

# VALLEY & STATE

SUNDAY, OCTOBER 18, 2009

THE ARIZONA REPUBLIC

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SECTION B



HOUSING



BIOMEDICAL



AEROSPACE



HIGH TECH



AGRICULTURE

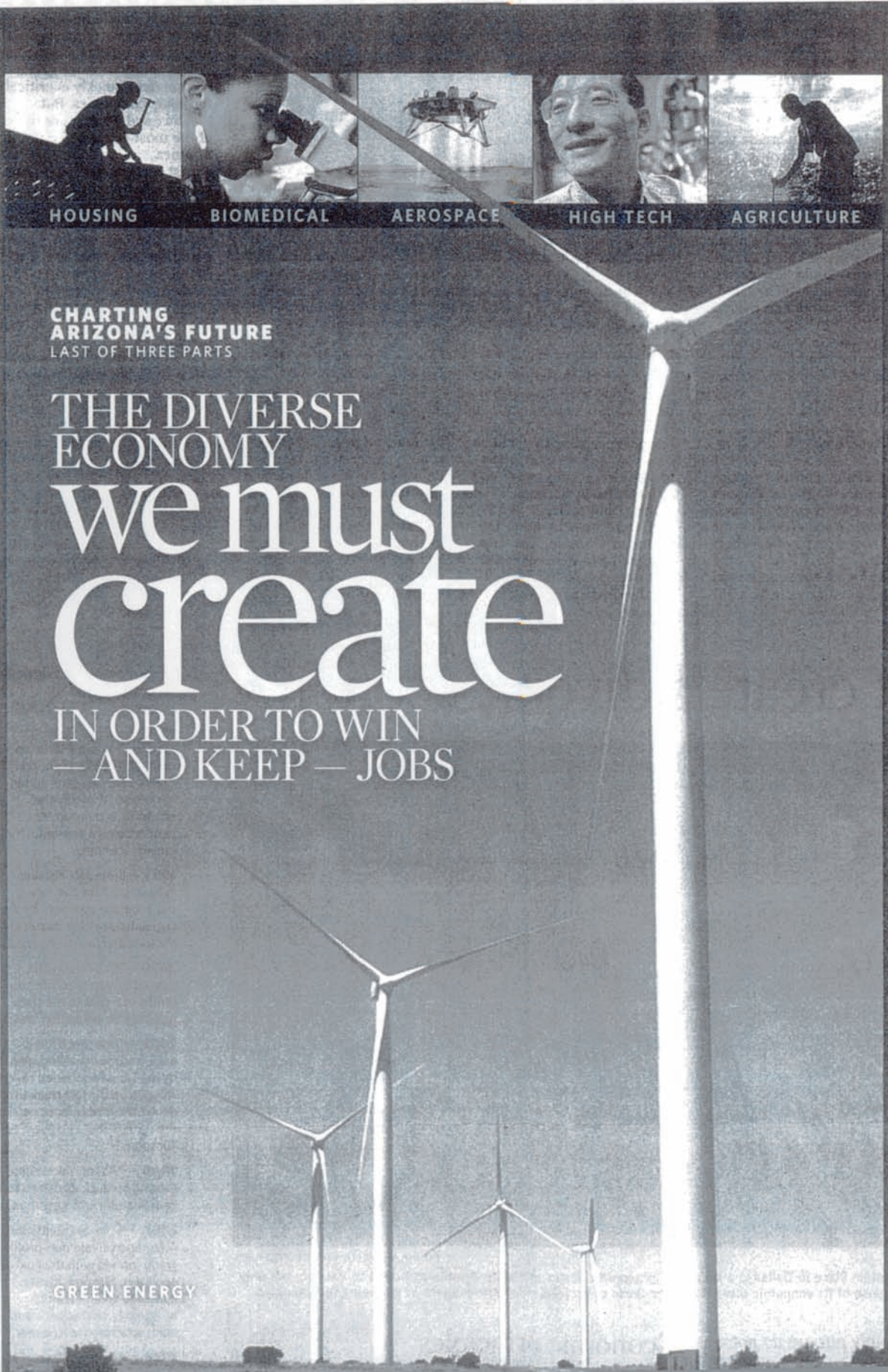
CHARTING  
ARIZONA'S FUTURE  
LAST OF THREE PARTS

THE DIVERSE  
ECONOMY

we must  
create

IN ORDER TO WIN  
— AND KEEP — JOBS

GREEN ENERGY



**A**rizona may be at the most critical of economic crossroads in its modern history. The Morrison Institute for Public Policy's recent "State of Our State" symposium and the Center for the Future of Arizona's recently published "The Arizona We Want" both underscore Arizona's plight.

Our economic underpinnings are among those most impacted by the recession and weak credit markets. Our ability to successfully compete for quality jobs is severely hampered by a lack of meaningful public-sector incentives at a time these tools are more important than ever.

