

Director: Gilbert Jimenez

JLBC Analyst: Chris Cranny

	FY 2004 Actual	FY 2005 Estimate	FY 2006 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	82.9	87.9	74.9 ^{1/}
Personal Services	2,039,000	2,222,500	2,256,482
Employee Related Expenditures	560,400	683,200	608,518
Professional and Outside Services	49,400	141,500	141,500
Travel - In State	26,000	28,300	28,300
Travel - Out of State	17,400	32,900	32,900
Other Operating Expenditures	285,000	504,500	528,800
Equipment	24,900	9,700	9,700
OPERATING SUBTOTAL	3,002,100	3,622,600	3,606,200
SPECIAL LINE ITEMS			
International Development			
Arizona Trade Office in Sonora			25,000
International Trade Offices	1,216,600	1,306,400	1,319,300
National Law Center/Free Trade	200,000	200,000	200,000
Business Assistance Center			
Minority and Women Owned Business	89,700	108,000	110,500
Small Business Advocate	100,300	107,200	108,300
Rural Community Assistance			
Economic Development Matching Funds	51,800	104,000	104,000
Main Street	117,700	130,000	130,000
REDI Matching Grants	60,000	45,000	45,000
Rural Economic Development	0	295,400	304,000
National Marketing			
Advertising and Promotion	659,200	659,200	659,200
Motion Picture Development	271,700	296,500	309,300
Strategic Finance			
CEDC Commission	220,400	253,700	257,000
Other			
Apprenticeship Services	131,500	158,700	165,100
Oil Overcharge Administration	114,700	159,500	164,800
Military Airport Planning	0	4,900,000	4,900,000
Ch 330 Higher Education Budget Reconciliation Bill	0	0	2,565,500
AGENCY TOTAL	6,235,700	12,346,200	14,973,200^{2/}
FUND SOURCES			
General Fund	3,185,100	8,864,500	11,450,100
<u>Other Appropriated Funds</u>			
Bond Fund	116,600	122,700	131,100
CEDC Fund	2,598,900	2,945,800	2,970,200 ^{3/}
Oil Overcharge Fund	114,700	159,500	164,800
State Lottery Fund	220,400	253,700	257,000
SUBTOTAL - Other Appropriated Funds	3,050,600	3,481,700	3,523,100
SUBTOTAL - Appropriated Funds	6,235,700	12,346,200	14,973,200
Other Non-Appropriated Funds	7,936,900	33,134,700	33,115,700
Federal Funds	4,555,400	3,591,700	3,569,800
TOTAL - ALL SOURCES	18,728,000	49,072,600	51,658,700

^{1/} Includes 20.0 GF and 9.5 OF FTE Positions funded from Special Line Items in FY 2006.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{3/} Of the \$2,970,200 appropriated from the CEDC Fund, \$250,000 shall be utilized for implementation of cross-industry business/infrastructure development projects and related project coordination in support of regional technology councils and high technology clusters operating in Arizona. (General Appropriation Act footnote, as adjusted for statewide allocations)

AGENCY DESCRIPTION — The department promotes economic, community, and workforce development. The department's duties include: economic research and information; support statewide for business expansion and attraction; international trade offices; workforce development and job training; online assistance for new business start-ups; community planning and rural assistance for infrastructure development; film and television production promotion.

PERFORMANCE MEASURES	FY 2003 Actual	FY 2004 Actual	FY 2006 Approved
• Number of workers trained	20,650	21,535	22,000
• % of Job Training Fund monies distributed to small businesses	--	--	25
• Customer satisfaction rating for business development program (Percentage rating services as good or excellent)	--	85	88

Operating Budget

The budget provides \$3,606,200 for the operating budget in FY 2006. This amount consists of:

	FY 2006
General Fund	\$2,853,700
Commerce and Economic Development Commission (CEDC) Fund	621,400
Bond Fund	131,100

The approved amount includes an increase of \$85,300 in FY 2006 for statewide adjustments. This amount consists of:

General Fund	\$81,100
CEDC Fund	(4,200)
Bond Fund	8,400

(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)

Vacant FTE Position Reduction

The approved amount includes a decrease of \$(101,700) and (13) FTE Positions from the General Fund in FY 2006 for the elimination of vacant FTE Positions. By reducing the number of vacant FTE Positions, the budget reduced the amount of money appropriated for health, dental, and life insurance. These monies are passed through directly to the Arizona Department of Administration for statewide insurance costs and will not affect the amount of monies the agency has for other purposes. All other funding for these vacant positions had been previously eliminated.

