



Arizona's Economy: Necessity for Change

Where We Are. How We Got Here.
What Has to Change.





The J.O.B. Project is designed to educate Arizonans on the state's economic outlook and the need for a statewide job creation program.





Arizona Falls from #1 to Nearly Dead Last

- From 2000 to 2007, Arizona was consistently one of the top states in job growth.
- In fact, in early 2006, Arizona ranked #1 in the nation for job growth – just a few years later, Arizona had dropped to 48th.
- Since the recession began, Arizona has lost approximately 300,000 jobs.
- Arizona is expected to be one of the last states to recover.

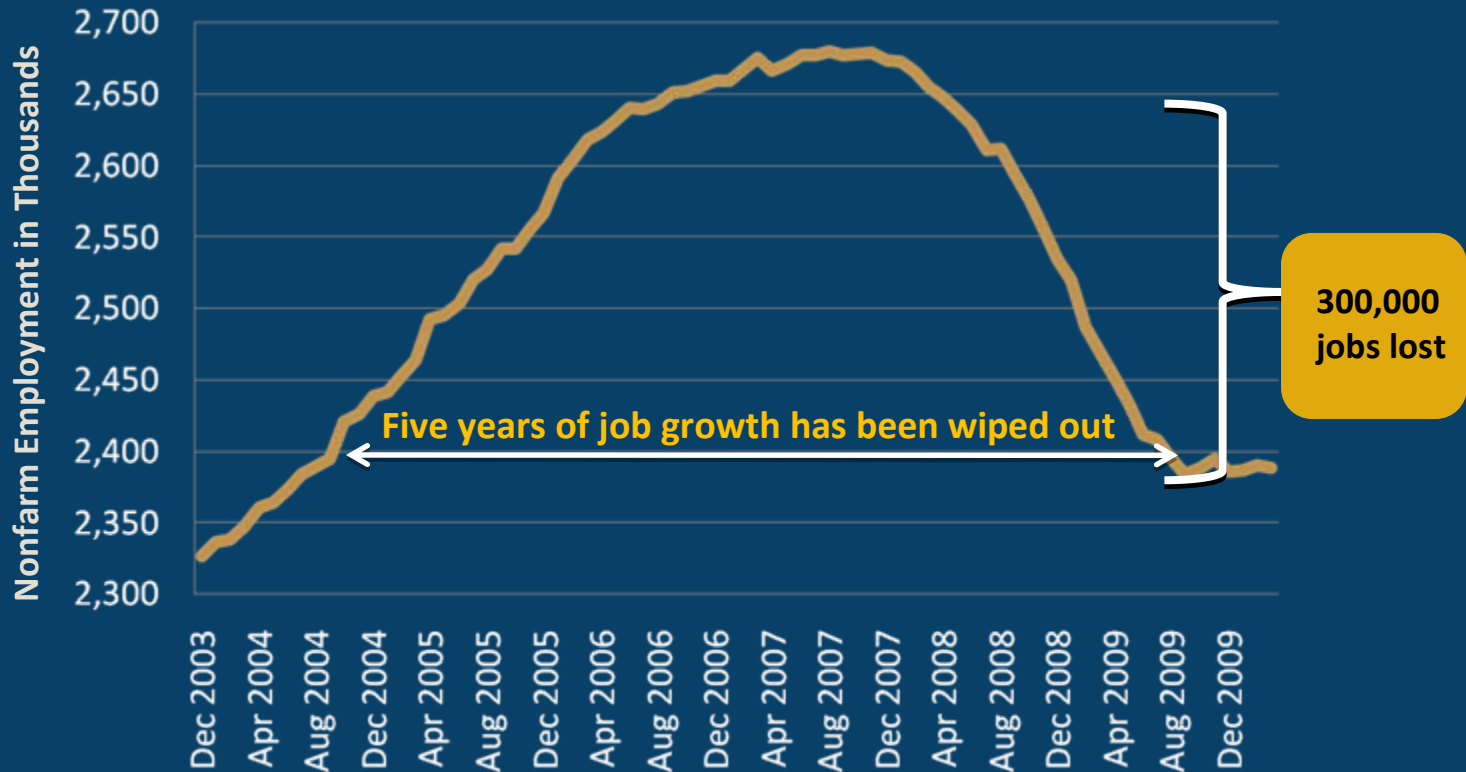




Job Creation Efforts Have Moved Backwards

- Arizona is currently at 2004 job levels – the recession destroyed 5+ years of job creation.
- Almost half of all construction jobs were lost, placing that sector at 1994 job levels.

