

Department of Commerce

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DESCRIPTION	FY 2003	FY 2004	FY 2005	
	ACTUAL	ESTIMATE	OSPB	JLBC
OPERATING BUDGET				
<i>Full Time Equivalent Positions</i>	82.9	82.9		82.9
Personal Services	2,233,300	2,196,300		2,196,300
Employee Related Expenditures	509,000	594,000		594,000
Professional and Outside Services	202,400	95,000		95,000
Travel - In State	35,100	47,200		47,200
Travel - Out of State	13,600	33,800		33,800
Other Operating Expenditures	278,300	540,900		540,900
Equipment	20,800	13,500		13,500
OPERATING SUBTOTAL	3,292,500	3,520,700		3,520,700
SPECIAL LINE ITEMS				
International Development				
International Trade Offices	1,181,800	1,301,000		1,301,000
National Law Center/Free Trade	200,000	200,000		200,000
Business Assistance Center				
Minority and Women Owned Business	110,000	104,500		104,500
Small Business Advocate	109,000	103,700		103,700
Rural Community Assistance				
Economic Development Matching Funds	50,800	104,000		104,000
Main Street	91,400	130,000		130,000
REDI Matching Grants	13,500	45,000		45,000
National Marketing				
Advertising and Promotion	303,400	659,200		659,200
Motion Picture Development	298,700	291,100		291,100
Strategic Finance				
CEDC Commission	212,600	248,200		248,200
Other				
Apprenticeship Services	146,300	156,000		156,000
Oil Overcharge Administration	120,300	156,400		156,400
Arizona Partnership for the New Economy - High Tech Clusters	207,000	0		0
AGENCY TOTAL	6,337,300	7,019,800		7,019,800
FUND SOURCES				
General Fund	3,643,600	3,568,600		3,568,600
<u>Other Appropriated Funds</u>				
Bond Fund	100,100	120,200		120,200
CEDC Fund	2,260,700	2,926,400		2,926,400
Oil Overcharge Fund	120,300	156,400		156,400
State Lottery Fund	212,600	248,200		248,200
SUBTOTAL - Other Appropriated Funds	2,693,700	3,451,200		3,451,200
SUBTOTAL - Appropriated Funds	6,337,300	7,019,800		7,019,800
Other Non-Appropriated Funds	9,230,900	30,240,400		17,740,400
Federal Funds	4,978,400	6,117,400		6,218,500
TOTAL - ALL SOURCES	20,546,600	43,377,600		30,978,700

CHANGE IN FUNDING SUMMARY

FY 2004 to FY 2005 JLBC

	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non Appropriated Funds	(12,398,900)	(34.1%)
Total - All Sources	(12,398,900)	(28.6%)

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	FY 2003	FY 2004	FY 2005
	Appropriation	Actual	Appropriation	Recommend.
• Number of jobs created	15,500	14,100	15,500	12,000
• Number of workers trained	13,000	20,650	7,500	10,000
• Number of new company relocations or expansions	60	54	60	64
• Export sales (\$ in billions)	13.0	12.6	13.0	--
• Average wage rate for new jobs created	\$17.80	\$19.50	\$19.00	\$19.50
• Administration as a % of total cost	9.2	5.8	9.2	4.3
• Customer satisfaction rating for economic development program (Scale 1-8)	6.0	7.0	6.0	6.0

Comments: The agency reports that export sales are not a true measure of performance as a number of variables beyond the agency's control contribute to this measure.

RECOMMENDED CHANGES FROM FY 2004

Operating Budget

The JLBC recommends \$3,520,700 for the operating budget in FY 2005. This amount includes \$2,787,300 from the General Fund, \$613,200 from the Commerce and Economic Development (CEDC) Fund and \$120,200 from the Bond Fund. These amounts are unchanged from FY 2004.

Special Line Items

International Development

International Trade Offices

The JLBC recommends \$1,301,000 for International Trade Offices in FY 2005. This amount includes \$334,200 from the General Fund and \$966,800 from the CEDC Fund. This amount is unchanged from FY 2004.

