Members

Sen. James Buck, Co-Chairperson
Sen. James Arnold
Rep. Mark Messmer, Co-Chairperson
Rep. Sheila Klinker
Mayor Shawna Girgis
Mark Becker
Jeff Quyle
Sonny Beck
Chris Lowery
Gail Zeheralis
Nancy Guyott
Daniel Hasler
Tom Easterday
Angela Faulkner
Mickey Maurer

INTERIM STUDY COMMITTEE ON ECONOMIC DEVELOPMENT

Legislative Services Agency
200 West Washington Street, Suite 301
Indianapolis, Indiana 46204-2789
Tel: (317) 233-0696 Fax: (317) 232-2554

LSA Staff:

James Landers, Fiscal Analyst for the Committee
Heath Holloway, Fiscal Analyst for the Committee
Michael Landwer, Attorney for the Committee
Dan Paliganoff, Attorney for the Committee
George Angelone, Attorney for the Committee

Authority: IC 2-5-31.8

MEETING MINUTES[1]

Meeting Date: August 20, 2012
Meeting Time: 1:00 P.M.
Meeting Place: State House, 200 W. Washington St., 404
Meeting City: Indianapolis, Indiana
Meeting Number: 1

Members Present: Sen. James Buck, Co-Chairperson; Sen. James Arnold; Rep. Mark Messmer, Co-Chairperson; Rep. Sheila Klinker; Chris Lowery; Gail Zeheralis; Nancy Guyott; Daniel Hasler; Tom Easterday.

Members Absent: Mayor Shawna Girgis; Mark Becker; Jeff Quyle; Sonny Beck; Angela Faulkner; Mickey Maurer.

Rep. Messmer and Sen. Buck, Co-Chairmen of the Committee, called the meeting to order at 1:15 pm.

After the Committee members introduced themselves, Rep. Messmer reviewed the Committee's statutory charges in IC 2-5-31.8 (Exhibit A). A presentation on economic development programs and issues followed.

Daniel J. Hasler, Indiana Economic Development Corporation (IEDC)

Mr. Daniel Hasler, Indiana Secretary of Commerce and CEO of the IEDC, made a presentation to the Committee (Exhibit B). He provided an update of the IEDC's recent activities and discussed potential improvements to IEDC's operations and programs. Mr. Hasler charted the IEDC work flow involving businesses potentially locating to Indiana and receiving state

[1] These minutes, exhibits, and other materials referenced in the minutes can be viewed electronically at http://www.in.gov/legislative Hard copies can be obtained in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for hard copies may be mailed to the Legislative Information Center, Legislative Services Agency, West Washington Street, Indianapolis, IN 46204-2789. A fee of $0.15 per page and mailing costs will be charged for hard copies.

incentives as a result from IEDC. Mr. Hasler specified that the work flow involves four stages, from initial stages of attracting and courting businesses interested in locating to Indiana to contracting with businesses that have been awarded state incentives. The final stage Mr. Hasler discussed dealt with verification that businesses receiving incentives are meeting the requirements of the incentive contract.

Mr. Hasler also suggested areas for improvement:

(1) Branding and marketing of the state.
(2) Shovel-ready sites for business and potentially considering policies to encourage investors to build more shovel-ready sites.
(3) Workforce training and skills.
(4) Sales tax treatment of information technology equipment acquired for large data center projects.

The Committee discussion and questions focused on the challenges for further economic development mentioned during the presentation:

(1) Techniques to enhance the awareness of the benefits of Indiana to outside businesses.
(2) Measures to increase the number of shovel-ready sites across the state.
(3) Current and future programs to develop a skilled workforce.
(4) Modifications to the tax code to enhance business development and attraction.

Rep. Messmer and Sen. Buck asked the committee to review the committee's annual reports from 2010 and 2011 (Exhibit C and Exhibit D) and contact them if they would like to receive an update on a past issue.

Rep. Messmer opened the forum to public comments. There was a question from the public regarding the availability and use of the Industrial Development Grant Fund.

Rep. Messmer adjourned the meeting at 2:35 pm.

Chapter 31.8. Interim Study Committee on Economic Development

2-5-31.8-1

Sec. 1. The interim study committee on economic development is established.
As added by P.L.172-2011, SEC.1.

2-5-31.8-2

Sec. 2. (a) The committee consists of the following members:

(1) Two (2) members of the senate, who must be affiliated with different political parties, appointed by the president pro tempore of the senate.

(2) Two (2) members of the house of representatives, who must be affiliated with different political parties, appointed by the speaker of the house of representatives.

(3) The chief executive officer of the Indiana economic development corporation (or the chief executive officer's designee).

(4) The following twelve (12) members appointed as follows:

(A) The following four (4) members appointed by the governor, not more than two (2) of whom may be affiliated with the same political party and at least one (1) of whom must be a woman who is an owner of a women's business enterprise (as defined in IC 4-13-16.5-1.3) that is certified under IC 4-13-16.5 or a member of a minority group (as defined in IC 4-13-16.5-1) who is an owner of a minority business enterprise (as defined in IC 4-13-16.5-1) that is certified under IC 4-13-16.5:

(i) One (1) member to represent large businesses.

(ii) One (1) member to represent small businesses.

(iii) One (1) member to represent banking and finance.

(iv) One (1) member to represent labor interests.

(B) The following four (4) members appointed by the president pro tempore of the senate, not more than two (2) of whom may be affiliated with the same political party:

(i) One (1) member to represent higher education.

(ii) One (1) member to represent local economic development organizations and officials.

(iii) One (1) member to represent cities.

(iv) One (1) member to represent counties.

(C) The following four (4) members appointed by the speaker of the house of representatives, not more than two (2) of whom may be affiliated with the same political party:

(i) One (1) member to represent agricultural interests.

(ii) One (1) member to represent the public at large.

(iii) One (1) member to represent kindergarten through grade 12 education.

(iv) One (1) member to represent quality of life issues.

(b) The president pro tempore of the senate shall appoint one (1) of the members appointed by the president under subsection (a)(1) as a co-chair of the committee. The speaker of the house of representatives shall appoint one (1) of the members appointed by the speaker under subsection (a)(2) as a co-chair of the committee.

(c) The affirmative votes of a majority of the voting members appointed to the committee are required for the committee to take action on any measure, including final reports.
As added by P.L.172-2011, SEC.1.

2-5-31.8-3

Sec. 3. The committee shall study the following during each interim:

(1) Best practices in state and local economic development policies and activities.

(2) The use and effectiveness of tax credits and deductions.

(3) Whether there are any specific sectors of the economy for which Indiana might have comparative advantages over other states.

(4) The extent to which Indiana's tax laws encourage business investment, and any improvements that might be made to Indiana's tax laws.

(5) The extent to which Indiana's education systems support economic development.

(6) The benefits of existing community revitalization enhancement districts and possible new community revitalization enhancement districts as an economic development tool.

Exhibit A
Interim Study Committee on Economic Development
Meeting #1, August 20, 2012

(7) Any other issue assigned to the committee by the legislative council or as directed by the committee's co-chairs.

As added by P.L.172-2011, SEC.1.

2-5-31.8-4

Sec. 4. The committee shall issue a final report before November 1 each year to the legislative council containing any findings and recommendations of the committee. The report must be in an electronic format under IC 5-14-6.

As added by P.L.172-2011, SEC.1.

2-5-31.8-5

Sec. 5. Except as otherwise provided in this chapter, the committee shall operate under the policies governing study committees adopted by the legislative council.

As added by P.L.172-2011, SEC.1.

2-5-31.8-6

Sec. 6. This chapter expires December 31, 2014.

As added by P.L.172-2011, SEC.1.

INDIANA

IN A HEALTHY INDIANA, ENTREPRENEURSHIP IS PERVASIVE In companies of all sizes...

STIMULATE VENTURE CAPITAL

êlevate ventures

Independent 501(c)3 partner

SUPPORT SMALL BUSINESS

INDIANA Small Business Development Center

Partnership b/w state and SBA

CORPORATE RETENTION AND ATTRACTION

INDIANA

with REDO/LEDO engagement

8/20/2012

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IEDC CUSTOMER FLOW

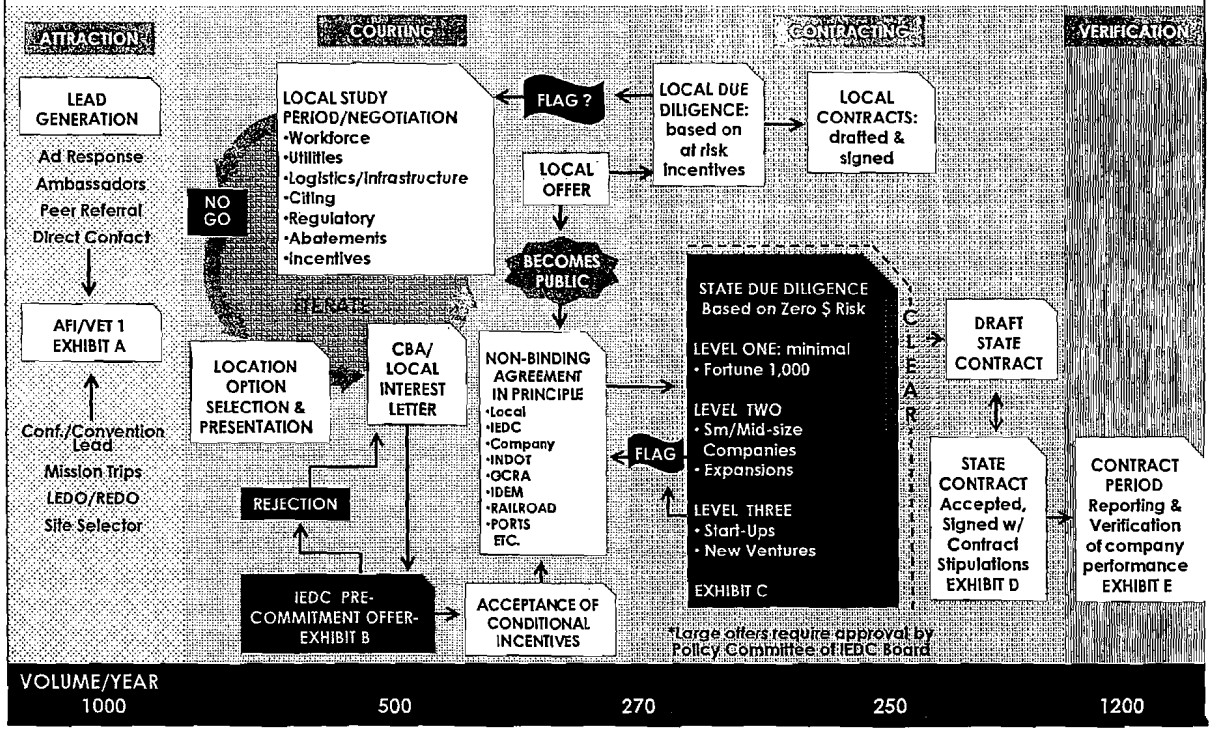
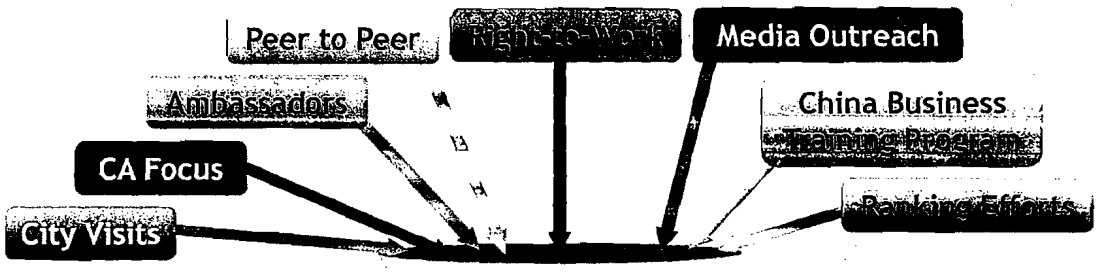


Exhibit B
Interim Study Committee on Economic Development
Meeting #1, August 20, 2012

2012 STRATEGY MAP



35%
LOSS

» ↑ Shovel Ready Sites
» Site Database Improvement

250+ DEALS
↑ 81% JOB FILL

IMPROVING THE SANDBOX

BENEFITTING ALL INDIANA BUSINESSES

Major Moves – Indiana is the only state in the nation with a record-breaking funded $10 billion infrastructure improvement plan that includes the construction or renovation of more than 400 roads and bridges. (2006)

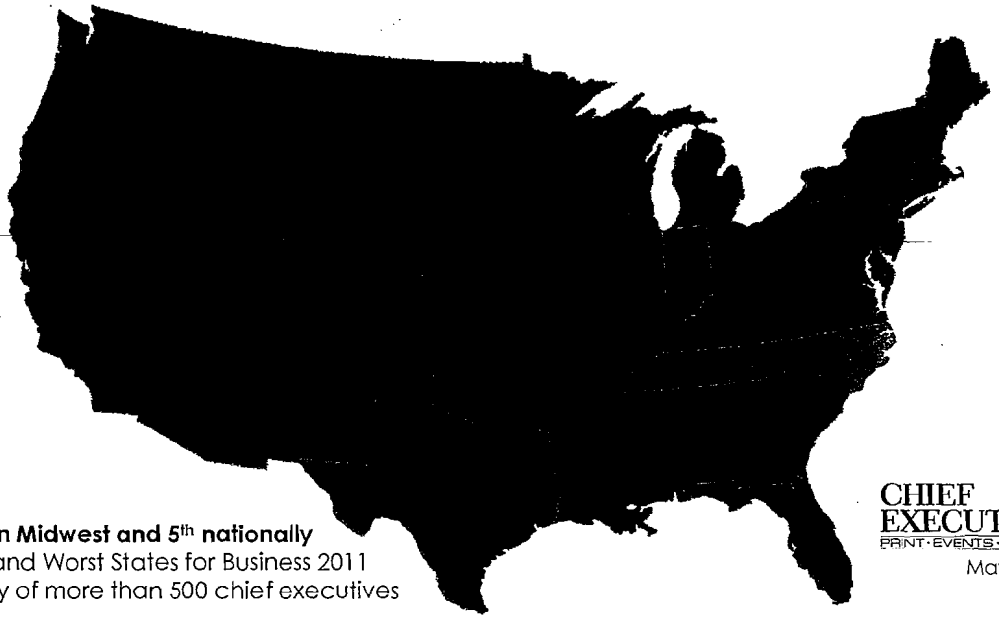
Single Sales Factor – The single-sales factor apportionment calculates the Indiana portion of corporate taxes based solely on the portion of a company's sales in Indiana. (2006)

Property Tax Relief – Cut property taxes by 1/3, capped property taxes. (2008)

Corporate Income Tax Rate Reduction – Decreases Indiana's rate from 8.5% to 6.5%; will be phased in over four years. (2011)

Right-To-Work – On February 1, 2012, Indiana became the 23rd state in the nation to enact a right-to-work bill into law and the only right-to-work state in the mid to upper Atlantic region. (2012)

INDIANA'S BUSINESS CLIMATE AMONG BEST IN U.S.

