

IEDC
Budget
Overview

December 10

2014

The Good To Great Strategic Plan

2016/2017
Fiscal Cycle

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A. Programs and Functions

Agency Organization and Functions

The Indiana Economic Development Corporation (IEDC) is the State of Indiana's lead economic development agency. The IEDC was officially established in February 2005 to replace the former Department of Commerce. In order to respond quickly to the needs of businesses, the IEDC operates like a business. The IEDC is organized as a public-private partnership governed by a twelve-member board. The IEDC Board of Directors is chaired by Governor Mike Pence and reflects the geographic and economic diversity of Indiana. The IEDC is a Non-Major Discretely Presented Component Unit of government and a body corporate and politic, not a state agency, but an independent instrumentality exercising essential public functions.

The IEDC focuses its efforts on growing and retaining businesses in Indiana and attracting new business to the State of Indiana. Economic development is the main objective of the IEDC, and it has incorporated all state entities with economic development responsibilities into its organizational structure. The IEDC is also responsible for the development and implementation of Indiana's strategic plan for economic development.

The IEDC's operating departments consist of Marketing, Business Development, International Development, Small Business and Entrepreneurship, Finance, Business Account Management and Incentive Team (BAMIT), and Legal and Compliance.

The Marketing Department manages the IEDC's efforts to share information regarding activities with businesses, communities, and other stakeholders. Additionally, the Marketing Department functions as a small in-house ad agency and has a proven track record for delivering successful campaigns both nationally and internationally. It should be noted that Indiana has received a marked increase in recognition as a state that works for business, and has been able to achieve these results at a relatively low cost compared to neighboring states that outspend Indiana several times more for marketing initiatives.

The team develops collateral materials containing information on Indiana and IEDC programs, and manages outreach events in coordination with the Business Development Department. The Marketing Department also coordinates media relations to develop the IEDC's market intelligence capacity.

The IEDC has a high rate of success when given the chance to compete for a project. Creating more opportunities where Indiana is considered as a potential location is integral to significantly increasing attraction of new jobs and investment. This can be accomplished by increasing global awareness about Indiana's strength as an ideal place to start, grow, or expand a business. The Business Promotion Change Package provides the additional resources necessary to broaden the scope of IEDC's marketing efforts. These resources are crucial to further strengthen the state's brand imprint both nationally and internationally as a state that works for business, which will drive results in the attraction

of more jobs and investment as Indiana's brand message is amplified both in audience size and delivery channel to keep pace with an ever expanding global marketplace.

The Business Development Department works with companies considering Indiana for competitive expansion and business attraction opportunities. Client contact is managed through a network of six regional offices around the state. Project managers within this department serve as a company's primary point of contact for the purposes of identifying project sites and pursuing state economic development incentives. These incentives consist primarily of tax credits based on job creation and capital investment, and grants to assist in workforce training and public infrastructure improvements supporting economic development projects. The IEDC has implemented new web based resource systems to maximize customer service and expedite our processes at the speed of business. By focusing efforts on industry sectors, Indiana has a competitive advantage and seeks to maximize our return on effort and resources invested. Business Development works collaboratively with businesses, community leaders, local and regional economic organizations to ensure efficient coordination of projects and programs.

The business development team also identifies and contacts companies, real estate, tax, and financial consultants targeted as benefitting from opening an operation within the State of Indiana. This department participates in regional, national, and global economic development and industry conferences, meetings, and events to showcase the Hoosier state to pinpoint potential economic development activity.

The International Development Division is currently funded by the International Trade fund and works to grow Indiana's relationship with the international business community and also coordinates closely with the Business Development team on projects involving international companies. The IEDC's international outreach efforts include business development trips to Canada, China, Europe, India, Israel, and Japan. The IEDC's international outreach efforts, including trade missions are managed through this division as well. Costs associated with international travel are generally covered using private donations.

The Finance Department processes the IEDC's fiscal plan, transactional accounting and budgeting, provides administration of internal controls, financial reporting, and oversight of a captive foundation.

The Business Account Management Incentive Team – known as BAMIT -- provides top-notch services to recipients of tax credits and grants. BAMIT generates and negotiates the terms of incentive agreements, gathers and evaluates company performance data on factors such as employment and wages, and ensures that the terms of agreements are enforced appropriately. With its small but stellar team of 7 business and finance professionals, BAMIT generates approximately 400 agreements each year, monitors more than 1,500 agreements each year, and audits about 200 companies.

