

July 29, 2014

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

Dear Senator Sample and Representative Edwards:

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

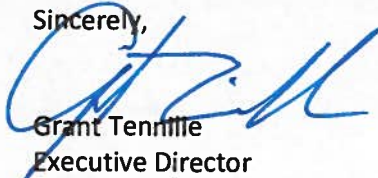
Pursuant to Act 1282 of 2001 (ACA § 15-4-219) please find enclosed a copy of our annual report to the Arkansas Legislative Council for committees distribution addressing each of the requirements specified in the law.

The second report, attached under separate cover letter, provides an accounting of the Economic Development Incentive Quick Action Closing Fund for Fiscal Year 2014, as required by Act 510 of 2007.

During 2013, the AEDC signed financial assistance agreements for 106 projects that are projected to create and retain 5,303 jobs and stimulate \$1.25 billion in capital investment. Further, the projected average wage of these jobs, at **\$19.82 per hour**, is an historic high. These totals do not include Big River Steel, which will be reported in next year's report. With continued support from Governor Beebe and the General Assembly, especially through the Quick Action Closing Fund, the Arkansas Economic Development Commission is aggressively and proactively working to meet Arkansas's economic challenges.

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

Sincerely,



Grant Tennille
Executive Director

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Enclosure

Summary of Act 1282 Report (Calendar Year 2013)

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 2013 is the 13 th edition.

Summary of Recent Act 1282 Reports (Calendar Years 2011-2013)

Between January 1, 2011 and December 31, 2013, the AEDC signed *financial incentive agreements* for 288 projects with companies proposing the creation of 11,155 new jobs and the retention of 515 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 2013 increased from 2011 and 2012, indicating an improving economy. Proposed average hourly wages of \$19.82 are above the state's per capita personal income (see Chart 1) which is helping to accomplish AEDC's mission to "create targeted strategies that produce better-paying jobs," while helping to move Arkansas's per capita personal income towards the national average – a primary economic goal of Governor Beebe.

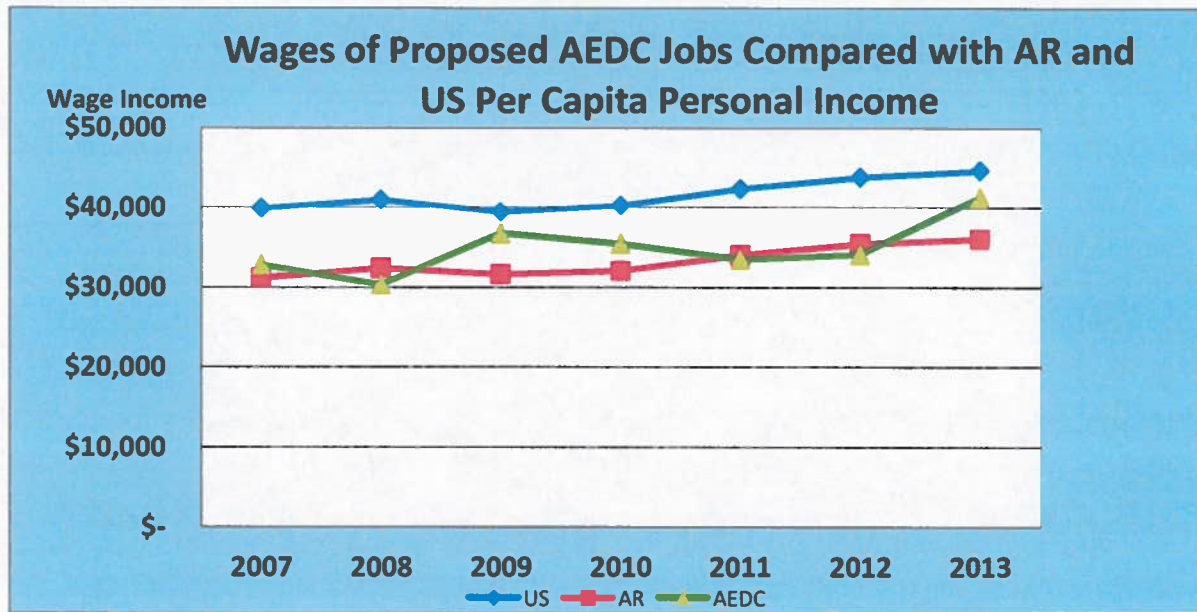
Table 1
Economic Indicators: 2011-2013

Economic Indicators	2011 Calendar Year	2012 Calendar Year	2013 Calendar Year	2011-2013 Total/Average
AEDC Projects	142	191	209	542/181
Signed AEDC Incentive Agreements	83	99	106	288/96
Proposed New and Expanded Jobs	3,013	3,354	5,303*	11,670/3,890
Proposed Project Investment	\$908,786,441	\$2,362,137,236	\$1,251,269,426	\$4,522,193,103/ \$1,507,397,701
Proposed Average Hourly Wage	\$16.87	\$16.36	\$19.82	\$18.06 (avg.)
Cost Benefit Ratio**	\$2.77/\$1	\$1.86/\$1	\$2.11/\$1	\$2.15/\$1 (avg.)

* 2013 jobs total includes 515 retained jobs.

** The cost-benefit ratio is the ratio of state tax revenue to state incentive cost expected to accrue during a ten-year period from all incentive agreements signed during the calendar year. For example, a 2.15 ratio projects that \$2.15 in state tax revenues will result from each \$1 in state tax incentives offered. The ratios for 2012 and 2013 would increase from \$1.86/\$1 to \$3.33/\$1 (2012) and \$2.11/\$1 to \$2.56/\$1 (2013), respectively, if non-job-creating statutory InvestArk incentive projects are excluded.

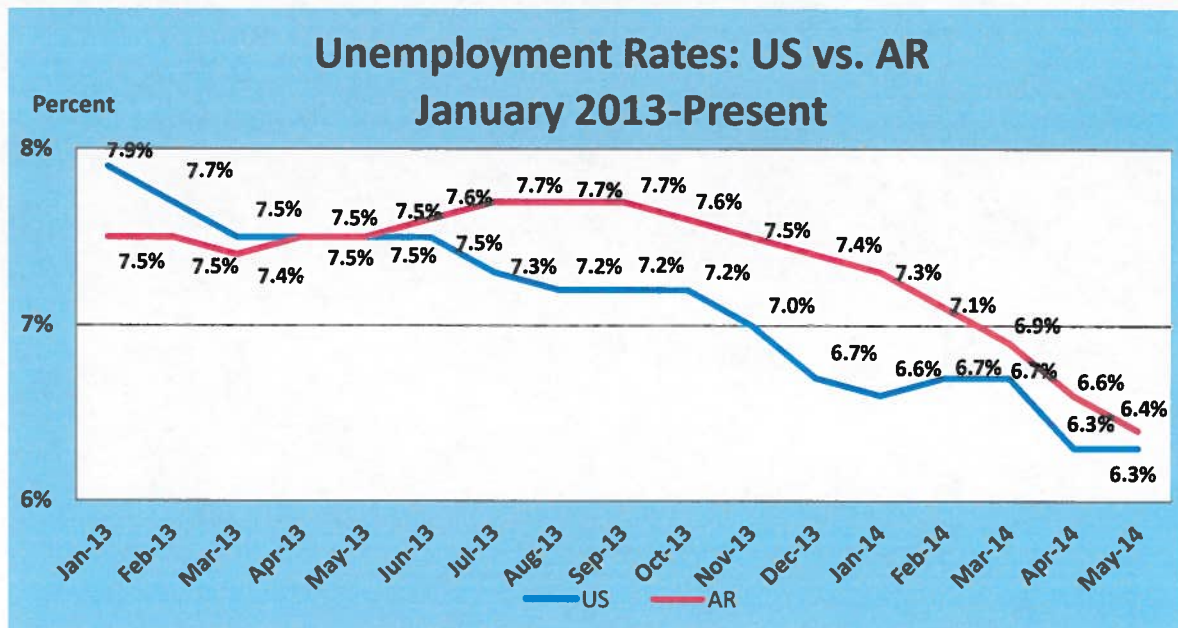
Chart 1



Source: Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income, March 25, 2014, online, available from <http://www.bea.gov/regional/index.htm> Dollar estimates in current dollars (not inflation adjusted) and AEDC New and Expanded Company Database 2007-2013.

Monthly unemployment rates in Arkansas peaked at 7.7 percent between July-September 2013 and have declined significantly to near the US rate in May 2014.

Chart 2



Source: Arkansas Department of Workforce Services, Unemployment Rates and Labor Force Statistics, <http://www.discoverarkansas.net/cgi/dataanalysis/AreaSelection.asp?tableName=Labforce>, 2 June 2014.



Annual Activity Report for 2013 (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 21st Century skilled workforce.

AEDC Mission Statement, December 2007

July 29, 2014

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 2013

ACT 1282 – SECTION 2

Part 1. AN ACCOUNTING OF ALL PROJECTS

Table 1
Job Opportunities by New & Existing Companies with Arkansas Economic Development Commission
Incentive Agreements Signed During 2013

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs (See notes *and **)</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered (See note ***)</i>
Manufacturing	Maumelle	29	\$14.00	Advantage Arkansas, Quick Action Closing Fund***
Information Technology	Conway	50	\$38.46	Quick Action Closing Fund***
Manufacturing	Paragould	20	\$12.00	Advantage Arkansas, InvestArk, Training
Manufacturing	Searcy	25	\$20.00	Advantage Arkansas, InvestArk, Training
Manufacturing	Texarkana	**0	N/A	InvestArk
Manufacturing	Malvern	9	\$20.75	Advantage Arkansas, InvestArk
Manufacturing	Magnolia	55	\$16.00	Advantage Arkansas, Tax Back, Training, CDBG
Warehouse/Distribution	Fort Smith	20	\$10.50	Advantage Arkansas, Tax Back
Agriculture Services	Walnut Ridge	5	\$16.00	CDBG
Office Sector	Bentonville	10	\$28.85	Advantage Arkansas
Manufacturing	Ashdown	**0	N/A	InvestArk, Training
Manufacturing	Helena/West Helena	10	\$18.00	Advantage Arkansas

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs (See notes *and **)</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered (See note ***)</i>
Manufacturing	Pine Bluff	**0	N/A	InvestArk, Training
Manufacturing	Sheridan	**0	N/A	InvestArk, Training
Manufacturing	Russellville	**0	N/A	InvestArk
Corporate Headquarters	Little Rock	60	\$40.00	Tax Back, Create Rebate
Manufacturing	Blytheville	**0	N/A	InvestArk, Training
Manufacturing	Siloam Springs	65	\$19.20	Advantage Arkansas, InvestArk, Training
Manufacturing	Fort Smith	127	\$15.51	Advantage Arkansas, Tax Back, Quick Action Closing Fund***
Manufacturing	Little Rock	200	\$17.22	Tax Back, Create Rebate, Training, CDBG
Manufacturing	Ash Flat	30	\$15.00	Advantage Arkansas, Tax Back
Manufacturing	Jonesboro	25	\$12.00	Advantage Arkansas, InvestArk, Training
Manufacturing	Van Buren	12	\$16.00	Advantage Arkansas, Tax Back, Training
Manufacturing	West Memphis	6	\$38.46	Advantage Arkansas, InvestArk
Manufacturing	Arkansas City	**0	N/A	InvestArk
Manufacturing	Ashdown	**0	N/A	InvestArk
Tourism	Little Rock	**0	N/A	Tourism
Warehouse/Distribution	Pine Bluff	232	\$15.40	Advantage Arkansas, Tax Back, Quick Action Closing Fund***
Manufacturing	Midway	30	\$11.00	Advantage Arkansas, Tax Back
Transportation/Intermodal	Monticello	0	N/A	Quick Action Closing Fund***

