

ARKANSAS

A D V A N T A G E

2030



A STRATEGIC PLAYBOOK

FOR A MORE COMPETITIVE ARKANSAS





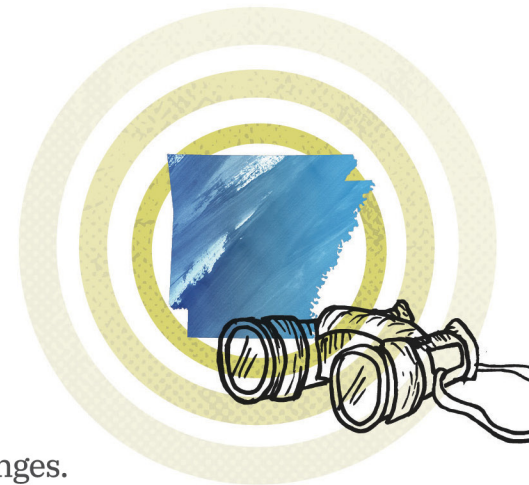
Competing every day, with every other state, for every job, every business, every worker and every investment is today's economic reality.

The Arkansas State Chamber of Commerce/AIA is the leading voice in the state for business and serves as the primary business advocate on all issues affecting Arkansas employers. If Arkansas is going to successfully compete for a better economic future, we need to re-focus and intensify our efforts.

SPECIFICALLY, WE NEED A FOCUS THAT:

- **Aligns** the economic agenda of all Arkansans.
- **Transcends** political cycles and guides us over the long term.
- **Promotes** new ideas, best practices and innovative thinking.
- **Measures** progress with transparency and accountability.
- **Responds** to a rapidly changing world and an unending set of challenges.

Arkansas Advantage 2030 was initially developed in 2015. This 2022 update incorporates new information and updated data to help the Arkansas economy reach its full potential.



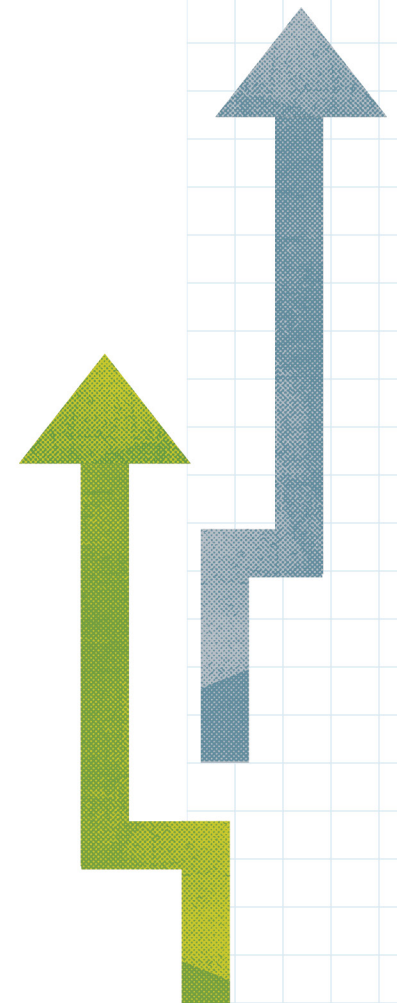


Global headwinds create local challenges

Globalization continues to increase competition. Unskilled labor is oversupplied throughout the world and downward wage pressure exists for many industries. At home, as we deal with the impacts of COVID-19, labor supply and disrupted supply chains are top priorities.

More highly-skilled labor has become the deciding factor in many business location decisions. The talent bar—what is needed to be successful at any job—is rising. Durable skills like critical thinking, fortitude and a growth mind set, as well as the types of jobs being created, are different than they were in the past—and they will continue to change. In 2022, change has accelerated, and states must be nimble and decisive.

The public expectations for Return on Investment (ROI) for our education and workforce development dollars are rising. Outcome-based investments are becoming the norm. Public officials, private companies and individuals are all challenged to find additional resources and are expected to produce more with less.



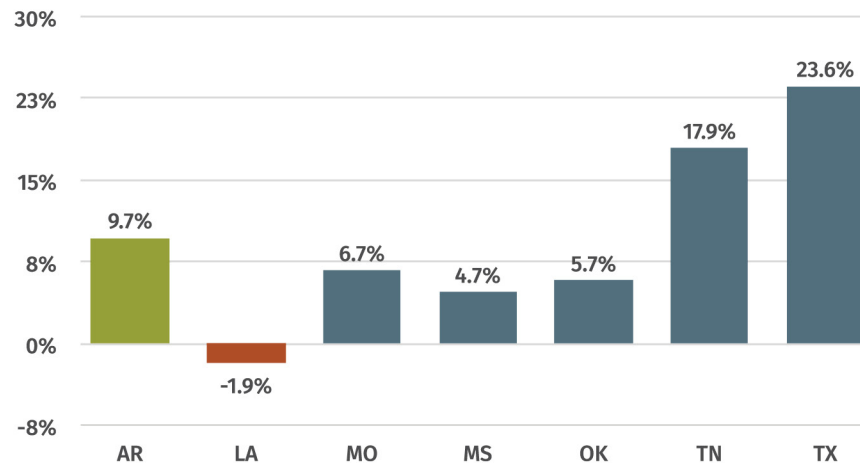


How economically competitive is Arkansas in 2022?

