

DEPARTMENT OF ECONOMIC DEVELOPMENT

Enabling Laws

Act 2086 of 2005

AR Code § 15-4-205 through § 15-4-219

History and Organization

The Arkansas General Assembly established the Arkansas Industrial Development Commission (AIDC) by Act 404 of 1955, as amended, for the purpose of building the Arkansas economy. The immediate task of the Commission was to unite labor, industry, and agriculture in a coordinated effort to attract new industry to the State, to expand industry, and to develop the State's natural resources. In keeping with an evolving economy, by Act 540 of 1997, the General Assembly changed the name of the Commission to the Arkansas Economic Development Commission to demonstrate an expanded focus. By statutory authority (A.C.A. § 15-4-205 to §15-4-214), the Department of Economic Development (Agency) is the "official state agency" responsible for the programs established for the purpose of building and expanding Arkansas' economy. Since 1955, the emphasis, methods and strategies for this purpose have evolved with the changing global economy. The overall goal of partnering with business and industry to diversify and expand the State's economy, to stimulate job creation and retention, and to enhance the quality of life for current and future Arkansans remains the primary focus of the Agency.

AGENCY GOALS

The Agency's goals as stated in the Strategic Plan, are to:

- ❖ Stimulate job creation, job retention and capital investment in the State of Arkansas
- ❖ Support and increase the development capacity of Arkansas Communities

ORGANIZATIONAL STRUCTURE

The Agency consists of the External Division and the Internal Division. There are three major programs to accomplish the goals of the Agency: Business Development, Community Development, both of which are in the External Division, and the Administration and Support program that forms the Internal Division.

- ❖ The Business Development program generates economic opportunity through strategic partnerships. It assists existing business and industry with their needs and actively recruits new business and industry development to Arkansas.
- ❖ The Community Development program works with strategic partners to assist communities in developing and obtaining the necessary resources to identify and solve local development challenges.
- ❖ The Administrative and Support Program provides the ancillary services necessary for the Business Development and Community Development programs to achieve their goals and objectives. This program includes traditional administrative support as well as research, planning, technology, marketing and communication services.

EXTERNAL DIVISION

The Energy Program

The Energy unit promotes energy efficiency and emerging energy technologies through energy education and information programs. It also manages federal energy grants.

Business Development Program

The Business Development unit is comprised of five functional teams: Business Development, Business Finance, Small and Minority Business, and Existing Business Resources (formerly Industry Training Program), and Entrepreneurship and Knowledge-Based Business Development.

The Business Development unit recruits new businesses and industry to the State and helps develop and expand existing businesses. The unit includes international offices which promote Arkansas companies' exports and global development. It also encourages the foreign direct investments to the State. In addition to local staff, there are offices in Latin America and Japan.

The Business Finance unit manages business incentives used for expanding and locating businesses, including the Bond Guaranty program.

The Small and Minority Business unit encourages the establishment, development and expansion of small and minority-owned businesses. It focuses its efforts on securing capital, identifying and monitoring state procurement opportunities from minority-owned businesses as well as provides management assistance for small and minority businesses.

The Existing Business Resource unit works with businesses to customize training programs for new businesses and assist in upgrading the skills of the existing workforce to meet the needs of Arkansas' fast-expanding economy.

The Entrepreneurship and Knowledge-Based Business Development unit is responsible for the development of programs and infrastructure targeted at high-growth knowledge-based businesses whose wages are well above the State average.

Community Development Program

The Community Development unit is comprised of two functional teams: Community Development and Grants Management.

The Community Development unit coordinates the Arkansas Community of Excellence (ACE) strategic planning process for communities throughout Arkansas. Local communities help support existing businesses, locate new businesses, and develop support systems that enable the quality of life of the communities.

The Grants Management unit provides financial, technical and grants administration training assistance to Arkansas cities and counties for the management of Community Development Block Grants and other grants made and administered by the Agency.

INTERNAL DIVISION

Administration and Support Program

The Administration and Support Program is comprised of three functional sections within two sub-programs. The three functional areas are; Research and Planning, Communications and Administrative Services. These programs provide the ancillary services necessary for the Business Development and Community Development programs to achieve their goals and objectives.

Administration Sub-program

Director's Office

The Director's Office provides overall direction and policy-making decisions for the Department, ensuring that executive, legislative and statutory demands are met.

Administrative Services Section

The Budget unit coordinates the agency budget process and monitors all Agency fund expenditures to ensure compliance with budget and appropriation balances. Functions include purchasing, accounts payable, contract management, cash fund control and cash fund investments.

The Human Resources unit is responsible for internal department personnel, benefits administration and related administrative matters. This unit also assists the Director's Office in organizational development and training.

Support Services Sub-program

The Research and Planning Section

The Research Services unit compiles and maintains databases to provide information for internal and external customers on community and county profiles, elected officials, chambers of commerce, new and expanded businesses, layoffs and closures. A majority of this information is also available on the Agency's web site, 1800arkansas.com

The Research unit develops, maintains and analyzes statistical data on global, national and local trends in business, industry and employment.

The Planning unit analyzes national, regional and local data and trends to determine viable economic development initiatives to improve the State's business climate. It proposes legislative changes to improve Arkansas' competitive advantage. It also formulates and publishes regulations for legislation administered by the Agency.

