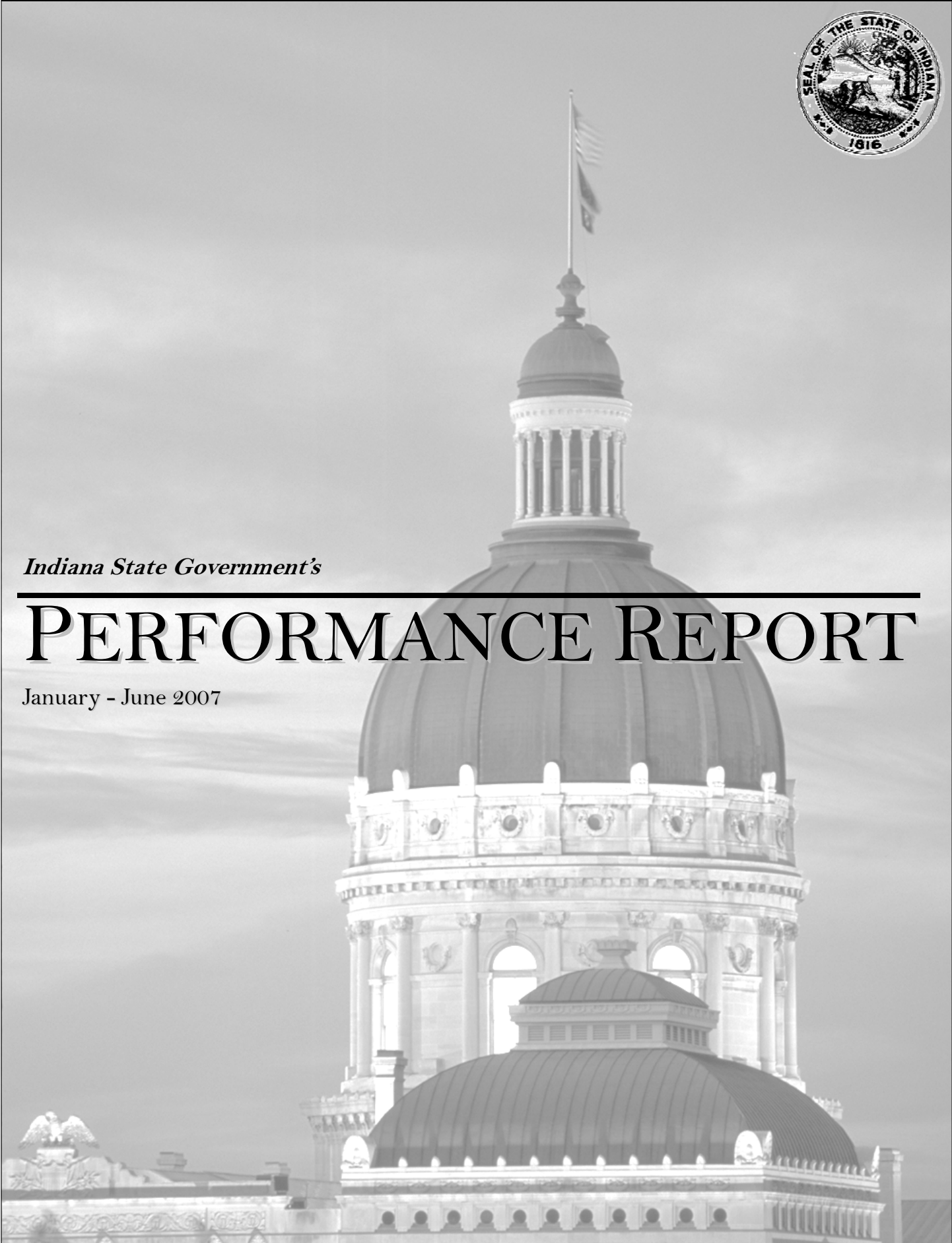




Indiana State Government's

PERFORMANCE REPORT

January - June 2007







PERFORMANCE REPORT

January - June 2007

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STATE OF INDIANA
OFFICE OF THE GOVERNOR
State House, Second Floor
Indianapolis, Indiana 46204

Mitchell E. Daniels, Jr.
Governor

Memorandum

To: Governor Daniels
From: Betsy Burdick, Deputy Chief of Staff
Date: September 2007
Re: Indiana State Government Performance Report for January through June 2007

Attached is the fifth six-month Indiana State Government Performance Report, for January through June 2007. The Administration achieved a number of significant accomplishments during the final six months of the 2007 fiscal year and this report highlights a few of them.

Under your leadership, Indiana achieved the first back-to-back balanced budgets in eight years – without a general tax increase. This accomplishment is largely the result of conducting government in a more efficient manner and controlling state spending growth. In fact, average spending growth is less than 2.5 percent compared to nearly six percent for the period between 1996 and 2004.

Further evidence the state is returning to sound fiscal condition is the \$1 billion surplus reported at the end of the fiscal year. While this is still less than the 10-12 percent prudent surplus range, significant progress is being made to restore Indiana's fiscal health. In addition to turning a \$200 million deficit into a billion-dollar surplus in only two-and-one-half years, Indiana paid back another \$336.6 million in long-delayed payments to schools and local governments this year. With final payments taking place in the next two years, the State of Indiana will have repaid all of its debts to schools and local governments.

Along with improving Indiana's fiscal health, these past six months have focused on addressing the physical health of Hoosiers. Great strides were made in working toward a healthier Indiana. The passage of landmark legislation establishing the Healthy Indiana Plan will provide health insurance coverage to thousands of uninsured Hoosiers. In addition, funding was increased for childhood immunizations and new programs to reduce the state's high rate of smoking. INShape Indiana's "10 in 10 Challenge" also was a huge success. The 10-week, 10-pound weight loss challenge increased INShape participation to more than 40,000 Hoosiers. On average, participants lost over seven pounds per person.

The latest agency performance measures are in this report. Forty agencies now participate in the performance measurement system, with several added in these past six months. Agency performance continues to improve at a steady pace. Although the percentage of green/superior metrics has stayed even, the red/unsatisfactory metrics have dropped from 33 percent to 28 percent. Hoosiers no longer need to wait until the release of each performance report to see the performance of state agencies. That information is now available online at www.results.IN.gov. Citizens can access information showing what outcomes were purchased with their tax money. This is yet another enhancement to make the work of state government as transparent as possible.

