

August 21, 2012

Senator Mary Anne Salmon, Chair  
Representative Tommy Lee Baker, Chair  
Arkansas Legislative Council  
Room 315, State Capitol  
Little Rock, AR 72201

Dear Senator Salmon and Representative Baker:

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) sponsored by former Senator Bill Gwatney, please find enclosed a copy of our annual report to the Arkansas Legislative Council 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 2012, as required by Act 510 of 2007.

Although 2011 marked another year of slower-than-anticipated economic recovery, Arkansas's economy remained comparatively strong with unemployment rates seven-tenths to one point below national rates and state budget surpluses when many states faced shortfalls. With continued support from the General Assembly and Governor Beebe, especially through the Quick Action Closing Fund, the Arkansas Economic Development Commission is aggressively and proactively working to meet the economic challenges of 2012.

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

Sincerely,



Grant Tennille  
Executive Director

GT/kn

Enclosure

## Summary of Act 1282 Report (Calendar Year 2011)

**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 2011 is the eleventh edition.

### Summary of Recent Act 1282 Reports (Calendar Years 2009-2011)

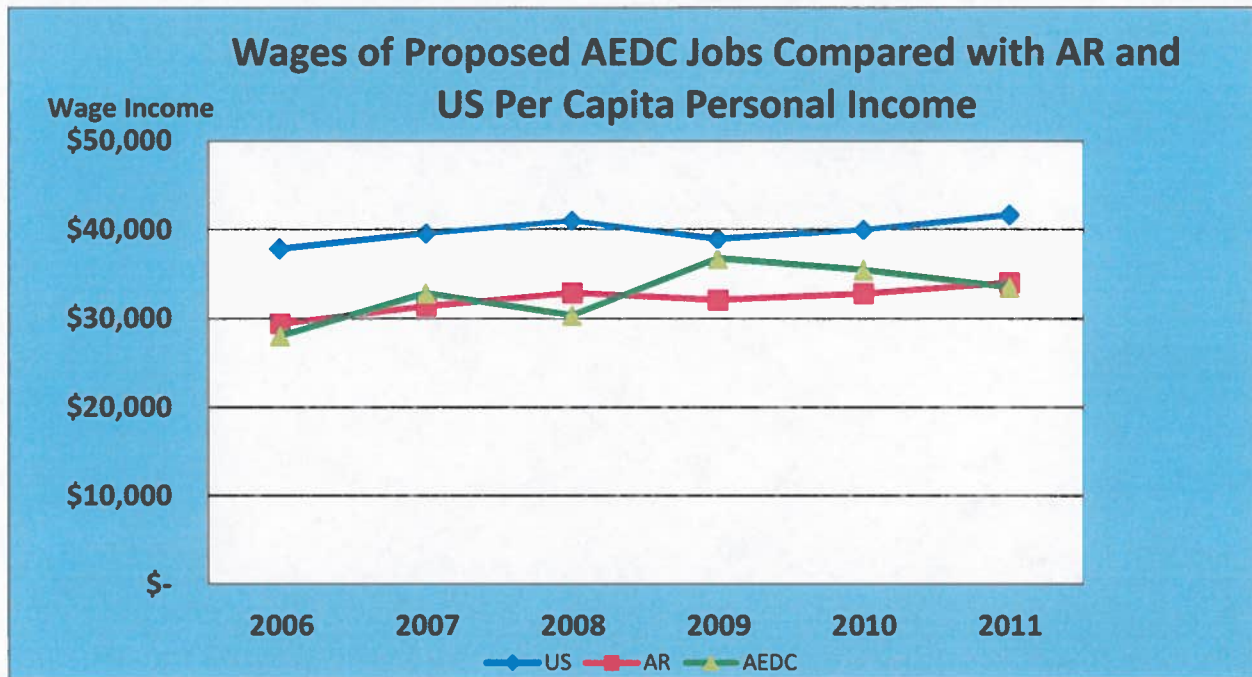
Between January 1, 2009 and December 31, 2011, the AEDC signed *incentive agreements* for 230 projects with companies proposing the creation of 13,178 new jobs. *(Please note: these are jobs counted after all financial incentive agreements have been executed. Jobs "announced by AEDC" have been committed to by companies, some of which may be in the process of finalizing incentive agreements.)* The number of proposed jobs and wages for 2011 dropped from 2009 and 2010, indicative of the continued effects of the 2008 economic downturn. Although proposed wages did fall to \$16.10 in 2011, they are still on par with the state's per capita personal income (see Chart 1).

**Table 1**  
**Economic Indicators: 2009-2011**

Economic Indicators	2009 Calendar Year	2010 Calendar Year	2011 Calendar Year	2009-2011 Total/Average
Negotiated Incentive Offers	126	131	140	397/132
Signed AEDC Incentive Agreements (number of projects)	68	81	81	230/77
Proposed New and Expanded Jobs	6,216	4,216	2,746	13,178/4,393
Proposed Project Investment	\$1,010,110,808	\$1,491,315,958	\$901,086,441	\$3,402,513,207/ \$1,134,171,069
Proposed Average Hourly Wage	\$17.65	\$17.03	\$16.10	\$17.13 (avg.)
Cost Benefit Ratio*	\$3.08/\$1	\$3.33/\$1	\$3.04/\$1	\$3.16/\$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 all incentive agreements signed during the calendar year. For example, a 3.16 ratio projects that \$3.16 in state tax revenues will result from each \$1 in state tax incentives offered.

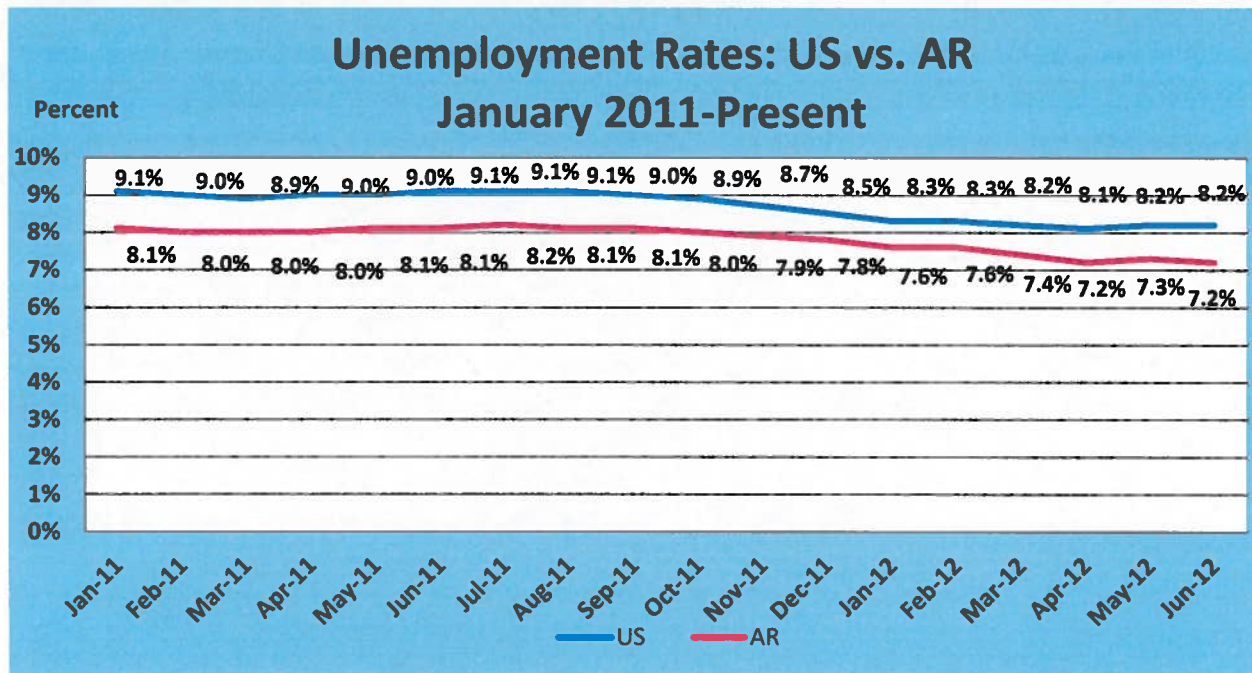
**Chart 1**



Sources: Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income, March 28, 2012, online, available from <http://www.bea.gov> and AEDC New and Expanded Company Database 2006-2011.

Monthly unemployment rates in Arkansas peaked at 8.2 percent in July 2011 but have remained from .7 to 1 point below the United States rate.

**Chart 2**



Source: Arkansas Department of Workforce Services, Unemployment Rates and Labor Force Statistics, seasonally adjusted rates, [www.discoverarkansas.net](http://www.discoverarkansas.net), accessed 23 July 2012.



## **Annual Activity Report for 2011 (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 21, 2012**

# **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 2011



## 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 2011**

<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>
Research	Siloam Springs	3	\$21.63	Advantage Arkansas, Tax Back
Manufacturing	Blytheville	0	*N/A	InvestArk, Training
Manufacturing	Armored	0	*N/A	InvestArk, Training
Manufacturing	Harrison	60	\$16.03	Advantage Arkansas, Tax Back, Training
Manufacturing	Harrison	150	\$17.00	Advantage Arkansas, Tax Back, CDBG
Warehouse/Distribution	Maumelle	338	\$15.50	Advantage Arkansas, Tax Back, Create Rebate, Training, Quick Action Closing Fund
Manufacturing	Paragould	10	\$12.00	Advantage Arkansas, Tax Back, Training, Economic Infrastructure (EIF)
Manufacturing	Springdale	50	\$18.00	Advantage Arkansas, Tax Back, Training, Quick Action Closing Fund
Manufacturing	Pine Bluff	0	*N/A	InvestArk, Training
Manufacturing	Jonesboro	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	Rogers	0	*N/A	InvestArk, Training, Economic Infrastructure (EIF)
Manufacturing	Pine Bluff	12	\$15.67	Advantage Arkansas, Tax Back
Manufacturing	Berryville	0	*N/A	InvestArk
Manufacturing	Russellville	0	*N/A	InvestArk
Manufacturing	Nashville	0	*N/A	InvestArk
Manufacturing	Berryville	200	\$10.50	Advantage Arkansas, Tax Back
Distribution/Intermodal Facility	West Memphis	3	\$12.00	Tax Back, CDBG
Tourism	Royal	4	\$16.95	Tourism
Tourism	Fayetteville	6	\$36.62	Tourism
Manufacturing	El Dorado	13	\$13.40	Advantage Arkansas, Tax Back, Training
Manufacturing	Pocahontas	25	\$10.40	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Paragould	15	\$17.00	Advantage Arkansas, InvestArk, Training
Manufacturing	Conway	20	\$12.25	Advantage Arkansas, Tax Back, Training
Manufacturing	Ashdown	0	*N/A	InvestArk
Manufacturing	Ashdown	0	*N/A	InvestArk
Manufacturing	El Dorado	40	\$24.00	Advantage Arkansas, Tax Back, Training
Manufacturing	Little Rock	25	\$30.77	Advantage Arkansas, Tax Back, Economic Infrastructure (EIF)
Manufacturing	Guion	35	\$23.00	Advantage Arkansas, Tax Back

