Indiana is the Most Manufacturing Dependent Economy in the U.S.

2019 Manufacturing as a % of GDP

Indiana: 27.58%
Top 10 States by 2019 Manufacturing GDP (In Millions)

- California
- Texas
- Ohio
- Illinois
- Michigan
- North Carolina
- Indiana
- Pennsylvania
- New York
- Georgia
Indiana 2019 GDP Share by Industry

$103.3 Billion

$2.8 Billion

Publicly Funded
ECONOMIC FORECAST
Brian Burton, President & CEO
### Key economic indicators for Indiana

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Units: Percent change</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll employment</td>
<td>1.0</td>
<td>0.9</td>
<td>0.5</td>
<td>0.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Unemployment rate (%)</td>
<td>3.4</td>
<td>3.4</td>
<td>3.1</td>
<td>3.2</td>
<td>3.4</td>
</tr>
<tr>
<td>Wage income</td>
<td>4.0</td>
<td>3.4</td>
<td>3.5</td>
<td>3.8</td>
<td>3.9</td>
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<tr>
<td>Personal income</td>
<td>4.8</td>
<td>3.8</td>
<td>3.4</td>
<td>3.8</td>
<td>4.0</td>
</tr>
<tr>
<td>Real gross state product</td>
<td>2.0</td>
<td>0.6</td>
<td>1.8</td>
<td>1.4</td>
<td>1.2</td>
</tr>
<tr>
<td>Personal consumption exp.</td>
<td>4.1</td>
<td>3.7</td>
<td>4.2</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Housing starts (thousands)</td>
<td>20.6</td>
<td>20.4</td>
<td>21.8</td>
<td>21.2</td>
<td>20.6</td>
</tr>
<tr>
<td>Share of multi-family (%)</td>
<td>18.3</td>
<td>16.2</td>
<td>15.5</td>
<td>16.4</td>
<td>16.9</td>
</tr>
</tbody>
</table>
Health care, construction have added the most net new jobs over the past year

Change in Indiana payroll employment, Sep 2018 - Sep 2019

Health & social services
Construction
Prof. & business services
Transport & warehousing
Education
Federal government
Financial services
Utilities & mining
Information
Other services
Wholesale trade
State & local govt.
Manufacturing
Retail trade
Leisure & hospitality

Job change = 19,400

Source: IHS Markit
## US economic growth by sector

<table>
<thead>
<tr>
<th>Real GDP and its components</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Percent change</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real GDP</td>
<td>2.9</td>
<td>2.3</td>
<td>2.1</td>
<td>2.0</td>
</tr>
<tr>
<td>Consumption</td>
<td>3.0</td>
<td>2.6</td>
<td>2.8</td>
<td>2.6</td>
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<tr>
<td>Residential investment</td>
<td>-1.5</td>
<td>-1.6</td>
<td>1.3</td>
<td>-1.0</td>
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<tr>
<td>Business fixed investment</td>
<td>6.4</td>
<td>2.2</td>
<td>1.7</td>
<td>3.2</td>
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<tr>
<td>Federal government</td>
<td>2.9</td>
<td>3.3</td>
<td>3.3</td>
<td>0.3</td>
</tr>
<tr>
<td>State &amp; local government</td>
<td>1.0</td>
<td>1.6</td>
<td>1.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Exports</td>
<td>3.0</td>
<td>-0.3</td>
<td>1.4</td>
<td>3.2</td>
</tr>
<tr>
<td>Imports</td>
<td>4.4</td>
<td>1.3</td>
<td>2.5</td>
<td>5.3</td>
</tr>
</tbody>
</table>

Source: IHS Markit

© 2019 IHS Markit
### Other key US indicators

<table>
<thead>
<tr>
<th>Key indicators</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent change</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial production</td>
<td>3.9</td>
<td>0.9</td>
<td>0.5</td>
<td>1.3</td>
</tr>
<tr>
<td>Payroll employment</td>
<td>1.7</td>
<td>1.6</td>
<td>1.2</td>
<td>0.8</td>
</tr>
<tr>
<td>Light-vehicle sales (Million units)</td>
<td>17.2</td>
<td>16.9</td>
<td>16.7</td>
<td>16.5</td>
</tr>
<tr>
<td>Housing starts (Million units)</td>
<td>1.25</td>
<td>1.26</td>
<td>1.29</td>
<td>1.28</td>
</tr>
<tr>
<td>Consumer Price Index</td>
<td>2.4</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
</tr>
<tr>
<td>Core CPI</td>
<td>2.1</td>
<td>2.2</td>
<td>2.3</td>
<td>2.2</td>
</tr>
<tr>
<td>Brent crude oil price ($/barrel)</td>
<td>71</td>
<td>64</td>
<td>57</td>
<td>52</td>
</tr>
<tr>
<td>Federal funds rate (%)</td>
<td>1.8</td>
<td>2.2</td>
<td>1.6</td>
<td>2.0</td>
</tr>
<tr>
<td>10-year Treasury yield (%)</td>
<td>16.0</td>
<td>2.1</td>
<td>2.1</td>
<td>2.7</td>
</tr>
</tbody>
</table>

