



2021
ACT 1282

REPORT

ARKANSAS
INC

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Act 1282 Report Executive Summary

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

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

Submitted: Annually. This is the current report for calendar year 2021.

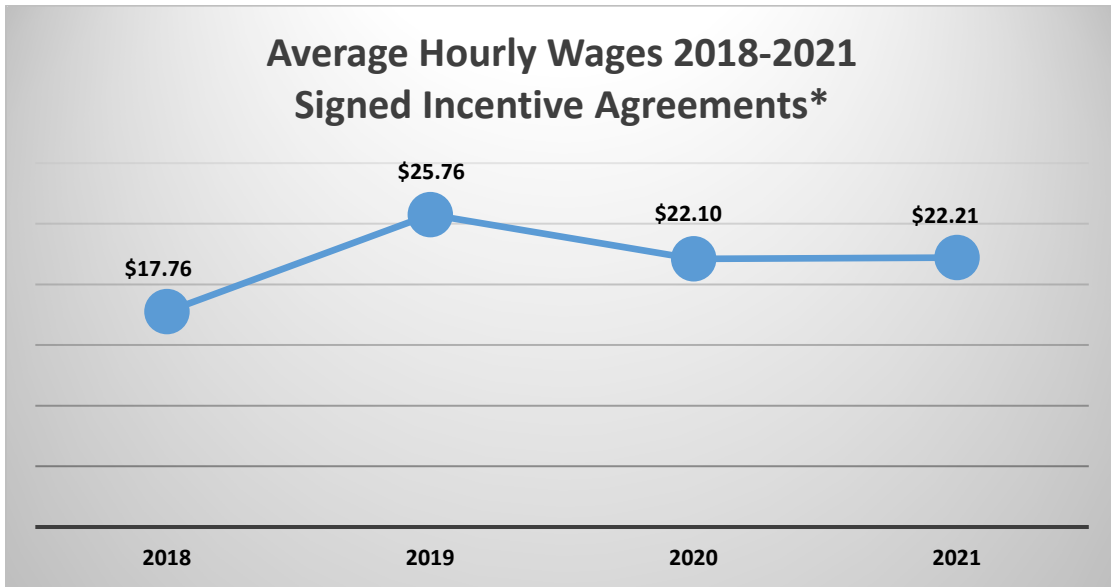
Between January 1, 2018 and December 31, 2021, AEDC signed financial incentive agreements for 897 projects. These agreements are cumulatively projected to create 17,652 new and retained jobs and add \$4,858,290,468 in new investment to Arkansas. For the four-year period, the proposed average hourly wage was \$22.31 per hour, and the average cost-benefit ratio was 5.59. A cost-benefit ratio of 5.59 means that over a 10-year period, the state is projected to receive a return of \$5.59 in state taxes from each \$1 in state tax incentives offered for job creation projects.

Table 1
Summary of Recent Act 1282 Reports (2018-2021)

Economic Indicators	2018	2019	2020	2021	2018-2021 Total/Average
AEDC Projects	210	229	185	273	897/224
Signed AEDC Incentive Agreements	74	100	48	56	278/70
Proposed Jobs	4,279	5,968	2,917	4,488	17,652/4,413
Proposed Investment	\$1,806,870,980	\$1,295,057,446	\$694,987,427	\$1,061,374,615	\$4,858,290,468/ \$1,214,572,617
Proposed Average Hourly Wage	\$17.76*	\$25.76	\$22.10	\$22.21	\$22.31(Avg)*
Cost Benefit Ratio	\$4.44/\$1	\$4.30/\$1	\$6.36/\$1	\$7.24/\$1	\$5.59/\$1(Avg)

*In 2018, the average wage was impacted by a large food processing project with an average hourly wage of \$16.31. If this project was excluded, the 2018 average hourly wage would be \$20.67 and the 2018-2021 average would be \$23.02.

Chart 1



*Includes retained jobs

Chart 2

New and Expanded Job Creation for AEDC Signed Incentive Agreements

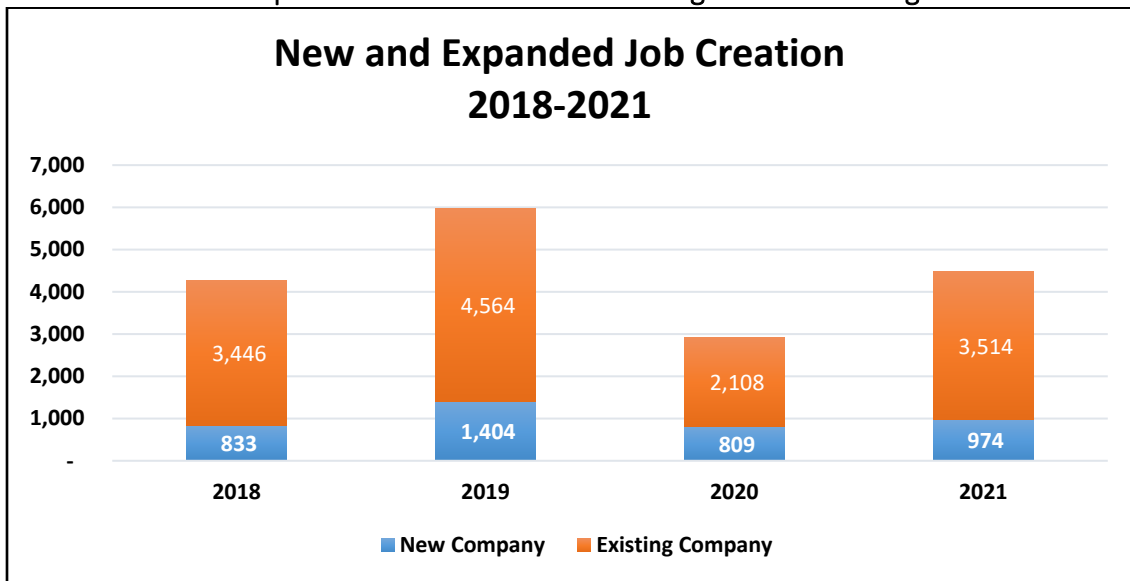
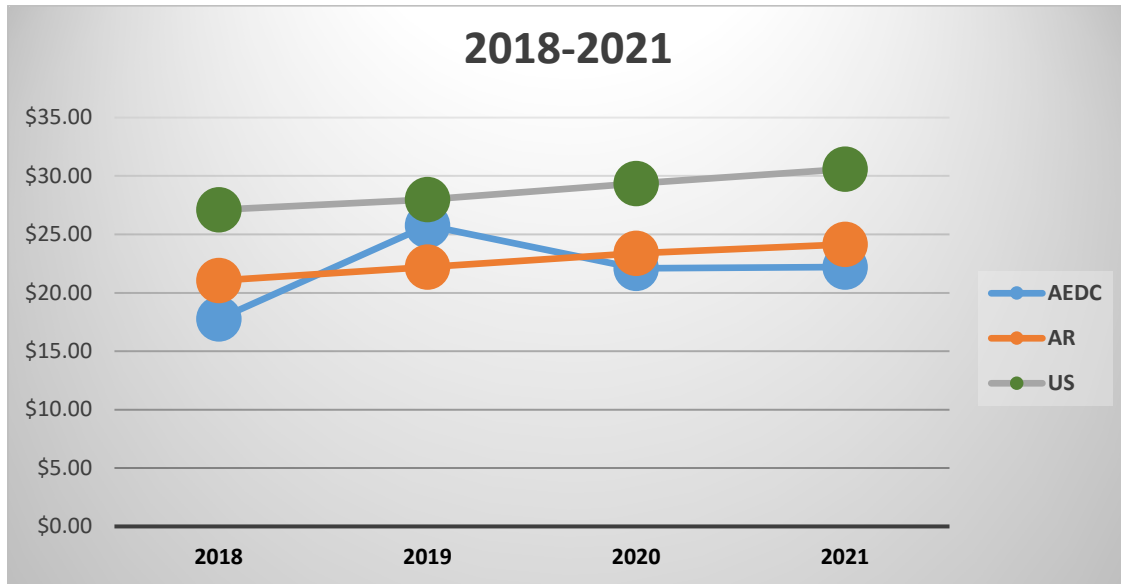


Chart 3
Comparison of Average Hourly Wage of AEDC Proposed Jobs



Sources: Bureau of Labor Statistics, Current Employment Statistics, Not Seasonally Adjusted, Total Private, Average Hourly Earnings of All Employees and AEDC

Part 1 Accounting of All Projects

Table 2
Projects with AEDC Incentive Agreements Signed in 2021
(Represents New and Expanding Companies)

Type of Company	Location	Number of New Jobs	Incentive Program *
Manufacturing	Flippin	50	Advantage Arkansas, Tax Back, Community Development Block Grant
Distribution	North Little Rock	25	Advantage Arkansas, Tax Back
Warehousing and Distribution	Russellville	29	Advantage Arkansas, Tax Back
Manufacturing	Paragould	45	Tax Back
Manufacturing	Crossett	5	Advantage Arkansas
Manufacturing	Clarksville	25	Advantage Arkansas, Tax Back
Manufacturing	Van Buren	35	Advantage Arkansas, Tax Back
Food Processing	Ozark	160	Create Rebate, Tax Back
Food Processing	Huntsville	200	Create Rebate, Tax Back
Manufacturing	Jonesboro	67	Advantage Arkansas, Tax Back
Manufacturing	Lowell	20	Advantage Arkansas, Tax Back
Manufacturing	Benton	50	Advantage Arkansas
Manufacturing	Knoxville	10	In-House Research & Development Tax Credit
Manufacturing	Hope	45	Advantage Arkansas, Tax Back
Manufacturing	Ash Flat	285	Community Development Block Grant)
Manufacturing	Paragould	24	Advantage Arkansas, Tax Back
Manufacturing	Mountain View	24	Advantage Arkansas
Manufacturing	Hot Springs	69	Create Rebate
Information Technology	North Little Rock	N/A	In-House Research & Development Tax Credit
Manufacturing	Danville	10	Advantage Arkansas, Tax Back
Manufacturing	Pine Bluff	77	Wood Energy Products Tax Credit
Manufacturing	Fort Smith	287	Create Rebate, Tax Back, Quick Action Closing Fund, Business and Industry Training Grant
Manufacturing	North Little Rock	45	ArkPlus
Manufacturing	Magnolia	N/A	In-House Research & Development Tax Credit
Food Processing	Fort Smith	122	Create Rebate, Tax Back, Quick Action Closing Fund
Manufacturing	Heber Springs	70	Advantage Arkansas, Tax Back
Metal Recycling	North Little Rock	5	Advantage Arkansas, Tax Back

