



Chairman's Report - Ad Hoc Committee on

Arizona's Business Climate

May 2002



Prepared by
**Ad Hoc Committee Chairman
State Representative Barbara Leff**



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By Ad Hoc Chairman State Representative Barbara Leff*

Executive Summary

Mission

The mission of the Ad Hoc Committee on Arizona's Business Climate was to look at the critical issues of business development, retention and expansion in Arizona. Between the months of August 2001 and December 2001, the Committee met in various locations throughout the State to hear from those directly involved with business and economic development. The goal was to find what Arizona is doing right and to identify areas that need improvement to make this the best place in the country in which to do business.

Committee hearings were held in Phoenix, Scottsdale, Tucson, Flagstaff, Prescott, Yuma, Snowflake, Sierra Vista and Lake Havasu City.

Findings

Corporate Headquarters and Business Relocation

1. Corporate headquarters rarely move from the community where the business was founded.
2. The loss of banking corporate headquarters in Arizona was primarily caused by market conditions and industry changes.
3. Arizona needs to focus on "growing our own" corporate headquarters.
4. Arizona is a very young State and we must be realistic about the time frame required to develop a critical mass of corporate headquarters.
5. Policy makers must understand the key factors companies consider when starting up, expanding, or relocating:
 - Existing facilities and infrastructure
 - Friendly government with prompt and reasonable permitting processes
 - A stable state and local tax structure
 - A regulatory climate that is not oppressive
 - Good quality of life, especially good educational opportunities for their children and their workers' children
 - An educated workforce or a population that can be trained to work in their industry
 - Access to affordable and quality healthcare for themselves and for their employees

Education

1. It is critical that Arizona sustains the recent investments in K-12, community colleges and the universities and recognizes that education is the key factor in ensuring future success for individuals in our State as well as for our State economy.
2. Economic development professionals need to learn about these recent investments and emphasize the improvements that are being made to our educational system.
3. There are two fundamental aspects of K-12 on which we must focus:
 - Provide more funding to the classroom and less to administration; and
 - Ensure that all children are proficient in the basic skills of reading, arithmetic, spelling and grammar. Businesses need employees who can calculate and communicate.

Stability

The Legislature must be very careful about the message sent to business when taking actions that repeal tax credits, destabilize the unemployment tax fund, increase business' exposure to lawsuits, or undermine our right to work laws.

Healthcare

1. Most of the problems of small business affordability need to be addressed by Congress, through tax credits or by allowing small business groups to form insurance pools across state lines.
2. One solution may be for employers to offer vouchers to employees to purchase their own insurance so people can choose which benefits they need,
3. Policies with lower premiums and higher co-pays may be a way to allow more people to afford insurance. This would allow more people to have the safety net of basic coverage, while those who use more health services pay more.
4. The Legislature must work to save Healthcare Group, the only option for a small employer that has employees with chronic or pre-existing conditions.
5. Community health centers are a viable option for primary care in rural and underserved areas and should be expanded.
6. To address the shortage of nurses throughout Arizona, community colleges, in cooperation with local hospitals, should expand their RN programs.

Tourism

Tourism is fundamental to Arizona and brings substantial benefits to the State. The Legislature must continue to support the efforts of the Office of Tourism.

High Tech

Arizona's manufacturing, software and other high tech industries create high paying jobs and inject new dollars through exports.

1. The Legislature must continue to fund research and development (R&D) tax credits
2. The Legislature must also address the imbalance in our tax structure which can penalize capital intensive operations
3. Arizona needs to work on attracting R&D operations and federal research opportunities.

Venture Capital

Arizona is weak in attracting funds for very early stage companies. Investing in virtual incubators to help new start up companies may be an answer. We also need to work on establishing an infrastructure that generates “deal flow” to help lure venture capitalists to Arizona.

Increased commitment to our university R&D activities may be the catalyst to attract them. If more new technologies can be transferred to the private sector from the universities, venture capital firms will be more likely to establish operations in Arizona.

