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ENTERPRISING STATES

CREATING JOBS, ECONOMIC DEVELOPMENT,
AND PROSPERITY IN CHALLENGING TIMES

INDIANA PROFILE

A Project of the U.S. Chamber of Commerce
and the National Chamber Foundation

INDIANA

At America's crossroads Indiana offers a pro-business environment, low tax rate, an excellent telecommunications network, and a highly skilled, technology-savvy workforce that puts the Hoosier state in a very competitive position for the 21st Century. Indiana's private sector has grown by 55,500 jobs (2.4%) in 2010, four times faster than the national rate. This growth along with state spending restraint during the 2010 fiscal year enabled Indiana to remain in the black despite significant revenue declines resulting from the ongoing global recession.

For the first time in state history, Indiana's credit rating was raised to AAA by the independent credit rating agency Standard & Poor's in 2008 and reaffirmed in 2009 becoming just one of 11 states to hold such a distinction. In 2010, two other major independent credit rating agencies, Fitch and Moody's, also raised Indiana's credit rating to AAA. Indiana is one of nine states that now have AAA credit ratings from all three agencies.

Indiana – In the Business of Job Creation

In early 2005, a comprehensive overhaul of the state's economic development programs resulted in the creation of the **Indiana Economic Development Corporation (IEDC)**, a public-private partnership governed by a 12-member board and chaired by the governor. Operating like a business, the IEDC's chief mission is to grow and retain businesses in Indiana and to attract new businesses to the state.

In each of its first four years of existence, the agency broke all previous records for new jobs in the state, and was associated with more than \$18 billion of new investment. In 2009, Indiana was rated seventh by *Forbes* and 12th by the Tax Foundation for its low tax environment. The state has received an *Area Development* magazine 2010 Silver Shovel Award, which recognizes state economic development agencies that drive significant job creation.

Enterprise Friendly, Pro-Job Tax Credits and Exemptions

Indiana has a very competitive business tax structure, including a flat 8.5% corporate income tax on adjusted gross income and no gross receipts tax or inventory tax.

Indiana also offers tax credits and exemptions based on job creation and capital investment:

- **Hoosier Business Investment Tax Credits** are allocated to companies that increase investment in new buildings, facilities improvements and equipment.
- **Economic Development for a Growing Economy (EDGE) Tax Credit** is a refundable credit based on additional employee payroll withholdings for net new job creation.
- **Research and Development Tax Credit** of 15% tax based on an increase in qualified research expenses. The state will also refund state sales tax paid on R&D equipment, giving Indiana one of the highest R&D tax credit percentages in the country.
- **Headquarters Relocation Tax Credits** offset up to half the moving costs for corporations relocating their headquarters to Indiana.
- **Patent Income Exemptions** of up to 50% are available to qualified taxpayers each of the first five years. The exemption percentage then decreases over the next five years to 10% in the tenth year. The total amount of exemptions claimed by a taxpayer may not exceed \$5 million per year. This benefit is available only to companies with 500 or fewer employees.
- **R&D Sales Tax Exemptions** provide a refund of 50% of the Indiana sales taxes paid on purchases of eligible research and development equipment.

Private Sector Employment Growth, 2010

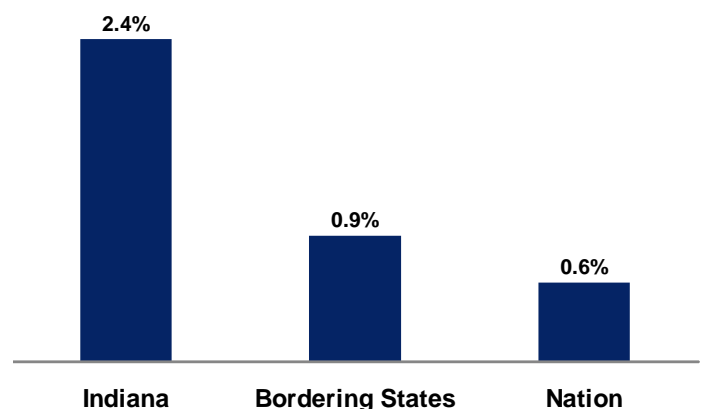


Figure 1: Source: U.S. Department of Labor Current Employment Statistics. Growth Dec. 2009 - July 2010.

