

August 22, 2011

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

Dear Senator Salmon and Representative Baker:

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

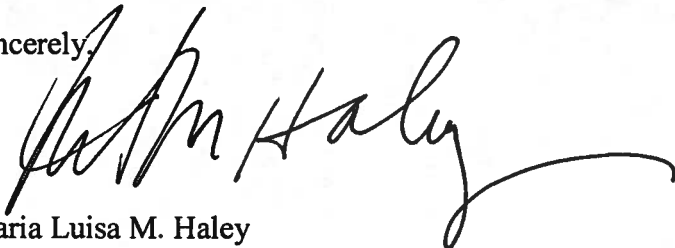
Pursuant to Act 1282 of 2001 (ACA § 15-4-219) sponsored by former Senator Bill Gwatney, please find enclosed a copy of our annual report to the Arkansas Legislative Council addressing each of the requirements specified in the law.

The second report, attached under separate cover letter, provides an accounting of the Economic Development Incentive Quick Action Closing Fund for Fiscal Years 2008-2011, as required by Act 510 of 2007. Together, we believe these reports provide a comprehensive and transparent accounting of Arkansas's state economic development funding.

Although 2010 marked another year of slower-than-anticipated economic recovery, Arkansas's economy remained comparatively strong with unemployment rates one to one-and-one-half points below national rates and state budget surpluses when most states faced shortfalls. 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 the economic challenges of 2011.

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

Sincerely,



Maria Luisa M. Haley
Executive Director

MLMH/jcs

Enclosure

Summary of Act 1282 Report (Calendar Year 2010)

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 and the House and Senate Committees on Revenue and Taxation 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 2010 is the tenth edition.

Summary of Recent Act 1282 Reports (Calendar Years 2008-2010)

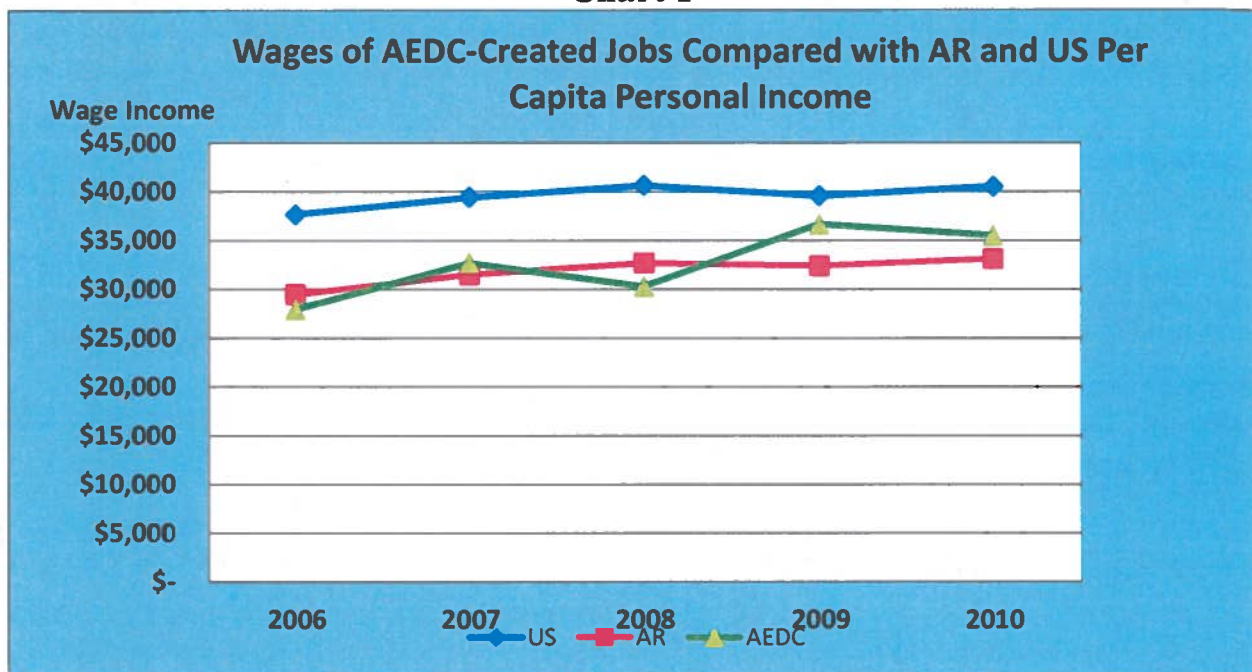
Between January 1, 2008 and December 31, 2010, the AEDC signed 242 *incentive agreements* with companies proposing the creation of 17,950 new jobs. *(Please note: these are jobs counted after all financial incentive agreements have been executed. Jobs "announced by AEDC" have been committed to by companies, some of which may be in the process of finalizing incentive agreements.)* Although the number of proposed jobs in 2010 dropped from 2008 and 2009, the average hourly wage of new jobs proposed during 2010 was \$17.10. This is accomplishing 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: 2008-2010

Economic Indicators	2008 Calendar Year	2009 Calendar Year	2010 Calendar Year	2008-2010 Total/Average
Incentive Agreements Offered to Companies	170	126	131	427/142
Signed AEDC Incentive Agreements	92	68	82	242/81
Proposed New and Expanded Jobs	7,183	6,216	4,551	17,950/5,983
Total Project Investment	\$1,696,526,441	\$1,010,110,808	\$1,527,915,958	\$4,234,553,207/ \$1,411,517,736
Average Hourly Wage	\$14.58	\$17.65	\$17.10	\$16.28 (avg.)
Cost Benefit Ratio*	\$2.82/\$1	\$3.08/\$1	\$3.33/\$1	\$3.06/\$1 (avg.)

* The cost-benefit ratio is the ratio of state tax revenue to state incentive cost expected to accrue during a ten-year period from all incentive agreements signed during the calendar year. For example, a 3.33 ratio projects that \$3.33 in state tax revenues will result from each \$1 in state tax incentives offered.

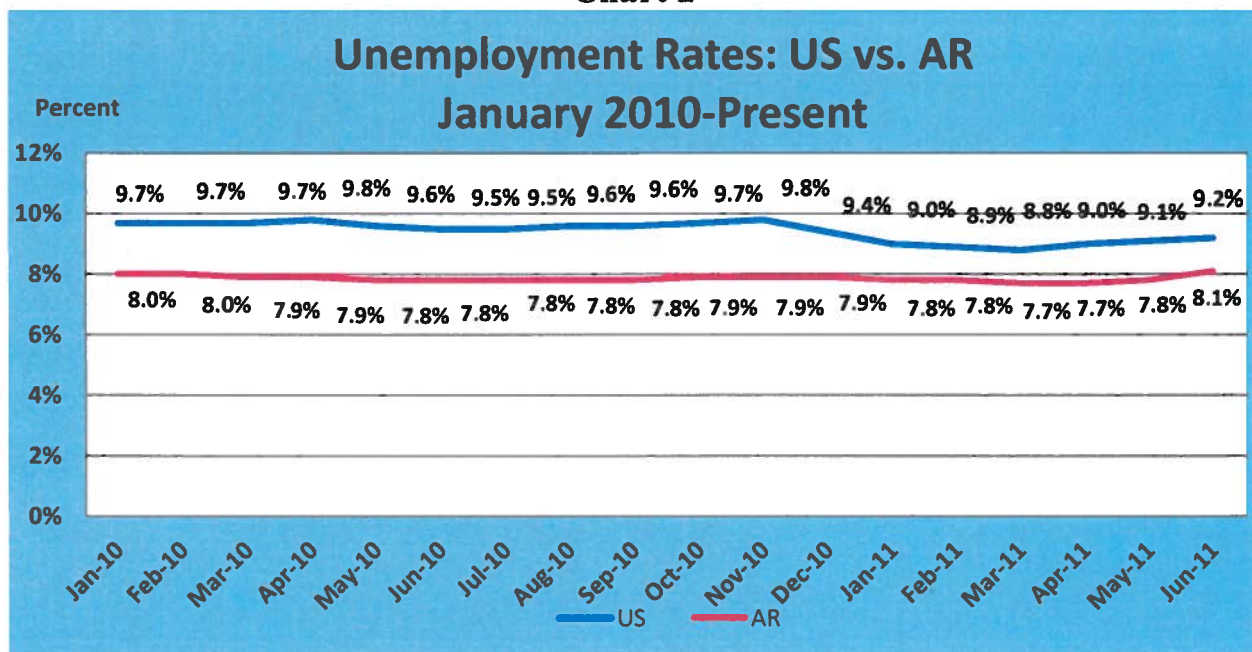
Chart 1



Sources: Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income, March 23, 2011, online, available from <http://www.bea.gov/regional/spi/> and AEDC New and Expanded Company Database.

Monthly unemployment rates in Arkansas peaked at 8.1 percent in June 2011 but have remained from one to one and a half points below the United States rate.

Chart 2



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



Annual Activity Report for 2010 (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

August 19, 2011

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 2010

ACT 1282 – SECTION 2

Part 1. AN ACCOUNTING OF ALL PROJECTS

Table 1
Job Opportunities by New & Expanding Companies with Arkansas Economic Development Commission
Incentive Agreements Signed During 2010

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered</i>
Manufacturing	Osceola	0	*N/A	InvestArk
Manufacturing	Glenwood	36	\$15.00	Advantage Arkansas, Tax Back
Manufacturing	Corning	0	*N/A	InvestArk
Manufacturing	Paragould	0	*N/A	InvestArk, Training
Manufacturing	Paragould	75	\$16.83	Advantage Arkansas, Tax Back, Create Rebate, Training
Manufacturing	West Helena	55	\$11.00	Advantage Arkansas, Tax Back, Training
Information Services	Conway	70	\$14.41	InvestArk
Manufacturing	El Dorado	0	*N/A	InvestArk
Manufacturing	Jonesboro	700	\$17.00	Tax Back, Create Rebate, Bond Guaranty, Quick Action Closing Fund
Manufacturing	Conway	50	\$17.00	Advantage Arkansas, Tax Back
Manufacturing	Heber Springs	20	\$15.10	Advantage Arkansas, Tax Back, Bond Guaranty
Manufacturing	Little Rock	12	\$10.00	Advantage Arkansas, Tax Back