Taxes and Tax Policy

A complete study of Arizona’s tax code is needed before any substantial changes are made to the tax system. Making changes piecemeal, at this time, would create an unstable business environment for our current businesses as well as those looking to relocate in our State.

It is clear that raising taxes in any manner would be a detriment to our abilities to attract, retain and grow businesses. Businesses carry most of the burden of taxation in Arizona – adding additional burdens would be counterproductive.

Rural Infrastructure

Telecommunications and access to the Internet is critical and the Legislature needs to ensure that the APNE money for telecommunication infrastructure assessments is not lost.

Regulatory Burdens

Small businesses need relief from duplicative paper work. State and local governments must work together to coordinate and streamline their reporting requirements. All taxes and regulations hit small businesses harder than larger ones because it is more difficult for them to absorb the additional costs.

Conclusion

Arizona is a young state that is still forming and we have the unique opportunity to help shape its destiny. We must focus on developing and promoting policies that foster a strong economy and that ensure that all of Arizona's businesses have the opportunity to grow and prosper.

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Final Report

Mission

The mission of the Ad Hoc Committee on Arizona's Business Climate was to look at the critical issues of business development, retention and expansion in Arizona. Between the months of August 2001 and December 2001, the Committee met in various locations throughout the State to hear from those directly involved with business and economic development. The goal was to find what Arizona is doing right and identify areas that need improvement to make this the best place in the country in which to do business.

The Committee was organized as a listening tour and was charged with considering the following key topics:

- Arizona's current economic development successes
- Policies that will encourage business relocation to Arizona in both rural and urban areas
- Policies that could encourage or aid a start up company's ability to grow and prosper
- Factors that encourage business retention and expansion
- Issues that are unique to small businesses
- Issues that need to be addressed such as problems small businesses encounter in the area of health insurance

Notwithstanding the list of topics, testimony was allowed on any business-related issue and the Committee heard about a broad range of concerns. As a result, the information generated did not necessarily follow the original topic list.

The Ad Hoc Committee on Arizona's Business Climate was an official legislative committee and consisted of ten members of the Arizona House of Representatives appointed by the Speaker of the House. In addition, other House and Senate members from each region joined the panel as it traveled throughout the state.

Committee hearings were held in Phoenix, Scottsdale, Tucson, Flagstaff, Prescott, Yuma, Snowflake, Sierra Vista and Lake Havasu City. In every community, overall economic development was indeed progressing, and each had a story to tell about improvements in its area. Businessmen, economic development professionals, elected officials and community

Ad Hoc Committee Members

Barbara Leff (R - Dist. 24, Paradise Valley) – Chairman
Ted Carpenter (R - Dist. 19, Phoenix)
Jake Flake (R - Dist. 4, Snowflake)
Jeff Hatch-Miller (R – Dist. 26, Phoenix)
Marian McClure (R - Dist. 9, Tucson)
Carol Somers (R - Dist. 13, Tucson)
Carlos Avelar (D - Dist. 23, Phoenix)
Cheryl Chase (D - Dist. 7, Kearny)
Richard Miranda (D - Dist. 22, Phoenix)
Jim Sedillo (D - Dist. 2, Flagstaff)

leaders all shared their successes, problems and concerns and articulated what was needed to move forward.

Each community has a vision for its future – **it is very clear that “one size” does not fit all in a state as diverse as Arizona.** Visiting and learning about these communities was very helpful in determining Arizona’s strengths and weaknesses. This information is fundamental to identifying what needs to be done to ensure a strong and vibrant economy.

Background

The primary catalyst for this Committee was a sustained barrage of local news articles about the fact that Arizona does not have a large number of corporate headquarters. The articles implied that the loss of our bank corporate headquarters was a sign that Arizona has a significant problem. The articles questioned whether Arizona could attract high paying jobs and suggested that there are serious problems relating to future economic development. As more articles appeared about perceived shortcomings, the idea seemed to take on a reality of its own.

