

★ BACK TO BASICS: ★

**Mayor Peter Corroon's Plan
for Jobs, the Economy,
and Utah's Economic Growth**



PETER ★
CORROON
★ GOVERNOR



EXECUTIVE SUMMARY ★

Today's major dot-com players have become the platforms on which groundbreaking, successful businesses are built. These businesses – small, agile, and innovative – are the models of success. And Utah has a history of making exactly these kinds of breakthroughs – and the culture and people to keep on making them.

We need to focus on developing and increasing the impact of Utah's high-growth powerhouse industries, where we have the best chances to build sustainable, high-wage jobs. Utah has a tremendous opportunity to catalyze growth in industries of the future such as aerospace and defense, life sciences, biotech and nutraceuticals, film, agriculture and food processing, energy, and value-added manufacturing.

But instead of appreciating and capitalizing on Utah's natural advantage in "the small, the innovative, and here," our state leadership often focuses on "the big, the outdated, and elsewhere." We need leadership that recognizes the new realities that allow us to build a brighter future based on traditional Utah values. We can build the jobs and businesses of the future right here; we've got the brains, the ideas, the entrepreneurs, and the workforce. What we need are the basics; we need the backbone.

That means

★ Building on the strengths and the assets we already have here in Utah and investing in our own people and businesses through:

- establishing a New Jobs Tax Credit for jobs created in Utah, paying above the average wage.
- requiring employers who receive state funds to hire Utahns.
- closing out corporate welfare.
- requiring major firms that win state contracts to subcontract a substantial portion of the work to Utah businesses.

★ Creating the physical infrastructure needed to connect our people and products with the rest of the world by:

- utilizing bonding capacity to fund transportation.
- working closely with the World Trade Center Utah and our other key partners in business strategy to firmly establish our leadership in international trade.
- attracting additional tourism.
- investing in mass transit.
- jump-starting highway projects.
- expanding broadband.
- installing smart grid/new energy infrastructure.

★ Investing in Utah's people and their minds by:

- encouraging university spin-offs.
- increasing investment in commercialization of cutting-edge technology.
- expanding Utah Science Technology and Research (USTAR).
- improving Research and Development (R&D) tax credits.
- creating a Research Commercialization Matching Grant Program.
- saving workforce development and using these investments to attract private-sector employers.
- supporting and building our education system and training programs.
- expanding management education and expertise.

★ Leveraging the needed business and financial infrastructure through:

- state matching funds for grants from corporations and federal sources.
- a Governor's Grants Office to help the state better maximize federal and foundation support.
- capital and loan guarantees and a capital access program for small businesses.
- strengthening Utah's Small Business Development Centers.
- an "angel investor" tax credit and allowing angel and venture capital investors to "roll over" their investments in Utah businesses tax-free.
- establishing a micro-lending fund.
- encouraging state pension fund investment in targeted industries.
- tax incentives for small, start-up and family-run businesses.
- incubating and accelerating entrepreneurial activity.

★ Real leadership in state government to do all the things necessary to empower the private sector to grow, and then to get out of the way by:

- promoting fiscal discipline and government efficiency.
- cutting government red tape.
- "sunsetting" outdated business incentive programs.
- expanding e-government.
- simplifying regulations.
- creating a small-business ombudsman.
- maintaining Utah's great quality of life.



BACK TO BASICS: BUILDING UTAH'S ECONOMY ★

The world is coming Utah's way:

Small is the new big.

Entrepreneurship, brains, and ideas are the currency of the New Economy.

In the High-Tech Revolution 2.0, the major dot-com players have become the platforms on which successful businesses applications are built. These businesses – small, agile, and innovative – are the models of success.

Utah has a history of making exactly these kinds of breakthroughs, and it has the culture and people to keep on making them.

Utahns are historically small-business people. We have a heritage of cottage industries. Our population is generally young and ambitious, and we have one of the most highly motivated and best-educated workforces in the world. We have innovative research already underway at our universities and in existing firms. We have extensive broadband connections. Our workers have the opportunity to

develop new technologies here because they are not sitting in Silicon Valley working on a legacy technology. We have a great quality of life that includes housing that is affordable even for young people just starting out. In short, we have all the ingredients necessary for success in the New Economy – the businesses and industries that will generate the most jobs and the highest incomes in the future – right here in Utah.

Small is the New Big

In 2006, the number of small-business employers in Utah was 56,691, accounting for 97 percent of the state's employers and 50 percent of private-sector employment.¹ Small businesses with 500 or fewer workers consistently account for the largest share of job growth; in 2006, over 47,000 net jobs were created in Utah by small businesses, compared to 19,000 by businesses with more than 500 employees.² We need to focus on the small businesses of our economy instead of just big businesses and the old economy. Utah has too long been focused on old development strategies based on luring big business to Utah, without duly acknowledging the importance of local independent businesses. For every dollar spent on local businesses, three times as much of that dollar is re-circulated in the local economy.³

We need to focus on developing and increasing the impact of Utah's high-growth powerhouse industries, where we have the best chances to build sustainable, high-wage jobs. Utah is an attractive place for target industries to move or expand to, offering a young, educated, and growing workforce, a high quality of living, competitive tax incentives, and awards for state-debt management. My administration will work to bridge the gap between established industry leaders, innovative start-ups, public research institutions, and higher education by cultivating multi-partner industry clusters in the state and creating an attractive environment for high-touch incubators, which provide high-tech start-ups with mentoring, networking opportunities, and assistance in securing capital investment and commercialization of new technologies.

I believe Utah has a tremendous opportunity to catalyze growth in these industries of the future:

★ ***Aerospace and Defense.*** Forecasts for global homeland security anticipate that business will grow from \$40 billion in 2004 to \$180 billion by 2015.⁴ Heavy emphasis is being placed on developing new technologies for effective preparedness factors: prevention (biometrics, vaccines, intelligent systems, cargo screening systems); detection (biological pathogens and radiation sensors, training); reaction (EMS equipment, communications, modeling); and recovery (bioremediation, decontamination). The cluster of companies in Utah that operate in the defense and aerospace industries is already a strong suit of the state's economy that gives us a strategic advantage to build on in the field of homeland security. Utah's aerospace and defense industries employ more than 42,000 workers statewide, with revenues totaling \$5.2 billion.⁵ As governor, I will promote strategic partnerships that can accelerate our achievement in this industry by bridging the gaps between private companies, government, public and private research institutions, and higher education. One such example is the Aerospace Cluster Acceleration Project, a partnership between leading aerospace firms, the Utah Department of Workforce Services, Grow Utah Ventures and Weber State University.



★ **Life Sciences Industries:** Biotech and Nutraceuticals. The life sciences industries, including biotechnology and nutraceuticals – products that provide health and medical benefits – is a new horizon for growth and innovation in Utah. Utah’s life sciences industry employs more than 26,800 Utahns, the most per capita among the western states, and second for overall industry growth.⁶ The BioInnovations Gateway (BiG) facility was launched as a shared vision between USTAR, Salt Lake Community College and the Granite School District as an incubator “for emerging biotech and medical device companies, a high-tech training facility for the next generation of bio-innovators, and a contract research resource for Utah’s life sciences industry.” BiG brings together the state’s USTAR program for scientific innovation and actually prepares students for jobs as the jobs are being created.⁷ With the Granite School District providing the incubator space, start-up biotech companies can launch in Utah with less risk and capital expenditure; at the same time, this allows high school students to connect classroom learning with real-life business experience and cutting-edge technologies. BiG is an example of how a public/private technology incubator can nurture the industries of the future, while preparing students to fill those jobs. It is considered a national model and should certainly be replicated as a model for Utah.



