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Creating Jobs Through Investments

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June 18, 2014

Honorable Patrick Leahy
Chairman

Honorable Charles Grassley
Ranking Member

United States Senate Committee on the Judiciary
224 Dirksen Senate Office Building
Washington, DC 20515

RE: Economic impact of the EB-5 Regional Center Program for the Congressional Record

Dear Mr. Chairman and Mr. Ranking Member:

On behalf of all Association to Invest in the USA (IIUSA) officers, directors, and members, I write in follow up to the Judiciary Committee's oversight hearing of June 11, 2014 with Department of Homeland Security Secretary Jeh Johnson to provide peer-reviewed economic impact data of the EB-5 Regional Center Program (the "Program") for 2010-2011 and 2012.

IIUSA is the 501(c)(6) not-for-profit trade association for the EB-5 Regional Center industry. Our members account for over 95 percent of all capital flowing through the EB-5 Program. IIUSA advocates for policies that will maximize the Program's economic contribution to the United States, including permanent authorization, enhanced visa capacity, program integrity, and commercially viable processing of EB-5 related applications and petitions. Furthermore, IIUSA educates the industry through events, research, and publications with a focus on best practices for statutory and regulatory compliance.

I am pleased to submit executive summaries of two peer-reviewed economic impact studies commissioned by IIUSA, both of which demonstrate the substantial positive economic impact of the EB-5 Program to the U.S. As noted in the reports, the Program accounted for \$3.39 billion in GDP, supported over 42,000 American jobs, and generated over \$712 million in federal/state/local tax revenue in fiscal year 2012. This was over a two-fold increase from the 2010-2011 economic impact report, and comes at no cost to the U.S. taxpayer. The Congressional Budget Office has consistently scored the Program as revenue neutral.

These studies are based on comprehensive datasets of I-526 and I-829 approval/denial statistics for each Regional Center in the country for fiscal years 2010-2012, obtained through a rigorous process of data collection and subsequent analysis of I-924A filings. A breakdown of the "new commercial enterprises" and "job creating enterprises" that Regional Centers fund throughout the year, along with North American

Industry Classification System (NAICS) codes to track industry sector impacts adds further context to the data. The full reports of the economic impact studies are available upon request from IIUSA.

More than 25 countries, including Australia and the United Kingdom, use similar programs to attract foreign investments. The American program is more stringent than many others, requiring substantial risk for investors in terms of both their financial investment and immigration status.

- Investments made through the U.S. EB-5 program must be “at risk” in the same way that investments in stocks or equity funds carry an inherent risk. There is no guaranteed financial return.
- If their application is approved by USCIS, EB-5 investors receive a conditional visa that is valid for two years. In order to receive a permanent visa, these investors must demonstrate that the legally required economic benefits flowing from their investments have been achieved.

Annually, the EB-5 Program accounts for less than 1% of the visas issued by the U.S. Throughout the process, EB-5 investors are subject to the same background checks and national security screenings as applicants in any other visa category, and their ability to eventually apply for citizenship is subject to the same criteria as other visa holders. Like any other investment vehicle, EB-5 investment funds are subject to U.S. securities and anti-fraud laws and regulations.

IIUSA takes seriously the statutory requirement that an immigrant investor’s investment results in job creation, and we believe that demonstrating this job creation is a meaningful and required part of the immigration process under the Program. By undertaking these reports, IIUSA seeks to quantify the very real positive economic impacts of the Program and highlight the Program’s statutory job creation requirements.

Sincerely,



Peter D. Joseph
Executive Director

CC: Jeh Johnson, Secretary
U.S. Department of Homeland Security

Encl: Executive Summary of 2012 Peer-Reviewed Economic Impact Study
Executive Summary of 2010-2011 Peer-Reviewed Economic Impact Study

Executive Summary

Economic Impacts of EB-5 Spending

According to our estimates, **spending associated with EB-5 investors contributed \$3.39 billion to U.S. GDP and supported over 42,000 U.S. jobs during 2012.** This is more than a **2-fold increase** from the average annual impact result reported in 2011, and includes impacts associated with investment spending, household spending, and other immigration expenses.¹ During 2012 spending by EB-5 investors also contributed \$447 million to federal tax revenues and \$265 million to state and local tax revenues (see Table 11). Table 12 shows the top-10 industries impacted by all EB-5 spending. Given our estimate of \$1.55 billion in construction spending during 2012, it's not surprising that commercial construction tops the list at 14,195 jobs supported.

