

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 15

To amend the Internal Revenue Code of 1986 to provide tax incentives to encourage community development in enterprise zones, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 5, 1993

Mr. RANGEL introduced the following bill; which was referred jointly to the Committees on Ways and Means, Education and Labor, Energy and Commerce, and Banking, Finance and Urban Affairs

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## A BILL

To amend the Internal Revenue Code of 1986 to provide tax incentives to encourage community development in enterprise zones, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Enterprise Zone Community Development Act of 1993”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-  
7 wise expressly provided, whenever in this Act an amend-  
8 ment or repeal is expressed in terms of an amendment  
9 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-  
2 sion of the Internal Revenue Code of 1986.

3 (c) TABLE OF CONTENTS.—

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- Sec. 286. Access to jobs/reverse commuting demonstration program.
- Sec. 287. Study of insurance availability in central cities and distressed urban areas.

1 **TITLE I—URBAN TAX ENTER-**  
2 **PRISE ZONES AND RURAL DE-**  
3 **VELOPMENT INVESTMENT**  
4 **ZONES**

5 **SEC. 101. STATEMENT OF PURPOSE.**

6 It is the purpose of this title to establish a demonstra-  
7 tion program of providing incentives for the creation of  
8 tax enterprise zones in order—

9 (1) to revitalize economically and physically dis-  
10 tressed areas, primarily by encouraging the forma-  
11 tion of new businesses and the retention and expan-  
12 sion of existing businesses,

13 (2) to promote meaningful employment for tax  
14 enterprise zone residents, and

15 (3) to encourage individuals to reside in the tax  
16 enterprise zones in which they are employed.

17 **Subtitle A—Designation and Tax**  
18 **Incentives**

19 **SEC. 102. DESIGNATION AND TREATMENT OF URBAN TAX**

20 **ENTERPRISE ZONES AND RURAL DEVELOP-**  
21 **MENT INVESTMENT ZONES.**

22 (a) IN GENERAL.—Chapter 1 (relating to normal  
23 taxes and surtaxes) is amended by inserting after sub-  
24 chapter T the following new subchapter:

1    **“Subchapter U—Designation and Treatment**  
2                   **of Tax Enterprise Zones**

“Part I. Designation of tax enterprise zones.

“Part II. Incentives for tax enterprise zones.

3           **“PART I—DESIGNATION OF TAX ENTERPRISE**  
4                   **ZONES**

“Sec. 1391. Designation procedure.

“Sec. 1392. Eligibility and selection criteria.

“Sec. 1393. Definitions and special rules.

5    **“SEC. 1391. DESIGNATION PROCEDURE.**

6           “(a) IN GENERAL.—For purposes of this title, the  
7 term ‘tax enterprise zone’ means any area which is, under  
8 this part—

9                   “(1) nominated by 1 or more local governments  
10                   and the State in which it is located for designation  
11                   as a tax enterprise zone, and

12                   “(2) designated by—

13                           “(A) the Secretary of Housing and Urban  
14                           Development in the case of an urban tax enter-  
15                           prise zone, or

16                           “(B) the Secretary of Agriculture, in con-  
17                           sultation with the Secretary of Commerce, in  
18                           the case of a rural development investment  
19                           zone.

20           “(b) NUMBER OF DESIGNATIONS.—

21                   “(1) AGGREGATE LIMIT.—The appropriate Sec-  
22                   retaries may designate in the aggregate 150 nomi-

1 nated areas as tax enterprise zones under this sec-  
 2 tion, subject to the availability of eligible nominated  
 3 areas. Not more than 50 large city zones may be  
 4 designated; not more than 50 other urban zones may  
 5 be designated; and not more than 50 rural develop-  
 6 ment investment zones may be designated. Such des-  
 7 ignations may be made only during calendar years  
 8 after 1992 and before 1999.

9 “(2) ANNUAL LIMITS.—

10 “(A) 1993.—During 1993, the number of  
 11 urban tax enterprise zones designated under  
 12 paragraph (1) shall not exceed 8, and the num-  
 13 ber of rural development investment zones des-  
 14 ignated under paragraph (1) shall not exceed 8.

15 “(B) AFTER 1993.—As of the close of  
 16 each calendar year after 1993, the number of  
 17 urban tax enterprise zones and rural develop-  
 18 ment investment zones shall not exceed the  
 19 numbers determined in accordance with the fol-  
 20 lowing table:

**The maximum number is:**

| <b>“As of the close of:</b> | <b>Urban tax enter-<br/>prise zones</b> | <b>Rural develop-<br/>ment investment<br/>zones</b> |
|-----------------------------|---|---|
| 1993                        | 9                                       | 8   |
| 1994                        | 19                                      | 9   |
| 1995                        | 19                                      | 9   |
| 1996                        | 18                                      | 8   |
| 1997                        | 18                                      | 8   |

1           “(3) DEFINITIONS.—For purposes of this sub-  
2 section—

3           “(A) LARGE CITY ZONE.—The term ‘large  
4 city zone’ means any urban tax enterprise zone  
5 located in a city having a population (as deter-  
6 mined by the most recent census data available)  
7 of at least 600,000.

8           “(B) OTHER URBAN ZONE.—The term  
9 ‘other urban zone’ means any urban tax enter-  
10 prise zone not located in a city described in  
11 clause (i).

12           “(4) ADVANCE DESIGNATIONS PERMITTED.—  
13 For purposes of this subchapter, a designation dur-  
14 ing any calendar year shall be treated as made on  
15 January 1 of the following calendar year if the ap-  
16 propriate Secretary, in making such designation,  
17 specifies that such designation is effective as of such  
18 January 1.

19           “(c) LIMITATIONS ON DESIGNATIONS.—The appro-  
20 priate Secretary may not make any designation under sub-  
21 section (a) unless—

22           “(1) the local governments and the State in  
23 which the nominated area is located have the au-  
24 thority—

1           “(A) to nominate the area for designation  
2 as a tax enterprise zone, and

3           “(B) to provide assurances satisfactory to  
4 the appropriate Secretary that the commit-  
5 ments under section 1392(c) will be fulfilled,

6           “(2) a nomination of the area is submitted  
7 within a reasonable time before the calendar year for  
8 which designation as a tax enterprise zone is sought  
9 (or, if later, a reasonable time after the date of the  
10 enactment of this subchapter),

11           “(3) the appropriate Secretary determines that  
12 any information furnished is reasonably accurate,  
13 and

14           “(4) the State and local governments certify  
15 that no portion of the area nominated is already in-  
16 cluded in a tax enterprise zone.

17           “(d) PERIOD FOR WHICH DESIGNATION IS IN EF-  
18 FECT.—

19           “(1) IN GENERAL.—Any designation of an area  
20 as a tax enterprise zone shall remain in effect during  
21 the period beginning on the date of the designation  
22 and ending on the earliest of—

23           “(A) December 31 of the 15th calendar  
24 year following the calendar year in which such  
25 date occurs,

1           “(B) the termination date designated by  
2 the State and local governments as provided for  
3 in their nomination, or

4           “(C) the date the appropriate Secretary re-  
5 vokes the designation under paragraph (2).

6           “(2) REVOCATION OF DESIGNATION.—

7           “(A) IN GENERAL.—The appropriate Sec-  
8 retary shall revoke the designation of an area  
9 as a tax enterprise zone if such Secretary deter-  
10 mines that the local government or the State in  
11 which it is located—

12                   “(i) has modified the boundaries of  
13 the area, or

14                   “(ii) is not complying substantially  
15 with the State and local commitments pur-  
16 suant to section 1392(c).

17           “(B) APPLICABLE PROCEDURES.—A des-  
18 ignation may be revoked by the appropriate  
19 Secretary under subparagraph (A) only after a  
20 hearing on the record involving officials of the  
21 State or local government involved.

22           **“SEC. 1392. ELIGIBILITY AND SELECTION CRITERIA.**

23           “(a) IN GENERAL.—The appropriate Secretary may  
24 make a designation of any nominated area under section

1 1391 only on the basis of the eligibility and selection cri-  
2 teria set forth in this section.

3 “(b) ELIGIBILITY CRITERIA.—

4 “(1) URBAN TAX ENTERPRISE ZONES.—A nom-  
5 inated area which is not a rural area shall be eligible  
6 for designation under section 1391 only if it meets  
7 the following criteria:

8 “(A) POPULATION.—The nominated area  
9 has a population (as determined by the most re-  
10 cent census data available) of not less than  
11 4,000.

12 “(B) DISTRESS.—The nominated area is  
13 one of pervasive poverty, unemployment, and  
14 general distress.

15 “(C) SIZE.—The nominated area—

16 “(i) does not exceed 20 square miles,

17 “(ii) has a boundary which is continu-  
18 ous, or consists of not more than 3 non-  
19 contiguous parcels within the same metro-  
20 politan area,

21 “(iii) is located entirely within 1  
22 State, and

23 “(iv) does not include any portion of  
24 a central business district (as such term is

1           used for purposes of the most recent Cen-  
2           sus of Retail Trade).

3           “(D) UNEMPLOYMENT RATE.—The unem-  
4           ployment rate (as determined by the appro-  
5           priate available data) is not less than 1.5 times  
6           the national unemployment rate.

7           “(E) POVERTY RATE.—The poverty rate  
8           (as determined by the most recent census data  
9           available) for not less than 90 percent of the  
10          population census tracts (or where not tracted,  
11          the equivalent county divisions as defined by  
12          the Bureau of the Census for the purposes of  
13          defining poverty areas) within the nominated  
14          area is not less than 20 percent.

15          “(F) COURSE OF ACTION.—There has been  
16          adopted for the nominated area a course of ac-  
17          tion which meets the requirements of subsection  
18          (c).

19          “(2) RURAL DEVELOPMENT INVESTMENT  
20          ZONES.—A nominated area which is a rural area  
21          shall be eligible for designation under section 1391  
22          only if it meets the following criteria:

23                 “(A) POPULATION.—The nominated area  
24                 has a population (as determined by the most re-

1 cent census data available) of not less than  
2 1,000.

3 “(B) DISTRESS.—The nominated area is  
4 one of general distress.

5 “(C) SIZE.—The nominated area—

6 “(i)(I) does not exceed 10,000 square  
7 miles, or

8 “(II) consists of areas within not  
9 more than 4 contiguous counties,

10 “(ii) has a boundary which is continu-  
11 ous, or consists of not more than 3 non-  
12 contiguous parcels, and

13 “(iii) is located entirely within 1  
14 State.

15 “(D) ADDITIONAL CRITERIA.—Not less  
16 than 2 of the following criteria:

17 “(i) UNEMPLOYMENT RATE.—The cri-  
18 terion set forth in paragraph (1)(D).

19 “(ii) POVERTY RATE.—The criterion  
20 set forth in paragraph (1)(E).

21 “(iii) JOB LOSS.—The amount of  
22 wages attributable to employment in the  
23 area, and subject to tax under section  
24 3301 during the preceding calendar year,

1 is not more than 95 percent of such wages  
2 during the 5th preceding calendar year.

3 “(iv) OUT-MIGRATION.—The popu-  
4 lation of the area decreased (as determined  
5 by the most recent census data available)  
6 by 10 percent or more between 1980 and  
7 1990.

8 “(E) COURSE OF ACTION.—There has been  
9 adopted for the nominated area a course of ac-  
10 tion which meets the requirements of subsection  
11 (c).

12 “(c) REQUIRED STATE AND LOCAL COURSE OF AC-  
13 TION.—

14 “(1) IN GENERAL.—No nominated area may be  
15 designated as a tax enterprise zone unless the local  
16 government and the State in which it is located  
17 agree in writing that, during any period during  
18 which the area is a tax enterprise zone, the govern-  
19 ments will follow a specified course of action de-  
20 signed to reduce the various burdens borne by em-  
21 ployers or employees in the area.

22 “(2) COURSE OF ACTION.—The course of action  
23 under paragraph (1) may be implemented by both  
24 governments and private nongovernmental entities,  
25 may not be funded from proceeds of any Federal

1 program (other than discretionary proceeds), and  
2 may include—

3 “(A) a certification by the State insurance  
4 commissioner (or similar State official) that  
5 basic commercial property insurance of a type  
6 comparable to that insurance generally in force  
7 in urban or rural areas, whichever is applicable,  
8 throughout the State is available to businesses  
9 within the tax enterprise zone,

10 “(B) a reduction of tax rates or fees apply-  
11 ing within the tax enterprise zone,

12 “(C) an increase in the level, or efficiency  
13 of delivery, of local public services within the  
14 tax enterprise zone,

15 “(D) actions to reduce, remove, simplify,  
16 or streamline government paperwork require-  
17 ments applicable within the tax enterprise zone,

18 “(E) the involvement in the program by  
19 public authorities or private entities, organiza-  
20 tions, neighborhood associations, and commu-  
21 nity groups, particularly those within the nomi-  
22 nated area, including a written commitment to  
23 provide jobs and job training for, and technical,  
24 financial, or other assistance to, employers, em-  
25 ployees, and residents of the nominated area,

1           “(F) the giving of special preference to  
2 contractors owned and operated by members of  
3 any socially and economically disadvantaged  
4 group (within the meaning of section 8(a) of  
5 the Small Business Act (15 U.S.C. 637(a)),

6           “(G) the gift (or sale at below fair market  
7 value) of surplus land in the tax enterprise zone  
8 to neighborhood organizations agreeing to oper-  
9 ate a business on the land,

10           “(H) the establishment of a program  
11 under which employers within the tax enterprise  
12 zone may purchase health insurance for their  
13 employees on a pooled basis,

14           “(I) the establishment of a program to en-  
15 courage local financial institutions to satisfy  
16 their obligations under the Community Rein-  
17 vestment Act of 1977 (12 U.S.C. 2901 et seq.)  
18 by making loans to enterprise zone businesses,  
19 with emphasis on startup and other small-busi-  
20 ness concerns (as defined in section 3(a) of the  
21 Small Business Act (15 U.S.C. 632(a)),

22           “(J) the giving of special preference to  
23 qualified low-income housing projects located in  
24 tax enterprise zones, in the allocation of the

1 State housing credit ceiling applicable under  
2 section 42, and

3 “(K) the giving of special preference to fa-  
4 cilities located in tax enterprise zones, in the al-  
5 location of the State ceiling on private activity  
6 bonds applicable under section 146.

7 “(3) RECOGNITION OF PAST EFFORTS.—In  
8 evaluating courses of action agreed to by any State  
9 or local government, the appropriate Secretary shall  
10 take into account the past efforts of the State or  
11 local government in reducing the various burdens  
12 borne by employers and employees in the area in-  
13 volved.

14 “(4) PROHIBITION OF ASSISTANCE FOR BUSI-  
15 NESS RELOCATIONS.—

16 “(A) IN GENERAL.—The course of action  
17 implemented under paragraph (1) may not in-  
18 clude any action to assist any establishment in  
19 relocating from 1 area to another area.

20 “(B) EXCEPTION.—The limitation estab-  
21 lished in subparagraph (A) shall not be con-  
22 strued to prohibit assistance for the expansion  
23 of an existing business entity through the estab-  
24 lishment of a new branch, affiliate, or subsidi-  
25 ary if—

1           “(i) the establishment of the new  
2           branch, affiliate, or subsidiary will not re-  
3           sult in an increase in unemployment in the  
4           area of original location or in any other  
5           area where the existing business entity  
6           conducts business operations, and

7           “(ii) there is no reason to believe that  
8           the new branch, affiliate, or subsidiary is  
9           being established with the intention of clos-  
10          ing down the operations of the existing  
11          business entity in the area of its original  
12          location or in any other area where the ex-  
13          isting business entity conducts business op-  
14          erations.

15          “(d) SELECTION CRITERIA.—From among the nomi-  
16          nated areas eligible for designation under subsection (b)  
17          by the appropriate Secretary, such appropriate Secretary  
18          shall make designations of tax enterprise zones on the  
19          basis of the following factors (each of which is to be given  
20          equal weight):

21                 “(1) STATE AND LOCAL COMMITMENTS.—The  
22                 strength and quality of the commitments which have  
23                 been promised as part of the course of action rel-  
24                 ative to the fiscal ability of the nominating State  
25                 and local governments.

1           “(2) IMPLEMENTATION OF COURSE OF AC-  
2           TION.—The effectiveness and enforceability of the  
3           guarantees that the course of action will actually be  
4           carried out, including the specificity with which the  
5           commitments under paragraph (1) are described in  
6           order that the applicable Secretary will be better  
7           able to determine annually under section  
8           1391(d)(2)(A)(ii) whether the commitments are  
9           being carried out.

10           “(3) PRIVATE COMMITMENTS.—The level of  
11           commitments by private entities of additional re-  
12           sources and contributions to the economy of the  
13           nominated area, including the creation of new or ex-  
14           panded business activities.

15           “(4) AVERAGE RANKINGS.—The average rank-  
16           ing with respect to—

17                   “(A) the criteria set forth in subpara-  
18                   graphs (D) and (E) of subsection (b)(1), in the  
19                   case of an area which is not a rural area, or

20                   “(B) the 2 criteria set forth in subsection  
21                   (b)(2)(D) that give the area a higher average  
22                   ranking, in the case of a rural area.

23           “(5) REVITALIZATION POTENTIAL.—The poten-  
24           tial for the revitalization of the nominated area as  
25           a result of zone designation, taking into account

1 particularly the number of jobs to be created and re-  
2 tained.

3 **“SEC. 1393. DEFINITIONS AND SPECIAL RULES.**

4 “For purposes of this subchapter—

5 “(1) URBAN TAX ENTERPRISE ZONE.—The  
6 term ‘urban tax enterprise zone’ means a tax enter-  
7 prise zone which meets the requirements of section  
8 1392(b)(1).

9 “(2) RURAL DEVELOPMENT INVESTMENT  
10 ZONE.—The term ‘rural development investment  
11 zone’ means a tax enterprise zone which meets the  
12 requirements of section 1392(b)(2).

13 “(3) GOVERNMENTS.—If more than 1 local gov-  
14 ernment seeks to nominate an area as a tax enter-  
15 prise zone, any reference to, or requirement of, this  
16 subchapter shall apply to all such governments.

17 “(4) LOCAL GOVERNMENT.—The term ‘local  
18 government’ means—

19 “(A) any county, city, town, township, par-  
20 ish, village, or other general purpose political  
21 subdivision of a State, and

22 “(B) any combination of political subdivi-  
23 sions described in subparagraph (A) recognized  
24 by the appropriate Secretary.

1           “(5) NOMINATED AREA.—The term ‘nominated  
2 area’ means an area which is nominated by 1 or  
3 more local governments and the State in which it is  
4 located for designation as a tax enterprise zone  
5 under this subchapter.

6           “(6) RURAL AREA.—The term ‘rural area’  
7 means any area which is—

8                   “(A) outside of a metropolitan statistical  
9 area (within the meaning of section  
10 143(k)(2)(B)), or

11                   “(B) determined by the Secretary of Agri-  
12 culture, after consultation with the Secretary of  
13 Commerce, to be a rural area.

14           “(7) APPROPRIATE SECRETARY.—The term ‘ap-  
15 propriate Secretary’ means—

16                   “(A) the Secretary of Housing and Urban  
17 Development in the case of urban tax enterprise  
18 zones, and

19                   “(B) the Secretary of Agriculture in the  
20 case of rural development investment zones.

21           “(8) STATE-CHARTERED DEVELOPMENT COR-  
22 PORATIONS.—An area shall be treated as nominated  
23 by a State and a local government if it is nominated  
24 by—



1 “(b) QUALIFIED ZONE WAGES.—

2 “(1) IN GENERAL.—For purposes of this sec-  
3 tion, the term ‘qualified zone wages’ means any  
4 wages paid or incurred by an employer for services  
5 performed by an employee while such employee is a  
6 qualified zone employee.

7 “(2) ONLY FIRST \$20,000 OF WAGES PER YEAR  
8 TAKEN INTO ACCOUNT.—With respect to each quali-  
9 fied zone employee, the amount of qualified zone  
10 wages which may be taken into account for the tax-  
11 able year shall not exceed \$20,000.

12 “(3) COORDINATION WITH TARGETED JOBS  
13 CREDIT.—The term ‘qualified zone wages’ shall not  
14 include wages attributable to service rendered during  
15 the 1-year period beginning with the day the individ-  
16 ual begins work for the employer if any portion of  
17 such wages is taken into account in determining the  
18 credit under section 51.

19 “(c) QUALIFIED ZONE EMPLOYEE.—For purposes of  
20 this section—

21 “(1) IN GENERAL.—Except as otherwise pro-  
22 vided in this subsection, the term ‘qualified zone em-  
23 ployee’ means, with respect to any period, any em-  
24 ployee of an employer if—

1           “(A) substantially all of the services per-  
2           formed during such period by such employee for  
3           such employer are performed within a tax en-  
4           terprise zone in a trade or business of the em-  
5           ployer, and

6           “(B) the principal place of abode of such  
7           employee while performing such services is  
8           within such tax enterprise zone.

9           “(2) CERTAIN INDIVIDUALS NOT ELIGIBLE.—  
10          The term ‘qualified zone employee’ shall not in-  
11          clude—

12           “(A) any individual described in subpara-  
13           graph (A), (B), or (C) of section 51(i)(1),

14           “(B) any 5-percent owner (as defined in  
15           section 416(i)(1)(B)),

16           “(C) any individual employed by the em-  
17           ployer at any facility described in section  
18           144(c)(6)(B), and

19           “(D) any individual employed by the em-  
20           ployer in a trade or business the principal activ-  
21           ity of which is farming (within the meaning of  
22           subparagraphs (A) or (B) of section  
23           2032A(e)(5)), but only if, as of the close of the  
24           taxable year, the sum of—

1           “(i) the aggregate unadjusted bases  
2           (or, if greater, the fair market value) of  
3           the assets owned by the employer which  
4           are used in such a trade or business, and

5           “(ii) the aggregate value of assets  
6           leased by the employer which are used in  
7           such a trade or business (as determined  
8           under regulations prescribed by the Sec-  
9           retary),

10           exceeds \$500,000.

