

U.S. POLICY FOR ECONOMIC DEVELOPMENT IN DISTRESSED AREAS

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U.S. POLICY FOR ECONOMIC DEVELOPMENT IN DISTRESSED AREAS

INTRODUCTION

Purpose

The intentions of this report are to investigate the legislative background of the Economic Development Administration and the regional commissions, and discuss their programs for aid to distressed areas. The report will explain and discuss the "growth center" strategy and the "worst first" strategy, two of the more controversial policies of the program. It will also contemplate some of the more recent developments, such as the President's reorganization proposals and the Rural Development Act of 1972. Observations and opinions offered are primarily those of academicians and practitioners. Personal recommendations and judgments are introduced where they differ from those of other authors or where they further explicate an author's presentation.

Method and Scope of the Inquiry

Research conducted in preparation for this report consisted primarily of readings from books and periodicals dealing with the subject, plus interviews with persons familiar with the subject. U.S. Government publications were also consulted in order to provide the most current data and the most recent programs and strategies. As extensive as the research was, some relevant articles may have been omitted, due to the large volume of material available on the subject.

THE ECONOMIC DEVELOPMENT ADMINISTRATION

Since its inception in 1965, the Economic Development Administration has recognized as its mission "the task of enhancing the national economy by assisting areas of substantial and persistent unemployment and underemployment to achieve lasting economic improvement through the establishment of stable, diversified, and strengthened local economies."¹ The methods chosen to fulfill this mission have been surrounded by controversy. Being located in the Department of Commerce, the EDA programs have concentrated on public works projects and technical and financial assistance to businesses in eligible redevelopment areas of the United States. Local planning has become increasingly important in the development process. Conforming to the legislation, the agency's motives have been to "enable areas to help themselves establish stable and diversified local economies through the creation of long-term employment opportunities. Its underlying philosophy is that long-term employment can best be created by encouraging private businessmen to establish businesses or to expand existing businesses in distressed areas."²

Goals and Objectives

The EDA has developed five target goals by which the success of its program may be measured:

1. To reduce unemployment and underemployment in certain designated and qualified regions, counties and communities to a level commensurate with the levels prevailing in the national economy.

¹ U.S., Economic Development Administration, EDA Handbook (Washington, D.C.: U.S. Government Printing Office, 1968), p. 2.

² Ibid., p. 1.

2. To improve economic development planning, coordinating and implementing capabilities at all levels.
3. To provide a basis for improved coordination and continuity for Federal, State and local activities, and for more efficient utilization of all resources.
4. To provide a basis for rapid, effective and efficient expansion of Federal, State and local expenditures to promote economic development.
5. To develop alternatives to present patterns of migration of the unemployed and underemployed.³

Section two of the Act states that another goal is to minimize unemployment in the designated areas of low income within the constraints of fixed Federal funding and avoidance of sponsoring activities which diminish employment or earnings opportunities in other regions.

Even though the core objective of EDA has been to revitalize certain decision-making locations which would stagnate without some assistance, the legislation left open the critical question of whether this was to be pursued primarily as an economic, a social welfare, or a political objective.⁴ The whole thrust of the Act, however, seems to imply that a solution for the distressed area problem can be initiated by a marginal redistribution of new economic activity from the prosperous areas to the distressed areas and by encouraging indigenous activity within the distressed areas. It appears that the policy objectives have been primarily economic in that the initial use of subsidies has been expected to raise national output. Not only the subsidies, but the loans and technical assistance projects have been expected to achieve a greater national product for the country.

³ Ibid., p. 2.

⁴ Gordon C. Cameron, Regional Economic Development: The Federal Role (Baltimore, Maryland: The Johns Hopkins Press, 1970), p. 62.

Early Legislation: 1933-1949

Much of the support for early legislation dealing with the regional approach to redeveloping distressed areas resulted from the immense problems of poverty and deprivation created during the Great Depression of the 1930's. The Great Depression led to extensive internal migration within the United States. Large pockets of poverty, mostly in rural areas, remained in the Southeast and Great Plains sections of the country. The New Deal legislation created the need for a regional approach to manage those large-scale operations it had produced. Typical was the Tennessee Valley Authority, created in 1933. It was the first truly comprehensive multistate regional authority. The National Planning Board came into existence in 1934. It encouraged the creation of planning agencies in nearly every State as well as two multi-state regional planning agencies in New England and the Pacific Northwest.

The Natural Resources Board was created in 1935, and used regional planning centers to frame development plans for various regions in the country. The NRB even suggested specific types of regional mechanisms to implement these regional plans.⁵

Concern over spatial characteristics of the unemployed and underemployed began shortly after World War II when the continued rise of unemployment in some areas prompted proposal of the Economic Expansion Act of 1949 to help retain and relocate unemployed workers and to promote preferential policies and other assistance for distressed areas.⁶ This legislation was the first to incorporate the goals of reducing unemployment and economic development on a regional basis.

⁵ U.S., Advisory Commission on Intergovernment Relations, Multistate Regionalism (Washington, D.C.: U.S. Government Printing Office, 1972), p. 6.

⁶ Lloyd Rodwin, Nations and Cities: A Comparison of Strategies for Urban Growth (Boston: Houghton Mifflin Company, 1970), p. 222.

The Area Redevelopment Act of 1961

The Area Redevelopment Act of 1961 authorized the Area Redevelopment Administration. The earliest version of this bill, sponsored by the Eisenhower administration, was originally submitted to Congress in 1956.⁷ The effectiveness of the ARA program, however, was limited in terms of both geographic and program considerations. Its geographic reach was limited because of the tendency to deal with counties on an individual basis, and comprehensive long term planning was frequently precluded because of the tendency to emphasize the immediate effects of specific projects.⁸

It soon became apparent that this essentially experimental program of Federal assistance to distressed areas was producing only modest results. Niles Hansen cites four major deficiencies of the program. "First, its county-by-county approach resulted in excessive fragmentation. By focusing on a narrowing economic base, insufficient attention was given to the concentrated development of centers with significant growth potential. Second, the business loan component of the program provided inadequate incentives for the establishment of new job-creating industries. Third, funds were too limited to enable depressed communities to improve their infrastructures to a point where they would represent external economies sufficient to stimulate private investment. Finally, too much attention was given to specific projects to the neglect of long-run development planning."⁹

⁷ James L. Sundquist, Making Federalism Work (Washington, D.C.: The Brookings Institution, 1969), p. 146.

⁸ Niles M. Hansen, Rural Poverty and the Urban Crisis (Bloomington, Indiana: Indiana University Press, 1970), p. 154.

⁹ Ibid., pp. 138-9.

The Death of the Area Redevelopment Administration: 1963-1965

The Area Redevelopment Act was due to expire in 1965. In early 1963, the Kennedy administration introduced a resolution, HR 4996, into the House, seeking authorizations for business loans, public works loans and grants, and technical assistance. In May of that year the House Banking and Currency Committee approved the measure and reported it out by a large majority. However, in June the bill was narrowly defeated by a five-vote margin on the floor of the House by a coalition of southern Democrats and Republicans who alleged that inefficient program administration had resulted not only in considerable waste in particular projects, but also in a failure to use appropriated funds fully so that the basic conditions of the distressed areas remained unchanged. A slightly modified version of the bill was introduced in the Senate, and was passed on June 26, 1963. By August of that year, the House Banking and Currency Committee acted on the bill and reported it out. However, the House Democratic leadership did not wish it voted upon, since they expected defeat once again.¹⁰

Congress adjourned without taking action, thus depriving the agency of public facility grant funds during the 1964 and 1965 fiscal years. The apparent difficulty in gaining House support for the bill was due to mistrust of ARA top-level personnel and the relatively inefficient projects of the past.

The Public Works and Economic Development Act of 1965

The Public Works and Economic Development Act, passed in August of 1965, was a new version of the original bill. The solution adopted was the development district approach, which was seen as the context for area-wide planning, under the guidance of a professional planning staff. The long-term goal of

¹⁰ Cameron, op. cit., p. 68.

the legislation was concentration of investment, population and other activities in specified growth centers located within or near redevelopment areas.

The stated purpose of the Act was to help areas and regions of substantial and persistent unemployment and underemployment to take effective steps in planning and financing their public works and economic development. Furthermore, it was to lead to the provision of new employment opportunities by developing and expanding new and existing public works and other facilities and resources, rather than by merely transferring jobs from one area of the United States to another.

The Role of the Economic Development Administration

The results of the ARA assistance programs had demonstrated that Federal aid could be employed to affect economic viability in lagging areas. In the EDA programs, the Federal role generally has been to provide advice on redevelopment planning and to advance "seed capital". The EDA assumed responsibility for setting the development target, and committed its resources towards this end. In other words, the EDA set the criteria and the goals from a national standpoint. The local citizens were responsible for implementing the program. The Federal involvement in redevelopment was justified on the grounds that some states and many smaller areas would fail to exploit their opportunities successfully without Federal assistance.

Unfortunately, the role of EDA in coordinating activities of other Federal agencies was not made clear in the legislation. This omission probably meant that EDA was not intended to be a coordinator of the Federal strategy in redeveloping distressed areas, although other agencies were not assigned this task either. Coordination of all Federal activities in distressed areas has

been a definite problem, but it has abated to some degree in recent years by the establishment of review requirements by State and Federal personnel under the mandates of OMB Circular A-95, issued in July, 1969. One of the purposes of OMB Circular A-95, as revised February 9, 1971, was to encourage the establishment of a network of State, regional, and metropolitan planning and development clearinghouses. Over 100 Federal programs, including those of the EDA, are covered by the Circular. All Federal programs designated in the Circular must pass through the appropriate state, regional or metropolitan clearinghouse for their recommendations before the funding agency may act on a request for funds. In this way, it is intended to reduce duplication in Federal program appropriations and promote intergovernmental cooperation.

EDA PROGRAMS

The EDA programs are designed to fulfill the goals and objectives of the agency. The basic tools of implementation provided for in the Public Works and Economic Development Act of 1965 were substantially the same as those provided in the ARA legislation. EDA funds approved for community, county, and multicounty projects generally fit into one of three categories:

1. Public works grants and loans
2. Business loans and Working Capital guarantees
3. Technical assistance and planning grants.

Public Works Grants and Loans

Public works grants and loans were continued from the ARA legislation as a means of improving the social and economic overhead of communities and regions. Obligations for public works projects have been a major portion of the EDA budget, never falling below 60 percent of total obligated outlays during any fiscal year since the agency began operating.

Title I of the Act authorizes up to \$500 million for public works grants (recently raised to \$800 million for fiscal years 1972 and 1973). Title II authorizes an additional \$170 million in appropriations for public works and development facility loans, business loans, and working capital guarantees. The purpose of these funds is to enable an area to construct public facilities and provide basic services to economic growth and "total" community development. Examples of public works projects include such basic infrastructure items as water and sewer systems, industrial and commercial provisions, health centers, and transportation systems. During fiscal year 1971, EDA approved nearly \$160 million in grants and loans for 276 public works projects. The national budget

estimates show estimated expenditures of \$160 million in fiscal year 1973 under these provisions.

A recent study of 125 EDA public works projects revealed the following:

1. The EDA investment per job rapidly decreased as the number of years the project was completed increased.
2. The EDA public works program has been, in general, successful in terms of process, job, structural and service impacts.
3. The economic development process has been significantly improved in many communities.
4. The average EDA investment per job was \$2,341.
5. The service impacts of EDA projects were high for water and sewer projects.
6. EDA's job impacts in cities with populations under 1,000 and over 10,000 were substantially lower in terms of EDA investment per job than in other cities.
7. As the EDA project cost increased, the EDA investment per direct job increased.¹¹

Mississippi received by far the greatest amount of funds for public works grants in fiscal 1971, with \$14.7 million being spent on 23 projects. Funds appropriated for public works grants and loans have totaled nearly \$1.1 billion since the program began. This amount represents 75% of all EDA obligated project expenditures. States receiving the greatest amount of funds for public works grants and loans have been California (\$87.8 million), Kentucky (\$74.4 million), Mississippi (\$61.4 million), and West Virginia (\$50.9 million).

¹¹ U.S., Economic Development Administration, Public Works Program: An Evaluation, Vol. 1 (Washington, D.C.: U.S. Government Printing Office, 1970), pp. 1-2.

Business Loans and Working Capital Guarantees

The purpose of the business loans and working capital guarantees is to help businessmen establish or expand industrial and commercial facilities and generate new jobs. Title II of the Act provides that loans and guarantees under this program and loans for public works may not exceed \$170 million fiscally.

Nearly \$50 million was approved for 39 business loans and associated working capital guarantees in fiscal 1971. Approximately \$286 million have been appropriated for 302 projects over the six-year history of the program. New York received \$24.4 million of these funds since its inception, with \$16 million going to business development loans. The State of Georgia has received a total of \$23.1 million, all of it going for business development loans.

The agency is authorized to guarantee loans for working capital made to private borrowers by private lending institutions in connection with projects in redevelopment areas. No such guarantee may at any time exceed 90 percent of the amount of the outstanding unpaid balance of the loan. Working capital is defined as the excess of current assets (cash, accounts receivable, notes receivable, etc.) over current liabilities (notes payable, accounts payable, taxes payable, salaries payable, interest payable, etc.). The agency has obligated just over \$23 million for working capital guarantees since the program began. However, only \$225,000 was appropriated for guarantees in fiscal year 1971; all funds being spent in the State of Washington.

Technical Assistance and Planning Grants

Title III of the original 1965 Act authorized appropriations up to \$25 million annually for technical assistance, research and information, including planning. This amount was increased to \$50 million for fiscal years 1970 to

1973. During fiscal year 1970 approximately \$22.6 million was obligated to technical assistance and planning grants. The total amount of technical assistance funds approved for fiscal year 1971 was about \$12.4 million, and \$6.2 million was funded for planning grants. The number of projects approved totaled 262 technical assistance grants and 143 planning grants.

Research has shown that the greatest amount of deprivation exists in nonmetropolitan areas. A majority of EDA qualified areas consist of nonmetropolitan counties. However, a recent study by the Economic Development Division of the United States Department of Agriculture asserts that: "Federal spending on human resources development programs such as education, health, welfare, vocational rehabilitation, manpower training and development, disproportionately favors metropolitan counties over nonmetropolitan areas."¹² The report further states that manpower training and development expenditures per capita are three times greater in metropolitan counties than in nonmetropolitan ones.¹³

Some controversy has mounted over the apparent emphasis in EDA programs on public works projects (75 percent of expenditures) as opposed to such human development projects as those concerning technical assistance, research, and planning (six percent of obligated funds). It appears that the basic assumption of EDA legislation was that people primarily needed improved public works facilities. However, there is now a greater awareness that the greatest relative need of residents of distressed areas may be more investment in human resources

¹² U.S., Senate, Committee on Government Operations, Revitalization of Rural and Other Economically Distressed Areas, Hearings before the Committee on Government Operations, Senate, on S. 10, 92d Cong., 1st sess., 1971, Part 3, p. v.

¹³ Ibid.

and expanded manpower programs. The technical assistance, research, and planning programs of EDA can provide guidance in this area.

Program Implementation

The EDA development process is founded on four principles:

1. The initiative and the requests for assistance must originate locally.
2. Full cooperation between the public sector and private enterprise.
3. Planning - the identification of specific goals, and of the preferred means of achieving those goals.
4. Maximum coordination of all Federal, State, and local programs.¹⁴

During the early years of the agency, priority was given to a) selection of qualified individuals to assume responsibilities in the new agency, b) the creation of a complex administrative system, and c) the initiation and processing of thousands of project applications. Today, the system consists of 108 districts and 212 growth centers located in 38 states. As of July 1, 1971 there were 1,214 redevelopment areas, mostly counties, qualified for EDA programs. During fiscal year 1971, 720 projects were funded, and the total expenditures were just over \$228 million. This is less than .1 percent of all U.S. outlays for fiscal year 1971.

Expenditures per state in fiscal year 1971 ranged from only \$6,000 in Wyoming to more than \$17 million in Washington State. A summary of EDA obligated projects, by State, are presented in Table 1. The States receiving the greatest amount of funds since the agency's inception are California (\$109 million), Kentucky (\$82 million), Mississippi (\$79 million), Georgia (\$65 million)

¹⁴ EDA Handbook, op. cit., pp. 2-3.

and West Virginia (\$58 million). States receiving the least amount of funds are Wyoming (\$621,000), Iowa (\$808,000) and Hawaii (\$976,000).

When per capita income in each State is compared to cumulative per capita expenditures, four States appear to have received more EDA expenditures than would seem equitable (see Table 1). These four States are Alaska, District of Columbia, Rhode Island, and Washington. The most favorably treated State has been Alaska, where \$74.44 per capita in EDA funds has been spent in a State ranking fifth in per capita income. States receiving considerably less in EDA funds than their per capita income would indicate they should receive are Alabama, Florida, Iowa, South Dakota, Virginia, and Wyoming. Iowa has been the least favored of all States, receiving only 28 cents per capita in EDA funds, while ranking 26th in per capita income. However, the discrepancies in EDA allocations are nearly as great in Alabama, Florida, and Wyoming. Alabama, while ranking 49th in per capita income, received only \$10.29 per capita in EDA funds. The questions arise as to the equity of EDA's policies for selecting re-development areas, and funding the projects in them after they have been selected.

TABLE 1

SUMMARY OF EDA OBLIGATED PROJECTS - BY STATE

	For Fiscal Year Ending June 30, 1971 ^a		Cumulative to June 30, 1971 ^a		Per Capita Expenditures		1970 Per Capita Income ^b	
	No. of Projects	Amount (000)	No. of Projects	Amount (000)	Amount	Rank	Amount	Rank
Alabama	16	\$ 5,843	92	\$ 35,454	\$ 10.29	21	\$ 2,853	49
Alaska	8	1,041	70	22,363	74.44	1	4,592	5
Arizona	17	4,484	95	27,962	15.78	14	3,591	29
Arkansas	21	4,652	168	45,776	23.80	7	2,791	50
California	48	11,058	279	109,023	5.46	30	4,426	9
Colorado	3	160	44	9,055	4.10	36	3,816	20
Connecticut	5	1,989	18	9,340	3.08	44	4,856	2
Delaware	2	2,519	6	2,978	5.43	31	4,324	11
Dist. of Columbia	9	10,613	12	12,722	16.82	13	5,387	1
Florida	7	3,443	44	9,329	1.37	53	3,642	27
Georgia	20	2,436	160	64,706	14.09	17	3,332	35
Hawaii	--	33	9	976	1.26	52	4,527	7
Idaho	5	1,886	34	5,426	7.61	26	3,240	38
Illinois	15	3,611	107	46,268	4.16	35	4,502	8
Indiana	5	1,945	36	8,673	1.66	51	3,781	21
Iowa	2	142	7	808	.28	55	3,688	26
Kansas	9	2,538	19	5,308	2.36	47	3,823	19
Kentucky	24	3,299	214	82,472	25.62	5	3,073	44
Louisiana	13	1,108	87	24,649	6.76	27	3,049	45
Maine	8	6,622	80	25,222	25.42	6	3,257	37
Maryland	8	5,083	28	9,571	2.44	45	4,255	12
Massachusetts	20	1,811	86	21,638	3.80	40	4,360	10
Michigan	22	10,596	184	39,902	4.49	33	4,059	13
Minnesota	21	9,555	206	36,203	9.51	24	3,824	18
Mississippi	35	15,194	222	79,466	35.84	2	2,575	51
Missouri	12	1,653	115	18,784	4.01	37	3,704	24
Montana	23	4,593	92	15,849	22.82	8	3,379	34
Nebraska	3	4,844	19	5,799	3.90	39	3,751	22
Nevada	2	269	13	1,630	3.33	42	4,562	6

New Hampshire	-	-	29	7,074	9.58	23	3,590	30
New Jersey	8	3,627	43	28,477	3.97	38	4,598	4
New Mexico	19	7,956	128	31,788	31.28	4	3,131	42
New York	25	3,731	135	31,645	1.73	50	4,769	3
North Carolina	25	5,606	120	48,952	9.63	22	3,207	40
North Dakota	8	1,625	31	8,446	13.67	18	2,995	47
Ohio	17	6,314	117	38,057	3.57	41	3,972	15
Oklahoma	33	13,505	180	52,438	20.48	9	3,312	36
Oregon	6	1,222	27	12,647	6.04	28	3,705	23
Pennsylvania	10	667	104	28,722	2.43	46	3,927	16
Rhode Island	2	544	26	16,454	17.37	12	3,902	17
South Carolina	21	7,328	82	27,809	10.73	20	2,936	48
South Dakota	9	376	47	2,965	4.45	34	3,165	41
Tennessee	16	4,141	132	55,701	14.19	16	3,085	43
Texas	21	5,097	177	51,395	4.59	32	3,531	32
Utah	4	969	41	11,899	11.23	19	3,213	39
Vermont	3	833	15	3,589	8.07	25	3,465	33
Virginia	8	1,486	50	10,639	2.28	48	3,607	28
Washington	24	17,151	87	52,945	15.53	15	3,993	14
West Virginia	18	2,768	141	57,678	33.06	3	3,021	46
Wisconsin	9	2,190	98	14,086	3.18	43	3,693	25
Wyoming	1	6	12	621	1.86	49	3,556	31
American Samoa	1	46	7	486	17.89	11	Not Available	
Guam	-	-	1	60	.70	54	Not Available	
Puerto Rico	13	15,001	93	52,756	19.45	10	Not Available	
Virgin Islands	2	254	4	341	5.45	29	Not Available	
U.S. General	34	2,684	139	12,017	Not Applicable			
Totals	720	\$228,147	4,612	\$1,437,036			\$3,921	

a Source: U.S., Economic Development Administration, Annual Report - Fiscal 1971 (Washington, D.C.: U.S. Government Printing Office, 1971), pp. 86-87.

b Source: U.S., Department of Commerce, Office of Business Economics.

