

Midwest and Great Lakes Economic Development Summit
INDIANA STATE REPORT

Economic Development Strategy

For the past fifty years, Indiana's economy has been in a "stealth" decline, losing ground slowly enough to be off most radar screens but steadily enough that per capita income (considered the best all around measure of a state's economic health) has slipped from 106% of the national average in 1953 to 91% today. Indiana now ranks 33rd out of 50 states in overall economic performance in the latest Indiana Chamber of Commerce Vision 2010 Report Card.

Accelerating Growth, Indiana's strategic economic development plan offers a framework for moving Indiana's economy forward. It is focused on reversing Indiana's decline in per capita income and moving Indiana into a pre-eminent position in the nation's economy. Its recommendations are focused on giving our regions and communities the direction, support, and flexibility they need to be competitive in today's global economy.

The successful development and implementation of the plan will require great levels of collaboration among state, regional, and local public institutions as well as the strong support of leaders from the civic, business, academic communities. Thus, building such collaboration has been at the forefront of the planning process from the outset. The plan was developed with input from well over 600 people from around the state, representing a wide range of stakeholders in the state's economic future. Both planning and implementation will focus at the regional and local levels, with incentives provided by the state to achieve the level of collaboration necessary for success.

The plan's vision is simple but bold: Reach the national average in per capita income and average annual wages by 2020. To achieve this vision the state's economy will need to grow significantly faster than the nation as a whole in order to close the income gap and move closer to the national average. Challenging? Yes. Achievable? Absolutely!

For Indiana to compete against not only other states but also other countries, we must emphasize the centrality of high-wage, high-margin, and high-growth businesses. The bottom line is wealth creation; and research suggests that regional economic growth rates are associated with increased entrepreneurial activity, higher levels of human capital, and increased industrial diversity. Therefore, Indiana must continually strive to create an economic environment that fosters innovation and knowledge creation, while fully leveraging existing resources.

Indiana's plan to accelerate growth will achieve its vision by addressing the following critical success factors identified by economists and economic development experts:

- **Innovation** to leverage the speed of change for economic benefit in existing and emerging industries;

- **Talent** to provide workers with the globally competitive skills, knowledge, and aspirations to generate the innovations;
- **Investment** to stimulate and sustain innovation and talent, further leverage existing resources, and advance critical aspects of the state's underlying infrastructure and culture.

In *Accelerating Growth*, each of these imperatives is linked to a goal, and is supported by a number of initiatives that collectively provide the tools necessary to fuel economic growth:

Pro-Innovation Goal: *Make Indiana a national leader for innovation and entrepreneurship in the global economy.*

- Enhance the capacity of universities and businesses to translate the discovery of new ideas into applied research by capturing more federal R&D funding, fostering private/public/university research partnerships, and increasing the number of SBIR/STTR awards.
- Improve the successful commercialization of new innovations by expanding the entrepreneurial capacity of our universities and technology parks, rewarding successful technology transfer, and attracting and securing new high-growth business start-ups.
- Increase entrepreneurship by providing financial, managerial, and technical support to entrepreneurs and growth companies. Expand risk financing for the commercialization of proven research and technologies by creating a flexible investment strategy for state venture capital funding.

Pro-Talent Goal: *A Hoosier workforce whose capability, productivity, and flexibility are globally competitive and nationally superior.*

- Increase the skill attainment of our existing workforce by:
 - adopting a 21st century demand-driven adult education system that is both standard-based and outcome-focused;
 - promoting lifelong learning through a statewide awareness campaign that challenges all Hoosiers to "Go-Higher";
 - ensuring that workers are trained rapidly to meet employer needs by customizing the training and curriculum of workforce education providers and bringing the classroom to the worker through virtual learning systems;
 - creating innovative funding mechanisms and incentives that encourage employers and workers to invest in skill advancement; and
 - identifying and closing skill gaps through the collection and analysis of workforce education data.
- Prepare our emerging workforce by aligning education and economic development strategies, reducing the number of high school drop outs, increasing the progression of students to post-secondary learning, and providing job-relevant exposure for those not immediately bound for higher education.
- Attract top global talent to Indiana companies and educational institutions with scholarships, internships, job-matching services, and targeted marketing efforts.

Pro-Investment Goal: *Make Indiana one of the most investment-friendly states in the nation.*

- Increase investment by reforming the tax and regulatory systems, and ensuring that the tax climate is thoroughly reviewed, monitored, and updated as needed.

- Reduce the number of Hoosiers without health insurance by increasing access to primary care and disease management, encouraging Hoosier businesses and workers to adopt healthier lifestyles, and improving medical effectiveness and reducing errors.
- Allow businesses to move goods to market faster, receive information quicker, and produce products cheaper and cleaner by building an infrastructure for high growth that includes world-class roads, broadband communication, and energy sources.

