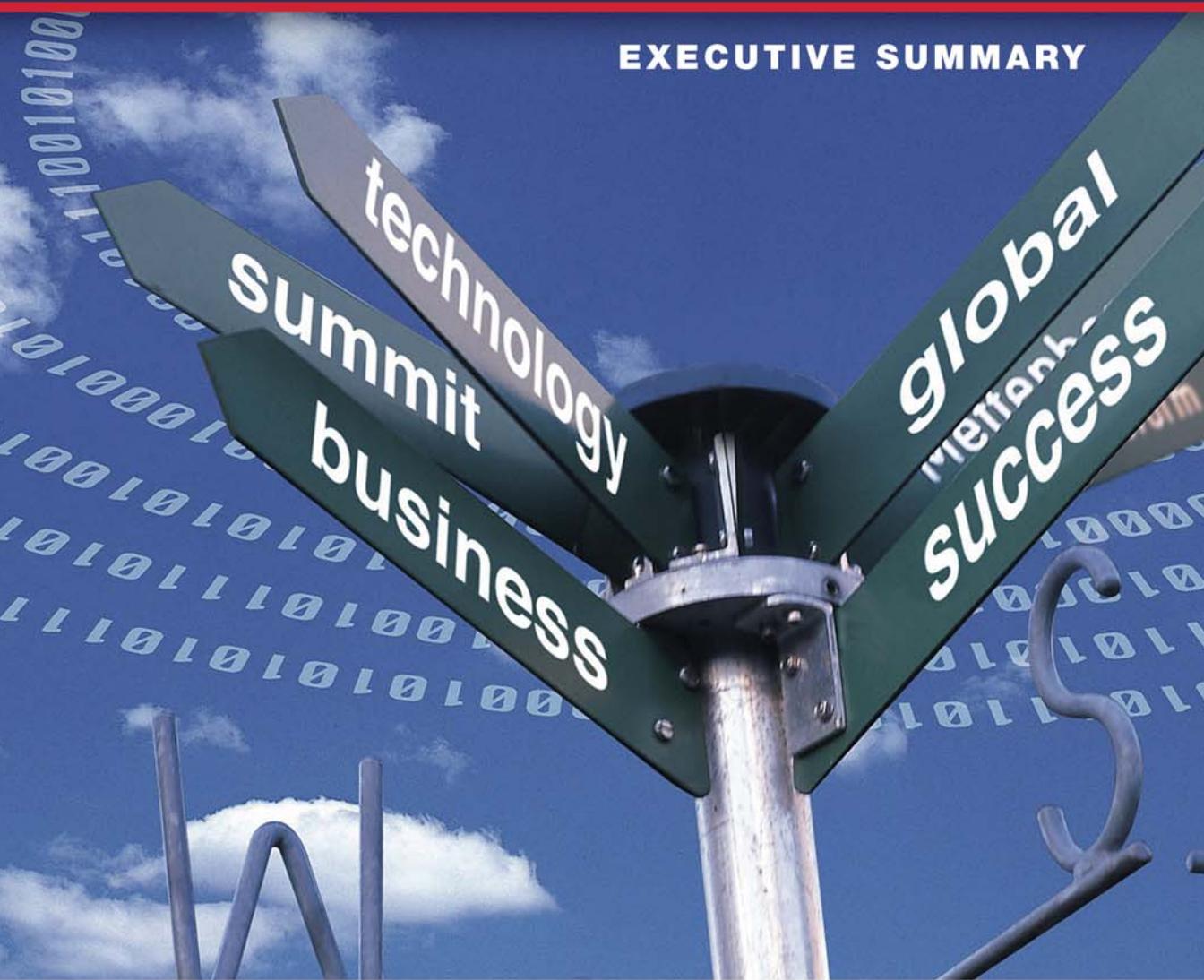


# *Economic Vision 2010* **REPORT CARD**

7TH EDITION - RELEASED MAY 2007

EXECUTIVE SUMMARY



**IndianaChamber**  
The Voice of  
Indiana Business.®

In cooperation with:



**TECHPOINT**  
CONNECT. ADVANCE. SUCCEED.

Through seven years, this Report Card has allowed the Indiana Chamber to produce an analysis of the state's economic development compared to the goals set forth in *Economic Vision 2010*.

As always, improvements in Indiana's performance alone are not enough. Those improvements must be measured against the enhancements taking place in other states and nations. It often takes dramatic changes to realize a significant improvement in rankings, grades and, ultimately, economic performance.