★ **Film.** For nearly 100 years, Utah has been a host to the film industry, earning prominence as a desirable filming site; over 800 movies have been filmed here since the 1939 classic *Stagecoach*, including the current High School Musical hits. From 2005 to 2009, film production created 3,000 new jobs, with an economic impact of \$15 million for our state. The Sundance Film Festival, which Utah has hosted annually since 1978, has contributed a total of more than \$550 million to Utah’s economy. In 2009 alone, it brought over 25,000 out-of-state visitors who spent millions in Utah, and it supported almost 2,000 jobs, with an economic impact of \$92.1 million.⁸ While film production is among the lowest-impact industries on our environmental quality and natural resources, its economic impact is substantial; 90 percent of workers employed on a film set in Utah are Utahns. For every dollar spent by Utah in support of the industry, \$2.50 is generated for our state’s economy⁹ – an excellent return. The Golden Age of film began in the Great Depression, and it remains an industry that shows continued growth in the face of current economic challenges. The Motion Picture Incentive Fund allows qualifying film productions to apply for a 20 percent tax credit or a cash rebate based on the amount of money spent in Utah. This is a step in the right direction that is expected to bring 4,500 jobs to Utah.¹⁰ As governor, I will support continued investments in the film industry, including construction of a world-class studio in Utah, while working closely with local governments to ensure that plans benefit and are respectful of local



communities.

★ **Agriculture and Food Processing.** Agriculture and food-processing plants contribute to up to 15 percent of Utah's economy, providing over 66,000 jobs and generating \$15.2 billion in economic activity, including \$350 million in tax revenues and \$2.4 billion in income.¹¹ In fact, agriculture and food processing plants have become a backbone of Utah's manufacturing industry, particularly in Utah County. In recent years, manufacturing overall in Utah has declined to pre-World War II levels, but food processing remains a growth industry, with direct sales of \$17.9 billion in 2008.¹² Cash receipts in Utah, Millard, Beaver, Box Elder, Cache, Sanpete, and Iron counties account for almost two-thirds of the industry in Utah. While agricultural production alone accounts for only 2 to 3 percent of the state's economy, it is a vital component of and is necessary for the continued growth of our significant food-processing industry. It is alarming, then, that in just the five years between 2003 and 2008, we have lost half a million acres of farmland to development. In 20 years, it is anticipated that Utah will lose another quarter of its productive agricultural land. The impacts will be felt keenly in Weber, Salt Lake, and Davis counties, which are expected to lose 40, 50, and 70 percent of their farmlands, respectively. The Agricultural Sustainability Act (HB 102), introduced in the Utah Legislature, would create a voluntary program under which farmers who might otherwise be compelled to sell their land to development could instead allow the state to hold it in a conservation easement, while keeping it under agricultural production.¹³ As governor, I will support this bill as well as other efforts to ensure Utah's food security and the continued growth of our robust food-processing industry.



★ **Energy.** Many companies locate in Utah because of our affordable energy prices. I believe Utah can maintain that economic advantage by becoming completely energy-independent. We have coal, natural gas, and petroleum, which have been the staples of our energy production and will continue to be important. We also have an abundance of renewable resources, including the sun, wind, and geothermal energy. We need to maintain our leadership in plentiful, low-cost energy by expanding new and renewable energy sources here in Utah. This is vital to the continued growth here of energy-intensive, high-tech businesses like eBay, Cisco, and Oracle (and the National Security Agency). Bringing innovations in renewable energy technologies into Utah's marketplace will be a priority of my administration. Utah's first business incubator that is focused on renewable energy began operations this year near the campus of Dixie State College. The Southern Utah Information Technology and Renewable Energy Incubator is designed to help Utah join several



other states and cities in cultivating green technology and alternative-energy start-ups. Tenants rent space at near-market rates but get many valuable benefits, such as business mentoring from successful executives, use of conference rooms and classrooms, and high-speed Internet. The incubator is an example of collaborative effort of the Utah Science Technology and Research initiative (USTAR), the Dixie Business Alliance, the Small Business Development Center, SEED Dixie, Washington County Economic Development, Dixie State College, and Dixie Applied Technology College.¹⁴ As governor, I will support the expansion of USTAR and the replication of its successful incubation projects to accelerate the commercial applications of the latest research in renewable energy.

★ **Value-added Manufacturing.** The manufacturing sector is often overlooked in Utah, but it contributes \$9.8 billion to the state's economy and 11 percent of the state's gross domestic product (GDP). Manufacturing jobs pay 17 percent more than the average Utah wage, the highest industry-wide average after mining.¹⁵ The industry employs 129,000 workers, the largest payroll in the state, and indirectly creates another 300,000 jobs.¹⁶ From 2007 to 2008, 2,400 new manufacturing jobs were created in Utah. Utah is a naturally attractive location for manufacturing due to its geographical position as a hub to western cities and as a halfway point on trade routes between Canada and Mexico; Salt Lake City is a connector where the major rail lines that connect Seattle, San Francisco, and Los Angeles ports meet. Utah's relatively low cost of living, cost of doing business, energy costs, and its youthful and growing population are further advantages. But the face of manufacturing is changing. New manufacturing jobs require an ever-increasing degree of skills and training for a new breed of company that merges old-fashioned industrial production with the new technologies and data of a knowledge-based information economy. One of the most important ways to boost our manufacturing economy is to enable our manufacturing firms to invest in new product development, new research and development, and finding new markets. And encouraging entrepreneurship through enhanced access to capital (as discussed below) to growing, resilient industries like new manufacturing is essential to ensure job growth.



★ *The Basics of a New Economy:* ★

BUILDING THE BACKBONE





THE BASICS OF A NEW ECONOMY: BUILDING THE BACKBONE ★

Utahns understand better than most that jobs are created in the private sector.

But the private sector cannot thrive where government does not make needed investments in the infrastructure required to compete in a 21st century economy – specifically the high-speed information/communications infrastructure that today underlies growth in every conceivable industry. Government can and should promote this development as the backbone of today’s economy.

If the private sector produces the applications and ideas that light up the economy with thousands of small firms and individual entrepreneurs, government must provide the “backbone” – the network, like Facebook for social media or the iPhone for wireless communication – from which these businesses are built. We need the backbone.

Instead of appreciating and capitalizing on Utah’s natural advantage in “the small, the innovative, and here,” our state leadership often focuses on “the big, the outdated, and elsewhere.” State economic development policy in Utah has traditionally followed the race-to-the-bottom strategy: throwing tax breaks at companies to bring to our state any jobs we could get, no matter how low-paying. Then, once a company had gotten whatever temporary advantage it wanted, it would lay off our workers and move away. La-Z-Boy, which in 2008 laid off 630 employees when it transferred production to five other plants in the United States and Mexico, is only one of many with a similar story and is among the best-known examples.¹⁷

We need leadership that recognizes the new realities that allow us to build a brighter future based on traditional Utah values. We can build the jobs and businesses of the future right here; we’ve got the brains, the ideas, the entrepreneurs, and the workforce. What we need is the backbone.

I know something about business and job creation, because I’ve done it. I have been a businessman working in the areas of construction, real estate, housing, and law. I know the private sector is our economic engine. But government can provide incentives for economic growth; or it can discourage growth. We need state government to give incentives to businesses, but we need to provide the right incentives.

★ ***That means*** building on the strengths and the assets we already have here in Utah and investing in our own people and businesses.

- ★ ***That means*** creating the physical infrastructure needed to connect our people and products with the rest of the world, which will help us start creating more jobs right now that are tied to Utah, rather than giving short-term tax breaks to businesses that at any time are able to lay off Utah employees and then pick up and move someplace else, leaving those people unemployed and abandoned.
- ★ ***That means*** building an intellectual infrastructure by investing in Utah's greatest asset – our people and their minds – with improved research and educational facilities, and a workforce system that helps every Utahn achieve his or her full potential.
- ★ ***That means*** leveraging the business and financial infrastructure necessary to take our ideas and industries to a global platform from right here in Utah. What has held us back in the past has been that when Utahns have developed a good idea and turned it into a successful business, that business has tended to leave the state once it has reached a certain point in the growth curve, through either its sale to a larger firm elsewhere, or relocation to be closer to venture capital opportunities. We've always had the brains, the ideas, the research and development, and the entrepreneurial spirit. What Utah has lacked is larger-scale business-management expertise, nearby venture and other investment capital, and easy access to global markets – the things that keep growing businesses in place and that keep them growing even more.
- ★ ***And, finally,*** that means real leadership in state government to do all the things necessary to empower the private sector to grow, and then to get out of the way and allow it to do so.



