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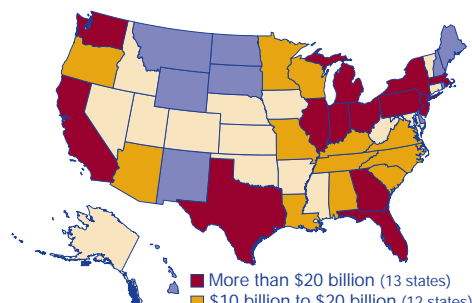
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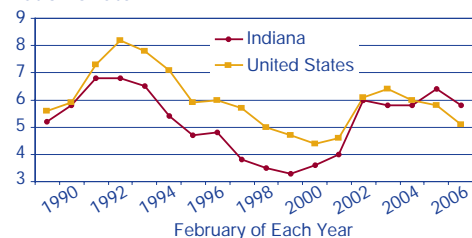
Population size and export volume go hand in hand. Indiana's export growth rate of 12.4 percent between 2004 and 2005 ranked 28th relative to other states. Learn more about Indiana exports on Page 4.



Source: U.S. Census Bureau

February Unemployment

Indiana's February unemployment rate dropped 0.6 percentage points from the same time last year, down to 5.8 percent. This, however, was still 0.7 percentage points higher than the nation's rate.



*Not seasonally adjusted

Taxing Indiana—2004 Returns Reveal Much about Our Relative Wealth

Each year, the dawn of spring coincides with the arrival of one of life's inevitabilities. As the procrastinators among us scurry to complete their 1040As and IT-40s for the 2005 tax year, let us take a look at the data gleaned from the 2004 taxes we filed last year.

Indiana Returns

Over 2.89 million Indiana income tax returns were filed for 2004. This is 56,981 more returns than the prior year, a 2 percent increase, according to the Indiana Department of Revenue.

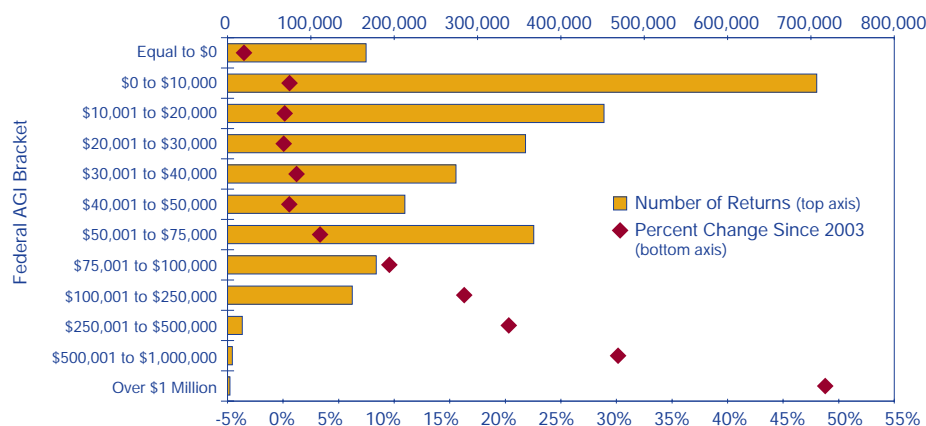
Figure 1 shows the distribution of returns according to their federal adjusted gross income (AGI) bracket. Combined, the AGI for all Hoosiers exceeded \$126.5 billion. With almost a quarter of all returns, the \$10,000 or less bracket was clearly the largest (706,893 returns). That category was the largest in each of the 92 counties, ranging from 17

percent of all Hamilton County returns to nearly 29 percent of all Knox County returns.

The second-largest category in the vast majority of counties was the \$10,001 to \$20,000 bracket. For 17 suburban counties, the second-largest category was the \$50,001 to \$75,000 range. Hamilton County stood alone with its second-largest number of returns being those in the \$100,000 to \$250,000 range.

There were 2,891 returns with an AGI over \$1 million for 2004, a 48.8 percent increase over the previous year. However, these high-dollar returns still account for a mere fraction of the total; Hamilton and Boone counties led the state at just 0.4 percent. Hoosier millionaires were found in all but eight counties, although they were, not surprisingly, concentrated in the state's metro areas.

FIGURE 1: INDIANA TAX RETURNS, 2004



Source: IBRC, using Department of Revenue data

Median Adjusted Gross Income

Indiana's median adjusted gross income was \$23,372 in 2004. This means that half of income tax returns reported AGIs above this number, while the other half were below it. At the county level, the median AGI ranged from \$19,134 in Orange County to \$44,512 in Hamilton County.

Indiana experienced a five-year growth of 9.7 percent (\$2,062) from its median AGI of \$21,310 back in 1999. Local growth rates ranged from 28.2 percent in Gibson County to a measly 0.5 percent in Steuben County.

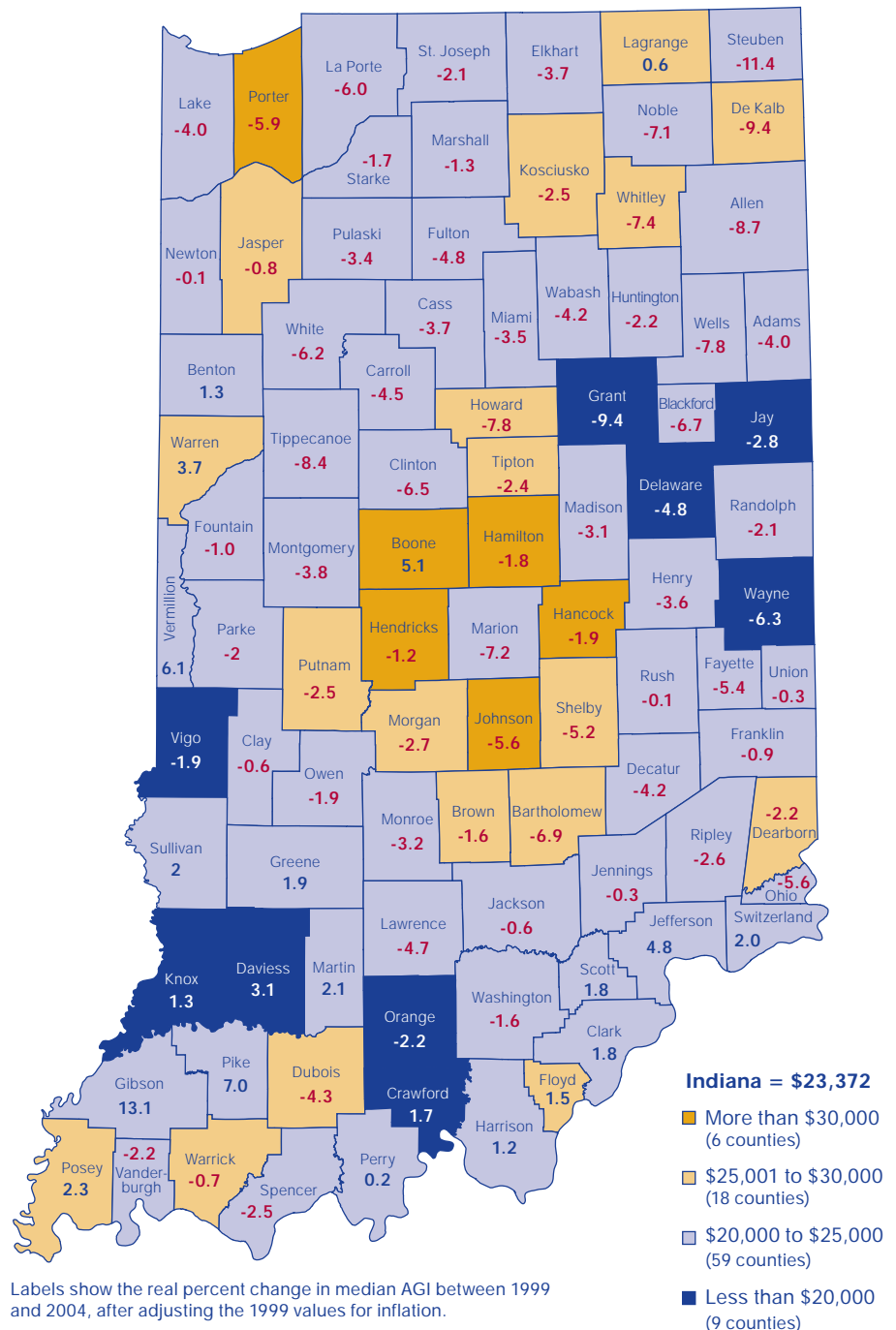
However, if one adjusts the 1999 values for inflation, the picture is not so pleasant. When taking inflation into account, Indiana saw the purchasing power of its median AGI drop 3.3 percent. Only 21 counties, virtually all in southern Indiana, saw median AGI increase in real terms between 1999 and 2004 (see **Figure 2**). Gibson, Pike, Vermillion and Boone counties led the way, with inflation-adjusted AGI growth topping 5 percent. Fifteen of these 21 counties had been below the 1999 Indiana median, so they had lost ground to make up. Yet even with the

gains made between 1999 and 2004, 12 of the 21 were still below the Indiana median. Gibson County, on the other hand, experienced the most dramatic growth in median AGI, jumping a remarkable 44 spots, from a rank of 74th in 1999 to a rank of 30th in 2004.

