

August 5, 2013

Senator Paul Bookout, Chair  
Representative John Charles Edwards, Chair  
Arkansas Legislative Council  
Room 315, State Capitol  
Little Rock, AR 72201

Dear Senator Bookout and Representative Edwards:

Please find enclosed for your review, two annual reports submitted by the Arkansas Economic Development Commission.

Pursuant to Act 1282 of 2001 (ACA § 15-4-219) please find enclosed a copy of our annual report to the Arkansas Legislative Council for committees distribution addressing each of the requirements specified in the law.

The second report, attached under separate cover letter, provides an accounting of the Economic Development Incentive Quick Action Closing Fund for Fiscal Year 2013, as required by Act 510 of 2007.

Although 2012 marked another year of slower-than-anticipated economic recovery, Arkansas's economy remained comparatively strong with unemployment rates one-half to one point below national rates and state budget surpluses when many states faced shortfalls. With continued support from Governor Beebe and the General Assembly, especially through the Quick Action Closing Fund, the Arkansas Economic Development Commission is aggressively and proactively working to meet the economic challenges of 2013.

If there are any questions, or if we can be of any assistance, please feel free to contact me.

Sincerely,



Grant Tennille  
Executive Director

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Enclosure

## Summary of Act 1282 Report (Calendar Year 2012)

**Enabling Legislation:** Act 1282; April 4, 2001; 83rd General Assembly, Regular Session

**Sponsors:** Senator Gwatney, Representatives Bevis and Milam

**Purpose:** Requires the Arkansas Economic Development Commission (AEDC) to make annual reports to the Arkansas Legislative Council to inform the legislature about the State's economic health and potential growth; Arkansas's economic position relative to neighboring states; and, the AEDC's programs, goals and strategies for the past, current and forthcoming years.

**Submitted:** Annually. The current report for calendar year 2012 is the twelfth edition.

### Summary of Recent Act 1282 Reports (Calendar Years 2010-2012)

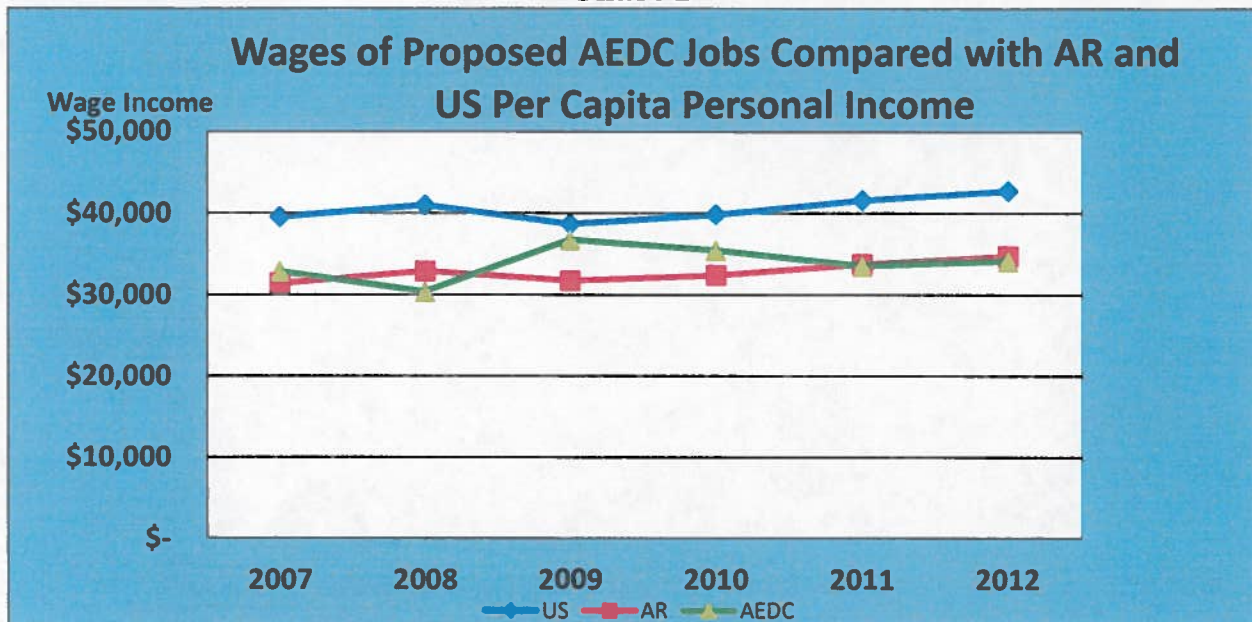
Between January 1, 2010 and December 31, 2012, the AEDC signed *incentive agreements* for 260 projects with companies proposing the creation of 10,301 new jobs. *(Please note: these are jobs counted after all financial incentive agreements have been executed. Jobs "announced by AEDC" have been committed to by companies, some of which may be in the process of finalizing incentive agreements.)* The number of proposed jobs and wages for 2012 increased from 2011, indicating a slightly-improving economy. Proposed average hourly wages of \$16.37 are consistent with the state's per capita personal income (see Chart 1) which is helping to accomplish AEDC's mission to "create targeted strategies that produce better-paying jobs," while helping to move Arkansas's per capita personal income towards the national average – a primary economic goal of Governor Beebe.

**Table 1**  
**Economic Indicators: 2010-2012**

Economic Indicators	2010 Calendar Year	2011 Calendar Year	2012 Calendar Year	2010-2012 Total/Average
AEDC Projects	131	140	190	461/154
Signed AEDC Incentive Agreements	81	81	98	260/87
Proposed New and Expanded Jobs	4,216	2,746	3,339	10,301/3,434
Proposed Project Investment	\$1,491,315,958	\$901,086,441	\$2,350,137,236	\$4,742,539,635/ \$1,580,846,545
Proposed Average Hourly Wage	\$17.03	\$16.10	\$16.37	\$16.57 (avg.)
Cost Benefit Ratio*	\$3.33/\$1	\$3.04/\$1	\$1.89/\$1	\$2.61/\$1 (avg.)

\* The cost-benefit ratio is the ratio of state tax revenue to state incentive cost expected to accrue during a ten-year period from all incentive agreements signed during the calendar year. For example, a 2.61 ratio projects that \$2.61 in state tax revenues will result from each \$1 in state tax incentives offered. The ratios for 2011 and 2012 would increase from \$3.04/\$1 to \$4.34/\$1 (2011) and \$1.89/\$1 to \$3.40/\$1 (2012), respectively, if non-job-creating statutory InvestArk incentive projects are excluded.

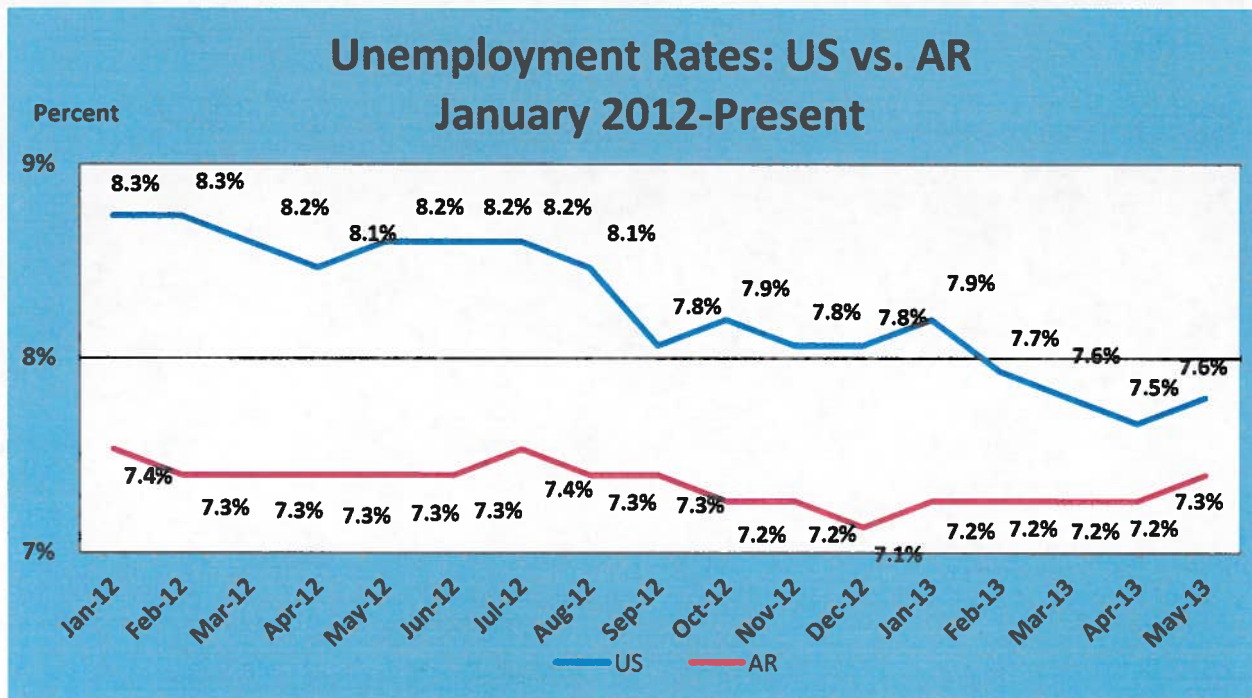
**Chart 1**



Sources: Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income, 29 May 2013, online, available from <http://www.bea.gov> and AEDC New and Expanded Company Database 2007-2012.

Monthly unemployment rates in Arkansas peaked at 7.4 percent in July 2012 but have remained from .3 to 1 point below the United States rate.

**Chart 2**



Source: Bureau of Labor Statistics, Local Area Unemployment Statistics, seasonally adjusted data, (Arkansas) and (National) Labor Force Statistics from the Current Population Survey, 20 June 2013, <http://www.bls.gov/data/>



**ARKANSAS**

***Economic Development Commission***

**Annual Activity Report for 2012  
(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 5, 2013**

# **ACT 1282 Report Outline**

## **ACT 1282 – SECTION 2**

- Part 1. An accounting of all projects**
  - a) Type of company
  - b) Location
  - c) Number of jobs
  - d) Average hourly wage
  - e) Incentives offered
  
- Part 2. Assessment of projects that did not materialize**
  - a) Type of company
  - b) Number of jobs
  - c) Average hourly wage
  - d) Incentives offered
  - e) Reason company did not locate in Arkansas
  - f) General Assembly proposals to assist AEDC
  
- Part 3. An accounting of major factory and plant closures**
  - a) Location city
  - b) Number of jobs lost
  - c) Reason for closure
  
- Part 4. Strategies and recommendations for the current year**
  - a) Plans for preventing closures and job loss
  - b) Assessment of the relative risk of losing factories, plants, and jobs
  - c) Plans for increasing the number of economic development proposals
  - d) Plans for creating new initiatives/incentives
  
- Part 5. Director's assessment of the Department's performance**
  - a) Comparison of the Department's performance over the past two years
  - b) Comparison of actual performance to projections
  - c) Arkansas's economic performance compared to neighboring states
  - d) Evaluating Arkansas's business climate in 2012



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## ACT 1282 – SECTION 2

### Part 1. AN ACCOUNTING OF ALL PROJECTS

**Table 1**  
**Job Opportunities by New & Expanding Companies with Arkansas Economic Development Commission**  
**Incentive Agreements Signed During 2012**

<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	Fort Smith	24	\$13.55	CDBG, Research and Development
Manufacturing	Plainview	20	\$12.00	CDBG
Manufacturing	Siloam Springs	21	\$17.50	CDBG
Scientific and Technical Services	Pine Bluff	5	\$21.63	QACF***
Manufacturing	El Dorado	0	*N/A	InvestArk
Manufacturing	Maumelle	21	\$21.00	Advantage Arkansas, InvestArk, Training
Manufacturing	Fort Smith	37	\$17.50	Advantage Arkansas, InvestArk, Training
Manufacturing	Armored	0	*N/A	InvestArk, Training
Manufacturing	Blytheville	0	*N/A	InvestArk, Training
Manufacturing	Jonesboro	39	\$13.35	Advantage Arkansas, Tax Back, Training
Manufacturing	Melbourne	50	\$10.41	Advantage Arkansas, Tax Back, Economic Infrastructure (EIF)
Manufacturing	Ashdown	0	*N/A	InvestArk
Manufacturing	Pine Bluff	0	*N/A	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>
Office Sector	Little Rock	8	\$46.00	Advantage Arkansas
Manufacturing	El Dorado	50	\$17.00	Advantage Arkansas, Tax Back, Training, CDBG
Manufacturing	Atkins	0	N/A	Economic Infrastructure (EIF)
Manufacturing	Jonesboro	125	\$24.00	InvestArk, Create Rebate, Training
Manufacturing	Little Rock	35	\$15.00	Advantage Arkansas, Tax Back, CDBG, Bond Guaranty
Manufacturing	Mulberry	45	\$13.99	Advantage Arkansas, Tax Back, CDBG, Bond Guaranty
Manufacturing	Danville	27	\$16.73	Advantage Arkansas, Tax Back, Training, CDBG
Manufacturing	Booneville	50	\$13.00	Advantage Arkansas, InvestArk, Training, CDBG, Research and Development
Manufacturing	Rogers	25	\$13.00	Advantage Arkansas
Manufacturing	Hot Springs	30	\$12.00	Advantage Arkansas, Tax Back, Training
Manufacturing	Dardanelle	0	*N/A	InvestArk
Manufacturing	West Memphis	5	\$16.00	Advantage Arkansas, Tax Back, Training
Manufacturing	Batesville	150	\$18.00	Advantage Arkansas, InvestArk, CDBG
Manufacturing	Little Rock	45	\$23.00	InvestArk, Create Rebate
Manufacturing	Little Rock	20	\$18.00	Advantage Arkansas, Tax Back, Training
Manufacturing	Stuttgart	0	*N/A	InvestArk



