

# ARIZONA STATE SENATE

## RESEARCH STAFF



TO: MEMBERS OF THE SENATE  
GOVERNMENT COMMITTEE OF  
REFERENCE

**JASON THEODOROU**  
LEGISLATIVE RESEARCH ANALYST  
GOVERNMENT COMMITTEE  
Telephone: (602) 926-3171

DATE: January 19, 2024

SUBJECT: Sunset Review of the Arizona Commerce Authority

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Attached is the final report of the sunset review of the Arizona Commerce Authority (ACA), which was conducted by the Senate Government Committee of Reference. A performance audit of the ACA was conducted by the Office of the Auditor General ([Report No. 23-116](#)).

This report has been distributed to the following individuals and agencies:

Governor of the State of Arizona  
The Honorable Katie Hobbs

President of the Senate  
Senator Warren Petersen

Speaker of the House of Representatives  
Representative Ben Toma

Senate Members

Senator Jake Hoffman, Chair  
Senator Wendy Rogers, Vice-Chair  
Senator Eva Diaz  
Senator David C. Farnsworth  
Senator Juan Mendez  
Senator Janae Shamp  
Senator Priya Sundareshan  
Senator Justine Wadsack

Arizona Commerce Authority  
Office of the Auditor General  
Arizona State Library, Archives and Public Records

Senate Resource Center  
Senate Republican Staff  
Senate Democratic Staff  
Senate Research Staff

Office of the Chief Clerk  
House Republican Staff  
House Democratic Staff  
House Research Staff

# Senate Government Committee of Reference Final Report

## Arizona Commerce Authority

### *Background*

Pursuant to [A.R.S. § 41-2953](#), the Joint Legislative Audit Committee assigned the sunset review of the Arizona Commerce Authority (ACA) to the Senate Government Committee of Reference and the House Commerce Committee of Reference.

Established in 2011 through [Executive Order 2010-12](#) and codified by the Legislature through [Laws 2011, Second Special Session, Chapter 1](#), the mission of the ACA is to provide private sector leadership in growing and diversifying the economy of Arizona, creating high quality employment in Arizona through expansion, attraction and retention of businesses and marketing Arizona for the purpose of expansion, attraction and retention of businesses.

The ACA has a Board of Directors (Board) consisting of 19 voting members, including the Governor serving as Chairperson, the Chief Executive Officer (CEO) of the ACA and 17 private sector business leaders who are chief executive officers of private, for-profit enterprises. Of the 17 private sector voting members, nine are appointed by the Governor, four are appointed by the President of the Senate and four are appointed by the Speaker of the House of Representatives. The Board also has 10 ex officio members without the power to vote and 9 technical advisors that serve the Board to enhance collaboration among state agencies to meet infrastructure needs and facilitate growth opportunities throughout Arizona. The CEO is appointed by the Board and has the statutorily prescribed responsibility for managing, administering and supervising the activities of the ACA.

The duties of the ACA include: 1) administering tax credits and incentives for businesses; 2) administering various grants to qualified businesses to enhance economic development, including through the Arizona Competes Fund; 3) managing the State Broadband Office to coordinate the implementation of local, state and federal broadband programs and coordinate and execute federal broadband grant applications with public and private stakeholders; 4) establishing a program by which entrepreneurs become aware of permits, licenses or other authorizations needed to establish, expand or operate in Arizona; and 5) establishing and supervising the operations of full-time or part-time offices in other states and foreign countries for the purpose of expanding direct investment and export trade opportunities for businesses and industries in Arizona if the ACA determines that the effort would be beneficial to the economy of Arizona ([A.R.S. Title 41, Ch. 10](#)).

The ACA is statutorily set to terminate on July 1, 2024, unless legislation is enacted for its continuation ([A.R.S. § 41-3024.31](#)).

### *Committee of Reference Sunset Review Activity*

Pursuant to [A.R.S. § 41-2954](#), the Senate Government Committee of Reference met on Wednesday, January 17, 2024, to review the Auditor General's Performance Audit and Sunset Review Report, consider the ACA's responses to the statutorily-outlined sunset factors and receive public testimony.

### ***Committee of Reference Recommendations***

The Senate Government Committee of Reference recommended that the ACA be revised or consolidated.

### ***Appendices***

1. Meeting Notice
2. Minutes of the Senate Government Committee of Reference
  - Attachment A: Presentation by the Office of the Auditor General
  - Attachment B: Presentation by the ACA
  - Attachment C: Handout from the ACA
3. Chairperson's letter requesting the ACA's response to sunset factors
4. The ACA's response to sunset factors

Interim agendas can be obtained via the Internet at <http://www.azleg.gov/Interim-Committees>

## ARIZONA STATE SENATE

### INTERIM MEETING NOTICE

### OPEN TO THE PUBLIC

#### SENATE GOVERNMENT COMMITTEE OF REFERENCE

**Date:** Wednesday, January 17, 2024

**Time:** 9:00 A.M.

**Place:** SHR 1

Members of the public may access a livestream of the meeting here:

<https://www.azleg.gov/videoplayer/?clientID=6361162879&eventID=2024011033>

#### AGENDA

1. Call to Order
2. Roll Call
3. Opening Remarks
4. ~~Sunset Review of the Arizona Commerce Authority~~
  - ~~• Presentation by the Arizona Office of the Auditor General~~
  - ~~• Response by the Arizona Commerce Authority~~
  - ~~• Public Testimony~~
  - ~~• Discussion and Recommendations~~
5. ~~Sunset Review of the Arizona Department of Administration~~
  - ~~• Presentation by the Arizona Office of the Auditor General~~
  - ~~• Response by the Arizona Department of Administration~~
  - ~~• Public Testimony~~
  - ~~• Discussion and Recommendations~~
4. Sunset Review of the Arizona Department of Homeland Security
  - Presentation by the Arizona Department of Homeland Security
  - Public Testimony
  - Discussion and Recommendations
5. Sunset Review of the Arizona Registrar of Contractors
  - Presentation by the Arizona Registrar of Contractors
  - Public Testimony
  - Discussion and Recommendations
6. Sunset Review of the Arizona State Board of Technical Registration
  - Presentation by the Arizona State Board of Technical Registration
  - Public Testimony
  - Discussion and Recommendations
7. Sunset Review of the Governor's Office on Tribal Relations
  - Presentation by the Governor's Office on Tribal Relations
  - Public Testimony
  - Discussion and Recommendations

