July 15, 2015

Senator Bill Sample, Chair
Representative David L. Branscum, Chair
Arkansas Legislative Council
Room 315, State Capitol
Little Rock, AR 72201

Dear Senator Sample and Representative Branscum:

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 2015, as required by Act 510 of 2007.

During 2014, the AEDC signed financial assistance agreements for 98 projects that are projected to create and retain 5,905 jobs and stimulate $3.008 billion in capital investment, **an historic high**. The projected average wage of these jobs is $17.29 per hour. With continued support from Governor Hutchinson and the General Assembly, especially through the Quick Action Closing Fund, the Arkansas Economic Development Commission is aggressively and proactively working to meet Arkansas's economic challenges.

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

Sincerely,

Michael Preston
Executive Director

MP/kn

Enclosure

Summary of Act 1282 Report (Calendar Year 2014)

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

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

Submitted: Annually. The current report for calendar year 2014 is the 14th edition.

Summary of Recent Act 1282 Reports (Calendar Years 2012-2014)

Between January 1, 2012 and December 31, 2014, the AEDC signed ***financial incentive agreements*** for 301 projects with companies proposing the creation of 13,619 new jobs and the retention of 767 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 for 2014 increased from 2012 and 2013 indicating an improving economy. Proposed average hourly wages of $17.29, however, decreased slightly from 2013 and have fallen slightly below the state's per capita personal income (see Chart 1).

Table 1

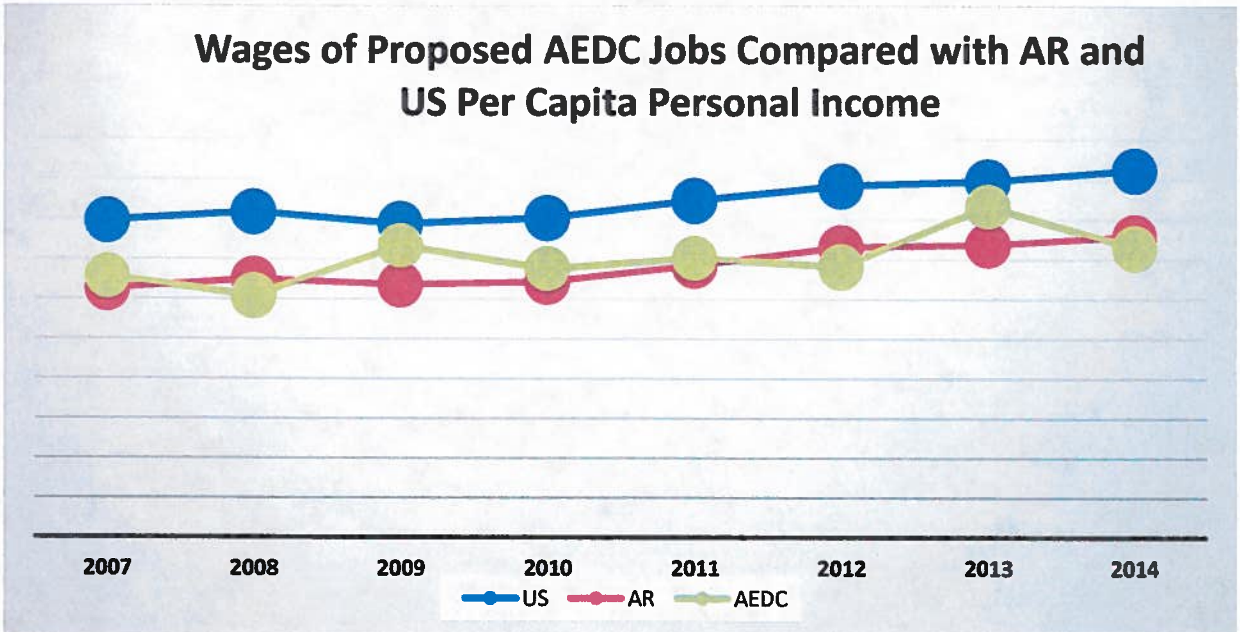
Economic Indicators: 2012-2014

Economic Indicators	2012 Calendar Year	2013 Calendar Year	2014 Calendar Year	2012-2014 Total/Average
AEDC Projects	191	209	248	648/216
Signed AEDC Incentive Agreements	98	105	98	301/100
Proposed New and Expanded Jobs	3,350	5,131	5,905	14,386/4,795
Proposed Project Investment	$2,380,712,639	$1,250,002,590	$3,008,765,499	$6,639,480,728/ $2,213,160,243
Proposed Average Hourly Wage	$16.36	$20.00	$17.29	$18.04 (avg.)
Cost Benefit Ratio**	$1.86/$1	$2.02/$1	$2.02/$1	$1.94/$1 (avg.)

* 2013 jobs total includes 515 retained jobs. 2014 jobs total includes 252 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 2.02 ratio projects that $2.02 in state tax revenues will result from each $1 in state tax incentives offered. The ratios for 2013 and 2014 would increase from $2.02/$1 to $2.46/$1 (2013) and $2.02/$1 to $2.29/$1 (2014), respectively, if non-job-creating statutory InvestArk incentive projects are excluded.

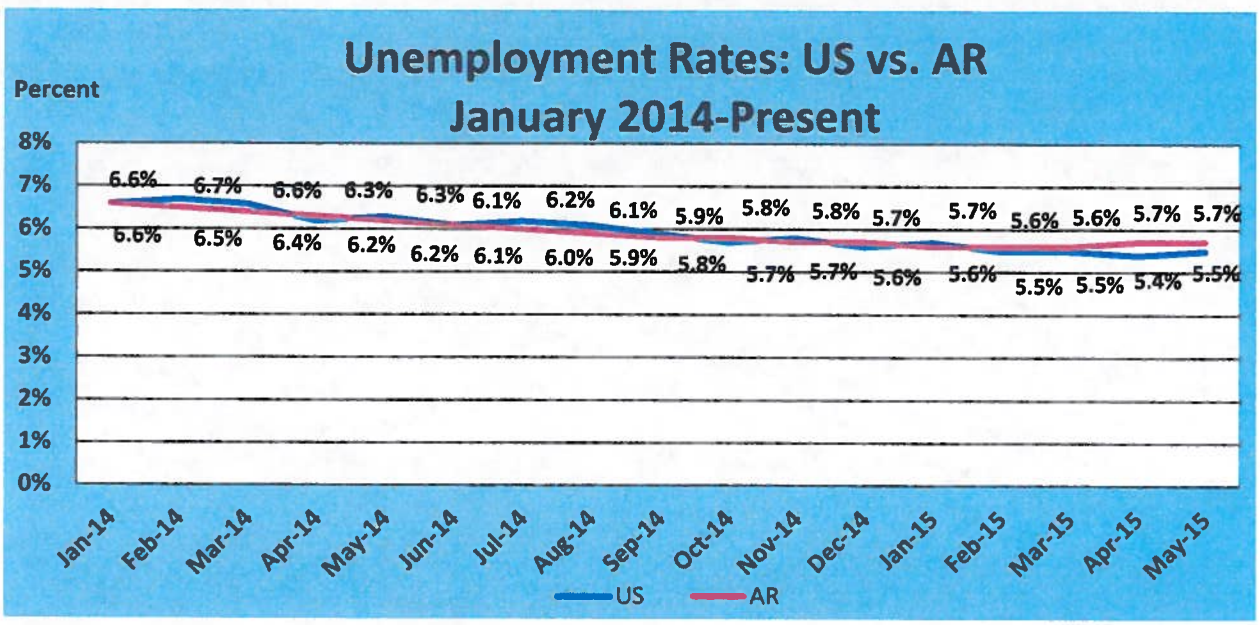
Chart 1



Source: Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income, March 25, 2015, 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 2007-2014.

Monthly unemployment rates in Arkansas peaked at 6.6 percent in January 2014 and are currently two-tenths of one percentage point below the US average as of May 2015.

Chart 2



Source: Arkansas Department of Workforce Services, Unemployment Rates and Labor Force Statistics, http://www.discoverarkansas.net/cgi/dataanalysis/AreaSelection.asp?tableName=Labforce ,19 June 2015.

ARKANSAS
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Annual Activity Report
for 2014
July 15, 2015

Arkansas Economic Development Commission 900 W. Capitol Little Rock, Arkansas 72201
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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 2014

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 2014

a. Type of Company	*b. Location*	*c. Number of Jobs (See notes *and **)*	*d. Average Hourly Wage*	*e. Incentives Offered (See notes *** and ****)*
Research and Development	Fayetteville	2	$31.12	Research and Development
Manufacturing	Foreman	**0	N/A	InvestArk
Manufacturing	Pine Bluff	**0	N/A	InvestArk, Training
Manufacturing	Malvern	**0	N/A	InvestArk
Manufacturing	Crossett	**0	N/A	InvestArk
Manufacturing	Crossett	**0	N/A	InvestArk, Training
Manufacturing	El Dorado	**0	N/A	InvestArk
Manufacturing	Paragould	**0	N/A	InvestArk
Manufacturing	Stuttgart	**0	N/A	InvestArk
Manufacturing	Decatur	25	$15.00	Advantage Arkansas, InvestArk
Manufacturing	Decatur	20	$12.50	Advantage Arkansas, InvestArk
Manufacturing	Springdale	150	$25.00	Advantage Arkansas, Tax Back, Quick Action Closing Fund***
Manufacturing	Morrilton	50	$17.00	Advantage Arkansas, Tax Back
Manufacturing	Mountain Home	**0	N/A	InvestArk, Training

a. Type of Company	*b. Location*	*c. Number of Jobs (See notes *and **)*	*d. Average Hourly Wage*	*e. Incentives Offered (See notes *** and ****)*
Manufacturing	Arkansas City	**0	N/A	InvestArk, Training
Custom Computer Programming Services	Sherwood	16	$17.00	Advantage Arkansas
Manufacturing	Ashdown	**0	N/A	InvestArk, Training
Manufacturing	Pine Bluff	**0	N/A	InvestArk
Manufacturing	Nashville	230	$13.65	Advantage Arkansas, InvestArk
Manufacturing	Nashville	30	$13.65	Advantage Arkansas, InvestArk
Manufacturing	Sheridan	**0	N/A	InvestArk, Training
Manufacturing	Blytheville	**0	N/A	InvestArk, Training
Manufacturing	Little Rock	**0	N/A	Tax Back
Manufacturing	North Little Rock	10	$13.00	Quick Action Closing Fund***
Manufacturing	Fort Smith	45	$15.00	Advantage Arkansas, Tax Back, Training
Manufacturing	Gentry	20	$17.18	Advantage Arkansas, InvestArk
Manufacturing	Fort Smith	**0	N/A	InvestArk, Training
Manufacturing	Springdale	50	$19.00	Advantage Arkansas, InvestArk, Training
Manufacturing	Magnolia	25	$10.86	Advantage Arkansas, Tax Back
Manufacturing	Dumas	75	$13.55	CDBG, New Market Tax Credits****
Manufacturing	Ashdown	**0	N/A	InvestArk
Manufacturing	El Dorado	44	$31.25	Create Rebate, Ark Plus
Manufacturing	Van Buren	10	$18.00	Advantage Arkansas, Tax Back

a. Type of Company	*b. Location*	*c. Number of Jobs (See notes *and **)*	*d. Average Hourly Wage*	*e. Incentives Offered (See notes *** and ****)*
Manufacturing	Batesville	**0	N/A	InvestArk
Manufacturing	Batesville	170	$19.42	Quick Action Closing Fund***
Corporate Headquarters	North Little Rock	35	$28.00	Advantage Arkansas, Tax Back
Manufacturing	Crossett	**0	N/A	InvestArk
Manufacturing	Rogers	**0	N/A	InvestArk, Training
Manufacturing	Batesville	30	$12.78	Advantage Arkansas, Tax Back
Manufacturing	North Little Rock	**0	N/A	InvestArk
Warehouse/Distribution	Crossett	11	$10.48	Advantage Arkansas
Manufacturing	Camden	35	$11.50	Advantage Arkansas, Tax Back, New Market Tax Credits****
Manufacturing	Osceola	525	$36.06	Advantage Arkansas, Tax Back, Amendment 82 Bond Financing, Quick Action Closing Fund***
Manufacturing	Hot Springs	5	$12.25	Advantage Arkansas, Tax Back, Training, Economic Infrastructure (EIF)
Manufacturing	Hot Springs	15	$12.50	Advantage Arkansas, Tax Back, Economic Infrastructure (EIF)
Manufacturing	Batesville	346	$12.00	Advantage Arkansas, InvestArk, CDBG
Manufacturing	Conway	2	$36.00	Advantage Arkansas, Tax Back
Corporate Headquarters	Springdale	40	$24.04	Create Rebate, Ark Plus, Training
Corporate Headquarters	Conway	**0	N/A	Research and Development
Manufacturing	Osceola	25	$12.52	Advantage Arkansas, Tax Back, Quick Action Closing Fund***, New Market Tax Credits (closed in 2015)****