<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	3	\$23.00	Advantage Arkansas, Tax Back
Computer/Information Services	Monticello	4	\$15.00	Advantage Arkansas, Tax Back
Manufacturing	Springdale	70	\$10.31	Advantage Arkansas, InvestArk, Training
Manufacturing	Crossett	0	*N/A	InvestArk
Manufacturing	Armored	15	\$10.15	Advantage Arkansas, Tax Back, CDBG
Manufacturing	North Little Rock	0	*N/A	InvestArk, Training
Manufacturing	Armored	10	\$10.15	Advantage Arkansas, Tax Back
Engineering Construction	Russellville	24	\$34.00	Economic Infrastructure (EIF)
Manufacturing	Flippin	75	\$11.00	CDBG
Manufacturing	Lewisville	29	\$12.77	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Crossett	0	*N/A	InvestArk
Manufacturing	El Dorado	10	\$20.00	Advantage Arkansas, InvestArk, Training
Manufacturing	Batesville	300	\$10.31	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Gentry	4	\$15.00	CDBG
Manufacturing	Bryant	140	\$18.00	CDBG
Manufacturing	Marmaduke	60	\$13.00	ArkPlus, Training, CDBG
Manufacturing	North Little Rock	130	\$18.00	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	Lonoke	17	\$15.08	InvestArk
Manufacturing	Clarksville	0	*N/A	InvestArk
Manufacturing	North Little Rock	0	*N/A	InvestArk
Manufacturing	Hope	0	*N/A	InvestArk
Manufacturing	Springdale	0	*N/A	InvestArk
Manufacturing	Berryville	0	*N/A	InvestArk
Corporate Headquarters	Springdale	0	*N/A	InvestArk, Training
Manufacturing	Nashville	0	*N/A	InvestArk
Manufacturing	Dardanelle	0	*N/A	InvestArk
Manufacturing	Pine Bluff	0	*N/A	InvestArk
Manufacturing	Russellville	0	*N/A	InvestArk
Manufacturing	Scranton	0	*N/A	InvestArk
Manufacturing	Springdale	0	*N/A	InvestArk
Manufacturing	Texarkana	0	*N/A	InvestArk
Manufacturing	Van Buren	0	*N/A	InvestArk
Manufacturing	Waldron	0	*N/A	InvestArk
Manufacturing	Grannis	0	*N/A	InvestArk
Manufacturing	Fayetteville	0	*N/A	InvestArk
Agricultural Support Activities	Walnut Ridge	10	\$11.00	Economic Infrastructure (EIF)

<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	Springdale	20	\$21.50	Advantage Arkansas, Tax Back
Manufacturing	Mountain View	19	\$18.50	Advantage Arkansas, Tax Back, CDBG, Bond Guaranty
Corporate Headquarters	Springdale	0	*N/A	InvestArk
Corporate Headquarters (Non-Profit)	Little Rock	28	\$16.94	QACF***, CDBG
Warehouse/Distribution	North Little Rock	10	\$12.00	Advantage Arkansas, Tax Back
Manufacturing	Sherwood	140	\$14.00	Advantage Arkansas, Tax Back, QACF***
Manufacturing	Searcy	55	\$19.87	Advantage Arkansas, Tax Back
Warehouse/Distribution	North Little Rock	136	\$14.20	Advantage Arkansas, Tax Back
Manufacturing	Springdale	27	\$11.96	Advantage Arkansas, CDBG
Tourism/Recreation	Tillar	144	\$9.20	QACF***
Manufacturing	Magnolia	0	*N/A	InvestArk
Manufacturing	Russellville	80	\$16.40	Advantage Arkansas, Tax Back, QACF***
Manufacturing	Ashdown	0	*N/A	InvestArk
Manufacturing	Morrilton	0	*N/A	InvestArk, Training
Manufacturing	Jonesboro	40	\$13.50	Advantage Arkansas, Tax Back, Training
Manufacturing	Rogers	366	\$17.00	Advantage Arkansas, Tax Back, QACF***
Manufacturing	Pine Bluff	96	\$10.72	Advantage Arkansas, InvestArk

<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>
Non-Profit	Little Rock	18	\$17.32	CDBG
Manufacturing	Stuttgart	20	\$16.03	Bond Guaranty
Manufacturing	Texarkana	0	*N/A	InvestArk
Manufacturing	Helena/West Helena	60	\$20.00	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Smackover	84	\$22.00	Advantage Arkansas, InvestArk
Manufacturing	Blytheville	0	*N/A	InvestArk
Manufacturing	Helena/West Helena	10	\$15.20	Advantage Arkansas, Tax Back, Training
Manufacturing	Russellville	20	\$11.00	Advantage Arkansas, Tax Back
Manufacturing	Fayetteville	58	\$19.23	CDBG
Nano Materials	Fayetteville	**0	**N/A	Research and Development
Manufacturing	Hot Springs	42	\$12.62	Advantage Arkansas, Tax Back
Manufacturing	Armored	0	*N/A	InvestArk
Manufacturing	Armored	12	\$22.08	Advantage Arkansas, InvestArk
Computer/Information Services	Conway	121	\$38.00	Advantage Arkansas, QACF***, Research and Development
Manufacturing	Nashville	0	*N/A	InvestArk
Corporate Headquarters	Springdale	0	*N/A	InvestArk
	<b>98 Projects</b>	<b>3,339</b>	<b>\$16.37 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.

\*\* Projects exclusively receiving research and development incentives are not required to create new jobs.

\*\*\***Clawback Provisions:** All AEDC-administered incentive programs require recipients to meet performance standards as a condition of receiving benefits. Incentives under the Consolidated Incentive Act (Advantage Arkansas, InvestArk, Create Rebate, Tax Back, ArkPlus, Research and Development) are performance-based, meaning that recipients are required to meet requisite investment and/or payroll/job requirements and be audited by the Department of Finance and Administration (DF&A) prior to receiving benefits. *(The InvestArk program is slightly different because the DF&A conducts the verification audit after the tax credit amount is determined. Credits, however, may be recaptured by the DF&A should audit findings warrant.)* Other incentive programs including Tourism, Equity Investment Tax Credits and Digital Product and Motion Picture Industry Development have submittal, review and award processes that require proof of performance to receive benefits. Written agreements for loans and grants specify reimbursement, repayment or recapture provisions for non-compliance. Typical language includes grant reimbursement amounts for each job not created and personal guaranties, collateral, etc. on loans. Each job creation project that will receive funds from the Quick Action Closing Fund (denoted as QACF in Table 1) has a grant agreement with specific grant reimbursement “clawback” provisions.

### **Equity Investment Tax Credit and Digital Product and Motion Picture Industry Development Projects**

Information pertaining to projects involving the Equity Investment Tax Credit Incentive Program and the Digital Product and Motion Picture Industry Development Act are presented separately below because benefits are offered for investments in equity capital investments and digital content production expenditures for short-term projects, rather than for job creation and traditional long-term, fixed capital investments.

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 150 percent of the state or county average wage, whichever is less. This program, jointly administered by AEDC, the Arkansas Development Finance Authority and the Arkansas Science and Technology Authority, allows approved businesses to offer 33 1/3% income tax credits to investors purchasing an equity investment in approved businesses. In 2012, 17 financial incentive agreements were approved. Cumulatively, these projects are projected to raise \$30,800,000 in equity from investors. The locations, projected employment and projected average hourly wages of 2012 projects are as follows:

**Table 2**  
**Equity Investment Tax Credit Projects**

<b>Project Location</b>	<b>Proposed Jobs</b>	<b>Proposed Wages</b>
Fayetteville	6	\$36.67
Hot Springs	56	\$51.55
Fayetteville	10	\$30.16
Fayetteville	10	\$39.67
Conway	11	\$28.41
Fayetteville	35	\$55.50
Little Rock	7	\$55.85
Bentonville	4	\$45.00
Little Rock	54	\$38.93
Little Rock	1	\$33.65
Fayetteville	8	\$42.97
Fayetteville	20	\$30.06
Springdale	35	\$28.40
Fayetteville	28	\$30.03
Springdale	42	\$35.84
Little Rock	111	\$27.11
Russellville	16	\$27.69

Act 816 of 2009 created the **Digital Product and Motion Picture Industry Development Incentive Program**, an incentive that offers rebates to qualified production companies for eligible production costs and payroll incurred for Arkansas productions. In 2012, the AEDC signed one financial incentive agreement for the feature film the Brandon Burlesworth Story which is being filmed in Northwest Arkansas. Through 2012, the Film Office has signed 21 financial assistance agreements with production companies. Of those, all but two have/will receive funding from the Quick Action Closing Fund. In FY 2013, 2 projects received \$65,708.43 in funding from the QACF (see FY 2013 QACF Report, attached, for expenditure data).

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

During the 2012 calendar year, the Arkansas Economic Development Commission worked 190 projects, 98 of which signed incentive agreements. Of these projects, ten (10) were by new companies and 88 were by existing companies. Upon completion, these 98



projects are projected to create 3,339 new jobs and generate \$2,350,137,236 in new capital investment. The remaining 92 non-incentive agreement projects are summarized below:

**Table 3**  
**Project Status**

<b>Project Status</b>	<b>Number of Projects</b>
Project committed to Arkansas-signed incentive agreements in 2012	98
Project has or is likely to announce in 2013	23
Project is active but no decision has been made	35
Project is on hold/status pending*	5
Project did not materialize-will not locate in Arkansas*	29
<b>Total Projects</b>	<b>190</b>

\* Information regarding the 34 non-active projects is provided below.

**Table 4**  
**2012 Projects That Did Not Materialize and Reason**

<i><b>a. Type of Company</b></i>	<i><b>b. Number of Jobs</b></i>	<i><b>c. Average Hourly Wage</b></i>	<i><b>d. Incentives Offered</b></i>	<i><b>e. Reason Company Did Not Locate in Arkansas</b></i>
Telecommunications-2 types of facilities	800-1,200 and 1,200-2,000	\$28.84 and \$21.63	None	The facilities will be located in Florida and Oklahoma. Oklahoma has a similar operation and enough foot print to absorb the new operation. Florida has a larger population to support the operation.
Manufacturing	45	\$21.37	Advantage Arkansas, Tax Back, InvestArk, Training	The company wanted a site closer to its chemical feedstock supply.
Manufacturing	70	\$13.98	None. The project has not yet moved beyond the request for information stage.	The project is on hold, as per the company.
Manufacturing	700	Unspecified	None	The three buildings submitted did not meet the company's needs in regard to either size or electric power specifications.

<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>
Information Technology	800	\$28.85	None. The project was eliminated during the request for information stage prior to development of a customized incentives proposal.	The company located in Louisiana.
Health Care	225	\$27.00	None	The project never materialized - no response to request for information submittal.
Manufacturing	125	\$13.00	Multiple scenarios involved combination of QACF, Advantage Arkansas, Tax Back, Training, Invest Ark, ArkPlus and Create Rebate	The project is on hold due to lack of sales nationwide.
Manufacturing	100	\$20.94	Advantage Arkansas, Tax Back, Grants, Training	The project is on hold pending resurgence in the US wind energy market.
Manufacturing	230	\$13.59	Advantage Arkansas or Create Rebate, Tax Back, Training, QACF	The company acquired an Illinois company with excess capacity at that facility to produce the product.
Manufacturing	58	Unspecified	None. Arkansas was eliminated prior to preparing an incentives proposal.	The company decided to locate in a larger market area to ramp-up initial sales faster.
Manufacturing	39	\$16.11	Advantage Arkansas, Tax Back, CDBG	The company chose to expand at their Texas facility due to requirements of their top customer.
Manufacturing	305	\$39.40	None	The company's consultant indicated that an Arkansas site was not selected; however, the selection was not disclosed.
Call Center	350	Unspecified	None. The project never moved beyond the request for information stage.	The company's consultant indicated that the project did not move forward.

<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	50	\$18.27	Advantage Arkansas, Tax Back, Training, CDBG or ArkPlus	Company chose to locate in an existing building in Alabama.
Manufacturing	150	\$30.00	Advantage Arkansas or Create Rebate, Tax Back, Training, ArkPlus	The company never did specify but it is believed that they were looking for a site which already had a hanger and runway that was ready to be used.
Manufacturing	40	\$20.00	Advantage Arkansas, Tax Back, CDBG	The company decided not to move forward with their plans at this time.
Manufacturing and Research and Development	245	Unspecified	None. The project has not made it to the incentives stage.	The project is on hold as the company seeks financing.
Corporate Headquarters	100	Unspecified	None. The company eliminated Arkansas prior to AEDC preparing an incentives proposal.	The company decided to locate in Missouri because Arkansas did not have any readily-available sites that would allow the company to be immediately operational.
Manufacturing	300	\$19.50	Create Rebate, Tax Back, QACF, Training	The project located in Tennessee because of high shipping costs to cross the Mississippi River.
Manufacturing	140	Unspecified	None	Lack of activity and response from the consultant after submitting request for information.
Manufacturing	300	\$26.55	Advantage Arkansas, Tax Back, Training, Equity Investment Tax Credit	The project is on hold as the company tries to find financing/investors.
Customer Support Facility	85	\$24.32	Advantage Arkansas, Tax Back, QACF	The project never materialized.

<i><b>a. Type of Company</b></i>	<i><b>b. Number of Jobs</b></i>	<i><b>c. Average Hourly Wage</b></i>	<i><b>d. Incentives Offered</b></i>	<i><b>e. Reason Company Did Not Locate in Arkansas</b></i>
Manufacturing	164	Unspecified	Advantage Arkansas, Tax Back, Training, Grants	There were concerns by the consultant that the project would strain the existing workforce and power grid of the Arkansas site.
Manufacturing	50	\$12.00	Advantage Arkansas, Tax Back, CDBG, Training	The company chose a site in Texas because of more lucrative incentives and better access to raw materials.
Manufacturing	112	\$29.81	Advantage Arkansas or Create Rebate, Tax Back, Training, CDBG or EIF	The company decided to expand an existing facility rather than build a new one.
Manufacturing	120	\$31.00	None. The project did not make it to incentives stage.	There were concerns regarding port handling fees and the capacity of existing ports to handle annual tonnage requirements of the project.
Insurance and Financial Services	100	\$21.03	None. The project did not make it to incentives stage.	Arkansas was eliminated from the site search after the second round. The consultant would not specify reasons.
Manufacturing	100	Unspecified	None. The project did not make it to incentives stage.	The company's consultant believes that the company will locate the project at an existing facility in another state.
Manufacturing	400	Unspecified	None. The project did not get past the second round of information requests.	The consultant did not respond to several requests for updates.
Manufacturing	315	\$25.00	Advantage Arkansas or Create Rebate, Tax Back, CDBG, Training, ArkPlus	The company commissioned a new logistics study which determined that the facility should be located North and West of Arkansas.
Manufacturing	319	\$23.00	None. The project did not make it to the incentives stage.	Another state is providing a financing package that is more acceptable to the company.

