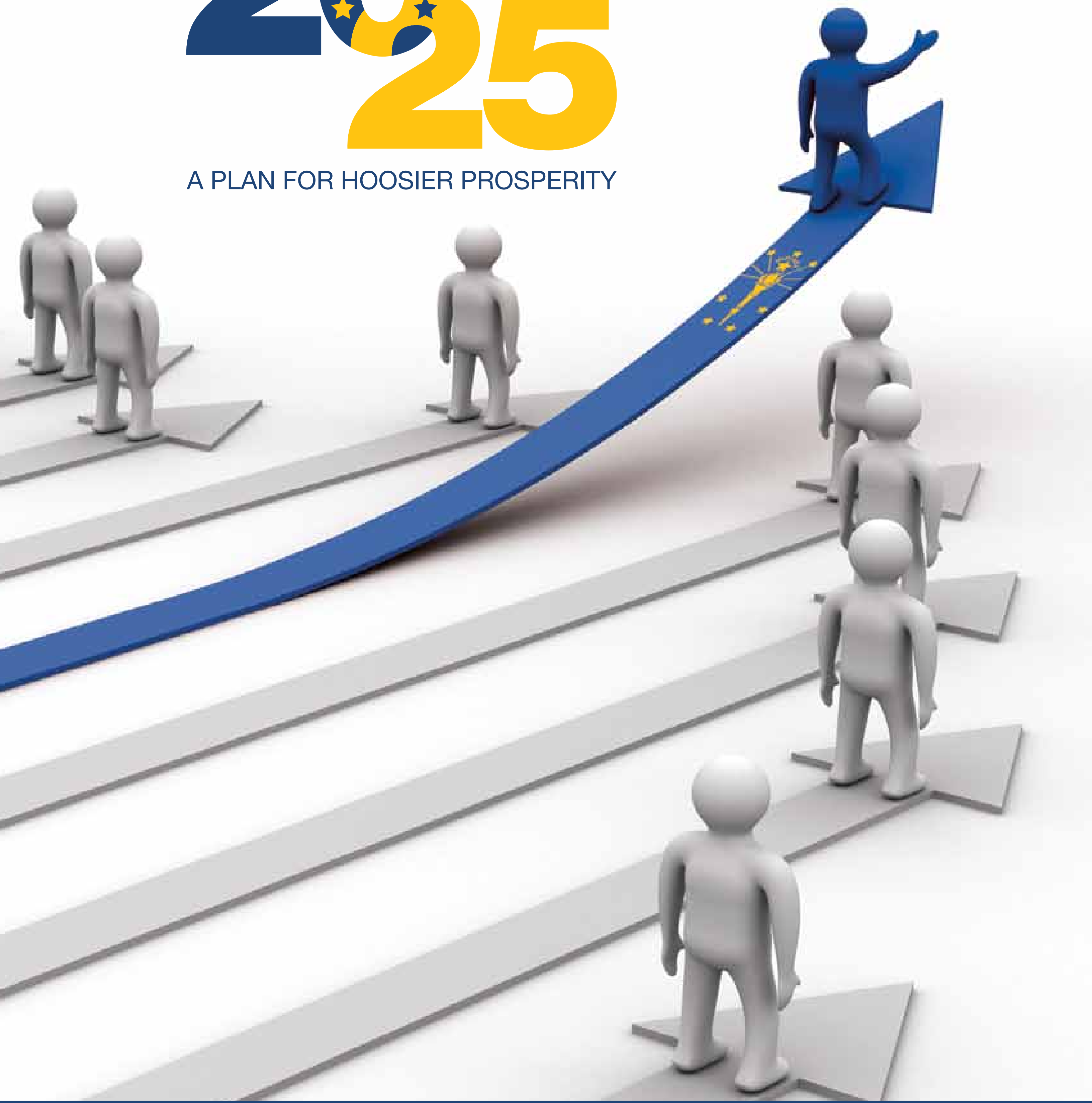
INDIANAVISION 2025

A PLAN FOR HOOSIER PROSPERITY



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A PLAN FOR HOOSIER PROSPERITY

Indiana Vision 2025 is a comprehensive effort, coordinated by the Indiana Chamber of Commerce, to provide leadership, direction and a long-range economic development strategy for the state of Indiana.

Indiana Chamber Foundation

The project is funded by the Indiana Chamber Foundation, which provides leadership through practical policy research to improve the state's business climate. Since 1981, the Foundation has conducted research that produces results for organizations, their employees, communities through the state and Indiana citizens.

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2025

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“Indiana will be a global leader in innovation and economic opportunity where enterprises and citizens prosper.”

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DRIVER 1: OUTSTANDING TALENT

- Increase the proficiency of Indiana students in math, science and reading to “Top 5” status internationally.
- Increase to 90% the proportion of Indiana students who graduate from high school ready for college and/or career training.
- Eliminate the educational achievement gaps at all levels, from pre-school through college, for disadvantaged populations.
- Increase to 60% the proportion of Indiana residents with high quality postsecondary credentials.
- Increase the proportion of Indiana residents with bachelor’s degrees or higher to “Top 10” status internationally.
- Increase the proportion of Indiana residents with postsecondary credentials in STEM-related fields to “Top 5” status internationally.
- Develop, implement and fully fund a comprehensive plan for addressing the skills shortages of adult and incumbent workers who lack minimum basic skills.

DRIVER 2: ATTRACTIVE BUSINESS CLIMATE

- Adopt a right-to-work statute.
- Enact comprehensive government reform at the state and local levels to increase efficiency and effectiveness in delivery of services.
- Reform public pension systems to achieve fairness and cost-containment.
- Preserve and enhance a “Top 5” ranking among all states for Indiana’s legal environment.
- Attain a “Top 5” ranking among all states for Indiana’s business regulatory environment.
- Eliminate the business personal property tax.
- Eliminate the state inheritance tax.
- Promote the enactment of a federal solution to the Internet sales/use tax dilemma.
- Streamline and make consistent the administration of the state’s tax code.
- Establish government funding mechanisms to more closely approximate “user fee” model.
- Contain health care costs through patient-directed access and outcomes-based incentives.
- Reduce smoking levels to less than 15% of the population.
- Return obesity levels to less than 20% of the population.

DRIVER 3: SUPERIOR INFRASTRUCTURE

- Create and implement a plan to position Indiana as a net exporter of energy.
- Diversify Indiana’s energy mix with an emphasis on clean coal, nuclear power and renewables.
- Identify and implement workable energy conservation strategies.
- Develop and implement a strategic water resource plan that ensures adequate fresh water for citizens and business.
- Develop and implement new fiscal systems to support the array of infrastructure projects critical to economic growth.
- Aggressively build out the state’s advanced telecommunications networks.

DRIVER 4: DYNAMIC & CREATIVE CULTURE

- Develop entrepreneurship and aggressively promote business start-ups through education, networking, investment and financial support.
- Increase the amount of technology transfer from higher education institutions and attain “Top 5” ranking per capita among all states.
- Achieve “Top 12” ranking among all states in number of utility patents per worker.
- Achieve “Top 12” ranking among all states in venture capital invested per capita.
- Strategically recruit foreign direct investment (FDI) and achieve “Top 12” ranking among all states in FDI as a percent of gross state product.
- Increase Indiana exports to achieve “Top 5” ranking per capita among all states.
- Promote a culture that further values diversity and civility, attracting and retaining talented individuals.

Indiana Vision 2025

Indiana Vision 2025 is a comprehensive, multi-year initiative, coordinated by the Indiana Chamber of Commerce, to provide direction, leadership and a long-range economic development strategy for the state of Indiana to help ensure the prosperity of Hoosiers. It seeks to build upon similar past efforts - specifically, the Indiana Chamber's *Economic Vision 2010* initiative - and mobilize public consensus on key issues facing our state.

HISTORY AND SYNOPSIS

In the late 1990s, Indiana was in a very different place, economically speaking, than it finds itself today. Then, Indiana seemed to be humming along with the rest of America during a period of low unemployment and relative economic prosperity. That compared to currently fighting stubbornly high unemployment and twin crises of confidence and capital two years after the official "end" of the Great Recession of 2007-2009. However, many economic metrics from 1999 showed, and many critical thinkers had concluded, that the state was too complacent.

In 1999, Indiana was enjoying a false sense of economic security given global trends in manufacturing and the state's dependence on this critical sector (today, there seems to be no sense of economic security – false or otherwise). Indeed, a rigorous examination of the data showed the state was lagging other areas of the country and included downward trends in critical areas such as per capita personal income and the educational attainment of Hoosiers. The "dot.com" economic bubble was about to burst, but leaders of the Indiana Chamber already had decided to engage in a self-assessment of the state's economic foundations and chart a course for future action.

The result was *Economic Vision 2010*, a long-range economic development plan to make Indiana a dynamic and vibrant environment to establish, operate and grow a business. Published in 2000, this plan emphasized innovation and entrepreneurism while identifying five critical drivers for the state's future economic prosperity: education and workforce development; business costs; government and regulatory environment; infrastructure; and dynamism/entrepreneurism. A sixth key driver – quality of life – was added shortly thereafter as the importance of amenity-based economic development became recognized by a growing number of scholars and stakeholders. Within these six areas, a number of sub-drivers and dozens of metrics were identified through rigorous third-party analysis; a commitment was made by the Indiana Chamber to systemically measure and regularly report on progress.

Economic Vision 2010 was a decade-long initiative to improve the Indiana economy, increase the disposable incomes of individual Hoosiers and strengthen communities around the state. As a thought leader and strategist, the Indiana Chamber rallied like-minded organizations and policymakers to this plan of action and raised public awareness of key issues. As a public policy advocate, the Indiana Chamber realized a number of successes with state and federal policy-makers, including:

- New K-12 education standards and accountability measures
- Adoption of a "Core 40" high school curriculum
- Establishment of a statewide community college system
- Repeal of the counter-productive inventory and corporate gross receipts taxes
- Adoption of daylight saving time
- Major reform of telecommunications law
- Restructuring of the state's chief economic development agency
- New venture capital and patent-derived income tax incentives
- Passage of the "Major Moves" transportation infrastructure program
- Improvements to property tax assessment processes

After a decade of successfully advocating for policy reforms that resulted in renewed economic vitality (and, arguably, helped the state of Indiana weather the Great Recession better than most), many issues still remain and an obvious question arises: What next?

