

Governor's Commerce Advisory Council

REPORT



March 2010



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Executive Summary

Arizona needs a game change and a team effort like it has never seen before. Our state's massive population influx has masked its lackluster performance in job creation, economic diversification and global competitiveness. Today's economic realities underscore how Arizona can no longer rely on population growth as its primary industry.

Arizona's 20th century approach to economic development needs to be revamped and modernized. To be competitive in this 21st century economy and provide Arizonans with high quality, well paying jobs and career opportunities, we need a new game plan. And we need it now.

For the past several years, the State of Arizona has suffered the consequences of the absence of a clearly defined economic development vision, reduced investment in economic development and persistent cutbacks to its Department of Commerce while mandated programs have multiplied.

Today, Arizona is at its most serious economic crossroads in recent history. It is therefore essential that we immediately build a stronger and more effective economic development delivery system – one that withstands political and fiscal vagaries that have plagued this vital function for many years, and one that improves our state's performance and helps to regain our competitive edge. This requires leveraging Arizona's assets and current job base to focus on industries with the greatest potential for our state, the creation of a competitive tool kit to attract and retain those industries and jobs, and a steadfast and long-term commitment by leaders to set aside partisan politics, intra-state economic development competitiveness and headline attention grabbing. History has proven that when we come together with a collaborative team spirit in Arizona, we do, in fact, achieve extraordinary results.

In response to concerns related to leadership, focus, productivity and dwindling state funding, Governor Jan Brewer created the Governor's Commerce Advisory Council to recommend a new statewide economic development delivery structure to advance Arizona's global competitiveness and provide much needed leadership. She appointed Don Cardon as Commerce Director, knowing his experience as both an economic developer and successful businessman would align with her vision, and charged him to focus on an economic advancement strategy for the state. Governor Brewer called on Arizona business leader Jerry Colangelo to chair the Council, empowering him to act swiftly but in a calculated manner considering the importance of this task for the future of Arizona's economy. Further, Governor Brewer and the Council engaged Sara Dial, former Commerce Director (1993-96) and current international site location specialist, and retained her firm to conduct the research and stakeholder outreach for the eight-member Council.

The Council reviewed the current Arizona Commerce Department structure; studied best practices around the globe involving privately led, publicly mandated and public-private collaborative organizations; and engaged more than 320 Arizona leaders through focus groups and stakeholder meetings representing 180 public and private sector organizations from rural and urban areas throughout our state.

The results of this work validate the need for Arizona to make dramatic shifts to its economic development leadership and delivery structure in both focus and function that is long-lasting, impactful and laser-focused to grow Arizona businesses and attract new companies to our state.

Key Findings

Arizona Department of Commerce Findings

The Arizona Department of Commerce is currently charged with 57 statutorily mandated initiatives and 16 Executive Order assignments (see Appendix A), backed by minimal state funding support. The agency's focus on economic development matters has been diluted and its ability to maximize economic development opportunities in today's global business environment has been weakened. No business can thrive or, in most cases, survive under these circumstances. Additional findings include:

- Total state funding for the Arizona Department of Commerce has been reduced by 31%, from \$9,178,400 in FY 2008 to \$6,083,500 in FY 2010.
- As a politically appointed position, turnover of the Commerce Director has resulted in seven individuals serving in the past 10 years, creating a significant lack of continuity.
- While the agency has created numerous economic development strategic plans, they have not received broad based support or been fully implemented.
- Governor Brewer's direct involvement in recent new business locate negotiations has resulted in the creation of thousands of quality jobs for Arizonans.

Statewide Focus Group Findings

Through the focus group process, we identified areas where Commerce stakeholders strongly recommend improvement:

- The Department's emphasis on retaining and growing our existing business base needs to be strengthened and sharply focused on key growth industries.
- While there are many knowledgeable and dedicated professionals who work at the Department, the environment is too political, resulting in constant leadership and policy changes.
- The Department of Commerce is no longer considered the leader in economic development policy, lacking the expertise and resources to analyze Arizona's competitive position and set forth policy recommendations.
- Limited funding and the bureaucracy imposed on the agency do not give the Department of Commerce the flexibility to serve as the state's marketing leader nor the agility to capitalize on important economic development opportunities.
- While the agency has developed and facilitated the creation of thoughtful strategic plans, these efforts are not supported by sufficiently funded implementation capabilities.
- With unfunded mandates and minimal budget for implementation, it is extraordinarily difficult to effectively advance the Department's full scope of responsibilities as well as to focus on core economic development initiatives.

Economic Development Model Findings

States that consistently rank high in business climate rankings and who have had successful economic development programs include Georgia, North Carolina, Texas, Florida, Utah and Virginia.

These states have strong economic development records and share the following key features:

- A collaborative culture, with support at all levels (local, regional, state, public sector and private sector).
- An actively engaged Governor who serves as the state’s business development CEO, a formally engaged legislature and leading business executives, and a qualified economic development executive who serves as the organization’s president, executive director or commerce secretary through a long-term contract.
- An economic development organization that operates outside of political influence but is still accountable to the Governor’s Office and state legislature through mandated deliverables. Or, an organization that operates inside of government and maintains formal partnerships with the private sector.
- An accountable and transparent demonstration of a return on investment of state dollars.
- Statewide strategic plans and implementation initiatives supported by a coalition of statewide interests, and monitored and measured annually.
- The State takes the economic development marketing lead, primarily using private sector funds.
- The State leads the public policy agenda to ensure global competitiveness.
- Special emphasis is placed on providing support to rural communities through economic development programs.

Recommendations

Based on this research and analysis of alternate statewide economic development agency structures throughout the United States and the world, we recommend the following framework for Arizona’s statewide economic development delivery system that drives industry forward and maximizes the state’s investment in economic development. The proposed framework must be empowered by six key guiding principles:

- **Transparency and Accountability:** The new organization must be transparent and accountable to all of its investors and stakeholders.
- **ROI:** A “performance based funding model” needs to be created to demonstrate a return on state dollars invested in the organization.
- **Leadership:** The Governor of Arizona must serve as the state’s economic development leader, supported by professionals with the qualifications required to advance the state’s plan.
- **Public-Private Engagement:** Arizona’s economic development efforts must successfully demonstrate a strong government and private sector collaboration.
- **Long-Term Vision/Short-Term Action:** Arizona urgently needs short-term fixes to its current economic woes. While immediate action is required, we must remain focused on rebuilding for the long-term future with consistent strategies and communications.
- **Collaborative Effort with No Duplication:** All constituencies must come together to advance this model, which will not duplicate existing economic development efforts.

A New Framework for Arizona

The Arizona Commerce Authority (ACA)

Based on the Council's outreach to Arizona stakeholders, analysis of successful economic development organizations nationally and globally, we recommend the following:

1. The creation of a new organization, the **Arizona Commerce Authority (ACA)**, a quasi-public state authority which is responsible for leading Arizona's statewide economic development efforts. **ACA** replaces the Arizona Department of Commerce, but does not assume all of its current functions.
2. The mission of **ACA** is to grow and diversify Arizona's economy and create quality jobs for its citizens by supporting and attracting businesses in targeted, high growth clusters, with an emphasis on base industries and rural communities.
3. **ACA** is governed by a Board of Directors, with the Governor of Arizona serving as its Chairman. The Vice Chairman of the Board is also given specific Board leadership responsibilities. The Speaker of the Arizona House of Representatives and the President of the Arizona Senate are Ex-Officio members of the Board. The Board is comprised of 14 additional CEO-level business, education and community leaders representing all areas of the state. The Governor selects and appoints Board members, from a qualified slate submitted to her/him by the Board of Directors, when positions are vacant. Board members require Senate confirmation and serve staggered terms. The Board is subject to open meeting laws and public records requests.
4. The Board of Directors of **ACA** hires the president of the Authority under a long-term contract. The president and employees of **ACA** are employees of the Authority and are compensated at levels commensurate with those economic development professionals at other similar organizations. They are exempt from state procurement and personnel system regulation. They have the ability to be members of the Arizona State Retirement System and to receive other state benefits.
5. As Arizona's lead economic development organization, **ACA** is charged with the following duties and responsibilities:
 - Assist new and existing companies in Arizona in creating quality jobs and generating new investment in the state, through business attraction, expansion and retention programs.
 - Create, monitor and help execute a comprehensive economic development strategy for the state and advance economic development public policy that will ensure Arizona creates a business friendly, globally competitive environment.
 - Manage and administer Arizona economic development and workforce programs, including existing tax credit and job training programs and new programs being proposed by the state legislature.
 - Provide statewide marketing leadership to establish, build and maintain a pro-business image for the State of Arizona and promote the state's unique competitive advantages.
6. In partnership with the state legislature and the Office of the Governor, **ACA** creates a "Performance-Based Funding Model" with performance criteria and associated deliverables.

7. **ACA** is appropriated a lump sum budget from the state each year and submits the following to the Governor's Office and State Legislature by November 1 of each year:
 - A detailed operational plan and budget for the upcoming fiscal year
 - An annual report which will contain audited financial statements for the prior fiscal year

8. Funding for **ACA** comes from state and private sector funds.
 - **State Funding:** State funding will come from the State General Fund or from a business-related, dedicated funding source such as incremental payroll tax revenues (the payroll tax paid by businesses) generated from targeted industry clusters.

 - **Private Sector Funding:** Private sector funds will support the marketing efforts of **ACA**. The private sector funds will come from a 1.5 percent fee, up to \$100,000, charged to companies accessing specific current and proposed economic development tax credit and grant programs (incentive programs) in Arizona. These funds will be deposited into a marketing and jobs development account and used to fund marketing programs used by **ACA**.

About the Future

Our efforts are neither passive nor political. They reflect our concern for the future of our state and commitment to help Arizona find ways to lead us out of these economic challenges, not just react to them.

While no single new initiative can immediately remedy the state's budgetary and fiscal challenges, the creation of aggressive public policy and an economic development tool kit combined with a new statewide economic development delivery model are urgently needed to improve Arizona's economic performance and ability to successfully compete in the global market.

Stakeholder Outreach Participant Organizations

Ahwatukee Chamber of Commerce	House Commerce Chair	Northern Arizona University
Alliance Bank of Arizona	Consulate of Canada/Consulat du Canada	Northern Trust Bank
American Indian Chamber of Commerce	Covance Laboratories	Phoenix Children's Hospital
Apache Junction Chamber of Commerce	Cox Communications	Phoenix Community Alliance
Apache Nitrogen	Cushman & Wakefield	Phoenix International Raceway
Arizona Association of Economic Development (AAED)	Delmastro + Eells	Pinnacle Business
Arizona BioIndustry Association	Deloitte	Pinnacle West Capital Corporation
Arizona Board of Regents	Denise Resnik & Associates	Prescott Valley Economic Development Foundation
Arizona Chamber of Commerce and Industry	Desert Fleet-Serve, Inc.	Quarles & Brady
Arizona CURE	DHR International	Ratheon
Arizona Department of Commerce	Diamond Ventures	Republic Services
Arizona Department of Education	DMB Associates	Rodel Foundation
Arizona Economic Research Association (AERO)	Dorn Policy Group	Salt River Project
Arizona First	Downtown Phoenix Partnership, Inc.	Science Foundation Arizona
Arizona Mexico Commission	East Valley Chamber of Commerce Alliance	Scottsdale Chamber of Commerce
Arizona Minority Business Enterprise Center	EDGE Eloy	Scottsdale Healthcare
Arizona Public Service	Embry-Riddle Aeronautical University	SenesTech
Arizona Rural Development Council	Empire Southwest LLC	Sierra Vista Economic Development Foundation
Arizona Small Business Association	Falcon Field Area Alliance	Snell & Wilmer L.L.P.
Arizona Small Business Development Center	Fennemore Craig	South Mountain Laveen Chamber of Commerce
Arizona State University	Flagstaff Chamber of Commerce	SouthEastern Arizona Governments Organization
Arizona Technology Council	Flinn Foundation	Southern Arizona Leadership Council
Arizona Tooling and Machining Association	GHD	Southern Arizona Technology Council
Associated Minority Contractors of America	Governor's Office of Equal Opportunity	Southwest Gas
AVR	Grand Canyon Minority Supplier Dev. Council	St. Joseph's Hospital and Medical Center
Banner Sun Health Research Institute	Great Impact, Inc.	Sulphur Springs Valley Electric
Barclay Communications	Greater Phoenix Chamber of Commerce	Sunbelt Holdings
Battelle	Greater Phoenix Economic Council (GPEC)	SunCor Development
Benson Chamber of Commerce	Greater Phoenix Leadership, Inc.	Sundt Construction
Benson Visitor Center	Green Valley Sahuarita Chamber of Commerce	Systems Technology Staffing
BioAccel	Hamilton, Gullet, Davis & Roman	Tempe Chamber of Commerce
Blue Cross Blue Shield of Arizona	Hecker & Muehlebach, PLLC	The Critical Path Institute
Brown Family Foundations	Hensley Company	The Human Element LLC
Buckeye Valley Chamber of Commerce	HKS, Inc.	The Molera Alvarez Group
Bullhead Regional Economic Development Authority	Hornaday Development LLC	The Symington Group
California Association for Local Economic Development	HUB International	The University of Arizona
Campbell & Mahoney Law Firm	Humana of Arizona	The University of Arizona College of Medicine-Phoenix in partnership with Arizona State University
Carondelet	IBM	Town of Bowie
Catholic Healthcare West	ILX Resorts	Town of Florence
CB Richard Ellis	iMemories	Town of Fountain Hills
Center for the Future of Arizona	Integriguard	Town of Maricopa
Central AZ Regional Economic Development Foundation	Intel	Town of Oro Valley
Chandler-Gilbert Community College	Kinetic Muscles, Inc.	Town of Payson
City of Apache Junction	Klute Communications	Town of Sahuarita
City of Benson	Lake Havasu Area Chamber of Commerce	Translational Genomics Research Institute (TGen)
City of Chandler	Lake Havasu Partnership for Economic Development	TriWest Healthcare
City of Glendale	League of Arizona Cities and Towns	Tucson Metro Chamber of Commerce
City of Globe	Local First Arizona	Tucson Regional Economic Organization (TREO)
City of Kingman	Loven Contracting	University of Arizona
City of Mesa	Maricopa County	Vestar Development Co
City of Nogales	Maricopa County Community College District	Viad Corp
City of Phoenix	Mayo Clinic	Vision Alignment
City of Prescott	McKenney and Monroe	Waste Management of Arizona
City of Safford	Medtronic, Inc.	Wells Fargo
City of Scottsdale	Mesa Chamber Commerce	Westcor
City of Sedona	MGT Associates, LLC	WESTMARC
City of Tempe	Mohave County	Western Arizona Economic Development District
City of Tucson	Motorola	Yavapai County Cooperative Extension
City of Willcox	National Assoc. Independent Office Properties AZ	Yuma Economic Development Foundation
Cochise Community College	National Federation of Independent Business	
Cochise County	Nichols Precision, AZ Tooling/ Machining Assoc.	
Coconino County Career Center	Nogales Community Development Corporation	
Coe & Van Loo Consultants	Northern Arizona Building Association	
Senate Commerce/ Economic Development Chair	Northern Arizona Center for Emerging Technologies	

Project Approach

In recent years, the role of the Arizona Department of Commerce as the state's economic development leader has been hotly debated by both the public and private sectors. The agency has been charged with a myriad of programs backed by minimal funding support. Many believe that as the agency's focus on fundamental economic development matters has been radically diminished, its ability to maximize economic development opportunities in today's global business environment has equally been weakened.

In response to the lost confidence in the Department of Commerce as it relates to leadership, focus, productivity and dwindling state funding, and the economic challenges facing the state today, Governor Jan Brewer created the Governor's Commerce Advisory Council to recommend to her a statewide economic development structure/framework that advances Arizona's global competitiveness and provides the much needed leadership our state needs and deserves.

This project had two outreach/research tasks to accomplish the goal set by the Governor and her Commerce Advisory Council. First, stakeholder meetings and focus groups were conducted statewide with more than 320 public and private sector leaders, representing more than 180 public and private organizations (see Appendix B). During these sessions, feedback and ideas were generated by urban and rural Arizona stakeholders engaged in economic development along with representatives from small businesses, industry cluster groups and current Arizona Department of Commerce staff.

Second, focusing on those states that were consistently ranked high in business climate rankings, and those states with strong economic development records, research was conducted to assess successful statewide economic development agency structures throughout the U.S. Consistent elements of successful state economic development organizations were identified to create a framework for a new Arizona model. Global economic development models were also studied and analyzed.

The Governor's Commerce Advisory Council reviewed and analyzed the results of the focus groups and research and is making their recommendation for a new statewide economic development structure for the state of Arizona in this report.

