

ANNUAL REPORT



Fiscal Year 2007



ARIZONA DEPARTMENT OF COMMERCE
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COMMUNITY DEVELOPMENT

The community development division focuses on local capacity-building by providing technical and financial assistance to cities, towns, counties, and tribal communities on land use planning, economic development, downtown revitalization, public involvement, smart growth best practices, military land use compatibility, and the complexities of zoning. The Rural Economic Development Initiative (REDI) program and Arizona Main Street program assist Arizona's rural communities in achieving sustainable economies and foster economic development and revitalization in historic downtown areas ~ both programs generate significant returns on local investment dollars. The Community Planning Office administers funding to assist communities with meeting state mandated planning requirements through Growing Smarter Planning Grants and the Office is also home to the \$4.8 million dollar Military Installation Fund and the Arizona Military Regional Compatibility Project. The unique qualities abounding in Arizona are addressed through our Regional Managers who provide localized community, economic and workforce development assistance throughout Arizona's rural and tribal regions.

COMMUNITY PLANNING OFFICE

The Planning Office provides statewide technical assistance and training to Arizona's municipalities, counties, and tribal communities in areas such as land use planning, development, zoning, infrastructure, public participation, and strategic planning. A fundamental philosophy of the Office is to foster community capacity-building and foundation development that will enable local leaders to make informed decisions affecting their community's future. During Fiscal Year 2007, the Planning Office focused on the implementation of Growing Smarter through the provision of staff and resource support to the Governor's Growing Smarter Oversight Council and the Governor's Growth Cabinet; acted as appointed member of the Governor's Forest Health Oversight Council; coordinated Arizona's Military Regional Compatibility Project, a statewide effort to identify resolutions to encroachment issues around active military airports; and administered the Military Installation Fund per ARS§ 41-1512.01 (\$4.825 million) through which successful land acquisition or related jurisdictional projects will receive funding.

Growing Smarter Planning Grants

In FY 2007, the Growing Smarter Planning Grant program awarded \$89,500 in grant dollars to assist communities and counties in meeting their local planning goals relative to state statutory (Growing Smarter/Plus) requirements.

Community Awarded	Dollar Amount	Proposed Project
Town of Payson	\$6,500	Community Infrastructure Plan
Town of Snowflake	\$6,500	General Plan Update
Town of Winkelman	\$10,000	General Plan Development
Town of Springerville	\$6,500	General Plan Update
City of Douglas	\$10,000	Zoning Ordinance Update
La Paz County	\$10,000	Subdivision Regulation Development
City of San Luis	\$10,000	Zoning Ordinance Development
City of Eloy	\$10,000	General Plan Update
Pinal County	\$10,000	Comprehensive Plan Update
City of Show Low	\$10,000	General Plan Update



Growing Smarter / Smart Growth & Development Implementation Plan

In late 2006 Governor Janet Napolitano asked her agency directors dealing with growth issues to convene a "Growth Cabinet." The Smart Growth Executive Order (2007-05) established the Growth Cabinet to ensure that all agencies of the state government work together on critical growth issues. The Executive Order charged the Growth Cabinet to develop and implement a Smart Growth plan that: 1) integrates land-use and infrastructure planning, 2) considers the effects of growth upon natural resources and wildlife, and 3) directs future state discretionary funding toward communities and counties undertaking smart growth practices.

The Community Planning Office has assisted the Governor's Growth Cabinet over the past year to discuss the opportunities and challenges facing Arizona's rapid growth, and has helped facilitate listening sessions with a number of interest groups and experts to evaluate their recommendations for promoting smarter growth in Arizona. The Planning Office participates on the Scorecard Subcommittee of the Growth Cabinet and will continue to support efforts to finalize and implement the Draft Smart Growth & Development Implementation Plan expected in late 2007.

Boards and Commissions Conference

Community land use and planning decisions are enhanced when boards and commissions are confident in their roles and responsibilities. The 2006 Boards and Commission Conference was held November 3rd and featured in-depth sessions of interest to novice and seasoned elected officials, planning commissioners, board of adjustment members and planning staff. The conference was a great success with a statewide audience of nearly 300 in attendance.

Education and Training

- Facilitated a comprehensive education and training workshop for the City of Show Low Planning & Zoning Commission.
- Facilitated a training workshop for the Town of Jerome Planning & Zoning Commission, City Council and Board of Adjustment.
- Collaborated with the Rocky Mountain Land Use Institute and a volunteer team of attorneys, land use planners and video production crew to develop a training DVD for distribution to Arizona communities at little or no cost. The DVD was taped in May 2006. It is anticipated that the DVDs will be available for distribution later in 2007 to instruct local government board and commission members on their role in the public decision-making process. It is currently in the editing stages.
- In partnership with the Governor's Office, and the Environmental Protection Agency (EPA) Smart Growth Office, facilitated a Growth Cabinet Agency Designee Training: What is Smart Growth?
- Staff attended a Rural Economic Development Initiative (REDI) Accreditation site visit for the Shonto Chapter of the Navajo Nation in December.
- The Community Planning Office orchestrated and facilitated a community meeting/listening session to discuss the future of the Nogales International Airport. This effort was a success with over 60 members of the community participating.
- Coordinated several conference sessions on the subject of Smart Growth / Growth Cabinet efforts - the Governor's Rural Development Conference and the League of Arizona Cities and Towns.
- Conducted research for the Governor's Growth Cabinet that included: state planning programs across the nation; regional planning best practices; nationwide smart growth implementation, nonprofit and private sector collaborate planning efforts; best practice grant and programs; and state level smart growth advisory councils and committees.
- Prepared 'General Development Process Flowchart: The process of obtaining all the necessary approvals to develop a parcel of land' handout to serve as a reference for Governor's Growth Cabinet members and local jurisdictions
- With extensive input and collaboration, created the Community Capacity Matrix that depicts the stages of a community's development from incorporation to business diversification and beyond



- Significantly updated inventory of planning commission and board of adjustment workshop resource handouts
- Comprehensively overhauled the Community Planning Office Resource Library – which comprises municipal and county plans, zoning codes, subdivision codes, design guidelines, etc. developed throughout the state; resources acquired from the American Planning Association Planners Bookstore on a variety of subject areas
- Began the process of updating the 4th edition of the Arizona Planning and Zoning Handbook for distribution in late 2007.

ARIZONA MILITARY REGIONAL COMPATIBILITY PROJECT

The Arizona Military Regional Compatibility Project was conceived as a proactive endeavor to convene the stakeholders around each base – the relevant jurisdictions, base personnel, landowners, and other interested parties – to address land use compatibility issues. The Compatibility Project is the result of legislation passed in 2001 (Senate Bill 1120) that appropriated funds to develop comprehensive land use plans in the noise and accident potential zones surrounding active military airports. In response to this legislation, a state agency project team was established, and a consultant selected through a competitive process. The first phase of the project was completed in March 2003. The project has grown now to include support and funding from the United States Department of Defense, Office of Economic Adjustment. Below is a listing of the individual studies that are complete:

Western Maricopa County / Luke Air Force Base Regional Compatibility Project

Davis-Monthan Air Force Base / Tucson / Pima County JOINT LAND USE STUDY

Luke AFB Auxiliary Field #1 JOINT LAND USE STUDY

Barry M. Goldwater Range / Gila Bend Auxiliary Field JOINT LAND USE STUDY

City of Yuma / Yuma County Joint Land Use Plan (JLUP) - Implementation Strategies Review & Potential Implementation Measures

Fort Huachuca JOINT LAND USE STUDY

Policy Guidebook

The Statewide Policy Guidebook received final approval from the Department of Defense, Interagency Review Committee. The Guidebook provides information related to issues of land use compatibility and recommends policies and practices based upon sound compatibility criteria and experience in achieving compatibility in various contexts. It is now finalized and available on the Commerce website.

MILITARY INSTALLATION FUND

In December 2003, the Governor's Military Facilities Task Force put forth twenty-seven recommendations to ensure long-term retention of the State's military facilities so that they may continue to perform their vital national defense functions and maintain their critical role in the State economy. On May 17, 2004, the Governor signed H.B. 2140, a comprehensive military bill that included a number of the Task Force's recommendations, including the establishment of the Military Installation Fund (MIF).

Beginning in fiscal year 2004-2005, \$4.825 million dollars was appropriated from the State general fund for the MIF. This funding is needed to create a mechanism to compensate willing landowners within the territory of Arizona's military airports, military facilities, and operating areas to ensure compatible land use around Arizona's military installations.



In FY 2007, a total of \$6,244,281 (including accrued interest) was available for land acquisition and jurisdictional projects. Fourteen applications for property acquisition and one jurisdictional project application were received for consideration by the Arizona Department of Commerce/Arizona Military Affairs Commission (AMAC). Four applications for the purchase of property were approved by the AMAC for a total of \$6.03 million.

Legislation allowing the Arizona Department of Veteran's Services (AZVTS) to purchase and own property became law on September 21, 2006 for their coordination of the land purchase process. AZVTS is currently in the process of finalization of the purchase of those properties so designated by the AMAC for last fiscal year and will begin the process for the four properties designated for purchase in the current round.

RURAL DEVELOPMENT OFFICE

The Rural Development Office strives to promote local self-sufficiency, encourages communities to take full advantage of all available resources and provides customized support utilizing a broad scope of resources to assist local leaders and organizations in sustainable economic development. The Rural Development Office is charged with three major programs: 1) Main Street; 2) Rural Economic Development Initiative (REDI); 3) Governor's Rural Development Conference (in collaboration with ADOC's Communications Department).

Arizona Main Street Program

Rural Arizona's downtown business districts are a major industry for communities. Each provides products and services, and contributes significantly to a local economy. The downtown areas of small communities in Arizona are the historic centers of commercial and social life. The legislatively-mandated and award-winning Main Street Program fosters economic development within the context of historic preservation by working as a partner with local and state agencies, property owners and business people to revitalize downtown areas.