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered</i>
Office Sector	Lowell	15	\$16.82	Advantage Arkansas, Tax Back
Manufacturing	Jonesboro	0	N/A	Tax Back
Manufacturing	Jacksonville	4	\$18.00	Advantage Arkansas, InvestArk
Manufacturing	Fort Smith	10	\$18.00	Advantage Arkansas, InvestArk
Manufacturing	Decatur	81	\$12.02	Advantage Arkansas, Tax Back, Training, CDBG
Manufacturing	Warren	23	\$10.45	Advantage Arkansas, Tax Back, Training, CDBG
Manufacturing	Little Rock	3	\$25.64	Advantage Arkansas, Tax Back
Manufacturing	El Dorado	24	\$18.36	Advantage Arkansas, Training
Manufacturing	Jonesboro	61	\$10.50	Advantage Arkansas, Tax Back, Training
Manufacturing	Nashville	115	\$14.38	Advantage Arkansas, Tax Back, CDBG, Bond Guaranty
Manufacturing	Prescott	100	\$17.69	InvestArk, Create Rebate, Training, Quick Action Closing Fund
Corporate Headquarters	Fort Smith	200	\$18.00	Advantage Arkansas, Tax Back, Training, Quick Action Closing Fund
Manufacturing	Springdale	30	\$12.75	Advantage Arkansas, Tax Back, Training
Computer/Information Services	Little Rock	10	\$30.00	Advantage Arkansas, Tax Back
Manufacturing	Waldron	0	*N/A	InvestArk
Manufacturing	Rogers	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>
Corporate Headquarters	Little Rock	15	\$14.01	Advantage Arkansas, Tax Back, Training
Manufacturing	El Dorado	0	*N/A	InvestArk
Manufacturing	Newport	40	\$14.00	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Pine Bluff	0	N/A	Tax Back
Manufacturing	Little Rock	10	\$18.00	Advantage Arkansas, InvestArk
Manufacturing	Magnolia	70	\$22.00	Advantage Arkansas, InvestArk
Tourism	Jonesboro	40	\$20.00	Tourism
Manufacturing	Blytheville	12	\$10.35	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Pocahontas	23	\$11.00	Advantage Arkansas, Tax Back, Training, Economic Infrastructure (EIF)
Computer/Information Services	Jonesboro	24	\$20.00	Advantage Arkansas, Tax Back, Training
Computer/Information Services	Little Rock	8	\$27.88	Advantage Arkansas, Tax Back, Training
Corporate Headquarters	Little Rock	56	\$46.60	Advantage Arkansas
Manufacturing	North Little Rock	45	\$13.00	Advantage Arkansas, Tax Back, Economic Infrastructure (EIF)
Manufacturing	Little Rock	6	\$10.15	Advantage Arkansas, Tax Back
Manufacturing	Fayetteville	66	\$13.00	Advantage Arkansas, Tax Back, CDBG
Office Sector	Sherwood	100	\$12.00	Advantage Arkansas, Tax Back, CDBG

<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	Crossett	109	\$16.70	Advantage Arkansas, Tax Back, CDBG, Bond Guaranty
Manufacturing	Smackover	25	\$15.29	Advantage Arkansas, InvestArk
Manufacturing	Ashdown	0	*N/A	InvestArk
Manufacturing	Crossett	0	*N/A	InvestArk
Manufacturing	Crossett	0	*N/A	InvestArk
Manufacturing	Searcy	0	*N/A	InvestArk, Training
Manufacturing	El Dorado	0	*N/A	InvestArk
Manufacturing	Smackover	4	\$16.54	Advantage Arkansas, InvestArk
Aerospace	Stuttgart	18	\$20.00	Advantage Arkansas, Tax Back
Manufacturing	Marion	10	\$18.00	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Flippin	115	\$13.00	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Malvern	0	*N/A	InvestArk, Training
Manufacturing	West Memphis	3	\$17.00	Advantage Arkansas, Tax Back
Manufacturing	Stuttgart	10	\$14.00	InvestArk
Manufacturing	Little Rock	18	\$19.00	Advantage Arkansas, Tax Back, Training
Manufacturing	Hope	145	\$11.41	Advantage Arkansas, CDBG
Manufacturing	Springdale	50	\$18.20	Advantage Arkansas, Tax Back, CDBG

<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	North Little Rock	5	\$12.00	Advantage Arkansas, Tax Back
Manufacturing	Little Rock	15	\$25.00	Advantage Arkansas, Tax Back
Manufacturing	Fort Smith	0	*N/A	InvestArk
Manufacturing	Springdale	19	\$10.50	Advantage Arkansas, InvestArk, CDBG
	<b>81 Projects</b>	<b>2,746</b>	<b>\$16.10 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.

#### **Equity Investment, Research and Development and Digital Product Production Projects**

Information pertaining to projects involving the Equity Investment Tax Credit Incentive Program, Research and Development Tax Credits and the Digital Product and Motion Picture Industry Development Act are presented separately below because benefits are offered for investments in equity capital investments, research and development costs 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 2011, nine financial incentive agreements were approved. Cumulatively, these projects are projected to raise \$18,750,000 in equity from investors. Since the program's inception in 2008, 21 companies have raised \$30,871,563 in investment capital and currently employ 187 persons with an average hourly wage of \$34.81.

The locations, projected employment and projected average hourly wages of 2011 projects are as follows:

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

<b>Project Location</b>	<b>Proposed Jobs</b>	<b>Proposed Wages</b>
Little Rock	8	\$36.13
Fayetteville	6	\$46.67
Fayetteville	15	\$40.30
Conway	40	\$38.00
Bentonville	2	\$31.25
Springdale	31	\$39.96
Conway	14	\$27.71
Fayetteville	19	\$40.30
Little Rock	31	\$32.57

Although the AEDC did not sign any financial assistance agreements in 2011 for **research and development projects**, since the program's inception, 27 companies have signed agreements proposing \$ 81.9 million in research and development investment.

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 2011, the AEDC signed one financial incentive agreement for the feature film MUD which was filmed in Southeast Arkansas, predominantly in Arkansas County. Since the program's inception in 2009, the Film Office has signed 20 financial assistance agreements with production companies. Of those, all but two have/will receive funding from the Quick Action Closing Fund. In FY 2012, 12 projects received \$2,347,148 in funding from the QACF (see FY 2012 QACF Report, attached, for expenditure data). Of the remaining projects: two received funding from non-QACF (2009-2010), one project did not meet spending thresholds, two projects completed in Arkansas but did not or have not claimed incentives, and three projects are still active.

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

During the 2011 calendar year, the Arkansas Economic Development Commission negotiated incentive offers with 140 companies. Of these offers, 81 were accepted and signed, resulting in six new and 75 business expansion projects. Upon completion, these projects are projected to create 2,746 new jobs and generate \$901,086,441 in new capital investment. The remaining 59 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 2011	81
Project has or is likely to announce in 2012	17
Project is active but no decision has been made	16
Project is on hold/status pending*	5
Project did not materialize-will not locate in Arkansas*	21
<b>Total Projects</b>	<b>140</b>

\* Information regarding the 26 non-active projects is provided below.

**Table 4**  
**2011 Projects That Did Not Materialize & 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>
Corporate Headquarters	275	\$26.37	Tax Back, Create Rebate, Quick Action Closing Fund, Training	The project is "on hold" as the new CEO evaluates the priority of the project in the scheme of management priorities.
Manufacturing	31	\$19.00	Advantage Arkansas, Tax Back, Training, CDBG	The company decided to close its Arkansas facilities and operate from their existing Florida facility.
Manufacturing	120	\$30.00	Advantage Arkansas, Tax Back or InvestArk, CDBG	The project is "on hold" as the company reevaluates the project's potential to move forward.
Manufacturing	130	\$17.25	Advantage Arkansas or Create Rebate, Tax Back or InvestArk, Training, Quick Action Closing Fund	Company indicated that project is "on hold" for 2012.

<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	50	\$23.32	Tax Back or InvestArk, Create Rebate, Training, CDBG	The company decided not to move forward with the project.
Distribution	8	\$12.00	Advantage Arkansas, CDBG	Project did not materialize with AEDC assistance. The tenant of the building would not commit to a long-term contract that would be needed to justify the infrastructure improvements that AEDC would have funded.
Warehouse/Distribution	45	\$14.77	Advantage Arkansas, Tax Back, Training, CDBG	Arkansas was eliminated as per company due to tax reasons, logistics and proximity to product market.
Manufacturing	854	\$18.27	Create Rebate, Tax Back, Training, Quick Action Closing Fund	The Arkansas site was eliminated because of site deficiencies including costs to upgrade to soil specifications and proximity to residents (site size had increased and encroached upon nearby developments).
Distribution	145	\$18.96	Advantage Arkansas or Create Rebate, Tax Back, CDBG	The project is "on hold." The company is waiting to see what the economy looks like next year.
Manufacturing	13	\$12.87	Advantage Arkansas, Tax Back or InvestArk, CDBG	Company located project in Indiana. Water capacity was the major issue.
Manufacturing	300	\$19.54	Advantage Arkansas or Create Rebate, Tax Back, Training, Quick Action Closing Fund	Project located in Alabama. Incentives, including use of GO Zone Bonds and new, sellable income tax credits specific to the company resulted in decision to choose AL.
Manufacturing	224	\$12.00	Advantage Arkansas, Tax Back, CDBG/Economic Infrastructure (EIF)	The company did not have the necessary capital to expand.



<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	47	\$12.00	Advantage Arkansas, Tax Back, Training, CDBG	The company did not have the necessary capital to expand.
Manufacturing	100	\$17.78	Advantage Arkansas or Create Rebate, Tax Back or InvestArk, CDBG or Quick Action Closing Fund	The company decided not to move forward with the project.
Manufacturing	41	\$25.09	Create Rebate, Tax Back, Training, CDBG	The company decided to hold off on investing in the United States for now due to uncertainty in the US and global economies.
Manufacturing	100	\$17.00	InvestArk or ArkPlus	The company indicated that the project was on hold for the next 18-24 months due to economic factors.
Manufacturing	10	\$12.36	Advantage Arkansas, Tax Back, CDBG, Training	The expansion did not occur because the contract to build requisite machinery was awarded to an overseas company.
Manufacturing	32	\$14.13	Advantage Arkansas, InvestArk, Quick Action Closing Fund	The company closed its Arkansas facility, thus the expansion plans were cancelled.
Manufacturing	107	\$12.57	Advantage Arkansas or Create Rebate, Tax Back, Training, Quick Action Closing Fund	The company was acquired by another company who terminated the project.
Manufacturing	175	\$15.73	Create Rebate, Training, CDBG, Quick Action Closing Fund	The company decided to locate in Louisiana where they were given a new, customized building.
Manufacturing and Research and Development	129	\$25.77	Create Rebate, Tax Back, CDBG, Research and Development	The company decided to locate in Louisiana closer to their feedstock material.

