

Broadband:

- According to the Federal Communications Commission (FCC), West Virginia ranks 7th lowest in the nation for fixed wireline broadband access. Of the 13 Appalachian states, only Mississippi ranks lower (FCC, 2019 Broadband Progress Report).

- West Virginia ranks fourth lowest in the nation for households with broadband of any type (76% for the state as compared to 83.5% for the nation). Again, only Mississippi ranks lower from the 13 Appalachian states (U.S. Census Bureau, American Community Survey, 2017).

- The West Virginia State Broadband Plan 2020-2025, produced by the state's Broadband Enhancement Council, notes that higher speeds are more readily available in urban areas of the state as compared to rural areas. With the state's overall low rankings in broadband access and adoption, this kind of rural digital divide means that rural localities and communities are even more impacted and isolated by the overall lack of broadband infrastructure in the state.

- Lack of adequate broadband not only hinders economic growth but also hinders residents from receiving critical health care and medical services, affects education because rural schools cannot provide efficient online curricula, research, and testing, and limits access to critical government services such as social security, student loans, and benefits, many of which are now transitioning to online platforms.

Education:

- 20.6% of the state's residents 25 or older possess a bachelor's degree or higher, as compared to 32.1% nationally, one of the lowest rates in the nation (U.S. Census Bureau). Both this statistic and the health data cited below contribute to lower labor force participation rates in the state and inhibit business recruitment and attraction.

Health:

- According to the West Virginia Department of Health and Human Resources, West Virginia ranked first in the nation in terms of the prevalence of obesity, heart attack, and coronary heart disease, and second highest in the nation for prevalence of diabetes. (WVDHHR, West Virginia Behavioral Risk Factor Surveillance System 2018).

- According to the Centers for Disease Control and Prevention, West Virginia has the highest death rate for drug overdose in the nation.

- Poor health is an issue that affects many other issues, including workforce development, quality of life, education, and economic growth. A healthy community, with a physical and social environment that supports healthy and active lifestyles, is also one that tends to attract and support economic growth and social activity, all of which contribute to a better quality of life for residents.

Abandoned and Dilapidated Buildings:

- The vacancy rate for housing units in West Virginia has increased from 16.9% in 2014 to 18.9% in 2019. In comparison, the vacancy rate for the United States over the same period dropped slightly from 12.5% to 12.1% (U.S. Census Bureau).

- The range of abandoned structures includes everything from houses, retail and commercial buildings, and industrial facilities to decommissioned school buildings. The loss of population and decline in traditional economic sectors such as mining are major contributors to the problem, but other factors such as absentee ownership and properties left in limbo due to tax sales are also fueling the problem.

- Abandoned and dilapidated buildings have a negative impact on community attractiveness and image, deplete municipal resources (such as crime and fire prevention), and decrease local property values and the tax base. Particularly for small rural towns, maintaining a vibrant downtown core is vital as an anchor for any revitalization efforts. Such efforts are undermined by the presence and prevalence of vacant and dilapidated properties.

West Virginia ARC County Designations and Distressed Counties

ARC uses an index-based county economic classification system to identify and monitor the economic status of Appalachian counties. The system compares 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. Counties are designated as distressed, at-risk, transitional, competitive, or attainment, based on their ranking in the index. Designations are revised annually using the most current data available.

For FY 2022, West Virginia will have 17 distressed counties (most economically depressed counties); 11 at-risk counties (counties at-risk of becoming economically distressed); 26 transitional counties (those counties transitioning between strong and weak economies); and 1 competitive county (counties that are able to compete in the national economy). West Virginia has no attainment counties (counties that are economically the strongest).

Distressed County Trends/Persistent Distress

Over the past several years, the number of distressed counties in West Virginia has been steadily increasing. In 2010, for example, West Virginia had 11 designated distressed counties. That number dropped to 8 counties and remained at that level from 2012 through 2015. Beginning in 2016 however the number began to increase and has been rising since then: from 9 distressed counties in 2016 to 17 in 2022.