a. Type of Company	*b. Location*	*c. Number of Jobs (See notes *and **)*	*d. Average Hourly Wage*	*e. Incentives Offered (See notes *** and ****)*
Manufacturing	Texarkana	**0	N/A	InvestArk
Manufacturing	Stuttgart	24	$10.86	Advantage Arkansas, InvestArk, CDBG
Manufacturing	Searcy	**0	N/A	InvestArk
Manufacturing	Sherwood	8	$16.00	Advantage Arkansas, CDBG
Manufacturing	Fort Smith	35	$11.05	Advantage Arkansas, Tax Back
Call Center	Sherwood	221	$13.00	Tax Back, Create Rebate, Training
Manufacturing	Batesville	130	$17.80	Quick Action Closing Fund***
Manufacturing	Newport	60	$15.00	Advantage Arkansas, InvestArk, CDBG
Call Center	Jonesboro	600	$10.86	Tax Back, Create Rebate
Manufacturing	Siloam Springs	114	$19.33	CDBG
Manufacturing	Jacksonville	**0	N/A	InvestArk
Manufacturing	Jonesboro	30	$16.00	Advantage Arkansas, Tax Back, Training
Manufacturing	Ashdown	**0	N/A	InvestArk
Manufacturing	Arkadelphia	172	$12.00	Advantage Arkansas, Tax Back, Bond Guaranty, Training, CDBG
Manufacturing	El Dorado	7	$15.00	Advantage Arkansas, Tax Back
Manufacturing	Pocahontas	10	$10.86	Advantage Arkansas, Tax Back, Economic Infrastructure (EIF)
Manufacturing	Hope	22	$14.75	Advantage Arkansas, InvestArk, CDBG
Manufacturing	Nashville	29	$14.75	Advantage Arkansas

a. Type of Company	b. Location	c. Number of Jobs (See notes *and **)	d. Average Hourly Wage	e. Incentives Offered (See notes *** and ****)
Manufacturing	Wynne	15	$11.20	CDBG
Manufacturing	Russellville	125	$16.00	InvestArk, Create Rebate, Training
Manufacturing	Pine Bluff	30	$20.00	Advantage Arkansas, Tax Back, Bond Guaranty, New Market Tax Credits (closed in 2015)****
Manufacturing	Paragould	70	$16.83	InvestArk, Create Rebate
Manufacturing	Jonesboro	350	$18.00	Create Rebate, Tax Back, Quick Action Closing Fund***
Manufacturing	Fort Smith	15	$19.00	Advantage Arkansas, Tax Back, Quick Action Closing Fund***
Manufacturing	Pine Bluff	35	$24.54	Advantage Arkansas, Tax Back
Manufacturing	Marion	200	$17.00	Tax Back, Create Rebate, Training, CDBG
Manufacturing	Hermitage	7	$12.00	Advantage Arkansas, Tax Back
Manufacturing	Warren	100	$11.09	Advantage Arkansas, Tax Back
Manufacturing	Fayetteville	47	$31.70	Advantage Arkansas, Tax Back, Quick Action Closing Fund***
Manufacturing	Searcy	18	$14.19	Advantage Arkansas, Tax Back
Manufacturing	Monticello	**0	N/A	InvestArk
Manufacturing	Searcy	21	$14.42	Advantage Arkansas, Tax Back
Manufacturing	Rogers	**0	N/A	InvestArk
Manufacturing	Springdale	5	$13.00	Advantage Arkansas, Tax Back
Software Publishers	Fayetteville	5	$35.00	Research and Development

a. Type of Company	*b. Location*	*c. Number of Jobs (See notes *and **)*	*d. Average Hourly Wage*	*e. Incentives Offered (See notes *** and ****)*
Manufacturing	Gurdon	12	$16.47	Quick Action Closing Fund***
Tourism	Fort Smith	**0	N/A	Tourism
Tourism	Bentonville	24	$24.00	Tourism
Manufacturing	Texarkana	**0	N/A	InvestArk
Military Training Systems	Jacksonville	70	$45.33	Advantage Arkansas
Manufacturing	Arkadelphia	20	$16.00	Advantage Arkansas, Tax Back
Maintenance Training Devices	Jacksonville	21	$32.34	Advantage Arkansas
Manufacturing	Ashdown	**0	N/A	InvestArk
Manufacturing	El Dorado	**0	N/A	InvestArk
Manufacturing	Pocahontas	900	$10.86	Advantage Arkansas, Tax Back, Training, CDBG, Economic Infrastructure (EIF)
Manufacturing	Corning	40	$13.00	Advantage Arkansas, Tax Back, CDBG
Computer Systems Design Services	Lowell	20	$17.00	Advantage Arkansas, Tax Back
Manufacturing	Dierks	*252	$20.76	InvestArk, Create Rebate
	98 Projects	**5,905**	**$17.29 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 **0 jobs/N/A average hourly wage. 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.
- **Tax Back** requires that a company must either have an existing job creation agreement (no older than 48 months) or agree to sign one within two years. The Tax Back project listed above signed a job creation agreement in 2013.

*****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 for failure to create requisite jobs.

****The New Markets Jobs Act, Act 1474 of 2013, created a state **New Market Tax Credit** program administered by the Arkansas Economic Development Commission (AEDC). New Market Tax Credits (equal to 58% of qualified investment) taken against state premium tax liability, may be earned by corporations, limited liability companies, associations, partnerships, or other business entities (hereafter referred to as entities) that make qualified equity investments in qualified community development entities (QCDEs) that invest capital and equity in eligible qualified active low-income community businesses. Due to the short-term duration of this program (all projects closed in 2014-2015) information is provided below and not included in job and investment figures above.

Table 2
New Market Tax Credit Projects (Projects Closed in 2014)

Project Location	Project Type	Proposed Investment (Eligible Amount)	Proposed New Jobs	Proposed Wages
Monticello	Manufacturing	$7,600,000	100	$13.50
Conway	Manufacturing	$2,300,000	28	$16.00
Mountain View	Manufacturing	$1,610,000	25	$15.00
Pine Bluff	Manufacturing	$7,730,393	54	$15.00
Springdale	Manufacturing	$4,650,000	20	$17.00
Conway	Professional, Scientific, and Technical Services	$2,000,000	36	$30.00
Springdale	Manufacturing	$4,000,000	38	$25.00
Little Rock	Manufacturing	$2,300,000	9	$16.50
Fort Smith	Manufacturing	$1,610,000	25	$21.00
Little Rock	Broadcasting	$6,900,000	149	$28.00
Camden	Manufacturing	$9,648,460	54	$16.00
Total	**11 projects**	**$50,348,853**	**538**	**$20.56**

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 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 2014, 21 financial incentive agreements were approved. Cumulatively, these projects are projected to raise $14,300,000 in equity from investors. The locations, projected employment and projected average hourly wages of 2014 projects are as follows:

Table 3
Equity Investment Tax Credit Projects

Project Location	Proposed Investment (Minimum Equity Raise)	Proposed Jobs	Proposed Wages
North Little Rock	$125,000	9	$35.48
Fayetteville	$100,000	7.5	$34.61
Conway	$300,000	12	$28.67
Fayetteville	$250,000	36	$30.00
Fayetteville	$500,000	15	$43.27
Little Rock	$1,000,000	13	$74.00
Fayetteville	$4,000,000	42	$45.00
Little Rock	$325,000	6	$25.80
Little Rock	$1,500,000	5	$36.00
Little Rock	$625,000	107	$33.52
Fayetteville	$275,000	10	$32.81
Little Rock	$1,500,000	30	$48.08
Bentonville	$200,000	20	$37.00
Bentonville	$500,000	12	$34.00
Fayetteville	$600,000	25	$31.10
Benton	$400,000	11	$34.77

Project Location	Proposed Investment (Minimum Equity Raise)	Proposed Jobs	Proposed Wages
Little Rock	$400,000	none	N/A
Fayetteville	$500,000	11	$35.00
Little Rock	$700,000	11	$36.00
Fayetteville	$300,000	3	$41.67
Fayetteville	$200,000	25	$32.78
Total	**$14,300,000**	**410.5**	**$37.10**

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. Since the inception of this program, only two projects have received funding through this program, the last of which was approved in 2010. Subsequent projects have received funding from the Quick Action Closing Fund. In FY 2015, 3 project(s), Soul of the South (TV network), Greater Productions and the Last Ride received $741,062.80 in QACF funding (see QACF Report, attached, for expenditure data).

Part 2. ASSESSMENT OF PROJECTS THAT DID NOT MATERIALIZE

During the 2014 calendar year, the Arkansas Economic Development Commission worked 248 projects, 98 of which signed incentive agreements. Of these projects, 16 were by new companies and 82 were by existing companies. Upon completion, these 98 projects are projected to create/retain 5,905 jobs and generate $3,008,765,499 in new capital investment. The remaining 150 non-incentive agreement projects are summarized below:

Table 4
Project Status

Project Status	Number of Projects
Project committed to Arkansas-signed incentive agreements in 2014	98
Project has or is likely to announce in 2015	40
Project is active but no decision has been made	65
Project is on hold/status pending*	11
Project did not materialize-will not locate in Arkansas*	34
Total Projects	**248**

* Information regarding the 45 non-active projects is provided below.

Table 5
2014 Projects That Did Not Materialize and Reason

a. Type of Company	*b. Number of Jobs*	*c. Average Hourly Wage*	*d. Incentives Offered*	*e. Reason Company Did Not Locate in Arkansas*
Manufacturing	124	Unspecified	General Incentive Summary	The project did not locate in Arkansas. The consulting company responded that none of the five submitted buildings met their criteria.
Manufacturing	20	Unspecified	General Incentive Summary	The project did not materialize because a critical partnering company did not proceed with the project.
Manufacturing	500	Unspecified	General Incentive Summary	Purchase options on the premium site were unavailable.
Manufacturing	125	$15.00	ArkPlus, Create Rebate, Tax Back, CDBG	The company did not move forward with the project due to building purchase costs.
Manufacturing	58	$14.65	Advantage Arkansas, Tax Back, CDBG	The company found a more suitable building in Tennessee.
Manufacturing	200	$20.00	General Incentive Summary	The consultant informed AEDC that Arkansas did not make the short list of project finalists.
Warehouse, Distribution and Manufacturing	Unspecified	Unspecified	General Incentive Summary	The company decided to expand its present location in Memphis.
Manufacturing	30	$19.02	Advantage Arkansas, Tax Back, Grants	The project did not proceed because the company could not receive a firm commitment from one of its major raw material suppliers.
Manufacturing	500	$15.00	Create Rebate, Tax Back	The company decided not to expand and has laid off some of its existing Arkansas workforce.
Manufacturing	50	$11.00	Advantage Arkansas, Tax Back, Training, CDBG	The company did not respond to numerous requests for updates.
Manufacturing	30	$15.77	Advantage Arkansas, Tax Back, Economic Infrastructure Grant	The company decided to expand its existing location in the Kansas City MSA.
Manufacturing	150	$15.00	General Incentive Summary	The project is on indefinite hold as the company explores further options.

a. Type of Company	b. Number of Jobs	c. Average Hourly Wage	d. Incentives Offered	e. Reason Company Did Not Locate in Arkansas
Manufacturing	100	$14.42	Advantage Arkansas or Create Rebate, Tax Back, Training, CDBG	Arkansas did not make the short list. It is believed that the project located in North Carolina.
Manufacturing	150	$24.00	Advantage Arkansas, Tax Back, Training, CDBG	The company did not respond to numerous requests for updates.
Manufacturing	140	$25.96	Tax Back, Create Rebate	The project is on hold and will be revisited later in 2015 as the company deals with other issues.
Manufacturing	62	$18.75	General Incentives Summary	The company chose an available building in Senatobia, Mississippi.
Manufacturing	30	$17.00	Advantage Arkansas, Tax Back, Grant	The company decided not to move forward with the project.
Manufacturing	100	Unspecified	General Incentives Summary	Arkansas did not make the final cut due to the conditions of the building offered and the lack of workforce. The company close Clinton, Tennessee.
Manufacturing	24	$14.25	General Incentives Summary	The company placed the project on hold until 2016.
Manufacturing	504	$24.16	General Incentives Summary	The company selected a site outside of Arkansas due to its proximity to suppliers and customers.
E-Commerce Processing	355	$23.13	General Incentive Summary	The project was put on hold indefinitely by the company to resolve internal issues.
Manufacturing	80	Unspecified	General Incentive Summary	The company was bought out. The new parent company is still evaluating whether or not to move forward with the project.
Corporate Headquarters	15	$37.26	Advantage Arkansas, Tax Back, Grant	The company's new CEO decided not to pursue the project.
Manufacturing	100	$17.44	Advantage Arkansas or Create Rebate, Tax Back	The company never responded to statutory incentive offers.