The Role of Statewide Economic Development Organizations

Every state in the nation is represented by a statewide economic development organization. There are typically four varying structures that states use to advance their economic development agendas: 1) traditional, publicly funded commerce agencies, 2) public-private partnerships, 3) quasi-public agencies and 4) combinations/variations of the three.

The fundamental premise of public-private partnerships and quasi-public agencies is that activities aimed at economic development and marketing a state or region can be more successful if the public and private sector work together, rather than on their own. Additionally, these organizations typically remove politics from the day-to-day activities of the organizations and allow them to operate on a nonpartisan basis, with the long-term interests of the state as their top priority, versus short-term political agendas. Public-private partnerships and quasi-public agencies also give states greater flexibility to respond quickly and decisively to job creation opportunities.

Some states have reorganized their economic development delivery systems to engage the private sector in their efforts and give them more flexibility to act, while strengthening their accountability to the state governments that fund them. States have also adjusted their traditional economic development strategies in response to changes in the 21st century global economy.

Competition for jobs is no longer focused solely on quality of life, business costs and regulatory friendliness. The ability of a state or country to demonstrate that it is committed to developing its own knowledge-driven economy, supported by a qualified workforce, is increasingly important in this new economy. States that are competitive from a business climate perspective and demonstrate a commitment to creating an innovation-driven economy are distinguishing themselves in the 21st century.

As states compete globally, they must use every resource, tool and asset they have to recruit new companies, retain existing ones and help them grow. State economic development organizations have become increasingly important in their roles as leader, facilitator and collaborator in this increasingly complex corporate relocation/expansion/retention process.

The following table compares the role of state economic development organizations in the 1990's compared to their new role today:

<i>Role of Statewide Economic Development Agency</i>	<i>In the 1990's</i>	<i>In the 21st Century</i>
Business Recruitment/Expansion	Focus on regional competition	Focus on global competition
Business Retention	Focus on attracting new companies	“Economic Gardening” or greater focus on retaining and growing existing companies
Business Prospect Process	Leading business recruitment, very hands-on	Leading business recruitment, but deferring to and partnering with regional economic development groups
Strategic Partnerships	Partnering with local and regional economic development groups	Partnering with local and regional economic development groups, higher education, scientific groups, research institutions, and nonprofit foundations
Workforce Development	Granting of job training funding	Workforce development programs aligned with targeted growth industries to develop and maintain a prepared workforce
Public Policy	Focus on business costs, regulatory friendliness and quality of life	Alignment of taxes and regulatory functions, and promotion of policies and programs that support innovation and entrepreneurship to advance the state’s long-term vision
Small Business Support	Small business start up support and advocacy	Focus on fostering an entrepreneurial environment to maximize growth opportunities for small business
Rural Economic Development	Providing community development and local planning grants and support	Integration of rural economic development into all state programs with benefits targeted to regional collaboration efforts
Incentive and Financial Program Management	Administration and coordination	Administration and coordination
Marketing and Communications	Utilization of traditional forms of marketing, with a domestic focus	Development and utilization of new, online and social media forms of marketing, with a domestic and global focus

Source: Sara Dial & Associates

There are six key functional areas of focus which are common among most statewide economic development organizations today:

1. Domestic and Global Business Recruitment/Expansion/Retention:

Most site selection consultants and corporate relocation decision makers who use economic development organizations in their site selection processes rely on a statewide organization to assist them. State business development representatives are the state's key sales persons. They provide business prospects a single point of contact to deliver the information needed for making a relocation/expansion decision. The state partners with local and/or regional economic development groups to work with the prospect to a successful close.

Of growing importance to state economic development organizations is their role in retaining existing businesses and working with them to expand. States and local communities are using the term "economic gardening" which is the recognition that there must be a balance in a state's focus to assist existing businesses in expanding in addition to helping new businesses create jobs, a strategy that is rapidly gaining traction in the U.S. ¹

In today's global economy, states' roles in foreign direct investment and global marketing have grown. Local economic development groups don't have the resources, know-how or the state-level prestige associated with international business expansion. While there is sometimes confusion in domestic business development roles between state and local entities, the role of the state in international business development is clearly defined.

Most states have foreign trade and investment offices to focus their limited resources in those markets where they have the greatest potential for success. Typically, these offices align with the states' largest export markets as well as opportunities to attract direct foreign investment.

2. Statewide Marketing and Communications:

Statewide economic development organizations act as the state's leader in branding and positioning the state to generate new business leads. States market themselves on a global scale through many approaches including brand development and messaging, online marketing, social media, and aggressive and ongoing public relations. And, they do so in cooperation with state tourism agencies in order to leverage very limited state resources.

According to the 2008 research site selection survey ² by Development Counselors International (DCI), the leading information sources that influence executive perceptions of a community's business climate are:

- Dialogue with industry peers (61%)
- Articles in newspapers and magazines (53%)
- Business travel (43%)
- Meetings with economic development organizations (32%)
- Online Sources (28%)

Through strategic communications, statewide economic development organizations can positively influence these sources. Results of the DCI survey also showed the importance of a state's online marketing presence. Sixty-four percent of respondents indicated a strong likelihood they would use an economic development organization's website in their next site location search.

3. Strategic Planning and Public Policy:

Statewide economic development organizations take the lead in developing, implementing and monitoring economic development plans and initiatives that are supported by all stakeholders. States also undertake targeted industry-specific research, making the business case for state-level policies that leverage existing economic development assets in growth industries. States provide leadership, advocacy and legislative support for the creation of new initiatives.

4. Rural Economic and Community Development:

Rural regions offer diverse resources and opportunities for job creation. States provide technical planning assistance and critical infrastructure funding to enable local communities to develop the assets they need to retain and attract employers. Strategies and tools are tailored to protect existing assets while addressing each community's unique needs for improvement. Some states have created agencies specifically focused on rural community development while others integrate a rural focus into every economic development activity to ensure these nonurban communities receive the resources they need.

5. Workforce Development:

Workforce development is closely aligned with economic development activities because a top priority for every business considering a new location or expansion is a qualified workforce. State workforce development programs provide support to focus industry clusters to help prepare a ready workforce. To meet the changing needs of business, states and institutions of higher education collaborate to design training programs that ensure the availability of a ready workforce.

6. Management of Financial Programs

States that offer job retention and creation incentives are required to act as administrators and fiduciary agents. They provide instruction and direction to clients to satisfy program regulations as well as report critical outcomes to government agencies and legislative leadership. The clarity and flexibility of a state's financial program administration is key to "closing the deal" on many quality job retention and attraction projects.

Stakeholder Outreach Results

While economists are saying that growth will eventually return, Arizonans represented in our outreach efforts agree that we can no longer rely on real estate construction to grow our way out of this economic crisis. As stated in the Arizona Economic Resource Organization (AERO) Strategic Plan ³, the state must move “...from an over reliance on growth as an economic driver to an economic diversification strategy.” The state must prepare itself for the post-recession economy, one that is designed to be different than the growth economy of the past.

Focus group sessions and stakeholder meetings that addressed the role of a state-level economic development agency were held from December 2009 through early March 2010. Input was secured from more than 320 Arizona stakeholders, representing over 180 organizations (see Appendix B). Recurrent themes emerged, which included enlisting professional leadership, removing politics to the greatest degree possible, serving as the state’s chief marketing agency, maintaining the agency’s focus on primary economic development matters, leveraging the state’s resources and collaborating with existing local and regional economic development organizations, and treating the state’s existing businesses with good customer service and care.

The urgent cry for change, combined with an optimistic outlook that the state is now poised to reinvent its economic development delivery system, reinforced the need for this project. One focus group participant echoed many others when he commented, “This is the most important effort we’ve had in a long time. Let’s quit bashing Commerce and do something about it.”

Focus group participants were requested to provide feedback about what is working and what is not working at the Department of Commerce. Participants were asked to focus on the past decade. They were also asked to provide suggestions for structure modifications. The results are summarized below:

What is working at the Arizona Department of Commerce?

- Strong strategic planning efforts. However, execution is limited due to budget constraints.
- New business lead generation and an unbiased role in projects.
- A strong resource center with quality research and reports.
- Key staff members who are knowledgeable and helpful.
- The workforce development programs, especially the Arizona Job Training Program (when funded.)
- Recent focus on industry cluster areas.
- Innovation programs, such as the tax credits for innovation and venture capital investments.
- Rural programs and the connectivity the Department brings to small communities throughout the state.

What is not working at the Arizona Department of Commerce?

- A highly politicized culture, resulting in inconsistent leadership, plans, and policies.
- Short-term directors who are politically appointed and lacking qualifications to lead a strong economic development organization.
- No reported return on investment of state dollars. No demonstration of the agency’s value.
- Not enough private sector engagement/partnership.
- Bureaucratic systems, protocols and processes that hinder the agency’s ability to be flexible, creative and strategic.
- Not enough focus on the retention and expansion of Arizona’s existing businesses.

- Lack of stable funding of the agency and economic development tools.
- No unified marketing/communications effort within or outside of the state.
- Too many mandated programs that are not properly funded.

What are your recommendations for change?

- **Collaborative Culture:** A new economic development organization that receives the financial support and public backing of state leaders. This new organization should serve as catalyst, facilitator and statewide leader in economic development.
- **Leadership:** The Governor must continue to be engaged with/lead the new organization. Strong, bold, aggressive leadership is required at all levels. A multi-faceted Board of Directors with statewide representation should oversee the organization. It should be led by a qualified economic development executive that is hired by the Board with a multiyear contract.
- **Structure:** A partnership between the public and private sectors, independent of election cycles, with both government and the private sector at the table. Collaboration with existing economic development organizations and business/advocacy groups. Focus on primary economic development matters including business retention, expansion and recruitment.
- **ROI:** In order to earn trust and credibility, the organization must be effective. Accountability and transparency are critical.
- **Clear Strategic Focus:** New statewide organization must create, own, and implement the state's long term economic development strategy. Do a few things extraordinarily well. Focus all efforts on supporting base industries/strategically defined clusters.
- **Domestic and Global Marketing:** Chief marketing agent and economic development ambassador for the state. Statewide marketing agency with funding to create meaningful, impactful programs.
- **Public Policy and Global Competitiveness:** New organization should act as the state's lead economic development public policy group. Monitor and measure Arizona's competitiveness position.
- **Rural Programs:** Economic development programs to assist rural communities are needed.

The Arizona Department of Commerce

History

The Arizona Department of Commerce (Commerce) was created in 1985 when the function was moved out of the Governor's Office to become its own stand alone agency. Additionally, in the late 1980's, the Arizona Economic Council (AEC) was created after private sector leaders expressed concerns that Commerce was not an effective economic development organization. The AEC was a privately funded nonprofit corporation working in an informal partnership with the Department to provide statewide economic development services. The AEC was disbanded in the early 1990's when the AEC private sector leaders determined that the Commerce Department, under Governor Fife Symington's leadership, was once again an effective leadership organization.

Since that time, while the agency has been through several internal reorganizations to better align resources and create efficiencies, most of the programs and structure remain unchanged and a significant number of additional programs have been added to the department's purview. By statute, today the agency is responsible for supporting more than 57 legislatively mandated programs and 16 Executive Order activities (see Appendix A) with reduced funding levels to manage them.

Leadership

The director of the Arizona Department of Commerce is selected by the Governor, and is often replaced shortly after each new Governor has taken office. In past years, gubernatorial administrations have selected business leaders with experience in various industries such as banking, law and real estate to run the agency. In the past 10 years, there have been seven Commerce Directors.

Business executives and site selection consultants build relationships with economic development leaders that deepen and grow over time, and ultimately bear the fruit of new quality jobs and capital investment. In Arizona, however, those relationships rarely have the opportunity to solidify before the Department leadership is changed again.

The Department of Commerce has also struggled to maintain a reputation as an excellent employer for front-line staff. The Department has attracted talented employees with its perceived leadership role in the area of business attraction. Unfortunately, many professionals who are initially attracted to the Department are not compelled to stay, due to lower than market pay scales and lack of support for the agency, resulting in significant turnover.

The private sector has played an advisory role on Arizona's many business-focused Boards and Commissions. Some of these groups, while active initially, have lost support either internally or by whatever new administration takes charge at the time. Business leaders have voiced their frustration of being asked to engage with the Department, only to find their time and resources underutilized.

Currently, the Department of Commerce is tasked with staffing the following stakeholder groups, which were created over the years to advise policy makers and the agency in their work within particular sectors:

- Aerospace & Defense Commission
- Arizona's Data Estimates and Projections Task Force
- Arizona Military Affairs Commission
- Commerce and Economic Development Commission

- Governor’s CANAMEX Task Force
- Governor’s Council on Innovation and Technology
- Governor’s Council on Workforce Policy
- Governor’s Film and Television Commission
- Governor’s Forest Health Council
- Governor’s Council on Small Business
- Greater Arizona Development Authority
- Solar Energy Advisory Council
- State Energy Code Advisory Commission

Each of these advisory groups is established with its own unique mission, reporting structure, and list of gubernatorial or legislatively required deliverables. They are designed to inform policy and program activities with expert, stakeholder-derived input.

The commitment of time and resources invested by the members of these advisory groups is significant. Unfortunately, the deliverables of these groups are not delineated and organized according to a statewide economic development strategic plan. The lack of strategic alignment has diluted the effectiveness of the agency’s day-to-day work. For example, the Governor’s Forest Health Council is a forum for forest industry leaders to analyze and formulate policy options related to their industry. However, the only tie the Department of Commerce has to forestry is a narrowly focused tax incentive program which can only be accessed by a small handful of Arizona businesses.

Arizona Economic Resource Organization

Arizona Economic Resource Organization (AERO), a 501(c)(6) corporation, was created by Governor Napolitano in 2007 to provide policy direction to several economic groups, including the Arizona Department of Commerce. The Board, which was initially chaired by Governor Napolitano, is made up of leaders from colleges, universities, economic development entities, and business interests. The Board has no formal affiliation to the Department, other than that of an advisory role. AERO was modeled after Forfas in Ireland, as described in Appendix C. However, unlike Forfas, AERO receives no state funding and is not statutorily created.

The creation of AERO was an attempt to provide collaborative public-private direction to the Department, and to align all economic development resources in the state. There was also recognition that the Department was not equipped to create economic development policy to support a broader statewide vision and plan.

AERO has had some success during its short existence, including creating a statewide economic development strategic plan. The “AERO Strategic Plan: Priorities for Arizona’s Economic Future” incorporated research and recommendations from nearly 100 local, regional and industry-specific plans created by different groups across the state. AERO also developed a strategic framework to guide Arizona’s efforts to become a world leader in the solar industry. The resulting report recommended strategies the state can employ to reach this goal as well as next steps for implementation. Most recently, AERO established an Arizona Fund of Funds to raise investment capital from private and public sector investors and reinvest those funds in targeted venture funds. Through the Fund of Funds, AERO aims to increase the size and diversification of the state’s venture capital industry to equip Arizona-based science and technology contenders with an additional source of revenue to commercialize their innovations.

Despite some early success, AERO has not met the expectations of many of its stakeholders. Private sector fund raising goals were not close to being realized and therefore, the organization has had little resources to support it. While the concept of creating a statewide economic development policy leadership organization was a much-needed initiative, AERO has not met the expectations of those involved due to the lack of formal connectivity to the Department and the lacking statewide stakeholder support.

Strategic Planning

Much of the feedback collected through our focus group sessions suggests that Arizona had no grand vision or plan to diversify our economy. Most participants were unaware that the responsibility for setting Arizona's statewide economic plan lies with the Commerce and Economic Development Commission (CEDC) which was established in 1989 to provide research and strategic direction to the Department's activities. Along with the Commerce director, the CEDC is led by an eight-member private sector board and is tasked by statute as the state entity responsible for developing the state's 10-year economic development strategic plan. According to the Department of Commerce, since 2002, the CEDC has directed numerous targeted strategic plans, including:

- Solar Electric Roadmap for Arizona (2007)
- Moving Arizona Forward: Strategies For Success (2006)
- Benchmarking Arizona Economic Development: Creating More Strategic Governance and Investment Policies (2005)
- Arizona Community Economic Base Studies (2004)
- Building from a Position of Strength: Arizona Advanced Communications & Information Technology Roadmap (2004)
- Development & Investment Prospectus to Create A Sustainable Systems Industry in Arizona (2004)
- Evaluation of the Arizona Small Business Opportunity Credit Using the Regional Economic Model (REMI) (2004)
- Statewide Economic Study: Public Outreach, Local Plan Integration & Strategic Findings (2003)
- Positioning Arizona and Its Research Universities: Science and Technology Core Competencies Assessment (2003)
- Arizona's Economic Future (2002)

Each of these strategic plans was developed with a high level of stakeholder input and peer review. However, the resources available for strategic planning were fully invested in the development of the plans, with minimal resources allocated for implementation.