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs (See notes *and **)</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered (See note ***)</i>
Manufacturing	Little Rock	7	\$15.00	Advantage Arkansas, Tax Back
Warehouse/Distribution	Jonesboro	12	\$10.50	Advantage Arkansas, Tax Back
Manufacturing	Huttig	**0	N/A	InvestArk
Warehouse/Distribution	Van Buren	20	\$14.00	Advantage Arkansas, Tax Back
Transportation/Intermodal	Lake Village	20	\$12.34	CDBG
Manufacturing	Osceola	12	\$20.25	Advantage Arkansas, Tax Back
Manufacturing	Booneville	25	\$11.00	Advantage Arkansas, Tax Back, CDBG
Transportation Support Activities	Wynne	12	\$17.62	Advantage Arkansas, Tax Back, Economic Infrastructure (EIF)
Manufacturing	Manila	15	\$14.31	Advantage Arkansas, Tax Back, Training
Manufacturing	Booneville	30	\$13.00	CDBG
Call Center	Fort Smith	250	\$11.50	Advantage Arkansas, Tax Back
Corporate Headquarters	Lowell	**0	N/A	InvestArk
Manufacturing	Texarkana	32	\$18.87	Quick Action Closing Fund***
Manufacturing	Clinton	224	\$12.00	CDBG
Manufacturing	Rogers	6	\$16.00	InvestArk, Training
Manufacturing	Malvern	21	\$14.50	Advantage Arkansas, Bond Guaranty, CDBG
Manufacturing	Ozark	*90	\$27.25	Create Rebate, Quick Action Closing Fund***

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs (See notes *and **)</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered (See note ***)</i>
Warehouse/Distribution	Stuttgart	3	\$16.83	Advantage Arkansas, Tax Back
Manufacturing	Carlisle	4	\$16.38	Advantage Arkansas, Tax Back
Manufacturing	Arkadelphia	172	\$14.40	Bond Guaranty, CDBG
Warehouse/Distribution	Maumelle	5	\$13.00	Advantage Arkansas, Tax Back
Manufacturing	North Little Rock	8	\$30.00	InvestArk, Training
Professional, Technical and Scientific Services	Fayetteville	1	\$36.86	Research and Development
Manufacturing	Huntsville	18	\$18.00	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Ashdown	**0	N/A	InvestArk
Manufacturing	El Dorado	16	\$31.25	Advantage Arkansas, InvestArk, Training
Manufacturing	Leola	**0	N/A	InvestArk
Manufacturing	Helena/West Helena	60	\$20.00	Tax Back, CDBG
Manufacturing	Pocahontas	28	\$10.86	Advantage Arkansas, Tax Back, Economic Infrastructure (EIF)
Manufacturing	Mena	**0	N/A	Research and Development
Manufacturing	Van Buren	45	\$17.75	Advantage Arkansas, InvestArk, CDBG
Manufacturing	Batesville	8	\$22.00	Advantage Arkansas, InvestArk
Manufacturing	Russellville	30	\$22.75	Advantage Arkansas, Tax Back, Training
Manufacturing	Fayetteville	30	\$24.04	Quick Action Closing Fund***

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs (See notes *and **)</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered (See note ***)</i>
Manufacturing	Lonoke	51	\$33.00	Advantage Arkansas, InvestArk, Quick Action Closing Fund***
Manufacturing	Stuttgart	14	\$16.21	Advantage Arkansas, InvestArk
Manufacturing	Fordyce	30	\$16.00	Advantage Arkansas
Manufacturing	Van Buren	**0	N/A	InvestArk
Medical Testing	Fayetteville	11	\$45.00	Research and Development
Manufacturing	Fort Smith	65	\$15.00	Advantage Arkansas, Tax Back, Quick Action Closing Fund***
Corporate Headquarters	North Little Rock	*5	\$17.50	Quick Action Closing Fund***
Manufacturing	Stuttgart	24	\$10.86	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Springdale	50	\$13.00	Advantage Arkansas, Tax Back, Training
Call Center	Little Rock	150	\$13.00	Advantage Arkansas, Tax Back, Training
Manufacturing	Springdale	11	\$13.50	Advantage Arkansas, Tax Back, CDBG
Corporate Headquarters	Hope	30	\$14.00	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Alexander	11	\$17.63	Tax Back
Manufacturing	Rogers	74	\$18.85	Advantage Arkansas, Tax Back, Quick Action Closing Fund***
Manufacturing	Jonesboro	15	\$14.00	Advantage Arkansas, Tax Back, Economic Infrastructure (EIF)
Computer Services	Little Rock	35	\$60.00	Quick Action Closing Fund***

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs (See notes *and **)</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered (See note ***)</i>
Manufacturing	Springdale	15	\$19.23	Economic Infrastructure (EIF)
Manufacturing	Lowell	26	\$15.25	CDBG, Quick Action Closing Fund***
Manufacturing	Monticello	12	\$16.00	CDBG
Manufacturing	Texarkana	**0	N/A	InvestArk
Manufacturing	Little Rock	*420	\$20.00	Tax Back, Create Rebate, Training, Quick Action Closing Fund***
Manufacturing	Cherry Valley	8	\$11.50	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Siloam Springs	36	\$23.50	Advantage Arkansas, InvestArk, Training, CDBG
Manufacturing	Fort Smith	28	\$15.53	Advantage Arkansas, InvestArk
Tourism	Rogers	**0	N/A	Tourism
Manufacturing	Springdale	20	\$15.00	InvestArk
Corporate Headquarters	Fort Smith	970	\$26.07	Tax Back, Create Rebate
Call Center	Fort Smith	500	\$24.00	Tax Back, Create Rebate, Training
Manufacturing	Flippin	60	\$11.00	Tax Back, CDBG
Manufacturing	Maumelle	6	\$12.00	Advantage Arkansas, Tax Back
Warehouse/Distribution	Fayetteville	9	\$11.15	Advantage Arkansas, Tax Back
Manufacturing	Little Rock	25	\$24.04	Advantage Arkansas, Tax Back, Quick Action Closing Fund***
Warehouse/Distribution	Forrest City	72	\$16.43	Advantage Arkansas, Tax Back
Transportation Services	Jonesboro	190	\$19.86	InvestArk, Quick Action Closing Fund***

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs (See notes *and **)</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered (See note ***)</i>
Manufacturing	Ashdown	**0	N/A	InvestArk, Training
Manufacturing	El Dorado	**0	N/A	InvestArk
Manufacturing	Mulberry	41	\$10.86	Advantage Arkansas, Tax Back, Bond Guaranty, CDBG
Manufacturing	Blytheville	**0	N/A	InvestArk
Manufacturing	Armored	**0	N/A	InvestArk
Manufacturing	Armored	**0	N/A	InvestArk, Training
Manufacturing	Fayetteville	40	\$15.00	Advantage Arkansas, InvestArk, Training
Manufacturing	Rogers	25	\$15.00	Advantage Arkansas, InvestArk
	106 Projects	5,303	\$19.82 Average Hourly Wage	

* Jobs denoted with an * indicate retained jobs only.

** The following investment incentive programs do not require job creation:

- **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 those InvestArk projects denoted **N/A. Benefits accrued through investment in buildings, machinery, and/or equipment.
- Projects exclusively receiving **Research and Development** and **Tourism** investment tax credits are not required to create new jobs.

*****Clawback Provisions:** All AEDC-administered incentive programs require recipients to meet performance standards as a condition of receiving benefits. Incentives under the Consolidated Incentive Act (Advantage Arkansas, InvestArk, Create Rebate, Tax Back, ArkPlus, Research and Development) are performance-based, meaning that recipients are required to meet requisite investment and/or payroll/job requirements and be audited by the Department of Finance and Administration (DF&A) prior to receiving benefits. *(The InvestArk program is slightly different because the DF&A conducts the verification audit after the tax credit amount is determined. Credits, however, may be recaptured by the DF&A should audit findings warrant.)* Other incentive programs including Tourism, Equity Investment Tax Credits and Digital Product and Motion Picture Industry Development have submittal, review and award processes that require proof of performance to receive benefits. Written agreements for loans and grants specify reimbursement, repayment or recapture provisions for non-compliance. Typical language includes grant reimbursement amounts for

each job not created and personal guaranties, collateral, etc. on loans. Each job creation project that will receive funds from the Quick Action Closing Fund (as denoted in Table 1) has a grant agreement with specific grant reimbursement “clawback” provisions.

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

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

Act 566 of 2007 created the **Equity Investment Tax Credit Incentive Program**, a discretionary incentive that is targeted toward new, technology-based businesses that pay wages in excess of 150 percent of the state or county average wage, whichever is less. This program, jointly administered by AEDC, the Arkansas Development Finance Authority and the Arkansas Science and Technology Authority, allows approved businesses to offer 33 1/3% income tax credits to investors purchasing an equity investment in approved businesses. In 2013, 26 financial incentive agreements were approved. Cumulatively, these projects are projected to raise \$19,539,000 in equity from investors. The locations, projected employment and projected average hourly wages of 2013 projects are as follows:

Table 2
Equity Investment Tax Credit Projects

Project Location	Proposed Jobs	Proposed Wages
Fayetteville	13	\$36.06
Little Rock	8	\$37.26
Fayetteville	3	\$29.00
Fayetteville	4	\$50.00
Little Rock	3	\$40.00
Fayetteville	36	\$30.00
Conway	9	\$29.92
Fayetteville	3	\$45.00
Fayetteville	6	\$71.09
Fayetteville	5	\$41.00
Fayetteville	5	\$43.00
Fayetteville	10	\$27.35

Project Location	Proposed Jobs	Proposed Wages
Fayetteville	14	\$34.25
Fayetteville	4.5	\$35.95
Little Rock	52	\$45.00
Highfill	290	\$40.00
Maumelle	18	\$28.00
Little Rock	6	\$33.35
Fayetteville	10	\$34.00
Bentonville	49	\$31.00
Fayetteville	39	\$29.76
Little Rock	19	\$34.75
Fayetteville	12	\$34.00
Little Rock	111	\$27.11
Little Rock	9	\$35.48
Fayetteville	7.5	\$34.61

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 2013, the AEDC signed four Digital Product and Motion Picture Industry Development Incentive Program financial incentive agreements for projects that filmed in St. Francis, Pulaski and Washington Counties. Through 2013, the Film Office signed 25 financial assistance agreements with production companies. Of those, all but two have/will receive funding from the Quick Action Closing Fund. In FY 2014, one project, Grace of Jake, LLC, received \$22,962.53 in funding from the QACF (see QACF Report, attached, for expenditure data).

Part 2. ASSESSMENT OF PROJECTS THAT DID NOT MATERIALIZE

During the 2013 calendar year, the Arkansas Economic Development Commission worked 209 projects, 106 of which signed incentive agreements. Of these projects, 14 were by new companies and 92 were by existing companies. Upon completion, these 106 projects are projected to create/retain 5,303 jobs and generate \$1,251,269,425 in new capital investment. The remaining 103 non-incentive agreement projects are summarized below:

Table 3
Project Status

Project Status	Number of Projects
Project committed to Arkansas-signed incentive agreements in 2013	106
Project has or is likely to announce in 2014	23
Project is active but no decision has been made	39
Project is on hold/status pending*	7
Project did not materialize-will not locate in Arkansas*	34
Total Projects	209

* Information regarding the 41 non-active projects is provided below.

Table 4
2013 Projects That Did Not Materialize and Reason

<i>a. Type of Company</i>	<i>b. Number of Jobs</i>	<i>c. Average Hourly Wage</i>	<i>d. Incentives Offered</i>	<i>e. Reason Company Did Not Locate in Arkansas</i>
Manufacturing	300	\$17.70	General Incentive Summary	The project is on hold. The company is currently focusing on foreign production facilities and may revisit US investment in the near future.
E-Waste Recycling	100	\$15.00	General Incentive Summary	The project is on hold. The company is solidifying investment capital.
Manufacturing	600	\$12.00	General Incentive Summary	The project is on hold. New company leadership is evaluating feasibility of the project.
Manufacturing	138	\$17.42	Advantage Arkansas, Tax Back, InvestArk, Quick Action Closing Fund	The project did not materialize due to lack of internal corporate financial support.

