

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2846 SCOMM 124: HOUSE SPEC. COMM. EC. DEV. TRADE & TOURISM 2001-02 610

SCOMM

124:8

Alaska State Legislature

Representative Jim Whitaker
House of Representatives
District 31



Session
Capitol Building, Room 411
Juneau, Alaska 99801
Phone: (907) 465-3004
Fax: (907) 465-2070

Interim
119 N. Cushman St. Suite 213
Fairbanks, AK 99701
Phone: (907) 452-1088
Fax: (907) 452-1146

SPONSOR STATEMENT

HB24

Borough Revenues for Tourism Marketing

Since the 1970's, the visitor industry in communities throughout Alaska has relied on local destination marketing organization to compete in an increasingly competitive worldwide marketplace.

The funding source for these organizations is typically local visitor industry taxes enacted with the intent that the revenues collected, fund the destination marketing efforts of the community in which such taxes are collected.

A provision in the Alaska State Municipal Code, Title 29 creates a situation wherein certain visitor industry tax collections cannot be used to fund local destination marketing efforts. This has the potential to affect eleven of Alaska's organized boroughs, even in those cases where the funding of destination marketing efforts is the express intent for which a visitor industry tax is collected.

HB24 amends Title 29 of Alaska Statutes allowing, at local option, the use of borough revenues for an on-going tourism marketing effort.

Issue Statement

Alaska Visitor Industry Small Business Empowerment

Successful Passage Of HB 24 Will:

Ensure that the visitor industry continues to serve as an important economic engine that offers Alaskan communities exciting opportunities to diversify and expand their economic base, and enhance their quality of life.

Allow small visitor industry businesses to share in the benefits of visitor industry growth and compete in an increasingly competitive travel marketplace by providing them the ability to pool their resources to market their communities as a destination to potential Alaska travelers.

Provide Alaskan communities with the ability to contribute their proportionate share towards the funding of statewide efforts to market Alaska as a destination to the rest of the world.

Executive Summary

Since the 1970's, small visitor industry businesses in communities throughout the state of Alaska have relied on their local destination marketing organizations [Convention & Visitors Bureaus and/or Chambers of Commerce] to help them compete in an increasingly competitive worldwide travel marketplace.

The funding source for local destination marketing organizations is typically local visitor industry taxes enacted with the intent that the taxes collected be used to fund the destination marketing efforts of the community or region in which the visitor industry taxes are collected.

An anomaly in the Alaska State Municipal Code [Title 29 of the Alaska Statutes] has the potential to create a situation in eleven of Alaska's organized boroughs where visitor industry tax collections cannot legally be used to fund local destination marketing efforts, even in those cases where the funding of destination marketing efforts is the express intent for which a visitor industry tax is collected.

HB 24 amends Title 29 of the Alaska Statutes to provide for a local option within a borough to use tax collections to fund a tourism marketing campaign.

The Mind-Numbing Details:

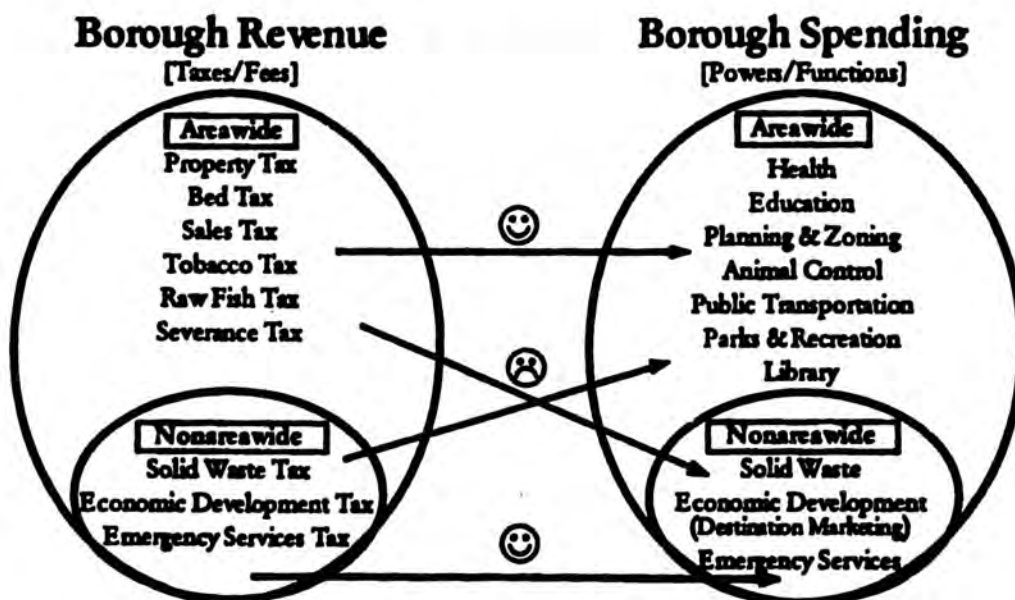
Fact: Sixteen organized boroughs and unified home rule municipalities exist in Alaska. Of these, six are second class boroughs containing incorporated cities within their boundaries, resulting in a division of powers between borough and city governments.