It is essential that Indiana begin moving forward to implement *Accelerating Growth* as quickly as possible. Building momentum in the early phases of implementation is critical, and the IEDC has taken an important initial step to do so through the creation of a new Interagency Implementation Team. The Team, comprised of senior leadership from all state agencies involved with economic development, as well as from the Governor's Office, will work together to coordinate implementation, monitor progress, and adjust the plan to meet any needs not adequately addressed.

Accelerating Growth is intended to revive Indiana's remarkable history of pragmatic entrepreneurship. By focusing on innovation, talent, and investment, we can build for the future by rediscovering the excitement of Indiana's innovative past. To achieve this goal,

Accelerating Growth depends first and foremost on the support of Hoosiers across the state who will collectively determine Indiana's economic future. Connecting state agencies committed to economic growth with Hoosiers around the state, community leaders can come together to form a broad implementation network that embraces the vision put forth in this plan, utilizes the incentives it provides, and establishes regional and local strategies that will further leverage its success.

Workforce

Economic development cannot be separated from workforce development. Successful 21st century employment and economic growth depends on increasing the skill and knowledge levels of existing Hoosier workers and ensuring that the education of future workers is more challenging and effective. Simply stated, for Hoosier employers to be successful in the global knowledge economy, Indiana's workforce must be more skilled, productive and flexible.

Existing workforce

Increase Hoosiers' skill attainment to globally competitive levels by creating the opportunity for each Hoosier worker to move at least one-step up the talent scale, ranging from basic literacy to strategic skills, through demand-driven mechanisms.

Indiana fares poorly in terms of education and skill levels of the existing workforce. Consider the following Indiana national rankings:

- 35th – share of population over 25 with an associate degree
- 47th – share of population over 25 with a bachelor's degree

A recent study by the Indiana Chamber of Commerce estimates that roughly one million Hoosier workers lack the basic skills necessary for 21st century employment. Equally alarming, Indiana workers on average are not engaged in "step-up" activity, as evidenced by the fact that Indiana ranked 34th in part-time enrollment in post-secondary programs among adults ages 30 and older.

Initiatives are already under way to move Indiana's existing workers up at least one talent level, to eliminate functional illiteracy and to ensure workers possess targeted skills and competencies that match employer needs. In 2005, the Indiana Department of Workforce Development (DWD) launched the \$23 million Strategic Skills Initiative which has brought regional partners together from workforce and economic development, industry and education to design new ways to train Hoosiers for better paying jobs. DWD has also made substantial strides in transforming the state's traditional workforce development system to meet the needs of today's global knowledge economy. Core reforms under way include:

- Consolidating 17 regions into 11 meaningful economic regions, freeing up approximately \$2 million in administrative costs to be moved to training Hoosiers.
- Replacing today's bureaucratic board structures, comprising 35 to 70 representatives, with boards of nine to 16 regional leaders selected by local elected officials.
- Implementing policies that require competitive bidding of regional services, with meaningful accountability measures.

DWD also recently announced a demonstration pilot in which up to 12 companies will help develop new employer-driven training programs aimed at raising the basic workplace skills of Indiana's workforce.

While these and other like efforts are a good start, they are just that a start. To successfully compete, Indiana must move with even more resolve to elevate the skills of our existing workforce.

Eliminate functional illiteracy in the workforce, training Hoosier adults to reach 21st century basic skill levels.

Train Hoosier Adults to Reach 21st Century Skills Levels through a New Office of 21st Century Career Education within DWD

While funds from various state and local entities are targeted at workplace literacy, there is no one entity that is solely and effectively responsible for improving these skills in the Hoosier workforce. All too often, existing adult education models replicate traditional classroom teaching methods, with minimal employer involvement or occupational context. Yet, experts know that adult students are more receptive, engaged and successful in workplace literacy development if learning is closely tied to, and geared toward, improved employment or post-secondary educational success.

DWD's new Office of 21st Century Career Education should use existing adult basic education funds and additional appropriated state funds, in partnership with existing and new education providers, to expand upon existing offerings and better meet the workplace literacy needs of Hoosier employees. Special emphasis should be placed on engaging employers and closely aligning workplace literacy development to the needs of the workplace or to post-secondary education success. Clear and meaningful metrics should be established, and providers should be held accountable to meet pre-defined objectives (such as enrollment, literacy gains, progression to degree programs and additional training).

The office would also create and launch a standards-based and outcomes-focused 21st Century Workplace Skills Credential with industry recognized assessment processes, such as WorkKeys or CASAS, and clear links to employment and post-secondary education success. Adults displaying 21st century competencies would earn the credential. Employers and the

post-secondary education community would be heavily engaged in the development process in order to give the credential needed validity and credibility.

