

Director: Gilbert Jimenez

JLBC Analyst: Chris Cranny

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Approved
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	87.9	74.9	74.9 <sup>1/</sup>
Personal Services	2,115,300	2,295,800	2,374,600
Employee Related Expenditures	608,300	629,300	733,900
Professional and Outside Services	138,400	85,900	85,900
Travel - In State	32,800	29,100	29,100
Travel - Out of State	17,600	15,500	15,500
Other Operating Expenditures	421,000	571,200	573,400
Equipment	42,800	29,400	29,400
<b>OPERATING SUBTOTAL</b>	<b>3,376,200</b>	<b>3,656,200</b>	<b>3,841,800</b>
<b>SPECIAL LINE ITEMS</b>			
<b>International Development</b>			
Arizona Trade Office in Sonora	0	25,000	25,000
International Trade Offices	1,303,800	1,324,200	1,344,800
National Law Center/Free Trade	200,000	200,000	200,000
<b>Business Assistance Center</b>			
Minority and Women Owned Business	94,500	110,500	121,000
Small Business Advocate	103,400	108,300	118,800
<b>Rural Community Assistance</b>			
Economic Development Matching Funds	146,700	104,000	104,000
Main Street	166,100	130,000	130,000
REDI Matching Grants	45,200	45,000	45,000
Rural Economic Development	244,500	308,000	323,900
<b>National Marketing</b>			
Advertising and Promotion	581,200	659,200	659,200
Motion Picture Development	252,800	315,200	337,700
<b>Strategic Finance</b>			
CEDC Commission	263,500	260,500	274,600
<b>Other</b>			
Apprenticeship Services	153,300	168,100	179,200
Oil Overcharge Administration	118,000	166,900	175,600
Military Base Economic Impact Study	0	0	250,000
Military Airport Planning	50,200	4,901,000	4,905,600
Nursing Education	0	2,565,500	2,565,500
<b>AGENCY TOTAL</b>	<b>7,099,400</b>	<b>15,407,600</b>	<b>15,601,700<sup>2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	3,759,600	11,506,400	11,983,700
<u>Other Appropriated Funds</u>			
Bond Fund	98,400	132,600	139,200
CEDC Fund	2,859,900	2,981,200	3,028,600 <sup>3/</sup>
Oil Overcharge Fund	118,000	166,900	175,600
State Lottery Fund	263,500	260,500	274,600
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>3,339,800</b>	<b>3,541,200</b>	<b>3,618,000</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>7,099,400</b>	<b>15,047,600</b>	<b>15,601,700</b>
Other Non-Appropriated Funds	13,322,200	21,368,000	21,368,000
Federal Funds	5,171,300	5,013,800	5,013,800
<b>TOTAL - ALL SOURCES</b>	<b>25,592,900</b>	<b>41,429,400</b>	<b>41,983,500</b>

<sup>1/</sup> Includes 20.0 GF and 9.5 OF FTE Positions funded from Special Line Items in FY 2007.

<sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<sup>3/</sup> Of the \$3,028,600 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.

<b>PERFORMANCE MEASURES</b>	FY 2003	FY 2004	FY 2005	FY 2007
	Actual	Actual	Actual	Approved
<ul style="list-style-type: none"> <li>Number of workers trained Comments: Commerce reimburses private businesses from the Job Training Fund for up to 75% of the costs to train their employees. Training programs can be administered over a period of 2 years.</li> </ul>	20,650	21,535	25,057	25,000
<ul style="list-style-type: none"> <li>% of Job Training Fund monies distributed to small businesses Comments: Statute requires that a minimum of 25% of the monies appropriated to the Job Training Fund shall be used to provide training to small businesses employing fewer than 100 employees. The total amount of Job Training monies distributed was \$15,807,000 in FY 2005.</li> </ul>	--	--	23	25
<ul style="list-style-type: none"> <li>Customer satisfaction rating for business development program (Percentage rating services as good or excellent) Comments: The customer satisfaction survey solicited opinions about the importance of selected variables in the site selection process and the perception of how Arizona fares from clients that Commerce has worked with/for in the past.</li> </ul>	--	85	81	88

**Operating Budget**

The budget provides \$3,841,800 for the operating budget in FY 2007. This amount consists of:

	<b>FY 2007</b>
General Fund	\$3,043,800
Commerce and Economic Development	
Commission (CEDC) Fund	658,800
Bond Fund	139,200

These amounts include an increase of \$185,600 for statewide adjustments. This amount consists of:

General Fund	152,600
CEDC Fund	26,400
Bond Fund	6,600

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

**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 2007. This amount is unchanged from 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 \$1,344,800 and 6 FTE Positions for International Trade Offices in FY 2007. This amount consists of:

General Fund	378,000
CEDC Fund	966,800

The amounts include an increase of \$20,600 from the General Fund for statewide adjustments.

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/Free Trade in FY 2007. This amount is unchanged from FY 2006.

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 \$121,000 and 2 FTE Positions from the CEDC Fund for Minority and Women Owned Business in FY 2007. The amount includes an increase of \$10,500 from the CEDC Fund for statewide adjustments.