Arizona Employment





Industries That Experienced Significant Loss

- The recession began in the fourth quarter of 2007.
- Several sectors of Arizona's economy experienced significant job loss.
- After losing nearly 50% of its jobs, the construction sector now stands at 1994 job levels.
- The manufacturing sector is down 19% and currently sits at 1982 job levels.

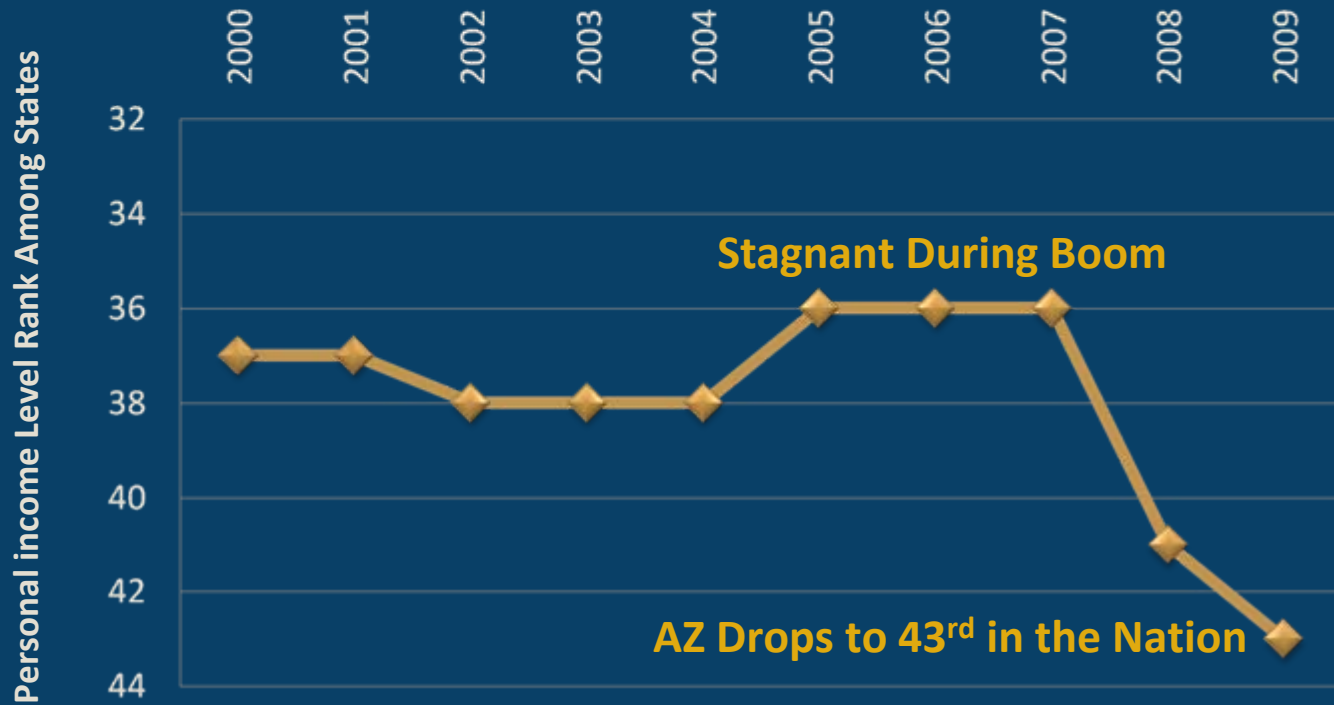
Sector	Total Jobs Lost Since Recession Began	Percent Decline	Jobs Level
Manufacturing	34,600	-19.06%	1982
Construction	111,100	-49.51%	1994
Financial Activities	20,500	-11.23%	2003
Professional & Business Services	63,100	-15.61%	2004