Many of these articles were written when Boeing was making plans to leave Seattle in the spring of 2001. As the company looked for a place to relocate its corporate headquarters, many wondered why Phoenix was not on the short list. The company eventually chose Chicago, a midpoint in the country, to be closer to its customers. Arizona was never in the running for many reasons, but the media again implied that the State was doing something wrong because large corporate headquarters did not want to move here.

Discussions at the Arizona Town Hall on the New Economy also focused on the State's faults, to the point that they overshadowed the many things that are done well in Arizona. Even economic development professionals seemed to be focusing on the negatives more often than the positives.

It was time to look at Arizona’s business climate to discover if indeed there problems and if so, to determine how to correct them.

Findings

Corporate Headquarters and Business Relocation

The Committee began by looking at what Arizona should be doing to attract corporate headquarters and new businesses. Site selection professionals testified **that most corporate headquarters stay in the community in which they were founded.** In the case of business relocation, there is often a tie or a personal connection to the area.

It’s unusual for a company to move its headquarters unless the community has made changes that adversely affect it – such as increased taxes and regulations. Boeing started in Seattle and had prospered there for many years, but chose to relocate when the climate became unfriendly to business.

The Committee also found that the loss of corporate headquarters in Arizona in the past few years had little to do with actions by state or local governments. The moves and

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consolidations, especially in banking, had more to do with market conditions and changes within the industry.

Although it would be great to lure someone else's corporate headquarters to Arizona, **it is a better strategy to work on “growing our own” corporate headquarters.** There are a significant number of corporations headquartered in Arizona and with time, many have the potential to be the next "giants" that other states will want to lure away. Instead of worrying about what we've lost, Arizona must concentrate on the future and nurture existing businesses.

State and local governments need to concentrate on making Arizona a place where companies that are already here can grow. That begins with recognizing what companies look for in a community, whether they are starting up, expanding, or relocating:

- Existing facilities and infrastructure
- Friendly government with prompt and reasonable permitting processes
- A stable state and local tax structure
- A regulatory climate that is not oppressive
- Good quality of life, especially good educational opportunities for their children and their workers' children
- An educated workforce or a population that can be trained to work in their industry
- Access to quality healthcare for themselves and for their employees

These are factors that all policy makers need to remember when considering changes that impact business.

It is also important to recognize that **Arizona is a very young state.** In fact, there are large companies that have been headquartered elsewhere longer than Arizona has been a state. Being self-critical because Phoenix and Tucson do not match up to New York or Chicago in the number of corporate headquarters is counterproductive and short sighted.

In a similar vein, our universities are also quite young relative to institutions of higher learning in other States. They have not existed long enough to develop the type of loyalty that comes from multiple generations attending the same institution. Those ties often bring large endowments over the years, but take awhile to develop and come to fruition.

Although it is important to apply pressure to the system to bring about change, the media and civic leaders need to be realistic about the time frame in which it can be achieved.

If we do things right now, our day will come.

Education

This was the #1 issue in every community. It's clear from outside, independent rankings that Arizona suffers from a bad image when it comes to funding for education, particularly K-12.

For Arizona to compete and to attract jobs that pay high wages, the education system must be a top priority.

Education funding *has* increased over the last five years in both classroom expenditures and in the building of schools. The primary infusion comes from “Students First,” legislation that established the standards and funding for school facilities to ensure all children have a quality school in which to learn. In addition, “Students First” is providing funding for computers and Internet access to all schools in Arizona.

Additional dollars have also been directed to the classroom through legislative appropriations, as well as through increased funding generated from Prop 301. **It is critical that Arizona sustain these investments in K-12, as well as community colleges and the universities.**

Unfortunately, most outside studies and rankings on funding levels do not yet take into account the Arizona Legislature’s increased commitment and funding to education. That is because the studies use data that is several years old and therefore does not reflect this increased funding. Consequently, the impact of “Students First” and Prop 301 monies to K-12 or additional research and development (R&D) funding at the universities is not reflected. Hopefully, the rankings will improve within the next couple of years.

