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OFFICE OF MANAGEMENT AND BUDGET
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THE DIRECTOR

M-16-23

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Shaun Donovan
Director

SUBJECT: Prioritizing Federal Investments in Promise Zones

Beginning with guidance issued in 2009 [[M-09-28](#)], this Administration has steadily advanced a new approach to Federal engagement with communities, shifting away from one-size-fits-all approach in favor of a collaborative Federal role that is driven by partnership with local officials, coordination across agencies, and reliance on data and evidence to guide what works.¹ Today, more than 15 Federal agencies are executing coordinated engagements in 1,800 communities nationwide, saving local and Federal time and money, enhancing local capacity and improving outcomes.

While Federal agencies are using this approach to serve an array of communities, it has been especially important for high-need communities that face steep poverty as well as lower capacity to respond to both challenges and opportunities. These communities may otherwise be unable or unlikely to access Federal resources and to make sustained and meaningful progress on long-term economic, social, and other challenges.

The Promise Zones initiative is the exemplar of this new approach – establishing focused, coordinated Federal partnerships with high-need communities to invest in their resurgence. Launched in January 2014, the competitively-awarded Promise Zone designation confers ten years of significant Federal support, which includes: 1) preference for Federal financial assistance² and technical assistance, and 2) on-the-ground Federal staff support to achieve foundational gains, such as creating jobs, increasing economic activity, improving educational outcomes, increasing access to affordable housing, and reducing serious and violent crime. On June 6, 2016, the Administration announced the third and final round of nine [new Promise Zones](#), bringing the total number of Promise Zones to twenty-two, urban, rural and tribal communities.³

¹ As the [2009 guidance](#) noted, place-based policies leverage investments by focusing resources in focused places and drawing on the compounding effect of well-coordinated action. Place-conscious approaches, which agencies have also employed, intentionally balance a focus on people and place. The “new approach” encompasses both place-based and place-conscious efforts.

² Federal financial assistance is defined at 2 CFR 200.40.

³ The 22 Promise Zones are: San Antonio, TX; Los Angeles, CA; Philadelphia, PA; Southeastern Kentucky; Choctaw Nation of Oklahoma; St Louis and St. Louis County; Camden; Hartford; Indianapolis; Minneapolis; Sacramento; Pine Ridge; South Carolina (Low Country); Nashville, TN; South Los Angeles, CA; Atlanta, GA; Evansville, IN; San Diego, CA; Spokane Tribe of Indians, WA; Turtle Mountain Band of Chippewa Indians, ND; Southwest Florida Regional Planning Council; and Puerto Rico’s

While executive departments and agencies (agencies) should seek opportunities to partner effectively with all high-need communities, the Federal government has a particular imperative to deliver on its 10-year commitment to Promise Zones and an opportunity to facilitate learning about the effectiveness of the approach.

This memorandum:

- (1) Provides further background on the Federal government's new approach, the Promise Zones initiative, and examples of how agencies currently use preference as a tool within Federal financial assistance;
- (2) Directs agencies, in keeping with their authorities and where appropriate, to offer preference for Federal financial assistance and other resources on the basis of a Promise Zone designation; and
- (3) Requires agencies to track Federal assistance that is provided to Promise Zone communities.

In addition, it is also important that agencies work to understand how the Promise Zone designation helps communities to advance their goals. The Department of Housing and Urban Development (HUD) and the Department of Agriculture (USDA), which lead the Promise Zones initiative, play critical roles in gathering both quantitative and qualitative information about progress in Promise Zones through regular reporting exercises. HUD and USDA should continue these efforts, working with agency partners and Promise Zones, to understand the benefits of the designation to Promise Zones and to the Federal government in carrying out its work effectively across agencies.

Background on the Federal Government's New Approach

Recent research has shown that the place in which a child grows up has a significant impact on his or her prospects for upward economic mobility.⁴ The Federal government's approach to place-based work, which is reflected in initiatives from the multiagency Partnership for Sustainable Communities to the USDA's StrikeForce to Promise Zones, recognizes the importance of integrated planning and coordinated resources in serving local communities, including helping to strengthen lower-capacity communities in particular as places of opportunity for all residents. Recognizing that different regions, communities, and neighborhoods have unique challenges and resources, it is important that the Federal government is responsive to local needs, assets, and circumstances in achieving larger goals.

Our approach follows four basic principles:

1. **Local leadership** sets a customized vision for using appropriate Federal resources to focus on the specific needs of neighborhoods, regions and communities.
2. Local communities, in conjunction with the Federal government, come up with **longer-term local plans** that include community partners across sectors in order to help avoid

Ceiba, Fajardo, and Naguado Municipalities. For additional information, please visit: <https://www.whitehouse.gov/the-press-office/2016/06/06/obama-administration-announces-final-round-promise-zone-designations>

⁴ Chetty, Raj and Hendren, Nathaniel, "The Impacts of Neighborhoods on Intergenerational Mobility." Harvard University, April 2015, available at: http://www.equality-of-opportunity.org/images/nbhds_exec_summary.pdf

operating from crisis to crisis.