It also remains true that statistical data of this magnitude does not – and cannot – reflect the most recent policies, laws and adjustments in economic conditions. It is fully anticipated that the many positive developments of the past few years will show up in these statistical measures in ensuing years. As an example, Indiana's major 2002 tax restructuring did not have an impact in this or other similar analyses until recently.

An addition to this year's Report Card is the Motion Detector section – highlighting key metrics and other measures that contribute the most to the all-important outcome of per capita income growth. The statistics and analysis provided by GrowthEconomics paint a picture of Indiana's current status and the road to improvement.

While progress has been made, the grades and rankings within reaffirm the widely held belief that Indiana has more work to do. It is important for business, community and political leaders to acknowledge areas of strength in this Report Card, but also focus on improvements to produce a climate that makes Indiana the ideal place to grow a business and raise a family.

Thank you for your interest in this report and the Indiana Chamber's ongoing efforts to improve the Indiana economy.



Kevin M. Brinegar  
President

Indiana Chamber of Commerce



# Indiana's Performance on Drivers, Sub-Drivers and Metrics

## Overall..... C

### Education and Workforce Development.....C

#### K-12 Education.....C+

AP Overall	35th
High School Graduation Rate	34th
SAT	37th
ACT	19th
NAEP Math*	25th
NAEP Reading*	32nd

#### Postsecondary Education .....B-

Physical Science and Engineering Degrees	24th
Technology and Technician Degrees	6th
Other Innovation Degrees	7th
College Affordability	25th
U.S. News Undergraduate Reputation	16th
U.S. News Top-Ranked Graduate Programs	15th
College Migration*	7th
Entrepreneurial Programs	20th

#### Workforce Development.....D+

High School Diploma Attainment	30th
Bachelor's Degree Attainment	44th
High-tech Manufacturing Employment	6th
High-tech Services Employment	44th
Physical Science and Engineering Workers	25th
Technology and Technician Workers	39th
Other Innovation Workers	44th
Adult Education	25th

### Business Costs and Productivity .....C+

#### Business Costs .....B

Unit Labor Costs	16th
Energy Costs	12th
Worker's Compensation Costs*	2nd
Unemployment Insurance Costs	19th
Business Taxes	19th
Business Tax Structure	22nd
Metro Office Rents	9th
Health Care Premiums	20th

#### Productivity and Labor Supply.....D

Net Migration Rate	28th
Labor Force Participate Rate	21st
Gross State Product per Job	29th
Value Added in Manufacturing per Hour	24th
Service Industry Gross State Product per Job	34th

### Government and Regulatory Environment...B+

#### Government Efficiency .....C+

Government Gross State Product	9th
State and Local Tax Burden	39th
Units of Government per Capita*	34th

#### Regulatory Environment .....A-

Malpractice Costs*	4th
Health Mandates	19th
Business Liability	15th
Liability System*	6th

### Infrastructure and Connectivity.....B-

#### Physical Infrastructure .....C+

Highway Quality	23rd
Bridge Quality	16th
Railway Productivity	34th
Water Systems	6th

Major Market Access	36th
Traffic Congestion*	18th

### Digital Connectivity .....B-

Broadband Connection	38th
Broadband Coverage	32nd
Next Generation Internet	26th
Rural Online - Last Mile Internet*	27th
Technology in Schools	17th

### Dynamism and Entrepreneurism.....D+

#### Dynamism .....D+

Increase in High-performance Firms	36th
Fortune 500 Headquarters	23rd
IPO Awards	24th
University Spinout Businesses	22nd
Growth in Merchandise Exports	24th
Growth in Foreign Direct Investment	16th
Increase in New Business Churn	38th
Firm Start-up Activity Rate	29th
Establishment Failure Rate	22nd
Entrepreneurial Activity Index	27th
Small Business Growth	40th

#### Research and Creativity.....D-

Patents per Worker	23rd
Patent per R&D Dollar	30th
University Royalty/License Income	16th
University R&D Expenditures	25th
NSF Funding Rate	25th
University Licenses/Options to Small Businesses	13th
Industry R&D Expenditures	17th
Federal R&D Expenditures	44th

#### Capital Formation .....D

Venture Capital	27th
Bank Commercial and Industrial Lending	26th
Private Lending to Small Businesses	14th
IPO Financing	22nd
Capital Investment in Manufacturing Growth	22nd
SBIR/STTR Financing*	39th
SBIC Financing	32nd

