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## Countering the Downturn:

### A Look at Economic Growth in Arkansas

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With a serious economic downturn now certain, it is critical for Arkansas to have effective economic development strategies for keeping and attracting business and jobs.

In recent years, Arkansas has had many economic development successes. Several companies have chosen Arkansas, providing new business opportunities for the state's growing population. Wages for many workers have increased, and in October 2008 Arkansas' unemployment rate was 5.4 percent, over a full point lower than the national average of 6.5 percent.<sup>1</sup> The vast majority of these positive economic developments are the result of strategic planning and collaboration among government, business and community leaders.

Broadly defined, economic development refers to the creation of wealth through the mobilization of financial, physical, human, and natural resources to improve the tax base and quality of life in a geographic area.<sup>2</sup> To continue our state's successes, our state leaders must work to make the right decisions that will foster and promote economic development well into the future.

#### Recent Economic Development Successes

In March 2007, Governor Beebe signed into law a bill that created a quick-action closing fund. The fund was established to provide the governor the flexibility to quickly fund projects that would make sites more appealing to industries looking to locate in Arkansas. There have been a number of businesses that has been drawn to Arkansas as a result of the quick-action closing fund. LM Glasfiber, a windmill blade production company, opened a plant in October, 2008 that will employ over 1,000 Arkansans. In June, 2008 computer giant Hewlett Packard committed to building a plant in Conway, Arkansas that will create over 1,200 new jobs. These businesses provide key tax revenues to the state. The jobs, payroll, and vendors they hire create significant downstream economic benefits.

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<sup>1</sup> U.S. Bureau of Labor Statistics.

<sup>2</sup> Entergy's Teamwork Arkansas. "Defining Economic Growth for Your Community."

Another successful economic development strategy employed in recent years is the creation of certified sites for industries. In order to be qualified as a certified site, communities and the site itself must meet a 50-point criteria test, including various environmental assessments. Once approved, a site can immediately be marketed to industries that will create jobs for Arkansans. There have been over 1,900 jobs created by industries settled on certified sites throughout the state. Recently an attractive 2,000 acre super site in Saline County was certified.

These are just two of many successful strategies that have been developed by economic development, government and community leaders to promote Arkansas as a state that is open for business.

### **The Natural State: Economic Development and the Environment**

Economic development and environmental issues are inextricably linked in the 21<sup>st</sup> century economy. Visitors come to Arkansas from all over the world to enjoy its rivers, lakes, mountains and forests. In 2007, about \$5.4 billion was spent on travel expenditures in the state, and travel-generated payroll was just over \$1 billion.<sup>3</sup> The enormous contribution that Arkansas' natural beauty makes to job and revenue growth requires that it be protected as an economic and environmental resource.

Another example of the nexus of economic growth and environmental concerns is the creation of "green collar jobs" i.e., jobs in the renewable energy and energy efficiency industries. As energy independence and environmental stewardship become priority issues in the United States, more jobs are being created in the renewable energy sector. Citing a report conducted by the Worldwatch Institute, the U.S. Department of Energy recently noted that "2.3 million people have found renewable energy jobs in recent years, and projected investments of \$630 billion by 2030 would translate into at least 20 million additional jobs."<sup>4</sup>

Arkansas has already experienced economic growth in this area. In addition to the jobs created by LM Glasfiber, two additional wind power companies, Polymar Composites and Nordex USA, Inc., recently announced they will build plants in Arkansas that will provide over 1,500 jobs to Arkansans.

There are many other businesses providing green collar jobs in Arkansas. When recently asked about this subject, Governor Beebe said, "What we're trying to do in Arkansas is carve out a niche ... in sustainable and renewable energy." With the proper economic development planning, the state will continue to see growth in this important sector.

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<sup>3</sup> Arkansas Department of Parks and Tourism.

<sup>4</sup> U.S. Department of Energy. Energy Efficiency and Renewable Energy. "New Report Notes the Potential for Millions of Green Jobs." October 15, 2008.

## Conclusion

Despite these positive signs, much work remains to be done if the state is going to avoid the brunt of the national recession and grow significantly in the coming years. As previously mentioned, Arkansas' unemployment rate is considerably lower than the national average.<sup>5</sup> However, this positive statistic is tempered with the fact that the per capita personal income for Arkansans is about \$8,000 less than the national average, ranking it third from the bottom among all 50 states.<sup>6</sup> If Arkansas is going to excel economically, it is not only important that jobs be created, but that wages and salaries are competitive as well.

Successful economic development policies start with the Governor and Arkansas State Legislators, who must also actively drive this ongoing process. Arkansas is fortunate to have a solid economic development foundation on which to build. With responsible and pragmatic policies put in place, the state will be able to reach its full economic potential.

Initiatives that are important to meet Arkansas' continued economic growth include:

- ❖ Expand the Governor's Quick Action Closing Fund.
- ❖ Increase the Arkansas Economic Development Commission budget to be on par with competitive, surrounding states.
- ❖ Develop incentives and policy to better position Arkansas to be successful in growing and recruiting companies within the renewable energy sector.
- ❖ Increase the number of communities that have a dedicated revenue stream for economic development purposes.
- ❖ Better prepare new business sites through pre-certification.

*Progress Arkansas' mission is to build consensus and support for economic, energy, and environmental policies that will support growth and prosperity for the State of Arkansas. Our membership is comprised of business and community-based leaders dedicated to promoting key solutions that will benefit Arkansas. [www.progressarkansas.com](http://www.progressarkansas.com)*

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<sup>5</sup> U.S. Bureau of Labor Statistics.

<sup>6</sup> *Innovate Arkansas*. "In Job Creation, Goals Confront Market Reality." April 7, 2008.