



Highlights of [GAO-06-727](#), a report to congressional committees

Why GAO Did This Study

The EZ/EC program is one of the most recent large-scale federal effort intended to revitalize impoverished urban and rural communities. There have been three rounds of EZs and two rounds of ECs, all of which are scheduled to end no later than December 2009.

The Community Renewal Tax Relief Act of 2000 mandated that GAO audit and report in 2004, 2007, and 2010 on the EZ/EC program and its effect on poverty, unemployment, and economic growth. This report, which focuses on the first round of the program starting in 1994, discusses program implementation; program oversight; data available on the use of program tax benefits; and the program's effect on poverty, unemployment, and economic growth. In conducting this work, GAO made site visits to all Round I EZs, conducted an e-mail survey of 60 Round I ECs, and used several statistical methods to analyze program effects.

What GAO Recommends

While not making recommendations, GAO makes observations that should be considered if these or similar programs are authorized in the future. HHS, HUD, and USDA provided comments. In particular, HUD disagreed with the observation that there was a lack of data to perform program oversight.

www.gao.gov/cgi-bin/getrpt?GAO-06-727.

To view the full product, including the scope and methodology, click on the link above. To view the survey results, click on the following link: www.gao.gov/cgi-bin/getrpt?GAO-06-734SP. For more information, contact William B. Shear at (202) 512-8678 or ShearW@gao.gov.

EMPOWERMENT ZONE AND ENTERPRISE COMMUNITY PROGRAM

Improvements Occurred in Communities, but the Effect of the Program Is Unclear

What GAO Found

Round I Empowerment Zones (EZ) and Enterprise Communities (EC) implemented a variety of activities using \$1 billion in federal grant funding from the Department of Health and Human Services (HHS), and as of March 2006, the designated communities had expended all but 15 percent of this funding. Most of the activities that the grant recipients put in place were community development projects, such as projects supporting education and housing. Other activities included economic opportunity initiatives such as job training and loan programs. Although all EZs and ECs also reported using the program grants to leverage funds from other sources, reliable data on the extent of leveraging were not available.

According to federal standards, agencies should oversee the use of public resources and ensure that ongoing monitoring occurs. However, none of the federal agencies that were responsible for program oversight—including HHS and the departments of Housing and Urban Development (HUD) and Agriculture (USDA)—collected data on the amount of program grant funds used to implement specific program activities. This lack of data limited both federal oversight and GAO's ability to assess the effect of the program. Moreover, because HHS did not provide the states and designated communities with clear guidance on how to monitor the program grant funds, the extent of monitoring varied across the sites.

In addition, detailed Internal Revenue Service (IRS) data on the use of EZ/EC program tax benefits were not available. Previously, GAO cited similar challenges in assessing the use of tax benefits in other federal programs and stated that information on tax expenditures should be collected to ensure that these expenditures are achieving their intended purpose. Although GAO recommended in 2004 that HUD, USDA, and IRS work together to identify the data needed to assess the EZ/EC tax benefits and the cost effectiveness of collecting the information, the three agencies did not reach agreement on an approach.

Without adequate data on the use of program grant funds or tax benefits, neither the responsible federal agencies nor GAO could determine whether the EZ/EC funds had been spent effectively or that the tax benefits had in fact been used as intended. Using the data that were available, GAO attempted to analyze changes in several indicators—poverty and unemployment rates and two measures of economic growth. Although improvements in poverty, unemployment, and economic growth had occurred in the EZs and ECs, our econometric analysis of the eight urban EZs could not tie these changes definitively to the EZ designation.