Source: IHS Markit
US industrial production will rise after a mini-recession

Industrial production and real GDP

Source: IHS Markit

© 2019 IHS Markit
The US economic expansion will continue, with the unemployment rate reaching a low of 3.4% in 2020.
2020 LEGISLATIVE SESSION
Andrew Berger
Senior Vice President, Governmental Affairs
2020 SESSION

- Began Monday January 6th – Ends Wednesday March 11 – ONLY 8.5 Weeks.
- Indiana Senate
  - 40 Republicans, 10 Democrats
  - President Pro Tempore – Senator Rod Bray, Martinsville
- Indiana House
  - 67 Republicans, 33 Democrats
  - Speaker Brian Bosma, Indianapolis; Speaker Elect Todd Huston, Fishers.
- Major Policy Issues
  - Health care and hospital costs.
  - Hands free devices while driving.
  - Debt and capital project financing.
HEALTH CARE & HOSPITAL COSTS
Employers Forum of Indiana/RAND Corp. – Hospital Prices Study 2.0 (May 2019)

- Indiana hospital prices:
  - Highest of 25 states surveyed.
  - 25% above national average.
  - 311% above what Medicare reimburses for same period.
  - 2x Michigan hospital prices.

Kaiser Health
- Indiana employer plans have high premiums
  - 11th highest for families.
  - 19th highest for individuals.

Hospitals are the biggest driver of cost.
- 40% of Indiana health care spending is for hospital expenses.
Policy Proposals

Limit Surprise Billing
- Truth in advertising requirement – in-network hospital means everyone in-network.
- Consent requirement for out-of-network care.
- Set benchmark rate for all emergency care, i.e. reference to Medicare or local average price
- NOT arbitration.

Transparency
- Establish an All-Payer Claims Database
- Require providers identify themselves clearly in health care claims.
- Permit employers to obtain price, quality and contractual information by permitting confidentiality and gag clauses

Prohibiting Anti-Competitive Contracting Practices
- Prohibit anti-tiering or anti-steering clauses
- Prohibit “all or nothing” clauses
- Repeal “Any Willing Provider” law
OTHER HEALTHCARE ISSUES

• Smoking/Vaping Age 21.
• Authorize telemedicine for eye care.
• Coverage for chronic insulin needs.
• Pharmacy Benefit Managers.
• Medi-share for farmers.
• Non-Profit Status of Hospital Corps.
• Market Concentration of Hospitals and Insurance Providers
UNEMPLOYMENT INSURANCE
UNEMPLOYMENT INSURANCE

• Lock into tax rates currently in Schedule E for period of 5 years.
• Two “escape hatches” to float to whatever the appropriate schedule would be:
  • a.) if trust fund balance drops below $700 Million
  • b.) if trust fund balance climbs above $1.5 Billion
• Consolidate schedules
  • A, B, C, D, E, F, G, H, I
  • A, B, C, D, E
• Schedule E now Schedule C.
• Change the triggers for movement between schedules
• Currently move to Schedule A when trust fund drops below $225 Million. New Schedule A when trust fund balance drops below $814.5 million.
• Currently move to Schedule F when trust fund climbs above $1.13 Billion. New Schedule E when trust fund balance climbs above $2.2 billion.
OTHER ISSUES

• Worker’s Compensation
  • Extend reimbursement cap of 200% of Medicare to all WC claims.
  • Proposal to increase benefits 2% across the board.

• Pregnancy Accommodation
  • Proposal to establish state law requirements and enforcement by the Civil Rights Commission

• Heavy Truck Weight Limits
  • Raise maximum divisible load for brick transportation from 80,000 to 120,000 lbs.

• EDGE Credits
  • Out of state residents in states where a portion of state income tax is remitted to Indiana made eligible for employer to receive EDGE Credit.
WORKFORCE DEVELOPMENT

Malika Butler
Assistant Vice President, Governmental Affairs
WORKFORCE

House Bill 1001/Senate Bill 2 – School Accountability

- 2 year hold harmless issuance and evaluation of school performance for 2018-2019 and 2019-2020 school years to include:
  - Retroactive for 2018-2019 school year – letter grade assignments may not be worse in 2018
  - Provides that consequences for school improvement not to apply
  - Decouples ILEARN program test scores in performance evaluations
House Bill 1002 – Teacher Evaluations

- Current mandates require development of a plan for annual performance evaluations

