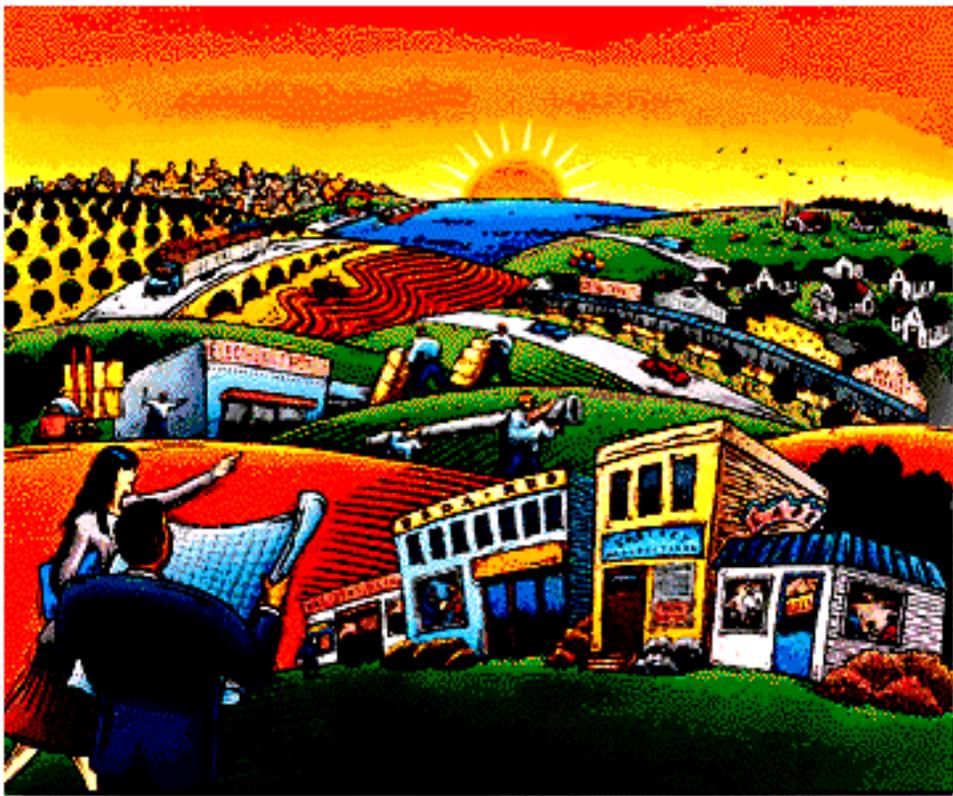




UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Development
Office of Community Development



Rural Empowerment Programs

www.ezec.gov

November 18, 2003

Rural Development is an Equal Opportunity Leader
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, DC 20250

The Empowerment Program

History and Benefits

Round I

- August 10, 1993, the Omnibus Budget Reconciliation Act established the Empowerment Zones/Enterprise Communities (EZ/EC) Program.
- December 21, 1994, Round I communities designated as urban and rural Empowerment Zones and Enterprise Communities.
- Six urban EZs and 65 urban ECs administered by the department of Housing and Urban Development (HUD).
- Three rural EZs (\$120,000,000) and 30 rural ECs (\$ 88,421,040) administered by the United States Department of Agriculture (USDA).
- Over 180 applications were submitted by rural communities for Round I.

Funding

- Each rural EZ receives \$40 million and each EC receives \$2.97 million. This is a one time 10-year grant.
- Funds came from Health and Human Services (HHS) Title 20, Social Service Block Grant (SSBG) funds.
- HHS funds are awarded to states for disbursement to EZ/EC programs based on each program's strategic plans.
- Funds were viewed primarily as "Capital Investment" funds to leverage additional dollars for programs rather than "program dollars or grant making funds" for directly funding programs.