11           “(d) EARLY TERMINATION OF EMPLOYMENT BY EM-  
12           PLOYER.—

13           “(1) IN GENERAL.—If the employment of any  
14           employee is terminated by the taxpayer before the  
15           day 1 year after the day on which such employee  
16           began work for the employer—

17           “(A) no wages with respect to such em-  
18           ployee shall be taken into account under sub-  
19           section (a) for the taxable year in which such  
20           employment is terminated, and

21           “(B) the tax under this chapter for the  
22           taxable year in which such employment is ter-  
23           minated shall be increased by the aggregate  
24           credits (if any) allowed under section 38(a) for

1 prior taxable years by reason of wages taken  
2 into account with respect to such employee.

3 “(2) CARRYBACKS AND CARRYOVERS AD-  
4 JUSTED.—In the case of any termination of employ-  
5 ment to which paragraph (1) applies, the carrybacks  
6 and carryovers under section 39 shall be properly  
7 adjusted.

8 “(3) SUBSECTION NOT TO APPLY IN CERTAIN  
9 CASES.—

10 “(A) IN GENERAL.—Paragraph (1) shall  
11 not apply to—

12 “(i) a termination of employment of  
13 an employee who voluntarily leaves the em-  
14 ployment of the taxpayer,

15 “(ii) a termination of employment of  
16 an individual who before the close of the  
17 period referred to in paragraph (1) be-  
18 comes disabled to perform the services of  
19 such employment unless such disability is  
20 removed before the close of such period  
21 and the taxpayer fails to offer reemploy-  
22 ment to such individual, or

23 “(iii) a termination of employment of  
24 an individual if it is determined under the  
25 applicable State unemployment compensa-

1           tion law that the termination was due to  
2           the misconduct of such individual.

3           “(B) CHANGES IN FORM OF BUSINESS.—  
4           For purposes of paragraph (1), the employment  
5           relationship between the taxpayer and an em-  
6           ployee shall not be treated as terminated—

7                   “(i) by a transaction to which section  
8                   381(a) applies if the employee continues to  
9                   be employed by the acquiring corporation,  
10                  or

11                   “(ii) by reason of a mere change in  
12                   the form of conducting the trade or busi-  
13                   ness of the taxpayer if the employee con-  
14                   tinues to be employed in such trade or  
15                   business and the taxpayer retains a sub-  
16                   stantial interest in such trade or business.

17           “(4) SPECIAL RULE.—Any increase in tax  
18           under paragraph (1) shall not be treated as a tax  
19           imposed by this chapter for purposes of—

20                   “(A) determining the amount of any credit  
21                   allowable under this chapter, and

22                   “(B) determining the amount of the tax  
23                   imposed by section 55.

1 **“SEC. 1394A. CREDIT TO QUALIFIED ZONE EMPLOYEES OF**  
2 **TAX-EXEMPT ORGANIZATIONS.**

3 “(a) ALLOWANCE OF CREDIT.—In the case of a  
4 qualified zone employee who received qualified zone wages  
5 during the taxable year from any tax-exempt employer,  
6 there shall be allowed as a credit against the tax imposed  
7 by this chapter for such taxable year an amount equal to  
8 15 percent of the qualified zone wages received by such  
9 employee from such employer during such taxable year.

10 “(b) ONLY FIRST \$20,000 OF WAGES PER YEAR  
11 TAKEN INTO ACCOUNT.—With respect to each qualified  
12 zone employee, the amount of qualified zone wages which  
13 may be taken into account for the taxable year shall not  
14 exceed \$20,000.

15 “(c) LIMITATION BASED ON AMOUNT OF TAX.—For  
16 purposes of this title, the credit allowed under this section  
17 shall be treated as allowed under subpart A of part IV  
18 of subchapter A of this chapter (relating to nonrefundable  
19 personal credits).

20 “(d) TAX-EXEMPT EMPLOYER.—For purposes of this  
21 section, the term ‘tax-exempt employer’ means any em-  
22 ployer who is exempt from tax under this subtitle. Such  
23 term shall not include the Federal Government, any State  
24 or local government or political subdivision thereof, or any  
25 agency or instrumentality of any of the foregoing.

26 “(e) OTHER DEFINITIONS AND SPECIAL RULES.—

1           “(1) DEFINITIONS.—Terms used in this section  
2           which are also used in section 1394 shall have the  
3           respective meanings given such terms in section  
4           1394.

5           “(2) SPECIAL RULES.—Rules similar to the  
6           rules of section 1394(d) shall apply for purposes of  
7           this section.

8   **“SEC. 1395. OTHER DEFINITIONS AND SPECIAL RULES.**

9           “(a) WAGES.—For purposes of this subpart, the term  
10          ‘wages’ has the same meaning as when used in section  
11          51.

12          “(b) CONTROLLED GROUPS.—For purposes of this  
13          subpart—

14                 “(1) all employers treated as a single employer  
15                 under subsection (a) or (b) of section 52 shall be  
16                 treated as a single employer for purposes of this  
17                 subpart, and

18                 “(2) the credit (if any) determined under sec-  
19                 tion 1394 with respect to each such employer shall  
20                 be its proportionate share of the wages giving rise  
21                 to such credit.

22          “(c) CERTAIN OTHER RULES MADE APPLICABLE.—  
23          For purposes of this subpart, rules similar to the rules  
24          of section 51(k) and subsections (c), (d), and (e) of section  
25          52 shall apply.

1       “(d) NOTICE OF AVAILABILITY OF ADVANCE PAY-  
 2 MENT OF EARNED INCOME CREDIT.—Each employer  
 3 shall take reasonable steps to notify all qualified zone em-  
 4 ployees of the availability to eligible individuals of receiv-  
 5 ing advanced payments of the credit under section 32 (re-  
 6 lating to the earned income credit).

7                   **“Subpart B—Investment Incentives**

      “Sec. 1396. Deduction for purchase of enterprise zone stock.

      “Sec. 1397. Nonrecognition of gain from new zone investments.

      “Sec. 1397A. Other incentives.

      “Sec. 1397B. Enterprise zone business defined.

      “Sec. 1397C. Other definitions.

8       **“SEC. 1396. DEDUCTION FOR PURCHASE OF ENTERPRISE**  
 9                   **ZONE STOCK.**

10       “(a) GENERAL RULE.—In the case of an individual,  
 11 there shall be allowed as a deduction an amount equal to  
 12 50 percent of the aggregate amount paid in cash by the  
 13 taxpayer during the taxable year for the purchase of enter-  
 14 prise zone stock.

15       “(b) LIMITATION.—

16               “(1) IN GENERAL.—The maximum amount al-  
 17 lowed as a deduction under subsection (a) to a tax-  
 18 payer for the taxable year shall not exceed the lesser  
 19 of—

20                   “(A) \$25,000, or

21                   “(B) the excess of \$250,000 over the  
 22 amount allowed as a deduction under this sec-  
 23 tion to the taxpayer for all prior taxable years.

1           “(2) EXCESS AMOUNTS.—If the amount other-  
2           wise deductible by any person under subsection (a)  
3           exceeds the limitation under paragraph (1)(A)—

4                   “(A) the amount of such excess shall be  
5                   treated as an amount paid to which subsection  
6                   (a) applies during the next taxable year, and

7                   “(B) the deduction allowed for any taxable  
8                   year shall be allocated proportionately among  
9                   the enterprise zone stock purchased by such  
10                  person on the basis of the respective purchase  
11                  prices per share.

12           “(3) AGGREGATION WITH FAMILY MEMBERS.—

13           The taxpayer and members of the taxpayer’s family  
14           shall be treated as one person for purposes of para-  
15           graph (1), and the limitations contained in such  
16           paragraph shall be allocated among the taxpayer and  
17           such members in accordance with their respective  
18           purchases of enterprise zone stock. For purposes of  
19           this paragraph, an individual’s family includes only  
20           such individual’s spouse and minor children.

21           “(c) ENTERPRISE ZONE STOCK.—For purposes of  
22           this section—

23                   “(1) IN GENERAL.—The term ‘enterprise zone  
24                   stock’ means stock of a corporation if—

1           “(A) such stock is acquired on original  
2 issue from the corporation, and

3           “(B) such corporation is, at the time of  
4 issue, a qualified enterprise zone issuer.

5           “(2) PROCEEDS MUST BE INVESTED IN QUALI-  
6 FIED ENTERPRISE ZONE PROPERTY.—

7           “(A) IN GENERAL.—Such term shall in-  
8 clude such stock only to the extent that the pro-  
9 ceeds of such issuance are used by such issuer  
10 during the 12-month period beginning on the  
11 date of issuance to purchase (as defined in sec-  
12 tion 179(d)(2)) qualified enterprise zone prop-  
13 erty.

14           “(B) QUALIFIED ENTERPRISE ZONE PROP-  
15 erty.—For purposes of this section, the term  
16 ‘qualified enterprise zone property’ means prop-  
17 erty to which section 168 applies—

18           “(i) the original use of which in a tax  
19 enterprise zone commences with the issuer,  
20 and

21           “(ii) substantially all of the use of  
22 which is in a tax enterprise zone.

23           “(3) REDEMPTIONS.—The term ‘enterprise  
24 zone stock’ shall not include any stock acquired from  
25 a corporation which made a substantial stock re-

1 demption or distribution (without a bona fide busi-  
2 ness purpose therefor) in an attempt to avoid the  
3 purposes of this section.

4 “(d) QUALIFIED ENTERPRISE ZONE ISSUER.—For  
5 purposes of this section, the term ‘qualified enterprise  
6 zone issuer’ means any domestic C corporation if—

7 “(1) such corporation is an enterprise zone  
8 business or, in the case of a new corporation, such  
9 corporation is being organized for purposes of being  
10 an enterprise zone business,

11 “(2) such corporation does not have more than  
12 one class of stock,

13 “(3) the sum of—

14 “(A) the money,

15 “(B) the aggregate unadjusted bases of  
16 property owned by such corporation, and

17 “(C) the value of property leased to the  
18 corporation (as determined under regulations  
19 prescribed by the Secretary),

20 does not exceed \$5,000,000, and

21 “(4) more than 20 percent of the total voting  
22 power, and 20 percent of the total value, of the  
23 stock of such corporation is owned directly by indi-  
24 viduals or estates or indirectly by individuals  
25 through partnerships or trusts.

1 The determination under paragraph (3) shall be made as  
2 of the time of issuance of the stock in question but shall  
3 include amounts received for such stock.

4 “(e) DISPOSITIONS OF STOCK.—

5 “(1) BASIS REDUCTION.—For purposes of this  
6 title, the basis of any enterprise zone stock shall be  
7 reduced by the amount of the deduction allowed  
8 under this section with respect to such stock.

9 “(2) DEDUCTION RECAPTURED AS ORDINARY  
10 INCOME.—For purposes of section 1245—

11 “(A) any stock the basis of which is re-  
12 duced under paragraph (1) (and any other  
13 property the basis of which is determined in  
14 whole or in part by reference to the adjusted  
15 basis of such stock) shall be treated as section  
16 1245 property, and

17 “(B) any reduction under paragraph (1)  
18 shall be treated as a deduction allowed for de-  
19 preciation.

20 If an exchange of any stock described in paragraph  
21 (1) qualifies under section 354(a), 355(a), or  
22 356(a), the amount of gain recognized under section  
23 1245 by reason of this paragraph shall not exceed  
24 the amount of gain recognized in the exchange (de-  
25 termined without regard to this paragraph).

1           “(3) CERTAIN EVENTS TREATED AS DISPOSI-  
2           TIONS.—For purposes of determining the amount  
3           treated as ordinary income under section 1245 by  
4           reason of paragraph (2), paragraph (3) of section  
5           1245(b) (relating to certain tax-free transactions)  
6           shall not apply.

7           “(4) INTEREST CHARGED IF DISPOSITION  
8           WITHIN 5 YEARS OF PURCHASE.—

9           “(A) IN GENERAL.—If—

10           “(i) a taxpayer disposes of any enter-  
11           prise zone stock with respect to which a  
12           deduction was allowed under subsection (a)  
13           (or any other property the basis of which  
14           is determined in whole or in part by ref-  
15           erence to the adjusted basis of such stock)  
16           before the end of the 5-year period begin-  
17           ning on the date such stock was purchased  
18           by the taxpayer, and

19           “(ii) section 1245(a) applies to such  
20           disposition by reason of paragraph (2),  
21           then the tax imposed by this chapter for the  
22           taxable year in which such disposition occurs  
23           shall be increased by the amount determined  
24           under subparagraph (B).

1           “(B) ADDITIONAL AMOUNT.—For purposes  
2 of subparagraph (A), the additional amount  
3 shall be equal to the amount of interest (deter-  
4 mined at the rate applicable under section  
5 6621(a)(2)) that would accrue—

6           “(i) during the period beginning on  
7 the date the stock was purchased by the  
8 taxpayer and ending on the date of such  
9 disposition by the taxpayer,

10           “(ii) on an amount equal to the aggre-  
11 gate decrease in tax of the taxpayer result-  
12 ing from the deduction allowed under this  
13 subsection (a) with respect to such stock.

14           “(C) SPECIAL RULE.—Any increase in tax  
15 under subparagraph (A) shall not be treated as  
16 a tax imposed by this chapter for purposes of—

17           “(i) determining the amount of any  
18 credit allowable under this chapter, and

19           “(ii) determining the amount of the  
20 tax imposed by section 55.

21           “(f) DISQUALIFICATION.—

22           “(1) ISSUER CEASES TO QUALIFY.—If, during  
23 the 10-year period beginning on the date enterprise  
24 zone stock was purchased by the taxpayer, the issuer  
25 of such stock ceases to be a qualified enterprise zone

1 issuer (determined without regard to subsection  
2 (d)(3)), then notwithstanding any provision of this  
3 subtitle other than paragraph (2), the taxpayer shall  
4 be treated for purposes of subsection (e) as dispos-  
5 ing of such stock (and any other property the basis  
6 of which is determined in whole or in part by ref-  
7 erence to the adjusted basis of such stock) during  
8 the taxable year during which such cessation occurs  
9 at its fair market value as of the 1st day of such  
10 taxable year.

11 “(2) CESSATION OF ENTERPRISE ZONE STATUS  
12 NOT TO CAUSE RECAPTURE.—A corporation shall  
13 not fail to be treated as a qualified enterprise zone  
14 issuer for purposes of paragraph (1) solely by reason  
15 of the termination or revocation of a tax enterprise  
16 zone designation.

17 “(g) OTHER SPECIAL RULES.—

18 “(1) APPLICATION OF LIMITS TO PARTNER-  
19 SHIPS AND S CORPORATIONS.—In the case of a part-  
20 nership or an S corporation, the limitations under  
21 subsection (b) shall apply at the partner and share-  
22 holder level and shall not apply at the partnership  
23 or corporation level.

1           “(2) DEDUCTION NOT ALLOWED TO ESTATES  
2           AND TRUSTS.—Estates and trusts shall not be treat-  
3           ed as individuals for purposes of this section.

4   **“SEC. 1397. NONRECOGNITION OF GAIN FROM NEW ZONE**  
5                                   **INVESTMENTS.**

6           “(a) GENERAL RULE.—At the election of an individ-  
7           ual, qualified capital gain (as defined in section 1397C)  
8           from the sale or exchange of a qualified zone asset shall  
9           be recognized only to the extent that—

10           “(1) the amount realized from such sale or ex-  
11           change, exceeds

12           “(2) the cost (not heretofore taken into account  
13           under this subsection) of any qualified zone asset  
14           purchased directly by the taxpayer during the rein-  
15           vestment period.

16           “(b) QUALIFIED ZONE ASSET.—For purposes of this  
17           section—

18           “(1) IN GENERAL.—The term ‘qualified zone  
19           asset’ has the meaning given such term by section  
20           1397C.

21           “(2) TIME FOR TESTING.—

22           “(A) SALES.—In the case of a sale or ex-  
23           change of property, the determination of wheth-  
24           er such property is a qualified zone asset shall  
25           be made as of the time of the sale or exchange.

1           “(B) PURCHASES.—In the case of a pur-  
2           chase of property, the determination of whether  
3           such property is a qualified zone asset shall be  
4           made as of the time of such purchase.

5           “(c) OTHER DEFINITIONS.—For purposes of this  
6 section—

7           “(1) REINVESTMENT PERIOD.—The term ‘rein-  
8           vestment period’ means, with respect to any sale or  
9           exchange, the 6-month period beginning on the date  
10          of such sale or exchange.

11          “(2) PURCHASE.—The term ‘purchase’ has the  
12          meaning given to such term by section 179(d)(2).

13          “(d) BUSINESS OR PROPERTY CEASES TO QUAL-  
14 IFY.—

15          “(1) IN GENERAL.—If, during the 10-year pe-  
16          riod beginning on the date any qualified zone re-  
17          placement asset was purchased by the taxpayer,  
18          such asset ceases to be a qualified zone asset, not-  
19          withstanding any provision of this subtitle other  
20          than paragraph (3), the taxpayer shall be treated as  
21          disposing of such asset during the taxable year dur-  
22          ing which such cessation occurs at its fair market  
23          value as of the 1st day of such taxable year.

24          “(2) LIMITATION ON GAIN RECOGNIZED.—The  
25          amount of gain recognized pursuant to paragraph

1 (1) with respect to any asset shall not exceed the  
2 lesser of—

3 “(A) the amount of gain which was not  
4 recognized under subsection (a) by the reason  
5 of the purchase of such asset, or

6 “(B) the excess of the fair market value  
7 referred to in paragraph (1) over the adjusted  
8 basis of such asset.

9 “(3) CESSATION OF ENTERPRISE ZONE STATUS  
10 NOT TO CAUSE RECAPTURE.—An asset shall not fail  
11 to be treated as a qualified zone asset for purposes  
12 of paragraph (1) solely by reason of the termination  
13 of a tax enterprise zone designation.

14 “(4) QUALIFIED ZONE REPLACEMENT ASSET.—  
15 For purposes of paragraph (1), the term ‘qualified  
16 zone replacement asset’ means any qualified zone  
17 asset the purchase of which resulted in the non-  
18 recognition of gain under subsection (a) with respect  
19 to any other property.

20 “(e) BASIS OF QUALIFIED ZONE REPLACEMENT  
21 ASSET.—If gain from the sale or exchange of any property  
22 is not recognized by reason of subsection (a), such gain  
23 shall be applied to reduce (in the order acquired) the basis  
24 of any qualified zone replacement asset (as defined in sub-  
25 section (d)(4)) purchased during the reinvestment period.

1       “(f) COORDINATION WITH INSTALLMENT METHOD  
2 REPORTING.—This section shall not apply to any gain  
3 from any installment sale (as defined in section 453(b))  
4 if section 453(a) applies to such sale.

5       “(g) STATUTE OF LIMITATIONS.—If any gain is real-  
6 ized by the taxpayer on any sale or exchange to which  
7 an election under this section applies, then—

8               “(1) the statutory period for the assessment of  
9 any deficiency with respect to such gain shall not ex-  
10 pire before the expiration of 3 years from the date  
11 the Secretary is notified by the taxpayer (in such  
12 manner as the Secretary may by regulations pre-  
13 scribe) of—

14                       “(A) the taxpayer’s cost of purchasing any  
15 qualified zone replacement asset,

16                       “(B) the taxpayer’s intention not to pur-  
17 chase qualified zone replacement asset within  
18 the reinvestment period, or

19                       “(C) a failure to make such purchase with-  
20 in the reinvestment period, and

21               “(2) such deficiency may be assessed before the  
22 expiration of such 3-year period notwithstanding the  
23 provisions of any law or rule of law which would oth-  
24 erwise prevent such assessment.

1       “(h) CERTAIN BUSINESSES TREATED AS NOT  
2 QUALIFIED BUSINESSES.—For purposes of this section,  
3 the term ‘enterprise zone business’ has the meaning given  
4 such term by section 1397B except that, in applying sec-  
5 tion 1397B for such purposes, the term ‘qualified busi-  
6 ness’ shall not include any trade or business of producing  
7 property of a character subject to the allowance for deple-  
8 tion under section 611.

9       **“SEC. 1397A. ADDITIONAL INCENTIVES.**

10       “(a) INCREASE IN EXPENSING UNDER SECTION  
11 179.—In the case of an enterprise zone business, section  
12 179(b)(1) shall be applied by substituting ‘\$20,000’ for  
13 ‘\$10,000’.

14       “(b) ORDINARY LOSS TREATMENT FOR CERTAIN  
15 PROPERTY.—

16               “(1) IN GENERAL.—Loss on any qualified zone  
17 asset (as defined in section 1397C(b)) held for more  
18 than 2 years (5 years in the case of real property)  
19 shall be treated as an ordinary loss.

20               “(2) REAL PROPERTY.—For purposes of para-  
21 graph (1), the term ‘real property’ means any prop-  
22 erty which is section 1250 property (as defined in  
23 section 1250(c)).

24               “(3) SPECIAL RULES.—

1           “(A) CERTAIN RULES MADE APPLICA-  
2           BLE.—For purposes of this subsection, rules  
3           similar to the following rules shall apply:

4                   “(i) Paragraphs (1), (2), and (3) of  
5                   section 1244(d).

6                   “(ii) Subsections (a)(6), (b)(3), (c),  
7                   (d), and (e) of section 1397C.

8           “(B) COORDINATION WITH SECTION  
9           1231.—Losses treated as ordinary losses by rea-  
10           son of this subsection shall not be taken into  
11           account in applying section 1231.

12           “(c) ADDITIONS TO RESERVES FOR BAD DEBTS  
13           WITH RESPECT TO LOANS TO ENTERPRISE ZONE BUSI-  
14           NESSES.—

15                   “(1) IN GENERAL.—For purposes of section  
16           585(a)—

17                   “(A) the deduction for a reasonable addi-  
18                   tion to a reserve for bad debts shall be com-  
19                   puted separately with respect to qualified enter-  
20                   prise zone loans, and

21                   “(B) section 585(c) shall not apply to the  
22                   deduction computed under this subsection for a  
23                   reasonable addition to a reserve for bad debts  
24                   with respect to qualified enterprise zone loans.

1           “(2) ADDITION TO RESERVE FOR BAD  
2 DEBTS.—For purposes of section 585(a), the reason-  
3 able addition to the reserve for bad debts of any fi-  
4 nancial institution to which section 585 applies  
5 (after the application of paragraph (1)) shall be an  
6 amount determined by the taxpayer which shall not  
7 exceed the addition to the reserve for losses on quali-  
8 fied enterprise zone loans under the percentage  
9 method as provided by paragraph (3).

