INTERNATIONAL
ECONOMIC DEVELOPMENT
COUNCIL

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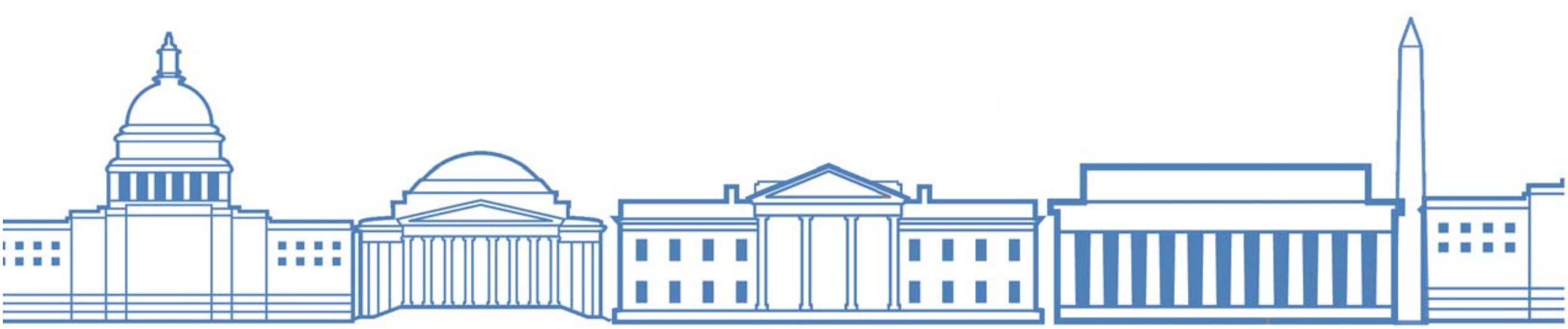

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ABOUT THE INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL

The International Economic Development Council (IEDC) is a non-profit, non-partisan membership organization serving economic developers. With more than 4,500 members, IEDC is the largest organization of its kind. Economic developers promote economic well-being and quality of life for their communities, by creating, retaining and expanding jobs that facilitate growth, enhance wealth and provide a stable tax base. From public to private, rural to urban, and local to international, IEDC's members are engaged in the full range of economic development experience. Given the breadth of economic development work, our members are employed in a wide variety of settings including local, state, provincial and federal governments, public private partnerships, chambers of commerce, universities and a variety of other institutions. When we succeed, our members create high-quality jobs, develop vibrant communities, and improve the quality of life in their regions.

INTRODUCTION

The International Economic Development Council (IEDC) is a non-profit, non-partisan membership organization serving economic developers. With more than 4,600 members, IEDC is the largest organization of its kind. Economic developers promote economic well-being and quality of life for their communities by creating, retaining, and expanding jobs that facilitate growth, enhance wealth, and provide a stable tax base. From public to private, rural to urban, and local to international, IEDC's members represent the full range of economic development practitioners. Given the breadth of economic development work, our members are employed in a wide variety of settings including local, state, provincial and federal governments, public-private partnerships, chambers of commerce, universities, and a variety of other institutions. When we succeed, our members create high-quality jobs, develop vibrant communities, and improve the quality of life in their regions.

2015 marks the beginning of the 114th Congress and the final two years of the administration of President Barack Obama. Following the election in 2014, control of both chambers of Congress has shifted to the Republicans. IEDC and our members are committed to working closely with both returning and newly-elected members of Congress. The 114th Congress faces a number of immediate and critical items of importance. Through this Federal Agenda, a document produced with input from our board of directors and Public Policy Advisory Committee, IEDC endeavors to bring focus to legislative and programmatic items of particular importance to the common, non-partisan cause of job creation.

The country continued to make modest economic gains throughout the past two years, with some rather robust results in the second and third quarters of 2014. While unemployment has dropped to 5.9 percent, there remain significant opportunities for policymakers and program managers in Washington to positively impact local and regional economic development. IEDC's Board of Directors and Public Policy Advisory Committee have identified five priority topics on which the Congress and the administration should focus their attention during the next two years:

- Infrastructure Investment
- Small Business & Entrepreneurship
- International Opportunities
- Tax Reform
- Workforce Development

IEDC applauds Congress for the significant work accomplished in water infrastructure improvement during the 113th Congress through the Water Resources Reform & Development Act of 2014 (WRRDA). The passage of this bill offers hope that the considerable work remaining for infrastructure investment is achievable in the 114th Congress. The list is long and includes both authorizations and funding mechanisms that support desperately needed investments in roads, rail, highways, bridges, mass transit, energy, and broadband. Infrastructure investments result in job creation in their very execution but also lead to long-term job creation as businesses take advantage of the improved infrastructure. We at IEDC agree these investments are necessary, and we urge Congress and the administration to find a path forward to make them a reality.

Access to capital, burdensome regulations, and tax issues continue to hinder small business and entrepreneurial growth. Congress must act to increase financing opportunities for businesses ranging from start-ups to small and medium enterprises (SMEs). Regulatory reform that eliminates onerous filings and other bureaucratic processes, while still protecting consumers and the general public, should be undertaken without delay. Tax reform, a major topic addressed separately in this Agenda, will significantly benefit small businesses, if through no other means than simplifying the requirements and processes when filing. While these are traditional requests that come from many well-informed stakeholders, IEDC further recommends Congress closely examine existing and yet-to-be-proposed ideas that support the technical assistance and physical space needs of small businesses and entrepreneurs. These oft-overlooked needs can positively and inexpensively impact the success of start-ups and SMEs alike.

