



Update on Commerce Divisions

COVID-19 Response

Since the onset of the COVID-19 pandemic, AEDC provided critical support to businesses and individuals dealing with the economic impact of the pandemic:

- \$138M in grants and forgivable loans to 12,000 Arkansas businesses
- \$10M in grants to 27 rural hospitals
- \$7.8M in forgivable loans to providers of services to the developmentally disabled
- \$10M in rental assistance to over 13,000 Arkansans struggling to pay rent
- \$12M in grants to help local communities in their COVID-19 response
- \$4.7M in grants to address food insecurity.

In addition to the above assistance already provided, in the coming months ADFA will be disbursing:

- \$63.3M in mortgage and utility assistance to Arkansas homeowners
- \$58M to assist small businesses and start-ups.

Most significantly, DWS paid over \$3B in unemployment benefits to over 250,000 Arkansans who faced a temporary loss of employment during the pandemic.

While we continue to respond to the effects of the pandemic, we know that the darkest days are now behind us, and the Arkansas economy is coming back strong. Each of our Commerce divisions are now returning to our core focus, which is reflected in our mission statement: **To champion economic opportunities through strategic initiatives and an equitable regulatory environment that attracts and grows businesses, safeguards consumers, enhances workforce quality, and energizes our infrastructure, creating a better quality of life for all Arkansans.**

Below are some additional updates on each of the Commerce divisions:

Arkansas Development Finance Authority (ADFA)

- Governor appointed Mark Conine as the new President of ADFA
- Increased coverage of mortgage lenders and mortgage bankers that has led to record mortgage volume.
- Redesigned and implemented operating procedures internally and externally to increase efficiency and better promote Economic Development.
- Advanced the realtor and mortgage banker training programs.

Arkansas Economic Development Commission (AEDC)

- In 2021, AEDC finalized new incentive agreements with 26 new or expanding companies to create 2,175 new jobs with an average wage of \$21.42 and invest \$619,386,986.
- Established the Small Business and Entrepreneurship Development division. The new division focuses on entrepreneurship and small business development in Arkansas to address the unique needs of early stage and small businesses. The division will guide AEDC's efforts to assist, champion and promote small businesses and entrepreneurs, as well as identify and implement best practices to increase entrepreneurial activity in Arkansas.

Division of Aeronautics

- Working with the Northeast Arkansas Mayor's Caucus, the FAA, and members of the state Legislature are exploring the possibility of a Northeast Arkansas Regional airport. The division is applying for a grant from the Southwest Region FAA Airports District Office to fund a feasibility study.
- In FY2021, the division awarded 86 grants totaling just over \$8,653,000 which leveraged over \$23,00,000 for airport improvements statewide.
- The division is implementing a new electronic grant program which will make the grant submission and payment process much easier and more efficient for our airports and the division.

Arkansas Insurance Department (AID)

- NAIC Financial Regulation Standards and Accreditation (F) Committee awarded accreditation to Arkansas and four other state insurance departments. Accredited insurance departments undergo comprehensive, independent review every five years to ensure they meet financial solvency oversight standards.
- AID became a member of AIRROC (Association of Insurance & Reinsurance Run-Off Companies). AIRROC is the only US based non-profit association focusing on the legacy sector of the insurance and reinsurance industries. With the Insurance Business Transfer (IBT) Act (ACT 1018) now in effect, the education and networking opportunities that AIRROC offers will be invaluable to IBT implementation and bringing legacy business to Arkansas.

Arkansas State Bank Department (ASBD)

- ASB currently oversees 73 state-chartered banks with aggregate total assets of \$132 billion which is an increase of \$26 billion since the start of the pandemic.
- The overall health of the banking industry is strong, and it has weathered the effects of the past two years with significant resilience.
- Merger and acquisition activity is beginning to return within the industry which will provide an opportunity for Arkansas banks to further expand their market share.
- Arkansas state-chartered banks maintain facilities in twelve states and Arkansas is ranked sixth in the nation for the number of state-chartered banks that each exceed \$10 billion in total assets.

