

## Testimony of

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June 18, 2014

Thank you Chairwoman (Maria) Cantwell and Ranking Member (Jim) Risch for providing this opportunity to testify on behalf of the State of Idaho and the benefits of the State Trade and Export Promotion Grant Program (STEP). The State of Idaho appreciates your efforts in securing permanent export funding for Idaho's small companies.

My name is Jennifer Verdon and I am the Manager for the International Business Team at the Idaho Department of Commerce. My team's core focus is to assist and support Idaho small to medium size businesses in their international expansion efforts. In the past two years we had the unique opportunity to use federal funding provided by the Small Business Administration in form of the so called STEP grant to provide additional resources and funding to our small companies to enhance export sales and job creation. This is the first time that export funding was made available to non-agricultural product and service companies.

The STEP grant funding administered through the Small Business Administration (SBA) has had a significant impact on the small business community in Idaho. To paint a clear picture of Idaho's economy, I'd like to point out a few facts and figures. Small businesses in Idaho represent 96.8 percent of all employers. Over 280,000 jobs in Idaho are supported by small businesses and 75 percent of the small businesses in Idaho have less than 20 employees. Trade (exports and imports) supports over 190,000 jobs in Idaho. The backbone of Idaho's economy consists of small businesses and without looking abroad and expanding internationally the small businesses are not diversifying their customer base and are putting themselves at a bigger risk of stagnating or decreasing their sales. Keep in mind that 80 percent of the world's purchasing power lives outside the U.S.

The services provided by the Idaho Department of Commerce to small businesses that want to start exporting or are looking for new markets include: export education, consultations, trade show support, Governor-led trade missions and foreign inbound buying delegations. The state of Idaho also has three trade offices in Taiwan, China and Mexico to provide on the ground support to companies and in addition to these offices we have a close working relationship with the federal US Commercial Service. Yet, without STEP funding fueling our pipelines with companies, specifically small ones, it is almost prohibitive to start exporting due to the high costs of expanding internationally and the risks associated with tight cash flows of small companies. In the past, most companies that have made use of our services were established exporters that have the

marketing budget and experience to confidentially pursue new markets. A further hurdle is legal protection of patents and trademarks that is costly and seems like the icing on the cake to not pursue international markets for small businesses that have problems protecting themselves in their domestic market.

The State of Idaho has received STEP funding for two years and has submitted a grant proposal for the fiscal year 2014-2015. The funding has made a significant impact on small businesses that were not able or found the above mentioned hurdles too risky and prohibitive to start exporting or continue international expansion efforts. In the first two years the State of Idaho was awarded \$292,000 and \$405,128. Sub-recipient grants reflected 47 percent in year one and 89.6 percent in year two of the total awarded funds. Other activities that were partially funded by STEP included trade shows, trade missions and inbound buying delegations to make additional opportunities available with a lower price tag. The sub-recipient grants are available to small companies that have put together an export marketing plan via a grant proposal. Each company can only receive up to \$10,000 of total awards within a given fiscal year and we require the companies to match their award by 50 percent to ensure the company is putting forward their best efforts.

Since receiving the STEP money, we have funded a total of 110 small companies' export promotion activities. Over 18 percent of these companies were new to exporting and initiated their first export activities and sales due to the program. Furthermore, 72 companies used the grants to enter into new markets. In year two of STEP, we have so far tracked an ROI of 35:1 which translates into over \$12.7 million export sales.

Success stories are abundant for this program, but addressing the hurdle of financial risk concerning becoming an exporter, Wild Touch Taxidermy from Meridian, Idaho is a great example of a small family owned business with two full-time employees. As the name of the company indicates, it is a taxidermy shop that prepares, stuffs, mounts and sells all kinds of animals. The company was approached by an Idaho Department of Commerce employee to engage them in exporting to Taiwan through our trade office in Taipei. The company has put great efforts forward concerning foreign buyers that visited Idaho but it wasn't until the STEP funding was available for them to use the money to participate in a trade show in Taiwan that they started showing bigger export sales numbers. As an exporter, it is imperative to travel and meet with potential business partners to establish good relationships. As a recent example the owner has just returned from a sales trip to China for which he used STEP funding and has already realized \$30,000 in sales with more orders being negotiated. This sub-recipient grant achieved an ROI of 12:1 within the first week of execution and more sales are to come.

Another individual success story is Pro Moto Billet who is a small company in Nampa, Idaho who has 16 employees. The company designs and manufactures aftermarket products for off-road motorcycle riders. Pro Moto Billet has become active with the Idaho Department of Commerce through an export education program nationally called ExporTech. In conjunction with other motorsport companies we have used STEP

funding to bring Australian buyers to Idaho to familiarize them or strengthen relationships with the Idaho companies. As a follow up the group of companies took advantage of the American International Motorcycle Expo (AIMExpo) in Orlando, Florida. Again the STEP funds set off some of the Idaho pavilion booth costs for the participating companies and Pro Moto Billet was able to close further deals with foreign buyers and specifically the Australian dealers and distributors. In 2013, the Australian market brought sales of over \$51,000 to the company. The owner of Pro Moto Billet also stated that he would have not committed to the AIMExpo if it hadn't been for the STEP funding since the show was too unknown for them and a risky venture.

According to the SBA small companies create more net jobs compared to medium to large companies. Yet, less than one percent of all US companies export. We can't afford to not support export efforts of small companies to strengthen our economy and create more jobs. Providing export training and education is an important and necessary component to raise the comfort level of companies concerning international business. Yet, it's also necessary to create funding opportunities to assist small companies' international expansion efforts while not putting big holes in their miniscule marketing budgets.

Idaho's small companies that have made use of the STEP program are great proponents and advocates. Many new companies that we have not been aware of or had the chance to work with are contacting us to inquire about the grant program. Adding small companies to our pipeline of services to educate them, counsel them, provide market opportunities and ultimately offer funding to them to execute their export plans has been a proven success.

The state of Idaho can't emphasize the importance of the program enough and is in full favor of the continuation of STEP funding. Thank you for the opportunity to advocate for the program and I would be happy to answer any questions you may have.