State Economic Development Executives Network

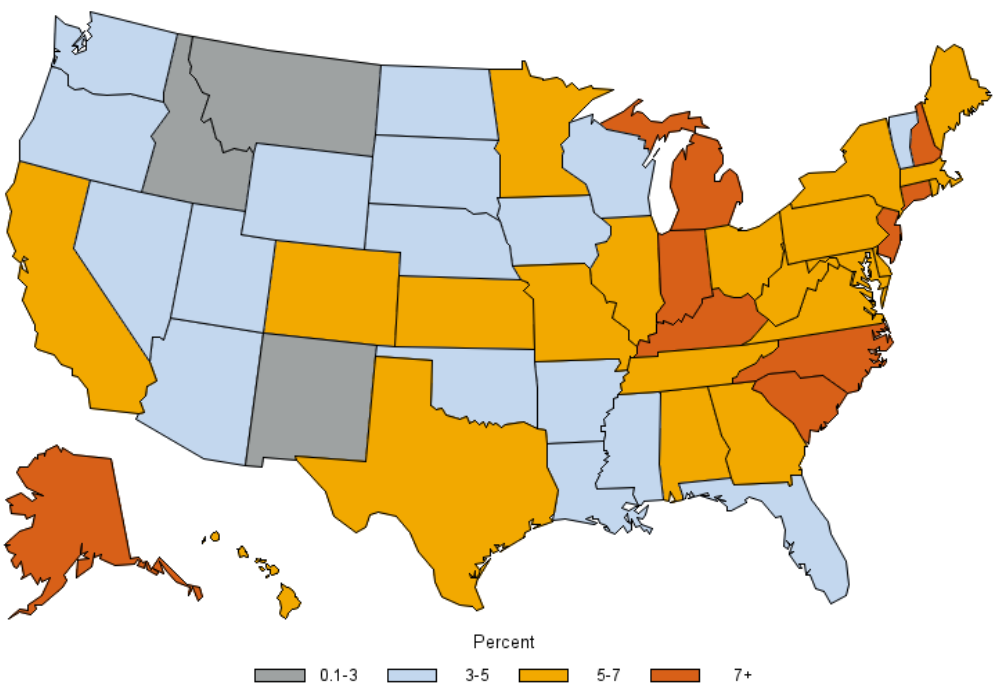
Helping State Economic Development Leaders Thrive

State Economic Development Bulletin

Latest News

[New State Data on U.S. Affiliates of Foreign Multinational Enterprises](#) (U.S. Bureau of Economic Analysis). Majority-owned U.S. affiliates (MOUSAs) of foreign multinational enterprises (MNEs) employed 7.4 million workers in the United States in 2017, a 2.8 percent increase from the previous year, according to statistics released by the U.S. Bureau of Economic Analysis. A majority-owned U.S. affiliate is defined as a U.S. affiliate in which the combined ownership of all foreign parents, either directly or indirectly, exceeds 50 percent. MOUSAs accounted for nearly 6 percent of total U.S private-industry employment and 7 percent of total U.S. business-sector GDP. Employment by MOUSAs was largest in manufacturing and retail trade, with the United Kingdom, Japan, and Germany being the largest contributors. By state, private-industry employment accounted for by MOUSAs was highest in Kentucky (8.5 percent), South Carolina (8.3 percent), and New Jersey (8.1 percent).

