



**Arkansas's Economic Recovery Task Force  
Progress Report to Governor Asa Hutchinson**

**September 11, 2020**

*"It's up to each one of us to follow the state's guidance and make responsible decisions for our businesses, employees, and families."*

– Chairman Steuart Walton –

# COVID-19 Impact on Arkansas's Economy



**369,065\*** is the number of **initial unemployment claims** that were filed from the week ending March 7 to the week ending August 29, 2020. For the week ending August 29, there were **40,485\*** **continued unemployment claims**.

SOURCE: U.S. Department of Labor | \*Estimate



**7.1%**  
**unemployment rate**  
 in Arkansas in July 2020,  
 down from 8.1% in June 2020.  
 The state's unemployment rate  
 is below the national unemployment  
 rate of 10.2%.

SOURCE: Bureau of Labor Statistics



**19.6%**  
**GROWTH**  
 3<sup>rd</sup> Quarter U.S. Gross  
 Domestic Product (GDP) is  
 expected to grow **19.6%**.

SOURCE: Federal Reserve of Atlanta



In Arkansas, COVID-19 impact on the state and local tax revenue generated by the hotel industry has resulted in a **\$60.8 million loss**.

SOURCE: Oxford Economics



**\$36.5 M:**  
 Amount that  
 exceeded the  
 forecasted State  
 General Revenue for August 2020.

SOURCE: Department of Finance and Administration



**10.9% decrease in  
 personal consumption  
 expenditures** in the 2<sup>nd</sup> Quarter  
 of 2020. Consumer spending is not  
 expected to reach full recovery until 2021.

SOURCE: AR Economist and St. Louis Federal Reserve

From the week ending May 2 to the week ending August 29, 176,624\* initial claims for Pandemic Unemployment Assistance (PUA) were filed. During the week ending August 29, 10,912\* initial claims for PUA were filed.



## Unemployment

Unemployment numbers are steadily declining in Arkansas and remain below the national average, which is a positive sign.

- **Peaked in April at 10.8%** (U.S. 14.7%)
- **May 9.6%** (U.S. 13.3%)
- **June 8.1%** (U.S. 11.1%)
- **July 7.1%** (U.S. 10.2%)

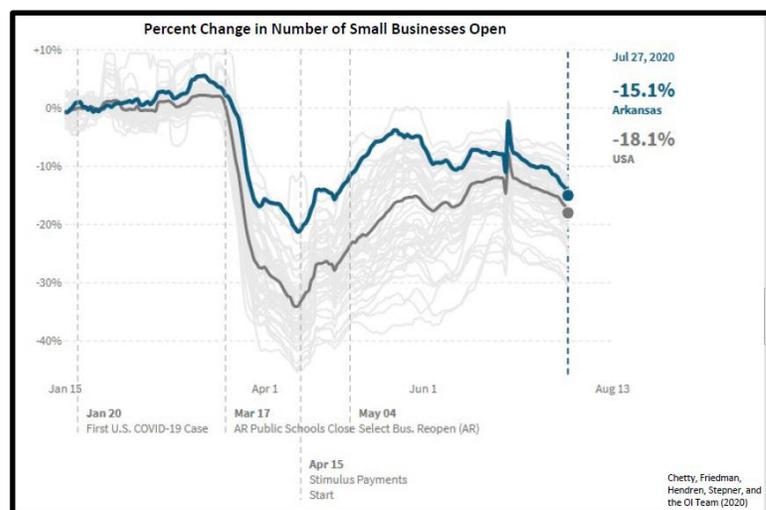
## Arkansas Revenue

Judging from the collection of state sales and income taxes, the state's economy performed better than expected in the fiscal year ending June 30, 2020. Arkansas taxpayers reported higher incomes than were previously expected, allowing the state to end the year with a significant surplus. In addition, July saw stronger economic performance, with the state exceeding its general revenue forecast by \$52 million. The stronger-than-expected performance was in part due to the overall strength of the economy before the pandemic as well as federal stimulus efforts. If further federal relief is not provided in the near future, we could face additional economic challenges in Arkansas that would negate the progress we have made thus far and delay future recovery efforts.