Structure from 2000-2009

Until very recently, the agency was organized into six main functional areas: Marketing and Business Attraction, Workforce Development, Energy, Community Development, Finance and Investment, and Research Administration. Each area was led by a division director, who reported to the agency Director.

Marketing and Business Attraction Division: Arizona's proactive Marketing and Business Attraction efforts to date have followed a traditional model to attract new employers to the state, utilizing trade shows and prospect tours, cold calling, as well as proactive marketing through print, web-based and social media campaigns. The Department is the first point of contact for most site selectors and corporate decision makers who are looking for nonbiased information about a state and its local communities. Commerce works with each municipality and regional economic development organization to distribute site selection leads and to facilitate responses from qualified communities. After a community is placed on a company's short list, there is the expectation by

the company that Commerce will stay engaged, either to provide information on state incentives or to advocate on behalf of the company with other Arizona state agencies.

In years past, the Department has also dedicated resources to proactively attract foreign direct investment (FDI) and to develop export opportunities for Arizona-based companies. These activities were often facilitated through contracts with international trade offices in key international markets in Canada, Mexico, Japan, England and Germany. However, recent budget cuts have forced the Department to discontinue most of these contractual agreements. As a result, Arizona no longer has a proactive FDI or export-assistance footprint to contend with its many competitors.

Success in Marketing and Business Attraction is measured by the number of companies located, expanded or retained, the total capital investment generated, the projected number of new jobs created by year three, and the total payroll and average annual salary generated from those jobs. The following table reports the results of the Department’s business attraction efforts.

<i>Year</i>	<i>Companies Located or Expanded</i>	<i>Capital Investment</i>	<i>New Jobs</i>	<i>Annual Payroll</i>
2007 ⁴	47	\$1.639 billion	9,814	\$483 million
2008 ⁵	39	\$521.46 million	7,050	\$286 million
2009 ⁶	24	\$255.17 million	2,649	\$124.6 million

Additionally, the Department reports specifically on the location of the new business development, noting whether the project is located in rural or metro parts of the state.

The Film Office is the division of Business and Attraction that works to attract television and film production projects to Arizona, bringing work to Arizona's talent industry and an infusion of new dollars to Arizona communities. In addition to providing location selection services and liaison assistance to TV and film projects, the Film Office, until very recently, administered the state's Motion Picture Tax Incentive Program. The Program ran for four years and, in 2009 alone, the Office worked with 23 Program participants to bring investment to the state⁷. The Office and its functions were eliminated in early 2010 due to lack of funding for administration.

Workforce Development Division: The Commerce Workforce Development division promotes programs that help prepare a skilled workforce for Arizona employers. State-level policy for workforce development is set by the Governor’s Council on Workforce Policy which represents business, labor, public education, higher education, economic development, youth activities, employment and training. This policy is put into practice through two main workforce development programs currently administered by the Department: the Arizona Job Training Program and the Registered Apprenticeship program.

The Arizona Job Training Program, which was created in 1993⁸, provides grant monies to the private sector to train existing and new employees. Employers pay into the Job Training Fund, a tax equal to one-tenth of one percent on the first \$7,000 of an employee’s wages or \$7.00 per year, whichever is lower. In 2008, the Program granted \$14 million, leveraging \$10.6 million in private sector job training investment and training 14,550 existing and new Arizona employees with an average annual wage of \$55,200. Twenty-one of the businesses receiving grants were from rural communities and 37 were small businesses (fewer than 100 employees)⁹. No

grants were made during the 2009 calendar year, as the program was put on hold by the legislature who later swept the Program funds, effectively shutting down the program.

Arizona's nationally accredited Registered Apprenticeship program provides on-the-job training and classroom instruction in the skilled labor arena. Workforce Development has worked with private sector companies to establish 140 registered apprenticeship programs, training more than 5,000 apprentices in areas including agriculture, forestry, and fishing; mining; construction; manufacturing; transportation, communications, electric, gas and sanitary services; services; and public administration. The program is partially supported with federal Workforce Investment Act funding.

Like the outcomes listed above, success in Workforce Development is measured by the number of companies assisted, and specifically small businesses assisted and those located in rural Arizona, the number of new and existing employees trained, and the average annual wage of employees pre-training compared to post-training.

Community Development Division: The Community Development division is considered a "lifeline" by many of Arizona's small and rural communities. Programs such as the Greater Arizona Development Authority (GADA), the Rural Economic Development Initiative (REDI) and the Main Street Program provide the building blocks that growing communities require to be attractive to high quality employers. State-level funding is used to leverage local investments in non-urban communities, in particular those that demonstrate broad-based community support for the revitalization of their commercial districts.

Success in Community Development is measured primarily by the number of contacts made to provide assistance to local communities. Additionally, the leverage ratio of state funding to local funding is a key measureable that is closely analyzed prior to approval being granted for funding requests.

Finance and Investment Division: This division administers the agency's many business finance and incentive programs, some of which are aligned with the state's economic development goals. Commerce has a well-established reputation as an excellent program administrator despite regularly being assigned fiduciary responsibilities of new incentive programs without additional funding to administer them. According to the Department of Commerce, current statutorily mandated incentive programs the agency is responsible for include:

- 21st Century Fund (partnership with Science Foundation Arizona)
- Angel Investment Tax Credit Program
- Arizona Innovation Accelerator Program
- Arizona International Development Authority
- Defense Contractor Restructuring Tax Credits
- Economic Strengths Program
- Enterprise Zone Program
- Environment Tech Tax Credit
- Greater Arizona Development Authority
- Healthy Forest Tax Credit Program
- Local Communities Fund (Prop 200)
- Military Reuse Zone Program
- Motion Picture Tax Incentives Program
- Private Activity Bond
- Process Commercial Solar Tax Credit

- Renewable Energy Tax Incentive Program (commonly known as Arizona’s “Solar Bill”)
- Small Business Innovation Research Matching Program

Each program has been crafted with its own unique reporting and success metrics. Some are closely tied to an increase in average employee annual wages or short-term and long-term capital investment. Some are scored based on the local match to state funding ratio. Others are measured from a regulatory standpoint only, with the directive to act as a compliance agent. Only one of these programs was appropriated a full time employee (FTE) and state operating funds to administer it.

Energy Division: The Commerce Energy division utilizes Federal funding to assist the planning and conservation efforts of Arizona communities through training, technical assistance and grant making. While the agency is responsible for investing these Federal dollars in local communities, program regulations do not always allow these investments to be strategically aligned with state-level goals and objectives. The budget for the Energy Department was \$5,660,100 in FY 2009. A vast majority of these dollars were Federal funds that were restricted from being used for non-Energy Department related activities.

Success in the Energy Department is measured by Federal metrics, including the number of homes that receive Low-Income Weatherization Assistance each year and the number of grants awarded to local communities with less than 70,000 people to implement long-term energy plans.

Research Administration: This division was moved from the Department of Economic Security to the Department of Commerce in late 2007. The Research Division is federally funded and provides employment statistics, occupation and industry estimates. Population statistics (4 FTEs) is partially funded with State dollars. Primarily, this function is a collection and reporting mechanism for U.S. Census Bureau data. It does not generate research or information that meets the needs of economic development practitioners, which would include research of industry best practices or competitiveness of the state and its programs.

2010 Appropriated and Other Funds

With the budget cuts that have affected all state agencies, the Department of Commerce has been forced to eliminate staff positions and eliminate and reduce job creation programs. The impact of these budget reductions has resulted in the following:

- The number of business development staff has been reduced resulting in new business customer service being weakened. Arizona may have lost job creation projects due to unresponsive and unavailable staff.
- The state job training program has been swept, taking Arizona’s best economic development tool away at a time when it is needed most.
- Some of the agency’s strongest business development staff have left to other economic development organizations, seeking better career opportunities in states and communities where economic development organizations are supported and respected.
- There is no proactive marketing program.
- Responsiveness to businesses considering incentive and other business finance programs has been weakened.
- Certain international trade and investment offices have been closed and there is no proactive program to attract direct foreign investment to the state.
- The Film Office has been eliminated.

- Rural programs have been cut and there is a very limited budget for agency employees to travel to rural communities.

According to the Arizona Department of Commerce, the agency has 93 employees: 21 are state-funded employees supporting Commerce state mandated programs and 73 are federal-funded employees supporting federal mandated programs (refer to breakdown of funds that follow). The FY 2010 Arizona Department of Commerce-appropriated state and Federal funds can be summarized as follows:

State Funds

\$6,083,500 state funds used for programs and operations which support:

- Business Recruitment, Expansion, Retention Programs
- International Trade and Investment Offices (\$1.7 million)
- Small Business Offices
- Rural Development Programs
- Management of Financial Programs/Incentives
- Workforce Programs
- CEDC Administration
- Bond Fund (no funding available)

Federal Funds and Pass Through Funds

\$4,732,600 Federal funds used for Energy Division (Federally mandated programs)

\$1,344,900 Federal funds used for Research Division (Federally mandated census programs)

\$1,193,400 Federal funds used for Workforce Division (Federally mandated programs)

\$4,957,000 pass-through funds

- Nursing Education Demonstration Project
- Military Installation Fund
- National Law Center
- Arizona Sonora Trade Office

As demonstrated by the employment and funding figures above, a majority of the Commerce Department focus is on Federally mandated/funded programs that are not core economic development functions of a statewide economic development organization.

Status

Arizona's business climate rankings continue to fall which makes the job of the Commerce Department much more difficult. According to Forbes Magazine's "Best States for Business" ranking, Arizona has fallen to #36 in 2009, compared to #18 in 2008 and 2007, and #15 in 2006. National and local headlines that report Arizona's woes are seen by site selection consultants and corporate decision makers around the world. And, the recent *Turken v. Gordon* Arizona Supreme Court decision sends a message of economic development instability and business uncertainty to businesses considering expanding or relocating to or from Arizona.

With Arizona's broader image challenges, the Arizona Department of Commerce is facing its own identity crisis. As summarized in Stakeholder Outreach Results section of this report, many in the business and economic development community have lost confidence in the agency. Due to inadequate funding, too many mandated programs, and inconsistent leadership over the past several years, the agency has been set up to fail.

One of the positive outcomes of the state's budget crisis has come from today's leadership at the Commerce Department. With the most recent budget reductions, the agency has been forced to find its focus, returning to core economic development programs that create quality jobs for Arizona. Under the leadership of Director Don Cardon, focus is now on supporting those clusters that have the greatest opportunity to help diversify the Arizona economy: Aerospace and Defense, Science and Technology, Renewable Energy, and Entrepreneurship/Small Business. This positioning can jump start the creation of a new statewide economic development organization that is recommended in Recommendations section of the report.

State and Global Economic Development Models

State models selected by the consulting team included those states that are consistently ranked highest in business climate rankings as well as those that economic development professionals identify as having best practices. The team also looked at successful states with varying models and assessed how they were created, how they are working and the lessons they have learned.

While state business climate rankings typically only tell part of the story, they are a useful tool to determine the competitive status of a state. Additionally, these data sets are regularly reviewed by corporate decision makers and the rankings can strongly influence their perception of a state and their economic stability and competitiveness. The states that typically rise to the top of the business climate rankings also have successful statewide economic development models.

Elements of Successful State Economic Development Models

No matter how their economic development organizations are structured, states with strong statewide economic development efforts have similar elements in their delivery structures. The consulting team has identified nine elements of an effective statewide economic development delivery model. These include:

1. **Collaborative Culture:** A collaborative culture that recognizes that investment in results-oriented and focused economic development, is an appropriate use of public funds.
2. **Leadership:** A highly engaged Governor that acts as the state's CEO and the formal engagement of legislators and business leaders. A qualified President (Director/Secretary) that is committed to the organization.
3. **Structure:** An organization that operates outside of political influence but is still accountable to the state legislature through mandated deliverables. Or, an organization that operates inside of government and maintains formal partnerships with the private sector. Also, an organization that acts as a business advocacy organization and provides coordination with other state agencies.
4. **ROI:** An accountable and transparent demonstration of a return on investment of state dollars and an accountable, results-oriented organization.
5. **Clear Strategic Focus:** Statewide vision and strategic plans supported by collaboration of statewide interests. Implementation of goals monitored and measured annually. Retention and expansion of companies in targeted industry clusters.
6. **Innovation Focus:** Programs that support the growth potential of innovation based clusters. Partnerships with higher education institutions, science and technology groups, and R&D institutions.
7. **Domestic and Global Marketing:** State leader in marketing and communications strategies to advance the state's strategic vision.
8. **Public Policy and Global Competitiveness:** State leader in public policy to assure state is competitive.

9. **Rural Programs:** Special emphasis on providing support to rural communities through economic development programs.

The information that follows provides a summary overview of varying statewide and global economic development models. Additional detail can be found in Appendix C.

All of the state structures reviewed have some type of private sector engagement and/or funding in the activities of the states' economic development framework. Included in the review are the following three state structures:

1. A traditional Commerce Department Structure with a public/private partnership that funds state marketing programs: Georgia, North Carolina and Texas
2. A public/private partnership that is responsible for statewide economic development efforts with state agency oversight and management of certain programs: Florida and Utah
3. A quasi-public state authority that is responsible for statewide economic development efforts: Virginia

The international economic development entities were selected for review based either on their overall characteristics and similarities possessed in relation to Arizona (South East England), the high level of economic development activity recently experienced (Singapore), or a globally-recognized innovative structure (Ireland).

Summary: **GEORGIA**

Business Climate Rankings

2009 Forbes “Best States for Business” #6

2009 CEO Magazine “Best and Worst States” #4

2009 Site Selection Magazine “Business Climate” #8

Structure and Leadership

The state of Georgia’s lead economic development agency is the Georgia Department of Economic Development, a traditionally structured commerce agency. The agency is supported by the Georgia Allies, a privately funded 501(c)(3) corporation which funds and initiates economic development marketing programs used by the Department of Economic Development.

The state of Georgia engages the private sector through various advisory boards that support economic and workforce development. The Department of Economic Development is supervised and directed by a Board of Directors made up of one representative from each of the 13 congressional districts and nine members at large. All members are appointed by the Governor, subject to State Senate confirmation. Workforce programs are managed by the Governor’s Office of Workforce Development and the State Workforce Investment Board advises the office on workforce policy. Rural financing programs are run by One Georgia Authority with oversight from a Board that is chaired by the Governor.

The Georgia Department of Economic Development is led by a gubernatorial appointed Commissioner who is considered the “Chief Marketing Officer of the State.” The current Commissioner has been in his position for three years. There have been three Commissioners leading the agency in the past ten years.

The Georgia Department of Commerce’s 2009 budget was \$39,601,916. The agency had 208 FTEs. ¹⁰

The Georgia Allies, a public-private partnership, supports the Department’s marketing efforts through marketing events and online tools. Georgia Allies focuses on growing Georgia based companies and implements marketing retention and growth strategies targeted specifically at its existing industries. The group leads global trade missions and marketing outreach activities. The partnership also commissions studies to identify new and growing recruitment markets.

Strategic Focus

The Georgia Department of Economic Development stays focused on core economic development programs since it does not manage rural and workforce programs. The agency focuses its global marketing efforts into targeted industry clusters including: aerospace, defense, and advanced manufacturing; agribusiness, bioenergy, food processing and logistics; health sciences and advanced technologies; corporate solutions – headquarters, data center, financial and insurance; innovations, emerging and small enterprise/Centers for Innovation program; and community and external alliances/entrepreneur and small business.

Summary: North Carolina

Business Climate Rankings

2009 Forbes “Best States for Business” #5

2009 CEO Magazine “Best and Worst States” #2

2009 Site Selection Magazine “Business Climate” #1

Structure and Leadership

The state of North Carolina’s economic development efforts are led by the North Carolina Department of Commerce, a traditional statewide economic development organization, and the Friends of North Carolina, a non-profit 501(c)(6) organization that helps market the state globally and nationally. The Department of Commerce staffs and receives policy direction from the North Carolina Economic Development Board, the North Carolina Board of Science and Technology and the Commission on Workforce Development. The Department is organized into eight major focus areas and it includes the state’s tourism efforts.

The state of North Carolina engages private sector leaders, the state General Assembly, university Presidents, community colleges, and other economic development organizations throughout the state through the esteemed 37-member, North Carolina Economic Development Board. The Board oversees state economic development research and planning and makes policy recommendations to the Governor and the General Assembly. The Board also recommends biennial and annual appropriations for economic development programs.

The Friends of North Carolina, a non-profit 501(c)(6) organization that helps market the state globally and nationally, is an advisory council to the North Carolina Commerce Trade and Development Fund. The organization is funded through sponsorship levels of \$500-\$25,000 annually.

