

2020 ACT 1282 REPORT





TABLE OF CONTENTS

Executive Summary.....	1
Table 1 – Summary of Recent Act 1282 Reports.....	1
Chart 1 – Average Hourly Wage of AEDC Signed Incentive Agreements (2017-2020)	2
Chart 2 – AEDC New and Expanded Job Creation (2017-2020).....	2
Chart 3 – 2017-2020 Average Wage of AEDC Jobs Comparison	3
Part 1 Accounting of All Projects.....	4
Table 2 – Projects with AEDC Incentive Agreements Signed in 2020.....	4
Table 3 – Equity Investment Tax Credit Projects.....	6
Table 4 – Technology Development Program (TDP)	7
Table 5 – Arkansas Business & Technology Accelerator Grant Program.....	8
Table 6 – Arkansas SBIR Matching Grant Program.....	8
Part 2 Assessment of Projects That Did Not Materialize	9
Table 7 – Project Status.....	9
Table 8 – 2020 Projects That Did Not Materialize.....	10
Part 3 Accounting of Major Factory and Plant Closures	13
Table 9 – 2020 Major Manufacturing Closures	13
Table 10 – Arkansas Manufacturing Transitions (2016-2020)	14
Chart 4 – Arkansas Employment Changes by Sector (2019-2020)	15
Part 4 Strategies and Recommendations for the Coming Year	18
Part 5 Director’s Assessment of the Department’s Performance.....	26
Table 11 – Job Opportunities from Signed Incentive Agreements (2019-2020).....	26
Chart 5 – Unemployment Rate by Month (2020).....	26
Table 12 – Unemployment Rate Comparison (2019-2020).....	27
Table 13 – Real GDP by State (2020): Arkansas and Surrounding States.....	27
Table 14 – Labor Force Change (2019-2020): Arkansas and Surrounding States	27
Table 15 – Per Capita Personal Income (2020): Arkansas and Surrounding States	28
Chart 6 – Per Capita Personal Income Arkansas vs. U.S. (2019-2020)	28
Chart 7 – Arkansas Per Capita Personal Income (2010-2020).....	29
Table 16 – Unemployment Rate Annual Averages: Arkansas and Surrounding States.....	29
Table 17 – Average Hourly Wage of Manufacturing Workers (2020).....	30
Table 18 – Average Hourly Wages of All Workers (2020): Arkansas and Surrounding States	30
Table 19 – Population Change (2010-2020): Arkansas and Surrounding States.....	31
Table 20 – Percentage of Population in Poverty: 3-Year Average	31
Table 21 – Economic Outlook Rankings: Arkansas and Surrounding States	32
Table 22 – America’s Top States for Business: Arkansas and Surrounding States.....	32
Table 23 – State Business Tax Climate Comparison: Arkansas and Surrounding States.....	33

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 2020.

Between January 1, 2017 and December 31, 2020, AEDC signed financial incentive agreements for 880 projects with companies proposing the creation of 16,619 new and retained jobs and \$6,976,613,208 in new investment. For this four-year period, the average proposed hourly wage was \$22.24 per hour, and the average cost-benefit ratio was 4.66. A cost-benefit ratio of 4.66 means that over a 10-year period, the state will receive a return of \$4.66 in state taxes from each \$1 in state tax incentives offered for job creation projects.

Table 1
Summary of Recent Act 1282 Reports (2017-2020)

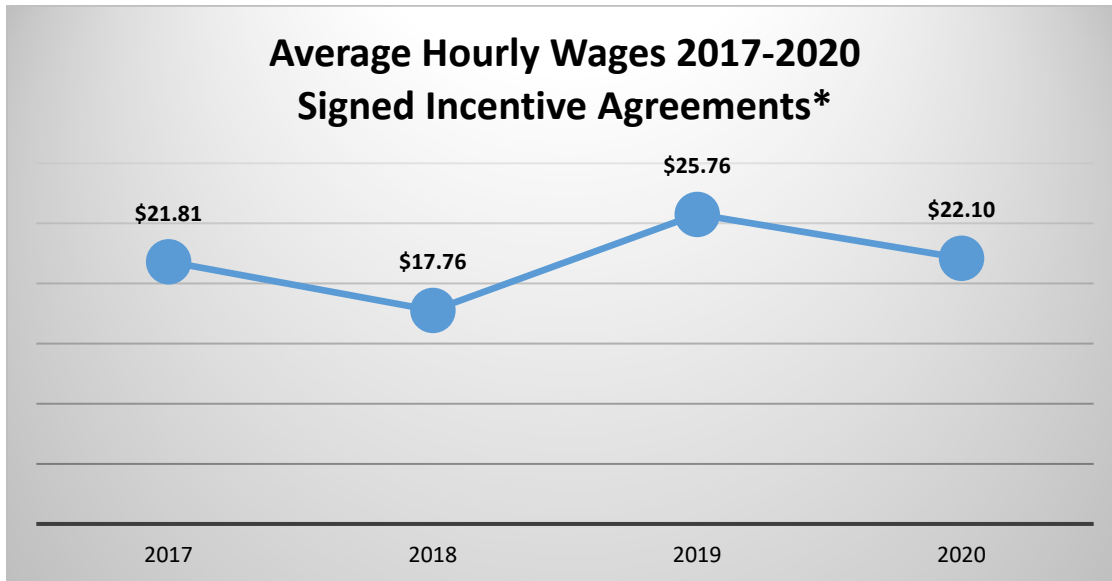
Economic Indicators	2017	2018	2019	2020	2017-2020 Total/Average
AEDC Projects*	256	210	229	185	880/220
Signed AEDC Incentive Agreements	133**	74	100	48	355/89
Proposed Jobs	3,460	4,279	5,968	2,917	16,619/4,156
Proposed Investment	\$3,184,192,355	\$1,806,870,980	\$1,295,057,446	\$694,987,427	\$6,976,613,208/ \$1,744,153,302
Proposed Average Hourly Wage	\$21.81	\$17.76***	\$25.76	\$22.10	\$22.24(Avg)**
Cost Benefit Ratio	\$3.53/\$1	\$4.44/\$1	\$4.30/\$1	\$6.36/\$1	\$4.66/\$1(Avg)

*AEDC defines a Project as an understanding between AEDC and a company that the company has a defined set of project criteria, including number of jobs to be created and an estimation of capital investment, along with a projected timeline for their location decision, and that Arkansas is one of the states that are a part of the location analysis. AEDC interacts with many companies on a proactive basis, as well as responding to inquiries which have not yet reached the status of being a project. Due diligence is performed on companies prior to offering incentives, which takes place after starting a project.

**In 2017, the number of signed incentive agreements and proposed investment was impacted by very high number of InvestArk applications that were submitted before the program ended.

***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 2017-2020 average would be \$22.24.

Chart 1



*Includes retained jobs: 2017: 13 retained jobs; 2018 : 214 retained jobs; 2019 : 934 retained jobs; 2020 : 642 retained jobs