<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	105	\$17.30	Advantage Arkansas, Tax Back, CDBG	The company's bank did not allow for the project to proceed due to negative covenants in their present documents.
Corporate Headquarters	150	\$23.00	Advantage Arkansas, Tax Back, Training, Quick Action Closing Fund	The project did not materialize as the company decided not to move forward with the project.
Nonprofit	50	\$25.86	Nonprofit, Training	The project could not find a suitable building in Arkansas and located in Texas.
Manufacturing	1000	\$25.00	Tax Back or ArkPlus, Create Rebate, Quick Action Closing Fund/CDBG/Other Cash	This was a proactive incentive package sent at the request of a Senator who had some knowledge of the potential for a project. To date, no reply has been received from the company.
Manufacturing	750	\$15.00	InvestArk, Create Rebate, Training, CDBG or Quick Action Closing Fund	This proposal was made to an existing company who eventually closed their Arkansas location and moved production outside of the US.
<b>Totals</b>	<b>26 Projects</b>	<b>4,991 Jobs \$19.75 Average Hourly Wage</b>		

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

The 88<sup>th</sup> General Assembly passed several laws that will both directly and indirectly impact AEDC's mission. A brief summary of these laws follow:

**Legislation Specific to AEDC Programs/Other Agency Initiatives Involving AEDC**

1. **Act 628, (Amends Research Park Authority Act)** Amends 2007 law to: a) allow research centers/institutes to sponsor research park authorities and, b) allow additional sponsors to be added to research park authorities following their establishment. Rep. D.Williams, HB 1702, Approved 3/23/11.
2. **Act 893, (Amends Minority Businesses Economic Development Act)** Adds "service-disabled veteran" to the definition of "minority" in the Minority Business Economic Development Act. Rep. J. Edwards, HB 1971, Approved 3/31/11.
3. **Act 1048, (Amends Retirement Community Program Act)** Amends 2007 law to designate the Arkansas Association of Development Organizations (AADO) as the entity responsible for certifying communities that apply designation as a "retirement community." Rep. Westerman, HB 1980, Approved 4/4/11.
4. **Act 895, (Regional Economic Development Partnerships)** Authorizes the creation of regional economic development partnerships and prescribes conditions for operation and funding of these partnerships. Rep. Pennartz, HB 1988, Approved 3/31/11.
5. **Act 896, (Arkansas Great Places Program)** Establishes a framework for the development of criteria and funding for an "Arkansas Great Places" program to promote economic development. Rep. Linck, HB 2002, Approved 3/31/11.
6. **Act 706, (Arkansas Acceleration Fund)** Creates a fund within the Arkansas Science and Technology Authority (ASTA) to assist various programs and efforts to create high-paying, technology-oriented jobs. Also creates a committee, composed primarily of private sector members, to advise ASTA on the utilization of available funds. Rep. Lindsey, HB 2048, Approved 3/24/11.
7. **Act 1232, (Electrical Energy Advancement Program)** Establishes an electrical energy training consortium composed of UAF, UALR and ASU to be headquartered at the National Center for Reliable Electrical Power Transmission (NCREPT). Also creates a 16 member board to advise the program. This program has a six-year sunset. Rep. Collins, HB 2219, Approved 4/6/11.
8. **Act 829, (Amends Equity Investment Incentive Act)** Makes a technical correction to correctly state that this program is jointly administered by ASTA,

the Arkansas Development Finance Authority (ADFA) and AEDC. Also clarifies that a tax credit may be used in the year earned/purchased. Rep. Ingram, HB 1899, Approved 3/30/11.

9. **Act 1197, (Amends definition of “new, full-time permanent employee”)**  
Amends the Consolidated Incentive Act (CIA) definition to allow employees not working “at the facility” to qualify as eligible employees under CIA incentives. This change allows for telecommuters to be eligible if they otherwise meet the definition and are paid a wage equal to or greater than the state average hourly wage for the preceding calendar year. Rep. Biviano, HB 2160, Approved 4/5/11.
10. **Act 828, (Authorizes the levy of a local sales tax to fund economic development projects if preconditions are met)** Rep. Ingram, HB 1898, Approved 3/30/11.
11. **Act 1047, (Implements the job/investment threshold reductions authorized by November 2010 changes to Amendment 82)** Removes the requirement of 500 new jobs and \$500 million investment and requires that a business seeking Amendment 82 benefits meet the “eligible business” definition in CIA. Rep. McCrary, HB 1955, Approved 4/4/11.
12. **Act 802, (Arkansas Energy Code updates)** Removes the need to amend the Arkansas Energy Reorganization and Policy Act each time there is a change in the State Energy Code by providing that proposed changes be made under the Administrative Procedures Act. Sen. J. Jeffress, SB 816, Approved 3/30/11.
13. **Act 803, (Conservation of energy in buildings owned by public agencies)**  
Amends Act 1494 of 2009 to make technical corrections addressing the responsibilities of state agencies under this act. Sen. J. Jeffress, SB 823, Approved 3/30/11.

**Legislation Furthering Governor Beebe’s Strategic Plan Action Items Initiated by AEDC Partners**

1. **Act 290, (High Cost Fund/Expansion of Broadband Services)** Allows the Public Service Commission to retain revenues from the high cost fund to insure adequate resources for the expansion of broadband services into high cost service areas. Rep. Pierce, HB 1525, Approved 3/15/11.
2. **Act 818, (Revisions to Workforce Investment Act)** Addresses the composition and meetings of local workforce investment boards. Insures that both business and education are properly represented on local boards and provides more

flexibility in opportunities for meetings. Rep. Allen, HB 1594, Approved 3/30/11.

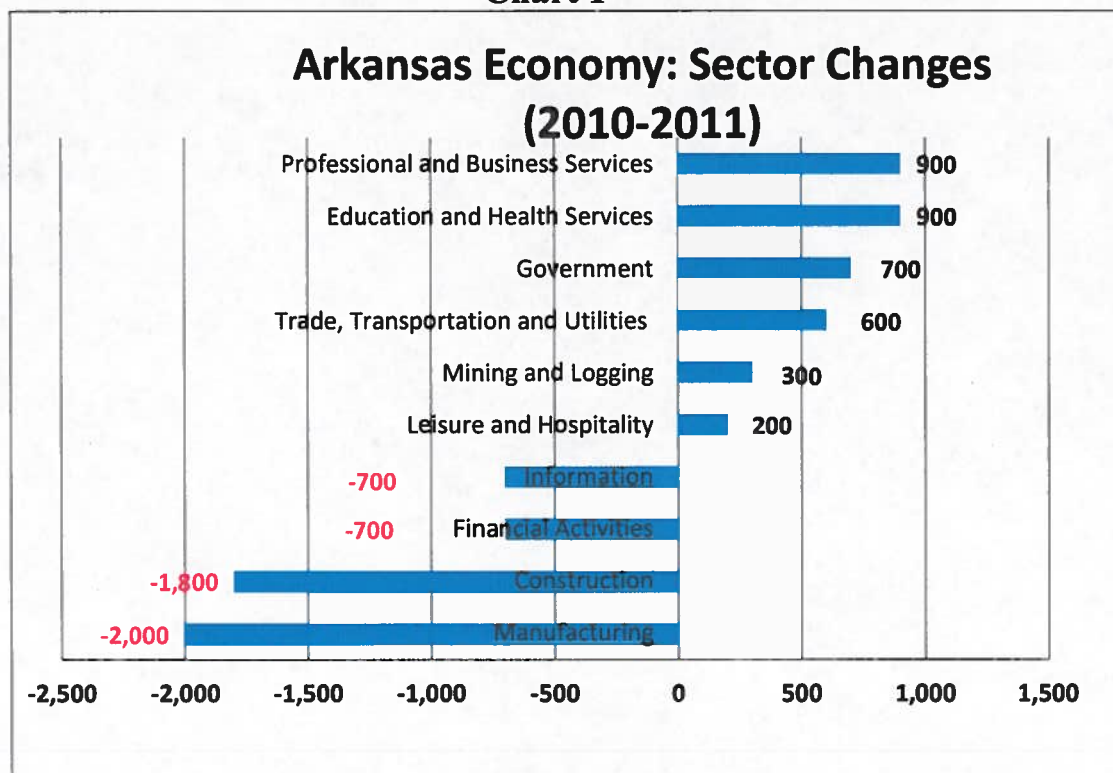
3. **Act 824, (Agricultural exemptions for sales and use tax)** Adds to the exemptions from the sales and use tax for agricultural needs water purchased from a public service water delivery project. Rep. T. Rogers, HB 1802, Approved 3/30/11.
4. **Act 524, (Amends Regional Mobility Authorities)** Adds rail, waterway and trail projects to the types of undertakings that may be pursued by Regional Mobility Authorities. Also, this act allows for public/private partnerships. Rep. Barnett, HB 1842, Approved 3/21/11.
5. **Act 831, (Extends Income tax credit for rehabilitation of historic structures)** Extends the provision of a tax credit for the rehabilitation of historic structures from December 31, 2015 to December 31, 2021. Rep. Moore, HB 1912, Approved 3/30/11.
6. **Act 1052, (Arkansas Wine Trail)** Specifies that the Arkansas Highway and Transportation Department shall initiate efforts to identify and promote, through signage and other means, those roads and highways that will lead tourists to Arkansas's wine country attractions. Rep. Post, HB 2122, Approved 4/4/11.
7. **Act 754, (Reduction in sales and use tax for energy used in manufacturing)** Effective July 1, 2011, the sales tax on energy used in manufacturing is reduced to 2.625%, with a \$27 million annual cap on revenue loss from this benefit. In addition, there is a graduated reduction on the sales tax on natural gas used in combined cycle gas turbines used to generate electricity. Sen. Sample, SB 275, Approved 3/29/11.
8. **Act 1166, (Arkansas Central Business District Rehabilitation and Development Investment Tax Credit Act)** Provides an income tax credit for rehabilitation or development of property within a central business improvement district. Prescribes criteria for qualification and outlines procedure for earning and claiming the tax credit. Dependent upon available GIF funds. Rep. Pennartz, HB 1118, Approved 4/4/11.
9. **Act 287, (Remove interest rate limitation under the authority of Amendment 62)** Amends Amendment 62 to implement the change in interest rates authorized by the voters with the passage of Amendment 89. Rep. Allen, HB 1416, Approved 3/15/11.