Personal Income Levels Were Stagnant

- Even during the real-estate driven economic boom, sustainable jobs were not created.
- Today, the number of Arizonans at or below the poverty level is 50% higher than the national average

Rank in Per Capita Personal Income

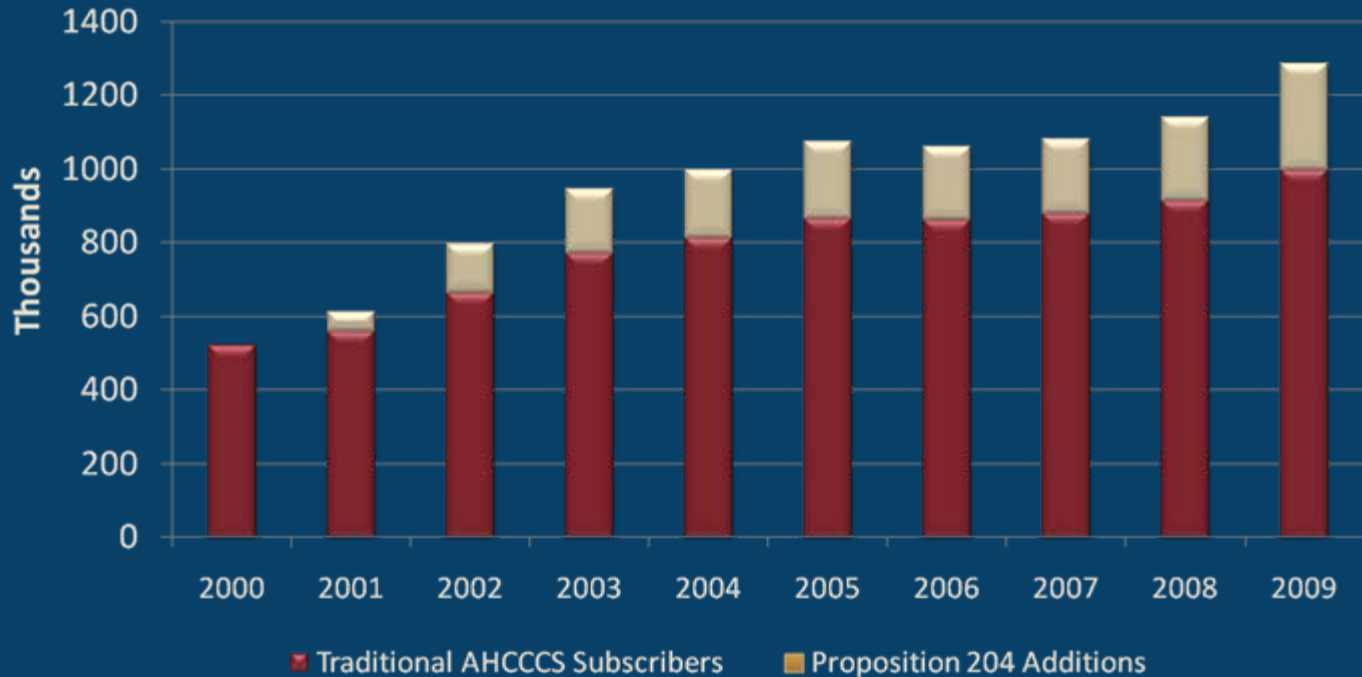




Arizona Was Growing Jobs & Going Broke

- While Arizona was strong in job growth, the percentage of Arizonans on AHCCCS jumped from 10% in 2000 to 18% in 2005.
- In the same period, even factoring out growth created by Prop 204, AHCCCS enrollment grew by 66%.
- Currently, 20% of Arizonans are on AHCCCS, which cost the state \$1.3 billion in FY 2011.

