

## Department of Commerce

|                                       | FY 2010<br>ACTUAL | FY 2011<br>ESTIMATE | FY 2012<br>BASELINE |
|---------------------------------------|-------------------|---------------------|---------------------|
| <b>OPERATING BUDGET</b>               |                   |                     |                     |
| <i>Full Time Equivalent Positions</i> | 65.9              | 64.9                | 64.9                |
| Personal Services                     | 511,700           | 536,300             | 536,300             |
| Employee Related Expenditures         | 228,400           | 195,000             | 195,000             |
| Professional and Outside Services     | 78,500            | 164,500             | 164,500             |
| Travel - In State                     | 11,200            | 14,000              | 14,000              |
| Travel - Out of State                 | 9,900             | 15,200              | 15,200              |
| Other Operating Expenditures          | 267,800           | 897,700             | 897,700             |
| Equipment                             | 35,100            | 9,500               | 9,500               |
| <b>OPERATING SUBTOTAL</b>             | <b>1,142,600</b>  | <b>1,832,200</b>    | <b>1,832,200</b>    |
| <b>SPECIAL LINE ITEMS</b>             |                   |                     |                     |
| <b>International Development</b>      |                   |                     |                     |
| Arizona Trade Office in Sonora        | 25,000            | 25,000              | 25,000              |
| International Trade Offices           | 1,193,000         | 1,667,200           | 1,667,200           |
| National Law Center/Free Trade        | 170,000           | 200,000             | 200,000             |
| <b>Business Assistance Center</b>     |                   |                     |                     |
| Minority and Women Owned Business     | 128,900           | 127,800             | 127,800             |
| Small Business Advocate               | 125,700           | 125,200             | 125,200             |
| <b>Rural Community Assistance</b>     |                   |                     |                     |
| Economic Development Matching Funds   | 27,000            | 104,000             | 104,000             |
| Main Street                           | 83,400            | 130,000             | 130,000             |
| REDI Matching Grants                  | 11,000            | 45,000              | 45,000              |
| Rural Economic Development            | 325,900           | 338,200             | 338,200             |
| <b>National Marketing</b>             |                   |                     |                     |
| Advertising and Promotion             | 570,900           | 659,200             | 659,200             |
| <b>Strategic Finance</b>              |                   |                     |                     |
| CEDC Commission                       | 170,500           | 194,900             | 194,900             |
| <b>Other</b>                          |                   |                     |                     |
| Apprenticeship Services               | 187,100           | 188,500             | 188,500             |
| Oil Overcharge Administration         | 0                 | 186,700             | 186,700             |
| Military Airport Planning             | 1,954,400         | 0                   | 0                   |
| Nursing Education                     | 2,632,000         | 0                   | 0                   |
| <b>AGENCY TOTAL</b>                   | <b>8,747,400</b>  | <b>5,823,900</b>    | <b>5,823,900</b>    |
| <b>FUND SOURCES</b>                   |                   |                     |                     |
| General Fund                          | 6,202,700         | 1,466,500           | 1,466,500           |
| <u>Other Appropriated Funds</u>       |                   |                     |                     |
| CEDC Fund                             | 2,325,000         | 3,759,300           | 3,759,300           |
| Commerce Development Bond Fund        | 400               | 146,300             | 146,300             |
| Oil Overcharge Fund                   | 0                 | 186,700             | 186,700             |
| State Lottery Fund                    | 219,300           | 265,100             | 265,100             |
| SUBTOTAL - Other Appropriated Funds   | 2,544,700         | 4,357,400           | 4,357,400           |
| <b>SUBTOTAL - Appropriated Funds</b>  | <b>8,747,400</b>  | <b>5,823,900</b>    | <b>5,823,900</b>    |
| Other Non-Appropriated Funds          | 25,606,700        | 6,946,300           | 6,946,400           |
| Federal Funds                         | 25,154,900        | 47,731,500          | 47,731,000          |
| <b>TOTAL - ALL SOURCES</b>            | <b>59,509,000</b> | <b>60,501,700</b>   | <b>60,501,300</b>   |

**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 \$1,832,200 and 41.4 FTE Positions for the operating budget in FY 2012. These amounts consist of:

|  | <b>FY 2012</b> |
|--|----------------|
| General Fund   | \$239,400      |
| Commerce and Economic Development Commission (CEDC) Fund | 1,376,300      |
| Bond Fund  | 146,300        |
| State Lottery Fund                                       | 70,200         |

These amounts are unchanged from FY 2011.

### **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 2012. This amount is unchanged from FY 2011.

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.

#### **International Trade Offices**

The Baseline includes \$1,667,200 and 7 FTE Positions for the International Trade Offices in FY 2012. These amounts consist of:

|              |         |
|--------------|---------|
| General Fund | 700,400 |
| CEDC Fund    | 966,800 |

These amounts are unchanged from FY 2011.