Indiana's Major Moves on Infrastructure

In late 2005, Indiana launched an aggressive 10-year, \$12 billion transportation plan, known as “**Major Moves**,” to significantly improve and expand Indiana’s highway infrastructure. A total of \$2.6 billion was committed to Major Moves from the long-term lease of the Indiana Toll Road. The plan called for 104 new roadways by 2015 with 1,600 lane miles. The lease agreement included “Buy Indiana” 90% guidelines for maintenance and construction contracts and a hiring preference for qualified Indiana workers.

At the end of 2009, the fourth year of the Major Moves plan, the following was accomplished:

- 34 roadways complete and open to traffic,
- 16 additional roadways started and under construction,
- 40% of the plan’s funds obligated,
- \$900 million of the Indiana Toll Road lease funding invested.

The **Indiana Chamber of Commerce**, in collaboration with public-private partners, is spearheading efforts to develop and maintain top-of-the-line telecommunications infrastructure within the Hoosier state. These efforts include work with the state legislature to enact legislation and community best practices for a positive regulatory environment to promote rapid build-out of state-of-the-art telecommunications infrastructure.

State partners helping to meet this objective include the **Indiana Fiber Network (IFN)**, a group of 12 independent

telephone companies working to form a statewide fiber optic network. Using DWDM and SONET technologies deployed over 1,900 route miles of fiber optic cable across the state of Indiana, IFN has 20 members and serves over 100 additional customers. The network offers several different services including switched access transport, capacity leasing, special access, Internet backbone transport and services, SS7 “A” link consolidation, data equipment co-location, and video signal transport, along with other data, voice, and video services.

Entrepreneurship and Innovation

The **Indiana 21st Century Research and Technology Fund (21Fund)** was created in 1999 by the General Assembly to stimulate diversification of the State’s economy by developing and commercializing advanced technologies in Indiana. The Fund is now part of the IEDC’s Small Business and Entrepreneurship Division.

The 21Fund provides financial support to innovative Indiana-based companies, thereby helping these firms make the transitional leap from general research and development to product development while also creating high-wage, high-skill, high-tech Indiana jobs and diversifying the state’s economy.

Recent IEDC management of the fund has:

- Shifted the focus of the fund’s investments from university-industry cooperative research projects to product development and testing initiatives led by

Sector	New Jobs Since 2002	% Change	Earnings per Worker
General medical and surgical hospitals	9,965	11%	\$52,759
Offices of physicians (except mental health specialists)	3,874	8	\$88,733
Administrative management and general management consulting services	3,695	58	\$51,400
Surgical and medical instrument manufacturing	3,046	47	\$81,328
Surgical appliance and supplies manufacturing	2,956	46	\$87,668
Offices of physical, occupational and speech therapists, and audiologists	2,929	58	\$49,769
Computer systems design services	2,927	38	\$70,846
Secondary market financing	2,522	746	\$65,099
Custom computer programming services	2,418	39	\$66,213
Engineering services	2,280	19	\$67,319
Medical, dental, and hospital equipment and supplies merchant wholesalers	1,887	70	\$96,552
Marketing consulting services	1,798	74	\$46,455

Source: EMSI Complete Employment, Second Quarter 2010.

high-tech start-up companies.

- Increased the emphasis on job creation as a criterion for making awards.
- Supplemented the highly-respected technical review process with an enhanced business review.

