UNITED STATES GENERAL ACCOUNTING OFFICE

REPORT TO THE COMMITTEE ON PUBLIC WORKS UNITED STATES SENATE

Review Of Selected Activities Of Regional Commissions B-177392

1 Appalachian Regional Commission 2319
2 Four Corners Regional Commission
3 New England Regional Commission
4 Ozarks Regional Commission 1153

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

MARCH 26, 1974

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-177392

The Honorable Jennings Randolph
Chairman, Committee on Public Works S3100
United States Senate

Dear Mr. Chairman:

As you requested on January 22, 1973, we have reviewed selected activities of three title V regional commissions--Ozarks, New England, and Four Corners--and the Appalachian Regional Commission.

Appalachian Regional Commission and Commerce officials responsible for administering title V commissions have examined this report. Appalachian officials gave GAO oral comments; Commerce officials preferred not to comment orally but suggested that written comments be obtained. To expedite issuance of the report, however, your Committee requested that these comments not be obtained.

As agreed with your office, we are releasing copies of this report to Senator William D. Hathaway and Congressman William R. Cotter.

We do not plan to distribute this report further unless you agree or its contents are publicly announced. However, this report contains recommendations to the Secretary of Commerce which are presented on page 21. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House and Senate Committees on Government Operations and Appropriations within a specific time.

Accordingly, your release of this report will enable us to send the report to the Secretary and the four committees to meet the requirements of section 236.

Sincerely yours,

Elmer B. Staats

Comptroller General
of the United States

Contents

ABBREVIATIONS

ARC	Appalachian Regional Commission
ARD Act	Appalachian Regional Development Act of 1965
FCRC	Four Corners Regional Commission
GAO	General Accounting Office
GSA	General Services Administration
NERC	New England Regional Commission
ORC	Ozarks Regional Commission
PWED Act	Public Works and Economic Development Act of 1965
PARC	President's Appalachian Regional Commission
RRMIS	Regional Resources Management Information System

COMPTROLLER GENERAL'S REPORT TO THE COMMITTEE ON PUBLIC WORKS UNITED STATES SENATE

REVIEW OF SELECTED ACTIVITIES OF REGIONAL COMMISSIONS
Appalachian Regional Commission
Four Corners Regional Commission
New England Regional Commission
Ozarks Regional Commission
B-177392

D I G E S T

WHY THE REVIEW WAS MADE

The Chairman asked GAO to review some activities of four regional commissions--the Ozarks (ORC), New England (NERC), Four Corners (FCRC), and Appalachian (ARC).

In accordance with discussions with the Chairman's office, GAO agreed to limit its review to the effectiveness of the Commission's policies and procedures for funding projects directed at solving regional problems. (See p. 39.)

GAO also agreed to determine the status of an excess property program and a gasification (converting-coal-to-gas) project involving FCRC. GAO's review of ARC was directed only to certain aspects of Ohio's vocational educational program and Kentucky's demonstration health and child development programs. Time constraints imposed by the Committee precluded evaluating the effectiveness of ARC's administrative policies, procedures, and practices.

Appalachian officials made oral comments on this report. Commerce officials preferred not to comment but suggested that written comments be obtained. The Committee requested these comments not be obtained to expedite issuance of this report.

FINDINGS AND CONCLUSIONS

In 1965 ARC, the title V regional commissions, and the Economic Development Administration were authorized to help alleviate substantial and persistent unemployment and underemployment in economically distressed areas and regions.

The regional commissions were created as Federal-State partnerships in an experiment for solving multi-State problems in designated regions.

In authorizing the regional commission program, the Congress recognized that past approaches to solving problems unique to a region had achieved limited success because, although the problems were regional, the solutions were attempted on a piecemeal basis.

Accordingly, regional commissions were to develop comprehensive and coordinated plans and programs, establish regional priorities, and direct their programs primarily to solving regional problems.

ORC, NERC, and FCRC

Although many local benefits can be attributed to the title V regional commission program, GAO found that the three regional commissions included in its study have not effectively directed their programs to meet a major goal to solve problems on a regional basis. Regional commissions generally have not

--established a system of priorities for those programs and projects which would have the greatest economic impact on the region (see p. 9),

--allocated development funds among member States on a regional-priority basis but on essentially a proportionate-sharing basis (see p. 13),

--funded many projects with multi-State impact (see p. 16), and

--evaluated effectiveness of their program and projects in relation to overall goals (see p. 18).

ARC programs

A review of some aspects of three programs in Ohio and Kentucky indicated:

--Kentucky did not meet all goals for demonstration health and child development programs. (See p. 22.)

--Program officials in Ohio generally disagreed with the Commission's growth-center concept as a major investment strategy. (See p. 28.)

--Kentucky acknowledged that the way it initially identified growth centers in its State development plan was faulty.

--Ohio generally met the Commission's requirements for vocational education programs.

Excess property program

FCRC became involved in the excess property program in March 1971 and began acquiring excess property for Indian tribes, communities, and other grantees. Although grantees possess the property, title remains with the Federal Government.

In August 1972 the Counsel for the Office of Regional Economic Coordination, Department of Commerce, expressed the opinion that the regional commissions were not appropriate organizations for transferring excess property to non-Federal recipients. The Department's Assistant General Counsel for Administration concurred in July 1973 and the Federal cochairman for FCRC was advised accordingly. (See p. 31.)

FCRC gasification projects

FCRC became indirectly involved in gasification projects which two private companies planned for that region.

In August 1972 the Commission awarded a grant to the Navajo Community College to develop manpower training programs for the Navajo Indian Irrigation Project.

Upon learning of the proposed gasification projects, the Commission expanded work on the grant to consider training programs for gasification plants.

Officials said the Commission has been staying abreast of developments in this area and has been working with educational officials to insure that they keep training needs for gasification projects in mind in other vocational education projects. (See p. 34.)

ORC's Regional Resources Management Information System

ORC's approved action plan is a highly technical document whose potential success depends heavily on effectively using ORC's computerized resource management information system in which it has invested $1 million.

As of April 20, 1973, the system was not fully operational. Because of the system's sophistication, GAO has doubts about Ozark users' ability to effectively use it.

Implementing the approved action plan which includes use of the system will not, in GAO's opinion, improve Ozarks' effectiveness in solving regional problems.

Despite its $1 million investment, ORC has not made a cost-effectiveness study of the system. Also, ORC's Federal cochairman expressed his concern that instead of the system's being used to improve the Commission's decision-making capability, it was being used as a service bureau or an information source for outside interests.

ORC should clarify the intended use of the system and make a cost-effectiveness analysis before it invests additional funds. Also, the Commission should determine the extent to which additional training is needed to operate the system. (See pp. 36 to 38.)

RECOMMENDATIONS

GAO recommends that the Secretary of Commerce direct ORC, NERC, and FCRC to

--identify those programs and projects which would have the greatest economic impact on their regions,

--establish a regional priority system for allocating funds, and

--establish specific performance or target goals against which to measure the progress of their efforts in order to evaluate the effectiveness of their programs. (See p. 21.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

We included ARC's oral comments in the report. (See pp. 26, 28, and 30.)

CHAPTER 1

INTRODUCTION

The regional commissions and the Economic Development Administration (EDA) were established to help alleviate substantial and persistent unemployment and underemployment in economically distressed regions and areas. The regional commissions were created as Federal-State partnerships in an experiment for solving multi-State problems in designated regions. EDA, on the other hand, had a responsibility and a comparatively broader authority to assist economic development in eligible areas nationwide.

The Public Works and Economic Development Act of 1965 (PWED Act) (42 U.S.C. 3121) authorized

--EDA to provide grants, loans, and working capital loan guarantees for projects in designated redevelopment areas, economic development districts, and economic development centers throughout the United States (titles I to IV) and

--the Secretary of Commerce to designate economic development regions in the United States, with the States' agreement, in which such regions would be wholly or partially located, provided that (1) the areas in each region had geographical, cultural, historical, and economic relationships, (2) the region, except for Alaska and Hawaii, was within the contiguous States, and (3) the region lagged behind the Nation in economic development (title V).