The monies in this line item are used to establish business incentives and assistance procedures to retain, expand, or locate businesses and other qualified projects in the state. The program will support international trade offices in Taiwan, Mexico, Europe, and Japan, which assist Arizona businesses in exporting their products. Includes 6 FTE Positions from the General Fund.

National Law Center/Free Trade

The JLBC recommends \$200,000 from the CEDC Fund for National Law Center/ Free Trade in FY 2005. This amount is unchanged from FY 2004.

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 for this line item

is used to match private monies for additional research projects, in addition to defraying center overhead and administrative costs

Business Assistance Center

Minority and Women Owned Business

The JLBC recommends \$104,500 from the CEDC Fund for Minority and Women Owned Business in FY 2005. This amount is unchanged from FY 2004.

Monies in this line item are used to promote the economic development of minority and women-owned business enterprises. Includes 2 FTE Positions.

Small Business Advocate

The JLBC recommends \$103,700 from the CEDC Fund for Small Business Advocate in FY 2005. This amount is unchanged from FY 2004.

Monies in this line item are used to promote the creation and growth of small Arizona businesses. The office also acts as an advocate for small business interests. Includes 2 FTE Positions.

Rural Community Assistance

Economic Development Matching Funds

The JLBC recommends \$104,000 from the CEDC Fund for Economic Development Matching Funds in FY 2005. This amount is unchanged from FY 2004.

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

Main Street

The JLBC recommends \$130,000 from the CEDC Fund for Main Street in FY 2005. This amount is unchanged from FY 2004.

Monies in this line item provide 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 JLBC recommends \$45,000 from the CEDC Fund for Rural Economic Development Initiative (REDI) Matching Grants in FY 2005. This amount is unchanged from FY 2004.

Monies in this line item provide funding for the REDI program. The REDI program offers special community project grants for technical assistance in implementing economic development programs for rural communities.

National Marketing

Advertising and Promotion

The JLBC recommends \$659,200 from the CEDC Fund for Advertising and Promotion in FY 2005. This amount is unchanged from FY 2004.

Monies in this line item are used for advertising and promoting the department’s various programs through magazine ads, direct mail, and special events.

Motion Picture Development

The JLBC recommends \$291,100 from the General Fund for Motion Picture Development in FY 2005. This amount is unchanged from FY 2004.

Monies in this line item are used to attract film and television projects to locations in Arizona through advertising and promotional campaigns. Includes 6 FTE Positions.

Strategic Finance

CEDC Commission

The JLBC recommends \$248,200 from the Lottery Fund for Commerce and Economic Development Commission in FY 2005. This amount is unchanged from FY 2004.

Monies in this line item are used for administration expenses related to the CEDC, 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. Includes 3.5 FTE Positions.

Other

Apprenticeship Services

The JLBC recommends \$156,000 from the General Fund for Apprenticeship Services in FY 2005. This amount is unchanged from FY 2004.

Monies in this line item are used to promote the implementation of apprenticeship programs. Includes 3 FTE Positions.

Oil Overcharge Administration

The JLBC recommends \$156,400 from the Oil Overcharge Fund for Oil Overcharge Administration in FY 2005. This amount is unchanged from FY 2004.

Monies in this line item are used to administer the Oil Overcharge Grant and loan restitution programs. Includes 2 FTE Positions.

Arizona Partnership for a New Economy – High Tech Clusters

The JLBC recommends continuing a footnote to allocate \$250,000 from the CEDC Fund for high technology clusters. As in the FY 2004 budget, there would not be a specific line item in the General Appropriation Act. *(Please see Standard Footnotes below for more information.)*

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JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items by Agency

Standard Footnotes

Of the \$2,926,400 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.

