

ANNUAL  
REPORT  
FY 2009  
www.azcommerce.com



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## New Commerce

To be more credible, efficient and competitive, Commerce introduced a new model and focus at the end of FY 09. Under the new Commerce, there are five divisions instead of seven. Innovation and Global Business Development, Strategic Investment and Research, Community Development, Energy Office and Operations are all aggressively pursuing opportunities to grow and establish Arizona companies in order to put Arizonans back to work.

## 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.

In this effort, 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

Research Administration (RA) develops primary data and analyzes Arizona's economy for citizens, 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](http://www.workforceaz.gov)) and [www.azcommerce.com](http://www.azcommerce.com).

RA develops the monthly unemployment rate and a bi-annual employment forecast. This information has been particularly important and closely watched since the current recession began in December 2007. Figure 1 below shows the unemployment rate trend for the last 20 years. Figure 2 reflects the Arizona Employment forecast through the end of 2010.

Figure 1

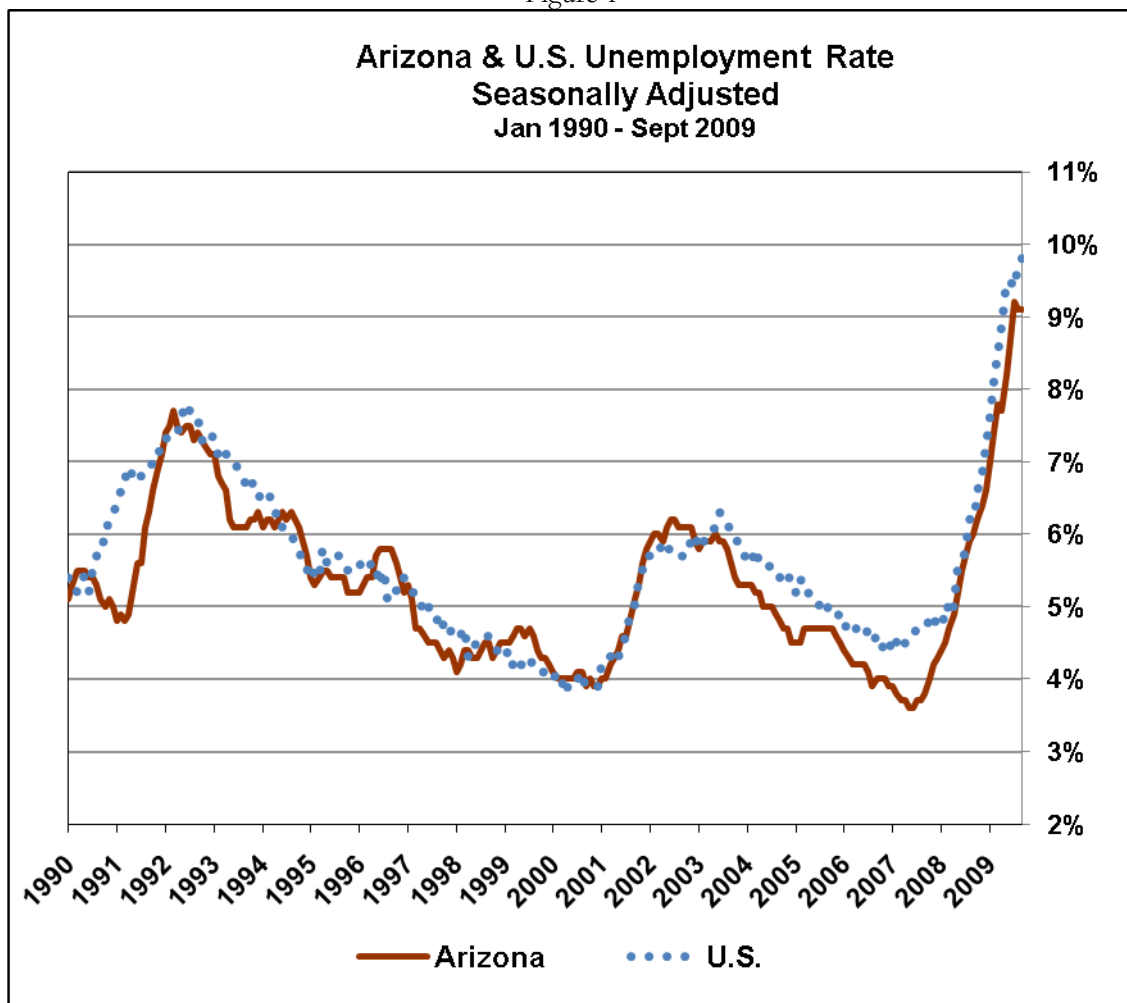


Figure 2

<b>Arizona Sector Employment</b>			
Average Annual Over-the-Year Change			
	<b>2008(a)</b>	<b>2009(b)</b>	<b>2010(b)</b>
<b>Total Non Farm</b>	<b>-2.1%</b>	<b>-6.8%</b>	<b>-0.7%</b>
Manufacturing	-4.0%	-6.4%	-2.5%
Natural Resources/Mining	17.4%	-15.4%	-3.2%
Construction	-16.5%	-26.6%	-8.4%
Trade, Trans. & Utilities	-2.4%	-7.6%	0.3%
Information	-0.9%	-6.8%	-4.1%
Financial Activities	-4.2%	-4.4%	-1.0%
Professional & Business Services	-4.4%	-11.1%	0.0%
Educational & Health Services	4.6%	0.2%	1.8%
Leisure & Hospitality	-1.5%	-4.7%	-0.8%
Other Services	1.1%	-6.0%	-1.0%
Government	3.0%	-1.1%	-0.6%
a) Historical			
b) Forecast			

### 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. 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.

Due to appropriations from the Fund and funding sweeps associated with the State budget deficit, the CEDC did not make any awards in FY 09. The sweep of the funding for Science Foundation Arizona’s contract resulted in legal action that remained unresolved at the end of the fiscal year.

## Business Attraction

Commerce’s Business Attraction efforts promote Arizona as a premier location for business expansion and location. Commerce markets Arizona globally, promotes inward investment, and provides resource assistance to grow companies. We are predominantly 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, and the growing market in video gaming – all with a focus on improving the operating climate for Arizona’s thriving entertainment industry.

The Business Attraction Office is the only entity in Arizona promoting economic development for the entire state. 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. The Business Attraction Group strives to support a globally competitive Arizona by attracting new and expanding businesses that will create quality, high-wage jobs in Arizona.