## Small Businesses

MetLife and the U.S. Chamber of Commerce conducted a [poll](#) focused on the ongoing impact of the coronavirus. The report details that although 86% of small businesses report opening in some capacity, they remain cautiously optimistic. At least 70% reported concerns about financial hardship due to prolonged closures and more than half worrying about having to permanently close. Of the small businesses surveyed that had to lay off employees, 48% say it could be anywhere between three months to a year before they anticipate rehiring. More than half of small businesses believe it will take six months to a year before the U.S. small business climate returns to normal.

As of mid-July in Arkansas, reporting from the University of Arkansas's Center for Business and Economic Research shows that the percent change in the number of small businesses open saw a small spike late May around the holiday weekend and then a brief uptick around the July 4 holiday, but still more than 15% below the number of small businesses operating pre-COVID. The number of small businesses has recently declined slightly as case numbers in the state increased.





## Hospitality

The hospitality industry remains among the hardest hit businesses by the pandemic. Although ample anecdotal evidence has expressed the pain in the hospitality industry, newly available statistical data better articulates the extent of damage to the industry.

\*On July 30, 2020, the Task Force held a meeting in which Mr. Mervin Jebaraj, Director of the Center for Business and Economic Research at the University of Arkansas's Walton College of Business presented preliminary Arkansas-specific data on the economy and the condition of the hospitality industry. In general, Arkansas's small businesses have been hit hard by the pandemic and resulting economic slowdown. Initial reports indicated that Arkansas's overall consumer spending slightly increased between April and July, likely boosted by the more generous federal government benefits at the time, but are now on the decline again. (Figure 1)

*\*Note: these slides have been updated to show more recent data.*

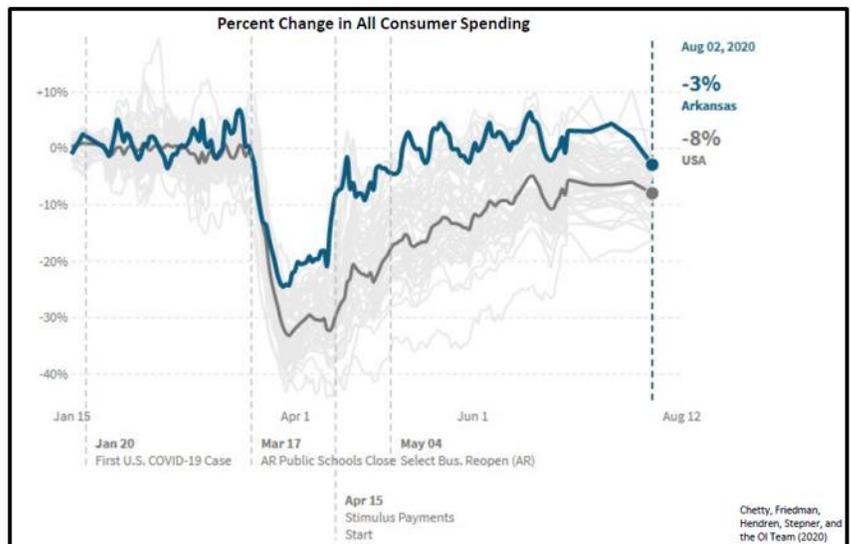


Figure 1.

Figure 2 tracks the total consumer spending across several industry sectors. Restaurants and Hotels saw marginal growth from July's report (which stood at -15.4%), while numbers for consumer spending on Apparel and General Merchandise is, once again, seeing a steady decline. Entertainment and Recreation remains well below last year's baseline numbers.