The Secretary designated five such regions in 1966. One regional commission was established in 1966, the other four in 1967. In 1972 the Secretary designated two additional regions for which commissions (identified as title V regional commissions in this report) were also established.

In addition to title V regional commissions, the Appalachian Regional Development Act of 1965 (ARD Act), as amended (40 U.S.C., app. I), established the Appalachian Regional Commission (ARC) to begin a special development effort to assist each region to (1) meet its special problems, (2) promote its economic development, and (3) establish a framework for joint Federal and State efforts toward providing the basic facilities essential to growth, attacking common problems, and meeting common needs on a coordinated and concerted regional basis.

A map showing boundaries of the seven title V regional commissions and ARC is included as appendix I.

Each commission has one Federal member, referred to as the Federal cochairman, who is appointed by the President with the advice and consent of the Senate, and one member from each State in the region. The State member may be the Governor, his designee, or such other person as may be provided for by the State's law. The State members elect a State cochairman from among them for a term of 6 months to a year. Decisions by a regional commission require the affirmative vote of the Federal cochairman and a majority of the State members.

The Secretary of Commerce, acting through a special assistant for regional economic coordination, has administrative responsibility for the title V program, although operational responsibility for the regional commissions rests with the Federal cochairmen and State members. ARC, on the other hand, operates as an independent agency.

The regional commissions are responsible for preparing plans and programs for the economic development of their respective regions. (See app. II for specific functions of the commissions.) The commissions engage in planning, investigations, studies, and demonstration projects. For these projects the commissions usually use technical assistance grants which may be made to departments, agencies, or instruments of the Federal Government; to private individuals, partnerships, firms, corporations, or other suitable institutions; or to State or local governments.

ARC program activities include constructing a system to develop highways throughout the region and categorical programs for demonstration health facilities, land use and conservation, private nonprofit timber development and marketing, mine restoration, housing, vocational education, sewage treatment, and water resources studies.

The commissions are also authorized to award supplemental grants enabling the States and local communities to take maximum advantage of Federal grant-in-aid programs for which they are eligible but unable to supply the required matching share or for which there are insufficient funds available under the act authorizing such programs. The total Federal share may not exceed 80 percent of the total project costs.

Brief histories of the three title V regional commissions included in our review and of ARC are shown in appendixes III and IV, respectively.

CHAPTER 2

OPPORTUNITY TO MORE EFFECTIVELY ADMINISTER THE TITLE V REGIONAL COMMISSION PROGRAM

In authorizing the regional commission program, the Congress recognized that past approaches to solving problems unique to a region achieved limited success because, while the problems were regional, individuals, local groups, or communities were trying to solve them on a piecemeal basis. The Congress accordingly authorized the title V regional commissions to develop comprehensive and coordinated plans and programs, to establish regional priorities, and to direct their programs primarily toward solving regional problems.

In commenting on the need for concerted interstate effort in solving regional problems, the Senate Committee on Public Works, in its report (S. Rept. 193, 89th Cong., 1st sess.) on the PWED Act of 1965, stated:

> "These [distressed] areas have a substantial need for projects and programs which must be planned across sizable geographic areas and which no local unit or group of units within one State can do alone or without regard to the effect of their efforts on similar areas in adjoining States."

Although many local benefits can be directly attributed to the title V regional commission program since its inception, the three regional commissions we studied have not effectively directed their programs to insure that they are meeting a major goal for which they were established--to solve problems on a regional basis. We found that the regional commissions generally have not

--established a system of priorities for those programs and projects which would have the greatest economic impact on their regions;

--allocated development funds among member States on a regional-priority basis but essentially on a proportionate-sharing basis;

--funded many projects with multi-State impact; or

--evaluated the effectiveness of their programs and projects in relation to their overall goals.

PRIORITIES

Section 503(a)(7) of the PWED Act of 1965 requires that each commission, for its region,

> "* * * develop, on a continuing basis, comprehensive and coordinated plans and programs and establish priorities thereunder, giving due consideration to other Federal, State, and local planning in the region."

Also, section 504 sets forth five factors which the regional commissions are to consider in establishing priority rankings for programs and projects for future economic development. These factors include growth potential; population and area to be served; financial resources of the State or political subdivision; relative importance of the projects; and prospect for increased employment, income levels, or economic and social development.

The title V regional commissions did not establish priority systems for identifying those programs and projects which would have the greatest economic impact on the entire region. Instead, the member States were allowed to determine their own priorities for those projects for which they intended to seek financial assistance from the regional commissions.

Ozarks Regional Commission (ORC)

The overall goal of ORC, as stated in its development plan, is to close the income gap--the difference between per capita personal income in the region and in the United States--by

--developing employment opportunities to generate personal income through wages and salaries,

--developing resources to generate other forms of personal income,

--educating and training residents of the region to increase their earning power, and

--developing community facilities and enhancing the general environment for economic development. ORC officials told us that these strategies have equal priority.

In formulating its program policy, ORC adopted, on April 13, 1967, a resolution which stated, in part:

"In order to develop comprehensive and coordinated plans for the region, the responsibility of the Commission shall be to (1) provide regional data and analysis, (2) analyze programs, and (3) recommend new approaches and programs for development; and the individual States shall have the responsibility to translate these and other data and information developed at the local and State level into specific State Ozarks area plans."

Although ORC's attachment to the resolution-- "Policies for Ozarks Area Planning"--included the PWED Act's five priority-setting factors, they were followed by the statement:

"In discharging its planning responsibilities, the Commission has recognized that regional coordination and planning should be the responsibility of the Commission, but that action planning for Ozarks programs and projects should be carried out by the States themselves."

Accordingly, ORC allowed the individual States within the region to establish their own priorities for projects for which they intended to request ORC financial assistance.

New England Regional Commission (NERC)

The overall goal of NERC is to expand the effective range of economic choices available to area residents. The four major economic development areas and functionally related program areas directed toward the overall goal, as set forth in the NERC development plan, were to:

--Strengthen the region's human resources:

a. Labor skills.

b. Education.

c. Health.

d. Housing.

--Protect and nurture the region's natural resources:

a. Environmental management.

b. Recreation.

c. Energy and ocean resources.

--Strengthen the quality of government:

a. Governmental services.

--Secure balanced accessibility to economic opportunities:

a. Industrial and commercial development.

b. Transportation.

NERC considered these areas to be equally important.

Before awarding a supplemental grant for a project, NERC requires certification that the project proposal relates to a high-priority area in the member State's plan. This procedure allowed each member State to establish priorities for its projects without regard to regional impact.

Four Corners Regional Commission (FCRC)

The overall goal of FCRC is to improve the economic well-being of the regions' residents, especially those suffering the greatest economic disadvantages. The plan cited several strategies for attaining this goal, including:

--Providing accessibility to natural resources, tourist attractions, and educational and health facilities.

--Substantially improving the labor force by raising occupational skills.

--Directly stimulating productive activities in resource areas.

--Producing the greatest impact in those areas with the highest unemployment rates and income levels.

FCRC considered each strategy equally important.

The member States were allowed to recommend to FCRC individual projects for which they intended to request financial assistance. In effect, therefore, the States carried out program activities individually without regard to interstate impact.

ALLOCATION OF FUNDS

In August 1967 the Department of Commerce issued guidelines for program formulation which discussed several strategies for geographically allocating resources to achieve regional development goals. One of the strategies discussed raised the question of whether allocating limited program resources (1) evenly or randomly over a region's territory or (2) equally or proportionately among the States would best serve the purposes of regional and national economic development.