For FY 2022, the ARC-designated distressed counties in West Virginia are: Barbour, Boone, Braxton, Calhoun, Clay, Gilmer, Lincoln, Logan, McDowell, Mingo, Nicholas, Roane, Summers, Webster, Wetzel, Wirt, and Wyoming. With a few exceptions, these counties are concentrated in the southern and central areas of the state. Combined, these 17 counties have an average poverty rate of 22.7%, well above the state average of 17.4% and the national average of 13.4%. Out of these 17 counties, 5 counties—Calhoun, Clay, Lincoln, McDowell, and Webster—have never been designated as non-distressed since 1983, when ARC began the county designations. These 5 counties will be prioritized by the West Virginia ARC program to ensure that they have the necessary infrastructure, physical and social, for long-term economic and community development.

Special Objectives and Strategies for Distressed Counties

Section 7.5 of the ARC Code states the following: The Commission recognizes that there are counties within Appalachia with persistent, long-term problems that have resulted in extraordinary levels of economic and human distress. The Commission is committed to providing special assistance to these distressed counties, so that their residents are better able to address problems, realize opportunities, and effectively participate in setting the course of their future development.

The West Virginia ARC Program is committed to prioritizing the ARC-designated distressed counties in its area development program and developing partnerships to target resources for projects and initiatives in distressed counties. The core economic and community development objectives and strategies in distressed counties include the following:

Objective: Provide basic infrastructure (water, wastewater) necessary for economic development and community quality of life:

- Work with the Regional Planning and Development Councils and other partners to support planning, prioritization, and development of infrastructure projects that promote community revitalization and economic diversification
- Develop county-wide capital improvement plans for distressed counties that identify and prioritize long-term infrastructure needs so that funding dollars are awarded in a more efficient and strategic manner

- Make strategic investments that leverage federal, state, and local support for the construction or improvement of basic public infrastructure
- Support the ability of distressed counties to participate in technical assistance programs such as circuit-rider programs that provide consulting services in system management to local water and wastewater systems
- Support capacity-building measures such as project management and troubleshooting assistance to ensure that infrastructure projects in distressed counties are managed and completed in a timely manner
- Promote alternative and small-scale wastewater systems for areas that are difficult to provide standard public wastewater systems.

Objective: Support the development of industrial and commercial sites:

- Identify and develop industrial and commercial sites in distressed counties, particularly along ARC highway corridors
- Identify brownfield sites and locations that can be remediated and developed for economic development
- Support efforts that address vacant and dilapidated buildings in distressed counties
- Partner with federal, state, and local agencies to promote the reuse of buildings for downtown redevelopment, particularly initiatives that are tied to tourism and outdoor recreation.

Objective: Increase access and adoption of broadband:

- Promote the deployment of high-speed broadband facilities in distressed counties
- Support e-commerce initiatives that educate businesses about the benefits of broadband
- Target identified business and industrial parks, commercial centers, and other growth areas for high quality broadband service and expansion
- Increase access of broadband for individuals by creating or enhancing existing community computer and digital learning centers.

Objective: Promote downtown revitalization in distressed counties:

- Work with the West Virginia Brownfields Assistance Centers to increase the ability of communities to assess and plan for the reuse of dilapidated and abandoned buildings
- Invest in downtown improvement projects such as streetscape improvements, historic preservation, and wayfinding that tie into and complement larger strategies such as tourism and outdoor recreation initiatives
- Promote trail town programs that that increase the ability of local communities to draw tourists and visitors into their downtowns

- Connect local communities with state and national programs such as Main Street and the West Virginia ON TRAC program
- Support business retention and expansion programs and similar training and technical assistance to local businesses and entrepreneurs
- Assist communities to improve their downtowns through support of planning, assessment, and market analysis activities.

Objective: Promote economic diversification and growth in distressed counties:

- Support initiatives in sectors such as tourism, outdoor recreation, agriculture, energy, and workforce development that capitalize on economic opportunities and are based on identified assets and strengths in the state
- Strengthen key local community anchors such as schools, medical facilities, community parks, historic and cultural resources that can be used as catalysts for community and economic revitalization.