ELIGIBLE AREAS

Three categories of areas eligible for EDA assistance are:

1. Redevelopment areas - primarily individual counties meeting EDA criteria for assistance.
2. Economic Development Districts - multicounty districts containing at least two EDA redevelopment areas with an urban center of less than 250,000 people.
3. Special impact areas - areas with depressed economic and social conditions, and heavy concentrations of low-income persons.

Redevelopment Areas

The EDA Annual Report - Fiscal 1971 shows 1,214 redevelopment areas qualified for EDA programs. This amount represents nearly 40 percent of all counties in the United States. A redevelopment area may be an individual county, labor area, municipality of not less than 250,000 inhabitants, Indian reservation, or a special area of unusual or abrupt rise in unemployment that meets the requirements for designation under section 401 of the Public Works and Economic Development Act of 1965. Exceptions include: 1) New England labor areas, which may involve part of a single county or more than one county; 2) major cities or parts of major cities; and 3) Indian reservations.¹⁵ As of July 1, 1970, only 975 redevelopment areas were eligible for assistance. This represents a nearly 25 percent increase in eligible areas during fiscal year 1971. (See Fig. 1.)

Qualification criteria are rather complicated, but may be stated in more general terms. Any one of the following criteria will determine whether

¹⁵ U.S., Economic Development Administration, Annual Report - Fiscal 1971 (Washington, D.C.: U.S. Government Printing Office, 1971), p. 4.

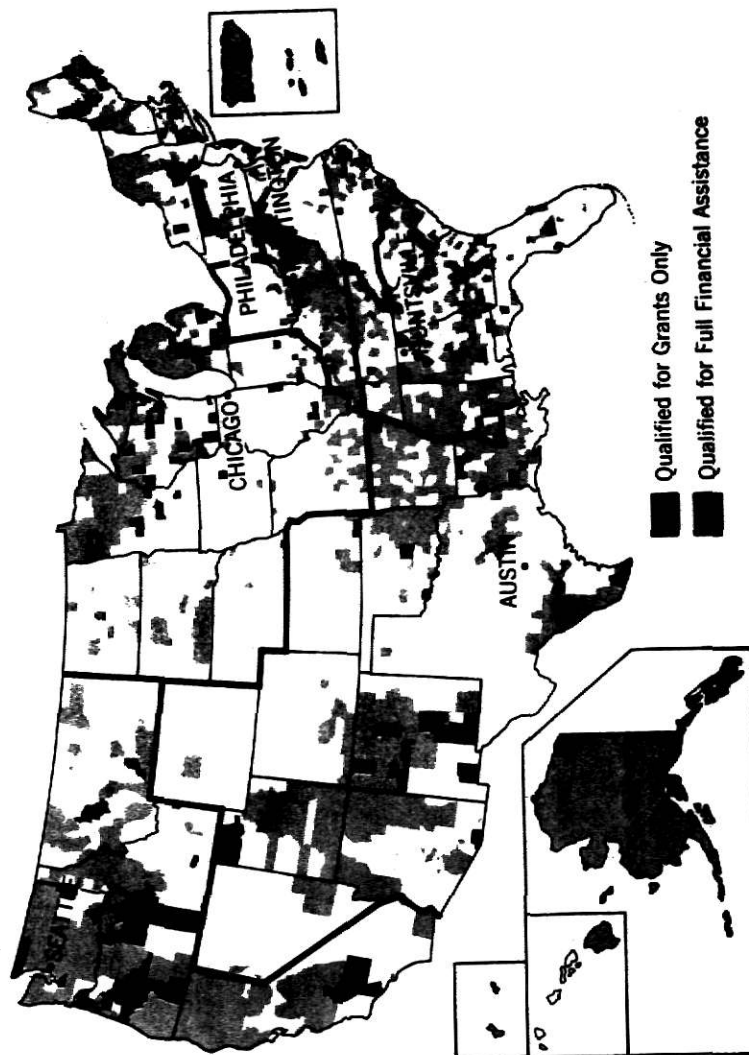


Figure 1. EDA Qualified Areas

Source: U.S., Economic Development Administration, Annual Report - Fiscal 1971 (Washington, D.C.: U.S. Government Printing Office, 1971), p. 6.

designation is applicable:

Unemployment. Unemployment of six percent or more of the work force, in the most recent available calendar year, and an annual average rate of unemployment of at least 1) 50 percent above the national average for three of the preceding four calendar years, or 2) 75 percent above the national average for two of the preceding three calendar years, or 3) 100 percent above the national average for one of the preceding two calendar years.

Population Loss. Loss of 25 percent or more between the latest and the previous census, together with median family income between 40 and 50 percent of the national median.

Income. Median family income of less than 40 percent of the national median.

Indian Reservations. Federal or State reservations recommended by the Bureau of Indian Affairs or the appropriate State agency.

Sudden Rise in Unemployment. Unemployment exceeds or is expected to exceed the national average by 50 percent because of the closing of a major source of work.

Other Criteria. Where a State does not have any area that qualifies under the conditions of unemployment, low income, or population loss as specified in the preceding paragraphs, those areas in the State which most nearly meet the criteria are qualified.

In addition, specified Labor Areas with annual average unemployment of six percent or more during the preceding calendar year may qualify. Known as Title I areas, they qualify only for grants of up to 50 percent for public works and development facilities.

As may be seen, criteria for qualification as a redevelopment area are precise but quite inclusive. The large number of qualifying criteria may

provide the opportunity for loopholes to appear in determining eligible areas.

Economic Development Districts

Part B of Title IV of the Act authorizes the designation of Economic Development Districts. The function of EDDs has been to serve as the basic unit for planning the growth of a lagging area within a state. Like the redevelopment area, it is responsible for preparing an Overall Economic Development Plan and it can obtain financial assistance from EDA for planning, organization, and staff. Each EDD has to include at least two redevelopment areas and an urban center of less than 250,000 people.¹⁶ The basic strategy has been that small communities working together, rather than competing with each other, can achieve growth. Additionally, this process is expected to encourage local elected officials and civic and business leaders in neighboring counties to "plan and act together to overcome economic and social problems."¹⁷ (See Fig. 2.)

Under current legislation, redevelopment areas are encouraged to join in a district by the offer of a "bonus" grant. Areas which commit themselves to the district actually can receive the highest available ratio of grants to total cost of any given public works project. Such an approach encourages the formation of local planning organizations at a time when the main thrust of activity should be to develop the planning capability of the development district planners.¹⁸

¹⁶ Rodwin, op. cit., p. 229.

¹⁷ Annual Report - Fiscal 1971, op. cit., p. 5.

¹⁸ Cameron, op. cit., p. 108.

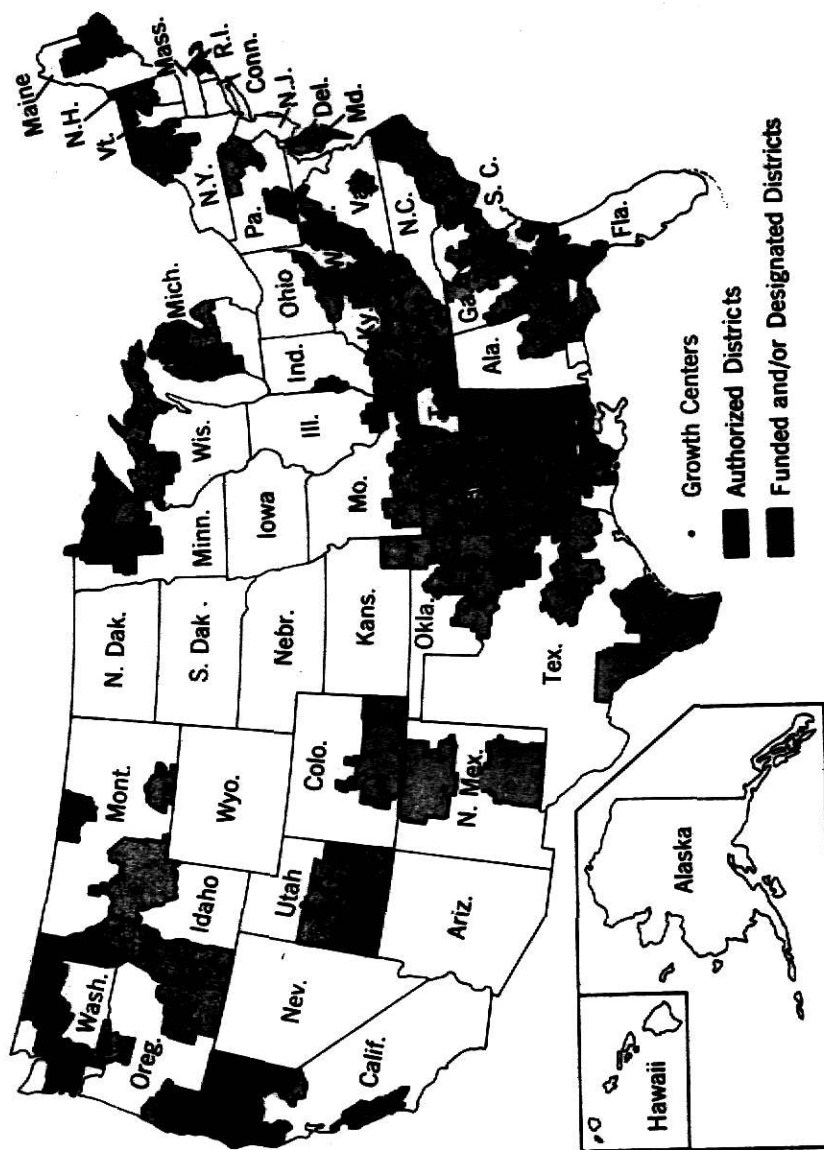


Figure 2. Economic Development Districts

Source: U.S., Economic Development Administration, Annual Report - Fiscal 1971 (Washington, D.C.: U.S. Government Printing Office, 1971), p. 4.

Special Impact Areas

In fiscal year 1970, Congress authorized the designation of special impact areas, urban and rural, "to enable EDA to participate with other Federal agencies in programs to relieve depressed economic and social conditions in areas with heavy concentrations of low-income persons. Special impact areas are not required to have geographic or political boundaries."¹⁹

The designation of special impact areas has given many cities an opportunity to participate in EDA programs. Major cities where EDA projects are being conducted include Cleveland, Newark, Oakland, Providence, Seattle, Wichita, Tacoma, and Washington, D.C. Parts of four cities are eligible: the Brooklyn Navy Yard area and the lower east side of Manhattan, the Stockyards area and the west side of Chicago; the Omaha stockyards area; and south-central Los Angeles, which includes Watts.²⁰

¹⁹ U.S., Economic Development Administration, Annual Report - Fiscal 1970 (Washington, D.C.: U.S. Government Printing Office, 1970), p. 9.

²⁰ Annual Report - Fiscal 1971, op. cit., p. 4.

THE REGIONAL COMMISSIONS

Title V of the 1965 Act authorizes the Secretary of Commerce to designate multi-state economic development regions. Thus far, seven such regions have been designated, excluding the more autonomous Appalachachia Regional Commission. The basic goal of each commission has been to bolster the economy of a region through comprehensive, long-range planning and the coordination of available resources through intergovernmental cooperation on the local, State and Federal levels.²¹ Altogether, the Title V commissions represent all or parts of 37 States with a total population of about 28 million people. All but two of the regional commissions were created within a short period of time during 1966 and 1967 in accordance with provisions of the 1965 Act. The titles of each commission and the states represented by them are as follows (see Fig. 3):

1. Coastal Plains Regional Commission - portions of three States: North Carolina, South Carolina, and Georgia.
2. New England Regional Commission - the entire area encompassing the States of Maine, Vermont, New Hampshire, Massachusetts, Rhode Island, and Connecticut.
3. Four Corners Regional Commission - portions of four States: Arizona, Colorado, New Mexico, and Utah.
4. Upper Great Lakes Regional Commission - portions of three States: Michigan, Minnesota, and Wisconsin.
5. Ozarks Regional Commission - a portion of the State of Kansas (soon to be admitted wholly), plus all parts of four other States: Arkansas, Louisiana, Missouri, and Oklahoma.
6. Old West Regional Commission - all area within five States: Montana, Nebraska, North Dakota, South Dakota, and Wyoming.
7. Pacific Northwest Regional Commission - all area within three States: Idaho, Oregon, and Washington.

²¹ Annual Report - Fiscal 1970, op. cit., p. 34.

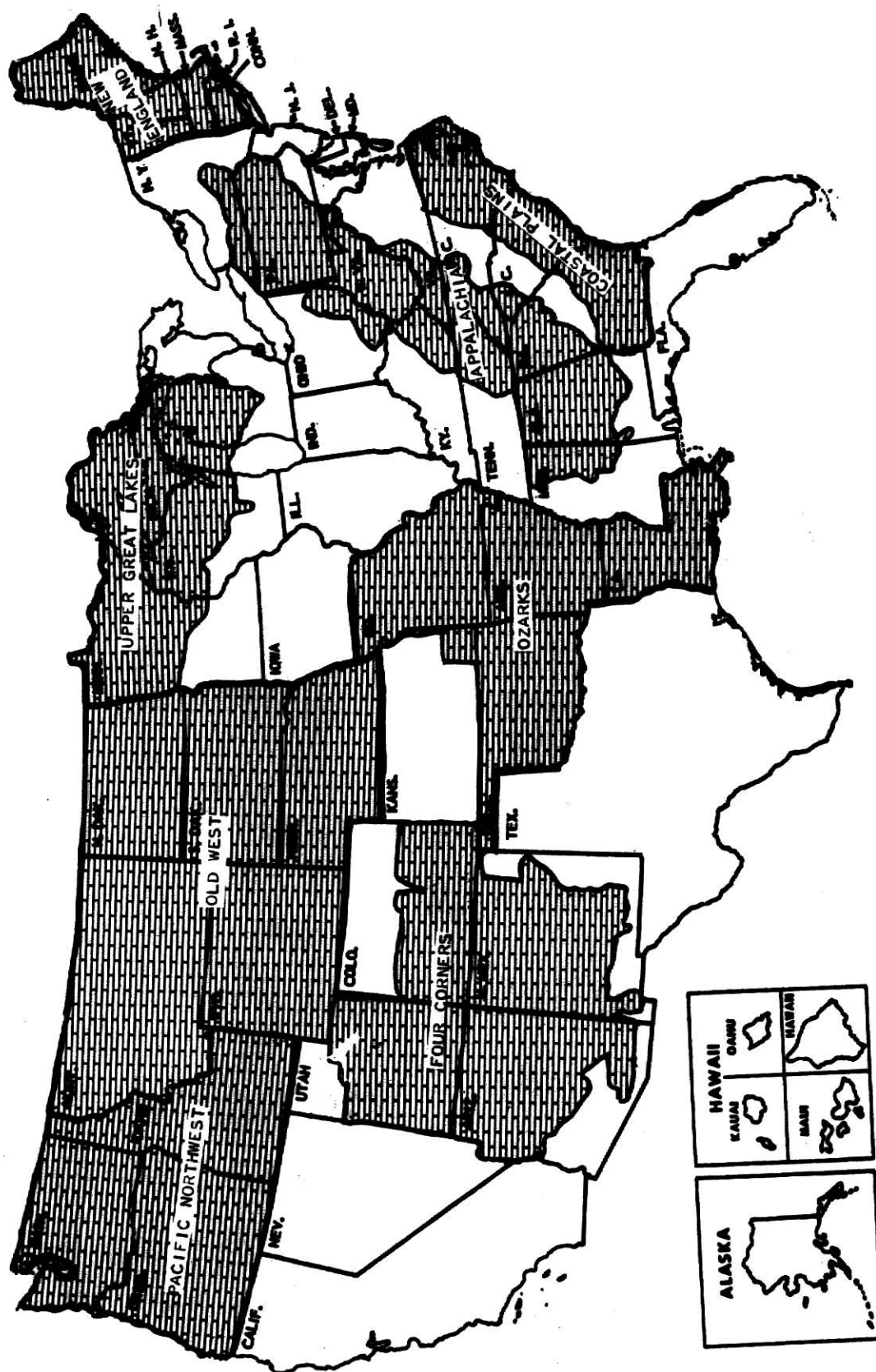


Fig. 3. RAPC Multi-State Development Regions

The two most recently designated multi-state regions are the Old West and Pacific Northwest Regional Commissions. The Old West Regional Commission was added in January, 1972. The most recently formed commission, Pacific Northwest, was formed in July of 1972.

Cameron identifies regional economic planning as "a continuing process, operating over a designated space."²² Three distinct, though interrelated component activities, are important parts of this process. The first activity is surveillance and diagnosis, a process which includes the monitoring of current economic performance, the quantification of future demands and supplies of human, natural and man-made factors of production, and the prediction of how and where weaknesses in the regional economy may be expected given the growth path of the national economy. The second part of the economic planning process includes the explicit selection of social and economic goals. These goals may be quantified or left as general unweighted objectives; may be extensive and related to a preferred spatial distribution of population and economic activity or narrowly confined to particular areas or sectors of activity; and finally may be drawn up in terms of a given time period or once again left imprecise. The final component involves the adoption of a range of public policies and activities believed necessary to achieve the selected goals.

A useful role for multi-state planning commissions should basically be that of advisory units serving the individual states with problems of concentrated spatial distress, and for Federal agencies put to the task of alleviating such distress. A recent discussion with an executive of an EDD suggests that the advisory role of the regional commissions is preferred from the standpoint of the redevelopment areas and development districts as well.

²² Cameron, op. cit., p. 112.

Commission Organization and Staffing

The commissions meet regularly on a quarterly basis. The governors of each State serve as members of the commission, and attend meetings personally as a general rule.²³ The legal requirement of an affirmative vote by an appointed Federal co-chairman on all commission decisions is recognized by State members as a veto power, although actual use of the veto power is rare. The role of the Federal co-chairman is somewhat ambiguous with respect to his source of authority and his function within the commission. The Federal co-chairman functions both as an officer of the Federal government and as a member of the commission. "He reviews and ultimately approves staff operations, yet he neither supervises directly, nor is a part of the staff process and structure."²⁴

A State co-chairman office is rotated among the governors. An executive committee generally composed of the Federal co-chairman, the State co-chairman, and the staff director, as a nonvoting member, supervises and monitors staff operations. A varying amount of the active operational authority is also delegated to the executive committee.

One of the major discrepancies between the support provided the Appalachian Regional Commission, which was created under separate legislation, and the Title V commissions may be witnessed by the size of the staffs. ARC's staff has averaged approximately 100 in recent years, while the total for all the Title V commissions (five at the time of the survey) has been about 90. In most cases the Federal co-chairman has a small, separate staff.²⁵ Authorized staff

²³ Multistate Regionalism, op. cit., p. 53.

²⁴ Ibid., p. 54.

²⁵ Ibid., p. 203.

strength among the commissions ranges from 20 to 36, not including an authorized staff of eight for each Federal co-chairman's office. However, none of the regional commissions have staffed all authorized positions.

