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DEPARTMENT OF EDUCATION

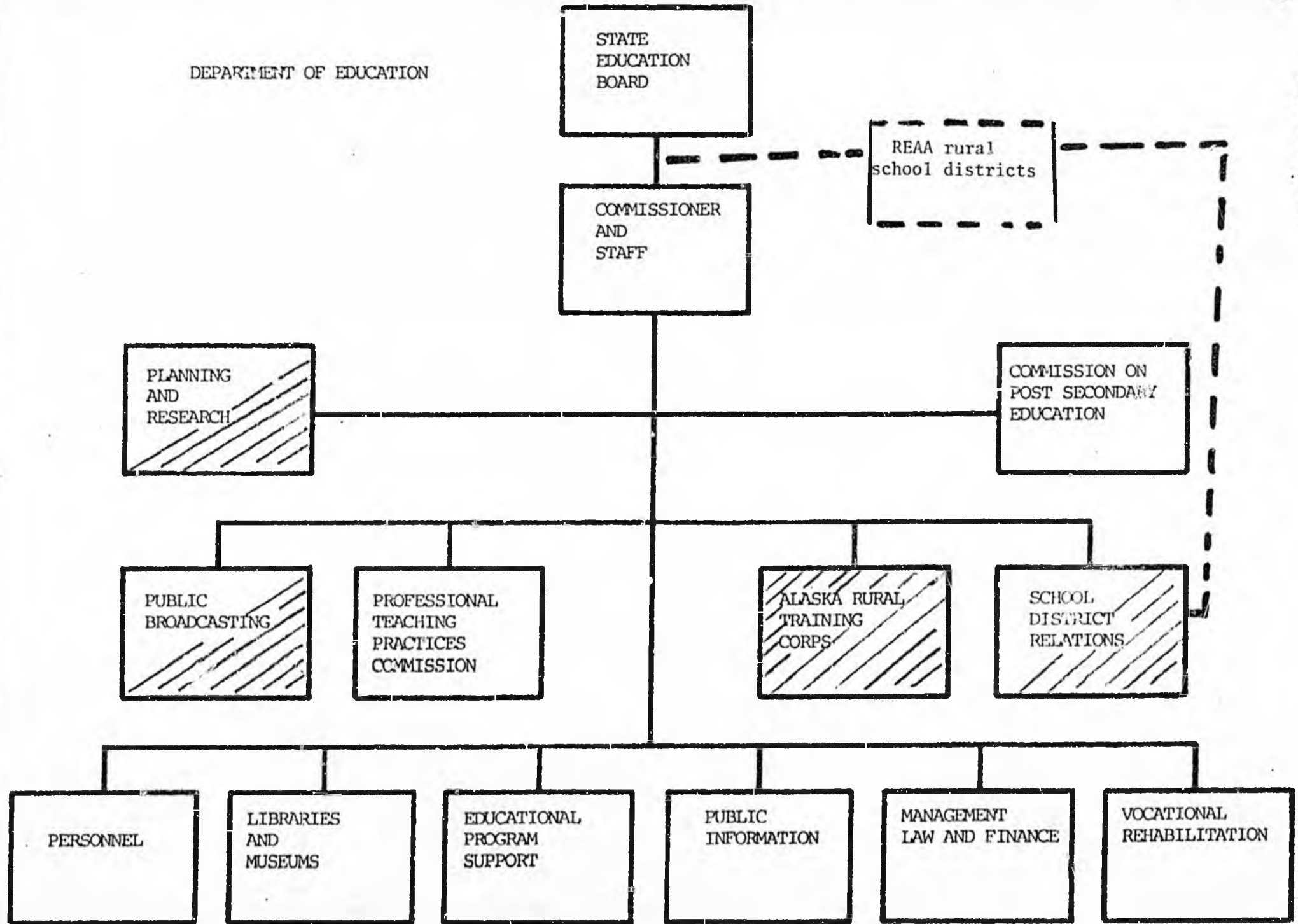
The Department of Education no longer has a direct rural field operation as it did up until the creation of rural independent school districts (although 100% state supported).

The REAAs could be treated as an offshoot of the department, but since they also represent a very significant element of region-wide locally elected government in rural Alaska, they are best treated as separate entities.

The significant divisions of the department therefore are the ALASKA RURAL TEACHING TRAINING CORPS, SCHOOL DISTRICT RELATIONS, PLANNING AND RESEARCH, and the PUBLIC BROADCASTING COMMISSION.

The Public Broadcast Commission has significant rural impact, since that agency is in charge of expanding public radio stations in the rural areas of the state. The stations provide a unique sense of community contact in rural Alaska and provide a vital communications link.

DEPARTMENT OF EDUCATION



DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

The department is a merger of the old Department of Economic Development and the Department of Commerce. The Development function has largely become the Division of Economic Enterprise, which carries out some research and keeps basic state economic data.

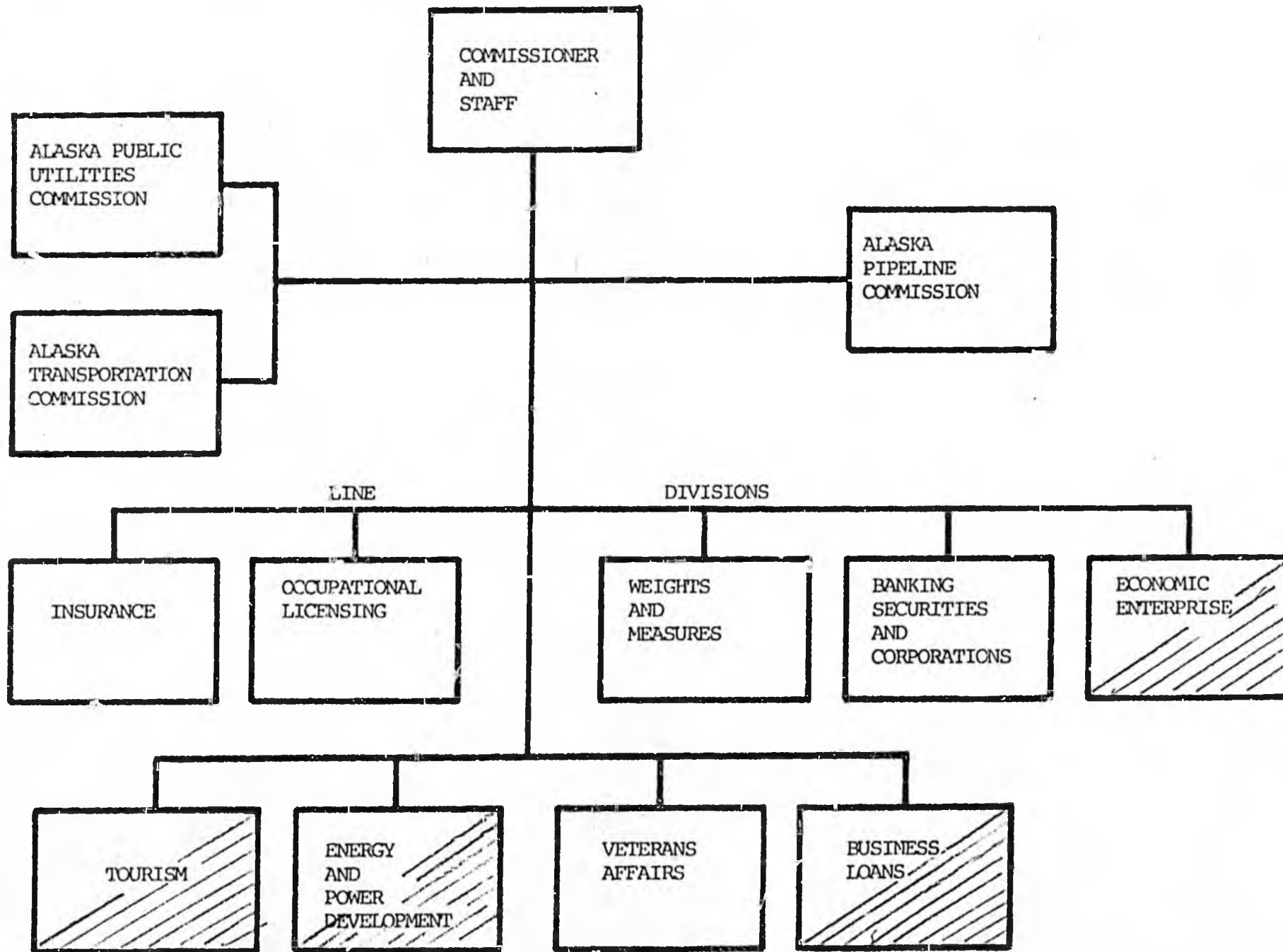
However, the department could take on substantial rural interests if the state becomes the department to which a variety of state loan programs are assigned under the current condition of excess revenue. The department already operates the state's business loan program.

The department could also take on various roles in terms of management assistance to development corporations, and could become "home" in the event rural conditions required an occasional "state corporation" to carry out certain functions.

Commerce to date has been something of a collection of state regulatory and licensing functions. However, in the future the role of the department may be well worth considering as a partner in carrying out a rural economic initiative.

Development related authorities, although more independent, tend to be attached to Commerce. Currently the Alaska Housing Authority, the Alaska Housing Finance Corporation, Alaska State Development Authority, and the Alaska Power Authority, all of rural development significance, are attached to the agency.

COMMERCE AND ECONOMIC DEVELOPMENT



OTHER STATE DEPARTMENTS

The other state departments do not carry out what might be termed either rural field operations or definitive rural policy.

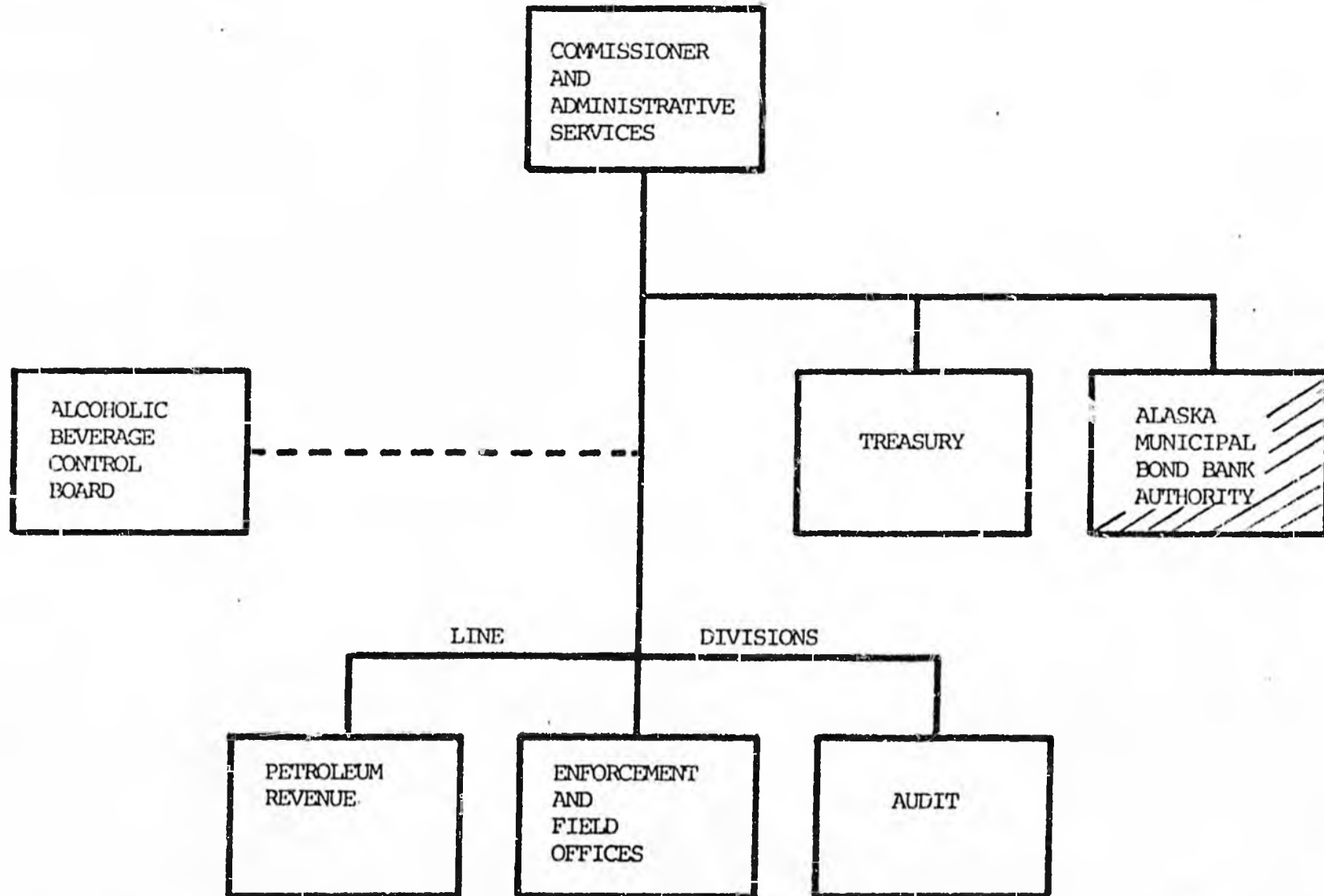
The remaining departments are the departments of:

- REVENUE
- LABOR
- ADMINISTRATION
- LAW
- MILITARY AFFAIRS

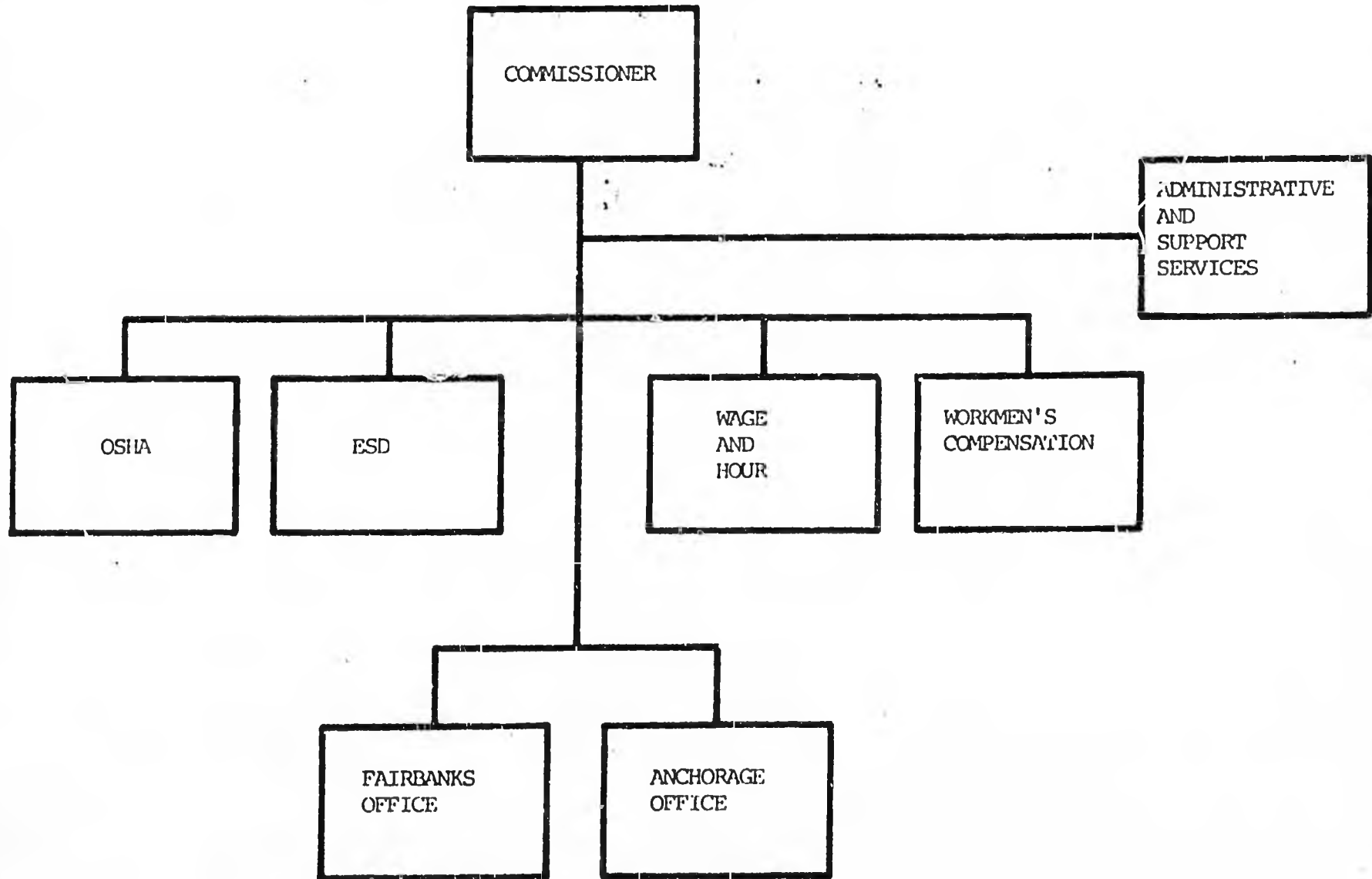
Each department has some rural functions, and several could at some point take on significance. For example, the functions discussed in relation to the Department of Commerce (loan funds etc.) might end up in revenue under new policy. Military Affairs includes the rural Alaska National Guard, and an active Department of Labor could have rural impact via innovative affirmative action programs.

It should be noted that one of the state's first corporate structures for handling a margin of excess revenues for investment, The Alaska Renewable Resources Corporation, was attached to the Department of Revenue (although independent in authority).

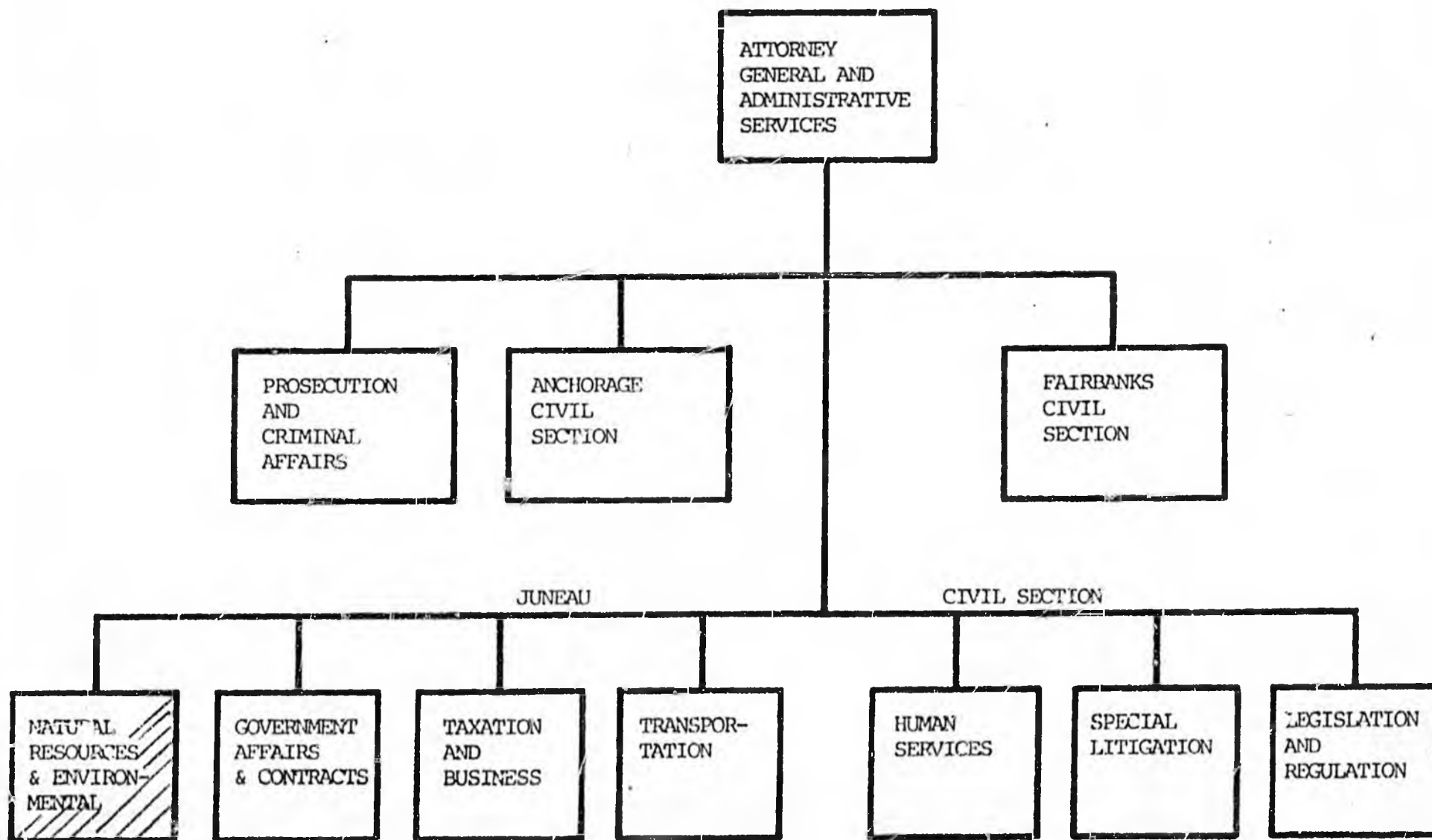
DEPARTMENT OF REVENUE



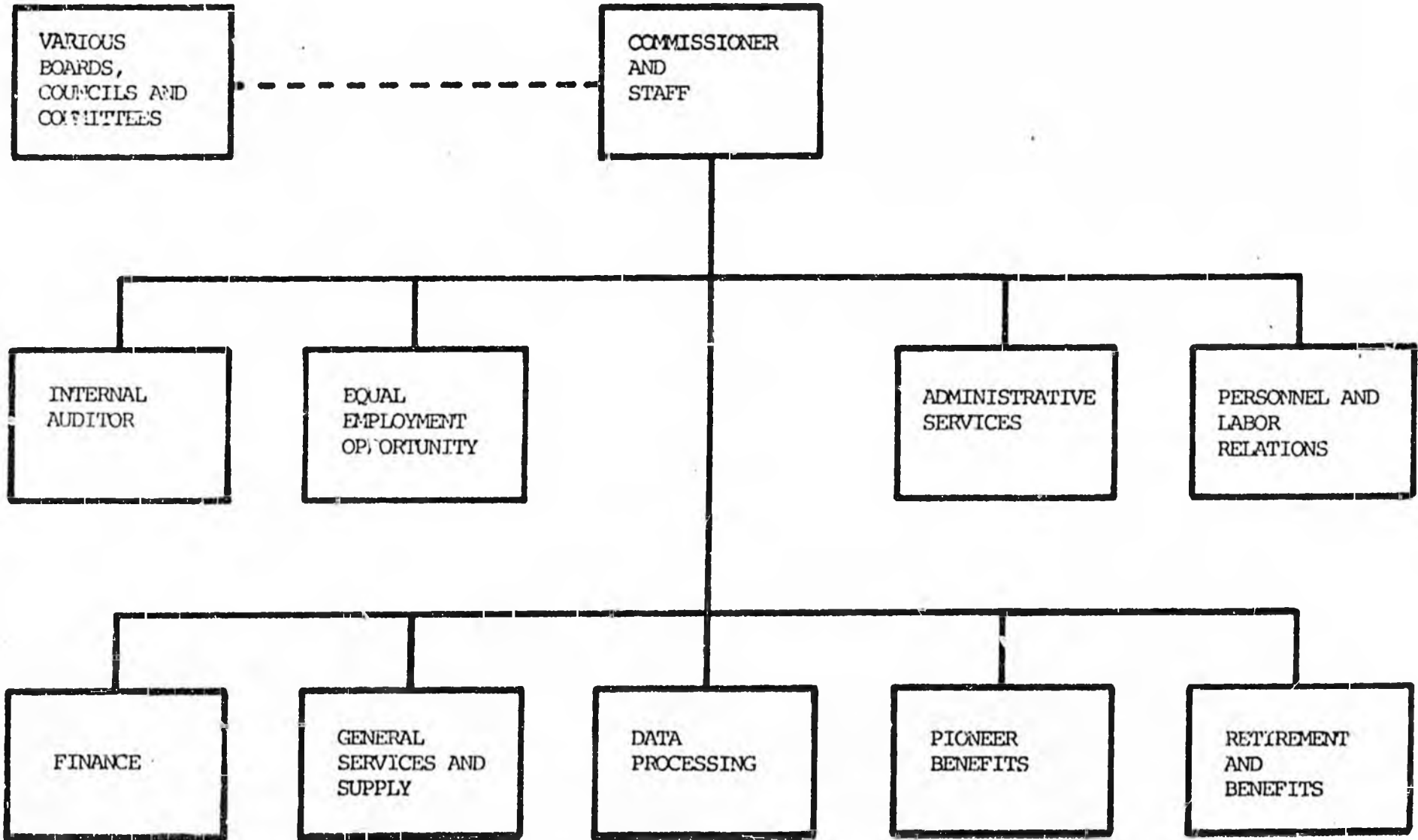
DEPARTMENT OF LABOR



DEPARTMENT OF LAW



DEPARTMENT OF ADMINISTRATION



OTHER SIGNIFICANT QUASI-STATE STRUCTURES

Two other organizations with significant rural organizations and/or impact which must be considered are:

--THE RURAL EDUCATION ATTENDANCE AREAS (REAAs)

--THE UNIVERSITY OF ALASKA (and Cooperative Extension Service)

The REAAs are significant in that they provide a framework of universal local government in rural Alaska where there previously was no such framework. The function of the REAA is education, but regardless, it represents a source of input, decision making, and even possible administration from "duly elected" representatives of the public.

This paper does not suggest requiring REAAs to necessarily function beyond the educational function. However, in the past leadership and input in rural Alaska often came from non-elected leaders since there were no comprehensive other governments. The REAA structure now DOES PROVIDE for a source of input from "elected leaders."

Additionally, on a voluntary basis the REAAs could function as an administrative organization carrying out an assigned function, contract, or providing the framework for administration of some function on to a smaller and less able rural community. In any event, the REAAs provide a basis for rural regionalization, and a basis for a possible relationship to a rural economic initiative.

The University of Alaska has also grown into a statewide institution stretching from Ketchikan to Kotzebue, and functioning in rural areas through the Cooperative Extension Service attached to the university structure. The university in Alaska is also charged with post-secondary education delivery far beyond the "classic university." The university structure could prove valuable in training, management assistance, in technical assistance to communities, and in many other respects.

THE PRIMARY RURAL "FIELD AND POLICY" DEPARTMENTS

This review of state function and organization reflects certain key agencies which have useful rural field organizations. Those agencies therefore "stand-out" for selection in the sense the state's rural service organizations must be coordinated in relation to a rural economic initiative.

Agencies with primary field organizations are:

- 1) DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS
- 2) DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES
- 3) DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Agencies with primary policy impact:

- 4) DIVISION OF POLICY AND PLANNING (Office Governor)

PRIMARY RURAL AND FIELD POLICY DEPARTMENTS (Continued)

Agencies with secondary policy impact:

5) DEPARTMENT OF NATURAL RESOURCES

6) DEPARTMENT ENVIRONMENTAL CONSERVATION

Agencies with special rural relationship:

7) UNIVERSITY EXTENSION SERVICE

8) RURAL EDUCATION ATTENDANCE AREAS (REAAs)

STATE ADMINISTRATION TASK FORCE

The primary state agencies listed above are essentially a "de facto" rural problem task force and rural projects coordinating group (minus University Extension Service and REAAs)

Their role is a "de facto" one that exists whether formalized or not. The inherent responsibilities of the departments mean they can either function on a less formal basis, even to the extent of coordination via destructive "turf battles," or their existence and functional relationship can be recognized in any degree from simple "mutual recognition" and agreement to appointment to some highly institutionalized structure. It is likely in most instances that policy issues or projects will affect only a limited number of the above agencies.

THE ROLE OF STATE "RURAL DEPARTMENTS"

The previously discribed "rural" oriented departments can be marshalled to provide efficient new state service programs in rural Alaska. The structure of state government is simple enough in Alaska, and the structure of the departments in question is simple enough, to achieve coordination and cooperation. However, what is meant here is relatively "established" concepts of state services.

Next, as local government is created in rural Alaska, these respective departments likely can achieve a relative successful measure or cooperation in aiding that government, and in providing a measure of "substitution" where the local government framework is inadequate. It should be remembered that the difficult natural basis for local government in rural Alaska, may make the latter (substitution) the probable route for some years to come.

Last, we should recognize that the departments are primarily "service" departments with a broad range of responsibilities. Hence, their role as a rural advocate, or moreso, as a rural development advocate, may pose many conflicts. It is therefore likely that a structure designed for economic advocacy in rural Alaska must exist outside the departmental structure. Some seperate structure must be present to act as a rural advocate, leaving the departments free to cooperate and at times to oppose projects and proposals. However, the advocate must be present to push concepts into the policy forum.