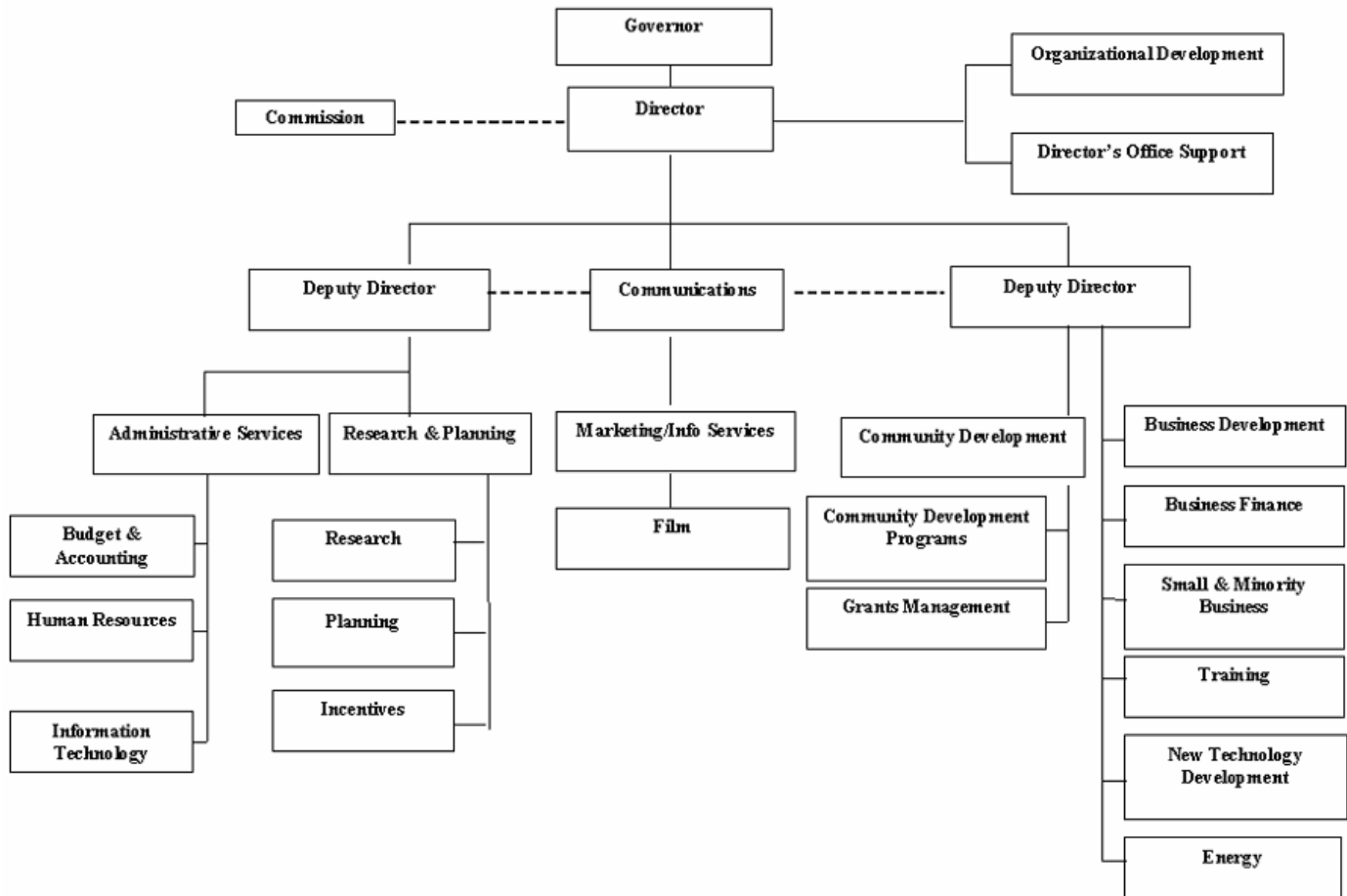
Communications Section

The Communications section promotes Arkansas and its businesses and industries through advertising, public relations, promotional materials, the Agency's website, trade shows and special events. It is responsible for the development and production of various internal and external communications including newsletters, press releases, reports and brochures. Its primary focus is to promote the State of Arkansas as a "Natural for Business." This section also promotes the efforts of the Business Development section and the Community Development section in attracting better paying employment opportunities to the State.

The Film unit promotes Arkansas as an ideal location for film and video production.

Information Technology Unit

The Information Technology unit manages and maintains the Agency’s computer assets and provides guidance and planning on best utilization of technology in promoting economic development in the State.



Agency Commentary

The Department is requesting a continuation of the base level budget for all major programs which includes: General Revenues of \$9,974,147 in FY '08 and \$9,974,484 in FY '09 for various program operations; Federal Grants of \$36,964,126 in FY '08 and \$36,964,126 in FY '09 for the Community Development Block Grant (CDBG) program funded from the Dept of Housing and Urban Development (HUD) and \$1,332,452 in FY '08 and \$1,332,452 in FY '09 for the programs funded by the US Dept of Energy; Cash-in-Bank funded programs of \$673,368 in FY '08 and \$673,368 in FY '09 for various programs. The Federal CDBG program noted includes \$36,500,000 each year for grants to carry out the mandates of the HUD CDBG program. These are not operational funds of the Department, but are passed through directly to the grant recipients. In addition, the base level includes a continuation of the appropriation for the Super Projects Fund of \$200 million in each year as was authorized in the 2005-07 biennium.

In addition to Base Level, the Department is requesting:

(1) Funding and appropriation from general revenues of \$5 million dollars in each fiscal year to provide funding for grants to cities and counties to provide financial assistance necessary to undertake public works projects and/or job training efforts which support private sector job creation opportunities, alleviate conditions which constitute a threat to public health and well being, or partially defray the costs of providing access to publicly owned industrial parks; and for expansion of the aircraft and aerospace industry; and, for port and waterway economic development projects; and for support of technology based economic development projects. This Change Level will be identified with the Business Development program in the State Operations account and is commonly known as the Economic Infrastructure program. In the past, all efforts in this area have been funded from the General Improvement Fund. That source of funding has not been reliable for the Department, and in the last few years, the availability of funds for these projects has fallen critically short of what is needed. A more stable source of funds will allow the Department to efficiently plan and execute the necessary actions to attract and retain economic development projects for the State.

Special language will be required that allows the Department to retain these funds at the end of the fiscal year in order to be able to meet project commitments and set-asides made during each fiscal year. This could be accomplished by transferring the funds to a special fund account, or by exempting these funds from the year-end reclamation process. If these funds cannot be retained, projects that are under consideration cannot be protected, and will be lost. It will also be necessary to have special language that allows the re-establishment, or carry-forward, of all unexpended appropriations in this area.

(2) Funding and appropriation from general revenues of \$1.5 million dollars in each fiscal year to provide funding for an investment in Arkansas' workforce through training incentives for companies located in Arkansas to upgrade skills of their existing workforce, or for a potential new workforce, and to build capacity within Arkansas to supply on-going training needs of Arkansas companies and to increase participation in the State's school-to-work initiatives. This program, like the program outlined in number (1) above, has been funded historically through the General Improvement Fund, and this source of funding has not been reliable in recent history. The Department has found that this program is one of the most highly sought after from the State's industries during recent times, primarily due to the need for companies to update technology and processes quickly to remain viable in the marketplace. The Change Level request for this program is reflected in the Existing Business Resource program (formerly known as the Industry Training program) request.

The Department will also need special language for the funds and appropriation obtained through this request to allow the Department to retain the unexpended funds for payment of obligations, set-asides and commitments made during the fiscal year. These funds are obligated, in most cases, long before actual expenditure, therefore, if the funds cannot be retained, the program will be totally ineffective.

(3) A request to continue the cash funded appropriation in the amount of \$10,000 in each fiscal year for the Small Business University. This program is currently authorized by cash fund letter requested in each year of the 2005-07 Biennium. The Small Business University program has been extremely successful in helping small businesses gain the expertise to be successful during the first few years of

operation by helping them create a working business plan and be successful in efforts to properly capitalize their ventures. That critical period is by far the greatest hurdle for small businesses, and once past that, there is a much greater likelihood of success in the long term, therefore, this program fills a critical need for small businesses. This program is funded totally from income of participant registration fees.

(4) A request for \$317,500 in FY08 and \$32,500 in FY09 for emergency preparedness activities for Agency Information Technology programs in accordance with instructions to "ensure that the operations which are critical to the continuity of government services are sustained with minimal impact to the public" found in the Executive Policy Statement for Preparation of 2007-2009 Agency Information Technology Plans. This request will insure that the Department has sufficient hardware and software located at an offsite location to continue its operations, with a minimal level of disruption, should the primary location be inaccessible. This request is found in the Information Technology program in the State Operations account.

(5) A request for appropriation in the amount of \$44,309 in each year of the biennium, for a new Grade 22 Energy Conservation Program Coordinator to be funded by grant funds from the US Dept of Energy to manage and coordinate the bio-energy and industrial program activities under the State Energy Plan. In recent years, there has been a dramatic rise in energy prices for all economic sectors. This has led to an unprecedented increase in interest and activity at both the State and federal levels in alternative transportation fuels, bio-energy technologies and energy efficiency in the industrial sector. The Energy Office, with primary funding from the U. S. Department of Energy, is working with other Dept. of Economic Development programs and other State and private organizations to develop and coordinate programs and projects in order to respond to these increased needs. Alternative fuels, and bio-energy in particular, are part of an economic and technological shift in which Arkansas is a major player. As such, economic development, agriculture, environmental and legislative interests are looking to the Dept of Economic Development and the Energy Office for guidance and coordination as the State tries to develop policies and programs that both respond to Arkansan's concerns and also keep Arkansas competitive. Thus far, the Energy Office has used contractors, where possible to help support this effort. However, the breadth and depth of our needs now requires staff support.

(6) A request for appropriation only (no funding), of \$105,265 in each year of the biennium, for two Grade 25 State Economic Developer III positions. The Small and Minority Business Development Unit currently operates three primary programs aimed at increasing the growth and development of new and existing small and minority businesses. They are 1) Business Counseling and Technical Support including procurement assistance, 2) Minority Business Enterprise Certification, and 3) Small Business University. Two additional programs, mentoring and inventor assistance, are being developed and will be implemented soon.

The heaviest volume of customer interaction is through the Business Counseling and Technical Support program. The unit is averaging over 1200 business contacts per year and this high demand is very difficult for us to meet at our current staffing level. The enhanced skills associated with these positions will address the demand for higher level technical support such as assistance with obtaining patents, copyrights, trademarks, etc.

For Additional Consideration: Super Projects

Although the Department is not requesting an increase in the appropriation for possible bond funding for Super Projects under Amendment 82, it is possible that before the biennium is over we would need an increased amount (above the \$200 million requested in base level) to account for projected growth in general revenues and to be able to assist one or more super projects with infrastructure needs to allow an Arkansas community to host a new Super Project employer.