According to the guidelines, equal distribution of funds may have a political attraction, but economic development is rarely characterized by equal need or growth opportunities throughout a region. Therefore, the guidelines stressed the importance of concentrating program resources in regional areas which have the most likely growth potential. The regional commissions, however, decided to allocate development funds to their member States generally on a proportionate-sharing basis rather than on a regional-priority basis.

ORC

ORC allocated its funds among member States on a proportionate-sharing basis. The allocations followed closely the ratio of each member State's contributions to ORC's administrative expenses, which the Federal Government and member States shared equally. Arkansas, Missouri, and Oklahoma each contributed 30 percent of the States' share, while Kansas contributed 10 percent.

An ORC official told us that, after allowing for regionwide projects, the remaining funds were to be allocated, in accordance with an informal agreement among member States, on a proportionate-sharing basis for State projects. These projects involved either technical assistance or supplemental grants. Accordingly, Arkansas, Missouri, and Oklahoma each were to receive 30 percent of the remaining funds and Kansas was to receive 10 percent.

The official said that, if in a given year the total dollar amount of projects proposed by a State was more or less than the State's designated share, this would be taken into account in allocating the following year's funds. This, he said, would insure that over the life of ORC each State would get its share of available funds in accordance with the informal agreement among ORC members.

Our review of the projects funded by ORC through December 31, 1972, showed that ORC adhered closely to the informal sharing agreement in allocating funds, as shown below.

State	Technical assistance grants (note a)	Supplemental grants	Total	Percent
	(000 omitted)			
Arkansas	$1,318	$ 5,301	$ 6,619	25.3
Kansas	839	2,042	2,881	11.0
Missouri	872	7,422	8,294	31.8
Oklahoma	1,021	7,309	8,330	31.9
Total	$4,050	$22,074	$26,124	100.0

[a]Does not include grants for multi-State projects amounting to $2.86 million or projects amounting to $218,775 for the State of Louisiana which was admitted to the region in August 1972.

In response to our inquiry on the geographic distribution of ORC funds, the acting executive director stated:

> "* * * The Ozarks Regional Commission is a Federal-State-Local partnership, and even though it may be a governmental partnership, it still must follow the same general rules as a private partnership would follow. The Commission has made an effort to see that all partners are, in fact, equal partners. A partnership in the private sector where one partner took all of the funds from the partnership would not last very long. By the same token, a governmental partnership must

make every effort to see that all the partners are treated fairly and equally.

"The Ozarks Regional Commission has not formally adopted any 'magic formula' for the distribution of funds. However, the Ozarks Regional Commission has sought to keep our partnership balanced at least on the same level that the member States participate financially in the program. Projects are considered on a merit basis, but an effort is made to see that the projects are geographically distributed among the member States."

NERC

Since the program began in 1967 through December 31, 1972, NERC allocated $26.8 million for technical assistance and supplemental grants. Except for $8.3 million for research and regional projects, NERC had allocated funds to its member States as of December 31, 1972, as follows:

State	Technical assistance grants	Supplemental grants	Total	Funds allocated	Contribution to administrative expenses (note a)
	(000 omitted)			(percent)	
Connecticut	$1,253	$ 1,684	$ 2,937	15.9	16.9
Maine	1,740	1,507	3,247	17.6	17.6
Massachusetts	1,331	1,934	3,265	17.6	21.5
New Hampshire	1,427	2,740	4,167	22.5	14.2
Rhode Island	1,089	877	1,966	10.6	14.3
Vermont	1,404	1,526	2,930	15.8	15.5
Total	$8,244	$10,268	$18,512	100.0	100.0

[a] Each member State contributed to NERC's administrative expenses on the basis of the number of it communities, population, unemployment rate, and per capita income.

The table shows that 3 States (Connecticut, Maine, and Vermont) received funds closely proportionate to their share of NERC's administrative expenses. Only Rhode Island, with 10.6 percent of the allocated funds, and New Hampshire, with 22.5 percent, appear to have shared disproportionately. However, no development funds were allocated to member States on a regional-priority basis.

FCRC

FCRC has allocated funds among its member States generally on an equal-sharing basis. Except for

$1.5 million for regional projects, FCRC had allocated funds to its member States as of December 31, 1972, as follows:

State	Technical assistance grants	Supplemental grants	Total	Percent
	(000 omitted)			
Arizona	$1,097	$ 4,828	$ 5,925	26.0
Colorado	698	4,733	5,431	23.8
New Mexico	1,361	4,600	5,961	26.1
Utah	828	4,669	5,497	24.1
Total	$3,984	$18,830	$22,814	100.0

One of FCRC's stated goals is closing the job gap--the difference between expected and desired levels of employment in the 20 to 64 age group. In 1970 FCRC estimated the job gap to be 67,000, and it hopes to close it by creating 76,000 additional jobs by 1980. Because American Indians and persons with Spanish surnames accounted for about 67 percent of this gap, it appears that FCRC's goal could be realized through its equal-sharing allocation procedure only if these ethnic groups were distributed equally throughout the four member States. However, most American Indians and persons with Spanish surnames in the region live in Arizona and New Mexico.

Officials agreed that FCRC's funds allocation procedure is not commensurate with its goal and the distribution of disadvantaged persons. They stated, however, that if the level of funding called for in the FCRC development plan had been received, funds would have been allocated to the member States to meet the most pressing needs of the region.

COMMISSION PROJECTS

Our review of project files indicated that few projects funded by the title V regional commissions would have a significant regional or multi-State impact--a direct immediate impact on two or more States. We found that most grants were awarded for projects providing State or local benefits only.

Our review of the project files for the three regional commissions indicated the following distribution of funds and projects having multi-State or one-State impact from July 1, 1966, through December 31, 1972.

Grants Awarded

July 1, 1966, to December 31, 1972

Commission	Technical assistance				Supplemental				Total	
	Multi-State		One-State		Multi-State		One-State			
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
		(thousands)		(thousands)		(thousands)		(thousands)		(thousands)
ORC	54	$ 2,858	132	$ 4,269	-	-	170	$22,074	356	$29,201
NERC (note a)	123	7,942	241	8,244	5	$2,242	46	8,173	415	26,601
FCRC	37	1,472	191	3,985	-	-	316	18,831	544	24,288
	214	$12,272	564	$16,498	5	$2,242	532	$49,078	1,315	$80,090
Percent	16		43		(b)		41		100	

[a]Figures do not include 77 technical assistance grants amounting to about $253,000 awarded for various consultant services.

[b]Less than 1 percent.

Of the 1,315 grants totaling about $80.1 million, only 16 percent, or 219, were expected to have a multi-State impact. The remaining grants were awarded for projects initiated at the State or local level and were expected to impact on only one State or on a small area within a State.

We visited four multicounty planning districts in Arkansas and Missouri having both vocational technical schools and industrial parks. (A majority of the supplemental grants awarded by ORC were for these types of schools and parks.) We found that they generally were contributing to the economic development of the local areas.

We visited five vocational technical schools and noted that they were being used to near capacity and offered a variety of curriculums which included automobile mechanical and bodywork training, civil engineering, drafting, electronics, bookkeeping, clerical and secretarial practice, building trades, health services, and refrigeration servicing.

Local officials and school administrators told us school curriculum selection is coordinated with local needs through the assistance of advisory boards consisting of local businessmen, industrialists, and city fathers. High school and post high school students and adults were enrolled in the vocational-technical schools. Except those in military service or continuing their education, 71 percent of the 1972 graduating class were employed in jobs using skills obtained in the five schools and 14 percent were employed in jobs unrelated to the skills obtained in the schools. The remaining 15 percent were either housewives or unemployed. A majority of the employed graduates were employed locally.

We also visited five industrial parks and found that 37 percent of the acreage was occupied and being used for industrial purposes. The remaining acreage had not been developed. Examples of industry in these parks included the manufacturing of water and sewer pipe, automotive fan blades, and footwear; the grinding of optical lenses; the processing and packaging of chickens; and a trucking terminal. Information from the local business representatives indicated each firm created additional employment opportunities for local residents.