Major Deductions on Indiana Tax Returns

Over 70 percent of returns claimed one Indiana deduction or another, with total deductions close to \$7.7 billion. That equates to an average total deduction around \$3,750 per return. While a

FIGURE 2: MEDIAN ADJUSTED GROSS INCOME, 2004



Random Tax Fact

Ever get to the end of your Indiana tax return and wonder how many people contribute to the Indiana Nongame Wildlife Fund on Line 32 of the IT-40? On their 2004 returns, nearly 21,000 Hoosiers donated over \$369,000 to the cause, which protects and manages more than 550 species of nongame and endangered wildlife.

plethora of deductions are there for the claiming, the following four deductions, as seen in **Figure 3**, account for over 82 percent of all Indiana deductions in dollar terms.

Homeowner and Renter

Deductions: Since everyone needs a place to live, it is not surprising that the most common were the residential homeowner property tax deduction, claimed on over 1.3 million returns, and the renter deduction, found on over 624,000 returns. Both of these deductions are capped at \$2,500 per return; the average amount deducted for the residential property tax deduction was \$1,197 per return, while that amount increased to \$2,296 for the renter deduction. Together, these two deductions (\$1.6 billion and \$1.4 billion, respectively) account for about 40 percent of the value of all Indiana's deductions.

Social Security: Indiana does not tax social security benefits, so that income gets deducted from federal AGI as well. While a smaller number of returns (not quite 234,000) claim this deduction, the total value of that deduction is nearly \$2.1 billion—making it Indiana's

Federal Income Tax History

Prior to the Civil War, the United States relied on excise taxes to finance the federal government. However, the war's expense caused the northern states to pass an income tax law in 1862 that would sunset after a decade. Those with incomes between \$600 and \$10,000 paid 3 percent, while higher incomes were taxed at 5 percent.

Congress tried to enact an individual income tax again in 1894, but this time, the Supreme Court ruled it unconstitutional. They said that income taxes were direct, not indirect, taxes—making it illegal since the Constitution mandates that direct taxes be apportioned among the states. The 16th Amendment, ratified in 1913, got around the question of direct/indirect taxation by explicitly giving Congress the power to collect taxes on income without apportionment. (According to the U.S. Department of the Treasury, states began implementing state income taxes about this same time—the first being Wisconsin in 1911.)

Just 1 percent of the population was liable for federal income taxes in 1913 and the Internal Revenue Service audited all 357,598 returns. Individuals with incomes over \$3,000 (about \$59,000 when adjusted to 2005 dollars), or married couples with incomes over \$4,000 (about \$79,000 in current dollars), paid a 1 percent tax. Incomes over \$500,000 (roughly \$9.9 million in current dollars) were taxed at 7 percent. Not until World War II did the income tax become a tax paid by the masses.

Source: John L. Mikesell, *Fiscal Administration*, 6th ed. (Belmont, CA: Wadsworth, 2003), 319-320.

single largest, at 27 percent of all deductions. The average deductible amount was \$8,957 per return.

Interest on Government

Obligations: Not many people have interest on government obligations to deduct, but the total value of those deductions exceeds \$1.2 billion, accounting for about 16 percent of all

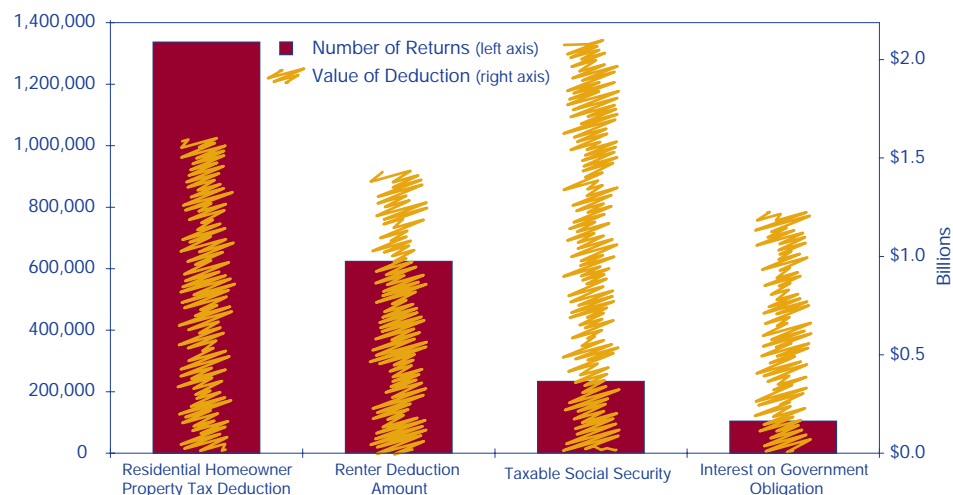
Indiana deductions. For the roughly 104,000 returns deducting the interest on U.S. savings bonds and the like, the average value of the deduction was almost \$12,000.

Withholding Works

The vast majority of taxpayers (more than 70 percent) overpaid their Indiana income taxes in 2004 and received a refund; the average refund was \$230. For those Hoosiers who owed taxes, the average amount owed was \$522. Jennings County had the largest percentage of filers (75 percent) receiving a refund, while Clark County had the largest percentage of filers (35 percent) owing money to the state. All told, the 2004 Indiana individual income tax brought in \$3.81 billion of revenue to finance Indiana government and services.

—Rachel Justis, Managing Editor, Indiana Business Research Center, Kelley School of Business, Indiana University

FIGURE 3: MAJOR INDIANA DEDUCTIONS, 2004



Source: IBRC, using Department of Revenue data

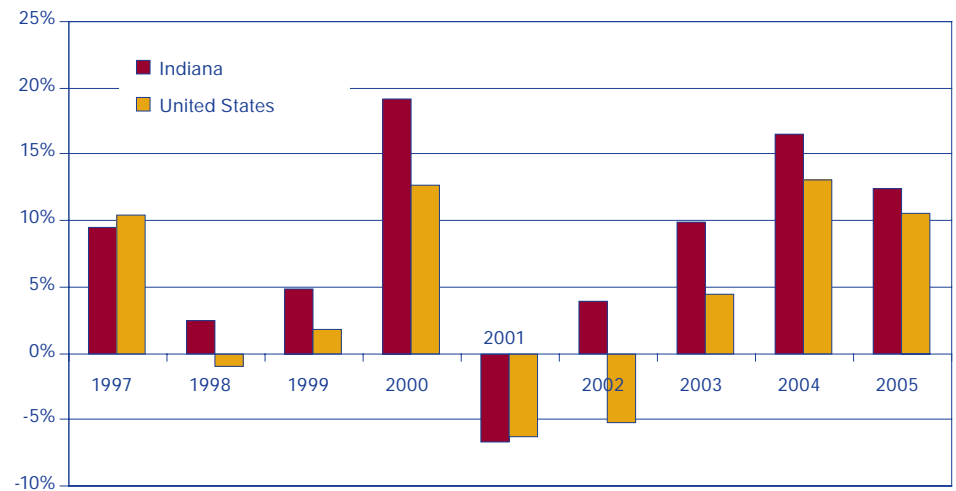
Indiana's Exports to the World

Across the United States, central states tend to have a much smaller share of U.S. exports than Midwest and coastal states. Indiana's share was on par with Wisconsin and Kentucky, ranging from 1 percent to 2.9 percent. Indiana exports have increased from about \$11 billion in 1996 to \$21.5 billion in 2005.

Indiana's exports grew \$2.4 billion between 2004 and 2005 for a gain of 12.4 percent. **Figure 1** shows Indiana exports grew faster than the nation in 2005, as was true for most of the previous years. However, since 2002 the state has seen its lead over the nation cut in half each subsequent year.

Figure 2 shows the path of Indiana exports once they leave the state, which ultimately encompasses the globe; however, the difference in export magnitude among the countries is significant. Whereas Cape Verde purchased \$3,000 worth of Indiana exports in 2005, Canada purchased \$9.6 billion.

FIGURE 1: PERCENT CHANGE IN INDIANA AND U.S. EXPORTS



Source: Data published by the U.S. Census Bureau and distributed by Global Trade Information Services via the World Trade Atlas, U.S. State Export Edition