Objective: Support community development and quality of life in distressed counties:

- Assist communities to develop local leadership, organizations, and initiatives for community improvement
- Support strategic planning initiatives for local and regional organizations to capitalize on economic development opportunities and assist communities and regions to position themselves to take advantage of these opportunities
- Encourage youth and student opportunities for work and community service experiences, including internships, mentorships, leadership development, and job shadowing
- Encourage partnerships and promote regional efforts in economic development
- Link communities to outside resources for training and skill development

ARC POWER Initiative and Distressed Counties

The ARC POWER Initiative (Partnerships for Opportunity and Workforce and Economic Revitalization) is a multi-agency, congressionally funded initiative that targets 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.

Many of the POWER projects funded in West Virginia directly impact ARC distressed counties. The West Virginia ARC program and the WV Community Advancement and Development Division (WV CAD) will work to ensure that local leaders in distressed counties are aware of the initiative and work with those leaders to plan, develop, and implement POWER projects that specifically benefit residents of distressed counties.

WVCAD will place a priority on tracking POWER projects that have an impact in ARC distressed counties, working with partners to increase the sustainability of projects and activities once POWER funding ends, and strengthening the long-term economic and community development capacity of distressed counties.

Governor's Goals and Priorities for the West Virginia ARC Program

The Governors of the 13 Appalachian states and ARC's Federal Co-Chair approved the Appalachian Regional Commission's strategic plan Appalachia Envisioned: A New Era of Opportunity 2022-2026 in 2021. This plan identifies the mission and vison of the Commission and provides guidance and strategies to capitalize on the economic development opportunities of the Appalachian region.

Governor Justice's Administration is fully committed to advancing a more competitive business climate in the state, diversifying the economy, and creating job opportunities that lead to a more prosperous future for West Virginia. The following are Governor Justice's guiding principles and goals as they relate to the ARC program and to the ARC strategic plan, Appalachia Envisioned: A New Era of Opportunity 2022-2026.

Guiding Principles:

Recognize regional approaches and strengths: the strengths of West Virginia lie not in communities competing with each other for limited resources but in communities working together in a regional manner to identify and develop common strengths and opportunities. Particularly in rural states like West Virginia, economic resources and assets must be fully maximized and developed, which can only happen when collaboration and regional thinking take the place of haphazard and isolated economic development efforts and initiatives.

Asset-Based Development: asset-based development is an economic development approach that looks to the strengths and opportunities of a community or region for economic development instead of focusing on the needs or problems of a community or region. It recognizes that long-term economic growth is based more upon what you have, not what you lack. The task is to strategically identify economic assets and strengths and develop them to their fullest potential and benefit.

Job Retention is as Important as Job Creation: While recruiting businesses and creating new jobs are essential, equally important is retaining the businesses and jobs that you do have, ensuring that they remain competitive in the national and global economy. Job retention is crucial as a foundation upon which economic diversification can take place.

Strategic Investment: Investment of limited public resources and funding for economic growth should be based upon sound analysis and planning, not on gut feelings or a hunch. Funding programs should not be "siloed" or isolated but complement and link with each other as much as possible. Finally, investment of limited funds should be based upon performance measures that can accurately gauge the progress and return on investment of projects.

These guiding principles are in alignment with the guiding principles of ARC as outlined in the Commission's strategic plan. These principles include investments that:

- Are strategic and encourage alignment of projects with the goals of community and regional plans
- Encourage and reward collaborative efforts to achieve common ends, with specific focus on connecting economically distressed counties and areas to Region-wide economic opportunities
- Achieve the greatest impact possible, leveraging ARC's limited resources to bring more resources into the Region
- Hold ARC, its partners, and its grantees accountable for achieving performance targets and helping Appalachia prosper.

Governor's Goals:

The following outlines the goals of Governor Justice for ARC funding and how his priorities relate to ARC's strategic investment goals.

Goal: Provide basic water and wastewater infrastructure for communities (ARC Strategic Investment Goal 3)

Provision of reliable water and wastewater systems is essential for furthering economic development and growth. Infrastructure systems:

- influence the decisions of businesses to locate in a community or region
- facilitate economic diversification by making it easier for a mix of businesses to develop or locate in an area
- mitigate pollution in streams which also fosters outdoor recreation tourism
- promote better public health and quality of life through the provision of clean water.