The line item funds business incentives and assistance procedures to locate businesses in the state. The program supports international trade offices in Mexico, the United Kingdom, Canada, Northern Ireland (European Office) and Japan.

#### **National Law Center/Free Trade**

The Baseline includes \$200,000 from the CEDC Fund for National Law Center/Free Trade in FY 2012. This amount is unchanged from FY 2011.

The National Law Center for Inter-American Free Trade is a research and educational center. 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 \$127,800 and 2 FTE Positions from the CEDC Fund for Minority and Women Owned Business in FY 2012. These amounts are unchanged from FY 2011.

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

#### **Small Business Advocate**

The Baseline includes \$125,200 and 2 FTE Positions from the CEDC Fund for Small Business Advocate in FY 2012. These amounts are unchanged from FY 2011.

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 2012. This amount is unchanged from FY 2011.

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 2012. This amount is unchanged from FY 2011.

This line item provides funding for the historical preservation or refurbishment of downtown areas, or "main streets," in selected rural Arizona communities. There were 9 grant recipients in FY 2011: Lake Havasu, Sedona, Prescott, Pinetop-Lakeside, Safford, Williams, Globe, Florence, and Casa Grande.

#### **REDI Matching Grants**

The Baseline includes \$45,000 from the CEDC Fund for Rural Economic Development Initiative (REDI) Matching Grants in FY 2012. This amount is unchanged from FY 2011.

The REDI program offers special community project grants for technical assistance in implementing economic development programs for rural communities. There were

6 grant recipients in FY 2011: Maricopa, Copper Corridor, Show Low, Eagar, Florence, and Moenkope.

**Rural Economic Development**

The Baseline includes \$338,200 and 4 FTE Positions from the General Fund for Rural Economic Development in FY 2012. These amounts are unchanged from FY 2011.

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 2012. This amount is unchanged from FY 2011.

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 \$194,900 and 3.5 FTE Positions from the State Lottery Fund for the CEDC Commission in FY 2012. These amounts are unchanged from FY 2011.

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 \$188,500 and 3 FTE Positions from the General Fund for Apprenticeship Services in FY 2012. These amounts are unchanged from FY 2011. The line item funds programs to promote the implementation of apprenticeship programs.

**Oil Overcharge Administration**

The Baseline includes \$186,700 and 2 FTE Positions from the Oil Overcharge Fund for Oil Overcharge Administration in FY 2012. These amounts are unchanged from FY 2011.

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

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**FORMAT** — Operating Lump Sum with Special Line Items by Agency

**STATUTORY CHANGES**

The Baseline would as session law, continue to allow the department to use funds from the Bond, CEDC, and Lottery Funds to help fund operating costs.

| SUMMARY OF FUNDS  | FY 2010<br>Actual | FY 2011<br>Estimate     |
|---|-------------------|-------------------------|
| <b>Arizona Twenty-First Century Competitive Initiative Fund</b><br>(EPA2524/A.R.S. § 41-1505.09)  |                   | <b>Non-Appropriated</b> |
| <b>Source of Revenue:</b> Legislative appropriations, earnings from the fund, gifts, and donations.   |                   |                         |
| <b>Purpose of Fund:</b> 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. |                   |                         |
| <b>Funds Expended</b>   | 0                 | 0                       |
| <b>Year-End Fund Balance</b>  | 0                 | 0                       |
| <b>Arizona Biofuels Conversion Program Fund</b> (No Fund Number/A.R.S. § 41-1515.01)  |                   | <b>Non-Appropriated</b> |
| <b>Source of Revenue:</b> Funds received from gifts, grants, donations, private sources, and federal or state monies.   |                   |                         |
| <b>Purpose of Fund:</b> To encourage the usage of biofuels through the conversion and installation of biofuel storage and dispensing equipment.   |                   |                         |
| <b>Funds Expended</b>   | 0                 | 0                       |
| <b>Year-End Fund Balance</b>  | 0                 | 0                       |

