DEPARTMENT OF AGRICULTURE

Office of the Secretary

7 CFR Part 25

RIN 0503–AA18

Designation of Rural Empowerment Zones and Enterprise Communities

AGENCY: Office of the Secretary, USDA.

ACTION: Interim rule with request for comments.

SUMMARY: This interim rule sets forth the policy and procedures by which the Secretary of the U.S. Department of Agriculture (USDA) will designate not more than five rural Empowerment Zones (Round II) as authorized by the Taxpayer Relief Act of 1997 (Pub. L. 105–34). This interim rule also amends regulations pertaining to the existing three (3) rural Empowerment Zones and thirty (30) rural Enterprise Communities which were designated pursuant to Title XIII of the Omnibus Budget Reconciliation Act of 1993 (Pub. L. 103–66) (Round I). Published elsewhere in this **Federal Register** is a Notice Inviting Applications for Designation of rural Empowerment Zones for Round II pursuant to this implementing regulation.

DATES: Effective May 18, 1998. Written comments must be received on or before June 15, 1998.

ADDRESSES: Submit written comments in duplicate on the interim rule to the Chief, Regulations and Paperwork Management Branch, Support Services Division, Rural Development, U.S. Department of Agriculture, STOP 0743, 1400 Independence Ave., SW, Washington, DC 20250–0743. Also, comments may be submitted via the Internet by addressing them to ''comments@rus.usda.gov'' and must contain ''Empowerment'' in the subject. All written comments will be available for public inspection during regular work hours at the above address. (In addition, see the Paperwork Reduction Act heading under the Supplementary Information section of this preamble regarding submission of comments on the information collection burden.)

FOR FURTHER INFORMATION CONTACT: Deputy Administrator for Community Development, USDA Rural Development, Office of Community Development, Reporters Building, Room 701, STOP 3203, 300 7th Street, SW, Washington, DC 20024–3203, telephone 1–800–851–3403, or by sending an Internet e-mail message to ''round2.rural@www.ezec.gov''. For hearing- and speech-impaired persons, information concerning this program may be obtained by contacting USDA's TARGET Center at (202) 720–2600 (Voice and TDD).

SUPPLEMENTARY INFORMATION:

Classification

This rule has been reviewed under E.O. 12866 and has been determined to be a significant regulatory action, as that term is defined in Executive Order 12866, and has been reviewed by OMB.

Justification for Interim Rule

It is the policy of this Department that rules relating to public property, loans, grants, benefits, or contracts shall be published for comment notwithstanding the exemption of 5 U.S.C. 553 with respect to such rules. However, exemptions are permitted where an agency finds, for good cause, that compliance would be impracticable, unnecessary, or contrary to the public interest.

The Department finds that good cause exists to publish this rule for effect without first soliciting public comment. USDA believes it would be contrary to the public interest to delay the effectiveness of the rule, since it will prescribe the criteria for designating new empowerment zones. The governmental entities and other entities that may work with them in partnership to develop an application for designation need to know the requirements of the program in time to develop their strategic plans and apply for designation, which designations are subject to a statutory deadline of January 1, 1999.

The Department has already published a rule for notice to comment on the subject of designation of Empowerment Zones, which was codified at 7 CFR part 25. This new rule to implement a second round of designation of Empowerment Zones is patterned on the prior rule. The major differences between this rule and the earlier rule are based on statutory changes, which leave virtually no room for exercise of discretion. Other additions to the rule reflect USDA's experience with the first round, clarifying the expectations of the parties to reflect actual experience. These changes are not controversial and, therefore, do not signal a necessity for advance public comment.

USDA's finding that it would be contrary to the public interest to delay the effectiveness of the rule is based on the practical necessity of preparing an application for designation as an empowerment zone within the timeframe set by the authorizing statute. The designations are required by the statute (section 1391(g)(2)) to be made before January 1, 1999. The governmental entities and other entities that may work with them in partnership to develop an application for designation need to know the requirements of the program in time to develop their strategic plans and apply for designation. Delay in prescribing the criteria for designating new empowerment zones would delay the development of these cooperative efforts and make it extremely difficult for applicants to develop their strategic plans in a timely fashion.

For these reasons, USDA believes that an interim rulemaking is justified. USDA is soliciting public comments on this rule and will consider these comments in the development of a final rule.

Programs Affected

The Catalog of Federal Domestic Assistance Program number assigned to this program is 10.772.

Program Administration

The program is administered through the Office of Community Development within the Rural Development mission area of the Department of Agriculture.

Paperwork Reduction Act

The information collection requirements contained in this rule, as described in §§ 25.200(b), 25.201, 25.202, 25.203 together with the implementing application form (Application burden), §§ 25.400, 25.403, 25.405(b) and 25.405(b)(1) (Reporting burden), have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3520) and assigned OMB control numbers 0570–0026 (Application burden) and 0570–0027 (Reporting burden). This approval has been granted on an emergency basis through August 31, 1998. In accordance with the Paperwork Reduction Act, USDA may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

In addition, USDA will seek an extension of this approval for these information collections. Therefore, USDA asks for comments regarding the information collections contained in the sections of this rule stated above. At the end of the comment period, USDA will submit the proposed information collections to OMB for approval.

Comments regarding the information collections contained in the rule, must be submitted by June 15, 1998. Comments on these information

collections should refer to the proposal by name and/or OMB control number and must be sent to: Cheryl Thompson, Regulations and Paperwork Management Branch, Support Services Division, U.S. Department of Agriculture, Rural Housing Service, STOP 0743, 1400 Independence Ave., SW, Washington, DC 20250–0743.

Specifically, comments are solicited from members of the public and affected agencies concerning the proposed collection of information to: (1) Evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility; (2) evaluate the accuracy of the agency's estimate of the burden of the proposed collection of information; (3) enhance the quality, utility and clarity of the information to be collected; and (4) minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated collection techniques or other forms of information technology, e.g., permitting electronic submission of responses.

The following table identifies the components of the information collection:

Type of collection	Section of 7 CFR part 25 affected	Number of respondents	Frequency of response	Est. avg. response time (hours)	Annual burden (hours)
Application	25.200(b) 25.201 25.202 25.203	75	1	50	3,750
Periodic Reporting (all rural EZ/ECs)	25.400 25.403 25.405(b)	38	2	10	760
Response to Warning Letter	25.405(b)(1)	1	1	1	1

Total Burden in the Round II Application Year: 4,511 hours

Total Burden in each Reporting Year, Years 2 through 10: 761 hours

Environmental Impact Statement

It is the determination of the Secretary that this action is not a major Federal action significantly affecting the environment. Therefore, in accordance with the National Environmental Policy Act of 1969, Pub. L. 91–190, and 7 CFR part 1940 subpart G, an Environmental Impact Statement is not required.

Executive Order 12988

This interim rule has been reviewed in accordance with E.O. 12988, Civil Justice Reform. In accordance with this rule: (1) All state and local laws and regulations that are in conflict with this rule will be preempted; (2) no retroactive effect will be given to this rule; and (3) administrative proceedings in accordance with 7 CFR part 11 must be exhausted before bringing suit in court challenging action taken under this rule unless those regulations specifically allow bringing suit at an earlier time.

The Unfunded Mandates Reform Act of 1995

Title II of the Unfunded Mandates Reform Act of 1995 (UMRA), Pub. L. 104–4, establishes requirements for Federal agencies to assess the effects of their regulatory actions on state, local, and tribal governments and the private sector. Under section 202 of the UMRA, USDA must prepare a written statement, including a cost benefit analysis, for proposed and final rules with ''Federal mandates'' that may result in expenditures to state, local or tribal governments, in the aggregate, or to the private sector, of $100 million or more in any one year. When such a statement is needed for a rule, section 205 of UMRA generally requires USDA to identify and consider a reasonable number of regulatory alternatives and adopt the least costly, more cost effective or least burdensome alternative that achieves the objectives of the rule.

This rule contains no Federal mandates (under the regulatory provisions of title II of the UMRA) for state, local, and tribal governments or the private sector. Therefore this rule is not subject to the requirements of sections 202 and 205 of UMRA.

Regulatory Flexibility Act

In compliance with the Regulatory Flexibility Act (5 U.S.C. 601–612), the undersigned has determined and certified by signature of this document that this rule will not have a significant economic impact on a substantial number of small entities. The Regulatory Flexibility 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. The provisions included in this rule will not impact a substantial number of small entities to a greater extent than large entities. Therefore, no regulatory flexibility analysis under the Regulatory Flexibility Act is necessary.

Executive Order 12611, Federalism

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.

I. Background

The Empowerment Zones program confers upon rural distressed American communities the opportunity to design and implement programs to create jobs, support their residents in becoming skilled and able to earn a livable income and establish other strategies for creating opportunity and building a brighter future. The program combines tax benefits with investment of Federal resources and enhanced coordination among Federal agencies.

The nomination process requires applicant communities to take stock of their assets and problems, create a vision for the future, and structure a strategic plan for achieving their vision. Local partnerships among community residents, businesses, financial institutions, service providers, transportation agencies, local court systems, neighborhood associations, tribal governments and state and local

governments are formed or strengthened by going through the application process. Businesses will be encouraged to invest and create jobs in distressed areas. Communities are afforded an opportunity to work with these partners in the creation and implementation of a community-based strategic plan. Local strategic plans are intended to produce more complete coordination between community members working in the areas of job creation, skills training, social services, education, criminal justice, infrastructure improvements and other areas critical to community development.

A. Champion Communities

Applicants which are not designated as either an Empowerment Zone or Enterprise Community, but which have evidenced quality preparation and strong support for implementing their strategic plans, are eligible for designation by the Secretary as ''Champion communities.'' Champion communities are eligible for targeted technical assistance, information and outreach programs instituted by USDA. They receive priority preference points, where such discretionary points may be granted by agency administrators and state directors in administering USDA programs. They receive priority consideration under such other federal programs as may be identified and such other benefits as may be conferred by statute. State directors are strongly encouraged to use discretionary points on behalf of Champion communities where possible.

B. Community Development Corporations

Under a separate program directed by the Department of Housing and Urban Development (HUD), Community Development Corporations (CDCs) nominated by the locality, or the Round I applicants for the empowerment zone or enterprise community designation, are considered eligible for designation to receive tax preferred contributions from donors. HUD has designated eight rural CDCs for this program.

C. Round I Enterprise Communities

Communities designated as Enterprise Communities in Round I receive a number of benefits. Enterprise Communities are eligible for tax-exempt facilities bonds for certain private business activities. States with designated Round I Enterprise Communities received Empowerment Zone/Enterprise Community Social Service Block Grants (EZ/EC SSBGs) in the amount of approximately $3 million for each rural Enterprise Community for activities identified in their strategic plans which are consistent with the statutory requirements for the use of those funds. Enterprise Communities received special consideration in competition for funding under numerous Federal programs. The Taxpayer Relief Act of 1997 provided for a new qualified academy zone bond program to contribute toward educational needs. Also new under this recent legislation is a provision allowing certain environmental cleanup costs to be deducted from income for tax purposes in the year incurred, which costs would otherwise be capitalized into the cost of the land. Eligible cleanup costs include costs for cleaning up sites in targeted areas, which areas include Enterprise Communities.

D. Round I Empowerment Zones

Communities designated as Round I Empowerment Zones receive all of the benefits provided to Enterprise Communities, in addition to other benefits. States with rural Empowerment Zones designated in Round I received EZ/EC SSBGs in the amount of $40 million for each rural Empowerment Zone, or their proportional share of $40 million in a multi-state Empowerment Zone, equal to the proportion of that Empowerment Zone's residents living in the state. Employer Wage Credits for Round I Empowerment Zone residents are provided to qualified employers engaged in trade, business, health care, or human service delivery in designated Round I Empowerment Zones.

