



ORANGE COUNTY

Benchmarking & Target Industry Analysis

JANUARY 2006

Revised April 2006



A report prepared for the
Orange County Economic Development Partnership
by the **Indiana Business Research Center** at the
Kelley School of Business, Indiana University



This study was made possible through a Community Comeback Grant from the State of Indiana

The Orange County Economy: Introduction

In the fall of 2005, at the request of the Orange County Economic Development Partnership (OCEDP), the Indiana Business Research Center (IBRC) at Indiana University's Kelley School of Business conducted a study to profile the economy of Orange County, Indiana, and to benchmark its performance against other comparable counties. This study was also designed to identify industries the OCEDP could consider targeting in its development efforts. The report that follows presents the findings of this study.

A report of this type provides a useful tool to those wishing to understand key characteristics of an area's economy. By comparing the area to pertinent others, its relative strengths and weaknesses may be reviewed by local citizens, planners and community leaders, business people, and organizations considering where to locate or expand their operations. Moreover, by conducting such studies regularly over time, a community can establish a basis for tracking its progress toward desired goals and for understanding fundamental trends affecting its competitive positioning.

This report begins with a profile of Orange County's current characteristics, and then brings those characteristics into context by presenting corresponding data for three sets of comparable counties. The report concludes with discussion of potential growth industries Orange County's economic development efforts could target.

Table of Contents

The Orange County Economy: Introduction.....	1
Table of Contents	1
Orange County Overview.....	3
The Towns and the Unincorporated Areas of Orange County.....	5
Young and Old in Orange County—Age Distributions Today and Tomorrow	6
Housing and Households	7
Education	8
Commuting	9
Current Employment and Earnings	9
Overall Employment Trend.....	11
Income and Poverty	11
Benchmarking Orange County's Economy	14
Selecting Counties for Comparison	14
Orange County's Peers 10 Years Ago that Have Progressed	14
Rural Counties with Casinos and/or Resorts	16
Industries with Growth Potential	19
Orange County Location Quotients	19
Shift-Share Analysis	21
 Orange County Benchmarking & Target Industry Analysis	 1

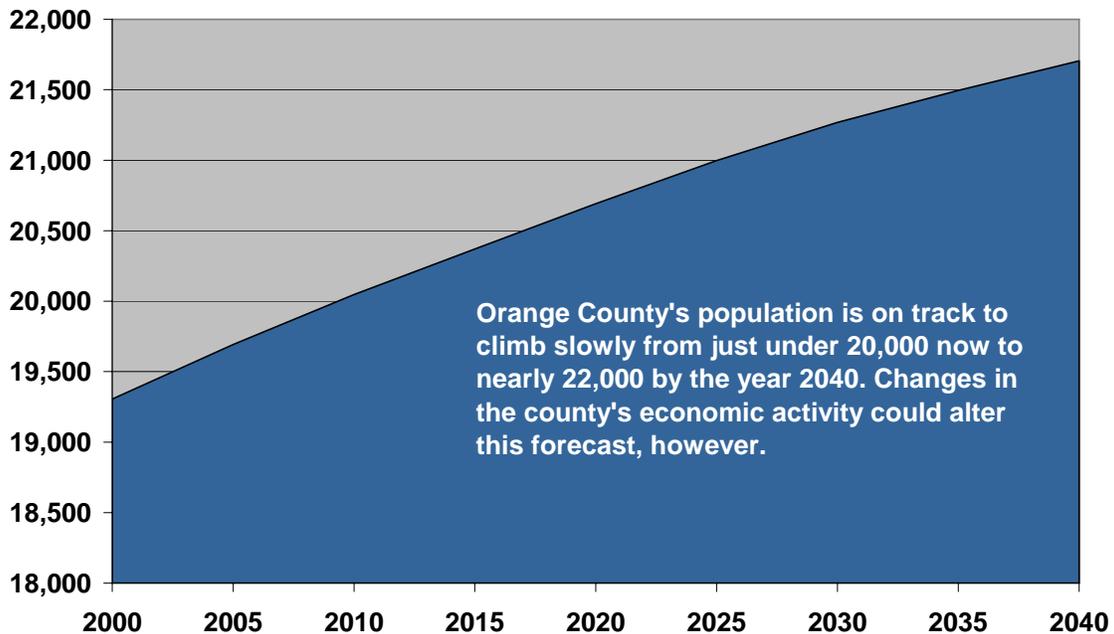
Additional Insights into Growth Opportunities	23
Appendix A	26
Orange County Transportation Issues	26
Appendix B	30
Observations from Orange County Interviews	30
Conclusions and Observations: Obstacles to Economic Development	31
Conclusions and Observations: Advantages for Economic Development	32
Appendix C	34
Educational Attainment and Related Socioeconomic Issues in Orange County and Adjacent Area	34
The Educational Feeder System	34
School District Educational Results	36
Funding of Public Education	38
Student Retention after High School Graduation	39
Conclusion of Educational Analysis	40

Orange County Overview

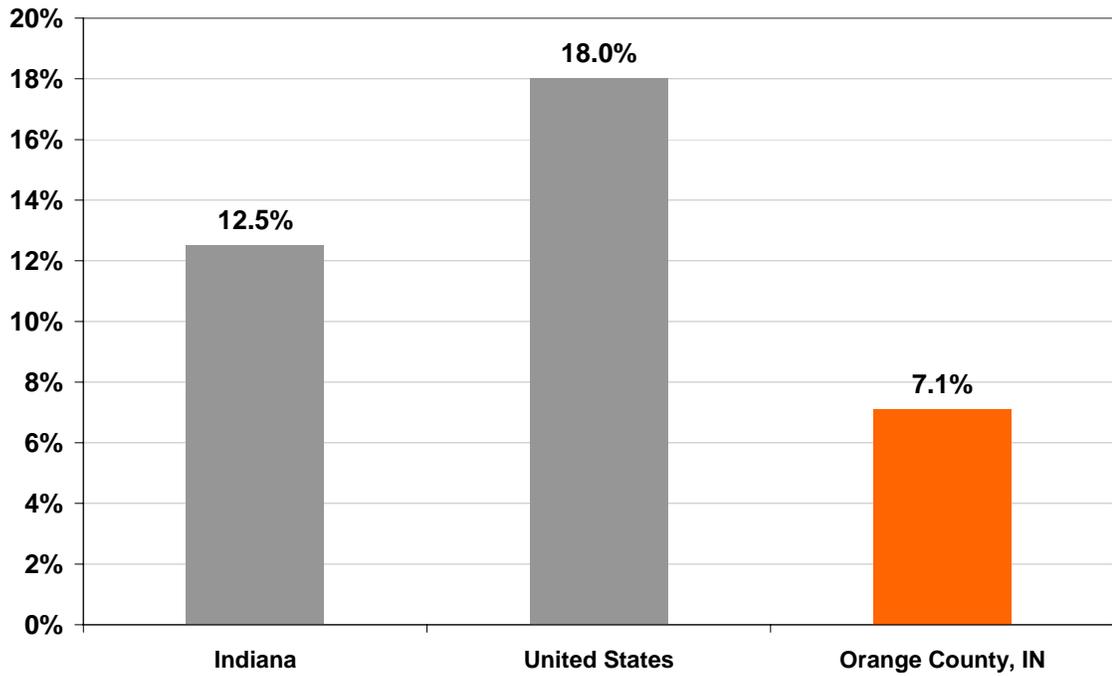
A rural county situated in south central Indiana, Orange County was named after the North Carolina county from which many of its early settlers came. It is nearly 400 square miles in size but has a population density of only 49 persons per square mile, less than one-third of the statewide average. The Hoosier National Forest occupies a significant portion (nearly 50 square miles) of the county.

- Orange County's population ranks 1,826th out of 3,141 counties nationally, placing it in the top two-thirds of all counties. From 1990 to 2004, Orange County's population grew by seven percent, while Indiana grew by 13 percent and the United States by 18 percent.
- Orange County and Indiana are both aging, with one in five adults expected to be 65 or older by the year 2020 or sooner.
- The county seat and largest town in Orange County is Paoli, with a population of nearly 4,000.

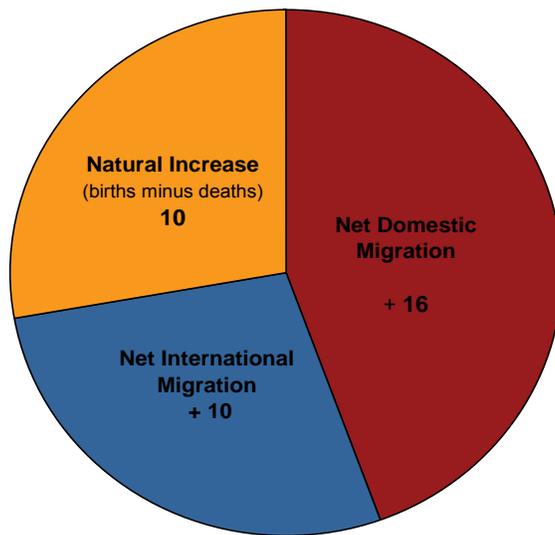
Population Past, Present, and Potential Future



Recent Population Growth, 1990 to 2004



Orange County: Components of Population Change 2003 to 2004



The Towns and the Unincorporated Areas of Orange County

Orange County has four incorporated small towns. Like the majority of Indiana's approximately 600 cities and towns, none has more than 4,000 people. Paoli has 20 percent of the county's population, followed by Orleans with 12 percent, French Lick with 10 percent and West Baden Springs with 3 percent. West Baden and French Lick experienced population losses between 2000 and 2004, while Paoli and Orleans had small gains.

The county has 10 townships, three of which contain the county's four towns. The following table provides insights into the growth patterns throughout the county, notably that there is movement to the unincorporated parts of the county. The majority of the population growth between 2000 and 2004 occurred in the county's unincorporated areas, not within the four towns. This trend is common throughout Indiana as people choose to live close to, but not within, city or town limits. This may reflect desire for more property, lower taxes, or a lack of desired types of housing within the towns.

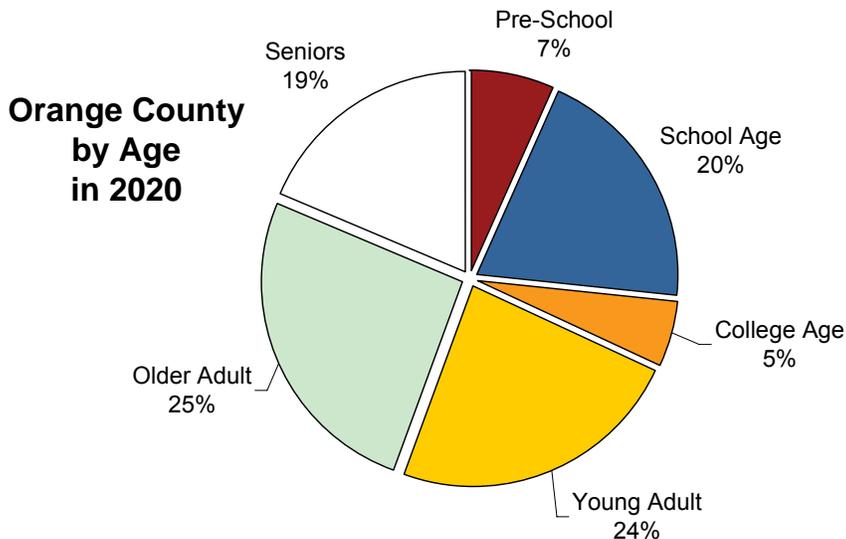
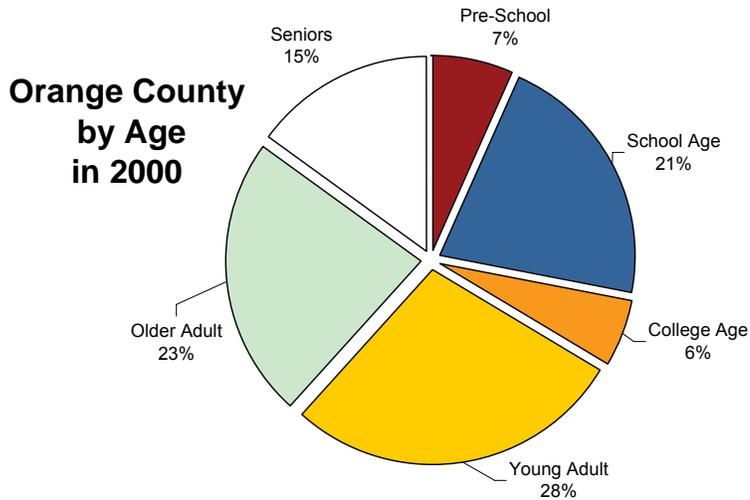
Population of Towns	Annual Estimates as of July of Each Year					Change 2000 to 2004	
	2000	2001	2002	2002	2004	Number	Percent
	Orange County	19,323	19,384	19,463	19,679	19,718	395
French Lick town	1,939	1,936	1,929	1,934	1,924	-15	-1%
Orleans town	2,274	2,276	2,285	2,312	2,300	26	1%
Paoli town	3,847	3,855	3,873	3,918	3,933	86	2%
West Baden Springs town	618	617	615	616	613	-5	-1%
Balance of Orange County	10,645	10,700	10,761	10,899	10,948	303	3%

Source: U.S. Census Bureau and IBRC

Population of Townships and Unincorporated Areas	Annual Estimates as of July of Each Year					Change 2000 to 2004	
	2000	2001	2002	2002	2004	Number	Percent
	French Lick township	4,768	4,776	4,780	4,815	4,811	43
French Lick town	1,939	1,936	1,929	1,934	1,924	-15	-1%
West Baden Springs town	618	617	615	616	613	-5	-1%
<i>Balance of French Lick township</i>	2,211	2,223	2,236	2,265	2,274	63	3%
Greenfield township	560	563	567	574	577	17	3%
Jackson township	543	544	546	553	556	13	2%
Northeast township	579	583	586	594	596	17	3%
Northwest township	345	346	348	352	353	8	2%
Orangeville township	614	615	618	626	629	15	2%
Orleans township	3,510	3,513	3,527	3,569	3,562	52	1%
Orleans town	2,274	2,276	2,285	2,312	2,300	26	1%
<i>Balance of Orleans township</i>	1,236	1,237	1,242	1,257	1,262	26	2%
Paoli township	5,896	5,915	5,946	6,017	6,042	146	2%
Paoli town	3,847	3,855	3,873	3,918	3,933	86	2%
<i>Balance of Paoli township</i>	2,049	2,060	2,073	2,099	2,109	60	3%
Southeast township	1,547	1,560	1,570	1,591	1,599	52	3%
Stampers Creek township	961	969	975	988	993	32	3%

Census data indicate that most people in Orange County tend to stay put, with a large percentage living in the same house between 1985 and 2000. Most also remained in the same county. Such proportions do differ by township, however, with Greenfield and Stampers Creek townships with more than 20 percent of their population having lived in a different county between the 1990 and 2000 censuses. Notably, three out of every four Orange County residents were born in Indiana.

