



## National Advisory Council on Innovation and Entrepreneurship (NACIE)



### Official Minutes for NACIE Teleconference Vote

Date: April 29, 2015

Location: Teleconference

April 29, 2015

#### **Welcoming Remarks**

Ms. Julie Lenzer Kirk, Director of the Office of Innovation and Entrepreneurship, opened the meeting in her capacity as Designated Federal Officer (DFO). She extended greetings to all members of the National Advisory Council on Innovation and Entrepreneurship (NACIE). She indicated the purpose of this meeting is to vote on Council initiatives and outline next steps in the process.

#### **Voting on NACIE proposals**

Before each vote, NACIE members, Chauncy Lennon, Mary Ann Guerra, and Rob Atkinson provided a brief overview of the following proposals:

- a) Labor Market Data
- b) Community Playbook
- c) Tax Policy

During the roll call vote, Council members voted unanimously for all three proposals.

After the roll call vote, Ms. Kirk, DFO, remarked that these proposals will be presented to the Secretary for evaluation by Commerce staff.

#### **Identify Evolving Proposals and New Proposals Ideas**

Ms. Kirk encouraged NACIE members to continue to create and develop ideas. There will be opportunity in the June and September meetings to vote on new initiatives or explore how other ideas can be incorporated into the newly-approved initiatives. Additionally, Ms. Kirk stated NACIE members Bill Generrett and Amy Stursberg are working on an initiative to reach out to and to engage populations that historically have been underrepresented in innovation and entrepreneurship—in other words, to support inclusive innovation and entrepreneurship.

#### **Next Steps**

##### *Committee Structure*

Moving forward, the Entrepreneurship, Innovation, and Workforce/Talent Committees will remain intact. There will be working groups formed around each new NACIE initiative,

recommendation, etc. Ms. Kirk reminded the Council members the importance of incorporating external resources to further develop and implement these initiatives.

*NACIE June Meeting Update*

At the NACIE June meeting, three representatives are expected to present progress updates on each NACIE initiative to Secretary Pritzker. She will provide feedback on the proposals.

*Committee Meetings*

NACIE Committee Representatives will coordinate teleconferences to discuss next steps to prepare for the NACIE June meeting.

**Meeting Adjournment**

Ms. Kirk thanked all in attendance and adjourned the meeting.

**Meeting Attendees**

*NACIE Members*

Dr. Robert Atkinson	Information Technology and Innovation Foundation
Brian Balasia	Digerati, Inc.
Barbara Bry	Blackbird Ventures
Dr. Michael Burcham	The Nashville Entrepreneur Center
Lou Anne Bynum	Long Beach Community College, Office of College Advancement
Steve Case	Revolution LLC
Dr. James Clements	Clemson University
Christine Furstoss	General Electric Company
William Generett	Urban Innovation21
Julie Goonewardene	The University of Texas System
Mary Ann Guerra	BioAccel
Robert Hohman	Glassdoor, Inc.
Lila Ibrahim	Coursera
Tiffany Karp	Global Center for Medical Innovation

David Kenney	Oregon Best
Chauncy Lennon	JP Morgan Chase Foundation
Marie Lynch	Skills for Chicagoland's Future
Dr. Sethuraman Panchanathan	Arizona State University
Laura Powers	CODE2040
Eric Severson	Gap Inc.
Rohit Shukla	Larta Institute
Amy Stursberg	Blackstone Charitable Foundation

*Representatives of the U.S. Department of Commerce and Its Agency Subcomponents*

Matt Erskine	Economic Development Administration (EDA)
Phillip Singerman	National Institute of Standards and Technology (NIST)
David Langdon	Department of Commerce (DOC)
Julie Lenzer Kirk	EDA, Office of Innovation and Entrepreneurship (OIE)
Craig Buerstatte	EDA, OIE
Eric Smith	EDA, OIE
Ashley Shuler	EDA, OIE
Andria Fisanich	EDA

## Proposal Initiatives

### ***Labor Market Data Proposal***

#### ***Proposal Name: Labor Market Data Modernization***

##### **Problem / opportunity being addressed:**

*What are we solving or taking advantage of?*

Today, there are 8.7 million unemployed Americans. These workers face significant challenges connecting with good job matches, particularly workers who need to transition into a new field. While official labor market statistics give an excellent view of the past, they tell us little about the real-time characteristics of unemployed workers and emerging labor demand from employers. This makes it hard to effectively design job training programs for in-demand fields, such as those emphasized in the President’s 2015 State of the Union Address. Which unemployed workers should be targeted? What training is most likely to yield the biggest “bang for the buck” from training dollars?

