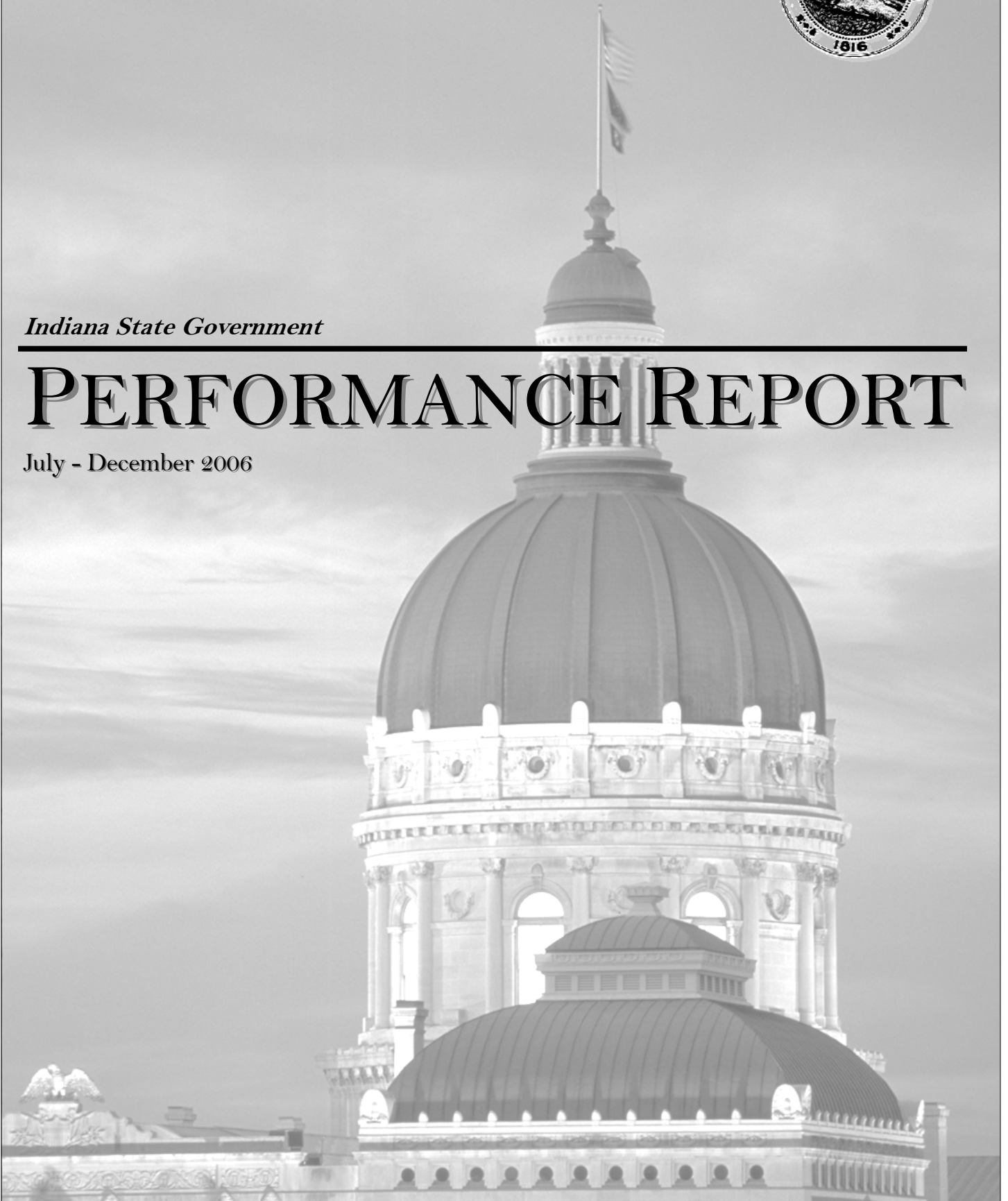




Indiana State Government

PERFORMANCE REPORT

July - December 2006





PERFORMANCE REPORT

July - December 2006

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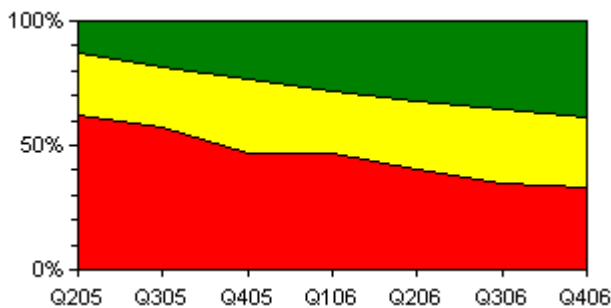
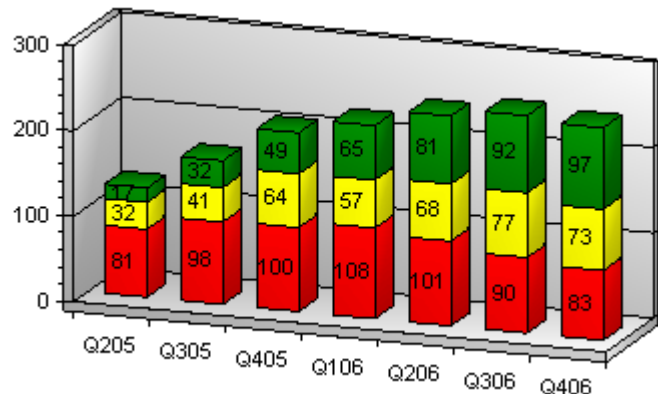
Memorandum

To: Governor Daniels
From: Betsy Burdick, Deputy Chief of Staff
Date: March 30, 2007
Re: Indiana State Government Performance Report for July through December 2006

Attached is the fourth six-month Indiana State Government Performance Report, for July through December 2006. Since the end of this period marks the half-way point of your term, this report will provide a “mid-term” update on several of your initiatives in addition to highlighting the accomplishments your administration has made over the most recent six months.

One of your initial initiatives was to establish the Office of Management and Budget (OMB) and direct its division of Government Efficiency and Financial Planning (GEFP) to develop a performance measurement system for Indiana state government. Your reason for doing so was simple, yet fundamental: “What gets measured, gets done.”

As demonstrated by the graphs at right and below, Indiana's state agencies and programs are achieving the continuous improvement you demand. Although more work remains to be done, over the past six months the percentage of red metrics (unsatisfactory) has dropped from 40% to 33%, and the percentage of green metrics (superior) has increased from 32% to 38%. It is also important to recall that agencies periodically increase the difficulty of their targets where appropriate.



You will note the format of this performance report differs somewhat from that of earlier reports. Performance measures are embedded in the narrative section of the report. This has been done for several reasons. First, because most agencies created performance measures for the first time in 2005, they did not have a history of comparative metric data until very recently. Second, and more importantly, the various agency and program managers utilize this information on a regular basis to make decisions.

The narrative section of the report consists of three main areas:

- 1) *Serving the Needs of Hoosiers*: This section focuses on problems being addressed by Indiana state government programs without raising taxes.
- 2) *Leaner, Cleaner Government*: This section details how your administration has made significant strides toward increasing the efficiency, effectiveness, and customer service of Indiana state government.
- 3) *Insourcing Indiana Jobs*: This section provides an update on your Buy Indiana initiative, as well as other efforts to improve Indiana's economic opportunities through various state functions.

Finally, the report contains examples of additional metrics that are included in your performance measurement system. These metrics are organized into three types: program performance, efficiency, and customer service. All of the metrics established to date are available for the public to examine at www.in.gov/omb/gefp. Metrics for all state government programs are also in development at this time.



Serving the Needs of Hoosiers

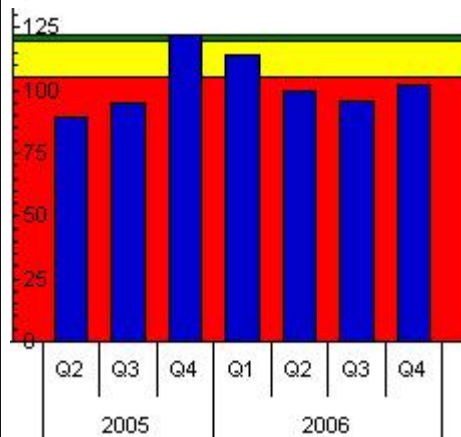
Raising Hoosier Incomes

The organizing objective of our administration will be higher personal income for Hoosiers, meaning more money, after taxes, in each worker's pocket. Almost every part of state government can do something, or do it faster, or maybe stop doing something, to improve the chances of economic growth in our state. Be prepared to help identify what your area can do, to keep track of it, and to be held accountable for progress or the lack of it.

*Governor Mitch Daniels
January 10, 2005*

When newly inaugurated Governor Daniels defined the organizing objective of his administration, he was not just giving direction to the Indiana Economic Development Corporation (IEDC). His intent was that Hoosier job and income growth should be a top priority throughout state government.

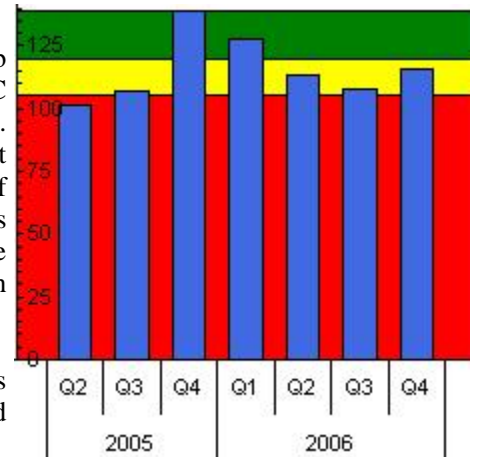
In 2006 the IEDC concluded the development of a statewide strategic plan for economic development, *Accelerating Growth*. The vision of *Accelerating Growth* is for Indiana to meet the national average in per capita income and average annual wages by 2020.



Hoosier Incomes: Average wage of new jobs created as a percentage of the national average wage

In 2006, the average wage of new job commitments achieved through IEDC competitive projects was \$20.20/hour. This compares favorably with the most current reported state average wage of \$17.05/hour. IEDC programs and policies are designed to provide the greatest value to businesses proposing to create high wage jobs.

More details regarding competitive deals closed by the IEDC in 2006 can be found later in this report.



Hoosier Incomes: Average wage of new jobs created as a percentage of the state average wage

Responding to Changing Times: Developing the Workforce for the Jobs of Tomorrow

The IEDC has supported worker training and expansion projects with existing Indiana companies that have collectively resulted in commitments to create nearly 2,200 new jobs and invest over \$750 million in plant improvements. Additionally, these projects will improve skill levels for over 20,000 Hoosier workers.

In 2006, the Department of Workforce Development (DWD) began the **Major Opportunities** pre-apprenticeship training program aimed at minority residents. This program, enacted as part of Governor Daniels **Major Moves** program, seeks to provide minorities with the basic skills to succeed in the building and construction trades. The program has been launched in five cities: Indianapolis, Gary, South Bend, Evansville and Fort Wayne. As of the end of 2006, more than 2,000 Hoosiers had undergone the WorkKeys skills assessment, and several hundred were enrolled in the first sections of classes established under this program.

As a result of DWD's efforts to successfully eliminate a backlog of federal tax credit applications the Administration inherited in 2005, Indiana employers received \$46 million more in federal tax credits for the program year ending June 30, 2006. The backlog elimination resulted in an increase of the tax credit applications processed from 34,124 to 46,979. The programs provide incentives to employers to hire "difficult to hire" individuals.

Indiana has the second lowest unemployment numbers in the Midwest and it has decreased 0.7% since January of 2005.

Targeting Indiana's Agricultural Sector

The Indiana State Department of Agriculture partnered with the IEDC to advance the state's agriculture economy in an unprecedented fashion in 2006. Indiana saw \$2.68 billion invested in food and agricultural projects in our state in the last year, bringing 2,518 jobs to Hoosiers.

- Bioenergy contributed 772 jobs with more than \$2 billion in investment and putting more than \$26 million into the pockets of farmers.
- Hardwoods created 398 jobs with a \$27.8 million investment.
- Food processing created 1,348 jobs with a \$583 million investment.

Total hog and pig production in Indiana was up 2% in 2006 from the previous year, reversing a long-term decline. Indiana dairy cattle inventory has increased 9,000 head or 6% from the previous year. The number of chickens on permitted Confined Feeding Operations (CFOs) and Concentrated Animal Feeding Operations (CAFOs) in Indiana has increased an average of 4% annually since 2003.

Helping Indiana's Most Vulnerable Citizens

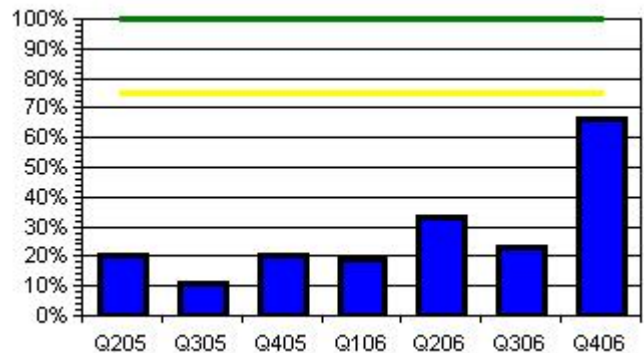
Indiana State Government has no more important function than helping Indiana's most vulnerable citizens. In particular, the Department of Child Services (DCS) and the Family and Social Services Administration (FSSA) provide services that protect children, the elderly, the disabled, and those in need of financial assistance.

Department of Child Services

The Department of Child Services protects children and strengthens families through services that focus on family support and preservation. The department administers child support, child protection, adoption and foster care throughout the state of Indiana. The mission of the department is to protect children from abuse and neglect by partnering with families and communities to provide safe, nurturing, and stable homes.

To accomplish this, DCS is hiring new family case managers, lowering caseloads, providing better training for staff, and implementing practice reform throughout the child welfare system. The recommended caseload standards are 12 new investigations per months for a Child Protective Services worker and 17 children for an ongoing case manager. Since 2005, DCS has hired and trained nearly 400 new caseworkers to take care of Indiana's most vulnerable children.

