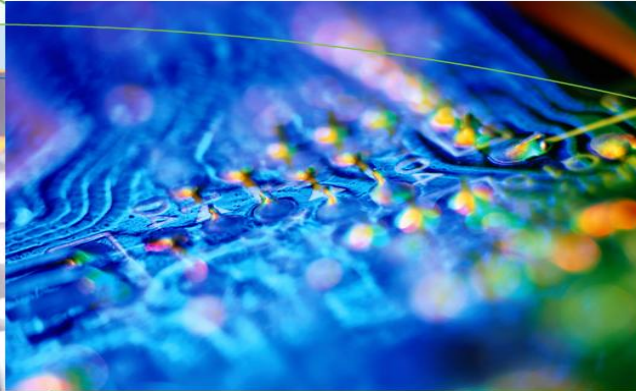




**ARIZONA DEPARTMENT
OF COMMERCE**

The center for economic advancement



**ANNUAL REPORT
FY 2008**



www.azcommerce.com



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MISSION

Through leadership and collaborative partnerships, the Arizona Department of Commerce serves to create vibrant communities and a globally competitive Arizona economy. Partnering with economic development entities statewide, Commerce's main focus is to promote Arizona to create high-quality, stable jobs, expand the tax base, increase per capita income, and promote a globally competitive business environment. The agency provides accurate and timely economic information and research, community assistance, targeted business attraction and development programs, along with strategic workforce development. Nationally and internationally, Commerce promotes Arizona's assets: a growing high-tech workforce, competitive operating environment, easy access to major markets, affordable and available real estate, reliable utilities, abundant natural resources, and a quality of life that is second to none.

RESEARCH ADMINISTRATION

In December 2007, Research Administration (RA) transitioned to the Arizona Department of Commerce from the Department of Economic Security to provide more efficient research data and information to Arizona communities, businesses, planners, lawmakers, economists and others. RA provides important monthly employment statistics, occupation and industry estimates and projections, wage and price indices, and population/demographic statistics. The data is available via *Arizona Workforce Informer* (www.workforceaz.gov) and www.azcommerce.com.

ARIZONA INDICATORS

In 2007, Arizona State University began an initiative to produce community indicators, the Arizona Indicators Project, a one-stop data research tool that tracks the State's economic, social and environmental trajectory.. A series of initial projects are the first steps toward producing a comprehensive set of indicators that are maintained and updated on an ongoing basis. The Arizona Department of Commerce is proud to partner in the ongoing project.

An indicator is a data point—a number or piece of information. In the Arizona Indicators project, collected data points reveal information about various State communities.

Specifically, the Innovation Indicators data is designed to become a one-stop resource of current research demonstrating Arizona's progress in innovation.

Data is updated frequently, and available at <http://www.arizonaindicators.org>.

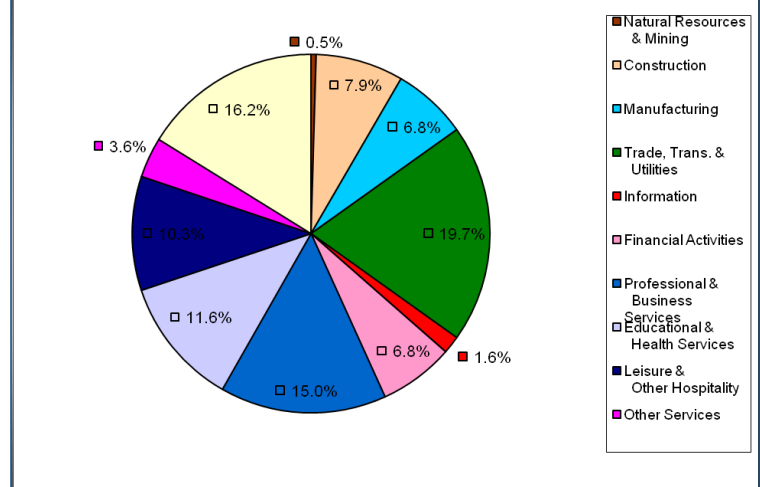
Employment & Workforce
(in Thousands)

Arizona	June '08	FY Change
Labor Force	3,085.9	58.4%
Unemployment	153.9	41.1%
Unemployment Rate	4.8%	1.2%

Population Trends

Arizona	Census/Estimate	% Change
1990	3,665,690	
2000	5,130,632	40%
2007	6,500,194	26.7%

Employment by Industry

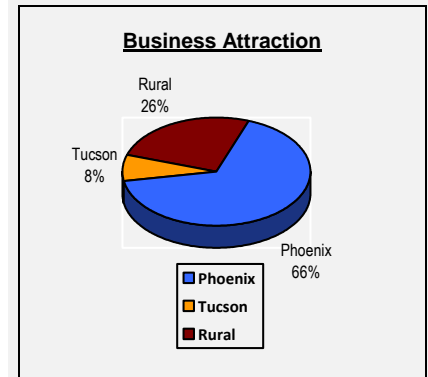


MARKETING AND BUSINESS ATTRACTION

The Marketing and Business Attraction Division promotes Arizona as a premier location for business expansion and location. Commerce markets Arizona globally, promotes inward investment, and provides resource assistance to grow companies. As the first point of contact for statewide site selection and business resource assistance, Commerce maintains foreign trade and investment offices in Asia, Europe and North America. The Division also promotes the state as an ideal location for producing movies, television shows, commercial video and photography with a focus on improving the operating climate for Arizona's existing entertainment industry.

Business Attraction Office

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 is dedicated to enhancing awareness of Arizona as a premier location for business relocation and expansion activities in targeted industries; and strengthening business development efforts that create jobs exceeding the county average wage in all regions of the state. The Business Attraction Office is the only entity in Arizona promoting statewide, rather than regional, economic development. Goals are accomplished through proactive marketing and fulfillment efforts; primarily by conducting an integrated national marketing campaign and providing excellent client service to businesses considering relocating and/or expanding in the state.



FY08 Accomplishments

Business Attraction performed well this year, especially considering the slowing national and state economy and Arizona's state budget deficit. Commerce staff worked directly with companies and assisted communities to locate and expand 39 companies in Arizona. Projects led or assisted by Business Attraction generated more than \$521.46 million in capital investment, 7,050 new jobs, creating an annual payroll of \$286.14 million, with an average annual salary of \$40,587.

Performance Measures	FY 2008
Total number of companies located / expanded / retained in Arizona:	39
Number of companies located / expanded / retained in rural Arizona:	10
Total capital investment generated (in millions):	\$521.46
Projected new jobs created by year three:	7,050
Total payroll (in millions):	\$286.14
Average Annual Salary:	\$40,587

Rural Arizona Communities Receive Big Boost

Although the 10 Business Attraction projects that were completed in rural communities represent about 26% of all of the projects completed, these projects accounted for a much larger (59%) percentage of the overall capital investment generated. The capital investment generated in rural Arizona boosted the rural tax base by \$307.8 million in FY08.

Also of great significance is the new jobs created in rural Arizona were high paying positions that produced an average annual wage of \$45,229. In FY08, rural areas had a 10% higher average annual salary than metro and rural projects combined.

COMPANY	METRO / RURAL	INDUSTRY
Abraxis	Metro	High-Tech Manufacturing
Allied West	Rural	Standard Manufacturing
Allstate Insurance Company	Rural	Advanced Business Services
Amazon II	Metro	Distribution
Amazon.com	Metro	Distribution / Back Office
American Capital Group Company	Metro	Advanced Business Services
Arizona Virtual Studios	Metro	Entertainment
AsicNorth	Metro	Advanced Business Services / Financial
Axiant L.L.C.	Metro	Advanced Business Services
CDW	Metro	Advanced Business Services
Chrysler Corp.	Rural	Advanced Business Services
Compound Photonics	Metro	High-Tech Manufacturing
Computer Sciences Corp.	Metro	Advanced Business Services
CONTECH Construction Products, Inc.	Rural	Standard Manufacturing
Convergys Corp.	Metro	Advanced Business Services
Echo Star Satellite L.L.C.	Metro	Customer Service Center
Flight Data Services *	Metro	Advanced Business Services
Genzyme	Metro	Bioscience
Hawker Beechcraft	Metro	Aerospace and Defense
Humana	Metro	Advanced Business Services
Humana II	Metro	Advanced Business Services
KLN Enterprises/Barrel O'Fun Snacks	Metro	Standard Manufacturing
Localife *	Metro	Advanced Business Services

Location and Expansion Projects:

Super Bowl XLII



Commerce worked with the Super Bowl Host Committee, Greater Phoenix Economic Council and the City of Glendale, to produce "The Ultimate Arizona Experience" for qualified company executives and site selectors from around the globe. The event included a business development forum, an aerial tour of Greater Phoenix, and more events in Glendale, Peoria, Tempe, and Scottsdale. Thirty-five executives participated representing 24 companies actively considering site locations for expansion from industries including aerospace, bioscience, environmental / energy, advanced communication, information technology, financial services, and more. Nine of the companies are international corporations with foreign headquarters. Combined, these projects represent a potential capital investment of more than \$600 million and more than 3,000 new, well-paying jobs.

An economic impact study conducted by Arizona State University estimated that the total economic impact of visitor and organizational spending (direct plus indirect effects) induced by Super Bowl 42 on the Arizona economy was \$500.6 million. The Super Bowl attracted an estimated 62,500 visitors to Arizona who had Super Bowl tickets and 28,700 visitors who did not have tickets.



BIO 2008

The Arizona Department of Commerce planned, led and executed Arizona's participation at the Bio Industry Organization (BIO) Annual International Convention in San Diego, California. BIO is the largest of its kind, drawing more than 20,000 people from 70 countries around the world. The Arizona delegation included 37 participating organizations and 60 individuals representing the public, private and academic sectors. During BIO 2008, the Arizona delegation met hundreds of industry leaders looking to establish strategic partnership opportunities within specific industry segments. The Arizona delegation returned with 423 industry contacts.

Commerce Publishes Valuable Directories

Business Attraction staff published the **2008-2009 Arizona Biosciences Directory** to showcase Arizona's emerging strength as a biotech and life sciences powerhouse and promote Arizona as a premier location for bioscience companies. The directory consists of 172 clinical research companies, research institutes, biotech and life science companies, and support agencies. It was produced in print, CD, and is available on Commerce's website.

Commerce also updated the **Arizona Environmental Industry Directory 2008-2009**, featuring more than 300 Arizona companies and organizations in the following categories: Sustainable Systems; Renewable Energy; Alternate Fuels; Recycling; Green Building; Non-profit; and Federal and State Government. The directory highlights the tremendous growth of the environmental industry in Arizona and promotes Arizona's strengths. The directory is available online at www.azcommerce.com and on CD-ROM.