The Indiana Chamber's board of directors determined that a follow-on initiative to *Economic Vision 2010* was warranted given that the state faces a number of unresolved issues and its economic future remains uncertain. The world is much different than it was in 1999 and the state cannot rest on its laurels after an aggressive period of reform in recent years. No longer can "good enough" be considered "good enough." By definition, progress is a continuum.

The Indiana Chamber will lead a continuing effort to improve the state of Indiana's economic prosperity as the second decade of the 21st century begins. The *Indiana Vision 2025* strategic economic plan seeks to provide economic development leadership in the coming years, using its successful predecessor as a working model. The initiative begins with this document and will take shape in the future through organizational meetings, data-driven studies and policy discussions, consensus-building, community outreach and strategic communications.

MISSION AND DIRECTION

The mission of *Indiana Vision 2025* is ambitious and succinct: To create a better life for Hoosiers. It is embodied in the following mission statement:

"Indiana will be a global leader in innovation and economic opportunity where enterprises and citizens prosper."

During the next decade-plus, the Indiana Chamber will build upon past efforts and position Indiana as a leader in the global competition for new jobs and investment where technology advancements and other dynamics are rapidly changing the landscape. While we seek to positively influence events and fulfill this mission, we begin the process knowing at least two things: We cannot change human nature, nor can we repeal the laws of economics. We must accept the former and abide by the latter in all of our future collaborative efforts.

These insights are particularly helpful when we re-examine the economic drivers from *Economic Vision 2010* and apply lessons learned from the past decade's efforts. In that plan, the Chamber enumerated six key drivers of the state's economy:

1. Education and Workforce Development
2. Business Costs and Productivity
3. Government and Regulatory Environment
4. Infrastructure and Connectivity
5. Dynamism and Entrepreneurism
6. Quality of Life

The body of work in that plan and these drivers hold up very well over time. To remain competitive, Indiana must invest in its people and their marketable skills, both "hard" (e.g., critical thinking and mathematical computation) and "soft" (e.g., teamwork and leadership). We must keep taxes simple, low and efficient. We must check expansive regulatory schemes that unnecessarily increase business costs and deter investment. We must continue to build out our transportation, public utility and digital infrastructure to keep pace with new technological capabilities and market demands.

At all times, we must promote a culture of individual risk-taking and entrepreneurship, keeping in mind that dictum captured so well by Gov. Mitch Daniels in his second State of the State Address in January 2006:

"Governments do not 'run' economies. They do not create jobs or wealth. At their worst, they destroy jobs, or drive them to other, friendlier locations. At their best, *they establish an environment in which free men and women, pursuing their own dreams and best ideas, create wealth for each other."*

Only in this manner, through the decidedly difficult process of democratic debate over public values and policy, can we collectively create new economic and life opportunities for our state's citizens, strengthening communities across Indiana and providing the highest quality of life for every Hoosier.

KEY ECONOMIC DRIVERS

To create a dynamic, entrepreneurial business climate in Indiana that benefits companies, communities and families, Indiana must strive for excellence in four key strategic areas. By focusing on the components of successful economies within these four areas, we can continue to build a diverse and robust state economy that will provide prosperity and a higher quality of life for Hoosiers. These four key economic drivers are:

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

Each driver presented here encompasses a number of relevant components or sub-drivers, elements that will lead to economic success or failure based upon how well Indiana achieves in each. While separate and distinct, these drivers should not be viewed in isolation, but rather holistically: Success in one area will not achieve our vision of a prosperous Indiana future; failure to address key issues or achieve progress in one area will hamper true progress toward a higher quality of life for Hoosiers. Like members of a community, these drivers are interdependent and complementary. They work together.

Over a period of several months, we drew upon past experience and the best available research and experts to come to consensus about these drivers. These four drivers were able to capture unfinished work of the previous six drivers in *Economic Vision 2010*, while focusing on what will move Indiana forward. Importantly, we have sought to measure our progress in each area, identifying key metrics and comparing Indiana's standing in both absolute and relative terms. This dedication to measurement and third-party analysis was a hallmark of the *Economic Vision 2010* plan, and helps us to focus on those things that truly matter in economic development while emphasizing the competitive nature of the endeavor. We are not only competing against ourselves to improve across key measurements, but we are competing globally, nationally and regionally for new jobs and capital investment. Therefore, you will see a strong emphasis on Indiana's rank in various measurements over time.

We do not assert that this document has all the answers to Indiana's economic challenges. That would be folly given the unpredictable changes in technology and society that will unfold in coming years. But, we hope to ask the right questions and provide a framework for prosperity that is adaptable over time and that leverages Indiana's key assets while enlisting the support and assistance of other stakeholders in our state's future.

One final observation: These drivers and their metrics have no political allegiances. While cumulatively they suggest an agenda for the future, they know no political party or movement or cause beyond seeking prosperity for all Hoosiers. As business and community leaders, we come from – and seek to further – a culture of data-driven decision-making.

Sincerely,

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Indiana Vision 2025 Chair
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- Jack Wittman, PhD - Director, Layne Hydro, a division of Layne Christensen – Bloomington, IN

Key Metrics: A SNAPSHOT OF INDIANA'S ECONOMIC PERFORMANCE (RANK: 1 = BEST, 50 = WORST)

Per Capita Personal Income

Year	PCPI	Rank
2010	$34,943	41
2005	$31,174	38
2000	$27,510	32

Dept of Commerce, Bureau of Economic Analysis

Dept of the Census, Bureau of the Census, decennial census and annual estimates

High School Graduation Rates

Year	Freshmen rate of graduation	Rank
2008-09	75.2%	33
2005-06*	73.4%	30
2001-02	73.1%	31

National Center for Education Statistics

Common Core of Data; Averaged Freshman Graduation Rate (AFGR)

* 2005-06- out of 44 states reporting

Percent of Total Population with Bachelor's Degree or higher

Year	Percent BS/BA or more	Rank
2010	15.4%	46
2005	15.3%	42
2000*	10.9%	49

*Imputed from grads age 25+ , year 2000 CPS

Census: Current Population Survey 2000,2005,2010

Health Insurance Premiums

Year	Dollars	Rank
2010	$9,508	32
2005	$7,346	28
2003*	$6,362	30

*First year for complete state data estimates

Average of single and family premiums for companies with 100+ employees

U.S. Dept Health & Human Services, Medical Expenditure Panel Survey

Electricity Prices Cents per Kilowatt Hour

Year	Average Cents	Rank
2009	5.81	20
2005	5.49	12
2000	4.87	11

Average of commercial and industrial prices paid

Energy Information Administration: Electric Sales, Revenue, and Price

Utility Patents per Worker

Year	Per 100,000 workers	Rank
2010	48.1	25
2005	36.5	25
2000	46.7	24

U.S. Patent and Trademark Office

Bureau of Labor Statistics, local area unemployment series

Venture Capital Invested per Capita

Year	$/person	Rank
2010	$12.33	28
2005	$14.19	27
2000	$42.59	33

PriceWaterhouseCoopers Venture Capital Report, April 2011

Census Bureau

Exports as Percent of Gross State Product

Year	Percent	Rank
2010	10.4%	9
2005	9.0%	8
2000	7.8%	12

Dept of Commerce, International Trade Administration

Dept of Commerce, Bureau of Economic Analysis, Gross State Products

Foreign Direct Investment as a Percent of Private Gross State Product

Year	Gross PPE/Private GDP	Rank
2006	16.6%	5
2003	15.1%	10
2000	16.9%	12

Gross property plant and equipment investment

U.S. Dept of Commerce, Bureau of Economic Analysis

Includes aircraft, railroad rolling stock, satellites, undersea cables and trucks engaged in interstate transportation.

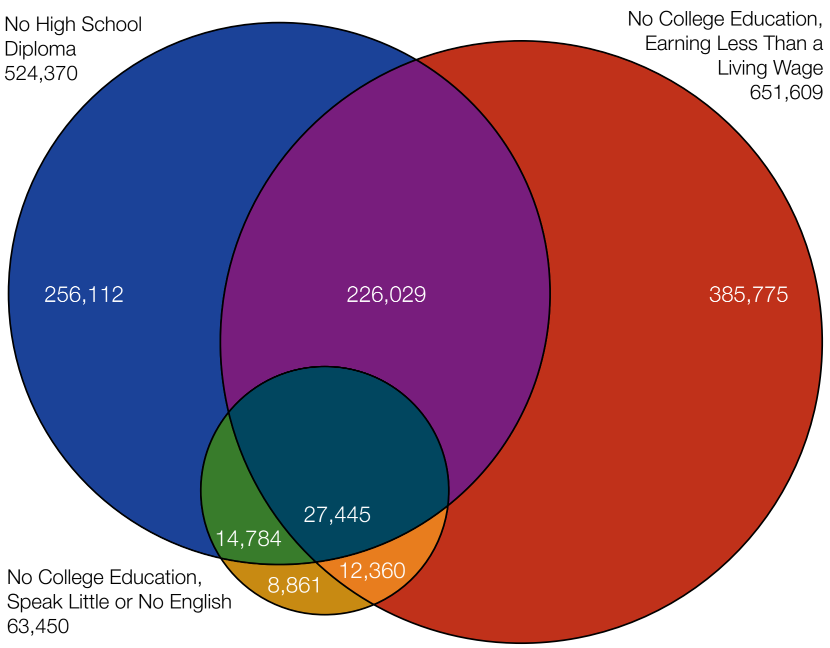
DRIVER 1:
OUTSTANDING TALENT

Few items in this plan are beyond debate, but the need to invest in our people for their own well-being, as well as the state's future economic prosperity, is a given. In fact, developing human potential through education, training and exposure to new ways of thinking and doing things is of paramount importance, especially given current demographic trends. Much progress has been made over the past decade with more to come as the most recent reforms to K-12 education begin to be implemented. But, the results of reform are years away and Indiana regrettably starts from back in the field, dramatically behind other states (and nations) in educational achievement. The economic competition goes on and our goal must be to enhance our competitive position as rapidly as possible.