## Business Attraction Accomplishments

The global recession is impacting business recruitment efforts worldwide; however, we were still able to successfully complete 24 projects in FY 09 – although short of the 39 projects recorded in FY 08.

FY 09 efforts produced a total of 2,649 high-wage jobs with average salaries of \$47,040.. Virtually all of the jobs provide employees with full or partially employer paid health insurance. In addition, the new capital investments in the State will add over \$1.3 billion dollars to Arizona’s property tax roles.

As was the case with economic development organizations across the country, decisions on a number of projects that Commerce worked in FY 09 were delayed. Although many of these projects remain as possibilities for FY 10, sustainable improvements in the world economy and bank lending practices need to be in place before corporate location decision will return to normal.

### Business Attraction Performance Measures:

Performance Measures	FY 2009
Total number of companies located / expanded / retained in Arizona:	24
Number of companies located / expanded / retained in rural Arizona:	3
Total capital investment generated (in millions):	\$2,551.75
Projected new jobs created by year three:	2,649
Total payroll (in millions):	\$124.61
Average Annual Salary:	\$47,040
Number of quality leads generated:	287
Number of prospect visits to Arizona:	85

**Business Attraction Location and Expansion Projects:**

Company	Metro / Rural	Industry
3S Swiss Solar Systems *	Metro	Environmental
Albiasa Solar *	Rural	Environmental
Albiasa Solar / Project Matador *	Metro	Environmental
Central Portfolio Control	Metro	Customer Services Center
Commerce Insurance	Metro	Advanced Business Services
EnviroMission USA PHX Sales *	Metro	Environmental
Fatpipe Networks, Inc.	Metro	High-Tech Manufacturing
Frito Lay	Rural	Standard Manufacturing
ISOLA	Metro	High-Tech Manufacturing
McNairin Packaging Inc.	Metro	Standard Manufacturing
MD Helicopters	Metro	Aerospace
Neptune Orient Lines	Metro	Corporate Headquarters
OMCO SOLAR	Metro	Standard Manufacturing
Pro BBQ *	Metro	Distribution
REC Solar	Metro	Environmental
Shutterfly	Metro	Standard Manufacturing
Standard Renewable Energy	Metro	Environmental
Starwood / Lockheed Martin	Rural	Environmental
T Systems	Metro	Advanced Business Services
Techba *	Metro	Advanced Business Services
Tel Tech	Metro	Advanced Business Services
TubeCity IMS - Supply Chain from CMC	Metro	Standard Manufacturing
USA Basketball Association	Metro	Corporate Headquarters
Xarios *	Metro	Advanced Business Services

*\*Indicates foreign direct investment*

**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 (AG)	Atlanta, GA	Biotechnology
CoreNet Global Summit (KT)	Phoenix, AZ	Site Selectors and In House Corp Real Estate Executives Globally
National Business Aircraft Association (RM)	Orlando, FL	Aerospace
AZBio's BIOZONA 2009 (AG)	Phoenix, AZ	Biotechnology



#### **2009 BIO International Convention**

For the eighth straight year, Arizona showcased its growing assets and reputation at the world's largest annual biotechnology convention and exposition, BIO 2009. The Arizona Department of Commerce (ADOC) led the state delegation along with economic-development, non-profit, and industry partners at the Georgia World Congress Center in Atlanta, May 18-21. The event drew more than 14,000 registrants from 48 states and 58 nations.

The international expo offered organizations of all sizes an opportunity to promote their products and services while connecting with the industry's leading researchers, company executives, investors, and others.

#### **CoreNet Global Fall Summit Trade Show & Conference**

CoreNet Global the world's premier association for corporate real estate and related professionals. The Fall Summit permits access to more than 3,000 corporate real estate professionals – many representing Fortune 1,000 companies that manage average portfolios of 29 million square feet. These members manage \$1.2 trillion in real estate and workplace assets.

The Arizona Department of Commerce led the state delegation along with economic development and industry partners at the MGM Grand in Nevada, October 12-14. CoreNet Global Fall summit provided the opportunity to reinforce existing relationships and cultivate new relationships with the decision makers in the corporate real estate arena.

#### **NBAA – National Business Aviation Association**

The 61st annual meeting and convention was attended by over 30,000 people and featured over 5,000 exhibit booths at the Orange County Convention Center in Orlando, Florida. In addition, 139 new business aircraft were on static display at the Orlando Executive Airport representing all the business aircraft manufacturers. This is the largest business aviation trade show in North America and is the preeminent venue for aircraft sales and marketing and related aviation products and commercial aerospace suppliers.

## International Trade and Investment Office

The Arizona Department of Commerce is mandated to promote international business development. Specifically, Commerce assists Arizona's small and medium-sized companies (SME) that are either new to exporting or are expanding to new markets and, 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.

### Commerce International Trade and Investment Office Accomplishments

#### Commerce Trade Efforts:

- Led and partnered to promote Arizona and Arizona firms in 97 trade events, missions and shows
- Provided 130 of counseling Session to Arizona companies
- Assisted 12 foreign government delegations
- Generated 245 trade leads from foreign companies for sales, joint ventures, and more
- Generated 4 Business Development Deals
- Regional ( Arizona-Sonora) marketing efforts at international events

#### Commerce FDI Efforts:

- Generated 2,553 contacts
- Generated 189 qualified leads
- Generated 13 qualified prospects