Manufacturing	Gentry	N/A	Machinery & Equipment Repair & Replacement Sales & Use Tax Credit
Manufacturing	Flippin	50	Advantage Arkansas
Corp. Headquarters	Little Rock	90	Tax Back, Create Rebate
Manufacturing	Jonesboro	100	Tax Back, Advantage Arkansas
Manufacturing	West Memphis	8	Advantage Arkansas, Tax Back
Manufacturing	Berryville	9	In-House Research & Development Tax Credit
Steel Manufacturing	Armored	N/A	Machinery & Equipment Repair & Replacement Tax Credit (Discretionary Option)
Steel Manufacturing	Blytheville	N/A	Machinery & Equipment Repair & Replacement Tax Credit
Manufacturing	Fort Smith	5	Advantage Arkansas, Tax Back, Quick Action Closing Fund
Food Processing	Rogers	31	Advantage Arkansas, Tax Back
Manufacturing	Osceola	N/A	Machinery & Equipment Repair & Replacement Tax Credit (Discretionary Option)
Manufacturing	Glenwood	50	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Little Rock	66	Advantage Arkansas, Tax Back, Quick Action Closing Fund
Manufacturing	Pine Bluff	43	Machinery & Equipment Repair & Replacement Sales Tax Refund (Discretionary Option)
Food Processing	Jonesboro	6	Advantage Arkansas
Manufacturing	Russellville	60	Advantage Arkansas, Tax Back
Manufacturing	Little Rock	175	Create Rebate, Quick Action Closing Fund
Manufacturing	Booneville	10	In-House Research & Development Tax Credit
Manufacturing	Conway	132	Tax Back, Quick Action Closing Fund
Distribution	Rogers	375	Create Rebate
Manufacturing	Little Rock	542	Tax Back, Quick Action Closing Fund
Food Processing	Pine Bluff	68	Advantage Arkansas, Tax Back
Manufacturing	Melbourne	30	Community Development Block Grant
Manufacturing	Lonoke	455	Tax Back, Create Rebate
Manufacturing	North Little Rock	250	Create Rebate
Manufacturing	Harrison	10	Advantage, Arkansas, Tax Back
Manufacturing	Emerson	10	Advantage Arkansas, Tax Back
Warehousing and Distribution	Texarkana	35	Advantage Arkansas, Tax Back
Manufacturing	Searcy	94	Advantage Arkansas

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

- Projects exclusively receiving Research and Development investment tax credits are awarded to early-stage companies that have yet to scale up production and employment. Therefore, job creation is not a required component.
- Tax Back requires that a company must either have an existing job agreement (no older than 48 months) or agree to sign one within two years.
- Replacement and Repair Sales and Use Tax Refund provides a discretionary refund of state sales and use taxes for major maintenance and improvement projects which invest at least \$3,000,000 and have a positive return on the taxpayers' investment.

Clawback provisions – All AEDC-administered incentive programs require recipients to meet performance standards as a condition of receiving benefits. Incentives under the Consolidated Incentive Act (Advantage Arkansas, Create Rebate, Tax Back, ArkPlus, Research and Development) are performance-based, meaning that recipients are required to meet requisite investment and/or payroll/job requirements which are audited by the Department of Finance and Administration (DFA) prior to receiving benefits. Other incentive programs including Tourism, Equity Investment Tax Credits, and Digital Product and Motion Picture Industry Development have submittal, review and award processes that require proof of performance to receive benefits. Written agreements for loans and grants specify reimbursement, repayment or recapture provisions for non-compliance. Typical language includes grant reimbursement amounts for each job not created and personal guaranties, collateral, etc. on loans. Each job creation project that receives funds from the Quick Action Closing Fund has a grant agreement with specific grant reimbursement clawback provisions for failure to create requisite jobs.

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

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

The **Equity Investment Tax Credit Incentive Program (EITC)** is a discretionary incentive program targeted toward new, technology-based businesses that pay wages in excess of 150% of the state or county average wage, whichever is less. AEDC and the Arkansas Development Finance Authority jointly administer the EITC program. The EITC program allows approved businesses to offer 33 1/3% income tax credits to investors purchasing an equity investment in approved businesses. In 2021, seven financial incentive agreements were approved with 748 cumulative proposed jobs with an average hourly wage of \$40.99. These agreements had an increase of 444 new jobs compared to EITC agreements signed in 2020. Projects that signed agreements in the past year are projected to raise approximately \$15,300,000 in equity from investors. The locations, projected employment, and projected average hourly wages of 2021 EITC projects are as follows:

Table 3
2021 Equity Investment Tax Credit Projects

Project Location	Proposed Investment (Minimum Equity Raised)	Proposed Jobs	Proposed Wages
Bentonville	\$500,000	17	\$37.00
Bentonville	\$2,00,000	65	\$56.14
Rogers	\$2,000,000	35	\$57.83
Little Rock	\$3,300,000	588	\$38.24
Little Rock	\$5,000,000	18	\$45.00
Fayetteville	\$1,250,000	12	\$53.33
Fayetteville	\$1,250,000	14	\$33.22
Total CY 2021	\$15,300,000	748	\$40.99

The **Digital Product and Motion Picture Industry Development Incentive Program** allows a qualified production company to receive an incentive, in the form of a rebate or an income tax credit, for eligible expenditures tied to Arkansas based projects. Presently, the Digital Product and Motion Picture Industry Development Incentive Program is not allocated general revenue funding for the rebate option. Therefore, approved projects that opted to receive rebates have been funded from the discretionary Quick Action Closing Fund. In 2021, all 16 Digital Product and Motion Picture projects opted to receive the incentive as a rebate totaling \$7,502,142. (see Quick Action Closing Fund Fiscal Year 2022 report, attached, for expenditure data).

Table 4
2021 Signed Digital Production Incentive Projects

Type of Project	Incentive	Principal Location	Funding Amount
Film Production	Rebate	Little Rock	\$120,000
Postproduction	Rebate	Little Rock	\$15,642
Film Production	Rebate	Subiaco	\$88,000
Film Production	Rebate	Lonoke	\$75,000
Film Production	Rebate	Harrison	\$440,000
Film Production	Rebate	Little Rock	\$228,000
Film Production	Rebate	Little Rock	\$464,000
Film Production	Rebate	Lonoke	\$987,500
Film Production	Rebate	Little Rock	\$99,000
Film Production	Rebate	Bentonville	\$27,000
Film Production	Rebate	Bentonville	\$1,560,000
Film Production	Rebate	Subiaco	\$2,040,000
Film Production	Rebate	Hot Springs	\$87,000
Film Production	Rebate	Little Rock	\$440,000
Film Production	Rebate	Mountain View/LR	\$181,000
Film Production	Rebate	Bentonville, Hiwasse	\$650,000

\$7,502,142

Arkansas Public Roads Improvements and Machinery and Equipment Donation Tax Credit Program Projects

Information pertaining to projects through the Arkansas Public Roads Improvements and Machinery and Equipment Donation Tax Credit programs are presented separately in this section. These programs provide a tax credit incentive to a taxpayer that makes a qualified donation through the program.

The **Arkansas Public Roads Improvements Tax Credit Program** provides an income tax credit incentive to encourage taxpayer participation in capital improvement projects for public roads in Arkansas. The program allows a 33% income tax credit for donations made by a taxpayer to the Public Roads Incentive Fund. Governing bodies may apply to the AEDC executive director to receive funds for approved capital improvements projects that are in the public interest. In 2021, the fund received one donation from a private individual in the amount of \$300.

The **Machinery and Equipment Donation Tax Credit Program** allows a taxpayer to receive a tax credit incentive of 33% of a donation related to new machinery and equipment for an accredited educational institution for use in a qualified educational program or qualified research program. In 2021, the program assisted one manufacturing company with a donation of new machinery and equipment to a qualified education institution located in Berryville. The total amount of the donation was \$212,397.81.

Small Business and Entrepreneurship Division

The Small Business and Entrepreneurship Division of AEDC nurtures entrepreneurial activity generated in Arkansas. The programs administered through the division are listed separately below as benefits are offered for investments in early-stage seed and equity capital investment rather than job creation and long-term, fixed capital investments.

The **Seed Capital Investment Program (SCIP)** provides working capital to support the initial capitalization or expansion of technology-based companies located in Arkansas. SCIP can fund working capital up to \$500,000 of the company's total financing needs. The goal of the program is to foster the formation and development of innovative, technology-based enterprises. Investments made through SCIP can be repaid through a variety of instruments, including direct loans, participations, and royalties. During calendar year 2021, \$400,000 was awarded to two SCIP projects. These projects were in Fayetteville and Benton.

The **Technology Development Program (TDP)** provides royalty financing for qualified projects focused on innovation and leading-edge science and technology. TDP projects must have a well-developed concept and a project plan that demonstrates how the project will lead to employment growth and will expand entrepreneurship in Arkansas. The maximum investment for the program is \$100,000. In 2021, \$150,000 in TDP funds were provided to two companies. These projects were located in Fayetteville and Benton.

The **Technology Transfer Assistance Grant (TTAG) Program** assists Arkansas firms in developing or improving products or processes through the transfer of technical solutions to technology-based, industry-driven problems. TTAG is designed to increase a company's market competitiveness. The program provides grant assistance of up to \$3,750 for costs associated

with the transfer of new or existing technology from a qualified applicant – such as a public or private enterprise, laboratory, college, or university – to an Arkansas based entity. In 2021, 20 grants were awarded to 15 entities totaling \$68,625. These projects were located in Bentonville (2), Bryant (2), Conway, Fayetteville (10), and Little Rock (5).

The **Arkansas Business and Technology Accelerator Grant Program** provides discretionary grants up to \$250,000 to applicants for the administration of a business and technology accelerator. The purpose of a business accelerator is to connect innovative, early-stage companies with investors and industry professionals who provide participants with guidance on future growth and strategic development. In 2021, AEDC approved \$2,075,000 in grant funding for the development of nine accelerator programs.

Table 5
2021 Arkansas Business and Technology Accelerator Grant Program

Accelerator	Accelerator Description	Amount
Supply Chain Plug N Play	Supply chain and logistics	\$200,000
FIS FinTech	Financial tech for startups	\$250,000
ICBA ThinkTech	Financial tech for community banks	\$250,000
FUEL	Growth state AI & machine learning	\$250,000
HealthTech	Healthcare technology	\$250,000
10X Growth	Startup growth	\$250,000
HealthTech	Healthcare technology	\$125,000
FUEL	AI & ML seed & growth state tech	\$250,000
10X Growth	Startup growth	\$250,000

The **Arkansas Small Business Innovation Research Matching Grant Program (SBIR)** provides discretionary matching grants to companies for up to 50% of the amount of a federal SBIR grant award. In 2021, AEDC awarded \$175,000 in Arkansas SBIR grant funds to four recipients for Phase 1 grants. Phase 1 of an SBIR grant establishes the technical merit, feasibility, and commercial potential of a proposed project.