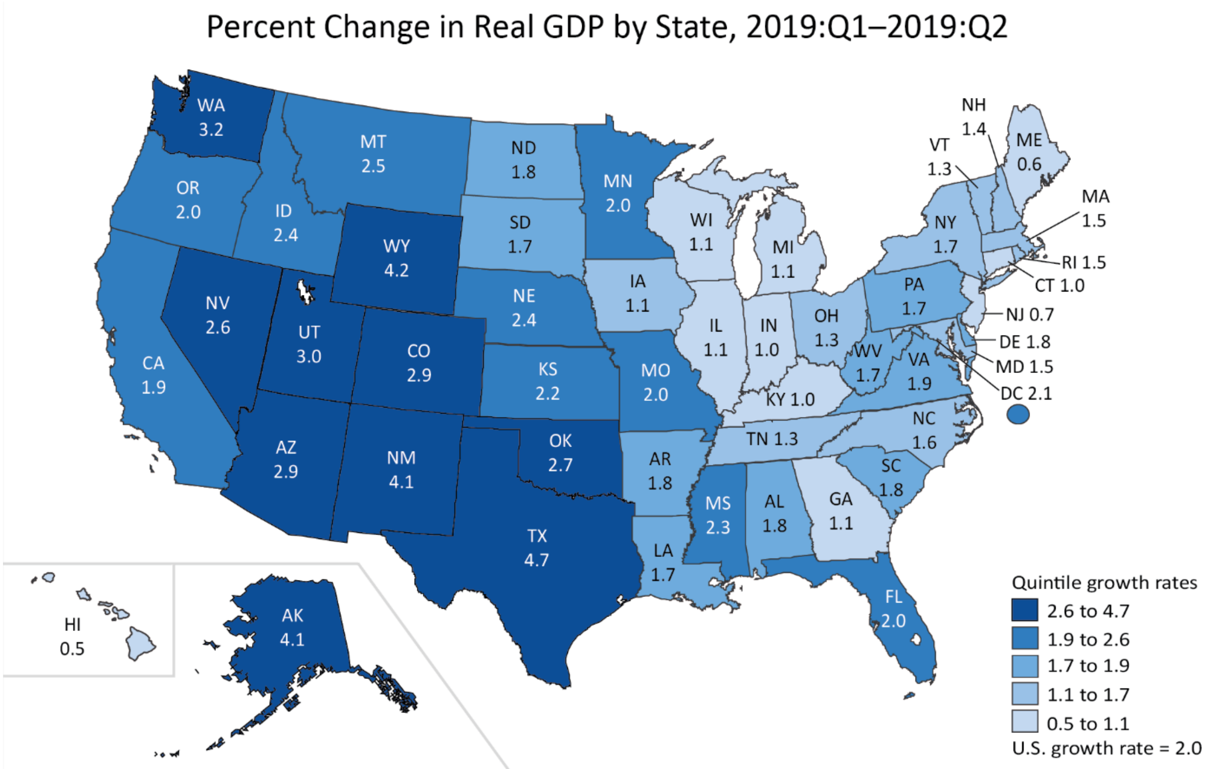
MOUSA Share of Private-Industry Employment by State



Source: U.S. Bureau of Economic Analysis

State Economic Performance

[Gross Domestic Product by State](#) **(U.S. Bureau of Economic Analysis).** Real gross domestic product increased in all 50 states and the District of Columbia in the second quarter of 2019, according to statistics released by the U.S. Bureau of Economic Analysis. Gross domestic product (GDP) by state is the market value of goods and services produced by the labor and property located in a state. State GDP is the counterpart of the Nation's GDP, the Bureau's featured and most comprehensive measure of U.S. economic activity. Real values are inflation-adjusted statistics—that is, these exclude the effects of price changes. Professional, scientific, and technical services; government; real estate and rental and leasing; and mining were the leading contributors to the increase in real GDP nationally. Mining increased 23.5 percent for the nation and was the leading contributor to the increases in Texas, Wyoming, Alaska, and New Mexico—the fastest growing states.



U.S. Bureau of Economic Analysis

Topics and Trends

Industry Watch

[Getting Food on Tables Safely and Less Wastefully](#) **(National Institute of Standards and Technology).** More than ever, moving food safely and efficiently around the U.S. and the world requires that partners in the food supply chain exchange important information in a usable and timely manner. Food manufacturers and distributors are beginning to attach new internet of things (IoT) sensors to food shipping containers. These IoT devices use the regular internet communication infrastructure (the same as your email app does) to “talk” to senders and receivers of the containers about their temperature, humidity and other conditions, including unauthorized tampering with the contents. These sensors provide critical and useful information to the monitoring systems of both the sender and the receiver of the shipments. Also, to achieve efficient delivery, up-to-date information on things like shipment plans needs to be exchanged among all partners. And, at the end of the supply chain, before appearing in grocery stores, the crops and food shipments may need to pass quality tests. Hence, laboratories and their partners must electronically exchange testing information such as inspection orders, test specifications and test results. For all this to happen requires a community of stakeholders, including food manufacturers, IoT device-makers and operators in the food supply chain, to find a meaningful and feasible way of representing that data to assure it is communicated and interpreted as intended.