In 2005, Indiana ranked 47th in the country in collecting the child support due the custodial parent. DCS demonstrated modest improvements, increasing the percentage of child support collected from 52% in 2005 to 54% by the end of 2006. For the first time in Indiana's history, the Child Support program met or exceeded all federal performance measures, and earned a record \$7 million in federal incentive dollars.



Case Manager Caseload: % of counties meeting the recommended ratio for Number of investigations per worker / Number of children assigned for ongoing services per worker

Family & Social Services Administration

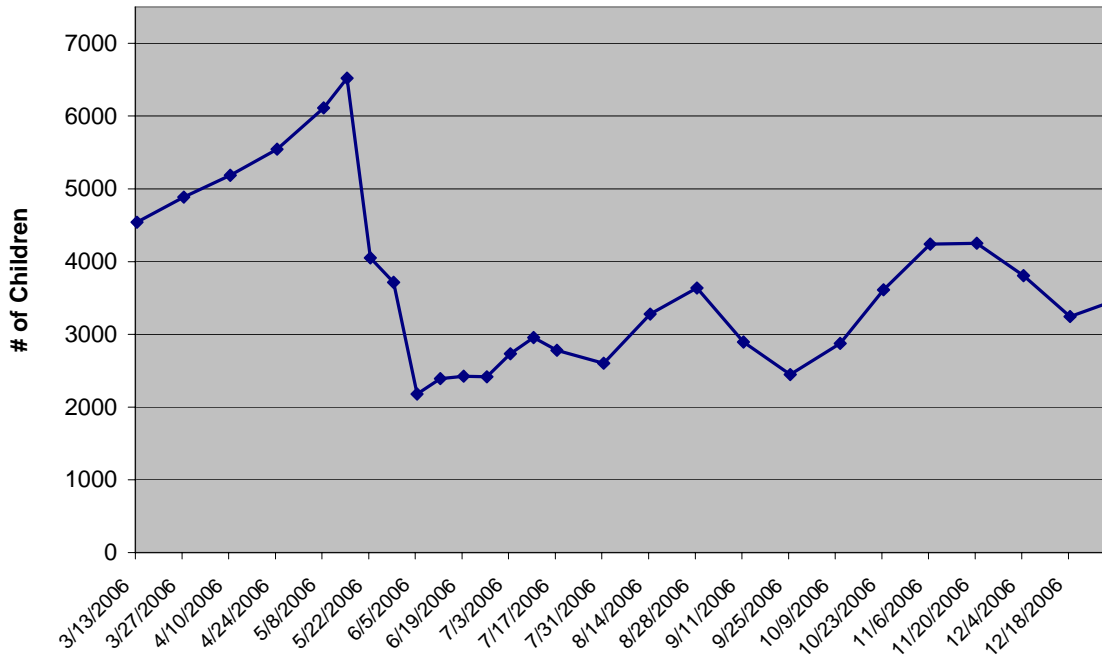
The Family & Social Services Administration has concentrated its efforts on finding efficiencies in order to create a more equitable, compassionate program that serves a greater number of Hoosiers. More than 29,000 people were on waiting lists for home and community-based waiver services in 2005, many having been on the waiting list for nearly 10 years. These individuals are developmentally disabled, mentally fragile, autistic, or they require medical support services.



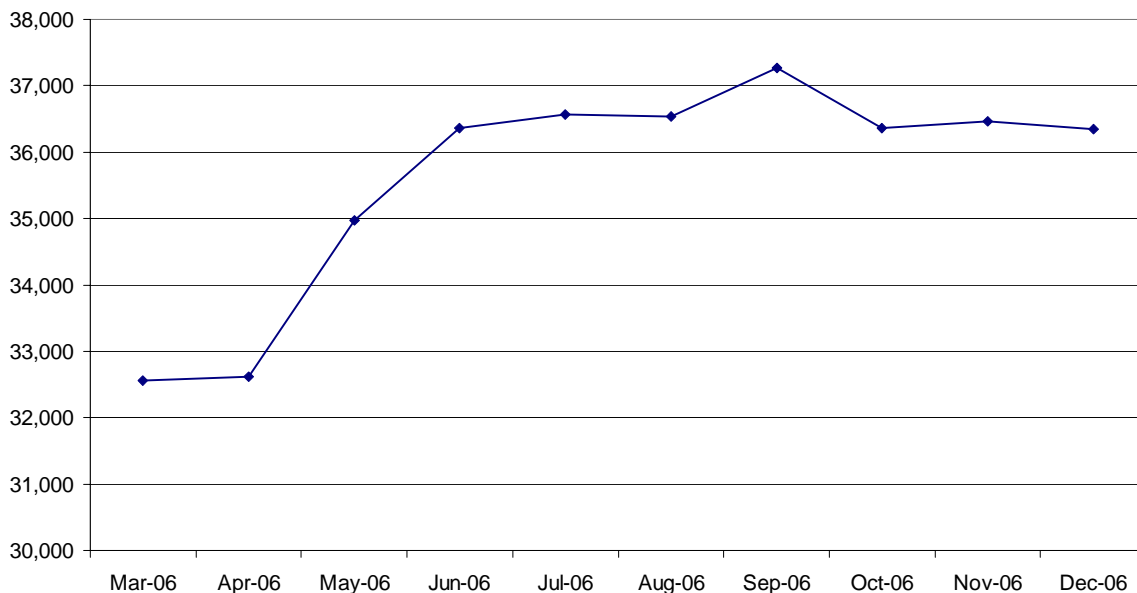
In 2006, FSSA made significant progress in moving thousands of people off a number of waiting lists. Highlights include:

Child Care and Development. In May of 2006, \$18 million was transferred from Temporary Assistance to Needy Families (TANF) to the Child Care and Development Fund (CCDF). By June, over 3,000 children were moved off the wait list and enrolled in the CCDF voucher program, which helps low-income families pay for childcare. This represented a 10% increase in the number of families and children provided care, and decreased the wait time for vouchers from an average of 49 days to as few as 10 days.

CCDF WAITING LIST SINCE MARCH 2006

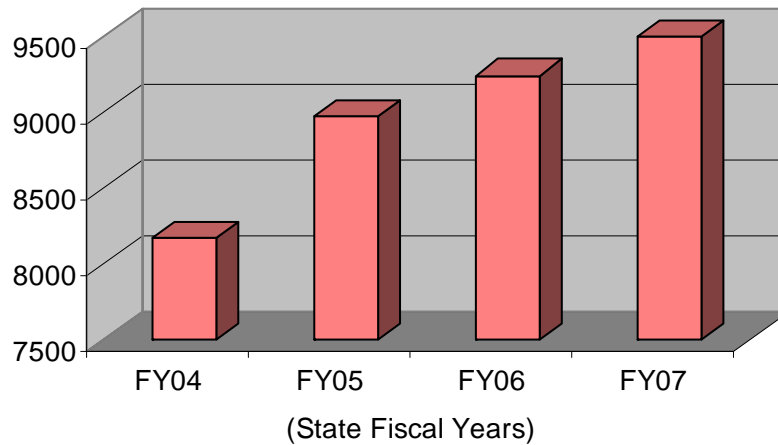


Monthly Authorized CCDF Voucher Children Since March 2006



Division of Disability and Rehabilitative Services. On September 14, 2006, the Division of Disability and Rehabilitative Services (DDRS) announced the opening of 650 Medicaid waiver slots to consumers on wait lists with developmental disabilities, autism, and other similar disabilities. This expansion was funded by implementing the strategy of converting State-funded plans for consumers into Medicaid waiver services. At the end of 2006, 24 consumers from the wait list had begun receiving services, and more than 400 were in the process of establishing Medicaid eligibility.

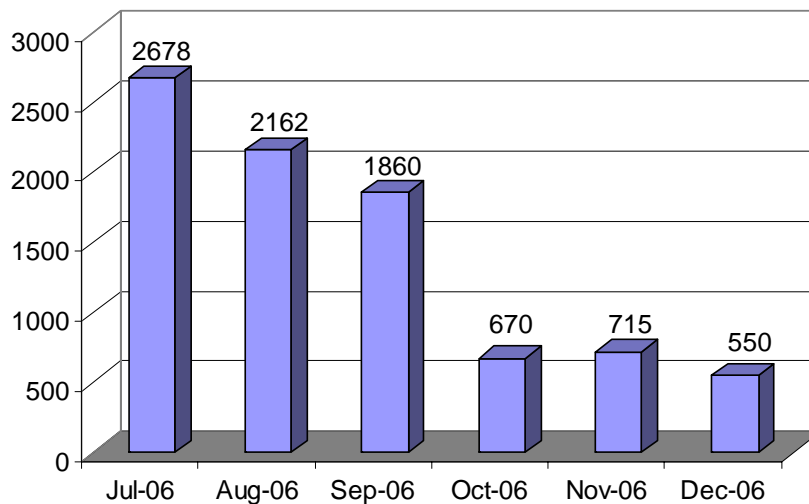
Number of People Served by DDRS Waivers



Division of Aging. The Division of Aging has embarked on a complete revision and rebalancing of its long-term care model, which will result in fewer people in institutions and more people in home settings. A major part of this endeavor is increasing the number of providers of Home Health Care, Adult Day Services, Congregate Care, Adult Foster Care, and Assisted Living services that will serve the Aging Medicaid population.

- Since July 1, 2006, new providers of Aging services have opened 28 new Assisted Living facilities, 23 new Adult Foster Care, 3 new Adult Day Services and 17 consumer-direct attendant care clients.
- From July to December 2006, the number of people on the waiver wait lists for Aged & Disabled, Assisted Living, and Traumatic Brain Injury was reduced from 2,678 to 550.

Waiver Wait List Aged & Disabled, Assisted Living and Traumatic Brain Injury



Eligibility Modernization

Indiana's Broken Welfare System: The Need for Change

Welfare Reform --

- According to the United States Department of Health and Human Services (HHS), Indiana ranked **last in the nation** in reducing its welfare caseloads over the past decade
- If the state does not improve work participation rates of welfare recipients, Indiana will lose \$10 million per year in federal penalties

Inefficient, Inconvenient, and Inconsistent --

- The current system is almost completely paper-based
 - ⇒ **FSSA spends more money on file cabinets in a year than on computers**
- County offices are typically open only during regular office hours, creating difficulties for applicants with work commitments and child responsibilities
- Clients often must make multiple trips to their county offices to become eligible for benefits
- There is little consistency across all 92 counties in interpreting certain eligibility guidelines

High Error Rates --

- Due to the state's outdated paper-based system, there are unacceptable error rates in Medicaid, Food Stamps, and TANF eligibility determinations
- These errors result in over **\$100 million dollars in misspent taxpayer money** every year
 - ⇒ In 2005, FSSA paid Food Stamps recipients \$33.9 million more than they were entitled

Fixing the Problem: The Modernization Proposal

Highlights of proposal --

- **There will be no employee lay-offs**
- **The State will retain 682 employees who will continue to make final eligibility determinations**
- All other employees will receive a job offer by the IBM Team for a **guaranteed 2-year position at the same or better salary**, comparable benefits (Anthem Traditional Plan 2 will be offered), and tenured levels of vacation, personal, and sick days will be provided
- **Clients will still be able to apply in-person because there will continue to be an office in every county**
- The IBM Team will support the State in making eligibility determinations by:
 - ⇒ Enhancing data collection and implementing electronic scanning and filing through a new IBM wrap-around system that will work with ICES (the State's internal public assistance eligibility computer system)
 - ⇒ Providing new ways to apply and reach caseworkers, through phone, fax, and Internet (24 hour access) and extending office hours (7 am to 7 pm)
 - ⇒ Implementing better procedures to move welfare recipients to self sufficiency through work
 - IBM will even share in federal penalties if federally-imposed work goals are not met
 - ⇒ Applying consistent eligibility standards across all offices

Benefits of proposal --

- Improved customer service
- Reduced welfare caseloads as recipients are transitioned to self sufficiency
- Nearly \$500 million in administrative savings realized, millions saved in avoiding future federal penalties, millions more as errors are reduced
- Reduction in waste; safeguards against fraud
- 1,000 new IBM jobs and advanced computer hardware for Indiana research universities

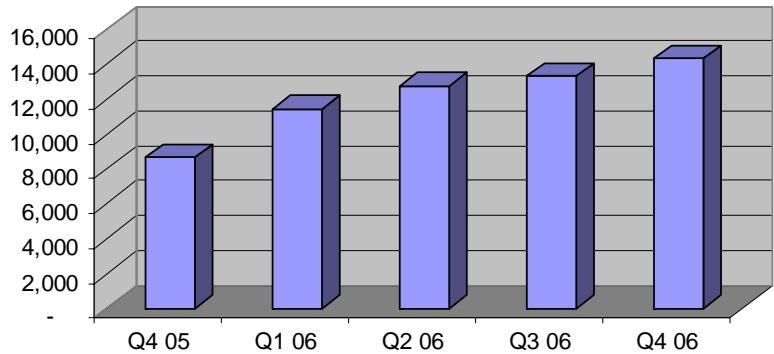
Progress to Date:

- **99% of the State Employees affected by the Modernization transition applied to switch to the IBM-led coalition and have accepted offers.**
- Members of the IBM-led coalition are holding meetings with community organizations all over the state to provide information about the Modernization effort.