In the past few years, BAMIT's compliance unit has evaluated hundreds of challenging circumstances, resulting in the return of millions of dollars to the State's coffers either in

cash or forgone tax credits. Every year, BAMIT produces the IEDC's Economic Incentives and Compliance Report, providing the public with pertinent data on the programs administered by the IEDC.

BAMIT stands out among economic development agencies in the nation for its unparalleled ability to respond quickly, thereby eliminating red tape and supporting the State of Indiana's business-friendly reputation.

The Legal and Compliance Department drafts contracts, tracks company compliance, works with companies that have not met obligations, and negotiates the return of incentive funds when necessary. Their efforts are closely coordinated with the Finance Division to provide oversight of IEDC incentives.

Program Listing

Economic Development for a Growing Economy Tax Credit

The Economic Development for a Growing Economy Tax Credit (EDGE) is a refundable tax credit program that rewards companies for creating jobs and contributing to the growth of Indiana's economy. EDGE credits are calculated as a percentage of payroll tax withholding for net new Indiana jobs. EDGE credits may be awarded for a period of up to 10 years.

Hoosier Business Investment Tax Credit

This program encourages capital investment in Indiana by providing a credit against a company's Indiana tax liability. The credit amount is based on a company's qualified capital investment with the final credit amount determined by the IEDC based on an analysis of the economic benefits of the proposed investment.

Venture Capital Investment Tax Credit

The Venture Capital Investment Tax Credit was established to improve access to capital to fast growing Indiana companies by providing individual and corporate investors an additional incentive to invest in early stage firms. Qualified Investors who provide qualified debt or equity capital to Indiana companies receive a credit against their Indiana income tax liability.

21st Century Research and Technology Fund

The Indiana 21st Century Research and Technology Fund ("21 Fund") was created to stimulate and diversify the State's economy by developing and commercializing advanced technologies in Indiana. The 21 Fund provides growth capital to entrepreneurial companies developing market changing technologies with substantial commercial potential. The IEDC's strategic partner, Elevate Ventures, Inc., provides

administrative assistance for the 21 Fund such as company screening and recommendations for 21 Fund awards.

Industrial Development Grant Fund

This grant provides money to local governments for infrastructure projects associated with an expansion of an existing Indiana company or the location of a new facility in Indiana. State funding through the IDGF program must be matched by a combination of local government and company financial support.

Skills Enhancement Fund

The Skills Enhancement Fund (SEF) provides financial assistance to businesses committed to training their workforce. Trainees must be Indiana residents. SEF reimburses eligible training expenses over a two-year term.

Economic development continues to become more competitive as states add programs and resources to vie for new and expanding businesses. The quality of Indiana's workforce is a key factor in a company's evaluation of our state as a location for their new project.

Economic Development Fund

The Economic Development Fund provides assistance to units of government and local and regional nonprofit organizations with the goal of enhancing the economic competitiveness and preparedness of the affected community. Money from the fund may be used for the following types of projects: public works, technical assistance, economic adjustment assistance, and other economic development programs.

Local Economic Development Organizations Grant Fund

The Local Economic Development Organization Fund provides grants to local and regional economic development organizations to assist in areas such as strategic planning, asset inventory, and market development. A grant under this chapter may not exceed \$50,000 for a grant to an organization that serves only one (1) county or \$75,000 for a grant to an organization that serves at least two (2) counties.

B. Accomplishments and Challenges

The IEDC seeks to bring new job creation and capital investment opportunities to Indiana through competitive company attractions, expansions, and consolidations. For calendar year 2014 (as of August 8, 2014), the IEDC has closed 178 projects to date. These projects collectively represent commitments to create 17,660 jobs and invest \$5.13 billion of private capital in Indiana.

The IEDC uses an aggressive and strategic approach to attract and encourage new business investment and job creation in Indiana. In CY 2014, the IEDC focused on reaching C-level executives and site selectors. Outreach consisted of a mix traditional advertising (print and digital), sponsorships for summits and other events, and outdoor advertising.