PROGRAM EVALUATION

The regional commissions have not evaluated the effectiveness of their programs and projects in relation to their overall goals. Although some projects were monitored to determine if they were being carried out in accordance with their stated purposes, we believe that unless the regional commissions establish specific goals against which to measure the progress of their efforts, they will be unable to evaluate the effectiveness of their programs.

The following, for example, is a detailed account of ORC's program evaluation efforts at the time of our review.

According to an ORC official, ORC's first overall attempt to evaluate its effectiveness was when a questionnaire entitled "Survey of Public Facility Effectiveness" was submitted to managers of supplemental grant projects in November 1972. ORC gave us a summary of the responses to the questionnaires. The summary showed all the supplemental grants by State since ORC's inception; the fiscal year each project was funded; a brief project description; total cost of the project; the amounts of the Federal grant, the ORC supplemental grant, and local funds; the number of jobs directly attributable to the project; and the number of students presently enrolled in the vocational-technical schools. It did not, however, show how any of these projects tied into a specific ORC program or how successful the project had been.

ORC issued guidelines for preparing supplemental grant applications which required a full description of the project in terms of the services to be provided. The guidelines also required that projects be justified on the basis of how the proposed project would continually improve opportunities for employment, the average level of income, or the economic and social development of the area served by the project.

We reviewed ORC's files for the 14 industrial sites and public facility projects funded from July 1, 1972, through March 21, 1973, and found that ORC had not established quantitative targets or objectives for the projects.

For example, the justification for one water and sewer project concluded:

> "There is, obviously, a solid and undenied justification to conclude that increased job opportunities are of prime importance. Projects such as the proposed sanitary and water system improvements are essential to the efforts to provide suitable development sites to which industry can be attracted and in which existing industries may expand."

The justification did not contain such quantitative targets as the number of job opportunities or other specific goals the project was expected to achieve.

The justification for another project, which involved an industrial park, concluded:

> "* * * any new industrial location would not only provide industrial jobs, but would also encourage

growth in service and related industries. The availability of meaningful jobs would substantially discourage outmigration by young people."

This justification also did not contain such quantitative targets as the number of industrial or meaningful jobs the project was expected to provide.

ORC officials told us that their projects have contributed individually to meeting ORC's major objective of closing the income gap. We believe that this would obviously be true and we recognize that questionnaires might provide some indication of project achievement. However, unless ORC establishes quantitative targets or objectives and relates specific projects to program goals, it will not be able to effectively evaluate the success of its programs in achieving the overall goal.

Although NERC established specific targets for some programs, such as yearly providing 100 students with new and improved job skills, it has not used the targets to evaluate the performance of related projects.

Similarly, FCRC has not evaluated the effectiveness of its programs in achieving its overall goal. For example, one of FCRC's long-range goals is to create 76,000 jobs by 1980. However, it has not established an action plan or short-range targets to periodically evaluate its progress.

FCRC officials told us that a followup on all projects to determine their effectiveness in accomplishing FCRC's goals was tentatively scheduled for fiscal year 1974. We believe, however, that unless quantitative targets are established to measure program results, FCRC will not be able to effectively make this evaluation.

CONCLUSIONS

The title V regional commissions were created as an experiment in multi-State problem solving. The Congress found that previous approaches at solving problems unique to a region had had only limited success because while the solutions to the problems required a multi-State coordinated effort, they were being attempted on a piecemeal basis.

The title V regional commissions were authorized to carry out their programs regionally. The program has not been administered in the most effective manner because (1) most available funds have been allocated to member States proportionately rather than on a regional-priority basis, (2) the member States have been allowed to assign priorities to those projects for which financial assistance was requested from regional commissions, and (3) performance targets have not been established to effectively evaluate progress in achieving major goals. Our review also showed that few projects funded by the title V regional commissions would have a significant regional or multi-State impact. We found that most grants were awarded for projects providing State or local benefits only.

RECOMMENDATIONS TO THE SECRETARY OF COMMERCE

We recommend that the Secretary direct ORC, NERC, and FCRC to

--identify those programs and projects which would have the greatest economic impact on their regions,

--establish a regional priority system for allocating funds, and

--establish specific performance or target goals against which to measure the progress of their efforts in order to evaluate the effectiveness of their programs.

CHAPTER 3

OBSERVATIONS ON THREE ARC-FUNDED STATE PROGRAMS

Our review of certain aspects of three ARC-funded programs in Ohio and Kentucky indicated:

--Kentucky did not meet all of ARC's goals for demonstration health and child development programs.

--Program officials from Ohio generally disagreed with ARC's growth-center concept as a major investment strategy.

--Kentucky acknowledged that the way it initially identified growth centers in its State development plan was faulty.

--Ohio generally met ARC code requirements for vocational education programs.

Time constraints imposed by the Senate committee precluded us from evaluating the effectiveness of ARC's administrative policies, procedures, and practices.

DEMONSTRATION HEALTH AND CHILD DEVELOPMENT PROGRAMS IN KENTUCKY

Our review of Kentucky's demonstration health and child development programs indicated that

--not all projects within the health program will become self-sufficient,

--not all the people within the demonstration region have access to all health services, and

--several operational problems were preventing full accomplishment of each program's goals.

Demonstration health program

Our review of 24 health services and planning projects showed that 14 are not likely to become self-sustaining. Also, a comprehensive regional health network will not reach about 25 percent of the region's population, and a solid-waste disposal project may not attain its goal.

Section 202 of the ARD Act authorized multicounty demonstration projects within the demonstration health program to show the value of adequate health on Appalachian economic development. From inception of the program in fiscal year 1968 through fiscal year 1972, ARC provided $26.1 million for 76 projects covering 16 of Kentucky's 49 Appalachian counties. With these funds Kentucky implemented a regional multicounty health network which included (1) communication, transportation, and emergency medical facilities, (2) construction of health-care facilities, such as clinics and hospitals, (3) medical care to noninstitutionalized patients in their homes, (4) community services, such as for mental health, (5) environmental health services, such as waste disposal, and (6) health manpower development.

ARC guidelines require that States' demonstration health projects be related to

--developing the region's economy,

--developing a comprehensive health planning capacity,

--improving the Appalachian people's health,

--developing a comprehensive regional health network to be available and accessible for all segments of the population in the demonstration area, and

--providing a health network which will be self-sustaining at the end of ARC assistance.

Our review of ARC's project files and discussions with local officials revealed that 14 projects, totaling $5.2 million, of the 24 health services and planning projects, totaling $12.9 million, are not likely to become self-sustaining. Kentucky's assistant director for its demonstration health program gave us various reasons on a project basis why the projects will not become self-sustaining. The primary reasons generally given were that the projects have not been generating the revenue originally anticipated and money from other sources has not been available.

According to the assistant director, the other 10 projects totaling $7.7 million should become self-sustaining because they are producing sufficient revenues or because other sources are providing funds. For example, financial support from the National Institute of Mental Health and Kentucky should enable the mental health and retardation project to continue. Also, income generated from third parties should enable the home health network to become self-sustaining.

Projects in the health manpower, emergency service, and environmental health areas make up the majority of projects that are not likely to become self-sustaining. A local official told us projects in the health manpower area will be unable to continue after ARC funding ends, because such projects are usually sponsored by universities which are financially unable to support the projects on their own.

In fiscal year 1970 two emergency transportation projects were funded to provide ambulance service in the demonstration area. However, by the end of calendar year 1971, the State realized that without continuous ARC funding the projects would not be self-sustaining. One project was canceled in January 1973, and the other was retained primarily for demonstration purposes. As of November 1972 ARC had provided $1.1 million to the two projects. According to project officials, the retained project will not earn enough income to sustain operations because (1) third-party payers such as Medicaid, limit the type of ambulance service for which they will make reimbursements, (2) the ambulance service director has been unable to contract with coal mine companies to provide ambulance service as anticipated, and (3) competition from other ambulance services has reduced use of the service.