The K-12 education reforms of 2011 – school choice vouchers, charter schools, performance pay for teachers, collective bargaining restrictions and more – may rank as the most aggressive set of reforms ever passed by any one state in a single year. As such, there is much opportunity in coming years to transform and improve how K-12 education is delivered and achieved in Indiana. Yet, the breadth of those changes also brings risk, as our schools and their personnel adjust to a dramatically different environment, and as critics of these reforms cite every small hiccup or failure to justify their reversal. Thus, for many years to come – and possibly from now until 2025 – the greatest task in K-12 education may be the implementation of the sweeping reforms just passed.

Meanwhile, Indiana's adult population faces continuing challenges as the result of both a dramatically changing economy and an educational system that has demanded far too little for far too long. According to research commissioned by the Indiana Chamber Foundation, more than 930,000 Hoosiers – nearly a third of our entire workforce – lack even the most basic skills to thrive in today's economy (see *A Demand-Side Strategy to Meet Indiana's Workforce Basic Skills Challenge*, 2005). And that number continues to grow each year, as an additional 20,000 young adults leave school without having earned a high school diploma. At the other end of the educational spectrum, Indiana also ranks among the lowest states in the percentage of adults with college degrees. We have made progress in recent years at getting a larger percentage of high school graduates to start college, but the completion rate of those students remains unacceptably low.

Adults in Need of Adult Education and Training (Ages 18-64) (2006)



Total Target Population = 931,366

Demographic realities compound Indiana's dilemma: By 2030, nearly 18 percent of Indiana's population will be age 65 or older, up from about 12 percent today; likewise, while the nation's workforce is expected to grow 10 percent over the next 20 years, Indiana's will "grow" only by one percent. In other words, there is a premium on the workers we have (and their skills) and the youths in our educational system today.

Thus, the future of our human capital demands substantial work at three broad levels: K-12, higher education and workforce development with an emphasis on the essential fields of science, technology, engineering and mathematics (STEM).

SUMMARY OF STRATEGIC GOALS:

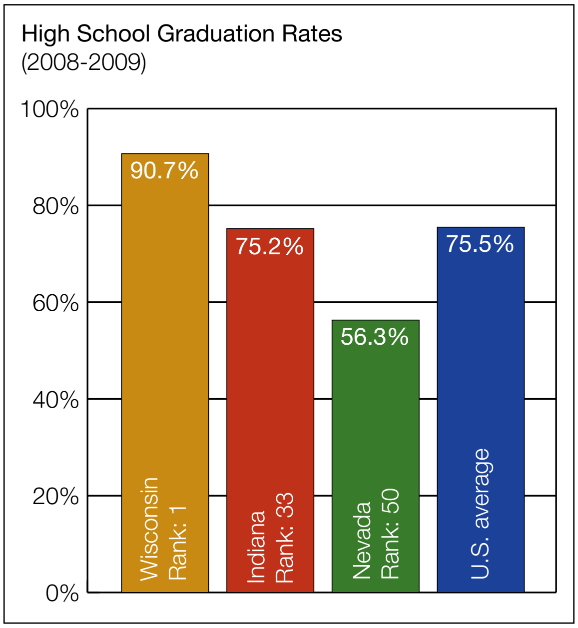
- Increase the proficiency of Indiana students in math, science and reading to "Top 5" status internationally.
- Increase to 90% the proportion of Indiana students who graduate from high school ready for college and/or career training.
- Eliminate the educational achievement gaps at all levels, from pre-school through college, for disadvantaged populations.

- Increase to 60% the proportion of Indiana residents with high quality postsecondary credentials.
- Increase the proportion of Indiana residents with bachelor's degrees or higher to "Top 10" status internationally.
- Increase the proportion of Indiana residents with postsecondary credentials in STEM-related fields to "Top 5" status internationally.
- Develop, implement and fully fund a comprehensive plan for addressing the skills shortages of adult and incumbent workers who lack minimum basic skills.

K-12 Education

The comprehensive 2011 reforms mentioned previously are not the first time Indiana has been in this position. The reforms passed in 1987 as part of the A+ reform package were viewed similarly as a nation-leading effort. Yet by 1994, nearly all of those previous reforms had floundered, been scaled back or eliminated.

Thus, the highest priority at the K-12 level must be successful execution of the reform tools that have already been secured.



Strategies:

Ensure that every student has effective teachers

- Eliminate the policies and practices that treat teachers as commoditized labor (limited entry, common work arrangements and uniform pay scales) to create a new national model for a professionalized teaching force (open entry, creative work arrangements, accountability for academic results and pay based on performance).
- Focus training, accountability and compensation on content knowledge, especially in science, technology, engineering and math (STEM).
- Expand the academic focus of principals and other school leaders to reflect the instructional leadership roles that are critical to teacher and student success.

Ensure that every parent has quality options for the unique needs of their individual children

- Establish Indiana as the most welcoming state in the country for high quality charter, virtual and private school operators.
- Establish funding mechanisms and other state policies that recognize public education as an outcome, accomplished through various means, rather than a limited government-run institution.
- Create "educational enterprise zones" to attract and incentivize high quality school operators in regions with persistent failure and/or extraordinary achievement gaps.
- Create a dynamic set of options at the high school level (vocational training, dual credit, early graduation, etc.) to meet the college and work preparation needs of all students.

Ensure that our K-12 educational systems operate efficiently and productively

- Review and revise our statewide system of public school districts to reflect current population trends, modern transportation systems and expanding parental options.
- Improve the professionalism, transparency and accountability of local school boards.
- Insist on high efficiency in the business operations of our schools through statewide, inter-district and cross-sector partnerships, transparent accounting systems and leadership that possess the management and financial skills that are critical to district-level operations.
- Align state policies by having the Superintendent of Public Instruction appointed by the Governor

Ensure our international competitiveness by focusing on academic results

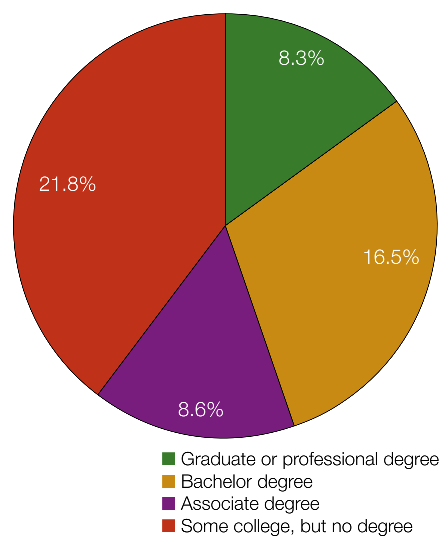
- Benchmark all performance expectations and results to international competition, and expand the transparency, availability and visibility of school performance data.
- Establish a math and science pipeline at the elementary and middle school levels that ranks among the top five states for academic outcomes and is internationally competitive.
- Transition from the current requirements of the Core 40 curriculum to Core 40 with Academic Honors and Core 40 with

Technical Honors, but with continuing revisions to ensure high quality college and workforce preparation.
- Accelerate the state's accountability system and remain diligent on intervention strategies, including state takeover of chronically failing schools and school districts.
- Develop and implement strategies for dramatically increasing student time-on-task to match or exceed international benchmarks, including lengthening the school day and year.
- Develop and implement a foreign language instructional initiative that is reflective of the state's strategic economic interests.

Higher Education

Indiana finds itself at the epicenter of a growing national dialogue on higher education reform. Much as it has evolved in the K-12 arena over the past several decades, higher education is under growing scrutiny to focus on completion rates, efficiency and productivity. Indiana's limited entry into performance funding represents one of the early movers in those efforts; yet, much more seems necessary.

Levels of Education in Indiana
(2008 census data)



The late development of Indiana's community college system (exacerbated greatly by an economy thriving previously on low-skill jobs) is just one of the reasons that the postsecondary attainment rate of Indiana residents ranks as one of the lowest in the country. But, as manufacturing jobs demand higher and more technical skills, and as new fields, like bio-sciences, continue to expand their importance, so does the importance of improving Indiana's postsecondary participation and achievement levels.

Ensure an efficient and responsive system to address our state's higher education needs
- Further the transition from a funding system based on prior-year funding and enrollment levels to a performance-based system providing funding for completion.
- Restructure state aid to incentivize on-time completion, pursuit of high-need degrees and continued Indiana residency.
- Restructure regional delivery of higher education to focus on completion and regional economic needs.
- Improve transferability of credits and degree completion by transfer students.
- Standardize assessments to ensure quality throughout the modalities of higher education and between and amongst institutions.

Workforce Development

The Indiana Chamber estimates that over 930,000 Hoosier adults – nearly a third of the state's entire workforce – do not possess the minimum basic skills that are demanded for success in today's economy. Thus, as work continues to improve the pipeline of workers through K-12 and higher education, significant attention must also be given to our incumbent workforce.

Like all other states, Indiana implements a range of training programs, funded mostly through federal sources that are designed to address this challenge. Yet, the state has no comprehensive plan for addressing the skills of our adult workforce, data on the performance of existing programs is very limited and accountability for outcomes is nearly non-existent.

Develop and implement a comprehensive plan for addressing the skills shortages of adult and incumbent workers
- Establish measureable goals and accountability targets by which to guide state and federal funds invested in workforce training programs.
- Complete the development of a dynamic, user-friendly data system for use in evaluating and guiding the continuum of K-12, higher education and workforce development programs.
- Restructure Indiana's adult education and workforce training systems to focus on career pathways leading to high need industries.
- Identify the 20 percent of Hoosier adults with some college but no degree and target that population with information and incentives for completing a high quality degree or employer-recognized credential.
- Develop marketing and other outreach tools to help current and future workers to understand their best employment opportunities and guidance for pursuing those opportunities.
- Create incentives for employer-based, employer-driven training opportunities.

DRIVER 2:
ATTRACTIVE BUSINESS CLIMATE

If Indiana has well-defined challenges in the area of human capital and starts from an arguably deficient position, the same cannot rightly be said of the state's overall business climate, which has improved over time and indeed accelerated in recent years. Many third-party observers rank Indiana highly when it comes to being an attractive place to invest and do business. Many of the reforms set forth in *Economic Vision 2010* that were implemented have played a significant role in this – from the adoption of daylight saving time, to elimination of the inventory and gross receipts taxes, to telecommunications reform, the state has steadily enhanced its attractiveness to investors.