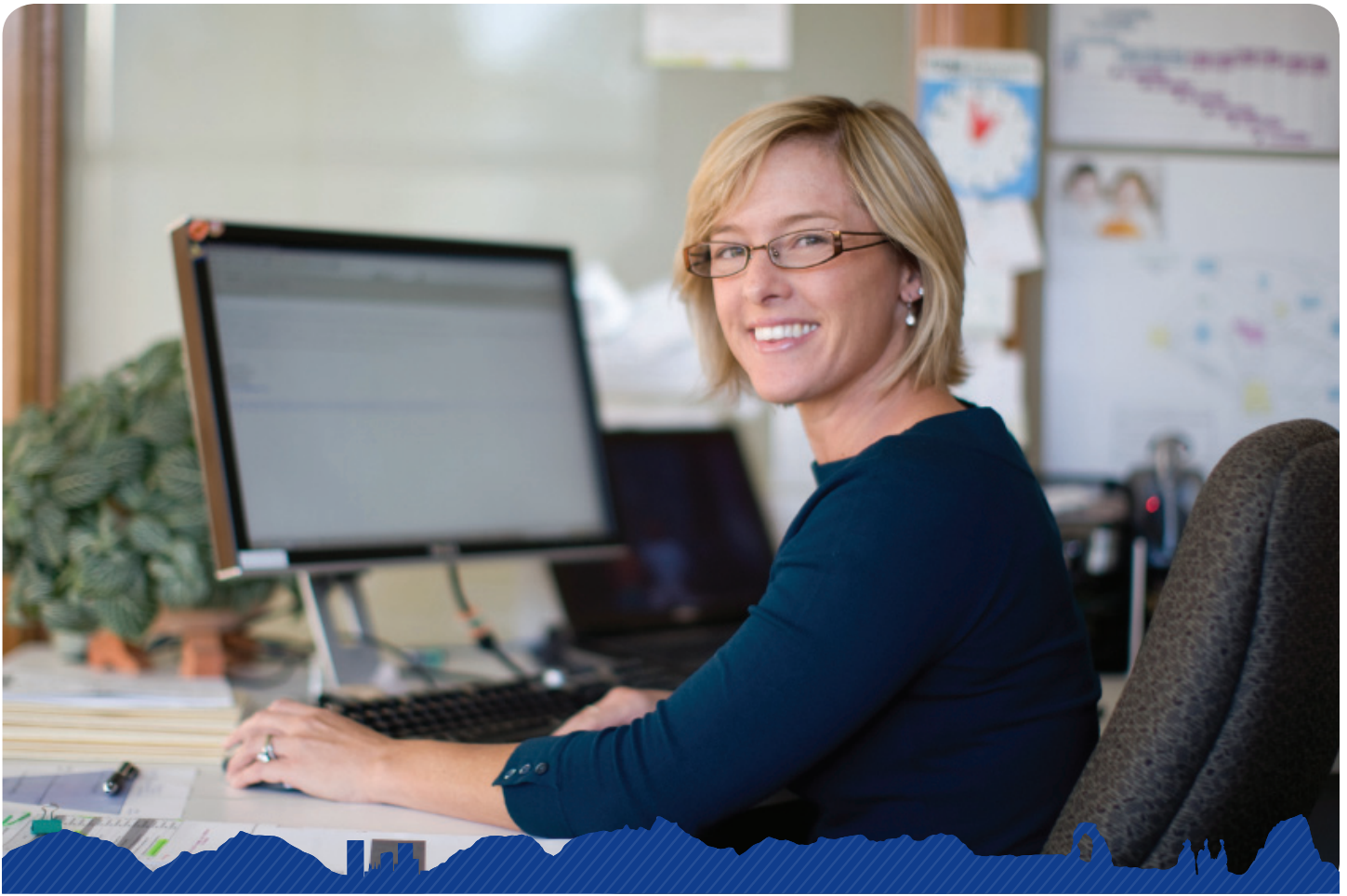
I am running for governor to provide an alternative – to take all that is great in Utah and enable our citizens to take full advantage of our resources to build an even brighter future. I will focus our efforts on growing jobs right here at home by laying the foundation we need for transportation, communication, and energy infrastructure; for human capital through expanded research and development, improved education, and development of a strengthened workforce; for forward thinking and encouragement of increased investment of capital to help our homegrown innovations expand worldwide; and for a state government that is both as effective and efficient as it should be.

Yes, I have a plan for all that. Here it is.

★ *This is the Place:* ★

CREATING JOBS *HERE*





THIS IS THE PLACE: CREATING JOBS HERE ★

We need a new approach to the creation of jobs here in Utah. As governor, I will ensure that state incentives are directly tied to creating in-state jobs with above-average wages and benefits. My approach will focus on expanding jobs and investing in existing businesses in Utah by doing the following:

★ ***Institute a New Jobs Tax Credit for jobs created in Utah, paying above the average wage.***

The New Jobs Tax Credit will reward businesses for every new job they create in Utah that pays an above-average wage by refunding to businesses each year the increase in federal payroll tax they paid over the previous year for Utahns employed in qualified jobs. The average wage in Utah in 2009 was \$37,764.¹⁸ Qualified jobs will be those paying \$50,000 or more. That means that if a company employs more Utah workers in good jobs – or pays them higher wages – the state will pay the additional taxes the federal government imposes. For example, for jobs paying \$50,000, that comes to \$3,825; a company producing ten new Utah jobs could receive a reduction in its taxes of nearly \$40,000.

Colorado recently enacted a plan to give a tax credit to businesses that create at least 20 new jobs; the credit would be for up to 50 percent of a qualifying firm's annual payroll taxes for its new employees and would last for five years. Because it is tied to the payroll tax, this credit gets bigger the more new jobs a company creates – and the more it pays each worker. Florida's Quick Action Closing Fund, which allows the state to respond quickly to extraordinary economic opportunities, requires the salaries of new jobs created as a result of the state incentive to be 125 percent of the local average wage.¹⁹ And Connecticut provides a new-jobs tax credit for employers creating at least ten new jobs, and it requires repayment if the new jobs created are lost within a period of five years.

The New Jobs Tax Credit that I am proposing will more than pay for itself: The new job itself will generate state income tax payments of \$2,675. A business will only create a new job if the company is growing and generating the income to pay for these high-level workers; at the average rate of corporate profit relative to payroll, this means profits yielding an additional \$225 in corporate state tax revenue. In addition, most of the additional income from this new job will be spent in ways that generate further economic activity and tax revenues – an additional \$20,000 or more in spending and over \$1,200 in sales tax revenue. In short, we'll come out ahead on the credit and we'll have more jobs and more economic activity – a win/win for everyone.



★ ***Employers who are recipients of state funding or incentives will be required to use the money to hire Utahns.*** This will support job creation and higher wages for Utah workers, and it will connect tax relief for businesses directly to the actual creation of more, higher-paying jobs in the state.

★ ***Close out corporate welfare.*** Job creation incentives are not corporate handouts; they are two-way contracts, and as governor, I will ensure those contracts are binding. I will direct the Governor's Office of Economic Development to undertake a study of which tax breaks have worked to create well-paying jobs, and which have not. Where state tax incentives are used to expand business and create jobs, they result in net gains to communities. But if not used to stimulate local economies as intended, incentives such as property tax abatements can simply strangle local governments and schools. Historically, "clawbacks" have been rarely used in recovering public funds. But in states like Illinois, Texas, Michigan, and Kansas, communities have stopped looking the other way when companies don't keep their promises and started taking back tax dollars that did not produce the intended results. Illinois took back funds from 37 companies that did not fulfill their local commitments in 2008, compared to six in 2005.²⁰ As governor, I will:

- Ensure that every penny spent on helping businesses goes to businesses that are truly helping Utah's communities. Businesses that have received grants, tax incentives or abatements for their expansion in Utah must be held to their end of the bargain; and if they do not meet their commitments, we will recover our investment through clawbacks – reclaiming those incentives that were not earned.
- End the property-tax pass-downs, whereby the state decides to defund our local schools in order to give the money to out-of-state corporations.

★ ***Require major firms that win state contracts to subcontract a substantial portion of the work to Utah businesses.*** I will also ensure that a competitive reciprocal bidding preference is instituted for Utah-based firms to help keep more taxpayer dollars in state, while further ensuring that our firms can operate on an even playing field with firms in other states. This will help put more money into the hands of Utah businesses, stimulating our local industries, and directly creating more jobs for Utah workers. Utah currently is one of only about a half dozen states to provide no such in-state preference.