Table 6
Arkansas Small Business Innovation Research (SBIR) Matching Grant Program

SBIR Grant Phase*	Project Type	Location	Amount
Phase I	Trucking logistics	Fayetteville	\$50,000
Phase I	Gas chromatography systems	Fayetteville	\$50,000
Phase I	Catalytic membrane reactor	Fayetteville	\$50,000
Phase I	Enzyme research	Jonesboro	\$25,000

Part 2 Assessment of Projects That Did Not Materialize

In calendar year 2021, the Arkansas Economic Development Commission engaged in 273 projects, 56 of which signed financial incentive agreements. The number of total number of projects the agency received increased by 93 from the previous year. Many projects placed on hold in 2020 due to the pandemic became active again in 2021. Of the 273 projects the agency worked in 2021, 30 have announced or are expected to announce a location in Arkansas during calendar year 2022. In the past year, AEDC worked three projects with companies that located in Arkansas but did not receive incentives.

Of the projects that signed incentive agreements 2021, six were new companies and 50 were existing companies. Upon completion, these 56 projects are expected to create/retain 4,488 jobs and generate \$1,061,374,615 in new investment to Arkansas.

Table 7
Project Status 2021

Project Status	Number of Projects
Project has committed to Arkansas and signed an incentive agreement in 2021	56
Project has or is likely to announce in 2022	30
Project is active but no decision has been made	87
Project is on hold/status pending	8
Project did not materialize-or will not locate in Arkansas*	89
Project located in Arkansas without AEDC incentive programs	3
Total Projects	273

*Information regarding these projects is provided in Table 8

Table 8
2021 Projects That Did Not Materialize

Type of Company	Number of Jobs	Incentive Offered	Reason Company Did Not Locate in Arkansas
Manufacturing	35	General Incentive Summary	Project did not ultimately qualify for incentives
Manufacturing	N/A	General Incentive Summary	Project did not materialize
Manufacturing	10	General Incentive Summary	Project did not materialize
Manufacturing	N/A	General Incentive Summary	Project did not materialize
Manufacturing	N/A	General Incentive Summary	Project did not materialize
Distribution	N/A	General Incentive Summary	Project did not materialize

Manufacturing	260	General Incentive Summary	AR did not have a building that met the company's need; preferred to be closer to a major supplier out of state; no specific location of this project was disclosed.
Manufacturing	800	General Incentive summary	Project did not materialize
Food Processing	150	General Incentive Summary	Project located in North Carolina; company decided an east coast location best met their needs.
Food Processing	16	Tax Back, Advantage Arkansas	Project did not materialize
Manufacturing	30	General Incentive Summary	Project did not materialize
Manufacturing	115	Tax Back, Advantage Arkansas	Company cancelled the project
Manufacturing	N/A	General Incentive Summary	Project did not materialize
Manufacturing	N/A	General Incentive Summary	Project did not materialize
Motion Picture/Video Production Office	263	General Incentive Summary	Project did not materialize
Manufacturing	10	Tax Back, Advantage Arkansas	Project did not materialize
Manufacturing	N/A	General Incentive Summary	Project did not materialize
Manufacturing		Tax Back, Advantage Arkansas	Project never materialized.
Maintenance, Repair, and Operations	40	Advantage Arkansas	Project never materialized.
Food Processing	5	General Incentive Summary	Project did not materialize
Manufacturing	37	General Incentive Summary	Project did not materialize
Manufacturing	15	General Incentive Summary	Project ultimately did not qualify for incentives
Manufacturing	N/A	General Incentive Summary	Project did not materialize
Manufacturing	30	General Incentive Summary	Project did not materialize
Manufacturing	100	General Incentive Summary	Project did not materialize

Food Processing	200	General Incentive Summary	Project located out of state to an existing building with proximity to industry specific workforce available
Manufacturing	12	Advantage Arkansas, Tax Back, CDBG	Project did not materialize
Food Processing	16	Advantage Arkansas, Tax Back	Project did not materialize
Manufacturing	28	General Incentive Summary	Project did not qualify for incentives
Advanced Manufacturing	5	In-House Research and Development Tax Credit	Project did not ultimately qualify for incentives
Corporate HQ	70	Create Rebate, Tax Back	Project did not materialize
Food Processing	97	Advantage Arkansas, Tax Back	Project did not materialize
Manufacturing	16	Advantage Arkansas Tax Back	Expansion project was cancelled.
Distribution	100	General Incentive Summary	Project did not materialize
Industry Not Disclosed	N/A	General Incentive Summary	Project did not materialize
Manufacturing	55	General Incentive Summary	Project did not materialize
Manufacturing	250	General Incentive Summary	Project did not materialize
Information Technology	N/A	General Incentive Summary	Project did not materialize
Food Processing	800	Create Rebate, Tax Back, Quick Action Closing Fund	Project did not materialize
Manufacturing	100	General Incentive Summary	Project located outside of Arkansas; no reason was disclosed
Manufacturing	10,502	General Incentive Summary	Project did not materialize
Information Technology	80	General Incentive Summary	Project did not materialize
Manufacturing	70	General Incentive Summary	Project did not materialize
Manufacturing	N/A	General Incentive Summary	Project did not materialize

Manufacturing	200	General Incentive Summary	Arkansas sites were eliminated after a change to the project scope that no longer required western served rail.
Manufacturing	55	General Incentive Summary	Arkansas sites were eliminated from search; no reason was disclosed.
Manufacturing	5,200	General Incentive Summary	Project required a site with a lower flood risk and higher population density; no project location was disclosed
Information Technology	N/A	General Incentive Summary	Project did not materialize
Manufacturing	N/A	General Incentive Summary	Project did not materialize
Corporate HQ	350	General Incentive Summary	Arkansas sites were eliminated from search; no reason was disclosed.
Manufacturing	N/A	General Incentive Summary	Project did not materialize
Distribution	N/A	General Incentive Summary	Project did not materialize
Maintenance, Repair, and Operations	80	General Incentive Summary	Project located to an undisclosed state, reason was not disclosed
Food Processing	N/A	General Incentive Information Provided	Project never materialized.
Manufacturing	500	General Incentive Summary	Project located to an undisclosed state; company preferred to be away from major industry competitors.
Manufacturing	N/A	General Incentive Summary	Project did not materialize
Corporate HQ	500	General Incentive Summary	Project did not materialize
Information Technology	N/A	General Incentive Summary	Project did not materialize
Manufacturing	906	General Incentive Summary	Project did not materialize
Manufacturing	14	Tax Back, Advantage Arkansas	Project did not materialize

Manufacturing	50	General Incentive Summary	Project did not materialize
Information Technology	N/A	General Incentive Summary	Project did not materialize
Industry Sector Not Disclosed	510	General Incentive Summary	Project did not materialize
Manufacturing	4,000	General Incentive Summary	Arkansas sites were eliminated from search; no reason was disclosed.
Food Processing	265	General Incentive Summary	Preferred a site location outside of Arkansas; no reason was disclosed
Information Technology	50	General incentive summary	Project did not materialize
Manufacturing	40	General Incentive Summary	Project located to an undisclosed state closer to company's primary market in Mexico.
Manufacturing	200	Advantage Arkansas, Tax Back, Create Rebate, Training Incentive	Project located in Louisiana; location based on proximity to an out-of-state supplier
Information Technology	N/A	General Incentive Summary	Project did not materialize
Distribution	25	General Incentive Summary	Project did not materialize
Corporate HQ	200	General Incentive Summary	Project did not materialize
Warehousing & Distribution	N/A	General Incentive Summary	Project did not materialize
Manufacturing	40	General Incentive Summary	Project did not materialize
Call Center	60	General Incentive Summary	Project did not materialize
Distribution	N/A	General Incentive Summary	Project did not materialize
Call Center	300	General Incentive Summary	Project did not materialize
Wholesale	9	General Incentive Summary	Project did not materialize
Warehousing & Distribution	N/A	General Incentive Summary	Project did not materialize
Corporate HQ	N/A	General Incentive Summary	Project did not materialize
Manufacturing	24	Tax Back, Advantage Arkansas	Project did not materialize

Distribution	10	General Incentive Summary	Project did not ultimately qualify for incentives
Information Technology	N/A	General Incentive Summary	Project did not materialize
Manufacturing	154	General Incentive Summary	Project located in Louisiana; no reason was disclosed for eliminating Arkansas from site location search.
Manufacturing	638	General Incentive Summary	Arkansas sites were eliminated from the search; company preferred a location closer to large metro area; no location disclosed
Manufacturing	40	Create Rebate, Tax Back	Company cancelled planned expansion.
Manufacturing	63	General Incentive Summary	Project did not materialize
Distribution Center	N/A	General Incentive Summary	Project did not materialize
Manufacturing/Distribution	55	Tax Back, Create Rebate, Quick Action Closing Fund	Preferred Arkansas location did not have a suitable building; the project did not locate anywhere.
Manufacturing	50	Quick Action Closing Fund, Tax Back, Create Rebate	AR site was eliminated primarily to the type of soil increasing construction costs; the company also preferred a location in a smaller city; no location was disclosed.

Part 3 Accounting of Major Factory and Plant Closures

The manufacturing sector is an important part of the state’s economy. Arkansas’s manufacturing base is diverse in the types of products produced. In 2020, Arkansas’s manufacturing sector experienced unprecedented challenges for the industry. These included supply chain disruptions, workforce shortages, increased costs, and new workplace safety measures. In 2021, Arkansas began to recover economically from the significant impact of the COVID-19 pandemic. The state’s manufacturing sector has adapted and overcome many of these new challenges. In 2021, 157,177 Arkansans were employed in the manufacturing sector representing a 1.5% growth from the previous year. Each manufacturing sector is unique and not all have recovered at the same speed. However, steady growth from 2020 to 2021 indicates that the overall sector is on track to continue to increase jobs and new investment.

Table 9
2021 Major Manufacturing Job Losses

Location	Event	Reason	# of Jobs Lost
Clarksville	Layoff	Moving production to a foreign country	13
Fort Smith	Closure	Corporate Decision	60
Total 2021			63

Source: Arkansas Department of Workforce Services Dislocated Workers Taskforce

Assessment of the Relative Risk of Losing Factories, Plants, and Jobs

Between 2018 and 2021, Arkansas’s manufacturing sector experienced an overall -0.08% job loss. The most significant year of job loss was in between 2019 and 2020. The sector saw growth during each year in the time reviewed **except** 2020 when the industry lost -4.5% of jobs in the one-year period. In 2021, the manufacturing sector began to recover jobs lost during the pandemic. Growth occurred in six manufacturing sectors between 2017 and 2021: miscellaneous manufacturing, wood products, transportation equipment, food and beverage manufacturing, machinery manufacturing, and chemicals. As the economic recovery continues, Arkansas will have an opportunity to recapture jobs lost through the pandemic. The state’s low cost of doing business, central location, and access to major markets provide an attractive location for business relocation and expansion projects. A breakdown of each manufacturing sector is outlined in Table 11.

