EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES: 
A QUICK OVERVIEW

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1. Definition of the Empowerment Zone

An Empowerment Zone (EZ) can be designated in either an urban or a rural area. An urban area is one defined as an area that lies within a metropolitan area, as designated by the Office of Management and Budget (OMB). Any area outside a metropolitan area with a population over 20,000, and/or the local government documents the character of the area as "urban" can also be designated an urban area. A rural area is defined as any area that cannot be defined as urban. Urban EZs are under the administration of the Department of Housing and Urban Development (HUD), while rural EZs are under the administration of the Department of Agriculture (USDA). Areas must be nominated by their local government in order to be designated an Empowerment Zone, and must meet the following specifications:

- Maximum population which is the lesser of 200,000 or the greater of 5,000 or 10 percent of the population of the most populous city located within the nominated area;
- An area of pervasive poverty, unemployment, and general distress;
- Does not exceed twenty square miles in total land area;
- Has a continuous boundary, or consists of not more than three non-contiguous parcels;
- Is located entirely within the jurisdiction of the general local government by which it was nominated, and not located in more than two contiguous states; and
- Does not include any portion of a central business district, as this term is defined by the most recent Census of Retail Trade.
2. Each of the rural Empowerment Zones receives a Social Services Block Grant (SSBG) (Title XX of the Social Security Act) for $40 million, while the urban Empowerment Zones receive the SSBG for $100 million, every two fiscal years.

2. Definition of Enterprise Communities

3. As with Empowerment Zones, rural Enterprise Communities (ECs) are under the authority of the USDA, while urban ECs are under the authority of HUD. "Urban" and "rural" are classified the same way as in the definition for EZs. An area nominated by the local government can be designated an Enterprise Community only if it meets the following criteria:

   − Has a maximum population of 30,000;
   − Is an area of pervasive poverty, unemployment, and general distress;
   − Does not exceed one thousand square miles in total land area;
   − Is 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 it is located in only one state, the area may consist of up to three non-contiguous parcels;
   − Is located entirely within the jurisdiction of the local government by which it was nominated;
   − Does not include any portion of a central business district, as this term is used in the most recent Census of Retail Trade; and
   − It does not include any area within an Indian Reservation.

4. All ECs receive a SSBG in the amount of $2,947,368 over the course of two fiscal years, regardless of whether they are in an urban or a rural area.

3. Tax Credits and Expenditures

5. As part of the economic stimulation of the community that the EZ/EC program is meant to achieve, businesses that exist within the borders of an EZ and/or EC are able to benefit from the following tax credits and incentives:

   1. **Employee wage credits**: Available only to businesses within Empowerment Zones, this is a direct tax credit for up to $3,000 per EZ business employee living in the EZ. This credit entitles any employer in an EZ to get a federal income tax credit or as much as $3,000 per employee living in an EZ if such employee performs 90 per cent of his or her services. This rule allows for the employer to get 20 per cent of each EZ employee’s wage up to $15,000 in the first seven years of the EZ.

   2. **Work Opportunity Tax Credit (WOTC) Incentives for hiring youth in the EZ/EC communities**: Employers of EZ/EC residents, ages 18 to 24 (or 16 to 17 for summer employment) are entitled to a credit, whether or not the youth works in the EZ/EC. All that
matters is that the individual resides in an EZ/EC. The maximum credit amount for high risk youth (ages 18-24) is $2,100, which is equal to 35 per cent of up to $6,000 in wages paid during the first year of employment. The maximum credit amount for summer employees is $1,050, or 35 per cent of up to $3,000 in wages paid over any 90-day period between May 1 and September 15. The employer may only take the credit if the full-time youth work a minimum of 400 hours/180 days. The summer youth must work a minimum of 120 hours/20 days.

3. **Expensing Allowance**: Businesses within Empowerment Zones are entitled to an expensing allowance, which provides a business with up to $37,500 annually in tax deductions on equipment purchases. This is a deduction of $20,000 more than originally outlined in OBRA 1993, Sec. 179, which called for a $17,500 allowable deduction.

4. **Tax Abatement**: EZ/EC businesses may qualify for either total or partial tax abatement, or forgiveness of state or local taxes, if they are located in areas specially designated as distressed, for various periods of time based on local law.

**4. Appendices**

1. H.R. 2264 - Omnibus Budget Reconciliation Act of 1993 (excerpts from the law that deal with EZ/ECs)

2. Questions and Answers Concerning the EZ/EC SSBG Grants (from the EZ/EC website)

3. Fact Sheet: Federal Tax Incentives for Hiring EZ/EC Youth (from the EZ/EC website)
Enterprise Communities and Children’s Services: How Are They Collaborating?

