

**Statement of Gayle C. Manchin, Federal Co-Chair
Appalachian Regional Commission
Before the Subcommittee on Economic Development, Public Buildings and
Emergency Management
Of the House Committee on Transportation and Infrastructure
October 19, 2023**

Mr. Chairman and Members of the Committee:

My name is Gayle Manchin, Federal Co-Chair of the Appalachian Regional Commission (ARC), and I am pleased to come before you this morning to discuss the progress that ARC has made in helping close the socioeconomic gap between Appalachia's 26 million people and the rest of the nation.

ARC has been grateful for the bipartisan support from this committee over the years. You have helped us strengthen our initiatives and ensure that we are able to respond to the evolving needs of communities across Appalachia's 423 counties and 13 states. We were reauthorized for five years in the Infrastructure Investment and Jobs Act, and this has positioned us to help Appalachia seize the economic opportunities of the future. We are not seeking any amendments to our enabling legislation, the Appalachian Regional Development Act.

Since 1965, the ARC has collaborated with local and state partners to create jobs, build infrastructure, and strengthen the regional economy. ARC provides an effective approach for addressing the region's economic challenges and advancing each of our strategic investment priorities: 1.) building Appalachian businesses, 2.) building Appalachia's workforce ecosystem, 3.) building Appalachia's infrastructure, 4.) building regional culture and tourism, and 5.) building community leaders and capacity.

Our flexible base funding program takes a "bottom up" approach, enabling local communities to tailor the federal assistance to their individual needs. It makes use of local development districts to develop and implement effective strategies for local economic development. Through our federal-state partnership structure, ARC's projects reflect state priorities as well.

Since ARC was founded, it has made considerable progress to move Appalachia closer to the nation's economic mainstream. For example:

- The number of high-poverty counties in Appalachia has been cut by over 60 percent.¹

¹ <https://www.arc.gov/wp-content/uploads/2022/11/FY-2022-Performance-and-Accountability-Report.pdf> Page 15.

- The regional poverty rate has been cut by more than half.²
- The percentage of adults with a high school diploma has nearly tripled since 1960, and students in Appalachia now graduate from high school at nearly the same rate as that of the nation as a whole.³
- In the past five years, ARC-funded infrastructure projects have provided 251,890 Appalachian households with access to clean water and sanitation facilities.⁴

ARC program investments totaled \$867.3 million from FY 2018 to FY 2022. Taken together these funds—

- leveraged over \$1.4 billion in other public investment (\$1.63 per \$1 ARC investment);
- attracted over \$5.5 billion in private investment (\$6.35 per \$1 ARC investment);
- resulted in 113,483 jobs being created or retained; and
- provided training and new skills to 172,403 students and workers/trainees.⁵

In addition to our base funding program, which has been the mainstay of ARC over the years, and in which funds are allocated by formula to each ARC state for the Governor to recommend projects to us, I want to highlight for the committee three special initiatives that are positioning our communities to be competitive in the new economy:

The first is our regionally competitive **Partnerships for Opportunity and Workforce and Economic Revitalization Initiative (POWER)** initiative for coal-impacted communities. POWER responds to job losses in coal mining, coal-fired power plant operations, and supply chain and logistics businesses that serve that industry.

Appalachia has disproportionately suffered from the shift away from coal as an energy source. Over 70 percent of the coal mining jobs lost in the United States from 2011 to 2022 were in the Appalachian region. Since POWER's establishment in 2015, ARC has invested **over \$420 million in 507 projects** impacting nearly 400 of Appalachia's coal-impacted counties. These ARC's investments are projected to **create or retain more than 53,000 jobs** and prepare over 142,000 workers and students for new opportunities in entrepreneurship, broadband, tourism, and other growing industries.

² <https://www.arc.gov/wp-content/uploads/2020/06/AppalachiaThenAndNowCompiledReports.pdf>. Page 26.

³ <https://www.arc.gov/wp-content/uploads/2020/06/AppalachiaThenAndNowCompiledReports.pdf>. Technical Report, Page 51; https://www.arc.gov/wp-content/uploads/2023/05/PRB_ARC_Chartbook_ACS_2017-2021_FINAL_2023-06.pdf. Page 53.