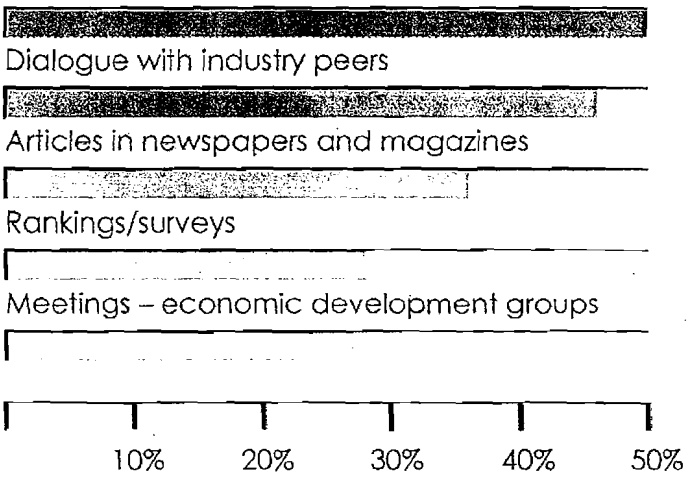


Best in Midwest and 5th nationally
Best and Worst States for Business 2011
survey of more than 500 chief executives

CHIEF EXECUTIVE
PRINT · EVENTS · ONLINE
May, 2012

TOP 5 LEADING SOURCES OF INFLUENCE

Informing executive perceptions of a state's business climate



Source-Development Counsellors International 09.11

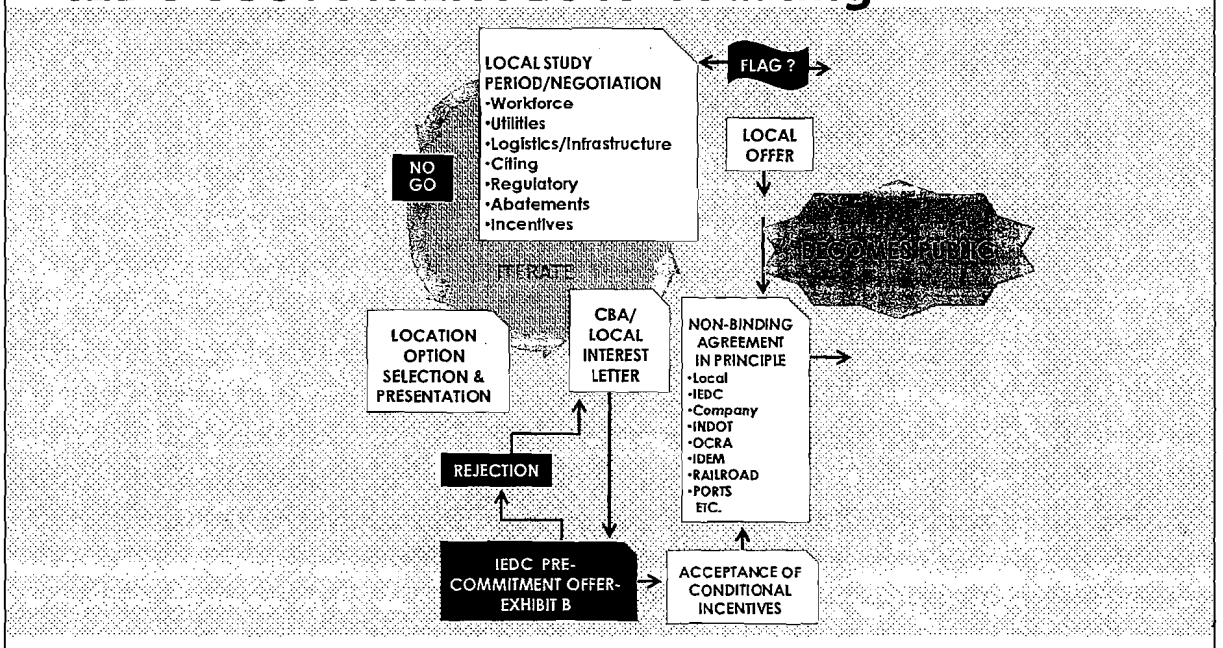
INDIANA'S INTERNATIONAL STRATEGY

- **Pre-2005**: Export focus; IEDC-era formed partnership with U.S. Dept. of Commerce to support Indiana exports.
- **2005-Present**: Focus on attracting foreign direct investment (FDI).
- **2012**: Rebalanced IEDC's financial and structural resources to match market opportunities.

2012 IEDC INTERNATIONAL OFFICES

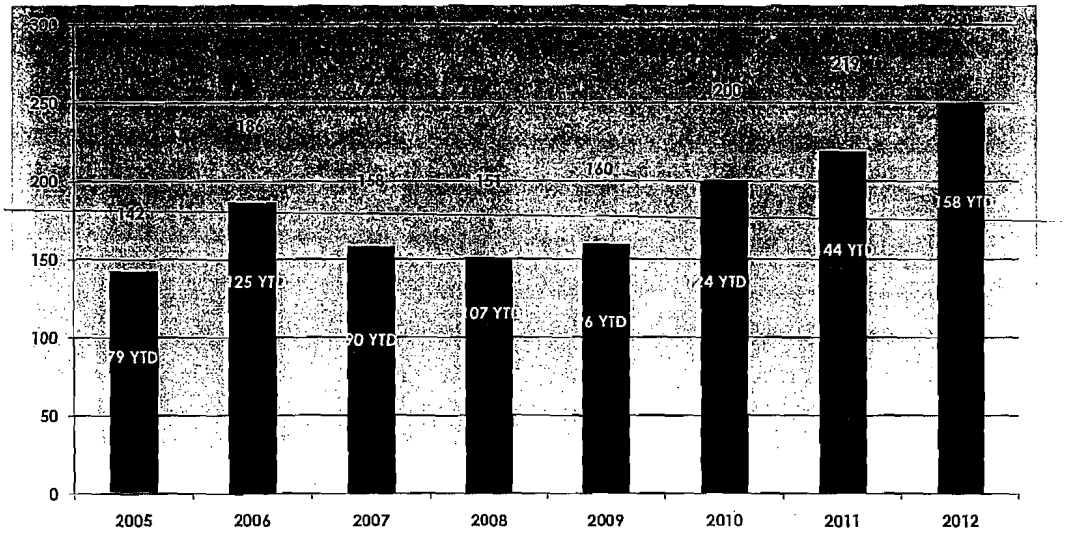
- **Australia**
  - No renewal of contract
- **China**
  - Shift from contractor to dedicated China office
- **Europe**
  - New representative in **Germany** with increased resources
- **Japan**
  - Increased resources
- **Taiwan**
  - Smaller presence in Taipei

IEDC CUSTOMER FLOW-*Courting*



INDIANA

TOTAL COMPETITIVE PROJECTS



■Goal
■YTD as of 8.17.12

8/20/2012

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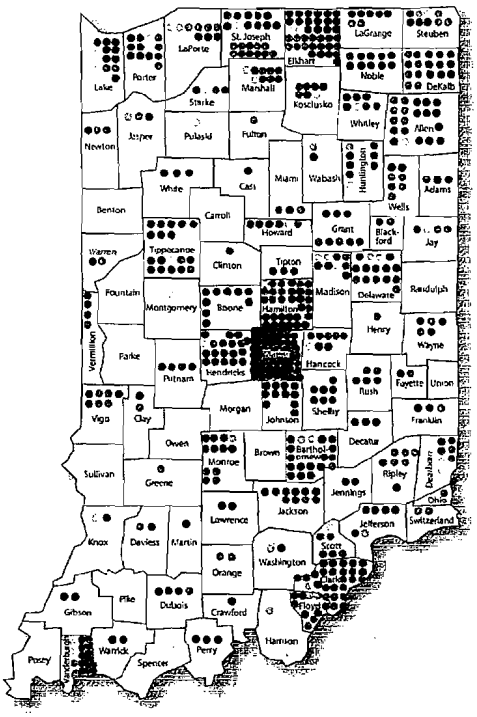
IEDC COMPLETED DEALS

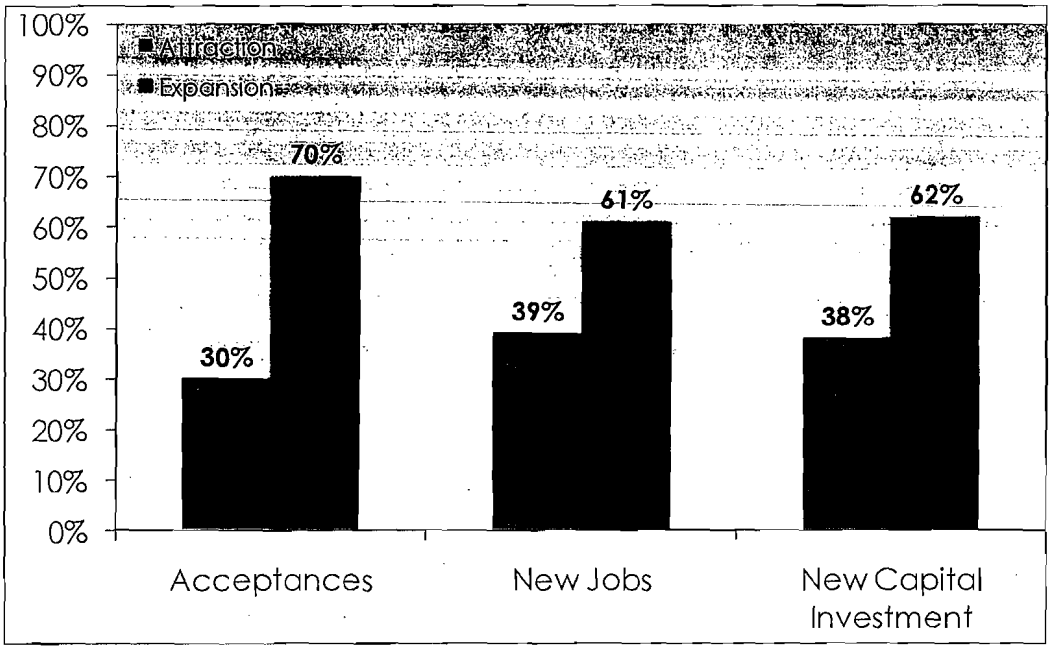
2009-2011

Industry

- Biofuels/Energy
- Food/Agriculture
- I.T.
- Insurance/Financial/Services
- Life Sciences
- Manufacturing - Auto
- Manufacturing - Other
- Manufacturing - Steel/Metals
- Motorsports
- Transportation/Distribution/ Logistics



EXPANSION VS. ATTRACTION (2005-2012)



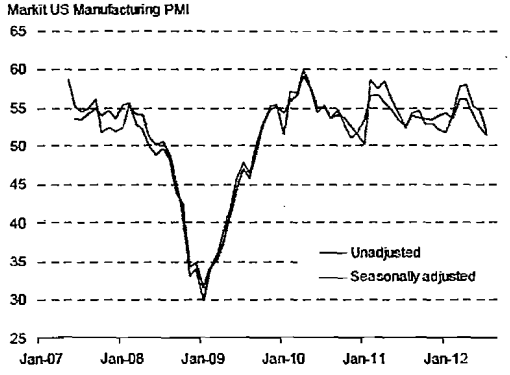
ECONOMIC CONCERNS

U.S. & GLOBAL MANUFACTURING

"I think people will tread water, probably for the next 5 or 6 months, and allow the presidential election to play itself out before making decisions about large projects."

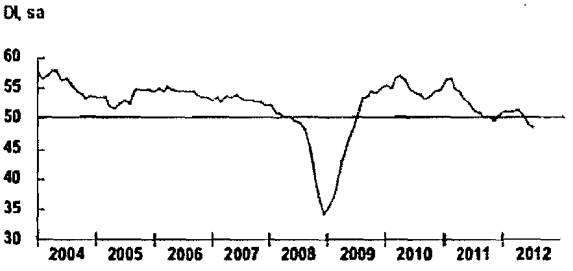
-Larry Gigerich, managing director, Ginovus, LLC

Markit U.S. Manufacturing PMI (seasonally adjusted)



Source: Markit.

JPMorgan Global Manufacturing PMI



RIGHT-TO-WORK RESULTS

SINCE THE PASSAGE OF THE NEW LEGISLATION:

►74 companies have communicated to the IEDC that Indiana's enactment of right-to-work will factor into their decision-making process of where to locate current projects.

►57 of these projects have progressed to the pipeline stage, accounting for the potential of more than 7,500 new jobs and $1.6 billion in investment.

►Of these 57 companies, **20 companies have already accepted the IEDC's offer, accounting for more than 2,000 projected new jobs and more than $270 million in investment.**

"Then the right-to-work bill passed... and all of the dominos lined up. We were looking at other places, but Albion is home. We have a great workforce," said Nick Busche at an announcement that Busche will add up to 120 new jobs in Albion.

