

Department of Commerce

JLBC: Eric Billings
 OSPB: Patrick Makin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	74.9	66.9	65.9
Personal Services	2,308,200	1,052,400	1,052,400
Employee Related Expenditures	812,700	403,900	403,900
Professional and Outside Services	44,600	45,800	45,800
Travel - In State	12,800	36,800	36,800
Travel - Out of State	8,400	57,900	57,900
Other Operating Expenditures	401,600	764,500	764,500
Equipment	31,400	88,600	88,600
OPERATING SUBTOTAL	3,619,700	2,449,900	2,449,900
SPECIAL LINE ITEMS			
International Development			
Arizona Trade Office in Sonora	25,000	25,000	25,000
International Trade Offices	1,120,900	1,670,600	1,670,600
National Law Center/Free Trade	200,000	200,000	200,000
Business Assistance Center			
Minority and Women Owned Business	121,100	129,600	129,600
Small Business Advocate	118,400	127,000	127,000
Rural Community Assistance			
Economic Development Matching Funds	67,900	104,000	104,000
Main Street	114,600	130,000	130,000
REDI Matching Grants	28,600	45,000	45,000
Rural Economic Development	200,000	340,100	340,100
National Marketing			
Advertising and Promotion	266,900	659,200	659,200
Strategic Finance			
CEDC Commission	195,200	197,900	197,900
Other			
Apprenticeship Services	155,900	189,900	189,900
Oil Overcharge Administration	0	185,700	185,700
Military Airport Planning	80,400	2,100,000	2,100,000
Nursing Education	0	2,632,000	0
5th Special Session Reduction	0	(596,600)	(596,600)
AGENCY TOTAL	6,314,600	10,589,300	7,957,300
FUND SOURCES			
General Fund	3,708,300	6,221,000	3,589,000
<u>Other Appropriated Funds</u>			
CEDC Fund	2,229,700	3,769,100	3,769,100
Commerce Development Bond Fund	124,600	145,400	145,400
Oil Overcharge Fund	0	185,700	185,700
State Lottery Fund	252,000	268,100	268,100
SUBTOTAL - Other Appropriated Funds	2,606,300	4,368,300	4,368,300
SUBTOTAL - Appropriated Funds	6,314,600	10,589,300	7,957,300
Other Non-Appropriated Funds	9,063,500	8,323,500	8,323,500
Federal Funds	8,295,400	48,319,800	48,319,800
TOTAL - ALL SOURCES	23,673,500	67,232,600	64,600,600

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	(2,632,000)	(42.3%)
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	(2,632,000)	(24.9%)
Non-Appropriated Funds	0	0.0%
Total - All Sources	(2,632,000)	(3.9%)

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.

Operating Budget

The Baseline includes \$2,449,900 and 41.4 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$546,200
Commerce and Economic Development Commission (CEDC) Fund	1,688,100
Bond Fund	145,400
State Lottery Fund	70,200

These amounts are unchanged from FY 2010.

International Development

Arizona Trade Office in Sonora

The Baseline includes \$25,000 from the CEDC Fund for the Arizona Trade Office in Sonora in FY 2011. This amount is unchanged from FY 2010.

Managed by the Arizona-Mexico Commission, the Arizona Trade Office in Sonora assists Arizona companies in search of trade opportunities in Mexico, as well as ensures that such business ventures into Mexico are effective. The office provides information and support activities that promotes 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 Baseline includes \$1,670,600 and 7 FTE Positions for the International Trade Offices in FY 2011. These amounts consist of:

General Fund	703,800
CEDC Fund	966,800

These amounts are unchanged from FY 2010.

The line item funds 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 Mexico, the United Kingdom, Canada, Northern Ireland (European Office) and Japan, which assist Arizona businesses in exporting their products.

National Law Center/Free Trade

The Baseline includes \$200,000 from the CEDC Fund for National Law Center/Free Trade in FY 2011. This amount is unchanged from FY 2010.

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 Baseline includes \$129,600 and 2 FTE Positions from the CEDC Fund for Minority and Women Owned Business in FY 2011. These amounts are unchanged from FY 2010.

The line item funds programs to promote the economic development of minority and women-owned business enterprises.

