



## **Annual Activity Report for 2008 (Act 1282)**

*To lead statewide economic development, create targeted strategies that produce better-paying jobs, promote communities, and support the training and growth of a 21<sup>st</sup> Century skilled workforce.*

*AEDC Mission Statement, December 2007*

**August 24, 2009**

# ACT 1282 Report Outline

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## ACT 1282 – SECTION 2

### Part 1. AN ACCOUNTING OF ALL PROJECTS

#### *Job Opportunities by New & Expanding Companies with Arkansas Economic Development Commission Incentive Agreements Signed During 2008*

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered</i>
Manufacturing	Foreman	72	\$29.38	Tax Back, ArkPlus, Training
Manufacturing	Rogers	21	\$15.70	Advantage Arkansas, Training
Corporate Headquarters	Fayetteville	40	\$24.04	Advantage Arkansas, Tax Back, Create Rebate
Manufacturing	Ashdown	0	*N/A	InvestArk, Training
Manufacturing	El Dorado	0	*N/A	InvestArk, Training
Manufacturing	McGehee	15	\$8.00	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Osceola	200	\$9.86	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Blytheville	0	*N/A	InvestArk, Training
Manufacturing	Springdale	50	\$19.00	Advantage Arkansas, Tax Back
Manufacturing	Rogers	200	\$19.23	Advantage Arkansas, Tax Back, Create Rebate
Manufacturing	Little Rock	150	\$19.23	Advantage Arkansas, Tax Back, Create Rebate, EIF, Training

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered</i>
Tech Support	Mabelvale	97	\$8.66	Advantage Arkansas, Tax Back
Tourism	Hot Springs	0	N/A	Tourism
Manufacturing	Armored	0	*N/A	InvestArk
Manufacturing	Arkansas City	0	*N/A	InvestArk, Training
Manufacturing	Fort Smith	0	*N/A	InvestArk
Manufacturing	Fort Smith	300	\$14.43	Advantage Arkansas, Tax Back
Manufacturing	Fort Smith	275	\$16.25	InvestArk, Training
Manufacturing	Little Rock	50	\$17.30	Tax Back, ArkPlus, Training
Manufacturing	North Little Rock	0	*N/A	InvestArk, Training
Manufacturing	Little Rock	12	\$24.04	Advantage Arkansas
Manufacturing	Russellville	52	\$13.54	Advantage Arkansas
Manufacturing	Marmaduke	0	*N/A	InvestArk, Training
Manufacturing	Newport	425	\$8.95	Advantage Arkansas, Tax Back
Manufacturing	Springdale	250	\$11.41	Advantage Arkansas, Training
Manufacturing	Little Rock	319	\$21.60	Advantage Arkansas, InvestArk, Quick Action Closing Fund, EIF
Manufacturing	Stuttgart	15	\$11.00	Advantage Arkansas, Tax Back
Distribution Center	Pocahontas	40	\$9.00	Advantage Arkansas, Tax Back, CDBG (loan)
Manufacturing	Mountain Home	16	\$14.85	InvestArk, Training

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered</i>
Manufacturing	Wilson	8	\$9.62	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Clarksville	60	\$10.58	Advantage Arkansas, Tax Back, CDBG, Training
Manufacturing	Horseshoe Bend	5	\$9.14	Advantage Arkansas, Tax Back, CDBG (loan)
Manufacturing	Siloam Springs	172	\$13.75	Advantage Arkansas, Tax Back, Training
Manufacturing	Searcy	25	\$18.27	Advantage Arkansas
Manufacturing	Paragould	40	\$12.00	Advantage Arkansas, Tax Back, CDBG, Training
Manufacturing	Forrest City	200	\$9.62	Advantage Arkansas, Tax Back, Create Rebate, CDBG (loan), Training
Manufacturing	Pine Bluff	0	*N/A	InvestArk
Manufacturing	Paris	58	\$15.39	Advantage Arkansas, Tax Back, Training
Manufacturing	Mt. Ida	33	\$21.36	Advantage Arkansas, Tax Back
Distribution Center	North Little Rock	4	\$15.39	Advantage Arkansas, Tax Back
Manufacturing	Little Rock	12	\$16.03	Advantage Arkansas, Tax Back
Manufacturing	Hot Springs	45	\$37.39	Advantage Arkansas, Tax Back, Bond Guaranty
Manufacturing	Pocahontas	159	\$9.38	Advantage Arkansas, Tax Back, CDBG (loan), Bond Guaranty
Manufacturing	Little Rock	25	\$11.00	Advantage Arkansas, Tax Back

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered</i>
Manufacturing	Wynne	94	\$11.70	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Crossett	45	\$20.80	Advantage Arkansas, Tax Back, CDBG (loan)
Manufacturing	Knoxville	40	\$11.78	Advantage Arkansas, Tax Back, Training, Bond Guaranty
Manufacturing	East Camden	4	\$36.06	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Paragould	40	\$12.50	Advantage Arkansas, Tax Back, Training, CDBG (loan)
Manufacturing	Hope	150	\$8.02	Advantage Arkansas, Tax Back
Manufacturing	Searcy	26	\$12.71	Advantage Arkansas, Training
Corporate Headquarters	North Little Rock	120	\$31.25	Advantage Arkansas, Tax Back, Create Rebate
Manufacturing	Russellville	0	*N/A	InvestArk
Tech Support	Russellville	400	\$10.34	Advantage Arkansas, Tax Back, Create Rebate, Training, CDBG (loan)
Manufacturing	Fort Smith	75	\$13.50	Advantage Arkansas, Tax Back, Training
Manufacturing	Little Rock	60	\$16.03	Advantage Arkansas, Tax Back, Create Rebate, CDBG, Bond Guaranty
Manufacturing	Newport	30	\$11.85	Advantage Arkansas, Tax Back
Manufacturing	Batesville	40	\$9.52	Advantage Arkansas, Tax Back

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered</i>
Manufacturing	Little Rock	630	\$15.04	Advantage Arkansas, Tax Back, Create Rebate, Training
Manufacturing	Decatur	0	*N/A	InvestArk, Training
Tech Support	Jonesboro	400	\$9.76	Advantage Arkansas, Tax Back, Create Rebate, Training
Manufacturing	Fort Smith	89	\$14.91	Advantage Arkansas, Tax Back
Manufacturing	Pine Bluff	7	\$19.23	Advantage Arkansas, Training
Manufacturing	El Dorado	10	\$24.04	Advantage Arkansas, Tax Back, Training
Manufacturing	West Memphis	15	\$15.87	Advantage Arkansas, Tax Back, Training
Distribution Center	West Memphis	10	\$16.35	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Batesville	10	\$14.43	Advantage Arkansas, Tax Back
Manufacturing	Benton	10	\$20.20	Advantage Arkansas, Tax Back
Distribution Center	Springdale	15	\$12.00	InvestArk
Manufacturing	Fort Smith	63	\$17.10	InvestArk, Create Rebate, Training
Manufacturing	Morrilton	0	*N/A	InvestArk, Training
Manufacturing	Blevins	10	\$10.00	Advantage Arkansas, Tax Back
Manufacturing	Springdale	5	\$15.87	Advantage Arkansas, Tax Back, Training

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered</i>
Manufacturing	Pine Bluff	300	\$11.22	Advantage Arkansas, Tax Back, Create Rebate
Manufacturing	Fort Smith	10	\$15.00	InvestArk
Manufacturing	North Little Rock	5	\$19.23	Advantage Arkansas, Tax Back
Manufacturing	Mountain View	13	\$11.10	Advantage Arkansas, Tax Back, Bond Guaranty
Manufacturing	Pine Bluff	125	\$18.25	Advantage Arkansas, InvestArk, Training
Manufacturing	Fort Smith	200	\$17.00	Tax Back, Create Rebate, ArkPlus, Quick Action Closing Fund
Corporate Headquarters	Little Rock	124	\$36.06	Advantage Arkansas, Create Rebate
Manufacturing	Osceola	22	\$19.67	Advantage Arkansas, Tax Back
Manufacturing	Clarksville	30	\$8.50	Advantage Arkansas, Tax Back, CDBG
Distribution Center	Rogers	70	\$22.00	Advantage Arkansas, InvestArk
Manufacturing	Danville	50	\$12.02	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Springdale	12	\$31.41	Advantage Arkansas, Tax Back
Distribution Center	West Memphis	45	\$14.00	Advantage Arkansas, Tax Back, Training, Quick Action Closing Fund
Distribution Center	Lowell	8	\$12.02	Advantage Arkansas, Tax Back



<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered</i>
Manufacturing	Clarksville	15	\$11.00	Advantage Arkansas, Tax Back, Training, CDBG
Manufacturing	Arkansas City	75	\$19.23	Advantage Arkansas, InvestArk
Manufacturing	Jonesboro	16	\$15.00	InvestArk
Manufacturing	Waldron	20	\$9.62	Advantage Arkansas, Tax Back, Training
Web Portal Development	Sherwood	2	\$72.16	Targeted Business
Manufacturing	Little Rock	3	\$30.00	Targeted Business
Research & Development	Eureka Springs	3	\$19.00	Targeted Business
Research & Development	Fayetteville	2	\$35.50	Targeted Business
	<b>95 Projects</b>	<b>6,993</b>	<b>\$14.74 Average Hourly Wage</b>	

\* = **InvestArk** is primarily a retention incentive to encourage our existing businesses to continue to invest in Arkansas. As investment in infrastructure increases, the likelihood of closure decreases. No new job creation was associated with most of these projects. Benefits accrued through investment in buildings, machinery, and/or equipment.