COMPANIES SAY RIGHT-TO-WORK MATTERS

*"Recently, Indiana became a **right-to-work** state and offers us a competitive location and a skilled work force... All of these factors went into choosing Indiana as an optimal location."*
-David Donnay, vice president of human resources, Android

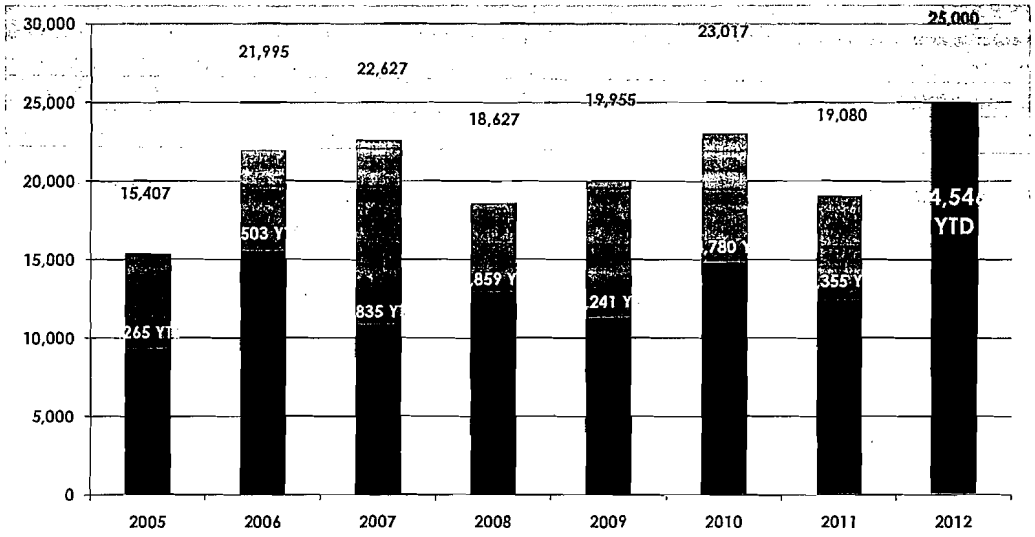
*"**Right-to-Work**, tax incentives and economic development programs are really the key to creating jobs and SealCorpUSA is a real company with real jobs."*
-Ken Rust, president, SealCorpsUSA

"Indiana has cultivated a pro business environment with its outstanding infrastructure, talented workforce and recent legislation to lower taxes and become a right-to-work state."
-Marty Boyd, president and chief executive officer, Kinyre Supply

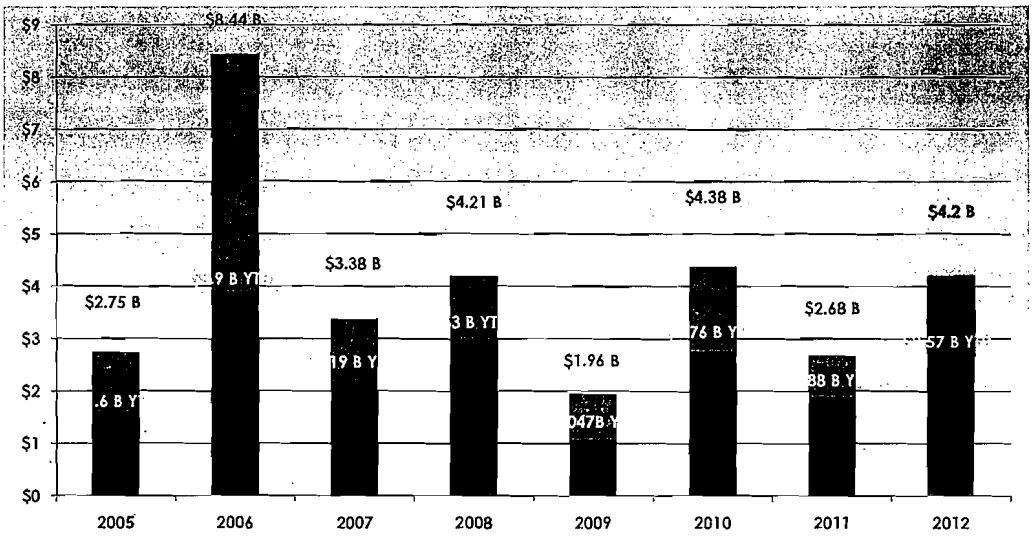
*"The recent enactment of the **right-to-work** legislation is further evidence of Indiana's commitment to providing the most competitive business environment possible for global companies like us to grow."*
-Barry Schneider, vice president and general manager, Steel Dynamics' engineered bar products division

"The recent passage of the right-to-work law was just another example of the strong commitment by this state to promote growth and job creation..."
-Nick Busche, chief executive officer and president, Busche

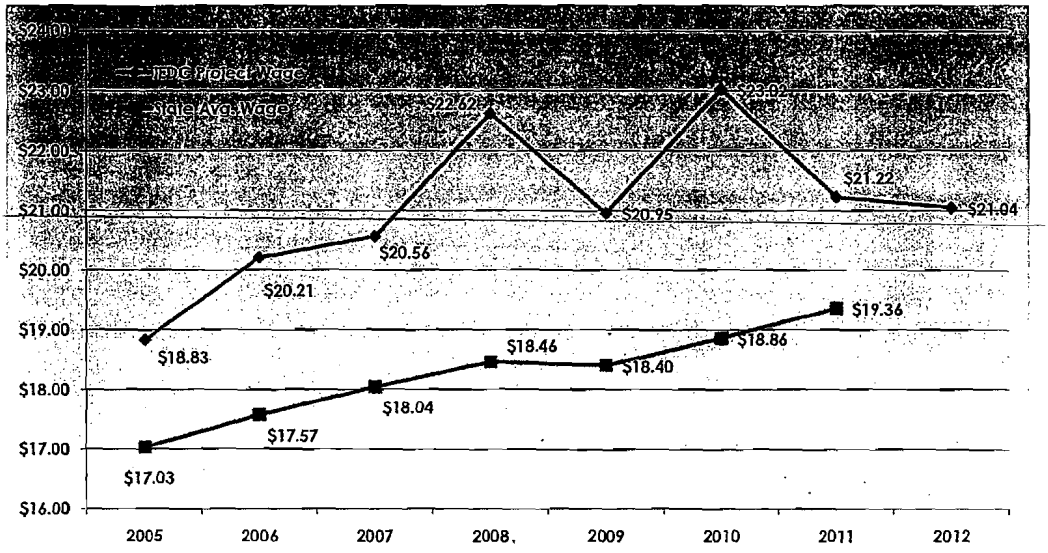
PRIVATE SECTOR JOB PROJECTIONS



PRIVATE SECTOR INVESTMENT PROJECTIONS



HOOSIER AVERAGE WAGE



As of 8.17.12

RIGHT-TO-WORK RESULTS

RIGHT-TO-WORK PIPELINE PROJECTS

57 projects have progressed to the pipeline stage, accounting for the potential of more than 7,500 new jobs and $1.6 billion in investment. Of these 57 companies, 20 companies have already accepted the IEDC's offer.

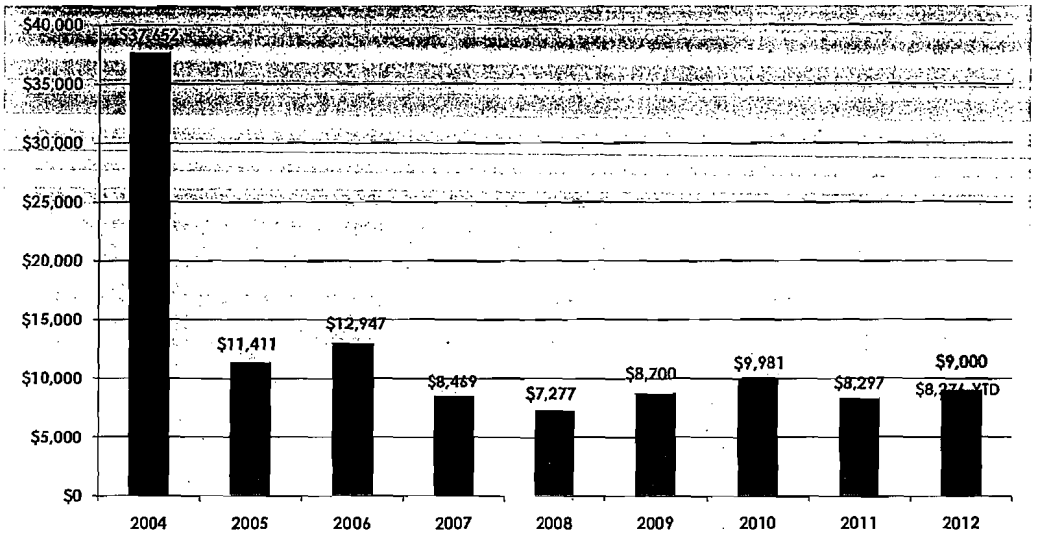
REGION	JOBS	*RTW PIPELINE PROJECTS HOURLY WAGE	2011 STATE HOURLY WAGE
Central	2,595	$26.06	$20.06
North Central	583	$23.83	$18.42
Northeast	1,605	$20.90	$17.78
Northwest	872	$23.54	$19.43
Southeast	910	$24.40	$17.60
Southwest	258	$25.11	$18.40
****Total**	**6,823**	**$24.08**	**$19.36**

**Includes both pipeline and accepted projects in which the company has identified right-to-work as a factor in its location decision.*

***Only includes data for projects that include both jobs & wage data.*

INDIANA

CONDITIONAL INCENTIVES PER JOB



Goal

As of 8.17.12

8/20/2012

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INDIANA

Higher Wage Jobs Draw Higher Incintives

TYPE	Life Sciences	Manufacturing	2012 Average 158 Projects
JOBS	100	100	93
AHW	**$42.77**	**$16.54**	**$21.05**
Capital Investment	$300 M	$75 M	$16.7 M
Incentives	$2.3 M	$ 750,000	$719.5K
Incentive Dollars Per Job	**$23,000**	**$7,500**	**$8276**

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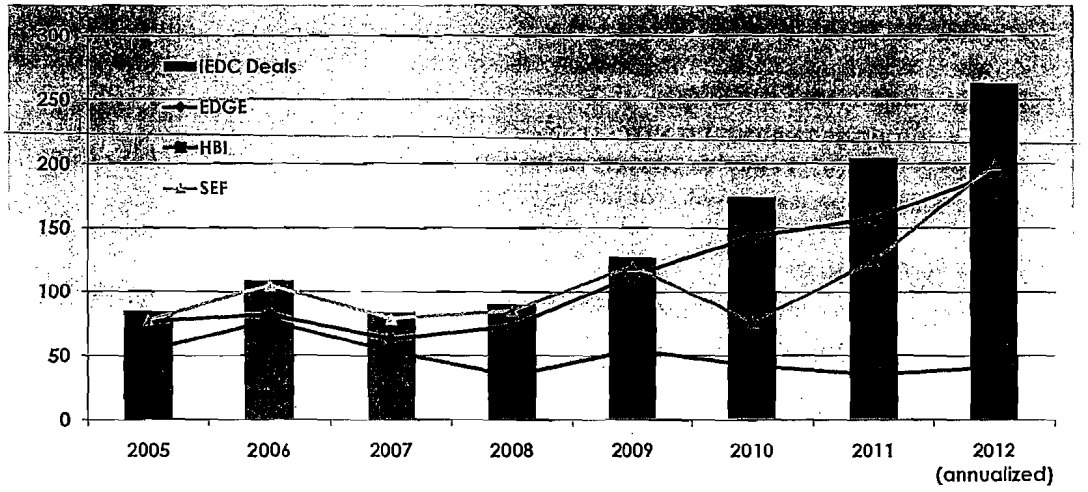
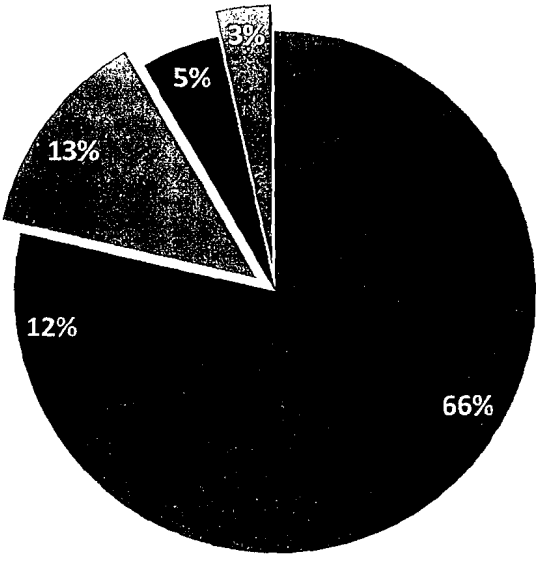
INCENTIVE MIX

COMPANIES LOCATE & GROW IN INDIANA FOR THE SANDBOX. INCENTIVES ARE THE ICING ON THE CAKE



PROJECT LOSS ANALYSIS (2009-Present)



- Did Not Happen Anywhere:
- Incentives (Lack of, Better Offer, Etc.)
- Site (incl. Availability, Infrastructure, Cost, Etc.)
- Proximity to Suppliers/Customers
- Labor Availability, Cost, Etc.

Data updated 8.14.2012

We can do Better! ... Improvement Areas

Indiana Brand Voice and Volume

- Our product is much stronger than our brand. Filling the pipeline requires greater brand awareness.

Available Sites and Buildings

- Communities without readily-available sites that are Shovel Ready or pad-ready lack not only the assets necessary to attract projects but also the visibility associated with marketing those sites.

Workforce/Training

- Employers continue to emphasize their need for workers with advanced skills (i.e. mathematics, sciences, engineering).

Sales Tax Challenges

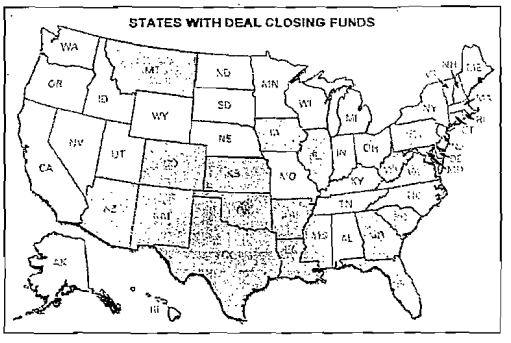
- Some projects such as data centers involve significant capital investment with fewer employees, making existing IEDC incentives less useful.

TRENDS IN OTHER STATES

DEAL CLOSING FUNDS

►Texas Enterprise Fund – largest and most established (2003) but questions remain about effectiveness.

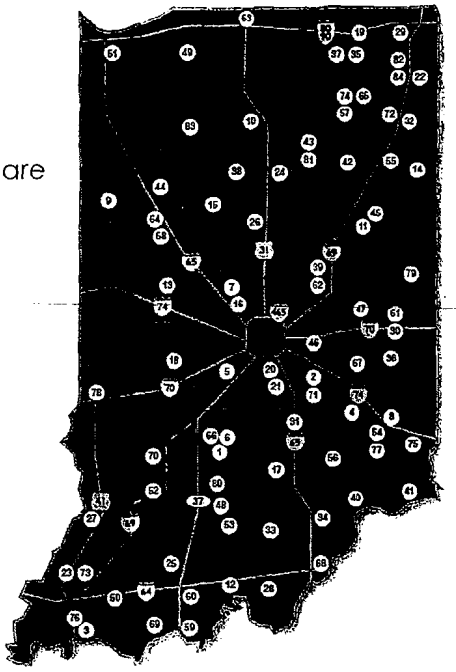
►Once established, neighboring states feel compelled to establish their own to remain competitive. Florida's (2005) produced a chain reaction up the coast, while Oklahoma (2011) was the last contiguous state to follow Texas.