1. History

1. In 1994, 105 communities in 42 states were designated as Empowerment Zone Enterprise Communities, as part of a revitalisation process for the nation’s distressed inner cities and rural communities. By establishing partnerships between the Federal government and American communities, communities will have the power to create opportunities for economic investment, without fear of abandonment by private enterprise. Congress targeted $2.5 billion in federal tax incentives and $1.3 billion in flexible grant assistance to the 42 most needy urban and rural areas without restrictive mandates, in an effort to allow communities to work however they need to in order to solve their neighbourhoods’ problems. Communities are encouraged to work with a variety of local partners, such as residents, business people, state and local government, and non-profit institutions, in order to involve the input of all segments of the area.

2. Purpose of this study

2. For the purposes of this study, Enterprise Communities were examined in relation to how they are collaborating with children’s services in their areas, and how they are utilising their grant funds to focus on inter-agency co-ordination of services for children in the realms of health, education, and social services. Most of the proposals submitted by the 42 ECs do include some type of improvement in the area of serving children, indicating recognition of the importance of the role that children’s needs play in developing- healthy communities.

3. Service Categories

3. In examining the communities, the following categories of services for children were most prevalent:

   - **Education**: Pre-school programs, full-day kindergarten, latch-key kids programs, curriculum changes (multicultural education, national goals), computer education and telecommunications, sexuality education, drug and alcohol education, truancy/youth drop out prevention, and school based training/vocational education

   - **Health**: Community wellness, health education, school health clinics, infant mortality/prenatal health care, teen pregnancy, and family health care
− **Social Services**: Child Care/Head Start/Healthy Start, child development, family resource centres/family support, at-risk counselling/self-esteem programs, abused children/spousal abuse prevention, job readiness counselling, and youth recreation

− **Miscellaneous**: Transportation services

4. **Services Focused on for this Study**

4. Out of these many categories, the activities chosen as most relevant to promoting services for children were 1) child development, 2) parent-resource centres, and 3) at-risk counselling for children and adolescents. Several communities were working on programs that addressed one of these activities, but only two communities was actively involved in either two or all three of these activities. The Crisp/Dooley community in Georgia, and the East Central Arkansas community both focus on child development and parent-resource centres in their Enterprise Community proposals, yet they have had varying success in implementing these programs.

5. **Summary of Crisp/Dooley Enterprise Community**

5. As evidenced in the Crisp/Dooley Enterprise Community Annual Report, many of the projects originally intended by the EC administrators have not been fully realised, due to financial constraints or organisational difficulties. There were, however, benchmark projects that were successfully implemented, including the Leadership Development Program, the Dropout Prevention Program, the Family-Centred Services Network, and the new Child Care program.

6. The Leadership Development Program was designed via input from the Crisp and Dooley counties chambers of commerce, both counties’ boards of education, and other interested citizens as a way of developing basic leadership skills in adults. The goal of this program is to achieve improvement in the areas of sustainable community development, building, community partnerships, and devising strategic visions for change, all of which may translate into more effective organisation of services for children with special needs.

7. The fact that over 40 per cent of students entering high school in both Crisp and Dooley Counties do not graduate made the Dropout Prevention program the highest funded initiative in the community’s strategic plan. Working with the directors of the newly funded adult literacy program, LEARNETWORK, a mentoring project was started whereby the parents of 20 first-graders from all three elementary schools in the area were trained in how to encourage higher educational goals in their children. Secondary tier projects will include

− establishing mentoring programs for parents and students in middle and high schools,

− developing an "education ambassadors" program with the Chamber of Commerce,

− establishing volunteer reading programs for children from kindergarten through grade 3, and

− promoting literacy awareness through the media.

8. Within the realm of drug and alcohol education, enterprise community (EC) funds were used to support several initiatives, some of which were already in place, but had either faced funding reductions or
total cuts in funding. For example, $40,000 in EC funds was used to expand a Juvenile Justice Early Intervention Protect that was created originally by the Southwest Georgia Easter Seal Society. The funds enabled the project to be open to 450 adolescents in the community who were determined to be at risk for juvenile court involvement if their behaviour did not change. Another program for which funding had ended, but that EC funds allowed to continue, was the Dooley County after-school program. With $46,500 of EC funds, 120 “latchkey” children in grades kindergarten through eight were able to continue attending the after school program.