Young and Old in Orange County—Age Distributions Today and Tomorrow



The older population of the county will expand at the same time the young adult population will begin to shrink. This reflects national and state trends in which the proportion of adults 60 and older is growing more rapidly than that of the young and working age groups. It is interesting to note, however, that the median age in Orange County is higher (37.7 years) than the state as a whole (35.5 years).

Age Groups—Orange County	Proportions Today and in the Future	
	2003	2020
Preschool (0 to 4)	7%	▶ 7%
School Age (5 to 17)	19%	▲ 20%
College Age (18 to 24)	9%	▼ 5%
Young Adult (25 to 44)	26%	▼ 24%
Older Adult (45 to 64)	24%	▲ 26%
Older (65 plus)	14%	▲ 19%

Housing and Households

The vast majority of households in Orange County are comprised of families—either married (with or without children residing with them), single parents, or other types of family households. Of households without relatives, 26 percent live alone and most of those are elderly.

Type of Household (Living in Same Housing Unit)	Number	Proportion
Total Households	7,621	100%
Family Households	5,340	70%
Married with Children	1,901	25%
Married without Children	2,491	33%
Single Parents	571	7%
Other	377	5%
Non-family Households	2,281	30%
Living Alone	1,999	26%

Orange County saw an increase of 12 percent in housing units between 1990 and 2004, from 7,723 to 8,694. According to Census 2000 figures, 79 percent of housing units were occupied by the owner, with the remaining 21 percent renter-occupied. Approximately 140 housing units were seasonally vacant units.

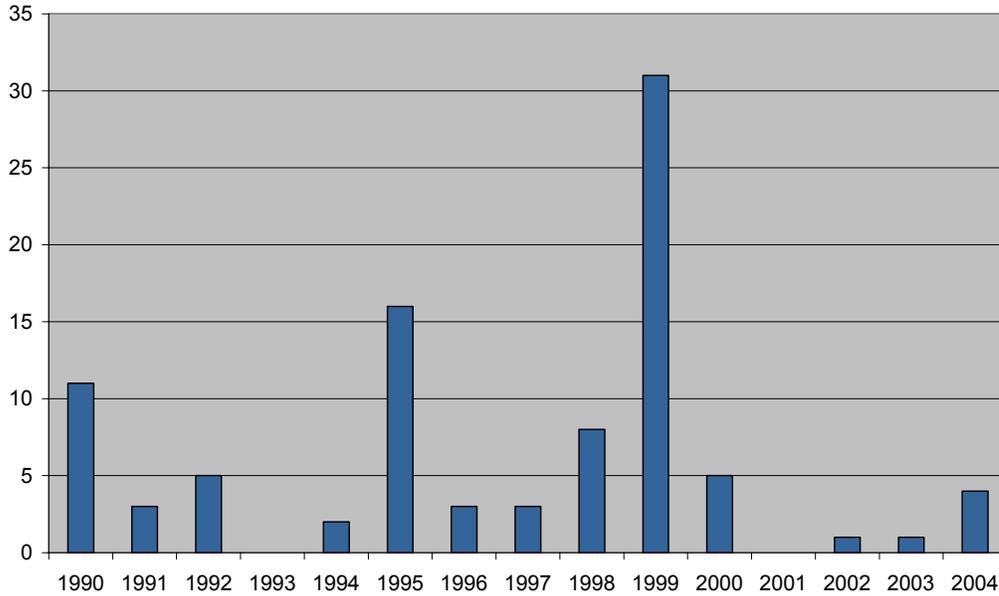
Home values are low and relatively affordable, with a median of \$63,500, significantly less than the statewide value of \$94,300. However, the median value of a home increased by 33 percent between 1990 and 2000—after adjusting for inflation during that time period.

Medians	Orange County				Indiana
	2000	Rank	1990	Rank	2000
Median Home Value	\$63,500	87	\$47,784	81	\$94,300
Median Gross Rent	\$385	84	\$344	86	\$521
Median Household Income	\$31,564	91	\$27,275	91	\$41,567
Median Family Income	\$38,505	91	\$32,204	91	\$50,261

Permits for residential housing in the county peaked in 1999, with more than 30 permits issued that year; most years have had far fewer permits issued. However, it should be noted that not all

housing built in the county is required to have a permit issued; these numbers reflect only permits issued in the towns. Requiring permits to be filed in the county would provide economic development with a key economic vitality indicator, but at this time such permitting is not required.

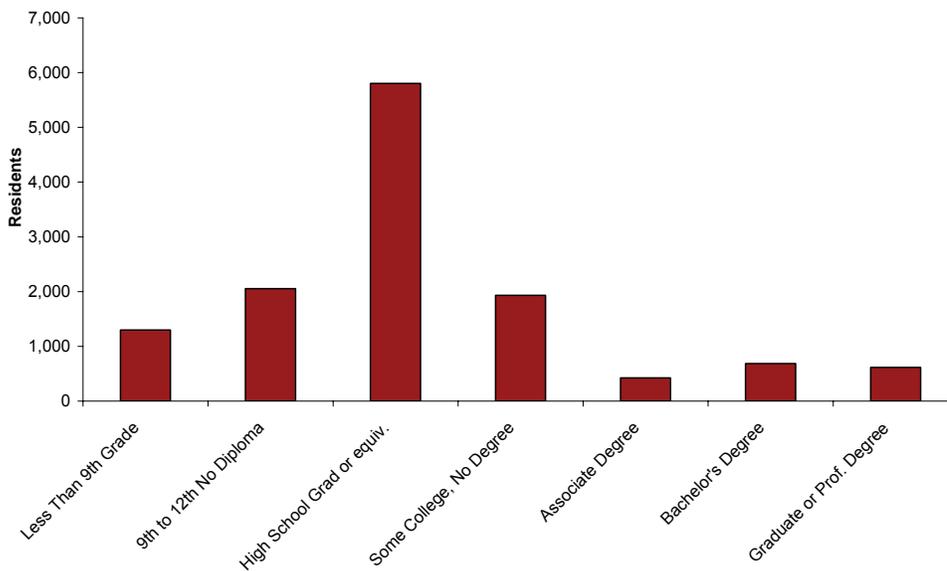
Residential Building Permits Issued in Orange County - 1990 to 2004



Education

While the majority of the population of the county has attained at least a high school degree, another 26 percent has not.

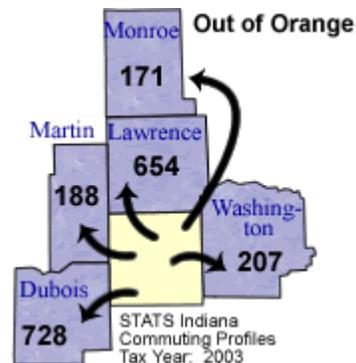
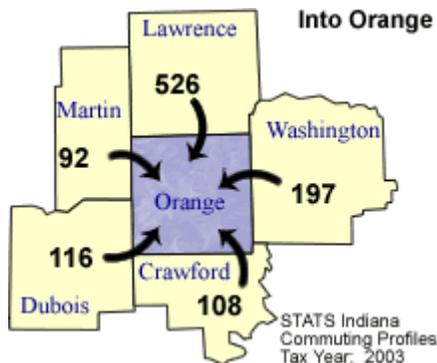
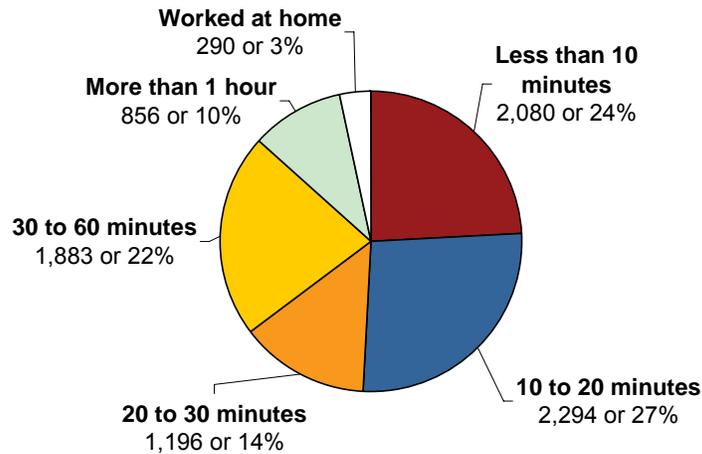
Orange County Educational Attainment



Commuting

A third of Orange County's employed residents (2,816 people) commute to jobs outside the county and 3 percent (258 workers) commute to work outside of the state. Most employed residents (5,525) have jobs within the county. Orange County's biggest commuting partners are Lawrence and Dubois counties, with significant numbers also going to Monroe and Washington counties.

Travel Time to Work for
Orange County Employed Residents
(number and percent)



Current Employment and Earnings

One out of every nine people working in Orange County is a business proprietor (including owners of small and large enterprises), with the rest earning wages or salaries. The Bureau of Economic Analysis provides annual county data on employment and earnings that include farming and all levels of government (data often unavailable from other sources), as well as other private enterprises. These data are broken out by sector in the following table.

2003 Orange County Employment and Earnings by Sector

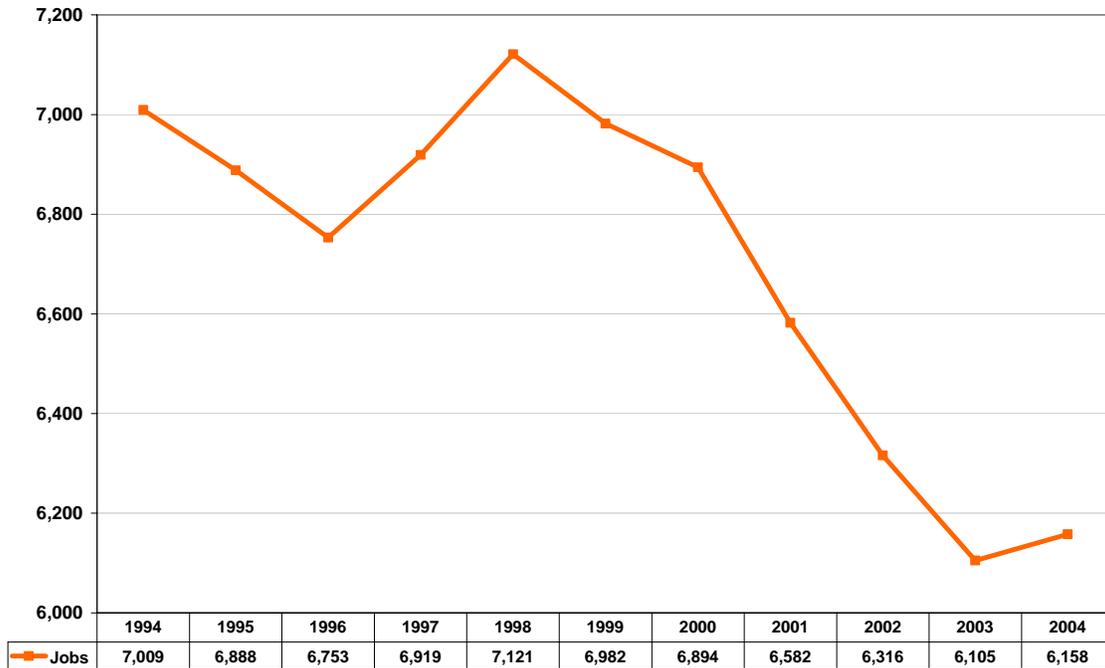
Industry	employment		earnings by place of work	
	jobs	% of total	earnings (\$)	% of total
Total, all sectors	8,384	100.0	228,437,000	100.0
Wage and salary employment	6,720	80.2	203,169,000	88.9
Proprietor's employment	1,664	19.8	25,268,000	11.1
Farm proprietors employment	567	6.8	3,034,000	1.3
Nonfarm proprietors employment	1,097	13.1	22,234,000	9.7
Farm employment	638	7.6	4,317,000	1.9
Nonfarm employment	7,746	92.4	224,120,000	98.1
Private employment	6,745	80.5	188,117,000	82.3
Forestry, fishing, related activities, and other	77	0.9	3,861,000	1.7
Mining	67	0.8	3,563,000	1.6
Utilities	D		D	
Construction	921	11.0	40,568,000	17.8
Manufacturing	1,555	18.5	56,013,000	24.5
Wholesale trade	D		D	
Retail Trade	952	11.4	15,962,000	7.0
Transportation and warehousing	234	2.8	7,209,000	3.2
Information	44	0.5	1,303,000	0.6
Finance and insurance	144	1.7	3,498,000	1.5
Real estate and rental and leasing	131	1.6	1,727,000	0.8
Professional and technical services	D		D	
Management of companies and enterprises	D		D	
Administrative and waste services	153	1.8	2,118,000	0.9
Educational services	D		D	
Health care and social assistance	D		D	
Arts, entertainment, and recreation	174	2.1	2,248,000	1.0
Accommodation and food services	638	7.6	10,353,000	4.5
Other services, except public administration	439	5.2	7,491,000	3.3
Government and government enterprises	1,001	11.9	36,003,000	15.8
Federal, civilian	50	0.6	2,829,000	1.2
Military	66	0.8	2,105,000	0.9
State government	105	1.3	4,212,000	1.8
Local government	780	9.3	26,857,000	11.8

Source: Bureau of Economic Analysis. Note: D indicates data not disclosed to protect confidentiality.