Top Export Destinations

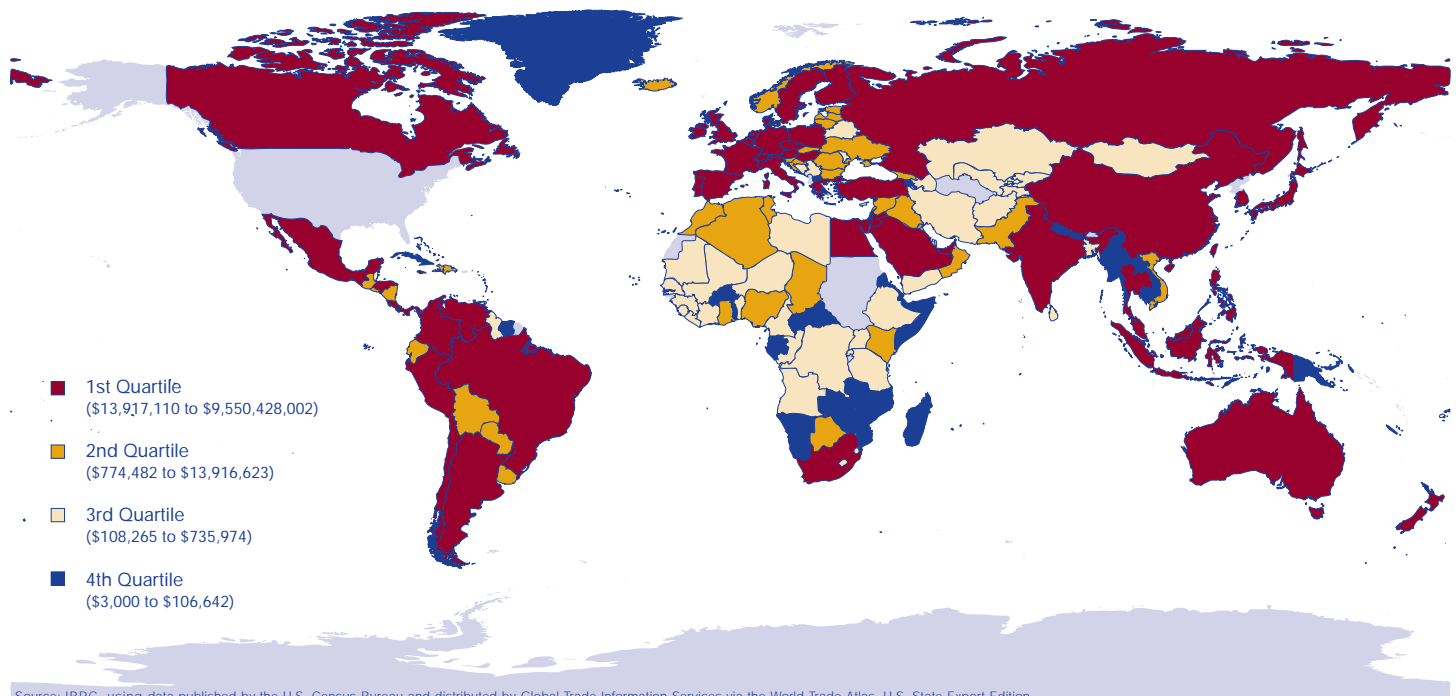
The top 10 destinations comprised 84.3 percent of Indiana's export sales. **Figure 3** clearly shows that, although Indiana shipped exports to 198 countries in 2005, a select few received the bulk of the state's exports.

Canada was still Indiana's largest export destination with purchases of \$9.6 billion in 2005, which was \$1

billion more than 2004 (see **Table 1**). That represented an 11.9 percent increase from the previous year. Indiana exports to Canada in 2005 were 3.6 times the value of the second largest export destination (Mexico) and almost 32 times that of the 10th largest export destination (the Korean Republic).

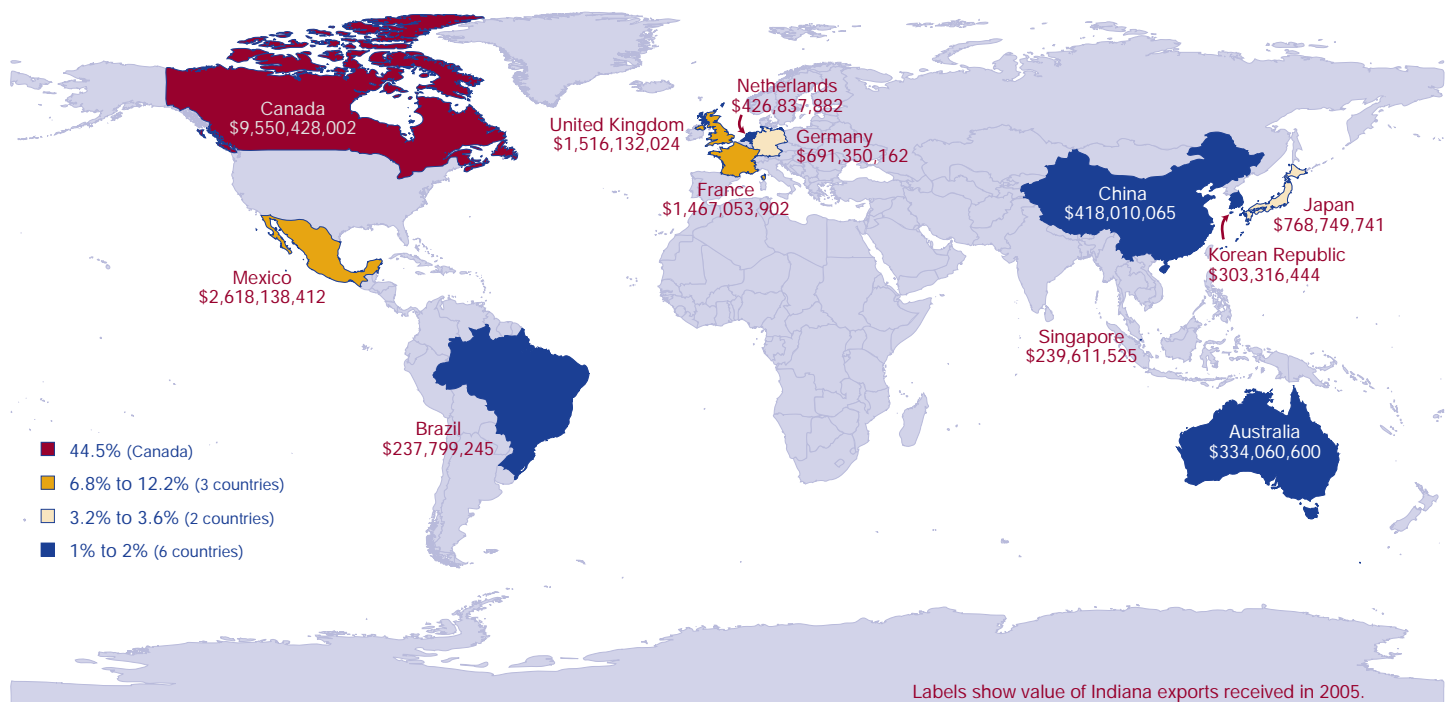
Indiana's exports to China exploded with an over-the-year increase of 42

FIGURE 2: INDIANA'S EXPORT DESTINATIONS



Source: IBRC, using data published by the U.S. Census Bureau and distributed by Global Trade Information Services via the World Trade Atlas, U.S. State Export Edition

FIGURE 3: INDIANA'S EXPORT DESTINATIONS WHERE SHARE OF EXPORTS EQUALS AT LEAST 1 PERCENT



Source: IBRC, using data published by the U.S. Census Bureau and distributed by Global Trade Information Services via the World Trade Atlas, U.S. State Export Edition

percent; that is 17 percentage points greater than the previous year's growth rate. Where China outstripped the other top export destinations in growth, the Korean Republic saw the biggest improvement over last year in its rate of growth. Indiana's export growth rates to the Korean Republic increased almost five-fold from 4.9 percent to 23.5 percent from 2004 to 2005, an 18.6 percentage point increase.

Australia and France also had growth rates over 20 percent. Although the entire top 10 destinations had increases in Indiana exports, several of the top 10 destinations saw their growth rates slow

in 2005. Mexico, Netherlands, Japan, France and Canada had slower growth in the number of exports shipped from Indiana.

The United Kingdom's growth rate in 2005 has tripled, going from 6.0 percent to 18.3 percent. Exports to Germany picked up steam in 2005, with a 14.6 percentage point increase in the rate of growth over the previous year.

The total share of the top 10 country destinations gained 0.3 percentage points from 2004 to reach 84.3 percent for 2005; this means the state has become a little more concentrated in its export sales. The increase was largely

due to an increase in France's share of 0.7 percentage points and an increase in China's share of 0.4 percentage points. Canada made up 44.5 percent of Indiana exports in 2005, compared with 44.7 percent in 2004. Canada's share of Indiana exports has declined by 5.1 percentage points since 1996. Canada's share today is 9.8 percentage points lower than the high reached in 1999 and 1.3 percentage points higher than the low reached in 2001.

Spain, which had a 1.4 percent share in 2004, dropped out of the top 10 list in 2005. Now Spain is the 16th largest export destination for the state. Meanwhile Australia continues its dance between the ninth and 10th rank for Indiana's export destinations, and for 2005 it was the former. The Korean Republic continues to bounce in and out of the top 10, assuming the 10th slot in 2005.