The Committee found it interesting that in many instances, we continue to perpetuate our own poor image. Arizona’s low education rankings were mentioned frequently in testimony, but no mention was made of the great strides represented by increased funding from the Legislature and Prop. 301.

Economic development professionals in particular need to acknowledge these strides, educate others and emphasize the improvements that are being made to address the situation.

K-12

With regard to K-12 education, there are three other fundamental aspects on which we must focus. First, it is critical to **ensure that more funding goes to the classroom and less to the administration.** Arizona ranks #1 in administrative costs. Arizona’s 227 school districts contribute to over-spending in administration and need to be addressed by the Legislature.

Second, it is essential that we **focus on educational outcomes.** Parents, teachers and policy makers need to ensure that children are taught a curriculum that provides all the basic skills for success. Children must be proficient in reading, arithmetic, spelling and grammar in the early grades in order to be able to build on those skills later on.

Third, it is time to **say no to the many "educational fads"** which claim that getting the answers right in math or spelling correctly isn't important - of course it is! Businesses need people who can calculate correctly and communicate. That is essential for success.

Community Colleges

The Committee frequently heard about the importance of community colleges to Arizona’s businesses. **Our system is recognized as one of the finest in the nation and serves a critical workforce development role.**

For many in the community, it is an excellent alternative to the Universities for the first two years of college. For others, it is the place to acquire the skills necessary to compete in today's workplace. The community college system even has programs for people with no formal education. The Maricopa Skills Center is an example of a program where anyone over the age of sixteen can acquire the vocational skills necessary to find employment well above the minimum wage.

Universities

The Committee again encountered the self-perpetuated bad image with regard to university funding and R&D. Prop 301 provides a considerable funding stream to the universities for R&D as ASU Morrison Institute's recent "*Five Shoes Waiting to Drop*" notes:

*"Unfortunately, hardly anyone outside of Arizona knows about Proposition 301 and its potential to shape the state's future. Yet this major accomplishment could start to change the old perception of miserly Arizona when it comes to education and university research. The university portion of 301 totals \$1.1 billion over 20 years, a figure on par with what the national press is touting as **monumental investments**."* (emphasis added)

Because of the strength of our universities, Arizona is already a leader in optics and is about to substantially expand its presence in the area of biotechnology through the formation of the Arizona Bioscience & Biomedicine Institutes (ABBI), an R&D collaboration of all three universities. As a result of this effort, we have an incredible opportunity to land the International Genomics Consortium (IGC). The universities, Department of Commerce, cities, counties and the private sector are all working together to make it happen.

As noted earlier, businesses often choose a location because the owner/president has a personal tie there. Arizona is a serious contender for the IGC because its Director, Dr. Jeffrey Trent, went to Arcadia High School and to the University of Arizona - he wants to come home. This incredible opportunity has forged new partnerships in economic development, will bring high paying jobs, endless entrepreneurial opportunities and hopefully, develop a source of new leadership talent for Arizona.

There are significant and exciting things underway in Arizona involving our state universities.

Stability

A stable environment is critical, particularly in the areas of taxation and regulation.

This was stated to be more important than any particular tax or regulatory issue. The fear of massive changes has been enough to keep several businesses from wanting to come to

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Arizona, and current discussions of repealing tax credits has sent a chill through the business community.

For example, in Snowflake we visited Abatibi-Consolidated Inc., which took advantage of the Fort Howard tax credit to convert from a timber to a recycled paper company. As a result, Abatibi provides more than 600 jobs paying an average of \$22 per hour. Without the tax credit, many of those jobs could disappear and have a profound, negative effect on Snowflake.

There was also fear expressed that the Legislature is becoming unfriendly to business. This is a result of bills that have been introduced in the past two years that destabilize the unemployment tax fund, increase exposure to lawsuits, mandate specific leave times and undermine the right to work. Especially at this time of economic uncertainty, bills that increase costs to employers lead to job losses and additional problems for everyone.