10           “(3) PERCENTAGE METHOD.—The amount de-  
11 termined under this paragraph for any taxable year  
12 shall be the amount necessary to increase the bal-  
13 ance of the reserve for losses on loans (at the close  
14 of the taxable year) to 10 percent of qualified enter-  
15 prise zone loans outstanding at such time.

16           “(4) BANKS USING EXPERIENCE METHOD.—In  
17 the case of a bank to which section 585(a) applies  
18 (determined without regard to this subsection), the  
19 amount determined under paragraph (3) of this sub-  
20 section for any taxable year shall in no event be less  
21 than the amount determined under section 585(b)  
22 for such taxable year with respect to qualified enter-  
23 prise zone loans.

24           “(5) QUALIFIED ENTERPRISE ZONE LOANS.—  
25 For purposes of this subsection, the term ‘qualified

1 enterprise zone loan’ means any loan made to an en-  
2 terprise zone business for use in the conduct of a  
3 qualified business within a tax enterprise zone.

4 **“SEC. 1397B. ENTERPRISE ZONE BUSINESS DEFINED.**

5 “(a) IN GENERAL.—For purposes of this subpart, the  
6 term ‘enterprise zone business’ means—

7 “(1) any qualified business entity, and

8 “(2) any qualified proprietorship.

9 “(b) QUALIFIED BUSINESS ENTITY.—For purposes  
10 of this section, the term ‘qualified business entity’ means,  
11 with respect to any taxable year, any corporation or part-  
12 nership if for such year—

13 “(1)(A) every trade or business of such entity  
14 is the active conduct of a qualified business within  
15 a tax enterprise zone, and

16 “(B) at least 80 percent of the total gross in-  
17 come of such entity is derived from the active con-  
18 duct of such business,

19 “(2) substantially all of the use of the tangible  
20 property of such entity (whether owned or leased) is  
21 within a tax enterprise zone,

22 “(3) substantially all of the intangible property  
23 of such entity is used in, and exclusively related to,  
24 the active conduct of any such business,

1           “(4) substantially all of the services performed  
2           for such entity by its employees are performed in a  
3           tax enterprise zone,

4           “(5) at least  $\frac{1}{3}$  of its employees are residents  
5           of a tax enterprise zone,

6           “(6) less than 5 percent of the average of the  
7           aggregate unadjusted bases of the property of such  
8           entity is attributable to collectibles (as defined in  
9           section 408(m)(2)) other than collectibles that are  
10          held primarily for sale to customers in the ordinary  
11          course of such business, and

12          “(7) less than 5 percent of the average of the  
13          aggregate unadjusted bases of the property of such  
14          entity is attributable to nonqualified financial prop-  
15          erty.

16          “(c) QUALIFIED PROPRIETORSHIP.—For purposes of  
17          this section, the term ‘qualified proprietorship’ means,  
18          with respect to any taxable year, any qualified business  
19          carried on by an individual as a proprietorship if for such  
20          year—

21                 “(1) at least 80 percent of the total gross in-  
22                 come of such individual from such business is de-  
23                 rived from the active conduct of such business in a  
24                 tax enterprise zone,

1           “(2) substantially all of the use of the tangible  
2 property of such individual in such business (wheth-  
3 er owned or leased) is within a tax enterprise zone,

4           “(3) substantially all of the intangible property  
5 of such business is used in, and exclusively related  
6 to, the active conduct of such business,

7           “(4) substantially all of the services performed  
8 for such individual in such business by employees of  
9 such business are performed in a tax enterprise  
10 zone,

11           “(5) at least  $\frac{1}{3}$  of such employees are residents  
12 of a tax enterprise zone,

13           “(6) less than 5 percent of the average of the  
14 aggregate unadjusted bases of the property of such  
15 individual which is used in such business is attrib-  
16 utable to collectibles (as defined in section  
17 408(m)(2)) other than collectibles that are held pri-  
18 marily for sale to customers in the ordinary course  
19 of such business, and

20           “(7) less than 5 percent of the average of the  
21 aggregate unadjusted bases of the property of such  
22 individual which is used in such business is attrib-  
23 utable to nonqualified financial property.

24 For purposes of this subsection, the term ‘employee’ in-  
25 cludes the proprietor.

1       “(d) QUALIFIED BUSINESS.—For purposes of this  
2 section—

3           “(1) IN GENERAL.—Except as otherwise pro-  
4 vided in this subsection, the term ‘qualified business’  
5 means any trade or business.

6           “(2) RENTAL OF REAL PROPERTY.—The rental  
7 to others of real property located in a tax enterprise  
8 zone shall be treated as a qualified business if and  
9 only if—

10           “(A) in the case of real property which is  
11 not residential rental property (as defined in  
12 section 168(e)(2)), the lessee is an enterprise  
13 zone business, or

14           “(B) in the case of residential rental prop-  
15 erty (as so defined)—

16           “(i) such property was originally  
17 placed in service after the date the tax en-  
18 terprise zone was designated, or

19           “(ii) such property is rehabilitated  
20 after such date in a rehabilitation which  
21 meets requirements based on the principles  
22 of section 42(e)(3).

23           “(3) RENTAL OF TANGIBLE PERSONAL PROP-  
24 erty.—The rental to others of tangible personal  
25 property shall be treated as a qualified business if

1 and only if substantially all of the rental of such  
2 property is by enterprise zone businesses or by resi-  
3 dents of a tax enterprise zone.

4 “(4) TREATMENT OF BUSINESS HOLDING IN-  
5 TANGIBLES.—The term ‘qualified business’ shall not  
6 include any trade or business consisting predomi-  
7 nantly of the development or holding of intangibles  
8 for sale or license.

9 “(5) CERTAIN BUSINESSES EXCLUDED.—The  
10 term ‘qualified business’ shall not include—

11 “(A) any trade or business consisting of  
12 the operation of any facility described in section  
13 144(c)(6)(B), and

14 “(B) any trade or business the principal  
15 activity of which is farming (within the meaning  
16 of subparagraphs (A) or (B) of section  
17 2032A(e)(5)), but only if, as of the close of the  
18 preceding taxable year, the sum of—

19 “(i) the aggregate unadjusted bases  
20 (or, if greater, the fair market value) of  
21 the assets owned by the taxpayer which are  
22 used in such a trade or business, and

23 “(ii) the aggregate value of assets  
24 leased by the taxpayer which are used in  
25 such a trade or business,

1 exceeds \$500,000.

2 For purposes of subparagraph (B), rules similar to  
3 the rules of section 1395(b) shall apply.

4 “(e) NONQUALIFIED FINANCIAL PROPERTY.—For  
5 purposes of this section, the term ‘nonqualified financial  
6 property’ means debt, stock, partnership interests, op-  
7 tions, futures contracts, forward contracts, warrants, no-  
8 tional principal contracts, annuities, and other similar  
9 property specified in regulations; except that such term  
10 shall not include—

11 “(1) reasonable amounts of working capital  
12 held in cash, cash equivalents, or debt instruments  
13 with a term of 18 months or less, or

14 “(2) debt instruments described in section  
15 1221(4).

16 **“SEC. 1397C. OTHER DEFINITIONS.**

17 “(a) QUALIFIED ZONE ASSET.—For purposes of this  
18 subpart—

19 “(1) IN GENERAL.—The term ‘qualified zone  
20 asset’ means—

21 “(A) any qualified zone stock,

22 “(B) any qualified zone business property,

23 and

24 “(C) any qualified zone partnership inter-

25 est.

1 “(2) QUALIFIED ZONE STOCK.—

2 “(A) IN GENERAL.—Except as provided in  
3 subparagraph (B), the term ‘qualified zone  
4 stock’ means any stock in a domestic corpora-  
5 tion if—

6 “(i) such stock is acquired by the tax-  
7 payer on original issue from the corpora-  
8 tion solely in exchange for cash,

9 “(ii) as of the time such stock was is-  
10 sued, such corporation was an enterprise  
11 zone business (or, in the case of a new cor-  
12 poration, such corporation was being orga-  
13 nized for purposes of being an enterprise  
14 zone business), and

15 “(iii) during substantially all of the  
16 taxpayer’s holding period for such stock,  
17 such corporation qualified as an enterprise  
18 zone business.

19 “(B) EXCLUSION OF STOCK FOR WHICH  
20 DEDUCTION UNDER SECTION 1396 ALLOWED.—  
21 The term ‘qualified zone stock’ shall not include  
22 any stock the basis of which is reduced under  
23 section 1396(e)(1).

24 “(C) REDEMPTIONS.—The term ‘qualified  
25 zone stock’ shall not include any stock acquired

1 from a corporation which made a substantial  
2 stock redemption or distribution (without a  
3 bona fide business purpose therefor) in an at-  
4 tempt to avoid the purposes of this section.

5 “(3) QUALIFIED ZONE BUSINESS PROPERTY.—

6 “(A) IN GENERAL.—The term ‘qualified  
7 zone business property’ means tangible property  
8 if—

9 “(i) such property was acquired by  
10 the taxpayer by purchase (as defined in  
11 section 179(d)(2)) after the date on which  
12 the designation of the tax enterprise zone  
13 took effect,

14 “(ii) the original use of such property  
15 in a tax enterprise zone commences with  
16 the taxpayer, and

17 “(iii) during substantially all of the  
18 taxpayer’s holding period for such prop-  
19 erty, substantially all of the use of such  
20 property was in a tax enterprise zone and  
21 in an enterprise zone business of the tax-  
22 payer.

23 “(B) SPECIAL RULE FOR SUBSTANTIAL IM-  
24 PROVEMENTS.—The requirements of clauses (i)

1 and (ii) of subparagraph (A) shall be treated as  
2 satisfied with respect to—

3 “(i) property which is substantially  
4 improved by the taxpayer, and

5 “(ii) any land on which such property  
6 is located.

7 For purposes of the preceding sentence, prop-  
8 erty shall be treated as substantially improved  
9 by the taxpayer if, during any 24-month period  
10 beginning after the date on which the designa-  
11 tion of the tax enterprise zone took effect, addi-  
12 tions to basis with respect to such property in  
13 the hands of the taxpayer exceed the greater of  
14 (i) an amount equal to the adjusted basis at the  
15 beginning of such 24-month period in the hands  
16 of the taxpayer, or (ii) \$5,000.

17 “(C) LIMITATION ON LAND.—The term  
18 ‘qualified zone business property’ shall not in-  
19 clude land which is not an integral part of a  
20 qualified business (as defined in section  
21 1397B(c)).

22 “(4) QUALIFIED ZONE PARTNERSHIP INTER-  
23 EST.—The term ‘qualified zone partnership interest’  
24 means any interest in a partnership if—

1           “(A) such interest is acquired by the tax-  
2           payer from the partnership solely in exchange  
3           for cash,

4           “(B) as of the time such interest was ac-  
5           quired, such partnership was an enterprise zone  
6           business (or, in the case of a new partnership,  
7           such partnership was being organized for pur-  
8           poses of being an enterprise zone business), and

9           “(C) during substantially all of the tax-  
10          payer’s holding period for such interest, such  
11          partnership qualified as an enterprise zone  
12          business.

13          A rule similar to the rule of paragraph (2)(C) shall  
14          apply for purposes of this paragraph.

15          “(5) TREATMENT OF SUBSEQUENT PUR-  
16          CHASERS.—The term ‘qualified zone asset’ includes  
17          any property which would be a qualified zone asset  
18          but for paragraph (2)(A)(i), (3)(A)(ii), or (4)(A) in  
19          the hands of the taxpayer if such property was a  
20          qualified zone asset in the hands of any prior holder.

21          “(6) 10-YEAR SAFE HARBOR.—If any property  
22          ceases to be a qualified zone asset by reason of para-  
23          graph (2)(A)(iii), (3)(A)(iii), or (4)(C) after the 10-  
24          year period beginning on the date the taxpayer ac-  
25          quired such property, such property shall continue to

1 be treated as meeting the requirements of such  
2 paragraph; except that the amount of gain which is  
3 qualified capital gain on any sale or exchange of  
4 such property shall not exceed the amount which  
5 would be qualified capital gain had such property  
6 been sold on the date of such cessation.

7 “(7) TREATMENT OF ZONE TERMINATIONS.—  
8 The termination of any designation of an area as a  
9 tax enterprise zone shall be disregarded for purposes  
10 of determining whether any property is a qualified  
11 zone asset.

12 “(b) OTHER DEFINITIONS AND SPECIAL RULES.—  
13 For purposes of this section—

14 “(1) QUALIFIED CAPITAL GAIN.—Except as  
15 otherwise provided in this subsection, the term  
16 ‘qualified capital gain’ means any long-term capital  
17 gain.

18 “(2) CERTAIN GAIN ON REAL PROPERTY NOT  
19 QUALIFIED.—The term ‘qualified capital gain’ shall  
20 not include any gain which would be treated as ordi-  
21 nary income under section 1250 if section 1250 ap-  
22 plied to all depreciation rather than the additional  
23 depreciation.

24 “(3) GAIN ATTRIBUTABLE TO PERIODS AFTER  
25 TERMINATION OF ZONE DESIGNATION NOT QUALI-

1 FIED.—The term ‘qualified capital gain’ shall not in-  
2 clude any gain attributable to periods after the ter-  
3 mination of any designation of an area as a tax en-  
4 terprise zone.

5 “(c) TREATMENT OF PASS-THRU ENTITIES.—

6 “(1) SALES AND EXCHANGES.—Gain on the  
7 sale or exchange of an interest in a pass-thru entity  
8 held by the taxpayer (other than an interest in an  
9 entity which was an enterprise zone business during  
10 substantially all of the period the taxpayer held such  
11 interest) for more than 5 years shall be treated as  
12 qualified capital gain to the extent such gain is at-  
13 tributable to amounts which would be qualified cap-  
14 ital gain on qualified zone assets (determined as if  
15 such assets had been sold on the date of the sale or  
16 exchange) held by such entity for more than 5 years  
17 and throughout the period the taxpayer held such in-  
18 terest. A rule similar to the rule of paragraph (2)(C)  
19 shall apply for purposes of the preceding sentence.

20 “(2) INCOME INCLUSIONS.—

21 “(A) IN GENERAL.—Any amount included  
22 in income by reason of holding an interest in a  
23 pass-thru entity (other than an entity which  
24 was an enterprise zone business during substan-  
25 tially all of the period the taxpayer held the in-

1           terest to which such inclusion relates) shall be  
2           treated as qualified capital gain if such amount  
3           meets the requirements of subparagraph (B).

4           “(B) REQUIREMENTS.—An amount meets  
5           the requirements of this subparagraph if—

6                   “(i) such amount is attributable to  
7                   qualified capital gain recognized on the  
8                   sale or exchange by the pass-thru entity of  
9                   property which is a qualified zone asset in  
10                  the hands of such entity and which was  
11                  held by such entity for the period required  
12                  under subsection (a), and

13                   “(ii) such amount is includible in the  
14                   gross income of the taxpayer by reason of  
15                   the holding of an interest in such entity  
16                   which was held by the taxpayer on the date  
17                   on which such pass-thru entity acquired  
18                   such asset and at all times thereafter be-  
19                   fore the disposition of such asset by such  
20                   pass-thru entity.

21           “(C) LIMITATION BASED ON INTEREST  
22           ORIGINALLY HELD BY TAXPAYER.—Subpara-  
23           graph (A) shall not apply to any amount to the  
24           extent such amount exceeds the amount to  
25           which subparagraph (A) would have applied if

1 such amount were determined by reference to  
2 the interest the taxpayer held in the pass-thru  
3 entity on the date the qualified zone asset was  
4 acquired.

5 “(3) PASS-THRU ENTITY.—For purposes of this  
6 subsection, the term ‘pass-thru entity’ means—

7 “(A) any partnership,

8 “(B) any S corporation,

9 “(C) any regulated investment company,

10 and

11 “(D) any common trust fund.

12 “(d) SALES AND EXCHANGES OF INTERESTS IN  
13 PARTNERSHIPS AND S CORPORATIONS WHICH ARE  
14 QUALIFIED ZONE BUSINESSES.—In the case of the sale  
15 or exchange of an interest in a partnership, or of stock  
16 in an S corporation, which was an enterprise zone business  
17 during substantially all of the period the taxpayer held  
18 such interest or stock, the amount of qualified capital gain  
19 shall be determined without regard to—

20 “(1) any intangible, and any land, which is not  
21 an integral part of any qualified business (as defined  
22 in section 1397B(b)), and

23 “(2) gain attributable to periods before the des-  
24 ignation of an area as a tax enterprise zone.

1       “(e) CERTAIN TAX-FREE AND OTHER TRANS-  
2       FERS.—For purposes of this section—

3               “(1) IN GENERAL.—In the case of a transfer of  
4       a qualified zone asset to which this subsection ap-  
5       plies, the transferee shall be treated as—

6                       “(A) having acquired such asset in the  
7       same manner as the transferor, and

8                       “(B) having held such asset during any  
9       continuous period immediately preceding the  
10      transfer during which it was held (or treated as  
11      held under this subsection) by the transferor.

12               “(2) TRANSFERS TO WHICH SUBSECTION AP-  
13      PLIES.—This subsection shall apply to any trans-  
14      fer—

15                       “(A) by gift,

16                       “(B) at death, or

17                       “(C) from a partnership to a partner  
18      thereof of a qualified zone asset with respect to  
19      which the requirements of subsection (d)(2) are  
20      met at the time of the transfer (without regard  
21      to the 5-year holding requirement).

22               “(3) CERTAIN RULES MADE APPLICABLE.—  
23      Rules similar to the rules of section 1244(d)(2) shall  
24      apply for purposes of this section.

1                                   **“Subpart C—Regulations**

                                  “Sec. 1397D. Regulations.

2   **“SEC. 1397D. REGULATIONS.**

3           “The Secretary shall prescribe such regulations as  
4 may be necessary or appropriate to carry out the purposes  
5 of this part, including—

6                   “(1) regulations limiting the benefit of this part  
7           in circumstances where such benefits, in combination  
8           with benefits provided under other Federal pro-  
9           grams, would result in an activity being 100 percent  
10          or more subsidized by the Federal Government,

11                   “(2) regulations preventing abuse of the provi-  
12          sions of this part, and

13                   “(3) regulations dealing with inadvertent fail-  
14          ures of entities to be qualified zone businesses.”

15          (b) CLERICAL AMENDMENT.—The table of sub-  
16 chapters for chapter 1 is amended by inserting after the  
17 item relating to subchapter T the following new item:

                                  “Subchapter U. Designation and treatment of tax enterprise  
                                  zones.”

18   **SEC. 103. TECHNICAL AND CONFORMING AMENDMENTS.**

19          (a) ENTERPRISE ZONE EMPLOYMENT CREDIT PART  
20 OF GENERAL BUSINESS CREDIT.—

21                   (1) Subsection (b) of section 38 (relating to  
22           current year business credit) is amended by striking  
23           “plus” at the end of paragraph (7), by striking the

1 period at the end of paragraph (8) and inserting “,  
2 plus”, and by adding at the end the following new  
3 paragraph:

4 “(9) the enterprise zone employment credit de-  
5 termined under section 1394(a).”

6 (2) Subsection (d) of section 39 is amended by  
7 adding at the end thereof the following new para-  
8 graph:

9 “(4) NO CARRYBACK OF SECTION 1394 CREDIT  
10 BEFORE ENACTMENT.—No portion of the unused  
11 business credit for any taxable year which is attrib-  
12 utable to the enterprise zone employment credit de-  
13 termined under section 1394 may be carried to a  
14 taxable year ending before the date of the enactment  
15 of section 1394.”

16 (b) NONITEMIZERS ALLOWED DEDUCTION FOR EN-  
17 TERPRISE ZONE STOCK.—Subsection (a) of section 62 is  
18 amended by adding at the end thereof the following new  
19 paragraph:

20 “(15) ENTERPRISE ZONE STOCK.—The deduc-  
21 tion allowed by section 1396.”

22 (c) DENIAL OF DEDUCTION FOR PORTION OF WAGES  
23 EQUAL TO ENTERPRISE ZONE EMPLOYMENT CREDIT.—

24 (1) Subsection (a) of section 280C (relating to  
25 rule for targeted jobs credit) is amended—

1 (A) by striking “the amount of the credit  
2 determined for the taxable year under section  
3 51(a)” and inserting “the sum of the credits  
4 determined for the taxable year under sections  
5 51(a) and 1394(a)”, and

6 (B) by striking “TARGETED JOBS CRED-  
7 IT” in the subsection heading and inserting  
8 “EMPLOYMENT CREDITS”.

9 (2) Subsection (c) of section 196 (relating to  
10 deduction for certain unused business credits) is  
11 amended by striking “and” at the end of paragraph  
12 (4), by striking the period at the end of paragraph  
13 (5) and inserting “, and”, and by adding at the end  
14 the following new paragraph:

15 “(6) the enterprise zone employment credit de-  
16 termined under section 1394(a).”

17 (d) OTHER AMENDMENTS.—

18 (1) Subsection (c) of section 381 (relating to  
19 carryovers in certain corporate acquisitions) is  
20 amended by adding at the end the following new  
21 paragraph:

22 “(26) ENTERPRISE ZONE PROVISIONS.—The  
23 acquiring corporation shall take into account (to the  
24 extent proper to carry out the purposes of this sec-  
25 tion and subchapter U, and under such regulations

1 as may be prescribed by the Secretary) the items re-  
2 quired to be taken into account for purposes of sub-  
3 chapter U in respect of the distributor or transferor  
4 corporation.”

5 (2) Paragraph (1) of section 1371(d) (relating  
6 to coordination with investment credit recapture) is  
7 amended by inserting before the period at the end  
8 the following “and for purposes of section  
9 1394(d)(3)”.

10 (3) Subsection (a) of section 1016 (relating to  
11 adjustments to basis) is amended by striking “and”  
12 at the end of paragraph (25), by striking the period  
13 at the end of paragraph (26) and inserting a semi-  
14 colon, and by adding at the end thereof the following  
15 new paragraphs:

16 “(27) in the case of stock with respect to which  
17 a deduction was allowed under section 1396(a), to  
18 the extent provided in section 1396(e); and

19 “(28) in the case of property the acquisition of  
20 which resulted under section 1397A in the non-  
21 recognition of any part of the gain realized on the  
22 sale or exchange of other property, to the extent pro-  
23 vided in section 1397A(e).”

