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STATE OF ALABAMA

August 19, 2025

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

Dear Mr. McBride:

Please find attached the State of Alabama's Strategy Statement for FY 2026. The document outlines my strategies, objectives, and investment priorities for Alabama's Appalachian Region in the furtherance of the state's four-year development plan. It is consistent with the Appalachian Regional Development Act of 1965, as amended; Section 5 of the Appalachian Regional Commission (ARC) Code; and ARC's Strategic Plan.

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

Sincerely,

Kay Ivey

Kay Ivey
Governor

KI:XWM:gr
Attachment

Appalachian Regional Commission

State of Alabama
2026 Annual Strategy Statement

Kay Ivey
Governor

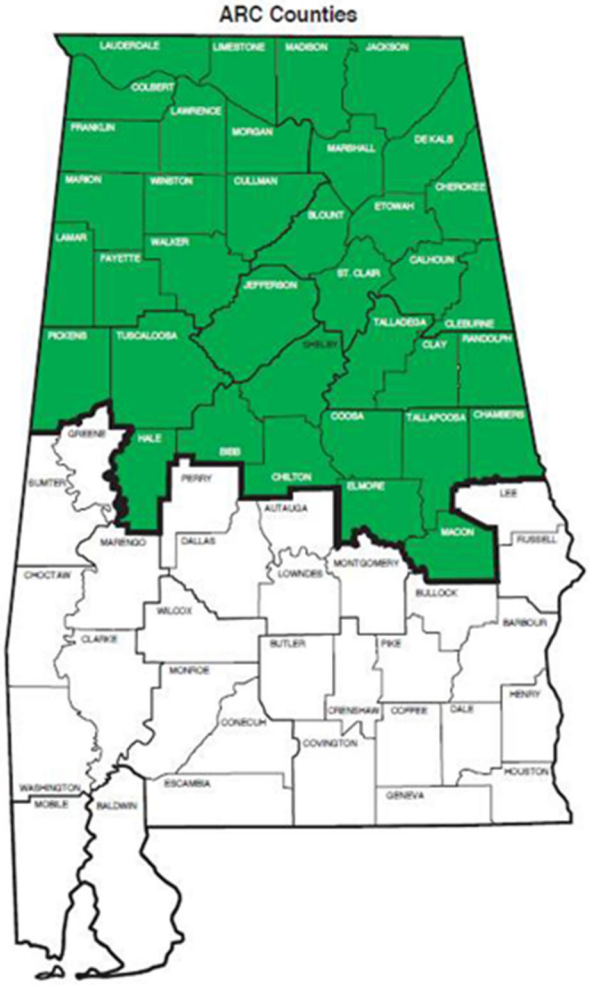
Alabama Department
of
Economic and Community Affairs

Introduction

In accordance with Section 5.3 of the Appalachian Regional Commission (ARC) Code, this document serves as Alabama's ARC Annual Strategy Statement for Fiscal Year 2026 (October 1, 2025 – September 30, 2026). The purpose of the Annual Strategy Statement is to establish a process by which the goals, objectives, and priorities for Alabama's ARC region will be achieved. Implementation of this Strategy will enable Alabama's ARC Program to meet the diverse and evolving needs of the ARC counties in Alabama. The 2026 Annual Strategy Statement:

1. discusses the economic opportunities and challenges, as well as new developments and resources, that impact Alabama's ARC counties;
2. provides an overview of targeted investment priorities for the 2026 fiscal year;
3. describes specific strategies targeting Alabama's distressed counties;
4. sets forth Alabama's ARC Program operating policies; and
5. describes methods used to solicit, review, and select proposals.

Governor Kay Ivey serves as Alabama's Commission Member. Kenneth W. Boswell, Director of the Alabama Department of Economic and Community Affairs (ADECA), serves as her Alternate. ADECA is the state agency responsible for the administration of Alabama's ARC Program.