E. Round II Empowerment Zones

Communities designated as Round II Empowerment Zones will receive virtually all of the benefits provided to Round I Empowerment Zones. To the extent direct federal funding for Round II rural Empowerment Zones is not authorized as of the publication date of this rule, future authorization of direct funding is possible. A major benefit for Round II Empowerment Zones which is not available to Round I Empowerment Zones or Enterprise Communities is the $60,000,000 authorization per zone for issuing tax exempt facilities bonds, which issuance authority is not subject to the overall cap on state issuances of federally tax-exempt private activity bonds. A comparison of the benefits (as of this publication date) afforded the additional five Round II rural empowerment zones to those available to Round I Empowerment Zones follows:

RURAL EMPOWERMENT ZONES BENEFIT COMPARISON TABLE

	Round I	Round II
Period	From December 21, 1994 (Designation Date) to December 31, 2004.	In most cases, ten full calendar years following the Designation Date
Title XX of the Social Security Act Appropriations.	2 grants aggregating $40,000,000 per rural zone	To be determined.
Tax Exempt Bonds	A new category of tax-exempt private activity bonds was authorized for certain zone facilities. Issues are subject to state private activity bond cap levels on total issuances, and special limits on issue size. Also available to Round I ECs.	Round II rural zones can each issue up to $60,000,000 in ''new bonds'' to finance zone facilities in addition to Round I type tax exempt bonds Round II ''new bonds'' are not subject to private activity bond volume caps or the special limits on issue size applicable to Round I type issues.
Wage Credit Provision: (exclusive to Round I EZs).	20% wage credit for the first $15,000 of qualified wages paid to a zone resident who works in the zone, with a phaseout beginning in 2002. ''Qualified zone wages'' may not include wages for which a work opportunity tax credit is claimed (see next).	None.

RURAL EMPOWERMENT ZONES BENEFIT COMPARISON TABLE—Continued

	Round I	Round II
Work Opportunity Tax Credit (not exclusive to EZs; expires 6/30/98).	Available to Round I EZs ..... Also available to Round I ECs.	40% of qualified first-year wages paid to a member of a targeted group, where first-year wages taken into account may not exceed $6,000. Targeted employees include high risk youth residents of EZs and ECs, food stamp and SSI recipients, vocational rehabilitation referrals and others.
Internal Revenue Code 26 U.S.C. § 179 Expensing:.	Capital costs of some kinds of business property which must otherwise be capitalized and depreciated over time may be deducted in the year incurred under section 179. For a zone business, the annual expensing allowance for section 179 property is increased by the lesser of (1) $20,000 or (2) actual cost of property placed in service during the year. Eligible types of property do not include buildings. The phaseout provision of section 179 that would otherwise apply to eligible 179 property is reduced for zone property.	As with Round I EZs, up to $20,000 of additional section 179 expensing, however, the property in question must be on the parcels qualified under the poverty rate criteria. Property on parcels included under the ''developable site'' per that eligibility provision is not eligible property (see Eligibility Criteria Table, below).
Brownfields Deductible Expense (not exclusive to EZs and ECs).	Certain environmental remediation expenditures that would otherwise be capitalized into the cost of the land may be deducted if the costs are paid or incurred prior to January 1, 2001. Also available to Round I ECs.	Also available to Round II EZs.
Qualified Zone Academy Bonds: (A national limitation across all empowerment zones and enterprise communities of up to $400 million each year for years 1998 and 1999).	Tax credit bonds whereby certain financial institutions (i.e., banks, insurance companies, and corporations actively engaged in the business of lending money) that hold ''qualified zone academy bonds'' are entitled to a nonrefundable tax credit in an amount equal to a credit rate (set by the Treasury Department) multiplied by the face amount of the bond. They may or may not be interest bearing; if so, the interest is taxable. The credit is effective for obligations issued after December 31, 1997. Also available to Round I ECs.	Also available to Round II EZs. The statute does not expressly provide for an allocation to rural empowerment zones or enterprise communities.

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 and must demonstrate the capacity or the commitment to carry out these plans. Effective plan development must involve the participation of the affected community, and of the private sector, acting in concert with the state, tribal 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. Poverty, unemployment, and other need factors are critical in determining eligibility for Empowerment Zone status, but play a less significant role in the selection process.

State and local governments, tribal governments and economic development corporations that are state chartered may nominate distressed rural areas for designation as Empowerment Zones. A Round I Enterprise Community may apply for Round II Empowerment Zone status.

II. Program Description

General

Pursuant to Title XIII of the Omnibus Budget Reconciliation Act of 1993, the Secretary of Agriculture designated three rural Empowerment Zones and thirty rural Enterprise Communities on December 21, 1994. The Secretary is proposing to designate five more rural empowerment zones pursuant to the authorization in title IX of the Taxpayer Relief Act of 1997 (Pub. L. 105–34, approved August 5, 1997).

Eligibility

To be eligible for designation as a Round II rural Empowerment Zone 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); and

b. 25 percent in 90 percent of the 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. Show that each nominated parcel independently meets the two poverty rate requirements;

7. Be located entirely within the jurisdiction of the unit or units of general local government making the nomination; and

8. Not include any portion of a central business district as defined in the Census of Retail Trade unless the poverty rate for each Census tract is at least 35 percent.

A table summarizing the Eligibility Criteria applicable to Round II Rural Empowerment Zone designations follows:

RURAL EMPOWERMENT ZONES ELIGIBILITY CRITERIA TABLE

Criteria	Round II
Population	The population of the nominated area may not exceed 30,000.
Distress	The nominated area is one of pervasive poverty, unemployment, and general distress.
Area	Not more than 1,000 square miles. Does not include any portion of a central business district (as defined in the most recent Census of Retail Trade) unless the poverty rate for each population census tract in such district is 35 percent or higher. Where a tract exceeds 1,000 square miles, the excess land may be excluded. Where a tract includes substantial governmentally owned land, the governmentally owned land may be excluded. Developable sites are not taken into account in determining whether the 1,000 square mile limitation is met.
Boundary (sub category within Area).	May be continuous or consist of not more than 3 noncontiguous parcels. Where a rural area straddles more than one state (it may not, in any event, straddle more than 3 states), the boundary must be continuous. Subject to: Where a tract exceeds 1,000 square miles or a nominated area includes substantial governmentally owned land, exclusion of the excess or government-owned land will not be treated as violating the continuous boundary requirement. Developable sites are not taken into account in determining whether the continuous boundary requirement is met.
Poverty Rate	(1) Not less than a 20% poverty rate in each census tract; and (2) At least 90% of the total census tracts each have a poverty rate of not less than 25%; Subject to: Up to an aggregate of 2,000 acres in not more than 3 noncontiguous parcels may be excluded from the nominated area for purposes of determining whether the 20% and 25% tests are met, where those acres may be developed for commercial or industrial purposes. Tracts with zero population are treated the same as tracts with population under 2,000 for purposes of applying the poverty rate criteria. Tracts with population under 2,000 are presumed to have a poverty rate of not less than 25% if: (1) more than 75% of the tract is zoned for commercial or industrial use; and (2) such tract is contiguous to 1 or more other tracts which have a poverty rate of not less than 25%, where that determination for the contiguous tracts is made using the actual poverty rate, not by applying this provision. Noncontiguous parcels must separately meet the 20% and 25% tests above. In the case of an area not tracted for population census purposes, the equivalent county divisions, defined by the Bureau of the Census for defining poverty areas, shall be used for determining poverty rates. The Secretary of Agriculture may disregard the poverty rate test for not more than one Round II Rural Empowerment Zone and apply in lieu thereof an emigration test as contained in the applicable regulations.
Additional Factors	(1) Effectiveness of the strategic plan; and (2) Assurances made by state and local governments that the strategic plan will be implemented. (3) Other criteria as the Secretary may impose. A Round I Enterprise Community (EC) may be designated a Round II Empowerment Zone, however, the enterprise community must apply for zone designation in its entirety, or in its entirety together with an additional area. A sub area of an Enterprise Community may not apply. With the exception of a Round I EC applying for a Round II Empowerment Zone designation, no portion of the area nominated may already be included in a Round I Empowerment Zone or Enterprise Community. A Round II Empowerment Zone may include an area on an Indian reservation. A nominated area in Alaska or Hawaii is deemed to meet the Distress, Area and Poverty Rate Criteria above, if for each census tract or block group at least 20% of the families within have an income which is 50% or less than the statewide median family income. [Note: the Population and other requirements still apply.]

Application of Poverty Rate Test

A rounding methodology will be applied to the 90 percent calculation in determining the number of tracts which must evidence a poverty rate of not less than 25 percent. Where the nominated area consists of fewer than ten tracts, the following table reflects application of this methodology:

Total Number of Census Tracts in the Nominated Area	Number of tracts which must demonstrate a poverty rate of not less than 25%	Number of tracts which must demonstrate a poverty rate of not less than 20%
9 [.90 x 9 = 8.1; rounded to 8]	8	1
8	7	1
7	6	1
6	5	1
5 [.90 x 5 = 4.5; rounded to 5]	5	.....
4	4	.....
3	3	.....
2	2	.....
1	1	.....

Nomination Process

The law requires that areas be nominated by one or more local governments and the states, or tribal government, where the nominated rural area is located. Nominations can be considered for designation only if:

1. The rural area meets the applicable requirements for eligibility;

2. The Secretary determines such governments have the authority to nominate the area for designation and to provide the required assurances; and

3. The Secretary determines all information furnished by the nominating state and local governments is reasonably accurate.

The state and local governments nominating an area for designation must certify:

1. Each nominating governmental entity has the authority to nominate the rural area for designation as an Empowerment Zone or Enterprise Community and make the assurances required under this part;

2. Each nominating governmental entity has the authority to make the state and local commitments contained in the strategic plan and as required by this part;

3. Each nominating governmental entity has the authority to provide written assurances satisfactory to the Secretary that these commitments will be met;

4. The nominated area satisfies the eligibility criteria, inclusive of the requirement that either

a. No portion of the area nominated is already included in a designated Empowerment Zone or Enterprise Community or in an area otherwise nominated to be designated under this section; or

b. Where an existing Round I Enterprise Community is seeking to be designated as a Round II Empowerment Zone, that the nominated area includes the entirety of the applicable Round I Enterprise Community and any other areas as may be included in the application do not comprise any portion of a designated Empowerment Zone or Enterprise Community or part of an area otherwise nominated to be designated under this section.

The state and local governments nominating an area for designation must provide the following written assurances:

1. The strategic plan will be implemented;

2. The nominating governments will make available all information requested by USDA to aid in the evaluation of progress in implementing the strategic plan; and

3. EZ/EC SSBG funds, as applicable, will be used to supplement, not supplant, other Federal or non-Federal funds available for financing services or activities which can be used to achieve or maintain the objectives consistent with EZ/EC SSBG purposes.

Strategic Plan

The application for designation must include a strategic plan. The strategic plan must be developed in accordance with the following four key principles:

1. 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.

2. Community-based partnerships, involving the participation of all segments of the community, including the political and governmental leadership, community groups, local public health and social service departments and nonprofit groups providing similar services, environmental groups, local transportation planning entities, public and private schools, religious organizations, the private and nonprofit sectors, centers of learning, and other community institutions and individual citizens;

3. Economic opportunity, including job creation within the community and throughout the region, entrepreneurial initiatives, small business expansion, job training and other important services such as affordable childcare and transportation services that may enable residents to be employed in jobs that offer upward mobility;

4. Sustainable community development, to advance the creation of livable and vibrant communities through comprehensive approaches that coordinate economic, physical, environmental, community and human development. These approaches should preserve the environment and historic landmarks—they may include ''brownfields'' clean-up and redevelopment, and promote transportation, education, and public safety.

