

July 15, 2016

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

Dear Senator Sample and Representative Branscum:

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

Pursuant to Act 1282 of 2001 (ACA § 15-4-219) please find enclosed a copy of our annual report to the Arkansas Legislative Council for committees distribution addressing each of the requirements specified in the law.

The second report, attached under separate cover letter, provides an accounting of the Economic Development Incentive Quick Action Closing Fund for Fiscal Year 2016, as required by Act 510 of 2007.

During 2015, the AEDC signed financial assistance agreements for 118 projects that are projected to create 4,953 jobs and stimulate \$2.029 billion in capital investment. The projected average wage of these jobs is \$19.81 per hour, the second highest average on record. With continued support from Governor Hutchinson and the General Assembly, especially through the Quick Action Closing Fund, the Arkansas Economic Development Commission is aggressively and proactively working to meet Arkansas's economic challenges.

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

Sincerely,



Michael Preston
Executive Director

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Enclosure

Summary of Act 1282 Report (Calendar Year 2015)

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

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

Submitted: Annually. The current report for calendar year 2015 is the 15th edition.

Summary of Recent Act 1282 Reports (Calendar Years 2013-2015)

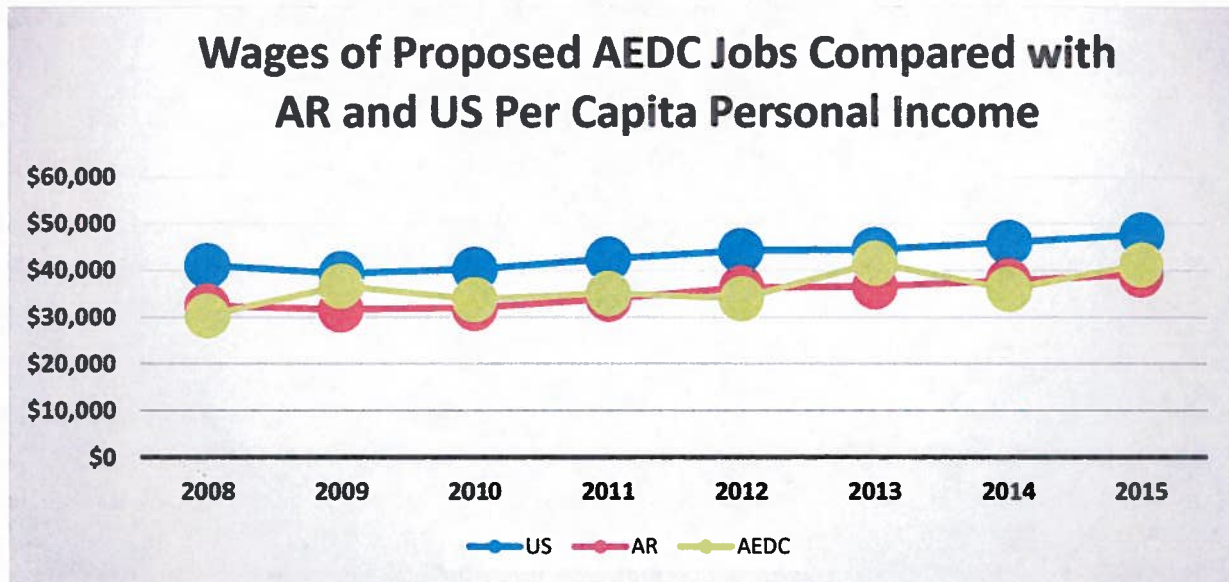
Between January 1, 2013 and December 31, 2015, the AEDC signed *financial incentive agreements* for 321 projects with companies proposing the creation of 16,013 new jobs. *(Please note: these are jobs counted after all financial incentive agreements have been executed. Jobs "announced by AEDC" have been committed to by companies, some of which may be in the process of finalizing incentive agreements.)* The proposed average hourly wage of \$19.81 for jobs proposed in 2015, was significantly higher than the 2014 annual average and exceeded the state's per capita personal income (see Chart 1).

Table 1
Economic Indicators: 2013-2015

Economic Indicators	2013 Calendar Year	2014 Calendar Year	2015 Calendar Year	2013-2015 Total/Average
AEDC Projects	209	248	206	663/221
Signed AEDC Incentive Agreements	105	98	118	321/107
Proposed New and Expanded Jobs	5,131	5,929	4,953	16,013/5,338
Proposed Project Investment	\$1,255,466,756	\$3,046,844,489	\$2,029,739,566	\$6,332,050,811/ \$2,110,683,604
Proposed Average Hourly Wage	\$20.00	\$17.30	\$19.81	\$18.94 (avg.)
Cost Benefit Ratio*	\$2.02/\$1	\$2.02/\$1	\$2.34/\$1	\$2.10/\$1 (avg.)

* The cost-benefit ratio is the ratio of state tax revenue to state incentive cost expected to accrue during a ten-year period from all incentive agreements signed during the calendar year. For example, a 2.34 ratio projects that \$2.34 in state tax revenues will result from each \$1 in state tax incentives offered. The ratios for 2014 and 2015 would increase from \$2.02/\$1 to \$2.29/\$1 (2014) and \$2.34/\$1 to \$4.03/\$1 (2015), respectively, if non-job-creating statutory InvestArk incentive projects are excluded.

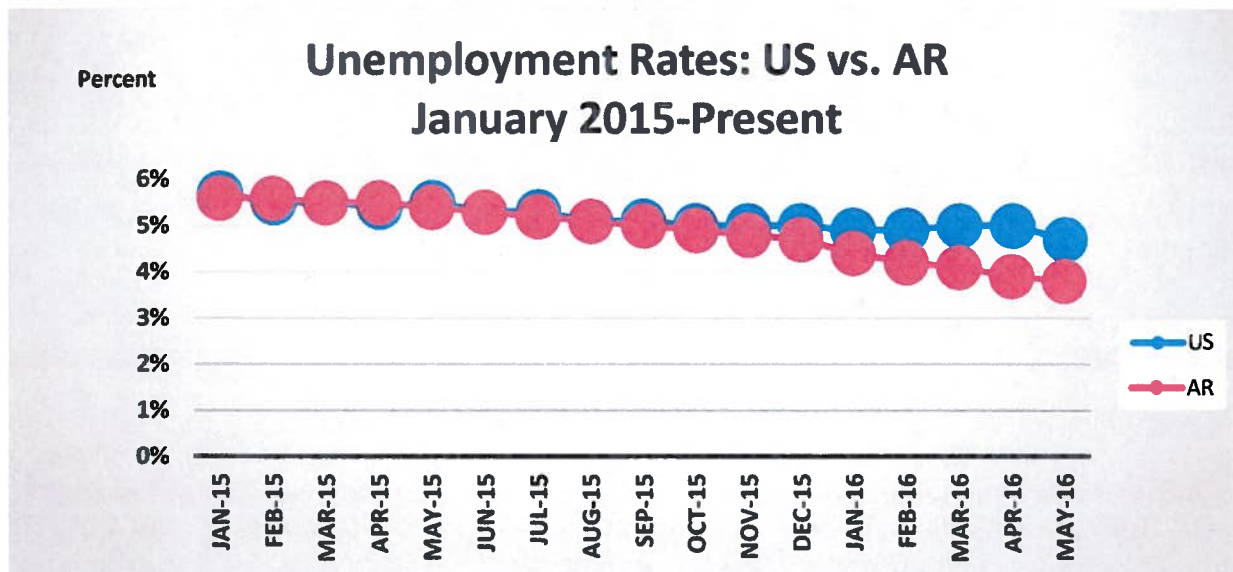
Chart 1



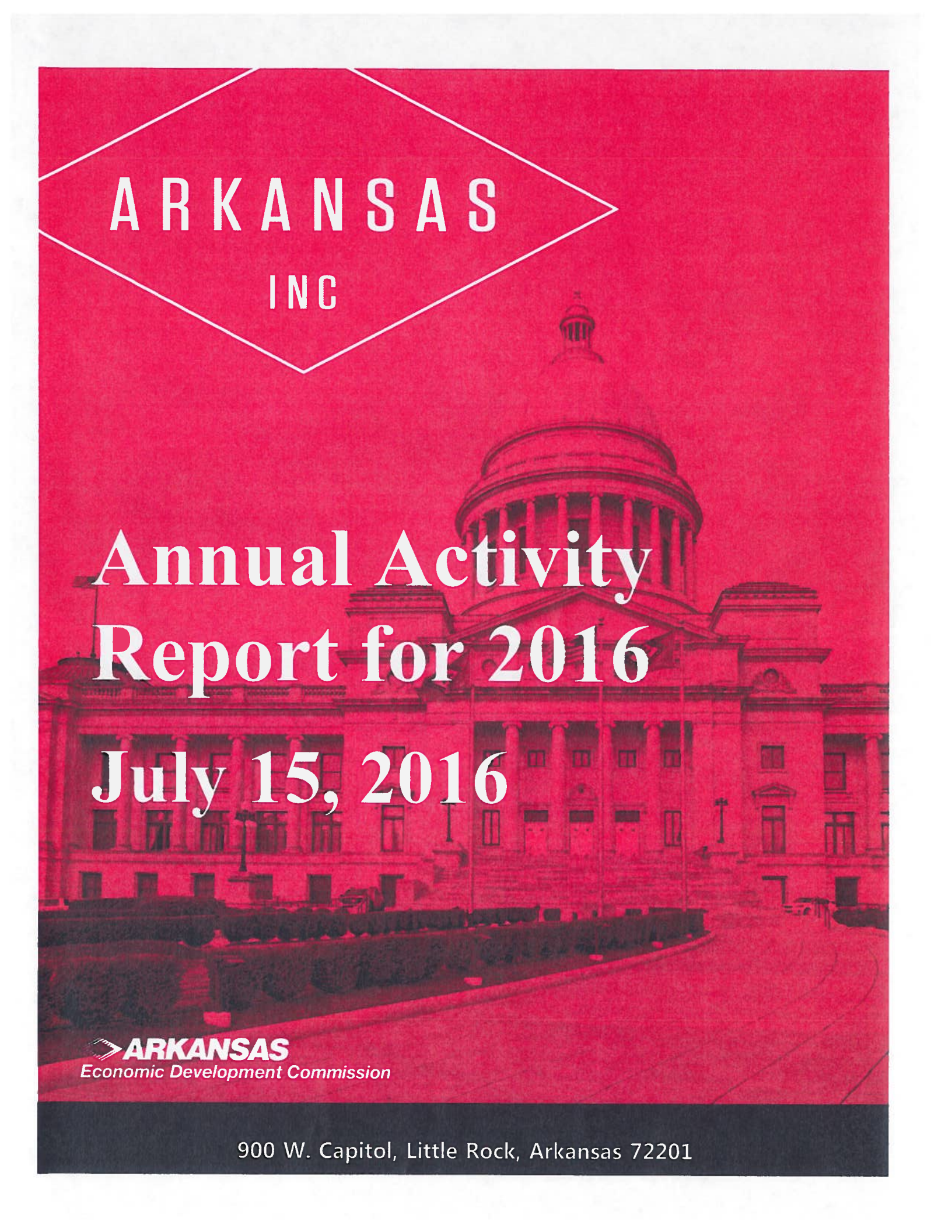
Source: Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income, 24 March 2016, online, available from <http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=6#reqid=70&step=29&isuri=1&7022=21&7023=0&7024=non-industry&7001=421&7090=70> and AEDC New and Expanded Company Database 2008-2015.

Monthly seasonally-adjusted unemployment rates in Arkansas were consistent with US rates until August 2015, when Arkansas's rates began to decline at a rate faster than the US. As of May 2016, Arkansas's unemployment rate (3.8%) was almost one full percentage point below the US rate (4.7%).

Chart 2



Source: Arkansas Department of Workforce Services, Unemployment Rates and Labor Force Statistics, 29 June 2016, online, available from <http://www.discoverarkansas.net/cgi/dataanalysis/labforceselection.asp?menuchoice=labforce>

The background of the entire cover is a photograph of the Arkansas State Capitol building in Little Rock. The building is a large, classical-style structure with a prominent central dome and many windows. The entire image is overlaid with a semi-transparent red filter. A white diamond shape is superimposed on the upper left portion of the image, containing the text 'ARKANSAS INC'.