Alabama's Appalachian Region

Alabama's Appalachia region encompasses thirty-seven (37) of Alabama's sixty-seven (67) counties. FY 2026 ARC County Economic Status Designations include:

Attainment: Shelby County

Transitional: Blount, Calhoun, Chambers, Cherokee, Chilton, Clay, Cleburne, Colbert, Coosa, Cullman, DeKalb, Elmore, Etowah, Franklin, Jackson, Jefferson, Lamar, Lauderdale, Lawrence, Marion, Marshall, Morgan, St. Clair, Talladega, Tallapoosa, Tuscaloosa, Walker, and Winston Counties

At-Risk: Bibb, Fayette, Hale, Pickens, and Randolph Counties

Competitive: Limestone and Madison Counties

Distressed: Macon County

Economic Challenges

Infrastructure: Many areas in Appalachian Alabama lack proper infrastructure. Increased investments in critical infrastructure are necessary to improve educational opportunities, provide safe methods of transportation, and attract new businesses to help grow the state's economy. Additionally, assisting communities with deficient, aging, or altogether lacking basic infrastructure is a priority in the Appalachian region of the state. Improving infrastructure not only improves the future of Appalachian Alabama, but it improves the future of the entire state. For FY 2026, ADECA will focus on three types of infrastructure: Transport Infrastructure, Wet Infrastructure, and Information Infrastructure.

Health: According to the Alabama Department of Public Health (ADPH), 2020 Alabama State Health Assessment, Alabamians identified access to care as the second greatest health concern in the state. Increasing the accessibility of broadband and mobile hotspots in Alabama's Appalachian region will enable increased access to telehealth. Also, specialized equipment and devices allow for a higher quality of remote healthcare delivery. Telehealth availability and access will help bridge some healthcare gaps. Physical infrastructure for healthcare providers along with the availability of and access to high-quality specialty healthcare equipment such as diagnostic, surgical, therapeutic, etc. can improve healthcare by offering accessible, convenient and specialized services.

Mental health is also a real concern for Alabama's Appalachian counties. According to the 2020 Alabama State Health Assessment, the concern for mental health and substance abuse was identified as the number one health indicator in the state. A recent study pinpointed Alabama as experiencing the sixth-highest increase in mental health issues from 2022 to 2023. The study by Addiction Treatment Magazine also found that mental health issues affect 36.69 percent of adults in the state, a full 10 percentage points higher than the national average. There is a tremendous need to build a more complete range of care for people facing mental health crises.

Poverty, food insecurity, and poor nutrition have serious consequences for the health and well-being of children, adults, and older adults, including a greater risk for chronic disease and poor mental health (Food Research and Access Center, 2017). Alabama is the fifth poorest state in the nation, with 17 percent of adults and 23 percent of children (1 out of 4) facing food insecurity, or lack of regular access to enough nutritious food for an active, healthy life (ADPH). An abundance of barriers, including food and nutrition insecurity, how food is marketed and advertised, and access to and affordability of healthy foods, and behavioral challenges stand in the way of healthier dietary patterns for many Americans (Food Is Medicine: A Presidential Advisory From the American Heart Association, 2023). Having enough food and access to affordable nutritious food and food and nutrition education is necessary to maintain health and manage chronic diseases.

Workforce Development, Labor Shortage, and Talent Retention: Having a well-educated workforce that is equipped with the skills and knowledge to support future economic development is crucial to Appalachian Alabama. The workforce system is not responsive enough to changing jobs and evolving skill requirements, workforce training programs are not aligned

with industry needs, and workforce data infrastructure is outdated which causes a shortage in needed skilled labor (HR Professionals Magazine). The Alabama Committee on Credentialing and Career Pathways (ACCCP) is a committee of the Alabama Workforce Council which annually identifies regional and statewide in-demand occupations, career pathways, and credentials of value. The ACCCP analyzes primary and secondary labor market data and data from the Alabama Terminal on Linking and Analyzing Statistics (ATLAS) on Career Pathways to determine which occupations and career pathways are in demand at the regional and state level. The outcomes of which will create robust and fiscally sound career development pipelines for all ages, fostering an expanded pool of credentialed professionals meeting labor market demands, while optimizing service delivery with eliminated redundancy. —Alabama Department of Commerce