<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 and Distribution	70	\$13.50	Advantage Arkansas, Tax Back, Training and CDBG	The company decided not to undertake the relocation project at this time due to the risks and costs involved.
Manufacturing	70	Unspecified	Advantage Arkansas, Tax Back, Grant, Training	The company located the facility in Kentucky.
Manufacturing	45	\$16.20	Advantage Arkansas, Tax Back, EIF	The project is currently on hold.
<b>Totals</b>	<b>34 Projects</b>	<b>8,322 Jobs \$24.75 Average Hourly Wage (unspecified wages not included)</b>		

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

The 89<sup>th</sup> General Assembly passed several laws that will both directly and indirectly impact AEDC's mission. A brief summary of these laws follows:

AEDC Programs/Projects Legislation

1. **Act 496 (Amends the Digital Product and Motion Picture Production Act of 2009)** Expands the current rebate for monies expended in Arkansas from 15 percent to 20 percent; increases the amount of production expenditures to qualify from \$50,000 to \$200,000; and, makes other technical changes. Rep. Edwards/Sen. Sanders, HB 1633.
2. **Act 755 (Reimbursement changes to the Existing Workforce Training Program)** Increases the amount of reimbursement paid to training providers from \$80 per instructional hour to \$100 per instructional hour. Rep. Jean/Sen. Maloch, HB 1948.
3. **Acts 1084 and 1476 (State general obligation bond issuance for the Big River Steel project)** Authorizes the issuance of \$125 million in state general obligation bonds and prescribes the thresholds and milestones required to access incentives. This is the first time Amendment 82 has been invoked to finance an economic development project. Sen. Burnett, SB 820; Rep. Hodges, HB 1870.
4. **Act 1112 (Amends the Regional Economic Development Partnership Act)** Specifies that a 1:1 local match is required to access state funds for regional economic development and addresses staffing requirements to qualify for funding. Rep. Douglas, HB 1931.
5. **Act 1185 (Revisions to AEDC Enabling Legislation)** First major revision to AEDC's 1955 enabling legislation to more accurately describe AEDC's duties, powers and responsibilities. Sen. English/Rep. Lea, SB 1065.
6. **Act 1404 (Reduces sales tax on repair and replacement parts and creates a new discretionary investment incentive to be administered by AEDC)** Describes the process by which one percentage point of sales and use taxes can be refunded for the purchase and installation of partial repair and replacement manufacturing machinery and equipment. The act also creates a new discretionary incentive to refund 100 percent of sales and use taxes paid by companies for eligible equipment purchases exceeding \$3 million after July 1, 2014. Sen. Files, SB 334.
7. **Act 1474 (State New Market Tax Credits)** Creates a state New Market Tax Credit Program to be administered by the AEDC. Rep. Williams, HB 1832.



8. **Act 532 (Arkansas Clean Burning Motor Fuel Development Act)** Establishes a Clean Burning Motor Fuel Development Fund and names the Arkansas Energy Office as the administrative agency to award rebates from the fund for clean burning motor fuel stations and property. Sen. Teague, SB 792.
9. **Act 1111 (Transfer of Weatherization Assistance Program)** Transfers the Weatherization Assistance Program from the Division of County Operations at the Department of Human Services to the Arkansas Energy Office. Rep. Armstrong, HB 1887.
10. **Act 554 (Allows energy savings to be used as part of a guaranteed energy savings contract)** Specifies the conditions under which maintenance and operations, through energy savings, can be used as repayment in a guaranteed energy savings contract for state agencies. Sen. Johnson, SB 340.

Energy Programs/Projects Legislation (Non-AEDC)

1. **Act 152 (Incentive for converting a vehicle to use CNG or LPG)** Authorizes the rebate of costs associated with converting a vehicle to use CNG or LPG under the Alternative Fuels Development Program administered by the Arkansas Department of Agriculture. Sen. Pierce, SB 125.
2. **Act 253 (Allows for opt-out of certain businesses from Public Service Commission-ordered energy conservation programs)** Allows non-residential customers to opt-out of energy conservation programs initiated under the Energy Conservation Endorsement Act of 1977. Rep. Rice, HB 1386.
3. **Act 280 (Establishes the Arkansas Energy Summary and Report)** Tasks the Higher Education Coordinating Board with the responsibility for coordinating efforts among the state's energy research universities and compiling a report on energy supplies and projections. A report is to be presented to the Joint Committee on Energy no later than July 1, 2014. Sen. Hendren, SB 246.
4. **Act 341 (Requirements for certification of public convenience and necessity from the Public Service Commission)** Defines the circumstances in which a certificate of public convenience and necessity is not required from a generation and transmission cooperative. Sen. Key, SB 271.
5. **Act 1074 (Energy Improvement Districts)** Authorizes the establishment of Property Assessed Clean Energy (PACE) financing to make energy improvements to homes within an established energy improvement district. Sen. Johnson, SB 640.
6. **Act 1078 (Regulation of Electric Demand Response Act)** Allows for the aggregation of customers to address electric demand response during peak periods of

usage and states that the Public Service Commission may not regulate customer-driven demand response activities. Sen. Rapert, SB 795.

7. **Act 1195 (Pilot program for CNG school buses)** The Arkansas Division of Public School Academic Facilities and Transportation shall initiate and administer a pilot program aimed at assisting school districts with the acquisition of CNG-fueled school buses. Sen. Hendren, SB 1146.
8. **Act 1221 (Allowance for rollover of net metering account)** Allows for a rollover of credits, for up to four months of consumption, to be carried over to a net metering customer's electric service account. Rep. Branscum, HB 2019.
9. **Act 1252 (Amendment 89 enabling legislation for energy bonds)** A provision of Amendment 89 to the Arkansas Constitution allows for the issuance of energy bonds to assist with financing energy projects. This act prescribes the process by which a state agency would implement a project using energy bond financing. Sen. Johnson, SB 824.

#### Tax Exemptions and Reductions

1. **Act 233 (Sales tax exemption for certain pollution control machinery and equipment)** Exempts from the sales and use tax, machinery and equipment required by federal law to remove sulfur in the refining of petroleum. Rep. Shepherd, HB 1281.
2. **Act 1392 (Sales tax exemption for expendable farm supply equipment)** Defines which farm equipment supplies are exempted from sales tax. Sen. Stubblefield, SB 11.
3. **Acts 1398 and 1450 (Sales tax reduction for groceries)** Describes the process required for the sales tax on groceries to be reduced to one-eighth of one percent. Sen. Rapert, SB135; Rep. Williams, HB 1234.
4. **Act 1401 (Sales tax exemption for utilities used in grain drying/storage)** Defines circumstances under which a sales tax exemption can be obtained for utilities used in grain drying and storage. Sen. Dismang, SB 298.
5. **Act 1402 (Sales tax exemption for timber harvesting equipment)** Specifies that a sales tax exemption for timber harvesting equipment becomes effective on July 1, 2014. Sen. Teague, SB 299.
6. **Act 1408 (Income tax exemption for military pay)** Beginning January 1, 2014, income received by active-duty armed services members will be exempt from state income tax. Sen. Hendren, SB 463.

7. **Act 1411 (Sales tax reduction for energy used in manufacturing)** Beginning July 1, 2014, the sales tax on energy used in manufacturing will be eliminated; however, there will be a one percent excise tax applied, until July 1, 2015, when the tax will lower to five-eighths of one percent. The act also reduces the sales tax applied to natural gas used to produce electricity in a combined cycle turbine. Sen. Sample, SB 791.
8. **Act 1414 (Sales tax exemption for dental appliances)** After July 1, 2014, dental appliances sold to or by dentists will be exempt from sales and use tax. Sen. Teague, SB 853.
9. **Act 1418 (Income tax exemption for drop-in biofuels manufacturers)** Allows an income tax exemption for up to 20 years for a qualified drop-in biofuels manufacturer. Sen. Sample, SB 941.
10. **Act 1441 (Sales tax exemption on utilities used by qualifying agricultural structures)** Beginning January 1, 2014, utilities used by qualified commercial agriculture, aquaculture or horticulture structures will be exempt from sales and use tax. Rep. Wardlaw, HB 1039.
11. **Act 1459 (Amends income tax rates and brackets)** Individual, trust and estate tax brackets were changed by elevating the top rate from \$34,000 to \$44,000 and lowering the tax rate for the top bracket from 7 percent to 6.875 percent. Rep. Collins, HB 1585.
12. **Act 1488 (Changes in capital gains and standard deduction for income taxes)** Increases the capital gains exemption from 30 percent to 50 percent for capital gains after January 1, 2015. Capital gains realized in excess of \$10 million after January 1, 2014, are exempt from income tax. This bill also increases the standard deduction for tax years beginning on and after January 1, 2015. Rep. Carter, HB 1966.

#### Finance and Infrastructure Economic Development Legislation

1. **Act 1095 (Changes to the Arkansas Acceleration Fund and the Risk Capital Match Program)** Names the Arkansas Research Alliance as the Arkansas Acceleration Fund advisory group and eliminates the requirement for a private sector advisory group for the Risk Capital Match Program. Sen. Teague/Rep. Mayberry, SB 929.
2. **Act 1430 (Creates an Intermodal Transportation and Commerce Task Force)** Allows for the appointment of a 15-member task force to study issues related to intermodal transportation and to develop recommendations prior to the next regular session. Sen. Rapert, SB 1108.

3. **Act 1427 (Redirects ad valorem taxes on certain utilities and carriers to the Arkansas Waterways Commission)** Revenues collected in excess of two million five hundred thousand dollars (\$2,500,000) will be deposited into the Arkansas Port, Intermodal and Waterways Development Grant Program Fund to provide grants to Arkansas port, intermodal and waterway projects. Sen. Files, SB 1091.
4. **Act 1483 (Establishes the Arkansas Port, Intermodal, and Waterways Development Grant Program)** The Arkansas Waterways Commission will administer this grant program, funded by proceeds derived from Act 1427 of 2013. Rep. Edwards, HB 1921.

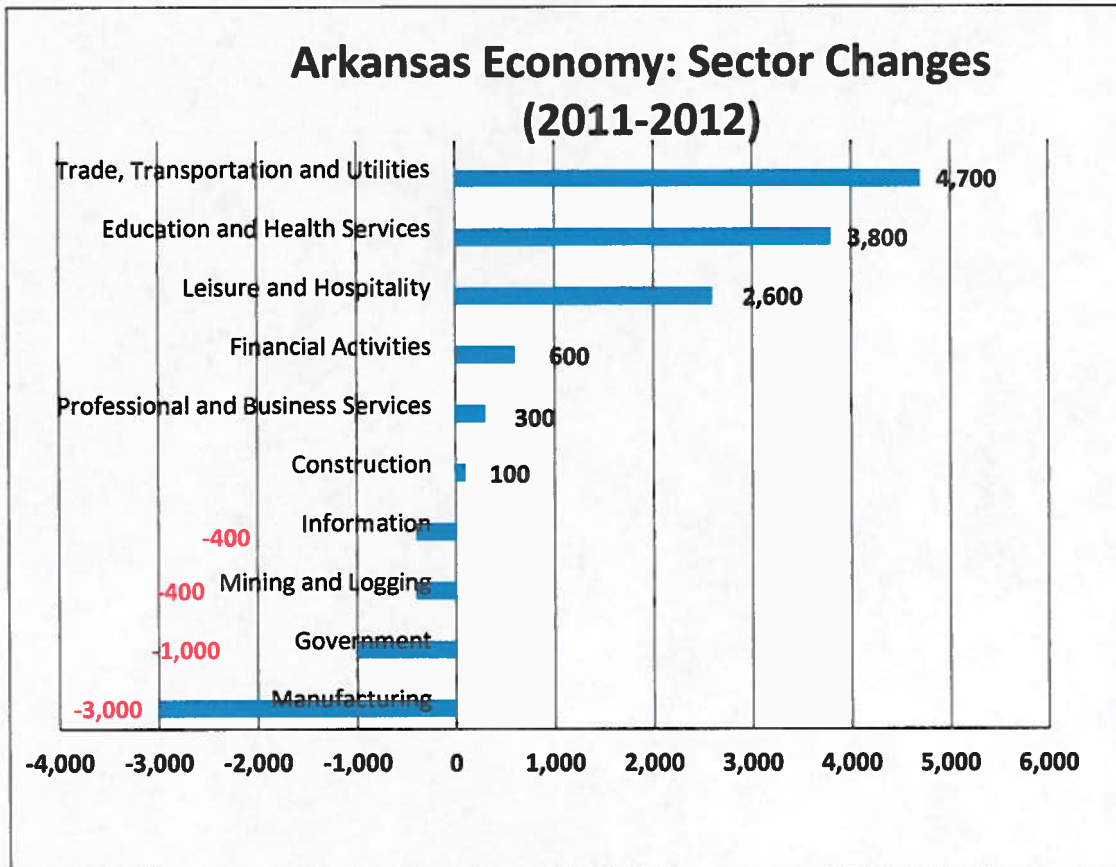
Funded General Improvement Bills to AEDC

Act Number	Purpose	Legislative Funding	Sponsor
333	Statewide Non-Profit	\$50,000	Sen. Johnson
349	Health-Related Facilities	\$140,000	Sen. Maloch
365	Senior Citizen Centers	\$50,000	Sen. Thompson
611	CNG/LNG Stations	\$1,050,000	Sen. Teague
617	Economic Infrastructure	\$200,000	Sen. English
620	Economic Infrastructure	\$110,000	Sen. Teague
676	Economic Infrastructure	\$250,000	Sen. Maloch
691	Economic Infrastructure	\$25,000	Sen. Elliott
736	Senior Citizen Centers	\$1,000,000	Rep. Baird, et al.
790	World Trade Center	\$245,000	Sen. Woods
814	Economic Infrastructure	\$635,000	Sen. Holland
872	Economic Infrastructure	\$145,000	Sen. Pierce
874	Health-Related Facilities	\$245,000	Sen. Pierce

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

Overall, Arkansas's labor force declined by 3,653 from 1,359,504 in 2011 to 1,355,851 in 2012. Among nonfarm payroll jobs\* the trade, transportation and utilities; education and health services; leisure and hospitality; financial activities; professional and business services; and, construction sectors grew. Employment losses occurred in the manufacturing; government; mining and logging; and, information sectors. Chart 1 below shows employment growth/decline by major sector. Table 5 lists factory and plant closures during 2012.

