



AAED Legislative Policy Guidelines

The Arizona Association for Economic Development is committed to being the leading advocate for economic development in the state of Arizona. Arizona competes with other states, regions and nations for businesses and jobs. Arizona policies should reflect a commitment to competing in a global market.

AAED works to protect and enhance existing economic development tools and resources, as well as assist in creating new ones, to ensure that economic development practitioners can properly attract, retain, and assist businesses in their communities.

1. **Advancing the Competitiveness of Arizona's Business Climate:** Prudent economic development policy should be performance-based and return-driven around incentives and tools that are effective to and usable by the business community, resulting in a net gain to the state of Arizona. AAED applauds the Governor and the Legislature for recognizing the need to add tools that advance economic development and changing tax policy to make Arizona more competitive. However, Arizona must continue to build on its achievements and recognize that other states are also creating tools to create jobs for their economies. Arizona still has a property tax system that is not competitive when competing for companies that make large investments in both personal and real property. A temporary property tax reduction mechanism and the ability of companies to offset a portion their tax liability for the creation of jobs above the median county wage are essential to enhance Arizona's standing within the Mountain West region.

AAED will support policies that are performance-based and return-driven around incentives and encourage a diversity of businesses to locate and remain in Arizona for the long term, thereby enhancing Arizona's competitive efforts to attract and retain high wage jobs and encourage capital investment.

2. **Enhance the Access to Capital:** Venture capital drives job creation and economic growth by helping entrepreneurs turn innovative ideas and scientific advances into products and services. The extension and funding of the Angel Investment Tax Credit in 2017 was a major victory for Arizona's economic development toolbox. AAED encourages the Legislature to take further measures to positively impact businesses' access to capital. Such measures include allowing companies that have earned tax credits through investment and job creation activities to be able to apply those credits to other Arizona tax liabilities, as well as making refundable R&D tax credits available to smaller companies.

Recognizing access to capital as one of the major drivers to the formation and growth of new companies, AAED will support policies that enhance businesses' access to venture capital and leverage tax credits that encourage high-wage employment growth.

3. **Support Export-Import Oriented Businesses and Industries:** Export-Import oriented businesses are the cornerstone to a healthy and diversified Arizona economy. Arizona has a wide range of export-import businesses such as tourism, biotechnology, software, aviation, aerospace/defense, and advanced electronic manufacturing. These types of companies' export-import products out of Arizona, thereby bringing in considerable wealth to the state. To preserve these industries and their associated high

paying jobs, Arizona needs an incentive package that creates a competitive environment for export-import based industries. Arizona also needs to support the infrastructure that these industries require including airports, rail, highways, land port of entry's and modern seaports. As the re-negotiation of international trade deals are in the spotlight with the current federal administration, AAED will support federal and state policies that enhance Arizona's businesses relying on both national and international exports-imports.

AAED will support initiatives that improve Arizona's ability to increase the number of export-oriented businesses within the State.

- 4. Create and Expand Development and Revitalization Tools:** Proper infrastructure is a vital part of economic development. Without it, sites will not develop and developments without necessary infrastructure will remain idle. Arizona lacks the inventory of truly shovel-ready parcels, compared to other states in the region, which have the potential to enhance community economic viability. Arizona needs to create programs that allow for infrastructure to be financed creatively that does not impact state shared revenue. It is common practice to capture future tax revenue to finance existing infrastructure needs. Additionally, Arizona needs to consider best practices to encourage redevelopment based upon tax credits and the leveraging of tax capture mechanisms. This type of financing tool needs to be performance-based and pass a strict "but for" test and be contained to a concise geographic area. Without this type of tool, many sites will neither be developed nor revitalized.

AAED supports the creation of infrastructure financing tools that will allow for the long-term financing of needed improvements through the capture and reallocation of property taxes within specific geographic boundaries.