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered</i>
Manufacturing	Batesville	180	\$22.70	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Armored	0	*N/A	InvestArk
Manufacturing	Blytheville	0	*N/A	InvestArk, Training
Manufacturing	Armored	0	*N/A	InvestArk
Manufacturing	Pine Bluff	10	\$11.00	Advantage Arkansas
Manufacturing	Booneville	0	*N/A	InvestArk, CDBG
Distribution	Hot Springs	5	\$18.25	Advantage Arkansas, Tax Back
Manufacturing	Rogers	250	\$13.00	Advantage Arkansas, Tax Back
Manufacturing	Blytheville	150	\$12.77	Advantage Arkansas
Manufacturing	Dumas	50	\$11.42	Advantage Arkansas, InvestArk, Training, Bond Guaranty
Manufacturing	North Little Rock	50	\$11.54	Advantage Arkansas, Tax Back
Manufacturing	West Memphis	120	\$20.00	Advantage Arkansas, Tax Back, Quick Action Closing Fund
Manufacturing	Mountain Home	0	*N/A	InvestArk, Training
Corporate Headquarters	Little Rock	0	*N/A	InvestArk, Quick Action Closing Fund
Distribution	West Memphis	10	\$12.00	Advantage Arkansas, Tax Back
Manufacturing	Ashdown	0	*N/A	InvestArk
Manufacturing	Hot Springs	20	\$15.75	InvestArk, Training
Manufacturing	Crossett	0	*N/A	InvestArk

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered</i>
Manufacturing	Crossett	0	*N/A	InvestArk
Manufacturing	Fort Smith	40	\$13.37	Advantage Arkansas, Tax Back, Training
Manufacturing	Fort Smith	15	\$19.25	Advantage Arkansas, Tax Back, Training
Manufacturing	Fayetteville	0	*N/A	InvestArk, Training, Quick Action Closing Fund
Manufacturing	Siloam Springs	8	\$16.32	Advantage Arkansas, Tax Back
Manufacturing	Little Rock	3	\$27.24	Advantage Arkansas, Tax Back
Manufacturing	Fayetteville	0	*N/A	InvestArk
Manufacturing	West Memphis	8	\$20.00	Advantage Arkansas, Tax Back, Training
Manufacturing	Rogers	0	*N/A	InvestArk, Training, EIF
Manufacturing	Little Rock	230	\$17.22	Advantage Arkansas, Tax Back, Create Rebate, Bond Guaranty, Quick Action Closing Fund
Manufacturing	Magnolia	0	*N/A	InvestArk
Manufacturing	Arkadelphia	50	\$10.93	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Searcy	200	\$18.50	Advantage Arkansas, InvestArk, CDBG
Manufacturing	Conway	40	\$20.00	Advantage Arkansas, InvestArk
Manufacturing	Heber Springs	250	\$11.00	Advantage Arkansas, InvestArk, Training, CDBG
Manufacturing	Jonesboro	60	\$10.82	Advantage Arkansas, Tax Back, Training

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered</i>
Manufacturing	Batesville	47	\$15.04	Advantage Arkansas, Tax Back, Training
Manufacturing	Fayetteville	20	\$40.00	Advantage Arkansas, Tax Back, Training, Quick Action Closing Fund
Manufacturing	Hot Springs	15	\$21.00	Advantage Arkansas, Tax Back
Manufacturing	Batesville	12	\$18.00	Advantage Arkansas, InvestArk, EIF
Manufacturing	Little Rock	5	\$12.62	Advantage Arkansas, Tax Back
Manufacturing	Rogers	0	*N/A	InvestArk
Manufacturing	Osceola	0	*N/A	InvestArk
Corporate Headquarters	Little Rock	0	*N/A	InvestArk
Manufacturing	Texarkana	0	*N/A	InvestArk
Manufacturing	Fort Smith	80	\$14.17	Advantage Arkansas
Manufacturing	McNeil	6	\$11.00	Advantage Arkansas, Tax Back
Manufacturing	Batesville	186	\$9.91	Advantage Arkansas, Tax Back, Training
Manufacturing	Clarksville	10	\$11.00	Advantage Arkansas, Tax Back, Training
Manufacturing	Fort Smith	335	\$18.00	Tax Back, Create Rebate, Training, Quick Action Closing Fund
Manufacturing	Hot Springs	154	\$14.00	Advantage Arkansas, Training, Quick Action Closing Fund
Non-Profit Regional Headquarters	Little Rock	26	\$38.00	Tax Back

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered</i>
Manufacturing	Pine Bluff	10	\$8.95	InvestArk, Training
Corporate Headquarters	Little Rock	200	\$48.00	Tax Back, Create Rebate, Quick Action Closing Fund
Manufacturing	Hot Springs	6	\$12.00	Advantage Arkansas, Tax Back
Manufacturing	Melbourne	59	\$10.13	Advantage Arkansas, Tax Back
Manufacturing	Fayetteville	59	\$13.00	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Crossett	0	*N/A	InvestArk, CDBG or EIF
Manufacturing	Hope	85	\$25.00	Tax Back, Create Rebate
Corporate Headquarters	Little Rock	20	\$40.87	Advantage Arkansas, Tax Back
Manufacturing	Hot Springs	15	\$13.00	Advantage Arkansas, Tax Back
Manufacturing	Jonesboro	0	*N/A	InvestArk
Manufacturing	Rogers	30	\$14.50	Advantage Arkansas, InvestArk
Manufacturing	Hope	120	\$10.40	Advantage Arkansas, InvestArk
Manufacturing	Springdale	72	\$10.50	Advantage Arkansas, InvestArk
Manufacturing	Berryville	0	*N/A	InvestArk
Manufacturing	Foreman	0	*N/A	InvestArk, Training
Manufacturing	Marked Tree	120	\$12.00	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Searcy	30	\$10.50	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Maumelle	0	*N/A	InvestArk, Training

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered</i>
Manufacturing	Conway	60	\$21.00	Advantage Arkansas, InvestArk
Corporate Headquarters	Bentonville	2	\$25.21	Advantage Arkansas, Tax Back
	82 Projects	4,551	\$17.10 Average Hourly Wage	

* = **InvestArk** is primarily a retention incentive to encourage our existing businesses to continue to invest in Arkansas. As investment in infrastructure increases, the likelihood of closure decreases. No new job creation was associated with most of these projects. Benefits accrued through investment in buildings, machinery, and/or equipment.

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 the state or county average wage. 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 2010, 5 projects received approval for Equity Investment Tax Credits. Since the program's inception in 2008, 31 companies have been approved for the program and 15 companies have raised investment capital. These 15 companies have raised \$22,814,493 in investment capital and currently employ 118 persons with an average hourly wage of \$40.25.

Additionally, the AEDC worked with four companies in 2010 that are pursuing **targeted business research and development tax credits**. These four companies are projected to create 77 jobs at an average hourly wage of \$ 28.23.

Part 2. ASSESSMENT OF PROJECTS THAT DID NOT MATERIALIZE

During the 2010 calendar year, the Arkansas Economic Development Commission prepared 131 formal incentive offers to eligible companies. Of these offers, 82 were accepted and signed, resulting in 10 new and 72 business expansion projects. Upon completion, these projects will create 4,551 new jobs and generate \$1,527,915,958 in new capital investment. The remaining 49 incentive offers are summarized below:

Table 2
Project Status

Project Status	Number of Projects
Project committed to Arkansas-signed incentive agreements in 2010	82
Project has or is likely to announce in 2011	18
Project is active but no decision has been made	13
Project is on hold/status pending*	6
Project did not materialize-will not locate in Arkansas*	12
Total Projects	131

* Information regarding the 18 non-active projects is provided below.

Table 3
2010 Projects That Did Not Materialize & 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	64	\$32.37	Advantage Arkansas, InvestArk, Training, CDBG, Tax Back	The company decided to produce the new product line at the Lake Charles, LA site instead of at the existing Arkansas facility.
Manufacturing	90	\$18.00	Advantage Arkansas or Create Rebate, Tax Back, Training, CDBG	The project is on hold as the company reevaluates its business plan and global expansion options.
Manufacturing	180	\$10.00	Advantage Arkansas, Training, CDBG	The company decided against proceeding with the expansion project because they objected to the claw back language in the assistance agreement.
Manufacturing	19	\$38.46	Advantage Arkansas, Tax Back, CDBG, InvestArk	Project is on hold as company is still analyzing options.
Manufacturing	1512	\$20.00	Tax Back, Create Rebate, Training, CDBG	Arkansas did not make the list of finalists.

<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	493	\$25.29	Tax Back, Training, Create Rebate, CDBG	Company decided to stay in Wichita, KS after further negotiations with union there. It is likely that the project was primarily to see what other states could offer as a tool for negotiation.
Manufacturing	965	\$14.21	ArkPlus, Create Rebate, Training	Two companies were vying for this project. The first company, the prior owner who shuttered the facility, has talked about reopening the facility but has not finalized its decision. Another company has approached AEDC about purchasing and reopening the facility, however, AEDC's participation in the project is contingent upon the company's ability to obtain private financing. The project going forward by either company is not likely at this time.
Corporate Headquarters	250	\$33.00	Advantage Arkansas, Tax Back, Training, CDBG	Company decided not to move its corporate headquarters from North Carolina to Arkansas.
Manufacturing	15	\$14.57	Advantage Arkansas, CDBG	Unfavorable economic conditions led the company to decide not to expand existing Arkansas location at this time.
Manufacturing	50	\$22.48	Advantage Arkansas or Create Rebate, Tax Back, CDBG, Training	Project located in Mississippi which offered more incentives than Arkansas could provide.
Manufacturing	266	\$14.42	Create Rebate, InvestArk, Training, CDBG	Project is on hold. Company is waiting to see what direction the economy is going before proceeding.