### Quality of Life .....C-

#### Economic Diversity and Civic Energy.....B

Number of Nonprofits	22nd
Charitable Giving*	30th
Voter Turnout*	48th
Urban Cost of Living	14th
Urban Housing Costs	19th
Homeownership Rates	7th
Per Capita Disposable Income	34th
Gender Equity	39th
Racial/Ethnic Equity	35th

#### Culture and Recreation.....D-

Leisure Employment	21st
Parkland	41st
Golf Courses	19th
Trails*	38th

#### Health and Safety of the Population .....B

Lack of Health Insurance	24th
Toxic Release Inventory	44th
Clean Air	19th
Crime Index	26th
Per Capita Health Spending*	45th

\* updated information from March 2006 Report Card release not available

# Indiana Makes Slight Improvement

	2006	2004	2002	2000
<b>Overall Grade</b>	<b>C</b>	<b>C-</b>	<b>C</b>	<b>C-</b>
Education/Workforce	C	C	C	C-
Business Costs/Productivity	C+	B	A-	B+
Government/Regulation	B+	B+	B	A+
Infrastructure/Connectivity	B-	C	C+	C-
Dynamism/Entrepreneurism	D+	D+	D	D-
Quality of Life	C-	D+	C	B

## Bottom Line:

Indiana is showing steady gains in jobs and income, but not at a pace that outperforms the majority of other states. Indiana scores mid-range grades across most drivers with Government and Regulation, and Infrastructure and Connectivity above average, with Dynamism and Entrepreneurism below average.

## Comparing Similar Metrics

*Development Report Card of the States,*

### **Corporation for Enterprise Development<sup>i</sup> 2007** *Economic Vision 2010 Report Card*

Human Resources:	C	K-12:	C+
Infrastructure Resources:	B	Physical Infrastructure:	C+
Quality of Life:	C	Economic Diversity & Civic Energy:	B
Entrepreneurial Energy:	C	Dynamism:	D+
Financial Resources:	D	Capital Formation:	D

*State Competitiveness Report,*

### **Beacon Hill Institute<sup>ii</sup> 2006** *Economic Vision 2010 Report Card*

Infrastructure:	D+ (33rd of 50)	Physical Infrastructure:	C+
Human Resources:	D+ (32nd of 50)	Education & Workforce	C
Business Incubation:	D (35th of 50)	Dynamism and Entrepreneurism:	D+

<sup>i</sup> Corporation for Enterprise Development, 2007. *Development Report Card of the States; Indiana*; <http://drc.cfed.org/grades/indiana.html>

<sup>ii</sup> Beacon Hill Institute. *State Competitiveness Report 2006*. <http://www.beaconhill.org/>

# Measuring Performance and Progress on Economic Vision 2010's Sub-Drivers

	2006	2004	2002	2000
<b>Education/Workforce</b>	C	C	C	C-
K-12	C+	B-	B	C-
Postsecondary	B-	B	B	B+
Workforce Development	D+	D	D	D-

*Above average in Postsecondary; Workforce still a vulnerability although there is some improvement; downtrend in K-12 since 2002.*

## Business Costs/

	2006	2004	2002	2000
<b>Productivity</b>	C+	B	A-	B+
Business Costs	B	B	C+	C
Productivity/Labor Supply	D	D+	C-	D+

*Business Costs doing better, partly due to tax policy changes; low Productivity probably tied to structural factors (not enough high productivity, particularly in the services sector.)*

	2006	2004	2002	2000
<b>Gov./Regulatory Environ.</b>	B+	B+	B	A+
Government Efficiency	C+	C+	B-	A-
Regulatory Environment	A-	A-	A-	A-

*Indiana's best driver; Regulation remains main strength; Government Efficiency still in mid-range, but suffers from an increase in local tax burdens.*

## Infrastructure/

	2006	2004	2002	2000
<b>Connectivity</b>	B-	C	C+	C-
Physical Infrastructure	C+	C	C+	C+
Digital Connectivity	B-	B-	C	D+

*Digital sub-driver shows steady gain over seven years; Physical Infrastructure steady in the mid-range.*

## Dynamism/

	2006	2004	2002	2000
<b>Entrepreneurism</b>	D+	D+	D	D-
Dynamism	D+	C	B+	C
Research/Creativity	D-	D+	D-	D-
Capital Formation	D	D	D-	D-

*Underperformance in all sub-drivers; small gains in Capital Formation, but not enough to outweigh positive activity in other states.*