### State of Arizona Exports

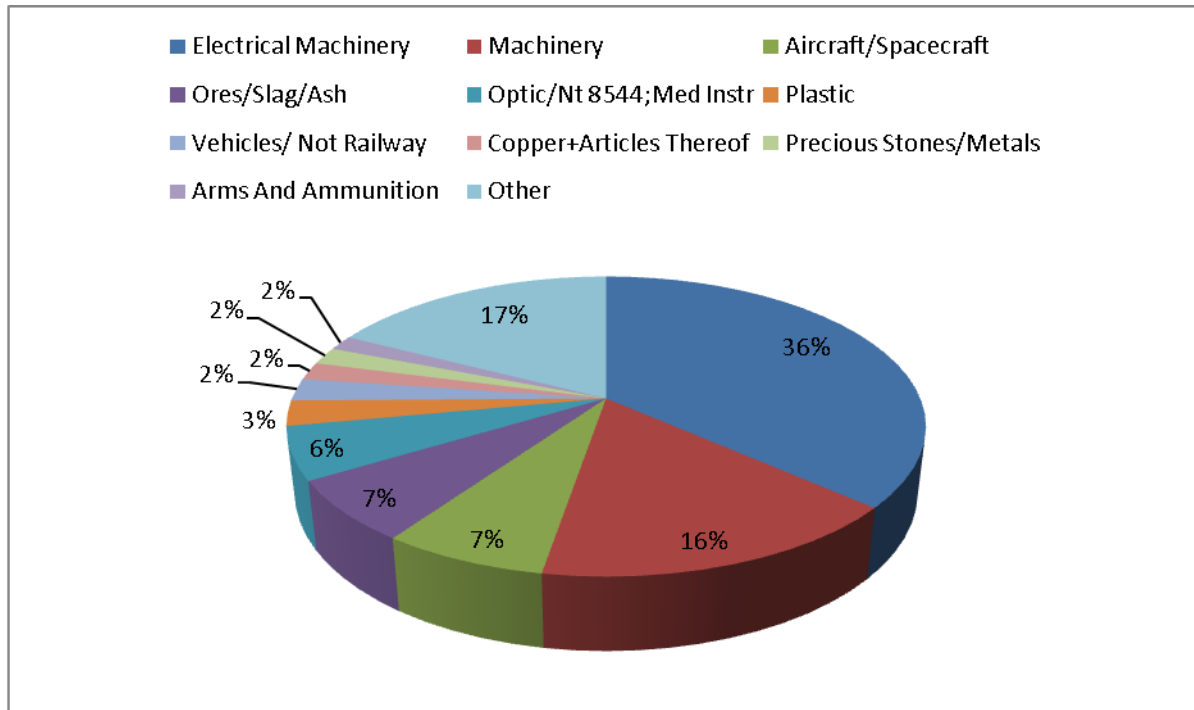
Exports have helped in softening the blow for an otherwise gloomy global economy: in Arizona, 4,732 small and medium-sized companies make up 88% of exporters. Exports for the state of Arizona reached \$19.7 billion in calendar year 2008, with dramatic increases coming from markets including Mexico, Taiwan and France. However, the first quarter figures for 2009 already reflect the global economic downturn and it's a response to a decrease in demand from Asia and certain European markets. When compared to the rest of the nation Arizona ranked 2<sup>nd</sup> in manufactured goods exports vis-à-vis manufacturing output with an export growth factor of **52.1\*** when looking at 2004-2008 export numbers. Of states exporting the highest proportion of their manufactured goods, Arizona ranked 7<sup>th</sup> with a Manufactured Goods Export Intensity of **138%\*** compared to U.S. average.

### Exports plus Investments Add Up to Jobs

The state's leading export category is electrical machinery and machine products. It alone accounted for 52.7% of the total merchandise exports for 2008. Following these were aircraft/spacecraft, Ores, and optics. Small and medium sized firms generated one fifth (20%) of Arizona's total exports of merchandise. Export-supported jobs linked to manufacturing account for an estimated 4.2% of Arizona's total private-sector employment. Almost one quarter of all manufacturing workers in Arizona depend on exports for their jobs. (2006 data are the latest available)

**Top Ten Commodities 2008** (*Exhibit A*)

Arizona's top ten commodities make up 83% of the total exports. Arizona's largest exports were in Electrical Machinery and Machinery.



*Exhibit A:*

\*Source: World Trade Atlas from Global Trade Information Services

**Arizona's Exports 2004-2008** (*Exhibit B*)

Arizona's exports have risen steadily over the past five years.

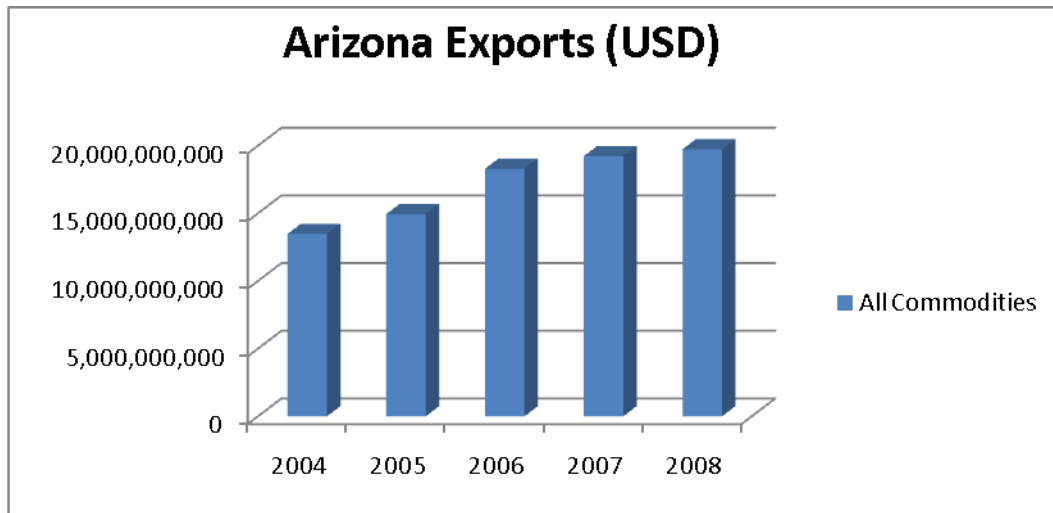


Exhibit B

\*Source: World Trade Atlas from Global Trade Information Services

### Foreign Direct Investment is Growing in Arizona

The latest number circulated by Bureau of Economic Analysis is from 2006, the 2007 numbers will be circulated in August 2009. During this time, Arizona's ranking for foreign direct investment attraction increased to 28<sup>th</sup> in the nation in 2006 (the most recent year of data) compared to 30<sup>th</sup> 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 opportunities opened up in many of the same top 10 export markets in sectors like solar energy, information technology, life sciences, and aerospace. Foreign investment is equally significant in Arizona's workforce. Approximately **71,000** workers in our state are employed by foreign-controlled companies. About one fifth of these jobs (13,000 workers) are in the manufacturing sector.

Top investors by order of investment are:

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

\*Source: Bureau of Economic Analysis 2006

Of the \$12 billion invested in Arizona in 2006, 43%, or \$5.1 billion came from Europe. This is down from 54% in 2000, largely due to an increase from investment from Japan and Australia.