Under the new investment strategy 90% of 21Fund dollars were awarded to small companies. In the past year, the fund invested \$12.65 million direct awards to 12 companies and provided another \$6.72 million in matching funds to 66 Indiana companies for Small Business Innovation Research (SBIR) or Small Business Technology Transfer (STTR) awards. The direct award dollars were matched on a three-to-one basis with private and federal funds and the SBIR/STTR funds were matched four-to-one with federal grant funds.

Recently the 21Fund has adjusted its strategy to focus on innovative companies that are executing their full commercialization rollout plan and is increasing outreach efforts to all areas of the state. This new focus targets projects near commercialization that have strong potential to attract private capital and to create jobs.

Indiana University's Research and Technology Corporation helps companies bring new technology to the marketplace and support technology-based economic development throughout Indiana. The organization's activities help to enhance the research and development capability of Indiana University, create new Indiana-based companies, and provide support for entrepreneurial development.

Purdue University's Discovery Park began as just an idea, launched with a \$5 million commitment from the state of Indiana for a nanotechnology center. Today, it's a \$400 million research and learning complex of 11 dynamic centers, where more than 1,000 faculty members and 3,000 students are using an interdisciplinary approach to tackle the grand challenges of today, whether that is curing cancer or employing technological discoveries to fuel a competitive edge for Indiana manufacturers.

The **Purdue Research Park statewide network of technology-based business incubators** is designed to create a dynamic entrepreneurial business environment, to attract high-technology companies and to launch new startups. This network - anchored by four parks from the Chicago region in the northwest to the Louisville area in Southeast Indiana - offers tenant companies traditional incubator services, physical infrastructure, and an assortment of support services. The network's low-cost or complimentary services include information systems

Central Indiana Corporate Partnership (CICP)

The **Central Indiana Corporate Partnership (CICP)** was formed in 1999 to bring together the chief executives of Central Indiana's most prominent corporations and its university presidents to create a regional approach to long-term economic growth. CICP's major vehicles for economic growth initiatives include BioCrossroads, Conexus Indiana, TechPoint, Energy Systems Network, and Indy Partnership.

- **BioCrossroads**, a life sciences initiative, has raised more than \$80 million in dedicated venture capital for industry start-ups and helped hundreds of life sciences companies grow and succeed in the region. Indiana's \$69 billion health industry, including biopharmaceuticals, medical devices and instruments, healthcare delivery, laboratories and payors – accounts for over 20% of Indiana's total state taxes and almost 10% of the state's employment. Recognized as a premier area for pharmaceuticals, medical devices and agricultural biotechnology, the impact of Indiana's research and development strength reaches around the world.
- **TechPoint** fosters growth in Indiana's technology sector by tackling issues like human capital, entrepreneurship and venture investment, and industry connectivity and networking.
- The **Energy Systems Network (ESN)** is the new Indiana based clean-tech initiative. The ESN is a catalyst for partnerships among private firms and research institutions to bring energy breakthroughs to market, leveraging Indiana's strong manufacturing sector, R&D capabilities, and heritage of engineering advanced power systems.
- **Conexus Indiana** is a private sector-led initiative focused on the advanced manufacturing and logistics sectors – two industries that combined employ more than one of every five Hoosiers. Conexus focuses on making Indiana a global manufacturing and logistics leader by developing a highly-skilled manufacturing workforce; creating industry collaborations to explore new business opportunities; and aggressively marketing Indiana's manufacturing and logistics strengths to the business community, potential workers and the general public.

support, human resources services, communications and marketing, conference management, and intellectual property and commercialization assistance. Square footage in **Purdue Technology Centers** totaled 365,000 square feet of flexible, high-tech office and laboratory space.

The **Innovate Indiana Fund** was established to invest in technologies discovered at Indiana University and help bring these technologies to the marketplace. The fund assists with the translation of technologies into innovative commercial products, services, and treatments, and helps support the setup of new technology-based companies to develop the new products. The \$10 million initial capitalization is funded solely from university and private donor sources and available for early seed stage and late seed stage investments to include:

- *Early Seed:* Technology testing, assessment, and validation; prototype development; intellectual property review and protection; and business planning activities in “pre-company” stage.
- *Late Seed:* Funds product definition and refinement; company development; market analysis; and “scale up” activities.