<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>
Call Center	392	\$10.24	Create Rebate, Tax Back, Training	Company did not choose Arkansas due to the amount of Create Rebate (3 years) offered.
Manufacturing	150	\$13.00	Create Rebate, CDBG	Project is on hold due to corporate headquarters reassessing global operations following significant natural disaster which greatly affected operations.
Manufacturing	450	\$21.63	Create Rebate, Tax Back, Training, CDBG, Quick Action Closing Fund	Arkansas was the runner-up for the project which chose Kansas. According to the site consultant the decision was "a matter of splitting hairs, but ultimately it came down to access to their distribution network and customers...It was not based on incentives, it was driven by logistics and the site as a physical site itself. The decision was not made based on anything AEDC could have done."
Non Profit	16	\$21.75	Tax Back, Non Profit or Tourism Development Incentive	Project is on hold until private financing/construction is finalized.
Manufacturing	50	\$15.00	Advantage Arkansas, Tax Back, Training, CDBG/EIF	Company did not respond to repeated attempts to follow up after incentive proposal sent.
Manufacturing	25	\$10.00	Advantage Arkansas, Tax Back, CDBG, Training	Company could not raise sufficient capital.
Manufacturing	531	\$18.00	Advantage Arkansas, Tax Back, Quick Action Closing Fund, CDBG	Project is on hold as company performs due diligence on market conditions.
Totals	18 Projects	5,518 Jobs \$ 18.61 Average Hourly Wage		

f. General Assembly proposals to assist AEDC

There were numerous Acts passed by the 88th General Assembly in 2011 that will help the Arkansas Economic Development Commission meet community and economic development goals as identified in Governor Mike Beebe's Strategic Plan for Economic Development. A brief summary of major acts is provided below:

Legislation Specific to AEDC Programs/Other Agency Initiatives Involving AEDC

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

8. **Act 829, (Amends Equity Investment Incentive Act)** Makes a technical correction to correctly state that this program is jointly administered by ASTA, the Arkansas Development Finance Authority (ADFA) and AEDC. Also clarifies that a tax credit may be used in the year earned/purchased. Rep. Ingram, HB 1899, Approved 3/30/11.
9. **Act 1197, (Amends definition of “new, full-time permanent employee”)** Amends the Consolidated Incentive Act (CIA) definition to allow employees not working “at the facility” to qualify as eligible employees under CIA incentives. This change allows for telecommuters to be eligible if they otherwise meet the definition and are paid a wage equal to or greater than the state average hourly wage for the preceding calendar year. Rep. Biviano, HB 2160, Approved 4/5/11.
10. **Act 828, (Authorizes the levy of a local sales tax to fund economic development projects if preconditions are met)** Rep. Ingram, HB 1898, Approved 3/30/11.
11. **Act 1047, (Implements the job/investment threshold reductions authorized by November 2010 changes to Amendment 82)** Removes the requirement of 500 new jobs and \$500 million investment and requires that a business seeking Amendment 82 benefits meet the “eligible business” definition in CIA. Rep. McCrary, HB 1955, Approved 4/4/11.
12. **Act 802, (Arkansas Energy Code updates)** Removes the need to amend the Arkansas Energy Reorganization and Policy Act each time there is a change in the State Energy Code by providing that proposed changes be made under the Administrative Procedures Act. Sen. J. Jeffress, SB 816, Approved 3/30/11.
13. **Act 803, (Conservation of energy in buildings owned by public agencies)** Amends Act 1494 of 2009 to make technical corrections addressing the responsibilities of state agencies under this act. Sen. J. Jeffress, SB 823, Approved 3/30/11.

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

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

and education are properly represented on local boards and provides more flexibility in opportunities for meetings. Rep. Allen, HB 1594, Approved 3/30/11.

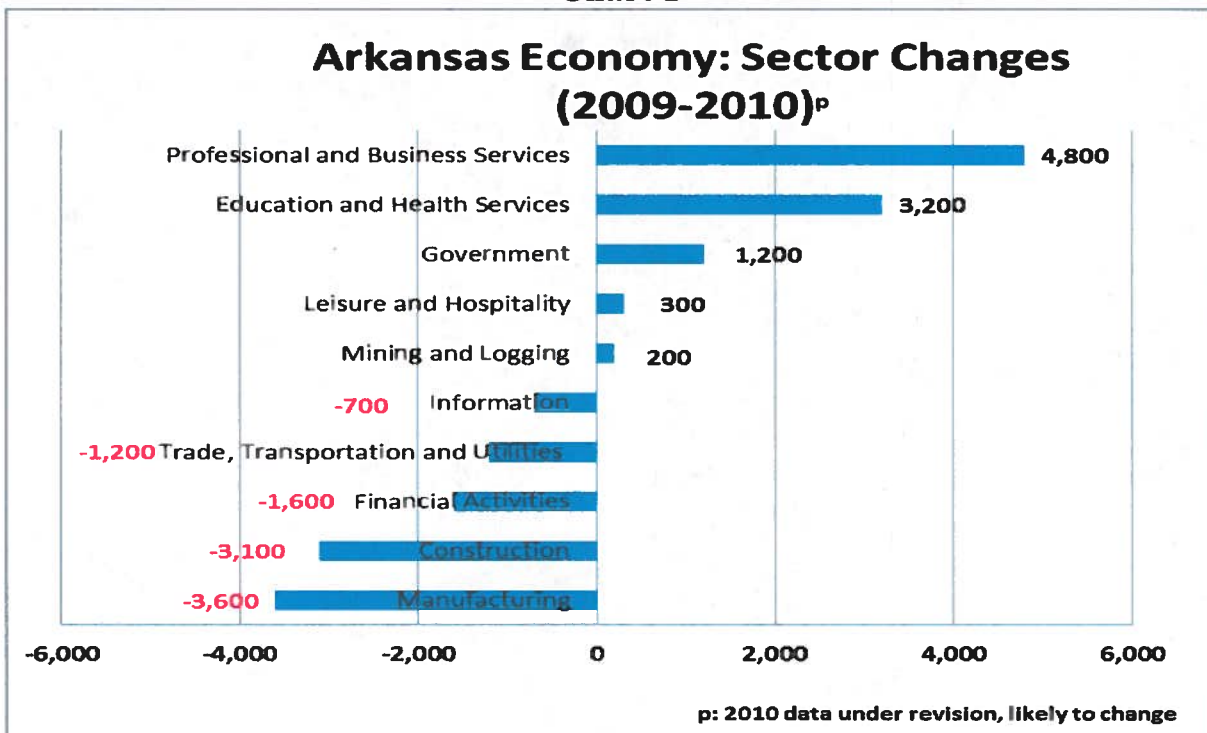
3. **Act 824, (Agricultural exemptions for sales and use tax)** Adds to the exemptions from the sales and use tax for agricultural needs water purchased from a public service water delivery project. Rep. T. Rogers, HB 1802, Approved 3/30/11.
4. **Act 524, (Amends Regional Mobility Authorities)** Adds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

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

Part 3. AN ACCOUNTING OF MAJOR FACTORY AND PLANT CLOSURES

Overall, Arkansas’s labor force contracted by 3,179 from 1,356,372 in 2009 to 1,353,193 in 2010. Among nonfarm payroll jobs* the professional and business services, education and health services, government, leisure and hospitality, and mining sectors grew. Employment losses in other sectors such as construction, trade transportation and utilities, and manufacturing have lessened considerably from the past reporting period (2008-2009). Chart 1 below shows employment growth/decline by major sector. Table 4 lists factory and plant closures during 2010.

Chart 1



**Sources: (Sector Employment) Bureau of Labor Statistics, State and Area Employment, Hours and Earnings, <http://data.bls.gov/pdq/querytool.jsp?survey=sm> and (Labor Force) Local Area Unemployment Statistics <http://www.bls.gov/data/> Note: revised 2010 data being sent to BLS may change numbers slightly*

Table 4
Factory and Plant (Manufacturing) Closures During 2010

a. Location City	b. Number of Jobs Lost	c. Reason for Closure
Forrest City	12	Corporate Decision
Fort Smith	117	Corporate decision
North Little Rock	140	Economic conditions; company consolidating operations
Jonesboro	265	Corporate restructuring
Fordyce	368	Economic downturn/low demand for the product
Fort Smith	140	Economic downturn/significant downturn in business
Jonesboro	40	Corporate Reconstruction
Siloam Springs	52	Moving production to Mexico
Hope	95	Economic downturn
Jonesboro	86	Several customers have left the Jonesboro area
Morrilton	15	Corporate decision to move production to another U.S. – based plant to cut costs
De Queen	150	Corporate decision to move production to another U.S. – based plant to cut costs
Fort Smith	328	Corporate decision to move production to another U.S. – based plant to cut costs

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.

Knowledge about products, markets, suppliers and supply chains is critical to our ability to understand the health of our industries and be proactive toward maintaining their viability. Additionally, workforce issues and knowledge of the details of these issues is mandatory. The AEDC Existing Business Resource Division (EBRD) was reformulated (see below) in August 2010 to work closely with existing employers and their representatives to stimulate job retention and expansion.

In 2010, the AEDC's Existing Workforce Training Program assisted 130 different companies by providing training to 6,875 workers. The AEDC's Business Industry Training Program assisted 64 different companies by providing training to 4,073 workers. Building and maintaining a skilled workforce will continue to be a key activity of AEDC.

To further accomplish Governor Beebe's goal *to create a business retention strategy to reduce closures*, the AEDC assembled a group of statewide economic development practitioners to develop a revised business retention and expansion (BR&E) strategy. Subgroups reviewed existing BR&E processes and proposed the following recommendations:

- Economic analysis of existing industries needed improvement.
- Needs assessments of critical impact companies needed to be conducted.
- A streamlined retention strategy process needed to be developed.
- State retention resources needed to be identified and coordinated.
- BR&E instructional materials needed to be developed and delivered through training sessions.
- A statewide BR&E plan needed to be developed.

In response to these recommendations, AEDC Executive Staff concluded that resources to assist existing businesses could best be leveraged by combining the Business Retention and Expansion and Training Divisions. This newly-created *Existing Business Resource Division* (EBRD) reassigned staff from geographic territories to industry sectors. Key objectives of the sector strategy include: leveraging staff expertise and resources to enhance profitability and productivity of clustered industries (e.g., "Supply Chain Symposium" held in November 2010 to identify and develop potential Arkansas aerospace suppliers to General Electric); aligning existing business

efforts with AEDC Business Development recruitment targets (e.g., wind energy); and, operating more efficiently and effectively by developing programs and alliances with multiple companies simultaneously (e.g. Arkansas Aerospace Alliance). Each EBRD sector manager is responsible for developing their assigned industry sector(s) as well as implementing programs such as Total Quality Management[®] 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
- Strategic Plan Implementation
- Training Consortia and Apprenticeship Programs