COMPANY	METRO / RURAL	INDUSTRY
LogistiCare Solutions	Metro	Advanced Business Services
Nestle Purina	Rural	Standard Manufacturing
North American Pipe	Rural	Standard Manufacturing
Pet DNA Services of Arizona	Metro	Bioscience
Prism Solar	Metro	Environmental
Quemtco Metals Arizona, L.L.C.	Rural	Standard Manufacturing
Seiken Graphics *	Metro	Advanced Business Services
Small Brothers dba Telling Industries	Rural	Standard Manufacturing
SolarCity	Metro	Environmental / Solar
Stanley Associates	Metro	High-Tech Printing
Stardancer Yachts	Rural	Standard Manufacturing
Systems Services of America	Metro	Distribution Center
txtNation *	Metro	Advanced Business Services
Victory Industrial Products	Metro	Standard Manufacturing
Volvo	Rural	Advanced Business Services

* Indicates foreign direct investment

Targeted Industries

- Aerospace and Defense
- Electronics and Semiconductors
- Advanced Communications
- Information Technology
- Healthcare and Biotechnology
- Sustainable Industries





Arizona Industry Profiles

Business Attraction updated the existing *Arizona Industry Profiles* – bioscience, environmental, and aerospace and defense. Commerce also created three new industry profiles to the collection – solar, nanotechnology, and optics. The profiles offer a comprehensive, in-depth view of Arizona's targeted industries from a statewide perspective.

Client Site Tours and Community Familiarization Tours

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 FY08 include Buckeye, Douglas, Flagstaff, Gilbert, Holbrook, Maricopa, Mesa, Oro Valley, Payson, Sierra Vista, Tucson, and Wickenburg.

Trade Shows

The Arizona Department of Commerce maintained a presence throughout the year in trade shows targeting key industries critical to Arizona's future. They included:

Event	Location	Primary Industries Targeted
Bio Industry Organization Annual Convention	San Diego, CA	Biosciences
CoreNet Global Summit	Atlanta, GA	Multiple
Dubai Air Show	Dubai, UAE	Aerospace
Medical Device & Manufacturing Show	Anaheim, CA	Medical Device / Biosciences
Photonics West	San Jose, CA	Optics Manufacturing
Germany California Solar Day	San Francisco	Solar
Annual Energy & Environment Conference & Expo	Tucson, AZ	Environmental
Central Solar Power Forum & Expo	Phoenix, AZ	Environmental
Aviation Week A & D Conference	Phoenix, AZ	Aerospace

Marketing Summary

The Business Attraction Group generates leads through an integrated marketing approach including print advertising, public relations, direct mail, tradeshows, seminars, sales missions, customer relationship management, 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 cost they would normally pay to participate on their own. Commerce leverages the State's investment whenever possible and shares those opportunities and savings with the professional economic development organizations in Arizona.

Print Advertising:

Arizona business recruitment ads appeared in the following publications during FY08 for a total print circulation of 399,146:

- *Arizona Business Magazine*
- *AZ Commercial Real Estate Annual Economic Development County by County Guide*
- *Trade and Industry* (Bio Sciences, Pharmaceuticals)
- *Orange County Business Journal (OCBJ)*
- *Los Angeles Business Journal*
- *San Diego Business Journal*
- *San Diego Business Journal BIO 2008 Bonus Editorial*
- *Life-Sciences Cluster Magazine*

Electronic / Internet Advertising:

A California campaign launched in January and continued through June. Arizona messages appeared in the following electronic media and generated 657,400 impressions:

- Banner Ads on the Business Journal websites: Orange County; Los Angeles; and San Diego
- Daily E-news Alerts to subscribers through *Orange County Business Journal*, *Los Angeles Business Journal*, and *San Diego Business Journal*.

International Trade and Investment Office

The Arizona Department of Commerce promotes international business development, specifically through Arizona's small and medium-sized companies (SME) that are either new to exporting or are expanding to new markets. Additionally, through an integrated marketing approach, Commerce works to attract foreign direct investment (FDI) into Arizona.

The International Trade and Investment Office (ITIO) accomplishes this mission by promoting Arizona's key clusters internationally for export and investment, providing consulting, matchmaking, and market research to benefit Arizona firms. Commerce also partners with universities, economic development organizations, local, state, federal, and international agencies to market the state and attract foreign direct investment. Additional resources allocated in FY08 increased Commerce activities for recruiting FDI, targeting specific sectors abroad.

Commerce International Trade and Investment Office Accomplishments

Commerce Trade Efforts:

- Introduced 33 companies in targeted industries to new markets
- Introduced an additional 53 companies from other industries "new to export"
- Led and partnered with 206 Arizona firms in trade events, missions and shows
- Assisted 31 foreign government delegations
- Generated 1,038 trade leads from foreign companies for sales, joint ventures, and more

Commerce FDI Efforts:

- Generated 206 qualified leads
- Generated 54 qualified prospects
- Generated 20 business development projects
- Translated *Industry Profiles* (Aerospace and Defense, Information Technology, Life Sciences, Environmental, and Optics) into Chinese, German, Spanish, and Japanese. The translated Profiles are available online and distributed to companies in print.

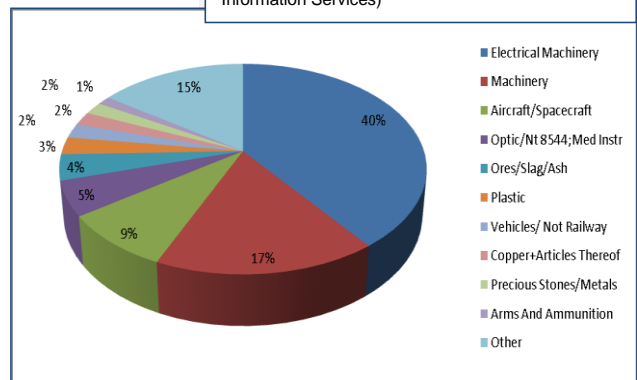
State of Arizona Exports

Exports have helped in softening the blow for an otherwise gloomy global economy: in Arizona, 4,500 small and medium-sized companies make up 88% of exporters. Exports for the state of Arizona reached a new record of \$19.2 billion in calendar year 2007, with dramatic increases coming from markets including Canada, China and the European Union. China alone posted a 10.1 % increase from 2006. Local economies from Flagstaff to Tucson are all benefiting from favorable currency exchange rates responsible for propelling this unprecedented growth since post World War II.

Top Ten Commodities 2007*

Arizona's top ten commodities make up 85% of the total exports. Arizona's largest exports were in Electrical Machinery and Machinery.

(*Source: World Trade Atlas from Global Trade Information Services)



Exports + Investments = Jobs

Almost one quarter (23.9%) of all manufacturing workers in Arizona depend on exports for their jobs. Exports sustain thousands of small and medium-sized companies. Approximately 88% of 4,147 enterprises with 500 employees or less is responsible for generating one fifth of Arizona's total exports. The state's leading export category is computers and electronic products. It alone accounted for 40% of the total merchandise exports for 2007. Closely following were transportation equipment, electrical equipment, appliances and parts.

Arizona's Exports 2003-2007 (Exhibit B)

Arizona exports to the world have risen steadily over the past five years. Arizona's exports of \$3,033 per capita were higher than some of its surrounding neighbors with Colorado at \$1,512 and Utah at \$2,954. However, Arizona's exports per capita was lower than the top two Texas' \$7,038 per capita and California's \$3,675 per capita.



Exhibit B

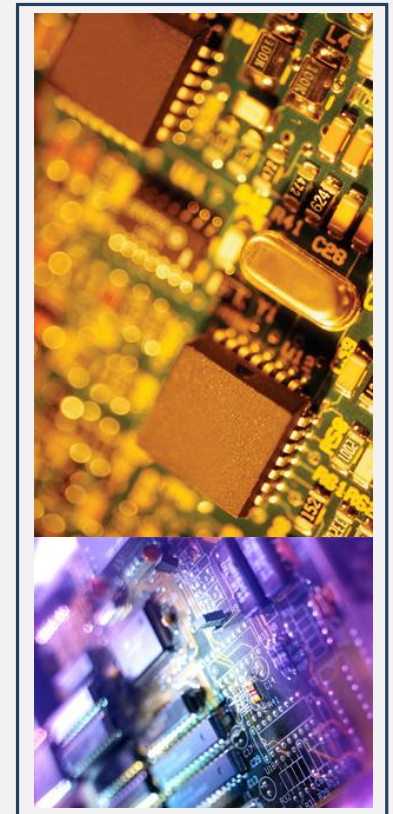
*Source: World Trade Atlas from Global Trade Information Services

Foreign Direct Investment Growing in Arizona

Arizona's ranking for foreign direct investment attraction increased to 28th in the nation in 2006 (the most recent year of data) compared to 30th in 2005, with \$11,863 billion in investment from five European Union countries (U.K., Germany, Netherlands, France, and Switzerland) plus Japan, Australia, Asia-Pacific, Canada, and the Middle East. Foreign investment is significant, since these international firms pay higher on average than domestic jobs. Opportunities opened up in many of the same top 10 export markets in sectors such as solar energy, information technology, life sciences, and aerospace. Foreign investment is equally significant in Arizona's workforce. Approximately 64,000 workers in our state are employed by foreign-controlled companies. About one fifth of these jobs are in the manufacturing sector. Top investors by order of investment are:

Country	2006 (in millions)
Japan	\$1,981
Australia	\$1,970
Germany	\$1,765
Canada	\$1,242
Netherlands	\$1,204
Latin America (including Mexico)	\$1,076
United Kingdom	\$826
Switzerland	\$355
France	\$246
Middle East	\$231

*Source: Bureau of Economic Analysis 2006





Governor Led Trade Missions to Canada and Mexico

During FY08, Governor Napolitano became the first sitting Governor to visit Canada. Arizona and Canada's relationship is accentuated by \$2 billion in bi-lateral trade and Arizona welcomes more than 455,000 Canadian tourists every winter that pump millions of dollars into the economy. Governor Napolitano met with Prime Minister Stephen Harper and discussed the Western Hemisphere Travel initiative and Arizona's plan for a "3-in-1" ID to help Arizonans travel between Canada, the United States and Mexico more easily. She also was present to open the Toronto Stock Exchange, Canada's largest stock market during her visit.

Mexico is Arizona's largest trading partner with \$5 billion of export sales in 2007. Mexico continues to play a major role in the continuing integration and economic development of the Arizona / Sonora region. The Governor's visit to Mexico City provided an opportunity to meet Mexican President Calderon and jointly identify new synergies in the areas of trade, tourism, investment, innovation, and commerce. Representatives from Arizona firms including Qwest, U.S. Airways, ArmorWorks, Motorola, SRP, Swift, and Cold Stone Creamery, accompanied the Governor and were included in many of the high level discussions surrounding this visit.