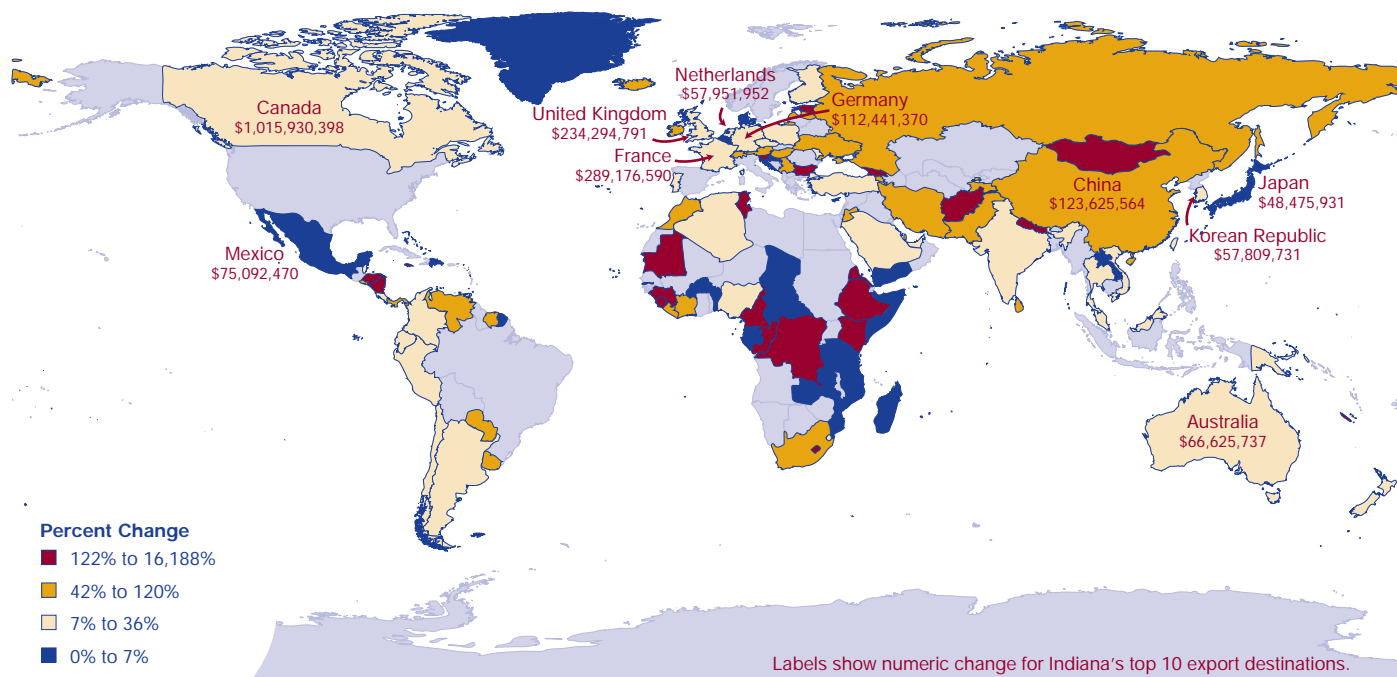
Figure 4 shows all the countries where Indiana exports increased. Note that countries experiencing the largest percent increases had little export volume to begin with, so increasing by large magnitudes is very probable.

TABLE 1: INDIANA'S TOP 10 EXPORT DESTINATIONS: VALUE OF AND CHANGE IN EXPORTS

Export Destination	Exports		Percent Change		Annual Average Percent Change
	2005	2004	2004-2005	2003-2004	
World	\$21,475,917,893	\$19,109,378,037	12.4	16.5	7.7
Canada	\$9,550,428,002	\$8,534,497,604	11.9	14.4	6.4
Mexico	\$2,618,138,412	\$2,543,045,942	3.0	20.8	26.1
United Kingdom	\$1,516,132,024	\$1,281,837,233	18.3	6.0	10.5
France	\$1,467,053,902	\$1,177,877,312	24.6	27.8	23.7
Japan	\$768,749,741	\$720,273,810	6.7	14.3	-0.1
Germany	\$691,350,162	\$578,908,792	19.4	4.8	7.7
Netherlands	\$426,837,882	\$368,885,930	15.7	27.7	4.5
China	\$418,010,065	\$294,384,501	42.0	25.0	11.6
Australia	\$334,060,600	\$267,434,863	24.9	11.9	6.3
Korean Republic	\$303,316,444	\$245,506,713	23.5	4.9	4.8

Source: Data published by the U.S. Census Bureau and distributed by Global Trade Information Services via the World Trade Atlas, U.S. State Export Edition

FIGURE 4: COUNTRIES WITH GROWTH IN INDIANA'S EXPORTS, 2004 TO 2005



Source: IBRC, using data published by the U.S. Census Bureau and distributed by Global Trade Information Services via the World Trade Atlas, U.S. State Export Edition

Changes in Indiana Exports

Table 2 identifies the largest changes between 2004 and 2005 in export sales by industry, both positive and negative, for the top 10 export destinations.

There are two entries for each country—one for the largest export sales increase and one for the largest decrease. The export amount is shown in an attempt to visually depict which industries are having the biggest net effect. In this way, we clearly see the countries and industries that accounted most for change in 2005.

The biggest increases in Indiana exports to the top 10 export destinations (indicated by the largest numbers in the

table) came from vehicles to Canada (\$533 million) and pharmaceutical products to France (\$180 million), United Kingdom (\$162 million), Germany (\$64 million) and the Netherlands (\$33 million).

The largest declines in Indiana exports sales to the top 10 country destinations (indicated by the smallest numbers in the table) came from vehicles to Mexico (-\$190 million) and the United Kingdom (-\$22 million) and plastic to Japan (-\$13 million).

The size and number of entries in each column show the impact of each industry to the total change in Indiana exports in 2005. Vehicles and

pharmaceutical products each have six entries, indicating the sectors' importance for changes in Indiana exports to the top 10 countries. There has been a reversal since 2004, when vehicle exports to the world contributed 34 percent of the change versus pharmaceutical products' 9 percent. In 2005, pharmaceutical exports contributed 19 percent, while vehicles only contributed 15 percent to the change in the amount of exports from Indiana to the world. Despite the gains made in pharmaceutical exports in 2005, they only constitute 7 percent of Indiana exports to the world while vehicles are 27 percent. However, if pharmaceutical exports growth rates continue to outperform vehicles, then this sector will continue to get a bigger piece of the pie and move up in the rankings of Indiana's top commodities, as it has done since 1996.

Access the full report at www.ibrc.indiana.edu/exports.

—Amber Kostelac, Data Manager, Indiana Business Research Center, Kelley School of Business, Indiana University

TABLE 2: LARGEST POSITIVE AND NEGATIVE EXPORT SALES CHANGES BY INDUSTRY, 2005*

Export Destination	Over-the-Year Change (In Millions)					
	Machinery	Pharmaceutical Products	Plastic	Special/Other	Vehicles/Not Railway	Electrical Machinery
Canada				-\$13	\$533	
Mexico					-\$190	\$81
United Kingdom		\$162			-\$22	
France		\$180			-\$1	
Japan		\$20	-\$13			
Germany		\$64	-\$9			
Netherlands		\$33				-\$7
China			\$35	-\$0.6		
Australia	\$30	-\$5			-\$8	
Korean Republic					-\$7	\$32

*Selected largest increases and decreases for industries the countries all have in common.

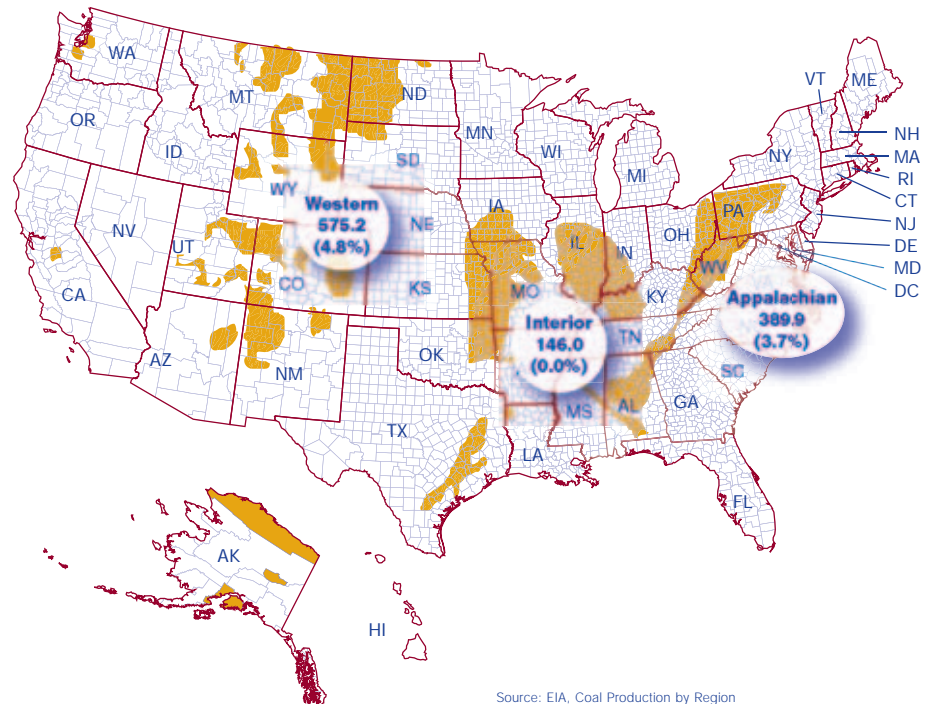
Source: Data published by the U.S. Census Bureau and distributed by Global Trade Information Services via the World Trade Atlas, U.S. State Export Edition

Coal Mining in Indiana: All Fired Up or In the Pits?

There is unquestionably coal in Indiana, along with the corn, soybeans and racetrack. In fact, Indiana's recoverable coal reserves are estimated at 4.3 billion short tons, based on estimates from the federal Energy Information Administration (EIA) and industry analysts. Reserves are estimated to provide around a 120-year supply using 2004 coal production. Southwestern Indiana sits astride the eastern interior coal field, which stretches from Kentucky into northern Illinois (see **Figure 1**).

