

CEB

Implementation

THE WHITE HOUSE
WASHINGTON

May 18, 1995

MEMORANDUM FOR Chiefs of Staff of Community Empowerment Board Agencies

FROM: SHERYLL CASHIN
Staff Director, Community Empowerment Board

SUBJECT: Empowerment Zones and Enterprise Communities (EZ/EC)

Kitty Higgins has arranged for me to speak to you briefly at the next Chiefs of Staff Breakfast, on May 23. This memorandum provides important background for my presentation. In December 1993, the Administration designated 105 communities in 42 states as Empowerment Zones or Enterprise Communities. The EZ/EC initiative is one of the few new Clinton Administration initiatives that is targeted to distressed urban and rural communities. It is also one of the President's priority programs. Therefore, its success or failure will have significant consequences for this Administration and future community development policies.

For your benefit, I have attached:

- (1) the EZ/EC press announcement, which includes a list of the 105 EZ/ECs;
- (2) the Community Empowerment Board staff distribution, which lists the policy officials from your agencies that who have been participating in this effort; and
- (3) excerpts from the 1995 Guidebook to Federal Programs for EZ/ECs, which outline the special program commitments that your agencies have made to the program.

As you know, in 1993 the President created the Community Enterprise Board, now renamed the Community Empowerment Board (CEB), to provide a single point of coordination and responsiveness for communities designated as (EZ/EC). Chaired by the Vice President, the Board is comprised of the heads of 15 federal agencies, including your agency. Carol Raseo and Laura Tyson serve as Vice Chairs. Since mid-March I have been serving as Staff Director for the Board.

The President and Vice President requested that CEB agencies contribute to the EZ/EC initiative in three ways: (1) assigning 3 agency employees to the EZ/EC Task Force; (2) responding expeditiously to EZ/EC waiver requests; and (3) giving priority consideration to EZ/EC applications for additional federal funding. CEB Cabinet members were also asked to develop signature initiatives for their direct involvement in one or a number of the EZ/ECs.

Tab 1 - CEB
Implementation
Memoranda

With one exception, all of the CEB agencies have met the staffing commitment. We are extremely grateful for this critical contribution and hope that your agency will maintain current staffing levels through 1996. A number of Cabinet members have also proposed exciting signature initiatives. We are also grateful for these commitments and we will be encouraging more Cabinet members to get involved.

With respect to waiver and program requests we have been struggling to be responsive and have begun to receive complaints from EZ/ECs about difficulties in obtaining decisions and a seeming lack of knowledge on the part of some agency officials about the special commitments that their agencies have already made to EZ/ECs (i.e. Guidebook commitments).

In order to address these problems, and to send a strong signal that EZ/ECs are a priority within your agency, we have asked your CEB agency staff to take the following steps:

Waivers: Develop a system for expedited processing of pending and future waiver requests from EZ/ECs. Normal processing procedures have not sufficed to date. (I will provide you with a list of requests pending at your agency.)

Program Requests: Develop a system for ensuring that EZs and ECs are truly receiving "priority consideration" in your agency. Pending applications from EZ/ECs should be identified, processed expeditiously and receive priority and close consideration. Each agency should develop a system for tracking and reporting to the CEB all federal funds and awards directed to the EZ/ECs.

CEB agency staff have been asked to report to the CEB by **May 31** on (1) all program awards that have been made to EZ/ECs since designation and (2) the total estimated commitment for FY95 and FY96 of program funds that will be targeted to EZ/ECs.

We are asking you, as the Chief of Staff of your agency to take the following steps:

Empower your CEB Agency Staff: Give your CEB Working Group participants the staff support, budget, and legitimacy they need to get this job done within your agency. If we do not have the right people from your agency involved, please assign the right people to this task. Your leadership and support, and that of your Cabinet member are imperative.

Cabinet Member Visits: The Vice President has asked each CEB Cabinet member to visit at least one EZ or EC by the end of the year. We would like you to schedule at least one visit to announce positive action (a program award, waiver decision, signature initiative, or technical assistance) taken by your agency. **We will also ask your CEB Agency staff to report to us by May 31 on a likely date and site for the visit.** I will be happy to assist you in choosing an appropriate site. We would also like you to keep EZ/ECs in mind for visits whenever your Cabinet member is on the road. Again, we have 105 locations in 42 states!

Cabinet members should take credit early and often for the positive things we are doing and can do. Many Cabinet members' favorite initiatives fit with and will have a much greater impact in the comprehensive, community-based context of an EZ/EC plan.

I am here not just to cajole but to help your agency participate and meet its own goals in the EZ/EC initiative. I and other agency officials have been assigned to a task force in the White House that will support and facilitate your efforts. I am available to meet individually with you, and I encourage you to call on me. To help ensure that the Administration is meeting its commitments, we will be setting up a tracking system in my office. We will send monthly reports to the Vice President on the status of agency efforts. I look forward to speaking to all of you shortly.

cc: Jack Quinn
Carol Rasco
Laura Tyson

**COMMUNITY EMPOWERMENT BOARD
PRESENTATION TO CHIEFS OF STAFF**

I. Overview: 105 Communities in 42 states. All have developed a comprehensive strategy for revitalization. Our promise to them was that, in addition to the tax benefits and direct grants they would receive under the program we would provide a single point of coordination and priority consideration for additional program requests and waiver requests. Goal of CEB is to deliver on the promises contained in the Federal Guidebook.

Number of Waiver Requests:

Number of Program Requests:

II. Examples of Agency Action: Thank for existing commitments and efforts.

EPA: Prime example of an agency that has identified those aspects of the EZ/EC initiative that are compatible with its core goals and is using the high visibility of the EZ/EC program to draw increased attention to EPA initiatives. Giving priority consideration on many programs.

E.g. of Signature initiative: committed to targeting FY1995 Brownfields Redevelopment Initiative grant awards to EZ/ECs; regional coordinators have been providing communities with TA on these applications. All EZ/EC communities will automatically make the first cut in the reviewing process.

SBA -- One Stop Capital Shops

EDUCATION -- devoted full-time SES to effort; proactively identifying programs that fit -- target 100% of its 21st Century Learning Center program grants to EZ/ECs.

ONDCP -- Mini-HIDTA program. \$ 1 million grant each -- in addition to their existing program Atlanta, Chicago, and Philadelphia

National Service -- committed to providing up to 2 VISTA leaders in each of the Big 15, is working out arrangements to get more Americorps volunteers in the Big 15, and all EZ/ECs receive a preference for Americorps funding.

Justice -- 2 of their 5 new Safe Futures Grant program (youth violence prevention); coordination and technical assistance on use of COPS and Weed & Seed grants.

HHS -- tasked 8 people in the agency to coordinate its EZ/EC efforts; direct bulletins EZ/ECs consolidating all grant information and communicating in advance.

III. Things you can do to help

Reason I am here: we need systems at your agency that help us deliver on EZ/EC requests and especially help us take credit for all of the good things we are doing and will be doing through the end of this Presidential term.

A. What we have asked your CEB Staff to do.

Report on Grants to date and estimated grants for balance of the year: (1) all program awards that have been made to EZ/ECs since designation and (2) the total estimated commitment for FY95 and FY96 of program funds that will be targeted to EZ/ECs.

Waivers: Develop a system for expedited processing of pending and future waiver requests from EZ/ECs.

Program Requests: Develop a system for ensuring that EZs and ECs are truly receiving "priority consideration" in your agency.

B. What you can do to help make this happen

Empower your CEB Agency Staff: Give your CEB Working Group participants the staff support, budget, and legitimacy they need to get this job done within your agency. If we do not have the right people from your agency involved, please assign the right people to this task.

Cabinet Member Visits: At least one visit by the end of the year; ask scheduler to keep EZ/ECs in mind for visits; encourage sub-cabinet to travel to make announcements.

Include EZ/EC in Reports to the Cabinet Secretary: Start reporting to Kitty on your agencies actions in EZ/EC. Helps you and us know what you are doing and is a way for people to get credit for their actions. We will use this information for our CEB Newsletter.

Include EZ/EC in your Senior Staff Meeting: Agency heads should be told about your agency's commitments and specifically asked to give the EZ/EC priority consideration.

IV. Conclusion: Commitments in guidebook are not static. Designed for updates. Keep EZ/EC in mind as new initiatives and programs arise. Small programs and demonstrations will have a much bigger impact in the context of a comprehensive community-based revitalization effort.

1-1

COMMUNITY EMPOWERMENT BOARD
Improving Our Response to EZs/ECs

Overview. There are 105 designated EZs/ECs in 42 states. The goal of CEB is to deliver on the promises made to those communities in the Federal Guidebook, namely, to respond favorably to waiver and barrier removal requests and provide priority consideration for additional federal funds. The CEB Working Group (your agency contacts) has been working to establish systems at your agency to help us deliver on specific EZ/EC requests and to enable us to take credit for positive action.

Current Work of CEB Agency Staff. Agency staff have jointly developed a framework for (1) expedited processing of priority waiver and barrier removal requests; and (2) tracking and capturing information on additional grant awards to EZs/ECs. CEB Agency contacts are responsible for ensuring that these revised systems are implemented. CEB Agency contacts have been asked to report final decisions on waivers and program awards to the EZ/EC Task Force for recordkeeping and inclusion in the CEB Newsletter. Agency contacts will also facilitate scheduling of visits to highlight grant awards and waiver decisions. Finally, agency Chiefs of Staff have been asked to report positive actions in EZs/ECs to the Cabinet Secretary.

Suggestions for Cabinet Members: To assist the CEB in fulfilling its mission, we would like you to consider taking the following steps.

Travel: Travel to at least one EZ/EC this summer to announce positive agency action and encourage Sub-cabinet officials to do the same. Ask your scheduler to look for opportunities to add EZ/EC visits when you will be in an area that has an EZ or EC.

Empower your CEB Agency Staff: Assign someone to report directly to you on how your agency is doing on programs, waivers and visits to EZs/ECs.

* * *

Thank you for the commitments you and your agency have made to the EZ/EC program. We sincerely appreciate your continued interest and support!

THE WHITE HOUSE

WASHINGTON

February 16, 1995

MEMORANDUM FOR JACK QUINN
CAROL RASCO
GENE SPERLING

FROM: SHERYLL CASHIN
KUMIKI GIBSON
GAYNOR MCCOWN
PAUL WEINSTEIN

SUBJECT: Decisions Regarding White House Oversight on Empowerment Zones
and Enterprise Communities

I. OVERVIEW

Last fall, the Chair and Vice Chairs of the Community Empowerment Board ("CEB") agreed in principle to create a White House Oversight Team on Empowerment Zones and Enterprise Communities (EZ/ECs). Sheryll Cashin has been recruited to become the Staff Director for the CEB and to run the White House Oversight Team. This memorandum sets forth for your review a proposed workplan for the task force and recommends that the Chair and Vice Chairs of the CEB submit a joint request to the appropriate White House offices to secure space and supplies.

II. BACKGROUND ON EZ/EC IMPLEMENTATION

At the December 19, 1994 meeting of the CEB, the Vice President announced a proposed implementation structure for the EZ/EC initiative. Cabinet Members, working through the CEB, will support EZs and ECs through federal program funding commitments, positive decisions on waiver requests, visits to EZ/ECs, and signature initiatives targeted to the EZs. A White House Oversight Team, composed of approximately five assignees or detailees from various CEB agencies would facilitate interagency cooperation, engage CEB Members and CEB agencies to undertake signature commitments, promote the EZ/EC initiative, and monitor the day-to-day operations of the initiative. HUD and USDA will jointly manage the EZ/EC Task Force, which is housed at the Reporter's Building and is comprised of over 50 agency officials detailed from the CEB. The EZ/EC Task Force will conduct the day-to-day operations of the EZ/EC program, with one staff person assigned to each designated EZ and EC to serve as a consistent point of contact for each community.

III. PRIMARY OBJECTIVES OF WHITE HOUSE TEAM

The numerous interagency and implementation issues that have arisen in the first two months since the EZ/ECs were designated signal a clear need for strong White House oversight and involvement. Model Cities failed in large part because there was no strong mechanism for ensuring that communities received a positive response from all of the federal agencies that administered programs relevant to their comprehensive strategies. With three different key agencies -- HUD, USDA, and HHS -- managing different aspects of the program and a myriad of federal, nonfederal, private- and foundation-sector efforts being targeted to segments of the program, the White House Oversight Team will be critical to providing a sustained national focus for the initiative. In addition, with only 9 EZs, our focused energies could have a dramatic impact in helping communities demonstrate tangible first-year successes to the nation. With these lessons in mind, the primary objectives of the White House Oversight Team are as follows:

A. Promoting the EZ/EC Initiative. Develop and spearhead a sustained communications strategy (e.g., op-ed's, exclusive interviews, speeches, EZ/EC newsletter, etc.) that will help ensure that the EZ/EC Initiative is widely perceived as marking a successful beginning in 1995.

B. Oversight and Coordination of CEB Agencies.

- Monitor and assist HUD and USDA in implementation.
- Ensure that the signature commitments and contributions of agencies are met.
- Serve as the "final arbiter" for solving problems for the EZ/EC Task Force vis-a-vis the CEB agencies, e.g. outstanding waiver and program requests.
- Monitor activities in the EZ/ECs and facilitate interagency communication to coordinate responses and minimize fragmented contacts and efforts with each EZ/EC.
- Serve as a last-resort point of contact for EZs and ECs to ensure that agencies are meeting the needs of these communities.

C. Oversight of Evaluation and Meeting of First Year Benchmarks.

- Set internal benchmarks for tangible projects to point to as examples of success in the first year -- e.g. getting all 105 EZ/ECs electronically linked; CDFI and One Stop Capital Shop openings; Community Schools/Youth Development Center openings; community policing grants/projects. Benchmarks should coincide as much as possible with the goals the communities have set for themselves.
- Schedule visits by the Vice President and Cabinet Members to highlight successes and push other EZs/ECs along. Set and monitor internal benchmarks for "ribbon cutting" visits, e.g. two a month.
- Recruit specific commitments from agencies or non-governmental entities (e.g. foundations, business leaders) elsewhere where needed to meet first year benchmarks.

D. Coordination with EZ/EC Task Force on Technical Assistance and Third Party Outreach. The White House Oversight Team will work closely with HUD and USDA to ensure that all EZ/ECs receive adequate, effective technical assistance in areas of identified need, e.g. electronic networking, capacity building, human development. HUD and USDA have identified scores of entities--e.g. foundations, insurance companies, pension funds, utility companies, that could contribute to the success of the EZ/EC initiative by providing technical assistance, investment, grants, or other types of assistance. The White House has been involved with some outreach efforts, particularly with foundations. Working with HUD and USDA, the Team will plan meetings to engage key leadership in non-governmental sectors on strategies for assisting EZ/ECs. In addition, the Team will monitor and assist HUD and USDA's efforts to coordinate technical assistance services from all CEB agencies.

E. White House Conferences and Information Sharing. To facilitate learning and information sharing among EZ/ECs, the Vice President will convene a series of conferences with key leadership from the EZ/ECs. The White House Team will plan and staff quarterly White House Conferences with EZ/ECs, in conjunction with foundations that will be helping to sponsor the conferences. Sheryll Cashin has begun to work with HUD, USDA and foundations on efforts to link EZ/ECs electronically. The Team will continue shepherding this effort.

F. Correspondence and Inquiries. Respond to all correspondence and inquiries to VP P/POTUS on EZ/ECs.

IV. STAFF NEEDS

A. Staff Director (for CEB and Oversight Team) Pending approval by OPM, Sheryll Cashin would be the Staff Director. The Staff Director would undertake the following activities: Manage all activities of the Oversight Team. Supervise Oversight Team Staff. Serve as chief liaison to the Chair and Vice Chairs of the CEB, the EZ/EC Task Force, and the CEB Agencies. Develop an overall strategy for oversight and outreach activities. Assign oversight responsibilities to detailees and assume some direct oversight responsibilities for selected EZs and Agencies. Review and approve proposed communications strategy. Serve as lead planner for quarterly White House Conferences. Represent the Administration as needed at outside events. Convene staff-level CEB meetings. Coordinate subgroups on cross-agency issues, such as Children & Families.

B. One Events/Communications Detailee -- Develop and oversee communications efforts. Prepare a regular newsletter from the White House to the EZs/ECs. Assist in planning VP and Cabinet Secretary visits to zones; assist in planning quarterly conferences; conceptualize additional events that will build federal and nonfederal support for the program.

Strongest Candidates: Judith Burrell (DOT), Patricia Enright (HUD)

C. Two to Three Program Detailers -- Assist the Staff Director with the oversight load on agency commitments and benchmarks for EZs/ECs; assist in planning quarterly conferences. Each person, including the Staff Director, will be assigned a number of EZs and/or Enhanced ECs to monitor. This will require that they be intimately familiar with the benchmarks and strategies of their assigned communities. Each person will also be assigned a number of CEB agencies for oversight responsibilities. This will require that they be intimately familiar with the initiatives and programs that their assigned agencies are targeting to the EZ/ECs.

Strongest Candidates: Bonnie Nickol (HHS) (rural); Margaret Pugh (HHS) (urban); and Dana Lawrence (urban).

Other Candidates Interviewed: Diane Lowe (DOJ); Mark Sakaley (DOJ).

D. One Volunteer Intern -- A student intern would be recruited to for answering phones; copying, faxing, answering correspondence, and completing special assignments.

V. OFFICE SPACE NEEDS

With five to six people working full time for the oversight team, we are likely to need three rooms, preferably adjoined. Ideally, we would like a small single work space for the Staff Director plus two rooms that each could house two to three desks or work stations. The Oversight Team will be in a much better position to do an effective job if it is housed in the OEOB, where it can interact with OVP, NEC, and DPC staff by e-mail and face-to-face as needed.

VI. EQUIPMENT NEEDS

Each member of the Oversight Team, including the intern, will need a computer, telephone, desk, and desk chair. They will also need access to office supplies (pens, paper, folders for filing, etc) (6 computers, 6 phones, 6 desks, 6 desk chairs, access to supplies).

Each of the Oversight Team Room should be equipped with one laser printer, and at least two, and possibly more filing cabinets (for agency and locality-specific information). Ideally, one of the rooms should be equipped with a dry eraser board. (3 laser printers; 6+ filing cabinets, 1 dry eraserboard).

V. RECOMMENDATION

The Oversight Team will be a focal point for ensuring the success of a signature Administration initiative. It will also support the Vice President, the DPC and the NEC in their roles as Chairs and Vice-Chairs of the CEB. If the Chair and Vice Chairs agree with the recommendations herein, we recommend that you submit a joint request to the appropriate offices in the White House to meet the space and equipment needs outlined above. (Kumiki Gibson has received some indication that space may be available on the fourth floor of

OEOB.)

Approve Recommendations

Discuss Further

cc: Sheryll Cashin
Paul Weinstein
Salma McGowan

DRAFT

I'd like your comments ASAP. Thanks!

January 23, 1995

KSA
1/27/95

MEMORANDUM FOR THE PRESIDENT

FROM: THE VICE PRESIDENT
CAROL RASCO

SUBJECT: COMMUNITY ENTERPRISE BOARD & CRIME PREVENTION COUNCIL

Attached is a (draft) directive from you to the members of the Community Enterprise Board ("CEB") and the Crime Prevention Council ("Council"). This draft directive (1) changes the name of the Board; (2) adds new members to the CEB (i.e., the General Services Administration ("GSA") and the Corporation for National Service); and (3) revises the structure of the Council. We propose these changes for the following reasons.

We recommend changing the name of the CEB to the Community Empowerment Board for a couple of reasons. First, the original reasons for using "Enterprise" -- i.e., to avoid identification with a Republican effort and to underscore the concepts of entrepreneurship and jobs -- are less compelling than when the CEB was established. The program is now closely identified with your Administration and has ended up having a broader vision than simply businesses and jobs. Second, we consistently refer to this program as our "empowerment zones" program, and the name of the entity that is ultimately responsible for the program should be (readily) identifiable with the program itself.

In addition, we would like to add to the membership of the CEB so as to include GSA and National Service. This change makes sense. First, both GSA and National Service have asked to be members of the CEB in order to more directly support our work in distressed communities. Second, both GSA and National Service have resources that would be invaluable to our work in the designated zones and communities: GSA owns and operates scores of federal properties throughout the nation, and AmeriCorps programs exists across the country, including in most of our designated zones and communities. (For your information, both GSA and National Service have already begun work to support our program and designated zones and communities.)

Finally, we request that you authorize the Vice President to appoint his Vice Chair, rotating from among its members -- instead of having Carol Rasco serve as permanent Vice Chair of the Prevention Council. This will free Carol of the many tasks associated with this responsibility (which could include testifying before Congress) and allow other members to play more of an active role on the Council, which will ultimately enhance agency participation.

For the foregoing reasons, we request that you issue the attached directive. Please indicate below how you would like to proceed:

AGREE: ISSUE DIRECTIVE

LET'S DISCUSS

Thank you.

Attachment

January 23, 1995

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF THE TREASURY
THE ATTORNEY GENERAL
THE SECRETARY OF THE INTERIOR
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF LABOR
THE SECRETARY OF HEALTH AND HUMAN SERVICES
THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY OF TRANSPORTATION
THE SECRETARY OF EDUCATION
THE ADMINISTRATOR OF THE ENVIRONMENTAL
PROTECTION AGENCY
THE ADMINISTRATOR OF THE SMALL BUSINESS
ADMINISTRATION
THE DIRECTOR OF THE OFFICE OF NATIONAL DRUG
CONTROL POLICY
THE ADMINISTRATOR OF THE GENERAL SERVICES
ADMINISTRATION
THE PRESIDENT OF THE CORPORATION FOR NATIONAL
SERVICE
THE ASSISTANT TO THE PRESIDENT
FOR DOMESTIC POLICY
THE ASSISTANT TO THE PRESIDENT
FOR ECONOMIC POLICY
THE CHAIR OF THE COUNCIL OF ECONOMIC ADVISERS
THE DIRECTOR OF THE OFFICE OF
MANAGEMENT AND BUDGET

In order to advance the efforts of the Community Enterprise Board ("CEB") and the President's Crime Prevention Council ("Council") and to facilitate inter-agency coordination and cooperation, I hereby order the following:

- (i) The CEB will be re-named the Community Empowerment Board;

- (ii) The CEB membership will include the General Services Administration and the Corporation for National Service; and
- (iii) Effective immediately, the Vice President, as Chair of the Crime Prevention Council, is authorized to select the Vice Chair of the Council from its members, instead of the Assistant to the President for Domestic Policy serving as the Council's permanent Chair.

With this structure, I am confident that we will be able to better provide distressed communities with a single Federal forum dedicated to helping them address their economic and security needs.

Bill Clinton

DRAFT

November 14, 1994

MEMORANDUM FOR THE VICE PRESIDENT

FROM: KUMIKI GIBSON

SUBJECT: COMMUNITY EMPOWERMENT: IMPLEMENTATION STRATEGY

As you know, many government officials, community developers, and scholars attribute the failure of the Models Cities program to the lack of coordinated support by the Federal Government. As a result, those of us working on this effort strongly believe that the success of the Empowerment Zones ("EZs")/Enterprise Communities ("ECs") program will hinge on the extent to which we, at the federal level, can provide sustained, coordinated attention and support to the designated zones and communities. Such support also is important for another reason: It furthers our promise to "reinvent" the manner in which the Federal Government administers its programs and delivers services to its customers -- the American people.

Set forth below is a proposed structure to support the designated zones and communities. This approach is endorsed by Jack, Elaine, Carol Rasco, and Bob Rubin. Also, we have had preliminary discussions with HUD and USDA and are confident that they will enthusiastically cooperate with us in implementing this approach.

I. White House Oversight: NPR Team

As you have made clear, the White House must lead the Administration's efforts to promote this initiative and must facilitate inter-agency coordination. And, this must be accomplished in an efficient manner that does not duplicate or preempt the statutory responsibilities of the designating departments -- that is, HUD and USDA.

To that end, I recommend that we establish a small team of agency representatives to work at NPR to support the designated zones and communities. Specifically, the team would be comprised of representatives from HUD, USDA, HHS, Justice, Education, Labor, and Transportation. Each representative should be an individual in a political or high career position at his or her home department/agency. (We would identify the appropriate individual from each agency.) The HUD person assigned to OVP (a position for which we are still interviewing) would supervise this team and report regularly to you and on a regular basis to the CEB.

The primary responsibilities of this team will be to promote the program, oversee agency implementation, and act as ombudsmen for the designated zones and communities within the Federal Government. With the assistance of a number of effective advance people, the team would oversee, coordinate, and plan the Vice President's visits and interactions with the designated zones and communities. In addition, the team would monitor and coordinate the CEB members' involvement (through visits or the assigned projects) in the designated EZs and ECs.

The team would also facilitate inter-agency cooperation and coordination by, among other things, ensuring that the departments/agencies represented on the Board are cooperating with HUD and USDA in providing support for the designated zones and communities, particularly in the areas of program support and waiver requests.

Finally, the team would monitor and assist HUD and USDA in their work to service the designated zones and communities. Each member of the team would be assigned one or two designated zones and approximately 10-15 designated communities and would serve as the White House point-of-contact for those designated zones and communities, taking calls and working with the HUD and USDA (through their task forces, which are described below) in resolving specific problems, particularly those involving other departments/agencies.

II. Day-To-Day Operations: HUD/USDA Task Forces

Both HUD and USDA are prepared to establish in their departments a task force to oversee the day-to-day operations of the designated EZs and ECs. This task force would be comprised of at least one deputy-level individual and other staff people (who are already employed by HUD, would be contracted by HUD, or would be detailed from the other CEB departments/agencies). These two task forces would oversee the work of the field operations, which will be stationed in the designated zones and communities and assist in the actual implementation of the strategic visions for change. The task forces would serve as the direct link between the designated zones and communities and the Federal Government.

III. Involvement of the CEB Members

In order to ensure that the CEB members remain committed to this program, I recommend that we direct each CEB member to select at least one designated zone or community to promote that member's priority initiative. For example, Secretary Brown, who is personally committed to Commerce's Competitive Cities program, would use a designated zone or community as a (demonstration) site for that program. This approach not only guarantees that the CEB member remains committed to the EZ/EC program, but

ensures that (1) a number of designated zones and communities receive the benefits of another major Federal program and (2) the CEB member's priority initiative receives the White House attention and support bestowed on the designated zone or community.

In addition, I suggest that we ask each CEB member to assume a "project" that will benefit all designated zones and communities or the EZ/EC program generally. Such projects could include (1) enticing retailers and supermarkets into the designated zones and communities; (2) enhancing public safety; and/or (3) involving foundations in the program. This approach ensures that each CEB member contributes something (other than his or her programs) to this initiative; actively works to promote the program; and bears some of the tasks currently assigned to White House staff.

In short, I believe that asking each CEB member to commit a signature program to a designated zone or community and assume responsibility for a project will help to ensure that each CEB member remains committed, responsive, and accountable to the program, the Board, and the designated zones and communities.

* * *

I hope that this suggested strategy meets with your approval. Please indicate below how you would like us to proceed:

 Approve
 Let's Discuss

Thank you.



OFFICE OF THE VICE PRESIDENT
WASHINGTON

November 2, 1994

MEMORANDUM FOR THE COMMUNITY ENTERPRISE BOARD WORKING GROUP

FROM: KUMIKI GIBSON *VSC*

SUBJECT: COMMUNITY EMPOWERMENT: PRESENTMENT PROCESS
AND CEB REVIEW PROCEDURE

Attached for your review is a memorandum outlining a proposed process for presentment of EZ/EC applications by Secretary Cisneros and Secretary Espy to the Community Enterprise Board and a procedure for the Board's review of these applications.

We will be meeting this Friday, November 4, 1994, from 1:00 p.m. to 2:00 p.m., in the Vice President's Ceremonial Office, OEOB # 272, to discuss these issues.

Please call my assistant, Angelina Walker (202/456-7022) to confirm your attendance. Please call me if you have any questions regarding the proposed procedures or the meeting itself.

Thank you.

Attachment



OFFICE OF THE VICE PRESIDENT

WASHINGTON

October 17, 1994

MEMORANDUM FOR THE COMMUNITY ENTERPRISE BOARD WORKING GROUP

FROM: KUMIKI GIBSON

SUBJECT: SUPPORT FOR DESIGNATED EZs/ECs AND NON-DESIGNATED COMMUNITIES

As you know, we have been struggling over how we can support the strategic plans of all of the EZ/EC applicants (both those designated and those not designated) and continue to energize community and private sector involvement in these communities. Options include (1) providing continued support through the Community Enterprise Board; (2) issuing to all applicants, in a public ceremony involving the President and Vice President, presidential certificates that would acknowledge each applicant's work, commitment, and creativity; and (3) assisting all applicants to become part of the information superhighway and, specifically, linking them to one another. We have also been exploring ways in which the philanthropic community can assist us in supporting the work of both designated EZs/ECs and non-designated communities.

