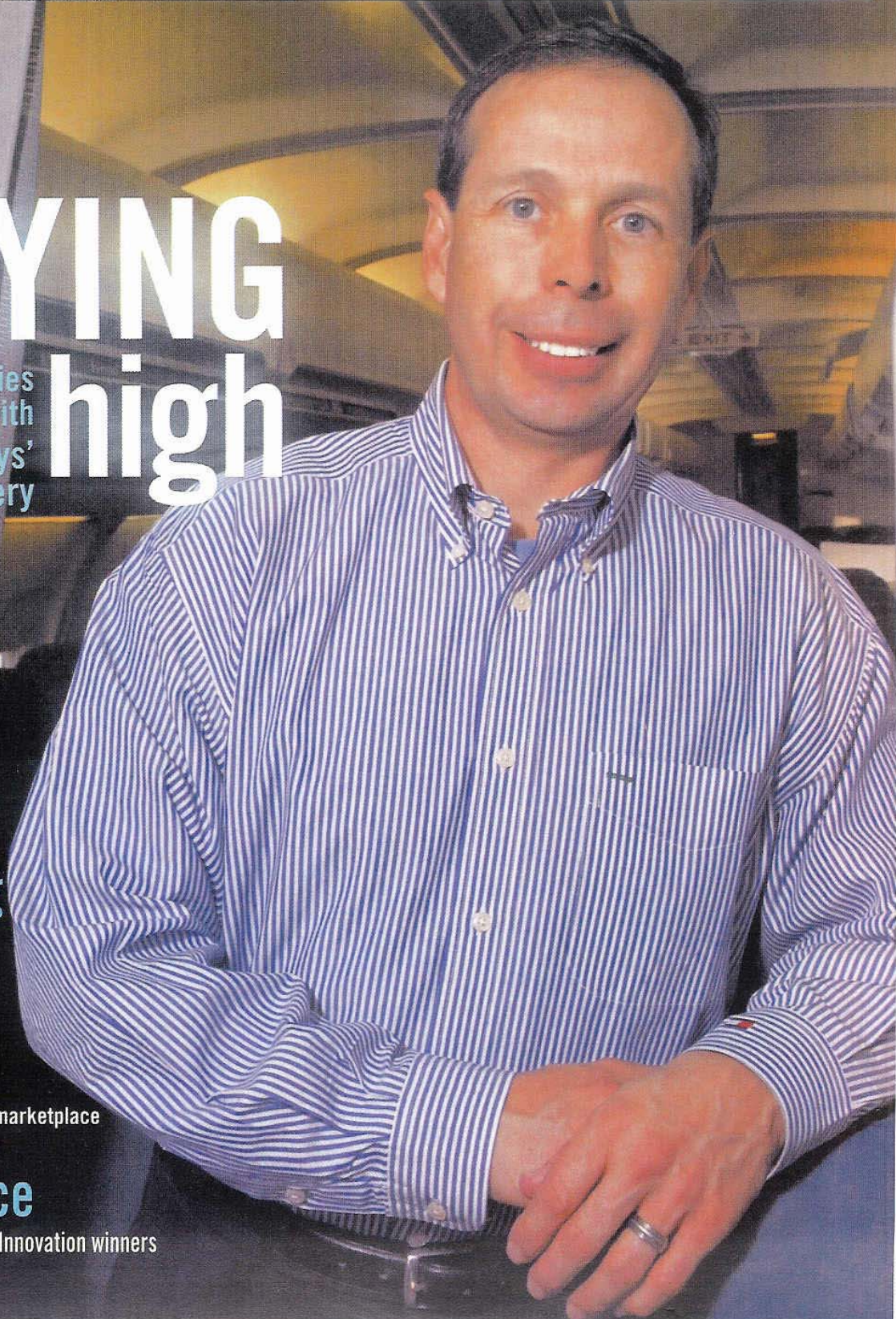


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Technology community readies 2007 policy agenda

By Phillip Blackerby

The Arizona Technology Council's 2007 public policy agenda highlights six issues to help secure Arizona's place in the knowledge-based world economy. They address research and development, public education, job training and industry technology initiatives.

These efforts will be led by "Tech 10 Legislators" who worked hardest in 2006 to bring Arizona into the 21st Century knowledge-based economy.