Indiana's coal is bituminous, or high-sulfur coal, and much of it is close enough to the surface that the state's mining industry has been stripping it off for decades without resorting to underground mining. In 2004, Indiana's surface mines produced just over 25 million short tons and underground mines produced about 10 million short tons (a short ton equals 2,000 pounds). Underground mining in Indiana is growing, however, as 90 percent of Indiana's remaining coal will be accessed by underground mining, according to the EIA's summary of reported reserves. The 18 current underground production units, or sections, are expected to double within

FIGURE 1: PRODUCTION IN MILLIONS OF SHORT TONS—CHANGE FROM 2003 PRODUCTION



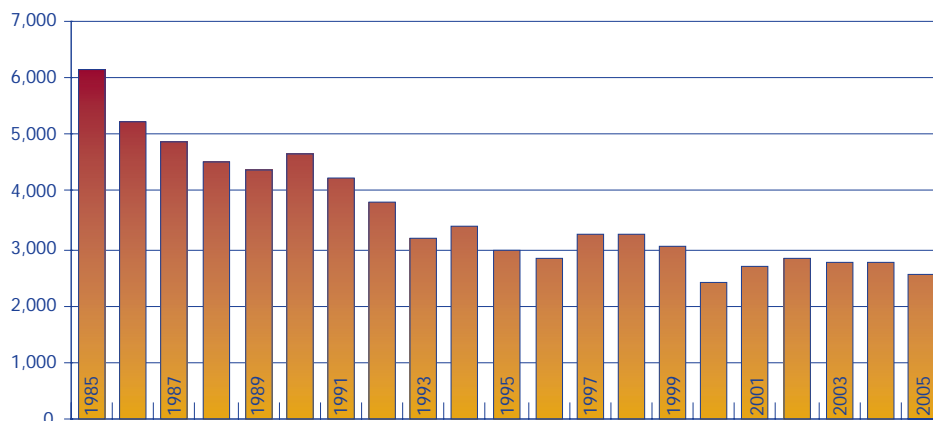
the next few years; nine new sections are expected to open in the next 12 months, based on industry reports to the Vincennes office of the Mine Safety and Health Administration.

Indiana's coal has a high sulfur content (which has a negative impact on air pollution standards), so it has been handicapped by competition from lower-sulfur, surface-mined coal from

regions such as Wyoming's Power River Basin. Emissions control regulations in recent years, however, have resulted in wider deployment of smokestack "scrubbers," which allow use of high-sulfur coal without increasing harmful emissions. In addition, emerging technologies such as coal-to-liquids offer the promise of cleaner-burning fuels generated from Indiana's coal. Industry officials believe that Indiana coal mining employment will grow significantly over the next few years and have expressed concerns about shortages of skilled workers—despite historical trends which depict coal mining as a declining industry (see **Figure 2**).

Indiana's current employment in the coal mining sector—averaging 2,600 over the first six months of 2005—is close to its low of 2,400 workers in 2000. The EIA estimates 2004 average employment at 1,708 for Indiana's surface coal mines, and

FIGURE 2: INDIANA'S COAL MINING EMPLOYMENT, 1985 TO 2005



Source: QCEW, Indiana Department of Workforce Development, annual averages

TABLE 1: EMPLOYMENT PROJECTIONS FOR EXTRACTIVE OCCUPATIONS

Occupational Title	2004–2014	2002–2012	2004
	U.S. Change	Indiana Change	OES Estimate
Extraction Workers	-22.6%	-20.0%	500
Earth Drillers, Except Oil and Gas	-22.6%	0.0%	30
Explosives Workers, Ordnance Handling Experts and Blasters	-22.7%	-14.3%	70
Mining Machine Operators	-15.3%	-50.0%	20
Continuous Mining Machine Operators	-15.0%	-20.0%	100
Mine Cutting and Channeling Machine Operators	-15.0%	-25.0%	40
Roof Bolters, Mining	-30.5%	n/a	80
Helpers—Extraction Workers	-22.7%	-28.6%	70
Extraction Workers, All Other	-22.7%	-25.0%	80
Loading Machine Operators, Underground Mining	-22.7%	-20.0%	50

Sources: U.S. Employment Projections for coal mining industry. For Indiana, IDWD base year employment and projections for mining, except oil and gas from 2002–2012 Long-Term Industry and Occupational Employment Projections

1,122 for our underground mines. Coal mining employs slightly less than 1 percent of Indiana’s total establishment employment. Over 90 percent of those employees are concentrated in southwest Indiana’s Economic Growth Regions 8 (including Bloomington) and 11 (including Evansville). In neither of these regions does employment in coal mining exceed 1 percent of establishment employment.

While employment data for coal mining include most employees at mining operations, Indiana employment in jobs classified as extractive occupations is projected to decline over the next few years, closely following the national projections for these occupations. Projected employment trends downward by 15 percent through 2012 for the mining (excluding oil and gas) industry. Industry and occupational employment projections depend heavily

on historical employment trends and might not adequately reflect planned or anticipated shifts in production and energy consumption patterns (see **Table 1**).

The mining industry, like the manufacturing sector, is faced with an aging workforce. Local Employment Dynamics data for the industry, extracted for fourth quarter 2004, estimate 31 percent of Indiana’s coal mining workforce was between the ages of 45 and 54, compared to 47 percent of those employed in Indiana’s steel mills and 27 percent for manufacturing overall. For the 55–64 age group, the rates were 12 percent (coal), 20 percent (steel) and 14 percent (manufacturing); attrition due to retirement is potentially

“The mining industry, like the manufacturing sector, is faced with an aging workforce.”

an issue for this industry sector, but should be in line with that for other production-type occupations. Key job skills for the extractive and some common manufacturing production jobs such as welders and cutters, brazers, solderers and production worker helpers have significant overlap. In **Table 2**, red bullets signify key skills common to both occupational groupings.

This overlap in key skills suggests transferability of job skills and experience between production and extractive occupations that could allow workers to move in either direction based on labor demand.

The EIA’s long-term forecasts predict 3.7 percent per annum increases in the production of interior, high-sulfur coal such as Indiana’s through 2030, compared to a 1.9 percent increase per year for the industry overall. When combined with projected productivity increases of 2.6 percent per annum, net

employment would grow at 1.1 percent (see **Figure 3**). This figure assumes that coal production per employee remains constant and includes all industry employment. These projections, based on inferred production increases for Indiana coal rather than historical

(continued on page 14)

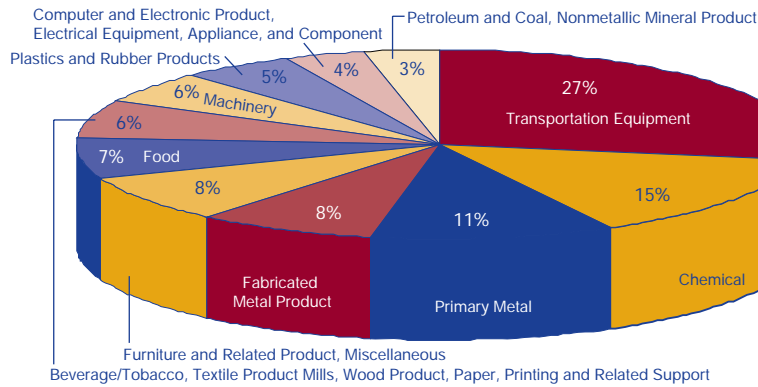
TABLE 2: KEY SKILLS

Occupational Title	Operation and Control	Operation Monitoring	Equipment Selection	Equipment Maintenance	Coordination	Repairing
Earth Drillers, Exc Oil and Gas	♦	♦	♦	♦		
Continuous Mining Machine Operators	♦	♦		♦	♦	♦
Explosives Workers/Blasters	♦	♦	♦		♦	
Roof Bolters, Mining	♦	♦	♦	♦		
Helpers—Extraction Workers	♦	♦	♦	♦		♦
Loading Machine Operators, Underground Mining	♦	♦		♦		♦

Note: Bullets in red denote key skills also common to Manufacturing Production occupations with high projected growth and replacement needs based on DWD’s 2002–2012 Indiana statewide industry and occupational projections
Source: O*Net listing of key skills by occupational title.

Monthly Metrics: Indiana's Economic Indicators

INDIANA MANUFACTURING INDUSTRIES VALUE ADDED AS A PERCENT OF TOTAL MANUFACTURING VALUE ADDED, 2004



Source: U.S. Census Bureau, Annual Survey of Manufacturers

Value-added¹ is considered to be the best measure available for comparing the relative economic importance of manufacturing among industries and geographic areas. From 1997 to 2004, Indiana's value-added to manufacturing increased at a rate almost triple that of the United States. In 2004, the industries that contributed the most to value-added in manufacturing in the state were transportation equipment manufacturing (27 percent), chemical manufacturing (15 percent) and primary metal manufacturing (11 percent).

1. Value-added is derived by subtracting the cost of materials, supplies, containers, fuel, purchased electricity and contract work from the value of shipments and adjusting by the addition of value added by merchandising operations and plus the net change in finished goods and work-in-process between the beginning- and end-of-year inventories.

Hispanic-owned businesses only made up 1.3 percent of all businesses in Indiana in 2002. The vast majority of Hispanic-owned firms (84 percent) had no paid employees and were self-employed; however, the vast majority of sales came from Hispanic-owned firms with paid employees (82 percent). In Indiana, the industries with the most Hispanic-owned businesses were construction, retail trade, and administrative, support and waste management. This was similar to the U.S. composition, except retail trade was the second largest industry for Hispanic businesses in Indiana, while it ranked fifth nationwide. Eight counties, mostly in the northern and central parts of the state, comprised 66 percent of all Hispanic-owned businesses. Lake County alone constitutes almost a third of all Hispanic-owned businesses in the state. Among Indiana cities, Indianapolis boasted the largest number of Hispanic businesses.

