



Governor
Mike Beebe's
Strategic Plan
for Economic
Development



 **ARKANSAS**
A natural for business

2012 Biennial Update
Arkansas Economic
Development Commission
January 2012

Introduction

Since the release of *Governor Mike Beebe's Strategic Plan for Economic Development* in January 2009, the economic landscape of the country, and that of Arkansas, has dramatically changed. Recovering from the greatest economic recession since the Great Depression, the nation is struggling to create jobs and increase Gross Domestic Product.

Arkansas, while not immune from the effects of rising unemployment and economic uncertainty, has fared remarkably well among its state peers. *The Center on Budget and Policy Priorities* identified Arkansas as one of only eight states that did not face state budgetary shortfalls for Fiscal Year 2012. In fact, the 88th General Assembly passed several tax cuts, including one-half cent sales tax cuts on groceries and energy used by manufacturers during the manufacturing process, that were signed into law by Governor Mike Beebe.

The Arkansas Economic Development Commission (AEDC) continues to work proactively with our state's multifaceted economic development partners to accomplish Governor Beebe's five goals for economic development by recruiting new industry, bolstering business retention and expansion, and stimulating entrepreneurship.

Between January 1, 2009, and December 31, 2010, the AEDC signed 150 financial assistance agreements with companies that propose to invest over \$2.5 billion in projects that will create 10,767 jobs paying an average hourly wage of \$17.42. These projects will continue to increase Arkansas's per capita personal income which is currently 81.8 percent of the national average. These projects should also help ameliorate Arkansas's unemployment rate that, as of November 2011, was still 0.6 points below the national average.

Arkansas, too, is making great strides in educational improvement, a critical component of economic development, as evidenced by Arkansas's ranking of 6th nationally in *Quality Counts 2011* published by "Education Week." This index is a state-by-state performance measure that encompasses dozens of key education policy and achievement indicators. The efforts of the Governor's Workforce Cabinet have been instrumental in increasing educational attainment at all levels and enhancing the technical skills required by knowledge-based employers. Currently, the Governor's Workforce Cabinet is working to implement STEM Works, a pilot program which will foster science, technology, engineering and mathematics (STEM) education. STEM Works will employ integrated problem-based learning throughout high-school curriculum and incorporate supportive strategies in the pre-service preparation of new STEM teachers through the UTeach Teacher Preparation Program, offered nationally at 22 universities across the country, but not yet in Arkansas.

Arkansas, however, must not become complacent with early success. There must be a renewed emphasis during the remaining years of Governor Beebe's administration to complete the Strategic Plan's original 67 action items and others that have, and will continue to be added, as the plan – a living document – continues to be implemented. All readers are encouraged to review the initial plan and familiarize themselves with this document to note key initiatives accomplished and added since publication of the initial Strategic Plan in January 2009.



Governor Mike Beebe's Strategic Plan for Economic Development

Overview

The initial strategic planning process in 2008 identified, as a prerequisite, the amelioration of three obstacles impeding economic progress in Arkansas. These obstacles were:

1. The lack of a transitional, systematic approach to an economy supported by knowledge-based jobs.
2. The need for cohesive, efficient economic development efforts throughout the state.
3. The uncertainty of recurring economic development funding.

The publication and early implementation of the Strategic Plan provided the impetus to overcome all three obstacles. The Strategic Plan's strategies, operationalized by 67 action items, provided the "blueprint" from which systematic economic development initiatives have occurred. State, regional and local agencies and private entities are embracing the Strategic Plan by working together to prioritize common goals, articulate policy, coordinate implementation efforts and garner resources to implement the Strategic Plan's strategies.

Federal funding, including an unprecedented influx of Federal stimulus funds, has helped to capitalize many of these efforts in education, community development, energy efficiency, highway improvement, housing, etc. The long-term sustainability of these programs, however, must be evaluated by recipient agencies to ensure that worthy programs are continued after stimulus funds are exhausted.

Throughout Arkansas, entities are collaborating with the Arkansas Economic Development Commission (AEDC) to develop strategic plans that are symbiotic with the Strategic Plan. To date, several multi-county regional economic development partnerships, Intermodal Authorities, state agencies, and the Delta Regional Authority have consulted with AEDC staff to ensure that their strategic plans align with the Strategic Plan. Additionally, a strategic assessment prepared by Battelle Technology Partnership Practice for the Arkansas Research Alliance has identified nine multidisciplinary fields of research which will enable Arkansas's research institutions to collaborate on projects to help build Arkansas's 21st Century global and knowledge-based economy – a key component of Governor Beebe's Strategic Plan for Economic Development.

These and other initiatives undertaken by all of our state's economic development partners have helped to alleviate the obstacles identified above and have forged significant progress toward completing or substantially completing a significant number of the Strategic Plan's action items. This, in turn, has driven progress toward each of Governor Beebe's five goals for economic development. A summary of these accomplishments for the period January 1, 2009 – December 31, 2010 follows.

Governor Mike Beebe's Five Goals for Economic Development

Governor Mike Beebe's Strategic Plan for Economic Development is predicated upon five goals that serve as the plan's foundation. Successful implementation of the Strategic Plan requires that each goal be achieved at the highest level possible.

GOVERNOR MIKE BEEBE'S FIVE GOALS FOR ECONOMIC DEVELOPMENT

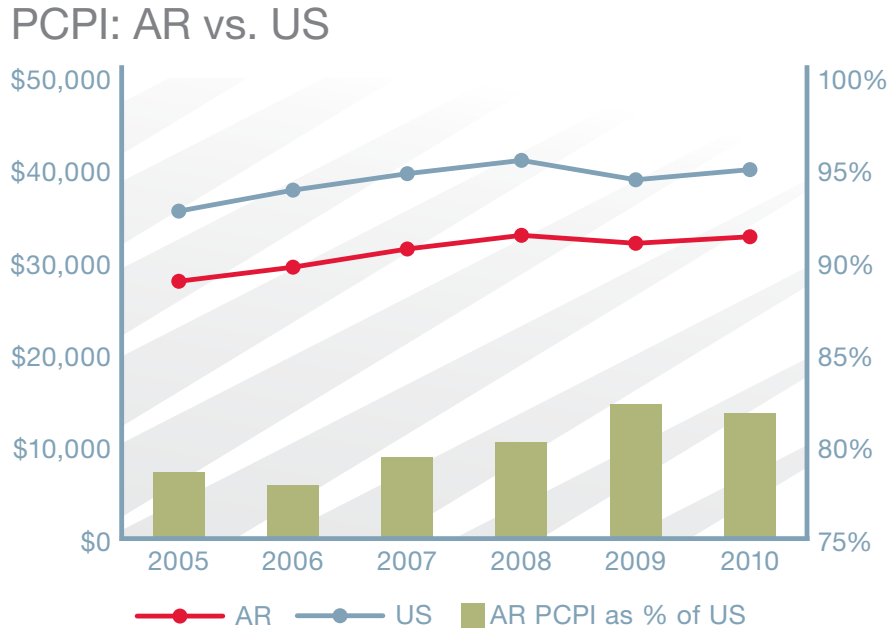
1. Increase the incomes of Arkansans at a growth pace greater than the national average.
2. Expand entrepreneurship, focusing on knowledge-based enterprises.
3. Compete more efficiently in the global marketplace for new businesses and jobs, and create a business retention strategy to reduce closures.
4. Economic development will meet the special needs and take advantage of the extraordinary assets of various areas of the state. It will not be a one size fits all.
5. 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.

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 44th in 2010, rising to 81.8 percent of the national average.¹ Clearly, Arkansans' incomes are growing closer to the national average.

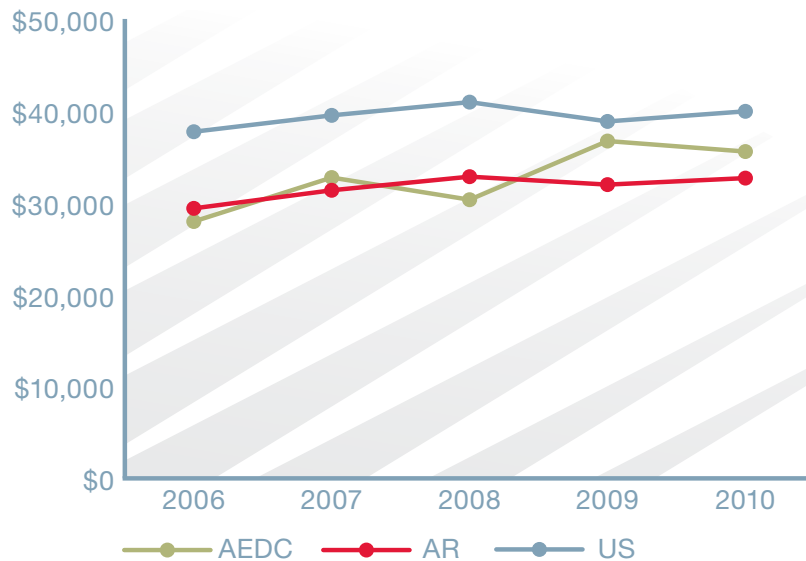
¹ Department of Commerce, Bureau of Economic Analysis, (2010) Per Capita Personal Income, September 22, 2011, online, available from <http://www.bea.gov/regional/spi/>, dollar estimates in current dollars (not inflation adjusted).

Chart 1 Arkansas's Per Capita Personal Income Improvement



Between January 1, 2009, and December 31, 2010, the AEDC signed 150 financial incentive agreements with companies that propose to invest over \$2.5 billion in projects that will create 10,767 jobs paying an average hourly wage of \$17.42. As Chart 2 indicates, the AEDC is helping to create better-paying jobs while helping to raise Arkansas's pcpi toward the national average.

Chart 2 AEDC Job Creation Compared with AR and US Per Capita Personal Income



Goal 2: Expand knowledge-based entrepreneurship

Initiatives to expand entrepreneurship, a cardinal component of the knowledge-based economy, 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)** has 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 three 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 a Risk Capital Matching Fund (RCMF) and the creation of an Equity Investment Tax Credit (EITC). 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, to provide financial assistance to early-stage, technology-based enterprises. 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 RCMF is jointly managed by the AEDC, Arkansas Development Finance Authority (ADFA) and the Arkansas Science and Technology Authority (ASTA).

Act 566 of 2007 created the **Equity Investment Tax Credit Incentive (EITC)**, 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, ADFA and ASTA, allows approved businesses to offer 33 1/3 percent income tax credits to equity investors. In 2010, five projects received approval for EITCs. Since the program's inception in 2008, 31 companies have been approved for the program, and 15 companies have raised \$22,814,493 in investment capital and currently employ 118 people with an average hourly wage of \$40.25.

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, eighty (80) companies were actively involved in the Innovate Arkansas due diligence process/mentoring process leading to commercialization. These companies have been able to leverage \$40 million in public and private investment to create and/or sustain 300 employees earning average annual wages of \$50,000.² Funding for Innovate Arkansas for Fiscal Year 2012 (July 1, 2011-June 30, 2012) has been secured 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

Twenty-four of the 150 financial incentive agreements signed by AEDC between January 1, 2009, and December 31, 2010, were with new businesses. Though a small percentage of total agreements signed, these 24 projects accounted for about one-half (45.9 percent) of all jobs for this period. Several of these businesses, such as **Caterpillar**, **Hewlett-Packard**, **Mitsubishi**, **Nordex**, and **Welspun** are international corporations that chose Arkansas after lengthy national site-selection processes. Other international corporations including **AREZ, LLC** and **Beckmann-Volmer** announced new projects that will commence in 2011. Additionally, companies such as **Allied Wireless Communications**, **Schulze and Burch** and **Southwest Power Pool** chose Arkansas after thorough regional site-selection processes.