It is now time for us to resolve this issue. Accordingly, we would like to convene a sub-group to examine the various ways that we can help all of our EZ/EC applicants realize their visions for change. If you would like to be a member of this sub-group, please join us at our first meeting on Friday, October 21, 1994, from 1:00 p.m. to 2:00 p.m., in the Vice President's Ceremonial Office, OEOB # 272. (For your information, this sub-group will be meeting every Friday at this time for the next several weeks.)

Please call my assistant, Angelina Walker (202/456-7022) to confirm your attendance and to provide her with your date of birth. Please call me if you have any questions regarding the work of this sub-group or about the meeting itself.

Thank you.

*Sheryll
Cashin*



OFFICE OF THE VICE PRESIDENT
WASHINGTON

August 18, 1994

MEMORANDUM FOR JACK QUINN
CAROL RASCO
BOB RUBIN

FROM: KUMIKI GIBSON *KG*
PAUL WEINSTEIN
SHERYLL CASHIN

SUBJECT: EMPOWERMENT ZONES/ENTERPRISE COMMUNITIES PROGRAM:
OPTIONS FOR IMPLEMENTATION AND WHITE HOUSE OVERSIGHT

As you know, many government officials, community developers, and scholars attribute the failure of the Models Cities program to the lack of coordinated support by the Federal Government. As a result, we strongly believe that the success of the Empowerment Zones/Enterprise Communities ("EZ/EC") program will hinge on the extent to which we, at the federal level, can provide sustained, coordinated attention and support to the designated zones and communities. Such support also is important for another reason: It furthers our promise to "reinvent" the manner in which the Federal Government administers its programs and delivers services to its customers -- the American people.

Set forth below are a number of options we would like you to consider with respect to the implementation of the strategic plans submitted by the designated zones and communities. This memorandum also addresses issues related to the White House's oversight of the implementation process, including staffing issues.

I. Options for The Implementation Process

A. Adopt-A-Zone

Soon after the Vice President was asked to chair the Community Enterprise Board ("Board"), he held a series of educational/learning seminars with individuals involved in all aspects of community development. One of the sessions was dedicated to "success stories." During that session, Victor Hausner discussed Britain's City Challenge program. This program is similar to our EZ/EC initiative in that it promotes, through public-private partnerships, "comprehensive, customized

regeneration strategies [that are] supported by the decentralization and re-organization of government." During this session, Mr. Hausner made clear that the program's success thus far is due in part to the direct "involvement by individual Cabinet members with local regeneration" efforts in order to "facilitate government assistance and raise support, attention, and elimination of government problems." (Mr. Hausner also noted that because the City Challenge program was only a year old, he could not, and would not, at this juncture claim the program a success.)

We should strongly consider this concept in the context of our EZ/EC program. Specifically, we may want to request that each Board member "adopt" one of the designated zones, for which the Board member would assume responsibility. This approach is compelling for several reasons.

First, this approach is likely to generate more enthusiastic and generous (voluntary) support for the program from the agencies and departments represented on the Board ("agencies"), which will be critical to the success of the program. Without question, Board members are more likely to commit their programs to the EZ/EC initiative if it is not viewed solely as a HUD or a USDA effort. In addition, a Board member may be more forthcoming with his or her own programs for all of the zones in order to secure other agencies' commitments to that Board member's adopted zone.

Second, such an approach will promote Federal Government responsiveness. It will be clear to each designated area who in the Federal Government is responsible to that area for assistance and guidance. In addition, we believe that the agencies supporting the designated zones will be more responsive to the needs of a particular zone if they receive requests for assistance from the office of a Cabinet member (the designated zone's adoptive parent) rather than from a career official at HUD or USDA.

Third, having each Board member focus on one zone is likely to enhance accountability. Under this proposal, we could require each Board member to report periodically to the Board (through HUD/USDA) on the status of his/her adopted zone. If it appears that any of the zones are faltering in any respect, the Board would hold the adoptive parent responsible for these problems and for finding the appropriate solutions.

Fourth, this approach is likely to enhance the visibility of the designated zones and, ultimately, the program. Under this proposal, we would ask each Board member to make regular, periodic visits to his/her adopted zone -- a schedule that would be burdensome and, perhaps, impossible for Secretary Cisneros and Secretary Espy to bear on their own. This would generate a

consistent stream of media attention for the designated zones, which may entice additional private sector (and perhaps Congressional) support.

This approach does, however, have some flaws. Having a member of the President's Cabinet identified with each zone may raise the stakes for the President with respect to the success/failure of the program. In addition, many of the agencies may lack sufficient expertise in the area of community planning and development in order to provide meaningful guidance to the zones. This process also may result in additional bureaucracy if the adoptive Board member is forced to rely on HUD and USDA for expertise and support. Some also believe that this approach will cause Board members to hoard their programs for their adopted zones. Finally, the Adopt-A-Zone approach may be difficult to apply to the designated enterprise communities.

B. The Ombudsman Approach

We could adopt an "ombudsman" approach to implementation. Under this proposal, we would assign to each designated site a senior staff person from the local field office of an agency represented on the Board to act as the "ombudsman" (i.e., the key contact person or desk officer) for that site. (HUD and USDA have agreed to devote their field staff to this effort.) Each ombudsman would work directly with his/her community and, most importantly, represent the community before the other various Federal departments and agencies, cutting through federal bureaucracy. The ombudsmen for the designated sites would meet regularly to share information and to facilitate cross-agency coordination and cooperation.

There are many advantages to this approach. First, it provides each designated site with an accessible representative from the Federal Government, whose primary function is to assist in the implementation of the site's strategic plan. Second, each Board member would be involved in the implementation process, albeit indirectly. Third, this approach would allow HUD and USDA -- the agencies with the most substantive expertise and in which Congress has entrusted the program -- to oversee directly the successful implementation of all of the designated zones and designated communities.

This approach, however, has at least two flaws. First, because it does not directly engage Board members in the implementation process, it may not enhance inter-agency coordination and cooperation. Moreover, the extent to which agencies will respond to another agency's ombudsman is unclear.

C. HUD and USDA Implementation Teams

Finally, we may want to consider creating at HUD and USDA a team comprised of federal-level agency representatives to work with the designated zones. Under this approach, each agency would detail or assign a senior-level person to HUD and USDA to work on the successful implementation of the zones. Each detailee/assignee would be responsible for securing resources, waivers, and other means of assistance from his/her agency. HUD and USDA would serve as the contact for each designated zone.

This approach would allow HUD and USDA to be responsible for the implementation of all the designated sites and could easily be adopted for both zones and communities. Like the ombudsman concept, however, the team approach does not directly engage the Board members in the implementation process, which is critical to the success of the program. In addition, this approach does not provide the designated sites with a clear single-point-of-contact in the Federal Government.

II. White House Oversight

In order to ensure the success of the EZ/EC program, the White House must monitor the implementation of the designated zones and communities. We should consider a number of options in this regard.

We could ask HUD and USDA to detail or assign to the White House an expert in, respectively, urban development and rural development. We also could try to reassign this task to individuals already working at the White House. (Because the National Performance Review ("NPR") was down-sized considerably after it issued its report and is now focused on the implementation of the NPR recommendations, its staff is not available to us for this effort.) Finally, the three of us could monitor the implementation of the approved plans, working closely with high-level officials and staff at HUD and USDA.

III. Recommendations and Points for Decisions

A. Implementation Process

We recommend adopting an implementation process that combines the Adopt-A-Zone approach with some version of the team concept. We believe that we should implement the Adopt-A-Zone approach because it ensures agency commitment, responsiveness, and accountability. Also, this approach (which would require the adoptive Board members to report to HUD and USDA) safeguards HUD's and USDA's general oversight responsibilities.

To complement the Adopt-A-Zone approach, we also should implement some version of the team concept, which (1) guarantees that we, the Federal Government, provide substantive guidance and support to the designated sites; (2) ensures that we are able to provide support to both designated zones and designated communities; and (3) makes clear that the designated zones and communities are to implement the approved strategic plans, not the ideas of the adoptive Board members. The teams, however, should be accountable directly to the adoptive Board members, not to HUD/USDA. Most importantly, the combined approach must be structured so as to provide assistance directly to the designated sites -- akin to the ombudsman concept (and the Vice President's "virtual department" idea).

Please indicate how you would like us to proceed:

_____ Develop the Adopt-A-Zone-/Team approach
in consultation with HUD, USDA, and HHS

_____ Let's discuss

B. White House Oversight

We should secure a detailee/assignee from HUD and from USDA to assist us in our implementation responsibilities. HUD and USDA have substantive expertise in this area and are likely to be in a better position than the White House to reassign responsibilities and tasks. Also, these detailees/assignees will have an established relationship with HUD/USDA, which will ensure that we maintain our close relationship with these agencies.

Please indicate below how you like us to proceed:

_____ Secure HUD and USDA Detailee/Assignee

_____ Let's discuss

* * *

Please contact Kumiki (via inter-office mail, e-mail, or telephone) with any questions and your ultimate decisions.

Thank you.

THE WHITE HOUSE

WASHINGTON

June 1, 1994

MEMORANDUM FOR COMMUNITY ENTERPRISE BOARD

FROM: THE VICE PRESIDENT
CAROL RASCO
ROBERT RUBIN

SUBJECT: EZ/EC DESIGNATION PROCESS

At the first meeting of the Community Enterprise Board (Board), the staff was asked to make recommendations as to how the Empowerment Zones (EZ) and Enterprise Communities (EC) designation process should be structured to ensure an efficient process that enables all agencies represented on the Board to have adequate input. This memorandum sets forth a proposed general framework for the process.

I. OVERVIEW OF PROCESS

HUD and USDA would screen all applications to winnow the initial pool of applications down to a manageable number, say 200, of the "most viable" applications. This screening would be based on the eligibility and selection criteria articulated in the EZ/EC application materials. HHS would work with HUD and USDA to ensure that all applications are screened for compliance with requirements regarding the Title XX Social Services Block Grants.

Each agency will be required to review those applications in the "most viable" class that include programs or strategies falling within the agency's jurisdiction, using an evaluation form developed by HUD and USDA. Agency reviewers would be directed in particular to deciding whether they would grant program funding and waiver requests that fall within their jurisdiction. Staff for the Chair and Vice Chairs of the Community Enterprise Board would also review the "most viable" applications.

After considering the agencies' evaluations and the input of the Chair and Vice Chairs, HUD and USDA would then select approximately 30 to 40 urban and rural first round finalists. The entire Board would then meet to make recommendations as to which of the first round of finalists should be designated as EZs. After considering the Board's recommendations, HUD and USDA, in accordance with their statutory authority, would make the final decision on the EZ designations, followed by decisions on a first round of EC designations. A second round of finalists would be considered, using the same procedures, for the remaining EC slots.

We hope to complete this process by mid-September. The actual announcements of the EZ/EC designations could be scheduled shortly thereafter. To mitigate the tensions surrounding the designations of EZs, we intend to work hard to ensure that, in addition to the EZ designations, the EC designations include valuable program investments. In particular, we would like to announce a number of enhanced ECs with large amounts of additional investments.

II. ISSUES REGARDING DESIGNATION PROCESS

The following issues have been raised by Board members and staff regarding the designation process:

Inclusion of all agencies. The September 30, 1993 Presidential Memorandum that created the Board requires HUD and USDA to consult with the Board regarding the EZ/EC designations. Members agree that we need to create a process that ensures that each agency represented on the Board has an adequate opportunity to evaluate and consider program usages, strategies and waiver requests contained in EZ/EC applications that are within the agency's jurisdiction.

Input from and negotiation with applicants. Some Board members have recommended that we give each EZ/EC applicant an opportunity for a face-to-face encounter with the Board or the Designating Secretaries so that applicants feel they have had a full and fair opportunity to present their plan. Some Board members have suggested that we have public site visits during the application or designation process. Others have expressed concerns that such public encounters may create political difficulties. All agree that we will need to consult with finalists on necessary adjustments to their strategic plans.

Maintaining Objectivity and Discretion. All of the Board members agree that we need a process that ensures that all finalists meet the objective criteria set forth in the application while allowing some degree of discretion for other considerations, such as geographic diversity.

Timing. In order to be able to demonstrate some early success, we need an efficient process that allows us to begin to designate a substantial number of EZs/ECs by September, 1994 (although we may decide to defer all or many of the announcements until a later date).

Input from Outside Experts. Some Board members have suggested that we consider using a panel of outside experts to help screen applications.

Agency Review, Staffing and Decisions on Programs and Waivers. To ensure consistency and high-quality review, some have suggested an interagency orientation

team to provide initial guidance to agency reviewers about the goals of the initiative. Each agency will also be required to devote or detail adequate staff to the review process. (In the EZ/EC Application, we commit to considering the waiver requests of all applicants, whether or not the applicant is designated.) We also need to have as much certainty as possible about agency decisions regarding individual program and waiver requests prior to making a final EZ/EC designation.

Technical Assistance. Some Board members have also suggested that we try to arrange for foundations and other non-governmental organizations to provide technical assistance to EZ/EC applicants. Questions have also been raised regarding the extent of technical assistance that ought to be provided by HUD, USDA and other agencies during the application process.

Post-Designation Implementation. Some members have suggested that we create interagency implementation teams and/or a coordinating mechanism at the regional level, like the State Rural Development Councils, that would help the designated communities follow-through with implementation and provide the local coordination necessary to help communities realize their strategic vision. One foundation has suggested that designated communities be required to go through an additional 3-4 month planning period to ensure appropriate implementation.

Announcement of a "Third Tier" of Designations. Some Board members and staff have stressed the need to mitigate tensions by announcing an intention to have a "third tier" of designations. With waivers and priority consideration for discretionary funding, for example, we could provide for such a third tier, without seeking further resources from Congress.

Evaluation. Finally, some members have suggested that a third-party evaluator be selected to conduct a thorough evaluation of the EZ/EC initiative.

III. RECOMMENDATIONS

A. Screening for "Most Viable" Applications. Thus far, well over 600 communities have filed a notice of intent to apply for the 104 EZ/EC slots. Because we expect hundreds of applications, we believe the only realistic approach to interagency consultation is to have HUD and USDA pre-screen the applications and present a manageable number of "most viable" applications to the agency staff and then to the Board for review.

We recommend the following general approach. HUD and USDA would develop their own procedure to select a target class of "most viable" applications. This selection process would include consultation with other agencies represented on the Board where relevant. In particular, HUD and USDA will work with HHS on issues relevant to Title XX. While HUD

and USDA may not use identical screening criteria, they will coordinate with each other to ensure consistency in criteria and process.

All agencies willing to invest the time would be allowed to review all of the submitted applications and make recommendations to HUD and USDA about which applications should be placed in the "most viable" class. (HUD and USDA would make the documents available for review at their respective buildings.)

B. Screening for Finalists. HUD and USDA will also develop a process for selecting a first round of approximately 30 to 40 urban and rural finalists from the "most viable" class. These first round finalists will have been adjudged, based upon their strategic plans, to be qualified to receive either an EZ or EC designation.

Each agency will be required to review those applications in the "most viable" class that include programs or strategies falling within the agency's jurisdiction. Each agency must designate a team of reviewers for this purpose, and HUD and USDA will coordinate the orientation of all agency reviewers.

To enable review by the agencies, HUD and USDA are developing a process by which agency reviewers will record their evaluations of each application. The process will allow for each agency to identify relevant strengths and weaknesses of each application and submit a narrative description of any concerns any agency may have with the plan, waiver requests or other program proposals.

This process will specifically require each agency to give, to the extent permissible, a preliminary indication as to whether the agency would grant, deny or amend the applicant's proposed uses of agency-administered funds (i.e., proposed uses of programs listed in the menu of federal programs). At an appropriate point to be determined by HUD and USDA, a decision on waiver requests would also be required. (See part E on waiver approvals, below.)

HUD and USDA will also consult with the Chair and Vice Chairs of the Community Enterprise Board, whose staff will also review the "most viable" applications.

C. Presenting Finalists to the Board. After taking into consideration the input of the agency reviewers and the Board Chair and Vice Chairs, HUD and USDA would select approximately 30-40 first round finalists, from which the nine EZs would be selected.

HUD and USDA would then present these first round finalists to the Board. The Board would then meet to make recommendations as to which of the first round finalists should be designated as EZs. After considering the Board's recommendations, HUD and USDA, in accordance with their statutory authority, would make the final decision on the EZ designations, followed by decisions on a first round of EC designations.

These procedures would then be repeated to select a second round of finalists for the remaining EC slots. The second round of finalists would also be presented to the Board for consultation. Our goal would be to have the selection process completed by mid-September, although this goal would not necessarily be stated publicly.

D. Consultations with Applicants and Outside Review. If necessary, HUD, USDA, HHS and other funding agencies may have discussions with finalists to clarify any open issues and discuss any needed adjustments and performance agreements, particularly regarding total population requirements, proposed program uses or waivers. HUD and USDA will coordinate all discussions and, prior to such meetings, will consult with other agencies to confirm what program funds each agency is able to grant (or is inclined to grant) in support of each finalist's strategic plan. These consultations should also address specifics of any adjustments agencies would need in order to meet an applicant's program request, to the extent that these agencies can provide such information.

Given the number of expected applicants, we do not believe there will be sufficient time to conduct publicized hearings or site visits prior to designation, as such public forums would almost certainly create an obligation to visit with all applicants. The anticipated consultations with finalists, as described above, however, may involve confidential site visits by agency officials. These consultations should provide agency officials with the opportunity to clarify any concerns they have about an application and to obtain an accurate assessment of a strategic plan.

We also doubt that there will be sufficient time to allow outside experts to review the applications. Further, such outside reviews raise legal and other concerns.

E. Waiver Approvals and a "Third Tier." Except in extraordinary circumstances, all waiver requests made by applicants regarding program regulations should be decided upon prior to any EZ or EC designation. As HUD and USDA screen for finalists, they will submit program waiver requests to the relevant individual agencies. Agencies will be expected to respond within ten days of receiving such requests with their decision or a statement of extraordinary circumstances as to why a decision cannot be made at that time. (This provision does not apply to applications to conduct demonstrations under Section 1115 of the Social Security Act.)

We believe that the process for approving waiver requests of applicants that are not selected for EZ/EC designations should be deferred until after the EZ/EC designations are completed. The inter-agency EZ/EC Working Group will develop a proposed process for responding to this remaining "third tier" of applications and present it to the Board for review later this summer.

F. Designation Announcements. Decisions regarding the timing of announcing the EZ/EC designations will be made after the selections are completed. We would expect that at the time an individual designation is announced, the announcement would include substantial specifics about what agency program commitments are being made to the designated community -- e.g., SBA One Stop Capital Shop, Fannie Mae partnership investments, Commerce National Information Infrastructure Grant, and DOL One Stop Career Center. This will be especially important for the ECs, in order to debunk contentions that the ECs are not valuable.

G. Technical Assistance. The agency staffs have been doing everything possible to respond to requests for information and assistance from applicants. HUD, USDA, and Justice are now part of the Community Empowerment Internet, which allows applicants to submit inquiries by computer and to access basic "Q&A" and other information about the EZ/EC process. In addition, HUD and USDA have made the list of applicants (who have filed a notice of intent) available to foundations and other organizations that have expressed an interest in providing technical assistance to applicants. (Fannie Mae, for example, conducted eight intensive technical assistance workshops around the country to provide EZ/EC applicants explicit instruction on how to enter into partnerships modeled on their HouseOakland initiative.)

II. Post-Designation Implementation. HUD has committed to devote one full-time field staff person for each urban EZ and one full-time staff person for every three urban ECs. USDA will also be devoting field staff to the initiative. These field-staff will be the first point of contact for the designated EZs and ECs. They will work on a day-to-day basis with the communities and coordinate the federal response to any implementation problems or issues that arise.

Upon designating an EZ or EC, we would like each agency on the Board to identify a key contact person in the relevant field office who will be committed to working as part of a local, interagency implementation team that will meet regularly with the designated community to assist in implementation and problem solving.

To ensure that the Board provides a rapid, coordinated federal response to local problems for designated EZs and ECs, we believe it would be beneficial to have each agency to devote one full time equivalent (FTE) to this effort at the federal level.

Each of these FTEs could act as ombudsman for all of the designated EZ and ECs, and could be generally knowledgeable about all of the communities' strategic plan and could help to solve any federal-level problems regarding their agency that the designated communities face. The Community Enterprise Board could meet as required at the ombudsman level to facilitate cross-agency coordination and cooperation for all communities.

We also believe it would be beneficial for each cabinet secretary to develop a special

relationship with one or more communities, preferably communities in which the relevant agency has invested substantial resources. In addition, each cabinet secretary should personally ensure that his or her agency is fulfilling its ombudsman or other role and that Washington officials make regular site visits and have regular contact with the local interagency implementation teams. These are initial ideas on post-designation. We welcome additional suggestions.

I. Evaluation. The Departments of HUD and USDA will each contract with a third-party evaluator to assess key aspects of the empowerment zone program. In particular, the contractor will review key elements of empowerment zone and enterprise community strategic plans to identify elements that have worked and could be replicable in other communities across the nation. The evaluator will also examine the implementation of strategic plans to identify methods that have been particularly successful and could serve as models for future efforts. At this juncture, no decisions have been made as to the precise design of the evaluation or who the evaluator will be. We welcome your input and suggestions. HUD and USDA, in consultation with HHS and other agencies, will present more detailed plans regarding evaluation at a later date, at which time all Board members will have an opportunity to comment.

III. CONCLUSION

Because the Board is comprised of 15 agencies and departments, any form of collaboration is going to be labor- and time-intensive. We believe that the above-described framework strikes a good balance that will allow agencies to have full input into the process without overly taxing their resources. We hope this general framework is acceptable to the Board. HUD and USDA are proceeding with developing the details of the process and we welcome any suggestions.

THE WHITE HOUSE

WASHINGTON

April 12, 1994

MEMORANDUM FOR CHRIS EDLEY

FROM: SHERYLL CASHIN

SUBJECT: APPROPRIATIONS ISSUES REGARDING EMPOWERMENT
ZONES AND ENTERPRISE COMMUNITIES (EZ/EC)

As you know, the EZ/EC Application included a menu of additional federal programs for which EZ/EC applicants will have access to a set-aside of funds or receive priority consideration, bonus points, or targeted technical assistance.

As we discussed, I believe the items listed below, which were included in the menu, may present special issues during the FY 95 appropriations process. These are items for which funds are specifically to be set-aside for EZs and ECs. Although not listed below, other menu items which merely give priority consideration to EZs and ECs might also present appropriations issues in a limited number of circumstances.

HUD:

Section 108 Economic Revitalization Grants ("ZEDI") -- \$500 million in flexible grants set aside for EZs.

Project-Based Rental Assistance Certificates -- Up to \$500 million set aside for EZs and ECs.

SBA:

One Stop Capital Shops -- up to 12 shops to be located in EZs or ECs.

USDA:

Development Grants (RBEG) -- \$10 million set aside for FY '95 for EZs and ECs.

Intermediary Relending Program -- \$15 million set aside for FY '95 for EZs and ECs.

Multifamily Housing (FmHA) -- \$20 million estimated to be set aside for FY '95 for EZs and ECs.

Water and Waste Loans (RDA) -- \$20 million set aside for FY '95 for EZs and ECs.

Community Facility Funds (RDA) -- \$13 million set aside for FY '95 for EZs and

ECs.

Commerce:

Local Technical Assistance Program -- \$25 million set aside for FY95 for EZs and ECs.

cc: Steve Redburn

EXCERPTS FROM THE OMNIBUS RECONCILIATION ACT OF 1993

ESTABLISHING THE EZ/EC PROGRAM

AUTHORIZING HHS TO MAKE GRANTS TO DESIGNATED
EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES

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2/11/93

Nian- Please make
 copy + send to (inter-
 office)
 Jamie Jeffers
 Crime Prevention Council
 730 Jackson Pl

PART VI—SOCIAL SERVICES IN EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES

SEC. 13761. INCREASE IN BLOCK GRANTS TO STATES FOR SOCIAL SERVICES.

Title XX (42 U.S.C. 1397-1397e) is amended by adding at the end the following:

"SEC. 2007. ADDITIONAL GRANTS.

"(a) ENTITLEMENT.—

"(1) IN GENERAL.—In addition to any payment under section 2002, each State shall be entitled to—

"(A) 2 grants under this section for each qualified empowerment zone in the State; and

"(B) 1 grant under this section for each qualified enterprise community in the State.

"(2) AMOUNT OF GRANTS.—

"(A) EMPOWERMENT GRANTS.—The amount of each grant to a State under this section for a qualified empowerment zone shall be—

"(i) if the zone is designated in an urban area, \$50,000,000, multiplied by that proportion of the population of the zone that resides in the State; or

"(ii) if the zone is designated in a rural area, \$20,000,000, multiplied by such proportion.

"(B) ENTERPRISE GRANTS.—The amount of the grant to a State under this section for a qualified enterprise community shall be $\frac{1}{6}$ of \$280,000,000, multiplied by that proportion of the population of the community that resides in the State.

"(C) POPULATION DETERMINATIONS.—The Secretary shall make population determinations for purposes of this paragraph based on the most recent decennial census data available.

"(3) TIMING OF GRANTS.—

"(A) QUALIFIED EMPOWERMENT ZONES.—With respect to each qualified empowerment zone, the Secretary shall make—

"(i) 1 grant under this section to each State in which the zone lies, on the date of the designation of the zone under part 1 of subchapter U of chapter 1 of the Internal Revenue Code of 1986; and

"(ii) 1 grant under this section to each such State, on the 1st day of the 1st fiscal year that begins after the date of the designation.

"(B) QUALIFIED ENTERPRISE COMMUNITIES.—With respect to each qualified enterprise community, the Secretary shall make 1 grant under this section to each State in which the community lies, on the date of the designation of the community under part 1 of subchapter U of chapter 1 of the Internal Revenue Code of 1986.

"(4) FUNDING.—\$1,000,000,000 shall be made available to the Secretary for grants under this section.

"(b) PROGRAM OPTIONS.—Notwithstanding section 2005(a):

"(1) In order to prevent and remedy the neglect and abuse of children, a State may use amounts paid under this section to make grants to, or enter into contracts with, entities to provide residential or nonresidential drug and alcohol prevention and treatment programs that offer comprehensive services for pregnant women and mothers, and their children.

"(2) In order to assist disadvantaged adults and youths in achieving and maintaining self-sufficiency, a State may use amounts paid under this section to make grants to, or enter into contracts with—

"(A) organizations operated for profit or not for profit, for the purpose of training and employing disadvantaged adults and youths in construction, rehabilitation, or improvement of affordable housing, public infrastructure, and community facilities; and

"(B) nonprofit organizations and community or junior colleges, for the purpose of enabling such entities to provide short-term training courses in entrepreneurship and self-employment, and other training that will promote individual self-sufficiency and the interests of the community.

"(3) A State may use amounts paid under this section to make grants to, or enter into contracts with, nonprofit community-based organizations to enable such organizations to pro-

vide activities designed to promote and protect the interests of children and families, outside of school hours, including keeping schools open during evenings and weekends for mentoring and study.

"(4) In order to assist disadvantaged adults and youths in achieving and maintaining economic self-support, a State may use amounts paid under this section to—

"(A) fund services designed to promote community and economic development in qualified empowerment zones and qualified enterprise communities, such as skills training, job counseling, transportation services, housing counseling, financial management, and business counseling;

"(B) assist in emergency and transitional shelter for disadvantaged families and individuals; or

"(C) support programs that promote home ownership, education, or other routes to economic independence for low income families and individuals.

"(c) USE OF GRANTS.—

"(1) IN GENERAL.—Subject to subsection (d) of this section, each State that receives a grant under this section with respect to an area shall use the grant—

"(A) for services directed only at the goals set forth in paragraphs (1), (2), and (3) of section 2001;

"(B) in accordance with the strategic plan for the area; and

"(C) for activities that benefit residents of the area for which the grant is made.

"(2) TECHNICAL ASSISTANCE.—A State may use a portion of any grant made under this section in the manner described in section 2002(e).

"(d) REMITTANCE OF CERTAIN AMOUNTS.—

"(1) PORTION OF GRANT UPON TERMINATION OF DESIGNATION.—Each State to which an amount is paid under this subsection during a fiscal year with respect to an area the designation of which under part I of subchapter U of chapter 1 of the Internal Revenue Code of 1986 ends before the end of the fiscal year shall remit to the Secretary an amount equal to the total of the amounts so paid with respect to the area, multiplied by that proportion of the fiscal year remaining after the designation ends.

"(2) AMOUNTS PAID TO THE STATES AND NOT OBLIGATED WITHIN 2 YEARS.—Each State shall remit to the Secretary any amount paid to the State under this section that is not obligated by the end of the 2-year period that begins with the date of the payment.