Fact: Second class boroughs are authorized to expend money for a community purpose or service to the extent the borough is authorized to exercise the power to accomplish the purpose. [Alaska Statutes, Section 29.35.010(9)]

Fact: "Borough revenues received through taxes collected on an areawide basis by the borough may be expended on general administrative costs and on areawide functions only. Borough revenues received through taxes collected on a nonareawide basis may be expended on general administrative costs and functions that render service only to the area outside all cities in the borough." [Alaska Statutes, Section 29.35.110]

Fact: Second class boroughs are authorized to exercise the power to provide for economic development on a nonareawide basis. [Alaska Statutes, Section 29.35.210(a)(8)]

The Dilemma: The four facts outlined above result in a situation where a visitor industry tax [typically a bed tax] logically collected by a second class borough on an areawide basis cannot be used for the taxes' intended areawide purpose, the funding of destination marketing. [see figure below]



The Solution: The challenge outlined above is solved to the benefit of small visitor industry businesses and Alaskan communities by amending AS 29.35.110 to add a new subsection to read: "(b) Use of borough revenues for a tourism marketing campaign is not subject to (a) of this section."



Fairbanks North Star Borough

Office of the Mayor

809 Pioneer Road

P.O. Box 71267

Fairbanks, Alaska 99707-1267

907/459-1300

Fax 907/459-1102

Email mayor@co.fairbanks.ak.us

January 24, 2001

Via Facsimile: 907-465-2070

Representative Jim Whitaker
Capitol Room 411
Juneau, AK 99801

Dear Representative Whitaker:

Your staff has provided a copy of HB 24, An Act Relating to Use of certain Borough Revenues for a Tourism Marketing Campaign, and asked for comment.

As a second class borough, the Fairbanks North Star Borough exercises economic development powers on a non-areawide basis in accordance with AS 29.35.210(a)(8). Therefore, the borough is authorized by law (AS 29.35.110) to expend only revenues received through taxes collected on a nonareawide basis on this function.

The Fairbanks Convention and Visitors Bureau has requested a grant of marketing funds from the Borough's areawide hotel/motel bed tax. However, because the tax is levied on an areawide basis, and was approved by the voters areawide, the Borough cannot expend bed tax revenues for tourism marketing, economic development or any other nonareawide activity.

The Borough does not oppose HB 24 as it is presently submitted. This legislation will not infringe on the right of municipalities to determine the activities they choose to fund or diminish their responsibility to utilize a public process to expend public revenues. This bill will simply provide for a local option to use areawide tax revenues to fund a tourism marketing campaign.

Sincerely,

Rhonda Boyles, Mayor

Letter of Support

SCOMM

124:9

House Committees

Labor & Commerce
Military & Veterans Affairs
State Affairs
Regulation Review

Alaska State Legislature Representative Joe Hayes

119 N. Cushman, Ste. 205
Fairbanks, AK 99701
(907) 456-7423 / Fax: 451-9293
While in Juneau
State Capitol
Juneau, AK 99801-1182
(907) 465-3466 / Fax: 465-2937



Sponsor Statement

HB 36, Enterprise Zones

The idea of Enterprise Zones originated in England under Margaret Thatcher and was brought to the United States by the Reagan Administration. The basic idea is to stimulate the economy of depressed areas by offering incentives, such as tax breaks, to businesses. Enterprise zones have gained bipartisan support from lawmakers across the country. 38 states have passed enterprise zone legislation and in 1994 the Clinton Administration reshaped the Enterprise Zone idea into a federal program named Enterprise Communities/Empowerment Zones (EC/EZ).

The purpose of HB 36 is to help reinvigorate Alaska's depressed urban and rural areas. By providing incentives, businesses will be more likely to develop in a depressed area. This will in turn provide more jobs to the community, increase the average household income and, therefore, also the standard of living. Enterprise zones work and have been yielding promising results for nearly two decades.

Traditionally, enterprise zones have relied upon reductions in state taxes or fees. In Alaska, however, there is little in the way of state taxes. Therefore, in order to make the concept fit, HB 36 is based on local control. The designation of an Enterprise Zone would authorize localities to offer the incentive or incentives of choice from a short list of options:

1) reductions in permit or user fees, 2) credits on or exemption from property taxes, 3) flexibility in regulation and, 4) lease or sale of real property to private persons.

On top of the incentives program, HB 36 will also help facilitate access to federal Grant money available through the EC/EZ program. One of the requirements for the federal EC/EZ designation is a "strategic plan", including proving that "the affected community is a full partner". Also, the "plan" must identify the amount and type of state and local resources available to the community, these being broadly defined to include non-monetary resources. The designation of a community as a state enterprise zone would provide conclusive evidence and demonstration of the state and locality's commitment to the revitalization of the community.

