



AN EDUCATED WORKFORCE

ONE KEY TO INDIANA'S ECONOMIC FUTURE

In tough economic times, policymakers are more challenged than ever to identify options and pursue changes – especially when it comes to retaining and creating jobs. To complicate matters, our current downturn is accompanied by a large-scale transformation from a manufacturing, goods-producing economy to a global, knowledge-based economy. In the wake of these immediate and long-term challenges, Indiana is looking for every way possible to retain and create jobs, and to train the workers needed to fill them.

In the past, separate adjustments to our education and workforce development systems might have sufficed. But increasingly, the lines between education and employment have become blurred, the systems increasingly interdependent, and the pursuit of knowledge for employment's sake a lifelong endeavor. In this climate, there needs to be more coordination between learning and working. That, in turn, will spark and sustain economic growth. Accomplishing this transformation, however, requires more institutional flexibility, greater effectiveness and efficiency, and smart, forward-thinking allocation of public funds for education and workforce development. In short:

The seamless integration of the education, workforce development and business communities is essential to future economic growth in Indiana.

This is the central premise of this report informed by the work of the Policy Choices Education and Workforce Development Commission – one of three convened in 2010 to address the most critical issues facing our state's future. What's important now is that state leaders understand the root challenges of our changing economy, the shortcomings of our current educational and workforce development systems, and the choices available to turn things around.

Context: How is Indiana doing?

As the economy has transformed from a manufacturing base to a knowledge base, the need for education beyond high school has become more critical. The manufacturing jobs that once fueled Indiana's economy are disappearing.

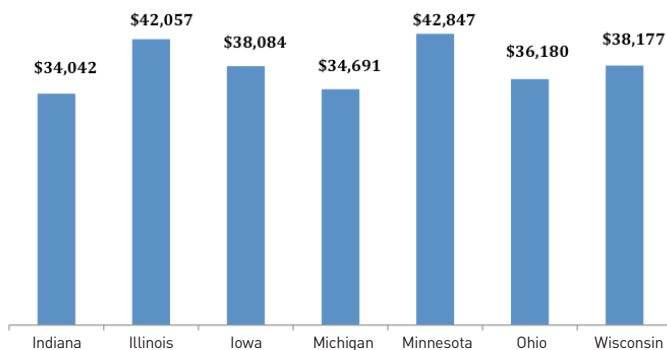
Too often, workers who'd been adequately prepared for yesterday's economy lack the skills necessary to compete in the current marketplace. Many must settle for positions that

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pay far less and that have little or no potential for upward mobility. The result is a workforce that's inadequately trained, underpaid and diminishing the state's earning and buying power.

Recent economic data highlight the current environment. In 2010, Indiana ranked 41st in the United States in per capita personal income, down from 33rd in 2000. Indiana ranks last among Midwestern states (Figure 1). In fact, during the past decade Hoosiers have seen per capita income increase by less than one percent, giving Indiana smaller income growth than all but four states in the nation.

Figure 1. 2010 per capita personal income, Midwest states



Source: Bureau of Economic Analysis (SA1-3 Personal Income Summary), 2010

Furthermore, Indiana's poverty rate currently exceeds 16 percent and places Indiana in the bottom third of the states nationally (Table 1). For Indiana to avoid another lost decade, the state must take the necessary steps to promote economic growth and raise the skill level of Indiana's workforce. The alignment of education, workforce development, and employer communities around this goal is essential to cutting poverty, increasing the per capita income rate and securing Indiana's economic future.

