



INDIANA GENERAL ASSEMBLY

2014 Session Sees Progress, But Not Enough

By Rebecca Patrick

It's amazing how things can stay the same – or close to it.

A decade ago this legislative recap opened with talk of the drama surrounding an intense property tax debate and standoffs resulting from the same-sex marriage question.

Sounds familiar, doesn't it? In 2014, those two areas – though the particulars were different – again dominated much of the state Legislature's time.

Weighing in on these two matters, overall impressions from the short session and what needs to be focused on next year are:

- Kevin Brinegar – president and CEO of the Indiana Chamber of Commerce, at kbrinegar@indianachamber.com
- Rep. Christina Hale – Indianapolis Democrat wrapping up her second legislative session, at h87@iga.in.gov
- Lesley Weidenbener – editor of the StatehouseFile.com news bureau for Franklin College, at LWeidenbener@franklincollege.edu
- Sen. Tom Wyss – Fort Wayne Republican who is retiring after 28 years, at [Senator.Wyss@iga.in.gov](mailto:Wyss@iga.in.gov)

‘The elephant in the room’ and its impact

No question the first portion of the legislative session was overtaken by the same-sex marriage discussions. So it’s only fitting we open with it here.

Weidenbener says legislators didn’t even want to talk to reporters during that time about anything – even their own bills – without reassurance the topic would not be brought up.

“So when lawmakers are that tense about an issue and that concerned, that is an enormous distraction and it does take away from the other things that folks are trying to



“Walking into this in the overwhelming minority, I didn’t know quite what to expect. But frankly I’ve been able to accomplish some things I’m very proud of, but it wouldn’t have happened had I not had collaboration, cooperation and friendship from the other side of the aisle.”

– Rep. Christina Hale

do. Having said that, I was very surprised at the number of (notable) things that did pass.”

On the Constitutional amendment itself, to ban same-sex marriage, Brinegar offers: “In all my time around the Statehouse, which is 33 years, I’ve never seen public sentiment on an issue change so rapidly.”

Weidenbener agrees and adds, “It’s hard to believe that shift won’t continue. It’s been so suddenly just in the past three years. Now it has just accelerated at an incredible pace. Even one year from now, I think that gets harder and harder to even raise that discussion.”

Wyss believes that those in their 20s, 30s and 40s were finally heard from. “I said to many of my colleagues that when I would go to the IPFW campus in Fort Wayne that I would hear: ‘What are you doing this for? What does this have to do with government?’ ”

The panel doesn’t foresee the issue making it on the ballot in 2016, but does expect an attempt to be made again in the Legislature.

“But my impression is that even among leadership, there is no mood for it,” Weidenbener notes. “And it’s unlikely the courts are going to let it go all the way until then. I would be surprised if the Supreme Court didn’t step back in again before then.”

Concludes Hale, “Pretty soon I think it will get to the point where legislators will understand that this should be a nonissue, and let’s go on with creating jobs, making education better – all those things.”

Taxes and local government

Business personal property tax and its possible phase-out also was a divisive issue in its own way; this time the debate centered on money. Specifically, how to balance cutting taxes on equipment and machinery while still providing for the local government services that citizens need.

It was the latter part – the replacement revenue for those services – that drove mayors to descend on the Statehouse and triggered media coverage statewide.

Brinegar says that reaction wasn’t a shock because “the Governor’s initial proposal was a 10-year phase-out of the tax without any mention of replacement revenue.

“But in reality, not a single bill was filed that did that. The Senate and House were much more modest. The House bill was optional from day one. The Senate bill was talking about removing the tax for the smallest of filers – the impact of which would



“There are areas where I think we could have improved and areas we failed to do all we could have. But I think it (the session) was reasonably good, especially once we got rid of that elephant in the room.”

– Sen. Tom Wyss

have been negligible to most counties, so arguably there wasn’t any need for replacement revenue talk.”

Wyss, himself a former Allen County official, can see both sides to some degree. “They are saying, ‘Wait a minute, is the state going to push something back on us? Is this going to cost us more?’ It’s hard for local government to absorb.”