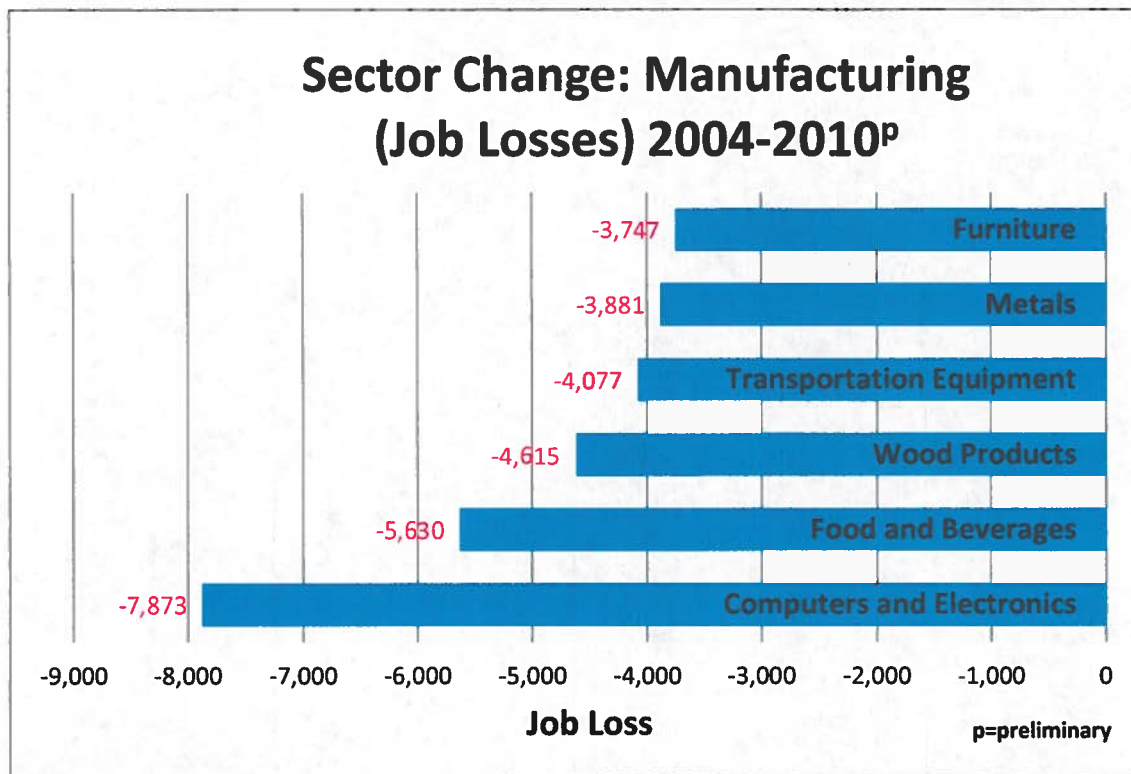
Additionally, the EBRD is working with the AEDC Community Development Division to enhance local economic developers' capacity to establish and implement existing industry programs by providing the following resources:

- Existing business survey instruments
- State and national BR&E "best practices"
- Workshops/training sessions
- Demographic and economic data such as labor shed and baseline analyses
- Technical assistance regarding available resources such as energy efficiency programs and workforce training opportunities

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

Between 2004 and 2010, Arkansas lost 43,517 private sector manufacturing jobs. These losses have primarily affected the food and beverage, computer and electronics, transportation equipment, metals, wood products and furniture sectors. Business closures were experienced in industries besieged by foreign competition, industry consolidation, and financial restructuring.

Chart 2



Source: Bureau of Labor Statistics, 2004-2010^p (preliminary) private sector Quarterly Census of Employment and Wages, Annual Data, <http://www.bls.gov/cew/#databases>

As Table 5 below illustrates, the magnitude of manufacturing declines between 2004 and 2010 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 5
Arkansas Manufacturing Transitions: 2004-2010^p**

Growth	Small Decline (15% or less)	Moderate Decline (15.1% to 30%)	Large Decline (Greater than 30%)
Printing (+7.7%)	Chemicals (-9.8%)	Machinery Manufacturing (-19.4%)	Wood Products (-33.2%)
Petroleum & Coal (+5.7%)*	Food and Beverages (-10.6%)	Plastics and Rubber (-22.5%)	Miscellaneous Manufacturing (-34.2%)
		Non-Metallic Minerals (-23%)	Computer and Electronic Products (-41.1%)
	Paper (-14.1%)	Transportation Equipment (-25.2%)	Textiles and Apparel (-42.3%)
	Metals (-15%)		Furniture (-47.3%)
			Leather (-49.4%)

Source: Bureau of Labor Statistics, <http://www.bls.gov/cew/#databases> 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 232% increase (4,379 net new employees) between 2004 and 2010^p.

Below is a summary of major losses by industry.

Computers and Electronic Products: (2004-2010 net loss 7,873/-41.1%) The closure of electronics manufacturers continues to significantly affect 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: (2004-2010 net loss 1,719/-42.3%) Since 2004, Arkansas has lost almost half of its remaining apparel jobs. This industry will continue to decline as sales decline and production moves to China and other lower wage countries.

Furniture: (2004-2010 net loss 3,747/-47.3%) This industry will continue to struggle as competition with Asian imports increases.

Wood Products: (2004-2010 net loss 4,615/-33.2%) This mature industry is of particular concern for future job losses in South Arkansas.

Leather: (2004-2010 net loss 1,253/-49.4%) The loss of footwear manufacturers continues to plague the leather industry in Arkansas. Despite slight gains from modest shoe manufacturing expansions, the industry as a whole has contracted to a handful of companies.

Plastics and Rubber: (2004-2010 net loss 2,952/-22.5%) Since 2004, Arkansas has lost a significant number of rubber and plastics jobs to foreign countries.

Industrial Machinery: (2004-2010 net loss 2,710/-19.4%) Most job loss has resulted from attrition and downsizing.

Transportation Equipment: (2004-2010 net loss 4,077/-25.2%) Employment levels continued to drop as auto sector contraction continued. The prognosis for an industry turnaround is dependent upon the growth of existing aerospace companies and potential supplier relationships.

Non-Metallic Minerals: (2004-2010 net loss 1,024/-23%) One quarter of Arkansas's non-metallic mineral jobs have been lost as building material production has declined.

Metals: (2004-2010 net loss 3,881/-15%) Arkansas's metals industry continues to drive the economy of Northeast Arkansas, particularly Mississippi County; however, statewide employment continues to decline.

Paper: (2004-2010 net loss 1,729/-14.1%) This mature industry is of particular concern for future job losses in South Arkansas.

Chemicals: (2004-2010 net loss 504/-9.8%) Growth in Arkansas's high wage chemical industry is limited mainly to South Arkansas.

Food and Beverages: (2004-2010 net loss 5,630/-10.6%) Arkansas will continue to maintain a competitive advantage in food and kindred products; however, the loss of many poultry jobs could continue to reduce employment in this sector.

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 brochures.

Specific marketing activities between January 1, 2010 and December 31, 2010 include:

- Planned and coordinated 21 media events around the state in which companies announced plans to either locate or expand in Arkansas. Duties included writing news releases, media advisories, coordinating local media, assisting in set up, news release distribution, etc.
- Working with our advertising agency, Stone Ward, planned and coordinated an international marketing campaign based on our targeted industries/areas. This campaign featured four television spots, website banners and websites. The four 15 second television spots ran on CNN, CNN International, BBC (Europe and Asia) and Fox News. The website banner ads ran on cnn.com, cnnmoney.com, cnninternational.com, cnbc.com, forbes.com, foxnews.com, wallstreetjournal.com, bbc.com, areadevelopment.com, and SpotXchange Video Ad Network.
- Through our Graphics Specialist/Print Shop: created customized brochures/marketing pieces/postcards/newsletters for AEDC's Training, Grants, Small and Minority Business, Finance and Energy Divisions. These marketing pieces were also duplicated/produced in-house.
- Placed print ads in trade publications including Area Development, American British Business, the Leader, Site Selection and Location USA.
- Placed print ads in local publications including Arkansas Business and Talk Business Quarterly.
- Created industry specific promotional direct mail pieces highlighting sectors such as manufacturing and recent large announcements. These direct mail pieces were sent to several hundred site location consultants throughout the country.
- In an effort to keep all Arkansans involved in economic development aware of recent news and initiatives at AEDC, wrote and maintained a monthly e-newsletter (AEDC

News) that is sent to all professional economic developers, mayors, county judges, state agencies, legislators and other partners in the state.

- Worked with AEDC's Business Development Division in planning and hosting a networking event in which AEDC leadership and economic developers from around the state could further develop relationships with site locations consultants. This event was held in Atlanta.
- Maintained and updated content on AEDC's website, www.arkansasedc.com, on a daily basis.
- Worked closely with the Arkansas Energy Office, a division of AEDC, on media outreach for several American Recovery and Reinvestment Act programs.
- Wrote several articles regarding Arkansas's business environment for trade publications.
- Provided media/PR support to the Governor's Work-Life Initiative/Award
- Provided media/PR support to the Governor's Award for Excellence in Global Trade program

d. Plans for creating new initiatives/incentives

AEDC's Strategies and Recommendations for the Coming Year

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. The strategic plan built upon Governor Beebe's five goals for economic development.

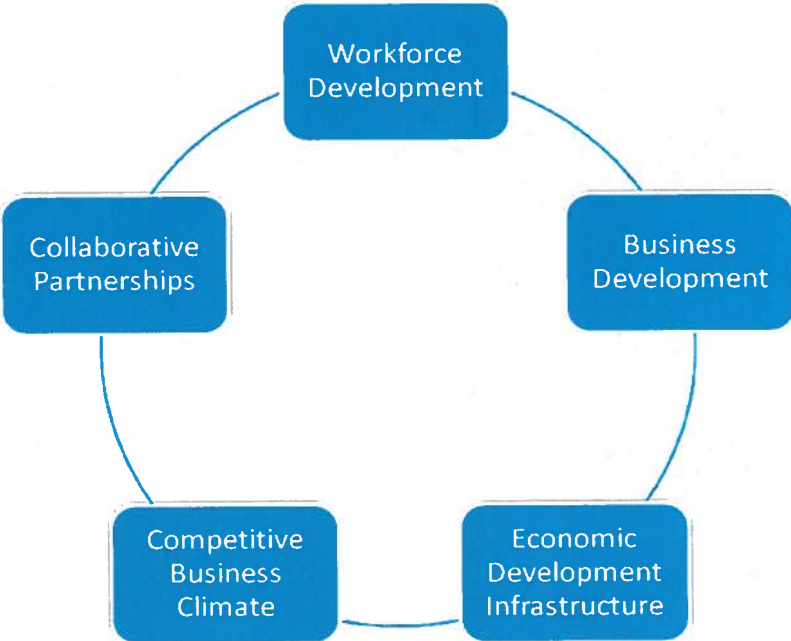
Figure 1

Governor Beebe's Five Goals for Economic Development

1. We will increase the incomes of Arkansans at a growth pace greater than the national average.
2. We will expand entrepreneurship focusing on knowledge-based enterprises.
3. We will compete more effectively in the global marketplace for new business, jobs, and create a business retention strategy to reduce closures.
4. Our economic development policy will meet the special needs and take advantage of the extraordinary assets of various areas of the state. It will not be one size fits all.
5. We will increase the number of workers with post secondary training so they are prepared when they enter the workforce and equipped for new jobs in the future.

The Strategic Plan defined economic development as a system comprised of five interdependent components: workforce development, business development, economic development infrastructure, competitive business climate and collaborative partnerships. Each component is augmented by a vast array of resources — people, capital, entities and policies — that collectively support economic growth.