Act 566 of 2007 created the **Equity Investment Tax Credit Incentive Program**, a discretionary incentive that is targeted toward new, technology-based businesses that pay wages in excess of the state or county average wage. This program allows approved businesses to offer 33 1/3% income tax credits to investors purchasing an equity investment in approved businesses. In 2008, 10 companies received approval from the AEDC for Equity Investment Tax Credits. However, because equity acquisition and start-up plans are often revised frequently, job and investment projections are too preliminary to report for many of the approved businesses. Therefore, it is preferred that job and investment reports be performance based, as accomplishments are made and tracked in future Act 1282 reports.

## Part 2. ASSESSMENT OF PROJECTS THAT DID NOT MATERIALIZE

During the 2008 calendar year, the Arkansas Economic Development Commission prepared 170 formal incentive offers to eligible companies. Of these offers, 95 were accepted and signed, resulting in 27 new and 68 business expansion projects. Upon completion, these projects will create 6,993 new jobs and generate \$1,701,380,126 in new capital investment. The remaining 75 incentive offers are summarized below:

<b>Project Status</b>	<b>Number of Projects</b>
Project committed to Arkansas-signed incentive agreements in 2008	95
Project has or is likely to announce in 2009	28
Project is active but no decision has been made	17
Project is on hold/status pending*	11
Project did not materialize-will not locate in Arkansas*	19
<b>Total Projects</b>	<b>170</b>

\* Information regarding the 30 non-active projects is provided below.

### 2008 Projects That Did Not Materialize & Reason

<i>a. Type of Company</i>	<i>b. Number of Jobs</i>	<i>c. Average Hourly Wage</i>	<i>d. Incentives Offered</i>	<i>e. Reason Company Did Not Locate in Arkansas</i>
Manufacturing	24	\$12.00	Advantage Arkansas, Tax Back, CDBG	The project is on hold as per company.
Manufacturing	350	\$25.00	Advantage Arkansas, Tax Back, Training, Create Rebate	Available buildings did not meet corporate needs (500,000 square feet).
Manufacturing	700	\$26.00	ArkPlus, Tax Back, Training, Create Rebate, EIF	The project is on hold indefinitely as per company.
Manufacturing	50	\$12.00	Advantage Arkansas, Tax Back, Training, CDBG	The company chose Oklahoma who provided more incentives, including cash.
Manufacturing	40	\$14.00	Advantage Arkansas, Tax Back, Training, InvestArk	The project is on hold as per company January 2009.
Manufacturing	400	\$12.50	Advantage Arkansas, Tax Back, Create Rebate, Training, EIF	The company decided not to rebuild facility after devastating fire.

<i>a. Type of Company</i>	<i>b. Number of Jobs</i>	<i>c. Average Hourly Wage</i>	<i>d. Incentives Offered</i>	<i>e. Reason Company Did Not Locate in Arkansas</i>
Manufacturing	400	\$16.16	Advantage Arkansas, Tax Back, Create Rebate, EIF	The project did not materialize because the company was unable to secure the desired building.
Manufacturing	81	\$35.00	Advantage Arkansas, Tax Back	The company did not have adequate capital to finance the project.
Manufacturing	105	\$13.50	Advantage Arkansas, Tax Back, Create Rebate, Training, CDBG	The project did not materialize due to auto industry downturn.
Manufacturing	325	\$12.50	ArkPlus, Training, CDBG	The project did not materialize due to auto industry downturn.
Manufacturing	50	\$16.50	Advantage Arkansas, Tax Back, CDBG	The project is on hold due to economic/market conditions.
Manufacturing	85	\$13.00	Advantage Arkansas, InvestArk, Training, CDBG	The project did not materialize due to auto industry downturn.
Manufacturing	8	\$10.00	Advantage Arkansas, Tax Back, CDBG	The company chose Mississippi.
Manufacturing	390	\$14.51	Advantage Arkansas, Tax Back, Create Rebate, CDBG	The project is on hold at least until 4 <sup>th</sup> Quarter 2009 due to market conditions.
Manufacturing	90	\$16.39	Advantage Arkansas, Tax Back, Create Rebate, Training	The project is on hold as per company pending economic turnaround.
Warehousing and Storage	6	\$14.42	Advantage Arkansas, Tax Back	The project did not materialize because the company determined that the return on investment would not justify expansion.
Manufacturing	186	\$18.99	ArkPlus, Tax Back, Create Rebate, Training	The project did not materialize due to lack of financing.
Manufacturing	859	\$22.00	Advantage Arkansas, Tax Back, Create Rebate, CDBG, Bond Guaranty	The amount of financing required to fund the project exceeded the state's bond capacity.

<i>a. Type of Company</i>	<i>b. Number of Jobs</i>	<i>c. Average Hourly Wage</i>	<i>d. Incentives Offered</i>	<i>e. Reason Company Did Not Locate in Arkansas</i>
Manufacturing	100	\$7.50	Advantage Arkansas, Tax Back, Training, CDBG	The project is on hold until market conditions improve.
Business Support Services	600	\$9.00	Advantage Arkansas, Tax Back, Create Rebate, Training	The project is on hold indefinitely as per company.
Manufacturing	150	\$17.00	Advantage Arkansas, InvestArk, Create Rebate, Training, CDBG	The project is on hold indefinitely as per company.
Business Support Services	600	\$12.00	Advantage Arkansas, Tax Back, Create Rebate, Training	Arkansas was eliminated because a green field site in the preferred location could not be found.
Manufacturing	10	\$9.00	Advantage Arkansas, Tax Back, CDBG	The project is on hold pending submittal of financials.
Manufacturing	20	\$12.50	Advantage Arkansas, Tax Back, Training	The project is on hold pending corporate reevaluation of project in 2010.
Business Support Services	600	\$10.00	Advantage Arkansas, Tax Back, Create Rebate, Training	Missouri had a more suitable building.
Manufacturing	40	\$30.00	Advantage Arkansas, Tax Back, Create Rebate	The project did not materialize. The company ended up laying off people.
Manufacturing	35	\$20.60	Advantage Arkansas, Tax Back	The project did not materialize because the company suspended expansion plans.
Manufacturing	64	\$9.00	Advantage Arkansas, Tax Back, Training	The consultant has not returned repeated calls from the AEDC project manager.
Manufacturing	12	\$10.00	Advantage Arkansas, Tax Back, Training, CDBG	The project did not materialize due to poor market conditions.
Warehousing and Storage	300	\$9.60	ArkPlus, Tax Back, Create Rebate, Training, CDBG	Arkansas was eliminated because Alabama, Louisiana and Mississippi proposed more lucrative incentives.
<b>Totals</b>	<b>30 Projects</b>	<b>6,680 Jobs \$16.10 Average Hourly Wage</b>		

**f. General Assembly proposals to assist AEDC**

There were several Acts created by the 87<sup>th</sup> General Assembly in 2009 that will help the Arkansas Economic Development Commission meet community and economic development goals as identified in Governor Mike Beebe's Strategic Plan for Economic Development. A summary of each of these acts is provided below.

**1. Act 1481, (Smart Core) Increase public school student participation in Smart Core Curriculum.** Act 1481 established the Arkansas Smart Core Incentive Funding Program to provide assistance to:

- public high schools to encourage student completion of Smart Core curriculum;
- programs that contribute to student success; and,
- school counselors to improve student services.

Funds, if appropriated, will be allocated to schools on a per student basis ranging from \$50 to \$125 depending upon the school district's percentage of Smart Core graduates.

**2. Act 1235, (STEM Fund) Appropriate \$1 million to AEDC from the GIF** for pay supplements to Science, Technology, Engineering, and Math teachers.

**3. Act 1222, (Minority Business Economic Development Act) AEDC Bill. Amend Arkansas law concerning economic development for minority businesses.** Act 1222 clarifies § 15-4-301 through 320 pertaining to definitions, duties and functions of the AEDC Division of Minority Business Enterprise and the Minority Business Advisory Council. It also clarifies requirements for submittal of annual plans by state agencies to address minority purchasing targets (10% annually). The legislation's prior language regarding the requirement of state agencies to submit annual plans for meeting minority business targets was deemed by Code Revision Commission to be temporary language. Act 1222 clarifies this by requiring annual plans.

**4. Act 1196, (Energy Code) AEDC Bill. Direct the Arkansas Energy Office to issue a rule that requires an Arkansas city or county that issues building permits to adopt the 2004 Energy Code for new building construction.** Cities or counties that issue building permits for new building construction must adopt the 2004 Arkansas Energy Code for New Building Construction as it existed on January 1, 2009.

**5. Act 1181, (TIF) Extend term of redevelopment district bonds.** Act 1197 of 2001, permits TIF districts, was amended to allow redevelopment districts to exist for 40 years rather than the original 25-year period.

6. **Act 947, (Connect Arkansas) Amend the Connect Arkansas Broadband Act.** Act 947 permits the AEDC, with consent of the Governor, to make grants to Connect Arkansas. It also states that state activities in support of county economic development plans shall give priority to regional broadband collaborations.
7. **Act 871, (Digital Product and Motion Picture Industry Development Act of 2009) Appropriate to the AEDC General Improvement Fund money for production rebates.** The AEDC is appropriated \$5 million from the GIF for providing production rebates.
8. **Act 816, (Digital Product and Motion Picture Industry Development Act of 2009) AEDC Bill. Repeal the sunsetted Motion Picture Incentive Act of 1997 and establish the Digital Product and Motion Picture Industry Development Act of 2009.** Act 816 repeals the sunsetted Motion Picture Incentive Act of 1997 and establishes new incentives for film and digital content development. Eligible production companies may receive a 15% rebate on qualified development, preproduction, production, or post-production costs incurred in Arkansas and a 10% rebate for the payroll of “below-the-line” Arkansas residents in connection with development, preproduction, production or post-production of state certified projects. To qualify, production companies must spend at least \$50,000 within a six-month period on an eligible project. The Act will sunset June 30, 2019.
9. **Act 806, (Technology Acceleration Fund) AEDC Bill. Create and appropriate \$30 million for the fiscal year ending June 30, 2010 to a Technology Acceleration Fund.** Act 806 creates the Technology Acceleration Fund (similar to the Quick Action Closing Fund) to be used by the AEDC, ASTA and ADFA to incent technology investments. Funds are appropriated to the AEDC, however, any proposed use of funds must be jointly recommended by the agencies (and Accelerate Arkansas) to the Governor who must subsequently approve the recommendation before funds are committed. **Act 967** created the specifics of the Technology Fund.
10. **Act 795, (Nonprofit Incentive Act) AEDC Bill. Amend the Nonprofit Incentive Act to specify that nonprofit corporations be a 501(c) organization; change the payroll threshold for qualification; and, change the investment threshold for qualification.** Act 795 expands eligibility to 501(c) (6) and 501(c) (9) designations and reduces the payroll threshold from \$1 million to \$500,000. The threshold to qualify for the sales and use tax refund was reduced from \$500,000 to \$250,000.