The Council supports continued funding for the 21st Century Competitive Initiative Fund, started last year with a \$35 million down payment against a goal of \$150 million over five years to advance Arizona-based technology research, emphasizing biosciences. Two charitable groups will match the state's money, and research grants will be matched again, dollar-for-dollar. The state's investment can therefore be leveraged four-fold, up to \$600 million.

Rep. Bill Konopnicki (R-Safford), a 2006 "Tech 10" legislator, sponsored last year's measure. "The 21st Century Fund is an investment in Arizona's future; the innovations it will spawn will improve our health, safety, security and productivity, while bringing high-tem, high-wage jobs to Arizona," Konopnicki said. "It's a vital part of our economic future."

An even quicker payoff can result from stimulating private sector research and development. Like most states, Arizona tax laws parallel the federal tax code allowing a tax credit for research and development: 21 per-cent for small R&D investments and 11 percent for investments of more than \$2.5 million. The Council has proposed increasing the state R&D tax credits to 31 percent and 21 percent, respectively. In comparison, California businesses can get tax credits up to 24 percent and Texas businesses can get as much as 50 percent credit against their franchise tax for R&D.

Some legislators are wary because this bill does not cap the total amount of tax credits that businesses can claim. They fear

open-ended programs like the "alt-fuel" debacle of 2000. But R&D tax credits are different because new investments generate an immediate, direct return in income taxes on researchers' salaries and sales taxes on research equipment. Longer-term, indirect benefits include income and sales taxes on new products that result from the R&D. The Joint Legislative Budget Committee estimated R&D tax credits would cost \$15 million to \$20 million and acknowledged the benefits, but would not account for those benefits to calculate a net cost or benefit.

The 2006 "Tech Legislator of the Year," Rep. Michele Reagan (R-Scottsdale), sponsors the R&D tax credit bill. "Research and development are the seeds for Arizona's long-term economic health in the 21st Century; our children will reap what we sow this year," she said.

Education is a critical competitive tool in attracting knowledge economy jobs. Capital follows labor and technology businesses go where the workforce has 21st Century skills. Just as important, executives looking to locate their business consider their own needs, asking: Where will my children attend school? Will the local school system equip them to surpass my achievements?

The Council supports two ways to improve Arizona's education system. Last year's Legislature funded a few pilot e-learning programs. The 2007 initiatives will expand these e-learning initiatives to focus on teacher training, digital curriculum, computers, infrastructure and broadband access in schools. Arizona can lead the nation in delivering better educational content and increasing one-on-one teacher time with students by using the e-learning model through-out its nearly 1,900 schools. Dr. Ted Kraver of the nonprofit eLearning System for Arizona Teachers and Students said, "Our schools use teaching techniques invented by the Prussians over 300 years ago. Applying 21st Century technology to our educational system will accelerate learning and performance for every child,

regardless of ability."

The Council also will focus on solving the shortage of math and science teachers. Recruitment and retention strategies may include scholarships, signing bonuses and salary premiums for these types of teachers, particularly those with advanced degrees. Reagan is a leader in this effort. "As a long-term supporter of business issues, I have learned how important education is to our success," she said. "I am very concerned that we produce enough math and science teachers to meet the demand for analysts, engineers and scientists."

Another workforce development initiative is the Job Training Fund, which provides matching grants to businesses for employee training as they modernize. A surcharge on unemployment taxes provides the revenue. This program will expire in 2007 unless the Legislature reauthorizes it. Despite numerous successes, the program has been criticized, raided and threatened by the Legislature over the years. The Arizona Technology Council says, "Amend it, don't end it!" by working for reform, addressing legislators' complaints, simplifying the application process and reducing the burdensome paperwork requirements.

While the state strengthens research and development, education and workforce, it also must support existing industries. The Council is asking to increase support for technology industries to \$2.5 million. This money will help smaller companies to commercialize technologies, create a tech talent repository, and fund other important new projects. Council President and CEO Donna Kent said, "Arizona lags other states in competing for 21st Century jobs. While others invest hundreds of millions to support and grow technology businesses, Arizona spends little. We can work smarter and harder, but we must build infrastructure that will help businesses succeed in the market."

Phillip Blackerby is vice chairman of the Arizona Technology Council's Public Policy Committee. A business consultant, he helps organizations improve their productivity, profitability, growth and rate of change transforming into high-performance enterprises. He specializes in business planning, lean process improvement and public sector strategic planning.