The Legislature needs to be very careful when thinking about changing the rules in the middle of the game. No company can afford to deal with uncertainty, and they cannot make plans in such a climate. Business plans are based on long-term projections. If the Legislature is perceived as one that is not committed to long-term stability in its business policies, companies will choose to locate elsewhere.

Healthcare

The cost of healthcare, especially to the small business sector, was a major issue in every community. Small businesses are underwritten by insurance companies and cannot get the same rates as larger businesses.

Most of the problems of small business affordability need to be addressed by Congress. Federal tax credits for purchasing insurance would be one way of easing the burden. Another approach is to change federal law to allow small business groups to join together to form a larger pool across state lines. This would enable them to have the same advantage in the area of underwriting that large companies enjoy.

Short of action at the federal level, employers could stop choosing health insurance plans for their employees and instead, offer a voucher the employee could use to purchase an individual policy. In this way, each employee determines the coverage and cost appropriate for their situation. The employer would no longer be burdened by having to decide what benefits to buy, but would still be offering money toward the policy as an employment benefit.

Another private sector option is for employers to buy policies that require higher co-pays by employees. The goal should be for the premiums to be less and the co-pays more. In that way, people who use more healthcare dollars would be paying more. With lower premiums, more employers could provide basic coverage to their employees at less cost. When this idea was raised, insurance companies stated that employers would not want to make their employees pay more. Employers need to explore the problem of rising premiums and look at this as an alternative.

In the meantime, every community asked the Committee to work to **save Healthcare Group** and not allow the funding to lapse. Healthcare Group is a state-subsidized plan for the self-employed and small business, and there are currently 12,000 working people on this plan.

Because Arizona has no formal high-risk pool, Healthcare Group has become the only option for a small employer that has employees with chronic or pre-existing conditions.

Rural Arizona also has tremendous problems with limited choices for health insurance. HMOs have left rural Arizona because they could not negotiate low enough prices with the providers. That has left the majority of the State with few options for lower cost health insurance. **Community health centers are a viable option for primary care in rural and underserved areas and should be expanded.**

The other major health care problem identified is a shortage of nurses throughout Arizona. Nursing programs need to expand, as well as concentrate on RNs who want to do bedside nursing. The focus has been on Bachelors degree nurses who often go on to more specialized careers, but the traditional RN training may be more appropriate to promote at this time. **Community colleges, in cooperation with local hospitals, should expand their RN programs.**

Tourism

Tourism is fundamental to Arizona, especially in the rural areas. Although tourism is often characterized as a low wage industry, the Committee heard frequently about the important benefits it provides for Arizona. We compete with California and Nevada for tourism dollars and **the Legislature must continue to support the efforts of the Arizona Office of Tourism (AOT) to attract visitors.**

Several Arizona communities prefer concentrating on tourism rather than other forms of economic activity. In these areas, development and the problems associated with it are not desired. For example, the Committee heard testimony in Snowflake that "they want people to come, as long as they go back home!" In Flagstaff, tourism is recognized as extremely important to their economic survival, but they are also moving toward other avenues of economic development and entrepreneurship as well.

Every community visited emphasized the importance of tourism and continued financial support of tourism promotion. Smaller communities expressed concern that the Arizona Office of Tourism's regional advertising approach may be missing some of the unique attributes of their particular area. **AOT should continue to work with these communities to meet their needs.**

Tourism as Economic Development

- **Tourism injects new dollars** into the Arizona economy, and generates revenues that state and local governments would otherwise not receive.
- Many **companies have relocated here** as a result of the president/CEO visiting Arizona on vacation.
- **Many Arizona businesses are suppliers** to the tourism industry and depend on it for their livelihoods.
- Although many tourism jobs are entry-level and low paying, they **provide training opportunities** for those who later move up to higher paying positions.

