



# STATE OF FEDERAL ECONOMIC DEVELOPMENT

**Jeffrey A. Finkle, CEcD**

**President & CEO**

**International Economic Development Council**



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL



# About IEDC

**The International Economic Development Council (IEDC) is the world's largest membership organization serving the economic development profession.**

We are dedicated to helping economic developers do their jobs more effectively and raising the profile of the profession.

When we succeed, our members create more high-quality jobs, develop more vibrant communities, and generally improve the quality of life in their regions.





# IEDC State of Federal Economic Development

Today, we will discuss key federal issues that impact the economic development profession:

- 2017 Highlights
- 2018 Outlook
- 2019 Budget Proposal
- Take Aways





# 2017 Highlights





## 2017: A Quick Economic Overview

- BLS: National Unemployment rate decreased from 4.8% in Jan 17 to **4.1%** in Dec 17
- BEA: Real GDP increased by **2.3%** in FY 2017, compared to a 1.5% increase in 2016
- BLS: Labor Force Participation Rate remained unchanged from Jan 17 to Dec 17 at **62.70%**
- BLS: From Feb 17 to Feb 18, real average hourly earnings increased **0.4%**, seasonally adjusted





## 2017: The First Year

- The White House proposed eliminating or drastically cutting back all federal economic development programs
- Serious lack of senior political appointments throughout the government
  - *Dept of Commerce*: Deputy Secretary, Assistant Secretary for Economic Development, Census Bureau Director
  - *Dept of Labor*: Assistant Secretary for employment and training
  - *Dept of Transportation*: Assistant Secretary for Budget and Programs and Chief Financial Officer
  - *Dept of Treasury*: Deputy Secretary, Chief Financial Officer
  - *EXIM*: President and Chairman<sup>6</sup>





## 2017: Workforce and Manufacturing

- In FY 17, manufacturing employment rose by **196,000** people
  - Manufacturing makes up 8.8% of the total US workforce
- In FY 16, foreign direct investment contributed **\$1.5 trillion** to the US manufacturing industry
  - This number has doubled from \$762 billion in 2011
  - This represents over 40% of the US' total FDI received





## 2017: Trade and Foreign Investment

- The United States still remains the number one recipient of FDI in the world, for fifth year in a row as of 2016
- In FY 16, among BRICS, China was the US' s largest investor, with **\$58 billion** in total (reflecting a \$49 billion increase since 2011)
- In FY 17, the US trade deficit with China reached **\$375.2 billion**, the highest on record







## 2017: Rural Development

- April 17: The President issued Executive Order 13790 which established the Interagency Task Force on Agriculture and Rural Prosperity
  - Led by Secretary Sonny Perdue, and includes 22 federal agencies along with local leaders
  - It's purpose is to identify legislative, regulatory, and policy changes to promote economic development , job growth, infrastructure improvements, and other channels to improve quality of life in rural America
  - This Order revokes the Obama Administration's White House Rural Council, but serves a similar function
- USDA Rural Development underwent restructuring, eliminating their Under Secretary





# 2017: Major Legislation Tax Bill

- **\$1.5 trillion** in tax cuts
  - US corporate tax rate will decrease from 35% to **21%**
  - New caps on deductions for state and local property, income, and/or sales tax
  - Makes interest income paid on municipal bonds exempt from federal tax
  - Extends New Markets Tax Credit program





# 2017: Major Legislation

## Opportunity Zones

- Tax bill includes a new “Opportunity Zone” tax-incentive community development program
  - The project includes a more targeted framework than previous area development programs in the past
  - 25% of low-income census tracts in each state to be designated
  - Deadline was March 21<sup>st</sup> – unless extension requested





# 2017: Major Legislation

## Opportunity Zones

- The program encourages long-term investments in low-income urban and rural communities that are designated by chief executives of each state
  - The program includes various levels of tax incentives according to how long the investment is held; if held for at least 10 years, the investor gets a permanent exclusion from taxable income of capital gains
  - The tax benefit is to the investor who capitalizes opportunity fund
  - Communities benefit from a new source of capital





# Outlook: 2018





## 2018: Current Year Funding

- Several Continuing Resolutions (CR) have been passed since the end of FY '17 last September 30<sup>th</sup>
- 5 short-term government shutdowns since then
- March 23<sup>rd</sup> was the end of the last CR





## 2018: Current Year Funding

- While bad for planning, CR's have preserved funding for the most part
- Omnibus appropriations lack transparency and clear opportunities for input, but the end result is usually good in terms of funding