8. Sunset Review of the State Personnel Board
  - Presentation by the State Personnel Board
  - Public Testimony
  - Discussion and Recommendations
9. Sunset Review of the Industrial Commission of Arizona
  - Presentation by the Industrial Commission of Arizona
  - Public Testimony
  - Discussion and Recommendations
10. Sunset Review of the Boiler Advisory Board
  - Presentation by the Boiler Advisory Board
  - Public Testimony
  - Discussion and Recommendations
11. Sunset Review of the Occupational Safety and Health Advisory Committee
  - Presentation by the Occupational Safety and Health Advisory Committee
  - Public Testimony
  - Discussion and Recommendations
12. Sunset Review of the Occupational Safety and Health Review Board
  - Presentation by the Occupational Safety and Health Review Board
  - Public Testimony
  - Discussion and Recommendations
13. Sunset Review of the Arizona Commerce Authority
  - Presentation by the Arizona Office of the Auditor General
  - Response by the Arizona Commerce Authority
  - Public Testimony
  - Discussion and Recommendations
14. Sunset Review of the Arizona Department of Administration
  - Presentation by the Arizona Office of the Auditor General
  - Response by the Arizona Department of Administration
  - Public Testimony
  - Discussion and Recommendations
15. Adjourn

**Members:**

Senator Jake Hoffman, Chair

Senator Wendy Rogers, Vice-chair

Senator Eva Diaz

Senator David C. Farnsworth

Senator Juan Mendez

Senator Janae Shamp

Senator Priya Sundareshan

Senator Justine Wadsack

01/11/2024

01/12/2024

hf

For questions regarding this agenda, please contact Senate Research Department.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, by contacting the Senate Secretary's Office: (602) 926-4231 (voice). Requests should be made as early as possible to allow time to arrange the accommodation.

# ARIZONA STATE SENATE

## SENATE GOVERNMENT COMMITTEE OF REFERENCE

### Minutes of the Meeting

January 17, 2024

9:00 A.M., SHR 1

**Members of the public may access a livestream of the meeting here:**

<https://www.azleg.gov/videooplayer/?clientID=6361162879&eventID=2024011033>

#### **Members Present:**

Senator Jake Hoffman, Chair  
Senator Wendy Rogers, Vice-Chair  
Senator Eva Diaz  
Senator David C. Farnsworth  
Senator Juan Mendez  
Senator Janae Shamp  
Senator Priya Sundareshan  
Senator Justine Wadsack

#### **Staff:**

Jason Theodorou, Government Research Analyst  
Alanna Bendel, Government Research Assistant Analyst  
Michael Ayala, Government Research Intern

Chairman Hoffman called the meeting to order at 9:09 a.m. and attendance was taken.

#### **OPENING REMARKS**

Senator Hoffman requested the staff introduce themselves as follows:

- Jason Theodorou, Government Research Analyst
- Alanna Bendel, Government Research Assistant Analyst
- Michael Ayala, Government Research Intern
- Jackson Cooper, Government Committee Secretary

#### **SUNSET REVIEW OF THE ARIZONA DEPARTMENT OF HOMELAND SECURITY**

##### **Presentation by the Arizona Department of Homeland Security**

**Kimberly O'Connor, Executive Deputy Director, Arizona Department of Homeland Security**, distributed and explained a PowerPoint presentation entitled "Arizona Department of Homeland Security" (Attachment A). Ms. O'Connor also distributed a booklet entitled "Sunset Review, 2024 Report" (Attachment B).

**Susan Dzbanko, Deputy Director of Grant Administration, Arizona Department of Homeland Security**, continued with the PowerPoint presentation (Attachment A).

**Ryan Murray, Deputy Director, Statewide Information Security and Privacy Office, and Interim Chief Information Security Officer, Arizona Department of Homeland Security**, continued with the PowerPoint presentation (Attachment A) and answered questions posed by the Committee.

Ms. Dzbanko answered questions posed by members of the Committee.

### **Public Testimony**

**Gil Orrantia, Former Director, Arizona Department of Homeland Security**, testified in support of the Arizona Department of Homeland Security.

**Sheriff Mark Lamb, Pinal County**, testified in support of the Arizona Department of Homeland Security.

**Sheriff Leon Wilmot, Yuma County**, testified in support of the Arizona Department of Homeland Security.

**Robert Watkins, on behalf of Sheriff Mark Danells, Cochise County**, testified in support of the Arizona Department of Homeland Security.

### **Discussion and Recommendations**

The Committee offered comments.

**Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the Arizona Department of Homeland Security for 2 years until July 1, 2026. The motion CARRIED with a roll call vote of 8-0-0 (Attachment 1).**

Senators Shamp, Sundareshan, Wadsack, Mendez, Rogers and Hoffman explained their vote.

## **SUNSET REVIEW OF THE ARIZONA REGISTRAR OF CONTRACTORS**

### **Presentation by the Arizona Registrar of Contractors**

**Tom Cole, Executive Deputy Director, Arizona Registrar of Contractors**, distributed and explained a PowerPoint presentation entitled "Arizona Registrar of Contractors" (Attachment C) and explained the function and purpose of the Arizona Registrar of Contractors. Mr. Cole answered questions posed by members of the Committee.

### **Public Testimony**

No public testimony took place.

## **Discussion and Recommendations**

**Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the Arizona Registrar of Contractors for 2 years until July 1, 2026. The motion CARRIED with a roll call vote of 8-0-0 (Attachment 2).**

Senator Hoffman explained his vote.

## **SUNSET REVIEW OF THE ARIZONA STATE BOARD OF TECHNICAL REGISTRATION**

### **Presentation by the Arizona State Board of Technical Registration**

**Judith Stapley, Executive Director, Arizona State Board of Technical Registration,** distributed and explained a PowerPoint presentation entitled "Sunset Audit Review Committee of Reference 2024" (Attachment D) and explained the function and purpose of the Arizona State Board of Technical Registration. Ms. Stapley answered questions posed by members of the Committee.

Senator Hoffman offered comments.

### **Public Testimony**

No public testimony took place.

## **Discussion and Recommendations**

**Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to convert the Occupational Licenses under the Arizona State Board of Technical Registration to a less restrictive regulation.**

The Committee offered comments.