Goal: Improve industrial and commercial sites (ARC Strategic Investment Goal 3)

Invest in planning, assessment, and construction activities that develop sites for industrial and commercial development.

Goal: Increase economic diversification and community quality of life (ARC Strategic Investment Goal 4)

Invest in efforts that capitalize on the natural, cultural, and structural assets of West Virginia and improve the appearance, attractiveness, and quality of life of communities in the state.

Goal: Focus on workforce development and training (ARC Strategic Investment Goal 2)

Invest in workforce training that prepares the workforce for the present and future needs of employers, removes barriers to employment, and increases the competitiveness of businesses in West Virginia.

Goal: Transition individuals with substance use disorders (SUDs) back into the workforce (ARC Strategic Investment Goal 2)

Invest in training and placement programs that focus on workforce re-entry for individuals completing SUDs treatment programs.

Goal: Improve broadband (ARC Strategic Investment Goal 3)

Invest in broadband projects that increase deployment of needed broadband infrastructure, deliver training to increase use of technology by businesses and residents, and support technology education to increase the adoption of broadband by businesses and residents.

Goal: Support small business development (ARC Strategic Investment Goal 1)

Invest in technical assistance activities for small businesses, promote downtown revitalization, expand access to entrepreneurial education for youth, and increase access to capital for small businesses and entrepreneurs.

Goal: Strengthen economic development cooperation and capacity (ARC Strategic Investment Goal 5)

Invest in community and regional initiatives that will build local and regional leadership and promote collaboration to better align economic and community development efforts.

The Governor reserves the right to recommend projects for ARC funding that are outside the above list of goals but within the ARC Strategic Plan and the ARC Code. Following Section 7.5 of the ARC Code, highest consideration will be given to projects that are in or benefit ARC-designated distressed counties.

ADHS System Corridors

All Appalachian Development Highway System (ADHS) corridors in West Virginia have been completed except for Corridor H, which will run from I-79 at Weston to the Virginia state line near Wardensville. The total length of the corridor is 133.6 miles, of which approximately 30 miles remain to be completed (Appalachian Development Highway System Cost-to-Complete Estimate Report, March 2021, ARC).

The advantages of completing Corridor H include:

- enable exported goods from West Virginia to be shipped around the world by providing a direct route to the Virginia Inland Port in Front Royal, Virginia
- increase tourism in the state by providing a direct route for people from eastern states such as Virginia, Maryland, and Delaware to travel to West Virginia
- provide a more accessible connection to Interstate Route 79, a major highway in the state that will open exports from the south-central part of West Virginia

The West Virginia ARC program is committed to supporting economic development along the ADHS corridors in the state, including through site development, provision of basic infrastructure for economic growth, and supporting initiatives that work with communities to draw traffic off the corridors and into towns and communities situated along corridors.

FY 2022 West Virginia Strategy Statement

Introduction

The ARC Annual Strategy Statement is a one-year implementation plan for working towards the goals and principles outlined in the four-year State Development Plan. It includes information on the state's targeted investments for ARC funds, information on the state ARC program (funding guidelines, ineligible projects, solicitation and review process), and overall state strategies that are aligned with the ARC strategic plan.

Targeted Investment Priorities for FY 2022

Targeted investment priorities for the FY 2022 West Virginia ARC program include:

- provision of basic infrastructure such as water and wastewater **(highest priority)**
- industrial and commercial site development
- addressing abandoned and dilapidated buildings
- workforce development, including re-entry into the workforce for individuals with substance use disorders (SUDs).

The Governor reserves the right to recommend projects to the Commission for final approval that are not included in the above list of targeted priorities but are consistent with the goals and strategies ARC's Strategic Plan and the ARC Code. Projects that are in or benefit ARC-designated distressed counties will receive highest priority.