**11. Act 791, (Risk Capital Matching Fund) Amend the Risk Capital Matching Fund Act of 2007.** Technical amendments to:

- Eliminate the requirement for a private sector professional fund manager and instead establish a private sector advisory committee (appointed by the trustees of the Venture Capital Investment Trust) to offer assistance and advice to trustees of the fund.
- Enhance fund flexibility by enabling the private sector advisory committee to determine how funds are distributed between the Technology Validation Account and the Enterprise Development Account.
- Clarify the matching requirements that applicants must meet to access funds from both the Technology Validation and the Enterprise Development accounts.
- Increase the maximum valuation requirement amount for businesses to access Technology Validation Account funds from \$1.5 million to \$2 million.

**12. Act 737, (Biomass Severance Tax) AEDC Bill. Specify that biomass grown for the purpose of biofuel production is not subject to severance tax.** Any woody biomass grown for biofuels and not for the production of other timber products shall not be subject to the 5% market value severance tax.

**13. Act 736, (Windmill Blade and Component Manufacturing) AEDC Bill. Establish employment and investment thresholds for windmill blade and windmill component manufacturers; provide incentives for windmill blade and component manufacturers. (Act 736 amended ACA §26-51-311 and added a section to Title 26, Chapter 51, Subchapter 3.)** Act 736 made the following changes:

- ACA §26-51-311, granting income tax exemptions to windmill blade manufacturers (NAICS 333611) locating in Arkansas before 12/31/07 was amended to extend the investment period from 4 to 6 years and change job creation requirements to permit hiring of the minimum 1,000 employees within 6 years of signing a financial assistance agreement.
- Qualified windmill blade and component manufacturers (NAICS 333611) locating in the state after 1/1/2008 may be granted an income tax exemption up to 25 years as determined by a weighted formula that is comprised of the following variables: investment, job creation, tier status, and wages.

**14. Act 716, (Consolidated Incentives Act) AEDC Bill. Repeal certain tax credits for biotechnology and advanced fuels; repeal the Arkansas Emerging Technology Development Act of 1999; amend the Consolidated Incentive Act of 2003; address eligible businesses; establish a time frame for meeting**

**eligibility; limit the ability to combine incentives.** Summary of Act 716 major provisions:

- Repeals the Biotechnology Incentive Program and the Arkansas Emerging Technology Development Act of 1999.
- Amends the definitions of “Average hourly wage,” “in-house research,” and “regional corporate headquarters.”
- Provides that businesses applying for the Advantage Arkansas job creation tax credit incentive program must pay an average hourly wage equal to or greater than the lowest county average hourly wage published by the Arkansas Department of Workforce Services in order to qualify.
- Allows eligible business with a job creation agreement to apply for Tax Back benefits if the job creation agreement was signed within the previous 48 months.
- Reduces the amount of equity investment required by targeted businesses from \$400,000 to \$250,000.
- Increases the amount of income tax credit offset from 50% to 100% for credits earned by companies approved by ASTA under the Research and Development in an Area of Strategic Value.
- Allows an approved business up to twenty-four (24) months to meet the average hourly wage threshold.
- Precludes eligible businesses from receiving sales tax refunds under the Tax Back program and sales tax credits under ArkPlus for the same project.
- Prohibits the combination of the job creation income tax credit under the Advantage Arkansas program with payroll rebate incentive under the Create Rebate program.

**15. Act 691, (Sales Tax on Manufacturing Energy) Reduce the state sales tax on fuel and energy used or consumed in manufacturing.** Act 691 and a companion act, Act 695, each reduce the amount of sales and use tax on electricity and natural gas used in manufacturing from 3.875 to 3.125%, effective July 1, 2009. The amount of total reductions as a result of sales and use tax breaks to manufacturers on electricity and natural gas is limited to \$27 million annually.

**16. Act 643, (Foreign Ownership of Land) AEDC Bill. Specify conditions under which agricultural land acquired by a foreign party is registered with the Secretary of State.** Changed the requirement specified by §2-3-110 that foreign companies acquiring agricultural land for any purpose must register purchases with the Secretary of State. The requirement has been changed to require registration with the Secretary of State only when agricultural land is acquired by



a foreign party for agricultural purposes. This change was made retroactively to April 19, 1979 (the effective date of the original Act).

**17. Act 498, (Arkansas Historic Rehabilitation Income Tax Credit Act) Allow a tax credit for the rehabilitation of historic structures located in Arkansas (Arkansas Historic Rehabilitation Income Tax Credit Act).** Act 498 creates a tax credit administered by the Department of Arkansas Heritage equal to 25% of the qualified rehabilitation expenses incurred for certified rehabilitation of an eligible property up to the first \$500,000 of expenses on income-producing property or \$100,000 of expenses on non-income producing property. Investors must incur a minimum investment of \$25,000 in qualified rehabilitation expenses. Unused credits may be carried forward 5 years by the taxpayer and may be sold, transferred or assigned. Total program credits are capped at \$4 million annually and will sunset December 31, 2015.

**18. Act 463, (Post-Doc Grants) Establish a post-doctoral science and engineering grant program to be administered by ASTA.** Creates an ASTA-administered program that provides grants to targeted businesses (§15-4-2703(43) (A)) hiring post-doctoral science and engineering graduates. Minimum wage requirements apply. Grants, for five-year periods, are based upon business payroll amounts as follows:

<i>Grant Amount</i>	<i>Payroll (at least)</i>	<i>Payroll (maximum)</i>
<i>\$35,000</i>	<i>\$10,000,000</i>	<i>n/a</i>
<i>\$52,000</i>	<i>\$5,000,000</i>	<i>\$10,000,000</i>
<i>\$70,000</i>	<i>\$1,000,000</i>	<i>\$5,000,00</i>
<i>\$87,500</i>	<i>N/A</i>	<i>\$1,000,000</i>

### **Proposed Constitutional Amendments Referred to Voters**

**House Joint Resolution 1007,** To amend Amendment 82 to the Arkansas Constitution to permit the General Assembly to issue bonds for prospective employers planning an economic development project.

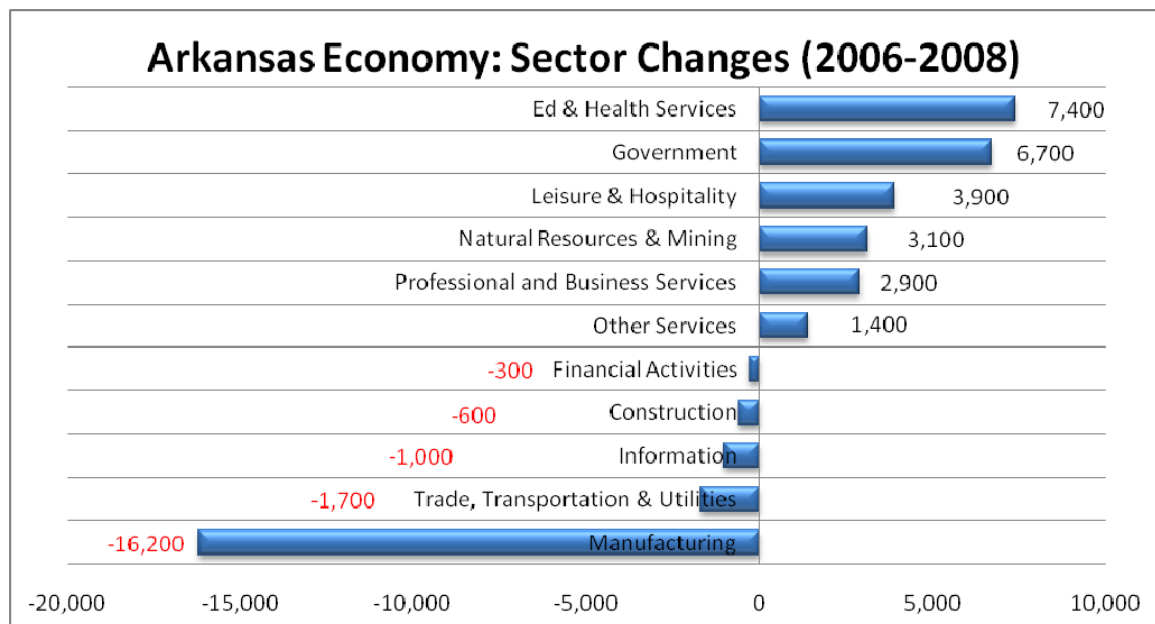
**House Joint Resolution 1004,** To amend the Arkansas Constitution to:

- Repeal an interest rate cap of 5 percent above the federal discount rate, now 0.5 percent, on consumer loans, but leave in place a 17 percent cap. Lenders are currently limited to whichever cap is lower.
- Repeal an interest rate cap of 2 percent above the federal discount rate on bonds issued by or loans issued by or to governmental units.
- Allow governmental entities to issue bonds to finance energy-efficiency projects and use savings from the projects to repay the loans.