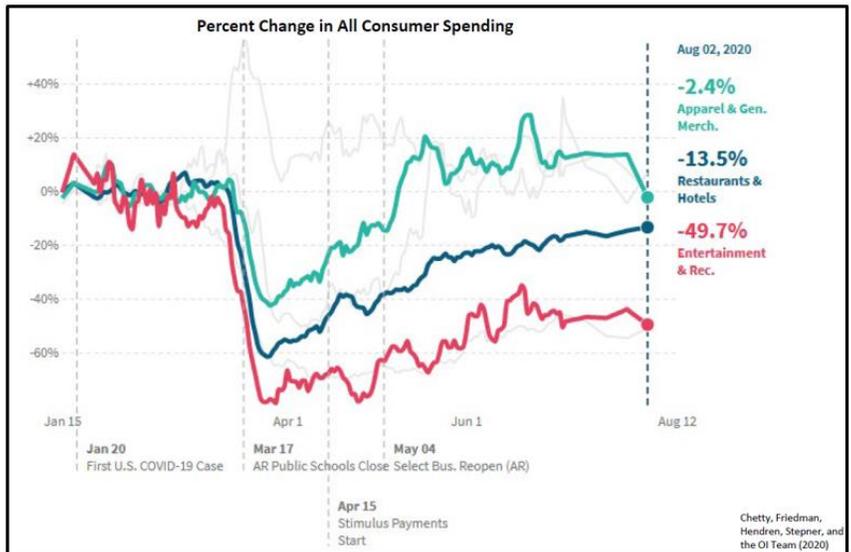


Figure 2.

Small hospitality businesses are experiencing this impact even more acutely. Leisure and Hospitality business revenues are down 24.2% year-over-year. This reduction in revenue is substantially worse than Arkansas small businesses taken as a whole, which are down a more modest 7.7% year-over-year.

A full recovery remains far in the future for the hospitality industry. Ideally, as consumers continue to resume their pre-pandemic activities, hospitality industry revenues will begin to recover.



### **Temporary Regulatory Extension**

Part of an ongoing effort of the Task Force includes monitoring of – and making recommendations for – regulatory changes that would allow businesses to continue operating in various capacities conducive to safe business practices.

In an effort to assist businesses, the Alcoholic Beverage Control (ABC) extended non-restaurant permits allowing temporary establishments of outdoor seating for certain venues that allow on premise consumption of alcoholic beverages. This extension is in compliance with the COVID-19 Emergency Order set out by the Governor and the Directives issued by the Arkansas Department of Health. Requests must be made in writing and contain a drawing of the outdoor service area sought to be under the temporary expansion along with approval from city or county officials. Temporary expansions will remain in effect until the termination of the COVID19 Emergency Declaration by the Governor.

Such outdoor service areas are subject to specific requirements and approval by the ABC. For more information, visit [this website](#).

### **Agriculture**

The United States Department of Agriculture's (USDA) primary response to the COVID-19 impact on the agricultural industry has been through the Coronavirus Food Assistance Program (CFAP). Congress provided \$16 billion in funding for direct payment to farmers and ranchers facing financial losses due to the COVID-19 pandemic.

As of September 1, 2020, more than 17,172 CFAP Arkansas farmers and ranchers have received approximately \$130 million in CFAP payments. Arkansas's share of the CFAP payments is 1.38% of the \$9.4 billion in total payments to date. This includes:

- \$92.2 million to livestock producers
- \$33.7 million to non-specialty crop producers
- \$3.2 million to specialty crop producers
- \$1 million to Arkansas dairy producers
- \$24,665 to Aqua, Nursery, and Flora
- No funding from the program has, thus far, been provided for the forest industry or poultry growers.

The USDA provided \$3 billion under the Families First Coronavirus Response Act to purchase and distribute agricultural products to those in need across the country. The USDA also partnered with regional and local distributors to assist with the distribution of fresh produce, dairy, and meat products to Arkansas food banks and other non-profits that serve the food insecure.

