

## Arizona Commerce Authority

|                                                      | FY 2021<br>ACTUAL | FY 2022<br>ESTIMATE | FY 2023<br>APPROVED             |
|------------------------------------------------------|-------------------|---------------------|---------------------------------|
| <b>OPERATING BUDGET</b>                              |                   |                     |                                 |
| Personal Services                                    | 5,460,500         | 5,460,500           | 5,460,500                       |
| Employee Related Expenditures                        | 1,201,400         | 1,201,400           | 1,201,400                       |
| Professional and Outside Services                    | 1,489,800         | 1,489,800           | 1,489,800                       |
| Travel - In State                                    | 87,600            | 87,600              | 87,600                          |
| Travel - Out of State                                | 156,800           | 156,800             | 156,800                         |
| Other Operating Expenditures                         | 1,548,100         | 1,548,100           | 1,548,100                       |
| Equipment                                            | 55,800            | 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>                            |                   |                     |                                 |
| Arizona Competes Fund Deposit                        | 5,500,000         | 55,500,000          | 5,500,000                       |
| Asian Trade Offices                                  | 0                 | 0                   | 750,000                         |
| Blockchain/Wearable Research                         | 0                 | 5,000,000           | 5,000,000 <sup>2/</sup>         |
| Economic Development Marketing and Attraction        | 0                 | 0                   | 1,000,000                       |
| Frankfurt, Germany Trade Office                      | 0                 | 250,000             | 500,000                         |
| Israel Trade Office                                  | 175,000           | 175,000             | 300,000                         |
| Major Events Fund Deposit                            | 0                 | 7,500,000           | 7,500,000 <sup>3/</sup>         |
| Mexico Trade Offices                                 | 500,000           | 500,000             | 500,000                         |
| Water Infrastructure and Commerce Grant Fund Deposit | 0                 | 0                   | 15,000,000                      |
| <b>AGENCY TOTAL</b>                                  | <b>16,175,000</b> | <b>78,925,000</b>   | <b>46,050,000</b>               |
| <b>FUND SOURCES</b>                                  |                   |                     |                                 |
| General Fund                                         | 16,175,000        | 78,925,000          | 41,050,000                      |
| <u>Other Appropriated Funds</u>                      |                   |                     |                                 |
| State Web Portal Fund                                | 0                 | 0                   | 5,000,000                       |
| SUBTOTAL - Other Appropriated Funds                  | 0                 | 0                   | 5,000,000                       |
| <b>SUBTOTAL - Appropriated Funds</b>                 | <b>16,175,000</b> | <b>78,925,000</b>   | <b>46,050,000</b>               |
| Other Non-Appropriated Funds                         | 18,864,000        | 26,795,600          | 26,795,600                      |
| Federal Funds                                        | 6,153,100         | 5,359,000           | 5,359,000                       |
| <b>TOTAL - ALL SOURCES</b>                           | <b>41,192,100</b> | <b>111,079,600</b>  | <b>78,204,600</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 2022-2023 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)
- <sup>2/</sup> The authority shall distribute the monies in the blockchain/wearable research line item to applied research centers located in this state that specialize in blockchain technology, wearable technology or a technology discipline approved by the authority to be allocated as follows:
1. \$500,000 for distribution to applied research centers that specialize in blockchain technology.
  2. \$3,000,000 for distribution to applied research centers that specialize in wearable technology, including hardware or software components, or both.
  3. \$1,500,000 for distribution to applied research centers in a technology discipline that is approved by the authority. Subject to available funding, the authority shall distribute monies appropriated in the blockchain/wearable research line item to any applied research center in increments of up to \$250,000 within thirty days after the applied research center

notifies the authority in writing that the applied research center has received a matching amount from sources other than this state. Monies that have been previously appropriated to the authority for potential distribution to an applied research center that specializes in blockchain technology that have not been distributed may be distributed to an applied research center that specializes in wearable technology, including hardware or software components, or both, or in a technology discipline approved by the Arizona commerce authority if the application for such distribution is in compliance with this section.

An applied research center that receives a distribution pursuant to this section must collaborate with universities, nonprofit business associations, health science research centers, institutes or other technology businesses that do business in this state. On or before September 15, 2026, the applied research center or institute shall return to the authority all monies received by the applied research center or institute pursuant to this section that remain unexpended and unencumbered on September 1, 2026. The authority shall deposit the returned monies in the state web portal fund established by section 18-421, Arizona Revised Statutes. The authority shall notify the president of the senate and the speaker of the house of representatives on or before July 1, 2023 and July 1, 2024 if the authority has not distributed any monies pursuant to this section.

An applied research center or institute that receives monies pursuant to this section shall annually submit an expenditure and performance report to the authority. On or before February 1 of each year, the authority shall transmit the report to the joint legislative budget committee and the governor's office of strategic planning and budgeting. For the purposes of this section, the authority is exempt from the requirements of title 41, chapter 23, Arizona Revised Statutes.

The appropriation made in the blockchain/wearable research line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, except that any amounts that remain unexpended and unencumbered on June 30, 2026 revert to the state web portal fund. (General Appropriation Act footnote)

- 3/ The \$7,500,000 appropriated in the major events fund deposit line item pursuant to laws 2021, chapter 408, section 17 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations, until June 30, 2023. (General Appropriation Act footnote)

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#### ***Operating Budget Deposit***

The budget includes \$10,000,000 from the General Fund in FY 2023 for the operating budget. This amount is unchanged from FY 2022.