The goal of HB 36 is to encourage business development and economic growth while providing new options to Alaskan communities to improve the quality of life. HB 36 would be good for economic development in Alaska and I ask for your support.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

January 24, 2001

SUBJECT: Sectional summary of HB 36 (Work Order No. 22-LS0294\A)

TO: Representative Joe Hayes

FROM:  Theresa L. Bannister
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1. Adds new sections in a new article dealing with enterprise zones.

Sec. 44.33.311. Authorizes the governor to designate up to four enterprise zones each year from a prioritized list. A designation lasts for 20 years.

Sec. 44.33.313. Lists the requirements for geographical areas to be eligible to be enterprise zones.

Sec. 44.33.315. Allows a borough, a unified municipality, and certain cities to apply to the Department of Community and Economic Development to have a geographical area designated an enterprise zone. Lists what information must be provided in the application.

Sec. 44.33.317. Limits to three the number of designated enterprise zones that may exist within a qualifying municipality at the same time.

Sec. 44.33.319. Lists the incentives that a qualifying municipality may identify in its application that it will provide to the area in the proposed zone.

Section 2. Adds the rest of the sections in the new enterprise zone article.

Sec. 44.33.321. Directs the department to verify the information and eligibility of areas proposed as enterprise zones. Directs the department to prioritize each year's applications according to certain listed items. Directs the department to use certain data from the latest completed U.S. census when determining the degree of economic distress of an

Representative Joe Hayes

January 24, 2001

Page 2

area. Directs the department to transmit the prioritized list to the governor each year. Allows the department to recommend to the governor and the legislature incentives for enterprise zones.

Sec. 44.33.323. Allows a qualifying municipality that submits an application for an area to be designated an enterprise zone to appeal to the commissioner a determination that the area is not eligible to be an enterprise zone, a denial of the application (for a reason other than a determination of ineligibility), and the priority given to the application. States that the commissioner's determination may be appealed to the superior court. Directs the department to adopt regulations that establish the procedure for the appeal to the commissioner.

Sec. 44.33.325. Directs the department to establish by regulation deadlines for the submittal, review, and other administrative handling of applications. Directs that the deadlines be compatible with the deadlines for grant applications under 42.U.S.C. 5318a.

Sec. 44.33.327. Allows the department to adopt other regulations to implement the enterprise zone article. Directs that department regulations required or authorized for this article must be adopted under the state's Administrative Procedure Act.

Sec. 44.33.329. Defines terms for the enterprise zone article.

Section 3. Amends the municipal code to allow a borough, a unified municipality, and certain cities to partially or totally exempt by ordinance from taxation the property in an enterprise zone or to provide tax credits on taxes due on property in an enterprise zone.

Section 4. Amends a subsection of the state's income tax chapter to state that the tax credit limitation imposed by the subsection does not apply to enterprise zone investment tax credits under sec. 43.20.046 or to tax credits for new business facility employees under sec. 43.20.047.

Section 5. Amends the state's income tax chapter by adding new sections to allow enterprise zone tax credits.

Sec. 43.20.046. Allows a taxpayer to apply against the taxpayer's tax liability for a tax year 15 percent of certain investments in a new business facility in an enterprise zone during the tax year. Prorates the tax credit if the taxpayer has not operated the new business facility for the entire tax year. Reduces the tax credit by a certain amount if the new business facility replaces another facility. Defines certain terms for the section.

Sec. 43.20.047. Allows a taxpayer who establishes a new business facility for at least one year in an enterprise zone to apply, as a tax credit for the first full income tax year of the new business facility, \$500 for each new business facility employee who works in the zone. Indicates how to calculate the number of new business facility employees that may be claimed for credit. Defines certain terms for the section.

Representative Joe Hayes
January 24, 2001
Page 3

Sec. 43.20.048. Defines certain terms for secs. 43.20.046 - 43.20.048.

Section 6. Adds implementation of the new enterprise zone article provisions to the department's duties.

Section 7. States that the bill's changes to the state's income tax chapter apply to tax years beginning on or after January 1, 2002.

If I may be of further assistance, please advise.

TLB:glc
01-051.glc



Produced by the EZ Project at the University of Richmond School of Law

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California

The Coachella Valley Enterprise Zone has been a mixed blessing for the desert community. Since 1991, more than 35 small manufacturing businesses have located in the zone. The problem is that there is a shortage of developed property and an abundance of vacant land. Riverside County Supervisor Roy Wilson would like to see larger companies that employ greater amounts of people move into the area, and he blames poor marketing. "It's a matter of getting the story out," Wilson said. Zone director, John Stiles, who has been told to leave his position by June 30, feels that local officials are being impatient. "It takes a while to get a business relocated," Stiles said. Currently, 90% of developed lots within the zone are occupied, and local real estate brokers agree that the availability of existing buildings will continue to decline. (Business Press Ontairo, 4/14/97)

