



INTERNATIONAL
ECONOMIC DEVELOPMENT
COUNCIL

2009 FEDERAL ECONOMIC DEVELOPMENT AGENDA:

**Policy Recommendations for the
44th President and 111th Congress**

Executive Summary

December 2008

Introduction

The 2009 Federal Economic Development Agenda is a set of policy recommendations issued by the International Economic Development Council (IEDC), a non-profit membership organization representing more than 4,600 economic developers and related academic and business organizations. IEDC is driven to help economic developers do their job more effectively. This Agenda is intended to provide national leaders with recommendations critical to the economic development of communities in the United States. It also offers a roadmap to the new presidential administration and the new Congress to strengthen the nation's innovation capacity. The Agenda was developed by IEDC's Public Policy Advisory Committee with input from IEDC staff, the External and Member Relations Committee, and the Board of Directors.

The IEDC Federal Economic Development Forum on March 15-17, 2009, will bring together federal policy makers and government leaders with economic development practitioners and thought leaders to address many issues found in the 2009 Federal Economic Development Agenda. For more information on the Federal Economic Development Forum, go to <http://www.iedconline.org/FederalForum/index.html>.

At the writing of the 2009 Federal Economic Development Agenda, the country is in the midst of an economic crisis. We are witnessing faltering home loans, failing banks, rapid job losses, business closures, volatile energy prices and falling stock prices that threaten the U.S.'s quality of life now and for the near future. Local and state governments are experiencing unprecedented pressures to meet growing community needs at a time of tax shortfalls. Reflecting global economic interdependence, financial systems around the world also are in turmoil as world markets experience the ripple effects from the United States' financial disruptions. Policies enacted by U.S. leadership not only affect the domestic economy but also impact international economies.

We focus here on innovation and economic development issues and recommendations for federal leaders. Innovation and economic development are about generating and implementing ideas and activities that enable broadly shared prosperity and improve the quality of life for all. Our purpose is to provide a comprehensive economic development and innovation strategy to nurture the long-term success and sustainability of the U.S. economy.

Now, more than ever, we need a renewed commitment to conserve and develop alternative energy resources; enhance globally competitive manufacturing; strengthen science and engineering education; retool the workforce; rebuild infrastructure and other physical assets; stimulate entrepreneurship; expand businesses; and combat distress. We also need an innovative government – one that is an effective steward of the economy and a proponent of economic opportunities for all communities. To revitalize the nation’s economy, we call on federal policy makers and government leaders to partner with state and local leaders, who are the frontline responders to economic challenges. Together, local and state economic developers and federal policy makers can effectively implement a new Economic Development Agenda.

The nation’s economic vitality, sustainability, and innovation capacity are intrinsically interwoven. Over the past couple of decades, rapidly expanding innovation spurred unprecedented economic growth. Innovation will be at the core of this country’s economic recovery. It is the basis for new and rejuvenated business growth, employment and global competitiveness. We have the opportunity to turn crisis into opportunity by creating green jobs, reinvigorating our manufacturing industry, rebuilding infrastructure, and making investments in innovation and the workforce that can make the economy stronger than before.

We present discussions and recommendations in the following six areas.

- a) Ensuring a Competitive Workforce,
- b) Stimulating Entrepreneurship and Supporting Small Business Growth,
- c) Developing and Conserving Energy Resources, and Growing a Green Economy,
- d) Promoting Technology and Innovation,
- e) Fostering Effective Finance and Governance, and
- f) Rebuilding Our Infrastructure.

These six areas encompass the critical issues facing local and state economic developers. Some essential development issues – such as improving communities, increasing capital access, and making our efforts more sustainable – cut across these six areas and are interwoven throughout the document. Moreover, the achievement of sustainable, broadly shared prosperity emerges from the alignment of these multiple, interactive components between and across the layers of government.

The full Agenda includes discussion upon which the recommendations are based, and is available from www.iedconline.org.

Ensuring a Competitive Workforce

I. Strengthen the Emerging Workforce Pipeline

- Extend funding for federal initiatives that encourage early interest in science, technology, engineering and mathematics (STEM) and career pathway awareness for students.
- Support the Department of Education's Career Technical Education at secondary and post-secondary education institutions, share best practices and provide technical assistance to educators to better prepare students for future career opportunities.
- Increase National Science Foundation (NSF) fellowships to expand the pool of U.S. scientists and engineers, and to increase participation from underrepresented populations.