Small Business Advocate

The Baseline includes \$127,000 and 2 FTE Positions from the CEDC Fund for Small Business Advocate in FY 2011. These amounts are unchanged from FY 2010.

The line item funds programs 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 Baseline includes \$104,000 from the CEDC Fund for Economic Development Matching Funds in FY 2011. This amount is unchanged from FY 2010.

The line item funds programs to support community growth management efforts, including the development of general and comprehensive land use plans.

Main Street

The Baseline includes \$130,000 from the CEDC Fund for the Main Street program in FY 2011. This amount is unchanged from FY 2010.

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 2009: Casa Grande, Pinetop-Lakeside, Prescott, Show Low, Williams, Nogales, Globe, and Safford.

REDI Matching Grants

The Baseline includes \$45,000 from the CEDC Fund for Rural Economic Development Initiative (REDI) Matching Grants in FY 2011. This amount is unchanged from FY 2010.

The REDI program offers special community project grants for technical assistance in implementing economic development programs for rural communities. There were 11 grant recipients in FY 2009: Yuma, Oracle, Moenkopi, Kingman, Mammoth, Pinetop-Lakeside, Maricopa, Prescott Valley, Parker, Flagstaff, and the Central Arizona Regional Economic Development Foundation.

Rural Economic Development

The Baseline includes \$340,100 and 4 FTE Positions from the General Fund for Rural Economic Development in FY 2011. These amounts are unchanged from FY 2010.

The line item funds programs to assist rural Arizona communities in accessing financing mechanisms and technical assistance to better address community infrastructure needs.

National Marketing

Advertising and Promotion

The Baseline includes \$659,200 from the CEDC Fund for Advertising and Promotion in FY 2011. This amount is unchanged from FY 2010.

The line item funds programs advertising and promoting the department’s various services through magazine ads, direct mail, and special events.

Strategic Finance

CEDC Commission

The Baseline includes \$197,900 and 3.5 FTE Positions from the State Lottery Fund for the CEDC Commission in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$189,900 and 3 FTE Positions from the General Fund for Apprenticeship Services in FY 2011. These amounts are unchanged from FY 2010.

The line item funds programs to promote the implementation of apprenticeship programs.

Oil Overcharge Administration

The Baseline includes \$185,700 and 2 FTE Positions from the Oil Overcharge Fund for Oil Overcharge Administration in FY 2011. These amounts are unchanged from FY 2010.

The line item funds administration of the oil overcharge grant and loan restitution programs.

Military Airport Planning

The Baseline includes \$2,100,000 and 1 FTE Position from the General Fund for Military Airport Planning in FY 2011. These amounts are unchanged from FY 2010.

5th Special Session Reduction

The Baseline includes \$(596,600) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount consists of:

General Fund	(291,000)
CEDC Fund	(305,600)

This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Deletion of Prior Year Footnotes

The Baseline would delete the footnote requiring the Department of Commerce to utilize \$250,000 from the CEDC Fund for the 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.

STATUTORY CHANGES

The Baseline would:

- As session law, continue the General Fund Military Installation Fund deposit at the \$2,100,000 level in FY 2011.
- As permanent law, continue the provision in FY 2011 that enables the department to use funds from the Bond, CEDC, and Lottery Funds for operating costs. This provision was previously in session law.
- As session law, continue the suspension of the Arizona 21st Century Competitive Initiative Fund deposit in FY 2011.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Arizona 21st Century Competitive Initiative Fund Deposit

Laws 2006, Chapter 334 deposited \$35,000,000 from the General Fund into the Arizona 21st Century Competitive Initiative Fund in FY 2006 to build and strengthen medical, scientific, and engineering research programs and infrastructure for the purpose of promoting statewide economic development. The CEDC entered into a memorandum of understanding (MOU) with a nonprofit corporation, Science Foundation Arizona (SFAz), in FY 2007 to use monies from the fund.

The FY 2008 General Revenues Budget Reconciliation Bill (Laws 2007, Chapter 260) deposited \$25,000,000 from the General Fund into the Arizona 21st Century Competitive Initiative Fund for each fiscal year from

FY 2008 to FY 2011. The monies are further appropriated from the Arizona 21st Century Competitive Initiative Fund to the CEDC, which oversees expenditures from the fund. The appropriations are non-lapsing.

