

# **ACCELERATE**

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# **ARKANSAS**

## *EXECUTIVE SUMMARY*

*April 2005*  
*Draft 2*

## **I. INTRODUCTION**

Accelerate Arkansas is a statewide group of volunteers working under the 501C3 of Capital Resource Corporation, a member of the Arkansas Capital Corporation Group. Accelerate Arkansas emerged from efforts being made by the Arkansas Department of Economic Development's Task Force for the Creation of Knowledge-Based Jobs and leadership of the Arkansas Venture Forum. Its membership has been expanded to include individuals from across Arkansas.

Accelerate Arkansas' next initiative is to provide the leadership and the tool for Arkansas' key stakeholders to build a statewide strategic economic development plan for how Arkansas can accelerate its competitiveness and preparedness to compete in today's rapidly changing and highly competitive global economy. The cornerstones of the plan emphasize technology, knowledge and entrepreneurship.

Increasingly, technology and knowledge will drive the success of Arkansas' industries. Technology and knowledge offer Arkansas' industries and employers an opportunity to create sustainable competitive advantages.

High-tech and knowledge-based industries grow faster than most industries in the U.S. These industries are known for creating new and better jobs – higher wage jobs. The greatest opportunity for Arkansas to move forward economically lies in our ability to accelerate the knowledge of our children, the performance / contribution of our knowledge-based institutions and the creation / growth of knowledge-based jobs. Over 75% of the changes in a state's per capita income can be tied to this kind of strategic economic development.

It is true that Arkansas' industries of the future will demand many more scientists and engineers as we better position ourselves to compete in the new economy. It is also important for our parents and children to recognize that even for those who do not become scientists and engineers, tomorrow's best careers will require much greater understanding and comfort level with science, technology, engineering and math (STEM).

## **II. OUR VISION**

To enjoy an economy accelerated by knowledge-based institutions, partnerships, industries and knowledge-workers.

## **III. OUR MISSION**

To foster economic growth in Arkansas by using the essential building blocks of the knowledge-based economy – knowledge creation through research and development, intellectual property development, commercialization of new technologies, growth of entrepreneurial knowledge-based firms, knowledge workforce and evolution of clusters of such firms (i.e., critical mass); to create an environment supporting entrepreneurship and continuous innovation.

## IV. OUR GOAL

To increase Arkansas' per capita income to the U.S. average by 2020. If this were achieved today, the state of Arkansas would increase its state tax revenues by over \$2 billion.

## V. OUR VALUES

In everything we do, we will place the state of Arkansas first.

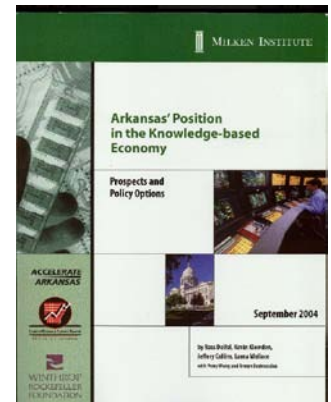
While we must make decisions and recommend strategies that we feel are in the best interest of Arkansas, we will conduct ourselves in a highly collaborate manner and expect this collaboration of others.

We are a non-political organization and will conduct ourselves accordingly.

## VI. RESEARCH

In September 2004, Accelerate Arkansas released its major study on *Arkansas' Position in the Knowledge-based Economy*. The report, written in part by the well-known Milken Institute, clearly defines the choices Arkansas faces in the new economy.