Trade/Tariffs

Understanding Foreign Tariffs and Taxes **(Export.gov).** When pricing a product for export, U.S. companies must consider a variety of costs, like tariffs, taxes, and shipping. Foreign tariff and taxes are included in the total or "landed" cost of the export sale. This is the actual price a company's buyer pays to get the product to someone's doorstep. "Tariffs" are charges imposed by countries on imported goods. Tariffs are organized by Harmonized System (HS) codes and expressed as a percentage of the product's value (e.g., ball point pens have a 5% tariff). A "duty" is the actual amount of money owed due to the tariff. The most common tariff categories are: General Rate, Most-Favored Nation (MNF) rate; and USA rate. The USA rate may be as low as 0%. This video, produced by the International Trade Administration of the U.S. Department of Commerce, helps companies understand how to calculate the total landed cost of exporting to various countries. Once companies know how to determine landed costs, they can consider this information in pricing decisions and negotiations with customers.

Opportunity Zones

IRS Opportunity Zone Form Doesn't Quell Transparency Concerns **(Bloomberg).** The IRS released a proposed Form 8996 that would require opportunity funds to disclose the employer identification numbers, census tract numbers, and assets of the businesses in which they invest, as well as the funds' own structures and assets. The IRS went about as far as many observers expected: The form would give the agency enough information to ensure investors are following the program's rules, but doesn't require more granular information, like job creation and poverty alleviation data requested by numerous organizations. The incentives, part of the 2017 tax act, were meant to spark economic development in nearly 9,000 mostly low-income census tracts across the U.S. by offering investors the ability to defer and reduce capital gains taxes. The tax law didn't include any data reporting requirements, which advocates say are needed to paint a more holistic and objective picture of whether the tax breaks are helping communities or accelerating gentrification to the benefit of wealthy investors.

Puerto Rico Holds Opportunity Zones Summit **(Puerto Rico & Caribbean Weekly Journal).** The Opportunity Zones Priority Projects Committee, the Governor, mayors, and legislative leadership convened in an Opportunity Zones Summit to update the island's municipal leaders on opportunity zone developments in Puerto Rico. The Summit was held to educate mayors on OZ's and other tools to achieve greater economic development. More than 95 percent of the island qualifies as an OZ. In the meeting, mayors learned that in addition to the tax incentives offered through the U.S. Tax Cuts and Jobs Act and the local OZ Development Act established earlier this year, they can implement additional benefits through municipal ordinances. For instance, in addition to the federally established incentives and the investment tax credits (ITCs) offered by the Puerto Rican government, which range from five to 25 percent, municipalities can increase ITCs up to 75 percent. However, it is left up to municipalities to determine if they want to promote OZ activities. For more information on Opportunity Zones, CDFA has extensive resources available, click here.

Can Opportunity Zones Address Concerns in the Small Business Economy? **(Economic Innovation Group).** While there have been previous federal incentive programs aimed at boosting economic activity in underserved areas, the Opportunity Zones incentive is a sharp departure from past precedent in its scope, flexibility, and structure. Perhaps for this reason, it has generated enormous interest among local leaders, investors, philanthropic organizations, and economic development practitioners. Unlike most other federal programs, this incentive can be used in a variety of ways, making it a potentially important and creative tool for financing a range of economic priorities across many different types of communities. At its core, the policy is intended to support the creation of new economic value within communities, either by establishing something new, such as an operating business or commercial development, or by making large-scale improvements to existing businesses or assets. However, unless regulatory hurdles limiting OZs financing for local businesses (e.g., substantial improvement test; timing considerations; and recycling capital from "Interim Gains") and other key issues are addressed, it will be difficult for Opportunity Zones to live up to their full potential. Instead, it may go the way of previous federal policies that have a generally poor track record of encouraging private investment in businesses, and especially into new firms.

