

Moving Forward, But a Quicker Pace Required

"If you're not keeping score, you're just practicing."

This popular quote, and its various iterations, applies in a number of circumstances far beyond athletic competitions. From school grades to business profits and losses, measurement and evaluation are essential.

The Indiana Chamber works with others on a regular basis to help enhance Indiana's economic outcomes. We established long-range goals through the *Indiana Vision 2025* plan, first introduced in 2012, and measure the state's economic performance via this Report Card on a biannual basis.

So what does the scorecard tell us for 2017? We'll answer that by looking at each of the four drivers of the plan.

OUTSTANDING TALENT

Student achievement is improving at an early age, based on fourth grade NAEP test scores. Those stronger results do not always carry over to the eighth grade level. (Expansion of pre-K efforts for low-income students and families will provide assistance toward the goal of eliminating educational achievement gaps. Indiana, in particular, has widening gaps for low-income eighth graders).

Indiana is seeing progress in the number of degree and credential holders, but its 50-state ranks – 39th in bachelor degrees, 40th in associates and 42nd when adding in high-quality credentials per the latest Lumina Foundation data – remain lacking. Consider this: Indiana ranks third in science and technology degrees produced, but 42nd in the percent of population holding such degrees.

Possibly the biggest challenge, however, might be with the incumbent workforce. Released in conjunction with this Report Card were the results of the Chamber's 10th annual employer workforce survey. Among its key findings:

- The number of respondents that left jobs unfilled due to under-qualified applicants increased to 47% – from 39%, 43% and 45% the last three years
- Those indicating that filling their workforce was their biggest challenge also increased – 29% after previous marks of 20%, 24% and 27%. Add in the "next biggest challenge" scenario and the number soars to 79% (continuing the upward total from 72%, 74% and 76% the last three years)
- When asked about education incentives offered to employees, 76% report offering flex scheduling and 57% help employees develop career plans. Although 48% offer tuition assistance, less than 5% of employees use the assistance with 60% of employers reporting employees are not motivated to participate and 35% reporting employees see no personal benefit in advancing their education

Without upskilling Indiana's incumbent workforce, improving our per capita income rank will be difficult and reaching our three postsecondary attainment goals impossible.

Companies are not able to meet their talent needs, negatively impacting their job and growth prospects. Talent is the number one factor in ultimate individual, business, community and state success. Indiana has much work left to do.

ATTRACTIVE BUSINESS CLIMATE

As we've noted in previous Report Cards (2013 and 2015), this is Indiana's leading area of strength as a result of previous dedicated efforts.

The driver is a diverse one. A few highlights:

- The numbers tell us government spending is generally kept under control. What they don't reveal is the inefficiencies that result from too many local units – townships and school districts being the primary examples.
- Indiana's regulatory and legal climates rate highly – both statistically and in practical application.
- The state's tax climate is highly regarded in most areas, although existence of the business personal property tax remains a black mark. A new metric (business taxes per share of government expenditures benefitting businesses) shows Indiana companies paying \$1.20 for every \$1.00 received in services.

The biggest concerns are in the health care metrics. The eternal optimist will point to a decrease in Indiana's adult smoking rate – from more than 25% earlier this decade to 20.6% in the latest numbers – and a six-state improvement in obesity rates. But nearly a third of adults still being obese and that state rank of 36th are nothing to celebrate.

The unhealthy lifestyle choices have led to tragic outcomes – high cancer and diabetes rates to name a few – for years. Recently, Hoosiers in growing numbers in both urban and rural locations have succumbed to a deadly opioid epidemic with widespread impacts on families, communities and businesses. Addictive behaviors are a common theme connecting smoking and use of stronger drugs.

The workforce survey results shed some additional light, with employers reporting an increasing difficulty in finding job candidates who can pass a drug screening test. While 61% drug test employees suspected of prescription/opioid misuse/abuse, 45% of employers report supervisors/managers do not know how to detect misuse/abuse.

SUPERIOR INFRASTRUCTURE

The goal of developing new fiscal systems to support transportation infrastructure projects received a major boost with the 2017 Indiana General Assembly's long-term road funding plan. Implementation, of course, must follow but Indiana positioned itself ahead of others by dedicating additional resources and diversifying its funding sources.