Like most states, Arkansas has strengths and weaknesses. Each state has transitioned through the Great Recession and recovery, rapid manufacturing evolution, new energy opportunities and pandemic impacts. The results have been uneven for people and places.

Regionally, Arkansas employment growth has been a success story, accelerating 9.7 percent over the period 2010-2021, trailing Texas and Tennessee, but better than other neighboring states. Real personal income per capita increased 45 percent from \$31,927 in 2010 to \$47,109 in 2020 among southern state leaders, according to the SAINCI Personal Income Summary from the Bureau of Economic Analysis.

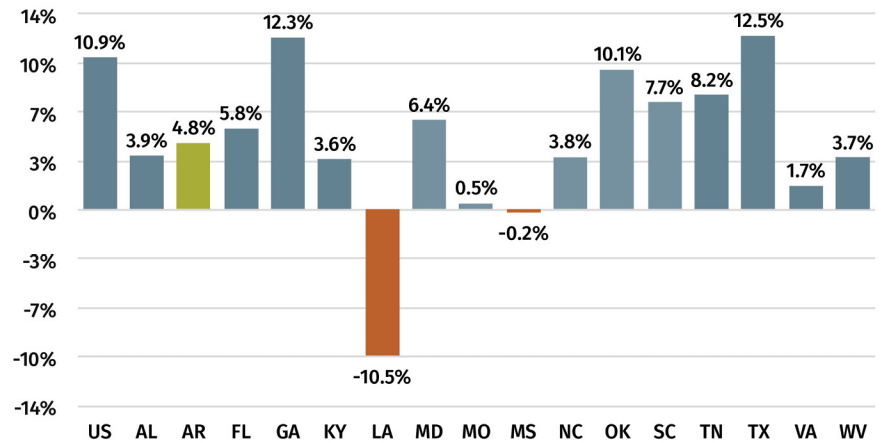
Employment Growth 2010-2021



States that relied heavily on manufacturing for higher wage jobs for the technically-skilled labor force were impacted much more severely when millions of manufacturing jobs were lost during the Great Recession.

Manufacturing has experienced a strong comeback over the past decade. Arkansas state gross product per capita for the recovery period 2010-2020 grew by 4.8 percent.

Southern States - Changes in Real GDP Per Capita 2010-2020



Source: US Bureau of Economic Analysis Nov 2021



FROM A NATIONAL PERSPECTIVE, ARKANSAS' COMPETITIVENESS VARIES DEPENDING ON CURRENT RANKINGS.

In 2015, CNBC's America's Top States for Businesses ranked Arkansas 32nd. The latest ranking, released in July 2022, ranked Arkansas 41. In Forbes' 2014 Best Places for Business, Arkansas was ranked 39th, scoring best in business costs (15th best) and lowest on quality of life (47th) and labor supply (43rd). Over the past six years, the state has improved to 33rd. In 2015, Chief Executive's Best and Worst States for Business ranked Arkansas 33rd; Arkansas now stands at 30th.

The American Legislative Exchange Council, in its 2022 Rich States, Poor States state ranking list publication examined and ranked Arkansas on 15 specific policy variables. Based upon equal weighting of each state's rank, Arkansas came in 16th.

How Arkansas Ranks Nationally:

Arkansas Business Rankings

CNBC (2022).....	41st
Forbes (2019).....	33rd
Chief Executive (2022).....	30th
U.S. News & World Report (2021).....	44th

Policy Variable State Rank

Top Marginal Personal Tax Rate.....	23
Top Marginal Corporate Tax Rate.....	17
Personal Income Tax Progressivity.....	41
Property Tax Burden.....	4
Sales Tax Burden.....	45
Debt Service as % of Revenue.....	7
Average Workers' Comp Costs.....	2

Source: ALEC Rich States, Poor States (2022)

What do these rankings mean?

Individually, none of these particular rankings paint a complete picture. All use different data points, and the weightings of specific indices, can dramatically change a state's rank.

Used together, they begin to establish a "middle-of-the-pack" brand for the state, which has significance when competing for new jobs and investment.



A close-up photograph of a person's hand holding a pencil, writing on a document. The person is wearing a blue and white plaid shirt. The background is blurred, showing other people in a meeting or office setting. The lighting is soft and focused on the hand and the document.

The view from Arkansas businesses

The State Chamber of Commerce/AIA surveyed its members in the fall of 2014 and again in 2021 to identify key issues that employers believe need to be addressed to spur our economy forward. The 2021 survey was completed by approximately 200 business leaders.

THE RESULTS WERE:

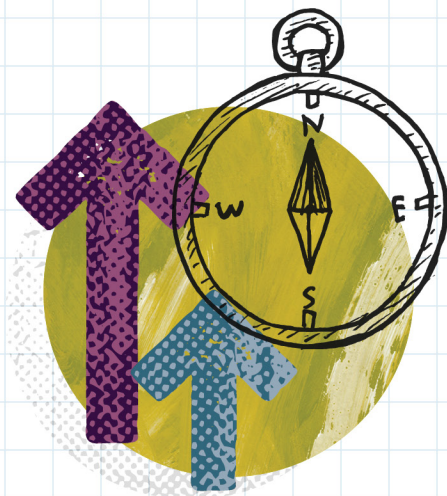
In 2014, 52% of Arkansas businesses surveyed ranked current economic conditions in Arkansas as “good” or better. In 2021, that number improved to 88%. Despite the pandemic, 87% felt the performance of their business was good or better over the past 12 months.