Chart 2

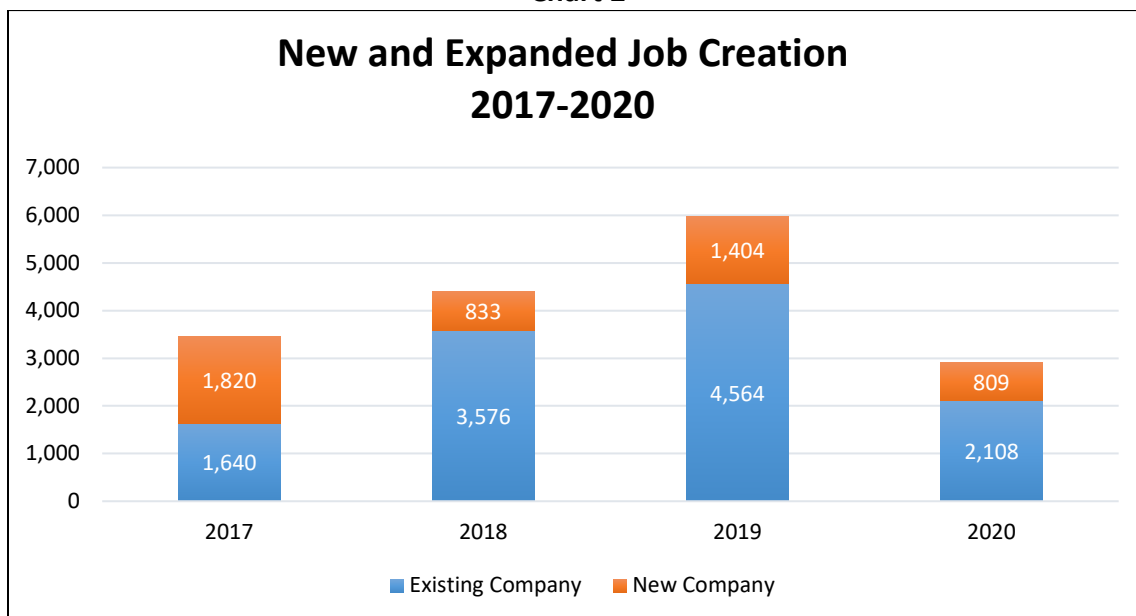
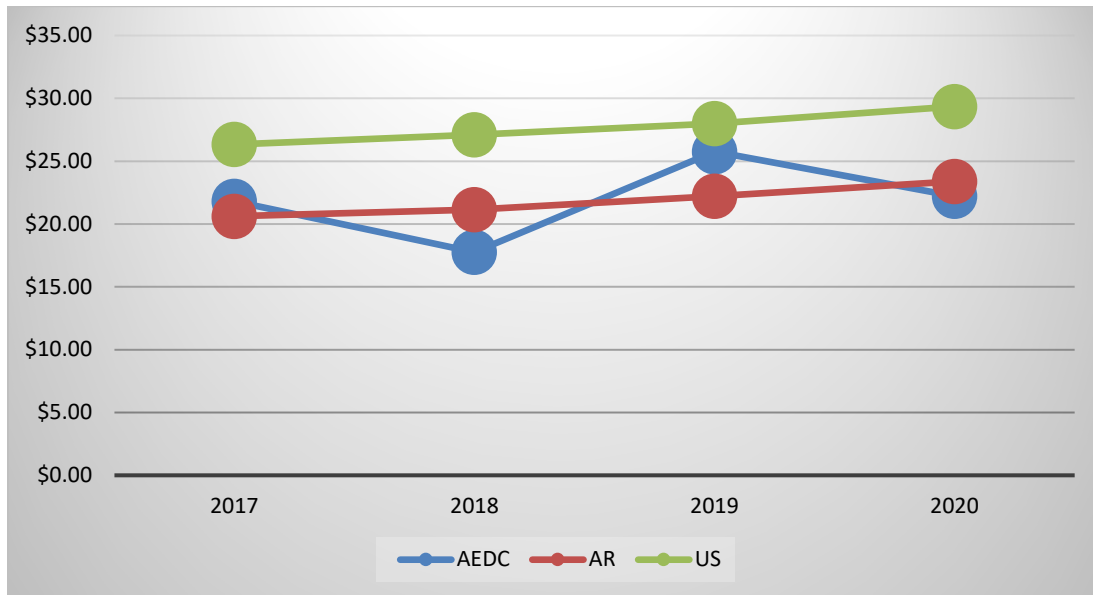


Chart 3
Average Wage of Proposed AEDC Jobs Comparison
2017 to 2020



Source: 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 2020
(Represents New and Expanding Companies)

Type of Company	Location	Number of New Jobs (see notes * and **)	Incentive Program (see note**)
Corporate HQ	Little Rock	115	Advantage Arkansas, Tax Back
Manufacturing	Lonsdale	5	Advantage Arkansas, Tax Back
Food Processing	Rogers	13	Advantage Arkansas, Tax Back
Manufacturing	Little Rock	6	Advantage Arkansas, Tax Back
Distribution	West Memphis	225	Create Rebate
Chemical Processing	El Dorado	8	Advantage Arkansas, Tax Back
Chemical Processing	El Dorado	8	Advantage Arkansas, Tax Back
Food Processing	West Memphis	58	Create Rebate
Manufacturing	Fort Smith	30	Advantage Arkansas, Tax Back
Manufacturing	Crossett	70	Advantage Arkansas, Tax Back, CDBG
Warehousing & Distribution	Maumelle	16	Advantage Arkansas, Tax Back
Manufacturing	Huntsville	25	Advantage Arkansas, Tax Back
Information Technology	Fayetteville	64	Create Rebate
Manufacturing	Little Rock	100	Create Rebate, Tax Back
Food Processing	Fort Smith	25	Create Rebate, Tax Back
Manufacturing	Pocahontas	7	Advantage Arkansas, Tax Back
Manufacturing	Little Rock	62	Quick Action Closing Fund
Manufacturing	North Little Rock	8	Advantage Arkansas, Tax Back
Manufacturing	Siloam Springs	125	Advantage Arkansas
Manufacturing	Lonoke	28	Advantage Arkansas, CDBG
Food Processing	Hot Springs Village	40	Advantage Arkansas, CDBG
Biotechnology	Fayetteville	9	Targeted In-House R&D Tax Credit
Manufacturing	Jonesboro	170	Create Rebate
Manufacturing	Springdale	115	Advantage Arkansas, Tax Back

Manufacturing	Blytheville	0**	Tax Back
Manufacturing	Armored	0**	Repair & Replacement Equipment Sales Tax Refund
Manufacturing	Osceola	82*	Repair & Replacement Equipment Sales Tax Refund
Manufacturing	Paragould	5	Advantage Arkansas
Manufacturing	Pine Bluff	72	CDBG
Manufacturing	Pine Bluff	100	Repair & Replacement Equipment Sales Tax Refund
Manufacturing	Caraway	30	Quick Action Closing Fund
Manufacturing	Arkadelphia	35	Advantage Arkansas, Tax Back
Manufacturing	Benton	61	Advantage Arkansas, Tax Back
Food Processing	Booneville	8	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Conway	127	Create Rebate
Manufacturing	Eudora	125	Advantage Arkansas, Tax Back
Manufacturing	Paragould	12	Advantage Arkansas, Tax Back
Manufacturing	Ozark	15	CDBG
Manufacturing	Hope	62*	CDBG
Warehousing and Distribution	Texarkana	2	Advantage Arkansas, Tax Back
Warehousing and Distribution	Little Rock	3	Advantage Arkansas, Tax Back
Manufacturing	Wilson	55	Create Rebate, Tax Back

* No new jobs were created, only retained jobs incentivized

** 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 and Digital Product and Motion Picture Industry Development Projects

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

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 2020, six financial incentive agreements were approved with 305 cumulative proposed jobs with an average hourly wage of \$40.82. This was an increase of more than 80% for new jobs created through EITC projects from the previous year. Projects that signed agreements in 2020 are projected to raise approximately \$7,900,000 in equity from investors. The locations, projected employment, and projected average hourly wages of 2020 projects are as follows:

Table 3
Equity Investment Tax Credit Projects

Project Location	Proposed Investment (Minimum Equity Raised)	Proposed Jobs	Proposed Wages
Fayetteville	\$1,000,000	7	\$35.50
Springdale	\$1,000,000	50	\$46.15
Rogers	\$1,400,000	45	\$44.82
Hot Springs	\$1,000,000	12	\$34.79
Little Rock	\$2,500,000	173	\$39.28
Little Rock	\$1,000,000	18	\$36.16
2020 Total	\$7,900,000	305	\$40.82

The **Digital Product and Motion Picture Industry Development Incentive Program** offers rebates to qualified production companies for eligible production costs and payroll incurred in Arkansas. Presently, the Digital Product and Motion Picture Industry Development Incentive Program is not allocated general revenue funding. Therefore, approved projects have received funding from the discretionary Quick Action Closing Fund. In FY 2020, nine production

companies received \$15,314,559.66 in QACF funding for expenditures related to digital product production projects in Arkansas (see QACF Report, attached, for expenditure data).

Programs of the Division of Science and Technology of AEDC

The Division of Science and Technology 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 help support the initial capitalization or expansion of technology-based companies located in Arkansas. The program can provide working capital up to \$500,000 of the company's total financing needs. Investments made by the SCIP fund can be repaid through a variety of instruments, including direct loans, participations, and royalties. During calendar year 2020, there were no SCIP projects funded.

The **Technology Development Program (TDP)** provides royalty financing for qualified projects demonstrating a well-developed concept and comprehensive project plan. The program invests in projects focused on innovative, leading-edge science and technology to grow employment and expand entrepreneurship in Arkansas. The maximum investment for the program is \$100,000 with terms negotiated on an individual basis. During calendar year 2020, \$250,000 in funding was provided to four companies.

Table 4
Technology Development Program (TDP)

Project Type	Location	Amount
Freight shipping broker	Bentonville	\$100,000
Road degradation survey software	Little Rock	\$50,000
Torque device for cardiovascular surgery	Little Rock	\$50,000
Education management services	Fayetteville	\$50,000

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. The goal of the program is to enhance the market competitiveness of partner companies. The program funds the costs associated with transferring new or existing technology from a qualified applicant – such as a public or private enterprise, laboratory, college, or university – to an Arkansas based entity. During calendar year 2020, 22 matching grants of \$3,750 were funded to 16 entities totaling \$86,250. These projects were located in Jonesboro, Bentonville, Bryant, Fayetteville (10), Elkins (2), Clinton (2), and Little Rock (5).