The strategic plan must:

1. Describe the coordinated economic, human, community, and physical development plan and related activities proposed for the nominated area;

2. Describe 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 institutions and organizations have contributed to the planning process;

3. Identify the amount of state, local, and private resources that will be available in the nominated area and the private and public partnerships to be used, which may include participation by, and cooperation with, universities, medical centers, and other private and public entities;

4. Identify the funding requested under any Federal program in support of the proposed economic, human, community, and physical development and related activities;

5. Identify the 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;

6. Must 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

7. Include such other information as required by USDA in a Notice Inviting Applications.

III. Differences Between the Round II Interim Rule and the Round I Final Rule

This interim rule amends the February 6, 1995 final rule promulgated with respect to Round I Empowerment Zones and Enterprise Communities. In addition to incorporating revised eligibility criteria for Round II Empowerment Zones, changes have been made to streamline the application process and provide guidance for the format of required strategic plans. Changes have been made to the post designation monitoring activities for all Empowerment Zones and Enterprise Communities as well.

The broad categories for eligibility continue to be population, distress, area size and boundary configuration, and poverty rate. Within those categories, population limit and the requirement that the nominated area evidence pervasive poverty and general distress remain unchanged. The area size and boundary determinations were modified

for Round II and the specific poverty rate thresholds were relaxed somewhat. The former requirement that at least half of the nominated area consist of Census tracts with poverty rates of 35 percent or more does not apply to Round II designees. Round II applicants must demonstrate a poverty rate of not less than 25 percent for 90 percent of the census tracts and a poverty rate of not less than 20 percent for all Census tracts. The rule for Census tracts with populations under 2,000 was changed. The low population tract may qualify under its actual poverty rate or by application of a special rule. If (i) the low population tract is contiguous to a census tract which has an actual poverty rate of not less than 25 percent, and (ii) more than 75 percent of the area in the low population tract area is zoned commercial or industrial, then the low population tract will be treated as having a poverty rate of not less than 25 percent under the applicable statutory provision.

The requirement that nominated areas conform to census tract boundaries remains unchanged in most instances from Round I.

The 1,000 square mile limitation continues to apply to rural areas; however, for purposes of determining whether a nominated area meets this test, a special rule for rural areas allows the exclusion in a single census tract of square mileage in excess of 1,000 square miles as well as land owned by the Federal, state or local governmental entities. The exclusion of such excess area or governmentally owned land will not be treated as violating the boundary requirements.

The requirement that the nominated rural area not exceed 3 noncontiguous parcels if it is wholly within one state, but observe a continuous boundary requirement if it crosses state lines, remains unchanged from Round I. It may not involve more than three contiguous states.

Round II nominated areas may include developable sites for which the poverty rate criteria do not apply. The poverty rate criteria shall not apply to up to three noncontiguous parcels in a nominated area which may be developed for commercial or industrial purposes. The aggregate area of such parcels may not exceed 2,000 acres. This provision is subject to, and does not modify, the overall limit of three noncontiguous parcels for the entire nominated area. Developable sites are not taken into account in determining whether the 1,000 square mile and boundary limitations are met.

Round II provides that an area in an Indian reservation may be nominated for designation as a rural Empowerment Zone. Where two [or more] governing bodies have joint jurisdiction over an Indian reservation, the nomination of a reservation area must be a joint nomination. Nominated areas wholly within an Indian reservation are not required to adhere to census tract boundaries if sufficient credible data are available to show compliance with other requirements of the rule.

The Interim rule does not include information concerning EZ/EC SSBG funds that may become available from the U.S. Department of Health and Human Services (HHS). Information about allowed uses of such grant funds may be found in an appendix to the USDA Notice Inviting Applications published elsewhere in this issue of the **Federal Register**.

Previously designated Round I Enterprise Communities may apply for Round II Empowerment Zone designation. The Interim rule provides that a Round I Enterprise Community must apply in its entirety, or in its entirety together with additional area. A subportion of the Round I Enterprise Community may not spin off such that the remainder of the Round I Enterprise Community is not included in the application for Round II Empowerment Zone designation.

The Interim rule provides that the format of the strategic plans conform to the requirements set forth in the Notice Inviting Applications published elsewhere in this **Federal Register**. This is to offer guidance to the applicants and facilitate greater efficiency in reviewing the applications and post designation evaluation. The Interim rule clarifies and makes applicable to all designees the USDA reporting requirements which were instituted for Round I Empowerment Zones and Enterprise Communities.

The Notice Inviting Applications published elsewhere in this **Federal Register** includes as an appendix a model Memorandum of Agreement (MOA). Round I designees were asked to sign comparable MOAs; Round II applicants will also be required to sign comparable MOAs.

List of Subjects in 7 CFR Part 25

Community development, Economic development, Empowerment zones, Enterprise communities, Housing, Indians, Intergovernmental relations, Reporting and recordkeeping requirements, Rural development.

In accordance with the reasons set out in the preamble, 7 CFR part 25 is revised to read as follows:

1. Title 7 is amended by revising part 25 to read as follows:

PART 25—RURAL EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES

Subpart A—General Provisions

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25.2 Objective and purpose.
25.3 Definitions.
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Subpart F—Special Rules

25.500 Indian reservations.
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25.504–25.599 [Reserved]
25.600–25.999 [Reserved]

Authority: 5 U.S.C. 301, 26 U.S.C. 1391.

Subpart A—General Provisions

§ 25.1 Applicability and scope.

(a) *Applicability.* This part sets forth 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 (Round I) and the Taxpayer Relief Act of 1997, title IX, subtitle F (Round II).

(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 the Secretary of the U.S. Department of Agriculture (Secretary) (USDA). Provisions dealing with the nominations and designation of urban Empowerment Zones and Enterprise Communities are promulgated by the U.S. Department of Housing and Urban Development (HUD). This part also contains provisions relating to granting certain nominated areas status as Champion communities.

§ 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 in order to facilitate the empowerment of the disadvantaged and long-term unemployed such that they may become economically self-sufficient, and to promote revitalization of economically distressed areas, primarily by facilitating:

(a) Coordination of economic, human services, health, transportation, education, community, and physical development plans, and other 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 comprehensive multi-sectoral strategic plan for any nominated rural Empowerment Zone or Enterprise Community;

(c) Tax incentives and credits; and

(d) Distribution of other federal resources including grants from USDA and other federal departments, including Empowerment Zone and Enterprise Community Social Services Block Grant (EZ/EC SSBG) funds as may be available from the U.S. Department of Health and Human Services (HHS).

§ 25.3 Definitions.

As used in this part—

Annual report means the report submitted to USDA by all rural Empowerment Zones and Enterprise Communities pursuant to § 25.400.

Applicant means the entity that is submitting the community's strategic plan for accomplishing comprehensive economic, human community, and physical development within the area; such an entity may include, but is not limited to, state governments, local governments, tribal governments, regional planning agencies, non-profit organizations, community-based organizations, or a partnership of community members and other entities. The applicant may be the same as or different from the lead managing entity.

Baseline condition means a measurable condition or problem at the time of designation for which benchmark goals have been established for improvement.

Benchmark activity means a program, project, task or combination thereof which is designed to achieve a benchmark goal.

Benchmark goal means a measurable goal targeted for achievement in the strategic plan.

Census tract means a population census tract, or, if census tracts are not defined for the area, a block numbering area (BNA) as established by the Bureau of the Census, U.S. Department of Commerce. BNAs are areas delineated by state officials or (lacking state participation) by the Census Bureau, following Census Bureau guidelines, for the purpose of grouping and numbering decennial census blocks in counties or statistically equivalent entities in which census tracts have not been established. A BNA is equivalent to a census tract in the Census Bureau's geographic hierarchy.

Brownfield means a ''qualified contaminated site'' meeting the requirements of section 941 of the Taxpayer Relief Act of 1997, (26 U.S.C. 198(c)), where the site is located in an empowerment zone or enterprise community.

Champion Community means a rural area granted such status by the Secretary pursuant to this part from among those communities which applied for designation as either a rural Empowerment Zone or Enterprise Community and which were not so designated.

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.*), and for certain consideration by Federal programs such as the EZ/EC SSBG program established pursuant to section 2007 of title XX of the Social Security Act (42 U.S.C. 1397f).

Designation date means December 21, 1994 in the case of Round I designations and, in the case of Round II designations, the date designation is made by the Secretary.

Developable site means a parcel of land in a nominated area which may be developed for commercial or industrial purposes.

Empowerment Zone means a rural area so designated by the Secretary pursuant to this part.

Enterprise Community means a rural area so designated by the Secretary pursuant to this part.

EZ/EC SSBG funds or *EZ/EC Social Services Block Grant funds* means any funds that may be provided to states or tribal governments by HHS in accordance with section 2007(a) of the Social Security Act (42 U.S.C. 1397f), for use by designated Empowerment Zones or Enterprise Communities.

HHS means the U.S. Department of Health and Human Services.

HUD means the U.S. Department of Housing and Urban Development.

Indian reservation means a reservation as defined in section 168(j)(6) of the Internal Revenue Code, 26 U.S.C. 168(j)(6).

Lead managing entity means the entity that will administer and be responsible for the implementation of the strategic plan.

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 that 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 in accordance with this part.

Outmigration means the negative percentage change reported by the Bureau of the Census, U.S. Department of Commerce, for the sum of:

(1) Net Domestic Migration;

(2) Net Federal Movement; and

(3) Net International Migration, as such terms are defined for purposes of the 1990 Census.

Poverty rate means, for a given Census tract, the poverty rate reported in Table 19 of the Bureau of the Census CPH–3 series of publications from the 1990 Census of Population and Housing: Population and Housing Characteristics for Census Tracts and Block Numbering Areas.

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 § 25.405.

Round I identifies designations of rural Empowerment Zones and Enterprise Communities pursuant to 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).

Round II identifies designations of rural Empowerment Zones pursuant to subtitle F (Empowerment Zones,

Enterprise Communities, Brownfields, and Community Development Financial Institutions) of Title IX of the Taxpayer Relief Act of 1997 (Pub. L. 105–34).

Rural area means any area defined pursuant to § 25.503.

Secretary means the Secretary of the U.S. Department of Agriculture.

State means any state in the United States.

Strategic plan means a plan for achieving benchmark goals evidencing improvement over identified baseline conditions, developed with the participation and commitment of local governments, tribal governments, state governments, private sector, community members and others, pursuant to the provisions of § 25.202.

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; such designations of rural Empowerment Zones and Enterprise Communities as are made shall be from the applications submitted in response to the applicable Notice Inviting Applications. The Secretary may elect to designate as Champion communities, those nominated areas which are not designated as either a rural Empowerment Zone or Enterprise Community and whose applications meet the criteria contained in § 25.301.

(b) *Number of rural empowerment zones, enterprise communities and champion communities.*—(1) *Round I.* The Secretary may designate up to three rural Empowerment Zones and up to thirty rural Enterprise Communities prior to December 31, 1996.

(2) *Round II.* The Secretary may, prior to January 1, 1999, designate up to five rural Empowerment Zones in addition to those designated in Round I. The number of Champion Communities is limited to the number of applicants which are not designated.

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

(1) End of the tenth calendar year beginning on or after the designation date;

(2) Termination date designated by the state and local governments in their application for nomination;

(3) Date the Secretary revokes the designation; or

(4) Date the Empowerment Zone or Enterprise Community modifies its boundary without first obtaining the written approval of the Secretary.

§ 25.5 Waivers.

The Secretary may waive any provision of this part in any particular case 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.

§§ 25.6—25.99 [Reserved]

Subpart B—Area Requirements

§ 25.100 Eligibility requirements.

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;

(c) Meets the area size and boundary requirements of § 25.103;

(d) Is located entirely within the jurisdiction of the general local government making the nomination; and

(e) Meets the poverty rate criteria contained in § 25.104.

(f) Provision for Alaska and Hawaii. A nominated area in Alaska or Hawaii shall be presumed to meet the criteria of paragraphs (b), (c), and (e) of this section if, for each Census tract or block group in the area, at least 20 percent of the families in such tract have an income which is 50 percent or less of the statewide median family income.

§ 25.101 Data utilized for eligibility determinations.

