



## **Make It In Delaware Agenda**

The U.S. manufacturing sector has long been the primary driver of a high quality of life and wage growth among the middle class. Unfortunately, changes in the global economy and other factors here at home have led to the severe loss of manufacturing jobs and stagnation of wages in recent years.

Of course, Delaware is no stranger to manufacturing job loss. Since 2003, Delaware's manufacturing sector has declined by roughly 30 percent.<sup>i</sup> This includes the closing of the GM and Chrysler auto assembly plants. At the same time we're failing to effectively train workers for the high-skill jobs that will drive the economy in the coming decades. As many as 600,000 manufacturing jobs are vacant across the U.S. because workers don't have the sufficient skills and training required to fill those positions.<sup>ii</sup>

However, there is good news as well. Recent changes in labor costs in developing countries and other changes at home and abroad have led to a modest rejuvenation of domestic manufacturing as some production has returned to U.S. shores from overseas.<sup>iii</sup> Companies such as General Electric, Whirlpool, and Apple have started new domestic manufacturing of products they had previously moved offshore. Furthermore, growth in the US manufacturing sector continues to accelerate and is expected to significantly outpace overall economic growth in the coming years.<sup>iv</sup>

To help perpetuate this trend, U.S. policy makers need to work to create the best environment for manufacturers to thrive, which includes the recognition that we can't simply build our economy around the jobs and industries of the 20th century. To help our middle class once again grow and prosper, manufacturers must be nimble, lean, and most of all, innovative. Making the right policy choices to help manufacturers isn't easy. Nearly all aspects of federal policy, from tax to trade to transportation, affect manufacturers in one way or another. We need to develop a national manufacturing strategy that takes a comprehensive look at our economy and how we can help businesses create the next generation of high-paying middle-class jobs.

### **A MANUFACTURING AGENDA**

In 2011, I joined many of my Democratic colleagues in the House of Representatives in developing the Make It In America agenda, a collection of bills and ideas designed to reinvigorate the American manufacturing sector. A number of the bills included in the agenda have already become law and last year we introduced a new, updated plan.<sup>v</sup> Certain parts of the Make It In America agenda, like research and development, trade and infrastructure, and job training are particularly important to Delaware manufacturers.

The following document is my take on what federal manufacturing policy should look like, with a particular focus on how we can help Delaware manufacturers grow. This includes several of my own ideas as well as components of the Make It In America agenda and other legislation. I look forward to revising and expanding this plan as I hear more from manufacturers and workers in Delaware and elsewhere about what the federal government can do to help them succeed.

## **AMERICAN-MADE PRODUCT LABELING**

The Made in America Act (H.R. 2664): U.S. consumers associate American-made products with higher quality and safety and companies are eager to provide them with more information about domestic production of their products. Unfortunately, there is no uniform way of labeling products that are less than 100 percent American-made.

To address this concern I introduced H.R. 2664, a bipartisan bill which creates the framework for a voluntary product labeling program to identify the extent to which products are made in the U.S. This program would be loosely based on aspects of the Energy Star Program for energy efficiency and the USDA Certified Organic Program, which are existing product-labeling programs managed by the federal government.

## **TAX POLICY**

Comprehensive tax reform that closes loopholes, brings down rates, and simplifies the code is in the best interest of all American business including manufacturers. While reforming our tax code is a complex and challenging task, there remains bipartisan agreement about the benefits that lower corporate taxes will generate for our economy. That being said, there are certain provisions of the tax code that are critical for manufacturers that should be included as part of comprehensive reform.

### ***Research and Innovation***

Research and Development Tax Credit Extension Act (H.R. 905): The R&D Credit is one of the most important resources that companies have to spur innovation and help create the products of tomorrow. The problem is that Congress continues to allow the R&D credit to expire, and then only reauthorizes it for short periods of time. The uncertainty associated with the inconsistency of the R&D Credit means that companies cannot incorporate the credit into their long-term plans and thus do not take full advantage of it.

To address this issue I introduced the Research and Development Tax Credit Extension Act (H.R. 905). This bill would make the credit permanent and increase the rate from 14 to 17 percent.

## ***Capital Investment***

We should act to help manufacturers access the credit they need to grow their businesses and create jobs. This is particularly important for startup companies that have created over 40 percent of net new jobs over the last two decades.<sup>vi</sup>

Manufacturing Communities Investment Act (H.R. 3735): I am the lead author of this bill, which would expand the highly successful and bipartisan New Markets Tax Credit to provide an investment credit for the creation or expansion of manufacturing in parts of the country that have experienced severe job loss.

Scaling Up Manufacturing (SUM) Act (H.R. 616): I am a co-author of the SUM Act, with Congressman Mike Honda (D-CA), which would provide a tax credit for any company to open their first full-scale manufacturing facility in the U.S. This credit would help new companies accelerate production that will create jobs and drive our economy.