Special Line Items

International Development

Arizona Trade Office in Sonora

The budget provides \$25,000 from the CEDC Fund for the Arizona Trade Office in Sonora in FY 2006. This is a new Special Line Item for FY 2006. This office is run by the Arizona-Mexico Commission. The Arizona Trade Office

in Sonora assists Arizona companies in the search of trade opportunities in Mexico, as well as to ensure that their venture into Mexico is effective. The office provides information and support activities that promote the interest of both states. An emphasis is placed on positioning both states to derive the maximum advantage from any free trade or other agreement between the 2 countries. The office also promotes the tourism destinations of Arizona and its state universities.

International Trade Offices

The budget provides \$1,319,300 and 6 FTE Positions for International Trade Offices in FY 2006. This amount consists of \$352,500 from the General Fund and \$966,800 from the CEDC Fund. The approved amount includes an increase of \$12,900 from the General Fund in FY 2006 for statewide adjustments. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

Monies are used to establish business incentives and assistance procedures to retain, expand, or locate businesses and other qualified projects in the state. The program supports international trade offices in Taiwan, Mexico, Europe, and Japan, which assist Arizona businesses in exporting their products.

National Law Center/Free Trade

The budget provides \$200,000 from the CEDC Fund for the National Law Center in FY 2006. This amount is unchanged from FY 2005.

The National Law Center for Inter-American Free Trade is a research and educational center which seeks to identify and eliminate mechanical and structural obstacles to the free movement of goods and services among Mexico, Canada, and the United States. Funding is used to match private monies for additional research projects, in addition to defraying overhead and administrative costs.

Business Assistance Center

Minority and Women Owned Business

The budget provides \$110,500 and 2 FTE Positions from the CEDC Fund for Minority and Women Owned Business in FY 2006. The approved amount includes an increase of \$2,500 from the CEDC Fund in FY 2006 for statewide adjustments. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

Monies are used to promote the economic development of minority and women-owned business enterprises.

Small Business Advocate

The budget provides \$108,300 and 2 FTE Positions from the CEDC Fund for Small Business Advocate in FY 2006. The approved amount includes an increase of \$1,100 from the CEDC Fund in FY 2006 for statewide adjustments. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

Monies are used to promote the creation and growth of small Arizona businesses. The office also acts as an advocate for small business interests.

Rural Community Assistance

Economic Development Matching Funds

The budget provides \$104,000 from the CEDC Fund for Economic Development Matching Funds in FY 2006. This amount is unchanged from FY 2005.

Monies are used to support community growth management efforts, including the development of general and comprehensive land use plans.

Main Street

The budget provides \$130,000 from the CEDC Fund for Main Street in FY 2006. This amount is unchanged from FY 2005.

This line item provides funding for the historical preservation or refurbishment of downtown areas, or "main streets," in selected rural Arizona communities. The goal of the Main Street program is to attract new businesses, jobs, and private investment to rural towns by improving the physical appearance of their downtown areas.

REDI Matching Grants

The budget provides \$45,000 from the CEDC Fund for REDI Matching Grants in FY 2006. This amount is unchanged from FY 2005.

The Rural Economic Development Initiative (REDI) program offers special community project grants for technical assistance in implementing economic development programs for rural communities.

Rural Economic Development

The budget provides \$304,000 and 4 FTE Positions from the General Fund for Rural Economic Development in FY 2006. The approved amount includes an increase of \$8,600 from the General Fund in FY 2006 for statewide adjustments. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

This line item supplements \$473,100 in the agency's operating budget for rural programs. Monies are used to assist rural Arizona communities in accessing financing mechanisms and technical assistance to better address community infrastructure needs.

