

Committee on Commerce, Science, and Transportation  
United States Senate  
Written Testimony by Luis Arbulu  
May 8, 2013  
2:30 pm

Dear Chairman Rockefeller, Ranking Member Thune, and Members of the Committee, thank you for the opportunity to submit testimony to the committee.

Born and raised in Peru, I came to the U.S. to study engineering through the Fulbright program. I worked as an engineer building large-scale infrastructure projects in the US and abroad, was the head of engineering operations at a startup and then held a number of senior roles at Google. As a founder and managing director at Hattery, a seed stage investment fund and ideas and innovation lab based in San Francisco, I work with entrepreneurs from all around the world who have come to the United States to start their businesses. Recently, I was appointed as an Entrepreneur in Residence with the U.S. Citizenship and Immigration Services in order to help the agency understand the realities and nuances of high-impact entrepreneurship when they look to adjudicate visas. I understand the trials of these struggling entrepreneurs because I have lived them; that's why I support the Senate's efforts to pass comprehensive immigration reform.

#### Startups - the Drivers of Our Economy

As a result of my experiences, I joined the Board of Engine Advocacy. Engine's mission is to create an environment where technological innovation and entrepreneurship thrive by educating and working with startups and lawmakers to construct smarter public policy. Engine has more than 500 members, from young companies making products ranging from semantic search tools to heart scanning technologies, to MIT physicists building satellites and thriving businesses such as Yelp. Across the country, Engine members are driving our economy.

"High growth entrepreneurial companies" are responsible for all new net job growth since 1980, according to research from the Kauffman Foundation. Our own Tech Works research<sup>1</sup> has found that employment in the STEM occupations of science, technology, engineering, and mathematics, has been continually robust, gaining 27 jobs for every 1 job gain in all other occupations between 2002 and 2011. These jobs have also boosted local communities ; for every job created in the high-tech sector, 4.3 additional jobs are projected to be created in the local goods and services economy, including barbers, lawyers, and health care professionals.

#### INVEST Visa

As risky investments, startups are unlikely to receive, or even investigate the possibility of

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<sup>1</sup> [https://s3.amazonaws.com/engine-advocacy/TechReport\\_LoRes.pdf](https://s3.amazonaws.com/engine-advocacy/TechReport_LoRes.pdf)

receiving, conventional bank loans. Instead, startups rely on angel investors and venture capitalists who are willing to take the financial risk in exchange for equity. To ensure that these fledgling businesses can prosper, angels and VCs will often offer advice and mentoring in addition to financial investment. Investors steer companies toward success by literally being present as the startup grows. These interactions, together with hard work and late nights, grow truly innovative companies.

These networks and access to capital and talent are the reasons why so many of the world's entrepreneurs flock to the U.S. to start and grow their companies. Unfortunately, our current immigration system makes this prohibitively difficult. Fabien Beckers, for example, has created a 3D heart imaging system that could revolutionize the way we diagnose and treat heart disease. He has a PhD from Cambridge and an MBA from Stanford. Despite having funding -- contingent on his ability to stay in the country -- Fabien was not technically employed and so did not fit the requirements for an H class visa. Instead of working on his product, Fabien had to spend months being rejected by visa category after visa category. Finally, he proved he was "exceptional" enough in his ability (as defined by the visa class) to receive an O visa that allowed him to stay in the country.

Columbia business school graduate Sumit Suman, on the other hand, has not been as fortunate. His online mentoring startup Mentii is being used by universities around the country to help better connect alumni networks. In order to qualify for an H-1B visa, Sumit had to relinquish control of his company to a member of his Board. But Sumit lost out in this year's visa lottery so was forced to return to India. Though still building Mentii from Delhi, Sumit is no longer able to meet possible clients and actively build the community.

Foreign-born startup founders continually struggle to stay in the country. Some, like Fabien, eventually find a visa category that fits. Some, like Sumit however, relinquish control of their companies. Still others use L visas to travel back and forth from their home country as their business demands. But this is one of the costliest visas because startup founders must incorporate their business, and maintain staff and offices, in two countries.

The INVEST visa remedies this problem by allowing startup entrepreneurs with funding to stay here and grow their businesses. We believe that the requirements in S.744 are reasonable: an investment of \$100,000 in the previous three years for a nonimmigrant visa. This investment can be easily verified by the regulatory and enforcement agencies.

### High Skilled Workers

As startups grow, it is also important to make sure that they are able to hire the right talent. A recent study by Engine Advocacy shows that STEM workers continue to be in high demand. Inflation adjusted wages for STEM workers have grown faster than for non-STEM over the last two decades, despite the recession. The number of computer and math and science

jobs have also increased by 5.2 percent annually over the last decade, with an unemployment rate below 1 percent and a job openings rate of around 8 percent.<sup>2</sup> Moreover, despite claims that foreign workers are paid less than their American counterparts, foreign born IT workers earn 6.8 percent more than those with U.S. Citizenship.<sup>3</sup>

According to USCIS data, the number of H-1B applications correlates with economic growth; in good growth years, there are more applicants than during recession years. It is for this reason that Engine advocates for an H-1B system that is responsive to the needs of the marketplace rather than arbitrary caps.<sup>4</sup> While the comprehensive immigration bill makes great strides toward reducing the burden on the H-1B system, the existence of a cap, and the preference for workers with graduate degrees will continue to cause difficulties for startups. For startups, the *right* talent is not defined by what degree they have.

As startups struggle to find highly skilled workers who can lead the technology revolution, each H-1B worker makes a substantial impact on the growth of the business. According to a 2011 GAO report, the H-1B caps did not impact larger firms who were able to move workers to a foreign office and then use L visas to join their team in the United States as needed.<sup>5</sup> Startups, on the other hand, do not have the flexibility to locate their workers are around the world. The same GAO study noted that for startups, being denied a H-1B visa could mean moving the whole company abroad, or abandoning the startup entirely.

## Conclusion

S.744 makes great strides towards reforming the current immigration system. The INVEST visa allows entrepreneurs from around the world to start their businesses in the United States. Reforms to the H-1B system, however, stop short of allowing these businesses to prosper. Startups can power the next generation of growth in the American economy if we let them. Entrepreneurs and innovators need Congressional support to continue to build the businesses of the future. We hope that you will consider these measures that will allow for that future, our future, to be prosperous.

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<sup>2</sup> <http://engine.is/blog/posts/it-s-all-relative-stem-workers-are-in-high-demand>

<sup>3</sup> <http://www2.itif.org/2010-h1b-visa.pdf>

<sup>4</sup> <http://www.engine.is/blog/posts/how-the-gang-of-eight-immigration-bill-impacts-startups>

<sup>5</sup> <http://www.gao.gov/new.items/d1126.pdf>