

# Arizona Commerce Authority

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 APPROVED
<b>OPERATING BUDGET</b>			
Personal Services	5,581,000	6,212,200	6,212,200
Employee Related Expenditures	1,288,800	1,482,000	1,482,000
Professional and Outside Services	774,700	433,400	433,400
Travel - In State	86,800	121,500	121,500
Travel - Out of State	105,600	107,500	107,500
Other Operating Expenditures	1,947,300	5,038,600	1,538,600
Equipment	215,800	104,800	104,800
<b>OPERATING SUBTOTAL</b>	<b>10,000,000</b>	<b>13,500,000</b>	<b>10,000,000 <sup>1/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Arizona Competes Fund Deposit	5,500,000	500,000	500,000
Blockchain/Wearable Research	5,000,000	0	0
Wearable Technology Research	0	2,500,000	0
Economic Development Marketing and Attraction	1,000,000	1,000,000	500,000
Economic Transition Resources	0	9,000,000	0
Major Events Fund Deposit	7,500,000	0	0
Rural Broadband Accelerated Match Fund Deposit	0	0 <sup>2/</sup>	0
Small Business Center Grants	0	0	500,000
Water Infrastructure and Commerce Grant Fund Deposit	15,000,000	7,000,000	0
Asia-Pacific Trade Office	0	750,000	0
Asia Trade Offices	750,000	750,000	750,000
Canada Trade Office	0	750,000	0
Frankfurt, Germany Trade Office	500,000	500,000	500,000
Israel Trade Office	300,000	300,000	300,000
Mexico Trade Offices	500,000	500,000	500,000
Trade Office Funding	0	2,000,000	0
<b>AGENCY TOTAL</b>	<b>46,050,000</b>	<b>39,050,000</b>	<b>13,550,000 <sup>3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	41,050,000	39,050,000	13,550,000
<u>Other Appropriated Funds</u>			
State Web Portal Fund	5,000,000	0	0
SUBTOTAL - Other Appropriated Funds	5,000,000	0	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>46,050,000</b>	<b>39,050,000</b>	<b>13,550,000</b>
Other Non-Appropriated Funds	10,109,700	14,149,900	14,149,900
Federal Funds	8,095,200	63,088,400	63,088,400
<b>TOTAL - ALL SOURCES</b>	<b>64,254,900</b>	<b>116,288,300</b>	<b>90,788,300</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**

- 1/ Pursuant to section 43-409, Arizona Revised Statutes, of the amounts listed above, \$10,500,000 of the state general fund withholding tax revenues is allocated in fiscal year 2023-2024 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 \$500,000 is credited to the Arizona competes fund established by section 41-1545.01, Arizona Revised Statutes. (General Appropriation Act footnote)
- 2/ The FY 2024 budget included \$23,600,000 from the General Fund in FY 2024 for a deposit into the Rural Broadband Accelerated Match Fund. Laws 2024, Chapter 209, Section 117 eliminates this appropriation.

**Operating Budget Deposit**

The budget includes \$10,000,000 from the General Fund in FY 2025 for the operating budget. Adjustments are as follows:

**Remove State Rural Development Council**

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2025 for removal of one-time monies for distribution to a federally recognized state rural development council in the national rural development partnership in this state to partner with businesses, community leaders, service organizations, economic development organizations and rural municipalities to work directly in rural communities across this state.

**Remove Small Business Program for Inmates**

The budget includes a decrease of \$(500,000) from the General Fund in FY 2025 for removal of one-time funding to establish and administer a small business incubator program to assist current and former inmates who are participating in a state program in which the State Department of Corrections and the Department of Economic Security collaborate and bring comprehensive services to inmates who are nearing release. On or before September 1, 2024, ACA shall submit a report to the Directors of the JLBC and the Governor's Office of Strategic Planning and Budgeting on the program implementation, the number of participants, the industry of employment or entrepreneurship and program results, including the recidivism rates of program participants.

**Remove Economic Development Study**

The budget includes a decrease of \$(500,000) from the General Fund in FY 2025 for removal of one-time monies for distribution to a nonpartisan public foundation in this state that is qualified under section 501(c)(3) of the Internal Revenue Code and that is associated with a statewide business trade organization that is qualified under section 501(c)(6) of the Internal Revenue Code and that represents multiple industries to develop a strategic framework for policymakers to continue job growth, economic diversification and private sector investments that will make this state a top state economy and international trading partner by 2030.

**Remove Commercial Truck Driver Shortage Grant**

The budget includes a decrease of \$(500,000) from the General Fund in FY 2025 for removal of one-time monies for distribution to a membership organization in this state that is qualified under section 501(c)(6) of the Internal Revenue Code and that serves as a resource hub for all small businesses in this state to establish a program to recruit and retain truck drivers.