"(e) DEFINITIONS.—As used in this section:

"(1) QUALIFIED EMPOWERMENT ZONE.—The term 'qualified empowerment zone' means, with respect to a State, an area—

"(A) which has been designated (other than by the Secretary of the Interior) as an empowerment zone under part I of subchapter U of chapter 1 of the Internal Revenue Code of 1986;

"(B) with respect to which the designation is in effect;

"(C) the strategic plan for which is a qualified plan;
and

"(D) part or all of which is in the State.

"(2) **QUALIFIED ENTERPRISE COMMUNITY.**—The term 'qualified enterprise community' means, with respect to a State, an area—

"(A) which has been designated (other than by the Secretary of the Interior) as an enterprise community under part I of subchapter U of chapter 1 of the Internal Revenue Code of 1986;

"(B) with respect to which the designation is in effect;

"(C) the strategic plan for which is a qualified plan;
and

"(D) part or all of which is in the State.

"(3) **STRATEGIC PLAN.**—The term 'strategic plan' means, with respect to an area, the plan contained in the application for designation of the area under part I of subchapter U of chapter 1 of the Internal Revenue Code of 1986.

"(4) **QUALIFIED PLAN.**—The term 'qualified plan' means, with respect to an area, a plan that—

"(A) includes a detailed description of the activities proposed for the area that are to be funded with amounts provided under this section;

"(B) contains a commitment that the amounts provided under this section to any State for the area will not be used to supplant Federal or non-Federal funds for services and activities which promote the purposes of this section;

"(C) was developed in cooperation with the local government or governments with jurisdiction over the area;
and

"(D) to the extent that any State will not use the amounts provided under this section for the area in the manner described in subsection (b), explains the reasons why not.

"(5) **RURAL AREA.**—The term 'rural area' has the meaning given such term in section 1393(a)(2) of the Internal Revenue Code of 1986.

"(6) **URBAN AREA.**—The term 'urban area' has the meaning given such term in section 1393(a)(3) of the Internal Revenue Code of 1986."

**Subchapter C—Empowerment Zones, Enterprise
Communities, Rural Development Investment Areas, Etc.**

**PART I—EMPOWERMENT ZONES, ENTERPRISE
COMMUNITIES, AND RURAL DEVELOPMENT
INVESTMENT AREAS**

**SEC. 1330L. DESIGNATION AND TREATMENT OF EMPOWERMENT
ZONES, ENTERPRISE COMMUNITIES, AND RURAL DEVELOPMENT
INVESTMENT AREAS.**

(a) *IN GENERAL*.—Chapter 1 (relating to normal taxes and surtaxes) is amended by inserting after subchapter T the following new subchapter:

***Subchapter U—Designation and Treatment of Empowerment
Zones, Enterprise Communities, and Rural Development
Investment Areas**

*Part I. Designation.

*Part II. Tax-exempt facility bonds for empowerment zones and enterprise communities.

*Part III. Additional incentives for empowerment zones.

*Part IV. Regulations.

***PART I—DESIGNATION**

*Sec. 1391. Designation procedure.

*Sec. 1392. Eligibility criteria.

*Sec. 1393. Definitions and special rules.

***SEC. 1391. DESIGNATION PROCEDURE.**

(a) *IN GENERAL*.—From among the areas nominated for designation under this section, the appropriate Secretaries may designate empowerment zones and enterprise communities.

(b) *NUMBER OF DESIGNATIONS*.—

(1) *ENTERPRISE COMMUNITIES*.—The appropriate Secretaries may designate in the aggregate 95 nominated areas as enterprise communities under this section, subject to the availability of eligible nominated areas. Of that number, not more than 65 may be designated in urban areas and not more than 30 may be designated in rural areas.

(2) *EMPOWERMENT ZONES*.—The appropriate Secretaries may designate in the aggregate 9 nominated areas as empowerment zones under this section, subject to the availability of eligible nominated areas. Of that number, not more than 6 may be designated in urban areas and not more than 3 may be designated in rural areas. If 6 empowerment zones are designated in urban areas, no less than 1 shall be designated in an urban area the most populous city of which has a population of 500,000 or less and no less than 1 shall be a nominated area which includes areas in 2 States and which has a population of 50,000 or less. The Secretary of Housing and Urban Development shall designate empowerment zones located in urban areas in such a manner that the aggregate population of all such zones does not exceed 750,000.

"(c) PERIOD DESIGNATIONS MAY BE MADE.—A designation may be made under this section only after 1993 and before 1996.

"(d) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—

"(1) IN GENERAL.—Any designation under this section shall remain in effect during the period beginning on the date of the designation and ending on the earliest of—

"(A) the close of the 10th calendar year beginning on or after such date of designation,

"(B) the termination date designated by the State and local governments as provided for in their nomination, or

"(C) the date the appropriate Secretary revokes the designation.

"(2) REVOCATION OF DESIGNATION.—The appropriate Secretary may revoke the designation under this section of an area if such Secretary determines that the local government or the State in which it is located—

"(A) has modified the boundaries of the area, or

"(B) is not complying substantially with, or fails to make progress in achieving the benchmarks set forth in, the strategic plan under subsection (f)(2).

"(e) LIMITATIONS ON DESIGNATIONS.—No area may be designated under subsection (a) unless—

"(1) the area is nominated by 1 or more local governments and the State or States in which it is located for designation under this section,

"(2) such State or States and the local governments have the authority—

"(A) to nominate the area for designation under this section, and

"(B) to provide the assurances described in paragraph (3).

"(3) such State or States and the local governments provide written assurances satisfactory to the appropriate Secretary that the strategic plan described in the application under subsection (f)(2) for such area will be implemented,

"(4) the appropriate Secretary determines that any information furnished is reasonably accurate, and

"(5) such State or States and local governments certify that no portion of the area nominated is already included in an empowerment zone or in an enterprise community or in an area otherwise nominated to be designated under this section.

"(f) APPLICATION.—No area may be designated under subsection (a) unless the application for such designation—

"(1) demonstrates that the nominated area satisfies the eligibility criteria described in section 1392,

"(2) includes a strategic plan for accomplishing the purposes of this subchapter that—

"(A) describes the coordinated economic, human, community, and physical development plan and related activities proposed for the nominated area,

"(B) describes the process by which the affected community is a full partner in the process of developing and implementing the plan and the extent to which local institu-

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of 1994
11 days

tions and organizations have contributed to the planning process,

"(C) identifies the amount of State, local, and private resources that will be available in the nominated area and the private/public partnerships to be used, which may include participation by, and cooperation with, universities, medical centers, and other private and public entities,

"(D) identifies the funding requested under any Federal program in support of the proposed economic, human, community, and physical development and related activities,

"(E) identifies baselines, methods, and benchmarks for measuring the success of carrying out the strategic plan, including the extent to which poor persons and families will be empowered to become economically self-sufficient, and

"(F) does not include any action to assist any establishment in relocating from one area outside the nominated area to the nominated area, except that assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary is permitted if—

"(i) the establishment of the new branch, affiliate, or subsidiary will not result in a decrease in employment in the area of original location or in any other area where the existing business entity conducts business operations, and

"(ii) there is no reason to believe that the new 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 the existing business entity conducts business operation, and

"(3) includes such other information as may be required by the appropriate Secretary.

"SEC. 1392. ELIGIBILITY CRITERIA.

"(a) **IN GENERAL.**—A nominated area shall be eligible for designation under section 1391 only if it meets the following criteria:

"(1) **POPULATION.**—The nominated area has a maximum population of—

"(A) in the case of an urban area, the lesser of—

"(i) 200,000, or

"(ii) the greater of 50,000 or 10 percent of the population of the most populous city located within the nominated area, and

"(B) in the case of a rural area, 30,000.

"(2) **DISTRESS.**—The nominated area is one of pervasive poverty, unemployment, and general distress.

"(3) **SIZE.**—The nominated area—

"(A) does not exceed 20 square miles if an urban area or 1,000 square miles if a rural area,

"(B) has a boundary which is continuous, or, except in the case of a rural area located in more than 1 State, consists of not more than 3 noncontiguous parcels,

"(C)(i) in the case of an urban area, is located entirely within no more than 2 contiguous States, and

"(ii) in the case of a rural area, is located entirely within no more than 3 contiguous States, and

"(D) does not include any portion of a central business district (as such term is used for purposes of the most recent Census of Retail Trade) unless the poverty rate for each population census tract in such district is not less than 35 percent (30 percent in the case of an enterprise community).

"(4) **POVERTY RATE.**—The poverty rate—

"(A) for each population census tract within the nominated area is not less than 20 percent,

"(B) for at least 90 percent of the population census tracts within the nominated area is not less than 25 percent, and

"(C) for at least 50 percent of the population census tracts within the nominated area is not less than 35 percent.

"(b) **SPECIAL RULES RELATING TO DETERMINATION OF POVERTY RATE.**—For purposes of subsection (a)(4)—

"(1) **TREATMENT OF CENSUS TRACTS WITH SMALL POPULATIONS.**—

"(A) **TRACTS WITH NO POPULATION.**—In the case of a population census tract with no population—

"(i) such tract shall be treated as having a poverty rate which meets the requirements of subparagraphs (A) and (B) of subsection (a)(4), but

"(ii) such tract shall be treated as having a zero poverty rate for purposes of applying subparagraph (C) thereof.

"(B) **TRACTS WITH POPULATIONS OF LESS THAN 2,000.**—

A population census tract with a population of less than 2,000 shall be treated as having a poverty rate which meets the requirements of subparagraphs (A) and (B) of subsection (a)(4) if more than 75 percent of such tract is zoned for commercial or industrial use.

"(2) **DISCRETION TO ADJUST REQUIREMENTS FOR ENTERPRISE COMMUNITIES.**—In determining whether a nominated area is eligible for designation as an enterprise community, the appropriate Secretary may, where necessary to carry out the purposes of this subchapter, reduce by 5 percentage points one of the following thresholds for not more than 10 percent of the population census tracts (or, if fewer, 5 population census tracts) in the nominated area:

"(A) The 20 percent threshold in subsection (a)(4)(A).

"(B) The 25 percent threshold in subsection (a)(4)(B).

"(C) The 35 percent threshold in subsection (a)(4)(C).

If the appropriate Secretary elects to reduce the threshold under subparagraph (C), such Secretary may (in lieu of applying the preceding sentence) reduce by 10 percentage points the threshold under subparagraph (C) for 3 population census tracts.

"(3) **EACH NONCONTIGUOUS AREA MUST SATISFY POVERTY RATE RULE.**—A nominated area may not include a noncontiguous parcel unless such parcel separately meets (subject to

paragraphs (1) and (2)) the criteria set forth in subsection (a)(4).

"(4) AREAS NOT WITHIN CENSUS TRACTS.—In the case of an area which is not tracted for population census tracts, the equivalent county divisions (as defined by the Bureau of the Census for purposes of defining poverty areas) shall be used for purposes of determining poverty rates.

"(c) FACTORS TO CONSIDER.—From among the nominated areas eligible for designation under section 1391 by the appropriate Secretary, such appropriate Secretary shall make designations of empowerment zones and enterprise communities on the basis of—

"(1) the effectiveness of the strategic plan submitted pursuant to section 1391(f)(2) and the assurances made pursuant to section 1391(e)(3), and

"(2) criteria specified by the appropriate Secretary.

"SEC. 1395. DEFINITIONS AND SPECIAL RULES.

"(a) IN GENERAL.—For purposes of this subchapter—

"(1) APPROPRIATE SECRETARY.—The term 'appropriate Secretary' means—

"(A) the Secretary of Housing and Urban Development in the case of any nominated area which is located in an urban area, and

"(B) the Secretary of Agriculture in the case of any nominated area which is located in a rural area.

"(2) RURAL AREA.—The term 'rural area' means any area which is—

"(A) outside of a metropolitan statistical area (within the meaning of section 143(k)(2)(B)), or

"(B) determined by the Secretary of Agriculture, after consultation with the Secretary of Commerce, to be a rural area.

"(3) URBAN AREA.—The term 'urban area' means an area which is not a rural area.

"(4) SPECIAL RULES FOR INDIAN RESERVATIONS.—

"(A) IN GENERAL.—No empowerment zone or enterprise community may include any area within an Indian reservation.

"(B) INDIAN RESERVATION DEFINED.—The term 'Indian reservation' has the meaning given such term by section 168(j)(6).

"(5) LOCAL GOVERNMENT.—The term 'local government' means—

"(A) any county, city, town, township, parish, village, or other general purpose political subdivision of a State, and

"(B) any combination of political subdivisions described in subparagraph (A) recognized by the appropriate Secretary.

"(6) NOMINATED AREA.—The term 'nominated area' means an area which is nominated by 1 or more local governments and the State or States in which it is located for designation under section 1391.

"(7) GOVERNMENTS.—If more than 1 State or local government seeks to nominate an area under this part, any reference

to, or requirement of, this subchapter shall apply to all such governments.

"(8) **SPECIAL RULE.**—An area shall be treated as nominated by a State and a local government if it is nominated by an economic development corporation chartered by the State.

"(9) **USE OF CENSUS DATA.**—Population and poverty rate shall be determined by the most recent decennial census data available.

"(b) **EMPOWERMENT ZONE; ENTERPRISE COMMUNITY.**—For purposes of this title, the terms 'empowerment zone' and 'enterprise community' mean areas designated as such under section 1991.

INSTRUCTIONS

Please type or print legibly. Items 1, 2, 3, 6, 7, 9, 10d, 10e, 10g, 10i, 10l, 11a, and 12 are self-explanatory, specific instructions for other items are as follows:

Item	Description
4	Enter the employer identification number assigned by the U.S. Internal Revenue Service or FICE (institution) code, if required by the Federal sponsoring agency.
5	This space is reserved for an account number or other identifying numbers that may be assigned by the recipient.
8	Enter the month, day, and year of the beginning and ending of this project period. For formula grants that are not awarded on a project basis, show the grant period.
10	The purpose of vertical columns (a) through (f) is to provide financial data for each program, function, and activity in the budget as approved by the Federal sponsoring agency. If additional columns are needed, use as many additional forms as needed and indicate page number in space provided in upper right; however, the totals of all programs, functions or activities should be shown in column (g) of the first page. For agreements pertaining to several Catalog of Federal Domestic Assistance programs that do not require a further functional or activity classification breakdown, enter under columns (a) through (f) the title of the program. For grants or other assistance agreements containing multiple programs where one or more programs require a further breakdown by function or activity, use a separate form for each program showing the applicable functions or activities in the separate columns. For grants or other assistance agreements containing several functions or activities which are funded from several programs, prepare a separate form for each activity or function when requested by the Federal sponsoring agency.
10a	Enter the net outlay. This amount should be the same as the amount reported in Line 10e of the last report. If there has been an adjustment to the amount shown previously, please attach explanation. Show zero if this is the initial report.
10b	Enter the total gross program outlays (less rebates, refunds, and other discounts) for this report period, including disbursements of cash realized as program income. For reports that are prepared on a cash basis, outlays are the sum of actual cash disbursements for goods and services, the amount of indirect expense charged, the value of in-kind contributions applied, and the amount of cash advances and payments made to contractors and subgrantees. For reports prepared on an accrued expenditure basis, outlays are the sum of actual cash disbursements, the amount of indirect expense incurred, the value of in-kind contributions applied, and the net increase (or decrease) in the amounts owed by the recipient for goods and other property received and for services performed by employees, contractors, subgrantees, and other payees.
10c	Enter the amount of all program income realized in this period that is required by the terms and conditions of the Federal award to be deducted from total project costs. For reports prepared on a cash basis, enter the amount of cash income received during the reporting period. For reports prepared on an accrual basis, enter the amount of income earned since the beginning of the reporting period. When the terms or conditions allow program income to be added to the total award, explain in remarks, the source, amount and disposition of the income.
10f	Enter amount pertaining to the non-Federal share of program outlays included in the amount on line e.
10h	Enter total amount of unliquidated obligations for this project or program, including unliquidated obligations to subgrantees and contractors. Unliquidated obligations are: Cash basis—obligations incurred but not paid; Accrued expenditure basis—obligations incurred but for which an outlay has not been recorded. Do not include any amounts that have been included on lines a through g. On the final report, line h should have a zero balance.
10j	Enter the Federal share of unliquidated obligations shown on line h. The amount shown on this line should be the difference between the amounts on lines h and i.
10k	Enter the sum of the amounts shown on lines g and j. If the report is final the report should not contain any unliquidated obligations.
10m	Enter the unobligated balance of Federal funds. This amount should be the difference between lines k and l.
11b	Enter rate in effect during the reporting period.
11c	Enter amount of the base to which the rate was applied.
11d	Enter total amount of indirect cost charged during the report period.
11e	Enter amount of the Federal share charged during the report period.
	If more than one rate was applied during the project period, include a separate schedule showing bases against which the indirect cost rates were applied, the respective indirect rates the month, day, and year the indirect rates were in effect, amounts of indirect expense charged to the project, and the Federal share of indirect expense charged to the project to date.

FINANCIAL STATUS REPORT

(Follow instructions on the back)

1. Recipient account number (When shown and complete address number ZIP code)

2. FEDERAL AGENCY AND ORGANIZATIONAL ABBREVIATION
 3. FEDERAL AGENCY AND ORGANIZATIONAL ABBREVIATION
 4. EMPLOYER IDENTIFICATION NUMBER
 5. RECIPIENT ACCOUNT NUMBER OR IDENTIFYING NUMBER
 6. FUND REPORT
 YES NO CASH ACCRUAL
 7. BASIS
 8. FUND REPORT PERIOD (For information)
 FROM (Month, day, year) TO (Month, day, year)
 9. FUND REPORT PERIOD COVERED BY THIS REPORT
 FROM (Month, day, year) TO (Month, day, year)

10. PROGRAMS/PROJECTS/ACTIVITIES

	(a)	(b)	(c)	(d)	(e)	(f)	TOTAL (g)
1. Net outlays previously reported	\$	\$	\$	\$	\$	\$	
2. Total outlays this report period							
3. Less: Program & non-program credits							
4. Net outlays this report period (Lines 1 & 2 minus 3)							
5. Net outlays to be reported (Line 4 plus line 3)							
6. Less: Non-Federal share of outlays							
7. Total Federal share of outlays (Line 5 minus 6)							
8. Total undisputed obligations							
9. Less: Non-Federal share of undisputed obligations shown on line 8							
10. Federal share of undisputed obligations							
11. Total Federal share of outlays and undisputed other claims							
12. Total consolidated amount of Federal funds authorized							
13. Undisputed balance of Federal funds							

11. TYPE OF BATE
 (Please check appropriate box) PROVISIONAL PREDETERMINED FINAL PLEDGE
 REPORT BATE STATE FEDERAL BOND

12. SIGNATURE (When an organization is the recipient, the signature of the official responsible for the report is required by Federal statute.)
 SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL
 TYPED OR PRINTED NAME AND TITLE

13. CERTIFICATION
 I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and undisputed obligations are for the purposes set forth in the award documents.

DATE REPORT SUBMITTED
 TELEPHONE (Area code, number and extension)

Part III. Certifications

I hereby certify that the portion of the nominated area that I represent meets all Federal eligibility requirements and that to the best of my knowledge and belief:

- a. the information in this nomination is true and correct;
- b. each nominating government has the authority, with respect to the nominated area, to:
 - (1) nominate such area for designation as an Empowerment Zone or Enterprise Community;
 - (2) make the State and local commitments that the Strategic Plan will be implemented; and
 - (3) provide assurances that such commitments will be fulfilled;
- c. the nominating governments shall comply with State, local and Federal program requirements, and have agreed in writing to carry out the Strategic Plan if the application is approved;
- d. the geographic area contains no portion of an area which is either designated as a Federal Empowerment Zone or Enterprise Community or is otherwise included in any other area nominated for designation as an Empowerment Zone or Enterprise Community;
- e. the geographic area contains no portion or area within an Indian reservation;
- f. no action will be taken to relocate any business establishment to the nominated area;

- g. the nominated areas of each unit of local government meet each of the eligibility criteria set forth in the program regulations, i.e.:
 - (1) the geographic area does not exceed the population maximum test;
 - (2) the geographic area is one of pervasive poverty, unemployment, and general distress;
 - (3) the geographic area meets the size and boundary test;
 - (4) the geographic area meets the poverty rate tests; and
- h. each noncontiguous area (up to three) being nominated separately meets the poverty rate test;
- i. the amounts provided to the State for the area under Section 2007 of Title XX of the Social Security Act will not be used to supplant Federal or non-Federal funds for services and activities which promote the purposes of Section 2007;
- j. the nominating governments or corporations agree to make all information available as requested by the designating Secretaries to aid in evaluation of progress in implementation of the strategic plan and reporting on the use of EZEC SSBG funds;
- k. the nominating State agrees to distribute the EZEC SSBG funds in accordance with the strategic plan submitted by the designated zone or community.

Authorized Nominating State or Corporation Official(s) type or print

State or Corporation:	Signature & Date:
Name & Title:	X
State or Corporation:	Signature & Date:
Name & Title:	X

Authorized Nominating Local Government(s) and Official(s) type or print

Governmental unit & State name:	Signature & Date:
Official Name & Title:	X
Governmental unit & State name:	Signature & Date:
Official Name & Title:	X
Governmental unit & State name:	Signature & Date:
Official Name & Title:	X

Attach separate sheet(s), as necessary, to provide identical information and official signatures for all governments nominating the area. Number the sheets 5a, 5b, etc.



INCREASED FLEXIBILITY FOR EZ/EC SSBG FUNDS

You have more flexibility in using your EZ/EC SSBG funds than you may think. In fact, the statute provides for wide latitude in how EZ/EC SSBG funds may be used. The only requirement is that the EZ/EC SSBG money must be used to finance efforts to achieve one of any three broad goals by undertaking one or more of the approved types of program options described below.

EZ/EC SSBG funds may also be used for other types of activities, but only if your strategic plan explains both how the proposed activities will meet the broad goals and the reasons you chose not to pursue the approved program options.

GOAL: Achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency

PROGRAM OPTIONS

- fund community and economic development services focused on disadvantaged adults and youths, including skills training; transportation services; and job, housing, business, and financial management counseling
- support programs that promote home ownership, education, or other routes to economic independence for low-income families, youth, and other individuals
- assist in the provision of emergency and transitional shelter for disadvantaged families, youth, and other individuals

GOAL: Achieving or maintaining self-sufficiency, including reduction or prevention of dependency

PROGRAM OPTIONS

- provide assistance to nonprofit organizations and community and junior colleges so they will be able to provide disadvantaged individuals with opportunities for short-term training courses in entrepreneurial, self-employment, and other skills that will promote individual self-sufficiency and the interests of the community
- fund programs to provide training and employment for disadvantaged adults and youths in construction, rehabilitation, or improvement of affordable housing, public infrastructure, and community facilities

GOAL: Preventing or remedying the neglect, abuse, or exploitation of children and adults unable to protect their own interests, or preserving, rehabilitating, or reuniting families

PROGRAM OPTIONS

- provide support for residential or nonresidential drug and alcohol prevention and treatment programs that offer comprehensive services for pregnant women and mothers and their children
- establish programs that provide activities outside of school hours, including keeping school buildings open during evenings and weekends for mentoring and study

Moreover, there are general statutory restrictions (outlined in §2005 of the Social Security Act) that apply to regular SSBG funds but do not apply to EZ/EC SSBG funds used for one or more of the approved program options outlined above. As a result, you may use EZ/EC SSBG money for activities such as those listed below if they are part of a strategy for implementing

any of the approved program options. If you use the EZ/EC SSBG money for endeavors other than the approved program options, you may not use it to fund these activities.

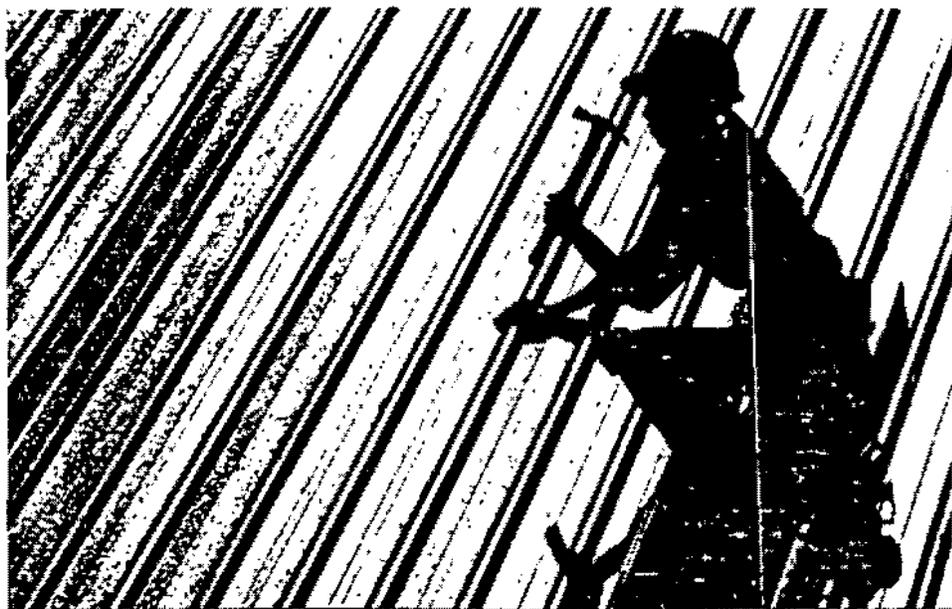
- ◆ To purchase or improve land or facilities (can be waived by HHS)
- ◆ To make cash payments to individuals for subsistence or room and board
- ◆ To make wage payments to individuals as a social service
- ◆ To make cash payments for medical care
- ◆ To provide social services to institutionalized people

You should be innovative in your use of EZ/EC SSBG funds. For example, you may use the funds for activities to promote economic independence for low-income residents, such as capitalizing revolving or micro-enterprise loan funds for their benefit. You may also use the EZ/EC SSBG money to create jobs and promote economic opportunity for low income families and individuals through matching grants, loans, or investments in community development corporations and community development financial institutions.

The strategic plan should include the following information about the proposed uses of EZ/EC SSBG funds:

- ◆ a detailed description of the activities to be financed with EZ/EC SSBG funds and how the EZ/EC SSBG funds will be allotted;
- ◆ a commitment that these funds will be used to supplement, not replace, other Federal or non-Federal funds for services or activities eligible under the SSBG program;
- ◆ a description of the entities that will administer the EZ/EC SSBG funds; and
- ◆ a certification that the entities administering the EZ/EC SSBG funds will provide periodic reports on use of the funds.

You should be creative in your investment of the EZ/EC SSBG funds. The State must obligate these funds in accordance with your strategic plan within 2 years of designation. You should consider, however, how you can make use of these funds over the entire 10-year period of the designation. For example, your community may use these funds to leverage additional investments toward achieving your goals.



DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS)
ADMINISTRATION FOR CHILDREN AND FAMILIES (ACF)
OFFICE OF COMMUNITY SERVICES (OCS)

SOCIAL SERVICES IN EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES

TERMS AND CONDITIONS
FY 1995

1. A separate grant, identified by a unique grant document number, is issued to a State for each Empowerment Zone or Enterprise Community located within its boundaries. The State will use this grant document number when requesting funds from the DHHS Payment Management System or reporting expenditure data on the SF-269 "Financial Status Report."
2. The State must carry out the grant in accordance with Title XX of the Social Security Act, as amended by Part VI of the Omnibus Budget Reconciliation Act of 1993, "Social Services in Empowerment Zones and Enterprise Communities", and the Zones' and Communities' Strategic Plans.
3. The following sections of DHHS regulations at 45 CFR Part 96 "Block Grants" apply:
 - 96.11 - "Basis of award to the States"
 - 96.12 - "Grant payment"
 - 96.15 - "Waivers"
 - 96.30 - "Fiscal and administrative requirements"
 - 96.31 - "Audits"
 - 96.32 - "Financial settlement"
 - 96.33 - "Referral of cases to the Inspector General"
 - 96.50 - "Complaints"
 - 96.51 - "Hearings"
 - 96.52 - "Appeals"
4. U.S. Department of Housing and Urban Development (HUD) regulations at 24 CFR Part 597 "Designation of Empowerment Zones and Enterprise Communities" apply.
5. U.S. Department of Agriculture (USDA) regulations at 7 CFR Part 25 "Designation of Rural Empowerment Zones and Enterprise Communities" apply.
6. The State must obligate these Federal funds within two years of the date of this grant award. 45 CFR Part 92 defines an obligation as amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the grantee during the same or a future period.

Funds not obligated within two years will be recouped by DHHS/ACF via the issuance of a negative grant award.

7. If the designation of an Empowerment Zone or Enterprise Community is terminated before the end of the Federal fiscal year in which this grant is awarded, the State shall submit an interim financial report (SF-269) within 30 days.

ACF will issue a negative grant award to recoup an amount equal to the total of the grant award issued during that fiscal year with respect to an individual Zone or Community, multiplied by that proportion of the fiscal year remaining after the designation of the individual Zone or Community ends.