### Additional Highlights

In FY09, 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:

- Farnborough Airshow, July 14-20, 2008, Farnborough, United Kingdom
- Renewable Energy 2008, July 30 – August 1, 2008, Tokyo Japan
- PV Japan 2008, July 30 – August 1, 2008, Japan
- Japan Analytical Instruments Manufacturers Association (JAIMA) Show, September 3-5, 2008, Japan
- GPEC/ADOC Solar Sales Mission, September 15-22, 2008, Germany, Spain, Austria
- Mexico Mission, October 14-17, 2008, Mexico City, Mexico
  - Invest in Arizona Seminar
  - Mexico City Trade Mission
  - Enviro-Pro Power 2008
  - CIHAC 2008- International Building and Housing Exhibition
- Semicon Europa 2008, October 7-9, 2008 Stuttgart, Germany
- Bio Japan, October 15-17, 2009, Yokohama, Japan
- Semicon Japan 2008, December 3-5, 2009 Chiba, Japan
- Invest in Arizona Seminar, December 4, 2008, Hermosillo, Sonora
- Council of American States in Europe (CASE) Invest in America FDI Presentation
  - December 2, 2008, Brussels, Belgium
  - December 3, 2008, Paris, France
  - December 4, 2008, Cambridge, United Kingdom
- Laser & Optics 2009, January 28-30, 2009, Tokyo, Japan
- The GSMA Mollie World Congress 2009, February 16-19, 2009, Barcelona, Spain
- Nano Tech and Nano Bio 2009, February 18-20, 2009, Tokyo, Japan
- BioSquare 2009, March 9-11, 2009, Lyon, France
- Automotive Testing Show, March 12-14, 2009, Tokyo, Japan
- Latin America Aerospace & Defense, April 14-17, 2009, Rio de Janeiro, Brazil
- Investing in the Grand Canyon State, May 14, 2009, Toronto, Canada
- Investing in the Global Arizona, May 20, 2009, Montreal, Canada
- Photonics North 2009, May 24-27, 2009, Quebec City, Canada
- Toronto Council of American States in Canada (CASC), June 2, 2009, Toronto, Canada
- Montreal Council of American States in Canada (CASC), June 4, 2009, Montreal, Canada
- Paris Airshow, June 15-21, 2009, Paris, France
- PV Expo, June 24-26, 2009, Tokyo, Japan

## 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 fourth 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 53 applications (37 motion picture/television, 10 infrastructure, and 6 commercial advertisements) for calendar year 2009. Of the 53 total applications, 23 are currently active and preapproved. The remaining 30 applications are denied, withdrawn, or voluntarily relinquished due to an inability to maintain eligibility of the program guidelines or to begin production timely (i.e. \$250,000 or 10% of total Arizona budget is to be spent in-state within 90 days of preapproval).

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:

### *Maneater*

A television drama shot primarily in Metro Phoenix, is a fictional story of an enterprising young woman navigates the professional waters of Beverly Hills in order to land the hottest producer in town, fully unaware that she is about to get in way over her head.

### *Piranha 3-D*

A feature film shot primarily in Lake Havasu, A tremor under the surface of Lake Victoria unleashes scores of prehistoric piranhas, an event which rallies the local sheriff (Shue) who will risk everything to save her townsfolk

### *Away We Go*

Filmed in part in the cities of Tucson and Phoenix, Mid-thirtysomethings Burt Farlander and Verona De Tessant are a loving couple. Burt has always wanted to marry Verona, but Verona resists, not seeing the point of the institution. Regardless, they are having a baby together, despite questioning their potential parenting abilities. They are happy that they made the decision to move close to Burt's parents, Jerry and Gloria Farlander, as they want to share the experience with the baby's grandparents. Verona's own parents died over ten years earlier, a situation about which she doesn't like to discuss. In Verona's sixth month, she and Burt learn that Jerry and Gloria are moving to Antwerpen, Belgium the month before the baby is due, just because it's something they've always wanted to do. Burt and Verona don't understand what they see as Jerry and Gloria's selfishness in putting this move above spending time with their impending granddaughter. Being mobile people, Burt and Verona decide to move. As they want to share their new family experience with people that they love, they decide to take a trans-continental trip to meet with old friends and relatives. Most of them are married with children of their own, and Burt and Verona want to see where they would like to live and with whom they want to share the experience

### *The Graves*

Shot primarily in Wickenburg, AZ, "The Graves" was produced, written, and funded completely by Local filmmakers. Megan and Abby Graves are inseparable sisters that couldn't be less alike. Megan just graduated ASU with a marketing degree. She's a self-assured, naturally attractive rock chick with

a black belt that she likes to use. Abby just barely graduated high school. She's a cute, Hot Topic Goth who's caustic and afraid of her own shadow. They share one thing: a life-long obsession with comics and pop culture. Simply put, they are beautiful geeks. In a few days, Megan will start a new job at in New York. To send her off in style, the sisters go on a wild, pop culture bender that includes a trip to uncharted Arizona in search of a kitschy roadside attraction. Instead, Megan and Abby happen on Skull City Mine, a weather-beaten, abandoned mine town converted into a self-guided tour. But Skull City harbors terrible, vexing secrets. It appears to be haunted

**Additional highlights:**

- Commercial production in Arizona is still very active with *Dodge*, *Toyota*, *Mazda*, *HoneyBaked Ham*, and others shooting in Arizona.
- Other feature films shot in Arizona included *Transformers: Revenge of the Fallen*, *Middle Men*, and *The Last Man*.
- Some television programs that filmed in Arizona include: *Diners, Dive and Drive-Ins; Bull Run; and Psychic Kids*
- Still photography shoots were also prevalent in Arizona including *Dillard's*, *Insight*, *Dick's Sporting Goods*, *Smithsonian*, *Phoenix Zoo*, *Toyota* and many others.

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

- Received over 497 qualified leads.
- And generated 28,513 website views.

**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 2008)

- Commerce pre-approved \$34.2 million tax credits for the Motion Picture program during CY 08.
- Forty-six companies submitted a total of 92 applications.
  - Seventy applications received pre-approval.
  - Five applications were denied because they didn't meet the content restrictions or other statutory requirements.
  - Sixteen applications were withdrawn by the applicants.
  - Tax credits were voluntarily relinquished for forty-five applications.
  - Two applications were rescinded by Commerce

The pre-approved companies reported having budgets totaling more than \$252 million. A portion of the money (\$91 million (36%)) of the total budgets for the productions is slated to be spent in Arizona.

Post-Approvals: (January – December 2008)

- Six companies received post-approval for a total of 2,459 productions.
- Commerce post-approved \$7.8M tax credits for the Motion Picture program during CY 08.
- Commerce post-approved \$831,067 in Transaction Privilege Tax (TPT) and Use tax exemptions for the Motion Picture program during CY 08

The post-approved companies reported having budgets totaling more than \$119 million. A portion of the money (\$44.9 million (38%)) of the total budgets for the productions was spent in Arizona.