What we need is to keep supporting them by maintaining our investments in university education, research and development, and entrepreneurship, while building the infrastructure to help generate the business management expertise, capital availability, and access to global markets.

★ *Now is the Time:* ★

CREATING JOBS IMMEDIATELY





NOW IS THE TIME: CREATING JOBS IMMEDIATELY ★

Utah has always been a special place – and our place is part of what makes us special. We can build a better economy for the future by capitalizing on our location as an intermodal economic hub for the Intermountain West.

- ★ Utah serves as the financial and trade center for the movement of goods, people and capital for a region comprising one-third of the total area of the United States.
- ★ Three major interstate highways and the Union Pacific Railway's intermodal hub make Utah a regional center for business and an important import/export distribution point.
- ★ Salt Lake City serves as an international airline hub, and St. George is building an international airport scheduled to open in 2011. This will be a catalyst for economic growth in Utah and will be one of the first international airports to open in the United States since the terrorist attacks of September 11, 2001. Delta operates its westernmost U.S. hub at Salt Lake City International Airport. The airline employs about 3,200 people, including 600 pilots, in the Salt Lake area, and it continues to increase its Salt Lake City service in spite of financial woes. As of December 2009, Delta flew nonstop to 99 destinations from Salt Lake City, with 312 daily flights.²¹
- ★ Salt Lake City gained approval from the United States Department of Commerce in 2009 to reorganize its foreign trade zone (FTZ), a zone of reduced duties and simplified procedures for engaging in international commerce. The city's previous FTZ site had been inactive since 1995.²² When the original zone opened in 1977, Utah was no international business hub. But times have changed; international trade is important even to small Utah companies. FTZs lower the costs of doing international business, including reducing customs fees and paperwork requirements. While every state has at least one FTZ, Salt Lake City's FTZ is uniquely situated at an intermodal economic and transportation hub that facilitates the shipping and transfer of goods and capital.

★ As a result, Utah leads the nation in international export growth and is positioned to lead the nation in export recovery. Nationally, the economic challenges of recent years saw significant declines in exports, with some western states down 24 percent to 54 percent. The average loss for all states was 19.5 percent, with 12 states declining more than 25 percent. In 2009, Utah companies exported over \$10.3 billion, which equaled their export dollars from 2008.²³ In December 2009, Utah exports reached a record high. Of the more than 2,400 Utah businesses involved in exports, 85 percent are small- to medium-sized companies, and 84 percent of exports are manufactured goods.²⁴



Further investments in our multiple forms of infrastructure will help us to attract capital and to expand all of our diverse industries, from manufacturing to finance, right here in Utah. It will also create jobs, not just far into the future, but also right now, right here.

As one of only three state governments with an AAA bond rating from three different rating agencies, and with state indebtedness \$3 billion below the constitutional ceiling and \$661 million below the statutory limit, Utah clearly has the capacity to build the 21st century infrastructure we need and to jumpstart the sectors that spur rapid job-creation. Infrastructure projects have the advantage of creating jobs directly and also indirectly, by creating the transportation and information/communications networks essential to making our state attractive to thriving businesses. As governor, I will work to develop a world-class infrastructure in Utah by:

★ **Utilizing bonding capacity to fund transportation.** Utah needs to invest further in its transportation infrastructure to enable the economic growth we envision – and we have the bonding capacity to do so, as I’ve discussed above, without pulling the state’s currently limited cash away from other needed programs and services. Utah’s leaders have been unwilling to use this capacity to finance future road needs; this backward thinking is inefficient and holding back growth. We need to make the investments in our known infrastructure needs right now, in order to enable future economic growth as a regional intermodal hub that will bring new jobs and revenues to our state. Interest rates are low and construction costs are low. Now is the time to build our infrastructure for the future.

“UTAH CLEARLY HAS THE CAPACITY TO BUILD THE 21ST CENTURY INFRASTRUCTURE WE NEED AND TO JUMPSTART THE SECTORS THAT SPUR RAPID JOB-CREATION.”

★ **Working closely with the World Trade Center Utah and our other key partners in business strategy** to firmly establish our leadership in international trade.

★ **Attracting additional tourism.** When it comes to tourism, Utah’s product is unparalleled. Our natural scenery is spectacular, our recreational opportunities are incomparable, and our cultural fabric is unique. Our tourism industry is not just a subject of state pride; it is also vital to Utah’s long-term economic health. Tourism accounts for \$6.2 billion of Utah’s economy.

I will work to promote Utah as a travel destination by expanding our tourism promotion budget, developing and promoting high-quality recreational opportunities, focusing on destination recreation in rural Utah, and bringing more conferences and conventions to the state.

The passage of the Travel Promotion Act by the United States Congress in February 2009 greatly enhances Utah's prospects for expanding this industry further, thereby creating jobs and increasing state revenues. The act creates the Corporation for Travel Promotion, a multi-billion dollar public/private fund that will create a coordinated marketing campaign expected to attract an additional 1.6 million international visitors to the United States. Foreign tourism accounts for a substantial proportion of tourism to Utah's five national parks, all of which saw declines after post-9/11 policies hurt international tourism. As governor, I will work to ensure close coordination between the Utah Office of Tourism and the newly created corporation to take full advantage of the new opportunities for promoting Utah as a global destination.

★ **Investing in mass transit.** The Utah Transit Authority (UTA) has received national and international recognition as one of the most innovative and successful transit agencies in the country. Over the past five years, UTA has brought more than \$1 billion in federal discretionary funding to Utah for mass transit projects.²⁵ The agency has grown from a small bus company to a multimodal system of over 600 buses and 70 miles of passenger rail, including TRAX and FrontRunner, and was acclaimed for its success in carrying more than four million riders during the 2002 Olympics. Currently underway are plans for an additional 70 miles of rail along the Wasatch Front, including four new light-rail lines and a 45-mile extension of FrontRunner South, running from Salt Lake City to Provo. UTA's TRAX light-rail system is currently averaging more than 40,000 riders a day along its 15-mile Salt Lake-to-Sandy line and the four-mile University Line. However, the system faces real challenges presented by the economic downturn. In light of this, some have suggested that we scrap FrontRunner expansion plans and scale back UTA service. This would be a shortsighted and destructive mistake. There is much we can do to increase ridership and improve consistent revenue collections. But building a mass transit backbone prepares us to meet growing long-term transportation needs and is a boon to job creation and economic stimulus in the short term. Construction of the FrontRunner North directly employed²⁶ approximately 165 people in addition to sub-contractors, who, in all, logged 1.4 million worker-hours.



- As governor, I will continue to leverage federal funding in support of strategic expansion of our mass transit infrastructure, which enhances quality of life, provides an alternative to polluting traffic, attracts businesses, and creates jobs.

★ **Jump-starting highway projects.** In September 2009, only 9 percent of \$27.5 billion allocated for highways in the first federal stimulus bill had been spent. The Congressional Budget Office estimated that only \$1.7 billion of the \$39 billion directed to the departments of Transportation and Housing and Urban Development will be spent by October 2010.²⁷ **It's time we turned existing transportation dollars into projects and jobs faster.** Using public/private partnerships that involve investment by private companies is an effective method of getting big projects started sooner; states like Florida have utilized private sector investment to support major highway projects, because leveraging private funds jumpstarts projects to begin immediately. As governor,

I will support state-backed bonding for approved projects that are eligible for federal funding as well as for private investment in approved public infrastructure improvements to get the show on the road, people back to work, and the transportation dollars flowing in Utah's economy. This year, the state leaders would not bond for state road projects in Salt Lake County, even with low interest rates and construction costs. Instead, Salt Lake County government agreed to bond for these projects because of the importance of transportation infrastructure in our economy.