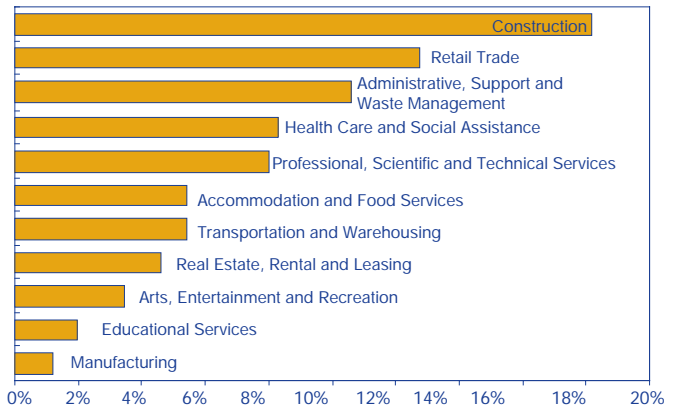
HISPANIC-OWNED BUSINESSES, 2002

Geography	All Firms		Firms with Paid Employees			
	Firms	Sales and Receipts (thousands)	Firms	Sales and Receipts (thousands)	Employees	Annual Payroll (thousands)
Indiana Selected Counties with 100 or More Hispanic-Owned Firms—All Industries						
Allen	S	D	S	D	e	D
Elkhart	191	D	S	D	c	D
Hamilton	194	\$6,479	23	\$2,014	31	\$485
Lake	1,576	\$160,584	219	\$119,268	1,130	\$64,992
Madison	135	D	16	D	c	D
Marion	857	\$188,386	138	\$159,544	1,348	\$35,429
Porter	377	D	27	D	c	D
St. Joseph	277	\$39,471	27	\$36,540	210	\$6,004
Indiana Selected Places with 100 or More Hispanic-Owned Firms—All Industries						
East Chicago	355	\$67,054	66	\$59,722	424	\$50,901
Fort Wayne	S	D	S	D	e	D
Hammond	554	\$22,497	38	\$12,641	266	\$5,067
Indianapolis (balance)	791	\$179,596	131	\$153,718	1,262	\$33,013
Merrillville	111	\$5,625	18	\$3,609	50	\$929
South Bend	175	\$28,261	16	\$26,001	130	\$3,014
Valparaiso	S	S	S	S	S	S

Notes: S = Estimates are suppressed when publication standards are not met, such as, the firm count is less than 3, or the relative standard error of the sales and receipts is 50 percent or more. D = Withheld to avoid disclosing data for individual companies; data are included in higher level totals. e = 250 to 499 employees. c = 100 to 249 employees. Table disclosures can be found at www.census.gov/prod/ec02/sb0200cshsp.pdf

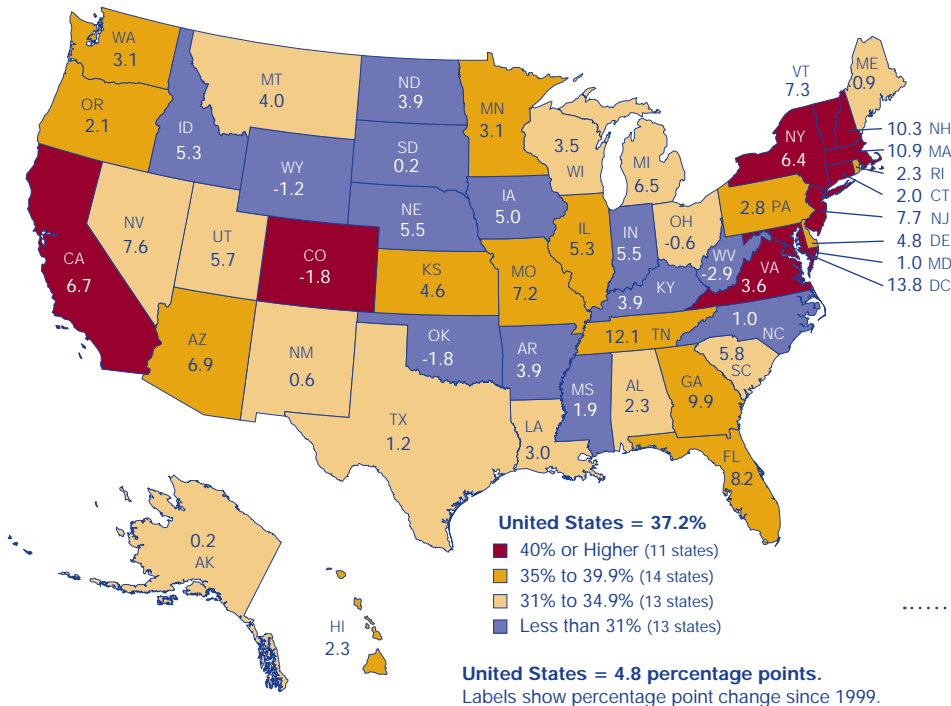
Source: U.S. Census Bureau, 2002 Economic Census

PERCENT OF TOTAL HISPANIC-OWNED FIRMS IN INDIANA, 2002



Source: U.S. Census Bureau, 2002 Economic Census

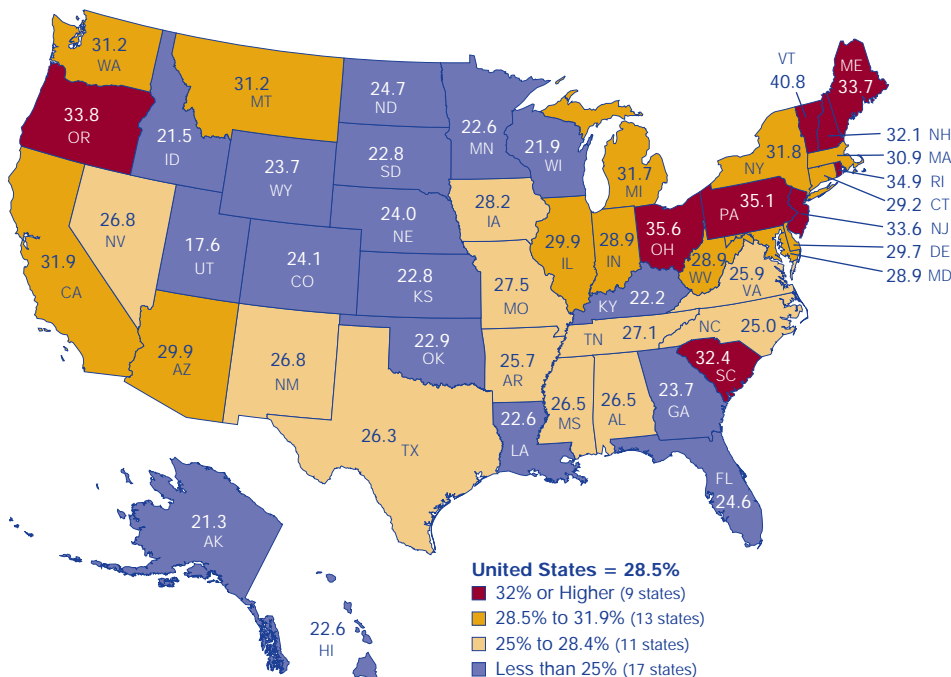
BACHELOR'S DEGREE HOLDERS AS A PERCENT OF THE WORKFORCE, 2004



In 2004, 28.2 percent of Indiana's workforce held a bachelor's degree or higher. This was significantly lower than the U.S. average of 37.2 percent. Only three states had a lower share than Indiana in 2004. However, since 1999, Indiana has increased its share by 5.5 percentage points, whereas the United States only added 4.8 percentage points. Over a 10-year time horizon, Indiana also increased its share by more than the nation, 10.1 percent and 7.7 percent, respectively.

Sources: U.S. Census Bureau, Population Division, Education and Social Stratification Branch, Educational Attainment in the United States, various years; and U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics.

PERCENT OF FAMILY INCOME NEEDED TO PAY FOR COLLEGE AT PUBLIC, FOUR-YEAR INSTITUTIONS, 2004



A college education isn't as affordable as it used to be. In 1999, room, board and tuition minus financial aid for a college education at a four-year, public university consumed 26.3 percent of family income across the nation. In 2004, that figure rose to 28.5 percent. Similarly, Indiana's percentages rose from 25.6 percent to 28.9 percent, ranking 20th in the nation. In 1999, a four-year college education at a public university was more affordable for Hoosiers than the average U.S. family; but by 2004, Indiana families found it less affordable than in the nation as a whole. When looking at various income levels, costs vary dramatically. For Indiana, college costs minus aid equated to 66.4 percent of income for those in the lowest quintile. For those in the highest quintile, it was just 9.1 percent.

Note: Data for the District of Columbia was not available.
Source: IBRC, using the National Center for Public Policy and Higher Education data

Regional Perspective: Economic Growth Region 4

Economic Growth Region (EGR) 4, located in north-central Indiana, includes the following 12 counties: Benton, Carroll, Cass, Clinton, Fountain, Howard, Miami, Montgomery, Tippecanoe, Tipton, Warren and White. This 12-county region covers nearly 4,800 square miles of land, more area than any of the other 10 growth regions, and is home to 482,466 people (or 7.7 percent of all Hoosiers).