Because of the financial problems of the retained transportation project, ARC required the project director to submit a self-support plan by June 1973. As of April 1973 the plan had not been formally submitted and the project director had not obtained financial support from local governments.

Our review also showed that a comprehensive regional health network, as defined by ARC, has not been achieved.

For example, although the health services planned and/or implemented are comprehensive, about 25 percent of the region's population--those who are ineligible for Federal assistance and yet do not earn enough to purchase health-care or insurance--do not, according to the program's assistant director, have access to all health services. Kentucky's health planning agency, however, received about $400,000 of ARC funds in April 1973 to purchase care for those people.

A solid-waste disposal project included in the Kentucky health plan for its multicounty region has experienced operational problems which may prevent attainment of its goal. The primary objective of this project was to establish an adequate solid-waste disposal system for the entire 16-county demonstration area.

A program study proposed a system of six solid-waste areas, each of which would support a sanitary landfill and a rural waste collection system. In 1970 a grant proposal was submitted to ARC to begin the program in eight counties in the demonstration area. The proposal called for establishing three landfills, a management system, a rural waste collection system, and an open-dump closing program. As of May 31, 1973, ARC had provided $624,000 for the program. After the project began in 1970, a contractor was selected to manage the operation and three landfills were established. In addition, an open-dump closing program was implemented; however, it has not been successful because a rural waste collection system has not been established, leaving the local citizens no alternative but to continue open dumping.

A January 1973 consultant's report noted several deficiencies in the management and operation of the landfills and pointed out that, until a rural waste collection system is implemented, the landfills will continue to operate at a deficit.

A rural collection system which requires local financial support, probably in the form of a tax levy, appears essential to the ultimate success of the solid-waste disposal program. According to the consultant's report, local officials would be reluctant to impose additional taxes while the benefits of the system are being demonstrated or to enter into a multicounty system without assurances of continued Federal assistance.

ARC officials generally agreed with our observation relating to the health demonstration program. They stated, however, that the purposes of the program were fourfold and that financial self-sufficiency was just a subgoal of the major goal of establishing a foundation for an organized health-care delivery network of environmental and personal health services to the individual family member.

In addition, the officials said ARC has recognized the problems of Kentucky's solid-waste project and plans to have it audited. They also stated that they will work with the Kentucky Department of Natural Resources to design and implement the needed rural collection system.

Child development program

Our review of Kentucky's child development program indicated several operational problems which may prevent the program from reaching its intended goals.

Section 202 of the ARD Act was amended in 1969 to authorize demonstration grants for comprehensive child development programs to serve as models for the region and the Nation. These funds were intended to supplement other resources. For example, under title IV-A of the Social Security Act, as amended (42 U.S.C. 601-609), Federal support for certain child and family services was made available to the States on a 75-percent Federal and 25-percent non-Federal basis. The ARD Act, however, permits section 202 funds to be used either alone or with other Federal grant-in-aid programs to provide up to 100 percent for the first 2 years of the project's operation.

ARC's stated program goal is to develop model development programs providing comprehensive services to all children and their families in a target service area in Appalachia. ARC set out general guidelines relating to developing and delivering the necessary health, education, and social services.

Kentucky's program is designed as a multicounty demonstration project. The State established an interagency committee under the supervision of its Human Resources Coordinating Commission to plan and implement a 5-year child development program. The demonstration project was intended to evolve into a statewide child development program. Twelve child development services were planned for delivering the necessary health, education, and social services, including nutrition; dental health; maternal and child health; mental health; and child development centers where children develop their mental, physical, and social skills.

The program was initiated in 1970 and began operating in 1971. As of June 30, 1972, ARC had provided $2.4 million for four projects--central registration, nutrition, family planning, and child development centers.

According to ARC, since the program began, a number of children and parents have received one or more services:

--About 2,500 low-income families in Southeastern Kentucky were receiving comprehensive health, education, and family services as of April 1973.

--About 12,000 persons had received services from the nutrition program as of July 1973.

--47 child development centers were operating as of April 1973.

Although initial plans outlined a 5-year funding program in which ARC was to participate in the first 2 years, it now appears that each of the services will be discontinued after its second funding year. As a result (1) at least three of the four services started will not be completed; one is uncertain; and the remaining eight services planned will not be implemented and (2) all children in the target service area will not receive services as initially proposed. Also, Kentucky has no plans for a statewide child development program, and thus other persons in the State will not fully realize the benefits of the demonstration project. Therefore, the program will not accomplish all its intended purposes.

According to State officials, the program is to be discontinued because the State will not be able to meet the 25-percent non-Federal share of operating costs required in future years. Federal regulations state that ARC and title IV-A funds cannot exceed 75 percent of total operating cost after the second funding year. Some State program administrators said the present State administration is not as committed to the program as the previous one. They also said that the involved State agencies did not fully discharge their responsibilities for program coordination, which resulted in confusion and consequently, in program delays.

In addition, ARC officials told us that changes in the amendments to title IV-A of the Social Security Act decreased the number of persons that the program would serve. Due to Kentucky's low level of financial eligibility under the new regulations, child development services could no longer be provided to as broad a range of families (former, current, and potential welfare recipients) as was initially planned.

GROWTH-CENTER CONCEPT

ARC allocates program funds to its 13 member States using its own developed formulas which are based on such criteria as a measure for equal sharing, population and area considerations, and an inverse measure of per capita income and need. ARC's major program strategy, the growth-center concept, provides that investments be made in locations with greatest growth potential. According to ARC officials, the growth-center concept is not an ARC-imposed requirement but a legislative mandate clearly defined in the act.

The legislative history of the ARD Act shows that the Congress directed ARC to concentrate its efforts in areas with "* * * significant potential for future growth and where the expected return on public dollars invested will be the greatest."

ARC's policy provides that limited resources require the careful selection of specific areas for concentrating investments and that such investments, to obtain the greatest benefit from increased developmental activity for each dollar of public funds spent, must be concentrated in areas of significant growth potential.

ARC guidelines assigned the Appalachian States responsibility for developing and carrying out a methodology for selecting and ranking growth areas in their States to establish local investment priorities.

An Ohio program official considers the strategy of investing in growth centers to stimulate economic development as not being appropriate to its needs. For example, the official told us that ARC strategy for economic development cannot be realized throughout its Appalachian area because (1) the area lacks accessibility and its rough terrain is not suited for industrial parks, (2) its educational facilities and cultural activities are either unattractive or lacking, (3) its citizens are apathetic, (4) and local leadership is lacking.

To further support this position, the Ohio State Department of Development began a study in August 1971 to analyze the problems impeding economic development and to determine how decisions to locate industries are made. The February 1973 study report stated that:

> "It is too early to evaluate the success of the highway, human resources and infrastructure investment strategies pursued by ARC-economic development is a long run phenomenon - but some ominous warnings are beginning to appear. The new economic development strategy pursued by the ARC may produce a better educated rural migrant who travels to the big city more quickly on a super highway, leaving behind a very expensive ghost town. This warning has been heard before, but it could become reality if the present economic development strategies are continued to be pursued in the Appalachian Ohio. Despite the massive infusion of Federal dollars * * *, it is not likely that significant economic and social change will occur until some fundamental redesign of economic development programs occurs * * *."

Although Ohio has identified growth centers, two State program officials told us these designations were made to satisfy ARC requirements and did not represent those areas in the State where the greatest need existed. These officials further stated that the purpose of the ARD Act should be amended to deemphasize economic growth as the primary investment goal and to place more emphasis on human resource development.

Kentucky initially identified growth centers in its 1967 State development plan. In its 1973 plan, Kentucky acknowledged that the way it had identified the centers was faulty and indicated a need to reexamine and perhaps redesignate its growth centers. In February 1973 the State accordingly submitted a grant application to ARC proposing, among other things, to perform research designed to develop appropriate data for identifying growth centers. The proposal suggested and a State official indicated that the growth-center concept has not been truly justified and that the present state of knowledge on growth centers as a requirement for regional economic development is still in the formative stage.