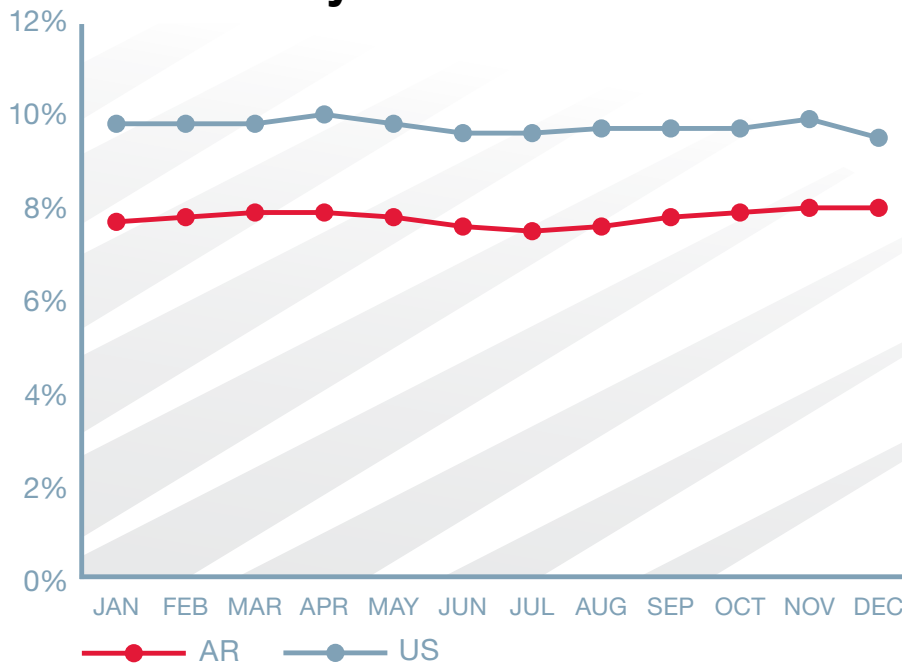
State and local economic development officials have also been working with existing companies to retain and expand jobs. Notable examples of expansions during the January 1, 2009-December 31, 2010 period include: **Aviation Repair Technologies**, **Awesome Products**, **Cooper Tire**, **DAD's Pet Care**, **Delta Group Electronics**, **Evergreen Packaging**, **Georgia Pacific**, **Kimberly-Clark**, **Rexam**, **Saint Jean Industries**, **Southwestern Energy**, **Verizon Wireless**, and **Windstream**. 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 one and one-half to two percentage points below the national average through December 2010.³

² Tom Dalton, Innovate Arkansas Director, Innovate Arkansas Annual Program Report, January 1, 2010-December 31, 2010, dated February 2011.

³ Arkansas Department of Workforce Services, Unemployment Rates and Labor Force Statistics, accessed 11 July 2011; available from <http://www.discoverarkansas.net/cgi/dataanalysis/AreaSelection.asp?tableName=Labforce>

Chart 3
Unemployment Rates: US vs. AR
January - December 2010



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 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.⁴

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.
- 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.

Currently, the Governor's Workforce Cabinet is working to implement **STEM Works**, a pilot program which will foster science, technology, engineering and mathematics (STEM) education. STEM Works will employ integrated problem-based learning throughout high-school curriculum and incorporate supportive strategies in the pre-service preparation of new STEM teachers through the UTeach Teacher Preparation Program, offered nationally at 22 universities across the country, but not yet in Arkansas. STEM Works will support STEM workforce development specifically, and economic development generally, by focusing secondary STEM education on existing and emerging clusters which drive productivity gains and introduce innovations in regions around the state. Initial clusters under consideration include:

1. Computer and Information Technology
2. Nano-related and Advanced Materials and Applications
3. Biotechnology, Bioengineering, and Life Sciences
4. Agriculture, Food, and Environmental Sciences

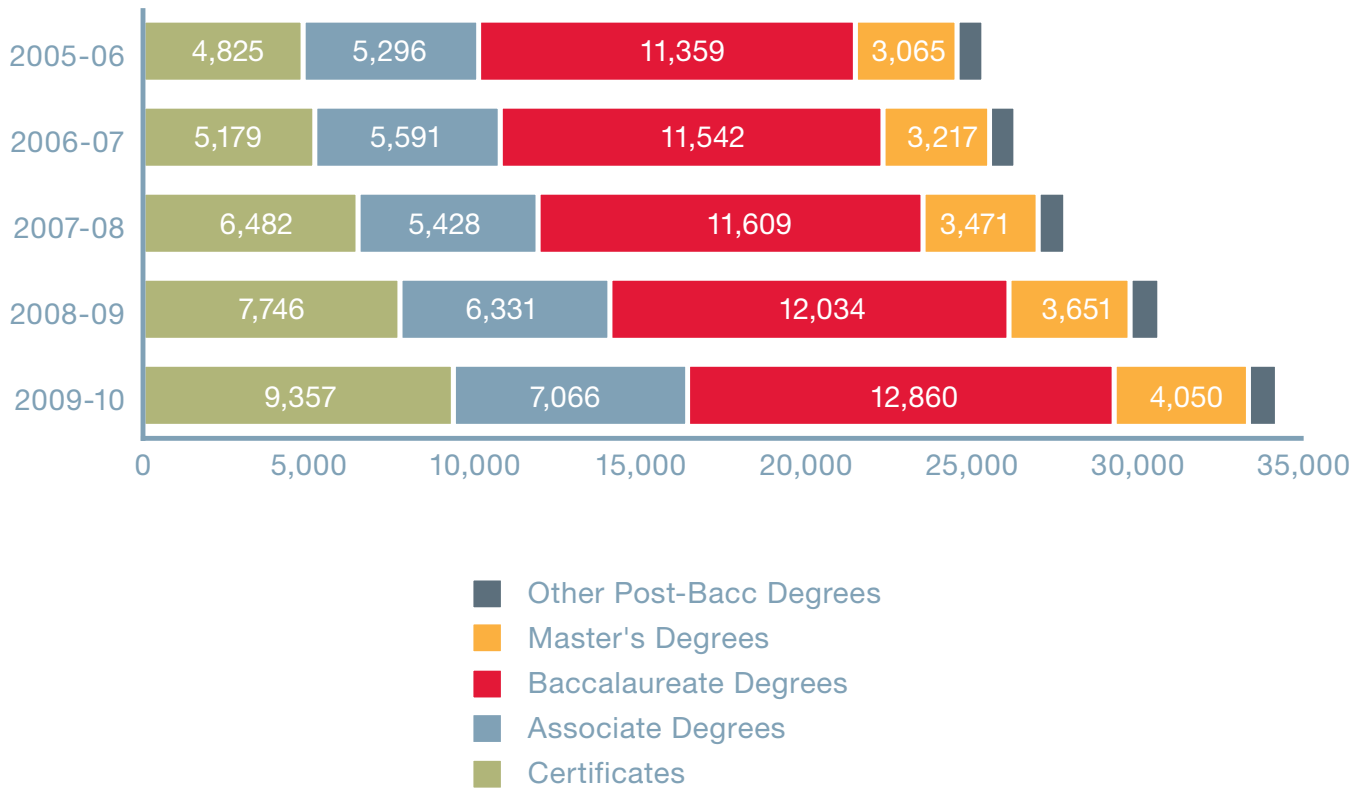
Although Arkansas's college-going rate continues to exceed the national average and post-secondary enrollment continues to rise – and will continue to rise as more **Arkansas Academic Challenge Scholarships** are funded – the percentage of Arkansans aged 25 and over with a baccalaureate degree, approximately 19 percent, ranks 49th among states.⁵ The U.S. average is 27.5 percent. Keeping students in school long enough to complete degree programs remains a challenge.

⁴ Arkansas Works homepage, <http://arkansasworks.kuder.com/default.htm>

⁵ Department of Commerce, Bureau of the Census, M1502. Percent of People 25 Years and Over Who Have Completed a Bachelor's Degree, online, available from <http://www.census.gov/compendia/statab/2011/tables/11s0229.pdf>

However, the percentage of students earning post-secondary degrees and certificates increased by 22.9 percent between 2007-08 and 2009-10.⁶

Chart 4
Degrees and Certificates Awarded by Degree Type:
2005/06 - 2009/10



⁶ Arkansas Department of Higher Education, 2009-2010 Degrees and Certificates Awarded by Arkansas Higher Education, online, available from <http://www.adhe.edu/SiteCollectionDocuments/ResearchAndPlanningDivision/DegreesAwarded/2010-Degrees.pdf>

Five Strategic Economic Development Components

Governor Beebe’s Strategic Plan for Economic Development postulates that all economic development endeavors are interconnected by five interdependent components: workforce development, business development, infrastructure, competitive business climate and collaborative partnerships. Each component is augmented by a vast array of resources – people, capital, entities and policies – that effectuate economic development. Each of the Strategic Plan’s action items catalyzes resources which foster economic growth. This section of the Biennial Update delineates significant achievements forged within each economic development component by identifying action items that have been completed or substantially completed and formulating new action items that shall be incorporated by reference into the Strategic Plan.

**Figure 1
Economic Development Components**



Component 1: Workforce Development

The success of the strategic plan is predicated upon advancing a streamlined workforce development system that focuses resources on increasing educational attainment at all levels and enhancing the technical skills required by knowledge-based employers.⁷

Education (Primary/Secondary)

Economic development strategies are ineffective without an educated workforce. Education begins in preschool and remains a lifelong endeavor. Arkansas's primary and secondary education systems are attuned to the needs of developing a 21st Century workforce and are developing initiatives that are improving educational standards and achievement.

Smart Core curriculum, consisting of: four units of math, including Algebra I, Geometry, Algebra II and a fourth, higher-level math course; four units of English; three units of science; and, three units of social studies became the standard curriculum for all high-school students beginning with the class of 2010. Smart Core will better prepare Arkansas students for post-secondary education by reducing remediation and by providing more employment opportunities for graduating students with 21st Century skills needed by prospective employers.

Additionally, more stringent **Common Core State Standards** (CCSS) are beginning to be implemented (for K-2) during the 2011-2012 school year. The CCSS are a set of shared K-12 learning expectations for students in English language arts and mathematics. The standards are the result of a state-led effort coordinated by the National Governor's Association (NGA) and the Council of Chief State School Officers. The CCSS for grades K-12 are designed to prepare students for college and career readiness, are internationally benchmarked and research-based and base content on different grade level learning progressions.

The Environmental and Spatial Technology (**EAST**) Initiative, begun in 1997, encourages students to utilize teamwork, applied knowledge and technology to solve real-world community problems. The EAST model of education features student-driven service projects accomplished with the latest technology. EAST classrooms are equipped with state-of-the-art workstations, servers, software, and accessories, including GPS/GIS mapping tools, architectural and CAD design software, 3D animation suites, and much more. Students identify problems in their local communities, and then use these tools to solve them.

EAST's focus, however, is not on technology itself, but on the unique learning environment of the EAST classroom. In EAST, students are responsible for creating their own lesson plans. There are no lectures and no tests; instead, the students are guided by an EAST facilitator (a teacher trained in the EAST process). This radically-different approach to learning yields tremendous results. Students are better-prepared for both college and the business world, and they care more about learning and serving their communities. Since its inception in 1997, more than 200 schools in Arkansas have implemented the EAST process.⁸

⁷ Governor Mike Beebe's Strategic Plan for Economic Development, p. 25.

⁸ EAST Initiative web page, <http://www.eastproject.org/aboutcontact/>, accessed 30 June 2011.

Arkansas's primary and secondary education improvements are paying off. As reported by the Arkansas Department of Education:

- In 2010, scores on both the Arkansas Augmented Benchmark exams and Stanford Achievement Test again improved, with more than 60 percent of Arkansas's public school students at all grade levels scoring at grade level or higher on the benchmark exams. At some grades, more than 80 percent are scoring at grade level or higher.
- The achievement gap between majority and minority students narrowed for the fourth year in a row on the 2010 Arkansas Augmented Benchmark Exams.⁹

Further, Arkansas's ranking of sixth nationally in *Quality Counts 2011*, "Education Week's" annual report on state-level efforts to improve public education, is garnering national attention. This index is a state-by-state performance measure that encompasses dozens of key education policy and achievement indicators. As Table 1 below indicates, Arkansas scored ahead of all contiguous states in overall ranking.

Table 1
2011 Quality Counts Index
Arkansas and Surrounding States

STATE	CHANCE FOR SUCCESS	STANDARDS, ASSESSMENTS, ACCOUNTABILITY	TEACHING PROFESSION	SCHOOL FINANCE	TRANSITIONS & ALIGNMENT	K-12 ACHIEVEMENT	OVERALL
Arkansas	71.8	94.4	88.0	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	67.0	89.3	65.0	17th
Louisiana	71.1	97.2	84.2	72.0	82.1	58.6	21st
Tennessee	72.0	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	75.0	55.3	48th

Source: Education Week, *Quality Counts 2011, State Report Cards*, <http://www.edweek.org/ew/qc/2011/16src.h30.html?r=329103177>. Scores are indexed at a maximum of 100.

⁹ Arkansas Department of Education, <http://arkansased.org/>, accessed 11 July 2011.

Education (Post-Secondary)

Governor Beebe's major post-secondary education-related economic development goal is to increase the number of workers with post-secondary training. Specifically, Governor Beebe has called for doubling the number of college graduates in Arkansas by 2025. Data show that Arkansans are entering college in record numbers, as evidenced by a 68.7 percent college-going rate¹⁰ and total post-secondary enrollment approaching 175,000 for the Fall 2010 Semester.¹¹ These numbers will likely increase as both traditional and non-traditional students receive Arkansas Academic Challenge scholarships, funded by the Arkansas Lottery.

However, the educational statistic most telling in a knowledge-based economy is the percentage of persons 25 years and older with a baccalaureate degree or higher. Latest Census data show that approximately 19 percent of Arkansans aged 25 or older are baccalaureate degree holders.¹² This ranks 49th among states and is significantly below the United States average of 27.5 percent. Increasing that percentage will remain a significant economic development challenge.