Colorado

On May 9, state economic-development officials began eliminating sections of enterprise zones throughout the state. Pursuant to state legislation, the Colorado Economic Development Commission reviewed the state's enterprise zone program and found that tax breaks were being given to business located in economically healthy areas. Most of the sections that have been eliminated are located near resort communities. The cuts will not take effect until January of 1998, but some officials are worried about the impact on rural communities. "Regardless of what happens with enterprise zones, I assure you that we'll put something in its place that will work for rural areas," said EDC Chairman Odell Barry. (Denver Post, 5/10/97)

Florida

Tampa residents who cannot read are getting a second chance to learn. Funding through the Tampa enterprise zone will support a literacy program called Operation COLLEGE, or Community Outreach for Local Literacy Education Guidance Enrichment. Volunteers are trained to be tutors and are asked to donate two to four hours a week working with illiterate adults. "What we are trying to do is encourage as many people as possible who need the gift of reading so that we can assign them to a tutor and get them involved," said program coordinator Sam Wright. (St. Petersburg Times, 4/30/97)

Illinois

The Quincy Enterprise Zone was expanded from 9.9 to 12 square miles in 1995. That expansion has paid

off as new development is rapidly occurring within the zone. Within months, Knapheide Manufacturing Co. began building a facility which began production in March of 1997. First Banker's Trust opened a branch office near the plant and plans for future industrial development are under way. "Our goal is for the expansion centered on retaining or attracting jobs," said Mayor Chuck Scholz. To attract private development, the city will offer 10 years of tax breaks to any commercial or industrial development that commences before Dec. 31, 2005. (Quincy Herald-Whig, 3/23/97)

Kentucky

In the first three months of 1997, seventy-eight companies qualified for the maximum tax incentives available in the Louisville/Jefferson County EZ. These companies have promised to invest more than \$55 million in capital improvements and to create more than 467 jobs in the zone, according to Bill Patteson, communications manager for the Louisville/Jefferson County Office for Economic Development. 17 miles have been added to the EZ over the past year, so that the zone now spans 45 square miles, and most of the new certifications occurred in the expanded area. Patteson admitted that questions concerning the efficacy of the program remain: "It has been argued and will always be argued, 'Were these companies going to do this . . . no matter what?'" (Business First of Louisville, 6/2/97)

Missouri

On May 10, Harley-Davidson Inc. began training 26 residents of the Kansas City enterprise zone to work in its facility. Harley-Davidson has been criticized for its hiring practices; however, the company has agreed to try to hire 30 percent of its work force from the enterprise zone or others who are receiving public assistance. The state has agreed to give tax breaks to the company if at least 15 percent of its work force is from the enterprise zone. (Kansas City Star, 5/13/97)

The Springfield Area Chamber of Commerce held a workshop on March 27 to explain the details of the enterprise zone program. Springfield was designated as an enterprise zone in 1984, one of 61 zones within the state. "Springfield has been a jewel among all other zones, receiving \$23 million in state tax credits, creating 5,200 net new jobs and \$218 million in new investment," said John Kleindienst of the Missouri Department of Economic Development. (Springfield Business Journal, 4/7/97)

New Jersey

On March 10, the Elizabeth Urban Enterprise Zone was selected as one of the best state enterprise zones out of more than 3,000 nationwide. The Elizabeth program allows businesses within the zone to charge only 3 percent sales tax as compared to the state rate of 6 percent. Since 1986, the zone has more than tripled in size and generates more than \$7.2 million per year for improvements. "We are particularly proud of Elizabeth's outstanding record of job creation . . . with nearly 6,000 new jobs created in the zone to date and a projection of another 5,000 when the new 1.6 million-square-foot MetroMall shopping center is completed," said Alan J. Steinberg, chairman of the New Jersey Urban Enterprise Zone Authority. (Star-Ledger, 3/11/97)

The Passaic Enterprise Zone Development Corp. has earmarked \$74,000 for the installation of 380 theft-resistant street signs. The money comes from the Passaic Enterprise Zone program and will be used to purchase and install street signs to replace damaged or stolen signs. "We're making them out of materials that have very little resale value as scrap, and we're putting them up in a fashion where they'll be difficult to remove," said Glenn Carter, director of community development. (The Record, Northern New Jersey, 4/15/97)

New York

The Islip Economic Development Zone, one of 40 within the state, has lured a number of businesses to the town. Worried that businesses would move out of state, Islip officials have aggressively courted companies that were planning to leave New York. The zone has attracted four large manufacturers who in turn have brought over 600 jobs to the area. Another 600 jobs are expected to be created within the next two years. Critics argue that the program simply shifts jobs from one area of the state to another, but Bill Mannix, director of economic development, counters that argument by stating that he is attracting businesses that plan to leave the state entirely. "Unfortunately, around here, many companies consider the out-of-state option before considering Long Island. That's what we're trying to change," said Mannix. (Newsday, 4/20/97)