24 (4) Section 1223 (relating to holding period of  
25 property) is amended by redesignating paragraph

1 (15) as paragraph (16) and by inserting after para-  
2 graph (14) the following new paragraph:

3 “(15) In determining the period for which the  
4 taxpayer has held property the acquisition of which  
5 resulted under section 1397A in the nonrecognition  
6 of any part of the gain realized on the sale or ex-  
7 change of any qualified zone asset (as defined in sec-  
8 tion 1397C(b)), there shall be included the period  
9 for which such asset had been held as of the date  
10 of such sale or exchange.”

11 **SEC. 104. EFFECTIVE DATE.**

12 (a) GENERAL RULE.—The amendments made by this  
13 subtitle shall take effect on the date of the enactment of  
14 this Act.

15 (b) REQUIREMENT FOR RULES.—Not later than the  
16 date 4 months after the date of the enactment of this Act,  
17 the appropriate Secretaries shall issue rules—

18 (1) establishing the procedures for nominating  
19 areas for designation as tax enterprise zones,

20 (2) establishing a method for comparing the  
21 factors listed in section 1392(d) of the Internal Rev-  
22 enue Code of 1986 (as added by this subtitle), and

23 (3) providing that State and local governments  
24 shall have at least 30 days after such rules are pub-  
25 lished to file applications for nominated areas before

1 such applications are evaluated and compared and  
2 any area designated as a tax enterprise zone.

3 **Subtitle B—Redevelopment Bonds**  
4 **for Tax Enterprise Zones**

5 **SEC. 111. SPECIAL RULES FOR REDEVELOPMENT BONDS**  
6 **PROVIDING FINANCING FOR TAX ENTER-**  
7 **PRISE ZONES.**

8 (a) IN GENERAL.—Subsection (c) of section 144 (re-  
9 lating to qualified redevelopment bonds) is amended by  
10 adding at the end thereof the following new paragraph:

11 “(9) SPECIAL RULES FOR TAX ENTERPRISE  
12 ZONES.—For purposes of this subsection, in the case  
13 of bonds issued during the 60-month period begin-  
14 ning on the date a tax enterprise zone is des-  
15 ignated—

16 “(A) TREATMENT AS A DESIGNATED  
17 BLIGHTED AREA.—Such tax enterprise zone  
18 shall be treated as a designated blighted area  
19 during such 60-month period (or, if shorter, the  
20 period such designation is in effect). Any area  
21 designated by reason of the preceding sentence  
22 shall not be taken into account in applying  
23 paragraph (4)(C).

24 “(B) SECURITY FOR BONDS.—The require-  
25 ments of paragraph (2)(B) shall be treated as

1 met with respect to a financed area that is  
2 within a tax enterprise zone if the general pur-  
3 pose governmental unit guarantees the payment  
4 of principal and interest on the issue either di-  
5 rectly or through insurance, a letter of credit,  
6 or a similar agreement but only if the cost  
7 thereof is financed other than with proceeds of  
8 any tax-exempt private activity bond or earn-  
9 ings on such proceeds.

10 “(C) EXPANSION OF REDEVELOPMENT  
11 PURPOSES.—

12 “(i) IN GENERAL.—The term ‘redevel-  
13 opment purposes’ includes the making of  
14 loans to any enterprise zone business (as  
15 defined in section 1397B) for—

16 “(I) the acquisition of land with-  
17 in the tax enterprise zone for use in  
18 such business, or

19 “(II) the acquisition, construc-  
20 tion, reconstruction, or improvement  
21 by such business of land, or property  
22 of a character subject to the allowance  
23 for depreciation, for use in such busi-  
24 ness.

1           “(ii) \$5,000,000 LIMITATION.—Clause  
2           (i) shall apply to loans made to any enter-  
3           prise zone business only if the aggregate  
4           principal amount of such loans (whether or  
5           not financed by the same issue) does not  
6           exceed \$5,000,000. For purposes of the  
7           preceding sentence, all persons treated as a  
8           single employer under subsection (a) or (b)  
9           of section 52 shall be treated as 1 person.

10           “(iii) LOANS MUST BE MADE WITHIN  
11           18 MONTHS AFTER BONDS ISSUED; REPAY-  
12           MENTS MUST BE USED FOR REDEMP-  
13           TIONS.—Clause (i) shall apply only to  
14           loans—

15           “(I) made during the 18-month  
16           period beginning on the date of issu-  
17           ance of the issue financing such loan,

18           “(II) repayments of principal on  
19           which are used not later than the  
20           close of the 1st semiannual period be-  
21           ginning after the date the repayment  
22           is received to redeem bonds which are  
23           part of such issue, and

24           “(III) the effective rate of inter-  
25           est on which does not exceed the yield

1           on the issue by more than 0.125 per-  
2           centage points.

3           In determining the effective rate of interest  
4           for purposes of subclause (III), there shall  
5           be taken into account all fees, charges, and  
6           other amounts (other than amounts for  
7           any credit report) borne by the borrower  
8           which are attributable to the loan or the  
9           bond issue.

10           “(iv) HOUSING LOANS EXCLUDED.—  
11           Clause (i) shall not apply to any loan to be  
12           used directly or indirectly to provide resi-  
13           dential real property.

14           “(v) COORDINATION WITH RESTRIC-  
15           TIONS ON USE OF PROCEEDS.—Paragraphs  
16           (6) and (8) shall apply notwithstanding  
17           clause (i); except that in applying para-  
18           graph (6), subsection (a)(8) shall be treat-  
19           ed as not including a reference to a facility  
20           the primary purpose of which is retail food  
21           services.

22           “(D) ISSUER TO DESIGNATE AMOUNT OF  
23           ISSUE TO BE USED FOR LOANS.—Subparagraph  
24           (C) shall not apply with respect to any issue  
25           unless the issuer designates before the date of

1           issuance the amount of the proceeds of such  
2           issue which is to be used for loans to which  
3           subparagraph (C)(i) applies. If such amount ex-  
4           ceeds the principal amount of loans to which  
5           subparagraph (C)(i) applies, an amount of pro-  
6           ceeds equal to such excess shall be used not  
7           later than the close of the 1st semiannual pe-  
8           riod beginning after the close of the 18-month  
9           period referred to in subparagraph (C)(iii) to  
10          redeem bonds which are part of such issue.

11           “(E) DE MINIMIS REDEMPTIONS NOT RE-  
12          QUIRED.—Subparagraphs (C)(iii) and (D) shall  
13          not be construed to require amounts of less  
14          than \$250,000 to be used to redeem bonds. The  
15          Secretary may by regulation treat related issues  
16          as 1 issue for purposes of the preceding sen-  
17          tence.

18           “(F) PENALTY.—

19           “(i) IN GENERAL.—In the case of  
20          property with respect to which financing  
21          was provided under this paragraph, if at  
22          any time during the 10-period beginning  
23          on the date such financing was provided—

1           “(I) such property ceases to be in  
2           use in an enterprise zone business (as  
3           defined in section 1397B), or

4           “(II) substantially all of the use  
5           of such property ceases to be in a tax  
6           enterprise zone,

7           there is hereby imposed on the trade or  
8           business to which such financing was pro-  
9           vided a penalty equal to 1.25 percent of so  
10          much of the face amount of all financing  
11          provided (whether or not from the same  
12          issue and whether or not such issue is out-  
13          standing) before such cessation to the  
14          trade or business using such property.

15          “(ii) NO PENALTY BY REASON OF  
16          ZONE TERMINATION.—No penalty shall be  
17          imposed under clause (i) solely by reason  
18          of the termination or revocation of a tax  
19          enterprise zone designation.

20          “(iii) EXCEPTION FOR BANK-  
21          RUPTCY.—Clause (i) shall not apply to any  
22          cessation resulting from bankruptcy.”

23          (b) VOLUME CAP ONLY CHARGED WITH 50 PER-  
24          CENT OF TAX ENTERPRISE ZONE REDEVELOPMENT  
25          BONDS.—Subsection (g) of section 146 is amended by

1 striking “and” at the end of paragraph (3), by striking  
2 the period at the end of paragraph (4) and inserting  
3 “, and”, and by adding at the end thereof the following  
4 new paragraph:

5 “(5) 50 percent of any qualified redevelopment  
6 bond issued—

7 “(A) as part of an issue 95 percent or  
8 more of the net proceeds of which are to be  
9 used for 1 or more redevelopment purposes (as  
10 defined in section 144(c)) in a tax enterprise  
11 zone, and

12 “(B) during the 60-month period begin-  
13 ning on the date of the designation of such  
14 zone.”

15 (c) PENALTIES FOR LOANS MADE TO BUSINESSES  
16 THAT CEASE TO BE ENTERPRISE ZONE BUSINESSES,  
17 ETC.—Subsection (b) of section 150 is amended by adding  
18 at the end thereof the following new paragraph:

19 “(6) ENTERPRISE ZONE REDEVELOPMENT  
20 BONDS.—In the case of any financing provided by  
21 an issue the interest on which is exempt from tax by  
22 reason of section 144(c)(9)—

23 “(A) IN GENERAL.—No deduction shall be  
24 allowed under this chapter for interest on such  
25 financing which accrues during the period be-

1           ginning on the first day of the calendar year  
2           which includes the date on which—

3                   “(i) the trade or business to which the  
4                   financing was provided ceases to be an en-  
5                   terprise zone business (as defined in sec-  
6                   tion 1397B), or

7                   “(ii) substantially all of the use of the  
8                   property (determined in accordance with  
9                   subchapter U) with respect to which the fi-  
10                  nancing was provided ceases to be in a tax  
11                  enterprise zone.

12           The preceding sentence shall not apply solely by  
13           reason of the termination or revocation of a tax  
14           enterprise zone designation.

15                   “(B) EXCEPTION FOR BANKRUPTCY.—This  
16                   paragraph shall not apply to any cessation re-  
17                   sulting from bankruptcy.”

## 18   **Subtitle C—Expansion of Targeted** 19   **Jobs Credit**

### 20   **SEC. 121. ECONOMICALLY DISADVANTAGED ZONE RESI-** 21                   **DENTS INCLUDED AS MEMBERS OF TAR-** 22                   **GETED GROUP.**

23           (a) ALLOWANCE OF CREDIT FOR HIRING TAX EN-  
24   TERPRISE ZONE RESIDENTS.—Paragraph (1) of section  
25   51(d) (defining members of targeted groups) is amended

1 by striking “or” at the end of subparagraph (I), by strik-  
2 ing the period at the end of subparagraph (J) and insert-  
3 ing “, or”, and by adding at the end the following new  
4 subparagraph:

5 “(K) an economically disadvantaged tax enter-  
6 prise zone resident.”

7 (b) ECONOMICALLY DISADVANTAGED TAX ENTER-  
8 PRISE ZONE RESIDENT.—Section 51(d) is amended by  
9 adding at the end thereof the following new paragraph:

10 “(17) ECONOMICALLY DISADVANTAGED TAX  
11 ENTERPRISE ZONE RESIDENT.—

12 “(A) IN GENERAL.—The term ‘economi-  
13 cally disadvantaged tax enterprise zone resi-  
14 dent’ means an individual—

15 “(i) whose principal place of abode  
16 while performing services for the employer  
17 is within a tax enterprise zone (as defined  
18 in section 1391(a)), and

19 “(ii) who is certified by the designated  
20 local agency as being a member of an eco-  
21 nomically disadvantaged family (as deter-  
22 mined under paragraph (11)).

23 “(B) SPECIAL RULE FOR DETERMINING  
24 AMOUNT OF CREDIT.—For purposes of applying  
25 this subpart to wages paid or incurred to any

1 economically disadvantaged tax enterprise zone  
2 resident, subsection (a) shall be applied by sub-  
3 stituting ‘30 percent’ for ‘40 percent.’”

4 (c) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to individuals who begin work for  
6 the employer after the date of the enactment of this Act.

7 **Subtitle D—Credit for Contribu-**  
8 **tions to Certain Community De-**  
9 **velopment Corporations**

10 **SEC. 131. CREDIT FOR CONTRIBUTIONS TO CERTAIN COM-**  
11 **MUNITY DEVELOPMENT CORPORATIONS.**

12 (a) IN GENERAL.—For purposes of section 38 of the  
13 Internal Revenue Code of 1986, the current year business  
14 credit shall include the credit determined under this sec-  
15 tion.

16 (b) DETERMINATION OF CREDIT.—The credit deter-  
17 mined under this section for each taxable year in the credit  
18 period with respect to any qualified CDC contribution  
19 made by the taxpayer is an amount equal to 5 percent  
20 of such contribution.

21 (c) CREDIT PERIOD.—For purposes of this section,  
22 the credit period with respect to any qualified CDC con-  
23 tribution is the period of 10 taxable years beginning with  
24 the taxable year during which such contribution was made.

1 (d) QUALIFIED CDC CONTRIBUTION.—For purposes  
2 of this section—

3 (1) IN GENERAL.—The term “qualified CDC  
4 contribution” means any transfer of cash—

5 (A) which is made to a selected community  
6 development corporation during the 5-year pe-  
7 riod beginning on the date such corporation was  
8 selected for purposes of this section,

9 (B) the amount of which is available for  
10 use by such corporation for at least 10 years,

11 (C) which is to be used by such corpora-  
12 tion for qualified low-income assistance within  
13 its operational area, and

14 (D) which is designated by such corpora-  
15 tion for purposes of this section.

16 (2) LIMITATIONS ON AMOUNT DESIGNATED.—  
17 The aggregate amount of contributions to a selected  
18 community development corporation which may be  
19 designated by such corporation shall not exceed  
20 \$2,000,000.

21 (e) SELECTED COMMUNITY DEVELOPMENT COR-  
22 PORATIONS.—

23 (1) IN GENERAL.—For purposes of this section,  
24 the term “selected community development corpora-  
25 tion” means any corporation—

1 (A) which is described in section 501(c)(3)  
2 of such Code and exempt from tax under sec-  
3 tion 501(a) of such Code,

4 (B) the principal purposes of which include  
5 promoting employment of, and business oppor-  
6 tunities for, low-income individuals who are  
7 residents of the operational area, and

8 (C) which is selected by the Secretary of  
9 Housing and Urban Development for purposes  
10 of this section.

11 (2) ONLY 10 CORPORATIONS MAY BE SE-  
12 LECTED.—

13 (A) IN GENERAL.—The Secretary of Hous-  
14 ing and Urban Development may select 10 cor-  
15 porations for purposes of this section, subject to  
16 the availability of eligible corporations. Such se-  
17 lections may be made only before January 1,  
18 1994. At least 4 of the operational areas of the  
19 corporations selected must be rural areas (as  
20 defined by section 1393(6) of such Code).

21 (B) PRIORITY OF DESIGNATIONS.—In se-  
22 lecting corporations for purposes of this section,  
23 such Secretary shall give priority to corpora-  
24 tions with a demonstrated record of perform-  
25 ance in administering community development

1 programs which target at least 75 percent of  
2 the jobs emanating from their investment funds  
3 to low income or unemployed individuals.

4 (3) OPERATIONAL AREAS MUST HAVE CERTAIN  
5 CHARACTERISTICS.—A corporation may be selected  
6 for purposes of this section only if its operational  
7 area meets the following criteria:

8 (A) The area meets the size requirements  
9 under paragraph (1)(C) or (2)(C) of section  
10 1391(b) which would apply if such area were to  
11 be designated as a tax enterprise zone.

12 (B) The unemployment rate (as deter-  
13 mined by the appropriate available data) is not  
14 less than the national unemployment rate.

15 (C) The median family income of residents  
16 of such area does not exceed 80 percent of the  
17 median gross income of residents of the juris-  
18 diction of the local government which includes  
19 such area.

20 (f) QUALIFIED LOW-INCOME ASSISTANCE.—For pur-  
21 poses of this section, the term “qualified low-income as-  
22 sistance” means assistance—

23 (1) which is designed to provide employment of,  
24 and business opportunities for, low-income individ-

1 uals who are residents of the operational area of the  
2 community development corporation, and

3 (2) which is approved by the Secretary of Hous-  
4 ing and Urban Development.

5 **Subtitle E—Report on Number of**  
6 **Areas Meeting Enterprise Zone**  
7 **Criteria**

8 **SEC. 141. REPORT.**

9 (a) IN GENERAL.—The Secretary of the Treasury, in  
10 consultation with the Secretary of Housing and Urban De-  
11 velopment and the Secretary of Agriculture, shall conduct  
12 a study to determine—

13 (1) the number of areas in the United States  
14 which satisfy the tax enterprise zone eligibility cri-  
15 teria specified in section 1391(b) of the Internal  
16 Revenue Code of 1986, and

17 (2) the estimated additional cost to the Federal  
18 Government by reason of this title and title II if all  
19 such areas were designated as tax enterprise zones.

20 (b) REPORT.—The report of the study required by  
21 subsection (a) shall be submitted to the Congress not later  
22 than 1 year after the date of the enactment of this Act.

1 **TITLE II—AUTHORIZATION FOR**  
2 **ADDITIONAL ASSISTANCE TO**  
3 **DISTRESSED COMMUNITIES**

4 **Subtitle A—National Public-Private**  
5 **Partnership Programs**

6 **SEC. 201. NATIONAL PUBLIC-PRIVATE PARTNERSHIP PRO-**  
7 **GRAMS.**

8 (a) SENSE OF CONGRESS.—It is the sense of Con-  
9 gress that public-private partnerships between government  
10 and community-based organizations offer an opportunity  
11 to empower residents of low-income distressed commu-  
12 nities and to forge innovative solutions to the challenges  
13 confronting these communities, and that increased re-  
14 sources should be invested in such partnerships.

15 (b) AUTHORIZATION OF APPROPRIATIONS.—To pro-  
16 mote national public-private partnerships, there are au-  
17 thorized to be appropriated—

18 (1) with respect to the Head Start program  
19 under the Head Start Act (42 U.S.C. 9831 et  
20 seq.)—

- 21 (A) \$40,000,000 for fiscal year 1993;  
22 (B) \$252,000,000 for fiscal year 1994;  
23 (C) \$264,000,000 for fiscal year 1995;  
24 (D) \$276,000,000 for fiscal year 1996;  
25 (E) \$294,000,000 for fiscal year 1997;

- 1 (F) \$306,000,000 for fiscal year 1998;  
2 (G) \$324,000,000 for fiscal year 1999;  
3 (H) \$336,000,000 for fiscal year 2000;  
4 (I) \$454,000,000 for fiscal year 2001; and  
5 (J) \$472,000,000 for fiscal year 2002;

6 (2) with respect to the programs under sections  
7 329, 330, 340 and 340A of the Public Health Serv-  
8 ice Act (42 U.S.C. 254c)—

- 9 (A) \$20,000,000 for fiscal year 1993;  
10 (B) \$126,000,000 for fiscal year 1994;  
11 (C) \$132,000,000 for fiscal year 1995;  
12 (D) \$136,000,000 for fiscal year 1996;  
13 (E) \$144,000,000 for fiscal year 1997;  
14 (F) \$156,000,000 for fiscal year 1998;  
15 (G) \$162,000,000 for fiscal year 1999;  
16 (H) \$168,000,000 for fiscal year 2000;  
17 (I) \$230,000,000 for fiscal year 2001; and  
18 (J) \$236,000,000 for fiscal year 2002;

19 (3) with respect to the National Community  
20 Economic Partnership program established under  
21 chapter 3 of subtitle C of this title—

- 22 (A) \$40,000,000 for fiscal year 1993;  
23 (B) \$252,000,000 for fiscal year 1994;  
24 (C) \$264,000,000 for fiscal year 1995;  
25 (D) \$276,000,000 for fiscal year 1996;

- 1 (E) \$294,000,000 for fiscal year 1997;
- 2 (F) \$306,000,000 for fiscal year 1998;
- 3 (G) \$324,000,000 for fiscal year 1999;
- 4 (H) \$336,000,000 for fiscal year 2000;
- 5 (I) \$454,000,000 for fiscal year 2001; and
- 6 (J) \$472,000,000 for fiscal year 2002;

7 (4) with respect to the Job Corps program  
8 under part B of title IV of the Job Training Part-  
9 nership Act (29 U.S.C. 1692 et seq.)—

- 10 (A) \$40,000,000 for fiscal year 1993;
- 11 (B) \$252,000,000 for fiscal year 1994;
- 12 (C) \$264,000,000 for fiscal year 1995;
- 13 (D) \$276,000,000 for fiscal year 1996;
- 14 (E) \$294,000,000 for fiscal year 1997;
- 15 (F) \$306,000,000 for fiscal year 1998;
- 16 (G) \$324,000,000 for fiscal year 1999;
- 17 (H) \$336,000,000 for fiscal year 2000;
- 18 (I) \$454,000,000 for fiscal year 2001; and
- 19 (J) \$472,000,000 for fiscal year 2002;

20 (5) with respect to the Enterprise Capital Ac-  
21 cess Fund Demonstration Program established  
22 under section 285 of this Act—

- 23 (A) \$20,000,000 for fiscal year 1993;
- 24 (B) \$126,000,000 for fiscal year 1994;
- 25 (C) \$132,000,000 for fiscal year 1995;

- 1 (D) \$136,000,000 for fiscal year 1996;  
2 (E) \$144,000,000 for fiscal year 1997;  
3 (F) \$156,000,000 for fiscal year 1998;  
4 (G) \$162,000,000 for fiscal year 1999;  
5 (H) \$168,000,000 for fiscal year 2000;  
6 (I) \$230,000,000 for fiscal year 2001; and  
7 (J) \$236,000,000 for fiscal year 2002;

8 (6) with respect to the Youthbuild program  
9 under subtitle D of title IV of the Cranston-  
10 Gonzalez National Affordable Housing Act—

- 11 (A) \$10,000,000 for fiscal year 1993;  
12 (B) \$66,000,000 for fiscal year 1994;  
13 (C) \$66,000,000 for fiscal year 1995;  
14 (D) \$72,000,000 for fiscal year 1996;  
15 (E) \$72,000,000 for fiscal year 1997;  
16 (F) \$78,000,000 for fiscal year 1998;  
17 (G) \$78,000,000 for fiscal year 1999;  
18 (H) \$84,000,000 for fiscal year 2000;  
19 (I) \$115,000,000 for fiscal year 2001; and  
20 (J) \$121,000,000 for fiscal year 2002; and

21 (7) with respect to the Neighborhood Reinvest-  
22 ment Corporation established under title VI of the  
23 Housing and Community Development Amendments  
24 of 1978—

- 25 (A) \$10,000,000 for fiscal year 1993;

- 1 (B) \$66,000,000 for fiscal year 1994;  
2 (C) \$66,000,000 for fiscal year 1995;  
3 (D) \$72,000,000 for fiscal year 1996;  
4 (E) \$72,000,000 for fiscal year 1997;  
5 (F) \$78,000,000 for fiscal year 1998;  
6 (G) \$78,000,000 for fiscal year 1999;  
7 (H) \$84,000,000 for fiscal year 2000;  
8 (I) \$115,000,000 for fiscal year 2001; and  
9 (J) \$121,000,000 for fiscal year 2002.