The Secretary of Commerce is appointed by and serves at the pleasure of the Governor of North Carolina and he/she also sits on the Governor’s cabinet.

The agency had a budget of \$54.9 million in FY 2008-09 and 455 FTEs. ¹¹

Strategic Focus

The North Carolina Economic Development Board is charged with creating a comprehensive economic development plan for the state. The Board is also responsible for holding the state economic development entities accountable for implementation of the economic development plan. This approach assures that the plan created does not sit on a shelf somewhere, rather, there is accountability that the plan is successfully executed. The state’s Strategic Plan was updated most recently in 2007. In 2006, the state compared the original plan goals to the actual progress made.

Summary: Texas

Business Climate Rankings

2009 Forbes “Best States for Business” #8

2009 CEO Magazine “Best and Worst States” #1

2009 Site Selection Magazine “Business Climate” #2

Structure/Leadership

In 2003 Governor Rick Perry created the Governor’s Office of Economic Development and Tourism and brought the state’s economic development programs into his office. That same year, TexasOne was created which is a 501(c)(3) public-private nonprofit corporation charged with marketing the state globally and domestically.

The Governor engages private sector industry leaders through appointments to economic development related Boards and Councils including the Texas Workforce Investment Council, the Aerospace and Aviation Advisory Committee, and the Governor’s Competitiveness Council.

TexasOne is the primary funder of state-level economic development marketing with the goal of attracting and retaining high-value jobs. TexasOne is led by a nine-member, private sector board appointed by the Governor and the assistance of two ex-officio public sector board members, the Secretary of State and the Executive Director of the Office of Economic Development and Tourism. Membership in TexasOne ranges from an investment of \$1,000 per year for three years to \$50,000 per year for three years, with escalating benefits and decision-making authority associated with increased investment levels.

The Executive Director of the Governor’s Office of Economic Development and Tourism is not a gubernatorial appointed position. Rather, the Executive Director is a state employee and staff member of the Governor’s Office. There have been three Executive Directors in the past ten years.

According to the Governor’s Office of Economic Development and Tourism, the agency had a budget of \$44,757,106 in AY2010. This did not include funding for the Texas Enterprise Fund, nor the Emerging Technology Fund. Total support and revenue for TexasOne in 2009 was \$2,185,254.¹²

Strategic Focus

Governor Perry created the Texas Cluster Initiative in 2003 to identify the clusters that would be the engines of job creation in the 21st Century in Texas, and to develop economic development strategies to support the sustained growth of six clusters: advanced technologies and manufacturing; aerospace and defense; biotechnology and life sciences; information and computer technology; petroleum refining and chemical products; and energy. To build on the efforts of the Texas Cluster Initiative, the Governor created the Governor’s Competitiveness Council in 2008 to create an agenda to increase the state’s competitiveness and eliminate or minimize weaknesses in the state’s six targeted industry clusters.

Summary: Florida

Business Climate Rankings

- 2009 Forbes “Best States for Business” #11
- 2009 CEO Magazine “Best and Worst States” #3
- 2009 Site Selection Magazine “Business Climate” #13

Structure/Leadership

The state of Florida, under Governor Jeb Bush’s leadership, restructured its statewide economic model in 1996. Governor Bush’s experience as a former Commerce Secretary for the state afforded him the experience to recognize that involvement from the private sector could make Florida more competitive. The Governor created two new economic development agencies – the Governor’s Office of Tourism, Trade and Economic Development (OTTED) and Enterprise Florida, a public-private partnership that acts as the state’s leading statewide economic development agency. Enterprise Florida contracts with the Governor’s Office to perform its role with specific performance requirements in place. Enterprise Florida is a nonprofit, public-private corporation with approximately 10% of its funding coming from the private sector. Enterprise Florida’s Board Directors is made up of 62 business, government, and community leaders. All appointees are subject to Senate confirmation. The Governor is the Chairman of the Board and the Vice Chairman is an elected private sector leader. OTTED oversees the state’s public private economic development and tourism partnerships and also manages the state’s incentive programs, advocacy programs, community and rural development programs, and Scripps Florida.

The President and CEO of Enterprise Florida is hired under a multiyear contract by the Board of Enterprise Florida but also serves at the pleasure of the Governor.

The Enterprise Florida annual budget in 2008-09 was \$13.8 million. \$1.24 million (9%) came from the private sector and the remaining source of funds were from program revenues (10%), state trust funds (51%) and state general funds (30%).¹³ Leveraging the work of Enterprise Florida, the Florida Office of Tourism, Trade and Economic Development budget for FY2008-9 was \$211 million, which is invested in business development and job creation-related incentive programs and operations.¹⁴

Strategic Focus

Enterprise Florida is required by law to create a strategic plan for economic development every five years. This plan, “Roadmap to Florida’s Future: 2007-2012 Statewide Strategic Plan for Economic Development”, is also updated every three years. The Roadmap sets out clear and distinct goals that Florida has embarked upon to strengthen and diversify its economy.

Enterprise Florida focuses its business recruitment efforts on targeted industries: aviation/aerospace, clean energy, financial/professional services, information technology, life sciences, homeland security/defense, manufacturing and emerging technologies.

According to an Ernst and Young report, the return on public investment in economic development in Florida was \$4.96 for every \$1 invested or 4.96:1 in FY2008-09.¹⁵

Summary: **Utah**

Business Climate Rankings

2009 Forbes “Best States for Business” #3

2009 CEO Magazine “Best and Worst States” #15

2009 Site Selection Magazine “Business Climate” #21

Structure/Leadership

In 2005, Utah’s division of Business and Economic Development and the division of Travel Development were merged to create the Governor’s Office of Economic Development (GOED). The GOED contracts with the Economic Development Corporation of Utah (EDCUtah), a nonprofit public-private corporation that manages the state’s business recruitment efforts.

Private sector leaders are heavily engaged in economic development in Utah. Through both the GOED and EDCUtah, private sector executives play key leadership roles. The GOED is advised by a 15-member Board of Directors appointed by the Governor for four-year terms and requiring Senate approval. Board makeup is restricted to less than nine members from one political party and requires regional diversity. The Board advises the office on funding allocation and economic development strategies. The Director of GOED is appointed by the Governor and serves on his cabinet. The GOED contracts with the Economic Development Corporation of Utah (EDCUtah) to manage the state’s business recruitment efforts. EDCUtah is a nonprofit public-private partnership that is funded by private and public sector contributions. The organization is led by a 100+ person Board of Trustees with representatives from the public and private sectors.

Strategic Focus

The Governor’s Office of Economic Development focuses its efforts on seven industry clusters, including Aviation and Aerospace, Defense and Homeland Security, Energy and Natural Resources, Financial Services, Life Sciences, Outdoor Products and Recreation, and Software Development and Information Technology. The Office of Economic Development provides business incentive programs including post-performance refundable tax credits and cash grants. The incentives are all designed to generate a measurable economic development outcome such as the number and salary of jobs created, amount of new state revenue, long-term capital investment, competition with other locations, and if a company is within a targeted Utah cluster industry. The state reports that it generated \$13.65 in tax revenues for every state dollar spent on promoting Utah in FY 2008.¹⁶

Summary: **Virginia**

Business Climate Rankings

2009 Forbes “Best States for Business” #1

2009 CEO Magazine “Best and Worst States” #7

2009 Site Selection Magazine “Business Climate” #3

Structure/Leadership

The Secretary of Commerce and Trade oversees the economic, community, and workforce development of the Commonwealth. Unlike most states, the Secretary oversees 13 agencies, including the Virginia Economic Development Partnership (VEDP), a quasi-public state authority with responsibility for statewide economic development in Virginia. Created in 1995 to take politics out of statewide economic development, the agency is governed by a 21-member Board made up of private sector/chamber members with the Secretary of Commerce, the state’s Finance Secretary and the Chancellor of community college system as ex-officio members. All board members are appointed by the Governor and General Assembly. The Board governs VEDP, and the staff reports to the Governor through the Secretary.

The VEDP is run as a quasi-public state authority, which gives it greater flexibility than that of a state agency. The employees of the VEDP are employees of the authority and the agency is not required to operate under the state procurement process. The VEDP does participate in the state’s retirement system. The Executive Director of the VEDP is hired by the Board under a long term contract.

The 2010 budget for the VEDP was \$15,982,457 from the state’s general fund. ¹⁷

Strategic Focus

Every Governor is required by statute to create a statewide economic development strategic plan during his/her first year in office. The VEDP is required by statute to report on the status of the Governor’s Plan every year. The state’s targeted cluster areas have been consistent over the past 7-8 years and they include: corporate headquarters, IT, data centers, government related technologies, manufacturing, and medical/pharma.

The VEDP measures its performance by the new jobs and investment created by companies it worked with as well as the number of companies it counseled or that participated in trade events. The VEDP reports to its Board quarterly, an ROI calculation that measures the public money spent on economic development to the projected new revenue stream generated by the new jobs created. In FY2008, the VEDP reported that for every \$1 dollar spent on economic development, there was a \$9 return in 10 years and a \$12 return in 20 years.

Summary: **South Eastern England**

Structure/Leadership

England established its Regional Development Agencies (RDA) in 1999 to promote economic prosperity throughout the country's nine regions. Each RDA develops a strategic economic plan, working to create opportunities for job creation and capital investment by leveraging unique regional assets.

The South Eastern Economic Development Authority (SEEDA) is overseen by the Secretary of State, and is managed by a CEO. The organization is governed by a 16-member public-private sector board which includes members of SEEDA's management team. The Board is appointed by the Secretary of State and independent assessors are involved in the short listing process and during interviews. The Board brings business perspective to inform the strategy and activities of the Agency and is responsible for ensuring the Agency achieves the goals set out for it by the Secretary of State.

Strategic Focus

A key responsibility of the Authority is development of a five to 10-year strategic economic development plan for the region that takes into consideration the region's global competitiveness and opportunities for sustainable prosperity. The Authority's shorter term plans lay out strategies for setting priorities, creating regional partnerships, and preparing to integrate the five to 10-year plan into a corporate plan incorporating the country's nine economic development authorities.

SEEDA works with its regional partners to improve access to finance for new businesses and business that want to expand. SEEDA also invests in internationally competitive sectors that lie within its region. They invest in cluster strategies which attempt to link organizations in related industries to assist with developing high value-added activities, improve overall productivity and identify future high growth opportunities.

SEEDA's performance is regularly assessed by the National Audit Office as well as independently by PricewaterhouseCoopers. The independent report evaluates SEEDA based on the number of jobs it creates and retains, number of companies assisted, jobs trained and brownfield land developed/remediated.

Summary: **Singapore**

Structure/Leadership

The Singapore Economic Development Board (EDB) is a state-sanctioned agency that works to develop and execute strategies to promote economic development, providing support to local and foreign investors in their operations in Singapore. Government and EDB are one and the same. EDB has latitude to design and execute the state's economic development strategies, awarding custom tax incentives for international corporations, for instance. The EDB is governed by a 15-member Board of Directors, including mostly business community CEOs. Other Board members include EDB management, and regional heads of state. The EDB also has a 17-member International Advisory Council, composed of prestigious CEO/Chairman level representatives of the international business community.

Singapore recently established an Economic Strategies Committee (ESC), charged with developing and recommending strategies for 2010, with a goal of fostering "Singapore's future as a global city."¹⁸ The 25 members of the ESC represent Government, the labor movement, and private enterprise. The ESC engaged with more than 1,000 advisers, representing private companies, business chambers and associations, universities, think tanks, and the general public to identify and discuss Singapore's economic growth and the issues that hinder it. Shortly after it was established, the ESC submitted a report to the Singapore Prime Minister. The Government is expected to develop policy based on the ESC's recommendations.

Strategic Focus

EDB focuses on developing the country into a "compelling global hub for business, investment and talent," and marketing it as such to foreign investors, attracting labor-intensive, export-based business. EDB works to attract new investment from companies in a set of target industries, including Alternative Energy, Biomedical Sciences, and Information Technology. EDB has the authority to design and award custom tax incentives for international corporations, and, as needed, coordinates efforts with other government agencies to address the specific needs of each prospect company

Summary: Ireland

Structure/Leadership

Economic development activities in Ireland are managed by three organizations: IDA Ireland, Enterprise Ireland and Forfas. IDA Ireland is organized to attract global business and foreign direct investment. Enterprise Ireland focuses on developing domestic, indigenous industries. Both IDA Ireland and Enterprise Ireland board members are appointed by the Minister for Enterprise, Trade and Employment and are responsible for oversight of operations and the strategy of the organization. Implementation of these strategies lies in the hands of executive management. The boards are responsible to the Minister for Enterprise, Trade and Employment, who is able to provide funding and issue policy directives on the agency's activities. The average size board size is 12 and the Board members are compensated for their service.

Forfas, due to its position as an independent and rigorous research provider, acts as a data source for the private sector as well as the public sector and provides overall strategy for economic development. In addition, the organization provides research and administrative support for independent advisory groups in the fields of science, technology, and enterprise. Forfas board members are appointed by the Minister for Enterprise, Trade and Employment. They typically include a senior management representative from IDA Ireland, Enterprise Ireland, Science Foundation Ireland, and the Department of Enterprise, Trade and Employment. Board members are involved in strategy and management selection.

IDA Ireland is supported largely from Exchequer allocations each year. The remaining funding comes from property sales, grant refunds and a small amount of funds from the EU. In 2007, IDA Ireland received 186.8 million Euros in income. Enterprise Ireland is supported from Exchequer allocations along with smaller amounts of funding from their own resources and third parties. Enterprise Ireland received income of 362.5 million Euros in 2007. Forfas is supported from Exchequer allocations along with professional fees, department programs, and deferred funding. Forfas received 79.2 million Euros in 2007.

Strategic Focus

In January, 2007, after the conclusion of the first national development plan (2000-2006), the Irish government released their second national development plan for the years 2007-2013. These plans are designed to respond to the changes that Ireland has undergone over the past 25 years. Their roadmap for the future includes strategies for developing infrastructure that encourages regional development and environmental sustainability, education and workforce skills development, and quality job creation and retention.¹⁹

Part of the Forfas mission is to interact directly with the national government, advising the legislature and executive branch on developing industry and coordinating policies between IDA Ireland and Enterprise Ireland.

Recommendations

Arizona Department of Commerce stakeholders have overwhelmingly requested that changes be made to create a focused and accountable 21st century economic development organization that is governed and administered outside of politics.

Based on the focus group results and national and global research, it is clear that the Arizona Department of Commerce must reinvent itself in order for the state to maximize its global competitiveness. Arizona, like other states have discovered, can be more effective if it formally partners with the private sector to further the state's economic development.

The proposed Arizona economic development framework must be empowered by six key guiding principles:

- **Transparency and Accountability:** The new organization must be transparent and accountable to all of its investors and stakeholders.
- **ROI:** A “performance based funding model” needs to be created to demonstrate a return on state dollars invested in the organization.
- **Leadership:** The Governor of Arizona is the state's economic development leader, supported by professionals with the qualifications required to advance the state's plan.
- **Public-Private Engagement:** Arizona's economic development efforts can be most successful only if government and private sector representatives work together, versus the two working independently of each other. This includes both the traditional state economic development agencies as well as post-secondary education institutions.
- **Long-Term Vision/Short-Term Action:** Arizona urgently needs short term fixes to its current economic woes. While immediate action is required, we must remain focused on rebuilding for the long-term future.
- **Collaborative Effort with No Duplication:** All constituencies must come together to advance this model, which will not include duplication of existing economic development efforts.

A New Framework for Arizona

The Arizona Commerce Authority (ACA)

The following framework is recommended for a statewide economic development delivery system that drives industry forward, maximizes the state's investment in economic development, and sets forth an effective and accountable delivery system. It is modeled after different aspects of other successful states and countries and it takes into account the consistent feedback received from the hundreds of individuals represented in the focus groups conducted.

Like several of the researched states have determined, Arizona can have greater economic development success if it takes politics out of its statewide economic development delivery system and creates a professionally run organization to lead the state's economic development efforts. However, unlike those states that have dual economic development state organizations (Florida and Utah), Arizona's new effort will provide public-private sector oversight and management in a single state authority.

Structure Recommendation

The Arizona Commerce Authority (ACA), a quasi-public state authority, replaces the Arizona Department of Commerce as the state's lead economic development organization, but does not assume all of its current functions. ACA is governed by a Board of Directors appointed by the Governor and confirmed by the State Senate. The Governor serves as Chairman of the Board. The Speaker of the House and President of the Senate are Ex-Officio members of the Board.