The Opportunity Zones program provides a tax incentive for investors to re-invest their unrealized capital gains into Opportunity Funds that are dedicated to investing into Opportunity Zones designated by the chief executives of every U.S. state and territory. Treasury has certified more than 8,700 census tracts as Qualified Opportunity Zones (QOZs) across all states, territories, and the District of Columbia. For a map of all designated QOZs, click here.

Inclusive Growth

Small Business an Untapped Opportunity to Advance Health and Equity **(Public Private Strategies).** Leaders in philanthropy increasingly recognize the role of business in advancing their objectives. To date, the primary focus of most efforts to engage business has been on large companies. Yet, small businesses are an untapped resource and should be a valuable partner in creating opportunities to advance health, equity and an inclusive economy. Public Private Strategies released a new report, *Small Business, Big Impact: Philanthropy's Untapped Opportunity to Advance Health and Equity*. The report is the result of a year-long research project, funded by the Robert Wood Johnson Foundation, aimed at better understanding how small businesses can help create more equitable communities. Small businesses represent an opportunity to reach 100 million entrepreneurs and their employees with health and equity efforts, including millions of people in low-income areas. Small businesses influence the financial lives of roughly 30% of the U.S. population, and comprise more than 90% of all businesses in each state. Moreover, small business voices are trusted at a time when confidence in government, media and other institutions is generally declining. The report finds that small businesses represent untapped potential to create more inclusive, equitable and healthy communities.

Innovation

Business Trends that Defined the 2010s (Entrepreneur). As this decade draws to a close, it's natural to look ahead and wonder what the future holds. However, it's also worth looking back to see how much things have changed in the past decade. Entrepreneur magazine reflected on the 2010s and identified significant business trends that defined the outgoing era. The Top 10 included: Explosive growth of big tech; Smartphones, apps and Internet everywhere; New ways of working; Emerging middle classes in Asia; Populism and nationalism re-emerge; The rise of women in business; Falling prices of high-tech hardware; Rise of SaaS business models; Increasing U.S. energy independence; and the Falling cost of capital. The 2020s are shaping up to be even more disruptive than the 2010s. Going forward, expect massive breakthroughs in medicine, machine-learning, and transportation, as well as a total transformation of the way the world trades and how people live and work.