## 2018: Current Year Funding

- Congress just released their 2018 Omnibus spending bill on Wednesday, March 21 – 2,232 pages
- The bill includes \$1.3 trillion in total spending
- Passed by the House on 3/22
- Passed by Senate on 3/23
- Signed by President Trump on 3/23

**These are some highlights from the bill...**







# 2018 Omnibus: U.S Department of Agriculture

- \$77 million for Rural Business-Cooperative Service
  - \$12 million over 2017
- \$1.8 billion for Rural Housing Service
- \$665 million for Rural Broadband





# 2018 Omnibus: U.S. Department of Commerce

- \$301.5 million for the Economic Development Administration
  - \$30 million for Assistance to Coal Communities
  - \$26 million more in total over 2017
- \$39 million for the Minority Business Development Administration
  - \$5 million over 2017





# 2018 Omnibus: U.S. Department of Commerce

- \$140 million for Hollings Manufacturing Extension Partnership
  - \$10 million more over 2017
- SelectUSA does not receive an individual appropriation
- \$2.8 billion for the Bureau of the Census
  - Represents an approx. \$1 billion increase from FY 17
  - Includes language which indicates asking citizenship of survey respondents





## 2018 Omnibus: U.S. Department of Defense

- Retains a provision proposed by the House which prohibits the use of funds for Base Realignment and Closure (BRAC)
  - But it does provide additional funding of \$54 million to accelerate environmental remediation at installations closed under previous BRAC rounds





# 2018 Omnibus: U.S. Department of Education

- Provides \$24.4 billion in total to Student Financial Assistance
  - An increase from \$24.2 in FY 17
  - The bill includes a new provision related to public service loan forgiveness -- \$350 million
- \$1.83 billion to the Career and Technical Education Act of 2006 and the Adult Education and Family Literacy Act





## 2018 Omnibus: U.S. Department of Energy

- Includes \$2.3 billion for Energy Efficiency and Renewable Energy (EERE)
  - About \$250 million over 2017
- \$353 million for Advanced Research Projects Agency-Energy (ARPA-E)
  - Almost \$50 million over 2017





# 2018 Omnibus: Department of Housing and Urban Development

- \$3.3 billion for CDBG
  - \$365 million over 2017
- \$2.75 billion for the Public Housing Capital Fund
  - About \$800 million over 2017





# 2018 Omnibus: Department of Labor

- WIOA receives \$205 million
- \$145 million to support Apprenticeship Grants
  - A \$50 million increase from FY 17
- Grants to States such as Adult Training, Youth Training, and Dislocated Worker Assistance receive \$1.04 billion in total funding
  - An increase from \$1.02 billion in FY 17







## 2018: Department of Transportation

- Includes \$1.5 billion for TIGER program
  - \$1 billion over 2017
- No mention of Transportation Infrastructure Finance and Innovation Act (TIFIA)
- \$439 million to the Federal Highway Administration (FHWA)





# 2018 Omnibus: U.S. Department of Treasury

- Provides \$250 million for Community Development Financial Institutions (CDFI)
  - New Markets program extended
  - Opportunity Zones partially managed here
- No mention of State Small Business Credit Initiative (SSBCI)





# 2018 Omnibus: National Science Foundation

- A total appropriation of \$7.8 billion
  - Includes \$171 million for the Established Program to Stimulate Competitive Research
  - \$62.5 million for Advancing Informal STEM Learning





# 2018 Omnibus: Environmental Protection Agency

- The bill provides \$63 million for Water Infrastructure Finance and Innovation Act
  - Pieced together from a number of funding sources
- \$80 million for brownfields grants and directs that at least 10 % of these grants be provided to areas where at least 20% of the population lives under the poverty line
  - BUILD 2018 Act (In actual bill, but not in explanatory text)





# 2018 Omnibus: Small Business Administration

- \$257 million for Entrepreneurial Development Programs
  - \$12 million over 2017
  - \$130 million for Small Business Development Centers (SBDC)





# 2018: Legislative Prospects





## 2018: Bipartisan Legislation

- Feb 18: Congress presented a bill, later signed by President Trump which outlines a two-year spending pact that increases spending caps by \$300 billion
  - Also includes a \$90 billion emergency allocation for disaster relief recovery, under which the EDA received \$600 million
  - CDBG-DR received \$28 billion