New Emphasis on Canada

Approximately 11% of Arizona's worldwide merchandise exports go to Canada, with an average \$8 million in tangible goods being exchanged on an average day. With nearly 129,000 jobs in Arizona supported directly or indirectly by Canada/Arizona trade, Commerce began working on a more strategic way to generate more leads for trade promotion and FDI contacts. To produce impact and build momentum in Canada while saving budget dollars, an advertising campaign was launched with the Toronto, Ontario-based *Globe and Mail* focusing on Arizona's competitive advantages in the sectors of aerospace and defense, optics, life-sciences, and biotechnology. This campaign resulted in more than five million gross impressions and hundreds of web views.

Asia Pacific and Japanese FDI Markets

The contracted FDI activities for Japan, Taiwan, and China resulted in 681 companies surveyed in China and 667 companies surveyed in Japan. Of those contacts, 83 leads were generated in the Asia Pacific region and 52 from Japan. Japanese companies revealed an interest to seek partnerships and enter distribution agreements and joint ventures with U.S.-based firms.

Arizona's Biotechnology and Nanotechnology industries can be important magnets for future solicitations from Japanese research institutions. The greatest potential from Japan originated from the biotechnology sector and Arizona's progress has attracted the attention of universities and research personnel from some of Japan's major cities.

Accelerating Emerging Opportunities, Sustaining Mature Markets

Sustainability and Renewable Energy

One of the most promising areas of collaboration between Commerce and higher education has been the launch of ASU's Arizona Institute for Renewable Energy (AIRE). The mission of AIRE is to research and develop reliable, affordable, and renewable energy sources and storage. Through the efforts of Commerce, the Institute has marketed the capabilities of the Institute and ASU's Fulton School of Engineering in Japan and helped develop new connections in the renewable/solar energy area.

Additional Highlights

In FY08, the number of sales missions for international business attraction increased. The missions are sometimes combined with trade events to maximize exposure and traditionally executed in partnership with organizations like Arizona Global Network, Greater Phoenix Economic Council, and Tucson Regional Economic Opportunities. Each mission is industry and market specific. Trade and FDI leads are generated very efficiently through these missions and events:

- CeBit in Germany is one of the world's largest IT Trade fairs. A delegation consisting of Global Media, Ridgetop, Global Advantage (UA) and the Arizona Technology Council attended the show with Commerce. More than 60 trade and three investment leads were generated as a result of our participation.
- In the renewable sector, ITIO joined forces with the city of Flagstaff, Arizona State University and Southwest Windpower at Globe 2008 Show and Conference in Vancouver, Canada. The Arizona delegation generated nearly 300 visitors to the Arizona booth. Southwest Windpower generated nine qualified trade leads and Commerce generated 20 trade leads.

Australian Trade Mission on Water Management

An Australian delegation consisting of nine public and private entities involved in innovative water management and water utility operations visited the state in June to discuss business opportunities and promote their products. Meetings were held with municipalities and water utilities in Greater Phoenix. Commerce staff worked closely with the local AUSTRADE office (Australian trade and investment agency) to facilitate meetings with Arizona Water Institute and the Department of Water Resources. Two Australian offices have already opened in the state (4D Trading in Scottsdale and Ecobluie in Tucson), demonstrating the potential for other Australian water technology-related firms to consider Arizona given the many similarities both Australia and Arizona face with regard to water issues.

Special Markets in the Agriculture sector

ITIO responded quickly to the needs of the agriculture community and partnered with the Department of Agriculture to help support a trade group in Arizona at the 2008 Fancy Food Show in San Diego. This show attracted thousands of buyers from around the world and offered our Arizona-based specialty food producer a unique opportunity to find distributors, identify partners, and land sales contracts. This collaboration between Commerce, Department of Agriculture, and a trade association has been the catalyst for a potential MOU between Commerce and Agriculture. The MOU could open oversight of WUSATA (Western United States Agricultural Trade Association) programs to Commerce. Federal funds used for brand management and promotion of certain agricultural markets could be tapped by Commerce to continue supporting niche markets in our state.

Arizona Optics and Nanotechnology

The state has long been regarded as a major center for optics and nanotechnology companies. These industries currently employ 25,535 individuals with annual revenue of \$2 billion, with 68% of the firms located in Pima County and 28% in Maricopa County. More than half of the firms export to foreign markets, with Asia and Europe representing a large percentage of the sales.

The recent announcement by Japan Laser to be a distributor for Engineering Synthesis Design, Inc. (ESDI) products is one result of Commerce's successful counseling and business development work. ESDI is widely recognized as a leading innovator in the field of surface and wavefront metrology. Commerce's Japan contractor played a significant role in facilitating discussions leading up to the announcement. ESDI also secured a contract with Arden Photonics to have their products distributed throughout the U.K. and Ireland. Because of the high level of service provided by Commerce, this company secured contracts in both markets and increased their customer base.

Film Office

The Arizona Department of Commerce Film Office works to attract outside production, promote film in Arizona, and facilitate 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 in the state to stimulate growth and become a larger and more viable industry in Arizona.

The Arizona Motion Picture Tax Incentive Program is now in its third year. The Film Office markets the incentive to filmmakers and industry professionals, while the Agency's Business Development Finance staff administers the program. Commerce has received a total of 69 applications (49 motion picture/television, five infrastructure, and 15 commercial advertisements) for calendar year 2008. Of the 69 total applications, 23 are currently active and preapproved. The remaining 46 applicants are denied, withdrawn, or voluntarily relinquished due to an inability to begin production within program guidelines or timetable (i.e. \$250,000 or 10% of total Arizona budget is to be spent in-state within 90 days of preapproval).

International Trade and Investment Partners:

Commerce works regularly with the following organizations to deliver high quality service and invaluable information to build Arizona businesses and diversify Arizona's economy:

Higher Education:

- Arizona State University-Skysong, University of Arizona-Global Advantage, Thunderbird School of Global Management, Northern Arizona University, Apollo University, Maricopa Community College

Arizona Global Network:

- Greater Phoenix Economic Council, Tucson Regional Economic Opportunities, Greater Yuma Economic Development Corporation, Arizona Association of Economic Development

International Organizations:

- United Kingdom Trade and Investment, Invest In France, Hong Kong Trade and Investment Council, Japan External Trade Organization, Canada Trade and Investment, Sonora Trade and Investment, China Trade and Investment, Malaysia Trade and Investment, Singapore Trade and Investment Turkey Trade and Investment, TechBA-Mexico

Inter-Agency:

- Federal, State, Local - Small Business Development Centers, US Department of Commerce, State International Development Organization, Small Business Administration, Export-Import Bank, Arizona-Mexico Commission, Department of Agriculture, Border Governors, CANAMEX

Industry Associations:

- Arizona Manufacturing Network, Arizona Tooling and Machining Association, AZ Bio, Nano Cluster, Arizona Optics Association, Arizona Technology Council, Arizona Aerospace Group, Flavors of Arizona, Sustainability Institute



In addition, the Commerce Film Office and local film offices assisted approximately 377 projects in calendar year 2007, accounting for nearly 1,450 Arizona production days. Some notable projects that completed production in Arizona during the fiscal year include:

S.I.S.

A television drama shot primarily in Metro Phoenix, is a fictional story of an elite "secret" squad within the Los Angeles Police Department. The unit is tasked with tracking and apprehending some of the most heinous criminals in Los Angeles. The project was filmed as a "made for television" movie to be featured on the cable station Spike TV. At the time, plans included airing a weekly series assuming the movie received enough viewership. The project starred Keith David, Alex Cuervo, Jamaï Fisher, and local actress Amanda Melby.

Longshots/Snappers/Light Bulb

A feature film shot primarily in Tucson, the movie relays the real life rags-to-riches story of two friends, a small-time inventor and a sleazy salesman, who hit rock bottom before coming up with a gizmo that becomes a worldwide phenomenon. Stars include Dallas Roberts, Jeremy Renner, Ayelet Zurer, and Richard Kind.

The Last Man

This modern day telling of a classic story written by Mary Shelley (Frankenstein), was filmed exclusively in Tucson and features a montage of Arizona talent including: Santiago Craig; Denise Blum; Tom Rogers; and Julio Garcia. Additionally, the project was written and directed by Tucson resident James Arnett.

Additional highlights:

- Commercial production in Arizona is still very active with *Jaguar, Nike, Lamborghini, AutoZone, Volvo, Viagra, Gatorade*, and others shooting in Arizona.
- Other feature films shot in Arizona included *Farewell to Darkness, Sandtrap, and Favorite Son*.
- Some television programs that filmed in Arizona include: *Extinction of the Mammoth (National Geographic); Road Rules (MTV); Super Nanny (ABC); Little People, Big World (TLC); and The Universe (National Geographic)*.
- Still photography shoots were also prevalent in Arizona including *Honda Motorcycles, Princeton Review, Nationwide Insurance, Men's Health Magazine, Hummer of North America, Qwest, Suzuki, Chevrolet, Dick's Sporting Goods*, and many others.

Commerce Film Office's notable achievements in several key areas include:

- Referred more than 369 qualified leads to our local community partners;
- Presented 23 Community Outreach sessions to in-state stakeholder groups;
- Developed a Prospect Information Form (PIF) and distribution system to better service stakeholders with project leads and tracking;
- And generated 23,534 website views.



The Commerce Film Office and participants from eight other statewide local film offices exhibited at the 2008 Association of Film Commissioners International (AFCI) Locations Trade Show in Santa Monica, CA in April 2008. More than 3,400 visitors attended the three day event. Over 300 exhibitors attended from more than 30 countries spanning six continents.

The "Film in Arizona" booth received a second place recognition for "Most Informative Booth."

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, delivers 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

Governor's Council on Workforce Policy

The Arizona Department of Commerce, Workforce Policy Division works closely with the Governor's Council on Workforce Policy (Council). In an effort to align the workforce system with business, the Council recently awarded \$550,000 in federal Workforce Investment Act (WIA) funds to local workforce investment areas to continue business outreach projects. These projects range from creating industry specific training programs to marketing the Arizona Job Training Program to businesses.

Governor's Council on Aging

Arizona is a leader in the area of aging and the *Mature Worker Friendly Employer Certification* is an example. This certification is issued by the Arizona Department of Commerce in conjunction with the Governor's Office and will be first of its kind in the nation.

Workforce Policy represents Commerce at the Mature Workforce Committee of the Governor's Advisory Council on Aging, co-chairs the certification sub-committee and has been instrumental in the development of the Mature Worker Friendly Employer Certification and the www.azmatureworkers.com website that is supported in collaboration with Jobing.com. Over the past year, the application was completed and announced at the Governor's Conference on Aging in May 2008 and the first certifications will be awarded in late fall 2008. Workforce Policy also assisted with the development of the training PowerPoint that is a requirement of the certification.

Arizona Information Technology Skills Training Initiative

This grant, through the US Department of Labor, is designed to develop and implement a new, advanced information technology training program. This e-learning curriculum contains IBM's best practices.