**Chart 1**



*\*Sources: (Sector Employment) Bureau of Labor Statistics, State and Area Employment, Hours and Earnings, <http://www.bls.gov/sae/> and (Labor Force) Local Area Unemployment Statistics <http://www.bls.gov/lau/data.htm>*

**Table 5**  
**Factory and Plant (Manufacturing) Closures During 2012**

a. Location City	b. Number of Jobs Lost	c. Reason for Closure
Rogers	69	Corporate decision.
Malvern	23	Consolidation of facility into other plants in Arkansas and Wisconsin due to housing market recession which has created excess capacity.
Fort Smith	6	Excess capacity following acquisition of another company resulted in production move to another facility.
Fort Smith	917	Moving production to Mexico.
Texarkana	60	Corporate cost decision.
Batesville	200	Moving the company's frozen dinner production to Missouri.
Fort Smith	5	Supplier to closed Whirlpool plant.
Blytheville	40	Never recovered from fire.
Little Rock	280	Bankruptcy.
Fort Smith	34	Supplier to closed Whirlpool plant.
Colt	100	Fire.
Various (9 locations)	Approximately 100	Bankruptcy.
Nashville	25	Company moved production to existing facility in California.
Jonesboro	618	Consolidating operations into other US facilities.
Morrilton	158	Moving production to Mexico to reduce costs and improve bottom line.



## **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. The best defense against closure and job loss is a strategic offense that addresses the issues related to company productivity and profitability.

Knowledge about products, markets, suppliers and supply chains is critical to our ability to understand the health of our industries and be proactive to maintain their viability. Additionally, workforce issues and knowledge of the details of these issues is mandatory. The AEDC Existing Business Resource Division (EBRD) works closely with existing employers and their representatives to stimulate job retention and expansion.

In 2012, the AEDC's Existing Workforce Training Program assisted 90 different companies by providing training to 8,590 workers. The AEDC's Business Industry Training Program assisted 55 different companies by providing training to 3,002 workers. Building and maintaining a skilled workforce will continue to be a key activity of AEDC.

To further accomplish Governor Beebe's goal to *create a business retention strategy to reduce closures*, the AEDC assembled a group of statewide economic development practitioners to develop a revised business retention and expansion (BR&E) strategy. Subgroups reviewed existing BR&E processes and proposed the following recommendations:

- Economic analysis of existing industries needed improvement.
- Needs assessments of critical impact companies needed to be conducted.
- A streamlined retention strategy process needed to be developed.
- State retention resources needed to be identified and coordinated.
- BR&E instructional materials needed to be developed and delivered through training sessions.
- A statewide BR&E plan needed to be developed.

In response to these recommendations, AEDC Executive Staff concluded that resources to assist existing businesses could best be leveraged by combining the Business Retention and Expansion and Training and Quality Management Divisions. This newly-created *Existing Business Resource Division* (EBRD) reassigned staff from geographic territories to industry sectors. Key objectives of the sector strategy include: leveraging staff expertise and resources to enhance profitability and productivity of clustered industries (e.g., "Supply Chain Symposiums"); aligning existing business efforts with AEDC Business Development recruitment targets and, operating more

efficiently and effectively by developing programs and alliances with multiple companies simultaneously (e.g. Arkansas Aerospace Alliance). Each EBRD sector manager is responsible for developing their assigned industry sector(s) as well as implementing programs such as Total Quality Management<sup>®</sup> specifically designed to assist existing businesses.

Comprehensive EBRD programming includes:

- Business and Industry and Existing Workforce Training Programs
- Total Quality Management
- Supply Chain Management
- Market Development
- Development of Formalized Training Consortia
- Utilization of the Arkansas Career Readiness Certification Process

The EBRD utilizes a systems approach to compile information from companies within industry sectors, identify issues germane to each sector and develop and implement statewide programs such as those above to resolve sector-wide issues that affect productivity and profitability.

Data compiled and analyzed by sector managers have identified the following major issues that are affecting many companies in Arkansas across all sectors:

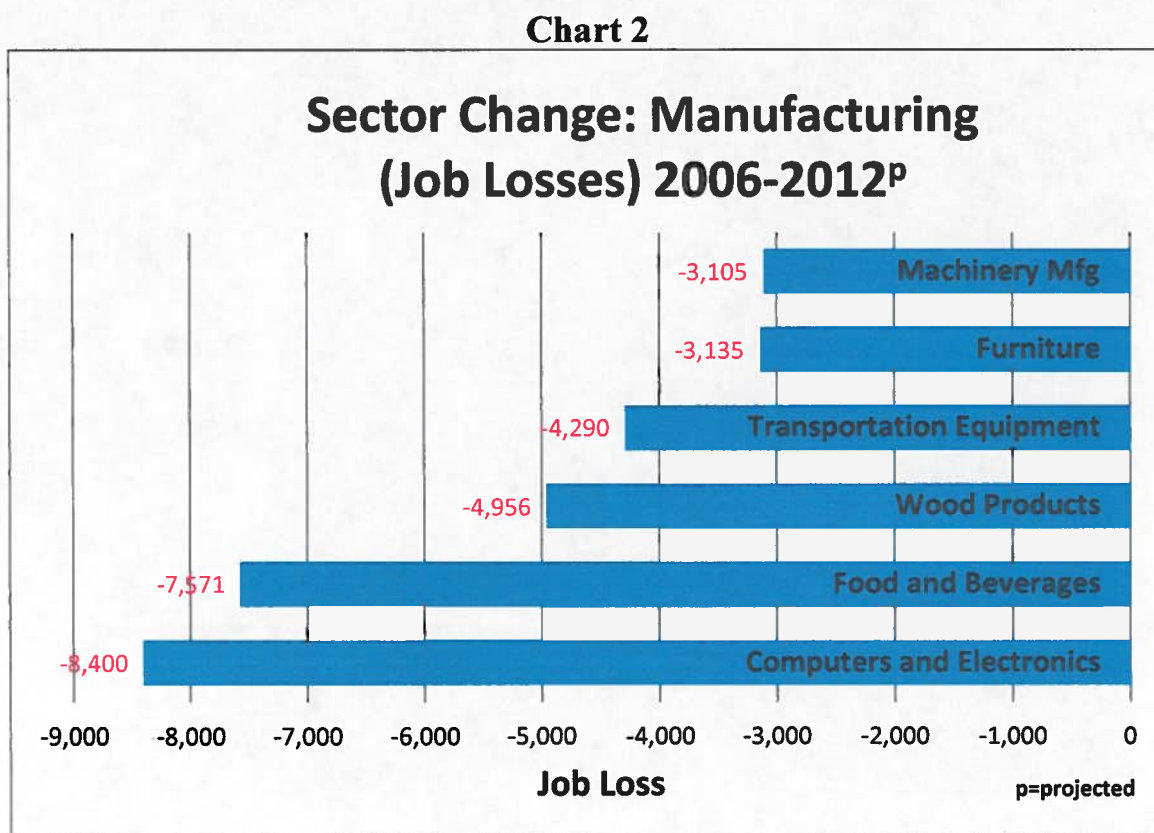
- Employee Turnover Rates
- Locating Skilled Workers
- Employee Skill Level and Training
- Product Non-Conformance
- Scrap and Waste Costs
- Inventory Levels
- Unscheduled Downtime on Machines

Utilizing this systems approach, the EBRD is helping companies reduce employee turnover rates by implementing the Arkansas Career Readiness Certificate (CRC) process. The CRC process identifies specific job/skill requirements of companies and matches those requirements with prospective employees' skills through ACT WorkKeys Job Profiles. The EBRD helps companies incorporate the CRC into their hiring processes by acquiring ACT Job Profiles and working with the Arkansas Department of Workforce Services (ADWS) to identify Arkansans who are searching for jobs who have the skills employers need. When job requirements are known and match the skills of potential new employees, job satisfaction and retention improves. When applied to several companies within the same sector, the entire sector gets stronger

synergistically. In addition to improving employee retention rates, several of the other factors listed above are also positively impacted. When employees are retained longer, the cost of product non-conformance, scrap and waste are also reduced. All of these small improvements coupled with the training programs that AEDC utilizes culminate into large savings for companies by increasing productivity and profitability.

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

Between 2006 and 2012\*, Arkansas lost 43,252 private sector manufacturing jobs. These losses have primarily affected the computer and electronics, food and beverages, wood products, transportation equipment, furniture and machinery manufacturing sectors. Business closures were experienced in industries besieged by foreign competition, industry consolidation, and financial restructuring.



*\*Source: Bureau of Labor Statistics, 2006-2012<sup>p</sup> (preliminary) private sector Quarterly Census of Employment and Wages, 27 June 2013, <http://data.bls.gov/pdq/querytool.jsp?survey=en>*

As Table 6 below illustrates, the magnitude of manufacturing decline between 2006 and 2012 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 6**  
**Arkansas Manufacturing Transitions: 2006-2012<sup>P</sup>**

<b>Growth</b>	<b>Small Decline (15% or less)</b>	<b>Moderate Decline (15.1% to 30%)</b>	<b>Large Decline (Greater than 30%)</b>
Petroleum & Coal (+4.8%)*	Printing (-1.0%)	Plastics and Rubber (-20.9%)	Wood Products (-36.2%)
Chemicals (+0.2%)	Metals (-6.1%)	Machinery Manufacturing (-21.2%)	Leather (-36.7%)
		Transportation Equipment (-25.4%)	Textiles and Apparel (-39.1%)
	Paper (-14.1%)	Non-Metallic Minerals (-26.4%)	Miscellaneous Manufacturing (-42.4%)
	Food and Beverages (-14.5%)		Computer and Electronic Products (-47.2%)
			Furniture (-48.4%)

*Source: Source: Bureau of Labor Statistics, 2006-2012<sup>P</sup> (preliminary) private sector Quarterly Census of Employment and Wages, 27 June 2013,  
<http://data.bls.gov/pdq/querytool.jsp?survey=en> p=preliminary data*

*\* 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 131% increase (3,753 net new employees) between 2006 and 2012<sup>P</sup>.*

Below is a summary of major losses by industry.

**Furniture:** (2006-2012 net loss 3,135/-48.4%) This industry will continue to struggle as competition with Asian imports increases.

**Computers and Electronic Products:** (2006-2012 net loss 8,400/-47.2%) The closure of electronics manufacturers significantly affected 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.

**Leather:** (2006-2012 net loss 756/-36.7%) The loss of footwear manufacturers continues to plague the leather industry in Arkansas. Despite slight gains from modest shoe manufacturing expansions in recent years, the industry as a whole has contracted to a handful of companies.

**Textiles/Apparel:** (2006-2012 net loss 1,385/-39.1%) Since 2006, 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 lower-wage countries.

**Wood Products:** (2006-2012 net loss 4,956/-36.2%) This mature industry is of particular concern for future job losses in South Arkansas.

**Non-Metallic Minerals:** (2006-2012 net loss 1,222/-26.4%) One-quarter of Arkansas's non-metallic mineral jobs have been lost as building material production has declined.

**Transportation Equipment:** (2006-2012 net loss 4,290/-25.4%) Employment levels dropped as auto sector contraction continued. The prognosis for an industry turnaround is dependent upon the growth of existing aerospace companies and potential supplier relationships.

**Plastics and Rubber:** (2006-2012 net loss 2,729/-20.9%) Since 2006, Arkansas has lost a significant number of rubber and plastics jobs to foreign countries.

**Industrial Machinery:** (2006-2012 net loss 3,105/-21.2%) Most job loss has resulted from attrition and downsizing.

**Paper:** (2006-2012 net loss 1,649/-14.1%) This high-wage mature industry is of particular concern for future job losses throughout Arkansas.

**Metals:** (2006-2012 net loss 1,612/-6.1%) Arkansas's metals industry continues to drive the economy of Northeast Arkansas, particularly Mississippi County, resulting in an increase in primary metal production employment statewide. However, reductions in fabricated metals employment have resulted in overall metals industry contraction.

**Food and Beverages:** (2006-2012 net loss 7,571/-14.5%) Arkansas will continue to maintain a competitive advantage in food and kindred products; however, the loss of many poultry and bakery jobs continued to reduce employment in this sector.

**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, special events, and AEDC's web site. It also develops and produces various internal and external communications, including newsletters, press releases, reports and other collateral pieces. Marketing and Communications handles all news media inquiries on a daily basis and coordinates the gathering of information and responses to Freedom of Information (FOI) requests.

Specific marketing activities between January 1, 2012 and December 31, 2012 included:

- Planned and coordinated 12 statewide media events in which companies announced plans to either locate or expand in Arkansas.
- Working with our advertising agency, StoneWard, planned and coordinated an international marketing campaign based on our targeted industries/areas. This campaign featured fifteen second spots and banners on a variety of websites including CNN.com, cnbc.com, WallStreetJournal.com and areadevelopment.com.
- Placed targeted print advertisements in China Entrepreneur magazine.

- Working with our Japan and Southeast Asia Office and China Office, provided material and media guidance for events/trade shows, etc.
- Developed a new China Investment Guide. This detailed piece will allow AEDC's China Office to better promote and sell Arkansas as a business destination.
- Created and produced customized brochures/marketing pieces/postcards/newsletters for AEDC's Training, Grants, Small and Minority Business, Finance and Energy Divisions.
- Placed print ads, participated in sponsorships and provided Arkansas feature editorials to trade publications such as Area Development, the Leader, Trade and Industry Development and Site Selection.
- Participated in a special Arkansas advertising section in Delta Sky magazine. AEDC ran an ad in the section along with agencies/organizations such as Parks and Tourism, numerous colleges and universities, City of Little Rock and the Arkansas Arts Center.
- Placed ads in local publications including Arkansas Business and Talk Business Quarterly.
- In an effort to keep all Arkansans involved in economic development aware of recent news and initiatives, sent e-mails highlighting every new announcement/expansion to all professional economic developers, mayors, county judges, state agencies, legislators and other partners in the state.
- Worked with AEDC's Business Development Division in planning and hosting networking events in which AEDC leadership and economic developers from around the state could further develop relationships with site-location consultants. Events were held in Atlanta, Chicago and New York.
- Coordinated with the AEDC Business Development Division in developing specific email messaging targeting site location consultants, corporate real estate divisions, and other potential customers.
- Maintained AEDC's social media presence via Twitter and Facebook accounts.
- Worked closely with the Arkansas Energy Office (AEO), a division of AEDC, on media outreach for numerous energy education programs.
- Provided media/PR support to the Governor's Work-Life Initiative/Award and Governor's Award for Excellence in Global Trade program.
- Worked with AEDC's Small and Minority Business Division on promotion of our Small and Minority Business Directory and the value of becoming a certified Minority Business Enterprise. Placed ads in several local publications directing minority businesses to contact AEDC to start the certification process.