Lessons learned: *The global examples studied and the state of Virginia all use quasi-public or “semi-state” structures in their economic development delivery systems, allowing them to be connected to government while partnering with private sector leadership. This connection to government is more critically important in today’s globally competitive environment – international companies especially, look to government representatives to take the lead in assisting them in their site selection process.*

Those states with public-private partnerships as lead economic development organizations (Florida, Utah), also maintain government-run economic development organizations. Because the public-private partnerships are privately run organizations, the states’ incentive and finance programs are not administered there. This creates dual roles, dual approval levels, and confusion by some about the roles and responsibilities of the groups. By maintaining a quasi-public authority in Arizona, we can keep all economic development programs in a single agency, while bringing greater private sector leadership to the organization.

Focus Recommendation

The mission of ACA is to diversify Arizona's economy and create quality jobs for its citizens by supporting, attracting, and helping businesses in targeted, high growth clusters, with an emphasis on base industries. Like other successful states and countries studied, the new organization is responsible for creating the necessary strategic plans and focus areas, in collaboration with the many economic development stakeholders throughout the state. ACA is also tasked with monitoring the successful implementation and execution of the plans.

Lessons learned: *In addition to the creation of plans and initiatives, the economic development organizations are responsible for reporting on the execution activities of the plans and initiatives. They also focus their efforts on targeted industry clusters.*

Board Leadership Recommendation

ACA is governed by a Board of Directors, with the Governor of Arizona serving as its Chairman. The Speaker of the Arizona House of Representatives and the President of the Arizona Senate are Ex-Officio members of the Board. The Board is comprised of 14 additional CEO-level business, education and community leaders representing all areas of the state. The Governor selects and appoints Board members, from a qualified slate submitted to her/him by the Board of Directors, when positions are vacant. Board members are confirmed by the State Senate and serve staggered terms. The Vice Chairman of the Board has significant Board leadership duties, knowing that the Governor may not have the time to devote to daily management issues. The Board is subject to open meeting laws and public records requests.

Lessons learned: *All states/countries reviewed recognized the importance of engaging private sector leaders in the work of the economic development organization. We recommend a limited number of board members for ACA so the organization can be flexible, nimble, focused and entrepreneurial. Like*

other states, we recognize the importance the Governor plays in leading the state's economic development agenda.

Executive Leadership Recommendation

The Board of Directors of ACA hires the president of the Authority under a long-term contract. The president and employees of ACA are employees of the Authority and compensated at levels commensurate with those economic development professionals at other similar organizations. They are exempt from state procurement and personnel system regulation. They have the ability to be members of the Arizona State Retirement System and other state benefits.

Lessons learned:

The highly ranked economic development states that hire their executive leadership through gubernatorial appointments are also those states with cultures that have supported economic development for decades. The Executive Director or Secretary of these states are prestigious and sought after positions.

Other states recognize that using private sector Boards to help hire experienced executive leadership take politics out of the organization and puts into place an experienced leader with a long term commitment to the success of the organization. However, having final support and direction from the Governor is critical to creating a strong partnership.

The Role of ACA

As Arizona's lead economic development organization, ACA is charged with the following duties and responsibilities. All programs have an emphasis on producing statewide results.

1. **Business Retention/Expansion/Recruitment:** Assist new and existing companies in Arizona in creating quality jobs and generating new investment in the state. ACA manages the statewide business recruitment, expansion and retention efforts which include global business development. ACA provides support to Arizona companies seeking to export their products globally, resulting in new jobs and capital for the state.
2. **Strategic Planning and Public Policy:** Create, monitor and help execute a comprehensive economic development strategy for the state. Advance economic development public policy that assures Arizona creates a business friendly, globally competitive environment.

It is recommended that ACA create a Competitiveness Council to assure Arizona is regularly reviewing its competitiveness position and strategically supporting public policy that supports job growth in Arizona's focused industry clusters. Like Forfas in Ireland and the Texas Competitive Council, Arizona's Council includes members of key collaborative organizations that represent Arizona's commitment to becoming a 21st century economic development model, such as Science Foundation Arizona and other innovation and industry cluster groups, rural and urban regional economic groups, universities and community colleges.

3. **Management of Financial Programs:** Manage, operate and market Arizona's economic development and workforce programs that align with the state's comprehensive economic development strategy, including existing tax credit and grant programs and new programs currently being proposed by the state legislature.

4. **Marketing and Communications:** Provide statewide marketing leadership to establish, build and maintain a pro-business image for the State of Arizona and promote the state's unique competitive advantages. ACA is the "Arizona Economic Development Ambassador" and works collaboratively with all economic development organizations throughout the state to leverage the limited marketing dollars available. ACA uses private sector funds for marketing programs.

Lessons learned:

The states and countries reviewed are focused on core economic development programs and public policy that create stable, competitive environments for their focused industry clusters.

Funding and Accountability

In partnership with the state legislature and the Office of the Governor, ACA creates a "Performance-Based Funding Model" with performance criteria and associated deliverables. Included in the Model is an annual calculation to determine the state's return on its investment of public funds.

Funding for ACA comes from state and private sector funds. It is the Council's expectation that, through the legislative process, a dedicated funding source may be identified to fund the organization. ACA receives a lump sum budget from the state each year and submits the following to the Governor's Office and State Legislature by November 1 of each year: 1) A detailed operational plan and budget for the upcoming fiscal year, and 2) An annual report which contains audited financial statements for the prior fiscal year.

State Funding: State funding comes from the state general fund or from a business-related, dedicated funding source such as incremental payroll tax revenues (the payroll tax paid by businesses) generated from targeted industry clusters.

Private Sector Funding: Like other states, Arizona recognizes that using public sector funds for state marketing programs can be a contended use of taxpayer dollars. Therefore, the private sector helps support the marketing efforts of the organization. The private sector funds comes from a 1.5 percent fee, not to exceed \$100,000 charged to companies accessing certain current and proposed economic development tax credit and grant programs (incentive programs) in Arizona. These funds are deposited into a marketing and jobs development account and used to fund marketing programs used by ACA.

Lessons learned from other states:

Some states successfully demonstrate their value through a return on investment each year. This helps give credibility to an organization and uses business principles to demonstrate value. Most states use private sector dollars to fund marketing programs, supporting those efforts that are critical to be a successful marketing organization, yet can be a politically sensitive use of public funds.

Alignment with Other State Investments

For Arizona to be most competitive in the 21st century, it must align and leverage its investments in partner organizations to maximize their effect. ACA aligns closely with the work of Science Foundation Arizona (SFAz) to leverage the work of both groups, including engaging SFAz in business recruitment, expansion and retention strategies. SFAz is an asset in Arizona's economic development framework and ACA partners more closely with SFAz to maximize its impact.

ACA establishes a strategic relationship with the state's universities to leverage their research capabilities in support of job retention and creation efforts and to maximize opportunities for marketing our state's highly educated workforce to global industry leaders. ACA also creates a link with the job training capabilities of Arizona's 10 community college districts to meet the unique workforce development needs of existing and new businesses. Like other successful states, promotion of a strong higher education system is critical to establishing and maintaining a strong economic development position for Arizona.

Other states are very successful at integrating their limited tourism and business development marketing resources. They also collaborate statewide with regional and local economic development groups to leverage those limited funds. ACA provides the statewide leadership to maximize the limited resources available to market the state and its regions.

Transition of Other State Programs

States have recognized that being focused on core economic development programs that create quality jobs for its citizens provides measureable success and a return on the investment of state funds. To maintain this focus, we recommend that an Agency Transition Team is established to analyze and relocate existing programs that do not clearly fall under the mission of the ACA. For example, the following existing Arizona Department of Commerce functions should be moved to other state agencies:

- Energy Division (Federally funded programs)
- Research Administration (Federally funded census tracking programs)
- Population Technical Advisory Committee
- Arizona Partnership for Nursing Education Program
- Healthy Forests Tax Credit
- Forest Health Oversight Council

Remaining programmatic changes should be recommended by the Agency Transition Team.

Appendix A

Legislatively Mandated Programs and Executive Order Activities

Arizona Department of Commerce Statutorily Mandated Programs ²⁰

Business and Workforce Assistance:

- Export Promotion
- Co-Operative Advertising
- Advisory Committee on Recycled Materials Markets
- Recycled Materials Market Development Program
- Foreign Investment
- Mexico Office
- Canada and Japan Office
- New Business Attraction
- Business Retention & Expansion
- Job Training Fund
- Apprenticeship
- Aerospace and Defense Commission
- Women and Minority Business
- Small Business Advocate
- Nursing Program
- Centralized State Permitted

Community Assistance:

- General and Comprehensive Plan Review
- Develop Land Use Plans for Active Military Airports
- Arizona Military Affairs Commission
- Military Installation Fund
- Main Street Program
- Rural Economic Development Initiative
- Small Community Planning Assistance
- Growing Smarter Planning Grants

Finance Programs:

- Economic Strengths Program
- Environment Tech Tax Credit
- Healthy Forests Tax Credits
- Angel Tax Credit
- Enterprise Zones

Finance Programs Continued

- Defense Contractor Restructuring Tax Credits
- Military Reuse Zones
- Process Commercial Solar Tax Credit
- Private Activity Bond
- Motion Picture Tax Credits
- Greater Arizona Development Authority
- Commerce and Economic Development Commission
- Commerce and Economic Development Commission Bonding
- 21st Century Fund
- Renewable Energy Tax Incentive Program
- Local Communities Fund (Prop 200)
- Arizona International Development Authority
- Small Business Innovation Research Matching Program

Energy Mandates (Federal Funding):

- Weatherization Program Assistance
- Solar Energy Advisory Council
- Oil Overcharge Fund
- Power Plant Transmission Siting
- Energy Conservation Standard for Public Buildings
- Appliance Standards
- Solar Energy Devices/Standards
- Technical Assistance
- Energy Emergency Plan
- State Agency Energy Efficiency Report
- Average Retail Prices of fuel
- Hydrogen Grant Program

Research (Federal Funding):

- Population and Employment Statistics
- Economic Research Clearinghouse
- Economic Analysis

Arizona Department of Commerce Implementation Initiatives to Support Agency Mandates ²¹

Business and Workforce Assistance:

- State Branding and Promotion
- Collateral Materials including Industry Directories
- Liaison with Regional and Local Economic Development Partners
- Lead Generation and Distribution
- Arizona Film Tradeshows
- Film Transaction Privilege Tax Exemptions and User Tax Exemptions
- Film Location and Support
- Film Photo Library
- Film Permit Coordination
- Job Training, Small Business and Rural Outreach
- Small Business Resource Guide and Check List
- Small Business Directory
- Small Business Market and Sell to State
- Tech Business Development Resource Center
- Tech Commercialization Coordination
- Arizona Innovation Connection
- Capital Formation Coordination
- Arizona Workforce Connection
- Tech Industry Development Roadmap Coordination
- Innovation Tech and Market Assessments
- Arizona Innovation Accelerator
- Arizona Fast Program
- Innovation and Technology Business Development Support
- Special Projects - i.e. Wi-Fi Superior
- Special Projects - DOL IT Grant (IBM)

Community Assistance:

- Governor's Rural Development Conference
- Rural Economic Development Assistance
- Regional Managers
- Boards and Commissions Conference
- Local Elected and Appointed Official Workshops
- Asset Inventory
- Planning and Zoning Handbook

Administration and Operations:

- Communications: articles, editorials, e-clips, business and community outreach, news releases, media outreach, KFNN Radio Show, website, graphic arts (banners, posters, ads)
- Community, County, Tribal Profiles
- Arizona Business and Community Financing Guide
- Annual Funding Fair
- REMI and IMPLAN
- Legislative Affairs
- Technical Expertise: Incentives, tax programs, statutes
- Operations: HR, Accounting, IT, Procurement

Energy (Federal Funding):

- AzURE
- Tribal Energy Liaison
- CREPC
- Western Climate Initiative
- Western Governors Association
- Renewable Energy Zones
- Building Science
- Energy Grant Administration
- ESC
- Wildlife corridors
- WIEB
- Affordable Housing Tax Credit Inspection NASEO
- Database of State Incentives for Renewable Energy
- WIRAB
- Demand-Side Management
- Energy Performance Contracting
- Community Energy Planning
- Tribal Rural Electrification

Arizona Department of Commerce Executive Order Activities ²²

- Population Technical Advisory Committee (State)
- Forest Health Oversight Council
- Governor's Council on Small Business
- Border Governors
- Smart Growth Scorecard
- Smart Growth Interagency Committee
- Office of Smart Growth Coordination
- Governors Military Affairs Commission
- Tribal Liaison
- Tribal Consultation Policies
- Efficiency Review
- Growth Cabinet Citizens Advisory Board
- Establish REC Standards for State Agencies
- Governor's Film Commission
- Governor's Council on Workforce Policy
- Governor's Council on Innovation and Technology

Appendix B

Stakeholder Outreach Participant Organizations

Ahwatukee Chamber of Commerce
Alliance Bank of Arizona
American Indian Chamber of Commerce
Apache Junction Chamber of Commerce
Apache Nitrogen
Arizona Association of Economic Development (AAED)
Arizona BioIndustry Association
Arizona Board of Regents
Arizona Chamber of Commerce and Industry
Arizona CURE
Arizona Department of Commerce
Arizona Department of Education
Arizona Economic Research Association (AERO)
Arizona First
Arizona Mexico Commission
Arizona Minority Business Enterprise Center
Arizona Public Service
Arizona Rural Development Council
Arizona Small Business Association
Arizona Small Business Development Center
Arizona State University
Arizona Technology Council
Arizona Tooling and Machining Association
Associated Minority Contractors of America
AVR
Banner Sun Health Research Institute
Barclay Communications
Battelle
Benson Chamber of Commerce
Benson Visitor Center
BioAccel
Blue Cross Blue Shield of Arizona
Brown Family Foundations
Buckeye Valley Chamber of Commerce
Bullhead Regional Economic Development Authority
California Association for Local Economic Development
Campbell & Mahoney Law Firm
Carondelet
Catholic Healthcare West
CB Richard Ellis
Center for the Future of Arizona
Central AZ Regional Economic Development Foundation
Chandler-Gilbert Community College
City of Apache Junction
City of Benson
City of Chandler
City of Glendale
City of Globe
City of Kingman
City of Mesa
City of Nogales
City of Phoenix
City of Prescott
City of Safford
City of Scottsdale
City of Sedona
City of Tempe
City of Tucson
City of Willcox
Cochise Community College
Cochise County
Coconino County Career Center
Coe & Van Loo Consultants
Senate Commerce/Economic Development Chair
House Commerce Chair
Consulate of Canada/Consulat du Canada
Covance Laboratories
Cox Communications
Cushman & Wakefield
Delmastro + Eells
Deloitte
Denise Resnik & Associates
Desert Fleet-Serve, Inc.
DHR International
Diamond Ventures
DMB Associates
Dorn Policy Group
Downtown Phoenix Partnership, Inc.
East Valley Chamber of Commerce Alliance
EDGE Eloy
Embry-Riddle Aeronautical University
Empire Southwest LLC
Falcon Field Area Alliance
Fennemore Craig
Flagstaff Chamber of Commerce
Flinn Foundation
GHD
Governor's Office of Equal Opportunity
Grand Canyon Minority Supplier Dev. Council
Great Impact, Inc.
Greater Phoenix Chamber of Commerce
Greater Phoenix Economic Council (GPEC)
Greater Phoenix Leadership, Inc.