Your Cabinet is pleased to share this report with you and the citizens of Indiana. We remain proud of these accomplishments and are committed to continued performance improvements.



Insourcing Jobs and Strengthening Indiana's Economy

After two record-setting years for job creation, Indiana's hot streak continues to gain momentum as businesses across the nation and around the state choose Indiana as the place to locate and grow. The Indiana Economic Development Corporation (IEDC) closed 70 competitive deals in the first half of 2007 – creating 9,194 good-paying jobs for Hoosiers.

In June, GETRAG, the world's largest independent transmission manufacturer and the Chrysler Group announced construction of a new \$530 million facility in Tipton. The 804,000 square-foot plant will manufacture 700,000 transmissions annually and employ approximately 1,400 Hoosiers.

The landmark telecommunications legislation, signed by Governor Daniels in 2006, is designed to create new jobs and investment in Indiana's communications infrastructure. Those predictions are coming true in ways never imagined. AT&T Indiana, during the first six months of 2007, made two major announcements that will bring 925 new jobs to Indiana. The company will invest more than \$22 million to establish the new 75,000-square-foot call center, in Evansville, that will create 500 new jobs. In February, 425 new jobs were announced for its new AT&T Yahoo! High Speed Internet call center in Indianapolis. That center is expected to open by the end of 2007, putting even more Hoosiers to work in technology-based careers.

Plasmatronics, LLC, a national leader in performance ignition systems selected Crown Point to locate its new manufacturing and research center. The company will create more than 220 jobs to manufacture its new plasma drive ignition systems for cars, trucks and motorcycles.

Veolia Water announced it would move its North American headquarters from Houston to Indianapolis. The company will close its Houston operations and begin hiring finance, accounting, information technology and other professionals at an average annual salary of \$100,000 later this year.

One of the most exciting aspects of these job announcements is the fact that they are taking place in every region of our state. From our largest cities to our rural communities, record numbers of new jobs are becoming available for Hoosiers. Indiana is a leading destination for job creation in the Midwest and known internationally as a great location for expanding or establishing new business operations.

For more information about business opportunities in Indiana, visit the Indiana Economic Development Corporation's Web site at www.in.gov/iedc.





IEDC Competitive Completed Projects (January – June 2007)

| <u>Company</u> | <u>County</u> | <u>New Jobs</u> |
|--------------------------|-----------------|-----------------|
| Hardigg Industries, Inc. | Marion | 75 |
| Berry Plastics | Vanderburgh | 49 |
| Exact Target, Inc. | Marion | 90 |
| Camshaft Machine Co. | Cass | 270 |
| Arvin Sango, Inc. | Jefferson | 39 |
| Beckman Coulter, Inc. | Marion or Boone | 212 |
| Bemis Company, Inc. | Vigo | 29 |
| Powers Motorsports | Hendricks | 42 |
| Advance Stores Co. | Jasper | 636 |
| Maaguzi, LLC | Hamilton | 42 |
| Sunright America, Inc. | Bartholomew | 45 |
| M & S Precision Mfg. | Decatur | 83 |
| Marvel Industries | Wayne | 20 |
| L & D Mail Masters, Inc. | Floyd | 46 |
| Crown Equipment Corp | Fayette | 23 |
| Redcats USA | Marion | 42 |
| TS Tech North America | Henry | 300 |
| FlexForm Technologies | Elkhart | 39 |
| Morning Star Energy | Vermillion | 45 |
| AT&T | Marion | 427 |
| Keronite, Inc. | Johnson | 25 |
| Med Institute | Johnson | 130 |
| Plasmatronics, LLC | Lake | 221 |
| Indalex Inc. | Fayette | 62 |
| Hill-Rom Services, Inc. | Ripley | 80 |
| ACES Power Marketing | Hamilton | 35 |
| Vitran Express, Inc. | Marion | 33 |
| 3D Machine, Inc. | Newton | 27 |
| Babicz Guitars USA | Allen | 19 |
| Miasa Automotive LLC | Delaware | 12 |
| ATTC Manufacturing | Perry | 90 |
| Lawrenceburg Distillers | Dearborn | 150 |
| Flint & Walling, Inc. | Noble | 25 |
| Sunrise Medical | Hendricks | 70 |
| Hachette Book Group | Boone | 38 |

| <u>Company</u> | <u>County</u> | <u>New Jobs</u> |
|------------------------------|---------------|-----------------|
| Hoosier Tire & Rubber | Marshall | 95 |
| Hoosier Racing Tire Corp. | St. Joseph | 39 |
| Interactive Intelligence | Marion | 637 |
| VeraSun Energy | White | 51 |
| Sojane Technologies, Inc. | Marion | 188 |
| New Sunshine, LLC | Marion | 55 |
| Haverstick Consulting | Marion | 40 |
| AT&T Mobility LLC | Vanderburgh | 569 |
| The Capital Group Cos. | Hamilton | 317 |
| Greene Concepts, LTD | Greene | 61 |
| Harlan Bakeries, Inc. | Marion | 150 |
| Francesville Drain Tile Corp | Pulaski | 7 |
| Vestil Manufacturing Corp. | Steuben | 104 |
| Saturn Wheel Co., Inc. | Huntington | 32 |
| CVS Indiana, LLC | Marion | 85 |
| ANGEL Learning, Inc. | Marion | 154 |
| Biofuels International, Inc. | Spencer | 50 |
| MonoSol, LLC | LaPorte | 36 |
| Nelnet | Marion | 366 |
| Tri-Co Solutions | Allen | 115 |
| Bensussen Deutsch&Assoc | Hendricks | 51 |
| Flutes, Inc. | Marion | 27 |
| Novozymes Biologicals, Inc | Noble | 5 |
| Midwest Express | Decatur | 46 |
| North Manchester Ethanol | Wabash | 41 |
| Creative Press, Inc. | Vanderburgh | 20 |
| Wayne Taylor Racing, LLC | Marion | 20 |
| CFM U.S. Corporation | Huntington | 214 |
| Dreyer's Grand Ice Cream | Allen | 68 |
| SMC Corp. of America | Hamilton | 275 |
| Doane Pet Care Company | Jay | 51 |
| GETRAG | Tipton | 1,400 |
| NetShape Technologies | Washington | 17 |
| Veolia Water Indianapolis | Marion | 95 |
| Zimmer, Inc. | Kosciusko | 46 |