The Super Project funding authorized by Amendment 82 to the Arkansas Constitution allows the General Assembly to authorize the use of general obligation bonds in providing needed infrastructure to a company that invests more than \$500 million and creates at least 500 new jobs. In 2005, the General Assembly appropriated \$200 million for the expenditure of necessary infrastructure in the event that the State has an opportunity to secure a Super Project. The Department's request is for base level only in the coming biennium, but we feel there may be a need to adjust this figure to account for any increase in available general revenues. Before any bonds can be issued and any appropriations for a super project expended, the General Assembly must specifically authorize the issuance of the bonds and the expenditure of the proceeds of those bonds. Any bond payments made on the first super project will serve to increase the availability of potential bonded indebtedness for a second project. As state revenues grow, the Super Project appropriation should be adjusted to allow it to remain adequate to meet the maximum amount of bonded indebtedness allowed by Amendment 82. We will also need carry-forward language to allow unexpended bond proceeds to be carried over to the next fiscal year to meet contractual obligations.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS DEPARTMENT OF ECONOMIC DEVELOPMENT
FOR THE YEAR ENDED JUNE 30, 2004

<u>Findings</u>	<u>Recommendations</u>
None	None

Employment Summary

	Male	Female	Total	%
White Employees	39	38	77	89 %
Black Employees	2	6	8	9 %
Other Racial Minorities	0	2	2	2 %
Total Minorities			10	11 %
Total Employees			87	100 %

Cash Fund Balance Description as of June 30, 2006

Fund Account	Balance	Type	Location
1130100	\$340	Checking	Regions Bank, Little Rock, AR

Statutory/Other Restrictions on use:

These funds are used for advertising purposes as defined by AR Code 19-4-801

Statutory Provisions for Fees, Fines, Penalties:

The Arkansas Economic Development Commission has the authority to set the fee

Revenue Receipts Cycle:

Fees are collected and interest is earned throughout the year

Fund Balance Utilization:

Funds are used for Small Business University seminar related expenses

Fund Account	Balance	Type	Location
1130300	\$13,792	Checking	Regions Bank, Little Rock, AR

Statutory/Other Restrictions on use:

These funds are used for marketing purposes as defined in AR Code 19-4-801

Statutory Provisions for Fees, Fines, Penalties:

The Arkansas Economic Development Commission has the authority to set the fee

Revenue Receipts Cycle:

Fees are collected and interest is earned throughout the year

Fund Balance Utilization:

Funds are used to pay for Department marketing expenses

Fund Account	Balance	Type	Location
1130200	\$5,948	Checking	Regions Bank, Little Rock, AR

Statutory/Other Restrictions on use:

These funds must be used for educational expenses of American students studying in Japan

Statutory Provisions for Fees, Fines, Penalties:

An endowment was made by the Century Tube Corporation for a scholarship fund for American Students in Japan

Revenue Receipts Cycle:

The fund was established by an endowment of \$200,000 from the Century Tube Corporation. Interest is earned throughout the year.

Fund Balance Utilization:

Funds are used to pay educational expenses of American students studying in Japan. Balances are held in interest bearing accounts to maximize fund availability. There are insufficient funds to support another student in Japan, therefore, the Century Tube Corporation has allowed the Department to utilize the remaining balance for other expenses of economic development efforts related to Japan.

Fund Account	Balance	Type	Location
1130400	\$8,491	Checking	Regions Bank, Little Rock, AR

Statutory/Other Restrictions on use:

These funds are used to pay for administrative and legal costs associated with preparation of financial incentive plans as defined by AR Code 15-4-1901

Statutory Provisions for Fees, Fines, Penalties:

The Arkansas Department of Economic Development is authorized to collect fees pertaining to financial incentive plans by AR Code 15-4-1901

Revenue Receipts Cycle:

Fees are collected and interest is earned throughout the year

Fund Balance Utilization:

Funds are used to defray the Department's administrative and legal costs associated with the preparation of financial incentive plans

Fund Account	Balance	Type	Location
1270600	\$8,476	Checking	Regions Bank, Little Rock, AR

Statutory/Other Restrictions on use:

These funds are used for operating expenses and grants as defined by AR Code 19-4-801

Statutory Provisions for Fees, Fines, Penalties:

Fees are set by the U.S. Department of Energy. Interest is earned throughout the year

Revenue Receipts Cycle:

The fund was established by multiple disbursements from the U.S. Department of Energy. Interest is earned throughout the year

Fund Balance Utilization:

Funds are used for operating expenses and grants for qualified energy programs. CD's are purchased in various terms to allow redemption at the most effective time for payments of operating expenses and grants

Fund Account	Balance	Type	Location
1270800	\$565,091	Checking and CD's	Regions Bank, Little Rock, AR

Statutory/Other Restrictions on use:

These funds are used for operating expenses and grants as defined in AR Code 19-4-801

Statutory Provisions for Fees, Fines, Penalties:

Fees are set by the U.S. Department of Energy. Interest is earned throughout the year

Revenue Receipts Cycle:

The fund was established by multiple disbursements from the U.S. Department of Energy. Interest is earned throughout the year

Fund Balance Utilization:

Funds are used for operating expenses and grants for qualified energy projects. CD's are purchased in various terms to allow redemption at the most effective time for payment of operating expenses and grants

Fund Account	Balance	Type	Location
1271200	\$46,240	Checking	Regions Bank, Little Rock, AR

Statutory/Other Restrictions on use:

These funds are used to pay for quality management related expense and for other industrial training expenses as defined in AR Code 19-4-801

Statutory Provisions for Fees, Fines, Penalties:

The Arkansas Economic Development Commission has the authority to set the fee

Revenue Receipts Cycle:

Fees are collected and interest is earned throughout the year

Fund Balance Utilization:

Funds are used for quality management and other industrial training related expenses

Publications

A.C.A 25-1-204

Name	Statutory Authorization	Required for		# Of Copies	Reason (s) for Continued Publication and Distribution
		Governor	General Assembly		
None	None	N	N	0	None

Department Appropriation Summary

		Historical Data						Agency Request and Executive Recommendation							
Appropriation		2005-2006		2006-2007		2006-2007		2007-2008				2008-2009			
		Actual	Pos	Budget	Pos	Authorized	Pos	Agency	Pos	Executive	Pos	Agency	Pos	Executive	Pos
1MZ	Super Projects	0	0	200,000,000	0	200,000,000	0	200,000,000	0	200,000,000	0	200,000,000	0	200,000,000	0
2SK	State Operations	6,094,958	50	6,363,593	53	7,337,246	57	11,725,238	53	6,437,888	53	11,440,725	53	6,418,225	53
2SM	State Matching Grants	139,781	0	228,500	0	228,500	0	228,500	0	228,500	0	228,500	0	228,500	0
2SN	Industrial Coordinator Program	752,376	12	781,648	12	838,824	13	786,079	12	786,079	12	786,079	12	786,079	12
2SQ	Community Assistance-Federal	24,516,818	6	36,961,614	7	37,429,617	7	36,964,126	7	36,964,126	7	36,964,126	7	36,964,126	7
2SR	Motion Picture Dev Office	91,748	1	99,311	1	98,317	1	99,690	1	99,690	1	99,690	1	99,690	1
2SS	Established Ind Div - State	503,492	7	558,057	8	629,545	8	561,033	8	561,033	8	561,033	8	561,033	8
2ST	State Energy Plan - Federal	912,586	8	1,329,204	9	1,691,623	12	1,376,761	10	1,376,761	10	1,376,761	10	1,376,761	10
2SU	Business Development - State	223,805	5	242,145	4	239,995	4	348,956	6	243,691	4	348,956	6	243,691	4
2SV	Industry Training	1,698,610	6	1,645,123	6	1,706,078	6	3,147,266	6	1,647,266	6	3,147,266	6	1,647,266	6
C32	Incentive Plans - Cash	0	0	15,000	0	15,000	0	15,000	0	15,000	0	15,000	0	15,000	0
C33	Century Tube Scholarship-Cash	0	0	5,980	0	5,981	0	5,980	0	5,980	0	5,980	0	5,980	0
C34	Trade & Int'l Investment-Cash	0	0	13,725	0	13,725	0	13,725	0	13,725	0	13,725	0	13,725	0
C35	Quality Mgmt Task Force-Cash	10,130	0	46,500	0	52,427	0	46,500	0	46,500	0	46,500	0	46,500	0
C36	Petroleum Violation Escrow-Cash	193,404	0	592,163	0	684,904	0	592,163	0	592,163	0	592,163	0	592,163	0
C38	Small Business Univ-Cash	0	0	10,000	0	0	0	10,000	0	10,000	0	10,000	0	10,000	0
NOT REQUESTED FOR THE BIENNIUM															
4GX	Biodiesel Infrastructure	97,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Total		35,234,708	95	248,892,563	100	250,971,782	108	255,921,017	103	249,028,402	101	255,636,504	103	249,008,739	101

