

MAKING THE GRADE?

Report Card Identifies Key Trends

By Tom Schuman

When work began in 2010 on the current second version of the Indiana Chamber's statewide economic development action plan, there was debate among task force members about a realistic yet aggressive time frame. Several expressed the view that a 15-year horizon was too long, while the year 2030 was among the alternatives mentioned.

In the end, the determination on the follow-up to *Economic Vision 2010*, however, was the creation of *Indiana Vision 2025*. Any hesitations on the year chosen are long gone as 2015 – and the new Report Card detailed on these pages – marks one-third of the way to that vision for the state.

"There were some spirited discussions among the members of the task force," recalls Indiana Chamber President and CEO Kevin Brinegar. "These Report Card results help prove that a proper call was made. While there has been substantial progress, both in policy actions and in some of the metrics used to evaluate the goals, there is no doubt that there is a long way to go in many areas.

"When we say today that another 10 years remain until 2025, we're tempted to place the word *only* in that sentence to emphasize the urgency. It certainly takes

quite some time and a series of efforts to move our state forward and within reach of the *Indiana Vision 2025* goals."

A May 2013 Report Card established benchmarks for 59 metrics that are used to measure the 33 goals included in the plan under the following four drivers:

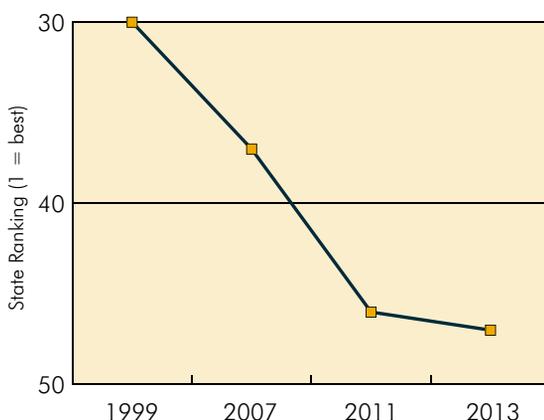
- Outstanding Talent
- Attractive Business Climate
- Superior Infrastructure
- Dynamic and Creative Culture

In terms of raw score (example: percent of population being the measurement for the Associate Degrees or Higher

STATE RANKINGS: KAUFFMAN INDEX OF ENTREPRENEURIAL ACTIVITY

(percent of adults starting new businesses each month)

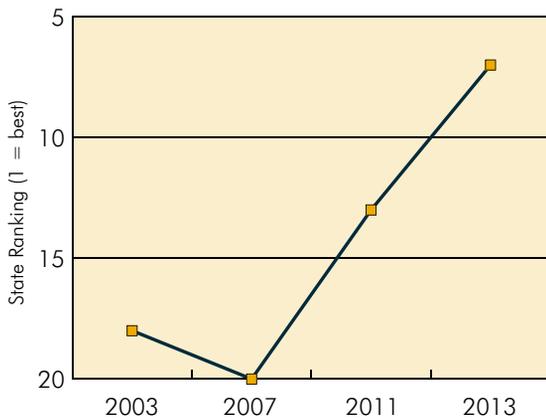
Indiana, 1999-2013



Indiana fares well in research and development expenditures, but lags in new business start-ups.

STATE RANKINGS: READING GAP-4TH GRADE

Indiana, 2003-2013



National Assessment of Educational Progress test scores have improved for both fourth and eighth graders in Indiana.

metric under the goal of increasing to 60% the proportion of Indiana residents with high-quality postsecondary credentials), Indiana saw improvement in 33 of the 59 metrics. There were declines in 17 raw scores and nine either remained the same or there was not updated data.

Brinegar explains that a greater emphasis is placed on state rankings.

“It’s possible – and we saw it quite often in *Economic Vision 2010* – that Indiana can achieve at a slightly higher level but still drop in comparison to other states. No one else is standing still in today’s competitive climate,” he says. “Many goals include a state ranking component or, in a few cases, an international comparison.”

Example: In broadband Internet, Indiana improved from 63% of households connected in the 2013 Report Card to 67% in the latest version. The state’s ranking, however, dropped from 35th to 40th.

Overall, Indiana improved its state ranking in 28 (of the 59) metrics, saw that ranking decline in 19 instances and there was no change or updated data available in 12 cases.

Below are some of the key Report Card findings in each of the four driver areas.

Outstanding Talent

Brinegar notes that he has commented early and often that while there is no official ranking of the four drivers, the education and workforce components present here elevate Outstanding Talent to the

top of the list for practical reasons.

The 2015 Report Card findings are definitely mixed. For the optimist:

- Impressive improvement on National Assessment of Educational Progress test scores in both reading and math, particularly at the fourth-grade level. Brinegar cites the addition of the I-READ third-grade reading test as deserving some of the credit
- Science and Technology Associate Degrees remain in the top 10 among the states and have advanced in an international comparison from 31st in 2000 to 19th in 2012

On the concerning side of the ledger:

- Improving one place is not nearly enough when it comes to 45th and 42nd rankings, respectively, in overall Associate and Bachelor Degrees (as a percentage of the population)
- That leaves Indiana well short (at 34.7%) of the previously mentioned goal of 60% of the population with postsecondary credentials. The 50-state average in this category is 40%

One of the more puzzling statistical findings has been the state’s Poverty Rate. It dropped from 12th in 2000 to 35th place among the states in 2011 and is now back up to 16th in the latest (2013) data.