8. In the event that HUD or USDA sends a warning letter (pursuant to HUD 24 CFR Part 597.403; USDA 7 CFR Part 25.403) regarding possible termination to a designated Zone or Community and the nominating State and local governments, the State shall not release funds to satisfy obligations subsequently incurred by the designee, until it is informed by HUD or USDA that the designation will not be terminated.
9. In the event a designation is terminated, the State shall repay to DHHS/ACF within 30 days any of these grant funds not obligated by the Empowerment Zone or Enterprise Community prior to receipt of a warning letter.
10. The State must obligate and expend these grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds.
11. The provision of 31 CFR Part 205 "Rules and Regulations for Funds Transfer" apply. If this grant program is not covered by a Treasury-State Cash Management Improvement Act (CMIA) agreement, the provisions of 31 CFR Part 205.20 "Cash Advances" apply.

Section 205.20(a) states that "Cash advances to a State shall be limited to the minimum amounts needed and shall be timed to be in accord only with the actual, immediate cash requirements of the State in carrying out a program or project. The timing and amount of cash or cash advances shall be as close as is administratively feasible to the actual cash outlay by the State for direct program costs and the proportionate share of any allowable indirect costs."

12. These grant funds may not be used to supplant Federal or non-Federal funds for services and activities which promote the purposes of Section 2007 of the Social Security Act.
13. These grant funds may not be used to meet the matching requirements of other Federal grant programs.
14. Disposition of assets, including real property, which the Empowerment Zones or Enterprise Communities acquired with these grant funds, but not liquidated by the expiration of

the designation, will be governed by State law and procedures.

15. Financial Status Reports (SF-269) for each Empowerment Zone or Enterprise Community grant, identified by unique grant document numbers, are due as follows:

Annual Reports:

- 90 days after the end of each grant year. The grant year extends twelve months from the date of the grant award.

Obligation data on the second annual report will be used to compute the amount of unobligated balances to be returned to the Federal government.

Interim Reports:

- 30 days after the termination of an Empowerment Zone or Enterprise Community designation, whether it is during the first two-year period of the grant program or thereafter.

Final Report:

- 180 days after the designation of all Empowerment Zones and Enterprise Communities in the State has expired.

Send financial reports to:

Administration for Children and Families
Office of Financial Management, DFEBG
Aerospace Building, Room 703
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

16. All amounts reported on the final SF-269 as unliquidated obligations must be remitted back to DHHS/ACF either via a check from the State, or if funds have not been drawn, via a negative grant award.
17. The expenditure of funds under this program is subject to the annual audit requirements under the Single Audit Act of 1984 (P.L. 98-502) and the Office of Management and Budget Circulars A-128 (State Agencies) and A-133 (non-profit entities).

USE OF EZ/EC SSBG FUNDS

The statute requires that EZ/EC SSBG money only be used in efforts to achieve one of three broad goals:

- 1) Achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency.
- 2) Achieving or maintaining self-sufficiency, including reduction or prevention of dependency.
- 3) Preventing or remedying the neglect, abuse, or exploitation of children and adults unable to protect their own interests; or preserving, rehabilitating, or reuniting families.

The statute also specified the following "program options" which a Zone or Community could address in its strategic plan:

- fund community and economic development services focused on disadvantaged adults and youths including skills training; transportation services; and job, housing, business, and financial management counseling;
- support programs that promote home ownership, education, or other routes to economic independence for low-income families, youths and other individuals;
- assist in the provision of emergency and transitional shelter for disadvantaged families, youths, and other individuals;
- provide assistance to nonprofit organizations and community and junior colleges so they will be able to provide disadvantaged individuals with opportunities for short-term training courses in entrepreneurship, self-employment, and other skills that will promote individual self-sufficiency and the interests of the community;
- fund programs to provide training and employment for disadvantaged adults and youths in construction, rehabilitation, or improvement of affordable housing, public infrastructure, and community facilities;
- provide support for residential or nonresidential drug and alcohol prevention and treatment programs that offer comprehensive services for pregnant women and mothers and their children;
- establish programs which provide activities outside the school hours including keeping school buildings open during evening hours and weekends for mentoring and study.

If a Zone or Community chooses to implement one or more of these program options in its approved plan, the following restrictions -- which apply to regular SSBG funds -- would not apply to EZ/EC funds:

- to purchase or improve land or facilities;
- to make cash payments to individuals for subsistence or room and board;
- to make wage payments to individuals as a social service;
- to make cash payments for medical care;
- to provide social services to institutionalized people.

A request to waive the restriction on the use of EZ/EC funds to purchase or improve land or facilities as part of an activity that does not fall under an approved program option should be addressed to:

Margaret Washnitzer
Director of State Assistance
Office of Community Services
Aerospace Building, 5th Floor West
370 L'Enfant Promenade, S.W.
Washington, DC 20447

Final Rules and Regulations

Department of Housing and Urban Development

**Designation of Empowerment
Zones and Enterprise Communities**

Document No.	Pages	Date
ASB No. A182A Total pages: 3.	1-3	Mar. 11, 1994.
ASB No. A183A Total pages: 3.	1-3	Mar. 11, 1994.
ASB No. A188 Total pages: 4.	1-4	Feb. 25, 1994.
Hartzell Propeller Standard Prac- tices Manual, Revision 1. Total pages: 2.	1104-6	June 1994.

This incorporation by reference was approved by the Director of the Federal Register in accordance with 5 U.S.C. 552(a) and 1 CFR part 51. Copies may be obtained from Hartzell Propeller, Inc., One Propeller Place, Piqua, OH 45356-2634; telephone (513) 778-4200, fax (513) 778-4391. Copies may be inspected at the FAA, New England Region, Office of the Assistant Chief Counsel, 12 New England Executive Park, Burlington, MA; or at the Office of the Federal Register, 800 North Capitol Street, NW., suite 700, Washington, DC.

(1) This amendment becomes effective on January 27, 1995.

Issued in Burlington, Massachusetts, on December 22, 1994.

Jay J. Pardo,

Manager, Engine and Propeller Directorate,
Aircraft Certification Service.

[FR Doc. 95-633 Filed 1-11-95; 8:45 am]
BILLING CODE 4910-33-P

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of the Secretary

24 CFR Part 597

(Docket No. R-95-1792; FR-3560-N-04)

RIN 2506-A865

Designation of Empowerment Zones and Enterprise Communities; Notice of Waiver of Sunset Provision of Interim Rule

AGENCY: Office of the Secretary, HUD.

ACTION: Notice of waiver.

SUMMARY: This Notice announces a waiver granted by the Secretary, under the waiver authority of 24 CFR 597.5, of the sunset provision set forth in § 597.1(c) of the Department's interim rule published on January 18, 1994.

DATE: January 12, 1995.

FOR FURTHER INFORMATION CONTACT: Michael T. Savage, Deputy Director, Office of Economic Development, Room 7136, Department of Housing and Urban Development, 451 Seventh Street SW,

Washington, DC 20410, telephone (202) 708-2290; TDD (202) 708-2365. (These are not toll-free numbers.)

SUPPLEMENTARY INFORMATION: On January 18, 1994, the Department published an interim rule that implemented that portion of Subchapter C, Part I (Empowerment Zones, Enterprise Communities and Rural Development Investment Areas) of Title XIII of the Omnibus Budget Reconciliation Act of 1993 dealing with the designation of urban Empowerment Zones and Enterprise Communities (EZ/EC interim rule). The preamble to the EZ/EC interim rule stated that: "The Department has adopted a policy of setting a date for expiration of an interim rule unless a final rule is published before that date. This "Sunset" provision appears in § 597.1(c) of the rule; and provides that the interim rule will expire on a date 12 months from publication unless a final rule is published before that date."

The EZ/EC final rule is being published elsewhere in today's Federal Register. However, consistent with 42 U.S.C. 3535(a)(3) of the Department's authorizing legislation, the EZ/EC final rule cannot become effective until a period of 30 calendar days from the date of publication of the final rule has expired. Accordingly, the EZ/EC final rule, published in today's Federal Register, will not become effective by or before January 18, 1995, the date the interim rule expires. In order to prevent a period in which the effective period of the EZ/EC regulations lapses, a waiver is granted under 24 CFR 597.5.

Section 597.5 provides that "The Secretary of HUD may waive for good cause any provision of this part not required by statute, where it is determined that application of the requirement would produce a result adverse to the purpose and objectives of this part." The sunset provision set forth in 24 CFR 597.1(c) of the January 18, 1994 interim rule was not required by statute, and good cause exists to waive this provision in order that the effective period of the interim rule published on January 18, 1994 (59 FR 2760) continues until the date the final rule is published and made effective, at which point the final rule will remain in effect.

Dated: January 5, 1995.

Henry C. Cisneros,

Secretary.

[FR Doc. 95-731 Filed 1-11-95; 8:45 am]

BILLING CODE 4910-33-P

ENVIRONMENTAL PROTECTION AGENCY

40 CFR Part 35

FRL-5136-G

Reallocation of Reserved Funds Not Awarded; Correcting Amendment

AGENCY: U.S. Environmental Protection Agency.

ACTION: Correcting amendment.

SUMMARY: In this amendment, EPA is correcting a typographical error in response to requests for clarification on the reallocation of funds for Tribes. The intended effect of this amendment is to enhance the accuracy and reduce misunderstandings of the reallocation of funds for Tribes. The amendments are minor editorial changes and do not impose new requirements.

EFFECTIVE DATE: January 12, 1995.

FOR FURTHER INFORMATION CONTACT: Donald J. Brady, Office of Wetlands, Oceans and Watersheds, (202) 260-5368, Assessment and Watershed Protection Division, U.S. Environmental Protection Agency, 401 M Street, SW, Washington, DC 20460.

SUPPLEMENTARY INFORMATION:

Background

40 CFR 35.155 (c) is listed twice, but contains different text. This is due to an error in submitting two earlier additions of § 35.155 (c). Accordingly, § 35.155 is corrected by changing the repeated § 35.155 (c) to (d) and listing paragraph (d) immediately following paragraph (c).

List of Subjects in 40 CFR Part 35

Environmental protection, Grant programs, Reporting and recordkeeping requirements, Water pollution control, Water supplies.

Dated: December 6, 1994.

Robert Perciasepe,

Assistant Administrator for Water.

40 CFR part 35, subpart A is amended as follows:

1. The authority citation for part 35, subpart A continues to read as follows:

Authority: Secs. 105 and 301(a) of the Clean Air Act, as amended (42 U.S.C. 7405 and 7601(a); Secs. 106, 205(g), 205(j), 206, 319, 501(a), and 518 of the Clean Water Act, as amended (33 U.S.C. 1256, 1285(g), 1285(j), 1286, 1301(a) and 1377); sec. 1443, 1452, and 1451 of the Safe Drinking Water Act (42 U.S.C. 300f-2, 300f-9 and 300f-11); sec. 2002(a) and 3011 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 (42 U.S.C. 6912(a), 6921, 6947, and 6949); and sec. 4, 25 and 25(a) of the Federal Insecticide Fungicide and Rodenticide Act.

**DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**

**Office of the Assistant Secretary for
Community Planning and
Development**

24 CFR Part 597

Doclet No. H-95-1702; FR-3550-F-031

RIN 2506-AB55

**Designation of Empowerment Zones
and Enterprise Communities**

AGENCY: Office of the Assistant
Secretary for Community Planning and
Development, HUD.

ACTION: Final rule.

SUMMARY: This rule makes final an interim rule published on January 18, 1994 that implemented that portion of Subchapter C, Part I (Empowerment Zones, Enterprise Communities and Rural Development Investment Areas) of Title XIII of the Omnibus Budget Reconciliation Act of 1993 dealing with the designation of urban Empowerment Zones and Enterprise Communities. The interim rule, consistent with the statute, authorized the Secretary of HUD to designate not more than six urban Empowerment Zones and not more than 65 urban Enterprise Communities based upon the effectiveness of the strategic plan submitted by a State or States and local government(s) nominating an area for designation.

EFFECTIVE DATE: February 13, 1995.

FOR FURTHER INFORMATION CONTACT: Michael T. Savage, Deputy Director, Office of Economic Development, Room 7136, Department of Housing and Urban Development, 451 Seventh Street SW, Washington, DC 20410, telephone (202) 708-2290; TDD (202) 708-2565. (These are not toll-free numbers.)

SUPPLEMENTARY INFORMATION:

Paperwork Reduction Act

The information collection requirements contained in this rule were approved by the Office of Management and Budget (OMB) for review under the Paperwork Reduction Act of 1980 (44 U.S.C. 3501-3520), and assigned OMB Control Number 2506-0148.

**I. Background—the January 18, 1994
Interim Rule**

On January 18, 1994 (59 FR 2700), HUD published an interim rule that implemented that portion of Subchapter C, Part I (Empowerment Zones, Enterprise Communities and Rural Development Investment Areas) of Title XIII of the Omnibus Budget

Reconciliation Act of 1993 which addresses the designation of urban Empowerment Zones and Enterprise Communities. Title XIII also provides for the designation of rural Empowerment Zones and Enterprise Communities. As noted in the January 18, 1994 interim rule, the urban part of the program is administered by HUD as a Federal-State-local partnership. The rural part of the program is administered by the Department of Agriculture. The Department of Agriculture also published an interim rule on January 18, 1994 (59 FR 2588). (The program is hereafter referred to as the EZ/EC program.)

The EZ/EC program is a key step in rebuilding communities in America's poverty-stricken inner cities and rural heartland. It is designed to empower people and communities across the nation in developing and implementing strategic plans to create job opportunities and sustainable community development. The program combines tax benefits with substantial investment of Federal resources and enhanced coordination among Federal agencies.

Designated Enterprise Communities are eligible for new Tax-Exempt Facilities Bonds for certain private business activities. States with designated Enterprise Communities will receive approximately \$3 million in Empowerment Zone/Enterprise Community Social Service Block Grant (EZ/EC SSBG) funds to pass through to each designated area for approved activities identified in their strategic plans. Enterprise Communities will receive special consideration in competition for funding under numerous Federal programs, including the new National Service and proposed Community Policing initiatives. The Federal Government will focus special attention on working cooperatively with designated Enterprise Communities to overcome regulatory impediments, to permit flexible use of existing Federal funds, and to assist these Communities in meeting essential mandates.

Designated Empowerment Zones will receive all the benefits provided to Enterprise Communities and other communities with innovative visions for change. Empowerment Zones are awarded substantial Empowerment Zone/Enterprise Community Social Service Block Grant funds, in the amount of \$100 million for each urban Zone. An Employer Wage Credit for Zone residents is extended to qualified employers engaged in trade or business in designated Empowerment Zones. Businesses are afforded an increased deduction under section 179 of the

Internal Revenue Code for qualified properties.

The preamble to the January 18, 1994 interim rule described in detail the eligibility requirements for Empowerment Zones and Enterprise Communities and the nomination process. This information is not repeated in this final rule.

The Department also published on January 18, 1994, a notice inviting applications on nominations for areas as Empowerment Zones and Enterprise Communities (59 FR 2711). Title XIII of the Omnibus Budget Reconciliation Act of 1993 authorized the Secretary of HUD to designate up to six urban Empowerment Zones and up to 65 urban Enterprise Communities. The purpose of this document is to make final the interim regulations published on January 18, 1994. The designated Empowerment Zones and Enterprise Communities will be announced by separate notice published in the Federal Register.

**II. Differences Between Final Rule and
Interim Rule**

This final rule makes only editorial and technical correction changes to the January 18, 1994 interim rule. As will be discussed in the following section of this preamble, HUD received several good suggestions and recommendations of matters that the rule should address or expand upon, or terms that should be defined. These changes are largely directed to the nomination process, to the eligibility process, to the contents of the strategic plan or to the evaluation of the plan. Because of the need to have applications submitted by June 30, 1994 so that HUD and the Department of Agriculture could make designations within the time period set by statute, any significant or substantial revisions to the interim rule would have delayed the application process, and therefore delayed the designation process. Any significant or substantial revisions made at this time to the nomination process, evaluation process, etc., would have no effect since the designation process is complete.

HUD anticipates that if another round of designations is authorized by the Congress, there will be accompanying legislation that may make changes to the existing EZ/EC program, and thus require amendments to the regulations in 24 CFR part 597. At the time of this rulemaking, HUD will again consider the comments received on the January 18, 1994, and if they remain applicable in the new round of designations (the issue of applicability depends upon the type of legislative changes, if any, made to the EZ/EC program by the Congress).

these comments will be adopted in new regulations.

The technical changes made by this final rule are largely directed to that section of the rule, § 597.200(d), which addresses the use of EZ/EC SSBG funds and therefore are relevant even after the designation process is complete. The following provides a list of the editorial/technical changes made to the interim rule by this final rule.

1. In § 597.3 (Definitions), the second paragraph of the definition of "urban area" inadvertently omitted the phrase "jurisdiction of the" before the words "nominating local government." (See 59 FR 2704, second column.)

2. In § 597.200 (Nominations by State and local governments), HUD sets forth the procedures for nominations by State and local governments of areas for designation as an Empowerment Zone and/or Enterprise Community. Paragraph (d) of that section addresses the elements of the strategic plan which must be developed as part of the application for designation, and paragraph (d)(12) specifically addresses how the Social Services Block Grant (SSBG) funds for designated Empowerment Zones and Enterprise Communities will be utilized. Several technical errors were made in paragraph (d)(12), and these are as follows:

a. Paragraph (d)(12)(A) discusses the commitment concerning the use of EZ/EC SSBG funds. The rule provides for the commitment to be made by the "applicant as well as by the State government(s)." In this paragraph, HUD inadvertently omitted reference to the full range of nominating entities that would have to make this commitment, and only listed "State governments." (Note that § 597.501 provides for nomination by States and local governments (the preamble also discusses this at page 2701, second column) and § 597.502 provides for nominations by State-chartered economic development corporations.) Accordingly, the final rule corrects this paragraph to include not only State governments, but local governments and State-chartered economic development corporations. The final rule also explains that the "services or activities" referenced in this paragraph are the "services or activities which can be used to achieve or maintain the goals set forth in paragraph (d)(12)."

b. Paragraph (d)(12)(ii) provides, in error, that Empowerment Zone or Enterprise Community SSBG funds (EZ/EC SSBG funds) may be used to achieve certain goals set forth in this paragraph by "undertaking one of the below specified options." (See 59 FR 2704, first and second columns.) The correct

wording should provide that States and local governments may undertake "one or more" of the options set forth in the paragraph. One option available to States and local governments for the use of EZ/EC SSBG funds was inadvertently omitted from the interim rule. This option provides for the use of EZ/EC SSBG funds to promote the economic independence of low-income residents, such as capitalizing revolving or micro-enterprise loan funds for their benefit.

c. In paragraph (d)(12)(ii), the interim rule provides that EZ/EC SSBG funds "may" be used to maintain the goals set forth in paragraph (d)(12). (See page 2706, first column.) The rule should have stated that the EZ/EC SSBG funds "must" be used to maintain the goals set forth in paragraph (d)(12), and that the goals "may be achieved" by undertaking the program options listed in (d)(12)(ii).

d. The interim rule inadvertently omitted the paragraph that provides guidance concerning how designated empowerment zones and enterprise communities may meet the goals specified in paragraph (d)(12). (See 59 FR 2706, middle column.) This paragraph does not dictate how the goals may be met, but offers guidance as to how they may be met. This rule makes this correction by adding a new paragraph (iii), and the succeeding paragraphs are redesignated accordingly.

e. In paragraph (d)(12)(v) of the interim rule, the Department provided that the State must obligate EZ/EC SSBG funds in accordance with the strategic plan within two years from the "date of designation of the Empowerment Zone or Enterprise Community." (See page 2706, middle column.) This time frame is incorrect. This paragraph should have provided that the State must obligate funds two years from the date "the funds are paid to the State." This paragraph is also corrected by this document to add that "funds not obligated must be committed to the Secretary of Health and Human Services." This sentence was inadvertently dropped in the rule text.

f. Two requirements pertaining to the strategic plan were inadvertently omitted from paragraph (d)(12). One requirement provides that the strategic plan must indicate how the EZ/EC SSBG funds will be invested and used for the period of designation, and the second provides that the strategic plan must provide for periodic reporting of information by the relevant State. These requirements are now set forth in (d)(12)(vi) and (vii).

g. In addition to the above corrections, this document corrects missing or erroneous punctuation in paragraph

(d)(12). For example, some paragraphs ended in periods, and should have ended in semicolons.

4. In § 597.200, paragraph (d)(17) is corrected by removing the "and" which follows the semicolon at the end of this paragraph. (See 59 FR 2798, third column.)

5. In § 597.200, paragraph (d)(76) is corrected by removing the period at the end of the paragraph, and replacing it with a semicolon. (See 59 FR 2706, third column.)

6. In § 597.201 (Evaluating the strategic plan), paragraph (b)(9) should end with a semicolon and not a period. (See 59 FR 2707, third column.)

7. In § 597.201 (Evaluating the strategic plan), paragraph (c)(1) should end with a semicolon and not a period. (See 59 FR 2706, first column.)

8. In § 597.201 (Selection factors for designation of non-designated urban areas), paragraphs (a)(1), (2) and (3) should each end with a semicolon instead of a period, and the word "and" should follow the semicolon in paragraph (a)(3). (See 59 FR 2706, first column.)

The above changes are the only ones that have been made to the interim rule by this final rule.

III. The Public Comments

General Comments

The January 18, 1994 interim rule provided for a 30-day public comment period. The public comment period expired on February 17, 1994. Comments, however, were accepted through March 1, 1994. By this date, a total of 45 comments had been received. The commenters consisted of State and local jurisdictions (or agencies of such jurisdictions), State legislators and non-profit organizations. Twenty-two (22) of the commenters were from the State of California.

The majority of the commenters gave the interim regulations favorable marks, stating that, overall, the interim rule clearly delineates the role of the State and participating entities. As noted earlier in this preamble, HUD received several good suggestions and recommendations from the commenters that will be considered in any future rulemaking needed for a new round of designation. Other suggestions raised by commenters, although equally with merit, could not be adopted (even if HUD were making substantive changes at this time) given the current statutory framework of the EZ/EC Program, and other requests for changes or clarification were determined to be adequately addressed by the January 18, 1994 interim rule. The following provides a summary of the significant

issues raised by the public commenters, and HUD's response to these issues.

General Comments on the Rule

Comment. One commenter stated that the interim rule as a whole did not adequately address the needs of extremely low-income persons.

Response. HUD disagrees with the commenter. The eligibility for designation as an Empowerment Zone or Enterprise Community requires a significant level of poverty, and the strategic plan required various descriptions of how the nominated area would address the need of low-income persons, for example, through the creation of economic opportunities, home ownership, education or other routes to economic independence for low-income families, youth and other individuals. (See § 597.200.)

Comment. Two commenters stated that the rule should explicitly address the need of areas in which military base closures have occurred or will occur.

Response. Military base closure was explicitly referenced in the rule. Note that § 597.102(b)(1) of the rule provides in relevant part that "Unemployment shall be demonstrated by . . . [2] Evidence of especially severe economic conditions, such as military base or plant closings, or other conditions which have brought about significant job dislocation within the nominated area."

Comment. One commenter stated that the rule should have taken into consideration areas which have both rural and urban characteristics.

Response. HUD strived to the extent possible, given the statutory framework and requirements, to be as flexible as possible in describing eligibility for nominated areas, and to recognize that some urban areas will have rural characteristics. To a significant degree, however, this flexibility was limited by the statutory requirements for eligible urban areas.

Comment. One commenter stated that the rule and program structure perpetuates the inner city as a place for only low-income persons to live. The commenter stated that while EZ/EC/SSBG eligible expenditures give latitude for communities to address social problems, they leave little room for needed neighborhood economic development programs that could make urban neighborhoods better places to live, to raise families, to shop, to work and to grow businesses.

Response. The entire EZ/EC program is directed to uplifting the economic and social environment of the designated urban area. HUD believes that the four key principles of the

program, set forth in § 597.200, and the specific elements embodied in each principle, clearly make this point.

Comments on Terms Used

Comment. One commenter stated that the rule should have defined the terms "community" and "low-income." Another commenter stated that the interim rule should have defined the term "long-term unemployed."

Response. HUD acknowledges the merit of these suggestions, and definitions for these terms will be considered for any future rulemaking that may be necessary for a new round of designations.

Comment. Two commenters stated that the term "disadvantaged" should be defined in the regulation. The commenter stated that this term should be defined to mean household or individual income below 30 percent or 50 percent of the area-wide income.

Response. This term appears in § 597.200(d)(12) which addresses the use of EZ/EC/SSBG funds. EZ/EC/SSBG funds are administered by the Department of Health and Human Services. Accordingly, HHS has responsibility for defining this term. Although this term is not defined in the HHS regulations governing Social Service Block Grant Funds (see 45 CFR part 96, subpart G), HHS should be able to provide guidance to grantees on the meaning of this term.

Comment. One commenter stated that the definition of "State-chartered economic development corporation" was not very clear.

Response. The statute defined this term, and the rule simply incorporated the statutory definition.

Comments on Census Tracts and Census Tract Data

Comment. Twenty-four (24) commenters objected to the failure to use census block data instead of census tract data. The commenters pointed out that many city boundaries do not coincide with census boundaries, and these cities would be disqualified. In addition to requesting use of census block data in lieu of census tract data, other suggestions submitted by commenters included: Excluding significantly-sized public facilities from calculation of a city's total mileage; and allowing an entity to request EC designation to be extended on a case-by-case basis to contiguous properties adjacent to an eligible poverty census tract.

Response. HUD is unable to adopt the suggestions of the commenters. The statute requires the use of census tract data, and does not permit the exclusions

or case-by-case exceptions as suggested by the commenters.

Comment. One commenter requested that the rule exclude portions of census tracts incapable of development, such as those that may be covered by water.

Response. In determining what constitutes census tracts, and what areas are not included or excluded in census tracts, HUD follows existing regulations applicable to census tracts listed by the U.S. Census Bureau.

Comment. Another commenter stated that census retail trade data does not accurately characterize central business districts. The commenter stated that the rule excludes central business districts (CBDs) as defined by the 1987 Census Retail Trade unless poverty rate for each tract in the CBD is not less than 35 percent for an EZ and 30 percent for an EC.

Response. Central business districts are addressed in § 597.100(f). HUD's rule provides some flexibility since the last Census of Retail Trade was in 1982. The issue of characterization of CBDs is not a question of whether an area was listed in the Census of Retail Trade, but whether the area fits characteristics of CBDs. HUD's rule allows applicants to demonstrate that the character of an area has changed, and does not meet the definition of CBD as used in the most recent Census of Retail Trade.

Comments on Population Levels

Comment. Twelve commenters stated that the 50,000 population limitation excludes many cities in need of EZ/EC assistance, and requested that the population limit be increased to 200,000 for all urban nominated areas.

Response. The population limitation of 50,000 found in § 597.100(a)(2) is directly from the statute.

Comment. Another commenter said that the rule should have excluded prison and hospital populations from the population caps.

Response. This concern was accommodated by HUD at the time of issuance of the January 18, 1994 interim rule. The application process allowed cities to deduct institutional populations or populations in group quarters.

Comments on Pervasive Poverty and Unemployment

Comment. One commenter stated that the test for pervasive poverty should meet all three criteria, not simply one, and that a higher test should be utilized to determine unemployment.

Response. HUD believes that each of the three factors presented in § 597.102(a), in and of itself, adequately exemplifies an area that has pervasive

poverty. Similarly, HUD believes that each of the two factors presented in § 597.103(b) adequately accomplish an area of unemployment. However, these comments will certainly be considered if another round of designations is authorized by the Congress.

Comments on Poverty Rate

Comment. Sixteen commenters stated that the definition of low or zero population industrial or commercial census tracts should be extended to include zero population census blocks which meet the same criteria. Two other commenters stated that the requirement for a non-contiguous area to separately meet the poverty rate criteria makes no sense where the non-contiguous area consists of a single census tract.

Response. Poverty rate is addressed in § 597.103 of the rule. The existing EZ/EC legislation provides no flexibility to adopt the comments suggested by the commenters.

Comment. Other commenters asked that HUD take into consideration the unique poverty rates of their own States or communities due to the high cost of living.

Response. HUD believes that the poverty rate factors in the rule are sufficiently broad to encompass the unique poverty and high cost of living characteristics of any individual State or community.

Comments on the Strategic Plan

Comment. Three commenters stated that the strategic plan principle concerning employment should emphasize job creation for low-income persons. Another commenter stated that the strategic plan principle concerning employment should emphasize job creation for minority businesses.

Response. HUD agrees with the commenters and such emphasis will be considered in future rulemaking that may be necessary for any additional rounds of designations that may be authorized.

Comment. Two commenters stated that the rule should require an explanation of how participants in the planning process are representative of the "affected" community.