A few observations of these figures are noteworthy. First, business proprietors' earnings constitute a smaller share of the county total than does their employment; that is, Orange County business owners tend to earn less, on average, than do employees. This difference is especially pronounced among farm proprietors, who hold 6.8 percent of jobs in the county but who make up only 1.3 percent of total earnings. Next, the manufacturing and construction sectors contribute far more than their per capita shares to total earnings in the county: these two sectors account for 29.5 percent of employment but 42.3 percent of earnings. The government sector also contributes more to county earnings than its worker headcount would suggest. Conversely, and not surprisingly, retail trade and several of the services sectors contribute relatively less per capita to total county earnings. The reader should note that data for several important sectors are not disclosed by the BEA due to confidentiality restrictions.

Overall Employment Trend

Jobs in Orange County 1994 to 2004



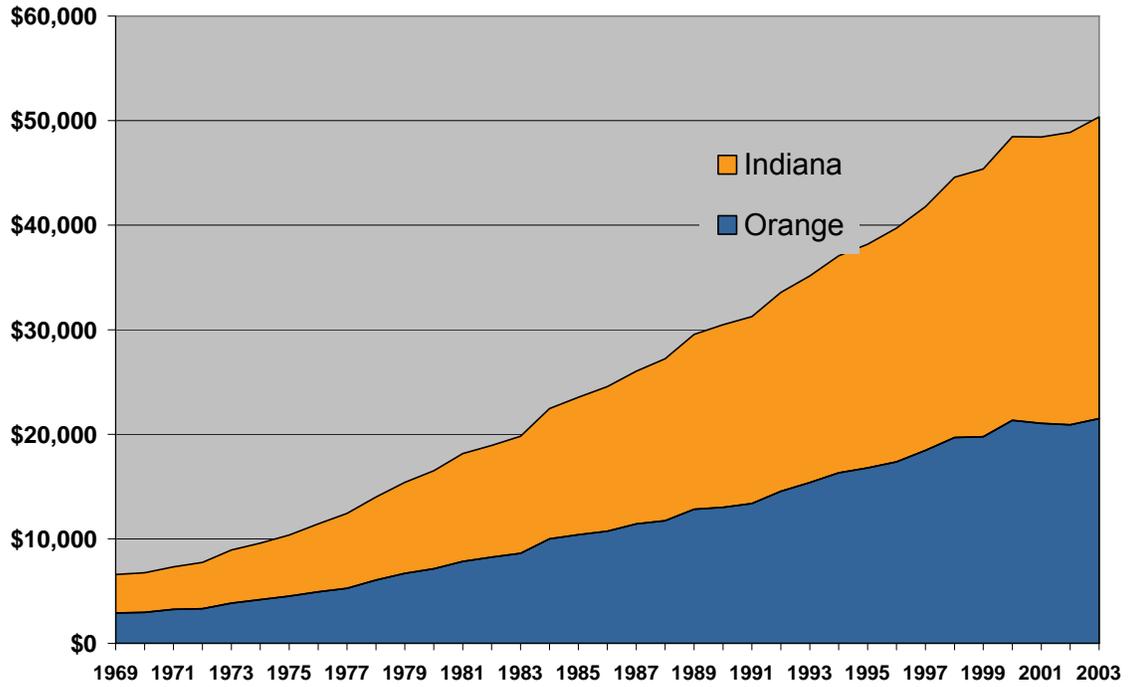
Income and Poverty

A widely used measure of the relative wealth of an area is per capita personal income (PCPI), which reflects the average income of the area's residents from all sources, including wages, investment income, transfer payments (social security, welfare, etc.), and so on. Orange County's PCPI has remained well below PCPI in Indiana or the nation as a whole for decades. For many years, it has averaged about three-fourths of the Indiana level (and a lower percentage of the U.S. figure). From 1993 to 2003, however, the county's PCPI has slipped from 77.8 percent of the state value to 74.6 percent.

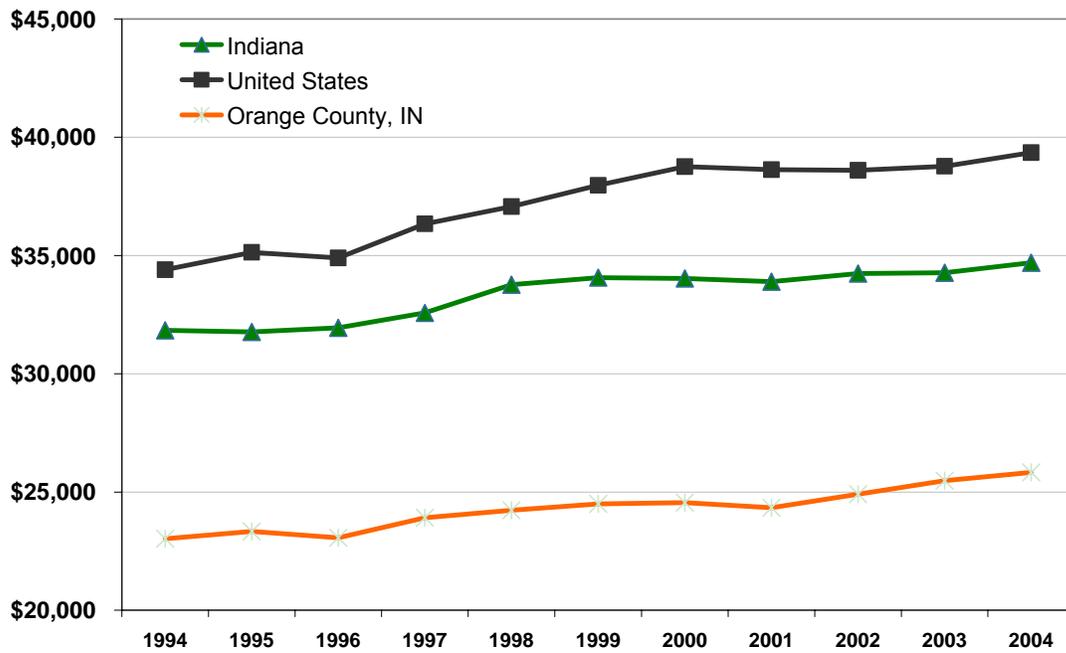
Average wages are a common indicator of the economic well-being of workers in an area. Average wages in Orange County rose by \$2,808 from 1994 to 2004, about the same dollar amount as Indiana's average wages (\$2,851). However, since Indiana wages have averaged about \$9,000 per year more than wages in Orange County, the county's percentage increase has bettered the state value over that period. Orange County's 2004 average wage of \$25,825 was three-fourths as high as the Indiana average (\$34,689) and only two-thirds as high as the national average wage (\$39,348).

Orange County's overall poverty rate has declined over the past several years, which is true for most parts of the nation. However, the rate for children living in poverty has not declined, even though the state rate has dropped slightly.

Per Capita Income 1969 to 2003



Average Wage Per Job Comparison Over Time



Poverty Rates	Orange County	Indiana
All Persons—2003	12.0	10.0
All Persons—1998	13.4	10.0
Percent Change	-10.4%	0.0%
Children Under 18 in 2003	17.4	13.7
Children Under 18 in 1998	17.3	14.1
Percent Change	0.6%	-2.8%

Benchmarking Orange County's Economy

Economic benchmarking is a useful tool for those wishing to understand the key characteristics of an area's economy. By comparing the area to well-selected others, its relative strengths and weaknesses may be reviewed by local citizens, planners and community leaders, business people and organizations considering where to locate or expand their operations. Furthermore, repeating benchmarking studies periodically over time establishes a basis for tracking the area's progress toward desired goals and for understanding fundamental trends affecting its competitive positioning.

To compare a given location against others, one needs statistics that are available for all the locations being compared. Benchmarking typically employs public data sources that capture economic activity in terms of population, employment, income, poverty and other indicators. Much of this information is provided by the U.S. Census Bureau, the Bureau of Economic Analysis and the Bureau of Labor Statistics. There are inherent tradeoffs in selecting which data to use, however. Some datasets are more current than others, and some provide greater geographic or industry detail than others.

Unfortunately, for small geographic areas with low population, such as rural counties, "holes" typically exist in the data, resulting from legal requirements to avoid disclosing information that can be linked with individual establishments. For example, if there are only two firms in a particular industry in a given county, data are not disclosed by the government for the industry's employment, sales or payrolls. Disclosure is also withheld even for industries with more than two firms if one firm has more than 80 percent of the industry total in the county. Such constraints often make it difficult to compare specific industries across rural counties.

This study used a variety of data sources to compare Orange County with relevant other counties, selecting appropriate types of data and levels of analysis to provide meaningful insights about how the counties compare.

Selecting Counties for Comparison

Two different "peer groups" were defined for benchmarking Orange County. The first compares Orange County with six counties selected from throughout the United States on the basis of having economic and demographic profiles 10 years ago very similar to Orange County. However, these counties' economies have grown and prospered significantly more than has Orange County's since that time. Thus, they represent a "role model" comparison set.

The second peer group is comprised of rural counties that have a casino, a destination resort or both. Given the major investment underway currently in Orange County to build a casino and to resurrect the area's destination resort heritage, these counties may offer valuable lessons as to how such operations shape the economies of rural counties.

Each of these comparison sets of counties is discussed below in turn.

Orange County's Peers 10 Years Ago that Have Progressed

A useful set of peers for comparison with Orange County is counties that were similar to Orange in the past, but whose economies have since improved to a greater extent than Orange County's. Such places may merit further study as possible "role models" to emulate.

To identify such counties, data on a large number of variables were compiled for all 3,141 U.S. counties representing a time 10 years prior to the most recent corresponding data; this meant the data represented either 1994 or 1993, depending on the variable. The variables included population, poverty rate, household and per-capita incomes, total employment, unemployment

rate, and employment and average wage for each major economic sector in each county. Through a multidimensional statistical procedure, each county was assigned an index value representing its overall similarity to Orange County 10 years ago. Though counties' values on individuals factors did vary somewhat, the counties rated most similar to Orange County tended to be fairly similar on the individual variables, too.

The next step in the analysis prepared a subset of all counties that included only those with high similarity indexes that also had 1994 populations between 5,000 and 40,000. For the 78 counties that met these criteria, data were then compiled on their economic performance 10 years later. The performance variables included 10-year changes in population, employment, poverty and unemployment rates, median household income, per capita personal income, and average wage.

To distinguish role model counties from this set, an index of economic progress was computed for each county. This index, in effect, averages the amount of change in favorable directions (that is, decreases in poverty and unemployment rates, increases in all other variables) after first standardizing each variable. Counties with high values of this progress index tended to have growing populations and employment, decreased unemployment and poverty rates, and rising wages and incomes (although their changes on some individual variables may have been larger than on others).

After ranking the 78 counties on the progress index, the top 12 counties were each scrutinized judgmentally to eliminate those for which specific factors lessened their suitability for comparison to Orange County. In the end, six counties were identified that were quite similar to Orange County in 1993 or 1994 but that had made notable economic progress in the decade since. Key points of comparison, together with the progress index for each county, are shown below.

Former Peers of Orange County that Have Prospered

		Population			Poverty Rate %		
		2004	1994	% chg	2003	1993	change
Trempealeau	WI	27,492	25,881	6.2	7.9	12.1	-4.2
Greene	GA	15,652	12,646	23.8	17.8	23.8	-6.0
Fulton	PA	14,641	14,188	3.2	9.4	11.8	-2.4
McNairy	TN	25,152	23,217	8.3	15.6	20.0	-4.4
Mille Lacs	MN	25,079	19,849	26.3	8.7	13.5	-4.8
Juniata	PA	23,391	21,640	8.1	8.5	9.8	-1.3
Orange	IN	19,718	18,597	6.0	12.0	14.0	-2.0

		Unemployment Rate %			Covered Employment		
		2004	1994	change	2004	1994	% chg
Trempealeau	WI	4.7	6.4	-1.7	12,369	9,753	26.8
Greene	GA	5.9	8.5	-2.6	4,755	4,250	11.9
Fulton	PA	5.0	7.3	-2.3	5,019	3,745	34.0
McNairy	TN	6.1	10.2	-4.1	7,865	7,024	12.0
Mille Lacs	MN	7.0	7.2	-0.2	9,628	8,799	9.4
Juniata	PA	4.7	8.0	-3.3	6,915	5,411	27.8
Orange	IN	7.3	8.4	-1.1	6,159	7,009	-12.1

		Median Household Income			Per Capita Personal income		
		2003	1993	% chg	2003	1993	% chg
Trempealeau	WI	\$39,778	\$34,516	15.2	\$25,242	\$20,664	22.2
Greene	GA	\$33,463	\$28,117	19.0	\$24,549	\$19,197	27.9
Fulton	PA	\$37,852	\$36,133	4.8	\$24,939	\$19,262	29.5
McNairy	TN	\$31,259	\$28,550	9.5	\$23,607	\$19,005	24.2
Mille Lacs	MN	\$39,532	\$33,851	16.8	\$22,486	\$20,716	8.5
Juniata	PA	\$38,272	\$36,627	4.5	\$24,426	\$20,761	17.7
Orange	IN	\$32,699	\$32,564	0.4	\$21,516	\$19,592	9.8

		Average Wage			Progress
		2004	1994	% chg	Index
Trempealeau	WI	\$29,825	\$24,390	22.3	9.19
Greene	GA	\$26,575	\$23,070	15.2	7.52
Fulton	PA	\$32,932	\$28,105	17.2	6.36
McNairy	TN	\$25,839	\$22,771	13.5	5.81
Mille Lacs	MN	\$27,123	\$22,757	19.2	4.58
Juniata	PA	\$26,023	\$22,923	13.5	3.97
Orange	IN	\$25,819	\$23,017	12.2	-1.67

Source: Indiana Business Research Center: *STATS Indiana*

Notes: Employment and wages refer to payroll employment subject to unemployment insurance reporting.