Buy Indiana Update

By executive order, Governor Daniels established the “Buy Indiana” program, his plan to put the state’s purchasing power to use to encourage job economic growth across Indiana, in January 2005. In the simplest terms, the Buy Indiana program directs that state government aim to spend at least 90 cents of each Hoosier tax dollar with Indiana businesses to purchase goods and services. Prior to the establishment of the Buy Indiana program, the state did not track the percentage of procurement dollars it spent with Indiana companies, however best estimates at the time indicated that approximately 60 percent of contract dollars were going to firms defined as “Indiana companies.” With state procurement volume averaging \$4 billion per year, raising the Indiana share from 60 percent to 90 percent would mean an additional \$1.2 billion annually pumped into the Indiana economy.

Over the last two-and-one-half years, more than 82 percent of state dollars have gone towards purchasing goods and services from Indiana companies. Significant progress is being made toward reaching our goal of 90 cents of every dollar, but we are not yet there.

Below are examples of purchases made during the first half of 2007.

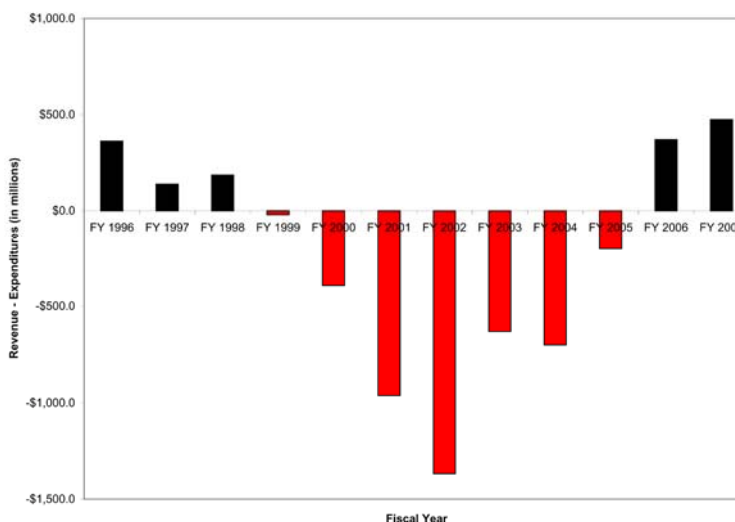
- Wood-Mizer based in **Lizton**, was awarded a contract with DNR for a portable diesel sawmill. This contract is worth just under \$60,000.
- KidsStuff Playsystems of **Gary** is a manufacturer and supplier of playground equipment. They have provided Fort Benjamin Harrison with playground equipment for approximately the last two years. The value of this contract is approximately \$700,000. Prior awards for playground equipment went to a company based in Oregon.
- Indiana State Police recently purchased three new Emergency Response Security vehicles from Supreme Corporation of **Goshen**. The total value of the contract is \$192,000. The last purchase for this type of vehicle occurred almost 20 years ago.
- The Department of Workforce Development awarded a contract to Knowledge Services for its Job Matching system. The contract is valued at \$3.8 million. Knowledge Services is based in **Indianapolis**.
- The Department of Child Services recently awarded the Asher Agency a contract to provide production services for child welfare campaigns. The expected value of the contract is \$230,000. Asher is based in **Fort Wayne**.
- FSSA’s CareSelect program was recently awarded to two Indiana providers, MdWise and Advantage Health Solutions. CareSelect provides managed care assistance to the aged, blind, and disabled populations in Indiana. Both MdWise and Advantage Health Solutions are based in **Indianapolis**. The total value of this contract is approximately \$60 million.
- Dixie Chopper was awarded the State’s Quantity Purchase Agreement for large and small lawnmowers in 2005. To date, the State of Indiana has spent \$840,000.00 with this Indiana company. Dixie Chopper is headquartered in **Coatesville**.



First Back-to-Back Balanced Budgets in Eight Years

Indiana achieved the first back-to-back balanced budgets in eight years, without a general tax increase. Revenues exceeded expenditures by \$473.8 million. Most of the progress to erase the deficit was achieved through effective fiscal management and constrained spending. Governor Daniels limited average spending growth to less than 2.5 percent – which is less than half the 5.88 percent average annual spending growth Indiana saw over the previous decade.

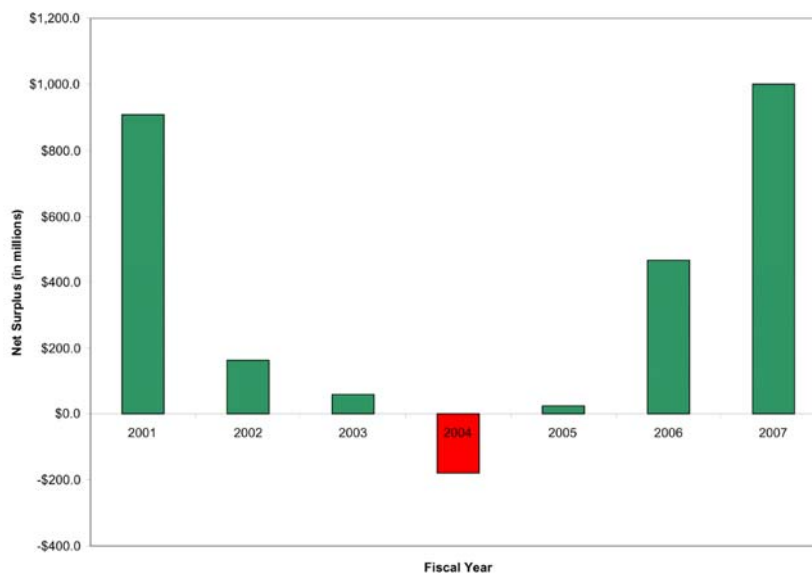
First Back-to-Back Balanced Budget in Eight Years



State's Fiscal Balance Returning to Acceptable Level

Indiana's fiscal condition continues to gain strength. When the Daniels Administration began in 2005, Indiana had a deficit (cash balance minus liabilities) of greater than \$200 million. When the state's books were officially closed on June 30, the multi-million dollar deficit was reversed. Indiana now enjoys a \$1 billion surplus. While this is still less than a prudent 10 to 12 percent surplus range, significant progress is being made to restore Indiana's fiscal health.