★ **Expanding broadband.** Utah is on the front lines of what has been called a “broadband arms race” to build connections where none exist and make them faster where they do. The Federal Communications Commission is still working out the details of federal stimulus plans to expand high-speed connections to meet growing demand for more bandwidth around the country. But service providers are already investing millions in plans to launch 4G service in Utah that is up to 10 times faster than existing 3G service. Sprint plans to launch 4G, currently available in 27 markets, in Salt Lake City this year. Verizon has invested \$370 million in Utah over the last ten years, including \$21 million in the last year alone.²⁸ Along with national companies like AT&T, Comcast, and Qwest, Utah's rural telephone companies, which serve more than 96,000 customers and over 80 percent of the geographical area of the state, are in the race to offer latest technology. Beehive has a standing offer to its customers that it will build a fiber-optic line if six customers in a quarter-mile radius will commit to the service, and other rural companies are following suit. But building infrastructure is still expensive; Beehive charges a connection fee of around \$750. Consortiums like Utopia (Utah Telecommunication Open Infrastructure Agency) are pledging millions of dollars to back bonds for developing fiber-optic networks in their communities.

Utah workers, businesses, and consumers – rural and urban – all win from expansion of broadband technology, and from vibrant competition in our markets. As governor, I will support:



- **Leveraging private investment.** Access to and demand for broadband is a chicken-and-egg problem: Access to high-speed Internet increases demand, which in turn induces private companies to expand it. Utah can help encourage these needed investments by providing matching grants to providers expanding their service area to reach underserved communities. Matching grants have been a cornerstone of the successful broadband expansion efforts in Kentucky, California, Idaho, New York, and Maryland.
- **Tax incentives for broadband infrastructure and job creation.** Businesses that open or relocate their operations or facilities in areas of high unemployment should receive tax credits for investments made in high-speed telecommunications infrastructure and equipment. Not only do such incentives encourage the creation of jobs where Utahns need them most, but they also have a magnet effect of stimulating the demand for broadband service where Internet providers have been unwilling to make larger investments.
- **Promoting local access and utilization.** As important as high-speed Internet access is to business, it is not only a business resource. Schools, hospitals, libraries, and community organizations all rely on connectivity to

maximize their impact and to reach their potential. Even when broadband service is made available, many people do not have computers or the necessary equipment in their homes to take advantage of it. Grants to local governments and community groups to create public access points will help stimulate broadband expansion.

★ ***Installing smart grid/new energy infrastructure.*** The U.S. Department of Energy recently announced 54 national projects scheduled to receive \$100 million, to be added to more than \$95 million in funds already invested by community colleges, universities, utilities and manufacturers. The projects will train 30,000 people to help modernize the nation's electrical grid and implement reliable and energy-efficient smart-grid technologies. Salt Lake Community College will receive \$2.1 million to train 670 employees as part of a statewide smart-grid-sector workforce plan, which will also provide career training in metering and substation technology for line workers.²⁹ Smart-grid workforce training programs like these help to prepare workers for next-generation utility and electrical manufacturing industries. As governor, I will use the state's bonding capacity to leverage these investments by the federal government and other public and private sectors to put Utahns to work in implementing and managing a 21st century energy infrastructure.

- I will ask our state Public Utilities Commission (PUC) to work with utilities, business organizations, and consumer groups to offer consumers and businesses expanded opportunities to participate in demand response programs, saving them money and energy and improving grid reliability, and to pay participants to shed their electricity load during critical periods, providing added financial incentive.
- As part of these demand-response programs, participating consumers and businesses should be provided with advanced meters that can interface with the utilities and provide useful information and data to ratepayers to further encourage their efforts to improve conservation and efficiency. I will encourage the PUC and utilities to push to deploy smart meters in homes throughout the state and to link those to time-of-use rate structures. Deployment of smart meters will provide utilities and transmission operators with better information to help them more efficiently manage regional electricity supplies.

★ *Building the Beehive:* ★

INVESTING IN HUMAN CAPITAL





BUILDING THE BEEHIVE: INVESTING IN HUMAN CAPITAL ★

We need to focus on investing in intellectual and human capital. An educated workforce is vital to Utah's economic future. The Utah Technology Council estimates there are at least 1,000 current engineering and computer science job openings in Utah, and that at least another 1,000 such jobs will open this year.³⁰

Building the Economy of the Future here in Utah requires investing in the research and development activities that provide the know-how for new knowledge-based industries. But it also includes investment in the raw materials of this knowledge – the capabilities of the young minds in our schools and colleges, and of the workers in every business in our state.

My pledge and promise to the people of Utah is to do everything I can as governor to support our public schools. For many years now, we have heard from our state leaders that education is a priority, but in truth our state leaders have cut hundreds of millions of dollars from our education system over the last several years while our enrollment has increased by 25 percent. We can no longer “stack ‘em deep and educate ‘em cheap.” You can only strangle the education system for so long before it will decline in quality, and an inadequate or subpar education for our children will affect every aspect of our state's economy. I believe we can improve our system through quality-teacher initiatives, parental involvement initiatives, and increased accountability and the use of technology, while preserving flexibility and offering the right kind of support so that teachers are allowed to teach. I will lay out my approach to rebuilding our schools in my comprehensive education plan.

We also need a higher education system that allows our workforce to “turn on a dime.” That is why our applied technology centers and our community colleges are so important. The key is to have a workforce that can change quickly to meet the changing economy. When someone gets laid off in one industry, our technical schools and community colleges can re-educate them to meet the needs of other industries that are growing.

Promoting World-Class Research and Development

Utah is the top state for turning research dollars into economic growth. On average, a research university in this country spins off a new company for every \$104 million in grant funding; the University of Utah averages a new company for every \$15 million and now spins off more businesses than any other university in the United States. In 2009, 23 businesses were launched. The Massachusetts Institute of Technology (MIT), which previously held that record, had for that same year only 20 business start-ups, with five times the amount of grant funding.^{31,32}

Businesses less than five years old account for nearly two-thirds of the new jobs in the United States. Bringing together publicly funded research and private enterprise has been a very smart investment for Utah, and now is the time to build on our successes.

As governor, I will:

- ★ Encourage universities to maintain a small equity interest in enterprises spun out of their innovations. In 2005, the Utah Constitution was amended to allow a state or a public institution of higher education to acquire an ownership interest in a private business in exchange for rights to intellectual property developed by the public institution.³⁴ In 2006 the University of Utah received \$17 million in licensing royalties.³⁵ This has reversed a disincentive for academic institutions to bring their discoveries to the market, but it also fosters productive, long-term collaborations between the private sector and centers of learning that are good for business and innovation.
- ★ ***Increase investment in high-yield commercialization efforts that bring cutting-edge technology to Utah's markets.*** The University of Utah Technology Commercialization Project provides up to two years of funding for aggressive, fast-track research aimed at innovative technologies that are near commercial-stage. Since the University of Utah Technology Commercialization Project was launched in 2005, the U. has been responsible for 83 spinoff companies, with a survival rate of 94 percent. These new companies in turn have created 400 Utah jobs with an average salary of \$85,000 and have attracted \$240 million in investment capital.³⁶
- ★ ***Expand Utah Science Technology and Research (USTAR),*** Utah's premier research-industry innovation initiative. Launched in 2006, the initiative has already recruited to world-class research teams at the University of Utah and Utah State University some of the world's most cutting-edge researchers, who are working with industry to make our state a leader in putting into practice the technologies of the future, from carbon sequestration to mapping of the human brain. Its technology innovation commercialization grants, which average \$30,000, are available to faculty members or faculty/industry partnerships for prototype and market testing of commercially viable technology products and services. USTAR invests in the development of state-of-the-art research



programs and facilities designed to accelerate movement of the best technology from the labs into the marketplace, where they form the basis of an innovation economy and support creation of the highest-paying jobs. In 2009, funding for USTAR’s research team recruitment, regional technology outreach, and building projects was slashed by a total of \$47.7 million dollars.³⁷ I will work to restore support for USTAR as a cornerstone of high-value job creation through high-tech economic development.

★ **Improve Research and Development (R&D) tax credits.** Utah currently offers a tax credit of 5 percent on R&D spending, plus 7 percent on new R&D spending (up to 50 percent of total R&D spending). This is an important incentive for innovation-oriented businesses in our state. However, innovation-driven start-ups often report no profit in their initial years and therefore have no tax liability. The tax credits for which they qualify make little sense and offer no incentive if they cannot be monetized, and this does not help Utah create jobs. R&D tax credits must be made transferable by sale, so that the young companies that earn them can actually use them.