## 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 provides administrative support to the Governor's Council on Workforce Policy (Council). In an effort to align the workforce system with business, the Council annually awards 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 Workforce Program to businesses.

Arizona Workforce Connection is a statewide workforce system of 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](http://www.azcommerce.com).

#### **Governor's Council on Aging**

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](http://www.azmatureworkers.com) website.

Arizona is a leader in the area of aging and the *Mature Worker Friendly Employer Certification* is an example. This certification is issued by Commerce in conjunction with the Governor's Office and Jobing.com; it is the first of its kind in the nation. Announcements of the awardees are made every year at the Governor's Conference on Aging. 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](http://www.azmatureworkers.com), free advertising via listing on the Mature Workers website, and receive special rates at Mature Worker Job Fairs.

## ARIZONA INFORMATION TECHNOLOGY SKILLS TRAINING INITIATIVE

A grant through the US Department of Labor, awarded to Commerce and administered by the Workforce Policy Area, 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*.



## 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 in partnership with the Governors Information Technology Agency (GITA) is working throughout the State with communities to help bring this utility on line.

Some of the areas Commerce has assisted in bring broadband awareness to include: Superior, Eloy, Dudleyville, Hayden/Winkelman, Globe/Miami/Claypool, San\_Carlos\_Apache\_Tribe, Nogales, La Paz County, Show\_Low/Pinetop-Lakeside/Snowflake, Prescott, Sedona/Cottonwood/Cornville/Verde Village/Clarkdale/Jerome, Maricopa City, City of El Mirage

### 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 currently has 115 registered apprenticeship programs with 4,263 active apprentices. Since July 1, 2008, 3,043 new apprentices have been registered; 560 apprentices, with an average hourly wage of \$21.49, have completed their program and been issued a certificate of completion. During fiscal year 2009, three new programs were registered:

Company Name	Date	Location	Occupation
Arizona Builders’ Alliance	9/22/08	Tucson	Electrician, Plumber, HVAC
Desert Road Builders, Inc.	7/29/08	Yuma	Asphalt Paving Machine Operator
Diversified Structures, Inc.	7/4/08	Chandler	Carpenter

### 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 2009, a single employer could receive up to \$1,500,000, 10% of the estimated annual fund amount.

The Department of Commerce has not awarded any Arizona Job Training program grants since January 23, 2009. Pursuant to Arizona Administrative Code R20-1-205, the Department cannot award a grant to an employer that meets the eligibility criteria unless sufficient funds are available. Laws 2008, Second Regular Session, Chapter 285 transferred \$10,304,000 and Laws 2009, First Special Session, Chapter 1 transferred



\$22,217,200 from the Job Training Fund to the state general fund to help offset the State's FY2009 budget shortfall. Laws 2009, First Regular Session, Chapter 12 transfers an additional \$20,210,000 to the state general fund to help offset the State's FY2010 budget shortfall. As a result Commerce is currently not accepting grant applications and has returned 40 (eight net new and 32 incumbent) applications due to the lack of available funding.

**Fund Status**

As of June 30, 2009:

Revenue (Wire Transfers):	\$14,878,923
Interest Earned on Invested Funds:	\$897,808
Department of Economic Security Contract Payments:	\$1,691,249
Department of Commerce Operating Costs:	\$320,469
Contract Commitments (109 open grants):	\$23,201,135
Transfer to General Fund:	\$32,521,200

**Grants Awarded:**

- Forty-one new grants awarded
  - Ten rural businesses
  - Twelve small businesses employing fewer than 100 employees (two of these businesses are also included in the ten rural businesses)
  - Twenty-one large/urban businesses

Total \$'s awarded:	\$5,453,908
Total \$'s business match	\$4,251,334
Businesses with fewer than 100 employees	\$486,623 (9%)
Rural businesses	\$1,476,222 (27%)
Total # forecast to go through training:	6,930
Net New:	\$2,083,252
Total net new forecast:	1,799
Incumbent:	\$3,370,656
Total incumbent forecast:	5,131
Overall forecast average wage:	\$46,108
Net New forecast average wage:	\$39,867
Incumbent forecast average wage:	\$48,297

### NURSING EDUCATION DEMONSTRATION PROJECT

The program is entering its fifth year. Laws 2009, First Regular Session, Chapter 92 extends the program to June 30, 2015; however, no additional funds were appropriated. The grants are awarded through an RFP process and are awarded for one year and renewable for two one-year periods. Three rounds of grants have been awarded; two are completed.

<b>Nursing Grants (RFGA #G058-05)</b>			
<b>Grantee - Round 1</b>	<b>Year One '05-'06</b>	<b>Year Two '06-'07</b>	<b>Year Three '07-'08</b>
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
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
<b>Total</b>	<b>\$ 1,030,933.25</b>	<b>\$ 1,692,838.25</b>	<b>\$ 1,335,102.00</b>

<b>Nursing Grants (RFGA #G025-06)</b>			
<b>Grantee - Round 2</b>	<b>Year One '06-'07</b>	<b>Year Two '07-'08</b>	<b>Year Three '08-'09</b>
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
<b>Total</b>	<b>\$ 1,119,951.62</b>	<b>\$ 1,888,896.58</b>	<b>\$ 1,713,418.57</b>

<b>Nursing Grants (RFGA #G034-07)</b>			
<b>Grantees - Round 3</b>	<b>Year One '07-08</b>	<b>Year Two '08-09</b>	<b>Year Three '09-10</b>
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
<b>Total</b>	<b>\$ 261,341.00</b>	<b>\$ 1,326,019.19</b>	<b>\$ 1,456,737.28</b>

**Total Grants Awarded = \$11,825,238**

**Total Estimated Funds Available for five years = \$13,093,500**

## 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 2009, The Department of Commerce has not awarded any grants. The Department cannot award a grant unless sufficient funds are available. During Special Session in FY09 funds were transferred to the state general fund to help offset the State's FY2009 budget shortfall. As a result Commerce is currently not accepting grant applications due to the lack of available funding.

## 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 2009, The Department of Commerce has not awarded any grants. The Department cannot award a grant unless sufficient funds are available. During Special Session in FY09 funds were transferred to the state general fund to help offset the State's FY2009 budget shortfall. As a result Commerce is currently not accepting grant applications due to the lack of available funding

## 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, in concert with the [Governor's Council on Small Business](#) (GCSB) develops and implements recommendations addressing fundamental issues of concern to small businesses statewide.