Purdue University and the Purdue Research Foundation established the **Emerging Innovations Fund** to bridge the gap between research labs, Wall Street and Main Street. The fund provides entrepreneurial faculty, staff, students, and Purdue Research Park startup companies with infusions of practical business knowledge, early stage and seed funding, and management support and guidance at critical junctures in a new technology’s lifecycle. The intent is to fast track the development of Purdue-related technologies and to increase the number of commercial successes.

Strength in Manufacturing and Logistics

The Center for Business and Economic Research, within the Miller College of Business at Ball State University recently released the *2010 Manufacturing and Logistics Report Card*, which concluded the following:

“Indiana continues to do well in terms of the total share of manufacturing, ranking No. 1 in the nation and receiving an A grade. Indiana’s global position continues to be a high point for the state—as measured by the size and spread of exports across the globe, the state ranks second and receives a well-deserved A grade.

Tax climate also is an enormously important facet of the strength of manufacturing and logistics in Indiana, earning an A grade. The state currently ranks fifth nationally for overall tax climate, making it a location of significant interest for firms wishing to relocate or expand in the United States. Indiana’s logistics industry ranks 6th nationally, earning a solid B+. While each of these areas can improve, these rankings represent significant strengths for Hoosiers who invest, work and live near manufacturing and logistics firms.”

INdure is an easy-to-access database of expertise, intellectual property, technologies, and research projects at Indiana’s leading universities, including Ball State, Indiana University, the University of Notre Dame and

Purdue. INdure helps entrepreneurial businesses and investors identify and connect with intellectual property and research projects that are available for further business development.

The **Burton D. Morgan Business Plan Competition** at Purdue University’s Krannert School of Management is a resource for the construction of a viable business plan. Judges selected to evaluate participants’ business plans represent the many constituencies of the entrepreneurship world, including venture capitalists, lawyers, accountants, consultants, and successful entrepreneurs. Each year, the competition culminates with five teams from the undergraduate student division and five teams from

Job Growth in Indiana Manufacturing Sectors, 2002-2010

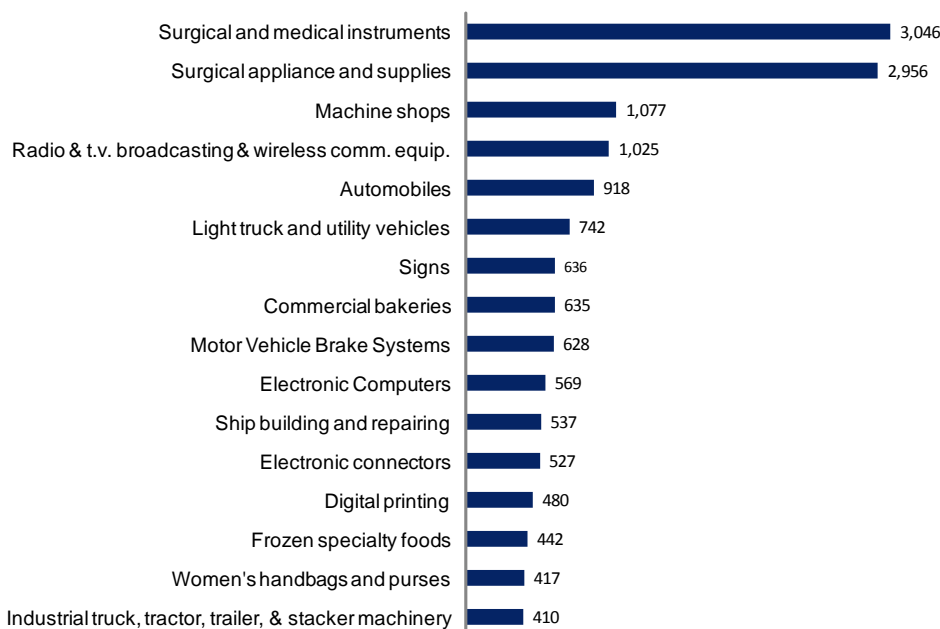


Figure 2: Source: EMSI Complete Employment, Second Quarter 2010.