Project Solicitation, Review, and Selection Process

Application Process:

The Community Advancement and Development (CAD) Division of the West Virginia Development of Economic Development manages the ARC program. Technical assistance for the ARC program is available from staff during normal business hours and is available year-round, irrespective of whether our office is accepting applications or not.

Normally the CAD Division will begin accepting applications for ARC assistance one time per year, usually in the fall or winter. The deadline for applications is normally 3 months from the time the open grant round is announced. Our office does not accept unsolicited ARC applications on a rolling basis and does not use or accept pre-applications.

When the CAD Division does announce that it is accepting a new round of ARC applications, notice of the funding opportunity is sent directly to all the Local Development Districts in the state (in West Virginia they are called Regional Planning and Development Districts), which is then forwarded to the LDD's member units of government. In addition, previous applicants to the program and any interested parties that have contacted our office regarding the ARC program are also notified of the funding opportunity, and the notice is posted on the CAD Division's website at www.wvcad.org.

Application Process Timeline for FY2022 (tentative):

ARC Funding Notice Released: November 2021
Application Deadline: January 2022
Governor's Award Announcements: May 2022
Submission of Applications to ARC Headquarters: June 2022

General Information on the West Virginia ARC Program:

The following activities are ineligible for West Virginia ARC funding:

- Construction or improvements to local or state government buildings
- Construction or renovation of schools, libraries or correctional facilities
- Requests to fill temporary gaps in local government budgets
- Requests for law enforcement or criminal justice activities

Applicants should keep in mind that ARC funds must benefit the general public, not state or local governments, and projects should be focused on economic development, not social services.

Eligible applicants include public entities, non-profit organizations, and non-profit educational and medical facilities. Individuals and for-profit businesses are not eligible for ARC assistance.

All applications for construction projects must include a preliminary engineering report, feasibility study, or equivalent professional document that provides firm and reliable construction cost estimates and a detailed scope of work.

There are no set limits or caps on the amount of ARC assistance for an individual project. However, the West Virginia ARC program is highly competitive with limited funding, and therefore applicants should note the spending priorities outlined above and the priority placed on projects located in ARC-designated distressed counties.

The ARC program requires matching funds from the applicant (see section below on matching requirements). ARC should be the last dollar in, meaning that all the applicant's matching funds should be secured and in-hand for the project. Applicants should not come to ARC first with the intent to use ARC's funds to raise other funds for their project. Eligible matching funds for ARC include federal, state, local, and private funds. In-kind match is also eligible but is strictly reviewed.

Matching funds should be identified by amount and source with evidence of assurance that such funds are available (such as a signed letter of commitment from the source of funds).

Review and Selection Process:

West Virginia uses a two-tiered system for evaluating and recommending projects for ARC assistance. These are described below:

Tier 1 Technical Review:

All applications are initially screened to determine if they are eligible for funding consideration. The screening process determines the following:

a) ARC Eligibility: All projects recommended to the Commission for final approval must demonstrate that they will contribute to the achievement of one of the Commission's strategic goals and that the project relates to one or more of the goals, objectives, and strategies set forth in the state's development plan and strategy statement.

b) Project Readiness: All projects recommended to the Commission for final approval must provide reasonable assurance of the availability of matching funds for the project scope of work.

c) Project Approach: All projects recommended to the Commission for final approval must demonstrate a scope of work that is realistic and viable.

d) Project Effectiveness: All projects recommended to the Commission for final approval must demonstrate the ability of the applicant to manage the project effectively and contain detailed outcome measurements by which grant expenditures may be evaluated.

Applications determined to be eligible, complete, and feasible, and evidence a reasonable assurance that matching funds are or will be secured, proceed to Tier 2 evaluation.