**The motion CARRIED with a roll call vote of 5-3-0 (Attachment 3).**

Senators Mendez, Sundareshan, Wadsack and Hoffman explained their vote.

## **SUNSET REVIEW OF THE GOVERNOR'S OFFICE ON TRIBAL RELATIONS**

### **Presentation by the Governor's Office on Tribal Relations**

**Jason Chavez, Director of Tribal Affairs, Governor's Office on Tribal Relations,** distributed and explained a PowerPoint presentation entitled "Governor's Office on Tribal Relations" (Attachment E) and a folder with documents referring to the Governor's Office on Tribal Relations (Attachment F). Mr. Chavez answered questions posed by the Committee.



## **Public Testimony**

**Senator Theresa Hatathlie, Legislative District 6**, testified in support of the Governor's Office on Tribal Relations.

**Senator Sally Gonzales, Legislative District 20**, testified in support of the Governor's Office on Tribal Relations and answered questions posed by the Committee.

## **Discussion and Recommendations**

**Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the Governor's Office on Tribal Relations for 2 years until July 1, 2026. The motion CARRIED with a roll call vote of 8-0-0 (Attachment 4).**

Senators Mendez, Sundareshan, Rogers and Hoffman explained their vote.

## **SUNSET REVIEW OF THE STATE PERSONNEL BOARD**

### **Presentation by the State Personnel Board**

**Zachariah Tolliver, Executive Director, State Personnel Board**, distributed and explained a PowerPoint presentation entitled "Arizona State Personnel Board" (Attachment G). Mr. Tolliver answered questions posed by the Committee.

## **Public Testimony**

No public testimony took place.

## **Discussion and Recommendations**

**Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the State Personnel Board for 2 years until July 1, 2026. The motion CARRIED with a roll call vote of 6-0-2 (Attachment 5).**

Senators Mendez and Sundareshan explained their vote.

## **SUNSET REVIEW OF THE ARIZONA COMMERCE AUTHORITY**

### **Presentation by the Arizona Office of the Auditor General**

**Monette Kiepke, Performance Audit Manager, Office of the Auditor General**, distributed and explained a PowerPoint presentation entitled "Arizona Commerce Authority, Performance Audit and Sunset Review" (Attachment H) and explained the findings from the Auditor General's Sunset Review. Ms. Kiepke answered questions posed by the Committee.

## **Response by the Arizona Commerce Authority**

**Sandra Watson, President and CEO, Arizona Commerce Authority (ACA)**, distributed and explained a PowerPoint presentation entitled "Arizona Commerce Authority, An Overview" (Attachment I) as well as a handout entitled "Update on ACA Actions In Response to September 2023 Performance Audit" (Attachment J). Ms. Watson played a video on the ACA's role in bringing Lucid Motors to Arizona. Ms. Watson answered questions posed by the Committee.

## **RECESS**

At 12:15 p.m. the Chairman recessed the meeting to the sound of the gavel.

## **RECONVENE**

At 3:33 p.m. the Chairman called the meeting to order.

## **Response by the Arizona Commerce Authority (continued)**

Ms. Watson answered additional questions posed by the Committee.

## **Public Testimony**

**Greg Blackie, Arizona Free Enterprise Club**, testified against the continuation of the Arizona Commerce Authority.

## **Discussion and Recommendations**

**Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to revise or consolidate the Arizona Commerce Authority. The motion CARRIED with a roll call vote of 4-3-1 (Attachment 6).**

Senators Sundareshan, Mendez, Wadsack, Shamp, Rogers and Hoffman explained their vote.

## **SUNSET REVIEW OF THE INDUSTRIAL COMMISSION OF ARIZONA**

### **SUNSET REVIEW OF THE BOILER ADVISORY BOARD**

### **SUNSET REVIEW OF THE OCCUPATIONAL SAFETY AND HEALTH ADVISORY COMMITTEE**

### **SUNSET REVIEW OF THE OCCUPATIONAL SAFETY AND HEALTH REVIEW BOARD**

## **Presentation by the Industrial Commission of Arizona**

**Gaetano Testini, Executive Deputy Director, Industrial Commission of Arizona**, distributed and explained a PowerPoint presentation entitled "Industrial Commission of Arizona" (Attachment K) and explained the function and purpose of the Industrial

Commission of Arizona, the Occupational Safety and Health Advisory Committee, the Boiler Advisory Board, and the Occupational Safety and Health Review Board. Mr. Testini also distributed a booklet entitled "The Industrial Commission of Arizona and Related Advisory/Review Boards, Review of Sunset Factors, 2023" (Attachment L). Mr. Testini answered questions posed by the Committee.

### **Public Testimony**

No public testimony took place.

### **Discussion and Recommendations**

**Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the Industrial Commission of Arizona, the Boiler Advisory Board, the Occupational Safety and Health Advisory Committee and the Occupational Safety and Health Review Board for 2 years until July 1, 2026.**

Senator Hoffman offered comments.

**The motion CARRIED with a roll call vote of 7-0-1 (Attachment 7).**

Senators Mendez, Shamp, Sundareshan and Rogers explained their vote.

## **SUNSET REVIEW OF THE ARIZONA DEPARTMENT OF ADMINISTRATION**

### **Presentation by the Arizona Office of the Auditor General**

**Miguel Caro Mateus, Performance Audit Manager, Office of the Auditor General,** distributed and explained a PowerPoint presentation entitled "Arizona Department of Administration, Performance Audit and Sunset Review" (Attachment M) and explained the findings from the Auditor General's Sunset Review. Mr. Caro Mateus answered questions posed by the Committee.

### **Response by the Arizona Department of Administration**

**Elizabeth Alvarado Thorson, Executive Deputy Director, Arizona Department of Administration,** distributed and explained a PowerPoint presentation entitled "Arizona Department of Administration, Sunset Hearing Presentation" (Attachment N) and explained the purpose and function of the Arizona Department of Administration.

### **Public Testimony**

No public testimony took place.

## **Discussion and Recommendations**

**Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the Arizona Department of Administration for 2 years until July 1, 2026. The motion CARRIED with a roll call vote of 7-0-1 (Attachment 8).**

Senators Farnsworth, Mendez, Shamp, Sundareshan, Rogers and Hoffman explained their vote.

Attached is a list noting the individuals who registered their position on the agenda items (Attachment O).

Attached are forms noting the individuals who submitted a speaker slip on the agenda items (Attachment P).