Powered by the Productive Economy: Highly Concentrated Industry Clusters in Indiana

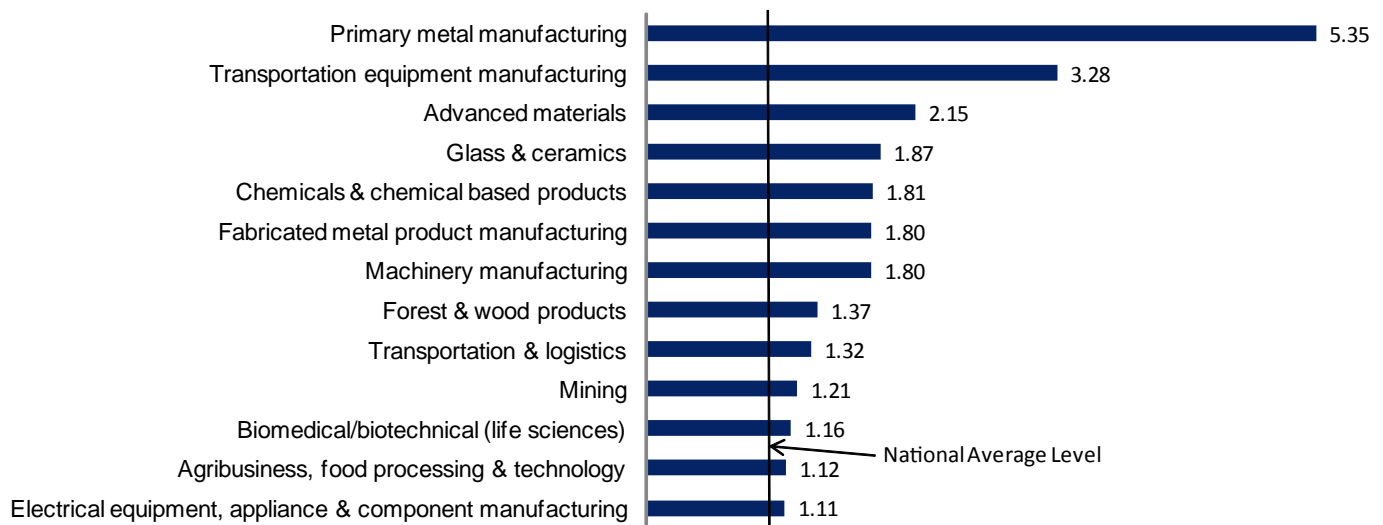


Figure 3: Source: EMSI Complete Employment, Second Quarter 2010. Measure charted is location quotient, the state employment concentration divided by the national employment concentration. Industry cluster definitions by Purdue Center for Regional Development.

the graduate student division awarded finalist status and making formal presentations to the judges.

The state's **Office of Federal Grants and Procurement (OFGP)** provides grant assistance and support to Hoosier universities, non-for-profits, and the business community. The OFGP keeps Indiana businesses informed of opportunities to sell their products and services to the federal government. State government puts an average of \$1.9 billion annually back into Indiana's economy through the Buy Indiana program which directs state agencies to purchase goods and services from Indiana businesses. In Fiscal Year 2009, 85% of state government procured goods and services were purchased from Indiana companies.

Key State Industry Clusters

Nanotechnology in South Bend: South Bend's tech future gained momentum in the spring of 2008 when the Semiconductor Research Corporation's Nanoelectronics Research Initiative selected the University of Notre Dame in South Bend as the site for one of its four research consortia at leading universities in America. The new institute, named the **Midwest Institute for Nanoelectronics Discovery (MIND)**, is funded by the National Institute of Standards and Technology as well as a consortium of the world's leading computer chip makers – including IBM, AMD, Intel, Micron and Texas Instruments.