Dollar figures are adjusted for inflation, expressed in current dollars. The Progress Index had an average of zero across the 78 counties in the “formerly similar” set.

All of these peers but one gained population at a faster rate than Orange County, and that county surpassed Orange County on all other factors. All the peer counties saw employment growth while Orange’s shrank and average wages that grew more rapidly than those in Orange County. Their household incomes grew more rapidly, quite substantially in several cases, while Orange County’s median household income (adjusted for inflation) barely changed over 10 years. In all but one case, per capita personal incomes also grew significantly faster than in Orange County. These counties clearly have experienced more robust economic progress in 10 years from a starting point comparable to Orange County. Economic development planners could do well to investigate how they’ve achieved this growth, and to track Orange County’s future performance against these “role model” benchmarks.

Rural Counties with Casinos and/or Resorts

To compile an appropriate comparison set of rural counties with either a casino or a destination resort (or both), screening criteria were applied to a list of all such counties. The resulting counties have populations between 5,000 and 30,000 and they are generally not near major metropolitan areas. Their casinos are not located on Indian reservations. Two rural Indiana casino counties were included in the set, even though they are fairly close Cincinnati, to provide familiar points of reference.

The resulting set of rural casino/resort peers includes the following counties:

- **Clarke County, Iowa.** The Lakeside Casino opened here with limited lodging accommodations in 2000. Manufacturing employs about a quarter of the county’s workforce. Incomes (PCPI and household) have risen notably over the past decade.
- **Jo Daviess County, Illinois.** This county has a relatively new 5-star destination resort, Eagle Ridge, featuring several 18-hole golf courses. It also has a small ski area similar to Paoli Peaks, and a riverboat casino is 30 miles away. Jo Daviess County had its own casino briefly from 1996 to 1997.

- **Massac County, Illinois.** A Harrah's casino and hotel opened in this Ohio River county in 1993, and a new hotel will open this year. Manufacturing is the largest employment sector; the mid-size city of Paducah, Kentucky is 10 miles away.
- **Ohio County, Indiana.** The state's smallest county is home to the Grand Victoria Casino, which opened in 1992. Its only town, Rising Sun, is similar in size to Orange County's towns. The area has enjoyed modest economic growth in recent years, helping revitalize the town of Rising Sun.
- **Switzerland County, Indiana.** The Belterra Casino Resort, with an 18-hole golf course and more than 600 hotel rooms, opened here in 1996. Switzerland County is one of Indiana's smallest counties, but its population has grown rapidly in recent years.
- **Pemiscot County, Missouri.** Like Orange County, this Missouri Bootheel area has lost much of the manufacturing industry it once had as old-line firms lost business to foreign competitors. A riverboat casino opened in 1995, but the county still has relatively high unemployment and poverty rates.

Comparison of economic indicators across these counties reveals that the presence of a casino or destination resort does not affect rural counties equally. Over the past decade, all but one of the counties have seen population growth, but only in Switzerland County has that growth been far ahead of what Orange County has experienced. Employment has grown over the same decade in all but one of the peer counties. Interestingly, while Pemiscot County's population shrank by 7.4 percent, its employment actually grew by the same percentage. However, this county's population has been shrinking for several decades. Ten-year job growth was greatest in the two Indiana casino counties, tripling in tiny Ohio County.

Unemployment rates have decreased modestly in most of the casino/resort counties, but very dramatically in Pemiscot County, which had by far the highest unemployment rate 10 years ago. All these peers saw decreases in their poverty rates, too, with Pemiscot County's rate dropping by a third. In several cases, however, casino/resort peer counties saw changes in poverty or unemployment that were not greatly different from the changes experienced in Orange County.

The most pronounced changes over the past decade in these peer counties are evident with respect to per capita personal income. They all significantly outpaced Orange County's 9.8 percent PCPI growth; in two counties, PCPI grew by about one-third. Median household incomes were more of a mixed bag, with some rising and some falling. The two Indiana counties that had strong employment growth also led the pack in growth of average wage per job. In all cases, average wages (adjusted for inflation) increased over the 10-year period, but in some counties the increase was not much different from that experienced in Orange County.

It is challenging to fully reconcile these different ways of looking at the counties' earnings, since the three measures (PCPI, household income, and average wages) include different components and include or exclude different data. In small counties such as these, for example, the non-disclosure of data for certain industries (to protect confidentiality of firms) affects measures such as these more than it would in larger counties.

One interesting pattern that occurred in some of the casino/resort counties is evident in examining year-by-year data for employment and average wages over the past 10 years (detailed data not reproduced here). In these cases, substantial increases in employment and wages began prior to the opening of the casinos, probably associated with construction and related activities, and continued over several years. Typically, however, employment leveled off and then declined somewhat, most often to a level ranging from several hundred to more than an thousand jobs higher than before the casino/resort opened. Average wages, meanwhile, tended to climb substantially along with the initial employment growth, and then remained at the higher level even as employment slid a bit.

The analysis of rural casino/resort peers was conducted, in part, in the hope that some evidence might emerge about industries other than gaming and hospitality that also grew along with the gaming sector. Unfortunately, the data for detailed industries that would be needed to identify such patterns are not available consistently across time for these rural counties, so it is not possible to conclude empirically which other industries have benefited from the onset of gaming.

Peer Counties with Casinos or Resorts							
		Population			Poverty Rate %		
		2004	1994	% chg	2003	1993	change
Orange	IN	19,718	18,597	6.0	12.0	14.0	-2.0
Clarke	IA	9,223	8,429	9.4	9.5	14.8	-5.3
Jo Daviess	IL	22,594	22,358	1.1	7.6	8.0	-0.4
Massac	IL	15,283	15,140	0.9	13.2	15.4	-2.2
Ohio	IN	5,849	5,517	6.0	7.0	10.1	-3.1
Switzerland	IN	9,508	8,105	17.3	10.9	15.4	-4.5
Pemiscot	MO	19,571	21,133	-7.4	23.1	34.7	-11.6
		Unemployment Rate %			Covered Employment		
		2004	1994	change	2004	1994	% chg
Orange	IN	7.3	8.4	-1.1	6,159	7,009	-12.1
Clarke	IA	6.8	7.0	-0.2	4,139	2,921	41.7
Jo Daviess	IL	5.5	3.5	2.0	8,274	8,642	-4.3
Massac	IL	6.0	5.7	0.3	4,501	4,344	3.6
Ohio	IN	5.4	5.9	-0.5	1,706	570	199.3
Switzerland	IN	4.4	5.1	-0.7	2,358	1,689	39.6
Pemiscot	MO	9.0	16.0	-7.0	5,692	5,300	7.4
		Per Capita Personal Income			Median Household Income		
		2003	1993	% chg	2003	1998	% chg
Orange	IN	21,516	19,592	9.8	32,699	34,961	-6.5
Clarke	IA	23,297	17,276	34.9	37,429	36,465	2.6
Jo Daviess	IL	30,401	25,502	19.2	41,635	44,526	-6.5
Massac	IL	23,174	20,381	13.7	34,159	34,885	-2.1
Ohio	IN	23,175	19,694	17.7	41,496	46,861	-11.4
Switzerland	IN	21,452	18,423	16.4	36,518	36,395	0.3
Pemiscot	MO	22,228	16,961	31.1	24,051	24,918	-3.5
		Average Wage Per Job					
		2004	1994	% chg			
Orange	IN	25,819	23,017	12.2			
Clarke	IA	24,563	21,036	16.8			
Jo Daviess	IL	24,918	22,040	13.1			
Massac	IL	31,884	29,683	7.4			
Ohio	IN	27,604	19,488	41.6			
Switzerland	IN	26,000	21,129	23.1			
Pemiscot	MO	23,415	20,599	13.7			

Source: Indiana Business Research Center: *STATS Indiana*.

Notes: Employment and wages refer to payroll employment subject to unemployment insurance reporting. Dollar figures are adjusted for inflation, expressed in current dollars.

Industries with Growth Potential

Industries producing goods or services sold to buyers outside their local area represent the area's "economic base," since they bring new money into the local economy rather than simply recirculating money that's already there. Such industries are worth encouraging, as they increase local wealth.

This study employed **location quotient analysis** to determine which industries are satisfying demand from outside the county (possibly in addition to demand from within it). When an industry makes up a higher percentage of total employment in the county than the industry's percentage of the nation as a whole (i.e., it has a location quotient, or LQ, greater than 1.0), this local concentration is presumed to indicate that the industry is supplying more than just the local market. For example, Orange County's LQ for manufacturing is 2.07; this means that the county has twice as many people employed in manufacturing as the national average for counties of the same size. These workers are inferred to be producing goods for markets beyond the local area.

A second tool, **shift-share analysis**, is also helpful for identifying industries to target. Whereas location quotients represent a snapshot view of a regional economy, shift-share analysis evaluates changes in that region's industrial mix over time. This tool decomposes employment changes over a period of time into three component influences: change reflecting general (business-cycle) trends in the *national* economy, change reflecting the particular *mix of industries* in the local area, and change not attributable to either of these factors. This latter component reflects *local factors* that may enhance or impede growth of a particular industry. Industries with high concentrations locally (high LQs) and with positive shift-share trends for local factors warrant consideration as targets for economic development efforts.

Shift-share analysis does not identify what the particular local factors are that have facilitated or impeded employment growth in a given industry. It simply measures the extent to which changes in employment are attributable to national trends, the county's industrial mix or unique local factors. To shed light on what these local factors might be, this study carried out **interviews** with a variety of local officials, business leaders and other key informants to add qualitative richness to the analysis.

Orange County Location Quotients

The basis for location quotient analysis is typically data on employment or earnings, and the unit of analysis is a given economic sector or industry. The percentage of the county's total employment (or earnings) attributable to a particular industry is divided by the corresponding national percentage to derive the LQ for that industry. This calculation is then repeated for each industry or sector in the county.¹

¹ Covered Employment and Wages (CEW) data from the Bureau of Labor Statistics were used in this analysis, as they are more current than alternative data from the Bureau of Economic Analysis. A trade-off is that CEW data do not include figures for self-employed workers or for some agricultural and federal government employees. In a relatively small county such as Orange, one typically encounters industries for which employment and wage data are not disclosed by BLS or BEA due to confidentiality concerns; this occurs when there are fewer than three firms in the industry or when one firm accounts for at least 80 percent of the industry total. As a result, not all industries are included in the data for all years. Despite these limitations, the CEW data provide a rich resource for LQ analysis.

LQs were thus calculated from 2004 employment and wage data for all Orange County industries down to the finest level of industry definition available.² In many cases, this provided LQs for industries defined by 6-digit NAICS codes; in other cases, data were available only for more broadly defined industries (i.e., fewer digits in the NAICS code). From the full set of hundreds of industries a subset was selected on the basis of having relatively high (>2.0) LQs for employment and wages. Excluded from this subset are any industries that normally serve primarily local residents and that would not be likely to attract significant demand from outside Orange County.

The table below displays the results of this analysis. A few observations are in order before highlighting the key findings. First, some industries appear at varying levels of specificity when their LQs show interesting variation at these different levels. For instance, both the more general Furniture and Related Product Manufacturing (NAICS code 337) and the more specific Office Furniture and Fixtures Manufacturing (33721) are included, as the broader classification includes 83 additional employees and six million dollars in wages not reflected in the more specific classification. Both, however, have very high LQs. The employment LQ of 34.04 indicates that Orange County has 34 times as many workers in Furniture and Related Product Manufacturing than the average U.S. county of the same size; similarly, Orange County's Office Furniture and Fixtures Manufacturing industry employs nearly 127 times as many workers per capita as the average U.S. county. Clearly, these workers are not just making furniture for their neighbors!

Industries with High LQs and Potential for Serving Markets Beyond the Local Area

NAICS	Industry	establishments	employment	wages (\$)	Location Quotients			
					average wage (\$)	employment LQ	wages LQ	avg wage LQ
31-33	Manufacturing	30	1,418	43,719,736	30,834	2.07	2.05	0.99
337	Furniture and related product manufacturing	7	931	29,931,196	32,144	34.04	51.93	1.53
33721	Office furniture and fixtures manufacturing*	5	848	23,718,884	27,962	126.96	153.80	1.21
23	Construction	50	697	27,732,091	39,807	2.09	3.16	1.51
237	Heavy and civil engineering construction	10	564	24,616,073	43,646	13.10	18.68	1.43
23711	Water and sewer system construction	4	417	19,324,773	46,333	46.00	76.58	1.66
721	Accommodation	6	298	5,264,789	17,657	3.47	4.16	1.20
6231	Nursing care facilities	3	221	4,740,544	21,475	2.92	3.95	1.35
321	Wood product manufacturing	10	131	3,001,954	22,945	4.97	5.31	1.07
7139	Other amusement and recreation industries	4	127	1,682,470	13,213	2.49	3.08	1.23
48412	General freight trucking, long-distance	10	94	3,681,777	39,029	2.72	4.14	1.52
2123	Nonmetallic mineral mining and quarrying	5	66	2,646,667	40,050	12.84	17.18	1.34
321113	Sawmills*	5	48	981,411	20,517	9.57	9.33	0.98
238911	Residential site preparation contractors	6	30	720,247	24,210	4.89	5.17	1.07
32732	Ready-mix concrete manufacturing*	3	13	439,363	33,369	2.31	2.91	1.24

Note: Data are for 2004, except industries marked with * are for 2003.
Source: Bureau of Labor Statistics, Covered Employment & Wages.

² Industries are classified using the North American Industry Classification System (NAICS), in which each establishment is classified according to the primary activity taking place there. The classifications are represented by 2-to-6-digit codes, with more digits used to represent more narrowly defined industries.