There being no further business, the meeting was adjourned at 5:19 p.m.

Respectfully submitted,

Jackson Cooper  
Committee Secretary

(Audio recordings and attachments are on file in the Secretary of the Senate's Office/Resource Center, Room 115. Audio archives are available at <http://www.azleg.gov>)



# Arizona Commerce Authority Performance Audit and Sunset Review

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Presenter: Monette Kiepke

Date: January 17, 2024



# Presentation overview



- Background information
- Problems identified
- What led to the problems
- Why the problems matter
- Key recommendations
- Additional recommendations
- Information from questions and answers

# Arizona Commerce Authority (ACA)

- Established in 2011
- Board consists of 19 voting members: Governor, ACA CEO, and 17 Governor/State-appointed private sector business leaders
- Sandra Watson serves as Chief Executive Officer
- We conducted ACA's previous sunset review in 2015

# ACA's key responsibilities and activities for growing the State's economy

- Administers various tax incentives and grants
  - Reviews tax incentive applications, assesses whether applicants meet eligibility requirements, and approves applicants
  - Awards Competes Fund grant monies, administers grant agreements, and verifies eligibility and performance
- Manages the State's broadband office



# ACA's key responsibilities and activities continued

- Contracts for foreign trade offices
- Assists entrepreneurs, businesses, and manufacturers
- Assists with workforce development
- Administers fund to bid on and host major events and program to promote film production in the State
- Hosts events for business executives

# ACA met some statutory objectives

- Appropriately approved all 10 Qualified Facility tax credits we reviewed as applicants met capital investment and wage requirements
- Distributed Arizona Coronavirus Relief Fund donation monies we reviewed for approved purposes, including personal protective equipment and grant monies to nonprofits supporting vulnerable citizens

# ACA serves State by providing economic development resources



- Developed community profile reports providing population and economic information for 15 counties and 92 urban and rural communities
- Offers small business bootcamp and rural economic development webinars to help businesses in urban and rural areas

# Problem identified



ACA lacked evidence showing it verified businesses met some requirements when reviewing and approving nearly \$11 million in financial incentives

# ACA lacked evidence it verified incentive requirements were met



ACA lacked documentation it verified business-reported information for:

- Job creation for 21 Quality Jobs tax credits totaling \$7.5 million
- Capital investment for a \$306,000 tax credit
- Job creation for more than \$3.4 million in grant monies paid to 4 businesses

# 2015 audit found similar issues



- ACA lacked evidence it verified some business-reported information and did not always document grant application, review, and award information
- Our 18-month followup published in 2017 found:
  - ACA developed policies and procedures for verifying information but failed to fully verify information for 1 grant we reviewed
  - ACA identified what information should be documented

# Why this matters



Lack of verification documentation increases risk of fraud and waste of public monies

# Key recommendations



Ensure tax credit and grant recipients meet all requirements prior to approving tax credits or distributing grant monies by developing procedures for:

- Verifying business-reported information
- Documenting verification



# ACA responsible for managing broadband development grant monies

ACA coordinating the implementation of local, State, and federal broadband programs, including:

- \$100 million in broadband development grant awards to 20 awardees it announced in July 2022
- \$1 billion Broadband, Equity, Access, and Deployment (BEAD) Program grant

# Problem identified



- ACA planned to distribute monies but had not established policies and procedures for administering grant programs or overseeing contractor
- This increases risk of misuse and inaccurately accounting for and reporting on use of grant monies
- ACA could be responsible for repaying monies to federal government

# ACA contracts for trade offices to identify trade and investment opportunities

- As of April 2023, ACA contracts for 7 trade offices:
  - Guanajuato, Mexico
  - Chihuahua, Mexico
  - Mexico City, Mexico
  - Frankfurt, Germany
  - Tel Aviv, Israel
  - Seoul, South Korea
  - Taipei, Taiwan
- Contacts we reviewed were generally consistent with recommended practices and included performance measures

# Problem identified



ACA did not:

- Provide documentation it verified trade offices' reported progress in achieving contractual performance measures
- Monitor trade office performance to ensure deliverables were received
- Address trade office nonperformance

# ACA's Israel trade office failed to meet performance measures



	Number of Arizona businesses assisted		Related export sales		Number of foreign direct investment leads	
	2022	2023	2022	2023	2022	2023
Annual Goal	30	30	\$2.5 million	\$2.5 million	30	30
Actual	19	14	0	0	55	24
Percentage of goal met	63%	47%	0%	0%	183%	80%

# Key recommendations



- Develop policies and procedures for verifying trade offices' reported progress in achieving contractual performance measures
- Monitor trade office performance to ensure deliverables are received and take actions to address trade office nonperformance

# Questions and answers on ACA's CEO Forums



1. Benefits and activities for CEO Forum attendees and when they occur
2. Why CEO Forums are held
3. Who attended CEO Forums
4. How much CEO Forums cost
5. What the State received in return for the monies spent on CEO Forums
6. ACA's CEO Forums policies and State Accounting Manual compliance
7. ACA's assessment of compliance with Arizona Constitution gift clause

# ACA hosted 5 private CEO Forums between 2018 and 2023



- ACA reported CEO Forums were marketing campaigns held around the Waste Management Phoenix Open golf tournament and the 2023 Super Bowl
- Attended by private sector executives, their spouses, and ACA staff



# ACA spent more than \$2.4 million on private CEO Forums from 2018 to 2023

Education events	\$65,076
Transportation and lodging	193,226
Social and entertainment events	
Super Bowl sponsorship package	1,850,000
WMPO suite	288,600
Birds Nest VIP and other concert or theater tickets	41,958
Gifts, wine, desserts	7,643
<b>Total</b>	<b>\$2,446,503</b>

# 136 CEOs/executives from 118 businesses represented at CEO Forums

Year	Number of CEOs/ executives hosted	Number of businesses represented
2018	16	13
2019	20	16
2020	18	15
2022	15	8
2023	67	66
<b>Total</b>	<b>136</b>	<b>118</b>

# ACA reported some company attendees proposed business in State

ACA reported 23 of 118 companies whose executives attended CEO Forums proposed nonbinding investment and jobs commitments in Arizona

- Per ACA, CEO Forums were not the only reason companies proposed potential investments and jobs
- Encouraging companies to invest in Arizona takes multiple conversations/interactions, sometimes years of relationship building

