

IEDC Agency Overview for FY 2012 and FY 2013 Budget

A. Programs and Functions

Agency Organization and Functions

The Indiana Economic Development Corporation (IEDC) is the State of Indiana's lead economic development agency. The IEDC was officially established in February 2005 to replace the former Department of Commerce. In order to respond quickly to the needs of businesses, the IEDC operates like a business. The IEDC is organized as a public private partnership governed by a twelve-member board. The IEDC Board of Directors is chaired by Governor Mitch Daniels and reflects the geographic and economic diversity of Indiana. The IEDC focuses its efforts on growing and retaining businesses in Indiana and attracting new business to the State of Indiana. Economic Development is the main objective of the IEDC and it has incorporated all state entities with economic development responsibilities into its organizational structure. The IEDC is also responsible for the development and implementation of Indiana's strategic plan for economic development.

The IEDC's operating divisions consist of Business Development, International Development, Small Business and Entrepreneurship, Marketing, and Finance. Interaction with external customers is managed principally through the Business Development, International Development and Small Business Divisions. The Marketing and Finance divisions primarily manage internal policies and procedures and work in coordination with other divisions within the IEDC.

The Business Development Division works with companies considering Indiana for expansion and attraction opportunities. Client contact is managed through a network of six regional offices around the state. Project managers within this division serve as a company's primary point of contact for the purposes of identifying project sites and pursuing state economic development incentives. These incentives consist primarily of tax credits based on job creation and capital investment, and grants to assist in worker training and public infrastructure improvements supporting economic development projects. The IEDC has focused our outbound attraction strategy along four verticals in which Indiana has a competitive advantage. Those areas are: Biotechnology, Automotive, Defense, and Energy. By focusing our efforts in those areas in which Indiana has a competitive advantage, the IEDC seeks to maximize our return on effort and resources invested in business outreach.

The International Development Division works to grow Indiana's relationship with the international business community and also coordinates closely with the Business Development Division on projects involving international companies. The IEDC's international outreach efforts, including trade missions to Japan and Europe, are managed through this division as well.

The Small Business and Entrepreneurship Division manages Indiana's efforts to support the growth of our state's entrepreneurial economy. These programs include the 21st Century Research and Technology Fund, the Venture Capital Investment Tax Credit, and the Small Business Development Centers.

The Marketing Division manages the IEDC's efforts to share information regarding our activities with businesses, communities, and other stakeholders. Additionally, the Marketing Division develops collateral materials containing information on Indiana and IEDC programs, and manages outreach events in coordination with the Business Development Division. The Marketing Division works in coordination with the Media Relations Division to develop the IEDC's market intelligence capacity.

The Finance Division carries out the IEDC's internal accounting functions and is responsible for the calculation of economic development incentive proposals as well as the monitoring of company compliance with incentive agreements.

Program Listing

Economic Development for a Growing Economy Tax Credit

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

Hoosier Business Investment Tax Credit

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

Venture Capital Investment Tax Credit

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

Media Production Expenditure Tax Credit

The Media Production Expenditure Tax Credit (MPETC) was established to further grow the Indiana production industry by providing individuals and companies a refundable tax

credit of up to 15% of qualified investment in a qualified media production project. The MPETC is refundable; therefore, if the amount of the MPETC exceeds the taxpayer's state income tax liability for that taxable year, the taxpayer is entitled to a refund of the excess of the credit amount over their state income tax liability.

21st Century Research and Technology Fund

The Indiana 21st Century Research and Technology Fund was created to stimulate the process of diversifying the State's economy by developing and commercializing advanced technologies in Indiana. The 21st Century Research and Technology Fund provides growth capital to entrepreneurial companies developing market changing technologies with substantial commercial potential.

Industrial Development Grant Fund

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

Skills Enhancement Fund

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

Economic Development Fund

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

Local Economic Development Organizations Grant Fund

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

B. Accomplishments and Challenges

The IEDC seeks to bring new job creation and capital investment opportunities to Indiana through competitive company attractions, expansions and consolidations. Between July 1, 2009 and June 30, 2010, the IEDC closed 192 competitive economic development projects. The companies undertaking these projects have committed to invest \$1.18 billion in Indiana and create 26,371 new jobs. For calendar year 2010, the IEDC has closed 135 projects year to date. These projects collectively represent commitments to create 17,850 jobs and invest \$2.8 billion of private capital in Indiana.