Growing State Surplus (Cash Balance - Liabilities)



Repaying debts to schools and local governments

Indiana is repaying its debts to schools and local government.

During the past year, Indiana paid back \$336.6 million in delayed funds. The Indiana General Assembly authorized and Governor Daniels approved the repayment of \$145.1 million to higher education and municipalities in state fiscal year 2008 and \$136.6 million to these entities in state fiscal year 2009. Once these payments are made, the State of Indiana will have repaid all of its \$700+ million debt to schools and local government.



Health Coverage for Uninsured Hoosiers

Governor Daniels announced his plan to provide health insurance coverage for uninsured Hoosiers and to reduce the state's high rate of smoking at the end of 2006. His innovative and comprehensive program, known as the Healthy Indiana Plan (HIP), passed the legislature and was signed into law in May 2007.

Health Insurance

Coverage will be available to adults and pregnant women who earn up to 200 percent of the federal poverty level. For a family of four, that is equivalent to \$40,000 in annual income.

Each adult will be eligible for a \$1,100 POWER account to pay for initial medical costs. Participants and the state will contribute to the account based on a sliding scale. A traditional commercial benefits package will cover medical costs above \$1,100. Each year, \$500 for preventive services will be available – including smoking cessation. The account also includes hospice care and disease management services.

The program increases eligibility for insurance coverage for children (under the Indiana CHIP program) to 300 percent of the federal poverty level and provides \$11 million more dollars for immunizations. There is also presumptive eligibility for pregnant women. Hoosiers can learn more about the program and sign-up by visiting www.in.gov/fssa/hip.

Tax Credits for Small Businesses

Small businesses can enjoy tax credits for implementing a Section 125 Plan (\$50 per employee; capped at \$2,500). In addition, the Indiana Family and Social Services Administration can develop a program that allows certain small employers to join together to purchase group health insurance.

Smoking Cessation

The 44-cent per pack increase in cigarettes is estimated to deter 40,000 young people from ever experimenting with tobacco and motivate 23,400 adult smokers to quit. The Indiana Tobacco and Prevention Cessation program will receive a 50 percent increase in funding for programs designed to discourage young people from starting to smoke and offering programs for smokers to quit.

Rx for Indiana

During the 2007 legislative session, Governor Daniels signed House Bill 1001, which increases funding for community health centers and assists them in becoming federally qualified health centers eligible for the 340B drug-pricing program. Since 2005, under the Rx for Indiana program, nearly 184,000 Hoosiers have been matched for free or discounted prescription medication at no cost to taxpayers.

INShape Indiana

In January, Governor Daniels' *INShape Indiana* launched a new, 10-week, 10-pound weight loss program called the "10 in 10 Challenge." With the promotion of the Challenge, INShape Indiana participation jumped from 14,000 to more than 40,000 Hoosiers from all 92 counties. Participants received weekly instructional e-mails telling them how to reduce their intake by 250 calories a day and to increase their activity level by 250 calories a day so they could lose one pound each week. Of those reporting at the conclusion of the Challenge, 32 percent experienced a weight loss of 10 pounds or greater. The average weight loss was 7.25 pounds.

INShape Indiana membership continues to grow with the launch of each program. Most recently, an eight-week summer wellness effort called "SummerFit" and a 30-day smoking cessation program called "Quit2Win," combined to attract more than 8,000 individuals, bringing INShape Indiana's current enrollment to 49,000. INShape information is available at www.in.gov/inshape.



Increasing Benefits to Indiana Veterans and Military Families

Recognizing the importance and service of our Indiana military families and veterans, Governor Daniels proposed and signed Senate Enrolled Act 480 and House Enrolled Act 1092 into law. These bipartisan measures increase benefits for Indiana's veterans and military families.

Among the new benefits provided are:

- Exempting all military pay earned while serving in combat theater from Indiana state income tax. This initiative applies to all active duty, reserve and National Guard personnel who file Indiana tax returns.
- Increasing the maximum allowable state income tax deductions on military pay (including retirement pay and survivor's benefits) from \$2,000 to \$5,000 per year. The governor's initiative increases the allowable deduction limits to \$5,000 for individuals and \$10,000 for couples filing jointly. This increase restores the full value of the deduction, which was eroded by inflation since it was first introduced in 1977.
- Providing state funds, up to \$450,000 annually, to match private contributions and sales of Hoosier veteran specialty plates for the Indiana Military Families Relief Fund. Senate Enrolled Act 75, part of the governor's 2006 legislative agenda, established the fund which provides grants for the families of Hoosier Guard members and reservists called to active duty since September 11, 2001.
- Extending delayed high school diploma program. Hoosier military veterans of the Korean and Vietnam wars who left high school before graduation to perform military service will now be eligible to receive a high school diploma. This program is currently available to Hoosier veterans of World War II.
- Allowing in-state tuition rates for out-of-state soldiers assigned to Indiana. This allows service members and families assigned to Indiana to be immediately eligible for in-state tuition rates at state colleges and universities. It also enables children enrolled in Indiana institutions to continue paying in-state rates even if the parents are transferred elsewhere.
- Establishing a spouse employment program. This program will work with relevant professional licensing organizations to expedite the process through which military spouses must go to more efficiently transfer professional licenses such as teaching, nursing, real estate, and others to be recognized in Indiana from their previous states of residence.
- Exempting individuals on active military duty from serving on a jury.
- Defining circumstances under which an employee may take unpaid leave for military service and requiring the person to be restored to the original or equivalent position held before the leave.