9. A new program that was initiated by the superintendents of the Crisp and Dooley counties schools was a three-prong approach to increasing drug and alcohol education. The segments of this education program include hiring 3 school resource officers to provide increased alcohol and drug awareness in middle and high-schools; expand the DARE program in Dooley county; and purchase additional drug/alcohol education curriculum materials for the middle and high-school students.

10. Two community collaborative -- the Crisp County Community Council and the Dooley County Community Enrichment Coalition -- championed the development of a voluntary community children and families services network, made up of representatives from community agencies, businesses and industries, and others, in order to improve the welfare of children and families. Although this network was not included in the original strategic plan, individuals from social services, education, law-enforcement, government agencies, business, health care organisations, and private citizens have all come together to realise the goals of a family-centred service system. Two proposals that have come out of meetings around this network are 1) establish a family-resource centre to service as a central information and referral site for Crisp County, an interview facility for crimes against children, pre-placement services, and counselling; and 2) establishing family-resource centres in Cordele and Dooley county, in order to stimulate families to participate in “opportunities for improving parenting skills and strengthening families.”

11. Finally, funds from the EC grant, as well as Community Development Block Grant, a Rural Business Enterprise Grant, and private funds were used to begin construction on a new child care facility that will be built in Cordele, one of the poorest areas of the Crisp/Dooley community. Portions of the funds will also go towards enlarging, two already existing, privately owned centres. The three projects will increase the child care capacity in the community by 147 spaces, 140 of which will be reserved for low-income families.

12. Overall, the Crisp/Dooley Enterprise Community made several significant contributions in terms of setting up systems for improving the lives of children in the area, both by creating programs that directly target children, as well as ones that focus on parents.

6. Summary of East Central Arkansas Enterprise Community

13. The East Central Arkansas Enterprise Community has a number of activities that they have decided to fund with their EC grant. A number of these activities will benefit children indirectly. Others are designed specifically for children, recognising the importance of healthy children in the success of the community.

14. One of these activities is a Health Consortium. The community plans to establish and launch the regional Delta Health and Human Service Consortium. This consortium will be available to citizens in four counties. They are in the process of recruiting members to develop the project.
15. The East Central Arkansas EC is also establishing a Parent Resource Centre which would serve families within the community. The community is in the process of organising, the Board of Directors, obtaining additional funding, hiring staff, and leasing-space. Once the Centre is established they hope to collaborate with the Eastern Arkansas Family Resource Network.

16. There are five additional projects which will directly benefit the children in this community. The first is the Childhood Development project. East Central Arkansas EC hopes to create an additional 40 slots for early childhood development, including infants and toddlers. Along these lines, they hope to develop an early childhood development coalition and prepare joint program applications with Early Head Start to acquire additional developmental slots.

17. Another EC project that will benefit children directly is their School Health Education program. The funds for this program will support the implementation of a comprehensive school-based health education program. The program will work to develop health education curriculum, teaching aids, and to provide in-service training for the faculty. The community is in the process of organising the school curricula design taskforce. In the end this program will be implemented in 3 key districts.

18. The third EC project that will directly benefit children is the Youth Recreation program. The purpose of this activity is to establish organised youth recreation and cultural enrichment programming in a setting open to children after school, in the evenings, and during the summer. They are in the process of hiring the Youth Program Director and launching the after-school portion while preparing for Summer activities.

19. Closely related to the Youth Recreation program is the Youth Entrepreneurship program. They hope to organise a school-to-work task force which will work to initiate or expand a joint school/community youth entrepreneur programs at 2 sites in the EC.

20. Along the same lines, the EC has made plans to incorporate career awareness activities in all schools and youth activities at the early elementary levels in their Career Education program. They are currently working to assess the career awareness curricula in other elementary locations. The first stage of implementation will be at the K-3 grades, followed by 4-8 grades.

21. Overall, the East Central Arkansas Enterprise Community has made significant steps toward improving the lives of the children in the community. They have done so by initiating programs which benefit children indirectly and directly.
For Immediate Release December 3, 1997

Strengthening Public Schools By Raising Standards, Expanding opportunity, and Requiring Accountability

December 3, 1997

OPPORTUNITY AND RESPONSIBILITY FOR REACHING CHALLENGING ACADEMIC STANDARDS. The Administration is developing an Education Opportunity zones initiative. This competitive challenge grants program is aimed at demonstrating comprehensive, co-ordinated and effective approaches to expanding opportunities for students in high poverty urban and rural school districts, coupled with a balanced approach to increased responsibility for results for schools, educators and students themselves. High-poverty school districts will be eligible for additional Federal funding if (1) they now adopt tough reform measures -- like those adopted in Chicago -- that make administrators, principals, teachers, and students truly accountable for success or failure, and (2) in time, show real improvements in student achievement.