10 (c) AVAILABILITY OF AMOUNTS.—The amounts ap-  
11 propriated for programs pursuant to paragraphs (1), (2),  
12 (4), (6), and (7) of subsection (b) shall be available only  
13 for projects or activities that directly and principally bene-  
14 fit the residents of tax enterprise zones designated pursu-  
15 ant to section 1391 of the Internal Revenue Code of 1986.  
16 Of the amounts appropriated for programs pursuant to  
17 paragraphs (3) and (5) of subsection (b), not less than  
18 50 percent shall be available only for projects or activities  
19 that directly and principally benefit the residents of such  
20 zones.

21 **Subtitle B—Block Grant Funding**  
22 **for Eligible Programs**

23 **SEC. 211. AUTHORIZATION OF APPROPRIATIONS.**

24 There are authorized to be appropriated for assist-  
25 ance under section 212, \$320,000,000 for fiscal year

1 1993, \$1,950,000,000 for fiscal year 1994,  
2 \$1,992,000,000 for fiscal year 1995, \$2,022,000,000 for  
3 fiscal year 1996, \$2,460,000,000 for fiscal year 1997, and  
4 such sums as may be necessary for each of the fiscal years  
5 1998 through 2002, except that amounts authorized under  
6 this section for each of the fiscal years 1998 through 2002  
7 shall not be less than twice the amount of the revenue  
8 loss estimates to result as a result of enterprise zone tax  
9 preferences under section 1391 of the Internal Revenue  
10 Code of 1986 less the amounts authorized by section  
11 201(b) of this Act.

12 **SEC. 212. ALLOCATION OF AMOUNTS AMONG TAX ENTER-**  
13 **PRISE ZONES.**

14 (a) IN GENERAL.—Except as provided in subsection  
15 (d), the interagency council established under section 216  
16 of this Act shall make any amounts appropriated pursuant  
17 to section 211 available under this subtitle to provide as-  
18 sistance on behalf of each tax enterprise zone designated  
19 under section 1391 of the Internal Revenue Code of 1986  
20 for which an application under section 215 of this Act has  
21 been approved by the interagency council.

22 (b) ALLOCATION BETWEEN URBAN AND RURAL  
23 ZONES.—Of the amounts available each fiscal year under  
24 this title for tax enterprise zones, 80 percent shall be avail-

1 able for urban tax enterprise zones and 20 percent shall  
2 be available for rural development investment zones.

3 (c) DIVISION AMONG URBAN AND RURAL ZONES.—

4 (1) URBAN ZONES.—The amounts available  
5 each fiscal year under this title for urban tax enter-  
6 prise zones shall be allocated so as to reserve an  
7 equal amount for each urban zone that may be des-  
8 ignated prior to the end of the calendar year begin-  
9 ning during the fiscal year for which such amounts  
10 were made available, pursuant to the annual limits  
11 on zones specified in section 1391 of the Internal  
12 Revenue Code of 1986.

13 (2) RURAL ZONES.—The amounts available  
14 each fiscal year under this title for rural develop-  
15 ment investment zones shall be allocated so as to re-  
16 serve an equal amount for each rural development  
17 investment zone that may be designated prior to the  
18 end of the calendar year beginning during the fiscal  
19 year for which such amounts were made available,  
20 pursuant to the annual limits on zones specified in  
21 section 1391 of the Internal Revenue Code of 1986.

22 (d) SET-ASIDE.—Of the amounts appropriated pur-  
23 suant to section 211 for fiscal year 1993, not less than  
24 \$5,000,000 shall be made available by the Interagency

1 Council for the Access to Jobs/Reverse Community Dem-  
2 onstration Program authorized under section 286.

3 (e) AVAILABILITY.—Notwithstanding any other pro-  
4 vision of law, amounts appropriated pursuant to author-  
5 izations under this subtitle shall remain available until the  
6 end of the fiscal year following the year for which such  
7 amounts are appropriated.

8 **SEC. 213. USE OF AMOUNTS.**

9 (a) IN GENERAL.—The assistance allocated under  
10 section 212 on behalf of each tax enterprise zone (as de-  
11 fined in section 1391 of the Internal Revenue Code of  
12 1986) shall be available only for carrying out selected pro-  
13 grams within the tax enterprise zone, in accordance with  
14 the application of the tax enterprise zone approved under  
15 section 215 and subject to the provisions of this section.

16 (b) ALLOCATION AMONG PROGRAM CATEGORIES.—

17 (1) IN GENERAL.—Except as provided in para-  
18 graph (2), of the total amount of assistance provided  
19 under this subtitle on behalf of a tax enterprise zone  
20 for any fiscal year, the sum of the amounts used to  
21 carry out selected programs referred to under any  
22 one of paragraphs (1) through (5) of section 214  
23 may not exceed 20 percent of such total amount.

24 (2) WAIVER OF CAPS.—Pursuant to a request  
25 contained in an application under section 215, the

1 interagency council may provide that the require-  
2 ment under paragraph (1) shall not apply with re-  
3 spect to amounts used to carry out selected pro-  
4 grams under the application, except that of the total  
5 amount of assistance provided under this subtitle on  
6 behalf of such tax enterprise zone for any fiscal  
7 year, the sum of the amounts used to carry out se-  
8 lected programs referred to under any single para-  
9 graph under section 214 may not exceed 30 percent  
10 of such total amount and may not be less than 5  
11 percent of such total amount.

12 (c) ALLOCATION AMONG JOB TRAINING PRO-  
13 GRAMS.—In any fiscal year, of the sum of the amounts  
14 of assistance provided under this subtitle on behalf of a  
15 tax enterprise zone that are used to carry out any of the  
16 job training programs under section 214(2), not less than  
17 25 percent shall be used for assistance under the Young  
18 Adult Employment Demonstration program referred to in  
19 section 214(2)(A) of this Act.

20 (d) PROVISION OF ASSISTANCE.—Upon the approval  
21 of an application under section 215 for a tax enterprise  
22 zone, the appropriate Federal agency head for each se-  
23 lected program under the approved application shall make  
24 available on behalf of the enterprise zone (under such pro-  
25 gram and through the appropriate eligible entity), from

1 amounts available on behalf of such zone pursuant to sec-  
2 tion 212, the amount of assistance determined in accord-  
3 ance with the approved application.

4 (e) SUPPLEMENTATION REQUIREMENT.—Any  
5 amounts provided under this subtitle shall be in supple-  
6 ment to, and shall not supplant, any Federal, State, local,  
7 or private funds from other sources already used, or com-  
8 mitted for use, for programs, projects, activities, and serv-  
9 ices assisted under this subtitle or comparable to such pro-  
10 grams, projects, activities, and services. Federal agency  
11 heads shall not reduce the usual allocations with respect  
12 to any jurisdiction under any of the eligible programs de-  
13 scribed in section 214 because such jurisdiction allocates  
14 funds under this title to any of such programs.

15 **SEC. 214. ELIGIBLE PROGRAMS.**

16 Assistance may be provided under this subtitle for  
17 carrying out the following activities, projects, and pro-  
18 grams:

19 (1) CRIME AND CRIMINAL JUSTICE.—

20 (A) Community policing projects and ac-  
21 tivities under the Edward Byrne Memorial  
22 State and Local Law Enforcement Assistance  
23 Program under part E of title I of the Omnibus  
24 Crime Control and Safe Streets Act of 1968  
25 (42 U.S.C. 3751 et seq.).

1           (B) Chapter B of subpart 2 of part E of  
2 title I of the Omnibus Crime Control and Safe  
3 Streets Act of 1968.

4           (C) Projects and activities under chapter 1  
5 of subtitle B of title III of the Anti-Drug Abuse  
6 Act of 1988 (42 U.S.C. 11801 et seq.).

7           (2) JOB TRAINING.—

8           (A) The Young Adult Employment Dem-  
9 onstration program under part K of title IV of  
10 the Job Training Partnership Act (as added by  
11 section 241 of this Act).

12           (B) The Job Corps program under part B  
13 of title IV of the Job Training Partnership Act  
14 (29 U.S.C. 1692 et seq.).

15           (C) Title II of the Job Training Partner-  
16 ship Act (29 U.S.C. 1601 et seq.).

17           (D) The American Conservation and Youth  
18 Corps program under subtitle C of title I of the  
19 National and Community Service Act of 1990  
20 (42 U.S.C. 12541 et seq.).

21           (E) The Access to Jobs/Reverse Commut-  
22 ing Demonstration Program established under  
23 section 286 of this Act.

24           (3) EDUCATION.—

1 (A) The programs under the Carl D. Per-  
2 kins Vocational Educational and Applied Tech-  
3 nology Education Act (20 U.S.C. 2301 et seq.).

4 (B) Projects under the Comprehensive  
5 Child Development Act (42 U.S.C. 9881 et  
6 seq.).

7 (C) Activities under the Child Care and  
8 Development Block Grant Act of 1990 (42  
9 U.S.C. 9858 et seq.).

10 (D) The programs under chapter 1 of title  
11 I of the Elementary and Secondary Education  
12 Act of 1965.

13 (E) The TRIO programs under part A of  
14 title IV of the Higher Education Act of 1965  
15 (20 U.S.C. 1070 et seq.).

16 (F) The programs under the Adult Edu-  
17 cation Act (20 U.S.C. 1201 et seq.).

18 (G) Literacy activities authorized under  
19 the National Literacy Act of 1991.

20 (4) HEALTH, NUTRITION AND FAMILY ASSIST-  
21 ANCE.—

22 (A) The special supplemental food program  
23 for women, infants, and children under section  
24 17 of the Child Nutrition Act of 1966.

1 (B) The following programs under the  
2 Public Health Service Act (42 U.S.C. 201 et  
3 seq.):

4 (i) Capacity expansion of substance  
5 abuse treatment facilities.

6 (ii) Substance abuse treatment for in-  
7 dividuals under criminal justice super-  
8 vision.

9 (iii) Substance abuse treatment for  
10 pregnant and postpartum women.

11 (iv) Community prevention grants re-  
12 garding substance abuse.

13 (v) Substance abuse treatment im-  
14 provement grants.

15 (C) The programs under title XXVI of the  
16 Public Health Service Act (42 U.S.C. 300ff-21  
17 et seq.).

18 (D) The family support programs under  
19 subtitle F of title VII of the Stewart B. McKin-  
20 ney Homeless Assistance Act (42 U.S.C. 1148  
21 et seq.).

22 (E) Projects for high risk youth under title  
23 V of the Public Health Service Act (42 U.S.C.  
24 290aa et seq.).

1 (F) Emergency child protective service  
2 grants under section 107 of the Child Abuse  
3 Prevention and Treatment Act (42 U.S.C.  
4 5106a).

5 (G) Family support centers and family re-  
6 source and support programs under sections  
7 933 and 934(d) of the Augustus F. Hawkins  
8 Human Services Reauthorization Act of 1990  
9 (Public Law 101–501).

10 (5) HOUSING AND COMMUNITY DEVELOP-  
11 MENT.—

12 (A) The community development block  
13 grant program under title I of the Housing and  
14 Community Development Act of 1974 (42  
15 U.S.C. 5301 et seq.).

16 (B) The public and Indian housing mod-  
17 ernization program under section 14 of the  
18 United States Housing Act of 1937 (42 U.S.C.  
19 14371).

20 (C) The public and assisted housing drug  
21 elimination program under chapter 2 of subtitle  
22 C of title V of the Anti-Drug Abuse Act of  
23 1988 (42 U.S.C. 11901 et seq.).

24 (D) Contracts for rental assistance at-  
25 tached to structures pursuant to paragraph (2)

1 of section 8 of the United States Housing Act  
2 of 1937 (42 U.S.C. 1437f).

3 (E) The HOME investment partnership  
4 program under title II of the Cranston-Gon-  
5 zalez National Affordable Housing Act (42  
6 U.S.C. 12721 et seq.).

7 (F) The self-help housing technical assist-  
8 ance grant program under section 523 of the  
9 Housing Act of 1949 (42 U.S.C. 1490c).

10 (G) Rural housing preservation grants  
11 under section 533 of the Housing Act of 1949  
12 (42 U.S.C. 1490m).

13 (H) Rural rental housing loans under sec-  
14 tion 515 of the Housing Act of 1949 (42  
15 U.S.C. 1485).

16 (I) Rural rental housing assistance pay-  
17 ments under section 521(a)(2) of the Housing  
18 Act of 1949 (42 U.S.C. 1490a).

19 (J) Rural water and waste disposal grants  
20 pursuant to paragraphs (2) and (6) of section  
21 306(a) of the Consolidated Farm and Rural  
22 Development Act (7 U.S.C. 1926(a)) and water  
23 and waste facility loans and grants under sec-  
24 tion 306C of such Act.

1           (K) Private business enterprise grants  
2           under section 310B(c) of the Consolidated  
3           Farm and Rural Development Act (7 U.S.C.  
4           1926).

5           (L) Loan guarantees under section 108 of  
6           the Housing and Community Development Act  
7           (as amended by section 232 of this Act).

8           (M) Outreach and assistance for socially  
9           disadvantaged farmers and ranchers under sec-  
10          tion 2501 of the Food, Agriculture, and Trade  
11          Act of 1990 (7 U.S.C. 2279).

12          (N) Public Housing Family Investment  
13          Centers under section 22 of the United States  
14          Housing Act of 1937 (42 U.S.C. 1437t).

15 **SEC. 215. APPLICATION FOR FUNDING.**

16          (a) ESTABLISHMENT OF APPLICATION PROCESS.—  
17          The interagency council shall establish, by regulation, a  
18          procedure for a single comprehensive application to be  
19          submitted to the council for each tax enterprise zone des-  
20          ignated under section 1391 of the Internal Revenue Code  
21          of 1986 for the purpose of making amounts available  
22          under this subtitle on behalf of such tax enterprise zones.  
23          The interagency council shall provide for the form and  
24          manner of such applications, and shall require the applica-  
25          tions to be made by the State, the unit of local govern-

1 ment, or the economic or community development corpora-  
2 tion, that submitted the nomination for designation of the  
3 area designated as a tax enterprise zone and submitted  
4 promptly after such designation.

5 (b) LOCAL COORDINATION.—

6 (1) PURPOSES.—The interagency council shall  
7 provide that each application under this section shall  
8 be developed in coordination and consultation with a  
9 local coordinating board under paragraph (2), which  
10 shall ensure that the programs, projects, activities,  
11 and services under section 214(1) carried out with  
12 amounts provided under this subtitle are sufficiently  
13 coordinated with the other programs, projects, ac-  
14 tivities, and services assisted under this subtitle, and  
15 that all such programs, projects, activities, and serv-  
16 ices are coordinated with law enforcement efforts  
17 within the area nominated for designation as a tax  
18 enterprise zone.

19 (2) MEMBERSHIP.—The local coordinating  
20 board referred to in paragraph (1) shall include rep-  
21 resentatives of units of local government within such  
22 area, representatives of law enforcement agencies  
23 having jurisdiction within such area, residents of the  
24 area, community leaders, including local business  
25 persons, bankers, architects and planners, represent-

1       atives of school boards, and representatives of non-  
2       profit community-based organizations such as com-  
3       munity development corporations and community ac-  
4       tion agencies.

5       (c) CONTENTS.—Each application under the proce-  
6       dure established under this section shall contain the fol-  
7       lowing information:

8               (1) A list of the programs referred to under  
9       section 214 for which funding is requested and a  
10      general description of the types of activities to be  
11      carried out with such assistance.

12              (2) A statement documenting the percentage of  
13      the total amount of any funding received under this  
14      subtitle that will be used for each selected program.

15              (3) A statement documenting the entities that  
16      will receive any assistance provided for the selected  
17      programs on behalf of the tax enterprise zone and  
18      the entities' eligibility for such assistance.

19              (4) A statement documenting the membership  
20      of the local coordinating board organized pursuant  
21      to the requirement under subsection (b) and describ-  
22      ing the coordination between the programs, projects,  
23      activities, and services assisted under this title and  
24      local law enforcement efforts in the tax enterprise  
25      zone.

1           (5) A request for any waiver of the requirement  
2           under section 213(b)(1) and a statement document-  
3           ing the rationale for such waiver.

4           (6) A statement documenting any other Fed-  
5           eral, State, and local resources for the community in  
6           which the tax enterprise zone is located that will be  
7           dedicated to the types of programs, projects, activi-  
8           ties, and services to be assisted under this subtitle.

9           (7) A statement documenting a strong commit-  
10          ment by nonprofit community-based organizations in  
11          the tax enterprise zone for carrying out the selected  
12          programs and similar programs, projects, activities,  
13          and services.

14          (8) A statement documenting any private sector  
15          resources, including corporate contributions and in-  
16          dividual commitments, to supplement assistance pro-  
17          vided under this subtitle.

18          (9) A statement documenting the efforts made  
19          by the local jurisdiction containing the tax enterprise  
20          zone to encourage local financial institutions to sat-  
21          isfy their obligations under the Community Reinvest-  
22          ment Act of 1977 (12 U.S.C. 2901 et seq.) by mak-  
23          ing loans to enterprise zone businesses with empha-  
24          sis on startup and other small business concerns (as  
25          defined in section 3(a) of the Small Business Act

1 (15 U.S.C. 632(a)) and the commitments made by  
2 local financial institutions in response to these ef-  
3 forts.

4 (10) A statement demonstrating a balanced,  
5 comprehensive plan for the tax enterprise zone, that  
6 addresses public safety, supports drug and crime  
7 prevention, improves health, education and other so-  
8 cial services, and promotes neighborhood revitaliza-  
9 tion through strategies to create jobs and other eco-  
10 nomic opportunities which assist families to become  
11 self sufficient. Such strategies shall include improve-  
12 ments in infrastructure, public facilities, and afford-  
13 able housing opportunities embodying good urban  
14 design and neighborhood planning principles that  
15 contribute to the creation of wholesome and attrac-  
16 tive social, economic, and physical environments.

17 (11) A statement demonstrating that any  
18 amounts requested for selected programs are part of  
19 an integrated and comprehensive plan for the use of  
20 Federal, State, local, and private resources to ac-  
21 complish specific goals and measurable outcomes for  
22 neighborhood revitalization.

23 (d) REVIEW.—In reviewing each application submit-  
24 ted under this section, each member of the council shall  
25 review the portion of the application concerning any re-

1 quest or eligibility for assistance under any selected pro-  
2 gram under the jurisdiction of such member to determine  
3 whether providing assistance under this subtitle pursuant  
4 to such application will comply with the laws and regula-  
5 tions applicable to such program.

6 (e) APPROVAL AND DISAPPROVAL.—

7 (1) TIMING.—The council shall review each ap-  
8 plication promptly upon receipt and shall approve or  
9 disapprove the application not later than the expira-  
10 tion of the 30-day period beginning upon such  
11 receipt.

12 (2) STANDARDS FOR APPROVAL.—The council  
13 shall approve an application if the council deter-  
14 mines that the assistance requested for the selected  
15 programs under the application will assist in the eco-  
16 nomic development of the tax enterprise zone, that  
17 the eligible entities identified in the application are  
18 capable and qualified to receive and administer the  
19 assistance pursuant to the application, and that the  
20 information, documentation, or evidence required  
21 under subsection (c) is sufficient in the determina-  
22 tion of the council.

23 (3) DISAPPROVAL AND RESUBMISSION.—If,  
24 pursuant to review under this section, the council  
25 determines that the application of a tax enterprise

1 zone is incomplete or unsatisfactory, the council  
2 shall, before the expiration of the period referred to  
3 in paragraph (1)—

4 (A) notify the entity submitting the appli-  
5 cation of the reasons for the failure to approve  
6 the application;

7 (B) notify the entity submitting the appli-  
8 cation that the application may be resubmitted  
9 during the period referred to in subparagraph  
10 (C); and

11 (C) permit such entity to resubmit a cor-  
12 rected or amended application during the 30-  
13 day period beginning on notification under this  
14 paragraph.

15 (4) REVIEW OF RESUBMITTED APPLICATION.—

16 The council shall review and approve or disapprove  
17 any application resubmitted under paragraph (3) be-  
18 fore the expiration of the 15-day period beginning  
19 upon such resubmission. Any application resubmit-  
20 ted under paragraph (3) that is disapproved may be  
21 resubmitted before the expiration of the 15-day pe-  
22 riod beginning upon such disapproval and shall be  
23 subject to review under the provisions of this para-  
24 graph.

1 (f) PUBLIC COMMENT.—An applicant under this sec-  
2 tion, in conjunction with the relevant local coordinating  
3 board, shall ensure that there are adequate opportunities  
4 for public comment concerning the application submitted  
5 under this section, including—

6 (1) furnishing citizens with information con-  
7 cerning the amount of funds available pursuant to  
8 this subtitle and the range of activities that may be  
9 undertaken with such funds;

10 (2) holding one or more public hearings to ob-  
11 tain the views of citizens on community needs; and

12 (3) providing citizens with reasonable access to  
13 any application filed pursuant to this section and to  
14 records regarding the use of funds received pursuant  
15 to this subtitle.

16 **SEC. 216. INTERAGENCY COUNCIL.**

17 (a) ESTABLISHMENT.—There is hereby established  
18 an interagency council to provide assistance under this  
19 subtitle.

