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The ARA Fund Report

AMERICANS FOR THE REAGAN AGENDA FUND

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President Reagan Inspires Enterprise Zone Movement

A quiet revolution is sweeping the states and localities of America. The revolution is inspired by one of President Reagan's boldest approaches to economic recovery—enterprise zones. Enterprise zones offer an innovative approach to the economic revitalization of distressed inner city and rural communities. Enterprise zones create tax and regulatory relief at the federal, state and local levels, and require the development of state and local employment and self-help incentives as a prerequisite for possible federal designation. After decades of costly but failed federal programs to help American's poor, enterprise zones are a refreshing approach utilizing the free market to address the problems of poverty.

system of federalism, state and local governments have been able to implement this bold new concept, responding to President Reagan's clarion call, while national legislation is mired in partisan bickering in Congress.

Grass-roots interest in enterprise zones, sparked by President Reagan, and anticipation of federal legislation continues to propel the creation of zones throughout the country. To date, twenty state legislatures have enacted enterprise zone legislation, nine states in 1983 alone. Twelve additional states have legislation pending. The oldest zone, Norwalk, Connecticut is only three years old. Already, Norwalk and similar communities that have operating zones have shown measurable success in creat-



tion that it would move elsewhere. Swank Corporation credits zone incentives with influencing their decision.

In Tampa, Florida, an enterprise zone encompasses Ybor City, an old cigar manufacturing center. The area has a number of historical structures and the site is initially being developed as an "old town." Several new restaurants and a winery have been opened. Between 250 and 300 new jobs have been created. A half dozen new business opening requests are currently pending which will add over 100 more new jobs. The example of Tampa proves that enterprise zones are particularly attractive to small businesses, the backbone of America's economy.

In late August, 1983, Lanham Lumber opened as the first zone business in Louisville, Kentucky. Employment at the firm is expected to grow to 125 employees within ninety days with seventy percent of those employed being considered "disadvantaged". Interest in the zone is high. With several business openings committed to in the next six months, an additional 200 or more jobs are expected.

In Baltimore, Maryland, a Business and Technical Center and thirty-five new companies have opened with the Center providing shared services that reduce costs substantially. New employees total 125. A light manufacturing company has also opened that will employ 51 persons.

In Toledo, Ohio, the designated zone area is the Warren-Sherman neighborhood. Since the zone has been operating, one company, Owen Illinois, has located in the area and several other firms are on the verge of opening facilities. According to these businesses, the reason

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Enterprise Zones work because they address the causes rather than the symptoms of poverty. They provide real jobs in the private sector . . . and provide new revenue for government at all levels.

Despite the President's support, enterprise zone legislation has yet to be enacted at the federal level. And discussion of enterprise zones in the national press has fallen off markedly. States and localities recognized early the potential benefits of enterprise zones, and excited by President Reagan's initial endorsement of the concept, they have been quick to take legislative action. Because of our

ing jobs and economic growth. The following highlights the positive results in a number of zones.

In Norwalk, Connecticut, business expansion and new business openings have created 315 new jobs. Moreover, over 900 jobs were saved when an apparel accessories manufacturer, Swank Corporation, purchased its previously leased location and ended specula-

Positive Results of Currently Operating Enterprise Zones

- Norwalk, Connecticut—315 new jobs created and 900 jobs saved.
- Tampa, Florida—Development of an "Old Town" historical center. 300 new jobs and several small businesses opened.
- Louisville, Kentucky—Over 87 disadvantaged persons to be hired.
- Overall—Between 7000 to 8000 new jobs created nationwide.

Federal Enterprise Zones—How Will They Work?



Secretary Samuel R. Pierce, Jr.

As the head of the Department of Housing and Urban Development (HUD), Secretary Samuel Pierce will be the chief federal official responsible for the development of enterprise zones. In a recent interview, Secretary Pierce explains, his approach in aiding the economically distressed areas of America.

Q. Secretary Pierce, what are the benefits of enterprise zones?

A. The concept underlying enterprise zones is the creation of an environment that is

conducive to economic revitalization and job creation in economically distressed areas. Enterprise zones provide relief from taxes, regulations and other governmental burdens, such as permit and licensing fees and procedures. They promote the improvement of municipal services and infrastructure. They directly involve private entities, organizations, neighborhood associations, and citizen groups from the zone area. Finally, they encourage local and state governments to work together as partners with the private and community sectors.

Q. Under the proposed federal legislation, how are enterprise zones created?

A. State and local governments will nominate eligible areas for Federal Enterprise Zone designation. Communities which are eligible under the Urban Development Action Grant Program (UDAG)—in other words, communities with distress characteristics—will be eligible for Federal competition. In addition, the area delineated within an eligible community must be one of pervasive poverty, unemployment, and general distress and meet an additional threshold of a fairly high level of poverty, unemployment, population loss, or low income. Within designated zones, the Federal government will provide a very potent

package of tax incentives and regulatory relief.

