Senators Mull Role in Steel Mill

CHUCK BARTELS,Associated Press

LITTLE ROCK, Ark. (AP) — Gov. Mike Beebe and state economic officials told Arkansas senators Monday that the state borrowing $125 million to help fund a planned $1 billion steel mill in Osceola is a good investment. Arkansas Teacher Retirement System trustees endorsed the project by agreeing to invest $60 million.

Beebe said the prospect of a long-term economic boost in northeast Arkansas is worth the risk of the state investment in Big River Steel LLC.

He told the upper chamber that his office has fielded plenty of requests by businesses for state aid over the six years he's been in office.

"I'm pretty jaundiced about this kind of stuff," he said.

Because of rules attached to the Legislature borrowing to finance its $125 million portion, the House and Senate will have only 20 days to vote on the proposal. So legislators are working to do as much prep work as possible before a bill is submitted and the clock starts ticking.

"We welcome your in-depth analysis — that's your job," Beebe said.

Senate President Pro Tem Michael Lamoureux, R-Russellville, said legislators still plan to hire a consultant to help legislators evaluate the proposal prior to submission of a bill.

Arkansas Economic Development Director Grant Tennille said $50 million of the state money would constitute a grant, and another $50 million would be a loan. The company would get a $5 million discount if it can repay the loan within four years.

"This is not without risk, but we've done our due diligence," Tennille said.

An additional $20 million would be a grant to help pay for subsurface foundation work at the site, with the company putting up its own $20 million. If the work costs less than $40 million, any savings would be shared equally.

The state is also putting up $10 million for training workers, $5 million of which is from a fund controlled by Beebe.

State economic officials can pull back the investment if the mill doesn't keep its promises to create 525 jobs, pay annual salaries of $75,000 or invest in the plant at projected levels.

Tennille acknowledged the company will have to work fast to equip the mill and train its workers, but said other mills started by Big River Steel chief John Correnti

have achieved similar success.

Lamoureux said Monday's session showed senators are keeping an open mind.

"I think they're really trying to get their arms around this, taking the job very seriously. They do in fact have to evaluate this and decide if they want to authorize those bonds," Lamoureux said.

Tennille said the proposal is structured so that the $1 billion from other investors has to be in place before the state can the sell bonds.

Another stipulation is that the mill has to spend $250 million on the project before it can touch the state's portion.

Some senators expressed concern that the mill would compete with existing Arkansas mills. Tennille said Correnti's target market is overseas competition, though there would be some product overlap with Nucor in Blytheville.

Arkansas Teacher Retirement System Director George Hopkins said there is plenty of demand for the steel the plant will produce, which will be used in pipe for the oil and gas industry, for electric motors and transformers and a thin, high-strength product for automobile exteriors.

Tennille said the state had stiff competition from Mississippi and that it could land in Louisiana, Oklahoma or Missouri if Arkansas balks.

Trustees for the teacher retirement fund indicated in Monday's meeting that they want to keep their $60 million in the project, even if it goes to another state.

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