## 2018: Legislative Prospects

- White House Infrastructure Plan
  - \$200 billion Federal investment with public- private partnerships aims to generate \$1.5 trillion to meet country's needs
- Farm Bill
  - \$900 billion estimated cost
- EDA Reauthorization
  - Continued push to reauthorize the agency







## 2018: Legislative Prospects

- Marketplace Fairness Act continues to work it's way through Congress and the Courts
- Supreme Court set to rule on Wayfair v. South Dakota – action set up by South Dakota to force a ruling from Supreme Court – April 17<sup>th</sup> hearing date
- MFA Coalition pushing to include legislation in must-pass bills – like omnibus or tax fixes





# Preview 2019





## 2019: Overview

- More of the same....
- With a very small number of exceptions, everything is marked for elimination again
- Timeline? Who knows.....





## 2019: Overview

- White House Budget Proposal FY 19:
  - Defense: **\$716 billion**
  - Non-Defense: **\$540 billion**
  - Opioid Crisis: **\$17 billion**
  - Infrastructure: **\$1.5 trillion** (\$200 billion provided by federal government and estimated remaining amount sourced from private investors; over 10 years)





## 2019: U.S. Department of Agriculture

- FY 19 proposal: \$19.2 billion
  - Eliminates the Rural Economic Development Loan and Grant Program
  - Rural Business-Cooperative Service marked for elimination





## 2019: U.S. Department of Commerce

- FY 19 proposal: \$9.9 billion
  - Marks EDA and MEP for elimination
  - Increases spending by \$2.3 billion in preparation for 2020 census
  - Outlines a restructuring plan for MBDA





## 2019: U.S. Department of Defense

- FY 19 proposal: \$686.1 billion
  - \$24 billion increase to modernize nuclear infrastructure
  - New budget caps may mean no Base Realignment and Closure (BRAC) request
    - The budget does not mention BRAC





## 2019: U.S. Department of Education

- FY 19 proposal: \$63.2 billion
  - Cuts to several discretionary grant programs such as the Supporting Effective Instruction State Grants and Federal Supplemental Educational Opportunity Grants
  - \$1.1 billion for Career and Technical Education (CTE)
  - Expansion of Pell grants to be used for short-term academic and certificate programs







## 2019: U.S. Department of Energy

- FY 19 proposal: \$30.7 billion
  - Cuts 66% of budget for the Office of Energy Efficiency and Renewable Energy
  - Marks Advanced Research Projects Agency-Energy (ARPA-E) for elimination





## 2019: Department of Housing and Urban Development

- FY 19 proposal: \$41.2 billion
  - Eliminates Community Development Block Grants
  - Eliminates \$1.9 billion fund for public housing capital repairs





## 2019: U.S. Department of Labor

- FY 19 \$10.9 billion
  - Includes an additional \$1.336 billion for adult, dislocated worker, youth, and employment service state formula grants
  - Increases funding for apprenticeships from \$95 million to \$200 million





## 2019: U.S. Department of Transportation

- FY 19 proposal: \$15.9 billion
  - Eliminates TIGER grants and the Capital Investment Grants program
  - Privatize the nation's air traffic control systems
  - Language supports continued funding for Transportation Infrastructure Finance and Innovation Act (TIFIA), but does not include any concrete proposals for the program





## 2019: U.S. Department of Treasury

- FY 19 proposal: \$12.3 billion
  - Eliminates Community Development Financial Institutions
  - No provisions for Opportunity Zone management
  - Does not reinstate State Small Business Credit Initiative





## 2019: National Science Foundation

- FY 19 proposal: \$7.5 billion
  - Adds an additional \$2.2 billion in funding
  - Upgrades to U.S. research facilities and advancing Science, Technology, Engineering, and Mathematics education





## 2019: Environmental Protection Agency

- FY 19 proposal: \$6.1 billion
  - Eliminates funding for several programs such as the Clean Research and Partnership Programs and the Environmental Education Program
  - Language supports Water Infrastructure Finance and Innovation Act (WIFIA) and Brownfields, but lacks concrete proposals





## 2019: U.S. Small Business Administration

- FY 19 proposal: \$800 million
  - The agency does not plan to roll back any of its small business loan guarantees
  - SBA is considering increasing the fees it charges back to small business loans larger than \$1 million







# Take Aways





## Take Aways

- Federal economic development programs remain under attack
- Champions on the Hill protect these programs – but they need to hear from you
- Reorganization of federal economic development programs may be in the pipeline
- Continue your outreach and share the updated Why Invest Brochure