Tier 2 Competitive Review:

Projects will be competitively reviewed, and all project recommendations will be packaged together and submitted to the Governor for approval. Projects will be evaluated based on the following key strategic criteria:

a. Project Type: Infrastructure projects (water, wastewater, commercial/industrial site development, broadband, etc.) will receive higher priority over other projects.

b. Degree of Need: Projects in ARC-designated distressed counties will receive higher priority. Projects that include ARC-designated distressed counties or distressed areas within multi-county projects will also receive high priority.

c. Investment Impact: Projects that demonstrate strong economic development impacts, provide long-term capital improvements for economic development, or enhance already existing economic and community development efforts will receive higher priority. Strategic characteristics of a project that increase investment impact include the following:

Infrastructure projects that:

- Facilitate economic development (such as by serving commercial customers, providing needed infrastructure for commercial and industrial sites, or leveraging private sector investment)
- Serve critical community facilities such as schools, community health facilities, community centers, 4-H Camps, etc.
- Target existing population centers and downtown areas (infill strategy)
- Are located along an ARC highway corridor
- Increase the capacity of a water or wastewater system to serve more customers in the future
- Incorporate energy-efficiency features
- Provide wastewater facilities that protect environmental resources tied to economic development

Non-infrastructure projects that:

- Increase local collaboration or regional partnerships
- Strengthen the ability of local communities to undertake economic and community development activities through planning, technical assistance, and other activities
- Identify and mobilize community or regional assets for economic development
- Create economic development that is sustainable at the local or regional level

d. <u>Investment Linkage:</u> Projects that demonstrate how they complement existing and ongoing community and economic development efforts and strategies in the project area will receive higher priority.

Projects that incorporate more of the key strategic criteria identified above will more likely be recommended for funding, based upon the amount of funds available. Recommendations are then sent to the Governor for approval. Projects that are recommended by the Governor are then sent on to ARC headquarters for final review and approval by the Commission.

State Matching Requirements and Assistance Limits

ARC participation costs will be limited to 50 percent of project costs, with the following exceptions:

- Projects located in designated Distressed Counties or Local Access Road Projects (except in Competitive Counties) may be funded up to 80 percent of the eligible project costs.

- Projects located in designated At-Risk Counties may be funded up to 70 percent of the eligible project costs.

- Statewide projects may be funded up to 56 percent of the eligible project cost.

- ARC assistance is limited to 30 percent of eligible costs for projects located in a designated Competitive County.

Multi-county projects (not statewide) may be funded as follows:

- If there is a distressed county in a project:

  - and at least half the counties are distressed, the project may be funded at up to 80% of project costs;
  - and at least half the counties are in some combination of distressed and at-risk, ARC assistance can be the higher of 70% of project costs or the average percentage applicable to the various counties in the project; and
  - but fewer than half the counties are distressed, ARC assistance can be the higher of 50% of project costs or the average percentage applicable to the various counties in the project.

- If there is no competitive county or attainment county in a project, and at least half the counties are at-risk, the project may be funded at up to 70% of project costs.

All other projects shall be funded at the average percentage applicable to the various counties in the project; except that the portion of a project, which is attributable to an attainment county in a project not including a distressed county, shall be considered ineligible for ARC assistance and may not be considered for matching purposes.

In addition to meeting the requirements of the ARDA of 1965 as amended, all projects for which approval is requested under the Area Development Program must be supported by a demonstration that they will contribute to the achievement of one or more of the Commission's strategic goals, except that the state may request, in accordance with Section 303 of the ARDA, approval of a project or projects without such supporting demonstration to take advantage of special development opportunities or to respond to emergency economic distress.

West Virginia does not place a firm limitation on the amount of funds an applicant can request. However, the Governor reserves the right to approve or reject the requested amount of ARC funds in a project and does not have to award funds at the maximum level or at the requested amount.

System for Monitoring and Evaluating Progress:

All ARC projects are monitored by staff to assess progress in meeting scheduled milestones and identify and resolve any problems that may have arisen in project performance. On-site inspections may be done at the midpoint and at project completion to assure compliance with the approved project design/scope.

West Virginia ARC State Strategies

West Virginia's ARC state strategies are listed below. Each strategy is aligned with the goals and objectives of the ARC Startegic Plan, Appalachia Envisioned: A New Era of Opportunity 2022-2026. All projects requesting assistance from the West Virginia ARC program must match one of the state strategies listed below in order to receive consideration for funding.

ARC Goal 1: Building Appalachian Businesses. Strengthen and diversify the Region's economy through inclusive economic development strategies and investments in entrepreneurship and business development.