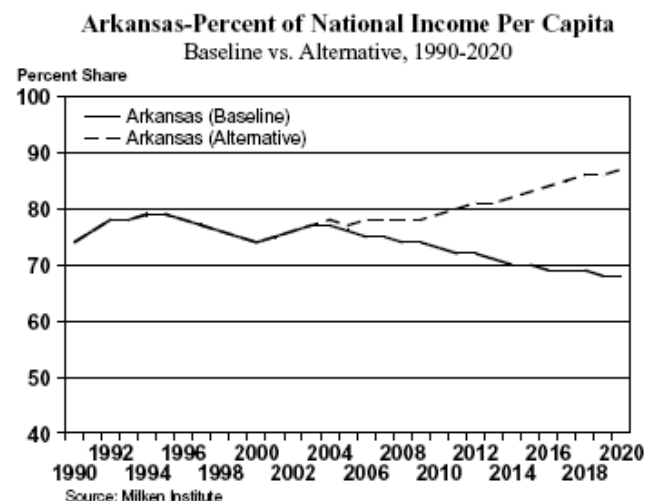
The research report was made possibly from a \$205K grant provided by the Winthrop Rockefeller Foundation. The Milken Institute and Arkansas' Center for Business and Economic Research examined the state's current economic conditions, assessed the comparative positions of its industry structure and benchmarked Arkansas' position in technology and science. The research report can be accessed at [http://crc.arcapital.com/accelerate\\_arkansas.html](http://crc.arcapital.com/accelerate_arkansas.html).



## VII. THE RISK OF INACTION

Projecting an economy based on traditional economic development activities and business as usual sees the state's per capita income declining as manufacturing and other traditional employment erodes. In this projection, well-educated workers leave the state in search of employment elsewhere, causing a brain drain that Milken's Ross DeVol calls a "death spiral."

The other projection, based on adding increasing numbers of knowledge-based and high



technology jobs, sees per capita income increasing toward the national average. The per capita income chart illustrates in a powerful fashion two economic futures – two choices for Arkansas.

One can debate these projections but one cannot debate the risk of inaction vs. the opportunity with action.

Time is of the essence. Other states are investing heavily to prepare their economies to compete in today's increasingly competitive global marketplace.

## **VIII. THE STRATEGIC PLAN FRAMEWORK**

### **A. STAKEHOLDERS**

A strategic plan is only as good as the involvement of key stakeholders.

Accelerate Arkansas seeks to work collaboratively with the following groups:

#### State Government

- The Governor and the Arkansas General Assembly
- State Agencies

#### The Academic Sector

- K thru 12
- Higher Education

#### The Private Sector

- Large Corporations and their Leaders
- Investors
- Entrepreneurs and Knowledge-based / Technology Focused Companies
- Mentors

Parents and Children / Groups that Support Parents and Children – preparing our youth for better jobs in 2010 and 2015

Foundations and Non-profit organizations

#### Federal Government

- Arkansas' elected delegation
- Federal research grant organizations
- Federal facilities / Labs engaged in research and development

## B. ACCELERATE ARKANSAS' CORE STRATEGIES

1. Support research and development that creates jobs.
2. Develop risk capital available for all stages of the business cycle and especially in the funding gap.
3. Encourage entrepreneurship and accelerated new enterprise development.
4. Sustain Successful Existing Industry
5. Increase the education of all Arkansans and especially the achievement in science, technology, engineering and mathematics (STEM) education.

Among other key strategic planning attributes, the statewide strategic plan is optimally executed by gaining the involvement of each of the above stakeholder groups working together to arrive at a set of specific action steps that each stakeholder can embark upon to advance one or more of the five core strategies.

## IX. THE ENTERPRISE DEVELOPMENT BAR & ACCELERATE ARKANSAS' 2005 LEGISLATIVE INITIATIVES

### ENTERPRISE DEVELOPMENT BAR

Please find below the enterprise development bar. It is important because, increasingly, economic development will come from a growing number of promising new companies starting and expanding each year. This is sometimes referred to as homegrown economic development. Intellectual properties, promising business models, entrepreneurs and capital for pre-seed, seed, start-up and early stage enterprise development will be essential.