a. Type of Company	b. Number of Jobs	c. Average Hourly Wage	d. Incentives Offered	e. Reason Company Did Not Locate in Arkansas
Manufacturing	50	$11.05	Tax Back, CDBG, Training	The project is on hold. The company was purchased and the new company is evaluating the project.
Manufacturing	45	$22.00	Advantage Arkansas, Tax Back, New Market Tax Credits, Training	The company chose to expand its existing facility in Illinois due to lesser freight rates and the existing facility's technology.
Manufacturing	400	Unspecified	General Incentive Summary	Arkansas did not make the short list of candidates. The company would not disclose reasons why.
Manufacturing	200	Unspecified	General Incentives Summary	The project did not happen because the company's request for 100 percent funding was not approved by AEDC.
Manufacturing	30	$13.00	General Incentives Summary	The company never followed-up with requests for updates.
Manufacturing	Unspecified	Unspecified	Advantage Arkansas or Create Rebate, Tax Back, Grant	Arkansas did not make it to the second round because the submitted building did not meet the prospect's needs.
Manufacturing	150	Unspecified	General Incentives Summary	The company placed the project on indefinite hold.
Manufacturing	60	$14.82	Advantage Arkansas, InvestArk, CDBG	The company closed the plant.
Manufacturing	60	Unspecified	General Incentive Summary	The project located in Alabama due to the proximity of Atlanta's airport (international flights) and the encouragement of a major customer in Alabama to locate there.
Manufacturing	11	$12.00	General Incentive Summary	The company's expansion plans are on hold until later in 2015.
Manufacturing	343	$20.21	Advantage Arkansas or Create Rebate, Tax Back	Arkansas sites were eliminated due to high groundwater tables.
Manufacturing	50	$19.24	General Incentive Summary	The project did not happen because the company lost its supplier for which the product was being made.

a. Type of Company	*b. Number of Jobs*	*c. Average Hourly Wage*	*d. Incentives Offered*	*e. Reason Company Did Not Locate in Arkansas*
Manufacturing	50	$14.00	Advantage Arkansas, Tax Back, Training	The company never responded to requests for project updates.
Manufacturing	12	$14.00	General Incentives Summary	The project is on indefinite hold awaiting the company's decision to move forward.
Manufacturing	10	$11.00	Advantage Arkansas, Tax Back	The project is on hold awaiting the company's decision to expand.
Manufacturing	176	$14.00	General Incentive Summary	The project is on hold awaiting the company's decision to expand.
Manufacturing	20	Unspecified	General Incentive Summary	The project is on hold awaiting the company's decision to move forward with a new consultant.
Manufacturing	120	$20.00	General Incentives Summary	The company decided not to purchase a building in Arkansas and cancelled the project.
Manufacturing	Unspecified	Unspecified	General Incentives Summary	The company decided to locate closer to their suppliers in Idaho.
Manufacturing	Unspecified	Unspecified	General Incentives Summary	The company did not locate in Arkansas and was unwilling to disclose the chosen site; however, the company did state that the chosen building was better suited to their needs.
Manufacturing	35	$29.81	Advantage Arkansas or Create Rebate, Tax Back, Grant	The company was denied bond guaranty and decided not to pursue statutory incentives.
Totals (45 Projects)	**5,269 Jobs**	**$19.14 Average Hourly Wage (unspecified wages not included)**		

f. General Assembly proposals to assist AEDC

The 90th General Assembly passed several laws that directly and indirectly impact AEDC's mission. A brief summary of these laws follows:

AEDC Programs/Projects Legislation

1. Act 164 (HB 1235) Rep. Sabin – Equity Investment Tax Credit (EITC) - Allows for convertible debt to count as equity investment under certain circumstances. The act also clarifies credit transferability by stating that the original investor earning EITC tax credits may sell its tax credits only one (1) time, in whole or in part, the balance of which shall be used by the original investor within the time frame allowed and extends the date for which credits are allowed from December 31, 2028 to December 31, 2037.
2. Act 593 (HB 1825) Rep. A. Davis – Amendment 82 Changes – Applies the five percent (5%) bond issuance limitation to "general" revenues as opposed to "net general revenues available for distribution" and expands the definition of "project costs" to include all costs incurred by the sponsor in developing a proposed project or qualified Amendment 82 project, whether before or after the Amendment 82 agreement has been executed and bonds have been issued.
3. Act 879 (HB 1788) Rep. Bell – Acquisition of State Property – Requires that state agencies seeking property consult the AEDC's available sites inventory before acquiring state property.
4. SJR 16 Sen. Woods – Provides Common Definitions of "Economic Development", "Economic Development Infrastructure" and "Economic Development Services" for Article 12, Section 5 and Amendment 62; clarifies the use of sales tax for economic development in the Arkansas Constitution; and, removes the 5% cap currently on Amendment 82 projects.

Tax Exemptions and Reductions (Business Prospects)

1. Act 1173 (HB 1402) Rep. Shepherd – Amends Capital Gains Tax – Restores the exemption to 50% beginning January 1, 2016, and exempts capital gains completely for capital gains in excess of $10,000,000.
2. Act 834 (HB 1406) Rep. Bentley – Franchise Tax Disputes – Allows the Secretary of State to settle certain disputes concerning interest or penalties associated with the corporate franchise tax due to reasonable mistakes, insolvency or bankruptcy.
3. Act 580 (HB 1427) Rep. Jett – Income Tax Changes – Adopts recent changes to the Internal Revenue Code; amends the Arkansas Tax-Deferred Tuition Savings Program; and, makes technical corrections to income tax laws for tax years beginning on or after January 1, 2014.
4. Act 1182 (HB 1662) Rep. Jett – Sales Tax Exemptions – Exempts from sales and use tax certain parts and services to incorporate the parts or other tangible personal property into commercial jet aircraft components and subcomponents and provides a sales and use tax exemption for aircraft sold within the state and for aircraft sold by a person that is the resident of another state to a purchaser that is a resident of another state and will base the aircraft outside of the State of Arkansas. The fact that a purchaser takes possession of an aircraft in Arkansas does not prevent the application of the exemption if the purchaser takes possession of the aircraft for the sole purpose of removing the

aircraft from Arkansas under its own power or locating the aircraft at a maintenance facility in Arkansas for the time period necessary to complete maintenance or modifications to the aircraft if the aircraft is removed upon completion.

5. Act 692 (HB 1201) Rep. Jett – Carry-Forward of Recycling Tax Credits – Allows for alternate qualifications for qualified manufacturers of steel to access extended carry-forward of recycling tax credits for up to 14 years for credits certified on or after January 1, 2015.
6. Act 1107 (SB 332) Sen. Files – Sales and Use Tax on Partial Replacement and Repair of Equipment – Allows for a limited direct pay permit needed to claim a sales and use tax exemption on repair or replacement parts.
7. Act 896 (SB 490) Sen. Sample – Fairness of Tax Administration – Eliminates prepayment conditions for appeal; adjusts the taxpayer burden of proof from clear and convincing to a preponderance of evidence; equalizes the limitation periods for refunds; promotes transparency in guidance and rulings by requiring that final determinations of DFA hearing officers and the DFA Director after January 1, 2016 be posted to Arkansas.gov; conforms due dates for income tax returns by moving the state corporate income tax filing deadline back one month effective in tax year 2017; and, extends the rebate period for local taxes from six months to one year.
8. Act 862 (SB 844) Sen. Burnett – Recycling Tax Credits/Public Retirement System – Prescribes procedures for distributing recycling tax credits when a public retirement system is an investor.
9. Act 22 (SB 6) Sen. Dismang – Middle Class Tax Relief Act of 2015 – Amends the income tax rates and brackets for individuals, trusts, and estates.
10. Act 412 (HB 1489) Rep. Jean – Unemployment Insurance – Amends the maximum benefit period and weekly benefit amount under the Workforce Services Law. For initial claims filed on or after the first day of the calendar quarter following the effective date of this act, an insured worker's weekly benefit amount shall be an amount equal to one-twenty-sixth (1/26) of his or her average wages for insured work paid during the four (4) quarters of his or her base period. Maximum potential benefits are reduced from 25 weeks to 20 weeks.
11. Act 1126 (SB 802) Sen. Rapert – Sales and Use Tax Exemption for Certain Solid Waste Services – "Solid wastes" means all putrescible and nonputrescible wastes in solid or semisolid form, including without limitation yard or food waste, waste glass, waste metals, waste plastics, wastepapers, waste paperboard, and all other solid or semisolid wastes resulting from industrial, commercial, agricultural, community, and residential activities. Exemption begins the first date of the calendar quarter following the effective date of the act.

Workforce Training/Education

1. Act 960 (HB 1895) Rep. Mayberry – College and Career Coaches – Expands the scope of the College and Career Coaches Program from only Tier 3 and 4 counties to all counties statewide and requires that coaches hold a career development facilitator certification, or complete certification within one year of being hired.
2. Act 994 (SB 371) Sen. English – School District Partnerships with Higher Education – Allows the provision of concurrent or technical education options for students in alternative learning environments; allows school districts to use National School Lunch

Student state or categorical funds for concurrent courses or other technical education academic learning opportunities.

3. Act 1216 (SB 812) Sen. B. Johnson – College and Career Readiness Program – Allows a public school to use a college and career readiness assessment approved by the State Board of Education.
4. Act 1131 (SB 891) Sen. English – Workforce Initiative Act of 2015 – Designates the Department of Higher Education (DHE) as the disbursing entity for all funds for the Workforce Initiative Act and allows DHE to prescribe procedures for awarding grants; describes the duties of the workforce investment boards; provides for phase one planning grants, phase two implementation grants and phase three continuation grants.
5. Act 1133 (SB 913) Sen. Hester – Defines "Employment" - Defines "employment" under the Department of Workforce Services Law as "services described in 26 U.S.C. § 3306(c)(20), as it existed on January 1, 2015.
6. Act 892 (SB 368) Sen. English – Comprehensive Statewide Workforce Development System – Renames the State Board of Career Education to the Career Education and Workforce Development Board; creates the Office of Skills Development to administer and award grants and coordinate training activities by various entities. (AEDC is a non-voting member of the Board and is a consultant to the Office of Skills Development in the review of applications for workforce training grants.)
7. Act 187 (HB 1183) Rep. Gossage – Task Force to Review and Recommend Computer Science Courses – Establishes the 15-member Computer Science and Technology in Public School Task Force which includes the AEDC Executive Director's designee, Tom Chilton.

Energy Programs/Projects Legislation

1. Act 827 (HB 1004) Rep. S. Meeks – Requires Electric Utilities to Compensate Net-Metering Customers – Prescribes the procedures for electric utilities to compensate net-metering customers including limitations of service, rate structure, excess generation credits, non-residential net-metering customers, etc.
2. Act 380 (HB 1433) Rep. Jett – Modifies the Definition of "Public Utility" – Declares that the term "public utility" does not include a person or corporation that furnishes compressed natural gas as a motor fuel.
3. Act 842 (HB 1592) Rep. Beck – Clarifies Requirements for Obtaining a Certificate of Public Convenience and Necessity - Gives the Public Service Commission, after a hearing, authority to grant or deny part or all of an application. The PSC shall not issue a certificate of public convenience and necessity to any person or corporation that: 1) is not a public utility; 2) primarily transmits electricity; and 3) has not been directed or designated to construct an electric transmission facility from a regional transmission organization.
4. Act 382 (SB 183) Sen. E. Williams – Procedures for Oversight of Fossil-Fuel-Fired Electric Generating Units - Requires the Arkansas Department of Environmental Quality (ADEQ) to perform studies related to a state plan to regulate carbon dioxide emissions and creates procedures for approval of a state plan by the Legislative Council. The ADEQ shall coordinate with the AEDC in the preparation of a report that assesses the effects of the state plan on the electricity consumers within the state, including: (A) Disproportionate impacts of electricity and other replacement energy price increases on

middle-income and lower-income households; (B) Employment within the state, direct and indirect employment effects and jobs potentially lost within affected sectors of the state's economy; (C) Economic development within the state, including effects on manufacturing, commercial, and other sectors of the state's economy; (D) The competitive position of the state in relation to neighboring states and other economic competitors; and (E) State and local governments, including potential impacts resulting from changes in tax revenues and higher government outlays for electric service.