## Quality of Life

	2006	2004	2002	2000
<b>Quality of Life</b>	C-	D+	C	B
Economic Diversity/ Civic Energy	B	B+	B	B
Culture/Recreation	D-	D-	D-	F
Health/Safety of the Population	B	C+	B	B+

*Above average in Economic Diversity and Civic Energy and Health and Safety; no improvement in Culture and Recreation.*

## Bottom Line:

Over the past seven years, Indiana has failed to make substantial gains in key drivers that shape the innovation economy. K-12, Postsecondary Education, Business Costs, Regulatory Environment, Government Efficiency, Infrastructure and Digital Connectivity have grades at or above average this year. Best multi-year improvements have been in Business Costs and Digital Connectivity. Despite some improvements, Productivity, Dynamism, Research & Creativity and Capital Formation, all critical attributes of today's innovation economy, are weaknesses. Quality of Life overall has held its ground. Note that quality of life varies significantly by region.

## **Introduction**

This Report Card marks the seventh in a series of annual check-ups on the state's economy as it relates to the vision, goals and drivers set out in the Indiana Chamber's *Economic Vision 2010*.

This report is again produced in cooperation with TechPoint., which published the Indiana Technology Index in October 2006. That report includes 23 technology-focused metrics that are a subset of this Report Card's 97 metrics.

While no system of benchmarking is perfect, every effort has been made to determine grades in an objective and rigorous manner. Raw scores for each metric are normalized and rescored with the midpoint at 100. These are shown in the metric tables. Sub-driver grades are determined by adding the scores of each contributing metric, which are then averaged. Only in the case of Business Costs are different weights applied to the metrics. The averaged values are ranked highest to lowest, with letter grades obtained by "grading on the curve." Driver and overall grades are likewise determined by adding and averaging all relevant metrics and "grading on the curve," using a common grade point average approach.

In the overall grades, three states get A's this year: Massachusetts, Utah and Maryland. Fourteen get B's, 25 C's, six D's and two F's. Grades are not given to individual metrics but rankings and scores for Indiana by metric are provided.

## **Report Card Authors**

GrowthEconomics was founded by Graham S. Toft, Ph.D., a strategic planner specializing in public and private strategies for growing in an open, global economy, in which innovation plays a critical role in wealth creation. The firm spends much of its time on innovation development, growth strategies and economic competitiveness issues facing localities, regions, states, nations, educational institutions, business civic organizations and industries.

Toft, in collaboration with colleague Nadine Jeserich, Ph.D. (of Copenhagen, Denmark), undertook several international competitiveness projects while a Senior Fellow at the Hudson Institute, including work for the Korean Ministry of Commerce, Industry and Energy and research for Compete America on U.S. challenges in science and technology talent: "Can Foreign Talent Fill Gaps in the U.S. Labor Force?"

Toft has guided the compilation of the Report Card for the fifth consecutive year, with Jeserich leading the research effort for the third year.

## How to Use the Data

Business leaders understand the importance of benchmarking as a means to improve performance over time. The strength of benchmarking is found in its ability to help improve performance, to identify which factors contribute to future success or weakness. Further, benchmarking in the public arena is particularly useful in alerting leaders and decision-makers to areas of vulnerability that deserve special government attention and public-private collaboration.

This study is a benchmarking report. The design of this methodology is guided by the following principles:

- Measure outcomes, not processes or inputs (for example, we measure the service qualities of highways, e.g. bridge condition, not capital investment).
- Similar methodology throughout (each driver/sub-driver measured in a similar fashion).
- Using the latest available data, available on an annual or biennial basis, and available for all 50 states. Delaying the release of the Report Card (it previously took place in November) until March allowed for more data available through the end of 2005 and 2006 to be included. Data delays are a part of any project of this magnitude. But in this Report Card, calculations include only data from the last three years (2004-2006), an improvement over previous Report Cards. Of the 97 metrics used in the calculations, 75% reflect 2005 and 2006 data.
- Comprehensive in the choice of metrics but guided by the strategic framework in *Economic Vision 2010*.
- Congruent with state-of-the-art methodologies in similar studies.
- Able to be used as a neutral, independent reference to facilitate informal discussion by leaders on priorities for current and future actions.