Launch Indiana “Go-Higher” Campaign

Despite the great need for basic skills education in Indiana, research has found little evidence of significant demand for such programs from working adults with low basic skills. Research also indicates limited awareness among the general public of skill deficits, and little media attention is paid to the topic. Consider the following as evidence:

- Only 20 percent of adults who tested in the lowest levels in the most recent National Adult Literacy Survey (NALS) stated that they saw an immediate need for improving their skills.
- As part of the Indiana Chamber study, an employer survey revealed loud calls for more information on where to access basic workforce skills education information and resources.

Given the stakes, we cannot sit back and wait for demand to grow. It is too easy for adults to deny or ignore basic skills deficits, and instead to see the problem as the changing economy. As such, DWD should collaborate with other interested entities (leveraging state, federal and private funds) to launch an awareness campaign targeted at adults and employers, calling on the Hoosier workforce to “Go Higher.” The program can be based on a similar program in Kentucky -- a \$4 million effort, which helped quadruple the number of working adults enrolled in basic skills education programs over three years.

Double the number of adult part-time learners by 2010, achieving a national ranking in the top half of states. Increase the competitiveness of existing and future Hoosier employers and their skilled workers.

Develop the Hoosier Partnership for a Competitive Workforce

No company should ever decline to expand in, or relocate to, Indiana due to lack of qualified workers. The state must be able to train workers rapidly to meet employer needs. The IEDC, DWD and select Indiana post-secondary education institutions, with special focus on Ivy Tech Community College (Ivy Tech), must develop the capability to diagnose quickly employer workforce needs and deliver rapid-response customized training that builds the necessary employee skill sets. As a first step, the IEDC and DWD should organize a summit with these educational institutions, along with select employers, to determine a framework for developing or enhancing this rapid-response training capability and to plan for moving forward. Such a plan should include an assessment of best practices from around the globe.

Develop Compressed Community College Academic Programs

At present Ivy Tech has low rates of completion, in large part due to the structure and length of academic programs that typically last a full semester. This structure has been adopted from traditional programs for younger students at residential colleges with virtually no modifications to meet the scheduling needs or learning styles of adult part-time students. The current structure means that the 70 percent of Ivy Tech enrollments are part-time adult students who typically take only two courses per semester and require an average of five years to complete the requirements for an associate’s degree.

Private proprietary and nonprofit post-secondary institutions, such as ITT and Indiana Wesleyan, have already adapted program structures to meet the needs of adult learners and to conform to adult learning styles. These institutions, along with community colleges in other states, offer

programs in intensive eight-week sessions. Students who work full-time and are in these compressed programs can still accelerate through an associate's degree in as little as 12 months, as well as earn job-relevant, industry-recognized certificates along the way. Many of these same schools also have completion rates more than double the national rates of public institutions and more than triple those of Ivy Tech. As Indiana's community college, Ivy Tech should work aggressively to offer modularized, compressed and accelerated degree and certificate programs for working adults.

Launch Virtual Learning System and "Learn-ware" Marketplace.

Many states are developing virtual universities or community colleges that provide dislocated workers and other individuals with flexible options for training and skills enhancement. Indiana Virtual Learning System (VLS) would expand the state's new job matching system to address the full breadth of customer career-planning needs by providing insight into potential career paths based on the skills and experience the customer already exhibits. VLS would use the student's resume and other information to suggest potential career paths in high-wage, high-demand industries related to his or her strengths. The system would identify the next level of education needed to advance in a career and provide links to approved learning institutions within a requisite radius of the student's home, in addition to online learning access. The system would include labor market information, education and training information, career profiles, self-assessment tools, financial aid information and a place for students to provide and review systematic feedback on service providers.

Create innovative funding mechanisms and incentives to improve the training and educational levels of the Hoosier workforce. Build key support structures to drive the return on investment of scarce resources.

Introduce Employer Incentives to Encourage Education and Training

Given Indiana's low educational attainment levels, the need for improved awareness of existing skills deficits and the need to ensure alignment between employee training and employer needs, Indiana should offer employers a state tax credit to subsidize post-secondary education in a limited fashion. More specifically, employers would receive a credit subsidizing their tuition costs for employees to pursue certificates and associate's degrees at select educational institutions. To help ensure fiscal viability, the credit could be focused on individuals with no post-secondary credentials, be restricted to certificate programs and associate degree levels, be limited to 50 percent of qualified expenses and be capped at employee and company levels. The credit could also be limited to incremental education and training expenses by offering it to only those company expenses in excess of a rolling average over the previous three years.

Additionally, institutions should be encouraged to offer tuition deferral programs to select employers. Under this program, tuition charges would be deferred until completion of the academic program or of the semester of enrollment, whichever comes first. Further, the employer would only be charged for employees completing the program with demonstrated competency.

Launch Personal Reemployment and Career Advancement Accounts

DWD, in coordination with the U.S. Department of Labor (USDOL), should launch "Personal Reemployment Accounts." These accounts, available to certain unemployed individuals, would provide a lump sum amount that could be used for training and education and would

offer financial incentives through unused lump sum funds for participants to gain and sustain employment.