Figure 2

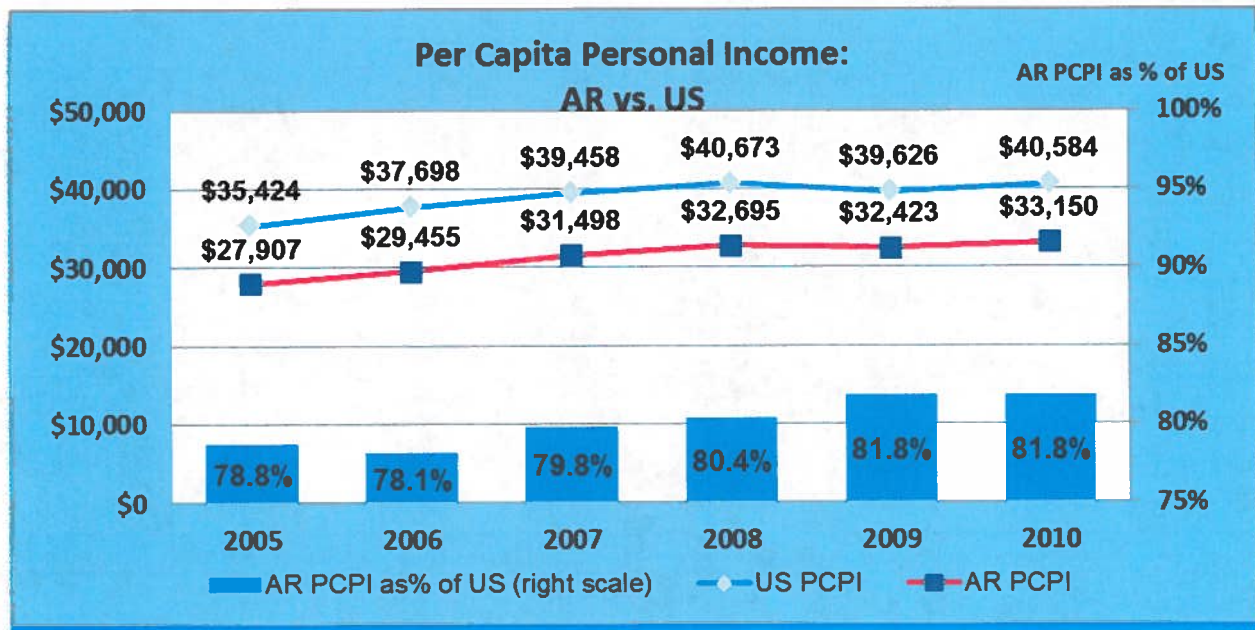


Progress Towards Meeting Governor Beebe's Five Goals for Economic Development

Goal 1: Increase incomes of Arkansans at a growth pace greater than the national average

Arkansas's ranking among states in **per capita personal income** (pcpi) improved from 48th in 2006 to 46th in 2010, rising to 81.8 percent of the national average - an historic high. Clearly, Arkansans' incomes are growing closer to the national average.

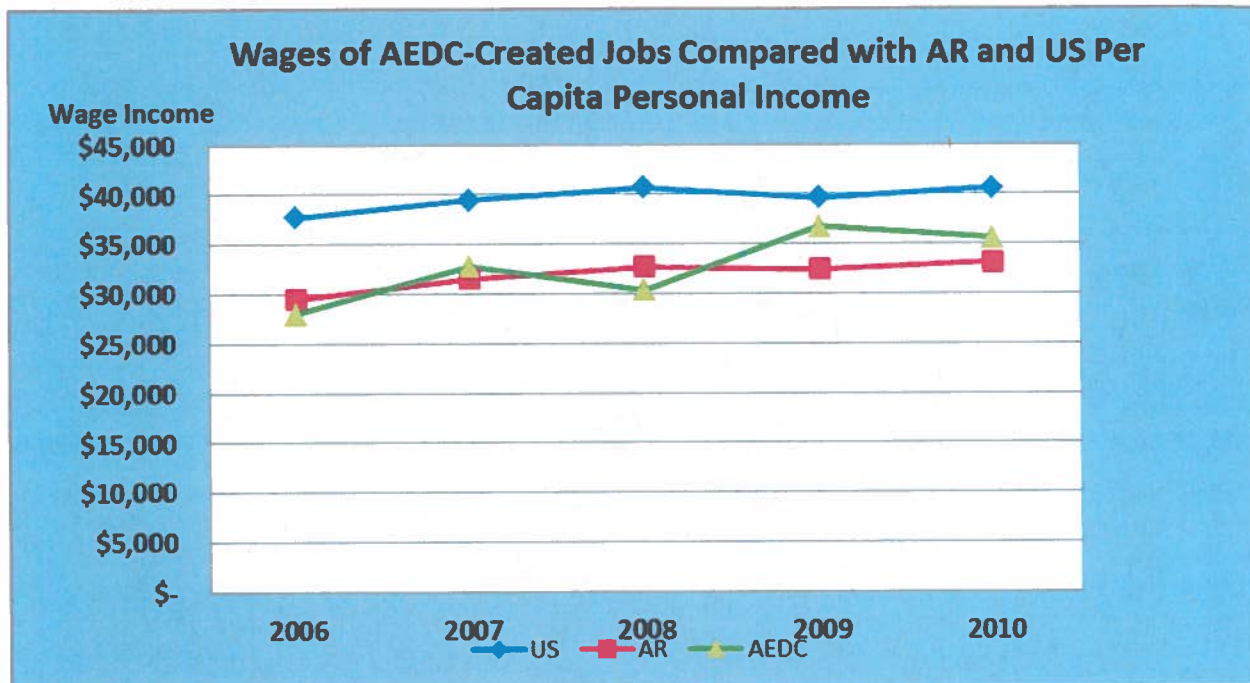
Chart 3



Source: Department of Commerce, Bureau of Economic Analysis, 2010 Per Capita Personal Income, March 23, 2011, online, available from <http://www.bea.gov/regional/spi/> Dollar estimates in current dollars (not inflation adjusted). 2005-2009 data from archived BEA releases.

In 2010, the AEDC signed 82 financial incentive agreements with companies that propose to invest over \$1.5 billion in projects that will create 4,551 jobs paying an average hourly wage of \$17.10. As Chart 4 indicates, the AEDC is helping to create better-paying jobs while helping to raise Arkansas's pcpi towards the national average.

Chart 4



Sources: Department of Commerce, Bureau of Economic Analysis, 2010 Per Capita Personal Income, March 23, 2011, online, available from <http://www.bea.gov/regional/spi/> and AEDC New and Expanded Company Database. 2005-2009 data from archived BEA releases.

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.

Entrepreneurship is also being enhanced through post-secondary educational and private business research. To enhance coordination of these efforts, the **Arkansas Research Alliance**, a private, non-profit collaborative of Arkansas universities, businesses and government was established in January 2009 to guide the focus of research initiatives in Arkansas. The Arkansas Research Alliance has worked with Governor Beebe to secure funding to recruit two eminent scholars in cancer research and bioenergy to Arkansas and is currently working to develop research competencies among its partners within nine research areas identified in a strategic assessment completed by the Battelle Technology Partnership Practice. These areas include:

- Enterprise Systems Computing
- Distributed Energy Network Systems
- Optics and Photonics
- Nano-related Materials and Applications
- Sustainable Agriculture and Bioenergy
- Food Processing and Safety
- Personalized Health Research
- Behavioral Research for Chronic Disease Management
- Obesity and Nutrition

Another catalyst of entrepreneurship – financing – has been bolstered by the establishment of an Equity Investment Tax Credit (EITC) and the Arkansas Risk Capital Matching Fund (RCMF). The **EITC** is an income tax credit that may be offered to investors in eligible companies at the discretion of the AEDC Executive Director. The credit shall not exceed thirty-three and one-third percent (33 1/3%) of qualified equity investments in eligible businesses. Program credits are capped at \$6.25 million annually. The **RCMF** was established as a separate fund within the Venture Capital Investment Trust (a public trust with the President of ADFA, President of ASTA and Director of the Arkansas Department of Finance and Administration as Trustees) containing two separate accounts, the Technology Validation Account and the Enterprise Development Account. Funds in the Technology Validation Account may be invested at a matching ratio 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, 2010, Innovate Arkansas has helped 85 clients leverage \$40 million in public and private investment to create and/or sustain 300 employees earning average annual wages of \$50,000. Appropriations to continue funding Innovate Arkansas for Fiscal Year 2012 (July 1, 2011 through June 30, 2012) are currently being sought by AEDC.

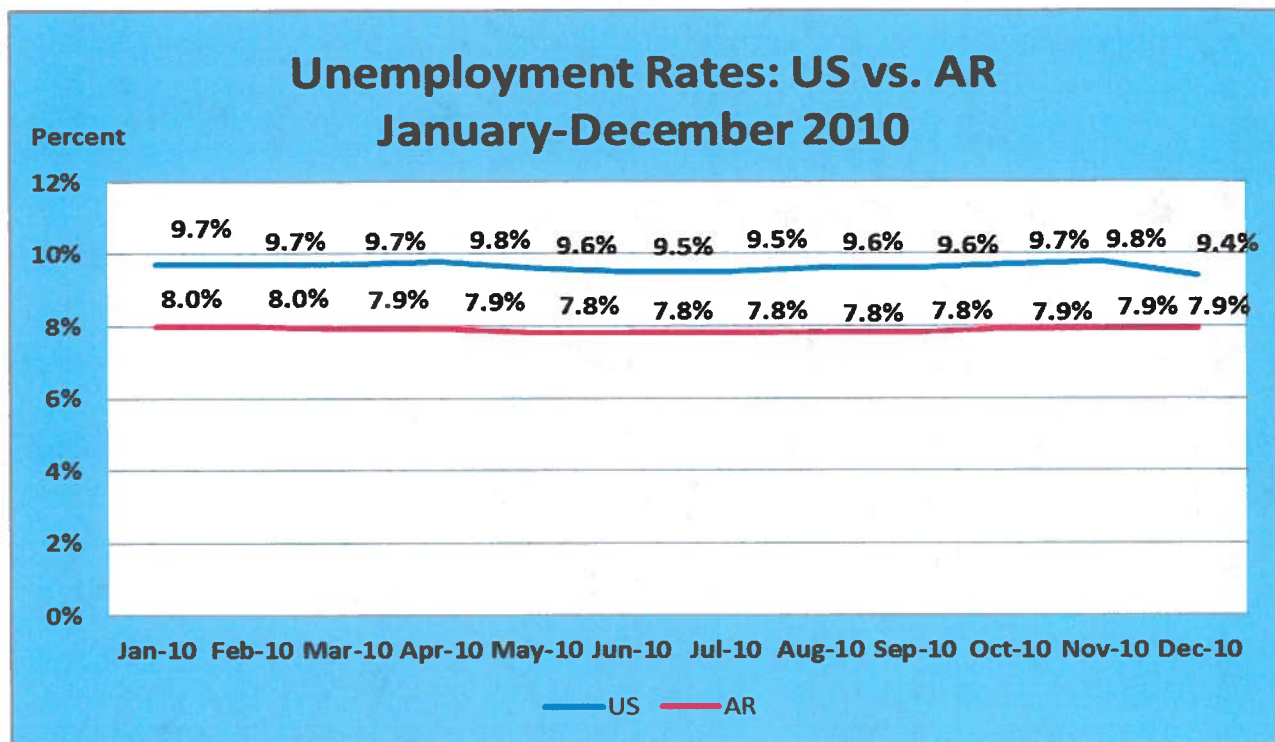
Finally, the enhancement of Arkansas's broadband capabilities is helping entrepreneurs throughout the state compete in global marketplaces. **Connect Arkansas**, a private, non-profit organization, is implementing a community-based initiative to promote Internet access and education through research,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

Goal 3: Compete globally for new jobs and reduce closures

Ten of the 82 financial incentive agreements signed by AEDC between January 1, 2010 and December 31, 2010 were with new businesses. Though a small percentage of total agreements signed, these projects account for 38.9 percent of all jobs for this period. Two of these companies, **Mitsubishi and Nordex** are international corporations that chose Arkansas after lengthy national site selection processes.