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

The budget includes \$5,500,000 from the General Fund in FY 2023 for deposit into the Arizona Competes Fund. FY 2023 adjustments are as follows:

##### **Remove One Time Funding**

The budget includes a decrease of \$(50,000,000) from the General Fund in FY 2023 for removal of a one-time deposit into the Arizona Competes Fund.

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.

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.

Monies in the Arizona Competes Fund are utilized to issue grants to attract, retain, and support businesses in Arizona.

#### ***Asian Trade Offices***

The budget includes \$750,000 from the General Fund in FY 2023 for a new Asian Trade Offices line item. FY 2023 adjustments are as follows:

##### **Establish Two Offices**

The budget includes an increase of \$750,000 from the General Fund in FY 2023 to set up and operate 2 trade offices in Asia.

#### ***Blockchain/Wearable Research***

The budget includes \$5,000,000 from the State Web Portal Fund in FY 2023 for Blockchain/Wearable Research. FY 2023 adjustments are as follows:

#### **Remove One Time Funding**

The budget includes a decrease of \$(5,000,000) from the General Fund in FY 2023 for removal of one-time funding for research into blockchain and wearable technology.

#### **Add One Time Funding**

The budget includes an increase of \$5,000,000 from the State Web Portal Fund in FY 2023 for research into blockchain and wearable technology.

Of the monies in this line item for FY 2023, \$500,000 is to be distributed to applied research centers specializing in blockchain research, \$3,000,000 is dedicated to applied research centers specializing in wearable technology, and the remaining \$1,500,000 is to be distributed to applied research centers in a technology discipline approved by the authority.

#### **Economic Development Marketing and Attraction**

The budget includes \$1,000,000 from the General Fund in FY 2023 for a new Economic Development Marketing and Attraction line item. FY 2023 adjustments are as follows:

##### **Establish New Line Item**

The budget includes an increase of \$1,000,000 from the General Fund in FY 2023 for ongoing funding for economic development marketing. The funding will be used for such activities as a marketing campaign designed to attract industries such as advanced manufacturing to Arizona.

#### **Frankfurt, Germany Trade Office**

The budget includes \$500,000 from the General Fund in FY 2023 for the Frankfurt, Germany Trade Office. FY 2023 adjustments are as follows:

##### **Increase Funding**

The budget includes an increase of \$250,000 from the General Fund in FY 2023 for increased costs of operating a trade office in Frankfurt, Germany. The budget also converts \$250,000 of funding designated as one-time in the FY 2022 budget as ongoing funding.

#### **Israel Trade Office**

The budget includes \$300,000 from the General Fund in FY 2023 for the Israel Trade Office. FY 2023 adjustments are as follows:

##### **Increase Funding**

The budget includes an increase of \$125,000 from the General Fund in FY 2023 for increased costs of operating a trade office in Israel.

#### **Major Events Fund Deposit**

The budget includes \$7,500,000 from the General Fund in FY 2023 to be deposited into the Major Events Fund. This amount is unchanged from FY 2022.

The Major Events Fund was initially created by the FY 2022 Budget Procedures Budget Reconciliation Bill (BRB), which was determined by the Arizona Supreme Court to be unconstitutional. The FY 2023 Budget Implementation BRB re-established the fund in statute. A General Appropriation Act footnote makes the FY 2022 appropriation non-lapsing until the end of FY 2023.

The FY 2022 budget's 3-year spending plan includes funding the program at \$7,500,000 annually as a pilot program through FY 2025.

#### **Mexico Trade Offices**

The budget includes \$500,000 from the General Fund in FY 2023 to operate trade offices in Mexico. This amount is unchanged from FY 2022.

Currently, the ACA funds trade offices in Mexico City, Guanajuato, and Chihuahua.

#### **Water Infrastructure and Commerce Grant Fund Deposit**

The budget includes \$15,000,000 from the General Fund in FY 2023 for a Water Infrastructure and Commerce Grant Fund Deposit. FY 2023 adjustments are as follows:

##### **One-Time Deposit**

The budget includes a one-time increase of \$15,000,000 from the General Fund in FY 2023 for the distribution of water infrastructure grants via the Water Infrastructure and Commerce Grant Fund. This fund was established by the Environment BRB and is intended to provide water infrastructure grants to public service corporations acting on behalf of an employer with at least 250 employees and that are located in a county with a population of not less than 400,000 and less than 1,000,000.

#### **Other Issues**

#### **Statutory Changes**

The Budget Implementation BRB makes the following statutory change:

- As permanent law, establishes the Major Events Fund consisting of monies appropriated by the Legislature for a special event promotion and attraction pilot program. Monies are non-lapsing and can be used for

planning and operations of competitively bid major events, grants to local organizing committees for infrastructure and operations costs of major events, and other economic development activities associated with major event operations. The authority must report semi-annually on expenditures from the fund.

The Environment BRB makes the following statutory change:

- As permanent law, establishes the non-appropriated Water Infrastructure and Commerce Grant Fund consisting of legislative appropriations, donations, and federal monies to provide water infrastructure grants to public service corporations acting on behalf of an employer with at least 250 employees and that are located in a county with a population of not less than 400,000 and less than 1,000,000. Up to 1% of monies in the fund may be used for administrative costs. The authority must submit a report to the Joint Legislative Budget Committee on or before December 15 of each year that includes actual expenditures from the fund, detailing expenditures by project and including an expenditure plan for any remaining monies.