In response, the University of Notre Dame and community

of South Bend created a dual-site technology park and incubator to capitalize on technology transfer opportunities of the new research activity. **Innovation Park**, a collaborative venture between the City of South Bend and the University of Notre Dame, houses new companies translating research discoveries from initial concept to commercialization. Successful companies formed at Innovation Park are encouraged to move to **Ignition Park**, located on a reclaimed former Studebaker production facility. The dual-location park is Indiana's first ever state-certified technology park affiliated with two research universities: the Indiana University School of Medicine at South Bend and the University of Notre Dame.

Medical Device Capital of the World in Warsaw:

Warsaw, IN, is home to nearly two-thirds of the world's market-share for orthopedic devices, held principally by Biomet, Zimmer Holdings, and DePuy Orthopedics, now a subsidiary of Johnson & Johnson. Collectively, these enterprises earn more than \$11 billion in annual revenues, representing better than a 50% market share in the United States, and more than a 33% market share in the world.

The orthopedics industry employs about approximately 6,500 workers in Warsaw or nearly half of the town's population. The surrounding Kosciusko County health and biomedical industry employment base together employs more than 10,000 workers, accounting for one in three private sector jobs in the county. The county has grown its health & biomedical employment base by 39% since 2001 compared with 15% for Indiana and rest of the nation.

From 2006 to 2008, inventors in Kosciusko County filed 76 patent applications per 10,000 people, a rate more than five times the state average and 15 times the national rate of application.

In 2009, industry leaders founded **OrthoWorx**, a Warsaw-based industry, community and education initiative established to advance and support growth and innovation within orthopedics device sector. The initiative engages and enhances the broader community interests by targeting an integrated set of educational, workforce, cultural, communication, branding, logistical, and entrepreneurial efforts for the cluster.

Indiana, a hub for battery technology: Indiana has a long history pioneering the development of advanced battery and energy storage systems for the transportation, industrial, and defense sectors. Hoosier companies including Delco Remy and later Delphi have been global leaders in the production of batteries systems for advanced technology vehicles and led the efforts around the development of GM's EV1 energy storage system.

Today Indiana is home to industry leaders such as Delphi, EnerDel, and AltairNano, along with world-class capabilities in lithium ion cell manufacturing, pack assembly, and energy storage system integration. The **Naval Surface Warfare Center Crane Division**, located in Southern Indiana, is a national hub for battery

systems testing and development for military platforms and has forged strong partnerships around energy storage technologies with several top military contractors with large Indiana footprints including: Raytheon, ITT, SAIC, and others. This commercial and military expertise, combined with battery technology research and development capabilities at Indiana's research universities Purdue University and the University of Notre Dame, position Indiana well to be a national leader in this growing industry.

Indiana is taking a holistic approach to growing an advanced battery industry that includes:

- Developing a robust and integrated supply chain for battery technology development and production ranging from chemicals needed as inputs to the machinery used to manufacture batteries and assemble packs.
- Preparing the workforce by offering training and degrees in battery engineering and manufacturing at state community colleges and universities.
- Establishing a pipeline of research and development and technology transfer through a university research partnership in advanced batteries. This consortium is already working closely with private companies across Indiana to help address current technical challenges and develop next generation advanced in battery technology.

Sector	New STEM Jobs	Industry % Growth in STEM Jobs
Computer systems design services	1,750	39%
Custom computer programming services	1,502	40
Engineering services	1,283	21
Federal government, civilian, except postal service	747	24
State government	547	6
Administrative management and general management consulting services	486	55
Local government	422	8
Offices of all other miscellaneous health practitioners	413	38
Radio and television broadcasting and wireless communications equipment manufacturing	380	37
Offices of mental health practitioners (except physicians)	349	41
Surgical and medical instrument manufacturing	341	61
Surgical appliance and supplies manufacturing	318	62
General medical and surgical hospitals	292	26
Software publishers	235	29
Research and development in physical, engineering, and life sciences (expt. biotechnology)	187	13

Jobs listed are growth in STEM occupations only. Source: EMSI Complete Employment, Second Quarter 2010.