A state and local government must jointly request enterprise zone designation of an area and they must certify that it meets the statute's eligibility requirements. The core of the nomination process is the "Course of Action", which outlines the commitments that the local and state governments, and the private sector, have made to improve the climate for job creation, economic growth, and revitalization within the zone.

Q. What criteria will HUD use in making the final selection of zones?

A. As Secretary of HUD, I will not insist on inclusion of any particular incentive of tax or regulatory relief. A weakness of incentives in one area, such as in tax relief, could be offset by greater strength in another area, such as in private sector commitments or improved services. Preference will be given to zones with the strongest and highest quality Course of Action, and the broadest support and commitment by private entities, organizations, neighborhood associations and community groups. These factors combined would auger well for the success of the zone. I will particularly welcome innovative ingredients which appear worthy of demonstration in a zone. ■

History of the Federal Enterprise Zone Legislation

Enterprise zones were introduced in Great Britain in 1976 as a way to revitalize economically depressed communities. The concept was adopted as an experimental program by the Conservative Government in 1980. The performance of the initial zones was so encouraging that thirteen additional zones were designated in 1983.

The idea of enterprise zones came to national attention in the United States in 1980 when Congressmen Jack Kemp (R-N.Y.) and Robert Garcia (D-N.Y.) cosponsored an enterprise zone bill in the House of Representatives. This bill underwent significant revision during the next year. On June 3rd, 1982, Congressmen Kemp and Garcia introduced a new version of the bill, backed by the Reagan Administration, in the House of Representatives while Senators Rudy Boschwitz (R-Minn) and John Chafee (R-R.I.) introduced the bill in the United States Senate. An amended version of the bill was approved by the Senate Finance Committee in September, 1982. It, however, made no further progress; neither coming to a vote in the Senate, or making it to hearings in the House of Representatives.

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Provisions of President Reagan's Enterprise Zone Legislation

Senate Bill 863—Enterprise Zone Employment and Development Act of 1983—Introduced by Senator Rudy Boschwitz (R-Minnesota)

Action by the Department of Housing and Urban Development

- Up to seventy-five zones to be designated over a three year period
- Preference given to areas of greatest distress and with greatest community support.
- Minimum of one-third of the zones must be in rural areas

Benefits Available to Zone Businesses and Investors

- Ten percent tax credit for all wages paid to zone employees
- Fifty percent tax credit for all wages paid to disadvantaged employees

- Elimination of the capital gains tax for all new businesses and investors in them
- Liberalized depreciation and loss carry-over benefits
- A package of state and local benefits as designated by each area

Reduced Regulation

- Federal agencies may waive or modify non-statutory regulations
- Civil rights, health and safety of employees fully protected

Eligible Areas

- Area must be jointly sponsored by its state and local governments
- Area must meet specific population and poverty, unemployment, or low income requirements
- Area must submit plan for reducing employment burdens