In rural Arizona, Main Street has provided guidance for more than \$1.9 billion in local reinvestment, since 1986 when the program began. Less measurable but equally important are growing community pride and an improved quality of life.

The Program provides:

- Organizational Training Grant application assistance
- Planning and Assessment, Resource Team Analysis & Architectural Design
- Assistance to Business Workshops & Provide Resource Materials

Main Street Grants 2007

Community	Grant Amount	Scope of Work
Florence	\$3,500	Walking Tour Brochure
Globe	\$1,250	Façade rendering
Williams	\$6,125	Urban Design
Casa Grande	\$8,595	Sign Restoration
Nogales CDC	\$27,635	Market study & Wayfinding
Pinetop-Lakeside	\$15,000	Signage
Total	\$62,105	
Conferences & Training	\$38,765	
GRAND TOTAL	\$ 100,870	

Rural Economic Development Initiative (REDI) Program

The Rural Economic Development Initiative (REDI) program promotes economic development in rural areas and communities statewide. The Arizona REDI program provides direct assistance to rural communities in organizing an economic development program or effort, and evaluating community resources. Qualified rural economic development programs and organizations with an ongoing commitment to economic development can be recognized through REDI accreditation. The REDI program provides both technical and matching fund assistance.

- Created by the state legislature in 1987, the REDI Grant Program promotes economic development in rural areas by providing rural organizations with state funds used to create jobs, manage community resources, and develop community marketing strategies that encourage capital investment.
- The return of investment (the total leverage amount for REDI from January 2003 to date) was \$3,555,478. The majority of the grant funding was used to perform feasibility, business attraction, workforce studies, website design, signage, and marketing materials.
- The REDI Grant Program includes a grant-matching program to fund services such as consultation and research projects that produce statewide benefits.
- Statewide benefits generated from grant matching includes the following: Grant matching has enabled many rural communities with limited budgets to conduct required studies and assessments aimed at improving economic development through job growth and capital investment. The REDI program improves the state by giving resources to rural communities to help attract new business development from other states and look for ways to retain and expand existing businesses. Because REDI distributes its grants throughout the state, we all benefit due to quality of life improvements that increase sales tax revenue and job growth in all communities, regions, and counties.
- Organizations must receive REDI accreditation before they are eligible to receive grant funds. As of June 2007, 25 organizations representing 44 communities held REDI accreditation.

2007 REDI Grants

A total of \$117,430 REDI grants were awarded in FY 2007, with a \$939,440 return on investment.

Community	Grant Amount	Scope of Work
Prescott Valley	\$10,000	Marketing and Strategic Plan
Bullhead City	\$15,000	Feasibility Study
Payson	\$6,840	Workforce Study
Williams	\$1,160	Cluster Study
Nogales	\$5,275	Visitor Center Strategy Plan
Copper Corridor	\$7,600	Web Design
Show Low	\$10,000	Workforce Study
Pinetop-Lakeside	\$10,000	Signage
Yuma	\$10,000	Marketing Project
Upper Moenkopi	\$9,537	Web Site Design
Taylor	\$7,656	Banners and poles installation
Apache County	\$10,000	Web Site
Nogales	\$7,995	Investor Package
Shonto	\$6,367	Web Design



Governor's Rural Development Conference (G-RDC)

The Governor's Rural Development Conference is a theme-oriented annual event that draws more than 600 participants from rural Arizona to learn and participate in current topics. With an emphasis on economic, community, and workforce development, the sessions at the conference deliver facts, ideas and motivation to increase rural development activities. The FY07 theme for the conference was Partnering in Arizona - Diversifying & Sustaining Your Community. Emphasis was placed on what rural communities requested from the previous conference. In addition to regionalism and partnership developments, the conference offered a Funding Fair where attendees could examine and receive information pertaining to grants, low interest loans and tax credits from multiple state agencies.

The success of the G-RDC is indicated by its increasing participants and attendees. Each year a new theme is delivered that best meets the climate of Arizona's communities. This is the Agency's premier event, providing networking channels, delivery of success programs and a strategic site for participants to learn and recognize the history of the host location.

Year	Location	Theme	Attendance
2007	Oro Valley	Innovation in Arizona: Solutions for a Growing Economy	679
2006	Flagstaff (NAU)	Partnering in Arizona: Diversifying and Sustaining Your Community	645
2005	Oro Valley	Regional Partnerships: Expanding Opportunities	643
2004	Lake Havasu	Unique Communities: Regional Prosperity	500+
2003	Prescott	Economic Development: It's a Team Sport	450+

REGIONAL MANAGERS

In 2004, the legislature approved funding for Commerce Regional Representatives, thereby establishing critical resources and expertise throughout rural Arizona. As a result of this initiative's success, demand for state-level economic development services provided to rural Arizona dramatically increased. Now called "Regional Managers", these individuals service every county in the state, as well as all tribes, providing professional and timely assistance in the realm of community, economic and workforce development projects and activities. Working directly with key-stakeholders, the Regional Representatives interact with elected officials, economic developers, chamber of commerce directors, tribal representatives and any/all other key individuals responsible for the economic climate of their communities and the Regions as a whole. Specifically, the work of the Regional Managers involves the following:

- Meet with community councils, local business, civic organizations and trade associations to discover the needs of the area and how Commerce can assist them. Provide information regarding Commerce programs and assist or facilitate access to these programs.
- Provide planning services, meeting facilitation, board training services to assist various programs within the Department of Commerce (Main Street, REDI, Workforce Development, Community Planning, Business Attraction, Film, etc.) to their designated organizations and municipalities. These may include but are not limited to the development of short and long term policies and objectives, developing stronger partnerships, conflict resolution, or other issues to enhance economic development sustainability.
- Provide technical assistance to organizations and businesses making application to the Job Training and Apprenticeship programs. Also provide outreach for the Arizona Workforce Connection.
- Provide outreach and technical assistance to businesses through the Business Attraction and Marketing Division.
- Work directly with all tribal communities throughout Arizona, allowing greater responsiveness to the community, economic and workforce needs.

ENERGY

The Energy Office encourages energy efficiency and renewable-energy usage, provides energy information and policy advice, and supports reduced utility costs and improved comfort for Arizona's low-income residents.

COMMUNITY ENERGY PROGRAM (CEP)

The CEP program provides training, technical assistance and grants to Arizona communities, counties, Indian tribes, and improvement districts with a population fewer than 70,000. This assistance is designed to help communities implement long-term energy planning to better understand and evaluate the communities energy use, infrastructure, energy systems, building and site design, and waste management decisions in the context of a sustainable energy future. The CEP program also provides support for the recently passed Arizona H.B. 2638 amendment that requires that an Energy Element be added to a community's general plan. Two communities, Bisbee and Flagstaff, have begun an energy planning effort within their community.

CEP Grants Awarded

- The City of Bisbee was awarded a \$15,000 grant and will work in conjunction with Cochise College to develop and implement an energy plan for the City. A four-part program will identify ways to create greater energy efficiency resulting in decreased energy use and/or significant savings by using alternative energy resources. Total project cost estimate: \$20,000.
- The City of Flagstaff was awarded a \$15,000 grant to develop a comprehensive Greenhouse Gas Management Plan for the city's municipal operations and the Flagstaff community. This plan will result in projected anthropogenic GHS emissions for the period through 2020 and recommend emission management strategies. Total project cost estimate: between \$55,000 and \$75,000.

RESIDENTIAL TECHNICAL TRANSFER

Residential Technical Transfer is focused on the incorporation of basic building science techniques for energy savings throughout the building process.

- Provided workshops/presentations to 36 building industry, communities and affordable housing organizations.
- The Southwest Building Science Training Center (SBSTC), operated by Foundation for Senior Living Home Improvement and funded through the Department of Commerce Energy Office and local utilities, provides Arizona Low-Income Weatherization Technicians and residential building trades with skills needed to successfully perform energy diagnostics and repairs on Arizona's housing stock.
 - The center has partnered with the Building Performance Institute (BPI) to provide nationally recognized building science certifications to the Southwest's construction community.
 - The center is an approved partner for Home Performance with ENERGY STAR (HPwES). HPwES is a nationally recognized program offering whole house solutions to high energy bills and homes with comfort problems.

GOVERNOR'S OFFICE OF HOUSING DEVELOPMENT TAX CREDIT PROGRAM

In conjunction with the Arizona Department of Housing, the Energy Office conducts energy audits for housing units that apply for this tax credit. Approximately 2,000 low-income units are constructed yearly under this program.

- Estimated annual energy cost savings for 06/07 program year: \$200,000
- Present value of savings for 06/07 program year: \$4,000,000

LOW INCOME WEATHERIZATION PROGRAM

The Low-Income Weatherization Assistance Program has the primary mission of reducing the fuel or electricity expense for space heating, space cooling, and water heating for income-eligible households, while improving the health and safety of the dwelling's occupants.

- Total homes impacted: 750 per year.
- Criteria for applicants: Arizona's defines "low-income" for eligibility purposes as follows:
 - Income is at or below 150 percent of the federal poverty level determined in accordance with criteria established by the Office of the Secretary, US. Department of Health and Human Services.
 - Households that include members, who have received cash assistance payments under AFDC or SSI, are automatically eligible for Weatherization assistance.
- Financial savings for low-income Arizonans:
 - An Oak Ridge National Lab study of the Weatherization Program found an average of \$218 annual energy cost saving per household assisted.
 - The dollar value of non-energy benefits resulting from the Weatherization of a single home can be two to three times the energy cost savings. Non-energy benefits are produced from improved property values, improved health for the residents, growth in local employment, reduced arrearages, and environmental externalities.
- Long-term savings to the state:
 - Utility bill analysis completed by the Energy Office and by Oak Ridge National Lab found a present value of saving (saving over the life of measures) to be in the range of \$1.30 to \$1.50 per dollar spent.
 - Based on approximately \$3.91 million in total funding from federal and utility sources, present value of saving for the 2007 program year equals approximately \$5 to \$5.7 million.
- Federal or state funding:
 - Federal funding - \$1,337,983 from the Department of Energy and \$2,134,528 from Health and Human Services from the Low-Income Home Energy Assistance Program.
 - Utility Funding - \$441,000 from Southwest Gas, \$1,000,000 from Arizona Public Service, \$200,000 from Tucson Electric Power.