“That can be partially attributed to Indiana’s still heavy reliance on manufacturing and the emergence of that industry from the Great Recession,” Brinegar states. “Another factor is the government survey data itself, which has proven to vary from year to year.”



Business accelerators (Launch Fishers, left, and Velocity Indiana) are increasing around the state as one effort to facilitate entrepreneurial growth.

Attractive Business Climate

Indiana's only top ranking among the states comes in the area of regulatory environment. After being alone at first place in the 2013 Report Card in the Regulatory Freedom Index, it shares that distinction this time around with Delaware. The index features a score based on freedom from tort abuse, property rights protection, health insurance, labor market, occupational licensing, cable and telecom, and miscellaneous regulatory freedom.

In the Funded Pension Liability metric, Indiana ranks 38th at 61%. Brinegar comments that while the state's prudent fiscal management is to be celebrated, the decline in pension funding from nearly 65% in the previous Report Card "is something that needs to be dealt with."

Health care measures are also part of this driver. While a ranking of 39th is generally not worthy of celebration, a nearly 4% reduction in the Adult Smoking Rate is certainly good news. More than a quarter of the state's adults were smokers in 2011; that decreased to 21.9% by 2013. The goal is to reduce that number to less than 15%.

Superior Infrastructure

There was not significant movement in the metrics related to the energy goals. As a state heavily reliant on coal, Indiana continues to suffer more than most from regulatory actions taken in Washington.

In the Electricity Prices metric, which combines both industrial and commercial costs, Indiana actually improved from 19th to 11th among the states. When industrial rates only are considered, however, the state has declined from 12th place in 2000 to 28th in 2013.

Another interesting metric is Fuel Taxes' Share of Road Spending. Indiana, 45th



in 2005 and 40th in 2010, improved to 28th. This reflects a decreasing reliance on fuel taxes, which no longer cover the costs of infrastructure funding at either the state or federal levels.

"Legislative leaders have already declared the 2016 Indiana General Assembly session to be one focused on infrastructure," Brinegar relays. "Results from a two-year study of funding alternatives are expected yet this year. This is a critical area for a state so reliant on moving products and people."

Dynamic and Creative Culture

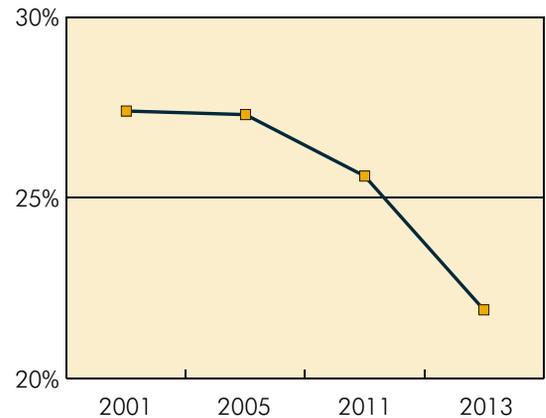
There are two major areas of concern related to this driver.

Despite an emphasis on entrepreneurship and business start-ups, Indiana remains in the bottom five of the respected Kauffman Index of Entrepreneurial Activity. An essential ingredient to that activity is venture capital, with Indiana traditionally near the middle of the pack among the 50 states. Although a volatile statistic, the Venture Capital Invested decreased from nearly \$13 per capita in 2012 to \$7.60 in 2014 – with a subsequent drop from 27th to 36th in the rankings.

Brinegar: "Indiana certainly has examples of entrepreneurial momentum, but it

ADULT SMOKING RATE IMPROVEMENT

Indiana, 2001-2013



doesn't appear the state is moving far enough at a fast enough pace. One key ingredient is to overcome the stigma attached to a failed business effort. We must acknowledge that not all start-ups are going to succeed, and we need to embrace the entrepreneurs and support them as they learn from the process and prepare for their next business venture."

In contrast, research and development (R&D) funding is a positive. Science and Engineering Funding from Universities moved into the top 20, while Business R&D continues to rank in the top 12. Exports also remain a vital and growing part of the economy with rankings of ninth in exports as a percent of gross state product and 11th in exports per capita.

Moving forward

Brinegar offers the following assessment when asked about the overall Report Card results.

"The Outstanding Talent driver, the one most in need of improvement, has seen some movement. But there is a long way to go, particularly in postsecondary attainment.

"Attractive Business Climate has been the state's strength over the past decade. That remains, for the most part, in this Report Card with further progress coming from the 2015 elimination of the business personal property tax for small businesses. This directly impacts 150,000 companies or more than half of all businesses in the state," he continues.

"In Dynamic and Creative Culture, more entrepreneurs are needed and they require more money. Unlike the metrics in Outstanding Talent, which generally take many years to achieve progress, change could occur here in a shorter time frame. But only with the proper emphasis and urgency."

Sponsors of the *Indiana Vision 2025* Report Card and the regional forums that brought the results to business, education and community leaders around the state are: Duke Energy Foundation, Eli Lilly and Company Foundation, Ivy Tech Community College, NIPSCO and St. Vincent Health. More than 60 companies, organizations and individuals are supporters of the *Indiana Vision 2025* effort.