| SUMMARY OF FUNDS   | FY 2010<br>Actual | FY 2011<br>Estimate           |
|--|-------------------|-------------------------------|
| <b>Commerce Development Bond Fund (EPA2196/A.R.S. § 35-726)</b>  |                   | <b>Appropriated</b>           |
| <b>Source of Revenue:</b> Filing fees and charges for services related to the provision of a registry of bond allocations.   |                   |                               |
| <b>Purpose of Fund:</b> 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.   |                   |                               |
| <b>Funds Expended</b>  | 400               | 146,300                       |
| <b>Year-End Fund Balance</b>   | 2,017,200         | 1,870,900                     |
| <b>CEDC Fund (EPA2245/A.R.S. § 41-1505.10)</b>   |                   | <b>Partially-Appropriated</b> |
| <b>Source of Revenue:</b> Profits from 2 designated instant ticket lottery games, service fees and interest income.  |                   |                               |
| <b>Purpose of Fund:</b> 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.  |                   |                               |
| <b>Appropriated Funds Expended</b>   | 2,325,000         | 3,759,300                     |
| <b>Non-Appropriated Funds Expended</b>   | 19,505,200        | 120,300                       |
| <b>Year-End Fund Balance</b>   | 8,499,900         | 2,857,800                     |
| <b>CEDC Local Communities Fund (EPA2498/A.R.S. § 41-1505.12)</b>   |                   | <b>Non-Appropriated</b>       |
| <b>Source of Revenue:</b> 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.                                      |                   |                               |
| <b>Purpose of Fund:</b> 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. |                   |                               |
| <b>Funds Expended</b>  | 0                 | 0                             |
| <b>Year-End Fund Balance</b>   | 103,400           | 104,400                       |
| <b>Commerce Workshops (EPA2149/A.R.S. § 41-1503)</b>   |                   | <b>Non-Appropriated</b>       |
| <b>Source of Revenue:</b> Workshop registration fees, publication fees, and environmental certification fees.  |                   |                               |
| <b>Purpose of Fund:</b> To pay expenses incurred for workshops, the production and distribution of publications, and the monitoring of recycling industry development.   |                   |                               |
| <b>Funds Expended</b>  | 134,700           | 108,500                       |
| <b>Year-End Fund Balance</b>   | 131,600           | 142,200                       |
| <b>Donations Fund (EPA3189/A.R.S. § 41-1504)</b>   |                   | <b>Non-Appropriated</b>       |
| <b>Source of Revenue:</b> Gifts, grants, and donations.  |                   |                               |
| <b>Purpose of Fund:</b> To be expended in accordance with the restrictions placed on the respective gift, grant, or donation.  |                   |                               |
| <b>Funds Expended</b>  | 568,100           | 665,100                       |
| <b>Year-End Fund Balance</b>   | 582,500           | 419,400                       |
| <b>Federal Funds (EPA2000/A.R.S. § 35-142)</b>   |                   | <b>Non-Appropriated</b>       |
| <b>Source of Revenue:</b> Federal grants for community development, job training, and home programs.   |                   |                               |
| <b>Purpose of Fund:</b> To be expended as stipulated by federal statutes authorizing the federal grants.   |                   |                               |
| <b>Funds Expended</b>  | 8,779,400         | 8,376,800                     |
| <b>Year-End Fund Balance</b>   | 421,000           | 224,100                       |
| <b>Federal Grants - American Recovery and Reinvestment Act (ARRA)</b><br>(EPA2999/A.R.S. § 35-142)   |                   | <b>Non-Appropriated</b>       |
| <b>Source of Revenue:</b> One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).   |                   |                               |
| <b>Purpose of Fund:</b> One-time Federal Funds to be used by the department for the weatherization of homes, energy efficiency and usage reduction, and appliance rebates.   |                   |                               |
| <b>Funds Expended</b>  | 16,080,500        | 39,011,700                    |
| <b>Year-End Fund Balance</b>   | 2,300             | 2,578,000                     |