Commission Funding

Total expenditures for Title V commissions for the period 1967-1970 were \$101.5 million. Expenditures for supplemental grants represented 59 percent, and funds for planning and technical assistance grants accounted for 27 percent of the total amount. "Overall expenditures are equivalent to a cumulative per capita amount of \$7.77."²⁶ By contrast, Federal funds for all ARC programs in the same period amounted to \$1,354 million, or \$75.22 per capita for the 18 million residents in the ARC program. The Federal budget has authorized expenditures of \$305 million for Title V projects and administration for fiscal year 1973.

Since 1970, the budget and appropriations for the Title V commissions have been maintained separately under the general supervision of the Office of Regional Coordination in the Department of Commerce. Prior to this date the commissions were, in effect, subordinate to EDA in the control of their funding and program development. However, funding for the Title V commissions still remains meager when compared to those of the ARC.

Another important factor to note is that the Title V commissions represent only a part of the total effort to stimulate economic growth and development. The EDA has a comparatively broader authority to assist development in eligible areas throughout the nation. There exists no clear operating relationship between the commissions and EDA in the planning and supervision of expenditures.

²⁶ Ibid., p. 57.

In fact, indications are that EDA and Title V funds often work against each other in the pursuit of different, if not opposing, economic goals.²⁷

Regional Planning

Section 503 of the Public Works and Economic Development Act of 1965 requires that each commission initiate and coordinate the preparation of a long-range overall economic development program, including the development of a comprehensive long-range economic plan approved by the Secretary of Commerce. The term "comprehensive long-range economic plan" contains two elements worthy of further discussion.

The term "comprehensive" indicates that the plan is expected to encompass all aspects of regional growth and change, while the term "economic" suggests that the plan omitt social and cultural aspects of the region. A recent report by the Advisory Commission on Intergovernmental Relations testifies to this partisan approach to preparing a regional plan when it reports that "all plans reflect a substantive effort to deal directly with the problem of underdevelopment as a regional economic phenomenon."²⁸ However, most plans prepared by the staff of the commission have included a heavy emphasis on vocational education as a means of upgrading the skills of the region's labor force, thereby expanding job opportunities as an alternative to outmigration.²⁹ The only conclusion that can be reached is that the language of the 1965 legislation committed the regional commissions to a philosophy based on the need for capital investment in distressed areas. The fact that investment in human resources has

²⁷ Ibid., p. 58.

²⁸ Ibid., p. 55.

²⁹ Ibid., p. 56.

been emphasized so heavily in the comprehensive plans is an indication that the regional commissions have discovered that human resource development is more important than originally anticipated.

THE GROWTH CENTER STRATEGY

Two of the more controversial concepts used by the EDA and the regional commissions are the "growth center" strategy and the "worst first" strategy. The first of these concepts will be discussed in this section. The literature reveals that opinions vary considerably as to its usefulness and credibility. The "growth center" concept has been described as follows:

"Put simply, the growth center approach represents an attempt to simulate the growth characteristics of prosperous centers in fast-growing regions with the overall objectives of attracting exogenous capital, of encouraging local product and production innovation, and ultimately of spreading economic improvements to the non-growth center parts of the region. In time, this combination of major public investment and effort for selected locations should, it is claimed, result in an alleviation of the regional balance-of-payments disequilibrium. It should also help in the process of substituting intra-regional movements of capital and labor which presently denude the lagging region of critical resources."³⁰

The 1965 legislation authorizes the Secretary of Commerce to designate growth centers based on three criteria:

1. The proposed center has been identified and included in an approved district overall economic development program and recommended by the State or States affected for such special designation.
2. The proposed center is geographically and economically so related to the economic development district that its economic growth may reasonably be expected to contribute significantly to the alleviation of distress in the re-development areas of the district.
3. The proposed center does not have a population in excess of 250,000 according to the last preceding Federal census.

As of July 1, 1971, EDA had designated 212 growth centers in 38 states. Thirty-six of these growth centers were designated during fiscal year 1971. Over

³⁰ Cameron, op. cit., p. 38.

\$40 million, 17.5% of total obligations, was allocated to public works projects and business loans in designated growth centers during fiscal year 1971. These figures, when analyzed in relation to the small proportion of population represented by the growth centers, demonstrate the commitment of EDA to the growth center approach for redevelopment of distressed areas.

Suspicion as to the effectiveness of a growth centers strategy has been voiced by several authors. John Friedmann recently remarked as to the feasibility of the growth center strategy as follows:

"As attractive as a growth centers policy might seem in the abstract, it is extremely improbable that it can be carried through to the extent of shifting the overall balance of urban growth in the United States."³¹

He believes that the settlement patterns in the United States mandates that a majority of the population growth in the next few decades be absorbed by the major metropolitan areas.

Gordon Cameron expresses "considerable doubt over the proven as distinct from the alleged socio-economic benefits of a growth center policy. Furthermore, little is known of how a growth center policy strategy should be integrated into an overall framework for particular distressed regions and subregions."³²

The National Urban Coalition, in their recent book, Counterbudget, gave the following testimony in favor of greater Federal support for growth centers:

"Rural economic development is particularly important. Wisely spent federal funds can revitalize the economy in rural growth centers and move the rural sector toward self-sustaining prosperity. Intelligently planned development can 'pull' excess human resources away from the farm sector and help to create the nearly two million new jobs needed in rural areas (by 1976). Indeed, federal support of growth centers, through the Economic

³¹ John Friedmann, "The Feasibility of a National Settlement Policy", Growth and Change, Vol. 2, No. 2 (April, 1971), p. 21.

³² Cameron, op. cit., p. 39.

Development Administration, is proving to be an effective way to help stem the flow of jobless rural residents to large metropolitan areas burdened with staggering economic and social problems. But, if this strategy is to be effective on the scale required, increased funding is essential."³³

Optimal Size Controversy

One of the difficulties in implementing a growth center strategy is the proper selection of the centers. Considerable controversy exists over the optimal size for growth centers. A review of the literature reveals a range of optimal sizes from 30,000 to 750,000 population. An Italian study which relates city size to per capita costs of providing a standard of infrastructure assets has indicated that cities in the range of 30,000 to 250,000 realize the lowest per capita costs.³⁴ Another significant finding is that the projected employment growth rate varies according to the size of the county, with the counties under 50,000 and over 500,000 likely to grow notably less rapid than the counties in the size range between these figures.³⁵

Niles Hansen has done considerable research on this subject. Basing his study primarily on investigations by Brian J.L. Berry, he suggests the optimal size growth center should be at least 250,000, with an upper limit of about 750,000. Referring to these cities as intermediate-size cities, he suggests that this size city be the center of Federal subsidy and investment, based on efficiency criteria. He comments that the "most efficient use of public funds would be to encourage the growth of medium-sized cities, especially those that

³³ Robert S. Benson and Harold Wolman, ed., Counterbudget (New York: Praeger Publishers, Inc., 1971), p. 192.

³⁴ Cameron, op. cit., p. 42.

³⁵ Ibid., p. 91.

have already given some real evidence of possessing subsidy, it is easier to accelerate their growth than it would be to accelerate growth in a lagging region."³⁶ However, he cushions his argument by advocating public policies to stem large metropolitan agglomerations to prevent them "from expanding to a point where they too become over concentrated in terms of social costs and benefits."³⁷ The designated EDA growth centers have been much smaller than Hansen prefers. What is particularly perplexing to Hansen is that the authorized legislation placed a 250,000 maximum size limitation on growth centers. Thus, the EDA growth centers could have been much larger than has actually been the case.³⁸ Hansen's argument is primarily a short-term, efficiency oriented one. However, his theory does not hold true when viewed from the long-term equity position. The idea is much too conservative an approach from the standpoint of redeveloping distressed areas.

A personal investigation of the growth of cities in Kansas and four surrounding states revealed the most rapidly growing size cities to be between 50,000 and 250,000. This analysis was based on percentage growth in relation to size of the city. Although population density was not a factor isolated for analysis, it did appear to be significant. However, as Hansen himself has acknowledged, these cities have reached the optimal stage of efficiency. Accordingly, cities selected for redevelopment centers should be smaller than the optimal. This argument correlates closely with EDA strategy.³⁹

³⁶ Hansen, Rural Poverty and the Urban Crisis, op. cit., p. 300.

³⁷ Ibid.

³⁸ Niles M. Hansen, "The Problem of Spatial Resource Allocation." Growth and Change, Vol. 2, No. 2 (April, 1971), p. 24.

³⁹ Sherman L. Karcher, "A Study of Urban Growth Patterns in Kansas and Surrounding States", Unpublished, Kansas State University, 1971.

Population Density as a Factor

Population density as a factor in growth center selection has not often been considered by academicians debating the issue. Although few studies have been conducted concerning the relationship between population density and migration, the fact remains that at some point high population concentration causes a breakdown in the provision of public facilities, incalculable social costs, and usually outmigration. H. Wentworth Eldredge describes urbanization as a process with four stages: 1) an initial stage of centripetal rural migration to the city; 2) a smaller centrifugal movement to the city fringes; 3) a larger centrifugal movement to suburbia extending urbanism to metropolitan dimensions; and 4) a slowdown of urban concentration either in reality, or by statistical quirk, or by the beginnings of the end of the urban-rural dichotomy into a loose-grained grid of world urbanism.⁴⁰ Application of his theory to Kansas and four surrounding states proved to correlate with the stages concept. By comparing the rates of growth of the central cities of metropolitan areas with the growth of the suburban areas, the results indicated that cities over 250,000 tended to begin suffering outmigration, and by the time they had reached 1,000,000 were suffering substantial outmigration. Cities in the 50,000 to 250,000 bracket were growing faster than the suburban area encompassing the remainder of the metropolitan area, reflecting centripetal movement from the rural areas.⁴¹ High population density is an important factor from two view points:

1. High population density in the metropolitan area is a major factor in central city outmigration.

⁴⁰ H. Wentworth Eldredge, ed., Taming Megalopolis (Garden City, New York: Doubleday and Company, Inc., 1967), p. 94.

⁴¹ Karcher, op. cit.

2. High population density in areas defined as rural is a major factor in attracting industry.

Controversy Over the Location of Growth Centers

The 1965 legislation provides that each economic development district may contain a development center. The development center must be an area or city of sufficient size and potential to foster the economic growth activities necessary to alleviate the distress of redevelopment areas within the district. Cities or contiguous groupings of incorporated places located outside the redevelopment area may be designated as economic development centers if they contain 250,000 persons or less. Centers within redevelopment areas have been termed 'redevelopment centers' and should be distinguished from economic development centers.

The significant argument over the location of growth centers has been concerned with whether they should be restricted to the redevelopment areas, or in close proximity, or be allowed to be at some distance from the lagging area. Also, the selection of a growth center must be constrained by the degree of population density in the area, and the proximity of competitive growth centers. Proposed growth centers located in sparsely settled areas of the Great Plains will necessarily need to be much smaller than those located in more densely populated regions of the eastern United States. The most efficient migration centers tend to be outside of lagging areas, but are not large distant cities.⁴² However, strategies for economic development are still in the process of evolution, and a variety of approaches will be required to meet differing local needs.

⁴² Niles M. Hansen. "Migration Centers, Growth Centers and the Regional Commissions," Unpublished, Kansas State University Mimeo (1971), p. 20.

The Case for the College Town in the Plains States

As previously discussed, the EDA has in recent years designated numerous growth centers based on the French originated philosophy that by concentrating investment in a pre-selected "growth pole", growth will be extended to surrounding areas as well. The agency looks at various economic factors to justify expenditures to revitalize the economy of the community.

One vital factor omitted in the selection criteria has been the cultural amenities such as museums, auditoriums, and especially educational facilities. A personal study of five Plains States revealed that the incidence of a State supported institution offering programs of studies leading to a bachelor of arts or bachelor of science degree, requiring at least four but less than six years to complete, was especially revealing when compared to population growth in other places. (See Fig. 4.)

By the end of June, 1971, EDA had designated twenty-one growth centers located in three of the five States. Only five of the twenty-one growth centers contained baccalaureate degree granting institutions. A total of thirty State-supported baccalaureate degree granting institutions exist outside Standard Metropolitan Statistical Areas in these five States. (See Fig. 5.)

The study reveals these college towns to be the fastest growing towns in the entire study area. As a group, the college towns gained an average of over 25 percent, nearly 105,000 inhabitants, during the 1960-1970 decade. The college towns grew faster than either urban or metropolitan places during the period. The implications are that EDA and the States must recognize the significance of educational and other cultural amenities when developing policies for directing investment into cities and towns with the ambition of influencing population settlement patterns. Another implication is that some States may need to expand current educational facilities in areas where an attempt is being made to either

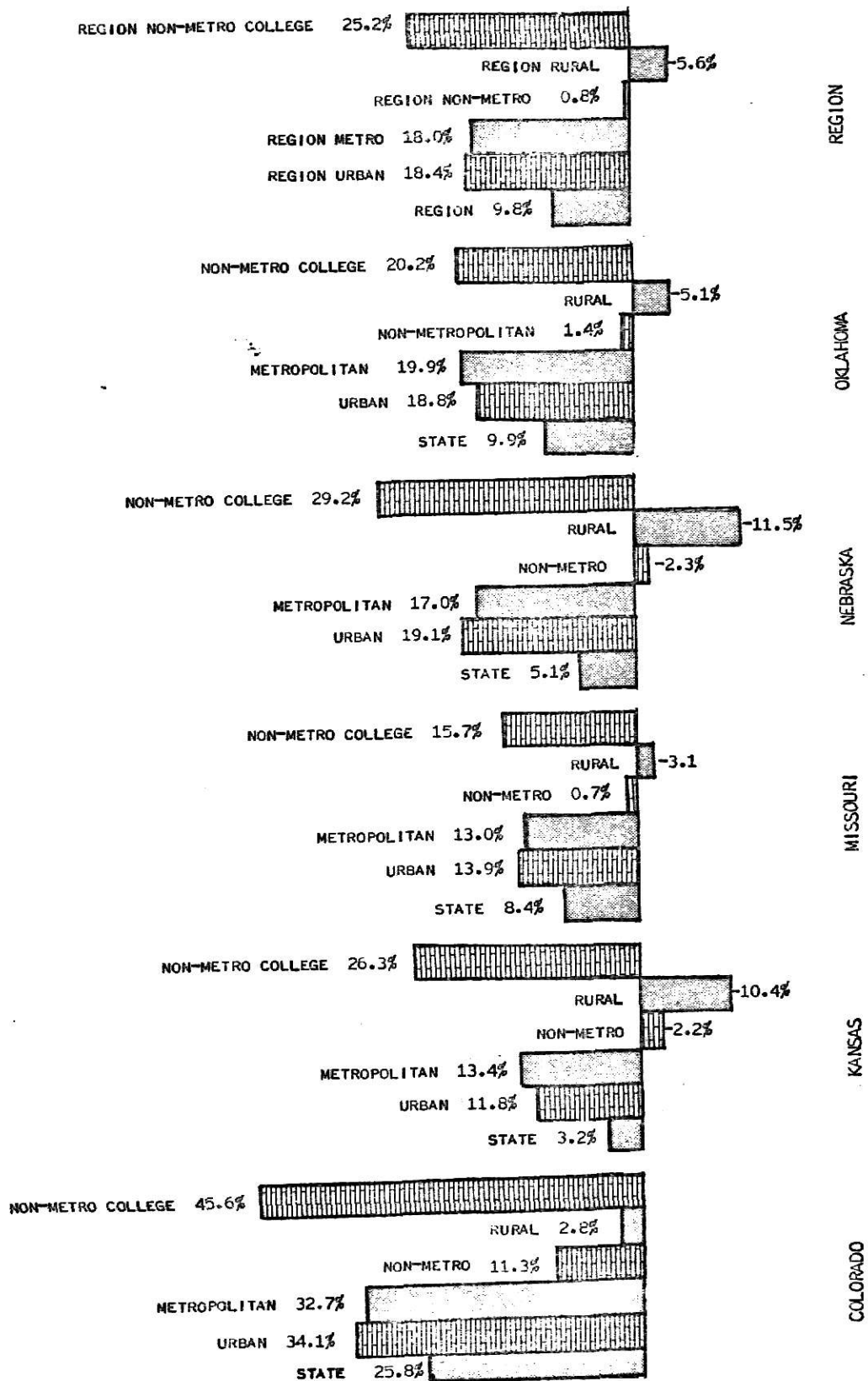


Fig. 4. Comparison of Metropolitan - Nonmetropolitan Growth in Five Plains States

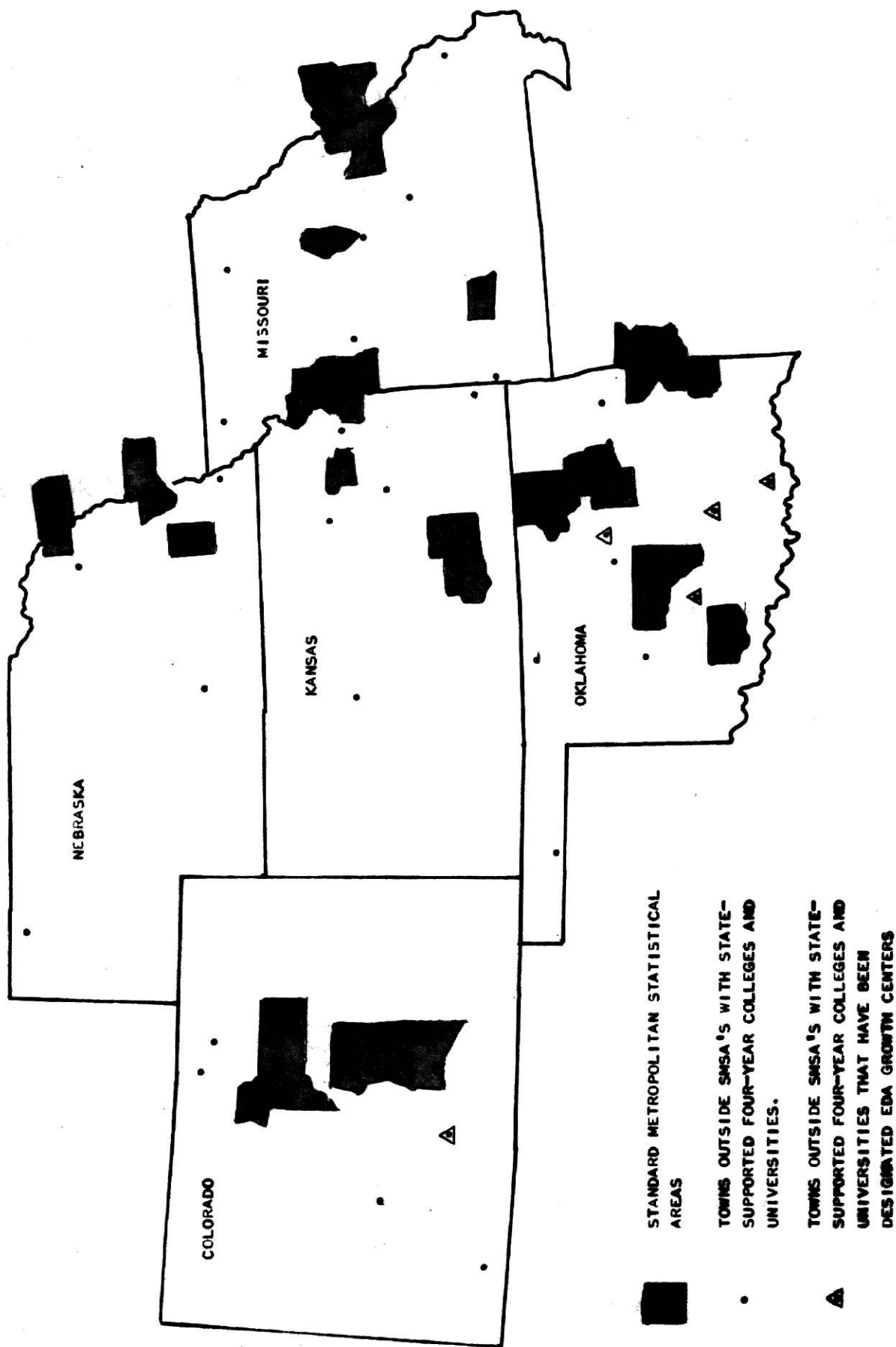


Fig. 5. Location of College Towns and EDA Selected Growth Centers in Five Plains States

abate rural outmigration or actually induce net immigration. Particular States where expanded educational facilities are needed in places far from metropolitan areas are Colorado, Kansas, and Nebraska.