Response. This requirement was included in the application, and HUD will consider including this requirement in the text of the regulation in any future rulemaking that may be needed.

Comment. Two commenters stated that the rule should emphasize that public funds cannot be used to encourage plant relocations or pirating of jobs from one place to another.

Response. This issue was addressed in § 597.200(3) of the rule, and the EZ/

EC application included a certification to this effect.

Comment. Two commenters stated that the rule should allow designated communities to use funds and other resources identified in the strategic plan for properties directly adjacent to the boundaries of the designated census tracts.

Response. HUD provides flexibility on this issue. Businesses and enterprise communities do not receive tax incentives and the only funding that flows from EZ/EC designation is title 20 funding. The latter can be used outside of the EC if the use of the funds benefits the EC residents directly.

Comment. Two commenters stated that the rule did not discuss the applicability of existing plans (e.g., CHAS) to the strategic planning process.

Response. Although the rule does not specifically reference the CHAS, the rule contains reference to other local planning efforts and to consolidated planning efforts (See §§ 597.200(d)(15) and 597.201(b).) Once the Consolidated Plan final rule is published, it will bring all plans into conformance.

Comment. One commenter stated that the rule should require jurisdictions to disclose areas considered for nomination, but not selected, and to explain why they were not selected.

Response. This issue is addressed to some extent in § 597.201(c) of the rule, but HUD will consider expanding on this issue in any future rulemaking that may be needed.

Comment. One commenter, in response to the requirements of § 597.200(d)(14), (15), and (16), stated that the rule should require applicants to explain which existing resources (including the amounts) will be shifted from other geographic locations to the EZ/EC area to fulfill the applicant's commitment to resources to the EZ/EC area.

Response. HUD believes that such a requirement would be an unwarranted intrusion in local government processes.

Comment. Two commenters stated that the rule should identify specific regulatory and other impediments to implementing the strategic plan, and indicate whether waivers can be accomplished administratively or through statutory changes.

Response. HUD cannot identify specific regulatory barriers for each applicant. The applicant is in a better position to advise HUD where there are barriers and other impediments to implementation of the plan, and HUD asks applicants to identify such barriers in § 597.200(d)(17) and (18).

Comment. Other commenters made several other suggestions for the

strategic plan, including: requiring the same standards for citizen participation for strategic plan revisions as required for initial development of the plan, requiring benchmarks that identify benefits to low-income persons and long-term unemployed persons, and encouraging activities that specifically meet the needs of low-income persons.

Response. All these suggestions have merit and HUD will consider these in any future rulemaking that may be needed.

Comments on Evaluation of the Strategic Plan

Comment. Several commenters made suggestions for changes to § 597.201 which describes how the strategic plan will be evaluated. The suggestions included evaluating the plan based on the number of quality jobs provided to low-income persons; allowing community-based partnerships to include labor unions; allowing community-based partnerships to include low-income persons, long-term unemployed persons, and residents of the area to be designated; providing minimum standards for participation in the development of the plan; and providing for low-income persons to monitor the implementation of the plan.

Response. All of these suggestions will be taken into consideration in any future EZ/EC rulemaking.

Comment. One commenter stated that the rule must promote affordable housing and without affordable housing in proposed zones, the EZ/EC program will fail.

Response. Affordable housing was promoted through the rule. See §§ 597.200(d)(12)(i)(B)(3) and (g)(3), and 597.201(b)(9).

Comment. One commenter stated that a city's compliance with the affordable housing requirement may make the city ineligible for EZ/EC designation. The commenter stated that as a result of compliance with this requirement, some cities do not have concentration of poverty described in the threshold requirements for EZ/EC designation. Another commenter stated that the evaluation of a plan should have included a review of whether a jurisdiction is affirmatively furthering fair housing, and also required applicants to submit a certification that they are in compliance with fair housing laws. The commenter also stated that the rule should provide for revocation of designation as a zone or community if the jurisdiction fails to comply with these laws.

Response. With respect to the first commenter's concern, the poverty rates set forth in the Interim rule are based on

the 1990 Census, which HUD believes provides a fair and impartial measure of poverty level. With respect to the second commenter's concern, these suggestions will be considered in future rulemaking.

Comments on Submission of Nomination of Designation

Comment. Two commenters stated that the affected community should have access to the same information and reports, at no cost, that are available to HUD.

Response. Following completion of the designation process, the information contained in applications will be available to the public through requests made under the Freedom of Information Act.

Comment. One commenter suggested that the rule require the affected State to receive a copy of notice of intent to participate by the community, at the same time the local community sends the notice to HUD.

Response. HUD will consider adopting this suggestion in future rulemaking.

Comments on the Selection Factors for Designation

Comment. One commenter stated that the rule should include procedures for appealing selection, based on geographic diversity. The commenter notes the rule allows HUD to designate a lower rated application over a higher rated application in the interests of geographic diversity of the designations (see § 597.301). Another commenter states that the geographic diversity provision should be strengthened by providing that each State will receive at least one urban designation as either an EZ or EC. A third commenter stated that HUD should reserve two of the six urban zone designations for small cities with populations under 100,000.

Response. HUD is not inclined to adopt any of these commenters' suggestions as regulatory requirements. These suggestions limit the flexibility that is needed in the selection process. However, HUD will re-evaluate these issues at the time of any future rulemaking.

Comments on Other Provisions

Comment. One commenter stated that the rule should be explicit about the eligibility of areas for designation within the Commonwealth of Puerto Rico.

Response. Pursuant to Title XIII, areas of Puerto Rico were eligible for designation.

IV. Other Matters

National Environmental Policy Act. A Finding of No Significant Impact with respect to the environment was made in accordance with HUD regulations in 24 CFR part 50, which implement section 102(c) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332) at the time of development of the interim rule. That Finding remains applicable to this final rule and is available for public inspection and copying during regular business hours in the Office of the Rules Docket Clerk, Room 10278, 451 Seventh Street SW, Washington, DC 20410.

Executive Order 12866, Regulatory Planning and Review. This rule was reviewed and approved by the Office of Management and Budget as a significant rule, as that term is defined in Executive Order 12866, which was signed by the President on September 30, 1993. Any changes to the rule as a result of that review are contained in the public file of the rule in the office of the Department's Rules Docket Clerk.

Regulatory Flexibility Act. The Secretary, in accordance with the Regulatory Flexibility Act (5 U.S.C. 605(b)), has reviewed this rule before publication and by approving it certifies that the rule will not have a significant economic impact on a substantial number of small entities within the intent and purpose of that Act. The Act is intended to encourage Federal agencies to utilize innovative administrative procedures in dealing with individuals, small businesses, small organizations, and small governmental bodies that would otherwise be unnecessarily adversely affected by Federal regulations. To the extent that this rule affects those entities, its purpose is to reduce any disproportionate burden by providing for the waiver of regulations and by affording other incentives directed toward a positive economic impact. Therefore, no regulatory flexibility analysis under the Act is necessary.

Executive Order 12612, Federalism. The General Counsel, as the Designated Official under section 6(a) of Executive Order 12612, *Federalism*, has determined that, although the policies contained in this rule may have a substantial direct effect on States or their political subdivisions that are designated as Empowerment Zones or Enterprise Communities, this effect is intended by the legislation authorizing the program. The purpose of the rule is to provide a cooperative atmosphere between the Federal government and States and local governments, and to reduce any regulatory burden imposed by the Federal government that impedes

the ability of States and local governments to solve pressing economic, social, and physical problems in their communities.

Executive Order 12606, The Family. The General Counsel, as the Designated Official under Executive Order 12606, *The Family*, has determined that the provisions of this rule will not have a significant impact on family formation, maintenance or well being, except to the extent that the program authorized by the rule will empower communities and their residents to take effective action to solve difficult and pressing economic, human, community and physical development challenges that have a negative impact on families. Any such impact is beneficial and merits no further review under the Order.

Semiannual Agenda. This rule was listed as sequence number 1051 in the Department's semiannual agenda of regulations published on November 14, 1994 (59 FR 57632, 57685) under Executive Order 12896 and the Regulatory Flexibility Act.

List of Subjects in 24 CFR Part 597

Community development; Empowerment zones; Enterprise communities; Economic development; Housing; Indians; Intergovernmental relations; Reporting and recordkeeping requirements; Urban renewal.

In accordance with the reasons set out in the preamble, 24 CFR part 597 is revised to read as follows:

PART 597—URBAN EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES

Subpart A—General Provisions

- Sec.
- 597.1 Applicability and scope
 - 597.2 Objective and purpose
 - 597.3 Definitions
 - 597.4 Secretarial review and designation
 - 597.5 Waivers

Subpart B—Area Requirements

- 597.100 Eligibility requirements and data usage
- 597.101 Data utilized for eligibility determinations
- 597.102 Tests of pervasive poverty, unemployment and general distress
- 597.103 Poverty rate

Subpart C—Nomination Procedure

- 597.200 Nominations by State and local governments
- 597.201 Bookending the strategic plan
- 597.202 Submission of nominations for designation

Subpart D—Designation Process

- 597.300 HUD action and review of nominations for designation
- 597.301 Selected factors for designation of nominated urban areas

597.302 Number of Empowerment Zones and Enterprise Communities designated.

Subpart E—Post-Designation Requirements

597.400 Reporting.
597.401 Periodic performance reviews.
597.402 Validation of designation.
597.403 Revocation of designation.

Subpart F—Special Status

597.500 Indian Reservations.
597.501 Governments.
597.502 Nominations by economic development corporations in the District of Columbia.
597.503 Use of census data.

Authority: 28 U.S.C. 1391; 42 U.S.C. 5535(d).

Subpart A—General Provisions

§ 597.1 Applicability and scope.

(a) This part establishes policies and procedures applicable to urban Empowerment Zones and Enterprise Communities, authorized under Subchapter U of the Internal Revenue Code of 1986, as amended, relating to the designation and treatment of Empowerment Zones, Enterprise Communities and Rural Development Investment Areas.

(b) This part contains provisions relating to area requirements, the nomination process for urban Empowerment Zones and urban Enterprise Communities, and the designation and administration of these Zones and Communities by HUD. Provisions dealing with the nomination and designation of rural Empowerment Zones and Enterprise Communities will be promulgated by the Department of Agriculture. HUD and the Department of Agriculture will consult in all cases in which nominated areas possess both urban and rural characteristics, and will utilize a flexible approach in determining the appropriate designation.

§ 597.2 Objective and purpose.

The purpose of this part is to provide for the establishment of Empowerment Zones and Enterprise Communities in urban areas, to stimulate the creation of new jobs, particularly for the disadvantaged and long-term unemployed, and to promote revitalization of economically distressed areas.

§ 597.3 Definitions.

Designation means the process by which the Secretary designates urban areas as Empowerment Zones or Enterprise Communities eligible for tax incentives and credits established by Subchapter U of the Internal Revenue Code of 1986, as amended (26 U.S.C. 1391 et seq.) and for special

consideration for programs of Federal assistance.

Empowerment Zone means an urban area so designated by the Secretary pursuant to this part. Up to six such Zones may be designated, provided, that if the Secretary designates the maximum number of zones, not less than one shall be in a nominated urban area, the most populous city of which has a population of 500,000 or less, and no less than one shall be a nominated urban area which includes areas in two States and which has an area population of 50,000 or less.

Enterprise Community means an urban area so designated by the Secretary pursuant to this part. Not more than 65 such communities may be so designated.

HUD means the Department of Housing and Urban Development.

Local government means any county, city, town, township, parish, village, or other general purpose political subdivision of a State, and any combination of these political subdivisions which is recognized by the Secretary.

Nominated area means an area nominated by one or more local governments and the State or States in which it is located for designation pursuant to this part.

Population census tract means a census tract, or, if census tracts are not defined for the area, a block numbering area.

Poverty means the number of persons listed as being in poverty in the 1990 Decennial Census.

Revocation of designation means the process by which the Secretary may revoke the designation of an urban area as an Empowerment Zone or Enterprise Community pursuant to § 597.403.

Secretary means the Secretary of Housing and Urban Development.

State means any State of the United States.

Strategic plan means a strategy developed and agreed to by the nominating local government(s) and State(s), which have provided certifications of their authority to adopt such a strategy in their application for nomination, in consultation and cooperation with the residents of the nominated area, pursuant to the provisions of § 597.200(c). The plan must include written commitments from the local government(s) and State(s) that they will adhere to that strategy.

Urban area means:

- (1) Any area that lies inside a Metropolitan Area (MA), as designated by the Office of Management and Budget; or
- (2) Any area outside an MA if the jurisdiction of the nominating local

government has a population of 20,000 or more, or documents the urban character of the area.

§ 597.4 Secretarial review and designation.

(a) *Designation.* The Secretary will review applications for the designation of nominated urban areas to determine the effectiveness of the strategic plans submitted by nominating State and local government(s) in accordance with § 597.200(c). The Secretary will designate up to six urban Empowerment Zones and up to 65 urban Enterprise Communities.

(b) *Period of Designation.* The designation of an urban area as an Empowerment Zone or Enterprise Community shall remain in full effect during the period beginning on the date of designation and ending on the earliest of:

- (1) The close of the tenth calendar year beginning on or after the date of designation;
- (2) The termination date designated by the State and local governments in their application for nomination; or
- (3) The date the Secretary modifies or revokes the designation, in accordance with §§ 597.402 or 597.403.

§ 597.5 Waivers.

The Secretary of HUD may waive for good cause any provision of this part not required by statute, where it is determined that application of the requirement would produce a result adverse to the purpose and objectives of this part.

Subpart B—Area Requirements

§ 597.100 Eligibility requirements and area usage.

A nominated urban area may be eligible for designation pursuant to this part only if the area:

- (a) Has a maximum population which is the lesser of:
 - (1) 200,000; or
 - (2) The greater of 50,000 or ten percent of the population of the most populous city located within the nominated area;
- (b) Is one of pervasive poverty, unemployment and general distress, as described in § 597.102;
- (c) Does not exceed twenty square miles in total land area;
- (d) Has a continuous boundary, or consists of not more than three noncontiguous parcels;
- (e) Is located entirely within the jurisdiction of the unit or units of general local government making the nomination, and is located in no more than two contiguous States; and
- (f) Does not include any portion of a central business district, as this term is

used in the most recent Census of Retail Trade, unless the poverty rate for each population census tract in the district is less than 35 percent for an Empowerment Zone and 30 percent for an Enterprise Community.

§ 597.101 Data utilized for eligibility determinations.

(a) *Source of data.* The data to be employed in determining eligibility pursuant to the criteria set forth at § 597.102 shall be based upon the 1990 Decennial Census, and from information published by the Bureau of the Census and the Bureau of Labor Statistics. The data shall be comparable as to point or period of time and methodology employed. Specific information on appropriate data to be submitted will be provided in the application.

(b) *Use of statistics on boundaries.* The boundary of an urban area nominated for designation as an Empowerment Zone or Enterprise Community must coincide with the boundaries of census tracts, or, where tracts are not defined, with block numbering areas.

§ 597.102 Tests of pervasive poverty, unemployment and general distress.

(a) *Pervasive poverty.* Pervasive poverty shall be demonstrated by the nominating entities by providing evidence that:

- (1) Poverty is widespread throughout the nominated area; or
- (2) Poverty has become entrenched or intractable over time (through comparison of 1980 and 1990 census data or other relevant evidence); or
- (3) That no portion of the nominated area contains any component areas of an affluent character.

(b) *Unemployment.* Unemployment shall be demonstrated by:

- (1) Data indicating that the weighted average rate of unemployment for the nominated area is not less than the national average rate of unemployment; or

(2) Evidence of especially severe economic conditions, such as military base or plant closings or other conditions which have brought about significant job dislocation within the nominated area.

(c) *General distress.* General distress shall be evidenced by describing adverse conditions within the nominated urban area other than those of pervasive poverty and unemployment. A high incidence of crime, narcotics use, homelessness, abandoned housing, and deteriorated infrastructure or substantial population decline, are examples of appropriate indicators of general distress.

§ 597.103 Poverty rate.

(a) *General.* The poverty rate shall be established in accordance with the following criteria:

- (1) In each census tract within a nominated urban area, the poverty rate shall be not less than 20 percent;
- (2) For at least 90 percent of the population census tracts within the nominated urban area, the poverty rate shall not be less than 25 percent; and
- (3) For at least 50 percent of the population census tracts within the nominated urban area, the poverty rate shall be not less than 35 percent.

(b) *Special rules relating to the determination of poverty rate.* (1) *Census Tracts with no population.* Census tracts with no population shall be treated as having a poverty rate which meets the standards of paragraphs (a)(1) and (2) of this section, but shall be treated as having a zero poverty rate for purposes of applying paragraph (a)(3) of this section.

(2) *Census tracts with populations of less than 2,000.* A population census tract which has a population of less than 2,000 shall be treated as having a poverty rate which meets the requirements of paragraphs (a)(1) and (a)(2) of this section if more than 75 percent of the tract is zoned for commercial or industrial use.

(3) *Adjustment of poverty rates for Enterprise Communities.* Where necessary to carry out the purposes of this part, the Secretary may adjust by 5 percentage points one of the following thresholds for not more than 10 percent of the census tracts, or, if fewer, five population tracts in the nominated urban area:

- (i) The 20 percent threshold in paragraph (a)(1) of this section;
- (ii) The 25 percent threshold in paragraph (a)(2) of this section; and
- (iii) The 35 percent threshold in paragraph (a)(3) of this section; Provided that, the Secretary may in the alternative reduce the 35 percent threshold by 10 percentage points for three population census tracts.

(4) *Rounding up of percentages.* In making the calculations required by this section, the Secretary shall round all fractional percentages of one-half percent or more up to the next highest whole percentage figure.

(c) *Noncontiguous areas.* A nominated urban area may not contain a noncontiguous parcel unless such parcel separately meets the criteria set forth at paragraphs (a)(1), (2), and (3) of this section.

(d) *Areas not within census tracts.* In the case of an area which does not have population census tracts, the block numbering area shall be used.

Subject C—Nomination Procedure

§ 597.200 Nominations by State and local governments.

(a) *Nomination criteria.* One or more local governments and the State or States in which an urban area is located may nominate such area for designation as an Empowerment Zone and/or as an Enterprise Community, if:

(1) The urban area meets the requirements for eligibility set forth in §§ 597.101 and 597.102;

(2) The urban area is within the jurisdiction of a State or States and local government(s) that have the authority to nominate the urban area for designation and that provide written assurances satisfactory to the Secretary that the strategic plan described in paragraph (c) of this section will be implemented;

(3) All information furnished by the nominating State(s) and local government(s) is determined by the Secretary to be reasonably accurate; and

(4) The State(s) and local government(s) certify that no portion of the area nominated is already included in an Empowerment Zone or Enterprise Community or in an area otherwise nominated to be designated under this section.

(b) *Nomination for designation.* No urban area may be considered for designation pursuant to subpart D of this part unless the nomination for designation:

(1) Demonstrates that the nominated urban area satisfies the eligibility criteria set forth at § 597.100;

(2) Includes a strategic plan, as described in paragraph (c) of this section; and

(3) Includes such other information as may be required by HUD in the application or in a Notice Inviting Applications, to be published in the Federal Register.

(c) *Strategic plan.* Each application for designation must be accompanied by a strategic plan, which must be developed in accordance with four key principles, which will also be utilized to evaluate the plan. These principles are:

(1) *Economic opportunity,* including job creation within the community and throughout the region, as well as entrepreneurial initiatives, small business expansion and training for jobs that offer upward mobility;

(2) *Sustainable Community Development,* to enhance the creation of livable and vibrant communities through comprehensive approaches that coordinate economic, physical, community and housing development;

(3) *Community Based Partnerships,* involving the participation of all segments of the community, including

(b) Political and governmental structure, community groups, health and social service groups.

(c) Environmental groups, religious organizations, the police and fire departments, unions of working and other community institutions, and

(9) Strategic vision for change, which identifies what the community will become and a strategic map for

implementation. The vision should build on assets and expenditures; responses to community needs in a comprehensive fashion. It should also set goals and performance benchmarks for measuring progress and establish a framework for evaluating and adjusting the implementation plan.

(2) Elements of strategic plan. The strategic plan should:

(1) Indicate and briefly describe the specific groups, organizations, and individuals participating in the production of the plan and describe the history of these groups in the community;

(2) Explain how participants were selected and provide evidence that the participants, taken as a whole, broadly represent the racial, cultural and economic diversity of the community;

(3) Describe the role of the participants in the creation, development and future implementation of the plan;

(4) Identify two or three topics addressed in the plan that contain the most serious discrepancies among participants and describe how those discrepancies were resolved;

(5) Explain how the community participated in choosing the area to be nominated and why the area was nominated;

(6) Provide evidence that key participants have the capacity to implement the plan;

(7) Provide a brief explanation of the community's vision for resolving the area;

(8) Explain how the vision creates economic opportunity, encourages self-sufficiency and promotes sustainable community development;

(9) Identify key needs of the area and the current barriers to achieving the vision for it, including a description of poverty and general distress, barriers to economic opportunity and development and barriers to human development;

(10) Discuss how the vision is related to the assets and needs of the area and its surroundings;

(11) Describe the ways in which the community's approach to economic development, social/human services, transportation, housing, sustainable community development, public safety, drug abuse prevention, and educational

and environmental concerns will be addressed in a coordinated fashion, and explain how these strategies support the community's vision.

(12) Indicate how all Social Services Grant Grant Funds for development and Environmental EZ/EC SSBC funds will be utilized.

(A) In doing so, the strategic plan shall provide the following information:

(A) A commitment by the applicant, as well as by the participating State, chartered economic development corporation or State government and local governments, that the EZ/EC SSBC funds will be used to supplement, not replace, other Federal or non-Federal funds available for financing for services or activities which can be used to achieve or maintain the goals outlined in paragraph (d)(12) of this section;

(B) A description of the activities that will administer the EZ/EC SSBC funds;

(C) A certification by each entity that they will provide periodic reports on the use of the EZ/EC SSBC funds;

(D) A detailed description of all the activities to be financed with the EZ/EC SSBC funds and how all such funds will be allocated;

(E) The EZ/EC SSBC funds must be used to achieve or maintain the following goals. The goals may be achieved by undertaking one or more of the following program options:

(A) The goal of economic self-support to prevent, reduce or eliminate dependence, through one or more of the following program options:

(1) Providing community and economic development services focused on disadvantaged adults and youths, including skills training, transportation services and job, housing, business, and financial management counseling;

(2) Supporting programs that promote home ownership, education or other routes to economic independence for low-income families, youths, and other individuals;

(3) Assisting in the provision of emergency and transitional shelter for disadvantaged families, youths, and other individuals;

(B) The goal of self-sufficiency, including reduction or prevention of dependence, through one or more of the following program options:

(1) Providing assistance to non-profit organizations and/or community and junior colleges that provide disadvantaged adults and youths with opportunities for short-term training courses in entrepreneurship and self-employment skills and other training that promotes individual self-

sufficiency, and the subject of the community's vision.

(2) Funding programs to provide disadvantaged adults and youths in metropolitan areas with housing, transportation, rehabilitation or job training opportunities and community public recreational and community centers and

(3) The goal of preservation or improvement of the natural, urban or rural character of children and/or adults unable to protect their own interests, and the goal of preservation, rehabilitation, or restoring of families, through one or more of the following program options:

(1) Providing support for residential or professional drug and alcohol prevention and treatment programs that offer comprehensive services for pregnant women, and mothers and their children;

(2) Benefiting programs that provide activities other than school hours, including keeping school buildings open during evenings and weekends for mentor and study programs;

(3) Designated Employment Zones and Enterprise Communities may want to achieve or maintain the goals outlined in paragraphs (d)(12)(A) and (B) of this section by using EZ/EC SSBC funds to capitalize revolving or micro-enterprise loan funds which benefit low-income residents of the Designated Employment Zones and Enterprise Communities. Similarly, the Zones and Communities may want to achieve or maintain the goals outlined in paragraphs (d)(12)(A) and (B) of this section by using the EZ/EC SSBC funds to create jobs and promote economic opportunity for low-income families and individuals through matching grants, loans, or investments in community development financial institutions.

(4) If the EZ/EC SSBC funds are to be used for program options not included in paragraph (d)(12)(A) of this section, the strategic plan must indicate how the proposed activities meet the goals set forth in paragraph (d)(12)(A) of this section and the reasons the approved program options were not pursued.

(5) To the extent that the EZ/EC SSBC funds are to be used for the program options included in paragraph (d)(12)(A) of this section, they may be used for the following activities, in addition to those activities permitted by Section 2005 of the Social Security Act (42 U.S.C. 1490d):

(A) To purchase or improve land or facilities;

(B) To make cash payments to individuals for subsistence or room and board;

(C) To make cash payments to individuals for subsistence or room and board;

(D) To make cash payments to individuals for subsistence or room and board;

(E) To make cash payments to individuals for subsistence or room and board;

(F) To make cash payments to individuals for subsistence or room and board;

(G) To make cash payments to individuals for subsistence or room and board;

(C) To make wage payments to individuals as a social service;

(D) To make cash payments for medical care; and

(E) To provide social services to institutionalized persons.

(vi) The State must obligate the EZ/EC SSBG funds in accordance with the strategic plan within 2 years from the date of payment to the State, or remit the unobligated funds to the Secretary of Health and Human Services (HHS).

(vii) The strategic plan must indicate how all the EZ/EC SSBG funds will be invested and used for the period of designation of the Empowerment Zone or Enterprise Community.

(viii) The strategic plan must provide for periodic reporting of information by the State in which the Empowerment Zone or Enterprise Community is located.

(ix) Indicate how tax benefits for designated Zones and Communities, State and local resources, existing Federal resources available to the locality and additional Federal resources believed necessary to implement the strategic plan will be utilized within the Empowerment Zone or Enterprise Community.

(x) Indicate a level of commitment necessary to ensure that these resources will be available to the area upon designation.

(xi) Identify the Federal resources available for or for which applications are pending. If a strategic plan indicates how Community Development Block Grant (CDBG), HOME, Emergency Shelter Grant, and Housing Opportunities for People with AIDS (HOPWA) funds will be expended (for the entire locality including the nominated area), the strategic plan will be considered by the Office of Community Planning and Development at HUD toward satisfying the consolidated planning requirements that will soon be issued for these programs.

(xii) Identify private resources and support, including assistance from business, non-profit organizations and foundations, which are available to be leveraged with public resources; and provide assurances that these resources will be made available to the area upon designation.

(xiii) Identify changes necessary to Federal rules and regulations necessary to implement the plan, including specific paperwork or other Federal program requirements that must be changed to permit effective implementation of the strategic plan.

(xiv) Identify specific regulatory and other impediments to implementing the strategic plan for which waivers are

requested, with appropriate citations and an indication whether waivers can be accomplished administratively or require statutory changes;

(xv) Demonstrate how State and local governments will reinvent themselves to help implement the plan, by identifying changes that will be made in State and local organizations, processes and procedures, including laws and ordinances.

(xvi) Explain how different agencies in State and local governments will work together in new responsive ways to implement the strategic plan.

(xvii) Identify the specific tasks and timetable necessary to implement the plan.

(xviii) Describe the partnerships that will be established to carry out the plan.

(xix) Explain how the plan will be regularly revised to reflect new information and opportunities; and

(xx) Identify benchmarks and goals that should be used in evaluating performance in implementing the plan.

(c) *Prohibition against business relocation.* The strategic plan may not include any action to assist any establishment in relocating from one area outside the nominated urban area to the nominated urban area, except that assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary is permitted if:

(1) The establishment of a new branch, affiliate, or subsidiary will not result in a decrease in employment in the area of original location or in any other area where the existing business entity conducts business operations; and

(2) There is no reason to believe that the new 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 the existing business entity conducts business operations.

(d) *Implementation of strategic plan.* The strategic plan may be implemented by the local government(s) and/or by the State(s) nominating an urban area for designation and/or by nongovernmental entities identified in the strategic plan. Activities included in the plan may be funded from any source, Federal, State, local, or private, which provides assistance in the nominated area.

(e) *Activities included in strategic plan.* A strategic plan may include, but is not limited to, activities which address or

(1) Economic problems, through measures designed to create job training and employment opportunities; support

for business start-up or expansion; or development of community institutions;

(2) Human concerns, through the provision of social services, such as rehabilitation and treatment programs or the provision of training, education, or other services within the affected area;

(3) Community needs, such as the expansion of housing stock and homeownership opportunities; efforts to reduce homelessness; efforts to promote fair housing and equal opportunity; efforts to reduce and prevent crime and improve security in the area; and

(4) Physical improvements, such as the provision or improvement of recreational areas, transportation or other public services within the affected area, and improvements to the infrastructure and environmental protection.

§ 597.201 Evaluating the strategic plan.

