

State Must Continue Key Investments

At publication, Indiana is but one entity attempting to re-emerge from the COVID-19 pandemic. Next generation scholars and pundits of this Report Card will – hopefully – find incomprehensible the magnitude of the pandemic’s economic and personal toll to nation-states, localities and households across the globe, which has resulted in trillions of dollars in federal mitigation and millions of lives lost.

By small example, 95% of Hoosier hotel employees lost their jobs in a 48-hour period in 2020, and 20% of Indiana restaurants closed permanently. Sadly, 2020 also witnessed nearly 380,000 U.S. deaths due to COVID-19, with more than 12,000 in Indiana through April of this year.

In the midst of these unprecedented times, thought leaders must not wait for the pandemic’s dust to settle before evaluating Indiana’s economic vitality. Doing so would be a disservice.

In sum, this *Indiana Vision 2025: 2021 Report Card* offers valuable insight for the many who are vested in Indiana’s economic future. We encourage all to use this unparalleled compilation of data as a means to an end: **Evaluate Indiana’s strengths, weaknesses, opportunities and threats – then, identify and support the necessary investments that ensure its long-term economic prosperity.**

The Indiana Chamber is doing just that through the *Accelerating Indiana Vision 2025+* initiative. Learn more at www.indianachamber.com/accelerate.

KEY FEATURES OF THIS REPORT

This is the fifth Report Card analyzing Indiana’s progress toward the 37 original goals established by the *Indiana Vision 2025* task force in 2012. Five goals are no longer “tracked” as they have been achieved (e.g., eliminating the inheritance tax and adopting a right-to-work statute). The result here is 70 metrics used to help analyze the remaining 32 goals.

This 2021 Report Card adds five new metrics as follows: *First-Time Postsecondary Enrollments*, *State Highway Spending Per Freight Moved*, *Median Household Income*, *Median Household Income – Cost of Living Adjustment* and *RAND Study (Health Insurance Premiums)*.

Further, *State-Level Regulatory Restrictions* replaces the *Regulatory Freedom Index* to help assess Indiana’s regulatory climate and *Consumption of Renewable Energy* is inserted for *Net Generation of Clean Energy per Capita*. Also, a new calculation for *State Road Spending* offers better insight into states that get the best “bang for their buck” when building new roads.

Compared to 2019, Indiana’s ranking fell in 26 metrics (6.1 spots on average), rose in 22 (3.6 spots on average), eight were the same and 14 were not applicable for comparison.

Like golf, however, sometimes it is more important to focus on personal improvements and competing against oneself. In this sense, Indiana made demonstrable progress.

Compared to 2019, Indiana’s raw scores improved in 31 metrics and declined in only 20; three were unchanged and 16 are not applicable for comparison.

The years indicated are when the data were collected, not published. For example, smoking figures are from 2019 (most recent data), although these figures may appear in reports and studies published in 2020 and 2021.

Some of the key findings of the 2021 Report Card, divided into driver areas, are as follows:

OUTSTANDING TALENT

Of the 28 metrics used to evaluate Outstanding Talent, Indiana outperformed the U.S. average in 13, underperformed in 10 and five are not applicable. Compared to 2019, Indiana’s rankings rose in four metrics, declined in 10, six are unchanged and eight are not applicable.

The number of graduating high school seniors needing remediation in both mathematics and language arts dropped to only 1% (compare to 11% in 2011). Related, the proportion of seniors who achieved a GPA above 3.0 (44%) is the highest in five years.

The bad news: Indiana’s individual and household per capita income remain less than the national average. Even after adjusting for cost of living, trends are headed in the wrong direction. Between 2015-2019, Indiana’s adjusted individual and household per capita income increased by a combined average of \$4,991 (or 11.9%) while the national average increased by a combined average of \$7,815 (or 18.4%).

The good news: 48.3% of Hoosier adults hold a postsecondary degree or industry recognized credential – an increase from 43.4% in 2019 and 33.8% in 2011 (i.e. 42.9% gain).

Indiana continues to outperform nationally in early education metrics, but its rankings and raw scores declined in each of the four measures relative to 2019. Equally concerning is that the fourth grade “gap” measures have widened by an average of 25.5% since 2017. The only redeeming factor is that Indiana’s eighth grade reading “gap” measure improved to 10th nationally.

ATTRACTIVE BUSINESS CLIMATE

Of the 14 metrics used to evaluate Attractive Business Climate, Indiana outperformed the U.S. average in six metrics, underperformed in seven and one is not applicable. Compared to 2019, Indiana’s rankings rose in seven metrics, declined in four, one was unchanged and two are not applicable.