Education Action Items Completed/Substantially Completed

- The AEDC passed a resolution in June 2009 encouraging the State Board of Education to encourage student participation in **Smart Core** curriculum. (Beginning with the Class of 2010, Smart Core is required curriculum statewide.)
- Act 1235 of 2009 appropriated \$1 million for grants to Arkansas science, technology, engineering and mathematics (**STEM**) **teachers**. Funding, however, has yet to be released.
- A three-year, \$2.5 million Federal grant was obtained to fund **Centers of Excellence** at NorthWest Arkansas Community College and Pulaski Technical College to provide training for "green jobs."

Workforce Training

Governor Beebe created the **Governor's Workforce Cabinet** in 2007 to improve the state's workforce development delivery system by reducing duplication of effort and sharing resources among entities to advance development of a 21st Century workforce. In 2009, the Governor's Workforce Cabinet, together with the Arkansas State Chamber of Commerce, implemented **Arkansas Works**, a comprehensive web-based college and career planning system to provide education, job training and career planning tools and information to students, job seekers and prospective employers. Arkansas Works was expanded in 2010 to include a pilot program that has placed 43 full-time College and Career Coaches in 21 of Arkansas's most economically-challenged counties.¹³

¹⁰ Arkansas Department of Higher Education, Report on the College Going Rate, July 30, 2010, online, available from http://www.adhe.edu/SiteCollectionDocuments/ResearchAndPlanningDivision/2009_FallEnrollment/09-CGR-History.pdf, accessed 10 January 2011.

¹¹ Arkansas Department of Higher Education, 2010 Fall Enrollment Trends, online, available from, <http://www.adhe.edu/divisions/researchandplanning/Pages/FallEnrollment2010.aspx>, accessed 10 January 2011.

¹² US Census Bureau, American Fact Finder, M1502. Percent of People 25 Years and Over Who Have Completed a Bachelor's Degree [3-Year (19 percent) and 5-Year (18.9 percent) estimates], online, available from <http://www.census.gov/hhes/socdemo/education>, accessed 10 January 2011.

¹³ Arkansas Works webpage, <http://arworks.arkansas.gov/Pages/default.aspx>

Workforce Training Action Items Completed/Substantially Completed by Governor's Workforce Cabinet Members

- **Workforce Service Centers were co-located** on two-year college campuses in West Memphis and Newport.
- Two mobile **One Stop Centers** were procured by the Arkansas Department of Workforce Services for job seekers and employers, dislocated worker services, and quick employment ramp-ups.
- Arkansas Department of Workforce Services funding established a **Middle Skill Jobs** program to provide training for jobs in high-demand occupations such as transportation, health care and information technology which require more than a high-school education but less than a baccalaureate degree.
- AEDC incorporated **survey metrics** into AEDC-sponsored training contracts to measure their efficiency and effectiveness.
- AEDC began requiring companies seeking pre-employment assistance to participate in the **Career Readiness Certificate (CRC)** program.
- Information from AEDC's Targeted Opportunities Reports and New and Expanded Company Lists are being incorporated into the Arkansas Department of Workforce Services' **high demand targeted jobs initiative and occupational and industrial projections**.

Labor Force

Building and maintaining a skilled and adaptable labor force to meet the specific needs of businesses is an important prerequisite to economic prosperity. Arkansas's labor force must constantly add workers to fill job openings resulting from new occupations and attrition. One program that helps to increase the number of skilled workers available to businesses is the **Arkansas Career Readiness Certificate (CRC)** program. The CRC program uses WorkKeys® assessments to measure individuals' basic workplace skills – reading for information, applied mathematics and locating information – required for 21st Century jobs. Three levels of certificates – gold, silver and bronze – are awarded based upon proficiency scores. As of January 1, 2011, 26,501 certificates were awarded. Currently, 63 employers utilize the CRC program as part of their hiring process.¹⁴

Labor Force Action Items Completed/Substantially Completed

- A five-agency collaborative partnership, the **Arkansas Education to Employment Tracking and Trends (AEETT) Initiative**, is evaluating where college graduates and recipients of workforce training are employed upon graduation/course completion. The AEETT's goal is to analyze Arkansas's education, employment and workforce development data to provide new and better services.

¹⁴ Arkansas Department of Workforce Services, Career Readiness Certification webpage, online, available from <http://www.state.ar.us/esd/Programs/CRC/index.htm>

- Act 643 of 2009 established a **post-doctoral incentive program** to be administered by ASTA should funding become available.
- Act 818 of 2011 modified the composition and meeting requirements of **regional Workforce Investment Boards** to insure that both business and education are properly represented on local boards and provides more flexibility in scheduling board meetings.

New Action Items Resulting from Revised Governor's Workforce Cabinet Goals Include:

1. Determining how to keep top high-school and college graduates in Arkansas.
2. Addressing remediation.
3. Connecting adult basic education to post-secondary degree programs.
4. Connecting businesses more effectively to two- and four-year post-secondary educational institutions via internships, company visits, etc.
5. Implementing **STEM Works**, a pilot program which will foster science, technology, engineering and mathematics (STEM) education. STEM Works will employ integrated problem-based learning throughout high-school curricula and incorporate supportive strategies in the pre-service preparation of new STEM teachers through the UTeach Teacher Preparation Program, offered nationally at 22 universities across the country, but not yet in Arkansas. STEM Works will support STEM workforce development specifically, and economic development generally, by focusing secondary STEM education on existing and emerging clusters which drive productivity gains and introduce innovations in regions around the state.

Initial clusters under consideration include:

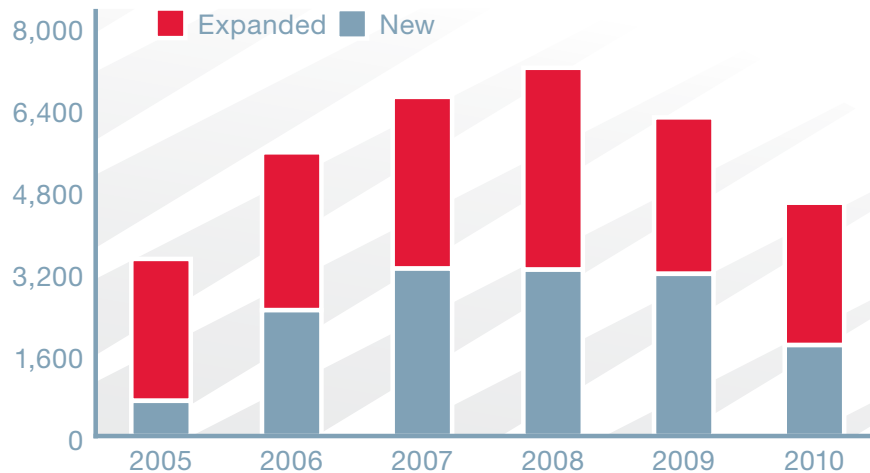
1. Computer and Information Technology
2. Nano-related and Advanced Materials and Applications
3. Biotechnology, Bioengineering, and Life Sciences
4. Agriculture, Food, and Environmental Sciences



Component 2: Business Development

The resiliency of Arkansas's economy during the recent economic recession was due, in large part, to sectoral diversity, natural resource production, and relatively stable employment that kept unemployment rates one to two points below the national average. Maintaining progress requires economic developers to not only recruit new industries, but also to devise strategies that help existing businesses retain employees and expand operations. During the past few years, job-creation efforts, reflecting a four-pronged business development strategy, have bolstered this diversity.¹⁵

Chart 5
AEDC New and Expanded Job Creation: Financial Agreements Signed with AEDC 2005 - 2010



Strategy 1: Promote Innovation, Entrepreneurship and Commercialization

Innovation, entrepreneurship and commercialization are nurtured throughout the state by the programs, facilities and resources of Arkansas's vast educational network. This network consists of business schools, research facilities, colleges of science and technology, medical schools/hospitals, small business and technology development centers and facilities such as the National Center for Toxicological Research. The various activities of these entities are far too numerous to delineate. However, it is important to emphasize the importance of these entities in generating innovative ideas, developing practical applications based upon knowledge and technology to solve problems and in creating 21st Century, knowledge-based jobs.

Helping to lead this charge is **Accelerate Arkansas**, a statewide group of business and education leaders committed to building a competitive, knowledge-based economy in Arkansas with the goal of achieving parity in per capita personal income with the U.S. average by 2020. Since its inception, Accelerate Arkansas has been a key visionary and funding advocate for several programs that are helping to form the cornerstones of Arkansas's knowledge-based economy. Accelerate Arkansas is currently working on a funding concept to secure future funding for these programs.

¹⁵ Arkansas Economic Development Commission, Database of New and Expanded Businesses, 2005-2010.

These programs and administrators include:

- Arkansas Research Alliance (ASTA)
- Innovate Arkansas (AEDC/Winrock International)
- Arkansas Risk Capital Matching Fund (AFDA/ASTA/AEDC)
- STEM Grants (AEDC)
- Seed Capital Investment Fund (ASTA)
- Basic and Applied Research (ASTA)
- Research Matching, EPSCOR (ASTA)
- Centers of Applied Technology (ASTA)
- Arkansas Technical Careers Student Loan Forgiveness (Arkansas Department of Career Education)
- Post Doctorate Retention Program (ASTA)

Two of the above programs, the Arkansas Research Alliance and Innovate Arkansas, were inaugurated during the previous biennium and are achieving success. The **Arkansas Research Alliance (ARA)**, governed by a 15-member board of trustees consisting of five chancellors of Arkansas research universities and 10 Arkansas CEOs, was launched in January 2009 to promote collaboration among Arkansas universities, businesses and government. Working with Governor Beebe, the ARA

secured funding to recruit eminent scholars in cancer research and bioenergy to the University of Arkansas for Medical Sciences and the University of Arkansas. ARA's current focus is to develop research competencies among partners within nine research areas identified in a strategic assessment completed by the Battelle Technology Partnership Practice.¹⁶

The Arkansas Legislature appropriated \$3 million to fund **Innovate Arkansas** for the 2010-2011 biennium. Innovate Arkansas is an AEDC program, managed by Winrock International, that works with new, technology-based entrepreneurs to turn inventions and high-tech concepts into viable businesses. This, in turn, helps increase high-income, knowledge-based jobs. 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. Funding to continue Innovate Arkansas for the 2012 Fiscal Year (July 1, 2011-June 30, 2012) has been secured by AEDC.



¹⁶ Opportunities for Advancing Job-Creating Research in Arkansas, A Strategic Assessment of Arkansas' University and Government Lab Research Base, Battelle Technology Partnership Practice, online available from http://www.aralliance.org/data/assets/pdf_file/0017/1682/Job-Creating-Research-in-Arkansas.pdf

Augmenting these efforts is the **Donald W. Reynolds Governor's Cup**, a tri-state undergraduate and graduate business plan competition started in Arkansas, which stimulates entrepreneurship through competition. Since the beginning of the competition in 2001, several contestants have gone on to create viable Arkansas-based businesses.¹⁷ The graduate runner-up from 2010, BiologicsMD, was the first collegiate team to win the two most prestigious business plan competitions in the world – the Rice University Business Plan Competition and the Global Moot Corp Competition.¹⁸

Finally, within the AEDC, the **Small and Minority Business Development Division** enhances business opportunities for small, minority and service-disabled veterans businesses throughout Arkansas by encouraging procurement of certified Minority Business Enterprise (MBE) contractors and increasing the performance capacity and income earned by small, minority and service-disabled veterans businesses by providing access to entrepreneurial, financial and technical services.

New Action Items of the AEDC Small and Minority Business Development Division Include:

- Increasing diversification within the Minority Business Advisory Council.
- Developing and administering a survey to assess the needs of client businesses.
- Transitioning from the Small Business Loan Program to the Minority Business Loan Mobilization Program to prioritize lending to client businesses that receive a Federal, state or local contract for goods/services.
- Quantifying program goals (e.g., percentage increase of certified minority companies).

Innovation, Entrepreneurship and Commercialization Action Items Completed/Substantially Completed

- The Arkansas Legislature appropriated \$8 million to **ASTA** for the 2010-2011 biennium for: **applied research** (\$3 million); **research match** (\$3 million) and **basic research** (\$2 million).
- The AEDC provided \$1.2 million to the **Arkansas Research and Technology Park** in Fayetteville to help fund a 60,000-square-foot expansion, half of which was for wet lab space. The AEDC also worked with **BioVentures** to obtain an EDA grant for building expansion and is working with Arkansas State University to develop incubator space at the **Arkansas Biosciences Institute**.
- The AEDC assisted in obtaining Federal funds to establish an **entrepreneurship center** in Dumas.
- Act 967 of 2009 appropriated \$30 million to establish a **technology fund** supported by AEDC, ADFA, ASTA and Accelerate Arkansas. Availability of funding is to be determined. Additionally, Act 706 of 2011 created the **Arkansas Acceleration Fund (and Committee)** within the Arkansas Science and Technology Authority to recommend funding for various programs and initiatives focused on the growth of knowledge-based, high-technology businesses.