Most companies, regardless of size or sector, expect incentives to help minimize operating costs and capital outlays as they, too, recover from this recession. Meanwhile, conservative-backed lawsuits impede | See **MORFESSIS** Page B12

## THE SERIES

**OCT. 4:** Lattie Coor outlines a citizens agenda.

**OCT. 11:** Sandra Day O'Connor seeks a more effective government.



**TODAY:** Ioanna T. Morfessis (above) envisions a bright economic future.

Arizona's ability to provide the very tools that are essential to win in today's fiercely competitive economic-development arena.

Simply put, we do not have the tools to compete effectively in the 21st century to win high-value, job-generating enterprises that can help to diversify Arizona's economy for the long haul and create "The Arizona We Want."

What needs to be done?

Look at Texas. Throughout this recession, Texas has managed to progress on the economic-development front.

Why?

Historically, Texas has been at the forefront of public investment in economic development. Its expansive array of incentives includes economic-development sales taxes that are available for use by municipalities and counties to acquire or pay for land, buildings, equipment, facilities expenditures, targeted infrastructure and improvements.

And, unlike Arizona, Texas does not depend solely upon one sector as the primary source for its economic growth; its economy and tax base are diverse: energy (Houston); high tech, green tech (Austin); corporate headquarters and financial services (Dallas); biomedical (Houston and Dallas); agriculture, distribution (Dallas, Houston); global connectivity (air, rail and seaport).

Texas' economy is well-positioned to flourish in the 21st-century economy, not only because of its economic diversity but also because of its \$185 million investment in emerging technologies. Cyberstates ranked the Lone Star State No. 2 among the 50 states in its 2009 rankings of best states for technology (compared with Arizona's rank of 18).

Yet another example is found in Florida. Like Arizona, Florida has been one of the hardest-hit states in the current recession because of the meltdown of the housing- and growth-dependent sectors.

Unlike Arizona, the Sunshine State is better positioned to rebound from this recession as its economy continues to grow and diversify into other, 21st-century-based sectors: biosciences; clean energy; information tech; space, aerospace and avionics; homeland security and others.

Earlier this decade, Florida and local governments invested nearly \$1 billion over two years to grow a biosciences sector, attracting the Scripps Research Institute (\$600 million) and the Burnham Institute for Molecular Research (\$350 million).

Further, Florida has an incentive tool kit that rivals that of Texas, with significant tax credits, refunds and other grants to business and indus-

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try. And Florida has no corporate-income tax on limited partnerships and subchapter S corporations and is bereft of other taxes levied in Arizona.

Still, the state manages to rank tops in public education. *Education Week* ranked Florida among the nation's top-10 states in its quality-counts report, which tracks state policies and performance across key areas of education.

The state also places in the top 10 for student achievement and in a host of other nationally accredited educational rankings. Florida also ranked No. 4 in the 2009 Cyberstates report for best states for technology.

Finally, if there is any doubt, Florida was ranked as the third best state for business in 2009 by one of the most prestigious business publications in the world, *Chief Executive Magazine*. Texas ranked No. 1.

Absent a dramatic improvement in Arizona's standing within the national and global economic-development deal-making arena, our state is destined to languish while others prosper and succeed not only in this post-recession recovery but in the decades ahead. There is too much at stake to allow business as usual. Yes, we need to address public-policy reforms and the other mea-

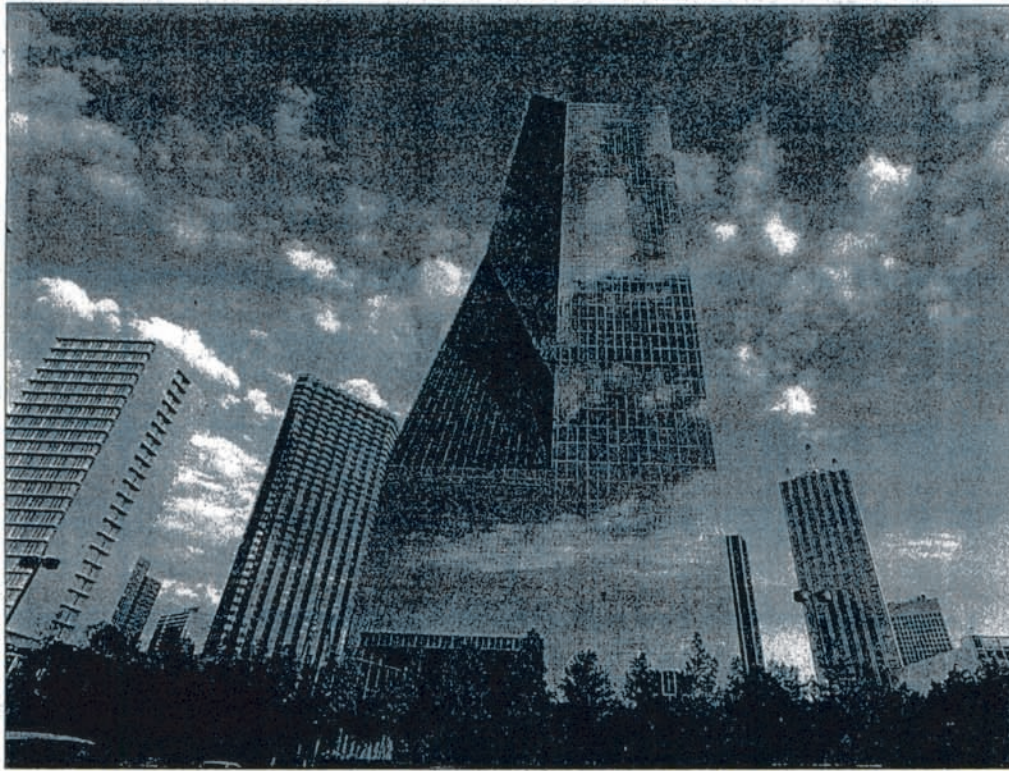
asures identified by the Morrison Institute and Center for the Future of Arizona.