Table 1. Poverty rate by state, 2000 and 2010

State	2000	2010	Increase 2000 to 2010
Indiana	8.5%	16.3%	7.8%
Illinois	10.7%	14.1%	3.4%
Iowa	8.3%	10.3%	2.0%
Michigan	9.9%	15.5%	5.6%
Minnesota	5.7%	10.5%	4.8%
Ohio	10.0%	15.3%	5.3%
Wisconsin	9.3%	9.9%	0.6%

Source: U.S. Bureau of the Census, Current Population Survey, Annual Social and Economic Supplements

The need for a more educated workforce

Indiana's future economic growth and the prosperity of its residents will depend on the ability of Indiana's workforce to compete in the global economy. It is estimated that more than half of the job openings from now through 2016 will require postsecondary education:

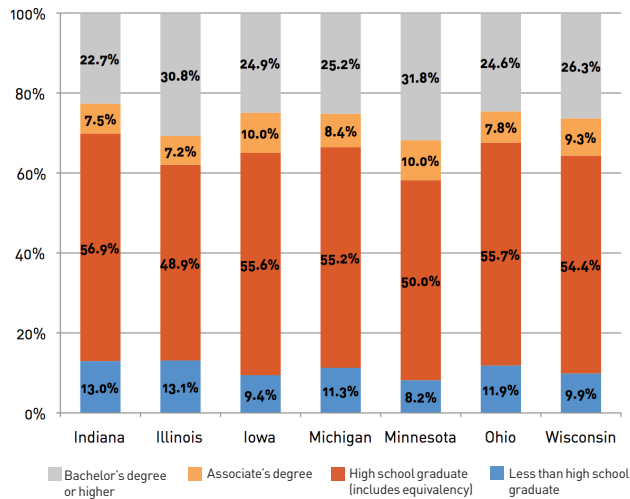
- The Georgetown University Center on Education and the Workforce recently reported that by 2018, 55 percent of Indiana's jobs will require some postsecondary education.
- The Lumina Foundation 2025 Goal seeks to increase the number of adults with postsecondary degrees and credential to 60 percent to meet future workforce needs.
- Many of these jobs, while requiring education after high school, can be filled by individuals with less than a four-year college degree, yet meeting the need for these "middle-skilled" jobs will be critical to addressing the growing demand for a skilled workforce.

To reach this ambitious educational goal and fill these employer needs, there is much work to be done. The 2010 American Community Survey found that slightly more than 30 percent of Indiana's population aged 25 and older has earned an associate's degree or higher (Figure 2). Among the Midwest states, Indiana ranks at or near the bottom for educational attainment.

These figures suggest that Indiana falls far short of Lumina's 2025 Goal and will have to effectively double the percentage of its population with postsecondary degrees.

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Figure 2. 2010 Top level of educational attainment (percent of population 25 and older)



Source: U.S. Census Bureau, 2010 American Community Survey (S1501: Educational Attainment)

In more detail: Why postsecondary education matters more than ever

Even with historic numbers of Americans out of work, employers across the country consistently struggle to find workers with the training and skills their businesses require. According to the Ready Indiana Annual Employer Workforce Skills Survey, “[a]ppplied skills such as communication and problem solving are the competencies most needed and also those most lacking in employees.” Especially troubling: a 75 percent increase from 2009 in the number of employers reporting a skills deficit. These indicators should be a warning signal to policymakers, business leaders and educators that Indiana’s workforce is not adequately prepared for the emerging economy.

In 1973, the share of America’s workforce with postsecondary education stood at 28 percent. By 2007, that number had risen to 42 percent. Projections show that by 2018, 63 percent of occupations will require some form of postsecondary education (Georgetown University Center on Education and the Workforce).

Furthermore, data show:

- A widening gap in employment and earnings between those with postsecondary education and those without.
- A close link between educational gains and productivity gains.

Consequently, Indiana’s short-term economic recovery and long-term economic health will largely be determined by our ability to manage and populate the pathways from education into the workforce.

For this process to work smoothly and serve such a massive increase in demand, Indiana will need greater collaboration between educational systems, government and business. The economic reality of our past has been shattered by the forces of globalization and emergent technologies. Failing to facilitate the meaningful restructuring of our workforce will risk our economic stability for generations. We cannot stop the structural transformation of our economy by refusing to acknowledge it and adapt to it.