Recommendations by the Commission on Population Growth and the American Future

On March 25, 1972, the Commission on Population Growth and the American Future released an advance copy of portions of its report, Population and the American Future, which is to be released in late 1972. The following recommendation is excerpted from the report:

"To promote the expansion of job opportunities in urban places located within or near declining areas and having a demonstrated potential for future growth, the Commission recommends the development of a growth center strategy."⁴³

In addition, several other relevant comments are worthy of notation:

"In general, migration from declining areas is frequently ill-directed. It often involves a lengthy move to a distant city, with all the difficulties of adjustment. A superior approach may be to create new jobs nearer to or within the declining rural areas."⁴⁴

"The types of growth centers envisioned are expanding cities in the 25,000 to 350,000 population range whose anticipated growth may bring them to 50,000 to 500,000. Somewhat lower and higher limits should be considered for the sake of flexibility. Not every rapidly-growing city within this range should be eligible. Only those cities that could be expected to benefit a significant number of persons from declining regions, as well as the unemployed within the center, should be eligible. Thus, growth centers should be selected on the basis of commuting and migration data, as well as data on unemployment and job opportunities, and physical and environmental potential for absorbing more growth."⁴⁵

⁴³ U.S., Commission on Population and the American Future, Population and the American Future (Washington, D.C.: Commission on Population Growth and the American Future, 1972), Galley 12-17.

⁴⁴ Ibid., Galley 12-16.

⁴⁵ Ibid., Galley 12-17.

"Implementation of a growth center program will not be easy. In recent years, the federal government has pursued, with only limited success, a growth center strategy through programs administered by the Economic Development administration, the Appalachian Regional Commission, and a number of other regional commissions. Both economic and political constraints have seriously hampered program effectiveness. Further research, substantial increases in funding, and better focusing of investment are clearly needed for such a policy to succeed. Many questions concerning the criteria for selecting growth centers and the most efficient tools to stimulate growth are yet to be answered."⁴⁶

"It will be some time before the effectiveness of a growth center policy is known. In the meantime, this policy seems to be a promising way to improve the quality of life for residents of declining and depressed areas. Moreover, this policy can be made consistent with a goal of providing migrants with alternative destinations to large metropolitan areas. In doing so, a growth center policy will also help improve the quality of life in large metropolitan areas by reducing the migrant-generated pressures on them."⁴⁷

Planning Advantages of Growth Centers

One of the primary reasons for the designation of growth centers has been the advantages to be gained from the EDA requirement of having an Overall Economic Development Plan (OEDP) for each redevelopment area. The introduction of planning to local economic development was understood to be a distinct advantage for the designated redevelopment areas. Preparation of an OEDP permits the formulation of explicit economic activity and population targets for the center, the specification of future investment strategies, and the identification of those areas in which future population and activity growth is probable. A precise formulation of planning strategies and location of public investments should permit constant reevaluation of the quality and direction of planning.

⁴⁶ Ibid., Galley 12-18.

⁴⁷ Ibid.

The EDA has funded \$25.6 million in planning grants since its inception in 1965. These plans have been primarily aimed at renovating or providing additional public works. Although they have not been of a comprehensive nature in the sense that a professional planner would be familiar with, these plans have given a sense of direction to the communities or areas they serve. The identification of goals and objectives and setting of target dates for improvements or additions is the all-important part of the planning process.

Conclusions and Recommendations

Proponents of the "growth center" strategy have been met with considerable opposition as to the usefulness and feasibility of the concept. The continuation of a "growth center" strategy must be adaptable to the different regions of the country according to population density and other characteristics of the population. Continuation of a "growth center" strategy, most appropriately aimed at economically viable cities with 25,000 to 250,000 inhabitants, with the upper and lower limits representing the least desirable size for concentrating funds for economic development, is recommended. The selection of these growth centers will be dependant upon their past growth performance, possibilities for future growth as judged by their economic base, and the population density of each city and the surrounding area. Exceptions to the minimum size criteria will most probably need to be relaxed to some degree in the sparsely settled areas of the northern Plains and Rocky Mountain regions of the nation. Furthermore, the cultural amenities of any community must be considered when selecting the "growth center".

THE "WORST FIRST" STRATEGY

The "worst first" strategy refers to the concept of selecting redevelopment areas for assistance on a priority basis. Those redevelopment areas which are characterized by the highest unemployment rates or the lowest per capita family income are the first selected for redevelopment projects. This policy was devised by EDA on the basis of its experience that areas just meeting, or a little over, the qualifying level for project assistance also were the most likely areas to benefit from national economic growth. As reported in the 1971 Manpower Report of the President, there was "the problem of whether funds should be channeled to the areas with the highest rates of unemployment and poverty or whether it would be more effective from the standpoint of job creation to concentrate on growth centers."⁴⁸ The following discussion will consider opposing views of the "worst first" strategy.

Arguments For

Few authors have found very much favorable to say about the "worst first" concept. One of the few is Gordon Cameron, who provides the following argument in favor of the strategy:

"There can be no doubt that the choice of the worst-first strategy provided the basis for improving the operating efficiency of the agency in several distinct ways. The single most important benefit was the selection and explicit acknowledgement of one goal from among the welter of potential goals suggested by the legislation of 1965. This not only focused the energies of EDA staff at headquarters and in the field, but assured local planning agencies in selected areas of continued Federal involvement with their development problems. Both of these factors permitted the agency to move from a passive role vis-a-vis a multitude of

⁴⁸U.S., Department of Labor, Manpower Report of the President, 1971 (Washington, D.C.: U.S. Government Printing Office, 1971), p. 140.

distressed areas towards an active scrutiny of which EDA subsidies were relevant aids for the revitalization of specific communities."⁴⁹

He further states that:

"The bulk of EDA activity should be directed to solving the economic problems of some of the most seriously depressed local economies in the persistent and substantial unemployment category, the really low income counties, and the few areas with very low incomes and serious unemployment."⁵⁰

However, he does admit that obligating funds to areas with extremely little chance of successful redevelopment would be a waste of public expenditures.

Arguments Against

According to Lynn Daft, "there is mounting evidence of the general ineffectiveness of this approach. The economic and social forces underlying the areas' depressed conditions often proved to be of far greater strength and pervasiveness than anticipated."⁵¹

Niles Hansen is even more critical of the "worst first" approach. He says that the strategy "runs counter to EDA's own economic development center policy. . . (T)he centers are supposed to have high growth potential and would not be likely to qualify for aid under the worst-first criterion."⁵²

To summarize, arguments against the "worst first" strategy point out that areas are chosen for redevelopment that have practically no chance of developing into viable economies. What is perhaps advocated by Hansen is a concept that

⁴⁹ Cameron, op. cit., pp. 101-2.

⁵⁰ Ibid., p. 132.

⁵¹ Lynn M. Daft, "Public Policies for Rural America: Legacies or Leading Edges?" American Journal of Agricultural Economics, Vol. 53, No. 2 (May, 1971), p. 252.

⁵² Hansen, Rural Poverty and the Urban Crisis, op. cit., p. 295.

would recognize those areas that cannot be redeveloped, and integrate a strategy for subsidized outmigration from them.

Efficiency Versus Equity

The conflict over the "worst first" strategy may be reduced to one of efficiency versus equity criteria. The efficiency adherents base their judgment for qualification on how the project may most efficiently be accomplished. This concept considers the project with the best cost-benefit ratio as the most qualified.

The equity, or "planned adjustment", adherents visualize that each lagging community can maintain its level of population and achieve a structural transformation which guarantees a satisfactory growth in productivity and per capita incomes.⁵³

Conclusions and Recommendations

The optimal solution most probably lies somewhere between the two concepts. It is impossible to set definite criteria to judge whether an area can be redeveloped. Every case must be based on its own merits. Also, it is difficult to imagine a strictly efficiency oriented strategy in a democratic society such as the United States. It becomes more difficult to justify outmigration from a distressed rural area when one views the immense problems being encountered with the high concentration of population in many urban areas. The development of a "worst first" strategy based on a concept that would recognize areas that could not be redeveloped, and integrated with a strategy for subsidized outmigration is therefore recommended.

⁵³ Cameron, op. cit., p. 26.

RECENT LEGISLATION AND THE NEED FOR INTERGOVERNMENTAL COOPERATION AND PLANNING

This section presents recent legislative actions and innovations in the development process and relates them to future prospects. During the past year bills have been introduced in Congress concerning national land-use policy, Federal executive reorganization, revenue sharing, and rural development. An increasing awareness of the need for Federal, State and local coordination in distressed area redevelopment has led to a reconsideration of the current process of regional economic development. Perhaps the most obvious justification for a resolute regional approach is the fact that the Federal government, through its complex of activities, has a profound effect on the level and content of economic activity in every state. However, this awareness of the need for a new approach to the problems of distressed areas is not limited to programs for distressed areas. Such concepts as a "national growth policy", and a "national settlement policy" have appeared consistently in discussions and debates, and have led to the expansion of the original purposes for forming the regional development commissions.

Need for Federal Coordination

The primary concern of the regional approach to economic development is to coordinate Federal, State and local activities. However, past programs have not increased coordination between Federal agencies. Cameron suggests that the answer may be the establishment of an agency to coordinate all Federal programs in distressed areas. He observes "there is an overwhelming case for some agency to attempt to avoid future inconsistencies and conflicts in any proposed legislation and major Federal action which explicitly deals with economic development

at the subnational level. Here the objectives would be to diagnose current and future regional performance, evaluate the impact of proposed legislation and Federal measures on subnational areas, delineate blatant inconsistencies in separate Federal economic development programs, and perhaps actually measure the impact of actions which have been taken."⁵⁴

Concern for lack of intergovernmental coordination is implicit in the EDA Annual Report - Fiscal 1971, as demonstrated by the large portion of the Report devoted to the subject of "Total Community Development". The following passage is cited from the report: "Economic growth projects supported by EDA compliment and accelerate the development of other community programs - including environmental protection, health, transportation, education, manpower training, and the more efficient use and conservation of natural resources."⁵⁵

Hansen echoes the need for greater balance among human and physical resources. He asserts that "without greater investment in human resources and manpower programs in lagging regions there is little hope that industry will be attracted to such areas or that their residents can find jobs in other areas. The United States definitely needs a more integrated regional policy at the national level, as EDA implicitly recognizes by tying together the problem of outmigration from lagging rural areas and problems of large urban centers. . . . It would be desirable and feasible to establish an independent agency at the national level to coordinate and watch over comprehensive regional policy formation and implementation."⁵⁶

⁵⁴ Ibid., p. 120.

⁵⁵ Annual Report - Fiscal 1971, op. cit., p. 10.

⁵⁶ Hansen, Rural Poverty and the Urban Crisis, op. cit., pp. 158-159.

Problems of Inter-Agency Coordination

Coordination among the five regional commissions and between EDA and the commissions has also been an issue. An Hansen puts it, "although the commissions and EDA were created by the same legislation, there has been little coordination of effort among these agencies, primarily because each commission wants to function with a maximum degree of independence."⁵⁷ Concern has also been expressed about the projects of the commissions in competition with projects of other regional commissions. Distinct policy statements need to be established to reduce the amount of inter-agency conflict and competition.

The USDA - EDA Overlap

Since much of the United States which has been designated for redevelopment is also rural, U.S. Department of Agriculture and EDA programs have tended to overlap. As Sundquist puts it: "Since the Economic Development Administration and the Department of Agriculture have proceeded independently in the creation of their multicounty organizations, it was inevitable that those organizations would overlap. The EDA is required by statute to limit its districts to depressed areas, but Agriculture tended to give those areas preference also, because they showed greater interest in, and need for, Federal assistance."⁵⁸ The National Urban Coalition comments that much of what could properly be called rural economic development (manpower, training, education, health) is included in the budgets for other government agencies.⁵⁹ They propose that the

⁵⁷ Ibid., p. 294.

⁵⁸ James L. Sundquist, Making Federalism Work (Washington, D.C.: The Brookings Institution, 1969), pp. 200-01.

⁵⁹ Counterbudget, op. cit., p. 193.

Federal government act to specifically build a healthy rural economy through a program of rural economic development and a reform of agricultural policy.⁶⁰

USDA involvement in Federal aid to distressed areas has become increasingly prominent in recent years. The Department is currently developing a system for recording and retrieving information about all sub-state planning districts in the United States. This system, known as the Development District Information System (DDIS), will be available to all USDA personnel concerned with the problems of distressed areas. Further indication of greater USDA involvement in economic development is the recent passage of the Rural Development Act of 1972. The primary purpose of this Act is the revitalization and development of rural areas. One of its aims is to provide for joint participation by the Farmers Home Administration with respect to loans and grants made through other Federal, State, local, and private financial institutions and governmental departments and agencies, including the EDA.

Need for Local Coordination

Lack of program coordination has led to complaints because of the strain imposed upon the limited resources of rural leadership.⁶¹ Hansen comments that there is often a great deal of mistrust of industrialization in rural areas.⁶² However, much of this distrust can be attributed to local leaders who do not wish to change the status quo.

Sundquist provides some interesting comments he received while interviewing local leaders. When asked how they felt about the red-tape and bureaucratic

⁶⁰ Ibid., p. 192.

⁶¹ Sundquist, op. cit., p. 201.

⁶² Hansen, Rural Poverty and the Urban Crisis, op. cit., p. 299.

delays encountered when applying for Federal programs, the citizen leaders would usually express a preference for a single, all-purpose structure, but they did not volunteer complaints about the requirement for separate funding agencies. They tended to equate the organizations with their respective aid programs, and in that sense welcomed each new organization as an additional source of Federal money.⁶³ These statements emphasize the fact that current procedures in rural economic development are neither efficient nor equitable. The costs of managing numerous conflicting programs are high, and the programs are not equitable to the qualifying communities or other applicants, because so many cannot afford the necessary grantsman in order to apply for and receive funds.

Federal Reorganization Proposals

On March 24, 1971, President Nixon transmitted his "Reorganization Plan No. 1" to Congress. During the past year, hearings have been held in the Senate Committee on Government Operations. Under these reorganization proposals, the planning and public works programs of EDA would be transferred to a new Department of Community Development and the remainder of the programs transferred to a new Department of Economic Affairs. (See Fig. 6.)

In the Department of Community Development, an Administrator for Urban and Rural Development would be "responsible for all programs of the Department which are designed to assist the basic physical facilities and institutional development of communities."⁶⁴ The planning and public works programs of EDA would be carried out under this administration. (See Fig. 7.)

⁶³ Sundquist, op. cit., pp. 201-03.

⁶⁴ U.S., Congress, Senate, Committee on Government Operations, Executive Reorganization Proposals, Hearings before the Committee on Government Operations, Senate, on S.1430, S.1431, S.1432, and S.1433, 92d Cong., 1st sess., 1971, p. 277.

Present Department or Agency	Department of Community Development	Department of Economic Affairs	Department of Natural Resources	Department of Human Resources
Agriculture	<p>Rural Electrification Administration</p> <p>Certain functions and staff from the Farmers Home Administration:</p> <p>Water and Waste Disposal Grants and Loans.</p> <p>Rural Housing.</p> <p>Economic Research Service (Economic Development and Community Services of the Economic Development Division only).</p> <p>Soil Conservation Service (loans to public agencies and non-profit organizations only).</p>	<p>Farmers Home Administration farm operating, ownership and emergency loans.</p> <p>Farmer Cooperative Service.</p> <p>Commodity Exchange Authority.</p> <p>Consumer and Marketing Service (except food inspection programs).</p> <p>Packers and Stockyards Administration.</p> <p>Economic Research Service (except Natural Resources and Human Resources).</p> <p>Foreign Economic Development Service.</p> <p>Cooperative Extension Service.</p> <p>Statistical Reporting Service.</p> <p>Agricultural Research Service (except Human Nutrition, Home Economics Research and Soil and Water Conservation Programs).</p> <p>Cooperative State Research Service.</p> <p>National Agricultural Library.</p> <p>Commodity Credit Corporation.</p> <p>Agricultural Stabilization and Conservation Service.</p> <p>Export Marketing Service.</p> <p>Federal Crop Insurance Corporation.</p> <p>Foreign Agricultural Service.</p> <p>Departmental Management.</p>	<p>Forest Service.</p> <p>Soil Conservation Service.</p> <p>Agricultural Research Service (Soil and Water Conservation Division).</p> <p>Economic Research Service (Natural Resources Economics Division).</p> <p>Farmers Home Administration (Waterbed Loans only).</p>	<p>Economic Research Service (Human Resources).</p> <p>Agriculture Research Service (Human Nutrition and Consumer Research Programs).</p> <p>Food and Nutrition Service.</p> <p>Meat and Poultry Inspection.</p> <p>Egg Products Inspection.</p> <p>Overhead.</p>
Commerce	<p>Economic Development Administration (planning and public works only).</p> <p>Regional Action Planning Commissions (except business development and technical assistance).</p>	<p>Bureau of Domestic Commerce.</p> <p>Bureau of International Commerce.</p> <p>Office of Business Economics.</p> <p>Bureau of the Census.</p> <p>Economic Development Administration (except planning and public works).</p> <p>Maritime Administration.</p> <p>Office of Minority Business Enterprises.</p> <p>Patent Office.</p> <p>National Bureau of Standards (except Product Safety).</p> <p>U.S. Travel Service.</p> <p>National Technical Information Service.</p> <p>Office of Foreign Direct Investment.</p> <p>Regional Action Planning Commission (Title V) (Business development and technical assistance only).</p> <p>Office of Telecommunications.</p> <p>Departmental Management.</p>	<p>National Oceanic and Atmospheric Administration.</p>	<p>Product Safety Program.</p>
HUD	<p>All offices and components (except college housing).</p>	<p>Federal Highway Administration (motor carrier safety program only).</p> <p>National Highway Traffic Safety Administration (motor vehicle safety and alcohol safety programs only).</p> <p>Federal Railroad Administration.</p> <p>Federal Aviation Administration.</p> <p>Coast Guard.</p> <p>St. Lawrence Seaway.</p> <p>National Traffic Safety Board.</p> <p>Office of the Secretary (except SST program to NASA).</p>	<p>Oil and Gas Pipeline Safety Program.</p>	<p>College Housing.</p>
DOT	<p>Federal Highway Administration and its programs, except Motor Carrier Safety.</p> <p>From NHTSA: Highway Safety Grants.</p> <p>Urban Mass Transportation Administration.</p>			
HEW	<p>Grants for the construction of public libraries.</p>	<p>National Institute for Occupational Health and Safety.</p>		<p>All offices and components (except public library construction grants and National Institute for Occupational Health Safety).</p>

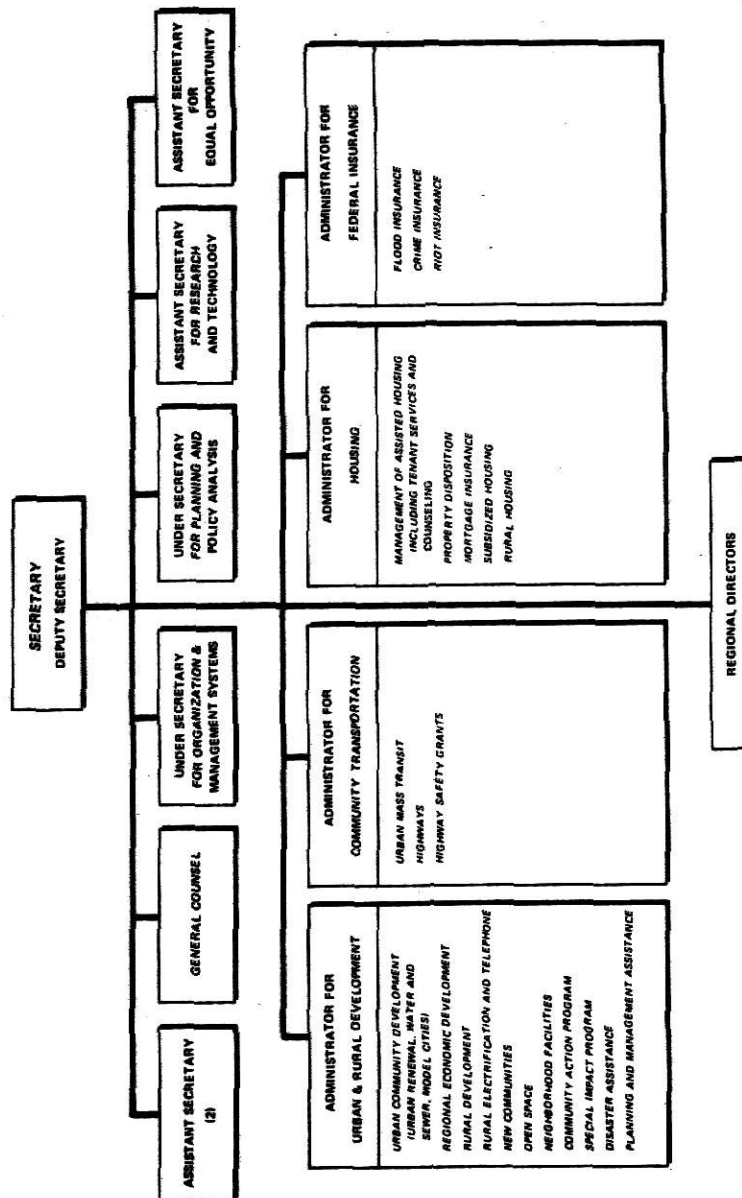


Fig. 7. Proposed Department of Community Development

Source: U.S., Congress, Senate, Committee on Governmental Operations, Executive Reorganization Proposals, Hearings, before the Committee on Government Operations, Senate, on S.1430, S.1431, S.1432, and S.1433, 92d Cong., 1st sess., 1971, p. 200.