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

**AEDC's Strategies and Recommendations for the Next Legislative Session**

While not yet vetted with the Governor's Office or the Department of Finance and Administration, AEDC is considering the following legislative initiatives for introduction at the 2015 Regular Session of the Arkansas General Assembly:

1. **Technical revisions to existing legislation.** Propose minor revisions to programs administered by the AEDC.
2. **Amend the Amendment 82 enabling legislation** to specify that bills relating to the implementation of an Amendment 82 project do not have to be reviewed and voted on by a legislative committee. Instead, an Amendment 82 project can be voted on only on the floor of each house.
3. **Amend 15-3-301 et seq., to better define the Arkansas Research Alliance** as a formal organization composed of the chancellors of the research institutions and a specified number of private sector members.
4. **Develop processes to provide guidance on how bad debt should be handled through AEDC's Bond Guaranty Program.**
5. Act 1483 established the Arkansas Port, Intermodal and Waterway Development Grant Program which will receive funding for waterway grants from ad valorem taxes on barges. We may want to establish a similar **mechanism for funding rail projects.**
6. **Explore the potential to form a photonics alliance**, similar to the Aerospace Alliance to help promote the industry and establish opportunities for collaboration.
7. **Work to secure funding for the Regional Economic Development Partnership Act.**
8. **Funding for Knowledge-Based Initiatives.** Since 2003, AEDC has enhanced its focus on creating jobs for college graduates, especially those involved in science, technology, engineering and math (STEM) occupations. Historically, funding for these initiatives has come from General Improvement Funds. We will propose that many of these programs be funded from future General Revenues to ensure consistency and adequacy of funding.
9. **Constitutional amendment.** We hope to propose a constitutional amendment that will address needs critical to the successful formation of regional economic development efforts. We are evaluating a proposal that would address current constitutional constraints, clarify the ability of governmental units to work together for economic development purposes, provide financing opportunities and allow for regional governance, if approved by voters.

## **AEDC's Strategies and Recommendations for the Coming Year-Strategic Planning**

Recognizing that Arkansas was not fully prepared to compete for knowledge-based economic opportunities, Governor Beebe, in conjunction with AEDC, released Arkansas's first Strategic Plan for Economic Development in January 2009. A biennial update to that plan was released in January 2012 and is available on line at [www.arkansasedc.com](http://www.arkansasedc.com). The strategic plan built upon Governor Beebe's five goals for economic development.

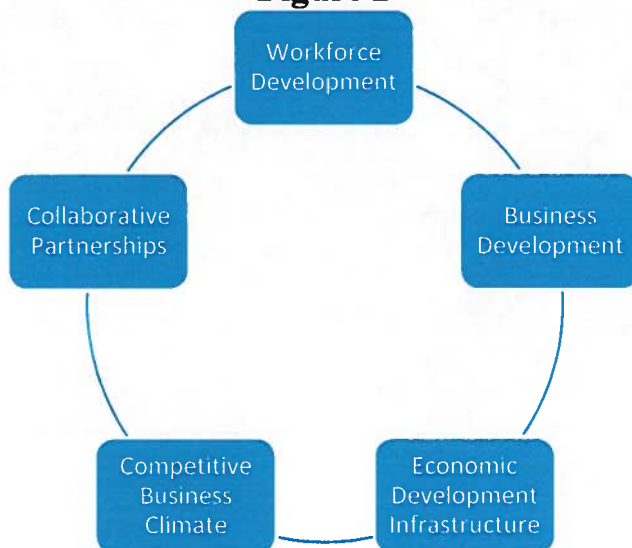
**Figure 1**

### **Governor 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.

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.

**Figure 2**

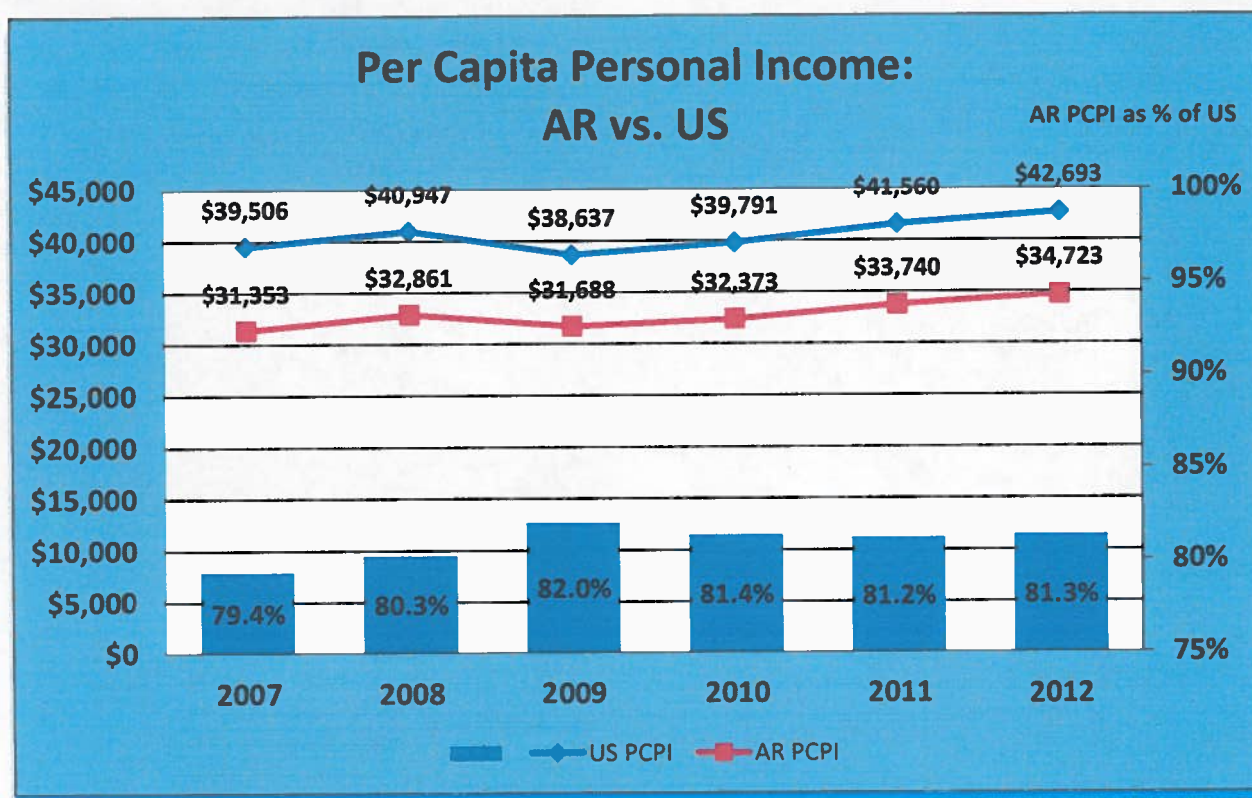


## Progress Toward Meeting Governor Beebe's Five Goals for Economic Development

### Goal 1: Increase incomes of Arkansans at a growth pace greater than the national average

Arkansas's per capita personal income (pcpi), as a percentage of the US average, rose slightly to 81.3 percent in 2012, after declining slightly between 2009 and 2011. Arkansas's ranking among states has improved from 47<sup>th</sup> in 2007 to 45<sup>th</sup> in 2012.

Chart 3

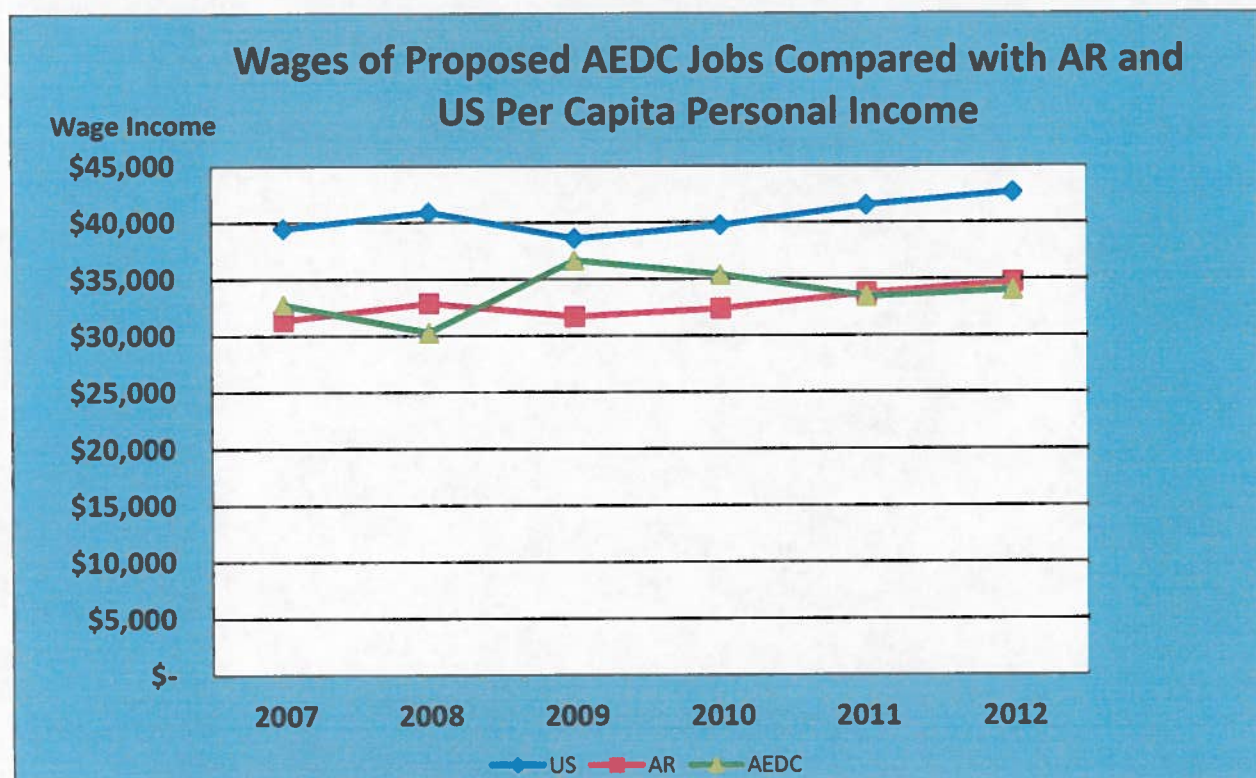


Source: Department of Commerce, Bureau of Economic Analysis, *Per Capita Personal Income*, March 27, 2013, online, available from <http://www.bea.gov/regional/index.htm> Dollar estimates in current dollars (not inflation adjusted).

In 2012, the AEDC signed financial incentive agreements for 98 projects with companies that propose to invest over \$2.35 billion in projects that will create 3,339 jobs paying an average hourly wage of \$16.37. As Chart 4 indicates, the proposed average hourly wage of AEDC-assisted jobs peaked in 2009, close to the US per capita personal income, but has since dipped to levels consistent with Arkansas's per capita personal income.



Chart 4



Source: Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income, March 27, 2013, online, available from <http://www.bea.gov/regional/index.htm> Dollar estimates in current dollars (not inflation adjusted) and AEDC New and Expanded Company Database 2007-2012.

## Goal 2: Expand knowledge-based entrepreneurship

Initiatives to expand entrepreneurship, a cardinal component of the knowledge-based economy, continue to abound throughout Arkansas. Programs to stimulate entrepreneurial skills at an early age cannot be overemphasized. Engaging students early through programs such as the **Youth Entrepreneurship Showcase (YES)** and **Environmental and Spatial Technologies (EAST)** have encouraged students to develop viable ideas into workable concepts/plans (YES) and student-driven service projects (EAST). Ongoing initiatives such as the **Donald W. Reynolds Governor's Cup**, a tri-state undergraduate and graduate business plan competition begun in Arkansas, have nurtured student teams to win national business plan competitions and incorporate their ideas into products and services. Additionally, **STEM Works** will accelerate and transform science, technology, engineering and math education to better prepare students to pursue college degrees in STEM disciplines.

Entrepreneurship is also being enhanced through post-secondary educational and private business research. To enhance coordination of these efforts, the **Arkansas Research Alliance**, a private, non-profit collaborative of Arkansas universities, businesses and government was established in January 2009 to guide the focus of research initiatives in Arkansas. The Arkansas Research

Alliance has worked with Governor Beebe to secure funding to recruit two eminent scholars in cancer research and bioenergy to Arkansas and is currently working to develop research competencies among its partners within nine research areas identified in a strategic assessment completed by the Battelle Technology Partnership Practice. These areas include:

- Enterprise Systems Computing
- Distributed Energy Network Systems
- Optics and Photonics
- Nano-related Materials and Applications
- Sustainable Agriculture and Bioenergy
- Food Processing and Safety
- Personalized Health Research
- Behavioral Research for Chronic Disease Management
- Obesity and Nutrition

Another catalyst of entrepreneurship – financing – has been bolstered by the establishment of an Equity Investment Tax Credit (EITC) and the Arkansas Risk Capital Matching Fund (RCMF). The **EITC** is an income tax credit that may be offered to investors in eligible companies at the discretion of the AEDC Executive Director. The credit shall not exceed thirty-three and one-third percent (33 1/3%) of qualified equity investments in eligible businesses. Program credits are capped at \$6.25 million annually. The **RCMF** was established as a separate fund within the Venture Capital Investment Trust (a public trust with the President of ADFA, President of ASTA and Director of the Arkansas Department of Finance and Administration as Trustees) containing two separate accounts, the Technology Validation Account and the Enterprise Development Account. Funds in the Technology Validation Account may be invested at a matching ratio of public to private investment equal to 1:9 and funds in the Enterprise Development Account may be invested at a matching ratio equal to 1:4. The primary purpose of the RCMF is to stimulate the growth of technology-based enterprises and is jointly managed by the AEDC, ADFA and ASTA.