3. **Data-driven and collaborative approaches** build local capacity to use all the tools available to meet local goals.
4. **Streamlining within the Federal government** offers more seamless processes, cuts red tape and increases accessibility and effectiveness of Federal resources for local communities.

In addition to supporting communities, this approach also benefits agencies by helping them to better deliver on their respective missions and optimize investments across government. Federal partnerships allow agencies to be better coordinated on the ground and to leverage one another's respective strengths and complementary resources in carrying out their missions while advancing local goals. This greater coordination of cross-government resources can help to improve the Federal government's overall efficiency.

Background on Promise Zones

Consistent with this new approach to Federal engagement with communities, the Promise Zone model focuses on community-wide priorities and outcomes, rather than treating the symptoms of poverty in isolation. HUD and USDA selected the 22 Promise Zones through a competitive process in which eligible communities were invited to apply for the designation. The 22 urban, rural, and tribal Promise Zones were selected through three rounds of national competition. Applicants demonstrated to interagency review panels a consensus vision for their community and its residents, the capacity to carry it out, and a shared commitment to specific, measurable results.

The Promise Zone designation partners the Federal government with local leaders who are addressing multiple community revitalization challenges in a collaborative way. Promise Zone designees receive:

- An opportunity to engage AmeriCorps VISTA members in the Promise Zone's work
- A Federal community liaison assigned to help navigate Federal programs
- Preference for certain competitive Federal grant programs and technical assistance; and
- Promise Zone tax incentives, if enacted by Congress

Examples of how agencies provide support to Promise Zones within existing programs and initiatives include: the Department of Education (ED) provides technical assistance to schools that help support youth experiencing homelessness; the Department of Health and Human Services (HHS) supports an early childhood collaborative; and support from the Department of Justice's (DOJ) Diagnostic Center helps community leaders assess local needs and use data to make decisions about criminal justice programming.

Altogether, this package of assistance helps to accelerate local efforts and has sparked exciting momentum in the Promise Zones. To date, Promise Zone partner organizations have received over \$550 million in Federal investments from 16 different agencies. **Promise Zone communities commit to meeting a rigorous standard for incorporating evidence-based strategies and using data to hold programs accountable and direct resources toward what works.**

Preference as a Tool within Federal Financial Assistance

The Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (commonly called "Uniform Guidance") was officially implemented in December 2014 by the Council on Financial Assistance Reform. The Uniform Guidance – a "government-wide framework for grants management" – synthesizes and supersedes guidance from earlier OMB circulars. The Uniform Guidance maintains the requirement that for competitive grants or cooperative agreements, unless prohibited by Federal statute, the Federal awarding agency must design and execute a merit review process for applications. This process must be described or incorporated by reference in the applicable funding opportunity.⁵

Preference, or priority, is one tool that agencies regularly use as part of merit review processes as a way to emphasize policy or program priorities, focus the field on critical goals, orient Federal awards to entities that meet certain standards or criteria, or otherwise advance important priorities and program mission. Below are three examples of ways agencies incorporate preference into their merit review processes generally, in keeping with the requirements above and in accordance with their legal authorities. These examples may also apply to awards and resources provided on a non-competitive basis.

- **Extra points:** providing bonus points for applicants that meet certain criteria or standards for competitively awarded resources;
- **Discretionary ranking:** allotting discretionary flexibility during the final review of applications based on a range of factors, such as geography, policy priorities, characteristics of applicant entities, or other factors;
- **Eligibility threshold requirements:** creating qualifying criteria for automatic eligibility to apply for certain programs or resources.

In addition to the examples above, agencies also use **technical assistance** to help entities identify appropriate funding opportunities, navigate competitive processes, implement promising or best practices, and other purposes.

Directing Agencies to Provide Preference for and Track Awards to Promise Zones

The Promise Zone initiative represents an important 10-year commitment by the Federal government to the 22 communities that have received the designation through a competitive, merit-based process. As part of this commitment, agencies should consider the most appropriate approaches, including those described above, to provide preference in the context of Promise Zones.

Based on these considerations, this memorandum:

- 1) Directs agencies to take steps to identify Federal financial assistance and other resources where preference can be appropriately offered on the basis of a Promise Zone designation and to deliver on the Federal commitment to Promise Zones by making such preference available. Specifically, agencies should consider awarding extra points based on a Promise

⁵ 2 CFR 200.204

Zone designation, identifying such designation as a criterion in discretionary rankings, or making such designation an automatic qualifier for certain programs or resources. The appropriateness of these approaches may depend on factors such as the bounds of legal authorities that exist for the agency or for specific programs.