Additionally, rural problems exist because their are a special set of problems, hence a special advocate. Hence, a rural structure is needed to isolate attention to those rural problems, but by nature that institution should be temporary and likely close to the seat of political policy.

Lastly, a rural advocate charged with the problems of developing a "private" rural economy, faces a sphere outside the usual provinces of government. Crossing into that opposite sphere is difficult, is likely beyond the capacity of routine departments with a myriad of other problems and demands, and will require a continued support and awareness of the makers of political policy.

Hence, a structure charged with rural economic advocacy will have to function separate from the service departments, will likely have to remain free of "service" attachments of its own, will have to stand "between" government and the private sector, and will have to draw on a sustained executive/legislative political support (rather than a bureaucratic support).

The advocacy of rural development on occasion will be able to deal in "marco-size development," in attempts to tailor large projects to support rural needs. But by-and-large the structure will have to face the task of "micro" development, of thinking small for small communities, in terms of a half dozen jobs instead of a thousand jobs..

A STATE "ADVOCACY STRUCTURE:"

--FOR ALASKA RURAL ECONOMIC DEVELOPMENT

*Already  
given C/RA mbrs*

January, 1980

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This report suggests several alternative policy structures for guiding a special process of encouraging private economic development in rural Alaska, and for giving that process a "sustainable" emphasis over an extended period of time.

The suggested structures ARE NOT solutions in themselves, but merely represent functional vehicles that can help develop and sustain effort to create a private economic base in rural Alaska.

The proposals inherent in this report are based on the serious conditions of the economy of much of rural Alaska. Additionally, they make a case as to why the "present" might provide special conditions, resources, and a timeliness in attacking such difficult conditions.

#### PURPOSE IN THE BROADEST SENSE

In the broadest sense, the purpose of a special structure is to marshal, coordinate, and sustain existing and potential federal, state, and private resources capable of contributing to growth of a private economic base for the rural communities and regions of the state.

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Further, the structure should provide a single focal point for involving rural Alaska people in the process. Such a structure would be a first attempt at building a state-relationship with Alaska rural development's most unique partner --the native land claims corporations.

The private land, capital, and social base of the rural village corporation represents a grassroots structural resource in itself. The availability of such a field-level structure in a depressed region is a most favorable circumstance of infrastructure in such general conditions of third-world economic void. However, the state has essentially ignored the existence of the corporations and any inherent state interest in their success or failure.

Any structure must also address "community development" issues basic to a private economic base. However, care must be taken that community development does not dominate the structure, or tend to divert energy from more difficult to resolve economic tasks.

The most important purpose of a special structure must be a strong "missionary dedication" to creation of private economy in rural regions.

#### THE SPECIAL "PRIVATE" CHARACTER

Two basic features of the mission of rural development in Alaska appear to justify a special structure of government, whether that structure is temporary or permanent.

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First, the charge to generate a "private economic base" is not a familiar role of government. Second, responsibilities of such a policy effort tend to overlap the established categories of government programs.

#### THE NEED FOR SPECIAL EMPHASIS

Special emphasis to a problem outside the bounds of traditional government services is difficult to achieve for line-agencies. A mission may be so critical, and so varied, that indeed it MUST OPERATE BEYOND THE BOUNDARIES OF TRADITIONAL SERVICE AGENCIES. But architects of such things "beyond" the bounds of those service agencies, often fashioned as so-called "coordinators," must concede that more often than not, such creations become quickly isolated and powerless to carry out their tasks within government.

A purported "special structure" cannot hope to invade the "turf" of entrenched agencies, unless first the legislature is thoroughly convinced of the depth of the target problem, and secondly unless the state executive is equally convinced.

In order to avoid the inevitable muted-isolation of such a special structure, the construction of the unit must build in strong political backing and involvement. Such backing is essential precisely because such a structure is being asked to INTERFERE WITH THE ESTABLISHED ROUTINES OF OLD LINE AGENCIES, or is being asked to "reach" where they cannot reach.

Confronted by an "outside structure" charged with coordination, or the like, an established line-agency will generally take the easiest path. Generally that easiest path is to resist outside interference. Only if there is a very strong commitment in high level policy ranks, or after an agency gets its fingers slapped, will traditional agencies opt to "cooperate." since that then becomes their "easiest path." In other words, in constructing a special structure policymakers must analyze how to give a separate structure special "clout."

A special structure, in commission or agency form, and whether permanent or temporary, cannot be justified unless lawmakers are convinced of the following:

- (1) . . . that the economic problem in rural Alaska is catastrophic in scope, or lacking that extreme;
- (2) . . . that the mission does not fit traditional program agencies, or spreads beyond the bounds of a number of agencies;
- (3) . . . that the problems require a special emphasis, or perhaps are problems easy to slide off for "future action," therefore tending to submerge the mission under the day-to-day crisis of a department.
- (4) . . . that the problems are so serious and complex that a line agency lacks the "clout" to deal with the issue, or to initiate action and propose solution without special political backing.
- (5) . . . that the mission is genuinely not to "run program," but rather to coordinate and provide muscle for other existing state programs and resources, and to provide the same between government and other institutions (federal, state, local government, non-profit, private).

Additionally, inherent in many of the foregoing criteria is that a special rural development structure should be cast in the role of "advocate." The role of advocate could pose inherent conflicts within some departments, and in the case of a planning agency may compromise that agency by presupposing the outcome of careful planning work. The role of the planning agency may require a very close partnership with the advocate agency, but the planning agency may be something of an alter-ego partner, being required to occasionally criticize and oppose the more active advocacy of its alter-ego partner.

#### THE MEASURE OF THE ALASKA "RURAL ISSUE"

The measure of the problem of "rural economy" in Alaska measures very high against most of the previous criteria. Individuals may differ in assessment of degree of the problem, or in the nature of solution, but few are likely to disagree that the condition of the state's rural community economy is indeed catastrophic and has been for more than three decades.

From another view, economic events of the past several decades in Alaska have wrought tremendous growth and changes in urban Alaska. But the economic gap, as well as the sense of alienation between urban and rural Alaska, has widened. This division also tends to follow unfortunate racial lines among Alaskans.

The economic contrasts of rural and urban Alaska presents a picture of prosperous urban islands floating in a sea of rural economic depression.

Whatever the cause or whomever, . if anyone, is to blame, the economic condition of much of rural Alaska is undisputably a human tragedy and an embarassment to our democratic economic systems.

#### SPECIAL OPPORTUNITIES OF THE PRESENT

It is difficult for our system of government to reach into the private economic sector and participate in constructing economic equity. The independence and separate dynamics of our government systems and our private economic systems do not always relate to each other. However, in critical times our systems, while perhaps slow to respond, have generally proven able to rectify glaring inequities.

Looking for the means to build a public/private relationship, a case can be made that unused federal resources are available. Additionally, it appears that federal economic policy is shifting to emphasize priority policy: . . . that only "private jobs" can resolve severe economic problems in the long run.

Present federal policy is shifting resources to rural and development initiatives that stress private development and private employment. These so-called "White House Initiatives" hold out great opportunity to those who are ready for them, for those who can put them together with other available resources, and for those like Alaska, that have a genuine underdeveloped rural base that is starved for "risk capital."

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CURRENT ACTION

Recognizing the federal opportunity, the Alaska Legislative Budget and Audit Committee, together with the State Administration, has been working to put together a series of federal/state agreements designed to coordinate federal economic resources through a single federal lead agency, and to put that agency together with a state working counterpart.

The effort would be to coordinate federal resources of value in a rural economic initiative, to maximize those resources, and to clear federal/state barriers to development (regulatory, etc.) on a timely basis.

The state working counterpart would be WHATEVER SPECIAL STRUCTURE THE LEGISLATURE AND EXECUTIVE chooses to approve (which is the primary subject of this report).

PRIVATE RESOURCES

A case can be made also that private resources are now available for rural development that were not present in the past.

The native corporate structure has matured and gained experience in the last eight years. The capital assets of the native corporations, and especially the village corporations represent a "resource" that should be assisted by state and federal development policy.

However, the capital of native corporations in many respects is no different than any other capital. Despite the fact such capital has a social base in the form of resident community stockholders, such capital must still find and/or develop viable projects which offer both reasonable security of the investment and adequate return. It must be stressed that under the law, the native corporations ARE NOT social welfare organizations, but are established as profit making private corporations. They have the same problems in facing high risk frontier development as other corporations, except that their personal motivation to "do it" in the face of higher risk is likely stronger. However, it is possible that the proper use of state and federal resources, in conjunction with native corporate resources, might be able to reduce risk to native capital and encourage the flow of such assets into rural development.

The current proposal to pre-pay the remainder of the state's obligation under land claims settlement will also add significantly to the financial base of native corporation capital. Such an action may be the single largest, and the simplest action, the state can take in regard to rural development.

The private land and resource base that is a part of the land claims structure is also a significant factor in rural development. The goal of a state structure should be to help assist and direct capital to grassroots rural development, regardless of whether that capital is private, state, federal, or native, and to encourage the use of state, federal, and native land and resources in a coordinated fashion in behalf of encouraging a rural private economic base.

Additionally, Alaska financial institutions are now considerably stronger and more varied than a decade ago. They have stronger ties to outside institutions, and due to such world scale developments as Prudhoe Bay, new significance of fisheries resources, a capital and resource base from land claims, Alaska commands a respect far beyond the measure of its present economic production.

#### STATE RESOURCES

The chief asset of the state is its "position" to act as a focal point in bringing together available existing resources, and to apply to an effort to construct a viable rural private economy.

The state must be, and is the natural initiator of a search for, and a marshalling of, economic resources. Obviously, federal agencies do not come seeking difficult and often risky development efforts.

The state also has basic resources of its own to offer that it did not have a decade ago. The state has the ability to act as initiator of community services related to private development, such as utilities, transportation facilities, and technical assistance. The state has the ability to participate in capital, or to attack basic private financing issues such as fire insurance in rural areas. The state has a "field network" available through program agencies, which with proper coordination, could assist in both local community development and private projects.

The state also offers a superior basic structure with which to coordinate with federal institutional participants. The Alaska structure has a strong central line of authority leading from the governor, and is vastly different than the fractured multi-elective structure that exists in many other states.

#### THE ALASKA DIFFERENCE: LENGTH AND DEPTH OF COMMITMENT

Alaska requires a long-term commitment to rural economic problems. The state's rural problems are not a result of recent economic recession, or existing sick industries, the problems are a result of more than a quarter century of economic collapse and difficult cultural adjustments. The Alaska effort may require the better part of a decade..

It is here --in length and depth of commitment-- where Alaska differs markedly from the manner in which other state's will approach the development of SPECIAL FEDERAL AGREEMENTS to enhance private economic development. A review of the few existing agreements, and potential agreements, indicates that the agreements appear geared towards one or two "priorities-of-the-day." They seem to carry a hidden presumption of temporariness about them, and lack a strong tie to "joint" executive/legislative commitment and development of intrastate mechanism to focus on more than the "issues-of-the-day." In this respect it is likely the initial motivation of Alaska is different from other states.

In reviewing the federal opportunity for both the state to command and coordinate federal resources, there appears to be a significant opportunity for Alaska to be the only, or at minimum one of the few, states to approach the agreements with a much longer range view in mind.

Alaska has the opportunity to get the federal government committed to state rural development, committed to special treatment and coordination, and to keep that commitment going for a prolonged period. However, in order to command the long-term commitment of the federal government the state must first itself be committed.

As previously stated, economic initiatives under our separate public and private policy systems require a deep commitment to bridge the gap. In Alaska this means a commitment of the executive and the legislature, and further a broadbased commitment within the legislative body. Oddly, the effort must command the commitment of the urban legislator and the perception that the effort is also vital to the urban economics of the state.

Commitment of rural policymakers to such an effort is something to be taken for granted, with some exceptions. However, rural backing and rural development as a "rural issue, can isolate the effort as a regional issue, and one therefore eligible to be pushed, shoved, cut, threatened, bargained, and generally politically played-out in the precarious wars of short-term legislative policy. Unfortunately, long term issues requiring a breadth and depth of commitment, issues needing an expectation of sustainability over time, do not always fare well in the battles of more immediate political pie-cutting.

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However, the commitment of urban legislators could provide the commitment to rural development the sustainability it needs. Urban lawmakers have an interest of their own in an expanding and healthy rural economy.

Previously Alaska was described as a series of urban economic islands floating in a sea of economic depression. Whether that picture is overstated can be argued, but the lesson of the portrayal cuts both ways. The picture not only reflects a non-existent rural economy, and all which that infers, but equally a precariously isolated urban economic structure.

The picture is one of precariously narrow urban economies based primarily on government spending, cycles of construction and singular resource development booms, and one of urban communities failing to develop themselves as broad commercial centers serving a growing economy far beyond their own borders.

In other words, for the state's narrow based and isolated urban economies, rural development is "urban development." It is not only urban development, but offers a strongly stabilizing ingredient for the urban economic structure. It is almost impossible to undertake development in most rural areas of the state that does not benefit the urban commercial centers. However, the converse is not true, since urban development may hold no benefits for rural communities.

Urban policymakers may also consider the long-range ramifications of continued neglect of a rural economy:

- (1) . . . that the urban/rural economic contrast is both a serious ethical and functional problem for Alaska.
- (2) . . . that the end-results of continued rural economic poverty tend to become urban social and economic problems due to out-migration into urban areas.
- (3) . . . that in future general economic constrictions, urban unemployed will tend to outmigrate from the state, but that the rural unemployed, represented mostly by native Alaskans, are unlikely to outmigrate except to urban areas due to deep cultural ties.
- (4) . . . that while Alaskan urban economies have grown dramatically over the past several decades, those economies remain narrow.
- (5) . . . that in order to develop a stable commercial center, the center must have an economy to serve "elsewhere."
- (6) . . . that rural development promotes both direct, and indirect economic activity for urban centers.
- (7) . . . . that rural development expands opportunity for larger scale rural resource development, since expanding economic benefits will increase confidence of both urban and rural parties that that such "development" can be managed for mutual benefit.

There must also be an awareness that rural Alaska needs a scale of development we might term "micro development." However, urban interests tend to key on "macro-development" scale projects, projects on a scale where it is often simply assumed that there is enough "economic fall-out" to benefit everyone. However, this is not necessarily true, and especially so for non-urban areas.