Health Issues

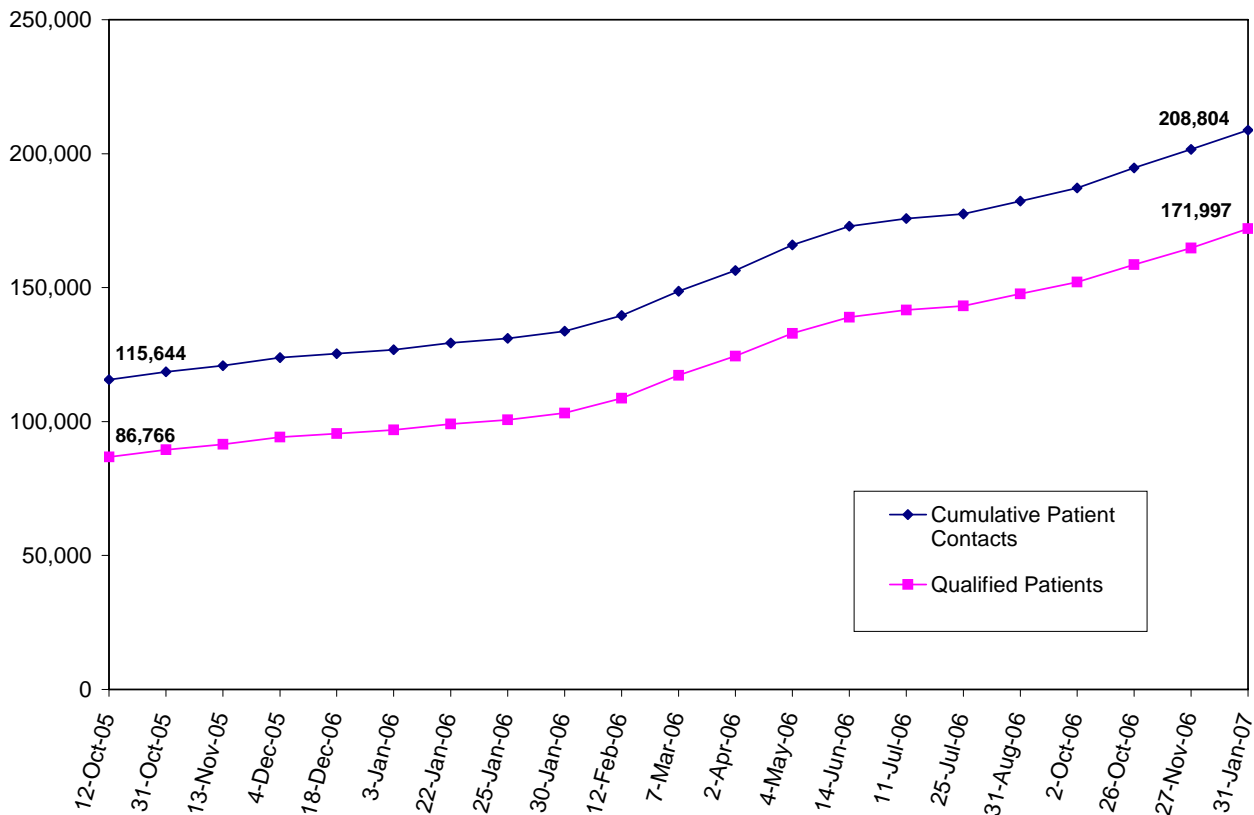
INShape Indiana, Governor Daniels' statewide wellness campaign, was launched in July of 2005 to challenge all Hoosiers to lose weight, eat more fruits and vegetables, exercise more, and quit smoking. Towns, communities, churches, employers, and other groups are challenged to provide resources and incentives for participants and to compete for the healthiest group. The number of participants registered nearly reached 9,000 by the end of 2005, and topped 14,000 by the end of 2006.

INShape Indiana Participation



Rx for Indiana is designed to simplify the process for Hoosiers to reach pharmaceutical companies that offer low-cost or free prescription medications. Rx for Indiana links patients with information about pharmaceutical assistance programs provided by various companies through the state or federal government. Rx for Indiana provides a one-stop shop for patients, health care providers, and caregivers to obtain information about more than 2,500 medications available for free or at a significantly reduced price through more than 475 programs offered by pharmaceutical manufacturers, the government and other organizations.

Cumulative Patient Contacts and Those who Qualified



Since its inception, Rx for Indiana has connected over 170,000 Hoosiers to free or discounted prescription medications at no cost to the taxpayer. Rx for Indiana has served 7 times the number of people as HoosierRx – a government supported subsidy program which cost tens of millions of dollars.

Help Thy Neighbor Heating Fund

Last winter, the state's Energy Assistance Program (EAP) served 158,881 households across Indiana, providing \$54.7 million in assistance. The average household benefit was \$334.50. On December 13, 2005, Governor Daniels announced a final step to Indiana's overall strategy to prepare for higher winter heating fuel costs through the establishment of the Help Thy Neighbor Fund, a voluntary charitable trust that helps Hoosiers struggling to pay their winter heating bills. The Help Thy Neighbor Heating Fund provided nearly \$3.4 million to help more than 16,400 households in all 92 counties with heating bill assistance last winter.

More Hoosiers will receive help with winter heating fuel costs this winter from the state's Energy Assistance Program and the Help Thy Neighbor Heating Fund. For the second year, the state's three largest gas utilities, NIPSCO (Northern Indiana Public Service Company), Citizens Gas and Vectren jointly donated a total of \$1 million to the Help Thy Neighbor Heating Fund. With the \$1 million contribution from the gas utility companies, Help Thy Neighbor has \$3.6 million to operate for a second year.

Mitch's Kids—Indiana Alliance of Boys and Girls Clubs

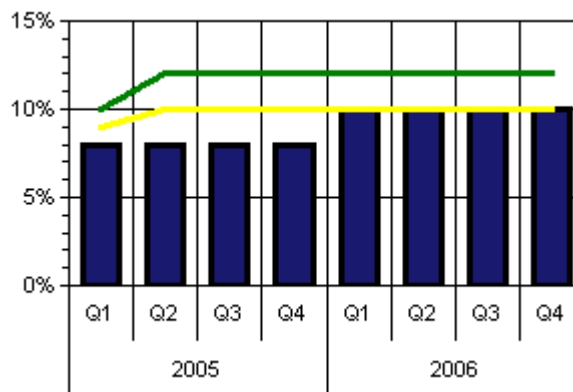
Boys and Girls Clubs across the state of Indiana recently completed their 14th month of the Mitch's Kids program. The Governor started this after-school tutoring program to attack the "achievement gap" between low-income children and their more fortunate classmates. Clubs have identified and enrolled 5,568 youth (95% of whom receive free/reduced lunches) since the inception of the program.

As of December 31, 2006, Mitch's Kids achieved a **38%** average increase in reading fluency scores, and a **39%** average increase in math fluency scores. These increases equate to roughly **two grade levels**.

93% of Mitch's Kids met the goal of a 5% (kindergarten and 1st grade) or 10% (2nd grade and above) grade increase in their scores during 2006.

Veterans

Governor Daniels directed the Indiana Department of Veteran Affairs (IDVA) to maximize the number of veterans receiving their federal benefits through increased education and assistance to Hoosier veterans. The percentage of eligible veterans receiving their federal benefits increased from 8% in 2004 to 9.5% in 2005. While a significant improvement, the IDVA has established a long-term goal of 12%, which would be a 50% increase over 2004 results.



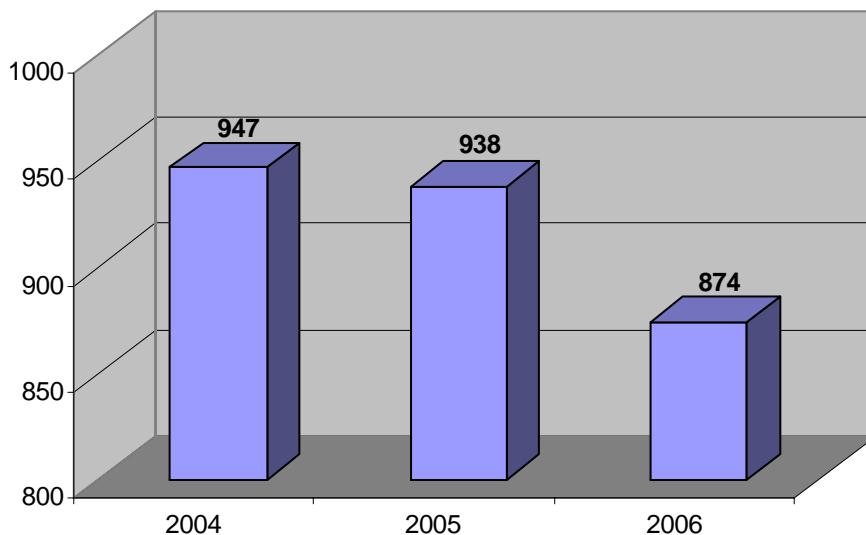
*Veterans Receiving Federal Benefits:
Percentage of eligible veterans receiving
federal benefits*

Public Safety

Traffic Fatalities

The Indiana Criminal Justice Institute (ICJI), Indiana State Police (ISP), and other law enforcement agencies coordinated efforts to reduce the number of traffic fatalities by roughly 7% in 2006 as compared to 2005.

Indiana Traffic Fatalities

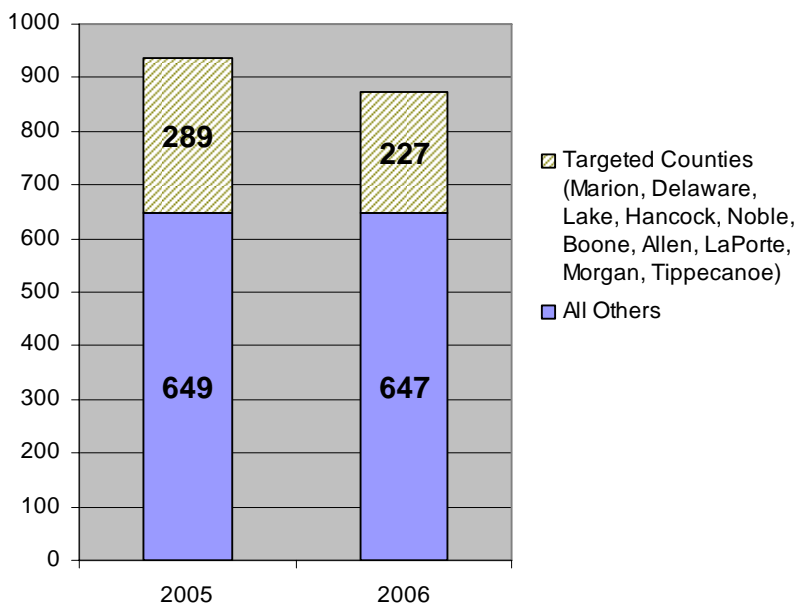


Two initiatives that contributed to this outcome are discussed below:

The ICJI targeted seat belt and alcohol issues in specific high fatality counties. As a result, 37 Indiana counties in which 70% of the state's traffic fatalities occurred in the last three years were identified as eligible for special grants. Of those counties, 10 applied for and received additional funding for targeted and data-driven enforcement efforts. For 2006, those counties had a reduction of greater than 20%, while all other counties combined experienced almost no reduction whatsoever.

ISP used more troopers on patrol and increased the number of marked squad cars on roadways in 2006. During 2006, 62 troopers returned from Indiana's gaming boats to road patrol. Moreover, as part of the Governor's plan to add 200 more troopers to Indiana's roads by 2008, the Indiana State Police will graduate its largest recruit class in history in July of 2007. This class will be followed immediately by another class of 75 to 100 recruits in late 2007.

Number of Traffic Fatalities



Department of Correction

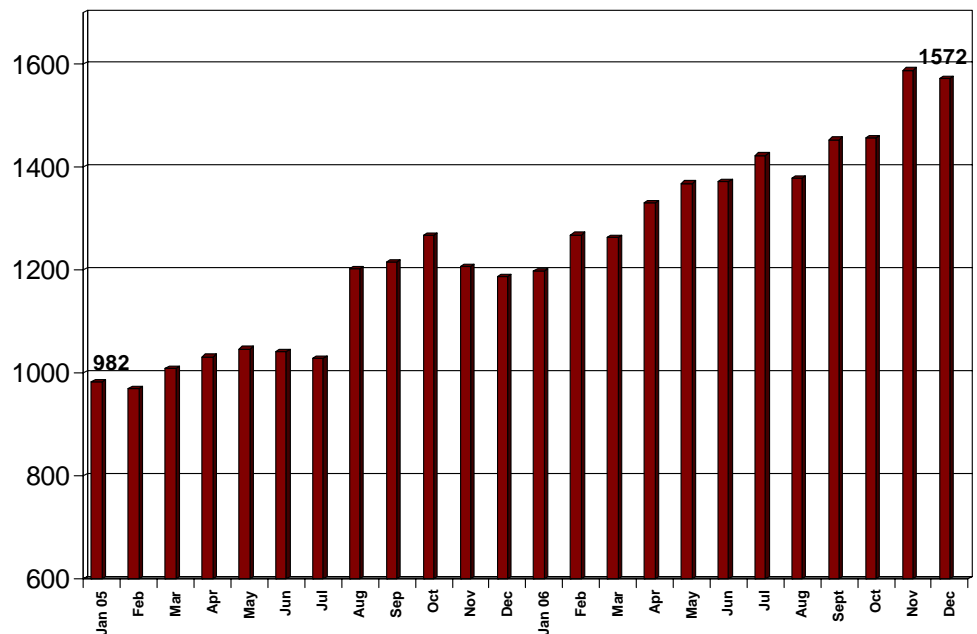
The mission of the Indiana Department of Correction (DOC) is to maintain public safety and provide offenders with self-improvement programs, job skills, and family values in an efficient and cost effective manner for a successful return to the community as law abiding citizens.

The DOC was a key participant in a coordinated effort to ensure the safety of the public. Prior to 2006, sex offenders were failing to register, the registry for sex offenders was filled with errors, and the computer application that supported the registry was not being maintained by the out-of-state vendor. The Department, with the help of the ICJI, obtained grant funds that rebuilt the registry using a new statewide web-based program that is supervised by the Department. The new user-friendly system, available at www.indianasheriffs.org, is the result of a cooperative effort by the Indiana Sheriffs' Association, DOC, ICJI, Attorney General's Office, and the Indiana State Police. The new Web site also links with the National Sex Offender Public Registry, operated by the U.S. Department of Justice. To improve the completeness of the registry, the Department successfully proposed a change in the law that now requires sex offenders to register prior to being released from incarceration.