The training program focuses on three critical skill areas:

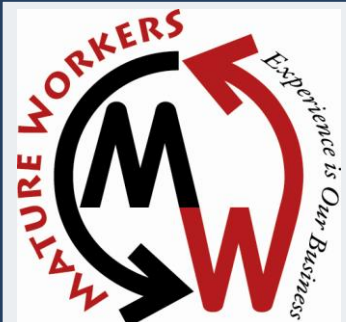
1. Software Testing
2. Software Quality
3. Engineering Quality in Software Development

The training is now available at Mesa Community College and Northland Pioneer College as well as an individual self-paced method at <http://www.arizonaworkforceconnection.com/azit/>. After completing the training individuals will be able to take a proctored examination to earn the IBM certification: *IBM Certified Specialist Software Quality*.

The Arizona Department of Commerce is taking steps to have the training program added to the US Department of Labor's IT training program list maintained by CompTIA/NITAS. This will allow businesses developing an IT apprenticeship program the ability to include this training program and other training programs in order to tailor their apprenticeship program to best fit their business needs.

Arizona Workforce Connection is a statewide system of workforce development partners serving both employers and workers. Workers can polish their résumé or receive additional training to advance in their chosen fields. Employers can find workforce resources, recruit employees, and customized training.

Learn more about the unique, workforce programs at the Arizona Department of Commerce by visiting www.azcommerce.com.



In June 2008, the Arizona Department of Commerce introduced the Mature Worker Friendly Employer Certification program.

By becoming certified as a Mature Worker Friendly Employer, Arizona's small and large businesses, private, public and non-profit entities have access to free job postings on www.azmatureworkers.com, free advertising via listing on the Mature Workers website, and receive special rates at Mature Worker Job Fairs.

APPRENTICESHIP PROGRAM

Apprenticeship programs combine 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 to meet the demands of employers competing in a global economy.

Individual employers, employer associations or joint labor/management sponsors, operate registered apprenticeship programs in both the private and public sectors. Program sponsors pay most of the training costs while also paying progressively higher wages to apprentices as they gain skills. Registered apprenticeship programs can be competency- 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

The Registered Apprenticeship Partners Information Data System (RAPIDS) replaced RAIS (Registered Apprenticeship Information System) during fiscal year 2008. This is a U.S. Government computer system in cooperation with the U. S. Department of Labor, Office of Apprenticeship that tracks all apprenticeship activity in the nation. While the new system has been officially launched, it still has many areas that are not functioning properly, thus creating problems for staff attempting to access important data that accurately reflects all activity that has occurred during the current fiscal year. Once the program is fully operational the Department will be able to track data that was previously unavailable utilizing RAIS.

Arizona currently has 140 registered apprenticeship programs with 5,089 active apprentices. Since October 1, 2007, 768 new apprentices have been registered; 288 apprentices have completed their program and been issued a certificate of completion. Each county in Arizona has at least one program. During fiscal year 2008, six new programs were registered:

Company Name	Date	Location	Occupation
Suntran	4/8/08	Tucson	Diesel Mechanic
911 Collision Center	1/31/08	Tucson	Auto Body Repair, Diesel Mechanic
AZ Alliance for Dental Health and Training	10/23/07	Tempe	Dental Assistant, Dental Lab Tech
Corbins Service Electric	4/11/08	Phoenix	Electrician
Ironworker, Local #847	3/16/08	Phoenix	Reinforcing metal worker
B&R Electric	9/24/07	Marana	Residential Wireman

In addition, five programs were assisted in revising their standards:

Company Name	Location	Occupation
Tucson Electrical JATC	Tucson	Electrician
SRP JAC	Phoenix	Lineman, sub-station
Central Arizona Project	Phoenix	Operating Engineer, Painter
Phoenix Sheet Metal	Phoenix	Sheet Metal Worker
Sulphur Springs Valley Electric Cooperative	Wilcox	Meter Repair, Lineman, Substation Electrician, Substation Operator

City of Tucson Apprenticeship Ordinance:

On October 14, 2007, the Tucson City Council and Mayor adopted an ordinance that added a requirement in solicitations for construction services for the successful contractor(s) and their subcontractors to remit a specified portion of the contract award value to registered construction apprenticeship programs in Pima County. This is the first such ordinance enacted in the State of Arizona.

In August 2003, the U.S. Department of Labor, Office of Apprenticeship, developed sample standards that were consistent in form and content with existing policy and practices for the registration of national apprenticeship programs. Arizona chose to adopt these standards as the model for new apprenticeship programs and to gradually revise the standards for existing programs. The staff is in the process of revising all standards from "short form" to "long form."

Commerce staff is also responsible for conducting compliance reviews (programs with five or more apprentices) and quality assessments (programs with fewer than five apprentices) of registered apprenticeship programs, to ensure that sponsors are complying with program regulations. Commerce may also take appropriate action for noncompliance. The following compliance reviews and quality assessments were conducted in 2008:

Compliance Reviews:

Company Name	Date	Location	Occupation
Kazal Fire Protection	1/15/08	Tucson	Sprinkler Fitter
Kazal Fire Protection	4/17/08	Tucson	Sprinkler Fitter
AZ Masonry Contractors Association	5/8/08	Phoenix	Bricklayer
Mohave Electric Coop.	6/10/08	Bullhead City	Lineman
Tucson Plumbers and Fitters JAC	5/21/08	Tucson	Plumber, Pipefitter
Globe-Miami Electric JATC	5/20/08	Globe	Electrician
Tucson Sheet Metal JAC	5/22/08	Tucson	Sheet Metal Worker
Al-Marah Arabians	5/20/08	Tucson	Horse Trainer
Arizona PHCCA	5/22/08	Tucson	Plumber, HVAC Repair/Install

Quality Assessments:

Company Name	Date	Location	Occupation
Phoenix Bricklaying and Tilesetting JATC	1/15/08	Tucson	Sprinkler Fitter
Kazal Fire Protection	4/15/08	Tucson	Sprinkler Fitter
AZ Masonry Contractors Association	5/2/08	Phoenix	Bricklayer
Mohave Electric Coop.	4/15/08	Bullhead City	Lineman

Other Activities:

Attended 3 Career Day Events at local high schools
 Staffed the Arizona Apprenticeship Advisory Committee
 Attended WACA (Western Apprenticeship Coordinators Association) Monthly Meetings
 Attended/Guest Speaker at Program graduation ceremonies
 Member of the Department of Juvenile Corrections Workforce Development Committee



Helmets to Hardhats

Helmets to Hardhats is a nationwide program that connects National Guard, Reserve and transitioning active-duty military members with career training and employment opportunities in the building and construction industry.

On November 28, 2007 the Governor signed a proclamation of support to help launch Arizona's participation in Helmets to Hardhats. The program creates linkages and partnerships for veterans and other service members while helping address the construction industry's need for skilled workers.

Helmets to Hardhats provides assistance to servicemen and women who try to re-establish their lives as civilians by connecting them with employers who need workers with the skills and leadership developed in the military.

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, and improving their skills.
- 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.

During Fiscal Year 2008, a single employer could receive up to \$1,500,000, 10% of the estimated annual fund amount.

Laws 2007, Chapter 293 made two major revisions to the statutes governing the program. Previously, A.R.S. § 41-1544 required that 25% of the fund be used to provide training to small businesses employing fewer than 100 employees and 25% be used to provide training to businesses located in rural areas of the state *until June 15 of each fiscal year. After June 15 of each fiscal year, any unexpended funds could be made available to any qualified applicant.* However, the dedicated set asides for small and rural businesses will now roll over to the new fiscal year, rather than be open to other applicants. Additionally, the statute was further changed, putting into statute costs that were previously disallowed by rule. The prohibition against reimbursing employers for training expenses for partners or corporate officers was amended to exclude small businesses from this provision. Revisions to the administrative code are currently being drafted to reflect legislative and other changes.

Laws 2008, Chapter 53 transferred \$13 million to the state general fund. It is anticipated that additional monies will be transferred in fiscal year 2009.

Fund Status

As of May 31, 2008:

Revenue (Wire Transfers):	\$15,878,639
Interest Earned on Invested Funds:	\$2,230,710
Department of Economic Security Contract Payments:	\$1,294,636
Department of Commerce Operating Costs:	\$311,091
Contract Commitments (199 open grants):	\$32,516,810
Transfer to General Fund:	\$13,000,000



Grants Awarded:

- Seventy-six new grants awarded
 - Twenty-one rural businesses
 - Thirty-seven small businesses employing fewer than 100 employees (12 of these businesses are also included in the 21 rural businesses)
 - Thirty large/urban businesses

Total \$'s awarded:	\$14,155,460
Total \$'s business match	\$10,697,324
Businesses with fewer than 100 employees	\$2,277,308 (16%)
Rural businesses	\$1,782,081 (13%)
Total # forecast to go through training:	14,551
Net New:	\$5,324,906
Total net new forecast:	2,706
Incumbent:	\$8,830,554
Total incumbent forecast:	11,845
Overall forecast average wage:	\$55,204
Net New forecast average wage:	\$34,840
Incumbent forecast average wage:	\$59,857

Note: These figures do not include pending grants totaling \$3,969,110 that have been approved/awarded, but the contracts have not been fully executed. These grants consist of net new grants totaling \$2,883,473 to five large/urban businesses creating 1,002 net new employees and incumbent grants totaling \$1,461,361 to six businesses (five large/urban and one rural) to train 2,786 employees. Two large/urban businesses incumbent grants have been placed in the queue for award when funding becomes available; these grants total \$469,906 to train 450 employees. There are also an additional eleven applications currently under review, representing eight different businesses applying for both net new and incumbent grants.

Our office continues working directly with business applicants to respond to their unique needs and industry standards associated with each of the following areas: developing flexible education and training systems; facilitating and encouraging business partnerships and accessibility to education and training resources; and creating long-term strategies to improve the competitiveness of the state's workforce.

NURSING EDUCATION DEMONSTRATION PROJECT

The program is entering its fourth year. The following grants have been awarded with the first round of grants expiring on 6/30/08. Their final programmatic reports are due on that date and their final financial reports are due 9/30/08. The grants are awarded through an RFP process and are awarded for one year and renewable for two one-year periods. We are waiting for the FY2009 budget to be adopted prior to renewing Round 2 and Round 3 grants for an additional year. A decision on when to release a new RFP for FY2010 will also have to be made. The program ends on June 30, 2010.

Nursing Grants (RFGA #G058-05)

Grantee - Round 1	Year One '05-'06	Year Two '06-'07	Year Three '07-'08
Chandler/Gilbert Community College	\$164,250.00	\$172,696.00	\$174,170.00
Eastern Arizona College	\$239,627.25	\$310,519.25	\$127,580.00
Estrella Mountain Community College	\$ 79,625.00	\$159,250.00	\$ 79,625.00

Job Training Compliance/Outreach activities

Companies that are awarded grants are required to have one site visit before their grant is closed out and finalized. Job training staff conducted 29 site visits. The staff also responded to telephone inquiries from businesses and training providers requesting additional information and grantees with questions regarding their grant or requesting grant modifications. In order to provide outreach to small and rural businesses, several training sessions were presented to various entities such as TREO, Small Business Development Centers, WIA Directors, and the Department of Revenue Employer Forum.