Table 11: Economic Impact of All EB-5 Spending, 2012

Summary of National Model

Impact Type	Jobs Supported	Contribution to GDP	Tax Revenue	
			Federal	State & Local
Direct Effect	19,173.0	\$1,323,323,561	\$190,883,756	\$80,205,467
Indirect Effect	8,510.0	\$804,022,871	\$102,899,176	\$58,886,303
Induced Effect	15,128.7	\$1,263,005,564	\$153,933,856	\$126,094,738
Total Effect	42,811.7	\$3,390,351,995	\$447,716,777	\$265,186,508
Factor ↑ from 2011	2.57	2.56	2.58	2.43

Table 12: Total Economic Impact of All EB-5 Spending, 2012

Top ten impacted sectors by employment (National Model)

Sector	Description	Jobs Supported	Contribution to GDP
34	Construction of new nonresidential commercial and health care structures	14,195.6	\$849,221,598
413	Food services and drinking places	1,942.7	\$61,879,123
367	Legal services	1,402.0	\$188,716,652
356	Securities, commodity contracts, investments, and related activities	1,181.8	\$81,359,130
360	Real estate establishments	1,125.6	\$131,024,837
369	Architectural, engineering, and related services	989.6	\$72,648,935
319	Wholesale trade businesses	980.7	\$133,128,304
394	Offices of physicians, dentists, and other health practitioners	774.4	\$63,448,106
382	Employment services	759.0	\$26,047,980
397	Private hospitals	747.1	\$56,925,288

¹ Kay, David (2013). *Economic Impacts of the EB-5 Immigration Program, 2010-2011*. Charlotte, NC: IMPLAN Group, LLC.

A simple 3-year average of impact results (2010-2012) shows that EB-5 spending supports over 25,000 U.S. jobs each year and contributes \$2 billion annually to U.S. GDP. Likewise, EB-5 spending also adds \$264 million to federal tax revenue each year and \$161 million to state and local tax revenues (see Table 22). This is clearly a much larger impact than originally estimated by the 2010 USCIS report, and is primarily due to an increase in the number of investors participating in the program (see Table 23-24).

Economic Impact Projections

In addition to estimating impacts for 2010-2011, we also scaled up our results to show what impacts may look like if the current visa limit is reached (10,000) or increased (20,000). Table 22 and the following two charts show our results.