### Part 3. AN ACCOUNTING OF MAJOR FACTORY AND PLANT CLOSURES

During the past biennium, the economic recession has contributed to the closure of many Arkansas businesses. Continued movement of production overseas, bankruptcy filings, and corporate consolidation/restructuring have resulted in the significant loss of manufacturing jobs. However, despite continued manufacturing losses, U.S. Bureau of Labor Statistics data indicated that Arkansas's state and area employment grew by 5,700 between 2006 and 2008. This growth can largely be attributable to growth in the service sectors, government, leisure and hospitality (tourism), and natural resources and mining (Fayetteville Shale). Chart 1 below shows employment growth/decline by major sector.

Chart 1



The following table identifies factory and plant closures during the 2008 calendar year.

a. Location City	b. Number of Jobs Lost	c. Reason for Closure
Booneville	800	The plant was destroyed by fire
El Dorado	600	The facility was closed and consolidated with six other facilities
Danville	572	The company lost its major contract
Clinton	335	Need to reduce supply of chicken meat in the market place
Batesville	230	The company moved production to Mexico
Pine Bluff	226	The company transferred production to other plants to eliminate excess production capacity
Fort Smith	220	Bankruptcy
Hot Springs	190	Economic Downturn
Prescott	182	Soft market and high cost of raw material
Bentonville	126	Company restructured and production moved to Asheboro, N.C.
Knoxville	92	Moved production to Clinton, MO location
Fort Smith	82	Production moved to plant closer to the market served to reduce transportation costs
Decatur	82	Lost major customer
Siloam Springs	80	Consolidated services with location in Kansas City
Hot Springs	67	Economic downturn
Van Buren	55	Lack of sales; slow-down in housing starts
Dumas	37	Consolidated production with Wisconsin plant

a. Location City	b. Number of Jobs Lost	c. Reason for Closure
Alexander	30	Moved production to Shreveport, LA
Russellville	29	Moved production to Mexico
Texarkana	28	Closed to increase efficiency and productivity
Searcy	25	Moved production to Italy
Hope	25	Bankruptcy
Nashville	21	Economic downturn
Forrest City	21	Lack of sales orders
Atkins	20	A tornado destroyed the hatchery which will not be rebuilt
Heber Springs	17	Consolidated operations with sister company in Michigan
Pine Bluff	11	Company has decided to stop manufacturing
Harrison	11	Moved production to Mexico
Malvern	11	Import competition; moved production to South Carolina facility
Bentonville	2	Moved production overseas
<b>Totals</b>	<b>30 Closures</b>	<b>4,227 Jobs Lost</b>

## **Part 4. STRATEGIES AND RECOMMENDATIONS FOR THE CURRENT YEAR**

### **a. Plans for preventing closures and job loss**

The AEDC recognizes that the key to preventing business closures is to ensure companies' competitive advantages. While there are many economic factors such as global competition, recessions, and corporate restructuring that cannot be influenced by AEDC, there are other issues such as training needs, financial assistance, and finding suppliers and markets for which AEDC can assist businesses.

Knowledge about products, markets, suppliers and supply chains is critical to our ability to understand the health of our industries and be proactive toward maintaining their viability. Additionally, workforce issues and knowledge of the details of these issues is critical. The AEDC Business Retention and Expansion (BR&E) Division works closely with existing employers and their representatives to stimulate job retention and expansion. During 2008, the BR&E Division recorded the following accomplishments:

1. Company visits and referrals
  - a) 438 initial and follow-up company visits
  - b) 46 visits to critical impact companies (see item 3a below)
  - c) 74 company referrals to partnering agencies
2. Publication of BR&E data
  - a) 10 labor shed analyses
  - b) 3 economic base analyses
  - c) 1 fact sheet pertaining to sales and use tax rebates to manufacturers
  - d) 1 economic impact study of the automotive industry
3. Defined Targets Specific to Strategic Plan Measurements
  - a) Critical impact company: 244 companies whose employment as a percentage of population is 5% or greater than host community
  - b) Largest economic impact companies: 126 largest employers with 500 or more individuals employed
4. Conducted Forums on Issues of Economic Importance
  - a) Regionalism: McGehee trade area analysis
  - b) Cornerstone regional labor shed study
  - c) Pine Bluff trade area
  - d) Crossett trade area
5. Specialized agency technical support
  - a) Partnership with Governor's Dislocated Worker Task Force rapid response team to help companies experiencing layoffs or closure
  - b) Implementation of the Arkansas Economic Disaster Response Protocol for Industry and Community
  - c) 3 retention projects
  - d) 7 assessments of storm damage to industries

The AEDC's Existing Workforce Training Program assisted 196 different companies by providing training to 8,227 workers. The AEDC's Business Industry Training Program assisted 64 different companies by providing training to 4,831 workers. Building and maintaining a skilled workforce will continue to be a key activity of AEDC.

**b. Assessment of the relative risk of losing factories, plants, and jobs**

Since 1998, Arkansas has lost almost 71,000 manufacturing jobs. Losses since 2002 have primarily affected the food and beverage, electrical equipment and appliances, furniture, and wood products sectors. Business closures were experienced in industries besieged by foreign competition, industry consolidation, and financial restructuring.

As Table 1 below illustrates, the magnitude of manufacturing declines since 2002 has differed among industries. Arkansas has fared better than many other southern states; however, several key industries were significantly changed by persistent job losses.

**Table 1**  
**Arkansas Manufacturing Transitions: 2002-2008**

<b>Growth</b>	<b>Small Decline (Less than 10%)</b>	<b>Moderate Decline (10-25%)</b>	<b>Large Decline (25+ %)</b>
Petroleum & Coal (+7.8)*	Transportation Equipment (-1.9%)	Chemicals (-13.1%)	Computers & Electronics (-30.9%)
Leather (+0.2%)	Printing (-3.4%)	Paper (-16.3%)	Misc Mfg (-34.5%)
	Metals (-6.6%)	Plastics and Rubber (-18.5%)	Furniture (-38.7%)
	Food & Kindred Products/Beverages (-7.5%)	Wood Products (-24%)	Textiles & Apparel (-42.7%)
	Industrial Machinery (-9%)		
	Non-Metallic Minerals (-9.4%)		

*Source: Arkansas Covered Employment and Earnings.*

*\* Natural gas production is classified separately as a non-manufacturing activity. The two NAICS Subsectors pertaining to natural gas production (211 Oil and Gas Extraction and 213 Support Activities for Mining) showed a 286% increase (4,534 net new employees) between 2002 and 2008.*

Below is a summary of major losses by industry.

**Textiles/Apparel:** (2002-2008 net loss 2,085/-42.7%) Since 2002, Arkansas has lost almost half of its remaining apparel jobs. This industry will continue to decline as sales decline and production moves to China and other low wage countries.

**Furniture:** (2002-2008 net loss 3,669/-38.7%). This industry will continue to struggle as competition with Chinese imports increases.

**Computers & Electronics:** (2002-2008 net loss 6,144/-30.9%) The closure of electronics manufacturers continues to significantly affect Arkansas's economy. The United States electronics industry has reached its maturation and will likely continue to decline as household electronics and industrial controls and motors are increasingly produced abroad.

**Wood Products:** (2002-2008 net loss 3,530/-24%) This mature industry is of particular concern for future job losses in South Arkansas.

**Plastics and Rubber:** (2002-2008 net loss 2,563/-18.5%) Since 2002, Arkansas has lost a significant number of rubber and plastics jobs to foreign countries.

**Paper:** (2002-2008 net loss 2,130/-16.3%) This mature industry is of particular concern for future job losses in South Arkansas.

**Chemicals:** (2002-2008 net loss 727/-13.1%) Growth in Arkansas's chemical industry is limited mainly to South Arkansas.

**Industrial Machinery:** (2002-2008 net loss 1,387/-9.0%) Most job loss has resulted from attrition and downsizing.

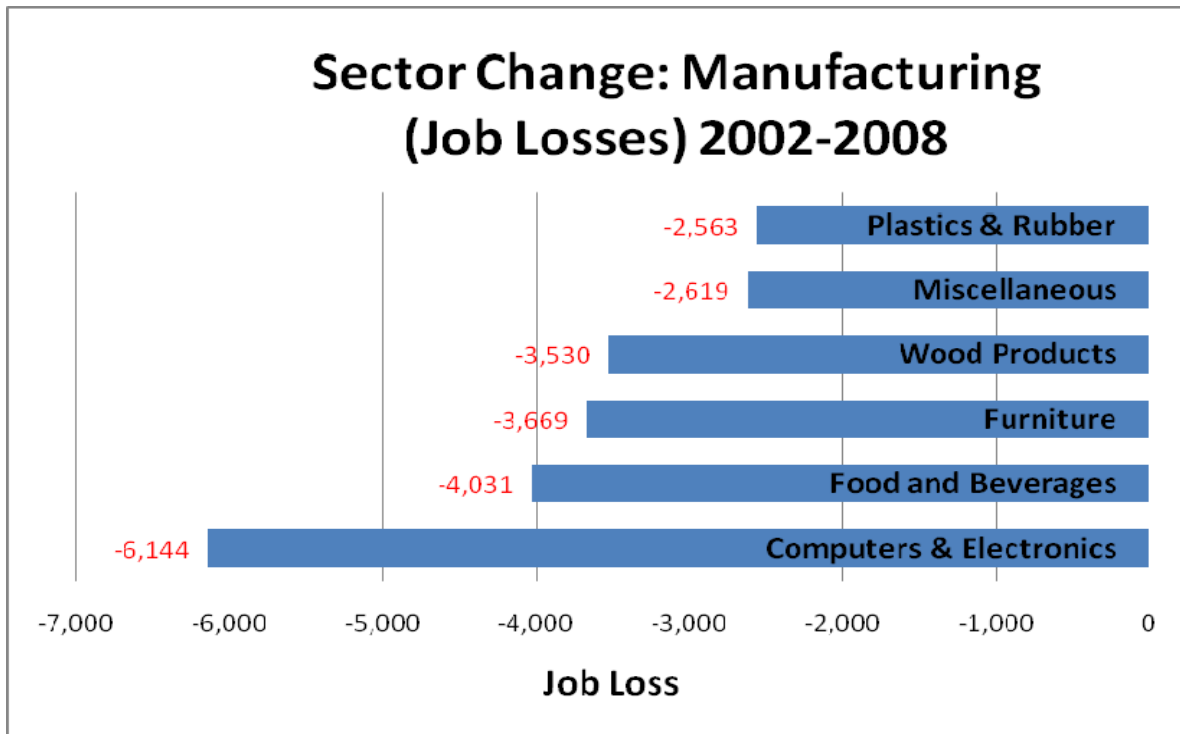
**Food and Kindred Products:** (2002-2008 net loss 4,031/-7.5%) Arkansas will continue to maintain a competitive advantage in food and kindred products; however, the loss of several hundred poultry jobs has and will continue to reduce employment in this sector.