AHCCCS Enrollment

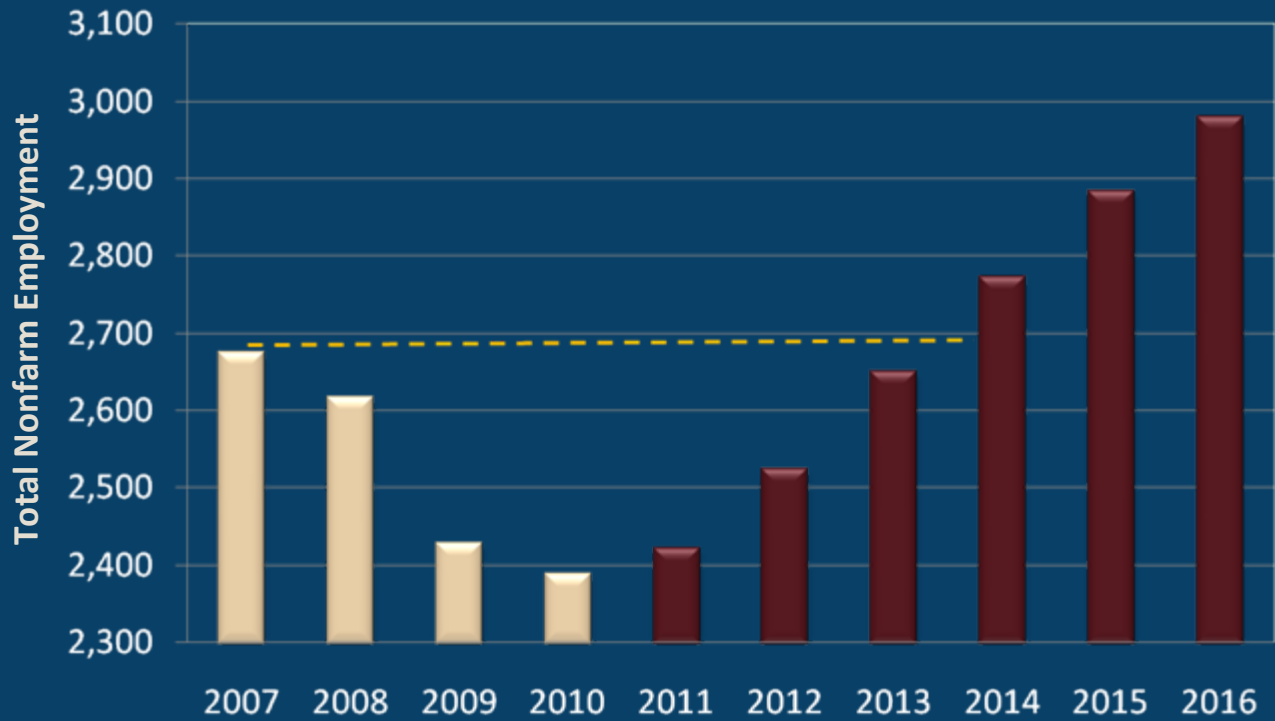




Job Recovery Forecast

- The University of Arizona forecasts recovery in 2014.
- The Governor's Budget forecasts recovery in 2015.

U of A's Job Recovery Forecast





What Does Arizona's Recovery Look Like?

- Between 2000 and 2007, the construction, retail and real estate sectors comprised about 1 in every 5 jobs in Arizona.
- U of A forecast estimates 384,500 jobs will be created by 2014.
- But nearly 1 in 3.5 jobs of those jobs created during the recovery will be in the construction, retail and real estate sectors.
- History will have repeated itself, and the economy will continue to generate low-wage or unstable jobs and leave Arizona more vulnerable than its diversified competitors.



The Competition Kicks It Up A Notch

- Environment is becoming more competitive.
- In 2009, Florida, California, Illinois, Indiana, Virginia, Ohio, Iowa, North Carolina, Connecticut, Delaware, Maryland, Mississippi and Rhode Island passed economic development initiatives.
- Other states updated their Enterprise Zone programs. Arizona needs to modernize ours.





Companies Set Their Sights on Competitors

- In just the last year, Arizona has lost out on some marquee relocation and expansion projects, including The Boeing Company, Allstate Insurance and Adobe Systems due to lack of structured economic development programs.
- Boeing located in Oklahoma City, Allstate Insurance located in San Antonio and Adobe located in Salt Lake City.

Allstate Insurance plans to hire 600 workers

San Antonio Business Journal - by [Tricia Lynn Silva](#) and [Tamarind Phinisee](#)

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Plans by **Allstate Insurance Co.** to San Antonio could prove to be a wind development firm **R.L. Worth & Associates**.
Allstate will lease 75,000 square feet in master-planned project The Oaks at U Business Park.
The insurance company is opening a customer information center in San Antonio.