Site Selection Magazine Web Exclusive, May 2012

AVAILABLE SITES

Indiana Shovel Ready Sites



Shovel Ready Sites

- Nearly 100 shovel ready sites in the state and are found on the IEDC's Site & Building Database (http://statein.zoomprospector.com).

Empty Facilities (Vacant & Shell)

- Indiana lacks an inventory of buildings, particularly for manufacturers.
- We use the Industrial Recovery program to incentivize speculative renovation of old buildings but no tool to encourage pure speculation.

SALES TAX CHALLENGES

IT EQUIPMENT

OPPORTUNITIES

- Nearly 6 million servers come online each year, causing increased data center energy demands of 10%.
- Significant capital investment, high-paying jobs associated with data centers.

CHALLENGES

- IT equipment is replaced every 2 to 4 years, so Indiana's 7% sales tax rate is a significant hurdle despite other advantages.
- Many states are offering sales tax exemptions in order to capture the long-term tax revenue generated by data centers.

WORKFORCE/TRAINING

LOOKING FORWARD: EMBRACING A KNOWLEDGE-BASED ECONOMY

- Higher education in Indiana does a marvelous job educating students in a variety of high-skill fields.
- However, the fact remains that Indiana is a net exporter of these college graduates.
- Keeping them here requires both a job and a desirable lifestyle.

WORKFORCE/TRAINING

INDIANA'S SWEET SPOT: MANUFACTURING

CNNMoney
A Service of CNN, Fortune & Money

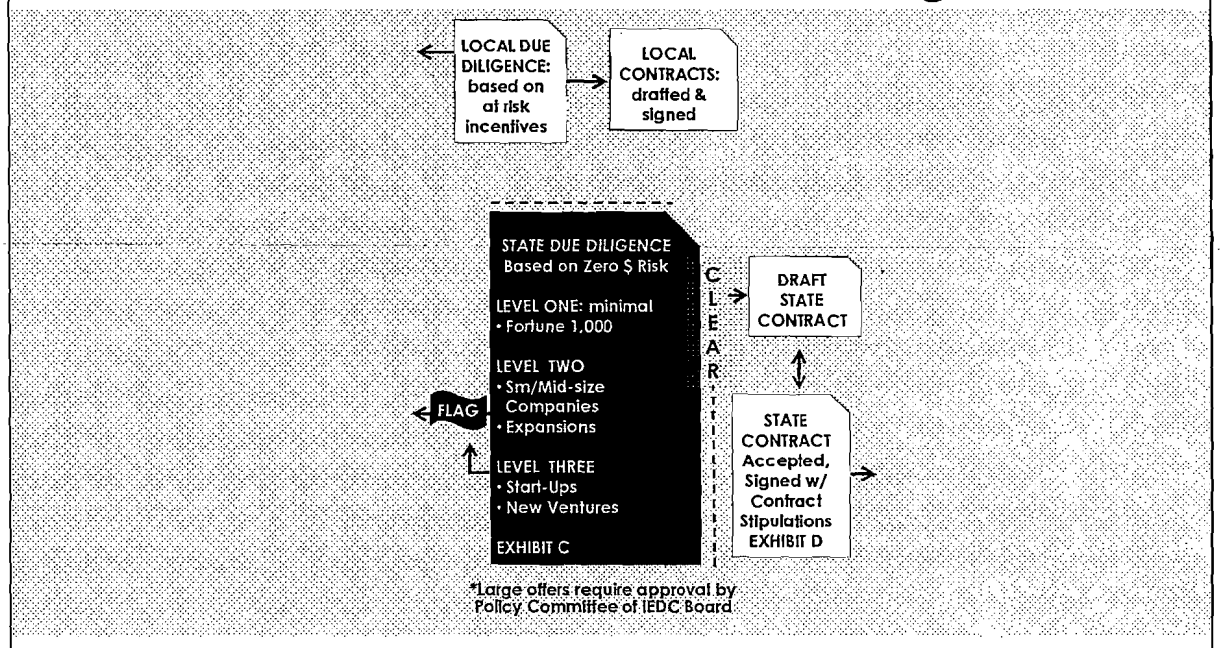
August 8, 2012

Northeast Indiana: Hundreds of factory jobs go unfilled

- Many applicants for jobs at Damon Manifolds, Fort Wayne Metals and others, but few have the skills and attitude required for the work.

- The IEDC is hearing this story around the state and is exploring a partnership with IVY Tech to provide employers with customized programs to fill the skills gap

IEDC CUSTOMER FLOW-*Contracting*



INDIANA

CONFIDENTIALITY

"The IEDC takes great measures to protect the confidentiality of information regarding potential projects. Pursuant to Indiana law, the IEDC will not disclose records containing known trade secrets or confidential financial information. Ind. Code § 5-14-3-4(a). Moreover, as permitted under Indiana law, the IEDC treats records relating to negotiations between the IEDC and a commercial prospect as confidential if they are created while negotiations are in process. Ind. Code § 5-14-3-4.5 and Ind. Code § 5–14–3–4(a)(4) and (5). When requested, the IEDC is required to disclose the "terms of the final offer of public financial resources.

- Ind. Code § 5–14–3–4.5(b)

VETTING OF COMPANIES

Discretionary basis or start-ups-

- Background checks: Criminal, Bankruptcy, Tax Liens
  - o Authorization required with Application for Incentives

Mandatory, before executing Final Incentive Agreement-

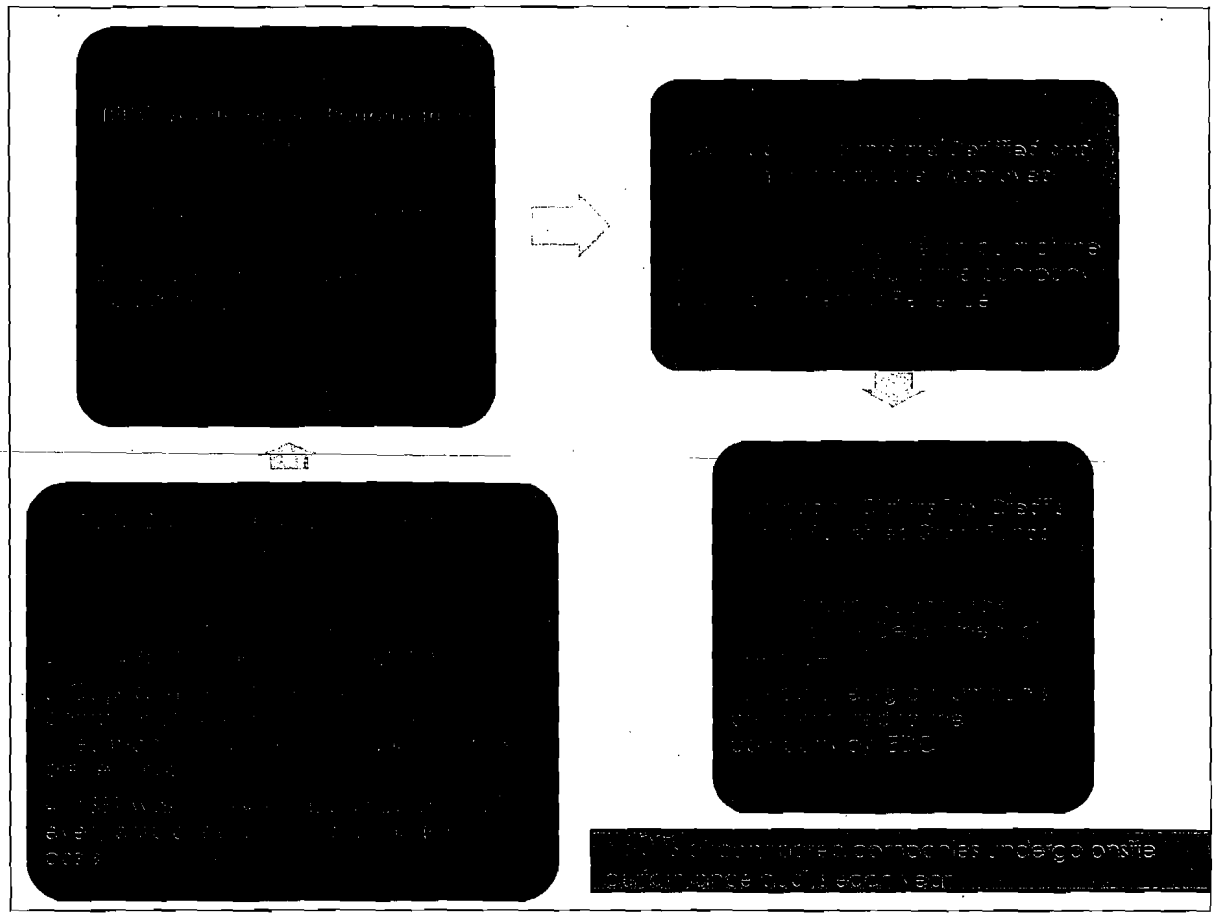
- Indiana Department of Revenue
  - o Tax Compliance
- Indiana Department of Workforce Development
  - o Unemployment Insurance, other workforce issues
- Indiana Secretary of State
  - o Registered to do business in Indiana
  - o Current in reporting, other regulatory issues
- IEDC
  - o Compliance for prior IEDC projects
  - o SEC filing review
  - o Company meetings, visits
  - o Open source information
  - o D & B risk assessment
  - o Final Incentive Agreement Conditions*

***Final Incentive Agreement Terms:**

- Accuracy of company's representations in Application for Incentives
- Compliance with federal, state, and local laws
- Compliance with state ethics requirements
- No conflicts of interest
- Current in taxes, fees, other required payments
- No pending criminal or civil enforcement actions
- Registered with Secretary of State
- Good standing with Department of Revenue
- No significant workforce issues
- No enforcement actions by other state agencies
- No liabilities with the state
- Compliance with Telephone Solicitation Act
- Drug-free workplace
- Compliance with laws governing employment discrimination

IEDC CUSTOMER FLOW-*Verification*

CONTRACT PERIOD Reporting & Verification of company performance



INDIANA

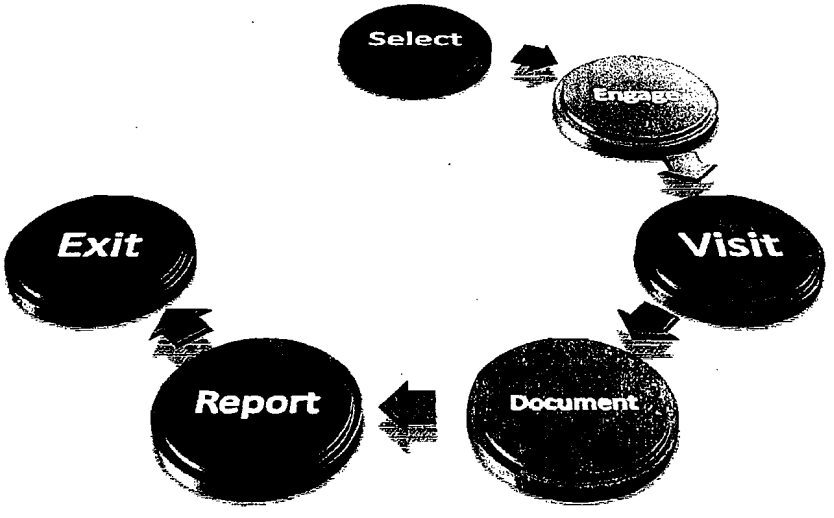
2010 JOB ACTUALIZATION OVERVIEW UPDATED

Year of Transaction	Total Projects	Canceled Projects	Completed Projects	Non-Reporting Projects	Other Projects	Active Reporting Projects
2005	137	38	11	1	0	87
2006	188	48	29	1	2	108
2007	152	34	24	0	2	92
2008	147	32	18	2	2	93
2009	158	17	6	0	0	135
2010	177	15	0	0	0	162
TOTAL	**959**	**184**	**88**	**4**	**6**	**677**

2010 JOB ACTUALIZATION ANALYSIS UPDATED

Year of Transaction	Number of Projects From Accepted Reporting Projects	Total Expected New Jobs by 2010 From Accepted Reporting Projects	Net New Jobs Reported in 2010 From Accepted Reporting Projects	Percentage Realization From Accepted Reporting Projects
2005	87	8,882	6,795	77%
2006	108	12,935	10,445	81%
2007	92	11,171	6,874	62%
2008	93	7,294	5,052	69%
2009	135	10,504	8,502	81%
2010	162	4,124	6,754	164%
TOTAL	**677**	**54,910**	**44,422**	**81%**

IEDC AUDIT PROCESS



IEDC AUDIT PROCESS

- Companies are selected for audit based on a strategic risk formula
  - 10 variables are used to determine a risk score
- An engagement letter provides companies with a short time window to schedule their audit
- Field Monitors complete onsite reviews of company records to substantiate accuracy of the data reported to IEDC
- The results of audit are communicated in the Field Monitor Report
- If any issues are identified the company is referred to the Legal and Compliance Group
  - Repayment of incentives is pursued

IEDC AUDIT PROCESS

- Comprehensive data examined is customized for each audit
  - Project base year
  - Property, plant, and equipment investment
  - Property, plant, and equipment service date
  - Employee headcount
  - Average compensation
  - Employee benefits rate
  - Employee residency
  - Payroll tax withholdings
  - Paid training expenses
  - Matching grant funds
  - Local participation in the project
  - Interest due
  - Indiana adjusted gross income
  - Indiana financial institution tax
  - Indiana insurance premium tax
  - Base tax
  - Credit carry forward
  - Data sampling
  - Early warning indicators
  - FEIN and control group

INDIANA

COMPLIANCE REPORT

	IN MILLIONS
AMOUNT PURSUED	**$12.3** (< 2% of our awards)
$ Collected	$ 4.5*
Performance Workout	$ .5
Unrecoverable	$ 3.0
In Collection	$ 3.9
Receivable	$ .4*

(projects originating 1994 to present)

**Includes Whirlpool (Evansville) repayment of $800,000*

Incentives are performance based and only paid when companies have created jobs, made investment, or trained employees. Recovery is pursued when companies, who have earned incentives, terminate operations in IN prior to the contractually required amount of time or otherwise default on their incentives contract.