⁴ Data from ARC's grant management database and verified by Performance Accountability Reports for Fiscal Years 2018, 2019, 2020, 2021, 2022: <https://www.arc.gov/budget-performance-and-policy/>

⁵ Data from ARC's grant management database and verified by Performance Accountability Reports for Fiscal Years 2018, 2019, 2020, 2021, 2022: <https://www.arc.gov/budget-performance-and-policy/>

The next initiative I'll highlight is called **Investments Supporting Partnerships In Recovery Ecosystems (INSPIRE)**, which focuses on creating or expanding local substance use disorder (SUD) networks that lead to workforce entry or re-entry. In 2018, your committee recognized the way SUD was ravaging our region and you added a new authority to our statute for us to do work in this area. We created a substance use advisory council, convened a series of listening sessions around the region and launched INSPIRE as a result.

Successful projects support the post-treatment to employment continuum, which could include investments in healthcare networks that support SUD recovery professionals, recovery-focused job training programs, as well as initiatives designed to coordinate, or link, recovery services and training that support the recovery to work ecosystem, among others.

Substance use disorder poses a major threat to the economic prosperity of Appalachia. It's not just a public health and public safety issue; it's an economic development issue. It drains the region's resources, both human and financial.

Since April 2021 when INSPIRE was created, ARC has invested nearly **\$42 million** in **126 projects** that address Appalachia's SUD crisis in **349 counties** — which is 83 percent of the region. Together, these projects are projected to improve more than **2,178 businesses** and provide opportunities for nearly **9,772 students and workers** in creating or expanding recovery ecosystems leading to workforce entry or re-entry throughout the region.

Our newest initiative is **ARISE (Appalachian Regional Initiative for Stronger Economies)**, which is funded by the Infrastructure Investment and Jobs Act and which seeks to drive large-scale, regional economic transformation through multi-state collaborative projects across Appalachia. ARISE rests on the premise that greater economic impact can occur from activities that are coordinated across state lines than would likely occur when these activities are conducted in isolation in individual states. It gives ARC a way to boost economic sectors or industry clusters that reach across multiple states, yielding greater economic payoff for the economies of those states. ARISE grants are strengthening the electric vehicle sector in our southern states, the textile industry in the Carolinas, green manufacturing in northern Appalachia, and regional tourism in Central Appalachia.

Since launching ARISE last fall, we have made 13 grants totaling \$48.6 million. We currently have 36 applications under review and have invited 14 more to apply.

Doing this kind of multi-state work is not easy; it calls for all of us to think differently about how we build a stronger regional economy. But I've been very encouraged by

what our first year of experience with ARISE has produced. It is changing the conversation about economic development, and it is driving home the benefits of partnerships that reach broadly across multiple states.

Although Appalachia has seen progress as a result of ARC's program and initiatives, serious challenges constrain the economic future of too many Appalachians.

- Nearly one-fifth of Appalachia's counties still suffer from persistent and severe economic distress.⁶
- Per capita market income in Appalachia was over 27 percent lower than the nation in 2021.⁷
- The region has been disproportionately affected by the loss of manufacturing jobs. During the period 2000-2021, Appalachia had a net loss of 625,000 manufacturing jobs (a 31 percent decline), while the United States lost around 4.7 million (a 26 percent decline).⁸
- Roughly 20 percent of the region's population is not served by a community water system (compared with 12 percent of the rest of the nation's population), and 47 percent of Appalachian households are not served by a public sewage system (compared with 24 percent nationally).⁹
- Appalachia lags behind the nation in the proportion of adults with a bachelor's degree (26 percent compared with 33.7 percent for the nation).¹⁰

So there is still much work to be done.

In addition to leveraging our base funding program and special initiatives as mentioned previously, ARC tackles Appalachia's challenges by targeting its resources to the areas of greatest need, leveraging private resources into Appalachia, and partnering with other federal agencies to extend the reach of their resources into Appalachia.

In FY 2022, 74 percent of ARC's grant dollars supported projects that primarily or substantially benefited economically distressed counties and areas.