In regard to the Ohio State officials' criticism on greatest need, ARC officials stated that the ARD Act requires making investments in areas having significant potential for future growth and where the expected return on public dollars will be the greatest, not where the greatest need exists.

Commenting on human resource investments, ARC officials told us that ARC has traditionally allowed exceptions under its code for funding human resource projects which have substantial impact on, but are not necessarily located in, a designated growth area.

CHAPTER 4

OTHER REQUESTED INFORMATION

After the Chairman's January 22, 1973, letter to us, his committee asked us to obtain information on FCRC's excess property program and its involvement in proposed projects relating to gasification--a chemical process which converts coal into a usable natural gas substitute.

FCRC EXCESS PROPERTY PROGRAM

Background

Excess personal property is that personal property under a Federal agency's control which is not needed by that agency. The Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471) and regulations issued by the General Services Administration (GSA) under the authority of that act require that excess property be reported to GSA for screening for possible use by other Federal agencies. Excess personal property not transferred to other Federal agencies through the GSA screening procedure becomes surplus and is eligible for donation to such non-Federal organizations as hospitals, schools, and civil defense activities. Surplus personal property not transferred to other Federal agencies or donated to non-Federal organizations is sold.

FCRC involvement

FCRC began its excess property program in March 1971 with the aid of a staff member of the Federal cochairman's office who had previous experience with excess property. This staff member, who retired and is presently serving as a consultant to FCRC, told us that GSA and Department of Commerce personnel also helped establish this program. In March 1972 the Department of Commerce published a property handbook and manual for regional commissions to use in the excess property program. In April 1972, GSA reviewed these publications and found them to comply with its regulations.

In March 1971 FCRC began acquiring excess property for use by Indian tribes, communities, and other grantees. Between March 1971 and December 1972, FCRC acquired excess property which had an original acquisition cost of about

$8 million. The handbook's instructions on lending property to grantees state that title to the property is to remain with the Federal Government.

FCRC also identifies property which may be transferred to other Federal agencies. This procedure is normally used for vehicles which require licensing. Because FCRC has no authority to license vehicles, it transfers vehicles to be used on Indian reservations to the Bureau of Indian Affairs.

Examples of excess property transfers

Through its excess property program, FCRC has made property available to schools, towns, health facilities, and Indian tribes. For example:

--Through the efforts of FCRC and other agencies, trailers and equipment for classrooms, residences, and kitchens were provided for a demonstration school for Indian children in Arizona. The acquisition cost of this equipment was about $250,000.

--About 170 miles of irrigation pipe with an acquisition cost of about $1.5 million was acquired for the Navajo Indian Irrigation Project. The cost to transport this pipe, about $230,000, was paid by the Bureau of Indian Affairs and the Bureau of Reclamation.

--In January 1972 FCRC learned about three excess oxygen tanks which had been part of a missile complex. Two towns in Colorado near the missile complex needed water systems. Through coordination with the Farmers Home Administration, which was assisting these towns in improving their water systems, FCRC acquired the tanks. A salvage dealer in the area offered to build water storage tanks for the two towns in exchange for the three oxygen tanks. In exchange for two oxygen tanks, the salvage company constructed a water storage tank for one town. The two oxygen tanks had an original acquisition cost of $110,000 each, and the cost of constructing the water tank was about $32,000. As of March 22, 1973, the water tank for the other town had not been constructed and the other oxygen tank had not been exchanged.

FCRC views on the program

FCRC is enthusiastic about the excess property program and believes that the program has created jobs and in some cases has enabled small communities to comply with pollution laws through the use of heavy equipment for refuse burial. According to FCRC figures, 427 permanent jobs have resulted from the excess property program. Of this total, 304, or 71 percent, were created in Arizona and New Mexico, where most of the region's economically disadvantaged American Indians and persons with Spanish surnames live.

In November 1972 the Governors of the four States in FCRC asked the Federal cochairman to double the efforts in this program. Due to personnel ceilings, however, the Federal cochairman said he could not add any more personnel to his staff. The Governors responded by providing $6,000 each for two more people to work directly under the Federal cochairman.

Legality of the program

In August 1972, after the program had been operating for more than a year, the counsel for the Office of Regional Economic Coordination, Department of Commerce, expressed the opinion that the title V commissions were not appropriate organizations for transferring excess property to non-Federal recipients. He stated that the Congress did not intend for the commission to become directly engaged in the excess property program. He apparently based his opinion on the problems associated with the Federal cochairman's transferring title, which requires congressional authorization.

At the request of the FCRC Federal cochairman, the Special Assistant to the Secretary of Commerce for Regional Economic Coordination asked the General Counsel for the Department of Commerce to review the whole question.

In a July 13, 1973, memorandum, the Assistant General Counsel for Administration stated:

"We agree with your conclusions that as the law and the regulations now stand there is no way that

> the Commissions acting through the Regional Co-Chairmen can transfer excess property to a non-Federal recipient without its having a grant or cost reimbursement contract in existence as the basis for the transfer."

Accordingly, the Acting Special Assistant to the Secretary for Regional Economic Coordination sent a memorandum, dated August 17, 1973, to the FCRC Federal cochairman advising him of the conclusion from the Office of the General Counsel and recommending that he

> "* * * take whatever steps, if any, which may be necessary to insure that the Four Corners excess/surplus property program is consistent with the law as it currently exists."

FCRC INVOLVEMENT IN GASIFICATION PROJECTS

Because of a technical assistance grant for a manpower study related to the Navajo Indian Irrigation Project, FCRC became indirectly involved in planned gasification projects in the Four Corners area.

Two private companies have announced plans to construct seven coal gasification plants on the Navajo Indian Reservation in northwestern New Mexico. Basically, these plants would chemically convert coal into gas suitable for use as natural gas.

Preliminary planning estimates show that each plant and related mining activity will provide about 950 jobs. FCRC officials told us that construction of two plants is expected to begin in 1974 and to be completed in 1976 or 1977. All seven plants are expected to be completed by 1987. Construction will require about 3,000 construction workers per plant.

An FCRC official told us that FCRC has not funded any projects directly related to these gasification projects. In August 1972, however, FCRC awarded a grant to the Navajo Community College to develop manpower training programs for the irrigation project. Upon learning of the gasification projects, FCRC expanded work on the grant to include consideration of manpower training programs for the gasification plants. In March 1973 FCRC submitted a proposal to the Department of Health, Education, and Welfare for support in developing the training programs and facilities for both the irrigation project and the gasification plants.

Officials told us that FCRC is staying abreast of gasification planning and developments and is working with educational officials to insure that training needs for gasification projects are kept in mind in other vocational education projects.

CHAPTER 5

OBSERVATIONS ON ORC'S REGIONAL RESOURCES

MANAGEMENT INFORMATION SYSTEM

Although we did not review the implementation of ORC's approved action plan, we examined its contents to determine its potential effect on ORC's ongoing programs. The action plan is a highly technical document whose success depends on effectively using ORC's computerized system called Regional Resources Management Information System (RRMIS)--in which ORC has invested about $1 million. As of April 20, 1973, the system was not fully operational, and, because of its sophistication, we have doubts about the ability of Ozarks' users to effectively use it. Therefore, implementation of the approved action plan, which includes using RRMIS, will not, in our opinion, improve ORC's effectiveness in solving regional problems.

The ORC action plan is a 244-page document which emphasizes a systems approach to regional planning. ORC views its region as a whole system having a number of subsystems, including employment, production, capital, natural resources, human resources, communication, shelter, education, transportation, and health. The action plan states that regional coordination of activities is of primary importance and that such coordination requires the ability to handle, interpret, and distribute large volumes of data on (1) the region and its residents, (2) ongoing and proposed programs and projects in the region, and (3) opportunities for public and private investment in the region.