The meat processing industry is showing incremental recovery since the initial impact of COVID-19, but continues to lag behind 2019 processing levels for poultry and cattle. Arkansans' interest in regionalized, smaller scale meat processing capacity that can be accessed during normal and emergency situations continues to remain high.

In late August, the Arkansas Department of Agriculture received \$5 million in Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funding for a meat and poultry processing grant to expand processing capacity in response to COVID-19 related disruptions. Applications are being accepted through September 30 with awards anticipated on October 5, 2020.



For the most part, U.S. commodity futures demonstrate a downward trend over the past nine months; however, the impact of COVID-19 on commodities future prices is mixed. Since March 12, 2020, prices have seen the following changes:

- Hog prices decreased by 34%
- Corn prices decreased by 11%
- Cattle increased by 8%
- Soybeans futures up 3%
- Rice prices up 2%
- Class III milk up 47%
- Class IV milk decreased by 9%

### **Ready for Business Grants**

The Ready for Business Program provided grants totaling \$129 million to 11,409 businesses representing 225,000 jobs.

These grants were used to assist Arkansas businesses and organizations with the additional cost of operations, including the cost of providing personal protective equipment (PPE) and no-contact point of sales payment equipment, supplies and disinfectants, deep cleaning, hand sanitizer stations, expenses associated with reconfiguring businesses to meet recommended health and safety guidelines, signage, etc. The purpose of these grants were designed to keep businesses operating in a manner safe for both employees and consumers.

## **Resources for Arkansans**

A number of additional resources have been added to [ArkansasReady.com](https://arkansasready.com) since the Interim Report:

### **Business Guidance**

In conjunction with the Arkansas Department of Health, a [Guidance for Businesses](#) document was created and added to ArkansasReady.com to recommend steps to take when an employee tests positive for COVID-19.

### **Signage & Toolkits**

Pursuant to the [Governor's Executive Order 20-43](#), which became effective July 20, 2020, the Arkansas State Chamber of Commerce (ASCC) / Associated Industries of Arkansas developed signage to assist businesses.

- [ASCC Wear a Mask \(English\)](#)
- [ASCC Wear a Mask \(Spanish\)](#)
- [ASCC Wear a Mask Mandatory for Entry \(English\)](#)
- [ASCC Wear a Mask Mandatory for Entry \(Spanish\)](#)

Task Force members were encouraged to share these and other educational toolkits through relevant associations and industries to promote safe, healthy working environments for employees and customers.

### **Testing Locations**

The Arkansas Department of Health's guidance for getting tested, as well as testing and screening locations has also been added to ArkansasReady.com. Additional resources may be found [here](#).



## Status of Interim Report Recommendations

Committees of the Task Force discussed a number of recovery-related policy issues and developed recommendations for the Governor to consider.

### **Testing and Tracing**

The Task Force recommended the state prioritize CARES Act funding for testing and tracing capabilities to keep the state moving forward. Several testing and/or tracing investments have been approved by the CARES Act Steering Committee and are in the process of being implemented:

- The Arkansas Department of Health (ADH) received approval in early July to fund a second contract for 350 additional contact tracers, for a total of \$38 million for two sets of 350 contact tracers.
- Northwest Arkansas Council received \$7 million in federal aid to develop COVID testing, education, contact tracing, community support, and assistance programs to reduce the spread of the virus among Marshallese and Hispanic residents in Northwest Arkansas and four counties in southwestern and northeastern Arkansas.
- The Fay W. Boozman College of Public Health at UAMS and UAMS Northwest Regional Campus have been authorized by the ADH to conduct contact tracing for public and private colleges and universities in Arkansas. The project is in partnership with the Arkansas Department of Higher Education and the Arkansas Department of Health and is supported by \$5 million from CARES funding.
- The New York Institute of Technology College of Osteopathic Medicine at Arkansas State University, along with their Delta Population Health Institute, is performing all contact tracing for the current six colleges and universities in the Arkansas State University System and future member Henderson State University. No CARES or state funds have been committed to this project.