The **Arkansas Business and Technology Accelerator Grant Program** provides discretionary grants up to \$250,000 to eligible applicants administering a business and technology accelerator. Business accelerators connect innovative, early-stage companies with investors and industry professionals who can assist the companies with further growth, guidance, and

strategic development. In calendar year 2020, AEDC approved \$1,225,000 in grant funding toward the development of five accelerator programs.

Table 5
Arkansas Business and Technology Accelerator Grant Program

Accelerator	Accelerator Description	Amount
FIS FinTech	Financial technology startup	\$250,000
ThinkTech	Financial technology for community banking	\$250,000
FUEL	Supply chain technology for retail	\$250,000
10X Growth	Startup growth	\$250,000
HealthTech	Hospital technology & biotechnology	\$225,000

The **Arkansas Small Business Innovation Research Matching Grant Program (SBIR)** provides companies with discretionary grants matching up to 50% of the amount of a federal Small Business Innovation Research (SBIR) Grant. In 2020, AEDC awarded \$325,000 in Arkansas SBIR grant funds to seven recipients for Phase 1 grants. Phase 1 of an SBIR Grant establishes the technical merit, feasibility, and commercial potential of a proposed project. SBIR grant recipients were located in Conway, Clinton, Fayetteville (2), Little Rock, and Perryville.

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

SBIR Grant Phase*	Project Type	Location	Amount
Phase I	Biotechnology startup	Jonesboro	\$50,000
Phase I	Medical diagnostics	Little Rock	\$25,000
Phase I	Point-of-Use MEMS gas analyzer	Fayetteville	\$37,500
Phase I	Digital education platform	Conway	\$50,000
Phase I	Agricultural business development	Clinton	\$50,000
Phase I	High-tech glass coating	Fayetteville	\$50,000
Phase I	Medical device technology	Perryville	\$50,000

Part 2 Assessment of Projects That Did Not Materialize

During the 2020 calendar year, the Arkansas Economic Development Commission engaged in 185 projects, 48 of which signed incentive agreements. As expected, the number of projects the agency worked in 2020 was not as high as previous years due to the COVID-19 pandemic. The global impact of the pandemic saw many projects put on hold or proceed slower than usual through the site location process. Of the 185 projects the agency worked in 2020, 21 have or are expected to announce a location in Arkansas during calendar year 2021. Agency staff worked with three companies in 2020 that located in Arkansas but did not receive incentives from AEDC.

Of the projects which signed incentive agreements 2020, 12 were new companies and 36 were existing companies. Upon completion, these 48 projects are expected to create/retain 2,917 jobs and generate \$694,987,427 in new investment.

Projects that did not materialize in Arkansas can be put into the following categories:

- Company canceled the project which can be the result of various factors which may include lack of funding, unsustainable business model, acquisition, lack of acceptable return on investment.
- Company selects another state (AEDC considers this a loss, meaning Arkansas was considered for the project and was ultimately not selected, typically due to factors involving real estate, infrastructure, workforce or financial aspects of the project).
- AEDC performs due diligence on a company and as a result, declines the company's request for financial assistance. There are instances in which this leads to a company still pursuing the project in Arkansas.

Table 7
Project Status 2020

Project Status	Number of Projects
Project has committed to Arkansas and signed an incentive agreement in 2020	48
Project has or is likely to announce in 2021	21
Project is active but no decision has been made	68
Project is on hold/status pending	13
Project did not materialize-will not locate in Arkansas*	32
Project proceeded in Arkansas without AEDC assistance	3
Total Projects	185

*Information regarding these projects is provided in Table 8

Table 8
2020 Projects That Did Not Materialize

Type of Company	Number of Jobs	Average Hourly Wage	Incentive Offered	Reason Company Did Not Locate in Arkansas
Fabricated Metal Manufacturing	70	N/A	General Incentive Summary	The project did not materialize.
Manufacturing	N/A	N/A	General Incentive Summary	Company decided not to pursue a U.S. manufacturing location.
Manufacturing	300	\$41.91	Create Rebate, Tax Back, Quick Action Closing Fund	The project located in Memphis, TN to lower their transportation costs.
Manufacturing	3,400	\$20.50	General Incentive Summary	Located elsewhere, no reason was disclosed.
Manufacturing	N/A	N/A	General Incentive Summary	Project did not qualify for incentives.
Distribution Center	700	N/A	General Incentive Summary	The company canceled the project.
Food Processing	N/A	N/A	General Incentive Summary	The project did not materialize.
Agri-business	N/A	N/A	General Incentive Summary	The project did not materialize.
Food Processing	411	\$19.74	General Incentive Summary	Company located in Indiana due to logistics and labor force.
Quick Printing	126	\$14.77	Create Rebate, Tax Back	Company expanded in El Paso, TX; no reason was disclosed.
Manufacturing	N/A	\$17.16	General Incentive Summary	The project was canceled. A new project with different criteria is being developed.
Manufacturing	N/A	N/A	General Incentive Summary	The company located in closer proximity to an Alabama supply chain partner.
Software Development	N/A	N/A	General Incentives Summary	Project did not materialize.
Consumer Services	4	\$28.85	General Incentive Summary	Project did not materialize.
Warehousing & Assembly	22	\$12.50	Advantage Arkansas, Tax Back	The company located elsewhere; no reason was disclosed.

Food Processing	59	\$25.80	General Incentives Summary	The company located in another state; no reason was disclosed.
Plastics Manufacturing	200	N/A	General Incentive Summary	The project did not materialize.
Manufacturing	N/A	\$17.00	General Incentives Summary	The company canceled the project.
Food Processing	20	\$14.00	Advantage Arkansas/Tax Back	The project did not materialize.
Information Technology	N/A	N/A	EITC, In-House R&D Tax Credit	The project did not materialize.
Manufacturing	39	\$20.77	Advantage Arkansas, Tax Back, CDBG	The company canceled the project due to lack of capital.
Manufacturing	N/A	\$25.00	General Incentive Summary	The company canceled the project.
Manufacturing	600	N/A	General Incentive Summary	The location search narrowed to Texas or Louisiana due to logistics costs and proximity to deep water port.
Manufacturing	N/A	N/A	General Incentive Summary	The company located elsewhere; no reason was disclosed.
Manufacturing	106	NA	General Incentive Summary	The project did not materialize.
Manufacturing	132	\$15.00	Advantage Arkansas, Tax Back	Arkansas did not have a suitable building; the project located in Kansas.
Manufacturing	400	\$32.21	General Incentive Summary	The company lost a competitive bid, and the project was canceled.
Manufacturing	N/A	N/A	General Incentive Summary	Company located closer to their regional customers.
Manufacturing	N/A	N/A	General Incentive Summary	The location search narrowed to the northeastern US for proximity to the company's primary supply chain provider.
Manufacturing	12	\$13.00	General Incentive Summary	The project did not materialize.
Food Processing	7	\$13.25	Advantage Arkansas	The company located in another state; no reason was disclosed.



Manufacturing	300	\$21.63	General Incentive Summary	The project did not materialize.
---------------	-----	---------	------------------------------	-------------------------------------

Part 3 Accounting of Major Factory and Plant Closures

The COVID-19 pandemic of 2020 had a significant impact on the manufacturing sector in Arkansas. In 2019, the state experienced historic low unemployment rates and increased growth across the sectors. That year, only two of the state's manufacturing segments experienced job losses from the previous year.

In 2020, the pandemic created new challenges for Arkansas's manufacturing sector, ranging from workforce to supply chain shortages. During the past year, 154,918 Arkansans were employed in manufacturing, a -4.5% change from the previous year. The largest losses in this sector were in transportation equipment manufacturing, primary metal manufacturing, and plastics and rubber products manufacturing. Three segments in the sector gained jobs in 2020: food manufacturing, textile mills, and miscellaneous manufacturing, which includes the manufacturing of medical equipment and supplies.

Table 9
2020 Major Manufacturing Job Losses

Location	Event	Reason	# of Jobs Lost
Ashdown	Closure	Corporate decision driven by pandemic	109
Brinkley	Closure	Corporate decision	50
El Dorado	Closure	Relocating corporate headquarters to Texas	81
Melbourne	Closure	Corporate decision	169
Pine Bluff	Closure	Corporate decision	220
Searcy	Closure	Relocating to Texas	11
Blytheville	Layoff	Corporate decision	105
Hot Springs	Layoff	Corporate decision	33
Pine Bluff	Layoff	Moving production line to existing South Carolina facility	71
Total 2020			849

Source: Arkansas Department of Workforce Services Dislocated Workers Taskforce

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

Arkansas's manufacturing sector had an overall -0.09% loss between 2016 and 2020. The sector saw growth in jobs during 2016, 2017, 2018, and 2019. As a result of the COVID-19 pandemic, the sector had a -4.5% overall loss of jobs. The highest percentage of job loss occurred in the subsector of Printing and Related Support Activities. Six manufacturing subsectors experienced growth during between 2015 to 2020: Food and Beverage, Transportation Equipment, Chemicals, Machinery Manufacturing, Wood Products, and Misc. Manufacturing.