In the end, Senate Bill 1 prevailed and provides counties with options to essentially start phasing out the tax beginning in July 2015. Local governments can elect to exempt newly-acquired machinery and equipment outright or do the same for small businesses with less than \$20,000 in personal property.

“What we ended up with is realistic, and it’s going to be advantageous for some areas,” Wyss asserts. “But it’s going to be a mixed bag because we’re the rural-urban counties that we are. So some of the counties are going to be winners, and some of them are going to think they’re losers.”

Hale has her own reservations: “I’m concerned about this legislation because we’ve got such an eclectic mix of communities and what the unintended consequences might be of setting our locals up to compete against each other.”

Brinegar characterizes the new law as a good initial step toward business personal property tax elimination and “it begins to offer relief to Indiana businesses.”

He also makes a point to stress that the two local options coupled with a provision to extend tax abatement from 10 to 20 years “have the potential to be meaningful tools in attracting business investment and new jobs to the state.”

Corporate Tax Rate Reduction a Good Thing

By Kevin Brinegar

Corporate tax rates matter. They are relevant to the cost of doing business, how much a business can produce for what price, how much a business can pay its employees, and how and where a business operates. That's why a few years ago legislative leaders and the business community began to seek action to reduce our state's very high corporate tax, which thanks to Senate Bill 1 will be 4.9% by 2022 – second lowest in the country.

The companies that pay Indiana's corporate income tax are primarily large, which also means they employ a lot of Hoosiers. Moreover, that often means a national or international business. As a byproduct, businesses that operate facilities in multiple states and countries have multiple options for where they can expand and invest. We should want them to have as few reasons as possible to choose anywhere other than Indiana.

A Tax Foundation study further stresses the importance of a low corporate tax rate. Its report found that on average, between 1970 and 2007, a dollar increase in the average state-local corporate tax rate caused a \$2.50 dip in wages five years later (compared with lower-taxed states).

Let's examine the economic impact of the rate reduction in another way. Indiana's corporate income tax revenues were up 36% in the first fiscal year following the initial tax phase-down legislation in 2011. It is reasonable to expect the revenues to remain strong through the responsibly-tempered reductions outlined in Senate Bill 1.

Good policy is what leads to long-term economic growth; it means something to employers who have to make sound, forward-looking decisions. The latest corporate rate reduction meets this test and will, over time, serve to promote the prosperity of Indiana and its citizens.

Senate Bill 1 also reduces the corporate income tax rate from 6.5% to 4.9%. – taking Indiana from one of the highest rates in the nation a few years ago to what would be the second lowest (see above story).

One aspect the panel was unanimous on was the importance and value of the Blue Ribbon Commission that, beginning this summer, will examine the business personal property tax and local government financing.

Final tally

When looking at this session overall, Brinegar and Wyss opt to grade it in the B to B+ range.

Hale is a little less generous. "I'll give us a C. It reminds me of my son in school. He always used to dig himself a hole at the beginning of the semester, and then have to work twice as hard at the midway point to bring that grade up.

"And that's what I think we did this year. We started off behind, but we sure climbed our way up."

Brinegar agrees with that last part.

"From the Chamber's perspective of promoting legislation to help grow jobs and grow our economy and things tied to our long-term economic development action plan, *Indiana Vision 2025* – which is our playbook or guidepost for at least the next decade-plus – we made some good progress this session," he begins.

"Also, there were no bills of any

consequence or big concern to us that passed over our objections."

Wyss is "pleased we got as much done as we did. Short sessions are tough sessions to try and accomplish an awful lot.

"We passed a pre-K (preschool) pilot this year. It's not the full agreement, like some would have liked to have seen, but we're pretty nervous about the fiscal part right now. We're nervous about seeing how much money we really do have," he shares.

"With the makeup of the General



"It wasn't necessarily a high watermark year for us, but it was the fourth consecutive session of strong positive outcomes from the Chamber's perspective relative to our agenda."