But without an economic-development vision, aggressive incentive arsenal and the will to wage battle and win important economic-development opportunities, Arizona will remain vulnerable to economic cycles.

We have the grit, determination, intelligence and talent to create a better future for us all.

Let's use these assets to compete and win so that we can have the Arizona we want and deserve.

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DONNA MCWILLIAM/ASSOCIATED PRESS

Fountain Place in Dallas is a symbol of prosperity. Texas' economy is well-positioned to flourish, not only because of its economic diversity but because of its \$185 million investment in emerging technologies.

## Milestones in helping Arizona build its economy, 1991-2009

**1991** — Arizona Strategic Plan for Economic Development, or ASPED, a blueprint under the Symington administration to diversify the economy and reduce dependence on a one-industry growth economy.

**1993** — State Job Training Program, a financial-incentive program approved by the Legislature to help recruit industries and jobs to Arizona.

**2000** — Proposition 301, passed by voters to add six-tenths of a cent to the state sales tax for education.

**2002** — Bioscience Roadmap, a study commissioned by the Flinn Foundation to put Arizona on the fast track to develop the bioscience corridor running from Flagstaff to Tucson.

**2005** — "Angel" tax credits, created by the Legislature to help budding entrepreneurs.

**2006** — Science Foundation Arizona, a private non-profit group formed with the goal of pooling public and private dollars to spur research, technology, and science and math education in Arizona.

**2006** — Moving Arizona Forward, a 10-year economic strategy emphasizing investing in education, targeting key sectors and focusing on export-oriented and technology-based industries.

**2007** — WIRED (Workforce Innovation in Regional Economic Development), a U.S. Department of Labor-funded initiative to spur high-tech and other small-business activities.

**2008** — STEM (Science, Technology, Engineering and Math) Education Initiative, launched by Science Foundation Arizona to support education with goal of building a highly skilled Arizona workforce as the foundation for a knowledge-based economy.

**2009** — Solar-energy incentives, passed by Legislature to stimulate investment in solar and renewable manufacturing and headquarter operations.

Sources: Morrison Institute for Public Policy, The Arizona Republic

## Economic principles

### Old normal

Recovery characterized by periods of robust business expansion and job growth. Capitalism reigns supreme.

Recovery signals periods of increased private-capital investment domestically and globally.

Governments enjoy increased tax collections from rising incomes, escalating business investments and profits, capital gains, rapidly appreciating home values and consumer spending.

Savings rate low, real-estate and stock investments fuel spending; credit readily available. Conspicuous consumption. Buy what you want.

Private sector drives economic growth and expansion.

Wall Street virtually unregulated.

The U.S., China, U.K. and other developed countries in Western Europe rank as prime destinations for business growth and foreign direct investment. Talent reigns supreme.

Rampant consumption of oil and energy.

### New normal

Recovery characterized by persistently high unemployment and increased outsourcing of business services and human capital.

Recovery entails only mission-critical capital outlays. New plants and equipment spending deferred.

Governments scramble to reduce deficits, balance budgets and search for alternate revenue sources (increased taxes and fees), while reducing basic services and programs.

Savings rate increases dramatically, credit markets tight with increased restrictions. Consumerism stagnates.

Government economic stimulus drives economic growth, with increased regulation and control.

Wall Street virtually unregulated.

Business reforms in Eastern Europe, central Asia, the Mideast and North Africa creating new players in the world economic-development arena. Lower-cost workers reign supreme.

Growth of green technologies, sustainability, energy conservation and environmental sensitivity.