REBUILD ARIZONA PROGRAM

The Rebuild Arizona Program is part of the Rebuild America Program at the U.S. Department of Energy. The program helps businesses and communities reduce energy use in buildings. Since 2005, the Rebuild Arizona program has administered more than \$230,000 in grant monies to implement energy program activities.

- Rebuild Arizona grant monies provide funds to:
 - Governor's Office of Housing Development Tax Credit Program (see Tax Credit section for specific details).
 - Staff the Department's Community Energy Program (CEP) (see CEP section for specific details).
 - The City of Scottsdale Environmental Quality Advisory Board approved the draft Sustainable Energy Plan which includes twenty energy action items.
 - Staff chaired the Energy Advisory Committee and was instrumental in developing the energy action items.

TRIBAL ENERGY

The Tribal Rural Electrification Program at the Energy Office is a partnership with Arizona State University – Photovoltaic Testing Lab. It endeavors to assist un-electrified tribal homes obtain solar energy generating systems at a reduced cost.

- Education Outreach
 - The Energy Office and Arizona State University – Photovoltaic Testing Lab conducted a Photovoltaic Training Workshop on March 12 – 16, 2007 for tribal representatives.
 - The Energy Office made renewable energy presentations at 14 tribal meetings throughout the state.
- Technical Assistance
 - Technical assistance was provided to the Shonto Community Development Corporation in the writing of a renewable energy business plan.

ENERGY EFFICIENT SCHOOLS PROGRAM

The Energy Efficient Schools Program provides direction, training and technical assistance to school districts in the development of a strategic energy plan, to include the design, building, renovation and maintenance of energy-efficient schools.

- Guidance was provided to school districts to facilitate implementation of the action items in their strategic energy plan.
- Assisted school districts with accessing new funding opportunities being made available through utility company Demand-Side Management programs.
- Technical assistance provided to the School Facility Board with the goal of building sustainable, energy efficient schools.
- Training was provided on energy savings performance contracting, to facilitate the implementation of energy efficiency measures utilizing alternative delivery and funding mechanisms.

U.S. DEPARTMENT OF ENERGY (USDOE) GRANTS

Commerce has received \$2,884,911 for 21 direct and pass-through grants over the last 3 years, leveraging \$9,963,686 in matching funds for energy efficient and renewable energy projects.

- Special Project Grants fund projects for:
 - Clean Cities Initiatives
 - Building Codes and Standards
 - Rebuild America, Building America
 - Wind Energy
 - Distributed Energy
 - Air Quality Integration.
- Objectives of the funding opportunities are:
 - To directly involve States in activities to accelerate deployment of energy efficiency and renewable energy technologies
 - To facilitate the commercialization of emerging and underutilized technologies; and
 - To increase the responsiveness of federally funded technology development efforts to the needs of the marketplace.

2007 Grants (USDOE)

Total grants awarded: \$553,000; leveraged \$111,545 in local community match funding.

WORKFORCE AND BUSINESS DEVELOPMENT

Workforce and Business Development crafts policies that support efficient and effective coordination of workforce programs statewide, provides the business community with job training grants and apprenticeship registration, provides statewide resources for every stage of business development, and focuses on helping Arizona's emerging technology and science businesses excel by promoting innovation among entrepreneurs to help bring discoveries to market.

WORKFORCE POLICY

In an effort to align the workforce system with a business oriented focus the Arizona Department of Commerce Workforce Policy division works closely with the Governor's Council on Workforce Policy (GCWP). In FY2006, the GCWP granted \$650,000 in Federal Workforce Investment Act (WIA) funds to Arizona's Workforce Investment Areas to execute business outreach projects. These business projects ranged from working with Arizona's Community Colleges to provide an industry focused certification program for the manufacturing industry to creating workforce surveys to assess the specific local needs of a business community.

Governor's Council on Aging

Commerce is also working with the Governor's Council on Aging on the Governor's Aging 2020 plan. Utilizing funding from the GCWP Commerce is helping to support the creation of an index of statewide workforce indicators. The indicators will reflect a myriad of information at the County level and will include information such as demographics, education levels, and growing industries. This information will be useful for those looking to identify trends in Arizona's workforce.

Nineteen Tribal Nations Workforce Investment Board (NTN WIB)

The Department of Commerce in partnership with the Nineteen Nation Workforce Investment Board (NTNWIB) was awarded \$50,000 in funding for the United States Department of Agriculture to help enhance the NTNWIB's understanding and knowledge of workforce and economic development strategies. Training for these members will be conducted over a six month time period, a manual will be created to ensure continuous learning and allow these Board members to share this information with other members of their Tribal Nations.

Arizona Information Technology Skills Training Initiative

This grant, through the Department of Labor, is designed to implement a new, advanced information technology training program. This curriculum will include the design and implementation of e-learning modules based upon proven, existing best practices developed by IBM.

The new training will focus on these three critical skills:

1. Software Testing
2. Software Quality
3. Engineering Quality in Software Development

The development timeline for the project is reflected in the table below:

Course	Delivery	Teach Instructors	Exp Class Taught
Software Testing (Test)	June 2006	July 2006	Fall 2007 MCC Spring 2008 NPC
Developer (Dev)	July 2007	May 21-23, 2007	Spring 2008
Quality	October 2007	October 2007	Fall 2008
Tools	December 2007	N/A	N/A



The training will be available at Mesa Community College and Northland Pioneer College. After completing the three training modules will be able to take a proctored examination to earn an IBM certification.

The Arizona Department of Commerce is taking steps to have the training program registered with US Department of Labor on their list of Apprenticiable Occupations. This will allow businesses wishing to have IT apprenticeships adopt the training program and tailor it to their needs.

APPRENTICESHIP PROGRAM

Apprenticeship is a proven strategy that combines on-the-job training with related theoretical and practical classroom instruction to prepare exceptional workers for Arizona's industry. Registered apprenticeship is a training system that produces highly skilled workers that meet the demands of employers competing in a global economy.

Private and public sectors – individual employers, employer associations or joint labor/management sponsors, operate registered apprenticeship programs. Program sponsors pay most of the training costs while also paying progressively increasing wages to apprentices as they gain skills. Registered apprenticeship programs can be competency based or time based depending on program sponsor needs.

Arizona has more than 100 registered apprenticeship programs in such industries as agriculture, forestry, and fishing; mining; construction; manufacturing; transportation, communications, electric, gas, and sanitary services; services; and public administration.

- Number of active registered apprenticeship programs 130
- Number of workers in registered apprenticeship programs 5,130

JOB TRAINING GRANT PROGRAM

The Arizona Job Training Program is a reimbursable grant program funded by a dedicated tax paid by employers (employer training tax). Employers pay into the Job Training Tax equal to one-tenth of one percent on the first \$7,000 of an employee's wages or \$7.00 per year, whichever is lower. The program supports the design and delivery of customized training to meet specific needs of employers, create new jobs, and increase the skills and wage levels of employees in Arizona. The primary objectives of the program are to create jobs by attracting potential employers to Arizona and to retain and improve the employment situation of current workers, especially in regards to training level and wages. Additionally, the program is designed to attract employers to enterprise zones, which are areas of high poverty and/or unemployment rates. Grants are provided to businesses for training new and existing employees. Each beneficiary is given two years to complete job-training programs before they are able to apply for additional grant funds. The program has numerous benefits:

- Employees benefit by receiving advanced job training.
- Business firms benefit from having a highly skilled workforce.
- The state and local communities benefit by receiving sales, income, and property tax revenue.

The "Net New Hire" portion of the program allows businesses to apply for grant funds that reimburse up to 75% of the costs expended for new employee training.

The "Incumbent Worker" portion of the program provides funding for up to 50% costs of training targeted at improving the skills of existing employees.

2007 Grants (JT)

Total grants awarded: \$19,622,373

Breakdown of rural businesses, small businesses and large businesses

(note: some businesses are categorized as both small and rural - so totals may not reflect the true number of participating companies):

- Small: 40
- Rural: 31
- Large: 50



Forecasted number of new/existing employees trained: 28,442

Forecasted number of new jobs created: 3,520

Forecasted number of incumbent workers trained: 24,922

Forecasted number of companies participated/benefited: 102 (115 new grants awarded; 102 companies as some received both new and incumbent grants.)

WiFi ACCESSIBILITY IN RURAL ARIZONA

For many rural parts of Arizona, access to wireless Internet is critical to their economic success. In 2006, The Arizona Department of Commerce successfully assisted the community of Superior in making WiFi available throughout the town.

- Eighty clients signed on with many more waiting to be installed with WiFi capability
- The first of several Community Broadband Educational Expos was held on September 8th, including the following: SBDA, ASBA, CAC, ADOC, GITA, WiVod, Bank of the West, Superior High School IT Department, Superior Library, Pinal County IT Department and several other vendors to inform and educate the businesses and general public on the uses of the internet as well as business assistance.

Other communities working on WiFi Access and the current status:

Eloy – The town has received acknowledgement of first half of a \$190,000 grant from USDA, awaiting additional monies for a WiFi Project. This is an economic development, business driven grant to provide WiFi to the greater Eloy area, which will serve as a springboard to other projects in Casa Grande, Dudleyville and Red Rock.