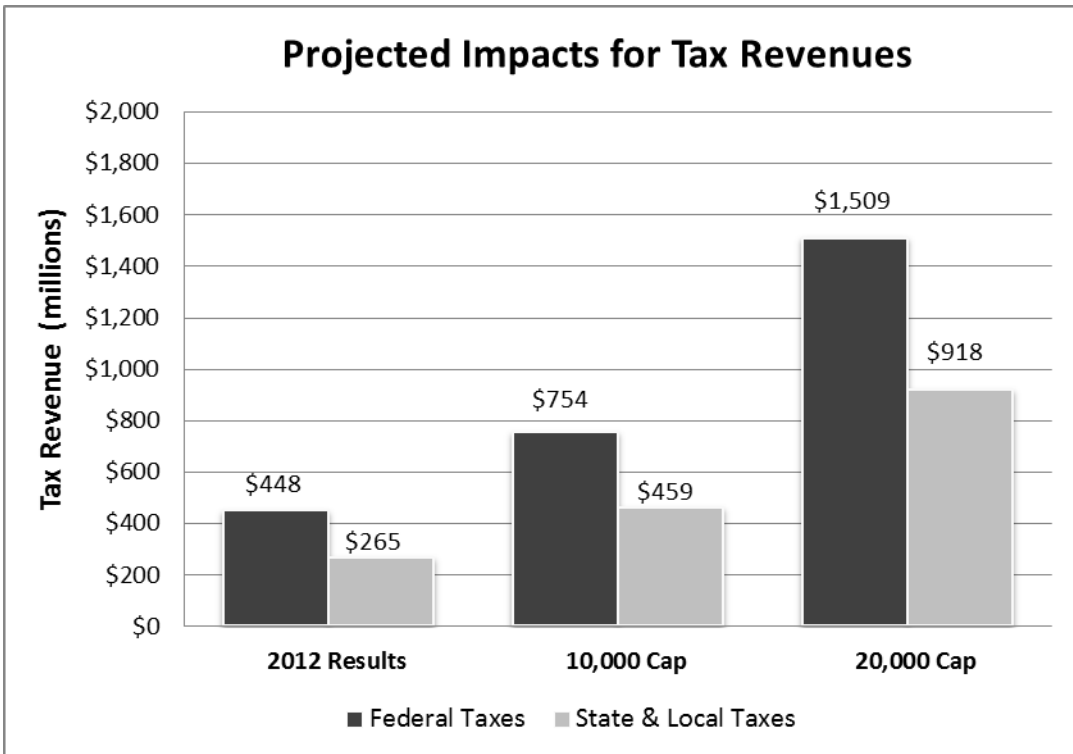
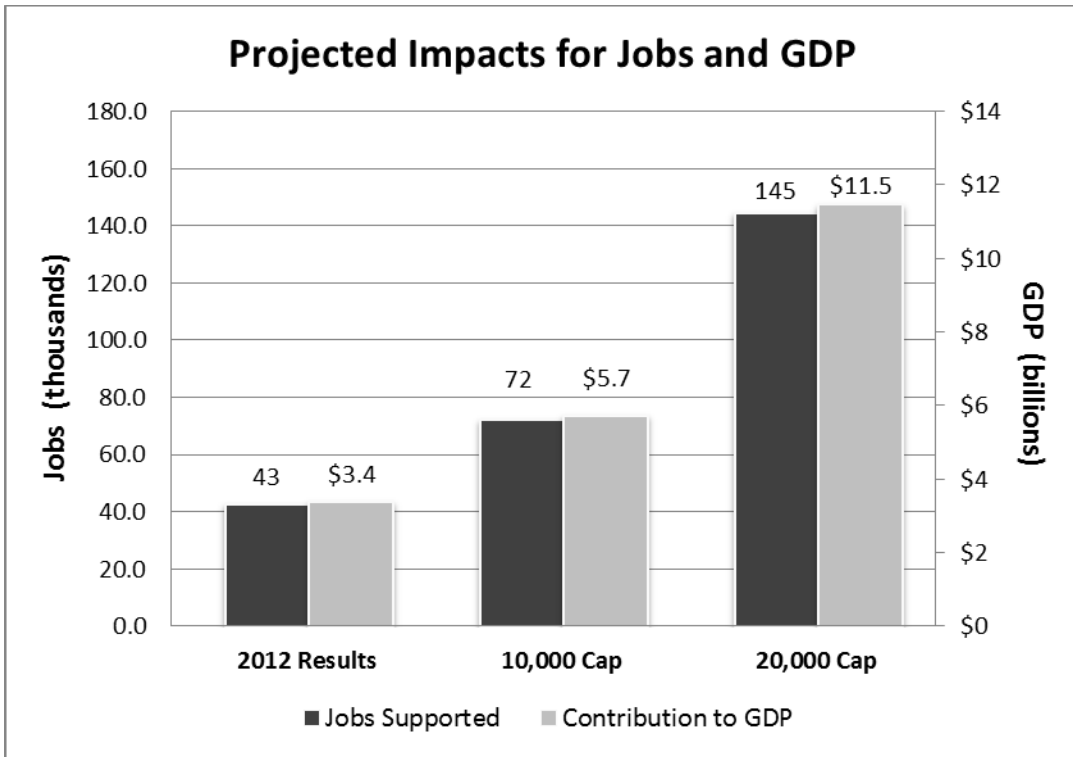
If the current regulatory environment and spending pattern remain unchanged, spending associated with EB-5 investor households would support over 72,000 U.S. jobs and contribute \$5.7 billion to U.S. GDP when the 10,000 visa limit is reached. The program would also support over \$754 million in federal tax revenues and \$459 million in state & local tax revenues. At the 20,000 visa limit, EB-5 investor spending would support over 144,000 U.S. jobs and contribute \$11.4 billion to GDP. Federal tax revenue would increase to \$1.5 billion and state & local tax revenue would increase to \$918 million.

Table 22: Projected Economic Impact of EB-5 Spending, 2012

Study Results from National Model

Results/Projection	Jobs Supported	Contribution to GDP	Tax Revenue	
			Federal	State & Local
2010-12 impact total	76,159.2	\$6,041,402,382	\$794,507,094	\$483,624,374
Impact/Year	25,386.4	\$2,013,800,794	\$264,835,698	\$161,208,124.67
Impact/Visa*	7.2	\$573,678	\$75,445	\$45,924
10,000 Cap	72,319.1	\$5,736,779,396	\$754,446,011	\$459,238,794
20,000 Cap	144,638.1	\$11,473,558,792	\$1,508,892,022	\$918,477,588
Projection ↓ from 2011	-12.9%	-13.1%	-12.6%	-15.5%

*Please note that impacts/visa is < 10 because there can be multiple visas per investor.