Table 10
Arkansas Manufacturing Transitions: 2017-2021p

Growth	Small – Moderate Decline (-0.1% to -9.9%)	Large Decline (-10%+)
Misc. Manufacturing (+9.12%)	Metals (-1.21%)	Leather (-12%)
Wood Product (+5.3%)	Plastics & Rubber (-1.67%)	Computers & Electronic Equip. Mfg (-18.9%)
Transportation Equipment (+4.59%)	Nonmetallic Minerals (-2.9%)	
Food & Bev Manufacturing (4.2%)	Furniture (-4.6%)	Textiles & Apparel (-22%)
Machinery Manufacturing (+2.8%)	Paper Manufacturing (-8.3%)	Printing & Support Activities (-22.9%)
Chemicals (+1.46 %)	Petroleum & Coal (-9.38%)	

Source: Bureau of Labor Statistics, 2017-2021p (preliminary) private sector Quarterly Census of Employment and Wages

Summary of Manufacturing Sector Job Losses (2017-2021)

Below is a summary by net loss and percentage of the sectors that did not experience growth from 2017 to 2021:

Petroleum & Coal: (net loss -117; -9.38%) The segment had an overall net loss of 50 jobs between 2017 to 2021, however, between 2020 and 2021 employment grew 1.6%. Asphalt paving and blocking manufacturing had a 7.7% gain between 2017 and 2021. Asphalt paving and blocking manufacturing, asphalt shingle and coating materials manufacturing, and other petroleum and coal products manufacturing saw growth in employment in 2021. As the economy continues to expand and recover and more projects that use these materials come on-line this segment should gain strength.

Nonmetallic Minerals: (net loss-103; -2.8%) Between 2017 and 2021, nonmetallic mineral manufacturing had a net loss of 103 jobs. The majority of the job losses occurred in other nonmetallic mineral products manufacturing, which had a loss of -28.6%, and miscellaneous mineral products manufacturing which had a -31.2% loss. Nonmetallic mineral manufacturing had job growth in glass and glass product manufacturing, concrete block and brick manufacturing, cut stone and stone product manufacturing, and other concrete product manufacturing.

Furniture: (net loss-166; -4.6%) The furniture and related products manufacturing had a -4.6% job loss during the five-year period. Between 2020 to 2021 employment in the sector grew 5.2%. The only segment within furniture and related products manufacturing that did not have job gains 2021 was office and fixtures manufacturing and other furniture related product manufacturing.

Metals: (net loss -281; -1.21%) The segment had a loss of -0.8% in primary metal manufacturing from 2017 to 2021 and -1.41 in fabricated metals during the same period. In 2021, the industry rebounded and added 1,049 jobs. The growth is expected to continue for the next several years as several companies have announced plans to expand or locate operations in the state.

Paper Manufacturing: (-778, -8.3%) Paper manufacturing continued to lose jobs as adoption of paperless technologies and digital options grow. However, paperboard container manufacturing experienced a 2.6% in jobs during the five-year period.

Plastics & Rubber: (net loss -181; -1.6%) This sector saw job losses in both plastics manufacturing and rubber manufacturing over the five-year period. The majority of losses were in other rubber and plastics hose and belting manufacturing and tire manufacturing. Between 2020 and 2021, plastics and rubber products manufacturing began to recover and added 491 jobs. This segment of manufacturing is likely to continue to add jobs in polystyrene foam product manufacturing, plastic pipe and fittings, and plastic plumbing fixture manufacturing.

Leather: (net loss -125, -12%) After increasing jobs in the sector in 2018 and 2019, the sector began to decline in 2020. The loss was primarily in athletic shoe manufacturing (classified separately from apparel). The COVID-19 pandemic impacted consumer demand for these products and supply chain disruptions further impacted product manufacturing. The leather product manufacturing portion of the sector had a 55.6% increase in jobs over the five-year period.

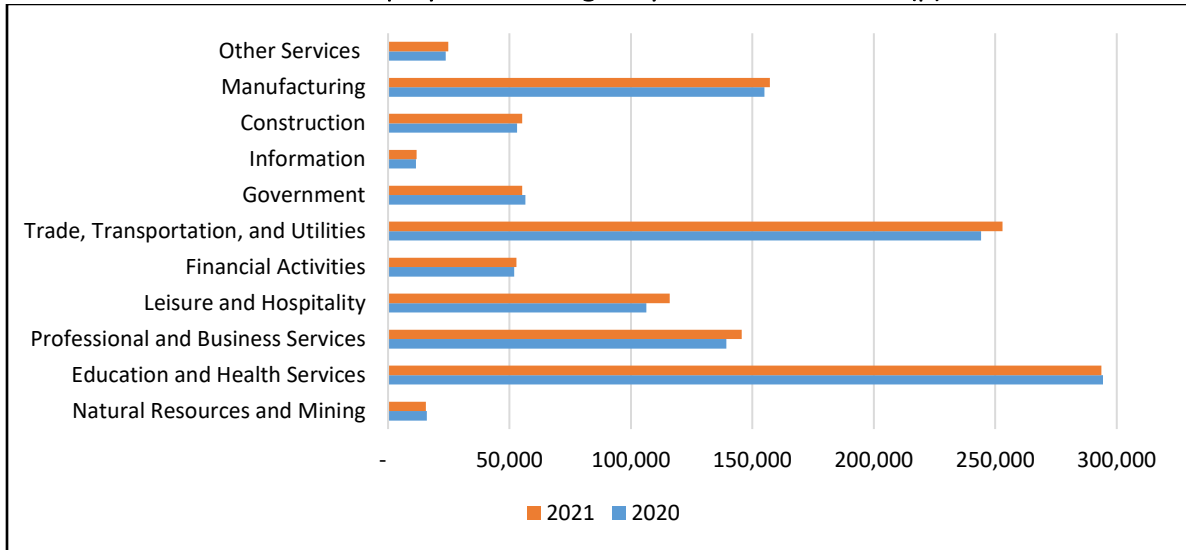
Textile & Apparel: (net loss -440; -22%) Textile and apparel manufacturing has been in decline since 2019. Job losses occurred predominantly in apparel manufacturing. The segment's recovery may be slow as companies continue to try to navigate a disrupted global supply chain.

Computer and Electrical Equipment Manufacturing: (net loss -398; -18.9%) Computer and electrical equipment manufacturing has experienced steady decline for several years. The losses can be attributed to competition with products produced inexpensively outside of the U.S. and the continued impact of global supply chain issues. Within the sector, two segments saw growth in the five year period, printed circuit assembly manufacturing (+13.2%) and semiconductors and related device manufacturing (+26.3%). The semiconductors and related device manufacturing grew 16.1% between in 2021.

Printing and Related Services: (net loss -898, -22.9%) The printing and related services subsector continued to decline as the shift from print to digital technologies continues. This trend is expected to continue in coming years.

Arkansas Economic Sector Changes (2020-2021)

Chart 4
Arkansas Employment Changes by Sector: 2020-2021(p)



Source: US Bureau of Labor Statistics, 2021

Sectors with Losses

Education and Health Services Sector is a supersector of the economy that includes educational services such as instruction and training through schools, colleges, and universities; and Health Care and Social Services that includes offices of physicians, hospitals, nursing and residential care facilities, vocational and rehabilitation services, and childcare services. This economic sector was tremendously impacted during the pandemic. In 2021, the supersector experienced a 0.2% decline. While many areas of the supersector rebounded in 2021, others have not recovered as quickly. The healthcare and social assistance segment continued to experience job losses in nursing and residential care facilities and home health care facilities. The education services segment had an overall gain of 0.4% in 2021.

Natural Resources and Mining is another supersector that includes agriculture, forestry, hunting, fishing, mining, quarrying, and oil and gas extraction. The supersector had a decline of -2.6% in 2021. The majority of the jobs lost in the sector were in oil and gas extraction which experienced a -25% decline in 2021. The sector saw a 3.4% growth in mining over the past year. The growth occurred in monometallic mineral mining and quarrying; sand, gravel, clay and refractory mining; construction sand and gravel mining; and other nonmetallic mineral mining.

Government employment sector had a -2.3% overall loss from 2020 and 2021. These job losses were across the federal, state and local level. The largest loss occurred at the federal that saw a -8.9% job loss.

Part 4 General Assembly Proposals to Assist Economic Development

In 2021, the General Assembly passed several laws that directly an/or indirectly impacted the agency's mission. A brief summary of those laws is below.

AEDC Programs/Economic Development Project Legislation

- 1. Act 522/SB 163** (English/M. Berry) Act to Create the Arkansas Military Affairs Council Act, To Establish the Military Affairs Grant Program; To Declare an Emergency; and for Other Purposes.

The Arkansas Military Affairs Council Act provides enabling legislation for the Arkansas Military Council creation and outlines the membership, powers, functions, and responsibilities. The Act grants the AEDC Executive Director, the AEDC Director of Military Affairs, and the Arkansas Military Affairs Council the authority to work to strengthen the mission capabilities of military installations and military communities. The Arkansas Military Affairs Grant Program is codified in the Act.
- 2. Act 594/HB 1706** (Wardlaw/Dismang) To Create the Logging and Wood Fiber Transportation Job Creation Incentive Act; and to Create the Arkansas Wood Energy Products and Forest Maintenance Income Tax Credit.

Creates a tax credit incentive for wood energy product and forest maintenance projects. The credit is equal to 30% of the costs of qualified wood energy products equipment purchased associated with a wood energy product and forest maintenance project.
- 3. Act 628/SB 481** (Dismang) To increase the Use of the Program Created Under the Arkansas Public Roads Improvements Credit Act by Making It Easier to Use the Tax Credit Provided Under the Act.

Amends the Public Roads Improvement Tax Credit incentive programs. The Act increases the amount allowed in any one tax year to offset the taxpayer's state income tax liability from 50% to 100%. The carryforward period is increased from 3 years to 10 years.
- 4. Act 797/HB 1743** (Fite/Dismang) To Amend the Digital Product and Motion Picture Industry Development Act of 2009.

Makes various changes to AEDC's Digital Product and Motion Picture Industry Incentive Program. Allows an incentive for a qualified production or post-production company to be taken as either a rebate or tax credit. AEDC may only approve up to \$4M of tax credits per fiscal year.
- 5. Act 895/SB 543** (Wallace/Jett) To Amend the Law Governing the Income Tax Credit for Waste Reduction, Reuse, or Recycling Equipment; and to Amend the Definition of "Qualified Specialty Steel Products Manufacturing Facility"

Amends the law regarding the income tax credit for waste reduction, reuse, or recycling equipment for qualified steel specialty products manufacturing facilities. The definition is amended to include a facility that melts scrap steel in an electric arc or similar furnace. Expands the program to include new qualified specialty steel products manufacturing facilities along with expansion projects.