THE STATE OF YOUR FUTURE

Recent FOI Requests

INDIANA

IN A HEALTHY INDIANA,
ENTREPRENEURSHIP IS PERVASIVE
In companies of all sizes...

STIMULATE VENTURE CAPITAL

êlevate ventures

Independent 501(c)3 partner

SUPPORT SMALL BUSINESS

INDIANA Small Business Development Center

Partnership b/w state and SBA

CORPORATE RETENTION AND ATTRACTION

INDIANA ENGINEERING EXCELLENCE

with REDO/LEDO engagement

THE STATE OF YOUR FUTURE

FINAL REPORT
OF THE
INTERIM STUDY COMMITTEE ON
ECONOMIC DEVELOPMENT

Indiana Legislative Services Agency
200 W. Washington St., Suite 301
Indianapolis, Indiana 46204-2789

November 2010

Exhibit C
Interim Study Committee on
Economic Development
Meeting #1, August 20, 2012

INDIANA LEGISLATIVE COUNCIL
2010

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Fort Wayne

Speaker B. Patrick Bauer
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Senator Vi Simpson
Bloomington

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Indianapolis

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Representative William Friend
Macy

Senator Timothy Lanane
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Representative Kathy Richardson
Noblesville

John M. Ross
Executive Director
Legislative Services Agency

Interim Study Committee on Economic Development

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Monticello

Sue Errington
Muncie

Representatives

Scott Reske, Co-Chair
Pendleton

Suzanne Crouch
Evansville

Lay Members

Sonny Beck
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Mark Becker
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Gary Lehman
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Carmel

Jeff Quyle
Camby

Mitch Roob
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Jessica Harmon, Fiscal Analyst
Michael Landwer, Attorney
Dan Paliganoff, Attorney
George Angelone, Attorney

November 2010

A copy of this report is available on the Internet. Reports, minutes, and notices are organized by committee. This report and other documents for this Committee can be accessed from the General Assembly Homepage at http://www.in.gov/legislative/.

FINAL REPORT

Interim Study Committee on Economic Development

I. LEGISLATIVE COUNCIL DIRECTIVE

The Legislative Council directed the Committee to study the topics assigned to the Committee in HEA 1086-2010, SECTION 184.

II. INTRODUCTION AND REASONS FOR STUDY

The General Assembly is interested in examining the scope, focus, and efficacy of Indiana's economic development assistance and incentive programs and to evaluate the extent that Indiana's tax policies or educational system influence economic development. In particular, the General Assembly wants to review and evaluate the effectiveness of programs in the state's current economic development toolbox, consider new programs that may enhance the state's economic development toolbox, and determine whether the state's economic development programs operate within the parameters of best practices established around the U.S. The General Assembly enacted legislation establishing the Committee and directing the Committee to study the following:

(1) Best practices in state and local economic development policies and activities.
(2) The use and effectiveness of tax credits and deductions.
(3) Whether there are any specific sectors of the economy for which Indiana might have comparative advantages over other states.
(4) The extent to which Indiana's tax laws encourage business investment, and any improvements that might be made to Indiana's tax laws.
(5) The extent to which Indiana's education systems support economic development.
(6) The benefits of existing community revitalization enhancement districts and possible new community revitalization enhancement districts as an economic development tool.
(7) Any other issue assigned to the Committee by the Legislative Council or as directed by the Committee's co-chairs.

III. SUMMARY OF WORK PROGRAM

The Committee held a total of four meetings. These meetings were held in Anderson on September 22nd, Indianapolis on September 27th, West Lafayette on October 5th, and Indianapolis on October 26th.

(1) At the September 22nd meeting, the Committee considered the following topics:
- (A) Access to capital issues experienced by small business and entrepreneurs.
- (B) The economic impact of entrepreneurs.
- (C) Social, economic, and governmental factors that affect entrepreneurship.
- (D) Financing and technical assistance programs that could assist entrepreneurs in their company's startup and growth stages.

(E) IEDC programs focusing on small business and entrepreneurs.
(F) The Neighborhood Assistance Tax Credit.
(G) The utility of state incentives and Tax Increment Financing (TIF) for attracting business investment and development.

(2) At the September 27th meeting, the Committee considered the following topics:
(A) Trends in employment, job creation, income, and labor force in Indiana and the Midwest.
(B) Factors that influence business location and investment decisions.
(C) The utility of the 21st Century Research and Technology Fund, the Venture Capital Investment Credit, and the Patent-Derived Income Exemption for high-tech business.
(D) The economic impact of logistics and logistics infrastructure in Indiana.
(E) The impact of local economic development organizations.
(F) Community Revitalization Enhancement Districts.
(G) Enterprise Zones and Enterprise Zone incentives.
(H) The Historic Rehabilitation Tax Credit.

(3) At the October 5th meeting, the Committee considered the following topics:
(A) The impact and effectiveness of the 21st Century Research and Technology Fund.
(B) The effectiveness of economic development tax incentives.
(C) Indiana's business tax climate.
(D) Indiana's corporate income tax rate relative to Indiana's individual income tax rate; and relative to corporate income taxes in other states.
(E) The relationship of cultural amenities and economic development.

(4) At the October 26th meeting, the Committee considered the following topics:
(A) The impact of personal property tax on farmers and on businesses.
(B) The Committee's proposed final report.

The Committee voted 9-0 to approve this final report after discussing the proposed findings and recommendations and agreeing to:

(1) Amend the finding on the economic development impact of Indiana's corporate income tax rate to make that finding relative to Indiana's personal property tax.

(2) Amend the recommendation for a permanent study committee to specify that it study economic development on a regional, national, and global scale.

(3) Amend the recommendations to include a recommendation regarding the study of eliminating or reducing Indiana's personal property tax.

IV. SUMMARY OF TESTIMONY

Testimony to the Committee is summarized below under four broad topical categories:

(1) IEDC Programs and Outcomes.
(2) Entrepreneurship and Small Business Issues.
(3) Local Economic Development Programs.
(4) Business Investment Factors and Effectiveness of Incentives.

IEDC Programs and Outcomes

The Committee received testimony from the Indiana Economic Development Corporation (IEDC). The testimony focused on the history and operational focus of the IEDC in comparison to it's predecessor, the Indiana Department of Commerce (IDOC). The testimony indicated that the IEDC is structured to execute competitive transactions with companies involving development incentives. In contrast, the IEDC reported that the IDOC not only executed competitive transactions involving development incentives, but also allocated substantial staffing and program resources to other activities, including community development activities.

As for recent economic results in Indiana, the IEDC reported that for CY 2010 (through August), Indiana experienced 2.4% year-over-year growth in net private sector employment. This growth rate is equal to the employment growth rate experienced by Massachusetts and is exceeded only by Oklahoma with a 2.7% growth rate. IEDC also reported that the employment growth translated into 54,700 additional private sector jobs during that period. The Indiana jobs total is higher than the growth totals registered in all but four other states: Texas, Florida, New York, and Massachusetts. In terms of program outcomes, the IEDC reported that for CY 2010 (through October 4, 2010) it succeeded in securing 150 competitive projects for Indiana, resulting in a projected 18,796 new jobs and $3.0 billion in investment. The incentive cost on these projects is expected to average about $8,649 per job, with an average hourly wage of about $21.63. In comparison, IEDC reports that the state average hourly wage in 2009 was $18.40.

IEDC highlighted other factors beside incentives that are attractive to businesses. These factors include Indiana's bond rating as well as its tax and regulatory climate. IEDC reports that Indiana is one of only nine states with a AAA bond rating and that Indiana was rated by the U.S. Chamber of Commerce and National Chamber Foundation as the fourth best state in terms of business taxes and regulation.

In the presentations, IEDC provided information on their major incentive programs as well as programs that focus on assisting small business and entrepreneurial startups. The programs highlighted by IEDC included the following:

(1) The EDGE tax credit, which is a refundable tax credit awarded based on net new jobs created by recipient companies. The tax credit is calculated after income taxes have been withheld by the companies from the new employees. The IEDC considers the EDGE tax credit to be the state's top incentive program because of the way it is calculated and its refundability.

(2) The Hoosier Business Investment tax credit is a nonrefundable tax credit for capital

investment. The IEDC indicates that while the credit is not refundable, it is particularly helpful for projects involving significant capital investment, but lower employment projections.

(3) The Venture Capital Investment tax credit improves access to capital for fast-growing Indiana businesses by providing a tax credit to investors in these businesses. Since 2003, IEDC reports, 208 companies have used the credit to leverage $138.4 M in private capital.

(4) The 21st Century Research and Technology Fund (21 Fund) provides funding to support young companies in the idea development, product development, and early growth stages. The 21 Fund currently focuses on supporting technology commercialization by companies in these development stages. The 21 Fund provides direct funding via grants to entrepreneurs as well as matching grants to entrepreneurs who are recipients of federal Small Business Innovation and Research (SBIR) grants. Under the SBIR matching program, the 21 Fund grants result in a 4 to 1 leveraging of federal funds. The IEDC also provided information on a study it obtained from the Ball State University Center for Business and Economic Research. This study indicates that about $238 M has been invested in 188 projects since the inception of the 21 Fund. The study estimates that the 21 Fund investments have created 11,000 high-paying jobs, with an impact on state GDP of about $427 M. The study also estimates that the 21 Fund investment has leveraged about $1 B in investment from private and institutional investors. The Committee also heard testimony (highlighted later) from four entrepreneurs who have received funding from the 21 Fund.

The IEDC presented information to the Committee on other incentive programs, including: (1) the Small Business Innovation and Research Initiative/Small Business Technology Transfer; (2) the Patent Income Tax Exemption; (3) the Research and Development Tax Credit; and (4) the Capital Access Program.

Entrepreneurship and Small Business Issues

The Committee heard testimony from several Indiana entrepreneurs and experts on entrepreneurship who identified the social and economic factors and government policies that facilitate entrepreneurship and the creation and expansion of high-tech and high-growth businesses.

The following entrepreneurs testified to the Committee: (1) Pete Bitar, President, Xtreme Alternative Defense Systems; (2) John Waters, Vice Chairman, Bright Automotive; (3) Jeff Ready, CEO, Scale Computing; (4) Ron Ellis, CEO, Endocyte; and (5) Chris Baggott, CEO, Compendium. This testimony indicated that the availability of venture capital and gap financing is an important facet of starting up and growing a small company and taking ideas and innovations through the development stage to the commercialization stage. Four of these entrepreneurs received funding from the 21 Fund and indicated that this funding was critical to starting up their businesses and leveraging venture capital from private investors.

The entrepreneur testimony indicated that the quality and skill levels of a region's existing workforce, the existing business and industry capacity in a region, and capital availability in a region are extremely important factors in determining where a company may locate and invest. Mr. Bitar and Mr. Waters indicated that the existing auto manufacturing and auto electronics capacity in and around Anderson was an important factor in their decisions to locate in central Indiana. Mr. Ready indicated that his decision to initially invest and locate Scale Computing in California was due to the greater availability of capital for his enterprise in that state. He indicated that his decision to relocate Scale Computing to Indiana was facilitated by a 21 Fund grant that was used to leverage significant capital from private investors. Mr. Ellis also discussed the importance of capital access and workforce expertise and skills. He also highlighted the importance of obtaining technical assistance via his location and connection with the Purdue Technology Center.

The Committee also received testimony from: (1) Dr. Vic Lechtenberg, Vice Provost, for Engagement, Purdue University; (2) Mark Lange, Executive Director, Edward Lowe Foundation; (3) Stephen Sandstedt, CEO, Priority Development Corporation; and (4) Dr. Susan Clark Muntean, Ball State University. This testimony dealt with the impact of entrepreneurs and small companies, the factors that encourage entrepreneurship, and the types of assistance needed to increase entrepreneurship and creation of high-growth companies in Indiana.

Dr. Muntean reported that the consensus among scholars who study entrepreneurship is that entrepreneurs play a critical role in the economy by creating employment, contributing to productivity growth, developing and commercializing innovations, and generating positive spillovers to the economy as a whole. She also reported that earnings of self-employed entrepreneurs are almost one-third higher than earnings of wage and salaried workers. Mr. Lange highlighted the economic impact of new business startups and startups that are offshoots of existing companies. He suggested that Indiana re-balance it's economic development strategy to more of an emphasis on nurturing small high-growth companies in the incubation stage and growth stages after incubation. Mr. Lange also highlighted the need for increased use of business incubators beyond the normal incubation stage and proposed a virtual technical assistance network for Indiana. Once established, this virtual network would provide a forum for entrepreneurs in the startup stage or later growth stages where they could reach for assistance from experts in areas such as market research, business strategy and management, new media, and Geographical Information Systems (GIS).

Dovetailing with Mr. Lange's testimony, Dr. Lechtenberg highlighted the efforts by the Purdue Research Foundation and the Purdue Research Parks to facilitate the creation of startup companies and the commercialization of technology and innovations. He reported that 191 companies currently operate in the research parks, with 67 Purdue faculty members and 250 students working with these companies. Besides these efforts to integrate university expertise and capacity with entrepreneurs, Purdue also operates a statewide Technical Assistance Program for existing businesses in Indiana. Dr. Lechtenberg also discussed how businesses have obtained technical assistance with a problem or issue at either no cost or low cost to the business.

Finally, Mr. Sandstedt discussed the problems that entrepreneurs face in obtaining capital to either launch a new company or to expand an existing company. He indicated that while capital access problems have increased during the recession for all business, that for larger companies this is likely a temporary problem. However, for smaller operations, access to capital issues are an ongoing problem. Mr. Sandstedt discussed the Michigan Business and Industrial Development Corporation program as an option for pooling capital that could be targeted to small entrepreneurs.

Local Economic Development Programs

The Committee received testimony from local officials about the status and need for local economic development programs, including tax abatement, TIF, County Economic Development Income Tax (CEDIT), community revitalization enhancement districts (CREDs), certified technology parks (CTPs), and enterprise zones (EZs). Local officials indicated that the top economic development incentives that they utilize are tax abatement and TIF. Bill Dory, Vice President, Indiana Economic Development Association, stated that the legislature has created a great economic development toolbox for local government. Local officials indicated that this toolbox includes tax abatement, TIF, CEDIT, and other programs such as CREDs, certified technology parks, and EZs. Linda Dawson, Director of Economic Development, city of Anderson, discussed the importance that the Flagship Enterprise Center (a CTP) has become to economic development in Anderson, and the important role TIF played in attracting the Nestle project. However, local officials cautioned that the legislature should continue to allow local governments substantial flexibility in implementing these economic development tools, in particular tax abatement and TIF.