SUMMARY OF FUNDS	FY 2003 Actual	FY 2004 Estimate
Arizona Clean Air (EPA1238/A.R.S. § 41-1516)		Non-Appropriated
Source of Revenue: The Arizona Clean Air Fund (ACAF) has 5 revenue sources. Their descriptions are as follows:		
1) State agency appropriations for purchasing or converting alternative fuel vehicles that have not been spent by the end of each fiscal year. To date, this source has not generated any revenue for the fund.		
2) Monies from the ADEQ Vehicle Repair Grant program that have not been spent at the end of each fiscal year.		
3) A minimum of 29% of revenues from computerized bingo or Pick-3 games and a minimum of 21.5% of revenues from instant bingo games after obligations are met to the Heritage Fund. No revenue is anticipated from this source.		
4) Gifts, grants, donations and interest.		
Purpose of Fund: To provide grants for alternative fuel vehicles and diesel vehicle conversion grants. For this table we assume that all monies available for discretionary spending will be fully utilized in the fiscal year that the funds become available. Laws 2002, Chapter 296 shifted this fund from the Department of Commerce to the Department of Environmental Quality from and after July 1, 2002. Responsibilities for the Clean Air Fund were officially transferred to the Department of Environmental Quality in August 2002. FY 2003 information represents one month worth of activity of the fund. (See <i>Department of Environmental Quality</i> section for further information on FY 2003 and FY 2004.)		
Revenues:		
Balance Forward	7,455,200	0
In-lieu Fees	1,315,100	0
Interest	66,700	0
Total Revenues	8,837,000	0
Funds Expended:		
<u>Required Grants</u>		
Alternate Fuel Vehicle Grants	0	0
Diesel Vehicles/Conversion	27,500	0
Prior Year Obligations	148,500	0
Discretionary Spending	26,400	0
Funds Expended	202,400	0
Transfer to DEQ	8,634,600	0
Year-End Fund Balance	0	0
Commerce Development Bond (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	100,100	120,200
Year-End Fund Balance	1,012,400	1,112,200
Commerce and Economic Development Commission (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	2,260,700	2,926,400
Non-Appropriated Funds Expended	1,167,700	1,027,100
Year-End Fund Balance	5,386,400	4,252,900
Community 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	679,500	513,600
Year-End Fund Balance	758,700	695,100
Donations (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	250,400	250,000
Year-End Fund Balance	360,800	314,800

SUMMARY OF FUNDS	FY 2003 Actual	FY 2004 Estimate
Federal Grants (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	4,592,100	5,862,400
Year-End Fund Balance	451,800	636,700
Greater Arizona Development Authority Revolving (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 million 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	2,286,200	719,500
Year-End Fund Balance	17,935,000	17,569,600
IGA/ISA (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 in order to develop Arizona's workforce in order to compete in a global environment.		
Funds Expended	297,500	300,500
Year-End Fund Balance	19,100	158,600
Indirect Cost Recovery (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	386,300	255,000
Year-End Fund Balance	606,800	501,800
Job Training (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 2003 were \$12.4 million and are estimated to be \$12.5 million in FY 2004 and FY 2005. Interest earned on the fund in FY 2003 was \$600,000.		
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	3,652,700	26,699,000
Year-End Fund Balance	26,073,800	9,346,000
Lottery (EPA2122/A.R.S. § 5-521)		Appropriated
Source of Revenue: Revenues from the sale of Lottery tickets. <i>(See Arizona State Lottery Commission for more detail.)</i>		
Purpose of Fund: This portion of the fund is used to administer the Commerce and Economic Development Commission.		
Funds Expended	212,600	248,200
Year-End Fund Balance	42,300	34,800

SUMMARY OF FUNDS

**FY 2003
Actual****FY 2004
Estimate**

Oil Overcharge (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 in all years.

Appropriated Funds Expended	120,300	156,400
Non-Appropriated Funds Expended	605,900	620,700
Year-End Fund Balance	14,085,100	13,471,000

Recycling (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	88,600	110,000
Year-End Fund Balance	94,000	64,000

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