Ohio

GTE Mobilnet Inc. announced plans to build a 42,000 square-foot facility that will create almost 90 jobs over the next three years in the Hamilton County Enterprise Zone. County officials and GTE reached an agreement whereby GTE will receive a 65 percent tax abatement for 10 years in return for locating within the zone. GTE will compensate the local school district for money that the schools will lose as a result of the tax break. "It is very beneficial for all parties in this case," said Randy Welker, economic development coordinator for the Hamilton County Development Co. In 1996 alone, 19 enterprise zone agreements have been reached totaling more than \$150 million in area investment. (Cincinnati Enquirer, 4/11/97)

Oregon

On April 11, Portland officials approved tax breaks for two companies that will locate in the city's enterprise zone. Northwest Pipe Co. will receive a \$567,000 tax exemption and is expected to create 20 new jobs. Direct Marketing Solutions Inc. will receive a \$131,000 break and is expected to create 10 new positions. (Portland Oregonian, 4/12/97)

Texas

The city of Fort Worth is reinstating its enterprise zone program after some mediocre results. Under the Texas scheme, cities are allowed to create a maximum of three zones for a period of seven years. In addition, a city may eliminate zoning regulations within its zones. In the first seven years, only three companies took advantage of Fort Worth's program; however, the city has decided to renew at least one of the zones. To attract investment, the city is thinking about selling city-owned property at below-market prices and reducing development fees. Area residents voiced concerns at a March 20 meeting. In particular, people are worried about lax zoning restrictions and condemnation of private property. "We're not proposing to do anything to zoning," said assistant city manager Jay Chapa. (Fort Worth Star-Telegram, 4/2/97)

Virginia

 Community National Bank is set to open its first branch in downtown Pulaski's enterprise zone. In the wake of the exodus by large financial institutions such as NationsBank and Signet, Pulaski officials are welcoming this investment in the community. "We believe it is very important for the downtown area to have access to financial institutions and we want to be a part of it," said CNB president Wayne Carpenter. (Roanoke Times & World News, 5/20/97)

THE BOOK OF THE STATES

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**The Council of State Governments
Lexington, Kentucky**

Headquarters: (859) 244-8000

Fax: (859) 244-8001

E-mail: info@csg.org

Internet: www.csg.org

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**Descriptions of State
Programs**

STATE GOVERNMENT IN REVIEW

Table 11.13
STATE ENTERPRISE ZONE PROGRAMS

State	Program	Description
Alabama	Enterprise Zone Credit	Twenty-seven Enterprise Zones across the state encourage economic growth in areas considered to have depressed economies. Each area offers innovative packages of local tax and non-tax incentives to encourage businesses to locate in their Enterprise Zones.
Arizona	Enterprise Zone Program	The program has two incentive components (At least 35 percent of the workforce must be hired within the boundaries of the zone in order to qualify for either incentive). In addition: 1) Income Tax Credits are available to any non-retail business that creates net new <u>quality jobs</u> . A "quality job" is full-time and permanent, pays an hourly wage above a certain level and provides at least 50 percent of the health insurance costs for the employee. Businesses can receive up to \$3,000 in tax credits per job retained over three years. A five-year carry forward is allowed for unused credits. 2) Property Tax Reclassification is available to manufacturing businesses that are either women or minority owned or "independently owned and operated" and "small." These businesses must make at least a \$2 million investment in fixed capital assets. All property is reclassified from a 25 percent assessment ratio to a 5 percent assessment ratio for five years.
Arkansas	Arkansas Enterprise Zone Program Incentives	The Enterprise Zone Program offers three incentives: (1) a state income tax credit for each new position or job created based on the average wage of new workers multiplied by 100 in areas with unemployment rates equal to or in excess of 50 percent of the state's average unemployment rate for the previous calendar year. The above formula used is 400 times the average hourly wage. The cap is \$6,000 per employee in high unemployment counties. Cap is \$3,000 per employee in other counties; (2) a refund of sales and use taxes on the purchase of materials used in construction of a new facility or expansion of an existing facility; and (3) a refund of sales and use taxes on machinery and equipment to be used in connection with the business. To qualify for the Arkansas Enterprise Zone Program, a company must meet job creation criteria and prove the new employees are Arkansas residents during the year in which the credits are earned.
California	Enterprise Zones	These provide the following various tax credits and benefits: I) Tax credits for sales and use taxes paid on up to \$20 million of qualified machinery purchased per year. II) A hiring credit of \$26,894 or more for each qualified employee during the employee's first 60 months on the job. III) A 15 year carryover of up to 100 percent of net operating losses. IV) Expensing up to \$40,000 of certain depreciable property. V) Leader interest income deductions for loans made to zone businesses. VI) Preference points on state contracts.
Colorado	Enterprise Zone Credits	The Enterprise Zone includes the following credits: Three percent investment tax credit, \$300 job tax credit, double job tax credit for agricultural processing, \$200 job tax credit for employer health insurance, research and development tax credit, credit to rehabilitate vacant buildings, credit for contributions to zones, ten percent job training credit, Exemption from state sales and use tax for manufacturing and mining equipment, and local government tax incentives.
Connecticut	Targeted Investment Community (TIC) Benefits	(Any community with an Enterprise Zone) 80% for 5-year real property and personal property tax exemptions for manufacturers. Forty percent to 80 percent for 5-year real property and personal property exemptions for service facilities, depending on amount invested. Fifty percent to 80 percent for 5-year tax exemption for personal property when part of a process technology upgrade, depending on the asset acquired.
	Enterprise Corridor Zone Benefits	Selected communities bordering Route 8 and I-395 are eligible for full Enterprise Zone Level benefits.
Delaware	Targeted Area Tax Credits	Firms which qualify as a Targeted Industry and locate in one of the targeted areas qualify for corporate income tax credits of \$650 for each new employee and \$450 for each new \$100,000 investment.
Florida	Florida Enterprise Zone Program	The Florida Enterprise Zone Program provides a credit against either its sales or corporate income tax to a business located within or hiring from within the zones. There are also credits for building materials used in the zone and other activities in the zone.
Georgia	Job Tax Credit	Effective January 1, 1999, job tax credits are available to businesses of any nature, including retail businesses, in counties recognized and designated as the 40 least developed counties. Counties and certain census tracts in the state are ranked and placed in economic tiers using the following factors: 1. Highest unemployment; 2. Lowest per capita income; 3. Highest percentage of residents whose incomes are below the poverty level; and 4. Average weekly manufacturing wage.