6. **Act 911/SB 566** (Wallace/Jett) Amends the Definition of “Project Costs” Under the Consolidated Incentives Act of 2003; and To Extend the Time Period During Which Project Costs May be Incurred for Certain Retention Tax Credit Projects.
Amends the InvestArk incentive under the CIA program to extend the time a company may incur eligible project costs for an approved project. The extension is contingent on AEDC determining a positive return on the taxpayer’s investment.
7. **Act 967/HB 1456** (Wardlaw/Rice) To Create the Railroad Modernization Act of 2021; and to Allow an Income Tax Credit for Certain Railroad Track Maintenance Expenditures.
Creates the Railroad Modernization Act of 2021 that allows a tax credit for 50% of eligible expenditures for track maintenance and modernization made by an eligible railroad company. The maximum amount of the credit is \$5,000 per mile of track owned or leased by the railroad.
8. **Act 3 of 2021 2nd Special Session/SB10, HB 1007** (Wallace/Jett) To Amend the Income Tax Credit for Waste Reduction, Reuse, or Recycling Equipment
Amends the law to create an income tax credit incentive up to \$11M for an additional qualified growth project at an existing steel mill facility in Arkansas. To qualify for the tax credit a company must invest a total of at least \$2B and enter into an agreement to create at least 700 net new direct positions with an average annual wage of at least \$120,000 as well as 200 hundred net new independent direct positions with an average wage of at least \$60,000. The project must provide a positive cost-benefit analysis to the state as determined by AEDC and the Department of Finance and Administration.

Taxation

9. **Act 142/HB 1010** (Jett) An Act to Amend the Sales and Use Tax Exemption for Sales of Certain Aircraft; and for other Purposes.
Eliminates the minimum takeoff weight threshold for an Arkansas aircraft seller to be exempt from collecting sales and use tax. This applies when the purchaser is from another state and the aircraft will be based outside of Arkansas.
10. **Act 154/SB 236** (Dismang/Jett) To Exempt Unemployment Compensation Benefits from Income Tax During a Certain Time Period; and to Declare an Emergency.
Exempts unemployment compensation paid from income tax for calendar years 2020 and 2021.
11. **Act 248/HB 1361** (Dismang/Eaves) Act to Provide for the Tax Treatment of Certain Loans, Payments, and Expenses Related to COVID-19 Relief Programs; to Provide COVID-19 Relief by Conforming to Federal Tax Treatment of COVID-19 Relief Programs; to Declare an Emergency.
The Act adopts the federal exemption of income tax liability for COVID-19 relief programs for small business for the PPP, loan forgiveness, emergency grants. This excludes payments received under the Coronavirus Food Assistance Program.

- 12. Act 362/HB 1209** (Jett/Dismang) To Create the Elective Pass-Through Entity Tax Act; To Impose a Tax on Pass Through Entities; and To Exclude Certain Income from Gross Income for Pass Through Entities.
Gives owners of S-corporations, or partnerships, the option to pay state income tax at the corporate income tax rate of 5.9%. This is fully deductible from federal income tax. If the tax levied under the Act results in a net operating loss, the business may carry forward the net operating loss.
- 13. Act 368/HB 1409** (Lundstrum/Hill) To Modify the Definition of “Wages” in Certain Circumstances Under the Division of Workforce Services Law.
The Act freezes the unemployment wage base for 2022 at the 2021 level of \$10,000 per employee, per year. The base rate would decrease if certain circumstances warrant. The law change will expire in 2023 and revert to existing law.
- 14. Act 369/HB 1407** (Lundstrum/Hill) An Act to Modify the Method of Calculation of the Stabilization Tax in Certain Circumstances Under the Division of Workforce Services Law; and for Other Purposes.
Caps the Unemployment Insurance (UI) Stabilization Tax Rate for tax year 2022 at the 2021 level of 0.2%. The tax is a UI tax that is owed in addition to the base UI tax rate. In 2023 the rate will revert to existing law.
- 15. Act 523/SB 525** (Sample/Caldwell/Dismang) To Reverse Changes Made Under Act 819 of 2019 and Return the Administration and Collection of the Franchise Tax to the Secretary of State; and to Declare an Emergency.
Reverts the collection and administration of corporate franchise tax back to the Secretary of State from the Department of Finance and Administration.
- 16. Act 840/HB 1555** (Jett/Dismang) To Increase the Annual Cap on and Extend the Sunset Date of the AR Historic Rehabilitation Income Tax Credit; and To Amend the Use of Fees Collected Under the AR Historic Rehabilitation Income Tax Credit Act.
In fiscal year 2022 the Division of Arkansas Heritage will increase the cap on the amount of tax credits they may issue in any one fiscal year from \$4M to \$8M.
- 17. Act 880/HB 1596** (Jett/Dismang) To Allow the Sales and Use Tax Exemption for Sales for Resale to Apply to Items Sold for Use in Printing; and to Amend the Sales and Use Tax Exemption for Certain Machinery and Equipment.
Extends the existing sales and use exemption for manufacturing to include property sold for use in printing.
- 18. Act 915/SB 26** (Sturch/S.Smith) To Amend the Law Concerning the Reduced Sales & Use Tax Rate for Utilities Used by Manufacturers and to Apply a Reduced Sales & Use Tax Rate to Sales of Coal for Use in Manufacturing
Allows for a tax exemption of coal purchased by a manufacturer for use directly in the manufacturing process.

- 19. Act 970/HB 1196** (Christiansen/Beck) To Provide a Sales and Use Tax Exemption for Water Used by a Poultry Farm; and to Require the Adoption of Related Rules.
Allows for sales and use tax exemption of water used by a commercial poultry production facility.
- 20. Act 1019/SB 484** (Dismang/Jett) To Clarify the Allocation of Nonresident Income for AR Income Tax Purposes; and to Declare an Emergency.
Clarifies that nonresident income is allocated based on where the employee is located when performing the work associated with the income. A nonresident's work, performed both inside and outside the state, is taxable only on the portion that can be reasonably allocated to work performed in Arkansas.
- 21. Act 1, Act 2 of 2nd Special Session/SB 1, HB 1001** (Dismang/Maddox) An Act to Provide for Income Tax Reductions That Preserve the State's Ability to Build and Maintain Reserve Funds and Ensure Financial Security; To Amend the Income Tax Brackets and Rates for Individuals; to Amend the Income Tax Rates for Corporations if Certain Conditions Related to the State's Reserve Funds are Met; To Change the Name of the Long Term Reserve Fund and Ensure it is Adequately Funded; to Create an Income Tax Credit for Certain Taxpayers; to Index the Standard Deduction to the Consumer Price Index; To Declare an Emergency; and for Other Purposes.
The Act incrementally reduces the individual income tax rate from 5.9% to 4.9% by 2025. The corporate tax rate will be further incrementally reduced from 5.7% to 5.3% in 2025. These rate reductions are contingent upon certain revenue triggers being met. The reductions begin for tax year 2021.
Note: Additional tax legislation in the 3rd Special Session in 2022 will be include in next year's report.

Local and Regional Government/Economic Development General

- 22. Act 67/SB 74** (Hill/Evans) To Amend the Telecommunication Regulatory Reform Act of 2013; and to Declare an Emergency.
Amends the Telecommunication Regulatory Reform Act to add consolidated utility districts to the definition of government entity. Allows government entities, including consolidated utility districts, the authority to provide voice, data, broadband, video, or wireless telecom services.
- 23. Act 135/SB 78** (Hill/Lynch) To Establish Arkansas Occupational Licensing of Uniformed Service Members, Veteran, and Spouses Act of 2021.
The Act modifies the process of automatic and temporary/provisional occupational licensure to active-duty service members, recent veterans, and their spouses who hold occupational licensure in good standing in another state or jurisdiction.
- 24. Act 153/HB 1212** (Ladyman/Irvin) To Amend the Division of Workforce Services Law; Concerning the Noncharge of Employer Contributions for Certain Unemployment Insurance Claims; and to Declare an Emergency.
Gives the director of DWS the ability to non-charge contributions for unemployment claims during a disaster emergency.

- 25. Act 353/HB 1488** (Gonzales/Gilmore) To Amend Certain Provisions of Arkansas Code that Resulted from Initiated Act 4 of 1948; to Clarify the Workers' Compensation Law; and to Declare an Emergency.
Establishes COVID-19 as an occupational disease for eligibility for workers' compensation benefits. Retroactively effective to workers' compensation claims on March 11, 2020 through May 1, 2023.
- 26. Act 451/HB 1674** (Wardlaw/Gilmore) To Authorize the Issuance of a Special Permit by the State Highway Commission to Transport Forestry Equipment.
Allows the Arkansas Department of Transportation to issue a special 1-year permit for the movement of a truck tractor and single semitrailer combination with 5 axles for the hauling of forestry equipment more than the maximum gross weight.
- 27. Act 559/HB 1487** (Gonzales/Gilmore) Concerning Liability for a Person Exposed to COVID-19; and to Declare an Emergency.
Creates tort immunity for a business open during the pandemic. Creates civil immunity for a business owner or their employee for damages or injuries caused by or resulting from exposure to COVID-19 while on business premises. This applies to a claim brought in state or federal court, or before the AR State Claims Commission.
- 28. Act 568/HB 1264** (Pilkington/Davis) To Create the Small Town Economic Development Act.
Expands the exemption threshold to engage an architect for projects and properties up to \$250,000 in cumulative and fair market value. The threshold is also expanded for projects for school districts in a city of with over 30,000 in populations that has a full-time superintendent of buildings with engineering and architectural experience
- 29. Act 619/HB 1562** (McCollum/Eads) An Act to Amend the Law Concerning Autonomous Vehicles; and for Other Purposes.
Enacts changes to autonomous vehicle regulations and limits a local entity's authority to impose requirements. Under the Act the State Highway Commission shall implement laws and rules governing autonomous vehicles and fully autonomous vehicles.
- 30. Act 659/HB 1416** (Underwood, M. Johnson) To Encourage Home-Based Entrepreneurship; to Remove Unnecessary Barriers to Working from Home; and for Other Purposes.
Limits the ordinances that a city, or incorporated town may pass to prohibit home-based businesses including occupational permits and licenses.
- 31. Act 725/SB 153** (Gilmore/Ray) To Create the Workforce Expansion Act of 2021.
Waives the initial filing fees, permit fees, and licensing fees associated with forming a business in Arkansas for individuals seeking a license if the applicant meets certain conditions.
- 32. Act 795/HB 1788** (L. Fite/Hammer) To Establish Broadband Improvement Districts.

Amends the law to create broadband improvement districts by allowing an improvement district to enter a partnership with a private entity to contract for, provide, promote, and support broadband service.

33. Act 1, Act 2 of 1st Special Session/HB 1001, SB 1 (Wardlaw/Dismang) To Clarify the Law Concerning the State's Participation in Certain Federally Funded Unemployment Programs; to Terminate the State's Participation in Certain Federal Unemployment Programs; and to Declare an Emergency.

Allows the Governor and the administration the authority to discontinue extra federal unemployment benefits that are available due to the COVID-19 pandemic. Provides that extending the benefits is not a mandatory function of government and is at the discretion of the Governor.

Part 5 Strategies and Recommendations for the Coming Year

Plans for Preventing Closures and Job Losses

Arkansas has a history of strength and resilience during difficult times. The years encompassing the COVID-19 pandemic have placed tremendous strain on Arkansans and the Arkansas business community. Despite the many challenges of the past few years the state's economy remains healthy, vibrant, and growing. There are still obstacles to overcome as the state continues to transition through the economic recovery phase. AEDC will be an active partner with business and industry, providing assistance and guidance in several key areas.