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Carefully managed "marco-scale" development may be made to pay some dividends to rural Alaska. But what rural Alaska does need is micro-development, development that is small, not nearly so exciting and romantic to advocate for policymakers, but which fits the needs and the life-style of rural communities. In a sense, a structure charged with rural economic advocacy will need to learn to "think small," and it will take some adapting on the part of policymakers to think in terms of thousands of dollars, tens of jobs, and etc., instead of on sweeping scales of billions of dollars, world scale resources, and thousands of jobs.

#### THE POSSIBLE ALASKA STRUCTURES

The purpose of creating a structure is to provide a functional vehicle for policy focus, and to put the label "special" on the structure. Such labeling tends to put the structure, and the policy community, "on notice" that they intend to do something, and to invite scrutiny if they show a lack of performance. A special structure also tends to isolate itself sufficiently to invite participation of interested parties.

Three types of structures appear possible:

- (1) A SPECIAL COMMISSION, responsible to the Governor, and working out of the Office of the Governor.
- (2) AN OFFICE created within the Office of the Governor. A small agency essentially part of the executive staff.
- (3) Assignment to an existing agency with related interests, either creating a new unit thereto, or reorganizing an existing unit.

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The basic alternative "settings" for a structure will be discussed in terms of the least viable first.

#### Assignment to Existing Department

The assignment of the task of rural development advocacy and coordination to an existing department immediately relegates the issue to whatever is the status of that agency.

If the agency is a sub-unit of an existing division, of an existing department, then it is likely the federal government would view the state effort in much the same manner of other states --that the structure has one of two priorities and little other interest.

It is not the intent here to be critical of the ability of any one of several possible agency operators, but rather to suggest that it is asking alot of a sub-component agency to be able to become not only an interagency coordinator among state agencies, but also between state and federal governments, and between government and the private sector.

As a sub-component within a line-department, a rural economic development initiative would first have to command its fair share of attention by department heads from among the "daily crisis" of regular operating programs.

Next, since such a rural effort would reach beyond departmental confines, not only would the rural effort have to battle for survival among competing demands within the department, but also it would have to survive among competing demands outside the department. Such a program would constantly require the department chief officer to run interference in coordinating problems with other departments, as well as with key players in the governor's office and with other institutions. The sub-departmental assignment can be made to look good on an organizational chart, but likely asks a line-agency chief, already besieged with enough operational problems, to unrealistically wear thin their welcome in "unhappy" interdepartmental "turf" battles, much less to provide the "extra-energy" to provide leadership to draw together federal, state, and private interests.

The fact remains, that programs are just that, they are designed to deliver an established service in a beneficial manner and with a minimum of bureaucratic boat-rocking both "within and "without" the departmental organization. A department may well prove the exception, especially if it is new and must find its policy niche, when there is exceptional political backing, or when there is unusual leadership.

However, in viewing something as complex as a rural development effort involving multiple departments, governments, and other institutions, the process appears to supercede the primary "operations" role of a state line-department.

The structure must be capable of:

--FIRST, capable of refining its charge to projects which can be accomplished. The structure must participate in selecting rural priority efforts.

--SECOND, it must determine who, if anyone, is presently charged with a needed function, must encourage rural responsibilities be assigned departments, and give backing to departments in carrying out their rural functions.

--THIRD, the rural structure must be capable of some leeway in independent articulation. It cannot be just the state administration's spokesmen, since one of its purposes will be to inject "unfinished ideas" into the"

- executive policy forum
- legislative policy forum
- private policy forum
- and the public forum

--FOURTH, the rural structure must plow new ground in that it should not be a GOVERNMENT PROGRAM, but must be a facilitator of private effort. It must strike a respectful partnership with the "private policy" sector.

--FIFTH, the structure must be cast in a role of "advocate" for rural initiative --for rural action.

Last, there is always the very real problem of the tendencies in an operational department to convert potential of a popular effort into gain for its own agency budget needs.

If a departmental placement for structure is to be considered, there are a number of potential candidates with rural field organizations. Key among them would be the Department of Community and Regional Affairs, and the Department of Transportation and Public Facilities.

Additionally, the Division of Policy and Planning (DPDP) in the Office of the Governor, would serve as a home for such a structure, either as an integral portion of the division, or as a more defined sub-component like the Office of Coastal Zone Management. However, there could also be conflicts of fundamental roles. The rural effort needs the partnership, the resources of DPDP, and DPDP should be encouraged to build a strong rural planning component. But DPDP also may need to be the alter-ego of the rural structure, as it functions as rural advocate. It would appear DPDP's planning role should be to put the product of advocacy into a larger scheme, and as alter-ego be the necessary critic of the much more activist rural advocacy agency.

#### A CABINET LEVEL AGENCY

The creation of a special agency in the Office of the Governor is perhaps the simplest creation. Such an office would be small and it is likely its ability to function, and command policy attention within that framework, would be largely dependent on the capability of the person heading such as office.

The office could serve well enough as the focal point for state interaction with the federal/state interagency agreements. And, in terms of carrying out the intrastate functions of the federal/state agreements, such an office would probably be able to carry out its task of state department coordination.

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However, open to question is whether such an office could carry out the "expanded" mandate of a significant rural development initiative. Since rural Alaskans, and legislators, would not be on the inside of such a construction, it is likely the tendency would be for those interests to become critics of actions, lack of actions, or both.

It is also doubtful that such an office left simply in that form, could be the injector of unfinished ideas into various forums, or if so, that the injection would tend simply to be into the executive policy forum shielded from the dynamics of more public policy forums. Additionally, circumstances would tend to make the office "spokesmen" for the state administration on rural economic issues, limiting the dynamics of the structure.

If a simple agency structure is selected, then effort will be required to give the office high prestige, and to provide it with staff. The dimensions of the office might be expanded by merging the function with the Private Industries Councils created federal Title VII, thereby providing the agency with a rural private outreach and some dynamics of rural "input." However, at this point the Office begins to take on the posture of the commission/agency form of structure.

Under conditions of other times a modified Office structure could suffice, but today the senior policy structure of the state is virtually besieged by "macro-issues," such as d-2, OCS, bottom fishery, gas pipeline, gas liquids development, excess revenue policy, Beaufort Sea development, and many others.

The heavy burdens of Alaska policy going into the 1980s would appear to suggest that a long-range rural policy structure must be given "something extra" to program it for survival.

#### STRUCTURAL SETTING

The structural setting of a cabinet level office would be much like the other "offices" of the governor, except that a portion of its responsibility would face "outward" from state government to interface with the federal interagency agreements and the federal/state joint function. In many respects the structural arrangement of the rural structure need not be much different if developed in a "commission" form.

The special office could be flanked on one side by the Private Industries Council (PIC), which could act as an advisory group, even to the extent of merging staff functions. The office should also be flanked by the Division of Policy and Planning (DPDP), which could beef up its own rural planning capability and establish direct liaison with the rural office.

It is preferable under the Alaska strong executive concept that the office be clearly responsible to the governor, and that the governor in the final analysis be responsible for the rural office. The purpose of attaching other involvements is not to erode or substitute for executive responsibility, but to provide some of the special elements previously described. Such features could add political strength by tapping legislative input, involve input from rural advisory features, and achieve status by the involvement of a key political officer such as the Lt. Governor.

However, such features added to a cabinet level office transcends into the third alternative structure, essentially which seeks to construct involvement of other key interests without dilluting the final "executive" responsibility of the office

#### A RURAL COMMISSION/AGENCY STRUCTURE

The third alternative structure initially appears the most complex. However, the appearance of complexity is derived largely from trying to name the main compenents of the rural structure, and determine their basic purposes. In a sense naming such a structure merely formalizes what likely exists in a "de facto" sense anyway.

The concept of the commission structure would simply be to draw together in one place the "key parties" with rural roles, and then to balance out that more institutional group with a balance of rural field representatives. The structure should remain firmly within the executive framework. The policy group would bring together the following components.

- INSTITUTIONAL REPRESENTATIVES, not necessarily limited to state officials.
- LEGISLATIVE REPRESENTATION, providing a balance against administration.
- RURAL PUBLIC REPRESENTATION, providing for non-institutional balance from the rural field areas.
- PRIVATE SECTOR REPRESENTATION, providing representation from private business, possible finance.

The group would be a commission capable of acting as a "whole," but it would also be a commission capable of acting in the form of its natural "parts," the basic components of these subcommittees being drawn from the sectors they represent on the commission:

--DEPARTMENTAL COORDINATING SUBCOMMITTEE

--RURAL ADVISORY SUBCOMMITTEE

--PRIVATE SECTOR SUBCOMMITTEE

In order to allow the commission to function more efficiently it is suggested the governor name an executive committee of five:

- One agency representative
- One Legislative Representative
- Two rural representatives
- The chairman (of the commission)

The structure would be designed to allow, when appropriate, each subcomponent to operate on its own in special areas of concern and assignment. However, at the request of the subcommittees, or the direction of the chairman, the subcommittees would overlap depending on the problem being addressed. Additionally, legislators would be considered members of any of the subcommittees. The system would allow for each subcommittee to specialize in its natural area, with rural representatives minimizing rural outreach and input

The function of the executive committee would be to also operate as the key component in facing the federal government, and in efficiently dealing with the smaller issues of implementing the federal/state inter-agency agreements.

The executive committee would be the state salesperson in the federal market place, seeking to maximize federal resources.

An innovation in the executive committee structure might be to call the legislative representative the "Legislative Co-Chairman." The suggestion is that the legislative co-chairman would not have the same management prerogatives of the chairman, but could be used to maximize the presence of the commission by carrying to the federal level the power of legislative position as well as being charged with rural leadership as (Legislative) Co-Chairman. In considering the latter suggestion, it should be remembered that there is a difference between the "elected" leaders and the agency representatives reception in Washington offices. The elected representatives has no constraints in skipping middle-management, or in the unquestioned right of calling on Washington level political support and in involving them in deliberations. The posturing of the legislative co-chairmanship would solely to an attempt to sustain the rural effort by tapping political power and political presence as the state structure faces Washington D.C. Equally, the Lt. Governor might be used to be the Chairman of the state structure, thus again tapping the political strength and presence of the elective leaders.

The goal of tapping the state's political power structure is to provide a strong and unified executive/legislative policy face towards Washington D.C. (such policy links also facilitate federal links to the state).

In terms of executive functions on the internal Alaska level the legislative position should not violate the integrity of the traditional Alaska executive system. In this area the position of legislators would be that of members.

In terms of the policy structure reaching out for input into rural Alaska, here the legislators could again play a stronger role, perhaps even facilitating common outreach efforts between legislative committees and the commission effort.

#### MEMBERSHIP

The Commission shall be composed of not more than 14-members, with four being institutional members, two being legislators, two being members of the private economic community, and six being members from rural areas.

Legislators could be appointed by the governor, or by the presiding officers of each chamber.

Legislation should provide for the membership of the director of the University Cooperative Extension Service on the commission as one of the four institutional members.

The legislation should name state departments with key rural field and/or planning responsibility, requiring the Governor to name two as institutional members. The legislation should state that other chief administrators shall serve ex-officio at the request of the Governor or Lt. Governor.

The legislation should name the Lt. Governor as an institutional member and name the Lt. Governor as Chairman of the Commission unless he chooses not to serve on the commission. In such event the Governor shall name another Chairman from any of the membership.

Two private economic community members should be appointed by the governor, representing private business and/or financial expertise.

Six members should be appointed who live in rural areas. It is suggested that these members be drawn from a list of nominations from the boards of the Rural Education Attendance Areas (REAAs). Requested should be first nomination of REAA board members willing to serve, and preferably with private business experience in rural areas, and second for nominations other than board members. The intent is to move towards using the state's only region-wide elective rural officers for public input in state policymaking affecting their communities. The legislation should ask that the governor's appointment from those nominations recognize the various rural regions of the state as much as is possible comensurate with a small number of members to be appointed.

AGENCY DIRECTOR AND STAFF

The Legislation should provide for the appointment of the director of the rural structure by the governor.

The gubernatorial appointment makes clear the primary executive loyalty and nature of the structure. Additionally, the act of inviting legislators into a titular role of an executive commission denotes a certain amount of trust between the two branches of government on rural advocacy. As a practical matter, the governor may be well advised to consult with the commission in selecting a director, while making it very clear that the director has the support and confidence of the governor. In this regard, it should be considered that the director will have to function among other department heads in coordinating rural functions. If it is not clear that the director is the "governor's person," then the functionality or the ability to coordinate and cooperate with other agencies is open to question. Without executive recognition, the director is likely to quickly become the underling of whatever key administration official on the commission DOES HAVE THE GOVERNOR'S CONFIDENCE.

The legislation should also provide for commission staff within the provisions of legislative budgeting. The nature of the commission may also mean that some staff can be provided by federal grants. In staffing expertise should be split between employees with practical rural awareness and staff that has expertise in working within government and private agency structures.

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AGENCY/COMMISSION DESIGN

The design of the commission appears complex. It is in reality quite simple. The appearance of complexity comes from trying to arrive at a design of any unit whereby the pieces of the unit can remain separate when necessary (or when working on issues and problems which need not involve the other components of the commission).

- The design allows for the federal government to design whatever cooperating unit it desires and attach it to the state creation.
- Whatever federal working unit could 1) function separately, and 2) be part of a unified state/federal working council, depending on working goals and conflicts. And, 3) a federal designee (likely of the federal designated lead agency under interagency agreements), could be a federal vice-chairman of any combined unit.
- The state executive committee could function as a separate state unit in direct Washington lobby efforts.
- The state executive committee is designed to simplify the federal interface and internal state interagency coordination.
- The full state Rural Development Commission is designed to function as a whole in dealing with problems, policy, and projects.
- The State Rural Development Commission is designed to function in its natural "parts" in 1) attacking problems unique to those parts, and 2) in trying to fulfill obligations to have an "outreach and input" to and rural areas of the state.
- The State Rural Development Commission in its "parts" will also be able to accommodate overlapping between those parts based on the "overlap" of problems and the "overlap" of the individual "interest" of members.
- The state/federal structure at the top will be able to direct the function of state/federal subunits who actually exist in, and have practical field knowledge of, rural Alaska regions.
- In keeping with establishing a line of authority, the State Rural Development Agency would work under the "direction" of the Governor through the offices of the Lt. Governor acting as Chairman. The commission would provide the carry-through on rural issues.

THE KINDS OF ISSUES AND PROBLEMS

The kinds of issues and problems the rural structure will handle will be varied. The central theme of the commission at any period in "time" will depend on what is possible within the historical circumstances of that time period.

--The development of a private economic base in terms of "specifics" will in part depend on practical economics --practical potentials of "what's" possible "where," and "when."