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

#### ***Small Business Advocate***

The budget provides \$118,800 and 2 FTE Positions from the CEDC Fund for Small Business Advocate in FY 2007. The amount includes an increase of \$10,500 from the CEDC Fund for statewide adjustments.

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 2007. This amount is unchanged from FY 2006.

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 2007. This amount is unchanged from FY 2006.

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. There were 8 grant recipients in FY 2005: Showlow, Pinetop-Lakeside, Williams, Prescott, Globe, Safford, Apache Junction, and Cottonwood.

#### ***REDI Matching Grants***

The budget provides \$45,000 from the CEDC Fund for REDI Matching Grants in FY 2007. This amount is unchanged from FY 2006.

The Rural Economic Development Initiative (REDI) program offers special community project grants for technical assistance in implementing economic development programs for rural communities. There were 4 grant

recipients in FY 2005: The Greater Flagstaff Economic Development Committee, Lake Havasu Partnership for Economic Development, White Mountain Regional Development, and Prescott Valley.

#### ***Rural Economic Development***

The budget provides \$323,900 and 4 FTE Positions from the General Fund for Rural Economic Development in FY 2007. The amount includes an increase of \$15,900 from the General Fund for statewide adjustments.

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 2007. This amount is unchanged from FY 2006.

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 \$337,700 and 6 FTE Positions from the General Fund for Motion Picture Development in FY 2007. The amount includes an increase of \$22,500 from the General Fund for statewide adjustments.

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 \$274,600 and 3.5 FTE Positions from the State Lottery Fund for the CEDC Commission in FY 2007. The amount includes an increase of \$14,100 from the State Lottery Fund for statewide adjustments.

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 \$179,200 and 3 FTE Positions from the General Fund for Apprenticeship Services in FY 2007. The amount includes an increase of \$11,100 from the General Fund for statewide adjustments.

Monies are used to promote the implementation of apprenticeship programs.

**Oil Overcharge Administration**

The budget provides \$175,600 and 2 FTE Positions from the Oil Overcharge Fund for Oil Overcharge Administration in FY 2007. The amount includes an increase of \$8,700 from the Oil Overcharge Fund for statewide adjustments.

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

**Military Base Economic Impact Study**

The budget provides \$250,000 from the General Fund for a new Military Base Economic Impact Study Special Line Item in FY 2007. These one-time monies will be used to contract with a consultant to estimate the annual economic impact of the state's military bases on the state's economy.

**Military Airport Planning**

The budget provides \$4,905,600 and 1 FTE Position from the General Fund for Military Airport Planning in FY 2007. The amount includes an increase of \$4,600 from the General Fund for statewide adjustments.

Laws 2004, 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. Of the 80%, 20% of this amount may be awarded to cities, towns and counties for land acquisition purposes. The remaining 20% is awarded to cities, towns and counties for military installation prevention and enhancement projects. The department has not yet awarded any of these monies. The Military Installation Fund is exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations.
- \$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.

**Nursing Education**

The budget provides \$2,565,500 from the General Fund for nursing education in FY 2007. This amount is unchanged from FY 2006.

Laws 2005, Chapter 330 established the goal of doubling the state's annual nursing graduates between FY 2005 and FY 2010, while improving the geographic placement, diversity, and efficiency of nurses around the state. The session law directs the state's higher education institutions to use this funding for additional qualified nursing faculty hires and for teaching resources in nursing degree programs, but not for capital expenses.

Chapter 330 advance appropriated a total of \$4,000,000 annually through FY 2010 for the Arizona Nursing Education Demonstration Project (APNEDP). The session law allocated the monies between the Arizona Board of Regents (ABOR) and the Department of Commerce based upon the respective numbers of university and community college nursing graduates in FY 2005.

Chapter 330 also directed ABOR and the Department of Commerce to distribute their shares of the appropriation among the state universities and community colleges, respectively. In FY 2006, ABOR distributed \$812,300 to Arizona State University, \$171,200 to Northern Arizona University, and \$451,000 to University of Arizona.

**Additional Legislation**

**Ch. 334 Arizona 21<sup>st</sup> Century Competitive Initiative Fund**

Laws 2006, Chapter 334 deposits \$35,000,000 from the General Fund into the Arizona 21<sup>st</sup> Century Competitive Initiative Fund in FY 2006. These one-time monies will be used to build and strengthen medical, scientific and engineering research programs and infrastructure with an emphasis in bioscience for the purpose of promoting statewide economic development. The monies will be placed in the Arizona 21<sup>st</sup> Century Competitive Initiative Fund, which will be administered by the Commerce and Economic Development Commission (CEDC). The CEDC shall be required to enter into a memorandum of understanding (MOU) with a nonprofit corporation to use monies in the Arizona 21<sup>st</sup> Century Competitive Initiative Fund. The CEDC shall also be required to submit the MOU entered into with the nonprofit corporation to the Joint Legislative Budget Committee for review prior to expending any state monies and specifies the information that must be in the MOU. Finally, the CEDC shall include an accounting of the Arizona 21<sup>st</sup> Century Competitive Initiative Fund in its quarterly report.