See footnotes at end of table.

STATE GOVERNMENT IN REVIEW

STATE ENTERPRISE ZONE PROGRAMS — Continued

State	Program	Description
Hawaii	Enterprise Zone Program	Established to increase business activity and create jobs in areas with above normal unemployment and/or below average income levels.
Illinois	Corporate Income Enterprise Zone Incentives	These incentives include a 0.5 percent investment tax credit; a \$500 per job, job tax credit; a deduction for dividends paid by a corporation operating in an Illinois enterprise zone; and a deduction for interest paid on loans to businesses operating in an Illinois enterprise zone.
	Sales Tax Enterprise Zone Incentives	These exemptions include: a sales tax exemption for building materials to be used in an enterprise zone if bought in the municipality or county which created the zone; a sales tax exemption for materials consumed in a manufacturing process; and, a utility tax exemption on gas, electricity, and telephone.
Iowa	Enterprise Zone Program	Eligible businesses locating or expanding in an Enterprise Zone area may receive property tax exemptions and expanded state tax credits. Twenty-eight counties and eighteen cities qualify for the program under the 1997 law's provisions by having areas which meet legislative definitions of economic distress.
Kansas	Enterprise Zone Incentives	Enterprise zone incentives are available to qualifying businesses throughout the state, based on the location of the facility, the type of facility (manufacturing, non-manufacturing or retail), the capital investment and the number of jobs created. A sales tax exemption is available on the materials, equipment and services purchased when building, expanding or renovating a business facility. State income tax credits are available for job creation and capital investment.
Kentucky	Enterprise Zone Program	State and local tax incentives are offered to businesses located or locating in zones, and some regulations are eased to make development in the area more attractive. A zone remains in effect for 20 years after the date of designation.
Louisiana	Enterprise Zones	Qualified businesses locating or expanding in Louisiana enterprise zones are eligible for a one-time tax credit of \$2,500 for each net new employee added to the payroll. The credit may be used to satisfy state income and corporate franchise tax obligations. If the entire credit cannot be used in the year claimed, the remainder may be applied against the income tax or franchise tax for the succeeding 10 taxable years, or until the entire credit is used, whichever occurs first.
Maryland	Enterprise Zone Tax Credits (Property and Income Tax Credits)	Maryland was a pioneer in the development of enterprise zones. It was one of the first states to enact its own enterprise zone program, and to designate zones. Advantages of a Maryland enterprise zone location include: • Property tax credits — Ten-year credit against local property taxes on a portion of real property improvements. • Credit is 80 percent the first five years, and decreases 10 percent annually thereafter to 30 percent in the tenth and last year. • Income tax credits — One- to three-year credits for wages paid to new employees in the zone. The general credit is a one-time \$500 credit per new worker. For economically disadvantaged employees, the credit increases to a total of \$3,000 per worker distributed over three years. • Priority access to Maryland's financing programs — There are thirty-five Maryland enterprise zones.
	Enterprise Zone "Focus Area" Tax Credits	The Maryland General Assembly has passed legislation to create "focus area" within enterprise zones. This legislation became effective October 1, 1999. "Focus areas" are especially distressed portions of enterprise zones. Businesses in these "focus areas" receive new and enhanced tax credits.
Massachusetts	Economic Development Incentive Program (EDIP)	This program was initiated to stimulate economic development in distressed areas, attract new businesses and encourage existing business to expand in Massachusetts. There are 33 designated Economic Target Areas throughout Massachusetts. Certified projects within Economic Opportunity Areas can qualify for additional investment incentives, including a 5 percent state investment tax credit, a 10% abandoned building tax deduction, priority for state capital funding and municipal tax benefits that include a special tax assessment and tax increment financing.
Michigan	Michigan Renaissance Zone Program	Michigan's Tax-Free Renaissance Zones are regions of the state designated as virtually tax free for any business or resident presently moving in to a zone. The zones are designed to provide selected communities with the most powerful market based incentive — No Taxes — to spur new jobs and investment.
Minnesota	Enterprise Zone Program	The Enterprise Zone Program provides tax credits to qualifying businesses which create investment, development, job creation or retention in the Enterprise Zone cities. Tax credits are allocated by the State to Enterprise Zone cities and businesses that apply for tax credits through the city Enterprise Zone coordinator. The type of tax credits include: property tax credits, debt financing credit on new construction, sales tax credit on construction equipment and materials, and new or existing employee credits.