| SUMMARY OF FUNDS  | FY 2010<br>Actual | FY 2011<br>Estimate     |
|---|-------------------|-------------------------|
| <b>Greater Arizona Development Authority Revolving Fund</b><br>(EPA2311/A.R.S. § 41-1554.03)  |                   | <b>Non-Appropriated</b> |
| <b>Source of Revenue:</b> Legislative appropriations, federal monies, gifts, grants, donations, loan repayments, administrative fees and penalties, and interest.   |                   |                         |
| <b>Purpose of Fund:</b> 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. |                   |                         |
| <b>Funds Expended</b>   | 260,300           | 300,000                 |
| <b>Year-End Fund Balance</b>  | 12,385,900        | 12,381,700              |
| <b>IGA/ISA Fund</b> (EPA9500/A.R.S. § 41-1502)  |                   | <b>Non-Appropriated</b> |
| <b>Source of Revenue:</b> Agreements between Department of Commerce and Department of Economic Security   |                   |                         |
| <b>Purpose of Fund:</b> To develop and recommend policies to build Arizona's workforce in order to compete in a global environment.   |                   |                         |
| <b>Funds Expended</b>   | 1,125,200         | 1,124,100               |
| <b>Year-End Fund Balance</b>  | 16,500            | 2,600                   |
| <b>Indirect Cost Recovery Fund</b> (EPA9000/A.R.S. § 35-142)  |                   | <b>Non-Appropriated</b> |
| <b>Source of Revenue:</b> Collected from Federal Grant Funds.   |                   |                         |
| <b>Purpose of Fund:</b> To help support administrative functions of the agency.   |                   |                         |
| <b>Funds Expended</b>   | 295,000           | 343,000                 |
| <b>Year-End Fund Balance</b>  | 1,105,000         | 762,000                 |
| <b>International Development Authority Fund</b> (No Fund Number/A.R.S. § 41-1553.04)  |                   | <b>Non-Appropriated</b> |
| <b>Source of Revenue:</b> Tolls, fees, and rents for use of any authority facility or for services rendered by the authority.   |                   |                         |
| <b>Purpose of Fund:</b> 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.             |                   |                         |
| <b>Funds Expended</b>   | 0                 | 0                       |
| <b>Year-End Fund Balance</b>  | 0                 | 0                       |
| <b>Job Training Fund</b> (EPA1237/A.R.S. § 41-1544)   |                   | <b>Non-Appropriated</b> |
| <b>Source of Revenue:</b> Legislative appropriations, gifts, grants, interest earned on investments and, primarily, proceeds from a 0.1% employers' wage tax. Tax revenues collected in FY 2010 were \$12,041,800 and are estimated to be \$12,000,000 in FY 2011. Interest earned on the fund in FY 2010 was \$225,500.  |                   |                         |
| <b>Purpose of Fund:</b> 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.   |                   |                         |
| <b>Funds Expended</b>   | 3,420,100         | 4,160,200               |
| <b>Year-End Fund Balance</b>  | 18,021,900        | 26,081,700              |
| <b>Military Installation Fund</b> (EPA1010/A.R.S. § 41-1512.01)   |                   | <b>Non-Appropriated</b> |
| <b>Source of Revenue:</b> General Fund deposits totaling \$4,825,000 annually. Laws 2010, 7th Special Session, Chapter 5 reduces the FY 2011 deposit by \$(2,800,000). Commerce plans to expend no monies from the fund in FY 2011. Expenditures were reported as \$147,800 for FY 2010, but this amount is not displayed below to avoid double counting. Laws 2010, Chapter 208 shifted the administration of the Military Installation Fund from the Department of Commerce to the Department of Emergency and Military Affairs.  |                   |                         |
| <b>Purpose of Fund:</b> Grants for military installation preservation and enhancement projects as well as costs associated with administering the fund. (See DEMA for more details.)  |                   |                         |
| <b>Funds Expended</b>   | 0                 | 0                       |
| <b>Year-End Fund Balance</b>  | 3,137,300         | 0                       |

| SUMMARY OF FUNDS  | FY 2010<br>Actual | FY 2011<br>Estimate           |
|---|-------------------|-------------------------------|
| <b>Nursing Education Demonstration Project Fund (EPA2514/Laws 2005, Chapter 330)</b>  |                   | <b>Non-Appropriated</b>       |
| <b>Source of Revenue:</b> 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.   |                   |                               |
| <b>Purpose of Fund:</b> 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. |                   |                               |
| <b>Funds Expended</b>   | 0                 | 0                             |
| <b>Year-End Fund Balance</b>  | 2,961,700         | 2,161,700                     |
| <b>Oil Overcharge Fund (EPA3171/A.R.S. § 41-1509)</b>   |                   | <b>Partially-Appropriated</b> |
| <b>Source of Revenue:</b> Federal court settlements by oil companies who overcharged consumers during the petroleum price controls of the 1970's, and interest earnings.  |                   |                               |
| <b>Purpose of Fund:</b> 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.  |                   |                               |
| <b>Appropriated Funds Expended</b>  | 0                 | 186,700                       |
| <b>Non-Appropriated Funds Expended</b>  | 593,100           | 468,100                       |
| <b>Year-End Fund Balance</b>  | 2,550,100         | 1,920,300                     |
| <b>Recycling Fund (EPA2289/A.R.S. § 49-837)</b>   |                   | <b>Non-Appropriated</b>       |
| <b>Source of Revenue:</b> 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. <i>(See ADEQ for the remainder of revenues and expenditures.)</i>   |                   |                               |
| <b>Purpose of Fund:</b> 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.  |                   |                               |
| <b>Funds Expended</b>   | 0                 | 0                             |
| <b>Year-End Fund Balance</b>  | 1,900             | 1,900                         |
| <b>State Lottery Fund (EPA2122/A.R.S. § 5-521)</b>  |                   | <b>Appropriated</b>           |
| <b>Source of Revenue:</b> Sales of lottery tickets, retailer license fees and interest earning.   |                   |                               |
| <b>Purpose of Fund:</b> This portion of the fund is used to administer the Commerce and Economic Development Commission.  |                   |                               |
| <b>Funds Expended</b>   | 219,300           | 265,100                       |
| <b>Year-End Fund Balance</b>  | 28,200            | 3,900                         |