**Metals:** (2002-2008 net loss 1,775/-6.6%) Arkansas's metals industry continues to drive the economy of Northeast Arkansas, particularly Mississippi County; however, several recent closure announcements will likely reduce employment significantly through 2009 and early 2010.

**Printing:** (2002-2008 net loss 159/-3.4%) Losses in printing have bottomed out after significant closures during the past decade. No growth or continued small losses are anticipated as companies continue to reduce costs.

**Transportation Equipment:** (2002-2008 net loss 304/-1.9%) Growth, largely in the aerospace industry has rectified losses elsewhere in automotive parts. As a result, employment levels have changed little since 2002.. The prognosis for an industry turnaround is dependent upon the growth of aerospace companies such as Dassault and Hawker Beechcraft.

Chart 2



*Source: Covered Employment and Earnings, Arkansas Department of Workforce Services 2002-2008.*

**c. Plans for increasing the number of economic development proposals**

The AEDC Marketing and Communications Division promotes Arkansas and its businesses and industries through advertising and public relations, promotional materials, trade shows and special events, and AEDC's web site. It also develops and produces various internal and external communications, including newsletters, press releases, reports and brochures.

Specific marketing activities between January 1, 2008 and December 31, 2008 include:

- Planned and coordinated 22 media events around the state in which companies announced plans to either locate or expand in Arkansas. Duties included writing news releases, media advisories, coordinating local media, assisting in set up, news release distribution, etc.
- Implemented an international marketing campaign based on our targeted industries/areas. This campaign, rolled out in 2008, featured four television spots, website banners and websites. The four 15 second television spots ran on CNN, CNN Asia and MSNBC. The website banner ads ran on forbes.com, nytimes.com and cnn.com.
- Coordinated with our advertising agency, StoneWard, on the development, printing and distribution of Governor Mike Beebe's Strategic Plan for Economic Development.



- Through our Graphics Specialist/Print Shop: created customized brochures/marketing pieces/postcards/newsletters for AEDC's Training, Grants, Small and Minority Business, Finance and Energy Divisions. These marketing pieces were also duplicated/produced in-house.
- Partnered with the Department of Workforce Services on media/promotional support for the Career Readiness Certificate Program.
- Placed print ads in trade publications including Area Development, Talk Business Quarterly, Arkansas Business and Corenet Global magazine.
- Created industry specific promotional direct mail pieces highlighting sectors such as wind energy and large announcements such as HP. These direct mail pieces were sent to several hundred site location consultants throughout the country.
- In an effort to keep all Arkansans involved in economic development aware of recent news and initiatives at AEDC, created a monthly e-newsletter (AEDC News) that is sent to all professional economic developers and partners in the state.
- In partnership with our advertising agency, Stone Ward, and Atlanta-based research firm Boyette Levy, hosted a networking event in which AEDC leadership and economic developers from around the state could further develop relationships with site locations consultants. The event was held in Dallas.
- Partnered with the Department of Parks and Tourism and Crystal Bridges Museum of American Art in hosting a reception at Sotheby's in New York to promote Arkansas. During this trip, Governor Mike Beebe met with several national media, including an interview on CNBC, as did AEDC leadership.
- Provided public relations support to the Governor's Work-Life Initiative.
- Worked with AEDC's Community Development Division on news releases for Arkansas Community of Excellence announcements.
- Wrote several articles regarding Arkansas's business environment for trade publications.
- Staffed the Governor's Task Force for the 21st Century Economy.

**d. Plans for creating new initiatives/incentives**

**Arkansas Economic Development Commission's Strategies and Recommendations for the Coming Year**

Recognizing that Arkansas was not fully prepared to compete for knowledge-based economic opportunities, Governor Mike Beebe, in conjunction with AEDC, developed Arkansas's first Strategic Plan for Economic Development. The strategic plan built upon Governor Beebe's five goals for economic development (below).

**Governor Mike Beebe's Five Goals for Economic Development**

1. We will increase the incomes of Arkansans at a growth pace greater than the national average.
2. We will expand entrepreneurship focusing on knowledge-based enterprises.
3. We will compete more effectively in the global marketplace for new business, jobs, and create a business retention strategy to reduce closures.
4. Our economic development policy will meet the special needs and take advantage of the extraordinary assets of various areas of the state. It will not be one size fits all.
5. We will increase the number of workers with post secondary training so they are prepared when they enter the workforce and equipped for new jobs in the future.

Development of the plan involved interviewing a large cross-section of community and economic development stakeholders and reviewing historic and current planning efforts to determine the strategic direction that Arkansas should follow. This data led to the development of certain tenets, or guiding principles that shaped development of the plan's five economic development components. These guiding principles are listed below.

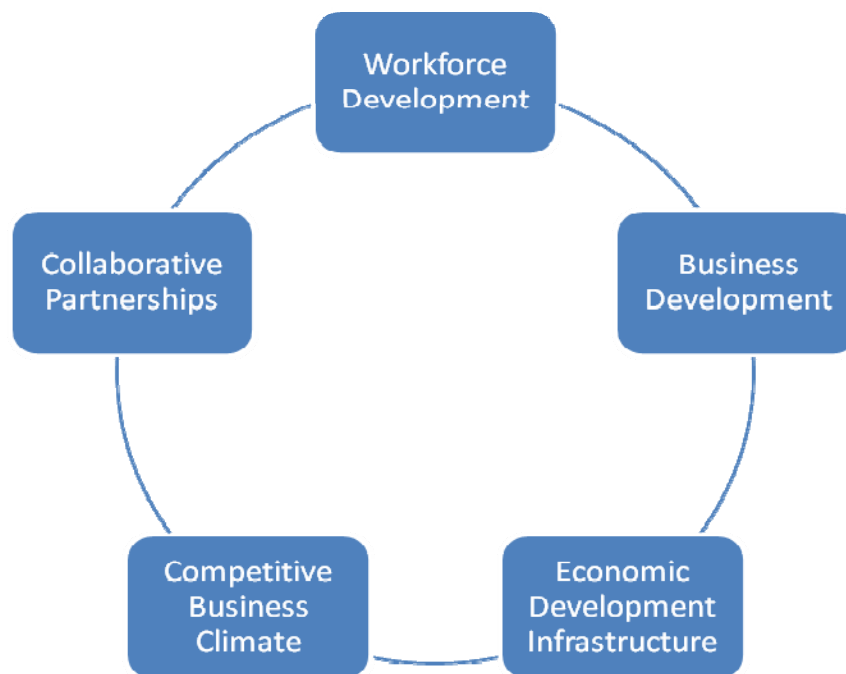
**Guiding Principles**

1. To generate wealth for Arkansans, the state requires a systematic plan causing a transition to an economy supported by knowledge-based jobs.
2. All state economic development practices and processes must be evaluated to guarantee efficiencies of operation and mission focus. Inefficient processes should be corrected immediately, while others must be evaluated over time to determine if they are properly focused.
3. Scarce and diffused economic resources mandate a coordination of efforts to transition the Arkansas economy to an economy supported by knowledge-based jobs.
4. Regions must be provided the needed tools to control their own economic development.

5. A new approach to state and regional economic development funding must be employed to ensure that resources are predictable. Such an approach will allow funds to be committed efficiently and equitably.

The Strategic Plan defined economic development as a system comprised of five interdependent components: workforce development, business development, economic development infrastructure, competitive business climate and collaborative partnerships. Each component is augmented by a vast array of resources — people, capital, entities and policies — that collectively support economic growth.

### **Economic Development Components**



Within these five components were 67 specific recommendations, or action items, that must be implemented in their entirety for the plan to succeed. To expedite accomplishment of these action items, the AEDC convened 10 inaugural working groups comprised of AEDC staff and external stakeholders to effectuate activities requisite to action item accomplishment.

It is proposed that the AEDC will synthesize reporting requirements of the strategic plan with requirements of Act 1282 to produce one annual report that will meet the spirit of Act 1282 and accurately chart strategic plan progress. It is anticipated that next year's annual report for AEDC will contain information for both purposes; however, it is likely that legislation proposing specifics of a new report to supersede the Act 1282 Report will be crafted for the 88<sup>th</sup> General Assembly to consider.