Rated favorably by Arkansas businesses:

- Access to business financing
- Availability of quality water and sewer
- Quality of life in their communities
- Availability of affordable and reliable energy

Rated poorly by Arkansas businesses:

- Availability of workers with appropriate skills
- Government regulation
- Housing options



Workforce issues were the top concern across several questions, with employers stating they are having difficulty finding workers with the right technical skills and good soft skills.

Factors associated with the cost of doing business, union profile, right-to-work and energy costs and availability are all foundations for competitiveness. To be more competitive, **Arkansas needs to build on these strengths and address its areas of real or perceived weaknesses.**



AREAS OF FOCUS

Workforce and the State Business Climate

Over the remainder of this decade, Arkansas can and should dramatically focus on a number of key priorities: increasing worker readiness, taking specific actions to improve the state's business climate, improving the Arkansas physical product and creating a nationally-recognized economic development and workforce-development delivery system armed with the tools to compete and win.

A woman in a yellow hard hat and orange safety vest is holding a tablet in a factory setting. She is looking at the tablet with a slight smile. In the background, there is a robotic arm and other industrial equipment. The image is partially obscured by a green, jagged-edged graphic on the left side.

To increase worker readiness, Arkansas should adopt a demand-driven approach to workforce development.

Initial actions that can jump-start the transition would be to dramatically increase the engagement and influence of Arkansas employers.

Secondly, accurate and timely information regarding supply and demand of job opportunities in Arkansas needs to be improved and broadly disseminated.

Workforce Readiness Strategic Actions

1

Increase business engagement in education and training by **collaborating on curriculum development** and training capacity.

2

Create a real-time **labor market information system** easily accessible to employers, workers, parents and students.



3

Organize **business and education leaders** to jointly develop work experience and work exposure opportunities for all students.

4

Create a **marketing plan** to increase the number of students interested in pursuing **skill-based careers** and encourage them to consider these as attractive opportunities.



5

Provide higher education institutions with the information and resources to **educate and train students** for jobs in Arkansas.

6

Increase and sustain funding for **customized workforce training**.

7

Develop additional **apprenticeship opportunities**.



8

Improve marketing of customized training programs by improving the web presence and branding of the site-expanding opportunities for AEDC. This will allow sharing of information on training services with existing industry.

Likewise, it will improve communication about **training services** with local economic developers who meet regularly with existing employers in the state.



9

Institutionalize and enhance the successful **Modern Workplace Program**.

10

Establish a signature state-level initiative to **tackle the skills gap** by emulating other states' successful programs, such as Louisiana's JumpStart or Georgia's QuickStart.

11

Align technical education with **industry needs** while focusing on durable skills.



12

Work to increase the **technical skills** needed for future jobs.

13

Expand recruitment events for **Be Pro Be Proud** to grow the workforce.

14

Rationalize entire workforce **training funding** apparatus.

15

Increase opportunities for **quality childcare**.



To improve the business climate, the business community, education leaders and the governor should jointly develop an **Arkansas Competitiveness Council** (“Council”) charged with monitoring the state’s overall economic competitiveness and making recommendations annually to the governor and the legislature for improvements. The Council should develop a **state economic dashboard** to monitor and broadly disseminate information on state economic performance, rankings and successes. The Council should also conduct an annual survey of Arkansas businesses to uncover issues, monitor progress and hold an annual event to **identify and discuss competitiveness goals**. Based on the State Chamber/AIA’s initial survey, business regulation could be the focus in the initial year.

Infrastructure-focused Strategic Actions

- 1 Develop and enact a plan to roll out baseline broadband across the state.
- 2 Create a more streamlined permitting process.
- 3 Develop a regulatory environment for aerial mobility.
- 4 Ensure the highway fund has equitable distribution based on vehicles.
- 5 Build an electric vehicle infrastructure.
- 6 Work to improve and maintain the quality of roads.



Business Climate Strategic Actions

We must strategically work to make Arkansas more competitive. To achieve this, we must:

- 1 Create an Arkansas Competitiveness Council to research Arkansas' performance and make annual recommendations for improvement.
- 2 Develop and maintain the Arkansas Economic Dashboard to keep elected officials, business leaders and the public informed on progress.
- 3 Conduct an annual business survey to inform education leaders on skill trends and elected leaders on issues of competitiveness.
- 4 Improve Arkansas' rankings for business climate by conducting a comprehensive review of current tax, legal and regulatory policies.
- 5 Modernize the corporate income tax, moving toward a single rate corporate income tax and a single sales factor apportionment formula.
- 6 Eliminate, reduce or cap the franchise tax.
- 7 Further reduce the individual income tax.
- 8 Eliminate sales tax on key business inputs.
- 9 Improve local tax administration transparency to ensure tax payment process and documentation is available online.
- 10 Evaluate the air permitting process.
- 11 Exempt inventory from property taxes.
- 12 Incentivize start ups and scale ups.
- 13 Create a proactive manufacturing tax policy.
- 14 Aggressively tackle crime and addiction.

Without a competitive product to market, the state will not attract new jobs.

Taking a long-term view of competitiveness mandates a focus on current and future infrastructure. Arkansas must plan for and fund infrastructure capacity in all areas: roads, air transport, water, storm water and sewer, energy, broadband connectivity and solid waste disposal.