See footnotes at end of table.

STATE GOVERNMENT IN REVIEW

STATE ENTERPRISE ZONE PROGRAMS — Continued

State	Program	Description
Mississippi	Economic Development Highway Program	Assist political subdivisions with the construction or improvement of highway projects that encourage high economic benefit projects to locate in a specific area. A high economic benefit project is any new private investment of \$50 million or more by a company in land, buildings or depreciable fixed assets, or an investment of at least \$20 million by a company that has statewide capital investments of at least \$1 billion.
Missouri	Enterprise Zone Credit	You may be eligible for this credit if you established a new facility or expanded an existing facility in an enterprise zone and created new jobs and new investment.
Nebraska	Enterprise Zone Act	The Enterprise Zone Act provides tax credits for qualifying businesses that, during any tax year, increase investment by at least \$75,000 and increase net employment by an average of two or more full-time positions during a taxable year. Credits may be used to reduce a portion of the taxpayer's income tax liability or to obtain a refund of sales-and-use taxes paid.
New Jersey	Urban Enterprise Zone	In promoting growth and development within the state's economically distressed areas, New Jersey has created 27 Urban Enterprise Zones (UEZ's). Companies that locate within one of the designated zones and create jobs are eligible for a number of benefits and zone incentives.
New Mexico	Enterprise Zones	The Enterprise Zone was enacted to stimulate the creation of new jobs and revitalize economically distressed areas. It authorizes local governments (municipality, county, Indian nation, tribe or pueblo), based on public input, to designate as an Enterprise Zone an area within its jurisdiction not exceeding 25 percent of its land area or encompassing more than 25 percent of its population.
New York	Economic Development Zone (EDZ) Investment Tax Credit	A credit against the corporation franchise tax or personal income tax is available for new capital invested in buildings and/or depreciable tangible personal property used primarily in production by manufacturing, processing, assembling, pollution-control and certain other activities in a designated Economic Development Zone. An additional credit, at 30 percent of the Zone Investment Tax Credit is deductible from the tax payable in each of next three years succeeding the firm's eligible investment, if the firm maintains an average employment in the Zone of 101 percent of the average number of employees employed by the taxpayer in the Zone in the year immediately preceding the year of the eligible investment in the Zone.
	EDZ Employment Incentive Credit	A credit against the corporation franchise tax, personal income tax, insurance tax or bank tax is available to eligible firms who create full-time jobs in Economic Development Zones.
	EDZ Wage Tax Credit	A credit is allowed against the corporation franchise tax or the personal income tax for up to 25 percent of any of the following investments or contributions: Investments in or contributions to EDZ capital corporations; Qualifying investments in certified Zone businesses that employ no more than 250 persons within New York State (not counting general executive officers); Investments made by or on behalf of a partner, proprietor or stockholder in the business are not eligible for the credit; cash contributions to community development projects in an EDZ.
	EDZ Capital Credit	Purchases of building materials that will become an integral part of non-retail commercial or industrial real property located in an economic development zone are exempt from the State sales/use tax and may also be exempt from the local sales/use tax if a local law authorizes such an exemption.
	EDZ Sales/Use Tax Credit	Under Section 485-a of the Real Property Tax Law, businesses or homeowners constructing, reconstructing or improving real property located within an economic development zone may be eligible for a partial exemption from real property taxes for up to ten years.
	EDZ Real Property Tax Credit	Taxpayers located in development zones gain additional tax credit enhancements. The taxpayer must already qualify for credit under Article III A of the Act.
North Carolina	Development Zone Enhancements	This includes local and state tax incentives for businesses that expand or locate in Ohio. In municipalities, up to a 75% exemption of the value of real property improvements and/or new tangible personal property for up to 10 years. In unincorporated areas, incentives can be up to a 60 percent exemption of the value of new real and/or personal property for up to 10 years. Business must agree to retain or create employment and establish, expand, renovate or occupy a facility in an Enterprise Zone. Retail projects are not eligible.
Ohio	Enterprise Zone Program	Enterprise Zones can be designated in either disadvantaged counties, cities or portions of cities. These zones provide extra incentives for business. Double the Investment/New Jobs Tax Credit is allowed and low interest loans may be made available through enterprise district loan funds.
Oklahoma	Enterprise Zones	If you locate your facility in an enterprise zone, new construction and most of the equipment installed in the plant would receive a 100% property tax abatement for a minimum of three years. Manufacturing and distribution companies are eligible activities.
Oregon	Enterprise Zone Program	

See footnotes at end of table.