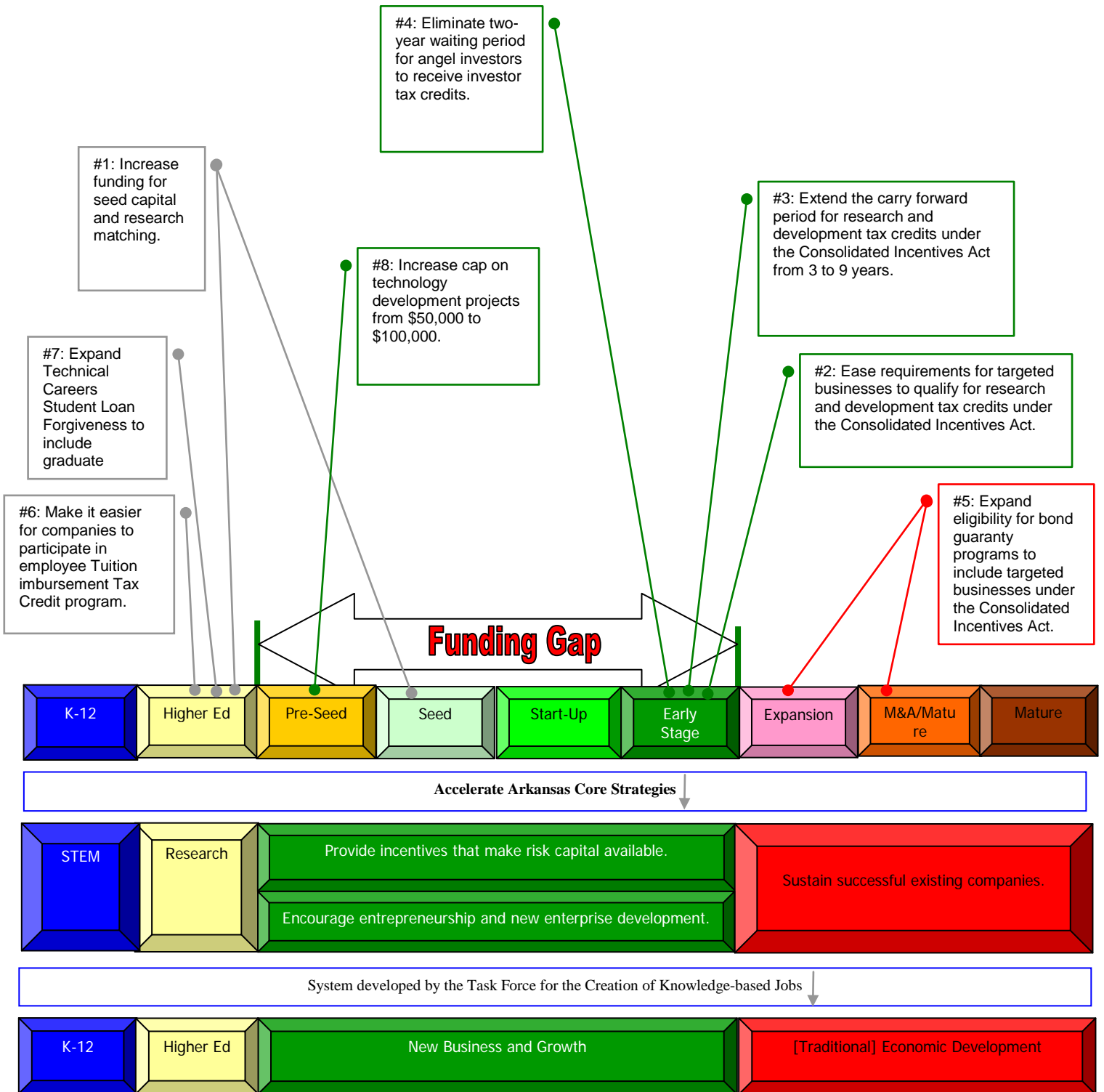
It is apparent that in a global marketplace, in order to remain competitive, many of the U.S.'s large employers, even high-tech and knowledge-based companies, will be required to access the most efficient and economical labor markets anywhere in the world. This is better than, over time, losing the whole company. This is also why it is important for Arkansas to create a climate and the infrastructure where new companies with promising business models are coming about all of the time.