- Dudleyville - A proposal has been submitted to USDA for a Rural Utilities Service Grant (RUS) for WiFi. Dudleyville will soon have WiFi and will be the off ramp for Hayden, Winkelman, Mammoth and areas in between.
- Central Arizona College in Pinal County will have access to much broader bandwidth; and the eastern area of Pinal County is also going to be an entry to the western area of Gila County.
- Globe/Miami/Claypool/San Carlos - Hwy 60/70 Project for the area is running between regional communities to enhance the highway image for business development. Formed a committee encompassing all the jurisdictions and developed a 2 year project plan. The committee has three areas dealing with Planning, Visual Enhancement and Promotion. The Drachman Institute has agreed to develop the design of the byway.
 - Globe – The community is submitting a WiFi proposal to USDA for a RBEG grant similar to the one received in Superior. The Mayor and Manager of Globe have set aside \$30,000 in support of this endeavor; the Southern Gila County Economic Development Corporation will be the grantee with full support from the Gila County Supervisors, County Manager and IT Director.
 - San Carlos Apache Tribe - Commerce participated in a meeting with the Executive Director of Planning & Economic Development and the CEO/General manager of San Carlos Apache Telecommunications Utility, Inc. regarding WiFi and the development of a partnership for Globe and the surrounding area. This partnership can extend into many other communities in the future.
- Nogales - A request has been made for a presentation to the new Director of Community & Economic Development for WiFi for the City of Nogales.



REGIONAL TECHNOLOGY COUNCIL PROJECT

Thirty eight companies responded to RFGA 009-07 of which 36 companies were awarded and have received technology/marketing assessments as requested and outlined per the scope of work in their applications. A final report and update specifying the impact and benefits from the services provided is expected to be received by each company by the end of August 2007.

We received seven proposals for RFGA 050-07 of which we awarded all seven companies in June. Shortly thereafter the seventh company declined their award for personal reasons. The remaining six companies are currently working with the contracted vendor to obtain their detailed technology/marketing assessments. Updates on their progress are expected in FY2008.

AZFAST GRANTS

AZFAST Grants are specifically designed for entrepreneurs to develop and commercialize technology by accessing Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) federal funding. An AZFAST Grant covers expenses related to customized, one-on-one technology commercialization services and/or conference related fees for up to \$5,000.

Twelve companies responded to RFGA 006-07 in March. In early April, ten companies were awarded and are in the process of receiving the benefits of the technology commercialization services per scope of work outlined in their applications. A summary of activities will be provided at the completion of services.

We received 18 proposals for RFGA 0047-07 of which we awarded 11 companies in June. These companies are currently completing tasks as outlined in their scope of work. A summary of activities will be provided at the completion of services.

SMALL BUSINESS SERVICES

Small Business Services (SBS) provides a centralized resource for information on business licensing, certification, procurement opportunities and statewide resources for every stage of your business development.

An online Step-by-Step Checklist program guides entrepreneurs through information to start, operate and grow a business in Arizona, including licensing information and statewide resources. Small Business Services collaborates with city and state agencies and numerous business organizations to promote entrepreneurship among small, minority-, woman-owned, and disadvantaged business enterprises. In addition, we advocate on small business issues that are important throughout Arizona.

Small Business Assistance

The "Step-by-Step Checklist" online program provides entrepreneurs with a customized step-by-step checklist for what they need to know, whom they need to contact and where they need to go for business licensing, registration, tax requirements, funding, hiring, certification, procurement opportunities and much more. The process of going through the program generally takes 5-10 minutes to complete. From the customized checklist, an entrepreneur will be able to link over and download most of the forms they may need. It also provides them with telephone numbers and addresses in the event that you wish to contact an agency or organization directly.

For FY2006, over 25,000 responses were generated to small business inquirers through walk-in, phone, fax, e-mail and online services.

MARKETING AND BUSINESS ATTRACTION

Marketing and Business Attraction promotes Arizona as a premier location for business expansion and location. Commerce markets Arizona globally, promotes inward investment, and provides resource assistance to grow your company. We are your first contact for statewide site selection and business resource assistance. Commerce maintains foreign trade offices in Asia, Europe and Mexico. The Arizona Film Office markets the state as an ideal location for movies, television, video and photography, with a focus on improving the operating climate for Arizona's existing entertainment industry.

BUSINESS ATTRACTION

The Business Attraction Group strives to support a globally competitive Arizona by attracting new and expanding businesses that will create quality jobs in Arizona.

Business attraction staff and resources are dedicated to enhancing awareness of Arizona as a premier location for business relocation and expansion activities in targeted industries; and to strengthen business attraction and development efforts that create jobs exceeding the county average wage in all regions of the state. The Business Attraction Group is the only entity in Arizona promoting economic development for the state.

Goals are accomplished through proactive marketing and fulfillment efforts; primarily by conducting an integrated national marketing campaign and then providing excellent client services to businesses considering relocating and/or expanding in the state.

Accomplishments

ADOC staff worked directly with companies and assisted communities to locate and expand companies in Arizona. Business Attraction performed exceptionally well this year, generating significant increases - some record breaking - in nearly all categories.

For the first time in the Agency's history, projects led or assisted by Business Attraction generated more than \$1 billion in capital investment. Of the \$1 billion, record levels of capital investment in rural areas reached \$862.4 million. The capital investment in rural Arizona resulted from 12 successfully completed that will create 1,330 new jobs with an average annual salary of \$44,137.

Business Attraction Performance Results:

- Number of projects located or expanded: 47*
- Total number of new jobs created**: 9,814
- Total capital investment: \$1.639 billion
- Average annual salary of new jobs: \$49,238
- Number of leads: 386
- Number of prospect visits: 128

* see list on pages 18-19

**over the next three years.

FY 2006 and FY 2007 Results:

	FY'06	FY'07	% Change
No. of companies located/expanded/retained:	45	47	4%
No. of companies located/expanded/ret in rural:	10	12	20%
Total capital investment generated (in millions):	\$451.58	\$1,639	263%
Projected new jobs created by year three:	8,076	9,814	22%
Total payroll (in millions):	\$349.77	\$483.23	38%
Average annual salary:	\$43,309	\$49,239	14%
Number of leads:	468	386	(18%)
Number of prospect visits:	163	128	(21%)

Comparative Perspective on Business Attraction Results:

The \$1.6 billion in capital investment translates into an increase in net assessed taxable valuation of approximately \$377 million (23% tax assessment ratio). Based on 2006 figures supplied by the Arizona Tax Foundation, there are four counties in Arizona that individually have less than the \$377 million primary net assessed valuation figure. And, the \$377 million represents about 46% of the total primary net assessed valuation in Yuma County, 28% of the valuation in Coconino County, 6% of valuation in Pima County and 1.1% of valuation in Maricopa County.

The \$49,238 average annual wage for jobs generated by Commerce Business Attraction efforts in FY'07 is 57% greater than Arizona's per capita income figure (2006). In fact, the average annual wage figure for Business Attraction projects was 70% of the average HOUSEHOLD income in Maricopa and about 90% of the average HOUSEHOLD income in Pima County according to the National Association of Counties.

The 9,814 new jobs resulting from ADOC efforts are slightly less than twice the entire workforce in Payson, a few hundred jobs more than the workforce in Goodyear and approximately 2,000 jobs short of the workforce in Kingman (11,821).

Comparative Perspective for Rural Arizona

The \$862.4 million in capital investment is more than 52% of the statewide total capital investment generated by Business Attraction.

The \$862.4 billion in capital investment translates into an increase in net assessed taxable valuation of approximately \$198 million (23% assessment ratio). Based on 2006 figures supplied by the Arizona Tax Foundation, there are two Arizona counties that individually have less than the \$198 million primary net assessed valuation. The \$198 million will contribute approximately \$5.9 million dollars annually in property taxes*.

*based on the 23% tax assessment ration applied to the Effective Property Tax Rate of 2.98% on an Industrial Property in Phoenix, as published in the National Association of Manufacturers 2005 Competitiveness Redbook.

The \$44,137 average annual wage for a rural single wage earner employed with a job generated by Commerce business attraction efforts in FY07 is 40% greater than Arizona's per capita income figure (2006).

Rural Community Client Site Tours and ADOC Staff Familiarization Tours:

ADOC Business Attraction staff participates regularly in client site tours and community familiarization tours to stay informed of current inventory and community priorities. Communities visited in FY 07 include Apache Junction, Bullhead City, Casa Grande, Chino Valley, Eloy, Flagstaff, Florence, Gila Bend, Kingman, La Paz, Oro Valley, Payson, Prescott, Prescott Valley, Safford, San Manuel, Yucca, and Yuma.



Business Retention and Expansion

The Business Retention and Expansion (BR&E) is a core component of any economic development program. In addition to attracting new businesses to the community, it also fosters entrepreneurship and encourages retention of existing businesses. BR&E programs assist businesses in efforts to: 1) prevent leaving or relocation from the area, 2) help businesses survive economic difficulties, 3) assist companies seeking expansions that will add new jobs and 4) increase competitiveness in the global market place.

The BR&E program provides communities with technical assistance, training and research to help local community and business leaders assess business concerns, understand the structure of the local economy, set priorities and implement projects that will help make their economies more vibrant. The Rural Development Office, in coordination and cooperation with the Agency's various departments and other public and private businesses, provide public attention to attraction and recruitment programs throughout Arizona. Where the urban areas typically have more to offer in terms of land, buildings and workforce; the rural areas are directly supported by the efforts and actions of the Rural Development Office in order to help rural communities compete. As a result, rural communities have built strong relationships with the Agency, local economic developers, community colleges, universities and utility companies. Each of these enterprises, working with the Rural Development Office contributes to building effective Business Retention and Expansion programs.

