

Building Arizona's Future

▶ Jobs, Innovation and Competitiveness

Highlights of the
96th Arizona Town Hall
April 25-28, 2010 • Tucson, Arizona





Participants had several opportunities to hear from nationally-known speakers during meal functions at the 96th Arizona Town Hall.

Above, Joseph Kalt addresses Monday's lunch attendees following opening remarks by Governor Jan Brewer.

As the "think tank" for Arizona's business and community leaders, Arizona Town Hall has a proven record of developing recommendations that lead to effective reforms in a rapidly-growing state.

Participants in the 96th Arizona Town Hall, held April 25-28, 2010 in Tucson, discussed in depth Arizona's future economic development opportunities. The result: a consensus of recommended actions to address the ongoing challenges facing Arizona regarding economic development and jobs creation.

Prior to the Town Hall session, participants from throughout the state reviewed a comprehensive background report developed by the University of Arizona. Meeting in facilitated small groups for two days, the participants addressed a common set of discussion questions. Trained recorders captured points of consensus and the entire group gathered for a plenary session on the third day to adopt a report of findings and recommendations.

The final report and background research are published and made available to Arizona Town Hall members, the Arizona Legislature, other elected officials, public libraries, and the general public.

Download or order copies online at

www.aztownhall.org, or call 602-252-9600 to request a copy.

A Snapshot of Building Arizona's Future

- ▶ In addition to striking a blow to Arizona's economy, the Great Recession exposed weaknesses in the composition of the state's economic engines. A healthy economic future requires both reversing the deep declines in jobs and job opportunities, and developing new approaches to building a competitive economy and high quality of life.
- ▶ Arizona has a wide range of natural, economic, political, and cultural attributes that set it apart from other states and provide opportunities for the state's current and future economic development. These include: diversity of landscape; climate, sun, and clear skies; historical heritage; border location and border economy; trans-border industry clusters; trade conduit; and Right to Work State status.
- ▶ A prosperous economy is sustained by competitive businesses that innovate, invest in research and development (R&D), produce high-value products, attract talented individuals, attract capital investment, export their products, and bring new money into the region.
- ▶ The ingredients for building long-term competitiveness are well known: winners have the best research infrastructure, the best markets to develop products and innovate, and the best climate for inventors and productive workers. Arizona has some key elements in place, but lags behind its peer states on a number of basic indicators (including the renowned Milken Institute State Technology and Science Index).
- ▶ Arizona's economic base is the sale of products or services to customers located outside the

state that brings new money into the economy. The high-technology cluster is by far the largest part of Arizona's economic base when measured by wages, and tourism is the largest in terms of employment.

- ▶ High-tech constitutes nearly half of the state's employment in manufacturing and offers significantly higher wages than any other sector in Arizona's economy. The highest levels of employment are in aerospace; semiconductors and electronics; and navigation, measuring, electro-medical, and control instruments manufacturing. However, semiconductor and other electronics manufacturing have been declining relative to the size of the entire economy.
- ▶ Arizona's participation in the global economy is dominated by a smaller number of large companies. Mexico is the primary destination for commodities.
- ▶ Future economic development in Arizona will be impacted by the State's ability to attract, retain, expand, and start up high-tech industry. The likely emerging industries are bio-industry, optics, and nanotechnologies. "Green" or sustainable industries, such as environmental technologies, renewable energy, water resource management, and solar energy manufacturing, are likely to grow. These emerging technologies will require science and engineering occupations, and significant research and development activities.
- ▶ High-tech firms value many of the same location factors as non-high-tech industries, such as low operating costs (labor, transportation, taxes, materials) and good access to markets and required resources. High-tech industries have additional requirements: a highly skilled and educated workforce, strong universities, and a good overall quality of life.
- ▶ Business recruitment, retention, and expansion programs are vital components in an organization's economic development toolkit. Many economic development

organizations now devote considerable effort to encouraging entrepreneurship, transferring technology from universities to the marketplace, incubating innovative new companies, and helping businesses find traditional financing or venture capital. Recent draconian budget reduction measures have eliminated or severely cut many of these programs.

- ▶ A region's economy is much more than a sum of activities related to the production and distribution of goods and services. The economy is the foundation for everything else in the region: the physical infrastructure, such as roads and bridges, and the social infrastructure, such as the labor force and education system. But the opposite is also true: everything else affects the economy. An existing physical structure such as the highway network affects distribution, and the education system shapes a region's human capital.
- ▶ Arizona's natural environment, economy, and quality of life are all connected. Growth and economic development decisions need to consider water availability, water and air quality, and ecosystem health as well as the costs associated with meeting State and Federal standards.
- ▶ Arizona's road map into the future includes these key tenets: 1) improving the state education system; 2) generating science and technology industries; 3) supporting a favorable business climate; and 4) investing in research and development.