ARC is not duplicative, but rather complementary, of other federal programs. By using its grassroots delivery system, ARC can extend the reach of programs into some of the

⁶ <https://www.arc.gov/wp-content/uploads/2022/11/FY-2022-Performance-and-Accountability-Report.pdf> Page 16. And <https://www.arc.gov/classifying-economic-distress-in-appalachian-counties/>

⁷ <https://www.arc.gov/distressed-designation-and-county-economic-status-classification-system/>

⁸ Woods and Poole 2022 Complete Economic and Demographics Data Source.

⁹ <https://www.arc.gov/wp-content/uploads/2020/06/DrinkingWaterandWastewaterInfrastructure.pdf> page 4. Data updated from UNC Environmental Finance Center in 2020.

¹⁰ https://www.arc.gov/wp-content/uploads/2023/05/PRB_ARC_Chartbook_ACS_2017-2021_FINAL_2023-06.pdf Page 53

most economically distressed parts of the nation by providing the necessary training and gap funding to prepare economically distressed communities to compete successfully for funding from national programs.

Similarly, ARC helps attract private sector investment to areas that otherwise would not likely be considered competitive investment opportunities. In FY 2022, investments of \$239.7 million in grant funds across all ARC initiatives attracted an additional \$389.5 million in other project funding, an investment ratio of 2 to 1, and \$1.57 billion in non-project leveraged private investment, a ratio of 7 to 1.

As previously mentioned, partnerships lie in the heart of how ARC is able to advance the economic health of the region. That's just as true in working with other federal agencies as it is in collaborations with the private and nonprofit sectors. ARC has strong relationships with U.S. Department of Agriculture, the Economic Development Administration, the U.S. Department of Labor, and the Federal Communications Commission, and the U.S. Environmental Protection Agency. We have a history of collaborating with federal agencies to achieve greater impact in Appalachia.

ARC is a leading member of the White House Interagency Working Group on Coal and Power Plant Communities and Economic Revitalization, spotlighting for the 11 member agencies the particular challenges that many Appalachian communities face because of the decline in the coal industry.

Highways have always been a key component of the effort to narrow the economic gap between Appalachia and the rest of the nation. The Appalachian Development Highway System (ADHS) was created to connect Appalachia to national and international markets and to compensate for the fact that the interstate system had bypassed much of the region. The Infrastructure Investment and Jobs Act (IIJA) provides dedicated funding of \$250 million a year for work on the ADHS. IIJA also sets aside 25 percent of the funding for the Rural Surface Transportation Grant Program for the ADHS, which totals \$500 million over five years. This will facilitate significant progress in completing the system, which is currently 91 percent under construction or open to traffic. While the current funding for the ADHS goes to the Federal Highway Administration, ARC maintains an active role in overseeing the system.

ARC's program also helps fund reliable and affordable broadband infrastructure to rural Appalachian communities so they can compete and participate in the global economy. We have partnered with the Federal Communications Commission to help more Appalachians participate in the Affordable Connectivity Program, which helps reduce barriers by providing eligible households with up to \$30 per month to help cover internet bills.

However, we often hear from communities that they lack the capacity to take full advantage of ARC's resources or the funding opportunities at other federal agencies. In

response, ARC has created *READY Appalachia*, which seeks to build capacity in four key pillars of economic and community development: nonprofit organizations, community foundations, local development districts, and local governments. We launched this program last year.

Congress and the Biden-Harris Administration have made historic levels of funding available to communities across Appalachia – funding that will be used to support sustainable economic growth. By helping local leaders and nonprofit organizations to build on their capacity to develop infrastructure projects and workforce development initiatives in our communities, *READY Appalachia* will also help increase equity for our Appalachian people and ensure that the region's resilience and success will transform their future.

ARC's emphasis on local building capacity, in addition to our *POWER*, *INSPIRE*, and *ARISE* programs, will complement ARC's traditional base funding program that advances basic infrastructure, workforce development, and business support.

I like to say that the name of our agency isn't the "13 States of Appalachia"; it's the Appalachian Regional Commission, and the more we can do things on a truly regional, multistate basis the greater the benefits will be for Appalachia and for the Appalachia states. If the Appalachian part of the state gets stronger, the whole state will get stronger, and the stronger the ARC states become, the stronger our national economy will be. Taken together, ARC's program and initiatives will help narrow the economic gap between Appalachia and the rest of the nation. I look forward to working with the Subcommittee in this effort.