Gateway Community College	\$173,852.00	\$370,114.00	\$383,308.00
Northland Pioneer College	\$150,045.00	\$174,888.00	\$183,084.00
Pima Community College	\$ 34,993.00	\$134,916.00	\$215,826.00
Scottsdale Community College	\$188,541.00	\$370,455.00	\$171,509.00
Total	\$ 1,030,933.25	\$ 1,692,838.25	\$ 1,335,102.00

Nursing Grants (RFGA #G025-06)

Grantee - Round 2	Year One '06-'07	Year Two '07-'08	Year Three '08-'09
Phoenix College	\$214,664.94	\$332,544.09	\$351,677.19
Yavapai College	\$268,864.00	\$401,413.00	\$395,820.00
Rio Salado College	\$221,533.68	\$351,842.49	\$121,134.38
Mohave College	\$160,736.00	\$157,917.00	\$157,917.00
Glendale Community College	\$162,718.00	\$292,764.00	\$312,149.00
Central Arizona College	\$ 89,935.00	\$257,800.00	\$267,265.00
Coconino College	\$ 1,500.00	\$ 94,616.00	\$107,456.00
Total	\$ 1,119,951.62	\$ 1,888,896.58	\$ 1,713,418.57

Nursing Grants (RFGA #G034-07)

Grantees - Round 3	Year One '07-08	Year Two '08-09	Year Three '09-10
Arizona Western College	\$261,341.00	\$445,326.00	\$524,924.00
Estrella Mountain Community College	\$ -	\$119,177.00	\$124,909.00
Gateway Community College	\$ -	\$257,706.00	\$242,666.00
Northland Pioneer College	\$ -	\$120,100.00	
Phoenix College	\$ -	\$132,637.19	\$134,339.28
Glendale Community College	\$ -	\$ 81,359.00	\$253,399.00
Central Arizona College	\$ -	\$169,714.00	\$176,500.00
Total	\$ 261,341.00	\$ 1,326,019.19	\$ 1,456,737.28

Total Grants Awarded = \$11,825,238
Total Estimated Funds Available for five years = \$13,093,500

WiFi ACCESSIBILITY IN RURAL ARIZONA

For many rural parts of Arizona, access to wireless Internet is critical to their economic success. The Arizona Department of Commerce is working with a number of counties and communities to help bring this modern utility online.

Superior - 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 a series of Business Training Classes on how to use the Internet as a business tool began this year. The trainings are offered by the following: SBDC, ASBA, CAC, SCORE, and WiVod. The training sessions are being held at the Superior Library and Superior High School IT Department.

Eloy - The town has received a \$190,000 grant from the U.S. Department of Agriculture (USDA). This is an economic development, business-driven grant to provide WiFi to the greater Eloy area.

- Commerce Chairs the Internet Training Sub-committee charged with replicating the Superior business training model.

ARIZONA INNOVATION ACCELERATOR

The *Arizona Innovation Accelerator (AIA)* of the Arizona Department of Commerce is focused on helping Arizona's emerging technology and bioscience businesses excel by promoting innovation among entrepreneurs to bring discoveries to market. Funding is provided through the Regional Technology Council Project.

The grant awards fall under three programs that are part of the *Arizona Innovation Accelerator*. **Technology Assessment Grants** offer independent, expert review of technology under development. Emphasis is placed on determining if the technology already exists, is a good candidate for intellectual property protection and likely to find an attractive market. **Market Assessment Grants** provide emerging technology entrepreneurs with a commercialization feasibility study on their discovery. **AZFAST Grants** are specifically designed for entrepreneurs to develop and commercialize global technology by accessing Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) federal funding.

Technology Assessment Grant - There are two Technology assessments available to awardees. The first is designed to identify showstoppers to commercialization before resources are spent commercializing a technology that is unlikely to succeed. The grant is ideal for companies with a technology in the idea stage. The second Technology Assessment examines the commercial potential and identifies viable disposition strategies for a technology allowing the company or investor to make informed decisions regarding allocation of resources.

Market Assessment Grant – There are also two Market Assessments available to awardees. The first is a commercialization feasibility study providing the data necessary to prioritize technologies for follow-on efforts, and to provide necessary background data for assembling and tasking the marketing team or licensing agent. The second Market Assessment determines the market forces that affect the potential commercialization of a given technology helping the companies and investors determine if and what markets are worth pursuing for a particular technology.

In FY 2008 four solicitations were released for the TA & MA Grants: RFGA 003-08, 019-08, 040-08 & 050-08. Of those four solicitations the Accelerator issued 9 awards to companies in the Pima, Maricopa and Coconino counties.

Market Assessment Grants

THE ENGINEERING SCIENCE ANALYSIS CORP	Phoenix	\$ 7,500.00
PARAGON SPACE DEVELOPMENT	Tucson	\$ 7,500.00
KUTTA CONSULTING	Phoenix	\$ 7,500.00
4D ANATOMY	Scottsdale	\$ 7,500.00
ARIZONA BIOFUELS, INC	Tucson	\$ 7,500.00
ALL OPTRONICS	Tucson	\$ 4,500.00
INNOVIS TECHNOLOGIES	Tucson	\$ 4,500.00
Total Amount Awarded		\$ 37,500.00

Technology Assessment Grants

ED LAB LTD	Phoenix	\$ 3,500.00
PIEZO ENERGY TECHNOLOGIES	Tucson	\$ 3,500.00
Total Amount Awarded		\$ 7,000.00

AZFAST GRANTS

AZ FAST Grants are specifically designed to help entrepreneurs gain the skills necessary to develop and commercialize technology by accessing Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) federal funding. Serving different levels of small businesses in the State, the AZ FAST grant is both giving proposal-ready awardees a competitive edge, and breeding the State's seedlings into potential SBIR/STTR competitors. An AZ FAST Grant covers expenses related to customized, one-on-one SBIR/STTR technical training and proposal preparation services and/or conference related fees for up to \$5,000.

In FY 2008 three solicitations were released for the AZ FAST Grant: RFGA 002-08, 020-08 and 049-08. Of those three solicitations the Accelerator issued 14 awards to companies in both the Pima and Maricopa counties.

AZ FAST Grants

THE ENGINEERING SCIENCE ANALYSIS CORP	Phoenix	\$ 5,000.00
SUSAVION BIOSCIENCES	Tempe	\$ 2,560.00
ALL OPTRONICS INC.	Tucson	\$ 5,000.00
CORTICAL SYSTEMATICS LLC	Tucson	\$ 852.21
HEALTHLOGICS LLC	Scottsdale	\$ 5,000.00
LIFE CORE GROUP	Phoenix	\$ 5,000.00
SMART BOX SYSTEMS	Scottsdale	\$ 5,000.00
KUTTA CONSULTING	Phoenix	\$ 5,000.00
NUVOGEN RESEARCH LLC	Tucson	\$ 5,000.00
POLYMER CHEMISTRY INNOVATIONS	Tucson	\$ 2,104.00
ED LAB LTD	Phoenix	\$ 5,000.00
INNOVIS TECHNOLOGIES	Tucson	\$ 2,249.00
WESTRACK, LLC	Prescott	\$ 5,000.00
GLOBAL BUILDING SYSTEMS	Phoenix	\$ 5,000.00
Total Amount Awarded		\$ 47,765.21

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 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.

For FY2008, SBS responded to more than 25,000 inquiries from small businesses through walk-in, phone, fax, e-mail and online requests.

The Innovation Accelerator has provided a return of **\$102** federal dollars, through the SBIR/STTR programs, for every **\$1** spent through the AZFAST program.

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.

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 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. By engaging in long-term strategic energy planning, communities can solve these problems in a manner that is cost-effective and sustainable for residents and the environment. The CEP also provides support for the recently passed Arizona H.B. 2638 amendment that requires an Energy Element be added to a community's general plan. Three communities (Pascua Yaqui Tribe, Sipaulovi Village, and the City of Winslow) have embarked on Community Energy Planning effort within their community:

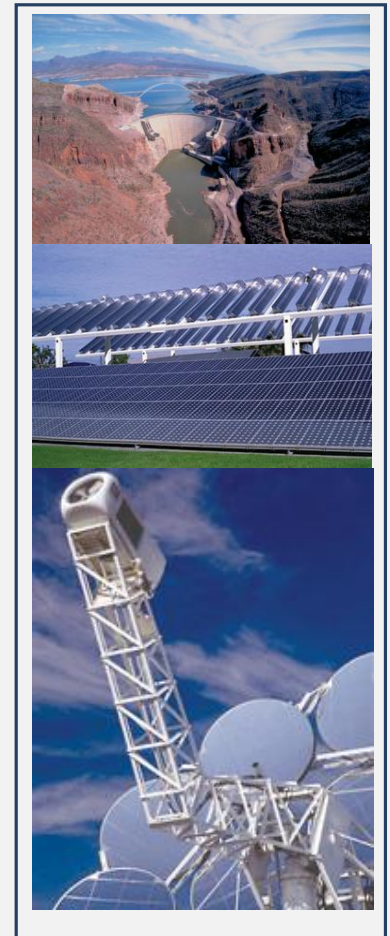
CEP Grants Awarded

- The Pascua Yaqui Tribe was awarded a \$15,000 grant to conduct an energy audit and renewable energy assessment of various tribal buildings in order to implement a two-phase energy plan. (1) Develop a written implementation plan by identifying and calculating energy conservation opportunities and renewable energy applications. (2) Conduct a workshop and facilitation session to analyze and recommend strategic planning policies based on the energy efficiency audit and renewable energy assessment. Total project cost estimate: \$15,000.
- The Hopi "Sipaulovi" Village was awarded a \$15,000 grant to develop a comprehensive Energy Plan by conducting a community-wide survey on energy efficiency and renewable energy applications. The results from the survey will be used to generate recommendations on either energy projects or energy policies in order for the Village to make informed sustainable energy choices. This Energy Plan can be a model for other Hopi Villages. Total project cost estimate: \$33,250.
- The City of Winslow was awarded a \$15,000 grant to develop a Community Energy Plan. The project will conduct an energy audit of various municipal buildings and transportation systems, survey the City's energy use and predict trends, and assess opportunities for both private and public sectors in developing energy-efficient projects. Total project cost estimate: \$20,000.

RESIDENTIAL TECHNICAL TRANSFER

Residential Technical Transfer is focused on the incorporation of basic building science techniques throughout the building process to promote the energy conservation initiatives within the residential building trades.

- Provided workshops/presentations to 56 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 the knowledge and skills needed to successfully perform diagnostic and repairs on Arizona's housing stock.
 - Energy Office continues to develop and update the training curriculum utilized by the Training Center. The Curriculum includes classes on Energy Basics, Basic and Advanced Pressure Diagnostic, Thermal Performance, Infrared Imaging, Residential Health and Safety and Residential Energy Modeling.