<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	35	\$15.40	General Incentive Summary	The company did not move forward with the expansion project.
Manufacturing	Unspecified	Unspecified	General Incentive Summary	The project never materialized, as per the company's broker.
Call Center	Unspecified	Unspecified	General Incentive Summary	The project never materialized, as per the company's broker.
Manufacturing	60	\$21.63	Advantage Arkansas, Tax Back, Grants, Recycling	The company chose a site in Tennessee. Freight costs to and from the Tennessee site were more favorable.
Manufacturing	350	\$20.00	General Incentive Summary	The company chose to expand its out-of-state facility and not open another branch.
Manufacturing	334	\$25.39	Create Rebate, Tax Back, Quick Action Closing Fund	The company decided to stay at its existing facility in Dallas due to perceived interruption of service to existing customers.
Business Support Services	12	\$31.25	Advantage Arkansas, Tax Back, Economic Infrastructure Grant	The company decided to remain in Illinois.
Manufacturing	Unspecified	Unspecified	General Incentive Summary	The company decided not to locate in Arkansas due to insufficient availability of raw material.
Manufacturing	100	\$14.00	Advantage Arkansas, Tax Back, InvestArk, Training, CDBG	The company did not have adequate capital to proceed with the expansion.
Manufacturing	33	\$10.50	Advantage Arkansas, Tax Back, Training	The company did not move forward with the expansion.
Manufacturing	40	Unspecified	General Incentive Summary	The company decided to focus on expanding European facilities rather than opening new facilities in the United States.

<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	Up to 3,250 (phase I)	Unspecified	Create Rebate, Tax Back, Amendment 82, Training	The company decided to remain in Washington State.
Manufacturing	230	\$15.00	Advantage Arkansas or Create Rebate, Tax Back, Grant	The company indicated that the project will be reevaluated in 2015.
Manufacturing	60-95	\$12.15	Advantage Arkansas, Tax Back, Grant, Training	The project did not materialize because the investor backed out.
Manufacturing	500	\$17.00	Advantage Arkansas, Tax Back, Quick Action Closing Fund, Training	The project located in Montgomery Alabama to be closer to the Hyundai plant.
Call Center	514	\$19.35	Create Rebate, Tax Back, Grant	The project did not materialize. No reason was disclosed by the company.
Manufacturing	66	\$24.00	General Incentive Summary	The consultant indicated that a different location was chosen but did not disclose where.
Manufacturing	180	\$15.00	General Incentive Summary	The project went to Louisiana. Our fiscal analysis of the company's financials could not justify offering an incentives package to compete with Louisiana's.
Manufacturing	216	\$30.00	General Incentive Summary	The company chose a coastal location to be closer to its existing refinery.
Manufacturing	94-153	\$20.33	Advantage Arkansas or Create Rebate, Tax Back, Grant	The company located in Virginia because of better logistics and lower site costs at the Port of Savannah.

<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	1500	\$17.50	General Incentive Summary	Arkansas did not make the first cut. The remaining sites were in other southeastern states closer to the company's existing facilities.
Manufacturing	500	Unspecified	General Incentive Summary	As per the consultant, none of the sites in Arkansas were viable. The company's focus shifted to areas closer to the company's primary headquarters location.
Manufacturing	30	\$48.08	General Incentive Summary	Arkansas did not make the short list of candidates. The company would not disclose reasons.
Corporate Headquarters	300	\$36.05	Create Rebate, Tax Back, Grant	Arkansas did not make the short list of candidates. The company would not disclose reasons.
Manufacturing	1	\$14.35	CDBG	The company did not qualify for the incentive amount it requested.
Manufacturing	250-500	\$14.59	Advantage Arkansas or Create Rebate, Tax Back, Grant	The consultant stated that the submitted site did not meet their client's needs.
E-Waste Recycling	25	\$10.86	Advantage Arkansas, Tax Back	The company could not secure a supplemental grant necessary for the project to proceed.
Call Center	250	\$24.04	General Incentive Summary	Arkansas's sites did not make the second round of five locations.
Manufacturing	98	\$27.88	General Incentive Summary	Arkansas did not make the list of final two sites.
Manufacturing	350	\$16.83	General Incentive Summary	Arkansas was not chosen for the final cut due to location of customers and suppliers and because of electrical capacity.

<i>a. Type of Company</i>	<i>b. Number of Jobs</i>	<i>c. Average Hourly Wage</i>	<i>d. Incentives Offered</i>	<i>e. Reason Company Did Not Locate in Arkansas</i>
Manufacturing	Unspecified	Unspecified	General Incentive Summary	Another state was selected but was not disclosed by the consultant.
Manufacturing	2410	\$20.15	Create Rebate, Ark Plus, Tax Back, Amendment 82, Quick Action Closing Fund	The company chose an optimal building in Huntsville, Alabama.
Manufacturing	400	Unspecified	General Incentive Summary	The project is on hold as per the company.
Manufacturing	45	\$15.00	Advantage Arkansas, Tax Back, InvestArk	The project is on hold awaiting the company's decision to expand in Arkansas.
Manufacturing	100	Unspecified	General Incentive Summary	The company is awaiting an EPA ruling before deciding whether or not to build a new building.
Manufacturing	60	\$36.00	General Incentive Summary	The project is on hold pending execution of a financing agreement.
Manufacturing	20	Undisclosed	General Incentive Summary	The project is on hold pending corporate response to AEDC-submitted information.
Totals	41 Projects	13,724 Jobs \$19.36 Average Hourly Wage (unspecified wages not included)		

f. General Assembly proposals to assist AEDC

The 89th General Assembly passed several laws that directly and indirectly impacted AEDC's mission. A brief summary of these laws follows:

AEDC Programs/Projects Legislation

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

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

Energy Programs/Projects Legislation

1. **Act 152 (Incentive for converting a vehicle to use CNG or LPG)** Authorized the rebate of costs associated with converting a vehicle to use CNG or LPG under the Alternative Fuels Development Program administered by the Arkansas Department of Agriculture. Sen. Pierce, SB 125.
2. **Act 253 (Allows for opt-out of certain businesses from Public Service Commission-ordered energy conservation programs)** Allows non-residential customers to opt-out of energy conservation programs initiated under the Energy Conservation Endorsement Act of 1977. Rep. Rice, HB 1386.
3. **Act 280 (Established the Arkansas Energy Summary and Report)** Tasks the Higher Education Coordinating Board with the responsibility for coordinating efforts among the state's energy research universities and compiling a report on energy supplies and projections. A report is to be presented to the Joint Committee on Energy. Sen. Hendren, SB 246.
4. **Act 341 (Requirements for certification of public convenience and necessity from the Public Service Commission)** Defines the circumstances in which a certificate of public convenience and necessity is not required from a generation and transmission cooperative. Sen. Key, SB 271.
5. **Act 1074 (Energy Improvement Districts)** Authorized the establishment of Property Assessed Clean Energy (PACE) financing to make energy improvements to homes within an established energy improvement district. Sen. Johnson, SB 640.
6. **Act 1078 (Regulation of Electric Demand Response Act)** Allows for the aggregation of customers to address electric demand response during peak periods of

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

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

Tax Exemptions and Reductions

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

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

Finance and Infrastructure Economic Development Legislation

1. **Act 1095 (Changes to the Arkansas Acceleration Fund and the Risk Capital Match Program)** Named the Arkansas Research Alliance as the Arkansas Acceleration Fund advisory group and eliminated the requirement for a private sector advisory group for the Risk Capital Match Program. Sen. Teague/Rep. Mayberry, SB 929.
2. **Act 1430 (Created an Intermodal Transportation and Commerce Task Force)** Allows for the appointment of a 15-member task force to study issues related to

intermodal transportation and to develop recommendations prior to the next regular session. Sen. Rapert, SB 1108.

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

Funded General Improvement Bills to AEDC

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

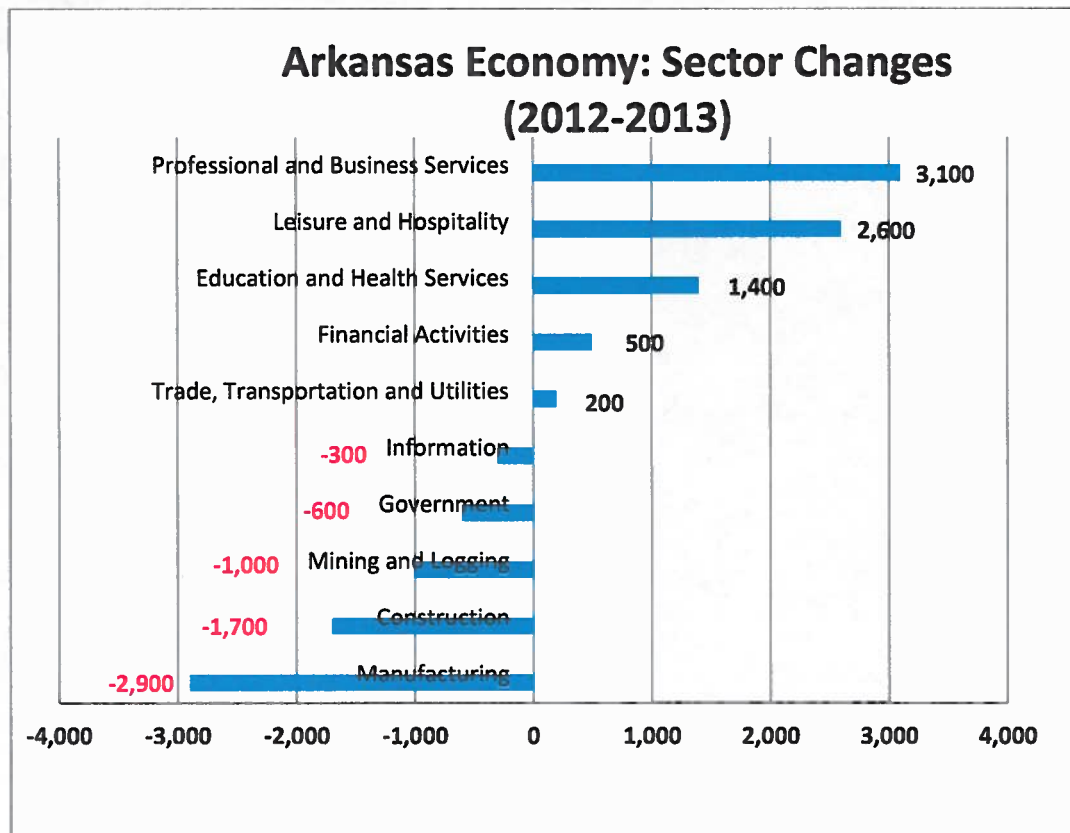
Additionally, Act 260 of 2014, passed during the Fiscal Session of the 89th General Assembly, appropriated \$16 million to the AEDC Industry Training Program for personal services, operating expenses, grants and aid, capital acquisition, and other appropriate purposes to provide industry-specific training opportunities. The AEDC is developing program guidance regarding utilization of these funds and, as per Act 260, will submit a quarterly report of industry training activities to the Governor and the Legislative Council

or Joint Budget Committee. The provisions of this appropriation section shall be in effect through July 1, 2015.