★ **Create a Research Commercialization Matching Grant Program to assist small or start-up companies** that take advantage of federal and corporate partnership programs, including those in National Institutes of Health (NIH), the National Science Foundation (NSF), and the Small Business Innovation Research (SBIR) programs, to accelerate their growth and market penetration.

Saving Workforce Development

Workforce development is so underfunded in Utah under the current administration that this fiscal year the state Workforce Division ran out of money for retraining workers – in January. As governor, I will prioritize workforce development as an essential component of job creation strategy, with an emphasis on preparing a workforce for those jobs in the highest demand. I will:

★ **Focus on the under-recognized jobs of the future.** The demand for skills and skilled workers in today’s economy centers around those jobs that require more than a high school degree and less than a four-year college education: so-called middle-skill jobs, which provide care for the sick, maintain the machinery that powers our economy, and provide many of the goods and services that define our American lifestyle. We need to invest in these jobs that will form the core of our economy and the workers who will hold them.

- Of the 20 industry sectors that cover all aspects of Utah’s economy, manufacturing is among the largest, employing more than 129,000 workers and accounting for 11 percent of the economy. Manufacturing jobs pay well above the average wages of the other three major industries: retail, education, and health care.^{38,39} Between now and 2016, there will be more than 27,000 new manufacturing positions in Utah that are considered “5 Star” occupations by Utah’s Department of Workforce Services (DWS) – that is, yielding the best outlook and the best pay. Most of these jobs cannot be outsourced; they provide long-term potential and good wages.



- Job opportunities in Utah's health care sector continue to grow, even while those in business professions have decreased. In January 2009, health care jobs increased by 4 percent, while the number of openings in business professions declined over 1 percent and those in financial jobs declined over 2 percent.⁴⁰



★ **Launch a Middle-Skills Initiative.** Middle-skill jobs are those jobs that require more than a high school education but less than a four-year degree; 40 to 50 percent of the jobs created in the next ten years will fall into this category. The reality is that 65 percent of Utahns will not earn a bachelor's degree,⁴¹ but to land the secure, well-paying jobs of the future, they will need more than a high school diploma. As governor, I will establish a Middle Skills Initiative.

- Part of the initiative will focus on a gap analysis on the training, occupational credentialing, and industry certifications needed to fill the middle-skill job demand and the capacity within our training and education institutions to meet that labor market demand.
- In addition, the Career Readiness Certificate will be used to provide a skill credential towards middle-skill jobs.
- School counselors at our high schools will receive training about the opportunities for middle-skill jobs for high school students.

★ **I will also create a Middle Skills Jobs Fund** to direct resources to training programs, certifications, and associate degree programs for these in-demand occupations.

- This fund would support a Utah Skills Guarantee that will ensure that any Utahn has the opportunity to pursue up to two years of post-secondary training or education, providing a pathway to a middle-skill job.

★ **Help adults who are within reach of completing their degree to get them re-enrolled.** I will work with the higher-education community to reach out to working adults who have already compiled college credits to get them enrolled again in college and working toward completing their degree by:

- Providing more flexible arrangements for adult students to earn their degree while maintaining full-time or part-time employment; offering condensed courses like those offered by executive MBA courses; and/or through incentives, such as waiving admission fees, discounting books or supplies, and providing more online courses.
- Exploring a state loan guarantee program for working adult students. Kentucky currently offers a small-scholarship program known as the Education at Work Scholarship, which provides awards of \$500 for residents enrolled in a post-secondary institution. Similar programs are able to provide low-cost financing for adults seeking additional education at practically no cost to the state, due to the guarantee structure of the programs.
- Encouraging Utah's post-secondary institutions to offer students college credit for work/life experience and external credentials, as is typical of applied baccalaureate programs, as discussed below.

★ **Expand applied baccalaureate programs.** One way to increase Utah's college-educated workforce is by offering individuals applied baccalaureate degrees at Utah's four-year and two-year higher-education institutions. The applied baccalaureate program counts technical and associate-degree-level courses as credits towards a four-year degree. Utah Valley Community College (now Utah Valley University) offered applied baccalaureate degrees in business management, computer science/information systems, and technology management before receiving accreditation as a four-year college⁴² and as a university on July 1, 2008.⁴³ Dixie State College of Utah was given approval in the fall of 1999 to offer baccalaureate degrees in business administration, computer and information technology, and elementary education, and it enrolls about 12 percent of its 7,600 students in

upper-division courses.⁴⁴ We need to expand applied baccalaureate programs and access to them throughout our post-secondary institutions.

- ★ ***Support Utah's Applied Technology Colleges (ATC).*** Technical workforce programs must be adequately funded to keep growing cutting-edge companies here in Utah, where they belong. Enrollment rates in Utah's technical programs are at record levels for the second year in a row, with the highest-growth programs in the fields of information technology, machining, composites, diesel technology, and health care. ATC campuses are reporting enrollment increases of up to 28 percent over last year's record-breaking enrollment, and the trend is expected to continue. At the same time, funding cuts to these programs are expected to be around 22 percent, based on General Fund allocations for the coming year.⁴⁵ This discrepancy is unacceptable. ATC programs generate the highly trained workers who are a magnet for existing and newly located employers. As the economy rebounds, this workforce can put Utah ahead of the competition.
- ★ ***Create a "Tech Corps"*** that would partner with technology companies in order to help those seeking employment or trying to re-enter the workforce to develop the skills that are most in demand in the new economy. The training would take the form of an "apprenticeship" that would allow companies to discover and foster new talent and future leaders for their business, while individuals seeking employment would receive the benefit of gaining practical, in-demand experience. In coordination with the building trades and other union apprenticeship programs, the Tech Corps would include an emphasis on training for green jobs.
- ★ ***Develop Career Readiness Certificates.*** The Career Readiness Certificate (CRC) serves as a common metric and language to match the skills employers are looking for with skill sets individuals possess, allowing every citizen to determine his or her career skill level, receive appropriate training, and then have his or her skill level certified for employment. This would allow every business to have occupational profiles that determine the skill needs for open positions; the business would then be able to match those skill needs with job applicants. CRC has been deployed in 23 states and is in progress in 14 states, including Utah.⁴⁶ However, an inadequately funded Department of Workforce Services cannot implement this business-friendly program. As governor, I will restore DWS funding to help put Utahns back to work in well-paying jobs with long-term growth.
- ★ ***Foster next-generation career and technical education (CTE) programs by supporting the Office of Career and Technical Education's Career Clusters Initiative.*** This initiative will ensure that students across the state are offered the opportunity to begin training in high school for a high-wage "clean tech" career by taking a series of progressively more advanced courses in a particular area, such as electronics, computer programming, allied health care, or engineering. Career Pathways programs blend academic science, technology, engineering, and math coursework with cutting-edge vocational training to give students the knowledge and the background to be able to compete in the new economy; students would complete the regular high school curriculum, but they would also have the opportunity to take specialized college courses in their career path or professional discipline.
- ★ ***Establish Regional Small-Business Training Alliances to meet the needs of emerging businesses around the state.*** The economic issues unique to small firms make it difficult for them to conduct their own training programs. Alliances of small employers in industry clusters would be funded to support industry-specific training for jobs in demand in their region. These alliances would be independent collaborations among firms in an industry and in educational or training institutions that help identify common areas of skills shortages within the industry so these communities could develop and deliver the appropriate training to address such shortages.
- ★ ***Use these investments to attract private-sector employers.*** A "Smarter Start" customized

workforce-training program is needed to connect workers with companies seeking to hire skilled workers immediately. The typical approach of rapid-response systems is to find job placement for workers who have been recently laid off; this is a passive approach. A truly proactive approach instead seeks out employers who are currently looking to hire, and trains workers for jobs that actually exist, thereby attracting expanding companies and reducing lag time in putting people back to work. Utah's Custom Fit program, administered by the Utah College of Applied Technology, partners with local companies to provide customized training solutions for their existing workforce.⁴⁷ Custom Fit has laid the groundwork for working directly with companies to help bridge gaps in workforce skills. However, we need to expand this approach to training unemployed workers to fill new jobs. Georgia's Quick Start Program in 2008 was ranked Number 1 in workforce training by *Expansion* magazine,⁴⁸ and it was singled out by *Fortune* for its success in training 325,000 workers for jobs in 3,100 companies since its inception.⁴⁹ In Utah, Custom Fit must be expanded to provide similar systematized, customizable training developed in coordination with companies looking to expand or relocate within Utah. As governor, I will create Smarter Start, the new jobs complement to Custom Fit within UCAT, which will work with our community and with technical colleges to provide a pro-active rapid response system to ensure that companies seeking a trained talent pool will find it in Utah, ready to fill new jobs as they open.