State and local economic development officials have also been working with existing companies to retain and expand jobs. Continued work by the **AEDC Existing Business Resource Division** and local economic developers will ensure that Arkansas businesses will remain competitive. These job creation and retention efforts have helped to stabilize Arkansas's unemployment rate which remained approximately 1 and ½ to 2 percentage points below the national average through December 2010.

Chart 5



Source: Bureau of Labor Statistics, Local Area Unemployment Statistics and Labor Force Statistics from the Current Population Survey, <http://www.bls.gov/data/> online, available from, accessed 8 July 2011.

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

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

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

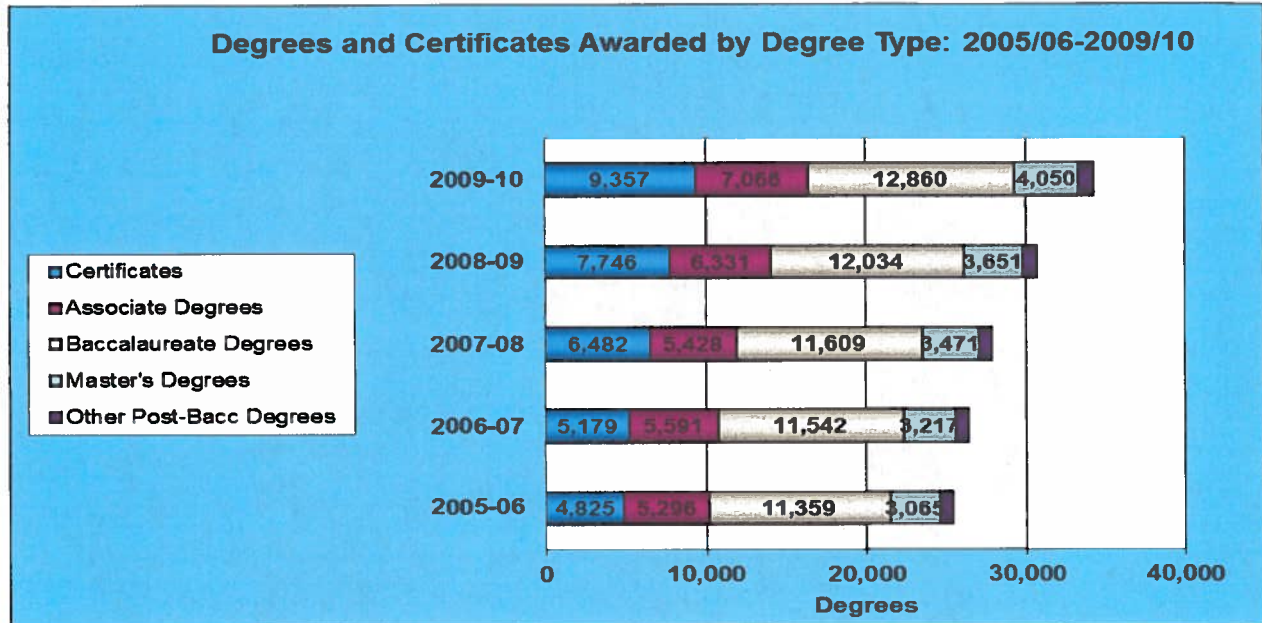
The Governor's Workforce Cabinet has been instrumental in improving the state's workforce development delivery system by reducing duplication of effort and sharing resources to advance development of a 21st-Century workforce. The Governor's Workforce Cabinet, together with the Arkansas State Chamber 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. Arkansas Works was expanded in 2010 to introduce a pilot program that placed 43 full-time college and career coaches in 21 of Arkansas's most economically challenged counties.

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

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

Although Arkansas's college going rate continues to exceed the national average and post-secondary enrollment continues to rise – and will continue to rise as more **Arkansas Academic Challenge Scholarships** are funded – the percentage of Arkansans age 25 and over with a baccalaureate degree, approximately 19 percent, ranks 49th among states. The U.S. average is 27.5 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 22.9 percent between 2007-08 and 2009-10.

Chart 6



Source: Arkansas Department of Higher Education, Research and Planning Division, Academic Degrees and Certificates, online, available from http://www.adhe.edu/divisions/researchandplanning/Pages/rp_statistics.aspx#2, 22 July 2011.

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

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

Table 6
2009-2010 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>
2009	New	14	3,164	\$357,090,906	\$19.10	
	Expanded	54	3,052	\$653,019,902	\$16.16	
	Total	68	6,216	\$1,010,110,808	\$17.65	3.08
2010	New	10	1,774	\$176,706,009	\$19.68	
	Expanded	72	2,777	\$1,351,209,949	\$15.45	
	Total	82	4,551	\$1,527,915,958	\$17.10	3.33*

* a cost benefit ratio of 3.33 means that, over a ten year period, the state will get back, in taxes, \$3.33 for each dollar of incentives used.

Table 7
2009-2010 Arkansas Job Creation and Job Loss Comparison

Jobs from Signed Incentives Agreements with AEDC Involvement - AEDC Target Sectors Only*	10,767
Jobs Lost Due to Closures – AEDC Target Sectors only*	6,578
Net Gain (+) / Loss (-) AEDC Target Sectors	+4,189
<i>Above data from Arkansas Department of Workforce Services Dislocated Worker Task Force and AEDC New & Expanded Database.</i>	
<i>* Does not include retail, healthcare, banking, etc.</i>	

Table 8
2009–2011 Year-to-Date Unemployment Comparison

	AR Unemp Rate	US Unemp Rate
2009 annual average unemployment rate	7.4%	9.3%
2010 annual average unemployment rate	7.9%	9.6%
Current Month (June 2011) seasonally adjusted	8.1%	9.2%
<i>Sources: Arkansas Department of Workforce Services Labor Market Information and US Department of Labor.</i>		

b. Comparison of actual performance to projections

Table 9
2011 Year-to-Date* Job Creation/Closures

	Jobs	Total Investment	Average Hourly Wage
2011 Year-to-Date Signed Incentive Agreements*	1,685	\$475,877,960	\$15.73
Pending Finalization of Incentive Agreements**	939	\$172,865,997	\$16.76

2011 Year-to-Date* Non-Retail/Non-Service Closures

	Companies	Jobs
2011 Year-to-Date	11	2,029

**Through June 30, 2011.*

***These projects will likely be reported in 2011.*

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 differences.

Table 10
2010 Per Capita Real GDP by State: Arkansas and Surrounding States

<i>State</i>	<i>2010 GDP Per Capita*</i>	<i>National Rank</i>
United States	\$42,429	--
Texas	\$43,993	17
Louisiana	\$43,052	21
Missouri	\$36,287	35
Tennessee	\$36,040	36
Oklahoma	\$35,578	39
Arkansas	\$31,492	47
Mississippi	\$29,345	50

**In chained 2005 dollars. Source: Gross Domestic Product by State, Bureau of Economic Analysis, 2010 Per Capita Real GDP by State, <http://www.bea.gov/regional/gsp/>*

Table 11
Percentage Change in GDP Per Capita by State (2007 to 2010)*
Arkansas and Surrounding States

<i>State</i>	<i>2007 Per Capita GDP by State</i>	<i>2010 Per Capita GDP by State</i>	<i>Percentage Change in GDP Per Capita by State (2007-2010)</i>
United States	\$43,610	\$42,429	-2.71%
Louisiana	\$42,385	\$43,052	1.57%
Oklahoma	\$35,952	\$35,578	-1.04%
Mississippi	\$29,800	\$29,345	-1.53%
Arkansas	\$32,094	\$31,492	-1.88%
Texas	\$45,023	\$43,993	-2.29%
Missouri	\$37,190	\$36,287	-2.43%
Tennessee	\$37,393	\$36,040	-3.62%

**In chained 2005 dollars. Source: Gross Domestic Product by State, Bureau of Economic Analysis and Preliminary Vintage 2010 Population Estimates, US Census Bureau, <http://www.bea.gov/regional/gsp/> and <http://www.census.gov/popest/eval-estimates/eval-est2010.html> respectively.*

Labor Force

Table 12
Percent Labor Force Growth (2006-2010)
Arkansas and Surrounding States

<i>State</i>	<i>Percentage Labor Force Growth (2006-2010)</i>	<i>National Rank</i>
United States	1.6	--
Texas	7.3	2
Louisiana	5.2	5
Mississippi	2.0	22
Oklahoma	1.9	24
Tennessee	1.6	26
Arkansas	-0.4	39
Missouri	-0.7	43

Source: U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics, <http://data.bls.gov/pdq/querytool.jsp?survey=la> and Arkansas Department of Workforce Services Unemployment Rates and Labor Force Statistics, <http://www.discoverarkansas.net/cgi/dataanalysis/AreaSelection.asp?tableName=Labforce>

Per Capita Personal Income

Table 13
Per Capita Personal Income Change 2008-2010(p)*
Arkansas and Surrounding States

<i>State</i>	<i>2008 Per Capita Income</i>	<i>2008 Rank</i>	<i>2009 Per Capita Income</i>	<i>2009 Rank</i>	<i>2010(p) Per Capita Income</i>	<i>2010(p) Rank</i>	<i>Change 2008-2010(p)</i>	<i>National Rank</i>
United States	\$40,673	--	\$39,626	--	\$40,584	--	-0.2%	--
Mississippi	\$30,730	50	\$30,426	50	\$31,186	50	1.5%	7
Arkansas	\$32,695	46	\$32,423	44	\$33,150	46	1.4%	9
Louisiana	\$38,086	28	\$37,520	28	\$38,446	26	0.9%	15
Missouri	\$36,766	32	\$35,938	32	\$36,979	32	0.6%	22 (tied)
Tennessee	\$35,098	39	\$34,245	38	\$35,307	39	0.6%	22 (tied)
Texas	\$39,806	24	\$38,546	24	\$39,493	23	-0.8%	34
Oklahoma	\$36,917	30	\$35,840	33	\$36,421	33	-1.3%	38

Source: 2010 Data: 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>

Note: (p) =preliminary data. Data for 2008 and 2009 is from archived BEA data, pending revision upon release of Intercensal data.