– Kevin Brinegar



"Some (policies) are kicked to study committees because someone introduced a bill that they think they need politically. And those don't have a lot business being there."

– Lesley Weidenbener

Assembly today, there are a lot of groups within each caucus that have a lot of varying opinions on what we should be doing or how we should be doing things. It's pretty difficult to put a complete package together."

One of the most important bills that passed, per Brinegar, focuses on infrastructure. House Bill 1104 challenges the Indiana Department of Transportation (INDOT) to do a comprehensive study of Indiana's highway and road financing, with the goal being to determine what alternative funding mechanisms may make sense.

"There is recognition that our traditional funding sources of gasoline and diesel fuel taxes are no longer going to be sufficient," Brinegar says. "They are no longer a good proxy for how far do people drive and how much damage they do to roads because of the advent of hybrid vehicles and electric vehicles, as well as other vehicles running on either compressed or liquefied natural gas.

"In 2012, INDOT took in less revenue from gasoline and diesel fuel than it did 10 years earlier, and the cost of building and maintaining roads certainly hasn't gone down," Brinegar quips.

Although Weidenbener recognizes the current desire to invest in things like roads and preschool "to bring us in line with other states that are out there doing big things," she also offers a word of caution.

"I think we are seeing Indiana go down a road that has a lot of risk. There may be a time when lawmakers have to stop and figure out if the types of spending that they want to do in the future match the types of revenue that they are putting in to make that happen."

To study or not to study

In 2014, legislative leaders put forth a successful bill to streamline the interim study committee process by eliminating various groups and setting uniform policies for all to follow. How the measure practically impacts study committees remains to be seen.

In recent years, the number of study committees and proposed topics have expanded greatly. Some panels are focused on specific goals and make substantial progress, while others are simply the fallback result when a meaningful compromise on a bill can't be reached.

While Wyss admits that description can be true, he thinks study committees can serve a real purpose.

"Sometimes summer study committees are to delay the process on a particular issue. But overall, they give a little more vetting and discussion to issues that may be controversial. So they can have value."

Interjects Weidenbener: "That's the way they should work, and it's the way they sometimes work. But too often they don't work."

She notes that last year's mass transit study committee was a good example of one that benefitted the next year's bill. Wyss also maintains the committee that studied the daycare issues plaguing the state was instrumental in framing the 2014 legislation that passed.

Part of the problem, as Weidenbener sees it, is the committee structure.

"Meeting (only) four times and covering a set number of topics – as many as eight – is inherently problematic," she declares.

"Many issues are kicked to summer committees because they need more work, but no more attention is given them during the study committee than during the session."

Wyss admits, "What happens a lot of times is that you don't even discuss some of the issues that were assigned."

The notion of studying policy matters is much needed, states Hale, citing the diverse backgrounds of the legislators and time required to be knowledgeable on some issues. But she concedes the success of the process often comes down to who's in charge.

"Two key factors have to do with leadership on the committee and is the chair of the committee disciplined enough to be strategic in their approach. Any opportunity we have to help the Legislature be more strategic, thoughtful and informed, I think is an opportunity we should avail ourselves of. However, at times, we've seen that unravel."

Bolder in 2015?

Jumping ahead to next year, there was some sentiment on the panel that the Legislature needs to aim higher and look at the big picture.

"We tend to fault toward the immediate and urgent. And that's what session is all about," Hale acknowledges. "But we don't have the luxury of time to sit. ... Household income continues to decline, as it has for the past 10 years. Per capita income has been on the decline since the 1960s. And that's not good enough."

Brinegar concurs with the lack of assertiveness. "We have to be courageous at times on some issues. We don't believe we are moving fast enough or far enough. Those are the things we're seeking to do next session – to accelerate the pace and be purposefully bold."

Adds Hale, "I believe that *Indiana Vision 2025* is a solid strategic plan and we need to continue to make progress toward that, but that means we've going to have to be disciplined and focused, and really concentrate on finding that focus."

"We've lost our way a little bit, but I'm optimistic we can find that path."



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