Addressing the problem

During its 18 months of study, analysis and deliberation, the Policy Choices Commission on Education and Workforce Development examined relevant programs and initiatives outside Indiana’s borders, with particular attention to the education and workforce systems in neighboring states. While it is true that successful policy implementation in one state does not assure that same policy’s success in another, best practices from across the country provided insight into the tools available for improvement. (The appendix to the commission’s full report includes some highlighted policies and programs from other states, and can be found at www.policyinstitute.iu.edu/PolicyChoices.)

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GOALS AND OBJECTIVES FOR EDUCATION AND WORKFORCE DEVELOPMENT IN INDIANA

Goal

Create a highly skilled workforce in which two-thirds of workers have the degrees and credentials demanded by a knowledge economy.

Objectives

1. **Every Indiana resident should possess the basic skills required to remain competitive in the workforce and allow a successful transition to higher education or further training.**

Education has long played an important role in promoting economic growth and securing social mobility. It remains as transformative today as it has ever been. To ensure that Indiana remains globally competitive, every Hoosier – regardless of age, race, or income – should obtain a basic education level that fosters continued employability and increased educational attainment. The future of Indiana will be determined by our ability to educate and train our residents.

2. **The postsecondary education model must be broadened to incorporate the value of degrees and credentials other than a four-year bachelor's degree.**

While the need for citizens to continue their educations beyond high school is greater than ever, there are many degrees and credentials other than a four-year bachelor's degree that can provide career opportunities in growing fields. Many of the high-demand jobs of the next decade will require degrees and credentials that can be earned at a fraction of the cost and in much less time than a traditional bachelor's degree. Expanding the availability of these degrees and credentials – and aggressively promoting them – will be important to Indiana's economic health.

3. **Engagement with employers and the business community is vital to improving the education and workforce development systems.**

Though education is more than simply a means to an end, the graduates of Indiana's education systems are

only marketable if the skills they possess are desired by employers. Particularly important to the development of a skilled and competitive workforce and the Hoosier economy is the engagement of employers to ensure that the education and workforce development communities are responsive to the needs of the business community and that the supply of and demand for labor is reasonably balanced.

All three objectives contribute to Indiana's ability to compete in the global, knowledge-based economy.

There are two additional topic areas that received some consideration from the Commission but were ultimately not included as focus areas. In both cases their exclusion was not due to a lack of consensus; the Commission recognizes that they are important and warrant consideration but concluded that they were outside the scope of the Commission's work.

Early childhood education. According to the National Institute for Early Childhood Education Research, Indiana is one of only ten states (and the only Midwestern state) that does not have an early childhood education program. There is substantial research demonstrating the importance and benefits of early childhood education to human capital development and individual educational outcomes. Other states are taking steps to ensure their youngest students enter kindergarten ready to learn and increasing the likelihood that they will finish high school and possess the necessary skills to be successful in their post-secondary pursuits. Without adequate attention to early childhood education, Indiana risks falling further behind its Midwest peers and facing difficulty in producing the highly-skilled workers necessary to a thriving knowledge economy.

Education funding. Whether for K-12 or higher education, public support is essential if we're to double the number of postsecondary-educated Hoosiers. Indiana is blessed with tremendous assets at Indiana's major research universities and throughout the entire education system. These institutions are preparing our future workforce and also serve as engines of knowledge creation and economic development. Our workforce cannot and will not succeed if our colleges and universities do not educate the workforce of tomorrow. The value of public education is tremendous, but it is just as important to acknowledge the existence of limited funds, tight budgets and competing priorities. As a result, the policy options suggested here do not specify a

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specific level of funding but do assume a consistent level of funding; one adequate to sustain existing programs and services.

Policy options

These policy choices represent a diverse set of initiatives designed to address many of the gaps and shortcomings that exist in the education and workforce development systems. Again, while state policymakers can lead the way, this must be a collective effort of government, nonprofit organizations and private employers. Only by combining resources and initiatives can Indiana succeed.