Workforce and Human Capital

A partnership with the **Manufacturing Institute** will accelerate Indiana’s efforts to prepare young Hoosiers for high-tech careers in manufacturing and logistics. The Manufacturing Institute (the non-profit research and educational arm of the National Association of Manufacturers) has announced a partnership with Conexus, Ivy Tech Community College, and our other four-year public universities to create nationally-portable manufacturing credentials.

The **Manufacturing Institute’s Manufacturing Skills Certification System** focuses on the core skills required by entry-level workers in fast-growing manufacturing industries like electronics, aerospace and pharmaceuticals. Supported by the Indianapolis-based Lumina Foundation for Education, this initiative develops college programs to prepare students – particularly low income young adults and transitioning workers – with entry-level skills necessary to succeed in advanced manufacturing careers. The Manufacturing Skills Certification System initially focuses on the core, basic skills required for entry level workers in all sectors of manufacturing.

The skills certifications address foundational academic competencies, general workplace skills and manufacturing industry-wide technical skills. Applied science, technology, engineering and math (STEM) skills are included in the program. The system organizes individual certification programs designed and validated by partners including ACT, Inc.; the Manufacturing Skills Standards Council; the American Welding Society; the National Institute of Metalworking Skills; and the Society of Manufacturing Engineers into a national structure creating educational pathways with “stackable” credentials leading to an associate’s degree.

Indiana’s **Twenty-First Century Scholars** program is aimed at providing affordable access to college education for all Indiana students. Created in 1990, the program offers participating students the opportunity to receive four years of college tuition at any public college or university in the state, or comparable support towards paying for tuition at a private institution. Student eligibility is based on family income, with the program focused on increasing higher education opportunities for students from low and moderate income families.

Students must enroll in the program by the eighth grade and sign and fulfill a pledge, committing to maintain a 2.0 GPA and meet standards of good citizenship. In addition to the promise of tuition aid upon graduation, students and their parents receive support during their high school

Indiana Workforce Knowledge and Skills Profile

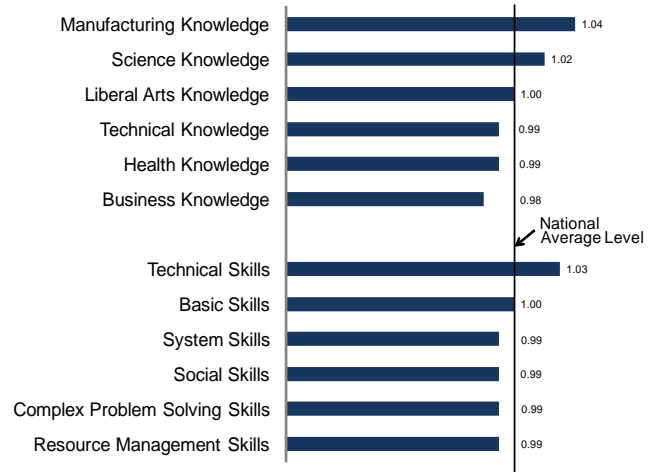


Figure 4: Source: EMSI Complete Employment, Second Quarter 2010. Charted metric is a location quotient, the state concentration of each knowledge or skill element divided by the national concentration.

years, such as access to mentoring programs, aimed at reducing dropout rates and better preparing students for the workforce. Students enrolled in the program have shown higher high school graduation rates, and enter college at much higher rates than their peers.