High Tech

Manufacturing, software and other high tech industries are extremely important because they create high paying jobs, inject new dollars into Arizona's economy through exports and are a huge part of our economy - it is vital that Arizona remain competitive. This means continuing to make available R&D tax credits and make sure that our policies are friendly to the high tech clusters. In particular, **Arizona must address the imbalance in our tax structure**, which can dramatically impact high tech companies as they tend to be capital intensive. Although we've been successful in attracting high tech manufacturing, Arizona needs to **work on attracting R&D operations as well.**

Venture Capital

Although the current economy will not allow for direct State venture capital investments, the need for increased venture capital investment is clear. It was a frequent topic at the hearings.

Arizona is weak in attracting funds for very early stage companies. These are companies that do not yet attract private venture capital. **Investing in incubators** to help new start up companies may be an answer. Virtual incubators may be a more cost effective way of helping those companies go from a great idea to a business plan. There are currently five incubators in Arizona, located in Scottsdale, Yuma, Prescott, Flagstaff and Tucson.

How Arizona attracts more private venture capital is something that needs to be further explored. Venture capitalists tend to locate in areas where there are opportunities to fund and manage numerous deals. Increased commitment to our university's R&D activities may be the catalyst to attract them. If more new technologies can be transferred to the private sector from the universities, venture capital firms will be more likely to establish operations in Arizona. The Arizona Bioscience & Biomedicine Institutes (ABBI) is a perfect example of an attempt to establish the needed infrastructure.

Taxes and Tax Policy

Arizona's property tax was frequently mentioned as being very unfair to business. Businesses pay 2.5 times more than individuals in property taxes. This is a problem in both real property and personal property. **A complete study of Arizona's tax code is in order, but making changes piecemeal at this time would be seen as dangerous and unsettling to current business and those looking to relocate in Arizona.**

The Committee discovered there is a considerable misunderstanding of the construct of our tax code. In Arizona, everything is assumed to be taxable unless it is specifically exempted. Arizona is a Transaction Privilege Tax (TPT) state. This means that all businesses are taxed for the privilege of doing business. As a result everything is assumed taxable unless otherwise noted. **In a TPT state, those things that are not taxable must be listed as an "exemption."** In states that have a sales tax, only items that *are taxable* are listed in the code. The word "exemption" is also used in instances where tax has never been imposed – such as services.

There is another reason why Arizona's tax code appears to have many exemptions. The Department of Revenue sometimes decides that a previously untaxed activity is now taxable – in some cases retroactively. The only option for business in this situation is to seek an

“exemption” in statute, which in reality, is merely a clarification that the activity is indeed not taxable.

If we “closed the loopholes” and eliminated all tax “exemptions” as some suggest, this would result in a tax on *all* services – the largest tax increase in the history of Arizona!

It is clear that raising taxes in any manner would be a detriment to our abilities to attract, retain and grow businesses. Businesses carry most of the burden of taxation in Arizona – adding additional burdens would be counterproductive.

Businesses asked for **consistency in tax collection and tax reporting from the Department of Revenue** (DOR). The Committee heard from several people who were concerned that determinations by DOR would require them to pay back taxes or penalties on a tax they did not know they needed to pay. This could easily wipe out a small business. Such was the case with a valley company caught between the definitions of a lawn maintenance company (an untaxed service) versus a landscape company (subject to the prime contracting tax). Although just a technicality to some, it could mean the success or failure of a small business. Members of the Committee are currently working with the Department to clarify such issues.

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If we “closed the loopholes” and eliminated all “exemptions” as some suggest, this would result in a tax on all services – the largest tax increase in the history of Arizona!

Rural Infrastructure

Telecommunications and access to the Internet is critical to the development of rural Arizona. Business opportunities have been lost in rural Arizona because the infrastructure was not there. The Legislature needs to **ensure that the APNE money for telecommunication infrastructure assessments is not lost**. With the wiring of all Arizona schools, the time is now to make sure that rural Arizona is able to take advantage of this opportunity.