¹⁷ See <http://aeafoundation.com/donald-w-reynolds-governors-cup/dwrgc-success-stories/> for a list of businesses.

¹⁸ University of Arkansas Sam M. Walton College of Business webpage, "University of Arkansas Teams Take Three Top Places in Tri-State Reynolds Cup," accessed 30 June 2010.

- Act 1222 of 2009 streamlined the **MBE certification process** and reinstated the requirement that state agencies submit annual plans to meet minority purchasing goals. This has helped to increase MBE certifications by 62 percent. Additionally, Act 893 of 2011 added “service-disabled veterans” to the definition of minority business.
- The Arkansas Legislature appropriated \$3 million for **Innovate Arkansas** for the 2010-2011 biennium.

Strategy 2: Target Business Recruitment

Proactive recruitment allows economic developers to lead the recruitment process and choose the companies that meet specific business development strategies.¹⁹

The AEDC has had great success recruiting targeted companies since publication of the first **AEDC Targeted Opportunities Report** in 2007. A majority of new businesses announcing projects during the past two years have been from targeted business sectors and include: Allied Wireless, Beckmann-Volmer, Hewlett-Packard, INEOS Bio, Mitsubishi, Nordex, Southwest Power Pool, Sykes Enterprises and Welspun. Enhancement of industry sector expertise has been augmented by the assignment of each AEDC business developer to one or more targeted areas. A new Targeted Opportunities Report, released in January 2011, revised the list of targeted sectors as follows:

Table 2
AEDC Targeted Business Sectors

ADVANCED MANUFACTURING	INFORMATION TECHNOLOGY
Adv. Food Manufacturing & Packaging Aerospace / Aviation Automotive (Electric Cars & Suppliers) Energy Storage Devices Paper and Timber Products	Data Centers Software Development / Data Management Technical Support Centers Telecommunications
GREEN ENERGY AND RELATED PRODUCTS	OTHER
Green & Sustainable Building Products Sustainable Agriculture (Bioenergy) Power Electronics / Smart Grid Enabling Technology Solar Component Manufacturing Wind Component Manufacturing	Biosciences Distribution and Logistics Services Regional Headquarters

Development of sector strategies to better target business development is illustrated by the success of the **Arkansas Aerospace Alliance**. The mission of the Arkansas Aerospace Alliance is to: *Grow the infrastructure in Arkansas to recruit, train, and retrain a qualified aerospace workforce and to assist in recruiting, retaining and expanding aerospace companies in Arkansas.* Membership

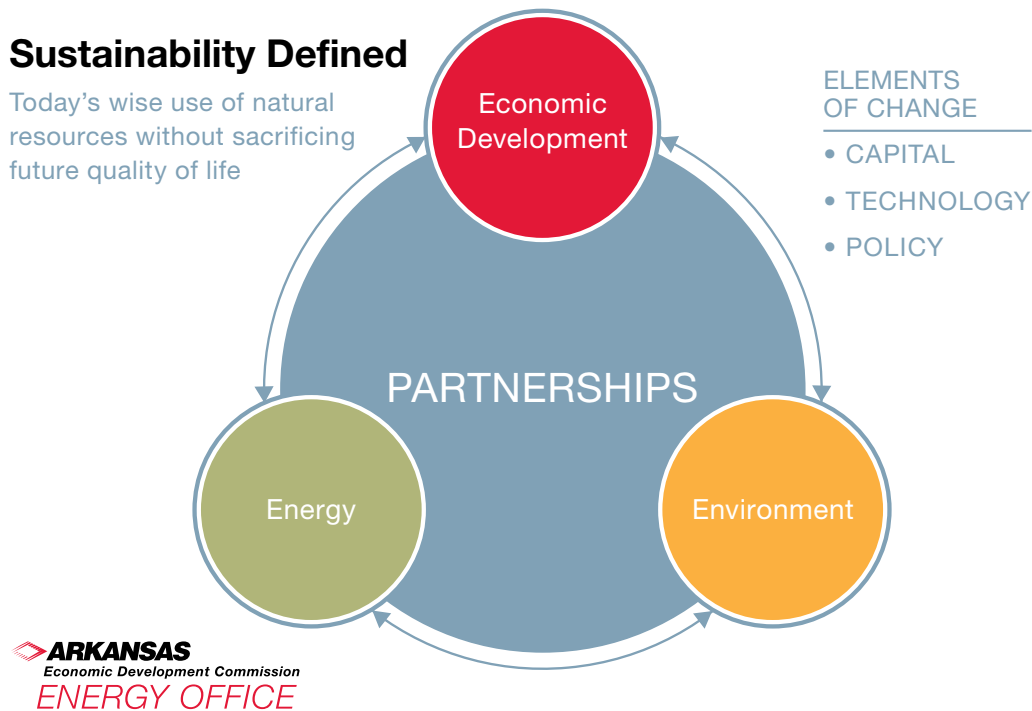
¹⁹ Governor Beebe’s Strategic Plan for Economic Development, p. 46.

includes aerospace companies, state and local government agencies, educational institutions and individuals with a common interest in Arkansas's aerospace industry.²⁰ Since January 2009, the Arkansas Aerospace Alliance has: conducted an Aerospace Summit; developed a marketing strategy for the Aerospace Youth Apprenticeship program; participated in the National Business Aviation Association annual conference; developed a DVD to educate middle school students about aerospace careers; set aside Arkansas Space Grant Consortium scholarships to recipients of Aerospace Training Consortium training; and, facilitated development of an Agricultural Aviation Pilot Institute.

Target Business Recruitment Action Items Completed/Substantially Completed

- The AEDC business development and research marketing divisions, in conjunction with the Institute for Economic Advancement (IEA), conducted **prospect readiness training** in October 2009 to prepare economic developers to respond to company/consultant requests for information (RFIs).
- The AEDC Community Development Division launched a **Prospect Readiness Education Program (PREP)** that educates community leaders about the site selection process. To date, seven communities have been involved in the PREP program.
- The Arkansas Energy Office adopted an **operational definition of Clean, Green and Sustainable** that is consistent with the United Nations definition of “development which meets the needs of current generations without compromising the ability of future generations to meet their own needs.”²¹

Figure 2



A fourth component, not identified in the figure above, but intrinsically tied to any energy strategy, is national security, which is paramount to – and transcends all – partnership policies.

²⁰ Arkansas Aerospace Alliance website, <http://www.arkansasaerospace.com/members.asp>

²¹ World Commission on Environment and Development (Brundtland Commission), 1987, online, available from <http://www.un-documents.net/wced-ocf.htm>

Strategy 3: Enhance Business Retention and Expansion

Between January 1, 2009, and December 31, 2010, the AEDC signed 126 financial incentive agreements with existing companies who proposed investment of \$2 billion and creation of 5,829 jobs. This accounted for 84 percent of all AEDC agreements, 54 percent of proposed jobs and 79 percent of anticipated investment over this time period. Clearly, a majority of AEDC's job creation and investment efforts during the past biennium involved existing industries.

Additionally, the AEDC Training Division worked with 340 companies to provide training assistance to 26,473 workers through the agency's Existing Workforce and Business and Industry Training Programs. Building and maintaining a skilled workforce, as stated emphatically throughout the Strategic Plan, 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

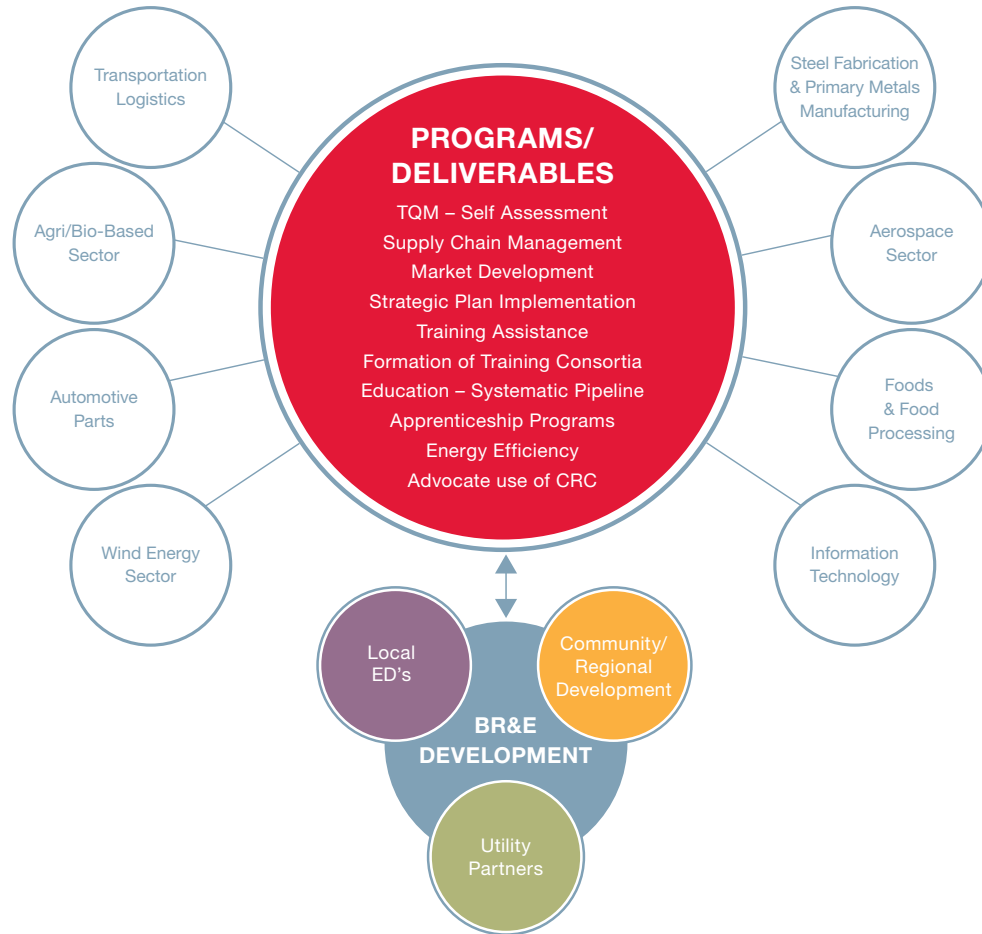


The sectors and programs encompassing the EBRD are presented below in Figure 3.

Figure 3

Existing Business Resource Division

The mission of the Existing Business Resource Division is to identify opportunities and assist Arkansas companies to be more productive, profitable and competitive in the global economy.



Strategy 4: Attract Global Investment and Trade

Global investment and trade are key elements of Governor Beebe’s Strategic Plan for Economic Development. The AEDC’s International Office in Little Rock, consisting of ASEAN and European project managers, together with foreign offices in China and Japan, are committed to attracting and retaining the most advanced companies from around the world. Activities include: global investment/lead development in Arkansas, export promotion, marketing and trade missions, and protocol activities which nurture global relationships with foreign businesses, dignitaries and international visitors. The AEDC continues to strengthen partnerships with the **Arkansas World Trade Center** and the **U.S. Export Assistance Center** in Little Rock to accomplish these activities.

Arkansas’s China Office, administered by Yuan and Associates, works with AEDC to identify targeted industries, create marketing materials in Mandarin, present information at conferences, communicate with potential sister provinces, establish cooperative relationships with government agencies and commercial associations and identify global outbound investment opportunities.

Arkansas's Japan Office promotes Arkansas products and services in Japan by participating in trade shows, generating and qualifying trade/project leads, assisting Arkansas visitors and recruiting foreign direct investment.

Table 3
Foreign Direct Investment Between January 1, 2009 - December 31, 2010 New Businesses

	COMPANY	COUNTRY	INITIAL INVESTMENT
EUROPE	Nordex AG	Germany	\$100,000,000
	INEOS Bio	United Kingdom	\$1,300,000
	Beckmann-Volmer	Germany	\$10,000,000
ASIA	Welspun Gujarat Stahl Rohren Ltd.	India	\$130,000,000
	Mitsubishi Power Systems Americas	Japan	\$36,600,000

Table 4
Business Expansions By Foreign-Owned Companies Between January 1, 2009 - December 31, 2010

Bekaert Corporation	Danfoss Scroll Technologies	Domtar Corporation
Evergreen Packaging	Gerdau MacSteel	L'Oreal USA
Nucor-Yamato Steel	Pipeline Jet Stream	Rexam Delta
Rheem Manufacturing	Saint Jean Industries	Tenaris Hickman
Unilever Bestfoods		

The increased prominence of global development has necessitated the addition of several new action items:

- **Develop an International Business Development Strategy**

The Strategic Planning Division will work with the AEDC International Division business developers to develop a complementary strategy that will guide global initiatives.