Economic Development Strategic Actions

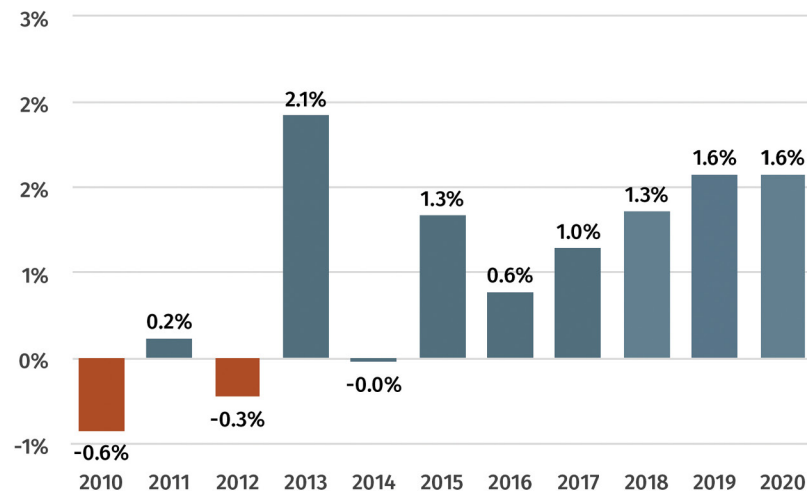
Compile a long-range economic development strategic action plan to identify areas of focus to accommodate future growth.

The final area of focus is to create a nationally recognized and respected economic and workforce development delivery system and create tools for the system to be successful. The Arkansas Economic Development Commission (AEDC) already has many of the initial pieces in place, but more resources to aggressively market and brand the state are needed, as is a structural way to ensure economic and workforce development alignment.

Across the country, state economic development programs have been constantly evolving. Very few states have the resources to effectively compete in all areas. Some states have chosen to privatize the attraction function in order to augment public funding with private contributions.

The 2020 Winning Strategies in Economic Development Marketing Study by Development Counsellors International named the top five state economic development organizations. All were southern states: North Carolina, Georgia, South Carolina, Tennessee and Texas. Although they are organized and operate differently, a study of best practices would provide good information.

Arkansas Nonfarm Establishments Annual Growth Rate



Source: US Bureau of Labor Statistics Nov 2021



Arkansas enjoys a strong, globally engaged business community; **increasing the state's exports** offers an immediate opportunity to strengthen existing businesses.

Another area that might benefit from additional resources or attention is **support for entrepreneurs**. Arkansas ranked as the 46th state, according to the most recent Heartland Institute State Entrepreneurial Capacity Index.

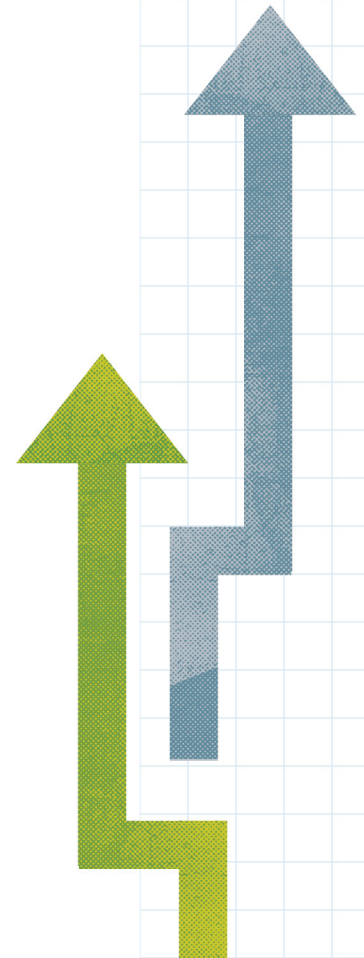
Delivery System Strategic Actions

- 1 Review AEDC's current program of work, resource allocations, client generation activities and outcome metrics.
- 2 Increase funding for business recruitment missions and marketing.
- 3 Target investment focusing on improvements that will support the growth and attraction of companies within the targeted sectors.
- 4 Replenish the Quick Action Closing Fund to the original level of \$50 million.
- 5 Ensure continued support of the Create Rebate program.
- 6 Create targeted incentives for targeted industry sectors or value-added uses, such as headquarters and data centers.
- 7 Improve the competitiveness of corporate income tax incentives.
- 8 Provide tax credits to offset 100 percent of corporate income tax (on a discretionary basis or for certain tiers).
- 9 Improve the competitiveness of property tax incentives.
- 10 Increase the flexibility of incentives to maximize their effectiveness.

The Arkansas State Chamber of Commerce is committed to the long-term competitiveness of the state.

This eight-year plan suggests actions that can and should be taken to create more jobs, attract more investment and provide opportunity for all Arkansans. Some progress has been made over the past six years; we have much more to do. We started some of the strategic action items in 2015.