Infrastructure

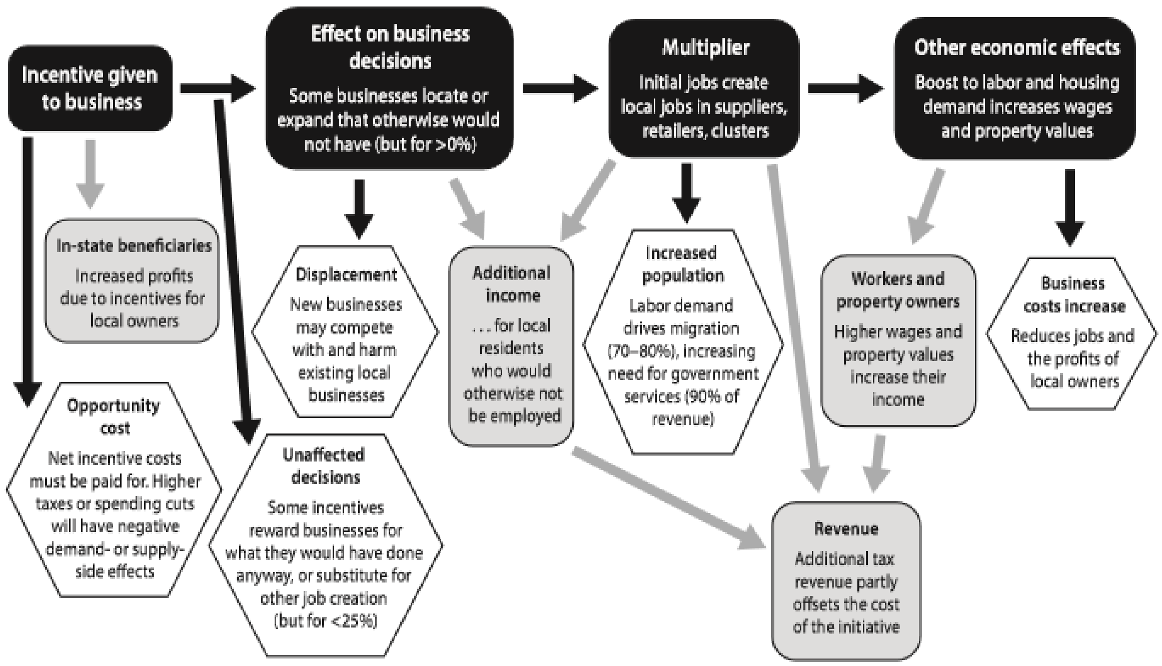
Public-Private Partnerships are Key to Rural Broadband Strategy (Telecompetitor). New Hampshire legislators passed a law allowing municipalities to fund broadband networks through bond offerings – and that action already is spurring broadband deployment in sparsely populated areas of the state. One of the biggest beneficiaries of this is Consolidated Communications – the incumbent local carrier in a large part of the state as a result of its acquisition of Fairpoint Communications several years ago. The New Hampshire law requires networks funded through municipal bonds to support speeds of at least 25 Mbps downstream and 3 Mbps upstream – although the ones Consolidated is building will support higher-speed service. Another requirement: The network must serve an area where service at speeds of at least 25/3 Mbps was not already available. Because of the law, cities like Chesterfield, N.H. will own the network until the bonds are paid off, at which point ownership will transfer to Consolidated. Considering the success of the Consolidated-New Hampshire public-private broadband partnership model, it wouldn't be surprising to see more states enabling the same option.

Deal Makers

Incentives in Action

Making Sense of Incentives: Taming Business Incentives to Promote Prosperity (Upjohn Institute). To attract jobs, state and local governments increasingly provide targeted businesses with incentives: tax breaks, cash grants, free land, free job training. Since 1990, incentives have tripled to $50 billion annually. In evaluating incentives, everything depends on the details: how much in incentives it takes to truly cause a firm to locate or expand, the multiplier effects, the effects of jobs on employment rates, how jobs affect tax revenue versus public spending needs. Do the benefits derived from incentives exceed costs? This depends on the details. In a new book by Timothy Bartik of the Upjohn Institute, these types of details are covered. What magnitudes of incentive effects are plausible? How do benefits and costs vary with incentive designs? What advice can be given to evaluators? What is an ideal incentive policy? The book outlines a model of incentive effects when considering incentive awards.

A Model of Incentives' Benefits and Costs



Improving Incentive Program Design **(Smart Incentives).** Good incentive program design benefits both businesses and economic development organizations. Companies and EDOs need well-designed and well-managed incentive programs that can create long-term, mutual benefits. Incentives with clear rules and responsibilities suggest a stable, responsible, and sustainable fiscal and economic environment, which is good for businesses too. Important design features of good incentive programs include: Clear and measurable goals; Pay for performance; Caps on outlays; Tax credits versus grants; and Built in reporting mechanisms. By applying these design features, economic development organizations can confidently and easily share program accomplishments with stakeholders and elected leaders.