In order to provide preference, agencies should require that Promise Zone entities seeking Federal assistance submit a completed certified HUD form 50153.⁶ This is a one-page form signed by Promise Zone lead organizations to certify that activities or projects proposed in an application are consistent with the goals of the Promise Zone initiative and the revitalization strategies detailed for the specific Promise Zone. Promise Zone lead organizations are responsible for working with entities seeking Federal assistance to ensure a completed certification form is submitted along with the entity's application. Execution of this form signals to reviewers that an application for Federal assistance will advance the local Promise Zone's strategy, has the support of the local Promise Zone and is deserving of preference.

Moreover, in order to further assist Promise Zones in accessing and optimizing Federal resources, agencies should, within the bounds of their legal authorities, invest human capital into Promise Zones through such activities as the following:

- **Direct technical assistance:** Agencies can provide readily available, hands-on assistance to identify appropriate funding opportunities and navigate Federal award processes and technical assistance provided on a non-competitive basis.
- **Outreach and site visits:** Federal staff can proactively get to know the people, needs, and strategic vision of Promise Zone communities via proactive outreach and site visits. These efforts will help agencies work with Promise Zones to optimize the Federal resources available to them.

Agencies should adopt the most effective combination of the above practices based on their authorities, unique attributes and missions, available resources, and alignment with local needs in order to direct resources to Promise Zone communities and help ensure that those communities reap maximum benefit from Federal support. While this process may look different across agencies, it should result in policies and procedures that give Promise Zones and certified applicants preferred access, as appropriate, to Federal resources in keeping with their competitively awarded designation.

- 2) Directs agencies to report information on offering preference to Promise Zones and making awards to Promise Zone-certified applicants as described below. This reporting will begin in 2016 and will occur annually until all 10-year Promise Zone designations have ended.
 - a) Agencies are required to work with OMB to identify programs that will offer preference for Promise Zones in the current fiscal year, including both competitive and non-competitive opportunities. Agencies are asked to upload this information through MAX Collect [<http://collect.max.gov/x/D0pyjY>] no later than October 31, 2016, and annually within 60 days of annual appropriations measures being enacted thereafter until all 10-year Promise Zone designations have ended.

This requirement should in no way impede the provision of preference for programs or resources not anticipated at the beginning of the fiscal year that agencies may be able to make available, including in response to unique circumstances in specific communities. Additionally, to inform these decisions, HUD and USDA are available to consult with agencies on the priorities, plans, and programs of most interest to the Promise Zones.

- b) Consistent with the requirements of 2 CFR 200.202 and 200.203, agencies must ensure that the Catalog of Federal Domestic Assistance (CFDA) listings for participating programs and **notices of funding announcements include mention of preference for eligible Promise Zone applicants** as a component of the criteria used to evaluate applications, where applicable. Additionally, agencies should take steps to include Promise Zone communities in invitations to webinars and other information sessions on specific programs that explain eligible uses of funds.
- c) In order to identify resources awarded to Promise Zone-certified entities in each fiscal year, agencies must take the steps described below. HUD and USDA will use this information to verify Federal investments made in Promise Zones, which helps to determine the effectiveness of applying preference as a mechanism for directing Federal resources to high-need communities. In addition, OMB will work with HUD and USDA on one or more methodologies to assess the overall effectiveness of the Promise Zone designation in supporting community goals.
 - 1. To more accurately track awards, agencies must, by November 30th of each year, upload an annual report through Max Collect [<http://collect.max.gov/x/D0pyjY>] that
 - a) identifies all Promise Zone-certified applications submitted, b) indicates whether the application resulted in an award and the amount awarded, c) identifies any non-competitive awards to Promise Zones not otherwise captured, and d) indicates, using the best available information, whether preference played a meaningful role in these award decisions. The Max Collect page will be made accessible to Promise Zone teams at HUD and USDA, including their agency local Federal community liaisons. OMB will issue additional guidance regarding annual reports.

In order to fully capture all relevant awards and determine whether preference played a meaningful role in those awards, agencies are encouraged to engage with Federal regional staff and also, working through HUD and USDA, with Promise Zone lead organizations.

- 2. In the instance an award is made to an eligible Promise Zone lead organization or Promise-Zone certified applicant, agencies should ensure that award descriptions already required to be submitted to usaspending.gov include the following:

“The [insert community] Promise Zone has certified that this award to [insert applicant name] supports the goals of the [insert community] Promise Zone.”

Together, these requirements will help to ensure that the Federal government delivers on its commitment to designated Promise Zones and to advance the Federal government's understanding of how the Promise Zone designation can benefit local communities and advance coordinated efforts by Federal agencies.

For questions regarding this guidance, please contact Mary Ellen Wiggins at mwiggins@omb.eop.gov.