An Administrator for Farms and Agriculture and an Administrator for Business Development in the new Department of Economic Affairs were to receive the remainder of the EDA programs. However, originally, the Department of Agriculture was to be abolished. Since the appointment of Secretary of Agriculture Earl Butz in late 1971, the President has decided to change the proposal to keep the Department of Agriculture. However, some functions of the Department will most probably be transferred to one of the new departments. (See Fig. 8.)

Conclusions and Recommendations

The need for Federal, State and local cooperation and coordination in administering all programs aimed at relieving the conditions in distressed areas has become increasingly apparent in recent years. Reorganization of the U.S. executive departments to encourage and support better coordination of Federal programs for regional economic growth and development is necessary. The regional commissions must be enticed toward better inter-agency cooperation through Federal grants and loans. Planning on a much broader scale must be encouraged. The Overall Economic Development Plans should include all aspects of human desires and needs. The plans should also include a process by which all citizens may participate in their formation.

Increased funding for redevelopment programs are needed, with funds from similar or conflicting programs in the Economic Development Administration, the Department of Agriculture, the Department of Housing and Urban Development, the Department of Labor, and the Environmental Protection Agency being assembled into one single agency for the redevelopment of distressed areas.

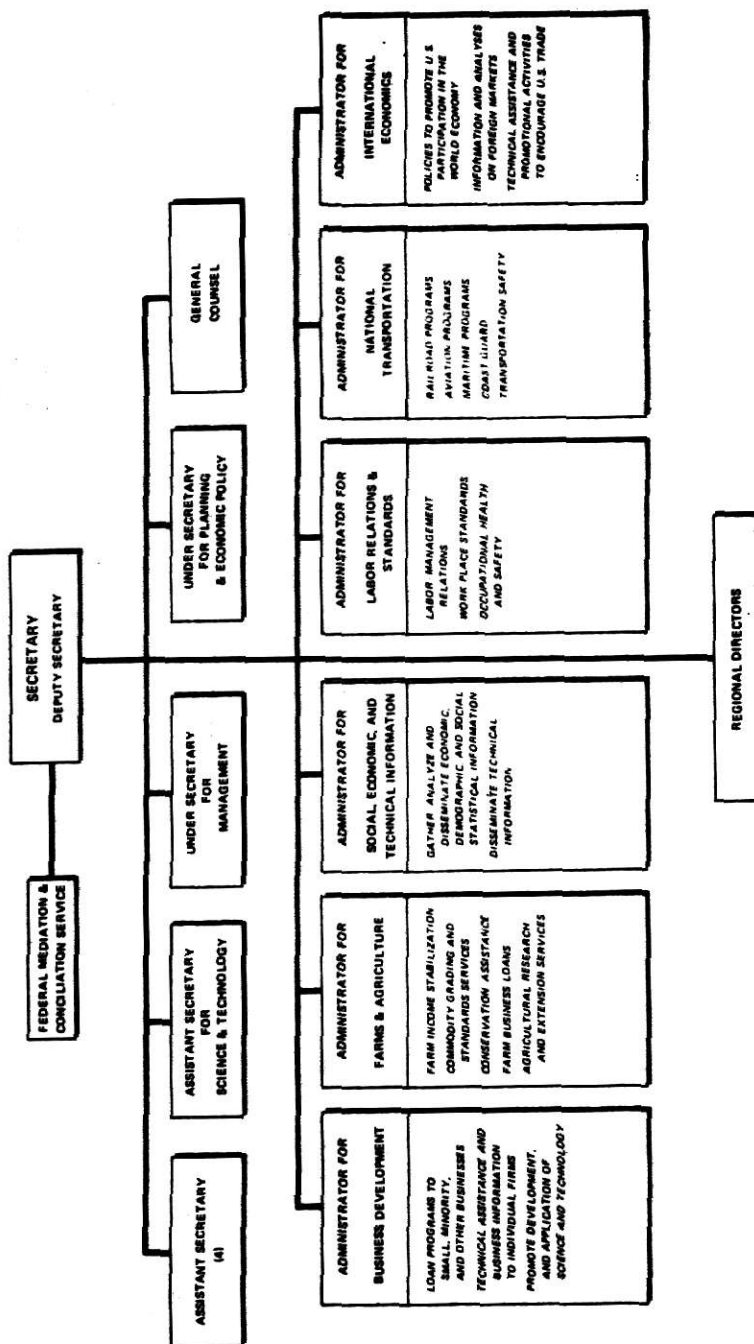


Fig. 8. Proposed Department of Economic Affairs

Source: U.S., Congress, Senate, Committee on Governmental Operations, Executive Reorganization Proposals, Hearings, before the Committee on Government Operations, Senate, on S.1430, S.1431, S.1432, and S.1433, 92d Cong., 1st sess., 1971, p. 534.

SUGGESTED APPROACH TO REDEVELOPMENT OF DISTRESSED AREAS

This investigation of the U.S. policies and strategies for regional economic growth and development in distressed areas has revealed numerous conflicting evaluations. The findings of this report support the following conclusions and recommendations for enhancing the national economy by assisting designated distressed areas to achieve lasting economic improvement through the establishment of stable, diversified, and strengthened local economies.

Suggested EDA Approach

Although the core objective of the Economic Development Administration has been to revitalize certain decision-making centers which would stagnate without some assistance, the legislation left open the critical question of whether this was to be pursued primarily as an economic, a social welfare, or a political objective. However, the whole thrust of the Act has implied that a solution for the distressed area problem could be initiated by a marginal redistribution of new economic activity from the prosperous areas to the distressed areas and by encouraging indigenous activity within the distressed areas.

The findings in this report suggest that EDA goals and objectives must encompass social welfare priorities in the form of substantial investment in human capital as well as the economic and political objectives of a balanced national growth.

Increased funding of redevelopment programs, with funds from similar or conflicting programs in the Economic Development Administration, Department of Agriculture, Department of Health, Education and Welfare, Department of Housing and Urban Development, Department of Labor, Environmental Protection Agency, and other relevant agencies being used to assemble these programs into one

single agency, is seen as a more comprehensive approach to redevelopment of distressed areas. All other factors and functions of the EDA should remain basically as they are at present.

Suggested Role of the Regional Commissions

The Title V and Appalachian Regional Commissions have played an important role in organizing the goals and objectives of the member jurisdictions. It is anticipated that they will continue to play this role in the future. The entire United States should share equally in the rewards of joint cooperation and coordination through the regional commissions. This report advocates the areal expansion of the present commissions, plus the addition of one or two new ones, to encompass all of the United States. A maximum of nine or ten regional commissions, with Federal and State Co-chairmen as their heads, is suggested. These leaders should be responsible directly to the President, such as the Appalachian Regional Commission operates at present.

Continuation of the Growth Center Strategy

Continuation of a "growth center" strategy, most appropriately aimed at the 205 cities outside urbanized areas with a 1970 population of 25,000 or more, and located within or adjacent to regions characterized as distressed areas, is suggested. These criteria will most likely need to be relaxed in the sparsely settled areas of the Great Plains, Rocky Mountains and Alaska to include smaller cities. However, under no circumstances should a "growth center" be selected that has a population of less than 1,000, due to the great extent of diseconomies present, the inefficient and unproductive results of the past, and the uncertainty that a spread of economic growth will occur in the surrounding region.

The selection of these centers should be dependent upon their past growth performance in comparison to the surrounding vicinity, possibilities for future growth as judged by their economic base, and the population density of the city and the surrounding area.

These centers should be declared and recognized as "growth centers" by the EDA, the regional commissions, and all other Federal, State and sub-State government agencies with funds available for economic development of distressed areas.

Suggested Use of the Worst First Strategy

The use of the "worst first" strategy has received considerable criticism, primarily because of alleged over-emphasis of equity criteria rather than efficiency criteria. This paper advocates the development of a "worst first" strategy for funding of projects located in redevelopment areas and sub-State planning districts based on a concept that would recognize areas that could not be redeveloped, as judged by its economic base, population density, human resources, and other relevant criteria. A policy of subsidized outmigration should be integrated with the "worst first" strategy to provide incentive to those who desire to outmigrate and subsidies in the form of education, retraining and financial assistance to those unable to migrate.

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APPENDIX

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT
ACT OF 1965, AS AMENDED

**PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF
1965, AS AMENDED
(P.L. 89-136; 42 U.S.C. 3121 *et seq.*)**

To provide grants for public works and development facilities, other financial assistance and the planning and coordination needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Public Works and Economic Development Act of 1965".

STATEMENT OF PURPOSE

SEC. 2. The Congress declares that the maintenance of the national economy at a high level is vital to the best interests of the United States, but that some of our regions, counties, and communities are suffering substantial and persistent unemployment and underemployment; that such unemployment and underemployment cause hardship to many individuals and their families, and waste invaluable human resources; that to overcome this problem the Federal Government, in cooperation with the States, should help areas and regions of substantial and persistent unemployment and underemployment to take effective steps in planning and financing their public works and economic development; that Federal financial assistance, including grants for public works and development facilities to communities, industries, enterprises, and individuals in areas needing development should enable such areas to help themselves achieve lasting improvement and enhance the domestic prosperity by the establishment of stable and diversified local economies and improved local conditions, provided that such assistance is preceded by and consistent with sound, long-range economic planning; and that under the provisions of this Act new employment opportunities should be created by developing and expanding new and existing public works and other facilities and resources rather than by merely transferring jobs from one area of the United States to another.

**TITLE 1—GRANTS FOR PUBLIC WORKS AND
DEVELOPMENT FACILITIES**

SEC. 101. (a) Upon the application of any State, or political subdivision thereof, Indian tribe, or private or public nonprofit organization or association representing any redevelopment area or part thereof, the Secretary of Commerce (hereinafter referred to as the Secretary) is authorized—

(1) to make direct grants for the acquisition or development of land and improvements for public works, public service, or

development facility usage, and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of such facilities, including related machinery and equipment, within a redevelopment area, if he finds that—

(A) the project for which financial assistance is sought will directly or indirectly (i) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities, (ii) otherwise assist in the creation of additional long-term employment opportunities for such area, or (iii) primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act of 1964;

(B) the project for which a grant is requested will fulfill a pressing need of the area, or part thereof, in which it is, or will be, located;

(C) the area for which a project is to be undertaken has an approved overall economic development program as provided in section 202(b)(10) and such project is consistent with such program; and

(D) in the case of a redevelopment area so designated under section 401(a)(6), the project to be undertaken will provide immediate useful work to unemployed and underemployed persons in that area.

(2) to make supplementary grants in order to enable the States and other entities within redevelopment areas to take maximum advantage of designated Federal grant-in-aid programs (as hereinafter defined), direct grants-in-aid authorized under this section, and Federal grant-in-aid programs authorized by the Watershed Protection and Flood Prevention Act (68 Stat. 666, as amended), and the eleven watersheds authorized by the Flood Control Act of December 22, 1944, as amended and supplemented (58 Stat. 887), for which they are eligible but for which, because of their economic situation, they cannot supply the required matching share.

(b) Subject to subsection (c) hereof, the amount of any direct grant under this section for any project shall not exceed 50 per centum of the cost of such project.

(c) The amount of any supplementary grant under this section for any project shall not exceed the applicable percentage established by regulations promulgated by the Secretary, but in no event shall the non-Federal share of the aggregate cost of any such project (including assumptions of debt) be less than 20 per centum of such cost, except that in the case of a grant to an Indian tribe, the Secretary may reduce the non-Federal share below such per centum or may waive the non-Federal share. In the case of any State or political subdivision thereof which the Secretary determines has exhausted its effective taxing and borrowing capacity, the Secretary may reduce the non-Federal share below such per centum or may waive the non-Federal share in the case of such a grant for a project in a redevelopment area desig-

nated as such under section 401(a)(6) of this Act. Supplementary grants shall be made by the Secretary, in accordance with such regulations as he shall prescribe, by increasing the amounts of direct grants authorized under this section or by the payment of funds appropriated under this Act to the heads of the departments, agencies, and instrumentalities of the Federal Government responsible for the administration of the applicable Federal programs. Notwithstanding any requirement as to the amount or sources of non-Federal funds that may otherwise be applicable to the Federal program involved, funds provided under this subsection shall be used for the sole purpose of increasing the Federal contribution to specific projects in redevelopment areas under such programs above the fixed maximum portion of the cost of such project otherwise authorized by the applicable law. The term "designated Federal grant-in-aid programs," as used in this subsection, means such existing or future Federal grant-in-aid programs assisting in the construction or equipping of facilities as the Secretary may, in furtherance of the purposes of this Act, designate as eligible for allocation of funds under this section. In determining the amount of any supplementary grant available to any project under this section, the Secretary shall take into consideration the relative needs of the area, the nature of the project to be assisted, and the amount of such fair user charges or other revenues as the project may reasonably be expected to generate in excess of those which would amortize the local share of initial costs and provide for its successful operation and maintenance (including depreciation).

(d) The Secretary shall prescribe rules, regulations, and procedures to carry out this section which will assure that adequate consideration is given to the relative needs of eligible areas. In prescribing such rules, regulations, and procedures the Secretary shall consider among other relevant factors (1) the severity of the rates of unemployment in the eligible areas and the duration of such unemployment and (2) the income levels of families and the extent of underemployment in eligible areas.

(e) Except for projects specifically authorized by Congress, no financial assistance shall be extended under this section with respect to any public service or development facility which would compete with an existing privately owned public utility rendering a service to the public at rates or charges subject to regulation by a State or Federal regulatory body, unless the State or Federal regulatory body determines that in the area to be served by the facility for which the financial assistance is to be extended there is a need for an increase in such service (taking into consideration reasonably foreseeable future needs) which the existing public utility is not able to meet through its existing facilities or through an expansion which it agrees to undertake.

(f) The Secretary shall prescribe regulations which will assure that appropriate local governmental authorities have been given a reasonable opportunity to review and comment upon proposed projects under this section.

SEC. 102. (a) In addition to the assistance otherwise authorized, the Secretary is authorized to make grants in accordance with the provisions of this title to those areas which the Secretary of Labor determines, on the basis of average annual available unemployment statis-

tics, were areas of substantial unemployment during the preceding calendar year.

(b) Areas designated under the authority of this section shall be subject to an annual review of eligibility in accordance with section 402, and to all of the rules, regulations, and procedures applicable to redevelopment areas except as the Secretary may otherwise prescribe by regulation.

SEC. 103. Not more than 15 per centum of the appropriations made pursuant to this title may be expended in any one State.

SEC. 104. No part of any appropriations made pursuant to this title may be expended for any project in any area which is within the "Appalachian region" (as that term is defined in section 403 of the Appalachian Regional Development Act of 1965) which is approved for assistance under the Appalachian Regional Development Act of 1965.

SEC. 105. There is hereby authorized to be appropriated to carry out this title not to exceed \$500,000,000 for the fiscal year ending June 30, 1966, and for each fiscal year thereafter through the fiscal year ending June 30, 1971, and not to exceed \$800,000,000 per fiscal year for the fiscal years ending June 30, 1972, and June 30, 1973. Any amounts authorized for the fiscal year ending June 30, 1972, under this section but not appropriated may be appropriated for the fiscal year ending June 30, 1973. Not less than 25 per centum nor more than 35 per centum of all appropriations made for the fiscal years ending June 30, 1972, and June 30, 1973, under authority of the preceding sentences shall be expended in redevelopment areas designated as such under section 401(a)(6) of this Act.

FINANCIAL ASSISTANCE FOR SEWER FACILITIES

SEC. 106. No financial assistance, through grants, loans, guarantees, or otherwise, shall be made under this Act to be used directly or indirectly for sewer or other waste disposal facilities unless the Secretary of Health, Education, and Welfare certifies to the Secretary that any waste material carried by such facilities will be adequately treated before it is discharged into any public waterway so as to meet applicable Federal, State, interstate, or local water quality standards.

TITLE II—OTHER FINANCIAL ASSISTANCE

PUBLIC WORKS AND DEVELOPMENT FACILITY LOANS

SEC. 201. (a) Upon the application of any State, or political subdivision thereof, Indian tribe, or private or public nonprofit organization or association representing any redevelopment area or part thereof, the Secretary is authorized to purchase evidence of indebtedness and to make loans to assist in financing the purchase or development of land and improvements for public works, public service, or development facility usage, including public works, public service, or development facility usage, to be provided by agencies of the Federal Government pursuant to legislation requiring that non-Federal entities bear some part of the cost thereof, and the acquisition, construction, rehabilitation, alteration, expansion, or improvement of such facilities, includ-

ing related machinery and equipment, within a redevelopment area, if he finds that—

(1) the project for which financial assistance is sought will directly or indirectly—

(A) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities,

(B) otherwise assist in the creation of additional long-term employment opportunities for such area, or

(C) primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act of 1964;

(2) the funds requested for such project are not otherwise available from private lenders or from other Federal agencies on terms which in the opinion of the Secretary will permit the accomplishment of the project;

(3) the amount of the loan plus the amount of other available funds for such project are adequate to insure the completion thereof;

(4) there is a reasonable expectation of repayment; and

(5) such area has an approved overall economic development program as provided in section 202(b)(10) and the project for which financial assistance is sought is consistent with such program.

(b) Subject to section 701(5), no loan, including renewals or extensions thereof, shall be made under this section for a period exceeding forty years, and no evidence of indebtedness maturing more than forty years from the date of purchase shall be purchased under this section. Such loans shall bear interest at a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, less not to exceed one-half of 1 per centum per annum.

(c) There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this section and section 202: *Provided*, That annual appropriations for the purpose of purchasing evidences of indebtedness, making and participating in loans, and guaranteeing loans shall not exceed \$170,000,000, for the fiscal year ending June 30, 1966, and for each fiscal year thereafter through the fiscal year ending June 30, 1973.

(d) Except for projects specifically authorized by Congress, no financial assistance shall be extended under this section with respect to any public service or development facility which would compete with an existing privately owned public utility rendering a service to the public at rates or charges subject to regulation by a State or Federal regulatory body, unless the State or Federal regulatory body determines that in the area to be served by the facility for which the financial assistance is to be extended there is a need for an increase

in such service (taking into consideration reasonably foreseeable future needs) which the existing public utility is not able to meet through its existing facilities or through an expansion which it agrees to undertake.

(e) The Secretary shall prescribe regulations which will assure that appropriate local governmental authorities have been given a reasonable opportunity to review and comment upon proposed projects under this section.

LOANS AND GUARANTEES

SEC. 202. (a) The Secretary is authorized (1) to purchase evidences of indebtedness and to make loans (which for purposes of this section shall include participations in loans) to aid in financing any project within a redevelopment area for the purchase or development of land and facilities (including machinery and equipment) for industrial or commercial usage, including the construction of new buildings, and rehabilitation of abandoned or unoccupied buildings; and (2) to guarantee loans for working capital made to private borrowers by private lending institutions in connection with projects in redevelopment areas assisted under subsection (a) (1) hereof, upon application of such institution and upon such terms and conditions as the Secretary may prescribe: *Provided, however*, That no such guarantee shall at any time exceed 90 per centum of the amount of the outstanding unpaid balance of such loan.