ARKANSAS
INC

Annual Activity Report for 2016

July 15, 2016

 **ARKANSAS**
Economic Development Commission

900 W. Capitol, Little Rock, Arkansas 72201

ACT 1282 Report Outline

ACT 1282 – SECTION 2

Part 1. An accounting of all projects

- a) Type of company
- b) Location
- c) Number of jobs
- d) Average hourly wage
- e) Incentives offered

Part 2. Assessment of projects that did not materialize

- a) Type of company
- b) Number of jobs
- c) Average hourly wage
- d) Incentives offered
- e) Reason company did not locate in Arkansas
- f) General Assembly proposals to assist AEDC

Part 3. An accounting of major factory and plant closures

- a) Location city
- b) Number of jobs lost
- c) Reason for closure

Part 4. Strategies and recommendations for the current year

- a) Plans for preventing closures and job loss
- b) Assessment of the relative risk of losing factories, plants, and jobs
- c) Plans for increasing the number of economic development proposals
- d) Plans for creating new initiatives/incentives

Part 5. Director's assessment of the Department's performance

- a) Comparison of the Department's performance over the past two years
- b) Comparison of actual performance to projections
- c) Arkansas's economic performance compared to neighboring states
- d) Evaluating Arkansas's business climate in 2015

ACT 1282 – SECTION 2

Part 1. AN ACCOUNTING OF ALL PROJECTS

Table 1

**Job Opportunities by New & Existing Companies with Arkansas Economic Development Commission Incentive Agreements
Signed During 2015**

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs (See notes *and **)</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered (See notes *** and ****)</i>
Regional Headquarters	North Little Rock	74	\$30.00	Advantage Arkansas, Tax Back, Quick Action Closing Fund***
Manufacturing	Little Rock	200	\$20.00	Training, Quick Action Closing Fund***
Manufacturing	Pine Bluff	**0	N/A	InvestArk, Training
Manufacturing	Little Rock	17	\$11.05	Advantage Arkansas, Tax Back
Manufacturing	White Hall	**0	N/A	InvestArk
Software	North Little Rock	20	\$19.00	Advantage Arkansas, Tax Back
Manufacturing	Blytheville	**0	N/A	InvestArk
Manufacturing	Batesville	**0	N/A	InvestArk
Manufacturing	Batesville	**0	N/A	InvestArk
Manufacturing	Paris	15	\$15.00	Advantage Arkansas, Tax Back
Manufacturing	Stuttgart	**0	N/A	InvestArk
Manufacturing	Rogers	75	\$13.00	Advantage Arkansas, Tax Back
Distribution Center	Osceola	5	\$20.00	Advantage Arkansas, Tax Back
Manufacturing	Batesville	**0	N/A	InvestArk

a. Type of Company	b. Location	c. Number of Jobs (See notes *and **)	d. Average Hourly Wage	e. Incentives Offered (See notes *** and ****)
Tourism	Hot Springs	**0	N/A	Tourism
Manufacturing	Blytheville	**0	N/A	InvestArk
Corporate Headquarters	Fort Smith	5	\$17.00	Advantage Arkansas, Tax Back
Manufacturing	Russellville	**0	N/A	InvestArk
Manufacturing	Marion	**0	N/A	InvestArk
Waste Management Remediation	El Dorado	120	\$22.00	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Arkansas City	**0	N/A	InvestArk
Manufacturing	Jonesboro	6	\$15.16	Advantage Arkansas, Tax Back
Manufacturing	Rogers	4	\$18.32	Advantage Arkansas, Tax Back
Manufacturing	Ola	**0	N/A	InvestArk
Manufacturing	Ashdown	**0	N/A	InvestArk
Distribution Center	Mabelvale	11	\$22.31	Advantage Arkansas, Tax Back, Economic Infrastructure Funds
Manufacturing	Crossett	**0	N/A	InvestArk
Manufacturing	Jonesboro	75	\$12.25	Advantage Arkansas, InvestArk
Distribution	Hot Springs	13	\$17.00	Advantage Arkansas, Tax Back
Manufacturing	Fort Smith	95	\$21.17	Tax Back, Create Rebate
Manufacturing	Hope	25	\$25.00	Advantage Arkansas, Tax Back
Manufacturing	Batesville	50	\$11.05	Advantage Arkansas, InvestArk, Training
Distribution/Warehousing	Fort Smith	50	\$12.50	Advantage Arkansas, InvestArk

a. Type of Company	b. Location	c. Number of Jobs (See notes *and **)	d. Average Hourly Wage	e. Incentives Offered (See notes *** and ****)
Corporate Headquarters	Little Rock	8	\$15.00	Quick Action Closing Fund***
Information Technology	Conway	40	\$36.42	Quick Action Closing Fund***
Research and Development	Little Rock	12	\$102.00	Research and Development
Information Technology	Jonesboro	**0	N/A	Research and Development
Manufacturing	Maumelle	**0	N/A	InvestArk
Manufacturing	Dumas	60	\$15.00	Advantage Arkansas, Tax Back
Manufacturing	Pine Bluff	**0	N/A	InvestArk
Office Administrative Services	Springdale	**0	N/A	InvestArk
Manufacturing	Springdale	**0	N/A	InvestArk
Manufacturing	Rogers	**0	N/A	InvestArk
Manufacturing	Green Forest	**0	N/A	InvestArk
Manufacturing	Springdale	**0	N/A	InvestArk
Manufacturing	Marmaduke	75	\$19.00	InvestArk, Create Rebate
Manufacturing	Mountain Home	227	\$15.74	CDBG, Training
Corporate Headquarters	Little Rock	**0	N/A	Tax Back
Manufacturing	Maumelle	136	\$35.00	Create Rebate
Manufacturing	Maumelle	10	\$15.00	Advantage Arkansas, Tax Back
Manufacturing	Newport	100	\$17.89	InvestArk, Create Rebate, Bond Guaranty, CDBG, Training
Manufacturing	Emerson	8	\$15.00	CDBG

a. Type of Company	b. Location	c. Number of Jobs (See notes *and **)	d. Average Hourly Wage	e. Incentives Offered (See notes *** and ****)
Manufacturing	East Camden	85	\$26.44	InvestArk, Create Rebate
Distribution/Warehousing	West Memphis	15	\$19.35	Advantage Arkansas, Tax Back
Manufacturing	Russellville	**0	N/A	InvestArk
Manufacturing	West Memphis	10	\$25.00	Advantage Arkansas, Tax Back
Manufacturing	Heber Springs	237	\$17.67	InvestArk, Create Rebate, Training
Manufacturing	Melbourne	79	\$12.34	Advantage Arkansas, Tax Back, Economic Infrastructure Funds
Manufacturing	Little Rock	85	\$20.00	Advantage Arkansas, Tax Back, Training
Manufacturing	Crossett	**0	N/A	InvestArk
Manufacturing	Crossett	**0	N/A	InvestArk
Manufacturing	Gurdon	12	\$16.47	InvestArk
Manufacturing	Clarksville	120	\$12.02	Advantage Arkansas, Tax Back, CDBG, Training
Manufacturing	Rogers	7	\$12.84	Advantage Arkansas, Tax Back
Manufacturing	Blytheville	**0	N/A	InvestArk
Distribution/Warehousing	Rogers	25	\$12.50	Advantage Arkansas, Tax Back
Manufacturing	Newport	70	\$16.50	Create Rebate
Tourism	Fort Smith	**0	N/A	Tourism
Manufacturing	Camden	2	\$18.50	Advantage Arkansas, Tax Back
Manufacturing	Springdale	100	\$14.82	Tax Back, Create Rebate, Economic Infrastructure Funds

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs (See notes *and **)</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered (See notes *** and ****)</i>
Manufacturing	Lowell	30	\$26.53	InvestArk
Manufacturing	Ashdown	**0	N/A	InvestArk
Manufacturing	Mountain Home	**0	N/A	InvestArk
Manufacturing	Little Rock	15	\$13.75	Advantage Arkansas, Tax Back
Manufacturing	Maumelle	14	\$32.21	InvestArk
Corporate Headquarters	Rogers	5	\$23.00	Advantage Arkansas, Tax Back
Distribution/Warehousing	Lowell	50	\$23.17	Create Rebate, Tax Back
Manufacturing	Green Forest	93	\$14.74	Advantage Arkansas, InvestArk
Manufacturing	Royal	**0	N/A	InvestArk
Manufacturing	Blytheville	26	\$24.04	CDBG
Manufacturing	Marked Tree	5	\$12.00	Advantage Arkansas
Manufacturing	Malvern	15	\$15.00	Advantage Arkansas, Tax Back, CDBG
Information Technology	Conway	160	\$33.65	Create Rebate
Manufacturing	Decatur	**0	N/A	InvestArk
Manufacturing	East Camden	53	\$11.87	Advantage Arkansas
Manufacturing	West Memphis	69	\$23.70	Tax Back, Create Rebate, Quick Action Closing Fund****
Manufacturing	Siloam Springs	78	\$14.90	CDBG
Corporate Offices	Fort Smith	19	\$21.92	Advantage Arkansas, Tax Back
Manufacturing	Little Rock	6	\$11.05	Advantage Arkansas, Tax Back

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs (See notes *and **)</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered (See notes *** and ****)</i>
Corporate Headquarters	Fort Smith	64	\$24.36	Create Rebate
Manufacturing	Fort Smith	20	\$13.00	Advantage Arkansas, Tax Back
Distribution/Warehousing	Russellville	95	\$18.00	Advantage Arkansas, Tax Back
Manufacturing	Russellville	32	\$16.35	Advantage Arkansas, Tax Back, CDBG
Manufacturing	Fayetteville	**0	N/A	InvestArk
Manufacturing	Little Rock	44	\$9.48	Economic Infrastructure Funds
Distribution/Warehousing	Texarkana	6	\$21.74	Advantage Arkansas, Tax Back
Manufacturing	Fort Smith	**0	N/A	InvestArk
Manufacturing	Fordyce	**0	N/A	InvestArk
Manufacturing	Wynne	25	\$13.00	Advantage Arkansas, Tax Back, CDBG
Corporate Headquarters	Lowell	1,520	\$19.23	Create Rebate
Software	Fayetteville	30	\$33.65	Tax Back, Create Rebate
Manufacturing	Magnolia	1	\$26.46	Research and Development
Manufacturing	Texarkana	**0	N/A	InvestArk
Manufacturing	Texarkana	*0	N/A	Create Rebate (For retained jobs)
Manufacturing	Newport	12	\$11.05	Advantage Arkansas, Tax Back
Manufacturing	Black Rock	10	\$18.28	Research and Development
Corporate Headquarters	Little Rock	15	\$24.00	Advantage Arkansas, Tax Back
Professional, Scientific and Technical Services	Fayetteville	6	\$11.57	Research and Development

<i>a. Type of Company</i>	<i>b. Location</i>	<i>c. Number of Jobs (See notes *and **)</i>	<i>d. Average Hourly Wage</i>	<i>e. Incentives Offered (See notes *** and ****)</i>
Manufacturing	Little Rock	**0	N/A	Research and Development
Manufacturing	El Dorado	**0	N/A	InvestArk
Manufacturing	Flippin	**0	N/A	Research and Development
Manufacturing	Blytheville	**0	N/A	InvestArk
Manufacturing	Blytheville	**0	N/A	InvestArk
Manufacturing	Fayetteville	30	\$35.06	Research and Development
Manufacturing	Jonesboro	**0	N/A	Research and Development
Manufacturing	Fort Smith	**0	N/A	InvestArk
Professional, Scientific and Technical Services	Fayetteville	18	\$40.00	Research and Development
Manufacturing	Rogers	4	\$15.00	Research and Development
	118 Projects	4,953	\$19.81 Average Hourly Wage	

* No new jobs were created, only retained jobs incentivized.

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

- **InvestArk** is primarily a retention incentive to encourage our existing businesses to continue to invest in Arkansas. As investment in infrastructure increases, the likelihood of closure decreases. No new job creation was associated with those InvestArk projects denoted **0 jobs/N/A average hourly wage. Benefits accrued through investment in buildings, machinery, and/or equipment.
- Projects exclusively receiving **Research and Development** and **Tourism** investment tax credits are not required to create new jobs.
- **Tax Back** requires that a company must either have an existing job creation agreement (no older than 48 months) or agree to sign one within two years.

*****Clawback Provisions:** All AEDC-administered incentive programs require recipients to meet performance standards as a condition of receiving benefits. Incentives under the Consolidated Incentive Act (Advantage Arkansas, InvestArk, Create Rebate, Tax Back, ArkPlus, Research and Development) are performance-based, meaning that recipients are required to meet requisite investment and/or payroll/job requirements and be audited by the Department of Finance and Administration (DF&A) prior to receiving benefits. *(The InvestArk program is slightly different because the DF&A conducts the verification audit after the tax credit amount is determined. Credits, however, may be recaptured by the DF&A should audit findings warrant.)* Other incentive programs including Tourism, Equity Investment Tax Credits and Digital Product and Motion

Picture Industry Development have submittal, review and award processes that require proof of performance to receive benefits. Written agreements for loans and grants specify reimbursement, repayment or recapture provisions for non-compliance. Typical language includes grant reimbursement amounts for each job not created and personal guaranties, collateral, etc. on loans. Each job creation project that will receive funds from the Quick Action Closing Fund (as denoted in Table 1) has a grant agreement with specific grant reimbursement “clawback” provisions for failure to create requisite jobs.