II. Enhance the Existing Workforce

- Commit to a base funding level and allow flexibility with Workforce Investment Act (WIA) funding awarded to states to support responsiveness to regional and state needs, especially for incumbent training.
- Continue the High Growth Job Training, Community Based Job Training and Workforce Innovation in Regional Economic Development (WIRED) programs, operated by the Department of Labor (DOL), and strengthen them where possible.
- Ensure that appropriate workforce development measures accompany key legislative initiatives, such as climate change and energy independence, health care reform, and infrastructure modernization.
- Maximize incentives for local workforce providers to align funding and strategies with complementary initiatives such as the Manufacturing Extension Program (MEP), the Small Business Development Centers (SBDC), the U.S. Department of Agriculture's (USDA) rural development programs, the Economic Development Administration (EDA) and others.

III. Provide Access to the International Talent Pool

- Improve the H-1B visa program to attract and retain skilled talent from abroad by significantly increasing the visa cap.
- Allow foreign students receiving graduate degrees in technical fields to qualify for permanent resident status.
- Enable more international students to obtain visas to study at U.S. colleges and universities, particularly in critical skill shortage areas.

Stimulating Entrepreneurship and Supporting Small Business Growth

I. Support Entrepreneurs

- Mandate and adequately fund entrepreneurship activities as part of programs in reauthorization bills for the Small Business Administration (SBA), USDA, Economic Development Administration, and the DOL's WIRED initiative. The creation of a new Rural Microenterprise Assistance Program in the 2008 Farm Bill is a step in the right direction; we need similar programs in traditionally underserved urban areas.
- Identify current programs in the federal government that in some way support entrepreneurs and assess (a) their effectiveness in meeting entrepreneurial needs, (b) coordination with other federal programs that include entrepreneurs, and (c) coordination and alignment with state and local programs.
- Institute federal tax credits to stimulate private angel and seed capital investments in start-up and early-stage businesses, and to reverse the negative impact of tightening loan markets on emerging businesses.
- Reinstate the equity provided by Small Business Investment Corporation (SBIC) program, operated by SBA. Incorporate additional safeguards that are equivalent, as appropriate, to the debenture SBIC program.

II. Expand Entrepreneurship Education

- Incorporate entrepreneurship education as part of the requirements in “No Child Left Behind” and through the Higher Education Act, and support all efforts to expose young people to entrepreneurship training at all levels: K-12, community colleges, four-year colleges, and beyond.
- Create an Office of Entrepreneurship Education in the U.S. Department of Education that will gather and disseminate best practices to educators and act as an advocate for entrepreneurship training efforts.

III. Help Small Businesses Grow and Prosper

- To expand available small business credit, support expansion of the SBA 504 and 7a loan programs by reducing costs, removing restrictive policies, and taking proactive steps to unlock the secondary market for SBA-related loans.
- To reduce the cost of capital for small businesses, provide a short-term subsidy for debentures for the SBA 504 and SBIC programs.
- Expand the number of SBA lenders by allowing non-traditional financial institutions such as Community Development Financial Institutions (CDFI) and Certified Development Companies to offer SBA 7a programs to increase small business access to capital.
- Undertake a comprehensive review of the SBA and its programs to ensure that the agency's policies, procedures and programs meet the changing needs of small business. Special attention should be paid to SBA loan and SBDC programs that need to be updated to better address entrepreneurial and technology start-up needs.
- Modernize Industrial Development Bonds (IDB) authorizing legislation to qualify small issue bonds to include new economy industries, and increase maximum bond size limitation to expand the program's ability to increase capital availability.
- Provide assistance through programs such as MEP and SBDC to help small businesses employ greater energy efficiencies and identify and take advantage of new opportunities in changing markets, particularly the emerging market for clean energy and greater energy efficiencies.
- Institute health care reforms to lower the economic burden on small businesses and encourage the creation of new businesses.

Developing and Conserving Energy Resources, and Growing a Green Economy

I. Encourage the Development of Renewable Energy and Energy-Efficient Technologies and Industries

- Protect, expand and extend the renewable energy investment and production tax credits to support development of renewable energy resources, especially solar and wind power, and new technology for energy storage and transmission.
- Increase investment in energy research and development to provide sustainable and affordable clean energy, create new businesses and new jobs.
- Invest in clean coal and other emerging technologies to reduce the environmental impact while benefiting from domestic energy resources.