10. **Act 813, (Allows for the issuance of bonds by ADFA in projects containing a “payment in lieu of taxes” –PILOT- agreement)** Rep. English, HB 1429, Approved 3/30/11.
11. **Act 814, (Prescribes duties of ADFA in the allocation of private activity and governmental volume caps)** Rep. Kerr, HB 1430, Approved 3/30/11.
12. **Act 773, (Arkansas Highway Financing Act of 2011)** Rep. Moore, HB 1902, Approved 3/30/11.

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

Overall, Arkansas’s labor force grew by 13,228 from 1,356,625 in 2010 to 1,369,853 in 2011. Among nonfarm payroll jobs\* the professional and business services; education and health services; government; trade, transportation and utilities; mining and logging; and, leisure and hospitality sectors grew. Employment losses in other sectors such as manufacturing, construction, information and financial activities have lessened considerably from the past reporting period (2009-2010). Chart 1 below shows employment growth/decline by major sector. Table 5 lists factory and plant closures during 2011.

**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 2011**

a. Location City	b. Number of Jobs Lost	c. Reason for Closure
Mountain View	48	Corporate decision to move production to another U.S. facility
Jacksonville	45	Main buyers of product started producing it themselves
Bethel Heights	35	Loss of contract
Arkadelphia	385	Loss of contract
Jonesboro	22	Corporate restructuring
Searcy	200	Unable to continue operations due to a lack of capital/credit line
Decatur	32	Increase in input prices
Jacksonville	150	Phasing out product and consolidating production with existing facilities
Siloam Springs	178	Increase in input process
Monticello	59	Loss of contracts
Blytheville	13	Lack of work
Fort Smith	94	Corporate decision
Piggott	45	Lack of production orders
East Camden	212	Company was sold then closed by purchaser

## 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 2011, the AEDC's Existing Workforce Training Program assisted 151 different companies by providing training to 12,969 workers. The AEDC's Business Industry Training Program assisted 56 different companies by providing training to 2,488 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 (e.g., wind energy); 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

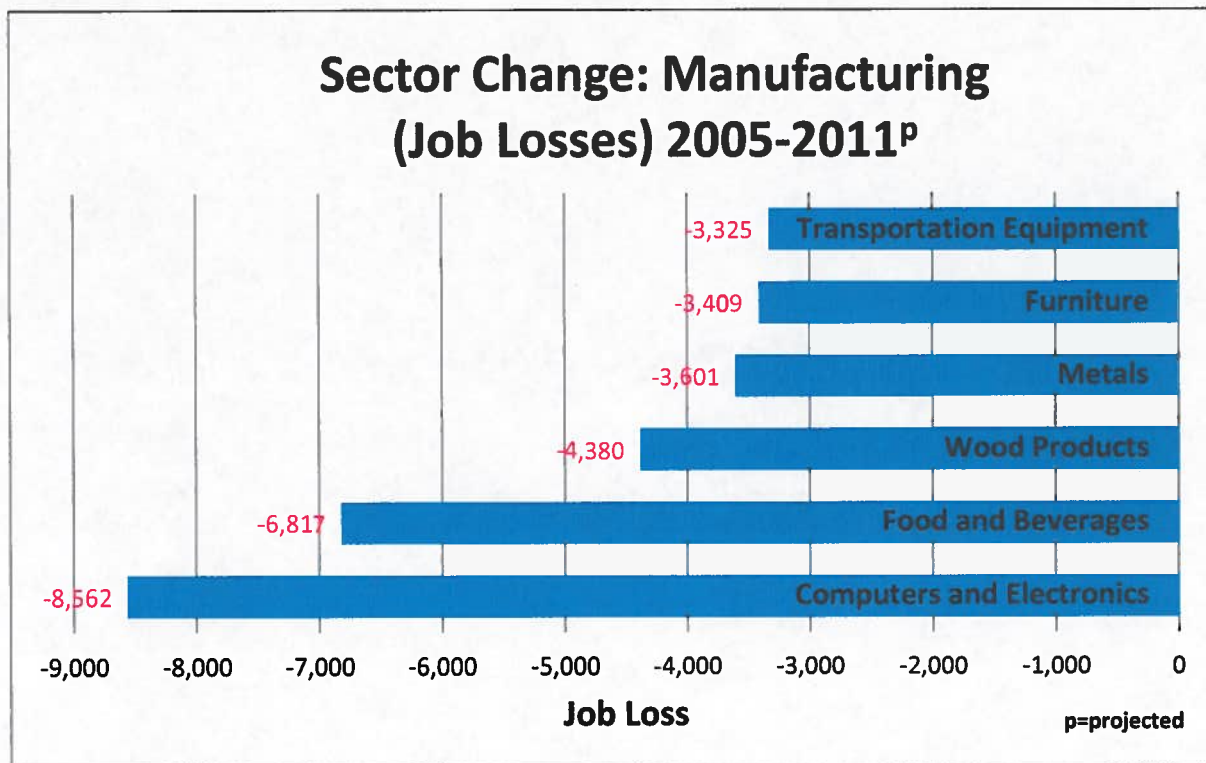
Utilizing this systems approach, the EBRD is helping companies reduce employee turnover rates by implementing the Arkansas Career Readiness Certificate (CRC) process. The CRC process identifies specific job/skill requirements of companies and matches those requirements with prospective employees' skills 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 2005 and 2011, Arkansas lost 41,694 private sector manufacturing jobs. These losses have primarily affected the computer and electronics, food and beverages, wood products, metals, furniture and transportation equipment sectors. Business closures were experienced in industries besieged by foreign competition, industry consolidation, and financial restructuring.

**Chart 2**



*Source: Bureau of Labor Statistics, 2005-2011<sup>P</sup> (preliminary) private sector Quarterly Census of Employment and Wages, Annual Data, <http://www.bls.gov/pdq/SurveyOutputServlet>*

As Table 6 below illustrates, the magnitude of manufacturing declines between 2005 and 2011 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: 2005-2011<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>
Printing (+14.7%)	Chemicals (-3.6%)	Industrial Machinery (-17.1%)	Wood Products (-32.1%)
Petroleum & Coal (+6.5%)*	Food and Beverages (-13%)	Plastics and Rubber (-19.8%)	Textiles and Apparel (-41.4%)
		Transportation Equipment (-20%)	Leather (-45%)
	Metals (-13.8%)	Non-Metallic Minerals (-26.3%)	Computer and Electronic Products (-45.4%)
	Paper (-14.3%)	Miscellaneous Manufacturing (-27.6%)	Furniture (-48.4%)

Source: Source: Bureau of Labor Statistics, 2005-2011<sup>P</sup> (preliminary) private sector Quarterly Census of Employment and Wages, Annual Data, <http://www.bls.gov/pdq/SurveyOutputServlet>  
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 217% increase (4,747 net new employees) between 2005 and 2011<sup>P</sup>.

Below is a summary of major losses by industry.

**Furniture:** (2005-2011 net loss 3,409/-48.4%) This industry will continue to struggle as competition with Asian imports increases.

**Computers and Electronic Products:** (2005-2011 net loss 8,562/-45.4%) 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:** (2005-2011 net loss 1,075/-45%) 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:** (2005-2011 net loss 1,561/-41.4%) Since 2005, 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:** (2005-2011 net loss 4,380/-32.1%) This mature industry is of particular concern for future job losses in South Arkansas.

**Non-Metallic Minerals:** (2005-2011 net loss 1,206/-26.3%) One quarter of Arkansas's non-metallic mineral jobs have been lost as building material production has declined.

**Transportation Equipment:** (2005-2011 net loss 3,325/-20%) Employment levels continued to drop 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:** (2005-2011 net loss 2,587/-19.8%) Since 2005, Arkansas has lost a significant number of rubber and plastics jobs to foreign countries.

**Industrial Machinery:** (2005-2011 net loss 2,401/-17.1%) Most job loss has resulted from attrition and downsizing.

**Paper:** (2005-2011 net loss 1,715/-14.3%) This high-wage mature industry is of particular concern for future job losses in South Arkansas.

**Metals:** (2005-2011 net loss 3,601/-13.8%) 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:** (2005-2011 net loss 6,817/-13%) Arkansas will continue to maintain a competitive advantage in food and kindred products; however, the loss of many poultry jobs could continue to reduce employment in this sector.

**Chemicals:** (2005-2011 net loss 181/-3.6%) Growth in Arkansas's high-wage chemical industry is limited mainly to South Arkansas.

**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.

Specific marketing activities between January 1, 2011 and December 31, 2011 include:

- Planned and coordinated 17 statewide media events in which companies announced plans to either locate or expand in Arkansas.
- Working with our advertising agency, Stone Ward, planned and coordinated an international marketing campaign based on our targeted industries/areas. This campaign featured fifteen second television spots, website banners and websites. The four television spots and customized banners ran on several online outlets including CNN.com, CNN International, BBC (Europe), Fox News.com, cnbc.com, WallStreetJournal.com and areadevelopment.com.



- Placed several targeted print advertisements in China Entrepreneur magazine.
- Working with our Japan and China Offices, provided promotional material and media guidance for events/trade shows, etc.
- 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 and participated in sponsorships in trade publications including Area Development, the Leader, Site Selection and Location USA, and participated in major co-op advertising in several national publications that corresponded with the opening of Crystal Bridges Museum.
- Placed ads in local publications including Arkansas Business and Talk Business Quarterly.
- Coordinated media and advertising for Small Business University classes held around the state, hosted by AEDC's Small and Minority Business Division.
- In an effort to keep all Arkansans involved in economic development aware of recent news and initiatives at AEDC, wrote and maintained an e-newsletter (AEDC News) that is sent 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 Dallas, Chicago and Atlanta.
- Maintained AEDC's social media presence via Twitter and Facebook accounts.
- Worked closely with the Arkansas Energy Office, a division of AEDC, on media outreach for several American Recovery and Reinvestment Act programs.
- Wrote several articles regarding Arkansas's business environment for trade publications.
- Provided media/PR support to the Governor's Work-Life Initiative/Award and Governor's Award for Excellence in Global Trade program.