Typical BR&E activities include surveys and asset inventories to determine the needs, concerns and plans of area businesses including:

- Workforce development – increasing skill-sets by recognizing employer's needs and working with community colleges and universities to deliver requested programs.
- Interfacing with the Agency's departments, including Business Attraction, Innovation and Technology and Workforce Development.
- Facilitating meetings/conferences to encourage community and economic development.
- Presentations on the Agency's Programs and Services with particular attention on:
 - Asset Inventory (more than 18 communities have been presented the Asset Inventory and Outreach programs funded by the EDA Grant)
 - Job Training (JT)
 - Enterprise Zone (EZ)
 - Economic Strength Programs (ESP)
- Direct relationship building with businesses and support of their expansion and employee retention including:
 - Site availability
 - Infrastructure
 - Workforce
 - Housing

Activities during this fiscal year include expansion of a small manufacturer of animal diagnostic/surgical devices to Holbrook, a medium size manufacturer of bathroom partitions in Holbrook, evaluation of an industrial park in Bullhead City, and a private water institute in Maricopa.



Marketing Summary

The Business Attraction Group generates leads through an integrated marketing approach including print advertising, public relations, direct mail, tradeshow, seminars, sales missions, customer relationship management, web/Internet advertising and more.

Several of these programs are offered to Arizona community and regional economic development organizations as cooperative marketing opportunities at a fraction of the rate they would normally pay to participate on their own. ADOC leverages the State's investment whenever possible and shares those opportunities and savings with the professional economic development organizations around the State.

Print Advertising:

Total Print Media Circulation: 2,932,262

Business and Industry Publications
100 Thousand Club Magazine
Arizona Business Magazine
Arizona Commercial Real Estate Magazine
Arizona Official State Visitors' Guide
Aviation Week & Space Technology Magazine
Biz San Diego Magazine
Expansion Management Magazine
Expansion Solutions Magazine
Foreign Direct Investment Magazine
FDI North America Locations Guide
Globe & Mail (Canada) Newspaper
Site Selection Magazine
Recycling Today Magazine*
Resource Recycling Magazine*
Trade & Industry Development Magazine
Waste Age Magazine*

*Funded through the Arizona Department of Environmental Quality contract with ADOC.

Trade Shows

The Arizona Department of Commerce had a presence throughout the year in several shows targeting key industries critical to Arizona's future. Shows included:

Event	Location	Primary Industries Targeted
Bio Japan*	Japan	Biosciences
Paris Airshow	Paris	Aerospace, Defense, Aviation
CoreNet Global Summit	Orlando, FL	Multiple
Bio Industry Organization Annual Convention	Boston, MA	Biosciences
Construction Users Roundtable	Oro Valley, AZ	Multiple
Medical Device Manufacturers	Anaheim, CA	Medical Devices, Biosciences
Solar Power	San Jose, CA	Environmental Industries
National Recycling Coalition Conference	Atlanta, GA	Environmental Industries

*Shows were led by the International Trade and Investment Office but Business Attraction staff also attended.

ADOC-Led or Assisted Locates, Expansions and Retention Projects (from page 15)

Company	Lead Source	Industry
Medicis Pharmaceutical Corp	Direct	Biosciences
National Gypsum	Direct	Std. Manufacturing
Superior Industries	Town of Chino Valley*	Std. Manufacturing
Healthways	Direct	Advanced Business Services
HealthcareOne	Direct	Advanced Business Services
PayPal	Greater Phoenix Economic Council (GPEC)*	Advanced Business Services
Innovative Brands	Direct	Advanced Business Services
Genomics USA	Direct	Biosciences
Embraer Holdings, Inc.	Direct	Aerospace
Diamond Plastics	Casa Grande Economic Development Foundation (GCEDF)*	Std. Manufacturing
CareerBuilder.com	GPEC*	Advanced Business Services
Global Solar Energy, Inc.	Tucson Regional Economic Opportunities (TREO)*	Environmental – High Tech Manufacturing



Company	Lead Source	Industry
Marvell Semiconductor	Direct	Semiconductor
GoDaddy.com	Direct	Advanced Business Services
208228 (See File)	Direct	
Ace Vending	City of Tempe*	Distribution
CMC Steel	Arizona Public Service (APS) *	High Tech Manufacturing
UPS	City of Mesa*	Distribution
AstraZeneca	GPEC*	Biosciences
RND Pharmaceuticals	Direct	Biosciences
Northdown Industries	Direct	Std. Manufacturing
Schuff Steel	Direct	Std. Manufacturing
Federated Department Stores	GPEC*	Distribution
Cancer Treatment Centers of America	Direct	Life Sciences
Ubidyne	GPEC*	Engineering Design Services
Wm. T. Burnett & Co.	Direct	Std. Manufacturing
Wi-Vod	CGEDF*	Advanced Business Services
Skycast , Inc.	Direct	Std. Manufacturing
Greentree Servicing	Direct	Advanced Business Services
Target Fulfillment Center	TREO*	Distribution
Energy Task Force	Direct	Std. Manufacturing
Permanent General Assurance Co.	GPEC*	Advanced Business Services
Freeman Decorating Services	Direct	Distribution
Pilkington Glass North America	GPEC*	Distribution
Vicksburg BioRefinery	Direct	Environmental
Education Management	Direct	Call Center
Insys Therapeutics	Direct	Biosciences
MDS PharmaServices	Direct	Biosciences
Food for Life	APS*	Std. Manufacturing
Apex Construction Systems	Direct	Environmental
Double Tree Paper LLC	Direct	Std. Manufacturing
Applied Printed Electronic Holdings	Direct	High Tech Manufacturing
In-House Assist LLC	GPEC*	Advanced Business Services
General Motors Corp.	Direct	Advanced Business Services
AZDOC 0609350**		
Cantex	Direct	Std. Manufacturing
Lindal Group BOC, ISA	Direct	Environmental/HiTech Manf.

Direct - Indicates that lead was introduced by with Arizona Department of Commerce and that the Business Attraction Group led the project. Local and/or regional economic development organizations assisted in bringing the project to Arizona.

* - Indicates that the lead was introduced by the named organization and that the Business Attraction Group assisted in bringing the project to Arizona.

INTERNATIONAL TRADE AND INVESTMENT OFFICE

The International Trade and Investment Office (ITIO) is a vital component of Arizona's international business development strategy. The Office's mandate is to assist Arizona's small and medium-sized companies (SME) that are either new to exporting or are expanding to new markets and to attract foreign direct investment into Arizona.

The ITIO provides Arizona exporters with business development trade missions, affordable participation at selected trade shows, market research, educational seminars and export counseling. In addition, ADOC provides "in market" counseling and support through the Agency's foreign trade offices. Every year ADOC offers a week-long schedule of one-on-one presentations for Arizona companies with the state's overseas trade representatives. The meetings are free of charge and provide Arizona companies services such as market research, establishing in-country representation, establishment of contact with foreign government officials and potential customers, and customized business visits for Arizona companies.

ITIO and the foreign offices also market Arizona as a premier business location and encourage foreign companies to explore direct investment opportunities in Arizona.

ADOC contracts with international specialists for export counseling, promotion and foreign direct investment services. The Contractors provide on-the-ground support and serve as an important resource to accomplish the trade and investment goals of the state. The foreign direct investment (FDI) offices also facilitate contacts with potential partners and generate leads for businesses, universities, researchers and economic development organizations.



Arizona's trade and investment offices are located in Shanghai, China; Taipei, Taiwan; Guadalajara, Mexico; Newton, Wales; Belfast, Ireland; Brussels, Belgium; and Tokyo, Japan.

Accomplishments

The International Trade and Investment Office produced significant increases in several key areas:

- Assisted 875 Arizona companies with participating in trade shows, outward trade missions, trade events, conferences and seminars.
- FY 07, the Office provided Export/Trade Substantive Counseling Sessions and Research to 250 companies, versus 708 companies served in FY2006.
- Generated 1,705 Foreign Direct Investment Contacts (outreach and leads), compared with 505 last fiscal.
- Led or hosted 129 Trade Events Domestic and International, a significant increase from 28 the year prior.
- Assisted 12 Foreign Trade Delegations in Arizona, an increase from 7 the year prior.
- Assisted 22 Foreign Government Delegations in Arizona.

Collaboration and Cooperation

ADOC collaborated with Arizona Global Network (AGN), a partnership with economic development organizations and other partners around the state, to create a new and improved Arizona Foreign Direct Investment contract in Western Europe. ADOC continues to work with AGN partners to develop additional programs and select other contractors and maximize results. The primary goal of AGN is to develop strategies to recruit businesses to Arizona that create high-wage jobs.

ADOC participated in Laser Munich 2007 in cooperation with the US Commercial Service and Global Advantage, a program of the University of Arizona. The three entities collaborated to give Arizona companies and organizations global exposure at this leading international exhibition for optical technologies. Results included 10 FDI meetings and five trade meetings.

ADOC, the City of Phoenix, Evergreen Development, Quarles and Brady, LLP and Sonoran Bank produced a business attraction seminar in Mexico City for the first time. The goal was to provide companies information regarding legal and immigration issues, financing opportunities and an overview of Arizona's real estate market. The event generated 25 attendees, four requests for additional information and one company scheduling a trip to visit Arizona.

Governor Napolitano's Mission to Mexico City was a catalyst for Arizona and Sonora governors to join forces and meet to discuss the regional agenda with Mexico's President Felipe Calderon. Companies and state officials from Arizona and Sonora held meetings with high-ranking government officials and business leaders (including Mexican industrialist Carlos Slim) to develop solutions that benefit the region. As a result, business opportunities were identified in aerospace, automotive and information technology industries. The mission received significant assistance from ADOC.

New Focus and New Performance Measures

This year staff focused heavily on foreign investment recruitment creating specific categories and performance measures for the contractors as well as Commerce staff. New performance measures were adopted to track success for both trade and FDI programs such as measuring the number of firms assisted in exporting for the first time; number of new markets opened for Arizona companies ADOC assisted; number of leads and prospects generated; number of new jobs created from FDI; and number of revenue generating technical assists.

