

PROPER ROLES FOR  
REGIONAL DEVELOPMENT COMMISSIONS

PROVISION OF SERVICES TO  
REGIONS NO LONGER HAVING RDCs

## EXECUTIVE SUMMARY

Issue Title: Proper roles for regional development commissions--Provision of services to regions of the state no longer having commissions.

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### Governor's Subcabinet

Local and Regional Affairs Subcabinet  
Sandra Gardebring, Chair  
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### SUMMARY:

#### Major Findings:

Regional development commissions (RDCs) are a key element in Minnesota's intergovernmental network. They provide a wide range of valuable services to a diverse constituency. RDCs identify and find solutions to problems affecting all or parts of their regions, assist some state agencies in implementing programs at the regional level, provide services directly to local units of government and respond to the needs of various interest groups within the region.

RDCs are funded by federal and state grants, a local property tax levy, private foundation grants and from fees for services provided to local governments. Over the past few years, there has been a major shift in the proportion of revenue derived from these sources. When the RDCs were first created, state and federal programs were the major source of funding. But as federal spending for development programs decreased, and as state support funds for RDCs were reduced due to budget shortages, the regional commissions were forced to rely more heavily on local sources of funding. As a result, commissions are concentrating more time on purely local projects and less time maintaining the regional perspective envisioned by the Regional Development Act. In addition, RDCs have less financial flexibility in providing matching funds for programs (primarily federal) that are of value to the region, and in assisting cities, counties, townships and other local constituents that do not have the financial resources to pay for services.

The reasons which prompted the legislature to pass the Regional Development Act and provide general assistance funding still exist today. There remain a host of areawide problems which transcend local political jurisdictions and can best be solved through a regional perspective. The restoration of state funding to prior levels would enable RDCs to more effectively deal with these issues and in addition, assist the state to achieve its objectives by helping to carry out various issue-oriented activities at the regional level.

Local governments in three regions of the state chose to dissolve their commissions thus eliminating the existing mechanism for coordinating federal, state and local programs. Some programs continue to be operated either by state agencies, newly-created nonprofit organizations or by local agencies through joint powers agreements. However, there no longer exists a meaningful level of coordination between programs or units of government.

#### Recommended Actions and Budget Implications

1. The level of the State's annual general support appropriation has decreased from \$1,031,000 during fiscal years '76 and '77 to \$418,000 in fiscal years '84 and '85. The team recommends that the legislature restore the level of the state's appropriation for general RDC support to the equivalent of the 1980-81 level. During each of those fiscal years, \$963,000 was appropriated for distribution among 12 regional commissions. By applying a conservative inflation factor, and considering a reduction of three commissions due to dissolution, an equivalent appropriation for '86 and '87 would be approximately \$925,000 per year. This level of funding will enable RDCs to carry out their regional responsibilities, serve local needs, provide matching funds for appropriate state and federal programs and carry out a range of issue-oriented activities that meet local needs and are consonant with state objectives.

2. The team recommends that State general assistance funds continue to be allocated in accordance with a work program prepared by each RDC and approved by the State Planning Agency and, when appropriate, by other state departments.

3. The team recommends that the State Planning Agency conduct or participate in studies which a) examine what services ought to be provided in regions which have dissolved their commissions and by whom, and b) determine the potential roles for regional commissions in technology, economic development and job creation, the establishment of priorities for allocating state and federal funds and the provision of services at the local level.

## BACKGROUND

Regional coordination among local units of government was advocated in the 1960s by many national studies. Federal agencies began to require that states delineate uniform substate regions and establish regional agencies composed of local officials. These agencies were supposed to coordinate the delivery of federal assistance programs in the regions by planning and by reviewing and commenting on local applications for federal assistance.

The federal pressures and national trends coincided with increased interest in regional coordination within Minnesota, especially during the last half of the 1960s. From 1966 through 1968, the Governor's office and state departments and agencies studied and evaluated the methods and benefits of uniform regional delineation. As a result of this interest and activity, the Regional Development Act was signed by the Governor on June 6, 1969.

The purpose of the Regional Development Act is, "to facilitate intergovernmental cooperation and to ensure the orderly and harmonious coordination of state, federal, and local comprehensive planning and development programs for the solution of economic, social, physical, and governmental problems of the state and its citizens by providing for the creation of regional development commissions".

By 1972, the state had been subdivided into 13 regions, including the seven-county metropolitan area. Regional boundaries were established using a variety of cultural, economic and political considerations. The regional commissions were all operational by 1972. They were created by the Governor when he received petitions to do so from local units of government representing a majority of the population of each region. Commissions are composed of elected local government officials and citizens representing the special interests inherent to each region.

