

# Moving Closer to the 2025 Horizon

When a statewide task force of business and community leaders was developing the *Indiana Vision 2025* plan during a series of monthly meetings in 2010-2011, the 2025 horizon was debated as potentially being too far into the future. But now, the Chamber's outline for economic development released in 2012 is more than halfway to its completion.

This is the fourth Report Card analyzing Indiana's progress against the other 49 states. It makes use of 65 metrics to help analyze the 37 goals. Working to reduce the state's drug-related deaths – goal No. 37 – was added since the last evaluation in 2017. That issue was not as prevalent during initial plan development as it is today.

## KEY FEATURES OF THIS REPORT

The opening two pages list each goal and identify some of the progress, in activity or improved performance, that has taken place. A few goals – eliminating the inheritance tax and adopting a right-to-work statute, for example – are singular accomplishments that carry ongoing benefits. Most goals require ongoing achievement to reach an ultimate destination, so it is clearly recognized that any progress indicated is just a series of steps on a longer journey.

The two pages inside of the back cover include the 37 goals and the 65 metrics used to compare states. Each metric has the current rank from this Report Card and compares it to the rank from the 2017 evaluation.

Overall, Indiana saw declines in 24 ranks and improvements in 23 (compared to 2017). Seven ranks were the same, with 11 not applicable for comparison. In raw scores associated with each metric, the assessment is as follows: 20 decreases in 2019, 30 improvements, three unchanged and 12 not comparable.

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 four different years, where available, illustrates the trend for that metric. All references to rankings feature 1 as best among the states and 50 as the poorest (footnotes indicate several metrics in which data are not available for all 50 states).

Added in 2017, and expanded in this Report Card, are narratives to analyze results or explain extenuating circumstances that complement the numbers. These narratives appear on top of the blue boxes within the metric.

As always, the sources and data years are identified. The years indicated are when the data were collected, not published. For example, the national smoking rate numbers are from 2017 (the latest year for which complete information is available, although you may see those numbers used in various reports and studies released in 2018 and 2019).

Some of the key findings of the 2019 Report Card, divided into driver areas, are as follows:

## OUTSTANDING TALENT

Indiana continues to see strong performances on the National Assessment of Educational Progress (NAEP) math and reading tests taken by fourth- and eighth-grade students. Indiana ranks in the top 12 in all four of those categories, including an improvement from 15th on eighth-grade reading in the 2017 Report Card to sixth this year.

The findings are a little more mixed when it comes to high school completion and postsecondary/career preparation. A graduation rate of 83.8% by federal standards (measuring public schools only) places Indiana 30th among the 50 states. The Indiana Department of Education includes private school students in reporting a graduation rate of 87.1%.

In terms of college readiness, there is no comprehensive comparison of state performances available although we do provide some limited information on remedial enrollment for some states. The best indicator is the College Readiness Reports from the Indiana Commission for Higher Education, which show significant improvement in recent years.

Indiana's achievements in postsecondary attainment (credentials in addition to associate and bachelor degrees) reveal slight gains in actual scores and rankings. It is clear, however, that the focus in this area needs to continue.

It is worth noting that 10.4% of Hoosiers are without a high school diploma compared to a 6.9% U.S. average. Indiana's poverty rate nearly matches that of the U.S. as a whole at 11.2%.

## ATTRACTIVE BUSINESS CLIMATE

Among the 13 metrics in this driver, declining performance nearly doubled that of improvement in both actual scores and rankings. Most of the decreases, however, were slight and the state still achieves some of its highest ranks in business regulatory environment and public pension spending.

A number behind the numbers: While Indiana is 32nd in population per unit of local government, it is 15th in population per dollar spent by local government (not an official metric). This suggests a high number of local government units with small budgets (i.e., townships). This points to a lack of efficiency (too many units) within the local government system – a reality the Chamber has been working to address over many years.

The biggest challenge in this driver remains in the area of health care. A variety of programmatic efforts have unfortunately not been supported by needed policy changes.

Indiana's adult smoking rate has increased to nearly 22%, resulting in a decline from 39th to 44th worst among the 50 states. An increase in obesity levels from 31.3% to 33.6% in two years is alarming. An improved ranking in health insurance premiums – due to Indiana's premium increases being less than

most other states – only tells part of the story as other recent research identifies still higher comparative costs within the state for various procedures and treatment.