The information provided by the Report Card can be used to best advantage when:

- The reader focuses on longer-term trends (now over seven years) indicated by the driver and sub-driver scores. One should not get overly concerned with major annual variations here or there in an individual metric. Blips do occur in specific data.
- The reader looks for how well Indiana is doing relative to competitors and comparators. (i.e., Indiana might be doing better in aggregate score, but still losing ground relative to other states).
- The reader uses other sources of competitiveness research along with this information. (This Report Card does show Indiana's scores on two other recent national benchmark reports).
- The reader drives the findings of the report to the next step by asking why other states are doing better than Indiana on select drivers/sub-drivers.

## Commentary: Key Indicators of Economic Success

*Editor's Note: The full analysis is contained within the complete Report Card document and available at [www.indianachamber.com](http://www.indianachamber.com).*

**By Graham S. Toft, Ph.D.**

In 2000, the Indiana Chamber took bold action in releasing its *Economic Vision 2010*, reflecting the business community's "best shot" at what needed to be done to move the state's economy forward. In keeping with standard business practice, the Chamber also set in place an annual Report Card procedure to ensure regular measurement of progress – a benchmarking process that compares Indiana against all states, particularly its neighbors. This Report Card is the seventh in a series of carefully compiled metrics that provide a solid assessment of how well and in what areas Indiana is doing well and not so well.

There has been some discernable progress for Indiana in three areas between 2000 and 2006:

1. Improvement in Workforce Development, while still grading poorly
2. Improvement in Business Costs, now grading above the U.S. average
3. Improvement in Digital Connectivity, now grading above the U.S. average

However, Indiana is failing to make progress in Productivity, Dynamism, Capital Formation, and Research and Creativity. These are considered to be some of the most important requirements for a healthy innovation economy in today's fast-changing, open marketplace. They are surfacing in research repeatedly as being associated with strong state/regional economic performance.

This commentary provides guidance on key indicators for economic success. We begin by addressing three questions on the minds of many business leaders: Is it possible to steer a state economy? How are the rules of engagement in economic development changing? Which states are leading the way?

### First, Can a State's Leaders and Decision-Makers Steer its Economy? Haven't Global Forces Taken Control?

In a cover story in *Business Week*, November 20, 2006, Michael Mandel asks the question "Can anyone steer this economy?" He asserts that "globalization has overwhelmed Washington's ability to control the economy" and that "traditional macro policies are less effective than they used to be." Further, it is not at all clear which of the "big ideas of economic policy" work best in today's open, competitive global economy – classic Keynesian economics, supply side economics, deficit cutting economics or innovation policy.

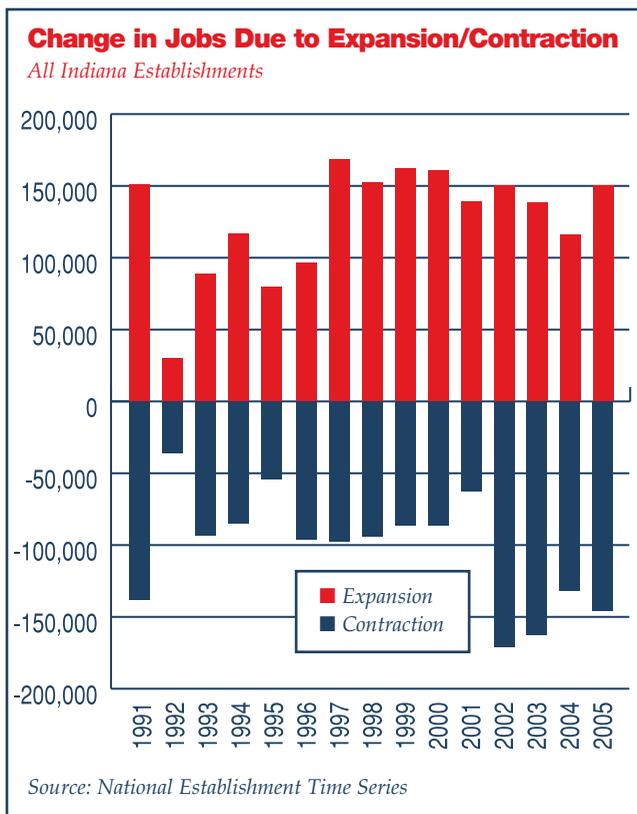
If this challenge is so real at the national level, what chance do state leaders and decision-makers have? Aren't states even more at the mercy of forces outside their control? Surprisingly the answer is both yes and no. Indeed, such factors as trade policy, interest rates and currency markets must be taken as a given. But, state public policies and partnerships can and do make a difference on key factors now considered crucial – entrepreneurship and innovation, lifelong learning opportunities and a pro-investment climate. They shape such economic foundations as education and workforce preparation, wise natural resource utilization, corridor and port development, tax and regulatory policy and the like.