II. Create a Domestic Market for Clean Technology Products

- Phase in national standards to encourage more energy-efficient products and buildings.
- Provide federal assistance to small businesses to reduce their upfront costs resulting from implementing new energy conservation guidelines. Federal assistance might be in the form of low-interest loans or tax deductions/credits.
- Continue to increase fuel economy standards and expand tax credits for individuals and corporations that purchase alternative fuel vehicles produced in the U.S.
- Promote federal policies and procurement practices that encourage the use of efficient, clean and renewable energy technologies.
- Create market-based compliance mechanisms, such as a cap and trade vehicle, to reduce carbon emissions while creating economic opportunity.

III. Provide Information to Encourage Energy Conservation

- Develop new metrics to facilitate the true comparative costs and benefits of different energy options.
- Provide information to U.S. businesses, state and local governments, and the public to facilitate more informed energy-related decisions.

IV. Leverage Opportunities for New Business Development and Job Creation

- Preserve and expand the Energy Block Grant for Infrastructure and Green Jobs to provide communities resources for energy efficiency and renewable energy projects.
- Allocate funding in SBA programs, MEP, and other programs to help manufacturers and other small businesses identify opportunities to use energy efficiency and green technologies as a competitive advantage and to develop new products, new markets and new supply chains to grow existing businesses.
- Support the growth of industries that develop energy-efficient vehicles and other energy-efficient modes of transportation, such as mass transit.
- Incentivize U.S. manufacturers to return their operations to the U.S. in order to be closer to their customers, thus reducing their transportation costs.
- Ensure capital availability for energy-saving investments through SBA and other government-guaranteed lending.

V. Ensure a Skilled Workforce in Energy and Related Industries

- Fund workforce programs to train and retrain workers in energy-related fields.
- Invest in green jobs, from research and development and production to building renovation and construction.

Promoting Technology and Innovation

I. Incentivize Research and Development (R&D) and Commercialization

- Expand and make permanent the federal R&D tax credit. Allow workforce training expenses to qualify as a “knowledge credit” under the federal R&D tax credit.
- Review the Bayh-Dole Act to ensure that its original intent is being met and that it optimally promotes university-industry R&D and commercial collaboration.

II. Catalyze Public-Private Innovation Partnerships

- Catalyze industry-university research partnerships by instituting federal research grants and incorporating incentives in current agency programs.
- Expand NSF's Industry-University Cooperative Research Centers program (I/UCRC) and at least double the Partnerships for Innovation (PFI) program.
- Encourage regional R&D partnerships across state borders by providing award incentives through federal competitive innovation programs.

III. Strengthen Federal Innovation Programs

- Create a National Innovation Foundation or other national entity to coordinate innovation programs such as that proposed by the National Innovation and Job Creation Act of 2009 (S. 3078).
- Develop metrics that reflect the true and full value of innovation investments and improve data collection on federal, state and local innovation investments.
- Reauthorize the Small Business Innovation Research/ Small Business Technology Transfer (SBIR/STTR) program and implement greater flexibility within the programs to increase commercialization services.
- Authorize the Federal and State Technology Partnership Program designed to support state and local SBIR/STTR efforts.
- Reauthorize and double funding for MEP; encourage MEP to intensify its focus on supporting sustainability initiatives and pulling innovative technologies from universities, federal laboratories and other research institutions for adoption by manufacturing firms.
- Make permanent and fully fund the Technology Innovation Program (TIP), administered by NIST.
- Mandate economic development as part of federal laboratory missions and set aside a small percentage of federal laboratories' funding for this purpose.
- Organize working groups within major research agencies that involve small businesses, corporations, venture capitalists, and academicians to provide input on policies and practices that will improve public-private partnerships in federal laboratories.
- Identify current state and local technology programs and best practices for potential replication at a national level.