Small Business and Entrepreneurship Development

In May 2021, AEDC created the Small Business and Entrepreneurship Development Division. Arkansas's unique entrepreneurial spirit has been the driver for many small business success stories. The pandemic impacted small business and entrepreneurs around the country, but Arkansas worked to keep the economy open while other states mandated business closings. The state's small businesses and entrepreneurs re-imagined and re-adjusted their business and operations models to stay open and provide necessary services to their customers. As a result, Arkansas was recognized as second in the nation for "states with the most pandemic-proof small businesses" by WalletHub.

The needs and obstacles for these businesses are different than midsized or large companies. The new division has been designed to champion, and promote small businesses and entrepreneurs, as well as identify and implement best practices to increase entrepreneurial growth in the state. In the next year, the division will develop and launch a webpage for small businesses that will include a database of resources focused on the unique needs of small business and entrepreneurs.

Providing Greater Resources for Existing Businesses and Industry

Workforce development and skills development are critical to the success of Arkansas's business and industry. AEDC's Existing Business Resource Division (EBRD) and Arkansas Manufacturing Solutions (AMS) work with Arkansas companies to evaluate their workforce needs and provide valuable connections with the state's educational system to ensure that training needs are effectively addressed and met.

AEDC's Existing Business Resource Division (EBRD) team is dedicated to assisting new and existing business and industry create a highly skilled workforce using various training programs. The team's six business managers conduct on-site discovery calls to gain insight and understanding into companies' operations, business systems, and processes. The calls focus on the development of solutions to obstacles, both immediate and long term, in order to create lasting success. These onsite visits help the team evaluate specific issues or opportunities for a company to improve operational efficiency and drive industry competitiveness. In 2021, EBRD's business managers conducted 344 discovery calls to existing businesses.

Arkansas Manufacturing Solutions team members partner with Arkansas manufacturing companies to develop solution and plans that lead to an increase in growth, market competitiveness, or both. In 2021, AMS provided significant training and consulting with 87 companies. Feedback from the participating companies has estimated that the assistance AMS provided resulted in \$13 million in cost savings to

companies; 2,202 created and retained jobs; \$596 million in retained sales; and \$53 million in new sales. With AMS's assistance, companies identify potential issues before they become immediate problems. This service adds significant value to manufacturing companies through business growth and job creation. Through expanding the outreach to manufacturers, AEDC will be able to assist more companies with a valuable tool to identify issues before they become a problem in order to prevent business layoffs and closures.

Closing the Entry Level Skills Gap

In 2019, the Future Fit program was launched with the goal to address workforce skills gaps for entry level production jobs. The program provides approximately 120 hours of combined hands-on and online training for basic skills needed to be successful in an entry level manufacturing position. In 2021, the program further evolved and offered flexible classroom schedules for trainees. In addition, company-specific training options were implemented to allow participating companies to more efficiently invest time in training prospective employees. The Future Fit program reduces the lead time and expense a company would expend to hire entry level employees. The focus on company specific skill sets ensures graduates have the skills needed to succeed.

Stronger Collaboration with Minority and Women-Owned Businesses

The number of minority and women-owned businesses is growing and continues to be a vibrant part of the state's economy. The Minority and Women Owned Business Enterprise Division (MWOBE) facilitates the growth, development, and expansion of minority and women-owned businesses in Arkansas.

2021 was a busy year for the division. MWOBE established a streamlined process to gather information from minority and women-owned businesses seeking assistance. This included an assessment of opportunities to better serve companies while also connecting them with additional support organizations around the state. As a result of the assessment, the division launched a Facebook page to engage a larger audience through social media on topics and resources related to minority and women-owned businesses. The division redesigned its website to provide enhanced navigation and ease of use. These changes resulted in growth to AEDC's Minority and Women-Owned Business Directory by 423 entries.

In 2021, the division conducted 11 training sessions with 367 participants on how to become a certified Minority and Women-Owned Business Enterprise. The division successfully hosted an in-person and virtual leadership training event for 87 attendees. Additionally, the division collaborated with the Venture Center to launch the inaugural class of the VCWomen Achieve mentorship program. The statewide mentorship program for 40 women entrepreneurs provided an opportunity to develop life-changing relationships to drive professional growth.

In the coming year, the division will resume the matchmaker event that connects minority and women-owned businesses with private and public sector procurement professionals to drive new business opportunities. The division will continue to expand the number of business that complete the certified training program and participate in the Minority and Women-Owned Business Directory.

Plans for Increasing the Number of Economic Development Proposals

Workforce Shortages and Skills Development

Companies nationwide are struggling with a shortage of skilled workers. To attract and retain companies, it will be necessary for Arkansas to provide solutions to the skilled labor shortage for

efficiently than competing locations. Arkansas's ability to identify needed skill sets across a variety of industry sectors and provide quality training and educational opportunities can differentiate it from other states. This can be achieved through collaborative partnerships that streamline education and workforce development services.

AEDC's expansion of the Future Fit program to additional campuses, as well as the additional flexibility, will accelerate an increase the availability of entry level skilled workers. The planned expansion of the ACT WorkKeys Job Profiling Program to more companies can facilitate hiring of qualified candidates with the necessary skill set for both vacant positions and new positions.

In the coming year, the Existing Business Resource Division plans to support companies as they adapt to a changing workforce environment through programs that address resilience in both the workplace and in supply chains.

Promoting a Stronger, Competitive Business Climate

In 2021, the Arkansas General Assembly enacted two of the largest income tax cuts in the state's history. These were the fourth round of tax reforms in Arkansas. The legislation passed will provide approximately half a billion dollars in personal annual tax relief for Arkansas taxpayers. The legislation lowers the corporate income tax rate to 5.3% and elevates Arkansas's business climate to one of the most competitive in the country. Paired with the state's low cost of living and excellent quality of life, AEDC will be better able to successfully attract prospective companies and talented workforce to make Arkansas their home.

Business Development Momentum

The Business Development Division is the agency's point of contact with companies and site location consultants. The division communicates information about the state's incentives, available buildings and sites, and the state's competitive business climate during the site location process.

As the economy began to rebound, the division saw an increase in the number of projects exploring a location or expansion in Arkansas. In 2021, the number of projects the team worked grew by 93 from the previous year. Many projects that had been on hold during the uncertainty of the pandemic became active again.

Arkansas is an attractive destination for companies exploring reshoring opportunities. Supply chain resiliency an important driver in for project location decision makers. Companies are seeking site locations with multiple, cost efficient, and reliable logistics options. It is important for project decision makers to know they will be able to receive products in their supply chain as well as efficiently transport their products to customer and to major markets in North America. Arkansas is a prime location logistically for companies with critical supply chain needs. Companies are attracted to the state's availability of rail, water, and interstate. Arkansas's logistics advantage, combined with the state's low cost of doing business and tax climate, has further positioned the state to be considered for onshoring project opportunities.

In 2021 the global business team returned to in-person international trade and foreign direct investment events. The team is responsible for recruitment and assistance to foreign-owned companies in Arkansas. Foreign owned companies employ approximately 33,000 Arkansans at 292 operations statewide. During the year, the global business team participated in 195 events, including prospective company meetings, trade shows, foreign direct investment and trade forums, and other outreach

activities. These included events in partnership with the U.S. Department of Commerce, the World Trade Center, multiple U.S. embassies, and foreign embassies in the U.S.

The past year saw an increase in foreign owned companies that are exploring their first operation in the U.S. As supply chain issues continue to be a challenge for companies many are considering a location with a central location in the North American market. The division received an increase in requests for information from foreign-owned companies that have locations on the U.S. east or west coast, or both, that are evaluating options to add an additional central location or consolidate coastal operations into one central location.

In the coming year, the team will focus on marketing Arkansas's desirable central location to major U.S. markets to foreign companies. This will include highlighting the state's low cost of living and more competitive tax climate.

Targeted Messaging to Industry Leaders

AEDC's Marketing Division launched a new campaign in 2021 that featured Arkansas executives in targeted media discussing the benefits of doing business in Arkansas. The campaign, featured in print and digital marketing channels, reached industry executives and site development decision makers. The campaign also engaged the targeted audience with information on events, agency newsletters, podcasts, and more.

In the past year, the division partnered with the Arkansas Department of Parks, Heritage, and Tourism to develop and launch a new talent recruitment initiative called "See Why Arkansas". The website's focus is to generate interest in individuals relocating to live and work in Arkansas. This valuable tool will help the state recruit talented people who are searching for a place to advance their careers and enjoy a high quality of life.

In the coming year, the division's goal is to grow AEDC's connections, from leads to social media followers, and to engage those connections by distributing informative and relevant media content that highlight and support business development topics. AEDC plans to reach more decision makers by providing personalized, high-quality experiences through events, tailored landing pages, videos, and to build on the Executive Voice campaign strategy through additional content.

Fostering an Ecosystem for Science, Technology, and Innovative Development

AEDC's Division of Science and Technology works to develop the academic and industrial ecosystem needed to support the creation and growth of Arkansas's knowledge-based economy. The knowledge-based segment of the state's economy is key to growing the state's per capita personal income.

The division was awarded a five-year project to support cutting edge research in data analytics and build a data science educational ecosystem in Arkansas. This \$20 million award from the National Science Foundation and \$4 million from the State of Arkansas involves approximately 13 Arkansas colleges and universities and 100 faculty research and students. The commercialization of research emerging from Arkansas colleges and universities merge advanced ideas into new cutting-edge companies, thus creating and retaining higher wage jobs.

Supporting Military Affairs in Arkansas

The Military Affairs Division of AEDC works to grow, support, and promote the state's military mission, installations and related economic development interests. The division is tasked with positioning

Arkansas as the most military friendly state in the nation.

In 2021, the Arkansas Military Affairs Council Act created enabling legislation for the Arkansas Military Affairs Council. The General Assembly enacted two additional pieces of legislation to further support Arkansas military families. These important pieces of legislation resulted in Arkansas being one of four states that meet or exceed the Department of Defense requirements to support military missions.

In the past year, the division assisted the National Guard to facilitate a new Armory in Jacksonville to support the 214th Military Police Company and their Civil Disturbance mission. The division worked with the Pine Bluff Arsenal to secure an additional \$43 million in funding to the Arsenal in the National Defense Authorization Act (NDAA). This additional funding is critical for the Arsenal to continue to be a viable installation and positions the installation to generate future growth and investment. In the next year, the division will continue to work to seek additional funding opportunities for Arkansas installations.

In June of 2021, Ebbing Air National Guard Base in Fort Smith was selected to host the foreign military sales F-35 training program and the training detachment from the Royal Singapore Air Force. The new mission is estimated to have a \$1 billion annual economic impact to the state and create over 900 new jobs. The state is working in partnership with the City of Fort Smith to extend the runway at Fort Smith to support both the military mission as well as commercial operations. In the coming years, the division will continue to partner to bring additional basing of the F-35s to Ebbing Air National Guard Base which could add significant potential investments.