5. Act 1275 (SB 869) Sen. D. Johnson – Enabling Legislation for Energy Efficiency Bonds – Known as the "Local Government Energy Efficiency Project Bond Act," this legislation prescribes the process and requirements for the issuance and use of bonds authorized under Amendment 89 to the Arkansas Constitution. Rules governing this program will be promulgated by the Arkansas Energy Office under §19-11-1207.
6. Act 917 (SB 935) Sen. Rice – Amends Laws Concerning Certificate of Public Convenience and Necessity – Describes conditions under which a certificate of public convenience and necessity may be required prior to the undertaking of new construction or operation of equipment for supplying a public service.

Transportation

1. Act 691 (HB 1178) Rep. Pitsch – Sales and Use Tax Exemption for Lessee of an Intermodal Authority – Prescribes the following conditions under which a lessee of tangible property held by an intermodal authority may be exempt from the sales and use tax: The lessee's facility is constructed after the effective date of this act and has not been occupied by any other authority lessee; the establishment is within fifty (50) miles of the intermodal facility; the lessee has not ceased or substantially reduced operations of a nature similar to those being performed at the lessee's facility within the intermodal facility; the tangible personal property or service is consumed, used, or performed at the lessee's facility within the intermodal facility; and the lessee's facility is used to carry out the essential governmental functions of the authority under § 14-143-104(b).
2. Act 166 (HB 1258) Rep. Pitsch – Re-establishes the Legislative Task Force on Intermodal Transportation and Commerce – Adds members to the Task Force, including a representative from AEDC, identifies specific duties of the Task Force and extends its authority to December 1, 2016.
3. Act 740 (SB 871) Sen. Hickey – Special Permit for the Transportation of a Containerized Cargo Unit – Prescribes the conditions under which the Arkansas Highway Commission (AHC) can authorize the issuance of a special permit for containerized cargo units. The AHC may issue a special permit per vehicle valid for one single trip to be executed or performed within six consecutive days of the issuance or for a one-year period along a specified route that authorizes the movement of sealed containerized cargo units upon highways under the AHC's jurisdiction.

AEDC-Related Appropriation Bills

Act Number	Purpose	New Funding	Sponsor
117	AEDC Reappropriation Act (Capital Improvements)	N/A	Joint Budget Committee
150	AEDC GIF Appropriation Act	*	Joint Budget Committee
240	Capital Improvements (GIF)	$40,000	Sen. Teague
255	Capital Improvements (GIF)	$50,000	Sen. Maloch
418	Arkansas World Trade Center (GIF)	$40,000	Sen. Woods
419	Statewide Non-Profits (GIF)	$25,000	Sen. Johnson
428	Capital Improvements (GIF)	$20,000	Sen. Cooper
553	Innovate Arkansas Funding	$5,000,000	Joint Budget Committee
650	Capital Improvements Reappropriation (GIF)	N/A	Sen. Pierce
819	Senior Citizen Centers	$1,000,000	Rep. Jean
985	AEDC General Operations Act FY 2016	$10,670,432	Joint Budget Committee

**Amount funded to be determined. The total amount appropriated for various programs was $118 million.*

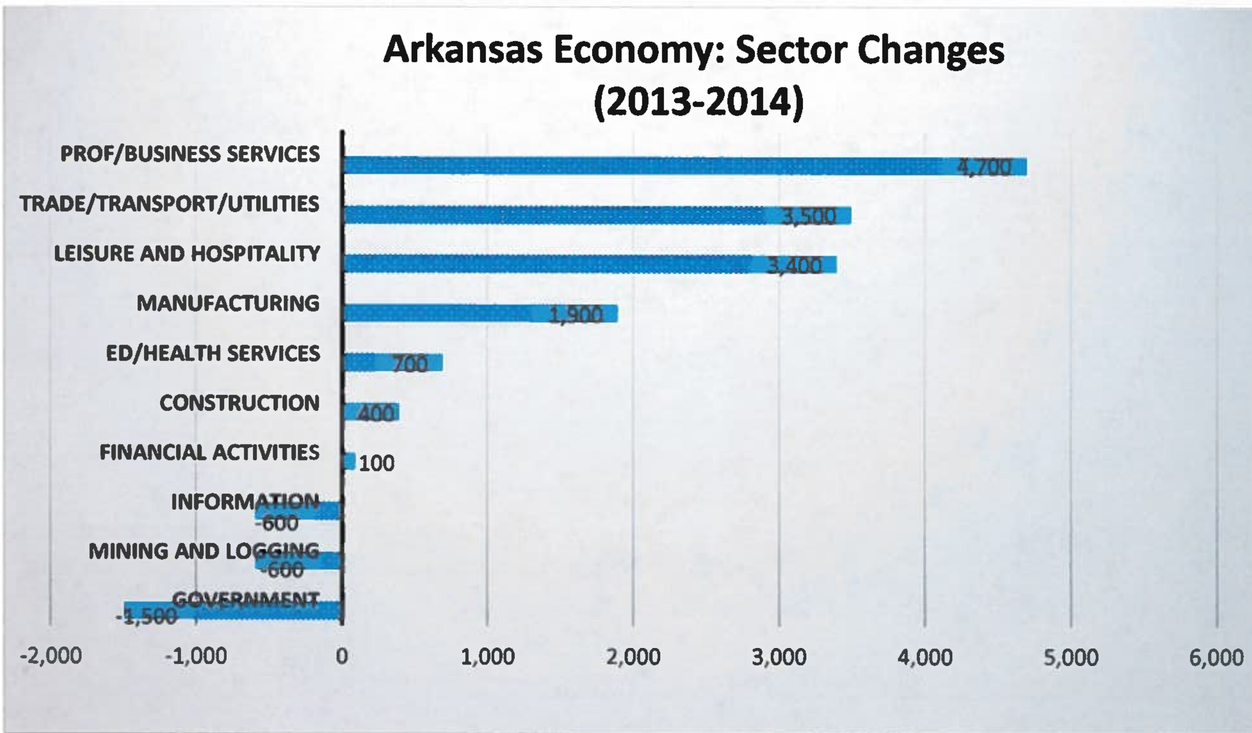
2015 Extraordinary Session

The First Extraordinary Session of the 90th General Assembly convened on May 26, 2015 and adjourned on May 28, 2015. Acts Number 9 and 10, signed by Governor Asa Hutchinson on May 29, 2015, provided for the issuance of $87.145 million in State General Obligation Bonds under Amendment 82 of the Arkansas Constitution to provide funding to Lockheed Martin to build a Joint Light Tactical Vehicle (JLTV) facility in Camden should Lockheed Martin be awarded the JLTV contract by the Department of Defense. Lockheed Martin will invest at least $125 million in the project and hire 589 new, full-time employees and has agreed to retain 556 jobs for the life of the JLTV contract, if awarded.

Part 3. AN ACCOUNTING OF MAJOR FACTORY AND PLANT CLOSURES

Overall, Arkansas's labor force declined by 6,857 from 1,307,465 in 2013 to 1,300,608 in 2014. Among nonfarm payroll jobs* the professional and business services; trade, transportation and utilities; leisure and hospitality; manufacturing; education and health services; construction; and, financial activities sectors grew. Employment losses occurred in the information; mining and logging; and, government sectors. Chart 1 below shows employment growth/decline by major sector. Table 6 lists factory and plant closures during 2014.

Chart 1



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

Table 6
Major Factory and Plant (Manufacturing) Closures During 2014

a. Location City	b. Number of Jobs Lost	c. Reason for Closure
Knoxville	36	Corporate decision to close facility
Forrest City	15	Corporate decision to move production to another US-based plant
Fort Smith	20	Moving operation to another facility in Alabama
Osceola	18	No reason for closure given by company
Dumas	57	Location sold to another company
Pocahontas	25	No reason for closure given by company
Rogers	497	To reduce costs, production was moved to Mexico and another plant in Arkansas
Van Buren	70	Falling energy prices resulted in decreased demand for product
Batesville	78	Company was bought out and production was moved to another plant in California
Springdale	250	Operations were moved to South Carolina
Hope	40	Operations were consolidated into other locations outside of Arkansas

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 2014, the AEDC's Existing Workforce Training Program assisted 150 different companies by providing training to 11,488 workers. The AEDC's Business Industry Training Program (BITP) assisted 40 different companies by providing training to 1,435 workers.

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
- 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 Work Keys 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.

A sampling of BITP training grant recipients reported significant improvements as a direct result of BITP-funded training. Metrics in Table 7 below indicated significant improvements in operational efficiencies as a result of training.

Table 7
BITP Training Results Among Recipient Companies

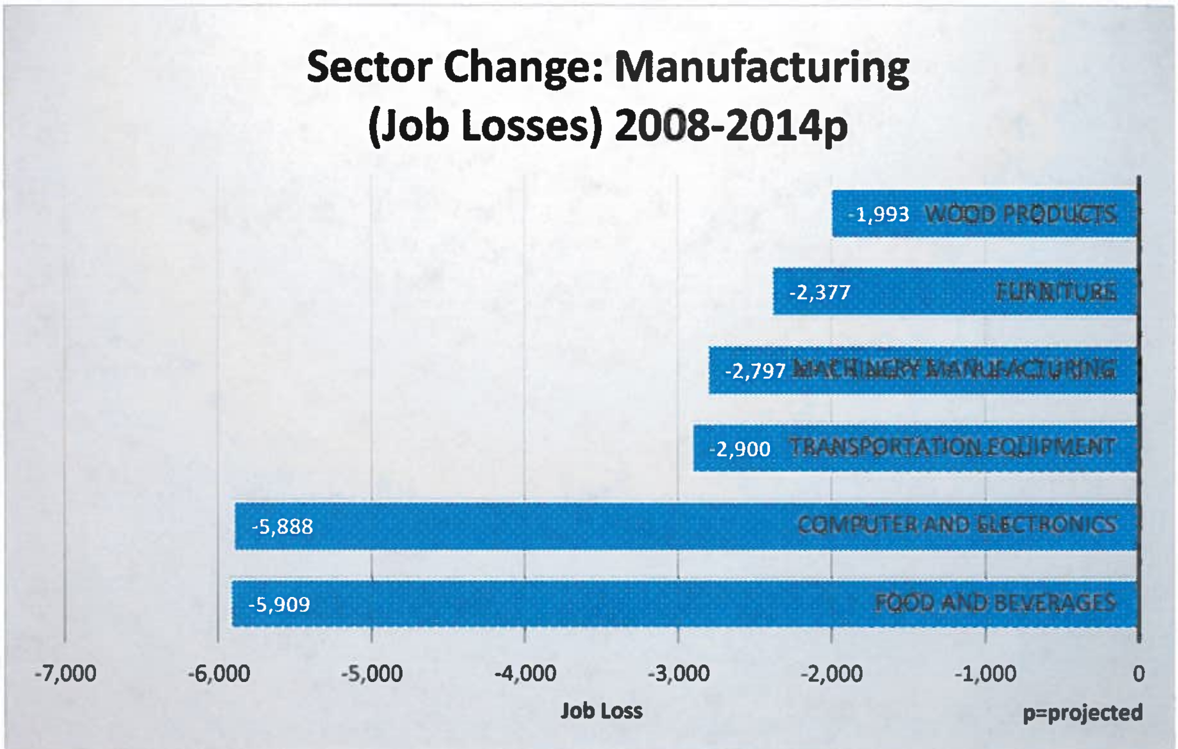
Company	Training – Topic/Focus	Results
"A"	New equipment and process	Increased revenue by 44%
		Increased operating income by 153%
		Reduced manufacturing cost by 20%
		Reduced tooling costs as a percentage of revenue by 47%
		Reduced scrap expense of wafer components by 11%
		Increased Lean Six Sigma savings by 36%
		Increased quality notifications per 1000 line items shipped by 48%
"B"	New products – process training	Reduced waste (1.9% - 6.1%)
	(6 positions – 3 product lines)	Increased overall equipment effectiveness (19.3% - 35%)
		Reduced operator unscheduled downtime (6.1% - 8.4%)
		Reduced change-over downtime (5.7% - 25.3%)
		Reduced start-up from downtime (1.5% - 2.5%)