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

**AEDC's Strategies and Recommendations for the Coming Year-Legislative**

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 2013 Regular Session of the Arkansas General Assembly:

1. **Revise AEDC's enabling legislation.** Largely unchanged since AEDC's inception in 1955, AEDC's enabling legislation needs to be revised to better reflect the agency's powers and duties and clarify reporting requirements.
2. **Technical revisions to existing legislation.** Propose minor revisions to Consolidated Incentive Act, Minority Business and Existing Workforce Training Program legislation.
3. **State Energy Plan.** AEDC is currently working with stakeholders to develop a statewide energy plan which will likely require specific legislation for implementation of some of the plan's recommendations.
4. **Regional Economic Development Partnership Act.** This act, passed in 2011, requires substantive changes to make it more viable. We are engaging our community and economic development partners to solicit proposed legislative revisions.
5. **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.
6. **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**

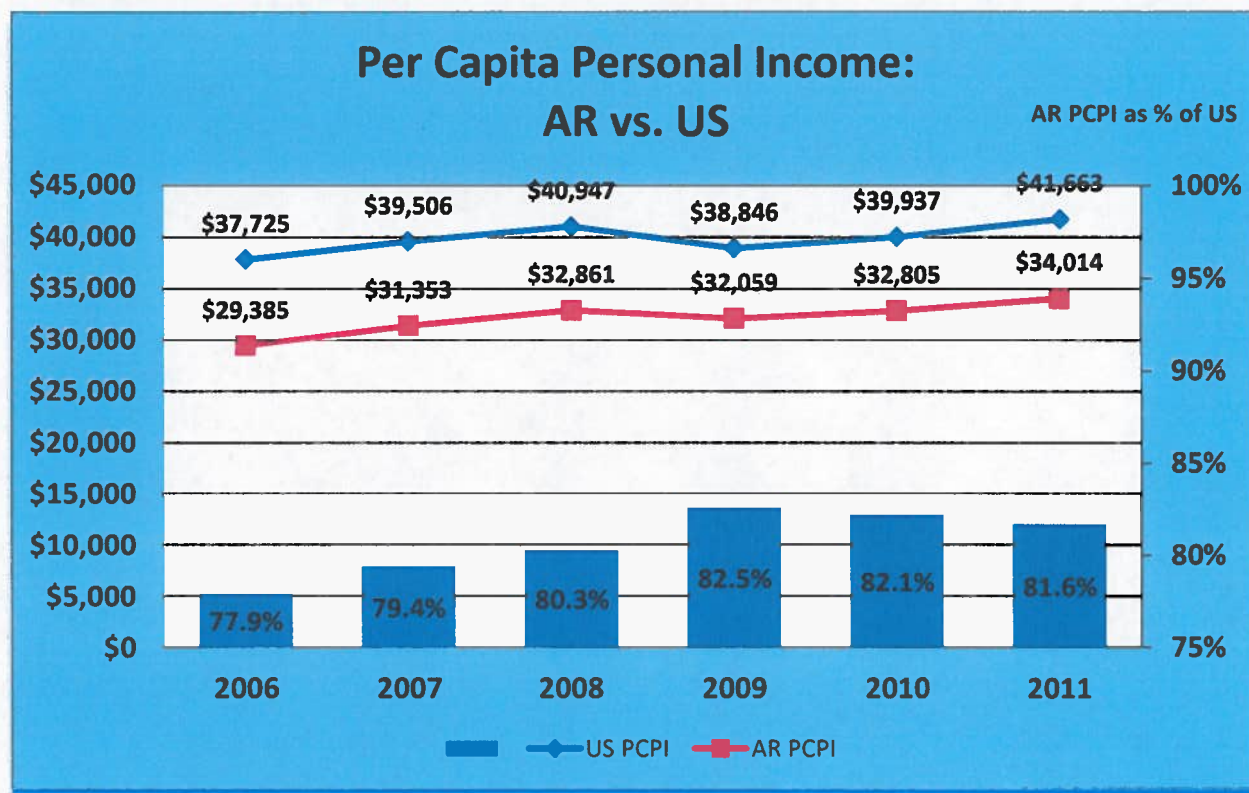


## Progress Toward Meeting Governor Beebe's Five Goals for Economic Development

### 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, dipped slightly to 81.6 percent in 2011, after reaching an historic high in 2009. However, Arkansas's ranking among states has improved from 48<sup>th</sup> in 2006 to 44<sup>th</sup> in 2011.

Chart 3

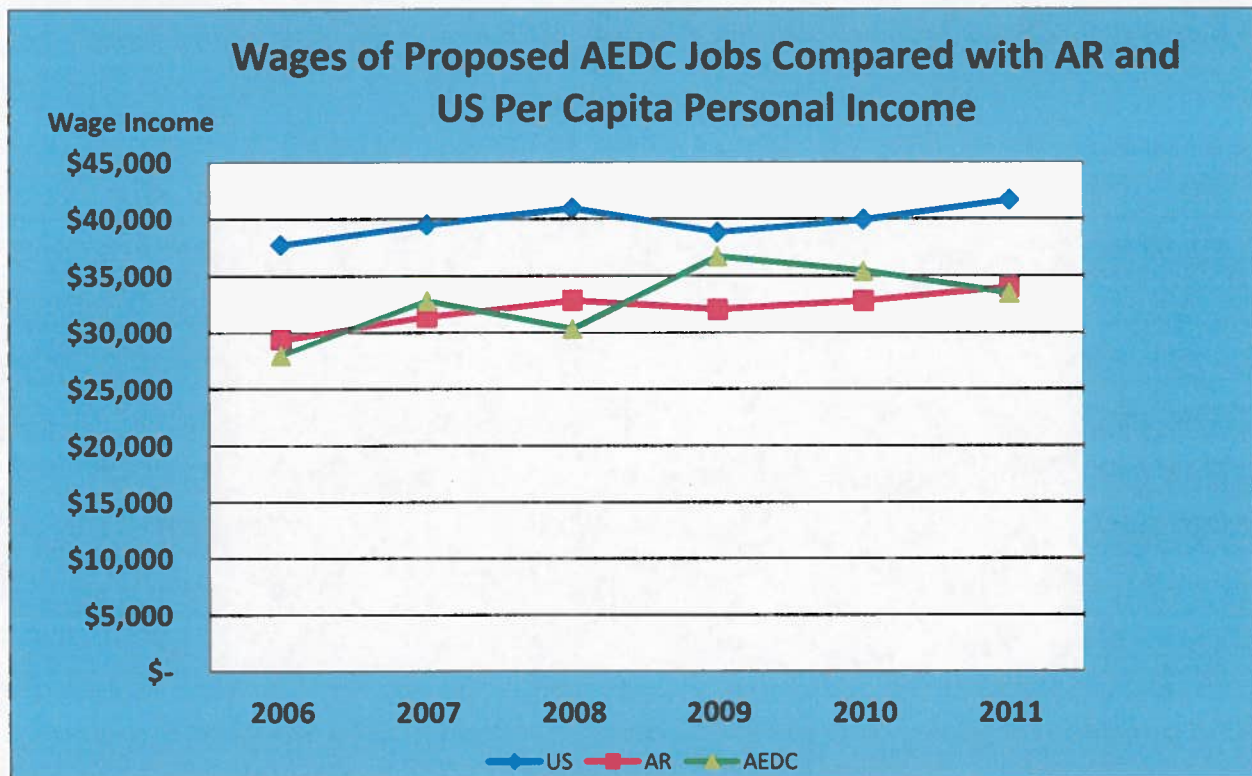


Source: Department of Commerce, Bureau of Economic Analysis, *Per Capita Personal Income*, March 28, 2012, online, available from <http://www.bea.gov/> Dollar estimates in current dollars (not inflation adjusted).

In 2011, the AEDC signed financial incentive agreements for 81 projects with companies that propose to invest over \$901 million in projects that will create 2,746 jobs paying an average hourly wage of \$16.10. 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 slightly below Arkansas's per capita personal income.



Chart 4



Sources: Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income, March 28, 2012, online, available from <http://www.bea.gov> and AEDC New and Expanded Company Database 2006-2011.

## 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**, a pilot program launched in August 2011, 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, 2011, Innovate Arkansas has helped 87 clients. A recent survey (in progress) of 48 clients revealed that these clients paid average salaries of \$45,164 and hired 140 new employees since entering Innovate Arkansas. Funding to continue Innovate Arkansas for Fiscal Year 2013 (July 1, 2012 through June 30, 2013) has been approved by the Governor's Office.

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**

Nine of the 81 projects that signed financial assistance agreements with AEDC in 2011 were by foreign-owned corporations. Cumulatively, these projects propose the creation of 280 new jobs.

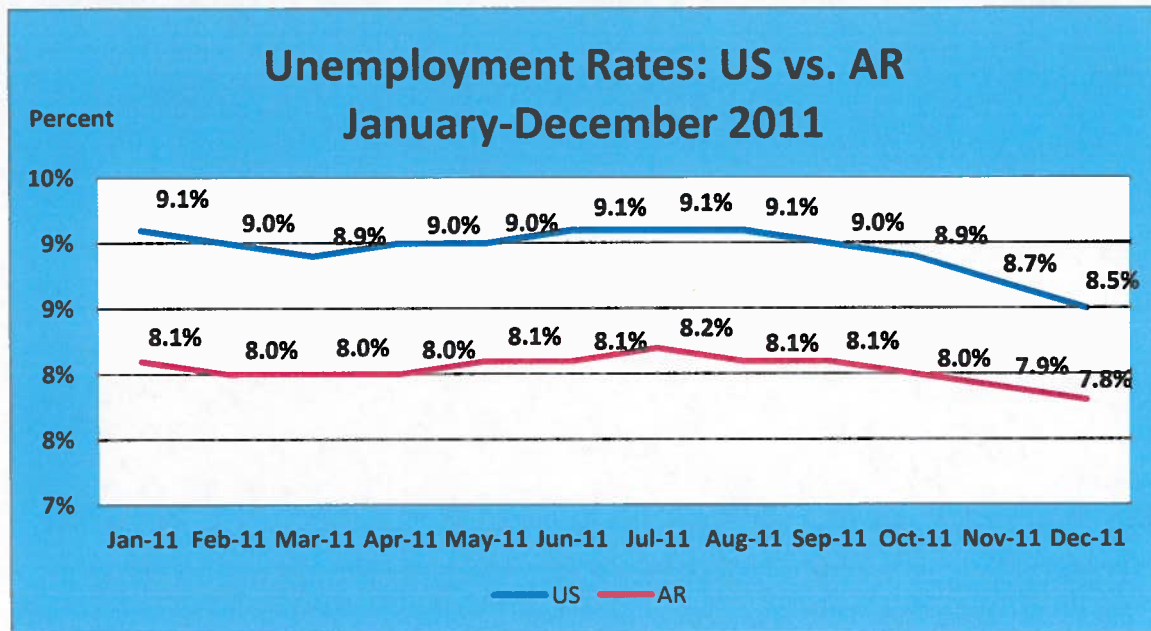


During 2011, the AEDC fostered European trade and investment efforts by attending the Hannover Trade Show in Germany in April and the International Automotive Trade Show in Frankfurt in September. During these visits, AEDC staff met with prospects, consultants and companies with locations in Arkansas. Additionally, AEDC made five visits to Asia. These trips included:

1. Japan (February). Met with a prospective company and a company with an Arkansas location.
2. China (March-April). Met with numerous prospective companies.
3. China/Japan (May-June). Met with numerous prospective companies; conducted an “Invest in Arkansas” seminar in China; and, attended the Zhejiang Investment and Trade Symposium in Ningbo.
4. Japan/India (September). Introduced new AEDC Japan Office Representative to Japanese companies with a presence in Arkansas; met several prospective companies; and, met with Indian company with an Arkansas facility.
5. China (November). Met with numerous prospective companies; conducted an “Invest in Arkansas” seminar in Zhengzhou; and, attended a China Overseas Investment Fair in Beijing.