If the population of EGR 4 were distributed evenly by county, each would contain 8.3 percent of the region's residents. As expected, that isn't the case. At the center of the region, Tippecanoe County (home to Purdue University) makes up nearly one-third of the EGR's population. Of all the counties in the region, Cass County comes the closest to making up its fair share with 8.4 percent of the population (see **Figure 1**). The other nine counties range from 7.9 percent to 1.8 percent.

Racial Characteristics

Region 4 shows a slightly different race distribution than the state overall. For example, 94.2 percent of residents in EGR 4 are white, 5.4 percentage points higher than the state average. The region is also home to a higher

TABLE 1: CHANGE IN JOBS IN EGR 4 AND INDIANA, 2001:2 TO 2005:2

Industry	EGR 4			Indiana		
	2005:2	Change Since 2001:2	Percent Change	2005:2	Change Since 2001:2	Percent Change
Total	200,463	-6,872	-3.3	2,892,130	-8,900	-0.3
Management of Companies and Enterprises	469	161	52.3	26,353	-255	-1.0
Mining	222	50	29.1	6,577	-255	-3.7
Transportation and Warehousing	5,448	574	11.8	127,501	-2,888	-2.2
Arts, Entertainment and Recreation	1,652	169	11.4	47,848	-99	-0.2
Utilities	328	27	9.0	16,369	-136	-0.8
Educational Services	24,021	1,870	8.4	241,265	16,309	7.2
Real Estate, Rental and Leasing	2,035	110	5.7	38,254	-198	-0.5
Public Administration	9,874	533	5.7	129,909	1,822	1.4
Professional, Scientific and Technical Services	3,849	172	4.7	90,233	2,767	3.2
Health Care and Social Services	21,472	739	3.6	346,169	27,749	8.7
Agriculture, Forestry, Fishing and Hunting	1,858	12	0.7	12,014	140	1.2
Accommodation and Food Services	16,555	80	0.5	239,483	10,123	4.4
Wholesale Trade	4,959	-95	-1.9	122,007	-2,049	-1.7
Finance and Insurance	5,229	-183	-3.4	99,986	-5,787	-5.5
Construction	7,666	-337	-4.2	150,668	-749	-0.5
Administrative, Support and Waste Management	6,240	-282	-4.3	158,953	20,379	14.7
Other Services (Except Public Administration)	5,230	-277	-5.0	84,923	-2,902	-3.3
Retail Trade	22,862	-1,712	-7.0	330,856	-18,482	-5.3
Information	2,439	-287	-10.5	47,482	-4,364	-8.4
Manufacturing	56,949	-7,633	-11.8	574,457	-50,156	-8.0

Note: Highlighted cells show a gain at both regional and state levels.
Source: IBRC, using Bureau of Labor Statistics data

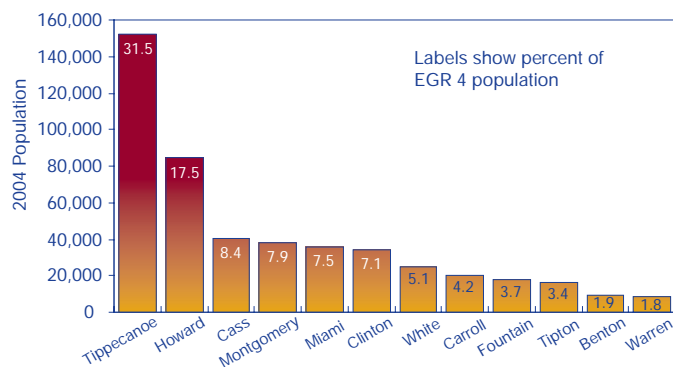
percentage of Asians (2 percent) than Indiana (1.1 percent), or any of the other growth regions for that matter. This is mainly due to Purdue University in Tippecanoe County. On the other hand, the black population in EGR 4 is considerably less than the state average (by 6.1 percentage points), but remains higher than in EGR 6 and EGR 9.

Jobs

Manufacturing swept away the other 19 major industry classifications as the largest employer in the region, accounting for 28.4 percent of all jobs.

With the loss of more than 7,600 manufacturing jobs, this percentage has dropped since the second quarter of 2001, when the manufacturing distribution was 31.1 percent of all jobs in the region (see **Table 1**). The good news is that 12 of the 20 major industry classifications in the region added jobs from 2001:2 to 2005:2; only seven industries at the state level can say the same. The bad news for EGR 4 is that the job gains weren't nearly high enough to offset the losses in the other eight classifications, due mainly to high losses in the manufacturing and retail trade industries. Overall, EGR 4 lost 6,782 jobs across all industry sectors, compared to the 8,900 jobs lost at the state level. While it appears from these numbers that the region did better than the state, a closer look reveals that jobs in EGR 4 were lost at a relatively faster rate (a 3.3 percent decline) than they were in Indiana (a 0.3 percent decline). In contrast to Region 3 (discussed in the March issue), the highest percent increases in jobs occurred in the mining and management of companies and enterprises industries; however, similar to Region 3, these industries combined make up a very small percentage of total jobs (only 0.3 percent). Therefore, while those gains were significant at

FIGURE 1: EGR 4 POPULATION DISTRIBUTION



Source: IBRC, using U.S. Census Bureau 2004 estimates

the individual industry level, they did not affect a large number of jobs.

Income and Wages

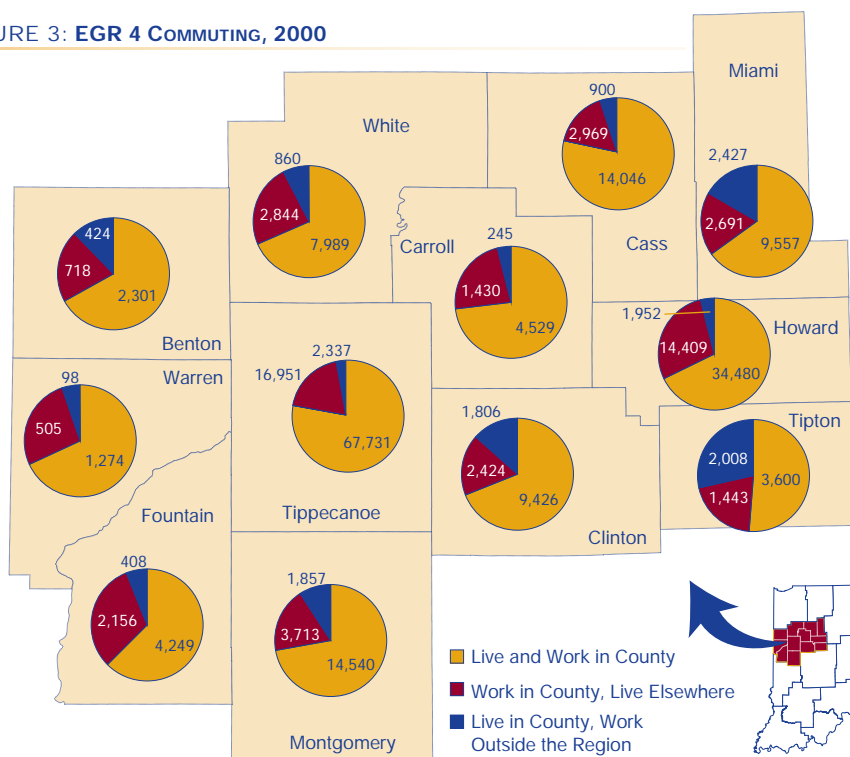
Wages in every industry in EGR 4 increased from 2001:2 to 2005:2, except for arts, entertainment and recreation, which dropped by a mild \$5 per week (see **Figure 2**). Meanwhile, the state increased wages during that same time period for every major industry classification. However, EGR 4 managed to pull away with a slight lead in increases across all industry sectors. The region's overall increase in weekly wages was \$69, while Indiana increased weekly wages by \$68.

Commuting

Of the 225,975 people who work in the region, 92.8 percent also reside in EGR 4, according to Census 2000. In other words, about 16,200 people live outside the region but commute in to work. **Figure 3** shows the county-level commuting patterns for the region.

Locally, Tippecanoe County was the only one of the 12 that contributed workers to all counties in the region.

FIGURE 3: EGR 4 COMMUTING, 2000



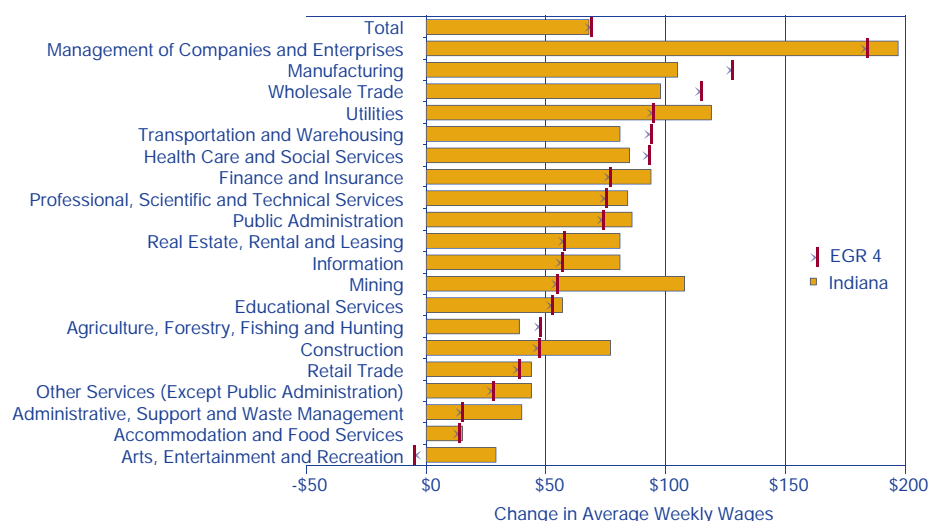
Source: IBRC, using U.S. Census Bureau data

That being said, it wasn't exceedingly generous with the number of workers sent out (only 2,790), ranking sixth of the 12 counties in the region (compare this to Carroll County's contribution of 5,082 workers, nearly

half of which went into Tippecanoe County alone—which totaled about 300 workers less than Tippecanoe County's entire contribution to the region). Of those that left Tippecanoe County, 25.9 percent ended up in neighboring Clinton County.