The important contribution to local economic development by CREDs and EZs was also discussed by local officials. Mayor Wayne Seybold, city of Marion, described the status of the Marion CRED and the development that has occurred in the CRED. He discussed the Income Tax and Sales Tax capture that occurs within the CRED and indicated that these funds are used to fund CRED improvements and to provide assistance to businesses for equipment purchases. He indicated that the businesses within the CRED would not have located in Marion had the CRED not existed. He also indicated that CRED is an important tool for stimulating interest in Marion by businesses searching for a new location.

EZ directors from Fort Wayne, Hammond, Lafayette, and New Albany discussed the important contributions that the EZs make to local economic development efforts in their respective communities. They described how the urban enterprise associations that operate the EZs are self-supporting entities that are financed by payments from businesses that receive EZ tax incentives. They explained that these funds are plowed back into the community to pay for various other community development and economic development programs. They described the various tax incentives that are available for employment and investment within EZs, and discussed development projects in which the incentives have been instrumental to the project's success.

Business Investment Factors and Effectiveness of Incentives

The Committee received testimony regarding economic factors that influence location and investment decisions of business and the efficacy of economic development incentives.

Larry Gigerich, Ginovus, provided testimony concerning site selection for businesses. He explained that the key cost drivers that impact site decisions for businesses include real estate, labor, utility rates, and transportation/infrastructure. He also reported that the key factors that encourage location of businesses in Indiana are the overall tax structure, meaningful economic development incentive programs, highway infrastructure, the IEDC, timely regulatory approvals, affordable utility costs, and available real estate. He considers the EDGE tax credit, Hoosier Business Investment tax credit, Skills Enhancement Fund, Research and Development tax credit, the 21 Fund, and High Growth Fund as Indiana's most effective tax credits and incentives for businesses. However, he cautioned that incentives are not a panacea for a bad business climate.

David Holt, Conexus Indiana, explained that Indiana's unique location and number of interstate miles provide a significant advantage to the state in the movement of products, which helps to influence business investment and location decisions.

Dr. Graham Toft, Growth Economics, Inc., discussed recent and long term economic trends in Indiana by providing rankings on outcome measurements from several publications. He explained that Indiana scores high on categories that measure the cost of doing business, but needs to improve on access to capital. Indiana also performs well on measures of the state's tax and fiscal, and legal climate, while results are mixed on Indiana's regulatory climate. Indiana also ranks low compared to other Midwest states on measures of entrepreneurial infrastructure and business activity, but ranks in the top half of states on measures of international business activity. Dr. Toft reported that there is room for improvement for Indiana's K-12 education systems.

Tetia Lee, Tippecanoe Arts Federation, testified on the relationship between cultural issues and economic development. She explained that site locators for businesses do consider cultural amenities in communities.

Scott Hodge, Tax Foundation, shared that there are many factors that may attract businesses to a state and that taxes are becoming an increasingly important factor. He recommended lowering the corporate income tax rate, preferably to the same rate as the individual income tax rate, so that the rate difference would no longer affect business organization decisions. He also recommended that the state not rely on business incentives to generate economic activity in the state. He explained that incentives may shift resources around a region rather than produce new economic activity.

David Lewis, Eli Lilly and Co., also recommended that the Indiana corporate income tax rate be lowered. He expressed that Indiana needs incentives to draw investment because the corporate income tax rate is so high. Mr. Lewis remarked that the Indiana Research and Development tax credit is important to the life sciences industry.

Dr. Dagney Faulk and Dr. Michael Hicks, Ball State University Center for Business and Economic Research, presented findings from research they have conducted concerning the effectiveness of job creation tax credits. Dr. Faulk's study focused on the effectiveness of "statutory" job creation tax credits in Georgia, whether these tax credits helped to create jobs that would not have been created otherwise, and if the tax credits affected job creation in distressed areas. Her findings were that about 75% of jobs created would have been created without the incentive and that the tax credits were not effective in assisting job creation in distressed areas.

Dr. Hicks studied the effectiveness of "discretionary" job creation tax credits by examining the Michigan Economic Growth Authority (MEGA) tax credit. He found no evidence to support that the MEGA tax credit created more jobs in the targeted business sectors and found no net growth in employment. Dr. Hicks indicated that other research on the MEGA tax credit suggests that the tax credit does affect employment growth. Dr. Hicks suggested that low tax rates and a broad tax base are preferable and that incentives may hide problems in a state's tax structure.

Impact of Personal Property Tax

Katrina Hall, Indiana Farm Bureau, testified about the impact of the personal property tax on farmers. She explained that farming is capital intensive and requires expensive machinery and equipment. She also cited the purchase costs of various types of farm equipment and discussed the impediment that the personal property tax represents for young farmers just starting in the business. Ms. Hall discussed the impact of the 30% depreciation floor on farm equipment tax burdens, and indicated that elimination of the personal property tax would make the farming industry in Indiana more profitable and more competitive.

Bill Waltz, Indiana Chamber of Commerce, testified about the impact of the personal property tax on business. He explained that the personal property tax is a tax on capital investment and that the tax falls on machinery and equipment necessary for production. He also explained that the tax is an impediment to investment, raising the amount of capital needed for a company to start up operations. This causes startup companies either to wait longer to make investments or to scale back investment. Mr. Waltz also explained that many other states, including Ohio and Illinois, do not have a personal property tax and that the tax is an impediment for companies choosing whether to locate to Indiana. Mr. Waltz suggested that attempts to estimate the fiscal impact of eliminating the personal property tax should account for the positive economic impact of the elimination.

V. COMMITTEE FINDINGS AND RECOMMENDATIONS

The Committee made the following findings of fact:

(1) Insufficient access to capital for growth companies in Indiana is restricting economic development.

(2) The entrepreneurship culture in Indiana could be strengthened through educational programming.

(3) The 21st Century Research and Technology Fund has a useful and important role in economic development in Indiana.

(4) Economic development collaboration between the state and local governments in Indiana and between the states in the Midwest region should be enhanced.

(5) Indiana's corporate income tax and personal property tax rates are high in comparison to Midwestern states and other U.S. states and may be a hindrance to Indiana's competitiveness.

(6) Commercialization of university-based research is vital to Indiana's economic development.

(7) Community revitalization enhancement districts are a strong tool for local economic development efforts in Indiana, but must be balanced with their revenue impact.

(8) Local economic development tools represent a preponderance of the incentive dollars in many economic development transactions.

(9) Vocational programs are most successful when focused on strong local industry sectors and regional industry clusters.

The Committee made the following recommendations:

(1) Make the Economic Development Study Committee a statutory committee to sunset on December 31, 2014, with a membership including legislative and non-legislative members, in order to study economic development on a regional, national, and global scale.

(2) Review existing funding for the state's economic development incentives to see if resources can be moved to the Capital Access Program. Require peer review of the business merits of the loan applicant's proposed business and business plan. Require loan recipients to participate in specified technical assistance programs.

(3) Encourage more collaboration between IEDC and local economic development organizations.

(4) Encourage the State Board of Education and the Commission for Higher Education to develop entrepreneurship education programs at the K-12, higher education, and work force development levels.

(5) Formalize regional collaboration on economic development efforts in Indiana, and explore new economic development tools available for regional economic development activities.

(6) Participate with other states to develop a structure for collaboration on economic development policies in the Midwest.

(7) Require IEDC to conduct a statewide study to determine specific economic sectors that should be emphasized for economic development purposes by the state and by individual regions in Indiana.

(8) Ensure that vocational programs and work force development programs funded through the state are responsive to local industry sectors and regional industry clusters to maximize the effectiveness of the investments made in Indiana's community college system.

(9) Begin to restructure Indiana's corporate income tax rate and accompanying credits and deductions to establish as low an overall rate as possible while protecting the state's revenue stream and simplify administration and compliance for both businesses and the state to lower costs and improve competitiveness.

(10) Better define IEDC functions to further improve the effectiveness of Indiana's economic development efforts.

(11) Encourage IEDC to study whether tax policy and incentive programs should be adjusted to provide more emphasis on small, mid-sized, and entrepreneurial growth companies serving regional or national markets, and that are in the early stages of growth.

(12) Improve the flexibility of local government economic development incentives.

(13) Support and expand technology and innovation commercialization programs at Indiana's universities.

(14) Maintain the Neighborhood Assistance Program tax credit.

(15) Maintain the historic rehabilitation tax credit.

(16) Encourage further study to determine the methods for eliminating or reducing the personal property tax statewide. Consider providing local governments the option of eliminating or abating personal property tax for new investment and economic development purposes.

WITNESS LIST

Jon Anderson
Anderson Partners, LLC

Chris Baggott
Compendium

Pete Bitar
Xtreme Alternative Defense Systems, Ltd.

Dennis Carson
Lafayette Urban Enterprise Assoc.

Marsh Davis
Indiana Landmarks

Linda Dawson
City of Anderson

Bill Dory
Indiana Economic Development Assoc.

Emmanuel Hunt
Anderson/Madison County Black Chamber of Commerce

Jim Jay
TechPoint

Mike Ladd
New Albany Urban Enterprise Assoc.

Jim Landers
Legislative Services Agency

Mark Lange
Edward Lowe Foundation

Ray Leach
JumpStart

Vic Lechtenberg
Purdue University

Ron Ellis
Endocyte

Dagney Faulk
Ball State University

Larry Gigerich
Ginovous, LLC

Katrina Hall
Indiana Farm Bureau

Michael Hicks
Ball State University

Scott Hodge
Tax Foundation

David Holt
Conexus Indiana

Stephen Sandstedt
Priority Development Corp.

Mayor Wayne Seybold
City of Marion

Graham Toft
Growth Economics, Inc.

Bill Waltz
Indiana State Chamber of Commerce

John Waters
Bright Automotive

Paul Wilson
Madison County Commission

Mary Jo Lee
Alternatives, Inc.

Tetia Lee
Tippecanoe Arts Federation

David Lewis
Eli Lilly and Company

Kirk Moriarty
Fort Wayne Urban Enterprise Assoc.

Susan Clark Muntean
Ball State University

Jeff Ready
Scale Computing

Pat Reardon
Hammond Urban Enterprise Assoc.

ANNUAL REPORT
OF THE
INTERIM STUDY COMMITTEE ON
ECONOMIC DEVELOPMENT

Indiana Legislative Services Agency
200 W. Washington Street, Suite 301
Indianapolis, Indiana 46204

November, 2011

Exhibit D
Interim Study Committee on
Economic Development
Meeting #1, August 20, 2012

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Executive Director
Legislative Services Agency

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Diana Agidi
Fiscal Analyst for the Committee

A copy of this report is available on the Internet. Reports, minutes, and notices are organized by committee. This report and other documents for this Committee can be accessed from the General Assembly Homepage at http://www.in.gov/legislative/.

[**Note:** Because a quorum of the Committee was not present at its last meeting, this Informational Report was not approved by a majority of the Committee's appointed members. Pursuant to IC 2-5-31.8-5, which requires the Committee to operate under the policies of the Legislative Council, and Legislative Council Resolution 11-02, SECTION 11, a final report may not be officially recommended by a committee unless a majority of members appointed to serve on the committee approves the report. Consequently, the vote taken at the final meeting by the Interim Study Committee on Economic Development to endorse this Informational Report may not be construed as an official recommendation of the Committee.]

I. STATUTORY AND LEGISLATIVE COUNCIL DIRECTIVES

The Indiana General Assembly enacted legislation codified at IC 2-5-31.8 directing the Committee to study the following:

(1) Best practices in state and local economic development policies and activities.
(2) The use and effectiveness of tax credits and deductions.
(3) Whether there are any specific sectors of the economy for which Indiana might have comparative advantages over other states.
(4) The extent to which Indiana's tax laws encourage business investment, and any improvements that might be made to Indiana's tax laws.
(5) The extent to which Indiana's education systems support economic development.
(6) The benefits of existing community revitalization enhancement districts and possible new community revitalization enhancement districts as an economic development tool.
(7) Any other issue assigned to the committee by the Legislative Council or as directed by the Committee's co-chairs.

The Legislative Council assigned the following additional responsibilities to the Committee:

(1) The effect IC 5-22-15-20.9 and IC 36-1-12-22, providing for price preferences for local Indiana businesses, will have on non-local businesses (Legislative Council (Sens. Paul and Yoder)).

(2) Unfair practice laws and the use of stolen information technology by businesses that offer products for sale in the state of Indiana (see SR 57-Sen. Merritt).

II. INTRODUCTION AND REASONS FOR STUDY

The General Assembly is interested in examining the scope, focus, and efficacy of Indiana's economic development assistance and incentive programs and evaluating the extent to which Indiana's laws, policies, and educational systems influence economic development. In particular, the General Assembly wants to review and evaluate the effectiveness of existing state and local government programs, consider new proposals, and determine whether the state's economic development programs operate within the parameters of best practices established around the United States.

III. SUMMARY OF WORK PROGRAM

The Committee met five times. These meetings were held in Indianapolis, Indiana, on August 26, 2011, Crane, Indiana, on September 26, 2011, Lafayette, Indiana, on October 11, 2011, and

Indianapolis, Indiana on October 17, 2011, and October 24, 2011.

These topics were covered at the first meeting:

(1) Statutory charges to the Committee were reviewed.
(2) Additional charges to the Committee by the Legislative Council were reviewed.
(3) The Committee Findings and Recommendations for 2010 and Legislation for 2011 were both reviewed.
(4) Price preferences for local Indiana businesses in purchasing (IC 5-22-15-20.9) and public works projects (IC 36-1-12-22).
(5) The extent to which Indiana's education systems influence economic development.
(4) In addition to any handouts by those testifying before the Committee, the following documents were distributed to the Members:

- A copy of IC 5-22-15-20.9 and IC 36-1-12-22;
- Senate Resolution 57-2011;
- Indiana Economic Development Corporation (IEDC) report on collaboration with local economic development organizations;
- IEDC economic incentives and compliance report;
- Interim Study Committee on Economic Development's 2010 committee findings and recommendations and 2011 legislation; and
- Indianapolis Star article on TEN (The Entrepreneurial Network)

These topics were covered at the second meeting:

(1) Best practices in state and local economic development policies and activities.
Regional development and intrastate collaboration
State and local collaboration
Quality of life, community, and non-fiscal Issues
(2) The defense sector of the Indiana economy.