Fostering Effective Public Finance and Governance

I. Reassert the Federal Role in Economic Development and Improving Places

- Increase the New Market Tax Credit (NMTC) allocation by \$1.5 billion to \$5 billion for the fiscal year 2009 budget and extend the NMTC through 2014 with annual adjustments for inflation. Update the program as appropriate based on stakeholder feedback.
- Allocate \$1 billion of the Troubled Asset Relief Program (TARP) to the CDFI fund to ensure credit and financial services to low- and moderate-income neighborhoods.
- Revise the Stafford Act to give the Federal Emergency Management Agency (FEMA) a broader, more flexible authority in helping communities and states deal with natural and man-made disasters.
- Reauthorize the Environmental Protection Agency (EPA) Brownfields program; increase the funding and raise the cap for the Brownfields Cleanup grant program to more realistically reflect true cleanup costs.
- Reaffirm executive orders 12072 and 13006 as part of a larger federal plan to reengage in distressed urban areas.
- Continue to ensure that the Base Realignment and Closure (BRAC) accounts and the Office of Economic Adjustment (OEA) are funded fully and in a timely manner.
- Restore the Urban Development Action Grant (UDAG) program and update it to meet current economic conditions.

II. Revise Federal Policies and Programs to Reflect New Economic Realities

- Support reauthorization and fully fund EDA. Review EDA programs to insure that they are effectively addressing rapidly changing economic conditions and hardships in states and communities, and revise accordingly.
- Continue strong support for Community Development Block Grant (CDBG), administered by the U.S. Department of Housing and Urban Development (HUD). Review CDBG, identify and implement reforms that strengthen it to meet current economic challenges.
- Continue federal commitment to the Community Reinvestment Act (CRA) and ensure that the program upholds its original intent to encourage non-discriminatory financial practices while meeting changing economic circumstances.

- Review and ensure that rural development programs administered by USDA address changing demographics, industry shifts, and other economic challenges and opportunities.

III. Coordinate and Align Economic Development Programs

- Appoint a Special Assistant to the President for National Economic Development to lead the effort to identify, evaluate and make recommendations regarding economic development programs, and to coordinate and align programs and initiatives.
- Identify economic development, small business, innovation and related programs at the state and local levels that serve similar purposes as federal programs, and assess ways for federal programs to add value to the state and local programs.
- Organize ongoing committees in major federal agencies that bring together representatives from federal, state and local programs that serve similar purposes to exchange information and ensure alignment.
- Collect data and best practices on state and local programs and disseminate the information at the federal level.

IV. Keep Pace with Regional and Global Economic Changes

- Encourage federal agencies to promote regional programs within and across state borders by providing incentives and technical assistance through competitive federal awards.
- Restore funding to enable Bureau of Economic Analysis (BEA) and Bureau of Labor Standards (BLS) to provide complete, accurate and reliable regional economic data.
- Support the expansion of international trade and expand the Invest in America program to create new economic development opportunities.

Rebuilding Our Infrastructure

I. Invest in Infrastructure Networks

- Establish a comprehensive infrastructure strategy and national vision tied to economic, social and environmental progress.

- Create an independent national infrastructure bank, as proposed in S. 1926, to implement a national infrastructure vision and support regional economic development and greater sustainability.
- Encourage stronger public-private partnerships that leverage greater private-sector participation in infrastructure investments.
- Extend wireless spectrum for broadband services to ensure all regions, especially underserved urban and rural regions, have access to high-speed Internet service.
- Support a new infrastructure initiative that seamlessly integrates alternative energy generation sources with the traditional energy transmission grid.

II. Incorporate New and Innovative Technologies

- Demand that federally funded projects use the latest planning and construction technology in order to reduce costs and improve environmental impacts.
- Promote new business innovation and management techniques in construction and planning.

III. Emphasize Sustainable Approaches

- Structure investments to maximize long-term return and sustainability, such as using life cycle cost analysis.
- Incentivize the coordination of land-use and transportation planning and reward smart growth strategies. California Senate Bill 375, designed to reduce sprawl, is a potential model for federal action.
- Invest in mass-transit systems that ensure mobility of talent within regions and reduce congestion and carbon emissions.

IV. Improve Decision-Making Processes

- Base infrastructure appropriations on empirical data in order to ensure a uniform and fair allocation process.
- Provide spending levels and allocations in a timely manner so that state and local capital improvement plans can align with federal allocations.

- To ensure efficiency and effectiveness, allocate realistic project funding, enforce strict budget and deadline accountability, and increase public transparency in the process.

Next Steps

As our nation faces an economic crisis on a scale not seen in most of our lifetimes, IEDC's members are committed to contributing their knowledge to revitalize the nation's economy. The recommendations set forth in the 2009 Federal Economic Development Agenda are a small start toward that goal. We call on congressional leaders and the new administration to meet and work with IEDC members toward a brighter economic future.

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