Part 3. AN ACCOUNTING OF MAJOR FACTORY AND PLANT CLOSURES

Overall, Arkansas's labor force declined by 18,064 from 1,344,592 in 2012 to 1,326,528 in 2013. Among nonfarm payroll jobs* the trade, transportation and utilities; financial activities; education and health services; leisure and hospitality; and, professional and business services sectors grew. Employment losses occurred in the manufacturing; construction; mining and logging; government; and, information sectors. Chart 1 below shows employment growth/decline by major sector. Table 5 lists factory and plant closures during 2013.

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 2013

a. Location City	b. Number of Jobs Lost	c. Reason for Closure
Arkadelphia	5	Relocated operations to Colorado.
Van Buren	174	Moving jobs to existing Siloam Springs plant.
Van Buren	20	Corporate decision.
Little Rock	240	Corporate buyout decision to close plant.
Batesville	462	Corporate decision to realign production facilities resulted in elimination of this facility.
Hope	51	Lack of work due to loss of government contracts.
Mount Ida	85	Production overcapacity.
Benton	48	Moving production to plant in Michigan.
White Hall	722	Completion of chemical disposal project (Phasing-out began in 2011).
Jonesboro	40	Overcapacity and uncertainty in the US market, production demand to be met from existing German facility.
Forrest City	75	Demand decline for product (televisions).
Fort Smith	11	Corporate decision.
Heber Springs	300	Loss of major contract to General Motors. The facility is still open and may rebound if additional contracts can be procured.
Blytheville	82	Global softening of metals markets.
Little Rock	200	Corporate decision to close service facility as part of its post-Chapter 11 bankruptcy assessment.

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 2013, the AEDC's Existing Workforce Training Program assisted 91 different companies by providing training to 11,553 workers. The AEDC's Business Industry Training Program assisted 38 different companies by providing training to 2,416 workers. Building and maintaining a skilled workforce will continue to be a key activity of AEDC.

Key objectives of the EBRD include: leveraging staff expertise and resources to enhance profitability and productivity of clustered industries (e.g., "Supply Chain Symposiums"); aligning existing business efforts with AEDC Business Development recruitment targets and, operating more efficiently and effectively by developing programs and alliances with multiple companies simultaneously (e.g. Arkansas Aerospace Alliance). Each EBRD sector manager is responsible for developing their assigned industry sector(s) as well as implementing programs such as Total Quality Management[®] 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

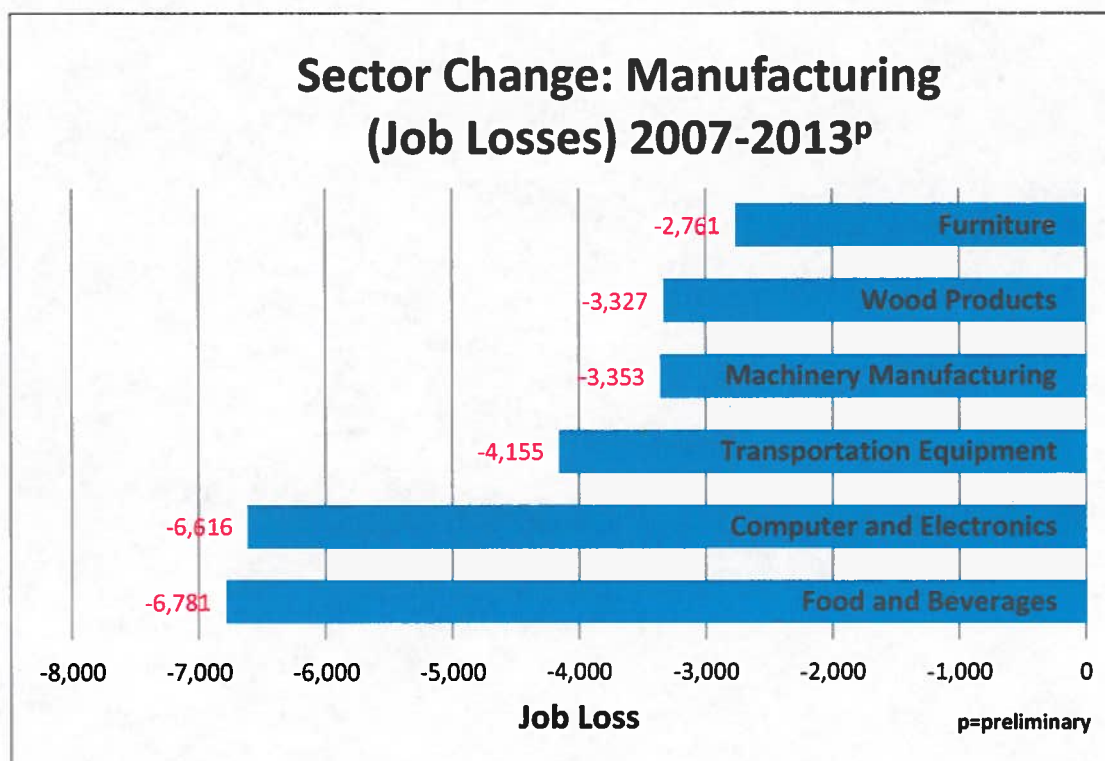
Utilizing this systems approach, the EBRD is helping companies reduce employee turnover rates by implementing the Arkansas Career Readiness Certificate (CRC) process. The CRC process identifies specific job/skill requirements of companies and matches those requirements with prospective employees' skills 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 that have the skills employers need. When known job requirements are matched with 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.

Effective July 1, 2014, the Governor's Workforce Cabinet, with the assistance of Senator Jane English and other key legislators, directed substantial funding (approximately \$15,000,000) toward workforce training for Arkansas companies. These funds will assist business and industry in Arkansas to implement new technologies to increase production and customers. A plan to utilize these funds is currently being developed by the AEDC, Arkansas Department of Workforce Services, Arkansas Department of Higher Education, Arkansas Department of Career Education, Arkansas Association of Two Year Colleges, Arkansas Department of Education and the Arkansas Science and Technology Authority

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

Between 2007 and 2013*, Arkansas lost 36,845 private sector manufacturing jobs. These losses have primarily affected the food and beverages, computer and electronic, transportation equipment, machinery manufacturing, wood products, and furniture manufacturing industries. Business closures were experienced in industries besieged by foreign competition, industry consolidation, and financial restructuring.

Chart 2



**Source: Bureau of Labor Statistics, 2007-2013^p (preliminary) private sector Quarterly Census of Employment and Wages, 20 June 2014, <http://data.bls.gov/pdq/querytool.jsp?survey=en>*

As Table 6 below illustrates, the magnitude of manufacturing decline between 2007 and 2013 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: 2007-2013^p

Growth	Small Decline (15% or less)	Moderate Decline (15.1% to 30%)	Large Decline (Greater than 30%)
Chemicals (+0.7%)	Petroleum & Coal (-1.8%)	Non-Metallic Minerals (-22.5%)	Leather (-37%)
	Metals (-4.6%)	Machinery Manufacturing (-23.4%)	Miscellaneous Manufacturing (-37.8%)
	Paper (-10.1%)	Printing (-23.9%)	Textiles and Apparel (-39.3%)
	Plastics and Rubber (-12.1%)	Transportation Equipment (-25.1%)	Computer and Electronic Products (-43.4%)
	Food and Beverages (-13.4%)	Wood Products (-27.1%)	Furniture (-45.2%)

*Source: Source: Bureau of Labor Statistics, 2007-2013^p (preliminary) private sector Quarterly Census of Employment and Wages, 20 June 2014,
<http://data.bls.gov/pdq/querytool.jsp?survey=en> p=preliminary data*

** Natural gas production is classified separately as a non-manufacturing activity. The two NAICS Subsectors pertaining to natural gas production (211 Oil and Gas Extraction and 213 Support Activities for Mining) showed a 21.1% increase (993 net new employees) between 2007 and 2013^p.*

Below is a summary of job losses by the twelve largest manufacturing sectors.

Furniture: (2007-2013 net loss 2,761/-45.2%) This industry will continue to struggle as competition with Asian imports increases.

Computers and Electronic Products: (2007-2013 net loss 6,616/-43.4%) 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.

Textiles/Apparel: (2007-2013 net loss 1,298/-39.3%) Since 2007, Arkansas has lost almost half of its remaining apparel jobs. This industry will continue to decline as sales shrink and production moves to China and other lower-wage countries.

Leather: (2007-2013 net loss 659/-37%) 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.

Wood Products: (2007-2013 net loss 3,327/-27.1%) This mature industry is of particular concern for future job losses in South Arkansas.

Transportation Equipment: (2007-2013 net loss 4,155/-25.1%) Employment levels dropped as auto sector contraction continued. The prognosis for an industry turnaround is dependent upon the growth of existing aerospace companies and potential automotive supplier relationships.

Printing: (2007-2013 net loss 1,102/-23.9%) Employment levels dropped significantly during the past few years, especially due to the closure of Quad Graphics in Jonesboro in early 2013.

Machinery Manufacturing: (2007-2013 net loss 3,353/-23.4%) Most job loss has resulted from attrition and downsizing.

Non-Metallic Minerals: (2007-2013 net loss 1,017/-22.5%) One-quarter of Arkansas's non-metallic mineral jobs have been lost as building material production has declined.

Food and Beverages: (2007-2013 net loss 6,781/-13.4%) Arkansas will continue to maintain a competitive advantage in food and kindred products; however, the loss of many meat product and bakery jobs continued to reduce employment in this sector.

Plastics and Rubber: (2007-2013 net loss 1,463/-12.1%) Since 2007, Arkansas has lost a significant number of rubber and plastics jobs to foreign countries.

Paper: (2007-2013 net loss 1,133/-10.1%) This high-wage mature industry is of particular concern for future job losses throughout 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. Marketing and Communications handles all news media inquiries on a daily basis and coordinates the gathering of information and responses to Freedom of Information (FOI) requests.

Specific marketing activities between January 1, 2013 and December 31, 2013 included:

- Planned and coordinated 18 statewide media events in which companies announced plans to either locate or expand in Arkansas.
- Working with our advertising agency, StoneWard, planned and coordinated an international marketing campaign based on our targeted industries/areas. This campaign featured print ads in trade publications and web banners that ran on a variety of websites including CNNInternational.com, WallStreetJournal.com and areadevelopment.com.
- Working with our Japan and Southeast Asia and China Offices, provided material and media guidance for international 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.