Increasingly, opportunities for local and regional economic development within the U.S. are being fueled by business dealings outside our borders. International opportunities – through foreign direct investment, exports, international trade agreements, and workforce development – represent vast new job creation possibilities. There is a broad range of options for Congress and the administration to undertake in an effort to seize these opportunities. These options include permanent funding for SelectUSA, accelerated trade negotiations that open new markets to U.S. goods and services, and long-term reauthorization of the Export-Import Bank of the United States, among others. While other topics such as immigration reform may prove challenging, IEDC strongly urges Congress and the administration to move forward quickly on these items of mutual agreement.

2014 saw ample news coverage and debates centered on various tax items. Corporate inversion, tax credits, internet sales tax, foreign tax receipts, and corporate tax rates were all identified as issues requiring legislative attention. Indeed, tax reform as a whole has been identified by both parties as a top legislative priority. IEDC urges Congress and the administration to identify common ground and move quickly to address tax reform, either in part or in whole. Passage of a tax extenders package at the end of the 113th Congress is a reasonable place to begin in the 114th Congress, as there is broad support for these tax credits in both parties and in both chambers.

One of the major achievements of the 113th Congress was the passage of the Workforce Innovation & Opportunity Act (WIOA) of 2014. WIOA represents the first overhaul of the national workforce development system since 1998. It is clear to all stakeholders that our current workforce system is not meeting the contemporary needs of workers or businesses. IEDC urges Congress and the administration to fully fund the programs and provisions of WIOA and to continue to seek opportunities to connect workforce strategy with economic development strategy. We should not wait another 16 years before we take a close look at the workforce system again.

The Federal Agenda examines these five policy topics in greater detail in the pages ahead and also provides recommendations with the hope that Congress and the administration will use them in support of economic development nationwide. IEDC extends its hand in a spirit of partnership with the 114th Congress and the Obama administration; working together, there is no doubt we can achieve the goal we all share: job creation.

Infrastructure Investment

Infrastructure is both a means and an ends to job creation. Addressing the billions of dollars worth of critical infrastructure project backlog will create hundreds of thousands of jobs immediately, and completed projects will result in a rippling effect of job growth across the country. From project conception through a newly constructed highway ramp conveying manufactured goods to market, infrastructure investments yield results in the short and long-term. Indeed, there is no debate over the necessity for investments or even the strong returns likely from the investments; what remains is a debate largely over how to pay for the investments.

One significant accomplishment of the 113th Congress was the passage of the Water Resources Reform & Development Act of 2014 (WRRDA). Although the law is currently undergoing regulatory review, and it remains to be seen how efficiently it will maintain, improve, and expand the Nation's water infrastructure, there are bright spots that may provide a blueprint for how to proceed in other areas of infrastructure. They include:

- Require concurrent reviews conducted by varying federal agencies, as opposed to consecutive reviews. This should result in dramatically reduced review times for future projects.
- Reduce review time by setting a three year time limit, since these reviews have been known to run on for decades.
- Invite increased opportunities for alternative financing for projects –– including public-private partnerships – which could increase the number of projects approved each year.
- Create a formulaic approach to project selection gives preference to projects with an economic impact.

With the exception of WRRDA, the 113th Congress was unable to make significant advances in other areas of critical infrastructure. Accordingly, much of the 2015 IEDC Federal Agenda for the 114th Congress and the remaining years of the administration remains the same as the 2013 IEDC Federal Agenda. We strongly encourage lawmakers and the administration to work closely and build upon successes that lead to WRRDA becoming law and apply those lessons learned to areas such as surface transportation, broadband, and air travel.

Airports

An expanding and fast-moving economy places additional demands on our air transport system, as more business travelers and manufactured goods take to the air to connect with customers and suppliers. Therefore, we support the FAA's NextGen Initiative that is aimed at creating a next generation air traffic control system. We do express concern that an overreliance on satellite-based air surveillance, without an adequate backup ground-based system, may make our air transport system more vulnerable to service interruptions.

IEDC reiterates the importance of small and medium-sized airports as critical to local and regional economic development in rural parts of the country. Recent attempts to strip funding for air traffic control towers that serve these areas were thankfully prevented from moving forward, and we encourage lawmakers to seek less damaging means for reducing costs in the future.

Broadband

In past IEDC Federal Agenda documents, we have stressed the importance of building capacities in broadband communication. We again agree with the premises of the Broadband Data Improvement Act (S. 110-1492). As a mechanism for collecting data on broadband usage and availability, the Act provides the federal government with information to support decision-making on further investment in broadband infrastructure. We further recommend that the infrastructure enhancement efforts of the federal government provide funds, or at minimum, technical assistance, to underserved areas for this critical infrastructure need.

Ports and Rivers

IEDC is encouraged by the passage of the WRRDA and supports both a swift and inclusive regulatory review and full funding in future appropriations for all provisions of the law. We further encourage the Congress and the administration to closely monitor project selection, review, and completion throughout the life of WRRDA to identify areas of further reform and improvement. IEDC cautions against waiting too long before reviewing progress and instead encourages robust oversight, short of creating unnecessary delays in infrastructure projects that would negate advances made under WRRDA.