Funding Sources			%		%		%		%		%		%
Fund Balance	4000005	716,535	2.0	648,212	0.3			3,293	0.0	3,293	0.0	0	0.0
General Revenue	4000010	9,504,770	26.5	9,917,790	4.0			16,791,497	6.6	9,974,147	4.0	16,506,984	6.5
Federal Revenue	4000020	25,526,404	71.1	38,290,818	15.4			38,340,887	15.0	38,340,887	15.4	38,340,887	15.4
Cash Fund	4000045	135,211	0.4	38,449	0.0			25,000	0.0	25,000	0.0	25,000	0.0
Merit Adjustment Fund	4000055	0	0.0	587	0.0			0	0.0	0	0.0	0	0.0
Bond Proceeds	4000125	0	0.0	200,000,000	80.3			200,000,000	78.4	200,000,000	80.6	200,000,000	78.5
Total Funds		35,882,920	100.0	248,895,856	100.0			255,160,677	100.0	248,343,327	100.0	254,872,871	100.0
Excess Appropriation/(Funding)		(648,212)		(3,293)				760,340		685,075		763,633	
Grand Total		35,234,708		248,892,563				255,921,017		249,028,402		255,636,504	

FY07 Budgeted exceeds authorized due to matching rate adjustments during the 2005 - 2007 biennium for 2SR and 2SU.

Agency Position Usage Report

FY2004-2005						FY2005-2006						FY2006-2007					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Total	Total	Total	Total			Total				
110	90	18	108	2	18.18%	108	87	13	100	8	19.44%	108	87	13	100	8	19.44%

Analysis of Budget Request

Appropriation: 1MZ - Super Projects

Funding Sources: TSP - Department of Economic Development Super Projects Fund

The Super Projects Program was established by the 84th General Assembly to provide resources in support of industries that indicate the intention to invest in the State of Arkansas at least \$500 million and hire at least 500 employees. The Agency is requesting continuation of the current appropriated amount of \$200,000,000 each year.

Amendment #2, referred by the General Assembly and approved by vote in the General Election on November 2, 2004, authorizes funding from bond proceeds.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 1MZ Super Projects
Funding Sources: TSP - Department of Economic Development Super Projects Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Super Projects 5900046	0	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
Total	0	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
Funding Sources									
Bond Proceeds 4000125	0	200,000,000		200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
Total Funding	0	200,000,000		200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	0	200,000,000		200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000

Analysis of Budget Request

Appropriation: 2SK - State Operations

Funding Sources: HOA - Department of Economic Development Fund

This is the primary general revenue funded appropriation for the Department of Economic Development. In addition to the Director's Office, there are four functional groups within the Agency that utilize this State Operations appropriation. They are: (1) Administrative Services, (2) Community Development, (3) Business Development, and (4) Marketing/Communications Services. Base Level is \$6,407,888 for FY08 and \$6,408,225 for FY09, with 53 positions budgeted.

A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. FY07 salary levels have been held flat each year for all incumbents. Personal Services Matching may reflect increases in the Base Level due to the Social Security Tax maximum income limit and certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month.

Changes requested for this appropriation are Capital Outlay of \$244,100 in FY08 to obtain IT hardware to set up a remote site for emergency preparedness to sustain critical departmental operations and Operating Expenses of \$73,250 in FY08 and \$32,500 in FY09 for associated software, installation, and operating costs.

Also requested is \$5,000,000 each year to provide funding for the Economic Infrastructure Program that will make grants to cities and counties to support public works projects or job training efforts designed to contribute to the enhancement of the State's economy.

The Executive Recommendation provides for Base Level, plus additional appropriation of \$20,000 in the first year for Capital Outlay and \$10,000 each year for Operating Expenses. General revenue funding is recommended at Base Level only. The Economic Infrastructure Program is recommended as a General Improvement project.

Appropriation Summary

Appropriation: 2SK State Operations
Funding Sources: HOA - Department of Economic Development Fund

Commitment Item	Historical Data			Agency Request and Executive Recommendation			2008-2009			
	2005-2006 Actual	2006-2007 Budget	2006-2007 Authorized	2007-2008			Base Level	Agency	Executive	
Regular Salaries 5010000	2,424,114	2,649,579	2,718,487	2,649,579	2,649,579	2,649,579	2,649,579	2,649,579	2,649,579	2,649,579
#Positions	50	53	57	53	53	53	53	53	53	53
Extra Help 5010001	80	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
#Extra Help	1	1	1	1	1	1	1	1	1	1
Personal Services Matching 5010003	638,951	714,553	728,176	758,848	758,848	758,848	759,185	759,185	759,185	759,185
Operating Expenses 5020002	1,339,618	1,380,400	1,397,457	1,380,400	1,453,650	1,390,400	1,380,400	1,412,900	1,390,400	1,390,400
Conference & Travel Expenses 5050009	68,693	61,811	18,811	61,811	61,811	61,811	61,811	61,811	61,811	61,811
Professional Fees 5060010	1,250,513	1,247,250	2,214,315	1,247,250	1,247,250	1,247,250	1,247,250	1,247,250	1,247,250	1,247,250
Data Processing 5090012	0	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	122,989	0	0	0	244,100	20,000	0	0	0	0
Far East Trade/Ind Recruitmnt 5900046	100,000	150,000	100,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Latin American Trade Dev 5900047	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Economic Infrastructure Prgm 5900048	0	0	0	0	5,000,000	0	0	5,000,000	0	0
Total	6,094,958	6,363,593	7,337,246	6,407,888	11,725,238	6,437,888	6,408,225	11,440,725	6,418,225	6,418,225
Funding Sources										
General Revenue 4000010	6,094,958	6,363,006		6,407,888	11,725,238	6,407,888	6,408,225	11,440,725	6,408,225	6,408,225
Merit Adjustment Fund 4000055	0	587		0	0	0	0	0	0	0
Total Funding	6,094,958	6,363,593		6,407,888	11,725,238	6,407,888	6,408,225	11,440,725	6,408,225	6,408,225
Excess Appropriation/(Funding)	0	0		0	0	30,000	0	0	0	10,000
Grand Total	6,094,958	6,363,593		6,407,888	11,725,238	6,437,888	6,408,225	11,440,725	6,418,225	6,418,225

Actual and Budget exceed Authorized appropriation in Conference & Travel Expenses by authority of Budget Classification Transfers. Budget also exceeds Authorized appropriation in Far East Trade/Industry Recruitment due to a special language transfer from Professional Fees by authority contained in Section 28 of Act 2086 of 2005. Actual exceeds Authorized appropriation in Capital Outlay due to a Budget Classification Transfer and transfers from the Motor Vehicle Acquisition Fund.