Table 10
Arkansas Manufacturing Transitions: 2016-2020p

Growth	Small – Moderate Decline (-0.1% to -9.9%)	Large Decline (-10%+)
Chemicals (+9.6%)	Plastics & Rubber (-7.7%)	Printing & Related Support Activities (-20.5%)
Food & Beverages (+9.2%)	Paper Manufacturing (-6.1%)	Textiles & Apparel (-18.9%)
Transportation Equipment (+4.2%)	Furniture (-5.3%)	Computers & Electronic Equip. Manufacturing (-17.9%)
Machinery Manufacturing (+2.8%)	Metals (-5.1%)	Leather (-16.2%)
Misc. Manufacturing (+0.4%)	Nonmetallic Minerals (-1.1%)	
Wood Product (+0.2%)	Petroleum & Coal (-0.43%)	

Source: Bureau of Labor Statistics, 2016-2020p (preliminary) private sector Quarterly Census of Employment and Wages

Summary of Manufacturing Sector Job Losses

Below is a summary by net loss and percentage of the sectors that did not experience growth from 2016 to 2020:

Petroleum & Coal: (net loss -50; -0.43%) The sector had an overall net loss of 50 jobs between 2016 to 2020. The asphalt paving mixture and block manufacturing segment had a 22% gain in jobs. As the economy stabilizes and recovers past 2020, this manufacturing sector should gain strength and increase jobs.

Nonmetallic Minerals: (net loss-40; -1.1%) The sector of manufacturing had a net loss of 40 jobs between 2016 and 2020. The majority of the job losses occurred in the other nonmetallic mineral products manufacturing segment. The sector had job growth in clay product and refractory manufacturing, glass and glass product manufacturing, and other concrete product manufacturing.

Furniture: (net loss-182; -5.3%) The manufacturing subsector had a job loss of 182 jobs between 2016 and 2020. The largest losses in the sector occurred in office furniture and fixtures manufacturing. As the 2020 pandemic increased remote work, the demand for office furniture decreased. The segment of industrial furniture manufacturing increased by 7% during the period.

Metals: (net loss -1163; -5.1%) The metals subsector had a loss of -5.2% in primary metal manufacturing from 2016 to 2020. However, between 2018 to 2019, primary metal manufacturing grew by 385 jobs as several large manufacturing facilities added to their workforce to meet increased demand. The 2020 pandemic saw job growth in the sector slow, however, as the economy recovers employment may rebound. The area of fabricated metals manufacturing had a loss of -5% the period.

Paper Manufacturing: (-585, -6.1%) The sector for paper manufacturing continued to lose jobs as through the growth of paperless technologies. A job growth of 1% occurred in paperboard container manufacturing. New uses for paper products could increase jobs in this sector.

Plastics & Rubber: (net loss -844; -7.7%) This sector had job losses in both plastics manufacturing and rubber manufacturing. However, the majority of losses were in other plastic products manufacturing, and nonpackaging plastics film and sheeting manufacturing. These two segments have seen steady decline for several years. Job growth did occur in laminated plastics, plate, sheet and shapes, polystyrene foam product manufacturing, and plastic bottle manufacturing.

Leather: (net loss -189, -16.2%) After increasing jobs in the sector in 2018 and 2019, the sector experienced a 12.6% loss of jobs 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 also impacted product manufacturing. The sector had a 3.6% job gain in the leather products from leather or leather substitutes. This included the manufacturing of billfolds, luggage, purses, watch bands, cases, and similar consumer goods.

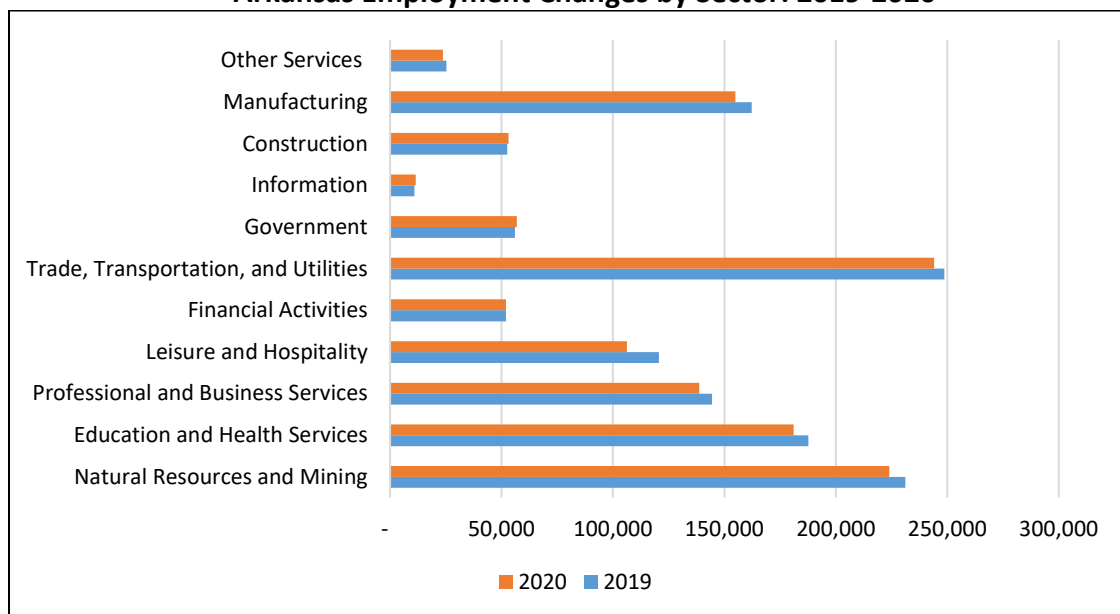
Textile & Apparel: (net loss -368; -19.8%) the sector had job gains in 2016 and 2017. In 2018 and 2019, there was a slight decline in jobs, however, the most significant job losses occurred in 2020 with a -16.8% loss of jobs. The majority of the losses occurred in textile product mills and apparel manufacturing. However, textile mills had a 26.7% increase in jobs for the period of 2016 to 2020. As economic recovery from the pandemic occurs and supply chain issues are resolved there should be an increase in manufacturing and employment in this sector.

Computer and Electrical Equipment Manufacturing: (net loss -1289; -17.9%) This segment has experienced steady decline for many years as a result of competition with products produced inexpensively overseas. As tariffs increased on some foreign manufactured products in 2019, many companies began exploring the U.S. reshoring of manufacturing in this sector. The 2020 pandemic had a tremendous impact on the supply chain of many industries that primarily sourced products or parts overseas. Many manufacturers are studying supply chain models and options that would include onshoring some or all of the manufacturing process of electronics, particularly outside of China.

Printing and Related Services: (net loss -812, -20.5%) This sector has been declining for a decade as a shift from print to digital products continues to expand. This shift is expected to continue to impact the sector in coming years.

Economic Sector Changes

Chart 4
Arkansas Employment Changes by Sector: 2019-2020



Source: US Bureau of Labor Statistics

Sectors with Losses

Education and Health Services Sector experienced a -3.5% job loss in 2020. The education services segment losses occurred in technical and trade schools, including sports and recreation instruction schools, cosmetology and barber schools, and colleges and universities. The segment had growth in elementary and secondary schools, junior colleges, and computer, business and management training schools. The health care and social assistance segment had losses in hospitals, child day care services, nursing and residential care facilities, home health care services, and vocational rehabilitation service centers. The segment gained jobs in children and youth social assistance services, offices of physicians (including medical health practitioners), certain outpatient care centers, and continuing care facilities.

Leisure and Hospitality had the most significant change from 2019 to 2020 of all industry sectors. The sector had an 11% job loss of 14,356 jobs. The 2020 pandemic had an unprecedented impact on the tourism and hospitality industry in the state with the losses impacting both accommodations and food services businesses as well as businesses in arts, entertainment, and recreation. The only segments that experienced job growth were historical sites, marinas, other traveler accommodations (ex: cabins, guests houses, tourist homes), and snack and non-alcoholic beverage bars (coffee shops, carryout shops, ice cream parlors).

Manufacturing sector had seen steady growth in recent years but between 2019 and 2020 had a -4.5% job loss. Consumer purchasing, supply chain issues, and workforce issues had a significant impact on the industry. The segments with the largest losses between 2019 and 2020 were transportation equipment manufacturing, primary metal manufacturing, and plastics and rubber

products manufacturing. Growth occurred in food manufacturing, textile mills manufacturing, and miscellaneous manufacturing.

Natural Resources and Mining sector had a job loss of -3.1% in 2020. The majority of the jobs lost in the sector were within the mining, quarrying, and oil & gas extraction subsector with the majority in support activities for mining. The crop production segment gained jobs in greenhouse and nursery production, fruit and tree nut farming, corn and rice farming, and berry farming.