Currently, most official jobs statistics are based on traditional sample-based surveys. With the dramatic growth in online job postings in recent years—along with advances in machine learning and other data-aggregation methods—there is an opportunity to make much greater use of more complete, real-time, holistic data sets available from online sources. Our vision for the future of U.S. labor market data is to bridge the gap between these growing sources of real-time labor market data and our official measures of job openings, vacancy rates, and trends among unemployed workers.

##### **What we’re going to about it:**

*What transformational investments and policies should the Federal Government facilitate that would help communities, businesses, and the workforce be globally competitive?*

We propose exploring the possibility of creating a pilot project that would make use of real-time labor market data—both from private companies as well as state unemployment insurance (UI) systems—to help improve U.S. job matching and the targeting of job training programs.

Among the currently unemployed, we know very little about their former occupations. These data are currently collected by state UI agencies but are not available for research. For job openings, real-time data is available from a variety of online job marketplaces. However, positions are listed using millions of non-standardized job titles. This makes it hard to identify which jobs are a close match for the skills of the currently unemployed, and which workers should be targeted for re-training due to insufficient demand for their previous occupations.

##### **Steps to take to address it?**

*How would NACIE in conjunction with others address this in the next year and a half? What are the steps/activities that would need to happen in sequence to be achieve success with the priority?*

As a first step, we recommend partnering with the Department of Labor’s Bureau of Labor Statistics, to explore the possibility of creating a public/private data sharing consortium to more effectively identify more real-time, localized data on labor supply and demand. The consortium could identify where those data exist, whether in the private sector or in government systems, then identify ways to combine and analyze those data using advanced technology tools such as machine learning, job-title “normalization” algorithms, and data analytics to create better matching of unemployed workers to the most economically relevant job openings.

**Outcomes & Deliverables:**

*By the end of our NACIE term we will have accomplished:*

- A partnership that could establish a public private data sharing consortium to provide more real time, relevant information to help policymakers identify “mismatches” between real-time labor supply and demand, and help more effectively target job training efforts.
- Leveraging existing approaches such as hackathons or datajams to help create online tools allowing unemployed workers to input their former job title and be matched to economically “similar” job openings with the greatest real-time labor demand.
- A “white paper” on the current state of labor market data collection and usage, and suggestions for how to improve these systems using real-time labor market data and standard machine learning techniques.

**Success:**

*What does success look like? Provide a one sentence description of success.*

Success for this initiative would be the creation of a partnership, user-friendly online tools allowing unemployed workers to better match up with job openings, as well as a dashboard for policymakers showing real-time mismatches between the supply and demand for standardized job titles.

**Potential Subject Matter Experts to Participate if Project is Chosen at March Meeting:**

*Provide a list of potential subject matter experts along with what role they would play/questions they could answer if they were invited to participate in the subcommittee.*

- Staff from the U.S. Department of Commerce and the Department of Labor who can advise on policy issues and the feasibility of obtaining real-time job title information on unemployed workers from state UI systems. (Lynn Overmann (DOC), Tyrone Grandison (DOL))
- Staff from the LMI (Labor Market Information) Institute, who can provide guidance on private-sector sources of real-time labor market information (Kenneth E. Poole, Ph.D.).

- Academic expertise on job titles and matching issues in real-time labor market data (Ioana Marinescu, Assistant Professor, Harris School of Public Policy, University of Chicago).
- Private sector partners (TBD).

### *NACIE Community Playbook*

#### *Proposal Name: Growing Community Economies with Innovation and Entrepreneurship*

#### **Recommendation**

The U.S. Economic Development Administration (EDA) should fund a multipart, multiyear program (1) that compiles existing research on ecosystem- and cluster-focused development into a Best Practices Playbook; (2) that provides and markets the playbook to communities nationwide; and (3) that provides on-the-ground implementation support to communities that use the playbook to create and then execute the most promising economic development plans.