National Marketing

Advertising and Promotion

The budget provides \$659,200 from the CEDC Fund for Advertising and Promotion in FY 2006. This amount is unchanged from FY 2005.

Monies are used for advertising and promoting the department's various programs through magazine ads, direct mail, and special events.

Motion Picture Development

The budget provides \$309,300 and 6 FTE Positions from the General Fund for Motion Picture Development in FY 2006. The approved amount includes an increase of \$12,800 from the General Fund in FY 2006 for statewide adjustments. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

This funding is used to attract film and television projects to locations in Arizona through advertising and promotional campaigns.

Strategic Finance

CEDC Commission

The budget provides \$257,000 and 3.5 FTE Positions from the State Lottery Fund for the CEDC Commission in FY 2006. The approved amount includes an increase of \$3,300 from the State Lottery Fund in FY 2006 for statewide adjustments. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

These administration expenses are related to the Commerce and Economic Development Commission, which consists of 35 public and private sector members serving at the request of the Governor. The purpose of the commission is to provide oversight for the short-term and long-term economic development initiatives in the statewide economic development strategic plan.

Other

Apprenticeship Services

The budget provides \$165,100 and 3 FTE Positions from the General Fund for Apprenticeship Services in FY 2006. The approved amount includes an increase of \$6,400 from the General Fund in FY 2006 for statewide adjustments. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

Monies are used to promote the implementation of apprenticeship programs.

Oil Overcharge Administration

The budget provides \$164,800 and 2 FTE Positions from the Oil Overcharge Fund for Oil Overcharge Administration in FY 2006. The approved amount includes an increase of \$5,300 from the Oil Overcharge Fund in FY 2006 for statewide adjustments. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

Monies in this line item are used to administer the oil overcharge grant and loan restitution programs.

Military Airport Planning

The budget provides \$4,900,000 and 1 FTE Position from the General Fund for Military Airport Planning in FY 2006.

Laws 2005, Chapter 235 established the non-appropriated Military Installation Fund, to be administered by the Department of Commerce. Chapter 235 appropriated \$5,000,000 annually from the General Fund in FY 2005 and every year thereafter for the purpose of military installation preservation and enhancement projects. Therefore, this funding does not appear in the General Appropriation Act. Of the \$4,900,000 retained by the Department of Commerce:

- \$4,825,000 is allocated to the Military Installation Fund. The Department of Commerce must award 80% of the monies in the fund to acquire private property, real estate, property rights and related infrastructure to preserve, support or enhance a military installation. The remaining 20% is awarded to cities, towns and counties for military installation prevention and enhancement projects.
- \$75,000 and 1 FTE Position is appropriated to the Department of Commerce in order to implement the provisions of the legislation, including administering the Military Installation Fund.

The remaining \$100,000 for Military Airport Planning is appropriated to the Office of the Attorney General to pay for the department's duties under this act, including review of plans and determination of compliance with land use plans.

Ch. 330 Higher Education Budget Reconciliation Bill

The Higher Education Budget Reconciliation Bill (BRB) (Laws 2005, Chapter 330) annually appropriates \$4,000,000 from the General Fund to the Nursing Education Demonstration Project Fund from FY 2006 through FY 2010. The Department of Commerce's share of these funds is currently estimated to be \$2,565,500, which will be distributed to the Community Colleges.

The Higher Education BRB established the Arizona Partnership for Nursing Education Demonstration Project. The purpose of the project is to enhance nursing education programs in Arizona, with the goal of doubling the current number of nursing graduates in the state by FY 2010.

The Higher Education BRB also established the Nursing Education Demonstration Project Fund. Monies in the fund shall be allocated to Arizona public universities and community colleges based on a comparison of the number of nursing students graduating in FY 2005 from those institutions. Monies allocated to the universities shall be administered by the Arizona Board of Regents, while monies allocated to the Community Colleges shall be administered by the Department of Commerce.

Based on available projections of FY 2005 nursing graduates, we estimate that, of the total \$4,000,000 appropriation, \$1,434,500 will be allocated to the universities and \$2,565,500 will be allocated to the community colleges. These amounts may be modified once the actual numbers of FY 2005 nursing graduates is known. *(For more information see Arizona Community Colleges.)*