- Wrote several Arkansas feature editorials for trade publications such as Area Development and Trade and Industry Development magazines.
- Placed ads in local publications including Arkansas Business and Talk Business Quarterly.
- Communications team members photographed each new location/expansion announcement and provided event photos to local and national media and statewide economic development leaders.
- Worked with AEDC's Business Development Division to plan and host networking events in which AEDC leadership and economic developers from around the state furthered relationships with site-location consultants.
- Responded to daily media inquiries. Worked closely with each AEDC Division to provide accurate, timely information to hundreds of members of the media.
- Maintained content on AEDC's website through weekly reviews and updates via a content management system.
- Worked closely with the Arkansas Energy Office (AEO), a division of AEDC, on media outreach (news releases, advertisements) for numerous energy education programs.
- Provided media/PR support to the Governor's Award for Excellence in Global Trade program.
- Worked with AEDC's Small and Minority Business Division to promote AEDC's Small and Minority Business Directory and the Minority Business Enterprise Certification Program.
- Managed AEDC's general email address, info@arkansasedc.com, providing answers to all inquiries.

d. Plans for creating new initiatives/incentives

AEDC's Strategies and Recommendations for the Next Legislative Session

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

1. **Technical revisions to existing legislation.** Propose minor revisions to programs administered by the AEDC.
2. **Amend the Amendment 82 enabling legislation** to specify that bills relating to the implementation of an Amendment 82 project do not have to be reviewed and voted on by a legislative committee. Instead, an Amendment 82 project can only be voted on the

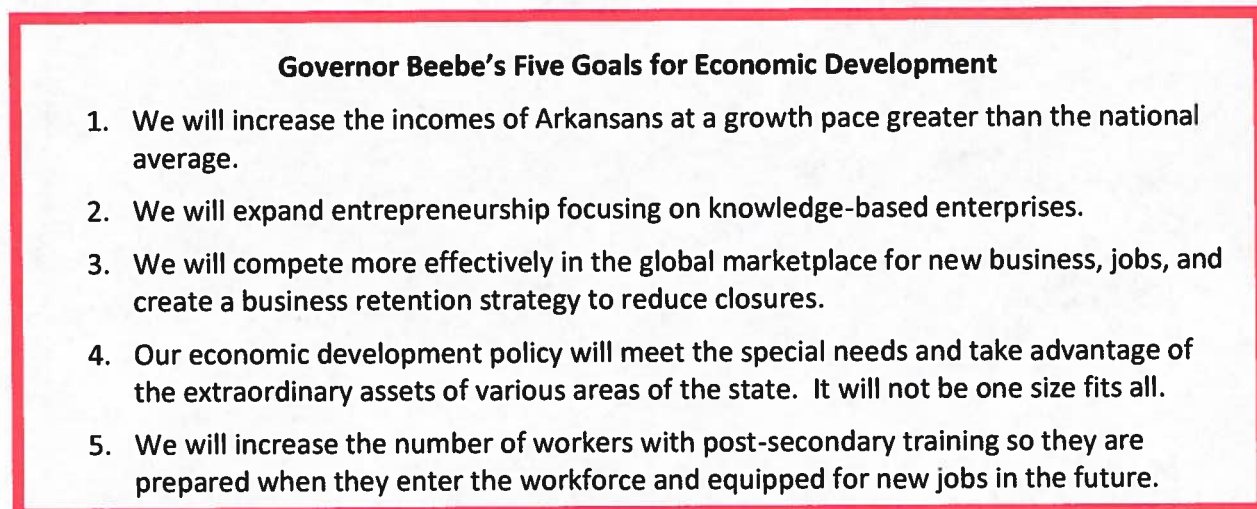
Senate and House floors, after sufficient review by committees of the whole in each chamber.

3. Act 1483 of 2013 established the Arkansas Port, Intermodal and Waterway Development Grant Program which receives funding for waterway grants from ad valorem taxes on barges. We may want to establish a similar **mechanism for funding rail projects**.
4. **Work to secure funding for the Regional Economic Development Partnership Act.**
5. Allow a **corporate income tax exemption, for up to 20 years, for manufacturers of photovoltaic equipment** locating in Arkansas after January 1, 2015, investing at least \$20 million and creating at least 100 new, full-time permanent jobs.
6. **Technical revisions to 2013 legislation creating the CNG rebate program.**

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

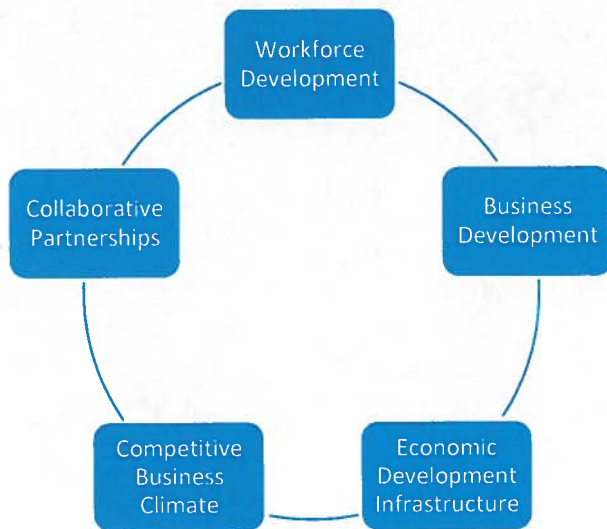
Recognizing that Arkansas was not fully prepared to compete for knowledge-based economic opportunities, Governor Beebe, in conjunction with AEDC, released Arkansas's first Strategic Plan for Economic Development in January 2009. A biennial update to that plan was released in January 2012 and is available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

Figure 1



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

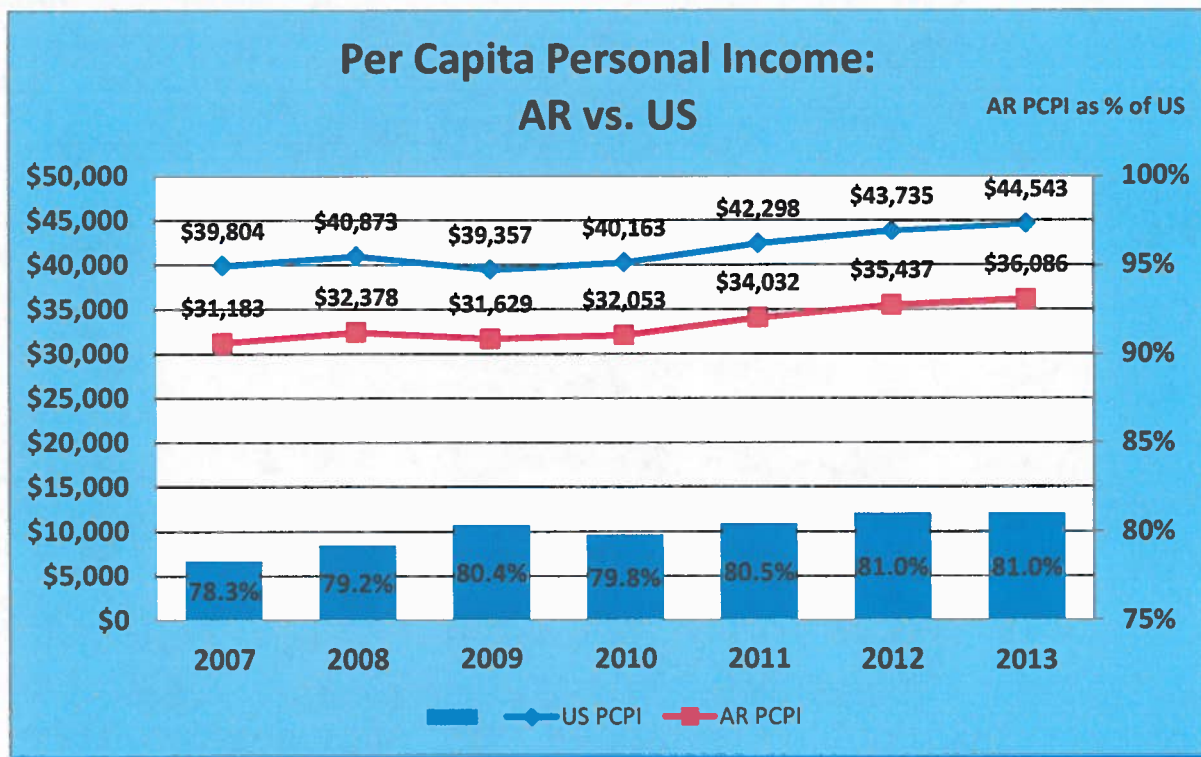


Progress Toward Meeting Governor Beebe's Five Goals for Economic Development

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, has risen to 81 percent in 2013, up from 78.3 percent in 2007. Arkansas's ranking among states has improved from 48th in 2007 to 46th in 2013.

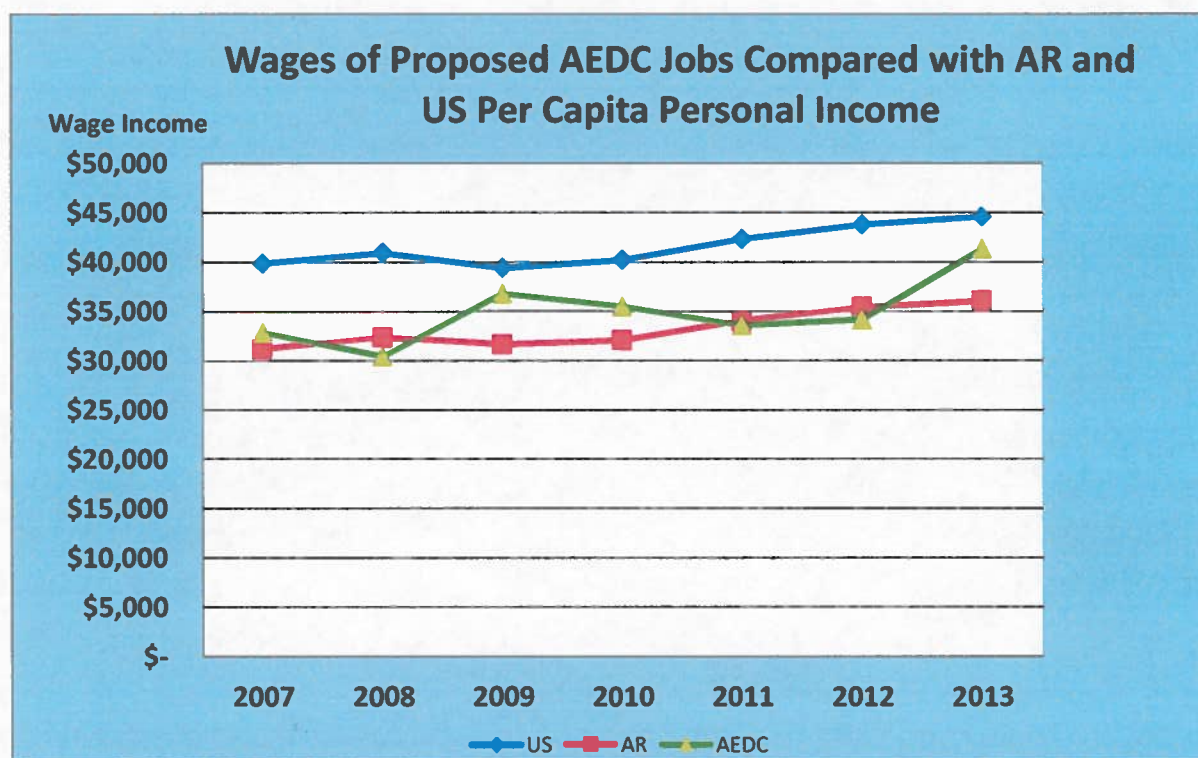
Chart 3



Source: Department of Commerce, Bureau of Economic Analysis, *Per Capita Personal Income*, March 25, 2014, online, available from <http://www.bea.gov/regional/index.htm> Dollar estimates in current dollars (not inflation adjusted).

In 2013, the AEDC signed financial incentive agreements for 106 projects with companies that propose to invest over \$1.251 billion in projects that will create or retain 5,303 jobs paying an average hourly wage of \$19.82. As Chart 4 indicates, the proposed average hourly wage of AEDC-assisted jobs peaked in 2013, moving above the Arkansas per capita personal income for the first time since 2010 and closer to the US per capita personal income.

Chart 4



Source: Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income, March 25, 2014, online, available from <http://www.bea.gov/regional/index.htm> Dollar estimates in current dollars (not inflation adjusted) and AEDC New and Expanded Company Database 2007-2013.

Goal 2: Expand knowledge-based entrepreneurship

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

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

January 2009 to guide the focus of research initiatives in Arkansas. The Arkansas Research Alliance has worked with Governor Beebe to secure funding to recruit three eminent scholars in advanced membrane research, 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 4:1. 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, 2013, the Innovate Arkansas program had enlisted one hundred eighty-nine (189) client companies to date; twenty-three (23) of those clients were added in 2013. Of the one hundred eighty-nine (189) clients, eighty (80) were actively involved in the due diligence/mentoring process leading to commercialization. The remaining one hundred nine (109) companies have become inactive for a variety of reasons, including lack of response, permanent relocation issues, and closings.

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

Goal 3: Compete globally for new jobs and reduce closures

Nineteen (19) of the 106 projects that signed financial assistance agreements with AEDC in 2013 were by foreign-owned corporations. Cumulatively, these projects propose the creation/retention of 910 jobs.