The Alabama Office of Minority Affairs (AOMA) established the Alabama Historically Black Colleges and Universities (HBCU) Initiative to ensure that a continuous line of communication exists between Alabama's HBCUs and the state of Alabama. Alabama has the largest number of HBCUs in the nation with a total of 14 institutions. Through its HBCU Initiative, the AOMA will focus on policies and programs to maximize the economic impact of these institutions on the state of Alabama, and in turn ensure the viability and sustainability of HBCUs in the state. Through the Alabama Colleges & Universities Internship Program, students are placed in leadership positions to provide them with hands-on experience in their areas of study, to provide Alabama employers with a trained, diverse talent pool, and to retain students after graduation.

The "Stay in Alabama" Training & Certification Initiative is a statewide workforce development program led by the AOMA. Alabama's economic future depends on a well-trained, certified workforce, and this initiative is designed to equip residents with in-demand skills and industry-recognized certifications while encouraging them to build their careers within the state. Retention of trained and educated talent is required to help move Appalachian Alabama closer to a self-sustaining economy and improved quality of life.

In July 2020, Governor Ivey established the Alabama Innovation Commission, with the goal of elevating Alabama by creating a more resilient and robust economy through innovation. As Alabama's first statewide public-private partnership focused on entrepreneurship, technology and innovation, Innovate Alabama focuses on empowering entrepreneurs, business owners, and students to build a business, a career, and a life in Alabama.

Opioid and other Drug Addiction: Combating the opioid crisis, and substance use in general, in Appalachian Alabama is essential to improving the quality of life and the ability of our citizens to become productive members of the workforce. The opioid/substance use crisis has impacted every sector of our economy, including healthcare, education, business, local governments, etc. There is a clear disconnect between services for intervention and recovery, the need to provide workforce services, and the creation of a recovery ecosystem. These are critical components impacting individuals' ability to remain in recovery while participating in the workforce and positively impacting the state's economy. —Alabama Department of Public Health

Inadequate Capacity: The need for capacity building, planning, and technical assistance is prevalent in the region. Leaders do not know how to effectively plan, develop, fund, and

implement economic development projects and investments that drive measurable economic change.

Economic Opportunities

Aerospace and Aviation: The Wright Brothers established the nation's first civilian flight school in Alabama. Since then, the state has been a hub for innovation in the aerospace and aviation industry which sustains healthy commerce by offering high-paying jobs and contributing to the low unemployment rate. With over 100 years of advancement in flight technology, Alabama continues to capitalize on space exploration and innovation, aviation, and military defense opportunities. Alabama is one of the top three states for Aerospace Engineers and had $6.4 billion dollars in aerospace exports from 2020-2023. At least three universities in Appalachian Alabama, one of which is an accredited HBCU, offer degrees in Aerospace Engineering. Alabama boasts an extensive and comprehensive list of training programs and assets due to the extensive presence of the aerospace/aviation industry within the state. —Made in Alabama

Automotive: From never having produced an automobile, to becoming home to several major automotive manufacturing facilities, Alabama's automotive industry is thriving more than ever. The growth of which has attracted a large network of auto parts suppliers to support the industry. Alabama has made it easier for these suppliers to relocate and thrive in the state while their close proximity makes it easier for manufacturers to ensure continuity and sustain operations. Large-scale assembly plants like Honda, Mazda-Toyota, and Mercedes Benz (all located in Appalachian Alabama) have solidified the state's reputation as an auto industry powerhouse. —Made in Alabama

Forestry Products: Alabama's forestry industry is a driving force of the state's economy. With over 23 million acres of forestland, a favorable climate for tree growth, and its strategic location, Alabama has the perfect formula for success in the industry. Every county in the state is affected by the forestry industry, which is considered the most important rural manufacturing sector in Alabama. The forestry industry has been selected as one of seven marketing targets for recruitment within Accelerate Alabama – the state's marketing strategic guideline. Collaborative efforts have been made by partners within the forestry industry to develop a pipeline of qualified workers for the logging and wood product manufacturing industries. Alabama's forests are demonstrating growth and sustainability as a result of proactive management practices and exceeding harvest rates. — Alabama Forestry Commission and Made in Alabama

