

POLICY PREVIEW

MARCH 2019

ARIZONA'S RISE TO A TIER I TECH STATE

Provided here is a preview of our upcoming analysis of Arizona's competitive assets as we break into the top tier of destination states for employers, innovators and entrepreneurs. The full policy review will detail our substantial assets as a technology and innovation hub and explore the linchpin to this success: Talent. Further, with some of this country's most promising startups and established tech and aerospace giants anchored here in the desert state, we will use what we learn from them to share why Arizona is increasingly attractive to tech companies and workers alike and illuminate a path to Tier I Tech State status.

There is ample evidence that in recent years Arizona has solidly landed in America's top 10 most competitive states for innovation and tech presence. Consider Arizona's significant achievements:

1st

Ranked first and fourth the last two years in Aerospace & Defense Manufacturing attractiveness^{1,2}.

1st

First in the nation to pass FinTech Sandbox legislation. We have reciprocity with the UK, Israel and the UAE.

TOP
5

In the top five states in the U.S. for information technology jobs in non-IT industries³.

TOP
5

Top 5 "most bang for the buck" for tech talent⁴.

5th

5th in the U.S. for the number of fastest growing firms⁵.

1st

First to launch an *Institute of Automated Mobility*⁶.

7th

7th in the U.S. for economic dynamism—the churn away from old industries to new⁷.

TOP
10

Top 10 for the low cost of doing business.

one
of the
BEST

Named by George Mason University as having "one of the best regulatory climates in the country"⁸.

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These wins have come as a result of a focused intention to develop innovation-ready policies and supports for industry, to roll back regulation, to advance business-friendly tax policy and to take our workforce development system to the next level.

Ultimately, Arizona needs not just a brag sheet, but a blue print to even greater accomplishments in the future. While our rankings across measures and sources point to our rising dominance, the focus of our competitive decisions should not just be to compare ourselves to other states, but to sustain success and cement our status as a Tier I Tech State.

We are thrilled to present this preview of our upcoming analysis and recommendations to do just that.

BUILDING BLOCKS TO TIER I STATUS

Arizona is better positioned to compete than at any time in recent history. However, we must plan beyond the annual snapshot. A blueprint to build out the full capacity of each of these strengths is critical to long-term attractiveness. What innovators can expect to find now in the 48th state is a great starting point for this blueprint:

LOCATION, LOCATION, LOCATION

Arizona is in the top 10 states for startups due to “access to cash, skilled workers and affordable office space”⁹. *Future success*—Arizona’s entrepreneurs would benefit from a centralized source for funding and guidance.

AUTHORITY TO INNOVATE

Arizona is at the forefront of driverless vehicles, wearables, FinTech and blockchain technologies¹⁰. These advances are due to an innovation-aware regulatory environment. *Future success*—Having a public-private forum to get ahead of any policy challenges will lead to common sense solutions for the public and innovators.

INTELLECTUAL PROPERTY PROTECTION

Entrepreneurs who need to navigate the complicated laws of intellectual protection have regional supports. *Future success*—Become intentionally more competitive within our own law schools to expand intellectual property protection expertise across a larger geographic area of the state.

COMPETITIVE TAX CLIMATE

Competitive tax climate combined with the low cost of doing business takes our other strengths to the next level. *Future success*—Continue to strategically balance investments with overall low tax burden.

INNOVATION WORKFORCE

Arizona excels in the area of workforce development and has massive potential for growth. *Future success*—Double down on efforts to harness the power of our nationally recognized workforce pipeline.

WHY MATH MATTERS IN DEVELOPING POLICY

In order to monetize workforce enhancements, we created an economic impact model. The model estimates the potential impact of higher productivity from more skilled labor using the computer systems industry as an example. According to the Bureau of Labor Statistics, in 2017, the average annual pay for workers in Computer Systems was \$90,000. Let's assume the 34,200 workers in the industry receive the necessary training to increase their wages to the national level of \$112,600. That increase produces \$7.6 billion in additional economic output each year. The resulting waterfall is an additional 19,100 jobs, \$1.8 billion in wages and \$48.5 million in state and local tax collections.



\$7.6
BILLION
ECONOMIC IMPACT

Example of economic impact of workforce training in computer systems industry.



19,100
JOBS



\$1.8 BILLION
IN WAGES



\$48.5 MILLION
IN STATE & LOCAL TAXES

CONCLUSION

A collection of national, third-party indicators tell us Arizona is in a competitive position in a tech world. However, to prosper over the long term, we will need to continue to exceed expectations. The west is increasingly impressive to tech, manufacturing and startups. Our position on the border, natural wonders and cost of doing business should put us at the front of pack. Let's get to work!

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The Arizona Chamber Foundation is a non-profit, objective educational and research foundation. We are committed to a non-partisan, research-driven approach that analyzes the issues impacting Arizona's economy.

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