



MAKING ARIZONA WORK AGAIN

Terry Goddard's Emergency Jobs Recovery and Economic Development Plan

Introduction

The Arizona economy is in near ruin. Gone are 300,000 jobs representing 12% of the state's total workforce. Home foreclosures and business bankruptcies are at national highs. The most urgent priority of the next governor must be to repair the damage and start Arizona on the road to economic recovery. There is no time to lose.

The MAKING ARIZONA WORK AGAIN PLAN articulates Terry Goddard's **vision for action** to create jobs, expand business opportunities and accelerate Arizona's economic recovery.

Principles for Success

Four concepts are essential to the success of Terry's statewide Emergency Job Recovery and Economic Development Plan:

- **COMPREHENSIVE**. The strategy must accelerate every Arizona economic sector, including agriculture, construction, energy production, finance, high technology, manufacturing, mining, health care, retail, tourism, transportation and others.
- **PUBLIC-PRIVATE PARTNERSHIPS**. Terry will create a public-private partnership entity that is authorized by statute to oversee economic development at the state level.
- **GOVERNOR AS ECONOMIC AMBASSADOR**. To build confidence in Arizona's business community and enhance the prospects for business relocation to Arizona, the governor must communicate on a regular basis to existing and prospective business leaders regarding the state's economy. As Arizona's Economic Ambassador, Terry will speak the language of business, including bond ratings, balance sheets, economic indicators, and the realities of the global market.
- **PUBLIC POLICY THAT RESULTS IN JOBS**. The best public policy can and will create jobs, expand business and increase productivity. Initiatives will be derived from 'Best Practices' that have been successful in other states and jurisdictions, that are then tailored to meet the unique requirements of Arizona.

The Goddard Emergency Job Recovery and Economic Development Plan includes 11 Initiative Categories, each followed by a menu of specific plans designed to stimulate the growth of Arizona's economy. In preparing this Plan and making it available for public review, Terry Goddard is articulating his vision for action we must take to facilitate job creation by the private sector, expand businesses opportunities and accelerate Arizona's economic recovery.

1. Support Small Business to Create Jobs

Provide technical assistance to small businesses that export: For small businesses and start-ups in the hunt for out-of-state markets for their products and services, the restructured Department of Commerce will identify prospective national or international markets and will provide technical assistance to promote Arizona-based products and services.

Establish small business ombudsman: The small business climate – including opportunities and obstacles – must remain constantly visible on the Governor’s radar screen. Terry will create a small business ombudsman in the Office of the Governor to oversee and coordinate issues affecting Arizona’s small businesses.

Create “Business Investment Accounts”: To increase business investment by small business owners, the Goddard administration will propose “Business Investment Accounts,” which will work like 529 College Savings Plans, as a shelter from state taxes on business savings. Small business owners will be able to save money for future investment in their businesses and defer state taxes until the money is withdrawn from the account.

Organize “Small Business Forums”: The restructured Arizona Department of Commerce will hold 25 small business forums across the state, ensuring that the voices of small businesses are heard regarding challenges, ideas and solutions for expanding small business. From these forums will spring a variety of ideas and solutions to be implemented, as resources can be committed.

“Summit on Lending”: Access to credit is critical to the success of small business. To increase that access, Terry will bring banks and financial service lenders face-to-face with deserving small business owners at a “Summit on Lending.” State and local government leaders will also join, to lend their expertise and determine which state and governmental resources can best be leveraged to help expand credit options for small businesses.

2. Create Jobs via a Competitive Business Climate

Create and empower a private-public partnerships entity: A private-public partnership (P-3) entity at the state level is a critical component of a successful jobs and economic development strategy.

Principal responsibilities of this team will include:

- Overseeing the Arizona Department of Commerce, restructured to place its primary emphasis on marketing;
- Monitoring distributions from a “Deal Closing” fund;
- Encouraging high quality job training; and
- Working with the Governor, who serves as the state’s Economic Ambassador, for the purpose of business attraction, expansion and retention.