--The structure may address the issue of "what the state should do" in helping prevent failure and default of smaller native/private corporations actually located in rural areas.

--possible maintenance of a village management assistance effort like attempted by Alaska Native Foundation (through CRA, or by contract).

--State potential in encouraging native capital investment in rural areas, and in participating in the "security" of front-line rural investments.

--The development of state loan instrumentalities, and state bonding authorities, in such a manner as to be practically useful for potential rural investors.

--Identification and resolution of other rural "blockages" to private investment.

--fire insurance.  
--bonding availability.  
--utility infrastructure.  
--transportation  
--training Assistance

--An advocate to "tailor" large "macro" economic projects, whether a major petroleum project, or an applicant for state industrial bonds, to respond not just to such things as generalized affirmative action, but more specifically to the "micro-economic" needs of more remote rural communities (if an employer can rotate an employee from Anchorage or Texas, it is possible to rotate an employee from a rural village.

STATE-FEDERAL INTERAGENCY AGREEMENTS

Prepared by:

Gordon Stockdale  
Economic Development  
Coordinator

In light of the New White House Small Communities and Rural Development Policy, we face a somewhat steeper effort than we were confronted with before in forging a meaningful agreement with the U.S. Department of Agriculture.

Although the option to negotiate an agreement is still available with the Department of Agriculture, the role of such an agreement as the key instrument for rural development is substantially diminished by President Carter's Rural Policy announcement. White House Aides perceive the President's dramatic invitation to all Governors to ally themselves with his rural effort as extinguishing the need for any special agreements with states.

In truth there is still much to gain from the negotiation of a State/FmHA agreement and if pursued vigorously, that option is still available for Alaska. The benefits of the agreement are obviously most relevant to specifically agricultural development and immediately related infrastructural areas such as transportation and marketing. The agreement may however, have significant impact on other rural development concerns, depending on the Governor's response to the White House Policy announcement, and how well the agreement is articulated with the objectives of the new policy.

There are two distinctly separate issues at this point which must be addressed: The first is the formation of the Rural Development Council in response to the White House Rural Policy announcement of December 20, 1979. The other is the State-Federal Interagency Agreement which should be negotiated to enhance the ability of the Council Chairman to forward Alaska policy recommendations to the Cabinet (agency signatory) level of as broad an agency representation as is possible. To gain the greatest advantage of these complementary opportunities, it is imperative that we structure the Council to show an extraordinary breadth and depth of rural issue understanding, and a commitment to act.

The agreement for Alaska will probably differ from the existing agreements with other States in several key respects:

1. It should explain at the outset Alaska's unique rural character, the almost complete absence of certain basic government and economic infrastructure commonly perceived in the rural nature of the contiguous United States. (tacitly analogous to an emerging nation)
2. It should state that local community development, state capital improvements, private capital investment, and the investment of federal monies are all inseparable elements in the concept of economic development.

3. It should advance the formation of an Alaska rural development policy which recognizes that the common interests of a wide variety of capital sources and expertise can be brought to bear in the service of Alaska's public interest.

4. It should advance the federally perceived need to adapt the parameters of all programs to suit more specifically the problems they address on the basis of this State's uncharacteristic universe of needs.

5. It should show a long-term commitment to act as an instrument of change, directed to the solution of problems and not merely a forum to address symptoms of prevailing pressures.

There is much more to be done to identify the specific line items that will compose the agreement. At this time, in the absence of a well defined state rural development policy, several options can be considered.

The first of these is to undertake the negotiation of a very specific instrument which will address our current priorities as they are identified by those who are charged with the responsibility to negotiate. This position is laden with serious liabilities however. A rush into specific agreement, prematurely, risks obscuring our need for a representative and thoughtfully developed rural policy. We also risk

limiting the relationship described in the agreement to attending short-term pressing issues rather than committing to a constructive and lasting course of action. The most serious long-term liability in this option is the forfeiture of an Alaska/Federal Policy relationship that would be of real value.

Another possibility is to define development goals in much the same manner of the FmHA agreements with Arizona and Arkansas. These are agreements with very broadly defined general goals. Unlike the specific agreement, they are not very limited in scope and offer little risk of either generating, or being mistaken for policy. These agreements don't confine themselves to pressing, immediate issues, but instead set forth goals that may accommodate a substantial universe of needs and solutions. Unfortunately their generality is their weakness. Because no specific course of action is readily apparent in the text, there is little imperative for action. Also, because this type of agreement is open to a variety of interpretations and applications it offers little direction and is soon regarded as less than serious. Finally, as in the first example, this type of agreement would fail to establish a valuable Alaska/Federal Policy relationship.

An Alaska/FmHA interagency agreement should be a technical instrument, leaving the subject of goals and objectives description to the Governor's Rural Development Council. The instrument should define all state agency roles as they relate to Rural Development and assign the responsibility for coordination and oversight of these roles to a lead agency with a sufficient mandate of authority to direct and supervise. The instrument should further compliment the means and authority by which the Rural Development Council may develop the Governor's policy and instruct the lead agency to execute it.

The agreement should describe a similar structure on the Federal side, but the degree and extent to which Federal agencies may be expected to cooperate can be determined only after considerable negotiation. It must be remembered that Region X, in Seattle, has brokered most of Alaska's federal relationships for many years. It is deeply entrenched and only limited adaptation may be expected unless the Alaska/Federal relationship is important at the Cabinet and White House level in Washington, D.C.

This brings us back to the importance of the White House Small Community and Rural Development Policy announced by President Carter in December. Although it is separate and distinct from the State/FmHA interagency agreements, it can serve to help fuse a purposeful and lasting Alaska/Federal policy relationship.

March 23, 1980

Dear

House Bill 932 was introduced by the Budget and Audit Committee on March 4 and is presently in the hearing process.

This Bill seeks to establish the Rural Development Council in the Office of the Governor under the Chairmanship of the Lieutenant Governor, with the strongest possible mandate to pursue an aggressive State policy, committed to the improvement of rural economic conditions.

The Committee's investigation of Alaska's rural policies and agency relationships this past year has convinced me that the State must adopt a strong rural advocacy position in the best interest of every Alaskan.

This is not to say that it is the State's responsibility to impose development or affect local priorities. It is, however, a significant responsibility of the State to insure that economic options are more uniformly available to all Alaska residents.

The President has recently announced the new White House Small Community and Rural Development Policy. In this policy, President Carter recognizes that a healthy rural economy is essential to the economic health of all of America. I believe this principle is especially true in Alaska, the most rural of all states.

I am enclosing a copy of House Bill 932 and a brief description of the new federal policy. I would appreciate your review and comments as soon as possible so that your thoughts can be included. Please call if you have any concerns.

March 23, 1980

We are scheduled for statewide teleconference hearings on Friday, March 28, at 1:30 (Juneau time) in a Joint Session of the House and Senate Community and Regional Affairs Committees. Your comments and your support would be most welcome.

Sincerely,

Jim Duncan

JD:jp  
Encls.

Original sponsor: Rules/Legislative Budget  
and Audit Committee

House

BY THE COMMUNITY AND  
REGIONAL AFFAIRS COMMITTEE

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 932

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An act creating the office of rural development, and  
7 the Rural Development Council; and providing for an  
8 effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 \* Section 1. FINDINGS; POLICY, PURPOSE. (a) The legislature finds that  
11 there is a public interest in the development of a healthy private economic  
12 base in rural Alaska, that the rural areas of the state and the many small  
13 communities of the state have been in economic crisis for decades, and that  
14 in many rural communities a private economic base has ceased to exist which  
15 conditions endanger the economic, social, and cultural well-being of the  
16 state's rural citizens and the healthy growth and balance of the state's  
17 entire economy. The legislature further finds that while many opportunities  
18 for economic growth may be available to rural areas, the problems of the  
19 state's rural areas are many and complex, spreading beyond the confines or  
20 authority of any one program, any one government, or any one policymaker and  
21 therefore requiring a special initiative on the part of all concerned  
22 parties.

23 (b) It is the policy of the legislature that

- 24 (1) villages and small communities should *Have access to economic*  
*development opportunities*
- 25 (2) there is a special commitment to the development of a private  
26 economic base for villages and small communities;
- 27 (3) the state should use its resources and financial strength to  
28 encourage *The development of a healthy, self-sustaining rural economy*
- 29 (4) the state has the primary policy responsibility to act and to

1 catalyze commitment among many interests, including the state, federal  
2 government, local governments, and the private sector to promote a private  
3 economy in rural areas; and

4 (5) the advocacy of a private economy compatible with rural life-  
5 style should be of the highest priority of state policy.

6 (c) It is the purpose of this Act to create a governmental structure  
7 that will function as ~~an~~ advocate for rural ~~areas and small communities,~~  
8 ~~expressing development issues before~~ state, federal, and local  
9 governments, and in the private sectors, and which will assist rural people  
10 and institutions in laying the foundations of a healthy rural private  
11 economic base.

12 \* Sec. 2. AS 44.19 is amended by adding new sections to read:

13 ARTICLE 3C. OFFICE OF RURAL DEVELOPMENT.

14 Sec. 44.19.191. OFFICE OF RURAL DEVELOPMENT. There is established  
15 in the Office of the Governor the office of rural development. The  
16 director of the office is appointed by the governor and serves at his  
17 pleasure. The governor may consult with the council concerning the  
18 appointment or discharge of the director.

19 Sec. 44.19.201. COUNCIL ESTABLISHED. (a) There is established  
20 the Rural Development Council as the policy council for the office of  
21 rural development. The council consists of

22 (1) the lieutenant governor;

23 (2) a member of each house of the legislature appointed by  
24 the presiding officer of that house;

25 (3) the commissioners of the departments of transportation  
26 and public facilities, commerce and economic development, and community  
27 and regional affairs, and the director of the division of policy de-  
28 velopment and planning;

29 (4) Six representatives of the private sector appointed by

1 the governor who are residents of the rural area or small communities;

2 (deleted)

3  
4 (5) the Alaska state director of the Farmers Home Administra-  
5 tion of the United States Department of Agriculture and a designated  
6 representative of the Region X Rural Development Task Force who are ex  
7 officio members of the council and may attend and participate in all  
8 meetings of the council but may not vote.

9 (b) The members of the council appointed by the governor serve at  
10 the pleasure of the governor.

11 (c) The lieutenant governor is chairman of the council and one of  
12 the legislative members shall be elected by the council as legislative  
13 co-chairman.

14 (d) Members of the council serve without compensation but are  
15 entitled to per diem and travel expenses provided by law for members of  
16 boards and commissions.

17 Sec. 44.19.211. PURPOSE OF THE COUNCIL. The purpose of the coun-  
18 cil is to provide policy direction to the office and to assist the  
19 office in the performance of the duties of the office. The council  
20 shall assist in coordinating the economic development activities of all  
21 departments and agencies of government so that the need for those acti-  
22 vities and the impact of those activities on <sup>SMALL COMMUNITIES AND</sup> rural areas is considered  
23 and assist in coordinating the activities of departments and agencies of  
24 government which have field responsibilities in the rural areas to the  
25 extent that those activities relate to economic development. The coun-  
26 cil shall also assist the office in its advocacy function.

27 Sec. 44.19.216. MEETINGS. The council shall meet at the call of  
28 the chairman or legislative co-chairman, at the request of a majority of  
29 the members, and at least four times a year at a regularly scheduled

1 time as determined by the members. The council may convene meetings of  
2 heads of agencies or departments which are concerned with rural matters  
3 or economic development if the council determines a meeting to be useful.

4 Sec. 44.19.221. POWERS AND DUTIES OF THE OFFICE. The office shall

5 (1) act as advocate for the development of an economic base  
6 in rural Alaska, for community development and for public services which  
7 will enhance the opportunity for growth of an economic base in rural  
8 Alaska, and for other matters and programs useful to development of the  
9 private economy in rural Alaska;

10 (2) coordinate *ECONOMIC DEVELOPMENT RELATED PROJECTS*  
11 *AMONG DEPARTMENTS AND AGENCIES.*

12 (3) act as advocate for rural development programs which are  
13 not within the jurisdiction of a specific department or agency;

14 (4) act as advocate for appropriate technology development,  
15 *AND THE ADVANCEMENT OF ENTREPRENEURIAL OPPORTUNITIES.*

16 (5) *ENCOURAGE AND ASSIST IN THE ORGANIZATION*  
17 *OF LOCAL AND REGIONAL DEVELOPMENT STRUCTURES*

18 Sec. 44.19.226. STAFF. Within budget and appropriation limits,  
19 the director may hire staff and determine their compensation. Except  
20 for making inquiries, neither the council nor an individual member of  
21 the council may give orders to the staff on administrative matters.

22 Sec. 44.19.231. REPORTS. Before January 15 of each year the  
23 office shall submit to the legislature a comprehensive report describing  
24 the activities of the council and the office for the preceding year.

25 Sec. 44.19.236. DEFINITIONS. In AS 44.19.191 - 44.19.236

26 (1) "council" means the Rural Development Council;

27 (2) "director" means the director of the office of rural de-  
28 velopment;

29 (3) "office" means the office of rural development.

\* Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-  
070(c).



Official Business

# Alaska State Legislature

## House of Representatives

Committee on

Community & Regional Affairs

March 21, 1980

Pouch V  
State Capitol  
Juneau, Alaska 99811

*Notice sent to  
attached by HC&RA  
3/21/80*

### TELECONFERENCE NOTICE

The House Community and Regional Affairs Committee, chaired by Rep. Bill Parker, and the Senate Community and Regional Affairs Committee, chaired by Senator Arliss Sturgulewski, will hold a joint teleconference on Friday, March 28 at 1:30 P.M. Juneau time on

HB 932 Creating an Office of Rural Development and  
Rural Development Council

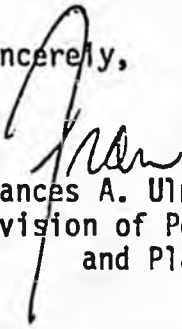
The teleconference will include testimony from all sites. Persons interested in testifying or observing at this hearing should contact the local Legislative Information Office in the following communities: Anchorage, Bethel, Fairbanks, Dillingham, Kotzebue, Nome, Kodiak, Soldotna, Ketchikan and Sitka. Further information may be obtained from the House Committee Chairman (465-3824) or the Teleconference Coordinator (465-4980).