(b) Financial assistance under this section shall be on such terms and conditions as the Secretary determines, subject, however, to the following restrictions and limitations:

(1) Such financial assistance shall not be extended to assist establishments relocating from one area to another or to assist subcontractors whose purpose is to divest, or whose economic success is dependent upon divesting, other contractors or subcontractors of contracts theretofore customarily performed by them: *Provided, however*, That such limitations shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity if the Secretary finds that the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment of the area of original location or in any other area where such entity conducts business operations, unless the Secretary has reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

(2) Such assistance shall be extended only to applicants, both private and public (including Indian tribes), which have been approved for such assistance by an agency or instrumentality of the State or political subdivision thereof in which the project to be financed is located, and which agency or instrumentality is directly concerned with problems of economic development in such State or subdivision.

(3) The project for which financial assistance is sought must be reasonably calculated to provide more than a temporary alleviation of unemployment or underemployment within the redevelopment area wherein it is or will be located.

(4) No loan or guarantee shall be extended hereunder unless the financial assistance applied for is not otherwise available from private lenders or from other Federal agencies on terms which in the opinion of the Secretary will permit the accomplishment of the project.

(5) The Secretary shall not make any loan without a participation unless he determines that the loan cannot be made on a participation basis.

(6) No evidence of indebtedness shall be purchased and no loans shall be made or guaranteed unless it is determined that there is reasonable assurance of repayment.

(7) Subject to section 701 (5) of this Act, no loan, including renewals or extension thereof, may be made hereunder for a period exceeding twenty-five years and no evidences of indebtedness maturing more than twenty-five years from date of purchase may be purchased hereunder: *Provided*, That the foregoing restrictions on maturities shall not apply to securities or obligations received by the Secretary as a claimant in bankruptcy or equitable reorganization or as a creditor in other proceedings attendant upon insolvency of the obligor.

(8) Loans made and evidences of indebtedness purchased under this section shall bear interest at a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, plus additional charge, if any, toward covering other costs of the program as the Secretary may determine to be consistent with its purpose.

(9) Loan assistance shall not exceed 65 per centum of the aggregate cost to the applicant (excluding all other Federal aid in connection with the undertaking) of acquiring or developing land and facilities (including machinery and equipment), and of constructing, altering, converting, rehabilitating, or enlarging the building or buildings of the particular project, and shall, among others, be on the condition that—

(A) other funds are available in an amount which, together with the assistance provided hereunder, shall be sufficient to pay such aggregate cost;

(B) not less than 15 per centum of such aggregate cost be supplied as equity capital or as a loan repayable in no shorter period of time and at no faster an amortization rate than the Federal financial assistance extended under this section is being repaid, and if such a loan is secured, its security shall be subordinate and inferior to the lien or liens securing such Federal financial assistance: *Provided, however*, That, except in projects involving financial participation by Indian tribes, not less than 5 per centum of such aggregate cost shall be supplied by the State or any agency, instrumentality, or political subdivision thereof, or by a community or area organization which is nongovernmental in character, unless the Secretary shall determine in accordance with objective standards promulgated by regulation that all or part of such funds are not reasonably available to the project because of the economic distress of the area or for other good cause, in which case he may waive the requirement of this provi-

sion to the extent of such unavailability, and allow the funds required by this subsection to be supplied by the applicant or by such other non-Federal source as may reasonably be available to the project;

(C) to the extent the Secretary finds such action necessary to encourage financial participation in a particular project by other lenders and investors, and except as otherwise provided in subparagraph (B), any Federal financial assistance extended under this section may be repayable only after other loans made in connection with such project have been repaid in full, and the security, if any, for such Federal financial assistance may be subordinate and inferior to the lien or liens securing other loans made in connection with the same project.

(10) No such assistance shall be extended unless there shall be submitted to and approved by the Secretary an overall program for the economic development of the area and a finding by the State, or any agency, instrumentality, or local political subdivision thereof, that the project for which financial assistance is sought is consistent with such program: *Provided*, That nothing in this Act shall authorize financial assistance for any project prohibited by laws of the State or local political subdivision in which the project would be located, nor prevent the Secretary from requiring such periodic revisions of previously approved overall economic development programs as he may deem appropriate.

ECONOMIC DEVELOPMENT REVOLVING FUND

SEC. 203. Funds obtained by the Secretary under section 201, loan funds obtained under section 403, and collections and repayments received under this Act, shall be deposited in an economic development revolving fund (hereunder referred to as the "fund"), which is hereby established in the Treasury of the United States, and which shall be available to the Secretary for the purpose of extending financial assistance under sections 201, 202, and 403, and for the payment of all obligations and expenditures arising in connection therewith. There shall also be credited to the fund such funds as have been paid into the area redevelopment fund or may be received from obligations outstanding under the Area Redevelopment Act. The fund shall pay into miscellaneous receipts of the Treasury, following the close of each fiscal year, interest on the amount of loans outstanding under this Act computed in such manner and at such rate as may be determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, during the month of June preceding the fiscal year in which the loans were made.

TITLE III—TECHNICAL ASSISTANCE, RESEARCH, AND INFORMATION

SEC. 301. (a) In carrying out his duties under this Act the Secretary is authorized to provide technical assistance which would be useful in alleviating or preventing conditions of excessive unemployment or underemployment (1) to areas which he has designated as redevelopment areas under this Act, and (2) to other areas which he finds have substantial need for such assistance. Such assistance shall include project planning and feasibility studies, management and operational assistance, and studies evaluating the needs of, and developing potentialities for, economic growth of such areas. Such assistance may be provided by the Secretary through members of his staff, through the payment of funds authorized for this section to other departments or agencies of the Federal Government, through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants-in-aid to appropriate public or private nonprofit State, area, district, or local organizations. The Secretary, in his discretion, may require the repayment of assistance provided under this subsection and prescribe the terms and conditions of such repayment.

(b) The Secretary is authorized to make grants to defray not to exceed 75 per centum of the administrative expenses of organizations which he determines to be qualified to receive grants-in-aid under subsection (a) hereof. In determining the amount of the non-Federal share of such costs or expenses, the Secretary shall give due consideration to all contributions both in cash and in kind, fairly evaluated, including but not limited to space, equipment, and services. Where practicable, grants-in-aid authorized under this subsection shall be used in conjunction with other available planning grants, such as urban planning grants, authorized under the Housing Act of 1954, as amended, and highway planning and research grants authorized under the Federal-aid Highway Act of 1962, to assure adequate and effective planning and economical use of funds.

(c) To assist in the long-range accomplishment of the purposes of this Act, the Secretary, in cooperation with other agencies having similar functions, shall establish and conduct a continuing program of study, training, and research to (A) assist in determining the causes of unemployment, underemployment, underdevelopment, and chronic depression in the various areas and regions of the Nation, (B) assist in the formulation and implementation of national, State, and local programs which will raise income levels and otherwise produce solutions to the problems resulting from these conditions, and (C) assist in providing the personnel needed to conduct such programs. The program of study, training, and research may be conducted by the Secretary through members of this staff, through payment of funds authorized for this section to other departments or agencies of the

Federal Government, or through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grants to such individuals, organizations, or institutions, or through conferences and similar meetings organized for such purposes. The Secretary shall make available to interested individuals and organizations the results of such research. The Secretary shall include in his annual report under section 707 a detailed statement concerning the study and research conducted under this section together with his findings resulting therefrom and his recommendation for legislative and other action.

(d) The Secretary shall aid redevelopment areas and other areas by furnishing to interested individuals, communities, industries, and enterprises within such areas any assistance, technical information, market research, or other forms of assistance, information, or advice which would be useful in alleviating or preventing conditions of excessive unemployment or underemployment within such areas. The Secretary may furnish the procurement divisions of the various departments, agencies, and other instrumentalities of the Federal Government with a list containing the names and addresses of business firms which are located in redevelopment areas and which are desirous of obtaining Government contracts for the furnishing of supplies or services, and designating the supplies and services such firms are engaged in providing.

(e) The Secretary shall establish an independent study board consisting of governmental and nongovernmental experts to investigate the effects of Government procurement, scientific, technical, and other related policies, upon regional economic development. Any Federal officer or employee may, with the consent of the head of the department or agency in which he is employed, serve as a member of such board, but shall receive no additional compensation for such service. Other members of such board may be compensated in accordance with the provisions of section 701(10). The board shall report its findings, together with recommendations for the better coordination of such policies, to the Secretary, who shall transmit the report to the Congress not later than two years after the enactment of this Act.

(f) The Secretary is authorized to make grants, enter into contracts or otherwise provide funds for any demonstration project within a redevelopment area or areas which he determines is designed to foster regional productivity and growth, prevent out-migration, and otherwise carry out the purposes of this Act.

SEC. 302. There is hereby authorized to be appropriated \$25,000,000 annually for the purposes of this title, for the fiscal year ending June 30, 1966, and for each fiscal year thereafter through the fiscal year ending June 30, 1969, and \$50,000,000 per fiscal year for the fiscal years ending June 30, 1970, June 30, 1971, June 30, 1972, and June 30, 1973.

TITLE IV—AREA AND DISTRICT ELIGIBILITY

PART A—REDEVELOPMENT AREAS

AREA ELIGIBILITY

SEC. 401. (a) The Secretary shall designate as "redevelopment areas"—

(1) those areas in which he determines, upon the basis of standards generally comparable with those set forth in paragraphs (A) and (B), that there has existed substantial and persistent unemployment for an extended period of time and those areas in which he determines there has been a substantial loss of population due to lack of employment opportunity. There shall be included among the areas so designated any area—

(A) where the Secretary of Labor finds that the current rate of unemployment, as determined by appropriate annual statistics for the most recent available calendar year, is 6 per centum or more and has averaged at least 6 per centum for the qualifying time periods specified in paragraph (B); and

(B) where the Secretary of Labor finds that the annual average rate of unemployment has been at least—

(i) 50 per centum above the national average for three of the preceding four calendar years, or

(ii) 75 per centum above the national average for two of the preceding three calendar years, or

(iii) 100 per centum above the national average for one of the preceding two calendar years.

The Secretary of Labor shall find the facts and provide the data to be used by the Secretary in making the determinations required by this subsection:

(2) those additional areas which have a median family income not in excess of 50 per centum of the national median, as determined by the most recent available statistics for such areas;

(3) those additional Federal or State Indian reservations or trust or restricted Indian-owned land areas which the Secretary, after consultation with the Secretary of the Interior or an appropriate State agency, determines manifest the greatest degree of economic distress on the basis of unemployment and income statistics and other appropriate evidence of economic underdevelopment;

(4) upon request of such areas, those additional areas in which the Secretary determines that the loss, removal, curtailment, or closing of a major source of employment has caused within three years prior to, or threatens to cause within three years after, the date of the request an unusual and abrupt rise in unemployment of such magnitude that the unemployment rate for the area at the time of the request exceeds the national average, or can reasonably be expected to exceed the national average, by 50 per centum or more unless assistance is provided. Notwithstanding any pro-

vision of subsections 401(b) to the contrary, an area designated under the authority of this paragraph may be given a reasonable time after designation in which to submit the overall economic development program required by subsection 202(b)(10) of this Act;

(5) notwithstanding any provision of this section to the contrary, those additional areas which were designated redevelopment areas under the Area Redevelopment Act on or after March 1, 1965: *Provided, however, That the continued eligibility of such areas after the first annual review of eligibility conducted in accordance with section 402 of this Act shall be dependent on their qualification for designation under the standards of economic need set forth in subsections (a)(1) through (a)(4) of this section;*

(6) those communities or neighborhoods (defined without regard to political or other subdivisions or boundaries) which the Secretary determines have one of the following conditions:

- (A) a large concentration of low-income persons;
- (B) rural areas having substantial outmigration;
- (C) substantial unemployment; or
- (D) an actual or threatened abrupt rise of unemployment due to the closing or curtailment of a major source of employment.

No redevelopment area established under this paragraph shall be subject to the requirements of subparagraphs (A) and (C) of paragraph (1) of subsection (a) of section 101 of this Act. No redevelopment area established under this paragraph shall be eligible to meet the requirements of section 403(a)(1)(B) of this Act;

(7) those areas where per capita employment has declined significantly during the next preceding ten-year period for which appropriate statistics are available.

(b) The size and boundaries of redevelopment areas shall be as determined by the Secretary: *Provided, however, That—*

(1) no area shall be designated until it has an approved overall economic development program in accordance with subsection 202(b)(10) of this Act;

(2) any area which does not submit an acceptable overall economic development program in accordance with subsection 202(b)(10) of this Act within a reasonable time after notification of eligibility for designation, shall not thereafter be designated prior to the next annual review of eligibility in accordance with section 402 of this Act;

(3) no area shall be designated which does not have a population of at least one thousand five hundred persons, except that this limitation shall not apply to any area designated under section 401(a)(3) or (a)(6); and

(4) except for areas designated under subsections (a)(3), (a)(4) and (a)(6) hereof, no area shall be designated which is smaller than a "labor area" (as defined by the Secretary of Labor), a county, or a municipality with a population of over two

hundred and fifty thousand, whichever in the opinion of the Secretary is appropriate.

(c) Upon the request of the Secretary, the Secretary of Labor, the Secretary of Agriculture, the Secretary of the Interior, and such other heads of agencies as may be appropriate are authorized to conduct such special studies, obtain such information, and compile and furnish to the Secretary such data as the Secretary may deem necessary or proper to enable him to make the determinations provided for in this section. The Secretary shall reimburse when appropriate, out of any funds appropriated to carry out the purposes of this Act, the foregoing officers for any expenditures incurred by them under this section.

(d) If a State has no area designated under the preceding subsections of this section as a redevelopment area, the Secretary shall designate as a redevelopment area that area in such State which in his opinion most nearly qualifies under such preceding subsections. An area so designated shall have its eligibility terminated in accordance with the provisions of section 402 if any other area within the same State subsequently has become qualified or been designated under any other subsection of this section other than subsection (a) (6) as of the time of the annual review prescribed by section 402: *Provided*, That the Secretary shall not terminate any designation of an area in a State as a redevelopment area if to do so would result in such State having no redevelopment area.

(e) As used in this Act, the term "redevelopment area" refers to any area within the United States which has been designated by the Secretary as a redevelopment area.

ANNUAL REVIEW OF AREA ELIGIBILITY

SEC. 402. The Secretary shall conduct an annual review of all areas designated in accordance with section 401 of this Act, and on the basis of such reviews shall terminate or modify such designation whenever such an area no longer satisfies the designation requirements of section 401, but in no event shall such designation of an area be terminated prior to the expiration of the third year after the date such area was so designated. No area previously designated shall retain its designated status unless it maintains a currently approved overall economic development program in accordance with subsection 202(b)(10). No termination of eligibility shall (1) be made without thirty days' prior notification to the area concerned, (2) affect the validity of any application filed, or contract or undertaking entered into, with respect to such area pursuant to this Act prior to such termination, (3) prevent any such area from again being designated a redevelopment area under section 401 of this Act if the Secretary determines it to be eligible under such section, or (4) be made in the case of any designated area where the Secretary determines that an improvement in the unemployment rate of a designated area is primarily the result of increased employment in occupations not likely to be permanent. The Secretary shall keep the departments and agencies of the Federal Government, and interested State or local agencies, advised at all times of any changes made hereunder with respect to the classification of any area.

PART B—ECONOMIC DEVELOPMENT DISTRICTS

SEC. 403. (a) In order that economic development projects of broader geographical significance may be planned and carried out, the Secretary is authorized—

(1) to designate appropriate “economic development districts” within the United States with the concurrence of the States in which such districts will be wholly or partially located, if—

(A) the proposed district is of sufficient size or population, and contains sufficient resources, to foster economic development on a scale involving more than a single redevelopment area;

(B) the proposed district contains two or more redevelopment areas;

(C) the proposed district contains one or more redevelopment areas or economic development centers identified in an approved district overall economic development program as having sufficient size and potential to foster the economic growth activities necessary to alleviate the distress of the redevelopment areas within the district; and

(D) the proposed district has a district overall economic development program which includes adequate land use and transportation planning and contains a specific program for district cooperation, self-help, and public investment and is approved by the State or States affected and by the Secretary;

(2) to designate as “economic development centers,” in accordance with such regulations as he shall prescribe, such areas as he may deem appropriate, if—

(A) the proposed center has been identified and included in an approved district overall economic development program and recommended by the State or States affected for such special designation;

(B) the proposed center is geographically and economically so related to the district that its economic growth may reasonably be expected to contribute significantly to the alleviation of distress in the redevelopment areas of the district; and

(C) the proposed center does not have a population in excess of two hundred and fifty thousand according to the last preceding Federal census.

(3) to provide financial assistance in accordance with the criteria of sections 101, 201, and 202 of this Act, except as may be herein otherwise provided, for projects in economic development centers designated under subsection (a) (2) above, if—

(A) the project will further the objectives of the overall economic development program of the district in which it is to be located;

(B) the project will enhance the economic growth potential of the district or result in additional long-term employment opportunities commensurate with the amount of Federal financial assistance requested; and

(C) the amount of Federal financial assistance requested is reasonably related to the size, population, and economic needs of the district;

(4) subject to the 20 per centum non-Federal share required for any project by subsection 101(c) of this Act, to increase the amount of grant assistance authorized by section 101 for projects within redevelopment areas (designated under section 401), by an amount not to exceed 10 per centum of the aggregate cost of any such project, in accordance with such regulations as he shall prescribe if—

(A) the redevelopment area is situated within a designated economic development district and is actively participating in the economic development activities of the district; and

(B) the project is consistent with an approved district overall economic development program.

(b) In designating economic development districts and approving district overall economic development programs under subsection (a) of this section, the Secretary is authorized, under regulations prescribed by him—

(1) to invite the several States to draw up proposed district boundaries and to identify potential economic development centers;

(2) to cooperate with the several States—

(A) in sponsoring and assisting district economic planning and development groups, and

(B) in assisting such district groups to formulate district overall economic development programs;

(3) to encourage participation by appropriate local governmental authorities in such economic development districts.

(c) The Secretary shall by regulation prescribe standards for the termination or modification of economic development districts and economic development centers designated under the authority of this section.

(d) As used in this Act, the term "economic development district" refers to any area within the United States composed of cooperating redevelopment areas and, where appropriate, designated economic development centers and neighboring countries or communities, which has been designated by the Secretary as an economic development district.

(e) As used in this Act, the term "economic development center" refers to any area within the United States which has been identified as an economic development center in an approved district overall economic development program and which has been designated by the Secretary as eligible for financial assistance under sections 101, 201, and 202 of this Act in accordance with the provisions of this section.

(f) For the purpose of this Act the term "local government" means any city, county, town, parish, village, or other general-purpose political subdivision of a State.

(g) There is hereby authorized to be appropriated not to exceed \$50,000,000 for the fiscal year ending June 30, 1967, and for each fiscal year thereafter through the fiscal year ending June 30, 1973, for financial assistance extended under the provisions of subsection (a) (3) and (a) (4) hereof.

(h) In order to allow time for adequate and careful district planning, subsection (g) of this section shall not be effective until one year from the date of enactment.

TITLE V—REGIONAL ACTION PLANNING COMMISSIONS

ESTABLISHMENT OF RECORDS

SEC. 501. (a) The Secretary is authorized to designate appropriate "economic development regions" within the United States with the concurrence of the States in which such regions will be wholly or partially located if he finds (A) that there is a relationship between the areas within such region geographically, culturally, historically, and economically, (B) that with the exception of Alaska and Hawaii, the region is within contiguous States, and (C) upon consideration of the following matters, among others, that the region has lagged behind the whole Nation in economic development:

- (1) the rate of unemployment is substantially above the national rate;
- (2) the median level of family income is significantly below the national median;
- (3) the level of housing, health, and educational facilities is substantially below the national level;
- (4) the economy of the area has traditionally been dominated by only one or two industries, which are in a state of long-term decline;
- (5) the rate of outmigration of labor or capital or both is substantial;
- (6) the area is adversely affected by changing industrial technology;
- (7) the area is adversely affected by changes in national defense facilities or production; and
- (8) indices of regional production indicate a growth rate substantially below the national average.

(b) Upon resolution of the Committee on Public Works of the Senate or the House of Representatives, the Secretary is directed to study the advisability of altering the geographical area of any region designated under this section, in order to further the purpose of this Act.