These topics were covered at the third meeting:

(1) Best practices in state and local economic development policies and activities.
State and local (and intrastate regional) collaboration
21st Century Research and Technology Fund Report
(2) The auto, advanced manufacturing, and logistics sectors of the Indiana economy.
(3) The extent to which Indiana's education systems support economic development.

These topics were covered at the fourth meeting:

(1) Use and effectiveness of tax credits and deductions and the extent to which Indiana's tax laws encourage business investment, and any improvements that might be made to Indiana's tax laws.
(2) Entrepreneurship.
(3) Regional interstate collaboration.
(4) The benefits of existing community revitalization enhancement districts and possible new community revitalization enhancement districts as an economic development tool.
(5) Unfair practice laws and the use of stolen information technology by businesses that offer products for sale in the state of Indiana (see SR 57-Sen. Merritt).

At the fifth meeting, the Committee discussed and voted on this Informational Report.

IV. SUMMARY OF TESTIMONY

Meeting 1:

Representative Scott Reske discussed regional collaboration activities and the seminar held by the Council of State Governments in Indianapolis.

Testimony and Committee questions and discussion took place regarding the effect of IC 5-22-15-20.9 and IC 36-1-12-22, which provide price preferences for local Indiana businesses in purchasing (IC 5-22-15-20.9) and public works projects (IC 36-1-12-22). Both sections were enacted in the 2011 legislative session as part of House Enrolled Act (HEA) 1004 (P.L. 172-2011). There was also testimony and discussion concerning the extent to which Indiana's education systems influence economic development.

Local Price Preferences

Charlie Kahl, President of the Indiana Construction Association, argued that IC 36-1-12-22, specifying county-based geographic price preferences for local public works projects, is detrimental to the system of open competition in local public works projects that worked well before the adoption of HEA 1004-2011. He argued that the rule of IC 36-1-12-22(d) artificially restricts the geographic territory in which contractors can operate, because a contractor based elsewhere in the state will not be able to compete against a contractor located in or adjacent to the county in which the political subdivision awarding the contract is located. Mr. Kahl called for the General Assembly to repeal this statute.

Phil Lehmkuhler, State Director of the United States Department of Agriculture (USDA) Rural Development Program, reviewed the funding activities of the USDA Rural Development Program. He said that according to the USDA Office of General Counsel, both IC 5-22-15-20.9 (procurement) and IC 36-1-12-22 (public works) are in conflict with those federal open bidding process requirements. This conflict would cause USDA Rural Development Program to withdraw funding participation where those statutes apply. Mr. Lehmkuhler consequently requested an amendment to those statutes that would create an exception for federal projects.

Brian Inniger, Chief Financial Officer of Rieth Riley, Goshen, Indiana, said Rieth Riley was established in 1916 and received the very first contract awarded by the Indiana Department of Transportation and now does work throughout Indiana. Mr. Inniger believes, however, that the only place Rieth Riley is local under the statute is Elkhart County.

Rhonda Cook, Director of Government Affairs and Legislative Counsel, Indiana Association of Cities and Towns (IACT), and Mike Howard, Attorney for the City of Noblesville and for Hamilton County said that IACT is concerned with the public works aspect of the HEA 1004 (IC 36-1-12-22) and provided a couple of examples of language that may not be clear. Mr. Howard urged the repeal of IC 36-1-12-22. Based on his experience, he believes that Indiana had a bidding system that worked before IC 36-1-12-22 was adopted. He listed several points of criticism.

The Influence of Indiana's Education Systems on Economic Development

Mitch Roob, Secretary of Commerce and Chief Executive Officer of the Indiana Economic Development Corporation, introduced the topic of education and economic development. In his presentation, Secretary Roob stressed his perceptions of what executives considering an expansion in or move to Indiana are looking for in the Indiana workforce. His first major point was that business people highly value mathematics ability in their employees and his second major point concerned the need to find a way to teach leadership skills.

Tom Lewandowski, President, Northeast Indiana Central Labor Council (NEICLC), described the NEICLC's Unemployed and Anxiously Employed Worker's Initiative (Initiative). Mr. Lewandowski described the Initiative as an attempt to determine what works and what doesn't work in economic development by reviewing tax abatements and other incentives given to enterprises in Northeast Indiana. Mr. Lewandowski raised several concerns.

Jason Dudich, Associate Commissioner and Chief Financial Officer, Commission for Higher Education (CHE), spoke about several areas in which Indiana's postsecondary institutions support economic development in Indiana. A key theme in Mr. Dudich's testimony is the desirability of an effective division of labor in higher education in Indiana. He said that the CHE believes that certificates, technical certificates, associate degrees and workforce training should be the focus of Indiana's two-year colleges. Comprehensive four-year institutions and research institutions on the other hand should focus on research, bachelor's degrees, and professional degrees. At the same time, the CHE believes that the ability to transfer credits and degrees between different institutions is vital.

Representative Messmer posed questions to CHE concerning CHE review of degree programs, residency requirements, capacity in certain major subject areas, differing levels of rigor between institutions, duplicated programs, shifting focus at research institutions to produce more master's and doctoral degrees, increasing degrees in science, technology, engineering, and mathematics (STEM), entrepreneurship programs in rural areas and small communities, and entrepreneurship programs at the K-12, postsecondary, and workforce training levels.

Amy Horton, Assistant Superintendent for Student Achievement and Growth, Indiana Department of Education (DOE), reviewed how the DOE is contributing educational support for economic development. She noted that DOE has recently reorganized itself and will be creating a new division called Student Achievement and Growth. Ms. Horton said the DOE supported and applauded the General Assembly for passing the most comprehensive education reform package in the nation during the 2011 legislative session and summarized the legislative changes. Ms. Horton reviewed several specific projects the DOE has been engaged in that support economic development.

Dan Clark, Executive Director, Indiana Education Roundtable, described the immediate mission of the Education Roundtable: to advance education policies that result in a world-class workforce. He reviewed various statistics about the population of Indiana students, their academic achievement, and how they compare with students in other states and the world. Mr. Clark believes that in order to have a world-class workforce at least 80% of Indiana high school students must graduate with a college-and-career-ready diploma without any need for postsecondary remediation. Mr. Clark also discussed the adoption of the Common Core State Standards.

Michael Harris, Chancellor of Indiana University Kokomo, advocated that policy makers adopt a model

of economic development based on close collaboration between business, governments, and universities and explained that regional universities have an important role. Chancellor Harris stated that entrepreneurship is a mindset that should be infused into the full spectrum of educational endeavors

Mark Everson, Commissioner of the Indiana Department of Workforce Development (DWD), reviewed financial and claims data of the unemployment insurance system, including the initial impact of the unemployment insurance reform statute HEA 1450-2011 (P.L. 2-2011). Commissioner Everson explained that HEA 1340-2011 (P.L. 7-2011) transferred responsibility for administering adult basic education in Indiana from the Department of Education to DWD and that adult basic education is now closely linked with DWD's WorkOne system. Commissioner Everson concluded by noting that there is an expectation of continued funding reductions for workforce training, reflecting reduced federal funding, the lapse of federal stimulus funding, and an improved unemployment rate.

Meeting 2:

Best Practices in State and Local Economic Development Policies and Activities

Thayr Richey, President, Strategic Development Group, Inc., said there was a transition under way in the Midwestern states from a semi-skilled manufacturing economy to a new economy driven by knowledge-based jobs and the question is what will replace the manufacturing sector as the primary provider of middle-class jobs. Mr. Richey indicated that economic development strategies used by the states surrounding Indiana have not been particularly effective in finding something that can replace semi-skilled manufacturing jobs. Mr. Richey listed a number of current trends in economic development strategies and highlighted economic development challenges for Indiana.

Lewis Ricci, Executive Director, Indiana Arts Commission (IAC), spoke on quality of life, community, and non-fiscal issues affecting economic development. He discussed the impact of the IAC's grant making activity in Indiana and the significant economic impact of the arts generally on the state and national economies. He added that arts education has been negatively impacted because of the No Child Left Behind Act of 2001, P.L. 107-110, 115 Stat. 1425. He emphasized that creative education is one of the basic tools used to nurture creative people and that employers want creative people. He noted, however, that there has been consistent downward pressure on the arts in education. He stressed that the IAC's support of the arts is on the individual level, the community level (such as arts and cultural districts), and the organizational level.

Indiana's Comparative Advantages over Other States in the Defense Sector

Shane Blair, Vice President, Radius I Indiana, addressed the topic of whether Indiana has any competitive advantage in the defense sector. He said that Radius | Indiana is a nonprofit corporation serving as the regional economic development organization for an eight county region in south-central Indiana. Mr. Blair described a study of the defense industry in Indiana and a proprietary database of Indiana vendors available for use at no charge for the purpose of matching opportunities with core competencies. He also spoke about technology transfer at the NSWC Crane and stated that NWSC Crane is pushing technology out to private industry and has an interest in obtaining technology developed elsewhere for use in furthering its mission of supporting the warfighter. Mr. Blair expressed his confidence that Indiana does have an advantage to sell in terms of lower costs, but also noted are some concerns, such as amenities, education alternatives, adequate infrastructure, and human capital. He noted that in the defense sector, relationships between active military personnel and retired generals and other

retired military personnel are important. He added that in this sector, incentives don't drive deals.

Meeting 3:

Best Practices in State and Local Economic Development Policies and Activities

Daniel Hasler, Indiana Secretary of Commerce, made a presentation to the Committee on the Indiana Economic Development Corporation's (IEDC) efforts in economic gardening. He noted that Indiana was in the top three states in growth in gross domestic product in 2010 at a 4.6% growth rate, is a top ten pro-business state, is one of the two best states for job growth, won its first gold shovel award for economic development, is one the nation's lowest tax and regulation states, and is very attractive for starting a new life sciences business. He noted that different size companies need different environments and that IEDC matches needs to the enterprise. He reviewed the last two years of activity for the Twenty-First Century Research and Technology Fund and indicated that the Fund has focused on early stage companies because Indiana has not had a culture of high risk/high return investment. He added that since 1999, there have been 197 awards in 24 counties. He reviewed both the failures and successes of businesses helped by the Fund. He indicated that the goal is for the Fund to establish a self-sustaining private high risk venture capital community. He described the Elevate Ventures program, which is a tax exempt, non profit statewide venture that immediately allowed Indiana to receive $34.3 million in federal funds. He emphasized the importance of the IEDC's due diligence in reviewing applicants. He also mentioned that the IEDC supports the federally funded Indiana Small Business Development Center and presented various data on the Center's activities since 2007. He described the IEDC's work with regional economic development organizations and local economic development organization. He presented data on total competitive projects, private sector job projections, the average Hoosier wage, private sector investment projections. He described what matters to companies when making a move. He added that one of the most often heard positives about Indiana is that there is collaboration amongst state and local groups to solve problems. He recommended that Indiana make improvements in workforce development, in having shovel ready sites available, and providing employer relocation assistance. He said that stimulating venture capital, supporting small business, and retaining and attracting businesses are required for Indiana to have a healthy economy.

William Dory, President, Indiana Economic Development Association, spoke about the Association and indicated it was founded in 1968 and has 400 members. He said that communities look beyond the numbers. He stated that restricting local government in using tax increment financing would be a problem.

Indiana's Comparative Advantages over Other States in the Auto, Advanced Manufacturing, and Logistics Sectors

Matthew Conrad, Project Director, Indiana Automotive Council, stated that the Indiana Automotive Council ("IAC") exists to enhance, grow and promote the automotive industry in Indiana, focusing on competitiveness in the global automotive marketplace and stimulating long-term job creation and capital investment. He said the IAC's vision is to make Indiana the automotive state of tomorrow. He reviewed various data on the automotive industry as part of the Indiana economy, including total industry employment, the industry's contribution to Indiana's gross domestic product, car and light truck production, and assembly facilities. He reviewed an analysis of the strengths and weaknesses of, opportunities for, and threats to the industry. He discussed key strategic initiatives, including developing the best workforce, having the strongest supply chain, promoting the Indiana "brand", and being the most

innovative. He suggested promoting science, technology, engineering, math, and advanced manufacturing programs in K-12, implementing advanced manufacturing/logistics curriculum, improving training for automotive workers, and strengthening relationships between industry and higher education. He added that Indiana needs to attract more high-value-add suppliers, attract more headquarters and research/design/development facilities, brand Indiana as an automotive leader, and develop unique niches where Indiana can be a global leader. He recommended that the General Assembly extend the Hoosier Alternative Fuel Vehicle Manufacturer Tax Credit to December 31, 2016, or make it permanent, and enact a tax credit designed to entice companies to relocate automotive research, design and development facilities in Indiana.

David Holt, Vice President of Operations and Business Development, ConexusIndiana, told the Committee that ConexusIndiana has started a Logistics Council that is working to enhance the environment for companies in advanced manufacturing and logistics, create a more attractive environment for manufacturing and logistics companies to relocate or expand in Indiana, and create high paying jobs for Hoosiers. He indicated that policies should be implemented that enhance intermodal facilities in Indiana to bypass the Chicago bottleneck, increase in air cargo flights to and from Indiana airports, assist in construction and redesign of important locks, help complete key infrastructure projects in bottleneck regions, provide a logistics tax credit to attract and retain logistics companies, and improve industry-driven logistics high school and postsecondary curriculum. He indicated Indiana needs to support federal funding of locks, hasten the transportation and logistics income tax credit, place private sector identified non-Indiana Department of Transportation projects on the Department's long-term priority list, and promote aircraft maintenance licensing curricula at high schools and in post secondary institutions.

Educational Support for Economic Development

Jeff Terp, Vice President for Engagement, Ivy Tech Community College, discussed workforce development. He described the various ways that Ivy Tech works with businesses in different industries to tailor programs specific to their needs. He indicated that IVY Tech also works with DWD to match training programs to jobs in demand. Mr. Terp said that Ivy Tech conducted a survey of business executives and asked them what they need from Ivy Tech. Mr. Terp pointed out that Ivy Tech is the only statewide community college in the nation and this fact is a decided advantage for Indiana.

Senator Hershman asked whether there was any particular skill area in need of remedial training that Ivy Tech sees frequently. Mr. Terp acknowledged that math skills are an important area where remedial training is often needed, but that not everyone needs the same math skills.