Surface Transportation

A systematic approach to multimodal transportation is essential to our economic future. Eighty percent of the nation's goods and freight utilize highways and bridges as they move in and through domestic destinations and to ocean ports to reach international markets. MAP-21 (Moving Ahead for Progress in the 21st Century), the current law authorizing project determination and funding, is set to expire in the Spring of 2015. Congress and the administration must act quickly to pass a new, long-term law that will shape surface transportation infrastructure investments for years to come before we reach the current deadline

Under MAP-21, the United States Department of Transportation (DOT) will establish a Primary Freight Network (PFN) consisting of 27,000 miles of existing interstates and roads and up to 3,000 miles of future of additional roadway. This designation is a key component to future maintenance and expansion planning for the multi-modal system by which freight moves (it also includes ports, inland waterways, and pipelines). The future of freight movement and the ability of businesses to move raw materials and goods are dependent upon highways and bridges, however, connections to multimodal and intermodal systems are critical as well.

We take as a given the importance for continued and adequate funding of our nation's highways and bridges by federal, state, local, and tribal governments. However, as traditional transportation funding streams shrink, diverse funding mechanisms should be developed and partnerships between government and the private sector should be encouraged in order to spur the construction and ongoing maintenance of our roadways. These could take the form of public-private partnerships, state-level infrastructure banks, and joint funding agreements between local governments and private developers.

One of the successes of the TIGER (Transportation Investment Generating Economic Recovery) program has been its ability to re-inform the American people on the importance of our nation's rail system. Further, we applaud the administration on its efforts to reinvigorate high speed passenger rail. Also of importance was TIGER's emphasis on the ability of rail to decrease carbon emissions. While we fully support high speed passenger rail, we express some concern that the discussion of rail too often moves into competitive positions concerning the relative value of high-speed passenger rail versus freight rail. This is regrettable, as both passenger and freight rail serve to enhance our overall economic competitiveness.

IEDC believes that MAP-21 should be expanded to include freight rail, intermodal, and multimodal connectivity in the legislation and funding for improvements. As passenger rail expands, funding for the construction of parallel freight rail in major congested corridors is needed. Improvements to accommodate the vertical and horizontal expansion of ocean containers are required to optimize the efficient movement of freight rail. While there have been a number of collaborative public-private partnerships in recent years to facilitate the expansion of Class I rail services in projects like the Heartland Corridor, funding for Class II and Class III railroads is also needed. These short-line railroads serve the freight rail needs of many businesses throughout the country, and the poor condition of their tracks and bridges results in loss of service, reduction in speed, and in the worst cases, loss of rail service entirely. We must support innovative funding and financing strategies for all classes of freight railroad to ensure a stable economic future.

On the issue of funding for surface transportation, as it relates specifically to projects intended to be financed by the Highway Trust Fund, we encourage definitive action on this matter that provides both sustainable funding and long-term planning capabilities. Annual debates over this issue in particular have hindered deeper discussions that will allow innovative and bold surface transportation advancements that will propel our future economy.

Infrastructure Investment Conclusion & Recommendations

IEDC and our members welcome any opportunity to engage the Congress and the administration on how infrastructure investments can be utilized to support local, regional, and national economic development. We make these recommendations for your immediate consideration and look forward to future discussions on this important topic. Respectfully, we submit the following:

1.) ***National Infrastructure Bank: IEDC fully endorses the creation of a National Infrastructure Bank (NIB), and we agree with the premise that this initiative will bring long-term economic benefits and quickly create jobs in the short-term.***

    We also support the notion that a critical element of the NIB should be the use of quantified cost-benefit analyses in evaluating the distributional impacts of each project. However, we express caution that this analytical technique may bias the results toward the largest projects and thereby reduce the importance of, and funding for, smaller projects that bring significant benefits to rural areas. Therefore we recommend that safeguards be built into the evaluation process before awards are made.

2.) ***Rural Broadband: IEDC applauds the Congress's commitment to expanding broadband access to communities within the jurisdiction of the Appalachian Regional Commission. We encourage increased funding opportunities that support broadband expansion in rural communities across federal agencies that serve rural areas, including the Delta Regional Authority, USDA-Rural Development, Bureau of Indian Affairs, and any other federal entity that is responsible for economic development in these places. Access to educational and business opportunities provided through broadband is essential to rural economic development.***

3.) ***Economic Development Administration: IEDC supports what has long been a core function of the Economic Development Administration in their programs that provide funding for infrastructure investments. Congress and the administration leverage EDA's experience in this area in concert with a more recent focus on regional economic development initiatives. As with all mandates for expanded activity, we encourage the Congress and the administration to increase funding for regional infrastructure investment.***

4.) ***Water Resources Reform & Development Act of 2014: IEDC applauds the Congress and the administration for successfully enacting much needed water infrastructure reform. We encourage the administration to swiftly complete the regulatory review process, while providing ample opportunities for stakeholder engagement to ensure reasonable regulations are put into place that effectively execute the provisions of WRRDA. We encourage Congress to fully fund the provisions of WRRDA in each year the Act is in effect so that the full capabilities of the law can be used to maintain and expand our Nation's water infrastructure.***

Congress is urged to review current project backlog with an eye toward sun-setting projects that are no longer feasible. These projects should be allowed to reapply for future appropriations but should not be permitted to continue to muddy the already complicated appropriations process by occupying the backlog when they stand little chance of moving forward. This action will result in better planning for future projects and more realistic, current cost outlooks.

