

ACCELERATE ARKANSAS

2007 Legislative Agenda to Grow the Tax Base with Higher Paying Jobs

Accelerate Arkansas has an eight-point legislative agenda to grow Arkansas's tax base. The initiatives are to:

#1: ACT 563 (ACT 1023 Appropriation)

Authorize ASTA to help with the creation of the Arkansas Research Alliance, a not-for-profit corporation to (1) identify areas of job-creating scientific research, (2) determine the level of financial investment, (3) advise universities of the research needs of Arkansas business, (4) encourage university collaboration, and (5) recommend state investments in research infrastructure.

#2: ACT 1023 - Appropriation only

Fund knowledge-based research programs that exist in the state and have policies in place or have been intermittently funded in the past, including Basic Research Grants (ASTA), Research Matching and R&D Plan Funds (ASTA), Arkansas Biosciences Institute (ABI) and Research Project Funds for new start-ups and follow on support..

#3: ACT 1025 (ACT 1023 Appropriation)

Establish a risk capital matching fund for the purpose of providing financial assistance to Arkansas-headquartered, knowledge-based companies, with the promise of developing high-paying jobs, that are in the earliest stages of development and are not yet able to attract traditional private venture or investor-backed sources of capital for developmental support.

#4: ACT 1023 - Appropriation only

Provide additional funding for the Seed Capital Investment Program to foster the

development of innovative technology-based businesses and projects that will stimulate growth and industrial competitiveness in Arkansas. SCIP can provide working capital up to \$500,000 for initial capitalization or expansion of technology-based companies located in Arkansas.

#5: ACT 1596 (ACT 1265 Appropriation)

Create an organization, *Innovate Arkansas*, contracted by the state government, to provide support to start up companies that are fast growing, high paying, technology based, or knowledge-based to be successful and grow through continuing support through all phases of the business cycle. Support may include helping raise money, evaluate and develop management teams, evaluate intellectual property and market studies.

#6: ACT 564 (ACT 1266 Appropriation)

Establish STEM (Science, Technology, Engineering and Math) Supplemental Income Grants that would increase the state's ability to retain and hire science, technology, engineering and math teachers by providing industry competitive salaries to certified, qualified STEM teachers. This STEM fund will be administered by ADED and identification and selection of teachers will be coordinated with ADE. The specific effort would be to keep this funding outside the funding formula and allow targeting of funds to support economic development priorities.

#7: ACT 1596

Enhance the Consolidated Incentive Act of 2001 with amendments to (1) create competitive research and development incentives to stimulate R&D investments by existing industry, (2) create economic incentives for existing knowledge-based companies to expand, and (3) broaden the "Create Rebate" Program.

#8: ACT 1024 (ACT 1267 Appropriation)

Request a taskforce to study a new governmental structure with a broad focus on 21st Century economic development. The study would focus on better coordination of programs and services needed to be globally competitive in the 21st century with an emphasis on "what

Why Is This Important?

Each of the initiatives target and strengthen an economic development activity – research, education, or investments – that is associated with higher per capita incomes.

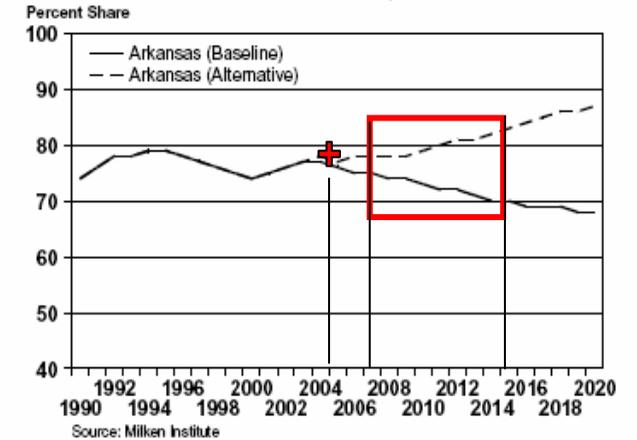
Accelerate Arkansas carefully selected these initiatives to position Arkansas to increase its per capita income to the U.S. average, thereby increasing state tax revenues by over \$2 Billion by 2020. The goal is reached by growing the tax base, not increasing the tax rate.

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. 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.

Conducting business as usual while waiting for things to get better is not an option. Gregory L. Hamilton, Senior Research Economist for the University of Arkansas at Little Rock's Institute for Economic Advancement said at the May 10, 2006 Arkansas Economic Trends & Forecast, "The State has a long way to go before reaching the national level unless it takes a different approach." Accelerate Arkansas advocates a different approach.

Arkansas-Percent of National Income Per Capita
Baseline vs. Alternative, 1990-2020



The Course is Clear

Accelerate Arkansas formulated a five-point strategy to strengthen the infrastructure needed to grow more knowledge-based firms.

1. Support research and development that creates jobs.
2. Provide incentives that make risk capital available in the funding gap.
3. Encourage entrepreneurship and new enterprise development.
4. Sustain successful existing companies.
5. Increase achievement in science, technology, engineering, and mathematics (STEM) education.

These Core Strategies focus on the economic development building blocks of the 21st Century: research, entrepreneurship, risk capital, and the science and engineering workforce.

Accelerate Arkansas' goal is to raise the average wage in Arkansas to the national average by 2020, thereby increasing state tax revenues over \$2 billion per year by growing the tax base, not increasing the tax rate.

About Accelerate Arkansas

Accelerate Arkansas is a statewide group of volunteers that was formed as a result of the ADED Taskforce for the Creation of Knowledge-based Jobs.

Accelerate Arkansas's mission is to foster economic growth in Arkansas. Its legislative agenda for 2005 was the first, short-term effort to take the research results from *Arkansas' Position in the Knowledge-based Economy* and develop policy options for consideration by the Governor and members of the Arkansas General Assembly. Longer-term, Accelerate Arkansas is preparing a blueprint for how the state can build and accelerate Arkansas' knowledge-based industries. This agenda for the 2007 legislative session is an intermediate initiative.

While Accelerate Arkansas recommends strategies and advocates policy decisions that it believes are in the best interest of economic development for Arkansas, it is a non-political organization and will conduct itself in a respectful and highly collaborative manner.

ACCELERATE ARKANSAS

Member Roster:

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 Danny Ferguson, Southwestern Energy, Former Member, AR House of Representatives, Fayetteville
 Scott Ferguson, Radiologist, Former Member, AR House of Representatives, West Memphis
 Len Frey, Arkansas State University, Jonesboro
 H. Watt Gregory, III, Kutak Rock LLP, Little Rock
 Charles E. Hathaway, Chancellor Emeritus, University of Arkansas at Little Rock, Little Rock
 James Hendren, Former CEO, Arkansas Systems, Task Force for the Creation of Knowledge-based Jobs, Little Rock
 Carmie Henry, Electric Cooperatives of Arkansas, Little Rock
 Leslie Lane, Arkansas Capital Corporation, Little Rock
 Steve Lease Arkansas Association of Two Year Colleges, Fort Smith
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- Uvalde Lindsey, Ozark International Consultants, Fayetteville
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 Henry Torres, Rural Sourcing, Inc., Jonesboro
 Ashvin P. Vibhakar, University of Arkansas at Little Rock, Little Rock
 Sam Walls, Arkansas Capital Corporation, Little Rock
 Dan Worrell, University of Arkansas, Fayetteville