Arkansas Division of Workforce Services (ADWS)

- DWS continues to clear the backlog of claims from the pandemic while pivoting to supporting employers through local job fairs and with mobile workforce units traveling throughout the state.
- A new senior leadership team has been brought on board with the goal of improving the culture and service level within the division.
- In the last year, DWS Arkansas Rehabilitation Services served over 10,000 Arkansans with disabilities. ARS helped increase their employment rate drastically from the previous year, up to 62.9% from 38.6% the previous year.
- The Division of Services for the Blind (DSB) is currently serving 759 Vocational Rehabilitation consumers, 66 Potentially Eligible consumers, and 261 older individuals who are blind (OIB) consumers.

Office of Skills Development (OSD)

- Expansion of apprenticeships has been a focus of OSD and the division is currently in production of a video that will launch during National Apprenticeship Week encouraging employers to adopt apprenticeships as a workforce recruitment, development, and retention strategy.
- OSD is seeking input from stakeholders on transitioning Arkansas from an Office of Apprenticeship state to a State Apprenticeship Agency bringing more control to Arkansas and becoming less reliant on federal government oversight.
- Act 757 of 2021 required OSD to be a partner in the expansion of LPN programs at secondary career centers around the state. The division is working with the Dept. of Education, State board of Nursing, and post-secondary nursing personnel to replicate the UA Fort Smith pilot program to other secondary centers partnered with a post-secondary institution around the state with the goal of graduating students out of High school as a Licensed Practical Nurse.

Arkansas Securities Department (ASD)

- During Fiscal Year 2021, ASD generated over \$20 million in revenue with \$17 million of that being directed to the state's General Revenue Fund.
- ASD enforcement staff participated in an international COVID-19 Task Force with over 100 investigators from 44 jurisdictions including the United States, Canada, and Mexico. This task force of securities regulators worked to bring actions against fraudsters looking to capitalize on the pandemic.
- The department also brought securities fraud cases against precious metals companies and online cryptocurrency investment operators aiming to defraud Main Street Arkansans.
- In calendar year 2020, ASD processed approximately 33 registrant and licensee exams. They also processed 5,569 new licensing applications under the Fair Mortgage Lending Act, in addition to the 6,576 applications processed as renewals. Under the Uniform Money Services Act, licensure for all money services business transitioned to an online platform.

Arkansas Waterways Commission (AWC)

- In federal FY21 appropriations, AWC successfully obtained funds included to complete PED on Three Rivers; \$16 million in additional funds above President's budget for O&M; funds included to complete economic update on 12-foot channel deepening. AWC is working to ensure MKARNS appropriations are a priority in the FY22 budget.
- AWC is currently entered into P3 agreements with the United States Army Corps of Engineers Little Rock District to redesign tow haulage at Murray Lock and Dam and to design a self-scouring model for NM 222, where frequent shoaling occurs. To date \$250,000.00 in funds from the Arkansas River Navigation Fund have been used for these projects as a 50-50 cost share between AWC and USACE.
- AWC has worked closely with other stakeholders to plan and participate in events to celebrate the 50th Anniversary of the MKARNS
- 2021 grant award recipients included: Crossett Port Authority (Ouachita River) \$38,692; Helena Harbor and Chicot-Desha Metropolitan Port Authority (Mississippi River) \$287,800 and \$72,274, respectively. Funds are used for port and infrastructure development.

Arkansas Wine Producers Council (AWPC)

- The Arkansas Wine Producers Council (AWPC) has a scheduled quarterly meeting on Tuesday, October 12 in Altus. During this meeting, Commerce will provide an update on the process to use existing funds that have been collected from statewide grocery store wine permit fees specifically set aside by the State Legislature for the AWPC.
- Approximately \$2M have been collected from grocery store wine permit fees that can be used to construct and operate a wine tourism center in Franklin County.
- The first step to begin the construction process is hiring an architect to develop building plans for the wine tourism center. The process of selecting and hiring an architect is what will be discussed next week, along with a general timeline of other future steps. Selecting and hiring the architect will be overseen by the TSS Building Authority (as required by law) and should be completed within a few months.