(a) *Source of data.* The data to be employed in determining eligibility pursuant to this part shall be based on the 1990 Census, and from information published by the Bureau of Census and the Bureau of Labor Statistics, provided, however, that for purposes of demonstrating outmigration pursuant to § 25.104(b)(2)(iii), interim data collected by the Bureau of Census for the 1990–1994 period may be used. 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, except:

(1) Nominated areas in Alaska and Hawaii shall coincide with the boundaries of census tracts or block groups as such term is used for purposes of the 1990 Census;

(2) Developable sites are not required to coincide with the boundaries of Census tracts; and

(3) Nominated areas wholly within an Indian reservation are not required to adhere to census tract boundaries if sufficient credible data are available to show compliance with other requirements of this part. The requirements of § 25.103 are otherwise applicable.

§ 25.102 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, levels of public assistance, numbers of persons or families in poverty or similar data.

(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, a high or rising incidence of crime, narcotics use, abandoned housing, deteriorated infrastructure, school dropouts, teen pregnancy, incidents of domestic violence, incidence of certain health conditions 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 Area size and boundary requirements

(a) General eligibility requirements. A nominated area:

(1) May not exceed one thousand square miles in total land area;

(2) Must have one continuous boundary if located in more than one

state or may consist of not more than three noncontiguous parcels if located in only one state;

(3) If located in more than one state, must be located within no more than three contiguous states;

(4) May 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 Census tract in such district is not less than 35 percent for an Empowerment Zone (30 percent in the case of an Enterprise Community);

(5) Subject to paragraph (b)(4) of this section, may not include any portion of an area already included in an Empowerment Zone or Enterprise Community or included in an area otherwise nominated to be designated under this section;

(b) Eligibility requirements specific to different rounds.

(1) For purposes of Round I designations only, a nominated area may not include any area within an Indian reservation;

(2) For purposes of applying paragraph (a)(1) of this section to Round II designations:

(i) A Census tract larger than 1,000 square miles shall be reduced to a 1,000 square mile area with a continuous boundary, if necessary, after application of §§ 25.103(b)(2)(ii) and (iii);

(ii) Land owned by the Federal, state or local government may (and in the event the Census tract exceeds 1,000 square miles, will) be excluded in determining the square mileage of a nominated area; and

(iii) Developable sites, in the aggregate not exceeding 2,000 acres, may (and in the event the Census tract exceeds 1,000 square miles, will) be excluded in determining the square mileage of the nominated area;

(3) For purposes of applying paragraph (a)(3) of this section to Round II designations, the following shall not be treated as violating the continuous boundary requirement:

(i) Exclusion of excess area pursuant to paragraph (b)(2)(i) of this section;

(ii) Exclusion of government owned land pursuant to paragraph (b)(2)(ii) of this section; or

(iii) Exclusion of developable sites pursuant to paragraph (b)(2)(iii) of this section; and

(4) Paragraph (a)(5) of this section shall not apply where a Round I Enterprise Community is applying either in its entirety or together with an additional area for a Round II Empowerment Zone designation.

§ 25.104 Poverty rate.

(a) *General.* Eligibility of an area on the basis of poverty shall be established in accordance with the following poverty rate criteria specific to Round I and Round II nominated areas:

(1) Round I: (i) In each Census tract, the poverty rate may not be less than 20 percent;

(ii) For at least 90 percent of the Census tracts within the nominated area, the poverty rate may not be less than 25 percent; and

(iii) For at least 50 percent of the Census tracts within the nominated area, the poverty rate may not be less than 35 percent.

(2) Round II: (i) In each Census tract, the poverty rate may not be less than 20 percent;

(ii) For at least 90 percent of the Census tracts within the nominated area, the poverty rate may not be less than 25 percent;

(iii) Up to three noncontiguous developable sites, in the aggregate not exceeding 2,000 acres, may be excluded in determining whether the requirements of paragraphs (a)(2)(i) and (a)(2)(ii) of this section are met; and

(iv) The Secretary may designate not more than one rural Empowerment Zone without regard to paragraphs (a)(2)(i) and (a)(2)(ii) of this section if such nominated area satisfies the emigration criteria specified in paragraph (b)(2)(iii) of this section.

(b) *Special rules.* The following special rules apply to the determination of poverty rate for Round I and Round II nominated areas:

(1) *Round I*—(i) *Census tracts with no population.* Census tracts with no population shall be treated as having a poverty rate that meets the requirements of paragraphs (a)(1)(i) and (a)(1)(ii) of this section, but shall be treated as having a zero poverty rate for purposes of applying paragraph (a)(1)(iii) of this section;

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

(iii) *Adjustment of poverty rates for Round I Enterprise Communities.* For Round I Enterprise Communities only, the Secretary may, where necessary to carry out the purposes of this part, apply one of the following alternatives:

(A) Reduce by 5 percentage points one of the following thresholds for not more than 10 percent of the Census tracts (or, if fewer, five Census tracts) in the nominated area:

(*1*) The 20 percent threshold in paragraph (a)(1)(i) of this section;

(*2*) The 25 percent threshold in paragraph (a)(1)(ii) of this section;

(*3*) The 35 percent threshold in paragraph (a)(1)(iii) of this section; or

(B) Reduce the 35 percent threshold in paragraph (a)(1)(iii) of this section by 10 percentage points for three Census tracts.

(2) *Round II*—(i) *Census tracts with no population.* Census tracts with no population shall be treated the same as those Census tracts having a population of less than 2,000;

(ii) *Census tracts with populations of less than 2,000.* A Census tract with a population of less than 2,000 shall be treated as having a poverty rate of not less than 25 percent if:

(A) More than 75 percent of such tract is zoned for commercial or industrial use; and

(B) Such tract is contiguous to 1 or more other Census tracts which have a poverty rate of 25 percent or more, where such determination is made without applying § 25.104(b)(2)(ii).

(iii) *Emigration Criteria.* For purposes of the discretion as may be exercised by the Secretary pursuant to paragraph (a)(2)(iv) of this section, a nominated area must demonstrate outmigration of not less than 15 percent over the period 1980–1994 for each census tract. The outmigration for each census tract in the nominated area shall be as reported for the county in which the census tract is located: *Provided, however,* That the nominated area may include not more than one census tract where the reported outmigration is less than 15 percent, which tract shall be contiguous to at least one other census tract in the nominated area.

(c) *General rules.* The following general rules apply to the determination of poverty rate for both Round I and Round II nominated areas.

(1) *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.

(2) *Noncontiguous parcels.* Each such parcel (excluding, in the case of Round II, up to 3 noncontiguous developable sites not exceeding 2,000 acres in the aggregate) must separately meet the poverty criteria set forth in this section.

(3) *Areas not within census tracts.* In the case of an area which is not tracted for Census tracts, the block numbering area shall be used for purposes of determining poverty rates. Block groups may be used for Alaska and Hawaii.

§§ 25.105–25.199 [Reserved]

Subpart C—Nomination Procedure

§ 25.200 Nominations by State and local governments.

(a) *Nomination criteria.* One or more local governments and the states in which an area is located must nominate such area for designation as an Empowerment Zone or Enterprise Community. Nominated areas can be considered for designation only if:

(1) The rural area meets the applicable requirements for eligibility identified in § 25.100;

(2) The Secretary determines such governments have the authority to nominate the area for designation and to provide the assurances described in paragraph (b) of this section; and

(3) The Secretary determines all information furnished by the nominating states and local governments is reasonably accurate.

(b) *Required certifications and assurances.* The state and local governments nominating an area for designation must:

(1) Submit the following certifications:

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

(A) Nominate the rural area for designation as an Empowerment Zone or Enterprise Community and make the assurances required under this part;

(B) Make the state and local commitments contained in the strategic plan or otherwise required under this part; and

(C) Provide written assurances satisfactory to the Secretary that these commitments will be met; and

(ii) The nominated area satisfies the eligibility criteria referenced in § 25.100, inclusive of the requirement that either;

(A) No portion of the area nominated is already included in a designated Empowerment Zone or Enterprise Community or in an area otherwise nominated to be designated under this section; or

(B) Where an existing Round I Enterprise Community is seeking to be designated as a Round II Empowerment Zone, that the nominated area includes the entirety of the applicable Round I Enterprise Community and that any other areas as may be included in the application do not comprise any portion of a designated Empowerment Zone or Enterprise Community or part of an area otherwise nominated to be designated under this section; and

(2) Provide written assurance that:

(i) The strategic plan will be implemented;

(ii) The nominating governments will make available, or cause to be made available, all information requested by USDA to aid in the evaluation of progress in implementing the strategic plan; and

(iii) EZ/EC SSBG funds, as applicable, will be used to supplement, not supplant, other Federal or non-Federal funds available for financing services or activities which promote the purposes of section 2007 of the Social Security Act.

§ 25.201 Application.

No rural area may be considered for designation pursuant to this part unless the application:

(a) Demonstrates that the nominated rural area satisfies the eligibility criteria contained in § 25.100;

(b) Includes a strategic plan, which meets the requirements contained in § 25.202;

(c) Includes the written commitment of the applicant, as applicable, that EZ/EC SSBG funds will be used to supplement, not replace, other Federal and non-Federal funds available for financing services or activities that promote the purposes of section 2007 of the Social Security Act; and

(d) Includes such other information as may be required by USDA.

§ 25.202 Strategic plan.

(a) *Principles of strategic plan.* The strategic plan included in the application must be developed in accordance with the following four key principles:

(1) 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.

(2) Community-based partnerships, involving the participation of all segments of the community, including the political and governmental leadership, community groups, local public health and social service departments and nonprofit groups providing similar services, environmental groups, local transportation planning entities, public and private schools, religious organizations, the private and nonprofit sectors, centers of learning, and other community institutions and individual citizens.

(3) Economic opportunity, including job creation within the community and throughout the region, entrepreneurial initiatives, small business expansion, job training and other important services such as affordable childcare and transportation services that may enable residents to be employed in jobs that offer upward mobility.

(4) Sustainable community development, to advance the creation of livable and vibrant communities through comprehensive approaches that coordinate economic, physical, environmental, community, and human development. These approaches should preserve the environment and historic landmarks—they may include ''brownfields'' clean-up and redevelopment, and promote transportation, education, and public safety.

(b) *Minimum requirements.* The strategic plan must:

(1) Describe the coordinated economic, human, community, and physical development plan and related activities proposed for the nominated area;

(2) Describe 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 institutions and organizations have contributed to the planning process;

(3) Identify the amount of state, local, and private resources that will be available in the nominated area and the private and public partnerships to be used, which may include participation by, and cooperation with, universities, medical centers, and other private and public entities;

(4) Identify the funding requested under any Federal program in support of the proposed economic, human, community, and physical development and related activities, including details about proposed uses of EZ/EC SSBG funds that may be available from HHS;

(5) Identify the 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;

(6) Must 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

(7) Include such other information as required by USDA in the Notice Inviting Applications.

(c) *Implementation of strategic plan.* The strategic plan may be implemented by state governments, tribal governments, local governments, regional planning agencies, non-profit organizations, community-based organizations, or other nongovernmental entities. Activities included in the strategic plan may be funded from any source, Federal, state, local, or private, which agrees to provide assistance to the nominated area.

(d) *Public access to materials and proceedings.* The applicant or the lead managing entity, as applicable, must make available to the public copies of the strategic plan and supporting documentation and must conduct its meetings in accordance with the applicable open meetings acts.

§ 25.203 Submission of applications.

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

§ 25.204 Evaluation of the Strategic plan.

The strategic plan will be evaluated for effectiveness as part of the designation process for nominated rural areas described in subpart D 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 contained in § 25.202(a). USDA will review each plan submitted in terms of the four equally weighted principal objectives, and of such other elements of these principal objectives as are appropriate to address the opportunities and problems of each nominated area, which may include:

(a) *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.

(b) *Community-based partnerships.*—(1) *Community partners.* The extent to which residents of the community participated in developing 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, and their record of success measured by their achievements and support for undertakings within the nominated area;

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

(3) *State and local government partners.* The extent to which states 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.

(c) *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, community and human 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.

(d) *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:

(i) Provided with the opportunity to take responsibility for learning the skills, discipline, attitude, and initiative to make work rewarding;

(ii) Invited to take part as resources in the rebuilding of their community; and

(iii) Provided the opportunity to develop a sense of industry and competency and a belief they might exercise some control over the course of their lives.