- The center has partnered with the Building Performance Institute (BPI) to provide nationally recognized building science certifications to the Southwest's construction community. Energy Office staff provides training to members of the residential building trades in preparation for BPI certification. To date, 22 Home Performance Contractors have been certified through the Training Center.
- 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

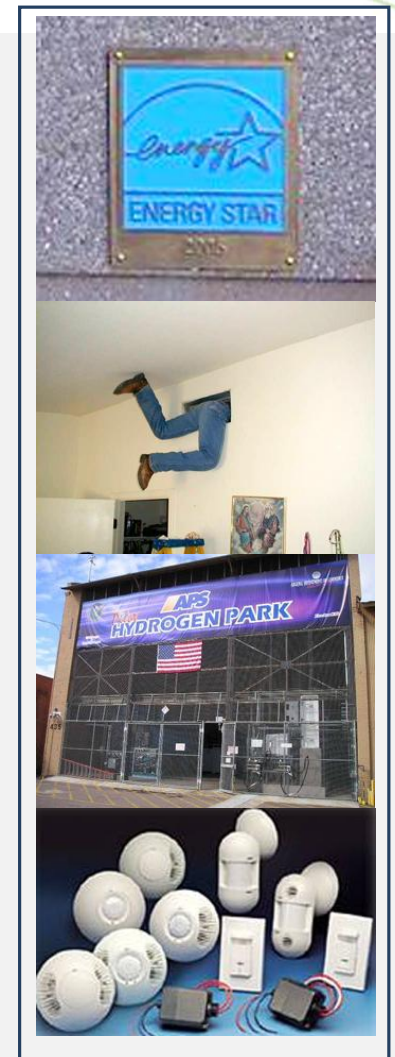
Working with the Arizona Department of Housing, the Energy Office has incorporated into the affordable housing tax credit energy codes and performance standards covering duct leakage, room pressures and insulation installation. Approximately 2,000 low-income units are constructed yearly under this program. A study completed by EPA, "Phoenix Home Energy Efficiency Study 2005" found that production homes that incorporate these performance standards have a 33% lower summer/cooling intensity than the typical baseline homes and 20% below Energy Star® homes.

- Estimated annual energy cost savings for FY08 program year: \$200,000
- Present value of savings for FY08 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 dwellings' occupants.

- **Total homes affected:** 822 per year.
- **Criteria for applicants:** Arizona's defines "low-income" for eligibility purposes as follows:
 - Income is at or below 150% 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 \$4 million in total funding from federal and utility sources, present value of saving for the 2008 program year equals approximately 5 to 5.7 million dollars.
- **Federal or state funding:**
 - Federal funding - \$1,179,999 from the Department of Energy and \$1,907,238 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 and \$200,000 from Salt River Project.



TRIBAL ENERGY

- **Tribal Rural Electrification Program**
 - The Energy Office, in partnership with Arizona State University – Photovoltaic Testing Lab, is offering un-electrified tribal homes the opportunity to receive donated photovoltaic modules from ASU-PTL.
 - Energy Office provided three tribal communities with a total of 160 donated PV modules through the Arizona State University-Photovoltaic Testing Laboratory.
- **Education Outreach**
 - The Arizona Energy Office coordinated a two day Southwest Tribal Energy Peer Exchange Conference where experts with tribal energy projects provided information on tribal renewable energy financing, business development, power purchase agreements, tribal energy programs and projects.
 - The Energy Office, in partnership with two separate tribal communities, hosted two Green Building Workshops; one on the Salt River Pima-Maricopa Indian Community and the other on the Ft. Mojave Indian Tribe.



ENERGY EFFICIENT SCHOOLS PROGRAM

The 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.
- The K-12 school sector has been one of the most successful benefactors of utility company rebates.
 - Technical assistance was provided to the School Facilities Board by assisting with developing the ranking criteria and reviewing the grant applications submitted by 64 school districts for the Energy and Water Savings Grant Fund.
 - Thirty energy and water saving projects from 17 schools districts were selected for funding.
 - Two million dollars in state funds are being provided, along with \$1.5 million in district monies or utility rebates.
 - Annual energy savings are estimated at more than \$500,000.
 - An additional \$250,000 was awarded to eleven districts to conduct energy and water audits of their campuses.
- 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 \$2,490,088 for 16 direct and pass-through grants over the last three years, leveraging \$7,878,692 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
 - Distributed Energy
 - Air Quality Integration
 - Peer to Peer Meetings and Trainings



- 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.

2008 Grants (USDOE)

Total grants awarded: \$689,000

Return on investment: Leveraged \$151,573 in local community match funding.

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 fostering economic development and revitalization in historic downtown areas. Both programs generate significant returns on local investment dollars. The Office of Smart Growth (formerly Community Planning Office) administers funding to assist communities with meeting state-mandated planning requirements through Growing Smarter Planning Grants and is also home to the \$4.8 million Military Installation Fund and the Arizona Military Regional Compatibility Project. The unique qualities abounding in Arizona are addressed through Regional Managers who provide localized community, economic and workforce development assistance throughout Arizona's rural and tribal regions.

OFFICE OF SMART GROWTH

The Office of Smart Growth provides statewide technical assistance and training to Arizona's municipalities, counties, and tribal communities in areas such as smart growth, sustainability, land use planning, development, zoning, infrastructure, public participation and strategic planning.

Some of the Office's key projects include: coordinating multi-agency outreach and technical assistance efforts to help Arizona communities with their growth challenges and assist them in developing smart growth tools; the formation of a smart growth leadership academy; and facilitating local and regional smart growth workshops. The Office is also establishing a clearinghouse for planning templates and best practices related to smart growth tools and resources, as well as assisting in multi-regional planning and visioning efforts statewide.

The Office of Smart Growth continues to focus on the implementation of the Growing Smarter Acts and the promotion of responsible growth through the Growing Smarter Planning Grant Program, and the provision of staff resources and support to the Governor's Growth Cabinet and the Smart Growth Interagency Committee, and focused local and regional technical assistance. The Office also administers 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 2008, the Growing Smarter Planning Grant program awarded \$80,000 in grant dollars to assist communities in meeting their local planning goals relative to state statutory (Growing Smarter/Plus) requirements.

Community Awarded	Dollar Amount	Proposed Project
City of Willcox	\$10,000	General Plan Update
Town of Thatcher	\$10,000	General Plan Update
Town of Patagonia	\$10,000	General Plan Update
Town of Fountain Hills	\$10,000	General Plan Update
City of Litchfield Park	\$10,000	General Plan Update
City of San Luis	\$10,000	General Plan Update
Town of Star Valley	\$10,000	General Plan Update
City of Bisbee	\$10,000	Develop a GIS Based Planning System

**Boards and Commissions
Conference**

Community land use and planning decisions are enhanced when local boards and commissions are confident in their roles and responsibilities. The Annual Boards and Commission Conference was held on December 7, 2007 and featured in-depth sessions of interest to novice and seasoned elected officials, planning commissioners, board of adjustment members and planning staff. The morning plenary event highlighted the renowned land use attorney Grady Gammage Jr., who discussed how Proposition 207 impacts municipal decisions as well as the regulation's potential impact on Arizona's growth. The luncheon keynote address focused on Non-Traditional Economic Development presented by Dr. Jim Segedy. Dr. Segedy shared his extensive expertise acquired through working on hundreds of planning projects and serving as a board member of the Indiana Main Street Program to help small communities create or maintain an identity and a downtown to draw the people in. He discussed the health of downtowns while encouraging smart growth and what local economic development organizations and local boards and commissions can do to support these ventures, how to get started, what resources and tools are available while providing examples of towns that have already blazed this planning trail. Dr. Jim Segedy, FAICP, AIA, is Professor Emeritus and Director Emeritus of Community Based Projects at Ball State University, Indiana and Senior Planner at Olsson Associates. The 2007 conference was a great success with a statewide audience of over 300 in attendance.



Education and Training Accomplishments

- Participated on the Growth Cabinet's Scorecard Subcommittee, a working group committed to the development of the Arizona Smart Growth Scorecard. The Smart Growth Scorecard is a self-evaluation tool to encourage communities to follow smart growth principles. It is designed to strengthen the ability of local officials to plan for future development by measuring and evaluating how well they are addressing and preparing for the pressures of growth. State discretionary grant and loan programs will utilize the Scorecard to provide incentives to communities growing smarter and technical assistance for those needing support. A number of conference sessions, local meetings and workshops were facilitated by Office of Smart Growth staff to educate stakeholders on the Scorecard program.
- Partnered with ASU's Global Institute of Sustainability on the development of a future statewide land use map.
- Participated in the Urban Land Institute's AZ One: a Reality Check for Central Arizona, the first in a series of visioning sessions designed to bring together community leaders and groups for a hands-on exercise that envisioned a variety of growth scenarios.
- Facilitated a joint workshop with the Town of Dewey-Humboldt for the Planning & Zoning Commission, City Council and Board of Adjustment.
- Facilitated a comprehensive education and training workshop for the City of Douglas Planning & Zoning Commission and Board of Adjustment. Specific workshop topics included planning nuts & bolts, public participation and public hearings and the role of public officials.
- Facilitated a Zoning Basics regional workshop for the communities of Taylor, Snowflake, Eager, Springerville, Show Low, Holbrook, Apache County, and Navajo County.
- Facilitated a training workshop for the Town of Jerome Planning & Zoning Commission, City Council and Board of Adjustment.
- Facilitated a Planning & Zoning Commission training workshop for the Town of Oro Valley that included the differing roles of boards and commissions, Open Meeting Law, Proposition 207, and smart growth.
- Facilitated a Planning & Zoning Commission retreat for the Town of Pinetop-Lakeside.
- Facilitated a training workshop for the Town of Queen Creek that included discussions on ex parte communication, open meeting law, fact-finding and roles and responsibilities.
- Provided training to the Yavapai County Planning & Zoning Commission about requirements for neighborhood involvement in the development process.
- Presented information to visiting Japanese delegates about planning and smart growth in Arizona.
- Participated on the Pinal County Comprehensive Plan update Technical Advisory Group (TAG), the Florence General Plan update Technical Advisory Committee (TAC), and the Maricopa County Comprehensive Plan update Project Advisory Committee (PAC).
- Presented a smart growth overview at a Project CENTRL leadership seminar.
- Facilitated a strategic planning retreat for the Douglas City Council.

MILITARY INSTALLATION FUND

In December 2003, the Governor's Military Facilities Task Force made 27 recommendations to ensure long-term retention of Arizona'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).