The IEDC uses an aggressive and strategic approach to attract and encourage new business investment and job attraction in Indiana. The IEDC in FY 2010 also focused on attracting companies that were looking to consolidate manufacturing plants or facilities to reduce business costs. Indiana's investment friendly business climate and competitive regulatory environment have been key assets in competing for these opportunities.

While the IEDC has consistently been aggressive in pursuing new economic development opportunities, we have also implemented policies to ensure that state resources are being used as judiciously as possible. In 2004, prior to the establishment of the IEDC, the average incentive cost per new job commitment was \$36,652. That figure fell to \$11,699/job in the first year of the Daniels administration and currently stands at \$8,715/job based on competitive deals closed in calendar year 2010. Along with many pro-investment policies established under Governor Daniels leadership, through thorough cost benefit analysis for each project and a businesslike approach to interacting with client companies, the IEDC has achieved record success in securing new job commitments while reducing the level of incentives necessary to win the deal.

The IEDC has also developed a comprehensive approach to attracting new international investment. In September 2009, Governor Mitch Daniels led dozens of Indiana business and community leaders on an investment mission to China and Japan for the IEDC's sixth overseas mission since 2005. Other international outreach efforts conducted in FY 2010 included a mission to Europe targeting specific economic development prospects and a reception held in Indianapolis hosting executives from the Chinese automotive industry.

In addition to aggressively pursuing competitive business development projects, the IEDC is also actively engaged in supporting the growth of Indiana's entrepreneurial sector through the 21st Century Research and Technology Fund. In FY 2010, the 21st Century Fund made twelve (12) new investments in Indiana technology businesses totaling \$12.65 million and made 66 federal match funding awards through the Small Business Innovation Research (SBIR) or Small Business Technology Transfer (STTR) matching program totaling \$6.72 million.

Despite these challenging times, 21st Century investments have attracted substantial federal and private sector matching funds on a 3 to 1 basis through which technical and business risks have been managed. Our SBIR/STTR program, which provides early-stage

proof-of-principle and product prototyping phases, results in a 4 to 1 leveraging of federal funds.

The IEDC's main challenge is to remain competitive in attracting job creation and investment opportunities in an economic climate characterized by a reticence to commence major capital investments. To that end, the IEDC has significantly enhanced our market intelligence and lead generation. Additionally, we have focused our outbound attraction strategy along four verticals in which Indiana has a competitive advantage. Those areas are: Biotechnology, Automotive, Defense, and Energy. By focusing our efforts in those areas in which Indiana has a competitive advantage, the IEDC seeks to maximize our return on effort and resources invested in business outreach.

C. Objectives for FY 2012 and FY2013

The IEDC's core objective is to promote the growth of Hoosier job opportunities and incomes through the attraction, and establishment of high wage, high growth businesses. In FY 2012 and FY 2013 the IEDC seeks to build upon our success thus far by continuing to aggressively pursue new economic development opportunities through domestic and international outreach programs. We will also work to diversify Indiana's economy through a multi-industry business development approach and continued investment in Indiana's entrepreneurial sector.

D. Agency and Program Metrics

Agency Metrics:

- Average years to recover state investment of economic development incentives
- Average wage of new jobs created as a % of state average wage
- Average wage of new jobs created as a % of national average wage

Major Fund Center Metrics:

- Industrial Development Grant Fund: Outcomes of Key Performance Indicators serve as a measurement of incentive program funds
- Twenty-First Century Fund: Outside capital investment leveraged by Twenty-First Century Fund awards
- Skills Enhancement Fund: Outcomes of Key Performance Indicators serve as a measurement of incentive program funds
- Administrative Fund: Outcomes of Key Performance Indicators serve as a measurement of staff efficiency

E. Budget Proposal

The attached budget request of \$84.3 million for the FY 2012 and FY 2013 biennium will provide the IEDC with the resources necessary to carry out its mission. The budget includes \$74 million in general fund requests and \$10.3 million in dedicated and federal funds. Approximately \$6.6 million per year or \$13.2 million total will be used for administrative expenses. Approximately \$35.55 million per year or \$71.1 million total will be used for economic development incentive programs. The IEDC strives to operate efficiently and effectively to maximize the impact of state funds on the development of Indiana's economy. The proposed budget finances the IEDC's operations and the valuable tools used to promote job creation and investment. Your consideration of the IEDC's budget proposal for FY 2012 and FY 2013 is appreciated.