The strategic plan will be evaluated for effectiveness as part of the designation process for nominated urban areas described in § 597.301. On the basis of this evaluation, HUD may negotiate reasonable modifications of the strategic plan or of the boundaries of a nominated urban area or the period for which such designation shall remain in full effect. The effectiveness of the strategic plan will be determined in accordance with the four key principles set forth in § 597.200(c). HUD will review each plan submitted in terms of the four equally weighted key principles, and of such other elements of these key principles as are appropriate to address the opportunities and problems of each nominated area, which may include:

(a) *Economic opportunity.* (1) The extent to which businesses, jobs, and entrepreneurship increase within the Zone or Community.

(2) The extent to which residents will achieve a real economic stake in the Zone or Community.

(3) The extent to which residents will be employed in the process of implementing the plan and in all phases of economic and community development.

(4) The extent to which residents will be linked with employers and jobs throughout the entire region or metropolitan area, and the way in which residents will receive training, assistance, and family support to become economically self-sufficient.

(5) The extent to which economic revitalization in the Zone or Community interrelates with the broader regional or metropolitan economies; and

(6) The extent to which lending and investment opportunities will increase within the Zone or Community through

the establishment of mechanisms to encourage community investment and to create new economic growth.

(b) *Sustainable Community Development.* (1) *Consolidated planning.* The extent to which the plan is part of a larger strategic community development plan for the nominating locality and is consistent with broader regional development strategies;

(2) *Public safety.* The extent to which strategies such as community policing will be used to guarantee the basic safety and security of persons and property within the Zone or Community;

(3) *Amenities and design.* The extent to which the plan considers issues of design and amenities that will foster a sustainable community, such as open spaces, recreational areas, cultural institutions, transportation, energy, land and water uses, waste management, environmental protection, and the quality of life in the community;

(4) *Sustainable development.* The extent to which economic development will be achieved in a manner that protects public health and the environment;

(5) *Supporting families.* The extent to which the strengths of families will be supported so that parents can succeed at work, provide nurture in the home, and contribute to the life of the community;

(6) *Youth development.* The extent to which the development of children, youth, and young adults into economically productive and socially responsible adults will be promoted, and the extent to which young people will be provided with the opportunity to take responsibility for learning the skills, discipline, attitude, and initiative to make work rewarding;

(7) *Education goals.* The extent to which schools, religious institutions, non-profit organizations, for-profit enterprises, local governments and families will work cooperatively to provide all individuals with the fundamental skills and knowledge they need to become active participants and contributors to their community, and to succeed in an increasingly competitive global economy;

(8) *Affordable Housing.* The extent to which a housing component, providing for adequate safe housing and ensuring that all residents will have equal access to that housing is contained in the strategic plan;

(9) *Drug Abuse.* The extent to which the plan addresses levels of drug abuse and drug related activity through the expansion of drug treatment services, drug law enforcement initiatives and community based drug abuse education programs;

(10) *Equal opportunity.* The extent to which the plan offers an opportunity for diverse residents to participate in the rewards and responsibilities of work and service. The extent to which the plan ensures that no business within a nominated Zone or Community will directly or through contractual or other arrangements subject a person to discrimination on the basis of race, color, national origin, gender or disability in its employment practices, including recruitment, recruitment advertising, employment, layoff, termination, upgrading, demotion, transfer, rates of pay or other forms of compensation, or use of facilities.

(c) *Community-Based Partnerships.* (1) *Community partners.* The extent to which residents of the nominated area have participated in the development of the strategic plan and their commitment to implementing it, and the extent to which community-based organizations in the nominated area have participated in the development of the plan and their record of success measured by their achievements and support for undertakings within the nominated area; and the extent to which the plan integrates the local educational, social, civic, environmental and health organizations and reflects the prominent place that these institutions play in the life of a revitalized community;

(2) *Private and non-profit organizations as partners.* The extent to which partnership arrangements include commitments from private and non-profit organizations, including corporations, utilities, banks and other financial institutions, and educational institutions supporting implementation of the strategic plan;

(3) *State and local government partners.* The extent to which State and local governments are committed to providing support to implement the strategic plan, including their commitment to "reinventing" their roles and coordinating programs to implement the strategic plan; and

(4) *Permanent implementation and evaluation structure.* The extent to which a responsible and accountable implementation structure or process has been created to ensure that the plan is successfully carried out and that improvements are made throughout the period of the Zone or Community's designation and the extent to which the partners agree to be bound by their commitments;

(d) *Strategic vision for change.* (1) *Goals and Coordinated strategy.* The extent to which the strategic plan reflects a projection for the community's revitalization which links economic, human, physical, community

development and other activities in a mutually reinforcing, synergistic way to achieve ultimate goals;

(2) *Creativity and innovation.* The extent to which the activities proposed in the plan are creative, innovative and promising and will promote the civic spirit necessary to revitalize the nominated area;

(3) *Building on assets.* The extent to which the vision for revitalization realistically addresses the needs of the nominated area in a way that takes advantage of its assets;

(4) *Benchmarks and learning.* The extent to which the plan includes performance benchmarks for measuring progress in its implementation, including an on-going process for adjustments, corrections and building on what works.

§ 597.202 Submission of nominations for designation.

(a) *General.* A nomination for designation as an Empowerment Zone and/or Enterprise Community must be submitted for each urban area for which such designation is requested. The nomination shall be submitted in a form to be prescribed by HUD in the application and in the Notice Inviting Applications published in the Federal Register, and must contain complete and accurate information.

(b) *Certifications.* Certifications must be submitted by the State(s) and local government(s) requesting designation stating that:

(1) The nominated urban area satisfies the boundary tests of § 597.106(d);

(2) The nominated urban area is one of pervasive poverty, unemployment and general distress, as prescribed by § 597.102;

(3) The nominated urban area satisfies the poverty rate tests set forth in § 597.103;

(4) The nominated urban area contains no portion of an area that is either already designated as an Empowerment Zone and/or Enterprise Community, or is otherwise included in any other area nominated for designation as an Empowerment Zone and/or Enterprise Community;

(5) Each nominating governmental entity has the authority to:

(i) Nominates the urban area for designation as an Empowerment Zone and/or Enterprise Community;

(ii) Make the State and local commitments required by § 597.200(d); and

(iii) Provide written assurances satisfactory to the Secretary that these commitments will be met.

(6) Provide assurances that the amounts provided to the State for the

area under Section 2007 of Title XX of the Social Security Act will not be used to supplant Federal or non-Federal funds for services and activities which promote the purposes of Section 2007;

(7) Provide that the nominating governments or corporations agree to make available all information requested by HUD to aid in the evaluation of progress in implementing the strategic plan and reporting on the use of Empowerment Zone/Enterprise Community Social Service Block Grant funds; and

(8) Provide assurances that the nominating State(s) agrees to distribute the Empowerment Zone/Enterprise Community Social Service Block Grant funds in accordance with the strategic plan submitted for the designated Zone or Community.

(c) *Maps and area description.* Maps and a general description of the nominated urban area shall accompany the nomination request.

Subpart D—Designation Process

§ 597.300 HUD action and review of nominations for designation.

(a) *Establishment of submission procedures.* HUD will establish a time period and procedures for the submission of nominations for designation as Empowerment Zones or Enterprise Communities, including submission deadlines and addresses, in a Notice Inviting Applications, to be published in the Federal Register.

(b) *Acceptance for processing.* (1) HUD will accept for processing those nominations for designation as Empowerment Zones or Enterprise Communities which HUD determines have met the criteria required by this Part. HUD will notify the State(s) and local government(s) whether or not the nomination has been accepted for processing. The criteria for acceptance for processing are as follows:

(2) The nomination for designation as an Empowerment Zone or Enterprise Community must be received by HUD on or before the time on the date established by the Notice Inviting Applications published in the Federal Register. The nomination for designation as an Empowerment Zone or Enterprise Community must be complete and must be accompanied by a strategic plan, as required by § 597.200(c), and the certifications required by § 597.202(b).

(c) *Evaluation of nominations.* In the process of reviewing each nomination accepted for processing, HUD may undertake a site visit(s) to any nominated area to aid in the process of designation.

(d) *Modification of the strategic plan, boundaries of nominated urban areas, and/or period during which designation is in effect.* Subject to the limitations imposed by § 597.100, HUD may negotiate reasonable modifications of the strategic plan, the proposed boundaries of a nominated urban area, or the term for which a designation is to remain in full effect, to ensure maximum efficiency and fairness in the provision of assistance to such areas.

(e) *Publication of designations.* Announcements of those nominated urban areas designated as Empowerment Zones or Enterprise Communities will be made by publication of a Notice in the Federal Register.

§ 597.301 Selection factors for designation of nominated urban areas.

(a) *Selection factors.* In choosing among nominated urban areas eligible for designation, the Secretary shall consider:

(1) The effectiveness of the strategic plan in accordance with the key principles and evaluative criteria set out in § 597.201;

(2) The effectiveness of the assurances made pursuant to § 597.200(a)(2) that the strategic plan will be implemented;

(3) The extent to which an application proposes activities that are creative and innovative in comparison to other applications; and

(4) Such other factors established by HUD. Such factors include, but are not limited to, the degree of need demonstrated by the nominated area for assistance under this part. If other factors are established by HUD, a Federal Register notice will be published identifying such factors, along with an extension of the application due date if necessary.

(b) *Geographic diversity.* HUD, in its discretion, may choose to select for designation a lower rated approvable application over a higher rated application in order to increase the level of geographic diversity of designations approved under this part.

§ 597.302 Number of Empowerment Zones and Enterprise Communities designated.

(a) *Empowerment Zones.* HUD will designate up to six of the nominated urban areas as Empowerment Zones, provided: that if six such zones are so designated, no less than one shall be designated in an urban area the most populous city of which has a population of 500,000 or less and no less than one shall be a nominated urban area which includes areas in two States and which has a population of 50,000 or less.

(b) *Enterprise Communities.* HUD will designate up to 65 of the nominated

urban areas not designated Empowerment Zones under paragraph (a) of this section as Enterprise Communities.

Subpart E—Post-Designation Requirements

§ 597.400 Reporting.

HUD will require periodic reports for the Empowerment Zones and Enterprise Communities designated pursuant to this part. These reports will identify the community, local government and State actions which have been taken in accordance with the strategic plan. In addition to these reports, such other information relating to designated Empowerment Zones and Enterprise Communities as HUD shall request from time to time, including information documenting nondiscrimination in hiring and employment by businesses, within the designated Empowerment Zone or Enterprise Community, shall be submitted promptly.

§ 597.401 Periodic performance reviews.

HUD will regularly evaluate the progress of the strategic plan in each designated Empowerment Zone and Enterprise Community on the basis of performance reviews to be conducted on site and other information submitted. HUD will also commission evaluations of the Empowerment Zone program as a whole by an impartial third party, at such intervals as HUD may establish.

§ 597.402 Validation of designation.

(a) *Reevaluation of designations.* On the basis of the performance reviews described in § 597.401, and subject to the provisions relating to the revocation of designation appearing at § 597.403, HUD will make findings on the continuing eligibility for and the validity of the designation of any Empowerment Zone or Enterprise Community. Determinations of whether any designated Empowerment Zone or Enterprise Community remains in good standing shall be promptly communicated to all Federal agencies providing assistance or administering programs under which assistance can be made available in such Zone or Community.

(b) *Modification of designation.* Based on an urban area's success in carrying out its strategic plan, and subject to the provisions relating to revocation of designation appearing at § 597.403 and the requirements as to the number, maximum population and other characteristics of urban Empowerment Zones set forth in § 597.3, the Secretary may modify designations by reclassifying urban Empowerment

Zones as Enterprise Communities or Enterprise Communities as Empowerment Zones.

§ 597.403 Revocation of designation.

(a) *Basis for revocation.* The Secretary may revoke the designation of an urban area as an Empowerment Zone or Enterprise Community if the Secretary determines, on the basis of the periodic performance review described at § 597.401, that the State(s) or local government(s) in which the urban area is located:

- (1) Has modified the boundaries of the area;
- (2) Has failed to make progress in achieving the benchmarks set forth in the strategic plan; or
- (3) Has not complied substantially with the strategic plan.

(b) *Letter of warning.* Before revoking the designation of an urban area as an Empowerment Zone or Enterprise Community, the Secretary will issue a letter of warning to the nominating State(s) and local government(s):

- (1) Advising that the Secretary has determined that the nominating local government(s) and/or State(s) has:
 - (i) Modified the boundaries of the area; or

- (ii) Is not complying substantially with, or has failed to make progress in achieving the benchmarks set forth in the strategic plan prepared pursuant to § 597.204(d); and

- (2) Requesting a reply from all involved parties within 90 days of the receipt of this letter of warning.

(c) *Notice of revocation.* After allowing 90 days from the date of receipt of the letter of warning for response, and after making a determination pursuant to paragraph (a) of this section, the Secretary may issue a final notice of revocation of the designation of the urban area as an Empowerment Zone or Enterprise Community.

(d) *Notice to affected Federal agencies.* HUD will notify all affected Federal agencies providing assistance in an urban Empowerment Zone or Enterprise Community of its determination to revoke any designation pursuant to this section or to modify a designation pursuant to § 597.402(b).

Subpart F—Special Rules

§ 597.500 Indian Reservations.

No urban Empowerment Zone or Enterprise Community may include any area within an Indian reservation.

§ 597.501 Governments.

If more than one State or local government seeks to nominate an urban area under this part, any reference to or requirement of this part shall apply to all such governments.

§ 597.502 Nominations by economic development corporations or the District of Columbia.

Any urban area nominated by an Economic Development Corporation chartered by the State in which it is located or by the District of Columbia shall be treated as nominated by a State and local government.

§ 597.503 Use of census data.

Population and poverty rate data shall be determined by the most recent decennial census data available.

Dated December 2, 1994

Andrew Cuomo,
Assistant Secretary for Community Planning
and Development

[FR Doc. 95-734 Filed 1-11-95, 8:45 am]

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Final Rules and Regulations

Department of Agriculture

Designation of Rural Empowerment
Zones and Enterprise Communities

Rules and Regulations

Federal Register

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Monday, February 6, 1995

This section of the FEDERAL REGISTER contains regulatory documents having general applicability and legal effect, most of which are keyed to and codified in the Code of Federal Regulations, which is published under 50 titles pursuant to 44 U.S.C. 1510.

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DEPARTMENT OF AGRICULTURE

Office of the Secretary

7 CFR Part 25

RIN 0603-AA09

Designation of Rural Empowerment Zones and Enterprise Communities

AGENCY: Office of the Secretary, USDA.
ACTION: Final rule.

SUMMARY: This final rule implements that portion of Subchapter C, Part I (Empowerment Zones, Enterprise Communities and Rural Development Investment Areas) of Title XIII of the Omnibus Budget Reconciliation Act of 1993 (Pub. L. 103-66, approved August 10, 1993) dealing with the designation of rural Empowerment Zones and Enterprise Communities. This rule authorizes the Secretary of Agriculture (USDA) to designate not more than three (3) rural Empowerment Zones and not more than thirty (30) rural Enterprise Communities based upon the effectiveness of the strategic plan submitted by an applicant and nominated by a State or States and local governments.

The purpose of this program is to empower rural communities and their residents to create jobs and opportunities to build for tomorrow as part of a Federal-State-local and private-sector partnership. Businesses will be encouraged to invest and create jobs in distressed areas, and comprehensive local strategic plans are to be adopted and implemented, encouraging entrepreneurship, furthering local self-development and assisting in the revitalization of these areas.

EFFECTIVE DATE: March 8, 1995.

FOR FURTHER INFORMATION CONTACT: Sandi Brewster-Walker, Deputy Administrator, Rural Business and Cooperative Development Service, Reporters Building, Room 701, 300 7th

Street, SW, Washington, DC 20024, telephone 1-800-845-4712, or by sending an Internet Mail message to: ezecdir.rurdev.usda.gov.

SUPPLEMENTARY INFORMATION:

Paperwork Reduction Act

No new data collection or record keeping requiring Office of Management and Budget (OMB) approval under the Paperwork Reduction Act of 1980 are included in this final rule. The reporting and record keeping burden associated with this rule is approved by the Office of Management and Budget under OMB No. 2506-0148.

I. Background

The Empowerment Zones program confers upon rural distressed American communities the opportunity to take effective action to create jobs and opportunities. The program combines tax benefits with substantial investment of Federal resources and enhanced coordination among Federal agencies.

All communities which complete the nomination process will be strengthened by it; gaining by taking stock of their assets and problems, by creating a vision of a better future, and by structuring a plan for achieving their vision. Local partnerships among community residents, businesses, financial institutions, service providers, neighborhood associations and State and local governments will be formed or strengthened by going through the application process. Communities will be afforded an opportunity to work with these partners in the creation and implementation of a community-based strategic plan.

Communities that were not designated as Empowerment Zones or Enterprise Communities are eligible for certain benefits. Under a separate program directed by the Department of Housing and Urban Development, Community Development Corporations (CDCs) nominated by the locality, or the applicant for the Empowerment Zone or Enterprise Community, will be considered eligible for designation to receive tax preferred contributions from donors. HUD has committed to designating eight rural CDCs for this program. Communities with innovative visions for change will be considered for requested waivers of Federal program regulations, flexible use of existing program funds, and cooperation in

meeting essential mandates, even if they did not receive a designation by the Secretary as an Empowerment Zone or Enterprise Community.

Communities that are designated as Enterprise Communities receive a number of benefits. Enterprise Communities are eligible for new Tax-Exempt Facilities Bonds for certain private business activities. States with designated Communities will receive Empowerment Zone/Enterprise Community Social Service Block Grants (EZ/EC SSBG) in the amount of approximately \$3 million for each rural Enterprise Community to pass through to each designated area for approved activities identified in the strategic plans. Enterprise Communities receive special consideration in competition for funding under numerous Federal programs, including the new National Service and Community Policing initiatives. The Federal Government will focus special attention on working cooperatively with designated Enterprise Communities to overcome regulatory impediments, to permit flexible use of existing Federal funds, and to assist these Communities in meeting essential mandates.

Communities that are designated as Empowerment Zones receive all of the benefits provided to Enterprise Communities, in addition to other benefits. States with designated rural Empowerment Zones will receive Empowerment Zone/Enterprise Community Social Service Block Grants in the amount of \$40 million for each rural Empowerment Zone. Employer Wage Credits for Empowerment Zone residents are provided to qualified employers engaged in trade, business, or human service delivery in designated Empowerment Zones. Businesses are afforded an increased deduction under section 179 of the Internal Revenue Code for qualified investments.

The rural part of the program will be administered by USDA as a Federal-State-local-private partnership, with a minimum of red tape associated with the application process. Applicants must demonstrate the ability to design and implement an effective strategic plan for real opportunities for growth and revitalization, that deal with local problems in a comprehensive way, and must demonstrate the capacity or the commitment to carry out these plans. Development of an effective plan must

also involve the participation of the community affected by the nomination of the rural area, and of the private sector, acting in concert with the State and local governments. The plan should be developed in accordance with four key principles, which will also serve as the basis for the selection criteria that will be used to evaluate the plan. These key principles reflect the Secretary's intention that Empowerment Zones and Enterprise Community designations should be based on potential for successful economic and community revitalization as reflected in the strategic planning process, participants in the plan, and the quality of the plan. Poverty, unemployment, and other need factors are crucial in determining eligibility for Empowerment Zone or Enterprise Community status, but play a less significant role in the selection process. The four key principles are:

(1) Economic opportunity, including job creation within the community and throughout the region, entrepreneurial initiatives, small business expansion, and training for jobs that offer upward mobility;

(2) Sustainable community development, to advance the creation of livable and vibrant communities through comprehensive approaches that coordinate economic, physical, environmental, community and human development;

(3) Community-based partnerships, involving participation of all segments of the community, including the political and governmental leadership, community groups, health and social service groups, environmental groups, religious organizations, the private and non-profit sectors, centers of learning, other community institutions, and individual citizens; and

(4) Strategic vision for change, which identifies what the community will become and a strategic map for revitalization. The vision should build on assets and coordinate a response to community needs in a comprehensive fashion. It should also set goals and performance benchmarks for measuring progress and establish a framework for evaluating and adjusting the revitalization plan.

State and local governments and economic development corporations that are state chartered may nominate distressed rural areas for designation as Empowerment Zones (which will also permit their consideration for designation as Enterprise Communities), or solely for designation as Enterprise Communities.

Title XIII of the Omnibus Reconciliation Act of 1993 included

Empowerment Zones and Enterprise Communities as a new program.

II. Program Description

General

Pursuant to Title XIII of the Omnibus Reconciliation Act of 1993, the Secretary of USDA may designate up to three rural Empowerment Zones and up to thirty rural Enterprise Communities.

Eligibility

To be eligible for designation as a rural Empowerment Zone or Enterprise Community an area must:

- (1) Have a maximum population of 30,000;
- (2) Be one of pervasive poverty, unemployment, and general distress;
- (3) Not exceed one thousand square miles in total land area;
- (4) Demonstrate a poverty rate that is not less than:
 - (a) 20 percent in each census tract or census block numbering area (BNA);
 - (b) 25 percent in 90 percent of the population census tracts and BNAs within the nominated area;
 - (c) 35 percent for at least 50 percent of the population census tracts and BNAs within the nominated area;
- (5) Be located entirely within no more than three contiguous States; if it is located in more than one State, the area must have one continuous boundary; if located in only one State, the area may consist of no more than three noncontiguous parcels;
- (6) If the nominated area consists of noncontiguous parcels, each must independently meet the three poverty requirements;
- (7) Be located entirely within the jurisdiction of the unit or units of general local government making the nomination;
- (8) Not include any portion of a census-defined central business district unless the poverty rate for each population census tract is at least 35 percent for an Empowerment Zone and 30 percent for an Enterprise Community; and
- (9) Not include any portion of an Indian reservation.

Nomination Process

The law requires that areas be nominated by one or more local governments and the State(s) in which a nominated rural area is located. Nominations can be considered for designation only if:

- (1) The area meets the eligibility requirements set forth in these rules;
- (2) The area is within the jurisdiction of the nominating local government(s) and the State(s);

(3) The local government(s) and State(s) provide assurances that the required strategic plan submitted by the applicant will be implemented;

(4) All information furnished by the nominating local government(s) and State(s) is determined by the Secretary of USDA to be reasonably accurate;

(5) The local government(s) and State(s) certify that no portion of a nominated rural area is already in an Empowerment Zone or Enterprise Community or in an area otherwise nominated for designation; and

(6) The local government(s) and State(s) certify that they possess the legal authority to make the nomination.

The nomination must be accompanied by an application for designation including a strategic plan, which:

(1) Indicates and briefly describes the specific groups, organization and individuals participating in the development of the plan, and describes the history of these groups in the community;

(2) Explains how participants were selected and provides evidence that the participants, taken as a whole, are broadly representative of the racial, cultural and economic diversity of the community;

(3) Describes the role of the participants in the creation and development of the plan and indicates how they will participate in its implementation;

(4) Identifies two or three topics addressed in the plan that caused the most serious disagreements among participants and describes how those disagreements were resolved;

(5) Explains how the community participated in choosing the area to be nominated and why the area was nominated;

(6) Provides evidence that key participants have the capacity or how they will develop the capacity to implement the plan;

(7) Provides a brief explanation of the community's vision for revitalizing the area;

(8) Explains how the vision stimulates economic opportunity, encourages self-sufficiency and promotes sustainable community development;

(9) Identifies key needs of the area and the barriers that restrict the community from achieving its vision, including a description of poverty and general distress, barriers to economic opportunity and development and barriers to human development;

(10) Discusses how the vision is related to the assets and capacities of the area and its surroundings; and

(11) Describes the ways in which the community's approaches to economic

development, social/human services, transportation, housing, sustainable community development, public safety, drug abuse prevention, and educational and environmental concerns will be addressed in a coordinated fashion.

The strategic plan must identify how government resources will be used to support the plan. Specifically, the plan must indicate:

(1) How Social Service Block Grant (SSBG) funds for designated Zones and Communities, tax benefits for designated Zones and Communities, State and local resources, existing Federal resources available to the locality and additional Federal resources believed necessary to implement the strategic plan will be utilized within the Empowerment Zone or Enterprise Community;

(2) The level of commitment necessary to ensure that these resources will be available to the area upon designation; and

(3) The Federal resources being applied for or for which applications are planned.

The plan must identify private resources committed to its implementation, including:

(1) Private resources and support, including assistance from businesses, non-profit organizations and foundations, that are available to be leveraged with public resources; and

(2) Assurances that these resources will be made available to the area upon designation.

The plan must address changes needed in Federal rules and regulations necessary to implement the plan, including:

(1) Specific paperwork or other Federal program requirements that need to be altered to permit effective implementation of the strategic plan; and

(2) Specific regulatory and other impediments to implementing the strategic plan for which waivers are requested, with appropriate citations and an indication whether waivers can be accomplished administratively or require statutory changes.

The plan must demonstrate how State and local governments will reinvent themselves to help implement the plan, by:

(1) Identifying the changes that will be made in State and local organizations, processes and procedures, including laws and ordinances, to facilitate implementation of the plan; and

(2) Explaining how different agencies in State and local governments will work together in new responsive ways to implement the strategic plan.

The plan must provide details as to the manner in which the plan will be implemented and indicate what benchmarks will be used to measure progress, by:

(1) Identifying the specific tasks necessary to implement the plan;

(2) Describing the partnerships that will be established to carry out the plan;

(3) Explaining how the strategic plan will be regularly revised to reflect new information and opportunities; and

(4) Identifying the baselines, benchmarks and goals that will be used in evaluating performance in implementing the plan.

III. Differences Between Final Rule and Interim Rule

This final rule makes appropriate corrections to the January 18, 1994 interim rule. As will be discussed in the following section of this preamble, USDA received several good suggestions and recommendations of matters that the rule should address or expand upon, or terms that should be defined. These changes are largely directed at the nomination process, the eligibility process, the contents of the strategic plans, and evaluations of the strategic plans or policies associated with the use of EZ/EC funds.

The technical changes made by this final rule are largely directed to that section of the rule (§ 25.200(d)) which addresses the use of EZ/EC SSBG funds and therefore are relevant even after the designation process is complete. The following provides a list of editorial/technical changes made to the interim rule by this final rule.

1. In § 25.200 (Nominations by State and local governments), USDA sets forth the procedures for nominations by State and local governments of areas for designation as an Empowerment Zone and/or Enterprise Community. Paragraph (d) of the section addresses the elements of the strategic plan which must be developed as part of the application for designation, and paragraph (d)(12) specifically addresses how the Social Services Block Grant (SSBG) funds for designated Empowerment Zones and Enterprise Communities will be utilized. Several technical errors were made in paragraph (d)(12), and these are as follows:

a. Paragraph (d)(12)(i)(A) discusses the commitment concerning the use of EZ/EC SSBG funds. The rule provides for the commitment to be made by the "applicant as well as by the State government(s)." In this paragraph, USDA inadvertently omitted reference to the full range of nominating entities that would have to make this commitment, and only listed "State

governments." (Note that § 25.501 provides for nomination by States and local governments and § 25.502 provides for nominations by State-chartered economic development corporations.) Accordingly, the final rule corrects this paragraph to include not only State governments, but local governments and State-chartered economic development corporations. The final rule also explains that the "services or activities" referenced in this paragraph are the "services or activities which can be used to achieve or maintain the goals set forth in paragraph (d)(12)."

b. Paragraph (d)(12)(ii) provides, in error, that Empowerment Zone or Enterprise Community SSBG funds (EZ/EC SSBG funds) may be used to achieve certain goals set forth in the paragraph by "undertaking one of the below specified options." The correct wording should provide that States and local governments may undertake "one or more" of the options set forth in the paragraph. One option available to States and local governments for the use of EZ/EC SSBG funds was inadvertently omitted from the interim rule. This option provides for the use of EZ/EC SSBG funds to promote the economic independence of low-income residents, such as capitalizing revolving or micro-enterprise loan funds for their benefit.

c. In paragraph (d)(12)(iii), the interim rule provides that EZ/EC SSBG funds "may" be used to maintain the goals set forth in paragraph (d)(12). The rule should have stated that the EZ/EC SSBG funds "must" be used to maintain the goals set forth in paragraph (d)(12), and that the goals "may be achieved" by undertaking the program options listed in (d)(12)(i).

d. The interim rule inadvertently omitted the paragraph that provides guidance concerning how designated Empowerment Zones and Enterprise Communities may meet the goals specified in paragraph (d)(12). This paragraph does not dictate how the goals may be met, but offers guidance as to how they may be met. This rule makes this correction by adding a new paragraph (iii), and by redesignating the succeeding paragraphs accordingly.

e. In paragraph (d)(12)(v) of the interim rule, the Department provided that the State must obligate EZ/EC SSBG funds in accordance with the strategic plan within two years from the "date of designation of the Empowerment Zone or Enterprise Community." This time frame is incorrect. This paragraph should have provided that the State must obligate funds two years from the date "the funds are paid to the State." This paragraph is also corrected by this

document to add that "funds not obligated must be remitted to the Secretary of Health and Human Services." This sentence was inadvertently dropped in the rule text.