In 2021, the division participated in a partnership with Entergy and the Little Rock Air Force Base on a project that will lease 60 acres of base land for the creation of generating capacity for the base. This is an ongoing project that when completed will provide over 120 percent of the energy needs of the Little Rock Air Force Base and be the first Department of Defense installation that is 100% energy independent and able to remove itself from the electrical grid in a crisis.

Developing a Foundation for Community Success in Economic Development

Arkansas communities continue to respond to the impacts from the pandemic. An important aspect of economic recovery will include engagement with communities to establish a strong future vision and a plan of action to identify opportunities and overcome barrier to reach that vision. AEDC's Community Development Division is a team of regional managers that work as strategic partners with Arkansas communities.

The Competitive Communities Initiative (CCI), administered by the division, is a program that provides communities with training and resources to execute strategic planning, product and business development, business retention and expansion, and economic development marketing. CCI provides community leaders and local economic development teams with training and resources that create a foundation for successful community and economic development. In 2021, Mississippi County completed CCI bringing to eight the total number of communities to receive the designation.

In 2021, the division launched a pilot program designed to help communities identify realistic retail targets and provide them with tools for successful recruitment strategies to strengthen their retail base. The Retail Academy pilot program participants included the cities of Prescott, Warren, Mena, and Corning.

The Grants Management Division administers the federal Community Development Block Grant (CDBG) Program. CDBG funds are provided by the Department of Housing and Urban Development (HUD). The CDBG program funds a variety of public infrastructure and public facility projects to assist low to moderate income communities with limited resources. The need for public infrastructure, particularly in rural Arkansas, is in great need. These matching grants help communities develop and maintain infrastructure necessary for successful economic recruitment, business retention, and community development.

In 2021, the division continued to respond to the ongoing impact of the COVID-19 pandemic. Approximately \$4.54 million was awarded for public service and public facility projects designed to prevent, prepare, and respond to the pandemic through CDBG-CV funds. The division distributed \$5.76 million in rental assistance for low to moderate income families through the statewide network of community action agencies.

In the next year, the division plans to partner with the Arkansas Hunger Relief Alliance to provide approximately \$4.68 million towards the distribution of pre-packaged boxes of food to Arkansas's six regional food banks. These funds will help offset the rising costs of food and the growth of food deserts in the state. The division will continue to provide CDBG grant funds to low-to-moderate income communities to assist with public infrastructure and public facility projects that create community growth and competitiveness.

Increasing Film Production in Arkansas

The Arkansas Film Commission promotes the state of Arkansas to film, video, television, and commercial production companies. The Film Commission works with prospective production companies to identify location needs, provide crew information, and liaison with other governmental entities necessary to complete a film's production.

Arkansas has attracted notable movie and TV productions in recent years including *Mud* and HBO's *True Detective Season 3*. The Film Commission has drawn on the momentum established with these successful productions to attract and retain quality film crew members, production companies, and film industry infrastructure.

In 2021, the Film Commission saw an increase in activity related to new film projects and reengagement of projects put on hold due to the COVID-19 pandemic. These projects have been attracted to Arkansas not just for its natural beauty and variety of landscapes, but also for the talented production professionals and ease of access to resources. Three films produced in Arkansas in 2021 were named to USA Today's List of Movies You'll Want to Watch in 2022. The films recognized on the list include *Chariot*, *Ghosts of the Ozarks*, and *Pursuit*.

The next calendar year is expected see continued success with a record number of productions filmed in Arkansas. The Film Commission will continue work with production companies to provide for their individual project needs and work as a partner in content creation.

Plans for Creating New Initiatives/Incentives

Increasing Arkansas Competitive Sites

Arkansas has a critical need for more quality economic development sites in every region to help drive a increase in projects considering the state. Arkansas's lack of available inventory has led to the state being eliminated from some site location searches. To accomplish the goal of expanding our economic development site inventory, AEDC has received a planning grant from the Economic Development Administration to conduct a statewide site and data analysis that will identify potential economic development sites and specific industry clusters, as well as conduct a workforce needs assessment.

Expanding the Retail Academy Program for Communities

In 2021, the Community Development Division launched the Retail Academy Pilot Program to provide communities with the tools needed to successfully target and recruit retail companies. Four communities participated in the pilot program. AEDC is exploring plans to expand the program to additional participants.

Local Elected Officials Training

AEDC has identified a need to provide local elected official and newly elected officials with training on resources available to assist them with community and economic development and how to access them. The agency will work with statewide partners to identify a program curriculum and the most effective mechanism for training delivery. In addition, the agency has a goal to expand and improve the Resource Guide, a guide produced by the agency, to connect communities with existing resources.

Small Business and Entrepreneurship Development

In May 2021, AEDC created the Small Business and Entrepreneurship Development Division. The development of the new division has given the agency a mechanism to streamline various agency services and assist small business owners and entrepreneurs. In the coming year, the division plans to collaborate with stakeholders to develop an annual summit for all resource providers, entrepreneurial service organizations, state agencies, and economic development groups across the state.

Arkansas Tax Climate

AEDC plans to continue to work with the General Assembly to strengthen Arkansas's tax climate to be the most competitive in the county. The historic tax cuts during 2021 were an important accomplishment and AEDC supports exploring a possibility to accelerate the time frame realize the cuts these, simplify the tax code related to depreciation, and explore the elimination of the throwback rule.

Broadband Master Plan

With the assistance of the General Assembly, the Arkansas Broadband Office has moved forward with the goal to improve broadband access throughout the state of Arkansas. The COVID-19 pandemic highlighted the need for businesses and communities to have reliable connectivity, particularly in rural areas, to access telework, telehealth, and educational opportunities. In the next year, the Broadband Office will work to implement the Broadband Master Plan and continue to evaluate and monitor the many federal funding opportunities available, and the existing infrastructure in the state. The office will work with stakeholders to realize the goal of broadband deployment to every part of the state.

Part 6 Director’s Assessment of the Commission’s Performance

Comparison of the Past Two Years

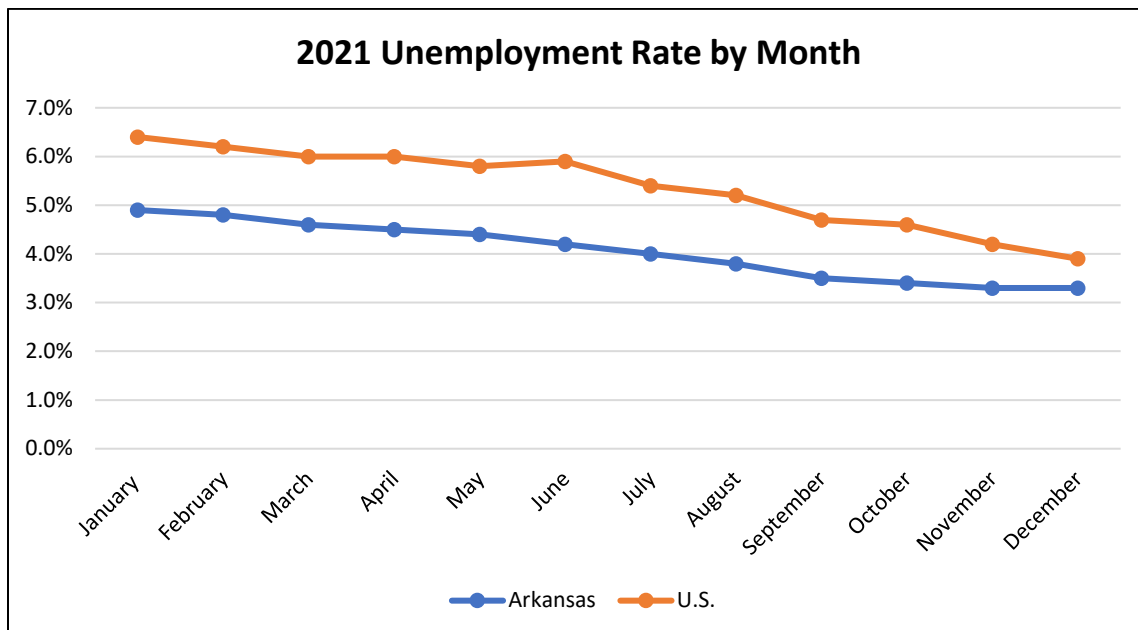
Table 11
2020-2021 Job Opportunities from Signed Incentive Agreements:
New and Expanded Year-End Results

Year	Type	Projects	Jobs	Total Investment	Ave. Hourly Wage	Cost Benefit Ratio
2020	New	13	809	\$167,765,603	\$20.37	6.36
	Expanded	32	1,459	\$472,413,574	\$26.27	
	Retention	3	649**	\$54,808,250	\$16.15	
	Total	48	2,917	\$694,987,427	\$22.20	
2021	New	6	974	\$84,610,450	\$22.25	7.24*
	Expanded	46	3,470	\$828,708,998	\$21.70	
	Retention	4	43	\$148,055,167	\$41.03	
	Total	56	4,488	\$1,061,374,615	\$22.21	

*A cost benefit ratio-for a cost benefit ratio of 7.24 means that, over a 10-year period, the state will get back, in taxes, \$7.24 for each dollar of incentives used for job creation projects.

**A retention project also included an expansion of 25 new jobs.

Chart 5



Source: Arkansas Department of Workforce Services, Local Area Unemployment Rates, 2021 Monthly Unemployment Rates, seasonally adjusted

Table 12
2020-2021 Unemployment Rate Comparison

	AR Unemp Rate	US Unemp Rate
2020 annual average unemployment rate	6.1%	8.1%
2021 annual average unemployment rate	4.0%	5.3%

Sources: Arkansas Department of Workforce Services, Unemployment Rates and Labor Force Statistics, annual rates are not seasonally adjusted.