(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;

(10) *Health care.* The extent to which the plan promotes a community-based system of health care that facilitates access to comprehensive, high quality care, particularly for the residents of EZ/EC neighborhoods;

(11) *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, creed, 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.

§§ 25.205—25.299 [Reserved]

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 applications 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.* USDA will accept for processing those applications as Empowerment Zones and Enterprise Communities which USDA determines have met the criteria required under this part. USDA will notify the states and local governments whether or not the nomination has been accepted for processing. The application 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, inclusive of the strategic plan, as required by § 25.202, and the certifications and written assurances required by § 25.200(b).

(c) *Site visits.* In the process of reviewing each application accepted for processing, USDA may undertake site visits to any nominated area to aid in the process of evaluation.

(d) *Modification of the strategic plan, boundaries of nominated rural areas, or period during the application review period.* Subject to the limitations imposed by § 25.100.

(1) USDA may request additional information pertaining to the strategic plan and proposed area and may, as a part of that request, suggest modifications to the strategic plan or nominated area that would enhance the effectiveness of the strategic plan;

(2) Enlargement of a nominated area will not be allowed if the inclusion of the additional area will result in an average poverty rate less than the average poverty rate at the time of initial application; and

(3) An applicant may modify the nominated area or strategic plan during the application review period with USDA approval.

(e) *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.

§ 25.301 Selection factors for designation of nominated rural areas.

In choosing among nominated rural areas eligible for designation as Empowerment Zone, Enterprise Community or Champion Community, the Secretary shall consider:

(a) The potential effectiveness of the strategic plan, in accordance with the key principles in § 25.202(a);

(b) The strength of the assurances made pursuant to § 25.200(b) that the strategic plan will be implemented;

(c) The extent to which an application proposes activities that are creative and innovative;

(d) The extent to which areas consisting of noncontiguous parcels are not so widely separated as to compromise achievement by the nominated area of a cohesive community or regional identity; and

(e) 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.

§§ 25.302–25.399 [Reserved]

Subpart E—Post-Designation Requirements

§ 25.400 Reporting.

(a) *Periodic reports.* Empowerment Zones, Enterprise Communities and Champion Communities shall submit to USDA periodic reports which 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, Enterprise Communities and Champion communities as USDA may 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.

(b) *Annual report.* All rural Empowerment Zones and Enterprise Communities shall submit an annual report to USDA for each calendar year which includes an executive summary and benchmark progress report as follows:

(1) *Executive summary.* The executive summary shall identify the progress and setbacks experienced in efforts to achieve benchmark goals. Activities other than those expressly included in the strategic plan should also be noted in order to provide an understanding of where the community stands with respect to implementation of the strategic plan. Furthermore, the executive summary should address the following:

(i) Identify the most significant accomplishments to date.

(ii) Describe the level of community participation and overall support for the EZ/EC initiative.

(iii) List and describe new partnerships or alliances formed.

(iv) Identify problems or obstacles not otherwise anticipated in the strategic plan.

(v) Describe solutions developed or efforts to address the problems and obstacles.

(vi) Identify practices or concepts which were found especially effective in implementing the strategic plan.

(2) *Benchmark progress report.* For each benchmark goal the community will provide a current measure of the baseline condition which is the subject of targeted improvement and whether the current measure represents an improvement from the baseline condition as initially stated in the strategic plan. For each benchmark activity the community will provide a status report in form and substance acceptable to USDA.

(c) *Timely state data.* 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.

§ 25.401 Responsibility of lead managing entity.

(a) *Financial.* The lead managing entity will be responsible for strategic plan program activities and monitoring the fiscal management of the funds of the Empowerment Zone or Enterprise Community.

(b) *Reporting.* The lead managing entity will be responsible for developing the reports required under this subpart.

(c) *Cooperation.* All entities with significant involvement in implementing the strategic plan shall cooperate with the lead managing entity in its compliance with paragraphs (a) and (b) of this section.

§ 25.402 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. Evidence of continual involvement of all segments of the community, including low income and disadvantaged residents, must be evidenced in the implementation of the strategic plan.

§ 25.403. Ongoing 2-year work plan requirement.

(a) Each Empowerment Zone and Enterprise Community shall prepare and submit annually, work plans for the subsequent 2-year interval of the designation period.

(b) The 2-year work plan shall be submitted to USDA 45 days prior to the start of the applicable 2-year period.

(c) The 2-year work plan must include the following sections and content:

(1) *Section 1—Work Plan.* Identify the benchmark goals to be achieved in the applicable 2 years of the strategic plan, together with the benchmark activities to be undertaken during the applicable 2 years of implementation. Include references to the applicable baseline conditions and performance indicators to be used in assessing performance.

(2) *Section 2—Operational Budget.* For each benchmark activity to be undertaken in the applicable 2 years of the strategic plan, set forth the following information:

(i) Expected implementation costs;

(ii) Proposed sources of funding and whether actual commitments have been obtained;

(iii) Technical assistance resources and other forms of support pledged by Federal, state and local governments, non-profit organizations, foundations, private businesses, and any other entity to assist in implementation of the community's strategic plan, and whether this support is conditional upon the designation of the community as an Empowerment Zone; and

(iv) Documentation of applications for assistance and commitments identified as proposed funding and other resources.

§ 25.404 Validation of designation.

(a) *Reevaluation of designations.* On the basis of the performance reviews described in § 25.402, and subject to the provisions relating to the revocation of designation appearing at § 25.405, USDA will make findings as to the continuing eligibility for and the validity of the designation of any Empowerment Zone, Enterprise Community, or Champion 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 in accordance with § 25.405 and the requirements as to the number, maximum population and other characteristics of rural Empowerment Zones referenced in § 25.100, the Secretary may modify designations by reclassifying rural Empowerment Zones as Enterprise Communities or Enterprise Communities as Empowerment Zones.

§ 25.405 Revocation of designation.

(a) *Basis for revocation.* The Secretary may revoke the designation of a rural area as an Empowerment Zone or Enterprise Community, or withdraw status as a Champion Community, if the Secretary determines, on the basis of the periodic monitoring and assessments described in § 25.402, that the applicant, lead managing entity, or the states or local governments in which the rural area is located have:

(1) Modified the boundaries of the area without written approval from USDA;

(2) Failed to make progress in implementing the strategic plan; or

(3) Not complied substantially with the strategic plan (which may include failing to apply funds as contained in the strategic plan without advance written approval from USDA).

(b) *Letter of Warning.* 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, the lead managing entity (if different from the applicant) and the nominating states and local governments, with a copy to all affected Federal agencies of which USDA is aware:

(1) Advising that the Secretary has determined that the applicant and/or lead managing entity and/or the nominating local governments and state:

(i) Have modified the boundaries of the area without written approval from USDA; or

(ii) Are not complying substantially with, or have failed to make satisfactory progress in implementing the strategic plan; and

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

(c) *Notice of revocation.* To revoke the designation, the Secretary must issue a final notice of revocation of the designation of the rural area as an Empowerment Zone or Enterprise Community, after:

(1) Allowing 90 days from the date of receipt of the letter of warning for response; and

(2) Making a determination pursuant to paragraph (a) of this section.

(d) *Notice to affected Federal agencies.* USDA will notify all affected Federal agencies of which it is aware of its determination to revoke any designation pursuant to this section or to modify a designation pursuant to § 25.404(b).

(e) *Effective date.* The final notice of revocation of designation will be published in the **Federal Register**, and the revocation will be effective on the date of publication.

§§ 25.406–25.499 [Reserved]

Subpart F—Special Rules

§ 25.500 Indian reservations.

(a) An area in an Indian reservation shall be treated as nominated by a state and a local government if it is nominated by the reservation governing body.

(b) For purposes of paragraph (a) of this section, a reservation governing body must be the governing body of an Indian entity recognized and eligible to receive services from the United States Bureau of Indian Affairs, U.S. Department of Interior.

(c) Where two or more governing bodies have joint jurisdiction over an Indian reservation, the nomination of a reservation area must be a joint nomination.

§ 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 state-chartered 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 government.

§ 25.503 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, is an area that has a population density less than or equal to 1,000 persons per square mile, the land use of which is primarily agricultural.

(b) *Exceptions to the definition.* On a case by case basis, the Secretary may 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 Deputy Administrator, USDA Office of Community Development, Reporters Building, Room 701, STOP 3203, 300 7th Street, SW, Washington, DC 20024–3202. 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) *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.

§§ 25.504–25.999 [Reserved]

Dated: April 10, 1998.

Dan Glickman,

Secretary of Agriculture.

Regulatory Impact Analysis

DEPARTMENT OF AGRICULTURE

OFFICE OF THE SECRETARY

1. *Title/Description:*

Designation of Rural Empowerment Zones and Enterprise Communities.

This rule establishes procedures for designating five new rural Empowerment Zones.

2. *Cite/Status:* 7 CFR Part 25 Interim Rule.

3. *Purpose:* This rule implements that portion of Subtitle F of Title IX of the Taxpayer Relief Act of 1997 (P. L. 105–34, approved August 5, 1997) concerning procedures for designating five rural Empowerment Zones (Round II). It also amends regulations pertaining to the three existing rural Empowerment Zones that were designated pursuant to Title XIII of the Omnibus Budget Reconciliation Act of 1993 (P. L. 103–66, approved August 10, 1993).

4. *Degree of Discretion:* Mandated by Subtitle F, referred to above.

5. *Special Considerations:*

a. Statutory or judicial deadlines: The law requires that designations be made prior to January 1, 1999.

b. Public health and safety deadlines: None identified.

c. Others: None identified.

6. *Economic Impacts:*

A. *Costs:*

a. Nature of hindrance to economic growth:

This rule establishes procedures for designating places to receive Round II rural Empowerment Zone (EZ) status. No hindrance to economic growth is expected, rather, the program objective is to foster economic growth in the designated communities. However, various participants will contribute funding to the program, hence there are some costs involved.

b. Who is affected:

This is a highly competitive program. It is expected that more than one hundred rural communities will submit applications with strategic plans in order to qualify for one of the five new rural EZ's. In comparison, there were 227 applicants for 3 Round Empowerment Zones and 30 Round I Enterprise Communities. All communities that apply will incur some relatively minor costs in completing their plans—probably in the range of $2,000 to $20,000 per community. More significant costs may be incurred by those communities that receive designations. These costs will be borne by all entities that have promised to invest in the community, including Federal, State, and local governments, nonprofit organizations, neighborhood groups, and businesses.

c. Degree of impact on individuals and society:

It is important to distinguish between the concepts of ''cost'' and ''investment.'' A cost estimate involves an attempt to summarize the amount of new or additional funds committed to implementation of community strategic plans or—in the case of the designated Empowerment Zones—the amount of revenues foregone as the result of tax benefits. Ordinarily, costs are assumed to be an involuntary burden on society, which it is necessary to minimize. Investments, on the other hand, are considered to be the application of resources in such a way as to produce desirable outcomes. Investments are considered to be both voluntary and likely to produce a rate of return that justifies their expenses. Because the expenditures of Empowerment Zones are made for the purpose of implementing the long-term strategic plans of these communities, these expenditures must be considered to be investments.

The total costs to society associated with the five new zones are difficult to predict. The Department of Treasury estimates that the cost to the Federal Treasury in terms of taxes foregone associated with the various Federal tax incentives for the five new rural zones will be $200 million over the 10-year life of the designated zones. This estimate is subject to considerable uncertainty because the zones will receive tax incentives that are relatively new and it is hard to predict how much they will be used in the five zones. Unlike the first round of rural EZ's, which received $40 million each in Title XX Social Service Block Grants (SSBG), no automatic grant funding has been supplied for the Round II zones, though the Administration has proposed to include some such grant funding. Additional uncertainty over the cost to the Federal government involves other Federal assistance that these zones are likely to request in the future in order to carry out their strategic plans. The amount of such grants is a function of what the communities envision they

need to implement their plans and the priority the Administration places on responding to their funding requests. The zone revitalization plans will also draw on the resources of State and local governments, the private sector, and on non-profit organizations. The costs incurred by these entities are difficult to predict, since they will depend on the communities' plans and on the willingness of these entities to contribute.