## ***Insourcing***

Bring Jobs Home Act (H.R. 851): We should stop rewarding companies that ship jobs overseas and instead help companies move these jobs back to the US. I am a cosponsor of H.R. 851, which would cut taxes for U.S. companies that move jobs and business operations to America from another country and end tax loopholes that reward companies that ship jobs overseas.

## **INNOVATION**

While there are important provisions like the R&D Credit that can spur innovation through the tax code, there is a litany of other things that we can do to help our companies and economy remain the most innovative in the world.

Revitalize American Manufacturing and Innovation Act (H.R. 2996): In 2009 President Obama took action to create several pilot institutions as part of the proposed National Network for Manufacturing Innovation. The network is a system of research institutes and private sector partners that focus on developing and bringing to market new technologies. Each individual institute focuses on a particular technology and to date four different ‘innovation hubs’ have been initiated. I strongly believe that the technology innovation centered around the University of Delaware and Delaware companies makes our region a great candidate for a future innovation hub.

However, Congress needs to act to fully create this important network. I am a cosponsor of H.R. 2996, which would authorize \$600 million to form more institutes across the country. This bill would make a dramatic difference in organizing and driving U.S. innovation and Congress should act soon to pass it.

Advanced Composites Development Act (H.R. 2034): The University of Delaware has a long history of important innovations in composite technologies and our region is full of companies

that are leading the way in composites development. To help expand the commercialization of research in composites, I've cosponsored H.R. 2034. This bill will establish composite research centers throughout the country that will be university-private sector partnerships focused on solving problems through the production and deployment of new composites technologies. Through collaboration between universities and the private sector we can much more rapidly commercialize innovations. The bill authorizes \$87 billion over the next five years for the distribution of competitive grants to establish the partnerships.

Manufacturing Extension Partnerships: The Hollings Manufacturing Extension Partnerships across the country play a critical role in helping small- and mid-size manufacturers grow their businesses and create jobs. The Delaware Manufacturing Extension Partnership works in concert with Delaware Tech and the Delaware Economic Development Office to advise companies on ways to reduce energy use, measure performance, implement strategic planning, grow exports, and a variety of other services. We need to ensure that Manufacturing Extension Partnerships continue to have the resources to help manufacturers in their communities.

National Fab Lab Network Act (H.R. 1289): 'Fab labs' are local labs equipped with basic design and fabrication machines that are available for public use by startup companies and inventors to fabricate prototypes of products. I am a cosponsor of H.R. 1289, which would simply create a federal charter for the National Fab Lab Network. This would give this successful program improved recognition and help drive the development of new innovative products. Currently the closest fab lab to Delaware is outside of Baltimore and I'm hopeful that this legislation will help the First State to soon get its own fab lab.

## **OPENING NEW MARKETS**

Fair trade policy is a critical tool to help provide manufacturers access new customers for their goods, which drives job creation here at home. We need to continue to work with our trading partners to open up new markets while protecting US jobs.

### ***Currency Manipulation***

The Currency Reform for Fair Trade Act (H.R. 1276): Studies have shown that foreign currency manipulation has a significant impact on U.S. economic growth. Eliminating currency manipulation could reduce the U.S. trade deficit by as much as \$500 billion over three years and boost GDP by 2.0 to 4.9 percent.<sup>vii</sup> I am a cosponsor of H.R. 1276, which will give the Treasury Department the authority to designate foreign currency manipulation as unfair export assistance, meaning that the U.S. could then implement countervailing tariffs to force foreign countries to reduce efforts to manipulate their currency.

### ***Export Assistance***

Export-Import Bank: The Ex-Im Bank is a critical tool to help small, mid-size, and large companies in Delaware and across the country to start or grow their exports. The bank generates more money for the Treasury than it takes in and has traditionally been strongly bipartisan. The

authorization for the Ex-Im Bank expires this year and I will continue to use my role as a member of the Financial Services Committee to advocate for its reauthorization.

National Export Initiative: I am a strong supporter of the Commerce Department's efforts to increase exports. This includes the removal of trade barriers, assistance in financing exports, and consultation efforts to help businesses of all sizes navigate the logistics of outsourcing. Exporting goods and services is one of the fastest ways to create jobs and in 2013 U.S. exports hit an all-time high of \$2.3 trillion. We need to continue these efforts to more fully realize the benefits of new markets and customers.

### ***Fair Trade***

Trade Enforcement: Our trade agreements that are designed to increase U.S. exports and create jobs can't do that if our trading partners don't play by the rules. I am a strong supporter of the President Obama's Interagency Trade Enforcement Center that takes a government-wide approach to monitoring and enforcing our trade rights around the world. We need to make sure that it continues to have the funding necessary to do its job.