To receive funds, local school districts will demonstrate how they will:

- provide students and parents with choice within the public school system;

- hold schools accountable for helping students reach academic standards, including rewarding schools that succeed and intervening in schools that fail to make progress;

- hold teachers and principals accountable for quality, including rewarding outstanding teachers, and implementing processes for fairly and quickly removing ineffective teachers;
- require students to meet academic standards at key transition points in their academic careers.

School districts can use Education Opportunity Zone funds to:

- provide extra help to students in need in order to meet challenging standards, through after-school or Saturday tutoring programs and/or summer school.

- provide bonuses to schools that make significant gains in student achievement, and turn around failing schools by implementing proven reform models, providing intensive teacher training, building stronger partnerships between schools and parents, businesses and community-based organisations, or closing down failing schools and reopening them as charter schools.

- provide needed training to teachers and principals; reward outstanding teachers by helping them earn certification as master teachers from the National Board for Professional Teaching standards and providing them with financial incentives when they do; and implement programs to identify low performing teachers, providing them help to improve, and removing them fairly and quickly if they don’t.

Examples of Local School Districts Using These Approaches. (See Attachment)

Spreading Practices Nation-wide. These are the kinds of approaches that must be replicated everywhere in order to strengthen public schools. The President’s Education Opportunity Zones challenge grants will help demonstrate how they can work and spread them to cities and rural communities with students that can benefit from them the most. They will help make sure that our most disadvantaged students are held to high academic standards and helped to reach them. They will help make sure that disadvantaged students can choose among good public schools, and are not trapped in failing schools. They will help reach the President’s goal of having at least one Master Teacher in every school, which is particularly important for students in high poverty schools, because these schools often have the least well prepared teachers.

Budget. This initiative has not yet been finalised. Consultation with the education community, state and local officials, higher education, community groups and others is still underway. Final budget numbers will not be determined until the FY 1999 budget process is completed.
EDUCATION OPPORTUNITY ZONES

authorised in The Taxpayer Relief Act of 1997 (PL. 105-34)
excerpts from the law which deal with education opportunity zones

"PART IV--INCENTIVES FOR EDUCATION ZONES

Sec. 1397E. Credit to holders of qualified zone academy bonds."

"SEC. 1397E. CREDIT TO HOLDERS OF QUALIFIED ZONE ACADEMY BONDS.

"(a) Allowance of Credit.--In the case of an eligible taxpayer who holds a qualified zone academy bond on the credit allowance date of such bond which occurs during the taxable year, there shall be allowed as a credit against the tax imposed by this chapter for such taxable year the amount determined under subsection (b).

"(b) Amount of Credit.--

"(1) In general.--The amount of the credit determined under this subsection with respect to any qualified zone academy bond is the amount equal to the product of--" (A) the credit rate determined by the Secretary under paragraph (2) for the month in which such bond was issued, multiplied by "(B) the face amount of the bond held by the taxpayer on the credit allowance date.

"(2) Determination.--During each calendar month, the Secretary shall determine a credit rate which shall apply to bonds issued during the following calendar month. The credit rate for any month is the percentage which the Secretary estimates will permit the issuance of qualified zone academy bonds without discount and without interest cost to the issuer.

"(c) Limitation Based on Amount of Tax.--The credit allowed under subsection (a) for any taxable year shall not exceed the excess of--" (1) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over "(2) the sum of the credits allowable under part IV of subchapter A (other than subpart C thereof, relating to refundable credits).

'(d) Qualified Zone Academy Bond.--For purposes of this section--

"(1) In general.--The term 'qualified zone academy bond' means any bond issued as part of an issue if--" (A) 95 percent or more of the proceeds of such issue are to be used for a qualified purpose with respect to
a qualified zone academy established by an eligible local education agency, "(B) the bond is issued by a
State or local government within the Jurisdiction of which such academy is located, "(C) the issuer--

"(i) designates such bond for purposes of this section,

"(ii) certifies that it has written assurances that the private business contribution requirement of paragraph (2) will be met with respect to such academy, and"

(iii) certifies that it has the written approval of the eligible local education agency for such bond issuance, and

"(D) the term of each bond which is part of such issue does not exceed the maximum term permitted under paragraph (3).

"(2) Private business contribution requirement.--

"(A) In general.--For purposes of paragraph (1), the private business contribution requirement of this paragraph is met with respect to any issue if the eligible local education agency that established the qualified zone academy has written commitments from private entities to make qualified contributions having a present value (as of the date of issuance of the issue) of not less than 10 percent of the proceeds of the issue.