Arkansas's Economic Performance Compared to Neighboring States

Gross Domestic Product

Table 13
2021 Real GDP by State: Arkansas and Surrounding States

State	2020 GDP Per *	National Rank
United States	\$19,427,287	--
Texas	\$1,831,3624	2
Tennessee	\$343,448	19
Missouri	\$295,726	22
Louisiana	\$227,735	24
Oklahoma	\$195,073	28
Arkansas	\$120,711	35
Mississippi	\$104,010	36

*Is in millions of chained dollars

Source: Bureau of Economic Analysis, 2021 Real Gross Domestic Product by State

Labor Force Comparison

Table 14
Labor Force Change: Arkansas and Surrounding States

State	Percentage Labor Force Change (2020-2021)	National Rank
<i>United States</i>	<i>0.3%</i>	--
Texas	1.5%	14 th
Tennessee	0.6%	25 th
Missouri	0.3%	29 th
Louisiana	0.2%	31 st
Oklahoma	-0.2%	37 th (tied)
Arkansas	-0.4%	40 th (tied)
Mississippi	-0.4%	40 th (tied)

Source: US Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics, and Labor Force Statistics from the Current Population Survey, May 2022

Per Capita Personal Income Comparison

Table 15

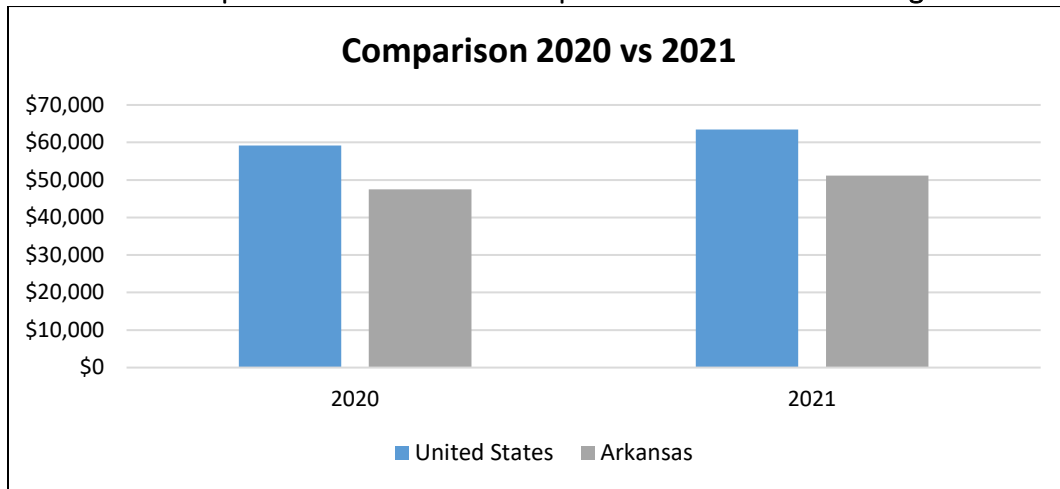
2021 Per Capita Personal Income: Arkansas and Surrounding States

State	2020	2021	2021 Rank
United States	\$59,729	\$63,444	--
Texas	\$54,841	\$59,674	24 th
Missouri	\$51,177	\$55,159	37 th
Tennessee	\$50,547	\$54,873	39 th
Louisiana	\$50,037	\$54,435	40 th
Oklahoma	\$49,249	\$53,156	42 ^{ne}
Arkansas	\$47,109	\$51,148	45th
Mississippi	\$41,745	\$45,438	50 th

Source: U.S. Department of Commerce, U.S. Bureau of Economic Analysis, Per Capita Personal Income, May 2022

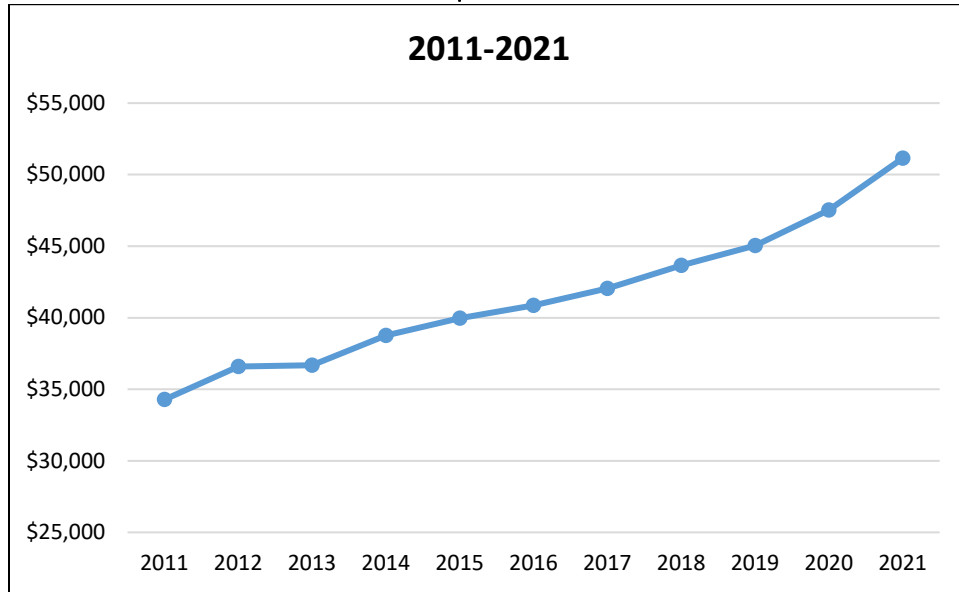
Chart 6

Per Capita Personal Income Comparison: U.S. vs State Average



Source: U.S. Department of Commerce, U.S. Bureau of Economic Analysis, Per Capita Personal Income, May 2022

Chart 7
Arkansas Per Capita Personal Income



Source: U.S. Department of Commerce, U.S. Bureau of Economic Analysis, Per Capita Personal Income, May 2022

Unemployment Rates Comparison

Table 16
Unemployment Rate Annual Averages 2020-2021
Arkansas and Surrounding States

State	2020 Rate	2021 Rate	National Rank 2020	National Rank 2021
United States	8.1%	5.3%	--	--
Oklahoma	6.1%	3.8%	13 th (tied)	13 th (tied)
Arkansas	6.1%	4.0%	13th (tied)	17th(tied)
Tennessee	7.5%	4.3%	27 th	20 th
Missouri	6.1%	4.4%	13 th (tied)	21 st
Louisiana	8.3%	5.5%	37 th (tied)	34 th
Mississippi	8.1%	5.6%	35 th (tied)	35 th (tied)
Texas	7.6%	5.7%	28 th	37 th (tied)

Source: US Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics, not seasonally adjusted, May 2022

Hourly Earnings Comparison

Table 17
2021 Average Hourly Earnings of Manufacturing Production Workers
Arkansas and Surrounding States

State	Hourly Earnings	National Rank
United States	\$29.69	–
Texas	\$25.80	5 th
Missouri	\$22.93	20 th
Louisiana	\$21.61	33 rd
Tennessee	\$21.57	36 th
Oklahoma	\$21.49	37 th
Mississippi	\$20.46	45 th
Arkansas	\$19.74	49th

Source: US Department of Labor, Bureau of Labor Statistics, Current Employment Statistics, 2021 Annual Averages, Not Seasonally Adjusted (national) and US Department of Labor, Bureau of Labor Statistics, State and Area Employment, Hours and Earnings, 2021 Annual Averages, Not Seasonally Adjusted

Table 18
2021 Average Hourly Earnings of All Workers*
Arkansas and Surrounding States

State	Hourly Earnings	National Rank
United States	\$30.59	–
Texas	\$28.55	20 th (tied)
Missouri	\$27.61	30 th
Louisiana	\$26.72	40 th
Tennessee	\$26.40	43 rd
Oklahoma	\$25.33	46 th
Arkansas	\$24.14	49th
Mississippi	\$22.90	50 th

*Total private employees

Source: US Department of Labor, Bureau of Labor Statistics, Current Employment Statistics, 2021 Annual Averages, Not Seasonally Adjusted (national) and US Department of Labor, Bureau of Labor Statistics, State and Area Employment, Hours and Earnings, 2021 Annual Averages, Not Seasonally Adjusted

Table 19
Population Change: 2020-2021
Arkansas and Surrounding States

State	Percent Change	National Rank
United States	0.12%	–
Texas	1.06%	7 th
Tennessee	.080%	13 th
Oklahoma	0.062%	16 th
Arkansas	0.45%	19th
Missouri	0.22%	24 th
Mississippi	-0.23%	42 nd
Louisiana	-0.58%	46 th

Source: U.S. Census Bureau, Table 1. Annual Estimates of the Resident Population for the United States, Regions, States, and Puerto Rico: April 1, 2020 to July 1, 2021

Poverty Rate Comparison

Table 20
Percentage of Population in Poverty: 3-Year Average (2018-2020)
Arkansas and Surrounding States

State	Percent in Poverty
United States	11.2%
Missouri	10.8%
Tennessee	12.8%
Texas	12.9%
Oklahoma	13.2%
Arkansas	14.7%
Louisiana	17.4%
Mississippi	18.8%

Source: U.S. Census Bureau, Current Population Survey, 1960 to 2021 Annual Social and Economic Supplements (CPS ASEC), September 2021.

Comparative State Indices

The Arkansas Economic Development Commission reviews and analyzes various state indices to evaluate economic competitiveness of Arkansas with surrounding states. Below, are examples of indices that compare states through various methods.

The ALEC-Laffer State Economic Competitiveness Index is a comprehensive report that ranks the economic competitiveness and economic outlook of U.S. states using 15 equally weighted policy variables. Arkansas ranked highest in average workers' compensation costs (2nd), property tax burden (4th), debt service as a share of tax revenue (7th), number of tax expenditure limits (15th), and top marginal corporate income tax rate (17th). The state also received high rankings for being a right-to-work state. The state's lowest score was in the sales tax burden category (45th).

Table 21
Economic Outlook Rankings
Arkansas and Surrounding States

State	2022 Ranking	2021 Ranking	Change in Rank
Oklahoma	4	3	-1
Texas	11	9	-2
Tennessee	13	12	-1
Missouri	29	21	-8
Louisiana	20	22	+2
Arkansas	16	23	+7
Mississippi	27	27	--

Source: American Legislative Exchange Council, Rich States, Poor States 15th Edition, ALEC-Laffer State Economic Competitiveness Index, Economic Outlook Rankings 2022

America's Top States for Business is published annually by CNBC. The publication evaluates each of the fifty states based on eighty-eight metrics across ten broad categories of competitiveness. CNBC uses data from a variety of sources to measure the states' performance. Arkansas scored highest in cost of living (10th) and cost of doing business (13th), access to capital (20th); economy (24th); and business friendliness (29th). The state scored lowest in infrastructure (30th); life, health and inclusion (37th); education (37th); workforce (38th); and technology and innovation (40th).

Table 22
America's Top States for Business
Arkansas and Surrounding States

State	National Ranking	Previous Ranking	Change in Rank
Texas	5	4	-1
Tennessee	15	5	-10
Missouri	25	25	--
Oklahoma	38	32	-5
Arkansas	41	43	+2
Louisiana	48	44	-4
Mississippi	50	45	-5

Source: CNBC's Americas Top States for Business, released July 2022

The Tax Foundation's State Business Tax Climate Index is a ranking of states' various tax components by a myriad of factors. States are ranked from 1 to 50 with a score of 1 reflecting the most competitive tax structure. In 2021, the General Assembly passed legislation that would phase in reductions to the corporate and personal income tax rate structure. These and changes made during 2022, will be reflected in subsequent versions as they take effect.

Table 23
 State Business Tax Climate Index Rank
 Arkansas and Surrounding States

State	Overall Rank	Corporate Tax Rate	Individual Income Tax Rate	Sales Tax Rate	Property Tax Rate	Unemployment Insurance Tax Rank
Tennessee	8	26	6	46	33	20
Missouri	13	3	21	25	8	4
Texas	14	47	7	36	37	14
Oklahoma	26	10	30	37	28	1
Mississippi	30	13	25	32	38	6
Louisiana	42	34	34	48	23	5
Arkansas	44	30	39	45	27	33

Source: Tax Foundation, 2022 State Business Tax Climate Index, Table 1: 2022 State Business Tax Climate Index Ranks and Component Tax Ranks.



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