



## **HEARING**

**Wednesday June 20, 2018  
Committee on Small Business  
U.S. House of Representatives**

**“Communities That Think Small and Win Big”**

**Statement of Mr. Derek Miller  
President & CEO  
Salt Lake Chamber and Downtown Alliance**

Derek Miller is the president and CEO of the Salt Lake Chamber and Downtown Alliance. The Chamber is the state's oldest business association that "stands as the voice of business." In this role, Derek leads the business community in advocating for Utah's continued economic prosperity.

Derek also serves as the president and CEO of the World Trade Center Utah, an organization with the mission to, "Promote prosperity across the state by attracting investment and increasing exports."

Previously, Derek served as Chief of Staff to Gov. Herbert, overseeing the governor's office and state operations. He also served as Managing Director of the Governor's Office of Economic Development for Gov. Huntsman.

Recognizing his leadership, Gov. Herbert lauded Derek as, "an architect of economic opportunity and innovation," and "instrumental in transforming Utah into one of the most competitive and fastest growing economies in the country."

Derek began his career in Washington, D.C. as a management consultant with Arthur Andersen and as legal counsel for a congressional committee in the U.S. House of Representatives.

He is a graduate of the J. Reuben Clark Law School and holds a Master of Public Administration from the Romney Institute of Public Management at Brigham Young University.

Derek and his wife, Laura, live in Salt Lake City with their three children. They enjoy spending time together exploring Utah's countless natural wonders.

## INTRODUCTION

Chairman Chabot, Ranking Member Velazquez and members of the committee, thank you for the invitation to speak with you today about Utah's thriving small business ecosystem and overall business-friendly environment.

Utah's economy is one of the best in the nation. Utah ranks number one in the U.S. for job growth, enjoys consistently low unemployment rates and a strong workforce. Utah receives top marks for both current economic strength and future economic outlook. I'm proud to say that small business is at the heart of this success. The U.S. Small Business Administration reports that Utah is home to over 277,000 small businesses making up 99.3% of Utah companies and 57.3% of total employees in the state.

You may be asking yourself, as a foreign diplomat from China asked me during a recent visit to Utah, "How did a state I've never heard of become the fastest growing economy in the United States of America?" I want to share with you what I shared with him: It certainly did not happen overnight and not by accident.

In Utah, the government and the business community work collaboratively and intentionally to create a strong business environment and support our growing small business community. I want to describe four areas I believe have been fundamental to Utah's economic success.

## KEY FACTORS

The first is a **Strong and Educated Workforce**. Any business will tell you that if they cannot find good people then nothing else matters. Utah's public education systems, both K-12 and higher education, have a strong partnership with our business community. This partnership provides a consistent dialogue between educators and business leaders to identify gaps in our workforce skills and then develop a plan to fill those needs. One way this collaboration is evident is through the "Talent Ready Utah" initiative, which includes technical training for students through high school so they graduate with not only a degree but with a high-wage, high-demand job.

The second factor is **Taxes and Regulation**. Utah continues to benefit economically from our flat five percent personal and corporate tax rate, which is one of the lowest in the nation. Low taxes are important to small business, but equally important is a stable tax rate. Utah small businesses have benefited from the predictability of the state's flat tax over nearly 20 years since the rate was established.

Additionally, the Governor's office, state legislature and the Salt Lake Chamber are always looking at ways to evaluate and eliminate unnecessary regulations. Utah's regulatory system is modernized, balanced and transparent so businesses have the confidence they need to hire, invest and innovate.

In 2011, the state conducted one of the most thorough regulation reviews in the nation. This process is now replicated statewide on an annual basis. The legislature recently passed a bill that requires a regulatory impact analysis on all pieces of legislation before passage. This was a bill championed by the Salt Lake Chamber based on input from our members. The focus of this review and reform is both the executive branch where rules are promulgated and the legislative branch where rulemaking authority is authorized.

The experience that gave rise to regulatory reform in Utah was a small business owner who wondered aloud why he could not fax or email his license renewal to the state agency, instead of mailing it. This question spurred a review of the regulation and sure enough, the rule only allowed for mail; no email, no fax, and certainly no allowance for online renewal. A closer inspection of the rule showed it was written in 1973.

Based on this experience, Utah's Governor Gary Herbert asked each member of his Cabinet to review every state rule and ask two simple questions: Does the rule impact business? And, what is the public purpose? The answer to the first question was 1,969 regulations that impacted business. And of those nearly 2,000 rules, almost 400 times there was no good answer to the second question. And so those rules were either modified or eliminated.

