

updated: 3:17 p.m. Friday, Jan. 25, 2013 | Posted: 12:01 a.m. Sunday, Jan. 27, 2013

New 'superproject' highlights Amendment 82 bonds

- 0 0 0 New

Sponsored Links

- [Get the Scoop on your favorite shows](#)
-
-
-

By MICHAEL STRATFORD

The Associated Press

LITTLE ROCK, Ark. —

As Gov. Mike Beebe's administration negotiates with a yet-to-be-revealed company over a plan that could bring a \$1 billion project to Arkansas, state officials want legislators to follow an unprecedented course to ensure the deal goes through.

A "superproject" could benefit from Amendment 82 — a voter-approved funding mechanism that would let the state borrow up to \$235 million to cover a company's start-up costs, with the Legislature's approval. Voters in 2004 gave legislators the authority to take on such debt after the state lost a truck manufacturing plant to Texas. The project could be revealed as early as Tuesday, when Beebe will make a "major economic development" announcement at the state Capitol.

"It's going to mean a large number of high-paying jobs," says Grant Tennille, the director of the state's Economic Development Commission. "The kinds of jobs that help to build communities."

Beebe already has access to nearly \$40 million in a "quick action closing fund" legislators first approved in 2007. He's tapped it for a variety of smaller projects and this month asked the Legislature to add \$50 million.

With the Amendment 82 money, Tennille said, the governor is now trying to land an "advanced manufacturing facility" that would attract a cluster of other businesses, such as companies providing materials or services.

"Every state in the union wants to land one of these kinds of projects," Tennille said, adding that there are typically only two or three such projects of this scale throughout the country each year.

Over the past decade, Arkansas tried to land Toyota plants of similar value, but both went elsewhere.

In 2007, Arkansas offered a \$200 million incentive package for a \$1.3 billion Highlander SUV plant that was eventually built at Tupelo, Miss. Mississippi put up \$296 million and also had an edge because of air-quality worries in the Memphis, Tenn., area. Half of Arkansas' incentive package would have been covered by a budget surplus.

In 2003, Toyota put a \$750 million Tundra truck plant in San Antonio the same day legislators debated a \$56 million incentive fund. The next year, Arkansas economic development officials cited Arkansas' failure to land the plant when pushing for Amendment 82's passage.

Beebe and economic development officials say Amendment 82 is the best way to bring to Arkansas such a massive project that will create many jobs and spur further economic growth.

But aside from a rough sketch of the project's scale — in his State of the State address Beebe described the project as "one of the biggest" Arkansas had ever seen — few other details have been released.

Tennille's office has scheduled a Tuesday news conference for a "major" announcement but wouldn't say whether it would involve the project for which Beebe is seeking Amendment 82 financing. Beebe is scheduled to appear at the news conference along with "local and company leaders."

The state began working on a major project about a year ago when the company approached Arkansas and several other states with their plan for a new facility, according to Tennille.

He said that the company considered Arkansas because of, among other things, its geographic location and its manufacturing workforce.

"Our position on the map was highly desirable," he said. "For the kinds of jobs that we're talking about, we've got a ready workforce, particularly with our two-year colleges able to get people the specific skills needed."

To land the plant, many states can offer a number of financial incentives to make themselves more attractive. Arkansas can borrow money with the Legislature's approval and pay it back with either general revenue or a specially-designated source of revenue.

Under Amendment 82, the amount of the bonds is limited to 5 percent of the general revenue the state collected in the previous year. That means that this year legislators could authorize the state to take on up to \$235 million in debt for the project.

Tennille declined to say how much financing the Governor would ask the Legislature to approve. When Amendment 82 was being debated, economic officials said a \$100 million incentive package amortized over 20 years at 5 percent interest would cost the state about \$7 million annually.

Tennille said the state is still negotiating with the company over a proposal and the letter of commitment, both of which are required under the Amendment.

Once those documents are finalized and the state's Economic Development Commission and Development Finance Authority agree to the plan, the Governor will give lawmakers a formal proposal.

The Legislature then has a 20-day window in which it can seek a third-party economic evaluation of the project before voting on the authorization of bonds.

If the Legislature were to decline authorization of the Amendment 82 bonds without finding another way to provide startup funds to the company, the state would likely lose the project, Tennille says.

"There is more than one other state waiting in the wings, and I would predict that the project would be announced very quickly somewhere else," he said.

Legislative leaders said last week that whether they support the project would depend on the specifics of the proposal.

Kathy Deck, director of the Center for Business & Economic Research at the University of Arkansas, says that while it's difficult to measure the impact of an economic project without knowing the nature of it, an investment in a company that attracts additional businesses, such as other components of its supply line, would certainly have a multiplying effect.

Part of the initial economic impact will be determined by how much of the company's capital investment is spent within Arkansas, pointing out that \$1 billion represents just for under 1 percent of all the economic activity in the state.

Still, Deck says, creating new manufacturing jobs would be a welcome announcement in a state that has lost many jobs in that sector over the last decade.

Although employment in manufacturing jobs in the state ticked upward last year, the number of manufacturing jobs in Arkansas has plummeted by more than 25 percent over the past decade, according to the Bureau of Labor Statistics.

"We still have a workforce that has skills in that sector, so I think our workforce would be ready for whatever kind of manufacturing project is announced," she said.