20 (b) MEMBERSHIP.—The members of the council shall  
21 be the Secretary of Agriculture, the Secretary of Edu-  
22 cation, the Secretary of Health and Human Services, the  
23 Secretary of Housing and Urban Development, the Sec-  
24 retary of Labor, the Director of the Office of National  
25 Drug Control Policy, the Attorney General of the United

1 States and the Chairperson of the Commission on  
2 National and Community Service.

3 (c) DUTIES.—The council shall—

4 (1) review and approve applications submitted  
5 under section 215;

6 (2) direct the appropriate Federal agency head  
7 to provide assistance under the selected programs  
8 under approved applications using amounts available  
9 pursuant to this subtitle; and

10 (3) carry out any other responsibilities of the  
11 council as provided under this subtitle.

12 **SEC. 217. DEFINITIONS.**

13 For purposes of this subtitle:

14 (1) The term “appropriate Federal agency  
15 head” means, with respect to each program referred  
16 to in section 214, the head of the Federal agency or  
17 other Federal official responsible for administering  
18 such program.

19 (2) The term “approved application” means an  
20 application under section 215 for assistance provided  
21 under this subtitle that is approved by the inter-  
22 agency council and which meets the public comment  
23 requirements under section 215(f).

24 (3) The term “eligible entity” means, with re-  
25 spect to a selected program under an application

1 under section 215, an entity in the tax enterprise  
2 zone that is eligible to receive and administer  
3 amounts under the program and is designated under  
4 the application to receive and administer amounts  
5 provided for the program pursuant to this subtitle.

6 (4) The terms “interagency council” and “coun-  
7 cil” mean the interagency council established under  
8 section 216.

9 (5) The term “selected program” means, with  
10 respect to a tax enterprise zone, any of the programs  
11 identified in an application under section 215 for  
12 which funding under this subtitle is requested.

13 (6) The term “tax enterprise zone” means an  
14 urban tax enterprise zone or a rural development in-  
15 vestment zone designated under section 1391 of the  
16 Internal Revenue Code of 1986.

17 **SEC. 218. STUDY AND REPORT.**

18 (a) GENERAL STUDY.—The council shall conduct a  
19 study to identify—

20 (1) any alternative methods or systems for allo-  
21 cation of amounts made available pursuant to this  
22 subtitle among tax enterprise zones; and

23 (2) any problems experienced in the implemen-  
24 tation and administration of the provisions of this  
25 subtitle, including identification of any provisions of

1 law or regulations relating to the programs referred  
2 to in section 214 for which a waiver would facilitate  
3 carrying out the purposes of this subtitle.

4 (b) REPORT.—Not later than the expiration of the  
5 1-year period beginning on the date of the enactment of  
6 this Act, the council shall submit to the Congress a report  
7 regarding the study conducted under subsection (a), which  
8 shall include any recommendations for improving the pro-  
9 gram for assistance under this subtitle.

10 **SEC. 219. REGULATIONS.**

11 The council shall issue any regulations necessary to  
12 carry out this subtitle not later than the expiration of the  
13 60-day period beginning on the date of the enactment of  
14 this Act.

15 **Subtitle C—Other Programs**

16 **CHAPTER 1—COMMUNITY DEVELOPMENT**

17 **BLOCK GRANT PROGRAM**

18 **SEC. 231. WAIVER OF PUBLIC SERVICES CAP UNDER COM-**

19 **MUNITY DEVELOPMENT BLOCK GRANT PRO-**

20 **GRAM.**

21 Section 105(a)(8) of the Housing and Community  
22 Development Act of 1974 (42 U.S.C. 5305(a)) is amend-  
23 ed—

24 (1) by inserting “(A)” before “except that not  
25 more than”;

1           (2) by inserting “(i)” after “unless such unit of  
2           local government”; and

3           (3) by striking “higher amount, and” and in-  
4           serting the following: “higher amount, or (ii) is lo-  
5           cated within or contains a tax enterprise zone (as  
6           designated under section 1391 of the Internal Reve-  
7           nue Code of 1986), in which case such unit of gen-  
8           eral local government may use, in addition to such  
9           15 percent of the amount of any assistance provided  
10          to the unit (or in the case of nonentitled commu-  
11          nities, 15 percent statewide) under this title, includ-  
12          ing program income, an additional 15 percent of  
13          such amount of assistance for activities under this  
14          paragraph within such enterprise zone, and (B)”.

15 **SEC. 232. EMERGENCY COMMUNITY DEVELOPMENT LOAN**  
16 **GUARANTEE AUTHORITY.**

17          Section 108 of the Housing and Community Develop-  
18          ment Act of 1974 is amended by adding at the end the  
19          following new subsection:

20          “(q) In addition to amounts provided under sub-  
21          section (a), the Secretary may enter into commitments  
22          during each of the fiscal years 1993 through 1997 to guar-  
23          antee notes and obligations with an aggregate principal  
24          amount in each fiscal year of \$2,000,000,000. The guar-  
25          antee authority under this subsection shall be effective

1 only to the extent approved or provided for in appropria-  
2 tions Acts, subject only to the absence of qualified appli-  
3 cants or proposed activities and the provisions of this Act,  
4 except that the provisions of subsection (k) shall not apply  
5 with respect to any guarantees and commitments to guar-  
6 antee pursuant to authority provided under this sub-  
7 section.”

8 **CHAPTER 2—YOUNG ADULT EMPLOY-**  
9 **MENT DEMONSTRATION PROGRAM**

10 **SEC. 241. ESTABLISHMENT OF YOUNG ADULT EMPLOY-**  
11 **MENT DEMONSTRATION PROGRAM.**

12 (a) IN GENERAL.—Title IV of the Job Training Part-  
13 nership Act (29 U.S.C. 1671 et seq.) is amended by add-  
14 ing at the end the following new part:

15 **“PART K—YOUNG ADULT EMPLOYMENT**  
16 **DEMONSTRATION PROGRAM**

17 **“SEC. 499I. STATEMENT OF PURPOSE.**

18 “It is the purpose of the Young Adult Employment  
19 Demonstration program under this part to—

20 “(1) ensure access to education and job train-  
21 ing assistance for youth and young adults residing  
22 in tax enterprise zones;

23 “(2) make provisions for a comprehensive range  
24 of education, training, and employment services to  
25 disadvantaged youth and young adults in tax enter-

1       prise zones who are not currently served or are un-  
2       derserved by Federal education and job training pro-  
3       grams;

4               “(3) enable communities located in or contain-  
5       ing tax enterprise zones to establish and meet goals  
6       for improving the opportunities available to youth  
7       and young adults within the tax enterprise zone; and

8               “(4) facilitate the coordination of comprehen-  
9       sive services to serve such youth and young adults.

10 **“SEC. 499J. PROGRAM AUTHORIZED.**

11       “(a) ESTABLISHMENT OF PROGRAM.—The Secretary  
12 is authorized to establish a program of Young Adult Em-  
13 ployment Demonstration grants to provide comprehensive  
14 services to youth and young adults living in tax enterprise  
15 zones.

16       “(b) ELIGIBILITY FOR GRANTS.—

17               “(1) RECIPIENTS.—The Secretary may only  
18 award grants under this part to—

19                       “(A) the participating community for a  
20 target area that is located within a service de-  
21 livery area; or

22                       “(B) grantees designated under sections  
23 401 and 402, or a consortium of such grantees  
24 and the State, when the target area is located  
25 in an Indian reservation, Alaskan Native vil-

1           lage, or migrant or seasonal farmworker  
2           community.

3           “(2) NUMBER OF GRANTS.—The Secretary may  
4           award not more than 25 grants during the first fis-  
5           cal year the program is authorized.

6           “(c) RENEWABILITY OF GRANTS.—Grants awarded  
7           under this part shall be for a 1-year period and shall be  
8           renewable for each of the 2 succeeding fiscal years if the  
9           Secretary determines the grant recipient complied with  
10          conditions of the grant during the previous fiscal year.

11          “(d) FACTORS FOR AWARDS.—In awarding grants  
12          under this part, the Secretary shall consider the quality  
13          of the proposed project, the goals to be achieved, the likeli-  
14          hood of the project’s successful implementation, the extent  
15          of community support and other Federal and non-Federal  
16          funds available for similar purposes, and the new State,  
17          local, or private resources.

18          “(e) SELECTION REQUIREMENTS.—In awarding  
19          grants under subsection (b), the Secretary shall not ap-  
20          prove an application unless the application contains assur-  
21          ances that the applicant will use funds from a grant to  
22          provide job training, education, services, stipends (only to  
23          individuals age 17 to 30), and needs-related payments in  
24          accordance with sections 499K and 499L.

1 **“SEC. 499K. APPLICATION.**

2       “(a) ELIGIBILITY TO APPLY.—Participating commu-  
3 nities shall be eligible to apply for a Young Adult Employ-  
4 ment Demonstration grant under this part.

5       “(b) CONTENTS OF APPLICATION.—Each participat-  
6 ing community desiring a grant under this part shall,  
7 through the individuals described in subsection (c), submit  
8 an application to the Secretary at such time in such man-  
9 ner and accompanied by such information as the Secretary  
10 may reasonably require. Each such application shall—

11               “(1) include a comprehensive plan for the  
12 Young Adult Employment Demonstration initiative  
13 designed to achieve identifiable goals for youth and  
14 young adults in the target area;

15               “(2) set forth measurable program goals and  
16 outcomes, which may include increasing the propor-  
17 tion of—

18                       “(A) youth completing high school or its  
19 equivalent;

20                       “(B) youth and young adults entering into  
21 postsecondary institutions, apprenticeships, or  
22 other advanced training programs;

23                       “(C) youth and young adults placed in  
24 jobs; or

1           “(D) eligible youth and young adults par-  
2           ticipating in education, training, and employ-  
3           ment services;

4           “(3) include supporting goals for the target  
5           area such as increasing security and safety, or re-  
6           ducing the number of drug-related arrests;

7           “(4) provide assurances that the conditions set  
8           forth in section 499L will be met;

9           “(5) demonstrate how the participating commu-  
10          nity will make use of the resources, expertise, and  
11          commitment of institutions of higher education, edu-  
12          cational agencies, and vocational and technical  
13          schools and institutes;

14          “(6) attempt to ensure that all youth and  
15          young adults in the target areas have access to a co-  
16          ordinated and comprehensive range of education and  
17          training opportunities which serve the broadest  
18          range of interests and needs of youth and young  
19          adults and simultaneously mobilize the diverse range  
20          of education and training provided in the participat-  
21          ing community;

22          “(7) include support services necessary for suc-  
23          cessful participation by eligible youth and young  
24          adults, including child care, transportation, and as-  
25          sistance in resolving personal or family crises such

1 as those related to substance abuse, homelessness,  
2 migration, and family violence;

3 “(8) include a system of common intake, indi-  
4 vidualized assessment, and case management;

5 “(9) include an estimate of the expected num-  
6 ber of youth and young adults in the target area to  
7 be served;

8 “(10) include a description of the resources  
9 available in the participating community from pri-  
10 vate, local government, State and Federal sources  
11 which will be used to achieve the goals of the pro-  
12 gram;

13 “(11) provide evidence of support for accom-  
14 plishing the stated goals of the participating commu-  
15 nity from—

16 “(A) local elected officials,

17 “(B) the local school system,

18 “(C) postsecondary education and training  
19 institutions,

20 “(D) the applicable private industry  
21 council,

22 “(E) local community leaders,

23 “(F) business,

24 “(G) labor organizations, and

25 “(H) other appropriate organizations; and

1           “(12) provide assurances that the target area  
2 includes, to the maximum extent possible, the poor-  
3 est neighborhoods in the community, such as those  
4 with substantial numbers of public housing facilities.

5           “(c) SUBMISSION OF APPLICATION.—The application  
6 for funds for a participating community may only be sub-  
7 mitted to the Secretary by—

8           “(1) the mayor of a city or the chief elected of-  
9 ficial in a metropolitan statistical area, after the  
10 Governor of the State has had an opportunity to  
11 comment on the application;

12           “(2) the chief elected official of a non-  
13 metropolitan county or the designated chief elected  
14 official of contiguous nonmetropolitan counties, after  
15 the Governor of the State has had an opportunity to  
16 comment on the application; or

17           “(3) the grantee designated under section 401  
18 or 402, or jointly by the grantee and the Governor  
19 of the State in which such grantee is located, in ap-  
20 plications for Native American or migrant or sea-  
21 sonal worker communities.

22 **“SEC. 499L. GRANT AGREEMENT.**

23           “Each grant recipient under this part shall enter into  
24 an agreement with the Secretary. Each such agreement  
25 shall describe how—

1           “(1) the recipient will designate a target area  
2 that will be the focus of the demonstration project  
3 and which shall have a population of not more than  
4 25,000 (or upon approval of the Secretary, a popu-  
5 lation of not more than 75,000), except that in the  
6 event that the population of an area from which a  
7 high school draws a substantial portion of its  
8 enrollment exceeds this limit, the target area may  
9 encompass such boundary;

10           “(2) funds provided under this part will be used  
11 to support education, training, and supportive activi-  
12 ties selected from a set of youth program models  
13 designated by the Secretary or from alternative mod-  
14 els described in the application and approved by the  
15 Secretary, such as—

16                   “(A) nonresidential learning centers;

17                   “(B) alternative schools;

18                   “(C) combined summer remediation, work  
19 experience and work readiness training, and  
20 school-to-work/apprenticeship/post-secondary  
21 education program;

22                   “(D) teen parent programs;

23                   “(E) special programs administered by  
24 community colleges;

25                   “(F) youth centers;

1           “(G) initiatives aimed at increased rural  
2 student enrollment in post-secondary institu-  
3 tions;

4           “(H) public-private collaborations to en-  
5 sure private sector employment and continued  
6 learning opportunities for youth; and

7           “(I) initiatives that combine community  
8 and youth service opportunities with education  
9 and training activities;

10          “(3) funds received under this section will be  
11 used for services to youth and young adults age 14  
12 to 30 at the time of enrollment;

13          “(4) the local educational agency and any other  
14 educational agency which operates secondary schools  
15 in the target area provide activities and resources to  
16 promote the educational goals specified in the appli-  
17 cation;

18          “(5) the participating community will provide  
19 activities and local resources to promote the goals  
20 specified in the application;

21          “(6) the participating community shall under-  
22 take outreach and recruitment efforts in the target  
23 area to encourage, to the maximum extent possible,  
24 participation by those disadvantaged youth and  
25 young adults who are currently unserved or under-

1 served by education and training programs, includ-  
2 ing targeted measures specifically designed to enlist  
3 the participation of minority youth and young  
4 adults, particularly those under the jurisdiction of  
5 the child welfare, juvenile justice, and criminal jus-  
6 tice systems;

7 “(7) the participating community will carry out  
8 special efforts to establish coordination with Federal,  
9 State, or local programs that serve the target popu-  
10 lation; and

11 “(8) funds provided under this part shall be  
12 used to pay stipends for participant support in paid  
13 work experience and classroom training programs  
14 when such programs are combined with other edu-  
15 cation and training activities.

16 **“SEC. 499M. JOB GUARANTEES.**

17 “(a) PROGRAM AUTHORITY.—The Secretary shall  
18 permit a number of the grant recipients under this part  
19 to enter into an agreement to provide, in accordance with  
20 this section, a job guarantee program to youth meeting  
21 prior school attendance and performance standards.

22 “(b) GUARANTEE AGREEMENTS.—A grant recipient  
23 providing a job guarantee program shall enter into an  
24 agreement with the Secretary. Such agreement shall—

1           “(1) provide that the program be available to  
2 youth aged 16 to 19 who undertake a commitment  
3 to continue and complete their high school edu-  
4 cation;

5           “(2) require the grant recipient to guarantee  
6 employment to each youth undertaking that commit-  
7 ment if such youth meets school attendance and per-  
8 formance standards for the previous school semester,  
9 as established by the Secretary in consultation with  
10 the Secretary of Education;

11           “(3) provide that the grant recipient will make  
12 additional services available to support the undertak-  
13 ing of any such youth, which shall include counsel-  
14 ing, job development and placement, and support  
15 services (including child care and transportation);

16           “(4) specify the conditions under which funds  
17 provided under this part may be used to provide  
18 wage subsidies of up to 50 percent through employ-  
19 ers, which shall—

20                   “(A) encourage subsidies to employers who  
21 provide advanced or specialized training, or who  
22 provide a structured and integrated learning ex-  
23 perience involving the school and employer; and

24                   “(B) limit the duration of such subsidies to  
25 not more than 1 year;

1           “(5) require that the employment provided to  
2           any such youth shall not exceed 15 hours per week  
3           during the school year;

4           “(6) permit employment to continue through  
5           the summer following high school graduation, or  
6           until the youth reaches age 19, whichever is later;  
7           and

8           “(7) contain such other terms and conditions as  
9           the Secretary requires by regulation.

10          “(c) SELECTION OF GRANT RECIPIENTS.—In deter-  
11          mining which grant recipients to permit to enter into an  
12          agreement under this section, the Secretary shall seek to  
13          target funds to high poverty areas.

14          “(d) YOUTH ELIGIBILITY.—All youth age 16 to 19,  
15          regardless of income, residing in the eligible high poverty  
16          area shall be eligible to participate in the job guarantee.

17          “(e) PRIVATE FUNDS.—Nothing in this section shall  
18          be construed to prohibit the grant recipient from raising  
19          funds to augment such grant if such funds are utilized  
20          under the conditions of this grant, except that such funds  
21          shall not be used for administration purposes.

22          **“SEC. 499N. PAYMENTS AND MATCHING REQUIREMENT.**

23          “(a) PAYMENTS.—In any fiscal year, the grant  
24          awarded under this part to a grant recipient shall be de-  
25          termined according to the amount to be provided for the

1 program pursuant to designation of the program as a se-  
2 lected program under an application made on behalf of  
3 a tax enterprise zone under section 215 of the Enterprise  
4 Zone Community Development Act of 1993, and shall be  
5 of sufficient size and scope to carry out an effective pro-  
6 gram.

7 “(b) MATCHING REQUIREMENT.—A grant recipient  
8 shall provide non-Federal funds in an amount equal to 10  
9 percent of the funds from such grant, an in-kind contribu-  
10 tion equivalent to such percent (as determined by the Sec-  
11 retary), or a combination thereof.

12 **“SEC. 4990. REPORTING.**

13 “The Secretary is authorized to establish such report-  
14 ing procedures as necessary to carry out the purposes of  
15 this part.

16 **“SEC. 499P. FEDERAL RESPONSIBILITIES.**

17 “(a) ASSISTANCE IN IMPLEMENTATION.—The Sec-  
18 retary shall provide technical assistance in the implemen-  
19 tation of this project in participating communities.

20 “(b) INDEPENDENT EVALUATION.—The Secretary  
21 shall provide for a thorough, independent evaluation of the  
22 activities assisted under this part. Such evaluation shall  
23 include an assessment of—

24 “(1) the impact on youth and young adults re-  
25 siding in target areas, including their rates of school

1 completion, enrollment in advanced education or  
2 training, and employment;

3 “(2) the extent to which participating commu-  
4 nities fulfilled the goal of guaranteeing access to ap-  
5 propriate education, training, and supportive serv-  
6 ices to all eligible youth and young adults residing  
7 in target areas who seek to participate;

8 “(3) the effectiveness of guaranteed access to  
9 comprehensive services combined with outreach and  
10 recruitment efforts in enlisting the participation of  
11 previously unserved or underserved youth and young  
12 adults residing in target areas; and

13 “(4) the effectiveness of efforts to integrate  
14 service delivery in target areas, including systems of  
15 common intake, assessment, and case management.

16 “(c) REPORT.—The Secretary shall prepare a report  
17 describing the results of the independent evaluation con-  
18 ducted pursuant to subsection (b).

19 “(d) RESERVATION OF FUNDS.—The Secretary may  
20 reserve not more than 5 percent of the amounts to be used  
21 for assistance under this part in each fiscal year to carry  
22 out the provisions of this section.

23 **“SEC. 499Q. DEFINITIONS.**

24 “For the purposes of this part—

1           “(1) The term ‘participating community’  
2 means—

3           “(A) a city, when referring to an urban  
4 area that is located within or contains a tax en-  
5 terprise zone;

6           “(B) a nonmetropolitan county, or contig-  
7 uous nonmetropolitan counties, that is located  
8 within or contains a tax enterprise zone; and

9           “(C) a section 401 or 402 grantee, or con-  
10 sortia of the State and section 401 or 402  
11 grantee, when referring to Indian reservation,  
12 Alaska Native village, and migrant or seasonal  
13 farmworker community, that are located within  
14 or contain a tax enterprise zone.

15           “(2) The term ‘high poverty area’ means (A) an  
16 urban census tract, a nonmetropolitan county, an  
17 Indian reservation, or an Alaskan Native village,  
18 with a poverty rate of 30 percent or more as deter-  
19 mined by the Secretary based on the latest Bureau  
20 of the Census estimates, or (B) a migrant or sea-  
21 sonal farmworker community.

22           “(3) The term ‘target area’ means a high pov-  
23 erty area (or portion thereof), or set of contiguous  
24 high poverty areas, that is located within a tax en-

1       terprise zone and will be the focus of the program  
2       under this part in a participating community.

3           “(4) The term ‘tax enterprise zone’ has the  
4       meaning given the term in section 217 of the Enter-  
5       prise Zone Community Development Act of 1993.”

6       (b) TECHNICAL AMENDMENTS.—The Job Training  
7       Reform Amendments of 1992 (Public Law 102–367) is  
8       amended—

9           (1) in section 406, by striking “adding at the  
10      end” and inserting “inserting after part G”;

11          (2) in section 407, by striking “adding at the  
12      end” and inserting “inserting after part H”; and

13          (3) in section 408, by striking “adding at the  
14      end” and inserting “inserting after part I”.

### 15       **CHAPTER 3—NATIONAL COMMUNITY**

#### 16           **ECONOMIC PARTNERSHIP**

##### 17       **SEC. 251. SHORT TITLE; FINDINGS AND PURPOSE.**

18       (a) SHORT TITLE.—This chapter may be cited as the  
19       “National Community Economic Partnership Act of  
20       1993”.