Other Services had a -6.2% loss between 2019 and 2020. Effects of the pandemic impacted services particularly hard. As the economy recovers and schools, business and organizations begin to have more in-person activities, many of these services should begin to rebound. The majority of the job losses occurred in the personal and laundry segment. The year saw job gains in certain segments of automotive repair maintenance such automotive glass repair shops and oil change and lubrication shops. As people spent more time at home, gains occurred in home & garden equipment, appliance repair and household goods repair, and coin operated laundries, and pet care services. Grantmaking foundations and professional associations also had small job gains.

Professional and Business Services had a loss of 5,700 jobs between 2019 and 2020. Approximately 65% of these job losses were in temporary help services, a sector that was severely impacted by the pandemic. Job losses also occurred in management and technical consulting services, advertising and public relations services, travel arrangement and reservation services, administration, and support services. Telemarketing services, an industry that been declining in recent years, saw an increase of over 1,000 jobs in 2020. Other gains in the section occurred in custom computer programming, which added over 500 jobs; business support services; scientific research and development services; and title abstract and settlement offices

Trade, Transportation, and Utilities Sector had a -1.8% job loss between 2019 and 2020. The retail trade segment alone had a -1.2% loss of jobs, however within that segment the building material and garden equipment and supplies dealers increased jobs by 5.5%. Boat dealers and grocery stores also added jobs in 2020. The largest shift in the retail trade segment occurred in clothing and clothing accessory stores with a -22.4% loss of jobs. Transportation had job losses across all segments except water transportation and specialized freight trucking (long distance). Warehousing and storage had a 3.3% increase between 2019 and 2020 while the utilities segment had a 0.8% increase in jobs.

Part 4 Strategies and Recommendations for the Coming Year

Plans for Preventing Closures and Job Losses

The coronavirus pandemic that began in 2020 had an unprecedented impact on the global economy. Arkansas businesses had to navigate new challenges such as supply chain and distribution disruptions, changing consumer needs, and redeveloping business processes to implement safety procedures. As the economy recovers, the state's industries are beginning to rebound. As business sectors strengthen in the next year, AEDC will continue to be a partner to provide assistance and guidance in several key areas.

Strengthening Partnerships with Existing Businesses

In the 1st quarter of 2020, the effects of the global pandemic began to have a tremendous impact on Arkansas's existing industry. AEDC's Existing Business Resource Division (EBRD) is tasked with working with both new and existing industry to identify opportunities for business improvements and resolving issues that prevent optimal operations. In 2020, the team was able to quickly shift from face-to-face activity with these companies to a virtual platform. The EBRD contacted over 1,500 companies in 2020 in a large-scale outreach program to determine company wellness, employment, production trends, and supply chain issues. The team was able to offer customized assistance to many companies during the height of the pandemic. The team will continue these efforts into the next year to generate additional assistance to companies as needs change and evolve through the economic recovery period.

The Arkansas Manufacturing Solutions Team (AMS), a division of the EBRD team, prepared Healthy Workplace and Supply Chain playbooks for clients to assist them during the pandemic. In 2020, AMS received a \$430,000 Cooperative Agreement through the National Institute for Standards and Technology's Manufacturing Extension Partnership Emergency Assistance Program. This award supported small- and medium-sized manufacturers with funds to provide services that directly support manufacturers' ability to respond to the coronavirus. The division was able to provide 16 awards of \$80,000.

In the initial months of the pandemic, the most immediate need was for Personal Protective Equipment (PPE). The EBRD team was able to put 49 companies that produce PPE in touch with state procurement groups to assist in meeting shortages and other critical PPE needs.

In the coming year, the EBRD will continue to assist companies as the economy recovers and identify more long-term recovery challenges. The team members will continue outreach efforts to gather data on workforce, production, supply chain, and other key issues to develop solutions and identify opportunities.

Entry Level Workforce Training

In 2019, AEDC's Existing Business and Retention Division (EBRD) launched a pilot program for Future Fit (FF), a program that addresses workforce skills gaps for entry level production jobs. The program provides approximately 120 hours of combined hands-on and online training for the basic skills needed to be successful in a manufacturing position. COVID-19 and social distancing requirements limited the ability to deliver in-person classes for the Future Fit Program in 2020. Despite the challenges, several cohorts of FF were able to complete training

and many graduates received full-time job offers upon completion. These cohorts received instruction through UA-Fort Smith, UA-Pulaski Tech, and SAU-Tech in Camden. In the next year, the EBRD will work with partner schools to administer the program and plan to launch FF classes on four additional campuses. This expansion will create a pipeline of potential entry level employees for Arkansas companies. The FF program can reduce the time and costs a company would expend to hire entry level workers.

Assisting Companies with Job Profiling

The American College Testing Company (ACT) created the ACT Workkeys Job Profiling initiative to help companies identify and quantify seven key skill sets that have proven common to successful workforces. In 2020, EBRD team members shifted to providing profiling services to companies virtually. At the time, Arkansas was the only state in the country that completed the job profiling process remotely. ACT requested AEDC's team members participate in a nationwide conference call with other Workkeys Profilers to provide guidance and best practices to replicate Arkansas's successful virtual process. In the coming year AEDC will continue to expand the Workkeys Job Profiling initiative to Arkansas companies. The EBRD team has two additional team members that have the licensing requirements to perform the Workkeys job profiling to expand the service to more companies. The job profiling will ensure that new hires have the necessary skill sets to perform their job successfully. In addition, the process helps individuals earn a National Career Readiness Certification that is vital for a community or region to receive a Workplace Readiness Designation from ACT.

Broadband Deployment

COVID-19 emphasized the urgent need to strengthen the state's broadband internet footprint, particularly in rural areas. For businesses, the expansion of broadband will allow employees to work remotely; utilize teleconferencing services; and connect with customers, partners, and suppliers. In addition, greater access to broadband will allow the state's workforce to participate in online skills training and educational programs through distance learning. The Arkansas Rural Connect Program (ARC) will work with communities to accelerate the deployment of broadband infrastructure in rural Arkansas. In 2020, approximately \$86 million in total grant funding was awarded through Arkansas Rural Connect Program. The Broadband office will continue to work with communities and internet service providers to expand broadband through the ARC Program.

Plans for Increasing Economic Opportunities in Arkansas

The mission statement of AEDC is as follows: To create economic opportunity by attracting higher paying jobs, expanding and diversifying our state and local economies, increasing incomes and investment, and generating positive growth throughout Arkansas.

To fulfill the mission of AEDC, agency teams work collaboratively with other statewide partners and local economic development organizations to create an atmosphere to effectively compete as a premier location for entrepreneurs, for companies doing business in Arkansas to expand, and for companies to locate new facilities.

The strategy for leading economic development at the state level involves the following divisions and initiatives at AEDC:

Marketing and Business Development: Positioning Arkansas's Competitive Business Climate

AEDC's Marketing Division promotes Arkansas as a premier business destination for expansion and relocation projects that create jobs and investment. The team leverages digital and traditional marketing channels that include content creation and curation, targeted media, events, web, video, podcasts, blog posts and social media. In 2020, the agency's website and social media platforms became a critical communication tool to share updates from the Governor's Office, Secretary Preston, and information on business assistance programs.

During the year, the team produced content that included: a successful "Why Arkansas?" promotional video, Arkansas Economic Development Guide, six video updates from Secretary Preston on the COVID-19 pandemic, twenty-nine email newsletters, six podcasts, forty-seven blog posts, two case studies, a COVID-19 online resource guide, and prospective project landing pages. These efforts resulted in a 130% growth in website traffic and a 28% growth in social media traffic. More than 3.6 million impressions were driven from AEDC's "Make Your Move" digital campaign, a marketing campaign created in partnership with AEDC, Entergy, the Electric Cooperatives of Arkansas, and OG&E. The division also highlighted inspiring stories of Arkansas businesses on AEDC's website.

The Marketing Division will grow and expand the "Why Arkansas" and the "Make Your Move" campaigns to promote the state as a desirable location for companies seeking to relocate outside urban areas.

A primary strategy of the AEDC Marketing team is to highlight and amplify the executive voice of existing Arkansas companies. Many economic development organizations use marketing materials that are generic in nature with slogans, rankings and talking points that could apply to many areas around the country. Our strategy is to amplify the voice of business executives that are finding success in Arkansas. Through videos and print ads, AEDC is highlighting men and women from diverse backgrounds around the state who serve as ambassadors for Arkansas.

In addition to these successful campaigns, the division is developing a marketing campaign with the Department of Parks, Heritage, and Tourism focused on talent recruitment to Arkansas.

AEDC's Business Development Division works to generate leads for communities in Arkansas to compete for and serves as the sales representatives for Arkansas who recruit all business and industry seeking to locate and expand in the state.