#### **Challenges**

While innovation and entrepreneurship have been shown to foster increased economic growth, many communities are ill-equipped to develop and implement innovation- and entrepreneurship-based economic development (IEBED) plans. There is no dearth of best practices for such a plan—IEBED plans have long been researched and implemented, and there are municipalities, regions, and ecosystems (collectively, “communities”) that have flourished or are beginning to flourish under such plans—yet most communities neither have ready access to these best practices nor the means to identify which best practices make sense (and, perhaps more importantly, which *do not* make sense) in any given community. Finally, communities may not have access to or understand the resources necessary for IEBED in general.

Thus, communities struggle with three primary challenges in the development and implementation of IEBED plans:

the transformation of public and private sector (i.e. political and business) cultures or norms that fail to recognize the potentially transformative economic value of innovation and entrepreneurship;

the determination of the concrete actions that the community should include in its IEBED plan to match its unique attributes—its industry sectors, industry diversity, socio-political structure, socio-economic makeup, demographics, geography, knowledge concentration, workforce, etc.; and

the public and private expertise and resources necessary to successfully implement and sustain a long-term, complex IEBED plan.

## **Solutions**

### **Overview**

In order to help solve the aforementioned problems without duplicating prior work, EDA should fund a comprehensive review and compilation of

1. the existing research on community-focused best practices;

the range of metrics necessary for communities to evaluate their current statuses and to measure progress and successes;

the outputs and outcomes of communities that have executed one or more of these best practices;

the attributes and the degrees of success of the communities that executed the best practices; and strategies, methods, and measurement tools that enable communities (a) to create an IEBED plan by identifying sets of best practices most relevant to each of those communities and (b) to implement that IEBED plan.

The comprehensive review and compilation of these data may be accomplished via one or more avenues, including but not limited to a review of academic papers or a physical or virtual convening of community-building stakeholders and leaders.

### **The Best Practices Playbook (BPP)**

The resultant data should be used to create a Best Practices Playbook (BPP)—preferably both as a static document and a dynamic planning tool—that empowers communities leaders to create an IEBED plan that recognizes the communities’ unique ecosystem by complementing its strengths and addressing its weaknesses. While the BPP should enable communities to create an IEBED plan and must therefore focus on usability and accessibility, it should not allow communities to avoid the potentially difficult processes of self-reflection—e.g. an assessment of each community’s ecosystem and of each community’s desire and drive to pursue an IEBED—and gap-analysis during the creation of the IEBED plans.

### **Outreach**

Many communities may not understand the benefits of IEBED or may not think that they have the wherewithal or resources to execute or even create such a plan. Upon the release of the BPP, a coordinated effort to reach out to a wide array of communities to encourage use of the BPP should be made. Part of this outreach should focus on the BPP Competition Pilot Program, *infra.* §3(d), which will provide experienced, on-the-ground technical assistance to communities that develop the most compelling IEBED plans.

### **BPP Competition Pilot Program**

EDA should subsequently fund a BPP Competition Pilot Program to put expertise on the ground in three to five communities that have used the BPP to develop compelling IEBED plans. This pilot program should leverage the expertise of one or more successful community building organizations—including, perhaps, the organization(s) that created the BPP—both to educate public and private community leaders and to design and implement programs and projects to execute the IEBED plan.

In order to maximize the efficacy of the pilot program, the pilot may focus on communities that fall within certain categories, such as communities with especially rural or diverse demographics or communities that exhibit economic distress.

### **Future Iterations**

Future growth of the pilot program into a larger, national program should be considered in light of the program’s performance with respect to relevant metrics that are collected as part of the BPP’s development, *see supra.* §3(a)(2), and that are included as an essential element of the funding opportunity.

### **Outputs and Outcomes**

The placement of a successful, experienced community builder in a community that has developed a comprehensive IEBED plan will not only increase the chances of the community’s successful implementation of the plan but will also strongly connect the community to other IEBED communities, increasing both the sustainability of the IEBED and the likelihood that the community will disseminate the best practices and expertise that it develops.

Outputs of the program should include

1. direct IEBED education for public and private (i.e. political and business) leaders;
2. a comprehensive Best Practices Playbook (in both static and dynamic forms); and
3. experienced, on-the-ground resources (i.e. humans) deployed in communities with the best IEBED plans.

Outcomes of the program should include

1. increased acceptance of IEBED as a powerful economic development component;
2. a diverse set of IEBED plans created by communities with the BPP;
3. a more connected, more diverse network of public and private community leaders who are committed to IEBED;
4. a vetted method to employ public and private investments to expand and scale proven best practices; and



5. impactful programs and projects based on IEBED best practices implemented in three to five pilot communities.