The P-3 entity combined with a restructured Department of Commerce is essential to advance Arizona’s competitiveness relative to other states.

The new P-3 entity must be governed by a board with proven business and economic track records. Membership will include economists, business executives, community leaders, representatives from higher education, economic development professionals, small business owners and others. With



the participation of business and economic development pros, the P-3 board will dramatically improve Arizona's ability to attract and expand businesses.

Form a Deal-Closing fund: Attraction and expansion of large scale business to Arizona will be substantially enhanced when the Governor and the P-3 Board have access to a "Deal Closing" fund. The fund will overcome the final hurdles to closing a deal, and could, for example, include public infrastructure improvements required for a new facility, specialized job training, tax deferrals or university or community college tuition waivers and subsidies. Texas and an increasing number of other states have deal closing funds already in place.

Reform Arizona's tax structure to make it competitive, equitable and fair: Arizona's tax structure is not competitive with other states in terms of business attraction, expansion or retention. Numerous reports and studies conducted by economists, tax experts and economic development professionals have established that Arizona's business taxes are not competitive

As Governor, Terry will draw upon the collective knowledge and experience of economists, business leaders, taxpayer representatives, community advocates and others throughout the state. Terry will appoint these experts to a commission charged with: 1) examining every aspect of Arizona's tax burdens on businesses and individuals; 2) preparing a report of their findings, including recommendations for improving Arizona's business tax competitiveness; and 3) making Arizona's tax burdens on businesses, individuals and families more fair, equitable and competitive.

Recommendations from the commission will be presented to the citizens of Arizona through a series of presentations and forums held across the state, with additional *access available to every Arizonan via the World Wide Web*. After citizen input and appropriate revisions, the recommendations will be forwarded to the legislature for consideration. Terry will work to see that the legislature enacts the consensus recommendations or refers them to the ballot, allowing Arizona's citizens to make the decision on how to reform the state's tax structure.

3. Renewable Energy Jobs

Focus on Energy Jobs: A 'renewable energy' strategy is not enough. We need an ENERGY JOBS strategy. *Terry's goal is 100,000 new energy-related jobs in the next four years.*

We will attain our goal by increasing the renewable energy portfolio standard. Everyone knows that Arizona has virtually unlimited sunshine and significant wind and geothermal resources. But harnessing these resources for Arizona's use and export takes initiative.

CNBC's survey of solar energy showed Arizona lagging well behind Nevada, Colorado and New Jersey (not to mention industry leader California) in solar energy production. Further delay in this area is foolhardy. Terry will marshal the political will and supply the human energy necessary to get off the dime and put this category of renewable natural resources to work.

Arizona can be the hub of new energy jobs, while reducing our energy costs and improving our conservation efforts.

Build next-generation manufacturing jobs: Clean energy means jobs in manufacturing, installing and repairing new energy equipment. Terry proposes a joint public-private partnership to advance the

manufacture of next-generation energy components for solar and wind generation and for transmission grid improvements. These sectors will only grow in the future, ensuring jobs for tomorrow.

Retrofit state buildings: By making our state more energy efficient, we lower the cost of doing business and *create jobs in the process*. It is time for Arizona to lead by example. New state buildings must be to the highest green standards. If we invest part of these savings today in building retrofits, we will recover some of the jobs we have lost in the building trades.

Get our fair share of federal renewable energy funding: The federal government is making funds available to improve energy efficiency. Arizona needs to obtain as many of those dollars as possible. Terry proposes that state government identify sources of federal funds and put them to work here in our state.

Expand renewable energy job training: Community colleges must offer more courses and job training in new energy technologies. New technologies mean new installers and new repairmen and maintenance workers. If we want to grow these jobs in Arizona, we need the training to make sure that people are available to fill them.