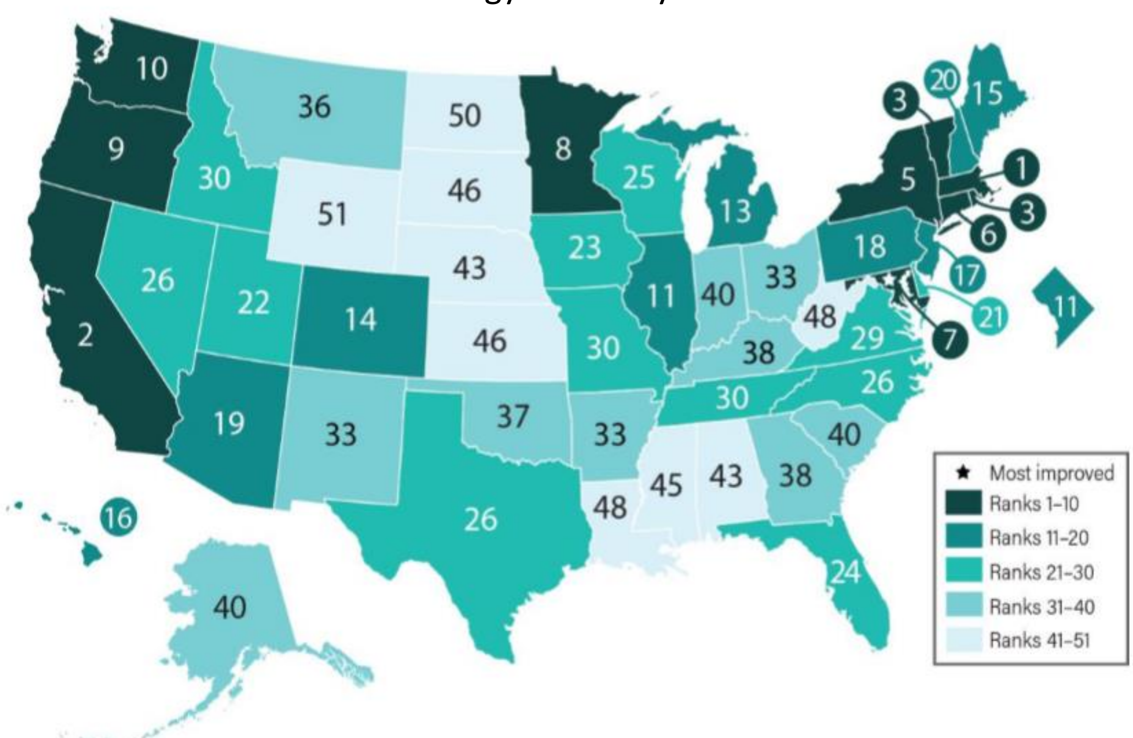
Tax Break Tracker Tool **(Good Jobs First).** Tax Break Tracker is the first national search engine for tax abatement disclosures per Statement No.77 of the Generally Accepted Accounting Principles (GAAP) for governmental entities - set forth by the Governmental Accounting Standards Board (GASB). This database currently includes nearly 20,000 individual entries extracted from Comprehensive Annual Financial Reports (CAFRs) – each represents a reduction in tax revenue due to one or more economic development tax abatement programs as reported by a jurisdiction in a particular year. The tool allows searches by state or local governments from a drop-down menu to find out the cost of economic development incentive programs to public services.

The State Business Incentives Database is a national database maintained by the Council for Community and Economic Research (C2ER) with almost 2,000 programs listed and described from all U.S. states and territories. The Database gives economic developers, business development finance professionals, and economic researchers a one-stop resource for searching and comparing state incentive programs. To view the information available in the database, click here.

New Growth Opportunities

States Doing the Most for a Clean Energy Future **(American Council for an Energy-Efficient Economy).** The ACEEE State Energy Efficiency Scorecard is a progress report on state policies and programs that save energy while producing environmental and economic benefits. The organization uses data vetted by state energy officials to rank states in six categories—utility programs, transportation, building energy codes, combined heat and power, state initiatives, and appliance standards. In 2019, many legislatures and governors established the transition to clean and efficient energy as their top priority. Leading states like California, Massachusetts, and New York continued to innovate and advance model programs. Nevada, New Mexico, Washington, New York, and Maine all passed 100% clean energy goals coupled with plans to ramp up efficiency investment. In Virginia and New Jersey, utilities unveiled significant expansions of efficiency program portfolios in response to game-changing clean energy bills recently passed. State legislatures in Colorado, Washington, and Hawaii adopted new appliance standards in the biggest wave of state-level standard adoption in this decade. States also led the way in dealing with the challenges and opportunities surrounding electric vehicles to achieve a low-carbon future.