For FY2009, SBS responded to more than 25,000 inquiries from small businesses through online, e-mail, phone and walk-in requests.

## SMALL BUSINESS ASSISTANCE

The “Step-by-Step Checklist” online program provides individuals 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 and is free of charge. From the customized checklist, an individual 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 they wish to contact an agency or organization directly.

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## 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 FY09

- Forty-eight businesses applied for certification.
  - Twenty-four applicants were certified as small businesses.
  - Seventeen applicants were certified as bioscience enterprises.
  - Four applicants were certified as rural companies.
  - Two applicants were certified as both rural and bioscience enterprises.
  - Four applications were denied certification due to ineligibility.
  - One application was withdrawn by the businesses.
- Ninety investors received an allocation of tax credits.
  - Two investors were denied tax credits due to ineligibility.
  - No investors withdrew their applications.
- \$5,246,702 tax credits were issued to date, leaving \$14,753,298 tax credits available for future allocations.
- The combined total investment in the certified businesses by certified investors increased to a cumulative total of \$15,993,008 from the restated prior total of \$11,122,170.

## 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: 4,631 new jobs were created.
- Tax credits companies reported: 7,304 continuing jobs.
- Property reclassification manufacturers and commercial printers reported: 4,900 jobs were supported.
- Capital investment: Tax credit companies, property reclassification manufacturers and commercial printers made over \$1.322 billion dollars in capital investment.
- Total new job tax credits: \$10,979,284 tax credits were reported.
- Total number of enterprise zone companies:
  - Companies reporting tax credits: 197
  - Since the inception of the property reclassification program, 158 manufacturers and commercial printers have been certified for the benefit; 93 are active at this time with 25 newly certified in FY09.
- Enterprise Zone Designations: 14 zones received new or continuing designation during FY09; including Bullhead City, City of Chandler, City of Flagstaff, City of Phoenix, City of Tempe, Cochise County, Coconino County, Mohave County, Pinal County (zone 1 & 2), Prescott - Yavapai County, Tucson - Pima County, Western Maricopa, Yavapai County – Chino Valley – Prescott Valley. The total number of active zones is 19.

### FY2009 EZ Certifications

- A total of 197 companies reported \$10,979,284 in tax credits at 355 business locations. With a combined investment of more than \$979 million, these companies created 4,631 new jobs with an average wage of \$20.17 per hour for the State of Arizona. These companies also reported 4,515 continuing second year jobs and 2,789 continuing third year jobs for which credits were reported.
- There are 93 active manufacturers and commercial printers in the program; twenty-five of these businesses were newly certified in FY09. With a combined investment this year of over \$343 million dollars, these companies employed over 4,900 Arizonans with an average wage of \$16.51 per hour. The active companies include 77 manufactures and 16 commercial printers. Of these businesses two are woman-owned, three are minority-owned and the remaining 88 are small businesses with less than 100 full time employees at the zone location

## 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.

### 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 over 200 building industry, communities and affordable housing organizations.
- The Southwest Building Science Training Center (SBS<sup>2</sup>TC), 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, over 150 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 FY09 program year: \$200,000
- Present value of savings for FY09 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: 913** 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:**
  - **American Recovery and Reinvestment Act (ARRA) Weatherization funding (3 year program):** \$57,023,278
  - **FY09 Federal funding** - \$1,128,755 from the Department of Energy and \$3,897,110 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.
  - The Energy Office provided three tribal communities with a total of 150 donated PV modules through the Arizona State University-Photovoltaic Testing Laboratory. In addition with the distribution of photovoltaic module, the Energy Office conducted a total of ten solar electric workshops on sizing an off-grid solar electric system. The tribal entities and members are the Hopi Clean Air partnership Program, Navajo Indigenous Communities Enterprise, Navajo Shonto and Tohono O’odham Chuk Kut District. A total of 16 off-grid photovoltaic systems were commissioned for both Navajo and Hopi tribal members.
  - The Energy Office coordinated a one week photovoltaic hands on training on the Hopi Reservation. In attendance were members from the Hopi Tribe, Navajo Tribal Utility Authority, Laguna Tribal Utility Authority, and Sandia National Labs summer interns. The training concluded with an installation of a 1kW PV system on a Hopi Tribal member.
- **Education Outreach**
  - The Energy Office coordinated two one day Energy Efficiency and Conservation Block Grant workshop for tribes; one in Flagstaff and the other in Tucson.
  - The Energy Office coordinated tribal leaders to visit Arizona Solar Generating Facilities at Northern Arizona University, Tucson Electric Power – Springerville Solar Generating, Arizona Public Service – Concentrated Solar Power facility in Red Rock.
  - The Department of Labor invited the Energy Office to participate at the Registered Apprenticeship Conference and present on “green” technology and jobs. The conferences were held in San Francisco, California.
  - The Maricopa (County) Workforce Connection invited the Energy Office to speak on a panel on Energy Office’s role in providing technical assistance to Arizona Workforce Connection at the Arizona Workforce Apprenticeship Keys to Employment Clinic in Phoenix, AZ.
  - The Energy Office provided a workshop on energy efficiency and solar electricity at the Native American Employment and Training conference in Sacramento, California.
  - The Energy Office was invited to speak at the National Museum of the American Indian Mother Earth: Confronting the Challenge of Climate Change, Washington, D.C.
  - The Energy Office was invited to present at the following events on energy efficiency, renewable energy and or green jobs: Arizona Indian Town Hall, Arizona Indian Nations & Legislative Days (Booth), Arizona Green Energy Forum, Renewable Energy in Indian Country (Northern Arizona University), Arizona Tribal Energy Association, Renewable Energy Projects in Indian Country, Arizona State University Women in Education Forum, Mohave County Board of Supervisors, National Congress of American Indian Conference (Booth), Coconino Community College Earth Day, and Tucson Solar Potluck.

## 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 (SFB) to conduct the final inspections on the energy saving and water saving projects installed between May 2008 and June 2009.
    - Energy Office staff joined SFB staff in visiting 17 schools districts to review over 30 projects.
    - Two million dollars in state funds were provided, along with \$1.5 million in district monies or utility rebates.
    - Annual energy savings are estimated at more than \$500,000.
- The Energy Office was one of 7 states selected by the National Governor's Association to participate in their Advanced Building Energy Strategies Policy Academy. As a result of the academy, the Energy Office was able to provide information to the Department of Administration and the School Facilities Board that helped them adopt energy savings performance contracting (ESPC) as their method to achieve significant energy savings in the buildings they oversee. Energy Office Staff arranged four days of comprehensive training on ESPC that is being used to leverage \$30 million in stimulus funds into over \$80 million in energy projects.