In the mid-term, Indiana should work with USDOL to fundamentally recreate the way in which training and education are funded via federal workforce dollars through the creation of "Career Advancement Accounts." Using today's multiple streams of federal workforce funds, these accounts would be available to workers entering the workforce or transitioning between jobs and careers or incumbent workers in need of new skills to remain employed or move up the career ladder. Participating individuals would use their accounts primarily to pay for expenses directly related to education and training. Funds would be used for training in skills for high-wage, high-demand industries, to help individuals gain foundational workforce and academic skills and for work-based experience through a wide array of on-the-job training models including apprenticeships, internships and others.

Launch an Indiana Economic Intelligence Initiative

What is the quality of the available and appropriately skilled workforce in an Indiana region that is competing for a company relocation? What existing vacant jobs would be a good fit for skilled employees who were part of a substantial layoff? What customized training could be developed in advance of a potential mass layoff? Which Indiana graduates and employees are leaving the state and where are they going? What jobs and skills should our community college design its curriculum to meet? These are all questions that cannot be easily answered as there is currently no centralized effort to collect, analyze and communicate such meaningful intelligence.

DWD, other agencies and Indiana's education institutions sit on gold mines of data that are left virtually meaningless because they are not integrated and analyzed into intelligence. In order to provide meaningful and timely intelligence and guidance for policy leaders, local economic development officials, workforce development professionals and other key stakeholders, the Economic Intelligence Initiative should be created, initially within DWD. DWD has perhaps the largest repositories of under-tapped data existing initiatives to make that data more accessible and access to federal funding. This initiative, leveraging existing federal and new state funds and working in conjunction with Governor Daniels' statewide data initiative and the IEDC, would be responsible for the centralized collection, analysis and dissemination of meaningful economic and workforce intelligence.

Engaged workforce

Help Hoosier communities and employers attract, engage and retain globally competitive talent from all sources, national and international.

In today's economy - flat, fluid, intensely competitive and highly dynamic - Indiana's growth companies cannot only rely on the existing workforce and new graduates from the state's educational system who remain in state. Increasingly, firms must search worldwide to attract human and financial capital if they are to survive and grow. This requires raising the attractiveness and visibility of Indiana as a good place to live, work and grow businesses - a place with intellectual intensity, cultural diversity, entrepreneurial spirit, innovative capacity and a diverse and qualified workforce. Indiana has many of these resources but remains known primarily for its core manufacturing and agricultural assets.

Indiana has a huge talent pool asset among the students and alumni of the state's colleges and universities. Indiana ranks 2nd nationally, after Pennsylvania, as a recipient state for first-time freshman (net in-migration). But we do little to entice this talent to remain in Indiana.

Consider the following:

- 45 percent of Indiana public post-secondary graduates leave the state after graduating.
- Indiana exports a third more graduates than it imports or retains, ranking 40th and trailing such neighboring states as Illinois, Michigan, Ohio and Wisconsin.
- During the 1990s, Indiana had a net loss of 96,000 college graduates, with only Ohio and Pennsylvania losing more.
- Technically trained majors (such as engineering/technology, math/science) who graduate from major research campuses have the lowest rate of retention, with approximately two-thirds leaving the state after graduating.
- Hoosiers ages 22 to 28 are six times more likely to emigrate than Hoosiers ages 29 to 36.

Changing course and keeping a larger share of this talent upon graduation, and tapping into that population currently employed elsewhere to work in or move to or start companies in Indiana, represents an opportunity that few other states can match.

Attract top global talent to Indiana companies and educational institutions to support economic development and business growth.

Launch the "Hoosier Comeback" Program

Indiana is home to some of the world's finest public and private universities and colleges. These institutions produce some of the finest graduates who, when they all too often leave the state upon graduation, represent critical lost potential for Indiana's economy. For the graduates who leave, research shows that there are changes in life circumstances, such as marriage or the birth of a child, that might inspire them to come back to Indiana. The "Hoosier Comeback" program would make it easy and appealing for graduates to come home by connecting them to opportunities and resources that could assist in their transition and career pursuits. The following are important key elements of the program, which can be expanded later:

- "Hoosier Comeback" Scholarships – These "scholarships" would be available to science, technology, engineering and mathematics skilled Hoosier graduates and other talented individuals who are interested in returning to Indiana to start a business in high-wage, high-demand industries or to join a small company in these industries. Scholarship funds, comprising state, private foundation and industry contributions, could be used to cover such eligible expenses as business start-up and relocation costs. Parameters and eligibility guidelines, such as the submission of qualified business plan, would be developed to ensure funds are appropriately targeted. Scholarships would be issued as forgivable loans based on Indiana residency over time and other pertinent factors. The IEDC and DWD would administer the scholarship fund and application process.
- "Hoosier Comeback" Job-Matching Service – DWD has initiated an effort to partner with a private provider to introduce a new innovative job-matching service, replacing Indiana's outmoded and overly bureaucratic system. As part of this effort, the new job-matching service should offer the capability for out-of-state Hoosier graduates to complete a career profile with an online resume. The system would then match the

graduate's profile with posted jobs in an effort to identify matches. Graduates would then receive regular emails with links to the job postings, along with updates of state economic and workforce development efforts. Critical to success in this endeavor is a strong partnership with Indiana's university and college alumni offices.

