

Indiana Economic Development Corporation
Agency Overview for FY 2014-2015 Biennial 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 Marketing, Business Development, International Development, Small Business and Entrepreneurship, Finance, and Legal and Compliance.

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

The Business Development Division works with companies considering Indiana for expansion and attraction opportunities. Client contact is managed through a network of six 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 China, Japan, Europe, and India 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. This division collaborates with the IEDC's strategic partner, Elevate Ventures, Inc., on efforts to foster small business growth and success.

The Finance Division oversees the awarding and administration of tax credits and incentives. They calculate the economic development incentive offers, manage the contract process, monitor company performance, certify tax credits and grant payments, and perform incentive audits. The division also carries out the IEDC's internal accounting functions.

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

Program Listing

Economic Development for a Growing Economy Tax Credit

The Economic Development for a Growing Economy Tax Credit (EDGE) is a refundable tax credit program that rewards companies 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. Qualified Investors who provide qualified debt or equity capital to Indiana companies receive a credit against their Indiana income tax liability.

21st Century Research and Technology Fund

The Indiana 21st Century Research and Technology Fund (“21 Fund”) was created to stimulate the process of diversifying the State's economy by developing and commercializing advanced technologies in Indiana. The 21 Fund provides growth capital to entrepreneurial companies developing market changing technologies with substantial commercial potential. The IEDC’s strategic partner, Elevate Ventures, Inc., provides administrative assistance for the 21 Fund such as company screening and recommendations for 21 Fund awards.

Life sciences companies are a vital driver of Indiana’s economic success. In order to grow this business sector, the IEDC is targeting a higher level of 21 Fund investments in life sciences start ups in FY 2014 and FY 2015. Life sciences businesses require more capital and a longer return timeline, and the funding will allow the IEDC to support more of these types of investments.

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 continues to become more competitive as states add programs and resources to vie for new and expanding businesses. The quality of Indiana’s workforce is a key factor in a company’s evaluation of our state as a location for their new project. The IEDC requests a significant increase in our investment in training to raise workforce skills, increase wage levels, retain existing jobs, and attract new jobs and investment. The additional funding will allow the IEDC to expand our training programs and to positively impact more companies and workers as well as strengthen our ability to compete for new projects.

Economic Development Fund

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

Local Economic Development Organizations Grant Fund

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

B. Accomplishments and Challenges

The IEDC seeks to bring new job creation and capital investment opportunities to Indiana through competitive company attractions, expansions, and consolidations. For calendar year 2012, the IEDC has closed 179 projects to date. These projects collectively represent commitments to create 17,574 jobs and invest \$2.99 billion of private capital in Indiana.

The IEDC uses an aggressive and strategic approach to attract and encourage new business investment and job creation in Indiana. In CY 2012, the IEDC has placed emphasis on building the state's brand outside of our borders. California, Illinois, New York, and New Jersey have all been targeted through various means in order to raise the awareness of decision-makers in those states about the strength of Indiana's business climate.

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 \$8,806/job based on competitive deals closed in calendar year 2012. Along with many pro-investment policies established under Governor Daniels' leadership, thorough cost benefit analysis for each project, and a businesslike approach to interacting with client companies, the IEDC achieved record success in securing new job commitments while maintaining the lowest level of incentives necessary to win the deal.

The IEDC also developed a comprehensive approach to attracting new international investment and has restructured our international presence in CY 2012 in order to generate new leads. To satisfy this goal, the IEDC first examined the historical

performance of our international contractors, their capacity, and the market potential around the globe. Then the IEDC chose which markets were most likely to provide leads and rebalanced our international personnel accordingly. Three agreements with contractors were not renewed in favor of either exiting that market (Australia) or increasing the focus by hiring full-time contractors focused on lead generation (Germany and China).

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 2012, the 21 Fund made five (5) new investments in Indiana technology businesses totaling \$3.45 million and made seven (7) federal match funding awards through the Small Business Innovation Research (SBIR) or Small Business Technology Transfer (STTR) matching program totaling \$525,000.

Despite these challenging times, 21 Fund 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 2014 and FY 2015

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 2014 and FY 2015 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:

- Number of projected new jobs
- Average hourly wage of projected new jobs
- Average years to recover state investment of economic development incentives

Major Program 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 \$117.4 million for the FY 2014-2015 biennium will provide the IEDC with the resources necessary to carry out its mission. The budget requests total \$92.6 million from the general fund and \$24.8 million from dedicated and federal funds, including requests for increases in funding of \$3.3 million for marketing (for the Business Promotion Fund) and \$18 million for the Skills Enhancement Fund training program.

Approximately \$6.6 million per year, or \$13.2 million total, of the IEDC's budget request will be used for administrative expenses. Approximately \$52.1 million per year, or \$104.2 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 2014 and FY 2015 is appreciated.