STATE GOVERNMENT IN REVIEW

STATE ENTERPRISE ZONE PROGRAMS — Continued

State	Program	Description
Pennsylvania	Enterprise Zone Credit	These credits are available to businesses making investments in the rehabilitation, expansion, or improvement of buildings or land in enterprise zones. Businesses that are interested must develop a plan that describes their activities, the benefits that will result, a budget itemizing costs, and make a commitment to avoid dislocation of current residents.
Rhode Island	Enterprise Zones Tax Incentives	A business which has been certified by the Enterprise Zone Council is allowed a credit against chapters 44-11, 44-14, 44-17 and 44-30; Rhode Island General Laws. The credit is 50 percent of the Rhode Island salaries and wages paid only to those newly hired enterprise job workers comprising the employees included in the "5 percent growth test" used for certification by the council.
South Carolina	Economic Impact Zone Investment Tax Credit	In order to help offset the impact of federal downsizing in the state, legislation was passed to spur economic growth in 26 of the state's 46 counties surrounding the Charleston Naval Base, Myrtle Beach Air Force Base and the Savannah River Site. This legislation allows manufacturers locating in "Economic Impact Zones" a one-time credit against the company's corporate income tax of up to 5 percent of the company's investment in new production equipment. The actual value of the credit depends on the applicable recovery period for property under the Internal Revenue Code.
Tennessee	Enterprise Zone Contributions	Corporations are entitled to reimbursements of up to 50 percent of their capital tax payments for net new employment in an enterprise zone (\$1,000 per new employee) and for 1.5 percent of the purchase price of industrial machinery for use in such a zone. If the reimbursement on account of industrial machinery exceeds the 50 percent limit, it may be carried forward for two years.
Texas	Enterprise Zone Program	Enterprise projects are eligible for a refund of state sales or use taxes paid on machinery and equipment, building materials, labor for the rehabilitation of existing buildings, and electricity and natural gas purchased for use in the enterprise zone. The refund is based on \$2,000 for each permanent job the project creates or retains during the five-year designation period. The maximum number of jobs for which a refund may be received is based upon commitments made in the project application. Each project is limited to a maximum refund of \$1.25 million, or \$250,000 per year over the five-year period.
Utah	Enterprise Zones	The act passed by the Utah State Legislature provides tax credits for manufacturing companies locating in rural areas that qualify for assistance. A \$750 tax credit is given for all new jobs created plus a credit of \$1,250 for jobs paying at least 125 percent of the average wage for the industry. In addition, investment tax credits are available for all investment in new plant and equipment as follows: 10 percent for first \$100,000; 5 percent of next \$250,000. Tax credits can be carried forward for 3 years. Enterprise Zones benefits are only available in certain non-metro counties.
Virginia	Enterprise Zone Program	Qualified businesses locating or expanding in an enterprise zone are eligible for the following incentives: A 10-year general credit against state tax liability; a credit against state tax equal to 50 percent of qualified zone real property improvements is available for rehabilitation projects involving at least \$50,000 or an amount equal to the current assessed value of the real property, whichever is greater; large projects that invest at least \$100 million and create at least 200 jobs are eligible for a negotiable credit of up to 5 percent of the total investment (real property, machinery and equipment); and, businesses creating new, full-time positions are eligible to receive grants of up to \$500 per person filling a position and up to \$1,000 per zone resident filling a position for three years.
Washington	Distressed Area Business and Occupation	A \$2,000 or \$4,000 (if wages and benefits exceed \$40,000) credit against the business and occupation tax is available. The Credit for each new employment position created and filled by certain businesses located in eligible areas.
Wisconsin	Enterprise Development Zones	The 1993-97 state budget act established up to 50 enterprise development zones in the state. Eligible businesses locating in the zones would be able to claim up to \$3 million worth of tax credits. The available tax credits include all of the existing credits under the Community Development Zone Program. Each enterprise development zone will have a minimum of one business eligible to claim the available tax benefits and will be site specific.

Source: Compiled by The Council of State Governments from CSO's 1999 national survey of state economic development and business-incentive leaders (50 states and three territories responding).

(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

§ 25.201**7 CFR Subtitle A (1-1-99 Edition)**

(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

Office of the Secretary, USDA

§ 25.204

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.

§ 25.208 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

§ 25.204

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.

7 CFR Subtitle A (1-1-99 Edition)

(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

Office of the Secretary, USDA

\$25.300

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.

§25.305-25.399 [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 Em-

powerment 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.