Additionally, private support has been offered by an organization represented on the Task Force, First Orion, who will be providing contact tracing number identification service to the Arkansas Department of Health free of charge. The technology identifies the COVID contact tracing number, which will assist with increased responses for contact tracers and case investigation staff.

### **COVID-19-Related Liability Concerns**

The Task Force recommended three potential ways to clarify and address concerns related to legal liability related to COVID-19. On June 15, 2020, Governor Hutchinson issued three executive orders to clarify Workers Compensation Law during the public health emergency, protect health care providers from liability, and exempt businesses from liability related to the spread of COVID-19.

[Executive Order 20-33](#) regarding employers and businesses orders that:

- All businesses and their employees shall be immune from civil liability as a result of exposure to COVID-19.
- Immunity does not apply to willful, reckless or intentional misconduct.
- A presumption that the actions are not willful or reckless if the business owner substantially complies with public health directives.
- Immunity does not extend to worker compensation benefits.
- Immunity is effective from 6/15/20 until the emergency is terminated.



[Executive Order 20-34](#) regarding immunity for health care providers orders that:

- Health care workers and providers are authorized to use crisis standards of care to respond to treat COVID-19 patients.
- The health care providers as emergency workers are immune from civil liability.
- Immunity does not extend to willful, reckless, or intentional misconduct.
- Immunity is effective from 6/15/20 until the emergency is terminated.

[Executive Order 20-35](#) regarding workers compensation coverage orders that:

- Assures workers compensation coverage for employees.
- COVID-19 is considered an occupational disease under the law.
- COVID-19 shall be an exception to prohibition on compensation for ordinary diseases of life.
- There must be a causal connection between employment and the disease.

### **Childcare – Resources, Funding, and Availability**

Members of the Task Force reported hearing from employers and employees – from industries and businesses across the board – that those who were willing and able to return to work at full capacity still experienced trouble due to lack of childcare options.

The Task Force recommended stakeholders engage with businesses to develop creative and appropriate solutions for employees with childcare needs, including allowing those who were unable to find available childcare to continue working from home for the short term. Other recommendations included, if needed, the creation of an advisory team to assist in developing a coordinated plan to help reestablish childcare services and the creation of a childcare resource campaign to learn about childcare opportunities across the state.

The ADH and the Arkansas Department of Human Services (DHS) provided guidance to the regulated childcare facilities throughout the state on proactive measures, including screening recommendations for staff and visitors.

DHS's Division of Child Care and Early Childhood Education (DCCECE) built a [COVID-19 landing page](#) for quick and easy access for providers and parents seeking information. The landing page has hyperlinks provided for answers for essential employee eligibility, licensing requirements, cleaning guidance and many other resources. It also contains an [interactive map](#) that can be utilized to find open childcare facilities, or by clicking [here](#) and scrolling down to the bottom of the page to see an updated list of open childcare centers in document form listed by county.

Of the approximately 2,000 providers, over 1,600 remain open and offer capacity for around 135,000 individuals. DCCECE has expended a little over \$8 million out of the \$41 million for Child Care Development Funds in the CARES Act.



## **Workforce Training**

The Task Force recommended investments in workforce training continue to be a priority. Community college leaders and the ASCC have worked to identify the needs of the state's industries and recommend specific courses and programs to create or expand.

Arkansas Community Colleges (ACC) conducted a statewide survey of Arkansas businesses in spring 2020 to identify hiring trends and training needs. Respondents included 160 businesses from across the state, most of whom (80%) had 500 or fewer employees.

- Of the respondents:
  - 59% anticipate hiring or rehiring workers;
  - 56% would benefit from online, short-term training for new or existing workers; and
  - 33% plan to add or increase use of automation, robotics, or artificial intelligence in the next 18 months.
- Top essential skills identified were work ethic, communication, teamwork, time management, critical thinking, and attention to detail.
- Top technical skills identified were technology and computer skills, tool use and measurement, software proficiency, operations, and mathematics.