Trade Adjustment Assistance (TAA): As a consequence of even the best trade deals, there will inevitably be some industries that are negatively affected by increased imports. For this reason we need to have a structure in place that helps workers in these industries get back on their feet. I am a strong supporter of Trade Adjustment Assistance, which has been passed in conjunction with U.S. trade deals in the past and provides trade-affected workers with opportunities to obtain skills, resources, and support to regain employment. TAA is a vital component of any future trade agreements.

## **WORKFORCE DEVELOPMENT**

One of the biggest assets of our economy is the skill and dedication of our workforce. However, given the diversity of skills necessary in the modern economy, employers are not always successful at finding the skilled workers they need.

The Skills Connection Act (H.R. 4758): I recently introduced this legislation to create a national system that better links employers with job seekers that have the skills they need. The bill would create a comprehensive registry of workforce skills and credentials and allow workers to create résumés that directly link them with employers who are seeking workers with those same skills and credentials.

Workforce Investment Act: This 1998 law established regional Workforce Investment Boards to help direct federal, state, and local resources to workforce development programs. There is broad bipartisan agreement that our current workforce development system is outdated and overly complicated. I support reform that will give states more autonomy over how to best help their workers develop skills and find jobs but also maintains support for disadvantaged workers.

The Workforce Development Tax Credit Act (H.R. 1324): Apprenticeships are a highly successful way to get new workers in the job market the training to develop the skills that will lead to a well-paying career. I am a cosponsor of H.R. 1324, which will give a tax credit to businesses for each person hired at the end of an apprenticeship program.

High-Skilled Immigration: While the most pressing workforce development need is to train high-skilled workers here in the U.S., we also need to ensure that companies are able to utilize talent from around the world. We should allow more high-skilled workers from overseas to contribute their talents to our economy as part of a broader, comprehensive approach to immigration reform. However, it is important that the labor market for American workers remains fair so companies cannot pay immigrant workers any less than Americans of the same skill and job.

## **ENERGY**

The recent natural gas boom that was driven by dramatic improvements in drilling technology is one of the primary factors that has reduced costs for manufacturers and helped bring jobs back from overseas. While this change is helping all manufacturers, the U.S. chemical industry is benefiting dramatically due to their use of natural gas as a raw material and to power factories.<sup>viii</sup> As a result, they have been moving more business back to the U.S. We need to continue to help manufacturers maintain access to affordable energy while taking steps to incentivize further development of clean, renewable energy that will not only be good for our environment but also spur growth in the production of clean technologies that will create jobs.

### ***Energy Efficiency***

As one of the most energy-intensive sectors of our economy, there is much we can do to help manufacturers be more efficient. According to a recent study by the Delaware Department of Natural Resources, industrial producers in Delaware can save \$428 million on electrical costs and \$108 million on natural gas by implementing certain energy efficiency measures over the next 10 years.<sup>ix</sup>

Depreciation: While tax depreciation remains an important tool for manufacturers, depreciation schedules for individual types of equipment can impede investment in newer, more energy efficient appliances and systems. Often the timeline for depreciation does not match the lifespan of a given appliance. For instance, backup generators depreciate over three years while a combined heat and power system takes 30 years to fully depreciate.<sup>x</sup> As part of tax reform or otherwise, Congress should reexamine depreciation schedules in the interest of incentivizing investments in efficiency.

Efficiency Tax Credit: A criticism of current federal tax incentives for efficiency is that they are too narrowly tailored and do not give manufacturers the flexibility to act in ways that suit their unique systems. One way of combating this problem is by providing a general tax credit for investments that manufacturers make that lead to increases in energy efficiency relative to production. The bigger the efficiency gains, the larger the credit. This approach is complicated by the variety of energy sources used by manufacturers and challenges in setting a uniform

assessment of production. I am continuing to work with experts in the field and my colleagues in Congress on ways to implement this type of approach.

### ***Renewable Power***

Incentivizing Offshore Wind Power Act (H.R. 924): The Wind Production Tax Credit is a critical tool that supports the development and deployment of wind energy across the country. The credit expires at the end of this year and it should be reauthorized to allow wind power to continue to scale up and reduce costs.

However, I am also an original cosponsor of H.R. 924, which will create a separate investment credit for the deployment of offshore wind that will be capped at the first 3,000 megawatts deployed. There is immense potential for wind power off the coast of Delaware and this legislation will help us utilize clean, renewable energy and create thousands of jobs through technological development and supply chain production.

## **TRANSPORTATION AND INFRASTRUCTURE**

Improvements in manufacturing efficiency, innovation, and production don't mean anything unless the infrastructure exists for manufacturers to get their goods to market. This year, the American Society for Civil Engineers rated U.S. infrastructure as a D+. While this is a slight improvement over last year, the grade is still abysmal. Our economic competitiveness and the strength of our infrastructure are closely linked and we need to do more to maintain our current infrastructure and spur investment in new construction.