Significant Department Projects

State Broadband Office: The Arkansas Department of Commerce Broadband office oversees the Arkansas Rural Connect program, including oversight of incoming federal grants to facilitate the deployment of high-speed broadband service to rural communities across Arkansas. In FY 2021, 76 grants were awarded totaling \$118M. To date for FY 2022, \$91.9M has been approved and distributed in grant funding for the program.

UI Modernization: Pursuant to Act 667 of 2021, DWS will be allocated up to \$35M of unemployment stabilization tax proceeds to be used to modernize the state's IT system that administers unemployment benefits. The current system is decades old and presents challenges in terms of reliability and accessibility. The RFP has been issued, and a vendor is expected to be designated before the end of the year.

Transformation Examples

Cost Savings:

Office space consolidations into the main Commerce Department building that started at the end of calendar year 2019 have yielded annualized cost savings to the divisions of approximately \$1 million.

Commerce surrendered 112 positions between July 1, 2019, through March 4, 2020. Another 81 positions were surrendered in July – adding those to the 112, a total of 193 positions have been surrendered since 2019.

Integration of department divisions such as AEDC, ADFA, AWC, DWS, and OSD and their implementation of a shared services model for certain administrative functions continues with expected cost efficiencies to continue to be attained over time.

Division Collaboration:

Commerce Call Center- During the height of the pandemic, the Department of Commerce created a call center located at 1 Commerce Way that utilized six other department divisions to assist with lower-level unemployment insurance issues to help alleviate the call volume at DWS. A total of 53 employees from Commerce, two from the Governor's office and one from Transformation and Shared Services participated. The call center began taking calls on March 31, 2020 and completed operations on July 20, 2020. Total calls taken for the call center totaled 70,779.

Future Fit- While social distancing limited the ability to deliver in-person classes at most schools, **AEDC** worked with our partners at **OSD** to modify curriculum delivery requirements to ensure classes could continue. Those colleges that were willing to continue the program were afforded the latitude teach Future Fit utilizing a hybrid method of delivery focusing on online classes. As a result of these modifications, new content was developed that allowed existing schools to continue program delivery. This new content also facilitated the expansion of the program to schools which were previously unable to deliver Future Fit due to limitations with instructors or class sizes.

Hiring Events- As companies continue to increase production, the limiting factor for most operations in reaching their full potential is workforce. **AEDC** has partnered with **DWS** on numerous hiring events across the state to assist businesses in meeting their employment needs. These events utilize ADWS Mobile Workforce Centers to reach potential applicants in areas that are not served by a physical office and provided exposure to AEDC and ADWS services to citizens and businesses across the state.

ReSkill Arkansas was a program launched in November of 2020 to assist individuals with upskilling/reskilling into careers in the Information Technology and Manufacturing Sectors. This includes an online assessment of aptitudes that is reviewed by a specialist. Once that review is completed and if an individual has tested at a certain level of proficiency, they are able to enroll into training in either of the two targeted sectors. This has been done via a partnership with the Division of Workforce Services, Unemployment Insurance, and the Arkansas Center for Data Sciences. This effort will now be made available to a larger group of Arkansans so they can take advantage of these opportunities as well. This is at no cost to the individual and can potentially include real world work experience for employers prior to being hired as a paid work-based learning experience.

Staffing

2015
1655

2016
1605

2017
1580

2018
1546

2019
1510

2020
1461

2021
1466

Legislative Initiatives

- With the help of legislative sponsors, the Department of Commerce introduced 23 bills that were signed into law.
- Significant legislation for the department includes Act 667 for unemployment insurance modernization which amends the law to modify the UI program to prevent, detect, and recover unemployment insurance fraud. In addition, Act 153 that authorizes the director DWS to issue a non-charge of unemployment benefits paid, including retroactively to April 2020, to the separate account of each employer if the benefits paid are a result of declared disasters.