The Business Development team recognizes the importance of relationships. Although economic development is a data driven process, aggressively pursuing opportunities to compete for jobs and investments can make a significant difference in competing for and winning projects. The Marketing and Business Development teams work collaboratively on lead generation strategies that primarily fall into two categories: outreach to companies and outreach to third party corporate advisory firms. Direct outreach to companies includes attending trade shows as an exhibitor or as an attendee, cold calling, and hosting events. A majority of companies hire a third party corporate advisory firm, often referred to as site selection consultants. Site selection consultants not only advise companies on real estate, workforce, and business costs, but can be influential in advising their clients about which states to consider in the evaluation process. The Business Development team works to build and maintain relationships with consultants by providing first-class customer service throughout projects and maintaining close contact with consultants through regular briefings.

Once AEDC has engaged in a project, the division communicates and negotiates state incentive programs, assists in the site selection process, and acts a single point of contact to ensure the highest level of customer service. A key part of the process is communicating the state's business climate to prospective companies. Newly enacted tax reforms have increased the competitiveness of the state's business climate. These include lowering the corporate tax rate, increasing net operating loss carry forward to 10 years, and moving apportionment to a single sales factor from a double weighted sales factor. Arkansas is now positioned to have one of the lowest costs of doing business in the country. Paired with the state's low cost of living and excellent quality of life, AEDC will be able to market the state to prospective companies as a desirable place to live and locate a business.

International Outreach Efforts

AEDC is committed to attracting and retaining the best companies and the most advanced industries from around the world. A key component to that success in increasing foreign direct investment in the state. Arkansas recognizes the strong, long-term economic opportunities originating in Europe, Asia, and Latin America. In 2020, there were nine European countries among Arkansas's top 30 trading partners, eight Asian countries, and five Latin American countries. Foreign-owned businesses have approximately 300 operations in Arkansas.

AEDC's International Team is responsible for executing the state's Foreign Direct Investment strategy by building and maintaining relationships with companies, service providers and government officials from around the world. While the pandemic halted many in-person events for international trade expansion and recruitment opportunities, the International Team pivoted to a virtual approach and continued to connect with companies to promote the state's competitive business climate, proximity to major North American markets, desirable central location, low cost of living, and excellent quality of life. In 2020, the team participated in a total of 190 meetings including company prospective meetings, trade shows, trade missions, foreign direct investment seminars, and other outreach activities.



In the next year, the objectives for Arkansas global offices and the International Team will include business retention and expansion of existing foreign-owned Arkansas based companies, promotion, and recruitment of new investment through trade missions and trade shows and assisting with hosting of international business and trade delegations.

Community Development: Enhancing Community Competitiveness

AEDC's Community Development Division is a team of regional managers that work as strategic partners with Arkansas communities. The Community Development team administers the Competitive Communities Initiative (CCI), a program that helps communities be prepared for business development projects. The program provides a pathway for strategic planning, product and business development, business retention and expansion, and economic development marketing. CCI provides local leaders with a guide to identify and address their own unique development challenges. In 2020, the CCI program was placed on hold while community leaders faced issues connected to the COVID-19 pandemic. The Community Development Division has now resumed the program. There have been seven communities to achieve CCI designation through 2020: Paragould, Newport, Russellville, Little Rock, Jonesboro, Crossett, and Mississippi County.

In addition to the Competitive Communities Initiative, the Community Development Division will expand efforts to provide information and resources to connect communities with pandemic recovery assistance.

The Community Development Block Grant (CDBG) Program, funded through the Department of Housing and Urban Development (HUD), is administered by AEDC's Grants Management Division. The CDBG program funds a variety of public infrastructure and public facility projects. These projects assist low to moderate income communities with limited resources to develop and maintain infrastructure critical for economic recruitment, business retention, and community development. In 2020, the Grants Management Division administered 74 CDBG grants totaling over \$32.8 million. During the past year, the division developed a new five-year consolidated plan for administering CDBG funds in Arkansas.

In response to the COVID-19 pandemic, the Grants Management team deployed \$10 million in CDBG funds to 27 rural hospitals that employ approximately 7,900 Arkansans. An additional \$10 million in CDBG-CV and State Cares Act Funds were granted for statewide rental assistance. In the next year, the team 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. The Division will continue to work with federal agencies to identify additional COVID-19 relief funds as they become available.

Workforce Skills Identification and Training

Workforce readiness is a critical element for economic development success. Companies and communities depend on a trained and ready workforce be competitive. To increase the workforce pipeline and the ability to win competitive economic development projects there needs to be an ongoing process of identifying needed skill sets, individuals that currently have those skill sets, and training or retaining individuals who currently lack them.

AEDC's expansion of WorkKeys Job Profiling will help to drive additional business recruitment and expansion projects. The program will help companies fill vacant positions and new positions

by matching prospective candidates who have the necessary job skill sets. In addition, AEDC's Community Development Division, as well as the EBRD team, will be assisting additional communities achieve ACT WorkReady Community status. This designation is highly valued by site selection consultants as they assess locations for projects. The program is instrumental in helping a company identify the skill sets that a potential employee must have to be successful in their job position and help the company be competitive.

AEDC will further expand the Future Fit Program to additional campuses to increase the number of individuals who have graduated. This will provide a pipeline of entry level skilled prospective employees. The Future Fit program helps to reduce the time and costs a company would expend to hire entry level workers. This benefit places the state in a more competitive position to win projects and expand the number of proposals the agency works. The program can consistently supply a company with qualified individuals who have completed a comprehensive training program with the skill set they must have.

Strengthening Military Affairs

The Military Affairs Division is responsible for making Arkansas the most military friendly state in the nation. The division is tasked to preserve, protect, and grow the military missions of the five installations in the state. These missions have a \$4.5 billion economic impact to the state and are associated with 67,000 direct and indirect jobs.

Beginning in 2020, the division worked with military officials, community leaders, and other stakeholders to recruit a new F-35 Lighting II training center to Fort Smith, Arkansas. This will add up to 36 aircrafts and more than 600 personnel, along with their families, to the Fort Smith region. The new mission is estimated to have a \$1 billion annual economic impact to the State. In addition, the Republic of Singapore's F-16 Fighting Falcon training unit will be relocated from Arizona.

In 2020, the division assisted the Little Rock Air Force Base with a \$200 million project to replace the runway. In addition, AEDC, in partnership with Entergy, assisted the Little Rock Air Force Base (LRAFB) in a project that will make LRAFB the first Department of Defense installation that will be energy independent. The project will also provide excess energy to central Arkansas through the construction of an energy generation facility. These two projects will create resiliency at the LRAFB and the communities that host the installation.

The division assisted in launching the Home Base Arkansas website (www.HomebaseArkansas.com) and awarded a Military Affairs Grant to support the website. Home Base Arkansas is designed to provide resources to service members and their families receiving orders to Arkansas as well as retention and employment services for servicemembers when their time in uniform ends.

In the coming year, the agency will assist in the addition of a new National Guard Armory in Jacksonville to support the 214th Military Police Company and their Civil Disturbance mission. AEDC is also assisting the Pine Bluff Arsenal to add \$43 million in funding to the Arsenal in the National Defense Authorization Act (NDAA).

Arkansas Film Commission

The Arkansas Film Commission promotes Arkansas to film, video, television, and commercial production companies and provides liaison services for filmmakers working within the state. The office assists filmmakers with specific location needs with materials designed to showcase what Arkansas has to offer. This valuable information can include photographs of possible locations, contact names, and crew information. The office provides liaison services for film makers with other federal, state, and local government entities such as the National Parks Service, Arkansas Highway & Transportation Department, and county and city officials.

At the start of 2020, the Arkansas Film Office was on track for a strong year. The COVID-19 pandemic impacted the industry severely and many projects were put on hold. AEDC's Film Office worked in close partnership with the Department of Parks, Heritage and Tourism and the Arkansas Department of Health to create an action plan to institute safety protocols to help navigate the pandemic and safely enable film productions to resume. Arkansas was one of the first states to implement a COVID Safety Protocols and Action Plan in the country. In the coming year, the Film Office will continue to market the state to prospective film and digital media production companies. By the end of 2020, the office had experienced a significant uptick in production queries. These included interest for filming feature productions as well as commercial/industrial productions. The office will work with each production company to provide information and assistance based on their project needs.

