

Domestic Policy: Submission for the 11th Presidential Conference “William Jefferson Clinton: The ‘New Democrat’ from Hope.”

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Title: “Pre-Election Presidential Pressure in the Pursuit of Governmental Grants: The 1998 Empowerment Zones Selection Process.”

After Congress passed the Taxpayer Relief Act of 1997 (Public Law 105-34, 111 Stat. 788) which authorized the designation of 15 urban empowerment zones, the Department of Housing and Urban Development (HUD) was under pressure to modify some aspects of the empowerment zones program in the aftermath of a 1995 HUD Inspector General report. The biggest change that occurred was the **qualitative** sorting approach from 1994 was abandoned for the **quantitative** rating system in 1998. Therefore, to examine the political aspects of the designation process, this study incorporates presidential variables related to the city’s congressional delegation and information from the application form, including the quantitative rankings, to answer the following research question: to what extent did top-down presidential considerations factor into the selection process for empowerment zones? Participation in 1998 was available to enterprise communities (ECs) and non-designated cities, as well as urban communities that did not participate in the 1994 competition. Empowerment zones in 1994 were prohibited from applying. From this pool of potential applicants, 119 cities applied for an empowerment zone in 1998.

Methodologically, the project will utilize a logistic regression model, whereby the dependent variable is coded 1=designation of and empowerment zone or 0=non-designated cities. The independent variables corresponding to the city can be found in the legislation’s eligibility criteria, within the application (central business district, population of the distressed

area, square miles of the proposed empowerment zone, and percentage below poverty for each census tract), or from the reviewer assessment sheets. Independent variables related to the city's congressional representatives (not senators) were accomplished with a "cross walk" technique. With census tract information obtained from the Census Bureau, if at least one census tract was located within a congressional district, the representative was credited with an interest in the empowerment zones application. Once congressional district numbers were assigned to the applications, the political variables were collected from Congressional Quarterly's *Politics in America Almanac for the 105th Congress*. The political independent variables include the delegation's presidential support score, the 1996 state vote for the Democratic candidate, the number of marginal Democratic seats within the delegation, and leadership position.

The models will be categorized according to (1) principal agent theory, (2) need-based or merit-based criteria, and (3) principal agent theory with need-based criteria. In short, these models are designed to ascertain which merit-based or political variables were important in the selection process. For all models, statistical diagnostic tests for multicollinearity will be performed to ensure that none of the variables are measuring the same concept.

Several hypotheses will examine the impact of presidential influence in the 1998 designation process, which may have been considered by Secretary Andrew Cuomo (the former Assistant Secretary to the Office of Community Planning and Development). Examples of hypotheses are explained. **Hypothesis 1:** Cities that are most in need of economic revitalization due to the effects of poverty will receive designation. The empowerment zones program emphasizes assisting distressed communities. Therefore, the mean "percentage below poverty level" for all census tracts within the EZ and existence of a central business district (CBD) is a direct measure of a city's need. **Hypothesis 2:** Cities that draft a quality strategic plan will

receive designation. The two broad categories of the application score are quality of the strategic plan and quality of commitment made in connection with the strategic plan. The data for this variable also appears on the reviewer's analysis form. **Hypothesis 3:** The city's likelihood of designation increases as the delegation's mean presidential support score increases. While the congressional delegation may include members of the Republican Party, Democrats are going to be more supportive of President Clinton's policies. The president will reward his friends in Congress that have supported his policies between 1993 and 1998. In addition, as the party leader, the president can promote the Democrat's agenda of building strong communities through urban development. **Hypothesis 4:** A city with a majority Democratic delegation will receive designation. Although the Republicans controlled the Congress in 1998, it may have been possible for the Democrats to be rewarded. While the congressional delegation may include members of the Republican Party for the most part, Democrats are stronger supporters of HUD and President Clinton's urban development policies. Therefore, the agency will reward members of the Democratic Party.

The results of this study will help scholars to understand to what extent top-down presidential considerations benefited urban communities in their pursuit of federal programs. As the second iteration of the 1998 empowerment zones program reaches its ten-year midpoint, assumptions concerning political favoritism in the selection process can be answered.