21       (b) FINDINGS.—Congress finds that—

22           (1) the cities, towns, small communities and  
23       rural areas throughout the United States face criti-  
24       cal social and economic problems arising in part

1 from a lack of economic growth in community based  
2 economies;

3 (2) the crisis facing local economies has re-  
4 sulted in—

5 (A) a growing percentage of the workforce  
6 earning poverty level wages, even though they  
7 work full time and year round;

8 (B) the percentage of the labor force living  
9 below the poverty line increasing from 25.7 per-  
10 cent in 1979 to 31.5 percent in 1987;

11 (C) population losses, rising unemployment  
12 and a decline of the farm sector and of many  
13 other rural industries (such as timber, oil, gas,  
14 and mining) contribute to the decline of rural  
15 economies;

16 (D) with respect to rural areas, 31.9 per-  
17 cent of the workforce falling below the poverty  
18 line in 1979, with that percentage rising to  
19 42.1 percent in 1987;

20 (E) with respect to urban areas, 23.4 per-  
21 cent of the workforce falling below the poverty  
22 line in 1979, with that percentage rising to  
23 28.9 percent in 1987; and

24 (F) the average wage and salary income of  
25 the 90 percent of the population with the lowest

1 incomes, between 1977 and 1988, falling 3.5  
2 percent in contrast to the richest 1 percent of  
3 the population whose incomes more than dou-  
4 bled in that time period.

5 (3) the future well-being of the United States  
6 and the well-being of its citizens depends on the es-  
7 tablishment and maintenance of viable community  
8 development enterprises;

9 (4) meeting the goal of establishing and main-  
10 taining viable community development enterprises  
11 requires—

12 (A) increased public and private invest-  
13 ment in business development activities, espe-  
14 cially in the small business sector which gen-  
15 erates the majority of new jobs as evidenced by  
16 the fact that between 1980 and 1986, enter-  
17 prises with less than 100 employees accounted  
18 for more than 50 percent of the jobs created in  
19 the United States;

20 (B) increased investment and technical as-  
21 sistance to existing community based enter-  
22 prises as evidenced by the fact that during the  
23 first half of the 1980's, more than 75 percent  
24 of the total net new jobs in the United States  
25 came from the expansion of existing businesses;

1 (C) a substantial expansion and greater  
2 continuity in the scope of Federal programs  
3 that support community based economic devel-  
4 opment strategies;

5 (D) the continuing efforts at Federal,  
6 State and local levels to coordinate the plan-  
7 ning, implementation and evaluation of commu-  
8 nity economic development efforts; and

9 (E) the formation of a national commis-  
10 sion, as an independent agency, to administer  
11 the various community development programs  
12 and serve as a focal point for Federal efforts to  
13 promote community based economic develop-  
14 ment; and

15 (5) community development corporations, due  
16 to their proven capacity and achievements in both  
17 the field of community based housing and economic  
18 development, are appropriate vehicles through which  
19 to advance a national community economic develop-  
20 ment program because—

21 (A) there are currently over 2000 commu-  
22 nity development corporations throughout the  
23 United States, operating projects that promote  
24 community based housing and economic devel-  
25 opment;

1 (B) community development corporations  
2 operate in every State and in virtually every  
3 major city in the United States, and account  
4 for many of the existing efforts undertaken to  
5 meet the needs of low income persons in both  
6 urban and rural communities;

7 (C) community development corporations  
8 have developed some 225,000 units of housing,  
9 with over 90 percent of these units for use by  
10 low income occupants;

11 (D) community development corporations  
12 have developed over 17,400,000 square feet of  
13 retail space, offices, industrial parks and other  
14 industrial developments in economically dis-  
15 tressed communities;

16 (E) community development corporations  
17 have made loans to over 3000 enterprises, eq-  
18 uity investments in 242 ventures and own and  
19 operate 427 businesses; and

20 (F) community development corporations  
21 commercial, industrial and business enterprise  
22 development activities have accounted for the  
23 creation and retention of nearly 90,000 jobs in  
24 the last 5 years.

1 (c) PURPOSE.—It is the purpose of this chapter to  
2 stimulate enterprise development in economically dis-  
3 tressed urban and rural areas through public and private  
4 partnerships facilitated by community development cor-  
5 porations.

6 **PART I—COMMUNITY ECONOMIC**  
7 **PARTNERSHIP INVESTMENT FUNDS**

8 **SEC. 255. PURPOSE.**

9 It is the purpose of this part to increase private in-  
10 vestment in distressed local communities and to build and  
11 expand the capacity of local institutions to better serve  
12 the economic needs of local residents through the provision  
13 of financial and technical assistance to community devel-  
14 opment corporations.

15 **SEC. 256. PROVISION OF ASSISTANCE.**

16 (a) AUTHORITY.—The Secretary of Health and  
17 Human Services (hereafter referred to in this chapter as  
18 the “Secretary”) is authorized, in accordance with this  
19 part, to provide nonrefundable lines of credit to commu-  
20 nity development corporations for the establishment,  
21 maintenance or expansion of revolving loan funds to be  
22 utilized to finance projects intended to provide business  
23 and employment opportunities for low-income, unem-  
24 ployed, or underemployed individuals and to improve the  
25 quality of life in urban and rural areas.

1 (b) REVOLVING LOAN FUNDS.—

2 (1) COMPETITIVE ASSESSMENT OF APPLICA-  
3 TIONS.—In providing assistance under subsection  
4 (a), the Secretary shall establish and implement a  
5 competitive process for the solicitation and consider-  
6 ation of applications from eligible entities for lines of  
7 credit for the capitalization of revolving funds.

8 (2) ELIGIBLE ENTITIES.—To be eligible to re-  
9 ceive a line of credit under this part an applicant  
10 shall—

11 (A) be a community development corpora-  
12 tion;

13 (B) prepare and submit an application to  
14 the Secretary that shall include a strategic in-  
15 vestment plan that identifies and describes the  
16 economic characteristics of the target area to be  
17 served, the types of business to be assisted and  
18 the impact of such assistance on low-income,  
19 underemployed, and unemployed individuals in  
20 the target area;

21 (C) demonstrate previous experience in the  
22 development of low-income housing or commu-  
23 nity or business development projects in a low-  
24 income community and provide a record of  
25 achievement with respect to such projects; and

1 (D) have secured one or more commit-  
2 ments from local sources for contributions (ei-  
3 ther in cash or in kind, letters of credit or let-  
4 ters of commitment) in an amount that is at  
5 least equal to the amount requested in the ap-  
6 plication submitted under subparagraph (B).

7 (3) EXCEPTION.—Notwithstanding the provi-  
8 sions of paragraph (2)(D), the Secretary may reduce  
9 local contributions to not less than 25 percent of the  
10 amount of the line of credit requested by the com-  
11 munity development corporation if the Secretary de-  
12 termines such to be appropriate in accordance with  
13 section 260.

14 **SEC. 257. APPROVAL OF APPLICATIONS.**

15 (a) IN GENERAL.—In evaluating applications submit-  
16 ted under section 256(b)(2)(B), the Secretary shall ensure  
17 that—

18 (1) the residents of the target area to be served  
19 (as identified under the strategic development plan)  
20 would have an income that is less than the median  
21 income for the area (as determined by the Sec-  
22 retary);

23 (2) the applicant community development cor-  
24 poration possesses the technical and managerial ca-  
25 pability necessary to administer a revolving loan

1 fund and has past experience in the development  
2 and management of housing, community and eco-  
3 nomic development programs;

4 (3) the applicant community development cor-  
5 poration has provided sufficient evidence of the ex-  
6 istence of good working relationships with—

7 (A) local businesses and financial institu-  
8 tions, as well as with the community the cor-  
9 poration proposes to serve; and

10 (B) local and regional job training pro-  
11 grams;

12 (4) the applicant community development cor-  
13 poration will target job opportunities that arise from  
14 revolving loan fund investments under this part so  
15 that 75 percent of the jobs retained or created under  
16 such investments are provided to—

17 (A) individuals with—

18 (i) incomes that do not exceed the  
19 Federal poverty line; or

20 (ii) incomes that do not exceed 80  
21 percent of the median income of the area;

22 (B) individuals who are unemployed or un-  
23 deremployed;

24 (C) individuals who are participating or  
25 have participated in job training programs au-

1           thorized under the Job Training Partnership  
2           Act (29 U.S.C. 1501 et seq.) or the Family  
3           Support Act of 1988 (Public Law 100–485);

4           (D) individuals whose jobs may be retained  
5           as a result of the provision of financing avail-  
6           able under this part; or

7           (E) individuals who have historically been  
8           underrepresented in the local economy; and

9           (5) a representative cross section of applicants  
10          are approved, including large and small community  
11          development corporations, urban and rural commu-  
12          nity development corporations and community devel-  
13          opment corporations representing diverse popu-  
14          lations.

15          (b) PRIORITY.—In determining which application to  
16          approve under this part the Secretary shall give priority  
17          to those applicants proposing to serve a target area—

18               (1) with a median income that does not exceed  
19               80 percent of the median for the area (as deter-  
20               mined by the Secretary); and

21               (2) with a high rate of unemployment, as deter-  
22               mined by the Secretary or in which the population  
23               loss is at least 7 percent from April 1, 1980, to  
24               April 1, 1990, as reported by the Bureau of the  
25               Census.

1 **SEC. 258. AVAILABILITY OF LINES OF CREDIT AND USE.**

2 (a) APPROVAL OF APPLICATION.—The Secretary  
3 shall provide a community development corporation that  
4 has an application approved under section 257 with a line  
5 of credit in an amount determined appropriate by the Sec-  
6 retary, subject to the limitations contained in subsection  
7 (b).

8 (b) LIMITATIONS ON AVAILABILITY OF AMOUNTS.—

9 (1) MAXIMUM AMOUNT.—The Secretary shall  
10 not provide in excess of \$2,000,000 in lines of credit  
11 under this part to a single applicant.

12 (2) PERIOD OF AVAILABILITY.—A line of credit  
13 provided under this part shall remain available over  
14 a period of time established by the Secretary, but in  
15 no event shall any such period of time be in excess  
16 of 3 years from the date on which such line of credit  
17 is made available.

18 (3) EXCEPTION.—Notwithstanding paragraphs  
19 (1) and (2), if a recipient of a line of credit under  
20 this part has made full and productive use of such  
21 line of credit, can demonstrate the need and demand  
22 for additional assistance, and can meet the require-  
23 ments of section 256(b)(2), the amount of such line  
24 of credit may be increased by not more than  
25 \$1,500,000.

1 (c) AMOUNTS DRAWN FROM LINE OF CREDIT.—  
2 Amounts drawn from each line of credit under this part  
3 shall be used solely for the purposes described in section  
4 255 and shall only be drawn down as needed to provide  
5 loans, investments, or to defray administrative costs relat-  
6 ed to the establishment of a revolving loan fund.

7 (d) USE OF REVOLVING LOAN FUNDS.—Revolving  
8 loan funds established with lines of credit provided under  
9 this part may be used to provide technical assistance to  
10 private business enterprises and to provide financial as-  
11 sistance in the form of loans, loan guarantees, interest re-  
12 duction assistance, equity shares, and other such forms  
13 of assistance to business enterprises in target areas and  
14 who are in compliance with section 257(a)(4).

15 **SEC. 259. LIMITATIONS ON USE OF FUNDS.**

16 (a) MATCHING REQUIREMENT.—Not to exceed 50  
17 percent of the total amount to be invested by an entity  
18 under this part may be derived from funds made available  
19 from a line of credit under this part.

20 (b) TECHNICAL ASSISTANCE AND ADMINISTRA-  
21 TION.—Not to exceed 10 percent of the amounts available  
22 from a line of credit under this part shall be used for the  
23 provision of training or technical assistance and for the  
24 planning, development, and management of economic de-  
25 velopment projects. Community development corporations

1 shall be encouraged by the Secretary to seek technical as-  
2 sistance from other community development corporations,  
3 with expertise in the planning, development and manage-  
4 ment of economic development projects. The Secretary  
5 shall assist in the identification and facilitation of such  
6 technical assistance.

7 (c) LOCAL AND PRIVATE SECTOR CONTRIBUTIONS.—  
8 To receive funds available under a line of credit provided  
9 under this part, an entity, using procedures established  
10 by the Secretary, shall demonstrate to the community de-  
11 velopment corporation that such entity agrees to provide  
12 local and private sector contributions in accordance with  
13 section 256(b)(2)(D), will participate with such commu-  
14 nity development corporation in a loan, guarantee or in-  
15 vestment program for a designated business enterprise,  
16 and that the total financial commitment to be provided  
17 by such entity is at least equal to the amount to be drawn  
18 from the line of credit.

19 (d) USE OF PROCEEDS FROM INVESTMENTS.—Pro-  
20 ceeds derived from investments made using funds made  
21 available under this part may be used only for the pur-  
22 poses described in section 255 and shall be reinvested in  
23 the community in which they were generated.

1 **SEC. 260. PROGRAM PRIORITY FOR SPECIAL EMPHASIS**  
2 **PROGRAMS.**

3 (a) IN GENERAL.—The Secretary shall give priority  
4 in providing lines of credit under this part to community  
5 development corporations that propose to undertake eco-  
6 nomic development activities in distressed communities  
7 that target women, Native Americans, at risk youth, farm-  
8 workers, population-losing communities, very low-income  
9 communities, single mothers, veterans, and refugees; or  
10 that expand employee ownership of private enterprises and  
11 small businesses, and to programs providing loans of not  
12 more than \$35,000 to very small business enterprises.

13 (b) RESERVATION OF FUNDS.—Not less than 5 per-  
14 cent of the amounts made available under section  
15 278(a)(2)(A) may be reserved to carry out the activities  
16 described in subsection (a).

17 **PART II—EMERGING COMMUNITY**  
18 **DEVELOPMENT CORPORATIONS**

19 **SEC. 265. COMMUNITY DEVELOPMENT CORPORATION IM-**  
20 **PROVEMENT GRANTS.**

21 (a) PURPOSE.—It is the purpose of this section to  
22 provide assistance to community development corporations  
23 to upgrade the management and operating capacity of  
24 such corporations and to enhance the resources available  
25 to enable such corporations to increase their community  
26 economic development activities.

1 (b) SKILL ENHANCEMENT GRANTS.—

2 (1) IN GENERAL.—The Secretary shall award  
3 grants to community development corporations to  
4 enable such corporations to attain or enhance the  
5 business management and development skills of the  
6 individuals that manage such corporations to enable  
7 such corporations to seek the public and private re-  
8 sources necessary to develop community economic  
9 development projects.

10 (2) USE OF FUNDS.—A recipient of a grant  
11 under paragraph (1) may use amounts received  
12 under such grant—

13 (A) to acquire training and technical as-  
14 sistance from agencies or institutions that have  
15 extensive experience in the development and  
16 management of low-income community eco-  
17 nomic development projects; or

18 (B) to acquire such assistance from other  
19 highly successful community development cor-  
20 porations.

21 (c) OPERATING GRANTS.—

22 (1) IN GENERAL.—The Secretary shall award  
23 grants to community development corporations to  
24 enable such corporations to support an administra-  
25 tive capacity for the planning, development, and

1 management of low-income community economic de-  
2 velopment projects.

3 (2) USE OF FUNDS.—A recipient of a grant  
4 under paragraph (1) may use amounts received  
5 under such grant—

6 (A) to conduct evaluations of the feasibility  
7 of potential low-income community economic de-  
8 velopment projects that address identified needs  
9 in the low-income community and that conform  
10 to those projects and activities permitted under  
11 part I;

12 (B) to develop a business plan related to  
13 such a potential project; or

14 (C) to mobilize resources to be contributed  
15 to a planned low-income community economic  
16 development project or strategy.

17 (d) APPLICATIONS.—A community development cor-  
18 poration that desires to receive a grant under this section  
19 shall prepare and submit to the Secretary an application  
20 at such time, in such manner, and containing such infor-  
21 mation as the Secretary may require.

22 (e) AMOUNT AVAILABLE FOR A COMMUNITY DEVEL-  
23 OPMENT CORPORATION.—Amounts provided under this  
24 section to a community development corporation shall not  
25 exceed \$75,000 per year. Such corporations may apply for

1 grants under this section for up to 3 consecutive years,  
2 except that such corporations shall be required to submit  
3 a new application for each grant for which such corpora-  
4 tion desires to receive and compete on the basis of such  
5 applications in the selection process.

6 **SEC. 266. EMERGING COMMUNITY DEVELOPMENT COR-**  
7 **PORATION REVOLVING LOAN FUNDS.**

8 (a) **AUTHORITY.**—The Secretary is authorized to  
9 award grants to emerging community development cor-  
10 porations to enable such corporations to establish, main-  
11 tain or expand revolving loan funds, to make or guarantee  
12 loans, or to make capital investments in new or expanding  
13 local businesses.

14 (b) **ELIGIBILITY.**—To be eligible to receive a grant  
15 under subsection (a), an entity shall—

16 (1) be a community development corporation;

17 (2) have completed not less than 1 nor more  
18 than 2 community economic development projects or  
19 related projects that improve or provide job and em-  
20 ployment opportunities to low-income individuals;

21 (3) prepare and submit to the Secretary an ap-  
22 plication at such time, in such manner, and contain-  
23 ing such information as the Secretary may require,  
24 including a strategic investment plan that identifies  
25 and describes the economic characteristics of the

1 target area to be served, the types of business to be  
2 assisted using amounts received under the grant and  
3 the impact of such assistance on low-income individ-  
4 uals; and

5 (4) have secured one or more commitments  
6 from local sources for contributions (either in cash  
7 or in kind, letters of credit, or letters of commit-  
8 ment) in an amount that is equal to at least 10 per-  
9 cent of the amounts requested in the application  
10 submitted under paragraph (2).

11 (c) USE OF THE REVOLVING LOAN FUND.—

12 (1) IN GENERAL.—A revolving loan fund estab-  
13 lished or maintained with amounts received under  
14 this section may be utilized to provide financial and  
15 technical assistance, loans, loan guarantees or in-  
16 vestments to private business enterprises to—

17 (A) finance projects intended to provide  
18 business and employment opportunities for low-  
19 income individuals and to improve the quality of  
20 life in urban and rural areas; and

21 (B) build and expand the capacity of  
22 emerging community development corporations  
23 and serve the economic needs of local residents.

24 (2) TECHNICAL ASSISTANCE.—The Secretary  
25 shall encourage emerging community development

1 corporations that receive grants under this section to  
2 seek technical assistance from established commu-  
3 nity development corporations, with expertise in the  
4 planning, development and management of economic  
5 development projects and shall facilitate the receipt  
6 of such assistance.

7 (3) LIMITATION.—Not to exceed 10 percent of  
8 the amounts received under this section by a grantee  
9 shall be used for training, technical assistance and  
10 administrative purposes.

11 (d) USE OF PROCEEDS FROM INVESTMENTS.—Pro-  
12 ceeds derived from investments made with amounts pro-  
13 vided under this section may be utilized only for the pur-  
14 poses described in this subchapter and shall be reinvested  
15 in the community in which they were generated.

16 (e) AMOUNTS AVAILABLE.—Amounts provided under  
17 this section to a community development corporation shall  
18 not exceed \$500,000 per year.

## 19 **PART III—RESEARCH AND** 20 **DEMONSTRATION**

### 21 **SEC. 271. RESEARCH AND DEMONSTRATION.**

22 (a) GRANTS.—The Secretary shall award grants to  
23 organizations to enable such organizations to undertake  
24 programs involving research, testing, studies or dem-  
25 onstrations related to community economic development.

1 (b) ELIGIBLE ORGANIZATIONS.—To be eligible to re-  
2 ceive a grant under this section, an entity shall—

3 (1) be a community development corporation,  
4 university, fiscal intermediary or a nonprofit organi-  
5 zation involved in community-based economic devel-  
6 opment activities; and

7 (2) prepare and submit to the Secretary an ap-  
8 plication at such time, in such manner and contain-  
9 ing such information as the Secretary determines  
10 appropriate.

11 (c) USE OF FUNDS.—Amounts received under a  
12 grant awarded under this section shall be made available  
13 for studies, reports, tests or demonstration projects that—

14 (1) identify current problems facing both urban  
15 and rural low-income communities or specific popu-  
16 lation groups within low-income communities and  
17 population-losing communities;

18 (2) identify solutions to the problems facing  
19 both urban and rural low-income communities or  
20 specific population groups within low-income com-  
21 munities;

22 (3) examine or critique current strategies being  
23 implemented to address economic issues facing low-  
24 income communities; and

1           (4) relate to any other matters determined ap-  
2           propriate by the Secretary.

3           (d) MAXIMUM AMOUNT OF GRANT.—A grant award-  
4           ed under this section shall not exceed \$50,000.

## 5   **PART IV—MISCELLANEOUS PROVISIONS**

### 6   **SEC. 275. JOINT PROGRAMS.**

7           The Secretary shall develop and promulgate, in con-  
8           sultation with the heads of other Federal agencies, regula-  
9           tions designed to permit, where appropriate, the operation  
10          of joint programs under which activities supported with  
11          assistance provided under this chapter are coordinated  
12          with community development activities supported with as-  
13          sistance provided under other programs administered by  
14          the Secretary and those administered by the heads of such  
15          agencies.

### 16   **SEC. 276. REPORTS.**

17          (a) COMMUNITY DEVELOPMENT CORPORATIONS.—  
18          Not later than 2 years after the date on which assistance  
19          is provided to a community development corporation under  
20          part I or II, every 2 years thereafter, the community devel-  
21          opment corporation shall prepare and submit to the Sec-  
22          retary a report under this section. Such report shall in-  
23          clude—

24                 (1) the amount of funds received by the com-  
25                 munity development corporation;

1 (2) a summary of the uses of such funds;

2 (3) the number of jobs created or retained by  
3 the corporation;

4 (4) the number and type of new businesses  
5 started, including micro-businesses;

6 (5) the number of jobs created or retained for  
7 individuals identified in section 257(a)(4);

8 (6) in the case of funds made available under  
9 part I, the source and amount of matching funds;

10 (7) in the case of revolving loan funds made  
11 available under part II, the amount of funds lever-  
12 aged; and

13 (8) related human services and facilities pro-  
14 vided as result of assistance provided under this  
15 chapter.

16 (b) SECRETARY.—Not later than 3 years after the  
17 date on which assistance is first provided under part I or  
18 II, and annually thereafter, the Secretary shall prepare  
19 and submit to the Committee on Labor and Human Re-  
20 sources of the Senate and the Committee on Education  
21 and Labor of the House of Representatives a report con-  
22 taining a summary of the reports received by the Secretary  
23 under subsection (a) for the period in which the report  
24 of the Secretary is submitted.