- 5. Allowing for Ease of Business Creation:** Small and medium sized businesses are major drivers of economic output. There exists a symbiotic relationship between large and small businesses and one cannot survive without the existence of the other. To enhance Arizona's economic position, government policy must maintain a focus on supporting conditions that give start-up businesses the ability to more easily establish themselves, much like the "FinTech Sandbox" legislation allowed in 2018. By reducing unnecessary regulatory requirements, small businesses are more likely to attract investment and are more likely to succeed. Most new jobs are created by companies that have been in business for less than five years. Support for these endeavors is paramount to the overall health of the Arizona economy.

AAED will support policies that reduce costly administrative burdens on small and medium sized businesses, thereby encouraging a business environment that can capitalize on the vision and skills of Arizona's entrepreneurs.

- 6. Supporting an Educated Workforce:** A major component of growing, attracting and retaining successful businesses lies in their ability to draw upon a highly educated and skilled workforce. Arizona possesses a world-class educational infrastructure in the state's university and community college

systems. Such access to the talent pool coming out of these institutions draws business to Arizona, and these institutions are large economic drivers in and of themselves. Policymakers must also acknowledge the importance of feeding higher education institutions with students who are well-prepared for secondary education. As Arizona's workforce has greatly diversified over the past five years; career, technical, & workforce and on-the-job training are also critical components to a highly valued employment base. Growing Arizona's talent pool starts with a robust primary and career, technical, & workforce education system that has adequate resources to provide Arizona students with "best-in-class" instruction.

AAED will encourage state and local governments to recognize that high quality graduates from Arizona institutions - both primary and secondary - are a key component to future revenue growth of the state, and that thoughtful and sustainable spending on education represents an investment, not a cost.

- 7. Support Rural Economic Development:** A successful state economy is a diversified economy, so state initiatives should encourage diversification and investment. Just as growing businesses in densely populated urban areas are critical to Arizona's economic engine, so is maintaining and building upon the industries that leverage our state's abundance of natural resources, thus creating high impact employment and investment outside the metro areas. To allow diversity to flourish, lawmakers must recognize that infrastructure of all types needs to be created and maintained along with investment in human capital throughout rural Arizona.

AAED will encourage diverse economic development within our urban centers and also around our smaller, more remote communities, which contribute significantly to Arizona's gross state product.

- 8. Support of Native American Economic Development:** Arizona's Native American population has grown its economic prominence significantly over the past two decades. Today, Native American development remains one of the brightest spots in the Arizona economy. With the flourishing of tribal hospitality and healthcare developments, as well as numerous infrastructure improvements, Arizona's Native American communities contribute significantly to our state's economic well-being.

AAED will support efforts of Arizona's Native American Tribes to build upon their economic prosperity, while respecting their unique cultural values and political sovereignty.

- 9. Support of the Tourism Industry:** Tourism is at the foundation of the Arizona economy and is the backbone of many communities throughout the state. A report recently commissioned by the Arizona Office of Tourism states that total direct travel spending in Arizona during 2017 was \$22.7 billion. Continued efforts are needed to expand tourism in the state, as they create jobs and a more favorable

image of Arizona throughout the nation and the world. The State Parks Department is a key asset for economic development and tourism within the state. Returning funding to the Parks Department so they can properly maintain and operate the 31 state parks should be a priority.

AAED will support efforts to enhance tourism efforts in all regions of Arizona.

- 10. Support of Arizona's Military Mission:** A military presence in Arizona is not only good for the mission to protect our country, but also for Arizona's economy. Billions of federal dollars come into our state for the operation of military installations and government contractors located in Arizona. This spending correlates with the creation of job opportunities directly and indirectly across a wide range of sectors. AAED will support managed growth and development surrounding our bases, and support state legislation and local ordinances that will assist in the retention of these military installations. Additionally, AAED will support federal legislation that continues to maintain a military presence in Arizona.

AAED will support efforts to protect the military's long-term mission throughout Arizona.

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