Education: Education is a major component of workforce development. In 2017, Governor Kay Ivey launched the Strong Start, Strong Finish (SSSF) Initiative which works to integrate Alabama's early childhood education, K-12 education, and workforce development. The SSSF incorporates three major strategies: Pre to Three (P-3), Computer Science for Alabama (CS4AL), and Success Plus (SUCCESS+). For FY 2026, ADECA will focus on CS4AL, which helps ensure that a rigorous computer science course is offered at all of Alabama's middle and high schools.

Bioscience: The most important impact of the bioscience sector in Alabama is the high level of employment that it has created. Breakthroughs in the bioscience industry not only impact the economy but the quality of life itself. The industry drives innovation in research and

development. As a top destination for the bioscience industry, the number of advanced biomaterials manufacturing facilities continue to grow. Alabama's reputation as a center for bioscience breakthroughs is only strengthened by the increasing number of new private bioscience sector investments. —Made in Alabama

Agriculture: Agriculture plays a crucial role in Alabama's economy and has experienced significant progress through the adoption of technology. Once known as the Cotton State, Alabama has expanded agriculture rapidly, having a much more diversified crop selection. In addition, the state's agricultural areas create a synergistic relationship between excellent agricultural practices and food production capabilities. —Made in Alabama

Tourism: Tourism in Appalachian Alabama continues to grow, driving job creation and economic development. The area's diverse cultural, natural, and historical features create boundless opportunities for the travel and tourism industry. As outdoor activities and recreation become increasingly popular, the opportunity to capitalize on Appalachian Alabama's outdoor recreational resources grows. —Alabama Tourism Department

Data Centers and Cyber Security: Alabama's technology sector is quickly advancing. Strong growth in software services, cybersecurity, and other high potential fields is driving expansion and creating new jobs. The increase in the venture capital landscape especially in software publishing has spurred growth in the IT startup ecosystem making the state ideal for homegrown companies to sell their products and services. This is further supported by the state's dynamic business and tech incubator system. Alabama's competitive business climate, strategic location and robust infrastructure emphasize the appeal for data center investments. Other trends such as emerging hubs and cyber school set the state apart as a leader in technology advancement. Growth is also bolstered by state-level initiatives designed to nurture startups, cultivate innovation, and attract and retain talent. —Alabama News Center, January 24, 2025

Metal and Advanced Materials: Alabama's rich mineral resources continue to boost economic growth, attracting over 1,100 primary metal manufacturing companies to the state. Not only has the state experienced significant success in traditional metals manufacturing but it is also transforming the future of metalworking as a result of its capabilities and production of carbon fiber and advanced metals. —Made in Alabama

Broadband: ADECA awarded up to $82.4 million in federal American Rescue Plan Act (ARPA) funds for a statewide Middle-Mile project to the Fiber Utility Network to create a statewide, open access network providing approximately 3,000 miles of leased and newly constructed routes in 64 of Alabama's counties. Through the second tranche of ARPA funds, ADECA rolled out an Anchor Institution/Middle-Mile (AIMM) program with up to $245 million used for middle-mile broadband deployment and program administration. This program is expected to serve approximately 800 anchor institutions. Additionally, ADECA is administering more than $191 million in Capital Projects Fund, also from ARPA for Last Mile projects. —ADECA Digital Expansion Division

Chemicals: Alabama has an extensive history of reinforcing and investing in the chemical industry. New capital investments continue to strengthen the industry's workforce and manufacturing, with financial resources being channeled into improving the infrastructure and operations of the industry. Many universities across the state now offer degree programs and

research opportunities in chemical engineering. The state's well-established chemical industry, dedicated investment initiatives to develop manufacturing facilities, active recruitment of chemical companies, strategic location, and skilled workforce will continue to support this growing industry. —Made in Alabama