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

Table 2
New Market Tax Credit Projects (Projects Closed in 2015)

Project Location	Project Type	Proposed Investment (Eligible Amount)	Proposed New Jobs	Proposed Wages
Springdale	Manufacturing	\$21,470,000	100	\$15.00
Osceola	Manufacturing	\$26,290,000	55	\$18.00
Jonesboro	Manufacturing	\$4,824,000	84	\$20.19
Conway	Manufacturing	\$1,500,000	13	\$16.00
Blytheville	Manufacturing	\$5,100,000	35	\$21.63
Newport	Manufacturing	\$10,031,000	65	\$16.00
Van Buren	Manufacturing	\$4,800,000	40	\$21.63
Springdale	Manufacturing	\$1,900,000	26	\$17.79
Osceola	Port Facility Operations	\$31,850,000	117	\$31.00
Camden	Energy	\$40,000,000	169	\$24.50
Little Rock	Tailored Menswear	\$1,500,000	14	\$24.04
Total	11 projects	\$149,265,000	718	\$21.76

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

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

Act 566 of 2007 created the **Equity Investment Tax Credit Incentive Program**, a discretionary incentive that is targeted toward new, technology-based businesses that pay wages in excess of 150 percent of the state or county average wage, whichever is less. This program, jointly administered by AEDC and the Arkansas Development Finance Authority allows approved businesses to offer 33 1/3% income tax credits to investors purchasing an equity investment in approved businesses. In 2015, 23 financial incentive agreements were approved. Cumulatively, these projects are projected to raise \$22,650,000 in equity from investors. The locations, projected employment and projected average hourly wages of 2015 projects are as follows:

Table 3
Equity Investment Tax Credit Projects

Project Location	Proposed Investment (Minimum Equity Raise)	Proposed Jobs	Proposed Wages
Bentonville	\$250,000	25	\$30.50
Bentonville	\$1,400,000	13	\$62.00
Fayetteville	\$650,000	10	\$30.16
Fayetteville	\$1,500,000	33	\$28.80
Bentonville	\$4,500,000	59	\$31.00
Conway	\$300,000	12	\$28.65
Little Rock	\$250,000	22	\$25.00
Rogers	\$250,000	24	\$29.00
Little Rock	\$1,500,000	30	\$48.00
Fayetteville	\$500,000	16	\$39.97
Fayetteville	\$3,000,000	42	\$43.70
Little Rock	\$400,000	24	\$31.25
Fayetteville	\$500,000	35	\$55.50
Bentonville	\$900,000	12	\$31.25
Benton	\$400,000	10	\$32.40
Little Rock	\$500,000	27	\$37.00

Project Location	Proposed Investment (Minimum Equity Raise)	Proposed Jobs	Proposed Wages
Little Rock	\$750,000	13	\$28.50
Fayetteville	\$750,000	34	\$35.00
Fayetteville	\$1,000,000	46	\$33.57
Little Rock	\$625,000	107	\$33.52
Little Rock	\$600,000	8	\$38.00
Little Rock	\$125,000	26	\$33.00
Springdale	\$2,000,000	13	\$54.00
Total	\$22,650,000	641	\$36.04

Act 816 of 2009 created the **Digital Product and Motion Picture Industry Development Incentive Program**, an incentive that offers rebates to qualified production companies for eligible production costs and payroll incurred for Arkansas productions. Since the inception of this program, only two projects have received funding through this program, the last of which was approved in 2010. Subsequent projects have received funding from the Quick Action Closing Fund. In FY 2016, 3 project(s), filmed throughout central Arkansas, God's Not Dead 2, Greater Productions and All the Birds received \$905,579 in QACF funding (see QACF Report, attached, for expenditure data).

Programs of the Division of Science and Technology of the Arkansas Economic Development Commission

Acts 7 and 8 of the 90th General Assembly 2015 First Extraordinary Session, signed by Governor Asa Hutchinson on May 29, 2015, provided for a Type 2 transfer of the Arkansas Science and Technology Authority (ASTA) to the Arkansas Economic Development Commission. Traditional business incentive programs for which AEDC and ASTA collaborated on prior to the transfer (EITC and Research and Development) continue to be reported in the same format as above. Additional "ASTA" programs - unlike Consolidated Incentive Act programs which are principally recruitment and modernization incentives - are used to nurture entrepreneurial activity indigenous to Arkansas. Therefore, these programs are listed separately below because benefits are offered for investments in seed and equity capital rather than for job creation and traditional 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 2015, \$587,500 in funding was provided to six (6) different companies.

Table 4
Seed Capital Investment Program

Project Type	Location	Amount
Cardiac Imaging	Fayetteville	\$100,000
Therapeutic Development Company	Fayetteville	\$150,000
Laser Diodes	Alexander	\$50,000
Nutrient Extraction	Fayetteville	\$50,000
Antimicrobial Polymers	Fayetteville	\$137,500
Glass Coatings	Fayetteville	\$100,000

The Technology Development Program provides royalty financing for qualified projects possessing a well-developed, comprehensive project plan, and which utilize the benefits of science and technology to provide economic and employment growth potential in Arkansas. The maximum investment is \$100,000 with terms negotiated on an individual basis. These terms are a maximum five percent (5%) of net sales for a maximum term of ten (10) years. During calendar year 2015, \$544,000 in funding was provided to eight (8) different companies.

Table 5
Technology Development Program

Project Type	Location	Amount
Biosolid Management	Fayetteville	\$50,000
Biomass-to-Biofuels Conversion	Jonesboro	\$100,000
Laser Diodes	Alexander	\$50,000
University of Arkansas	Fayetteville	\$40,000
Product Engagement Tools	Fayetteville	\$100,000
Integrated Circuitry	Fayetteville	\$55,000
Carbon Nanotube Technology	Fayetteville	\$100,000
Plant-Based Disease Treatments	Jonesboro	\$49,000

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, thus enhancing the market competitiveness of firms. The TTAG Program provides limited financial support for the transfer and deployment of innovative technology to Arkansas-based enterprises. It will fund up to \$3,750 of 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 enterprise based in Arkansas. During calendar year 2015, \$71,250 in funding was provided to 12 different entities.

Table 6
Technology Transfer Assistance Grant Program

Project Type	Location	Amount
Microfluidic Technology	Fayetteville	\$11,250
Venture Center	Fayetteville	\$7,500
Medical Devices	Fayetteville	\$7,500
Antimicrobial Polymers	Fayetteville	\$7,500
Medical Detection Instrumentation	Fayetteville	\$7,500
Pharmaceutical Manufacturing Technology	Fayetteville	\$3,750
Environmental Management Services	Little Rock	\$3,750
Carbon Nanotube Technology	Fayetteville	\$7,500
CAD Research	Fayetteville	\$3,750
Glass Coatings	Fayetteville	\$3,750
Medical Equipment	Alma	\$3,750
Educational Consulting	Fayetteville	\$3,750

The **Basic Research Grant Program** supports a competitive cash-matching grant program for basic research. The goals of the Basic Research Grant Program are to promote and support the growth and development of Arkansas scientists and to enhance the status of science and technology in Arkansas colleges and universities. The Basic Research Grant Program can defray up to, but not more than, sixty percent (60%) of the total cost of the basic research project being funding. The remaining forty percent (40%) of the total cost of the proposed research project must be funded by cash or in-kind services provided by the college or university proposing the research project. In calendar year 2015, four (4) grants totaling \$174,166 were made to Arkansas State University.

Part 2. ASSESSMENT OF PROJECTS THAT DID NOT MATERIALIZE

During the 2015 calendar year, the Arkansas Economic Development Commission worked 206 projects, 118 of which signed incentive agreements. Of these projects, 14 were by new companies and 104 were by existing companies. Upon completion, these 118 projects are projected to create/retain 4,953 jobs and generate \$2,029,739,566 in new capital investment. The remaining 88 projects are summarized below:

Table 7
Project Status

Project Status	Number of Projects
Project committed to Arkansas-signed incentive agreements in 2015	118
Project has or is likely to announce in 2016	16
Project is active but no decision has been made	32
Project is on hold/status pending*	5
Project did not materialize-will not locate in Arkansas*	28
Project proceeded without AEDC assistance	3
Project only requested Replacement and Repair sales tax refund	4
Total Projects	206

* Information regarding the 33 non-active projects is provided below.

Table 8
2015 Projects That Did Not Materialize and Reason

a. Type of Company	b. Number of Jobs	c. Average Hourly Wage	d. Incentives Offered	e. Reason Company Did Not Locate in Arkansas
Manufacturing	45	\$14.00	CDBG Grant	AEDC's involvement in the project was terminated because the requested grant was for road improvements on private property.
Call Center	200	Unspecified	General Incentive Summary	The project located in an undisclosed state.
Manufacturing	60	\$25.10	Advantage Arkansas or Create Rebate, Tax Back	The project did not proceed because the contract between the prospect and their client was mutually terminated, eliminating the need for the project.
Manufacturing	82	\$23.50	General Incentive Summary	The project is on hold pending the ability of the prospective community to build a new building for the prospect.

<i>a. Type of Company</i>	<i>b. Number of Jobs</i>	<i>c. Average Hourly Wage</i>	<i>d. Incentives Offered</i>	<i>e. Reason Company Did Not Locate in Arkansas</i>
Warehouse and Distribution	300	\$14.32	Create Rebate, Tax Back, Grant	The company found a more-suitable building in Tennessee. Additionally, several existing buildings nearby provide future growth opportunities.
Manufacturing	200	\$12.00	General Incentive Summary	The project is on hold as the company that they would supply is reconsidering its North American production strategies.
Manufacturing	Unspecified	Unspecified	General Incentive Summary	The company decided to expand its present locations in Alabama and Kansas.
Manufacturing	650	\$20.48	Advantage Arkansas or Create Rebate, Tax Back, Grants	Arkansas was not selected, however, no reason was provided.
Corporate Management	96	\$38.41	Advantage Arkansas or Create Rebate, Tax Back	The company decided not to pursue statutory incentives offered by AEDC.
Manufacturing	1,000	\$13.32	Advantage Arkansas, Tax Back, CDBG	The company's IPO attempt was withdrawn, effectively terminating the project.
Manufacturing	123	\$20.00	General Incentive Summary	Arkansas was not chosen for a site visit by the company.
Manufacturing	90	\$18.00	Create Rebate, Tax Back, Training, QACF	The company decided to locate in Maryland because it was offered an inexpensive foreclosed building.
Distribution	45	\$16.00	Grant	The company decided not to expand at this time.
Manufacturing	75	\$21.63	General Incentive Summary	The company filed for bankruptcy.
Manufacturing	40	\$16.83	Tax Back, Advantage Arkansas, QACF	The company never responded to incentive offers.
Manufacturing	59	\$17.00	Advantage Arkansas, Tax Back, CDBG	The company decided to locate in Alabama which offered a cost free building.
Manufacturing	250	Unspecified	General Incentive Summary	The company decided to place the project on indefinite hold.

<i>a. Type of Company</i>	<i>b. Number of Jobs</i>	<i>c. Average Hourly Wage</i>	<i>d. Incentives Offered</i>	<i>e. Reason Company Did Not Locate in Arkansas</i>
Manufacturing	200	\$11.38	Advantage Arkansas, Tax Back, CDBG or QACF	The project went to Georgia to be closer to Eastern US markets.
Manufacturing	100	\$20.00	Create Rebate, Tax Back, QACF	The company needed a move-in ready building which was not available in Arkansas.
Manufacturing	800	\$19.00	General Incentive Summary	The company cancelled this project and established a new one (that is now active) under different parameters.
Manufacturing	125	\$15.38	Create Rebate, Tax Back, QACF	The company decided to locate the project in Thailand due to high costs in the US.
Manufacturing	150	Unspecified	General Incentive Summary	The company decided to focus its search east of the Mississippi River.
Call Center	500	\$12.00	Advantage Arkansas or Create Rebate, Tax Back, QACF or EIF	Due to inactivity by the company, the owner leased the building under consideration to another company.
Manufacturing	40	\$36.05	General Incentive Summary	The company will locate outside of Cleveland, Ohio to be closer to its feedstock.
Manufacturing	110	\$20.19	Tax Back, Advantage Arkansas, Grant	The company decided to expand at its Louisville, Kentucky facility.
Manufacturing	100	Unspecified	General Incentive Summary	Per the consultant, the site did not make the short list due to logistics costs.
Manufacturing	58	\$15.68	Advantage Arkansas, Tax Back	The company never responded to numerous requests for updates.
Manufacturing	200	Unspecified	General Incentive Summary	The company never responded to numerous requests for updates.
Manufacturing	9	\$16.80	Grant	The parameters of the project changed downward to make it fiscally unfeasible to offer a grant.
Manufacturing	550	\$18.50	Create Rebate, Tax Back, CDBG or QACF	The company decided to expand its Dublin, Georgia facility rather than relocate.