Executive Summary

Economic Impacts of EB-5 Spending

According to our estimates, *spending associated with EB-5 investors contributed \$2.65 billion to U.S. GDP and supported over 33,000 U.S. jobs during 2010-2011*. The results can be interpreted as a 2-year national impact for all EB-5 spending, including investments, households, and other immigration expenses. Spending by EB-5 investors also contributed \$347 million to federal tax revenues and \$218 million to state and local tax revenues. These results are totals that include direct, indirect and induced effects (see Table 11).

Table 12 shows the top-10 industries impacted by EB-5 spending. Given our estimate of \$868 million in construction spending during 2010-2011, it's not surprising that commercial construction tops the list at 8,106 jobs supported.

Table 11
Economic Impact of All EB-5 Spending, 2010-2011

Summary of National Model (2011 dollars reported)

Impact Type	Jobs Supported	Contribution to GDP	Tax Revenue	
			Federal	State & Local
Direct Effect	14,347.1	\$1,005,527,372	\$142,727,764	\$71,557,335
Indirect Effect	7,277.4	\$683,142,214	\$86,769,617	\$50,797,702
Induced Effect	11,723.0	\$962,380,800	\$117,292,930	\$96,082,826
Total Effect	33,347.5	\$2,651,050,387	\$346,790,317	\$218,437,866

Table 12
Total Economic Impact of All EB-5 Spending, 2010-2011

Top ten impacted sectors by employment (National Model | 2011 dollars reported)

Sector	Description	Jobs Supported	Contribution to GDP
34	Construction of new nonresidential commercial and health care structures	8,106.3	\$476,839,529
413	Food services and drinking places	1,749.1	\$54,781,111
319	Wholesale trade businesses	1,134.9	\$149,251,826
360	Real estate establishments	905.7	\$103,658,075
356	Securities, commodity contracts, investments, and related activities	682.4	\$46,194,810
367	Legal services	675.0	\$89,334,920
382	Employment services	656.1	\$22,141,784
369	Architectural, engineering, and related services	627.0	\$45,258,748
394	Offices of physicians, dentists, and other health practitioners	583.7	\$47,023,892
397	Private hospitals	572.1	\$42,861,889

A simple average of the 2-year impact shows that EB-5 spending supports over 16,000 U.S. jobs each year and contributes \$1.3 billion to U.S. GDP. Likewise, investor spending adds \$173 million in federal tax revenue annually and \$109 million in state and local tax revenue (see Table 22). This is clearly a much larger impact than originally estimated by the 2010 USCIS report, and is primarily due to an increase in the number of investors participating in the program (see Table 23-24).

Economic Impact Projections

In addition to estimating impacts for 2010-2011, we also scaled up our results to show what impacts may look like if the current visa limit is reached (10,000) or increased (20,000). Table 22 and the following two charts show our results.

If current regulatory and economic environments remain unchanged, economic impact results would increase almost 2.5 times at the 10,000 visa cap. In this scenario, EB-5 spending would support over 83,000 U.S. jobs and contribute \$6.6 billion to U.S. GDP. Federal tax revenues would increase to \$863 million and state & local tax revenues would increase to \$544 million. At the 20,000 visa cap impact results would increase almost 5-fold from current levels. EB-5 spending would then support over 166,000 U.S. jobs and contribute 13.2 billion to GDP. Federal tax revenue would increase to \$1.7 billion and state & local tax revenue would increase to \$1.1 billion.

Table 22
Projected Economic Impact of EB-5 Spending, 2010-2011

Study Results from National Model (2011 dollars reported)

Projection	Jobs Supported	Contribution to GDP	Tax Revenue	
			Federal	State & Local
Study Results	33,347.5	\$2,651,050,387	\$346,790,317	\$218,437,866
Impact/Year	16,673.8	\$1,325,525,194	\$173,395,159	\$109,218,933
Impact/Visa	8.3	\$659,958	\$86,331	\$54,378
10,000 Cap	83,015.9	\$6,599,577,762	\$863,306,739	\$543,783,585
20,000 Cap	166,031.9	\$13,199,155,524	\$1,726,613,478	\$1,087,567,170