To attract more expertise in specific international markets, the ADOC contracts were revised to emphasize trade and investment as separate activities and the Western Europe contract was the first solicitation to reflect the new metrics.

New Developments

A new agreement with the U.S. Commercial Service enabled the co-location of a U.S. trade specialist in the ADOC offices for fiscal 2007 leveraging the resources of the U.S. Commerce Department. This partnership efficiently utilized the best talent and resources within each agency, allowed for greater



exchange of information and provided cross training opportunities for staff in order to better serve Arizona's small- and medium-sized firms.

Demand for services continues to increase. Questions concerning visas, business permits and import regulations increased 20% from the previous year. Many of these inquiries were referred to numerous local and federal entities including Customs, Immigration, Service Providers and ADOC's Small Business Services Unit.

Trade and FDI Marketing Efforts

The presence and support of the State of Arizona facilitates access to key economic decision-makers for Arizona firms and provides a much greater public profile to business participants. State-led missions send a strong message to prospective partners that Arizona is committed to doing business with them.

Trade missions help build prestige and credibility for Arizona, while helping new exporters position themselves in markets where competition is fierce. Trade missions are an effective vehicle for companies to conduct market research, meet with potential buyers and build contacts in foreign markets.

ADOC also hosts inward trade missions consisting of both governmental and business foreign delegations in Arizona.

FDI missions and seminars are often combined with trade missions to maximize exposure and leverage resources. Companies of interest are identified before the event and one-on-one appointments are scheduled at and around the show for customized presentations and business meetings. This year Agency staff and contractors participated in several industry-specific shows.

As an example, one effective combined mission takes place at the largest international airshow in the world. ADOC led a delegation to the Paris Airshow and promoted the state, the Arizona-Sonora region, economic development entities and Arizona companies. Results included 21 foreign direct investment meetings and 70 trade meetings.

FY 2007 Trade and FDI Missions

Event	Location	Primary Industries Targeted
BioJapan Trade and FDI Mission	Japan	Bioscience/ Analytical Instrument
MatchMex Trade Mission – Enviropro Trade and FDI Show	Mexico City	Multiple, Environmental Primary
Paris Airshow Trade and FDI Mission	Paris	Aerospace
SDC Materials Trade Mission	Japan	New Materials
Arizona Office of Tourism Mission	Shanghai	Tourism
ASU BioDesign Trade Mission	Japan	Bioscience
Dataforth Trade Mission	Japan	Information Technology (IT)
Ridgetop Trade Mission	Japan	IT
FDI Mission	Nuevo Leon	Multiple
'Invest in Arizona' FDI Mission	Mexico City	Multiple
Governor Napolitano's trip to Mexico City FDI and Trade Mission	Mexico	Multiple
Latin America Aerospace & Defence	Brazil	Aerospace
SME Investment/Trade Seminar	Hong Kong	Multiple
MIPIN Asia	Hong Kong	Real Estate
Global Advantage Tour	Berlin, Manchester	Multiple

FY 2007 Inward Trade Missions

Event	Location	Primary Industries Targeted
Mie University Visit	Arizona	Bioscience
Toyama Bio Cluster Delegation	Arizona	Bioscience
Mie University/PropGene Mission	Arizona	Bioscience
Sinphar Group	Arizona	Bioscience

Additional Events ADOC attended

Event	Location	Primary Industries Targeted
International Forum of Clusters*	Sonora	Biotech, IT, Aerospace Clusters
Ensamblamex Trade Show*	Mexico	All



Event	Location	Primary Industries Targeted
Expo Industrial Hermosillo	Hermosillo	Manufacturing
Paris Airshow 2007	Paris, France	Aerospace
Laser Munich 2007	Munich, Germany	Photonics
Modern Hospital Show*	Japan	Medical
Chiba Prefecture IT/Electronics Seminar*	Japan	IT/Electronics
Japan Expo of Analytical Instrument*	Japan	Analytical Instrument
EDS Fair Show*	Japan	IT
CEATEC Japan*	Japan	Electronics
New Energy World Expo*	Japan	Energy
Soil/Water Environmental Show*	Japan	Environment
World PC Expo*	Japan	IT
FPD International*	Japan	Electronics
Security Solutions*	Japan	IT
Imaging Solutions*	Japan	IT
Antpact Expo*	Americas	Transport
FC Expo*	Japan	Fuel
Net & Com*	Japan	Bioscience
Solar Energy Show Pre-Event*	Japan	Environmental
MIPIN Asia*	Hong Kong	Investment
World SME Expo*	Hong Kong	ALL
Bio Taiwan 06 Booth*	Taiwan	Bio/Medical
China International Travel Mart (CITM) *	Shanghai	Tourism
MEDIPHAR*	Asia	Bioscience
MRO Asia*	China	Aerospace

*ADOC contractors promoted Arizona's industry and made contact with companies.

Conferences

In conjunction with ADOC's foreign offices, the Office organizes and participates in industry-targeted events such as seminars, shows, conferences, etc.

- Shizuoka Pref. Industrial Fair
- ComDef
- Business Opportunities with Malaysia
- BIS Training
- US/UK Aviation Leadership Conference
- Invest Southwest Angel Conference

Educational Opportunities – Export Seminars

The ITIO actively engages in educating small- and medium-size Arizona companies with the intricacies of exporting. Staff participated in the following events to promote and help prepare Arizona companies for international business. These seminars averaged between 25-50 company participants.

Seminars

Location

Export Financing for Global Markets	Americas, Asia
France Aerospace Seminar	Phoenix
JETRO Seminar	Phoenix
IT Seminar covering China at TREO	Tucson
IT Seminar covering China at Lewis & Roca	Phoenix
Paris Airshow Seminar	Phoenix
Guide to Expanding your Aerospace market in the EU	Phoenix
Doing Business in Germany	Tucson
Growth through International Sales	Phx, Tucson, Flagstaff



Arizona Global Stakeholders Outreach

The International Trade and Investment Office took an active role as the lead entity of the state to promote trade and global outreach. ADOC collaborates with different boards and commissions, universities, industry associations and others to support the Agency's overall mission. Some of the commissions with which the International Trade and Investment Office participates are the Arizona-Mexico Commission, Border Governors Conference and the District Export Council.

Major Trends

According to the Bureau of Labor statistics:

- Employment in Arizona grew yearly at 3.49% from 1996 to 2006, compared to the US average of 1.22%.
- Growth rate for average wages (private employees) was 4.29% compared to the US rate of 3.79%.

Arizona's merchandise exports to the world reached \$18.28 billion in 2006, an increase of 22% over 2005, compared to the national growth rate of 15%. This 22% increase leads to the creation and/or retention of 46,730 jobs in Arizona (International Trade Administration). Leading exports from Arizona were electronics (up 22% from 2005), machinery (up 25% from 2005), and aircraft, spacecraft (up 20% from 2005). All of the Southwestern states reported Mexico as their state's largest export destination.

Arizona's increase in exports from 2005 to 2006 outpaced those of other Southwestern states, with California growing just 9.4% and Texas growing at 17.2%.

Comparing Arizona to other states of similar sizes, on a per capita basis, Arizona outperforms Colorado, Utah and New Mexico, with \$2,966 exports of per person. Arizona's per capita exports to Mexico of \$871 were significantly higher than the other states except Texas. In this comparison, Arizona had the highest per capita exports to Singapore and France, at \$201 and \$80. Arizona also placed second in exports to Malaysia, the Netherlands, and Germany at \$131, \$129, and \$123 per capita.

Arizona Exports Compared to Neighboring States

	Arizona	Texas	Colorado	California	New Mexico	Utah
National Ranking	18	1	31	2	44	33
Total Exports in Millions	\$18,287	\$150,888	\$7,956	\$127,746	\$2,893	\$6,798
Mexico	5,371	54,877	1,020	19,633	258	268
Canada	1,841	15,631	1,849	14,194	194	889
Singapore	1,243	3,497	179	4,605	17	57
China	1,196	6,643	584	9,973	702	245
Malaysia	808	1,953	242	2,514	490	30
United Kingdom	803	2,903	221	5,063	43	2,283
Netherlands	792	4,421	181	4,042	25	117
Germany	755	2,316	371	4,540	45	205
Japan	686	2,765	399	13,984	59	483
France	495	1,474	219	2,435	34	95

Arizona Exports Per Capita Compared to Neighboring States

	Total Exports per Capita	National Ranking Per Capita	Top Export Market Per Capita	Exports to Top Market Per Capita	Population
Arizona	\$2,966	26	Mexico	\$871	6,166,318
Texas	\$6,419	2	Mexico	\$2,334	23,507,783
Colorado	\$1,674	43	Canada	\$389	4,753,377
California	\$3,504	15	Mexico	\$539	36,457,549
New Mexico	\$1,479	48	China	\$359	1,954,599
Utah	\$2,666	28	United Kingdom	\$895	2,550,063



FILM OFFICE

The Arizona Department of Commerce Film Office works to attract outside production, facilitate indigenous industry, and encourage the continued training and development of the next generation of talented industry professionals. The Film Office strives to create consistent opportunities for employment and education which stimulates the domestic industry to grow and over time become capable of developing a larger and viable film industry in Arizona.

FY 2007 held several film, television, and photography projects that the ADOC State Film Office assisted:

The Arizona Motion Picture Tax Incentive Program is now in its 2nd year. ADOC has received 48 applications since January 1st, 2007 and pre-approved 28 companies for productions in Arizona. Nineteen applications were denied or withdrawn. Based upon these approved applicants ADOC anticipates \$237 million in direct spending to the Arizona economy in the next 24 months from the film industry.