- **Align State export activities with President Obama's National Export Initiative**

On March 11, 2010, President Barack Obama issued an executive order creating the National Export Initiative (NEI), which aims to double U.S. exports over the next five years. If Arkansas doubles its exports, and if \$185,000 in exports support one job, then Arkansas can realize the addition of 28,470 jobs as a result of meeting President Obama's export goal.²²

²² United States Department of Commerce, International Trade Administration, Exports Support American Jobs, online, accessed 16 July 2010, available from <http://trade.gov/publications/pdfs/exports-support-american-jobs.pdf>

The importance of exports to Arkansas's economy – approximately 1,500 Arkansas companies exported more than \$5.15 billion in goods in 2010²³ – was recognized by Governor Beebe, who in 2009 instituted the Governor's Award for Excellence in Global Trade Program. Honorees for 2010 represented a cross section of Arkansas industries and included:

- Pernod Ricard of Fort Smith, premium wine and spirits bottler
 - Allen Engineering of Paragould, concrete equipment manufacturer
 - Keo Fish Farm of Keo, world's largest producer of hybrid striped bass fingerlings
 - Power Technology of Alexander, laser manufacturer and designer
- **Develop formal “Export 101” training for businesses new to exporting**
Currently, the State of Arkansas does not have an introductory training module for businesses that need export assistance. The U.S. Export Assistance Center in Little Rock is exploring the opportunity to contract with Export University to provide requisite training.
 - **Further partner with the Arkansas Department of Higher Education and presidents and chancellors of Arkansas colleges and universities to promote the benefits of hosting international students**
An annual study conducted by the National Association of Foreign Student Advisors estimates that international students attending all Arkansas institutions, both public and private, contributed \$67.9 million to the Arkansas economy.²⁴ Additional information from Arkansas post-secondary institutions and the National Association of Foreign Student Advisors should be collected and analyzed to determine ways to capitalize hosting international students.
 - **Enhance capabilities to collect and share data**
Sharing existing data among global partners can help all achieve their core missions. Information sharing can be enhanced through conference calls, dissemination of reports, participation of partners in lead development and investment processes and enhanced access to database information (e.g., CenTradeX).
 - **Expand and improve Arkansas's 17 Sister Cities relationships**
Since 1983, Arkansas cities have established Sister City relationships throughout Europe (the United Kingdom, Belgium, France, Italy), Asia (China, Japan, South Korea, Taiwan) and Mexico. The Sister Cities International Program allows communities to creatively learn, work, and solve problems through cultural, educational, economic, municipal, business, professional and technical exchanges and projects.
 - **Convene quarterly “Global Partner” meetings to initiate ideas and share initiatives specific to the promotion of global business in Arkansas**
The AEDC, Arkansas World Trade Center and the U.S. Export Assistance Center proposed at an inaugural meeting in July 2010, that global partners meet quarterly to discuss strategic initiatives. Quarterly meetings have been occurring throughout 2011.

²³ Arkansas Economic Development Commission, Arkansas Goes Global: 2010 Exports to the World, available from <http://www.arkansasedc.com/media/130525/2010%20export%20statistics%20-%20final.pdf>, accessed 19 July 2011.

²⁴ University of Arkansas Newswire, International Education Lifts State Economy Significantly, available from <http://newswire.uark.edu/article.aspx?id=13599>

Sector-Based Business Development

Corporate/Non-Profit Headquarters: A significant percentage of economic activity in Arkansas is attributable to regional and national corporate headquarters. Industry giants such as Acxiom, Dillard's, J.B. Hunt, Riceland Foods, Tyson Foods and Walmart have remained strong throughout the economic downturn. Notable corporate headquarters additions and expansions since January 2009 include Allied Wireless, Southwest Power Pool, Southwestern Energy Company, Windstream and Verizon.

Sector-Based Business Development Action Item Completed/Substantially Completed

- To help recruit non-profit headquarters, the existing **Non-Profit Incentive Act** was amended by Act 795 of 2009 to reduce payroll thresholds and increase eligibility.

Manufacturing: Manufacturing remains an important part of Arkansas's economy, comprising approximately 15 percent of both covered employment²⁵ and Gross Domestic Product by State.²⁶ Expansions in traditionally strong sectors such as the food and kindred products, aerospace and defense/arms sectors coupled with anticipated increases in machinery (Caterpillar) and energy (Mitsubishi, Nordex, Beckmann-Volmer) will help sustain manufacturing viability.

Bio-Resources: The contribution of agriculture as a percentage of Gross Domestic Product (GDP) by State in Arkansas (10.37 percent) is greater than in any contiguous state, the Southeast U.S. region (6.79 percent) and the U.S. average (5.33 percent).²⁷ In 2009 (latest year of available data), agriculture added \$17 billion of value to the Arkansas economy and supported 275,435 jobs. This accounted for approximately one of every six jobs in Arkansas. Arkansas remains the number one producer of rice and number two producer of broilers among states. Overall, Arkansas is a top 25 producer of 24 agricultural commodities. Arkansas cash receipts from all commodities totaled \$8.13 billion (in current dollars) for the 2009 calendar year.²⁸

Forestry: Forestry, as a component part of agriculture, is the economic lifeblood of many South Arkansas communities. In addition to value-added timber and wood product harvesting and manufacturing, forestry also contributes to forest-based tourism, recreation, watershed protection, wildlife habitat and aesthetic values vital to the economy, environmental health, culture and identity of Arkansas.²⁹ Forestry directly employs 27,886 Arkansans who earn \$1.36 billion in wages annually. This equates to an annual average salary of \$48,806.³⁰ Some of the state's largest manufacturing employers are forest products companies. These include Georgia Pacific (Koch Industries), Evergreen Packaging, Domtar and Weyerhaeuser.³¹

²⁵ Arkansas Department of Workforce Services, 2010 Annual Covered Employment and Earnings.

²⁶ Bureau of Economic Analysis, Gross Domestic Product (GDP) by State and Metropolitan Area, online, accessed 18 July 2011, available from <http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=1>

²⁷ "Economic Contribution of the Agricultural Sector to the Arkansas Economy in 2009," by McGraw, K., J. Popp, and W. Miller. Research Report 990. Arkansas Agricultural Experiment Station, University of Arkansas Division of Agriculture, Fayetteville, p. 3-8

²⁸ Ibid, p. 17.

²⁹ Ibid, p. 24.

³⁰ Ibid, p. 23.

³¹ Arkansas Economic Development Commission, Research Division, Top 40 Manufacturing Employers in Arkansas – 2009, January 2010, online, available from <http://www.arkansasedc.com/media/1936/top%2040%20manufacturing%20employers%202009.pdf>

Bio-Resources Action Item Completed/Substantially Completed

- Act 737 of 2009, exempting **biomass** grown for biofuel production from severance taxes, will help to sustain forestry's future in Arkansas.

The Fayetteville Shale is currently the second most productive shale play in the U.S. and one of the nation's 10 largest natural gas fields of any type. Currently, nine counties have active wells. However, three of these counties – Conway, Van Buren and White – account for 78 percent of active wells.³²

Information Services: Verizon's commitment to maintaining a statewide employment presence of 2,500 following their purchase of ALLTEL is proof positive that Arkansas's information technology sector can support a significant regional headquarters.³³ Another result of this purchase was the formation of Allied Wireless Communications Corporation (AWCC) in Little Rock. AWCC, a subsidiary of Atlantic Tele-Network, Inc. (ATN), was formed in connection with ATN's agreement to purchase wireless properties, licenses and network assets from Verizon Wireless. Currently, AWCC serves 800,000 subscribers in six states – Georgia, North Carolina, South Carolina, Illinois, Ohio and Idaho. The decision by Hewlett-Packard to construct a state-of-the-art customer service and technical support center in Conway is testimony to the fact that Arkansas is nationally competitive in recruiting information technology companies.

Tourism/Film: The Arkansas tourism industry experienced a year of growth in 2010, following consecutive years of contraction. Travel expenditures increased from \$5.377 billion in 2009 to \$5.453 billion in 2010 (1.4 percent). The Arkansas travel industry is an economic bonanza, employing 58,336 individuals and paying \$1 billion in wages and salaries.³⁴

A statewide Tourism Development plan, prepared by Economic Research Associates (ERA), reported that 96 percent of respondents (industry representatives and local business leaders, elected officials and other leaders) to a tourism survey felt that tourism should play a major role in the economic future of their community. More than 85 percent of respondents believed that their community should develop a plan to facilitate the growth of tourism. Additionally, there was general agreement that a more coordinated regional tourism approach was needed.³⁵

³² Arkansas Geological Survey, Fayetteville Shale Location Maps, http://www.geology.arkansas.gov/home/fayetteville_play.htm

³³ Alltel buyer sees more jobs in LR than expected, Bloomberg Businessweek, accessed 26 April 2010.

³⁴ Arkansas Department of Parks and Tourism, 2011 Annual Report, available from http://www.arkansas.com/userfiles/apt_2011_annual_report.pdf p. 74-80.

³⁵ Arkansas Tourism Strategic Plan: Implementation Recommendations, Economic Research Associates, January 2010, ii.

To expedite a regional strategy, the ERA Plan suggested that the Arkansas Department of Parks and Tourism (ADPT) create a Tourism Development Team along with AEDC, the Arkansas Hospitality Association and private vendors to develop a tourism strategy and resources to maximize local and regional tourism development opportunities. Part of the strategy involved targeting new visitor opportunities such as business travelers. Pilot projects emanating from the plan are being developed in Southeast Arkansas and along the Arkansas River. Additionally, the ADPT is creating a “yellow pages” website with links to all programs, incentives and training available to tourism businesses.

The AEDC will continue to partner with the ADPT and local economic development organizations to bolster specific tourism projects that contribute significantly to the economy. A notable example of this collaboration is the joint marketing and advertising campaign between the AEDC and ADPT to promote the opening of the Crystal Bridges Museum of American Art in Bentonville on November 11, 2011.

Several tourism-related acts passed by the 88th General Assembly and signed into law by Governor Beebe will help bolster tourism. These acts include:

- Amending the 2007 **Delta Geotourism Act** by extending the expiration date from 2016 to 2021, increasing the maximum tax credit from \$25,000 to \$100,000, and expanding the eligible geographic area from within five miles to 30 miles of a national scenic byway.
- Extending the expiration date of the **income tax credit for rehabilitation of historic structures** from December 31, 2015 to December 31, 2021.
- Creating the **Arkansas Great Places Program** to provide a mechanism to fund entities that undertake projects that: (1) Stimulate economic growth; (2) Enhance local community development efforts; (3) Foster creative economies; (4) Enhance the quality of life in the community where the eligible organization is located; (5) Promote awareness and enjoyment of the natural and cultural heritage of Arkansas; or (6) Foster cooperative efforts among organizations, businesses and government.
- Passing Act 1052 of 2011 which 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.

Tourism/Film Action Items Completed/Substantially Completed

- To support the Arkansas Film Office, Act 816 of 2009 established the **Digital Product and Motion Picture Industry Development Act** to incentivize digital content production in Arkansas. Eligible production companies may receive a 15 percent rebate on qualified development, pre-production, production or post-production costs incurred in Arkansas and a 10 percent rebate for the payroll of “below-the-line” Arkansas residents in connection with development, pre-production, production or post-production of state certified projects. To qualify, production companies must spend at least \$50,000 within a six-month period on an eligible project.
 - The Arkansas Film Office has partnered with the ADPT on the **Environmental Film Festival** in Hot Springs and the **Little Rock Film Festival**, both of which assist tourism.
-

Component 3: Economic Development Infrastructure

Highways

Highway accessibility continues to be a prominent site selection factor, ranking first among corporations surveyed and third among consultants surveyed by *Area Development Magazine*. Airport accessibility was more important to consultants (ranking 13th among 26 factors) than corporations (ranking 22nd among 26 factors). Rail and waterborne transportation remained at the bottom of both surveys.³⁶

The Arkansas Highway and Transportation Department received a considerable amount of funding from the American Recovery and Reinvestment Act (ARRA) in 2009-2010 – \$351.5 million for highways and bridges and \$28 million for transit capital grants. However, unfunded state highway needs for the next decade are estimated at \$19 billion.^{37,38} Funding to reauthorize \$575 million in GARVEE bonds to repair approximately 300 miles of interstate highways was secured for ten years when voters approved a statewide ballot initiative on November 8, 2011. Additionally, a proposed constitutional amendment would allow voters in November 2012 to decide on a half-cent sales tax increase with a ten-year sunset to finance a \$1.8 billion bond program for construction of a four-lane highway system linking every part of the state.



Community Development Block Grants

Since 1983, Housing and Urban Development (HUD) Community Development Block Grant (CDBG) funds received by AEDC have been Arkansas's most consistent source of economic and community development funding. Goals of the CDBG program are to enhance a suitable living environment for Arkansans, improve the availability, accessibility and affordability of public facilities and public infrastructure, and to improve the economic opportunity of Arkansans by identifying and funding economic development projects that provide new jobs.

³⁶ The 25th Annual Corporate Survey & 7th Annual Consultants Survey, *Area Development Magazine*, <http://www.areadevelopment.com/AnnualReports/jan2011/corporate-consultants-survey-site-selection2011-39290.shtml>.