Green Valley Sahuarita Chamber of Commerce
Hamilton, Gullet, Davis & Roman
Hecker & Muehlebach, PLCC
Hensley Company
HKS, Inc.
Hornaday Development LLC
HUB International
Humana of Arizona
IBM
ILX Resorts
iMemories
Integriguard
Intel
Kinetic Muscles, Inc.
Klute Communications
Lake Havasu Area Chamber of Commerce
Lake Havasu Partnership for Economic Development
League of Arizona Cities and Towns
Local First Arizona
Loven Contracting
Maricopa County
Maricopa County Community College District
Mayo Clinic
McKenney and Monroe
Medtronic, Inc.
Mesa Chamber Commerce
MGT Associates, LLC
Mohave County
Motorola
National Assoc. Independent Office Properties AZ
National Federation of Independent Business
Nichols Precision, AZ Tooling/ Machining Assoc.
Nogales Community Development Corporation
Northern Arizona Building Association
Northern Arizona Center for Emerging Technologies
Northern Arizona University
Northern Trust Bank
Phoenix Children's Hospital
Phoenix Community Alliance
Phoenix International Raceway
Pinnacle Business
Pinnacle West Capital Corporation
Prescott Valley Economic Development Foundation
Quarles & Brady
Ratheon
Republic Services
Rodel Foundation
Salt River Project

Science Foundation Arizona
Scottsdale Chamber of Commerce
Scottsdale Healthcare
SenesTech
SenesTech
Sierra Vista Economic Development Foundation
Snell & Wilmer L.L.P.
South Mountain Laveen Chamber of Commerce
SouthEastern Arizona Governments Organization
Southern Arizona Leadership Council
Southern Arizona Technology Council
Southwest Gas
St. Joseph's Hospital and Medical Center
Sulphur Springs Valley Electric
Sunbelt Holdings
SunCor Development
Sundt Construction
Systems Technology Staffing
Tempe Chamber of Commerce
The Critical Path Institute
The Human Element LLC
The Molera Alvarez Group
The Symington Group
The University of Arizona
The University of Arizona College of Medicine-Phoenix
in partnership with Arizona State University
Town of Bowie
Town of Florence
Town of Fountain Hills
Town of Maricopa
Town of Oro Valley
Town of Payson
Town of Sahuarita
Translational Genomics Research Institute (TGen)
TriWest Healthcare
Tucson Metro Chamber of Commerce
Tucson Regional Economic Organization (TREO)
University of Arizona
Vestar Development Co
Viad Corp
Vision Alignment
Waste Management of Arizona
Wells Fargo
Westcor
WESTMARC
Western Arizona Economic Development District
Yavapai County Cooperative Extension
Yuma Economic Development Foundation

Appendix C

U.S. and Global Research

The following questions are asked and answered to analyze the states and countries and their economic development frameworks. These questions take into account the successful elements of state economic development organizations.

1. How does the state/country engage the private sector and select executive leadership?
2. How does the state/country maintain strategic focus and demonstrate an ROI?
3. What programs support the state's/country's economic development efforts?
4. What role does the state's/country's lead economic development organization play in public policy and how do they engage the legislature in their efforts?
5. What resources does the state/country use to market itself nationally and globally?
6. How does the state/country support its rural areas through economic development programs and services?

North Carolina

The North Carolina Department of Commerce is a traditional statewide economic development organization. It staffs and receives policy direction from the North Carolina Economic Development Board, the North Carolina Board of Science and Technology and the Commission on Workforce Development. The Department is organized into eight major focus areas and it includes the state's tourism efforts.

Question #1: How does North Carolina engage the private sector and select executive leadership?

The state of North Carolina engages private sector leaders, the state General Assembly, university Presidents, community colleges, and other economic development organizations throughout the state through the esteemed 37-member, North Carolina Economic Development Board. The Board oversees state economic development research and planning and makes policy recommendations to the Governor and the General Assembly. The Board also recommends biennial and annual appropriations for economic development programs. The Governor appoints the Chair and Vice Chair of the Board. The Board is staffed by the Interagency Economic Development Group which is coordinated by the Department of Commerce. The Interagency Economic Development Group includes the Department of Administration, Department of Agriculture and Consumer Services, Employment Security Commission, Department of Labor, and Department of Transportation.

The North Carolina Economic Development Board does not oversee the Department of Commerce, however, it does work to analyze North Carolina's global competitiveness through aggressive economic development policy recommendations. The Board is composed of state government officials, private sector leaders, representatives of non-profits and economic development organizations, and eight members of the North Carolina House of Representatives and Senate.

The Friends of North Carolina is an advisory council to the North Carolina Commerce Trade and Development Fund, a non-profit 501(c)(6) organization that helps market the state globally and nationally. The organization is funded through sponsorship levels of \$500-\$25,000 annually.

The Secretary of Commerce is appointed by and serves at the pleasure of the Governor of North Carolina and he/she also sits on the Governor's cabinet.

Question #2: How does North Carolina maintain strategic focus and demonstrate a return on investment?

The North Carolina Economic Development Board is charged with creating a comprehensive economic development plan for the state. The Board is also responsible for holding the state economic development entities accountable for implementation of the economic development plan. This approach assures that the plan created does not sit on shelf somewhere, rather, there is accountability that the plan is successfully executed. The Department of Commerce's strategic plan focuses on:

1. Keeping North Carolina competitive through the recruitment and expansion of technologically advanced companies.
2. Increasing economic opportunities for the state by making sure the state is recognized globally as a desirable business location.
3. Improving economic opportunities for all citizens through programs targeting people and places that need assistance.

The state's Strategic Plan was updated most recently in 2007. In 2006, the state compared the original plan goals to the actual progress made.

Question #3: What programs support the North Carolina's economic development efforts?

The North Carolina Department of Commerce manages all economic and community development programs as well as tourism. It is a large, well-funded, and respected agency which results in a high degree of success.

Programs: The Department is organized into eight major focus areas:

- Business and Industry Development (business attraction and expansion)
- International Trade: The agency maintains international offices in Canada, Mexico, Germany, China, Korea, Hong Kong and Japan.
- Community Assistance
- Workforce Development
- Commerce Finance Center: Administration of incentive programs
- Policy, Research and Strategic Planning
- Energy Office
- Tourism, Film and Sports Development

The Department also staffs the 19-member North Carolina Board of Science and Technology which was created to promote scientific, engineering, and industrial research applications in the state.

The agency had a budget of \$54.9 million in FY 2008-09 and 455 FTEs.

Question #4: What role does the North Carolina's lead economic development organization play in public policy and how do they engage the state legislature in their efforts?

The North Carolina Economic Development Board has played a key leadership role in advancing aggressive and competitive economic development programs in the state. The collaborative engagement of all levels of government, higher education leaders, economic development groups, and private sector leaders has provided consistent and supportive economic development agendas over the years.

Eight members of the state legislature sit on the Economic Development Board.

Question #5: What resources does the state use to market itself nationally and globally?

The Friends of North Carolina is a 501(c)(6) non profit corporation that helps the Department of Commerce market the state with private sector funds. The group engages the private sector in the Department's efforts through a membership funded marketing program. The program supports marketing events, trade missions, site selection consultant events, economic development conferences, and other global marketing activities that support the retention and attraction of new jobs and businesses and the promotion of North Carolina as a leader in manufacturing and technology industries. Private sector membership ranges from \$500-\$25,000 with corresponding benefits associated with the various levels.

Question #6: How does the state support its rural areas through economic development programs and services?

The state has a division in the Department of Commerce that is committed to providing assistance to small communities. With 40.5 FTEs and a budget of \$2.9 million in 2008-09, the state demonstrated its commitment and significant role it plays in helping rural communities develop and create jobs.

Texas

In 2003 Governor Rick Perry created the Governor's Office of Economic Development and Tourism and brought the state's economic development programs into his office. That same year, TexasOne was created which is a 501(c)(3) public-private nonprofit corporation charged with marketing the state globally and domestically.

Question #1: How does Texas engage the private sector and select executive leadership?

In 2003 Governor Perry called on the private sector to create TexasOne as a complementary effort to the Governor's Office of Economic Development and Tourism. TexasOne is the primary funder of State-level economic development marketing with the goal of attracting and retaining high-value jobs.

TexasOne is led by a 9-member, private sector board appointed by the Governor and the assistance of two ex-officio public sector board members, the Secretary of State and head of Office of Economic

Development and Tourism. Membership in TexasOne ranges from an investment of \$1,000 per year for three years to \$50,000 per year for three years, with escalating benefits and decision-making authority associated with increased investment levels.

Additionally, the Governor engages private sector industry leaders through appointments to other economic development related Boards and Councils including the Texas Workforce Investment Council, the Aerospace and Aviation Advisory Committee, and the Governor's Competitive Council.

The Executive Director of the Governor's Office of Economic Development and Tourism is not a gubernatorial appointed position. Rather, the Executive Director is a state employee and staff member of the Governor's Office.

Question #2: How does Texas maintain strategic focus and demonstrate a return on investment?

Governor Perry created the Texas Cluster Initiative in 2003 to identify the clusters that would be the engines of job creation in the 21st Century, and to develop economic development strategies to support the sustained growth of six clusters: advanced technologies and manufacturing; aerospace and defense; biotechnology and life sciences; information and computer technology; petroleum refining and chemical products; and energy. To build on the efforts of the Texas Cluster Initiative, the Governor created the Governor's Competitiveness Council to create an agenda to increase the state's competitiveness and eliminate or minimize weaknesses in the state's six targeted industry clusters.

The state of Texas measures its economic development return on investment by reporting new jobs and capital investment created as well as the impact on the state's gross state product. The state measures the Texas Enterprise Fund (TEF, Governor's Closing Fund) impact by calculating new job creation, new capital investment, and annual gross state product. To date, total TEF new jobs created have been 56,002, new capital investment totals over \$14 billion, and \$383 million in grants have been disbursed.

Question #3: What programs support Texas' economic development efforts?

The Department is organized into five major focus areas:

1. The Economic Development Bank: Known as The Bank

The Bank targets capital to growth industry business opportunities that attract, retain and expand high-value jobs in Texas. Created in 2005, The Bank's Emerging Technology Fund was established with General Fund and "rainy day fund" surplus monies. Under the leadership of the Texas Emerging Technology Advisory Committee, the Emerging Technology Fund has established seven Regional Centers for Innovation and Commercialization (RCIC) and one Texas Life Science Center. RCIC regional leaders provide recommendations to the Advisory Committee regarding targeted investments of the fund.

The Bank administers tax incentive programs such as the Enterprise Zone, Federal Empowerment Zone, and Defense Economic Readjustment Zone programs. The Bank also provides access to capital through its Loan Assistance program, with preference given to high-value job creation in the semiconductor, nanotechnology, biotechnology and biomedical sectors.

2. **Business Development:** Attraction, retention and expansion, works to eliminate obstacles to business growth, with a particular focus on exports as opposed to foreign direct investment. The division also manages the state's renowned Texas Enterprise Fund which acts as a deal closing incentive program. Its source of revenue is one-tenth of 1 percent of taxable wages paid by businesses to the Texas Unemployment Trust Fund. The state has one foreign trade office in Mexico City.
3. **Small Business Assistance:** Acts as a single point of contact for information related to business permits and licensing. Priority assistance is given to historically underutilized businesses (minority and woman-owned) to provide access to the state procurement process.
4. **Office of Aerospace and Aviation:** Established in 2003, works to retain and grow the state's base of aerospace-related employment assets. A 7-member Governor-appointed Aerospace and Aviation Advisory Committee provides industry-based leadership and recommendations to the Office.
5. **Tourism:** Advertising, marketing, public relations and travel research.

The Texas Workforce Investment Council is not located in the Governor's Office of Economic Development and Tourism. The Council links workforce development, economic development and education efforts to develop a trained workforce for potential employers. The Council is made of 19 members, 14 of whom are appointed by the Governor and five of whom represent state agencies.

Question #4: What role does Texas' lead economic development organization play in public policy and how do they engage the state legislature in their efforts?

The Governor's Competitiveness Council made policy recommendations for the state to maintain and improve its competitive position in the state's six targeted industry clusters. The Governor's Office of Economic Development and Tourism provides the staff support to implement the recommended policies.

Question #5: What resources does the state use to market itself nationally and globally?

In 2003 Governor Perry called on the private sector to create TexasOne as a complementary effort to the Governor's Office of Economic Development and Tourism. TexasOne is the primary funder of State-level economic development marketing with the goal of attracting and retaining high-value jobs.

The mission of TexasOne is to market and promote the state as a premier business location. Marketing activities include trade and industry events, business and recruitment missions, signature events, advertising and public relations and an interactive web presence.

Membership in TexasOne ranges from an investment of \$1,000 per year for three years to \$50,000 per year for three years, with escalating benefits and decision-making authority associated with increased investment levels.

TexasOne Annual Revenue Growth

<i>Year</i>	<i>Annual Budget</i>
2004	\$495,000
2005	\$822,130
2006	\$1,131,000
2007	\$1,460,350
2008	\$1,683,062
2009	\$2,185,254

Question #6: How does Texas support its rural areas through economic development programs and infrastructure funding?

The Texas Department of Rural Affairs was established in 2001 to fund necessary physical infrastructure, create and support technology centers, and provide health-related grants and disaster relief – all resources rural communities in Texas consider critical to their ability to attract and retain high-value jobs.

Governed by an 11-member, Governor-appointed private sector board, the Department is funded 90.3 percent through federal grants, 6.9 percent from state General Revenue, and 2.8 percent from legislatively-dedicated funds.

Georgia

The **Georgia Department of Economic Development**, a traditionally run commerce agency, is the state's lead economic development agency. The agency is supported by the Georgia Allies, a privately-funded 501(c)(3) corporation which funds economic development marketing programs used by the Department of Economic Development.

Question #1: How does Georgia engage the private sector and select executive leadership?

The state of Georgia engages the private sector through various advisory boards that support economic and workforce development. The Department of Economic Development is supervised and directed by a Board of Directors made up of one representative for each of the 13 congressional districts and nine members at large. All members are appointed by the Governor, subject to State Senate confirmation. Workforce programs are managed by the Governor's Office of Workforce Development and the State Workforce Investment Board advises the office on workforce policy. The State Workforce Investment Board is represented by legislators and private sector appointees. Rural financing programs are run by One Georgia Authority with oversight from a Board that is chaired by the Governor.

The Georgia Allies bring private sector leadership and private sector funding through its economic development marketing programs.

The Georgia Department of Economic Development is led by a gubernatorial appointed Commissioner who is considered the “Chief Marketing Officer of the State.” The current Commissioner has been in his position for three years. There have been three Commissioners leading the agency in the past ten years.

Question #2: How does Georgia maintain strategic focus and demonstrate a return on investment?

The Georgia Department of Economic Development stays very focused on core economic development programs since it does not manage rural and workforce programs. The agency focuses its global marketing efforts into targeted industry clusters including: aerospace, defense, and advanced manufacturing; agribusiness, bioenergy, food processing and logistics; health sciences and advanced technologies; corporate solutions – headquarters, data center, financial and insurance; innovations, emerging and small enterprise/Centers for Innovation program; and community and external alliances/entrepreneur and small business.

The Georgia Allies and the Georgia Department of Economic Development measure their results with new job creation and capital investment.

Question #3: What programs support the state’s economic development efforts?

The Georgia Department of Economic Development is organized into three major areas:

- Global Commerce which includes international trade and promotion, business recruitment, innovation and technology, and small business. The state created Centers for Innovation in 2003 to support and grow existing businesses in targeted innovation industries. The department manages international offices in Brazil, Canada, Chile, Munich, Israel, Japan, Mexico, South Korea, and the United Kingdom. The Department opened its newest office in China in 2008.
- Tourism
- Film Music and Digital Entertainment

The agency’s 2009 budget was \$39,601,916 and then amended to include approximately \$7 million in cuts. The agency had 208 FTEs.

Question #4: What role does Georgia’s lead economic development organization play in public policy and how do they engage the state legislature in their efforts?

The 22-member Georgia Department of Economic Development Board is empowered by state statute to make formal economic development-related recommendations to the Governor and to the General Assembly. Board recommendations relate to tools and programs aimed at improvement the state's business climate and eliminating existing burdens that adversely affect commerce, business, industry, trade or agriculture in Georgia.

Question #5: What resources does Georgia use to market itself nationally and globally?

The Georgia Economic Development Department created “Global Georgia” in 2008 to accelerate growth in international investment, trade, and tourism in Georgia. This global marketing program includes advertising, public relations, website and direct mail. In FY2008, the state’s budget for this program was \$3.9 million. ²³

The Georgia Allies, a public-private partnership supports the Department's marketing efforts through marketing events and online tools.

Question #6: How does Georgia support its rural areas through economic development programs and services?

Business recruitment and expansion for rural Georgia is a high priority. In 2008-09, the Department of Economic Development announced that 60 percent of all new jobs created and 56 percent of all new capital investment were in rural areas of the state.

The One Georgia Authority utilizes one-third of the Georgia's share of the Tobacco Master Settlement Agreement in rural counties. The role of the Authority is to financially partner with rural communities to support rural communities to create strong economies. The Authority anticipates spending \$1.6 billion on investments in rural Georgia communities. The Governor is Chairman of the One Georgia Authority Governing Board and other members include members of the Governor's cabinet as well as members of the state House of Representatives and the State Senate.

Florida

The state of Florida, under Governor Jeb Bush's leadership, restructured its statewide economic model in 1996. Governor Bush's experience as a former Commerce Secretary for the state afforded him the experience to recognize that involvement from the private sector could make Florida more competitive. The Governor created two new economic development agencies – the Governor's Office of Tourism, Trade, and Economic Development (OTTED) (they give final sign off on incentive programs) and Enterprise Florida, a public-private partnership that acts as the state's leading statewide economic development agency. Enterprise Florida contracts with the Governor's Office to perform its role with specific performance requirements in place. Enterprise Florida is a nonprofit, public-private corporation with approximately 10% of its funding coming from the private sector. OTTED oversees the state's public private economic development and tourism partnerships and also manages the state's incentive programs, advocacy programs, community and rural development programs, and Scripps Florida.