Unemployment Rates

Table 14
Unemployment Rate
Annual Averages 2009-2010
Arkansas and Surrounding States

<i>State</i>	<i>2009 Unemployment Rate</i>	<i>2010 Unemployment Rate</i>	<i>National Rank 2010</i>
United States	9.3%	9.6%	--
Oklahoma	6.6%	7.1%	11
Louisiana	6.6%	7.5%	14
Arkansas	7.4%	7.9%	17
Texas	7.6%	8.2%	20
Missouri	9.3%	9.6%	33
Tennessee	10.4%	9.7%	35
Mississippi	9.6%	10.4%	41

Source: U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics, <http://data.bls.gov/pdq/querytool.jsp?survey=la> and Arkansas Department of Workforce Services Unemployment Rates and Labor Force Statistics, <http://www.discoverarkansas.net/cgi/dataanalysis/AreaSelection.asp?tableName=Labforce>

Hourly Earnings

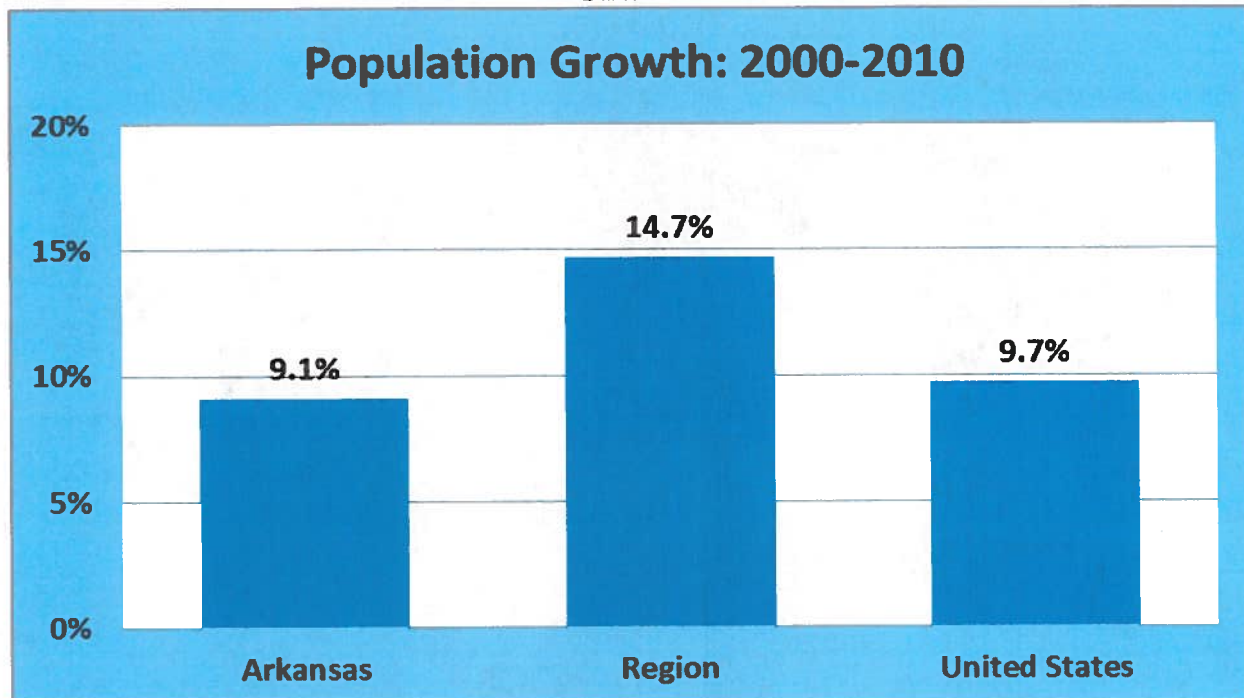
Table 15
Average Hourly Earnings of Manufacturing Production Workers (2010)
Arkansas and Surrounding States

<i>State</i>	<i>Hourly Earnings</i>	<i>National Rank</i>
United States	\$18.61	--
Louisiana	\$21.31	5
Missouri	\$18.45	23
Tennessee	\$15.32	44
Mississippi	\$14.83	46
Texas	\$14.50	48
Oklahoma	\$14.33	49
Arkansas	\$13.87	50

Source: U.S. Department of Labor, Bureau of Labor Statistics, Current Employment Statistics, 2010 Annual Averages, Not Seasonally Adjusted <http://data.bls.gov/pdq/querytool.jsp?survey=ce> (national) and U.S. Department of Labor, Bureau of Labor Statistics, State and Area Employment, Hours and Earnings, 2010 Annual Averages, Not Seasonally Adjusted <http://www.bls.gov/data/>

Population Growth (Region*)

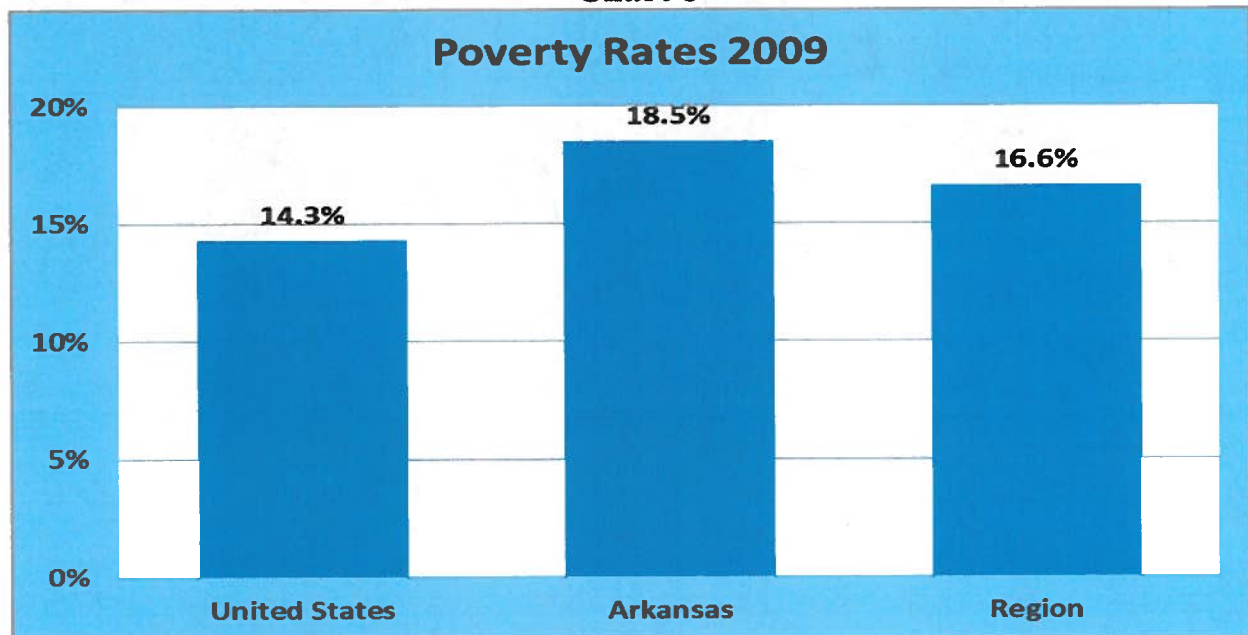
Chart 7



Source: US Census Bureau, Resident Population Data, Population Change,
<http://2010.census.gov/2010census/data/apportionment-pop-text.php>

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/2009.html>

Comparative State Indices

Since the inaugural Act 1282 Report in 2002, the AEDC has utilized various state indices to gauge economic competitiveness and progress of the State of Arkansas.

Quality Counts (Education Week)

Quality Counts is *Education Week's* annual report on state-level efforts to improve public education. Quality Counts grades states in the following areas:

- Chance for Success Index
- Standards, Assessments, and Accountability
- Teaching Profession
- School Finance
- Transitions and Alignment
- K-12 Achievement

In 2011, Arkansas ranked sixth nationally, ahead of all contiguous states. Table 16 below contains scores (from 1-100) for each of the above areas and the overall ranking for Arkansas and surrounding states.

Table 16
Quality Counts Index
Arkansas and Surrounding States

State	Chance for Success	Standards, Assessments, Accountability	Teaching Profession	School Finance	Transitions and Alignment	K-12 Achievement	Overall Ranking
Arkansas	71.8	94.4	88	73.1	96.4	64.8	6th
Texas	73.2	95.6	73.9	66.9	92.9	70.3	13th
Oklahoma	73.5	93.3	80.8	67	89.3	65	17th
Louisiana	71.1	97.2	84.2	72	82.1	58.6	21st
Tennessee	72	90.6	76.9	65.7	92.9	66.3	23rd
Missouri	79.5	79.8	72.7	70.5	71.4	69.2	38th
Mississippi	69.7	88.3	66.2	65.7	75	55.3	48th

Source: *Education Week, Quality Counts 2011, State Report Cards*,
<http://www.edweek.org/ew/qc/2011/16src.h30.html?r=329103177>

2009-2010 Assets and Opportunities Scorecard Corporation for Enterprise Development (CFED)

The *Assets & Opportunity Scorecard* is a comprehensive index of wealth, poverty and the financial security of families in the United States. CFED has organized 58 outcome measures and 34 policy measures into 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 scores for Arkansas and surrounding states for each of the above categories:

Table 17
Assets and Opportunities Scorecard
Arkansas and Surrounding States

State	Financial Assets and Income	Businesses and Jobs	Housing and Homeownership	Health Care	Education	Overall
Arkansas	D	F	D	C	D	F
Louisiana	D	C	C	D	F	F
Mississippi	D	F	B	F	F	F
Missouri	C	D	C	B	C	C
Oklahoma	C	C	B	C	C	C
Tennessee	C	C	B	C	D	C
Texas	C	C	C	D	D	D

Source: Corporation for Enterprise Development, 2009-2010 Assets and Opportunities Scorecard
<http://scorecard.cfed.org/>

Of particular concern is that Arkansas scored lowest in businesses and jobs (economic climate for a business) which particularly hampers business recruitment efforts. Arkansas did improve in Education (up from a grade of F in 2008) but still received an overall grade of F.