A rough idea of the potential magnitude of these costs may be revealed from the experience of the three Round I rural EZ's designated in December 1994. (Round I also included 30 Enterprise Communities (EC's), which receive substantially less assistance than the EZ's—because Round II does not include any EC's, we will ignore here the costs and benefits associated with EC's and focus only on the EZ's in this analysis). According to data collected by USDA covering the first three years since their designation, the three Round I rural EZ's have used the following funds (excluding the cost of tax incentives which remain unknown): $25 million from Federal SSBG funds, $35 million from other Federal funds, $24 million from State governments, $3 million from local governments, $53 million from the private sector, and $4 million from nonprofit organizations. These investments are expected to continue to accumulate over the 10-year duration of the zones.

While the magnitude of the investments by the Federal Government associated with these zones appears very small relative to the total Federal budget, their total for some of the other entities, such as the individual State and local governments contributing to these zones, may be more substantial relative to their budgets. However, these costs might be offset at least in part by development-induced increases in tax revenues resulting from the program, and by reduction in other government costs associated with higher levels of poverty and unemployment, both of which are expected to be reduced by this program. In addition, with the exception of Federal SSBG funds, all other expenditures of public and private funds represent voluntary investments from existing sources of funding that would otherwise be spent in other places, and they thus do not represent a net additional cost.

The purpose of this regulatory impact analysis is to determine the extent to which program costs (and benefits) might be affected by USDA's rules. Because this is a bottom-up program that allows localities to make their own plans, most of the costs are determined by the locality and participating funding sources. Hence the magnitude of costs is not directly determined by USDA's regulations. The rule mainly affects costs through its selection criteria, in which communities are encouraged to develop and implement comprehensive plans using whatever Federal, State, and local resources are required for a successful, sustainable revitalization. The more comprehensive these plans are, the more costly (and beneficial) their implementation is likely to be. While USDA does not require a minimum amount of spending for each of its zones, given the comprehensive nature of its guidelines, that might lead applicants to propose more ambitious (and hence more costly) strategies than they might otherwise propose. However, these other Federal costs represent a redirection of funds that would otherwise be spent in other communities and they are therefore not a net additional burden on the Treasury.

The highly competitive nature of the program's selection process is also expected to result in many communities going through the strategic planning process required as part of the application requirements. Since only five of these communities will receive designation, the remaining, undesignated communities will be left with a plan but without any automatic Federal support. USDA will designate applicant communities that complete a satisfactory planning process as Champion Communities. Following designation of the Round I zones, many of these communities have been found to follow through with some portion of their plans, seeking other types of assistance from various sources (Federal, State, local, etc.). This in turn will lead to additional costs (and benefits). However, these Federal costs represent a redirection of funds that would otherwise be spent in other communities and they are therefore not a net additional burden on the Treasury.

The rule also provides a mechanism whereby zone designation may be terminated in the event that a zone does not live up to its promised strategy. This might also be expected to add to program costs (and benefits) because it places pressure on participants (States, local governments, private and nonprofit sectors) to make a good faith effort to deliver on their promised contributions to the zone.

B. *Benefits*

a. Nature:

The Empowerment Zones program represents a radically new approach to the development of severely depressed rural communities. Unlike other Federal programs, the Empowerment Zone program is targeted heavily toward those rural communities with the highest levels of poverty or population loss. These communities are typically locked in a pattern of hopelessness from which it is very difficult to extricate themselves. Often, they have neither the will nor the organizational capacity, in addition to a lack of resources, to extricate themselves from the cycle of distress in which they are trapped. The objective of the Empowerment Zone program is not merely to expend Federal and other program dollars within the Zones. Instead, the program seeks to change the whole equation by which these communities approach their futures by helping them to develop fresh visions of what their futures can be like, build comprehensive, long-term strategic plans to achieve these visions, assemble resources and partners to assist with plan implementation, and build internal community capacity to plan and implement programs so that at the end of the ten-year designation period the communities have achieved a position in which the economic and social gains they have made will be sustainable without continued governmental assistance.

This process of building sustainability cannot occur through isolated, single-program investments, even though these may individually meet pressing needs within the community. It requires the coordinated and comprehensive development of a wide range of community assets, skills and capacities that occur in a variety of sectors. One way of thinking about this process of building toward sustainability is by using the analogy of an ''empowerment staircase.'' The first steps on the staircase are building hope that a different future may be possible, forming a vision of what future is desired for the community, creating a realistic plan for achieving that vision, obtaining resources to implement the plan, achieving some initial positive results, revising the plan to reflect changed conditions and aspirations, building additional partnerships and leveraging additional resources, enhancing the community's organizational and skill base and its capacity to continue its development process after the Federal support runs out.

The experience with the Round I Empowerment Zones and Enterprise Communities, which are approximately three years into the implementation of their development plans, shows that most of these communities have climbed the first five steps of the empowerment staircase. The

announcement of a program specifically limited to the most distressed communities gave the 227 applicant communities hope that a different outcome might be possible for them. The competition for designation and the required strategic planning process itself led most applicant communities to establish community-determined visions of different futures and to build meaningful, comprehensive, long-term strategic plans for reaching them. Both designated communities and those deemed to be Champion Communities have also obtained resources to implement portions of their plans and have achieved promising results, some of which are discussed further below. Many are now beginning to re-examine their strategic plans and to substitute alternative, more empowering development strategies for these strategies they employed initially. For example, the Mid-Delta Empowerment Zone Alliance, in Mississippi, has already created a number of jobs to help enable unemployed workers to be gainfully employed. Now it is turning its attention to strategies that will increase the number of opportunities for local workers to become business owners and increase the rates of entrepreneurship within the community. In addition, through training offered by the USDA and other sources, as well as on-the-job experience, the staff and board members of Empowerment Zones and Enterprise Communities are learning valuable skills in community organizing, resource identification and mobilization, strategic planning, and project implementation which will help them to continue their gains through local effort once the ten-year designation ends.

The comprehensive and holistic nature of the community strategic plans is itself a significant benefit over the more typical pattern of disconnected, single-program investments that characterizes most Federally-assisted development efforts. Economic and community development relies on a number of factors to be successful, all of which must be present for significant and lasting gains to be accomplished. For example, not only must jobs be created, but workers must be trained with appropriate skills for these jobs in order for them to take these jobs and other services such as transportation and day care must be available. Not only must new small business financing be available, but entrepreneurship training and technical support must be available during the start-up phase to assure higher rates of business success. As a result of such coordinated and holistic development, the likely benefits from Federal and other investments are significantly higher than if the investments occurred singly, without linkage to other, complementary actions and investments.

The statute entitles each of the five new rural Empowerment Zones to qualify for new Empowerment Zone Facility Bonds, a new category of tax exempt private activity bond, not subject to State volume caps. Each new rural zone may issue up to $60 million in these bonds. These are in addition to the more limited zone facility bonds available to Round I Empowerment Zones. The new rural Empowerment Zones also receive additional tax incentives for expensing of private investment in equipment. These tax incentives last for ten years. The new zones will also be eligible for some short-term tax reductions, including (1) Brownfields expensing of environmental cleanup costs for certain contaminated properties (through year 2000), (2) tax exempt Qualified Zone Academy Bonds for school programs, equipment, curriculum and rehabilitation, subject to a national volume cap (through 1999), and (3) Work Opportunity Tax Credits to employers hiring targeted groups of employees, including youths age 18–24 that reside within Empowerment Zones and Enterprise Communities (through June 30, 1998). All three of these tax benefits are to some extent available to other urban and rural communities, including Round I Empowerment Zones and Enterprise Communities, so that the total cost of these tax benefits cannot be attributed to the five rural Empowerment Zones.

In addition, Federal agencies are expected to give special preference to Empowerment Zones and Enterprise Communities with legitimate requests for program assistance. State and local governments and private firms and nonprofit are also expected to confer grants or assistance to these places. The new zones, however, will not be eligible for some of the benefits that the first round of Empowerment Zones received, such as the employer wage tax credits, and to date, no Title XX Social Service Block Grants funds are available for the new zones.

The comprehensive strategic planning approach employed by this program is meant to help poor communities identify their development needs and design strategies to address those needs. This type of approach should benefit the communities by helping them to focus their limited resources on their most important community goals and strategies, and it should also give them an advantage in obtaining outside assistance.

If the program works as expected, the communities should benefit through economic and community revitalization, including economic growth in the form of increased employment and income and improved economic self sufficiency (reduction of unemployment, welfare dependency), and improved overall conditions in the community in the form of lower crime rates, less drug dependency, better housing, better education, and improved public and private services available to the population. In addition, as discussed above, empowerment—the capacity of communities to design and implement local strategies for long-term community and economic enhancement—is expected to occur.

Recognizing the experimental character of this new approach, and also its demonstration value for other rural communities in similar circumstances, USDA has collected baseline information on the economic and social conditions that existed in each community at the time the program was inaugurated. In addition, USDA has undertaken a research project with Iowa State University to develop and collect information about the effect of the program on intangible community capacities, such as the extent of community participation in this highly democratic method of promoting community growth. USDA collects and publicizes best practices drawn from among the successes of the existing Empowerment Zones and Enterprise Communities and makes these available to all rural communities through publications and the EZ/EC web site. USDA regularly collects information from each of the Round I Empowerment Zones and Enterprise Communities about the actions they have undertaken and the results achieved, some of which results are reported below. At later stages in the implementation of Round I of the program, USDA will collect information about the overall impacts within the designated communities to evaluate both the extent of the benefits and costs of the program and the conditions under which optimal benefits were achieved.

b. Who is affected:

The residents of the designated Empowerment Zones will be the primary beneficiaries. The statute liberalizes the eligibility rules for the new Round II rural zones. The poverty rate eligibility threshold was higher for Round I, and Indian reservations were excluded. This was changed by statute for Round II. One of the five new rural

zones is eligible based on outmigration, regardless of poverty, and Indian reservations can participate if they meet eligibility criteria. These and other changes in the statute's eligibility provisions should allow more places to be eligible. In addition, the regions surrounding these places are also expected to benefit. The existing statute prohibits development plans from proposing a strategy that actively encourages or assists the relocation of firms or branch plants into the zones. The rule further encourages communities to adopt strategies that complement, rather than compete with, the development of the surrounding region. Also expected to benefit are those places that apply but that do not receive designations (in rural areas, these are called Champion Communities). Such places should benefit through the value of the community partnerships formed and the strategic plans they produced in the process of applying for the program. They are also eligible, along with the designated Empowerment Zones, for certain tax breaks for contributors to HUD-designated Community Development Corporations.

c. Degree of benefits to individuals and society:

The magnitude of the economic benefits that each designated zone community will receive from this program is difficult to predict. Most of the tax incentives are new, as is the program itself. Because the benefits are also affected by the strategies the communities choose in their strategic plans, the benefits might be expected to vary from zone to zone.

If the new Round II zones were to receive benefits like those of the Round I zones, an idea of the magnitude of such benefits is revealed by USDA statistics on Round I zones. As of January 1998, after the three Round I rural Empowerment Zones had completed their first 3 years as EZ's, they had reported a total of $144 million in direct new public and private investment, and 2,000 jobs created or saved. These zones have created a total of 15 job training programs, 6 job training facilities, and trained 442 persons. They have created 20 youth development programs serving 3,375 youths, and 3 educational facilities and 4 heath care facilities have been built or upgraded. The three zones have established or upgraded 18 computer learning centers and have received 3,480 Federal surplus computers. Five revolving loan or microenterprise funds have been created, 44 housing units have been built or rehabilitated, 19 water and waste projects are under construction.

These measures are indicative of recent performance and do not convey the full extent of benefits expected in the long run. A copy of a progress report based on information supplied by program participants is contained in Appendix A (attached).