Presently, Indiana is doing well, but not well enough. We must strive to maintain hard-won gains, avoid backsliding, and seek to further improve those tax and regulatory structures that limit further growth and investment. Taxes, the legal system, the state regulatory climate and the very structure (and cost) of government remain factors in Indiana's competitiveness and attractiveness to entrepreneurs and employers.

SUMMARY OF KEY GOALS:

- Adopt a right-to-work (RTW) statute.
- Enact comprehensive local government reform at the state and local levels to increase efficiency and effectiveness in delivery of services.
- Reform public pension systems to achieve fairness and cost-containment.
- Preserve and enhance a "Top 5" ranking among all states for Indiana's legal environment.
- Attain a "Top 5" ranking among all states for Indiana's business regulatory environment.
- Eliminate the business personal property tax.
- Eliminate the state inheritance tax.
- Promote enactment of a federal solution to the Internet sales/use tax dilemma.
- Streamline and make consistent the administration of the state's tax code.
- Establish government funding mechanisms to more closely approximate "user fee" model.
- Contain health care costs through patient-directed access and outcomes-based incentives.
- Reduce smoking levels to less than 15% of population.
- Return obesity levels to less than 20% of population.

Make Indiana a Right-to-Work State – Again!

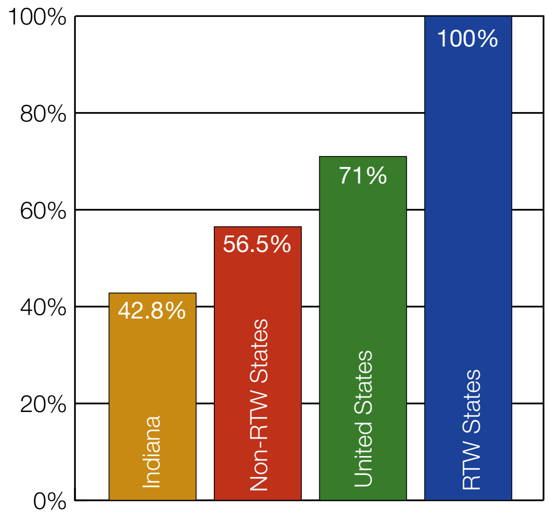
A key component of an attractive business climate is the issue of whether Indiana should be a right-to-work (RTW) state.

Prior to 1965, Indiana was a right-to-work state. In order to be as competitive as possible in the site selection process and to enhance the economic prospects of all Hoosiers, Indiana should once again adopt a right-to-work statute. Public support for the adoption of RTW is strong (even among union households) and the case for RTW's economic benefits is overwhelming: Numerous site selection consultants have testified that Indiana misses out on at least one-third of all potential relocation/expansion projects because it is a non-RTW state and numerous studies show that it can stimulate growth in jobs, wages and per capita personal income while having beneficial consequences for state tax revenues.

In 2010, the Indiana Chamber Foundation commissioned a study of the right-to-work issue entitled, *Right-to-Work and Indiana's Economic Future*. Published in January 2011, the study examined economic results from various RTW and non-RTW states and found the following conclusions:

- **RTW states create more jobs than non-RTW states.** From 2000-2009, more than 4.9 million Americans moved from non-RTW states to RTW states.

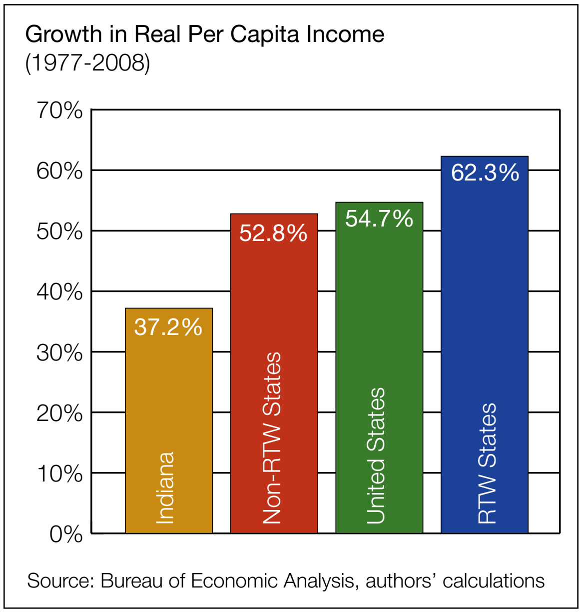
Total Employment Growth
(1977-2008)



Source: Bureau of Economic Analysis, authors' calculations

- RTW states have faster growth in per capita income than non-RTW states.
  If Indiana had had a RTW law in place since 1977, the result would have been nearly $2,925 more in per capita income. That's $11,700 more each year for a Hoosier family of four. If Indiana had enacted a RTW statute in 2011, estimated per capita income in 2021 would be $968 higher – or $3,872 higher for a family of four.

In addition, a RTW statute would lead to a faster growing economy and substantially higher tax revenues. For the 1977-2008 period, that would have resulted in a $22.6 billion increase in gross state product. The higher per capita income levels would have generated an addition $1.2 billion in income and sales taxes in 2010 alone.



Several additional studies over the past decade confirm what we know from Economics 101: Free markets are the most efficient way to maximize economic returns and labor markets are no exception.
- From 1991 until 2001, the last 10 years prior to the approval of its RTW law, Oklahoma residents' real personal income grew by 4% less than the national average. Between 2003 and 2006, real personal income in Oklahoma grew by 13.6% – more than 50% higher than the national average and more than twice as fast as the overall average in the 28 non-RTW states.
- In Idaho, which adopted its right-to-work law in 1986, the subsequent decade saw significant increases over the prior decade in manufacturing employment (0.76% in 1975-1986; 3.71% in 1987-96) and manufacturing establishments (1.27% in 1975-1986; 3.99% in 1987-1996).
- From 1970-2000, RTW states created 1.43 million manufacturing jobs. In the same time period, non-RTW states lost 2.18 million manufacturing jobs.
- From 1970-2000, construction employment grew an average of 50% faster each year in RTW states than in non-RTW states.

Public support for enactment of a RTW statute in Indiana is also evident. Hoosiers pride themselves on their good common sense and it shows in surveys on the RTW issue. According to a statewide voter poll conducted in December 2010, 68 percent of Hoosiers favor RTW (41% strongly favor) and only 23 percent oppose it. The support cuts across all demographics (Republicans (80% support, 13% oppose); Democrats (53%-37%); and Independents (74%-13%). Even 44 percent of union member households are RTW supporters.

Efficient State and Local Government

Prudent business investment seeks the lowest amount of acceptable risk for the greatest possible reward or return on investment. Therefore, it is understandable that Indiana's recent economic development efforts have been predicated upon strong fiscal stewardship in which the state's budget is balanced and the likelihood of tax increases (or other "revenue enhancements") that would change underlying business cost structures is minimized. This is a prudent, strategic course for the future as well.

Local Government Units
(2007 Census data)

State	Units	Rank
Illinois	6,994	1
Indiana	3,231	10
Florida	1,623	20
North Carolina	963	30
Arizona	645	40

Achieve a more efficient, effective and transparent government for Indiana citizens

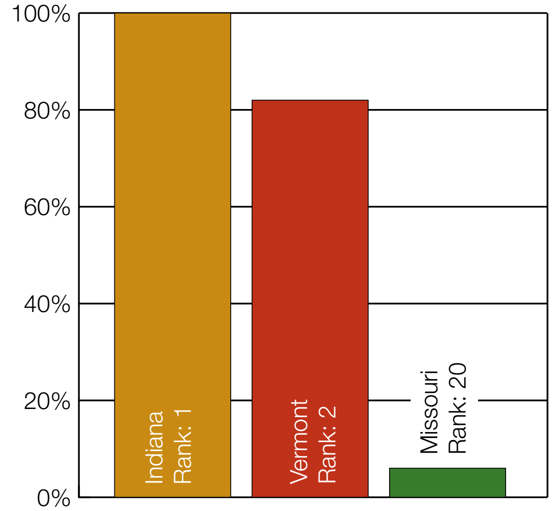
Local governmental entities in Indiana appropriated more than $6.1 billion in 2011 to deliver services to their constituents. Those constituents pay for these services through taxes and other fees and they deserve the most effective and efficient services for their money.

Indiana's 19th century local government structure pre-dates the invention of the telephone, the automobile, air travel and the Internet. Few changes to the basic structure of local government have occurred, despite these modern technologies, management advancements and repeated calls for reform. With more than 3,000 independent units of local government, Indiana's complex system of political boundaries, officeholders and taxing authorities is neither sustainable nor appropriate.

With the constitutional property tax caps, local governments will no longer have a bottomless bucket of resources. As a result, communities must engage in a thoughtful deliberation of their priorities to judiciously utilize those resources. This points to some suggested policy outcomes:

- Reduce the 3,086 separate administrative units of local government in Indiana by one-half to achieve greater efficiency in the delivery of services. This includes counties, townships, cities and towns, libraries, school districts and special districts. For example, there are 239 separate library districts in Indiana and there should be no more than 92 (or one per county, if you accept the premise that Indiana needs 92 counties).
- Move all Indiana county administration to a single-executive form of government from the "horizontal-no-one-in-charge" structure we presently have in most Indiana counties with a management panel of three county commissioners and separate legislative county councils.
- Develop and implement programs to apply private-sector business process tools (such as Six Sigma, LEAN, integrated processes) to improve public-sector efficiency.
- Consolidate state and local boards and commissions to achieve greater public accountability and enhanced oversight by elected officials.
- Provide useful information annually to the General Assembly and the public on how their tax dollars are used to enhance civic engagement. Use technology and social media to encourage greater citizen participation.
- Simplify and incentivize local government reorganization with legislation to ease procedural steps required to reorganize; provide technical assistance and financial incentives.
- Encourage regional cooperation by creating a fund to support local reorganization and changes in service delivery at the county and regional level.
- Facilitate networking and collaboration within and across levels of government as well as the not-for-profit and private sectors of the economy. Once the need for a service is identified, the goal should be to find the best provider of those services.