An update to the 2009-2010 Scorecard is currently being prepared. Updates to outcome measurements will be released in October 2011, while updates to policy measurements will be released in January 2012. This revised data will be incorporated into future Act 1282 Reports to chart Arkansas's progress as compared to other states.

The State Competitiveness Index 2010 (Beacon Hill Institute)

This tenth 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 income and its continued growth. Scores are indexed at 10.

Table 18
State Competitiveness Index
Arkansas and Surrounding States

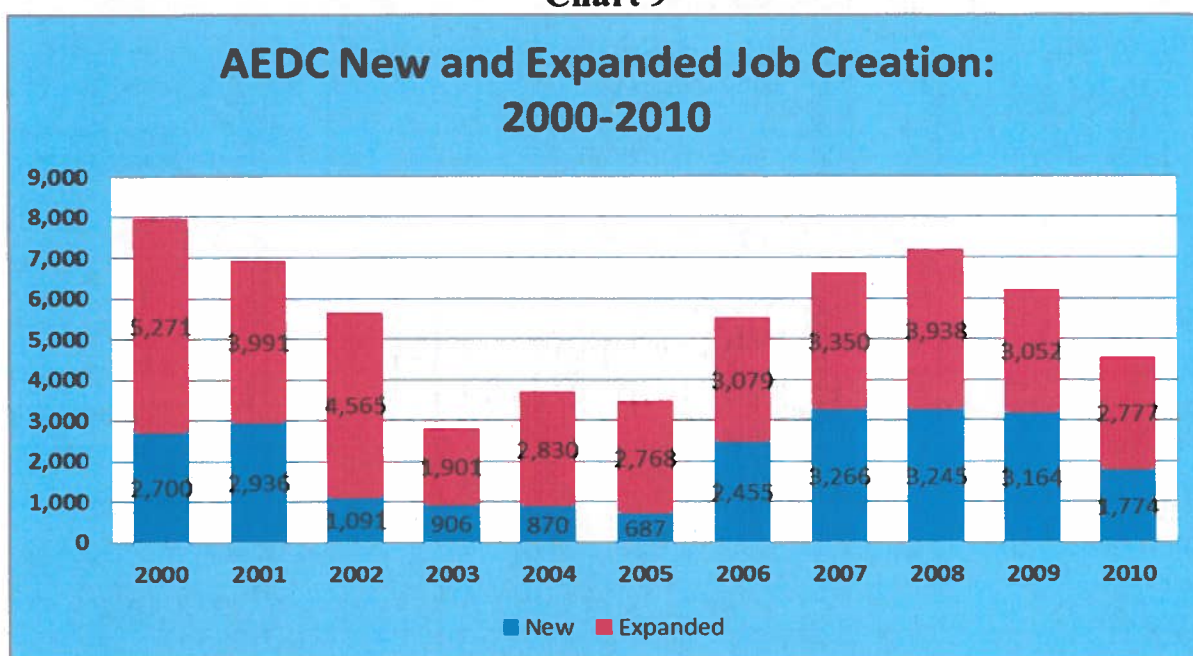
<i>State</i>	<i>2010 Index Score</i>	<i>2010 National Rank</i>	<i>2009 National Rank</i>	<i>Change in Rank (2009-2010)</i>
Arkansas	4.16	38	38	-
Oklahoma	3.82	45	44	-1
Louisiana	4.14	39	41	+2
Mississippi	2.88	50	49	-1
Texas	4.99	25	24	-1
Tennessee	3.84	44	46	+2
Missouri	4.71	30	34	+4

Source: Beacon Hill Institute, State Competitiveness Report 2009, <http://www.beaconhill.org/Compete09/Compete2009StateFinal.pdf> and 2010 <http://www.beaconhill.org/Compete10/Compete2010State.pdf>

d. Evaluating Arkansas's business climate in 2010

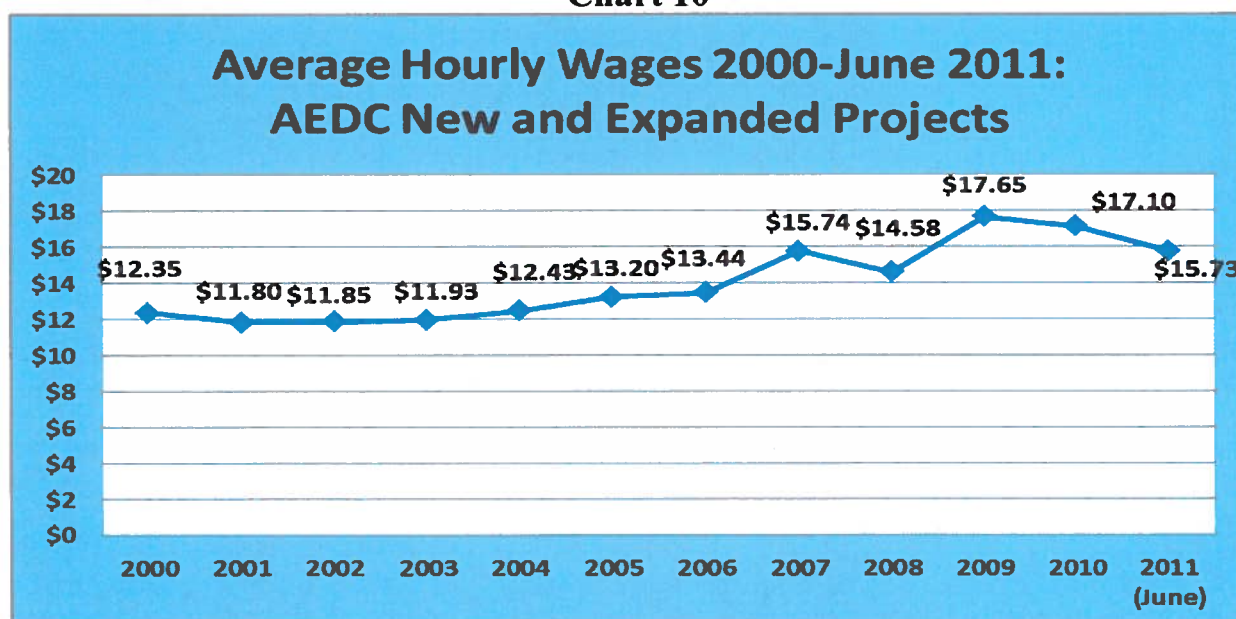
For the second consecutive year, slow recovery from the recession has reduced both new and expanded AEDC job creation. New jobs, in particular, showed a decline of approximately 44 percent as businesses are delaying site location and relocation decisions pending improvement of the national economy. It is likely that job growth from new industries will continue to lag throughout the remainder of 2011 and into 2012 pending significant upswings in the national economy. Existing businesses, however, did show some confidence in Arkansas's economy by signing 72 financial assistance agreements with AEDC proposing the creation of 2,777 new jobs.

Chart 9



Existing businesses also accounted for a vast majority of proposed investment for 2010. Of the \$1,527,915,958 proposed investment by businesses signing financial assistance agreements with AEDC in 2010, 88.4 percent was proposed by existing businesses. The average hourly wages of jobs from signed incentive agreements dipped slightly to \$17.10 in 2010, down from \$17.65 in 2009; however, as stated earlier in this report (see Chart 4) these wages illustrate that the AEDC continues to help create better-paying jobs while helping to raise Arkansas's pcpi towards the national average.

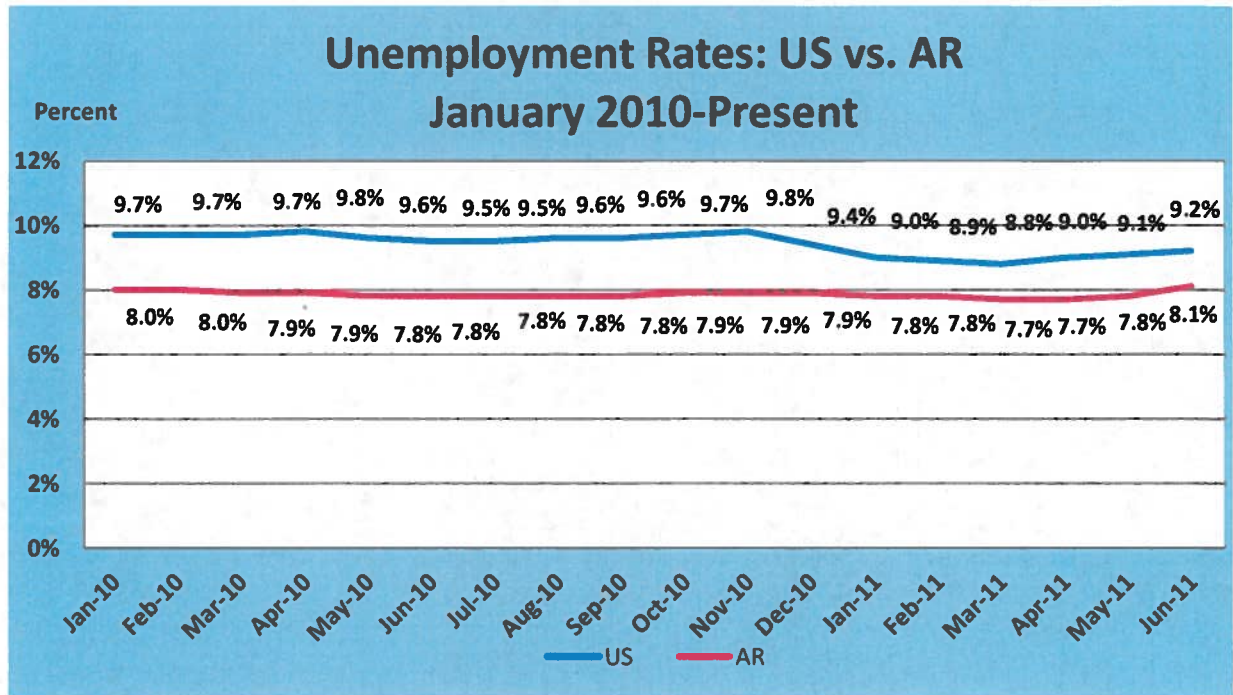
Chart 10



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

Monthly unemployment rates in Arkansas peaked at 8.1 percent in June 2011 but have remained from one to one and a half points below the United States rate.

Chart 11



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