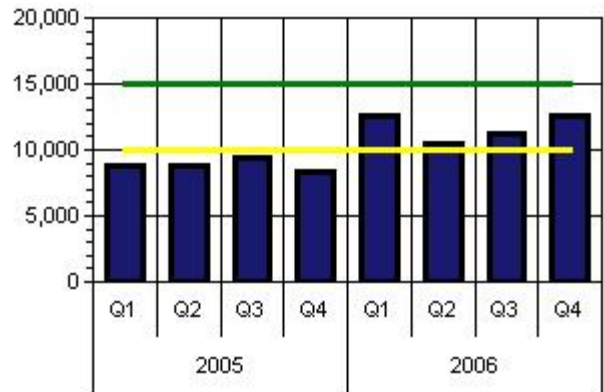
The DOC also launched a comprehensive initiative, called Road to Re-Entry, to provide offenders with the skills and opportunities to successfully return to their communities. Key elements of the initiative include:

- The Plainfield Re-entry and Educational Facility is the first of its kind in the country dedicated to preparing offenders for successful return back to one of eight central Indiana counties from which they were sentenced. This facility operates on the site of the former Indiana Boy's School, and readies offenders for the responsibilities they will face as free citizens, by matching them up with community resources and providing the supervision required. Since opening in January of 2006, 561 offenders have been assigned to the program after volunteering to participate. 192 of these offenders have graduated to some form of community release, such as parole, probation, work release, or community transition programming.
- Using only existing funds coupled with grants, donations and the time and dedication of nearly 900 volunteers, the Department expanded its Faith-based and Character Building offender housing units which the Department calls "Purposeful Living Units Serve", or simply PLUS units. Today the Department operates 16 of these program-intensive units; including what may be the first of its kind in the country to include juveniles hosted at the Indianapolis Juvenile Facility. As of January 2007, there were 1,204 PLUS participants, and there have been 320 graduates from these programs.
- The Department increased work opportunities for offenders within its prison industries division, PEN Products. The number of offenders developing job skills by working for PEN Products has increased by more than 60% over the past 2 years.

Offender Employment



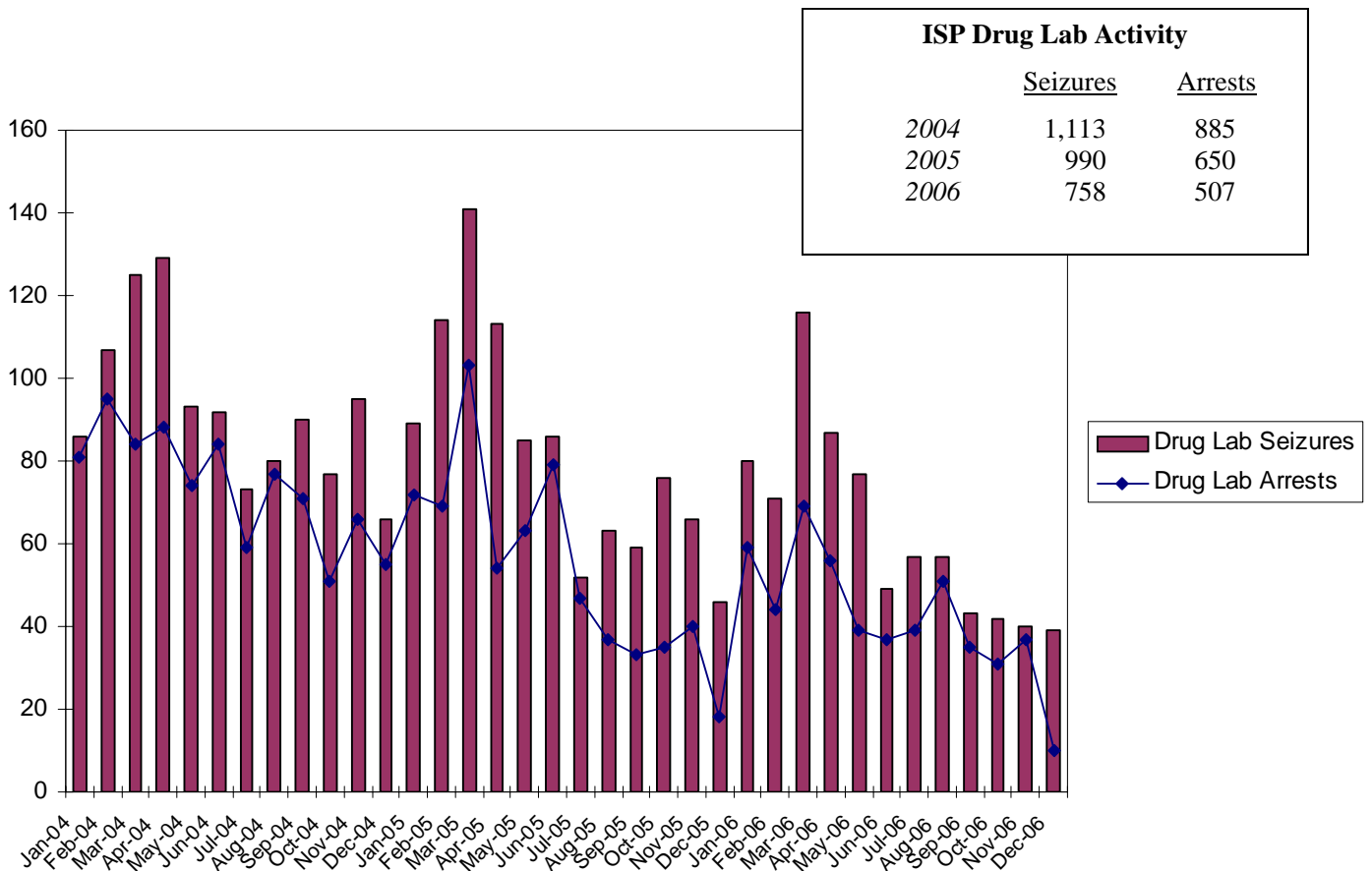
- Aiming to provide offenders with the tools to be successful to re-enter society, the Department has increased the number of offenders enrolled in education programs. Furthermore, with the overwhelming majority of offenders needing treatment for substance abuse, the Department has significantly increased the number of offenders enrolled in substance abuse programs.
- The Department developed and implemented a specialized intensive substance abuse treatment unit and program entitled “Clean Living is Freedom Forever (CLIFF)” to target methamphetamine addiction and abuse. There are CLIFF units at four facilities - Miami Correctional Facility, Wabash Valley Correctional Facility, Rockville Correctional Facility, and the Logansport Juvenile Correctional Facility. 821 offenders have graduated the program to date, and another 520 offenders are currently participating at one of the four facilities.



Number of offenders enrolled in education and/or substance abuse programs

Meth Free Initiative

Under the leadership of Governor Daniels, the Indiana Criminal Justice Institute (ICJI) coordinated the Meth Free Indiana Coalition, a group of over 30 state agencies, non profit organizations, and private sector businesses brought together to address this multi-dimensional public safety program. Since the creation of the Meth Free Indiana Coalition and the announcement of the Governor’s methamphetamine initiative, meth lab seizures are down 36% statewide and Indiana State Police (ISP) drug lab arrests are down nearly 43% since 2004.



*Does not include lab seizures and arrests by local law enforcement
 Source: Indiana State Police Crime Lab

Fusion Center

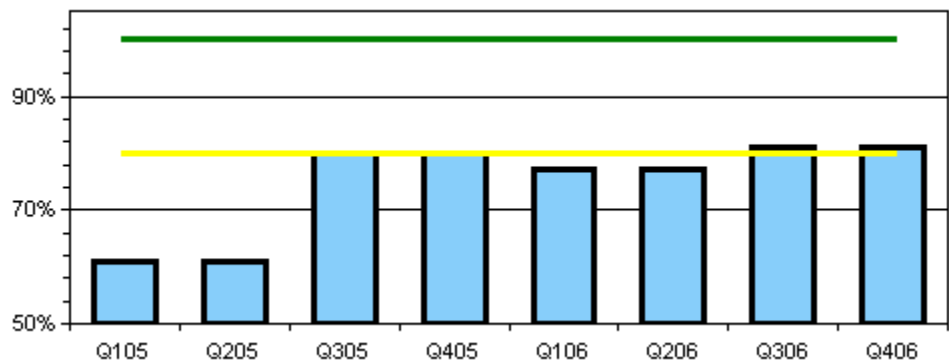
In a post 9/11 world, intelligence sharing and cooperation among law enforcement entities is critical. By leveraging \$1.8 million in US Department of Homeland Security (DHS) grant funds, the Indiana Intelligence Fusion Center (IIFC) was developed through a combined effort by the Indiana State Department of Homeland Security, the Indiana State Police, the Indiana Department of Natural Resources, the Indiana Excise Police, the Indiana Sheriffs' Association, the Indiana Association of Chiefs of Police, the Indianapolis Metropolitan Police Department, the Military Department of Indiana, the US Attorneys in the State of Indiana, and the Federal Bureau of Investigation. Through information collection, sharing and the analysis of that information between these various agencies, the IIFC will produce intelligence products for decision-making. This is the first time in Indiana that such an intelligence center with these capabilities has been established. In addition to collecting data/information on all crimes, it will specifically collect information as it relates to terrorism and its impact on Indiana. Indiana is the 20th state to develop an intelligence fusion center that will be supported by the assignment of personnel from the US DHS. The Fusion Center is placed within the Indiana Department of Homeland Security for administration and support and began operations on December 1, 2006.

Environmental Issues

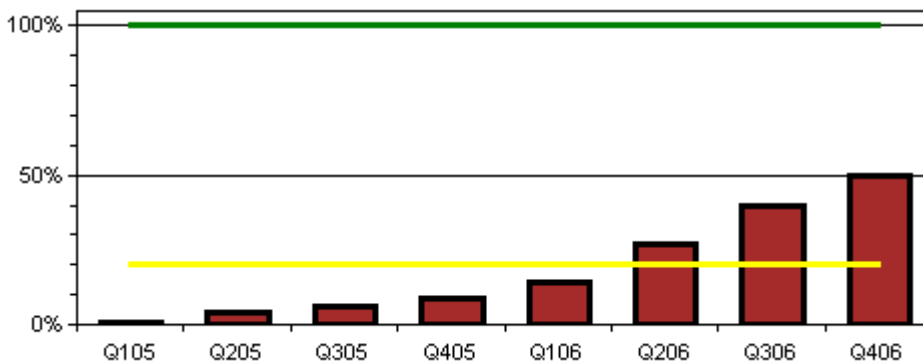
The Indiana Department of Environmental Management (IDEM) implements federal and state regulations to protect human health and the environment.

The percentage of Hoosiers that live in counties that meet or exceed air quality standards increased from 61% in early 2005 to 81% in late 2006. IDEM, in coordination with the U.S. Environmental Protection Agency (EPA), eliminated the requirement for residents of Clark and Floyd counties to have the emissions of their cars and trucks inspected while ensuring that air quality is protected.

Air Quality: % of Hoosiers that live in counties that meet air quality standards



In 2006, IDEM made a concerted effort to increase the number of local communities with approved Combined Sewer Overflow (CSO) plans to address the problem of discharge of untreated sewage during rain events. By increasing the number of local communities with approved plans, IDEM has improved water quality in Indiana and has reduced the likelihood of Federal water pollution litigation against Indiana communities, but the state is still only halfway to its goal of having a plan for every CSO community.



Untreated Sewage Release Prevention Plans: % of CSO Communities with approved programs to prevent the release of untreated sewage

Energy and Conservation

In August of 2006, Governor Daniels and Lt. Governor Skillman announced the “Hoosier Homegrown” Energy Plan, which aims at boosting Indiana jobs and growth to reduce energy dependency and increase reliability through greater production of various forms of energy within the state. Goals of the plan include:

- Substitute Indiana coal and biomass for current coal, natural gas, and petroleum imports to supply Indiana's energy to reduce energy dependency and increase reliability.
- Maintain and extend the state's competitive advantage of reliable, low-cost power.
- Produce electricity, natural gas and transportation fuels from clean coal and bioenergy. Build needed new power plants using "clean coal" technology and make synthetic gas from coal instead of importing natural gas.

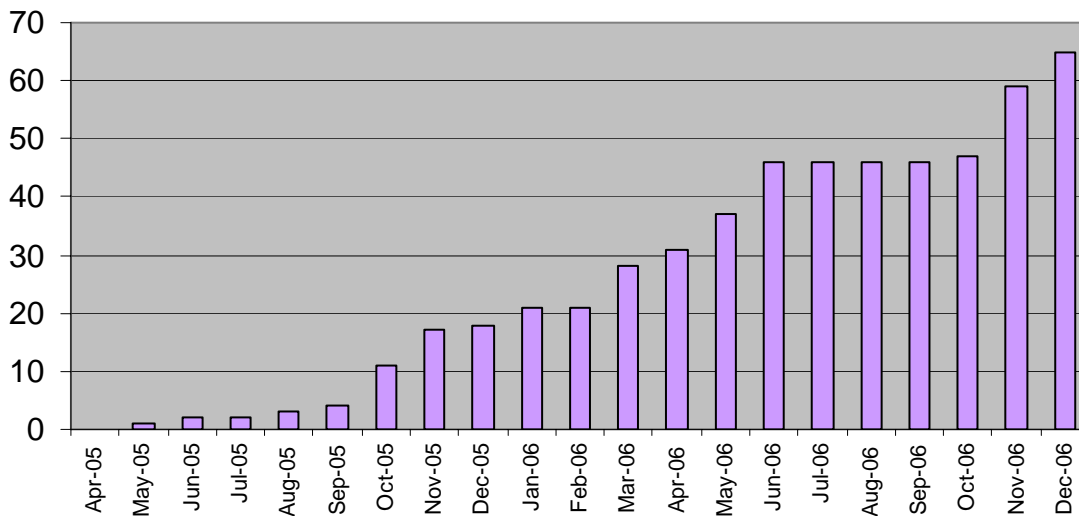
In 2006, 75% of the state's energy expenditures left Indiana to pay for imports of coal, natural gas and oil. Coal provides over 90% of electric generation in the state, but over 50% of coal consumed comes from outside of the state. Indiana has an abundance of coal -- 17 billion tons of reserves or 485 years of reserves at current consumption rates -- but it is high in sulfur content and requires clean air technologies to use productively. The energy plan calls for pursuit of clean coal technologies and building new generation facilities.