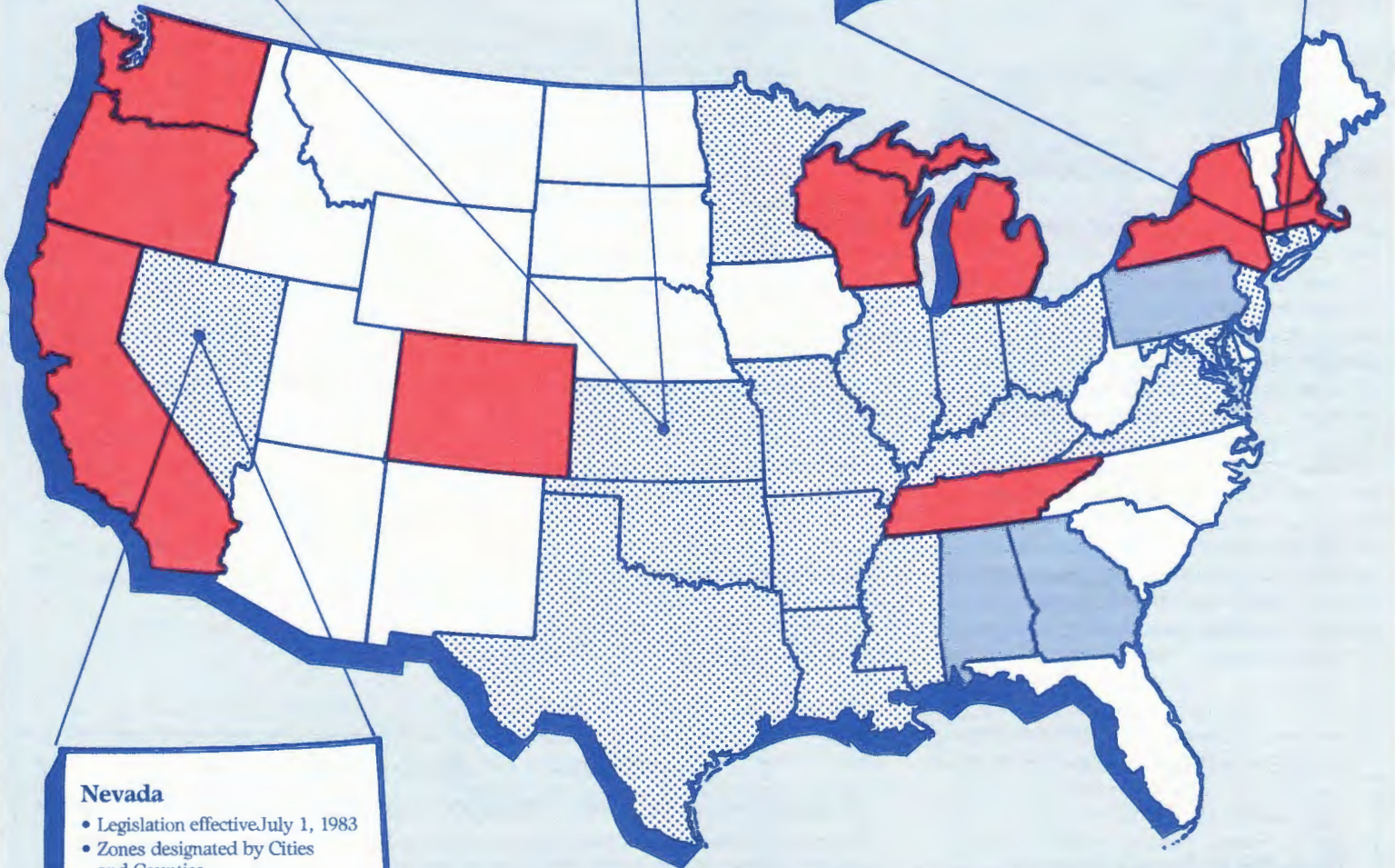
Enterprise Zone Movement Sweeps Nation

Kansas

- Twenty-seven zones currently operating
- Thirty-nine firms opened or scheduled to open
- 1,685 jobs created and committed to
- 3,034 jobs programmed in the future
- Eight companies and 230 jobs in Kansas City

Connecticut





- Legislation approved July, 1982
- Six zones currently operating
- Sixty-four new or expanded companies at work
- 813 new jobs created
- 1,538 existing jobs saved



Nevada

- Legislation effective July 1, 1983
- Zones designated by Cities and Counties
- Governor's appointee to administer
- Review of adverse governmental regulations to be made

Legend—Map shows highlights of Selected States

-  States with Enterprise Zone Acts
-  States with Administratively Designated Zones*
-  States with Enterprise Zone Bills Pending (includes Hawaii)
-  States without Enterprise Zones (includes Alaska)

*Includes states with only one part of the state designated
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for their actions is to take advantage of the tax package offered by the state and city. A reliable source has estimated that between 250 and 300 jobs can be expected to be created with these openings.

Overall, between 7000 to 8000 new jobs have already been created by state and local free-standing enterprise zone efforts. It has been estimated that seven times the existing results would occur if Congress would enact the President's enterprise zone legislation.

Enterprise zones work because they address the causes rather than the symptoms of poverty. They provide real jobs in the private sector, free the citizens of America from a costly tax burden, and provide new revenue for government at all levels. President Reagan's emphasis on enterprise zones is having its impact throughout America. Their success at the state

and local levels shows the need for Congress to rise above political bickering and partisan politics and speedily approve President Reagan's proposal for federal enterprise zones. ■

History, continued from page 2

At the beginning of the present session of Congress, a new Administration-backed bill was introduced by Congressman Barber Conable (R-N.Y.) in the House, and by Senator Rudy Boschwitz in the Senate.

The Senate Finance Committee approved the bill by a vote of fourteen to two in late May, 1983, and shortly thereafter Finance Committee Chairman Robert Dole (R-Ka.) attached the bill to a measure repealing bank withholding on interest and dividends. In June, the Senate

passed the bill thus sending the measure into a conference committee with the House.

In mid-July, the conference committee stripped the enterprise zone provisions from the bill, but not before Congressman Dan Rostenkowski (D-Ill.), Chairman of the House Ways and Means Committee and the major obstacle to a floor vote on enterprise zones in the House of Representatives, pledged to hold hearings in the Ways and Means Committee on enterprise zones. With 185 members of the House of Representatives cosponsoring the Administration's federal enterprise zone legislation, attention is now focused on the Ways and Means Committee and its chairman. ■



The ARA Fund Report

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