³⁷ Arkansas State Highway and Transportation Department, webpage, American Recovery and Reinvestment Act 2009, <http://www.arkansashighways.com/ARRA/arra2009.aspx>.

³⁸ Dan Flowers: Sales Tax Would Create \$1.8 Billion to Maintain, Repair Roads, *Arkansas Business.com*, 20 January 2011.

As Table 5 illustrates, CDBG funding since the release of the Strategic Plan has been significant.

Table 5
CDBG Allocations by FY and Source: FY 2009 - 2012

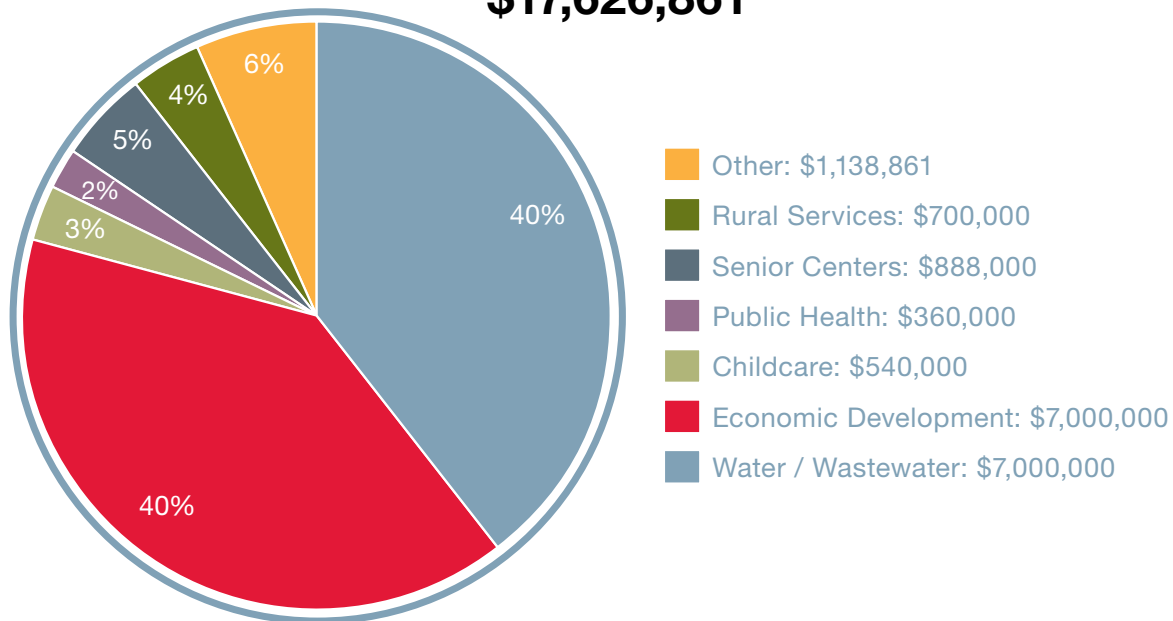
FISCAL YEAR	ANNUAL ALLOCATION*	DISASTER ASSISTANCE APPROPRIATIONS**	ARRA	TOTAL
2012 (07.01.11 – 06.30.12)	\$17,626,861			\$17,626,861
2011 (07.01.10 – 06.30.11)	\$20,993,576			\$20,993,576
2010 (07.01.09 – 06.30.10)	\$19,270,282	\$70,181,041		\$89,451,323
2009 (07.01.08 – 06.30.09)	\$18,962,771	\$25,042,358	\$5,144,608	\$49,149,737
Total (07.01.08 – 06.30.12)	\$76,853,490	\$95,223,399	\$5,144,608	\$177,221,497

* Not including program income

** Allocations are assigned to the fiscal year in which funds were released by the Federal government to Arkansas.

Approximately 40 percent of the Fiscal Year 2012 allocation was “set-aside” for economic development to help attract new industry to the state and support the expansion of existing industries. Another 40 percent was allocated to water and wastewater projects. The remaining 20 percent was divided among other projects such as childcare, public health, senior citizen centers, rural services and technical assistance and administration as illustrated in Chart 6 below.

Chart 6
CDBG Fund Distribution
July 1, 2011 - June 30, 2012
\$17,626,861



Between January 1, 2009, and December 31, 2010, \$24.8 million of CDBG economic development funds have been awarded or committed to 36 projects that are projected to create 2,829 jobs. These projects will leverage approximately \$128 million in other funding to produce a 5.16 leverage ratio. CDBG funds are also being utilized for:

- Technical assistance grants to assist in the development of strategic plans for eligible communities or groups of communities that form regional economic development organizations
- Small or micro enterprise grants and loan programs
- Workforce training

In addition to annual allocations for fiscal years 2009 through 2012, the CDBG program received \$5,144,608 from ARRA and \$95,223,399 for disaster assistance. ARRA money will fund 14 projects for infrastructure and public facility construction and repair, energy efficiency improvements and projects that provide job training.³⁹ Disaster assistance funding is being used for expenses related to immediate disaster relief, long-term recovery, and restoration of infrastructure, housing and economic revitalization. Long-term recovery may include planning grants; repair, replacement or construction of industrial buildings that were damaged or destroyed by the disasters; and, for the awarding of incentives to attract new industry to areas that were affected by the disasters.⁴⁰ At least \$10 million of disaster funds were allocated specifically to economic development.

Intermodal Authorities

Since passage of Act 690 in 1997,⁴¹ seven intermodal authorities have formed in Arkansas. Geographically, intermodal authorities are any two or more municipalities, any two or more contiguous counties, or any one or more municipalities together with any one or more contiguous counties. Legally, intermodal authorities are public corporations that are authorized to acquire, equip, construct, maintain and operate regional intermodal facilities. Intermodal authorities have the power to contract; raise, receive and disburse funds; acquire property; and, otherwise operate as a public corporation. Intermodal authorities also have distinct tax advantages and can operate as Foreign Trade Zones. Two of these, the **Western Arkansas Intermodal Authority** and **Southwest Arkansas Intermodal Authority** formed during 2010.

One or several contiguous counties may also form **Regional Mobility Authorities** to plan, construct, operate, or fund improvements to transportation systems within the territory of the regional mobility authority. The powers of Regional Mobility Authorities are broad and include the ability to construct, acquire, operate and maintain transportation projects or systems; enter into contracts and agreements; levy, collect and expend funds; and, appoint boards of directors to carry out all necessary powers and duties. Act 524 of 2011 expanded the powers of Regional Mobility Authorities by affirming rail, waterway and trail projects as eligible undertakings that may be pursued by Regional Mobility Authorities and by allowing public/private Regional Mobility Authority partnerships.

³⁹ Utilizing CDBG-R Funding from the American Recovery and Reinvestment Act Action Plan, Substantial Amendment for Program Year 2008, Arkansas Economic Development Commission, June 2009, p.2.

⁴⁰ Utilizing Supplemental CDBG Disaster Recovery Funding from the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2000, Arkansas

⁴¹ [1997 Ark. Acts 690](#).

Utilities

The AEDC hosts a quarterly **Utility Allies Meeting** that keeps utility partners apprised of recent statewide economic development activities. Participating utilities include Oklahoma Gas and Electric, American Electric Power (SWEPCO), Entergy Arkansas, Arkansas Western Gas Company, CenterPoint Energy, Conway Corporation and the Electric Cooperatives of Arkansas. The Office of the Governor, AEDC executive staff and other utility representatives that have pertinent items to discuss are also invited to attend.

Utilities Action Item Completed/Substantially Completed

- One of the key initiatives emanating from the Utility Allies Partnership was **Arkansas Site Selection Center** (www.ArkansasSiteSelection.com), a research center for economic developers and site selection specialists. The site, under the direction of Entergy's Teamwork Arkansas, through a partnership with AEDC, is a central portal that makes researching Arkansas communities and properties simple, informative and productive. It features interactive maps, a database of buildings and sites, detailed and up-to-date demographics, and business data, which allows economic developers, site selection consultants and businesses to analyze and evaluate potential sites and communities.

Broadband

As information technology progresses, broadband connectivity has become a required infrastructure component. The importance of broadband as an engine of economic growth cannot be underestimated. According to a report by the CSE Freedom Foundation, the Arkansas Capital Corporation (ACC) maintains that bringing broadband Internet to the entire state could create 8,200 new jobs and add \$2.6 billion annually to the Gross State Product.⁴²

The enhancement of broadband capabilities throughout Arkansas has been a primary focus of **Connect Arkansas** and is also a funding consideration of the Delta Regional Authority. Connect Arkansas's mission is manifest in three core activities: determination of broadband capabilities and deficiencies through research, mapping and analysis; education through planning, communication and training; and, providing equipment and access to enhance Internet availability.

Connect Arkansas was awarded Federal funding to implement a statewide web-based referral network, named *Arkansas SourceLink* which links small and emerging business owners (regardless of their location) in Arkansas to local resource providers. The Arkansas SourceLink network will consist of nonprofit organizations that provide services to grow small businesses in Arkansas. These organizations include small business development groups, government entities, loan programs, chambers of commerce, community development organizations, technical or legal assistance providers, organizations specializing in helping various special interest groups, etc. Connect Arkansas is currently compiling data to populate the database of resource providers.

⁴² Andrew Jensen, "Connect Arkansas Aims to Expand Broadband," *Arkansas Business Today*, 1 January 2009.

Broadband Action Items Completed/Substantially Completed

- Act 1234 of 2009 appropriated, via ASTA, \$2,975,000 for **Connect Arkansas** to further their mission of facilitating broadband access across Arkansas. To date, \$375,000 of this appropriation has been made available to Connect Arkansas. Additionally, Connect Arkansas has received grant funding of \$1.6 million from the National Telecommunications Information Administration to map broadband access in Arkansas and \$7.8 million in ARRA stimulus funding for Sustainable Broadband Adoption and an extension of the organization's mapping efforts.
- Act 290 of 2011, 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 areas.

The **Delta Regional Authority** (DRA) has also defined Internet connectivity in the Delta as one of its three goals: *To strengthen the Delta's physical and digital connections to the global economy.*⁴³ In furtherance of this goal, DRA released a technology plan – *iDelta: Information Technology in the Delta* – to improve education, enhance entrepreneurship and improve health care with information technology.

Energy

The Arkansas Energy Office (AEO), a division of the AEDC, has undergone significant reorganizations since its creation as a cabinet level state agency in 1977. Currently, some of the AEO's core duties and responsibilities include:

- Proposing executive and legislative measures on energy related matters
- Promulgating rules and regulations for the purpose of implementing and prescribing enforcement for thermal and lighting efficiency standards for new building construction in the state
- Developing and implementing emergency plans, as needed, to allocate the distribution of motor fuels, aviation fuels, heating oil, and propane by wholesale jobbers and dealers, within the state
- Compiling a state energy profile which includes, but is not limited to, data on the demand for and supply of renewable and nonrenewable energy resources
- Administering a public energy awareness program to inform and demonstrate to the public the importance and methods of utilizing energy conservation and renewable energy resources⁴⁴

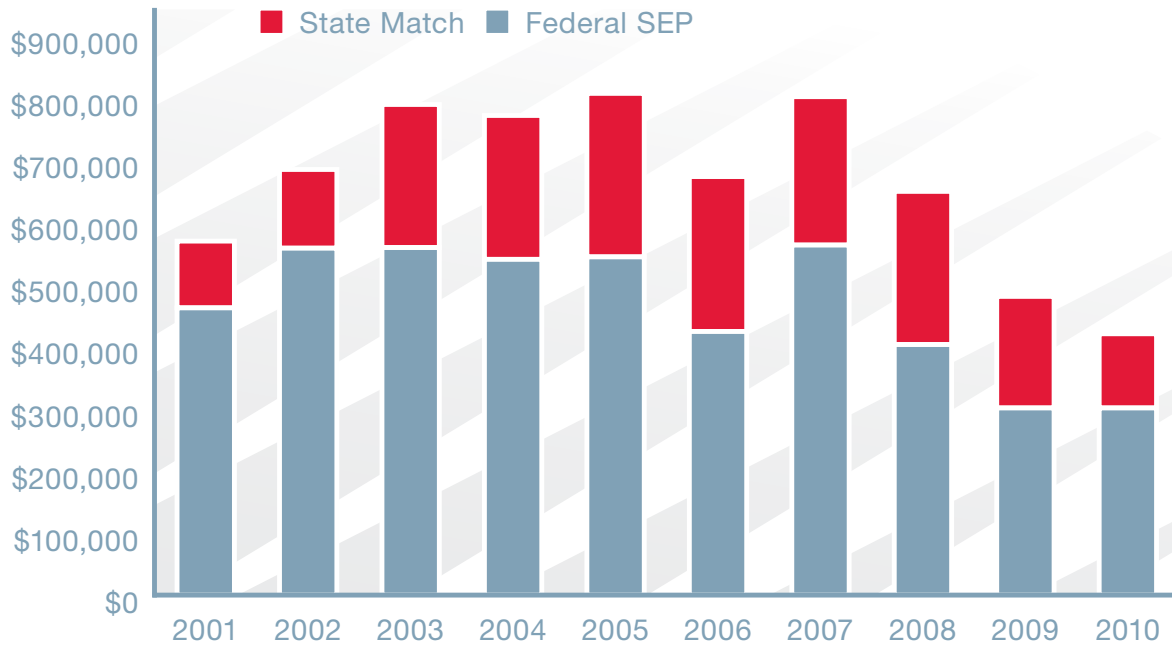
⁴³ Arkansas's Five-Year Delta Development Plan for the Delta Regional Authority 2009-2014, Arkansas Governor's Office, online, available from, <http://www.dra.gov/econom-devel/default.aspx>

⁴⁴ Ark. Code. Ann. §15-10-205.

