

## Chapter 5

# The Means to Achievement . . .

This Commission has learned one lesson well during its eight months of work; the absolute necessity for coordinated action between the States and Federal Government. State and Federal prerogatives have been set aside in the concerted effort to prepare this report. Continued cooperation and dedication to regional goals will be equally necessary if this report is to be translated into an effective action program.

In seeking a developmental organization tailored to the dimensions of the Appalachian problem, the Commission has recognized two extremes of size which that organization must serve; the bigness of the total region, the smallness of the local jurisdiction. The approach and the structure must be regional to encompass the diversity of problems which are found in so large a region. It must also be able to assist the States' efforts to aid the multitude of local development units which alone can carry out the arduous, day-by-day work of development.

The new developmental organization must also perform the vital function of coordinating the many programs that are now conducted in the region by Federal, State, and local agencies. This coordinating role will not be backed by any sanctions, for none are needed. There have been countless past examples of successful cooperation in meeting a specific problem, but in many instances, governmental units cannot spare the funds or the personnel essential to a well-planned, inter-agency or intergovernmental cooperative effort.

The new organization will offer a continuing instrument for such cooperation in the future. It will serve as a clearinghouse for all such public units as well as the many private development activities within the region. The many conversations between this Commission and both public officials representing all levels of government and private citizens convinced us not only of the need for such a clearinghouse but of general support for such an institution.

For example, the new organization would be able to inform highway officials of proposed development activities that would affect their decisions on new route locations. These highway officials could then

present their views on the feasibility of locating those routes to serve other development projects. Where such a location was not feasible, revisions might then be made in the plans for locating the other projects. We recognize that such an interchange of views is common in many existing action programs—but there is no continuing focal point for all programs.

The creation of such a focal point would serve another useful clearinghouse function—providing an area or community with specific solutions already proven successful elsewhere. Wasteful duplication of research could be avoided, and desperately needed State and local funds could be more effectively spent.

Above all, the major function of the new organization will be the creation of specific plans under which the new money appropriated in response to this report will be spent. We propose that the funds requested in this report be earmarked for expenditures based on the general recommendation submitted by the new organization and approved by the Federal official designated by the President to make such an approval. (This review process by the Federal Government is more fully discussed in the next section of the report.)

The plan submitted by the Commission to the Federal Government—and the States—should contain the specific dollar amounts to be allocated within each program and where the funds are to be spent. We propose that the new organization establish minimum benefits for each State under any given new funding program. This assumes that each State will participate in each program; where it chooses not to participate, its minimum share will be redistributed among the remaining States.

We recommend that the new organization also assume the following responsibilities:

- (a) To inventory and analyze the resources of the region and its subareas and to sponsor the research necessary for the development of policies, programs, and plans designed to foster the region's productivity and growth.
- (b) To suggest formulae for adapting Federal allocation procedures to the particular needs of Appalachia; to review Federal, State, local, and private programs, and where appropriate, recommend modifications or additions which will increase their effectiveness.
- (c) To encourage and assist the formation, where necessary, of multicounty development districts designed to aid the small, technically inadequate local jurisdiction to overcome its problems.

- (d) To encourage and assist the development of private investment in industrial, commercial, recreational, and similar projects.
- (e) To formulate and recommend, where necessary and appropriate, interstate compacts and other forms of interstate cooperation.
- (f) To cooperate with State and local agencies in developing appropriate model legislation and to recommend desirable Federal legislation.

### ***The Appalachian Regional Commission***

To fulfill all of these responsibilities, we propose the creation of an Appalachian Regional Commission which will be composed of the Governor (or his appointee) of each participating State and a Federal representative appointed by the President. One of the State representatives, elected by the participating States, and the President's representative shall serve as Cochairmen.

The Commission shall employ an Executive Director and through him shall direct the business of the Commission including the supervision of the Commission staff as shown in figure 16. The Executive Director shall sit with the Commission, but without vote.

When voting is required in conducting the Federal-State business of the Commission, an affirmative vote shall require the vote of majority of the State members and the vote of the Federal representative.