Several observations merit attention in these results. First, Orange County's highest industry concentration relative to the nation lies in the furniture industry that has long dominated the county's economy, even though the number of people working locally in these businesses is less than two-thirds of what it was a decade ago. When you add in other forest and wood products industries, this broad cluster still generates a large share of the county's employment and income.

Manufacturing outside of the forest and wood products industries is not nearly so dominant, though the manufacturing sector still accounts for twice as much employment and wages as one would expect in a county of Orange's size. The only other manufacturing area contributing to this is the small Ready-mix Concrete Manufacturing industry.

This latter industry might be considered part of the larger construction cluster, especially concentrated locally in the Water and Sewer System Construction industry, which has the highest average wage of any of Orange County's concentrated industries. Other Heavy and Civil Engineering Construction businesses are well represented locally, enhancing the county's payrolls. Additional construction-related industries with above-average concentration in Orange County are Residential Site Preparation Contractors, as well as the previously mentioned Ready-Mix Concrete Manufacturing. Although these latter industries might be viewed as serving mainly the local market, they're listed here because successful businesses in these fields could well meet demand throughout a larger region. Finally, the Nonmetallic Mineral (i.e., limestone) Mining and Quarrying industry stands out as highly concentrated in Orange County; even though total employment is not huge, its workers are well-paid. Taken altogether, Orange County's construction-related firms might represent a critical mass around which a stronger cluster could be built.

Because Orange County has several industries that export their products outside the immediate area, the Long-distance Trucking industry is also concentrated locally, and it, too, pays above-average wages. The remaining industries on the High-LQ list provide services rather than goods. These include Nursing Care Facilities, which in some rural areas draw clients from neighboring counties. These facilities in Orange County do not pay very high wages, though they do provide significant employment. The remaining high-LQ industries are the low-wage Accommodations and "Other Amusement and Recreation Industries;" the latter is dominated by Paoli's skiing industry, but it also includes golf courses, marinas, and other services that can attract visitors.

Shift-Share Analysis

Through shift-share analysis, Orange County changes in employment were decomposed into three distinct components representing the amounts of change due to (1) national economic growth, (2) the county's mix of faster-or-slower-than-average-growth industries, and (3) the competitive nature of local industries. This analysis looked at employment changes between 1994, when Orange County employment was near its highest level of the past 10 years, and 2004, by which time total employment was down by nearly 1,000 jobs.

The table below presents overall 10-year employment changes for the major economic sectors in Orange County. Due to confidentiality requirements, data are suppressed for some industries in some years. Consequently, some sectors have been aggregated to reduce the missing-data problem so that data may be analyzed for both years.

These figures reveal that manufacturing was, by far, the county industry hardest hit by job losses, losing more than half of its 1994 employment. The reduction in the factory jobs that drive local business activity and employee spending likely contributed to observed losses in the financial activities and leisure/hospitality sectors.

In contrast, the county experienced respectable employment growth in construction, TTU (trade, transportation and utilities) and public administration sectors, strengthening these sectors' already high relative concentrations (LQs) in Orange County.

Employment Changes in Orange County, 1994 to 2004				
Sector	Employment			Percent change
	1994	2004	Change	
Manufacturing	2,978	1,418	-1,560	-52.4
Education & Health Services	1,210	1,329	119	9.8
Trade, Transportation & Utilities	759	992	233	30.7
Leisure & Hospitality	815	732	-83	-10.2
Construction	366	697	331	90.4
Public Administration	126	353	227	180.2
Professional & Business Services	137	223	86	62.8
Natural Resources & Mining	84	125	41	48.8
Financial Activities	196	122	-74	-37.8
Other Services	86	119	33	38.4
Information	48	51	3	6.3
Total	6,805	6,161	-646	-9.5

Shift-Share Components. The results of the shift-share analysis are portrayed in the following table. During this 10-year period, employment in the national economy grew by 14.9 percent. Applying this percentage to the local 1994 employment figures shows the number of jobs each sector would have gained if Orange County had simply ridden along on the national growth bandwagon during the period. This *national growth* effect would have raised local employment by 1,017 jobs if other factors were not at work to pull employment down. Moreover, the distribution of those added jobs would be in direct proportion to their shares of the local economy.

The *industrial mix* effect takes into account Orange County's unique mix of industries. Unfortunately, more than two out of every five jobs in the county in 1994 were in manufacturing, a sector that shrank throughout the nation by 3 million jobs during this period. Thus, Orange County's factory-heavy industrial mix worked to its disadvantage at a time when that industry was experiencing major shrinkage. The industrial mix component of change due to the county's manufacturing sector accounted for a loss of 922 jobs in the local economy; negative industrial mix effects in other sectors were much smaller. Fortunately, the county had substantial employment in some sectors that were growing nationally, thereby adding job growth to the mix to partly offset the manufacturing-driven shrinkage.

Finally, and most interesting for the present purposes, we come to the competitive shift effects. A positive competitive shift for a given sector implies that this sector in the local area has a competitive advantage over other areas, since it grew at a rate not explained by the national economy or the high share of local employment working in the sector. The county's most competitive sector in this context is public administration, which is not typically targeted as a growth industry unless a local area can attract government jobs that serve a larger region.

Sectors with positive competitive shifts that do suggest opportunities for targeting include construction and TTU (especially trucking), followed by the well-paying mining/quarrying industry. Services, both professional/business and "other" categories, also appeared to have a modest competitive advantage in Orange County.

Overall, the area's economy continues to be dominated by an industry in which Orange County has not demonstrated competitive advantage. Other sectors, however, have evidenced positive growth, suggesting foundations upon which to build. And even a moribund industry might be a candidate for turning around if its leaders can figure out how to be more competitive.

Orange County Shift-Share Analysis, 1994 to 2004

Sector	Component of Employment Change					
	National Growth		Industrial Mix		Competitive Shift	
	Percent	Jobs	Percent	Jobs	Percent	Jobs
Public Administration	14.9	19	-6.3	-8	171.6	216
Construction	14.9	55	22.9	84	52.6	193
Trade, Transportation, and Utilities	14.9	113	-4.1	-31	19.9	151
Natural Resources and Mining	14.9	13	-16.9	-14	50.8	43
Professional and Business Services	14.9	20	18.6	25	29.2	40
Other Services	14.9	13	2.6	2	20.8	18
Information	14.9	7	-2.8	-1	-5.9	-3
Financial Activities	14.9	29	1.4	3	-54.1	-106
Education and Health Services	14.9	181	10.3	124	-15.4	-186
Leisure and Hospitality	14.9	122	9.5	77	-34.6	-282
Manufacturing	14.9	445	-31.0	-922	-36.4	-1,085
Totals		1,017		-661		-1,001

Note: Figures may not sum to totals due to rounding.

Additional Insights into Growth Opportunities

Interviews with a number of local business people, government officials and others provided further insight into factors affecting prospects for, or impediments to, economic growth in Orange County. These insights, together with others gained through the analyses reported above, shed light on local opportunities for economic growth.

Manufacturing. The most significant change in Orange County's economy over the past decade has been the dramatic loss of manufacturing jobs, especially in the furniture and wood products industries. This large job loss has fueled declines in other sectors that depend on business activity and consumer spending for their own livelihood.

Manufacturing is experiencing difficult times throughout Indiana (the nation's most manufacturing-intensive state) and the country as a whole, but it is not necessarily a dying industry in Orange County. Throughout the U.S., even as the news is full of stories of firms downsizing or closing as they face tough competition from abroad, there have been encouraging examples of firms bucking these trends—even in Orange County itself. The county's largest employer, a furniture manufacturer, has added jobs during this decline period and it expects to add several hundred more in the coming years.

Of crucial importance to the success of any business is the requirement that it effectively serve the needs of its customers in ways that give it competitive advantages. Even though Orange County's relatively low wage structure has perhaps served it well over the years in attracting firms seeking to keep their costs down, that strategy worked when the business world was much more local and regional in nature. In today's global business environment, companies can easily shift production and, indeed, many service functions to suppliers in countries where a day's wages in Orange County would cover a family's expenses for a month. How can local firms compete in such an environment?

An important key is for firms to differentiate their goods or services from what others are offering. Such differentiation may entail superior product design, quality, features or functionality, as well as superior customer service. Firms trying to compete in markets where all sellers' goods are more or less alike, especially in industries where labor costs are a large portion of total product costs, face an uphill battle against competitors in very low-wage places. Firms whose customers are willing to pay more to get exactly what they want are much likelier to be profitable than those

in commodity industries. Thus, Orange County manufacturers should determine how they can fine-tune their product and service offerings to better provide what the market really wants.

This is not to say that trimming production costs is unimportant—indeed, it is crucial in today's competitive environment. Thus, local manufacturers should seek opportunities to improve their processes for design, production and logistics to squeeze out waste and to be able to produce better quality goods with a lower cost per unit. Improvements in such efforts could help many local manufacturers improve their long-term profitability.

Orange County still ranks high in the nation in terms of the concentration of its furniture and wood products industry. It has the critical mass to build a stronger cluster around this core. With effective programs to improve product quality and business processes, local players in this industry could rise out of the slump they've been in.

Hospitality and gaming. The construction and subsequent operation of the Blue Sky casino and resorts is clearly going to drive a large share of overall economic growth in Orange County for several years to come. The major construction and restoration work underway on the casino and hotels will directly employ many workers over the next couple of years, as well as stimulating increased activity in the region's businesses that supply goods and services to the construction industry and its employees.

When the primary construction work subsides as the casino and hotel construction is completed, additional construction work (though likely at a smaller scale) should continue over several more years as developers build or renovate residential and commercial properties. Again, this will result in employment growth directly in the construction sector as well as in industries supplying its needs. Eventually, construction triggered by the resort and affiliated development will be largely completed, and local construction activity should settle down to a level somewhat above its pre-casino level.

The operation of the casino and resorts will directly cause a major increase in local employment, although these jobs will not do much to raise the average wage in Orange County; on the other hand, they should serve to reduce the unemployment rate significantly. Employment should also increase substantially in industries that feed into, or off of, the tourist trade, such as restaurants and bars, gift shops, amusements and recreation businesses, transportation services, and the like. Additional, though smaller, increases should be experienced over the long term among firms that supply the needs of the casino/resort and tourist trade—such industries as linen services, wholesale foods and beverages, business services, and so on.

Other industries. Orange County currently has relative strength in certain industries that could represent economic foundations on which to build. The most notable among these is the construction sector generally, and the heavy/civil engineering construction industry in particular. The construction sector accounted for the largest number of job gains among all the major sectors in Orange County over the past decade.

One of the county's largest employers, headquartered locally, provides water and wastewater engineering and construction services to clients nationwide. This and related construction industries that serve a larger market than just the local area could provide an excellent core for a growing construction cluster in Orange County. This sector pays well, and many different construction fields could be attracted that tend to need workers with similar skills. This represents a basis for building a key cluster for the area.

As the manufacturing and construction sectors grow, it's reasonable to expect that the area's trucking industry could experience increased demand. Though this sector is relatively small at present, employing fewer than 100 workers, it's more concentrated in Orange County than average, and these jobs pay well.

Finally, the public administration sector shows potential for expansion in Orange County. By securing funding to locate or expand offices of federal (e.g., Forest Service), state or local government agencies, more jobs could be created in what is already the county's third fastest-growing major sector. These jobs pay reasonably well and they tend to be somewhat resistant to shrinkage during economic downturns. However, in an environment of increased government attention to efficiency and accountability, this latter truism may not be as true in the future.

Additional considerations. Orange County faces a number of intrinsic challenges as it aims to grow its economy. Although several windows of opportunity may be open, the odds of capitalizing on those opportunities could be increased substantially by addressing some of these challenges within the local area.

Interviews with a number of local officials, business leaders, educators and others provided helpful insights into aspects of the Orange County environment for business that could be improved significantly. These issues tended to focus on education and qualifications of the local workforce, transportation infrastructure, the condition of local real estate and lack of guidelines for its development, and the need for collaboration and leadership among those dedicated to helping the county's economy grow.

Detailed observations on these issues are included in the appendices to this report.

Appendix A

Orange County Transportation Issues

Most of the Orange County elected officials, educators and business leaders interviewed for this study voiced concerns about the county's "transportation problems" as impediments to economic development. Their comments generally were limited to state highways and county roads and not to rail or air service. The general consensus was:

- The roads are unsafe due to blind spots and curves.
- Several portions of State Roads 150 and 56 are often closed by flooding.
- Access to interstate highways is time-consuming.
- Traffic volume exceeds the capacity of the two-lane highways. At least in the short run, the opening of the West Baden Springs and French Lick Springs resorts and the casino will only exacerbate these problems.

It is unclear whether transportation difficulties are, at present, simply an inconvenience or a true detriment to economic growth. Several residents noted that the roads and highways in Orange County actually enhanced a slower pace of life and rustic charm. One can also observe that proximity to an interstate highway has not resulted in an economic boom for communities such as Marion, Anderson and Richmond.

Air Service. French Lick Municipal Airport is located approximately four miles southwest of French Lick with access by county roads. The airport has a 5,600-foot paved runway that can accommodate most propeller aircraft and small passenger jets. However, the airport has no taxiway or terminal, and topography (and economics) may limit expansion of the present facilities. While the airport is fully capable of handling private aircraft and charter services, it is highly unlikely that scheduled commercial service would use the facility due to a lack of a terminal, emergency services and security.



French Lick Municipal Airport

Air service travel to Orange County by hotel and casino patrons is likely to be accomplished through use of new scheduled service serving Evansville or existing service to Louisville and Indianapolis, with the hotels or other private firms handling ground transfer from those points.

A substantial increase in air traffic at French Lick Municipal Airport might present an opportunity for establishment and growth of a small industrial park, though the site currently lacks utility infrastructure needed to serve expanded demand.