REGIONAL COMMISSIONS

Sec. 502. (a) Upon designation of development regions, the Secretary shall invite and encourage the States wholly or partially located within such regions to establish appropriate multistate regional commissions.

(b) Each such commission shall be composed of one Federal member, hereinafter referred to as the "Federal cochairman," appointed by the President by and with the advice and consent of the Senate and one member from each participating State in the region. Each State member may be the Governor, or his designee, or such other person as may be provided by the law of the State which he represents. The State members of the commission shall elect a cochairman of the commission from among their number.

(c) Decisions by a regional commission shall require the affirmative vote of the Federal cochairman and of a majority or at least one if only two, of the State members. In matters coming before a regional commission, the Federal cochairman shall, to the extent practicable

consult with the Federal departments and agencies having an interest in the subject matter.

(d) Each State member of a regional commission shall have an alternate, appointed by the Governor or as otherwise may be provided by the law of the State which he represents. The President, by and with the advice and consent of the Senate, shall appoint an alternate for the Federal cochairman of each regional commission. An alternate shall vote in the event of the absence, death, disability, removal, or resignation of the State or Federal cochairman for which he is an alternate.

(e) The Federal cochairman to a regional commission shall be compensated by the Federal Government from funds authorized by this Act up to level IV of the Federal Executive Salary Schedule. His alternate shall be compensated by the Federal Government from funds authorized by this Act at not to exceed the maximum scheduled rate for grade GS-18 of the Classification Act of 1949, as amended, and when not actively serving as an alternate for the Federal cochairman shall perform such functions and duties as are delegated to him by the Federal cochairman. Each State member and his alternate shall be compensated by the State which they represent at the rate established by the law of such State.

(f) If the Secretary finds that the State of Alaska or the State of Hawaii meet the requirements for an economic development region, he may establish a Commission for either State in a manner agreeable to him and to the Governor of the affected State.

FUNCTIONS OF COMMISSION

SEC. 503. (a) In carrying out the purposes of this Act, each Commission shall with respect to its region—

(1) advise and assist the Secretary in the identification of optimum boundaries for multistate economic development regions;

(2) 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;

(3) foster surveys and studies to provide data required for the preparation of specific plans and programs for the development of such regions;

(4) 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;

(5) promote increased private investment in such regions;

(6) prepare legislative and other recommendations with respect to both short-range and long-range programs and projects for Federal, State, and local agencies;

(7) 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;

(8) 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;

(9) 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;

(10) 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; and

(11) 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.

(b) The Secretary shall present such plans and proposals of the commissions as may be transmitted and recommended to him (but are not authorized by any other section of this Act) first for review by the Federal agencies primarily interested in such plans and proposals and then, together with the recommendations of such agencies, to the President for such action as he may deem desirable.

(c) The Secretary shall provide effective and continuing liaison between the Federal Government and each regional commission.

(d) Each Federal agency shall, consonant with law and within the limits of available funds, cooperate with such commissions as may be established in order to assist them in carrying out their functions under this section.

(e) Each regional commission may, from time to time, make additional recommendations to the Secretary and recommendations to the State Governors and appropriate local officials, with respect to—

(1) the expenditure of funds by Federal, State, and local departments and agencies in its region in the fields of natural resources, agriculture, education, training, health and welfare, transportation, and other fields related to the purposes of this Act; and

(2) such additional Federal, State, and local legislation or administrative actions as the commission deems necessary to further the purposes of this Act.

PROGRAM DEVELOPMENT CRITERIA

SEC. 504. In developing recommendations for programs and projects for future regional economic development, and in establishing within those recommendations a priority ranking for such programs and projects, the Secretary shall encourage each regional commission to follow procedures that will insure consideration of the following factors:

(1) the relationship of the project or class or projects to overall regional development including its location in an area determined by the State to have a significant potential for growth;

(2) the population and area to be served by the project or class of projects including the relative per capita income and the unemployment rates in the area;

(3) the relative financial resources available to the State or political subdivisions or instrumentalities thereof which seek to undertake the project;

(4) the importance of the project or class of projects in relation to other projects or classes of projects which may be in competition for the same funds;

(5) the prospects that the project, on a continuing rather than a temporary basis, will improve the opportunities for employment, the average level of income, or the economic and social development of the area served by the project.

REGIONAL TECHNICAL AND PLANNING ASSISTANCE

SEC. 505. (a) (1) The Secretary is authorized to provide to the commissions technical assistance which would be useful in aiding the commissions to carry out their functions under this Act and to develop recommendations and programs. Such assistance shall include studies and plans evaluating the needs of, and developing potentialities for, economic growth of such region, and research on improving the conservation and utilization of the human and natural resources of the region, and planning, investigations, studies, demonstration projects, and training programs which will further the purposes of this Act. Such assistance may be provided by the Secretary through members of his staff, through the payment of funds authorized for this section to other departments or agencies of the Federal Government, or through the employment of private individuals, partnerships, firms, corporations, or suitable institutions, under contracts entered into for such purposes, or through grant-in-aid to the commissions. The Secretary, in his discretion, may require the repayment of assistance provided under this paragraph and prescribe the terms and conditions in such repayment.

(2) In carrying out their functions under this Act the commissions are authorized to engage in planning, investigations, studies, demonstration projects, and training programs which will further the purposes of this Act and which have been approved by the Secretary. Such activities may be carried out by the commissions through the payment of funds to departments, agencies, or instrumentalities of the Federal Government, or through the employment of private individuals, partnerships, firms, or corporations, or suitable institutions under contracts entered into for such purposes or through grants-in-aid to agencies of State or local governments. In the case of demonstration projects and training programs, to the maximum extent possible, such projects and programs shall be carried out through departments, agencies, or instrumentalities of the Federal Government or of State or local governments.

(b) For the period ending on June 30 of the second full Federal fiscal year following the date of establishment of a commission, the administrative expenses of each commission as approved by the Secretary shall be paid by the Federal Government. Thereafter, such

expenses shall be paid 50 per centum by the Federal Government and 50 per centum by the States in the region, except that the administrative expenses of the Federal cochairman, his alternate, and his staff shall be paid solely by the Federal Government. The share to be paid by each State shall be determined by the Commission. The Federal cochairman shall not participate or vote in such determination.

In determining the amount of the non-Federal share of such costs or expenses, the Secretary shall give due consideration to all contributions both in cash and in kind, fairly evaluated, including but not limited to space, equipment, and services.

(c) Not to exceed 10 per centum of the funds appropriated under authority of section 509(d) of this title for any fiscal year shall be expended in such fiscal year in carrying out subsection (a) (1) and subsection (b) of this section.

ADMINISTRATIVE POWERS OF REGIONAL COMMISSIONS

SEC. 506(a). To carry out its duties under this Act, each regional commission is authorized to—

(1) adopt, amend, and repeal bylaws, rules, and regulations governing the conduct of its business and the performance of its functions;

(2) appoint and fix the compensation of an executive director and such other personnel as may be necessary to enable the commission to carry out its functions, except that such compensation shall not exceed the salary of the alternate to the Federal cochairman on the commission and no member, alternate, officer, or employee of such commission, other than the Federal cochairman on the commission and his staff and his alternate, and Federal employees detailed to the commission under clause (3), shall be deemed a Federal employee for any purpose;

(3) request the head of any Federal department or agency (who is hereby so authorized) to detail to temporary duty with the commission such personnel within his administrative jurisdiction as the commission may need for carrying out its functions, each such detail to be without loss of seniority, pay, or other employee status;

(4) arrange for the services of personnel from any State or local government or any subdivision or agency thereof, or any intergovernmental agency;

(5) make arrangements, including contracts, with any participating State government for inclusion in a suitable retirement and employee benefit system of such of its personnel as may not be eligible for, or continue in, another governmental retirement or employee benefit system, or otherwise provide for such coverage of its personnel, and the Civil Service Commission of the United States is authorized to contract with such commission for continued coverage of commission employees, who at date of commission employment are Federal employees, in the retirement program and other employee benefit programs of the Federal Government;

(6) accept, use, and dispose of gifts or donations of services or property, real, personal, or mixed, tangible or intangible;

(7) enter into and perform such contracts, leases, cooperative agreements, or other transactions as may be necessary in carrying out its functions and on such terms as it may deem appropriate, with any department, agency, or instrumentality of the United States or with any State, or any political subdivision, agency, or instrumentality thereof, or with any person, firm, association, or corporation;

(8) maintain an office in the District of Columbia and establish field offices at such other places as it may deem appropriate; and

(9) take such other actions and incur such other expenses as may be necessary or appropriate.

(b) The Federal cochairman shall establish and at all times maintain his headquarters office in the District of Columbia.

INFORMATION

SEC. 507. In order to obtain information needed to carry out its duties, each regional commission shall—

(1) hold such hearings, sit and act at such times and places, take such testimony, receive such evidence, and print or otherwise reproduce and distribute so much of its proceedings and reports thereon as it may deem advisable, a cochairman of such commission, or any member of the commission designated by the commission for the purpose, being hereby authorized to administer oaths when it is determined by the commission that testimony shall be taken or evidence received under oath;

(2) arrange for the head of any Federal, State, or local department or agency (who is hereby so authorized, to the extent not otherwise prohibited by law) to furnish to such commission such information as may be available to or procurable by such department or agency; and

(3) keep accurate and complete records of its doings and transactions which shall be made available for public inspection.

PERSONAL FINANCIAL INTERESTS

SEC. 508. (a) Except as permitted by subsection (b) hereof, no State member or alternate and no officer or employee of a regional commission shall participate personally and substantially as member, alternate, officer, or employee, through decision, approval, disapproval, recommendation, the rendering of advice, investigation, or otherwise, in any proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other particular matter in which, to his knowledge, he, his spouse, minor child, partner, organization (other than a State or political subdivision thereof) in which he is serving as officer, director, trustee, partner, or employee, or any person or organization with whom he is serving as officer, director, trustee, partner, or employee, or any person or organization with whom he is negotiating or has any arrangement concerning prospective employment, has a financial interest. Any person who shall violate

the provisions of this subsection shall be fined not more than \$10,000, or imprisoned not more than two years, or both.

(b) Subsection (a) hereof shall not apply if the State member, alternate, officer, or employee first advises the regional commission involved of the nature and circumstances of the proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other particular matter and makes full disclosure of the financial interest and receives in advance a written determination made by such commission that the interest is not so substantial as to be deemed likely to affect the integrity of the services which the commission may expect from such State member, alternate, officer, or employee.

(c) No State member of a regional commission, or his alternate, shall receive any salary, or any contribution to or supplementation of salary for his services on such commission from any source other than his State. No person detailed to serve a regional commission under authority of clause (4) of section 506 shall receive any salary or any contribution to or supplementation of salary for his services on such commission from any source other than the State, local, or intergovernmental department or agency from which he was detailed or from such commission. Any person who shall violate the provisions of this subsection shall be fined not more than \$5,000, or imprisoned not more than one year, or both.

(d) Notwithstanding any other subsection of this section, the Federal cochairman and his alternate on a regional commission and any Federal officers or employees detailed to duty with it pursuant to clause (3) of section 10 shall not be subject to any such subsection but shall remain subject to sections 202 through 209 of title 18, United States Code.

(e) A regional commission may, in its discretion, declare void and rescind any contract or other agreement pursuant to the Act in relation to which it finds that there has been a violation of subsection (a) or (c) of this section, or any of the provisions of sections 202 through 209, title 18, United States Code.

SUPPLEMENTS TO FEDERAL GRANT-IN-AID PROGRAMS

SEC. 509. (a) In order to enable the States and other entities within economic development regions established under this Act to take maximum advantage of Federal grant-in-aid programs (as hereinafter defined) for which they are eligible but for which, because of their economic situation, they cannot supply the required matching share, or for which there are insufficient funds available under the Federal grant-in-aid Act authorizing such programs to meet pressing needs of the region, the Secretary shall, once a comprehensive long-range economic plan established pursuant to clause (2) of section 503(a) is in effect, provide funds pursuant to specific recommendations, to each of the Federal cochairmen of the regional commissions heretofore or hereafter established under this title, to be used for all or any portion of the basic Federal contribution to projects under such Federal grant-in-aid programs authorized by Federal grant-in-aid Acts, and for the purpose of increasing the Federal contribution to

projects under such programs above the fixed maximum portion of the cost of such projects otherwise authorized by the applicable law. No program, or project authorized under this section shall be implemented until (1) applications and plans relating to the program or project have been determined by the responsible Federal official to be compatible with the provisions and objectives of Federal laws which he administers that are not inconsistent with this Act, and (2) the regional commission involved has approved such program or project and has determined that it meets the applicable criteria under section 504 and will contribute to the development of the region, which determination shall be controlling. In the case of any program or project for which all or any portion of the basic Federal contribution to the project under a Federal grant-in-aid program is proposed to be made under this subsection, no such Federal contribution shall be made until the responsible Federal official administering the Federal grant-in-aid Act authorizing such contribution certifies that such program or project meets all of the requirements of such Federal grant-in-aid Act and could be approved for Federal contribution under such Act if funds were available under such Act for such program or project. Funds may be provided for programs and projects in a State under this subsection only if the commission determines that the level of Federal and State financial assistance under titles of this Act other than this title, and under Acts other than this Act, for the same type of programs or projects in that portion of the State within the region will not be diminished in order to substitute funds authorized by this subsection. Funds provided pursuant to this Act shall be available without regard to any limitations on authorizations for appropriation in any other Act.

(b) The Federal portion of such costs shall not be increased in excess of the percentages established by each commission, and shall in no event exceed 80 per centum thereof.

(c) The term "Federal grant-in-aid programs" as used in this section means all Federal grant-in-aid programs in existence on or before December 31, 1970, assisting in the acquisition of land or the construction or equipment of facilities, including but not limited to grant-in-aid programs authorized by title I of this Act and by the following Acts: Federal Water Pollution Control Act; Watershed Protection and Flood Prevention Act; title VI of the Public Health Service Act; Vocational Education Act of 1963; Library Services Act; Federal Airport Act; part IV of title III of the Communications Act of 1934; Higher Education Facilities Act of 1963; Land and Water Conservation Fund Act of 1965; and National Defense Education Act of 1958. The term shall not include any program in which loans or other Federal financial assistance, except a grant-in-aid program, is authorized by this or any other Act. Grants under this section shall be made solely out of funds specifically appropriated for the purpose of carrying out this section, and shall not be taken into account in the computation of allocations among the States made pursuant to any other provision of law.

(d) There is authorized to be appropriated to the Secretary to carry out this title, for the two-fiscal-year period ending June 30, 1971, to be available until expended, not to exceed \$255,000,000, and for the

two-fiscal-year period ending June 30, 1973, to be available until expended, not to exceed \$305,000,000. After deducting such amounts as are authorized to carry out subsections (a) (1) and (b) of section 505, the Secretary shall apportion the remainder of the sums appropriated under this authorization for any fiscal year to the regional commissions, except that not less than 10 per centum nor more than 25 per centum of such remaining amount shall be allocated to any one regional commission. All amounts appropriated under this authorization for any fiscal year shall be apportioned by the Secretary to the regional commissions prior to the end of the fiscal year for which appropriated.

(e) An application for a grant under this section shall be made through the State member of the commission representing such applicant, and such State member shall evaluate the application for approval. Only applications for programs and projects which are approved by a State member as meeting the requirements for assistance under this section shall be approved for assistance.

ANNUAL REPORTS

SEC. 510. Each regional commission established pursuant to this Act shall make a comprehensive and detailed annual report each fiscal year to the Congress with respect to such commission's activities and recommendations for programs. The first such report shall be made for the first fiscal year in which such commission is in existence for more than three months. Such reports shall be printed and transmitted to the Congress not later than January 31 of the calendar year following the fiscal year with respect to which the report is made.

COORDINATION

SEC. 511. The Secretary shall coordinate his activities in making grants and loans under titles I and II of this Act with those of each of the Federal cochairmen in making grants under this title, and each Federal cochairman shall coordinate his activities in making grants under this title with those of the Secretary in making grants and loans under titles I and II of this Act.

ALASKA

SEC. 512. There is hereby authorized to be appropriated not to exceed \$500,000 for the two-fiscal-year period ending June 30, 1973, to continue the Federal Field Committee for Development Planning in Alaska for the purpose of planning economic development programs and projects in Alaska in cooperation with the government of the State of Alaska. Nothing contained in this section shall be construed as precluding the establishment of a regional commission for Alaska.

REGIONAL TRANSPORTATION SYSTEMS

SEC. 513. (a) The Secretary of Transportation, acting jointly with the regional commissions, is authorized to conduct and facilitate full and complete investigations and studies of the needs of the economic development regions established under this title for regional

transportation systems which will further the purposes of this Act, and in connection therewith, to carry out such demonstration projects as he determines to be necessary to the conduct of such investigations and studies. The Secretary of Transportation shall report to Congress not later than January 10, 1971, the results of such investigations and studies together with his recommendations and those of each regional commission.

(b) There is authorized to be appropriated not to exceed \$20,000,000 to carry out this section. Such amount shall be in addition to those sums otherwise authorized to be appropriated to carry out this title.

TITLE VI—ADMINISTRATION

SEC. 601. (a) The Secretary shall administer this Act and, with the assistance of an Assistant Secretary of Commerce, in addition to those already provided for, shall supervise and direct the Administrator created herein, and coordinate the Federal cochairmen appointed heretofore or subsequent to this Act. The Assistant Secretary created by this section shall be appointed by the President by and with the advice and consent of the Senate and shall be compensated at the rate provided for level IV of the Federal Executive Salary Schedule. Such Assistant Secretary shall perform such functions as the Secretary may prescribe. There shall be appointed by the President, by and with the advice and consent of the Senate, an Administrator for Economic Development who shall be compensated at the rate provided for level V of the Federal Executive Salary Schedule who shall perform such duties as are assigned by the Secretary.

(b) Paragraph (12) of subsection (d) of section 303 of the Federal Executive Salary Act of 1964 is amended by striking out "(4)" and inserting in lieu thereof "(5)".

(c) Subsection (e) of section 303 of the Federal Executive Salary Act of 1964 is amended by adding at the end thereof the following new paragraph:

“(100) Administrator for Economic Development.”

ADVISORY COMMITTEE ON REGIONAL ECONOMIC DEVELOPMENT

SEC. 602. The Secretary shall appoint a National Public Advisory Committee on Regional Economic Development which shall consist of twenty-five members and shall be composed of representatives of labor, management, agriculture, State and local governments, and the public in general. From the members appointed to such Committee the Secretary shall designate a Chairman. Such Committee, or any duly established subcommittee thereof, shall from time to time make recommendations to the Secretary relative to the carrying out of his duties under this Act. Such Committee shall hold not less than two meetings during each calendar year.

CONSULTATION WITH OTHER PERSONS AND AGENCIES

SEC. 603. (a) The Secretary is authorized from time to time to call together and confer with any persons, including representatives of labor, management, agriculture, and government, who can assist in

meeting the problems of area and regional unemployment or underemployment.

(b) The Secretary may make provisions for such consultation with interested departments and agencies as he may deem appropriate in the performance of the functions vested in him by this Act.

ADMINISTRATION, OPERATION, AND MAINTENANCE

SEC. 604. No Federal assistance shall be approved under this Act unless the Secretary is satisfied that the project for which Federal assistance is granted will be properly and efficiently administered, operated, and maintained.