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 .7 to 1 percentage point below the national average through December 2011.

**Chart 5**



Source: Arkansas Department of Workforce Services, *Unemployment Rates and Labor Force Statistics*, seasonally adjusted rates, <http://www.discoverarkansas.net>, accessed 23 July 2012.

#### **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 and is working with several others to develop new regional economic development plans and implement existing ones.

The AEDC is also working with other entities such as the Arkansas Department of Parks and Tourism, the Delta Regional Authority, Accelerate Arkansas and the Governor's Workforce Cabinet to utilize existing (and newly acquired) resources to support specific planning initiatives that support economic development.

#### **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. Arkansas Works was expanded in 2010 to introduce a pilot program that placed 43 full-time college and career coaches in 21 of Arkansas's most economically-challenged counties.

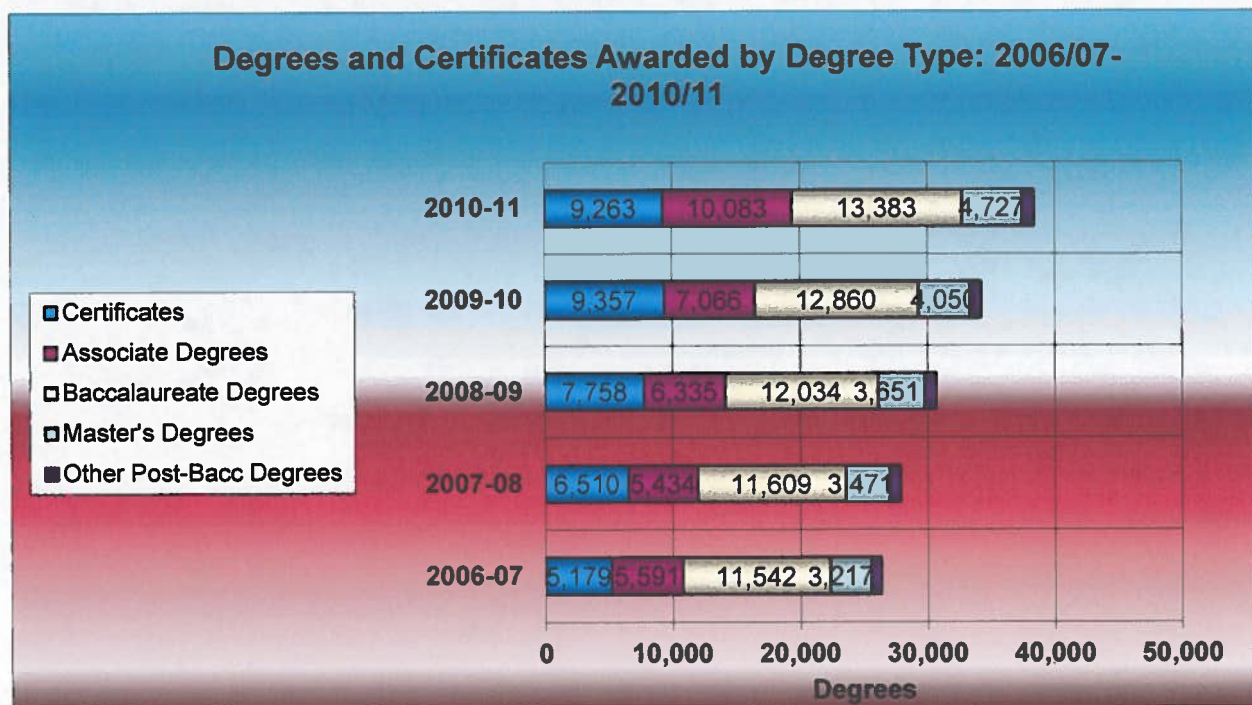
Major post-secondary training initiatives launched by Workforce Cabinet agencies during the past two years include:

- Creating a **"Middle Skill Jobs"** program to provide training specific to demand occupations which require post-secondary training less than a baccalaureate degree.
- Establishing Centers for Excellence **Green-Job Training Centers** at two community/technical colleges (NorthWest Arkansas Community College and Pulaski Technical College).
- Establishing a five-agency collaborative partnership, The **Arkansas Education to Employment Tracking and Trends (AEETT) Initiative**, to evaluate where college graduates and recipients of workforce training are going to seek employment upon graduation/course completion. The AEETT's goal is to unify Arkansas's current education, employment, and workforce development statistical results to help provide new and improved post-secondary services.

- Announcing a **STEM Works** pilot program in August 2011 to focus on Science, Technology, Engineering, and Math (STEM) education in high schools and universities, so that the state's workforce will be able to meet the escalating demand for employees in high-tech fields. The first component of STEM Works will accelerate and transform secondary STEM education to better prepare high-school graduates to pursue college degrees in STEM disciplines. This will be achieved through the creation of New Tech High Schools and Relevant Education for Active Learning (REAL) Schools, an initiative of Environmental and Spatial Technology (EAST) schools. The second component, UTeach, provides special secondary teacher training for college STEM majors, ensuring that Arkansas produces a steady stream of qualified teachers in STEM disciplines.

Although Arkansas's college going rate continues to exceed the national average and post-secondary enrollment continues to rise – and will continue to rise as more **Arkansas Academic Challenge Scholarships** are funded – the percentage of Arkansans age 25 and older with a baccalaureate degree, approximately 19 percent, ranks 49<sup>th</sup> among states. The U.S. average is 27.9 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 45.8 percent between 2006-07 and 2010-11.

**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), 23 July 2012.

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

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

**Table 7**  
**2010-2011 Job Opportunities from Signed Incentive Agreements: New and Expanded Year-End Results**

<i>Year</i>	<i>Type</i>	<i>Projects</i>	<i>Jobs</i>	<i>Total Investment</i>	<i>Average Hourly Wage</i>	<i>Cost Benefit Ratio</i>
<b>2010</b>	New	9	1,439	\$140,106,009	\$20.07	
	Expanded	72	2,777	\$1,351,209,949	\$15.45	
	<b>Total</b>	<b>81</b>	<b>4,216</b>	<b>\$1,491,315,958</b>	<b>\$17.03</b>	<b>3.33</b>
<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>

*\* a cost benefit ratio of 3.04 means that, over a ten year period, the state will get back, in taxes, \$3.04 for each dollar of incentives used.*

**Table 8**  
**2010-2011 Arkansas Job Creation and Job Loss Comparison**

Jobs from Signed Incentives Agreements with AEDC Involvement - AEDC Target Sectors Only*	6,962
Jobs Lost Due to Closures – AEDC Target Sectors only*	4,348
Net Gain (+) / Loss (-) AEDC Target Sectors	+2,614
<i>Above data from Arkansas Department of Workforce Services Dislocated Worker Task Force and AEDC New &amp; Expanded Database.</i>	
<i>* Does not include retail, healthcare, banking, trucking, etc.</i>	

**Table 9**  
**2010–2012 Year-to-Date Unemployment Comparison**

	<b>AR Unemp Rate</b>	<b>US Unemp Rate</b>
2010 annual average unemployment rate	7.9%	9.6%
2011 annual average unemployment rate	8%	8.9%
Current Month (June 2012) seasonally adjusted	7.2%	8.2%
<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**  
**2012 Year-to-Date\* Job Creation/Closures**

<i>Job Creation</i>	<i>Jobs</i>	<i>Total Investment</i>	<i>Average Hourly Wage</i>
<b>2012 Year-to-Date Signed Incentive Agreements*</b>	1,410	\$1,080,586,125	\$15.32
<b>Pending Finalization of Incentive Agreements**</b>	1,481	\$278,650,835	\$22.73

**2012 Year-to-Date\* Non-Retail/Non-Service Closures**

<i>Job Closures</i>	<i>Companies</i>	<i>Jobs</i>
<b>2012 Year-to-Date</b>	12	2,941

\*Through July 31, 2012.

\*\*These projects will likely be reported in 2012.

**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**  
**2011 Per Capita Real GDP by State: Arkansas and Surrounding States**

<i>State</i>	<i>2011 GDP Per Capita*</i>	<i>National Rank</i>
<b>United States</b>	<b>\$42,070</b>	<b>--</b>
Louisiana	\$45,002	17
Texas	\$44,788	18
Tennessee	\$36,543	34
Missouri	\$35,952	36
Oklahoma	\$35,381	37
<b>Arkansas</b>	<b>\$31,142</b>	<b>47</b>
Mississippi	\$28,293	50

\*In chained 2005 dollars. Source: Gross Domestic Product by State, Bureau of Economic Analysis, 2011 Per Capita Real GDP by State, <http://www.bea.gov/regional/gsp/>, 5 June 2012.

**Table 12**  
**Percentage Change in GDP Per Capita by State (2008 to 2011)\***  
**Arkansas and Surrounding States**

<i>State</i>	<i>2008 Per Capita GDP by State</i>	<i>2011 Per Capita GDP by State</i>	<i>Percentage Change in GDP Per Capita by State (2008-2011)</i>
<b>United States</b>	<b>\$43,079</b>	<b>\$42,070</b>	<b>-2.3%</b>
Louisiana	\$41,197	\$45,002	9.2%
Texas	\$44,050	\$44,788	1.7%
Tennessee	\$36,988	\$36,543	-1.2%
<b>Arkansas</b>	<b>\$31,701</b>	<b>\$31,142</b>	<b>-1.8%</b>
Oklahoma	\$36,367	\$35,381	-2.7%
Missouri	\$37,595	\$35,952	-4.4%
Mississippi	\$29,945	\$28,293	-5.5%

*\*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 (2007-2011)**  
**Arkansas and Surrounding States**

<i>State</i>	<i>Percentage Labor Force Growth (2007-2011)</i>	<i>National Rank</i>
<b>United States</b>	<b>0.3</b>	<b>--</b>
Texas	9.1	1
Mississippi	3.2	11
Tennessee	2.8	13
Louisiana	2.5	18
Oklahoma	2.1	22
<b>Arkansas</b>	<b>0.5</b>	<b>33</b>
Missouri	-0.1	36

*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 2009-2011**  
**Arkansas and Surrounding States**

<i>State</i>	<i>2009 Per Capita Income</i>	<i>2009 Rank</i>	<i>2010 Per Capita Income</i>	<i>2010 Rank</i>	<i>2011 Per Capita Income</i>	<i>2011 Rank</i>	<i>Change 2009-2011</i>	<i>National Rank</i>
<b>United States</b>	<b>\$38,846</b>	--	<b>\$39,937</b>	--	<b>\$41,663</b>	--	<b>7.3%</b>	--
Oklahoma	\$34,001	36	\$35,389	34	\$37,277	34	9.6%	2
Texas	\$36,500	28	\$37,747	27	\$39,593	26	8.5%	7
Tennessee	\$33,774	38	\$34,921	37	\$36,533	36	8.2%	12
Mississippi	\$30,045	50	\$31,071	50	\$32,176	50	7.1%	27
Louisiana	\$36,177	29	\$37,039	28	\$38,578	28	6.6%	32
<b>Arkansas</b>	<b>\$32,059</b>	<b>44</b>	<b>\$32,805</b>	<b>44</b>	<b>\$34,014</b>	<b>44</b>	<b>6.1%</b>	<b>36</b>
Missouri	\$36,108	30	\$36,799	30	\$38,248	29	5.9%	40

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>, 28 March 2012.