- "Hoosier Comeback" Online Information Clearinghouse This Web site would serve as a clearinghouse of information and services for out-of-state Hoosier graduates who are relocating back to Indiana. The Web site would offer one-stop access to such services as real estate agents and moving companies, information about local tax rates, educational systems and quality-of-life amenities. Service providers would also be encouraged to offer discounted rates through the clearinghouse.
- "Hoosier Comeback" Tour To market the Hoosier Comeback program and other state efforts and reforms, Governor Daniels should under take a tour in which forums are held in those cities that possess the greatest number of Hoosier graduates. Initial cities, based on U.S. Census Bureau data, would include Los Angeles, San Francisco, Chicago, Phoenix-Scottsdale and Denver-Boulder. University and college alumni offices would help ensure the greatest number of Hoosier graduates can be targeted to attend the forums, at which the governor would outline the opportunities available in Indiana and the resources available to assist graduates in returning to the state.

Launch the "Indiana-to-Indiana" Internship Program

Post-secondary internships, co-op programs and apprenticeships have more potential in graduate retention policy than is generally recognized. Successful internship programs would help employers' efforts to improve their workforces and would build better relationships between colleges and the business community. Employers participating in an internship program could get an early opportunity to evaluate students who eventually will become highly educated, valuable employees. The state could play three roles in helping match Indiana interns with Indiana employers:

- Provide incentives, in the form of tuition reimbursement funds, for small and mid-sized firms in high-wage, high-demand industries to offer internship opportunities for undergraduate and graduate students;
- Work with Indiana universities and colleges to devise and/or expand internship and co-op programs, particularly those programs that enable students to earn credits without significantly increasing time to graduation; and
- Create an internship portal as part of the DWD's new job-matching service that links into university and college career placement offices and allows companies of all sizes to post internship opportunities.

Cultural Support

Culture matters for economic growth. Ironically, in today's global economy, local factors have never been more important. The ability of a community to generate knowledge capital and leverage local resources will help determine its global competitiveness.

Entrepreneurship and innovation thrive in cultures that are willing to take risks, share new ideas and reward creativity. Like other Great Lakes states, Indiana has a remarkable history of

pragmatic entrepreneurship. We can build for the future by rediscovering the excitement of Indiana's past. Fort Wayne, for example, has a long history of innovation, from the television to the pocket calculator. At the same time, Fort Wayne is continuing to innovate with 159 patents issued to inventors there last year.

DWD and the IEDC should encourage a rediscovery of Indiana's strong traditions of entrepreneurship and innovation. DWD and the IEDC can cultivate collaborative university-based entrepreneurship programs, promote entrepreneurship courses in primary and secondary school, encourage business plan competitions in every community and link entrepreneurship networks across organizational and political boundaries. Equally important, DWD and the IEDC can promote Indiana communities as creative places and act as a catalyst for regional place-making programs to develop cultural, recreational and other quality of life amenities that are consistent with attracting and retaining skilled workers and their families.

Transportation & Logistics

Indiana's Advanced Logistics industry is a driving force in today's economy and offers a sustainable competitive advantage to the manufacturer's and distributors who rely upon it.

- 724 million tons of freight travel through Indiana annually, making it 5th in the rankings of States in volume of commercial freight.
- Proximity to 65% of the U.S. population within a 2-day's drive.
- Location of the median center of population of the U.S. in Daviess County, Indiana.
- 14 limited access [federal highways](#).
- 11,000 centerline highway miles
- 4200 miles of [Class I rail tracks](#)
- [3 maritime ports](#) (1 on Lake Michigan, 2 on the Ohio River).

The Indiana [workforce](#) already leads the trucking and warehouse/distribution industry sectors:

- 60% higher employment in warehousing and storage establishments relative to the country average.
- Twice the national average employment among long distance trucking.
- A workforce of over 250,000 logistics employees.
- Customizable training options and high-quality university programs.

Indiana has some of the [lowest business costs](#) in the nation:

- Low workmen's compensation and unemployment insurance costs
- No inventory tax
- Corporate income tax based solely on the portion of a company's sales in Indiana.
- Indiana's Sales and Use Tax is one of the lowest in the Midwest.
- A low cost of living.