Laws 2008, Chapter 291 amended Laws 2007, Chapter 260 by reducing the FY 2009 General Fund deposit into the Arizona 21st Century Fund to \$22,500,000 and increasing the deposit in FY 2011 to \$27,500,000. The legislation also amended Laws 2007, Chapter 260 by modifying the matching requirement for state monies expended from the Arizona 21st Century Competitive Initiative Fund. Prior to this change, the non-profit entity receiving these monies was required to expend an equal amount of private monies. The change allows the non-profit to have a maximum of 50% of its matching funds in the form of governmental investments and other auditable cash equivalents.

Laws 2009, 1st Special Session, Chapter 1 amended Laws 2008, Chapter 291 by eliminating the \$(22,500,000) FY 2009 General Fund deposit into the Arizona 21st Century Competitive Initiative Fund. Subsequent to the legislation, the Science Foundation Arizona filed an invoice with the CEDC, in the amount of \$18,474,923, for obligations prior to the enactment of Laws 2009, 1st Special Session, Chapter 1. An analysis by the Department of Administration found that the Science Foundation Arizona was in compliance with their contract with the CEDC when it made grants and expenditures in that amount.

Laws 2009, 3rd Special Session, Chapter 7 eliminated the \$25,000,000 deposit from the General Fund into the Arizona 21st Century Competitive Initiative Fund in FY 2010.

The Baseline would continue this policy and deposit no funding into the Arizona 21st Century Competitive Initiative Fund in FY 2011.

5% FTE Position Reduction

The Department of Commerce was originally budgeted 49.9 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010.

Given the mid-year implementation, this provision requires the Department of Commerce to reduce an additional 1 FTE Position in FY 2010 and 2 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Arizona Twenty-First Century Competitive Initiative Fund (EPA2524/A.R.S. § 41-1505.09)		Non-Appropriated
Source of Revenue: Laws 2007, Chapter 260 deposits \$25,000,000 from the General Fund in each fiscal year from FY 2009 through FY 2011. Laws 2008, Chapter 291 reduced the distribution in FY 2009 to \$22,500,000 and increased the FY 2011 distribution to \$27,500,000. Laws 2009, 1st Special Session, Chapter 1 eliminated the \$22,500,000 FY 2009 deposit. Laws 2009, 3rd Special Session, Chapter 7 eliminated the \$25,000,000 distribution for FY 2010. Commerce does not plan to expend any monies from this fund in FY 2010.		
Purpose of Fund: One-time monies used to build and strengthen medical, scientific, and engineering research programs with an emphasis in bioscience for the purpose of promoting statewide economic development. The Commerce and Economic Development Commission, which administers the fund, shall enter into a memorandum of understanding with a non-profit corporation to use monies in the fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona Biofuels Conversion Program Fund (No Fund Number/A.R.S. § 41-1515.01)		Non-Appropriated
Source of Revenue: Funds received from gifts, grants, donations, private sources, and federal or state monies.		
Purpose of Fund: To encourage the usage of biofuels through the conversion and installation of biofuel storage and dispensing equipment.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Commerce Development Bond Fund (EPA2196/A.R.S. § 35-726)		Appropriated
Source of Revenue: Filing fees and charges for services related to the provision of a registry of bond allocations.		
Purpose of Fund: To pay for the review and approval of all corporate bond financing related to the construction of multi-family apartments, sanitariums, clinics, medical hotels, retirement homes, skilled nursing facilities and life-care centers.		
Funds Expended	124,600	145,400
Year-End Fund Balance	2,574,700	2,225,400
CEDC Fund (EPA2245/A.R.S. § 41-1505.10)		Partially-Appropriated
Source of Revenue: Profits from 2 designated instant ticket lottery games, service fees and interest income.		
Purpose of Fund: To be used on small business, rural business, and other financial assistance programs approved by the commission. The appropriated portions of the fund are used for various programs, while the non-appropriated funds are loans and grants.		
Appropriated Funds Expended	2,229,700	3,769,100
Non-Appropriated Funds Expended	90,600	58,400
Year-End Fund Balance	7,453,800	380,300
CEDC Local Communities Fund (EPA2498/A.R.S. § 41-1505.12)		Non-Appropriated
Source of Revenue: Tribal contributions from gaming revenue. The Tribal-State Gaming Compact dictates that 12% of revenues received by the state be utilized for government services benefiting the general public. The tribes can grant funds directly to communities or deposit revenues into the CEDC Local Communities Fund.		
Purpose of Fund: To provide grants to cities, towns and counties for government services that benefit the general public including public safety, the mitigation of impacts of gaming or the promotion of commerce and economic development. All grant applications must have a written endorsement of a nearby Indian tribe to receive an award from the commission.		
Funds Expended	0	0
Year-End Fund Balance	102,200	103,700
Commerce Workshops (EPA2149/A.R.S. § 41-1503)		Non-Appropriated
Source of Revenue: Workshop registration fees, publication fees, and environmental certification fees.		
Purpose of Fund: To pay expenses incurred for workshops, the production and distribution of publications, and the monitoring of recycling industry development.		
Funds Expended	261,200	120,200
Year-End Fund Balance	307,200	224,900