Supporting Minority and Women-Owned Businesses

Minority and women-owned businesses make a significant contribution to the state economy. The Minority and Women Owned Business Enterprise Division (MWOBE) of AEDC works to facilitate the growth, development, and expansion of minority and women-owned businesses by helping them gain access to valuable information, new market opportunities, and financial resources. The goal of the division is to help minority and women-owned businesses further contribute to the economic growth of Arkansas. The division maintains the Minority and Women-Owned Business Directory that in 2020 totaled 853 businesses. In 2020, the division utilized the directory to provide information regarding pandemic assistance programs and health department guidelines to partnering businesses. The division successfully certified 34 new minority and women-owned business enterprises in 2020 and recertified 42 business. The total number of certified businesses reached a total of 320. In September of 2020, the division hosted a virtual Minority and Women-Owned Business Matchmaker Event. The event allows businesses the opportunity to connect with other local business owners and meet with government procurement professionals in Arkansas for contract opportunities related to their goods and services. A total of 135 people participated in the event including 22 buyers and 85 suppliers. During the next year, the division will continue to host informational events to connect these business owners with contracting opportunities, tools, and resources to enable them to not only recover from the COVID-19 pandemic, but to increase their future revenues and employment.

Plans for Creating New Initiatives/Incentives

Small Business and Entrepreneurship Development

AEDC has created a new division focused on entrepreneurship and small business development in Arkansas. The Small Business and Entrepreneurship Development Division addresses the unique needs of early-stage and small businesses. The division will guide AEDC's efforts to assist, champion, and promote small businesses and entrepreneurs, as well as identifying and implementing best practices to increase entrepreneurial activity in Arkansas.

Centers of Excellence

AEDC will assist higher education institutions in developing a Center of Excellence program. The program will recognize those areas of study that benefit career preparation and are truly exceptional on a statewide and regional basis. The Existing Business and Resource Division (EBRD) is partnering with the Arkansas Institute of Performance Excellence (AIPE) to create a system by which an institution can be recognized for exceptional performance within a given field.

Military Affairs Council

AEDC worked with members of the 93rd General Assembly to pass legislation to codify the Arkansas Military Affairs Council. This legislation will preserve Arkansas's commitment to our military installations and the communities that house them.

The Military Affairs Council and the Military Affairs Division will work with members to expand the protections in the Military Child Educational Compact to cover National Guard and Reserve Forces. This will be significant to the Department of Defense rating of the State.

Community Development Block Grant Funds

AEDC's Grants Management Division will continue to be a liaison to the U.S. Department of Housing and Urban Development to identify federal funding that will be available through Community Development Block Grants for COVID-19 economic recovery programs.

Despite the challenges of 2020, Arkansas businesses showed fortitude and creativity to continue serving customers and keep employees on the payroll. At AEDC we value our partnerships with companies and communities throughout the state, big and small.

In 2021, AEDC will continue to market Arkansas and the benefits of doing business in the state. We will continue to partner with companies as they seek to take advantage of the tremendous shifts in the economy. The COVID-19 pandemic will possibly redefine how companies and communities do business. The Arkansas Department of Commerce is committed to assisting new and existing companies to be competitive in a changing global economy.

Part 5 Director's Assessment of the Department's Performance

Comparison of the Department's Performance for the Past Two Years

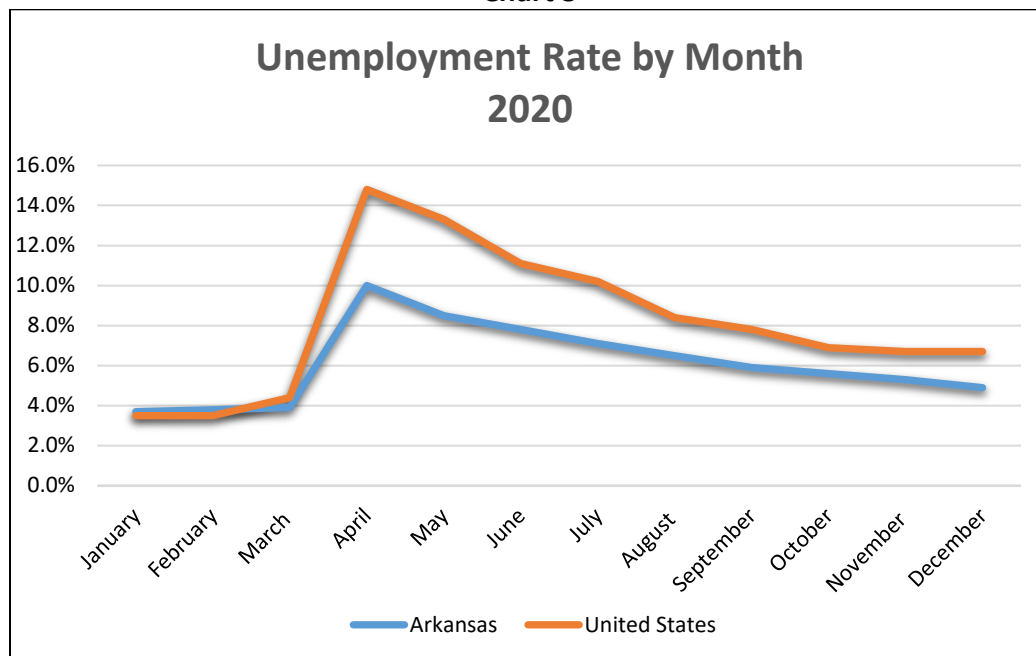
Table 11
2019-2020 Job Opportunities from Signed Incentive Agreements:
New and Expanded Year-End Results

Year	Type	Projects	Jobs	Total Investment	Average Hourly Wage	Cost Benefit Ratio
2019	New	13	1,404	\$207,929,586	\$23.31	4.30
	Expanded	84	3,630	\$837,627,860	\$27.55	
	Retention	3	934	\$249,500,000	\$33.64	
	Total	100	5,968	\$1,295,057,446	\$25.79	
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	

*A cost benefit ratio-for a cost benefit ratio of 6.360 means that, over a 10-year period, the state will get back, in taxes, \$6.36 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, 2020 Monthly Unemployment Rates, seasonally adjusted

Table 12
2019-2020 Unemployment Rate Comparison

	AR Unemp Rate	US Unemp Rate
2019 annual average unemployment rate	3.6%	3.9%
2020 annual average unemployment rate	6.1%	8.1%

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
2020 Real GDP by State: Arkansas and Surrounding States

State	2020 GDP Per *	National Rank
United States	\$18,426,076	--
Texas	\$1,702,074	2
Tennessee	\$312,437	20
Missouri	\$277,354	22
Louisiana	\$266,810	24
Oklahoma	\$185,884.10	28
Arkansas	\$114,370	35
Mississippi	\$99,757.40	36

*Is in millions of chained dollars

Source: Bureau of Economic Analysis, 2020 Real Gross Domestic Product by State

Labor Force Comparison

Table 14
Percent Labor Force Change (2019-2020)
Arkansas and Surrounding States

State	Percentage Labor Force Change (2019-2020)	National Rank
<i>United States</i>	-1.71%	--
Oklahoma	.14%	8 th
Texas	-0.39%	15 th
Arkansas	-0.79%	19th (tied)
Missouri	-0.88%	22 nd
Tennessee	-1.25%	24 th
Mississippi	-1.66%	29 th
Louisiana	-2.05%	34 th

Source: US Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics, and Labor Force Statistics from the Current Population Survey, July 2021

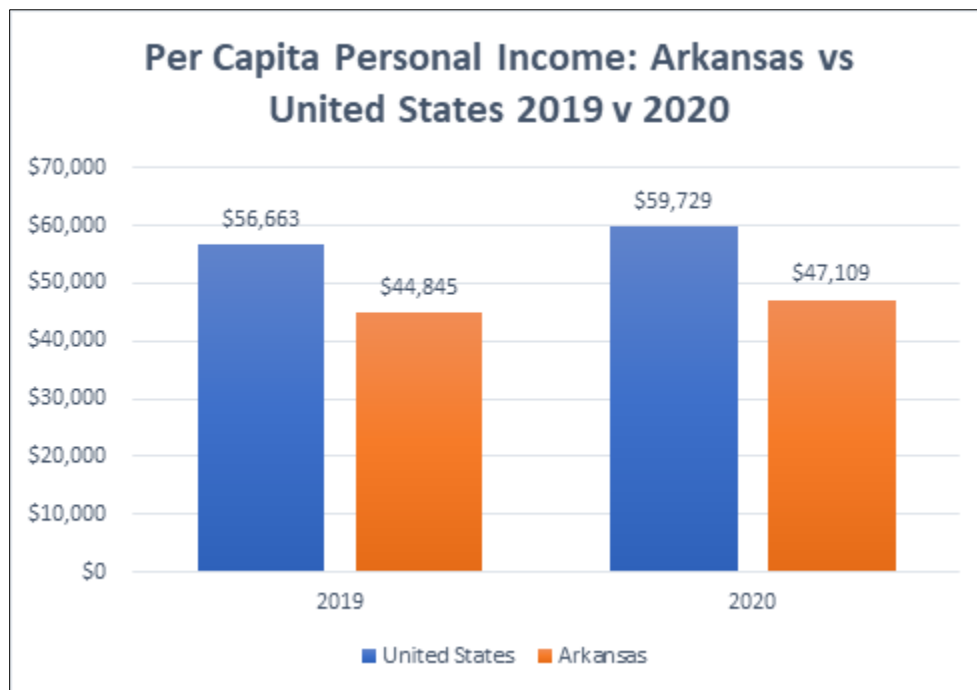
Per Capita Personal Income Comparison

Table 15
2020 Per Capita Personal Income
Arkansas and Surrounding States

State	2019	2020	2020 Rank
<i>United States</i>	\$56,663	\$59,729	
Texas	\$52,504	\$54,841	28 th
Missouri	\$49,589	\$51,177	36 th
Tennessee	\$48,761	\$50,547	38 th
Louisiana	\$48,008	\$50,037	40 th
Oklahoma	\$47,951	\$49,249	41 st
Arkansas	\$44,845	\$47,109	45th
Mississippi	\$39,368	\$41,745	50 th