Thanks to the [progressive State leadership](#), Indiana is pursuing an aggressive infrastructure plan, investing billions for the future:

- Recent legislation has allowed Indiana to develop a \$3.5 billion infrastructure improvement fund called [Major Moves](#).
- Upgrades to US 31, St Rd. 25, I-465, I-69, I-80/90 and others.
- A \$974 million upgrade to Indianapolis International Airport is underway
- \$2.8 billion in new highway construction in the next 10 years (over and above previously earmarked funds)
- \$57.8 million in improvements to Gary Airport
- 117 public airports
- Brand-new intermodal port financing authority.
- The expansion of the I-69 artery will connect the NAFTA superhighway through southwest Indiana.

Clean Tech & Energy Efficiency

In early 2006 Governor Mitch Daniels release Indiana’s strategic economic development plan “Accelerating Growth”. The plan identified the development of industry networks and cluster initiatives as powerful drivers of enhanced economic activity, and, in particular, for nurturing innovation, new product development and new market penetration in the fast-moving, complex world of global competition. More specifically, Accelerating Growth calls for the state to:

Promote industry-led collaboration and strategic alliances among firms to nurture innovation, joint workforce programs, new product development and new market penetration. (Accelerating Growth, State of Indiana)

Extensive cluster analysis and resource mapping of Indiana’s energy systems industry has been completed over the last five years. A review of this body of research has shown that:

- Indiana has a substantial cluster of intellectual capital in advanced energy technologies.
- Indiana has substantial assets in key subsectors of the national energy industry.
- Many of the companies in this cluster work with each other on a limited basis and most recognize that significant value could lie in further development of collaborative efforts.
- A partnership between the public and private sector to form an industry network with the goal of fostering workforce solutions, open innovation and joint R&D ventures, supply chain integration, and product development and commercialization would perfectly fit the focus and needs of these companies.
- There is promising market opportunity from specific systems and subsystems (power electronics and integrated systems, efficient commercial energy systems, high-efficiency rotating machinery, and energy storage), and from leveraging our traditional and non-traditional energy resources (primarily coal and agriculture production and waste)

Because clusters cannot be created from the top down and instead emerge from mature networks of innovation and collaboration among industry partners, the state has partnered with CONEXUS Indiana, an industry led non-profit focused on the development of Indiana’s advanced manufacturing and logistics industries. CONEXUS agreed to serve as the neutral convener, facilitator, and fiscal agent for an energy systems industry network. The result of this

collaboration was the formation of the Indiana Energy Systems Network (IESN) with the following vision:

Indiana shall be the leader in establishing a globally competitive hub for and a highly visible source of expertise and talent creation supporting business growth, launch, and attraction in energy conversion and advanced transportation, distributed power systems, power storage, and system software creating whole system solutions to decrease fossil fuel use and their associated emissions.

To fund the launch of the network, CONEXUS applied for and received a \$500,000 grant from the North Central Indiana WIRED initiative. This initial investment will support the development and implementation of the following five IESN initiatives:

1. Form a Leadership advisory board
2. Establish a Governor's Entrepreneur in Residence
3. Identify industry assets, talents/skills and gaps
4. Target opportunities & create a business plan
5. Foster collaborations, R&D networks and new business startups

In May, an IESN Leadership Advisory Board was convened made up of business leaders, entrepreneurs, academics, and public officials. The Board discussed and approved initial IESN initiatives including an Innovation Workshop facilitated by the Rocky Mountain Institute and funded by a combination of WIRED funds as well as generous donations from Duke Energy and Ivy Tech Community College.

In the coming month as target opportunities for collaboration, R&D networking, and new business creation emerge both from the Innovation Workshop and the development and implementation of a strategic business plan, IESN will seek additional funding to support such efforts from a combination of private capital, foundation funding, and public grants.

Technology Commercialization and More General Use of Universities

21st Century Research and Technology Fund

Indiana's 21st Century Research and Technology Fund (21 Fund) focuses on entrepreneurial ventures that have demonstrated a market potential for commercialization of innovative technologies.

The 21 Fund provides financial support to highly innovative Indiana-based companies, thereby helping these firms make the transitional leap from general research and development to product development while also creating high-wage, high-skill, high-tech Indiana jobs and diversifying the state's economy.

When the IEDC took over management of the 21 Fund, it made three major changes to the 21 Fund's operations and emphasis.

- Shifted the focus of the Fund's investments from university-industry cooperative research projects to product development and testing initiatives led by high-tech start-up companies

- Increased the emphasis on job creation as a criterion for making awards
- Supplemented the highly-respected technical review process with an enhanced business review

21 Fund Goals

The 21 Fund seeks technology-based companies conducting business in Indiana and provides financial support to make the transitional leap from research to product development. By supporting high-tech companies during this crucial stage, the 21 Fund encourages entrepreneurial success and keeps Indiana's most promising technologies in Indiana, leading to the creation of the high tech, high-paying jobs of tomorrow. The 21 Fund does not focus on a particular technology or application area in selecting awards. This allows Indiana's strengths to identify themselves through successful completion of the 21 Fund's rigorous review process. Avoiding pre-selection of technology focus areas ensures that the 21 Fund plays an unbiased central role in diversifying the State's economy, a goal outlined in the 21 Fund's legislation.