<i>a. Type of Company</i>	<i>b. Number of Jobs</i>	<i>c. Average Hourly Wage</i>	<i>d. Incentives Offered</i>	<i>e. Reason Company Did Not Locate in Arkansas</i>
Manufacturing	100	\$13.00	Advantage Arkansas or Create Rebate, Grant	Due to the vagueness of the company's responses, the project may have been speculative to see what incentives could be available.
Manufacturing	703	Unspecified	General Incentive Summary	Arkansas sites were ruled out due to high ground levels.
Manufacturing	50	\$16.50	Advantage Arkansas, Tax Back, Grant	The company never applied for AEDC incentives offered to them.
Totals (33 Projects)	7,110 Jobs	\$17.00 Average Hourly Wage (unspecified wages not included)		

f. General Assembly proposals to assist AEDC

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

AEDC Programs/Projects Legislation

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

Tax Exemptions and Reductions (Business Prospects)

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

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

Workforce Training/Education

1. Act 1131 (SB 891) Sen. English – Workforce Initiative Act of 2015 – Designated the Department of Higher Education (DHE) as the disbursing entity for all funds for the Workforce Initiative Act and allows DHE to prescribe procedures for awarding grants; describes the duties of the workforce investment boards; provides for phase one planning grants, phase two implementation grants and phase three continuation grants.
2. Act 892 (SB 368) Sen. English – Comprehensive Statewide Workforce Development System – Renamed the State Board of Career Education to the Career Education and Workforce Development Board; created the Office of Skills Development to administer and award grants and coordinate training activities by various entities. (AEDC is a non-

voting member of the Board and is a consultant to the Office of Skills Development in the review of applications for workforce training grants.)

3. Act 187 (HB 1183) Rep. Gossage – Task Force to Review and Recommend Computer Science Courses – Established the 15-member Computer Science and Technology in Public School Task Force which includes the AEDC Executive Director’s designee.

Energy Programs/Projects Legislation

1. Act 1275 (SB 869) Sen. D. Johnson – Enabling Legislation for Energy Efficiency Bonds – Known as the “Local Government Energy Efficiency Project Bond Act,” this legislation prescribed the process and requirements for the issuance and use of bonds authorized under Amendment 89 to the Arkansas Constitution.

Transportation

1. Act 691 (HB 1178) Rep. Pitsch – Sales and Use Tax Exemption for Lessee of an Intermodal Authority – Prescribed the following conditions under which a lessee of tangible property held by an intermodal authority may be exempt from the sales and use tax: The lessee’s facility is constructed after the effective date of this Act and has not been occupied by any other authority lessee; the establishment is within fifty (50) miles of the intermodal facility; the lessee has not ceased or substantially reduced operations of a nature similar to those being performed at the lessee's facility within the intermodal facility; the tangible personal property or service is consumed, used, or performed at the lessee's facility within the intermodal facility; and the lessee's facility is used to carry out the essential governmental functions of the authority under § 14-143-104(b).
2. Act 166 (HB 1258) Rep. Pitsch – Re-established the Legislative Task Force on Intermodal Transportation and Commerce – Added members to the Task Force, including a representative from AEDC, identified specific duties of the Task Force and extended its authority to December 1, 2016.
3. Act 740 (SB 871) Sen. Hickey – Special Permit for the Transportation of a Containerized Cargo Unit – Prescribes the conditions under which the Arkansas Highway Commission (AHC) can authorize the issuance of a special permit for containerized cargo units. The AHC may issue a special permit per vehicle valid for one single trip to be executed or performed within six (6) consecutive days of the issuance or for a one-year period along a specified route that authorizes the movement of sealed containerized cargo units upon highways under the AHC’s jurisdiction.

AEDC-Related Appropriation Laws

Act Number	Purpose	New Funding	Sponsor
117	AEDC Reappropriation Act (Capital Improvements)	N/A	Joint Budget Committee
150	AEDC GIF Appropriation Act		Joint Budget Committee
240	Capital Improvements (GIF)	\$40,000	Sen. Teague
255	Capital Improvements (GIF)	\$50,000	Sen. Maloch

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

90th General Assembly 2015 First Extraordinary Session

The First Extraordinary Session of the 90th General Assembly convened on May 26, 2015, and adjourned on May 28, 2015. Acts 9 and 10, signed by Governor Asa Hutchinson on May 29, 2015, provided for the issuance of \$87.145 million in State General Obligation Bonds under Amendment 82 of the Arkansas Constitution to provide funding to Lockheed Martin to build a Joint Light Tactical Vehicle (JLTV) facility in Camden. Additionally, Acts 7 and 8, also signed by Governor Asa Hutchinson on May 29, 2015, provided for Type 2 transfers of the Arkansas Science and Technology Authority and the Department of Rural Services to the Arkansas Economic Development Commission.

90th General Assembly Fiscal Session (AEDC-Related Appropriation Laws)

Act Number	Purpose	New Funding	Sponsor
221	AEDC Reappropriation Act (Capital Improvements)	N/A	Joint Budget Committee
226	AEDC General Operations Act FY Ending June 30, 2017	Military Affairs Director/Grant Program, German Office, Marketing Budget	Joint Budget Committee

90th General Assembly 2016 Third Extraordinary Session

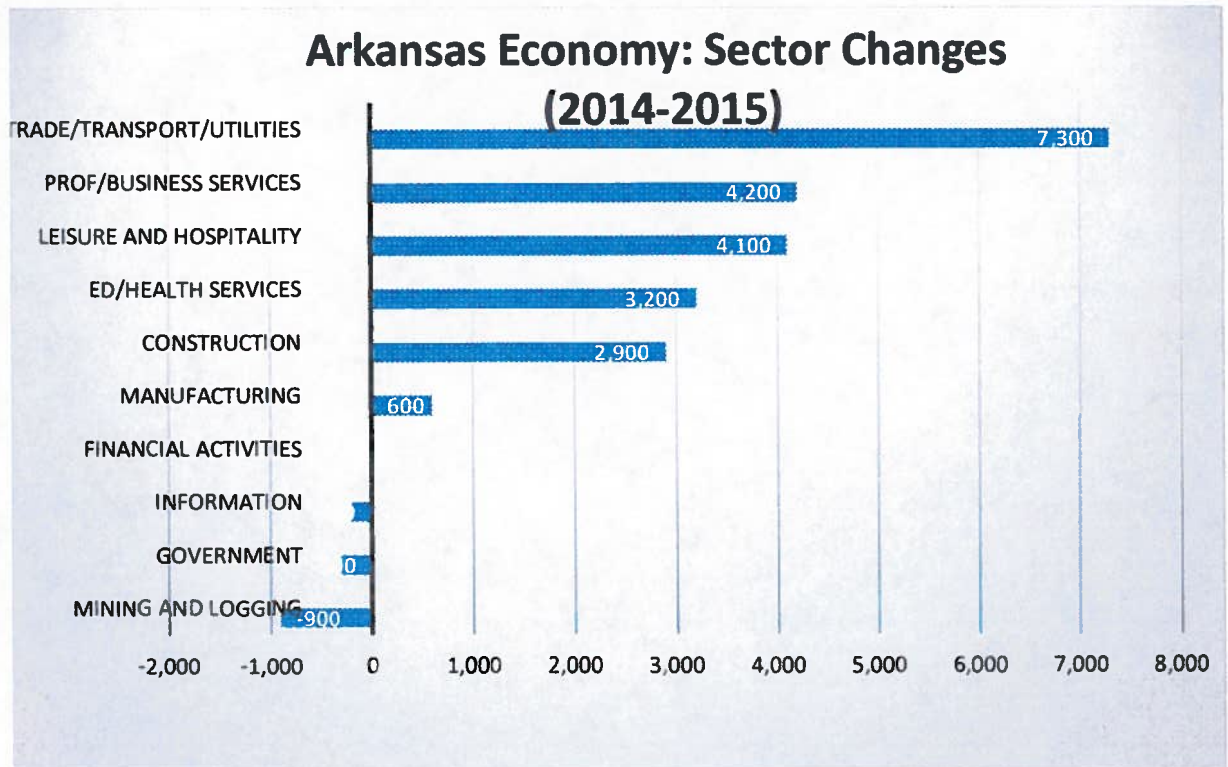
Act 1 of the 2016 Third Extraordinary Session, the "Arkansas Highway Improvement Plan of 2016," in part, established the Arkansas Highway Transfer Fund from which additional funding to the Arkansas State Highway and Transportation Department may be used for constructing and maintaining Arkansas highways.

Part 3. AN ACCOUNTING OF MAJOR FACTORY AND PLANT CLOSURES

Overall, Arkansas's labor force increased by 25,958 from 1,304,141 in 2014 to 1,330,099 in 2015. Among nonfarm payroll jobs* the trade, transportation and utilities; professional and business services; leisure and hospitality; education and health services; construction; and, manufacturing sectors grew. Employment losses occurred in the information; government; and,

mining and logging sectors. Employment in financial services remained steady. Chart 1 below shows employment growth/decline by major sector. Table 9 lists factory and plant closures during 2015.

Chart 1



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

Table 9
Major Factory and Plant (Manufacturing) Closures During 2015

a. Location City	b. Number of Jobs Lost	c. Reason for Closure
Van Buren	93	Corporate decision.
Fayetteville	35	Corporate decision to move a portion of jobs to Mexico and others to a facility in Texas.
Piggott	67	There is no longer a market for their product.
Mountain Home	117	Corporate decision to sell the facility.
Springdale	250	Moved operations to South Carolina.
Hot Springs	14	Acquired, and closed, by a competitor.
Batesville	250	The company decided that making their product at another out-of-state facility would improve efficiency and competitiveness.
Hampton	10	The company is moving its product line to Texas.
Hot Springs	113	The company is consolidating its operation with its facility in Oklahoma to optimize its assets and improve return on investment.
Corning	89	The company decided that there is no longer a market for the laminate wood counters that they manufactured.
Stuttgart	51	No reason disclosed.
Fayetteville	48	Sales decline.

Part 4. STRATEGIES AND RECOMMENDATIONS FOR THE CURRENT YEAR

a. Plans for preventing closures and job loss

The AEDC recognizes that the key to preventing business closures is to ensure companies' competitive advantages. While there are many economic factors such as global competition, recessions, and corporate restructuring that cannot be influenced by AEDC, there are other issues such as technical and operational expertise, training, financial assistance, and finding suppliers and markets for which AEDC can assist businesses. The best defense against closure and job loss is a strategic offense that addresses the issues related to company productivity and profitability.

Knowledge about workforce, products, markets, suppliers and supply chains is critical to our ability to understand the health and growth potential of our industries. The AEDC Existing Business Resource Division (EBRD) works closely with existing employers and their representatives to stimulate job retention and expansion.

Key objectives of the EBRD include: leveraging staff expertise and resources to enhance profitability and productivity of clustered industries (e.g., "Supply Chain Symposiums"); aligning existing business efforts with AEDC Business Development recruitment targets and, operating more efficiently and effectively by developing programs and alliances with multiple companies simultaneously (e.g. Arkansas Aerospace Alliance).

Comprehensive EBRD programming includes:

- Total Quality Management
 - Partnership with the Arkansas Institute for Performance Excellence
- Market Development (Business-to-Business Workshops)
 - Aerospace Summit annual business-to-business event
- Utilization of the Arkansas Career Readiness Certification Process
 - Partnership with the Arkansas Department of Workforce Services

The EBRD compiles information from companies to identify issues germane to each sector and develops and implements statewide programs such as those above to resolve sector-wide issues that affect productivity and profitability. Data compiled and analyzed have identified the following major issues that affecting a significant number of Arkansas companies:

- Employee Turnover Rates
- Locating Skilled Workers
- Employee Skill Level and Training
- Product Non-Conformance
- Scrap and Waste Costs
- Inventory Levels
- Unscheduled Downtime on Machines

During 2015, the AEDC's Existing Workforce Training Program assisted 37 different companies by providing training to 1,317 workers. The AEDC's Business Industry Training Program assisted 27 different companies by providing training to 965 workers.