Sending a license update by email may seem like a small thing, but thousands of small things are particularly burdensome to small business. Because small businesses do not have the time, or the workforce, or the money to track and comply or advocate for change to regulations that are outdated and needless, they bear a disproportionately high burden - a burden that often breaks the back of the business.

The third factor is **Incentives**. Incentivizing business creation and sustainable growth is key to Utah's thriving small business ecosystem. There are several state programs that assist new and existing businesses. One example is the business expansion and retention (BEAR) grants for small businesses in rural parts of the state. The Utah Science, Technology and Research (USTAR) initiative specifically assists start-up and early stage tech companies like ENVE Composites, a small company that designs and manufactures carbon fiber bicycle wheels and components. In 2010, ENVE won a technology acceleration grant from USTAR that prevented 10 jobs from leaving the state and put them on track to use their carbon fiber technology to innovate the bicycle industry. ENVE now sells their products around the world.

The state also offers financial incentives for business relocation and expansion. This incentive program is built on three pillars that make it both effective and sustainable. Those pillars are that the business expansion must be competitive (Utah does not incentivize "water to run downhill"), the incentives must be post-performance (Utah does not give money up front and then cross our fingers hoping something comes out of it), and the incentive must be a tax rebate once the jobs have been hired and the corporate taxes have been paid. Most important to today's discussion, while previously these incentives were available only to new companies relocating to Utah, they are now available to businesses already in Utah in an effort to help them grow at home.

The final area is **International Trade**. It may surprise you to learn how important trade is to small businesses in Utah. You may have read recent headlines that trade is killing the U.S. That is not the case in Utah. Trade is not killing Utah. In fact, Utah is killing it when it comes to trade.

Utah is a trade surplus state to the tune of \$4 billion annually and has doubled its exports over the past decade with a goal to double exports again over the next ten years. Utah is one of the fastest growing export economies in the country. This is tremendous on its own, but even more so when you consider that Utah is a state of only three million people, located "somewhere" in the middle of the Rocky Mountains and without a sea port. This is a credit to the over 3,500 companies that export, nearly 85% of which are small businesses.

Let me share with you a story that illustrates why trade is so crucial to Utah's small businesses. Butcher's Bunches makes handcrafted, all natural fruit preserves in Cache Valley. This jam is sold not just in Utah but in Asia, the UK, France, Australia, Canada and Dubai. This family company began selling in a farmer's market in Park City. The tourists that visit Park City from around the world enjoyed the product so much they began asking Liz, the owner, how they could buy her jam when they returned home. Liz had never considered selling outside of Utah let alone outside of the U.S. but the encouragement from her customers gave her the confidence to seek help from mentors and today's sales in international markets makes up 10 percent of her business and growing.

## **CONCLUSION**

These are all ways I believe Utah is doing it right when it comes to supporting small business, but that doesn't mean these companies don't face challenges. In fact, in some rural areas of our state the economic story is very different than what I have just described. Eleven of Utah's rural counties have had zero or negative job growth since 2008, and these are areas where small businesses are almost exclusively driving the local economy.

To address this "tale of two Utah's", Governor Herbert set a goal to create 25,000 jobs in 25 rural counties by the year 2020. I was grateful to lead the 25K Jobs Tour last summer to kick off this goal. Over twenty business service providers, including many of the programs I have mentioned today, loaded a trailer and hit the road to visit the 25 rural counties and connect local business owners and job seekers with available tools, resources and business services. We saw a lot of beautiful Utah, put in a lot of miles, and met a lot of terrific small business owners. This is just the beginning of ways we as a statewide business organization and our partners in state government plan to assist small business in rural Utah to spur business and job growth in their communities.

Based on my experience on the 25K Jobs Tour, I think the most important element of Utah's economic success is our people. Utah's small business owners whether in urban Salt Lake City or rural Scipio, epitomize the state's motto of "Industry." They are good, hard working people with a strong entrepreneurial spirit. Utah's pioneering heritage is alive and well across the state, from Grouse Creek to Montezuma Crick. Our state and local governments are partnering with the business community to support small business owners who work every day to keep the American Dream alive for themselves, their families, and their employees.

Thank you again for the opportunity to share the secret to Utah's exceptional economic prosperity. I look forward to answering any questions you may have.