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DEPARTMENT OF AGRICULTURE

Office of the Secretary

7 CFR Part 25

RIN 0503-AA09

Designation of Rural Empowerment Zones and Enterprise Communities

AGENCY: Office of the Secretary, USDA.

ACTION: Final rule.

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

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

EFFECTIVE DATE: March 8, 1995.

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

Street, SW, Washington, DC 20024, telephone 1-800-645-4712, or by sending an Internet Mail message to: ezeedir.rurdev.usda.gov.

SUPPLEMENTARY INFORMATION:

Paperwork Reduction Act

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

I. Background

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

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

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

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

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

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

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