ALIGN COLLEGE AND CAREER STANDARDS FOR GRADUATION FROM HIGH SCHOOL AND ADMISSION TO COLLEGE

1. **Integrate the final year of high school with the initial year of postsecondary education for secondary school students who consistently demonstrate proficiency of college and career readiness academic standards.**

Preparation for success in higher education should be the primary goal of the K-12 system. The assessment of students in high school should focus on telling students and their families whether they are ready to take credit-bearing courses. College-ready should be defined as not requiring remediation in college at any level.

Indiana has recently taken steps to allow students who complete their high school education in three years to skip their last year of high school and use their senior year high school funding to offset college tuition. Though the plan will likely not apply to many students, it does demonstrate the kind of innovative approaches that are needed to make Indiana's education system more efficient.

Whether sending prepared high school students to college or bringing college to high school students, it is clear that we must do a far better job of aligning the educational missions of secondary and higher education. Greater integration of these distinct but interdependent stages in education can produce a system that is faster, cheaper and more responsive to the needs of Indiana's economy.

2. **Increase dual credit enrollment so that two-thirds of Indiana students will leave high school with at least six college credits.**

The current goal of the Indiana Department of Education is to have 25 percent of Indiana's high school students complete dual credit coursework or pass an AP exam. To reduce postsecondary expenses and increase academic preparedness, more students should be enrolling and completing dual credit courses. The current Core Transfer Library includes 25 priority courses, for which tuition is limited, in 10 subject areas. Overall, the Core Transfer Library includes more than 80 courses.

To prepare students for career success in a knowledge economy, it's important to eliminate waste and redundancy in the matriculation process while increasing students' exposure to the academic rigor of postsecondary coursework.

Students who enroll in dual credit courses and leave high school with transferable college credit are far more likely to earn a college degree than their peers who do not. Increasing dual credit enrollment will not only decrease the time and expense of earning a degree, but it also will help make the transition to college far less difficult.

3. **Identify those students unprepared for postsecondary education and training and utilize the final year of high school to provide appropriate remediation.**

Students who leave high school without the necessary tools to succeed in college face significant challenges and additional costs in the pursuit of higher education. A 2008 report by the Indiana Commission for Higher Education, *Preparing Students for College Success*, found that:

- Nearly 26 percent of recent high school graduates take a remedial math or English course or both in college.
- 76 percent of remedial reading students and 63 percent of those requiring remedial math do not complete a college degree.

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The cost of remedial education is enormous and wasteful. Every Indiana high school graduate should be prepared for entry-level, credit-bearing college coursework. Allowing students who fail to meet this standard to enroll in college sets them up for failure and creates a substantial burden on the resources of postsecondary institutions. Students who fall below the standard required for success in college should be identified and provided with tailored instruction to ensure their post-graduation success.

Though we do not support burdening educators and students with more standardized testing, there must be some mechanism for determining which students are prepared to succeed after graduation. Whether a graduate plans to enroll in a four-year degree program, two-year degree program or earn job skills credentials, they must demonstrate academic proficiency. Illinois utilizes a statewide student assessment, the Prairie State Achievement Examination. It's given to all of the state's 11th graders to measure proficiency in reading, science, math, and writing. Conducted over two days, the PSAE combines subject matter competency exams with WorkKeys assessments for applied learning.

4. Increase the options available to Hoosiers in the delivery of secondary and postsecondary instruction through the use of technology, alternative schools and accelerated pathways.

Learning should not depend on where students learn or even how they learn, but whether they have the skills, knowledge and competencies to be successful at the next level of education or work. There are growing efforts nationwide to restructure secondary education to reflect the changing education and workforce landscape.