"(B) Qualified contributions.--For purposes of subparagraph (A), the term qualified contribution’ means any contribution (of a type and quality acceptable to the eligible local education agency) of--

“(i) equipment for use in the qualified zone academy (including- state-of-the-art technology and vocational equipment),

“(ii) technical assistance in developing curriculum or in training teachers in order to promote appropriate market driven technology in the classroom,

“(iii) services of employees as volunteer mentors,

“(iv) internships, field trips, or other educational opportunities outside the academy for students, or

“(v) any other property or service specified by the eligible local education agency.

"(3) Term requirement.--During each calendar month, the Secretary shall determine the maximum term permitted under this paragraph for bonds issued during the following calendar month. Such maximum term shall be the term which the Secretary estimates will result in the present value of the obligation to repay the principal on the bond being equal to 50 percent of the face amount of the bond. Such present value shall be determined using as a discount rate the average annual interest rate of tax-exempt obligations having a term of 10 years or more which are issued during the month. If the term as so determined is not a multiple of a whole year, such term shall be rounded to the next highest whole year.

"(4) Qualified zone academy.--

"(A) In general.--The term ‘qualified zone academy' means any public school (or academic program within a public school) which is established by and operated under the supervision of an eligible local education agency to provide education or training below the post-secondary level if--
"(i) such public school or program (as the case may be) is designed in co-operation with business to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the increasingly complex workforce.

"(ii) students in such public school or program (as the case may be) will be subject to the same academic standards and assessments as other students educated by the eligible local education agency,

"(iii) the comprehensive education plan of such public school or program is approved by the eligible local education agency, and

"(iv)(I) such public school is located in an empowerment zone enterprise community (including any such zone or community designated after the date of enactment of this section), or

"(II) there is a reasonable expectation (as of the date of issuance of the bonds) that at least 35 percent of the students attending such school or participating in such program (as the case may be) will be eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act.

"(B) Eligible local education agency.--The term 'eligible local education agency' means any local education agency as defined in section 14101 of the Elementary and Secondary Education Act of 1965.

"(5) Qualified purpose.--The term ‘qualified purpose’ means, with respect to any qualified zone academy-

"(A) rehabilitating or repairing the public school facility in which the academy is established,

"(B) providing equipment for use at such academy,

"(C) developing course materials for education to be provided at such academy, and

"(D) training teachers and other school personnel in such academy.

"(6) Eligible taxpayer.--The term ‘eligible taxpayer’ means--

"(A) a bank (within the meaning of section 581),

"(B) an insurance company to which subchapter L applies, and

"(C) a corporation actively engaged in the business of lending money.

(e) Limitation on Amount of Bonds Designated.--

"(1) National limitation.--There is a national zone academy bond limitation for each calendar year. Such limitation is $400,000,000 for 1998 and 1999, and, except as provided in paragraph (4), zero thereafter.

"(2) Allocation of limitation.--The national zone academy bond limitation for a calendar year shall be allocated by the Secretary among the States on the basis of their respective populations of individuals below the poverty line (as defined by the Office of Management and Budget). The limitation amount
allocated to a State under the preceding sentence shall be allocated by the State education agency to qualified zone academies within such State.

"(3) Designation subject to limitation amount.--The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (d)(1) with respect to any qualified zone academy shall not exceed the limitation amount allocated to such academy under paragraph (2) for such calendar year.

"(4) Carryover of unused limitation.--If for any calendar year--

"(A) the limitation amount for any State, exceeds

"(B) the amount of bonds issued during such year which are designated under subsection (d)(1) with respect to qualified zone academies within such State, the limitation amount for such State for the following calendar year shall be increased by the amount of such excess.

(f) Other Definitions.--For purposes of this section--

"(1) Credit allowance date.--The term ‘credit allowance date’ means, with respect to any issue, the last day of the 1-year period beginning on the date of issuance of such issue and the last day of each successive 1-year period thereafter.

"(2) Bond.--The term 'bond' includes any obligation.

"(3) State.--The term 'State' includes the District of Columbia and any possession of the United States.

(g) Credit Included in Gross Income.--Gross income includes the amount of the credit allowed to the taxpayer under this section."

(b) Conforming Amendments.--

(1) The table of parts for subchapter U of chapter 1 is amended by striking, the last item and inserting the following:

"Part IV. Incentives for education zones.

"Part V. Regulations."

(2) The table of sections for part V, as so redesignated, is amended to read as follows:

"Sec. 1397F. Regulations."

(c) Effective Date.--The amendments made by this section shall apply to obligations issued after December 31, 1997.