## Part 5. DIRECTOR'S ASSESSMENT OF THE DEPARTMENT'S PERFORMANCE

### a. Comparison of the Department's performance over the past two years

*2007 - 2008 Job Opportunities from Signed Incentive Agreements: New and Expanded Year-End Results*

<i>Year</i>	<i>Type</i>	<i>Projects</i>	<i>Jobs</i>	<i>Total Investment</i>	<i>Average Hourly Wage</i>	<i>* Cost Benefit Ratio</i>
<b>2007</b>	New	25	3,266	\$517,133,804	\$17.46	
	Expanded	79	3,350	\$1,061,502,001	\$14.09	
	<b>Total</b>	<b>104</b>	<b>6,616</b>	<b>\$1,578,635,805</b>	<b>\$15.74</b>	<b>3.11</b>
<b>2008</b>	New	27	3,055	\$336,519,456	\$14.11	
	Expanded	68	3,938	\$1,364,860,670	\$15.21	
	<b>Total</b>	<b>95</b>	<b>6,993</b>	<b>\$1,701,380,126</b>	<b>\$14.74</b>	<b>*2.82</b>
* a cost benefit ratio of 2.82 means that, over a ten year period, the state will get back, in taxes, \$2.82 for each dollar of incentives used						

### *2007 - 2008 Arkansas Job Creation and Job Loss Comparison*

Jobs from Signed Incentives Agreements with AEDC Involvement - AEDC Target Sectors Only*	13,609
Jobs Lost Due to Closures – AEDC Target Sectors only*	6,741
Net Gain (+) / Loss (-) AEDC Target Sectors	+6,868
Net Gain (+) / Loss (-) All Sectors	+16,000
<i>Above data from Arkansas Department of Workforce Services Dislocated Worker Reports, Labor Market Information and AEDC New &amp; Expanded Database.</i>	
<i>* Does not include retail, healthcare, banking, etc.</i>	

### *2007 – 2009 YTD Unemployment Comparison*

	<b>AR Unemp Rate</b>	<b>US Unemp Rate</b>
2007 annual average unemployment rate	5.1%	4.6%
2008 annual average unemployment rate	5.1%	5.8%
Current Month (April 2009) seasonally adjusted	6.5%	8.9%
<i>Above data from Arkansas Department of Workforce Services Labor Market Information and US Department of Labor.</i>		

**b. Comparison of actual performance to projections**

***2009 Year-to-Date\* Job Creation***

	<i>Jobs</i>	<i>Total Investment</i>	<i>Average Hourly Wage</i>
<b>2009 Year-to-Date Signed Incentive Agreements</b>	4,062	\$682,591,122	\$18.52
<b>Pending Finalization of Incentive Agreements**</b>	465	\$36,283,992	\$12.29

***2009 Year-to-Date\* Non-Retail/Services Closures***

	<i>Companies</i>	<i>Jobs</i>
<b>2009 Year-to-Date</b>	25	4,208

*\*Through April 30, 2009.*

*\*\*These projects will likely be reported in 2009.*

**c. Arkansas's economic performance compared to neighboring states**

**Gross Domestic Product by State**

Gross Domestic Product (GDP) by state is the market value of goods and services produced by labor and property located within a state. It also includes transfer payments from businesses and governments computed as income. Because labor and property vary among states, GDP by state is more usefully compared among states by calculating GDP per capita to adjust for population differences.

***2008 Per Capita Real GDP by State\****  
***Arkansas and Surrounding States***

<i>State</i>	<i>2008 GDP Per Capita</i>	<i>National Rank</i>
<b>United States</b>	<b>\$37,899</b>	<b>--</b>
Texas	\$38,044	19
Tennessee	\$33,825	31
Louisiana	\$32,842	35
Missouri	\$32,779	36
Oklahoma	\$29,359	45
<b>Arkansas</b>	<b>\$27,753</b>	<b>48</b>
Mississippi	\$24,403	50

*\*In chained 2000 dollars. Source: Gross Domestic Product by State, Table 3, Per Capita Real GDP by State, 2005-2008, advance statistics, [http://www.bea.gov/newsreleases/regional/gdp\\_state/gsp\\_newsrelease.htm](http://www.bea.gov/newsreleases/regional/gdp_state/gsp_newsrelease.htm)*

***Change in GDP Per Capita by State (2005 to 2008)\****  
***Arkansas and Surrounding States***

<i>State</i>	<i>National Rank (2005)</i>	<i>National Rank (2008)</i>	<i>Change in Rank (2005-2008)</i>
Louisiana	38	35	+3
Missouri	37	36	+1
Oklahoma	46	45	+1
Mississippi	50	50	--
<b>Arkansas</b>	<b>47</b>	<b>48</b>	<b>-1</b>
Tennessee	30	31	-1
Texas	18	19	-1

*\*In chained 2000 dollars. Source: Gross Domestic Product by State, Table 3, Per Capita Real GDP by State, 2005-2008, advance statistics, [http://www.bea.gov/newsreleases/regional/gdp\\_state/gsp\\_newsrelease.htm](http://www.bea.gov/newsreleases/regional/gdp_state/gsp_newsrelease.htm)*

**Labor Force**

***Percent Labor Force Growth (2000-2008)***  
***Arkansas and Surrounding States***

<i>State</i>	<i>Percentage Labor Force Growth (2000-2008)</i>	<i>National Rank</i>
<b>United States</b>	<b>8.2</b>	<b>--</b>
Texas	13.1	10
<b>Arkansas</b>	<b>8.7</b>	<b>17</b>
Tennessee	5.9	28
Oklahoma	5.3	31
Louisiana	2.3	44
Missouri	1.3	46
Mississippi	0.0	48

*Source: U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics, <http://data.bls.gov/PDO/outside.jsp?survey=la> and <http://www.bls.gov/cps/cpsaat1.pdf>*

## Per Capita Personal Income

### *Per Capita Personal Income Growth 2006-2008(p) Arkansas and Surrounding States*

<i>State</i>	<i>2006 Per Capita Income</i>	<i>2006 Rank</i>	<i>2007 Per Capita Income</i>	<i>2007 Rank</i>	<i>2008(p) Per Capita Income</i>	<i>2008(p) Rank</i>	<i>Growth 2006- 2008(p)</i>	<i>National Rank</i>
<b>United States</b>	<b>\$36,794</b>	<b>--</b>	<b>\$38,615</b>	<b>--</b>	<b>\$39,751</b>	<b>--</b>	<b>8.0%</b>	<b>--</b>
Oklahoma	\$32,755	30	\$34,997	30	\$36,899	28	12.7%	5
Louisiana	\$32,832	29	\$35,100	29	\$36,271	30	10.5%	9
<b>Arkansas</b>	<b>\$28,473</b>	<b>48</b>	<b>\$30,177</b>	<b>47</b>	<b>\$31,266</b>	<b>47</b>	<b>9.8%</b>	<b>15 (tied)</b>
Texas	\$35,162	22	\$37,083	22	\$38,575	23	9.7%	17
Mississippi	\$27,072	50	\$28,541	50	\$29,569	50	9.2%	24
Missouri	\$32,514	32	\$33,964	35	\$35,228	35	8.3%	30
Tennessee	\$32,167	39	\$33,395	38	\$34,330	37	6.7%	38 (tied)

Source: US Department of Commerce, Bureau of Economic Analysis, Regional Accounts Data, Annual State Personal Income, <http://www.bea.gov/regional/spi/default.cfm?satable=summary>

Note: (p) =projected data.

## Unemployment Rates

### *Annual Averages 2007-2008 Arkansas and Surrounding States*

<i>State</i>	<i>2007 Unemployment Rate</i>	<i>2008 Unemployment Rate</i>	<i>National Rank 2008</i>
<b>United States</b>	<b>4.6%</b>	<b>5.8%</b>	<b>--</b>
Oklahoma	4.1%	3.8%	6 (tied)
Louisiana	3.8%	4.6%	16
Texas	4.4%	4.9%	20 (tied)
<b>Arkansas</b>	<b>5.1%</b>	<b>5.1%</b>	<b>24</b>
Missouri	5.1%	6.1%	35
Tennessee	4.8%	6.4%	39 (tied)
Mississippi	6.3%	6.9%	46 (tied)

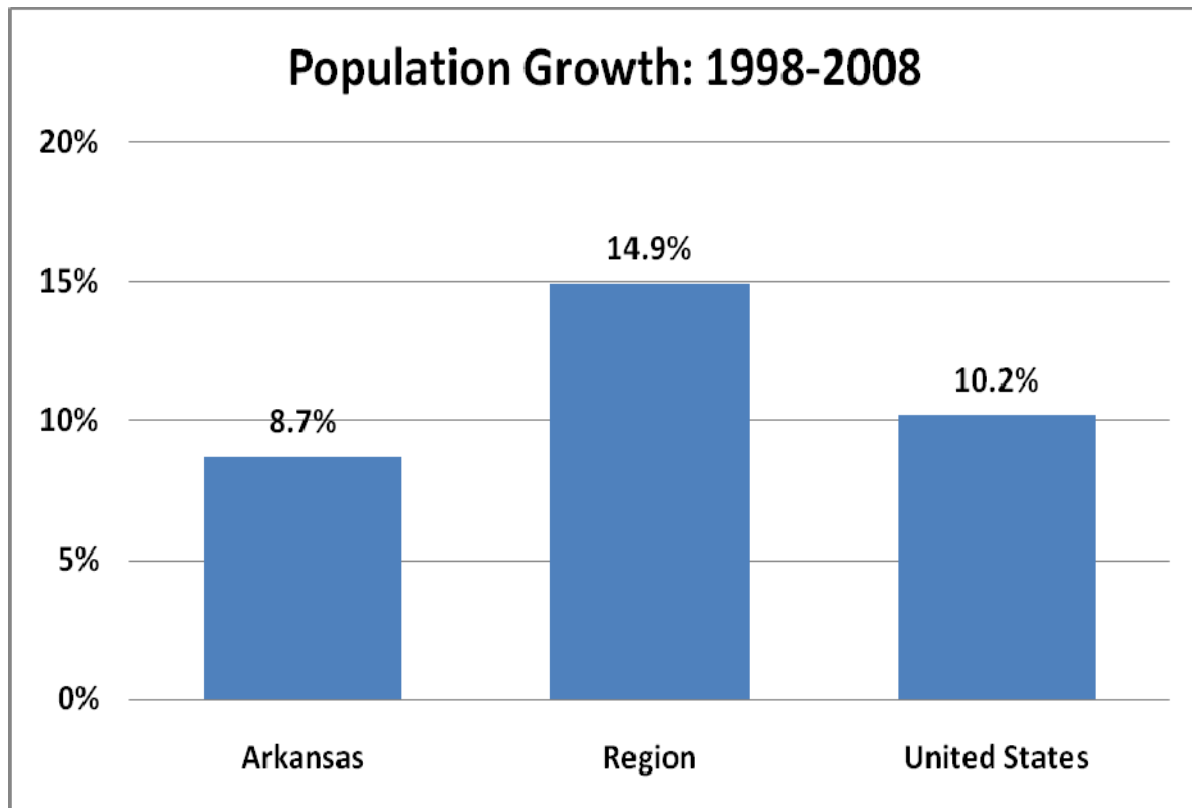
Source: U.S. Department of Labor, Bureau of Labor Statistics, 2007-08 Annual Averages, <http://www.bls.gov/news.release/pdf/srgune.pdf>