Expanding Management Education and Expertise

Utah is home to world-class business-management education and research. Our top business-education programs, public and private, have made huge strides to better meet increasingly global competition and complex management demands. Last year Business Week ranked Brigham Young University's undergraduate program in business fifth in the nation. In accounting, its undergraduate and graduate programs were ranked third by *Public Accounting*. *Forbes* magazine ranked BYU's Marriott School of Business MBA program 16th in the country, while The Princeton Review gave it the Number 1 ranking for "most family-friendly MBA." It is no wonder BYU is attracting tenured staff from prestigious universities, as well as some of the brightest students from Utah and around the world.⁵⁰ Utah State University, Weber State University, and Westminster College's Gore School of Business are all shifting focus to more global, integrated, and entrepreneurial programs.^{51, 52, 53} Utah is educating the business leaders of the future right here, and we should do our best to keep them here after they graduate. As governor, I will offer partial loan-forgiveness incentives to top management graduates in Utah who graduate in the top quartile of their class and accept in-state management jobs or launch a new business venture in Utah.



★ *Encouraging* ★
ENTREPRENEURSHIP





ENCOURAGING ENTREPRENEURSHIP ★

Promoting growth in these and other emerging fields requires a state government that encourages, rather than hinders, the private-sector initiative that goes into launching successful new enterprises by promoting access to traditional and venture capital and catalyzing entrepreneurship.

Promoting Access to Capital

Small businesses are the main generators of jobs, but obtaining financing for small businesses is extraordinarily difficult in this challenging economy. As governor, I will:

★ ***Provide state matching funds for grants from corporations and federal sources,*** including the National Institutes of Health (NIH), the National Science Foundation (NSF), and the Small Business Innovation Research (SBIR) program. Salt Lake City-based TechniScan Medical Systems has received grants totaling \$3.5 million from NIH and SBIR sources to perfect its cutting-edge 3D ultrasound imaging technology for breast cancer detection.⁵⁴ Without this kind of funding, valuable technologies may never make it out of the lab and into the field. This is the kind of small business Utah is proud to have in our backyard, and in order grow more businesses like this one, and keep them here, we should encourage and reward their role in making Utah a magnet for innovation clusters.

★ ***Form a Governor's Grants Office to help the state better maximize federal and foundation support for such initiatives.*** Maryland established a Governor's Grants Office devoted both to identifying federal grant opportunities and to tracking the flow of all federal grant and procurement funds into the state, with the result of growing federal grant funding from \$5.5 billion

in 2005 to \$7.5 billion in 2007. Identifying appropriate federal grant opportunities and providing application assistance to eligible businesses in Utah can multiply the economic potential of our local business base. Like Maryland, Utah should be doing everything it can to leverage the funding available to support our small-business sector.

- ★ ***Assure capital and loan guarantees for banks to loan to struggling small businesses,*** partnering the state with the financial community to leverage private-sector resources. In return for the loan guarantees, participating businesses would be held to specific rates, job-creation commitments, and timely loan repayments.
- ★ ***Create a capital access program that makes it easier for banks to make loans available to small businesses,*** including lines of credit for start-up and working capital. Under this program, the borrower and/or lender would contribute a 2 percent to 3 percent fee into a pooled loan reserve account, which would then be matched by the state. The account protects lenders in case of defaults, providing an 8 percent to a 14 percent collateral for loans that typically see no more than a 4 percent to an 8 percent loss.
- ★ ***Strengthen Utah's Small Business Development Centers.*** In 2008, the Utah Legislature passed into law the Business Resource Centers (BRC) Act, which authorized the creation of “one-stop resource and assistance centers to provide business support, education, sources of funding, training, and networking to Utah businesses.”⁵⁵ BRCs are tailored to their local communities and partner with service providers – federal, state, local, and private sector – who are experts in their fields. BRCs consolidate various business service providers “under one roof” and coordinate the services of local business service provider partners. In 2009, over 500 business customers visited the first three BRCs, creating or retaining over 340 jobs.⁵⁶ In addition, over 1,600 businesses visited all of the business partners operating out of those BRCs. Currently, eight BRC's are operational in the state and provide a ready platform on which to expand the services currently available to small businesses, such as providing specialized access to financial services and technical assistance for home-based businesses and tax preparation services for low-income business owners. As governor, I will support the growth of these invaluable new BRCs by ensuring that they are fully funded and by replicating their successes elsewhere in the state, building on best practices.

Expanding Utah-Based Venture Capital

Eric Schmidt, the CEO of Google, noted Utah's phenomenal quality of life in his recent visit to Utah. He also noted the problem he saw with our high-tech industry: While native Utah businesses generate cutting-edge ideas, access to venture capital is lacking. As a result, many Utah-launched companies are unable to grow at a rapid enough rate to compete in a fast-paced industry.⁵⁷ Utah is losing its homegrown software and IT companies – many incubated in our own universities – to Silicon Valley, where venture capital is concentrated. And access to venture capital is only becoming tighter. In 2009, funding from venture capital firms to first-time recipients hit its lowest level since 1995, when statistics were first compiled. “Angel investors” have suffered huge losses in stocks and real estate, and so they have less to invest. Utah's current administration's efforts to improve the venture capital environment in our state have been inadequate.

- ★ ***The Venture Capital Enhancement Act created a Utah Fund of Funds that could be used to invest in private venture capital funds;*** tax credits were created to help the fund secure new private-capital investment. As governor, I will make sure that these funds are invested

into Utah businesses.

- ★ The Centers of Excellence Program allows small businesses to apply for grants that have ranged from \$95,000 to \$325,000,⁵⁸ provided they are matched by outside funding, including private grants or equity investments – but it does nothing to reward these outside investments.

As a result, neither Utah’s Centers of Excellence Program nor the Venture Capital Enhancement Act has succeeded in attracting the investment capital needed by our best businesses to reach their potential in Utah.

As governor, I will:

- ★ ***Institute an “angel investor” tax credit*** for investments in qualifying businesses and community-based seed-capital funds. This credit would be equal to 20 percent of the amount of an investment made, in the form of cash of up to \$250,000 in a single year, which must be used to purchase equity in a qualifying Utah business or Utah-based seed-capital fund.
- ★ ***Allow angel and venture capital investors to “roll over” their investments in Utah businesses tax-free.*** Just as we allow homeowners and real estate investors to sell their properties and then re-invest proceeds without incurring tax liability, I will push for a law to allow angel and venture investors in Utah start-up businesses whose investments pay off to sell their stakes tax-free so as long as they take these profits and reinvest them in another Utah-based start-up. This will be a win/win, allowing investors to build on their success and not have to pay taxes on it unless or until they take their money out of Utah business start-ups, thus enabling our state to access an ever-increasing pool of capital.
- ★ ***Establish a micro-lending fund*** within the Fund of Funds to enhance the efforts of micro-lenders, such as the Utah Microenterprise Loan Fund (UMLF), which makes capital available to small businesses that do not have access to the traditional commercial banking sector. UMLF is a private, non-profit community bank funded by financial institutions, private funds, and local governments that has infused over \$7.3 million into Utah’s small-business community, with an average loan size of \$12,000.⁵⁹ State economic development monies should be made more available to community-based financial institutions such as UMLF through a state revolving fund that comes back to the taxpayers. Making micro-lending work requires not just the funds to lend but also money for technical assistance, including coaching on budgeting, money-management, use of financial intermediaries, and other things that larger businesses take for granted.
- ★ ***Encourage state pension fund investment in targeted industries.*** A 2008 law authorizes the Florida State Board of Administration to invest a maximum of 1.5 percent of the Florida Retirement System Trust Fund’s assets in the state’s high-tech and targeted industry sectors. California’s in-state investments and commitments were approximately \$26.8 billion, or 10.8 percent, of CalPERS’ total fund, as of June 30, 2007; originally, the goal was to target 2.0 percent for in-state investments, but the total invested has continued to grow. States like New York and Washington have used similar programs with positive results.