AEO Funding

Primarily, the funding for the AEO has come from the U.S. Department of Energy under the State Energy Program (SEP). Each year, this funding is accompanied by a required state match of at least 20 percent.

Chart 7
Arkansas Energy Office Regular Funding



AEO Activities Beginning in 2009

The AEO transformed dramatically in 2009 due to the influx of \$52.2 million from ARRA. This funding came in four separate pools of money collectively allocated to 16 projects. The majority of the money is focused on improving the energy efficiency of industry and public buildings. Additionally, there are projects that focus on helping individuals improve their homes' efficiency and harness renewable energy resources. Table 6 below depicts this allocation by the areas targeted.

Table 6
ARRA Funding Received by the AEO

PROGRAM AREAS	FUNDED PROJECTS	ALLOCATED FUNDING
Industry	5	\$17,070,103
State Buildings	3	\$11,883,000
Cities and Counties	2	\$7,619,294
Residential Consumers	1	\$6,614,326
Training	1	\$2,711,066
Renewable Energy	2	\$2,281,806
Education	1	\$667,990
Energy Assurance	1	\$404,090
Program Administration	n/a	\$2,959,815
Total	16	\$52,211,490

The following are a few examples of these programs:

- The **Green Technology Grant Fund** offers \$2.7 million in grants to Arkansas clean technology companies that make or sell products that contribute to renewable energy production or storage, energy efficiency, or that result in an overall reduction in energy use.
- The **Sustainable Building Design Revolving Loan Fund** provides \$12 million in loans for energy efficiency improvements in state buildings.
- The **LED Traffic Signals Project** (\$0.8 million) is a partnership with the Arkansas Highway and Transportation Department to replace incandescent fixtures in traffic signals with new LED fixtures in the remaining communities in Arkansas where incandescent bulbs still exist. Cumulatively, there will be approximately 408 intersections upgraded, replacing 9,830 incandescent traffic signal and 767 pedestrian signal bulbs with LEDs. Electricity usage will be reduced from 4.2 million to 0.39 million kilowatt-hours.
- The **ENERGY STAR® Appliance Rebate** program provided rebates to Arkansans who purchased qualifying ENERGY STAR® appliances to replace existing models. More than \$4.1 million of rebates were awarded for purchase of refrigerators, clothes washers, and certain hot water heaters. The rebate values were designed to offset the price premium of ENERGY STAR® products.

- The **Renewable Technology Rebate Fund** provides \$1.8 million in rebates for the installation of renewable energy systems in the form of small-scale electric generation and solar hot water systems. Small-scale electric generating systems can be either solar- or wind-powered and must be net-metered. The rebate amounts for small-scale electric generating systems are based on the total annual electric production from each system. The rebate amount for solar hot water systems is based on the square feet of thermal collector area used for the system.
- The **Building Training Centers of Excellence** (\$2.7 million) is providing funds to two colleges – Pulaski Technical College and NorthWest Arkansas Community College – to develop curriculum based on national certification programs and provide instruction to students on how to assess and improve the energy efficiency of residential buildings. Specifically, they will train energy auditors, energy raters and contractors.
- The **Enhancing State Government Energy Assurance Capabilities and Planning for Smart Grid Resiliency** project (\$0.4 million) will integrate new energy portfolios, such as Smart Grid technology, into an energy assurance and emergency preparedness plan for Arkansas. This planning effort will help contribute to the resiliency of the energy sector, including the electricity grid, by focusing on the entire energy supply system, which includes refining, storage, and distribution of fossil and renewable fuels.

The major energy-related Strategic Plan action item – *The AEDC will create an agency subgroup of biofuels and policy expertise that will develop a bioenergy strategic outline for internal vetting and eventual development into a statewide plan* – is being broadened into a State Energy Plan which will include all areas of energy, not just bioenergy.

The foundation of the State Energy Plan will be built upon Governor Beebe's five goals for energy which are:

1. Meet the full potential of our biomass resources through the widespread production of biofuels.
 2. Increase our energy independence as both a nation and a state by maximizing energy efficiency and encouraging the development of biofuels, natural gas, and solar and wind energy.
 3. Encourage an economic transformation by providing the training and demand for 21st Century green jobs.
 4. Transform state government into a leader in building and transportation efficiency and sustainability.
 5. Foster the sustainable use of Arkansas's resources that will enable environmental preservation and economic prosperity.
-

The strategic framework for the State Energy Plan will include the following tentative core strategies:

Strategy 1: Encourage the adoption of energy efficiency practices and technology to reduce the need for new generation capacity, lower costs to consumers and make industries more competitive.

Strategy 2: Develop a workforce that is trained to deliver energy efficiency and clean technology services and practices, as well as to support manufacture of clean energy related technologies.

Strategy 3: Pursue sustainable policies that are conducive to attracting clean energy technology companies to Arkansas.

Strategy 4: Encourage the development of clean energy technologies and fuels.

Strategy 5: Support a balanced portfolio of resources to provide electricity that is affordable, reliable, secure and environmentally sustainable.

The AEO has begun to identify a variety of stakeholders to solicit input into the planning process. Proposed entities include state government agencies, Federal government agencies and officials, representatives of the energy industry, nonprofit organizations, and major energy users/interested parties. The AEDC will use the aforementioned goals and input from stakeholders to develop the State Energy Plan which will be drafted and revised in a fashion similar to the process used to develop Governor Beebe's Strategic Plan for Economic Development.

Component 4: Competitive Business Climate

One of Governor Beebe's most pronounced economic development goals is to compete more effectively in the global marketplace for new jobs. Recruiting new jobs, as well as retaining existing jobs, requires a business climate that maintains a skilled and adaptive workforce, develops available infrastructure, provides competitive utility costs, offers comprehensive economic incentives and has a tax structure that is conducive to business development. Arkansas's competitive position, relative to other states in regard to these components, was the deciding factor in landing major projects such as Beckmann-Volmer, Caterpillar, Hewlett-Packard, Mitsubishi, and others. Building upon these successes will require Arkansas to continue to alleviate barriers to business development and be able to assist companies with the financial and infrastructure needs required to prosper. During the past two years, several initiatives (in addition to those previously discussed) have helped to remove barriers to Arkansas's competitiveness.

Capital/Infrastructure Action Items Completed/ Substantially Completed

- The 87th General Assembly replenished the **Governor's Quick Action Closing Fund** (QACF) through FY 2011. However, funding must be secured for the next biennium to ensure that Arkansas can continue to compete for new projects.
- Appropriating \$30 million, via Act 967 of 2009, to establish a **Technology Acceleration Fund** patterned after QACF and supported by AEDC, ADFA, ASTA and Accelerate Arkansas. Funding, however, has yet to be provided.
- **Passage of Amendments 89 and 90.** Two economic development-related amendments to the Arkansas Constitution (Amendments 89 and 90) were approved by voters in November 2010. Amendment 89 to the Arkansas Constitution repealed constitutional provisions setting the maximum lawful rate of interest on governmental bonds and loans; provided that the maximum lawful rate of interest on loans by federally insured depository institutions shall remain at the rate resulting from the Federal preemption effective on March 1, 2009; and, stipulated that the maximum lawful rate of interest on any other loan or contract shall not exceed 17 percent per annum.⁴⁵ Amendment 89 also allows energy savings to be pledged to the retirement of bonds focused on energy efficiency. Amendment 90 to the Arkansas Constitution removed the investment thresholds from Amendment 82.⁴⁶ Act 1047 of 2011, which implemented Amendment 90, removed the requirement of 500 new jobs and \$500 million investment, previously required by Amendment 82 to the Arkansas Constitution, and required that businesses seeking benefits under Amendment 82 meet the "eligible business" definition of the Consolidated Incentive Act.⁴⁷
- Act 828 of 2011 authorizes the levy of local sales taxes to fund economic development projects meeting stipulated preconditions.

⁴⁵ House Joint Resolution 1004, Proposing an Amendment to the Constitution of Arkansas Concerning the Interest Rate Limits, State of Arkansas, 87th General Assembly, Regular Session 2009, 8 April 2009, <http://www.arkleg.state.ar.us/assembly/2009/R/Bills/HJR1004.pdf>

⁴⁶ House Joint Resolution 1007, To Amend Amendment 82 of the Constitution of Arkansas to Authorize the General Assembly to Establish Criteria Before Authorizing the Issuance of Bonds for Prospective Employers Planning an Economic Development project, State of Arkansas, General Assembly, Regular Session 2009, 10 February 2009, <http://www.arkleg.state.ar.us/assembly/2009/R/Bills/HJR1007.pdf>

⁴⁷ State of Arkansas, 88th General Assembly, Regular Session 2011, [Act 1047](#), p. 2-4.

Economic Development Incentive Action Items Completed/Substantially Completed

- Passing Act 736 of 2009 to provide an **income tax exemption for windmill blade and component manufacturers**. This has helped Arkansas garner a competitive advantage in wind energy manufacturing by helping to recruit Nordex, Mitsubishi, LM Wind Power and Beckmann-Volmer.
- Amending the **Non-Profit, Consolidated Incentive and Research Park Authority Acts** to make these incentives available to more projects.
- Since the inception of Governor Beebe's Strategic Plan for Economic Development in January 2009, Arkansas has received an allocation of \$125 million in **New Market Tax Credits (NMTCs)** that is being used to expand educational, healthcare and economic development opportunities. Currently, financing through NMTCs is being secured for both public and private sector projects.
- Act 1232 which established a consortium composed of the University of Arkansas at Fayetteville, UALR and ASU focused on electrical energy training to be headquartered at the **National Center for Reliable Electrical Power Transmission (NCREPT)**.

Tax/Regulatory Policy Action Items Completed/Substantially Completed

- To enhance the competitiveness of utility costs, Governor Beebe signed into law Act 695 of 2009 and Act 754 of 2011 which reduced the **state sales tax on the consumption of energy** utilized by manufacturers to 2.75 percent.
- Requiring that cities and counties in Arkansas that issue building permits adopt the **most recent state energy code** for new building construction.

During the upcoming year, the following actions are priorities to increase the competitiveness of Arkansas's business climate:

- **Secure funding for appropriations.** Several acts passed in 2009 for statewide economic development initiatives, including the Post-Doctoral Incentive Program, the Technology Acceleration Fund and Connect Arkansas need to receive a substantial percentage of their appropriated funds to be successfully implemented. Additionally, future funding must be secured for Innovate Arkansas, the Governor's Quick Action Closing Fund, the Economic Infrastructure Fund and the Existing Workforce Training Program.
- **Draft new incentive legislation** to help recruit certain types of renewable and emerging energy technology manufacturers.
- **Assist local economic development entities with securing new sources of economic development funds** and by supporting efforts to remove barriers to collecting revenues for local economic development endeavors. Three laws enacted in 2011 established mechanisms by which local governments could receive income for economic development initiatives. These include:
 - Act 1048 of 2011, **the Retirement Community Program Act**, was amended to create a pilot program that would permit the certification of ten communities as "certified retirement communities" and provide services to such certified communities should funding become available.
 - Act 895 of 2011, authorizes state match funding (if available) to **regional economic development partnerships** to share costs of eligible marketing and promotional expenses associated with implementing

a regional strategic plan.

- Act 1166 of 2011, provides an income tax credit, dependent upon state General Improvement Funds, for the rehabilitation or development of property within a central business improvement district.

A key on-going action item is to acquire and leverage more capital resources at Federal, state and local levels

Finally, the AEDC helped sponsor two energy-related acts passed by the 88th General Assembly:

1. Add Flexibility to the Process of Updating the Arkansas Energy Code

One of the responsibilities bestowed upon the AEO in its enabling legislation is to “promulgate reasonable rules and regulations for the purpose of implementing and prescribing enforcement for thermal and lighting efficiency standards for new building construction in the state.”⁴⁸ The Arkansas Energy Code was first adopted in 1979 and subsequently updated in 1992 and again in 2004. In order to add more flexibility to the process of updating the Arkansas Energy Code, references to specific dates in § 15-10-205 were removed which allows the Arkansas Energy Code to be updated through the Administrative Procedures Act without the additional need of amending the Arkansas Code, which can only be done every other year.