**From The University of Arizona
Background Report**

Report of Recommendations

After reviewing the full background report prepared by the University of Arizona, participants in the 96th Arizona Town Hall convened in Tucson from April 25-28, 2010. The result: a consensus of recommended actions to help build Arizona's future.

Priority Actions for Arizona to Sustain and Develop Our Economy

Arizona should consider taking all of the following actions to sustain and develop the statewide economy and position Arizona to compete for jobs in the global marketplace. These priorities are so closely interrelated that they must be pursued simultaneously for Arizona to achieve its desired economic future.

(1) Education.

- a. Implement the recommendations of the Governor's P-20 Council to emulate the best practices of the world's education systems.
- b. Improve funding and rigorous statewide standards to meet workforce needs of business and industry.
- c. Ensure that students, once educated, have a place in Arizona's economy and a reason to stay. Develop partnerships with industry, perhaps through incubator projects, to create these types of opportunities as well as to promote technology transfer and innovation.

(2) Strategic Planning.

- a. Create both statewide and regional or community-based strategic plans to guide economic development activities in urban, rural, and tribal areas under a shared vision supported by Arizona's leadership.
- b. Identify Arizona's core competencies and weaknesses; and set a path to a diversified economy with clear implementation goals, actions, and accountability.
- c. Address infrastructure, workforce, and capital development for large and small businesses.
- d. Address both recruitment of new businesses and retention of businesses and talent already present in Arizona.
- e. Arizona's universities, in collaboration with the State's commerce and economic development entity, should facilitate the development of a comprehensive statewide economic development plan with the engagement of both the public and private sectors.



Participants in the 96th Arizona Town Hall represented a diverse and broad spectrum of the public.

Meeting in facilitated small groups for two days, the participants addressed a common set of discussion questions. Trained recorders captured points of consensus that were then evaluated, revised, and approved by all participants on the final day.

(3) Changes in Governmental Structures and Political Ideologies.

- a. Abandon the hands-off approach to economic development that has dominated the State for the last several decades in favor of a proactive approach that brings targeted industries and jobs to Arizona.
- b. Promote a more moderate and stable political environment composed of a more diverse set of leaders.
- c. Clarify the role of the State's commerce and economic development entity and expand its focus to address both the urban and rural areas of the state. The State entity should promote communication and collaboration among Arizona's disparate economic development interests.
- d. Arizona's Legislature must: (i) commit to supporting the State commerce and economic development entity; (ii) create and fund a rapid response team to bring economic development opportunities to Arizona; and (iii) undertake a comprehensive evaluation of State laws to identify changes that are needed to remove impediments to economic development.
- e. Consider eliminating the Gift Clause.
- f. Develop a mechanism to facilitate communication among the Legislature, community and economic development organizations, and business leaders.

(4) Capital Formation.

- a. Increase the availability of capital of all types to support economic development.
- b. Provide public backing to outside capital and promote public/private partnerships to bring capital into the state.
- c. Consider making changes to the statutes governing the charter of financial institutions in order to encourage capital infusion into Arizona companies.
- d. Encourage Arizona individuals, foundations, and industry to invest in an Arizona "fund of funds" to provide venture capital for the early-stage development of new companies.

(5) Reputation Management.

Implement a public relations strategy to:

- a. Control damage to the State's reputation.
- b. Brand and promote a positive State image regionally, nationally, and internationally.

(6) Infrastructure.

- a. Create a networked business environment through advances in our transportation system and data connectivity.
- b. Make our essential services (water, power and waste management) sufficient to allow growth in all of our communities.

- c. Modernize our power grid through the implementation of a smart grid.

(7) Broadening the Tax Base.

- a. Implement a broad-based, diversified, and stable tax structure that does not rely disproportionately on sales taxes.
- b. Consider increasing revenue to enable Arizona to pursue additional economic development activities. One possible component of a new tax structure is a state property tax, which would be a more stable revenue source in good economic times and bad.
- c. Consider changing the State's constitution to raise the State's debt limit and to expand the amount of revenue that can be collected from property taxes.
- d. Eliminate the downward bias in tax policy that results from the super-majority required to raise taxes when taxes can be lowered with a simple majority.