# ACA is dissimilar to other State agencies that market Arizona



- Exempt from State accounting manual, which prohibits purchasing alcohol, establishes acceptable lodging rates, and requires documentation of public purpose for providing food and beverage
- Exempt from State procurement, but must adopt its own policies, procedures, and procurement practices

# ACA reported consulting with legal counsel about hosting CEO Forums

- Arizona Constitution's gift clause requires payment of public monies is for a public purpose and value received is not far exceeded by consideration paid
- ACA reported it consulted with in-house legal counsel and third-party attorney to ensure CEO Forums comply with State laws and regulations
- ACA cited that the jobs and investments from companies that have participated in CEO Forums outweigh Forum cost



# Arizona Commerce Authority

## Performance Audit and Sunset Review

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Presenter: Monette Kiepke

Date: January 17, 2024



January 17, 2024

# ARIZONA COMMERCE AUTHORITY

*AN OVERVIEW*

**ARIZONA**  
COMMERCE AUTHORITY



# ACA APPROACH

## VISION

Arizona is the premier global destination for business and innovation, with an economy that delivers opportunity for all Arizonans.

## MISSION

To continually grow and strengthen Arizona's economy by helping businesses in targeted, high-growth industries create quality jobs statewide for Arizona citizens.





# BUSINESS DEVELOPMENT SERVICES



# INTERNATIONAL FOOTPRINT

REPUBLIC  
OF KOREA  
SEOUL



EUROPE  
FRANKFURT,  
GERMANY



ISRAEL  
TEL AVIV



MEXICO  
MEXICO CITY  
CHIHUAHUA



TAIWAN  
TAIPEI



# WINS SINCE INCEPTION

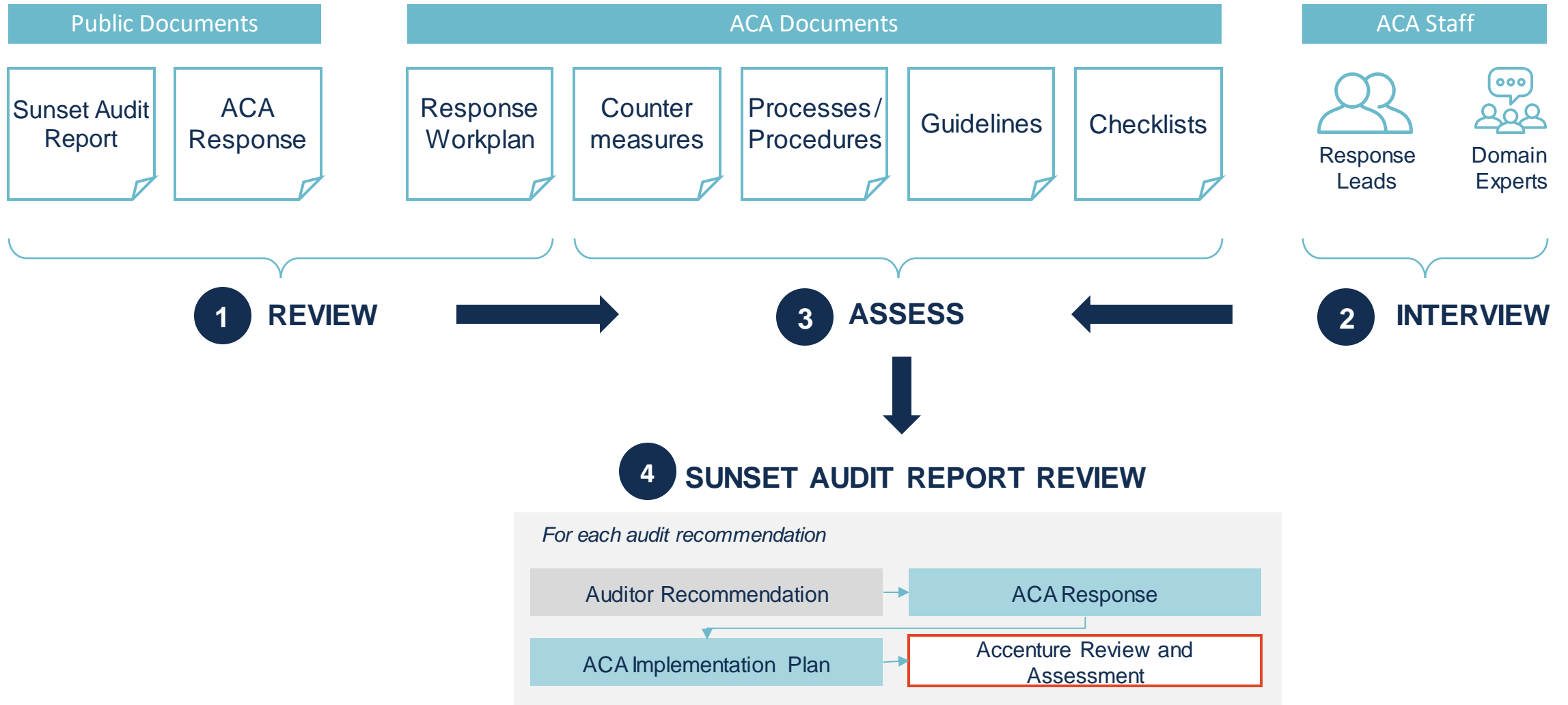


# Overview – ACA Performance Audit

## Summary:

- Audit conducted Jan. - Sept. 2023
- The Auditor General's performance audit included 17 recommendations.
- The ACA agreed to all findings and committed to implementing all recommendations.
- The ACA has taken action to implement all 17 recommendations.
- In addition, the ACA has contracted with Accenture to review the ACA's implementation plan to ensure all recommendations are met.

# Accenture Report



# Accenture Finding

***"Accenture reviewed ACA's implementation plan for each of the recommendations, the resulting changes to policies, procedures, and processes, and actions taken to date to incorporate these in ACA's way of working. Based on this review, Accenture finds the ACA's response to the audit report is thorough and comprehensive. Upon full completion of the implementation plan, the State should be confident that all audit recommendations have been fully satisfied."***



# Recommendations 1-3

## *Quality Jobs and A1 Competes*

### **Summary:**

Ensure procedures for verifying recipient reported information is fully documented for Quality Jobs and A1 Competes programs, including verifying job information and documenting supervisory review process.

