

February 23, 2009

Utah's Short and Mid-term Economic Outlook:

Reasons to be Cheerful

by Tricia Jack, Research Associate, CPPA

Even in these difficult economic times, positive things can happen and there are chances for companies to thrive. Some of the world's top companies were founded during recessions, notably Disney in 1923 and Microsoft in 1975. At February's meeting of the Utah Chapter of the American Society of Public Administration (ASPA), top economic development experts from the state discussed Utah's short and medium-term economic outlook. While all of them acknowledged that these are difficult economic times, they also pointed out some of the positive things happening in Utah. This article is a recap of those presentations and explains some of the reasons to be (somewhat) cheerful about Utah's economic outlook.

Positive Factors

Jason Perry, Executive Director of the Governor's Office of Economic Development (GOED) started his talk by reiterating what Governor Huntsman has said: "If Utah were a stock, people should be buying." According to Mr. Perry, the State of Utah has opportunities to grow even in these difficult times because companies around the world are looking for opportunities here. There are several reasons for this:

- Utah is entrepreneurial. Last year, Utah was the #1 state for inventor patent applications in the U.S.
- The University of Utah is second only to MIT for the number of businesses coming out of technologies created by a university.
- There are a number of great companies growing inside the state.
- Utah has been listed as the most dynamic economy in the U.S. by the Kauffman Foundation.
- Utah is global: exports rose last year by 38% and high tech industries increased by 127%.
- Utah is good at tying knowledge, innovation, and technology together.

Utah's Proactive Strategies

Competition between the states to bring businesses is fierce. However, Utah has been successful in a number of areas, and has continued strategies to attract business to the state. GOED and Economic Development Corporation of Utah (EDCU) are working in partnership to be proactive in growing and recruiting companies to Utah.

While there are a variety of incentives for bringing business to Utah, there are two main ones. First, the State Industrial Assistance Fund, which is "available to companies seeking relocation and expansion of operations to the State of Utah. The IAF provides grants for the creation of jobs paying higher than prevailing wages within the community. Grant disbursements are made on a post-performance basis after jobs have been created and retained."[\[1\]](#)

Second, the Economic Development Tax Increment Fund is a "tax credit of new state revenues consisting of sales, corporate, and withholding taxes paid to the State. It is available to companies seeking relocation and expansion of operations to the State of Utah."[\[2\]](#) Other incentives include film incentives, an aerospace aviation tax increment financing program, and incentives for firms bringing businesses to rural areas of Utah.

Added to the formal incentives are the "natural" incentives. For example, Utah has a young and skilled workforce and the cost of doing business here is low.

Measures of Success

Utah's unemployment rate is rising. According to the Bureau of Labor Statistics, the seasonally adjusted jobless rate in Utah was 4.2% in December 2008, compared to 2.9% in December 2007.[\[3\]](#) However, while Utah's unemployment rate has moved up significantly in the last few months, it is still better than many states: the overall U.S. unemployment rate in December 2008 was 7.2%, up from 4.9% in December 2007.[\[4\]](#)

Despite the increase in unemployment, there have been successes in the last 3 years in attracting new and

growing business to Utah. At the ASPA meeting, Jeff Edwards, President of the Economic Development Corporation of Utah (EDCU) talked about the successes that Utah has had in this area.

First, the joint efforts of GOED and EDCU have created more than 15,000 new jobs in Utah in the last 3 years. This has come to fruition through the incentive programs and other efforts. These are jobs that most likely would not have come to the state if there had not been this effort. These jobs represent \$6 billion of capital investment and around 18 new headquarters operations.

Second, site visits to Utah from businesses looking to locate here are on the rise. In 2001 there were 12 site visits; in 2008 there were 120. During site visits, representatives from EDCU work with the companies to encourage them to bring business to Utah and show them what a great place it is to be. In addition, the number of projects on EDCU's books continues to grow. In 2001, there were 35 projects; now there are 250. This shows the amount of activity going on in this area. Downtown Salt Lake City is very important, and according to Lane Beattie, President and CEO of the Salt Lake Chamber, right now there is more going on downtown than any other city in America. Four years ago there were 4 projects in hand and today there are 54, plus what the Church of Jesus Christ of Latter-day Saints is doing with the City Creek project.

Third, there is a diverse list of companies that have located in Utah in the last few years, for example, an insulation company near Nephi; Barnes Aerospace in Ogden; Proctor and Gamble in Box Elder County; Sephora in Salt Lake City; and E-bay in South Jordan.

Fourth, the Daybreak development is moving forward. Don Whyte, President of Kennecott Land Company (Daybreak developer) told ASPA members that Daybreak has suffered through the downturn as well as many others, but still sold 351 homes last year. In addition, Daybreak is the only community in the world that will have light rail transport within 3 years of groundbreaking.

Future Growth Areas

In the future, there are three areas where growth in Utah is likely to be focused because of the expertise we already have here:

1. Life sciences, especially personalized medicine.
2. Renewable energy
3. Aerospace

Lane Beattie noted that there are things that can be done to stimulate the economy right here in the state, but these have to meet three criteria in order to be effective: timely, targeted and the right size.

Conclusion

The economy leaves most of us nervous, and there are real threats that we see happening around us all the time: job losses, business closures, and budget cuts. However, there are some reasons to be cheerful. Utah's economy is not as bad as many other states, and when the economy does turn around, we are in a great position to take advantage of improved conditions.

[1] GOED Website: http://goed.utah.gov/business_development/incentives/IAF/index.html

[2] Ibid.

[3] Data accessed February 17, 2009 at http://data.bls.gov/PDQ/servlet/SurveyOutputServlet?series_id=LASST49000003&data_tool=XGtable

[4] Data accessed February 17, 2009 at http://data.bls.gov/PDQ/servlet/SurveyOutputServlet?series_id=LNS14000000&data_tool=XGtable

will strengthen administration, leadership and public policy making.

Powered by [IMN](#)