Coal Gasification: In October 2006, Governor Daniels announced plans to build a \$1.5 billion coal gasification plant that would be the first in the country to make pipeline quality natural gas from eastern coal. The plant, which is scheduled to be online in 2011, would create 300 new jobs to mine Indiana coal and 125 permanent jobs at the plant as well as about 1,000 construction jobs for four years beginning in 2008.

Biofuels: Indiana has propelled itself to a leadership role in biofuels.

- During the summer of 2006, the production capacity of the announced biofuels plants in Indiana surpassed the 1 billion gallon goal set for the end of 2008.
- Indiana went from zero E85 pumps at the beginning of May 2005 to over 60 at the end of 2006.

Number of Public E-85 Fueling Stations



BioTown: In 2006, BioTown, USA in Reynolds, Ind., gained national and international media attention for its revolutionary concept to make a small, rural town energy self-sufficient by utilizing agriculture products and by-products. The public-private partnership has been featured on ABC's *Nightline*, CBS's *The Early Show*, and the *New York Times*, as well as international television. Phase I, the biofuels component, was completed in 2006 with the opening of the Reynolds BioIsland, offering B20 and E85 to the public. More than 150 Reynolds-area residents have purchased flex-fuel vehicles. Phase II is also well underway with the announcement in May of the three technologies that will turn waste into electricity and the ground breaking for those technologies occurring this winter.

Leaner, Cleaner Government

Indiana's Budget Deficit

Eliminated structural deficit with no new taxes

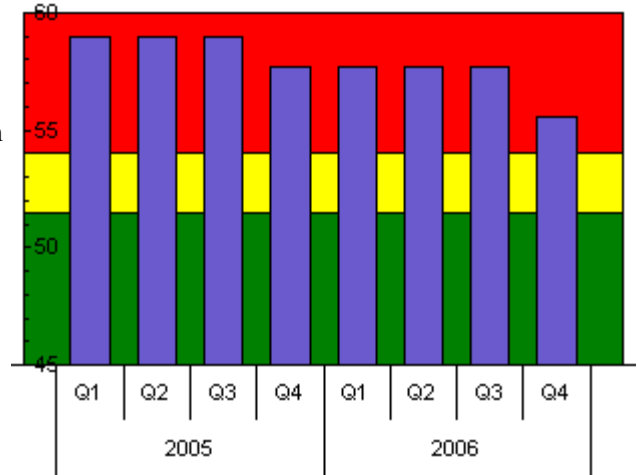
In 2005, the General Assembly passed the tightest state budget in 55 years, with planned spending growth of 2.6% in the first year of the budget. But actual spending through savings identified and captured by various state departments was limited to an even lower growth level of 1.9%. This rigorous spending restraint produced Indiana's first honestly balanced budget in over a decade.

Revenue exceeded expenditures by \$371 million in FY06. In the previous fiscal year, spending had exceeded revenue by \$201 million, and the state began FY06 with a projected budget deficit of \$131.6 million. Actual revenue for the General Fund / Property Tax Relief Fund, such as sales, individual and corporate income taxes increased 5.5% over last year, from \$11.43 billion to \$12.06 billion. The 5.5% growth does not include one-time revenue such as tax amnesty or the Medicaid bed tax.

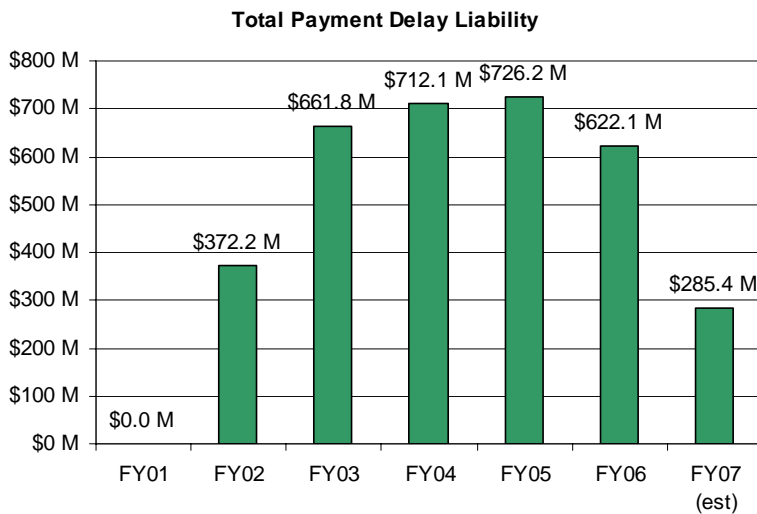
Highlighted Examples of Savings Achieved during 2006

- The Office of Medicaid Policy and Planning (OMPP) achieved the enrollment of over 500,000 Medicaid and CHIP (Children's Health Insurance Program) recipients in risk-based managed care, which is estimated to save \$7.1 million per month versus fee-for-service care. It has awarded contracts to 3 managed care organizations to assume responsibility for the care of the Maternal and Child and CHIP populations throughout the state.
- DWD stepped up its collection efforts for delinquent employers who owe the state their share of unemployment insurance taxes. Through a variety of means, including the filing of lawsuits, the department in 2006 has collected nearly \$3 million more than it collected in 2005. An additional \$11 million is being pursued through legal means.
- DWD developed and launched a new statewide case management system for Indiana's workforce delivery system. A case management system is a comprehensive record storage of customer data which allows easy access to the various services being provided to a customer across different workforce agencies. The new case management system became operational July 1, 2006 and represented an overhaul of the previous system. Savings are projected for the state of approximately \$2.1 million over four years under the new system.
- The Indiana Office of Technology (IOT) outsourced management of the state network to an Indiana company, reducing costs to state agencies between 25% and 57%.
- An effort to reduce the state's fleet of aircraft has resulted in the sale of 4 helicopters and 3 airplanes. This is part of a long-term plan to identify unused or underutilized state-owned assets, including aircraft, vehicles, real estate, and office equipment. The 7 aircraft sold for a total of \$1.6 million. Proceeds from the sale of the aircraft will be used to fund the purchase of replacement aircraft as needed over upcoming years, for an eventual state aircraft fleet of 12. The state owned 20 aircraft in January 2005.
- Delinquent taxes are being identified, billed and collected by the Department of Revenue in a timelier manner. Over 20,000 bills have been mailed, with collections topping \$48M.
- The Governor's OneIndiana initiative to use state government's purchasing power more wisely completed the sourcing of more than 30 categories in late 2006. Estimated annual savings exceed \$50 million with contract length savings projected to exceed \$200 million to state and local governments.

- The Department of Correction has reduced its average per diem cost at adult facilities for the second consecutive year by finding greater efficiencies, and contracting with third party vendors for the provision of food and medical services, as well as the operations of the New Castle Correctional Facility.



Average Adult Per Diem Cost at Department of Correction facilities (in dollars)



Repaid debts to K-12 and some universities

After achieving the state’s first balanced budget in eight years and its first true surplus in three years, Governor Daniels ordered the state to fully repay the debt owed to K-12 schools – \$160 million – in July 2006. This marked the complete payment of over \$300 million to K-12 schools from the previous era’s deficit spending.

Continued fiscal discipline will enable the state to pay back \$176.5 million to higher education and municipalities during 2007.

State’s Credit Rating

As a result of this fiscal discipline and the actions taken by the state to repay its debts to schools and local government, the state’s credit rating was upgraded by both S&P and Moody’s.

- In early 2006, Standard & Poor’s Ratings Service upgraded the state’s credit outlook to ‘AA+’ from ‘AA’, reflecting Indiana’s improved financial position. This was the first time Indiana’s credit rating had been at AA+ since 2002.
- In August 2006, Moody’s Investors Service upgraded the State of Indiana’s credit outlook from negative to stable for the first time in five years. Moody’s had rated the state as Aa1 (negative) since December 2001, and revised the outlook to Aa1 (stable). In its report, Moody’s cited the state’s diversifying economy and employment levels, a balanced budget, and repayments to K-12 schools and local governments as reasons for the outlook upgrade.

Indiana's Transportation Deficit

Governor Daniels' **Major Moves** initiative erased the \$3 billion transportation deficit and delivered a fully-funded 10 year comprehensive road and bridge plan for the state that will complete over 200 projects and create more than 130,000 Hoosier jobs.

The \$3.8 billion will be used primarily to fund the next 10 years of road and bridge construction throughout the entire state, including long-awaited projects such as the US 31 upgrade between Indianapolis and South Bend, the Hoosier Heartland Corridor, bridges over the Ohio River, a new terrain I-69 from Evansville to Indianapolis, Fort-to-Port and nearly 200 other projects.

In September 2006, the state of Indiana distributed \$240 million to the seven counties along the Indiana Toll Road, nearly twice as much as the total reinvestment in those counties in the 50-year history of the Toll Road.

In October 2006, the state of Indiana wired \$20 million to the Northwest Indiana Regional Development Authority (RDA) for use at the Gary/Chicago International Airport. The amount was more than five times what the Gary/Chicago Airport has received from the state in the history of the facility. An additional \$20 million will be wired to the RDA yet this fiscal year. This is part of the \$120 million the RDA will receive over the next 10 years as a result of the Major Moves initiative.

In October 2006, the state also made the first of two \$75 million motor vehicle highway distributions to all 92 Indiana counties. The money from the Major Moves initiative can be used by the cities, towns and counties for local road and bridge projects. The second \$75 million distribution will occur in 2007.

Internal efforts to change the culture of government; reduce the cost of government

Health Care initiatives

Tobacco Free Incentive - An incentive program was offered during open enrollment to improve the health status of employees and rein in claims expenses. To encourage employees to give up tobacco and to remain tobacco free, employees could obtain a \$500 reduction in their health plan deductible. Employees who agreed to remain tobacco free in 2007 and agreed to be subject to nicotine testing were eligible to participate. About 78% of the workforce enrolled in this program.

Health Savings Accounts - Introduced consumer driven healthcare programs to state employees with the implementation of a high deductible health plan with health savings accounts which went into effect on January 1, 2006. The State contributed \$1500 to the health savings account of each employee who subscribed to the plan as an individual and \$3000 to the account of each subscriber employee with family coverage. Approximately 1,250 employees participated. During the benefits open enrollment period in November 2006, a second high deductible plan was offered in addition to the one described above. The number of employees enrolled in a consumer driven plan has risen to approximately 5,400 for 2007.

Shared Services

Indiana Office of Technology (IOT)

IN.gov, the state's official Web site, purchased a content management system that will allow state communicators and webmasters to edit content on agency websites more efficiently and accurately. IOT negotiated an enterprise contract for \$500,000, nearly 65% off the list price. The software was purchased using funds generated by online services, not appropriated tax dollars.

IN.gov is preparing to redesign agency sites so that the state's more than 75 different agency Web sites are standardized and far easier to navigate. IOT also worked with the Professional Licensing Agency (PLA) to ensure that all licensing is performed by PLA. As a result, in 2006 three additional agencies' professional licensing were consolidated into PLA's systems, saving the state more than \$250,000.

IOT's IT centralization efforts continued full-force in 2006 with 94% of Indiana's executive branch consolidated to IOT. In addition to consolidating the DWD and Indiana State Department of Health datacenters, IOT also centralized the state's e-mail system and desktop support, providing the state with \$13.9 million in recurring annual savings.

State Personnel Department (SPD)

In 2006 SPD continued to centralize Human Resources services. The centralization strategy entails SPD providing direct HR services to an agency without the intermediary of an agency HR department. SPD has thus far centralized agencies covering more than half of all state employees, resulting in a net reduction of 198 positions devoted to performing HR services. In a number of cases, agencies re-deployed the resource to a function more critical to accomplishment of the agency mission.

Pay for Performance

Pay for Performance initiative - For the first time, government employees are being rated and paid based on their job performance. No longer are the best performers held to the same increases as the worst performers. Annual performance-based increases to base salary are now based on accomplishment of measurable performance objectives documented on a written performance appraisal.

Spot bonus program - The spot bonus program consists of cash awards ranging from \$100 to \$1,000 delivered by the agency head to individual employees who have demonstrated extraordinary performance. In 2006, 3,070 employees were recognized for their accomplishments and received a total of \$865,141.

Governor's Public Service Achievement Awards - The Governor's Public Service Achievement Awards recognize and reward with \$1,000 bonuses individual employees and teams who made significant measurable accomplishments to improving government efficiency, providing better customer service, or stretching tax dollars. There were 88 recipients in 2006.

Logansport State Hospital (competitive sourcing and bonuses) - Governor Daniels visited Logansport State Hospital on August 30, 2006, to recognize food service staff for successfully reducing food service costs even greater than their original proposal at the hospital in the 2006 State Fiscal Year. Bonuses were given to 77 employees totaling more than \$70,000.

Integrity and Accountability

Inspector General

Investigations in the newly created Office of Inspector General have resulted in 33 felony criminal counts filed against eight state employees and vendors.

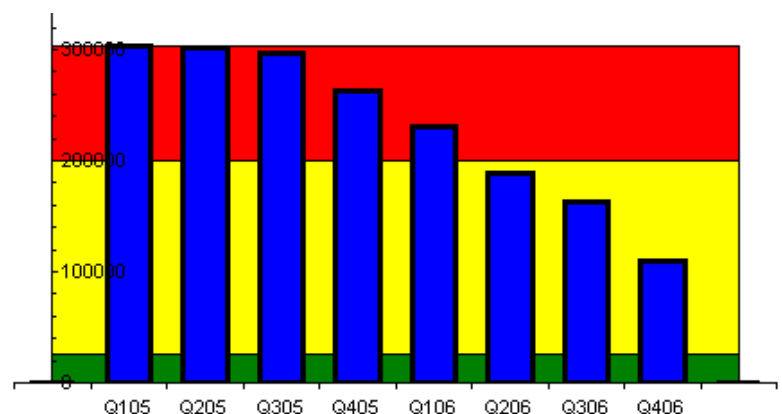
State fraud investigators and the Inspector General uncovered more than 1,000 convicted drug felons who were receiving welfare benefits illegally. These felons will be removed from the state's welfare rolls as individual findings are confirmed.