5.) *MAP-21: IEDC encourages swift action on the part of the Congress and the administration to enact the next iteration of surface transportation legislation ahead of the spring 2015 deadline. The next surface transportation authorization should take into account the significant benefits of a longer term authorization – longer than the two years provided under MAP-21 – which include planning and budgeting benefits to states and local communities. Further, the legislation should promote greater authority, flexibility, and autonomy for regional transportation planning and projects.*

6.) *Highway Trust Fund: IEDC supports an increase in the federal gasoline tax that is connected to inflation and keeps the Highway Trust Fund solvent. The effectiveness of taxpayers' investment in surface transportation projects is vastly diminished by not just the uncertainty of program authorizations but also by consistent concern over when and how authorized programs will be funded. A permanent fix for funding surface transportation is needed immediately.*

7.) *Rail Networks: We encourage the Congress and the administration to put into place a funding mechanism that does not place equally important rail transport systems at odds with each other. We further suggest that the evaluation process used to award funding enhance its outreach to short-line railroads that serve rural areas.*

8.) *TIGER: The program received $500 million in appropriations for the 2015 fiscal year, and IEDC encourages level or increased funding for TIGER in future years' appropriations. TIGER has been effectively used for economic development in communities across the country, resulting in immediate construction job creation as well as long-term job creation as a result of the investments.*

SMALL BUSINESS & ENTREPRENEURSHIP

IEDC has long been committed to supporting small businesses and entrepreneurs because of their vital contribution to local economies. We have been encouraged by previous federal government efforts to support small businesses and entrepreneurs through legislation like the Jumpstart Our Businesses Act of 2011 and more recent initiatives to push greater participation for these businesses in the government procurement market. But we are conversely discouraged by failures to release implementing regulations for crowdfunding and meaningful tax reform. We strongly urge the Congress and the administration to find a path forward on measures that will address critical components to support small businesses and entrepreneurs, including:

- Access to Capital,
- Tax Reform,
- Technical Assistance/Capacity Building, and
- Regulatory Reform

These issues remain similar to previous recommendations from IEDC, in part due to lack of activity during the 113th Congress. Our viewpoint has evolved to include a greater emphasis on non-financial support that can potentially have a far greater impact as small businesses and entrepreneurs find alternative sources of financing.

Access to Capital

Access to capital remains a top area of concern for economic developers as a reflection of a near constant need for more readily accessible financing to start or expand small businesses. It should be noted that while there might not necessarily be a credit crunch limiting the availability of financing for entrepreneurs and small businesses – this point is often debated to a great extent – what is more universally understood is that requirements and processes for obtaining financing are cumbersome and onerous, ripe for review and corresponding reform. As new alternatives such as crowdfunding become available, it will be critical for the federal government to review financing opportunities through agencies such as Small Business Administration (SBA) and Department of Agriculture (USDA) for relevance and cohesion in order to efficiently and effectively leverage federal resources.

Technical Assistance and Capacity Building

Resources for mentoring, counseling, training, and transferring technology are critical for small business owners, particularly those faced by challenging business conditions. By supporting the initiation, stabilization, and expansion of small firms, these resources also significantly contribute to economic development, generating increased job growth, business sales, and tax revenues. IEDC encourages the Congress and the administration to invest significant resources into exploring and executing programs that will help small businesses receive technical training on business operations, regulatory compliance, and professional development. Further, we encourage programs that help small businesses expand their capacity, such as shared spaces and equipment that they might not otherwise have access to but may provide significant expansion opportunities.

Currently, public-private partnerships operate a vast network of programs to provide services to entrepreneurs in communities across the country. The SBA's Office of Entrepreneurial Development programs provide a significant proportion of the funding and operational framework, with contributions from state governments, private entities, higher education, and local nonprofit economic development organizations. Additional programs are administered through agencies including the Department of Commerce's Economic Development Administration (EDA) and the Minority Business Development Agency, as well as the USDA programs such as the Rural Business Opportunity and Rural Technology Transfer grants.

The largest entrepreneurial development assistance program administered by the SBA, in partnership with public and private partners, is the Small Business Development Center (SBDC) network, which operates approximately 1,000 assistance centers across the country. The program generates significant economic impact with annual job growth for SBDC clients calculated at 14.1 percent versus the national average job growth at 1.6 percent, according to the Association of Small Business Development Centers. Programs like the SBDC network rely on federal funding as an anchor for complementary local resources. However, these programs have received minimal increases from the federal budget while facing increasing demand for their services and expanding agency mandates.

To improve entrepreneurial development services, H.R.4121 - Small Business Development Centers Improvement Act of 2014, gives more flexibility for SBDC's public-private partnerships used to provide their services and creates more inter-state coordination for disaster recovery initiatives. The bill failed to pass in the 113th Congress and we encourage its reintroduction in the 114th Congress.

Reforming the Business Tax Structure

The current tax structure creates significant burdens for small businesses. These burdens manifest in both the high cost of compliance and lack of consistency within tax policy, which are directly linked. According to a survey by the National Small Business Association, almost one-third of all small business owners pay over $10,000 to administer their federal taxes. These costs create a disproportionate burden on small firms which have fewer administrative resources compared to larger corporate counterparts. Constant changes made to the federal tax structure create increased compliance concerns and costs. Changes in tax policy also hinder small firms' ability to conduct efficient business planning as they impact investment decisions.