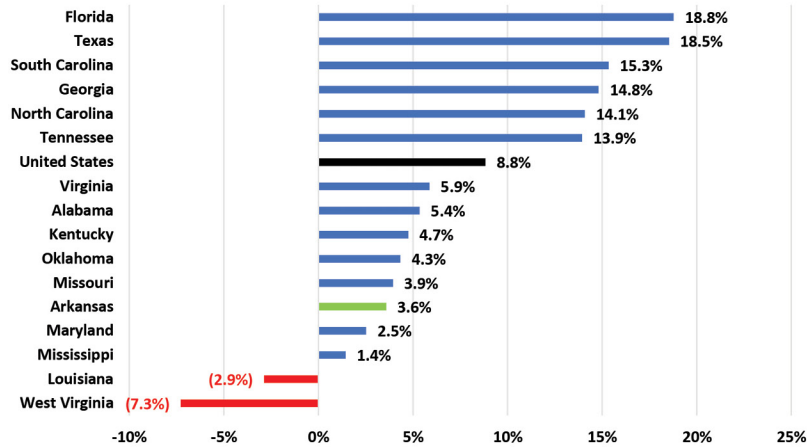
We need the partnership of elected and appointed officials and businesses, educators and groups all over our great state. We need to continue to engage those leaders and chart our collective course and organizational responsibilities for a more competitive future.





A Look at the Numbers

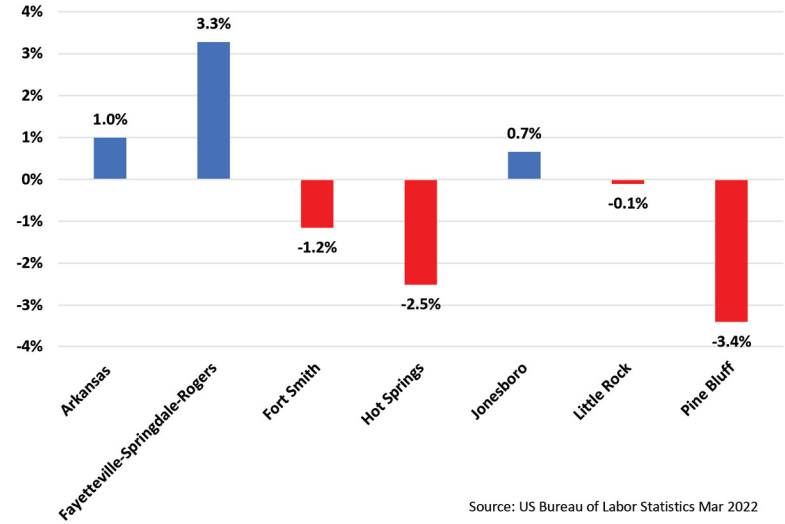
Economic Competitiveness in the Southern States Total Employment Growth 2010-2020



Source: US Bureau of Economic Analysis Nov 2021

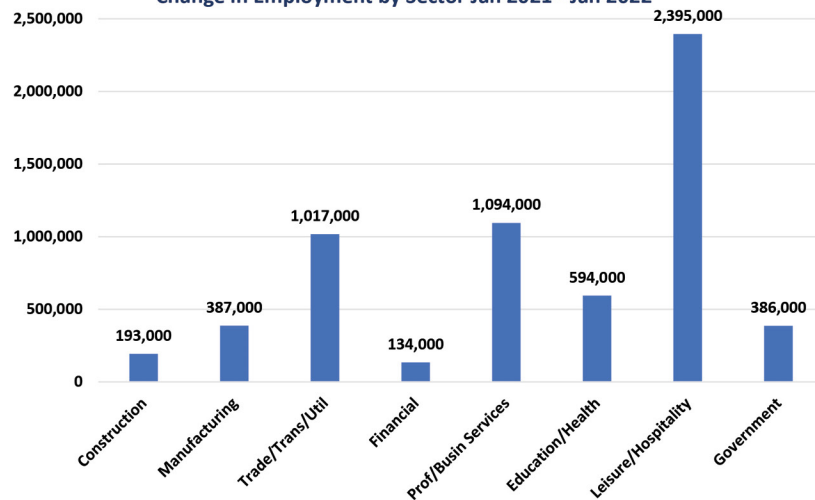
Arkansas Metros since start of COVID

% Change in Total Nonfarm Employment Feb 2020 - Jan 2022



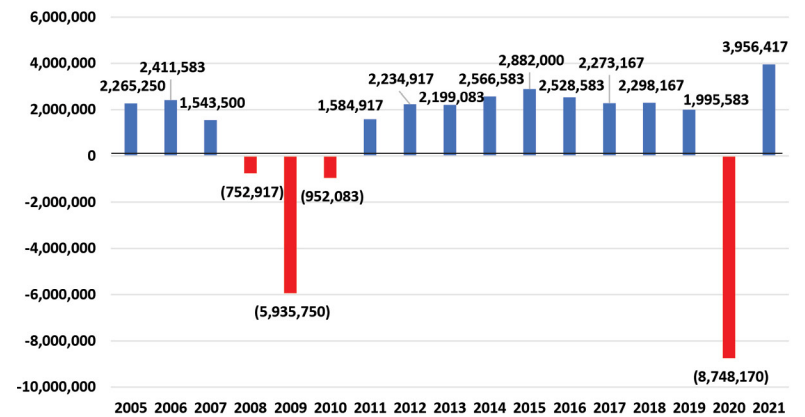
Source: US Bureau of Labor Statistics Mar 2022