## 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 (July 2008 – June 2009)

- Forty seven solar energy devices received an eligibility determination.
- Forty two eligible devices were installed and became operational in Arizona.
- \$500,428 in tax credits were issued leaving \$1,499,572 in tax credits available.
- The combined capital investment was more than \$8 million for the purchase and installation of the forty solar energy devices that received tax credits.
- The installations of the solar energy devices occurred in the following counties:
  - Graham County -5,
  - Maricopa County - 36,
  - Pima County- 4,
  - Cochise County-2

### U.S. DEPARTMENT OF ENERGY (USDOE) GRANTS

Commerce has received 4 direct grants over the last year for energy efficient and renewable energy projects.

- **State Energy Program (SEP) FY09 funding:** \$337,000
- **SEP American Recovery and Reinvestment Act funding (3 year program):** \$55,447,000
  - Energy Efficiency & Renewable Energy in Schools - \$20 million
  - State Building Energy Performance Contracting - \$10 million
  - 21st Century Energy Grant - \$11.947 million
  - Distributed Energy Leadership - \$10 million
  - Revolving Energy Loan - \$2 million
  - Agricultural Renewable Energy Conversion Incentive - \$1.5 million
- **Energy Performance Contracting Documentary:** \$50,000
- **Utility-Scale Clean Energy Capacity - Arizona Home Performance Program:** \$500,000
- Objectives of the funding opportunities are:
  - Increase energy efficiency to reduce energy costs and consumption for consumers, businesses and government.
  - Reduce reliance on imported energy
  - Improve the reliability of electricity and fuel supply and the delivery of energy services.
  - Reduce the impact of energy production and use on the environment.
  - Preserve and create jobs.
  - 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.

#### FY 2009 Grants (USDOE)

**Total grants awarded: \$56,473,000**

**Return on investment: Anticipated leveraged funds \$102,517,491 in local community match funding. (Includes \$102,300,000 anticipated leveraged funds for ARRA SEP three year program.)**

Applications were submitted to U.S. DOE for the following American Recovery and Reinvestment Grants which were awarded in August and September 2009. These are three year programs.

#### **Energy Efficiency and Conservation Block Grant Program (EECBG) - \$9,593,500**

The purpose of the EECBG program is to help local governments reduce greenhouse gases and promote energy efficiency in their jurisdictions. Funds can be used community wide, not only for government owned facilities and infrastructure.

#### **Energy Assurance Grant - \$796,410**

The purpose of the Energy Assurance Grant is to improve the state's energy emergency preparedness plans and ensure quick recovery and restoration from any energy supply disruptions.

#### **Energy Appliance Efficiency Program - \$6,236,718**

The purpose of the Appliance Efficiency Program is to establish a State rebate program for residential Energy Star appliance products.

## 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 assists communities with meeting state-mandated Growing Smarter planning requirements and is also home to the \$4.8 million Military Installation Fund, through which successful land acquisition or related jurisdictional projects receive funding the Arizona Military Regional Compatibility Project, and the Arizona Smart Growth Scorecard. 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 the Smart Growth Interagency Committee, a fifteen - agency outreach and technical assistance partnership to help Arizona communities with their growth challenges and assist them in developing smart growth tools; facilitating local and regional smart growth workshops; and establishing a clearinghouse for planning templates and best practices related to smart growth tools and resources. The Office is also leading implementation of the Arizona Smart Growth Scorecard, a self-assessment tool that, through incentives, technical assistance and outreach, assists communities to responsibly plan and manage growth. The Scorecard is available through an interactive, online application, so communities, counties, and Tribal governments can complete Scorecards electronically and the results are readily available. Scorecards are being used by state agencies to make decisions on state discretionary grants, loans and technical assistance programs. The Scorecard online application was launched January 3<sup>rd</sup> and after just six months, over 70% of the communities and counties were in some stage of completion.

### Education and Training Accomplishments

- In conjunction with the League of Arizona Cities and Towns and members of the Smart Growth Interagency Committee from the Departments of Housing, Economic Security and Transportation facilitated a Scorecard Informational Session for over 60 stakeholders from cities, towns, counties, and various entities. The session provided detailed Scorecard information as well as opportunities for participants to ask questions about the submittal process and how discretionary state programs are incorporated into the program. Also provided a live demonstration of the online Scorecard submittal process.
- Information on smart growth and the Scorecard was presented at twelve Real Estate Education seminars statewide with the Arizona Department of Real Estate from August thru October 2008.
- The Office of Smart Growth, the Urban Land Institute, and Pinal Partnership assisted the Sonoran Institute in their Community Design Academy to provide planning education and assistance to community leaders and public officials in Pinal County. The Academy took place between March and May 2009.
- In partnership with the Commerce Community Energy Program and Rural Development Office, presented to Project CENTRL on the elements of smart growth in relation to economic development and business attraction with a brief introduction to the Smart Growth Scorecard. Facilitated a comprehensive education and training workshop for the Town of El Mirage Planning & Zoning Commission. Specific workshop topics included planning nuts & bolts, public participation and public hearings and the role of public officials.
- Participated in the ULI Arizona Realty Check Revisited. This follow-up hands-on workshop focused on what was learned at the Arizona Realty Check in May 2008 and again had participants use a LEGO® exercise to analyze future growth scenarios for the next 6 million people moving to the Maricopa / northern Pinal region. Facilitated a training workshop for the Town of Jerome Planning & Zoning Commission, City Council and Board of Adjustment.
- 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).

### 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.

### 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 (pre- appraised value) of \$4,146,300.00. One Jurisdictional Project was approved for Huachuca City for \$528,780.00.

During FY 2009, Huachuca City's project was completed and came in under budget at \$397,266; the purchase of four of the six properties/property rights was completed, and the fund was swept by the Legislature of \$5,066,200 due to State budgetary concerns.