Furthermore, by developing, collecting, and analyzing a detailed and relevant set of metrics from communities, the BPP can be iteratively updated and the pilot program iterative

### ***R&D Tax Policy***

#### ***Proposal Name: Align Efforts to Increase Investment in Basic and Applied Research Through Changes to the Tax Code***

### **Recommendation**

The U.S. Department of Commerce (DOC) should (1) direct BEA to develop an economic analysis of proposals to provide stronger tax incentives for collaborative R&D and to provide a temporarily decreased repatriation tax rate tied to R&D spending and (2) work to align Federal stakeholders to support and advocate for legislation that implements these proposals.

### **Challenges**

Increasingly, U.S. firms are cutting back on basic and applied research, both in-house and extramural (e.g., at universities). In part this is because of increased competitive pressures, particularly from nations like China. This is a problem because basic and applied in-house research is critical for long-term competitiveness and innovation as well as firm top line and bottom line growth. And extramural collaborative research (e.g. research funded by businesses but performed at a university, federal lab, or industry consortium) allows firms to rapidly import new, innovative ideas without having to reinvent the wheel.

Yet the federal R&D tax credit not only does not incentivize research collaborations—it penalizes them. Moreover, the corporate tax code does not let firms bring back foreign source income without paying the full tax rate on it (minus any foreign tax credit taken).

### **Solutions**

#### **Overview**

Making two changes to the U.S. tax system could revitalize R&D by enabling not only more innovation but also more tech-based entrepreneurship and more demand for STEM workers.

#### **Reform the Federal R&D Tax Credit**

First, we need to reform the federal R&D credit. Only 65 percent of expenditures on commercially-oriented R&D that a business provides to universities are eligible for the credit. The R&D tax credit defines basic research as “any original investigation for the advancement of scientific knowledge *not having a specific commercial objective.*” 26 U.S.C. §41(e)(7)(a)

(emphasis added). By narrowing the definition of basic research, the credit provides less incentive for business to invest in university-based research. Congress should eliminate the language excluding commercially-aimed research and allow 100 percent of expenditures on research made at universities to qualify as research expenditures under the regular and Alternative Simplified credits. This would immediately signal that research collaborations, such as between universities and industry, are a priority.

In addition, a provision of the credit also provides a more generous credit for collaborative R&D if it is focused on energy R&D. *See* 26 U.S.C. §41(a)(3); *see also* §41(b)(3)(D)(i)(III). In this credit, 20 percent of research expenditures can be taken as a credit. *See* §41(a)(3), §41(b)(3)(D)(i). Congress could delete the word “energy” from the current code that refers to the 20 percent credit for collaborative R&D. This would allow any collaborative R&D funding to qualify for the more generous credit.

### **Incentivize the Repatriation of Foreign-Held Earnings Spent on U.S.-Based R&D**

At the same time, U.S. corporations have roughly \$2 trillion in foreign earnings parked overseas that they are unlikely to bring home because doing so would subject them to high taxes. The idea would be to let companies repatriate funds, provided they spent at least half of these funds on research, either intramural or extramural, or extramural commercialization initiatives. These repatriated profits would be subject to a tax of 5 percent. But in exchange for taking advantage of this opportunity, companies would have to use half of the money to increase their funding of research over the next five years compared to the average levels of the previous three years.

## **The Path Forward**

### **Identifying and Aligning Executive Branch Efforts**

The two proposed changes should be analyzed by BEA. Obtaining BEA’s a thorough analysis of the impacts of the proposed changes, along with its support, will provide the data and rationale around which other stakeholders can align.

With respect to amending the R&D Tax Credit, the President’s 2016 Budget “would create a single formula with an 18 percent credit rate, which would make it more attractive and simplify tax filing for businesses. In addition, the Budget makes the R&[D] credit permanent to provide certainty and increase effectiveness.”<sup>1</sup> More details of the proposal can be found in the FY2016 Greenbook.<sup>2</sup>

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<sup>1</sup> Office of Science and Technology Policy, *Middle Class Economics: Investing in American Innovation* at 4, available at [https://www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/fact\\_sheets/investing-in-american-innovation.pdf](https://www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/fact_sheets/investing-in-american-innovation.pdf) (last visited Apr. 13, 2015).