Strategically positioning Arkansas to create a growing number of high-growth high-wage companies will be a strong measure of our success. It is the creation of a growth company or the recruiting of a company to Arkansas that creates new and better jobs which in turn enables our retail, service and real estate economies to expand.

### ACCELERATE ARKANSAS' INITIAL LEGISLATIVE INITIATIVES

Please find a description of Accelerate Arkansas' 2005 legislative initiatives depicted in the boxes to follow, and how these initiatives fit along the enterprise development bar.

Accelerate Arkansas Economic Development Building Blocks and 2005 Legislative Initiatives



## X. THE OPTIMAL COURSE – COMBINING LEADERSHIP WITH RESEARCH

There are many reports and studies that inform us of the best courses of action for many areas of our society. We are grateful for the brilliance of these researchers and social scientists. Accelerate Arkansas was given the opportunity to retain some dynamic researchers providing us with a foundation of information for how to go forward.

We are now challenged with how to get people to come together and take action. *Leadership*, as defined by Mr. Jim Myers, is *bringing out the best in others*.

The challenge comes in how we get various stakeholders in the room with us and with others in an open, trusting and non-defensive environment so that we, together, can develop a dynamic set of action steps each best for Arkansas. Negativity, the scarcity mentality and protectionism will possibly come about as we involve others. Can Accelerate Arkansas offer a positive and trusting environment where stakeholders can come, think bigger and agree to a dynamic set of action steps where Arkansas moves boldly forward?

## XI. MEMBERS OF ACCELERATE ARKANSAS

Jerry Adams  
Acxiom Corporation  
Conway, AR

Scott Ferguson  
Radiologist  
West Memphis, AR

Les Lane  
Arkansas Science and  
Technology Authority  
Little Rock, AR

John Ahlen  
Arkansas Science and  
Technology Authority  
Little Rock, AR

Watt Gregory, III  
Kutak Rock LLP  
Little Rock, AR

John Lewis  
Bank of Fayetteville  
Fayetteville, AR

Susan Davis Allen  
Arkansas State University  
Jonesboro, AR

Charles E. Hathaway  
University of Arkansas at  
Little Rock  
Little Rock, AR

Uvalde Lindsey  
Northwest Arkansas Council  
Fayetteville, AR

Jeff Collins  
University of Arkansas  
Fayetteville, AR

James Hendren  
Task Force for the Creation  
of Knowledge-based Jobs  
Little Rock, AR

Emon Mahony  
Mahony Corporation  
Eldorado, AR

Jerry Damerow  
UAMS Arkansas  
BioVentures  
Little Rock, AR

Carmie Henry  
Electric Cooperatives of  
Arkansas  
Little Rock, AR

Chris Masingill  
Arkansas Economic  
Developers Association  
Pine Bluff, AR

Danny Ferguson  
Southwestern Entergy  
Forrest City, AR  
Fayetteville, AR

Mike Maulden  
Entergy  
Little Rock, AR

Tim McFarland  
Grayrock Advisory Services  
Arkansas Capital Corp.  
Fayetteville, AR

Alan McVey  
Arkansas Department of  
Economic Development  
Little Rock, AR

Elise Mitchell  
Mitchell Communications  
Group, Inc.  
Fayetteville, AR

Ted Moskal  
Lawrence County Chamber  
of Commerce  
Walnut Ridge, AR

Tim O'Brien  
University of Arkansas for  
Medical Sciences  
Little Rock, AR

Stacy Sells Pittman  
CJRW  
Little Rock, AR

Mark Saviers  
Saviers and Company  
Little Rock, AR

Sam M. Sicard  
First Bancorp  
Fort Smith, AR

Bill Thomas  
Cross County Economic  
Development Corporation  
Wynne, AR

Henry Torres  
Rural Sourcing, Inc.  
Jonesboro, AR

Sam Walls  
Arkansas Capital  
Corporation Group  
Little Rock, AR

Doyle Williams  
University of Arkansas  
Fayetteville, AR

## **XII. COMMITTEES**

### **A. EXECUTIVE COMMITTEE**

Jerry Adams  
John Ahlen  
James Hendren  
Uvalde Lindsey  
Tim McFarland, Chair,  
Accelerate Arkansas  
Bill Thomas