### 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.

In FY 09 the Arizona Main Street program received \$120,000 from the Arizona Lottery - Commerce and Economic Development Commission (CEDC) proceeds and completed the following activities:

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

The following activities were completed:

<b>Main Street Grants- FY 2009</b>		
<u>COMMUNITY</u>	<u>Grant Amount</u>	<u>Scope of Work</u>
Casa Grande	\$10,000.00	“Railroad Depot Condition Assessment ”
Pinetop-Lakeside	\$3,500.00	“Website Upgrade”
Prescott	\$5,000.00	“Shop Local Campaign”
Nogales	\$15,000.00	“Building Condition Assessment for two historic downtown buildings”
Safford	\$15,000.00	“Downtown Public Audio System”
Safford	\$15,000.00	“Building Condition Assessment for historic downtown theater”
Globe	\$4,000.00	“Historic Sign Restoration”
Williams	\$1,200.00	“Downtown Banners”
<b>TOTAL GRANT \$\$</b>	<b>\$73,835.00</b>	

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

Other program highlights:

- Six Arizona Main Street programs met National Main Street Program Accreditation standards and were recognized during the Governor’s Rural Development Conference in September 2008. 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.

<b><i>Main Street Annual Reinvestment Figures FY09</i></b>		
<b><i>(Data is updated annually in Sept)</i></b>		<b><i>Since 1986</i></b>
<i>Building Projects</i>	<i>159</i>	<i>5026</i>
<i>Building Project Dollars</i>	<i>\$35,455,715</i>	<i>\$106,100,443</i>
<i>Property Acquisitions</i>	<i>26</i>	<i>1944</i>
<i>Property Acquisition Dollars</i>	<i>\$18,476,500</i>	<i>\$ 451,510,628</i>
<i>Public Improvements</i>	<i>52</i>	<i>869</i>
<i>Public Improvement Dollars</i>	<i>\$20,815,826</i>	<i>\$1,371,830,149</i>
<i>Net New Business</i>	<i>61</i>	<i>1945</i>
<i>Net New Employees</i>	<i>310</i>	<i>10467</i>
<b><i>Total Reinvestment 2008:</i></b>	<b><i>\$74,748,014</i></b>	<b><i>Total: \$2,347,797,301</i></b>

### RURAL ECONOMIC DEVELOPMENT INITIATIVE PROGRAM (REDI)

The Arizona REDI program provides direct assistance to rural communities in organizing an economic development program or effort, and evaluating community resources. The REDI program provides both technical and matching grant assistance to 44 REDI accredited rural communities in Arizona.

**2009 REDI Program highlights:**

- Conducted visits to 27 REDI Accredited Organizations. Visits included site tours, discussing local economic development priorities, and addressing concerns.
- Held monthly REDI Directors Conference Calls with timely information on economic development issues facing rural Arizona that included: job training, economic development tourism grants, foreign trade, business development, marketing, smart growth and telecommunications.
- Accredited Willcox and Sipolovi Development Corporation as the newest REDI communities to be certified.
- Participated in a Business Retention Survey with Arizona Association for Economic Development (AAED).
- REDI assisted the Towns of Parker, Camp Verde, and Taylor on economic development organization training.
- REDI presented Accreditation Training at the 2008 Governor’s Rural and Regional Development Conference in Carefree.



- The REDI Program leveraged approximate \$1,487,400 for programs and community projects in REDI accredited communities throughout rural Arizona for FY 2009.
- Provided economic development funding to REDI-accredited communities to support a variety of projects to enhance their community, area or region. See below:
  - **The Greater Yuma Economic Development Corporation** was awarded a \$3,791.00 grant for a business attraction satellite imagery project.
  - **Oracle** was awarded \$12,578.00 for a visitor action plan.
  - **The Moenkopi Development Corp.** was awarded a \$15,000.00 grant for highway signage promoting the Hopi Village and Hotel.
  - **The Greater Yuma Economic Development Corporation** was awarded \$8,850.00 for a three-tiered marketing strategy.
  - **The Kingman Airport Authority** was awarded \$5,500.00 for a website redesign and brochure.
  - **Mammoth** was awarded \$14,295 grant for a tourism plan.
  - **The Greater Yuma Economic Development Corporation** was awarded \$15,000.00 for a foreign trade zone marketing plan.
  - **The Town of Pinetop-Lakeside** was awarded \$10,000.00 grant for a business attraction project using aerial photography.
  - **The Town of Prescott Valley** was awarded \$8,850.00 for a GIS website and direct mailers.
  - **The Town of Parker** was awarded \$5,336.00 for a new website design.
  - **The City of Flagstaff** was awarded \$15,000.00 for a local job website.
  - **Central Arizona Regional Economic Development Corp.** was awarded \$6,000.00 for the development of a regional website.

### 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.

*The Planning and Rural Development Office evolved the Asset Inventory (AI) System into an Economic Development Action Plan, which uses the AI information to perform several functions like: Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis, customized worksheets on creating goals and objectives, and task breakdowns. This program is administered and delivered as a result of a Federal Economic Development Administration Grant of \$100,000 for Federal FY 09.*

#### 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, Community Planning, Business Attraction, Film, etc.) to their designated organizations and municipalities. These may include but are not limited to the development of short and long term policies and objectives, 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.

## 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 almost \$418 million in public infrastructure projects, saving communities almost \$17 million.

**GADA FY09 Awards**

**Series 2009A**

**Pinal County**

\$12,795,000		Revenue Bonds
Project:	Miscellaneous Capital Projects	
Estimated Gross Interest and Costs of Issuance Savings in the amount of:		\$399,000

**Mayer Fire District**

\$180,000		G.O. Bonds
Project:	Capital Improvements & Equipment	
Estimated Gross Interest and Costs of Issuance Savings in the amount of:		\$142,000

**San Luis**

\$13,750,000		Revenue Bonds
Project:	Loan Repayments & Capital Improvements	
Estimated Gross Interest and Costs of Issuance Savings in the amount of:		\$4,012,000

**Series 2009B**

**El Mirage**

\$9,800,000		Revenue Bonds
Project:	Transportation & City Parks Improvements	
Estimated Gross Interest and Costs of Issuance Savings in the amount of:		\$303,000

**Sahuarita**

\$6,750,000		Revenue Bonds
Project:	Transportation Improvements	
Estimated Gross Interest and Costs of Issuance Savings in the amount of		\$532,000

Total for all GADA loans (FY 98-09):		<b>\$417,895,000</b>
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Total for FY09 GADA loans:		<b>\$ 43,275,000</b>
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Total estimated gross interest and costs of issuance savings to participants (FY 98-09):		<b>\$ 16,916,461</b>
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## 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

Typically, funding of up to \$500,000 is available for grant allocation twice yearly in January and July. However, the ESP Program did not receive funding in FY09.

## 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