(8) Preserve Quality of Life.

- a. Cultivate the arts, sports, and other recreational amenities.
- b. Preserve our natural and cultural resources.
- c. Develop a strong sense of place in our communities.



SENATE BILL 1070

Just days before the start of the 96th Arizona Town Hall, Governor Jan Brewer signed Senate Bill 1070 into law.

Amid a flurry of national attention sparked by the Governor's appearance, participants discussed the bill and concluded as follows:

"Arizona should recognize Mexico's importance as a trading partner and source of labor. As such, trade with Mexico should be facilitated, a guest worker program instituted, and a federal solution to illegal immigration should be sought. In the meantime, recent legislation that appears to be detrimental to the continued development of our state should be reexamined. Relations between Arizona and Mexico must be repaired."

Senate Bill 1070 can be read at <http://www.azleg.gov/legtext/49leg/2r/bills/sb1070s>.

(9) Pursue Jobs in the Renewable Energy Industry.

- a. Pursue international investment capital to fund development activities.
- b. The Arizona Corporation Commission and other utility regulators should continue to set renewable energy goals and prices that promote renewable energy production and establish a regulatory framework that encourages renewable energy development.
- c. Adopt a renewable energy stimulus agenda that creates a road map for developing the renewable energy industry and could include provisions such as distributed generation utilizing a smart grid.
- d. Consider encouraging development of renewable energy generation facilities in airport accident-potential zones.

(10) Job Training Programs.

Fund and promote job training programs and other skill-specific educational programs through Arizona's higher education systems that are aligned with the industry clusters Arizona wants to retain and attract.

(11) Other Economic Development Actions.

- a. Fund business incubators, a competitive small grant program for start-ups and existing small businesses, and other small business assistance programs.
- b. Consider a tax abatement program for companies that hire new employees and companies that relocate to Arizona.

- c. Actively work to ensure the siting of the F-35 training program to all Arizona sites.
- d. Work to improve our strategic alliance with Mexico, particularly in the areas of energy, commerce, and tourism.
- e. Lead a national effort, with the support of Arizona's political leadership and in collaboration with other states, to establish a guest worker program for which Arizona should act as a pilot state.

(12) Other Activities that Influence Economic Development.

- a. Pursue comprehensive, multimodal transportation planning and design programs.
- b. Pair college graduates with existing Arizona businesses or reimburse student tuition or forgive student loans for graduates with "hot skills" who agree to work in Arizona or provide service to their communities.
- c. Apply similar programs to military personnel with desirable skills who have served in Arizona and have recently separated from military service.



How You Can Have An Impact

- ▶ Make your views on economic development known to the Governor (<http://azgovernor.gov/Contact.asp>).
- ▶ Use resources such as Project Vote Smart (<http://www.vote-smart.org/index.htm>) to find contact information for all of your elected officials including U.S. Senators and Representatives.
- ▶ Keep up to date on relevant programs in your community and action you can take through the Arizona Town Hall website (<http://www.aztownhall.org>).
- ▶ Arrange a program in your community. Arizona Town Hall can provide resources, speakers, and printed materials. Use social media and personal networks to share information.
- ▶ Be a change agent. Utilize the wealth of knowledge contained in the full report from the 96th Town Hall to develop partnerships and programs that will help improve Arizona's economic outlook.
- ▶ To join existing efforts to pursue recommendations from the 96th Arizona Town Hall, contact the Arizona Town Hall office.
- ▶ For more information on factors influencing economic development in Arizona, download the full report from the 96th Arizona Town Hall (<http://www.aztownhall.org/reports/96.asp>).

“Arizona must act to preserve and enhance our quality of life and the very ‘Arizona-ness’ of Arizona. This means cultivating the arts, sports and other recreational amenities and preserving our natural and cultural resources.”

- From the 96th Town Hall Report of Recommendations



We welcome your involvement, questions, and perspectives.

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Since 1962, Arizona Town Hall has served as a “think tank” of Arizona leaders. Town Hall recommendations are a valuable resource for policymakers because they do not represent the agenda of a particular group or political perspective. Instead, Arizona Town Hall reports contain the informed consensus of Arizonans from different political parties, professions, and geographic areas of the state. A private, non-profit civic organization, Arizona Town Hall has served as a catalyst for conversations and recommendations that have influenced significant changes in Arizona’s public policy over the years. Countless local, state, and national leaders have cited Arizona Town Hall as an important factor in educating people about the multiple facets of complex issues and fostering the development of personal and professional leadership skills.

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