Energy Strategic Plan

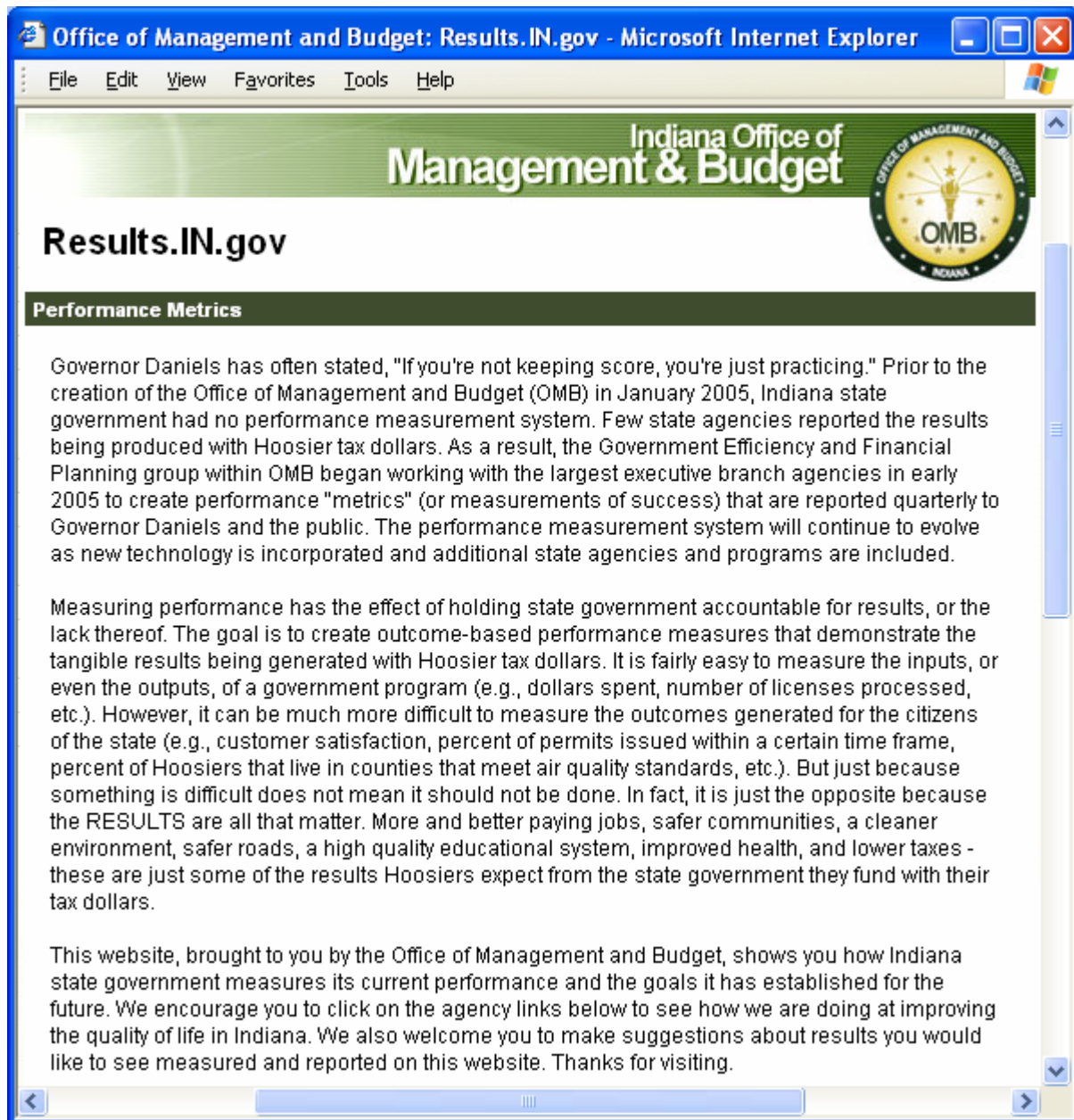
Governor Daniels signed House Bill 1722, which provides incentives for research into renewable energy sources and encourages Hoosiers to use energy efficient products. This is the state's first energy plan in more than 20 years. The plan will lead to thousands of new high paying jobs and create more stable and affordable energy supplies for consumers. Citizens can visit www.in.gov/energy for more information.

The program provides \$1 million in tax credits to working Hoosiers for the purchase of Energy Star-rated appliances. Also, in 2007, seven percent of energy consumption at state facilities in Marion County will come from renewable energy sources – such as methane gas from Indiana landfills.

The state has committed \$20 million for cellulosic research that will further develop the biofuels industry beyond grain. Indiana now has 21 plants with the annual capacity to produce more than one billion gallons of ethanol. The state is providing research and development incentives for clean coal technology. Also, a 200-megawatt farm to harness wind power is expected to break ground soon in Benton County.

Performance Measurements

Performance measures have been featured prominently in each six-month performance report published during Governor Daniels' administration. However, Hoosiers no longer need to wait until the release of each report to view the results of these measures. The Office of Management & Budget (OMB) has created a new Web site at www.results.in.gov where the metric results are posted each quarter. Budgetary data documenting how much is spent in various areas has been online for years. Now taxpayers have access to information showing what outcomes have been purchased with those funds.



Performance information for Indiana state agencies is now online at www.results.in.gov.