There are also airports in Orleans (3,500-foot runway) and Paoli (2,800-foot runway), both suited best for local general operations and not considered to be factors in future economic growth. There is also an airport in Huntingburg (Dubois County) with runway and services sufficient to accommodate private and small commercial aircraft.

Rail Service. Unlike the heydays of the French Lick and West Baden resorts, no passenger rail lines currently serve Orange County. A CSX freight line runs north-south to the immediate east of Orleans. However, the unreliability of service has deterred local use of the rail line. Manufacturers note that it is only a half hour to four-lane State Road 37 to the north and the same to Interstate 64 to the south, so they rely upon trucking instead of rail. For producers of bulk goods, however, this could put them at a cost disadvantage compared to competitors elsewhere with rail sidings.

Dubois County Railroad operates approximately 16 miles of track linking Huntingburg, Jasper and Dubois in Dubois County; this line connects to the Norfolk & Southern track at Huntingburg. This FRA Class 1 track handles primarily agricultural goods and lumber on an on-call basis. The DCRR also operates a scenic dinner train on the same tracks.

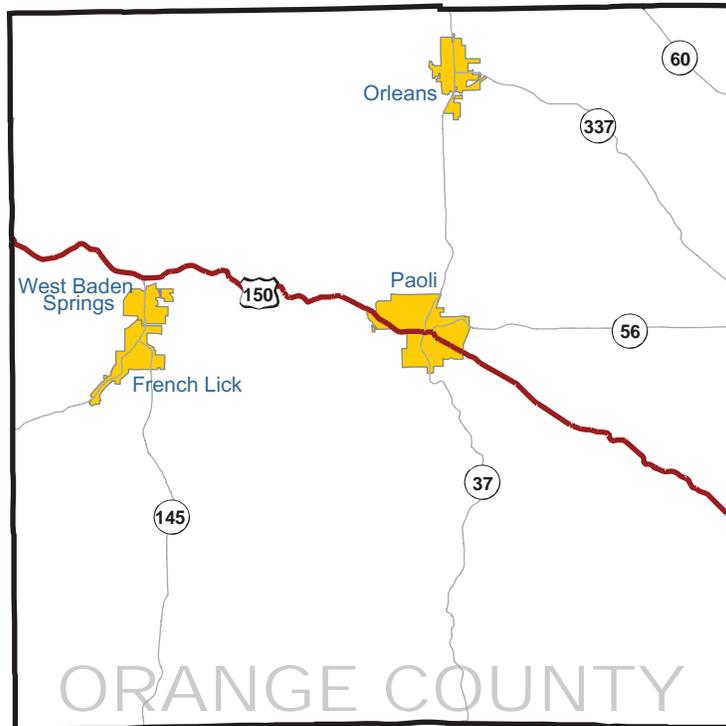
The DCRR is owned by the Indiana Railroad Museum in French Lick and operates seasonal short-run sight-seeing train excursions from French Lick. The DCRR plans to connect service from Dubois (on abandoned track) to French Lick to popularize and extend dinner train operations. Potential demand for commercial freight usage of this track to link with Norfolk and Southern could be accommodated.

State Highways. Orange County is part of the Indiana Department of Transportation's (INDOT) Paoli sub-district serving Lawrence, Martin, Orange and Dubois counties, plus a small portion of Crawford County.

While both major and minor improvements to Orange County highways have been considered for years, very little has been completed. INDOT has used a Project Priorities Scoring System which has continually put Orange (and most projects in adjacent counties) on the back burner. This rating system considers:

- **Transportation Efficiency—Maximum 50 points.** Includes cost effectiveness, road classification and congestion relief, and percent of project already complete.
- **Safety Improvement—Maximum 25 points.** Includes crash density, crash severity and fatality rates.
- **Economic Development—Maximum 15 points.** Includes number of jobs created, number of jobs retained, economic distress and cost-effectiveness.
- **Public Input—Maximum 10 points.** Includes input of local planning agencies, involvement of locally elected officials, and citizen and legislative input.

Additionally, projects can get bonus points for utilization of local funds, federal funding and degree of urban revitalization. As INDOT considers some 1,300 potential projects at any one time, it is not surprising that Orange County projects have received low scores due to population factors and cost vs. highway usage. However, the expected increase in traffic due to hotel, casino and other visitors may well accelerate INDOT's planning and implementation of Orange County highway improvements.



The major north-south highway is State Road 37 that runs from the Ohio River through Paoli and Orleans on to Indianapolis and points north. In the stretch between Orleans and Paoli, the average daily traffic count in 2000 was about 8,000 vehicles. Going south the traffic thinned from 3,900 vehicles to just 1,200 at the Crawford County line. Improvements planned or underway include an upgrade to a Super Two highway classification from Orleans to Paoli and addition of two passing lanes between Paoli and English in Crawford County.

State Road 56 runs relatively straight from Salem (in Washington County to the east), carrying some 2,700 vehicles per day through Paoli in 2000. It becomes increasingly winding going west toward West Baden and French Lick where it merges with U.S. 150 from New Albany. In addition, in 2000 SR 56 handled an average of nearly 10,000 vehicles per day on the west side of Paoli and 5,500 at the cutoff of SR 56 to West Baden and French Lick. Currently this section is undergoing (or is scheduled for) intersection improvements, four curve corrections and roadside improvements. Local officials hope that expected traffic increases will prompt an upgrade to Super Two status or installation of passing lanes along this stretch of highway.

Within West Baden/French Lick, State Road 56 is heavily traveled with an average of 7,600 vehicles per day in West Baden and some 13,800 at the junction with State Road 145 in French Lick. Traffic then diminishes to a daily average of 2,900 at the Dubois County line. Local and county officials are well aware that the hotels, casino and anticipated retail/services growth in Springs Valley will create both increased traffic and parking problems. It is anticipated that the SR 56 corridor through the area will be widened and turn lanes installed. The hotels/casino developer plans to install walkways between the hotels and to provide shuttle service to help alleviate traffic problems.

State Road 145 runs south from French Lick and is relatively straight and flat in comparison to SR 37 and SR 150/56. It currently ends at improved State Road 64 in northern Crawford County. In the year 2000, SR 145 was utilized by about 4,000 vehicles per day at French Lick and some 1,800 at the southern terminus in Crawford County. Construction planned to begin in May 2006 will extend SR 145 south from near Patoka Lake to Interstate 64 in northern Perry County. This will greatly improve access to Orange County from St. Louis and Louisville.

Two other segments of state highways also serve Orange County. SR 337 terminates at Orleans from Washington County to the east. And a short section of SR 60 runs through the extreme northeast portion of Orange. SR 337 is lightly traveled and while SR 60 carries some 4,300 vehicles through the Orange sector daily, there are no true stopping points or true access intersections within the county.

There is consideration for a bypass connecting SR 37 and U.S. 150/SR 56 to the northwest of Paoli. Given the expected increase in traffic volume it would seem that INDOT might move this project up on the priority list. Construction of a bypass of SR 37 around Orleans is also being weighed by INDOT. Local Orleans residents have voiced concerns about such a bypass being a death knell for the town's commercial and retail center. However, such concerns raised in other rural communities around the nation have a mixed record of prophetic accuracy.

Appendix B

Observations from Orange County Interviews

During the course of the Orange County study the IBRC conducted personal interviews with 20 individuals directly involved with local economic development. These interviews included local political leaders, developers, representatives of the Blue Sky development consortium, educators and business leaders; in some instances interviewees “wore two hats” as both elected officials and members of the business community. The majority of these individuals were either life-long or long-term Orange County residents; thus, they were well acquainted with the area’s economic climate and the socio-economic mix of county residents.

The interviews were unstructured and informal in nature, starting with a brief set of prepared questions and encouraging interviewees to voice their own ideas. To help ensure candid responses, interviewees were assured confidentiality of individual observations and opinions. The observations below summarize key points and perspectives emerging from these interviews.

Those interviewed tended to focus upon the anticipated impacts—both positive and negative—of the rebirth of the two hotels in French Lick and West Baden and the construction and operation of the Blue Sky Casino. When reopened, the French Lick hotel and the casino will each employ about 550 people. The smaller hotel in West Baden will employ some 300 workers. While some will be seasonal or part-time, the majority are expected to be full-time employees. These figures also include employees of the three golf courses that the resort will operate. The expected initial payroll (excluding tips) is expected to be in the area of \$32 million.

While many in the community seem to expect that local residents will fill the majority of these new jobs, the reality is that about half the casino/resort employees will have to be recruited from elsewhere or will commute from other Indiana counties. While Orange County has traditionally had one of the highest unemployment rates in the state, its relatively small actual population means that the number of unemployed people is quite low (averaging 662 during 2004)—well below the number of jobs the casino and resorts plan to fill. Moreover, it is a widespread local perception that a large number of those unemployed choose to be so. Further reducing the local available labor pool for hotel and casino jobs are requirements that:

- Blue Sky employees must have at least a high school education.
- Employees of the casino must be at least 21 years old.
- Employees of both the casino and hotels must pass a background check (no felony convictions) and a drug screening test.

Given all these factors, perhaps half of the Blue Sky workforce will have to either move to Orange County or commute from other counties. Moreover, as the casino and hotels go through initial growing pains, high employee turnover is expected.

All those interviewed believed that, while established businesses would likely lose employees to the casino and hotels, the expected changes would be to the overall benefit of the county and its residents. Moreover, over half thought the positive impact of development would be greater than most residents currently anticipate. At the same time, most respondents were concerned that there is a lack of cohesive vision of what county residents—and specifically the areas of Orleans, Paoli and Springs Valley (i.e., the French Lick/West Baden Springs area)—want to become as economic vitality increases.

There is also some concern that, with the influx of new residents and local attention shifting away from the school districts to the casino and hotels, there may be a lost sense of community.

There also seems to be a sense of uncertainty over what to expect of visitors to the area as the hotels will be four-star accommodations catering to an upscale clientele and a good deal of small convention business. As opposed to the “day-trippers” typically found at other Indiana casino communities, most of the Orange County visitors are expected to be overnighters and their tastes and needs beyond amenities offered by the hotels are unknown.

This has resulted in some confusion over what types of new business (or expansion of present businesses) will be in demand, leading to speculation (and speculative real estate offerings/sales) but little economic activity. This “wait and see” dilemma has the potential to cause economic development efforts to lag during the first two or three years of casino/hotel operations. One developer is finalizing plans for a 200 room hotel and adjacent water park in West Baden Springs employing approximately 100 people, and there are plans for a couple of restaurants in French Lick. Past that, there is currently little firmly planned development directly attributable to the casino and hotels.

In terms of fiscal impacts of the Blue Sky developments on the county, a portion of casino admission taxes will directly benefit Orange County communities and school districts. Each of the three school systems will receive \$100,000 per year for capital improvements and/or debt reduction. Orleans and Paoli will receive a percentage of tax revenues that likely will be used for infrastructure improvements and beautification, while West Baden Springs and French Lick will receive more substantial amounts for the same purposes. Casino revenues will also be used to provide free textbooks for all schools countywide. On the negative side are the additional costs of county law enforcement and capital equipment that will be needed as a result of the impacts of the casino and hotels and the additional influx of visitors.

While some current businesses may object to increased economic development and business expansion because they fear that competition for minimum/low wage workers will drive up their payroll costs, most of those interviewed believed those objections would be minimal.

Conclusions and Observations: Obstacles to Economic Development

- **Physical property neglect and unattractive commercial appeal.** As one respondent noted, “As long as we look like suburban Appalachia, only a limited number of people and businesses will want to be here.” Most of those interviewed were of the opinion that many new business managers who will work in Orange County will opt to live in Bedford or Jasper, in part due to the inconsistent attractiveness of residential and commercial real estate in Orange County.
- **Lack of countywide zoning.** Orleans has established a two-mile buffer zone enabling it to regulate growth in the area surrounding the town. West Baden has done the same, although the buffer zone is not currently being enforced; French Lick has discussed but not enacted a buffer zone provision. While buffer zones can help those communities adopting them, they do not address the lack of zoning in Paoli (severely limiting the ability of Paoli to attract new residents and businesses) or the rest of Orange County.
- **Perceived vision and self-image of Orleans, Paoli and Springs Valley.** County residents generally think of Orleans as being agriculturally based, Paoli as a manufacturing center and Springs Valley as being tourist-oriented. In truth, all three have some degree of each element. While there are amicable relations among all three communities—and the units of local government—there seems to be indifference to how their residents might interact for the benefit of all. As case in point, each of the three has its own Chamber of Commerce which, due to size and budget constraints, tends to be more a cheerleading group than an agent of change. In each community those asked

about the possible establishment of a countywide chamber said, “We’d be for it but the others probably wouldn’t support the idea.”

- **A sense that the local workforce, particularly residents between the ages of 18 and 35, is marginally educated and poorly motivated.** In fairness, it would appear the schools do fairly well given budget constraints and the disadvantaged backgrounds of many of their students, but the shortage of skilled and willing younger workers is real. Several respondents noted that, due to a lack of local opportunities for employment and advancement, the best high school graduates either join the military or leave for college to never return. (For further detail, see the Appendix C: Educational Attainment and Related Socio-Economic Issues.)
- **A lack of strong county and community leadership talent—or the willingness of those with talent to step forward.** Several interviewees noted that the small size of the communities made it virtually impossible for elected officials to not be always “on the job.” They also noted that while some people were willing to run for office, their good intentions were often offset by a lack of business and governmental savvy. It should be noted, however, that more than one interviewee thought the expected growth—and problems associated with growth—would bring more capable people to the front.
- **The lack of decent, affordable housing.** A severe housing shortage is anticipated when the casinos and hotels open due to the county’s irregular topography, shortage of infrastructure, amount of land in flood plains, historically limited housing demand, limited range of house prices and quality, and substantial acreage owned by the state. Blue Sky and local officials believe some 800 single family homes and apartments will be needed—but no one seems to know what mix, styles and price ranges will be in demand.
- **Transportation and other Infrastructure.** As detailed in Appendix A, transportation was noted as a significant problem by a majority of those interviewed. However, it became clear that some thought the transportation problems were poor county roads, others the prevalence of two-lane state highways, and still others the lack of access to an interstate highway.