Change Level by Appropriation

Appropriation: 2SK-State Operations
Funding Sources: HOA - Department of Economic Development Fund

Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	6,407,888	53	6,407,888	100.0	6,408,225	53	6,408,225	100.0
C02	New Program	5,000,000	0	11,407,888	178.0	5,000,000	0	11,408,225	178.0
C08	Technology	317,350	0	11,725,238	182.9	32,500	0	11,440,725	178.5

Executive Recommendation

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	6,407,888	53	6,407,888	100.0	6,408,225	53	6,408,225	100.0
C02	New Program	0	0	6,407,888	100.0	0	0	6,408,225	100.0
C08	Technology	30,000	0	6,437,888	100.4	10,000	0	6,418,225	100.1

Justification

C02	Requested is \$5 million dollars each fiscal year to provide funding for grants to cities and counties to provide financial assistance necessary to undertake public works projects and/or job training efforts which support private sector job creation opportunities, alleviate conditions which constitute a threat to public health and well being, or partially defray the costs of providing access to publicly owned industrial parks; and for expansion of the aircraft and aerospace industry; and for port and waterway economic development projects; and for support of technology based economic development projects. This change level will be identified with the Business Development program in the State Operations account and is commonly known as the Economic Infrastructure program. In the past, all efforts in this area have been funded from the General Improvement Fund. That source of funding has not been reliable for the Department, and in the last few years, the availability of funds for these projects has fallen critically short of what is needed. A more stable source of funds will allow the Department to efficiently plan and execute the necessary actions to attract and retain economic development projects for the State.
C08	This request is for \$317,500 in FY08 and \$32,500 in FY09 for hardware, software, installation, and operating costs of emergency preparedness equipment and activities for Agency Information Technology programs in accordance with instructions to "ensure that the operations which are critical to the continuity of government services are sustained with minimal impact to the public" found in the Executive Policy Statement for Preparation of 2007-2009 Agency Information Technology Plans. This request will insure that the Department has sufficient hardware and software located at an offsite location to continue its operations, with a minimal level of disruption, should the primary location become inaccessible.

Analysis of Budget Request

Appropriation: 2SM - State Matching Grants

Funding Sources: HOA - Department of Economic Development Fund

This is a general revenue funded appropriation used to match federal grants received by the Arkansas Department of Economic Development. Federal monies are received from the U.S. Department of Energy and the Environmental Protection Agency, as well as the Department of Housing and Urban Development.

Base Level is \$228,500 each year and is the Department's request.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2SM State Matching Grants
Funding Sources: HOA - Department of Economic Development Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
State Match for Grants 5900046	139,781	228,500	228,500	228,500	228,500	228,500	228,500	228,500	228,500
Total	139,781	228,500	228,500	228,500	228,500	228,500	228,500	228,500	228,500
Funding Sources									
General Revenue 4000010	139,781	228,500		228,500	228,500	228,500	228,500	228,500	228,500
Total Funding	139,781	228,500		228,500	228,500	228,500	228,500	228,500	228,500
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	139,781	228,500		228,500	228,500	228,500	228,500	228,500	228,500

Analysis of Budget Request

Appropriation: 2SN - Industrial Coordinator Program

Funding Sources: HOA - Department of Economic Development Fund

The Department of Economic Development's Industrial Coordinator Program is funded by general revenues and provides the resources to work with new and existing industries to coordinate training of workers. Base Level is \$786,079 each year, with 12 positions budgeted.

A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. FY07 salary levels have been held flat each year for all incumbents. Personal Services Matching may reflect increases in the Base Level due to the Social Security Tax maximum income limit and certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month.

The Department is requesting Base Level only for this program.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2SN Industrial Coordinator Program
Funding Sources: HOA - Department of Economic Development Fund

Commitment Item	Historical Data			Agency Request and Executive Recommendation					
	2005-2006 Actual	2006-2007 Budget	2006-2007 Authorized	2007-2008			2008-2009		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	506,436	530,669	580,096	530,669	530,669	530,669	530,669	530,669	530,669
#Positions	12	12	13	12	12	12	12	12	12
Personal Services Matching 5010003	152,557	153,429	158,978	157,860	157,860	157,860	157,860	157,860	157,860
Operating Expenses 5020002	82,850	85,000	87,200	85,000	85,000	85,000	85,000	85,000	85,000
Conference & Travel Expenses 5050009	10,533	12,550	12,550	12,550	12,550	12,550	12,550	12,550	12,550
Professional Fees 5060010	0	0	0	0	0	0	0	0	0
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Total	752,376	781,648	838,824	786,079	786,079	786,079	786,079	786,079	786,079
Funding Sources									
General Revenue 4000010	752,376	781,648		786,079	786,079	786,079	786,079	786,079	786,079
Total Funding	752,376	781,648		786,079	786,079	786,079	786,079	786,079	786,079
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	752,376	781,648		786,079	786,079	786,079	786,079	786,079	786,079

Analysis of Budget Request

Appropriation: 2SQ - Community Assistance-Federal

Funding Sources: FAK - Economic Development-Federal

This is a federally funded appropriation used to operate the Community Development Block Grant Program at the Department of Economic Development. Base Level is \$36,964,126 each year, with 7 positions budgeted.

A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. FY07 salary levels have been held flat each year for all incumbents. Personal Services Matching may reflect increases in the Base Level due to the Social Security Tax maximum income limit and certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month.

Continuation of Base Level only is requested by the Department.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2SQ Community Assistance-Federal
Funding Sources: FAK - Economic Development-Federal

Commitment Item	Historical Data			Agency Request and Executive Recommendation					
	2005-2006 Actual	2006-2007 Budget	2006-2007 Authorized	2007-2008			2008-2009		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	201,673	232,123	233,979	232,123	232,123	232,123	232,123	232,123	232,123
#Positions	6	7	7	7	7	7	7	7	7
Personal Services Matching 5010003	62,606	73,891	70,868	76,403	76,403	76,403	76,403	76,403	76,403
Operating Expenses 5020002	69,115	60,600	60,600	60,600	60,600	60,600	60,600	60,600	60,600
Conference & Travel Expenses 5050009	13,963	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Professional Fees 5060010	50,403	70,000	52,040	70,000	70,000	70,000	70,000	70,000	70,000
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Grants and Aid 5100004	24,119,058	36,500,000	36,987,130	36,500,000	36,500,000	36,500,000	36,500,000	36,500,000	36,500,000
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Total	24,516,818	36,961,614	37,429,617	36,964,126	36,964,126	36,964,126	36,964,126	36,964,126	36,964,126
Funding Sources									
Federal Revenue 4000020	24,516,818	36,961,614		36,964,126	36,964,126	36,964,126	36,964,126	36,964,126	36,964,126
Total Funding	24,516,818	36,961,614		36,964,126	36,964,126	36,964,126	36,964,126	36,964,126	36,964,126
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	24,516,818	36,961,614		36,964,126	36,964,126	36,964,126	36,964,126	36,964,126	36,964,126

The FY07 Budgeted amount for Personal Services Matching exceeds the Authorized amount due to matching rate adjustments during the 2005-2007 Biennium.

FY07 Budgeted exceeds Authorized appropriation in Professional Fees due to a special language transfer from Grants and Aid by authority contained in Section 29 of Act 2086 of 2005.

FY06 Actual in Operating Expenses exceeds Authorized amount by authority of a Budget Classification Transfer.

Analysis of Budget Request

Appropriation: 2SR - Motion Picture Dev Office

Funding Sources: HOA - Department of Economic Development Fund

This general revenue funded appropriation is used for the Motion Picture Development Office of the Department of Economic Development. This program works directly with film/movie producers to promote Arkansas as an ideal location for film production. Base Level is \$99,690 each year, with one position budgeted.

A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. FY07 salary level has been held flat each year for the single incumbent. Personal Services Matching may reflect increases in the Base Level due to the Social Security Tax maximum income limit and certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month.