According to the action plan, ORC created RRMIS to identify the benefits of coordination as well as to provide efficiently the necessary regional data. RRMIS is described in the action plan as an integrated, computer-based set of procedures through which data from many sources are used in subsystems. The purpose of the system is to provide easy accessibility to computer routines, programs, models, and data files relating to population, employment, income, education, and so on. The system produces reports or analyses and evaluations based on selected data. ORC has access to a time-sharing computer in Kansas City, Missouri. Terminals to the computer have been provided at about 50 user locations in the region. Users include the ORC staff, State agencies, and multicounty planning districts.

At the time of our review in April 1973, ORC had 14 subsystems in various stages of development, only half of which were operational.

The action plan is based on the premise that State and local planners in the region will use RRMIS in planning for economic development and that the projects ORC proposes for funding will result directly from ORC's action plan. Our review of ORC records and our discussions with RRMIS users indicated that the system was not being used as planned.

RRMIS records showed that terminal users have used the system primarily to obtain basic data on individual communities and have made limited use of the more sophisticated subsystems which can be used for analysis and evaluation. Discussions with State and local terminal users disclosed that many did not have computer science backgrounds. Many users indicated they would need additional training or expert assistance to fully use the entire mechanized system planned for development by ORC. Thus, in our opinion, effective use of RRMIS is questionable because of a lack of qualified personnel in State and local user agencies.

Because ORC has invested about $1 million in RRMIS, we asked whether ORC had made a cost-effectiveness study. We were told that it had not.

As late as July 31, 1972, the Federal cochairman expressed concern that additional funds were being requested for RRMIS when there was very little evidence to demonstrate that funds already provided were properly used and were producing results. The executive director, responding to questions raised by the Federal cochairman, listed 13 examples to demonstrate that the funds were properly used.

The Federal cochairman responded that ORC funds appeared to have been used not to improve ORC's decisionmaking capability but to develop a system similar to a service bureau or an information source for outside interests.

Because terminal users have made limited use of the system, considerable amount of funds have been invested in the system, and the Federal cochairman is concerned about the purpose of RRMIS, we suggest that, before any more funds are invested, ORC

--clarify the intended use of the system,

--determine the extent to which additional training is needed to operate the system, and

--analyze the cost effectiveness of the system.

CHAPTER 6

SCOPE OF REVIEW

The PWED Act was to expire June 30, 1973. We were uncertain whether the legislation would be extended so, after discussions with the committee, we limited our review to selected activities of the ORC, NERC, and FCRC and to ARC. After our fieldwork was essentially completed, the PWED Act was extended through June 30, 1974.

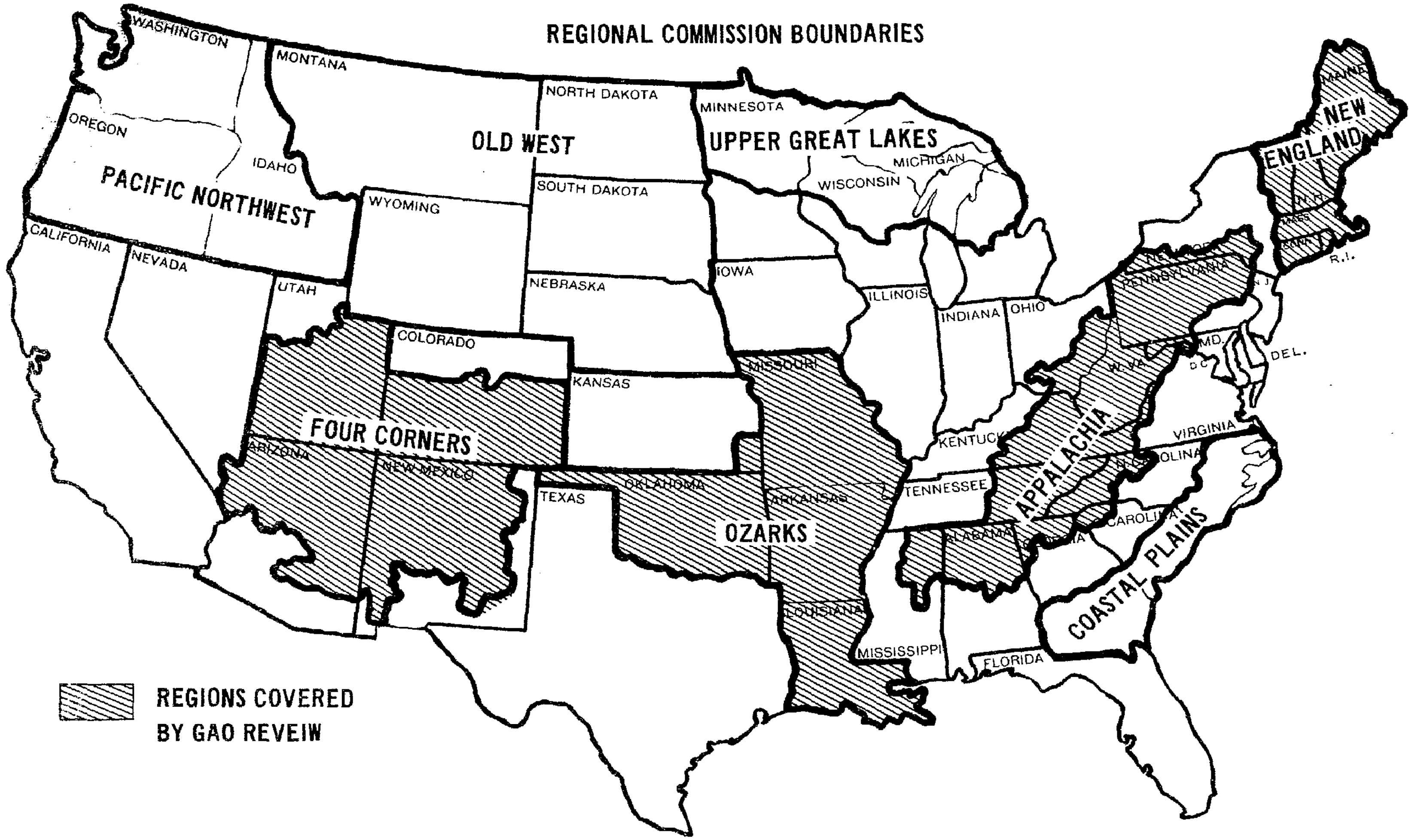
In accordance with discussions with the Chairman's office, we reviewed the applicable title V commissions' regional development plans. Because the plans were approved less than 1 year before we began our fieldwork in February 1973, we did not evaluate their implementation. We reviewed, however, the effectiveness of the commissions' policies, procedures, and practices for funding projects directed at solving regional problems.

Our review of ARC was limited to the vocational educational program in Ohio and the demonstration health and child development programs in Kentucky. Time constraints imposed by the committee precluded us from evaluating the effectiveness of ARC's policies, procedures, and practices for administering these programs. Instead, we reviewed these programs to determine whether they were being carried out in accordance with the ARC code--the official statement of ARC policy.

We examined legislation, selected project files, reports, and other records maintained by Federal, State, and local agencies pertaining to regional commission program operations. We interviewed the Federal cochairman of each regional commission and other Federal, State, and local officials.

We also visited selected grant projects in Arkansas, Colorado, Connecticut, Massachusetts, Missouri, New Hampshire, New Mexico, and Rhode Island.