**Remove Small Business Export Assistance**

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2025 for removal of one-time augmented funding for the Arizona State Trade Expansion Program, which helps small businesses enter foreign markets.

The FY 2024 one-time appropriations are non-lapsing.

**Arizona Competes Fund Deposit**

The budget includes \$500,000 from the General Fund in FY 2025 for deposit into the Arizona Competes Fund. This amount is unchanged from FY 2024.

Each year, in addition to this deposit pursuant to A.R.S. § 43-409, the Arizona Competes Fund also receives a non-appropriated deposit of \$3,500,000 in lottery revenues pursuant to A.R.S. § 5-572. In total, the fund receives \$4,000,000 annually. As session law, the FY 2025 Amusements Budget Reconciliation Bill (BRB) reduces the \$3.5 million deposit from lottery revenues to \$1,750,000 from FY 2025 through FY 2027, after which the annual deposit will revert to \$3,500,000.

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

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.

**Wearable Technology Research**

The budget includes no funding in FY 2025 for the Wearable Technology Research line item. Adjustments are as follows:

**Remove One-Time Funding**

The budget includes a decrease of \$(2,500,000) from the General Fund in FY 2025 for one-time funding for research into wearable technology.

Monies in this line item are for distribution to applied research centers which work with Arizona businesses or public institutions to develop wearable technologies.

Pursuant to an FY 2024 General Appropriation Act footnote, the authority shall, within 30 days of receiving a valid written submission, distribute up to \$250,000 of the monies in this line item to each qualifying applied research center that has received equal or greater funding from sources other than the State of Arizona. The FY 2024 appropriation is non-lapsing through June 30, 2027.

**Economic Development Marketing and Attraction**

The budget includes \$500,000 from the General Fund in FY 2025 for the Economic Development Marketing and Attraction line item. Adjustments are as follows:

**Reduce Ongoing Appropriation**

The budget includes a decrease of \$(500,000) from the General Fund in FY 2025 for a reduction in the appropriation to the Economic Development Marketing and Attraction line item.

Monies in this line item fund marketing campaigns designed to attract industries such as advanced manufacturing to Arizona.

**Economic Transition Resources**

The budget includes no funding in FY 2025 for the Economic Transition Resources line item. Adjustments are as follows:

**Remove One-Time Deposit**

The budget includes a decrease of \$(9,000,000) from the General Fund in FY 2025 for removal of a one-time distribution to a non-profit to provide funding for various capital projects in areas within 20 miles of a coal mine which closed in the past 5 years.

**Rural Broadband Accelerated Match Fund Deposit**

The budget includes no funding in FY 2025 for the Rural Broadband Accelerated Match Fund Deposit line item. This amount is unchanged from FY 2024.

The FY 2024 budget included \$23,600,000 from the General Fund in FY 2024 for a one-time deposit into the Rural Broadband Accelerated Match Fund. The FY 2025 budget eliminates this funding. *(Please see the Other Issues – FY 2024 Supplemental Reduction section).* The Commerce Budget Reconciliation Bill (BRB) repeals the fund.

**Small Business Center Grants**

The budget includes \$500,000 from the General Fund in FY 2025 for Small Business Center Grants. Adjustments are as follows:

**Establish New Grant Program**

The budget includes a one-time increase of \$500,000 from the General Fund in FY 2025 for grants to business centers and entrepreneur support organizations that provide business training, business coaching, and technical assistance to underserved small business owners.

**Water Infrastructure and Commerce Grant Fund Deposit**

The budget includes no funding in FY 2025 for the Water Infrastructure and Commerce Grant Fund Deposit line item. Adjustments are as follows:

**Remove One-Time Deposit**

The budget includes a decrease of \$(7,000,000) from the General Fund in FY 2025 for the removal of a deposit for the distribution of water infrastructure grants via the Water Infrastructure and Commerce Grant Fund. The FY 2023 budget included \$15,000,000 in one-time funding in addition to the \$7,000,000 FY 2024 appropriation.

This fund provides 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 between 400,000 and 1,000,000.

**Trade Offices**

**Asia-Pacific Trade Office**

The budget includes no funding in FY 2025 for the Asia-Pacific Trade Office line item. Adjustments are as follows:

**Remove One-Time Funding**

The budget includes a decrease of \$(750,000) from the General Fund in FY 2025 for removal of one-time funding for a trade office in the Asia-Pacific region. The FY 2024 appropriation to this line item is non-lapsing.

**Asia Trade Offices**

The budget includes \$750,000 from the General Fund in FY 2025 for the Asia Trade Offices line item. This amount is unchanged from FY 2024.