The Department's request is for Base Level only.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2SR Motion Picture Dev Office
Funding Sources: HOA - Department of Economic Development Fund

Commitment Item	Historical Data			Agency Request and Executive Recommendation					
	2005-2006 Actual	2006-2007 Budget	2006-2007 Authorized	2007-2008			2008-2009		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	63,661	69,846	69,846	69,846	69,846	69,846	69,846	69,846	69,846
#Positions	1	1	1	1	1	1	1	1	1
Personal Services Matching 5010003	16,664	17,965	16,971	18,344	18,344	18,344	18,344	18,344	18,344
Operating Expenses 5020002	6,423	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500
Conference & Travel Expenses 5050009	0	0	0	0	0	0	0	0	0
Professional Fees 5060010	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Total	91,748	99,311	98,317	99,690	99,690	99,690	99,690	99,690	99,690
Funding Sources									
General Revenue 4000010	91,748	99,311		99,690	99,690	99,690	99,690	99,690	99,690
Total Funding	91,748	99,311		99,690	99,690	99,690	99,690	99,690	99,690
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	91,748	99,311		99,690	99,690	99,690	99,690	99,690	99,690

The FY07 Budgeted amount for Personal Services Matching exceeds the Authorized amount due to matching rate adjustments during the 2005-2007 Biennium.

Analysis of Budget Request

Appropriation: 2SS - Established Ind Div - State

Funding Sources: HOA - Department of Economic Development Fund

This is a general revenue funded appropriation used to fund administrative activities and provide support for various federally funded programs authorized by the U.S. Department of Energy. Base Level is \$561,033 each year, with 8 positions budgeted.

A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. FY07 salary levels have been held flat each year for all incumbents. Personal Services Matching may reflect increases in the Base Level due to the Social Security Tax maximum income limit and certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month.

The Department is requesting Base Level only for this program.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2SS Established Ind Div - State
Funding Sources: HOA - Department of Economic Development Fund

Commitment Item	Historical Data			Agency Request and Executive Recommendation					
	2005-2006 Actual	2006-2007 Budget	2006-2007 Authorized	2007-2008			2008-2009		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	302,705	374,993	401,821	374,993	374,993	374,993	374,993	374,993	374,993
#Positions	7	8	8	8	8	8	8	8	8
Personal Services Matching 5010003	84,817	106,561	106,224	109,537	109,537	109,537	109,537	109,537	109,537
Operating Expenses 5020002	76,246	41,503	86,500	41,503	41,503	41,503	41,503	41,503	41,503
Conference & Travel Expenses 5050009	14,854	10,000	0	10,000	10,000	10,000	10,000	10,000	10,000
Professional Fees 5060010	24,870	25,000	35,000	25,000	25,000	25,000	25,000	25,000	25,000
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Total	503,492	558,057	629,545	561,033	561,033	561,033	561,033	561,033	561,033
Funding Sources									
General Revenue 4000010	503,492	558,057		561,033	561,033	561,033	561,033	561,033	561,033
Total Funding	503,492	558,057		561,033	561,033	561,033	561,033	561,033	561,033
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	503,492	558,057		561,033	561,033	561,033	561,033	561,033	561,033

The FY07 Budgeted amount for Personal Services Matching exceeds the Authorized amount due to matching rate adjustments during the 2005-2007 Biennium.

The FY06 Actual amount and the FY07 Budgeted amount exceed Authorized appropriation in Conference & Travel Expenses by authority of Budget Classification Transfers.

Analysis of Budget Request

Appropriation: 2ST - State Energy Plan - Federal

Funding Sources: FKE - Department of Energy-Federal

This is one of the major federal programs administered by the Department of Economic Development. Federal funding for the State Energy Plan is received from the U.S. Department of Energy and is directed at projects that address the State's needs in energy conservation. This appropriation is also used to expend indirect cost obligations for all federal programs administered by the Department. Base Level is \$1,332,452 each year, with 9 positions budgeted.

A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. FY07 salary levels have been held flat each year for all incumbents. Personal Services Matching may reflect increases in the Base Level due to the Social Security Tax maximum income limit and certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month.

In addition to Base Level, the Department is requesting a new position, Energy Conservation Program Coordinator, Grade 22, to manage and coordinate bio-energy and industrial program activities under the State Energy Plan. Salary and matching costs are \$44,309 each year.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2ST State Energy Plan - Federal
Funding Sources: FKE - Department of Energy-Federal

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	250,655	304,823	359,792	304,823	338,177	338,177	304,823	338,177	338,177
#Positions	8	9	12	9	10	10	9	10	10
Personal Services Matching 5010003	95,293	96,281	113,719	99,529	110,484	110,484	99,529	110,484	110,484
Operating Expenses 5020002	13,763	166,675	166,675	166,675	166,675	166,675	166,675	166,675	166,675
Conference & Travel Expenses 5050009	3,789	39,573	29,573	39,573	39,573	39,573	39,573	39,573	39,573
Professional Fees 5060010	150,994	204,001	368,685	204,001	204,001	204,001	204,001	204,001	204,001
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Grants and Aid 5100004	398,092	517,851	653,179	517,851	517,851	517,851	517,851	517,851	517,851
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Total	912,586	1,329,204	1,691,623	1,332,452	1,376,761	1,376,761	1,332,452	1,376,761	1,376,761
Funding Sources									
Federal Revenue 4000020	912,586	1,329,204		1,332,452	1,376,761	1,376,761	1,332,452	1,376,761	1,376,761
Total Funding	912,586	1,329,204		1,332,452	1,376,761	1,376,761	1,332,452	1,376,761	1,376,761
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	912,586	1,329,204		1,332,452	1,376,761	1,376,761	1,332,452	1,376,761	1,376,761

The FY07 Budgeted amount exceeds Authorized appropriation in Conference & Travel Expenses by authority of a Budget Classification Transfer.

Change Level by Appropriation

Appropriation: 2ST-State Energy Plan - Federal
Funding Sources: FKE - Department of Energy-Federal

Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	1,332,452	9	1,332,452	100.0	1,332,452	9	1,332,452	100.0
C01	Existing Program	44,309	1	1,376,761	103.3	44,309	1	1,376,761	103.3

Executive Recommendation

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	1,332,452	9	1,332,452	100.0	1,332,452	9	1,332,452	100.0
C01	Existing Program	44,309	1	1,376,761	103.3	44,309	1	1,376,761	103.3

Justification

C01 This is a request for appropriation in the amount of \$44,309 each year for a new Grade 22, Energy Conservation Program Coordinator, to be funded by the U.S. Dept. of Energy to manage and coordinate bio-energy and industrial program activities under the State Energy Plan. In recent years, there has been a dramatic rise in energy prices for all economic sectors. This has led to an unprecedented increase in interest and activity in alternative transportation fuels, bio-energy technologies, and energy efficiency in the industrial sector. The Energy Office, with primary funding from the U.S. Department of Energy, is working within the Department and with other State and private organizations to develop and coordinate projects to respond to these increased needs. Alternative fuels, and bio-energy in particular, are part of an economic and technological shift in which Arkansas is a major player. As such, economic development, agriculture, environmental, and legislative interests are looking to the Dept. of Economic Development and the Energy Office for guidance and coordination as the State tries to develop policies and programs that both respond to Arkansas's concerns and also keep Arkansas competitive. Thus far, the Energy Office has used contractors, where possible, to help support this effort. However, the breadth and depth of our needs now require staff support.

Analysis of Budget Request

Appropriation: 2SU - Business Development - State

Funding Sources: HOA - Department of Economic Development Fund

This general revenue appropriation is used by the Department of Economic Development to encourage the establishment, development, and expansion of minority-owned businesses in the State. Base Level is \$243,691 each year, including 4 positions.

A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. FY07 salary levels have been held flat each year for all incumbents. Personal Services Matching may reflect increases in the Base Level due to the Social Security Tax maximum income limit and certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month.

In addition to Base Level, the Department is requesting 2 new positions, State Economic Developer III, Grade 25, without funding. If sufficient general revenue resources are not used in other programs, these positions could be funded and filled to assist in the deployment of additional programs to aid new and existing small and minority businesses.

The Executive Recommendation provides for positions, appropriation, and general revenue funding at Base Level only.