These zones have used the resources available to them at a pace that will allow them to use these funds throughout the ten-year period of designation. As of January 1998—a little over two years into the implementation of their plans—they had used about a fifth of the Title XX SSBG funds allotted to them—$25 million out of a total of $120 million. These reserve SSBG funds should be able to leverage additional Federal, State, local, and private investments—the leverage ratio of non-SSBG funds to SSBG funds in the first three years averaged about 4.7:1. Thus, activity levels might be expected to pick up in the coming years as the bulk of the SSBG funds are spent. Although their zone designations officially end in the year 2004, they may continue to benefit from this program in the following years, since many of their investments are in infrastructure, training, community development financial institutions, and other forms of capital—including social capital—which should enhance their future productivity long after they stop receiving EZ tax incentives and priority in receipt of Federal funds.

The Round II zones will go through the same strategic planning process as did the Round I zones, and they may be expected to pursue similar comprehensive development strategies, drawing on various sources for funding. Other things being equal, their benefits should be roughly comparable to those of Round I zones. However, the five Round II zones might experience different economic impacts than those of the Round I zones because of the differences in tax incentives and the lack—thus far—of specially allocated Title XX grants that the Round I zones received. The difference in tax incentives might result in greater benefits, since the new zone facility bonds are not subject to the State volume cap and hence are more likely to be issued than the previous, more limited zone facility bonds. The additional $20,000 in expensing should also stimulate more private investment. And, although the employer wage tax credit is no longer available, this might be offset by the Work Opportunity Tax Credit and some of the other new tax incentives. However, if no specially-provided Title XX grant funds are provided to the Round II zones, as is true now, then this would dampen the economic benefits in the new zones. As currently structured, it seems likely that net benefits to Round II zones will be lower than those enjoyed by Round I zones, but it is difficult to estimate the actual amount of economic benefits involved.

The magnitude of the economic benefits will also depend on the extent that State Governments and various Federal agencies are encouraged to give preference to these places in providing grants and loans and regulatory relief. It also depends on the extent that Federal grants are devoted to non-economic purposes, such as reduced crime and drug use, and improved recreational programs.

Most of the program's benefits flow from the statutory aspects of the program and not from the rule itself. As previously noted, this rule pertains primarily to the application and selection process for the zones. The benefits that flow directly from the rule are related to the strategies that are being encouraged through the selection criteria specified in the rule. If successful, these strategies will result in sustainable, long-term development for the selected EZ's. This could lead to similar strategies being encouraged by other Federal and State programs that assist distressed areas, thereby having a more profound effect on society.

C. *Dynamic implications that may affect economic growth:*

Although the program is expected to significantly affect the economies of the designated local zones, in only a very minor way does this program affect dynamic aspects of national economic growth. Since it will tend to add to overall national spending and investment, this could slightly add to inflationary pressures while the economy remains near full-employment and slightly reduce unemployment during recessions. However, because the designated communities tend to have high rates of unemployment, this would dampen any inflationary pressure associated with the program. Moreover, the magnitude of these shifts is not large enough to make much of a difference, nationwide.

It is expected that, in addition to these direct contributions to national economic growth, the comprehensive, long-term, community-based model of development that is employed in this program will serve as a model to Champion Communities and to other rural communities, which may choose to employ similar methods of development in order to achieve some of the same results as the Empowerment

Zones and Enterprise Communities have been able to achieve. If the model should come into widespread application throughout rural America, the net contribution to the national economy could be substantial. Such an impact is unlikely to occur, however, within the period of designation of the Round II Empowerment Zones but would most likely occur over a period of one or two generations.

7. *''User Friendliness'':*

Every effort has been made to make this program work for all communities that apply. The regulations allow the communities maximum flexibility in the form that their plans take and the strategies that can be employed. A guidebook will be available to communities to guide them through the application process and to clarify any questions they may have about the program rules and procedures. In addition, lessons learned from Round I should add to the user-friendliness for the Round II zones, as modifications have been made to streamline the applications process and improve the structure of the required strategic plans.

Attachment: Appendix A, Progress Report

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USDA

USDA Rural Development

Office of Community Development

Progress Report

Rural Empowerment Zones and Enterprise Communities Initiative

April 8, 1998

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The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital and family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at 202-720-2600 (Voice and TDD).

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Preface

The rural Empowerment Zones and Enterprise Communities Initiative (EZ/EC) was created to better serve the citizens of America's impoverished rural communities. Since day one, this program has empowered rural citizens to become active participants and stakeholders in planning their community's economic and social growth.

The 3 rural EZs and 30 ECs in Round I began implementing their strategic plans in 1995, after creating performance benchmarks to chart the success of their programs. Since that time, these communities have been actively engaged in carrying out projects to improve the economic prospects and quality of life of their citizens.

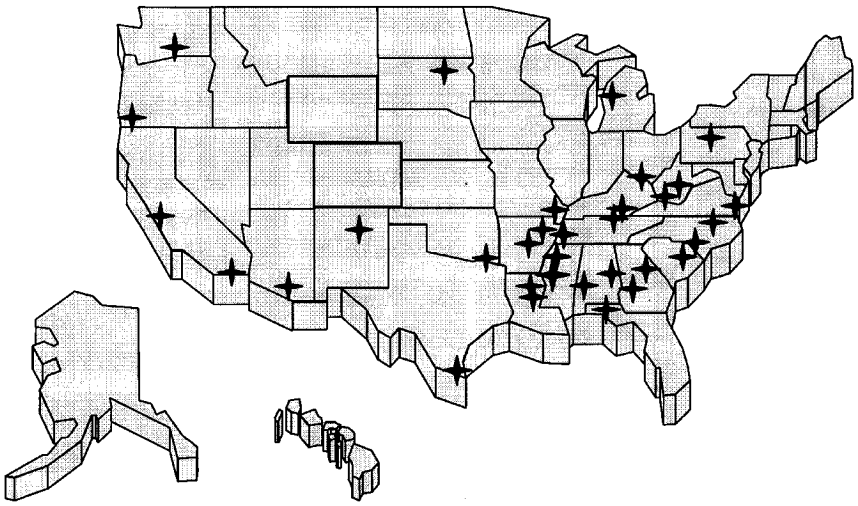
This report provides an interim review of the rural EZ/EC Initiative. Although it reflects barely two years of activity, it is already clear that rural citizens are going back to work, families are moving into safe and affordable housing, schools are being built and renovated, and health care services are more accessible. As these communities continue implementing their strategic plans, larger and more sustainable advances can be expected.

The United States Department of Agriculture (USDA) invites you to participate in this exciting new initiative to fight rural poverty. For further information about the EZ/EC communities, how you can help, or details regarding Round II of the Initiative, please feel free to visit our web site at: **http://www.ezec.gov** or call 1-800-851-3403.

Victor Vasquez
Deputy Administrator
Office of Community Development

1. Rural Empowerment Zones and Enterprise Communities

Location of Rural Empowerment Zones and Enterprise Communities



Rural Empowerment Zones and Enterprise Communities

USDA

Empowerment Zones

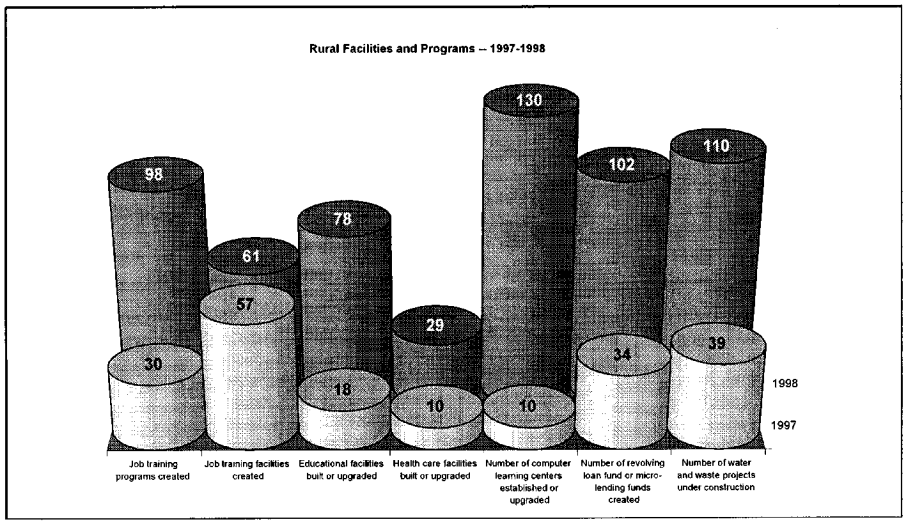
Kentucky Highlands EZ	KY
Mid-Delta EZ	MS
Rio Grande Valley EZ	TX

Enterprise Communities

Chambers County EC	AL
Greene & Sumter Counties Rural EC	AL
East Central Arkansas EC	AR
Mississippi County EC	AR
Arizona Border Region EC	AZ
Imperial County EC	CA
City of Watsonville EC	CA
Jackson County, Florida EC	FL
Crisp/Dooly EC	GA
Central Savannah River Area EC	GA
Northeast Louisiana Delta EC	LA
Macon Ridge EC	LA
Lake County EC	MI
City of East Prairie, MO EC	MO
North Delta Mississippi EC	MS
Halifax/Edgecombe/Wilson EC	NC
Robeson County EC	NC
La Jicarita EC	NM
Greater Portsmouth EC	OH
Southeast Oklahoma EC	OK
Josephine County EC	OR
City of Lock Haven Federal EC	PA
Williamsburg-Lake City EC	SC
Beadle/Spink/South Dakota EC	SD
Fayette County/Haywood County EC	TN
Scott/McCreary Area EC	TN
Accomack-Northampton, Virginia EC	VA
Lower Yakima County Rural EC	WA
Central Appalachia EC	WV
McDowell County EC	WV

2. Accomplishments and Accountability

Now in their third year of strategic plan implementation, rural EZ/ECs are showing rapid accomplishment



Selected Accomplishments of Rural Empowerment Zones and Enterprise Communities

	As of January 1997	*As of January 1998*
Number of jobs created or saved	6,692	9,944
Job training programs created	30	98
Job training facilities created	57	61
Number of persons trained	5,709	14,229
Youth development programs created	21	212
Number of youth served by development programs	4,960	25,448
Health care facilities built or upgraded	10	29
Educational facilities built or upgraded	18	78
Number of computer learning centers established or upgraded	10	130
Number of computers donated	3,626	4,405
Number of revolving loan funds or micro-lending funds created	34	102
Number of housing units built or renovated	1,076	2,140
Number of water and waste projects under construction	39	110

Rural Empowerment Zones and Enterprise Communities

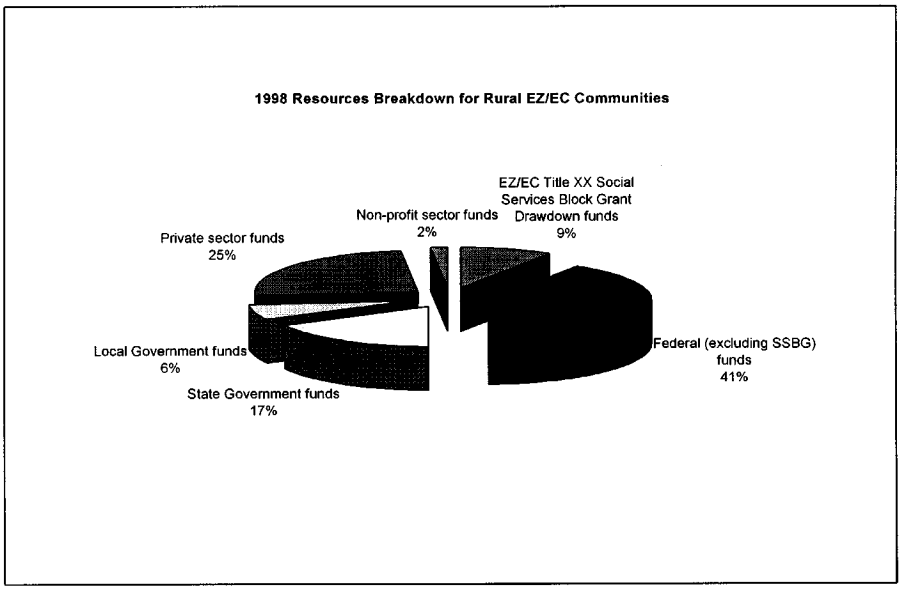
USDA

Sources of Financing for Rural Empowerment Zones and Enterprise Communities (includes in-kind contributions)