Catalyzing Entrepreneurship

All net job creation from 1980 to 2005 came from firms that were five years old or less, according to a study by economists from the University of Maryland and the U.S. Census Bureau.⁶⁰ Economic recovery cannot be achieved without a new generation of Utah entrepreneurs with confidence and skills to succeed in the face of a challenging business environment.

★ *Replicate the success of programs that work.*

In 2001, entrepreneur Karl Fletcher Kraync of Price, Utah, created the Southeastern Utah Small Business Investment Fund, a grant program that in its two years of operation earned recognition from the U.S. Small Business Administration for helping create 79 small businesses and 130 jobs in Carbon, Emery, Grand, and San Juan counties during its first two years alone.⁶¹

Designed to provide seed capital, ranging from \$1,000 to \$10,000, to low-income families wanting to start a business, the program initially operated under a state Temporary Assistance to Needy Families (TANF) grant. A 2006-2007 review of the fund by the state Legislature found that two-thirds of the funded businesses were still in operation, a rate that is two- to three times higher than the national average and substantially higher than the state average for small businesses funded at similar levels.⁶² The economic impact of the program exceeded its costs, accounting for more than \$800,000 in spending in the rural communities where businesses had received grants; in a conservative estimate, that was twice the amount of total project funding. As governor, I will urge the Legislature to fund the replication of entrepreneurship programs, modeled on the SEUSBIF, in other parts of the state.



I will also continue to support the “Utah’s Own” program to promote locally grown and produced products.

★ *Encourage entrepreneurship by small and family-run businesses* by deferring the taxes of qualified start-ups for the first three years of operation for approved businesses. If a deferral is approved, the taxpayer must pay taxes on the deferred taxable income in five equal annual installments during the five tax years following the three years of deferral. If the taxpayer has a net loss in a tax year during the three-year deferral period, the loss may be applied to any deferred taxable income for that period. The deferral helps new businesses generate vital cash flow. To be eligible for this deferral, a company would be required to execute a lien with the state, protecting the state’s interest in the deferred tax obligation in case of bankruptcy.

★ *Allow the sale of tax credits by small and start-up businesses.* Well-intentioned tax credits aimed at bolstering small businesses often miss their mark, since fledgling start-up businesses may have little to no tax liability in their early stages before they become profitable. Allowing the transfer by sale of tax credits will allow new and struggling businesses to see the benefit of the credits they might be earning but are currently unable to use. For needed cash, they can sell these credits to larger businesses, which can in turn then use them to reduce their own taxes.

★ ***Eliminate state taxes on new patent and software royalties.*** This would send the message to small businesses and individuals that Utah is the greatest place in the world to start and operate a knowledge-based business. We want inventors, innovators, and entrepreneurs to make Utah their first choice – and a clear choice – when deciding where to launch their business.

★ ***Incubate and accelerate entrepreneurial activity.***

I will work to expand Utah's Small Business Development Centers to help provide small-business owners the skills they need. Utah is among the leading start-up and technology regions of the country. BoomStartup, an Orem-based seed capital and mentor-focused investment program for Web and software start-ups, recently selected ten young companies to participate in its first incubator program.⁶³ BoomStartup is modeled after another successful program in Boulder, Colorado, called Trotstar.org, which helps small companies make the leap from good ideas to viable commercial entities.⁶⁴ Research indicates that technology businesses involved in an incubator succeed 87 percent of the time, compared to less than a 60 percent success rate for others.⁶⁵ Business incubators help merge existing business networks with new start-ups, and they provide a mentoring forum to help developing businesses quickly master the learning curve. The success of incubators also relies on the availability of land and space in proximity to innovation centers and research institutions that is affordable to fledgling start-ups. I will work with local governments and municipalities to create zoning policies favorable to entrepreneurship and public/ private partnerships, ensuring that a portion of prime, innovation real estate is set aside for technology incubators. I will also work to expand virtual and remote incubation options, especially in rural areas.



★ *Reducing* ★

GOVERNMENTAL DRAG





REDUCING GOVERNMENTAL DRAG ★

If we are going to empower state government to do all that, in return we must demand that it be made as lean, flexible, and efficient as possible. Investing in economic development presents the greatest challenges when it is most needed – during times of economic downturn. In order to meet these challenges, Utah must diligently cut waste and redundancy in operations at all levels of government.

Our current state budget pretends to fund the investments we need, to produce the revenues to pay for them, and to close the gap by cutting unneeded spending. In fact, it does none of these. Back in 2003, Utah was ranked 45th in the nation in deficit spending; in other words, we were among the top five states for budgeting within our means.⁶⁶ But now Utah ranks as the 12th worst in the nation for fiscal year 2011 in state budget gaps, with an estimated \$690 million shortfall, or 15.8 percent of the General Fund.⁶⁷ Lawmakers are now finding that even these numbers are too small and there is a larger gap. Our state leaders are running a credit-card government.

Very simply, while we need state government to provide the basics for our economy, we need the backbone in state government – the backbone to make the tough choices, the backbone to do what’s needed for the long-term future and not just what is politically expedient in an election year, and the backbone to tell our citizens the truth.

As Salt Lake County mayor, I reduced the county's budget by \$142 million, almost 20%, and shaved the size of the county's workforce by more than 300 positions without significant layoffs or reduction in service levels. Salt Lake County's overall budget is smaller now than it was in 2005 when I came into office, while the state budget is grown by over 30% during the same period.



As governor, I will:

★ ***Promote Fiscal Discipline and Government Efficiency.***

A well-managed and efficient state government is important to fostering economic growth. That is why a central aspect of my economic plan is to promote fiscal discipline and government efficiency. Over time, I will replenish and maintain Utah's Rainy Day Fund, and I will work to preserve Utah's AAA bond rating. I will slash waste, improve the budget process, and reduce the "corporate welfare" that we increasingly see on the state level. We should not spend taxpayer dollars to fund sports stadiums or give subsidies to businesses that the federal government has already bailed out. Nor should we subsidize out-of-state corporations at the expense of our local businesses and citizens.

★ ***Cut the costs and red tape imposed by government on businesses trying to expand and create jobs.*** That means bringing greater speed and certainty to permitting decisions without compromising environmental and public safety protections; streamlining regulations and the regulatory process; and creating a more user-friendly interface with state government.

★ ***Require automatic sunset provisions in all new business incentive programs.***

★ ***Expand e-government*** to include online professional licensing, competitive bid processing, e-procurement expansion to benefit small business; virtual access to the multiple departments involved in procurement and environmental regulation of business; and interactive online state job postings, recruitment, and employment applications. Empowering individuals to take charge of their own interactions with the state saves valuable time for individuals and businesses, as well as taxpayer dollars. Utah has made significant improvements to date in e-government but we can do better.

★ ***Simplify regulatory requirements.*** To get more firms to comply with regulations, we must simply make it easier and less complicated to do so, without compromising our standards. When mandates are easily understood, it is less burdensome and less costly to educate the users and to enforce the regulations. We will set clear benchmarks and clarify the rules in a policy shift that emphasizes assisting and encouraging regulatory compliance, rather than simple enforcement.

★ ***Create a small-business ombudsman position within the Governor's Office.***

The ombudsman will be an advocate for Utah businesses, helping them cut through the red tape. This official will be the go-to person for small-business representatives, responsible for receiving and responding to complaints; providing technical advice and assisting small businesses in resolving prob-

lems and questions; and reporting small-business concerns and recommendations to the agency head.

★ ***Maintain a great quality of life.*** People have the choice to live wherever they want. Many companies choose to locate or re-locate to Utah because of our great quality of life. As governor, I will work to improve our already enviable quality of life. We can do this by maintaining our world-class recreation facilities, expanding our transportation systems, improving access to quality health care, and developing strong but sensible environmental policies that protect our air and water quality as well as Utah's great places. Utah's quality of life will largely determine the pace of our economic development.

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