Appropriation Summary

Appropriation: 2SU Business Development - State
Funding Sources: HOA - Department of Economic Development Fund

Commitment Item	Historical Data			Agency Request and Executive Recommendation					
	2005-2006 Actual	2006-2007 Budget	2006-2007 Authorized	2007-2008			2008-2009		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	163,499	177,873	178,176	177,873	258,427	177,873	177,873	258,427	177,873
#Positions	5	4	4	4	6	4	4	6	4
Personal Services Matching 5010003	47,561	51,272	48,819	52,818	77,529	52,818	52,818	77,529	52,818
Operating Expenses 5020002	7,949	10,000	8,000	10,000	10,000	10,000	10,000	10,000	10,000
Conference & Travel Expenses 5050009	4,796	3,000	5,000	3,000	3,000	3,000	3,000	3,000	3,000
Professional Fees 5060010	0	0	0	0	0	0	0	0	0
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Total	223,805	242,145	239,995	243,691	348,956	243,691	243,691	348,956	243,691
Funding Sources									
General Revenue 4000010	223,805	242,145		243,691	243,691	243,691	243,691	243,691	243,691
Total Funding	223,805	242,145		243,691	243,691	243,691	243,691	243,691	243,691
Excess Appropriation/(Funding)	0	0		0	105,265	0	0	105,265	0
Grand Total	223,805	242,145		243,691	348,956	243,691	243,691	348,956	243,691

The FY07 Budgeted amount for Personal Services Matching exceeds the Authorized amount due to matching rate adjustments during the 2005-2007 Biennium.

The FY07 Budgeted amount exceeds Authorized appropriation in Operating Expenses by authority of a Budget Classification Transfer.

Change Level by Appropriation

Appropriation: 2SU-Business Development - State

Funding Sources: HOA - Department of Economic Development Fund

Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	243,691	4	243,691	100.0	243,691	4	243,691	100.0
C01	Existing Program	105,265	2	348,956	143.2	105,265	2	348,956	143.2

Executive Recommendation

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	243,691	4	243,691	100.0	243,691	4	243,691	100.0
C01	Existing Program	0	0	243,691	100.0	0	0	243,691	100.0

Justification

C01 This is a request for appropriation, without funding, of \$105,265 in each year of the biennium, for two Grade 25 State Economic Developer III positions. The Small and Minority Business Development Unit currently operates three primary programs aimed at increasing the growth and development of new and existing small and minority businesses. They are: 1) Business Counseling and Technical Support, including procurement assistance; 2) Minority Business Enterprise Certification; and 3) Small Business University. Two additional programs, Mentoring and Inventor Assistance, are being developed and will be implemented soon. The heaviest volume of customer interaction is through the Business Counseling and Technical Support program. The unit is averaging over 1,200 business contacts per year and this high demand is very difficult for us to meet at our current staffing level. The enhanced skills associated with these positions will address the demand for higher level technical support, such as assistance with obtaining patents, copyrights, trademarks, etc.

Analysis of Budget Request

Appropriation: 2SV - Industry Training

Funding Sources: HOA - Department of Economic Development Fund

This general revenue appropriation is used by the Department of Economic Development to provide pre-employment training and re-training necessary for eligible business and industry workers to meet the technical manpower needs of new or expanding industry in the State. Equipment purchases necessary to conduct training are also incurred in this program. Base Level is \$1,647,266 each year, with 6 positions budgeted.

A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. FY07 salary levels have been held flat each year for all incumbents. Personal Services Matching may reflect increases in the Base Level due to the Social Security Tax maximum income limit and certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month.

In addition to Base Level, the Department is requesting \$1,500,000 each year to provide funding for the Existing Worker Training Program, which would invest in the upgrading of Arkansas' workforce through training incentives for companies seeking to increase the skills of their existing workforce or to prepare a new workforce.

The Executive Recommendation provides for appropriation and general revenue funding at Base Level only and further recommends the Existing Worker Training Program request as a General Improvement project.

Appropriation Summary

Appropriation: 2SV Industry Training
Funding Sources: HOA - Department of Economic Development Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
	2005-2006 Actual	2006-2007 Budget	2006-2007 Authorized	2007-2008			2008-2009		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	313,212	306,711	309,584	306,711	306,711	306,711	306,711	306,711	306,711
#Positions	6	6	6	6	6	6	6	6	6
Extra Help 5010001	4,800	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
#Extra Help	1	10	10	10	10	10	10	10	10
Personal Services Matching 5010003	85,728	85,937	81,974	88,080	88,080	88,080	88,080	88,080	88,080
Operating Expenses 5020002	215,229	220,000	236,500	220,000	220,000	220,000	220,000	220,000	220,000
Conference & Travel Expenses 5050009	19,241	22,475	7,475	22,475	22,475	22,475	22,475	22,475	22,475
Professional Fees 5060010	0	0	0	0	0	0	0	0	0
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Industry Training Program 5900046	1,060,400	1,000,000	1,060,545	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Existing Worker Training Prgm 5900047	0	0	0	0	1,500,000	0	0	1,500,000	0
Total	1,698,610	1,645,123	1,706,078	1,647,266	3,147,266	1,647,266	1,647,266	3,147,266	1,647,266
Funding Sources									
General Revenue 4000010	1,698,610	1,645,123		1,647,266	3,147,266	1,647,266	1,647,266	3,147,266	1,647,266
Total Funding	1,698,610	1,645,123		1,647,266	3,147,266	1,647,266	1,647,266	3,147,266	1,647,266
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	1,698,610	1,645,123		1,647,266	3,147,266	1,647,266	1,647,266	3,147,266	1,647,266

The FY06 Actual amount for Regular Salaries and the FY07 Budgeted amount for Personal Services Matching exceed the Authorized amounts due to salary and matching rate adjustments during the 2005-2007 Biennium.

The FY06 Actual amount and the FY07 Budgeted amount exceed Authorized appropriation in Conference & Travel Expenses by authority of Budget Classification Transfers.

Change Level by Appropriation

Appropriation: 2SV-Industry Training

Funding Sources: HOA - Department of Economic Development Fund

Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	1,647,266	6	1,647,266	100.0	1,647,266	6	1,647,266	100.0
C02	New Program	1,500,000	0	3,147,266	191.0	1,500,000	0	3,147,266	191.0

Executive Recommendation

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	1,647,266	6	1,647,266	100.0	1,647,266	6	1,647,266	100.0
C02	New Program	0	0	1,647,266	100.0	0	0	1,647,266	100.0

Justification

C02 Funding and appropriation of \$1.5 million dollars in general revenues are requested for each fiscal year to provide for an investment in Arkansas' workforce through training incentives for companies located in Arkansas to upgrade skills of their existing workforce, or for a potential new workforce, and to build capacity within Arkansas to supply on-going training needs of Arkansas companies and to increase participation in the State's school-to-work initiatives. This program has been funded historically through the General Improvement Fund, a source that has not been reliable in recent history. The Department has found that this program is one of the most highly sought after by the State's industries during recent times, primarily due to the need for companies to update technology and processes quickly to remain viable in the marketplace.

Analysis of Budget Request

Appropriation: C32 - Incentive Plans - Cash

Funding Sources: 113 - Arkansas Industrial Development - Cash in Bank

The Department of Economic Development's cash appropriation for Incentive Plans provides resources with which to work with industries to develop financial incentive plans that will attract them to locate or expand in a particular area. The Department is authorized to collect a one-time fee of \$2,500 from businesses to offset administrative and legal expenses incurred in the preparation of these plans.

Base Level for this program is \$15,000 each year and is the Department's request.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: C32 Incentive Plans - Cash
Funding Sources: 113 - Arkansas Industrial Development - Cash in Bank

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Incentive Plans 5900046	0	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Total	0	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Funding Sources									
Fund Balance 4000005	8,462	8,498		0	0	0	0	0	0
Cash Fund 4000045	36	6,502		15,000	15,000	15,000	15,000	15,000	15,000
Total Funding	8,498	15,000		15,000	15,000	15,000	15,000	15,000	15,000
Excess Appropriation/(Funding)	(8,498)	0		0	0	0	0	0	0
Grand Total	0	15,000		15,000	15,000	15,000	15,000	15,000	15,000

Analysis of Budget Request

Appropriation: C33 - Century Tube Scholarship-Cash

Funding Sources: 113 - Arkansas Industrial Development - Cash in Bank

This cash appropriation is used by the Department of Economic Development to administer a scholarship program in which the Century Tube Company provided funding for a ten year period to support one scholarship annually for an American student to study in Japan. Interest earned on current balances is the only income available in this program. The current balance is not sufficient to support another scholarship, so the Department has received permission from the grantor company to expend the remaining funds in support of economic development initiatives relating to the Far East.