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Donations Fund (EPA3189/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Gifts, grants, and donations.		
Purpose of Fund: To be expended in accordance with the restrictions placed on the respective gift, grant, or donation.		
Funds Expended	677,300	624,300
Year-End Fund Balance	562,000	340,900
Federal Funds (EPA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for community development, job training, and home programs.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	7,933,900	7,329,600
Year-End Fund Balance	1,044,200	616,000
Federal Grants - American Recovery and Reinvestment Act (ARRA) (EPA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for the weatherization of homes, energy efficiency and usage reduction, and appliance rebates.		
Funds Expended	55,900	40,686,500
Year-End Fund Balance	149,500	150,900
Greater Arizona Development Authority Revolving Fund (EPA2311/A.R.S. § 41-1554.03)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal monies, gifts, grants, donations, loan repayments, administrative fees and penalties, and interest.		
Purpose of Fund: To help rural communities meet their infrastructure needs. GADA may issue bonds, guarantee debt obligations, and provide technical and financial assistance to political subdivisions, special districts, and Indian tribes. Legislative appropriations to the GADA Revolving Fund may only be used to secure bonds. The state funding only serves as collateral for the loans and is not directly loaned out. The fund was capitalized with \$20,000,000 from the General Fund between FY 1998 and FY 2000. Other revenue to the fund may be used for the Department of Commerce's GADA operating costs, as well as technical and financial assistance to communities.		
Funds Expended	422,400	412,200
Year-End Fund Balance	14,160,300	13,829,300
IGA/ISA Fund (EPA9500/A.R.S. § 41-1502)		Non-Appropriated
Source of Revenue: Agreements between Department of Commerce and Department of Economic Security		
Purpose of Fund: To develop and recommend policies to build Arizona's workforce in order to compete in a global environment.		
Funds Expended	1,045,200	625,300
Year-End Fund Balance	14,300	68,300
Indirect Cost Recovery Fund (EPA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Collected from Federal Grant Funds.		
Purpose of Fund: To help support administrative functions of the agency.		
Funds Expended	305,600	303,700
Year-End Fund Balance	1,382,800	1,079,100