Acts 7 and 8 of the 2015 First Extraordinary Session transferred the Arkansas Manufacturing Extension Partnership (Arkansas Manufacturing Solutions) to EBRD. This transfer provides companies with access to professional field engineers who have the training and expertise to help companies grow. Areas that Arkansas Manufacturing Solutions can assist companies with include:

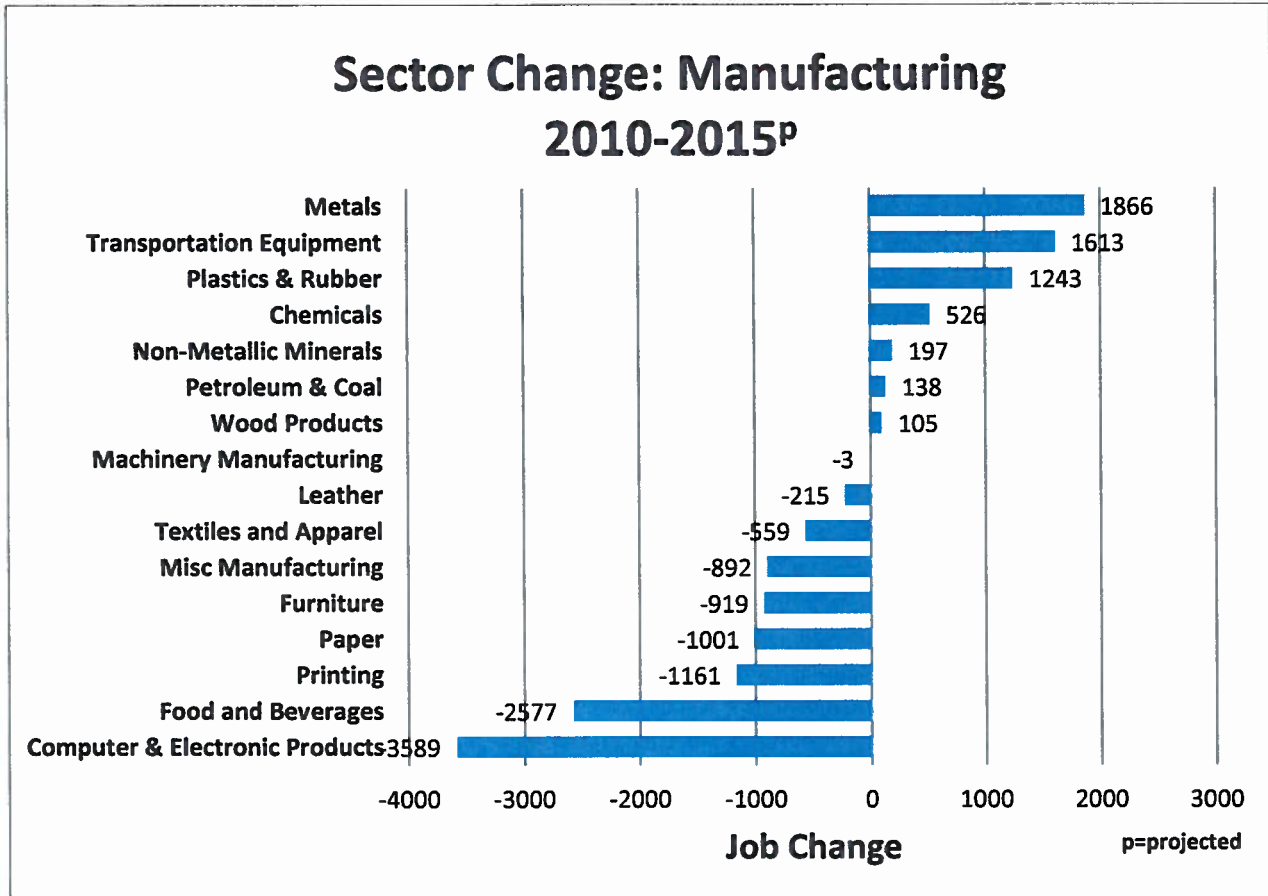
- Expansion
- Growth and Innovation
- Operational Excellence
- Product Development
- Sustainability
- Transformational Management
- Workforce Improvement

Act 892 of 2015 created a structure for a Statewide Workforce Development System. An EBRD representative is part of a three agency team that reviews each training application submitted by Arkansas companies. Although AEDC no longer is the sole administrator of these training programs, we play a key role in understanding company needs in context with the productivity and profitability needed for them to remain viable.

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

Between 2010 and 2015*, Arkansas lost 5,226 private sector manufacturing jobs. However, since 2013, the number of manufacturing jobs in Arkansas has increased (by 2,299) for the first time in nearly two decades.

Chart 2



**Source: Bureau of Labor Statistics, 2010-2015^p (preliminary) private sector Quarterly Census of Employment and Wages, 14 June 2016, <http://data.bls.gov/pdq/querytool.jsp?survey=en>*

As Table 10 below illustrates, the magnitude of manufacturing change between 2010 and 2015 has differed among industries. Arkansas has fared better than many other Southern states; noting manufacturing gains in petroleum and coal, transportation equipment, plastics and rubber, chemicals, metals, non-metallic metals and wood products. However, several key industries, including furniture, printing, textiles and apparel and computer and electronic equipment were significantly changed by persistent job losses.

Table 10
Arkansas Manufacturing Transitions: 2010-2015^p

Growth	Small to Moderate Decline (-0.1%-19.9%)	Large Decline (-20%+)
Petroleum & Coal (+13.8%)	Machinery Manufacturing (-0.1%)	Miscellaneous Manufacturing (-20.9%)
Transportation Equipment (+13.3%)	Food and Beverages (-5.5%)	Furniture (-22.1%)
Plastics and Rubber (+12.2%)	Paper (-9.5%)	Printing (-22.6%)
Chemicals (+11.4%)	Leather (-16.7%)	Textiles and Apparel (-23.8%)
Metals (+8.5%)		Computer and Electronic Products (-31.8%)
Non-Metallic Minerals (+5.8%)		
Wood Products (+1.1%)		

Source: Bureau of Labor Statistics, 2010-2015^p (preliminary) private sector Quarterly Census of Employment and Wages, 14 June 2016, <http://data.bls.gov/pdq/querytool.jsp?survey=en> p=preliminary data.

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

Computers and Electronic Products: (2010-2015 net loss 3,589/-31.8%) Closure of 11 companies since 2010 resulted in the loss of almost 3,600 jobs in Arkansas. The United States electronics industry has reached its maturation and will likely continue to decline as household electronics and industrial controls and motors are increasingly produced abroad.

Textiles and Apparel: (2010-2015 net loss 559/-23.8%) Since 2010, Arkansas has lost more than one-quarter of its textile and apparel jobs. This industry will continue to decline as sales shrink and production continues to move to increasingly lower-wage countries.

Printing: (2010-2015 net loss 1,161/-22.6%) Employment levels have dropped significantly since 2010. Growth in this sector is not expected in the near future.

Furniture: (2010-2015 net loss 919/-22.1%) Since 2010, Arkansas has lost 50 furniture manufacturers. This industry can grow only if onshoring opportunities are enhanced.

Miscellaneous Manufacturing: (2010-2015 net loss 892/-20.9%) Industries in the miscellaneous manufacturing sector manufacture a wide variety of products including medical equipment, musical instruments, toys, sporting goods, jewelry and caskets. A significant number of these companies have moved overseas, however, potential remains for onshoring.

c. Plans for increasing the number of economic development proposals

Marketing and Communications

The AEDC Marketing and Communications Division promotes Arkansas and its businesses and industries through advertising and public relations, promotional materials, special events, and AEDC's web site. It also develops and produces various internal and external communications, including newsletters, press releases, reports and other collateral pieces. Marketing and Communications handles all news media inquiries on a daily basis and coordinates the gathering of information and responses to Freedom of Information (FOI) requests.

Specific marketing activities occurring since January 1, 2015 include:

- Planned and coordinated 25 statewide media events in which companies announced plans to either locate or expand in Arkansas.
- Working with our advertising agency, planned and coordinated an international marketing campaign based on our targeted industries/areas. This campaign featured print ads in trade publications and web banners that ran on a variety of websites including CNNInternational.com, WallStreetJournal.com and areadevelopment.com.
- Provided material and media guidance for international events/trade shows, etc., including a delegation led by Governor Asa Hutchinson to the Paris International Air Show.
- Created and produced customized brochures, marketing pieces, postcards and newsletters for AEDC Divisions.
- Launched a redesigned website in January 2015.
- Launched the new Arkansas Inc. brand campaign.
- Wrote several Arkansas feature editorials for trade publications such as Area Development and Trade and Industry Development magazines.
- Placed ads in local publications including Arkansas Business and Talk Business Quarterly.
- Photographed each new location/expansion announcement and provided event photos to local and national media and statewide economic development leaders.
- Worked with AEDC's Business Development Division to plan and host networking events in which AEDC leadership and economic developers from around the state furthered relationships with site-location consultants.
- Responded to daily media inquiries. Worked closely with each AEDC Division to provide accurate, timely information to members of the media.
- Worked closely with the Arkansas Energy Office (AEO), a division of AEDC, on media outreach (news releases, advertisements) for numerous energy initiatives.

- Worked with Arkansas Manufacturing Solutions and Rural Services, divisions of AEDC, on media outreach for their initiatives and the Rural Services Conference that occurred in 2016.
- Provided media and PR support to the Governor's Award for Excellence in Global Trade Program.
- Worked with AEDC's Small and Minority Business Division to promote AEDC's Small and Minority Business Directory and the Minority Business Enterprise Certification Program.
- Worked with AEDC's Film Office to promote the screening of God's Not Dead 2, a movie filmed in Arkansas, and helped to promote the Czech Film Festival.
- Managed AEDC's general email address, info@arkansasedc.com, providing answers to all inquiries.
- Fulfilled numerous Freedom of Information Act requests from media and citizens.
- Participated in the Walmart Made in the USA initiative by attending the Manufacturing Summit in Bentonville.
- Implemented Salesforce as the agency's lead generation engine and customer relationship management (CRM) tool.
- Implemented Pardot as the marketing division's marketing automation platform (MAP).
- Replaced the single, full-service advertising agency contract with three contracts that promote depth in marketing and communications specialty areas, i.e. brand/multi-channel marketing, digital marketing and public relations.
- Mapped customer journeys for upper, middle and lower funnel activity and established conversion goals accordingly.
- Measured, reported and optimized inbound marketing efforts and outbound media spend.

Expanding Knowledge-Based Entrepreneurship

The AEDC continues to work with multifaceted partners in a variety of programs to encourage entrepreneurship at all levels. Engaging students' entrepreneurial skills early through programs such as the **Youth Entrepreneurship Showcase (YES)** and **Environmental and Spatial Technologies (EAST)** have encouraged students to develop viable ideas into workable concepts/plans (YES) and student-driven service projects (EAST). Ongoing initiatives such as the **Donald W. Reynolds Governor's Cup**, a tri-state undergraduate and graduate business plan competition begun in Arkansas, have nurtured student teams to win national business plan competitions and incorporate their ideas into products and services.. Entrepreneurship is also being enhanced through post-secondary educational and private business research. To enhance coordination of these efforts, the **Arkansas Research Alliance**, a private, non-profit collaborative of Arkansas universities, businesses and government was established in January 2009 to guide the focus of research initiatives in Arkansas.

Turning entrepreneurs' ideas into viable products and services was the idea behind Innovate Arkansas, a program of the AEDC and Winrock International that works with technology-based entrepreneurs at any stage to turn inventions and high-tech concepts into viable businesses. Since its inception in 2008 and through March 2016, the Innovate Arkansas Program has received six hundred and nineteen (619) applications for assistance. Of the 619, forty-four, or 7.1%, were declined because they were not Arkansas-based. Innovate Arkansas staff responded to five hundred and seventy-five (575) applicants. Of the 575, one hundred and eighty-three (183) or 31.8% have received various forms of technical assistance. Of that number, eighty-one (81) are still actively involved in various stages of the due diligence process and are receiving mentorship support from Innovate Arkansas. The remaining one hundred and two (102) companies are inactive, but Innovate Arkansas staff stands ready to assist as needed.