S.2260, The EXPIRE Act of 2014 proposed to extend expiring tax provisions, including over 50 tax breaks that expired in December 2013. One of the key provisions in this tax bill, likely to impact small businesses, is the extension of the Section 179 limit. Section 179 of the tax code provides small businesses with first-year expensing options. The bill proposes to extend the deduction limit to $500,000, which was increased from $25,000 in 2007, but when the tax provision expired in 2013, the deduction was lowered to the earlier amount. In one of the last acts of the 113th Congress, the EXPIRE Act was passed but only included the current year and the provisions it contained expired after December 31, 2014.

Simplified and consistent tax policy impacting small businesses will support an expansion of longer-term investments, promoting entrepreneurial and broader economic growth.

Regulatory Reform

Small businesses and entrepreneurs are harmed by regulations in several ways, including the expense of compliance with regulations that are outdated and in need of repeal. IEDC encourages the Congress and the administration to take steps to eliminate onerous red tape from business regulations at once. Doing so will free time and financial resources that can be reinvested into operations, time that otherwise would be lost to complying with unnecessary or outdated regulations.

Small Business & Entrepreneurship Conclusions and Recommendations

Small businesses and entrepreneurs are the backbone of our economy, creating jobs, wealth, and moving the country forward through innovation and commerce. Although fiscal realities require prioritization of limited resources, IEDC and its members offer ourselves as a resource in helping to determine the most important items that can positively impact economic development. As a starting point, we offer the following recommendations:

1.) Improve access to capital for businesses by supporting the implementation of crowdfunding regulations, streamlining federal small business financing programs, and improving access to private loans through implementing legislation such as the Jumpstart Our Business Act of 2011, Startup Act 2.0 (H.R.5893), Small Business Lending Enhancement Act (S.2231), and the Bipartisan Tax Simplification and Fairness Act (S. 727).

2.) Encourage entrepreneurship and innovation through improving public-private partnerships, reducing or eliminating redundant and onerous red tape, and providing technical assistance and mentorship through legislation such as The Entrepreneur in Residence Program (S.3222) and the Red Tape Reduction and Small Business Creation Act (H.R.4078).

3.) Develop a more business-friendly tax structure allowing small businesses and entrepreneurs to reinvest earnings back into their businesses. This can be accomplished by supporting legislation

such as the Red Tape Reduction and Small Business Creation Act (H.R.4078) and the Bipartisan Tax Simplification and Fairness Act.

4.) Provide resources beyond current levels to support technical assistance and capacity building initiatives for small businesses and entrepreneurs. These resources could include accounting and tax training, human resources topics, technological resources, and physical workspace, to name a few. Existing federal agencies likely have networks in place to enact new or expanded programs in this area, lacking only the necessary funding to fully engage.

5.) Resources should be committed to initiatives that make engaging with the federal government on matters of importance to small business and entrepreneurship as streamlined and straightforward as possible. Initiatives such as BusinessUSA, which acts as a one-stop portal to federal programs across dozens of agencies, should be ramped up following their successful roll-out.

6.) The Export-Import Bank of the United States is a vital resource to small business exporters, without which they would not be able to compete in the global market place. Congress and the administration should take immediate steps to ensure long-term authorization for the Bank and to create a mechanism for timely, regular increases to the Bank's lending limit that are appropriate with sound banking practices.

INTERNATIONAL OPPORTUNITIES

Many opportunities for local and regional economic development are now located beyond our borders. As we continue to move forward in rebuilding the American economy and creating American jobs, IEDC believes some of our best opportunities exist in international policy areas, including:

- International trade
- Foreign Direct Investment
- Exports
- Immigration

It is our sincere hope that as we begin the 114th Congress and the remaining years of the Obama administration, we will identify paths forward that will fully embrace and leverage the potential of international opportunities for local economic development.

International Trade

Trade is a critical component of economic development strategies, particularly in a globalized economy. New markets expand business revenues, U.S. industries, and jobs. Regions with globally competitive industries support innovative, diverse, and sustainable economies. Further, in a globalized marketplace, firms and industries must constantly compete to increase their share of the global marketplace, which includes remaining competitive domestically.

To be actively engaged in global markets, businesses and industries require export and working capital; information from market analysis to policies on international trade and trading partners; physical infrastructure; and programs to promote market innovations for industries to remain market leaders. Federally, trade policies impact firms and communities' international trade capacity, and agencies across a spectrum of areas administer capital, technical assistance, and trade promotion programs in partnership with local and state trade and economic development entities.

U.S. international trade agreements are the gold standard of trade agreements because their comprehensive nature ensures maximum benefit while minimizing risk. However, because trade agreements represent a negotiation between competing parties with similar, yet divergent, interests, there will never be a "perfect" deal from any single participant's vantage point. IEDC encourages the Congress and the administration to seek out new opportunities for expanding international trade through comprehensive agreements and provide the necessary resources to see those agreements completed and enacted.

Exports

While communities and firms seek to become more globally competitive and access new markets, challenges restrict the role of trade in supporting growth. Export finance has long been a challenge for overseas transactions, particularly for small businesses. Given the higher risks inherent in overseas transactions, private lending for trade deals is highly constrained.