### Average Hourly Earnings of Manufacturing Production Workers (2008)

<i>State</i>	<i>Hourly Earnings</i>	<i>National Rank</i>
<b>United States</b>	<b>\$17.74</b>	<b>--</b>
Louisiana	\$19.99	6
Missouri	\$17.70	23
Oklahoma	\$14.74	43
Tennessee	\$14.69	45
Mississippi	\$14.43	47
Texas	\$14.37	48
<b>Arkansas</b>	<b>\$14.17</b>	<b>49</b>

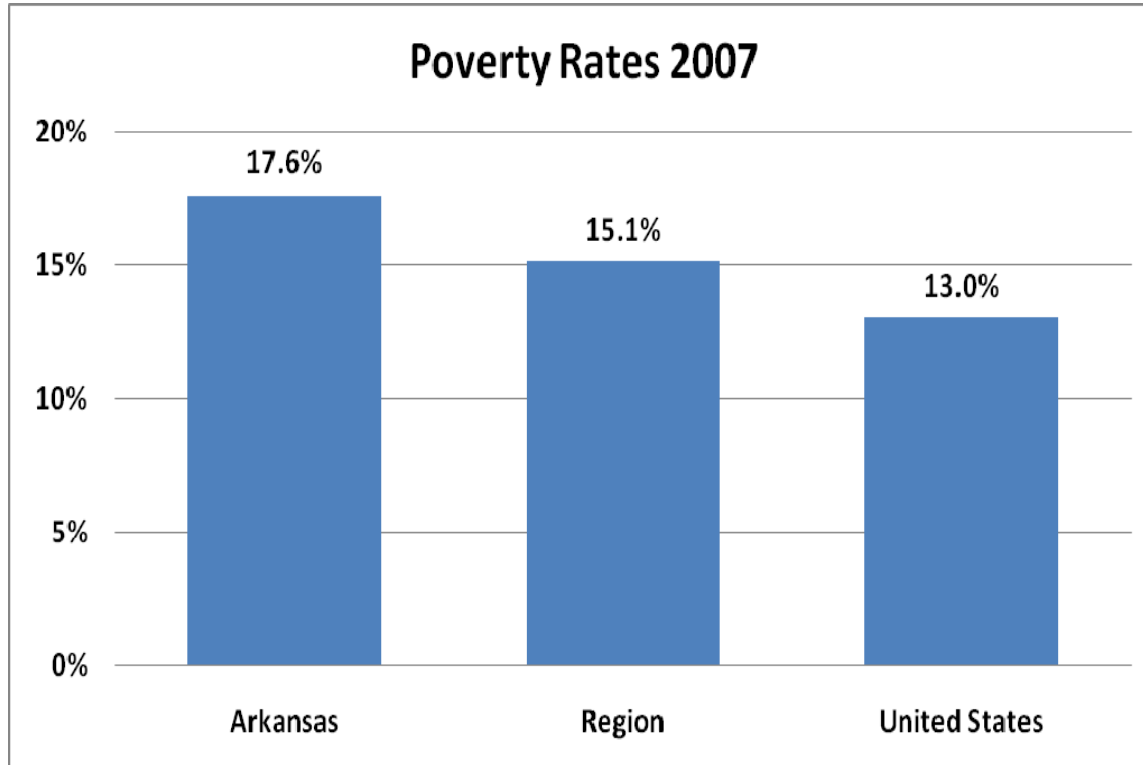
Source: U.S. Department of Labor, Bureau of Labor Statistics, Current Employment Statistics, 2008 Annual Averages, Not Seasonally Adjusted <http://data.bls.gov/PDO/outside.jsp?survey=ce> (national) and <http://data.bls.gov/PDO/outside.jsp?survey=sm> (state)

### Population Growth (Region\*)





### Poverty Rates (Region\*)



\*The 12-state region consists of AL, FL, GA, KY, LA, MS, MO, NC, OK, SC, TN, and TX. Regional averages are weighted averages. *Source: US Census Bureau, Small Area Income and Poverty Estimates.*

### Milken Institute State Indices (2007 Cost-of-Doing Business Index)

Since the inaugural Act 1282 Report in 2002, the AEDC has utilized various state indices published by the Milken Institute to gauge economic competitiveness and progress of the State of Arkansas. Because the Milken Institute does not publish all of their reports annually, it is necessary to select different reports from time to time to ensure that the most recent comparative report is included in this publication. In 2005, the AEDC utilized the State Technology and Science Index because the New Economy Index (previously used in the first three Act 1282 reports) was discontinued. Because the State Technology and Science Index has not been updated since 2005, data from the Milken Institute's Cost-of-Doing Business Index is presented.

This report evaluates states' cost-of-doing business according to five variables: wage cost, tax burden, electricity cost, industrial rent cost, and office rent cost. With the exception of tax burden, Arkansas scored exceptionally well among neighboring states. The strategic planning unit of AEDC will examine this index further to determine why Arkansas scored poorly on the tax burden index and will propose policies that can help remedy the problems.

Data for these variables is presented below for Arkansas and surrounding states:

State	Wage Cost Index(1)	Tax Burden Index(2)	Electricity Cost Index(3)	Industrial Rent Cost Index(4)	Office Rent Cost Index(5)	Cost of Doing Business Index
Missouri	87.5	81.9	63.2	103.5	92.7	84.6
Tennessee	87.7	83.9	85.6	72.3	89.9	85.2
<b>Arkansas</b>	<b>75.9</b>	<b>136.3</b>	<b>74.1</b>	<b>56.1</b>	<b>69.2</b>	<b>85.4</b>
Oklahoma	80.7	103.8	89.2	68.9	81.6	85.4
Mississippi	73.5	119.2	107.2	79.4	77.0	88.4
Louisiana	85.7	111.8	114.5	74.0	82.7	93.9
Texas	100.1	69.9	118.1	95.7	91.0	95.9

### *Definitions*

1 - Wage cost measures the average annual wage per employee in all industries (receives 50 % weight)

2 - Tax Burden measures the annual state tax revenue as a share of personal income (receives 20 % weight)

3 - Measures the cost of commercial and industrial electricity cost in cents per kilowatt-hour (receives 15 % weight)

4 - Measures the cost of renting industrial (warehouse) space on a per square foot basis (receives 10 % weight)

5 - Measures the cost of renting office space on a per square foot basis (receives 5 % weight)

### **Footnotes:**

An index score of 100 means that the state is equal to the U.S. average in that particular category.

If a state's business cost index is 120, it means that the state's cost of doing business is 20% above than the national average.

Similarly, if a state's business cost index is 80, it means that the state's cost of doing business is 20% less than the national average.

## 2007-2008 Assets and Opportunities Scorecard (Corporation for Enterprise Development)

The Assets and Opportunities Scorecard evaluates issues that are essential elements of building and ensuring economic security. Quantitative scorecard data are comprised of 46 outcome measures, 38 policy measures, and 14 trend indicators organized into a five-index framework:

- Financial Security - Are there widespread opportunities for wealth creation and protection, particularly for low-income citizens?
- Business Development - Is the opportunity to start and grow a business available to all those who choose to pursue it?
- Homeownership - Is the opportunity to purchase and maintain a home available to all those who choose to pursue it?
- Health Care - Is there broad access to health insurance as protection against income interruption and asset depletion from medical bills?
- Education - Do people have access to the education and training they need to get ahead?

The table below contains scores by state for each of the above graded indices:

State	Financial Security	Business Development	Homeownership	Health Care	Education	Overall
Arkansas	D	D	C	C	F	F
Louisiana	F	C	C	D	F	F
Mississippi	D	C	A	D	F	D
Missouri	C	C	B	B	D	C
Oklahoma	B	C	A	D	D	C
Tennessee	D	A	B	C	F	C
Texas	D	B	B	F	D	F

Source: Corporation for Enterprise Development, 2007-2008 Assets and Opportunities Scorecard  
<http://www.cfed.org/focus.m?parentid=31&siteid=2471&id=2476>

Of particular concern is the fact that among these states, Arkansas scored lowest in business development (economic climate for a business) which particularly hampers recruitment efforts. Both Tennessee and Texas scored exceptionally well in this category (A and B respectively). Arkansas ranks in the bottom half on all measures related to education. The state's overall F grade reflects middling returns in terms of Homeownership and Health Care (C grades in both indexes), and poor showings in Financial Security and Education (D grades in Financial Security and F in Education).