Distribution and Logistics: Alabama's location and infrastructure make it the ideal center for distribution and transportation logistics. Home to six interstate highways, five class I railways, and the Port of Mobile, the state offers the infrastructure necessary to ship products anywhere in the world at a competitive cost and short time frame. Half of the U.S. population is within one day's driving distance. The fact that Alabama does not have an inventory tax is one more incentive to locate operations in the state. — Made in Alabama

New Developments or Resources

Opportunity Zones: The Opportunity Zones Program is an alternative economic development program established by Congress in the Tax Cuts and Jobs Act of 2017 to foster private-sector investments in low-income rural and urban areas. The program provides a federal tax incentive for investors to use their unrealized capital gains in Opportunity Funds dedicated to investing in the designated Opportunity Zones.

Federal Initiatives: The Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) Initiative assists communities and regions affected by job losses in coal mining, coal power plant operations, and coal-related supply chain industries. This Initiative helps create or retain jobs, leverage private funding, and prepare workers and students for jobs in sectors that will create a strong economic future for Appalachian Alabama. The INSPIRE (Investments Supporting Partnerships In Recovery Ecosystems) Initiative provides funding to address the substance use disorder crisis by creating or expanding recovery ecosystems that will lead to workforce entry or re-entry. The Appalachian Regional Initiative for Stronger Economies (ARISE) multi-state initiative encourages partnerships and collaboration in order to achieve greater success and more widespread benefits utilizing the funding provided. READY Appalachia is a community capacity-building initiative that offers free training and flexible funding to nonprofits, community foundations, local governments, and Local Development Districts. The Workforce Opportunity for Rural Communities (WORC) Initiative, managed by the U.S. Department of Labor, supports community-led grant projects that address identified workforce and economic development challenges. Funding provides training and support activities to dislocated workers, new entrants in the workforce, incumbent workers, and individuals facing barriers to employment due to economic distress or structural shifts in local industries in the Appalachian Region.

Academies and Institutes: The Appalachian Collegiate Research Initiative (ACRI) is an applied research training program for Appalachian college students to work together to build on community assets to support economic development initiatives for their communities. The Appalachian Entrepreneurship Academy (AEA) provides Appalachian high school students the opportunity to build skills in business planning, product development, idea modeling and digital marketing. The Appalachian STEM Academy at Oak Ridge provides opportunities for middle school and high school students and teachers from Appalachia to experience STEM firsthand.

The Appalachian Leadership Institute (ALI) provides leadership and economic development training opportunities for people who live and/or work in Appalachia.

Targeted Investment Priorities

Funding provided by the Appalachian Regional Commission in FY 2026 will support and promote the following priorities for Appalachian Alabama:

1. Economic development and job creation in distressed Macon County and distressed census tracts within at-risk or transitional counties identified by ARC.
2. Expand broadband access throughout Appalachian Alabama.
3. Promote Governor Ivey's priorities for Appalachian Alabama, which include:

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

- Prioritize Science, Technology, Engineering, and Mathematics (STEM) with a focus on computer coding to ensure Alabama's students receive the education required for a successful career
- Computer Science for Alabama (CS4AL) - Advocate for at least one computer science course to be available in every high school
- Advanced Training, Better Jobs - Provide advanced training to equip citizens with the skills and education needed to fill high-demand jobs
- Ensure continuous lines of communication between Alabama's HBCUs and the State of Alabama by supporting the Alabama Office of Minority Affairs' HBCU Initiative

Workforce Development

- Continue to work toward achieving the Success Plus Postsecondary Education Attainment Goal
- Braid Alabama's federal education and workforce development funding streams to support an education-to-workforce pipeline
- Utilize and grow the Alabama Industry-Recognized and Registered Apprenticeship Program (AIRRAP)