Currently, the ACA funds one trade office each in South Korea and Taiwan.

**Canada Trade Office**

The budget includes no funding in FY 2025 for the Canada Trade Office line item. Adjustments are as follows:

**Remove One-Time Funding**

The budget includes a decrease of \$(750,000) from the General Fund in FY 2025 for removal of one-time funding for a trade office in Canada. The FY 2024 appropriation to this line item is non-lapsing.

**Frankfurt, Germany Trade Office**

The budget includes \$500,000 from the General Fund in FY 2025 for the Frankfurt, Germany Trade Office. This amount is unchanged from FY 2024.

**Israel Trade Office**

The budget includes \$300,000 from the General Fund in FY 2025 for the Israel Trade Office. This amount is unchanged from FY 2024.

**Mexico Trade Offices**

The budget includes \$500,000 from the General Fund in FY 2025 to operate trade offices in Mexico. This amount is unchanged from FY 2024.

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

**Trade Office Funding**

The budget includes no funding in FY 2025 for the Trade Office Funding line item. Adjustments are as follows:

**Remove One-Time Deposit**

The budget includes a decrease of \$(2,000,000) from the General Fund in FY 2025 for removal of one-time augmented funding for the authority's trade offices.

An FY 2024 General Appropriation Act footnote requires ACA, on or before December 1, 2023, to submit a report to the Senate President, the Speaker of the House of Representatives and the Director of the JLBC detailing the authority's implementation plan for the monies in the Trade Office Funding line item, including proposed trade office locations.

ACA submitted this report on December 1, 2023, stating their intent to open new trade offices in the United Kingdom, India, and Brazil at a cost of \$500,000 each. ACA intends the remaining \$500,000 to cover services at existing trade offices, including setting up trade fairs and sending delegations abroad.

**Other Issues**

This section includes information on the following topics:

- FY 2024 Supplemental Reduction
- Statutory Changes
- Fund Transfers
- Auditor General Report
- Agency Continuation

**FY 2024 Supplemental Reduction**

The FY 2025 budget includes an FY 2024 supplemental reduction of \$(23,600,000) from the General Fund to eliminate one-time funding for a deposit into the Rural Broadband Accelerated Match Fund. *(Please see the Rural Broadband Accelerated Match Fund Deposit line item.)*

**Statutory Changes**

The Commerce BRB makes the following statutory changes:

- As permanent law, repeals the Rural Broadband Accelerated Match Fund established by Laws 2023, Chapter 136, Section 2.

The Amusements BRB makes the following statutory changes:

- As session law, reduces the Arizona Commerce Authority lottery allocation from \$3.5 million to \$1.75 million in fiscal years FY 2025-FY 2027.

**Fund Transfers**

The budget includes the following transfers from this agency's funds to the General Fund:

	<b>FY 2024</b>
Arizona Competes Fund	\$55,700,000

**Auditor General Report**

In September 2023, the Auditor General published a sunset review for the Arizona Commerce Authority covering its tax credit documentation, grant administration, and other general functions. The Auditor General made the following key recommendation:

- The authority should ensure tax credit and grant recipients meet all requirements by developing procedures for verifying recipient-reported

information and documenting this verification prior to approving tax credits or distributing grant monies.

### **Agency Continuation**

In addition to continuing the ACA through June 30, 2029, Laws 2024, Chapter 206 contains the following provisions relative to the Authority:

- Requires the ACA annual report to include the estimated number of indirect jobs created as a result of the Authority's activities and requires the report to be sent to the President of the Senate and Speaker of the House.
- Requires, by September 30 of each year, every city, town, and county in Arizona to submit to the ACA selected statistics for the preceding fiscal year relating to the speed of construction activities. ACA will then compile, analyze, and send a report on those figures to the Governor, Secretary of State, President of the Senate, and Speaker of the House by December 31.
- Establishes the Municipality Time Frames Advisory Committee within the Authority, which will submit recommendations to the ACA relating to municipal and county support for economic development projects to be included in the ACA's collected statistical data from cities, towns and counties.
- Prohibits the Authority from having more than 100 full-time employees, excluding any full-time employees that are funded with monies other than state monies.
- Requires the Authority to adopt policies that prohibit using state monies to provide business executives lodging, alcoholic beverages, personal transportation, or tickets to entertainment events for the purpose of attracting businesses to Arizona.
- Requires the CEO to report quarterly to the President of the Senate and the Speaker of the House detailing any amendments to written agreements made with applicants for Competes Fund grants.
- Adds an attorney appointed jointly by the President of the Senate and the Speaker of the House and who has experience litigating gift clause cases to the list of technical advisers to the ACA Board of Directors.
- Requires the ACA to record the public portion of board meetings and post the recordings on its website within 3 business days.