Boeing Brings 550 Jobs To Okla. City

Company Moving Its C-130 Avionics Modernization Program To Oklahoma In 2011

POSTED: 4:38 pm CDT August 2, 2010
UPDATED: 11:13 pm CDT August 2, 2010



OKLAHOMA CITY -- The Boeing Company announced it is relocating two programs from Long Beach, Calif., to Oklahoma City, a move expected to bring 550 engineering jobs to the state.
Boeing announced in a news release Monday it is moving its C-130 Avionics Modernization program to Oklahoma City beginning in the first quarter of 2011. The move of the B

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Adobe Systems plans new technology campus, may bring 1,000 jobs to Utah

By **James Thalman**
Deseret News
Published: Thursday, Aug. 5, 2010 2:52 p.m. MDT

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SALT LAKE CITY — Adobe Systems Inc. announced Thursday that Utah is a big part of its future as the site of a new technology center amounting to about a \$1.6 billion deal — big enough that Gov. Gary Herbert held a news conference to announce it and big enough, he said, to be worth every penny of the \$40 million tax break the company will get when the project is completed.



How Can Arizona Improve?

- There is currently 90 million square feet of vacant commercial, industrial and retail real estate available in Arizona.
- However, there are numerous ways Arizona can increase its competitiveness. Below is a basic formula for overall advancement:





Arizona's Tax Rate Comparison

Ranking Among Nine Mountain West States

1=Lowest Rate

Arizona's Competitive Advantage				Arizona's Competitive Gap					
Unemployment Insurance Tax		Worker's Comp		Sales Tax		Business Property Tax		Corporate Income Tax	
1	AZ	1	UT	1	OR	1	CA	1	WA
2	CO	2	AZ	1	TX	2	CO	1	TX
3	CA	3	CO	3	WA	3	WA	1	NV
4	TX	4	OR	4	NM	4	NM	4	CO
5	UT	5	WA	5	CO	5	NV	5	UT
6	NM	6	NM	6	UT	6	UT	6	OR
7	OR	7	NV	7	NV	7	OR	7	AZ
8	NV	8	TX	8	CA	8	AZ	8	NM
9	WA	9	CA	9	AZ	9	TX	9	CA



Arizona Can Gain A Competitive Edge

- One of the simplest ways is to revise the state's current Enterprise Zone program, created in 1987.
- In 1981, President Ronald Reagan championed the creation of the federal Enterprise Zone program.
- Many of those states have already revised their Enterprise Zones to be more competitive or are in the process of doing so.
- By modernizing the Enterprise Zone with recommended changes, Arizona moves from #9 to #3 among Mountain West states.





Economic Development Program Principles

- **Return-Driven:** Generate a return to the state: revenue-positive / neutral
- **Enhances Competitiveness:** No reason to create policy if it does not increase competitiveness
- **Creates Quality Jobs:** Create quality jobs with healthcare coverage: reduce burden to state
- **Performance-Based:** Require performance milestones for beneficiaries to meet
- **Safeguards:** Develop safeguards within the program (Clawbacks)
- **Leverages Strengths:** Build on existing competencies and take advantage of opportunities



Proposed Enterprise Zone Improvement

- Arizona's Enterprise Zone is up for reauthorization in June 30, 2011. Because the State must already revisit the program, it should also be modernized to position Arizona more competitively.
- Proposed revisions include:
 - Revise the program to generate a return to the state.
 - Those eligible would be businesses who create quality jobs – 100% of the current county median wage (\$33,151/yr in Maricopa County) and 80 percent healthcare coverage.
 - Eligible businesses could locate or expand *anywhere in the state*.
 - Extend property tax benefits to all eligible businesses (except retail) that make the required minimum investment.
 - Include claw-back provisions to ensure businesses that are receiving the benefit also maintain job levels and expectations.



QUESTIONS?

Thank You for Your Time.

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- Arizona Health Care Cost Containment System, Five-Year Strategic Plan, January 2009.
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- Governor's Office of Strategic Planning and Budgeting, 2011 Executive Budget Summary, 2010.
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