

## Arizona Commerce Authority

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
Personal Services	4,925,200	5,460,500	5,460,500
Employee Related Expenditures	981,500	1,201,400	1,201,400
Professional and Outside Services	1,754,600	1,489,800	1,489,800
Travel - In State	56,500	87,600	87,600
Travel - Out of State	102,900	156,800	156,800
Other Operating Expenditures	2,106,600	1,548,100	1,548,100
Equipment	72,700	55,800	55,800
<b>OPERATING SUBTOTAL</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000 <sup>1/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Applied Research Centers	2,250,000	0	0
Arizona Competes Fund Deposit	5,500,000	5,500,000	5,500,000 <sup>1/</sup>
Israel Trade Office	271,300	175,000	175,000
Mexico Trade Offices	327,500	500,000	500,000
Rural Broadband Grants	3,000,000	0	0
<b>AGENCY TOTAL</b>	<b>21,348,800</b>	<b>16,175,000</b>	<b>16,175,000</b>
<b>FUND SOURCES</b>			
General Fund	19,098,800	16,175,000	16,175,000
<u>Other Appropriated Funds</u>			
State Web Portal Fund	2,250,000	0	0
SUBTOTAL - Other Appropriated Funds	2,250,000	0	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>21,348,800</b>	<b>16,175,000</b>	<b>16,175,000</b>
Other Non-Appropriated Funds	15,058,700	20,318,900	15,639,300
Federal Funds	1,638,800	2,759,000	2,029,000
<b>TOTAL - ALL SOURCES</b>	<b>38,046,300</b>	<b>39,252,900</b>	<b>33,843,300</b>

**AGENCY DESCRIPTION** — The Arizona Commerce Authority (ACA) promotes economic, community, and workforce development. The ACA's duties include the support of statewide business expansion, retention, attraction, workforce development and job training, online assistance for new business start-ups, and tax credit administration.

### FOOTNOTES

<sup>1/</sup> Pursuant to section 43-409, Arizona Revised Statutes, of the amounts listed above, \$15,500,000 of the state general fund withholding tax revenues is allocated in fiscal year 2020-2021 to the Arizona commerce authority, of which \$10,000,000 is credited to the Arizona commerce authority fund established by section 41-1506, Arizona Revised Statutes, and \$5,500,000 is credited to the Arizona competes fund established by section 41-1545.01, Arizona Revised Statutes. (General Appropriation Act footnote)

#### Operating Budget Deposit

The Baseline includes \$10,000,000 from the General Fund in FY 2022 for the operating budget. This amount is unchanged from FY 2021.

In FY 2020, ACA expended \$11,032,700 of its General Fund deposits. The expenditures were greater than the \$10,000,000 actuals shown in the table above because ACA spent non-lapsing deposits from prior years.

#### Applied Research Centers

The Baseline includes no funding from the State Web Portal Fund in FY 2022 for Applied Research Centers. As of September 2020, ACA plans to expend the remaining \$250,000 in FY 2021 on the Institute of Automated Mobility. Any of this money unspent as of June 30, 2023 will revert back to the State General Fund. ACA is required to report to the President of the Senate and the Speaker

of the House of Representatives by July 1 of both 2020 and 2021 if it has not distributed any of the \$2,500,000.

Private and public sector research centers applied for funding to perform research on blockchain technology, wearables, and automated mobility. The funds were distributed as follows:

- \$1,250,000 to applied research centers that specialize in blockchain technology.
- \$750,000 to applied research centers that specialize in wearable technology.
- \$500,000 to the Institute of Automated Mobility (IAM), which performs research on automated vehicle science issues related to safety and policy.

As of September 2020, \$2,250,000 of the monies have been distributed. The remaining \$250,000 for IAM is awaiting matching funds. *(For more information on the history of the Applied Research Centers program, please see the FY 2021 Appropriations Report.)*

#### **Arizona Competes Fund Deposit**

The Baseline includes \$5,500,000 from the General Fund in FY 2022 for deposit into the Arizona Competes Fund. This amount is unchanged from FY 2021.

Additionally, the fund also receives a non-appropriated deposit of \$3,500,000 in lottery revenues pursuant to A.R.S. § 4-572. In total, the fund receives \$9,000,000 annually.

At least 30% of monies appropriated to the Arizona Competes Fund are to be used for rural and small business grants. Of this amount, 30%, up to \$1,000,000, is reserved for microenterprise development.

Microenterprises are businesses that employ 10 or fewer employees including start-ups, home-based businesses, and self-employed businesses.