Transportation is another critical infrastructure issue for rural Arizona. Air travel was a big problem for all the communities the Committee visited. Even if air transportation were available, the prices were astronomical and the schedules were extremely limited. It was one more obstacle to doing business in a rural setting.

Regulatory Burdens

Small business issues were a major focus throughout the tour. According to the Governor’s Small Business Advocate, small businesses with less than 100 employees make up 98% of businesses in Arizona. **All taxes, regulations, and policies hit small businesses harder than larger businesses because it is harder to absorb the costs.**

Small businesses asked for relief from the amount of paper work they must process. Many need to employ an extra person just to handle the regulatory burden associated with state, county, city and federal regulations and tax reporting.

State and local governments must work together to coordinate and streamline their reporting requirements. Policy makers need to be ever vigilant to ensure that we do nothing to harm a small business and hamper its ability to grow.

Additional Findings

In addition to providing a forum for Arizona's businesses to be heard and identifying areas that need work, the Committee had several ancillary benefits:

- Many issues brought up in rural Arizona already had solutions and the Committee was able to link those who needed help with those who could supply it. The Department of Commerce already has many programs in place that could provide immediate assistance, but the communities were unaware of them. **It is imperative that the Department of Commerce makes its services better known.**
- Some programs need legislative corrections. For example, the Committee discovered the Job Training Program needed work to enable rural and small businesses to take greater advantage of it. The current qualifying wage was set too high for many rural communities and needed to be changed to more accurately reflect the actual average wage in a particular area.
- The Committee found that larger communities generally have excellent economic development organizations that are very successful in bringing job opportunities to the areas. For the smaller rural communities, the Department of Commerce serves as the economic development engine.
- We found that human connections are vital to success. Now people involved in the areas of business and economic development in many parts of the State know legislators whom they can call or e-mail with suggestions or problems.
- Committee members now have a better grasp of what is happening in the arena of business and economic development around the State. The more legislators understand, the better job we can do in providing the proper climate to allow businesses to grow, and create jobs and wealth necessary for economic prosperity.

Conclusion

Although it is important to apply pressure to the system to bring about change, the media and civic leaders need to be realistic about the time frame in which it can be achieved.

Arizona is a young state that is still forming and its leaders have the unique opportunity to shape its destiny. The Committee saw good things happening everywhere it visited, and the future continues to look bright. It is important that community, civic and business leaders learn to talk about these positives. **Arizona must project an image to the outside world that accurately reflects where it is today and more importantly, where it is headed tomorrow. We must also continue to focus on developing and promoting policies that foster a strong economy.**

Acknowledgements

In addition to all who testified, Chairman Leff extends her thanks to the many groups and individuals that facilitated the work of the Committee and furthered its understanding of Arizona's Business Climate:

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Arizona Chamber of Commerce
Arizona Department of Commerce
Arizona House of Representatives
Arizona Public Service
Arizona Small Business Association
Arizona Technology Incubator
AZSoft.net
Representative Linda Binder
CoachNet
CompuNet
Joe Dean, Governor's Small Business Advocate
Fain Signature Group
Flagstaff Chamber of Commerce
Flagstaff Incubator
Greater Flagstaff Economic Council
Greater Phoenix Chamber of Commerce
Greater Phoenix Economic Council
Greater Tucson Economic Council
Greater Yuma Economic Development Corporation
GTSPED
Lake Havasu City Council
Lake Havasu City Partnership for Economic Development
League of Arizona Cities and Towns
National Federation of Independent Business
Pinetop Lakeside Chamber of Commerce
Prescott Valley Chamber of Commerce
Prescott Valley Economic Development Foundation
Raytheon
Sierra Vista Economic Development Foundation
Town of Snowflake
Snowflake Taylor Chamber of Commerce
Southern Arizona Tech Council
Touchstone Energy
Tucson Chamber of Commerce
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Yuma Chamber of Commerce

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