Improving Customer Service

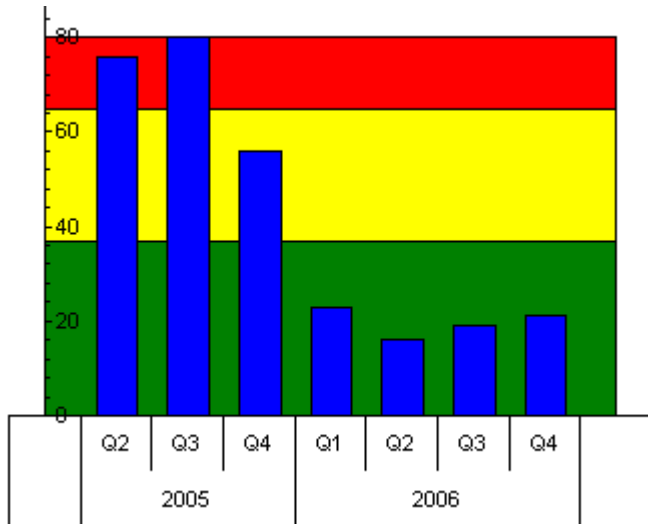
Governor Daniels consistently reminds state employees that Hoosiers are the customers of state government. Hoosiers deserve prompt and courteous customer service, especially since most of state government is funded with dollars forcibly removed from the pockets of Hoosier taxpayers. In fact, Governor Daniels kicked off a customer service workshop for government officials in early January 2007.

Examples of Improved Customer Service

- The Indiana Department of Environmental Management (IDEM) reduced its inherited backlog of uncompleted permit reviews by over 50%. More specifically, the backlog of water permits has been reduced by over 64% since early 2005.



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



PERF: Average number of days to complete a refund

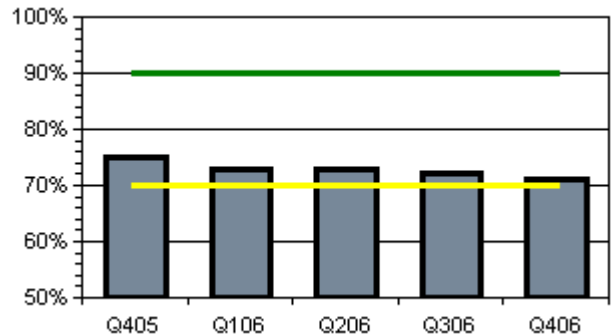
- The Public Employees Retirement Fund (PERF) reduced by months the time to process retirement benefits and distributions. For the month of December 2006, the percentage of retirees receiving their check immediately following retirement was 100%—compared to 5% in prior years.
- PERF Interactive now allows employers and members to interact and complete transactions electronically. The percentage of transactions handled electronically grew by over 60% in 2006.
- PERF also reduced by months the average number of days to complete a refund, from roughly 80 days in early 2005 to less than 20 days in 2006.

- The Indiana Economic Development Corporation (IEDC) continues to operate more like a business than a state agency, responding quickly and aggressively to attract jobs and investment to Indiana. The IEDC has dramatically improved its turnaround time for issuing pre-commit letters to companies interested in doing business in the state.



Average length of time (in calendar days) from receipt of completed project profile to issuance of pre-commit letter

- Work remains to improve customer service levels across all of Indiana state government. For example, the percentage of respondents rating the Department of Workforce Development (DWD) as above average or better in employer satisfaction decreased from 74.7% for the last quarter of 2005 to 70.8% during the final quarter of 2006.



Employers rating DWD above average or better on satisfaction surveys

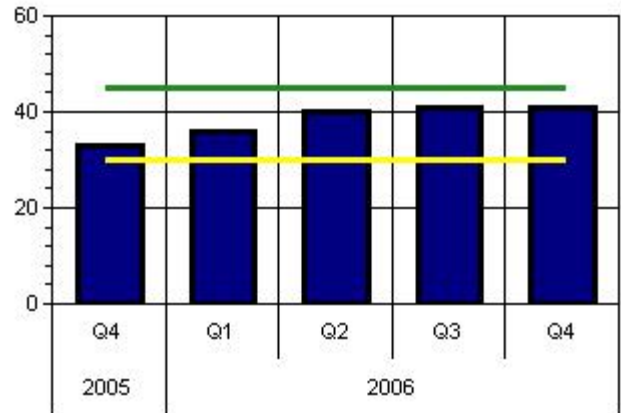


Use of Technology to Better Serve Hoosiers

State agencies and programs have also increased their use of technology to provide more timely, accurate, and customer-friendly service to Hoosiers.

Employers began to reap the benefits of a modernized unemployment insurance system as a new web system began offering more convenient and intuitive access to their unemployment insurance data. This initiative has resulted in a 50% reduction of filing time. Further changes and enhancements for claimants were scheduled to begin in early 2007. Indiana businesses can now make their quarterly unemployment insurance tax payments with a credit card or e-check online, or by telephone.

The Fire and Building Services Division within the Indiana Department of Homeland Security (IDHS) allows individuals and companies to submit their building plans electronically. Many customers prefer submitting their files electronically, especially since it significantly reduces their mailing costs. The percentage of building plans e-filed has grown steadily over the past year. In addition, IDHS has worked with Access Indiana/Interactive Indiana to develop an FTP secure link that will encourage more e-file submissions. The link will go live in 2007.



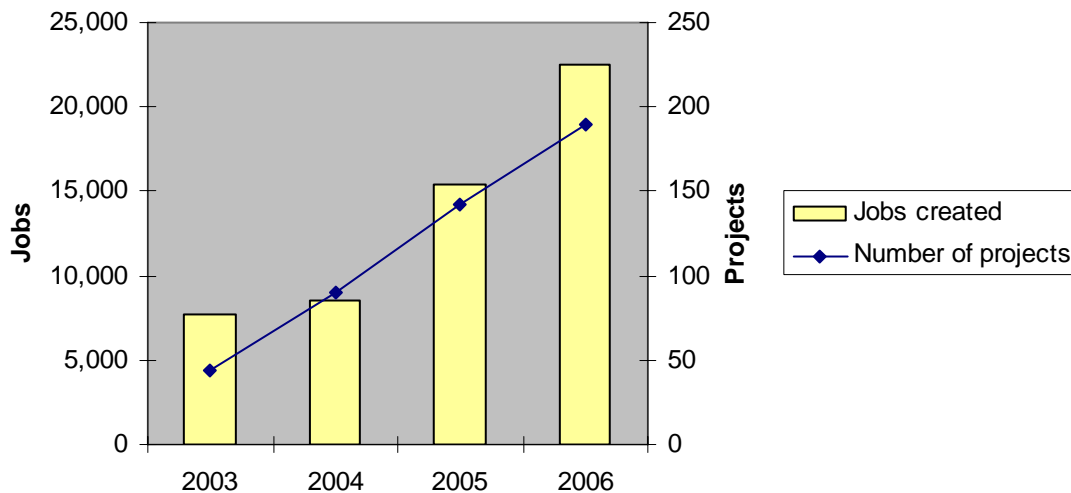
Percentage of building plans submitted electronically

Insourcing Indiana Jobs

Creating Job Opportunities for Hoosiers

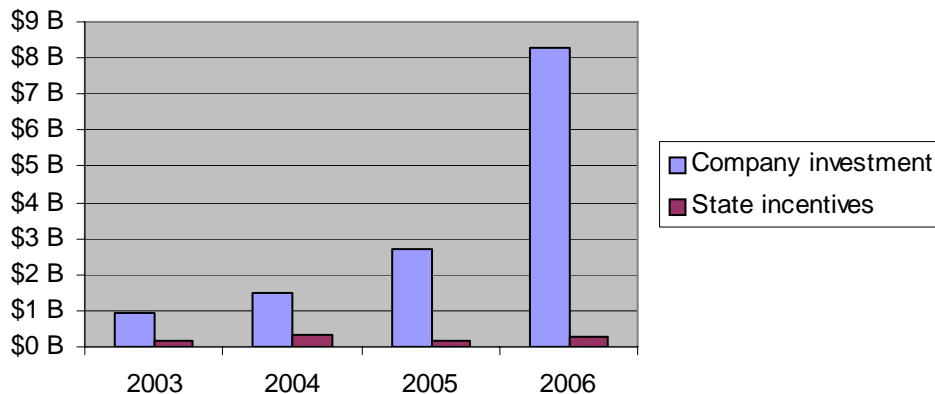
Competitive project activity for 2006 significantly exceeded results from a record year in 2005, generating more than 9,000 additional jobs in 2006 than 2005. The IEDC closed 189 competitive projects resulting in commitments to create over 22,000 jobs and invest over \$8.4 billion in private capital in our state. Each of these figures represents an all-time record.

Competitive Deals Closed by the IEDC



During 2005 and 2006, the IEDC completed 2.5 times as many projects, achieved more than twice as many job commitments, and accomplished more than 4.5 times as much in the way of investments pledged than its predecessor agency, the Department of Commerce, did in its final two years. Of note, the IEDC achieved these results while promising less in the way of state incentives (by nearly 10%). In short, state incentives from the IEDC during 2005 and 2006 amounted to roughly half as much as the \$24,400 per-job offered in the Department of Commerce's final two years.

Financial Contributions from Companies vs. State



Indiana has closed more deals creating 500+ jobs for Hoosiers in the last two years than during the previous four years combined.

- 2005-2006 completed deals creating 500+ jobs: **11**
- 2001-2004 completed deals creating 500+ jobs: **10**

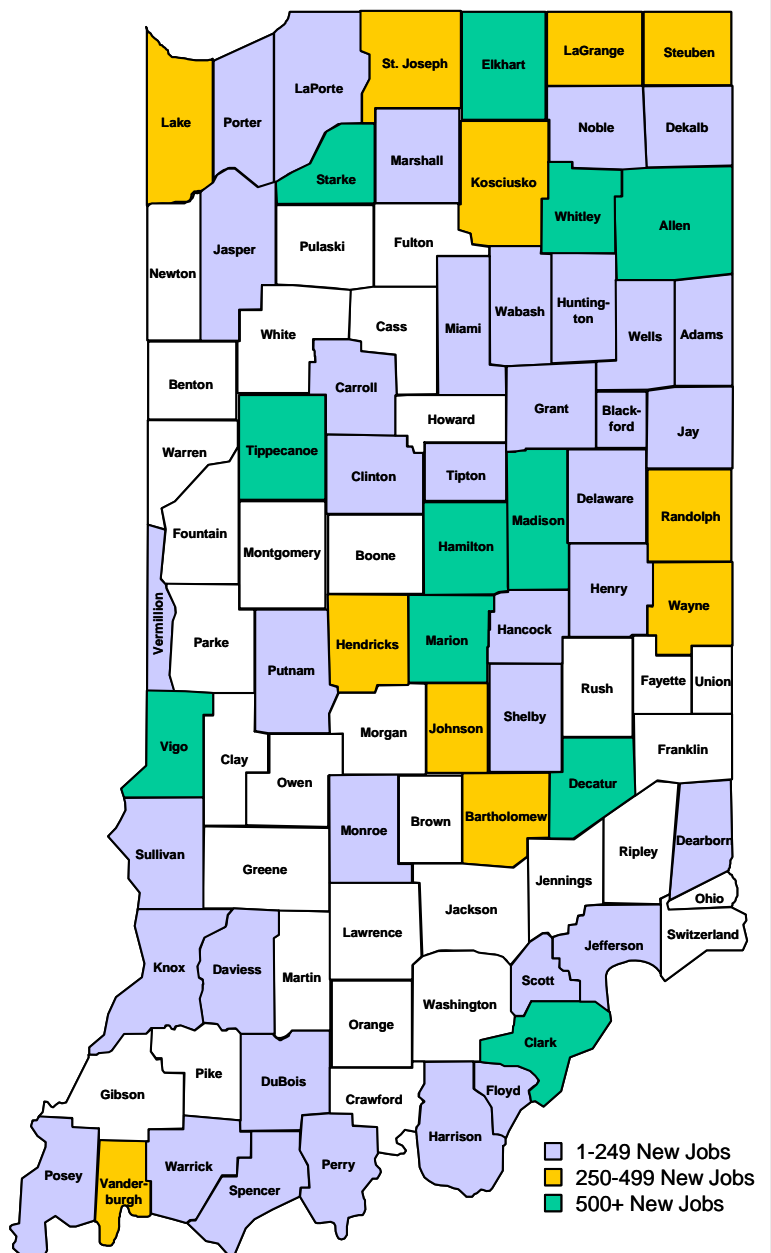
Indiana has closed more deals creating 250-499 jobs for Hoosiers in the last two years than during the previous four years combined.

- 2005-2006 completed deals creating 250-499 jobs: **24**
- 2001-2004 completed deals creating 250-499 jobs: **16**

Highlights of 2006 Closed Competitive Deals

- WellPoint will create about 1,200 jobs in Indiana with a new pharmacy specialty operation and expanded Medicaid services operations.
- Honda selected Greensburg for its newest North American automotive assembly plant creating at least 2,000 new jobs.
- Cummins, Inc. will add over 450 new jobs at the company's new light-duty clean-diesel engine production facility in Columbus.
- DOT Foods announced plans to build a regional distribution hub in Cambridge City creating 250 new jobs.
- Nestle will build a new facility in Anderson creating more than 300 new jobs.
- Rolls-Royce chose Indianapolis for a new major expansion creating 600 new jobs.
- American Commercial Lines will expand its corporate headquarters and Jeffboat division in Jeffersonville creating 1,100 new jobs.
- Pfizer chose its Terre Haute facility to produce its newly-patented form of inhaled insulin creating 450 new jobs.
- Sysco will build a new distribution facility in Hamlet creating 550 new jobs.
- IBM and its partners will create 1,000 new customer-service jobs in Indiana
- Shoe Carnival is growing in Evansville creating 280 new jobs.
- Toyota will build its Camry model in Lafayette creating 1,000 new jobs and making Indiana the only state in the country with two Toyota assembly plants.
- Cabela's announced plans to build a new retail mega-store and tourist attraction in Hammond creating 300 full and part-time jobs.