Global Business Recruitment

Sixteen (16) of the 118 projects that signed financial assistance agreements with AEDC in 2015 were by foreign-owned corporations. Cumulatively, these projects propose the creation of 524 jobs. Additionally, during 2015, the AEDC fostered international trade and investment through the following activities:

Table 11
2015 International-Related Activities Attended and/or Conducted

Event	Timeframe	Location	Type of Activity
Select USA	March 23-24, 2015	Washington, D.C.	Event/Proactive
Governor's mission to Europe	June 13-19, 2015	France and Germany	Proactive
Recruiting Trip – meetings with Japanese companies with facilities in Southern California	July 19-23, 2015	Los Angeles and Orange County, California	Proactive
Select USA	September 14-22, 2015	Nordic Countries	Event/Proactive
Helsinki, Finland visit with Sun Paper for Poyry's feasibility study presentation and visits with equipment suppliers	September 19-24, 2015	Helsinki, Finland	Prospect
Meetings with country officials and companies	September 23-25, 2015	Germany	Proactive
GACC Gala & German company meetings	October 23-24, 2015	Atlanta, GA	Event/Proactive
Governor's Economic Development Mission to Japan and China	November 12-25, 2015	Tokyo and Nagoya, Japan and Shandong Province, Henan Province, Guangdong Province, and Beijing, China	Event/Proactive
Consular Corps College Symposium	December 19-20, 2015	Washington, D.C.	Event/Proactive

d. Plans for creating new initiatives/incentives

AEDC's Strategies and Recommendations for the Next Legislative Session

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

1. Increase funding for the Quick Action Closing Fund.
2. Move to a single sales factor corporate income tax apportionment formula.
3. Eliminate the sales and use tax on manufacturing machinery and equipment repair parts.
4. Reduce corporate income tax levels.
5. Evaluate the potential to enhance incentives for the Arkansas Film Office. Specifically,
 - A. Establish a recurring state funding source of approximately \$2-\$10 million annually that will provide transferrable tax credits;
 - B. Establish a Sound Recording Rebate incentive that will add sound recordings to projects for which a rebate may be obtained from the Digital Product and Motion Picture Office Fund; and
 - C. Amend the existing Digital Product and Motion Picture Industry Development Act of 2009, as amended, to:
 - 1) Raise the rebate percentage from the existing twenty percent (20%) to twenty-five percent (25%);
 - 2) Allow for the issuance of an additional credit of five percent (5%) on payroll to any employee who is an honorably discharged veteran of the US Armed Forces and whose wages are subject to Arkansas Income Tax Withholding Law;
 - 3) Allow for the issuance of an additional credit of five percent (5%) of payroll to a female director or producer;
 - 4) Remove the requirement that seventy-five percent (75%) of the production be shot in Arkansas and replace it with a requirement that a minimum of fifty percent (50%) of the workforce (including extras and day players) be made up of Arkansas residents; and
 - 5) Disallow rebates for reality television series or make the award of this rebate discretionary for the AEDC Executive Director.

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

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

Table 12

2014-2015 Job Opportunities from Signed Incentive Agreements: New and Expanded Year-End Results

<i>Year</i>	<i>Type</i>	<i>Projects</i>	<i>Jobs</i>	<i>Total Investment</i>	<i>Average Hourly Wage</i>	<i>Cost Benefit Ratio</i>
2014	New	16	2,328	\$1,402,653,282	\$20.87	2.02
	Expanded	81	3,349	\$1,462,612,207	\$14.55	
	Retention	1	252	\$181,579,000	\$20.76	
	Total	98	5,929	\$3,046,844,489	\$17.30	
2015	New	14	664	\$106,337,957	\$24.83	*2.34
	Expanded	103	4,289	\$1,923,251,609	\$19.03	
	Retention	1	0	\$150,000		
	Total	118	4,953	\$2,029,739,566	\$19.81	

** a cost benefit ratio of 2.34 means that, over a ten-year period, the state will get back, in taxes, \$2.34 for each dollar of incentives used. The ratios for 2014 and 2015 would increase from \$2.02/\$1 to \$2.29/\$1 (2014) and \$2.34/\$1 to \$4.03/\$1, respectively, if non-job-creating statutory InvestArk incentive projects are excluded.*

Table 13

2014-2015 Arkansas Job Creation and Job Loss Comparison

Jobs from Signed Incentives Agreements with AEDC Involvement - AEDC Eligible Businesses Only*	10,882
Jobs Lost Due to Layoffs/Closures – AEDC Eligible Businesses only*	4,778
Net Gain (+) / Loss (-) AEDC Eligible Businesses	+6,104
<i>Above data from Arkansas Department of Workforce Services Dislocated Worker Task Force and AEDC New & Expanded Database. *Does not include retail, health, trucking, banking, etc.</i>	

Table 14

2014–2016 Year-to-Date Unemployment Comparison

	AR Unemp Rate	US Unemp Rate
2014 annual average unemployment rate	6.1%	6.2%
2015 annual average unemployment rate	5.2%	5.3%
Current Month (May 2016) seasonally adjusted	3.8%	4.7%
<i>Sources: Arkansas Department of Workforce Services, Unemployment Rates and Labor Force Statistics, annual rates are not seasonally adjusted.</i>		

b. Comparison of actual performance to projections

Table 15
2016 Year-to-Date* Job Creation/Closures

<i>Job Creation</i>	<i>Jobs</i>	<i>Total Investment</i>	<i>Average Hourly Wage</i>
2016 Year-to-Date Signed Incentive Agreements*	1,672	\$670,617,454	\$19.30
Pending Finalization of Incentive Agreements**	38	\$73,321,179	\$20.53

2016 Year-to-Date* Non-Retail/Non-Service Closures

<i>Job Closures</i>	<i>Companies</i>	<i>Jobs</i>
2016 Year-to-Date	12	770

*Through June 30, 2016.

**These projects will likely be reported in 2016.

c. Arkansas's economic performance compared to neighboring states

Gross Domestic Product by State

Gross Domestic Product (GDP) by state is the market value of goods and services produced by labor and property located within a state. It also includes transfer payments from businesses and governments computed as income. Because labor and property vary among states, GDP by state is more usefully compared among states by calculating GDP per capita to adjust for population.

Table 16
2015 Per Capita Real GDP by State: Arkansas and Surrounding States

<i>State</i>	<i>2015 GDP Per Capita*</i>	<i>National Rank</i>
United States	\$49,844	--
Texas	\$53,707	13
Louisiana	\$45,606	27
Oklahoma	\$43,788	32
Missouri	\$42,984	36
Tennessee	\$42,457	37
Arkansas	\$37,644	45
Mississippi	\$31,894	50

*In chained 2009 dollars. Source: Gross Domestic Product by State, Bureau of Economic Analysis, 2015 Per Capita Real GDP by State,

<http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=2#reqid=70&step=10&isuri=1&7003=1000&7035=-1&7004=naics&7005=1&7006=xx&7036=-1&7001=11000&7002=1&7090=70&7007=2015&7093=levels>, 14 June 2016.

Table 17
Percentage Change in GDP Per Capita by State (2012 to 2015)*
Arkansas and Surrounding States

State	2012 Per Capita GDP by State	2015 Per Capita GDP by State	Percentage Change in GDP Per Capita by State (2012-2015)
United States	\$48,156	\$49,844	3.5%
Texas	\$50,356	\$53,707	6.7%
Arkansas	\$35,753	\$37,644	5.3%
Oklahoma	\$41,769	\$43,788	4.8%
Missouri	\$41,756	\$42,984	2.9%
Tennessee	\$41,469	\$42,457	2.4%
Mississippi	\$31,990	\$31,894	-0.3%
Louisiana	\$45,813	\$45,606	-0.5%

**In chained 2009 dollars. Source: Gross Domestic Product by State, Bureau of Economic Analysis, Per Capita Real GDP by State, <http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=2#reqid=70&step=6&isuri=1&7003=1000&7004=naics&7005=1&7001=11000&7002=1&7090=70>, 14 June 2016.*

Labor Force

Table 18
Percent Labor Force Growth (2011-2015)
Arkansas and Surrounding States

State	Percentage Labor Force Growth (2011-2015)	National Rank
United States	2.3	--
Texas	4.6	4
Louisiana	4.2	6
Oklahoma	3.9	9
Missouri	2.2	22
Tennessee	-2.0	43
Arkansas	-2.4	44
Mississippi	-5.2	50

Source: U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics, <http://data.bls.gov/pdq/querytool.jsp?survey=la> and Labor Force Statistics from the Current Population Survey, <http://www.bls.gov/cps/data.htm>, 14 June 2016.

Per Capita Personal Income

Table 19
Per Capita Personal Income Change 2013-2015
Arkansas and Surrounding States

<i>State</i>	<i>2013 Per Capita Income</i>	<i>2013 Rank</i>	<i>2014 Per Capita Income</i>	<i>2014 Rank</i>	<i>2015 Per Capita Income</i>	<i>2015 Rank</i>	<i>Change 2013-2015</i>	<i>National Rank</i>
United States	\$44,438	--	\$46,049	--	\$47,669	--	7.3%	--
Arkansas	\$36,529	43	\$37,782	42	\$39,107	41	7.1%	21
Tennessee	\$39,312	34	\$40,457	36	\$42,069	36	7.0%	23
Texas	\$43,807	24	\$45,669	22	\$46,745	22	6.7%	29
Missouri	\$40,297	31	\$41,639	31	\$42,752	32	6.1%	40
Louisiana	\$40,819	29	\$42,030	30	\$43,252	30	6.0%	41
Oklahoma	\$41,962	27	\$43,637	27	\$44,272	27	5.5%	42
Mississippi	\$33,629	50	\$34,431	50	\$35,444	50	5.4%	43

Source: US Department of Commerce, Bureau of Economic Analysis, Regional Accounts Data, State Annual Personal Income

<http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=4#reqid=70&step=1&isuri=1>, 23 May 2016.

Unemployment Rates

Table 20
Unemployment Rate Annual Averages 2014-2015
Arkansas and Surrounding States

<i>State</i>	<i>2014 Unemployment Rate</i>	<i>2015 Unemployment Rate</i>	<i>National Rank 2015</i>
United States	6.2%	5.3%	--
Oklahoma	4.5%	4.2%	13
Texas	5.1%	4.5%	18
Missouri	6.2%	5.0%	23
Arkansas	6.1%	5.2%	26
Tennessee	6.5%	5.8%	37
Louisiana	6.4%	6.3%	45
Mississippi	7.6%	6.5%	46

Source: U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics, <http://data.bls.gov/pdq/querytool.jsp?survey=la>, 23 May 2016.

Hourly Earnings

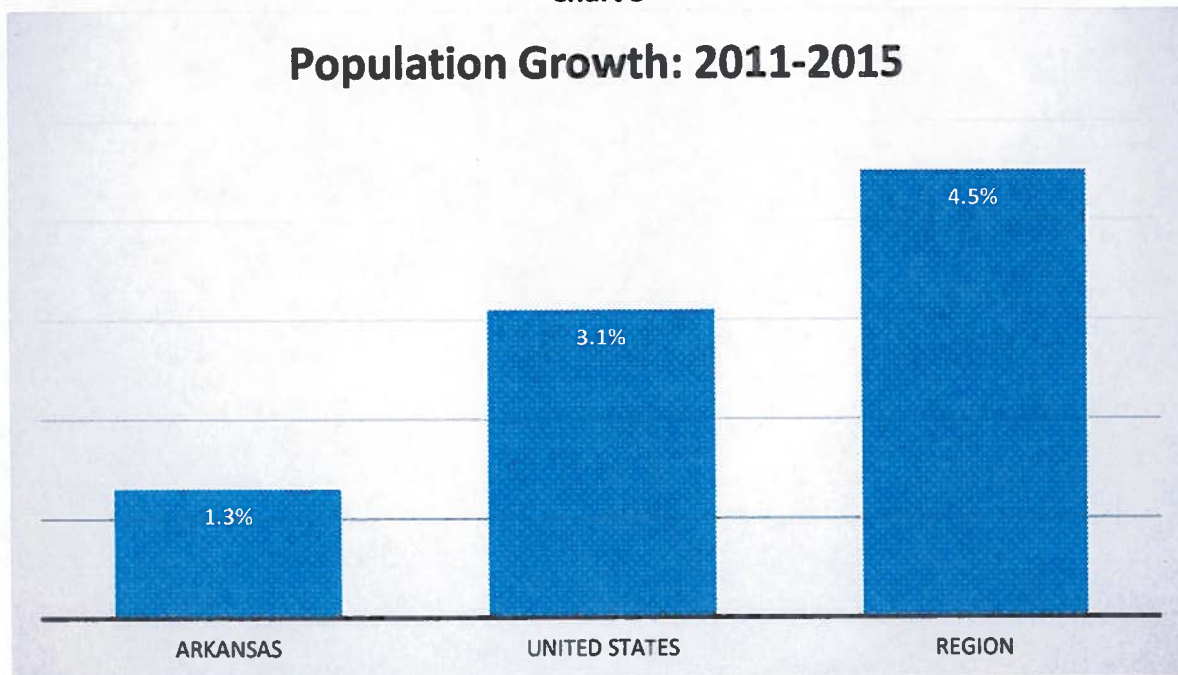
Table 21
Average Hourly Earnings of Manufacturing Production Workers (2015)
Arkansas and Surrounding States

<i>State</i>	<i>Hourly Earnings</i>	<i>National Rank</i>
United States	\$19.91	--
Louisiana	\$22.07	6
Texas	\$21.67	8
Missouri	\$19.62	24
Oklahoma	\$18.47	37
Mississippi	\$18.30	38
Tennessee	\$17.48	45
Arkansas	\$16.18	50

Source: U.S. Department of Labor, Bureau of Labor Statistics, Current Employment Statistics, 2015 Annual Averages, Not Seasonally Adjusted <http://data.bls.gov> (national) and U.S. Department of Labor, Bureau of Labor Statistics, State and Area Employment, Hours and Earnings, 2015 Annual Averages, Not Seasonally Adjusted <http://www.bls.gov/data/>