In 1980 the federal government began to withdraw its longstanding commitment to regional planning by: (1) abolishing or phasing-out many regional grant programs, (2) dropping regional planning requirements from some continuing federal aids, and (3) turning over to the states several regionally oriented programs with no requirements that the regional orientation be maintained.

During the late 1970s and early 80s, the State's support for regional commissions was reduced because of severe budget shortages. The Regional Assistance Program, once consisting of a regional planning director and five planners, was reduced to one professional devoting part time to regional assistance. In addition, the state appropriation for general assistance to regional commissions was reduced by over 50%.

## RDC Funding Sources

Each RDC has access to three sources of funding. First the commission is authorized to levy a property tax in the region of no more than one-sixth of one mill. Second, in anticipation of the collection of taxes, commissions may borrow money on a short-term basis. Third, the commissions have access to various federal and state planning grant programs.

Since passage of the Regional Development Act, the legislature has appropriated funds to RDCs for general support. These funds are flexible in that they may be used for administration, to match other state and federal program funds or to provide services to constituents in the region. All funds are expended in accordance with an annual work program and budget approved by the State Planning Agency, which administers the allocation of the general support funds. The biennial appropriations for general support have been:

1972-73	\$ 150,000
1974-75	800,000
1976-77	2,062,000
1978-79	1,945,000
1980-81	1,926,400
1982-83	1,368,000
1984-85	836,800

In addition to a decrease in levels of general support, other recent state and federal cutbacks have affected RDC operations. The Federal HUD 701 Comprehensive Planning Assistance Program, which provided grants for both regional and local planning, was discontinued. In addition, the State Land Use Planning Grant Program, which provided grants to local units of government for community planning, was not funded during the '84-85 biennium. These cutbacks created an increased demand from local governments for cost-free RDC assistance while, concurrently, increasing the dependency of RDCs on local funding sources.

## Dissolution of Regional Commissions

In 1980 the State legislature enacted an orderly process for dissolving a regional development commission. An amendment to the Regional Development Act states that if an RDC no longer considers that it is needed to carry out the purpose of the Act, it may vote to dissolve after appropriate administrative hearings have been held. In November 1981, the Southeastern Regional Development Commission (RDC 10) was dissolved. In September of 1982, the West Central Regional Development Commission (RDC 4) and the Central Minnesota Regional Development Commission (RDC 7W) were dissolved. (See attached map).

As a part of this study, key state agencies were contacted as to how their agencies are dealing with regions that no longer have regional development commissions. They were asked to identify any problems they have in providing services or in administering programs in regions 4, 7W, and 10. They were asked whether their program requires a committee of local officials; how they obtain adequate and effective participation; and how the provision of services or administration of programs differs in regions without RDCs.

The Minnesota State Arts Board, the Minnesota Board of Aging, and the Governor's Planning Council on Developmental Disabilities have each created nonprofit organizations to administer their grant programs at the local level. These agencies indicated that they do not have any difficulty in providing the same level or type of activity in regions without RDCs.

The Minnesota Department of Transportation's relationship with regions without RDCs is different than with regions where commissions exist. RDCs assist Mn/DOT in identifying transportation issues, prioritizing highway capital improvement investments and in creating local awareness of modal issues and opportunities. In those regions without commissions, Mn/DOT priorities are determined by its district offices which also provide coordination with local governments. The main problems of dealing with regions without RDCs are:

1. Difficulty in achieving consensus on transportation issues in an efficient manner.
2. Increased staff activity for Mn/DOT in dealing with more entities.
3. Lack of a focal point for the intergovernment review process.
4. Lack of a central forum to disseminate information.

The Department of Energy and Economic Development contracts with RDCs to provide technical assistance to both potential applicants and jurisdictions receiving grants. These services range from assistance in developing applications to assistance in resolving complex administrative problems. In those regions of the state that do not have RDCs, the DEED has executed a contract with an independent consulting agency to provide similar services. While this arrangement has helped DEED reduce the disparity of services between regions served by RDCs and those that are not, some problems remain. Unlike RDCs, consulting firms do not have offices in the regions being served. Thus, the accessibility of cities to assistance is often limited to telephone assistance and an occasional visit. Many of the RDCs maintain very diverse

capacities within their regular staff, and are able to provide a wider range of assistance.

### Analysis Method

The Issue Team met seven times to discuss the roles of RDCs, their sources and levels of funding and the provision of services in regions where commissions have been dissolved. These issues were also discussed with other State Planning Agency staff who have expertise in this area.

Throughout the study there was close cooperation with a Task Force of the Minnesota Association of Regional Commissions (MARC), which was originally formed to prepare a statement for Senator Durenberger's Subcommittee on Intergovernmental Relations. MARC provided copies of surveys they had done on RDCs and their funding sources. They also provided information on issue oriented work activities.