Company	Training – Topic/Focus	Results
"C"	Maintenance and trouble-shooting (basic control and operations)	Increased overall equipment effectiveness by 2.2%
		Reduced change-over set-up time by 25%
		Increased inventory turn rate by 16.67%
"D"	Training – bearings with lubrication and shaft alignment	Increased machine uptime by 10%
		Avoided external repair calls – cost savings = $2,400 and reduction of machine failure/downtime
		Reduced external use of environmental monitoring consultants by 25%
		Increased the reliability of "first pass" repairs/solutions by 23%
		Increased overall equipment effectiveness by 12%
		Reduced equipment failure through predictive analysis by 27%
"E"	Water jet production training	Increased overall equipment effectiveness by 80%
		Reduced change-over time/set-ups by 15%
		Improved quality of "First Pass Yield" by 17%
"F"	Assembly, molding, plating, stamping tool room, ware-house and engineering training	Plant revenue increased by 6%
		Plant operating income improved 14%
		Lean Six Sigma savings 36%
		Quality notification per 1000 line items shipped improved 1%
"G"	New equipment/process training	Meet FY plant revenue forecast – change 5%
		Meet FY plant operating income to forecast –change 4%
		Reduce manufacturing cost – Lean Six Sigma savings 41%
		Quality improvement – overall change 49%
"H"	Lean manufacturing training	Reduced non-quality (non-value added activity) by 3.76% equating to $1.35 million
"I"	Combustion and equipment training	Reduced unscheduled downtime from 12 to 2.8 hours per week
"J"	Basic controls and operations training	Increased "good" product by 19.31%
"K"	Leaders and succession candidate training	Increased uptime from 85.6% to 90.04% (net profit increase of $158,500)
		Increased quality on "grade" from 95.12% to 95.5% (net profit increase of $11,300)
		Increased press utilization from 89.7% to 91.0% (net profit increase of $38,600)
"L"	Supply chain training	Reduced delinquent backlog from 85% to 71% (-14%)
		Increased on-time delivery from 53% to 87% (+34%)
		Improved internal quality from 98% to 98.5% (+.5%)
		Improved supplier quality from 96% to 98.29% (+2.29%)
		Increased inventory turn rate from 3.5% to 3.8% (+.3%)

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

Between 2007 and 2014*, Arkansas lost 28,364 private sector manufacturing jobs. These losses have primarily affected the food and beverages, computer and electronic, transportation equipment, machinery manufacturing, furniture, and wood products industries. Business closures were experienced in industries besieged by foreign competition, industry consolidation, and financial restructuring.

Chart 2



**Source: Bureau of Labor Statistics, 2007-2014p (preliminary) private sector Quarterly Census of Employment and Wages, 22 June 2015, http://data.bls.gov/pdq/querytool.jsp?survey=en*

As Table 7 below illustrates, the magnitude of manufacturing decline between 2008 and 2014 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 7
Arkansas Manufacturing Transitions: 2008-2014^p

Growth	Small Decline (15% or less)	Moderate Decline (15.1% to 30%)	Large Decline (Greater than 30%)
Petroleum & Coal (+7.9%)	Metals (-1.9%)	Non-Metallic Minerals (-16.3%)	Miscellaneous Manufacturing (-32.9%)
Chemicals (+5%)	Plastics and Rubber (-5%)	Wood Products (-17.9%)	Textiles and Apparel (-34.3%)
	Paper (-9.4%)	Transportation Equipment (-18.2%)	Furniture (-40.9%)
	Food and Beverages (-11.8%)	Machinery Manufacturing (-20%)	Computer and Electronic Products (-42.7%)
	Printing (-12.2%)		Leather (-46.7%)

Source: Source: Bureau of Labor Statistics, 2008-2014^p (preliminary) private sector Quarterly Census of Employment and Wages, 22 June 2015, 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 an 18.2% decrease (1,114 net fewer employees) between 2008 and 2014^p.*

Below is a summary of the ten largest manufacturing sector job losses by percentage.

Leather: (2008-2014 net loss 903/-46.7%) The loss of footwear manufacturers has plagued the leather industry in Arkansas for the past few decades. Despite slight gains from modest shoe manufacturing expansions in recent years, the industry as a whole has contracted to approximately a dozen companies.

Computers and Electronic Products: (2008-2014 net loss 5,888/-42.7%) The closure of approximately 20 percent of Arkansas's electronics manufacturers has significantly reduced employment throughout the state. 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.

Furniture: (2008-2014 net loss 2,377/-40.9%) Since 2008, Arkansas has lost approximately 40 percent of furniture manufacturers, however, there have been slight employment gains during the past two years. This industry can continue to grow only if onshoring opportunities are enhanced.

Textiles/Apparel: (2008-2014 net loss 955/-34.3%) Since 2008, Arkansas has lost more than one-third of its textile/apparel jobs. This industry will continue to decline as sales shrink and production moves to lower-wage countries.

Miscellaneous Manufacturing: (2008-2014 net loss 1,634/32.9%) Industries in the miscellaneous manufacturing sector make a wide variety of products including medical equipment, musical instruments, toys, sporting goods, jewelry and caskets. A significant number of these companies have moved overseas, however, there is potential for onshoring.

Machinery Manufacturing: (2008-2014 net loss 2,797/-20%) Most job loss has resulted from attrition and downsizing. After declining for three consecutive years, machinery manufacturing employment grew from 2013 to 2014.

Transportation Equipment: (2008-2014 net loss 2,900/-18.2%) Arkansas lost a significant number of automotive parts employees following the 2008-2009 economic downturn. After a slight rebound in 2011, employment returned to recession levels in 2013. However, there was significant growth in 2014, with the addition of 608 workers. With increases in rail and aerospace plus the potential for growth at Lockheed Martin, the prospects for a rebound in this sector are bright.

Wood Products: (2008-2014 net loss 1,993/-17.9%) This mature industry is of particular concern for the future of South Arkansas. After many years of employment decline, the number of employees in this sector has grown each of the past two years. The future of this industry will depend on housing starts and biomass use for energy.

Non-Metallic Minerals: (2008-2014 net loss 713/-16.3%) The future of this industry is dependent upon building material production and construction. After losing 1,000 jobs between 2008 and 2011, Arkansas has regained 300 jobs in the past three years.

Printing: (2008-2014 net loss 552/-12.2%) Employment levels have been uncharacteristically volatile during the past decade, declining, then rebounding annually. Growth in this sector will depend upon the health of existing printing industries.

c. Plans for increasing the number of economic development proposals

Marketing and Communications

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, 2014 and December 31, 2014 included:

- Planned and coordinated 24 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.
- Provided material and media guidance for international events/trade shows, etc., including a delegation led by Governor Mike Beebe to the Farnborough International Air Show in England.

- Created and produced customized brochures/marketing pieces/postcards/newsletters for AEDC Divisions.
- Completed a total website redesign that launched in January 2015.
- Launched the ArkansasFavorsTheBold.com campaign.
- Contracted with ROI Company to identify companies to proactively recruit.
- 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. Conferences were sponsored by Area Development, Site Selectors Guild, Industrial Asset Management Council and CoreNet Global.
- Responded to daily media inquiries. Worked closely with each AEDC Division to provide accurate, timely information to hundreds of members of the media.
- Redesigned the Arkansas Fact Book.
- Worked closely with the Arkansas Energy Office (AEO), a division of AEDC, on media outreach (news releases, advertisements) for numerous energy initiatives.
- 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.
- Fulfilled numerous Freedom of Information Act requests from media and citizens.
- Participated in the Walmart Made in the USA initiative by sponsoring the Open Call in Bentonville and attending the Manufacturing Summit in Bentonville.

Expanding Knowledge-Based Entrepreneurship

The AEDC continues to work with multifaceted partners in a variety of programs to encourage entrepreneurship at all levels. Engaging students' entrepreneurial skills 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.

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 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 technology based entrepreneurs at any stage to turn inventions and high-tech concepts into viable businesses. Through December 31, 2014, the Innovate Arkansas program had enlisted two hundred twenty-seven (227) client companies to date; twenty (20) of those clients were added in 2014. Of the two hundred twenty-seven (227) clients, one hundred (100) were actively involved in the due diligence - mentoring process leading to commercialization. The remaining one hundred twenty-seven (127) companies have become inactive for a variety of reasons, including lack of response, permanent relocation issues, and closings.

Global Business Recruitment

Fourteen (14) of the 98 projects that signed financial assistance agreements with AEDC in 2014 were by foreign-owned corporations. Cumulatively, these projects propose the creation/retention of 560 jobs. Additionally, during 2014, the AEDC fostered international trade and investment through the following activities:

Table 8
2014 International Related Activities Attended and/or Conducted

Event	Timeframe	Location	Type of Activity
U.S.-Vietnam Trade Relations 20th Anniversary Celebration	Feb 10-11, 2014	Washington, D.C.	Proactive
IHS World Petrochemical Conference	Mar 26-28, 2014	Houston, TX	Event/Proactive
US China Manufacturing Synoposium	Mar 26-28, 2014	Dothan, AL	Event/Proactive
MRO Conference	Apr 7-10, 2014	Phoenix, AZ	Event/Proactive

Event	Timeframe	Location	Type of Activity
Going to America; FDI from Austrian companies to the US	Apr 1-4, 2014	Vienna, Austria	Proactive
Meetings with country officials and companies	Apr 4-13, 2014	Prague, Czech Republic	Proactive
Meetings with country officials and companies	Apr 13-16, 2014	London, United Kingdom	Proactive
Meetings with prospective companies and Arkansas companies' parents; FDI Road Show organized by the Council of American States in Europe	Apr 16-24, 2014	Paris, France	Proactive
Meetings with country officials and companies	Apr 6-12, 2014	Hanoi/Ho Chi Minh City/Can Tho City, Vietnam	Proactive
Meetings with company officials; Select USA events in Hong Kong, Shenzhen, and Guangzhou; Meeting with prospects; 2014 World's Investment Summit	Apr 13-24, 2014	Hong Kong/China	Proactive
Meetings with prospective companies and Arkansas existing companies' parents; FDI Road Show organized by the Council of American States in Europe	Apr 23-24, 2014	Paris, France	Proactive
Select USA Event	May 19-23, 2014	Mexico	Event/Proactive
Investment conference for Chinese companies	June 3-6, 2014	Chicago, IL	Proactive
Governor's Trade Mission (Farnborough Aerospace Trade Show; Meetings with parent companies of existing businesses; Introductions to Czech Republic leaders regarding Arkansas and building relationships	July 10-22, 2014	London, UK/Paris, France/Prague, Czech Republic	Trade Show/ Events/ Proactive
Select USA	Aug 25-29, 2014	Chile, Brazil and Colombia	Event/Proactive
Meetings with prospective companies	Sept 8-22, 2014	Taiwan and China	Prospect
Meetings with prospect companies	Nov 15-17, 2014	Istanbul, Turkey	Prospect
Meetings with American College of Taiwan officials and dignitaries	Nov 17-20, 2014	Taipei, Taiwan	Proactive
Celebration of 25 years of freedom for the Czech Republic	Nov 17, 2014	Washington, D.C.	Event/Trade Show
European Trip	Dec 9-19, 2014	Paris/Lyon/Nantes/Prague	Proactive

d. Plans for creating new initiatives/incentives

AEDC's Strategies and Recommendations for the Next Legislative Session

While not vetted with the Governor's Office and the Department of Finance and Administration, AEDC is considering the following legislative initiatives for introduction at the 2017 Regular Session of the Arkansas General Assembly:

1. **Prepare technical revisions to existing legislation,** including changes to the 2013 legislation authorizing the Arkansas Energy Office to administer a CNG rebate program for stations and vehicles, as well as any needed changes to the Consolidated Incentive Act or other AEDC-related legislation.
2. Pending the identification of a revenue source, **establish a rail development grant fund,** similar to provisions in HB 1472 of 2015.
3. Seek funding for the **Regional Economic Development Partnership Act,** which requires a one-to-one match to access state dollars for local infrastructure and other economic development needs.
4. Propose a **corporate income tax exemption, for up to 20 years for manufacturers of photovoltaic equipment** locating in Arkansas after January 1, 2017, investing at least $20 million and creating at least 100 new, full-time permanent jobs.
5. Prepare **enabling legislation for Amendment 82 changes,** contingent upon SJR 16 of 2015 receiving voter approved in November, 2016.
6. Propose a **constitutional amendment to:** 1) allow for regional governance; 2) remove the five mill property tax cap for cities and counties; and 3) clarify the ability to raise money in one county and spend it in another.