### **ACA Actions:**

The ACA updated its written checklists for reviewing recipient information, including detailing its 2-party review process and clarifying policies related to job verification such as verification of offered health insurance coverage, wage information, and more.

# Recommendations 4-5

## *A1 Competes*

### **Summary:**

Ensure procedures for verifying recipient reported information for A1 grantees is fully documented, including current procedures in place for verifying health insurance information, economic impact requirements, and wage information, while documenting how ACA conducts due diligence when making award decisions.

### **ACA Actions:**

The ACA updated A1-related documentation for its procedures to verify recipient information, as outlined above. In addition, the ACA updated its CEO Statement related to A1 grantees to include an estimated median wage, when available, in addition to average wage, which is already included, and updated its written standard work to better document current practice of conducting rigorous due diligence for all A1 grantees.



# BIGGER GOALS FOR THE NEXT 5 YEARS

2023 - 2027

100,000

NEW  
JOBS

150%

OF 2021 STATE  
MEDIAN WAGE

\$20 BILLION

CAPITAL  
INVESTMENT

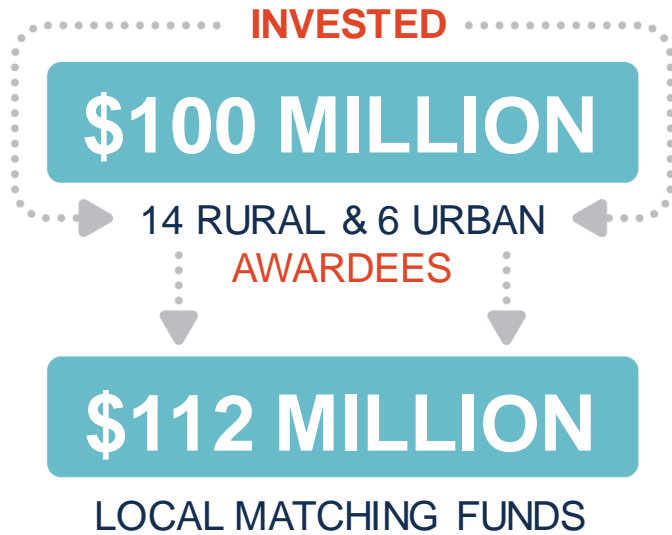
TOP 5 STATE

FOR ENTREPRENEURIAL  
VITALITY

95% OF ARIZONA  
HOUSEHOLDS

WITH ACCESS TO HIGH-SPEED  
BROADBAND

# ARIZONA BROADBAND DEVELOPMENT GRANT PROGRAM



**KTAR NEWS**  
92.3 FM

ACA allocates \$100M in broadband grants to 20 awardees in rural and urban Arizona

**THE WICKENBURG SUN**  
EST. 1924

State, Cox bringing in broadband

**AZEDNEWS**

Grants bring broadband internet to families in Altar Valley School District and business & residents in Three Points, Robles Junction and Sycamore Springs thanks to Cox & Pima County Partnership

**KGUN 9**  
ON YOUR SIDE

Cities in rural Pima County to receive high-speed fiber network

**ARIZONA PUBLIC MEDIA**

High-speed internet is on its way to Douglas



**Independent**  
WHITE MOUNTAIN  
wmicentral.com

Apache County lands \$10 million in grants to bolster Internet

**AZMIRROR**

Arizona broadband expansion projects are getting a \$100 million infusion of cash

**Arizona Daily Star**  
TUCSON.COM

Broadband internet upgrades coming to rural areas of Tucson

**HERALD/REVIEW**  
Serving all of Cochise County  
MEDIA

Willcox to receive fiber optic infrastructure investment

**THE ARIZONA REPUBLIC**

High-speed internet comes to Douglas, other rural Arizona communities through grant

# SEMICONDUCTOR MEGA INVESTMENT



**\$60+B**  
SEMICONDUCTOR  
INVESTMENT

**#1**

MOST  
SEMICONDUCTOR  
INVESTMENT

**ARIZONA**  
Since 2020  
(SIA)

**#1**

MOST  
SUPPLIER  
EXPANSIONS

**ARIZONA**  
Since 2020  
(SIA)



*“IF YOU ARE A SMALL BUSINESS IN ARIZONA PLEASE REACH TO THE [ACA’S] WEBSITE, CALL THE PROGRAM MANAGER AND GET ON BOARD. THE INFORMATION IS INVALUABLE AND TRULY WILL MAKE YOU MORE PROFITABLE AND MORE EXCITED TO DO YOUR BUSINESS THAN THE DAY BEFORE YOU MET THEM.”*

*DAWN WHITE*  
Arizona Small Business Owner

# TOTAL PIPELINE BY PROJECT TYPE

## Business Attraction & Expansion

MANUFACTURING	HEADQUARTERS	OFFICE	LOGISTICS	DATA CENTER	RESEARCH & DEVELOPMENT	TRAINING FACILITY
<b>282 PROJECTS</b>	<b>43 PROJECTS</b>	<b>21 PROJECTS</b>	<b>24 PROJECTS</b>	<b>16 PROJECTS</b>	<b>7 PROJECTS</b>	<b>5 PROJECTS</b>
JOBS: 125,393 \$270.5B CAPEX WAGES: \$61,080	JOBS: 7,346 \$27B CAPEX WAGES: \$79,232	JOBS: 2,332 \$304.5M CAPEX WAGES: \$73,224	JOBS: 2,611 \$1B CAPEX WAGES: \$49,626	JOBS: 1,957 \$36.9B CAPEX WAGES: \$81,647	JOBS: 983 \$2.2B CAPEX WAGES: \$109,461	JOBS: 678 \$110.5M CAPEX WAGES: 100,947
	<b>TOTAL</b>	<b>403 PROJECTS</b>	<b>\$338.4B CAPEX</b>	<b>141,831 JOBS</b>	<b>\$62,842 WAGES</b>	

\*4 PROJECTS LISTED IN OTHER

LUCID

AMP-1  
CASA GRANDE



ARIZONA  
COMMERCE AUTHORITY

# LUCID



**ARIZONA**  
COMMERCE AUTHORITY



ADVANCING ARIZONA

# TRAINING THE TECH

6:37  
91°



72 SOLD TOP STORIES RGES COMPANY, FORMER CEO MISLED INVESTORS ON SAFETY OF 737 MAX AIRPLANE



THANK YOU

**ARIZONA**  
COMMERCE AUTHORITY



## Update on ACA Actions In Response to September 2023 Performance Audit

### Overview

- For a period of more than nine months in 2023, Arizona Commerce Authority (ACA) staff worked closely with the Office of the Auditor General to complete a statutorily required performance audit in conjunction with the ACA's sunset review.
- The Auditor General's performance audit included 17 recommendations. The ACA agreed to all findings and committed to implementing all recommendations.
- The ACA has taken action to implement all 17 recommendations outlined by the Auditor General and taken additional steps to optimize management and oversight of state financial incentive programs.