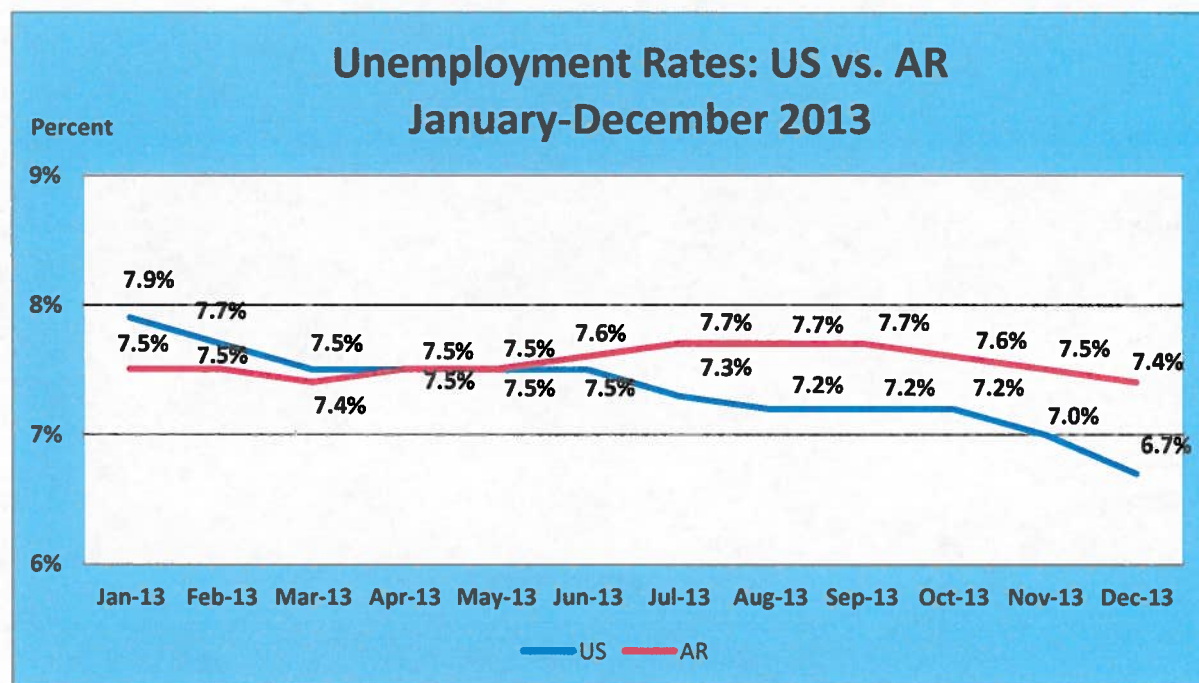
During 2013, the AEDC fostered international trade and investment by attending SelectUSA events in the United Kingdom, Austria, and Washington, D.C. In September 2013, AEDC staff traveled to the United Kingdom and France to meet with 11 companies, and several trade organizations. Additionally, the AEDC traveled to South Korea, China and Vietnam to meet with government officials and companies to discuss foreign direct investment.

The AEDC also:

- Attended trade shows and forums in the United States to meet representatives of foreign-owned companies.
- Received visitors from foreign delegations and companies.
- Met with Czech, Vietnamese, Japanese and Chinese Embassy and trade officials to promote trade and investment. In November, a Vietnamese company announced their investment in a furniture manufacturing facility in Morrilton. This was the first such investment by a Vietnamese manufacturer involving the Vietnamese Ambassador to the United States.
- Met with TECO (Taipei Economic and Cultural Office) in Houston to promote trade and investment.
- Attended Walmart's "Made in USA" initiative in August in Orlando, FL. Governor Beebe spoke at the event. AEDC project managers met with Walmart suppliers interested in setting up manufacturing in the US.

Despite efforts by State and local economic development officials, Arkansas's unemployment rate, while remaining fairly stable over the last nine months of 2013, ended the year seven-tenths of one percent above the US rate (See Chart 5).

Chart 5



Source: Arkansas Department of Workforce Services, Unemployment Rates and Labor Force Statistics, seasonally adjusted rates, <http://www.discoverarkansas.net>, accessed 28 May 2014.

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

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

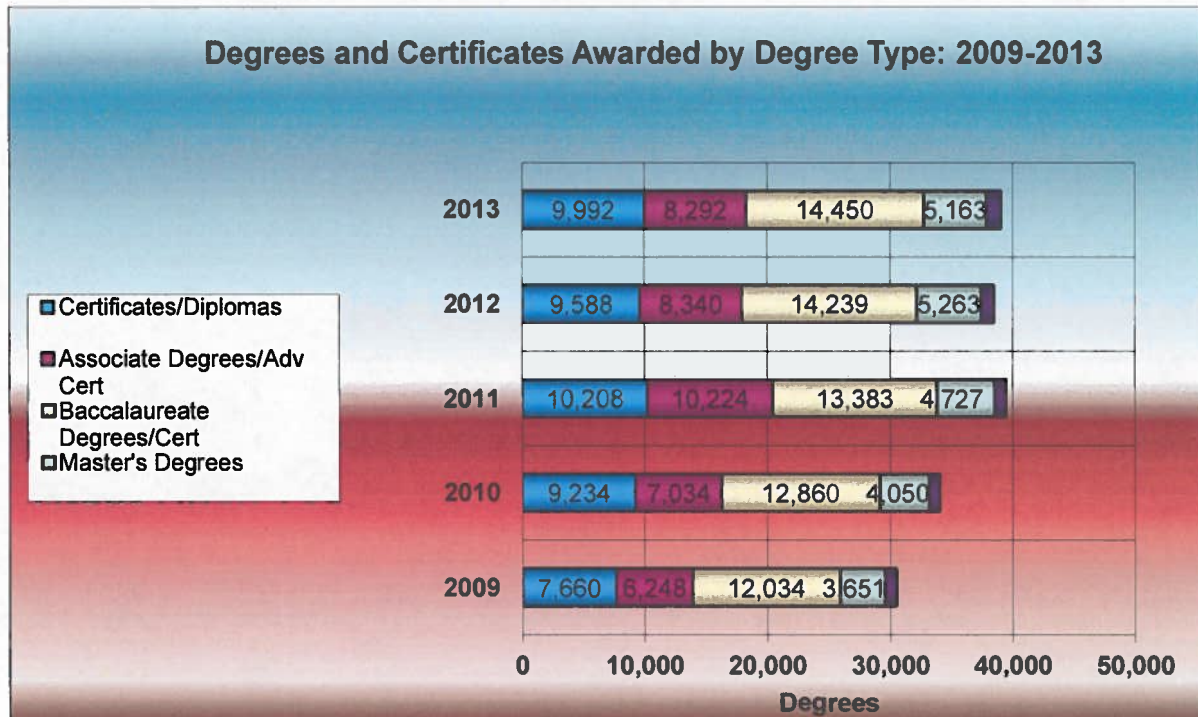
Goal 5: Increase the number of workers with post-secondary training

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

planning system that provides education, job training and career planning tools and information to students, job seekers and prospective employers.

The percentage of Arkansans age 25 and older with a baccalaureate degree, 19.8 percent, was significantly below the U.S. average of 28.5 percent. Keeping students in school long enough to complete degree programs remains a challenge; however, the percentage of persons earning post-secondary degrees and certificates increased by 28 percent between 2009 and 2013.

Chart 6



Source: Arkansas Department of Higher Education, Research and Planning Division, Academic Degrees and Certificates, received via email, 29 May 2014.

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

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

Table 7
2012-2013 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>
2013	New	14	825	\$107,074,672	\$20.86	
	Expanded	89	3,963	\$1,061,094,754	\$19.42	
	Retention	3	515	\$83,100,000	\$21.24	
	Total	106	5,303	\$1,251,269,426	\$19.82	2.11*
2012	New	11	788	\$57,708,772	\$19.16	
	Expanded	88	2,556	\$2,304,428,464	\$15.50	
	Total	99	3,354	\$2,362,137,236	\$16.36	1.86

* a cost benefit ratio of 2.11 means that, over a ten year period, the state will get back, in taxes, \$2.11 for each dollar of incentives used. The ratios for 2012 and 2013 would increase from \$1.86/\$1 to \$3.33/\$1 (2012) and \$2.11/\$1 to \$2.56/\$1 (2013), respectively, if non-job-creating statutory InvestArk incentive projects are excluded.

Table 8
2012-2013 Arkansas Job Creation and Job Loss Comparison

Jobs from Signed Incentives Agreements with AEDC Involvement - AEDC Eligible Businesses Only*	8,657
Jobs Lost Due to Closures – AEDC Eligible Businesses only*	6,292
Net Gain (+) / Loss (-) AEDC Eligible Businesses	+2,365
<i>Above data from Arkansas Department of Workforce Services Dislocated Worker Task Force and AEDC New & Expanded Database. *Does not include retail, health, trucking, banking, etc.</i>	

Table 9
2012–2014 Year-to-Date Unemployment Comparison

	AR Unemp Rate	US Unemp Rate
2012 annual average unemployment rate	7.5%	8.1%
2013 annual average unemployment rate	7.5%	7.4%
Current Month (May 2014) seasonally adjusted	6.4%	6.3%
<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
2014 Year-to-Date* Job Creation/Closures

<i>Job Creation</i>	<i>Jobs</i>	<i>Total Investment</i>	<i>Average Hourly Wage</i>
2014 Year-to-Date Signed Incentive Agreements*	1,799	\$2,007,081,034	\$22.26
Pending Finalization of Incentive Agreements**	1,320	\$170,800,000	\$12.91

2014 Year-to-Date* Non-Retail/Non-Service Closures

<i>Job Closures</i>	<i>Companies</i>	<i>Jobs</i>
2014 Year-to-Date	12	377

*Through June 30, 2014.

**These projects will likely be reported in 2014.

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
2013 Per Capita Real GDP by State: Arkansas and Surrounding States

<i>State</i>	<i>2013 GDP Per Capita*</i>	<i>National Rank</i>
United States	\$49,115	--
Texas	\$52,465	15
Louisiana	\$47,997	23
Missouri	\$42,708	34
Oklahoma	\$42,670	35
Tennessee	\$41,503	37
Arkansas	\$39,111	42
Mississippi	\$32,421	50

*In chained 2009 dollars. Source: Gross Domestic Product by State, Bureau of Economic Analysis, 2013 Per Capita Real GDP by State,

<http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=1#reqid=70&step=7&isuri=1&7003=1000&7004=naics&7005=1&7006=xx&7001=11000&7002=1&7090=70&7093=levels,11>
June 2014.

