

July 11, 2018

Senator Bill Sample, Chair
Representative Jim Dotson, Chair
Arkansas Legislative Council
Room 315, State Capitol
Little Rock, AR 72201

Dear Senator Sample and Representative Dotson:

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

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 2018, as required by Act 510 of 2007.

During 2017, the AEDC signed financial assistance agreements for 133 projects that are projected to create 3,460 jobs, at an average hourly wage of \$21.81, and stimulate \$3.184 billion in capital investment. The projected average wage and proposed capital investment are the highest on record. With continued support from Governor Hutchinson and the General Assembly, especially through the Quick Action Closing Fund, the Arkansas Economic Development Commission is aggressively and proactively working to meet Arkansas's economic challenges.

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

Sincerely,



Michael Preston
Executive Director

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Enclosure

Summary of Act 1282 Report (Calendar Year 2017)

- Enabling Legislation:** Act 1282; April 4, 2001; 83rd General Assembly, Regular Session
- 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 2017 is the 17th edition.

Summary of Recent Act 1282 Reports (Calendar Years 2015-2017)

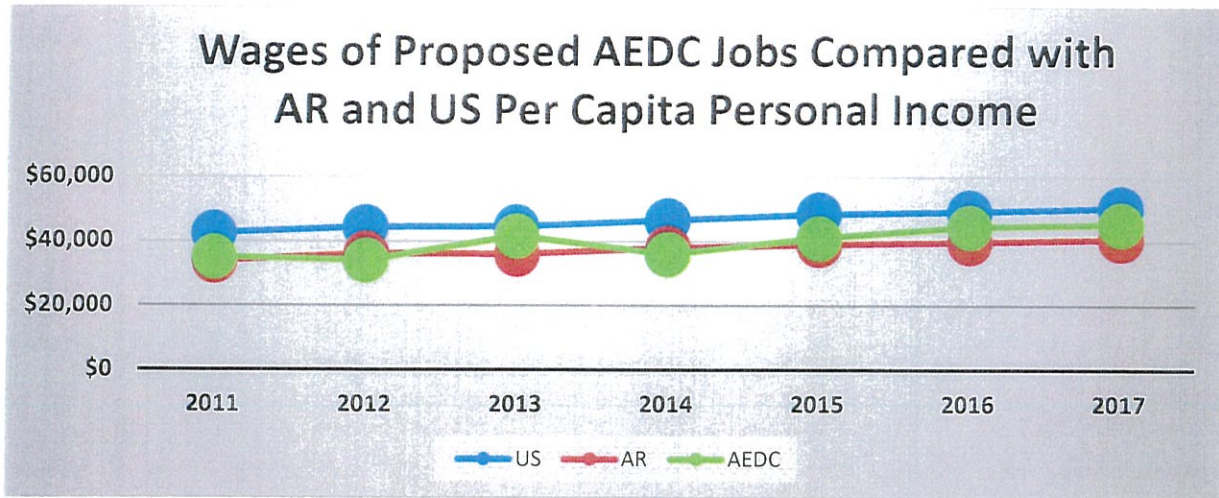
Between January 1, 2015 and December 31, 2017, the AEDC signed *financial incentive agreements* for 339 projects with companies proposing the creation of 12,805 new jobs. *(Please note: these are jobs counted after all financial incentive agreements have been executed. Jobs “announced by AEDC” have been committed to by companies, some of which may be in the process of finalizing incentive agreements.)* The proposed average hourly wage of \$21.81 for jobs proposed in 2017, was the highest average wage ever recorded by the AEDC and exceeded the state’s per capita personal income (see Chart 1).

Table 1
Economic Indicators: 2015-2017

Economic Indicators	2015 Calendar Year	2016 Calendar Year	2017 Calendar Year	2015-2017 Total/Average
AEDC Projects	206	210	256	672/224
Signed AEDC Incentive Agreements	118	88	133	339/113
Proposed New and Expanded Jobs	4,953	4,392	3,460	12,805/4,268
Proposed Project Investment	\$2,233,836,467	\$1,607,156,848	\$3,184,192,355	\$7,025,185,670/ \$2,341,728,557
Proposed Average Hourly Wage	\$19.75	\$21.40	\$21.81	\$20.81 (avg.)
Cost Benefit Ratio*	\$4.00/\$1	\$5.06/\$1	\$3.53/\$1	\$4.16/\$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 job creation incentive agreements signed during the calendar year. For example, a 4.16 ratio projects that \$4.16 in state tax revenues will result from each \$1 in state tax incentives offered for job creation projects.

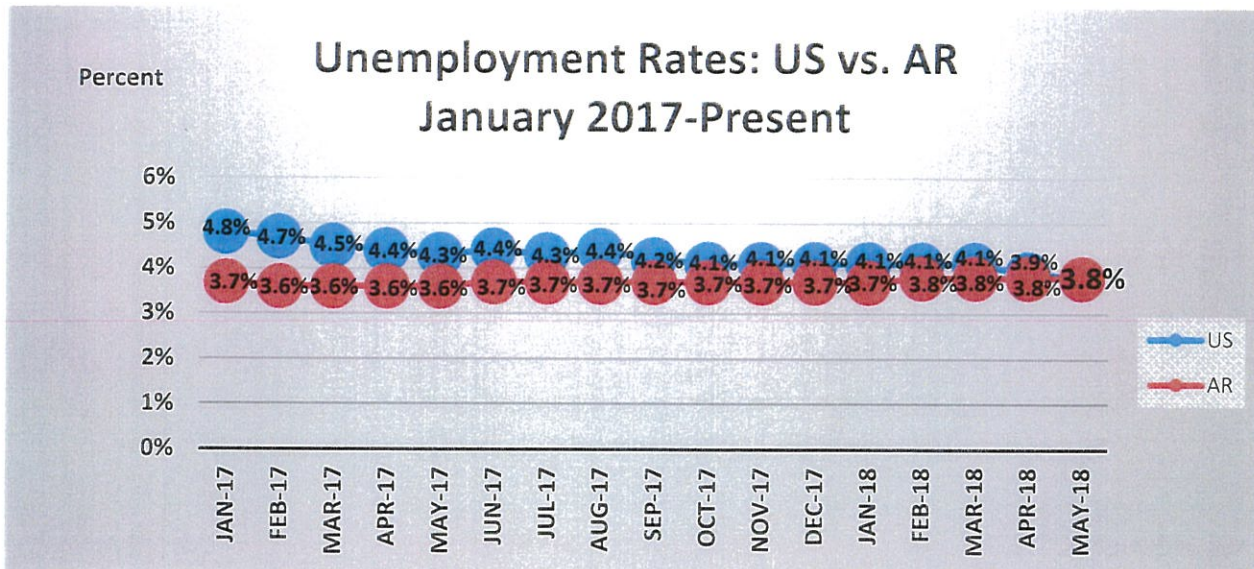
Chart 1



Source: Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income, 31 May 2018, online, available from <https://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=6#reqid=70&step=30&isuri=1&7022=21&7023=0&7033=-1&7024=non-industry&7025=0&7026=00000,05000&7027=2017,2016,2015,2014,2013,2012,2011&7001=421&7028=3&7031=0&7040=-1&7083=levels&7029=21&7090=70> AEDC New and Expanded Company Database 2011-2017.

Monthly seasonally-adjusted unemployment rates in Arkansas have been consistently below the US rates during the past 18 months and are near historic lows (3.8% for May 2018).

Chart 2



Source: Arkansas Department of Workforce Services, Unemployment Rates and Labor Force Statistics, 20 June 2018, online, available from <http://www.discover.arkansas.gov/>