### **B. GOVERNANCE COMMITTEE**

Watt Gregory, Chair  
Jerry Damerow  
Susan Allen  
Alan McVey  
Doyle Williams

### **C. LEGISLATIVE COMMITTEE**

Danny Ferguson, Chair  
Carmie Henry  
Uvalde Lindsey  
Chris Masingill  
Mike Maulden

### **D. FINANCE / FUND RAISING COMMITTEE**

John Lewis, Chair  
Jeff Collins  
Scott Ferguson  
Les Lane  
Emon Mahony

### **E. Communications Committee**

Stacy Sells Pittman –  
Chair  
Elise Mitchell  
John Ahlen

### **F. STRATEGIC PLAN COMMITTEE**

Mark Saviers, Chair  
Charles Hathaway  
Emon Mahony  
Ted Moskal  
Henry Torres  
Sam Walls  
Members of the  
Executive Committee



### **XIII. OPERATING PLAN**

Accelerate Arkansas has acted as a volunteer group with no operating capital thus far. We plan to seek funding for the first stage of operations by submitting a grant to the Winthrop Rockefeller Foundation (“WRF”). The first draft of this grant will be completed on April 18 at which time Chairman McFarland will ask for the input of the executive committee and submit the final proposal to WRF by April 25. The plan calls for an executive director committing 25% of his / her time to Accelerate Arkansas, a part-time administrative assistant and minimal operating expenses.

Accelerate Arkansas extends its gratitude to its volunteer membership, the Arkansas Capital Corporation Group, Arkansas Science and Technology Authority and Arkansas Department of Economic Development for your contributions of the past and hopefully the future. ACCG, ASTA and ADED have been essential to our ability to operate in this early stage of existence. We appreciate the ability to operate within the Capital Resource Corporation in the past and for the next operating period.

### **XIV. FINANCIAL PLAN**

Accelerate Arkansas has prepared a budget of activities for the next six months (copy included in member’s annual meeting binder) which will be expanded upon and become part of the grant to be submitted to WRF. The operating budget is estimated to be in the range of \$150k per year before the costs associated with executing the statewide strategic plan. Until the strategic plan sub-committee arrives at the best manner in which Accelerate Arkansas and the defined stakeholders can build a statewide strategic plan, the financial requirements of these activities are unknown. One proposal has been obtained from Battelle Memorial Institute indicating a cost to assist with the statewide strategic plan at a cost of \$225K. This draft proposal is included in member’s annual meeting binder.

## **XV. 2005 KEY SUCCESS FACTORS**

1. Submit grant proposal to WRF by April 25 and obtain grant approval by June 2005 (WRF Quarterly Board Meeting date). If not successful, create and implement plan b.
2. By June 30, Strategic Plan Sub-committee arrives at a clear plan for how to optimally execute statewide strategic plan including how to bring together the very best resources inside and outside of Arkansas.
3. Arrive at a timely method of both retaining resources to assist with statewide strategic plan and if required, obtaining timely funding to retain such resources.
4. Obtain the involvement of the best leaders from every stakeholder group to engage in the statewide strategic plan.
5. Establish optimal timeline to achieve all of the above, create the most dynamic strategic plan attainable and assure that the strategic plan can be adopted by Arkansas' public policy leadership in 2007 General Assembly.
6. Expand membership of Accelerate Arkansas and / or continually recruit the participation of the best leaders from across Arkansas.
7. Engage with every gubernatorial candidate and work to assure that accelerating economic development through the knowledge economy is a major part of each candidate's plan for Arkansas' best future.
8. Arrive at best method to recruit / elect the optimal chairman for next phase of Accelerate Arkansas and retain the best executive director.
9. Continue to improve upon communication – how we communicate a rather complicated subject in an uncomplicated, dynamic and realistic manner.
10. Continually improve upon data – solid, conservative return-on-investment data – primarily expressed in terms of return to the state of Arkansas in terms of revenues.