A traditional advantage – low electricity prices – is no longer in place. Industrial power costs in support of the state's traditional

manufacturing strengths now rank 29th (with commercial prices 26th). Indiana has been without a strategic state energy plan for far too long. Development and implementation, with a focus on costs and prudent diversification of resources, is required.

Another longer term priority is establishment of a water resources plan. The needs were firmly established in a 2014-led Chamber study. Legislative actions since have focused on additional data-gathering measures. But it is also time to move forward more quickly as regional planning and governance will require great attention and detail. We must avoid the "water wars" plaguing so many other areas of the country.

The final goal in this area is building out the advanced telecommunications network. As with several other goals, it's difficult to tell the entire story through lagging statistical measures. Indiana continues to see strong overall investment, but rural connectivity does not always follow. We explain further on page 19.

DYNAMIC AND CREATIVE CULTURE

The story here is similar to previous Report Cards. The luster of individual anecdotal progress – attraction of companies and jobs, expansion of co-working spaces, etc. – pales when compared to statistical measures. Start-up activity and employment in such firms trail all but a handful of states.

Part of the challenge is not a new one. Economic measures beyond this Report Card demonstrate far stronger economic growth in central Indiana compared to other areas of the state. That's one of the reasons the quality of place focus inherent in the Regional Cities Initiative and other state programs are so important. But those advances are very long term in nature.

The entire state may not be capable of quick movement in entrepreneurial success. Central Indiana, on the other hand, is in a race against time. There is tremendous momentum, but also strong competition. Indianapolis and surrounding areas can indeed become the true tech/innovation/entrepreneurial power of the Midwest and beyond if it can hold off competitor cities and regions.

Indiana fares better than average in university business spinouts, foreign direct investment and exports. Venture capital availability, particularly for scale-up companies, continues to be a challenge.

KEY FEATURES OF THIS REPORT

The opening two pages list the 36 goals in Indiana Vision 2025 and identify some of the progress achieved since the plan was introduced in 2012.

The two pages inside of the back cover include the goals and the 62 metrics used to help measure progress. Each metric has the current rank from this Report Card and compares it to the rank from the last evaluation in 2015. Overall, Indiana improved in 36 of the 62 metrics and declined in 16. There was no rank change in eight metrics and two do not lend themselves to comparison.

The body of the report features each metric with the top five and bottom five states listed, the Indiana ranking and the U.S. average. Indiana's performance over the most recent statistical periods (four where available) is illustrated.

A 2017 addition are narratives, where warranted, to further analyze progress or explain extenuating circumstances that complement the numbers. These generally appear on top of the blue boxes within the metric.

As always, sources and data years are identified. The years are when the data was collected, not published. (Some sources will issue a 2016 report, for example, that contains data from 2015. The *Indiana Vision 2025 Report Card* uses 2015 in that case).

Below are the metrics in which Indiana ranks in the Top 10 (best) or Bottom 10 (worst).

TOP OVERALL RANKS

- 2: Regulatory Freedom Index (page 15)
- 3: State Public Pension Spending (page 13)
- 3: Science & Tech Degrees as % of all Degrees (page 10)
- 4: Math: 4th Grade NAEP (page 4)
- 4: State and Local Government Spending (page 13)
- 5: University Business Spinouts (page 22)
- 7: Reading Gap: 4th Grade (page 7)
- 8: Math Gap: 4th Grade (page 7)
- 9: Reading: 4th Grade NAEP (page 4)
- 9: Small Business Policy Index (page 14)
- 10: Math: 8th Grade NAEP (page 4)
- 10: Exports as Percent of GSP (page 24)
- 10: Exports Per Capita (page 25)

BOTTOM OVERALL RANKS

- 47: Net Generation of Clean Energy Per Capita (page 17)
- 45: Net Generation of Clean Energy as a Percent of Total Generation (page 18)
- 44 (tie): Kauffman Entrepreneurial Index (page 21)
- 44: Urban Industrial Property Tax Rates (page 15)
- 44: Net Job Creation: Firms 0 to 5 Years Old (page 21)
- 42: Population with Associate Degree or Credential (page 9)
- 42: Percent of Population with Science and Engineering Bachelor Degrees (page 10)
- 42: Share of Total Employment: Firms 0 to 5 Years Old (page 21)