

UPDATE



The Arizona Association for Economic Development is the leading advocate for responsible economic development for all of Arizona.

AAED Supports SB1403: Quality Jobs Through Renewable Energy

As Arizona economic developers, our recent concerns have been focused on the decline of the economy, particularly upon our state's budget shortfall and the resulting cuts to valuable programs. Our March luncheon in Phoenix reflected this.

However, with challenge comes opportunity. Because Arizona can no longer rely on population-driven growth industries, including housing and construction, policymakers are paying more attention to sustainable job creation opportunities. The "brightest" opportunity for change in Arizona's economy is the solar industry.



The solar industry is a statewide economic opportunity, creating unique competitive advantages for rural Arizona. Land availability is a major advantage for rural Arizona over metro areas for solar generation projects. Suppliers to generation facilities seek locations

within close proximity to the facility, creating a clustering opportunity.

However, the solar projects with the largest economic impact potential—manufacturing and headquarter operations—are ranking Arizona as seventh out of the seven competing Mountain West states. One of those projects is Schott, a manufacturer of solar panels. Ultimately deciding to locate in New Mexico, Schott will be a major supplier to the Abengoa

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What Does the Stimulus Package Mean for Arizona?

*Jennifer Graves, City of Scottsdale
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THE FIRST OF A THREE-PART SERIES

On February 17, President Obama signed the 2009 American Reinvestment and Recovery Act (ARRA) into law. Part of the ARRA allocates funds to states, and based on a presentation to Arizona's Joint Legislative Budget Committee (JLBC) on March 4, Arizona is poised to receive \$308B-\$787B for discretionary spending, \$198B for Entitlement Spending Changes, and \$281B in tax reductions. Where will the funds go? What will be done with the money? Will it really help Arizona? Over the next three months, AAED will be presenting information about the ARRA that will hopefully serve to answer those questions. This first part of the story focuses on Workforce Development, a topic that is very important to Economic Development.

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ON THE COVER:
Manufacturers of solar arrays like these would be attracted to locate their plants in Arizona under the provisions of SB1403.

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solar generation plant planned for Gila Bend, Arizona. However, the company could not make a financial case to justify putting its operations in Arizona. The loss for Arizona is substantial: the Shott project would have created 1,500 jobs with a capital investment of \$586 million.

SB1403 will help Arizona improve its competitiveness for future opportunities. Sponsored by Senator Barbara Leff (R-11), SB1403 provides an incentive for manufacturing and headquarters projects in renewable energy industries which meet wage hurdles and provide healthcare coverage for their employees. The program offers a corporate income tax credit based upon the number of jobs created and capital invested, as well as a temporary property tax reclassification based on the level of the company's wages. The program's impact on the state is revenue-positive and it would significantly increase the state's competitive position for these projects.

This is an opportunity for us to shine as economic developers. We need to support Senator Leff, who is creating a standard for economic development programs in Arizona. We need to be partners with all of our state policymakers and work with them to develop fiscally responsible economic development programs created from the perspective of the state and balanced by the needs of the industry. It can be done – SB1403 is a good example.

For more information, please contact Nick Davis at ndavis@periniwest.com. For the complete bill, please visit www.azleg.gov.

The ranking below is based on an analysis comparing direct tax costs and incentive programs to offset those costs for the sample project in each listed state. The analysis can only consider statutory incentive programs which are transparent under each state's law.

Please note that certain states, such as Texas and New Mexico, have discretionary funds which they use at their discretion to close competitiveness gaps during late negotiations.

COMPETITIVENESS RANKING

Sample Solar Manufacturing Project

CURRENT SCENARIO		WITH SB1403	
RANK	STATE	RANK	STATE
1	OR	1	OR
2	NM	2	AZ
3	CO	3	NM
4	NV	4	CO
5	CA	5	NV
6	TX	6	CA
7	AZ	7	TX

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