The bad news: Hoosiers' health and health care remain the largest challenge in this driver and arguably to Indiana's economic future as a whole. An added metric, the RAND Study, leverages data to demonstrate Indiana's need to progress in hospital charges and fees. Indiana hospitals rank 41st in cost of service, charging on average 303% above Medicare for the same services. Not surprisingly, Hoosiers' health insurance premiums grew by nearly \$800 from two years ago, causing Indiana's ranking to drop from 18th to 31st.

Hoosiers themselves must share the blame: 19.2% of the adult population smokes and 35.3% are considered obese. The 2019 Report Card described the two-year obesity rate increase from 31.3% to 33.6% "alarming," which again proves to be an appropriate characterization.

The good news: Indiana remains an attractive place to start, relocate and grow one's business. Four of the five "retired" goals are within this driver, which means significant progress has already been achieved, and it includes the highest overall ranking for any metric: state public pension spending (2nd).

SUPERIOR INFRASTRUCTURE

Of the 11 metrics used to evaluate Superior Infrastructure, Indiana outperformed the U.S. average in two, underperformed in seven and two are not applicable. Compared to 2019, Indiana's rankings rose in three metrics, declined in four and four are not applicable.

The high point of this 2021 Report Card is the two-year increase from 86.9% to 92.6% of Hoosiers with access to high-speed broadband and mobile connections. What makes this even more impressive is that the national average decreased by 0.5% due to the FCC raising its standard for what qualifies as "high speed." Tremendous investments by our mobile and internet service providers, and buy-in from state leadership, have made the ability to "adopt" high-speed broadband more accessible to Hoosiers – and businesses – than ever before.

Unfortunately, the positive trend reported in 2019 relating to electricity prices failed to continue. Indiana's rankings and raw scores declined in four out of five energy-related metrics. On the "bright side," Indiana increased by 17.7% its net generation of clean energy as a percentage of total generation.

Indiana's improved ranking in (cost-adjusted) state road spending is a promising start to validating the state's investment in its roads and bridges.

DYNAMIC AND CREATIVE CULTURE

Of the 17 metrics used to evaluate Dynamic and Creative Culture, Indiana outperformed the U.S. average in six metrics, underperformed in 10 and one is not applicable. Compared to 2019, Indiana's rankings rose in eight metrics, declined in eight and one is unchanged.

The low point of this 2021 Report Card is the drop from fifth to 23rd in net job creation in firms that are at least six years old. This marks the first year since 2009 that Indiana ranked outside the top 20 and the only time since 2007 the net gain dipped below 1.0. Somewhat comforting, however, is that the national average also decreased by 14% over the past two years (1.15 to 0.99) and, ultimately, Indiana has a net *gain* – not true for six states, including Illinois.

In better news, Indiana's rankings improved in all three metrics pertaining to start-ups and young businesses, and venture capital investments grew by 55.6% for the three-year period beginning in 2018. Chamber-led enhancements to the venture capital investment tax credit were achieved during the 2021 legislative session, which promise to help Indiana maintain its momentum on these fronts.

Indiana maintained its 22nd-place ranking for net domestic migration by attracting more residents than it lost – one of 23 states to do so in this year's report. The Indiana Chamber advocated for this year's \$500 million investment in regional economic development and quality of place initiatives that will prove to be beacons for businesses and talent alike.

Finally, Indiana continues flexing its muscle on the international front – both in terms of exports and employment at U.S. affiliates, which account for three of Indiana's seven top 10 (overall) rankings.

Below are Indiana's best and worst rankings as reported in the *Indiana Vision 2025: 2021 Report Card*.

TOP OVERALL RANKS (≤10)

- 2: State Public Pension Spending (previously 3)
- 6: State and Local Government Spending (previously 7)
- 6: Employment at U.S. Affiliates (previously 5)
- 7: Mathematics: 4th Grade NAEP (previously 8)
- 7: Exports as Percent of GDP (previously 8)
- 8: Exports per Capita (previously 9)
- 10: Reading Gap: 8th Grade (previously 17)

BOTTOM OVERALL RANKS (≥ 40)

- 40: Bachelor's Degree or Higher (previously 38)
- 40: Adult Smoking Rate (previously 44)
- 41: Associate Degree or Higher (previously 37)
- 41: Per Capita Income (previously 39)
- 41: RAND Study (Health Insurance Premiums) (previously N/A)
- 42: Population with Science & Engineering Degrees (previously 38)
- 42: Kauffman Entrepreneurial Index (previously 47)
- 45: Total Employment/Firms 0 to 5 years old (previously 47)
- 46: Clean Energy/Total Generation (previously 47)
- 48: Urban Industrial Property Tax Rates (previously 42)