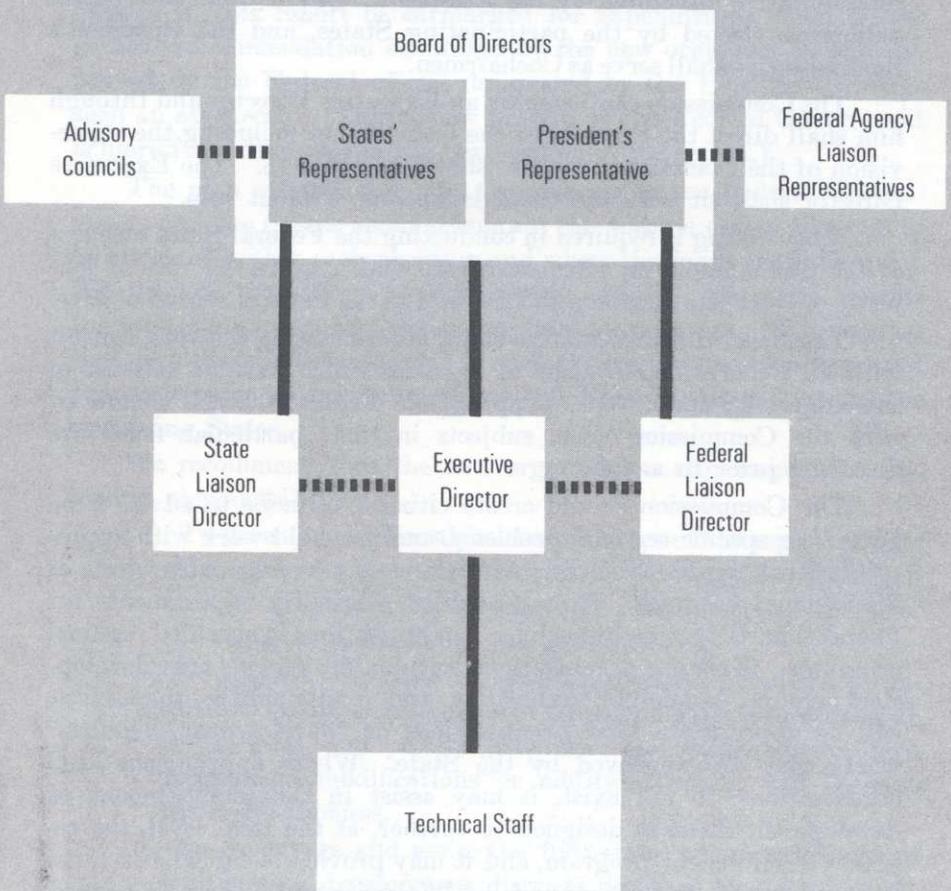
The Federal representative shall, before casting his vote, consult with all Federal departments or agencies which have an interest in the subject up for a vote. Appropriate Federal officials should sit with the Commission when subjects in their particular fields are discussed prior to a vote.

The Commission should create citizens' councils to advise it on general or specific regional problems, and it should work with appropriate local organizations or jurisdictions in carrying out projects of the regional program. It may establish eligibility requirements for financial participation by such local organizations in specified regional programs. Existing organizations, such as the various area development groups, municipal authorities, and municipalities themselves, will be appropriate local organizations or "development districts," where they are approved by the State. Where appropriate local organizations do not exist, it may assist in the establishment of development districts designed to further, at the local level, the regional development program, and it may provide technical assistance to them as well as to State and local agencies and to private parties. Each State, not the Federal Government, will be responsible for authorizing the creation of any local organization of the development

# APPALACHIAN REGIONAL COMMISSION

Organization Chart

FIGURE 16



district character and for determining standards for their organization structure, programs, and powers. The State will provide the liaison between the Commission and local development organizations.

Although by majority vote the Board may develop programs for the regions, it may not impose any program upon an unwilling State, nor may it commit to any such program by its action alone the financial resources of any State nor of the Federal Government. The funds necessary to carry out the recommended programs must be provided by each State according to its own procedures and by the Federal Government after authorization and appropriations by the Congress and approval by the executive branch.

The activities of the Commission will provide a concentration of technical effort on the solution of key problems suffered generally by the region, by its subareas and by its towns. These basic problems have grown faster than the areas, the towns themselves, and unless confronted now by a capable and special attack, they threaten to destroy the possibility of recovery within the region.

### ***Financing the Commission***

The administrative expense of the Commission will be shared on a 50-50 basis by the State and Federal governments after the second year of operations. During the initial 2 years, these expenses will be borne through Federal appropriations.

Request for fiscal year 1965:

Administration -----	\$1, 000, 000
Technical assistance -----	1, 700, 000
Research -----	900, 000
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	3, 600, 000

### ***Federal Review***

At the outset of this program, it is apparent, based on preliminary cost estimates, that the Federal Government will provide the bulk of the investment funds within Appalachia. It is desirable, therefore, that the Federal Government exercise an independent process of decision making before Federal funds are committed. We suggest that the normal legislative and budgetary review processes of the Federal Government be applied to the program and budgetary requests submitted to the Federal Government by the Commission. It would appear desirable that the President designate one Federal official to review the programs of the Commission as they relate to various Federal agencies and programs. Similarly, this Federal official would be responsible for receiving the annual program and financial plans of the Commission, obtaining such agency views as might be

appropriate and presenting these program and financial plans to the Bureau of the Budget and the President for approval.

The structure of the Commission and its relationship with the Federal Government has been a matter of prime interest to the Governors. Although the consensus of views has resulted in the above recommendation, the Commission should use every means to refine and improve the structure in accord with experience in action.

Among suggestions offered, one has been that the Federal Government should be represented by a full-time special assistant to the President.