The results of this survey will inform ACC's workforce development strategies.

ACC, in partnership with NorthWest Arkansas Community College (NWACC) as the lead applicant, is preparing an application for the U.S. Department of Labor (USDOL) funded Strengthening Community Colleges (SCC) grant. The goal of SCC is to "build the capacity of community colleges to collaborate with employers and the public workforce development system to meet local and regional labor market demand for a skilled workforce." Priorities will include remote training opportunities designed for Arkansans to upgrade both essential and technical skills, short-term training programs that lead to industry recognized credentials, and expanded professional technical programs that lead to short-term, college level certificates. The application deadline is October 8, 2020 and, if funded, the project will begin January 1, 2021.

ACC is in the process of outlining next steps in developing strategies to increase the attainment of high-quality credentials leading to high-wage, high-demand jobs that will aid the state's economic recovery. This work will be informed by ACC's industry survey and other post-COVID labor market data.

Furthermore, the existing [Be Pro Be Proud](#) initiative led by the Associated Industries of Arkansas in conjunction with the ASCC and Arkansas Economic Development Commission, is spearheading the movement to bring a new generation of pride, progress, and professionals to Arkansas's skilled workforce. The program offers opportunities for job seekers, skilled professionals, employers, and teachers to be involved through workshops, training, and more. The mobile workshop is fully booked through the end of the year, driving increased interest in post-secondary technical education programs in community colleges.



## **Broadband**

The Task Force recommended that the Arkansas Rural Connect (ARC) Grants be funded to the full \$25 million appropriated, encouraged support for the Rural ID Broadband Program, and recommended that additional investments be considered to increase broadband accessibility and availability.

On June 15, 2020, the CARES Act Steering Committee and Arkansas legislature endorsed proposals to use \$21.6 million of federal funds towards the two broadband grant programs. This includes \$19.3 million for ARC grants and \$2.3 million for the Rural Broadband I.D. program.

Grant recipients must expend the COVID-19 federal funds by December 30, 2020. Additionally, \$4.7 million is available in state funds for projects that would extend beyond December 30. The goal of the program is to provide high speed broadband to rural communities.

The Arkansas Department of Commerce is evaluating applications with a focus on projects that can deploy broadband to qualified areas before December 30, 2020. For more information or to apply for an ARC grant, visit [www.broadband.arkansas.gov](http://www.broadband.arkansas.gov).

Furthermore, on July 27, 2020, Governor Hutchinson and the Arkansas Department of Education (ADE) pledged \$10 million for Wi-Fi access devices for schools across Arkansas from the Governor's Emergency Education Relief (GEER) Fund, provided through the federal CARES Act program. The [Arkansas Access Point Project](#) includes signed agreements with three major telecommunications companies to purchase Wi-Fi access devices and unlimited data plans at a reduced cost for every school district in the state. The ADE will buy as many as 20,000 of the devices with funding provided through the federal CARES Act. The devices and internet access are free to students.

On August 5, 2020, the CARES Act Steering Committee approved an additional \$100 million to expand rural internet access to support telemedicine, online schoolwork, and online business. The recommendation has been approved by the Arkansas Legislative Council.

To date, the Arkansas Rural Connect program has made 19 awards totaling \$26.9 million.

## **Continued Areas of Focus**

- Recommendations on regulatory changes that need to be extended or maintained post-emergency (e.g., tele-health, delivery/carry-out options for alcohol, logistics, infrastructure, zoning, etc.)
- Contingency plans in the event of a virus outbreak later this year
- Enhanced capacity for testing and tracing
- Advising on guidance for moving to Phase 3 as health indicators warrant
- Providing continued education around masks, support for the general guidance provided by the Arkansas Department of Health, and safe practices during the pandemic

While we are encouraged by the economic recovery progress thus far, businesses and organizations across the state will continue to face challenges for the foreseeable future. The Task Force and individual members stand ready to provide additional assistance and guidance as needed.