Duane Dunlap, Associate Dean for Statewide Technology and Engagement, College of Technology, Purdue University, and Melissa Dark, Associate Dean for Research and Strategic Planning, College of Technology, Purdue University, continued on the theme of educational support for economic development with a joint presentation on Purdue's College of Technology and its dual mission to advance Indiana's technology know-how.

Dean Dunlap added these observations about College of Technology graduates:

- 82% of graduates continue to reside in the communities where they studied for their degrees; and
- the majority of graduates work in Tier 2 and Tier 3 companies.

Dean Dunlap described a close cooperation with Ivy Tech that allows a student to take her first two years at either Purdue or Ivy Tech and then move to the College of Technology for her final two years to obtain

her bachelor's degree.

Melissa Dark, Associate Dean for Research and Strategic Planning, College of Technology, Purdue University described the College of Technology's mission to support regional entrepreneurship and innovation clusters. She noted that the College of Technology stands ready to create, support, and participate in several different networks of businesses and educational institutions and assistance for second-stage companies. She mentioned other business networks as well.

Suresh Garimella, Assistant Vice President of Engagement, Purdue University, said that an ever-present question for the leaders at Purdue University is: how do we improve the lives of people in Indiana? Mr. Garimella added what matters in a knowledge-based economy and listed some lessons learned about economic development.

Meeting 4:

Taxes and Economic Development

John Krauss, Director, Indiana University Public Policy Institute, appeared with **Kathy Davis,** Co-Chair for the State and Local Tax Policy Commission and Owner of Davis Design Group LLC, and **David Lewis,** Co-Chair for the State and Local Tax Policy Commission and Vice President for Global Taxes & Chief Tax Executive, Eli Lilly and Company, to brief the Committee on some preliminary findings of the State and Local Tax Policy Commission (Commission) in advance of the Commission's anticipated report on changes to Indiana's tax structure that are necessary to ensure long term fiscal sustainability, enable economic development, and promote the economic well-being of people in Indiana.

Mr. Lewis outlined the desirable features of a tax system and Ms. Davis pointed out some of the Commission's concerns and noted that while current revenues are adequate to cover current obligations, the state does have potential long term issues. Growth is the best strategy to solve these problems, she emphasized, and we should adopt a long-term view of our public needs and funding alternatives. Mr. Lewis and Ms. Davis concluded their presentation with several additional indications of the Commission's thinking. In the ensuing discussion, Mr. Lewis drew attention to the overall context in which state tax policy efforts take place.

Robert Greenbaum, Associate Professor, John Glenn School of Public Affairs, Ohio State University, appeared by video conference to speak on the topic of the effectiveness of business tax incentives. Professor Greenbaum explained that there are numerous justifications for providing local economic development incentives. Professor Greenbaum reviewed the academic research on tax incentives, noting that he conducts research in the area of enterprise zones. Professor Greenbaum gave two reasons why tax incentives are used: (1) tax competition among state and local governments as they compete for job growth in higher unemployment areas; or (2) to address a market failure. Professor Greenbaum offered several suggestions regarding business tax incentives.

Tom Lewandowski, President, Northeast Indiana Central Labor Council (NICLC), appeared to discuss the progress of the NICLC's Unemployed and Anxiously Employed Workers' Initiative (Initiative), along with **Cheryl Hitzemann,** leader of the Initiative's economic development audit team. Mr. Lewandowski and Ms. Hitzemann had previously appeared before the Committee on August 25, 2011. Mr. Lewandowski reviewed the results of what he acknowledged was an unscientific survey of Initiative

members conducted by the Initiative on the state of the local economy. Mr. Lewandowski also testified on economic development incentive audits and described four problems the Initiative encountered while conducting these audits. Ms. Hitzemann described her impressions from analyzing statements of benefits required as part of the abatement application and compliance forms, noting that businesses that do not receive abatements are offended. Mr. Lewandowski asked that the General Assembly address the four problems he described at the outset of his testimony.

Entrepreneurship

Ron Brumbarger, President and CEO, BitWise Solutions, Inc. (BitWise), spoke on the topic of entrepreneurship, relating some of his experiences with hiring people to work at BitWise and attempting to support education.

Senator Hershman brought up the mandate in HEA 1006-2011 to develop curriculum guides for instruction in entrepreneurship. Mr. Brumbarger said that about five years ago he got very involved in education, buying textbooks and funding curricula. But those programs have been dropped for lack of interest. He added that over the past five years, he has ceased asking an employment candidate where he or she went to college. His biggest concern, he concluded, is the difference between those who have an entrepreneurial mind set and those who do not.

Jason Dudich, Associate Commissioner and Chief Financial Officer, Indiana Commission for Higher Education, appeared with **Amy Horton,** Assistant Superintendent for Student Achievement and Growth, Indiana Department of Education, and reported that the development of the entrepreneurial curricula guides was in its early stages. Senator Hershman reminded Mr. Dudich and Ms. Horton that this issue is important and we will work on this collaboratively.

Regional Interstate Collaboration

Representative Scott Reske spoke on the topic of regional collaboration in the Midwest. He said there is a new initiative in the Council of State Governments -- Midwest Region (CSG-M) to establish a collaborative economic development organization for the Midwest, similar to the role the Southern Growth Policy Board has played in the South. He emphasized that a collaborative Midwest economic development organization would undertake action in those areas where the states could find agreement and would avoid any attempt to work on areas where there is conflict between one or more states. Representative Reske recommended that Indiana participate in any regional Midwest economic development organization that comes out of the talks currently under way at CSG-M.

Unfair Practice Laws

Senator James W. Merritt, Jr., Chairman, Senate Utilities & Technology Committee, introduced the topic of and the use of stolen information technology by businesses that offer products for sale in the state of Indiana. He said the resolution called attention to two issues:

- First, businesses cut costs by using stolen intellectual property.
- Second, some businesses are injured when competitors use stolen intellectual property.

Heather Macek, Attorney, Barnes & Thornburg, LLP, representing Microsoft, introduced **Greg McCurdy,** Sr. Policy Counsel at Microsoft, who gave a presentation titled "FAIR Competition, IP

Protection, & JOBS". Microsoft's interest in the topic is to find a way to stop piracy of its products. Mr. McCurdy said Microsoft has been working at the state level for several years to encourage states to adopt unfair competition laws. Mr. McCurdy noted laws in Washington (2011) and Louisiana (2010).

Morgan Reed, Executive Director, Association for Competitive Technology, continued on the topic of unfair practice laws and stolen intellectual property. Mr. Reed illustrated the concern using two valves, one made in China, the other made in the United States and how software is used in the manufacturing process, claiming that the Chinese manufacturer is using all the same software but pays nothing. He advocated for the adoption of an unfair practice law of the type described by Mr. McCurdy.

Brian O'Connell, Regional Director, State Government Relations, General Motors (GM), was the final speaker on the topic of unfair practice laws and stolen intellectual property. He took a position opposing the adoption of an unfair practice law such as the one described by Mr. McCurdy. Mr. O'Connell said that GM appreciates the goal of the law but noted that unfair practice statutes like the ones in Washington or Louisiana may disrupt the supply chain in Indiana. He indicated an unfair practice law could make GM liable for every intellectual property violation of every contractor in the supply chain. Mr. O'Connell concluded by saying that passing laws in Indiana to stop a company from pirating software in southeast Asia is not the answer.

Community Revitalization Enhancement Districts

The Committee was provided with the law governing community revitalization enhancement districts and a 2010 Fiscal Brief, prepared by the Indiana Legislative Services Agency, Office of Fiscal and Management Analysis, which provided background information and data on existing community revitalization enhancement districts. No one testified on this topic during the interim.

Meeting 5:

Senator Hershman announced that a quorum of members was not present and that without a quorum present the Committee could not officially adopt its proposed final report or take any other official action. However, the rules of the Legislative Council do not prohibit those members of the Committee who are present in the absence of a quorum from discussing the proposed final report and publishing it for informational purposes. The Committee proceeded to discuss the proposed final report as an informational report.

Representative Mark Messmer read the proposed findings and recommendations of the Committee's proposed informational report.

Senator Hershman called for public comments. There were no public comments.

Senator Hershman called for Committee discussion. Jeff Quyle asked about the distinction between findings and recommendations. Senator Hershman explained. Mark Becker moved that recommendation 5 of the proposed informational report include a reference to the recently published Conexus-sponsored study of the defense industry in Indiana and the Committee members present consented to the change to the informational report.

A motion was made for a vote on the proposed informational report, as amended, and seconded. The roll was called. There were seven affirmative votes to endorse the proposed informational report, as

amended, and none opposed.

[NOTE: The Committee operates under the policies governing study committees adopted by the Legislative Council. See IC 2-5-31.8-5. One of those policies provides that a study committee may not recommend a final report unless a majority of members appointed to serve on the committee approves the report. Sixteen members were appointed to serve on the Committee but only seven were present at this meeting. Consequently, the vote taken at this meeting to endorse this Informational Report, as amended, may not be construed as an official recommendation of the Committee.]

V. INFORMATIONAL REPORT FINDINGS AND RECOMMENDATIONS

The Committee Members present at the final meeting made the following findings:

1) That the ELEVATE and 21st Century Research and Technology Fund programs are valuable for economic development.

2) That Purdue University's Statewide Technology program should be funded at a level that recognizes the value of the educational opportunities it provides many non-traditional and traditional students around the state.

3) That continued study of tax credits and deductions should be done by the Committee and the report now being prepared by the Policy Choices for Indiana's Future Project, State and Local Tax Policy Commission, should be considered when doing this study.

4) That economic regions of the state need to marketed as workforce and economic development regions by the businesses, governments, and educational institutions within the region and also by the Indiana Economic Development Corporation (IEDC).

5) That certain 2010 Committee findings and recommendations resulted in 2011 legislation, which is enhancing economic development in Indiana:

> Required the IEDC to conduct a statewide study to determine specific economic sectors that should be emphasized by the state and local economic development organizations and to include in its strategic economic development plan identification of economic regions in Indiana and the methods by which the IEDC will increase collaboration between the IEDC and local economic development organizations and methods by which the IEDC will increase collaboration with state economic development organizations in the states contiguous to Indiana.
>
> Required the IEDC to collaborate with local economic development organizations.
>
> Eliminated certain tax deductions and credits to broaden the corporate income tax base.
>
> Reduced Indiana's corporate income tax rate to 6.5% as of July 1, 2015.
>
> Strengthened the entrepreneurship culture by establishing the young entrepreneurs program within IEDC, requiring the Commission on Higher Education (CHE) to cooperate with the State Board of Education and the Department of Workforce Development to develop entrepreneurship programs for elementary and secondary schools, higher education, and individuals in the work

force, and by directing the CHE to inventory entrepreneurship programs.

Made the Interim Study Committee on Economic Development a four-year statutory committee charged with studying economic development issues through 2014.

6) That the 2010 Committee findings and recommendations were evaluated and continue to reflect the state's priorities for economic development.

The Committee Members present at the final meeting made the following recommendations:

1) That the Commission on Higher Education (CHE) and higher education institutions need to collaborate to provide a better trained workforce focused at a regional level.

2) That the Indiana Economic Development Corporation (IEDC) and the CHE need to take steps that will encourage collaboration between higher education institutions and targeted industries to take advantage of significant opportunities for technology and innovation transfers from higher education to these targeted industries, especially the Crane Naval Warfare Center and other manufacturing, defense, and technology industries.

3) That Ivy Tech Community College and Vincennes University should adopt the National Association of Manufacturers (NAM) endorsed Manufacturing Skills Certification System proposed by the Manufacturing Institute.

4) That the local price preference provisions included in HEA 1004-2011 should be changed to eliminate its coverage of public works and to make it optional for local government whether to provide a price preference for supplies.

5) That IEDC needs to work with Conexus Indiana to study burdens to business growth and expansion, especially in the logistics, automobile, and defense industries.

WITNESS LIST

Charlie Kahl, President of the Indiana Construction Association
Phil Lehmkuhler, State Director of the United States Department of Agriculture Rural Development Program
Brian Inniger, Chief Financial Officer of Rieth Riley
Rhonda Cook, Director of Government Affairs and Legislative Counsel, Indiana Association of Cities and Towns
Mike Howard, Attorney for the City of Noblesville and for Hamilton County
Mitch Roob, Secretary of Commerce and Chief Executive Officer of the Indiana Economic Development Corporation
Tom Lewandowski, President, Northeast Indiana Central Labor Council
Jason Dudich, Associate Commissioner and Chief Financial Officer, Commission for Higher Education
Amy Horton, Assistant Superintendent for Student Achievement and Growth, Indiana Department of Education
Dan Clark, Executive Director, Indiana Education Roundtable
Michael Harris, Chancellor of Indiana University Kokomo
Mark Everson, Commissioner of the Indiana Department of Workforce Development
Thayr Richey, President, Strategic Development Group, Inc.
Lewis Ricci, Executive Director, Indiana Arts Commission
Shane Blair, Vice President, Radius I Indiana
Daniel Hasler, Indiana Secretary of Commerce
William Dory, President, Indiana Economic Development Association,
Matthew Conrad, Project Director, Indiana Automotive Council,
David Holt, Vice President of Operations and Business Development, ConexusIndiana
Jeff Terp, Vice President for Engagement, Ivy Tech Community College
Duane Dunlop, Associate Dean, Purdue College of Technology
Melissa Dark, W.C. Furnas Professor, Purdue College of Technology and Associate Dean for Strategic Planning and Research, Purdue College of Technology
Suresh Garimella, Assistant Vice President of Engagement, Purdue University
Tom Easterday, Executive Vice President, Secretary and General Counsel, Subaru of Indiana Automotive, Inc.
John Krauss, Director, Indiana University Public Policy Institute; Director IU Center for Urban Policy and the Environment
David Lewis, Co-Chair, Policy Choices for Indiana's Future Project, State and Local Tax Policy Commission, Co-Chairs are David Lewis, Eli Lilly and Kathy Davis
Kathy Davis, Co-Chair, Policy Choices for Indiana's Future Project, State and Local Tax Policy Commission
Rob Greenbaum, Associate Professor, John Glenn School of Public Affairs, The Ohio State University
Ron Brumbarger, President & CEO of BitWise Solutions, Inc.
Rep. Scott Reske, Chair, Midwestern Legislative Conference, Midwestern office of The Council of State Governments
Sen. Jim Merritt, Chairman, Senate Utilities & Technology Committee
Heather Macek, Attorney, Barnes & Thornburg, LLP, representing Microsoft
Greg McCurdy, Senior Policy Counsel for U.S. Government Affairs, Microsoft Corporation
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