ARC Objective 1.1: Provide financing, technical assistance, and other support for entrepreneurship and small business development in the Region.

State Strategy 1.1.1: Support initiatives that provide training, assistance, and other services to entrepreneurs for the creation and expansion of businesses.

State Strategy 1.1.2: Increase access to capital for entrepreneurs and businesses.

State Strategy 1.1.3: Promote downtown redevelopment through support of programs such as Main Street and local business retention and expansion efforts.

State Strategy 1.1.4: Support export strategies to connect start-up and established businesses with external and global markets.

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

State Strategy 1.2.1: Support planning and implementation activities that identify and capitalize upon emerging economic opportunities and sectors in the state.

ARC Goal 2: Building Appalachia's Workforce Ecosystem. Expand and strengthen community systems (education, healthcare, housing, childcare, and others) that help Appalachians obtain a job, stay on the job, and advance along a financially sustaining career pathway.

ARC Objective 2.1: Develop and support educational programs and institutions from early childhood through post-secondary that provide the building blocks for skills development and long-term employment success.

State Strategy 2.1.1: Support local and regional initiatives to better prepare students, out-of-school youths, and adults for post-secondary-level training.

State Strategy 2.1.2: Support literacy, lifelong learning, and dropout prevention initiatives.

State Strategy 2.1.3: Provide funding for educational and workforce development strategies that increase science, technology, engineering, and math (STEM) skills in students.

ARC Objective 2.2: Invest in workforce development programs and strategies informed by industry talent needs and designed to allow workers to simultaneously earn, learn, and advance along a career pathway.

State Strategy 2.2.1: Support planning and implementation activities that improve workforce readiness for current and future employment needs.

State Strategy 2.2.2: Assist efforts to increase business competitiveness and retention in the state through workforce training and certification programs.

State Strategy 2.2.3: Encourage youth and student opportunities for work and community service experiences, including internships, mentorships, leadership development, and job shadowing.

ARC Objective 2.3: Develop a network of employment supports to help Appalachians enter and remain in the workforce.

State Strategy 2.3.1: Develop and support training and job-placement programs for individuals recovering from substance use disorders.

State Strategy 2.3.2: Promote efforts that increase access to quality childcare to support workforce recruitment and retention.

State Strategy 2.3.3: Invest in innovative housing initiatives that support economic development or improve local community livability and quality of life.

ARC Objective 2.4: Expand access to high quality healthcare as well as programs and services that support overall mental and physical health, for workers and their families.

State Strategy 2.4.1: Enhance community-based healthy living initiatives that address diabetes, obesity, substance use disorders and other conditions that constitute barriers to workforce participation and community quality of life.

State Strategy 2.4.2: Improve medical facilities and infrastructure to increase access to high-quality health care in underserved areas and improve public health.

ARC Goal 3: Building Appalachia's Infrastructure. Ensure that the residents and businesses of Appalachia have access to reliable, affordable, resilient, and energy efficient utilities and infrastructure in order to successfully live and work in the Region.

ARC Objective 3.1: Ensure the availability of quality, affordable basic infrastructure to meet the needs of the residents and businesses of Appalachia.

State Strategy 3.1.1: Provide support for the improvement or expansion of basic infrastructure such as water, wastewater, and storm water systems to increase community quality of life and facilitate economic development.

State Strategy 3.1.2: Work with localities and regional organizations to support the planning, assessment, and prioritization of basic infrastructure needs to ensure greater efficiency and coordination of infrastructure investments.

State Strategy 3.1.3: Support technical assistance services and programs that improve the efficiency and long-term operations of local water and wastewater systems.

State Strategy 3.1.4: Provide training, consultation, and implementation support for local leaders and regional organizations to build their capacity to address infrastructure challenges.

ARC Objective 3.2: Ensure that all Appalachians have access to quality and affordable telecommunications and broadband services.

State Strategy 3.2.1: Make strategic investments in high-speed telecommunications infrastructure to increase local and regional connectivity and access.

State Strategy 3.2.2: Encourage and support the innovative use of telecommunications in education, health care, business, government, and infrastructure initiatives.