A further 25% of the monies are reserved for businesses not located in Maricopa County with preference given to a county located on the Arizona-Mexico border, a county in which a military facility is located, or projects on tribal lands. The 25% allocation is no longer reserved for these purposes after March 31 of each fiscal year.

Monies in the Arizona Competes Fund are utilized to issue grants to attract, retain, and support businesses in Arizona. *(Please see Other Issues section for Arizona Competes Fund Grants and Expenditures by year.)*

#### **Israel Trade Office**

The Baseline includes \$175,000 from the General Fund in FY 2022 to operate a trade office in Israel. This amount is unchanged from FY 2021.

#### **Mexico Trade Offices**

The Baseline includes \$500,000 from the General Fund in FY 2022 to operate trade offices in Mexico. This amount is unchanged from FY 2021.

In FY 2015 through FY 2019, the Mexico Trade Office line item received an annual appropriation of \$300,000 which has been used to lease a 2-story building in central Mexico City that services as the Mexico City Trade Office and hire 4 contract workers to run the office. Additional offices in Guanajuato and Chihuahua opened in December 2019 and January 2020, respectively.

#### **Other Issues**

#### **Arizona Competes Fund Grants and Expenditures**

As of July 2020, ACA made \$96,500,000 in commitments and expended \$58,600,000 from the Competes Fund from FY 2012 through FY 2020. See *Table 1* for expenditures and commitments by fiscal year.

Currently, 3 types of grants are awarded from the fund: 1) Competes Fund grants for businesses that are expanding in or relocating to Arizona; 2) Arizona Innovation Challenge grants for early-stage start-up companies; and 3) Rural Economic Development grants for local governments to improve infrastructure and attract businesses.

**Table 1**

#### **Arizona Competes Fund Commitments and Expenditures by Award Year**

<u>Award Year</u>	<u>Commitments</u>	<u>Expenditures</u>
FY 2012	\$ 7,097,000	\$ 6,445,500
FY 2013	7,953,000	7,638,400
FY 2014	10,029,200	7,942,700
FY 2015	10,180,100	7,406,700
FY 2016	6,350,000	4,721,400
FY 2017	13,551,500	7,750,200
FY 2018	17,300,000	11,272,500
FY 2019	12,250,000	1,349,800
FY 2020	<u>11,778,800</u>	<u>4,056,700</u>
<b>Total</b>	<b>\$96,489,500</b>	<b>\$58,583,900</b>

## COVID-Related Spending

As part of the state response to COVID-19, the Executive has allocated monies for state agency-related programs. As of October 2020 the Executive's spending plan included a total of \$21,599,500 for ACA-related programs. Of this amount, \$8,599,500 is from the Arizona Coronavirus Relief Fund (CRF) for COVID-19 relief, \$2,000,000 from the federal CRF to assist Arizona business and economic development, and \$11,000,000 is from the Crisis

Contingency and Safety Net Fund (CCSNF) for economic assistance to small businesses and local chambers of commerce. Another \$1,000,000 from the CCSNF has been distributed to assist bars and restaurants in expanding their outdoor dining spaces. *(Please see the COVID-Related Spending Summary at the front of this book for more information.)*

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Application Fees Fund (CAA3005/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A processing fee equal to 1% of the relevant tax credit being refunded per tax credit application.		
<b>Purpose of Fund:</b> To provide funding for staff to determine if taxpayers who qualify for a tax credit for increased research activities qualify for other income tax funds.		
<b>Funds Expended</b>	998,800	1,018,300
<b>Year-End Fund Balance</b>	3,124,700	3,132,900
<b>Arizona Commerce Authority Carryover Fund (CAA1001/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Leftover funds and residual revenue transferred from various funds belonging to the Arizona Department of Commerce.		
<b>Purpose of Fund:</b> To provide deal closing grants to businesses for the purpose of attracting, expanding, or retaining businesses and to support programs and projects for rural Arizona and small businesses that enhance economic development.		
<b>Funds Expended</b>	1,313,200	630,800
<b>Year-End Fund Balance</b>	426,000	100,700
<b>Arizona Commerce Authority Fund (CAA2547/A.R.S. § 41-1506)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> An annual deposit of \$10,000,000 in corporate income tax withholding revenues, gifts, grants, and other donations.		
<b>Purpose of Fund:</b> To fund the operating costs of the Authority. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	503,600	503,600
<b>Arizona Competes Fund (CAA2548/A.R.S. § 41-1545.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receives an annual deposit of \$11,500,000 in income tax withholding revenues, \$3,500,000 in lottery ticket sales revenues, gifts, grants, and other donations. The deposit made from income tax withholding revenues is reduced to \$5,500,000 in FY 2020 and thereafter.		
<b>Purpose of Fund:</b> To provide deal closing grants to businesses for the purpose of attracting, expanding, or retaining businesses and to support programs and projects for rural Arizona and small businesses that enhance economic development. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	55,048,400	55,048,400
<b>Arizona Coronavirus Relief Fund (CAA3002/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Donations from individuals and organizations.		
<b>Purpose of Fund:</b> Fund established under the Governor's Arizona Together Initiative during the COVID-19 pandemic. Monies in the fund are distributed by the Governor to support COVID-19 relief efforts.		
<b>Funds Expended</b>	7,722,600	876,900
<b>Year-End Fund Balance</b>	782,000	0