## Second, the Economic Development Rules of Engagement Are Changing. Will Indiana Leaders and Decision-Makers Adapt?

While state leaders and decision-makers who choose to be proactive have considerable opportunity to affect state competitiveness, many are held back by antiquated paradigms inherited from 20th century practices.

To begin with, most sub-national economic development organizations see their primary role as attracting investment from the outside – the “outside-in” approach. Many favor use of such conventional tools as tax and financial incentives to lure business. They overlook the long-run benefit of an “inside-out” approach – one that seeks to provide the best investment climate for existing businesses, and fosters innovation and creativity leading to higher productivity and output of more advanced goods and services from those firms already doing business in the state.

Business attraction incentives can be used strategically to advantage, but the resources for such public assistance must come from somewhere.



Either other businesses or individuals/households pay the freight. In either case, the tax burden shifts from one class of taxpayer to another. Yes, there may be net tax revenue and job gain in the long run, but the costs are borne by today's taxpayers. A complementary approach is "organic growth," in which balanced tax policy is crafted so that each business is taxed the approximate equivalent of benefits received. Also, a balanced "economic gardening" approach can be applied to government support for business in which infrastructure, efficient services and affordable connectivity are available to all businesses.

In terms of jobs created and lost, organic growth policies and practices affecting existing businesses are of much greater magnitude and consequence to Indiana than those affected by relocating businesses. On average, jobs created and lost due to employer relocations into/out of the state are less than 5,000 each way a year and that they are quite evenly balanced with the exception of 1997 and 1999. On the other hand, jobs created and lost due to resident employer expansion and contraction (chart on page 7) are between 100,000 and 150,000 per year. From 2002-2005, these have been evenly balanced. In jobs created and lost due to births and deaths of employers, again the total is usually 100,000 or more up or down each year.

Of particular interest to the Chamber this year is the contribution made by Indiana's mid-market companies. A major research project, *Accelerating Growth of Indiana's Mid-Market Companies*, is underway in 2007 to better understand contributions made by and growth opportunities for companies currently in the annual revenue range of \$5-\$100 million per year. If the pattern of the 1990s can be re-established in which Indiana's expansions regularly exceed contractions, and if Indiana's mid-market company growth can exceed the U.S. average, the state will be in much better shape five years from now.

### Third, the Economic History of the States Points to Markedly Different Economic Fortunes. Can Indiana Learn From Other States?

As pointed out in last year's commentary, the long-term prosperity of the nation has not been evenly shared across all states. A simple, reliable way to examine the economic health of states is to compare per capita income. Indiana's per capita income as a percent of the U.S. has dropped from a peak of 106% in 1953 to 90% in 2005. Over the same period, Virginia's fortunes were almost the reverse – from 83% in 1953 to 109% in 2005. Unique factors have come into play to explain the dramatic improvements in per capita income by such states as Virginia, New Hampshire, North Dakota and Tennessee. But common initiatives in pro-growth/pro-investment policies deserve closer examination.

The table (page 9) uses a combination of measures of both economic performance and economic drivers to categorize "states on the move." Nine states have been able to remain in the top one-third of all

states for decades. Four states – Colorado, Minnesota, New Hampshire and Virginia – stand out as “break away states.” They are now counted among the top-performing or near top-performing states. Below them is a group of the “rising star states.” Indiana would do well to watch and learn from this list.

### What the Indiana Report Card Data Set Tells Us About Indicators for Success

Rather than subscribe to one particular growth theory or specific hypothesis about growth drivers, this first examination of Report Card data examines each metric independently using advanced statistical methods. This analysis was based on an extended set of 130 metrics, with several new metrics added for testing purposes (such as industrial diversity). Only one outcome measure was used: per capita disposable income.

This is the most widely used measure of prosperity and has been selected as a measure of overarching goal in the governor’s plan, Accelerating Growth. Other income and wealth measures are reserved for future investigation, once longer time series data are available. Per capita income offers the benefit of a clear definition with no major changes in methodology of measurement over decades of federal reporting. It has proven to be a good proxy for the overall economic wealth of regions and states.

The following list has been determined as most likely to affect disposable per capita income based on 2005 data and five years of preceding data.

Overall, these results overlap and complement those of the Chamber in putting together *Economic Vision 2010*. Without knowledge of such empirical findings, many of the themes in the 2000 plan are congruent with these findings. What is offered now is greater focus, more precise measurement and some adjustments.