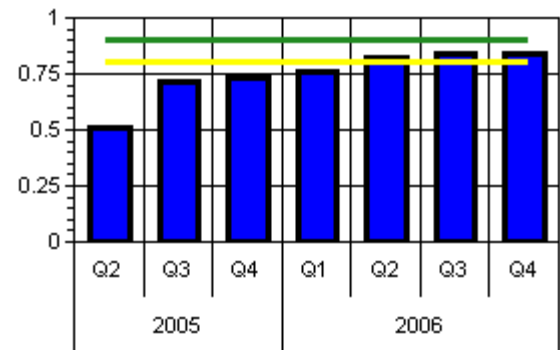
IEDC Competitive Completed Projects - 2006



Buy Indiana Percentages

Through measurement and stronger compliance with the Buy Indiana goal, the state's progress is steady and the percentage increasing: In January of 2006 the Buy Indiana number stood at 73%. In the first full year of purchasing under all five criteria, the state has increased that number to 84%. The jump from 60% (2005) to 84% of the state's total \$4 billion spend represents almost a billion dollars more spent with companies that employ Hoosier workers.

When reviewing the total number of contracts signed, the numbers are even better: 88% of all state contracts are now made with Indiana companies.



Buy Indiana:
Statewide disbursements

Building Businesses in Indiana

- Dixie Chopper was awarded the State's Quantity Purchase Agreement for large and small lawnmowers. The contract to replace 20+ year old lawnmowers at all Indiana Parks and Reservoirs properties is currently valued at \$650,000.00. Dixie Chopper is **headquartered in Coatesville**.
- The Asher Agency, **based in Fort Wayne**, was awarded a contract to handle all of the State's media buying services. This contract consolidated state agency media purchases formerly made with a combination of Indiana and out-of-state companies and provided significant savings for Indiana.
- Haverstick Consulting was awarded the Department of Workforce Development Unemployment Insurance Modernization Project contract, valued at \$24 million over three years. Haverstick is **headquartered in Carmel**. This contract was previously awarded to TATA Consulting of India.
- The custodial services contract for the Indiana Government Center went to Nishida, a **minority firm based in Indianapolis**. The contract is valued at \$5.4 million. The contract calls for a blended workforce between Nishida and state employees. No state employees have lost their job as a result of this contract.
- Anthem, MDWise, and MHS, all companies **headquartered in Indiana**, were recently awarded the multi-year \$4 billion FSSA contract for Hoosier Healthwise. These Indiana companies replaced California-based Molina, Ohio-based CareSource, and Illinois-based WellCare.
- Mid-America Health was awarded the comprehensive dental services contract for all DOC facilities. It is a contract valued at \$18 million over five years. Mid-America is **based in Indianapolis** with employees located across the state.
- The Café Group, an **Indiana company**, won the Indiana Department of Administration (IDOA) Cafeteria Food Services contract. The Café Group provides cafeteria services to the Government Center and pays annual rent to the state of \$240,000. They replaced Sodexo, a company headquartered in France.
- The Department of Revenue's Tax Amnesty Collection contract was awarded to Sallie Mae Company. Sallie Mae has **3,000 employees between their locations in Fishers and Muncie**. The contract amount is \$7.5 million.
- Dispatch Products, **based in Angola**, was awarded a contract valued at over \$100,000 to provide dispatch consoles for Indiana State Police posts. Previous awards for consoles went to companies in Colorado and Massachusetts.
- Strand Laboratories, **headquartered in Indiana**, provides DNA work for the Indiana State Police. They currently hold a contract for \$2.3 million.
- The Family and Social Services Administration's prime food contract with a Michigan based company was replaced by **2 Indiana headquartered companies**.

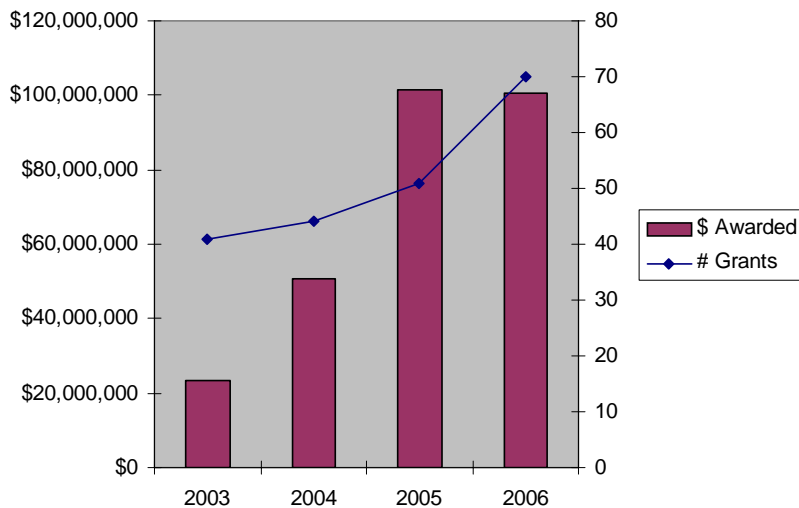
- In May 2006, the Department of Natural Resources (DNR) brought its centralized reservations operation back to Indiana by requiring InfoSpherix to open an operations center in Indiana. InfoSpherix has now opened a **new Midwestern Hub Facility** in Carmel, and projects capital investment of \$3,510,000 and 230 employees by the end of 2008. These employees will not only make reservations for Indiana's parks, but also for operations in South Dakota and the National Park Service contract. The DNR will save \$50,000 to \$90,000 per year on Camping Reservations as a result of this contract.
- The Department of Workforce Development (DWD) is utilizing several Indiana companies for the state's new debit card system. The debit cards are manufactured and sent out by Personix, a firm **located in Indianapolis**. DWD's customer-service call center has been **established in Gas City**.

State Jobs Impacting Local Economies

- Moved the State Health Insurance Assistance Program (SHIP), from Indianapolis to Anderson in late 2006. SHIP, in conjunction with 80 local organizations, provides free impartial health insurance counseling through 280 trained SHIP volunteers across the state. This State/Federally funded program employs 12 people who will be housed at the Anderson location in a building that has been vacant for over two years. This will further the Governor's directive to relocate, when appropriate, parts of state agencies from Indianapolis to areas that have been hard pressed economically.
- Opened and fully staffed a new mail processing center for the Bureau of Motor Vehicles (BMV) in Winchester, Indiana.

Bringing Federal Grants to Indiana

Federal Competitive Grants Received



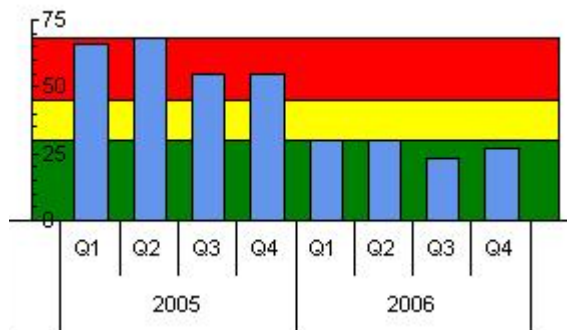
Governor Daniels created the Office of Federal Grants and Procurement (OFGP) by Executive Order in January 2005, with the goal of significantly increasing federal funds to Indiana by coordinating and facilitating the grant efforts of state agencies. Particularly, OFGP has focused on improving the State's performance in securing those federal grants offered on a competitive basis.

Since 2004, Indiana's competitive grant activity has increased significantly. In 2006, Indiana secured an additional 18 competitive federal grants than in 2005 and 25 more than in 2004. More importantly, Indiana again received almost double the money than it did in 2004. Bringing in over \$100 million, Indiana received \$46 million more in competitive grant funds in 2006 than in 2004.

Performance Measurement

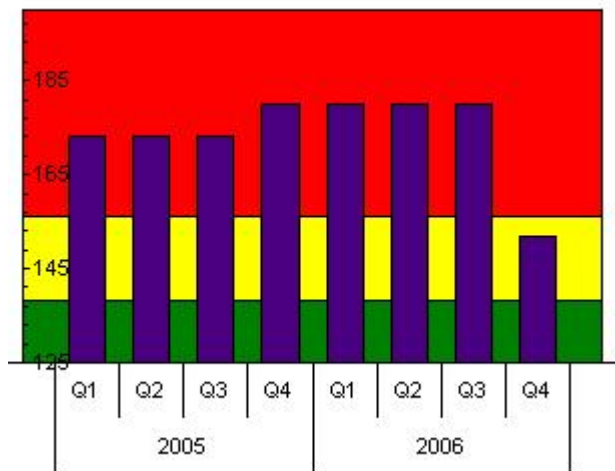
In addition to the performance measures presented throughout this report, below are some selected additional metrics which demonstrate the performance of various state agencies. To see results of the 250 performance measures currently established, visit www.in.gov/omb/gefp.

Agency metrics generally fall into one of three types of measures. The first type are *Efficiency* measures, which rate the cost-effectiveness of the agency or program. Five examples of Efficiency measures follow:



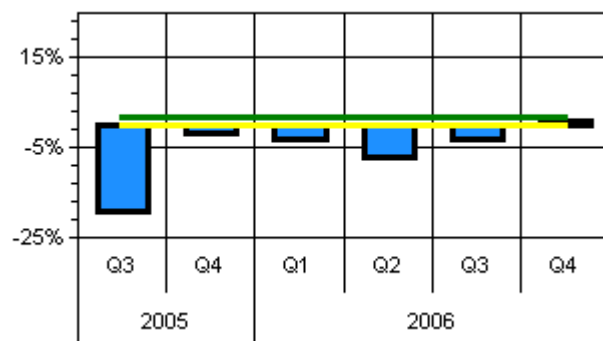
Alcohol & Tobacco Commission and Excise Police *Percentage of hours spent on paperwork vs. investigations*

The Alcohol and Tobacco Commission (ATC) and Indiana State Excise Police made efforts to increase the efficiency of their excise officers in addition to adding 26 officers to the force. By providing officers with better technology, the percentage of their time spent on paperwork vs. investigations dropped from nearly **70%** in early 2005 to roughly **25%** by the end of 2006.



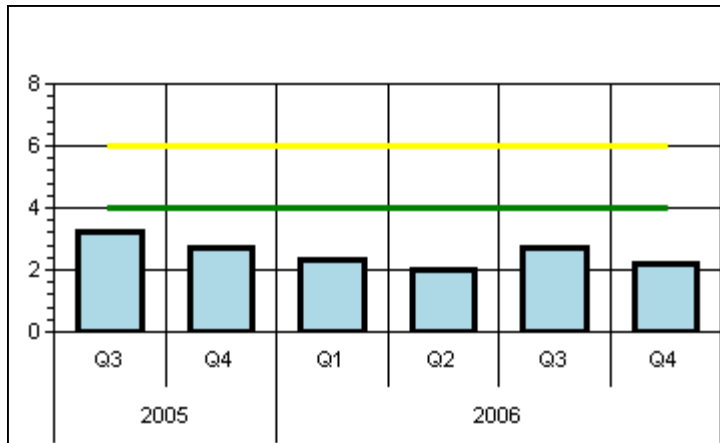
Department of Correction *Average per diem for juvenile facilities (in dollars)*

The Department of Correction (DOC) measures the efficiency of their operations as the average per diem (cost per day per offender). Confronted with increasing per diems at juvenile facilities, the DOC decreased the average per diem by approximately 15% in FY06, from **\$179.86** to **\$151.86**.



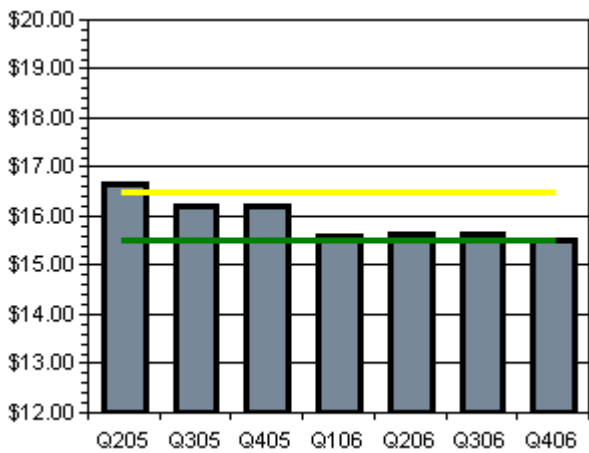
PEN Products *Profitability = Income as a percentage of sales*

PEN (Prison Enterprises Network) Products mission is to employ offenders in meaningful jobs, providing them with a work ethic and job skills and to operate their business in a self-sustaining manner. In addition to significantly increasing offender employment (detailed earlier in this report), PEN Products has made substantial strides in improving its financial situation. To note, PEN Products achieved its first profitable quarter in years (measured as "income as a percentage of sales") during the fourth quarter of 2006.



Indiana Economic Development Corporation
Average number of years to recover state investment (Payback period)

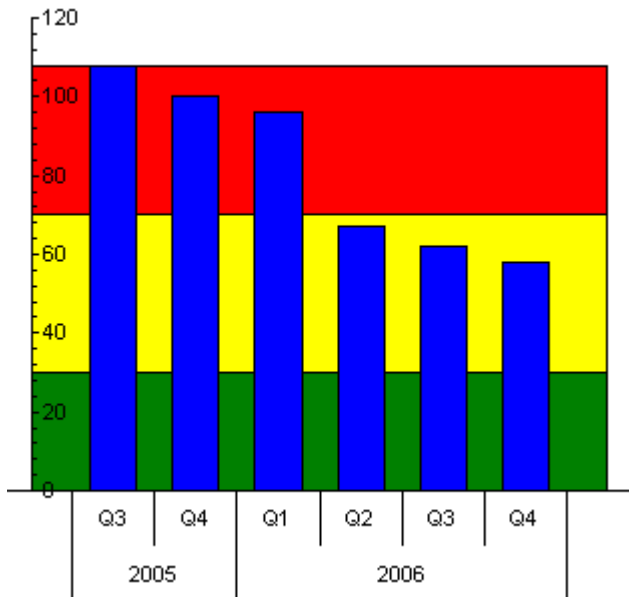
The Indiana Economic Development Corporation (IEDC) conducts a thorough cost-benefit analysis prior to committing any state resources to economic development projects to ensure they provide an economic return to the state. One such measure is the average number of years to recover the state's investment, known as the payback period. The IEDC has consistently exceeded its goal of a 4-year average payback period, with an average payback period of approximately **2.3** years for 2006.