## **XVI. Example of Portions of the Strategic Planning Exercise – Advancing each core strategy with action steps by each stakeholder**

**Core Strategy - SUPPORT RESEARCH & DEVELOPMENT THAT TRANSLATES INTO JOB CREATION:** Build upon Arkansas’ research and development competitiveness in a strategic manner, invest targeted state funds to leverage federal research projects at Arkansas universities, and engage university leadership to concentrate, collaborate, and translate research into patents, companies, and new and better jobs statewide.  
**Stakeholder (► Partner) - Governor and General Assembly**

GOAL	ACTION (S)	ANNUAL STATE FUNDING	LEVERAGE RATIO – PRIVATE & FEDERAL FUNDS  (Conservative Case)	PRIORITY ( <i>immediate = '05 legislative session</i> )  COMMENTS
Increase Arkansas’ Levels of Research and Development Activities	1. Provide an annual appropriation to fund the Arkansas Research Matching Fund. This will enhance research and development at Arkansas Universities.	\$3 million increasing in future years, optimal amount is \$10 million.	1.76:1 - immediate 7:1 - 5 years  NOTE:  ASTA received \$51 million in requests for state matching funds from 6/99 thru 2/02 (nearly 2 bienniums): the total request for federal funds was \$93 million for an immediate leverage ratio of 1.81:1.	<b>Immediate</b>  The NSF EPSCOR program requires \$1 of state match for every \$2 of federal award. For every \$1 in research, \$.40 circulates back to state of AR through payroll & sales tax on equipment. This is calculated on the 7:1 leverage ratio indicated in the previous column and covers a five-year period of follow-on research funding. The data is conservative and documented at ASTA.  The state matching funds would be used to support areas of research of “strategic value” to the state and include: 1) Advanced Materials and Manufacturing Systems 2) Agriculture, Food and Environment Sciences 3) Biotechnology, Bioengineering and Life Sciences and 4) Information Technology.  ASTA received an average annual request for matching funds of \$12.8 million.

**Core Strategy - PROVIDE INCENTIVES THAT MAKE RISK CAPITAL AVAILABLE FOR INVESTMENT IN ALL STAGES OF THE BUSINESS CYCLE:** Create a supportive public policy environment for seed, early-stage, angel, and venture capital to form and be available for an increasing number of promising ventures.

**Stakeholder (► Partner) - Governor and General Assembly**

GOAL	ACTION (S)	ANNUAL STATE FUNDING	LEVERAGE RATIO – PRIVATE & FEDERAL FUNDS  (Conservative Case)	PRIORITY COMMENTS
Respond to the funding gaps especially in the early stages of knowledge-based companies.	Amend the In-house Research and Development Incentive for Targeted Business [15-4-2708(c)] to reduce the minimum annual payroll from \$200K to \$100K and the equity investment of at least \$500K to at least \$400K.			<p><b>Immediate</b></p> <p>This will continue to increase the federal funding of R &amp; D for technology companies.</p> <p>Broaden eligible R&amp;D expenses to include contracted R&amp;D expenses, rather than just in-house expenses to be subject to the tax credit</p>
	Amend the R & D tax credit allowed for an Area of Strategic Value [15-4-2708(d)] (as defined by ASTA), which is now \$50K per year to be carried forward up to 9 years – currently it is 3 years (per 26-51-1103, which establishes the carry forward for all R&D tax credits in 15-4-2708).			<p><b>Immediate</b></p> <p>At the present three-year carry-forward, an early stage company may not see this of any value as it is still moving toward profitability and is not yet paying taxes.</p> <p>This will increase university research but also could increase federal funding of R &amp; D for technology companies. There are different carry forward periods</p>