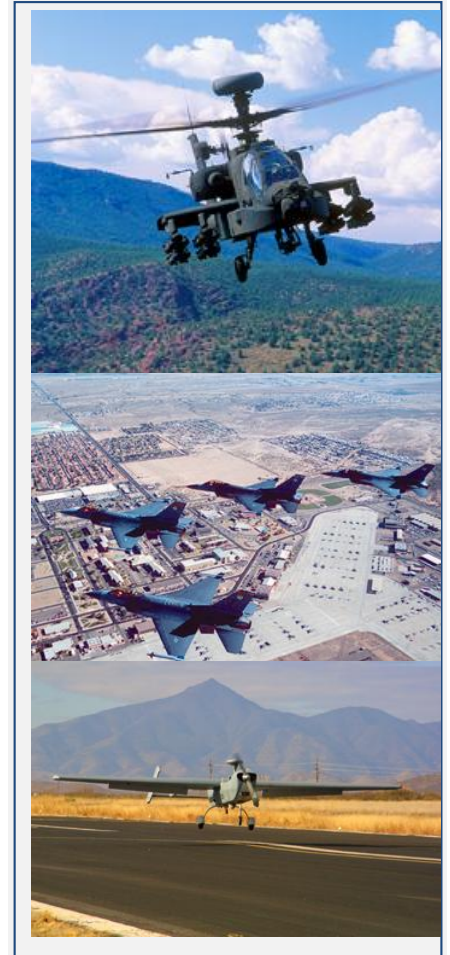
Beginning in fiscal year 2004-2005, \$4.825 million was appropriated from the state general fund for the MIF. This funding is needed to create a mechanism to compensate willing landowners within the territory of Arizona's military airports, military facilities, and operating areas to ensure compatible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

In FY 2008, a total of \$5,432,391.00 (including accrued interest) was available for land acquisition and jurisdictional projects. Eleven applications for Private Property Acquisition and one application for a Jurisdictional Project were received for consideration by the Arizona Department of Commerce/Arizona Military Affairs Commission (AMAC). Six applications for the purchase of property (totaling 284.33 acres) were approved by the AMAC for an asking price (pre-appraised value) of \$4,146,300.00. One Jurisdictional Project was approved for Huachuca City for \$528,780.00.

During FY 2008, the Legislature passed SB 1387, which provides that the Arizona Department of Veterans' Services shall transfer any real estate, property rights and infrastructure acquired by MIF to the State Land Department to manage for the purpose of preserving or enhancing Arizona military installations. The legislative change was made because the Department of Veterans' Services does not have the statutory authority to manage land; the State Land Department does and has the necessary staffing and infrastructure already in place. All land previously purchased, as well as future purchases by Veterans' Services with MIF monies will be transferred to the Land Department.

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 four major programs. The programs include: 1) Main Street, 2) Rural Economic Development Initiative (REDI), 3) Business Retention and Expansion 4) Asset Inventory System, and the 5) Annual Governor's Rural Development Conference.



ARIZONA MAIN STREET PROGRAM

Administrative rules for the state Main Street Program were approved by the Governor's Regulatory Review Council (GRRC) in August of 2007. These rules required local programs to submit information regarding their intent to become an accredited program. Effective January 2008, 15 communities completed the requirements to become an accredited Arizona Main Street Program.

The [Main Street Four-Point Approach](#) is a proven methodology used to revitalize traditional commercial districts. Developed by the National Main Street Center of the National Trust for Historic Preservation, Main Street is based on a comprehensive strategy of work, tailored to meet local needs and opportunities. It encompasses work in four distinct areas — 1) Design, 2) Economic Restructuring, 3) Promotion, and 4) Organization. Local staff and volunteers work to implement projects that foster economic sustainability and community pride to improve the local quality of life within rural and greater Arizona.

Arizona Main Street receives \$130,000 annually from the Arizona Lottery - Commerce and Economic Development Commission (CEDC) proceeds to provide the following services:

- Main Street Technical Assistance
- Organizational Planning and Board Development
- Grant Funding
- Resource Materials
- Workshop, Training and Conferences on topical issues

Main Street Grants- FY 2008		
COMMUNITY	Grant Amount	Scope of Work
Casa Grande	\$10,000.00	"The Alley"
Nogales	\$14,600.00	"Outdoor Plaza"
Pinetop-Lakeside	\$15,000.00	"Design Theme Board"
Pinetop-Lakeside	\$10,000.00	"Community Retail ID"
Sedona	\$3,521.00	"Sacajawea Plaza"
Sedona	\$9,000.00	"Monument Signage"
Show Low	\$15,000.00	"Entrance Signage"
TOTAL GRANT \$\$	\$77,121	

Since 1987 the Arizona Main Street program has provided guidance for more than \$2.1 Billion in reinvestment in Arizona's rural communities.

Main Street Annual Reinvestment Figures FY07

(Data is updated annually in Sept)

Building Projects	258	Since 1986:	4,626
Building Project Dollars	\$70,644,728		\$595,544,217
Property Acquisitions	102		1,792
Property Acquisition Dollars	\$46,899,673		\$394,085,658
Public Improvements	36		791
Public Improvement Dollars	\$12,133,915		\$1,343,896,063
Net New Business	65		1,814
Net New Employees	534		9,784
Total Reinvestment 2007:	\$129,687,316	Since 1986:	\$2,127,482,907

The 10 Standards of Performance of what

1. Has broad-based community support for the commercial district revitalization process, with strong support from both the public and private sectors.
2. Has developed vision and mission statements relevant to community conditions and to the local Main Street programs' organizational stage.
3. Has a comprehensive Main Street work plan
4. Possesses an historic preservation ethic
5. Has an active board of directors and committees
6. Has an adequate operating budget
7. Has a paid professional program manager
8. Conducts a program of ongoing training for staff and volunteers
9. Reports key statistics
10. Is a current member of the National Trust Main Street Network

Other program highlights:

- The Main Street Program is working with Arizona Highways Television to promote business in rural Arizona. In May 2008, the program received a \$199,000 **Rural Television Demonstration Grant** from the U.S. Department of Agriculture, Rural Development.
- Six Arizona Main Street programs met **National Main Street Program Accreditation** standards and were recognized during the Governor's Rural Development Conference in August 2007. The national accreditation process evaluates established commercial district revitalization programs according to ten basic performance standards. The standards provide benchmarks and guidelines on the way an organization should function and serve as incentives for improvement. The six communities include: Apache Junction, Casa Grande, Florence, Nogales, Pinetop-Lakeside and Sedona.
- Annual Main Street awards recognized the Co-chair, Lisa Henderson, for the **6th Annual Statewide Preservation Conference** in Rio Rico, AZ June 12-14th, 2008. The conference attracted 250 individuals to network and discusses issues related to Arizona's past and future.

Rural Economic Development Initiative (REDI) Program

The Rural Economic Development Initiative (REDI) Program promotes economic development in rural areas and communities statewide. REDI 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, REDI 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 and business retention.
- 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 and workforce studies as well as fund website design, signage, and marketing.
- REDI includes a grant-matching program to fund services such as consultation and research projects that produce statewide benefits.
- Grant matching through REDI 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. 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..
- Organizations must receive REDI accreditation before they are eligible to receive grant funds. As of July 2007, 25 organizations representing 44 communities are REDI-accredited.
- In FY 2008, the City of Douglas received REDI accreditation status.
- REDI provided technical assistance to include one or more of the following: Asset Inventory, Establishing a Business Retention and Expansion Program, Guidelines for Establishing an Economic Development Organization, Marketing and Attraction, Rural Economic Development Leadership, and Rural Development Outreach to 14 REDI Communities.
- REDI provided eleven monthly conference calls and one annual, in-person meeting at the 2007 Governor's rural Development Conference.
- REDI visited all accredited communities at least once in the fiscal year.

2008 REDI Grants

A total of \$66,701.15 REDI grants were awarded in FY 2008, with an \$800,412.00 return on investment.

Community	Grant Amount
Prescott	\$5,773
Florence	\$15,000
Payson	\$2,800
Williams	\$3,278
Greater Yuma EDA	\$8,000
Pinetop-Lakeside	\$8,000
Yuma	\$8,850
Shonto Chapter	\$15,000

ASSET INVENTORY

The Rural Development Office presented the Asset Inventory system to 48 communities, regions and businesses statewide. New regional implementation includes Verde Valley Regional Economic Development, Apache County, Navajo County, Sustainable Economic Development Initiative (Coconino County) and the S. Gila County and Copper Corridor. This program is administered and delivered as a result of a Federal Economic Development Administration Grant of \$100,000 for federal FY 08.

Asset Inventory with Business Retention and Expansion

The Asset Inventory system includes a segment for Business Retention and Expansion (BR&E). BR&E is a core component of any economic development program. In addition to attracting new businesses to the community, it 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) weather economic difficulties, 3) seeking expansions that will add new jobs and 4) increase competitiveness in the global marketplace. A user's manual including new programs (e.g., Hyperlinks, BR&E, Workforce Skill Sets and Telecommunications) was developed and has been distributed to communities across Arizona. A web link page was also designed and implemented to promote the Asset Inventory system.

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 known as "regional managers," these individuals serve virtually every county in the state, as well as all tribes, providing professional and timely assistance with community, economic and workforce development projects and activities. Working directly with key stakeholders, regional managers interact with elected officials, economic developers, chamber of commerce directors, tribal representatives and any other key individuals responsible for the economic climate of their communities and regions as a whole. Specifically, the work of the regional managers involves the following:

- Meeting with community councils, local business, civic organizations and trade associations to discover the needs of the area and how Commerce can assist them. They also provide information regarding Commerce programs and assist or facilitate access to these programs.
- Providing planning services, meeting facilitation, board training services to assist various programs within the Department of Commerce (Main Street, REDI, Workforce Development, Office of Smart Growth, 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, stronger partnerships, conflict resolution, or other issues to enhance economic development sustainability.
- Providing technical assistance to organizations and businesses applying for the Job Training and Apprenticeship programs, as well as outreach for the Arizona Workforce Connection.
- Providing outreach and technical assistance to businesses through the Business Attraction and Marketing Division.
- Working directly with all tribal communities throughout Arizona, allowing greater responsiveness to community, economic and workforce needs.

A typical Asset Inventory with BR&E activities includes surveys and other studies to determine the needs, concerns and plans of regional businesses including:

- **Increasing workers' skills** by recognizing employers' 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** and presentations to encourage community and economic development.
- **Building direct relationships** with businesses and support of their expansion and employee retention including:
 - Site availability
 - Infrastructure
 - Workforce
 - Housing
 - Telecommunications
 - Transportation



FINANCIAL INVESTMENT DIVISION

Finance and Investment manages several bonding, finance and tax credit programs which encourage private capital investment, create quality jobs, and promote business growth. Its mission is to provide resources and develop information to support timely finance and investment decisions that will enhance economic, business and community development opportunities in Arizona.

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 a variety of grant programs, including AZ FAST Grants. Fund investment focus areas are:

- 1) Technology Sector Project Capital
- 2) Federal Matching Capital
- 3) Rural and 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.