Turning entrepreneurs' ideas into viable products and services was the idea behind **Innovate Arkansas**, a program of the AEDC and Winrock International that works with new, technology-based entrepreneurs to turn inventions and high-tech concepts into viable businesses. Through December 31, 2012, the Innovate Arkansas program had enlisted one hundred sixty-six (166) client companies to date; thirty-five (35) of those clients were added in 2012. Of the one hundred sixty-six (166) clients, ninety-six (96) were actively involved in the due diligence/mentoring process leading to commercialization. The remaining seventy (70) companies have become inactive for a variety of reasons, including lack of response, permanent relocation issues, and closings.

Finally, the enhancement of Arkansas's broadband capabilities is helping entrepreneurs throughout the state compete in global marketplaces. **Connect Arkansas**, a private, non-profit organization, is implementing a community-based initiative to promote Internet access and education through research, mapping and analysis; education through planning, communication and training; and, providing equipment and access that enhance Internet availability. Funding from the State of Arkansas and from Federal stimulus allocations is helping to enhance current research and broadband mapping efforts.

### **Goal 3: Compete globally for new jobs and reduce closures**

Ten (10) of the 98 projects that signed financial assistance agreements with AEDC in 2012 were by foreign-owned corporations. Cumulatively, these projects propose the creation of 314 new jobs.

During 2012, the AEDC fostered European trade and investment by attending a trade mission to Paris, France and attending various meetings with the Trade Commission of Spain. Additionally, AEDC made four visits to Asia. Each of these international trips is highlighted below:

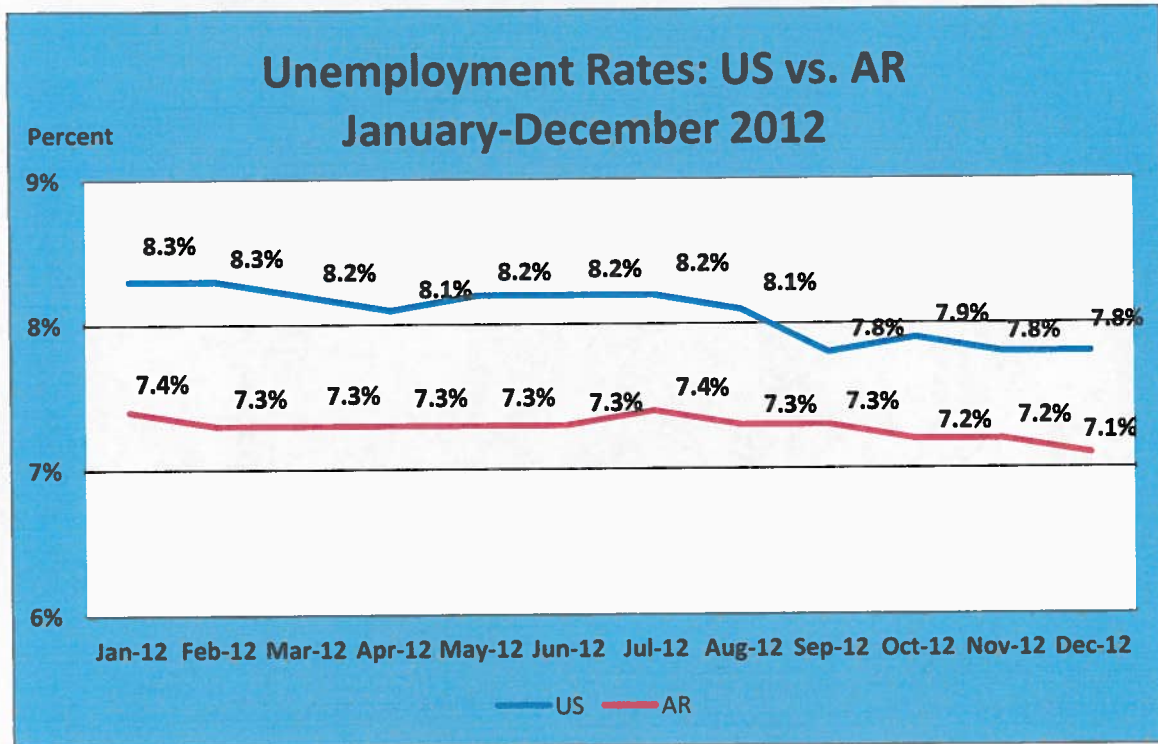
1. China (February). An advance trip was made to prepare for Governor Beebe's April visit.
2. China/Japan (April). Governor Beebe and AEDC staff met with 12 companies and key governmental officials during a 12-day visit. AEDC staff also visited Japanese corporate officials to discuss foreign direct investment in Arkansas.
3. France (June). Governor Beebe and AEDC staff met with companies in France that have Arkansas locations.
4. China/Japan (September). AEDC met with several Japanese corporations to discussion United States expansion plans.
5. China (December). AEDC and two community delegations visited a prospect in China.

AEDC's international project managers also:

- Attended trade shows and forums in the United States to meet representatives of foreign-owned companies.
- Received visitors from foreign delegations.
- Met with Counselor officials from China and Chinese Embassy officials.

State and local economic development officials have also been working with existing companies to retain and expand jobs. Continued work by the **AEDC Existing Business Resource Division** and local economic developers will ensure that Arkansas businesses will remain competitive. These job creation and retention efforts have helped to stabilize Arkansas's unemployment rate which remained approximately 1/2 to 1 percentage point below the national average through December 2012.

Chart 5



Source: Arkansas Department of Workforce Services, *Unemployment Rates and Labor Force Statistics*, seasonally adjusted rates, <http://www.discoverarkansas.net>, accessed 29 May 2013.

#### **Goal 4: Economic development policies will be tailored to meet the State's needs**

The AEDC, through the Community Development Division, is currently working with economic development officials throughout Arkansas to develop regional strategic plans that are symbiotic with Governor Beebe's Strategic Plan for Economic Development. These plans will focus on the regions' competitive advantages and build upon local strengths within each of the five economic development components of Governor Beebe's Strategic Plan for Economic Development. To date, the AEDC has provided funding to seven regions to implement regional strategic plans.

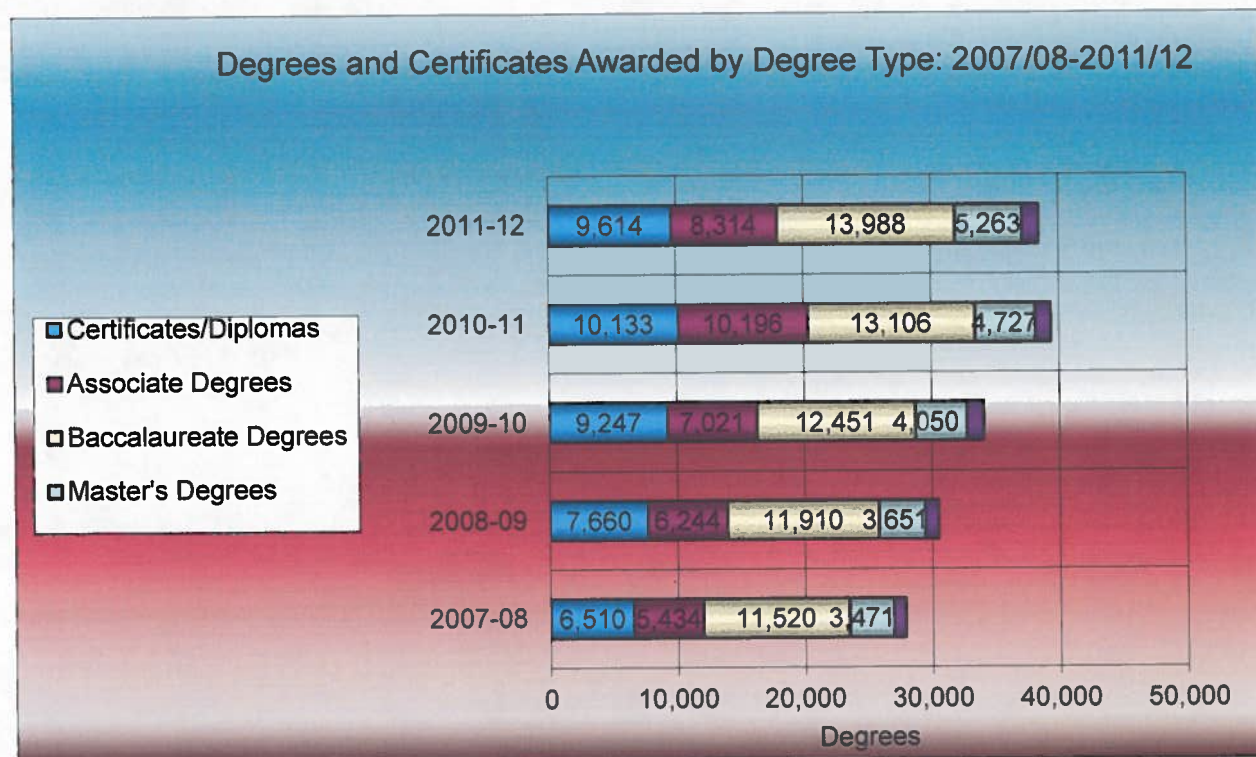
#### **Goal 5: Increase the number of workers with post-secondary training**

The Governor's Workforce Cabinet has been instrumental in improving the state's workforce development delivery system by reducing duplication of effort and sharing resources to advance development of a 21<sup>st</sup>- Century workforce. The Governor's Workforce Cabinet, together with the Arkansas State Chamber of Commerce, developed **Arkansas Works** <http://arworks.arkansas.gov/Pages/default.aspx>, a comprehensive web-based college and career planning system that provides education, job training and career planning tools and information to students, job seekers and prospective employers.



The percentage of Arkansans age 25 and older with a baccalaureate degree has exceeded 20 percent for the first time in 2011, but at 20.3 percent, still lags the U.S. average of 28.5 percent. Keeping students in school long enough to complete degree programs remains a challenge; however, the percentage of persons earning post-secondary degrees and certificates increased by 38 percent between 2007-08 and 2011-12.

**Chart 6**



Source: Arkansas Department of Higher Education, Research and Planning Division, *Academic Degrees and Certificates*, online, available from [http://www.adhe.edu/divisions/researchandplanning/Pages/rp\\_statistics.aspx#2](http://www.adhe.edu/divisions/researchandplanning/Pages/rp_statistics.aspx#2), 30 May 2013.



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

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

**Table 7**  
**2011-2012 Job Opportunities from Signed Incentive Agreements: New and Expanded Year-End Results**

Year	Type	Projects	Jobs	Total Investment	Average Hourly Wage	Cost Benefit Ratio
<b>2011</b>	New	6	221	\$20,339,080	\$17.07	
	Expanded	75	2,525	\$880,747,361	\$16.02	
	<b>Total</b>	<b>81</b>	<b>2,746</b>	<b>\$901,086,441</b>	<b>\$16.10</b>	<b>3.04</b>
<b>2012</b>	New	10	783	\$45,708,772	\$19.19	
	Expanded	88	2,556	\$2,304,428,464	\$15.60	
	<b>Total</b>	<b>98</b>	<b>3,339</b>	<b>\$2,350,137,236</b>	<b>\$16.37</b>	<b>*1.89</b>

*\* a cost benefit ratio of 1.89 means that, over a ten year period, the state will get back, in taxes, \$1.89 for each dollar of incentives used. The ratios for 2011 and 2012 would increase from \$3.04/\$1 to \$4.34/\$1 (2011) and \$1.89/\$1 to \$3.40/\$1 (2012), respectively, if non-job-creating statutory InvestArk incentive projects are excluded.*

**Table 8**  
**2011-2012 Arkansas Job Creation and Job Loss Comparison**

Jobs from Signed Incentives Agreements with AEDC Involvement - AEDC Target Sectors Only*	6,085
Jobs Lost Due to Closures – AEDC Target Sectors only*	5,372
Net Gain (+) / Loss (-) AEDC Target Sectors	+713
<i>Above data from Arkansas Department of Workforce Services Dislocated Worker Task Force and AEDC New &amp; Expanded Database. *Does not include retail, health, trucking, banking, etc.</i>	

**Table 9**  
**2011–2013 Year-to-Date Unemployment Comparison**

	AR Unemp Rate	US Unemp Rate
2011 annual average unemployment rate	7.9%	8.9%
2012 annual average unemployment rate	7.3%	8.1%
Current Month (May 2013) seasonally adjusted	7.3%	7.6%
<i>Sources: Arkansas Department of Workforce Services, Unemployment Rates and Labor Force Statistics, annual rates are not seasonally adjusted.</i>		

b. Comparison of actual performance to projections

**Table 10**  
**2013 Year-to-Date\* Job Creation/Closures**

<i>Job Creation</i>	<i>Jobs</i>	<i>Total Investment</i>	<i>Average Hourly Wage</i>
<b>2013 Year-to-Date Signed Incentive Agreements*</b>	1,702	\$595,735,766	\$17.03
<b>Pending Finalization of Incentive Agreements**</b>	2,049	\$1,349,868,000	\$21.26

**2013 Year-to-Date\* Non-Retail/Non-Service Closures**

<i>Job Closures</i>	<i>Companies</i>	<i>Jobs</i>
<b>2013 Year-to-Date</b>	9	1,210

\*Through June 30, 2013.

\*\*These projects will likely be reported in 2013.

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.

**Table 11**  
**2012 Per Capita Real GDP by State: Arkansas and Surrounding States**

<i>State</i>	<i>2012 GDP Per Capita*</i>	<i>National Rank</i>
<b>United States</b>	<b>\$42,784</b>	<b>--</b>
Texas	\$46,498	14
Louisiana	\$43,145	21
Tennessee	\$37,254	35
Missouri	\$36,815	36
Oklahoma	\$36,252	37
<b>Arkansas</b>	<b>\$31,837</b>	<b>48</b>
Mississippi	\$28,944	50

\*In chained 2005 dollars. Source: Gross Domestic Product by State, Bureau of Economic Analysis, 2012 Per Capita Real GDP by State, <http://www.bea.gov/regional/gsp/>, 6 June 2013.