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
International Development Authority Fund (No Fund Number/A.R.S. § 41-1553.04)		Non-Appropriated
Source of Revenue: Tolls, fees, and rents for use of any authority facility or for services rendered by the authority.		
Purpose of Fund: To pay for the costs of international trade and commerce projects approved by the International Development Authority (IDA). The IDA is a corporate body and political subdivision of the state, independent of the Department of Commerce, charged with facilitating the development of international trade in the Arizona-Sonora border area. The IDA may issue bonds for the purpose of financing the acquisition or operation of property and facilities. The state is not responsible for any costs incurred by the IDA, including compensation for board members and employees. To date, the IDA has not issued any bonds and has no appointed board.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Job Training Fund (EPA1237/A.R.S. § 41-1544)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, interest earned on investments and, primarily, proceeds from a 0.1% employers' wage tax. Tax revenues collected in FY 2009 were \$14,878,900 and are estimated to be \$14,500,000 in FY 2010. Interest earned on the fund in FY 2009 was \$897,800.		
Purpose of Fund: To provide training and retraining for specific employment opportunities with new and expanding businesses or businesses undergoing economic conversion. Training shall be through the community college system, a licensed private postsecondary educational institution, or a community college operated by a tribal government, unless the employer requests another qualified training provider. Of the monies appropriated to the fund, 25% is set aside for small and rural businesses.		
Funds Expended	5,729,200	5,980,000
Year-End Fund Balance	29,384,700	444,700
Military Installation Fund (EPA1010/A.R.S. § 41-1512.01)		Non-Appropriated
Source of Revenue: General Fund deposits totaling \$4,825,000 annually. Laws 2009, 3rd Special Session, Chapter 7 reduces the FY 2010 deposit by \$(2,800,000). Commerce plans to expend \$3,133,000 in FY 2010, but this amount is not displayed below to avoid double counting. Expenditures were reported as \$5,614,000 for FY 2009.		
Purpose of Fund: Grants for military installation preservation and enhancement projects as well as costs associated with administering the fund. Commerce must award 80% of the monies to the Department of Veterans' Services to acquire private property, real estate, property rights and related infrastructure to preserve, support, or enhance a military installation. Up to 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 preservation and enhancement projects. In addition to the \$4,825,000 annual General Fund deposit, \$75,000 is appropriated to the department for the costs associated with 1 FTE Position to administer the fund.		
Funds Expended	0	0
Year-End Fund Balance	1,604,700	502,700
Nursing Education Demonstration Project Fund (EPA2514/Laws 2005, Chapter 330)		Non-Appropriated
Source of Revenue: General Fund deposits totaling \$4,000,000 annually from FY 2006 through FY 2010 as determined by Laws 2005, Chapter 330. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Purpose of Fund: Increase the number of nurses graduating from the state's nursing education programs by increasing the number of qualified nursing education faculty members teaching in nursing degree programs operated by Arizona public universities and community colleges. Monies allocated to the universities shall be administered by the Arizona Board of Regents (ABOR), while monies allocated to the community colleges shall be administered by the Department of Commerce.		
Funds Expended	0	0
Year-End Fund Balance	2,595,600	2,613,800
Oil Overcharge Fund (EPA3171/A.R.S. § 41-1509)		Partially-Appropriated
Source of Revenue: Federal court settlements by oil companies who overcharged consumers during the petroleum price controls of the 1970's, and interest earnings.		
Purpose of Fund: To provide restitution to the citizens of Arizona. Restitution is to be made through energy programs administered by the state. The portion of the fund that is used for loans, grants, and energy conservation programs is displayed as non-appropriated. The monies used for administration are displayed as appropriated.		
Appropriated Funds Expended	0	185,700
Non-Appropriated Funds Expended	734,900	503,100
Year-End Fund Balance	3,109,500	2,455,700

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
------------------	-------------------	---------------------

Recycling Fund (EPA2289/A.R.S. § 49-837) Non-Appropriated

Source of Revenue: Gifts, grants, donations and landfill disposal fees. At least 4%, but not more than 5%, of the Recycling Fund receipts will be transferred from the Arizona Department of Environmental Quality (ADEQ) to the Department of Commerce. (See ADEQ for the remainder of revenues and expenditures.)

Purpose of Fund: To: 1) develop state market development strategies; 2) coordinate business recruitment and expansion programs, as well as provide technical assistance to companies using post-consumer materials; 3) advise ADEQ in evaluation of grants; and 4) coordinate the advisory committee on recycled materials markets.

Funds Expended	102,700	0
Year-End Fund Balance	2,000	2,000

State Lottery Fund (EPA2122/A.R.S. § 5-521) Appropriated

Source of Revenue: Sales of lottery tickets, retailer license fees and interest earning.

Purpose of Fund: This portion of the fund is used to administer the Commerce and Economic Development Commission.

Funds Expended	252,000	268,100
Year-End Fund Balance*	13,000	(6,500)

*As reported by the agency. Actual ending balance will not be negative.