Population Growth (Region*)

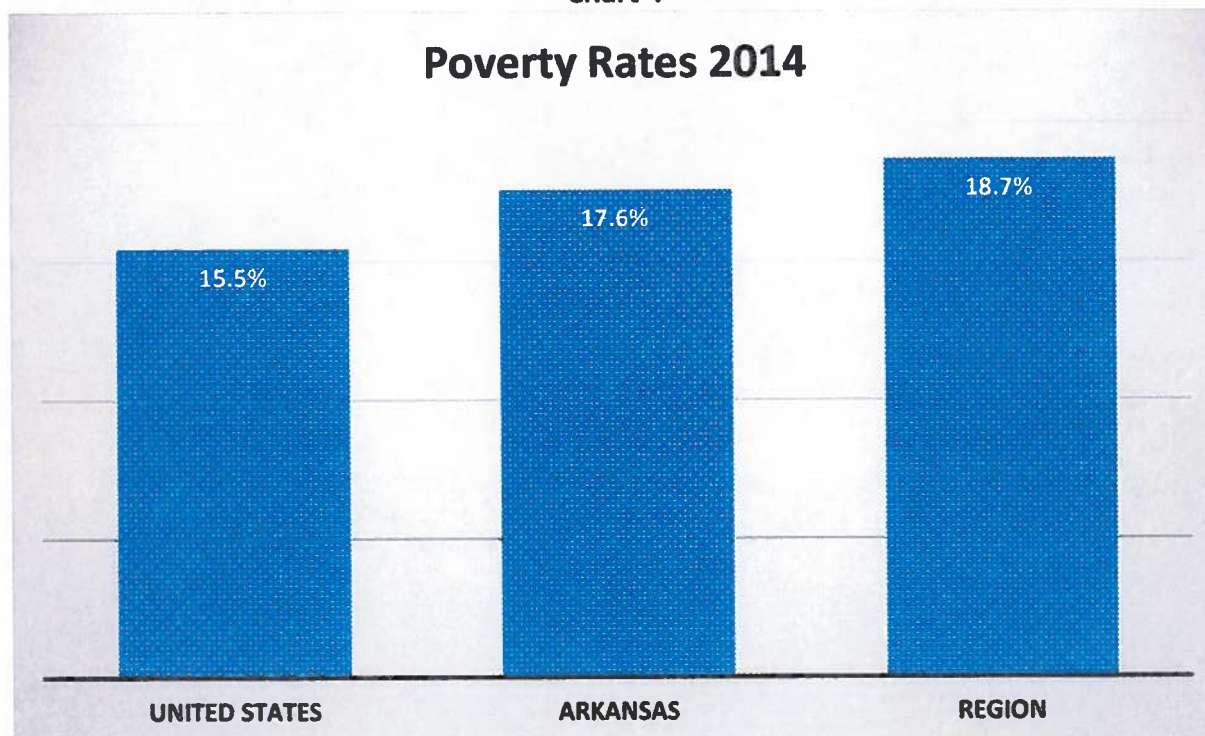
Chart 3



Source: US Census Bureau, Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2015, <http://www.census.gov/popest>

Poverty Rates (Region*)

Chart 4



**The 12-state region consists of AL, FL, GA, KY, LA, MS, MO, NC, OK, SC, TN, and TX. Regional averages are weighted averages. Source: US Census Bureau, Small Area Income and Poverty Estimates, <http://www.census.gov/did/www/saipe/data/statecounty/data/2014.html>*

Comparative State Indices

Since the inaugural Act 1282 Report in 2002, the AEDC has utilized various state indices to gauge economic competitiveness and progress of the State of Arkansas. Below, you will find several examples of indices that make comparisons among states.

Assets and Opportunity Scorecard, Published January 2016 Corporation for Enterprise Development (CFED)

The *Assets & Opportunity Scorecard* evaluates state policies and their outcomes which effect citizens' financial security and opportunities to create a more prosperous future by quantifying 130 policy and outcome measures affecting wealth, poverty and financial security. States, and the District of Columbia, are ranked by these measures within the following categories:

- Financial Assets and Income - Are there widespread opportunities for wealth creation and protection, particularly for low-income residents?
- Businesses and Jobs - Is the opportunity to grow a business or get a job that pays a sufficient wage with benefits available to all those who choose to pursue it?

- **Housing and Homeownership** - Is the opportunity to purchase and maintain a home available to all those who choose to pursue it?
- **Health Care** - Is there broad access to health insurance as protection against income interruption and asset depletion from medical bills?
- **Education** - Do residents have access to the education and training they need to get ahead?

Table 22 below contains individual scores for Arkansas and surrounding states for each of the above categories for policy initiatives and outcomes:

Table 22
Assets and Opportunities Scorecard
Arkansas and Surrounding States
Policy Rankings

State	Financial Assets and Income	Businesses and Jobs	Housing and Homeownership	Health Care	Education	Overall
Arkansas	20th	27th	33rd	7th	17th	20th
Oklahoma	20th	27th	33rd	20th	6th	18th
Louisiana	20th	36th	33rd	20th	17th	28th
Tennessee	49th	36th	33rd	20th	5th	40th
Texas	46th	36th	20th	20th	16th	40th
Missouri	49th	17th	41st	44th	41st	48th
Mississippi	40th	36th	50th	20th	46th	50th

Outcome Rankings

State	Financial Assets and Income	Businesses and Jobs	Housing and Homeownership	Health Care	Education	Overall
Missouri	34th	36th	22nd	25th	22nd	31st
Oklahoma	41st	16th	13th	43rd	39th	34th
Texas	43rd	33rd	16th	51st	41st	41st
Arkansas	46th	39th	14th	25th	45th	39th
Louisiana	49th	29th	40th	43rd	46th	46th
Tennessee	45th	35th	35th	39th	36th	43rd
Mississippi	51st	49th	26th	38th	50th	51st

Source: Corporation for Enterprise Development, Assets and Opportunities Scorecard,
http://assetsandopportunity.org/assets/pdf/2016_Scorecard_Report.pdf

The State Competitiveness Index 2014 (Beacon Hill Institute)

The fourteenth annual index, prepared by the Beacon Hill Institute, gauges states' economic competitiveness by ranking states according to the following eight factors: government and fiscal policy, security, infrastructure, human resources, technology, business incubation, openness and environmental policy. The Index defines competitiveness as having in-place the policies and conditions that ensure and sustain a high level of per capita personal income and its continued growth. Scores are indexed at 10.

Table 23
State Competitiveness Index
Arkansas and Surrounding States

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

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

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

Table 24
Arkansas's Competitive Advantages and Disadvantages
Beacon Hill Institute Competitiveness Index

Competitive Advantage	Rank	Competitive Disadvantage	Rank
Percent of Labor Force Represented by Unions	1	Science and Engineering Graduate Students per 100,000 Inhabitants	48
Workers Comp Premium Rates	3	Patents Per 100,000 Inhabitants	48
Average Rent of Two Bedroom Apartment	3	Employment in High-Tech Industry as a Percentage of Total Employment	48
Minimum Wage	4	Physicians per 100,000 inhabitants	48
The BGA Integrity Index (openness and responsiveness of government)	10	Crime Index	47
Cost of Labor Adjusted for Educational Attainment	10	Scientists and Engineers as a Percentage of the Labor Force	47
Average Travel Time to Work	11	Percentage of Adults who are in the Work Force	46

America's Top States for Business 2016 (CNBC)

This index, published by CNBC, with input from a broad and diverse array of business and policy experts, official government sources, the CNBC Global CFO Council and state officials, ranks each state according to 60 measures across ten (10) broad categories which include: cost of doing business; workforce; quality of life; infrastructure; economy; education; technology and innovation; business friendliness; access to capital; and, cost of living. Arkansas's ranking of 41st was higher than Oklahoma (42nd), Louisiana (44th) and Mississippi (47th) but lower than Texas (2nd), Tennessee (18th) and Missouri (31st). Among the various factors, Arkansas rated highest in cost of living (3rd), cost of doing business (9th) and infrastructure (21st) but lagged in business friendliness (42nd), technology and innovation (47th) and quality of life (50th).

Rich States, Poor States

ALEC-Laffer State Economic Outlook Rankings, 2016

The ninth edition of this publication ranks states according to their economic performance and economic outlook based upon fifteen state economic policies and economic variables pertaining to per capita personal income, payroll employment, various tax rates and burdens and workforce/labor costs. Arkansas fared well, ranking 20th in economic outlook and 24th in economic performance. Arkansas's worst rankings were for: sales tax burden (44th), state liability system (41st), personal income tax progressivity (39th) and public employees per 10,000 of population (38th). Arkansas's best rankings were right-to-work state (1st), estate/inheritance tax (1st), average workers' compensation cost (3rd) and property tax burden (3rd).

Forbes Best States for Business and Careers

This report ranks states according to six (6) categories for business, including: costs, labor supply, regulatory environment, current economic climate, growth prospects and quality of life. Arkansas's overall ranking of 35th in 2015, up four (4) places from 2014, was mixed with high rankings for business costs (3rd) and growth prospects (32nd) but poor rankings in labor supply (44th) and regulatory environment (38th). Texas ranked highest overall among surrounding states (6th) and Mississippi ranked lowest (49th).

2016 State Business Tax Climate

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

Table 25
State Business Tax Climate Index

State	Corporate Tax Rate	Individual Income Tax Rate	Sales Tax Rate	Unemployment Insurance Tax Rate	Property Tax Rate	Overall Rank
Texas	41	6	37	15	34	10
Tennessee	18	8	46	25	37	16
Missouri	3	28	23	12	8	17
Mississippi	13	21	28	8	35	20
Oklahoma	8	40	38	1	18	33
Louisiana	38	27	50	5	28	37
Arkansas	42	29	43	43	27	38

2014 State New Economy Index

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

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

1. **Knowledge jobs:** Indicators measure employment of IT professionals outside the IT industry; jobs held by managers, professionals, and technicians; the educational attainment of the entire workforce; immigration of knowledge workers; migration of domestic knowledge workers; worker productivity in the manufacturing sector; and employment in high-wage traded services.
2. **Globalization:** Indicators measure the export orientation of manufacturing and services and foreign direct investment.
3. **Economic dynamism:** Indicators measure the degree of job churning (i.e., the percentage of new business startups and existing business failures); the number of Deloitte Technology Fast 500 and Inc. 500 firms; the number and value of initial public stock offerings (IPOs) by companies; the number of entrepreneurs starting new businesses; and the number of individual inventor patents granted.
4. **The digital economy:** Indicators measure the degree to which state governments use information technologies to deliver services; Internet and computer use by farmers; adoption rates and speed of broadband telecommunications; and use of information technology in the health care system.

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

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

Table 26
State New Economy Index

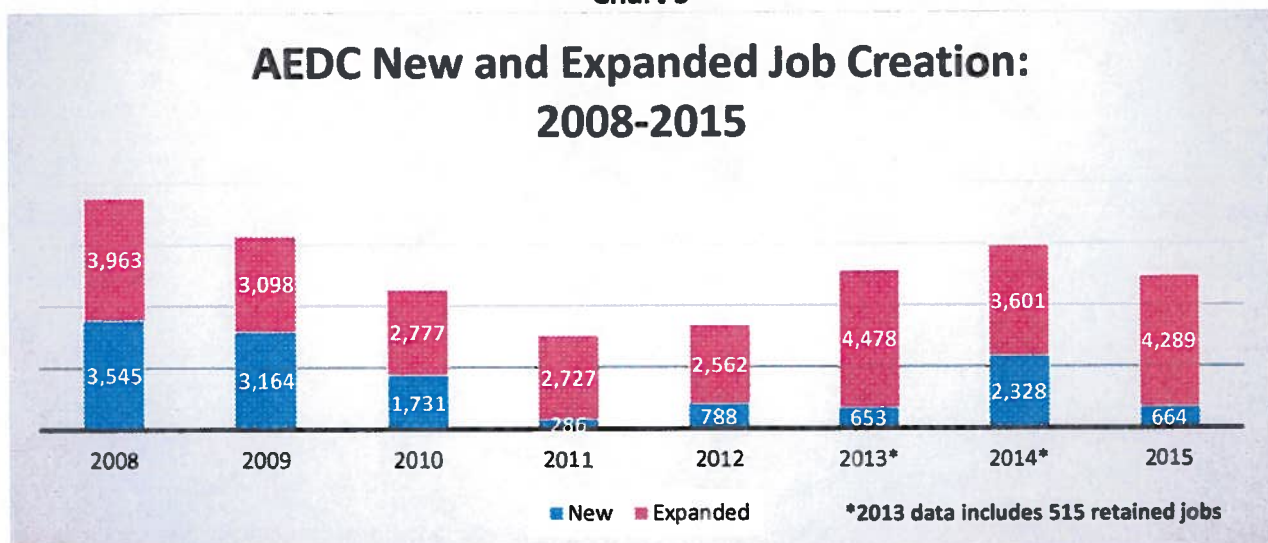
State	Knowledge Jobs	Globalization	Economic Dynamism	Digital Economy	Innovation Capacity	Overall Rank
Texas	29	3	10	38	24	20
Missouri	22	43	40	29	29	33
Tennessee	40	19	43	35	40	40
Louisiana	43	15	35	45	49	46
Arkansas	45	45	38	42	47	47
Oklahoma	42	48	36	48	46	48
Mississippi	50	46	44	47	50	50