2008 Activities

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

- **Test Track in Mohave County** –\$500,000 grant and loan for Chrysler, LLC to acquire the Arizona Proving Grounds facility in Yucca, Arizona, to build new testing roadways and vehicle testing facilities. With the closing of Ford's facility, this project will retain 75 full-time and 15 part-time jobs and generate an estimated \$1.8 million in state and local tax revenues.
- **Health Care Research for Arizona Small Businesses** - In support of the Governor's Council on Small Business and the Governor's Council on Workforce Policy, the CEDC approved funding for an evaluation and cost assessment of potential state-sponsored solutions for affordable health care for Arizona small businesses. The Arizona small business community identified increased health care costs as a major impediment to growth, as well as attracting and retaining a quality workforce.
- **Abraxis Bioscience Manufacturing Facility Upgrade** – A \$1 million grant and loan package to upgrade an existing pharmaceutical manufacturing facility in Phoenix. The Company will consider turning the facility into one of their manufacturing centers for current and future proprietary products supporting a global market requiring capital investment of \$30M to \$50M to upgrade the facility and make it EU compliant. The facility will retain 85 existing jobs, create 120 new full-time jobs and an additional 776 indirect and induced jobs will result for a total job creation of 981 generating an estimated \$8.045 million in state and local tax revenues.
- **Frito-Lay Manufacturing Facility Upgrade** – A \$750,000 loan/grant package to upgrade an existing snack food manufacturing facility in Casa Grande, adding a new product line (SunChips), with the goal of it becoming Frito-Lay's first "net zero" concept plant in the U.S.



The plant will utilize multiple renewable energy platforms to substantially minimize reliance on traditional energy as well as renewable fuels and recycled water. The project will add 40 full-time jobs from the local workforce adding to the 400 that currently exist at the facility.

- **Eloy Wireless Broadband Network** - A \$35,000 matching grant to design high speed wireless broadband network, the first stage in deploying connectivity to support the community's needs. This grant was conditioned upon the award of \$190,000 by the US Department of Agriculture Rural Business Enterprise Grant Program, which was awarded. Twenty-one (21) jobs are expected to be created as a result of the broadband system in Eloy.
- **Youth Spring Training Economic Impact Study** - A \$30,000 grant to Pima County for an economic and comparative study aimed at retaining 29 full-time and 175 part-time jobs. The Chicago White Sox will be moving their Spring Training base from Pima County to the City of Glendale and to help replace the economic impact the team brings to the area, the Study will examine the costs, benefits, and comparative economic impact of a year-round national youth baseball tournament at the Tucson Electric Park.
- **Williams Gateway Airport Authority Project** - A \$1.3 million grant to Williams Gateway Airport Authority (dba Phoenix-Mesa Gateway Airport) to assist with infrastructure such as utilities and roads needed to develop a site proposed for the MD Helicopter facility. This project would retain 200 existing jobs and creating another 450 positions. Additionally, the retention and expansion of MD Helicopter will contribute to the growth of existing businesses and creation of new businesses.
- **Arizona Fund of Funds Program** – A \$325,000 grant to the Arizona Economic Resource Organization (AERO) to establish an Arizona Fund of Funds. AERO will serve as the catalyst in establishing the program to significantly increase the size and diversification of the venture capital industry in Arizona over a two-year period.

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 \$375 million in public infrastructure projects, saving communities more than \$11.1 million.

GADA FY08 Awards

Series 2007B

Cottonwood

\$19,935,000		Revenue Bonds	
Project:		Miscellaneous Capital Projects	
Estimated Gross Interest and Costs of Issuance Savings in the amount of:			\$327,000

EI Mirage

\$1,145,000		G.O. Bonds	
Project:		Transportation Improvements	
Estimated Gross Interest and Costs of Issuance Savings in the amount of:			\$94,000

Willcox

\$315,000	G.O. Bonds		
Project:	Miscellaneous Capital Projects		
Estimated Gross Interest and Costs of Issuance Savings in the amount of:			\$75,000

Apache County

\$3,980,000	Revenue Bonds		
Project:	Administrative Facilities		
Estimated Gross Interest and Costs of Issuance Savings in the amount of:			121,000

Three Points Fire District

\$1,130,000	G.O. Bonds		
Project:	Fire Facilities		
Estimated Gross Interest and Costs of Issuance Savings in the amount of:			\$66,000

Series 2008A

Douglas

\$3,000,000		Revenue Bonds	
Project:		Administrative Facilities	
Estimated Gross Interest and Costs of Issuance Savings in the amount of:			\$303,000

Lake Havasu City

\$2,615,000		Revenue Bonds	
Project:		Transportation Improvements	
Estimated Gross Interest and Costs of Issuance Savings in the amount of:			\$101,000

Queen Creek

\$2,045,000		Revenue Bonds	
Project:		Reimbursement of an equestrian park	
Estimated Gross Interest and Costs of Issuance Savings in the amount of:			\$91,000

Pinal County

\$4,495,000		Revenue Bonds	
Project:		Miscellaneous Capital Project	
Estimated Gross Interest and Costs of Issuance Savings in the amount of:			\$115,000



Rio Rico Fire District

\$3,835,000

Project:

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

General Obligation Bonds
Fire Facilities and Equipment
\$198,000

Safford

\$3,095,000

Project:

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

Revenue Bonds
Electric System Improvements
\$309,000

Show Low

\$3,185,000

Project:

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

Revenue Bonds
Administrative Facilities
\$182,000

Thatcher

\$2,495,000

Project:

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

Revenue Bonds
Miscellaneous Capital Project
\$268,000

Williams

\$2,995,000

Project:

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

Revenue Bonds
Transportation Improvements
\$300,000

Total for all GADA loans (FY 98-08):

\$375,020,000

Total for FY08 GADA loans:

\$ 54,265,000

Total estimated gross interest and costs of issuance savings to participants (FY 98-08):

\$ 11,128,116

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: 5,482 new jobs were created.
- Tax credits companies reported: 7,177 continuing jobs.
- Property reclassification manufacturers and commercial printers reported: 3,718 jobs were supported.
- Capital investment: Tax credit companies, property reclassification manufacturers and commercial printers made over \$887 million dollars in capital investment.
- Total new job tax credits: \$11,426,366 tax credits were reported.



- Total number of enterprise zone companies:
 - Companies reporting tax credits: 203
 - Since the inception of the property reclassification program, 136 manufacturers and commercial printers have been certified for the benefit; 74 are active at this time with 19 newly certified in FY08.
- Enterprise Zone Designations: No new zones received designation during FY08. The total number of active zones is 25.

FY2007 EZ Certifications

- A total of 203 companies reported \$11,426,366 in tax credits at 357 business locations. Many of the companies who reported in FY08 have several business locations in different zones. With a combined investment of more than \$683 million, these companies created 5,482 new jobs with an average wage of \$22.99 per hour for the State of Arizona. These firms also reported 4,075 continuing second year jobs and 3,102 continuing third year jobs.
- There were 74 active manufacturers and commercial printers in the program, 19 of which were newly certified in FY08. With a combined investment this year of over \$204 million dollars, these companies employed 3,718 Arizonans with an average wage of \$16.39 per hour. The active companies include 60 small manufacturers and 14 commercial printers. Of these businesses, 2 are woman-owned and 1 is 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.

FY2008 GRANTS (ESP)

Total grants awarded: \$791,116 awarded in ESP grants

Return on investment: Assisted the creation of 577 new jobs and new capital investment of \$143.7 million.

- A \$450,000 Economic Strength Project grant was awarded to the Town of Sahuarita for improvements to Sahuarita Road to assist Carondelet Hospital, Fry's Marketplace and Reay's Super Stop. Carondelet Hospital is a private non-profit organization. Reay's Super Stop, consists of a Shell gas station, convenience store and car wash all in one. A total of 382.5 jobs will be created by the three businesses. The combined private sector investment resulting from this project will total over \$135 million.
- A \$66,116 Economic Strength Project grant was awarded to the Town of Wickenburg for construction of a 150 foot turn lane to assist McKeever's/Ace Hardware. The project will create approximately 12 new full time jobs in the Town of Wickenburg. The private sector investment by McKeever's/Ace Hardware resulting from this project will total \$2.7 million.



- A \$275,000 Economic Strength Project grant was awarded to the City of Douglas for the widening and reconstruction of a six road intersection, as well as the widening of San Antonio Avenue and Florida Avenue. This project will accommodate dedicated turning lanes to facilitate traffic in and around Advance Call Center Technologies. Advance Call Center Technologies will create approximately 182 new full time jobs in the City of Douglas. The private sector investment from this project will result in a total of \$6.0 million.

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 2007)

- Commerce pre-approved \$40 million tax credits for the Motion Picture program during CY 07.
- Twenty-one companies submitted a total of 51 applications.
 - Twenty-two applications received pre-approval for a total of 52 productions.
 - Four applications were denied because they didn't meet the content restrictions.
 - Nine applications were withdrawn by the applicants.
 - Tax credits were voluntarily relinquished for six applications.
 - Ten applications were rescinded by Commerce
- The pre-approved companies reported having budgets totaling more than \$184 million. Most of the money - \$164 million (89 %) - of the total budgets for the productions is slated 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 investments 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 FY08

- Fifty-four businesses applied for certification.
 - Twenty-three applicants were certified as small businesses.
 - Eighteen applicants were certified as bioscience enterprises.
 - Three applicants were certified as rural companies.
 - One applicant was certified as both rural and bioscience enterprises.
 - Six applications were denied certification due to ineligibility.
 - Thirty-two applications were withdrawn by the businesses.
- One-hundred-one investors received an allocation of tax credits.
 - Sixteen investors were denied tax credits due to ineligibility.
 - Two investors withdrew their applications.
- \$3,033,037 tax credits were issued to date, leaving \$16,966,963 tax credits available for future allocations.
- The combined total investment in the certified businesses by certified investors increased to a cumulative total of \$9,599,188 from the restated prior year total of \$5,272,766.



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)

- Eleven solar energy devices received an eligibility determination.
- Eight eligible devices were installed and became operational in Arizona.
- \$62,094 in tax credits were issued leaving \$937,906 tax credits available for allocation from CY 07.
- The combined capital investment was more than \$2.4 million for the purchase and installation of the eight solar energy devices that received tax credits.
- The installations of the solar energy devices occurred in the following counties:
 - Graham County - 2
 - Maricopa County - 5
 - Pima County - 2
 - Coconino County - 2

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:

- One new company applied for initial certification. Six companies applied for continuing certification as a Healthy Forest Enterprise.
- The certified companies reported employing 253 full-time individuals and paid an average wage of \$13.31 per hour in Arizona.
- The certified companies made a combined capital investment of more than \$34 million.
- Twenty-eight 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: more than \$3,300 was refunded
 - Transaction privilege tax exemptions: more than \$1.3 million was saved
 - Use tax exemption: more than \$580,000 was saved
 - Property tax reduction: more than \$19,000 was saved
 - No new job income tax credits were reported