Capitalize an Arizona Clean Energy Fund: Arizona needs a specialized loan fund that will invest in the research to produce new energy technologies. Seed money can come from the state, but Terry proposes a package that will *bring in private investors*. In this way, returns can benefit both our taxpayers and private investors who provide needed capital. *The time to leverage private investment to build long-term jobs is overdue.*

Develop other new energy sources: Let's not stop with solar, wind and geothermal in seeking renewable energy. Our climate makes Arizona a natural center for fuel cells and other cutting edge technologies, but lack of state leadership has been squandering this opportunity. Bio-energy isn't just for Midwestern states. We should, for example, explore the feasibility of anaerobic digesters to generate energy from livestock waste, as well as other cutting-edge options.

4. Create Jobs with Incentives for Entrepreneurs

Micro-lending initiative: Entrepreneurs need small loans that frequently are not available from national banks. Terry proposes to set up a cooperative lending program involving banks and private investors with a special charter to make small loans on a short-term basis to promising entrepreneurs. Terry proposes that investors in the cooperative be able to take a 50-percent income tax credit for any losses, while benefiting from interest income on investments.

Expansion and creation of local banks: Arizona's local banks are disappearing. *Local banks make local loans to local business*. Now is the time to streamline state bank regulation and implement a three-year tax deferral to reduce start-up costs and encourage the formation of new local banks.

State venture capital fund: Venture capital investment in Arizona has plummeted in the last two years, while venture funds are investing elsewhere.¹ To encourage venture capital investment companies to establish and expand their presence in Arizona, Terry will create an Arizona Capital

¹ Phoenix Business Journal, July 23, 2010.

Investment entity partnering with the private sector. The Arizona state venture capital fund will invest only in Arizona projects. It will be seeded with state funds and raise capital from investors.

Use colleges and universities to nurture future entrepreneurs and create jobs: It is time to evangelize entrepreneurship at our colleges and graduate schools. Arizona’s college and university system can do more to grow students into tomorrow’s business leaders. Existing business incubators can be reinforced, and new ones can be created where they do not yet exist. To the extent permitted under Arizona’s Constitution, the number of university-based start-ups should be increased. The next step is to advocate a change in the State Constitution to facilitate commercialization of technology transfer.

Defer taxes on qualified start-up businesses: The beginning is the most difficult time for any business. Let’s give entrepreneurs a boost by deferring taxes for three years and then recapturing that investment once businesses are successfully up and running. These incentives must be applied carefully and wisely, for deserving businesses that are engaged in producing a majority of their goods and services for export from Arizona. Terry proposes to set up screening criteria so that the best candidates can qualify for these benefits but scams and poor performers will be kept out.

Cut red tape for new business: Government should make it easier, not harder, to start a new business and create jobs in Arizona. Under Terry’s leadership, the state will have a clear point person who entrepreneurs can call to find out about corporate licensing and regulatory approvals. Entrepreneurs should not be stuck on hold forever trying to find answers. We will establish clear benchmarks for the time it takes for permitting and required approvals. Our goal is nothing less than the fastest formation and approval process in the Nation.

Make entrepreneurship and jobs happen here: Entrepreneurship doesn’t just happen. It isn’t built on catchy slogans. Arizona needs to attract visionary individuals and match them with capital in a supportive business climate. All three can be brought together now or we can scare new business away by fanning false fears about safety or failing to train productive workers.

5. Stimulate Rural Job Growth/Competitive Rural Economy

Expand broadband access in rural areas: Economic development in rural Arizona requires that the basic infrastructure – including roads, electric power, natural gas, telephone, and internet access – are equally as available in rural Arizona as they are in our state’s urban areas.

To ensure that rural Arizona’s economic development potential is fully realized, Terry will see to it that high-speed internet and cell services are available to all of Arizona’s businesses and to the “last mile” of every city and town in Arizona.