While the IEDC has consistently been aggressive in pursuing new economic development opportunities, we have also implemented policies to ensure that state resources are being used as judiciously as possible. Since the establishment of the IEDC in 2005, the average incentive cost per new job commitment has steadily decreased (from \$11,699/job in 2005) and currently stands at \$8,907/job based on competitive deals closed in calendar year 2014. Along with many pro-investment policies, thorough cost benefit analysis for each project, and a businesslike approach to interacting with client companies, the IEDC has achieved record success in securing new job commitments while maintaining the lowest level of incentives necessary to win the deal.

The IEDC also developed a comprehensive approach to attracting new international investment and has restructured our international presence both in CY 2013 and CY 2014 in order to generate new leads. To satisfy this goal, the IEDC first examined the historical performance of our international contractors, their capacity, and the market potential around the globe. Then the IEDC chose which markets were most likely to provide leads and rebalanced our international personnel accordingly. One example of this is the IEDC's recent engagement which will allow for a larger and more comprehensive footprint in China to pursue foreign direct investment, agricultural export of Indiana products, venture capital investment, and more from one of the world's most dynamic economies.

In addition to aggressively pursuing competitive business development projects, the IEDC is also actively engaged in supporting the growth of Indiana's entrepreneurial sector through the 21st Century Research and Technology Fund. In FY 2014, the 21 Fund made four (4) new investments in Indiana technology businesses totaling \$4.5 million re-launched the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) state matching program.

Despite these challenging times, since 2009, 21 Fund investments have attracted substantial federal and private sector matching funds through which technical and business risks have been managed. In 2015 the IEDC has committed another \$3M to the SBIR/STTR matching program and may expand it in 2016 and/or 2017 depending upon results.

The IEDC's main challenge is to remain competitive in attracting job creation and investment opportunities in an economic climate characterized by a reticence to commence major capital investments. To that end, the IEDC has significantly enhanced our market intelligence and lead generation. Additionally, the agency has focused its outbound attraction strategy along four verticals in which Indiana has a competitive advantage. Those areas are: Life Sciences, Automotive, Motorsports, and Defense. In

CY 2014, the IEDC added a subject matter expert to cover two key and emerging sectors: advanced manufacturing and nanotechnology. Additionally, building on Indiana's base strength in Automotive, Defense and Motorsports, Indiana is fast becoming a hub for the aerospace industry. By focusing efforts in those areas in which Indiana has a competitive advantage, the IEDC seeks to maximize its return on effort and resources invested in business outreach.

C. Objectives for FY 2016 and FY 2017

The IEDC's core objective is to promote the growth of Hoosier job opportunities and incomes through the attraction, and establishment of high wage, high growth businesses. Governor Pence asked the IEDC to continue looking for innovative ways to position Indiana as the premier location for economic development in the country. Indiana already ranks high in many nationally-recognized economic development rankings, but the goal is to become No. 1.

Secretary of Commerce Victor Smith, while addressing the Noblesville Chamber of Commerce on July 24, 2013 on the "Good to Great Plan" stated, "Governor Pence made my goal clear – to get more Hoosiers working than any other time in the history of our state." Smith noted, "The watermark is 2,609,000." When Secretary of Commerce Smith made that speech, seasonally adjusted private-sector employment in Indiana was 2.545 million, or 260,000 jobs short of goal. Achieving this private-sector employment goal would contribute at least \$1.2 billion biennially¹ to state revenues. The objective of this budget submission reflects the resources that the IEDC would require to (1) reach the highest economic development rankings in the country; and (2) surpass the high watermark for private sector employment in the state.

In FY 2016 and FY 2017, the IEDC seeks to build significantly upon Indiana's success to date. Manufacturing is rebounding and the economy is expanding. Companies are making investment decisions and hiring new employees. The IEDC continues to aggressively pursue new economic development opportunities through domestic and international outreach programs. The agency will work to diversify Indiana's economy through a multi-industry business development approach and continued investment in Indiana's entrepreneurial sector.

D. Agency and Program Metrics

¹ The average income of Indiana employees is \$41,350, which is based on the published Bureau of Labor Statistics Quarterly Report December 2013 which states Indiana's average hourly wage is \$19.88. Assumption is also calculated for sales tax; per job contribution is \$1,400 annually. This is based on 30 percent of net wages expended on non-sales tax categories such as rent and mortgage payments. The IEDC did not calculate for expenses associated with groceries.