2. Clarify the Lead by Example Framework (Act 803 of 2011)

In 2009, Act 1494 created the Sustainable Energy-Efficient Buildings Program, which prescribes actions that must be taken by state agencies to address the use of energy in state-owned buildings. Act 803 of 2011 corrected a few minor changes in the enabling legislation at § 22-3-2003, § 22-3-2004 and § 22-3-2006 to clarify the Lead by Example Framework.

Other energy-related legislation passed by the 88th General Assembly includes:

- Act 347 amends the Arkansas Alternative Fuels Development Act to include propane.
- Act 832 amends the Arkansas Alternative Fuels Development Act to allow for the issuance of rebates to those converting vehicles to operate on compressed natural gas.
- Act 791 amends existing law to allow for the proper handling of salt water from either oil or gas wells. It specifies that the current credit (\$370,000 per year) is available both for oil and gas producers and allows for the credit to be used against the severance tax.
- Act 734 amends the Arkansas Alternative Fuels Development Act to include “biogas” in the definition of alternative fuels.
- Act 735 amends the Arkansas Clean Energy Development Act to include natural gas utilities. It allows for the use of biofuels to satisfy a public utility’s energy efficiency or conservation goals.
- Act 1165 amends the Arkansas Alternative Fuels Development Program to allow for rebates for conversions to bi-fuel or dedicated CNG use by school buses. It allows the Arkansas Agriculture Department to make rebates, not to exceed \$50,000 per school district, for the incremental cost of conversion to dedicated or bi-fuel compressed natural gas use.

⁴⁸ [Ark. Code Ann. § 15-10-205\(b\)\(3\)\(A\)](#).

Component 5: Collaborative Partnerships

Numerous public and private economic development collaborative partnerships with local, state and Federal entities have been fostered since inception of the Strategic Plan. Prominent state government partners include: the Governor's Office, the Legislature, state agencies and educational institutions; and, specific entities including the Governor's Workforce Cabinet, the Water Wastewater Advisory Committee and the State of Arkansas Consolidated Plan Agency Advisory Board. Federal partnerships with the Delta Regional Authority, the Department of Energy, the United States Department of Commerce, the United States Department of Housing and Urban Development and Farmers Home Administration have also been solidified through strategic planning, program implementation and project development.

Partnerships from private and public-private sectors have also helped implement strategic planning initiatives. These partners include:

- Innovate Arkansas (Winrock)
- EAST
- Arkansas State Chamber of Commerce
- Arkansas Economic Acceleration Foundation (Donald W. Reynolds Foundation)
- Arkansas Research Alliance
- Connect Arkansas
- Arkansas Capital Corporation
- Accelerate Arkansas
- Public and Private Utilities
- Planning and Development Districts/Economic Development Districts/Arkansas Association of Development Organizations
- Regional Economic Development Partnerships
- Intermodal Authorities
- Arkansas Economic Developers
- Arkansas Municipal League
- Association of Arkansas Counties (County Judges)

Most importantly, partnerships with businesses that create the actual jobs, and the communities, which are the lifeblood of economic development, will continue to be priority relationships.



The AEDC has provided grant funding to six regional entities to develop regional strategic plans which are symbiotic with Governor Beebe's Strategic Plan for Economic Development. A short description of each of these AEDC-funded regional strategic planning initiatives follows.

The **Crossroads Coalition**, a nine-county regional organization consisting of Crittenden, Cross, Lee, Mississippi, Monroe, Phillips, Poinsett, St. Francis and Woodruff counties, was formed in 2005 to promote broad-based economic development. In 2009, the Crossroads Coalition engaged Boyette Strategic Advisors to develop a Strategic Blueprint (Blueprint) focused on enhancing current efforts to attract jobs and promote the region as a business location. The development of the Blueprint involved:

- Conducting an assessment of the region and its assets related to economic development
- Identifying or confirming targeted industry sectors or opportunities for the region
- Developing strategic recommendations for the Crossroads Coalition to attract and develop such sectors
- Developing strategic communications and marketing recommendations to positively impact the perception of the community among key target audiences
- Establishing performance measures related to the visions, goals and objectives of the Blueprint

The coalition is currently working to implement the recommendations of the Blueprint in the following program areas: economic development, education and workforce, community development, leadership and communications and marketing.

Established in 2010, the **Southwest Arkansas Regional Intermodal Authority** is comprised of five counties: Clark, Dallas, Montgomery, Nevada and Pike. With the goal of enhancing business recruitment and expansion, the Authority is focusing initial efforts on development of regional intermodal resources. A final draft of the Authority's strategic plan, to guide the vision of the Authority and define recruitment and retention targets, was drafted by Boyette Strategic Advisors and released late 2011. To date, the Authority has received external funding from the Southwest Arkansas Planning and Development District, AEDC (strategic planning matching grant) and the U.S. Economic Development Administration (to develop a trans load facility).

The **Hot Springs Metro Partnership**, a two-county collaborative regional partnership consisting of Garland and Hot Spring counties is in the final stages of strategic planning conducted by TIP Strategies. TIP Strategies delivered a final draft plan to the Partnership's Board of Directors and conducted a public roll-out during the Fall of 2011.

The **Arkansas Valley Alliance for Economic Development** is comprised of Pope and Yell counties. The Alliance has recently completed a five-year strategic plan to update its inaugural 2002 plan. The new strategic plan focuses on organizational capacity building, marketing and communication, workforce development, business climate and quality of place enhancements. This focus is symbiotic with the Alliance's mission which is to recruit new businesses, assist existing businesses with expansion opportunities and to continue infrastructure and workforce development enhancements to remain competitive in the marketplace.

The **Fort Smith Regional Economic Development Alliance** is a multi-county, bi-state regional partnership consisting of Crawford, Franklin, Johnson, Logan, Scott and Sebastian counties in Arkansas and Le Flore and Sequoyah counties in Oklahoma. The Alliance globally recruits new industry, works diligently to help Arkansas's largest industrial base expand and is active in legislative affairs. Implementation of a strategic plan prepared by Boyette Strategic Advisors has been ongoing since June 2011. Currently, 12 committees, each with specific but interrelated tasks, are being operationalized. These committees are: Executive; Finance; Nominating; Governmental Affairs; Entrepreneurship; Marketing; Product Development; Tourism; Project Management; Business Retention and Expansion; Education and Workforce Preparedness; and, Community Development.

Finally, the **Northwest Arkansas Council**, comprised of Benton, Carroll, Madison and Washington counties released its most recent five-year strategic plan in January 2011. The Council has been active in organizing four working groups – Infrastructure, Education, Economic Development and Community Vitality – to prioritize the recommendations and initiatives of the strategy. Early accomplishments of the working groups include securing funding, developing quantitative matrices (especially in regard to education and workforce development), brand development, inventorying entrepreneurial resources, prioritizing infrastructure investments, and developing a business retention and expansion framework.

Additionally, there are other regional partnerships such as the **Cornerstone Coalition**, the **Golden Triangle Economic Development Council** and the **Metro Little Rock Alliance**, which formed before the release of Governor Beebe's Strategic Plan for Economic Development in January 2009, that are strategically pursuing initiatives that are consistent with the Strategic Plan's five economic development components. The AEDC staff is actively working with each of these regions to implement strategies which will accomplish each of their missions. Further, AEDC is working with regions that are undertaking formative restructuring – the **Southwest Arkansas Development Alliance** and **North Central Arkansas Regional Economic Development Initiative** – or are in the early stages of formation as is the case with the **Northeast Arkansas Regional Economic Development Coalition**. Appendix A identifies each of these self-formed economic development regions.

Collaborative Partnership Action Items Completed/ Substantially Completed

- The AEDC Community Development division is working with several regions (Appendix A) to develop and implement **regional strategic plans** that will be symbiotic with Governor Beebe's Strategic Plan. To date, grants to foster regional strategic planning have been issued by AEDC to six regional partnerships.
 - Act 1487 of the 87th General Assembly transferred the **Arkansas Workforce Investment Board** to the Arkansas Department of Workforce Services. (Enhancing partnerships with local WIB boards to maximize business and industry participation is a workforce development strategic plan action item.)
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Priorities for the Next Biennium

Since release of the Strategic Plan in January 2009, the AEDC and its economic development partners have completed or substantially completed approximately 60 percent of the Strategic Plan's original 67 action items. Several other action items are in progress and will be completed before the end of the five-year planning period.

Arkansas has made significant progress in achieving Governor Beebe's Five Goals for Economic Development as evidenced by higher per capita personal income, a state budget surplus in time of national fiscal crisis, and the proliferation of collaborative economic development partnerships which have helped to partially ameliorate the three obstacles to economic development identified in the Strategic Plan's Executive Summary written more than two and one-half years ago:

1. Arkansas needs a traditional, systematic approach to an economy supported by knowledge-based jobs.
2. The economic development efforts throughout the state are diffused and inefficient.
3. Arkansas lacks a recurring and predictable funding formula for economic development.

Despite the accomplishments delineated in this document, Arkansas cannot continue to progress economically without enhanced economic development efforts at all levels: public, private, state, Federal, local and regional. A renewed emphasis on completing the Strategic Plan's remaining action items and accomplishing Governor Beebe's Five Goals for Economic Development will drive the activities of the state's economic development partners during the remainder of the implementation period. Below is a summary of major priorities that the AEDC is currently working on.

- 1. Obtaining consistent and recurring sources of funding for economic development by acquiring and leveraging more capital resources at Federal, state, local and private levels.** With Federal budget cuts to programs such as the Community Development Block Grant Program and the reliance upon surplus Economic Infrastructure Funds to fund a significant portion of state economic development infrastructure, maintaining current funding levels for programs such as the Quick Action Closing Fund, Economic Infrastructure Fund and the Existing Workforce Training Program remain precarious. Further, new programs to stimulate capital investment, technology development, entrepreneurship and other knowledge-based job investments will require a new infusion of funding that would be used to leverage private and local funding. While prior years' state economic development allocations have been both generous and flexible, long-range planning requires funding sources that are stable, recurring and predictable. In addition to securing a dedicated and predictable source of state economic development funding, Arkansas needs to prioritize enhanced leveraging of private investment, Federal funding and local investment.

- 2. Continuing to strengthen the linkage between economic development and education/workforce development** through the goals and activities of the Governor's Workforce Cabinet. The revised goals of the Cabinet are:
- a) Determining how to keep top high-school and college graduates (working) in Arkansas.
 - b) Addressing remediation.
 - c) Connecting adult basic education to post-secondary degree programs.
 - d) Connecting businesses more effectively to two- and four-year post-secondary educational institutions via internships, company visits, curriculum development, etc.

Further, regional strategic plans must focus more on education and workforce development pertaining to all sectors of the economy and encompass many of the state's education initiatives such as STEM Works and EAST.

- 3. Enhancing and expanding development and implementation of regional strategic plans.** The AEDC has provided a significant amount of funding to self-formed economic development regions to develop and implement strategic plans that are symbiotic with the Strategic Plan. These plans are both comprehensive and creative. However, the ability of regions to implement these plans is greatly inhibited by a number of fiscal and legal constraints. Developing regional incentives and obtaining appropriations for regional economic development legislation (e.g., Act 895 of 2011) will be prioritized. Doing so will enable regions to implement state strategies while furthering regional priorities.
- 4. Developing a State Energy Plan.** Energy issues affect all aspects of economic development at macro and micro levels. Being positioned to target energy-related companies to locate in Arkansas and assisting existing businesses to become more energy efficient is impeded by the lack of a statewide energy strategy. Each of Governor Beebe's energy goals must be incorporated into a comprehensive and cohesive energy plan.
- 5. Continuing to build upon and implement a statewide existing business retention and expansion strategy based upon industry sectors.** The structure of the program, as stated herein, has been established and is being implemented. Because such a significant amount of job creation and investment is by existing industries, state and local BR&E programs must intensify efforts of existing industries to develop supplier networks, increase exports, train workforce, implement technology, etc.
- 6. Finding ways to fund infrastructure, particularly mobile broadband connectivity and transportation infrastructure.** Transportation costs are increasingly affecting corporations' location decisions. Expanding highway accessibility, rail capacity and port availability are initiatives that can strengthen Arkansas's competitive locational and cost advantages. This will ensure that Arkansas's products can be transported internationally, the key factor in establishing and expanding global markets. Although Arkansas has made impressive strides in increasing broadband connectivity through initiatives such as Connect Arkansas, Arkansas needs to increase access to technology and work with state and Federal agencies and private businesses to enhance mobile broadband and ensure that businesses are able to implement emerging technologies.
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7. **Continuing to broaden Arkansas's job creation efforts.** Traditional incentives and economic development programs have expanded significantly in the past decade to broaden focus on knowledge-based jobs. However, some of the highest paying and fastest growing sectors involve health care, education and natural resources/energy. The AEDC, in conjunction with Governor Beebe, should evaluate existing incentives and economic development policies to determine if further expansion into non-traditional sectors is economically viable and fiscally possible.