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

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

Table 9
2013-2014 Job Opportunities from Signed Incentive Agreements: New and Expanded Year-End Results

Year	*Type*	*Projects*	*Jobs*	*Total Investment*	*Average Hourly Wage*	*Cost Benefit Ratio*
2014	New	16	2,304	$1,386,513,282	$20.88	
	Expanded	81	3,349	$1,440,673,217	$14.55	
	Retention	1	252	$181,579,000	$20.76	
	Total	98	**5,905**	**$3,008,765,499**	**$17.29**	**2.02***
2013	New	13	653	$101,674,672	$22.56	
	Expanded	89	3,963	$1,065,227,918	$19.42	
	Retention	3	515	$83,100,000	$21.24	
	Total	105	**5,131**	**$1,250,002,590**	**$20.00**	**2.02***

** a cost benefit ratio of 2.02 means that, over a ten year period, the state will get back, in taxes, $2.02 for each dollar of incentives used. The ratios for 2013 and 2014 would increase from $2.02/$1 to $2.46/$1 (2013), and $2.02/$1 to $2.29/$1 (2014), respectively, if non-job-creating statutory InvestArk incentive projects are excluded.*

Table 10
2013-2014 Arkansas Job Creation and Job Loss Comparison

Jobs from Signed Incentives Agreements with AEDC Involvement - AEDC Eligible Businesses Only*	11,036
Jobs Lost Due to Layoffs/Closures – AEDC Eligible Businesses only*	4,541
Net Gain (+) / Loss (-) AEDC Eligible Businesses	+6,495
*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.*	

Table 11
2013–2015 Year-to-Date Unemployment Comparison

	AR Unemp Rate	**US Unemp Rate**
2013 annual average unemployment rate	7.4%	7.4%
2014 annual average unemployment rate	6.1%	6.2%
Current Month (May 2015) seasonally adjusted	5.7%	5.5%
Sources: Arkansas Department of Workforce Services, Unemployment Rates and Labor Force Statistics, annual rates are not seasonally adjusted.		

b. Comparison of actual performance to projections

Table 12
2015 Year-to-Date* Job Creation/Closures

Job Creation	*Jobs*	*Total Investment*	*Average Hourly Wage*
2015 Year-to-Date Signed Incentive Agreements*	1,644	$1,174,056,731	$22.07
Pending Finalization of Incentive Agreements**	473	$146,169,050	$15.53

2015 Year-to-Date* Non-Retail/Non-Service Closures

Job Closures	*Companies*	*Jobs*
2015 Year-to-Date	20	1,778

**Through June 30, 2015.*
***These projects will likely be reported in 2015.*

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 13
2014 Per Capita Real GDP by State: Arkansas and Surrounding States

State	*2014 GDP Per Capita**	*National Rank*
United States	**$49,469**	--
Texas	$54,433	11
Louisiana	$46,448	26
Missouri	$42,854	34
Tennessee	$42,115	36
Oklahoma	$41,871	38
Arkansas	**$37,334**	**46**
Mississippi	$31,551	50

**In chained 2009 dollars. Source: Gross Domestic Product by State, Bureau of Economic Analysis, 2014 Per Capita Real GDP by State,* http://www.bea.gov/iTable/drilldown.cfm?reqid=70&stepnum=11&AreaTypeKeyGdp=0&GeoFipsGdp=XX&ClassKeyGdp=NAICS&ComponentKey=1000&IndustryKey=1&YearGdp=2014&YearGdpBegin=-1&YearGdpEnd=-1&UnitOfMeasureKeyGdp=Levels&RankKeyGdp=1&Drill=1&nRange=5, *, 10 June 2015.*

Table 14
Percentage Change in GDP Per Capita by State (2011 to 2014)*
Arkansas and Surrounding States

State	*2011 Per Capita GDP by State*	*2014 Per Capita GDP by State*	*Percentage Change in GDP Per Capita by State (2011-2014)*
United States	**$47,641**	**$49,469**	**3.8%**
Texas	$48,582	$54,433	12.0%
Oklahoma	$39,600	$41,871	5.7%
Tennessee	$40,325	$42,115	4.4%
Arkansas	**$36,401**	**$37,334**	**2.6%**
Mississippi	$31,407	$31,551	0.5%
Missouri	$41,741	$42,854	2.7%
Louisiana	$46,654	$46,448	-0.4%

**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 10 June 2015.*

Labor Force

Table 15
Percent Labor Force Growth (2010-2014)
Arkansas and Surrounding States

State	*Percentage Labor Force Growth (2010-2014)*	*National Rank*
United States	**1.3**	--
Texas	7.1	2
Louisiana	3.4	6
Oklahoma	0.9	25
Missouri	0.1	30
Tennessee	-2.6	46
Arkansas	**-3.9**	**49**
Mississippi	-5.4	50

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 16
Per Capita Personal Income Change 2012-2014
Arkansas and Surrounding States

State	*2012 Per Capita Income*	*2012 Rank*	*2013 Per Capita Income*	*2013 Rank*	*2014 Per Capita Income*	*2014 Rank*	*Change 2012-2014*	*National Rank*
United States	**$44,200**	--	**$44,765**	--	**$46,129**	--	**4.4%**	--
Texas	$43,271	25	$43,862	25	$45,426	24	5%	14
Oklahoma	$41,399	27	$41,861	27	$43,138	27	4.2%	28 (tied)
Missouri	$39,933	31	$40,663	32	$41,613	33	4.2%	28 (tied)
Tennessee	$39,002	36	$39,558	34	$40,654	34	4.2%	28 (tied)
Louisiana	$40,617	29	$41,204	29	$42,287	30	4.1%	31
Arkansas	**$36,423**	**42**	**$36,698**	**42**	**$37,751**	**43**	**3.6%**	**37**
Mississippi	$33,446	50	$33,913	50	$34,333	50	2.7%	44

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 17 April 2015.

Unemployment Rates

Table 17
Unemployment Rate Annual Averages 2013-2014
Arkansas and Surrounding States

State	*2013 Unemployment Rate*	*2014 Unemployment Rate*	*National Rank 2014*
United States	**7.4%**	**6.2%**	--
Oklahoma	5.3%	4.5%	11
Texas	6.2%	5.1%	16
Missouri	6.7%	6.1%	26 (tied)
Arkansas	**7.4%**	**6.1%**	**26 (tied)**
Louisiana	6.7%	6.4%	32
Tennessee	7.8%	6.7%	39
Mississippi	8.7%	7.8%	49

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

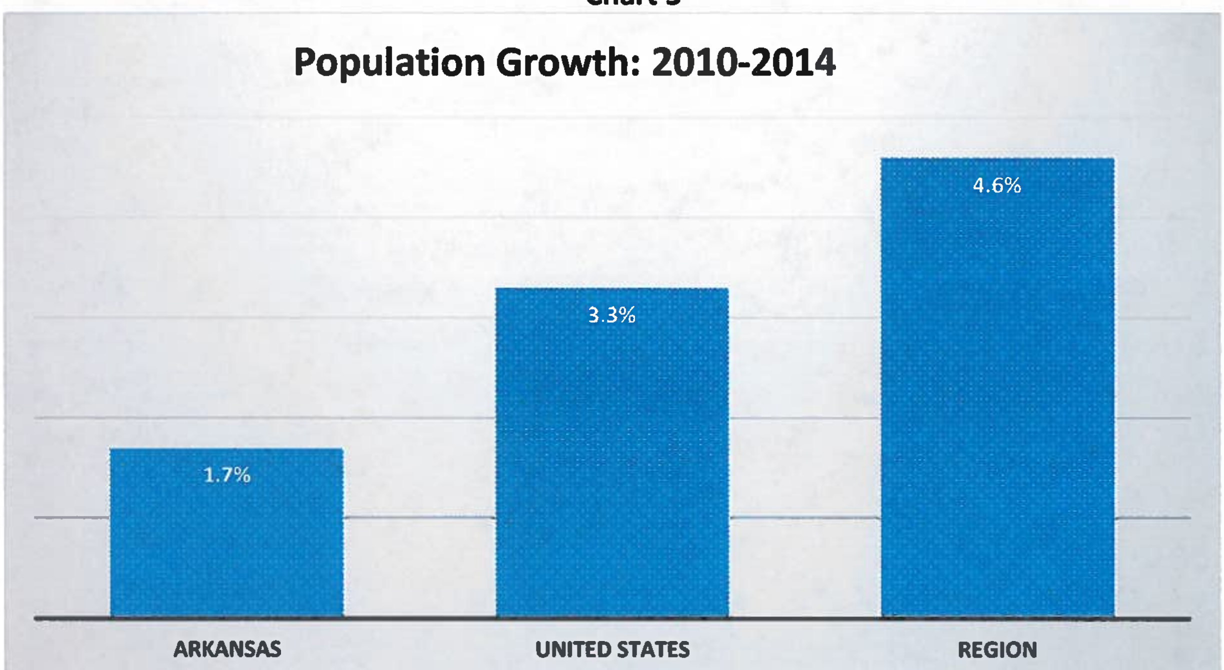
Table 18
Average Hourly Earnings of Manufacturing Production Workers (2014)
Arkansas and Surrounding States

State	***Hourly Earnings***	***National Rank***
United States	**$19.56**	--
Louisiana	$22.04	4
Texas	$21.09	7
Missouri	$19.02	25
Oklahoma	$18.08	40
Mississippi	$17.83	41
Tennessee	$17.50	42
Arkansas	**$15.96**	**50**

Source: U.S. Department of Labor, Bureau of Labor Statistics, Current Employment Statistics, 2014 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, 2014 Annual Averages, Not Seasonally Adjusted http://www.bls.gov/data/

Population Growth (Region*)

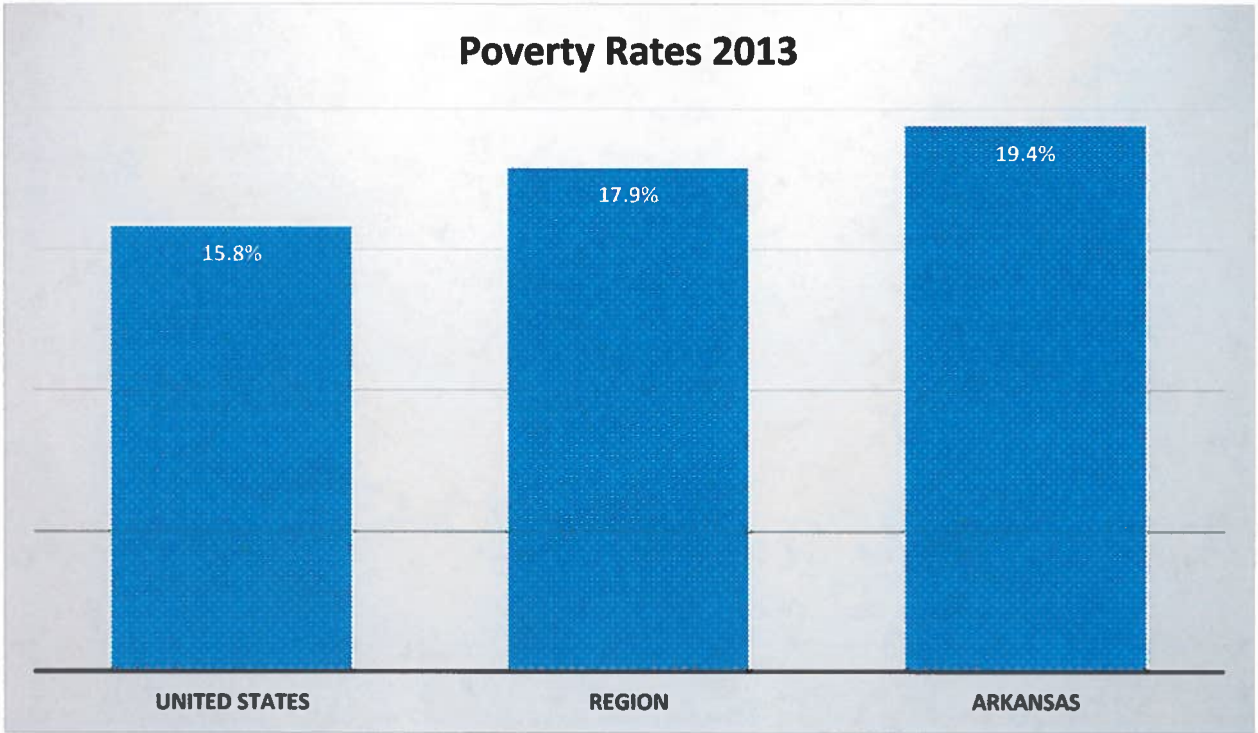
Chart 3



Source: US Census Bureau, Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2014, 2014 Population Estimates, http://www.census.gov/popest/data/state/totals/2014/index.html 17 April 2015.