Percentage of State Population Governed by Townships*
(Census of Governments)



*Thirty states have no township government

Contain costs of government wage and benefit programs

Public-sector employee compensation is becoming a high-profile public policy issue around the nation and in Indiana. While private-sector wages and benefits have stagnated during recent times, many governments continue to increase compensation and benefits for public-sector workers at a growing cost to taxpayers.

In 2011, it is estimated that the overall compensation premium for Indiana public employees versus similar private-sector employees is between 5 and 10 percent. This includes salary, benefits and job security. In Indiana, union membership for all workers is 10.9%. However, union membership is 26.8% of all public sector workers compared to 8.2% for the private sector.

In addition, there are growing concerns about huge unfunded liabilities in public-sector retirement plans. Indiana has funded only 70 percent of its total pension bill, well below the 80 percent benchmark that the U.S. Government Accountability Office says is prudent (Indiana's total unfunded pension liability is around $10.5 billion). The Indiana State Teachers' Retirement Fund is responsible for much of the state's funding shortfall, covering only 48 percent of its $18.75 billion obligation. This leads to the following next steps:

- Conduct further study on the private- and public-sector compensation differences to define policy recommendations.
- Realign public-sector compensation at the state and local levels to create a greater premium for private-sector employment.
- Implement reforms to Indiana's public pension systems to meet national industry standards and benchmarks for unfunded pension liabilities.

Legal Climate, Regulatory Environment and Taxes

As stated earlier, Indiana performs well on several measures used to gauge the business-friendliness of a state. Policies enacted years ago - such as limitations on medical malpractice liability or Indiana's efficient, low cost worker's compensation system, to more recent changes to the state's unemployment insurance system - have led to high marks for the Hoosier state by site selectors, business magazines and trade publications .

Indiana's regulatory framework must be the minimum necessary to enforce public policy. Regulatory agencies must be consistent in their application of the law, responsive to public input and remonstration, and always move toward decisions in a timely manner. Their administrators must be cognizant at all times of the impact they can have on private-sector investment decisions, economic growth and job creation. Indiana's investment and jobs-friendly legal environment must be maintained, while working to ensure that the state's tax code matches up to the competition in all areas.

Tax rates for Indiana employers for both unemployment insurance and worker's compensation are among the lowest in the United States. According to the U.S. Chamber Institute for Legal Reform, Indiana ranked as the fourth best state in the *2010 State Liability Systems Ranking Study*. The top ranked states are shown to the right:

2010 State Liability Systems Ranking Study

Rank	State	Score
1.	Delaware	77.2
2.	North Dakota	71.1
3.	Nebraska	69.7
4.	Indiana	69.6
5.	Iowa	69.4
6.	Virginia	68.1
7.	Utah	67.8
8.	Colorado	65.8
9.	Massachusetts	65.6
10.	South Dakota	65.6

Indiana Rankings
2008: 4
2007: 8
2006: 11

It will be extremely important for Indiana to maintain or improve upon this ranking in order to help facilitate further economic development in Indiana.

Likewise, the state has made tremendous strides in making its tax code more conducive to investment and job creation. Single-factor sales apportionment, elimination of the corporate gross receipts and inventory taxes, and a newly enacted, phased-in reduction of the state's corporate income tax are good examples of sound public policy choices that have worked and will increase the wealth and economic well-being of all Hoosiers. However, some long-standing tax matters have not yet been addressed:

- Eliminate the taxation of business personal property
  The taxation of capital investment in machinery and equipment places Indiana at a competitive disadvantage with other states that do not have this tax, most notably neighboring Ohio. This deters both economic development and job creation. The property tax burden on businesses in Indiana, especially in the era of 1%-2%-3% property tax caps, is disproportionately high and eliminating the taxation of business personal property tax would have three tangible advantages: It would remove a disincentive for investment and job creation, it would simplify the state's tax code and it would create a more equitable property tax system.

- Eliminate the state inheritance tax
  This tax encourages the relocation of Indiana residents and assets when they retire, draining capital for new business investment. The state's inheritance tax also impedes the succession or transition of many small businesses and family farms. Both of these dynamics have the negative effects of draining wealth and vitality from our communities.

- Promote a federal solution to the loss of sales tax revenue due to Internet purchases
  While Indiana citizens are supposed to report and pay tax on their Internet purchases (by declaring them on their income tax returns), most do not and enforcement is simply not cost-efficient. Many large retailers that sell products through the Internet are not physically located in Indiana, so unlike a local retailer they cannot be required to collect and remit the sales tax. Consequently, the taxes owed on the bulk of Internet purchases go uncollected. This situation can be addressed effectively only through federal legislation that allows states to require collection of sales tax, regardless of whether the Internet sellers are physically located in their state.

- Examine more regional taxing districts and taxes and/or user fees
  Policymakers should examine moving toward a user-fee model of taxation in order to more directly assess the persons or

entities that benefit from particular governmental services. This would include: multi-jurisdictional taxes to pay for regional infrastructure; so-called "commuter taxes"; and police and fire protection fees for those who do not pay property taxes but receive public safety services.

- Streamline and make consistent administration of the state's tax code
  There is a need for certainty and predictability in how the Department of Revenue makes decisions in its audits. A good start would be to assign precedential value to the department's letters of findings. Also, making Indiana's taxable income match federal adjusted gross income would make tax planning, preparation and compliance less burdensome to entrepreneurs. Another prime example would be eliminating the 'throw-back' rule that causes the taxation of income not derived in Indiana.

Contain Health Care Costs

At the time of this writing, the ultimate fate of the 2010 Patient Protection and Affordable Care Act (PPACA) in the courts has yet to be decided. Whether it is PPACA or other existing laws, federal law and policies have tremendous effects on the market for health care, but regardless of these impacts, Indiana can and should pair an emphasis on wellness with reforms to the health care delivery system across the state.

A visionary approach is required in regard to the efficient delivery of quality health care.

- Consumer-directed access
  Currently, it is difficult for patients to obtain access to information assessing the quality and costs of health care services and providers. As more employer plans have moved toward consumer-directed health plans, having access to information is vital for consumers to make wise decisions regarding their health care.

- Coherent medical record information system
  Similar to having access to information is the need for a coherent, reliable and secure means of distributing and disseminating patient/employee medical records. Communication of medical records within a medical group is becoming more commonplace. However, medical record communication between outside facilities, pharmacies and other medical services providers is not as common. Patients must also be able to access this information when needed.

- Reimbursement by outcome versus 'fee for service'
  The current reimbursement system has, for the most part, been a "fee for service" system. This approach has caused overutilization of services to generate revenue. Patients must be viewed no longer as revenue streams, but treated with their individual outcomes foremost in mind. Changing the current incentives structure from a fee-for-service model to one that rewards efficiency and positive outcomes for patients is essential.

- Drive efficiency and quality
  Many Americans believe that more could be done regarding efficiency and quality of care. Implementing accredited efficiency and quality standard programs within the health care delivery system, similar to what manufacturing has done with ISO and lean manufacturing techniques, would serve well to help health care providers examine their processes. Accredited programs will give those in the delivery of care a way to measure and validate efficient and quality practices in the workplace.

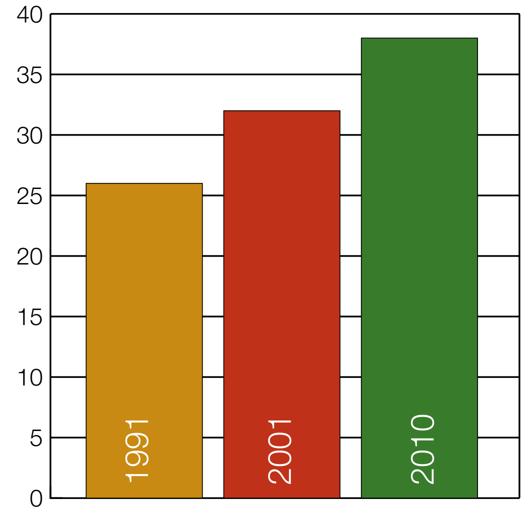
As we look forward to 2025, bold steps must be made in changing our attitudes toward health and wellness. According to America's Health Rankings, Indiana ranked 38th in 2010 in overall health of its citizens. The two largest insurance carriers by volume in Indiana (Anthem and United Health Care) have indicated that Indiana has some of the highest health care costs in the country with some of the worst outcomes. Indiana ranks poorly in several determinants and outcomes:

Determinants
- Smoking: 23.1% of population, 5th highest.
- Obesity: 29.9% of population, 13th highest.
  - ➤ Including overweight and obese - 67% of all Indiana residents!
- High cholesterol: 39.8% of population, 18th highest.
- High blood pressure: 31.3% population, 12th highest.

• Only one in five Hoosiers consumes the recommended daily allowance of fruits and vegetables.

Outcomes
• Infant mortality: 7.8 deaths per 1,000 live births, 11th highest.
• Cancer deaths: 208.4 per 100,000 of population, 10th highest.
• Cardiovascular deaths: 300.5 per 100,000 of population, 12th highest.

America's Health Rankings
(Indiana's Position Among the 50 States)



Obesity: 29.9% (13th highest)
Smoking: 23.1% (5th highest)

The prevalence of smoking and second-hand smoke results in numerous adverse health risks and outcomes within our population. Obesity is known to contribute to a variety of diseases, including heart disease, diabetes and general poor health. Being overweight at younger ages causes serious health risks, including greater risk of cardiovascular disease and Type 2 diabetes. A higher obesity rate suggests that today's youth will be the first generation in the history of the United States to live shorter lives than their parents.

At a minimum are the following goals:
• Reduce smoking levels to less than 15% of population.
  ➤ Most states in the top quarter of health rankings fall near the 15% level in smoking levels.
• Reduce obesity to less than 20% of population.
  ➤ As a guideline, Colorado currently is ranked first (lowest) in obesity level at 18.9% of its state population.

Clearly, individual choices and behaviors drive the high rates of smoking and obesity among Hoosiers. The Chamber has maintained a policy that generally opposes government intrusion into the lifestyle choices that a person makes. However, when such individual choices place a substantial burden on business and our society, as well as publicly-funded programs such as Medicaid, government intervention may be warranted.

Smoking
• Pass comprehensive smoke-free workplace and public place legislation.
• Consider higher tobacco taxes.
• Promote and adequately fund anti-smoking programs to prevent children from starting to smoke.
• Promote programs to help teens and adults to quit smoking.
• Allow employers to differentiate health care co-pays between smokers and non-smokers.
• Secure insurance coverage for smoking cessation treatments.
• Further regulate the marketing and sales of tobacco products that appeal to children.