1 **SEC. 277. DEFINITIONS.**

2 As used in this chapter:

3 (1) **COMMUNITY DEVELOPMENT CORPORA-**  
4 **TION.**—The term “community development corpora-  
5 tion” means a private, nonprofit corporation whose  
6 board of directors is comprised of business, civic and  
7 community leaders, and whose principal purpose in-  
8 cludes the provision of low-income housing or com-  
9 munity economic development projects that primarily  
10 benefit low-income individuals and communities.

11 (2) **LOCAL AND PRIVATE SECTOR CONTRIBU-**  
12 **TION.**—The term “local and private sector contribu-  
13 tion” means the funds available at the local level (by  
14 private financial institutions, State and local govern-  
15 ments) or by any private philanthropic organization  
16 and private, nonprofit organizations that will be  
17 committed and used solely for the purpose of financ-  
18 ing private business enterprises in conjunction with  
19 amounts provided under this chapter.

20 (3) **POPULATION-LOSING COMMUNITY.**—The  
21 term “population-losing community” means any  
22 county in which the net population loss is at least  
23 7 percent from April 1, 1980 to April 1, 1990, as  
24 reported by the Bureau of the Census.

25 (4) **PRIVATE BUSINESS ENTERPRISE.**—The  
26 term “private business enterprise” means any busi-

1       ness enterprise that is engaged in the manufacture  
2       of a product, provision of a service, construction or  
3       development of a facility, or that is involved in some  
4       other commercial, manufacturing or industrial activ-  
5       ity, and that agrees to target job opportunities stem-  
6       ming from investments authorized under this chap-  
7       ter to certain individuals.

8           (5) TARGET AREA.—The term “target area”  
9       means any area defined in an application for assist-  
10      ance under this chapter that has a population whose  
11      income does not exceed the median for the area  
12      within which the target area is located.

13          (6) VERY LOW-INCOME COMMUNITY.—The term  
14      “very low-income community” means a community  
15      in which the median income of the residents of such  
16      community does not exceed 50 percent of the median  
17      income of the area.

18   **SEC. 278. AUTHORIZATION OF APPROPRIATIONS.**

19      (a) COMMUNITY ECONOMIC PARTNERSHIP INVEST-  
20      MENT FUNDS AND EMERGING COMMUNITY DEVELOP-  
21      MENT CORPORATIONS.—

22          (1) IN GENERAL.—There are authorized to be  
23      appropriated to carry out parts I and II,  
24      \$40,000,000 for fiscal year 1993, \$100,000,000 for

1 fiscal year 1994, and \$125,000,000 for fiscal year  
2 1995.

3 (2) EARMARKS.—Of the aggregate amount ap-  
4 propriated under paragraph (1) for each fiscal  
5 year—

6 (A) 60 percent shall be available to carry  
7 out part I; and

8 (B) 40 percent shall be available to carry  
9 out part II.

10 (3) AMOUNTS.—Amounts appropriated under  
11 paragraph (1) shall remain available for expenditure  
12 without fiscal year limitation.

13 (b) RESEARCH AND DEMONSTRATION.—There are  
14 authorized to be appropriated to carry out part III such  
15 sums as may be necessary for each of the fiscal years 1993  
16 through 1995.

17 **SEC. 279. PROHIBITION.**

18 None of the funds authorized under this chapter shall  
19 be used to finance the construction of housing.

20 **SEC. 280. EFFECTIVE DATE.**

21 This chapter shall take effect as if included in the  
22 Omnibus Budget Reconciliation Act of 1990.

1 **CHAPTER 4—MISCELLANEOUS PROGRAMS**

2 **SEC. 285. ESTABLISHMENT OF ENTERPRISE CAPITAL AC-**  
3 **CESS FUND.**

4 (a) SHORT TITLE.—This section may be cited as the  
5 “Enterprise Capital Access Fund Demonstration Pro-  
6 gram”.

7 (b) FINDINGS AND PURPOSE.—

8 (1) FINDINGS.—The Congress finds that—

9 (A) the Nation’s urban and rural commu-  
10 nities face critical social and economic problems  
11 stemming from lack of economic opportunity  
12 among low-income persons and persons living in  
13 poverty;

14 (B) the numbers of low-income persons  
15 and persons living in poverty has grown signifi-  
16 cantly over the last decade;

17 (C) lack of access to credit and other  
18 forms of capital is a significant factor in the  
19 disinvestment and decline of low-income and  
20 minority neighborhoods;

21 (D) changes in the banking system and fi-  
22 nancial markets have made access to credit in  
23 low-income and distressed communities increas-  
24 ingly more difficult to obtain as decisionmaking

1 on credit has been removed from local commu-  
2 nities;

3 (E) the restoration and maintenance of  
4 viable local economies will require improved ac-  
5 cess to credit, as well as public and private in-  
6 vestment in economic and community develop-  
7 ment activities, business development, and low-  
8 income housing;

9 (F) indigenous community-based financial  
10 institutions can play a significant role in identi-  
11 fying and responding to community needs;

12 (G) the Federal Government needs to de-  
13 velop new models and institutions for facilitat-  
14 ing local revitalization efforts and improving ac-  
15 cess to credit; and

16 (H) nonprofit financial intermediaries have  
17 proven effective in meeting the credit and other  
18 capital needs in low-income and distressed com-  
19 munities.

20 (2) PURPOSE.—The purpose of this section is  
21 to establish a demonstration program to promote re-  
22 investment in low-income and chronically distressed  
23 neighborhoods through community-based nonprofit  
24 financial institutions that work cooperatively with  
25 residents and State and local government.

1 (c) DEFINITIONS.—For purposes of this section:

2 (1) ELIGIBLE INTERMEDIARY.—The term “eli-  
3 gible intermediary” means a nonprofit organization  
4 that—

5 (A) is organized under Federal, State or  
6 local laws;

7 (B) has no part of its net earnings inuring  
8 to the benefit of any member, founder, contrib-  
9 utor, or other person;

10 (C) complies with standards of financial  
11 accountability acceptable to the Secretary;

12 (D) controls, operates or is affiliated with  
13 an entity that provides credit or investment  
14 capital in a targeted geographic area;

15 (E) has as its primary mission the revital-  
16 ization of low-income and chronically distressed  
17 neighborhoods or communities; and

18 (F) maintains, through significant rep-  
19 resentation on its governing board and other-  
20 wise, accountability to community residents.

21 (2) LOW-INCOME PERSONS.—The term “low-in-  
22 come persons” means persons whose incomes do not  
23 exceed 80 percent of the median for the area.

24 (3) SECRETARY.—The term “Secretary” means  
25 the Secretary of Housing and Urban Development.

1           (4) TARGETED GEOGRAPHIC AREA.—The term  
2           “targeted geographic area” means a geographically  
3           contiguous area of chronic economic distress as  
4           measured by unemployment, growth lag, the extent  
5           of poverty, per capita income, extent of blight and  
6           disinvestment, fiscal distress, or other indicators  
7           deemed appropriate by the Secretary, that has been  
8           identified by an eligible intermediary as an area to  
9           be served by it.

10          (d) AUTHORITY.—The Secretary shall carry out, in  
11          accordance with this section, a demonstration program to  
12          provide assistance in the form of capital and technical as-  
13          sistance grants to nonprofit financial intermediaries for  
14          the establishment, maintenance, and expansion of such in-  
15          stitutions, to be utilized to finance business and employ-  
16          ment opportunities, housing opportunities affordable to  
17          low-income persons, and neighborhood revitalization  
18          projects.

19          (e) APPLICATIONS.—The Secretary shall establish  
20          and implement a competitive process for the solicitation  
21          and consideration of applications from eligible  
22          intermediaries.

23          (f) SELECTION CRITERIA.—

24                  (1) IN GENERAL.—Not later than 12 months  
25          after the date of enactment of this section, the Sec-

1       retary shall select eligible intermediaries to partici-  
2       pate in the demonstration program, based on—

3               (A) the capacity of the eligible  
4       intermediary to carry out the purposes of this  
5       title;

6               (B) the financial capacity of the eligible  
7       intermediary based on evaluations provided by a  
8       certified public accountant and criteria to be  
9       determined by the Secretary;

10              (C) the extent of need in the targeted geo-  
11       graphic area identified by the eligible  
12       intermediary as the area it serves;

13              (D) the extent to which the lending serv-  
14       ices of the eligible intermediary are coordinated  
15       with other revitalization activities in the tar-  
16       geted geographic area;

17              (E) the previous experience and achieve-  
18       ments of the eligible intermediary in the financ-  
19       ing or development of low-income housing, in  
20       development of businesses and other employ-  
21       ment opportunities, or in neighborhood revital-  
22       ization activities;

23              (F) the extent to which the eligible  
24       intermediary has firm commitments from local  
25       sources to provide matching funds in an

1 amount that is at least equal to the amount re-  
2 quested in the application;

3 (G) an appropriate geographic distribution  
4 of intermediaries among regions in the United  
5 States;

6 (H) the extent to which the eligible  
7 intermediary demonstrates a commitment to  
8 serve minority individuals and communities;  
9 and

10 (K) other criteria deemed appropriate by  
11 the Secretary.

12 (g) CAPITAL GRANTS.—

13 (1) IN GENERAL.—The Secretary shall make  
14 capital grants to eligible intermediaries.

15 (2) USE OF GRANTS.—Capital grants may be  
16 used by eligible intermediaries to increase the capital  
17 available for loans, loan guarantees, interest rate re-  
18 duction activities, and other activities deemed appro-  
19 priate by the Secretary that promote housing afford-  
20 able to low-income persons and economic and com-  
21 munity development activities that benefit low-in-  
22 come persons.

23 (3) AMOUNT.—The maximum amount of Fed-  
24 eral assistance an eligible intermediary can receive  
25 per fiscal year under this section is \$1,000,000.

1           (h) TECHNICAL ASSISTANCE.—The Secretary is au-  
2 thorized to make grants to eligible intermediaries to pro-  
3 vide technical assistance to borrowers.

4           (i) TRAINING PROGRAM.—The Secretary shall estab-  
5 lish, or contract to establish, an ongoing training program  
6 to assist eligible intermediaries and their staffs in develop-  
7 ing the capacity to carry out the purposes of this section.

8           (j) REPORT.—The Secretary shall annually prepare  
9 and submit to Congress a report containing a summary  
10 of the activities carried out under this section and the  
11 findings and conclusions drawn from such activities.

12          (k) DUTIES OF ELIGIBLE INTERMEDIARIES.—An eli-  
13 gible intermediary receiving assistance pursuant to this  
14 section shall—

15               (1) match any assistance awarded by the Sec-  
16 retary dollar-for-dollar with non-Federal sources of  
17 funds;

18               (2) ensure that not less than 70 percent of  
19 loans to individual borrowers are to persons whose  
20 incomes are at or below 80 percent of the area me-  
21 dian income and are residents of the targeted geo-  
22 graphic area served; and

23               (3) ensure that all loans made to nonprofit or  
24 for-profit organizations provide a direct benefit to

1 persons who are residents of the targeted geographic  
2 area served.

3 (l) OFFICE OF COMMUNITY BANKING.—There is es-  
4 tablished within the Department of Housing and Urban  
5 Development an Office of Community Banking which is  
6 responsible for the implementation of this section.

7 (m) AUTHORIZATION OF APPROPRIATIONS.—There  
8 are authorized to be appropriated to carry out this section,  
9 \$100,000,000 for fiscal year 1993 and \$200,000,000 for  
10 fiscal year 1994. Any amounts appropriated pursuant to  
11 this paragraph shall remain available until expended.

12 **SEC. 286. ACCESS TO JOBS/REVERSE COMMUTING DEM-**  
13 **ONSTRATION PROGRAM.**

14 (a) PURPOSE.—It is the purpose of this section to—

15 (1) improve employment rates and earnings in  
16 inner-city areas by improving access to job sites for  
17 inner-city residents;

18 (2) improve the viability of businesses in tax en-  
19 terprise zones as a result of the increased incomes  
20 and purchasing power of zone residents; and

21 (3) test differing approaches to achieving these  
22 goals and determine their effects.

23 (b) ESTABLISHMENT OF PROGRAM.—

24 (1) IN GENERAL.—The Secretary of Labor, in  
25 consultation with the Secretary of Transportation,

1 shall establish a Reverse Commuting Demonstration  
2 Program to test the effects of assisting residents of  
3 poor inner-city areas to commute to job sites in  
4 other areas of the city or surrounding suburbs.

5 (2) USE OF NON SET-ASIDE FUNDS.—Any ap-  
6 plicant eligible for block grant funding under section  
7 215 of this Act that submits an application that  
8 meets the criteria in subsection (c) shall be approved  
9 by the Secretary of Labor, in consultation with the  
10 Secretary of Transportation, to utilize funds it re-  
11 ceives under this title to carry out a program estab-  
12 lished under this section.

13 (3) USE OF SET-ASIDE FUNDS.—The funds set-  
14 aside under section 212(d) for the program under  
15 this section shall be used by the Secretary of Labor,  
16 in consultation with the Secretary of Transportation,  
17 to fund not more than six demonstration projects  
18 utilizing the program models described in subsection  
19 (d). Projects shall be selected on a competitive basis  
20 from applications that meet the requirements of sub-  
21 section (c) that are submitted by applicants eligible  
22 for block grant funding under section 215 of this  
23 Act.

24 (c) APPLICATION AND APPROVAL CRITERIA.—An ap-  
25 plication under this section shall provide information spec-

1 ified by the Secretary of Labor, in consultation with the  
2 Secretary of Transportation, that is sufficient to satisfy  
3 the Secretary that—

4 (1) the geographic area whose residents would  
5 be served by the program established by the appli-  
6 cant under this section is a low-income area that  
7 consists in whole or substantial part of an urban tax  
8 enterprise zone;

9 (2) one of the three program models described  
10 in subsection (d) will be used by the applicant;

11 (3) the data collection procedures that will be  
12 established by the applicant will be sufficient to en-  
13 able the Secretary of Labor, in consultation with the  
14 Secretary of Transportation, to conduct an evalua-  
15 tion in accordance with subsection (e); and

16 (4) the applicant has the capability to perform  
17 adequately with respect to the program established  
18 and to meet such other criteria as the Secretary of  
19 Labor may prescribe.

20 (d) PROGRAM MODELS.—Applications approved  
21 under this section shall utilize one of the following pro-  
22 gram models:

23 (1) ADDING TRANSPORTATION SERVICES TO EX-  
24 ISTING JOB TRAINING AND PLACEMENT PRO-  
25 GRAMS.—Under this model an applicant shall sup-

1       plement existing training and placement programs  
2       through the establishment of new transportation  
3       services that are designed to—

4               (A) transport inner-city residents to job lo-  
5               cations (such as van service between the zones  
6               and business parks or major employers, with  
7               the service being provided by a public agency,  
8               a private vendor, or a neighborhood organiza-  
9               tion);

10              (B) provide transportation counseling and  
11              assistance (such as the creation of car pools  
12              and provision of education on public transit  
13              routes); or

14              (C) provide a direct subsidy of public tran-  
15              sit fares or private automobile expenses.

16              (2) IMPROVING PUBLIC TRANSIT SYSTEMS TO  
17              FACILITATE ACCESS TO JOBS/REVERSE COMMUT-  
18              ING.—Under this model an applicant may—

19              (A) work with the relevant transit operator  
20              or agency to modify public transit routes and  
21              schedules to increase the accessibility of resi-  
22              dents of inner-city areas to job locations (such  
23              as through the provision of express bus service  
24              to business parks at times coinciding with labor  
25              shifts or the provision of new connecting serv-

1           ices to fill gaps that impede commuting from  
2           inner-city areas to jobs sites); or

3                   (B) reimburse public transit operators for  
4           the costs of providing reduced fare programs to  
5           increase the access of inner city residents to  
6           employment opportunities.

7           An applicant under subparagraph (A) may request  
8           suburban employers to contribute to the costs of im-  
9           plementing such transit services.

10           (3) ESTABLISHING REGIONAL COALITIONS TO  
11           IMPROVE INNER-CITY ACCESS TO JOBS.—Under this  
12           model an applicant shall establish a regional coali-  
13           tion, which may include neighborhood organizations,  
14           employers and employers associations, transpor-  
15           tation providers, and similar entities, to implement  
16           comprehensive strategies to improve the access  
17           of residents of inner-cities to jobs through modi-  
18           fications in job training and placement services, sup-  
19           port services such as child care, and transportation  
20           services. An applicant under this model shall at-  
21           tempt to link job training program participants with  
22           job opportunities throughout as much of the metro-  
23           politan area as practicable, and transportation bar-  
24           riers between inner-city areas and job locations shall

1 be identified and transportation services imple-  
2 mented to address these problems.

3 (e) EVALUATION.—The Secretary of Labor, in con-  
4 sultation with the Secretary of Transportation, shall con-  
5 duct a thorough evaluation of the program established  
6 under this section. Such evaluation shall include an assess-  
7 ment of—

8 (1) with respect to applicants adding transpor-  
9 tation services to job training programs, the effect of  
10 the addition of such transportation services on em-  
11 ployment rates, job retention, and earnings among  
12 residents of the demonstration project areas;

13 (2) with respect to applicants improving public  
14 transit systems, the effect of the improvements, on  
15 employment rates, job retention, and earnings;

16 (3) with respect to applicants establishing re-  
17 gional coalitions and implementing comprehensive  
18 strategies, the effects of such strategies on employ-  
19 ment rates, job retention, and earnings; and

20 (4) the manner in which the adoption of such  
21 comprehensive strategies affect employment and  
22 earnings in urban tax enterprise zones, compared to  
23 other urban tax enterprise zones not initiating pro-  
24 grams to improve inner-city access to suburban job  
25 locations.

1 (f) OTHER FUNDING SOURCES.—Nothing in this sec-  
2 tion shall be construed to prevent an approved applicant  
3 from raising funds for any program established under the  
4 application from other sources to augment the funds avail-  
5 able under this Act.

6 (g) DEFINITION.—As used in this section, the term  
7 “urban tax enterprise zone” means an area designated  
8 under section 1391 of the Internal Revenue Code of 1986  
9 as an urban tax enterprise zone.

10 **SEC. 287. STUDY OF INSURANCE AVAILABILITY IN**  
11 **CENTRAL CITIES AND DISTRESSED URBAN**  
12 **AREAS.**

13 (a) IN GENERAL.—Not later than 24 months after  
14 the date of enactment of this Act, the Comptroller General  
15 shall prepare and submit to Congress a report assessing  
16 the market availability of insurance (including insurance  
17 against crime, civil disorders and related perils) for busi-  
18 nesses and residences located in central cities and dis-  
19 tressed urban areas and the impact of the availability of  
20 such insurance on the economic development or redevelop-  
21 ment of such areas.

22 (b) DETAIL OF CONTENTS.—The report required  
23 under subsection (a) shall consider—

24 (1) whether insurance (including insurance  
25 against crime, civil disorders, and related perils) is

1 available at affordable rates in central cities and dis-  
2 tressed urban areas either through the private insur-  
3 ance market or through a suitable program adopted  
4 under Federal or State law;

5 (2) whether reinsurance (including reinsurance  
6 against crime, civil disorders, and related perils) is  
7 available at affordable rates in central cities and  
8 other distressed urban areas either through the pri-  
9 vate reinsurance market or through a suitable pro-  
10 gram adopted under State law;

11 (3) the factors most likely to explain any defi-  
12 ciencies in the availability of such insurance or rein-  
13 surance;

14 (4) whether any deficiencies in the availability  
15 of such insurance or reinsurance act as a deterrent  
16 or barrier to the economic development or redevelop-  
17 ment of central cities and distressed urban areas;

18 (5) whether the Federal Crime Insurance Pro-  
19 gram operated pursuant to part C of title XII of the  
20 National Housing Act (12 U.S.C. 1749bbb et seq.)  
21 adequately promotes the availability of insurance in  
22 central cities and distressed urban areas and wheth-  
23 er the program should be modified to more effec-  
24 tively advance that goal;

1           (6) whether those State Fair Access to Insur-  
2           ance (FAIR) Plans that were established pursuant  
3           to section 1211 of title XII of the National Housing  
4           Act or other programs adopted by State govern-  
5           ments effectively promote the availability of insur-  
6           ance in central cities and distressed urban areas;

7           (7) whether reenactment of a Federal Riot Re-  
8           insurance Program to promote the availability of in-  
9           surance (including insurance against crime, civil dis-  
10          orders, and related perils) would effectively promote  
11          the availability of insurance in central cities and dis-  
12          tressed urban areas;

13          (8) whether other action by the Federal Gov-  
14          ernment would be advisable to promote the availabil-  
15          ity of insurance (including insurance against crime,  
16          civil disorders, and related perils) in central cities  
17          and distressed urban areas in order to enhance the  
18          prospects for the economic development or redevelop-  
19          ment of such areas; and

20          (9) such other issues related to the availability  
21          of insurance in central cities and other distressed  
22          urban areas and the relationship of the availability  
23          of such insurance to the economic development or  
24          redevelopment of such areas as the Comptroller Gen-  
25          eral considers appropriate.

1 (c) DEFINITIONS.—As used in this section:

2 (1) The term “affordable rates” shall have the  
3 meaning determined by the Comptroller General tak-  
4 ing into consideration factors such as the nature and  
5 degree of risks involved, the protective devices em-  
6 ployed, the extent of anticipated losses, the prevail-  
7 ing rates for similar coverages in adjacent or com-  
8 parable areas, the economic importance of the var-  
9 ious individual coverages, the type of property in-  
10 volved, and the relative abilities of the particular  
11 classes and types of insureds to pay the costs of cov-  
12 erages.

13 (2) The term “central city” means any political  
14 subdivision designated as a central city from time to  
15 time by the Office of Management and Budget.

16 (3) The term “distressed urban area” means an  
17 urban tax enterprise zone designated pursuant to  
18 section 1391 of the Internal Revenue Code of 1986  
19 or any other urban area that has a high level of pov-  
20 erty, unemployment, or minority population share,  
21 as determined by the Comptroller General.

22 (d) REFERRAL.—The report required under sub-  
23 section (a) shall, upon transmission to Congress, be re-  
24 ferred in the Senate to the Committee on Banking, Hous-  
25 ing, and Urban Affairs, and the Committee on Finance,

1 and in the House of Representatives to the Committee on  
2 Banking, Finance and Urban Affairs.

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