U.S. Employment 1-Year Change in Employment by Sector Jan 2021 - Jan 2022

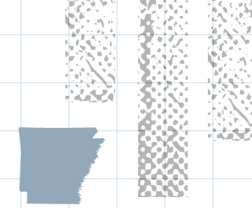


Source: US Bureau of Labor Statistics Mar 2022

Annual U.S. Employment Change 2005-2021

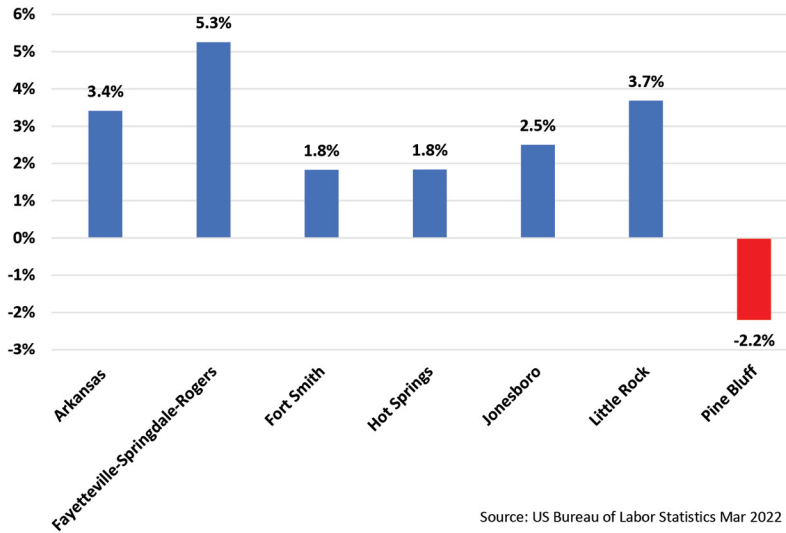


Source: US Bureau of Labor Statistics Mar 2022



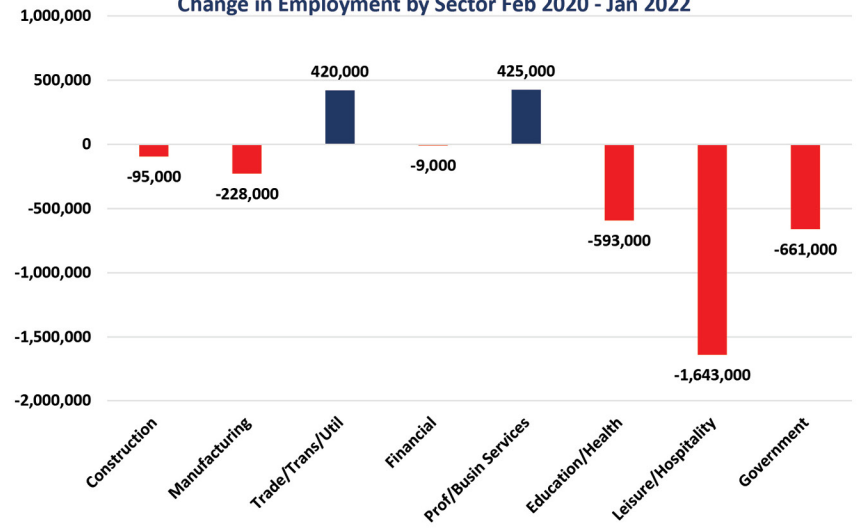
Arkansas Metros 1-Year

% Change in Total Nonfarm Employment Jan 2021 - Jan 2022



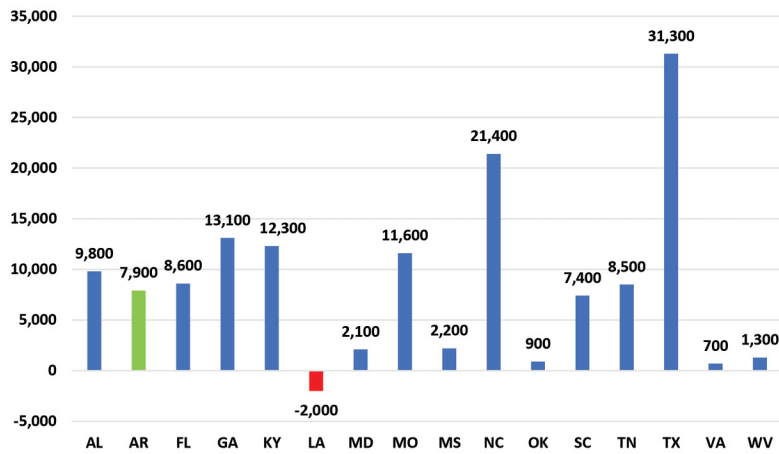