Movies filmed in Arizona during the 2007 FY include:

Jake's Corner – The fictional story of an ex-football star, Johnny Dunn, who moves far from the spotlight after a family tragedy to a small, desert town he owns called Jake's Corner. The movie was shot in Scottsdale, Phoenix, & Payson, and was directed by Arizonan Jeff Santo. *Jake's Corner* stars Diane Ladd, Richard Tyson, and B.J. Thomas. The film is co-produced by former Phoenix Suns basketball player, Dan Majerle and executive produced by Arizona businessman, Mark Breen.

Vacuuming the Cat. The story involves a newly-widowed man named Troy who is struggling to deal with the death of his wife. Shortly after her funeral, he receives a letter his wife had written while she was sick, instructing Troy to build a porch for his aunt. With nowhere else to go, Troy travels to his aunt's house in a desert town replete with quirky characters. During this time, Troy learns to move on, and discovers the difference between true love and love at first sight. This film is directed by Kenny Golde and filmed on location in Apache Junction, Phoenix, and Los Angeles. The film stars Daniel Gillies, Barbara Hershey, and Ron Perlman.

Jolene - Directed by Dan Ireland (*The Whole Wide World*) and produced by Scottsdale businesswoman Riva Yares was filmed in more than 60 Arizona locations. A teenage orphan spends ten years traveling cross-country experiencing life, love and heartbreak. Based on E.L. Doctorow's story, "Jolene: A Life" stars Jessica Chastain, Dermot Mulroney, Chazz Palminteri, and Denise Richards.

- Commercial production in Arizona is still very active with BMW, Chevrolet, Avis Car Rentals, Dodge, GMC Trucks, Harley-Davidson, Gateway Computers, Kia, Michelin Tire, Nationwide Insurance, Nature Valley, SAAB, and others shooting in Arizona.
- Other feature films shot in Arizona included *The Canyon*; *Pandemic*, *Netherbeast Inc*, *Blue Lake Massacre*, *Snappers*, and a sequel to *Easy Rider*.
- Some television programs that filmed in Arizona include *The Amazing Race*; *The Nuclear Race (BBC)*; *Comet (BBC)*; *The Wild West (Italian)*; and *the Red Bull Air Race*; *Extinction of the Mammoth*; *Into North America with Jeff Corwin*.
- Still photography shoots were also prevalent in Arizona including *Ameriprise*; *Canon Camera*; *Tommy Hilfiger*; *Asahi Beer*; *H&M Winter Catalog*; *Bombardier ATV*; *Suzuki Automobile Catalog*; *et al*.

Saw an increase over the previous fiscal year in several key areas:

- The ADOC Film Office received a total of 660 prospective leads
- The ADOC Film Office was able to refer more than 390 qualified leads to our local community partners.
- The ADOC Film Office community outreach included 28 presentations to various stakeholder groups.
- The Film Office assisted 65 projects that completed production in Arizona, resulting in 1007 in-state production days.

STRATEGIC INVESTMENT AND RESEARCH

Strategic Investment and Research serves as the state's clearinghouse for economic information and strategic research related to Arizona's economy. Detailed data and information is available for all incorporated communities and counties. Our community and business finance tools encourage private capital investment, create quality jobs, and promote business growth.

GREATER ARIZONA DEVELOPMENT AUTHORITY

The Greater Arizona Development Authority (GADA) assists local and tribal governments and special districts with the development of public infrastructure. Its \$20 million capitalization leverages funding for infrastructure projects, helping to accelerate project development and lower costs of financing. Both technical and financial assistance are available through the Authority.

GADA is governed by a nine-member Board of Directors comprised of four ex-officio members and five members who are appointed by the Governor.

The Board is responsible for setting policy and approving all projects seeking technical or financial assistance. All Board members serve without compensation.

Since 1998, GADA bonds have helped build more than \$320 million in public infrastructure projects, saving communities more than \$8.5 million.

GADA FY07 Awards

Series 2006B

Apache Junction Fire District
 \$9,500,000 G.O. Bonds
 Project: Fire Facilities and Equipment
 Estimated Gross Interest and Costs of Issuance Savings in the amount of: \$141,000

Drexel Heights Fire District
 \$1,350,000 G.O. Bonds
 Project: Public Safety
 Estimated Gross Interest and Costs of Issuance Savings in the amount of: \$44,000

Maricopa Fire District
 \$3,200,000 Revenue Bonds
 Project: Fire Facilities and Equipment
 Estimated Gross Interest and Costs of Issuance Savings in the amount of: \$76,000

Quartzsite
 \$7,215,000 Revenue Bonds
 Project: Loan Consolidation and Capital Improvements
 Estimated Gross Interest and Costs of Issuance Savings in the amount of: \$224,000

Show Low
 \$8,370,000 Revenue Bonds
 Project: Transportation and Capital Improvements
 Estimated Gross Interest and Costs of Issuance Savings in the amount of: \$167,000

Somerton
 \$6,885,000 Revenue Bonds
 Project: Transportation Improvements and a Ladder Truck
 Estimated Gross Interest and Costs of Issuance Savings in the amount of: \$152,000

Series 2007A

Apache Junction

\$3,800,000 Revenue Bonds

Project: Library Expansion

Estimated Gross Interest and Costs of Issuance Savings in the amount of: \$116,000

Buckeye

\$2,200,000 Revenue Bonds

Project: Administrative Facilities

Estimated Gross Interest and Costs of Issuance Savings in the amount of: \$101,000

Chino Valley

\$5,015,000 Revenue Bonds

Project: Administrative Facilities

Estimated Gross Interest and Costs of Issuance Savings in the amount of: \$142,000

Chino Valley Fire District

\$5,325,000 Revenue Bonds

Project: Fire Facilities and Equipment

Estimated Gross Interest and Costs of Issuance Savings in the amount of: \$148,000

Eagar

\$3,300,000 Revenue Bonds

Project: Refunding of prior obligations, land and equipment

Estimated Gross Interest and Costs of Issuance Savings in the amount of: \$116,000

Golder Ranch Fire District

\$4,550,000 G.O. Bonds

Project: Public Safety

Estimated Gross Interest and Costs of Issuance Savings in the amount of: \$135,000

Mayer Fire District

\$745,000 G.O. Bonds

Project: Fire Facilities and Equipment and debt refinancing

Estimated Gross Interest and Costs of Issuance Savings in the amount of:

\$79,000

Northwest Fire District

\$13,470,000 G.O. Bonds

Project: Fire Facilities and Equipment

Estimated Gross Interest and Costs of Issuance Savings in the amount of: \$291,000

Parker

\$665,000 Revenue Bonds

Project: Miscellaneous Capital Project

Estimated Gross Interest and Costs of Issuance Savings in the amount of: \$75,000

Snowflake

\$1,075,000 Revenue Bonds

Project: Fire Facilities

Estimated Gross Interest and Costs of Issuance Savings in the amount of: \$78,000

Total for all GADA loans (FY 98-07):

\$320,755,000

Total for FY07 GADA loans

\$76,665,000

Total estimated gross interest and costs of issuance savings to participants (FY 98-07):

\$8,578,116



COMMERCE AND ECONOMIC DEVELOPMENT COMMISSION (CEDC) FUND

The CEDC is the state's economic policy and planning board and is chaired by the Director of Commerce. The CEDC Fund provides financial assistance to support Arizona economic development efforts and serves as the funding source for several separate grant programs, including the Municipal Energy Management Program. Fund investment focus areas are:

- 1) Technology Sector Project Capital,
- 2) Federal Matching Capital,
- 3) Rural & Regional Challenge Capital,
- 4) Strategic Research and Policy Development
- 5) Direct Assistance to Arizona Businesses

CEDC funds have been utilized to support a wide array of economic development activities including start up funding for research and development institutes associated with Arizona's university core competencies, loans to businesses expanding or relocating in Arizona, and development of the technology foundation that enables all businesses in Arizona to grow and prosper. CEDC is also required by statute to conduct strategic economic research.

2007 Activities

The Commission approved funding for several key projects throughout the year:

- **Astronomy/Space Economic Study** - \$15,231 grant to the Arizona Arts, Sciences & Technology Academy (AASTA) to be used to provide partial funding for an economic impact study, "Research in Astronomy, Space Science and Planetary Science in Arizona – An Assessment of Impact and Potential." The project is a comprehensive study of the scope, magnitude, impact and leveragability of Arizona's astronomy, space science, planetary and related technologies research communities. The study will provide typical measures such as the number of jobs, wages and total output that are directly or indirectly generated in Arizona's economy as a result of this research activity. Additional funding support was provided by the U of A, Lowell Observatory, NAU, and various national optical observatories. The study is expected in the Fall of 2007.
- **Disabled Veterans Procurement Database** – A \$5,000 grant to the Arizona Disabled Veterans Business Enterprise Network (AZDVBEN) to develop a database of "certified" service-disabled veterans offering products and services. The intent is to make it easy for federal and private procurement officers to find the disabled veterans who qualify for sole source and other types of procurement considerations. The database will also be used to track statistics on the types and utilization of companies owned by disabled services veterans. Those expecting to visit the site are state and federal agencies seeking to comply with various procurement mandates included in the President's executive order. In addition, Governor Napolitano issued an executive order in 2005 creating a task force to study veteran's issues and to develop recommendations to support Arizona service men and women.
- **Arizona Innovation Indicators** - a partnership with the Department of Commerce and the Governor's Council on Workforce Policy, this \$75,000 project created web-based series of publicly-available statistics that measure the State's status and progress in areas of business and fiscal competitiveness, scientific innovation and achievement. Some of the proposed direct measures include research and development dollars, patents, and several science and & technology indicators, etc. Indirect measures encompass measures of the economic and technological state the region/state that are important to fostering a pro-innovation business climate. The data will be maintained on an ongoing basis by Arizona State University and the expected to be accessible on the Internet in the Fall of 2007.
- **Test Track in Yuma County** - a \$500,000 grant and loan package for the building and operation of a hot weather testing facility for vehicles and power/drive train testing in Yuma County. The result of this research facility will aid in the development of current and future vehicles, engines, transmissions for global applications. The facility will employ 155, and will generate an estimated \$3.45 million in state and local tax revenues annually.