Base Level is \$5,980 each year and is the Department's request.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: C33 Century Tube Scholarship-Cash
Funding Sources: 113 - Arkansas Industrial Development - Cash in Bank

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Century Tube 5900046	0	5,980	5,981	5,980	5,980	5,980	5,980	5,980	5,980
Total	0	5,980	5,981	5,980	5,980	5,980	5,980	5,980	5,980
Funding Sources									
Fund Balance 4000005	5,927	5,980		0	0	0	0	0	0
Cash Fund 4000045	53	0		0	0	0	0	0	0
Total Funding	5,980	5,980		0	0	0	0	0	0
Excess Appropriation/(Funding)	(5,980)	0		5,980	5,980	5,980	5,980	5,980	5,980
Grand Total	0	5,980		5,980	5,980	5,980	5,980	5,980	5,980

Analysis of Budget Request

Appropriation: C34 - Trade & Int'l Investment-Cash

Funding Sources: 113 - Arkansas Industrial Development - Cash in Bank

This cash appropriation is utilized by the Department of Economic Development to disburse funds collected from participating companies for various promotional events. This appropriation is used to pay for expenses such as booth rental and display costs that are shared on a pro-rated basis among participating companies. Base Level is \$13,725 each year. No additional appropriation is being requested for the 2007-2009 Biennium.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: C34 Trade & Int'l Investment-Cash
Funding Sources: 113 - Arkansas Industrial Development - Cash in Bank

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Trade & Inter Invest Exp 5900046	0	13,725	13,725	13,725	13,725	13,725	13,725	13,725	13,725
Total	0	13,725	13,725	13,725	13,725	13,725	13,725	13,725	13,725
Funding Sources									
Fund Balance 4000005	13,745	13,803		78	78	78	0	0	0
Cash Fund 4000045	58	0		0	0	0	0	0	0
Total Funding	13,803	13,803		78	78	78	0	0	0
Excess Appropriation/(Funding)	(13,803)	(78)		13,647	13,647	13,647	13,725	13,725	13,725
Grand Total	0	13,725		13,725	13,725	13,725	13,725	13,725	13,725

Analysis of Budget Request

Appropriation: C35 - Quality Mgmt Task Force-Cash

Funding Sources: 127 - Department of Energy - Cash in Bank

This is a cash appropriation used by the Department of Economic Development to organize and conduct quality management training seminars for industry personnel. Funding for this program comes from the various participating companies and is used to cover the expenses of providing newsletters, speakers, and materials for program sessions. Base Level is \$46,500 each year. No changes are requested for the 2007-2009 Biennium.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: C35 Quality Mgmt Task Force-Cash
Funding Sources: 127 - Department of Energy - Cash in Bank

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Q M Task Force Exp 5900046	10,130	46,500	52,427	46,500	46,500	46,500	46,500	46,500	46,500
Total	10,130	46,500	52,427	46,500	46,500	46,500	46,500	46,500	46,500
Funding Sources									
Fund Balance 4000005	56,149	46,276		0	0	0	0	0	0
Cash Fund 4000045	257	224		0	0	0	0	0	0
Total Funding	56,406	46,500		0	0	0	0	0	0
Excess Appropriation/(Funding)	(46,276)	0		46,500	46,500	46,500	46,500	46,500	46,500
Grand Total	10,130	46,500		46,500	46,500	46,500	46,500	46,500	46,500

Analysis of Budget Request

Appropriation: C36 - Petroleum Violation Escrow-Cash

Funding Sources: 127 - Department of Energy - Cash in Bank

The Department of Economic Development's Petroleum Violation Escrow cash appropriation is used to disburse the State's share of federal court-ordered settlement dollars received from oil companies. Funding is provided by interest earned on current deposits and any future oil company refunds.

Base Level is \$592,163 each year and is the Department's request.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: C36 Petroleum Violation Escrow-Cash
Funding Sources: 127 - Department of Energy - Cash in Bank

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
	2005-2006 Actual	2006-2007 Budget	2006-2007 Authorized	2007-2008			2008-2009		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses 5020002	0	0	0	0	0	0	0	0	0
Conference & Travel Expenses 5050009	0	0	0	0	0	0	0	0	0
Professional Fees 5060010	0	0	75,000	0	0	0	0	0	0
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Grants and Aid 5100004	193,404	592,163	609,904	592,163	592,163	592,163	592,163	592,163	592,163
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Total	193,404	592,163	684,904	592,163	592,163	592,163	592,163	592,163	592,163
Funding Sources									
Fund Balance 4000005	632,252	573,315		3,215	3,215	3,215	0	0	0
Cash Fund 4000045	134,467	22,063		0	0	0	0	0	0
Total Funding	766,719	595,378		3,215	3,215	3,215	0	0	0
Excess Appropriation/(Funding)	(573,315)	(3,215)		588,948	588,948	588,948	592,163	592,163	592,163
Grand Total	193,404	592,163		592,163	592,163	592,163	592,163	592,163	592,163

Analysis of Budget Request

Appropriation: C38 - Small Business Univ-Cash

Funding Sources: 113 - Arkansas Industrial Development - Cash in Bank

The Small Business University cash fund appropriation was established by request from the Cash Fund Holding Account in FY06, and again in FY07. The Program's purpose is to assist small businesses in the development of successful working business plans. Funding is provided by participant registration fees.

The Department is requesting continuation of the current operating level of \$10,000 each year.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: C38 Small Business Univ-Cash
Funding Sources: 113 - Arkansas Industrial Development - Cash in Bank

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses 5020002	0	10,000	0	0	10,000	10,000	0	10,000	10,000
Total	0	10,000	0	0	10,000	10,000	0	10,000	10,000
Funding Sources									
Fund Balance 4000005	0	340		0	0	0	0	0	0
Cash Fund 4000045	340	9,660		0	10,000	10,000	0	10,000	10,000
Total Funding	340	10,000		0	10,000	10,000	0	10,000	10,000
Excess Appropriation/(Funding)	(340)	0		0	0	0	0	0	0
Grand Total	0	10,000		0	10,000	10,000	0	10,000	10,000

This appropriation was established by transfers from the Cash Fund Holding Account for FY06 and FY07. Continuation is requested for the 2007-2009 Biennium.

Change Level by Appropriation

Appropriation: C38-Small Business Univ-Cash

Funding Sources: 113 - Arkansas Industrial Development - Cash in Bank

Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	0	0	0	x	0	0	0	x
C01	Existing Program	10,000	0	10,000	x	10,000	0	10,000	x

Executive Recommendation

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	0	0	0	100.0	0	0	0	100.0
C01	Existing Program	10,000	0	10,000	100.0	10,000	0	10,000	100.0

Justification

C01 This request is to continue a cash funded appropriation in the amount of \$10,000 each fiscal year for the Small Business University. This program is currently authorized by transfer from the Cash Fund Holding Account requested in each year of the 2005-07 Biennium. The Small Business University Program has been extremely successful in helping small businesses gain the expertise to be successful during the first few years of operation by helping them create a working business plan and properly capitalize their ventures. That critical period is by far the greatest hurdle for small businesses, and once past that, there is a much greater likelihood of success in the long term. This program fills a critical need for small businesses and is funded totally from income of participant registration fees.

Appropriation Summary

Appropriation: 4GX Biodiesel Infrastructure
Funding Sources: FAK - Economic Development-Federal

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Grants and Aid 5100004	97,000	0	0	0	0	0	0	0	0
Total	97,000	0	0	0	0	0	0	0	0
Funding Sources									
Federal Revenue 4000020	97,000	0		0	0	0	0	0	0
Total Funding	97,000	0		0	0	0	0	0	0
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	97,000	0		0	0	0	0	0	0

This appropriation not being requested for the 2007-2009 Biennium.