1. Two requirements pertaining to the strategic plan were inadvertently omitted from paragraph (d)(12). One requirement provides that the strategic plan must indicate how the EZ/EC SSBG funds will be invested and used for the period of designation, and the second provides that the strategic plan must provide for periodic reporting of information by the relevant State. These requirements are now set forth in (d)(12)(vii) and (viii).

2. In § 25.401 (Periodic Performance Reviews), USDA sets forth guidelines for evaluation of progress in the implementation of strategic plans. This section is expanded to include responsibilities of implementation entities.

3. Editorial corrections are as follows:

- a. In § 25.300(b)(1) the second sentence is deleted; "and;" is added.
- b. In § 25.302 the numeral "3" is replaced by "three".
- c. In § 25.401 "important" is replaced by "impartial".
- d. In § 25.504 (b) the sentence "On a case basis, the Secretary will grant requests for waiver from the above definition of "rural" upon a showing of good cause", "above" is deleted and "stated in paragraph (2) of this section" is added following the word "rural". In the next sentence, "the above subsection" is deleted and "the definition in paragraph (a) of this section" is added following the word "satisfy".

The designation of Rural Development Administration has been changed to Rural Business and Cooperative Development Service.

IV. The Public Comments

General Comments

The January 18, 1994 interim rule provided for a 30-day public comment period. The public comment period expired on February 17, 1994. Comments, however, were accepted through March 1, 1994. By this date, a total of 36 comments had been received. The commenters consisted of the Federal agencies, labor unions, (insert "private citizens") State and local jurisdictions, state legislators and non-profit organizations. USDA received several good suggestions and recommendations from commenters that will be adopted or considered in any future rulemaking. Other suggestions, although of equal merit, could not be adopted given the current statutory

framework of the EZ/EC Program. Other requests for changes or clarification were determined to be adequately addressed by the January 18, 1994 interim rule. The following provides a summary of the significant issues raised by public commenters and USDA's response to these issues.

Technical Corrections

Comment: Five commenters highlighted inadvertent omissions in the text of the interim rule regarding the use of EZ/EC SSBG funds.

Response: Appropriate corrections were adopted in this final rule.

Business Non-Relocation

Comment: The AFL-CIO makes the point that public funds should not be used to encourage plant relocations from one location to another and that the Federal government should not be a participant in state and local programs which only shift employment from one location to another. The letter called for strengthening regulations by placing the responsibility on the communities to show that relocations did not occur and that jobs created in the community are not at the expense of another location. The following recommendations were made regarding enforcement of the non-relocation provision: (1) Require firms to certify that they did not relocate from another area; (2) require public assistance to firms be paid back if plant relocations occur; (3) require employers to list annual employment at plant locations so that relocations could be monitored. Commenters also recommend revocation of EZ/EC designation if job relocations occur in the approved zones. The final comment sought the addition of labor unions to the list among segments of the community that could form community-based partnerships.

Response: The issue of non-relocation of business received consideration early in the developmental stages of the EZ/EC program. The regulations include a prohibition against business relocation by prohibiting any activity in the strategic plan to assist business relocation to the nominated area from an area outside the nominated area. According to the Empowerment Zone statute (26 U.S.C. 1391 (f)(2)(F)), expansion of an existing business entity is permitted if (1) it will not result in a decrease in employment in any area where the company currently conducts business; and (2) there is no reason to believe that a new branch is being established with the intention of closing down the existing business in another area. The issue of non-relocation can be

dealt with in the monitoring and evaluation process.

Comment: One commenter requested clarification on the issue of relocation of foreign plants/entities to Empowerment Zones or Enterprise Communities.

Response: The statute does not distinguish between foreign and domestic businesses in the prohibition against business relocation.

Comments on Census Data Calculations

Comment: One commenter recommended that where calculations are made to determine eligibility, numbers should be rounded off and in a direction to favor the applicant. This recommendation would allow readjustment of the poverty threshold in the case of less than 10 census tracts and rounding off up to 5 percentage points.

Response: USDA disagrees with the commenter. Section 25.103 b(4) states: "In making the calculations required by this section, the Secretary shall round all fractional percentages of one-half percentage point or more up to the next highest whole percentage point figure". There is no authority for special mathematical rounding of the number of census tracts when there are less than 10 tracts (BNAs) identified.

Comments on Census Tracts and Census Tract Definitions

Comment: Nineteen commenters requested the use of census block data in lieu of census tract data and to broaden the definition of population census tracts.

Response: USDA is unable to adopt the suggestions of the commenters. The statute requires the use of the most recent decennial census data available. The regulations which govern designation of Empowerment Zones and Enterprise Communities (part 25, subpart A, § 25.101(a)) indicate that the data employed to determine eligibility is based on the 1990 Census and from information published by the Bureau of the Census and the Bureau of Labor Statistics. Census tracts or block numbering areas are used to satisfy these requirements. The census data is reported in terms of census tracts or block number areas and not for other graphical units.

Comment: Three commenters indicated that the statutory requirement to limit the area of nominated areas to 20 square miles for urban areas and 1000 square miles for rural areas imposed undue difficulties for many areas of the West and Southwest.

Response: USDA is unable to adopt the suggestions of the commenters. The statute requires the size limitation and

does not permit exclusions as suggested by the commenters.

Comments on the Definition of Rural Area

Comment: Several comments involved the definition of a 'rural area'. The current definition of rural in the regulation excludes communities where predominantly rural populations reside within Metropolitan Areas (MA) or where more than 50 percent of the population resides within a designated Metropolitan Area. Metropolitan Area does not have an exact definition in the Bureau of the Census Dictionary of Geographical Terms. Tracts within MA's are restricted from applying unless they are contiguous to and part of a multicounty application.

Response: No rule changes are required. Statute Section 1393(a)(2)(B) and § 25.504(b) of part 25 give the Secretary sufficient discretionary power to define a rural area.

General Comments on the Rule

Comment: Apparent conflict between the EZ/EC rules and the Cash Management Act of 1990. Concern was expressed that while, under the Cash Management Act, States drawing Federal monies must make expenditures within three days of receipt or pay interest, EZ/EC SSBG funds are transferred to the states to be passed on to the implementing entities and that the State has two years to obligate these funds to the implementing entities.

Response: Department of Health and Human Services has advised that the Cash Management Act does not apply to SSBG funds.

Comment: The Governor of Texas and the Texas Department of Commerce requested that the application deadline be extended to six months from the issue date of the Interim Rule to allow time to prepare comprehensive applications.

Response: USDA disagrees with the commenters. Extension of the deadline would penalize States that have allocated funds and technical assistance in order to meet the June 30, 1994 deadline.

Comment: One commenter stated that the interim rule as a whole did not adequately address the needs of extremely low-income persons.

Response: USDA disagrees with the commenter. The eligibility for designation as an Empowerment Zone or Enterprise Community requires a significant level of poverty, and the strategic plan is required to include various descriptions of how the nominated area would address the need of low-income persons, for example,

through the creation of economic opportunities, home ownership, education or other route to economic independence for low-income families, youth and other individuals. (See § 25.200.)

Comment: One commenter stated that the definition of "State-chartered economic development corporation" was not very clear.

Response: The statute defined this term, and the rule simply incorporated the statutory definition.

Comment: Three commenters stated that the strategic plan principle concerning employment should emphasize job creation for low-income persons. Another commenter stated that the strategic plan principle concerning employment should emphasize job creation for minority businesses.

Response: USDA agrees with the commenters and such emphasis will be considered in future rulemaking that may be necessary for any additional rounds of designations that may be authorized.

Comment: One commenter raised the concern of possible channeling of EDA assistance from Economic Development Districts, which may not qualify the EZ/EC designation, to designated EZ/EC areas.

Response: The intent of the legislation is to provide assistance to distressed communities by encouraging creation of jobs and opportunities for local development as part of a Federal-State-local and private-sector partnership. Although this effort addresses 'local' issues within each community, the context of revitalization applies nationally. Therefore diversion of programmed assistance from one distressed area to the designated EZ/EC communities is not consistent with the purpose of the EZ/EC program.

Comment: One commenter stated that labor union should be added to the list among the segments of the community that could form Community-based Partnerships.

Response: While labor unions were not named specifically, they are included under the regulation. Subpart C (Nomination Procedure) § 25.200 Paragraph (c)(3) states that "Community based partnerships, involve the participation of all segments of the community groups, health and social service groups, environmental groups, religious organizations, the private and non-profit sectors, centers of learning, and other community institutions and individual citizens." The organizations listed are examples of the kinds of partnerships that could be formed by communities.

Comment: One commenter addressed issues related to the use of certain statistics in the determination of applicant eligibility for the EZ/EC program.

Response: These suggestions will be considered in any future rulemaking needed for a new round of designation.

Comment: Two commenters stated that the rule should allow designated communities to use funds and other resources identified in the strategic plans for properties directly adjacent to the boundaries of the designated census tracts.

Response: The regulation is clear on the use of EZ/EC SSBG funds for approved EZ/EC activities identified in the community strategic plans. A issue of this type can be addressed during the approval process.

V. Other Matters

National Environmental Policy Act

This document has been reviewed in accordance with 7 CFR part 1940, subpart G, "Environmental Program." It is the determination of USDA that this action does not constitute a major Federal action significantly affecting the quality of the human environment and in accordance the National Environmental Policy Act of 1969, Pub. L. 91-190, an Environmental Impact Statement is not required.

Executive Order 12866, Regulatory Planning and Review

This rule was reviewed and approved by the Office of Management and Budget as a significant rule, as that term is defined in Executive Order 12866, which was signed by the President on September 30, 1993. The economic analysis required by Executive Order 12866 will be retained in the public file with the Department's Rule Docket Clerk.

Regulatory Flexibility Act

The Secretary, in accordance with the Regulatory Flexibility Act (5 U.S.C. 605(b)), has reviewed this rule before publication and by approving it certifies that the rule will not have a significant economic impact on a substantial number of small entities. The Act is intended to encourage Federal agencies to utilize innovative administrative procedures in dealing with individuals, small businesses, small organizations, and small governmental bodies that would otherwise be unnecessarily adversely affected by Federal regulations. To the extent that this rule affects those entities, its purpose is to reduce any disproportionate burden by providing for the waiver of regulations

and by affording other incentives directed toward a positive economic impact. Therefore, no regulatory flexibility analysis under the Act is necessary.

Executive Order 12611, Federalism

The General Counsel, as the Designated Official under section 6(a) of Executive Order 12611, Federalism, has determined that the policies contained in this rule will not have substantial direct effects on States or their political subdivisions, or the relationship between the Federal Government and the States, or on the distribution of power and responsibilities among the various levels of government. The purpose of this rule is to provide a cooperative atmosphere between the Federal Government and the States and local governments, and to reduce any regulatory burden imposed by the Federal Government that impedes the ability of State and local governments to solve pressing economic, social, and physical problems in their communities.

List of Subjects in 7 CFR Part 25

Community development, Economic development, Empowerment zones, Enterprise communities, Housing, Indians, Intergovernmental relations, Reporting and recordkeeping requirements.

In accordance with the reasons set out in the preamble, title 7, subtitle A, part 25 of the Code of Federal Regulations is revised to read as follows:

1. Title 7, subtitle A is amended by revising part 25 to read as follows:

PART 25—RURAL EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES

Sec.

Subpart A—General Provisions

- 25.1 Applicability and scope.
- 25.2 Objective and purpose.
- 25.3 Definitions.
- 25.4 Secretarial review and designation.
- 25.5 Waivers.

Subpart B—Area Requirements

- 25.100 Eligibility requirements and data usage.
- 25.101 Data utilized for eligibility determinations.
- 25.102 Tests of pervasive poverty, unemployment and general distress.
- 25.103 Poverty rate.

Subpart C—Nomination Procedure

- 25.200 Nominations by State and local governments.
- 25.201 Evaluating the strategic plan.
- 25.202 Submission of nominations for designation.

Subpart D—Designation Process

- 25.300 USDA action and review of nominations for designation.
- 25.301 Selection factors for designation of nominated rural areas.
- 25.302 Number of Rural Empowerment Zones and Enterprise Communities.

Subpart E—Post-Designation Requirements

- 25.400 Reporting.
- 25.401 Periodic performance reviews.
- 25.402 Validation of designation.
- 25.403 Revocation of designation.

Subpart F—Special Rules

- 25.500 Indian reservations.
- 25.501 Governments.
- 25.502 Nominations by economic development corporations.
- 25.503 Use of census data.
- 25.504 Rural areas.

Authority: 5 U.S.C. 301; 26 U.S.C. 1391 et seq.

Subpart A—General Provisions

§ 25.1 Applicability and scope.

(a) *Applicability.* This part establishes policies and procedures applicable to rural Empowerment Zones and Enterprise Communities, authorized under the Omnibus Budget Reconciliation Act of 1993, title XIII, subchapter C, part I (Pub. L. 103-66, approved August 10, 1993), which amended the Internal Revenue Code by adding a new subchapter U, relating to the designation and treatment of Empowerment Zones and Enterprise Communities.

(b) *Scope.* This part contains provisions relating to area requirements, the nomination process for rural Empowerment Zones and rural Enterprise Communities, and the designation of these Zones and Communities by USDA. Provisions dealing with the nominations and designation of urban Empowerment Zones and Enterprise Communities are promulgated by the United States Department of Housing and Urban Development (HUD). USDA and HUD will consult in all cases in which nominated areas possess both rural and urban characteristics and will utilize a flexible approach in determining the appropriate designation.

§ 25.2 Objective and purpose.

The purpose of this part is to provide for the establishment of Empowerment Zones and Enterprise Communities in rural areas, to stimulate the creation of new jobs, particularly for the disadvantaged and long-term unemployed, and to promote revitalization of economically distressed areas, primarily by providing or encouraging:

(a) Coordination of economic, human, community, and physical development plans and related activities at the local level;

(b) Local partnerships fully involving affected communities and local institutions and organizations in developing and implementing a strategic plan for any nominated rural Empowerment Zone or Enterprise Community;

(c) Tax incentives and credits; and

(d) Empowerment Zone/Enterprise Community Social Service Block Grant (EZ/EC SSBG) funds.

§ 25.3 Definitions.

As used in this part—

Applicant means the lead entity that has prepared and will implement the community's strategic plan, pursuant to the provisions of § 25.200(c) of this part, for comprehensive economic, human, community, and physical development within the area; such an entity may include, but is not limited to, state governments, local governments, regional planning agencies, non-profit organizations, community-based organizations, or a partnership of community members and other entities.

Designation means the process by which the Secretary designates rural areas as Empowerment Zones or Enterprise Communities eligible for tax incentives and credits established by subchapter U of the Internal Revenue Code (26 U.S.C. 1391 et seq.), EZ/EC SSBG as established by the Department of Health and Human Services (HHS), and for consideration for programs of Federal assistance.

Empowerment Zone means a rural area so designated by the Secretary pursuant to this part. Up to three such zones may be designated.

Enterprise Community means a rural area so designated by the Secretary pursuant to this part. Up to 30 such communities may be designated.

EZ/EC SSBG Funds means grants made by the Secretary of HHS to States containing Empowerment Zones and Enterprise Communities whose strategic plans are qualified plans as defined in section 13761 of the Omnibus Budget Reconciliation Act of 1993.

Indian reservation means a reservation as defined in section 3(d) of the Indian Financing Act of 1974 (25 U.S.C. 1452(d)) or section 4(10) of the Indian Child Welfare Act of 1978 (25 U.S.C. 1903(10)).

Local government means any county, city, town, township, parish, village, or other general purpose political subdivision of a State, and any combination of these political

subdivisions which is recognized by the Secretary.

Nominated area means an area which is nominated by one or more local governments and the State or States in which it is located for designation pursuant to this part.

Population census tract means a census tract, or, if census tracts are not defined for the area, a block numbering area (BNA).

Poverty means the number of persons listed as being in poverty in the 1990 Census.

Revocation of designation means the process by which the Secretary may revoke the designation of an area as an Empowerment Zone or Enterprise Community pursuant to § 25.403 of this part.

Rural area means any area defined pursuant to § 25.504 of this part.

Secretary means the Secretary of Agriculture.

State means any State in the United States.

Strategic plan means a strategy developed by the applicant, with the participation and commitment of local governments, State government(s), private sector, community members and others, pursuant to the provisions of § 25.200(c) of this part. The plan must include written commitments from the local governments and State(s) that they will adhere to the strategy.

USDA means the U.S. Department of Agriculture.

§ 25.4 Secretarial review and designation.

(a) *Designation.* The Secretary will review applications for the designation of nominated rural areas to determine the effectiveness of the strategic plans submitted by applicants in accordance with § 25.200 of this part. The Secretary will designate up to three rural Empowerment Zones and up to 30 rural Enterprise Communities.

(b) *Period of designation.* The designation of a rural area as an Empowerment Zone or Enterprise Community shall remain in full effect during the period beginning on the date of designation and ending on the earliest of:

- (1) The close of the tenth calendar year beginning or after the date of designation;
- (2) The termination date designated by the State and local governments in their application for nomination; or
- (3) The date the Secretary revokes or modifies the designation, in accordance with § 25.402 or § 25.403 of this part.

§ 25.5 Waivers.

The Secretary may waive any provision of this part in any particular

case subject only to statutory limitations, for good cause, where it is determined that application of the requirement would produce a result adverse to the purpose and objectives of this part.

Subpart B—Area Requirements

§ 25.100 Eligibility requirements and data usage.

Eligibility Criteria. A nominated rural area may be eligible for designation pursuant to this part only if the area:

- (a) Has a maximum population of 30,000;
- (b) Is one of pervasive poverty, unemployment, and general distress, as described in § 25.102 of this part;
- (c) Does not exceed one thousand square miles in total land area;
- (d) Be located entirely within no more than three contiguous States; if it is located in more than one State, the area must have one continuous boundary; if located in only one State, the area may consist of up to three noncontiguous parcels;
- (e) Is located entirely within the jurisdiction of the unit or units of general local government making the nomination;
- (f) Does not include any portion of a central business district, as this term is used in the most recent Census of Retail Trade, unless the individual poverty rate of each population census tract in the district is not less than 35 percent for an Empowerment Zone and 30 percent for an Enterprise Community; and
- (g) Does not include any area within an Indian reservation.

§ 25.101 Data utilized for eligibility determinations.

(a) *Source of data.* The data to be employed in determining eligibility pursuant to the criteria described in § 25.102 of this part shall be based on the 1990 Census, and from information published by the Bureau of Census and the Bureau of Labor Statistics. The data shall be comparable in point or period of time and methodology employed.

(b) *Use of statistics on boundaries.* The boundary of a rural area nominated for designation as an Empowerment Zone or Enterprise Community must coincide with the boundaries of census tracts, or, where tracts are not defined, with block numbering areas.

§ 25.102 Tests of pervasive poverty, unemployment and general distress.

(a) *Pervasive poverty.* Conditions of poverty must be reasonably distributed throughout the entire nominated area. The degree of poverty shall be demonstrated by citing available

statistics on low-income population and levels of public assistance. Poverty is demonstrated by poverty data from the 1990 census.

(b) *Unemployment.* The degree of unemployment shall be demonstrated by the provision of information on the number of persons unemployed, underemployed (those with only a seasonal or part-time job) or discouraged workers (those capable of working but who have dropped out of the labor market—hence are not counted as unemployed), increase in unemployment rate, job loss, plant or military base closing, or other relevant unemployment indicators having a direct effect on the nominated area.

(c) *General distress.* General distress shall be evidenced by describing adverse conditions within the nominated area other than those of pervasive poverty and unemployment. Below average or decline in per capita income, earnings per worker, per capita property tax base, average years of school completed, outmigration and population decline from 1980-1990, and a high or rising incidence of crime, narcotics use, abandoned housing, deteriorated infrastructure, school dropouts and illiteracy are examples of appropriate indicators of general distress. The data and methods used to produce such indicators that are used to describe general distress must all be stated.

§ 25.103 Poverty rate.

(a) *General.* Eligibility of an area on the basis of poverty shall be established in accordance with the following criteria:

- (1) In each census tract within a nominated area, the poverty rate shall be not less than 20 percent; and
- (2) For at least 90 percent of the population census tracts within the nominated area, the poverty rate shall not be less than 25 percent; and
- (3) For at least 50 percent of the population census tracts within the nominated area, the poverty rate shall be not less than 35 percent.

(b) *Special rules relating to the determination of poverty rate.—(1) Census tracts with no population.* Census tracts with no population shall be treated as having a poverty rate that meets the standards of paragraphs (a)(1) and (a)(2) of this section, but shall be treated as having a zero poverty rate for purposes of applying paragraph (a)(3) of this section.

(2) *Census tracts with populations of less than 2,000.* A population census tract with a population of less than 2,000 shall be treated as having a poverty rate that meets the requirements

of paragraphs (a)(1) and (a)(2) of this section if more than 75 percent of the tract is zone for commercial or industrial use.

(3) *Adjustment of poverty rates for Enterprise Communities.* For Enterprise Communities only, the Secretary has the discretion to reduce by 5 percentage points one of the following thresholds for not more than 10 percent of the census tracts, or, if fewer, five population census tracts in the nominated area:

(i) The 20 percent threshold in paragraph (a)(1) of this section;

(ii) The 25 percent threshold in paragraph (a)(2) of this section; and

(iii) The 35 percent threshold in paragraph (a)(3) of this section.

Provided that, the Secretary may in the alternative reduce the 35 percent threshold by 10 percentage points for three population census tracts.

(4) *Rounding up of percentages.* In making the calculations required by this section, the Secretary shall round all fractional percentages of one-half percentage point or more up to the next highest whole percentage point figure.

(c) *Noncontiguous areas.* There can be no more than 3 noncontiguous areas if the nominated area is located within one state; noncontiguous areas are not allowed in the multistate area. Each such parcel must separately meet the poverty criteria set forth in this section.

(d) *Areas not within census tracts.* In the case of an area that does not have population census tracts, the block numbering area shall be used for purposes of determining poverty rates.

Subpart C—Nomination Procedure

§ 25.100 Nominations by State and local governments.

(a) *Nomination criteria.* One or more local governments and the State or States in which an area is located must nominate such area for designation as an Empowerment Zone or Enterprise Community, if:

(1) The rural area meets the requirements for eligibility described in § 25.100 and § 25.103 of this part;

(2) The rural area is entirely within the jurisdiction of the nominating State or States and local government(s); such governments must have the authority to nominate the area for designation and provide written assurances satisfactory to the Secretary that the strategic plan described in paragraph (c) of this section will be implemented;

(3) All information furnished by the nominating State(s) and local government(s) is determined by the Secretary to be reasonably accurate; and

(4) The State(s) and local government(s) certify that no portion of

the area nominated is already included in an Empowerment Zone or Enterprise Community under this Act or in an area otherwise nominated to be designated under this section.

(b) *Nomination for designation.* No rural area may be considered for designation pursuant to subpart D of this part unless the application for designation:

(1) Demonstrates that the nominated rural area satisfies the eligibility criteria set forth at § 25.100 of this part;

(2) Includes a strategic plan, as described in paragraph (c) of this section; and

(3) Includes such other information as may be required by USDA in a Notice Inviting Applications, to be published in the Federal Register.

(c) *Strategic plan.* Each application for designation must be accompanied by a strategic plan, which must be developed in accordance with four key principles that will be utilized to evaluate the plan. These key principles are:

(1) Economic opportunity, including job creation within the community and throughout the region, entrepreneurial initiatives, small business expansion, and training for jobs that offer upward mobility;

(2) Sustainable community development, to advance the creation of livable and vibrant communities through comprehensive approaches that coordinate economic, physical, environmental, community and human development;

(3) Community-based partnerships, involving the participation of all segments of the community, including the political and governmental leadership, community groups, health and social service groups, environmental groups, religious organizations, the private and non-profit sectors, centers of learning, and other community institutions and individual citizens; and

(4) Strategic vision for change, which identifies what the community will become and a strategic map for revitalization. The vision should build on assets and coordinate a response to community needs in a comprehensive fashion. It should also set goals and performance benchmarks for measuring progress and establish a framework for evaluating and adjusting the revitalization plan.

(d) *Elements of strategic plan.* The strategic plan should:

(1) Indicate and briefly describe the specific groups, organizations, and individuals participating in its production, and describe the history of these groups in the community;

(2) Explain how participants were selected and provide evidence that the participants, taken as a whole, are broadly representative of the entire community;

(3) Describe the role of the participants in the creation and development of the plan and indicate how they will participate in its implementation;

(4) Identify two or three topics addressed in the plan that caused the most serious disagreements among participants and describe how those disagreements were resolved;

(5) Explain how the community participated in choosing the area to be nominated and why the area was nominated;

(6) Provide evidence that key participants have the capacity to implement the plan;

(7) Provide a brief explanation of the community's vision for revitalizing the area;

(8) Explain how the vision creates economic opportunity, encourages self-sufficiency and promotes community development;

(9) Identify key community goals and the barriers that restrict the community from achieving such goals, including a description of poverty and general distress, barriers to economic opportunity and development, and barriers to human development;

(10) Discuss how the vision is related to the assets and needs of the area as well as to the surrounding community;

(11) Describe the ways in which the community's approaches to economic development, social/human services, transportation, housing, community development, public safety, drug abuse prevention and educational and environmental concerns will be addressed in a coordinated fashion; and explain how these linkages support the community's vision;

(12) Indicate how all EZ/EC SSBC funds for the designated Empowerment Zone or Enterprise Community will be utilized.

(i) In doing so, the strategic plan shall provide the following information:

(A) A commitment by the applicant, as well as by the nominating state-chartered economic development corporation or State government(s), and local government(s), that the EZ/EC SSBC funds will be used to supplement, not replace, other Federal or non-Federal funds available for financing services or activities which can be used to achieve or maintain the goals outlined in paragraph (d)(12)(ii) of this section;

(B) a description of the entities that will administer the EZ/EC SSBC funds;

(C) a certification by such entities that they will provide periodic reports on the use of the EZ/EC SSBG funds; and

(D) a detailed description of all the activities to be financed with the EZ/EC SSBG funds and how all such funds will be allocated.

(ii) The EZ/EC SSBG funds must be used to achieve or maintain the following goals through undertaking one of the below specified program options. The goals may be achieved by undertaking one or more of the following program options:

(A) The goal of economic self-support to prevent, reduce or eliminate dependencies, through one of the following program options:

(1) Funding community and economic development services focused on disadvantaged adults and youths, including skills training, transportation services and job, housing, business, and financial management counseling;

(2) Supporting programs that promote home ownership, education or other routes to economic independence for low-income families, youths, and other individuals;

(3) Assisting in the provision of emergency and transitional shelter for disadvantaged families, youths, and other individuals;

(B) The goal of self-sufficiency, including reduction or prevention of dependencies, through one of the following program options:

(1) Providing assistance to non-profit organizations and/or community and junior colleges that provide disadvantaged individuals with opportunities for short-term training courses in entrepreneurial, self employment, and other skills that promote individual self-sufficiency, and the interest of the community;

(2) Funding programs to provide training and employment for disadvantaged adults and youths in construction, rehabilitation or improvement of affordable housing, public infrastructure and community facilities; and,

(C) The goal of prevention or amelioration of the neglect, abuse, or exploitation of children and/or adults unable to protect themselves; and, where appropriate, the goal of preservation or rehabilitation of families, through one or more of the following program options:

(1) Providing support for residential or non-residential drug and alcohol prevention and treatment programs that offer comprehensive services for pregnant women, and mothers, and their children;

(2) Establishing programs that provide activities after school hours, including

keeping school buildings open during evenings and weekends for mentor and study programs.

(iii) Designated Empowerment Zones and Enterprise Communities may work to achieve or maintain the goals outlined in paragraphs (d)(12)(ii)(A) and (B) of this section by using EZ/EC SSBG funds to capitalize revolving or micro-enterprise loan funds which benefit low-income residents of the designated Empowerment Zones or Enterprise Communities. Similarly, grantees may work to achieve or maintain the goals outlined in paragraphs (d)(12)(ii)(A) and (B) of this section by using the EZ/EC SSBG funds to create jobs and promote economic opportunity for low-income families and individuals through matching grants, loans, or investments in community development financial institutions.

(iv) If the applicant intends to use the EZ/EC SSBG funds for program options not included in paragraph (d)(12) of this section, the strategic plan must indicate how the proposed activities meet the goals set forth in paragraph (d)(12)(ii)(B) of this section, and the reasons the any approved program options were not pursued.

(v) To the extent that the EZ/EC SSBG funds are used for the program options included in paragraph (d)(12)(ii)(B) of this section, the applicant may use EZ/EC SSBG funds for the following activities, in addition to those activities permitted by § 2005 of the Social Security Act (42 USC 1397d):

(A) To purchase or improve land or facilities;

(B) To make cash payments to individuals for subsistence or room and board;

(C) To make wage payments to individuals as a social service;

(D) To make cash payments for medical care; and

(E) To provide social services to institutionalized persons.