State Strategy 3.2.3: Assist planning, analysis, and training activities that increase broadband access, adoption, and deployment in the state.

ARC Objective 3.3: Support proactive efforts to adopt alternative energy strategies and bolster energy infrastructure.

State Strategy 3.3.1: Assist local and regional energy efficiency efforts to enhance their economic competitiveness and sustainability.

ARC Objective 3.4: Complete the Appalachian Development Highway System and invest in innovative intermodal transportation systems to connect businesses and residents within the Region with global opportunities

State Strategy 3.4.1: Assist federal and state efforts in solving design problems and moving ADHS sections to the construction phase.

State Strategy 3.4.2: Support local access road projects that result in economic development, provision of essential services, or community revitalization.

State Strategy 3.4.3: Invest in improvements to transportation facilities such as rail, inland ports, and airports that increase economic development and access to markets.

State Strategy 3.4.4: Support the development of transportation corridors (highway, rail, and waterway) that increase access to markets outside the Appalachian region.

State Strategy 3.4.5: Support the planning and development of intermodal transportation facilities.

ARC Objective 3.5: Support construction of business development sites and public facilities and the adaptive reuse of obsolete and/or unsafe properties to stimulate economic and community development.

State Strategy 3.5.1: Invest in the development and improvement of industrial sites, commercial and industrial parks, and shell buildings that will spur economic development.

State Strategy 3.5.2: Support planning, assessment, and redevelopment efforts that target vacant and dilapidated buildings.

State Strategy 3.5.3: Assist with the reclamation and redevelopment of brownfields and mine-impacted sites to convert them to productive economic and community uses.

ARC Goal 4: Building Regional Culture and Tourism. Strengthen Appalachia's community and economic development potential by preserving and investing in the Region's local, cultural heritage, and natural assets.

ARC Objective 4.1: Invest in the development of vibrant Appalachian downtowns and provide support for Appalachian placemaking.

State Strategy 4.1.1: Leverage support for downtown redevelopment efforts that will enhance local and regional tourism and outdoor recreation initiatives.

ARC Objective 4.2: Invest in economic and community development initiatives that preserve and promote Appalachian communities' vibrant arts, cultural, and heritage traditions.

State Strategy 4.2.1: Support efforts to identify, assess, and mobilize regional assets, including natural, cultural, and structural assets and resources that can be utilized for economic growth and diversification.

ARC Objective 4.3: Preserve and expand Appalachia's natural resources to increase outdoor recreation opportunities for residents and visitors and support sustainable economic growth.

State Strategy 4.3.1: Promote the development of outdoor recreation trails and facilities that enhance economic development opportunities.

State Strategy 4.3.2: Support planning, assessment, and implementation activities that improve and expand upon the state's natural, historical, and cultural assets for economic development and growth.

ARC Goal 5: Building Community Leaders and Capacity. Invest in the capacity of local leaders, organizations, and communities to address local challenges by providing technical assistance and support to access resources, engage partners, identify strategies and tactics, and conduct effective planning and project execution.

ARC Objective 5.1: Develop, support, and empower community leaders that are representative of local communities, inclusive in their approach, and focused on long-term, innovative strategies and solutions.

State Strategy 5.1.1: Encourage and support the training and development of local and regional community leadership.

ARC Objective 5.2: Build capacity of community organizations and local development districts to effectively access and manage funding, administer programs, and execute projects through implementation.

State Strategy 5.2.1: Provide support to regional planning and development councils in the state that will improve their ability to plan, implement, and complete projects and provide services to local governments and organizations.

State Strategy 5.2.2: Support planning, analysis, and technical assistance activities for local and regional organizations and units of government to capitalize on economic development opportunities and assets, address critical needs, or improve community quality of life.

ARC Objective 5.3: Invest in developing the capacity of communities to build ecosystems where government, non-profits, businesses, and philanthropic partners coalesce around a shared vision for economic and community prosperity and collaborate to implement that vision.

State Strategy 5.3.1: Promote and support regional partnerships and initiatives for economic development.