Poverty Rates (Region*)

Chart 4



**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/2013.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.

Assets and Opportunity Scorecard, Published January 2015
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 135 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 19 below contains individual scores for Arkansas and surrounding states for each of the above categories for policy initiatives and outcomes:

Table 19
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
Arkansas	**20th**	**17th**	**25th**	**6th**	**5th**	**14th**
Oklahoma	20th	23rd	34th	22nd	3rd	20th
Louisiana	16th	38th	34th	22nd	5th	22nd
Tennessee	49th	38th	34th	22nd	5th	43rd
Texas	47th	38th	13th	22nd	34th	44th
Missouri	47th	8th	41st	39th	34th	46th
Mississippi	41st	38th	49th	22nd	41st	48th

Outcome Rankings

State	Financial Assets and Income	Businesses and Jobs	Housing and Homeownership	Health Care	Education	Overall
Missouri	32nd	18th	27th	31st	28th	28th
Oklahoma	40th	22nd	11th	45th	35th	31st
Texas	41st	34th	14th	50th	33rd	37th
Arkansas	**46th**	**44th**	**28th**	**17th**	**44th**	**42nd**
Louisiana	48th	27th	35th	28th	47th	43rd
Tennessee	44th	45th	38th	41st	40th	46th
Mississippi	51st	51st	29th	34th	51st	51st

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

The State Competitiveness Index 2014 (Beacon Hill Institute)

The fourteenth 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 20
State Competitiveness Index
Arkansas and Surrounding States

State	*2014 Index Score*	*2014 National Rank*	*2006 National Rank*	*Change in Rank (2006-2014)*
Texas	6.13	9	22	+13
Tennessee	4.58	33	41	+8
Louisiana	4.05	42	48	+6
Missouri	4.60	31	31	-
Arkansas	**3.83**	**46**	**46**	-
Mississippi	3.17	50	50	-
Oklahoma	3.90	43	40	-3

Source: Beacon Hill Institute, State Competitiveness Report 2014, http://www.beaconhill.org/Compete14/Compete14.pdf

Among the various factors, Arkansas ranked highest in business incubation (15th), environmental policy (15th) and infrastructure (21st). Lowest scores were in technology (49th), human resources (45th) and security (41st). Arkansas's major competitive advantages and disadvantages (individual components of the eight factors above) in regard to economic development are listed below in Table 21.

Table 21
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	Science and Engineering Graduate Students per 100,000 Inhabitants	48
Workers Comp Premium Rates	3	Patents Per 100,000 Inhabitants	48
Average Rent of Two Bedroom Apartment	3	Employment in High-Tech Industry as a Percentage of Total Employment	48
Minimum Wage	4	Physicians per 100,000 inhabitants	48
The BGA Integrity Index (openness and responsiveness of government)	10	Crime Index	47
Cost of Labor Adjusted for Educational Attainment	10	Scientists and Engineers as a Percentage of the Labor Force	47
Average Travel Time to Work	11	Percentage of Adults who are in the Work Force	46

America's Top States for Business 2015 (CNBC)

This index, published by CNBC, with input from the National Association of Manufacturers and the Council on Competitiveness, ranks each state according to 60 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 32nd was higher than Mississippi (43rd) and Louisiana (46th) but lower than Texas (2nd), Tennessee (17th), Missouri (26th) and Oklahoma (31st).

Among the various factors, Arkansas rated highest in cost of doing business (4th), cost of living (11th) and workforce (12th) but lagged in access to capital (38th), quality of life (44th) and technology and innovation (46th).

Rich States, Poor States
ALEC-Laffer State Economic Outlook Rankings, 2015

The eighth edition of this publication ranks states according to their economic performance and economic outlook according to fifteen state economic policies and economic variables pertaining to per capita personal income, payroll employment, various tax rates and burdens and workforce/labor costs. Arkansas fared well, ranking 22nd in both economic performance and economic outlook. Arkansas's worst rankings were for: sales tax burden (45th), personal income tax progressivity (40th), public employees per 10,000 of population (40th), and state liability system (35th). Arkansas's best rankings were 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 39th in 2014, down six places from 2013, was mixed with high rankings for business costs (15th) and growth prospects (22nd) but poor rankings in labor supply (43rd) and quality of life (47th). Texas ranked highest overall among surrounding states (6th) and Mississippi ranked lowest (50th).

2015 State Business Tax Climate

The Tax Foundation's State Business Tax Climate Index is a relative ranking of states' various taxing components (individual income, sales, corporate income, property and unemployment insurance) by a myriad of factors including base and taxing rates, applicability, complexity and adjustments/credits. States are ranked from 1 to 50 with a score of 1 reflecting the most competitive tax structure.

Table 22
State Business Tax Climate Index

State	Corporate Tax Rate	Individual Income Tax Rate	Sales Tax Rate	Unemployment Insurance Tax Rate	Property Tax Rate	Overall Rank
Texas	39	6	36	15	36	10
Tennessee	15	8	47	26	37	15
Missouri	4	29	29	12	7	17
Mississippi	11	21	28	8	33	18
Oklahoma	7	40	38	1	11	32
Louisiana	23	27	50	6	24	35
Arkansas	**40**	**28**	**44**	**39**	**19**	**39**

2014 State New Economy Index

Published by the non-profit Information Technology and Innovation Foundation, this index uses 25 indicators to assess the extent by which states are structured to operate in the new economy by examining the degree to which state economies are knowledge-based, globalized, entrepreneurial, IT-driven, and innovation-based.

The purpose of the index is to help policymakers better understand the nature of the new innovation economy and the types of public policies needed to drive innovation, productivity and broad-based prosperity. The 25 indicators are broken down into five categories, defined below, and summarized in the state rankings table below:

1. Knowledge jobs: Indicators measure employment of IT professionals outside the IT industry; jobs held by managers, professionals, and technicians; the educational attainment of the entire workforce; immigration of knowledge workers; migration of domestic knowledge workers; worker productivity in the manufacturing sector; and employment in high-wage traded services.

2. Globalization: Indicators measure the export orientation of manufacturing and services and foreign direct investment.

3. Economic dynamism: Indicators measure the degree of job churning (i.e., the percentage of new business startups and existing business failures); the number of Deloitte Technology Fast 500 and Inc. 500 firms; the number and value of initial public stock offerings (IPOs) by companies; the number of entrepreneurs starting new businesses; and the number of individual inventor patents granted.

4. The digital economy: Indicators measure the degree to which state governments use information technologies to deliver services; Internet and computer use by farmers; adoption rates and speed of broadband telecommunications; and use of information technology in the health care system.

5. Innovation capacity: Indicators measure the number of jobs in high-tech industries such as electronics manufacturing, telecommunications, and biomedical industries; the number of scientists and engineers in the workforce; the number of patents granted; industry investment in research and development; non-industry investment in research and development; movement toward a clean energy economy; and venture capital investment.

This report builds on six prior State New Economy Indexes published in 1999, 2002, 2007, 2008, 2010 and 2012. Arkansas's overall ranking of 47th is two places higher than the inaugural report's ranking of 49th in 1999.

Table 23
State New Economy Index

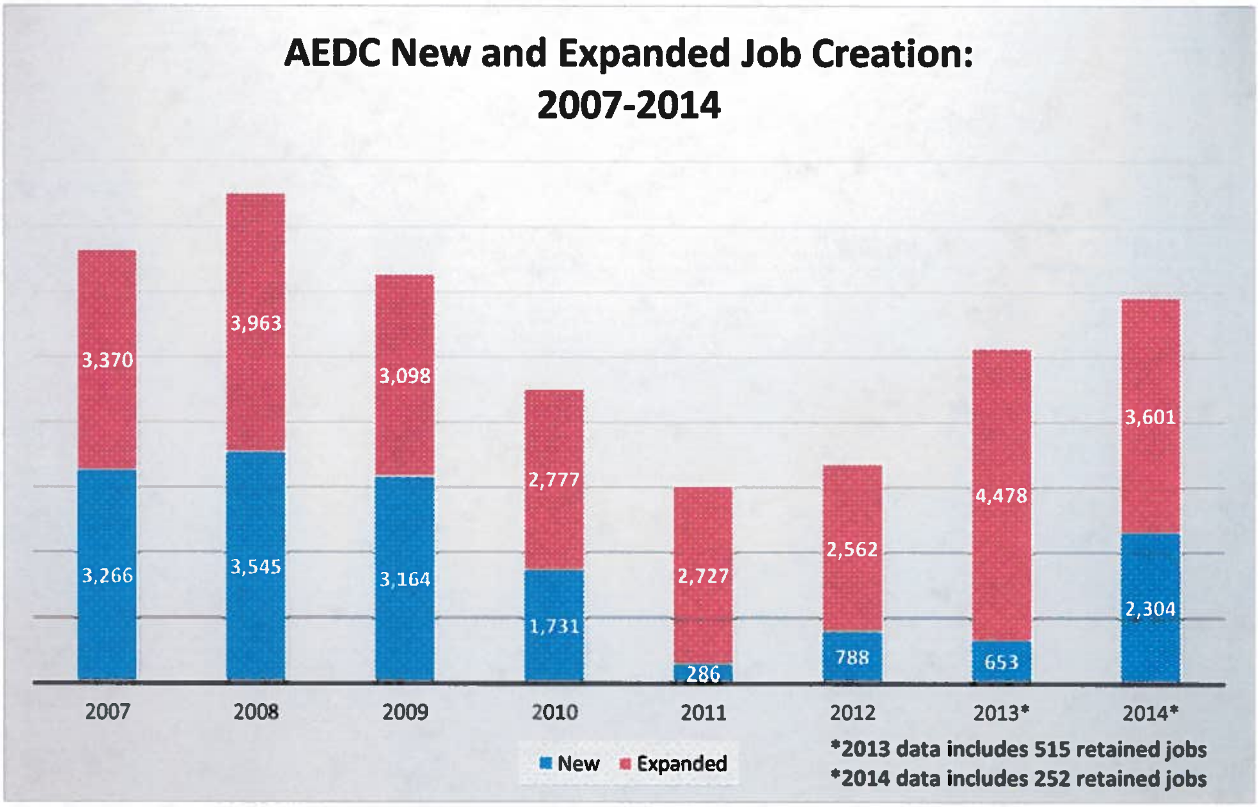
State	Knowledge Jobs	Globalization	Economic Dynamism	Digital Economy	Innovation Capacity	Overall Rank
Texas	29	3	10	38	24	20
Missouri	22	43	40	29	29	33
Tennessee	40	19	43	35	40	40
Louisiana	43	15	35	45	49	46
Arkansas	**45**	**45**	**38**	**42**	**47**	**47**
Oklahoma	42	48	36	48	46	48
Mississippi	50	46	44	47	50	50

d. Evaluating Arkansas's business climate in 2014

Job Creation and Wages

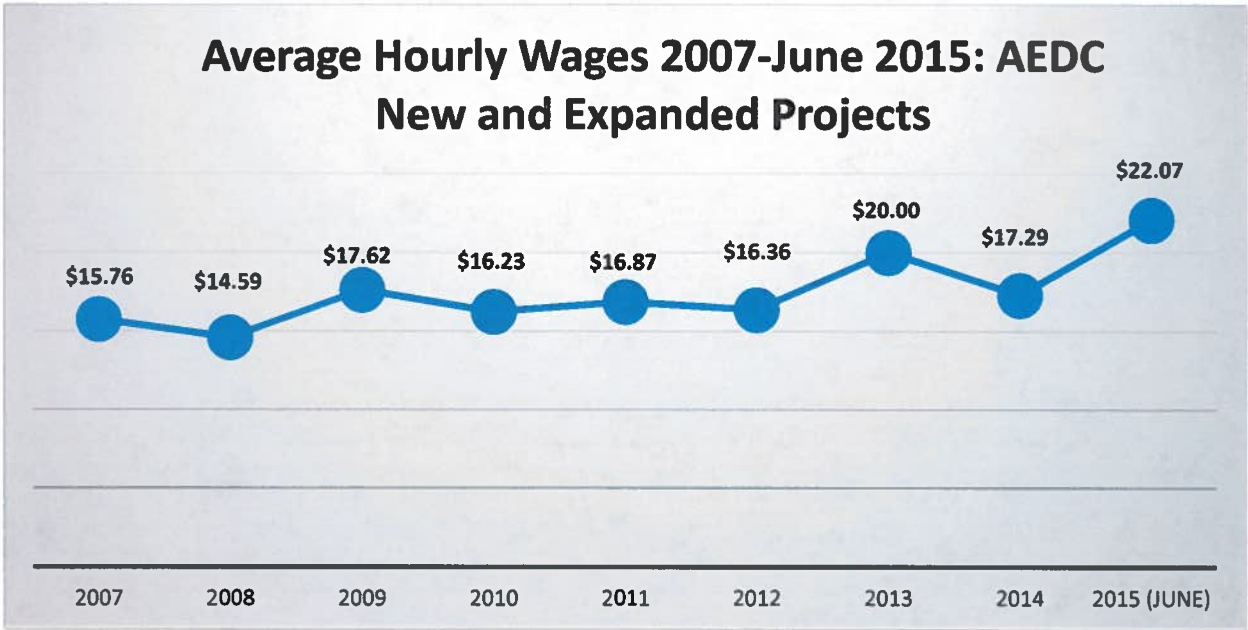
For the third consecutive year, the number of jobs proposed to be created by companies signing assistance agreements with AEDC increased from the previous year. Proposed investment of $3.008 billion, highlighted by Big River Steel's $1.137 billion steel mill project, was an historic high. Sixty-one percent (61%) of proposed job creation will be from existing Arkansas industries.