Variables such as **bachelor degree attainment** have been repeatedly identified in other studies and widely accepted as a key indicator. The contribution of highly ranked university graduate programs

#### **Table: The Economic State of States on the Move**

##### **Reinvention States (9):**

Proven to adjust to changing national and global economies over decades and stay in the top one-third of states (in both economic performance and economic drivers) – CA, CT, DE, MA, MD, NJ, NY, WA, WY

##### **Break Away States (4):**

Not in the big leagues 15 years ago, but now are – CO, MN, NH, VA

##### **Rising Star States (9):**

Moving up fast in economic health, economic drivers or both. AZ, GA, ID, NC, ND, NE, SD, TX, UT

##### **Turnaround State (1):**

Once a leader, lost position, now back in a growth mode – NV

*Continued on page 13*

## Motion Detectors

Within the larger set of baseline metrics, the Chamber is anxious to track those metrics most likely to signal change that will make a real difference to Indiana's economic advancement five, 10 and 20 years from now. Based on the practice of "dashboards" now gaining popularity with corporate management, business leaders are looking for something similar: Yes, all these metrics are helpful and insightful, but which ones really make the most difference?

This categorization of key motion detectors closely parallels the framework of the state's 2006 strategic economic development plan – Accelerating Growth. Bachelor degree attainment is a key measurement of the pro-talent theme; venture capital a measure of pro-innovation; and health care premiums and productivity are measures of pro-investment.

### Motion Detectors

**Report Card Driver:** Education & Workforce Development

**Key Motion Detector:** Bachelor Degree Attainment

**Secondary Motion Detectors:**

- U.S. News Graduate Programs
- Four-Year Tuition
- NAEP Mathematics

**Report Card Driver:** Dynamism & Entrepreneurism

**Key Motion Detector:** Venture Capital

**Secondary Motion Detectors:**

- IPO Financing
- SBIC Awards, SBIR Awards and Deals, ATP Deals
- Business Gross Operating Surplus (profits and investments)
- Fortune 500 Headquarters
- High-Performance Firms

**Report Card Driver:** Business Costs & Productivity

**Key Motion Detectors:** Health Care Premiums, Productivity

**Secondary Motion Detectors:**

- Energy Costs
- Broadband Connections
- Major Market Air Access
- Services Industries Output per Job

Motion Detector Results	2006 Peer		Indiana		Big Movers, last 4 years	
	Indiana 2006 Value	States Average Value	Indiana 2006 Rank	Change in Value, last 4 years	Change in State Value	Change in Value
Bachelor Degree Attainment	21.3%	24.3%	44	3.4%	Georgia	11.1%
					Nevada	10.8%
Venture Capital <i>(per \$1,000 of GDP)</i>	\$4.4	\$3.5	27	108.4%	Arkansas	856%
Health Care Premiums	\$6,675	\$6,891	20	24.3%	Utah	6.4%
Productivity <i>(sales per employee)</i>	\$95,105	\$87,793	9	N/A	N/A	N/A

- Indiana has shown only very slow improvement in bachelor degree attainment and still ranks substantially below the majority of states and its Midwest competitors.
- In venture capital, it has fared better than its peer states, though its strong growth still has not elevated it into the top half of the states.
- Average health care premiums for mid-market and large companies in Indiana are below the Midwest average though continuing to rise, with family coverage premiums lying above the U.S. average and single coverage premiums below the U.S. average.
- The small and mid-market firm productivity measure, sales per employee, is Indiana's best performing motion detector, ranking ninth among the 50 states and substantially above the Midwest peers. At the same time, this Report Card points to the below average performance in more general productivity measures, especially in the service sector.

# Overall Grades

## Midwest Performance

	2006	2004	2002	2000
Wisconsin	C+	C+	C+	C-
Michigan	C+	C	C+	D+
Ohio	C	C	C	C-
<b>Indiana</b>	<b>C</b>	<b>C-</b>	<b>C</b>	<b>C-</b>
Illinois	C	C-	C-	D+
Kentucky	D	D	D	D

## Other Manufacturing Competitors

	2006	2004	2002	2000
North Carolina	B-	C+	B-	C+
New Hampshire	C+	C+	C+	B-
Oregon	C+	C	C+	C+
Iowa	C+	B-	B	C+
<b>Indiana</b>	<b>C</b>	<b>C-</b>	<b>C</b>	<b>C-</b>
South Carolina	D+	D-	D+	D