Benefits

- The Program provides employer tax credits to eligible EZs employers equal to 20 percent of the first \$15,000 of wages or training for qualified employees from the Empowerment Zone.
- Some EZs and ECs have the ability to issue tax-free facility bonds up to \$3 million.
- Zone businesses are eligible for section 179 tax deductions of up to \$20,000 in one year instead of spreading depreciation deductions over several years.
- Zones can offer tax incentives to promote the cleanup and redevelopment of contaminated and abandoned business and industrial sites, known as brownfields. A business in a Zone can deduct qualified environmental cleanup costs in the tax year the cost is paid or incurred.

Eligibility

- Areas defined by census tracts
- Minimum of 20% poverty rate in all census tracts, 25% in 90 percent of the census tracts, and 35 percent in half of the census tracts
- Maximum population of 30,000 and 1000 sq. miles
- An area of pervasive poverty, unemployment, and general distress

Round II

- December 24, 1998, Round II urban and rural Empowerment Zones and Enterprise Communities (EZ/EC) were designated.
- January 13, 1999 the designations were announced.
- 15 urban EZs administered by the Department of Housing and Urban Development (HUD).
- Five rural EZs and 20 rural ECs administered by the U.S. Department of Agriculture (USDA).
- Native American lands (using census tracts) became eligible to apply for Round II EZ/EC designations. As a result, 18 tribes were involved in the communities designated during Round II with one being designated an Empowerment Zone.
- Communities that suffered from a significant loss of population, due to emigration, became eligible to apply for Round II EZ/EC designations. An application was eligible for consideration if the census tracts located within its counties had an increase of population outmigration of 15 percent or more between 1980-94.
- 15 of the 25 Round II designated rural communities were Champion Communities from Round I that were successful in implementing stages of their strategic plan.

Funding

- Each rural EZ receives \$2 million and each rural EC receives \$250,000 for the first year, the funds for the remaining 7 years of the Program are yet to be determined. It is contemplated that the EZs may receive \$18 million more and the ECs will receive \$2.25 million more.
- Funding will come from the U.S. Department of Agriculture's FY2000 appropriation budget.
- Similar to Round I, Round II grant funds are to serve primarily as a leveraging tool to secure funds from other funding sources rather than being used as program dollars or grant funds.

Benefits

- Rural EZs can issue up to \$60,000,000 in bonds to finance zone facilities over 10 years; these bonds are not subject to private activity bond volume caps.
- Work opportunity tax credits of \$2400 (40 percent of qualified first-year wages up to \$6,000) paid to 18-24 year-old Zone residents or member of a targeted group.
- Businesses in a Zone can take a federal income tax deduction of up to \$37,500 of machinery and equipment in the year it is placed in service instead of recovering the cost over a period of years through depreciation.
- Zones can offer tax incentives to promote the cleanup and redevelopment of contaminated and abandoned business and industrial sites, known as brownfields. A business in a Zone can deduct qualified environmental cleanup costs in the tax year the cost is paid or incurred.
- State and local governments can issue bonds that permit public schools in a Zone to raise funds for curriculum development or physical improvements. To be eligible, schools must have financial commitments from business partners.

Eligibility

- Areas defined by census tracts
- Minimum of 20% poverty rate in all census tracts, 25% in 90 percent of the census tracts, and 35 percent in half of the census tracts
- Maximum population of 30,000 and 1000 sq. miles
- An area of pervasive poverty, unemployment, and general distress

Round III

- On January 1, 2002, Round III urban and rural Empowerment Zones and Enterprise Communities (EZ/EC) were designated.
- January 11, 2001 the designations were announced.
- Seven urban EZs administered by the Department of Housing and Urban Development (HUD).
- Two rural EZs administered by the U.S. Department of Agriculture.
- One of the two Round III designated rural communities was a Champion Community from Round II that was successful in implementing stages of their strategic plan.
- The other Round III Empowerment Zone was a Round II Enterprise Community that also successfully implemented their strategic plan.

Funding

- An initial \$100,000 grant is provided to each designated Round III EZ community for start-up costs.
- Round III grant funds are to serve primarily as a leveraging tool to secure funds from other funding sources rather than being used as program dollars or grant funds.