REGIONAL COMMISSION BOUNDARIES



SOURCE: U.S. DEPARTMENT OF COMMERCE

FUNCTIONS OF REGIONAL COMMISSIONS

	Regional commissions	
	Title V (note a)	ARC (note b)
Develop, on a continuing basis, comprehensive and coordinated plans and programs and establish priorities thereunder, giving due consideration to other Federal, State, and local planning in the region.	x	x
Conduct and sponsor investigations, research, and studies, including an inventory and analysis of the resources of the region and, in cooperation with Federal, State, and local agencies, sponsor demonstration projects designed to foster regional productivity and growth.	x	x
Review and study, in cooperation with the agency involved, Federal, State, and local public and private programs and, where appropriate, recommend modifications or additions which will increase their effectiveness in the region.	x	x
Formulate and recommend, where appropriate, interstate compacts and other forms of interstate cooperation and work with State and local agencies in developing appropriate model legislation.	x	x
Provide a forum for consideration of problems of the region and proposed solutions and establish and utilize, as appropriate, citizens and special advisory councils and public conferences.	x	x
Foster surveys and studies to provide data required for the preparation of specific plans and programs for the development of such regions.	x	
Advise and assist the Secretary and the States concerned in the initiation and coordination of economic development districts, in order to promote maximum benefits from the expenditure of Federal, State, and local funds.	x	
Promote increased private investment in such regions.	x	
Prepare legislative and other recommendations with respect to both short-range and long-range programs and projects for Federal, State, and local agencies.	x	
Advise and assist the Secretary in the identification of optimum boundaries for multi-State economic development regions.	x	
Initiate and coordinate the preparation of long-range overall economic development programs for such regions, including the development of a comprehensive long-range economic plan approved by the Secretary.	x	
Encourage the formation of local development districts.		x
Encourage private investment in industrial, commercial, and recreational projects.		x
Serve as a focal point and coordinating unit for Appalachian programs.		x

[a]Section 503(a), PWED Act.

[b]Section 102, ARD Act.

ESTABLISHMENT AND CHARACTERISTICS

OF TITLE V REGIONAL COMMISSIONS

ORC

ORC was the first regional commission established under title V of the PWED Act. The Ozarks Economic Development Region was designated by the Secretary of Commerce on March 1, 1966, and ORC was formally organized on September 7, 1966.

The region included parts of Arkansas, Missouri, Oklahoma, and Kansas with a population of about 2.7 million. Subsequent modifications by the Secretary of Commerce through August 1972 have enlarged the region's boundaries to include all of Arkansas, Missouri, Oklahoma, and Louisiana and nine counties in Southeastern Kansas--a total population of about 12.8 million.

The Governor of Kansas has requested that his entire State be included in the region. As of April 1973 the Secretary was still considering the request.

The Ozarks region is a sparsely populated rural area whose per capita personal income in 1967 was $2,082, or $1,077 below the national average of $3,159. Within the boundaries of the original region ORC has estimated that the proportion of high school graduates is less than 70 percent of the U.S. rate and that the number of Ozark college graduates per 1,000 population is about 60 percent of the national average.

As stated in its regional development plan, approved by the Secretary of Commerce on May 17, 1972, ORC's overall goal is to close the income gap--the difference between per capita personal income in the region and in the United States.

Since it began awarding grants in 1967 through December 31, 1972, ORC has allocated technical assistance and supplemental funds as follows:

Grants	Amount (000 omitted)
Technical assistance	$ 7,127
Supplemental	22,074
Total	$29,201

NERC

New England was designated as an economic development region on March 2, 1966 and NERC was formally organized on March 20, 1967.

New England is unique in that it is the most well known and clearly defined geographic region in the United States. NERC consists of six States divided into the northern tier (Maine, Vermont, and New Hampshire) and the Southern tier (Connecticut, Massachusetts, and Rhode Island). In 1970 over 80 percent of its 11.8 million inhabitants resided in the 3 smaller southern tier States.

New England, the oldest industrial and manufacturing area in the United States, has experienced economic difficulty because of basic shifts and changes in the Nation's economy. While the northern tier States are principally rural and undeveloped, the Southern tier States are economically advanced.

As stated in its development plan, approved by the Secretary of Commerce on December 20, 1972, NERC's major objective is "to expand the effective range of economic choices available to residents of New England."

Since it began awarding grants in 1968 through December 31, 1972, NERC has allocated technical assistance and supplemental funds as follows:

Grants	Amount
	(000 omitted)
Technical assistance	$16,439
Supplemental	10,415
Total	$26,854

FCRC

Four Corners was designated as an economic development region on December 19, 1966. FCRC was formally organized on September 19, 1967.

The region includes major portions of Arizona, Colorado, New Mexico, and Utah and covers about 296,000 square miles. The region's population is about 2 million, or about seven persons per square mile. The largest ethnic groups in the region and the most disadvantaged, in terms of relatively low educational levels and low per capita income, are persons with Spanish surnames (20 percent) and American Indians (9 percent).

Of the 700,000 persons employed in the region in 1970, about 27 percent were employed by Federal, State, and local governments. Per capita personal income in 1970 was about $3,100 compared with a national figure of about $3,900. The per capita income for persons with Spanish surnames was about $1,900; for American Indians it was about $900.

On the basis of national employment ratios, FCRC estimated that the regions's job gap was about 67,000 in 1970 and would be about 76,000 by 1980. FCRC estimated also that persons with Spanish surnames and American Indians accounted for about two-thirds of this job gap.

As stated in its development plan, approved by the Secretary of Commerce on March 22, 1972, FCRC's overall goal is "to improve the economic well-being of the Region's residents, especially those suffering the greatest disadvantages."

Since it began awarding grants in 1968 through December 31, 1972, FCRC has allocated funds for technical assistance and supplemental grants as follows:

Grants	Amount
	(000 omitted)
Technical assistance	$ 5,457
Supplemental	18,831
Total	$24,288

ARC BACKGROUND AND FUNDING DATA

Appalachia's economic condition was the subject of an intensive study by the President's Appalachian Regional Commission (PARC). In its 1964 report PARC recognized that, although Appalachia was rich in natural resources and development potential, it had seriously lagged behind the rest of the Nation in several economic areas. The report identified six major regional problems:

--Low income.

--High unemployment.

--Retarded urbanization.

--Deficits in education.

--Low standards of living.

--Changing population (outmigration).

PARC capsulized Appalachia as being:

"* * * a nonurban land with a population over 50 percent rural but less than 10 percent farm; deeply unemployed; all too frequently deprived of the facilities and services of a modern society; dependent on local jurisdictions with an inadequate tax base and too often reliant upon the marginal comforts of a welfare economy. * * *"

The 1964 report recommended a program for redeveloping the region, including (1) providing access both to and within the region, (2) using the region's natural resources, (3) improving the residents' education and health, (4) supplementing regular Federal grants to decrease the required local shares, (5) sharing Federal and State decisionmaking, and (6) creating multicounty planning and development units to tie local areas with the States.

The ARD Act of 1965 adopted most of the PARC's recommended programs and created ARC as a Federal-State-local partnership with the major goal of continually improving opportunities for employment, the average level of income, and the economic and social development of the Appalachian region.

The act originally authorized a special 6-year development effort in highway and nonhighway programs. Subsequently, the highway programs were extended through June 30, 1978, and the nonhighway programs through June 30, 1975

ARC developed formulas for allocating funds, except for certain health program and research funds, to its 13 member States. These formulas are based on such criteria as

--a stated percentage for equality (equal sharing),

--land area in the Appalachian region,

--population,

--per capita income (weighted inversely), and

--need.

For fiscal year 1965 through December 31, 1972, ARC's appropriations for its various program activities and administrative expenses are shown below.

Authorizing section of ARD Act and program	Appropriation
	(000 omitted)
202 Health	$ 214,900
203 Land Stabilization	19,115
204 Timber Development	600
205 Mine Area Restoration	48,385
206 Water Resources Survey	5,000
207 Housing Fund	8,000
211 Vocational Education	144,500
212 Sewage Treatment	7,400
214 Supplemental	299,450
302 Research and Local Development Districts	40,850
Total nonhighway	788,200
201 Highway	1,200,000
Total	1,988,200
105 ARC Administrative Expenses	8,179
Total	$1,996,379