Restore tourist attractions and tourism jobs: There are many opportunities to market rural Arizona to the national tourism market. Rural areas often feature arts and cultural attractions that augment outdoor adventuring and heritage resources. Arizona’s rural communities have been harmed by the ill-advised closure of state parks and recreational areas, as well as rest areas along Arizona’s highways. These closures have made it clear to Arizona visitors that “we don’t want you and we are closed to your business.” *One of Terry’s first acts as Governor will be to reopen our state parks, rest areas, and recreational facilities.*

Make micro-loans available to small rural businesses: To help jump start job growth in economically distressed rural communities, Terry will establish the Rural Opportunity Initiative, which will give small rural businesses access to micro-loans funded by combined state, federal and private capital.

6. Create Jobs with Increased Investment in Infrastructure

Launch intensive marketing and communications strategy directed at federal funding agencies: Increased funding for transportation infrastructure requires a strengthening of the partnership with federal agencies, the Administration and Congress. Terry's strategy will target Federal Funding Agencies to attract additional stimulus funding – and jobs – for highway construction and reconstruction, passenger rail and other modes of transportation. *Arizona's taxpayers deserve to receive their fair share of federal taxes that are distributed to the states.*

Leave no stone unturned when it comes to revenue and financing options to increase funding for transportation infrastructure: For every 10 transportation construction jobs, *approximately 7 more jobs are created in the economy.* As Governor, Terry will explore every possible avenue to stimulate job growth in the transportation infrastructure sector, including public-private partnerships, additional transportation bond financing, and allocating more fuel tax revenues (consistent with federal and state law) to constructing new transportation facilities, including smart highways, passenger rail and light rail facilities (including planning for high speed passenger rail between Phoenix and Tucson).

Reinstate public transportation funding for cities/towns: As part of an ill-advised policy decision, the legislature raided the Local Transportation Assistance Fund (LTAF) and transferred those funds to the State's General Fund to balance the FY 2010 budget. Terry was instrumental in the establishment of this fund through a citizen referendum campaign in 1982. Arizona's cities and towns use these funds to meet critical community transit needs, including bus, van and light rail transportation. As Governor, Terry will take action to reinstate the LTAF.

7. Create Jobs with Expanded Research and Development

Tomorrow's technology today: Research and Development is our passageway to the future. In all business segments, Arizona needs to be on the cutting-edge of new technology to capture the jobs of the future, whether it is in renewable energy, biotechnology, computer systems or telecommunications. Research and development doesn't happen by accident. It has to be stimulated and nurtured.

Facilitate technology transfer: Terry proposes an aggressive effort to make Arizona a leader in research and development, and in turning that research into new jobs.

To do it, we need to build a legal framework. Arizona's Constitution inhibits full partnerships between our university faculty and private industry to pursue entrepreneurial ventures and commercialize results. This provision was enacted in the 1912 Constitution and its adverse impact on Arizona's economic competitiveness could not have been foreseen. As Governor, Terry will create an action group charged with educating and building support in the legislature and among Arizona's citizens for this needed change in our Constitution.

Encourage private sector business accelerators: The state can encourage joint development centers in which start-up businesses can leverage new technology before they are able to go it on their own. The state can lead the development of these business accelerators, by setting up defined zones and networks of services, including energy and broadband hubs to support these accelerators.

Maintain and sharpen our research and development tax incentives: Terry supports our existing Research and Development tax credits. Targeted tax credits are an important part of making Arizona a destination for the development of the technology of the future. But incentives can be wasteful. We need to be smart about how we spend both tax credits and incentives to build real long-term jobs, not short-term tax breaks.

Center of Excellence in Health Care: Arizona has the potential to be world renowned as a center for excellence in healthcare research and patient care. We have a great start in medical education, hospital facilities and translational innovation, and with leading institutions like Barrow Neurological Institute and MD Anderson Cancer Center. However, Arizona's current path on healthcare will not take us to even regional prominence. Deep cuts to Medicaid eligibility, approved by the legislature and signed by the governor, would have cost 42,000 healthcare jobs, while the attempted elimination of Kids Care sent another dramatic message of non-support to the medical community. State support for residency medical programs, rural health assistance and low income area hospitals has been eliminated. The healthcare sector continued to produce new jobs even at the depths of the current downturn. Arizona has the basic structure for spectacular growth in this sector. We need leadership at the top to support research, translational application of new drugs and procedures, and excellence in medical training.