Department of Revenue
Cost per taxpayer (General Fund only)

The Department of Revenue (DOR) measures the efficiency of its operations as the cost per taxpayer (in terms of General Fund dollars). By the end of 2006, the DOR achieved a **7% reduction** as compared to the second quarter of 2005. In actual dollars, the cost per taxpayer decreased from **\$16.66** to **\$15.50** during that time period.

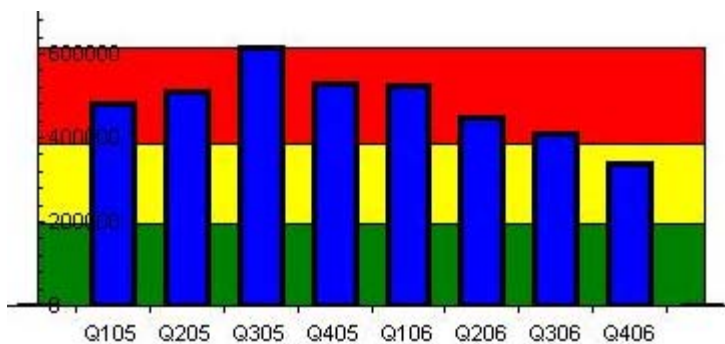
The second type of performance metrics are *Customer Service* measures, which measure an agency or program's responsiveness to the taxpayer. Four Customer Service metrics follow:



Public Employees Retirement Fund
Average number of days from retirement to first check

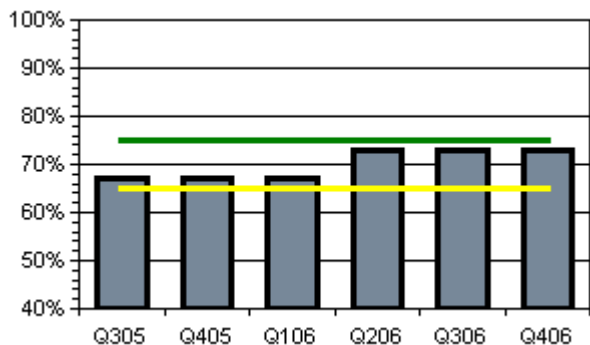
The Public Employees Retirement Fund (PERF) has implemented a number of initiatives to improve customer service. As a result, the average number of days from retirement to a retiree receiving his or her first check has decreased from **more than 100 days** in 2005 to **fewer than 60 days** by the end of 2006. In fact, many retirees are receiving their first check in the month immediately following their retirement.

Indiana Department of Environmental Management
Total calendar days accumulated in issuing air environmental permits, as determined by state statute



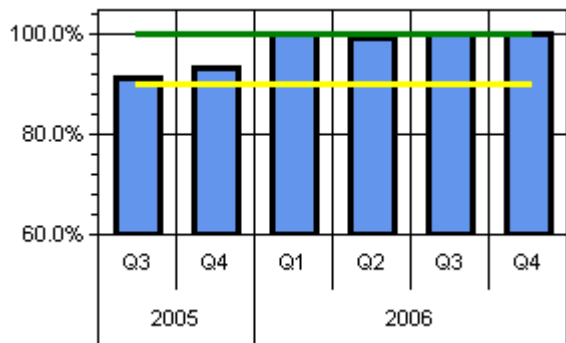
The Indiana Department of Environmental Management (IDEM) must balance the protection of the environment with being appropriately responsive to its customers. In early 2005, IDEM faced a large backlog of air permits, measured as the total number of calendar days accumulated in issuing air permits. IDEM has reduced this backlog for each of the past 5 quarters, with a total reduction in 2006 of **greater than 35%**.

Department of Revenue
Personal tax refund cycle time target ratio (percentage in 15 days or less)



The Department of Revenue (DOR) has increased its focus upon customer service, setting an ambitious goal of cycling 75% of all personal tax refunds in 15 days or less. The DOR improved its results from just **67%** during 2005 to more than **73%** for each of the last three quarters of 2006. As a result, Hoosier taxpayers are receiving their tax refunds in a more timely fashion.

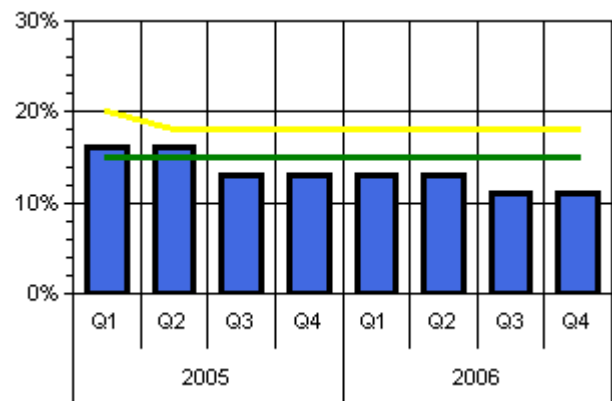
Indiana Department of Veterans Affairs
Customer Service Survey



The Indiana Department of Veterans Affairs (IDVA) has implemented a customer satisfaction survey at its Indianapolis office. Since implementing the survey, results have improved from **91.3%** satisfaction in the third quarter of 2005 to **nearly 100%** satisfaction for 2006.

The third type of metrics are *Program Performance* measures, which gauge how well agency programs are addressing the agency's mission. Five Program Performance measures follow:

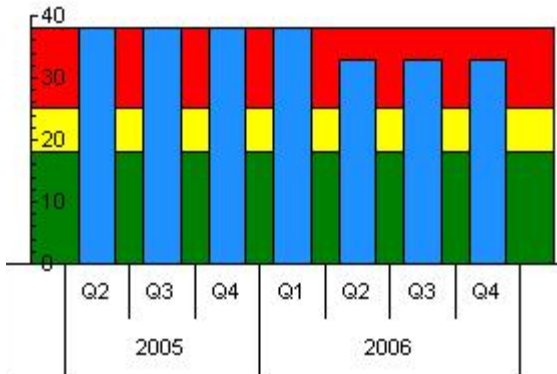
Alcohol & Tobacco Commission and Excise Police
Non-compliance rate (tobacco sales to minors)



Through regular inspections and investigations, the Alcohol and Tobacco Commission (ATC) and Indiana State Excise Police aim to decrease the sale of alcohol and tobacco to minors. This outcome, measured as the non-compliance rate, improved from **15.6%** in early 2005 to **11%** by the end of 2006.

Department of Correction

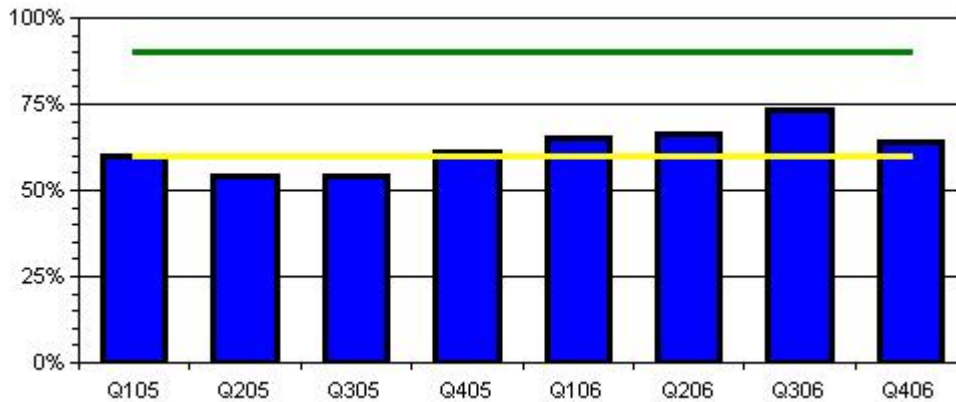
Percentage of released juvenile offenders who returned to DOC within 3 years of release



The mission of the Indiana Department of Correction (DOC) is to maintain public safety, and provide offenders with self improvement programs, job skills, and family values in an efficient and cost effective manner for a successful return to the community as law-abiding citizens. The most important measure of success for the DOC is the recidivism rate, the percentage of released offenders who return to the DOC within 3 years of release. The DOC offers various programs – substance abuse treatment, educational and employment opportunities, character and faith-based programs – in an effort to rehabilitate offenders. The recidivism rate for juvenile offenders dropped from **37.8%** to **32.8%** last year.

Department of Transportation

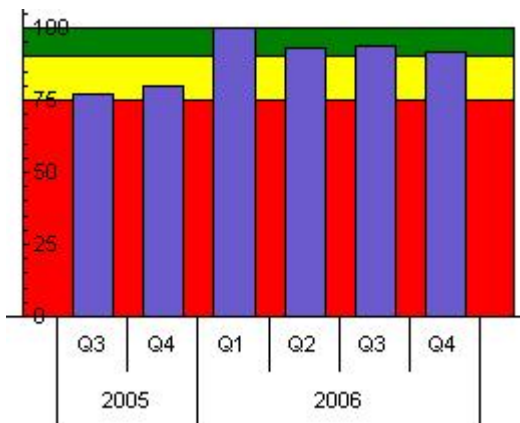
Percentage of construction projects completed on budget



The Department of Transportation measures the percentage of construction projects completed on budget (and on schedule). Performance has improved modestly, but is not at desired levels as **less than two-thirds** of projects were completed on budget during the fourth quarter of 2006.

Indiana Gaming Commission

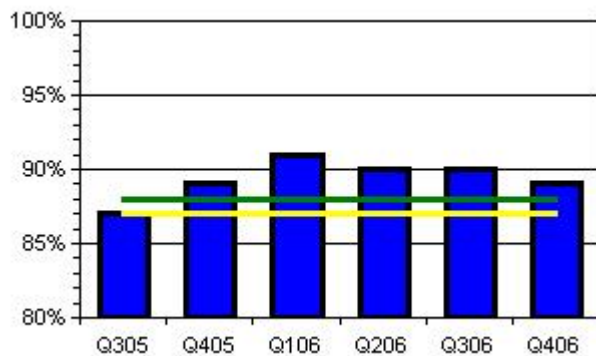
Percentage of previously identified deficiencies corrected at the time of the next unannounced audit



The Indiana Gaming Commission (IGC) licenses and regulates the state's 11 riverboat casinos. If audits, inspections, and enforcement actions are effective, then the licensees should quickly address any deficiencies identified by the IGC. As such, the IGC measures the percentage of previously identified deficiencies corrected at the time of the next unannounced audit. The percentage increased from **less than 80%** during 2005 to **at least 92%** during each quarter of 2006.

Department of Child Services

Placement stability = Percentage of children with two or fewer placement settings in the last 12 months



The mission of the Department of Child Services (DCS) is to protect children from abuse and neglect by partnering with families and communities to provide safe, nurturing, and **stable** homes. Thus, the department has established the goal of having 87.5% of all children with 2 or fewer placements in the previous 12 months. This outcome, known as placement stability, improved from **a low of 86.5%** in 2005 to **greater than 90%** for 2006.

Overall Agency Performance

It is not a straightforward task to place an overall rating on agency performance. Some metrics are more central to an agency's mission than others. However, no weighting has been assigned to individual measures. In an attempt to gauge each agency's performance by quarter, the following convention was used: **Green** -- two-thirds or more of metrics green (and none red); **Yellow** -- over one-half of metrics green or yellow; and **Red** -- one-half or less metrics green or yellow.

Agency	Q1 2006 Results	Q2 2006 Results	Q3 2006 Results	Q4 2006 Results
Administration	Yellow	Yellow	Yellow	Yellow
Alcohol and Tobacco Commission	Yellow	Yellow	Yellow	Yellow
Bureau of Motor Vehicles	Yellow	Yellow	Yellow	Yellow
Child Services	Red	Red	Red	Red
Coroners Training Board	Red	Red	Yellow	Yellow
Correction	Red	Red	Red	Red
Criminal Justice Institute	Red	Red	Red	Red
Economic Development Corporation	Yellow	Yellow	Yellow	Yellow
Environmental Management	Red	Yellow	Yellow	Yellow
Faith Based and Community Initiatives	White	Red	Red	Red
Family and Social Services Administration	Red	Red	Red	Red
Finance Authority	Yellow	Yellow	Red	Green
Gaming Commission	Yellow	Green	Green	Green
Government Efficiency & Financial Planning	Red	Red	Red	Red
Health	Red	Red	Red	Red
Homeland Security	Yellow	Yellow	Yellow	Yellow
Hoosier Lottery	Yellow	Yellow	Yellow	Yellow
Horse Racing Commission	Red	Yellow	Yellow	Yellow
Inspector General	Green	Green	Green	Green
Insurance	Yellow	Yellow	Yellow	Yellow
Labor	Red	Yellow	Yellow	Yellow
Law Enforcement Academy	Yellow	Yellow	Yellow	Green
Local Government Finance	Red	Red	Red	Red
National Guard	Yellow	Green	Green	Yellow
Natural Resources	Red	Red	Yellow	Yellow
PEN Products	Red	Red	Red	Yellow
Personnel	Yellow	Red	Yellow	Yellow
Public Access Counselor	Yellow	Yellow	Green	Yellow
Public Employees Retirement Fund	Yellow	Yellow	Yellow	Yellow
Public Safety Commission	Yellow	Yellow	Yellow	Yellow
Revenue	Yellow	Yellow	Yellow	Yellow
State Police	Yellow	Yellow	Yellow	Yellow
Technology	Red	Red	Yellow	Yellow
Transportation	Red	Red	Red	Red
Utility Consumer Counselor	Yellow	Yellow	Green	Yellow
Veterans Affairs	Red	Red	Red	Red
Workforce Development	Red	Red	Red	Red

Similar to the charts and figures for individual metrics appearing on page 1, performance measurement has driven improved results at the agency level as well. Although specific agencies have risen and fallen throughout the year, the total number of "red" agencies decreased from 17 in the first quarter of 2006 to 11 in the fourth quarter, and the number of "green" agencies increased from 1 to 4 over the same time period.