Benefits

- Rural EZs can issue up to \$60,000,000 in bonds to finance zone facilities over 10 years; these bonds are not subject to private activity bond volume caps or the special limits on issue size applicable to Round I type issues.
- Work opportunity tax credits of \$2,400 (40 percent of qualified first-year wages up to \$6,000) paid to 18-24 year-old Zone residents or member of a targeted group.
- Zones can offer tax incentives to promote the cleanup and redevelopment of contaminated and abandoned business and industrial sites, known as brownfields. A business in a Zone can deduct qualified environmental cleanup costs in the tax year the cost is paid or incurred.
- Businesses in the Round III EZ are eligible for the same tax incentives that, under the bill, are available to Round I and Round II EZs (i.e., a 20 percent wage credit, an additional \$35,000 of section 179 expensing, and the enhanced tax-exempt financing benefits presently available to Round II EZs).
- State and local governments can issue bonds that permit public schools in a Zone to raise funds for curriculum development or physical improvements. To be eligible, schools must have financial commitments from business partners. The National limit for bonds exits, \$400,000,000.

Eligibility

- Areas defined by census tracts
- Minimum of 20% poverty rate in all census tracts, 25% in 90 percent of the census tracts, and 35 percent in half of the census tracts
- Maximum population of 30,000 and 1000 sq. miles
- An area of pervasive poverty, unemployment, and general distress

The Four Key Principles of the Empowerment Program

1. Economic Opportunity

The first priority is to create jobs in the community. This includes business creation, business expansion, job training and encouraging entrepreneurial initiatives.

2. Sustainable Community Development

Economic development is successful only when it is part of a coordinated, comprehensive and sustainable long-term strategy for physical, environmental, human and community development.

3. Community-Based Partnerships

Economic opportunity and community development begins with the broad participation by all segments of the community in every aspect of the planning, implementation and evaluation of the program. This means involving business leaders, government officials, social agency leaders, educators, community organization leaders, church leaders, and minority and low-income residents.

4. Strategic Vision for Change

Communities must perform an analysis of their problems and assets and integrate that information into a comprehensive strategic plan for change that covers economic, physical, environmental, human and community development.

Community Process for Creating an EZ/EC Application

Community leaders inform a broad range of citizens, organizations, and institutions about the program and their intention to organize the community to submit an application.

- A series of public meetings is held to identify the key strengths, weaknesses, opportunities and threats that face the community on the road to economic and community development. During this process, the community identifies clear and measurable benchmark goals that it will implement for the first two years. Communities also discuss who should be the “lead entity” for their application. The lead entity is the organization responsible for managing and implementing the goals of the strategic plan, if the community is designated.
- The community creates a broad-based and diverse board of directors, including low-income and minority citizens, who will be responsible for monitoring, evaluating and updating the benchmark goals of the strategic plan. If the community is designated, the benchmarks are entered into an online computer program called the Benchmark Management System. This system tracks the progress of benchmarks and details tasks, funding sources, and identifies the members of the community who are responsible for managing and implementing particular benchmark goals.
- Benchmark goals pertain to a range of programs and projects that address the root causes of poverty and aids in the revitalization of community. Programs may include: health care, senior care, youth services, drug abuse programs, adult and youth education, job development and training, business creation and expansion, public safety, crime, environmental improvements, water and waste water projects, family support programs, child care, infrastructure improvements, community facilities, transportation systems, etc.

The Basic Goal of this Program is Community Empowerment

There are no written guidelines or formula to give to communities regarding community empowerment. Community empowerment is a flexible and evolutionary process that is different for each community. It includes a number of tangible and intangible benefits that will enable a community to achieve their goals. The basic elements of community empowerment include:

- Learning to use their own initiative to secure resources from many sources (federal, state, local, corporate, foundations, etc.) to implement their strategic plan.
- Using citizen participation on the board and in program administration to improve, through experience, the community's ability to manage its programs and monitor the programs of their subgrantees.
- To develop within communities, an alliance of community leaders that will obtain the capacity to plan, organize, manage, and implement their strategic plan to generate sustainable community and economic revitalization.
- For sustained economic and community development, focusing on the interrelationships between community needs and a variety of connected programs rather than on narrow single-purpose programs; i.e., business development, job training, public education, housing, transportation, day care, shopping center, roads, water and sewer, etc. Through this process, local leadership skills and the community's capacity to help themselves is increased. This is empowerment. Once this is learned, it cannot be taken away.
- Regional partnerships that bring representatives from several communities to discuss issues and work collectively to identify opportunities and strategies to resolve challenges that face their region as a whole.
- Educational initiatives that provide job training for family wage jobs, computer skills training, and youth development initiatives to prepare young people for the working world.
- Enabling all segments of society to have a voice when it comes to mapping out a path for community empowerment and providing mechanisms for those who previously fell outside of the system, to become involved and play a part in securing a better future for them and their families.
- Through information sharing communities are beginning to learn the "best practices" for instituting economic and community development programs and projects.

Champion Communities

More than 180 rural communities organized and completed the valuable strategic planning process as part of their application for Round 1 of the Program. To assure that their important work produced continuing benefits to these communities, USDA designated them as “Champion Communities” and provided continuing assistance to them. In Round II, 160 communities submitted applications, 15 of the 25 designated communities were Champion Communities from Round I. Communities that submitted applications for the first time in Round II became eligible for Champion status.

In calendar year 2000, all Champions revised their strategic plans and entered benchmarks in the Benchmark Management System. A total of 110 rural communities were thus designated “Certified Champion Communities.”

Key Features:

- USDA Rural Development has funded more than \$430 million in development projects in Champion Communities since the program began in 1995;
- Other federal 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 Economic Area Partnership (REAP) Zones

North Dakota

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 representatives from two REAP Zones, Senator Byron Dorgan, and USDA Rural Development in July 1995 for a period of 10 years (through 2005);
- REAP Zones follow strategic planning and benchmarking procedures similar to EZ/EC;
- USDA Rural Development pledged \$10 million over 5 years to each REAP Zone;
- To date, USDA has exceeded its pledge, investing \$27.9 million in the Zones to meet critical needs;
- USDA Rural Development provided \$75,000 in start-up assistance to 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.

- As of January 2001 the North Dakota REAP Zones have used their start up assistance to leverage \$101,082,010 in additional funds.

New York

Rural areas in the southern tier of New York 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, job loss, 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 New York.

Key Features:

- Memorandum of Agreements for a 10 year period (through 2009) were signed by Congressman Maurice Hinchey and Rural Development in March 1999 (Tioga County) and May 1999 (Sullivan County);
- REAP Zones follow strategic planning and benchmarking procedures similar to EZ/ECs;
- USDA Rural Development provided \$25,000 each to two REAP Steering Committees to develop two strategic plans;
- One Steering Committee includes Sullivan County/Town of Warwarsing and the town of Ellenville and the second steering committee includes Tioga County.
- As of January 2001 the New York REAP Zones have used their start up assistance to leverage \$9,025,310 in additional funds.

Vermont

In 2000, an area in Vermont was designated as the Northeast Kingdom REAP Zone. The Vermont Zone is multi-county in size including Essex, Orleans and Caledonia Counties of Vermont. The three county region is the most isolated and sparsely populated corner of the state. As a result, it has consistently been the most economically distressed. The objectives of the REAP Zone are to improve the social capital and economic viability, diversity and competitiveness of the local economy and its participation in the state.

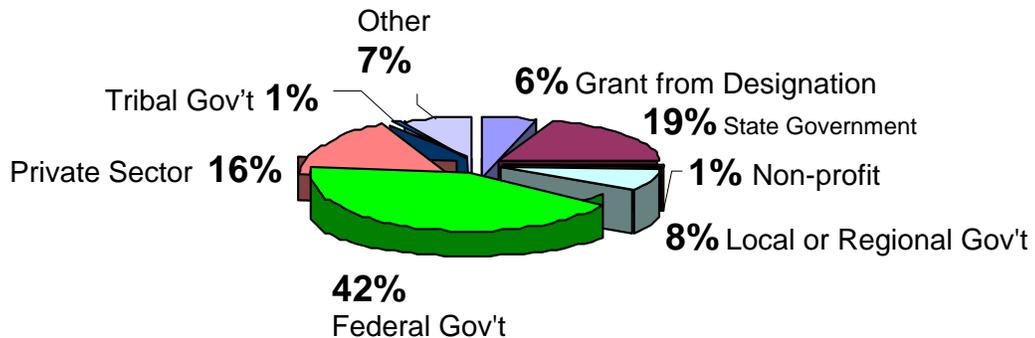
Key Features:

- Memorandum of Agreements for a 5-year period were signed in 2000;
- REAP Zones follow strategic planning and benchmarking procedures similar to EZ/ECs;
- USDA Rural Development provided \$100,000 in cooperative agreement funds to the REAP Zone.

**Sources of Financing of Round I & II
Rural Empowerment Zones and Enterprise Communities**
(Dollars in millions)

	<i>As of June 2000</i>	<i>As of January 2001</i>	<i>As of January 2002</i>
EZ/EC Grants (SSBG and USDA)	\$132.30	\$156.50	\$180.50
Other Federal Funds	\$593.90	\$904.10	\$1,350.90
State Government	\$317.90	\$397.70	\$615.50
Local Government	\$95.30	\$178.60	\$255.10
Private Sector	\$245.60	\$378.10	\$502.80
Non-profit & Other	\$43.10	\$52.90	\$268.10
Tribal Government	\$2.70	\$12.60	\$21.00
Total	\$1,430.80	\$2,080.60	\$3,194.30
Total Other than EZ/EC Grants	\$1,298.50	\$1,924.10	\$3,013.80
Leveraging Ratio of non-EZ/EC to EZ/EC funds Drawn down	9.8	13.3	17.69

All Rural EZ/EC Funds Achieved So Far \$3,194,359,760



Standardized Output To Date Measures Report

Inception* to January 2, 2002

EZ/EC #	Champs #	REAP #	Total	Descriptor
197	54	7	258	New/Improved Water & Wastewater Systems
4,818	0	1,264	6,082	New utility hookups
923	59	21	1,003	Business Loans Made
848	145	25	1,018	Businesses Started or Attracted
64,732	5,096	0	69,828	Education Program Participants
25,942	385	0	26,327	Youth participating in programs
31,697	3,121	737	35,555	Jobs Created or Saved
1,421	499	0	1,920	Houses Constructed
3,926	482	166	4,574	Houses Rehabilitated
25	3	0	28	New Health Care Facilities
105	29	17	151	New/Improved Recreation & Tourism Facilities
39	0	0	39	Environmental & Natural Resources Projects

*Inception is January 1995 for Round I, January 1999 for Round II

ROUND I EMPOWERMENT ZONES

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

ROUND I ENTERPRISE COMMUNITIES

Chambers County EC AL
Greene/Sumter Counties Rural EC AL
East Central Arkansas EC AR
Mississippi County 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 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/Haywood County EC TN
Scott/McCreary Area EC TN
Accomack-Northampton VA EC VA
Lower Yakima County Rural EC WA
Central Appalachia EC WV
McDowell County EC WV

ROUND II EMPOWERMENT ZONES

Desert Communities EZ CA
Southwest Georgia United EZ GA
Southernmost Illinois Delta EZ IL
Griggs-Steele EZ ND
Oglala Sioux Tribe EZ SD

ROUND II ENTERPRISE COMMUNITIES

Metlakatla Indian EC AK
Four Corners EC AZ
Central California EC CA
Empowerment Alliance of SW FL EC FL
Molokai EC HI
Town of Austin EC IN
Wichita County EC KS
Bowling Green EC KY
City of Lewiston EC ME
Clare County EC MI
Fort Peck Assiniboine & Sioux Tribe EC MT
City of Deming EC NM
Tri-County Indian Nations OK
Fayette EC PA
Allendale ALIVE EC SC
Clinch-Powell EC TN
FUTURO TX
Five Star Rural EC WA
Northwoods NiiJii EC WI
Upper Kanawha Valley EC WV

ROUND III EMPOWERMENT ZONES

Aroostook County EZ ME
FUTURO Communities Inc. EZ TX

Rural Empowerment Zones & Enterprise Communities