In one such effort, the Early College High School Initiative, 13 partner organizations are creating or redesigning more than 250 small schools that blend high school and college. Since 2002, the Early College High School Initiative has started or redesigned more than 230 schools in 28 states and the District of Columbia. The schools are designed so that low-income youth, first-generation college goers, English language learners, students of color and other young people underrepresented in higher education can simultaneously earn a high school diploma and an associate's degree or up to two years of credit toward a bachelor's degree tuition free. Iowa, Michigan, Ohio and Wisconsin are all participating Midwestern states.

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REDESIGN THE STATE'S WORKFORCE TRAINING, ECONOMIC DEVELOPMENT AND POSTSECONDARY EDUCATION STRATEGIES FOR WORKERS TO ENSURE THAT THEY REMAIN COMPETITIVE IN THE LABOR MARKET

- 1. Expand accelerated degrees and intermediate credentialing programs so that many more Hoosiers are prepared for good paying, high-demand jobs.**

Accelerated degree programs should become the primary means of delivering associate degree and certificate-level programs over the next five years. The state's public and private colleges and universities should focus more on ensuring that graduates can demonstrate that they have the knowledge, skills and learning capacities to apply their learning in a variety of work and life settings.

Ivy Tech Community College is implementing a pilot program using the Tennessee Technology Centers model. Tennessee Technology Centers offer certificate and diploma programs in more than 50 occupational fields. With affordable tuition and evening classes, the Tech Centers provide low-cost education in areas where students can quickly apply their instruction in well-paying jobs. In collaboration with business and industry, these centers serve as Tennessee's primary providers of workforce development.

The primary objective of the Tennessee Technology Centers is the placement of students in gainful employment upon program completion. Each center makes comprehensive job placement resources available to students, including individual counseling, interviewing skill development, job leads and interview scheduling, resume and application package development, letters of recommendation and referral assistance, and part-time job placement assistance during training.

To promote student success, and ensure that applicants are adequately prepared for their program, minimum test scores must be achieved before acceptance into

particular programs. The Center at Nashville in 2008-2009 had a program completion rate for students of over 70 percent. While awarding more than 600 certificates and diplomas, 81 percent of graduates secured jobs in their field of training. The institution further boasted a pass rate on licensure and certification exams taken by students of over 97 percent.

This model aligns the supply and demand for skilled labor. Each technology center provides technical training so that workers can obtain the skills needed for advancement in an increasingly competitive job market while helping businesses and industries meet their skilled labor needs.

- 2. Create an Office of Economic and Workforce Development by integrating the Indiana Economic Development Corporation with the employment and training division of the Department of Workforce Development.**

This alignment will connect job generation with job training and placement and help improve the efficient delivery of services and resources. This agency should focus its efforts on aligning economic and workforce development at the regional level. The agency also should prioritize workforce training leading to industry-recognized credentials for the use of federal and state job training funds and should include the programmatic integration of remediation as necessary.

To streamline and improve economic development efforts, many states have reorganized various state agencies. Recently, legislation in Florida approved the creation of the Department of Economic Opportunity. The agency combines economic, workforce and community development activities. Similar to many state departments of commerce, the agency allows the governor to provide \$2 million in economic development incentives without legislative approval.

The Department of Economic Opportunity offers a number of programs for employers and jobseekers. Florida Ready to Work is a credentialing program that allows individuals to obtain employment credentials and helps employers identify qualified candidates.

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The Florida Research and Economic Database (FRED) provides applicants, employers and site selectors with detailed information on training opportunities, degree completion and job openings for locations across the state. They also conduct an annual job vacancy/hiring needs survey that identifies current and future openings and targets employment re-training efforts.

3. **Align the state's policy-setting initiatives for postsecondary education and training under the Commission for Higher Education, with specific emphasis on increasing system capacity and efficiency that will increase postsecondary attainment.**

There are currently three different entities (Commission for Higher Education, Commission on Proprietary Education, State Student Assistance Commission of Indiana) responsible for setting policy for postsecondary education. Consolidating these agencies would lead to policy alignment and greater ability to affect the state's inadequate postsecondary education attainment rate. This consolidation must be more than simply a structural change; it must involve granting greater authority to the Commission for Higher Education to address the critical needs of the postsecondary system.