## FINDINGS

1. Regional development commissions have the statutory responsibility to prepare and update comprehensive regional plans and policies as a framework for future development of the region. RDCs are also required to perform a clearing-house and data-gathering function which provides an important link between local constituencies and state and federal agencies and programs. These statutory responsibilities are important to improving local decision-making capability and to ensure efficient and prudent use of state and local funds for development.

2. Regional development commissions assist state agencies and local governments achieve mutually beneficial solutions to issues of regional significance. For example, MnDOT provides funding to RDCs to assist in identifying transportation issues, prioritizing highway capital improvement investments, and creating local awareness of transportation issues and opportunities. The Department of Energy and Economic Development (DEED) contracts with RDCs to provide technical assistance to local governments who are applying for or have received Small Cities Development Grants. These services range from instructions on preparing applications to planning and management assistance in solving complex administrative problems.

3. Many rural areas in Minnesota lack the staff capacity needed to deal with complex planning and management problems facing them during the 1980's. A 1984 survey shows that RDC assistance is being requested in a wide range of issue-oriented work activities which include:

- a. Economic Recovery Programs: Many new tools have become available to local governments and small businesses. These tools are complex and inter-dependent. In order to implement the programs and continue the recovery in all parts of the state, technical assistance is needed to enable eligible small businesses to grow and expand. RDCs are in a unique position to provide the additional technical and deal-packaging services.
- b. Small Business Development: Many small businesses in rural Minnesota are in need of assistance in the development of business and marketing plans for growth and expansion. RDCs can assist in providing business planning and marketing services and package the necessary financing to encourage small business expansion. RDCs are also helping to build closer working relationships between local governments and the business community.

- c. Agricultural/Forest Products Development: Value-added processing is one way of adding to the economy of the state. The legislature created a number of tools to assist in the development of the agricultural sector. The organizational and technical assistance needed to develop projects at the local level can be provided by RDCs.
- d. Energy Alternatives Development and Conservation: RDCs have the expertise to identify issues, assist with organizing projects and assist local governments and small business in developing alternative energy projects.
- e. Solid Waste/Resource Recovery: RDCs examine alternatives for solid waste management on an areawide basis. Counties and MPCA agree that solid waste management is a regional issue. RDCs can provide assistance in organizing, planning and developing alternatives to land disposal.
- f. Elderly Housing/Long Term Care: All RDCs are designated Area Agencies on Aging and are carrying out the planning and administrative responsibilities for implementing the Older Americans Act. RDCs assist local housing officials and counties with long term care planning. Because of limited funds, most RDCs provide this service on a limited pilot project basis.
- g. Human Services/Deinstitutionalization: The State is currently studying the impact of merging state hospitals. RDCs can assist in coordinating the changes in the community-based care system resulting from the State's decision.
- h. Natural Resources Land Development: Many local governments are facing increased pressure on their natural resource base. RDCs assist local governments to guide growth in a manner that achieves environmental and resource protection objectives.
- i. Transportation: RDCs are being requested to assist with the renovation of branch rail lines to retain key commodity movement links in rural areas and various other local transportation issues.

4. Over the past seven years, a major shift has occurred in the amount of RDC operating revenue derived from various sources. The state's general support appropriation of \$1,031,000 in 1977 has decreased to \$418,400 in 1984, or only 8% of the total operating funds of the nine commissions. The

diminished availability of state funds has lead some RDCs to discontinue their participation in certain federal programs previously benefiting local governments in the region. In addition, RDCs are finding it increasingly difficult to fully carry out the provisions of the Regional Development Act.

5. State financial support for regional development commissions is used essentially in three ways:

- a. to implement the provisions of the Regional Development Act
- b. to provide matching funds for state and federal programs operated by RDCs. Examples are aging, economic development, transportation, developmental disabilities and community development
- c. to provide technical assistance to cities, counties, townships and other local bodies and to provide planning analyses of regionally significant issues.

6. For many years, the federally-funded HUD 701 Comprehensive Planning Assistance Program and the state-funded Land Use Planning Grant Program were the two main sources of funds for physical planning at the local level. Both programs have been discontinued and today, local physical planning activities must be financed by locally-generated funds. Technical assistance for community planning is available from RDCs but on a fee-for-service basis. Many smaller units of local government do not have the funds to purchase the services of RDCs.

7. The existence of regional commissions is largely dependent on their responsiveness to issues, concerns, and priorities of the local governments they serve. The Regional Development Act contains a provisions whereby local governments can petition to dissolve a commission that is not responsive to local needs. The willingness of local governments to help underwrite the cost of RDCs is an indication of their support of regional planning and development and of their desire to continue to play a role in making decisions on issues of regional importance.