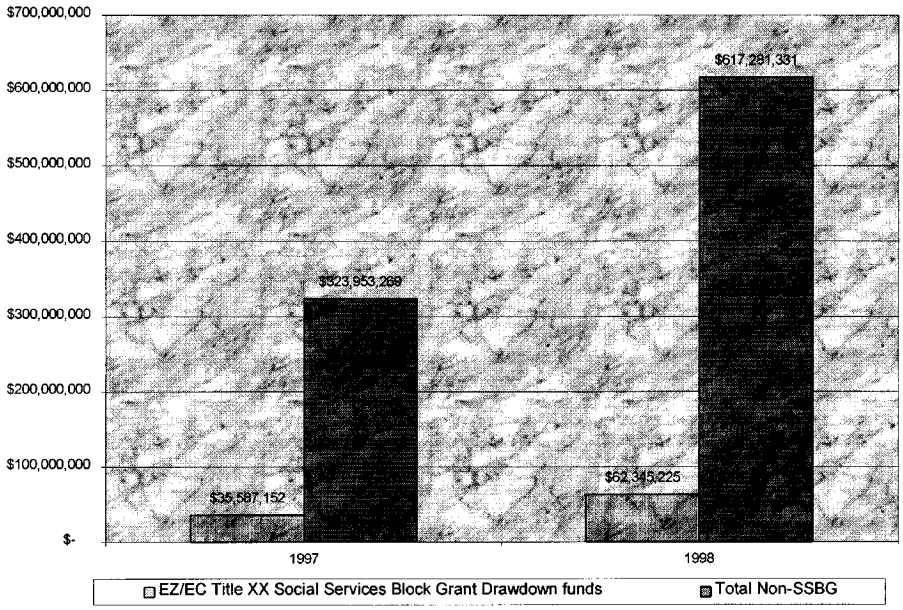
(Dollars in millions)

	As of January 1997	*As of January 1998*
Social Services Block Grants (SSBG)	$35.6	$62.3
Other Federal funds	113.5	276.5
State Government	88.2	117.7
Local Government	28.1	41.0
Private Sector	86.1	170.1
Non-profit	8.1	12.0
Total	*359.5*	*679.6*
Total Other than SSBG	324.0	617.3
Leveraging Ratio of non-SSBG to SSBG funds drawn down	9.1	9.9

Rural EZ/ECs Have Been Resourceful in Leveraging Their EZ/EC SSBG Funds



SSBG Funds Make Up a Small Share of Total Strategic Plan Funding



Accountability and Oversight of the Rural EZ/EC Program

USDA is implementing a comprehensive evaluation process to capture both the immediate output successes and the long-term changes brought about within these high-poverty communities.

Elements of the Accountability Process

Reporting Systems:

- Weekly reports from EZ/EC communities to USDA Rural Development field staff (Community Development Program Managers)
- Weekly reports from State Community Development Program Managers to Office of Community Development
- Weekly reports from Office of Community Development to Under Secretary for Rural Development
- Fall Report: a narrative statement of progress achieved and obstacles encountered from each community
- Spring Report: a statistical reporting of benchmark outputs collected through a web-based reporting system

Third Party Evaluation:

- An evaluation to measure level of empowerment achieved is being conducted by the North Central Regional Rural Development Center (Dr. Cornelia Flora, project director)

3. USDA Signature Initiatives for Community Empowerment

USDA has established six Signature Initiatives designed to break new ground to ensure sustainable capacity building in rural communities, promote regional cooperation and partnering, and provide Champion Communities with basic technical assistance.

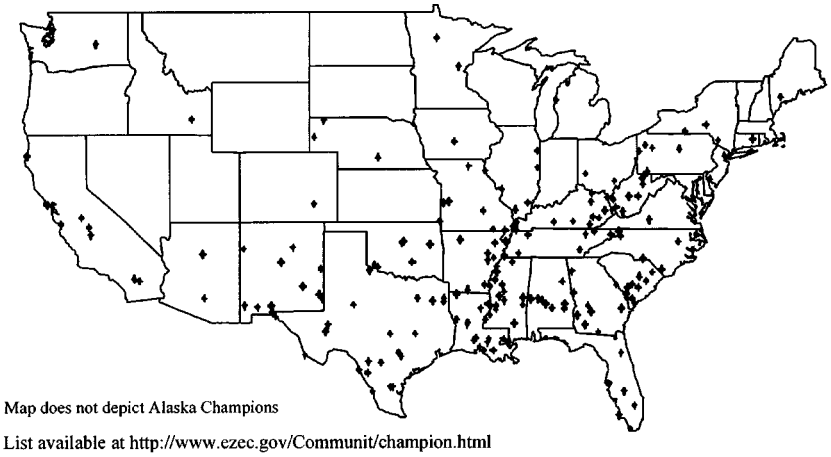
Champion Communities

More than 180 rural communities organized and completed the valuable strategic planning process as part of their application for Round 1 of EZ/EC. To assure that their important work produced continuing benefits to these communities, USDA designated them as "Champion Communities" and provided continuing assistance to them.

Key Features:

- USDA Rural Development has funded more than $100 million in development projects in Champion Communities since 1995
- Other CEB agencies have targeted funds and other initiatives to Champions
- USDA Rural Development has sponsored conferences to train community leaders and promote networking among communities
- USDA provides targeted technical assistance to Champions and gives them preference points in decisions on project funding

Rural Champion Communities



Map does not depict Alaska Champions

List available at http://www.ezec.gov/Communit/champion.html

National Centers of Excellence

Local capacity building toward economic sustainability is being enhanced through a two-year partnership among four rural colleges and USDA. The four colleges assist EZ/EC communities with strategic plan implementation through training programs and other sources of expertise.

Key Features:

- Each school received $100,000 in seed money from the Fund for Rural America
- Each school received a returning Peace Corps fellow from Illinois State University
- Participating schools have formed a national network to share information and expertise with other isolated rural communities
- The objective is to build a permanent relationship between the community and the college, so as to continue the capacity building and rural development capabilities

Participating Colleges:

- Heritage College, Toppenish, Washington
- Mississippi Valley State University, Itta Bena, Mississippi
- Somerset Community College, Somerset, Kentucky
- University of Texas-Pan American, Edinburg, Texas

National Centers of Excellence: Tribal College Partnership

A related initiative helps tribal communities develop empowerment programs through the technical assistance of Tribal Colleges. With assistance from USDA, the colleges are developing programs of training and community service to address the critical needs of the communities they serve. The initiative responds to President Clinton's Executive Order 13021, which asked federal departments and agencies to integrate American Indian Tribal Colleges into their programs.

Key Features:

- Each school received $50,000 in seed money from USDA for first year operations
- Colleges participate in a national network to share information and expertise
- The objective is to strengthen capacity building relationships between the community and the tribal colleges

Participating Colleges:

- Cankdeska Cikana (Little Hoop) Community College, Fort Totten, North Dakota
- Crownpoint Institute of Technology, Crownpoint, New Mexico
- Fort Peck Community College, Poplar, Montana
- Nebraska Indian Community College, Nibroara, Nebraska

Rural Economic Area Partnership (REAP) Zones

Rural areas in the Northern Great Plains face unique challenges due to their isolation, low-density populations, and changing economic base. Rather than high poverty, these areas are challenged by declining populations, slowing economic activity, and growing difficulty in providing public services. To counter these troubling trends, two REAP Zones were established in multi-county areas of North Dakota.

Key Features:

- Memorandum of Agreement signed by Senator Byron Dorgan, representatives from two REAP Zones, and USDA Rural Development staff in July 1995
- REAP Zones strategically plan and benchmark similarly to EZs and ECs
- USDA Rural Development pledged $10 million over 5 years to each Zone
- To date, USDA has exceeded its pledge, investing over $29 million in the Zones to meet critical needs
- USDA Rural Development provided $75,000 in start-up assistance to the REAP Investment Advisory Committee
- SBA established a One-Stop Capital Shop in Bismarck, North Dakota, to serve the REAP Zones and other North Dakota communities

Southwest Border Regional Initiative

In response to Vice President Gore's challenge that EZs and ECs adopt regional approaches to planning and problem-solving, 19 Empowerment Zones, Enterprise Communities, and Champion Communities from the southwest border region formed the Southwest Border Regional Initiative.

Key Features:

- It includes EZs, ECs, and Champions from Arizona, California, New Mexico, Texas, and Washington (serving migrant workers)
- The goal is to foster sustainable approaches to rural development across the border region

- Partnership has identified education, environment, health, infrastructure, trade and welfare reform as focus issues

Delta Regional Initiative

A similar regional initiative is being started in the Lower Mississippi Delta. Modeled on the Southwest Border Region Initiative, it includes rural and urban EZs and ECs from 219 counties in the seven states that formed the basis for the study in 1990 by the Lower Mississippi Delta Development Commission. The Delta Initiative will join the Southern EZ/EC Forum and the Lower Mississippi Delta Development Center in a cooperative agreement to develop a long-range strategic plan and implement the recommendations from the Lower Mississippi Delta Development Commission report.

Key Features:

- It includes EZ/ECs from the states of Arkansas, Illinois, Kentucky, Louisiana, Mississippi, Missouri, and Tennessee
- Links the planning and organizational capacity of the Lower Mississippi Delta Development Center with the implementation capacity of Empowerment Zones and Enterprise Communities
- Facilitates cross-community collaboration
- Signing of the Memorandum of Agreement targeted for the Spring of 1998

4. Organizations Partnering with USDA to Support Rural Empowerment Zones, Enterprise Communities and Champions

The following organizations have contributed significant financial, human, or technical resources in support of the rural Empowerment Zones/Enterprise Communities program over the last four years. These represent only a small portion of the total organizational effort in support of EZ/ECs. At the local level, there have been many more organizations—governmental, private sector, and non-profit—making valuable and significant contributions. USDA Rural Development gratefully acknowledges the contributions of all.

- American Association of Enterprise Zones
- American Bankers Association
- American Council on Education
- Annie E. Casey Foundation
- Appalachian Regional Commission
- Community Empowerment Board
- Corporation for National Service
- Ford Foundation
- Foundation for the Mid-South
- Hispanic Association of Colleges and Universities
- Illinois State University
- Kellogg Foundation
- Lower Mississippi Delta Commission
- National Association of Community Action Agencies
- National Association of Development Organizations
- National Association of State Development Agencies
- National Center for Appropriate Technology
- National Congress of Community and Economic Development
- New York University
- North Central Regional Rural Development Center
- Office of the Vice President of the United States
- Small Business Administration
- Southern Rural Development Center
- Southern Rural Development Initiative
- Tennessee Valley Authority
- U.S. Army Corps of Engineers
- U.S. Department of Commerce/NIST, NOAA, and Bureau of the Census

- U.S. Department of Education
- U.S. Department of Health and Human Services/Bureau of Primary Health Care & Office of Rural Health Policy
- U.S. Department of Housing and Urban Development
- U.S. Department of Justice
- U.S. Department of Labor
- U.S. Department of Transportation
- U.S. Environmental Protection Agency
- University of Texas—Pan American
- USDA/Cooperative State Research, Education, & Extension Service
- USDA/Economic Research Service
- USDA/Forest Service
- USDA/National Agricultural Library
- USDA/Natural Resources Conservation Service/RC&D Program
- USDA/Rural Business-Cooperative Service
- USDA/Rural Housing Service
- USDA/Rural Utilities Service
- Winthrop Rockefeller Foundation

Rural Empowerment Zones and Enterprise Communities

USDA

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