In an effort to improve student achievement in science, technology, engineering, and math, and to lay the groundwork for building a high quality, tech ready workforce, Indiana has launched the **I-STEM Resource Network**. Focused on building intrastate collaboration and communication, I-STEM is backed by a partnership among 18 public and private higher education institutions, business, government agencies, and K-12 schools throughout the state. Built around ten regional lead institutions, the I-STEM network seeks to provide greater access to the resources, events, curricula, and training tools needed to support the state’s STEM teachers and increase student interest and performance in STEM fields.

The **Indiana Department of Workforce Development (DWD)** manages and implements innovative employment programs for Hoosiers, unemployment insurance systems, and facilitates regional economic growth initiatives for the state. The DWD, in collaboration with its partner agency **WorkOne**, helps citizens assess their skill sets, access training to improve these skills, and matches employers with qualified candidates. With a wide range of programs including re-employment services, work-based learning experiences, and Workforce Acceleration Grants – a program designed to help Hoosiers pay for education and training to prepare for 21st Century jobs – these agencies deliver services at the ground level, improving the skill levels and job readiness of workers needed by the state’s growing employers.

Exports & Foreign Direct Investment

The Hoosier state has long been a leader in the export of goods and services and increasingly has been one of the larger recipients of foreign direct investment (FDI) based on its manufacturing prowess and the capacity of the state's diverse industrial base. Driven by forward thinking business and civic leaders and proactive leadership at the state level, Indiana has translated this manufacturing and industrial acumen into a cohesive approach to growing and maintaining jobs within the state.

Vehicles and parts and industrial machinery historically have been the largest export industries in the state. Other industries have been growing steadily, however, and are helping to diversify the traditional manufacturing base, while increasing employment and the corresponding wage base. Pharmaceutical product exports from the state have maintained a high average annual rate of growth in recent years with exports totaling almost half the value of industrial machinery exports in 2008. Other industries have experienced significant growth in foreign sales including optical and medical instruments, as well as iron, steel and related parts and components.

While Canada, Mexico and the United Kingdom generate a majority of the demand for the state's exports, recent growth has come from emerging economies, specifically Brazil and China. Brazil experienced the largest percentage increase in imports from Indiana of any country between 2007 and 2008 and continues to grow. Germany, Indiana's top foreign purchaser of pharmaceutical products, has seen its share of Indiana's exports increase with the growth of that industry, and now accounts for almost 5% of Indiana's foreign sales.

To maintain the success of its strong export orientation, the state has worked effectively with public and private partners to provide a competitive advantage to the export industry within the state. The IEDC manages the **Office of International Development**, which has established seven international offices in strategic locations throughout the world. Each office has a corresponding geographic international development specialist located in Indianapolis to facilitate communications between companies and overseas office staff. Indiana representative offices are located in Australia, China, Germany, Japan, Taiwan, and the United Kingdom.

Public-private partnerships have also worked to bolster the success of this economic sector, including the **Indiana District Export Council (IDEC)**, a private nonprofit corporation comprised of experienced international business executives. Working with the U.S. Department

of Commerce, the IDEC provides one-on-one export counseling, export workshops, briefings and roundtables for Hoosier firms looking to compete successfully in the global export market. Collaboratively, they work to develop an effective export strategy, locate the best markets for products, find international buyers and partners, and identify sources of financing.

The state capitalized on its manufacturing and export capacity to attract a growing level of foreign direct investment. From 2005 to 2007, the top international investment projects completed by the IEDC totaled nearly \$5 billion dollars from industry heavy weights including BP, Honda, Nestle, and Toyota. According to analysts at the Indiana University-Purdue University Indianapolis, the state stands to gain over 12,000 new jobs in the coming years based on FDI announcements made between 2006 and 2008. Of these expected jobs, nearly 10,000 (80%) will be employed in manufacturing as the primary business activity, the second-highest manufacturing total nationally. These new projects are testament to the state's ability to market to and capture this type of investment by working together with private businesses and industry. By leveraging workforce development training and manufacturing capacity, the state has become an attractive haven for foreign investment.