Below follows a summary of Auditor General recommendations and ACA actions to implement those recommendations.

Recommendation	Summary	Status	Action taken
1-3 QUALITY JOBS & A1 COMPETES	Ensure procedures for verifying recipient reported information is fully documented for Quality Jobs and A1 Competes programs, including verifying job information and documenting supervisory review process.	✔ Complete	The ACA updated its written checklists for reviewing recipient information, including detailing its 2-party review process and clarifying policies related to job verification such as verification of offered health insurance coverage, wage information, and more.
4-5 A1 COMPETES	Ensure procedures for verifying recipient reported information for A1 grantees is fully documented, including current procedures in place for verifying health insurance information, economic impact requirements, and wage information, while documenting how ACA conducts due diligence when making award decisions.	✔ Complete	The ACA updated A1-related documentation for its procedures to verify recipient information, as outlined above. In addition, the ACA updated its CEO Statement related to A1 grantees to include an estimated median wage, when available, in addition to average wage, which is already included, and updated its written standard work to better document current practice of conducting rigorous due diligence for all A1 grantees.
6-7 ARIZONA INNOVATION CHALLENGE	Ensure procedures for verifying information related to the Arizona Innovation Challenge grant program are fully documented, including supervisory process and receipt of all required documentation, and enhance procedures for obtaining grantee annual reports.	✔ Complete	The ACA clarified policies to further outline staff oversight assignments for compliance review procedures and implemented a review checklist. ACA also migrated collection of grantee annual reporting to an online form to improve collection practices.
8-9 FOREIGN OFFICES	Enhance documentation related to the ACA's tracking of trade office performance and deliverables.	✔ Complete	The ACA implemented written standard work for trade office weekly reports and quarterly performance evaluations, implemented enhancing tracking for trade and FDI metric-related activity, and implemented a new form for quarterly performance evaluations.
10 PROCUREMENT	Ensure proper documentation of procurement-related activity.	✔ Complete	The ACA conducted additional staff training to ensure adherence to documentation procedures for procurement-related activities.

<p>11-14 BROADBAND</p>	<p>Work with contractor to define scope of services, timeline, and deliverables for Arizona Broadband Development Grant (ABDG) program, while continuing to ensure adequate oversight of the program, including overseeing contractor's completion of performance measures.</p> <p>Also, develop policies related to federal broadband programs when federal guidelines are finalized, including for the accurate accounting and reporting on use of broadband dollars.</p>	<p>✔ Complete</p>	<p>The ACA executed its contract with the third-party contractor outlining scope of services, timeline, and deliverables for ABDG, developed program guidelines, and implemented a checklist for overseeing completion of performance measures.</p> <p>It is the ACA's current standard practice to work with ADOA General Accounting Office to ensure federal broadband monies are accurately reported in the State's Schedule of Expenditures of Federal Awards as part of the State's annual federal compliance audits.</p> <p>ACA continues to work closely with federal partners. When federal guidelines are finalized, ACA will draft the appropriate policies and procedures for the BEAD program, in accordance with federal guidelines, and will utilize third-party contractors as needed.</p>
<p>15 - 16 CONFLICTS OF INTEREST</p>	<p>Ensure employees complete a receipt and acknowledgment or conflict-of-interest disclosure form upon hire and ensure disclosures of outside employment occur on forms.</p>	<p>✔ Complete</p>	<p>The ACA implemented an enhanced new hire checklist to validate all employees complete conflict of interest forms. Also, ACA updated forms to include explicit request for disclosure of outside employment.</p>
<p>17 PUBLIC MEETINGS</p>	<p>Ensure meeting agendas include the complete physical and correct electronic address of public meetings.</p>	<p>✔ Complete</p>	<p>The ACA implemented standard work and conducted training for public meeting agendas to ensure the complete physical and correct electronic addresses are posted.</p>



# Arizona State Legislature

1700 West Washington  
Phoenix, Arizona 85007

June 22, 2023

President Sandra Watson  
Arizona Commerce Authority  
100 N. 7th Ave., Suite 400  
Phoenix, AZ 85007

Dear President Sandra Watson:

The sunset review process prescribed in Title 41, Chapter 27, Arizona Revised Statutes, provides a system for the Legislature to evaluate the need to continue the existence of state agencies. During the sunset review process, an agency is reviewed by legislative committees of reference (CORs). On completion of the sunset review, the CORs recommend to continue, revise, consolidate or terminate the agency.

The Joint Legislative Audit Committee (JLAC) has assigned the sunset review of the Arizona Commerce Authority to CORs comprised of members of the Senate Commerce Committee and the House of Representatives Commerce Committee. JLAC has directed the Auditor General to conduct a performance audit of the Arizona Commerce Authority.

Pursuant to A.R.S. § 41-2954, the COR is required to consider certain sunset factors in deciding whether to recommend continuance, modification or termination of an agency. In addition to the sunset factors, which are addressed in the Auditor General performance audit, please provide your agency's written response to the required factors as listed below:

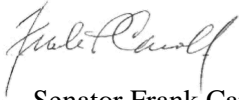
1. The extent to which the agency potentially creates unexpected negative consequences that may require additional review by the COR, including increasing the price of goods, affecting the availability of services, limiting the abilities of individuals and businesses to operate efficiently and increasing the cost of government.
2. The extent to which the agency has addressed deficiencies in its enabling statutes.
3. The extent to which the agency has determined whether the Attorney General or any other agency in Arizona has the authority to prosecute or initiate actions.
4. The consequences of eliminating the agency or consolidating it with another agency.