(vi) The State must obligate the EZ/EC SSBG funds to in accordance with the strategic plan within 2 years from the date of payment to the state, or remit the unobligated funds to the Secretary of Health and Human Services (HHS).

(vii) The Strategic Plan must indicate how the EZ/EC SSBG funds will be invested and used for the 10 year period of designation. The EZ/EC SSBG funds may be used to promote economic independence for low-income residents, such as capitalizing revolving or micro-enterprise loan funds for the benefit of residents. The EZ/EC SSBG funds may also be used to create jobs and promote economic opportunity for low-income families and individuals through matching grants, loans, or investments

in community development financial institutions.

(viii) The strategic plan must indicate how all the EZ/EC SSBG funds will be used or invested for the period of designation of the Empowerment Zone or Enterprise Community.

(ix) The strategic plan must provide for periodic reporting of information by the relevant State.

(13) Indicate how tax benefits for designated zones and communities, State and local resources, existing Federal resources available to the locality and additional Federal resources believed necessary to implement the strategic plan will be utilized within the Empowerment Zone or Enterprise Community;

(14) Indicate a level of commitment necessary to ensure that these resources will be available to the area upon designation;

(15) Identify the Federal resources applied for or for which applications are planned;

(16) Identify private resources and support, including assistance from businesses, non-profit organizations, and foundations, which are available to be leverage with public resources; and provide assurances that these resources will be made available to the area upon designation.

(17) Identify changes requested in Federal rules and regulations necessary to implement the plan, including specific paperwork or other Federal program requirements that must be altered to permit effective implementation of the strategic plan;

(18) Identify specific regulatory and other impediments to implementing the strategic plan for which waivers are requested, with appropriate citations and an indication whether waivers can be accomplished administratively or require statutory changes;

(19) Demonstrate how State and local governments will reinvent themselves to help implement the plan, by identifying changes that will be made in State and local organizations, processes and procedures, including laws and ordinances;

(20) Explain how different agencies in State and local governments will work together in new responsive ways to implement the strategic plan;

(21) Identify the specific tasks necessary to implement the plan;

(22) Described the partnerships that will be established to carry out the plan;

(23) Explain how the plan will be regularly revised to reflect new information and opportunities; and

(24) Identify baselines, benchmarks and goals that will be used in evaluating performance in implementing the plan.

(e) *Prohibition against business relocation.* The strategic plan may not include any action to assist any establishment in relocating from an area outside the nominated area to the nominated area, except that assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary is permitted, if:

(1) The establishment of a new branch affiliate or subsidiary will not result in a decrease in employment in the area of original location or in any other area where the existing business entity conducts business operations, and

(2) There is no reason to believe that the new branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity conducts business operations.

(f) *Implementation of strategic plan.* The strategic plan may be implemented by the State government(s), local governments, regional planning agencies, non-profit organizations, community-based organizations, and/or other nongovernmental entities. Activities included in the plan may be funded from any source, Federal, State, local, or private, which agrees to provide assistance to the nominated area.

(g) *Elements of the strategic plan.* A strategic plan may include, but is not limited to, activities that address:

(1) Economic problems, through measures designed to create employment opportunities; support business startup or expansion; or development of community institutions;

(2) Human concerns, through the provision of social services, such as rehabilitation and treatment programs or the provision of training, education or other services within the affected areas;

(3) Community needs, such as the expansion of housing stock and homeownership opportunities, efforts to reduce homelessness, to promote fair housing and equal opportunity, to reduce and prevent crime and improve security in the area; and

(4) Physical improvements, such as the provision or improvement of public infrastructure, or the provision or improvement of recreational, transportation, or other public services within the affected area.

§ 25.201 Evaluating the strategic plan.

The strategic plan will be evaluated for effectiveness as part of the designation process for nominated rural areas described in § 25.301 of this part. On the basis of this evaluation, USDA may request additional information pertaining to the plan and the proposed

area and may, as part of that request, suggest modifications to the plan, proposed area, or term that would enhance its effectiveness. The effectiveness of the strategic plan will be determined in accordance with the four key principles set forth in § 25.200(c) of this part. USDA will review each plan submitted in terms of the four equally weighted key principles, and of such other elements of these key principles as are appropriate to address the opportunities and problems of each nominated area, which may include:

(a) *Economic opportunity.* (1) The extent to which businesses, jobs, and entrepreneurship will increase within the zone or community;

(2) The extent to which residents will achieve a real economic stake in the zone or community;

(3) The extent to which residents will be employed in the process of implementing the plan and in all phases of economic and community development;

(4) The extent to which residents will be linked with employers and jobs throughout the entire area and the way in which residents will receive training, assistance, and family support to become economically self-sufficient;

(5) The extent to which economic revitalization in the zone or community interrelates with the broader regional economies; and

(6) The extent to which lending and investment opportunities will increase within the zone or community through the establishment of mechanisms to encourage community investment and to create new economic growth.

(b) *Sustainable community development.*—(1) *Consolidated planning.* The extent to which the plan is part of a larger strategic community development plan for the nominating localities and is consistent with broader regional development strategies;

(2) *Public safety.* The extent to which strategies such as community policing will be used to guarantee the basic safety and security of persons and property within the zone or community;

(3) *Amenities and design.* The extent to which the plan considers issues of design and amenities that will foster a sustainable community, such as open spaces, recreational areas, cultural institutions, transportation, energy, land and water uses, waste management, environmental protection and the vitality of life of the community;

(4) *Sustainable development.* The extent to which economic development will be achieved in a manner consistent that protects public health and the environment;

(5) *Supporting families.* The extent to which the strengths of families will be supported so that parents can succeed at work, provide nurture in the home, and contribute to the life of the community;

(6) *Youth development.* The extent to which the development of children, youth, and young adults into economically productive and socially responsible adults will be promoted, and the extent to which young people will be provided with the opportunity to take responsibility for learning the skills, discipline, attitude, and initiative to make work rewarding.

(7) *Education goals.* The extent to which schools, religious organizations, non-profit organizations, for-profit enterprises, local governments and families will work cooperatively to provide all individuals with the fundamental skills and knowledge they need to become active participants and contributors to their community, and to succeed in an increasingly competitive global economy;

(8) *Affordable housing.* The extent to which a housing component, providing for adequate safe housing and ensuring that all residents will have equal access to that housing is contained in the strategic plan;

(9) *Drug abuse.* The extent to which the plan addresses levels of drug abuse and drug-related activity through the expansion of drug treatment services, drug law enforcement initiatives, and community-based drug abuse education programs; and

(10) *Equal opportunity.* The extent to which the plan offers an opportunity for diverse residents to participate in the rewards and responsibilities of work and service. The extent to which the plan ensures that no business within a nominated zone or community will directly or through contractual or other arrangements subject a person to discrimination on the basis of race, color, national origin, gender, handicap or age in its employment practices, including recruitment, recruitment advertising, employment, layoff, termination, upgrading, demotion, transfer, rates of pay or the forms of compensation, or use of facilities. Applicants must comply with the provisions of Title VI of the Civil Rights Act of 1964, section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975, as implemented by USDA.

(c) *Community-based partnerships.*—(1) *Community partners.* The extent to which residents of the strategic plan and their commitment to implementing it. The extent to which community-based organizations in the nominated area have participated in the development of

the nominated area have participated in the development of the plan, and their record of success measured by their achievements and support for undertakings within the nominated area:

(2) *Private and non-profit organizations as partners.* The extent to which partnership arrangements include commitments from private and non-profit organizations, including corporations, utilities, banks and other financial institutions, and educational institutions supporting implementation of the strategic plan;

(3) *State and local government partners.* The extent to which State(s) and local governments are committed to providing support to the strategic plan, including their commitment to "reinventing" their roles and coordinating programs to implement the strategic plan; and

(4) *Permanent implementation and evaluation structure.* The extent to which a responsible and accountable implementation structure or process has been created to ensure that the plan is successfully carried out and that improvements are made throughout the period of the zone or community's designation.

(d) *Strategic vision for change — (1) Goals and coordinated strategy.* The extent to which the strategic plan reflects a projection for the community's revitalization which links economic, human, physical, community development and other activities in a mutually reinforcing, synergistic way to achieve ultimate goals;

(2) *Creativity and innovation.* The extent to which the activities proposed in the plan are creative, innovative and promising and will promote the civic spirit necessary to revitalize the nominated area;

(3) *Building on assets.* The extent to which the vision for revitalization realistically addresses the needs of the nominated area in a way that takes advantage of its assets; and

(4) *Benchmarks and learning.* The extent to which the plan includes performance benchmarks for measuring progress in its implementation, including an on-going process for adjustments, corrections and building on what works.

§ 25.202 Submission of nominations for designation.

(a) *General.* A separate nomination for designation as an Empowerment Zone and/or Enterprise Community must be submitted for each rural area for which such designation is requested. The nomination shall be submitted in a form to be prescribed by USDA in the Notice

Inviting Applications published in the Federal Register, and must contain complete and accurate information.

(b) *Certifications.* Certifications must be submitted by the State(s) and local government(s) requesting designation stating that:

(1) The nominated area satisfies the boundary tests of § 25.100(d) of this part;

(2) The nominated area is one of pervasive poverty, unemployment, and general distress, as described by § 25.102 of this part;

(3) The nominated area satisfies the poverty rate criteria set forth in § 25.103 of this part;

(4) The nominated rural area contains no portion of an area that is either already designated as an Empowerment Zone and/or Enterprise Community or is otherwise included in any other area nominated for designation as a Empowerment Zone and/or Enterprise Community;

(5) Each nominating governmental entity has the authority to:

(i) Nominate the rural area for designation as an Empowerment Zone and/or Enterprise Community;

(ii) Make the State and local commitments required by § 25.200(d) of this part; and

(iii) Provide written assurances satisfactory to the Secretary that these commitments will be met;

(6) Provide assurances the amounts provided to the State for the area under section 2007 of Title XX of the Social Security Act will not be used to supplant Federal or non-Federal funds for services and activities which promote the purposes of section 2007;

(7) Provide that the nominating governments or corporations agree to make available all information requested by USDA to aid in the evaluation of progress in implementing the strategic plan and reporting on the use of EZ/EC SSBG funds; and

(8) Provide assurances that the nominating State(s) agrees to distribute the EZ/EC SSBG funds in accordance with the strategic plan submitted for the designated zone or community

(c) *Maps and area description.* Maps and a general description of the nominated area shall accompany the nomination request.

Subpart D—Designation Process

§ 25.300 USDA action and review of nominations for designation.

(a) *Establishment of submission procedures.* USDA will establish a time period and procedure for the submission of application as Empowerment Zones or Enterprise

Communities, including submission deadlines and addresses, in a Notice Inviting Applications, to be published in the Federal Register.

(b) *Acceptance for processing.* USDA will accept for processing those applications as Empowerment Zones or Enterprise Communities which USDA determines have met the criteria required under this part. USDA will notify the State(s) and local government(s) whether or not the nomination has been accepted for processing. The criteria for acceptance for processing is that the application as an Empowerment Zone or Enterprise Community must be received by USDA on or before the close of business on the date established by the Notice Inviting Applications published in the Federal Register. The applications must be complete and must be accompanied by a strategic plan, as required by § 25.200(c) of this part and the certifications required by § 25.202(b) of this part.

(c) *Evaluation of applications.* In the process of reviewing each application accepted for processing, USDA may undertake a site visit(s) to any nominated area to aid in the process of evaluation.

(d) *Modification of the strategic plan, boundaries of nominated rural areas, and/or period during which designation is in effect.* Subject to the limitations imposed by § 25.100 of this part, USDA may request additional information pertaining to the plan and proposed area and may, as a part of that request, suggest modifications to the plan that would enhance its effectiveness.

(e) *Publication of designations.* Final determination of the boundaries of areas and the term for which the designations will remain in effect will be made by the Secretary. Announcements of those nominated areas designated as Empowerment Zones or Enterprise Communities will be made by publication of a Notice in the Federal Register.

§ 25.301 Selection factors for designation of nominated rural areas.

In choosing among nominated rural areas eligible for designation, the Secretary shall consider:

(a) The effectiveness of the Strategic plan, in accordance with the key principles set out in § 25.201 of this part.

(b) The effectiveness of the assurances made pursuant to § 25.200(a)(2) of this part that the strategic plan will be implemented.

(c) The extent to which an application proposes activities that are creative and innovative.

(d) Such other factors as established by the Secretary, which include the degree of need demonstrated by the nominated area for assistance under this part and the diversity within and among the nominated areas. If other factors are established by USDA, a Federal Register Notice will be published identifying such factors, along with an extension of the application due date if necessary.

§ 25.322 Number of Rural Empowerment Zones and Enterprise Communities.

The Secretary may designate up to three rural Empowerment Zones and up to thirty rural Enterprise Communities.

Subpart E—Post-Designation Requirements

§ 25.400 Reporting.

USDA will require periodic reports for the Empowerment Zones and Enterprise Communities and other applicants designated pursuant to this part. These reports will identify the community, local government and State actions which have been taken in accordance with the strategic plan. In addition to these reports, such other information relating to designated Empowerment Zones and Enterprise Communities as USDA shall request from time to time shall be submitted promptly. On the basis of this information and of on-site reviews, USDA will prepare and issue periodic reports on the effectiveness of the Empowerment Zones/Enterprise Communities Program.

§ 25.401 Periodic performance reviews.

USDA will regularly evaluate the progress in implementing the strategic plan in each designated Empowerment Zone and Enterprise Community on the basis of performance reviews to be conducted on site and using other information submitted. USDA may also commission evaluations of the Empowerment Zone program as a whole by an impartial third party. Where not prevented by State law, nominating State governments must provide the timely release of data requested by USDA for the purposes of monitoring and assisting the success of Empowerment Zones and Enterprise Communities. The implementing entity for Empowerment Zones/Enterprises Communities will be responsible for EZ/EC program activities and fiscal management of the EZ/EC funds. They must demonstrate continual involvement of all segments of the community, including low income/disadvantaged residents, in the implementation of the Strategic Plan.

§ 25.402 Validation of designation.

(a) *Reevaluation of designations.* On the basis of the performance review described in § 25.401 of this part, and subject to the provisions relating to the revocation of designation appearing at § 25.403 of this part, USDA will make findings as to the continuing eligibility for the validity of the designation of any Empowerment Zone or Enterprise Community. Determinations of whether any designated Empowerment Zone or Enterprise Community remains in good standing shall be promptly communicated to all Federal agencies providing assistance or administering programs under which assistance can be made available in such Zone or community.

(b) *Modification of designation.* Based on a rural Zone or community's success in carrying out its strategic plan, and subject to the provisions relating to revocation of designation appearing at § 25.403 of this part and the requirements as to the number, maximum population and other characteristics of rural Empowerment Zones set forth in § 25.100 of this part, the Secretary may modify designations by reclassifying rural Empowerment Zones as Enterprise Communities or Enterprise Communities as Empowerment Zones.

§ 25.403 Revocation of designation.

(a) *Basis for revocation.* The Secretary may revoke the designation of a rural area as an Empowerment Zone or Enterprise Community if the Secretary determines on the basis of the periodic monitoring and assessments described in § 25.401 of this part, that the applicant or the State(s) or local government(s) in which the rural area is located:

- (1) Has modified the boundaries of the area;
- (2) Has failed to make satisfactory progress in achieving the benchmarks set forth in the strategic plan; or
- (3) Has not complied substantially with the strategic plan.

(b) *Warning letter.* Before revoking the designation of a rural area as an Empowerment Zone or Enterprise Community, the Secretary will issue a letter of warning to the applicant and the nominating State(s) and local government(s):

- (1) Advising that the Secretary has determined that the applicant and/or the nominating local government(s) and/or State(s) has:
 - (i) Modified the boundaries of the area; or
 - (ii) Is not complying substantially with, or has failed to make satisfactory progress in achieving the benchmarks

set forth in the strategic plan prepared pursuant to § 25.200(d) of this part; and

(2) Requesting a reply from all involved parties within 90 days of the receipt of this letter of warning.

(c) *Notice of revocation.* After allowing 90 days from the date of receipt of the letter of warning for response, and after making a determination pursuant to paragraph (a) of this section, the Secretary may issue a final notice of revocation of the designation of the rural area as an Empowerment Zone or Enterprise Community.

(d) *Notice to affected Federal agencies.* USDA will notify all affected Federal agencies providing assistance in a rural Empowerment Zone or Enterprise Community of its determination to revoke any designation pursuant to this section or to modify a designation pursuant to § 25.402 of this part.

Subpart F—Special Rules

§ 25.500 Indian reservations.

No rural Empowerment Zone or Enterprise Community may include any area within an Indian reservation.

§ 25.501 Governments.

If more than one State or local government seeks to nominate an area under this part, any reference to or requirement of this part shall apply to all such governments.

§ 25.502 Nominations by economic development corporations.

Any rural area nominated by an economic development corporation chartered by a State and qualified to do business in the State in which it is located, shall be treated as nominated by a State and local governments.

§ 25.503 Use of census data.

Population and poverty rate data shall be determined by the 1990 Census Data.

§ 25.504 Rural areas.

(a) *What constitutes "rural".* A rural area may consist of any area that lies outside the boundaries of a Metropolitan Area, as designated by the Office of Management and Budget, or, as an area that is primarily rural and has at least 50 percent of the population of the nominated area residing outside of a Metropolitan Area.

(b) *Exceptions to the definition.* On a case by case basis, the Secretary will grant requests for waiver from the definition of "rural" stated in paragraph (a) of this section upon a showing of good cause. Applicants seeking to apply for a rural designation who do not satisfy the definition in paragraph (a) of

this section must submit a request for waiver in writing to the Rural Business and Cooperative Development Service, Empowerment Zone Office, Department of Agriculture, AG Box 3202, 14th Street and Independence Avenue, SW, Washington, DC 20250-3200. Requests must include:

(1) The name, address and daytime phone number of the contact person for the applicant seeking the waiver; and

(2) Sufficient information regarding the area that would support the infrequent exception from the definition.

(c) *The waiver process.* The Secretary, in consultation with the Department of Commerce, will have discretion to permit rural applications for communities that do not meet the above rural criteria.

§ 25.550

Dated: January 25, 1995.

Richard E. Rominger,

Acting Secretary

[FR Doc. 95-2313 Filed 2-3-95; 8:45 am]

BILLING CODE 3410-01-04

Animal and Plant Health Inspection Service

7 CFR Parts 300 and 319

(Docket No. 93-028-5)

Grapefruit and Mangoes From Mexico; Addition of Treatment

AGENCY: Animal and Plant Health Inspection Service, USDA.

ACTION: Final rule.

SUMMARY: We are allowing the use of high-temperature forced air treatments for grapefruit and mangoes imported from Mexico. The treatments will be included in the Plant Protection and Quarantine Treatment Manual, which is incorporated by reference into the Code of Federal Regulations. We are also making several nonsubstantive changes to clarify the fruits and vegetables regulations.

EFFECTIVE DATE: February 6, 1995.

FOR FURTHER INFORMATION CONTACT: Mr. Frank Cooper, Senior Operations Officer, or Mr. Victor Harbin, Head, Permit Unit, Port Operations, Plant Protection and Quarantine, APHIS, USDA, P.O. Drawer 810, Riverdale, MD 20738. The telephone number for the agency contracts will change when agency offices in Hyattsville, MD, move to Riverdale, MD, during February. Telephone: (301) 436-8645 (Hyattsville); (301) 734-8645 (Riverdale).

SUPPLEMENTARY INFORMATION:

Background

The "Plant Protection and Quarantine Treatment Manual" (PPQ Treatment Manual) of the Animal and Plant Health Inspection Service is incorporated by reference into the Code of Federal Regulations at 7 CFR 300.1. The PPQ Treatment Manual contains treatment schedules and information on procedures for applying treatments to allow the movement of articles under domestic and foreign plant quarantines and regulations.

Previously, the PPQ Treatment Manual provided for either cold, methyl bromide, or vapor heat as treatments for grapefruit. It also provided for hot water treatment for all mangoes and vapor heat treatment for Manila mangoes only. We now have added to the PPQ treatment manual high-temperature forced air treatments for both grapefruit and mangoes that are imported from Mexico.

These high-temperature forced air treatment were developed by the Agricultural Research Service of the U.S. Department of Agriculture as effective alternative treatments against the Mexican fruit fly in grapefruit imported from Mexico and against the Mexican, West Indian, and black fruit flies in mangoes imported from Mexico. Both treatments are administered in sealed chambers. The air may be heated in the chambers or hot air may be introduced into the chambers.

History

In a direct final rule published in the Federal Register on March 1, 1994 (59 FR 9613-9614; Docket No. 93-028-2), we notified the public of our intent to add to the PPQ Treatment Manual high-temperature forced air treatments for grapefruit and mangoes from Mexico. The direct final rule was to become effective 60 days after publication in the Federal Register, unless we received written adverse comments or written notice of intent to submit adverse comments. In response to the direct final rule, we received one written adverse comment from a representative of the citrus industry, who noted that size and weight specifications for grapefruit would exclude several larger sizes of grapefruit that are shipped to market for commercial use. Subsequently, in a document published in the Federal Register on April 21, 1994 (59 FR 18943; Docket No. 93-028-3), we withdrew the direct final rule and stated our intent to publish a proposed rule for public comment.

On November 14, 1994 (59 FR 56412-56413; Docket No. 93-028-4), we

published a proposed rule in the Federal Register comparable to the direct final rule, but providing for use of the high-temperature forced air treatment on larger grapefruit. As we explained in the proposed rule, the treatment is effective against fruit flies in the larger grapefruit, but larger grapefruit will take longer to reach the required internal pulp temperature.

We also proposed to make three nonsubstantive editorial changes to simplify the fruits and vegetables regulations, contained in 7 CFR 319.56 through 319.58-8.

We solicited comments concerning our proposal for 30 days ending December 14, 1994. We received 10 comments by that date. They were from a State agricultural agency, Mexican mango and grapefruit growers, and a consumer. All of the comments supported the proposal.

Therefore, based on the rationale set forth in the proposed rule, we are adopting the provisions of the proposal as a final rule, without change.

Effective Date

This is a substantive rule that relieves restrictions and, pursuant to the provisions of 5 U.S.C. 553, may be made effective less than 30 days after publication in the Federal Register.

Immediate implementation of this rule is necessary to provide relief to those persons who are adversely affected by restrictions we no longer find warranted. This action provides an alternative treatment, high-temperature forced air, for grapefruit and mangoes imported from Mexico. Making this rule effective upon publication will allow interested importers and others to immediately employ high-temperature forced air treatment for grapefruit and mangoes from Mexico. Therefore, the Administrator of the Animal and Plant Health Inspection Service has determined that this rule should be effective upon publication in the Federal Register.

Executive Order 12866 and Regulatory Flexibility Act

This rule has been reviewed under Executive Order 12866. For this action, the Office of Management and Budget has waived its review process required by Executive Order 12866.

This final rule provides an additional treatment option, high-temperature forced air, for grapefruit and mangoes imported from Mexico. Because this new treatment is optional, this rule should have no significant economic impact on entities using the cold, hot water, methyl bromide, or vapor heat treatments.

THE WHITE HOUSE

WASHINGTON

September 9, 1993

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF THE TREASURY
THE ATTORNEY GENERAL
THE SECRETARY OF THE INTERIOR
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF LABOR
THE SECRETARY OF HEALTH AND HUMAN SERVICES
THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY OF TRANSPORTATION
THE SECRETARY OF EDUCATION
THE ADMINISTRATOR OF THE ENVIRONMENTAL
PROTECTION AGENCY
THE DIRECTOR OF NATIONAL DRUG CONTROL POLICY
THE ADMINISTRATOR OF THE SMALL BUSINESS
ADMINISTRATION
THE ASSISTANT TO THE PRESIDENT
FOR DOMESTIC POLICY
THE ASSISTANT TO THE PRESIDENT
FOR ECONOMIC POLICY
THE CHAIR OF THE COUNCIL OF ECONOMIC ADVISERS
THE DIRECTOR OF THE OFFICE OF
MANAGEMENT AND BUDGET

The Vice President and I strongly believe that the best way to serve distressed communities in urban and rural America is through a comprehensive, coordinated, and integrated approach that combines bottom-up initiatives and private sector innovations with responsive Federal-State support. Today, I direct the Federal agencies to work cooperatively to implement this approach in a way that reflects the principles of the Vice President's National Performance Review -- i.e., meeting the needs of local communities through a performance-measured, customer-driven philosophy and a cross-agency approach. I also hereby establish the President's Community Enterprise Board ("Board") to advise and assist me in coordinating across agencies the various Federal programs available (or potentially available) to distressed communities and in developing further policies related to the successful implementation of our community empowerment efforts.

The Vice President has agreed to chair this Board, and the Assistant to the President for Domestic Policy and the Assistant to the President for Economic Policy have agreed to serve as Vice-Chairs of the Board. I request the following Administration officials to serve on this Board: the Secretary of the Treasury, the Attorney General, the Secretary of the Interior, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, the Secretary of Health and Human Services, the Secretary of Housing and Urban Development, the Secretary of Transportation, the Secretary of Education, the Administrator of the Environmental Protection Agency, the Director of National Drug Control Policy, the Administrator of the Small Business Administration, the Director of the Office of Management and Budget, and the Chair of the Council of Economic Advisers.

The first task of the Board is to assist in the successful implementation of the Administration's empowerment zone legislation, Subchapter C of Title XIII of the Omnibus Budget Reconciliation Act of 1993, Public Law 103-66, "Empowerment Zones, Enterprise Communities, and Rural Development Investment Areas." This Act authorizes the Secretaries of HUD and Agriculture to designate certain localities as empowerment zones and enterprise communities, thus enabling them to receive certain Federal funds and other benefits from the Federal Government.

Other programs, old and new, are similarly beneficial to local communities. These programs, however, form an overly complex, categorical, unworkable, and ineffective response to the needs of distressed communities. I hereby direct the Board to review these programs in order to ascertain how we can make the entire Federal effort more responsive to the needs of distressed communities. In addition, with respect to the empowerment zones and enterprise communities, I direct the Secretary of the Treasury, the Attorney General, the Secretary of the Interior, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, the Secretary of Health and Human Services, the Secretary of Housing and Urban Development, the Secretary of Transportation, the Secretary of Education, the Administrator of the Environmental Protection Agency, the Director of National Drug Control Policy, and the Administrator of the Small Business Administration to (1) identify, within 15 days of this directive, existing programs that further the goals and objectives set forth in this memorandum and the Act and (2) make available, to the extent permitted by law, funds from those programs for use in implementing the strategic plans of the designated empowerment zones and community enterprises.

In order to advise and assist me regarding issues that relate to community development and empowerment, I request that each Board member --

(a) Provide me with recommendations, consistent with Section 13301 of the Omnibus Budget Reconciliation Act of 1993 ("OBRA" or "the Act"), on the criteria to be used for selection and designation of empowerment zones and enterprise communities, as set forth in Section 13301 of the Act;

(b) Identify additional legislative mandates that further the goals and objectives set forth in this memorandum and the Act and, where appropriate, develop for my consideration recommendations for further action;

(c) Identify legislative mandates that may be impeding State, local, and tribal governments from meeting the goals and objectives set forth in this memorandum and the Act, and, where appropriate, develop for my consideration recommendations for further action; and

(d) Consult with the Board regarding exemptions from regulatory mandates for which the member agency has jurisdiction and inform his or her decisions regarding any such exemptions with the recommendations of the Board.

In addition, I direct each of the agencies to cooperate fully with the Chair, the Vice-Chairs, and the Secretaries of HUD and Agriculture in assisting designated zones and enterprise communities in successfully implementing their strategic plans under Section 13301 of the Act. This interagency effort shall, among other things, coordinate Federal assistance and support within each empowerment zone and enterprise community.

In order to meet the goals and objectives set forth above, I also request the Secretary of HUD and the Secretary of Agriculture to consult with the Board regarding (1) the designation, under Section 13301 of the Act, of empowerment zones and enterprise communities and (2) possible revocation of designations, as set forth in Section 13301 of the Act.

Finally, I direct the Secretaries of HUD, Agriculture, and HHS (in consultation with the Board) to take, by November 1, 1993, the appropriate regulatory measures to ensure that the use of all Title XX grants awarded under the Act meets the criteria of Section 13761 of the Act, including, specifically, that portion of Subsection C that requires, among other things, localities to use Title XX grants (1) in accordance with the strategic plans approved by the Secretaries of HUD and Agriculture,

(2) for activities that directly benefit the residents within the designated empowerment zones and enterprise communities, and (3) to promote economic independence for low-income families and individuals.

With the Board members' commitment to achieving community empowerment and to providing our local communities with a single Federal forum, we will be able to assist distressed communities and American families all across urban and rural America in obtaining economic self-sufficiency.

William A. Clinton