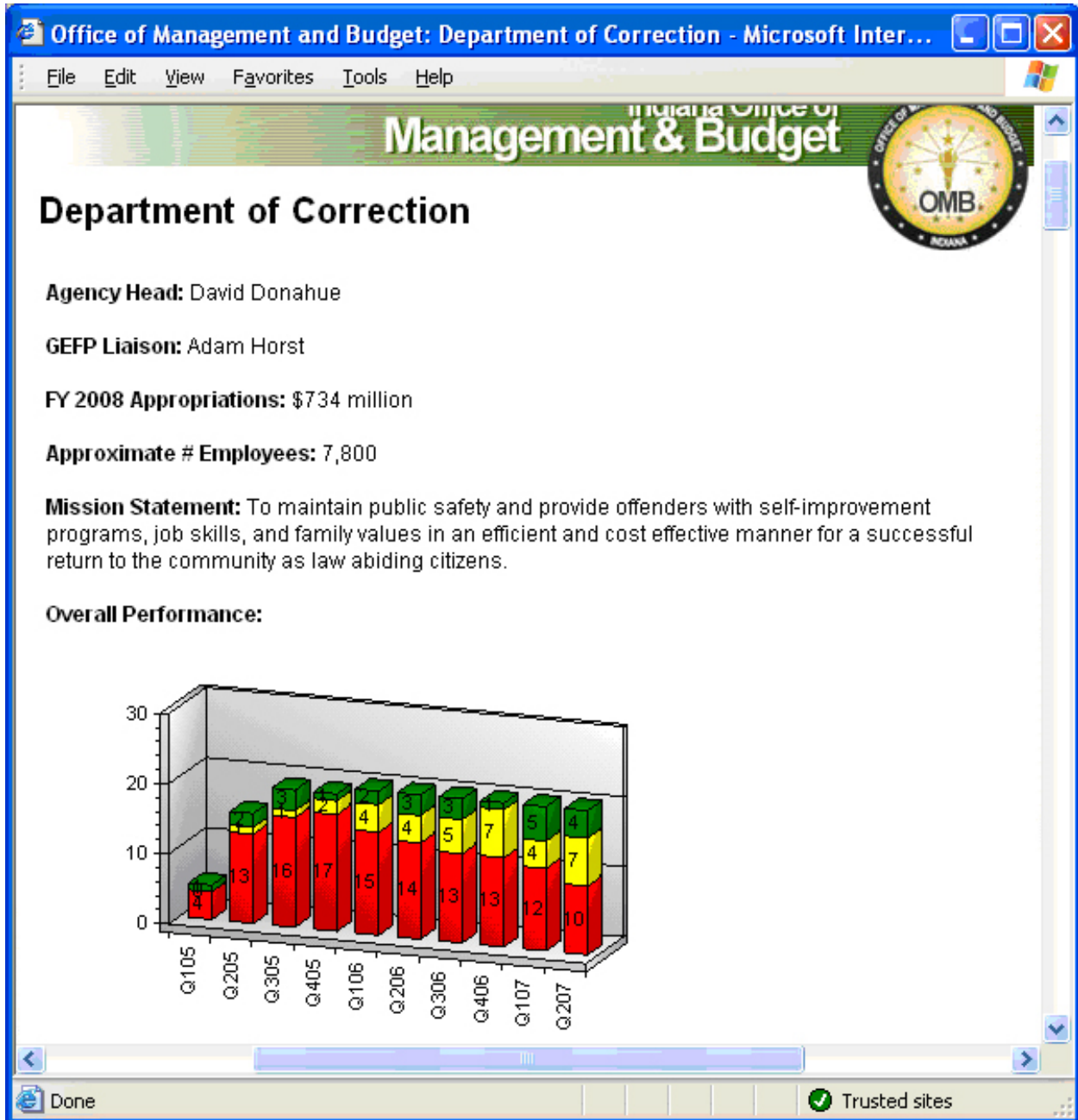
There are now 40 agencies participating in the governor's performance management system. New agencies added over the past six months include the Department of Financial Institutions, Professional Licensing Agency, and Worker's Compensation Board. OMB is collaborating with other executive branch agencies to develop performance metrics and more departments are expected to be brought online in the coming months.

The broad accessibility of this performance information creates a new level of accountability for state agencies to the Hoosier taxpayers whom they serve.



The number of agencies with established metrics has grown from 30 to 40 in two years.

In addition to reviewing performance measurement charts, interested citizens accessing the site will be able to obtain information that will assist them in putting the performance measures in context. Hoosiers will know who is in charge, the kinds of budget resources the agency has, and how many employees are on hand. They will be provided with a link to agencies' strategic plans, where available online.

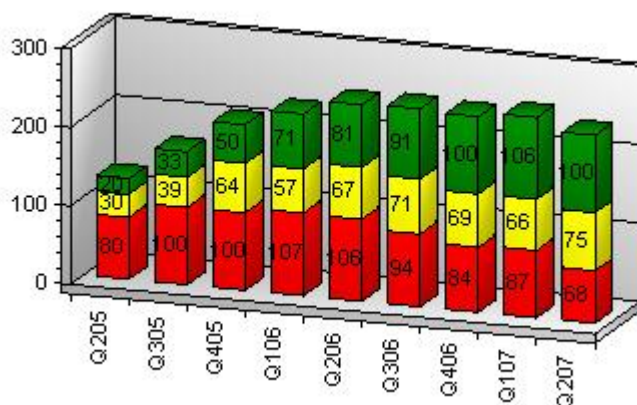


An example of an agency page found at www.results.in.gov.

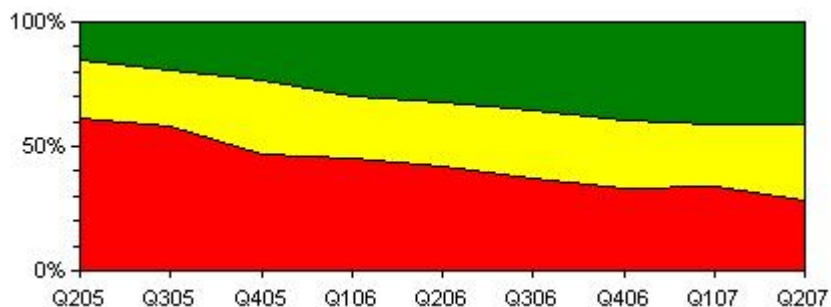


Summary of Performance Metric Results

Along with each performance metric established, two targets are set: a “green” target (which signifies superior performance) and a “yellow” target (which signifies satisfactory performance). Results which do not reach the yellow target are deemed “red” or unsatisfactory.



The steady improvement experienced since the performance measurement system was put in place in 2005 has continued over the first six months of 2007. Although the percentage of green/superior metrics has stayed even at about 40 percent, the number of red/unsatisfactory metrics has dropped from 33 percent to 28 percent.