As noted earlier, the one goal addition in this Report Card is the inclusion of an effort to reduce the number of drug-related deaths. Although the goal is new, the historical data illustrates the dramatic increase over a 12-year period. The Chamber's Indiana Workforce Recovery initiative is working with various state and private sector partners to complement their efforts and assist the business community.

## SUPERIOR INFRASTRUCTURE

Infrastructure, by its very complex nature, is a difficult driver in which to move the needle. A number of the metrics will reveal a consistent pattern of Indiana rankings over a number of years.

Previous Report Cards have noted the increase in electricity prices that took Indiana from among the most affordable states to the middle of the pack. The good news is that the increases did not continue in the most recent analysis. The bad news is there was little price change and Indiana's state comparison scores remain in the bottom half of the 50 states.

Indiana continues to fare poorly in energy diversity despite seeing a decline in the dependency on coal – from 95% in 2001 to 73% in 2017. Further diversity is encouraged, assuming costs are not passed on to consumers, and will likely take place due to cost factors. Coal will, however, remain a key energy source for the foreseeable future.

Two areas of continued attention are development of a comprehensive water resources plan and expanding broadband services. Narratives on both help tell the story better than the numbers. National statistics on water resources simply do not exist, while broadband numbers are lagging (in one piece of infrastructure where technology and expectations are rapidly evolving) and not always the best indicator.

Strong private sector investment in broadband continues to take place and state government has prioritized progress through several initiatives in the effort to solve the rural connectivity challenge.

## DYNAMIC AND CREATIVE CULTURE

This driver sees the largest percentage of improvement (raw scores and rankings) in this Report Card compared to 2017.

The biggest changes are net job creation and domestic migration. The ranking for job creation in firms less than 5 years old improved from 44th to 28th. A new metric – net job creation at firms 6 years and older – reveals a surge from the bottom five states in 2005 to fifth best in this Report Card.

After several years of net outmigration (more people leaving Indiana than coming to the state), there was a significant improvement in the net migration score to the positive side and a corresponding rank change from 27th to 22nd.

Another strong improvement came in Indiana employment at foreign-owned companies with a solid ranking in the teens improving to No. 5. Attraction efforts at the state and local level, as well as expansions for existing businesses, continue to pay dividends.

Two metrics (below) always watched closely yield mixed results this time.

Although the three-year average of venture capital invested declined from the 2012-2014 period (chart on Page 25), it improved from the 2014-2016 timeframe (from 35th to 30th). A focus in this area needs to remain with the assignability of the venture capital investment tax credit passed in the 2019 legislative session a positive sign for attracting out-of-state capital in the future.

Despite economic momentum and new business creation in certain regions of the state, the overall Kauffman ranking for new entrepreneurs declines once again – with Indiana's rank falling from 44th to 47th. This points to the ongoing importance of regional economic development and quality of place initiatives.

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

## TOP OVERALL RANKS (TOP 10)

- 3: State Public Pension Spending (previously 3)
- 5: Regulatory Freedom Index (previously 3)
- 5: Net Job Creation: Firms 6 Years and Older (NEW)
- 5: Employment at U.S. Affiliates (previously 12)
- 6: Mathematics: 4th Grade NAEP (previously 4)
- 6: Reading: 8th Grade NAEP (previously 15)
- 7: State and Local Government Spending (previously 4)
- 8: Reading Gap: 4th Grade (previously 7)
- 8: Exports as Percent of GDP (previously 10)
- 9: Reading: 4th Grade NAEP (previously 9)
- 9: Small Business Policy Index (previously 9)
- 9: University Business Spinouts (previously 5)
- 9: Exports per Capita (previously 10)
- 10: Science & Technology Degrees Conferred (previously 3)

## BOTTOM OVERALL RANKS (BOTTOM 10)

- 47: Clean Energy per Capita (previously 47)
- 47: Clean Energy/Total Generation (previously 45)
- 47: Kauffman Entrepreneurial Index (previously 44)
- 47: Total Employment: Firms 0 to 5 Years Old (previously 42)
- 44: Adult Smoking Rate (previously 39)
- 42: Urban Industrial Property Tax Rates (previously 44)