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Arizona Innovation Accelerator Fund (CAA9507/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Funds in the form of loans from the U.S. Department of Treasury under the State Small Business Credit Initiative Act of 2010.		
<b>Purpose of Fund:</b> To provide loans to small businesses and foster business expansion, capital investment, and job creation in Arizona.		
<b>Funds Expended</b>	378,200	109,000
<b>Year-End Fund Balance</b>	18,852,500	18,837,100
<b>Arizona Job Training Fund (CAA1237/A.R.S. § 41-1544)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, gifts, grants, and interest earned on investments. The FY 2015 Revenue Budget Reconciliation Bill repealed the job training tax that had been previously deposited in the fund effective December 31, 2015. Laws 2017, Chapter 307 allows ACA to continue to make grants from the fund until December 31, 2020, and grantees must expend all funds by June 20, 2022, when the fund expires. Any monies in the fund as of the repeal date shall be transferred to the General Fund.		
<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 post-secondary 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 rural and small businesses.		
<b>Funds Expended</b>	3,098,900	12,650,000
<b>Year-End Fund Balance</b>	24,028,300	11,464,600
<b>Donations Fund (CAA3189/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, grand, or donation.		
<b>Funds Expended</b>	47,800	50,000
<b>Year-End Fund Balance</b>	47,000	15,000
<b>Federal Funds (CAA2000/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 federal grants.		
<b>Funds Expended</b>	1,260,600	2,650,000
<b>Year-End Fund Balance</b>	(261,900)	(284,400)
<b>Institute for Automated Mobility Fund (CAA4080/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Private donations, grant proceeds, and support from other ACA funds		
<b>Purpose of Fund:</b> To account for the activities related to the Institute for Automated Mobility established by Executive Order 2018-09 to support the advancement of autonomous vehicles in Arizona		
<b>Funds Expended</b>	240,000	500,000
<b>Year-End Fund Balance</b>	90,000	260,000
<b>Israel Trade Office Fund (CAA1021/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> General Fund as well as donations from public and private entities.		
<b>Purpose of Fund:</b> The office will assist the state's international trade and foreign direct investment opportunities. Expenditures are not displayed to avoid double counting the original General Fund appropriations.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,700	3,600

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Mexico Trade Office Fund (CAA1020/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> General Fund, the City of Phoenix, the City of Tucson, Maricopa Association of Governments, and other public and private entities.		
<b>Purpose of Fund:</b> The office will assist Arizona companies in entering the Mexican market. It will also expand the state's international trade and foreign direct investment opportunities. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	310,200	310,300
<b>RevAZ Fund (CAA9971/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees paid by private-sector entities for services in conjunction with the federal Manufacturing Extension Partnership.		
<b>Purpose of Fund:</b> To assist in manufacturing sector business development and management.		
<b>Funds Expended</b>	830,700	1,044,200
<b>Year-End Fund Balance</b>	166,300	262,100
<b>Rural Broadband Grants Fund (CAA1006/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> To expand Internet access to rural households, schools, and libraries. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,000,000	0
<b>State Web Portal Fund (CAA2531/A.R.S. § 18-421)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, web portal usage fees, private grants or donations, or federal government funding.		
<b>Purpose of Fund:</b> To distribute to applied research centers and the Institute of Automated Mobility who specialize in blockchain, wearable technology or automated mobility research.		
<b>Funds Expended</b>	2,250,000	0
<b>Year-End Fund Balance</b>	250,000	0
<b>State Workforce Programs (CAA1025/A.R.S. § 41-1504)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Intrastate agreements between the ACA and the Governor's Office. Funding also comes from a portion of the state's allocation from the federal Workforce Innovation and Opportunity Act.		
<b>Purpose of Fund:</b> To carry out workforce-related projects on behalf of the Governor's Office.		
<b>Funds Expended</b>	806,700	3,548,700
<b>Year-End Fund Balance</b>	(73,100)	(20,100)