Chart 5



Existing businesses also accounted for a majority of proposed investment in 2014. Of the $3,008,765,499 proposed investment by businesses signing financial assistance agreements with AEDC in 2014, fifty-four percent (54%) was by existing businesses. A vast majority of this investment was proposed by forest products, chemicals, food and kindred products, plastic and rubber products and industrial machinery companies. The average hourly wages of jobs from signed incentive agreements decreased to $17.29 in 2014 but have rebounded significantly in 2015 (see Chart 6).

Chart 6

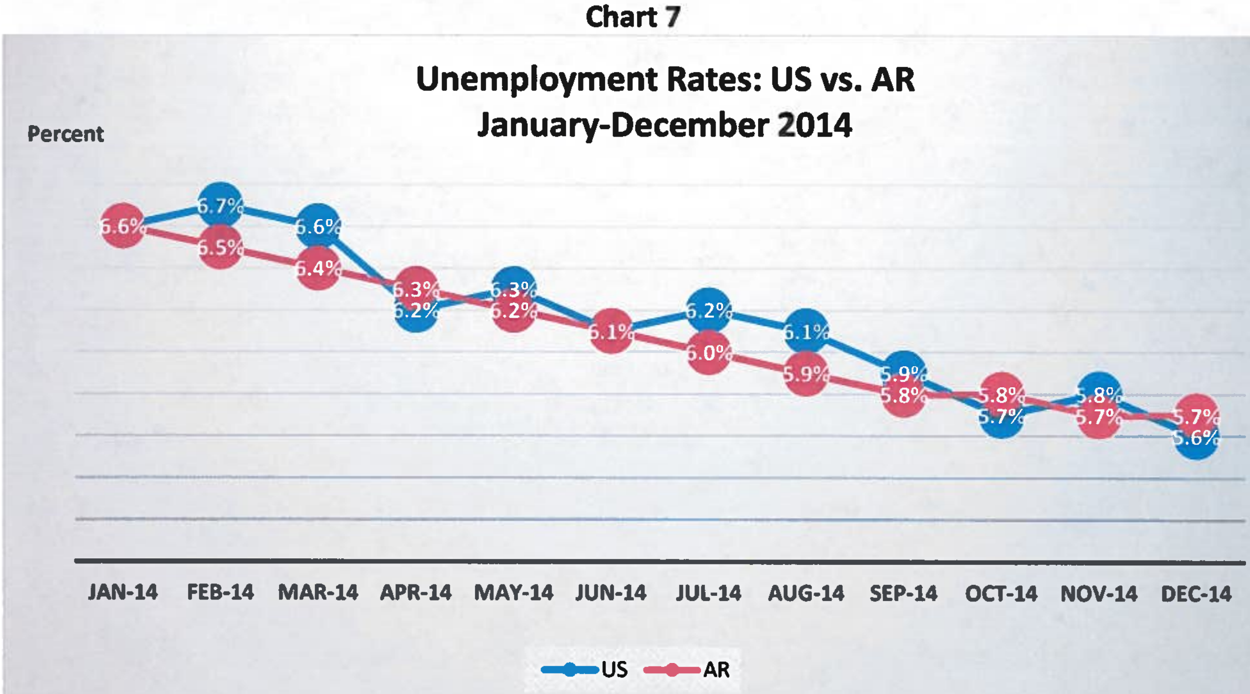


Note: **Data may differ slightly from previous Act 1282 reports due to assistance agreement modifications.*

Unemployment Rates

Arkansas's unemployment rate steadily declined throughout 2014 and ended the year in December at 5.7 percent, just one-tenth of one percent above the US rate (See Chart 7).

Chart 7

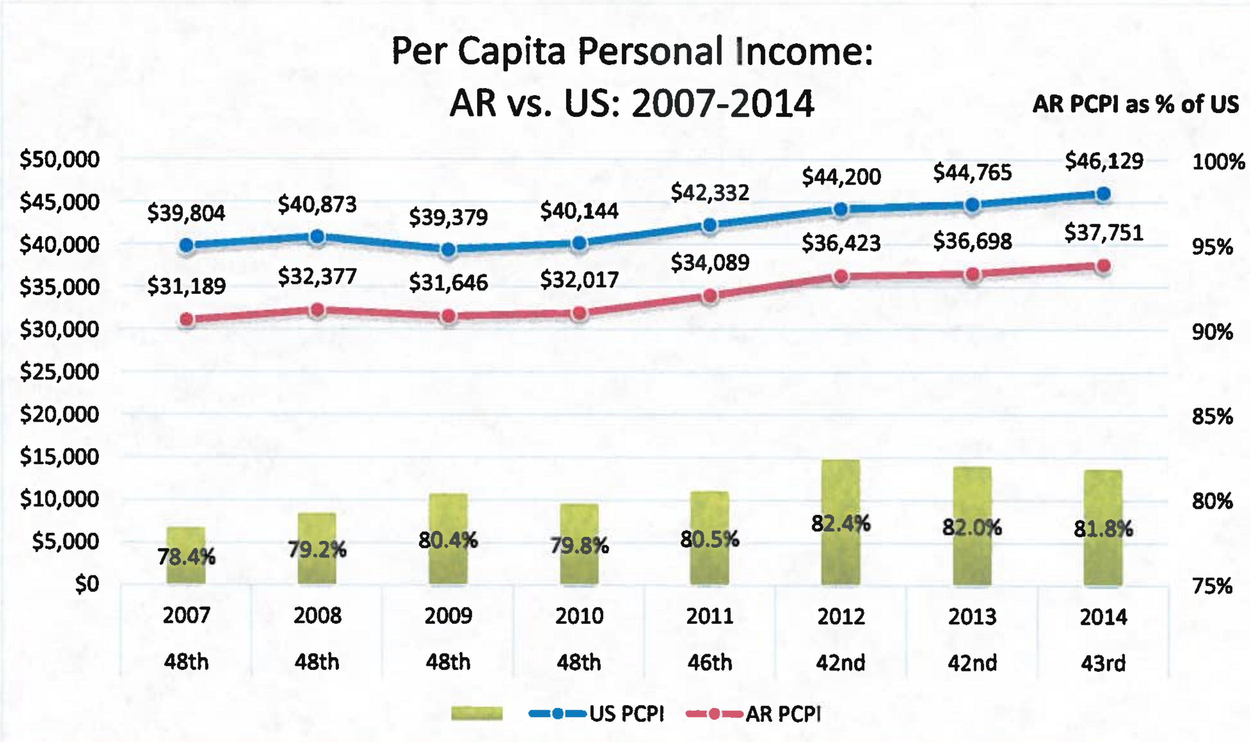


Source: Arkansas Department of Workforce Services, Unemployment Rates and Labor Force Statistics, seasonally adjusted rates, http://www.discoverarkansas.net, accessed 17 April 2015.

Per Capita Personal Income

Arkansas's per capita personal income (pcpi), as a percentage of the US average, has risen to 81.8 percent in 2014, up from 78.4 percent in 2007. Arkansas's ranking among states has improved from 48th (2007-2010) to 43rd in 2014.

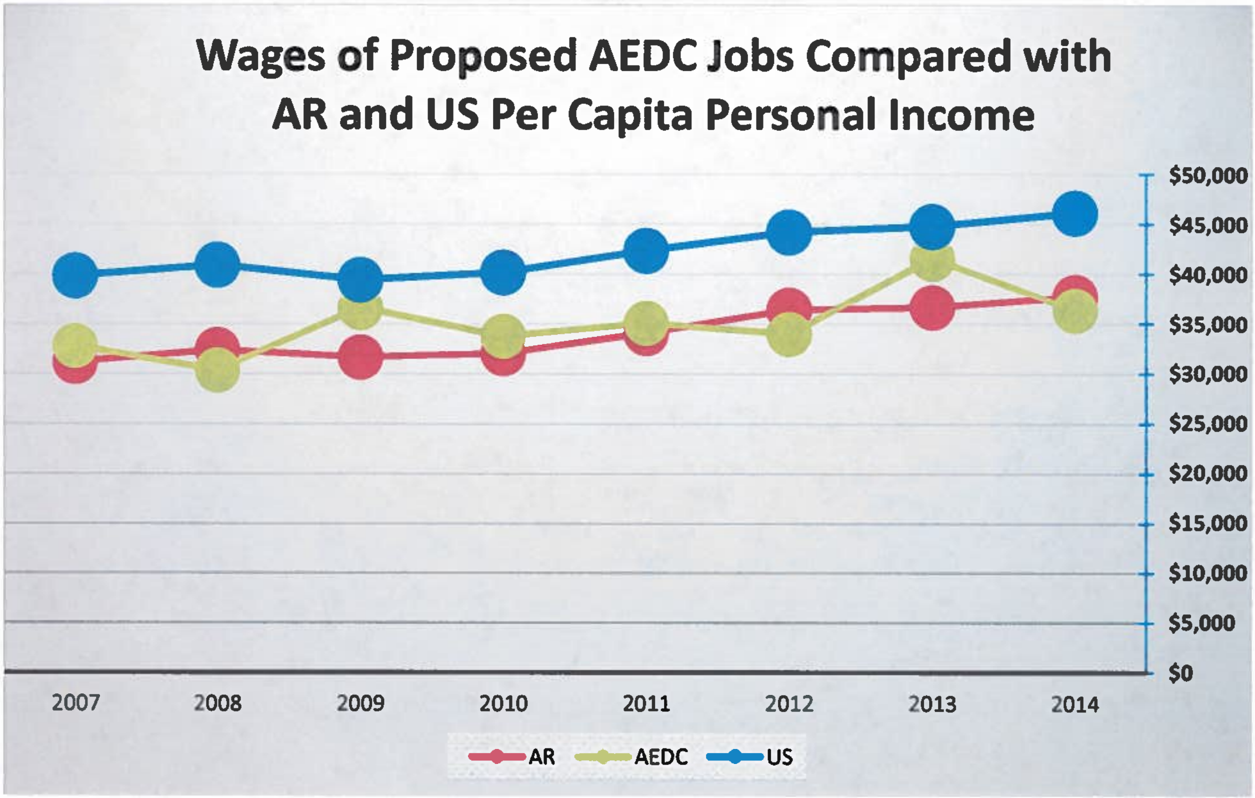
Chart 8



Source: Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income, March 25, 2015, online, available from http://www.bea.gov/regional/index.htm Dollar estimates in current dollars (not inflation adjusted).

In 2014, the AEDC signed financial incentive agreements for 98 projects with companies that propose to invest over $3.008 billion in projects that will create or retain 5,905 jobs paying an average hourly wage of $17.29. As Chart 9 indicates, the proposed average hourly wage of AEDC-assisted jobs peaked in 2013, but dipped slightly below the Arkansas per capita personal income in 2014.

Chart 9



Source: Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income, March 25, 2015, 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 2007-2014.*