**Table 12**  
**Percentage Change in GDP Per Capita by State (2009 to 2012)\***  
**Arkansas and Surrounding States**

<i>State</i>	<i>2009 Per Capita GDP by State</i>	<i>2012 Per Capita GDP by State</i>	<i>Percentage Change in GDP Per Capita by State (2009-2012)</i>
<b>United States</b>	<b>\$41,049</b>	<b>\$42,784</b>	<b>4.2%</b>
Texas	\$43,221	\$46,498	7.6%
Tennessee	\$35,189	\$37,254	5.9%
Missouri	\$35,663	\$36,815	3.2%
<b>Arkansas</b>	<b>\$30,991</b>	<b>\$31,837</b>	<b>2.7%</b>
Mississippi	\$28,289	\$28,944	2.3%
Louisiana	\$42,268	\$43,145	2.1%
Oklahoma	\$35,523	\$36,252	2.1%

*\*In chained 2005 dollars. Source: Gross Domestic Product by State, Bureau of Economic Analysis, Per Capita Real GDP by State, <http://www.bea.gov/regional/gsp/>*

## Labor Force

**Table 13**  
**Percent Labor Force Growth (2008-2012)**  
**Arkansas and Surrounding States**

<i>State</i>	<i>Percentage Labor Force Growth (2008-2012)</i>	<i>National Rank</i>
<b>United States</b>	<b>0.4</b>	<b>--</b>
Texas	8.1	1
Oklahoma	3.5	3
Mississippi	2.4	9
Tennessee	1.9	12
Louisiana	1.3	18
<b>Arkansas</b>	<b>-0.8</b>	<b>38</b>
Missouri	-1.9	44

*Source: U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics, <http://data.bls.gov/pdq/querytool.jsp?survey=la> and Labor Force Statistics from the Current Population Survey, <http://www.bls.gov/cps/>*

## Per Capita Personal Income

**Table 14**  
**Per Capita Personal Income Change 2010-2012**  
**Arkansas and Surrounding States**

<i>State</i>	<i>2010 Per Capita Income</i>	<i>2010 Rank</i>	<i>2011 Per Capita Income</i>	<i>2011 Rank</i>	<i>2012 Per Capita Income</i>	<i>2012 Rank</i>	<i>Change 2010-2012</i>	<i>National Rank</i>
<b>United States</b>	<b>\$39,791</b>	<b>--</b>	<b>\$41,560</b>	<b>--</b>	<b>\$42,693</b>	<b>--</b>	<b>7.3%</b>	<b>--</b>
Oklahoma	\$35,535	34	\$37,679	32	\$39,006	32	9.8%	4
Texas	\$38,222	25	\$40,147	25	\$41,471	25	8.5%	10
<b>Arkansas</b>	<b>\$32,373</b>	<b>45</b>	<b>\$33,740</b>	<b>45</b>	<b>\$34,723</b>	<b>45</b>	<b>7.3%</b>	<b>23 (tied)</b>
Missouri	\$36,406	30	\$37,969	30	\$39,049	31	7.3%	23 (tied)
Tennessee	\$35,103	35	\$36,567	35	\$37,678	34	7.3%	23 (tied)
Mississippi	\$30,841	50	\$32,000	50	\$33,073	50	7.2%	27
Louisiana	\$37,116	28	\$38,549	28	\$39,413	29	6.2%	46

Source: US Department of Commerce, Bureau of Economic Analysis, Regional Accounts Data, State Annual Personal Income

<http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=4#reqid=70&step=1&isuri=1>  
31 May 2013.

## Unemployment Rates

**Table 15**  
**Unemployment Rate**  
**Annual Averages 2011-2012**  
**Arkansas and Surrounding States**

<i>State</i>	<i>2011 Unemployment Rate</i>	<i>2012 Unemployment Rate</i>	<i>National Rank 2012</i>
<b>United States</b>	<b>8.9%</b>	<b>8.1%</b>	<b>--</b>
Oklahoma	5.9%	5.2%	5
Louisiana	7.3%	6.4%	15
Texas	7.9%	6.8%	17
Missouri	8.4%	6.9%	19
<b>Arkansas</b>	<b>7.9%</b>	<b>7.3%</b>	<b>26</b>
Tennessee	9.3%	8%	31
Mississippi	10.5%	9.2%	45

Source: U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics,  
<http://data.bls.gov/pdq/querytool.jsp?survey=la>

## Hourly Earnings

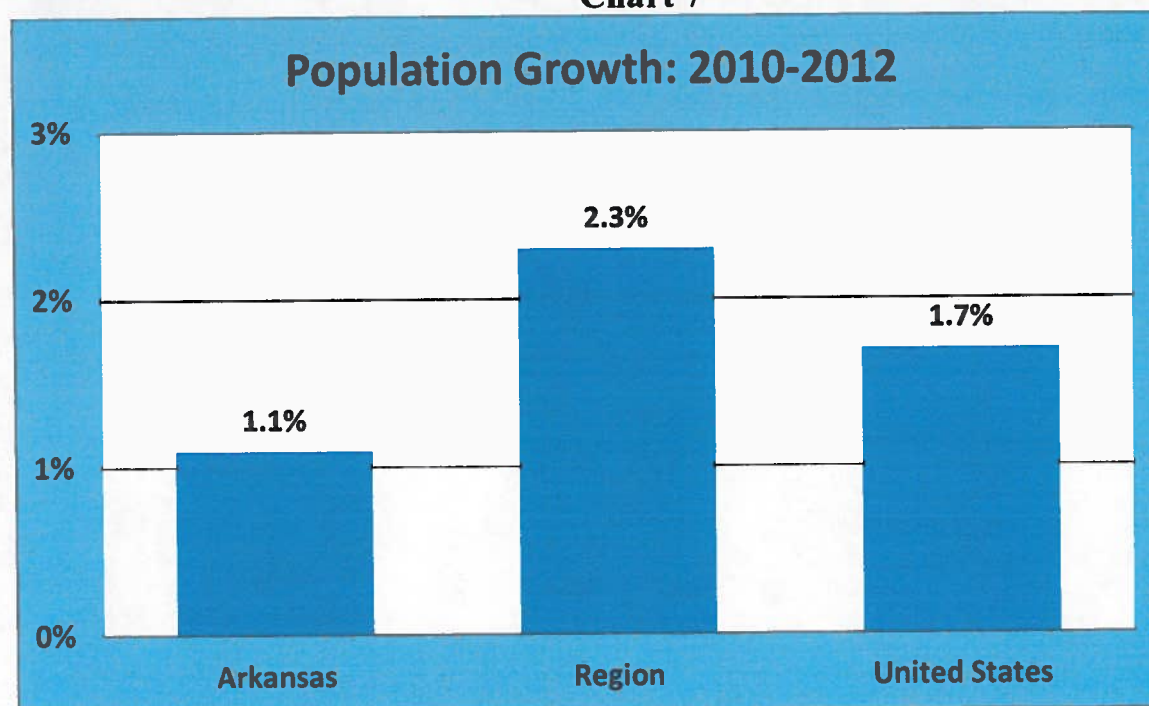
**Table 16**  
**Average Hourly Earnings of Manufacturing Production Workers (2012)**  
**Arkansas and Surrounding States**

<i>State</i>	<i>Hourly Earnings</i>	<i>National Rank</i>
<b>United States</b>	<b>\$19.08</b>	<b>--</b>
Louisiana	\$20.43	9
Texas	\$18.55	19
Missouri	\$18.05	32
Oklahoma	\$16.89	41
Tennessee	\$16.64	42
Mississippi	\$15.90	47
<b>Arkansas</b>	<b>\$15.20</b>	<b>50</b>

*Source: U.S. Department of Labor, Bureau of Labor Statistics, Current Employment Statistics, 2012 Annual Averages, Not Seasonally Adjusted <http://data.bls.gov> (national) and U.S. Department of Labor, Bureau of Labor Statistics, State and Area Employment, Hours and Earnings, 2012 Annual Averages, Not Seasonally Adjusted <http://www.bls.gov/data/>*

## Population Growth (Region\*)

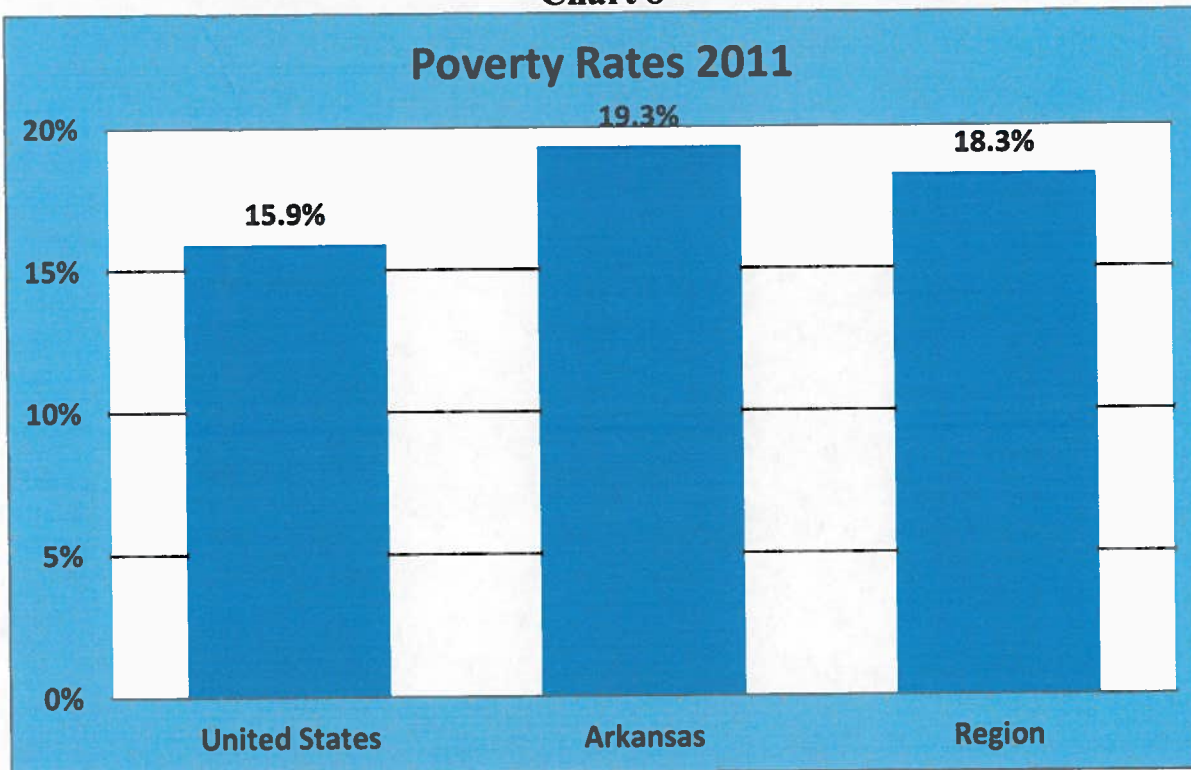
**Chart 7**



*Source: US Census Bureau, Annual Estimates of the Resident Population for the United States, Regions, States, and Puerto Rico: April 1, 2010 to July 1, 2012, <http://www.census.gov/popest/data/state/totals/2012/index.html> , 31 May 2013.*

## Poverty Rates (Region\*)

Chart 8



\*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, <http://www.census.gov/did/www/saipe/data/statecounty/index.html>

## Comparative State Indices

Since the inaugural Act 1282 Report in 2002, the AEDC has utilized various state indices to gauge economic competitiveness and progress of the State of Arkansas.

## Quality Counts (Education Week)

*Quality Counts* is *Education Week's* annual report on state-level efforts to improve public education. *Quality Counts* grades states in the following areas:

- Chance for Success
- Standards, Assessments, and Accountability
- Teaching Profession
- School Finance
- Transitions and Alignment
- K-12 Achievement

In 2013, Arkansas ranked fifth nationally, ahead of all contiguous states. Table 17 below contains scores (from 1-100) for each of the above areas and the overall ranking for Arkansas and surrounding states.



**Table 17**  
**Quality Counts Index**  
**Arkansas and Surrounding States**

State	Chance for Success	Standards, Assessments, Accountability	Teaching Profession	School Finance	Transitions and Alignment	K-12 Achievement	Overall Ranking
Arkansas	71.5	94.4	88	73.7	96.4	66.3	5 <sup>th</sup>
Texas	73.2	92.2	78.3	68.6	92.9	71	14 <sup>th</sup>
Louisiana	69.9	97.2	79.6	75.3	92.9	59.1	15 <sup>th</sup>
Tennessee	70.9	90	80.3	67.4	92.9	64.1	22 <sup>nd</sup>
Oklahoma	72.7	93.3	71.6	66.8	89.3	65.4	31 <sup>st</sup>
Missouri	77.6	78.9	69.3	70.6	75	65.4	41 <sup>st</sup>
Mississippi	68.9	92.8	66.5	66.1	75	56.6	47 <sup>th</sup>

Source: Education Week, Quality Counts 2013, State Report Cards, <http://www.edweek.org/>

**Assets and Opportunities Scorecard, Published January 2013**  
**Corporation for Enterprise Development (CFED)**

The *Assets & Opportunity Scorecard* evaluates state policies which effect citizens' financial security and opportunities to create a more prosperous future by quantifying 102 outcome and policy measures affecting wealth, poverty and financial security. States are graded by these measures within the following categories:

- Financial Assets and Income - Are there widespread opportunities for wealth creation and protection, particularly for low-income residents?
- Businesses and Jobs - Is the opportunity to grow a business or get a job that pays a sufficient wage with benefits available to all those who choose to pursue it?
- Housing and 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 residents have access to the education and training they need to get ahead?

Table 18 below contains scores for Arkansas and surrounding states for each of the above categories:

**Table 18**  
**Assets and Opportunities Scorecard**  
**Arkansas and Surrounding States**

State	Financial Assets and Income	Businesses and Jobs	Housing and Homeownership	Health Care	Education	Overall
Missouri	C	C	C	C	C	31 <sup>st</sup>
Oklahoma	D	B	B	D	C	32 <sup>nd</sup>
Texas	D	C	B	F	D	39 <sup>th</sup>
Louisiana	D	C	D	C	D	40 <sup>th</sup>
Tennessee	D	D	C	C	D	44 <sup>th</sup>
<b>Arkansas</b>	<b>F</b>	<b>F</b>	<b>C</b>	<b>C</b>	<b>F</b>	<b>46<sup>th</sup></b>
Mississippi	F	F	C	C	F	49 <sup>th</sup>

*Source: Corporation for Enterprise Development, Assets and Opportunities Scorecard, <http://assetsandopportunity.org/scorecard/>*

The *Assets & Opportunity Scorecard* also assesses states on the strength of 12 asset-building and asset-protection policies that help families move along a path from financial insecurity to economic opportunity. Among these policies are: increasing support for microenterprises, providing college savings incentives, and increasing job quality standards. In 2013, Arkansas ranked 16<sup>th</sup> among states in these policies.