TITLE VII—MISCELLANEOUS

POWERS OF SECRETARY

SEC. 701. In performing his duties under this Act, the Secretary is authorized to—

(1) adopt, alter, and use a seal, which shall be judicially noticed;

(2) hold such hearings, sit and act at such times and places, and take such testimony, as he may deem advisable;

(3) request directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics needed to carry out the purposes of this Act; and each department, bureau, agency, board, commission, office, establishment or instrumentality is authorized to furnish such information, suggestions, estimates, and statistics directly to the Secretary;

(4) under regulations prescribed by him, assign or sell at public or private sale, or otherwise dispose of for cash or credit, in his discretion and upon such terms and conditions and for such consideration as he shall determine to be reasonable, any evidence of debt, contract, claim, personal property, or security assigned to or held by him in connection with loans made or evidences of indebtedness purchased under this Act, and collect or compromise all obligations assigned to or held by him in connection with such loans or evidences of indebtedness until such time as such obligations may be referred to the Attorney General for suit or collection;

(5) further extend the maturity of or renew any loan made or evidence of indebtedness purchased under this Act, beyond the periods stated in such loan or evidence of indebtedness or in this Act, for additional periods not to exceed ten years, if such extension or renewal will aid in the orderly liquidation of such loan or evidence of indebtedness;

(6) deal with, complete, renovate, improve, modernize, insure, rent, or sell for cash or credit, upon such terms and conditions and for such consideration as he shall determine to be reasonable, any real or personal property conveyed to, or otherwise acquired by him in connection with loans made or evidences of indebtedness purchased under this Act;

(7) pursue to final collection, by way of compromise or other administrative action, prior to reference to the Attorney General, all claims against third parties assigned to him in connection with loans made or evidences of indebtedness purchased under this Act. This shall include authority to obtain deficiency judgments or otherwise in the case of mortgages assigned to the Secretary. Section 3709 of the Revised Statutes, as amended (41 U.S.C. 5), shall not apply to any contract of hazard insurance or to any purchase or contract for services or supplies on account of property obtained by the Secretary as a result of loans made or evidences of indebtedness purchased under this Act if the premium therefor or the amount thereof does not exceed \$1,000. The power to convey and to execute, in the name of the Secretary, deeds of conveyance, deeds of release, assignments and satisfactions of mortgages, and any other written instrument relating to real or personal property or any interest therein acquired by the Secretary pursuant to the provisions of this Act may be exercised by the Secretary or by any officer or agent appointed by him for that purpose without the execution of any express delegation of power or power of attorney;

(8) acquire, in any lawful manner, any property (real, personal, or mixed, tangible or intangible), whenever deemed necessary or appropriate to the conduct of the activities authorized in sections 201, 202, 301, 403, and 503 of this Act:

(9) in addition to any powers, functions, privileges, and immunities otherwise vested in him, take any and all actions, including the procurement of the services of attorneys by contract, determined by him to be necessary or desirable in making, purchasing, servicing, compromising, modifying, liquidating, or otherwise administratively dealing with or realizing on loans made or evidences of indebtedness purchased under this Act:

(10) employ experts and consultants or organizations therefor as authorized by section 15 of the Administrative Expenses Act of 1946 (5 U.S.C. 55a), compensate individuals so employed at rates not in excess of \$100 per diem, including travel time, and allow them, while away from their homes or regular places of business, travel expenses (including per diem in lieu of subsistence) as authorized by section 5 of such Act (5 U.S.C. 73b-2) for persons in the Government service employed intermittently, while so employed: *Provided, however,* That contracts for such employment may be renewed annually:

(11) sue and be sued in any court of record of a State having general jurisdiction or in any United States district court, and jurisdiction is conferred upon such district court to determine such controversies without regard to the amount in controversy; but no attachment, injunction, garnishment, or other similar process, mesne or final, shall be issued against the Secretary or his property. Nothing herein shall be construed to except the activities under this Act from the application of sections 507(b) and 2679 of title 28, United States Code, and of section 367 of the Revised Statutes (5 U.S.C. 316); and

(12) establish such rules, regulations, and procedures as he may deem appropriate in carrying out the provisions of this Act.

PREVENTION OF UNFAIR COMPETITION

SEC. 702. No financial assistance under this Act shall be extended to any project when the result would be to increase the production of goods, materials, or commodities, or the availability of services or facilities, when there is not sufficient demand for such goods, materials, commodities, services, or facilities, to employ the efficient capacity of existing competitive commercial or industrial enterprises.

SAVING PROVISIONS

SEC. 703. (a) No suit, action, or other proceeding lawfully commenced by or against the Administrator or any other officer of the Area Redevelopment Administration in his official capacity or in relation to the discharge of his official duties under the Area Redevelopment Act, shall abate by reason of the taking effect of the provisions of this Act, but the court may, on motion or supplemental petition filed at any time within twelve months after such taking effect, showing a necessity for the survival of such suit, action, or other proceeding to obtain a settlement of the questions involved, allow the same to be maintained by or against the Secretary or the Administrator or such other officer of the Department of Commerce as may be appropriate.

(b) Except as may be otherwise expressly provided in this Act, all powers and authorities conferred by this Act shall be cumulative and additional to and not in derogation of any powers and authorities otherwise existing. All rules, regulations, orders, authorizations, delegations, or other actions duly issued, made, or taken by or pursuant to applicable law, prior to the effective date of this Act, by any agency, officer, or office pertaining to any functions, powers and duties under the Area Redevelopment Act shall continue in full force and effect after the effective date of this Act until modified or rescinded by the Secretary or such other officer of the Department of Commerce as, in accordance with applicable law, may be appropriate.

TRANSFER OF FUNCTIONS, EFFECTIVE DATE, AND LIMITATIONS ON ASSISTANCE

SEC. 704. (a) The functions, powers, duties, and authorities and the assets, funds, contracts, loans, liabilities, commitments, authorizations, allocations, and records which are vested in or authorized to be transferred to the Secretary of the Treasury under section 29(b) of the Area Redevelopment Act, and all functions, powers, duties, and authorities under section 29(c) of the Area Redevelopment Act are hereby vested in the Secretary.

(b) The President may designate a person to act as Administrator under this Act until the office is filled as provided in this Act or until the expiration of the first period of sixty days following the effective date of this Act, whichever shall first occur. While so acting such person shall receive compensation at the rate provided by this Act for such office.

(c) The provisions of this Act shall take effect upon enactment unless herein explicitly otherwise provided.

(d) Notwithstanding any requirements of this Act relating to the eligibility of areas, projects for which applications are pending before the Area Redevelopment Administration on the effective date of this Act shall for a period of one year thereafter be eligible for consideration by the Secretary for such assistance under the provisions of this Act as he may determine to be appropriate.

(e) No financial assistance authorized under this Act shall be used to finance the cost of facilities for the generation, transmission, or distribution of electrical energy, except on projects specifically authorized by the Congress, or to finance the cost of facilities for the production or transmission of gas (natural, manufactured, or mixed).

SEPARABILITY

SEC. 705. Notwithstanding any other evidence of the intent of Congress, it is hereby declared to be the intent of Congress that if any provision of this Act or the application thereof to any persons or circumstances shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this Act or its application to other persons and circumstances, but shall be confined in its operation to the provision of this Act or the application thereof to the persons and circumstances directly involved in the controversy in which such judgment shall have been rendered.

APPLICATION OF ACT

SEC. 706. As used in this Act, the terms "State", "States", and "United States" include the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa.

ANNUAL REPORT

SEC. 707. The Secretary shall make a comprehensive and detailed annual report to the Congress of his operations under this Act for each fiscal year beginning with the fiscal year ending June 30, 1966. Such report shall be printed and shall be transmitted to the Congress not later than January 3 of the year following the fiscal year with respect to which such report is made.

USE OF OTHER FACILITIES

SEC. 708. (a) The Secretary is authorized to delegate to the heads of other departments and agencies of the Federal Government any of the Secretary's functions, powers, and duties under this Act as he may deem appropriate, and to authorize the redelegation of such functions, powers, and duties by the heads of such departments and agencies.

(b) Departments and agencies of the Federal Government shall exercise their powers, duties, and functions in such manner as will assist in carrying out the objectives of this Act.

(c) Funds authorized to be appropriated under this Act may be transferred between departments and agencies of the Government, if such funds are used for the purposes for which they are specifically authorized and appropriated.

APPROPRIATION

SEC. 709. There are hereby authorized to be appropriated such sums as may be necessary to carry out those provisions of the Act for which specific authority for appropriations is not otherwise provided in this Act. Appropriations authorized under this Act shall remain available until expended unless otherwise provided by appropriations Acts.

PENALTIES

SEC. 710. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any financial assistance under section 101, 201, 202, or 403 or any extension thereof by renewal, deferment or action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the Secretary or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

(b) Whoever, being connected in any capacity with the Secretary, in the administration of this Act (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to him or pledged or otherwise entrusted to him, or (2) with intent to defraud the Secretary or any other body politic or corporate, or any individual, or to deceive any officer, auditor, or examiner, makes any false entry in any book, report, or statement of or to the Secretary, or without being duly authorized draws any order or issues, puts forth, or assigns any note, debenture, bond, or other obligation, or draft, bill of exchange, mortgage, judgment, or decree thereof, or (3) with intent to defraud participates or shares in or receives directly or indirectly any money, profit, property, or benefit through any transaction, loan, grant, commission, contract, or any other act of the Secretary, or (4) gives any unauthorized information concerning any future action or plan of the Secretary which might affect the value of securities, or having such knowledge invests or speculates, directly or indirectly, in the securities or property of any company or corporation receiving loans, grants, or other assistance from the Secretary, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

EMPLOYMENT OF EXPEDITERS AND ADMINISTRATIVE EMPLOYEES

SEC. 711. No financial assistance shall be extended by the Secretary under section 101, 201, 202, or 403 to any business enterprise unless the owners, partners, or officers of such business enterprise (1) certify to the Secretary the names of any attorneys, agents, and other persons engaged by or on behalf of such business enterprise for the purpose of expediting applications made to the Secretary for assistance of any sort, under this Act, and the fees paid or to be paid to any such person; and (2) execute an agreement binding such business enterprise, for a period of two years after such assistance is rendered by the Secretary to such business enterprise, to refrain from employing, tendering any

office or employment to, or retaining for professional services, any person who, on the date such assistance or any part thereof was rendered, or within one year prior thereto, shall have served as an officer, attorney, agent, or employee, occupying a position or engaging in activities which the Secretary shall have determined involve discretion with respect to the granting of assistance under this Act.

PREVAILING RATE OF WAGE AND FORTY-HOUR WEEK

SEC. 712. All laborers and mechanics employed by contractors or subcontractors on projects assisted by the Secretary under this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a-276a-5). The Secretary shall not extend any financial assistance under section 101, 201, 202, or 403 for such project without first obtaining adequate assurance that these labor standards will be maintained upon the construction work. The Secretary of Labor shall have, with respect to the labor standards specified in this provision, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. 133z-15), and section 2 of the Act of June 13, 1964, as amended (40 U.S.C. 276c).

RECORD OF APPLICATIONS

SEC. 713. The Secretary shall maintain as a permanent part of the records of the Department of Commerce a list of applications approved for financial assistance under section 101, 201, 202, or 403, which shall be kept available for public inspection during the regular business hours of the Department of Commerce. The following information shall be posted in such list as soon as each application is approved; (1) the name of the applicant and, in the case of corporate applications, the names of the officers and directors thereof, (2) the amount and duration of the loan or grant for which application is made, (3) the purposes for which the proceeds of the loan or grant are to be used, and (4) a general description of the security offered in the case of a loan.

RECORDS AND AUDIT

SEC. 714. (a) Each recipient of assistance under this Act shall keep such records as the Secretary shall prescribe, including records which fully disclose the amount and the disposition by such recipient of the proceeds of such assistance, the total cost of the project or undertaking in connection with which such assistance is given or used, and the amount and nature of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.

(b) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipient that are pertinent to assistance received under this Act.

CONFORMING AMENDMENT

SEC. 715. All benefits heretofore specifically made available (and not subsequently revoked) under other Federal programs to persons or to public or private organizations, corporations, or entities in areas designated by the Secretary as "redevelopment areas" under section 5 of the Area Redevelopment Act, are hereby also extended, insofar as practicable, to such areas as may be designated as "redevelopment areas" or "economic development centers" under the authority of section 401 or 403 of this Act: *Provided, however,* That this section shall not be construed as limiting such administrative discretion as may have been conferred under any other law.

SEC. 716. All financial and technical assistance authorized under this Act shall be in addition to any Federal assistance previously authorized, and no provision hereof shall be construed as authorizing or permitting any reduction or diminution in the proportional amount of Federal assistance to which any State or other entity eligible under this Act would otherwise be entitled under the provisions of any other Act.

P.L. 91-304, 91st Congress, H.R. 15712, approved July 6, 1970.¹

Section 2. Notwithstanding section 402 of the Public Works and Economic Development Act of 1965 (42 U.S.C. 3162), no area designated as a redevelopment area for the purposes of such Act shall have such designation terminated or modified in accordance with such section after May 1, 1970, and before June 1, 1972, unless the local governing body of the county qualified under existing criteria for de-designation specifically requests de-designation action.²

P.L. 92-65, 92nd Congress, S. 2317, approved August 5, 1971.³

Section 112. No person in the United States shall, on the ground of sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance under the Public Works and Economic Development Act of 1965.

¹ P.L. 91-304, section 2 and P.L. 92-65, section 112 affect EDA but were not incorporated as amendments into P.L. 89-136, Public Works and Economic Development Act of 1965.

² P.L. 91-304, section 2 was amended by P.L. 92-65, section 111 which amendment has been incorporated above.

³ See footnote 1, *supra*.

References to Public Laws

P.L. 89-136, approved August 26, 1965.

Legislative History:

House Report No. 539 (Comm. on Public Works).
 Senate Report No. 193 (Comm. on Public Works).
 Congressional Record, Vol. 111 (1965):
 May 26, 27: Considered in Senate.
 June 1: Considered and passed Senate.
 Aug. 11: Considered in House.
 Aug. 12: Considered and passed House, amended.
 Aug. 16: Senate concurred in House amendment.

P.L. 89-794, approved November 8, 1966.

Legislative History:

House Reports No. 1568 (Education and Labor) and No. 2298
 (Comm. of Conference).
 Senate Report No. 1666 (Comm. on Labor and Public Welfare).
 Congressional Record, Vol. 112 (1966):
 Sept. 26-29: Considered in Senate.
 Sept. 30: Considered and passed Senate.
 Oct. 3, 4: Senate agreed to conference report.
 Oct. 18: Considered in House.
 Oct. 20: Considered and passed House.

P.L. 90-103, approved October 11, 1967.

Legislative History:

House Reports No. 548 (Comm. on Public Works) and No. 706
 (Comm. of Conference).
 Senate Report No. 159 (Comm. on Public Works).
 Congressional Record, Vol. 113 (1967):
 Apr. 26: Considered in Senate.
 Apr. 27: Considered and passed Senate.
 Sept. 13, 14: Considered and passed House, amended.
 Sept. 28: House agreed to conference report.
 Sept. 29: Senate agreed to conference report.

P.L. 91-123, approved November 25, 1969.**Legislative History:**

House Reports No. 336 (Comm. on Public Works) and No. 614 (Comm. of Conference).

Senate Report No. 291 (Comm. on Public Works).

Congressional Record, Vol. 115 (1969):

July 8: Considered in Senate.

July 15: Considered in House.

Nov. 5: Considered and passed Senate.

Nov. 19: Considered and passed House.

P.L. 91-304, approved July 6, 1970.**Legislative History:**

House Report No. 91-1097 (Comm. on Public Works).

Senate Report No. 91-984 (Comm. on Public Works).

Congressional Record, Vol. 116 (1970):

June 8: Considered and passed House.

June 29: Considered and passed Senate.

P.L. 92-65, approved August 5, 1971.**Legislative History:**

House Report No. 92-372 accompanying H.R. 9922 (Comm. on Public Works).

Senate Report No. 92-273 (Comm. on Public Works).

Congressional Record, Vol. 117 (1971):

July 21: Considered and passed Senate.

July 28: Considered and passed House, amended, in lieu of H.R. 9922.

July 30: Senate concurred in House amendment.

Weekly Compilation of Presidential Documents, Vol. 7, No. 32:

Aug. 5, Presidential statement.

U.S. POLICY FOR ECONOMIC DEVELOPMENT
IN DISTRESSED AREAS

by

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B.S., Central Oklahoma State University, 1967

AN ABSTRACT OF A MASTER'S REPORT

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requirements for the degree

MASTER OF REGIONAL AND COMMUNITY PLANNING

Department of Regional and Community Planning

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U.S. POLICY FOR ECONOMIC DEVELOPMENT IN DISTRESSED AREAS

ABSTRACT

The intentions of this report are to investigate the legislative background of the Economic Development Administration and the regional economic development commissions, and discuss their programs for aid to distressed areas. The report also explains and interprets the "growth center" strategy and the "worst first" strategy, two of the more controversial policies currently in use. Research conducted in preparation for this report consisted primarily of readings from books and periodicals dealing with the subject, plus interviews with persons familiar with the subject.

Since its inception in August of 1965, the Economic Development Administration has recognized as its mission the task of enhancing the national economy by assisting areas of substantial and persistent unemployment to achieve lasting economic improvement through the establishment of stable, diversified and strengthened local economies. The core objective of the EDA has been to revitalize certain decision-making locations which would stagnate without some assistance.

Much of the credit for early legislation dealing with the regional approach to redeveloping distressed areas may be accorded the immense problems of poverty and deprivation created by the Great Depression of the 1930's. The Area Redevelopment Act of 1961 authorized the Area Redevelopment Administration. It soon became evident that this essentially experimental program of Federal assistance was producing only modest results. The Area Redevelopment Act was due to expire in 1965. After considerable legislative hassle, its replacement, the Public Works and Economic Development Act, was passed in August of that year. In the EDA programs, the Federal role generally has been to provide advice on redevelopment planning

and to advance "seed capital". The EDA programs are designed to fulfill the goals and objectives of the agency. EDA funds approved for community, county, and multicounty projects generally fit into one of three categories: 1) public works grants and loans, 2) business loans and working capital guarantees, and 3) technical assistance and planning grants.

Three categories of areas eligible for EDA assistance are: 1) redevelopment areas, 2) economic development districts and 3) special impact areas. A redevelopment area may be a county, labor area, municipality of not less than 250,000 inhabitants, Indian reservation, or a special impact area of unusual or abrupt rise in unemployment. Each economic development district must include at least two redevelopment areas and an urban center of less than 250,000 people. The designation of special impact areas has given many metropolitan areas an opportunity to participate in EDA programs.

Increased funding of redevelopment programs, with funds from similar or conflicting programs in Federal agencies being used to assemble these programs into one single agency, is seen as a more comprehensive approach to redevelopment of distressed areas.

Title V of the 1965 Act authorizes the Secretary of Commerce to designate multistate economic development regions. So far, seven such regions encompassing parts or all of 37 States, have been designated. There exists no clear operating relationship between the commissions and EDA in the planning and supervision of expenditures. The result is that EDA and Title V funds often work against each other in the pursuit of different, if not opposing, economic goals. Section 503 of the 1965 Act requires that each commission initiate and coordinate the preparation of a comprehensive long-range economic development program, including the development of a comprehensive long-range economic plan approved by the Secretary of Commerce. These plans have been based on the philosophy that distressed

areas primarily need investment capital, rather than programs for human resources development.

This report advocates the areal expansion of the present regional commissions, plus the addition of one or two new ones, to encompass all of the United States. A maximum of nine or ten regional commissions, with Federal and State Co-chairmen as their heads, is suggested. These leaders should be responsible directly to the President, such as the Appalachian Regional Commission operates at present.

Considerable disagreement exists as to whether a "growth center" strategy is the proper course for the nation to follow. Controversy also exists concerning the justification for investing in the redevelopment of distressed areas versus investing in the continued growth of existing migration centers. Proposed "growth centers" located in sparsely settled areas of the Great Plains would necessarily need to be much smaller than those located in more densely populated regions of the nation. The EDA, the States, and the regional commissions have not recognized the significance of educational and other cultural amenities when developing policies for directing investment into cities and towns with the ambition of influencing population settlement patterns.

Continuation of a "growth center" strategy, most appropriately aimed at the 205 cities outside urbanized areas with a 1970 population of 25,000 or more, and located within or adjacent to regions characterized as distressed areas, is suggested. Under no circumstances should a "growth center" be selected that has a population of less than 1,000, due to the great extent of diseconomies present, the inefficient and unproductive results of the past, and the uncertainty that a spread of economic growth will occur in the surrounding region.

The "worst first" strategy refers to the selection of redevelopment areas for assistance on a priority basis. Those redevelopment areas which are characterized by the highest unemployment rates or the lowest per capita family income

are the first selected for redevelopment projects. This paper advocates the development of a "worst first" strategy for funding of projects located in redevelopment areas and sub-State planning districts based on a concept that would recognize areas that could not be redeveloped, as judged by its economic base, population density, quality of human resources, and other relevant criteria.

An increasing awareness of the need for Federal, State and local coordination in distressed area redevelopment has led to a reconsideration of the current process of regional economic development. This awareness of the need for a new approach to the problems of distressed areas is not limited to programs for distressed areas.