Other infrastructure is perceived as a problem but, in reality, might only be a temporary snag. Patoka Water is willing and able to provide service where needed. Indiana Natural Gas can expand service where there is sufficient demand. And Orleans and Springs Valley have (or will have) greatly increased sewer capacity. Thus, where most industrial, commercial and residential development can be expected, the necessary infrastructure can be provided.

Conclusions and Observations: Advantages for Economic Development

- **The jobs that will be created by the casino, hotels and new businesses.** The casino and hotels alone will spur some 1,100 new jobs, not to mention openings at some Orange County businesses that will lose employees to them. This will create demand for support services and businesses catering to both those employees, new residents and visitors.
- **Offshoot employment—particularly in the building trades.** It is expected that over the next five to six years, there will be demand for up to 800 condominium and time-share units in the Springs Valley area. Orleans might be the beneficiary of a mini-housing boom due to its favorable topography, availability of reasonably priced land and zoning protection. This would be supported in part by increased hospitality services employment in Springs Valley as well as offshoot employment opportunities in Orleans.

Manufacturing can still be a player in Orange County. Paoli, Inc., the county's largest employer, plans to add up to 400 new jobs by 2010 and Sperry-Rice, a rubber and plastics products manufacturer, will create some 175 new jobs in leased space in the old Kimball plant on State Road 145 in French Lick. There will be workers who won't want casino and hotel jobs, who are spouses of casino/hotel employees, or who simply like manufacturing employment over other options.

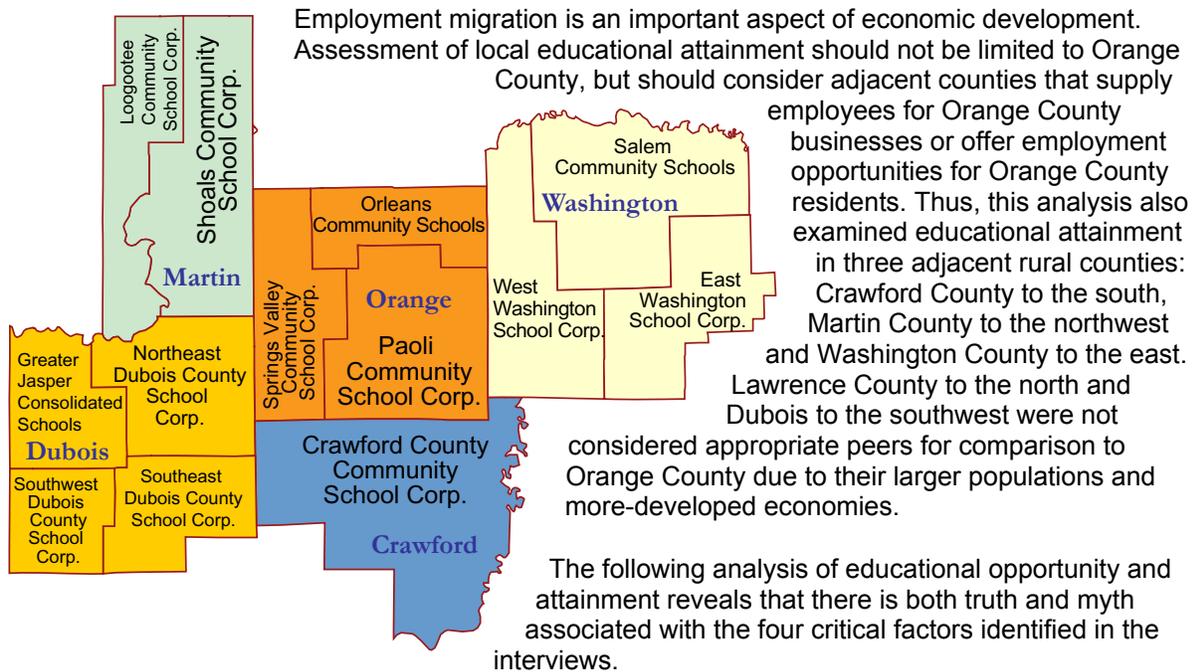
- **General countywide support for the casino, hotels and improved job possibilities.** With a well orchestrated effort, economic development doesn't need to center on just Springs Valley. However, good political and economic relations among county government, businesses and the towns need to be continually strengthened and reviewed to offset "turf jealousy" issues that might escalate as a result of localized economic progress. Most of those interviewed thought an Orange County Economic Development Foundation—free of politics—would be an appropriate beneficiary of some portion of casino tax revenues.
- **The rustic attraction of a rural area.** Planning should incorporate keeping a sense of community and rural identity. Many find rural areas with their slower pace and winding roads attractive. Several of those interviewed foresaw Springs Valley as eventually becoming much like Nashville, Indiana.
- **Availability of developable land.** Land suitable for development is available in the immediate Springs Valley area (particularly for housing on or adjacent to the resorts), residential development toward the French Lick airport, and both residential and commercial/industrial property in Orleans. Until Paoli addresses infrastructure issues and adopts zoning restrictions, it is a much less likely candidate for economic and housing development.

Appendix C

Educational Attainment and Related Socioeconomic Issues in Orange County and Adjacent Area

In the course of some two dozen interviews with Orange County elected officials, community leaders, business leaders and school administrators, the weak quality of education and its long-term impact upon economic opportunity were noted as significant contributors to slow local economic development. The most important offshoot issues of education for the improvement of the county's socioeconomic composition cited by interviewees were:

- The quality of education, particularly at the high school level, was marginal; high school graduates were poorly equipped for employment and for the personal responsibilities associated with employment (e.g., regular attendance, personal finances, willingness and ability to handle day-to-day changes in the workplace).
- The best and brightest high school graduates leave to attend college and are unlikely to return to Orange County due to the lack of opportunities for college graduates.
- Those with some ambition but not attending college are likely to join the armed services, leaving only the bottom tier of high school graduates to fill available local jobs.
- There was a perception that a large number of teens drop out of school prior to graduation, resulting in a largely unskilled, unmotivated, youthful workforce and the foundation for chronic unemployment.



The Educational Feeder System

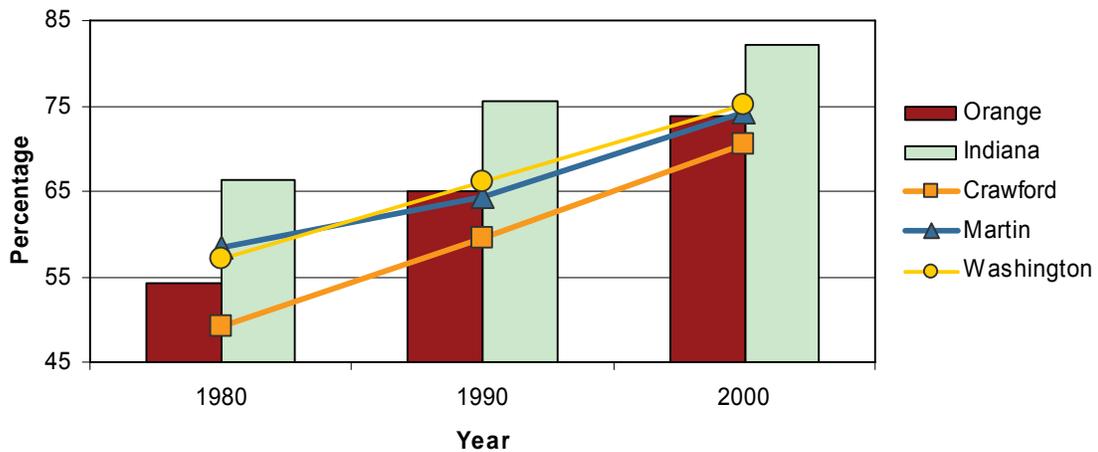
There are three school districts in Orange County: Orleans in the eastern part of the county, Paoli serving mid-county and Springs Valley in the western area. The districts are of comparable size and there is some cooperation among the three in serving needs for special education and

technical programs. There is no consideration underway at the community or county level for consolidation or redistricting feeder townships.

Given the demographics of each school district, and the county as whole, it would seem the schools do a fairly good job considering the hand they've been dealt. Orange County (as well as the peer counties in this analysis) is noted for historically low adult educational attainment, low incomes, and high poverty and unemployment rates. From a socioeconomic standpoint, this combination generally results in relatively low emphasis placed upon education and improving lifestyle opportunities through advanced educational attainment or training in skilled professions.

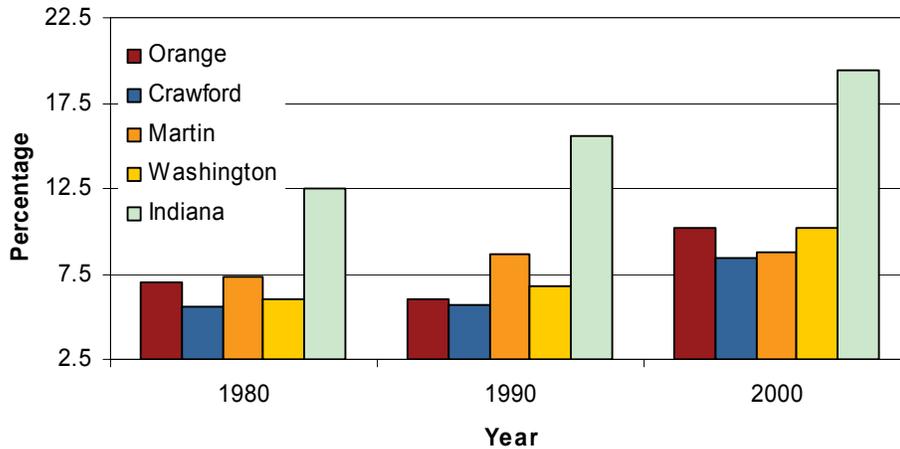
If one looks at the percentage of residents age 25 and above who are high school graduates, it is clear that Orange County and its adjacent peer counties have a potential workforce with lower basic-education attainment than the state as a whole. While Orange has closed the slight historic gap with Martin and Washington counties, it still lags Indiana by more than 8 percentage points and is ranked 85th of 92 counties.

**Percentage of High School Graduates Age 25 and Over
Orange and Peer Counties**



The news is no better in comparison of percentage of residents age 25 or older with a bachelor's degree or higher education. Orange has rebounded somewhat from 1990 (when the percentage was actually down from 1980) but the county still trails Indiana by a wide margin.

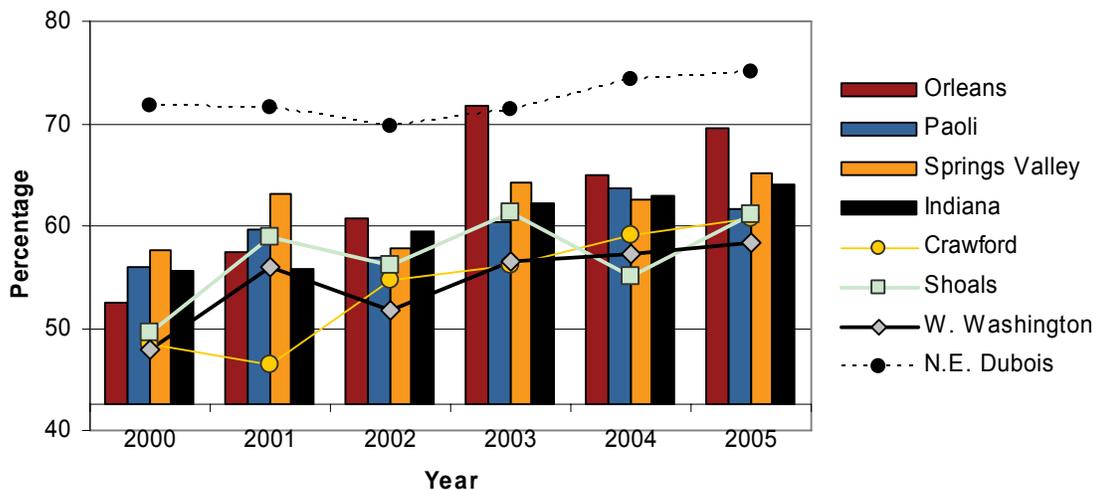
Adults Age 25 and Over with a Bachelor's Degree or Above Orange and Peer Counties



School District Educational Results

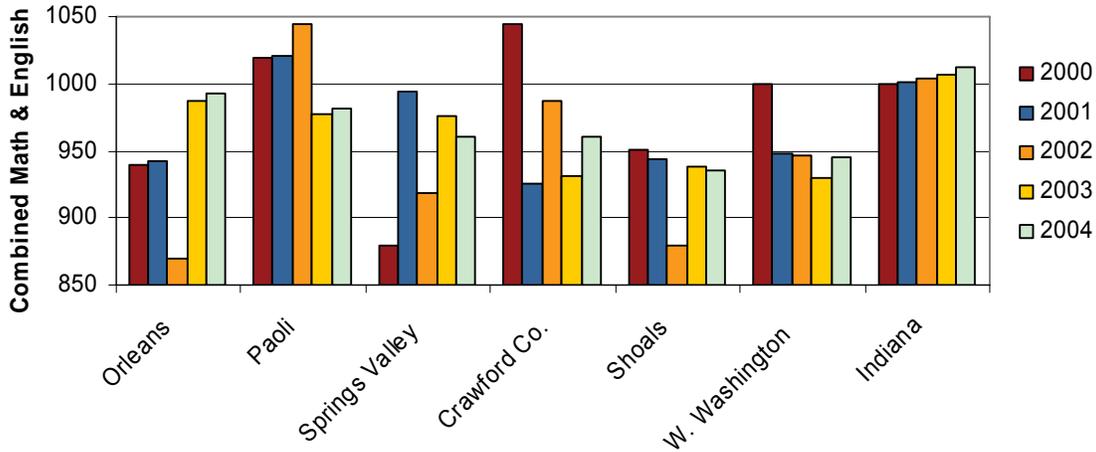
Given the limited socioeconomic situations of the majority of households with students, the percentage of Orange County students passing both the English and math portions of ISTEP (averaged across all grades tested) is surprisingly high. Orleans and Springs Valley routinely meet or exceed the state average with Paoli fairly close. All three districts regularly outperform the three adjacent districts in neighboring peer counties. As a point of interest, this graph also shows Northeast Dubois—an adjacent district with somewhat stronger socioeconomic characteristics. This district is included to reinforce the importance of community demographics and their impact upon test results. It should also be noted that the 5-year percentage improvement for all three Orange County districts outpaced the state's average annual gain.