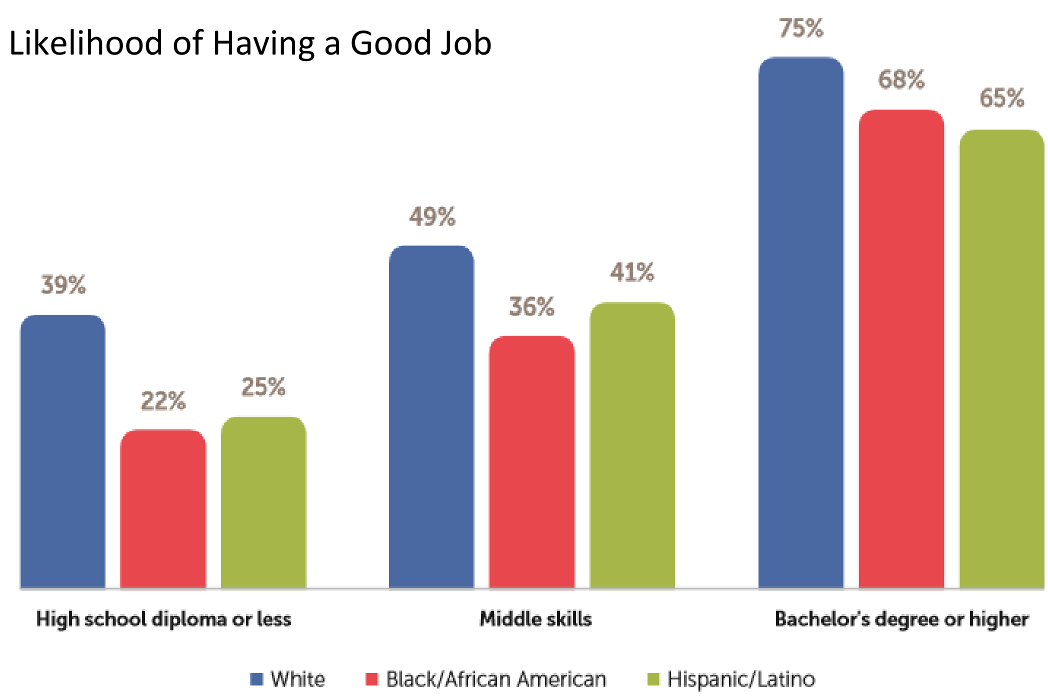
State Energy Efficiency Scorecard



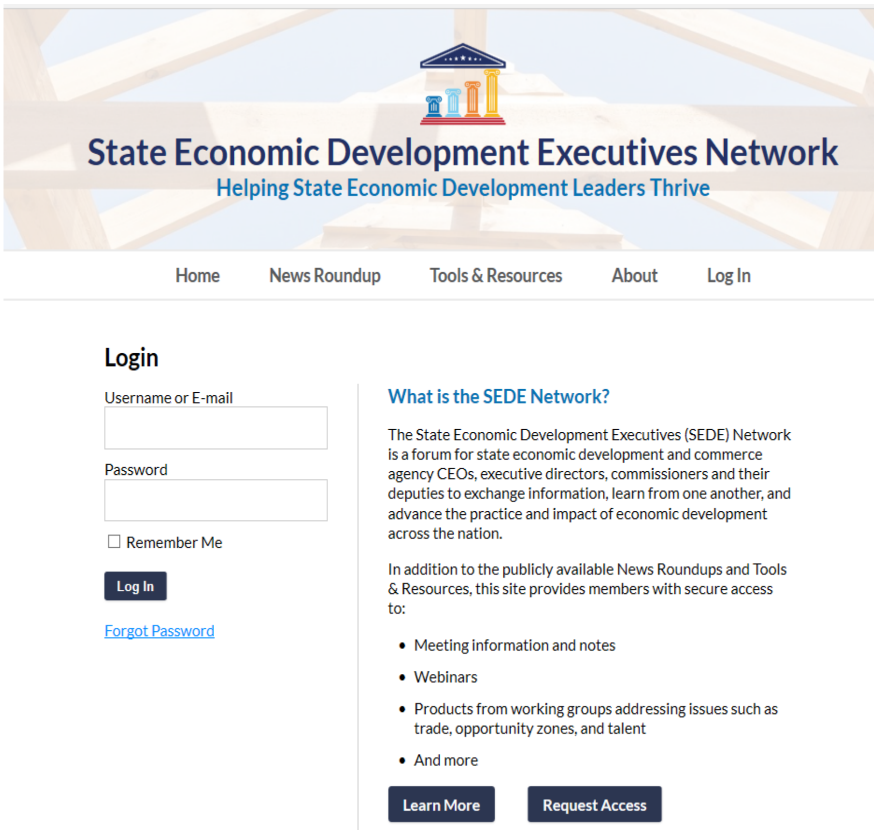
Talent Development/Attraction

The Future of Workforce Development **(Salesforce).** Data was collected from 750 business leaders on how technology is transforming the future of work. The workforce as we know it is in the throes of a revolution. In this Fourth Industrial Revolution, where technology is blurring the lines between the physical and digital worlds, no stone is left unturned. As new technologies emerge, innovative companies have already begun to adapt, prompting re-evaluations of workforce development strategies. Soon, employees must master the requisite hard skills and be able to speak "the language of data." Over three-quarters of hiring managers expect a growing need for skills in data analysis, data science, and software development. As technology like Artificial Intelligence (AI) matures, the technology itself will begin to perform some of the data analysis that humans currently perform. Meanwhile, soft skills are increasingly essential. Judgment calls, creative thinking, and emotional intelligence are in high demand — and not easily replicated by computers. As the workforce of the future starts to evolve, hiring managers appreciate the importance of offering employees upskilling and retraining opportunities. According to the survey results, 68% of hiring managers say formalized retraining programs are valuable in preparing their workforce for tech advancements.

The Unequal Race for Good Jobs **(Georgetown University).** The study defines a "good job" as one that pays family-sustaining earnings. Good jobs pay a minimum of $35,000 ($17 per hour for full-time jobs) for workers between the ages of 25 and 44 and at least $45,000 ($22 per hour) for workers between the ages of 45 and 64. In 2016, these good jobs paid median earnings of $56,000 for workers without a bachelor's degree and $75,000 for