To help address gaps in financing, the nation's export credit agency, the Export-Import Bank, provides export lending products. The bank has been critical in facilitating US exports. Between 2010 and 2014, the Bank's financing resulted in the support of $198 billion in total export value. However, the agency's authorization has been unstable over the past two years, and Congress significantly delayed the bank's charter re-authorization this year. There is a need for steady export financing for businesses to invest in long-term overseas projects. Further, according to a report by the National Association of Manufacturers, many countries in which US firms compete benefit from much higher levels of export credit.

While there are many federal trade programs, there are implementation issues impacting their effectiveness. According to a 2014 Government Accountability Office (GAO) report, to ensure that trade resource are delivered effectively to firms and communities, federal trade agencies should increase their level of coordination with state and local partners. Enhanced coordination was a critical component of the administration's 2010 National Export Initiative, which was established with the goal of doubling exports within five years. The GAO report found a disparate set of resources, performance measurements, and levels of coordination between federal and state export promotion initiatives.

Foreign Direct Investment

Increasing foreign direct investment (FDI) in the United States is an essential component of national, state, and local economic development. Recent years have seen a renaissance in FDI, lead by a strong recovery in the U.S. economy and through a renewed focus on the importance of FDI by both the Congress and the administration. Most notable in the effort to attract FDI has been SelectUSA, housed within the International Trade Administration of the Department of Commerce. Tasked with acting as both the chief marketing agency of the United States and as an ombudsman for those seeking to invest in the U.S., SelectUSA has distinguished itself among economic development organizations as a hard-working, results-oriented federal partner that has delivered on its promises.

Reshoring

Recent trends indicate significant numbers of US companies reshoring part of their overseas operations. In recent surveys, one-fifth to one-quarter of production is projected to return within U.S. borders. Firms, including multinational companies, have based location decisions on cost-benefit analysis that indicate decreasing labor cost differentials abroad combined with higher transportation and infrastructure costs. Increased domestic production creates new jobs, increases the tax base of communities, and promotes industry development and innovation.

Immigration

Congress and the administration attempted to tackle comprehensive immigration reform during the 113th Congress but were ultimately unsuccessful, leaving the issue unresolved for the 114th Congress. IEDC released a report during the national debate on the economic development implications for immigration reform. Within the report were multiple examples of how the U.S. economy would be significantly improved by reforming the current system.

Recognizing the sensitive nature of the topic, we continue to encourage all parties to seek a path forward and consider approaching the topic first by addressing areas of agreement. One such area that could be addressed immediately – and must be before the end of the 2015 fiscal year when the program is set to expire – is the EB-5 immigrant investor program. Over a two year period, EB-5 investors contributed $2.65 billion to U.S. GDP and supported over 33,000 U.S. jobs. Spending by EB-5 investors accounted for $347 million in federal tax revenues and $218 million to state and local tax revenues. The program was recently marked for expansion and streamlining by the Department of Homeland Security, and we support both the continuation of this program and the development of new tools and resources to provide for more efficient and effective execution.

International Opportunities Conclusion & Recommendations

While there are many complicated aspects regarding international opportunities for economic development and job creation, IEDC strongly feels that a combination of modest and bold actions will yield a significant return on the political investment needed to secure the following recommendations. As our profession has reached a nexus of understanding on the potential of international opportunities for local economic development, we now urge our leaders in Washington to put into place policies that will allow us to fully take advantage of them. We submit the following recommendations for your consideration:

1.) Congress should pass and the president should sign Trade Promotion Authority (TPA) legislation immediately, in order to ensure effective trade negotiations with key trading partners. Further delays in passing TPA puts current and future trade agreement negotiations at serious risk of failure, resulting in a loss of protections and opportunities for U.S. businesses and workers.

2.) To meet the administration's export goals, assistance should also be expanded for small businesses engaging in overseas markets, including expanding the representation of small business specialists at U.S. Export Assistance Centers administered by the Department of Commerce. The State Trade and Export Promotion (STEP) Program, administered by the U.S. Small Business Administration's Office of International Trade, should also be expanded.

3.) Congress should meet the administration's request for funding for the SelectUSA program in full. IEDC is encouraged that funding has increased from zero to $7 million in fiscal 2014 and to $10 million in fiscal 2015. However, the amount is still well short of the administration's request for $20 million. Appropriators should take note of the amount of money spent by other industrialized nations on foreign direct investment attraction.

4.) Congress should make permanent the successful EB-5 program, set to expire on September 30, 2015, and make available the necessary resources to enable the Department of Homeland Security and other participating federal agencies able to efficiently and effectively manage the program.

5.) Congress and the administration should revisit the issue of immigration reform with a stronger commitment toward compromise that will hopefully result in ground-breaking and meaningful legislation. If a single piece of legislation proves too difficult an objective, IEDC encourages the Congress to pass and the president to sign individual legislative items that address economic components of immigration, such as student and worker visas.

5.) The Export-Import Bank of the United States is a vital resource to small business exporters, without which they would not be able to compete in the global marketplace. Congress and the administration should take immediate steps to ensure long-term authorization for the Bank and to create a mechanism for timely, regular increases to the Bank's lending limit that are appropriate with sound banking practices.