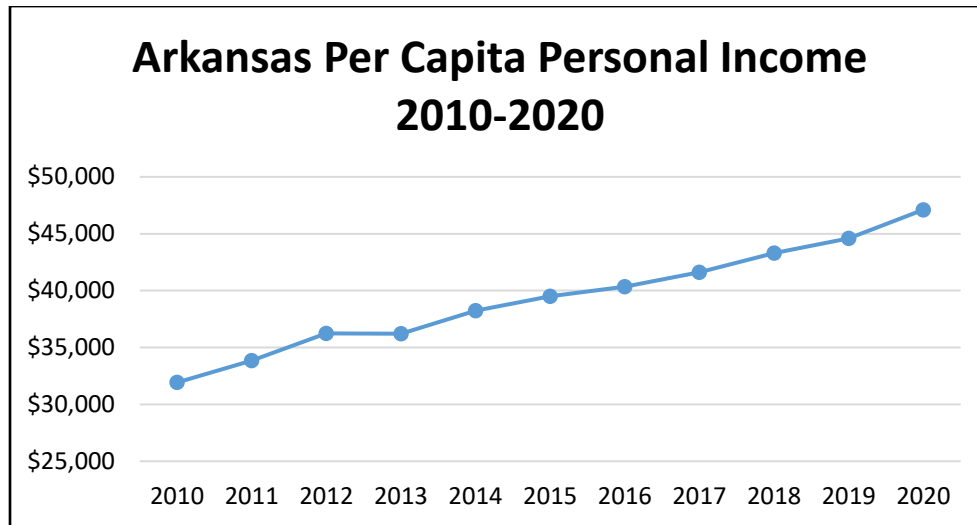
Source: U.S. Department of Commerce, U.S. Bureau of Economic Analysis, *Per Capita Personal Income*, June 2021

Chart 6



Source: U.S. Department of Commerce, U.S. Bureau of Economic Analysis, *Per Capita Personal Income*, June 2021

Chart 7



Source: U.S. Department of Commerce, U.S. Bureau of Economic Analysis, Per Capita Personal Income, June 2021

Unemployment Rates Comparison

**Table 16
Unemployment Rate Annual Averages 2019-2020
Arkansas and Surrounding States**

State	2019 Rate	2020 Rate	National Rank 2019	National Rank 2020
United States	3.7%%	8.1%	--	--
Arkansas	3.5%	6.1%	24th (tied)	13th (tied)
Missouri	3.3%	6.1%	17 th (tied)	13 th (tied)
Oklahoma	3.3%	6.1%	17 th (tied)	13 th (tied)
Tennessee	3.4%	7.5%	21 st (tied)	27 th
Texas	3.5%	7.6%	24 th (tied)	28 th
Mississippi	5.5%	8.1%	49 th	35 th (tied)
Louisiana	4.8%	8.3%	46 th	37 th (tied)

Source: US Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics, not seasonally adjusted, June 2021

Hourly Earnings Comparison

Table 17
2020 Average Hourly Earnings of Manufacturing Production Workers
Arkansas and Surrounding States

<i>State</i>	<i>Hourly Earnings</i>	<i>National Rank</i>
United States	\$28.77	—
Texas	\$23.40	12 th
Louisiana	\$22.21	20 th
Missouri	\$22.04	23 rd
Mississippi	\$21.27	29 th
Tennessee	\$20.33	41 st
Oklahoma	\$20.08	46 th
Arkansas	\$18.77	49th

Source: US Department of Labor, Bureau of Labor Statistics, Current Employment Statistics, 2020 Annual Averages, Not Seasonally Adjusted (national) and US Department of Labor, Bureau of Labor Statistics, State and Area Employment, Hours and Earnings, 2020 Annual Averages, Not Seasonally Adjusted

Table 18
2020 Average Hourly Earnings of All Workers*
Arkansas and Surrounding States

<i>State</i>	<i>Hourly Earnings</i>	<i>National Rank</i>
United States	\$29.35	—
Texas	\$27.03	26 th
Missouri	\$26.55	31 st
Alabama	\$25.82	38 th
Louisiana	\$25.36	41 st
Tennessee	\$25.08	42 nd
Oklahoma	\$24.90	43 rd
Arkansas	23.39	49th
Mississippi	\$22.33	50 th

*Total private employees

Source: US Department of Labor, Bureau of Labor Statistics, Current Employment Statistics, 2020 Annual Averages, Not Seasonally Adjusted (national) and US Department of Labor, Bureau of Labor Statistics, State and Area Employment, Hours and Earnings, 2020 Annual Averages, Not Seasonally Adjusted

Table 19
Population Change: 2010-2020
Arkansas and Surrounding States

<i>State</i>	<i>Percent Change</i>	<i>National Rank</i>
United States	7.4%%	–
Texas	15.9%	3 rd
Tennessee	8.9%	16 th (tied)
Oklahoma	5.5%	26 th
Arkansas	3.3%	35th (tied)
Missouri	2.8%	38 th
Louisiana	2.7%	41 st
Mississippi	-0.2%	49 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, 2010 to July 1, 2020

Poverty Rate Comparison

Table 20
Percentage of Population in Poverty: 3-Year Average (2017-2019)
Arkansas and Surrounding States

<i>State</i>	<i>Percent in Poverty</i>
United States	11.5%
Missouri	11.0%
Tennessee	12.1
Oklahoma	12.4%
Texas	12.7%
Arkansas	15.0%
Mississippi	19.1%
Louisiana	19.1%

Source: U.S. Census Bureau, Current Population Survey, 1960 to 2020 Annual Social and Economic Supplements (CPS ASEC).

Comparative State Indices

AEDC uses various state indices to evaluate economic competitiveness of the State of Arkansas. 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 (5th), debt service as a share of tax revenue (9th), number of tax expenditure limits (15th), and top marginal corporate income tax rate (19th). 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 (46th).

Table 21
Economic Outlook Rankings
Arkansas and Surrounding States

State	2020 Ranking	2019 Ranking	Change in Rank
Oklahoma	3	9	+6
Texas	9	15	+6
Tennessee	12	8	-4
Missouri	21	19	-2
Louisiana	22	30	+8
Arkansas	23	22	-1
Mississippi	27	20	-7

Source: American Legislative Exchange Council, Rich States, Poor States 11th Edition, ALEC-Laffer State Economic Competitiveness Index, Economic Outlook Rankings 2021

America's Top States for Business is a study published annually by CNBC. Each state is evaluated based on eighty-five metrics across ten broad categories of competitiveness. The study uses the most recent empirical data available for each metric. Arkansas scored highest in cost of doing business (4th) and cost of living (4th). The state scored lowest in infrastructure (43rd); life, health and inclusion (43rd); education (43rd); technology and innovation (42nd); and workforce (42nd).

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

State	National Ranking	Previous Ranking	Change in Rank
Texas	4	5	-7
Tennessee	5	13	+8
Missouri	25	23	-2
Oklahoma	32	43	+11
Arkansas	43	42	-1
Louisiana	44	44	--
Mississippi	45	48	+3

Source: CNBC's Americas Top States for Business, released July 2021

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 2019, the General Assembly passed legislation that phases in changes to Arkansas's income tax structure. The most recent report notes that these changes will be reflected in subsequent versions as the phase in continues.

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
Texas	11	47	6	35	36	16
Missouri	12	3	23	24	8	7
Tennessee	18	24	8	47	33	26
Oklahoma	30	11	33	39	29	1
Mississippi	32	13	27	32	37	5
Louisiana	42	35	32	49	23	4
Arkansas	45	34	41	46	29	23

Source: Tax Foundation, 2021 State Business Tax Climate Index, Table 1: 2021 State Business Tax Climate Index Ranks and Component Tax Ranks.



Arkansas Economic Development Commission | ArkansasEDC.com | 1-800-ARKANSAS

1 Commerce Way, Suite 601, Little Rock, AR 72202