- **Update of the Statewide Economic Base Study** - The last economic base study commissioned by the CEDC was done in 2001, based on 1999 and 2000 data. Local economic, community and workforce developers identify the need for updated economic data and information as a critical issue. To help address this lack and to provide a context for decision-making, the CEDC has committed to update this study on a five-year schedule.
<http://www.azcommerce.com/Research/ARIZONA+STATE+AND+COUNTY+BASE+STUDIES.htm>
- **AZ FAST Grant Program** - designed for entrepreneurs to develop and commercialize technology by accessing Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) federal funding. Previously, the CEDC provided the required match to the federal funding for this program. The federal program has been eliminated, but the CEDC continues to fund this critical program which provides small grants for companies to make their SBIR/STTR submissions more competitive.
- **Broadband Roadmap Project** - in partnership with the Government Information Technology Agency (GITA), this \$50,000 project surveyed the public sector legal, policy and economic programs incentives in place around the country designed to promote increased broadband telecommunications deployment and special emphasis on program components that will support extension in rural and under-served areas in Arizona.
- **Technology Sector Funding** - \$250,000 for technology projects to further the development of innovation and technology activities statewide and market Arizona's technology assets to the global community. This funding is the source of the Market Assessment and Technology Assessment programs, which provide small grants to companies to assess the technology/commercialization potential and identify market potential and strategies.
- **Higher Education Supply and Demand Study** - in partnership with the P20 Council, this \$250,000 project examines the capacity of Arizona's higher education or post secondary system to meet the needs of the students, business and industry. Models will also be developed to test changes to the alignment of the system. The results are expected in the Fall of 2007.

ENTERPRISE ZONE (EZ) PROGRAM

The Enterprise Zone Program improves the local economies of state areas with high poverty and unemployment rates by providing incentives and increasing opportunities for private investment in "enterprise zones." In order to encourage private investment as well as job creation and retention in zones, the EZ Program offers two major benefits:

- Income or premium tax credits for non-retail businesses or insurers creating net new jobs in a zone
- Property reclassification for small manufacturers and commercial printers investing in a zone

General EZ Overview

- Tax credits companies reported: 5,233 new jobs were created.
- Tax credits companies reported: 7,316 continuing jobs.
- Property reclassification manufacturers and commercial printers reported: 2,432 jobs were supported.
- Capital investment: Tax credit companies, property reclassification manufacturers and commercial printers made over \$942 million dollars in capital investment.
- Total new job tax credits: \$11,345,741 tax credits were reported.
- Total # enterprise zone companies:
 - Tax credit companies: 206 companies reported tax credits.
 - Since the inception of the property reclassification program 117 manufacturers and commercial printers have been certified for the benefit; 68 are active at this time with 31 newly certified in FY07.
- Enterprise Zone Designations: No new zones received designation during FY07. The total number of active zones is 25.

FY2007 EZ Certifications

- A total of 206 companies reported \$11,345,741 in tax credits at 355 business locations. Many of the companies who reported in FY07 have several business locations in different zones. With a combined investment of over \$582 million dollars, these companies created 5,233 new jobs with an average wage of \$17.57 per hour for the State of Arizona. These companies also reported 4,457 continuing second year jobs and 2,859 continuing third year jobs.
- There were 68 active manufacturers and commercial printers in the program, 31 of which were newly certified in FY07. With a combined investment this year of over \$360 million dollars, these companies employed 2,104 Arizonans with an average wage of \$17.73 per hour. The active companies include 57 small manufacturers and 11 commercial printers. Of these businesses, 3 are woman-owned and 3 are both woman and minority-owned.

ECONOMIC STRENGTH PROJECT (ESP) PROGRAM

The ESP Grant Program is a cooperative effort on behalf of Commerce and the Arizona Department of Transportation that provides state-funded grants for road construction and improvement projects in beneficiary cities, towns, counties and tribal entities. Both the state and local community benefit from sales and tax revenues generated from increased job creation. This is a competitive grant-matching program wherein applicant communities must be able to provide matching funds amounting to at least 10% of the project total.

The primary purposes of the program are as follows:

- Create and retain a significant number of jobs in Arizona
- Foster capital investment in Arizona land, building, and equipment initiatives
- Improve state and local economy

Funding of up to \$500,000 is available for grant allocation twice yearly in January and July.

FY2007 GRANTS (ESP)

Total grants awarded: \$1,859,800 awarded in ESP grants

Return on investment: Assisted the creation of 490 new jobs and new capital investment of \$255.7 million.

- \$397,800 grant awarded to the City of Kingman for new construction of approximately 2,000 linear feet of Bonanza Drive. This project will facilitate the operations of Cantex, Inc. The total capital to be invested by Cantex, Inc. is \$35 million and 85 jobs will be created.
- \$462,000 grant awarded to Graham County for paving of 1.75 miles of Fort Grant Road. This project will facilitate the operations of Eurofresh, Inc. The total capital to be invested by Eurofresh, Inc. is \$35 million and 207 jobs will be created.
- \$500,000 grant awarded to the City of Eloy for an access road to the industrial park extending 5,280 feet. This project will facilitate the operations of National Gypsum Company. The total capital to be invested by National Gypsum Company is \$148 million and 75 jobs will be created.
- \$500,000 grant awarded to the Town of Queen Creek for an arterial roadway improvement. This project will facilitate the operations of ADESA Phoenix, LLC. The total capital to be invested by ADESA Phoenix, LLC. is \$37.7 million and 123 jobs will be created.

MOTION PICTURE PRODUCTION TAX INCENTIVES PROGRAM

The Motion Picture Production Tax Incentive Program promotes and stimulates the production of commercial motion pictures in Arizona by providing tax incentives for qualified companies. The program offers the following tax incentives: transaction privilege tax exemptions use tax exemptions and transferable income tax credits.

Pre-Approvals: (January – December 2006)

- Commerce pre-approved \$30 million tax credits for the Motion Picture program during CY2006.
- 16 companies submitted a total of 33 applications.
 - 18 applications received pre-approval for a total of 26 productions.
 - 6 applications were denied because they didn't meet the content restrictions.
 - 6 applications were withdrawn by the applicants.
 - Tax credits were voluntarily relinquished for 3 applications.
- The pre-approved companies reported having budgets totaling over \$232 million. \$167 million (72%) of the total budgets for the productions is scheduled to be spent in Arizona.

SMALL BUSINESS CAPITAL INVESTMENT TAX CREDIT PROGRAM (ANGEL INVESTMENT)

The Angel Investment Tax Credit Program was established to encourage early stage investments in targeted Arizona small businesses. The program achieves this goal by providing income tax credits to investors who make capital investment in certified small businesses. An investor can receive a tax credit equal to 30% or 35% of the amount invested in a certified small business; the tax credit is claimed over three years. The amount of tax credits available to investors for the five years of the program is \$20 million.

Certifications FY07

- 36 businesses applied for certification.
 - 16 applicants were certified as small businesses.
 - 14 applicants were certified as bioscience enterprises.
 - 2 applicants were certified as rural companies.
 - 1 applicants was certified as both rural and bioscience enterprises.
 - 1 application was denied certification due to ineligibility.
 - 2 applications were withdrawn by the businesses.
- 67 investors received an allocation of tax credits.
 - 3 investors were denied tax credits due to ineligibility.
 - 2 investors withdrew their applications.
- \$1,267,132 tax credits were issued leaving \$18,732,868 tax credits available for future allocations.
- The combined total investment in the certified businesses was \$3,931,806.

COMMERCIAL/INDUSTRIAL SOLAR ENERGY TAX CREDIT PROGRAM (SOLAR)

The Commercial/Industrial Solar Energy Tax Credit Program reduces the initial cost of a solar energy device to stimulate the production and use of solar energy in commercial, industrial or any other non-residential applications. The program achieves this goal by annually providing \$1 million dollars in income tax credits for the installation of solar energy devices in Arizona business facilities.

SOLAR Certifications (Jan – June 2007)

- 13 solar energy devices received an eligibility determination.
- 11 eligible devices were installed and became operational in Arizona.
- \$91,629 tax credits were issued leaving \$908,371 tax credits available for allocation from CY 2006.



- The combined capital investment was over \$1 million for the purchase and installation of the 11 solar energy devices that received tax credits.
- The installations of the solar energy devices occurred in the following counties:
 - 1 in Apache County,
 - 8 in Maricopa County,
 - 1 in Navajo County, and
 - 1 in Yuma County.

HEALTHY FOREST ENTERPRISE INCENTIVES PROGRAM

The Healthy Forest Enterprise Incentives Program was designed to promote forest health in Arizona. The program accomplishes this goal by providing incentives for certified businesses that are primarily engaged in harvesting, initial processing or transporting of qualifying forest products. The incentives include a use fuel tax reduction, transaction privilege tax and use tax exemptions, property tax reduction and new job income tax credits.

Healthy Forest Enterprise Certifications:

- No new companies applied for initial certification. 6 companies applied for continuing certification as a Healthy Forest Enterprise.
- The certified companies reported employing 303 full-time individuals and paid an average wage of \$19.88 per hour in Arizona.
- The certified companies made a combined capital investment of over \$1.3 million.
- 37 projects have been undertaken in the following counties: Coconino, Maricopa, Navajo and Yavapai.
- The certified companies reported receiving the following incentives:
 - Use fuel tax reduction: over \$8,900 was refunded
 - Transaction privilege tax exemptions: over \$1 million was saved
 - Use tax exemption: over \$27,000 was saved
 - Property tax reduction: over \$18,000 was saved
 - New job income tax credit: \$41,500 tax credits were reported