U.S. Employment since start of COVID

Change in Employment by Sector Feb 2020 - Jan 2022



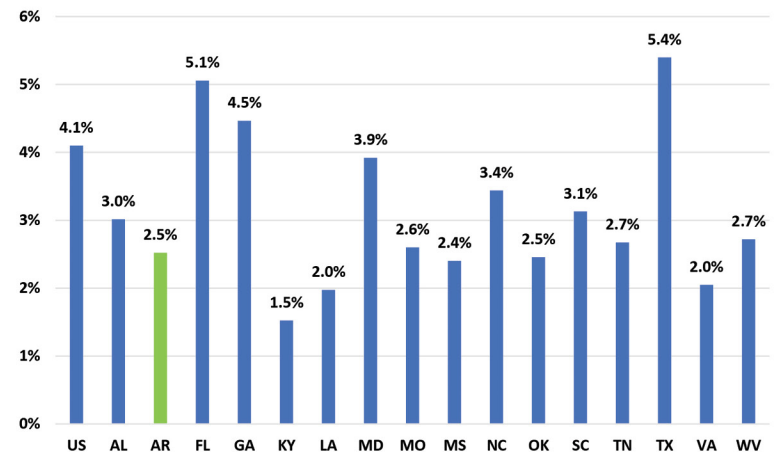
Southern States 1-Year

Change in Manufacturing Employment Oct 2020 - Oct 2021



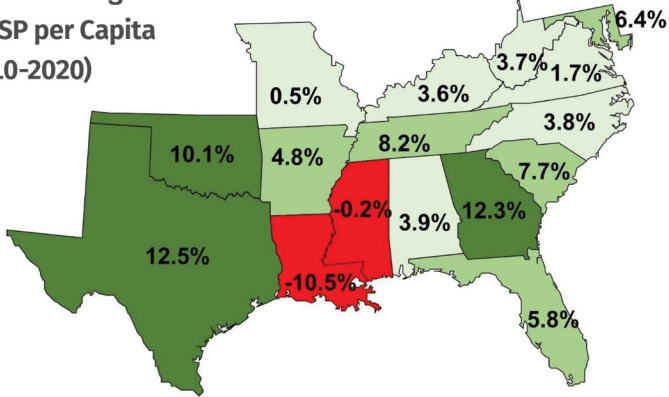
Southern States 1-Year

% Change in Total Nonfarm Employment Oct 2020 - Oct 2021

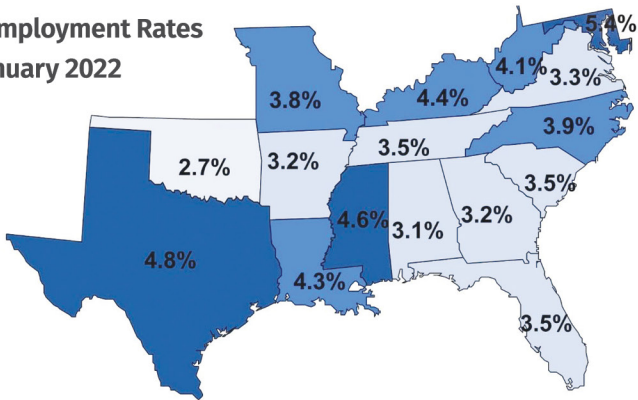


A Look at the Numbers

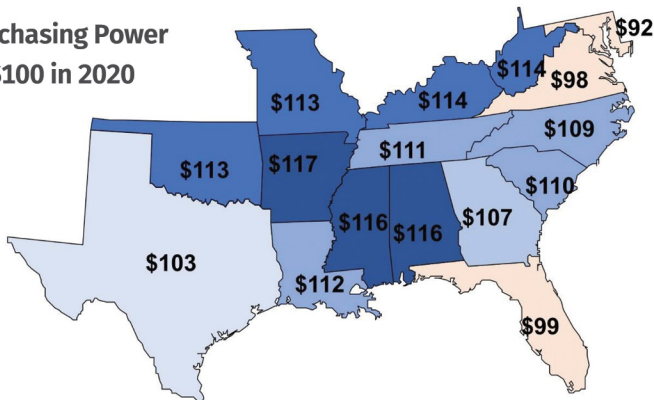
10-Year Change in GSP per Capita (2010-2020)