As you may know, the Carter Administration has established a Small Community and Rural Development Policy in an effort to coordinate the various forms of federal assistance to rural America, and to better focus on the priority needs, as identified by the State. The mechanisms through which such coordination will be achieved at the federal level are an interagency group of assistant secretaries of major federal agencies in Washington, D.C. and regional task forces composed of members of the federal regional councils. The principal agency in charge of policy implementation at the federal level will be the U.S. Department of Agriculture. At the State level the identification of rural development priorities will be the responsibility of state organizations designated by each Governor. Last fall Governor Hammond designated the Agriculture Action Council as the entity to coordinate this federal policy in Alaska. Recognizing that the Council's mandate is somewhat narrower than the federal initiative, we are presently preparing recommendations to expand the Council's membership as it regards the federal rural development initiative. The proposed expanded membership generally follows the structure of the Rural Development Council proposed in HB932. It is our intent to finance this new organization (we understand that federal funds are available) and develop a work program which will identify priority rural development needs, help to initiate specific projects which will meet those needs and coordinate the state, federal and private resources necessary to bring such projects to fruition. In effect we are attempting to do within an existing framework what this Legislation seeks to accomplish by creating a new organizational structure.

For this reason, we feel this effort can be accomplished without any additional statutory authority.

Please let me know if there is any other information which we can share with the committee which might be helpful in its discussion of this issue.

Sincerely,



Frances A. Ulmer, Director  
Division of Policy Development  
and Planning

# STATE OF ALASKA

## OFFICE OF THE GOVERNOR

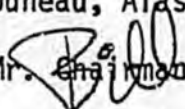
DIVISION OF POLICY DEVELOPMENT AND PLANNING

JAY S. HAMMOND, Governor

POUCH AD  
JUNEAU, ALASKA 99811  
PHONE: 465-3512

March 18, 1980

Bill Parker, Chairman  
House of Representatives  
Community and Regional Affairs  
Pouch Y, State Capital  
Juneau, Alaska 99811

Mr.  Chairman:

You have requested that I appear before your committee and comment on HB932 "An act creating the office of rural development and the Rural Development Council." Although I will be unable to personally attend the hearing, I would like to share with you and your committee my comments on this legislation.

The Division of Policy Development and Planning has had some experience during the last three years in assisting some rural areas of the state undertake planning efforts which would help them direct the kind of development which will occur within their region.

The most notable of these has been the "Regional Strategy" planning program underway in the NANA region. In conjunction with the U.S. Department of Housing and Urban Development and the Alaska Department of Community and Regional Affairs, the Division has provided funds and assistance to the Mauneluk Association to develop a regional development plan. This planning process has served as a vehicle to coordinate the activities of all major government agencies in the region and to make their activities consistent with local needs and desires. The NANA Regional Strategy program which we began almost two years ago was designed to address the problems identified in Section 1 of HB932 which declares that "the problems of the state's rural areas are many and complex, spreading beyond the confines or authority of any one program, any one government, or any one policy maker...."

We agree with this statement and have been working within the executive branch to devise a process which recognizes the unique nature of rural Alaska. We are attempting to create a broadly based coordinating effort which will target the resources of the federal and state governments so that development activities will benefit Alaska's rural citizens to the maximum extent possible.

"RURAL ALASKA IS IN A STATE OF  
PROFOUND ECONOMIC DEPRESSION, - HAS BEEN  
FOR MANY YEARS"

- I. INTENT: Create Rural Development Council to advocate and assist in rural development.

TIMING: Carter has created new Rural Policy - One time opportunity for revising federal relationship; break Region X Policy brokerage.

II. BASIC PROBLEMS:

1. No comprehensive state commitment to rural economy.
2. Village economic institutions have been left to "go it alone."
3. State relates to rural Alaska through narrowly defined agency boundaries.
4. State now has capital resources to leverage private capital in fostering rural development. Existing structure and policy have a history of poor performance.

III. SOME OF THE OBSTACLES:

1. Need for executive commitment to "an active" rural development policy.
2. Failure to recognize private industry role in basic economies (not a strictly government role).
3. Traditional government/private industry adversity precluded partnership approach to development.
4. Failure to recognize rural development is fundamentally urban development.
5. Inadequate direction of public resources to build an economy - needs Executive Commitment.

IV. STATE'S INTEREST:

1. To begin to establish a very fundamental cash economy in rural Alaska - requires special government role.
2. Infrastructure development is an investment; returns are not immediately apparent.

FEDERAL/STATE INTERAGENCY AGREEMENT

1. State agency structure and operational limits are defined in large part by their federal counterpart agencies.
2. Alaska has had virtually no role in Alaska Federal Policy formation.
3. Seattle's Regional Administrators have exercised brokerage of Alaska interests for years - deeply entrenched.
4. Alaska still has an option to exercise the last of the Federal/State Interagency Agreements.
5. We will be the only state with this option under the new White House Rural Development Policy.
6. The structure of the Council is still open. Its membership is the key to taking advantage of the built-in ability to make things happen!

# STATE OF ALASKA

## DEPT. OF ENVIRONMENTAL CONSERVATION

465-2601

POUCH 0 - JUNEAU 99811

May 20, 1980

JAY S. HAMMOND, GOVERNOR

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Part of  
Committee file  
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The Honorable Arliss Sturgulewski  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Dear Senator Sturgulewski:

It is my understanding that the Senate Community and Regional Affairs Committee is currently considering HB 932, the Rural Development Act. Your staff has asked me to provide the Committee with a list of functions of the Department of Environmental Conservation for the Committee's use in determining appropriate representation of State agencies on the Rural Development Council. That list follows:

1. Funding construction of water and sewer facilities under the federal and State water and sewer bond programs and the Village Safe Water program. Under legislation already passed by the Committee, solid waste facilities would be grant eligible. We also certify and assist in the training of water and wastewater system operators.
2. Review of plans for surveillance of air emission sources, sewerage systems including on-lot sewage disposal (subdivision review), drinking water supplies and solid waste disposal facilities.
3. Oil and hazardous waste spill prevention and cleanup. This fiscal year the department will develop a model contingency plan for small communities for oil spill protection.
4. Certification of dredge and fill activities and other activities resulting in discharge into navigable waters for compliance with State water quality standards. Under the Federal Clean Water Act, a designated State agency must provide the certification of activities requiring permits from the Corps of Engineers, Environmental Protection Agency, Coast Guard (bridges), and Federal Energy Regulatory Commission (dams).
5. Membership on the Coastal Policy Council.

The Honorable Arliss Sturgulewski

-2-

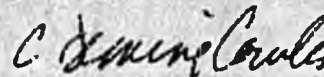
May 20, 1980

6. Analysis of various water related environmental problems, with proposed solutions, such as waste oil generation and disposal, and sewage disposal.

Because of the significant impact of our department's responsibilities and functions, the Committee may well find that our department should be represented on the Council. We would concur with such a Committee finding.

If I can be of any further assistance in this matter, please advise.

Sincerely,



C. Deming Coyle  
Deputy Commissioner



# Alaska Rural Development Council

GOALS  
STRUCTURE  
PROGRAM EMPHASIS  
MEMBERSHIP  
OFFICERS & DIRECTORS

1978

# Alaska Rural Development Council

## GOALS

Improved Communication Between Agencies

Coordinated Assistance to Community, Regional and State Developmental Programs

Broadening Understanding of Rural Development Potentials

Increased Awareness of Technical and Developmental Resources Available in Alaska

## STRUCTURE

The Council is open to membership from State and Federal agencies and organizations with statewide developmental concerns.

Officers and directors are chosen annually from the Council members.

Council meetings are held quarterly, with meeting sites rotated throughout the State.

Regional councils are organized to serve Southeast Alaska, Kenai Peninsula, Kodiak Island, Matanuska Valley, and Tanana Valley.

## PROGRAM EMPHASIS PRIORITIES

Agricultural Development -- Long Range Analysis of Future Potential

Developing Water, Waste Disposal and Other Rural Community Facilities

Improved Rural Housing

Land Use Planning and Development

Rural Government Development

Rural Industrial Development

## **FEDERAL**

### **DEPARTMENT OF AGRICULTURE**

**Science and Education Administration-Federal Branch**  
Roscoe L. Taylor, member; Winston Laughlin, alternate

**Agricultural Experiment Station, Palmer**  
Sig Restad, member

**Agricultural Stabilization and Conservation Service**  
Charles Marsh, member; Virginia Hoffman, alternate

**Economics, Statistics & Cooperatives Service**  
Delon A. Brown, member

**Alaska Power Administration**  
Robert Cross, member; Tom Wilde, alternate

**Cooperative Extension Service**  
James W. Matthews, member;  
Peter M. Probasco, alternate

**Farmers Home Administration**  
Darwin R. Betts, member

**Forest Service**  
Marvin C. Meier, member; Robert Janes, alternate

**Soil Conservation Service**  
Weymeth E. Long, member; Theodore Freeman, alternate

### **DEPARTMENT OF THE ARMY**

**Corps of Engineers**  
Mason D. Wade, Jr., member; Paul E. Pinard, alternate

### **DEPARTMENT OF COMMERCE**

**Domestic and International Business Administration**  
Sara L. Haslett, member; Sonja P. Braeutigan, alternate

### **DEPARTMENT OF ENERGY**

Fred Chiei, Jr. member; Robert Sanders, alternate

### **ENVIRONMENTAL PROTECTION AGENCY**

**Arctic Environment Research Lab**  
Bert Puchtler, member

### **DEPARTMENT OF HEALTH, EDUCATION AND WELFARE**

**Alaska Area Native Health Service**  
Fred Reiff, member; Dr. Ryan, alternate

### **DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

Roger A. Riddell, member; Harold Saether, alternate

## **DEPARTMENT OF THE INTERIOR**

Special Assistant to the Secretary:

Jerry Gilliland, member

### **Fish and Wildlife Service**

Clayton Hardy, member; Melvin Monson, alternate

### **Bureau of Indian Affairs**

H. Prent Gazaway, member; Edward L. Nygard, alternate

### **Bureau of Land Management**

Gary Seltz, member; Sal DeLeonardis, alternate

### **Bureau of Mines**

Alfred L. Service, member; John Mulligan, alternate

### **Heritage Conservation & Recreation Service**

Bill Thomas, member; Paul Gates, alternate

### **National Park Service**

Bryan Harry, member; T. Still Newman, alternate

## **STATE**

### **OFFICE OF THE GOVERNOR**

State Policy Development and Planning

John Halterman, member; Jay Moor, alternate

### **DEPT. OF COMMERCE AND ECONOMIC DEVELOPMENT**

Division of Economic Development

James E. Wiedeman, member; Nick Carney, alternate

### **NATIONAL OCEANIC & ATMOSPHERIC ADMINISTRATION**

Walter Jones, member

### **DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS**

Division of Community Planning

Lawrence H. Kimball, Jr., member;

Veronica Clark, alternate

### **DEPARTMENT OF EDUCATION**

Division of Educational Program Support,

Vocational Education: Gladys R. Tinney, member

### **DEPARTMENT OF ENVIRONMENTAL CONSERVATION**

Jerry Reinwand, member

### **DEPARTMENT OF FISH AND GAME**

Richard Logan, member; Tom Trent, alternate

#### **Division of Game**

Oliver E. Burris, member; David G. Kelleyhouse, alternate

**DEPARTMENT OF HEALTH AND SOCIAL SERVICES**

**Division of Public Health Environmental Health Section**

Sidney D. Heidersdorf, member; John R. Kuhn, alternate

**DEPARTMENT OF LABOR**

Lottie Fleeks, member; Boyer Brown, alternate

**DEPARTMENT OF NATURAL RESOURCES**

**Division of Agriculture**

K. Allan Linn, member

**DIVISION OF LAND AND WATER MANAGEMENT**

Theodore G. Smith, member; George K. Hollett, alternate

**DEPT. OF TRANSPORTATION AND PUBLIC FACILITIES**

Dean Paddock, member; Gerald Jones, alternate

**FEDERAL-STATE LAND USE PLANNING COMMISSION**

John L. Hall, member; Charles Naughton, alternate

**UNIVERSITY OF ALASKA**

**Arctic Environmental Information & Data Center**

Charles D. Evans, member; Larry S. Underwood, alternate

**College of Arts and Sciences**

Roger Pearson, member; Paul S. Salter, alternate

**Cooperative Extension Service**

James W. Matthews, member;

Peter M. Probasco, alternate

**Geophysical Institute**

John M. Miller, member; Paula Krebs, alternate

**Agricultural Experiment Station**

Sig Restad, member; James V. Drew, alternate

**Institute of Arctic Biology**

Joseph A. Nava, member; Leonard Peyton, alternate

**Institute of Marine Science**

Dorothy T. Brewster, member

**School of Agriculture and Land Resources Management**

James V. Drew, member; Sig Restad, alternate

**School of Management**

William G. Phillips, member; J. Patrick O'Brien, alternate

**School of Mineral Industry**

Earl Beistline, member; Donald J. Cook, alternate

**Sea Grant Program**

G. D. Sharma, member; John Doyle, alternate

## **OTHER**

### **ALASKA FEDERATION OF NATIVES, INC.**

Clifford A. Black, member; Janie Leask, alternate

### **ALASKA NATIVE FOUNDATION**

**Village Management Assistance:**

Michael DeMan, member; Gordon Stockdale, alternate

### **ALASKA VILLAGE ELECTRIC COOPERATIVE, INC.**

Lloyd Hodson, member

### **BERING STRAITS NATIVE ASSOCIATION**

Gary Longley, Sr., member

### **BRISTOL BAY NATIVE CORPORATION**

Ted Angasan, member; Kay Larson, alternate

### **COMMUNITY ENTERPRISE DEVELOPMENT CORP. (CEDC)**

Jeff Hiatt, member; Kay K. Koweluk, alternate

### **FAIRBANKS NORTH STAR BOROUGH**

**Planning Department:**

Philip Berrian, member; Rick Wilhelm, alternate

### **FAIRBANKS TVA DEVELOPMENT, INC.**

Jerry Smetzer, member

### **MATANUSKA TELEPHONE ASSOCIATION, INC.**

Graham Rolstad, member; Mackie N. Dukes, alternate

### **RURAL ALASKA COMMUNITY ACTION PROGRAM, INC.**

Philip Smith, member; George Allen, alternate

### **SEALASKA CORPORATION**

Richard J. Stitt, Sr., member

### **SOUTHEAST ALASKA STATE FAIR**

Carl W. Heinmiller, member

### **YUKON-KUSKOKWIM HEALTH CORPORATION**

George Neck, member; Alvin Ivanoff, alternate

# Alaska Rural Development Council

## OFFICERS:

Chairman - Sig Restad, Institute of Agricultural Sciences

Vice Chairman - Fred Reiff, Department of Health, Education and Welfare

Recording Secretary - Ed Kern, Alaska Division of Agriculture

Executive Secretary - James W. Matthews, Cooperative Extension Service

## DIRECTORS:

John Hall, Federal-State Land Use Planning Commission

Dan Karmun, Reindeer Herder's Association

Allan Linn, Department of Natural Resources

Weymeth Long, USDA Soil Conservation Service

Frank McIlhargey, Kenai Peninsula Borough

Marvin Meier, U.S. Forest Service

John Miller, Geophysical Institute, University of Alaska

Pete Probasco, Cooperative Extension Service

Phil Smith, RurAL CAP

## STANDING COMMITTEES:

Human Resource Development: Phil Smith, Chairman

Local Government, Corporate Activities, and Community Facilities: John Hall, Chairman

Natural Resources: Marvin Meier, Chairman

The University of Alaska's Cooperative Extension Service programs are available to all, without regard to race, color, age, sex, creed, or national origin.