Obesity
• Promote workplace wellness through the Wellness Council of Indiana and other organizations.
• Require more physical education and exercise in K-12 schools.
• Provide healthy food options in schools and promote a balanced diet high in:
  ➤ Fresh fruits and vegetables
  ➤ Whole grains
  ➤ Low-fat items and low sugar beverages.
• Require schools to maintain healthier nutritional standards.

DRIVER 3:
SUPERIOR INFRASTRUCTURE

For decades, Indiana has earned the moniker “The Crossroads of America” due to its geographic location and the large number of interstate highways crossing it. Even with population shifts to the south and west, the center of the country’s population remains within Indiana’s borders and the state’s access to domestic and international marketplaces is a competitive advantage. Proximity to the Great Lakes, both for shipping lanes and as a fresh water resource, is another advantage over competitors. However, these assets cannot be taken for granted and Indiana must seek continued investment and improvement in roads, bridges, airports, fresh and waste water facilities, the electrical grid and – of growing importance – telecommunications networks (perhaps especially in the wireless area).

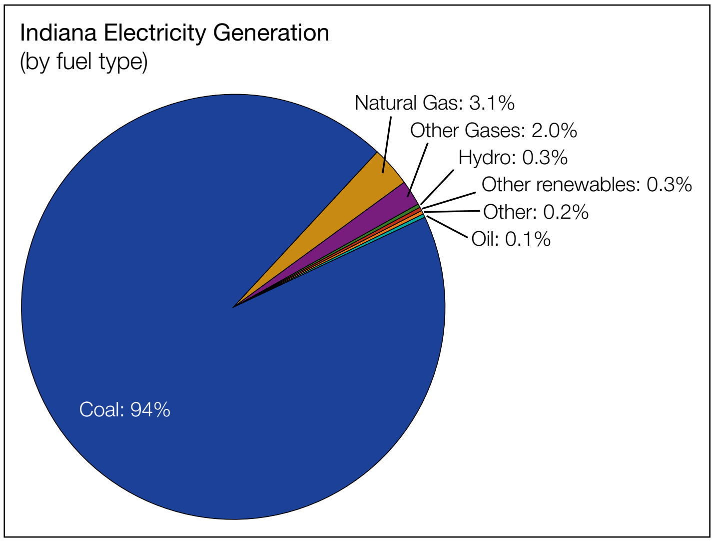
Our future challenges will be to allow competitive markets to function while judiciously using public dollars, maintaining what we already have and addressing new market demands. Of crucial importance will be to assure that Indiana has enough energy and water resources to affordably power its economy in coming decades while building out robust transportation and telecommunications networks to move goods, services and people to market. In these efforts, the mix between public funding and private investment, as well as the sometimes overriding impact of federal activity, could prove decisive.

SUMMARY OF KEY GOALS:

- Create and implement a plan to position Indiana as a net exporter of energy.
- Diversify Indiana’s energy mix with an emphasis on clean coal, nuclear power and renewables.
- Identify and implement workable energy conservation strategies.
- Develop and implement a strategic water resource plan that ensures adequate fresh water for citizens and business.
- Develop new fiscal systems to support the array of infrastructure projects critical to economic growth.
- Aggressively build out the state’s advanced telecommunications networks.

Energy

Indiana is an energy-intensive state. We make, mine and grow products that are consumed in Indiana, the United States and around the world. All of this requires energy. With hundreds of years of coal underground in Indiana, the primary source of electricity for Indiana has long been from coal. More than 95 percent of the state’s electricity comes from this single resource. The State Utility Forecast Group’s (SUFG) most recent forecast (2011) recognized a reduced electric power need from the previous forecast (2009) as a result of the economic downturn and the significant loss of manufacturing jobs and closing of facilities. The SUFG did, however, project electricity usage to grow at a rate of 1.30% per year over the 20-year forecast, which corresponds to about 275 megawatts (MW) of increased demand per year. That would require the building of a large power plant (1,000 MW) at least every four years. To put that in perspective, the Duke Energy Edwardsport generating facility that has been under construction for a number of years is rated at 630 MW.



The additional demand has been effectively managed through the efforts of the Indiana electric power generators and the Midwest Independent System Operator (MISO) that oversees the generation and flow of electricity in a multi-state area. Because of those efforts, the electric power industry believes there to be adequate electric power generation in the near term – three years.

However, as an energy-intensive state with growing demand, it is critical that the state establish and implement a long-term plan for its energy needs. The goal is to maintain Indiana’s adequate, reliable and affordable supply of electricity. This goal will continue to promote one of Indiana’s key economic advantages.

The current federal administration has essentially declared war on the use of coal. While Congress has pushed back recently on federal anti-coal initiatives, the EPA has launched a full assault through regulations that would hinder the use of coal and/or render it prohibitively expensive. Indiana cannot afford to remain dedicated exclusively to coal and must diversify its energy portfolio to include not just coal, but natural gas, nuclear, domestic petroleum and renewables while engaging in conservation strategies.

The producers and users of energy in Indiana have conflicting goals. The producers want a fair, clear process that allows recovery of expenses and reasonable return on investment while the consumers want reliable sources at minimal rates. Historically, this has been a challenge and it will remain so.

Indiana's transmission and distribution system has not been significantly upgraded in many years. Like any infrastructure, it requires routine attention and upgrades, which are costly.

With plentiful coal, oil and some gas reserves, the state should review all reasonable exploration opportunities. Shale gas and recent domestic oil finds indicate potential energy resource opportunities for the state that should be assessed.

The beginning of a viable, long-term strategy for Indiana that seeks to enhance future capacity while maintaining our adequate, reliable and affordable supply of energy would:

- Create an aggressive near and long-term energy plan, recognizing and involving all stakeholders.
- Identify all energy resources including coal, natural gas, petroleum, shale gas, wind, solar, nuclear and geothermal and determine their potential contribution to Indiana's energy future.
- Assess Indiana's current energy infrastructure and develop a plan to address those needs to maintain an adequate, reliable and affordable supply of energy.
- Identify and implement mechanisms to incentivize Indiana's energy sources and building of additional capacity.
- Identify and implement workable energy conservation strategies.
- Create and implement a plan to position Indiana as a net exporter of energy.

While Indiana is an energy-rich state, there are potential threats or game-changers that should be taken into consideration in the development of a proactive and forward-looking energy plan. Those may include:

- EPA restrictive regulations.
- Mandated federal/state Renewable Energy Standard.
- Federal promotion/restrictions on nuclear power, clean coal and traditional coal power plants.
- Shale gas – availability as a resource and potential use in Indiana.

Water

Fresh water is essential for human life. It is also a major element for a sustainable and developing economy. Indiana has long-enjoyed a reliable and adequate supply of fresh water.

Average annual rainfall in Indiana is approximately 40 inches, ranging from about 35 inches near Lake Michigan to 45 inches along the Ohio River. Indiana is blessed with access to substantial water resources in northwestern Indiana with Lake Michigan, and along the southern border of the state with the Ohio River and associated alluvial deposits, including a significant state-owned ground water resource near Charlestown. In addition to these resources, more than one-half of the state contains ground water resources capable of supplying wells with capacities greater than 100,000 gallons per day. Moreover, Indiana, in conjunction with the U.S. Army Corps of Engineers, provides for 282 million gallons per day (MGD) of dedicated water supply storage in three reservoirs in southern Indiana (Brookville, Monroe, and Patoka) of which only 45 MGD (16%) are currently committed through state contract.

Other regions of the country have experienced significant water shortages – restrictions that have critically affected fresh water supplies and which serve to limit economic growth (recall the governors of Georgia and Texas in recent years praying for rain; prayer is no substitute for sound public policy). Some states, in fact, already have turned to the courts in an effort to redraw state borders to gain access to water (Georgia again). While other states and regions fight over water, Indiana should lay out a plan demonstrating why investment here is in our long-term economic interest.

There are many types of legal entities that provide water and wastewater services to Hoosiers. These include investor-owned, municipal, not-for-profits, water authorities, regional water/wastewater districts and conservancy districts. Presently, the Indiana Utility Regulatory Commission regulates approximately 118 out of 824 water utilities and 54 out of 531 wastewater utilities.

It has been estimated that statewide wastewater and drinking water infrastructure needs for the period 2000 to 2020 would require $12.4 billion to $13.9 billion in funding for capital projects to rehabilitate or improve infrastructure for: (1) correction of combined sewer overflows or CSOs; (2) wastewater conveyance and treatment; (3) remediation of failing on-site septic systems; (4) storm water conveyance and management; and (5) drinking water production, treatment and distribution facilities. Indiana may be a leader in funding the investment necessary to change to the next century of water use infrastructure, but the state must also lead in planning the most efficient use of every dollar spent.

Indiana has taken significant steps to protect waters in the Great Lakes basin through the Great Lakes Compact, but it has not prepared a statewide to plan for the construction of infrastructure and regulation of this increasingly important resource. We have an opportunity to redesign outdated notions of water use and planning to maximize the economic advantage our water resources provide. The scope of investment necessary, coupled with a much more interconnected society, requires that Indiana approach its water resources in a fundamentally different manner than the current localized approach.

Traditional thinking should be challenged as it is essential to preserve and protect this valuable resource and recognize that national and global competition requires broader cooperation across the state. Communities must work together to utilize Indiana's advantage and realize potential economic growth. The result of narrow, local planning is that resource sharing and economies of scale are missed. Indiana must rethink the way it plans, regulates and utilizes its water resources.
Recommended actions include:

- Survey available water resources.
- Identify the areas of the state that have or will have significant water needs.
- Identify those local, regional or statewide approaches to water resources and requirements that would best maximize the value and minimize the cost of water use.
- Develop infrastructure investment priorities.
- Identify constitutional, statutory, administrative or other policy changes necessary to create an effective system that will maximize water resources.
- Develop and implement a comprehensive, long-range plan considering both water and waste water needs that will realize a secure and advantageous position for the state's citizens, businesses and industries while promoting aggressive economic development.