TAX REFORM

Tax reform was identified as a top priority in the 113th Congress and for good reason. From corporate tax rates that are, at least on paper, among the highest in the world to a plethora of tax credits that expire annually only to be retroactively reinstated, tax policy is ripe for comprehensive review and reform. Unfortunately, leadership changes in key committees and mid-term elections prevented meaningful change from happening. IEDC fully supports the Congress and the administration in their effort to reform the U.S. tax code. The goals of the effort should be:

- to simplify an overly bureaucratic and cumbersome system for collecting taxes that unnecessarily burdens individuals and corporations alike, particularly small businesses;
- to restructure corporate tax rates with an eye toward supporting job creation and making the U.S. a more attractive destination for foreign direct investment;
- to adopt international standards for tax repatriation, perhaps as defined by upcoming Organization for Economic Cooperation & Development guidelines, that protect U.S. interests while also reflecting the evolving nature of cross-border commerce and e-commerce;
- to make permanent certain tax credit programs that have proven successful in spurring their desired outcomes, while providing longer-term authorizations for credits meant to be temporary or credits that are yet to be proven effective; and to level the playing field between online retailers and brick-and-mortar businesses.

Regulatory Reform

As discussed in other sections of this Agenda, the cost of compliance under the current tax system is onerous, especially for small businesses. Resources must be devoted to complying with the ever-changing, cumbersome system that a business might otherwise commit to expanding operations and creating more jobs. The issue is not necessarily with the tax rate but rather with the difficulty in keeping track of changing requirements and filings. The actual act of maintaining the necessary records, compiling information, and filing form a “secondary tax” of sorts, as costs associated with these tasks must be paid on top of the actual tax bill. Streamlining the system and making compliance easier, faster, and less costly – especially for small businesses – would be an especially worthwhile objective for the 114th Congress.

Corporate Tax Rate

The corporate tax rate in the U.S. is reported by multiple sources to be around 40 percent, the highest in the developed world. Members of the Organization for Economic Cooperation and Development (OECD) had an average corporate tax rate of 24.1 percent in 2014. While corporations have varying actual tax rates based on their location within the U.S. and through the use of various deductions, having the highest corporate tax rate, even just on paper, is not a desirable designation. High corporate tax rates impact foreign direct investment and the ability of corporations to reinvest in their business. Tax reform that provides a simplified and realistic corporate tax rate will result in improved investment conditions in the U.S., introduce greater predictability into business planning, and provide greater opportunities for corporate reinvestment that leads to job creation.

International Standards

In 2013, the OECD began the Base Erosion and Profit Shifting (BEPS) project in response to a clear need to overhaul the international corporate tax scheme. A major deliverable of that project is the guidelines released to the G20 finance ministers in September 2014. The guidelines seek to streamline the international tax scheme in order to both prevent tax base erosion and profit shifting while also providing greater transparency and predictability to businesses operating in multiple markets. The steps taken will benefit countries and businesses, with one major multi-national indicating that the only thing worse than the project succeeding is that it will fail, resulting in continued variation in schemes, disputes, and lack of predictability, which ultimately hurt the bottom line. The committee that developed the guidelines included 10 corporations, as well as China and Russia; all have endorsed the guidelines.

Tax Credits

Congress passed a bill at the end of 2014 to temporarily reauthorize more than four dozen tax credits that had expired earlier in the year. This action permitted tax payers to benefit from key job-creating tax credits like the Research & Development Tax Credit, Production Tax Credit, and the New Markets Tax Credit in the 2014 tax year but only in that year. These and many of the other items contained in the EXPIRE Act are popular tools used by businesses and economic developers to spur innovation and development that might not otherwise take place. As we have seen through the successful use of these tax credits, innovation and new development lead to job creation.

Online Sales Tax

The 113th Congress again revisited the bipartisan supported Marketplace Fairness Act, a bill that seeks to level the playing field between online retailers and brick-and-mortar stores. Passing the Marketplace Fairness Act will not just lead to a level playing field, it will also unleash the potential for states to begin collecting taxes that are already in place by authorizing the creation of a system to enforce the sales tax between jurisdictions. Tens of billions of dollars could begin flowing into depleted state treasuries that could be put toward infrastructure, education, and other economic development priorities. The Marketplace Fairness Act does not represent a new tax, simply the means for States to enforce it fairly and efficiently.

Tax Review Conclusion & Recommendations

Tax reform presents as many economic opportunities as it does political challenges, and we urge the Congress and the administration to focus on the great value represented in these opportunities to fuel the engine needed to overcome the challenges. Comprehensive tax reform would be an ideal outcome for the 114th Congress, however, if this challenge proves too much, we encourage our lawmakers to seek individual paths forward for the areas covered in this section, including:

1.) When addressing regulatory reform in the U.S. tax code, we urge the Congress to pay particular attention to process. Consider simplifying the code requirements as much as possible, while still protecting the taxpayer, so that the costs of compliance may be reduced and therefore reinvested in businesses and workers.

2.) The corporate income tax rate must not only be reduced but standardized to a degree that offers as much clarity and predictability as possible. We must greatly reduce the debate around the "paper" corporate income tax rate and the "actual" corporate income tax rate. Focusing on these items when considering revisions to the corporate tax structure will benefit foreign direct investment, business planning, and public policy planning.

3.) Engage the OECD as they move forward with finalizing international taxation guidelines as these are likely to be adopted by the rest of OECD members. The current plan is endorsed by corporations and countries alike, and not engaging in the final deliberations can only lead to future turmoil in the increasingly important cross-border trade and e-commerce markets. The U.S. should be actively involved in order to ensure the best possible outcome for U.S. businesses and taxpayers.