Question #1: How does Florida engage the private sector and select executive leadership?

Enterprise Florida's Board Directors is made up of 62 business, government, and community leaders. All appointees are subject to Senate confirmation. Statute requires appointments be made with consideration of business, geographic, ethnic, and racial diversity. Members are appointed for four year terms and are eligible for reappointment. Directors include representation from the state legislature, private sector members, the Commissioner of Education, the Secretary of State, and other at-large members. The Governor is the Chairman of the Board and the Vice Chairman is an elected private sector leader. Enterprise Florida also collaborates with economic development stakeholders throughout the state through its Stakeholders Council. The President and CEO of Enterprise Florida is hired under a multiyear contract by the Board of Enterprise Florida but also serves at the pleasure of the Governor.

Question #2: How does Florida maintain strategic focus and demonstrate an ROI?

Enterprise Florida is required by law to create a strategic plan for economic development every five years. This plan, "Roadmap to Florida's Future: 2007-2012 Statewide Strategic Plan for Economic Development", is also updated every three years. The Roadmap sets out clear and distinct goals that Florida has embarked upon to strengthen and diversify its economy. Most recently, Enterprise Florida held ten meetings across the state with more than 1,000 stakeholders in attendance.

Enterprise Florida focuses its business recruitment efforts on targeted industries: aviation/aerospace, clean energy, financial/professional services, information technology, life sciences, homeland security/defense, manufacturing, and emerging technologies.

Enterprise Florida measures its success in the traditional fashion, through the creation and retention of quality jobs in Florida, customer satisfaction and activities statewide. This analysis is required by state statute and is submitted annually to the Legislature. As required by statute, an economic analysis firm (Ernst and Young) is hired to develop the ROI methodology for establishing Enterprise Florida's successful assistance on projects. Based on a state investment of \$12.5 million in Enterprise Florida a public return on investment of 4.96:1 was realized in FY 2008-09.

Question #3: What programs support Florida's economic development efforts?

Enterprise Florida manages the state's focused economic development efforts through four divisions:

1. Business Retention and Recruitment
2. External Affairs and Investor Relations
3. International Trade and Business Development
4. Marketing and Strategic Intelligence

OTTED oversees the state's economic development public-private partnerships and manages the state's financial incentive programs.

Enterprise Florida's annual budget in 2008-09 was \$13.8 million. \$1.24 million (9%) came from the private sector and the remaining source of funds were from program revenues (10%), state trust funds (51%), and state general funds (30%).²⁴ Leveraging the work of Enterprise Florida, the Florida Office of Tourism, Trade, and Economic Development budget for FY2008-09 was \$211 million, which is invested in business development and job creation-related incentive programs and operations.²⁵

Question #4: What role does Florida's lead economic development organization play in public policy and how do they engage the legislature in their efforts?

OTTED is charged with developing policies to diversify and improve Florida's business climate and infrastructure. Enterprise Florida and its Board are also actively involved in public policy, providing support to economic development proposals and agendas.

The headquarters of Enterprise Florida was strategically located in Orlando, instead of Tallahassee, so that the organization is influenced by the business community instead of politics.

Question #5: What resources does Florida use to market itself nationally and globally?

Enterprise Florida's marketing programs have a global reach. In 2008-09, marketing programs reached approximately 60 million executives worldwide. ²⁶ The state's recent branding campaign is based on a new thought leadership marketing strategy, shifting the mindset from a promotional approach to an educational one. Enterprise Florida uses traditional marketing tools along with multimedia and social network platforms to advance the state's global position.

Question #6: How does Florida support its rural areas through economic development programs and services?

The Rural Infrastructure Fund is a financial assistance program available to rural communities in Florida to support planning, preparation and financing of infrastructure projects that result in economic development benefits to a community. The program is intended to leverage state dollars to access federal infrastructure funding programs.

Utah

In 2005, Utah's division of Business and Economic Development and the division of Travel Development were merged to create the Governor's Office of Economic Development (GOED). The GOED contracts with the Economic Development Corporation of Utah (EDCUtah) to manage the state's business recruitment efforts.

GOED's budget in 2009 was \$36,255,800 for economic development and tourism promotion, funded primarily from state General Fund and Trust dollars. ²⁷ On behalf of the state, EDCUtah reports the attraction of 9,452 new jobs and retention of 1,960 existing positions and \$2.79 billion in capital investment to Utah from FY2007 to FY2009.

Question #1: How does Utah engage the private sector and select executive leadership?

Private sector leaders are heavily engaged in economic development in Utah. Through both the GOED and EDCUtah, private sector executives play key leadership roles. The GOED is advised by a 15-member Board of Directors appointed by the Governor for four year terms and requiring Senate approval. Board makeup is restricted to less than 9 members from one political party and requires regional diversity. The Board advises the office on funding allocation and economic development strategies. The Director of GOED is appointed by the Governor and serves on his cabinet.

The GOED contracts with the Economic Development Corporation of Utah (EDCUtah) to manage the state's business recruitment efforts. EDCUtah is a nonprofit public-private partnership that is funded by private and public sector contributions. The organization is led by a 100+ person Board of Trustees with representatives from the public and private sectors.

Question #2: How does Utah maintain strategic focus and demonstrate a return on investment?

The state targets seven clusters that are emerging as strong industries sectors in Utah: Aviation and Aerospace, Defense and Homeland Security, Energy and Natural Resources, Financial Services, Life Sciences, Outdoor Products and Recreation, and Software Development and Information Technology.

The Office of Economic Development provides business incentive programs including post-performance refundable tax credits and cash grants. The incentives are all designed to generate a measureable economic development outcome such as the number and salary of jobs created, amount of new state revenue, long-term capital investment, competition with other locations, and if a company is within a targeted Utah cluster industry. Only those companies who demonstrate achievement of these outcomes are provided incentive benefits. The state reports that it generated \$13.65 in tax revenues for every state dollar spent on promoting Utah in FY 2008. ²⁸

Question #3: What programs support Utah economic development efforts?

Utah's Office of Economic Development is organized into three focus areas: The Create Unit, the Grow Unit, and the Promote Unit. The Create Unit leverages Utah's existing strengths in industry clusters by developing the necessary environment, business resources, and workforce to enable these industries to excel.

The Office of Economic Development Grow Unit utilizes business incentives, grants, and trade missions to retain and expand existing companies and, in partnership with the work of EDCUtah, to attract new employers to the state. This Unit leverages the work of the agency's communications arm, the Promote Unit, to market the state as a desirable location for businesses to thrive.

Question #4: What role does Utah's lead economic development organization play in public policy and how do they engage the state legislature in their efforts?

In order to formally link EDCUtah's economic development strategies with local, regional and state regulations and programs, in addition to a strong private sector membership, EDCUtah's Board of Trustees includes key local and regional public policy decision makers, including 11 county commissioners and 33 mayors. The Board is strongly advised by ex-officio members, many of whom are high level elected officials, including the Governor of Utah, Utah's two U.S. Senators and three Congressmen.

Question #5: What resources does Utah use to market itself nationally and globally?

The Promote Unit is the primary economic development marketer of the State of Utah. Through trade shows, sales missions, and executive/site selection tours, the agency not only promotes Utah as a place to grow a business, but also promotes Utah businesses, encouraging foreign direct investment and creating export opportunities.

Question #6: How does Utah support its rural areas through economic development programs and services?

Utah's Rural Office administers a number of legislatively mandated programs that benefit both rural businesses, including an Enterprise Zone program, Rural Development Grants, and the Rural Fast Track program which provides existing small companies incentives for creating high-paying jobs in rural areas of the state. The Rural Office is advised by the Governor's Rural Partnership Board made of business and government representatives who are tasked with identifying needs and solutions to economic development challenges unique to rural communities.

Virginia

The Secretary of Commerce and Trade oversees the economic, community, and workforce development of the Commonwealth. Unlike most states, the Secretary oversees 13 agencies including:

1. The Virginia Economic Development Partnership: Business recruiting and expansion
2. Department of Business Assistance: Supplies workforce training, financing, small business development and an industry visitation program.
3. Department of Labor and Industry: Promotes workplace safety and health, establishment of best employment practices, and registered apprenticeship program.
4. Department of Housing and Community Development: housing, CDBGs, and enterprise zone administration.
5. The Virginia Employment Commission: Workforce services
6. Department of Mines, Minerals and Energy: Development and conservation of energy and mineral resources
7. The Tobacco Indemnification and Community Revitalization Commission: Provides compensation to farmers for decline of tobacco quotas and promotes economic growth in tobacco-dependent communities through substantial incentive grants.
8. The Virginia Tourism Corporation: Domestic and international travel markets.

Question #1: How does Virginia engage the private sector and select executive leadership?

The Virginia Economic Development Partnership (VEDP) is a state authority with responsibility for statewide economic development in Virginia. Created in 1995 to take politics out of statewide economic development, the agency is governed by a 21-member Board made up of private sector/chamber members with the Secretary of Commerce, the state's Finance Secretary and the Chancellor of community college system as ex-officio members. All board members are appointed by the Governor and General Assembly. The Board governs VEDP, but the staff reports to the Governor through the Secretary.

Because the VEDP is run as an authority, once state funds are given to the organization, they are no longer considered state property. Additionally, the agency is not required to operate under the state procurement and employment processes. The VEDP does participate in the state's retirement system.

Private sector leaders play a significant role in the VEDP since they are the representatives of the Board of Directors. The Executive Director of the VEDP is hired by the Board under a long-term contract.

While the VEDP is responsible for statewide economic development, the Department of Business Assistance was created to work with existing Virginia businesses through management of small business and workforce programs. Feedback from Virginia economic development executives was that the state could be more successful if some of the programs located at the Department of Business Assistance were moved to the VEDP, such as the state retention program and the Job Training incentive program.

Question #2: How does Virginia maintain strategic focus and demonstrate a return on investment?

Every Governor is required by statute to create a statewide economic development strategic plan during his/her first year in office. The VEDP is required by statute to report on the status of the Governor's Plan every year. The state's targeted cluster areas have been consistent over past 7-8 years and they include: corporate headquarters, IT, data centers, government related technologies, manufacturing, and medical/pharma.

The VEDP measures its performance by the new jobs and investment created by companies it worked with as well as the number of companies it counseled or participated in trade events. It sets annual performance goals and reports results annually to the General Assembly, even though the state operates on a biennial budget. The VEDP also reports to its Board quarterly, an ROI calculation that measures the public money spent on economic development to the projected new revenue stream generated by the new jobs created. The VEDP reported that for every \$1 dollar spent on economic development in FY2008, there was a \$9 (present value) return in 10 years and a \$12 (present value) return in 20 years.²⁹

Question #3: What programs support Virginia's economic development efforts?

The VEDP is focused on business retention, expansion, and recruitment, and international trade and investment. The agency is broken down into five areas:

1. Business Development
2. International Trade
3. International Investment
4. Research
5. Communications and Promotion

The VEDP manages the state's incentive programs but final approval of programs is made by the office of the Governor and Secretary of Commerce.

In addition to traditional incentive programs, Virginia has used higher education resources and partnerships to compete successfully for projects. The state competed against seven other states to win Rolls-Royce's research facility for aerospace design and manufacturing technologies in 2007. In addition to the typical cost savings incentives, Virginia offered Rolls-Royce a \$40 million investment in university faculty, labs, and research so that the company could increase its productivity and financial performance.

The Virginia Department of Business Assistance manages Business Information Services which is one-stop location of information for Virginia businesses, the state's job training program, and small business financing programs.

The budget of the VEDP was \$15,982,457 in FY2010. The Department of Business Assistance FY2010 budget was \$10,471,230.³⁰

Question #4: What role does Virginia's lead economic development organization play in public policy and how do they engage the state legislature in their efforts?

The VEDP is heavily engaged in public policy. The Authority has taken the lead to successfully create a majority of the state incentive programs. The General Assembly is known for consistently helping make Virginia a stable place for business. The Assembly has willingly funded substantial performance-based incentive programs. VEDP staff regularly calls on and updates legislators.

Question #5: What resources does Virginia use to market itself nationally and globally?

Virginia's marketing efforts are funded by the VEDP which means that public funds are used for marketing efforts. There is broad public and private support for this approach.

Question #6: How does Virginia support its rural areas through economic development programs and services?

Community development and rural economic development programs are managed by the Virginia Department of Housing and Community Development. The state's Main Street program and Enterprise Zone program are managed by this agency. VEDP has special marketing efforts focused on developing new employment opportunities for areas impacted by the decline of industries such as coal, tobacco, textile and furniture.

Globally, certain countries and their regions have restructured their economic development models to compete globally. There are many similar features in global models compared to those successful models in the US. The three global examples reviewed in this report are English Regional Development Agencies, Singapore and Ireland.

English Regional Development Agencies

Background

After the passing of the *Regional Development Agencies Act 1998*, eight English Regional Development Agencies (RDAs) were created and launched on April 1st 1999. The ninth, the London Development Agency, was created in July 2000 after the Greater London Authority (GLA) was established.

Each Agency originally had five statutory purposes as set out in Section 4 of the Act which apply equally to the rural parts and non-rural parts of its area:

- Further the economic development and regeneration of its area
- Promote business efficiency, investment and competitiveness in its area
- Promote employment in its area
- Enhance development and application of skills relevant to employment in its area
- Contribute to achievement of sustainable development in the United Kingdom where it is relevant to its area to do so

The South East of England Regional Development Agency (SEEDA) is being reviewed here due to its overall characteristics and similarities it possesses in relation to Arizona.

Question #1: How does SEEDA engage the private sector and select executive leadership?

SEEDA, like all the RDAs, is led by a chair and a board of 15 senior stakeholders from the local public, private and voluntary/charitable sectors. A chief executive who is chosen by the board, is responsible for the day-to-day management of SEEDA.

The Secretary of State is responsible for appointing the board members of SEEDA. Independent assessors are involved both in the short listing process and during interviews. All appointments are made on merit and in accordance with guidance issued by the Commissioner for Public Appointments.

The SEEDA board contains four local councilors (locally elected officials) and at least three women – which represents approximately a quarter of the membership overall. Ethnic minorities make up about five per cent of the membership

Also, at least one member of each board has a strong rural perspective. There is also an emphasis to include a range of expertise from business, education, trade unions and the voluntary/charitable sector.

Question #2: How does SEEDA maintain strategic focus and demonstrate an ROI?

In general, each RDA produces a Regional Economic Strategy approximately every 3-5 years, which outlines the planned economic development and regeneration of the respective region in line with their five statutory purposes for a timeframe of approximately 5-10 years. When crafting their Regional Economic Strategy, SEEDA, based upon empirical evidence, looks at what drives economic growth across their region and works with local authorities and organizations to translate national and regional demands into local action.

SEEDA, in fulfilling their statutory purpose, have decided to craft a Regional Economic Strategy that promotes the following across the South East:

- Global competitiveness
- Smart growth
- Sustainable prosperity

SEEDA crafts a three-year Corporate Plan which is used as a road map for delivery of the objectives by:

- Establishing the RES to become a working and flexible strategy
- Creating strong regional and sub-regional partnerships
- Nurturing innovative ways of working
- Identifying priorities and allocating resources needed
- Preparing for the forthcoming Single Regional Strategy

The National Audit Office (NAO) subjects the performance of RDAs to regular independent review and external audits. RDA activities and performance are also regularly scrutinized by Parliamentary

Select Committees, reviewed by Ministers for the region and Regional Select and Grand Committees which contain regional MPs.

The NAO's most recent audit of SEEDA gave SEEDA a score of 21 out of a maximum of 24. NAO concluded that SEEDA was *"performing strongly overall"*.

A recent independent report performed by PricewaterhouseCoopers (PwC) evaluated the effectiveness of the RDA network and found the following when examining SEEDA:

- SEEDA assisted in created and safeguarded nearly 17,000 net jobs
- SEEDA assisted approximately 19,500 net businesses
- SEEDA helped to create over 975 net businesses
- SEEDA assisted approximately 40,000 people (net) in skills development remediated approximately 120 hectares (net) of brownfield land

Question #3: What programs support the Regional Developments Agencies economic development efforts?

Since 2002 all RDAs have been funded by a 'Single Pot' (known as the Single Program) from six Government departments who, in 2007-08, contributed to a total RDA budget of £2.3 billion – of which SEEDA received approximately £130-160 million.

One important connection between SEEDA and the private sector is the RDA-managed "Business Link" service – which is the primary access portal for business support and advice.