Transportation

"The Crossroads of America" is a fitting designation for Indiana: The state ranks first in the nation in access to interstate highways, first in pass-through interstates, ninth in rail miles and is within one-day's drive of 75% of the U.S. and Canadian populations (Canada is Indiana's largest trading partner). Indiana is home to the world's second largest FedEx distribution facility. The state runs a trade surplus – Hoosiers are exporters – and the logistics sector employs nearly 310,000 people while paying higher than average wages. Indiana's transportation network is a huge economic engine upon which our manufacturing firms and agribusinesses depend to receive critical inputs and move their goods to market.

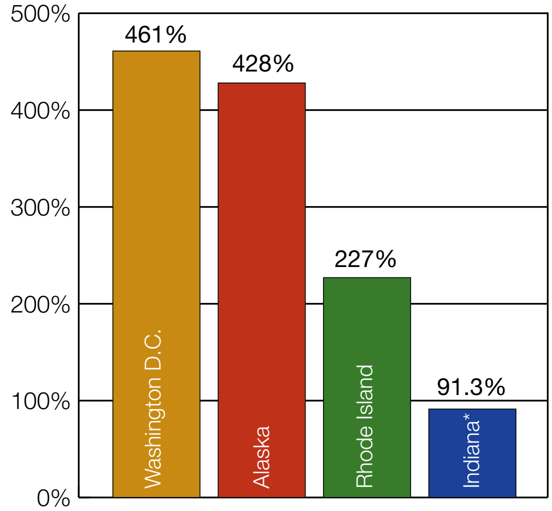
Looking forward, Indiana must make critical investments in its multimodal transportation system and preserve, indeed exploit, this competitive advantage that geography and past investments have created. We must do so in an increasingly austere fiscal environment at both the state and federal levels while being mindful of technological progress that will challenge old standards of infrastructure planning, construction and finance.

Since the inception of the state's visionary Major Moves program in 2006, Indiana has seen unprecedented investment in its transportation infrastructure and it bears remembering that these investments: 1) are the result of private capital being deployed for public purposes; 2) will come to an end in the not-too-distant future; and 3) will not by themselves address all of the state's road infrastructure needs.

Indeed, the state will face several challenges going forward. This year (2011) represents the peak of Major Moves spending with approximately $1.6 billion being deployed. Over the next few years, that amount will decline rapidly to around $600 million in construction spending in 2014. This planned-for decline will have implications for the state, its transportation network and construction-related employment: Major new construction projects will slow drastically, if not disappear; the vast majority of funds post-2014 will be spent on preservation of existing assets (which are substantial) and will be inadequate to address future expansion needs.

At the same time that Indiana's Major Moves program begins to conclude, the situation in Washington, D.C. portends fewer federal resources. Almost 40 cents of every dollar that Indiana invests in roads and highways today comes from the Federal Highway Trust Fund – a fund that has moved into insolvency numerous times in recent years and has had to have its dedicated revenues from the federal gasoline tax (last raised in 1993, never indexed to inflation) supplemented by numerous "emergency" appropriations from general revenues. These general revenues themselves are in doubt as the national economy struggles and the federal government focuses on eliminating deficits and debt.

Highway Trust Fund Rate of Return
(fiscal years 2005-2009)



*11 other states at this level

In short, Major Moves is coming to an end and the pool of federal resources will shrink at the same time that Indiana will need to make continued strategic investments to expand the capacity of its transportation network.

Creative planning for this vital network is necessary today in order to secure our state's economic prosperity tomorrow. Fortunately, sector-focused organizations such as Conexus Indiana have committed serious resources to addressing these challenges and the Indiana Chamber has collaborated in these efforts. We join Conexus Indiana and others in calling for a strategic plan for Indiana's transportation future that will:

- Reduce transportation bottlenecks that improve the reliability and efficiency of freight movement, leading to less congestion, lower infrastructure repairs and lower emissions.
- Ensure global access by connecting Indiana cities to interstate-like access based upon economic impact and development potential.
- Create better connectivity of Indiana's water ports via roads and rail modes and improve the reliability and efficiency of water freight movement.
- Develop a fast and efficient process for unplanned economic development infrastructure needs.
- Develop and implement the utilization of transportation networks that provide direct rail, truck access and air service expansion, leading to the improvement and establishment of multimodal and intermodal service and air facilities.

By pursuing the above in a collaborative manner, Indiana will build upon its position at the heart of the global supply chain and enhance the employment and economic prospects of all Hoosiers. Among the questions to be answered:

- Do the current federal-state fuel taxes have ongoing value as a funding mechanism?
- Is it necessary to raise these taxes in order to meet future transportation needs?
- Should an alternative funding mechanism, potentially a vehicle miles traveled assessment, be considered?

Next Generation Telecommunications

Deployment of broadband communications technology is a well-established driver of economic growth. Over the past decade, more than half of all states have made significant reforms to their telecommunications policies. By far, the most dramatic changes have been the reorganization of local monopolies for the provision of cable television, which is highly correlated with the provision of high-speed data services (broadband) to homes and businesses.

Indiana enacted sweeping telecommunications deregulation in 2006 and since that time has seen significant investment by private market participants: A 2008 study of the law's effects conducted by Ball State University's Digital Policy Institute found the legislation has brought broadband services to 102 rural Indiana communities, created 2,200 new jobs and realized more than $1.5 billion in new investment in this critical infrastructure. At the same time, competition in urban markets, as well as subscriptions to high-speed data services, has increased dramatically while the price of such services has declined. National research from the Federal Communications Commission (FCC) and the Government Accountability Office suggest that the price of such services will drop between 15% and 20% as providers respond to new market entrants and direct consumer negotiation.

The Indiana Utility Regulatory Commission successfully defended Indiana's 2006 reform before the FCC, arguing that states were in the best position to regulate these markets versus the federal government. As a result, Indiana's and other states' laws were grandfathered. Just as in transportation infrastructure, the interplay between the state and federal governments will prove critical to future progress.

Here, we advocate once again for the power of free markets to realize the best economic gains and achieve strategic economic objectives. Indiana's 2006 market-oriented reform has proven highly successful with consumers and providers responding in beneficial ways.

Even as broadband is made more widely available and consumer acceptance increases, new and better technologies are on the horizon. A decade ago when the Indiana Chamber's *Economic Vision 2010* plan was introduced, no one could accurately foresee today's telecommunications landscape, populated with 3G and now 4G technologies, smartphones, thousands of software applications ("apps") for these phones, and tablets and other wireless devices.

In such a rapidly developing, dynamic environment characterized by intense technological innovation, the best course of action for policymakers is most likely the least active course of action. A decade ago, broadband-over-power line, or BPL, was receiving significant buzz; not anymore, as the wireless sphere has experienced exponential growth and seems to be the "wave of the future." Rather than attempt to pick winners or losers based upon ever-changing technology, state (and federal) policymakers should learn from past policy successes, allow markets to operate and guard only against anti-competitive or monopolistic practices. In rare instances in which market forces are not sufficient to provide broadband access, the state may want to examine remedial policy efforts, but that has not been the experience of Indiana or other jurisdictions over the past decade. The current situation in Indiana seems to call for significant examination rather than intervention.

DRIVER 4:
DYNAMIC & CREATIVE CULTURE

The prosperity of Indiana's people depends upon having an economic climate that consistently encourages innovation and entrepreneurship that leads to productive employment. Many variables contribute to high levels of innovation, entrepreneurship and economic dynamism, but foremost among these are a high level of economic freedom and a culture that encourages diversity, intellectual curiosity and risk-taking.

The first of these – economic freedom – is characterized by a free-market orientation and low levels of government interference, taxation and regulation. It is fairly easy to understand and measure. Large, complex, and multi-layered government, high levels of taxation and a burdensome regulatory regime discourage dynamism because they reduce the incentives to create and innovate, dampening the entrepreneurial spirit. Indiana has focused much effort over the past decade to increase its economic freedom through prudent fiscal management, deregulation and lower taxation. Often we have heard about "building the best sandbox." More needs to be done in this area (see "Attractive Business Climate"), but we have a solid foundation upon which to build.

The second variable – "culture" – is much more ambiguous and elusive. So often in the field of economic development, one hears about the importance of "culture" to the success of a locale in the creation of a thriving economy. Examples such as Silicon Valley, Boston's Route 128, North Carolina's Research Triangle and even Wall Street evoke images of vibrant and distinctive places of creativity and successful innovation. Numerous books have been written about corporate culture and enterprises both large and small carefully groom their leadership to embrace and exhort their unique versions of it. But, what is it and how do you define it?

At its most basic, culture can be defined as a set of shared attitudes, values, goals and practices that characterizes an institution, organization or group. It requires more, especially as we think of applying this definition to Indiana specifically.

Perhaps the more important question to ask is: How do we want Indiana's "culture" to be defined and perceived? What kind of sandbox should we seek to build? What type of culture encourages entrepreneurship and what are the concrete steps, if any, that we may take to develop it?

SUMMARY OF KEY GOALS:

- Develop entrepreneurship and aggressively promote business start-ups through education, networking, investment and financial support.
- Increase the amount of technology transfer from higher education institutions to attain "Top 5" ranking per capita among all states.
- Achieve "Top 12" ranking among all states in number of utility patents per worker.
- Achieve "Top 12" ranking among all states in venture capital invested per capita.
- Strategically recruit foreign direct investment (FDI) and achieve "Top 12" ranking among all states in FDI as a percent of gross state product.
- Increase Indiana exports to achieve "Top 5" ranking per capita among all states.
- Promote a culture that further values diversity and civility, attracting and retaining talented individuals.

Invest in Entrepreneurship

Entrepreneurship is the heart of our country's economy and always has been. The Fortune 500 companies of today were founded as much smaller enterprises that grew to be phenomenally successful. A growing body of research demonstrates that young, entrepreneurial firms are truly the jobs engine of our economy and, as a state, we must encourage this dynamic.

The entrepreneur takes an economic risk – as do his investors, the capitalists who finance his enterprise – in order to convert a new idea, process or invention into a successful innovation. In addition to encouraging entrepreneurship, we can also help to mitigate such risks and the downside of creative destruction without venturing into the area of moral hazard.

Through our schools, through our public universities and through our public policies, we can create a positive environment for entrepreneurs. Indeed, the history of economic development efforts in Indiana over the last decade is in large part a focused, but decentralized, effort to increase the number of Hoosiers willing to take a gamble on their dreams.