Issued in furtherance of Cooperative Extension work, acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Dr. James W. Matthews, Director, Cooperative Extension Service, University of Alaska.

## REGIONAL DEVELOPMENT ACT OF 1979

---

MAY 15 (legislative day, APRIL 9), 1979.—Ordered to be printed

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MR. RANDOLPH, from the Committee on Environment and Public Works, submitted the following

### REPORT

together with

### MINORITY AND ADDITIONAL VIEWS

(To accompany S. 835)

The Committee on Environment and Public Works, to which was referred the bill (S. 835) to extend the Appalachian Regional Development Act and title V of the Public Works and Economic Development Act of 1965 and to provide for a nationwide system of multi-State regional development commissions to promote balanced development in the regions of the Nation having considered the same, reports favorably thereon with amendments and an amendment to the title and recommends that the bill as amended do pass.

#### GENERAL STATEMENT

Nearly 15 years ago, the Congress recognized the fact that certain regions of this nation were not enjoying the economic viability and prosperity common to the rest of the United States. Lagging regions could attribute their difficulties to a variety of reasons: depletion of natural resources; outmigration of population, technological changes resulting in obsolescence in single-industry areas and geographic isolation, among others. Most of the problems in these economically depressed areas transcended State boundaries.

To carry out an effective program of assistance in these distressed region, in 1965 the Congress authorized the creation of multi-state regional commissions through enactment of the Appalachian Regional Development Act and title V of the Public Works and Economic Development Act. These commissions are partnerships of the States and

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To carry out an effective program of assistance in these distressed region, in 1965 the Congress authorized the creation of multi-state regional commissions through enactment of the Appalachian Regional Development Act and title V of the Public Works and Economic Development Act. These commissions are partnerships of the States and

the Federal Government. Under the shared guidance of the Governors of the States involved and a Federal representative, a commission's primary responsibility is to develop regional policy to address common problems. Commissions provide a cooperative structure for such problem identification. To carry out a regional investment strategy, a commission provides assistance in assembling, from the array of available existing State and Federal authorities, those programs and projects which will meet the special needs of an area. It works with Federal agencies in selecting and shaping activities appropriate to provide unique responses to regional problems.

It is through regional development commissions that local, State and Federal officials, in spite of individual concerns, can combine resources to address difficulties which are shared by contiguous units of governments. This kind of effort, stemming as it does directly from the people, is vital to the development of workable regional plans. Such a plan must encompass a set of goals and objectives jointly determined by the commission partners after consideration of the views of people from all sections and groups in the region.

The primary purpose and responsibility of the regional commissions established in 1965 was to aid lagging areas—areas of chronic and substantial unemployment and low incomes. This task has not been completed. Strides have been made over the last 10 years and disparities between regions have narrowed. But differences still exist and the widest disparities exist between areas within regions. The commissions are to continue to give first priority to areas of decline. These areas most need help to move forward. Because the problems are deep seated and long-standing, they require the combined ingenuity and resources of the States and Federal Government. Coherent, coordinated strategies must be planned and adhered to. Investment must be concentrated and planned over a long period. There is no short cut to remedy the years of decline. During consideration of this legislation, the Committee reaffirmed its intent that the first priority of a commission is to address declining areas.

States have argued that the commission structure is useful in helping them to cope with sudden, rapid growth and the dislocations such growth brings to a region. The Committee agrees and has expanded the authority to plan for and coordinate policies to deal with dislocations in areas of rapid growth.

Another purpose of the bill is to strengthen and improve the coordination role of the regional commissions. The growth planning process outlined in the bill will improve the ability of the commissions in carrying out this function.

As a result of the White House Conference on Balanced National Growth and Economic Development last year, the President announced in January his desire to institute a regional growth policy process. He reiterated the finding of the conference that the varied economic problems in regions of the Nation suggested a need for strong State and local action to develop regional balanced growth policies and to focus local, State, and Federal funds in accordance with these strategies. President Carter determined that the existing Appalachian Regional Commission and the title V commissions were the vehicles through which such policies should be channeled.

In a unique arrangement, decision making is shared by the chief elected State official—the Governor, and a representative of the Federal government—the Federal Co-chairman. This arrangement has made the Commissions valuable institutions for addressing on a cooperative basis other shared regional matters. While the primary purpose of the commissions is to overcome the gap in income and jobs, they have also become a forum for shared State action on other regional issues such as pollution, coastal zone management, and energy.

Through its unique partnership, the commissions have served a valuable liaison role between the region and the national government. The commissions have been able to represent particular regional issues and opportunities to the various Federal departments and agencies in the formulation of those agencies' policies and programs. Thus regional perspectives can be brought to national policy, helping to tailor national programs to situations as they exist in the particular regions of the country. For example, an energy consuming region of the country such as the Northeast brings a different focus to national energy policy than an energy producing area such as the West. Both of these views should be made known before policy is established. Unnecessary hardship could be avoided and adjustments could be provided for before dislocations occur rather than after the fact.

The commissions also serve as a liaison, bringing national goals and objectives to regional decision makers. Armed with this information, regional policy can be directed to take advantage of national policy where possible. At a minimum the region will avoid policies contrary to national goals.

The Appalachian Regional Commission and the title V commissions were originally authorized by separate acts of Congress. They were last extended by a single statute—the Regional Development Act of 1975. The Committee on Environment and Public Works feels that now, 14 years after their inception, all these commissions should be in a sense melded into a common framework, and made to demonstrate the viability and effectiveness of a well-conceived regional strategy.

The committee believes that this legislation will further this objective.

## BACKGROUND

### APPALACHIAN REGIONAL COMMISSION

The special needs of the Appalachian Region were recognized by the Congress in 1965 when it passed the Appalachian Regional Development Act. It was envisioned at that time as a unique partnership between the Federal Government and the 13 member States. It was created to address the severe problems of the Appalachian area. In spite of its rich human and natural resources, the area traditionally lagged behind the rest of the Nation in its rate of growth and development.

In the 14 years since its inception, the Appalachian program has come a long way toward fulfilling expectations. It has helped to change the face of the area dramatically by fostering new hope, new initiative, and new enterprise. Some of these advancements are as follows:

Appalachia's poverty population has decreased since 1960 from 31 percent of the total populace to 14 percent in 1976. This represents a

55-percent decline in poverty incidence during a period when nationwide figures show a 48-percent decline.

In per capita income, between 1965 and 1976 Appalachian total personal income climbed from 78 to 85 percent of the national average.

An existing trend of outmigration has been reversed. An average of 58,000 persons per year have migrated to the area.

The region added approximately 1.35 million jobs between 1965 and 1977, bringing Appalachia's official unemployment rate down to a level more nearly approximating that of the rest of the Nation.

In education, as of 1960, only one-third of the region's adult population had completed high school. By 1976, the percentage is estimated to have risen to approximately 60 percent.

In the area of health, the average number of physicians in the region rose from 92 for every 100,000 residents in 1963, to 116 per 100,000 in 1976.

Another major accomplishment under the Appalachian program has been the development of vocational schools. To date, the Commission has invested more than \$300 million in a regionwide system of vocational schools. There are now nearly 500 such schools serving 300,000 students.

The importance of the Appalachian development highway system to the economic growth of this mountainous region cannot be overemphasized. Of the entire 3,025 miles now authorized, approximately 1,700 miles, or 56 percent are either completed or under construction. An additional 680 miles of access roads have been built to serve industrial sites, hospitals, schools, or other public facilities. When the entire system is completed, 85 percent of the people of Appalachia will be within 30 miles of a high quality highway. The highway program is vital to the development of Appalachia.

These are significant advances. But much remains to be done. Of Appalachia's 19 million inhabitants, 2.7 million continue to live in poverty. Only six out of the region's 397 counties have a per capita income that has reached the national income average. Despite improvements in the availability of health facilities, serious health problems remain. Infant mortality rates still exceed those of the rest of the Nation. A high incidence of diseases such as hepatitis, streptococcus, tuberculosis, measles, and rubella remains. And the 1976 ratio of 116 physicians to every 100,000 people lags behind the national average of 174 per 100,000.

The Committee considers that the most significant aspect of the total Appalachian experiment has been the continuing development of the partnership role among all levels of government. The experiment is succeeding. This legislation extends the Appalachian Regional Commission for an additional 4 years, and provides it with additional authorities and responsibilities.

#### TITLE V REGIONAL COMMISSIONS

The Public Works and Economic Development Act of 1965 recognized that there were lagging regions in parts of the country outside of Appalachia. Title V of that Act provided for the establishment of regional development commissions in other sections of the country which had special problems and needs demanding individual analysis

and response. Like Appalachia, they were given broad authority to supplement other Federal grants, to undertake planning and studies, provide technical assistance, and encourage investment plans and the capability of State members to foster economic growth. Federal direction for these programs was placed in the Department of Commerce.

There are now eleven title V commissions, comprising all or parts of 48 States, three of which were designated in December, 1978.

The commissions have pursued a wide variety of programs. They have differed in their development programs as their regions have differed one from the other in the nature and scope of the problems that distinguish them as lagging regions.

Commission programs for the most part are directed toward closing the income gap, creating more jobs, and raising education levels. Programs dealing with transportation, natural resources, regional economic analysis, State investment planning, energy development, vocational education, tourism, and health are typical examples.

In the Regional Development Act of 1975, Congress expanded the program authorities of the commissions in the fields of energy, transportation, health and education—comparable authorities earlier provided the Appalachian Regional Commission. Congress also attempted to upgrade regional development through the commissions by raising the annual authorization from \$150 million in 1975 to the present \$250 million level. By all accounts, program performance under the commissions has been significantly limited because past Administrations have never requested adequate funding. But this legislation again expands their authorities and provides a more clearly defined framework for their operation within the executive branch.

#### PURPOSE OF THE LEGISLATION

S. 835, as amended, extends the Appalachian Regional Development Act and title V of the Public Works and Economic Development Act, and provides for the creation of regional commissions to promote balanced development in all regions of the Nation to respond to economic distress.

The bill as approved by the Committee continues the operation of the Appalachian Regional Commission and its program for an additional four years, through fiscal year 1983. It also provides a mechanism for the implementation of a similar regional approach to areas of economic distress in the rest of the Nation, most of which are already included in commissions established under title V of the Public Works and Economic Development Act of 1965.

The regional commissions under title II of the reported bill are authorized at not to exceed \$250 million for each of the fiscal years 1980, 1981, 1982, and 1983. The nonhighway program authorization for the Appalachian Regional Commission under title I of the bill is \$340 million for the 2-fiscal-year period 1980 and 1981, and \$380 million for the 2-fiscal-year period 1982 and 1983. The Appalachian Development Highway Program authorizations are \$350 million for fiscal year 1981 (an increase of \$180 million); \$400 million for fiscal year 1982; \$450 million for fiscal year 1983; \$500 million for fiscal year 1984; and \$500 million for fiscal year 1985.

Title III, the "Regional Growth Policy Process Act", provides a means whereby the Federal Government, the States, and regional, substate and local entities can together address, on a regional basis, problems experienced in two or more States.

While a primary purpose of the regional commission program is still to assist areas of economic decline, their authority has been expanded to include hardship caused by sudden rapid growth.

A key feature of the legislation is the creation of an interagency committee at the White House level which shall provide program coordination and support for the regional commissions and the Federal agencies. This will provide the commissions with a visibility which they have lacked under the existing title V program, and should assure them a greater voice in the cohesion and coordination of the multifaceted Federal programs established to assist States and local governments in the resolution of their shared economic problems.

Provisions are included in the legislation which will assure accountability and responsibility on the part of the Federal, commission and State entities under this Act.

In conclusion, the legislation expands the authorities of the regional commissions while at the same time more clearly defines their responsibilities. This is intended to assure the development of an integrated approach to problems of economic distress based on local, State, and regional perceptions, and ultimately reflected in actions by the Federal Government.

#### REGIONAL GROWTH POLICY PROCESS

Title III of this legislation establishes a regional growth policy process to bring the Federal Government, regional commissions, States, and local governments into a cooperative structure for addressing regional issues.

#### FEDERAL COORDINATION

The President has proposed this new "process", based on recommendations of the 1978 White House Conference on Balanced National Growth and Economic Development. A January, 1979, memorandum from the President to agency and department heads on the subject of regional commission support provides appropriate background for a discussion of the growth policy process:

In light of the changing patterns of economic activity across the country, and in order to extend the ability of States and localities to shape Federal policies in behalf of regional concerns, new processes for planning, coordination and policy support are required. To develop and carry them out will require cooperation on the part of the Secretary of Commerce, Federal departments and agencies, the Interagency Coordinating Council, the Federal Cochairmen of the Appalachian and title V Regional Commissions and the Federal Regional Councils

\* \* \* I am instituting a regional growth policy process to assist the regional commissions in developing and implementing their multiyear regional development plans and annual

investment programs. These plans and, more importantly, the annual investment programs should be developed from the ground up, reflecting sub-state and State development plans. Through this policy process, the regional commissions will be given an opportunity to prepare recommendations to Federal departments and agencies for solutions to problems of regional growth and decline \* \* \*

This important innovation expands the influence of the commissions beyond their limited funding base to all of the relevant Federal programs, including financial and technical assistance, direct development, and other Federal decisions. Use of the White House Inter-agency Coordinating Council assures that the regional commission point of view will have the attention of all units of the executive branch.

This opportunity for the governors and Federal cochairmen, acting together as commissions, to address the larger problems shared by the States of each region will require a spirit of constructive accommodation on the part of Federal agencies. Not every problem viewed by a commission to be of regional significance and requiring adaptation of some Federal policy or procedures can be accommodated by the affected Federal agencies. But this new process ought to identify those that can, and do so with reasonable speed.