8. The Regional Development Act allows regions to levy up to 1/6 mill for activities of their commissions. Revenue derived from this source has increased in real dollars and as a percentage of overall RDC budgets since the cutback in state funding. Today, four of the nine Commissions are at the maximum levy limit imposed by the state. Those commissions that are at the maximum levy rate have the lowest regional property tax valuations and are most severely affected by fluctuations in the level of state and federal support. In many regions, property values are dropping, resulting in a decrease in revenue that can be obtained from the local levy. Collectively, 21% of the aggregate budget of the nine commissions is derived from local levy.

9. The reasons which prompted the legislature to pass the Regional Development Act and provide general assistance funding still exist today. There remain legitimate areawide or regional problems which transcend local political jurisdictions and can best be solved through a regional perspective. This applies to all regions of the state including those which have chosen to dissolve their commissions.

10. To date, three regional commissions have been dissolved. (See attached map.) In these regions, there is no mechanism for coordinating federal, state and local planning and development programs. Although many programs continue to be operated by state agencies, newly-created nonprofit organizations or by local agencies through joint powers agreements, there no longer exists a meaningful level of coordination between programs or units of government.

## RECOMMENDATIONS

1. The FY 86-87 state appropriation for RDC general support should be restored to the equivalent of 1980-81 levels. In 1980-81, the legislature appropriated \$963,000, for each fiscal year, for distribution among twelve regional commissions. By applying a conservative inflation factor and considering a reduction of three commissions due to dissolution, an equivalent appropriation for '86 and '87 would be approximately \$925,000 per year. Restoring this level of state support would permit RDCs to:

- a. implement the provisions of the Regional Development Act.
- b. provide matching funds for state and federal programs that benefit the region
- c. provide technical assistance to cities, counties, townships and other local bodies on the basis of need rather than the ability to pay for service.
- d. address regionally significant issues
- e. carry out a wide range of issue-oriented activities that meet local needs and are consonant with state objectives. These include programs dealing with:
  - 1). economic recovery
  - 2). small business development
  - 3). agricultural and forest products development
  - 4). energy alternatives development and conservation
  - 5). solid waste and resource recovery
  - 6). elderly housing and long term care
  - 7). human service delivery and deinstitutionalization
  - 8). natural resources and land use development
  - 9). transportation

The use of state funds for these activities shall be in accordance with a work program prepared by each RDC and approved by the State Planning Agency and the appropriate state department.

2. The State Planning Agency shall prepare findings by January 1, 1985 on the value of contracting, on a fee for service basis, with private or non-profit entities or regional development commissions to provide basic services to regions that have dissolved their commissions.

3. In regions which have dissolved their commissions, state agencies administering grant programs should continue to work out individual agreements with local organizations established to provide services. The State recognizes that there will continue to be a reduced level of coordination between programs and units of government in those regions.

4. The State Planning Agency and the Minnesota Association of Regional Commissions (MARC) should cooperatively study potential roles for regional development commissions in areas such as:

- a. the promotion of telecommunications and computerized information systems and networks
- b. assisting the state to establish priorities for allocating state and federal funds
- c. promoting economic development and job creation in the state, including RDC involvement in marketing the products of small businesses and agriculture
- d. assisting in providing services at the local level, including public safety, solid and hazardous waste management, water quality management, transportation health, housing, etc.

Study recommendations shall be submitted to the Local and Regional Affairs Sub-cabinet by June 30, 1985.

5. The creation of a State Advisory Committee on Intergovernmental Relations (ACIR) has been discussed for a number of years. If an ACIR is created, the relationship between local governments, regional development commissions and state agencies is an appropriate topic for the ACIR to study.

6. The State Planning Agency should bring RDCs and Minnesota's educational institutions together to identify opportunities for coordination and for sharing resources.

7. Regional development commissions, with the assistance of the State Planning Agency, should explore ways of assisting state agencies deliver various services. The relationship between RDCs and the Department of Transportation provides an excellent model for intergovernmental cooperation in service delivery.

## Sources and References

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A Survey of Existing and Potential Relationships Between Local Government/Regional Development Commissions and State/Federal Agencies. State Planning Agency, August 1980.

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RDC revenue sources 1980-1982-1983

Total number of staff in RDCs 1980-1982-1984

RDC tax levy levels 1980-1982-1984

Programs for which RDCs provided match 1984

Summary of RDC cumulative resources 1984

Letters from state agencies relating to the provision of services in regions where RDCs have been dissolved.

Department of Natural Resources

Governor's Planning Council on Development Disabilities

Pollution Control Agency

Department of Energy and Economic Development

Board of Aging

State Arts Council

Department of Transportation