Your response should be received by September 1, so that we may proceed with the sunset review and schedule the required public hearing. Please submit the requested information to:

Jason Theodorou  
Arizona State Senate  
1700 West Washington  
Phoenix, Arizona 85007

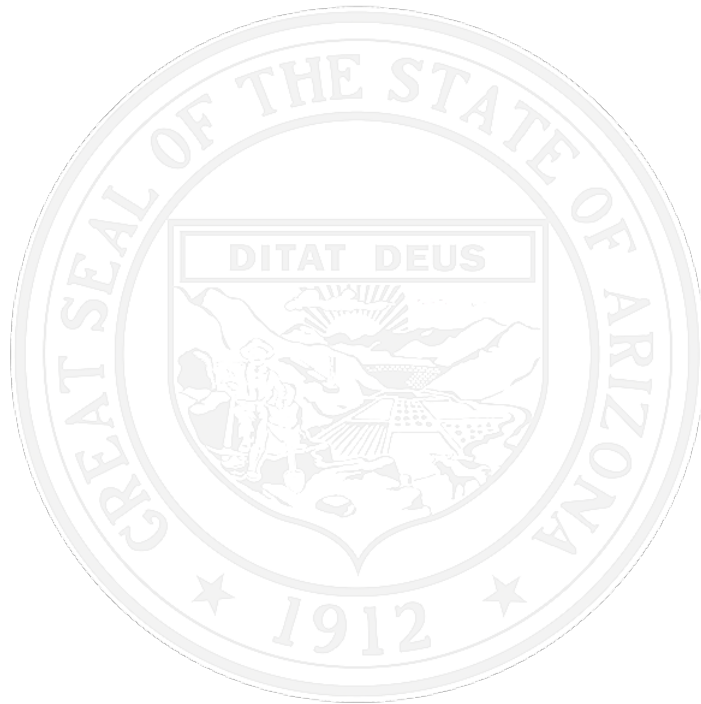
Thank you for your time and cooperation. If you have any questions, please feel free to contact me at 602-926-3249 or Jason Theodorou, the Senate Commerce Committee Research Analyst, at 602-926-3171.

Sincerely,



Senator Frank Carroll  
Senate Commerce Committee, Vice Chair

cc: Representative Justin Wilmeth, House Commerce Committee, Chair  
Paul Benny, House Commerce Committee, Analyst



September 1, 2023

The Honorable Frank Carroll, Co-Chairman  
Commerce Committee of Reference  
Arizona State Senate  
1700 West Washington Street  
Phoenix, Arizona 85007

The Honorable Justin Wilmeth, Co-Chairman  
Commerce Committee of Reference  
Arizona House of Representatives  
1700 West Washington Street  
Phoenix, Arizona 85007

Gentlemen,

Pursuant to A.R.S. § 41-2954, the Committee of Reference (COR) is required to consider certain sunset factors in deciding whether to recommend continuance, modification or termination of an agency. In addition to the sunset factors, which are addressed in the Auditor General performance audit, please see the Arizona Commerce Authority's responses to the COR questions.

We extend our thanks to the Committee for its efforts during the Sunset Review process.

Best Regards,



Sandra Watson  
President & CEO  
ARIZONA COMMERCE AUTHORITY

CC: Jason Theodorou, Arizona State Senate, 1700 W. Washington St., Phoenix, AZ 85007



1. The extent to which the agency potentially creates unexpected negative consequences that may require additional review by the COR, including increasing the price of goods, affecting the availability of services, limiting the abilities of individuals and businesses to operate efficiently and increasing the cost of government.

**Answer:** The ACA is aware of no such unintended consequences.

2. The extent to which the agency has addressed deficiencies in its enabling statutes.

**Answer:** The ACA is aware of no such deficiencies.

3. The extent to which the agency has determined whether the Attorney General or any other agency in Arizona has the authority to prosecute or initiate actions.

**Answer:** The ACA has authority to either contract with the Attorney General or outside counsel to initiate legal action. Since its inception, the ACA has contracted with outside counsel for various legal services including contract draft and review, as well as guidance on a variety of matters.

4. The consequences of eliminating the agency or consolidating it with another agency.

**Answer:** The negative impact of eliminating the ACA would be felt in communities across the state and result in significant lost economic opportunities in the near term, while greatly hindering the long-term prosperity of the state.

Most directly, eliminating the ACA would significantly diminish the state's ability to compete for economic development projects, resulting in lost new jobs and the loss of current jobs as Arizona companies are lured away. Because the ACA administers financial programs on behalf of the state, elimination of the agency would put these programs in disarray. Eliminating the agency also would eliminate key support resources utilized by small businesses and small to mid-sized manufacturers, inhibiting the growth of established Arizona businesses.

On a broader level, the loss of the ACA's convening ability and statewide leadership would result in stalled advancement for a myriad of economic priorities such as technological advancement, workforce development, trade promotion, and infrastructure improvement, such as broadband. The ACA is leading numerous efforts on behalf of the state to position Arizona to benefit from federal funding opportunities, such as the CHIPS Act, Inflation Reduction Act and the Infrastructure Investment and Jobs Act. In particular, the state's strategy for the Broadband, Equity, Access, and Deployment (BEAD) and Digital Equity which represents nearly \$1 billion in funding. Arizona's BEAD Program is the largest broadband investment in the state's history with the principal objective of universal broadband access for all. The program will ensure high-speed internet is available to every household, business, anchor institution and community within the state. Arizona's broadband related investments will increase accessibility and improve the affordability of online



video conference services for social programs, education and distance learning, and telehealth services. As Arizona's only statewide economic development agency, the ACA brings a unique leadership role to advancing these and other efforts.

In addition to these efforts, Arizona is experiencing historic economic growth. Since our inception, the ACA has successfully won over 1,000 competitive projects that represent more than 267,000 projected new jobs and more than \$100 billion in capital investment in Arizona communities. Arizona's momentum has never been greater. Our results for the most recent full fiscal year, FY 23, saw single year records in terms of projected new jobs, wages, and capital investment. In FY23 companies committed to investing a record \$40 billion in local communities and have committed to creating over 24,000 new jobs for Arizona citizens.

In summary, Arizona's economic and technological leadership on the global stage would be dramatically reduced without the ACA. The mere existence of a state-level organization is a critical demonstration of the state's commitment to economic development. Having a state-level organization is an established model nationally – every state in the U.S. has a statewide economic development organization. Consequently, eliminating the ACA would significantly diminish Arizona's national and global competitiveness.