4. **Incorporate the majority of the state's career and technical education into the revamped Commission for Higher Education.**

From combined state and federal sources, more than \$100 million is spent annually on career and technical education at the secondary level. Because two-thirds of the jobs being created require postsecondary credentials, that same proportion of the money should be invested at the postsecondary level and managed through the Commission for Higher Education in programs culminating in an industry-recognized credential.

5. **Increase promotion and utilization of The Benefit Bank to ensure residents are receiving all eligible federal and state benefits.**

The Benefit Bank provides a web-based system that allows users to see what state and federal benefits they are eligible to receive. Public funds are often underutilized because applicants are embarrassed,

intimidated or unaware of the benefits for which they qualify. The system is currently free to use and is available to public, community, social service and nonprofit entities. Efforts to make it available on community college campuses should be accelerated.

Ohio has been a national leader in the development and implementation of The Benefit Bank. The system in Ohio is a partnership between the governor's office and local governments, nonprofits and faith-based organizations. With the involvement of state and local government, users are able to determine their program eligibility and complete their applications concurrently.

A 2010 report found that more than \$2.3 billion in benefits remain unclaimed by Ohioans each year, with 97 percent of these being federal benefits. With an investment of just \$16 million from public and private sources, nearly \$140 million in federal benefits for Ohioans was generated. In 2010 alone, The Benefit Bank helped residents access more than \$70 million in benefits. Finally, the report found that more than 70 percent of those who completed the application process were approved for at least one benefit program and that half of the clients said they were unlikely to have applied for benefits without The Benefit Bank.

Indiana is currently in The Benefit Bank network but has failed to fully implement the product. Purdue Extension Health and Human Services is the statewide partner, and a number of local sites have registered, but the connection with the state has not been completed. At this point, users are able to determine whether or not they are eligible for programs but must visit another site or office to apply for benefits. This is not only cumbersome but fails to eliminate the embarrassment that discourages many to apply for benefits.

Research shows that a small amount of additional support could have a substantial impact on Indiana's educational attainment. Access to financial aid and other incentives could make the difference in determining whether a student completes a degree. Indiana can remove many barriers for students to complete their educations and for workers to upgrade their skills simply by improving the delivery and reach of programs meant to assist them.

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INCREASE PARTICIPATION BY EMPLOYERS IN THE DESIGN AND DELIVERY OF THE WORKFORCE DEVELOPMENT SYSTEM

1. Provide tax incentives for businesses that hire new workers and train incumbent workers.

According to the 2010 Ready Indiana Annual Employer Workforce Skills Survey, employers believe their employees would benefit from additional training, and cite cost as one of the leading factors limiting participation. Providing incentives to employers that offer training opportunities that lead to credentials or support higher wage industries would benefit Indiana's economy, workforce and support economic development efforts.

One state that has made a concerted effort to improve the training level of its workforce is Iowa. In 2005 and 2006 Iowa had a per capita job training program expenditure of over \$42, making it the highest in the nation. For comparison, Indiana spent only \$5 per capita. Iowa offers seven training programs for new and existing employees in Iowa and includes targeted efforts to meet the need for workers in high-demand occupations. The Industrial New Jobs Training provides an opportunity to finance the training of new employees through bonds and withholding taxes generated by the new positions. Training is administered by Iowa's community colleges and essentially is delivered at no cost to the state or to employers.

In addition to programs that encourage and support the development of partnerships between businesses and local community colleges to development training programs, the Iowa Student Internship Program provides grant funding to award scholarships to businesses with 500 or fewer employees in targeted industries. The goal is to match employers with in-state talent and lead to full-time employment after graduation. These types of programs have had a great deal of success at aligning the skills of workforce to the needs of Iowa's employers.