Recommit to Science Foundation Arizona: Terry supports honoring our state's contractual obligations and restoring state support for Science Foundation Arizona (SFAz). The Battelle Report on SFAz's first two years found SFAz produced more than \$2 in new monies raised for every state grant dollar; 11 innovation-based spin off companies established in Arizona; 50 patents filed and issued; and 757 new jobs created. Terry also supports funding for TGen. *This excellent program has a spectacular record of creating jobs in the high tech industry. It is a great P-3 success at the cutting edge of new technology. Arizona should cherish SFAz, not fail to pay what is owed.*

8. Keep Business and Jobs in Arizona by Reforming Business Regulations

Eliminate burdensome regulations: Many of the regulations and statutes that impose a burden not only on businesses, but on individuals, non-profit organizations, and local governments, were enacted or adopted decades ago and have not been reviewed since, as to appropriateness, effectiveness or necessity. Terry will call a special session (with a three-week time limit to minimize the cost to taxpayers) in which the singular purpose will be to undo unnecessary state regulations, redundant oversight, and excessive reporting requirements.

Establish benchmarks and transparency in permitting processes: One of the frustrations of the regulatory functions originates from an open ended, and what seems to be endless, permitting process. The final "go ahead" directive from the regulatory agency is too often drawn out for an excessive period of time by an excessive number of delays. Terry will require that each regulatory agency set clear, upfront benchmarks for how long any stage of the permitting process should take. In addition, Terry will require public reporting from all state regulatory agencies on actual permitting timelines. Agencies must have adequate staffing to responsibly and efficiently respond to permitting applications and other required approvals.

9. Cut Waste by Making Economic Development Initiatives Accountable

Prepare a unified economic development budget (including subsidies): We need economic development but we can't afford to waste money doing it. Too often, we hear about a community that gave millions of dollars in tax breaks to a company to encourage it to locate there, then, as soon as the credits ran out, the company closed its doors and left, or went bust through mismanagement long before reaching stability. Arizona's citizens and policy makers need a comprehensive overview of how resources are used in economic development. It is not as simple as calculating tax breaks. We must budget the total cost of economic investments in private companies, including both tax breaks and subsidies, *and then match it against job creation*. This is the only way to know if we are getting the most bang for our economic development buck.

Develop robust benchmarking: Terry will develop published standards for making economic development investments, including jobs produced, capital deployed and results achieved.

Require greater transparency for incentives: Arizona taxpayers have a right to know where economic development dollars are going, including the name of the company given the specific incentive, the public cost and the number of jobs created. This information should be available on a public website for taxpayers to review. Taxpayers should know whether jobs are being created or if the well-connected are getting a bailout.

Force companies to pay back incentives if they fail to meet agreed objectives: Companies should not be allowed to cut and run when they receive public benefits and fail to develop good jobs for Arizonans. Business development programs should come with explicit contractual provisions that require a company to pay back its incentives if it has not made the required contribution to the economy. Part of the responsibility of the company receiving a subsidy or tax break is to create high-paying, value-added jobs, not just temporary manual labor. If they create the wrong kind of jobs, then they should also be penalized.

Streamline state business development: Terry's top priority is to add long term, value-added jobs to Arizona's economy, not to bail out failed businesses. Economic development dollars should not be buried in a mass of paperwork that is impossible for all but the largest businesses to understand. This effort must start in the restructured Department of Commerce, but must also touch all other state agencies that participate in economic development.