Percentage of Students Passing both ISTEP English and Math



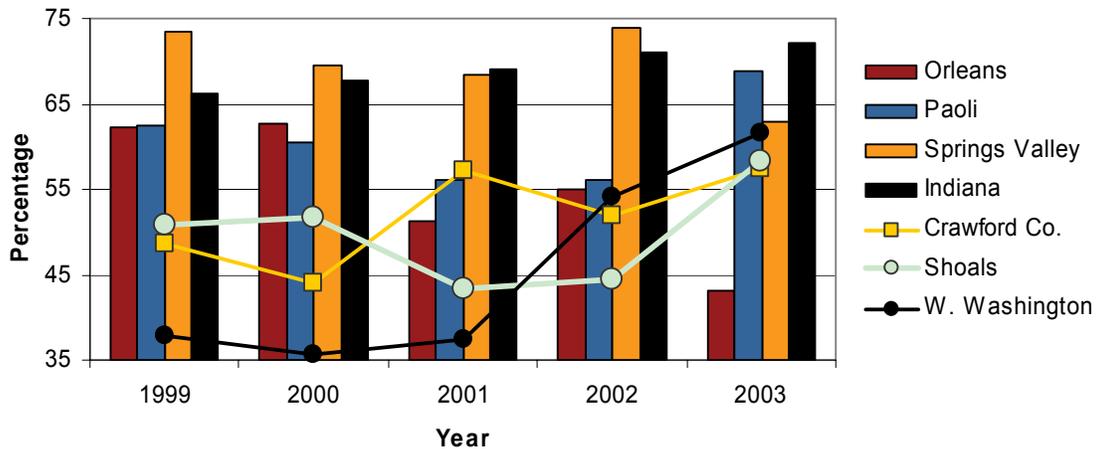
The average combined math and English SAT scores for Orange County districts are also improving at a faster pace than the state's. Over the past five years, the combined SAT for Orange County has risen from 946 to 979—a gain of 33 points. While still below Indiana's 1012 average score in 2004, the gap is closing, as the state's overall improvement was 12 points.

Average Combined SAT Scores for Orange and Peer County High Schools



In spite of improved ISTEP and SAT scores, the percentage of Orange County high school graduates planning to pursue a college education tended to decrease (except in the Paoli district) over the four-year period between 1999 and 2003. In 1999, 63 percent of county graduates went on to higher education; that number fell to 58 percent in 2003. Over the same period the state's percentage of graduates going on to college rose from about 65 percent to 72 percent. While the relatively small sizes of the Orange County high schools may cause some year-to-year fluctuations in percentage figures, the long-term analysis presents a picture of a widening gap between Orange (and peer districts) and the state as a whole.

Percent of High School Graduates Pursuing a College Education - Orange and Peer School Districts



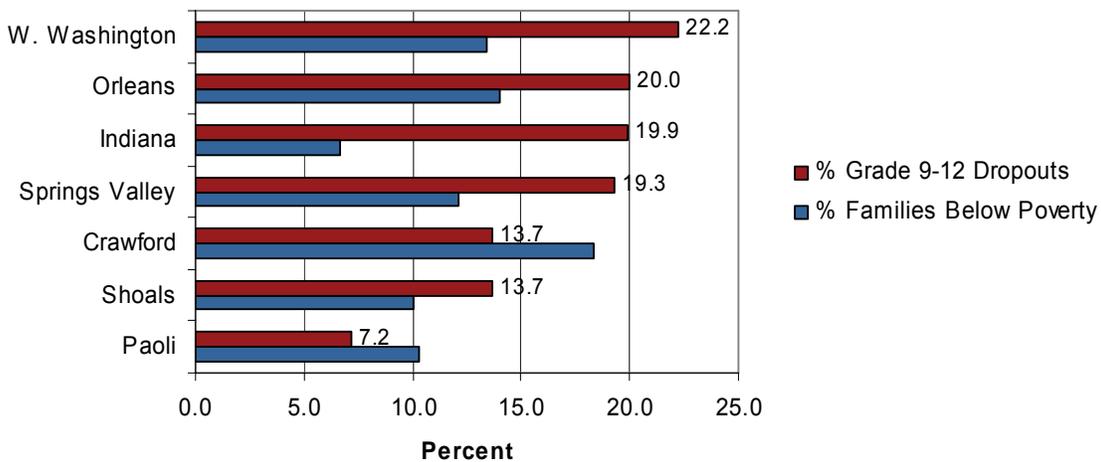
The problem of high school dropouts—defined as those students entering the ninth grade but leaving school at some point prior to graduation—is widespread in Indiana and Orange County is no exception.

Dropout rates are impossible to track precisely due to inadequate records on students moving in and out of school districts, as well as those coming from or going to private or parochial schools. A comparison of the number of students entering the ninth grade in any particular year with the number graduating four years later, however, provides a reasonable proxy for the dropout rate. Over the period 2000 through 2004, the composite dropout rate for Orange County was about 15.5 percent. (That is, with a freshman class of 100 students in any particular year, about 85 students would graduate four years later.) However, if not for the Paoli district’s superior numbers, the county average dropout rate would be much higher (close to 20 percent).

Since Orange County public schools (and peer districts) have little competition from charter, private or parochial schools—and the fact that there is limited family migration in and out of the county—the 15.5 percent drop out rate is likely accurate. This compares well with Indiana’s rate of nearly 20 percent, particularly in light of the fact that the percentage of families below poverty in Orange County is about 12 percent compared to less than 7 percent for the state as a whole. It is also worth noting that the suspension/expulsion rate for Orange County schools for 2003-04 was 9.3 percent compared to Indiana’s 19.9 percent. Lesser disciplinary problems likely translate into better retention of students from the ninth through the 12th grades.

At the same time, there are limited alternatives for job training or other educational alternatives for dropouts in the Orange County area as might be found in larger metropolitan areas.

**High School Dropouts, 2000-2004 Average
and Families in Poverty, 1999**

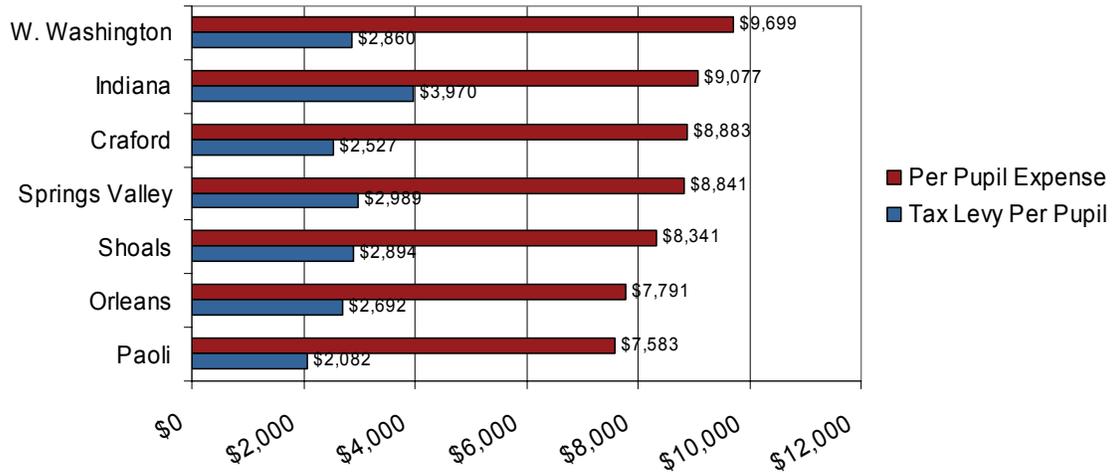


Funding of Public Education

The physical facilities of the Orange public schools are marginally adequate but appear to be slipping behind the rest of the state in terms of implementing newer technology for educational and extracurricular activities. Although Springs Valley is undergoing some degree of facilities improvement at the elementary and middle school levels, county taxpayers have historically not supported school facility upgrades, in part due to income limitations.

The average Orange County schools expenditure per pupil for the three years 2002-04 was about \$1,000 dollars below the state average, and the property tax levy per pupil in 2004 was \$2,588, or 35 percent below the Indiana average.

**Average Expenditure Per Pupil 2002-2004
and Property Tax Levy Per Pupil 2004**



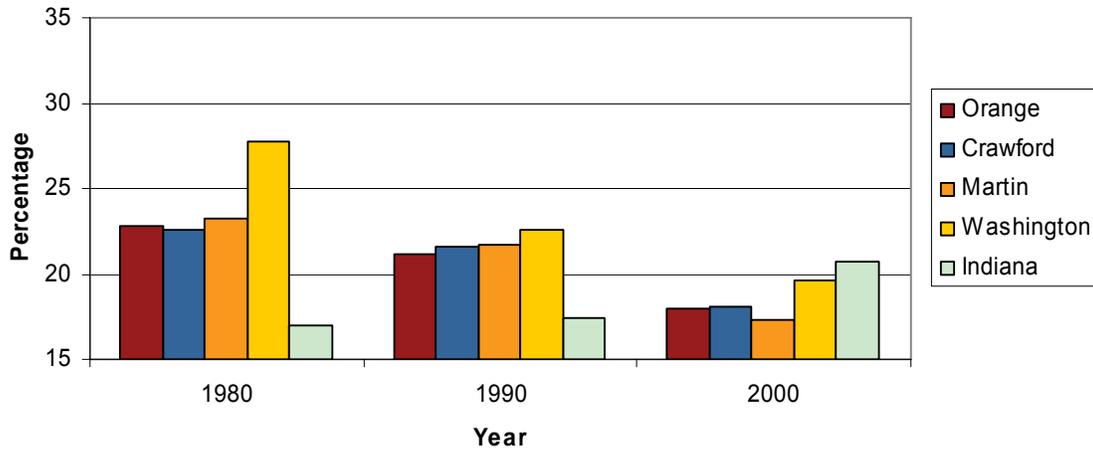
The opening of the two hotels and casino will offer some small degree of benefit to educational efforts. Gaming tax revenues flowing through to Orleans, Paoli and Springs Valley will provide funding for free textbooks for all students.

In addition, each school district will receive a minimum of \$100,000 annually beginning in 2008 from gaming tax revenues received by the county. However, the limitations on the use of these funds—they must go toward capital improvements or debt reduction—means that direct classroom impact will be minimal.

Student Retention after High School Graduation

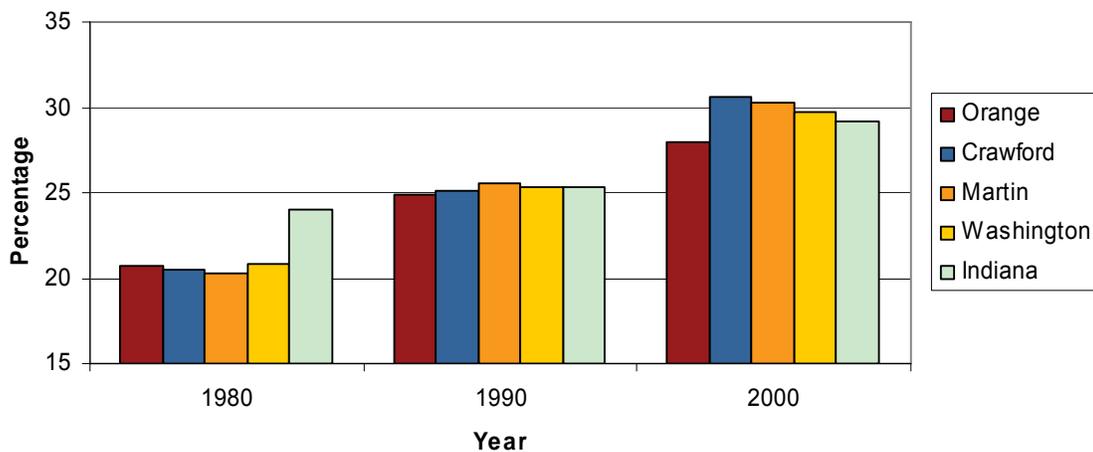
The lack of career opportunities within the county has resulted in a very dramatic shift in the available workforce over the past 25 years. Statistics support the local assumption that high school graduates leaving the area for college, the military or better job opportunities elsewhere rarely move back. While the percentage of population age 20 to 34 has risen statewide, it has fallen for Orange and peer counties to the point that less than 20 percent of residents in these counties are between 20 and 34.

Percent of Population Ages 20-34 in Orange and Peer Counties



At the same time the percentage of residents age 35 to 54 in Orange County rose from 20.7 percent in 1980 to 28.0 percent in 2000, and for Orange and peers combined it rose some 10 percentage points. The percentage of residents age 35 to 54 in Indiana increased about 6 percentage points over this same period. Thus, the workforce in this region is gaining older workers and losing younger ones.

Percent of Population Ages 35-54 in Orange and Peer Counties



Conclusion of Educational Analysis

Orange County's (and adjacent peers') aging workforce, dwindling numbers of younger potential replacement workers and static educational attainment of current residents will continue to pose challenges for taking advantage of economic growth opportunities. Moreover, the pace of educational progress is slower than that of Indiana as a whole, making it difficult for Orange

County to compete for jobs requiring educated workers. The current picture of the available workforce tends to support the assumption that employment growth and economic opportunity will, at least in the short run, rely upon substantial importation of workers from outside the greater Orange County area.