Table 12
Percentage Change in GDP Per Capita by State (2010 to 2013)*
Arkansas and Surrounding States

<i>State</i>	<i>2010 Per Capita GDP by State</i>	<i>2013 Per Capita GDP by State</i>	<i>Percentage Change in GDP Per Capita by State (2010-2013)</i>
United States	\$47,328	\$49,115	3.8%
Texas	\$47,617	\$52,465	10.2%
Oklahoma	\$39,377	\$42,670	8.4%
Tennessee	\$39,649	\$41,503	4.7%
Arkansas	\$37,658	\$39,111	3.9%
Mississippi	\$31,331	\$32,421	3.5%
Missouri	\$42,610	\$42,708	0.2%
Louisiana	\$48,594	\$47,997	-1.2%

**In chained 2009 dollars. Source: Gross Domestic Product by State, Bureau of Economic Analysis, Per Capita Real GDP by State, <http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=1#reqid=70&step=7&isuri=1&7003=1000&7004=naics&7005=1&7006=xx&7001=11000&7002=1&7090=70&7093=levels> 11 June 2014.*

Labor Force

Table 13
Percent Labor Force Growth (2009-2013)
Arkansas and Surrounding States

<i>State</i>	<i>Percentage Labor Force Growth (2009-2013)</i>	<i>National Rank</i>
United States	0.8	--
Texas	7.1	2
Oklahoma	3	7
Louisiana	2.3	12
Tennessee	1.2	18
Mississippi	0.1	29
Missouri	-1.5	40
Arkansas	-1.7	42

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/data.htm>

Per Capita Personal Income

Table 14
Per Capita Personal Income Change 2011-2013
Arkansas and Surrounding States

<i>State</i>	<i>2011 Per Capita Income</i>	<i>2011 Rank</i>	<i>2012 Per Capita Income</i>	<i>2012 Rank</i>	<i>2013 Per Capita Income</i>	<i>2013 Rank</i>	<i>Change 2011-2013</i>	<i>National Rank</i>
United States	\$42,298	--	\$43,735	--	\$44,543	--	5.3%	--
Mississippi	\$32,193	50	\$33,657	50	\$34,478	50	7.1%	2
Oklahoma	\$38,960	28	\$40,620	28	\$41,586	28	6.7%	5
Texas	\$41,103	25	\$42,638	25	\$43,552	25	6%	13 (tied)
Arkansas	\$34,032	47	\$35,437	45	\$36,086	46	6%	13 (tied)
Tennessee	\$37,129	35	\$38,752	34	\$39,324	34	5.9%	16
Louisiana	\$38,623	31	\$40,057	30	\$40,689	31	5.3%	26
Missouri	\$37,988	32	\$39,133	33	\$39,897	33	5%	31

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

<http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=4#reqid=70&step=1&isuri=1>
30 May 2014.

Unemployment Rates

Table 15
Unemployment Rate
Annual Averages 2012-2013
Arkansas and Surrounding States

<i>State</i>	<i>2012 Unemployment Rate</i>	<i>2013 Unemployment Rate</i>	<i>National Rank 2013</i>
United States	8.1%	7.4%	--
Oklahoma	5.4%	5.4%	11
Louisiana	6.5%	6.2%	15
Texas	6.8%	6.3%	17
Missouri	7%	6.5%	18
Arkansas	7.5%	7.5%	33
Tennessee	8.2%	8.2%	41
Mississippi	9.2%	8.6%	45

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

Hourly Earnings

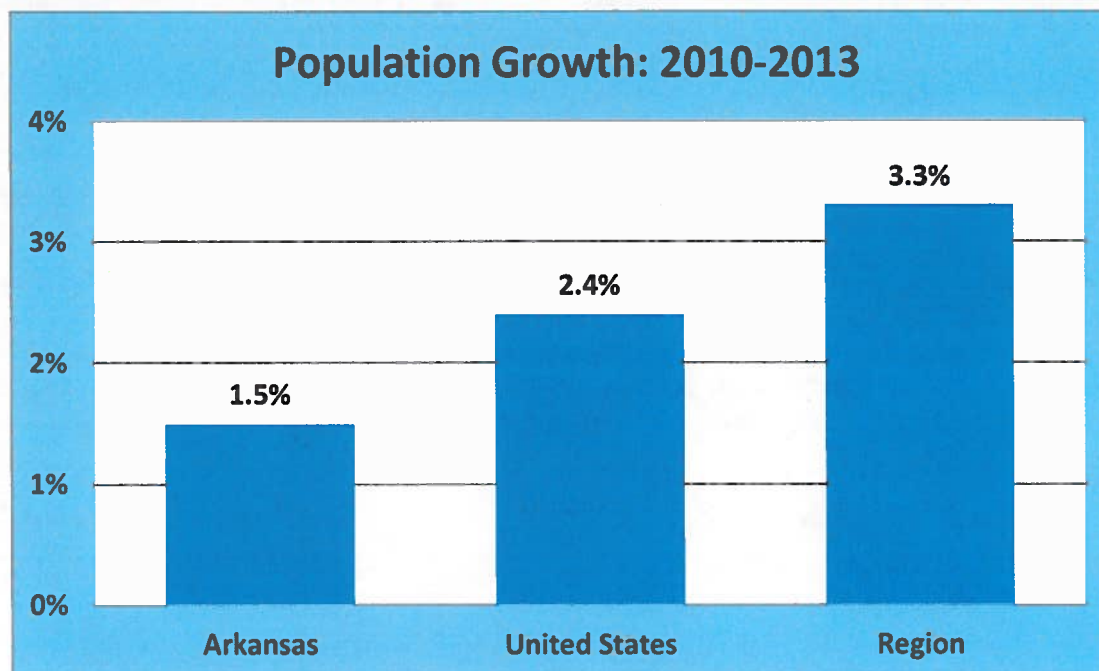
Table 16
Average Hourly Earnings of Manufacturing Production Workers (2013)
Arkansas and Surrounding States

<i>State</i>	<i>Hourly Earnings</i>	<i>National Rank</i>
United States	\$19.30	--
Louisiana	\$22.00	3
Texas	\$19.90	12
Missouri	\$18.55	28
Oklahoma	\$17.82	39
Mississippi	\$17.45	40
Tennessee	\$17.21	42
Arkansas	\$15.43	50

Source: U.S. Department of Labor, Bureau of Labor Statistics, Current Employment Statistics, 2013 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, 2013 Annual Averages, Not Seasonally Adjusted <http://www.bls.gov/data/>

Population Growth (Region*)

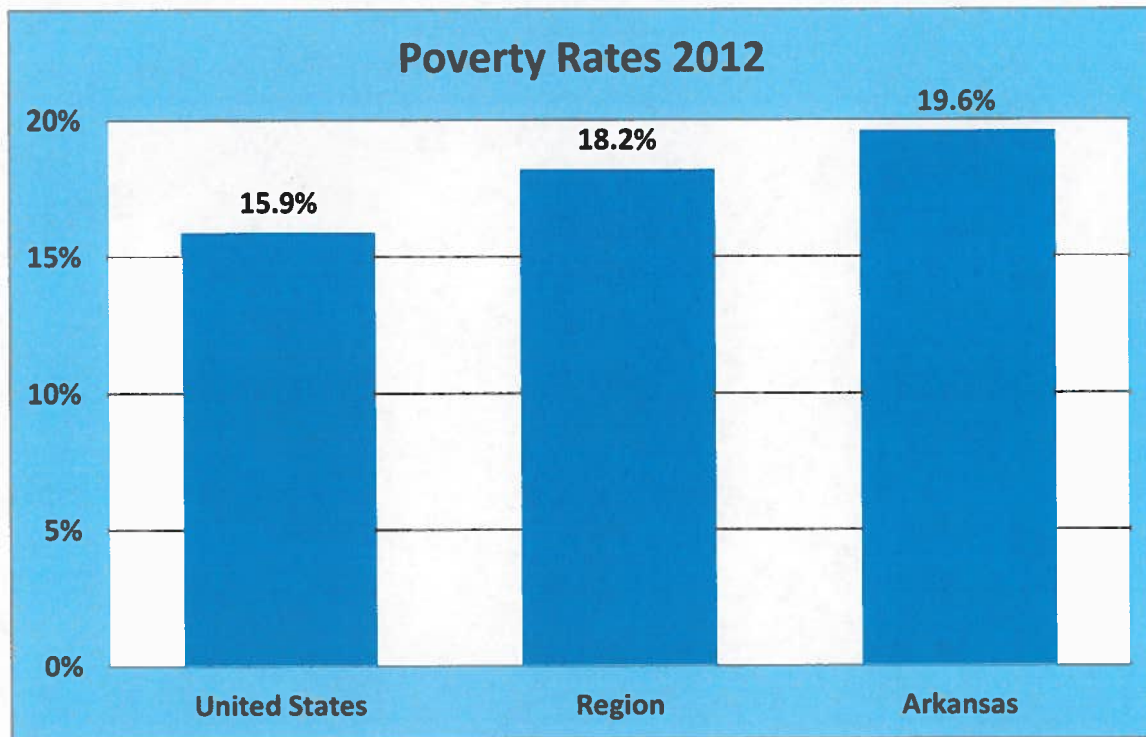
Chart 7



Source: US Census Bureau, Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2013 2013 Population Estimates, <http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk>, 2 June 2014.

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/2012.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. Below, you will find several examples of indices that make comparisons among states.

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

Table 17 below contains scores (from 1-100) and rankings for each of the above areas for Arkansas and surrounding states. Education Week did not calculate overall rankings for states this year, as it had previously.

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
Arkansas	71.8 (44 th)	94.4 (6 th)	88 (2 nd)	74.1 (25 th)	96.4 (2 nd)	66.7 (36 th)
Texas	73.0 (39 th)	92.2 (13 th)	78.3 (15 th)	67.3 (41 st)	92.9 (4 th)*	70.2 (20 th)
Louisiana	69.9 (47 th)	97.2 (2 nd)	79.6 (11 th)	74.9 (21 st)	92.9 (4 th)*	59.8 (49 th)
Tennessee	73.9 (37 th)	90 (21 st)	80.3 (8 th)	64.5 (47 th)	92.9 (4 th)*	68.8 (29 th)
Oklahoma	72.2 (42 nd)	93.3 (8 th)	71.6 (24 th)	66.5 (44 th)	89.3 (9 th)	64.2 (41 st)
Missouri	77.3 (26 th)	78.9 (37 th)	69.3 (33 rd)	70.5 (34 th)	75 (35 th)*	66.0 (39 th)
Mississippi	68.9 (48 th)	92.8 (10 th)	66.5 (41 st)	64.9 (46 th)	75 (35 th)*	57.1 (50 th)

Source: Education Week, *Quality Counts 2014, State Report Cards*,

http://www.edweek.org/ew/qc/2014/state_report_cards.html

*LA, TN and TX all tied for 4th and MO and MS tied for 35th in the transitions and alignment category.

Assets and Opportunity Scorecard, Published January 2014 **Corporation for Enterprise Development (CFED)**

The *Assets & Opportunity Scorecard* evaluates state policies and their outcomes which effect citizens' financial security and opportunities to create a more prosperous future by quantifying 133 policy and outcome measures affecting wealth, poverty and financial security. States, and the District of Columbia, are ranked 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 individual scores for Arkansas and surrounding states for each of the above categories for policy initiatives and outcomes:

Table 18
Assets and Opportunities Scorecard
Arkansas and Surrounding States
Policy Rankings

State	Financial Assets and Income	Businesses and Jobs	Housing and Homeownership	Health Care	Education	Overall
Missouri	46th	9th	43rd	34th	41st	47th
Oklahoma	16th	21st	36th	17th	5th	17th
Texas	48th	21st	11th	17th	34th	41st
Louisiana	16th	38th	36th	17th	9th	23rd
Tennessee	48th	21st	43rd	17th	9th	43rd
Arkansas	16th	21st	36th	17th	3rd	16th
Mississippi	41st	48th	43rd	17th	49th	50th

Outcome Rankings

State	Financial Assets and Income	Businesses and Jobs	Housing and Homeownership	Health Care	Education	Overall
Missouri	34th	26th	29th	28th	30th	32nd
Oklahoma	38th	21st	7th	42nd	40th	31st
Texas	39th	34th	15th	51st	33rd	37th
Louisiana	46th	31st	37th	28th	48th	44th
Tennessee	43rd	45th	35th	32nd	35th	44th
Arkansas	47th	44th	22nd	25th	46th	43rd
Mississippi	50th	51st	26th	32nd	51st	51st

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

The State Competitiveness Index 2013 (Beacon Hill Institute)

The thirteenth 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>2013 Index Score</i>	<i>2013 National Rank</i>	<i>2012 National Rank</i>	<i>Change in Rank (2012-2013)</i>
Missouri	4.74	28	32	+4
Mississippi	3.51	50	50	-
Arkansas	4.02	42	41	-1
Louisiana	4.15	39	37	-2
Oklahoma	3.70	47	45	-2
Texas	5.91	9	7	-2
Tennessee	3.97	43	36	-7