## The State Competitiveness Index 2008 (Beacon Hill Institute)

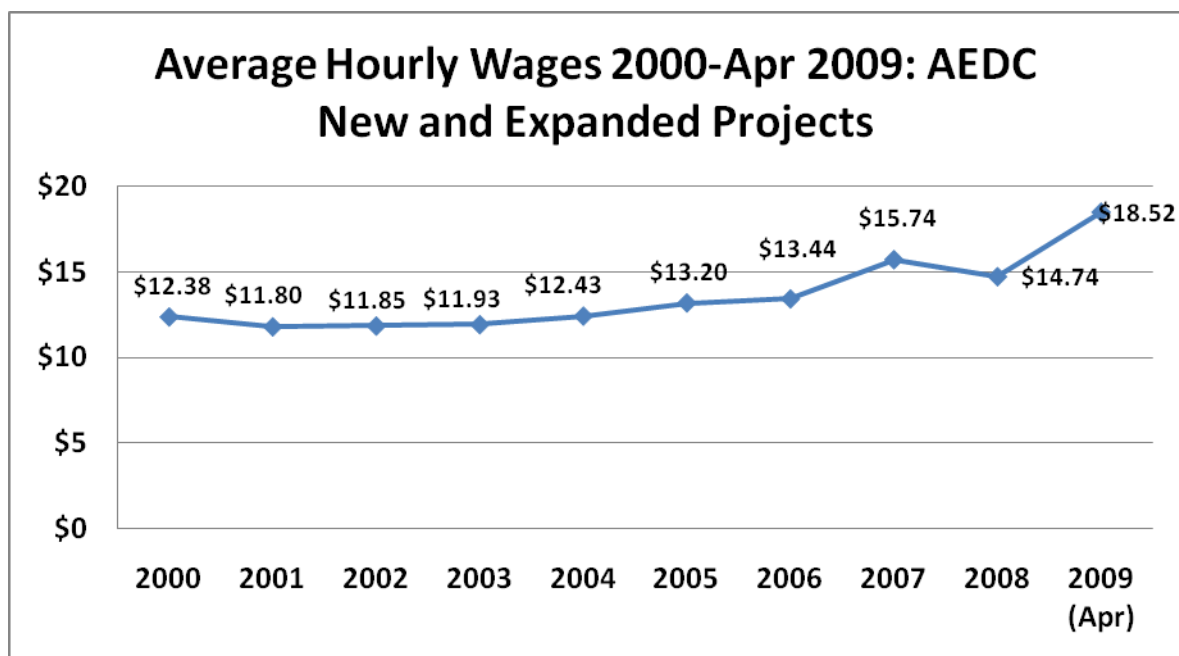
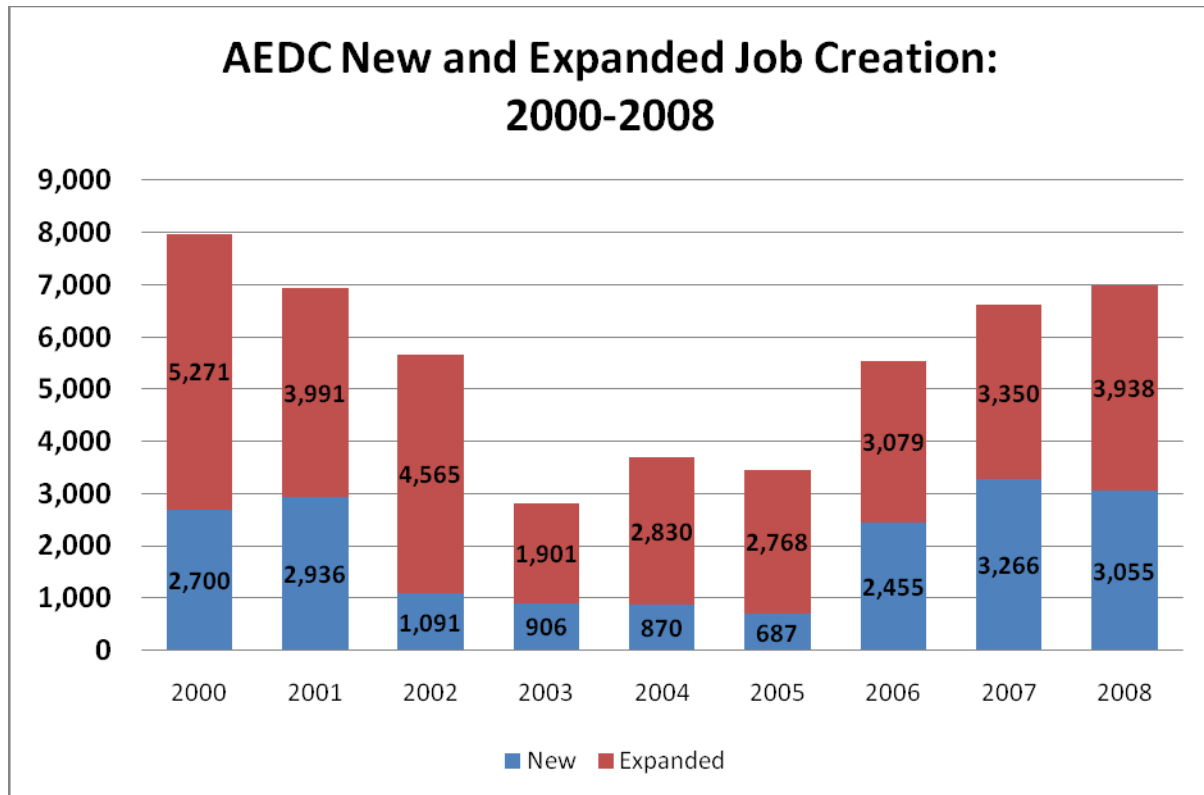
This eighth annual Index, prepared by the Beacon Hill Institute, gauges states' economic competitiveness by ranking states according to the following eight factors: government and fiscal policy, security, infrastructure, human resources, technology, business incubation, openness, and environmental policy. The Index defines competitiveness as having in-place the policies and conditions that ensure and sustain a high level of per capita income and its continued growth. Scores are indexed at 10.

<i>State</i>	<i>2008 Index Score</i>	<i>2008 National Rank</i>	<i>2005 National Rank</i>	<i>Change in Rank (2005-2008)</i>
<b>Arkansas</b>	<b>4.03</b>	<b>43</b>	<b>48</b>	+5
Oklahoma	4.17	40	41	+1
Louisiana	3.30	49	50	+1
Mississippi	3.12	50	49	-1
Texas	4.94	23	20	-3
Tennessee	4.16	41	37	-4
Missouri	4.61	29	17	-12

Source: Beacon Hill Institute, *State Competitiveness Report 2008*, <http://www.beaconhill.org/Compete08/BHISate08-FINAL.pdf> and <http://www.beaconhill.org/Compete05/FinalCompete05-060921.pdf> and Beacon Hill Institute, *Metro Area and State Competitiveness Report 2005*, <http://www.beaconhill.org/Compete06/06StateCompeteFinal.pdf>

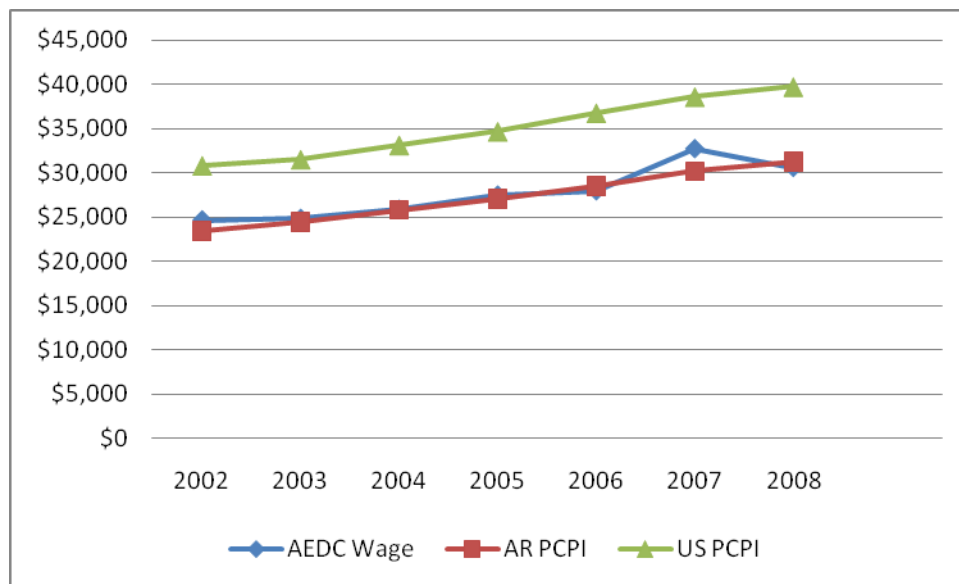
**d. Evaluating Arkansas's business climate in 2008**

Job creation efforts during 2008 were the best since 2000 with 6,993 new and expanded jobs announced.



The \$14.74 average hourly wage for 2008 was \$1 below the 2007 wage; however, through the first four months of 2009, incentive agreements have been signed by companies to create 4,062 new and expanded jobs with an average hourly wage of \$18.52. If this average is maintained, it will be the highest average wage AEDC has recorded and will be significantly above the equivalent hourly state average wage of \$15.03 (AR PCPI \$31,266/2080 hrs). This would be a significant increase toward the national per capita personal income (US PCPI \$39,751/2080=\$19.11 average hourly wage equivalent).

### AEDC Direct Job Creation compared with Per Capita Personal Income 2002-2008



For the first time since comprehensive data was compiled (1996), annual investment (for 2008) exceeded \$1.7 billion dollars. Of this total \$1,364,860,670 was attributed to existing businesses, showing their commitment to remain and expand in Arkansas.

However, Arkansas continues to rank near the bottom in several economic indicators: Per Capita Personal Income (47<sup>th</sup>), Per Capita Gross Domestic Product by State (48<sup>th</sup>), and Average Hourly Earnings of Manufacturing Workers (49<sup>th</sup>). Arkansas's population growth and poverty rates also lag regional and national averages.