While Indiana has made some progress, it still faces significant challenges in three key areas:
- Increasing access to venture and risk capital to finance entrepreneurial start-ups.

• Creating stronger business-university-government partnerships and networks to support entrepreneurial start-ups.
• Marketing Indiana as a place with a strong entrepreneurial environment and tradition.

Capital Formation and Access

In 2000, Indiana was ranked 45th among the 50 states in venture capital invested per capita, according to the widely regarded PriceWaterhouseCoopers MoneyTree Report. Since then, the state – at the prompting of the Indiana Chamber and through the private-sector fundraising work of organizations such as BioCrossroads and TechPoint, among others – has taken critical steps such as enacting the venture capital tax credit, promoting fiduciary investments by the state's pension funds (into appropriately return-driven vehicles like the $73 million Indiana Future Fund and the $150 million Innovate Indiana Fund), and launching and continuing to invest in the 21st Century Research and Technology Fund to move the state into the 28th position nationally in 2010. This is splendid progress, but complacency must be avoided.

Encouraging seed-stage and "angel" investor networks such as the Halo Capital Group (launched by TechPoint), the Indiana Seed Fund (launched by BioCrossroads) and the P3 Alliance of the Purdue University Research Foundation is critical, as is investigating additional sources of early stage funding. It is also important to maintain incentives for the private sector that have fueled growth in the life sciences, IT, agricultural and manufacturing sectors.

Expansion or evolution of successful programs such as the 21st Century Fund should be pursued while maintaining favorable tax treatment for risk capital and research and development activities.

Innovation in Indiana
(2010 Rankings)

Exports as a percent of GSP	9
Utility patents per worker	25
Venture capital per capita	28
Entrepreneurism Activity Index (business start-ups)	47

Support Networks and Risk Mitigation

While tax policy and capital formation programs run by public-private or non-profit entities mitigate some of the risks of entrepreneurship, more can be done to increase the networks of entrepreneurs and the "pipeline" of university-sponsored research for commercialized ventures. Indiana, Purdue and Ball State universities all have robust programs in the area of entrepreneurial education and support, as do some private institutions. Policymakers (and legislative appropriators) should facilitate more technology transfer activity from our publicly-funded research universities and encourage private institutions as well.

Private philanthropy, led by but not limited to the Lilly Endowment, has contributed nearly $1 billion over the past decade to advancing "translational research" efforts at the state's research universities, with such research representing the best source for promising technology transfer opportunities. With this foundation, it will be important for the state, as well, to continue to provide appropriate funding for public university research, particularly in the development of appropriate facilities and laboratories to advance discovery.

Creative collaborations between these institutions – and between them and private enterprise – should be further explored and nurtured. The state's Certified Technology Park program is one model for creating these pipelines and collaborations, as they provide a nexus for information sharing and resource pooling.

Formalized networking structures and educational opportunities are highly valued by entrepreneurs and should be supported by our state's universities and cluster-based economic initiatives.

Marketing and Promotion

Indiana needs to think of itself as an entrepreneurial state and then promote itself as such in very coordinated and strategic ways.

To date, there has been robust activity by individual groups – typically organized around the state's industry and innovation clusters – as well as individual colleges and universities to develop appropriate data and promote their entrepreneurial programs and their own strategic brands.

However, opportunities abound for stronger coordination between these organizations and at the state level. Efforts to promote "Indiana" as a strategic brand in the global marketplace should be made more robust, data-driven, coordinated (and funded) long term and illustrate Indiana's strengths beyond the fiscal condition of our state government.

A coordinated, well-funded, credibly researched, better planned and sharply executed strategic communications plan that tells the story of Hoosier entrepreneurship, drawing upon our historical and present successes, is overdue and required to keep Indiana competitive with regional, national and international competition for opportunities. Such a plan should involve all stakeholders from the various economic sectors critical to the state economy and build upon their separate marketing efforts. A cooperative effort between state government, universities and the state's business community could construct a compelling, coherent brand for Indiana while providing reinforcement for each stakeholder's separate marketing efforts.

Accelerate Indiana Exports

International trade is vital to the prosperity of our country and state. In 2010, Indiana contributed nearly $29 billion to a national total of more than $1.3 trillion in export goods. Indiana exports nearly doubled in the past decade. Canada, Mexico and Germany are Indiana's largest export markets, but Indiana businesses ship goods to almost 200 countries around the globe with 26 of those countries accounting for 93 percent of all Indiana exports.

According to the U.S. Chamber of Commerce, more than 75,000 Indiana jobs rely upon international markets and a recent report by the Indiana University Kelley School of Business estimates that nearly 25 percent of all Indiana manufacturing jobs are dependent upon exports to key trading partners. Indiana ranks 14th among all states in terms of export sales and has outperformed the nation in its average annual rate of growth in exports, 9% vs. 6% for the nation as a whole. (In the field of pharmaceutical and medical technology products alone, Indiana's exports exceeded $9 billion in 2010, placing the state third in the nation behind only Texas and New Jersey.)

In short, Indiana's future prosperity will be built upon our ability to ship goods overseas and bring dollars back home.

We must construct our state policies within a global context and support key strategic investments to help Indiana firms do business overseas. For instance, the state should consider devoting more resources to international outreach, regular high-level trade missions to key international destinations and the permanent establishment of overseas offices (or networks) of the Indiana Economic Development Corporation (IEDC) in countries of strategic significance to bilateral trade and economic activity.

Promote 'Hoosier Hospitality'

A vibrant culture conducive to innovation and entrepreneurship would embrace diverse people and perspectives that build upon each other so as to create unique opportunities for growth and prosperity. It is the chemistry of evolving new perspectives because diverse people and their viewpoints interact, contributing to our collective intellect and well-being.

A vibrant culture is not planned or fabricated, but created by an open society, fueling its participants by challenging them with the unfamiliar and the unknown. When it "sparks," there is a sense of energy and excitement. Creativity results and is a prerequisite for innovation.

"Hoosier Hospitality" is a non-trite phrase with much meaning to citizens of our state and to our many guests who have experienced it upon their visits here. It is a general friendliness and neighborly willingness to help a stranger. It is a strong cultural trait, as well as a very strong "brand proposition" for Indiana – one which we should not squander.

Indiana's policies must reaffirm our global reputation as a welcoming and business-friendly state. Perhaps the best measure of a state's economic climate is the willingness of outsiders to live and work within that state. At all times, our state should seek the most open, tolerant and diverse society in order that every person may use their talents. Every citizen regardless of race, national origin, religion, gender or sexual orientation has something meaningful to contribute to our collective prosperity.

Our Future State

The premise of this plan is that by engaging now in thoughtful consideration of the future we may shape it. We are not willing to leave the future prosperity of Hoosiers to chance, but rather seek to enhance it by our actions today. Through this plan, we have attempted to establish a roadmap to prosperity where Hoosiers can achieve a higher quality of life than otherwise possible.

Today, Indiana is a very, very good place to live, work and raise a family. But we are greedy, in a good sense. We want Indiana to be the very best. We want to build on our current advantages and shore up our weaknesses. An honest self-assessment reveals that we must improve on today's reality when:

- At least one in four young people fail to achieve the bare minimum of a quality high school education.
- Only slightly more than one-third of high school graduates go on to achieve the postsecondary credentials necessary to succeed in today's competitive jobs market.
- High smoking and obesity levels contribute to ever-rising health care costs and, most importantly, cut short far too many lives.
- We waste tens of millions of taxpayer dollars on local government systems that are inefficient and, in many cases, ineffective.
- A few "chinks" in an otherwise positive tax system drive some business and personal resources elsewhere.
- Our valuable energy and water resources are at risk due to a lack of upkeep and long-term planning.
- Despite robust investment, transportation and telecommunications infrastructure is likewise at risk.
- We don't provide entrepreneurs with nearly enough resources to start and grow their businesses close to home.
- We send subtle (and sometimes more blunt) messages that some people are not welcome based on who they are or their country of origin.

While the year 2025 may appear far off, it is never too soon to begin going from "very good" to "great" as a state. Embodied in *Indiana Vision 2025* is a framework for action that will lead to numerous desirable outcomes.

If we work together to accomplish initiatives within this plan, we see Indiana as a future leader in which:

- At least 90 percent (with the ultimate goal of 100 percent) of students are fully prepared to enter college or the workforce.
- A minimum of 60 percent of Indiana residents have the postsecondary credentials or degrees that lead to personal achievement and business development.
- Individuals embrace wellness to enhance their own quality of life, workplaces and communities.
- Local government becomes a more effective resource, rather than serving as an impediment, to facilitate jobs and economic growth.
- Tax policy attracts additional investment and allows successful individuals to remain in our state and serve as valuable mentors and contributors throughout their lifetimes.
- We are assured that flipping the light switch and turning on the faucet will deliver the affordable power and water we are accustomed to for personal and business needs.
- Our physical and digital infrastructure prove to be valuable advantages over regional and national competitors.
- We not only keep more young people and future business leaders at home, but attract talented individuals from around the country and across the world.
- We have a culture that is open and accepting, paving the way for invention, creativity and prosperity.

As we examine each key economic driver, we can foresee the likely benefits: By striving to educate and train Hoosiers better than we do today, we make them better citizens and prepare them for a lifetime of productive work, adaptable to changing labor markets and less vulnerable to economic upheavals.

By constraining the size and scope of government, we create an attractive place for new investment and job creation. We will ease the financial burden government places on Indiana families, farms and businesses while making government more transparent and accountable. We will maximize individual liberty and economic opportunity while promoting the social welfare.

By creating strategies for long-term investments in key infrastructure, we ensure that Hoosiers will have available to them the necessary tools for commerce and a high quality of life. We will make the state more accessible and attractive to investment.

By promoting a tolerant, open society, we lay the groundwork for creativity and innovation. By encouraging public institutions and private enterprise to embrace diversity, creativity and risk-taking, we make it more likely that the next crucial breakthroughs in science, technology and business will be Indiana-born.

By planning, debating and then working hard toward a shared vision for the future, we can ensure that indeed "Indiana will be a global leader in innovation and economic opportunity where enterprises and citizens prosper."