Rank/State	2006	2004	2002	2000
1 Massachusetts	A+	A+	A+	A+
2 Utah	A-	B	A-	A-
3 Maryland	A-	B	A	B+
4 Delaware	B+	B-	B	C+
5 Colorado	B+	B	B+	A+
6 Virginia	B+	B+	B+	B+
7 Idaho	B	B+	B-	C+
8 South Dakota	B	B	B-	C
9 Arizona	B	C+	B-	B-
10 Wyoming	B	B-	B-	B-
11 Minnesota	B	B	B	B
12 Washington	B-	B-	A-	B
13 Connecticut	B-	C+	C+	B-
14 North Dakota	B-	C-	B-	C+
15 North Carolina	B-	C+	B-	C+
16 California	B-	C+	B-	A-
17 Montana	B-	C	C	D
18 New York	C+	C	C	C
19 New Hampshire	C+	C+	C+	B-
20 Texas	C+	C	C	C+
21 Wisconsin	C+	C+	C+	C-
22 Pennsylvania	C+	C-	C	C+
23 Oregon	C+	C	C+	C+
24 Iowa	C+	B-	B	C+
25 Vermont	C+	C	C-	C-
26 Michigan	C+	C	C+	D+
27 New Jersey	C+	C-	D+	C-
28 Nebraska	C	C-	C	C
29 New Mexico	C	D+	D+	C-
30 Ohio	C	C	C	C-
31 Kansas	C	D+	C	C-
32 Georgia	C	C	C	C
<b>33 Indiana</b>	<b>C</b>	<b>C-</b>	<b>C</b>	<b>C-</b>
34 Florida	C	C-	C	C-
35 Illinois	C	C-	C-	D+
36 Nevada	C	D	D-	F
37 Rhode Island	C-	C	C+	C+
38 Alabama	C-	D+	C-	C-
39 Maine	C-	D+	D	D
40 Tennessee	C-	D+	C-	D+
41 Missouri	C-	C-	C	C
42 Alaska	C-	D	C-	D-
43 Oklahoma	D+	D	D+	C-
44 Hawaii	D+	D-	D-	D+
45 South Carolina	D+	D-	D+	D
46 Kentucky	D	D	D	D
47 Arkansas	D	D	D-	F
48 Louisiana	D-	D-	D-	F
49 West Virginia	F	F	F	F
50 Mississippi	F	F	F	F



Since 1981, the Indiana Chamber of Commerce Foundation, Inc. has provided timely and thought-provoking research to enhance Indiana's business climate, economic future and quality of life. The Foundation is dedicated to elevating the visibility and discussion of key issues that improve Indiana's economic opportunities.

The research funded by the Foundation impacts the public and private sectors. Its work is highlighted by a series of insightful studies that formed *Economic Vision 2010*, the Chamber's long-range economic development plan for the state. These studies have resulted in major public policy discussions and contributed to education and tax restructuring reforms.

**More information about the Foundation can be obtained from Mark Lawrance at (317) 264-6893.**

---

**Commentary:** *Continued from page 9*

is less touted but strong research universities have appeared positively correlated in several growth studies. NAEP results in mathematics (highly correlated with NAEP reading results) have become a more recent addition to the competitiveness debate. It is highly correlated with other K-12 measures such as performance on advanced placement exams and general high school diploma attainment.

**Many federal small business and technology programs show tight relationships with per capita income.** The statistical significance is with the number of awards, not the amount of the awards, apparently indicating that states with businesses actively pursuing and obtaining such awards display economic dynamism. Related risk capital financing such as venture capital and initial public offerings also show significant contribution to per capita income.

Several measures of high-performance firms such as Fortune 500 headquarters and gross operating surplus (which largely reflects business profits, proprietor income and fixed capital investments by firms) speak to the widely held proposition that profitable and prosperous businesses make for economically healthy states.

This analysis demonstrates that **business costs** and **productivity** remain important determinants of economic health. Critical cost factors are energy prices and health care premiums. And the importance of the productivity of the services sector explains why those states that are highly productive in manufacturing are only counted among the state leaders if their services sector is equally productive. This is not the case for Indiana, in which service sector productivity is low relative to manufacturing. This links to a strong case for diversification in Indiana's strategy.

**The Economic Vision 2010 Report Card was made possible through the generous support of:**



**VECTREN**

*Not just power. Possibility.*



*A unit of American Electric Power*