workers with a bachelor's degree or higher. Key findings included: Between 1991 and 2016, the share of workers employed in good jobs has increased by 7 to 8 percentage points for White, Black, and Latino workers. The distribution of good jobs among the three major racial and ethnic groups remains inequitable, even though all groups made gains. Black and Latino workers' earnings in good jobs are lower than those of White workers at all levels of education. Among workers with good jobs, Whites are paid $554 billion more annually than they would be if good jobs and good jobs earnings were equitably distributed in the workforce, while Blacks are paid $202 billion less and Latinos $352 billion less annually because of these inequalities. White, Black, and Latino workers are all earning a growing share of their good jobs with a bachelor's degree or higher, followed by a middle skills pathway.



* Check out the SEDE Website *



stateeconomicdevelopment.org

The SEDE Network engages in regular activities and events throughout the year to include: In-person meetings twice per year; Periodic webinars; Producing white papers on relevant topics; Commenting as a group on federal regulatory or other policy proposals; Tracking the impact on states of federal policies; Other activities determined to be of interest to network members. You can stay up to date on all these activities via the SEDE Network website. Visit stateeconomicdevelopment.org and check it out!

The SEDE Network Steering Committee includes: Stefan Pryor (RI), Chair; Val Hale (UT), Vice Chair; Julie Anderson (AK); Dennis Davin (PA); Jennifer Fletcher (SC); Kurt Foreman (DE); Joan Goldstein (VT); Manuel Laboy Rivera (PR); Jeff Mason (MI); Kevin McKinnon (MN); Don Pierson (LA); Mike Preston (AR); Sandra Watson (AZ).

For further questions on the content in this Bulletin or for information on the SEDE Network contact Marty Romitti, CREC Senior Vice President, at mromitti@crec.net