<sup>2</sup> Department of the Treasury, *General Explanations of the Administration’s Fiscal Year 2016 Revenue Proposals* at 49-50 (Feb. 2015), available at <http://www.treasury.gov/resource-center/tax-policy/Documents/General-Explanations-FY2016.pdf> (last visited Apr. 13, 2015).

While OSTP and Treasury’s proposal is somewhat in line with the first reform set forth herein, *supra.* §3(b), the alignment of DOC’s, OSTP’s, and Treasury’s positions—supported by BEA’s analysis—on *both* proposed reforms, *supra.* §3(b),(c), would help display unified Executive Branch support for these two reforms.

DOC should also work to identify any other Executive Branch stakeholders.

### **Identifying and Engaging Legislative Stakeholders**

With respect to specific legislators, [Congressman Scott Peters \(D-CA\)](#) has proposed legislation extending the energy credit to include life sciences<sup>3</sup>, and [Congressman John Delany \(D-MD\)](#) has proposed letting companies bring back profits at a low tax rate if invested in infrastructure<sup>4</sup>. Furthermore, DOC should engage the [Joint Economic Committee \(JEC\)](#), the U.S. Senate [Committee on Commerce, Science, & Transportation](#), and the U.S. House of Representatives [Committee on Energy and Commerce](#).

### **Outputs and Outcomes**

Legislation that provides stronger tax incentives for collaborative R&D and that provides a temporarily decreased repatriation tax rate tied to R&D spending by encouraging more corporate R&D spending and by incentivizing collaboration and connectivity among industry, academia, and the Federal laboratories.

Outputs of these efforts should include a BEA-led analysis of the benefits of legislation to provide stronger tax incentives for collaborative R&D and to provide a temporarily decreased repatriation tax rate tied to R&D spending; alignment of OSTP’s, DOC’s, and Treasury’s support of this legislation; and increased efforts in support of this legislation.

Ideal intermediate outcomes of the program would include

1. a change in legislation that provides stronger tax incentives for collaborative R&D; and a change in legislation that provides a decreased repatriation tax rate tied to R&D spending.

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<sup>3</sup> Igniting American Research Act, H.R. 3757, 113th Cong. (2013).

<sup>4</sup> Infrastructure and Global Tax Competitiveness Act of 2014, H.R. 5857, 113th Cong. (2014); Infrastructure 2.0 Act, H.R. 625, 114th Cong. (2015); *see also* Partnership to Build America Act of 2013, H.R. 2084, 113th Cong. §3 (2013); Partnership to Build America Act of 2015, H.R. 413, 114th Cong. §3 (2015).

Finally, long-term outcomes should include

2. more and stronger partnerships among companies (large and small), U.S. research universities, and Federal laboratories; increased corporate R&D; increases in STEM graduates; and increases in high-tech startups.

**NACIE Voting Results**

First Name	Last Name	Proposal #1: Labor Market Data Modernization	Proposal #2: Ecosystem/Comm unity Playbook	Proposal #3: R&D Tax policy
Luis	Arbulu	N/A	N/A	N/A
Robert	Atkinson	Yes	Yes	Yes
Brian	Balasia	Yes	Yes	Yes
Barbara	Bry	Yes	Yes	Yes
Michael	Burcham	Yes	Yes	Yes
Lou Anne	Bynum	Yes	Yes	Yes
Greg	Cangialosi	Yes	Yes	Yes
Steve	Case	Yes	Yes	Yes
James	Clements	Yes	Yes	Yes
Fred	Dedrick	Yes	Yes	Abstain
Christine	Furstoss	Yes	Yes	Yes
William	Generett	Yes	Yes	Yes
Julie	Goonewardene	Yes	Yes	Yes
Kelly	Grier	N/A	N/A	N/A
Mary Ann	Guerra	Yes	Yes	Yes
Robert	Hohman	Abstain	Yes	Yes
Lila	Ibrahim	Yes	Yes	Yes
Tiffany	Karp	Yes	Yes	Yes
David	Kenney	Yes	Yes	Yes
Chauncy	Lennon	Yes	Yes	Yes
Marie	Lynch	Yes	Yes	Yes
Sethuraman	Panchanathan	Yes	Yes	Yes
Laura	Powers	Yes	Yes	Yes
Eric	Severson	Yes	Yes	Yes
Rohit	Shukla	Yes	Yes	Yes
Amy	Stursberg	Yes	Yes	Yes
Stephen	Tang	N/A	N/A	N/A