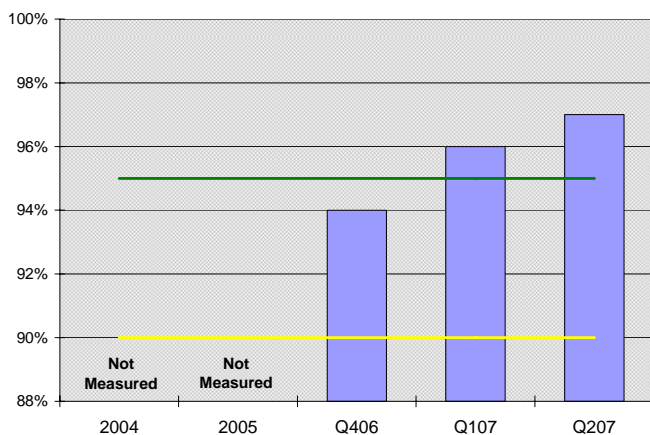


This improvement is more dramatic when examined over a longer period. When these performance metrics were first tracked two years ago, over half of the results were categorized as unsatisfactory. The above charts show unmistakable evidence that the hard work of many state employees is paying off.



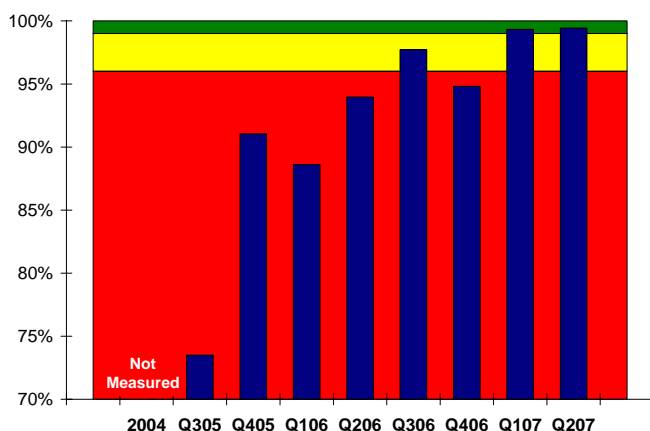
Examples of Individual Performance Metrics

When performance measures are properly aligned with program objectives, they graphically show how well agencies are accomplishing their mission. Below are sample individual performance metrics from Indiana state agencies. For a complete record of all metrics established to date, visit www.results.in.gov.



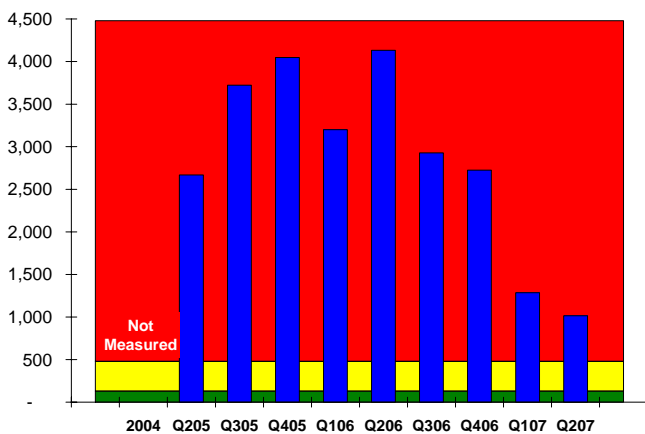
Department of Financial Institutions (DFI) *Percentage of Applications Processed within Deadlines*

DFI reviews applications for new or expanded operations of depositories and consumer finance entities. These regulatory activities must balance the goals of compliance, consumer protection, and safe and sound practices with responsiveness to the regulated community. DFI has increased the percentage of applications processed, within accepted deadlines, from 94 percent in the fourth quarter of 2006 to 97 percent in the second quarter of 2007.



Indiana Office of Technology (IOT) *New User Account Requests – Creation within two business days*

When new employees are hired to work for state government, they need accounts to be set up so that they may access their e-mail and file servers. It was not until IOT set a standard that 99 percent of such requests should be completed within two business days that they realized marked improvement in responsiveness for this area.

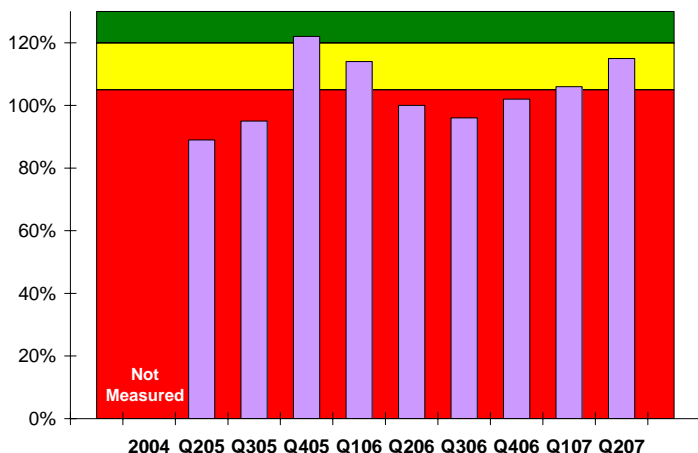


Department of Correction (DOC) *Number of Offenders on Wait Lists for Program Enrollment*

Part of DOC's re-entry initiative is ensuring offenders are enrolled in the proper programs that will assist them in effectively returning and integrating into communities upon their release. DOC reports the number of offenders waiting to enroll in such programs has decreased from over 4,000 in 2005 to approximately 1,000 in the second quarter of 2007.



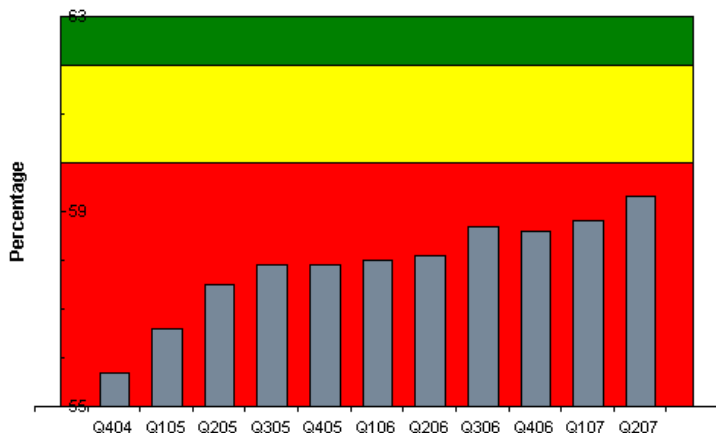
Examples of Individual Performance Metrics (cont.)