Source: Beacon Hill Institute, State Competitiveness Report 2013, <http://www.beaconhill.org/Compete13/FINAL-BHICompetePR-2014-0410.pdf>, State Competitiveness Report 2012, <http://www.beaconhill.org/Compete12/Compete2012.pdf>

Among the various factors, Arkansas ranked highest in openness (13th), environmental policy (13th) and technology (14th). Lowest scores were in human resources (49th), infrastructure (44th), and business incubation (43rd). 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

Competitive Advantage	Rank	Competitive Disadvantage	Rank
Percent of Labor Force Represented by Unions	1	Crime Index	48
Workers Comp Premium Rates	3	Patents Per 100,000 Inhabitants	47
Average Rent of Two Bedroom Apartment	3	Scientists and Engineers as Percentage of Labor Force	47
Minimum Wage	4	Science and Engineering Graduate Students per 100,000 Inhabitants	47

Competitive Advantage	Rank	Competitive Disadvantage	Rank
Air Quality Index	4	Science and Engineering Degrees Awarded per 100,000 Inhabitants	47
Ed Attainment-Adjusted Labor Cost	7	Employment in High-Tech Industry as a Percentage of Total Employment	47
Electricity Prices per kWh	9	Mobile Phones per 1,000	45

America's Top States for Business 2014 (CNBC)

This index, published by CNBC, with input from the National Association of Manufacturers and the Council on Competitiveness, ranks each state according to 56 measures across 10 broad categories which include: cost of doing business; workforce; quality of life; infrastructure; economy; education; technology and innovation; business friendliness; access to capital; and, cost of living. Arkansas's ranking of 30th was higher than Mississippi (36th) and Louisiana (40th) but lower than Texas (2nd), Tennessee (14th), Missouri (23rd) and Oklahoma (28th).

Among the various factors, Arkansas rated highest in cost of doing business (2nd), cost of living (2nd) and workforce (19th) but lagged in quality of life (41st), technology and innovation (44th) and business friendliness (45th).

Rich States, Poor States

ALEC-Laffer State Economic Outlook Rankings, 2014

The seventh 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 21st in economic performance and 26th in economic outlook. Arkansas's worst rankings were for: sales tax burden (46th), recently legislated (2012-2013) tax changes (43rd), public employees per 10,000 of population (41st), and personal income tax progressivity (40th). Arkansas's best rankings were state minimum wage (1st), right-to-work state (1st), estate/inheritance tax (1st), average workers' compensation cost (3rd) and property tax burden (4th).

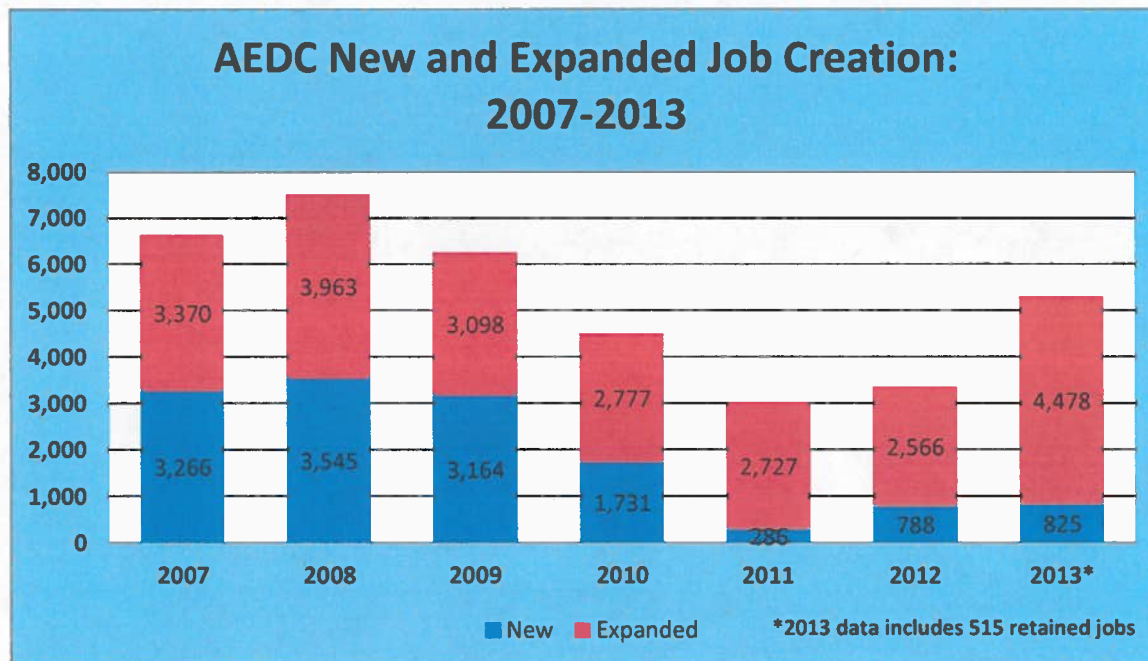
Forbes Best States for Business and Careers

This report ranks states according to six categories for business, including: costs, labor supply, regulatory environment, current economic climate, growth prospects and quality of life. Arkansas's overall ranking of 33rd in 2013, up two places from 2012, was mixed with high rankings for business costs (10th) and economic climate (24th) but poor rankings in labor supply rank (42nd) and quality of life (46th). Texas ranked highest overall among surrounding states (7th) and Mississippi ranked lowest (49th).

d. Evaluating Arkansas's business climate in 2013

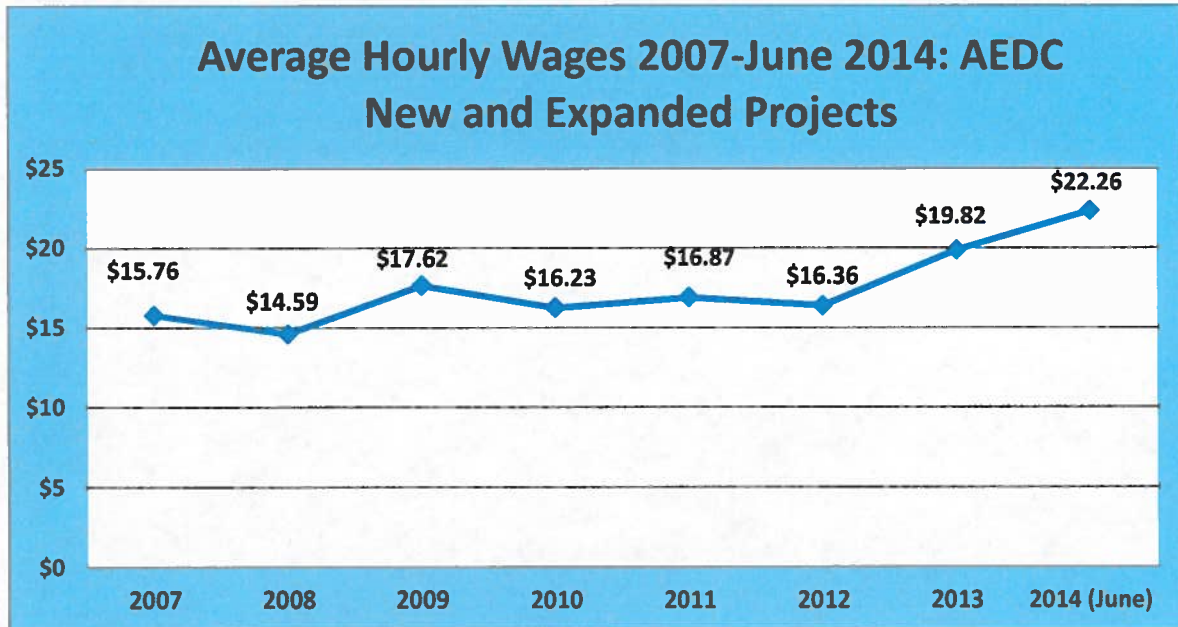
For the second consecutive year, the number of jobs proposed to be created by companies signing assistance agreements with AEDC increased from the previous year. Proposed investment of \$1.251 billion, although down from 2012's historic high, was substantial. Eighty-four percent (84%) of proposed job creation will be from existing Arkansas industries.

Chart 9



Existing businesses also accounted for a vast majority of proposed investment for 2013. Of the \$1,251,269,426 proposed investment by businesses signing financial assistance agreements with AEDC in 2013, ninety-one percent (91%) was by existing businesses. A vast majority of this investment was proposed by metals, chemicals, transportation equipment, paper products, rubber and plastics and food and kindred products industries. The average hourly wages of jobs from signed incentive agreements increased to an historic high of \$19.82. As stated earlier in this report (see Chart 4) these wages were above the Arkansas per capita personal income for the first time since 2010 and moving closer to the US per capita income.

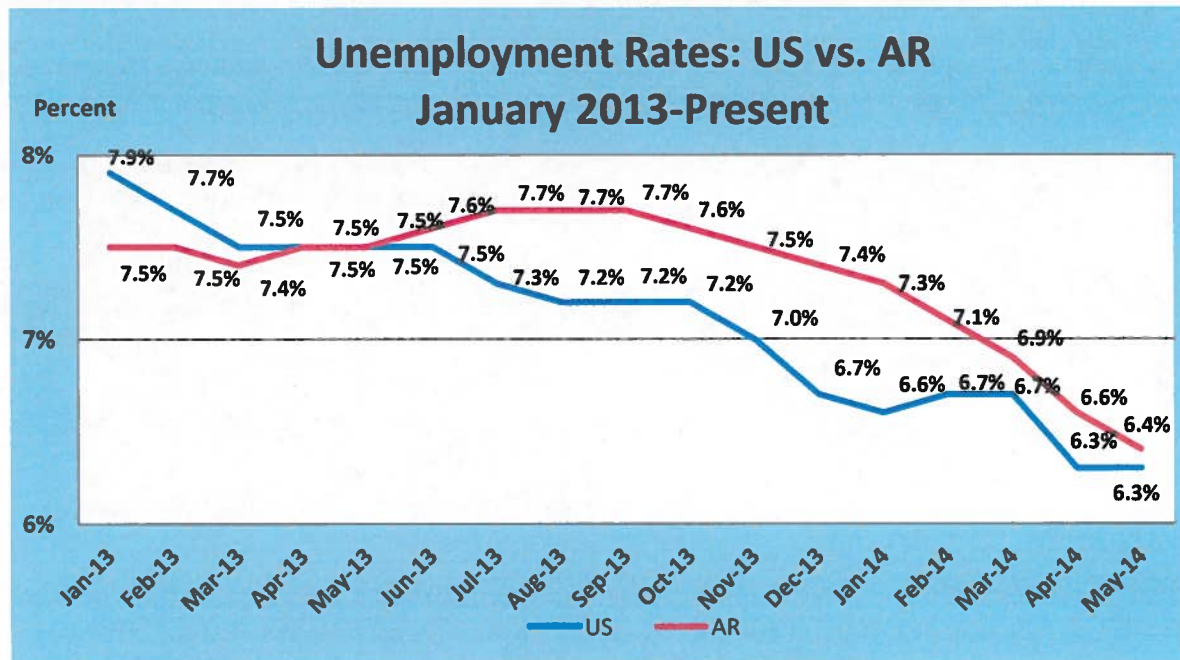
Chart 10



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

Monthly unemployment rates in Arkansas peaked at 7.7 percent between July-September 2013 and have declined significantly to near the US rate in May 2014. (see Chart 11).

Chart 11



Source: Arkansas Department of Workforce Services, Unemployment Rates and Labor Force Statistics, <http://www.discoverarkansas.net/cgi/dataanalysis/AreaSelection.asp?tableName=Labforce>, 2 June 2014.