## Unemployment Rates

**Table 15**  
**Unemployment Rate**  
**Annual Averages 2010-2011**  
**Arkansas and Surrounding States**

<i>State</i>	<i>2010 Unemployment Rate</i>	<i>2011 Unemployment Rate</i>	<i>National Rank 2011</i>
<b>United States</b>	<b>9.6%</b>	<b>8.9%</b>	--
Oklahoma	6.9%	6.2%	8
Louisiana	7.5%	7.3%	16
Texas	8.2%	7.9%	23
<b>Arkansas</b>	<b>7.9%</b>	<b>8%</b>	<b>25</b>
Missouri	9.4%	8.6%	29
Tennessee	9.8%	9.2%	35
Mississippi	10.5%	10.7%	47

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

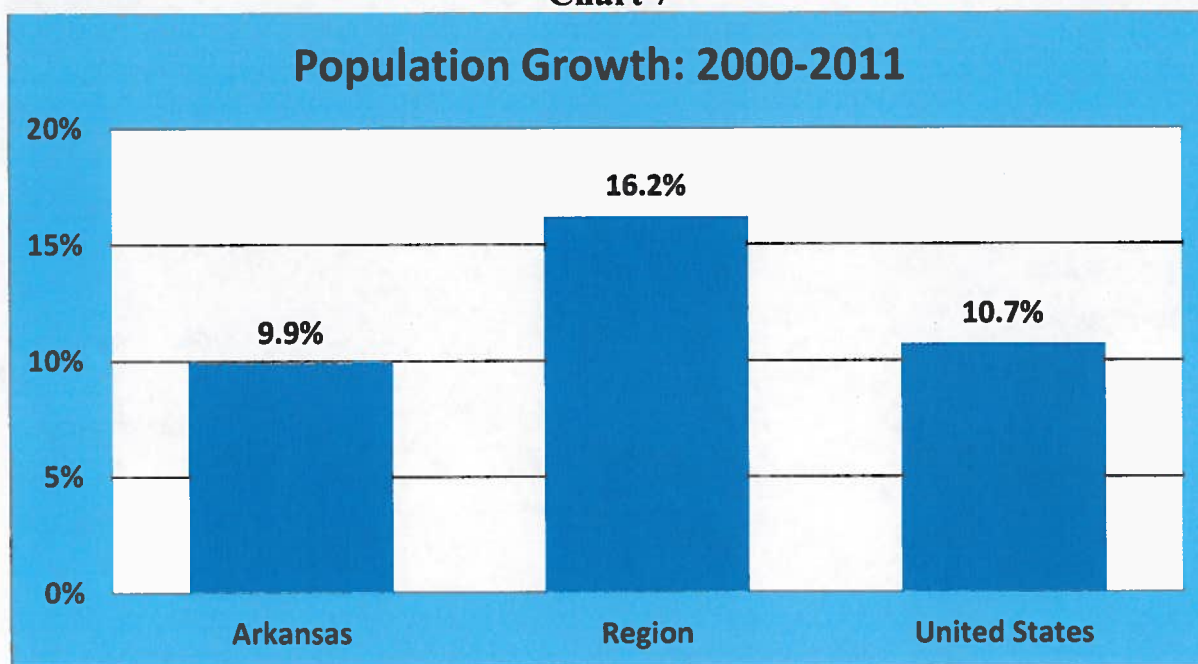
**Table 16**  
**Average Hourly Earnings of Manufacturing Production Workers (2011)**  
**Arkansas and Surrounding States**

<i>State</i>	<i>Hourly Earnings</i>	<i>National Rank</i>
<b>United States</b>	<b>\$18.94</b>	<b>--</b>
Louisiana	\$21.15	5
Missouri	\$18.66	18
Tennessee	\$16.63	38
Texas	\$16.41	41
Oklahoma	\$15.65	48
Mississippi	\$15.12	49
<b>Arkansas</b>	<b>\$14.52</b>	<b>50</b>

*Source: U.S. Department of Labor, Bureau of Labor Statistics, Current Employment Statistics, 2011 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, 2011 Annual Averages, Not Seasonally Adjusted <http://www.bls.gov/data/>*

## Population Growth (Region\*)

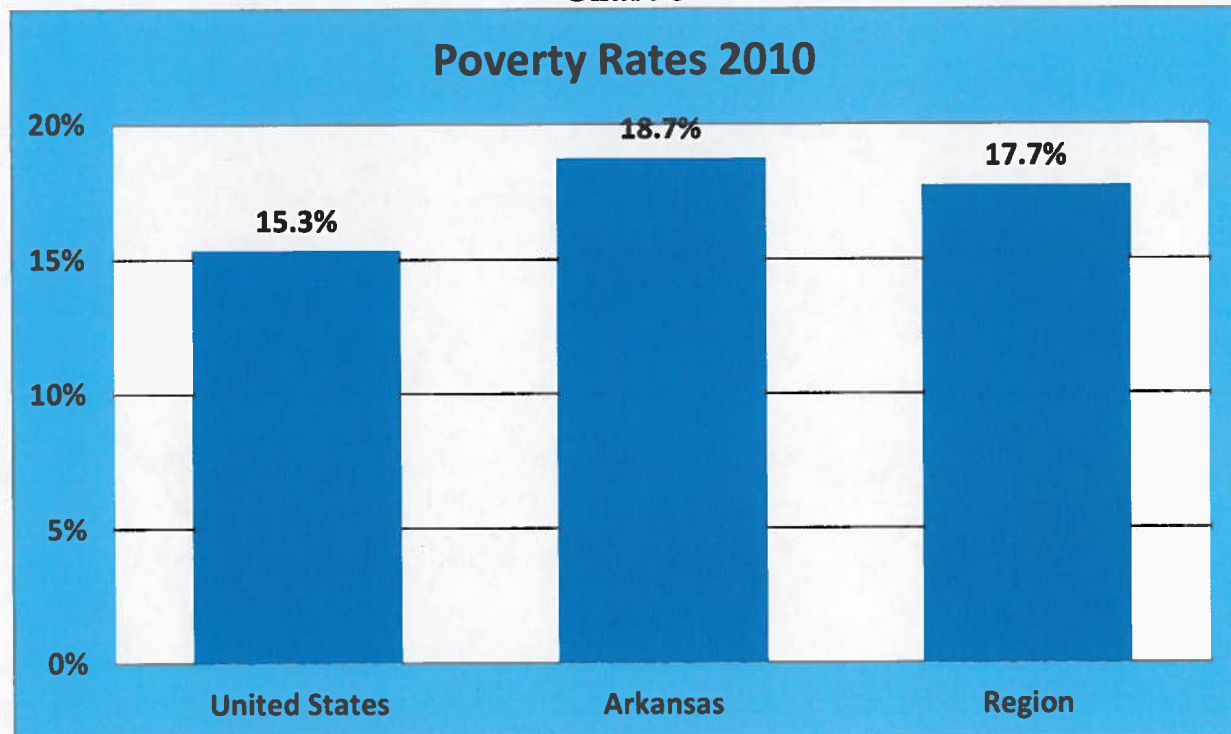
**Chart 7**



*Source: US Census Bureau, Annual Estimates of the Population for the United States, Regions, States, and Puerto Rico: April 1, 2000 to July 1, 2010 and April 1, 2010 to July 1, 2011.*

## 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/data/2010.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 2012, 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	71.8	94.4	88	72.6	96.4	66.3	5th
Texas	73.1	92.2	78.3	67.6	92.9	71	12th
Oklahoma	72.2	93.3	71.6	67.3	89.3	65.4	27th
Louisiana	70.7	97.2	79.6	74.7	82.1	59.1	23rd
Tennessee	71.6	90	80.3	67.1	92.9	64.1	21st
Missouri	77.6	78.9	69.3	71.2	71.4	65.4	41st
Mississippi	69.4	92.8	66.5	66.8	75	56.6	45th

Source: Education Week, Quality Counts 2012, State Report Cards, <http://www.edweek.org/>

**Assets and Opportunities Scorecard, Published January 2012**  
**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 101 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
Arkansas	D	D	C	C	D	44th
Louisiana	D	C	C	C	F	35th
Mississippi	F	F	C	C	F	47th
Missouri	C	C	C	B	D	28th
Oklahoma	D	C	B	D	C	33rd
Tennessee	D	D	C	C	D	42nd
Texas	D	C	B	F	D	41st

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

The scorecard also recommends 12 specific policies that states should adopt to ameliorate critical deficiencies in job quality, homeownership, access to credit and education. Among these policies are: increasing support for microenterprises, providing college savings incentives, and increasing job quality standards.

### **The State Competitiveness Index 2011 (Beacon Hill Institute)**

The eleventh 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>2011 Index Score</i>	<i>2011 National Rank</i>	<i>2010 National Rank</i>	<i>Change in Rank (2010-2011)</i>
Texas	5.7	15	25	+10
Oklahoma	4.36	35	45	+10
Tennessee	4.17	38	44	+6
<b>Arkansas</b>	<b>4.37</b>	<b>34</b>	<b>38</b>	<b>+4</b>
Mississippi	3.1	50	50	-
Louisiana	4.1	40	39	-1
Missouri	4.43	33	30	-3

*Source: Beacon Hill Institute, State Competitiveness Report 2010, <http://www.beaconhill.org/Compete10/Compete2010State.pdf>, State Competitiveness Report 2011, <http://www.beaconhill.org/Compete11/Compete2011.pdf>*

Among the various factors, Arkansas ranked highest in business incubation (11<sup>th</sup>) and government and fiscal policy (12<sup>th</sup>). Lowest scores were in technology (49<sup>th</sup>) and openness (48<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>
Minimum Wage	1	High Speed Telecomm Lines Per 1000	49
Workers Comp Premium Rates	3	Science and Engineering Degrees	48
Unionization Rate	3	Patents Per 100,000 inhabitants	47
Ed Attainment-Adjusted Labor Cost	4	Employment in High-Tech Industry as a Percentage of Total Employment	47
Electricity Prices per kWh	7	Incoming Foreign Direct Investment Per Capita	46
State and Local Taxes Per Capita	15	Percentage of Population High School Graduates	44
Carbon Emission Per 1000 Square Miles	19	Academic Science and Engineering R&D	43
Venture Capital Per Capita	20	Exports Per Capita	42

## **America's Top States for Business 2012 (CNBC)**

This index, published by CNBC, with input from the National Association of Manufacturers and the Council on Competitiveness, ranks each state according to 51 measures across 10 broad categories which include: cost of doing business; workforce; quality of life; infrastructure and transportation; economy; education; technology and innovation; business friendliness; access to capital; and, cost of doing business. Arkansas's ranking of 20<sup>th</sup> was higher than Oklahoma (23<sup>rd</sup>), Missouri (27<sup>th</sup>), Louisiana (42<sup>nd</sup>) and Mississippi (46<sup>th</sup>) but lower than Texas (1<sup>st</sup>) and Tennessee (16<sup>th</sup>).