#### **The State Competitiveness Index 2012 (Beacon Hill Institute)**

The twelfth 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 personal income and its continued growth. Scores are indexed at 10.



**Table 19**  
**State Competitiveness Index**  
**Arkansas and Surrounding States**

<i>State</i>	<i>2012 Index Score</i>	<i>2012 National Rank</i>	<i>2011 National Rank</i>	<i>Change in Rank (2011-2012)</i>
Texas	6.18	7	15	+8
Louisiana	4.24	37	40	+3
Tennessee	4.27	36	38	+2
Missouri	4.64	32	33	+1
Mississippi	3.11	50	50	-
<b>Arkansas</b>	<b>4.11</b>	<b>41</b>	<b>34</b>	<b>-7</b>
Oklahoma	3.68	45	35	-10

*Source: Beacon Hill Institute, State Competitiveness Report 2012, <http://www.beaconhill.org/Compete12/Compete2012.pdf>, State Competitiveness Report 2011, <http://www.beaconhill.org/Compete11/Compete2011.pdf>*

Among the various factors, Arkansas ranked highest in infrastructure (10<sup>th</sup>) and business incubation (11<sup>th</sup>). Lowest scores were in technology (49<sup>th</sup>) and openness (44<sup>th</sup>). Arkansas's major competitive advantages and disadvantages in regard to economic development are listed below in Table 20.

**Table 20**  
**Arkansas's Competitive Advantages and Disadvantages**  
**Beacon Hill Institute Competitiveness Index**

<b>Competitive Advantage</b>	<b>Rank</b>	<b>Competitive Disadvantage</b>	<b>Rank</b>
Workers Comp Premium Rates	3	Crime Index	48
Minimum Wage	4	Crime Index Change 2010-2011 (Percentage)	47
Unionization Rate	4	Physicians Per 100,000 Inhabitants	47
Average Rent of Two Bedroom Apartment	5	Scientists and Engineers as Percentage of Labor Force	47
Ed Attainment-Adjusted Labor Cost	7	Patents Per 100,000 Inhabitants	47
Electricity Prices per kWh	7	Science & Engineering Grads and Degrees Awarded Per 100,000 Inhabitants	47

## **America's Top States for Business 2013 (CNBC)**

This index, published by CNBC, with input from the National Association of Manufacturers and the Council on Competitiveness, ranks each state according to 55 measures across 10 broad categories which include: cost of doing business; workforce; quality of life; infrastructure; economy; education; technology and innovation; business friendliness; access to capital; and, cost of living. Arkansas's ranking of 24<sup>th</sup> was higher than Oklahoma (25<sup>th</sup>), Missouri (26<sup>th</sup>), Mississippi (41<sup>st</sup>) and Louisiana (43<sup>rd</sup>) but lower than Texas (2<sup>nd</sup>) and Tennessee (13<sup>th</sup>).

Among the various factors, Arkansas rated highest in cost of doing business (4<sup>th</sup>), cost of living (7<sup>th</sup>) and workforce (7<sup>th</sup>) but lagged in business friendliness (43<sup>rd</sup>), quality of life (40<sup>th</sup>) and technology and innovation (38<sup>th</sup>).

## **Rich States, Poor States**

### **ALEC-Laffer State Economic Outlook Rankings, 2013**

The sixth edition of this publication ranks states according to their economic performance and economic outlook according to multiple state economic policies and economic variables pertaining to per capita personal income, payroll employment, various tax rates and burdens and workforce/labor costs. Arkansas fared well, ranking 22nd in economic performance and 24th in economic outlook. Arkansas's worst rankings were for: sales tax burden, public employees per 10,000 of population, personal income tax progressivity, recently legislated tax changes (2010-2011) and state liability system.

## **Evidence Counts (PEW Center on the States)**

### **Evaluating State Tax Incentives for Jobs and Growth**

This report examined the effectiveness of each state's business tax incentive program evaluations to determine how well they inform policy choices, include all major tax incentives, measure economic impact and draw clear conclusions. Overall, Arkansas was ranked as one of 13 states "leading the way" largely due to the *quality of evaluation* (i.e., AEDC economic impact analyses of all projects offered incentives and the requirement that legislative audit conduct periodic audits of Consolidated Incentive Act programs). Arkansas did fall short somewhat in *scope of evaluation* by not "using the data to inform policy choices." Only Arizona, Iowa, Oregon and Washington have integrated evaluation of their major incentives into the policy process, ensuring that those investments are regularly reviewed.

## **Forbes Best States for Business and Careers**

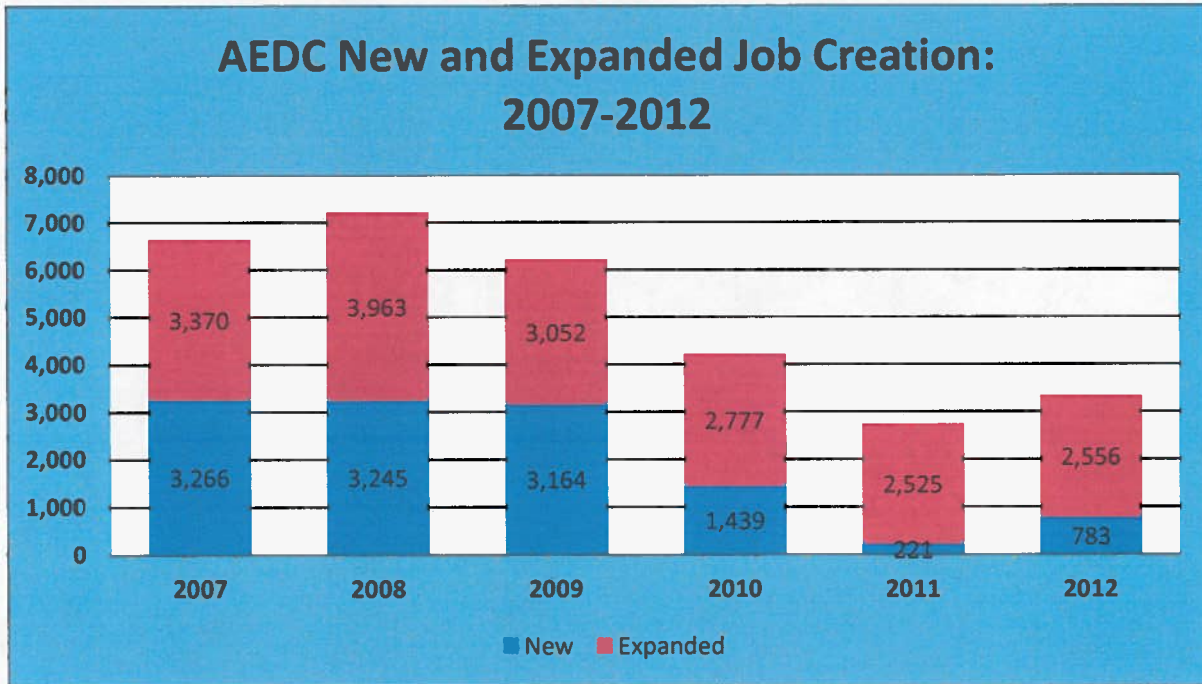
This report ranks states according to six categories for business, including: costs, labor supply, regulatory environment, current economic climate, growth prospects and quality of life.

Arkansas's overall ranking of 35<sup>th</sup> in 2012 was mixed with high rankings for business costs (10<sup>th</sup>) and economic climate (26<sup>th</sup>) but poor rankings in labor supply rank (43<sup>rd</sup>) and quality of life (45<sup>th</sup>). Texas ranked highest overall among surrounding states (7<sup>th</sup>) and Mississippi ranked lowest (46<sup>th</sup>).

**d. Evaluating Arkansas's business climate in 2012**

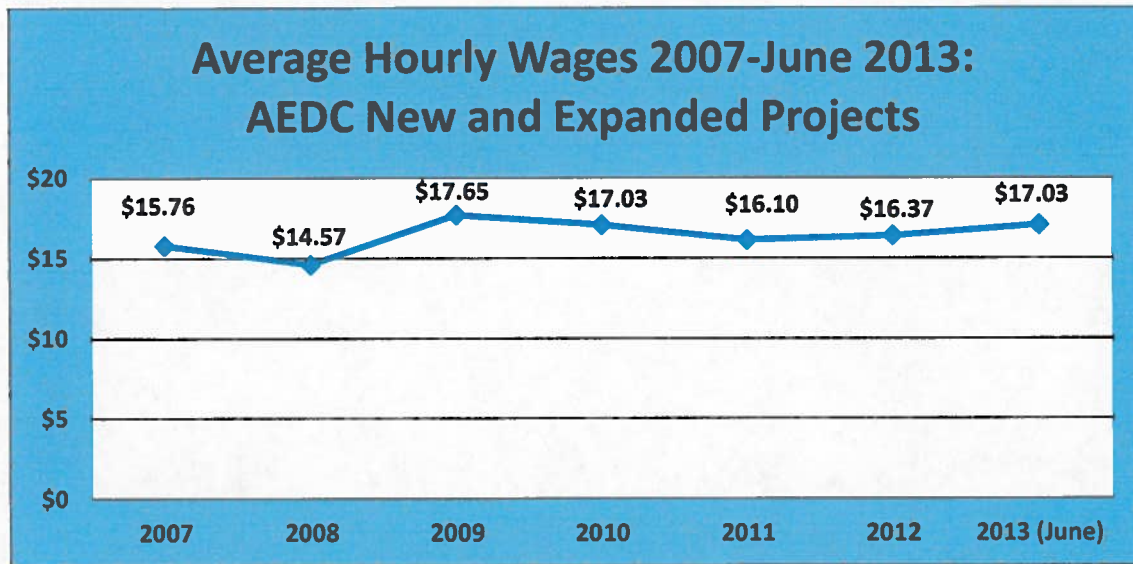
For the first time since 2008, the number of jobs proposed to be created by companies signing assistance agreements with AEDC increased from the previous year. Proposed investment also increased dramatically, more than doubling between 2011 and 2012. The \$2.35 billion in investment far exceeded the record investment of \$1.696 billion in 2008. Seventy-eight percent of proposed new job creation will be from existing Arkansas industries.

**Chart 9**



Existing businesses also accounted for a vast majority of proposed investment for 2012. Of the \$2,350,137,236 proposed investment by businesses signing financial assistance agreements with AEDC in 2012, 98 percent was by existing businesses. A vast majority of this investment was proposed by minerals, refining, food and kindred products, forest products and metals industries. The average hourly wages of jobs from signed incentive agreements also increased slightly in 2012, up from \$16.10 in 2011. As stated earlier in this report (see Chart 4) these wages are consistent with Arkansas per capita personal income levels.

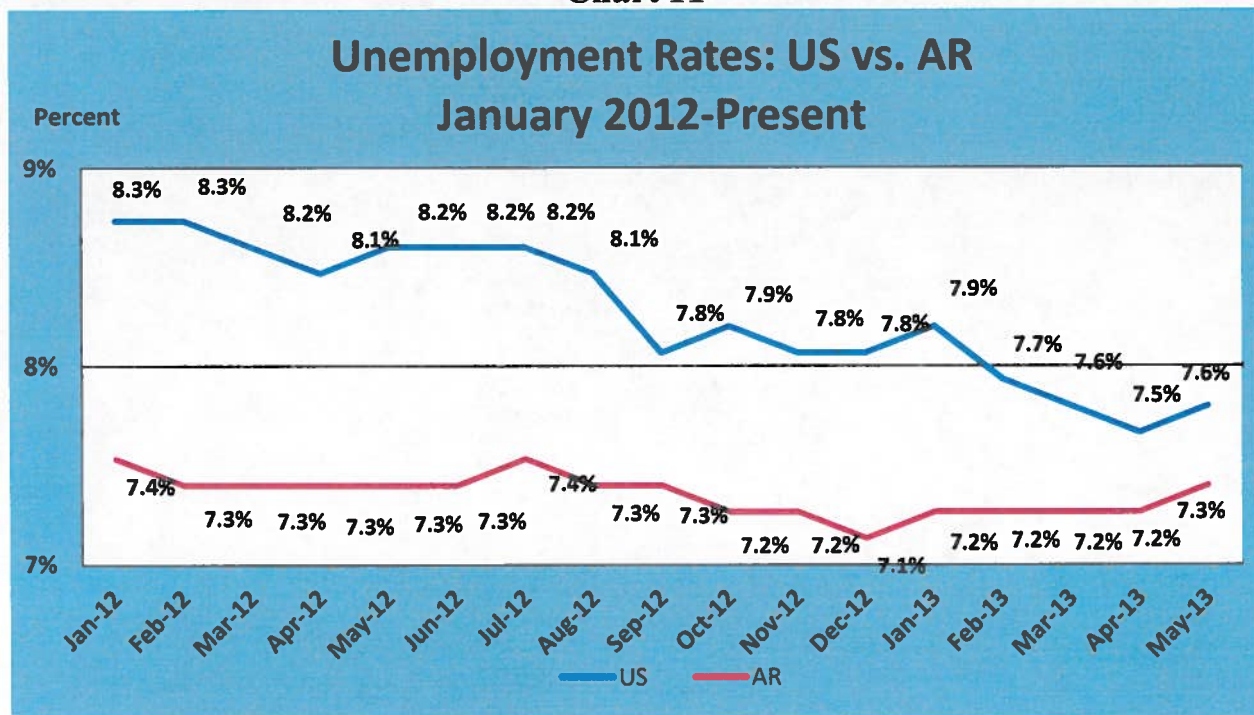
Chart 10



Note: \*Data may differ slightly from previous Act 1282 reports due to assistance agreement modifications.

Monthly unemployment rates in Arkansas peaked at 7.4 percent in January and July 2012 but have remained from .3 to 1 point below the United States rate.

Chart 11



Source: Arkansas Department of Workforce Services, *Unemployment Rates and Labor Force Statistics*, <http://www.discoverarkansas.net/cgi/dataanalysis/AreaSelection.asp?tableName=Labforce>, 25 June 2013.