Job Creation

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

Infrastructure

- Ensure that Alabama citizens in rural areas have access to high-speed broadband internet
- Ensure that Alabama's infrastructure keeps up with the needs of our growing economy, to include a modern transportation infrastructure, which helps create jobs through recruiting industry
- Ensure that citizens in Appalachian Alabama have access to telehealth services and other necessary infrastructure related to health and safety

Healthcare

- Combat the opioid/substance use crisis
- Ensure the availability of adequate healthcare facilities and access to healthcare
- Expand behavioral-health services in the region

Strategies for Distressed Macon County

Distressed counties are the most economically challenged. Alabama's ARC Program will give special emphasis to distressed Macon County. Projects that promote economic and community development, increase community capacity, strengthen workforce development, and create jobs in this county will be prioritized. Collaboration is an important component to attracting new businesses in distressed Appalachia. Macon County is also in the Delta Regional Authority (DRA); therefore, Alabama's ARC Program will collaborate with DRA on economic development projects in Macon County when possible. To assist Alabama's distressed county in recruiting industries, ARC funding will also be used for critical infrastructure and industrial site development.

Alabama ARC Operating Policies

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

ADECA notifies the public when ARC funding is available via the ADECA website, social media, and through an email distribution list. ADECA solicits applications for ARC funding from Local Development Districts, educational institutions, non-profit organizations, and governmental entities. Programs and activities benefiting the residents of Appalachian Alabama are eligible to receive consideration for ARC's congressionally designated allocations. Although email is the preferred method of submission, applications for ARC funding may be submitted to ADECA's Federal Initiatives and Recreation (FIR) Division by one of the methods below:

Emailed to: ARC@adeca.alabama.gov and gracie.ross@adeca.alabama.gov

Mailed to: ADECA
FIR Division – ARC Program
Attention: Ms. Cleandra Jones
Post Office Box 5690
Montgomery, Alabama 36103-5690

Delivered to: ADECA
FIR Division – ARC Program
Attention: Ms. Cleandra Jones
401 Adams Avenue, Room 410
Montgomery, Alabama 36104-4313

Applications for ARC funding are reviewed by ADECA staff in the FIR Division for eligibility and alignment with ARC goals and state priorities. Applications are ranked based on impact on the community, alignment with goals of the ARC and state priorities, project feasibility, community capacity, and performance measures. Applications that promote economic development and job creation in distressed counties are prioritized. Applications

that promote the Governor's priorities are given special consideration. After the review process, recommendations for funding are submitted to the Director of ADECA and Governor Ivey for review and approval.
The maximum investment percentages of ARC funding for counties as designated by the ARC is as follows:

- Distressed — 80 percent of total project cost
- At-Risk — 70 percent of total project cost
- Transitional — 50 percent of total project cost
- Competitive — 30 percent of total project cost
- Attainment — Not eligible for ARC funding

The ARC funding ceiling for construction projects is $500,000, $350,000 for non-construction projects, and $50,000 for planning projects; however, the ceiling may be raised in certain critical and/or promising circumstances. Special consideration may be given by the Director of ADECA for infrastructure projects in a distressed county or projects that will result in economic development and the creation of jobs.

General Information

Cost overruns on previously approved projects will generally not be considered for funding. Overrun requests may be considered if additional jobs will be created by the modification. Projects completed at a cost underrun will be evaluated on a case-by-case basis when determining how the remaining balance of funds will be used.

Proposals for the following activities are not eligible for ARC funding: construction of schools, libraries, government offices, community centers, or law enforcement facilities. ARC funds will not be used for projects that duplicate services available from other established state funded programs. Investment opportunities outside of the state's targeted priorities may be considered for ARC funding if they are consistent with the goals and objectives outlined in the state's broader Appalachian Development Plan and the ARC Strategic Plan.

Generally, ARC projects are funded for one year but may be considered for more years, depending on the project type, project performance, expansion of services, or added components. Phased projects require a new application for each phase and the award of a grant for one phase of a project should not be considered an indicator that subsequent phases will be funded.

All required forms and information related to Alabama's ARC Program can be found at https://adeca.alabama.gov/arc/arc-application-information/.