2. Create a statewide skills bank to connect employers with the skilled workers they require.

Even with many Hoosiers out of work, employers consistently report difficulty in finding workers with the skills and credentials they value. A skills bank – a public repository of information regarding workforce credentials – would be a useful tool for employers, economic developers, and educators in evaluating the available talent within a region. Such a resource would accelerate the efforts to increase the proliferation of valuable credentials and provide important information to site locators about the available workforce. The demand for workers with specific skills and credentials will only increase over the next decade and a skills bank would serve to align the supply of and demand for these skills.

South Carolina maintains a skills bank database that provides specific information about certificates issued in the state. Employers can utilize the database to get detailed breakdown regarding the number and type of certificates issued within a WIA (Workforce Investment Act) region. This tool helps businesses make informed decisions about the availability of a skilled workforce within South Carolina. Data related to the number and level of certification can be retrieved in a matter of seconds from the online skills bank.

Implications of these policy choices

Only through enhanced education and workforce development can Indiana and its citizens enjoy a future of full employment, economic growth and shared prosperity. While Indiana benefits from an impressive collection of higher education institutions, current graduation rates suggest that Indiana will not, with its current model alone, achieve the critical two-thirds level for workers with postsecondary degrees and credentials. As the nation recovers from the Great Recession, our education and workforce development systems must do more with less. This unenviable task – increasing the productivity of our systems without compromising quality or dramatically raising costs – will require difficult decisions and creative approaches to enhance the efficiency, effectiveness and productivity of our education and workforce systems.

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About Policy Choices

The Indiana University Public Policy Institute, part of the IU School of Public and Environmental Affairs, developed Policy Choices for Indiana's Future to identify critical issues facing Indiana in the long run. For elected officials, candidates for public office, their policy advisors and those who seek to inform their decisions, Policy Choices provides objective, nonpartisan analysis and recommendations of policy options to address these key issues.

Any objective look at a state's future could cover a wide range of issues – from homeland security to arts and culture, entitlement programs to economic development, pre-school education to eldercare. But everything we do or hope to do – everything – depends on the future of our state's economy.

For that reason, Policy Choices for Indiana's Future chose to focus its research and recommendations on three areas that will have major impact on the collective well-being of our state and the people who live and work here:

Education and workforce:

Develop the highly skilled workforce necessary for economic growth in a knowledge economy.

Energy and the environment:

Leverage the state's energy assets in an environmentally responsible, productive manner.

Tax policy:

Create a balanced tax environment that:

- 1) Enables growth
- 2) Generates the revenue required to efficiently deliver essential services and make the infrastructure investments that will keep Indiana competitive.

Because the issues involved in these three areas are large and complex, Policy Choices relied on the work of three commissions:

- Commission on Education and Workforce Development
- Commission on Energy and the Environment
- Commission on State and Local Tax Policy.

Each commission included members of the Public Policy Institute's Board of Advisors, plus additional members from around the state selected because of their subject-matter expertise. Randall Shepard, Chief Justice of the Indiana Supreme Court and Mark Miles, President and CEO of the Central Indiana Corporate Partnership, led the overall project. Staff leadership was provided by the IU Public Policy Institute. You may find Policy Choices work products at www.policyinstitute.iu.edu/PolicyChoices.

The three commissions worked for 18 months to conduct research, prepare analysis and develop options for effective public policy. The three commission reports were then presented to and accepted by the IU Public Policy Institute's Board of Advisors, which now presents these findings, recommendations and choices to Indiana policymakers. The board hopes that policy choices resulting from this report will help Indiana secure a bright economic future.

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The IU Public Policy Institute (PPI) is a collaborative, multidisciplinary research institute within the IU School of Public and Environmental Affairs (SPEA). PPI serves as an umbrella organization for research centers affiliated with SPEA, including the Center for Urban Policy and the Environment and the Center for Criminal Justice Research. PPI also supports the Indiana Advisory Commission on Intergovernmental Relations (IACIR).

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