Transportation Reauthorization: Current federal transportation law expires at the end of September 2014 and Congress should pass a long-term reauthorization that creates certainty for states and provides the necessary funding for transportation projects across the country. The federal gas tax hasn't been increased since 1993, people are now driving less and cars are more fuel-efficient. This dynamic has led to continual shortages in the highway trust fund. Through the next transportation bill, Congress should utilize a diversity of new funding sources to ensure our highway projects have the funding they need.

Partnership to Build America Act (H.R. 2084): I am an original cosponsor and strong supporter of the Partnership to Build America Act. This bill provides a new, creative way to fund infrastructure projects by allowing companies to repatriate their overseas profits as long as they use a percentage of those profits for the purchase of infrastructure bonds. The bonds would capitalize a new infrastructure bank with as much as \$50 billion. This bill would make a huge difference in accelerating highway and other infrastructure construction and maintenance projects across the country.

Put America Back to Work Act (H.R. 535): Build America Bonds are used by state and local governments to finance infrastructure and other construction and include a direct federal payment subsidy for a portion of the borrowing costs. When Build America Bonds were authorized from 2009 to 2010 they drove significant amounts of infrastructure investment as

\$181 million in bonds were issued. I am a strong supporter of Build America Bonds and am an original cosponsor of H.R. 535, which would make them a permanent part of the tax code.

Harbor Maintenance Trust Fund: The Harbor Maintenance Trust Fund is funded through fees paid by port users and is supposed to be dedicated to maintenance dredging at the Port of Wilmington and ports across the country. Shippers pay \$1.7 billion each year to the fund but Congress has repeatedly used it to pay for other purposes. Today our port channels are still not sufficiently maintained as the full width of the channels is only available 35 percent of the time. While the recently passed Water Resources Development Act made some improvements in the dedication of the Harbor Maintenance Trust Fund, I still continue to support the Realize America's Maritime Promise Act (H.R. 335), which requires that the fund be used exclusively for maintenance dredging.

## CONCLUSION

I am committed to advancing a Make It In America agenda so that manufacturing jobs grow and thrive here in Delaware and across the country. The above provisions are just a few things our country should be doing to spur manufacturing, and in turn, our economy. I am continuing to solicit feedback from Delawareans in the manufacturing community and others across the country to find more ways to make things here in America again.

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<sup>i</sup> Bureau of Labor and Statistics, Quarterly Census of Employment and Wages – Industry (<http://data.bls.gov/cgi-bin/dsrv?en>)

<sup>ii</sup> Manufacturing Institute, “Boiling Point: The Skills Gap in US Manufacturing”, 2011 (<http://www.themanufacturinginstitute.org/Research/Skills-Gap-in-Manufacturing/2011-Skills-Gap-Report/2011-Skills-Gap-Report.aspx>)

<sup>iii</sup> Fishman, Charles. “The Insourcing Boom” *the Atlantic*. November 28, 2012. (<http://www.theatlantic.com/magazine/archive/2012/12/the-insourcing-boom/309166/>)

<sup>iv</sup> Vlastelica, Ryan. “US Manufacturing Growth Accelerates in April” *Reuters*. May 1, 2014 (<http://www.reuters.com/article/2014/05/01/us-usa-economy-manufacturing-idUSBREA400H420140501>)

<sup>v</sup> “Make it in America in the 113<sup>th</sup> Congress” (<http://www.democraticwhip.gov/issues/make-it-america-113th-congress>)

<sup>vi</sup> Small Business Administration ([http://www.sba.gov/sites/default/files/FAQ\\_Sept\\_2012.pdf](http://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf))

<sup>vii</sup> Scott, Robert E. “Stop Currency Manipulation and Create Millions of Jobs” *Economic Policy Institute*. February 26, 2014. (<http://www.epi.org/publication/stop-currency-manipulation-and-create-millions-of-jobs/>)

<sup>viii</sup> Kaskey, Jack “Chemical Companies Rush to the U.S. Thanks to Cheap Natural Gas.” *Bloomberg*. July 25, 2013. (<http://www.businessweek.com/articles/2013-07-25/chemical-companies-rush-to-the-u-dot-s-dot-thanks-to-cheap-natural-gas>)

<sup>ix</sup> “Study of Potential for Energy Savings in Delaware” *Delaware Department of Natural Resources*. February 28, 2014.

<sup>x</sup> “Advanced Energy Productivity in American Manufacturing: Alliance Commission on National Energy Efficiency Policy” *Alliance to Save Energy*. January 2013 ([http://www.ase.org/sites/ase.org/files/resources/Media%20browser/commission\\_manufacturing\\_2-7-13.pdf](http://www.ase.org/sites/ase.org/files/resources/Media%20browser/commission_manufacturing_2-7-13.pdf))