d. Evaluating Arkansas's business climate in 2015

Job Creation and Wages

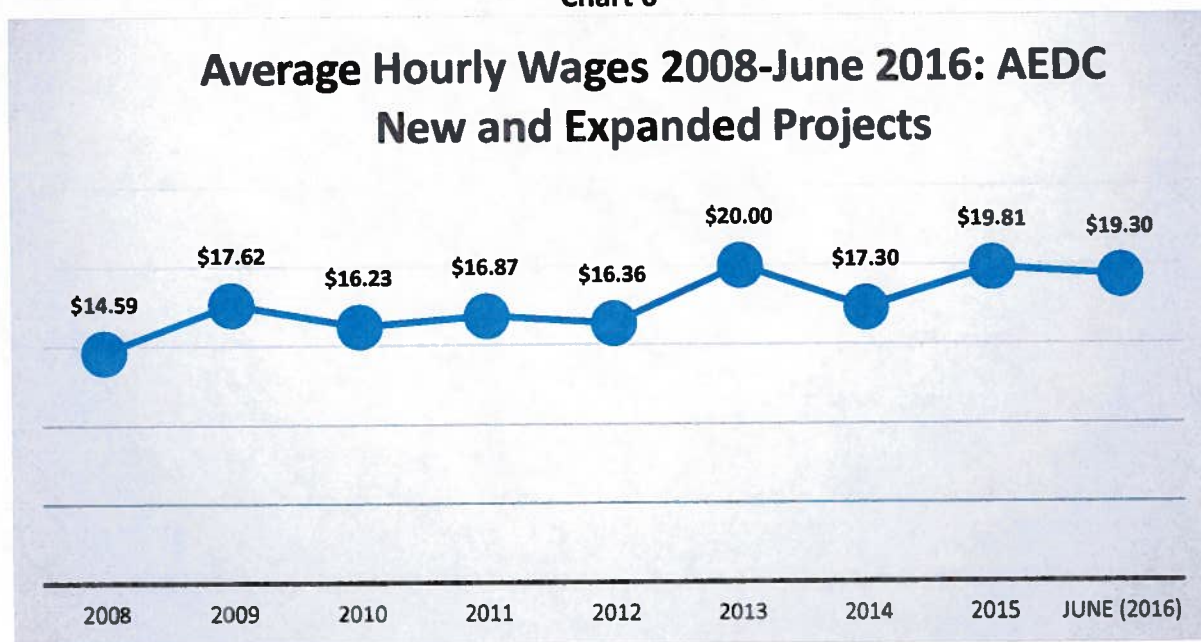
The number of jobs proposed to be created by companies signing assistance agreements with AEDC, at 4,953, almost topped 5,000 for the third consecutive year. For the first time ever, proposed investment exceeded \$2 billion for two consecutive years. Eighty-seven (87%) of proposed job creation will be from existing Arkansas industries.

Chart 5



Existing businesses also accounted for a majority of proposed investment in 2015. Of the \$2,029,739,566 proposed investment by businesses signing financial assistance agreements with AEDC in 2015, ninety-five percent (95%) was by existing businesses. A vast majority of this investment was proposed by food and kindred products, paper, primary metals, warehouse/distribution and corporate headquarters companies. The average hourly wages of jobs from signed incentive agreements increased from \$17.30 in 2014 to \$19.81 in 2015. (See Chart 6).

Chart 6

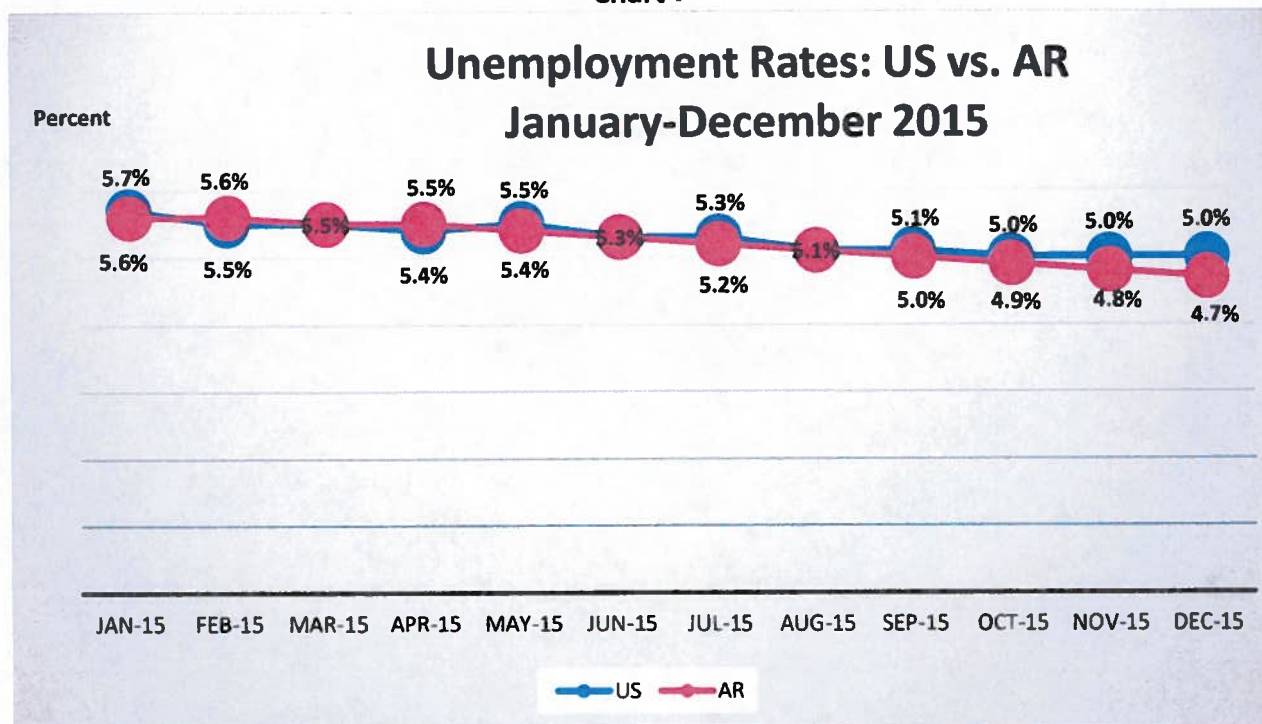


Note: *Data may differ slightly from previous Act 1282 reports due to assistance agreement modifications.

Unemployment Rates

Arkansas's unemployment rate steadily declined throughout 2015 and ended the year in December at 4.7 percent, below the US rate by three-tenths of one percentage point (See Chart 7).

Chart 7



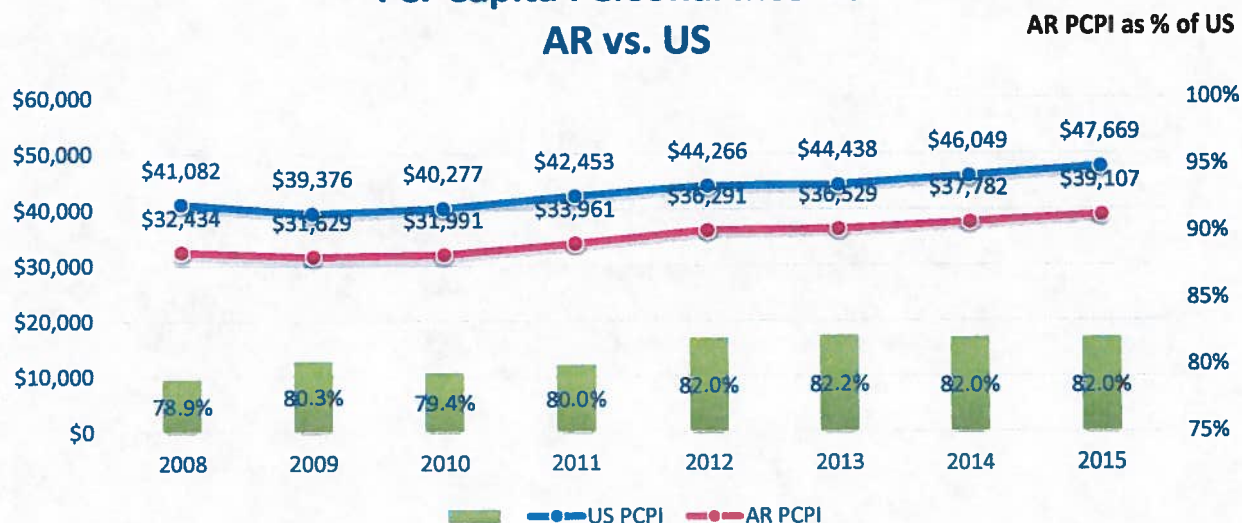
Source: Arkansas Department of Workforce Services, *Unemployment Rates and Labor Force Statistics, seasonally adjusted rates*, <http://www.discoverarkansas.net>, accessed 3 June 2016.

Per Capita Personal Income

Arkansas's per capita personal income (pcpi), as a percentage of the US average, has averaged 82 percent over the last four (4) years, up from 78.9 percent in 2008. Arkansas's ranking among states has improved from 48th in 2011 to 41st in 2015.

Chart 8

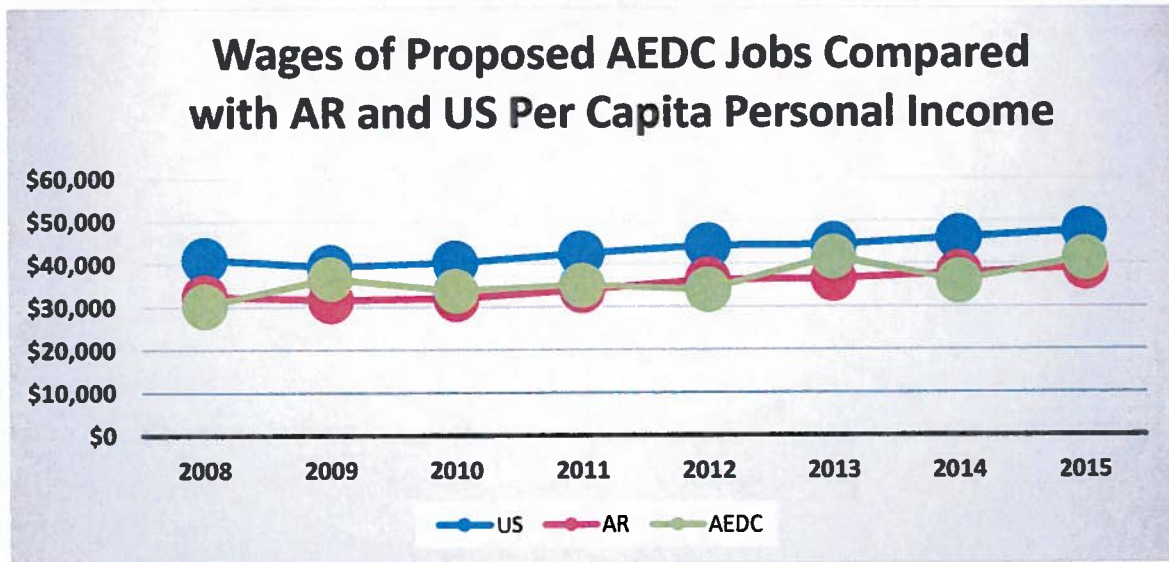
Per Capita Personal Income: AR vs. US



Source: Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income, 24 March 2016, online, available from <http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=6#reqid=70&step=29&isuri=1&7022=21&7023=0&7024=non-industry&7001=421&7090=70> Dollar estimates in current dollars (not inflation adjusted).

In 2015, the AEDC signed financial incentive agreements for 118 projects with companies that propose to invest over \$2.029 billion in projects that will create 4,953 jobs paying an average hourly wage of \$19.81. As Chart 9 indicates, the proposed average hourly wage of AEDC-assisted jobs topped \$40,000 for the second time in history, greatly surpassing the amount (\$35,984) from 2014 and exceeding the State's per capita personal income for 2015.

Chart 9



Source: Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income, 24 March 2016, online, available from <http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=6#reqid=70&step=29&isuri=1&7022=21&7023=0&7024=non-industry&7001=421&7090=70> and AEDC New and Expanded Company Database 2008-2015.