4.) Congress should make permanent proven tax credits such as the Research & Development Credit and New Markets Tax Credit and consider longer-term extensions to credits yet-proven or meant to be temporary. Predictability is essential to providing maximum benefit to users of tax credits and providing permanency and longer-term reauthorizations will result in better, higher utilization and greater value to taxpayers. Tax credits represent an investment in future earnings and job creation and should not be viewed as simple reductions to revenue or tax breaks.

5.) The Marketplace Fairness Act enjoys bipartisan support in both chambers of Congress, and we urge the immediate consideration of the bill in the 114th Congress. It does not represent a new tax and will result in billions of dollars worth of revenue for States, while also bringing fairness to the healthy competition between online retailers and brick-and-mortar retailers.

Workforce Development

IEDC members recognize that workforce development is a major component of any successful economic development strategy, and it is our sincere hope that lawmakers and workforce development program managers recognize that economic development must also be a major component of any successful workforce development strategy. A well-trained and skilled workforce is critical both for the competitiveness of existing businesses and for attracting new businesses to a state, region, or community. Effective state and regional workforce policies and strategies must make the connection between the needs of businesses while providing residents with the training, education, and skills they need to obtain quality, career-oriented jobs.

Until recently, there was little hope for action on workforce development policy. The Workforce Investment Act (WIA), passed in 1998 and chopped to pieces since then, faced serious funding challenges and was in need of major overhaul. However, in mid-2014 workforce leaders in the Senate and the House announced a deal to swiftly bring the Workforce Innovation and Opportunity Act (WIOA) to the floor of the Senate. WIOA represented the first major overhaul of federal workforce policy in over 15 years. Because of WIOA's passage, IEDC has only limited recommendations for changes in this area, but workforce development remains a part of our Federal Agenda as a crucial reminder that economic developers place significant value and emphasis on this issue. We are eagerly awaiting the writing of regulations that will enact WIOA and look forward to engaging as a key stakeholder group as this new legislation goes into effect.

Workforce Innovation and Opportunity Act

We applaud Congress for its leadership in passing bipartisan legislation to revamp the nation's workforce development system through WIOA. We are encouraged by several key points in the legislation, while others raise flags for further observation and attention.

We are encouraged by the requirement to include local, regional, and state economic development strategies in the creation of workforce development strategies. As economic developers, we are at the core of the creation and execution of economic development strategies and know they provide an excellent assessment of current economic strengths and areas of specific focus for growth and development. Economic development strategies can reveal current and future workforce needs clearly and will prove to be a very useful tool in the creation of effective workforce development strategies.

IEDC is pleased to see 15 percent of each state's funding allotment set aside for state-specific programming is restored under WIOA. This funding will give states the ability to create programs for specific communities and industries quickly, allowing for adaptability and experimentation in workforce development programming that can lead to job creation, innovative new programs, and tested lessons for other states.

We welcome the inclusion of economic development organizations and economic development practitioners as optional members of local, regional, and state workforce development boards. We are concerned, however, that the requirement for using economic development strategies without also requiring the organizations and individuals responsible for the development and execution of those strategies to join workforce boards may lead to confusion and a misunderstanding of goals and objectives. We will be encouraging active engagement among our members in the hope that the option to include economic development organizations and practitioners on these important boards will be fully exercised.

Workforce Development Conclusion & Recommendations

It is too soon to tell if WIOA will meet our workforce development needs in ways WIA did not and if WIOA can provide the adaptive programs and policies that are necessary in an economy with rapidly changing labor needs. We do, however, have preliminary recommendations for how to proceed during the next several months, which include:

1.) Expeditiously release draft regulations for the Workforce Innovation and Opportunity Act that allows for ample time for consideration and alteration pending input from key stakeholder groups, such as economic development organizations.

2.) Fully fund the provisions contained within WIOA that require funding; a crippling issue with the effectiveness of WIA was a lack of funding from Congress. All due consideration should be given by appropriators to ensure maximum funding.

3.) Actively engage with economic development organizations at the local, regional, state, and national level as called for in WIOA. While economic development organizations appear at various points in the legislation and, most often and regrettably so, as an optional party to include, WIOA cannot hope to achieve maximum success without them. WIOA does include language requiring consultation with local, regional, and state economic development strategies, but economic development organizations are at the center of these strategies' development and execution.

4.) IEDC encourages robust oversight of WIOA for the purposes of identifying challenges early on and providing legislative or regulatory fixes as needed. We should not wait another 15 years to meaningfully revisit how we train and retrain the nation's workforce.

CONCLUSION

IEDC and our members stand ready to support the 114th Congress and the Obama administration toward achieving the objectives laid out in the 2015 Federal Economic Development Agenda. The vast majority, if not all, of the items outlined in this report share at least some amount of bipartisan support. We seek to partner with you in service to our communities and our country. By addressing infrastructure investments, small business needs, international opportunities, tax reforms, and workforce development, we can make meaningful gains toward sustained economic growth and job creation.

Let us now work together.

Public Policy Advisory Committee

The Public Policy Advisory Committee (PPAC) advises the Board and staff on matters of public policy related to economic development. PPAC provides valuable insight into federal economic development programs and policies in action, and sheds light on how current and future programs and policies might benefit job creation efforts across the country. The Federal Economic Development Agenda would not be possible without the significant contributions made by PPAC.

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***Denotes New PPAC Member in 2015**

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