Agency Metrics:

- Total IEDC Deals
- Average Hourly Wage (weighted) from IEDC Deals
- Average Payback in Years
- Total Job Realization Rate
- Total Private Sector Employment

Major Program Metrics:

- Business and Promotion Fund: Click-through Rate
- International Trade: New Investment Projections (for International projects)
- Local Economic Development Organization (LEDO) / Regional Economic Development Organization (REDO) Matching Grant Program: Grant Activity
- Economic Development Fund (EDF): Grant Activity
- Industrial Development Grant Fund (IDGF): Incentive Cost per Job (for projects including IDGF)
- Twenty-First Century Fund: Leverage Ratio
- Skills Enhancement Fund (SEF): Average Payback Period in Years (for projects including SEF)
- Administrative Fund: Outcomes of Key Performance Indicators serve as a measurement of staff efficiency

E. Budget Proposal

The attached budget request of \$97.2M for the FY 2016-2017 biennium will provide the IEDC with the resources necessary to carry out its mission and achieve Governor Pence's Good to Great Plan goals. The budget requests a total \$95.2M from the general fund and \$2M from dedicated funds, including a request for increased funding of \$3M for marketing and promotion.

The IEDC strives to operate efficiently and effectively to maximize the impact of state funds on the development of Indiana's economy. The proposed budget finances the IEDC's operations and the valuable tools used to promote job creation and investment.

Change Packet Request # 1 Business Promotion Program Fund 18219

FC	PS Fund	Description	Legal Fund	Control code
1000419950	18219	BUSINESS PROMOTION PROGRAM	1000	4

FY 2015 Appropriation \$1,500,000

FY 2016 and FY 2017 \$6,000,000 (biennial)

The Business Promotion Program Fund is used to promote Indiana and its business-friendly climate to both national and international companies. IC 5-28-6-1 outlines IEDC's duty to market to business worldwide.

Business promotion activities help increase private sector employment and attract new investment in Indiana.

The IEDC currently advertises and promotes in a very targeted and efficient manner. The IEDC knows the prospects with the highest potential and delivers a good mix of ways to promote. More funding will level the playing field with other economic development powerhouses all who have larger marketing budgets and have forcefully established their brands.

For example, the IEDC engages in digital advertising for a month or two then “goes dark” whereas more money would provide for year-round advertising on multiple platforms.

The proposed budget puts the IEDC closer in line with competing states that use both public and private/corporate dollars to advertise and market. IEDC is the only agency with the ability to truly advertise Indiana's business friendly climate and thus attempt to be "top of mind" for CEO's and Site selectors in the market for relocation and expansion. It is critical to deliver the Indiana State "brand" in multiple forms of media (outdoor, print, digital, events, trade shows etc.) to reinforce the message and build upon the current momentum being generated.

The IEDC will continue to use technology and analytics to assess the effectiveness of marketing campaigns. Specifically, web traffic and click through rate will be used to measure performance (reported quarterly).

As a result of last year's 5 month digital campaign, over 34 million impressions were delivered resulting in 218,000 clicks (ad engagement). These numbers represent 8.5 times industry standard engagement rates. Additional positive results were 50 national and international media publications and more than 110 Indiana publications. Additional

funding is needed to trigger this level of impact over a 12 month period. This would be just a beginning point and only one activity for the IEDC's comprehensive intentional strategic marketing plan for the 2016/2017 years.

Other activities of the strategic plan to promote Indiana globally include: conventional outdoor, logistics outdoor, print, sponsorships and radio. Direct international marketing activities for the first time are contemplated in this strategic plan. All of these efforts combined will help put Indiana top of mind for key decision makers around the world and allow Indiana to compete and win high-paying jobs and investment.

Change Packet Request # 2 Administration Fund 12090

PS FC	Fund	Description	Legal Fund	Control code
1000102600	12090	Administration	1000	3

Business Unit 31 fund 13112 has two IEDC executives each making \$150,000. This \$300,000 budgeted line item fails to take into account that benefits trigger a shortage of \$100,000 annually. Not only is this unrealistic from an accounting or budget perspective, it is a nightmare to administer internally. The IEDC requests that the BU 00031 Fund 13112 be collapsed into BU 00260 Fund 12090. The IEDC sees no known economic or administrative benefit to have a separate fund for these two executives.