10. Market "Buy Local" First

Leverage state contracts for state jobs: Competitiveness and job creation begins at home. If the State of Arizona, Arizona corporations and local Arizonans spend their dollars on Arizona business, we will keep and develop jobs right here within the state. Arizona's unemployment rate has been steadily rising for the last two years. Investing locally is a great way to turn this around. To the greatest extent allowed by law, government contracts should go to qualified local businesses, so we can keep money and jobs here at home. The state must then lead the way for private business to spend money here. We can start by requiring companies getting state contracts to subcontract a substantial portion of the work to other Arizona-based businesses.

Invest a prudent portion of state investment funds in local firms: Arizona manages billions on behalf of the state and state employee retirement funds. These funds need to be invested wisely, but we could prudently invest the already designated portion for “Arizona Only” investments that can help build jobs in our state.

Begin a “Buy Arizona” campaign right away: Terry advocates developing a card for purchase by Arizona residents, for a nominal fee, that would be good for discounts at participating Arizona merchants, restaurants and attractions. This program of discounts will encourage Arizonans to purchase from local businesses instead of national chains or online retailers.

Build Arizona jobs by building business supply chains: Emphasize the use of Arizona-based companies to supply other Arizona companies. A state directory of business services will connect buyers with sellers, within Arizona. Local sourcing and supply chains recirculate capital within our state and strengthen Arizona businesses, develop Arizona jobs and stimulate the Arizona economy. The state should partner with local business associations to assist local companies with building local supply chains.

Start with renewable energy: The surest way to keep renewable energy focused on Arizona is to encourage a network of suppliers, manufacturers and installers to build a full renewable energy supply chain here at home. To get this started, we have to build a database of capabilities and use it to introduce each element of the renewable energy supply chain to the next element. Let’s not make Arizona solar by sending our money to other states or other countries.

11. Increase Investments in Human Capital

Adopt “Bottom 10 to Top 10 by 2020”: According to most national surveys comparing K-12 education spending *and academic performance* amongst the 50 states, Arizona consistently ranks in the bottom 10 states. Terry Goddard’s commitment to education calls for moving Arizona from the bottom 10 to the top 10 by 2020. With increased funding *and* classroom accountability, he will position Arizona’s graduates among the most prepared in the nation for gainful employment or further academic pursuit.

Create a “Career Readiness Certificate” system to verify workforce skill levels: About half of the states have created, or are in the process of creating, a Career Readiness Certificate (CRC) system. The benefits of CRC accrue to both citizens and businesses. Citizens will have the opportunity to determine their skill level, receive training, and have their skill level certified for employment. Businesses will have occupational profiles describing the skill needs for open positions and then be able to match those skill needs with job applicants. As Governor, Terry will launch a CRC program as part of his comprehensive Job Creation and Economic Development initiative. It will equip citizens to become more employable and increase work force availability for employers.

Reinstate funding for adult basic education: Many Arizona adult citizens have not completed high school and are stunted in their ability to attract a permanent quality job that provides a living wage with health and retirement benefits.

This year, the Arizona legislature made it worse by enacting a job-reducing budget cut. They eliminated all funding for adult basic education, substantially reducing the availability of adult literacy classes and



depriving thousands of Arizonans of the opportunity to receive a high school equivalency diploma or G.E.D. Reducing the size of our educated workforce hurts Arizona's economy. As Governor, Terry will reinstate the approximately \$5 million for adult education in the budget.

Reinstate funding for Job Training: The supply of a readily available, skilled workforce is very often the most critical factor considered by businesses in making relocation decisions. If Arizona's workforce does not include enough skilled or technical workers, Arizona will lose the competition for business attraction and expansion.

In the recent past, Arizona's job training funds were specifically targeted to training workers in specialized skills to meet the requirements of a prospective employer. Those funds are often essential to 'closing the deal' and attracting a major business to Arizona.

One of the worst policy decisions made by the Arizona legislature and Arizona's current Governor was to substantially diminish the funds available for job training. Because of this decision, Arizona is in danger of being the perpetual loser in the high stakes competition for business expansion.

As Governor, one of Terry Goddard's first acts will be to fully reinstate the Job Training funds.