Among the various factors, Arkansas rated highest in cost of doing business (2<sup>nd</sup>), cost of living (5<sup>th</sup>) and workforce (11<sup>th</sup>) but lagged in quality of life (43<sup>rd</sup>), technology and innovation (41<sup>st</sup>) and access to capital (40<sup>th</sup>).

## **Rich States, Poor States**

### **ALEC-Laffer State Economic Outlook Rankings, 2012**

The fifth 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 10<sup>th</sup> in economic performance and 11<sup>th</sup> in economic outlook. Arkansas worst rankings were for: sales tax burden, state liability system survey, personal income tax progressivity and top marginal personal income tax rate.

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

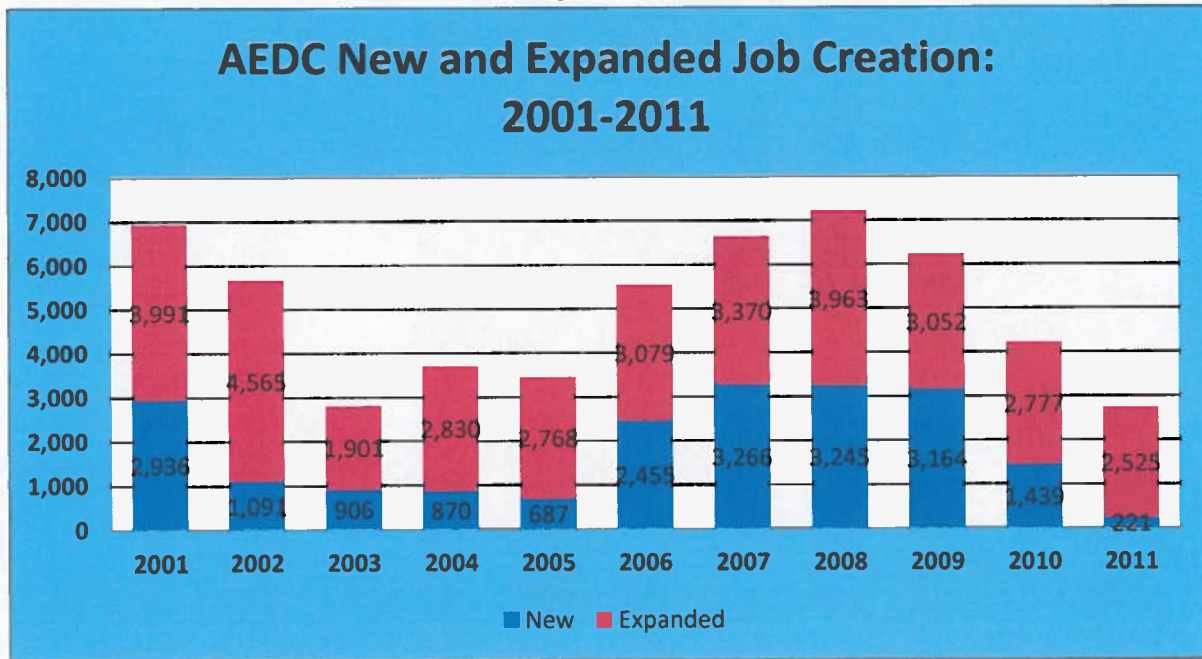
### **Evaluating State Tax Incentives for Jobs and Growth**

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.

#### **d. Evaluating Arkansas's business climate in 2011**

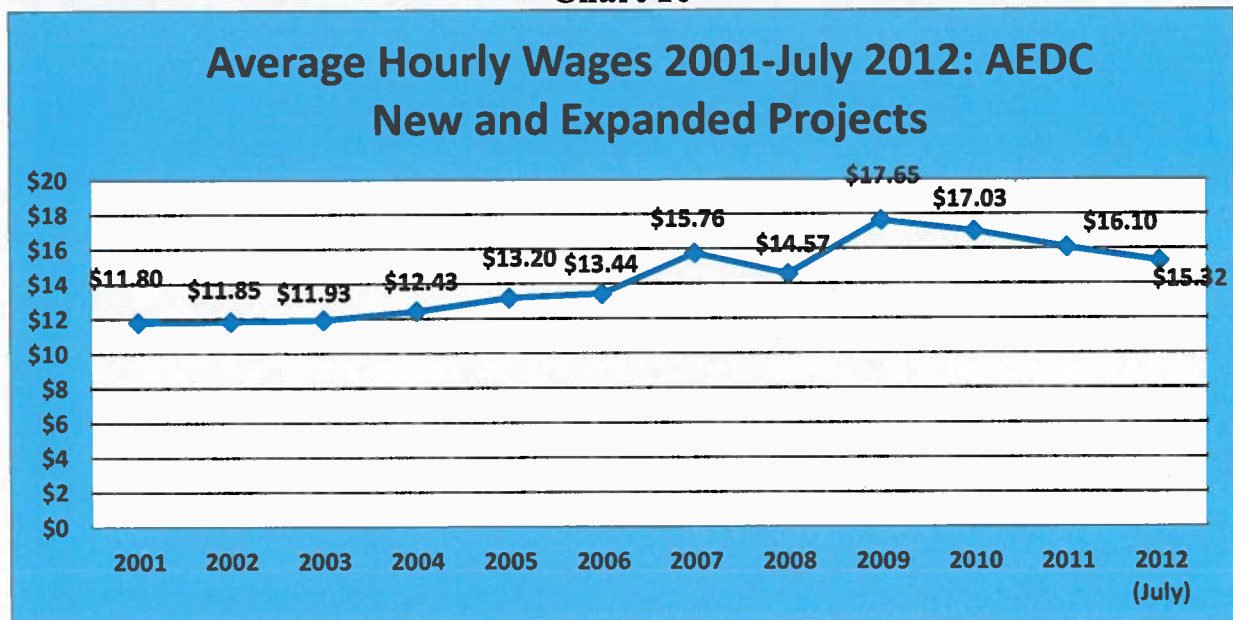
For the third consecutive year, slow recovery from the recession has reduced both new and expanded AEDC job creation. Jobs from new companies showed a fourth consecutive year of decline as businesses are delaying site location and relocation decisions pending improvement of the national economy. Existing businesses, however, did show some confidence in Arkansas's economy by signing 75 financial assistance agreements with AEDC proposing the creation of 2,525 new jobs.

**Chart 9**



Existing businesses also accounted for a vast majority of proposed investment for 2011. Of the \$901,086,441 proposed investment by businesses signing financial assistance agreements with AEDC in 2011, 97.7 percent was proposed by existing businesses. The average hourly wages of jobs from signed incentive agreements dipped again to \$16.10 in 2011, down from \$17.03 in 2010; however, as stated earlier in this report (see Chart 4) these wages are consistent with Arkansas per capita personal income levels.

**Chart 10**

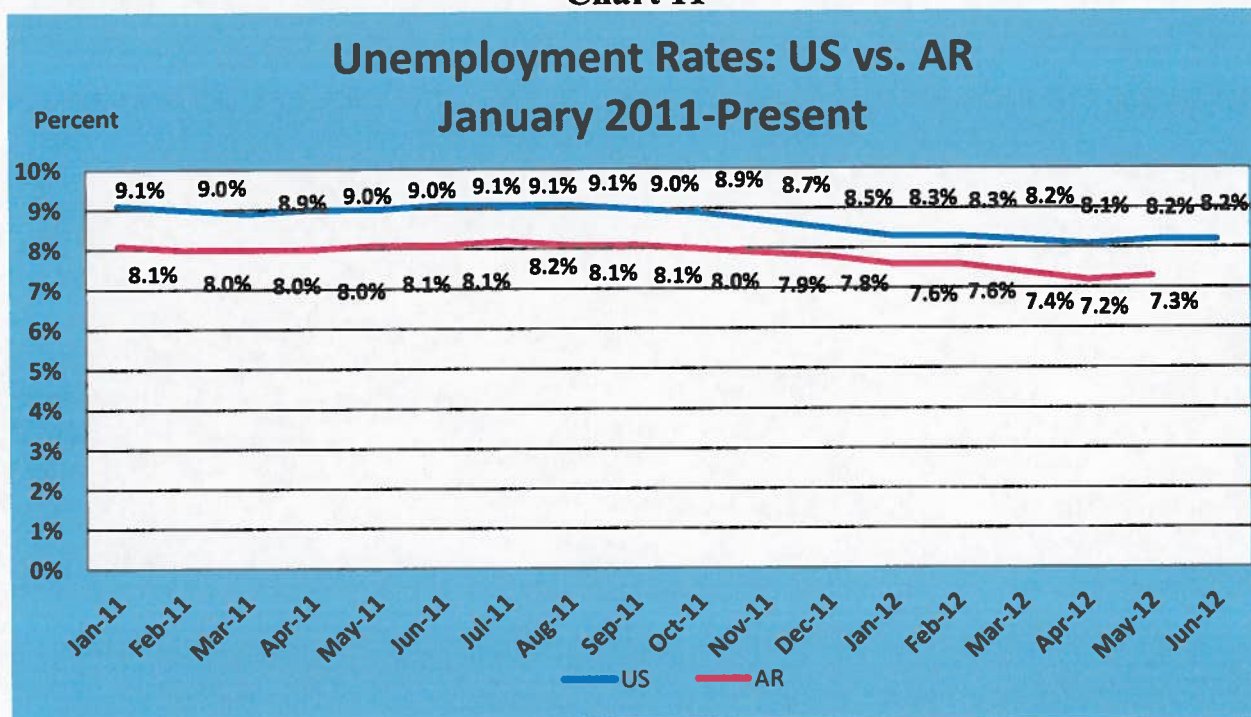


Note: \*Data may differ slightly from previous Act 1282 reports due to assistance agreement modifications.



Monthly unemployment rates in Arkansas peaked at 8.2 percent in July 2011 but have remained from .7 to 1 point below the United States rate.

**Chart 11**



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