Meanwhile, Howard, Montgomery and Tippecanoe counties brought in more workers than they contributed to the rest of the region. Montgomery County's net gain of 144 workers can be attributed to the fact that it sent out the fewest number of people into the region to work (1,625). As can be expected from the large net gains seen by Howard (about 7,190) and Tippecanoe (just over 11,200) counties, the nine other counties in the region all had net losses of at least 1,000 workers to fellow EGR counties.

FIGURE 2: EGR 4 CHANGE IN AVERAGE WEEKLY WAGES BY INDUSTRY, 2001:2 TO 2005:2



Source: IBRC, using Bureau of Labor Statistics data

—Molly Marlatt, Research Associate,
Indiana Business Research Center, Kelley
School of Business, Indiana University

The Wal-Mart Phenomenon—A Demographic Comparison of Wal-Mart Have and Have Not

The February 25, 2006, issue of *The Economist* ran a brief story called “The Behemoth from Bentonville,” in which the author discussed Wal-Mart’s growth and power. The article states that “Wal-Mart panders to no one but its customers, mostly small-town Americans enticed by its promise to provide everyday low prices, always.”

A recent review of *Dun & Bradstreet’s Million Dollar Database* shows 3,814 Wal-Mart Stores in the United States, an average of 13 stores for every million people (see **Table 1**). With 424 stores, Texas leads the nation, Indiana has 107 stores and the District of Columbia has none. Per capita, however, Arkansas ranks highest with 41 stores per million people, while Indiana ranks 16th with 17 per million people. There are 29 states, including Indiana, with a higher than average number of stores per million people; collectively, these states have an average of 20 stores per million. Twenty-one states have a lower than

TABLE 1: WAL-MART STORES BY GEOGRAPHY

	Wal-Mart Stores per 1,000,000 Population (2005)	Percent Rural Population (2000)	Percent Adults with Bachelor’s Degree or Higher (2004)	Per Capita Personal Income (2004)
States with Fewer Wal-Marts per Capita	8.4	14.4	29.6	\$35,207
U.S. Total	12.9	21.0	27.7	\$33,040
Indiana	17.7	29.2	21.1	\$30,123
States with More Wal-Marts per Capita	19.6	31.0	24.8	\$29,766

Source: U.S. Census Bureau, Bureau of Economic Analysis

average number, a mean of around 8 stores per million people.

Comparing those states with a higher than average number of Wal-Mart stores per person to those states with a lower than average number, one finds some striking differences (see **Figure 1**).

Whereas 21 percent of the nation’s population is rural according to the 2000 Census, the population of the states with more Wal-Mart stores is 31 percent rural; the population of the other states is only 14.4 percent rural.

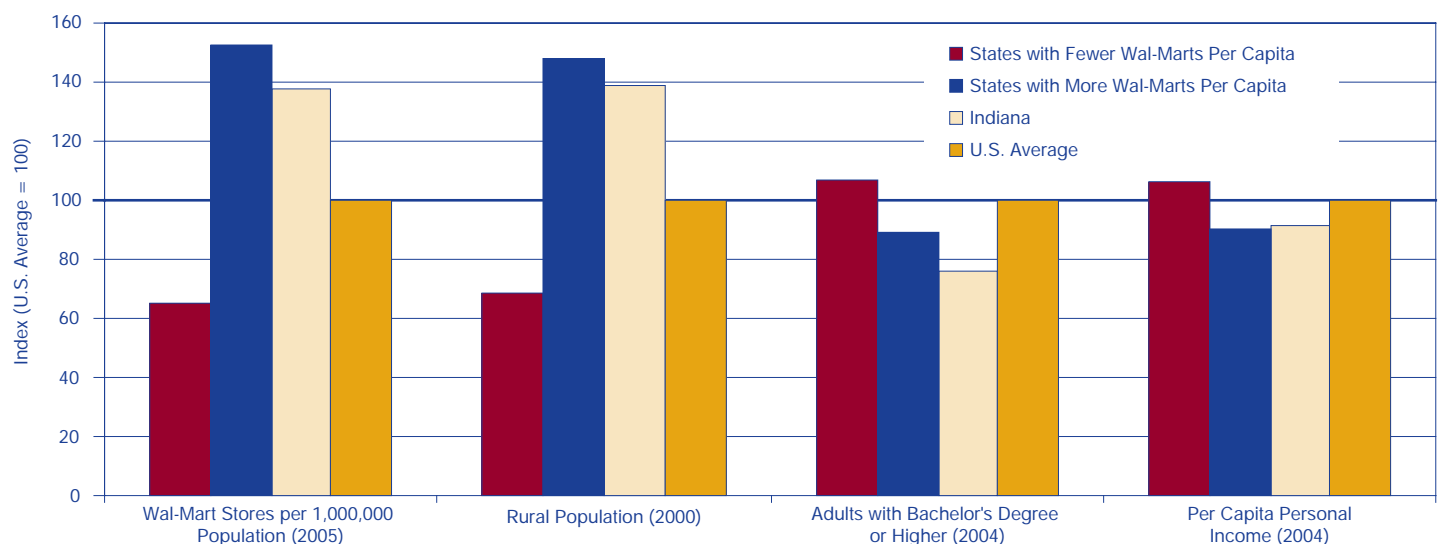
According to the Bureau of Economic Analysis, the U.S. per capita personal income in 2004 was \$33,040. For states with more Wal-Mart stores, that number drops to \$29,766 while the

figure climbs to \$35,207 for states with fewer stores.

With respect to educational attainment, the Census Bureau’s Current Population Survey shows that in 2004, 28 percent of Americans 25 years and older had at least a bachelor’s degree. Fewer adults (25 percent) have a bachelor’s degree or higher in the states with more Wal-Mart stores per capita, while 30 percent of adults in the states with relatively few stores have at least a bachelor’s degree.

—Frank Wilmot, State Data Center Coordinator, Indiana State Library

FIGURE 1: WAL-MART INDEX BASED ON U.S. AVERAGE



Source: U.S. Census Bureau, Bureau of Economic Analysis

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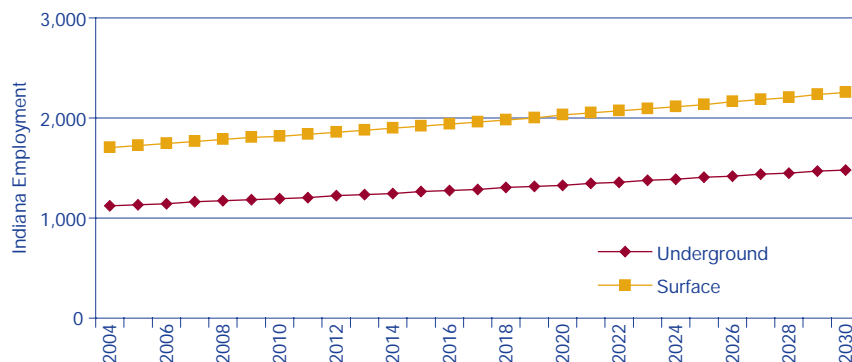
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(continued from page 8)

FIGURE 3: PROJECTED COAL MINING EMPLOYMENT BASED ON EIA PRODUCTION FORECASTS



Notes: Assumes productivity increases of 2.6 percent with 3.7 percent annual production increases through 2030 (based on 8,990 tons per employee for underground mining and 14,650 tons per employee for surface mining—2004 production/employment ratios, includes all industry employment)
Source: IDWD, based on EIA projected production increases of 3.7 percent per annum

employment patterns, run counter to our standard long-term employment projections. Industry employment growth of 1.1 percent a year also contradicts current projections for the U.S. economy, but would be more consistent with reported planned expansions, specifically of underground mining.

Several factors will influence the future of Indiana's coal mining sector, including continuation or expansion of current or projected trends:

- Increases to coal production for the eastern interior coal field.
- Cost competitiveness of coal compared to other fuel sources for electricity generation and expanded deployment of smokestack scrubbing technology.
- Expansion and maturation of new technologies such as coal-to-liquids, which transform the very nature of the fuel.
- Competition from lower-sulfur, surface-mined western coal, for which the EIA projects increased market share, even in eastern states.

Indiana coal and coal mining will be with us for a long time, and while employment projections for the industry based on differing models and various assumptions may yield different results, we will certainly track that employment as it occurs and report back.

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—Vicki D. Seegert, Research & Analysis, Indiana Department Workforce Development