- Removes the requirement that a school corporation's annual performance evaluation plan includes objective measures of student achievement
  - Academic growth
  - Various assessment results

- Authorizes the State Board of Education to adopt rules on petitions of the school improvement designation
WORKFORCE

• Indiana Youth Service Program
  • Provides that the Independent Colleges of Indiana develops a proposal to establish the program to provide high school students with the opportunity to learn various skills and industry

• Social Assistance Benefits for Youth Work-Based Learning
  • Require calculation of household earnings not to include income earnings of students participating in work-based learning and internships be used in eligibility determination of benefits

• Employment of minors
  • Repeal administrative requirements in authorization of employment of minors; mirrors federal law

• Professional Growth Points (PGP) for Workforce Development
  • Proposal to repeal the requirement and make workforce focused PGP points in teacher licensures optional
Survey Details

- **Sample**
  - 1,000 registered voters in Indiana

- **Survey Method**
  - Online Surveys

- **Dates**
  - December 5th – 15th, 2019

- **Margin of Error**
  - +/- 3.1% with 95% confidence

- **Weighting**
  - Indiana voter registration
Hoosiers are down on the direction of the country but far more optimistic about how things are going in Indiana.
“In general, do you feel that things in the country are going in the right direction, or have they gotten off on the wrong track?”

- Right Direction: 37%
- Wrong Track: 52%
- Unsure: 11%
“In general, do you feel that things in Indiana are going in the right direction, or have they gotten off on the wrong track?”
“Thinking about the job situation in Indiana today, would you say that it is now a good time or a bad time to find a job?”

- Good Time: 54%
- Neither Good Nor Bad: 25%
- Bad Time: 14%
- Unsure: 6%
Hoosiers are mixed in their opinion of the president but give the governor high marks.
“Do you approve or disapprove of the job Donald Trump is doing as president?”

- Total Approve (47%)
  - Strongly Approve: 24%
  - Somewhat Approve: 23%

- Total Disapprove (48%)
  - Strongly Disapprove: 31%
  - Somewhat Disapprove: 16%

- Total No Opinion (5%)
“Do you approve or disapprove of the job Eric Holcomb is doing as governor?”

- Total Approve (51%)
  - Strongly Approve: 15%
  - Somewhat Approve: 36%
- Total Disapprove (25%)
  - Strongly Disapprove: 10%
  - Somewhat Disapprove: 15%
- Total No Opinion (25%)
“Thinking about next year’s election for Indiana governor, do you believe that Eric Holcomb has done enough to deserve re-election?”

- Yes: 26%
- Probably: 25%
- No: 24%
- Unsure: 25%
Indiana voters care about affordable healthcare and a stable economy.
“When the Indiana state legislature convenes for their new session in January, please rank your preference, 1 through 8, for which issues the governor and legislators in Indianapolis should focus on. Please rank your preference with 1 meaning it is the most important issue to you and 8 meaning it is the least important issue to you.”

- Making healthcare more affordable (55%)
- Creating jobs and improving the economy (50%)
- Increasing funding for public education (46%)
- Cutting taxes (43%)
- Fighting crime and drugs (39%)
- Reducing government spending (32%)
- Improving public infrastructure (29%)
- Something else (7%)

Ranked Top Issue
Total Ranked Top 3

- Making healthcare more affordable: 20% ranked top, 20% total top 3
- Creating jobs and improving the economy: 22% ranked top, 22% total top 3
- Increasing funding for public education: 14% ranked top, 14% total top 3
- Cutting taxes: 13% ranked top, 13% total top 3
- Fighting crime and drugs: 14% ranked top, 14% total top 3
- Reducing government spending: 9% ranked top, 9% total top 3
- Improving public infrastructure: 5% ranked top, 5% total top 3
- Something else: 3% ranked top, 3% total top 3
Unexpected medical bills and an increase in insurance or other out of pockets costs are affecting Indiana households.
“Recently, a RAND study was published that found Indiana to have some of the highest hospital costs in the nation. What do you, personally, see as the biggest reason for high hospital costs in Indiana today?”

- Doctors and hospitals overcharging or excessive fees for medical procedures: 35%
- Frivolous lawsuits and medical malpractice forcing healthcare providers to pass along the costs: 22%
- Government involvement and waste and fraud in the Medicaid/Medicare system: 16%
- Increases in insurance company premiums or lack of good coverage/accessibility within the system: 16%
- Nothing, the system is fine: 9%
- Too many uninsured: 2%
“In the past year, did you or anyone in your household receive an unexpected medical bill?”

- Yes: 33%
- No: 65%
- Don't want to answer: 2%
“In the last year, have you or anyone in your household, experienced an increase in health care insurance costs or other out of pocket expenses?”

- Yes: 54%
- No: 44%
- Don't want to answer: 2%