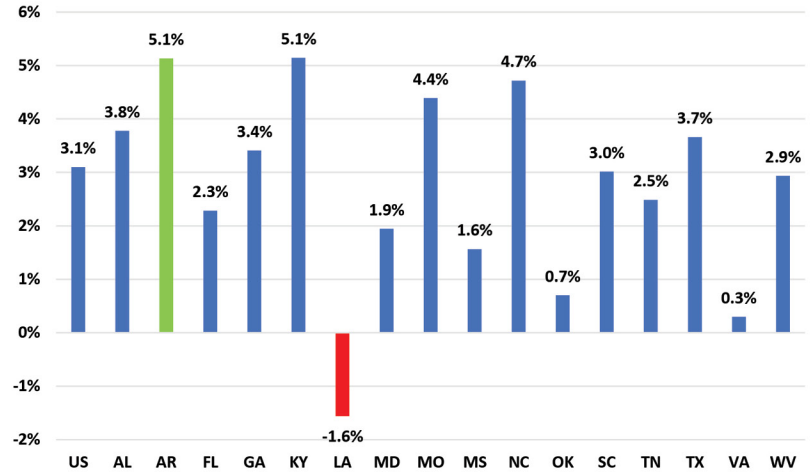
Unemployment Rates – January 2022



Purchasing Power of \$100 in 2020

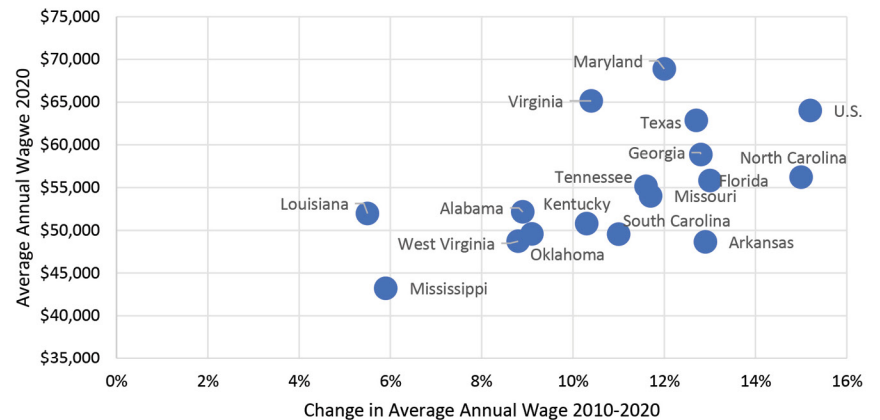


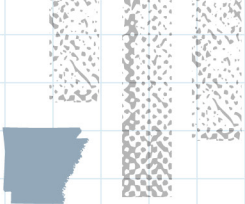
Southern States 1-Year % Change in Manufacturing Employment Oct 2020 - Oct 2021



Source: US Bureau of Economic Analysis Nov 2021

Average Annual Wage and 10 Year Change

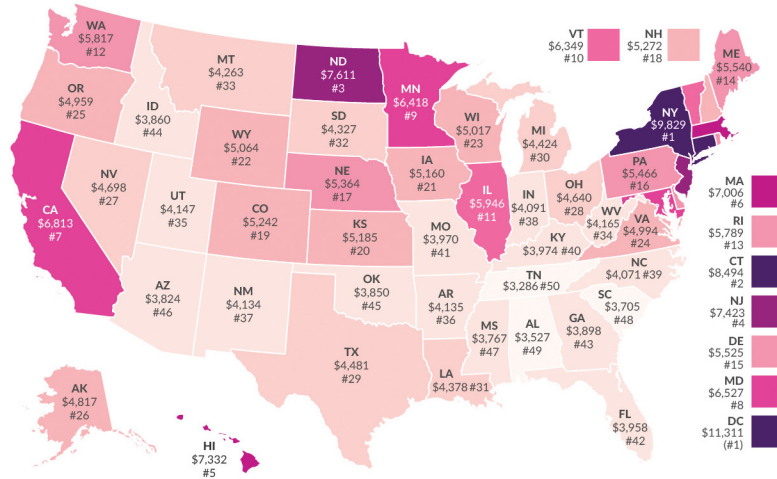




Overall Tax Burden: Where do we stand?

Slightly below average tax burden on gross basis:

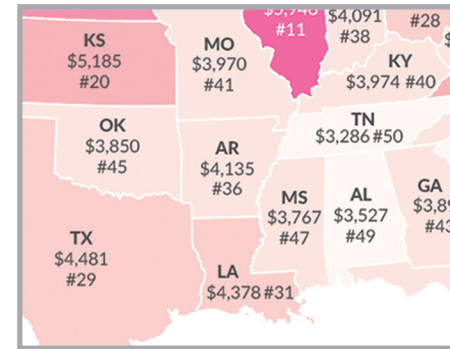
\$4,135 • #36



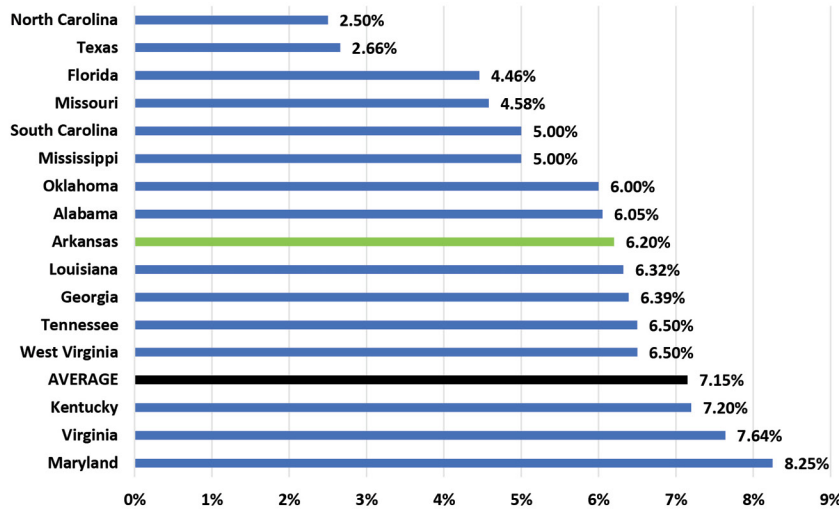
Where do we stand: Tax burden relative to mid-south

Of neighboring states:

Lower overall tax burden in OK, TN, MS & MO



Total Effective Business Tax Rate 2021



Source: ALEC Rich States, Poor States 2021

(1 is best; 50 is worst)	Corporate Tax	Individual Income	Sales Tax	Property Tax
Alabama	17	27	50	19
Arkansas	30	39	45	27
Florida	7	1	21	12
Georgia	8	35	33	25
Kentucky	15	17	13	22
Louisiana	34	34	48	23
Maryland	33	45	26	43
Mississippi	13	25	32	38
Missouri	3	21	25	8
North Carolina	4	16	20	13
Oklahoma	10	30	37	28
South Carolina	5	33	31	36
Tennessee	26	6	46	33
Texas	47	7	36	37
Virginia	16	32	11	26
West Virginia	18	28	18	9



Business matters.