Indiana Economic Development Corporation (IEDC)

Average Wage of New Jobs Created as a Percentage of the National Average

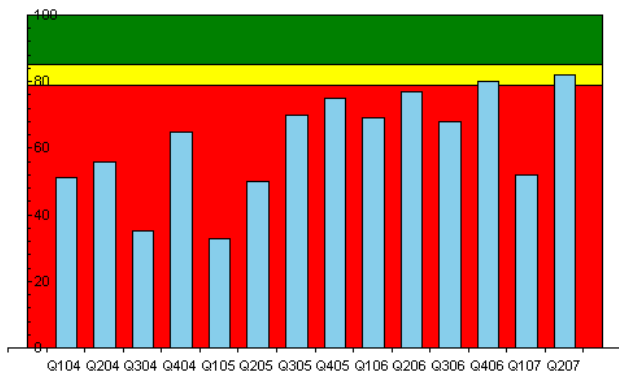
Job creation at competitive wages is central IEDC's mission and Governor Daniels' organizing principle of raising Hoosier incomes. IEDC tracks and compares the wages of new jobs compared to national averages. The targets, in excess of 100 percent of the national average, reflect the need for sustained, focused effort to address this challenge.



Department of Child Services (DCS)

Percentage of Child Support Cases Paying on Arrears

In addition to the oversight of collection and distribution of current child support, DCS must also work on the reduction of sizeable past due child support as is found in all states. While still not at desired levels, the percentage of cases paying past due amounts continues to progress.



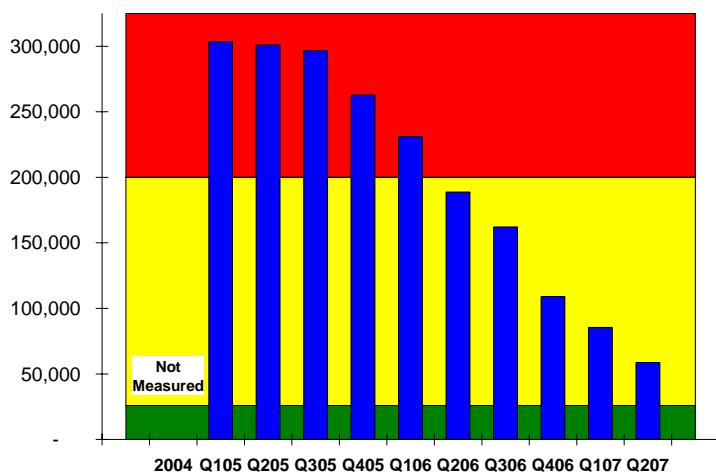
Professional Licensing Agency (PLA)

Percentage of Licenses Renewed On-Line

PLA is responsible for the administration of almost a half-million licensees. To reduce the burden to the licensee and processing costs, PLA is encouraging the use of on-line renewal. Eighty-two percent renewed on-line in the quarter ending June 30.



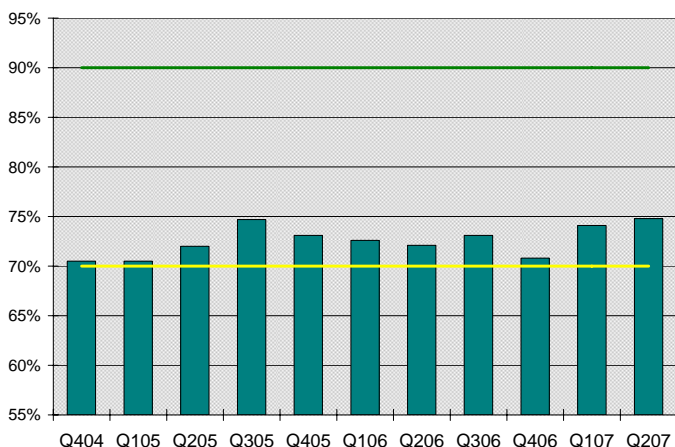
Examples of Individual Performance Metrics (cont.)



Indiana Department of Environmental Management (IDEM)

Total calendar days accumulated in issuing water permits, as determined by state statute

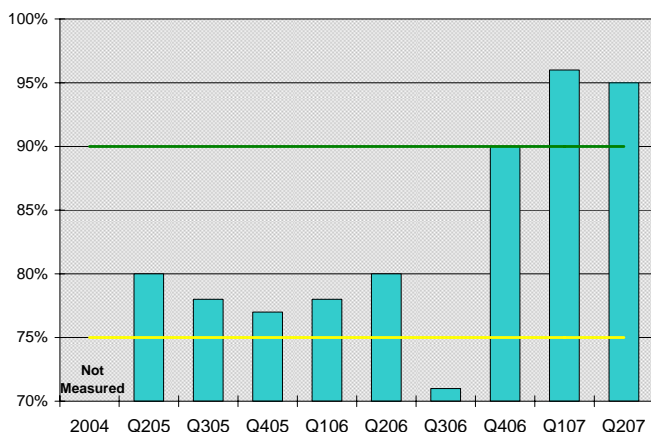
As is common with most regulatory agencies, IDEM must balance the technical requirements of its activities with being appropriately responsive to the regulated parties. IDEM reports an 80 percent reduction from 2005 in the backlog of water permits. Similar progress in air permits was reported in the last performance report.



Department of Workforce Development (DWD)

Percentage of Employers Rating the Agency 'Above Average' or Higher

DWD designs and implement strategies to assist Hoosiers enter and advance in the workforce. DWD seeks the feedback of Indiana employers on its performance of these strategies in addressing their needs. Ratings have demonstrated an upward trend over the past six months.



Bureau of Motor Vehicles (BMV)

Customer Survey Rating of Satisfactory or Higher

Few agencies interact with the public as much as BMV. The department has a series of survey processes it uses to capture the customer experience. In-branch and post-transaction surveys reflect positive trends, more than 90 percent satisfactory or higher in the last two quarters.