Section 302 delineates the Federal role in coordinating with the regional commissions. The President is directed to establish an inter-agency committee for program coordination and support for the regional commissions and the Federal Government is determining policies and recommendations which will further the purposes of this Act. The committee is to be chaired by a senior White House official, and composed of the Chairman of the Regional Development Council, and senior officials of Federal departments and agencies concerned with regional development activities.

Each commission is required to prepare a multivear regional development plan and annual investment strategies. The inter-agency committee authorized in section 302 is directed to establish a schedule for review of the recommendations contained in each commission's plan and annual regional growth policy recommendations by the Federal departments and agencies represented on the committee. The commissions are to participate in any discussions with those Federal agencies which are necessary to resolve any issues, and the Chairman is to attempt to identify and encourage solutions to regional issues involving the participations of more than one department or agency.

This section also requires Federal Cochairmen of regional commissions to be appointed Chairpersons of appropriate Federal Regional Councils where practicable. If the Federal Regional Councils are to serve any useful purpose, it is important for them to be linked to the regional commissions.

Federal departments and agencies are directed to cooperate with commissions to the maximum extent possible. They are also directed to assure that existing Federal programs are not inconsistent with commission activities, and to consult with appropriate commissions prior to providing financial assistance to any multistate organization engaged in activities related to regional growth purposes.

## REGIONAL PLANNING

Title III also establishes a regional planning process involving all levels of government.

The regional growth policy process set forth in this title emphasizes the importance of a ground-up approach to planning. The participation of substate and local entities is emphasized and the goals, objectives and priorities of communities granted great respect in this process. The warp and woof of this planning fabric—from local to multicounty to State to regional—will be as durable as the imagination, hard work and persistence of those involved.

At the same time, there must be adequate guidance from the commissions to States and substate levels. The planning process within a State must be relevant to regional goals and regional planning needs. The committee has no illusions that the process envisaged in this title will be productive if Federal departments and agencies and State and local governments do not develop respect for the plans and strategies generated by it. Without such respect, participants cannot be faulted for resisting the adaptation of their policies or procedures to accommodate the goals and priorities of these plans and strategies.

Section 303 establishes the base for the development planning process, outlining the responsibilities of States and development districts. Each commission shall require State members to prepare and submit a development plan for each State in the region, updated annually. Criteria for such State plans are delineated.

Each commission is directed to develop and require execution of areawide action programs. These programs, prepared at the multicounty level, set forth interrelated projects and schedules of actions and the financial resources necessary to carry them out. Subsection (c) authorizes Governors to certify development districts for these purposes. States are directed to work with local units of government, development districts, citizens, and private interests. A Governor may not certify a development district unless it conforms with specific criteria.

Section 304 describes the commission responsibility to prepare a multiyear development plan and annual investment strategy. The multiyear plan is due within 18 months of enactment. It is to be reviewed annually and formally assessed every five years.

Investment strategies are to be transmitted to the interagency committee and, except for the Appalachian Regional Commission, to the Secretary for use as the basis of consultation with Federal departments and agencies through the mechanism described in section 302. This strategy identifies programs and projects, proposed funding, and proposed policies which may be adopted by Federal agencies and State and local governments to reflect in their respective programs and regulations ways to further the implementation of the regional plan.

After development of a regional development plan or investment strategy, the Federal Cochairman shall have no more than 75 days to review such plan or strategy and to obtain the Secretary's review. The Federal Cochairman is directed to consult with appropriate Federal agencies in the course of that review.

The Secretary of Commerce has disapproval authority over regional development plans of all commissions except the Appalachian Re-

gional Commission. Such disapproval must be made within 60 days of transmittal, and must be predicated on a finding that the plan is inconsistent with certain national and interregional policies and activities.

Regional commissions are to review multiyear plans annually and do a formal assessment of such plans every 5 years.

Section 305 states that the Development planning process and the regional growth policy process are to reflect the goals, objectives, priorities, and recommendations of development districts and local governments as they are presented in approved State development plans. To the extent practicable, regional development plans and annual investment strategies are to be developed from and shall incorporate such goals, objectives, priorities, and recommendations.

The preparation of State and regional plans shall accommodate and harmonize the multiplicity of goals, priorities, recommendations and needs identified by development districts and local governments.

Commissions are required to assure an adequate process of consultation with local governments and development districts.

## ACCOUNTABILITY

### GAO REPORT AND DEPARTMENT OF COMMERCE AUDIT

On February 28 of this year the Department of Commerce released a report on its audit of selected activities of the title V regional commissions. In late April the General Accounting Office issued a report addressing the nonhighway activities of the Appalachian Regional Commission.

Both these reports were critical of existing commissions from several standpoints. The Department of Commerce report was directed to commission administrative activities rather than to specific program. It found deficiencies in coordination, both at the Commerce Department level and with other Federal agencies. Problems were found in the planning, selection, and evaluation of projects, as well as operation and monitoring of completed projects. Inconsistencies in expenditures from program monies and administrative funds exist.

Many of these same problems were also mentioned in the report of the General Accounting Office on the Appalachian Regional Commission. In addition, problems were cited concerning a possible decline in State participation in nonhighway programs and priority of program evaluation.

The Committee recognizes that many of the points raised in these reports are valid. Specific language has been included in this legislation which the Committee believes will alleviate existing problems. The procedure spelled out in title III, the Regional Growth Policy Process, spells out in detail the role of the Federal government in coordinating with the regional commissions. The specific duties of the commissions are outlined in several sections of the bill, principally sections 204 and 304.

State responsibilities for maintenance of effort are spelled out in section 207 (h).

Fiscal responsibility and management standards are required on the part of the Federal government and commissions.

The Committee is aware of existing problems in commission administration and programs. This legislation seeks to alleviate those problems while at the same time expanding the regional commission concept to other parts of the Nation. The Committee expects to monitor commission activities closely as they carry out the directives of this legislation.

#### LEGISLATIVE PROVISIONS

The committee considered the question of accountability to be of grave importance in the development of this legislation. The careful spelling out of the specific responsibilities of each element in this unique Federal, State and substate partnership is essential both from the standpoint of ensuring the viability of the program and the protection of the participants.

Recent reports of the General Accounting Office and the Department of Commerce have criticized the operations of existing commissions. This legislation contains a number of safeguards to assure accountability on the part of the Federal, State and commission elements, as well as recipients of assistance from commissions.

For the commissions in title II, the Secretary of Commerce is required in section 208 to identify basic areas in which minimum standards of fiscal responsibility and management must be adopted, including uniform cost principles; to specify such minimum standards in regulations; to require each commission to adopt such standards as part of their internal regulations; and adopt procedures and regulations governing conditions under which the Secretary may withhold funds from a commission for violations of this Act or any regulations adopted under this act. The Secretary is further required to evaluate, on an annual basis, the performance of the commissions in adhering to such procedures and regulations, and in implementing the provisions of this act.

Section 204(b)(2) requires all Federal cochairmen to assure commission compliance with applicable Federal fiscal and management requirements either established under this legislation or by the ARC Federal Cochairman or that commission itself.

In section 210 the commissions themselves are mandated to keep records which will fully reflect the amount and disposition of the funds provided to them, and such other records which will facilitate an effective audit. They are also required, in section 208, to adopt policies to prevent fraud, waste, and abuse in their programs. They must adopt specific policies and procedures to assure that any program or project which receives assistance is properly and efficiently administered, operated, and maintained. Section 210 requires that approval by commissions of applications for grants or other assistance must be predicated upon a determination that there will be proper administration, operation, and maintenance of the project to be undertaken.

In section 208 the Appalachian Regional Commission is encouraged to adopt standards of fiscal responsibility and management. The Committee expects such standards to be no less stringent than those prescribed for the other commissions by the Secretary. The Appalachian Regional Commission is also directed, in section 113, to evaluate, on an annual basis, its effectiveness in achieving the goals and objectives of its program.

Finally, section 210 requires all recipients of assistance from a commission and all contractors of a commission to keep complete records, to be available to any member of the commission or the commission itself, the Comptroller General, and, except for the Appalachian Regional Commission, to the Secretary. Those refusing to comply with this requirement shall not be eligible for further funding under this act.

#### ROLE OF THE FEDERAL COCHAIRMAN

Section 204(b) (1) describes the expanded role of the Federal Cochairmen. As the Presidentially appointed partner to Governors, each Federal Cochairman has the dual responsibility for (1) communicating regional concerns of the State members to the Federal Government, and (2) presenting the national perspective to the regional commission.

Title III, the Regional Growth Policy Process Act, significantly enhances the role of the Federal Cochairman. As a statutory participant of the White House-Chaired interagency committee process, his responsibility is to assist in the implementation of regional development plans. He has an expanded role in the preparation and submission of commission budgets. The bill throughout encourages a greater advocacy role for the Federal Cochairman to encourage Federal departments and agencies to support commission plans, programs, and priorities.

The "Federal presence" in the person of the Federal Cochairman is an essential responsibility in the act. It is expected that such Cochairmen will assure commission compliance with applicable Federal fiscal and management requirements established in the act. It is vital that Federal Cochairmen represent the Federal interest in commission determinations with respect to: State maintenance of effort requirements (section 207(h)); commission priority for assisting areas of economic decline; the exercise of commission waivers of the 20 percent limitation on funds for innovative and demonstration projects authorized under section 207(b); the integrity of the relationship between the planning and policy process and project selections; and assuring adequate commission attention to problems and solutions shared by two or more States with each region.

The committee realizes that too little policy guidance has been provided in the past within the Executive Branch to assist the Federal Cochairmen in the exercise of their duties. With a national system of regional commissions and a national commitment to address certain problems at a subnational level, the absence of policy guidance and support inside the Executive Branch is no longer excusable.

#### PARTICIPATION OF APPALACHIAN COMMISSION PARTNERS

The 1975 amendments to the Appalachian Regional Development Act included provisions to enhance the participation of the Governors as active members of the Commission. The response of the Governors to those amendments has been gratifying. There are a few matters of concern, however, which have been observed in oversight on the Commission's implementation of the 1975 amendments.

While the Governors themselves have been active, occasionally alternates to the State Members have been appointed who do not meet the act's requirement that they be members of the cabinet or of the Governor's personal staff. It is important that only State officials with decision-making authority at the cabinet level or who have full access to the Governor serve as alternates. In addition, it is important that such an alternate attend all the Commission meetings when the State member is not present.

To maintain full gubernatorial participation, Commission meetings at which a quorum of State members must be present should not have to address administrative matters, contract approvals, or personnel questions not involving policy decisions. Minor modifications of annual investment programs also do not have to be decided at meetings which include the personal participation of a quorum of Governors.

In 1975 the Committee was concerned primarily with the role of Governors in the Appalachian Regional Commission. Historically, the Federal Cochairman, as the representative of the President, has been a key participant in the unique partnership experience of the Appalachian Regional Commission since its inception in 1965. The committee intends that the Federal Cochairman remain an active participant in the partnership.

The Federal Cochairman, in partnership with the Governors of the 13 Appalachian States, is charged by statute with working to bring about the growth and economic development envisioned by the Congress in the Appalachian Regional Development Act. There is no question that the Federal Cochairman should be a visible spokesman for the Commission throughout the Region. However, even more important are his responsibilities in Washington. It is the Federal Cochairman's personal responsibility to attend Commission meetings, and to work in concert with the States to develop programs and policies that will help shape the future of the Region. The Federal Cochairman has a full time position with a unique opportunity to influence the future of Appalachia by personal participation in dealings with Federal agencies, the Congress, and within the Commission itself.

There may be occasional instances when the Federal Cochairman must be absent from his duties, and the statute provides for an alternate to serve in his place at those times, and when not serving as such, to perform duties assigned him by the Federal Cochairman. The basic functions of the Federal Cochairman are, of course, not delegable to the alternate or anyone else.

#### APPALACHIAN HIGHWAYS

As stated in the general statement at the beginning of this report, approximately 56 percent of the 3,025 miles currently authorized for the Appalachian highway system is either complete or under construction.

The Administration bill (S. 912) authorized \$300 million for fiscal years 1980 through 1985 for the highway program. S. 835 as introduced contained a total of \$3.5 billion for 7 fiscal years for this purpose. This was the amount calculated by the States to be necessary for the completion of the entire system. The committee reduced these amounts to levels more compatible with anticipated appropriation levels and with

expected construction capabilities. Section 106 of S. 835 authorizes a total of \$2.03 billion for 5 fiscal years, as follows:

Fiscal year:	<i>Millions</i>
1981 (an increase of \$180 million over existing authorization) -----	\$300
1982 -----	400
1983 -----	450
1984 -----	500
1985 -----	500

S. 835 as amended also provides for a 33-mile increase in the authorized mileage for the system, from 3,025 miles to 3,058 miles. This increase is for centerline alinement and minor rerouting due to environment problems.

The committee is aware that the Commission prepares cost estimates for the Appalachian development highway system as a basis for allocating highway funds among the States. In the past, authorizations and funds have been distributed among the States according to each State's relative share of remaining costs to complete the system, with a maximum limit for any one State. Up to now this has been a workable policy.

However, the committee is also aware of the need to complete individual highway corridors and that some States have accelerated their construction programs utilizing their own funds and by prefinancing. Under present procedures, as States approach completion of their portion of highway corridors within the Appalachian highway system, their relative share of remaining costs diminish, thereby lengthening the time it takes to complete individual highway corridors. Therefore, in allocating authorization and funds in the future, the Commission should take into consideration the need to complete individual highway corridors and the efforts individual States have made to accelerate completion using their own funds on corridor segments in the past or future, as well as prefinancing.

The committee wishes to make clear that the present prohibition on the use of section 214 funds for highway or road construction is intended to preclude section 214 supplemental funding for the Appalachian development highway system or access road projects authorized under section 201 of this Act, or for Federal and highway programs under title 23 of the U.S. Code.

The committee agrees that the Commission may continue to supplement development projects under other Federal grant-in-aid programs which include incidental road construction as project components, such as the industrial site development programs authorized under title I of the Public Works and Economic Development Act or section 310B of the Consolidated Farm and Rural Development Act; or recreational development projects under the Land and Water Conservation Fund Act.

#### APPALACHIAN HOUSING

The problem of adequate basic housing in Appalachia has been severe for some time, and appears to be worsening. Over one million Appalachian homes are substandard—either unsafe, with insufficient plumbing, or overcrowded—in some cases all three. This figure is more compelling when it is realized that in central Appalachia, 38 percent of the housing is inadequate.