The "Business Link" service is developed in unison with numerous subject experts within government and relevant business-support organizations to assist businesses with regulations and improve their overall performance. SEEDA also works with its regional partners to improve access to finance for new businesses and business that want to expand. SEEDA also invests in internationally competitive sectors that lie within its region. They invest in cluster strategies which attempt to link organizations in related industries to assist with developing high value-added activities, improve overall productivity and identify future high growth opportunities.

Question #4: What role does the organization play in public policy and how do they engage the legislature in their efforts?

SEEDA, and all the RDAs in general, are often seen as the missing link between the Government at the National level and local government. The rationale that underpinned the need for RDAs was the realization that decision-making executed at a regional level that takes into consideration the significant variation in regional and sub-regional economies when developing and delivering some aspects of economic/public policy was essential if successful outcomes were going to be realized.

As well as reporting and receiving input from regional assemblies and Parliament, SEEDA works with local authorities and other partners, to provide synergy across priorities and local authority boundaries. For example, SEEDA brings together local governments and their partners to create a level of cohesiveness, co-operation and co-ordination that assists with delivering major economic projects that bring wide-ranging benefits to local and regional communities.

Question #5: What resources does the organization use to market nationally and globally?

For the most part, SEEDA uses funds from the 'Single Pot' (known as the Single Program), which receives funds from six Government departments to market itself. These funds totaled £7,535,000 (\$13,958,663) in 2007 and £2,645,000 (\$4,899,889) in 2008.³¹ Given the South East area's population of approximately 8.3 million in 2007 and 2008,³² spending per person on marketing activities was \$1.68 in 2007 and \$0.59 in 2008.

In addition, SEEDA leverages assets and funds with the UK Trade & Investment (UKTI) South East department, which is another government department. Both groups are part of the South East's International Business Team. This team provides free, confidential advice and support to those international businesses that are looking to locate in the South East or expand their business in the region.

Question #6: How does SEEDA support rural areas through economic development programs and services?

A major way SEEDA assists rural areas is through the Business Link service (See Question #3 for more details).

SEEDA, along with the other RDAs, assist with executing the £3.9 billion Rural Development Program for England (RDPE): 2007-2013 on behalf of the national government.³³ The purpose of this program is to help farmers and rural businesses manage land more sustainably and deliver important outcomes on biodiversity, landscape and access, climate change and water quality. Funds are also available to make agriculture and forestry more competitive, sustainable and enhance overall opportunities in rural areas.

The RDPE also has a component, the Rural Enterprise Investment Program (REIP), which is available to start-ups and businesses that are looking to expand. Grants for rural businesses start at £25,000 and the percentage of funding available will typically range between 30-40 percent of the total project cost.

Singapore Economic Development Board

Background

The Singapore Economic Development Board (EDB) was established in 1961 with an initial endowment of S\$100 million.³⁴ At that time, Singapore was a third-world country with widespread unemployment and minimal export activity. EDB's initial charge was to build relationships with overseas investors and to market Singapore as a desirable place in which to do business. Since its inception, it has spawned a separate investment arm and created development programs to nurture local firms. In that time, Singapore has become a developed economy with high gross domestic product (GDP) per capita and a substantial export base. In 2009, Singapore's GDP per capita was

\$50,300 at purchasing power parity (PPP), the eighth-highest in the world.³⁵

We examine the EDB because of the rapid change and development that has occurred in the Singapore economy in the past five decades.

Question #1: How does the EDB engage the private sector and select executive leadership?

Singapore EDB is a state-sanctioned agency that works to develop and execute strategies to promote economic development. Government and EDB are one and the same. EDB has the latitude to design and execute the state's economic development strategies and to award custom tax incentives for international corporations, for instance. It serves as a "one-stop shop" to support both local and foreign investors in their operations in Singapore. Members and management include regional heads of state and local leaders from the global business community. The EDB also has an International Advisory Council (IAC), with representatives of the international business community.

In May 2009, Singapore Prime Minister Lee Hsien Loong announced the formation of the Economic Strategies Committee (ESC), charged with developing and recommending strategies for 2010, with a goal of fostering "Singapore's future as a global city."³⁶ The 25 members of the ESC represented Government, the labor movement, and private enterprise. The ESC engaged with more than 1,000 advisers, representing private companies, business chambers and associations, universities, think tanks, and the general public to identify and discuss Singapore's economic growth and the issues that hinder it.

Question #2: How does the EDB maintain strategic focus and demonstrate an ROI?

EDB's vision is to "[c]reate a compelling hub for business, investment, and talent." Its efforts are focused on developing the country into a "compelling global hub for business, investment and talent," and marketing it as such to foreign investors. EDB focuses on attracting labor-intensive, export-based business.

The formation of the ESC in 2009 was a formal effort by the Prime Minister to renew the state's focus on economic development and to adjust its strategy in response to the recent global economic crisis. After obtaining input from numerous advisers, the eight subcommittees each produced a set of strategy recommendations, which were compiled into the ESC Report and submitted to the Prime Minister. The Report re-articulated the city-state's vision: to become a "vibrant and distinctive global city," offering "outstanding quality of life" for its people. The Government has accepted the ESC's recommendations and is due to issue a formal policy response later this year.

Question #3: What programs support the organization's economic development efforts?

EDB and other government agencies have developed numerous programs to support economic development. Below is a brief description of some of these efforts.

1. Cultivating Target Industries: EDB works to attract new investment from companies in a set of target industries, including Alternative Energy, Biomedical Sciences, and Information Technology.³⁷ It develops and implements a tailored program for each industry, working with other state agencies as necessary.

For example, EDB launched its biomedical sciences initiative in 2000. Working closely with other agencies, EDB began a series of efforts to build the city-state's "scientific and clinical excellence,"³⁸ and then to develop clinical and translational expertise. EDB reports that the government has invested more than S\$5 billion in developing this industry thus far, of which S\$1.55 billion was earmarked for translational and clinical research (primarily to fund workforce development and clinical research publications).

EDB strives to attract top researchers and businesspeople from around the globe. The Agency for Science, Technology and Research (A*STAR) has launched an award program to fund independent research by young international scholars at Singapore's public research institutes. A*STAR also offers a national scholarship program that supports local PhD graduates in the world's top universities. About 800 scholarships have been awarded since 2001.

In 2003, Singapore opened Phase I of Biopolis, an enormous facility that houses public and private research institutes. It is now home to roughly 2,000 researchers, technicians, and administrators.

Singapore now has a substantial bio-cluster, home to regional headquarters for several leading pharmaceutical and biotechnology companies. It is home to more than 50 commercial-scale biopharmaceutical manufacturing facilities. In 2008, Biomedical Sciences accounted for 7.6 percent³⁹ of the city-state's total manufacturing output.

2. **Fostering Local Businesses: EDB's Total Business Plan Program:** The EDB's Total Business Plan was initiated in 1995 to assist Promising Local Enterprises (PLEs) in becoming multi-national corporations (MNCs). Selected local businesses are given assistance with strategic planning, business expansion, communications, and co-investment. PLEs can receive grants for up to 70 percent of costs for strategy consultants or to assist with certain operational needs.⁴⁰
3. **Attracting Headquarters Activity:** EDB has begun working to encourage multi-national companies to move headquarters operations to Singapore. The "Host-to-Home" initiative is an EDB program which aims to develop the city-state into a "Home" for business, talent, and innovation, recognizing that Singapore has a long history of having served as an attractive "Host" for manufacturing, services, and R&D. The Headquarters Programme offers tax incentives for firms who commit to conducting significant value-add headquarters operations in Singapore. Qualifying companies receive a concessionary tax rate of 15 percent on incremental qualifying income for at least three years, with the option to qualify for up to five years. EDB also offers to negotiate custom packages for firms that substantially exceed the program requirements. EDB will award a provisional tax rate, between 0 percent and 10 percent for as much as 20 years, to companies that make "the right kind of commitment" to Singapore.⁴¹

Question #4 : What role does the organization play in public policy and how does it engage the government in its efforts?

Government and EDB are one and the same. EDB has latitude to design and execute the state's economic development strategies. For instance, it can award custom tax incentives for international

corporations.

Question #5: What resources does the organization use to market nationally and globally?

The Ministry of Trade and Industry (MTI) is the branch of Singapore government that is ultimately responsible for promoting economic growth and creating jobs. Two of MTI's agencies, the EDB and the Singapore Tourism Board (STB) engage in national and global marketing efforts on the city-state's behalf.

Tourism is viewed as a key engine for economic growth. STB develops tourism projects with a goal of building an international brand for the city-state. For instance, in 2008, Singapore hosted the first FORMULA 1™ SingTel Singapore Grand Prix, an event that generated a surge in visitors and garnered attention from international media.

EDB aims to position Singapore as “a compelling global hub for business, enterprise and talent.” It has investment promotion offices all over the world; strong relationships with STB, A*STAR, and other government agencies; and a well-maintained English website.

In 2007 and 2008, MTI's total budgets were \$1.983 billion and \$2,520 billion respectively. ⁴² EDB and STB's development and operating budgets together were equal to \$243.78 million in 2007 and \$296.17 million in 2008. ⁴³ Given Singapore's estimated population of 4.59 million in 2007 and 4.84 million in 2008, ⁴⁴ marketing expenditures per person amount to \$53.11 in 2007 and \$61.19 in 2008.

Question #6 : How does the organization support its rural areas through economic development programs and services?

Singapore is almost entirely urban. Through nearly five decades of aggressive economic development, Singapore's rural areas have all but disappeared, having been replaced by “banks, shopping malls and sprawling public housing estates.” ⁴⁵ Rural farming is minimal. As land prices and wages in Singapore have risen, ⁴⁶ Singapore's rural farmers have turned away from traditional farming, profiting instead from agricultural tourism.

Presently, there is little state support for rural economic development. However, the Singapore Tourism Board has recently begun marketing campaigns to promote the area to tourists. There is also some indication that the Singapore government will make a strategic shift to increase domestic food production in the near term.

Ireland's Economic Development Agencies

Background

Economic development activities in Ireland are managed by three organizations: IDA Ireland, Enterprise Ireland and Forfas. IDA Ireland is organized to attract global business and foreign direct investment. Enterprise Ireland focuses on developing domestic, indigenous industries. Forfas, due to its position as an independent and rigorous research provider, acts as a data source for the private sector as well as the public sector and provides overall strategy for economic development. In addition, the organization provides research and administrative support for independent advisory groups in the fields of science, technology, and enterprise.

Ireland also recognizes that Science Foundation Ireland plays a strategic role in economic development as multinational corporations are considering locations that invest in R&D partnerships.

Question #1: How do IDA Ireland, Enterprise Ireland, and Forfas engage the private sector and select executive leadership?

IDA Ireland and Enterprise Ireland board members are appointed by the Minister for Enterprise, Trade and Employment and are responsible for oversight of operations and the strategy of the organization. Implementation of these strategies lies in the hands of executive management. The boards are responsible to the Minister for Enterprise, Trade and Employment, who is able to provide funding and issue policy directives on the agency's activities. The average size of the boards is 12 and the Board members are compensated for their service. Forfas board members are appointed by the Minister for Enterprise, Trade and Employment. They typically include a senior management representative from IDA Ireland, Enterprise Ireland, Science Foundation Ireland, and the Department of Enterprise, Trade and Employment. Board members are involved in strategy and management selection.

Question #2: How does Ireland maintain strategic focus and demonstrate an ROI?

In January 2007, after the conclusion of the first national development plan (2000-2006), the Irish government released their second national development plan for the years 2007-2013. These plans are designed to respond to the changes that Ireland has undergone over the past 25 years. Along with a population which increased by 8% since 2002, large amounts of foreign direct investment (FDI) have put strains on an infrastructure and social system in need of modernization. Along with investment undertaken in the national development plans, Ireland still focuses on attracting FDI through organization such as IDA Ireland. However, unlike the 1980's and 90's, there has been a significant movement to increase indigenous industry through Enterprise Ireland.

One of IDA Ireland and Enterprise Ireland's performance metrics has been the cost of each job sustained. The Table below compares the cost per job sustained of IDA Ireland and Enterprise Ireland.

IDA Ireland Cost Per Job Sustained (2008 €)

Organization	2001	2002	2003	2004	2005	2006	2007	2008
IDA Ireland	17,360	19,725	19,389	17,212	15,139	13,739	13,735	13,202
Enterprise Ireland	11,651	12,217	10,743	9,333	6,194	4,555	6,811	8,235

Source: IDA Ireland

Forfas calculates the overall jobs gained by agency-assisted programs in Ireland each year. Between 2001 and 2004, an average of approximately 5,000 jobs were lost each year. The years 2005 through 2007 saw average job gains of between 2,000 and 7,000 jobs each year. However, in 2008, 8,938 jobs were lost in agency-assisted companies.

Question #3: What programs support Ireland's economic development efforts?

IDA Ireland provides a range of services and incentives to both current and future foreign investors. IDA Ireland works closely with these investors by providing information and key statistics, assisting with business setup, providing access to IDA Ireland's large database of contacts, and offering property solutions. Enterprise Ireland offers both advisory services and financial support for domestic businesses, particularly to High Potential Start-Up (HPSU) businesses. It also focuses on businesses that wish to grow and enter the export market. By providing information on foreign markets and profitable sales strategies, Enterprise Ireland assists firms that are unable to compete outside Ireland.

IDA Ireland is supported largely from Exchequer allocations each year. The remaining funding comes from property sales, grant refunds and a small amount of funds from the EU. In 2007, IDA Ireland received 186.8 million Euros in income, compared to 183.2 million Euros in 2006. Enterprise Ireland is supported from Exchequer allocations along with smaller amounts of funding from their own resources and third parties. Enterprise Ireland received 279.8 million Euros in income in 2006 and 362.5 million Euros in 2007. Forfas is supported from Exchequer allocations along with professional fees, department programs, and deferred funding. Forfas received 79.3 million Euros in 2006 and 79.2 million Euros in 2007. The NDPs were funded largely by funds from the Irish government and private entities, along with a smaller amount from the EU (3.8 billion Euros from 2000-2006).

Question #4: What role do the organizations play in public policy and how do they engage the national legislature in their efforts?

IDA Ireland was formed in 1949 to remove protectionism, encourage Foreign Direct Investment (FDI), and promote exports. It was split into three separate organizations in 1994 to provide a better mechanism for promoting economic development. Following the split, IDA Ireland was responsible for attracting FDI, Enterprise Ireland was to encourage indigenous industries, and Forfas was to provide overall strategy for economic development.

Forfas is the organization which interacts most directly with the national legislature. As the national policy advisory body for enterprise, trade, science, technology, and innovation, Forfas advises the legislature and executive branch on developing industry and coordinating policies between IDA Ireland, Enterprise Ireland, and Science Foundation Ireland. In addition, Forfas provides a link

between the Advisory Science Council, Expert Group on Future Skills Needs, Management Development Council, National Competitiveness Council, and the legislative and executive branches.

Question #5: What resources do the organizations use to market themselves nationally and globally?

Of the three national Irish development agencies (IDA Ireland, Forfas, Enterprise Ireland), IDA Ireland is the organization responsible for marketing Ireland to the international community. IDA Ireland is funded largely by the Exchequer and set aside approximately 11.2 million Euros (\$15,253,333)⁴⁷ in 2007 and 11.2 million Euros (\$16,473,884)⁴⁸ in 2008 for marketing, promotions, and advertising expenditures. Given Ireland's estimated population of 4,340,000 in 2007 and 4,459,547 in 2008,⁴⁹ marketing activities per person for Ireland equaled \$3.54 in 2007 and \$3.69 in 2008. These funds are largely spent to attract foreign firms and individuals to invest in Ireland. The country is advertised as an attractive business environment, with low start-up costs, one of the smallest tax wedges among OECD countries, and a small number of required bureaucratic procedures.

Question #6: How does Ireland support its rural areas through economic development programs and services?

The greatest problem for rural areas has been ensuring access to the global economy community through physical infrastructure and services. In the 2007-2013 NDP, there is a particular emphasis on regional development which focuses investment in rural areas. 90 million Euros have been earmarked for the Rural Transport Initiative along with 844 million Euros for rural social and economic development. These programs will increase broadband, rail, road, and water access as well as promote enterprise formation and increase tourism.

Forfas, Enterprise Ireland, and IDA Ireland have specific policies in place to promote economic development in rural areas. Forfas has recently committed to a large expansion of broadband access in rural areas of Ireland as part of the Rural Development Program. Enterprise Ireland has committed resources to its Transforming Irish Industry plan, which includes efforts to support rural enterprises and community-led enterprise centers. Coordinating its efforts with these centers has allowed funds to flow from Enterprise Ireland to promising enterprises in need of funding. IDA Ireland has been able to provide extensive support to rural areas through its separation of Ireland into regions and assigning a group to each region.

Appendix D

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