The 21 Fund encourages an environment of innovation and cooperation among Indiana universities and businesses to promote research activity through collaborative partnerships. These partnerships build on the innovation process which converts research ideas into products, a process that in turn creates jobs for Indiana communities.

The 21 Fund has also set aside a portion of its budget for an SBIR Program Office, created to support companies that are applying for or have received federal Small Business Innovation Research (SBIR) and/or Small Business Technology Transfer (STTR) awards. The 21 Fund's SBIR/STTR Phase I Matching Program has been expanded to support later stage commercialization activities of Phase II SBIR/STTR awardees. Directly supported by the IEDC, both of these programs make awards through a set-aside of 20% of the 21 Fund's appropriation.

Impacts

The changes implemented by the IEDC not only affected the 21 Fund's goals and processes, but also influenced the 21 Fund's impact on the State of Indiana in terms of its awards and their outcomes. In fiscal year 2006-07, the 21 Fund awarded 17 grants totaling \$16,303,695; during the 2005-07 biennium, the 21 Fund awarded 38 awards totaling \$42,254,599. Through these awards, the 21 Fund has demonstrated a dramatic shift toward primarily supporting small, entrepreneurial companies. In fact, 90 percent of the \$42.3 million awarded was granted directly to small companies, in contrast to the 23 percent of total funds directed to small firms in the years prior to the IEDC's management (1999-2005).

These recent 38 awards have considerable commercial potential. The most recent projections forecast that the recipient companies have the potential to create 5,000 new, highly compensated jobs in the next three to five years. In a May 2007 survey of all 21 Fund awards to date, awardees reported that jobs already created through these recent awards have an average annual wage that is 80 percent higher than those jobs created through awards made before the 21 Fund was placed under the control of the IEDC. The varied commercialization areas of the awards included Aerospace/Defense/Security, Advanced Manufacturing/Engineering, Communications/Electronics, Energy/Environment/Agriculture, Information Technology/Software Development and Life Sciences/Health Care. Clearly, the 21 Fund will continue to play a significant role in diversifying Indiana's economy.

Funding for Life-Sciences Researchers

Working with the Indiana General Assembly, Governor Daniels provided a budget allocation of \$15M to Indiana's two research universities for the attraction of top researchers and scientist in the life-sciences whose knowledge and discoveries will help create Hoosier jobs and drive the state's future economic growth.

Entrepreneur in Residence Program

This program established a high-profile and prestigious Governor's Entrepreneur in Residence, with the IEDC and private sources collaborating to provide a modest stipend to a seasoned entrepreneur who commits to work on-site with budding entrepreneurs for one to two years. The entrepreneur in residence is housed at a university or a Certified Technology Park that has an incubator and work with faculty, business/MBA students, existing Indiana firms and start-up companies to identify commercially viable opportunities. He/she would mentor innovators and companies, ultimately moving them out of the incubator to stand on their own, thus opening an opportunity for a new company.

Revenues and Subsidies

Here are key elements of HEA 1001:

Immediate Relief

- Homeowners will see an average tax cut of more than 30 percent in 2008 vs. 2007 bills
- 2008 homeowner relief increased by \$620 million - the total of expected 2008 collections from the one-cent sales tax increase - bringing the 2008 total homeowner relief to \$870 million

Permanent Protection

- The plan caps homeowner property taxes at 1 percent of a home's assessed value starting in 2010. (In 2009, the cap will be 1.5 percent)
- The plan caps property taxes for apartments and agricultural land at 2 percent of assessed value in 2010 (In 2009, the caps will be 2.5 percent)
- The plan caps business property taxes at 3 percent of assessed value in 2010 (In 2009, the cap will be 3.5 percent)
- When caps are fully in place, the plan delivers \$1.72 in tax cuts for each \$1 of new sales tax.
- This plan takes the first step toward placing the caps in the Indiana Constitution. Taxpayers will get a chance to approve the caps in the November, 2010 general election only if lawmakers approve them again next year.
- State takes over about \$3 billion of costs that were previously on local property tax rolls:
 - The remaining 15 percent of school operating costs
 - Child welfare levies
 - Costs of juvenile incarceration in state facilities
 - State fair and forestry levies
 - Health care for the indigent
 - Pre-school special education levies
 - Costs of police and fire pensions
- The state will pay for these costs with revenue raised by increasing the sales tax from 6 percent to 7 percent, existing gaming revenue, and redirecting state sales tax currently used to subsidize local spending.