To make effective the Federal Government's participation in this program, it was also suggested that the President create a Council for Appalachia in the Federal Government (composed of representatives of all the Federal departments and agencies whose programs affect the Appalachian States) under the direction of the Presidential assistant.

Under this plan, the Presidential assistant, in meeting with the State representatives on the Commission, could make effective the Federal participation in decisions reached, since the Presidential assistant with the full interest of the President behind him, could maintain an effective liaison with Federal departments and agencies.

### ***Financing the Appalachian Program***

While it is apparent that the Federal Government must furnish the bulk of the necessary capital investment to start the region on the road to development, state, local, and private interests must contribute their share to the extent feasible. Furthermore, ongoing, already authorized Federal and State programs should not be diverted from the region because of this new concentrated effort.

Accordingly, the following financing methods are recommended:

#### **DIRECT FEDERAL PROJECTS**

For projects already authorized by the Congress, the Commission's views on requirements for any budget year would be transmitted to the coordinating Federal official who would obtain agency views and make recommendations to the Bureau of the Budget. Such recommendations would be considered in connection with the regular budget review process and included where deemed appropriate in the performing agency's budget. For projects requiring prior authorization by the Congress, a similar procedure would be followed in drafting authorizing legislation.

## GRANT-IN-AID PROJECTS

In most grant-in-aid projects, the initiative for the project must begin with the State or local community involved, and local financial participation must be assured. Many Appalachian communities, because of their economic circumstances, have not been able to take full advantage of existing grant-in-aid programs. To alleviate this problem, a special fund should be established and allocated to local communities to help them meet the local share of existing grant-in-aid programs. The special fund should be appropriated to the coordinating Federal official, who should base his allocations on a recommendation from the Commission.

Request for fiscal year 1965----- \$10,000,000

For grant-in-aid programs requiring *new legislation* the same principle should be followed; a minimum Federal sharing formula should be established with additional funds provided to make it possible for particular communities to participate. Such flexibility will permit consideration to be given to special needs of the most distressed communities without making the Federal share unnecessarily high for the more prosperous communities.

## LOCAL DEVELOPMENT DISTRICTS

To increase local financial contributions to economic development projects and permit maximum flexibility in the types of projects to be undertaken, the Commission has recommended a program for financing local developmental activities through State and local development organizations.

If local development districts are to be successful, financial assistance of two types is necessary. First, aid must be supplied to ensure the employment of a small staff of professionals where none exists, and to supplement such staff where in existence. To encourage this necessary staffing, administrative expenses for these organizations should be shared by the organizations and the Federal Government for the first 3 years of the organizations' existence; the Federal share should be 75 percent to the local unit's 25 percent. Federal funds for this program are included in the technical assistance request for the Commission.

Second, means must be established which will permit these local units to obtain adequate financing for their development programs. Without such financing, community impetus and continuity of development programs which must be nurtured for realization of the developmental process the Commission seeks to foster will inevitably be frustrated.

Yet, at the outset these organizations will not have adequate recourse to the normal private money market of the Nation because they will lack proven credit records, and because of the relatively small size of their offerings.

In recognition of these factors, a bridge to the private money market is clearly called for and Federal assistance, in the early stages, is required if the indispensable plans of these development organizations are to be realized. The Commission, therefore, recommends that this bridge be supplied by a federally chartered mixed-ownership corporation.

The corporation would require an initial capital investment by the Federal Government and authority to issue its own taxable obligations. These funds would be used to purchase, under suitable criteria, the obligations of the local development districts. For each such purchase the district or the State in which it is located would purchase a capital interest in the corporation. Through the corporation, an adequate supply of funds could be made available at reasonable interest rates. Except for the capital investment, there would be in all probability no net Federal expenditure involved other than for temporary periods, and over the long term the ownership of the corporation would be gradually transferred to the States and the Federal investment retired. The Federal financial support for development districts should not be used to finance directly through a development district the cost of industrial plants, machinery, or working capital.

Since it will take time to set up the local districts and provide for the mechanics of the operation, the corporation should be authorized along with the rest of the Appalachian program, but need not be activated until after fiscal year 1965.

### ***An Interim Organization***

The Commission offers one final recommendation to insure the continuity of effort in Appalachia in the interim between the submission of this report by the President's Appalachian Regional Commission and congressional action to establish the recommended Appalachian Regional Commission.

Prior to the time the Congress acts to establish a new unit, a significant amount of work remains to be done if the new unit is to function immediately and effectively. Basic policy questions must be studied and solutions developed; an inventory must be made of the region's resources and plans must be developed to harness those resources effectively; detailed planning must go forward on the development highway system, taking into account the proposed location of other facilities such as new water projects, training and retraining centers and other needed public facilities; and the individual projects called for in this report can be placed into a perspective of priority.

Therefore, the Commission recommends the establishment of an interim organization which would resemble, in membership, the President's Appalachian Regional Commission; a membership comprised of representatives of the several States and the several Federal agencies most involved in the study just completed by PARC.