Limits on local government spending

- Referenda required for new school and local government capital projects.
- For elementary and middle school projects over \$10 million
- For high school projects over \$20 million
- For local government projects over \$12 million or 1 percent of assessed value
- Eliminates loopholes on levy appeals that previously enabled local governments to spend more than budgeted
- County Council oversight of non-elected board budgets

Improved accuracy and fairness in assessment of property value

- Reduces the total number of assessors from 1,100 to 92 county assessors and 42 township assessors, an 88 percent reduction.
- Requires referendums this November in townships with more than 15,000 parcels to determine if township assessor duties should be transferred to the county
- Increased requirements for assessor certification that will mean more equity, uniformity and fairness.
- A process in place to remove an assessor who does not meet performance expectations.
- Stronger state oversight with the Department of Local Government Finance required to be party to any vendor contract
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Other Elements of HEA 1001

- Provides transition period to ease the impact of the property tax caps on local government
- Provides special accommodations for Lake and St. Joseph counties, due to their high property tax rates and heavy reliance on property taxes to fund local government services
- Provides \$120 million for schools in 2009 and 2010 to reduce the impact of the tax caps
- Increases school "rainy day" fund to ensure adequate funding is available in the event of an economic downturn
- Limits property tax bill increases to no more than 2 percent annually for seniors who make less than \$30,000 annually (single) or less than \$40,000 (joint), if the assessed value of their homes is \$160,000 or less.
- Increases renters deduction from \$2,500 to \$3,000.
- Increases earned income tax credit for lower-income Hoosiers from 6 percent to percent.

Other

Indiana's Trend Toward Regional Economic Development

- Economic growth and competitive advantage occur at the regional level, rather than at the state or local levels. Clearly, Indiana is not a single economy but rather a collection of regional economies with different strengths and resources that are potential drivers of growth. Therefore, the successful implementation of economic growth initiatives require the support of regional networks composed of civic, business, investor, academic, entrepreneurial, and philanthropic partners.

- Examples of newly formed innovative regional development organizations include:
 - Energize East Central Indiana – *(Blackford, Henry, Jay, Grant, Delaware, Randolph, Rush, Wayne, City of Anderson)*
 - Southwest Indiana Development Council – *(Crawford, Daviess, Dubois, Gibson, Greene, Knox, Lawrence, Martin, Orange, Perry, Pike, Posey, Spencer, Vanderburgh, and Warrick)*
 - Northwest Indiana Forum – *(Lake, Porter, LaPorte)*
 - One Southern Indiana – *(Clark and Floyd)*
 - Northeast Indiana Corporate Council
 - Central Indiana Corporate Partnership

- Indiana is one of only 3 states to win two U.S. Department of Labor Workforce Innovation in Regional Economic Development's (WIRED) grants.
 - In November 2005 North Central Indiana was selected as a WIRED region receiving \$15 million to support the integration of economic, workforce, and education policy across a 14 county region.
 - In January 2007 Southwest Indiana was selected as a 2nd Generation WIRED region. The nine-county region anchored by Evansville, will receive \$5.1 million to stimulate regional job growth and attract high tech jobs in high growth industries.

- In 2007, IEDC sponsored a Regional Economic Development Summit. The summit brought together key regional leaders from across the state to discuss ideas for better coordination and partnership between the State of Indiana's economic development efforts and regional economic development efforts, including the effective implementation of the Accelerating Growth plan.

- Accelerating Growth provides a framework that empowers regions to think, plan and act regionally. By creating incentives and removing barriers, the plan will accelerate effective regional economic development planning and implementation, and encourage greater regional collaboration through a new multimillion dollar IEDC Regional Economic Development Partnership Program.

Transportation/Infrastructure

In May 2006, Governor Daniels introduced the final, funded 10-year Major Moves highway plan. Annual new construction will quadruple during the program from \$213 million in FY 2006 to \$874 million in 2015. In addition to state highway projects, the counties where the ITR is located will receive one-time payments of between \$40 million and \$120 million for local transportation projects. In 2006 and 2007, all 92 Indiana counties also will receive additional funds for their local transportation projects. The amount varies by county and is based on the Motor Vehicle Highway formula. The legislature also directed \$500 million from the lease proceeds be dedicated to a Next Generation Fund to be used later for transportation projects.

On June 28, ITR's operations were transferred to Cintra-Maquarie (now known as the Indiana Toll Road Concession Company - ITRCC). ITRCC deposited \$3.8 billion with Indiana in the largest public-private partnership agreement in the world. Interest on the money currently earns about

\$500,000 each day. ITRCC has also committed to completing at least \$4 billion in improvements to the highway during the lease agreement.

Major Moves is praised as the "jobs bill of a generation" and is anticipated to employ tens of thousands of Hoosiers directly on highway projects and in industries that expand or locate new operations in the state. In July 2006, Honda Motor Company announced Greensburg would be the location of its newest plant. The \$500 million plant will employ nearly 4,000 people. The company cited Indiana's commitment to infrastructure as one of the deciding factors in their decision.