

Chairman's Comments

Property Tax Opportunity Must Not Be Squandered

By Tom Schuman

Indiana's net job gains in recent years have been noteworthy. Andre Lacy, 2008 chairman of the Indiana Chamber of Commerce board of directors, believes it's unfortunate those successes are underrated given the state's property tax, government efficiency and education challenges.

"In terms of jobs, we've ended up achieving a lot in a very difficult environment," he offers. "And, as the governor so accurately says, it's about pursuing higher wealth for every citizen. Despite economic challenges, Indiana is on the move."

Lacy has enjoyed a 45-year career with LDI, Ltd., a family-owned company. The business units of LDI – FinishMaster, Inc. (automotive and industrial paint) and Tucker Rocky Distributing (aftermarket parts, apparel and accessories for the powersports industry) – rank first and second nationally in their respective industries.

Lacy, currently chairman of LDI after having served as president and CEO for nearly 25 years, is invigorated by today's global business environment. That atmosphere, however, makes it more crucial than ever that the state's tax house is in order.

"I'm thrilled with the competitiveness of the 21st century," Lacy notes during an interview in the conference room of LDI's downtown Indianapolis headquarters. "It's the most exciting time in my 45-year business career. As a result of that competitiveness, there are clear winners and losers.

"Business people are focused on that playing field, trying to secure wins for their customers and associates," he continues. "In the political world, the playing field is the state of Indiana. Government is like business, and citizens are the customer. Like in business, the citizen-customers know much more today how Indiana compares to other states, especially in the Midwest. Indiana's government must not miss this opportunity to act in developing a more valuable proposition for our state in a meaningful and lasting way. I believe the citizen-customers will hold government accountable to that."

In the game

There will be no shortage of competing interests at the Statehouse as the governor's property tax plan and various other alternatives are debated. Lacy says that helping grow the wealth of all Hoosiers, and helping ensure that the

state is prepared to move forward, is why the Indiana Chamber's mission is so important.

"The Chamber role is vital. Not only as an effective source of reliable information, but I happen to believe the Chamber lobbying is directed toward business development," Lacy summarizes. "Business development is tied to economic development and business competitiveness, which offers a more universal opportunity for all the citizens of our state."

The same worldwide climate that energizes business leaders also leads to tunnel vision for many who are determined to secure those victories for their companies, employees and other constituencies. Lacy reminds that it's critical to step back, however, and contribute to the debate.

"We're all dependent on the business health of this state. Business leaders need to play an active role in communications with legislators and other decision makers and have their voices heard. Legislators like to have that appropriate sprinkling of real constituents (in addition to the Chamber issue experts)," Lacy concludes.



Andre Lacy has been active in public policy issues at the local, state and national levels during his 45-year business career.

Sizing up the field

In regard to specific tenets of the property tax plan, Lacy provides the following:

- Reducing local government spending. Speaking at the end of November, prior to the release of recommendations from the governor's Commission on Local Government Reform, Lacy proclaims, "Frankly, I've been disappointed and dismayed that the rhetoric so far has not addressed spending. Local government must be more effective and efficient for the dollars we taxpayers are spending."
- Proposed property tax rate caps of 1% for homeowners, 2% for residential properties and 3% for business and other properties. The concern, he says, is a long-term, if not immediate, competition dampening tax burden shift to business – reducing business attraction and expansion and directly impacting the quality of life for all Hoosiers.
- An additional 35% homestead property tax credit on top of the existing \$45,000 deduction. Again, the estimated burden shift would put residential property taxes in the bottom 10 states in the country but saddle businesses with the third highest property taxes among the 50 states. Bottom line: Will the high-wage jobs remain to allow homeowners to pay their taxes?
- The mix between the four major sources – property, sales, income and gaming – of tax revenue. While property taxes are a reliable source and needed in some form for schools, fire and police, Lacy adds that with appropriate benchmarking criteria, "we might want to give some thought to what should be the ratios" of those tax sources.
- Police and fire protection fees for nonprofits. With up to 60% of property not on the tax rolls in Indianapolis' Center Township, for example, he believes a levy for basic services is appropriate and an avenue that should be considered. "Hopefully, no rock will go unturned."

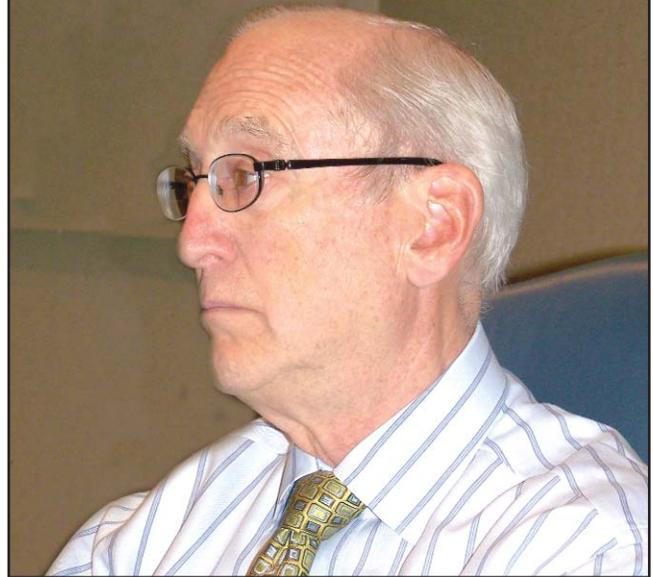
Preparing the players

A longtime education and workforce development advocate, Lacy expresses "real frustration" that the number of people in our state without a post-high school education is "woefully short."

At the higher education level, "I'm impressed with the directions Ivy Tech is taking and the newfound cooperation between IU, Purdue and Ivy Tech in the transfer of coursework. We saw some true leadership in Martin Jischke at Purdue, and I'm really optimistic about the leadership we have at those schools now."

With K-12 education, one of the challenges ties in directly to the government efficiency debate. Florida is an example of a state with approximately three times Indiana's population. Its

Lacy says Indiana's government leaders must not let this opportunity pass by without meaningful, long-term reform.



67 school districts (and the same number of counties) pale in comparison to Indiana's 294.

"We've got all this overhead (in administrative offices). We've got to consolidate the back room," Lacy emphasizes.

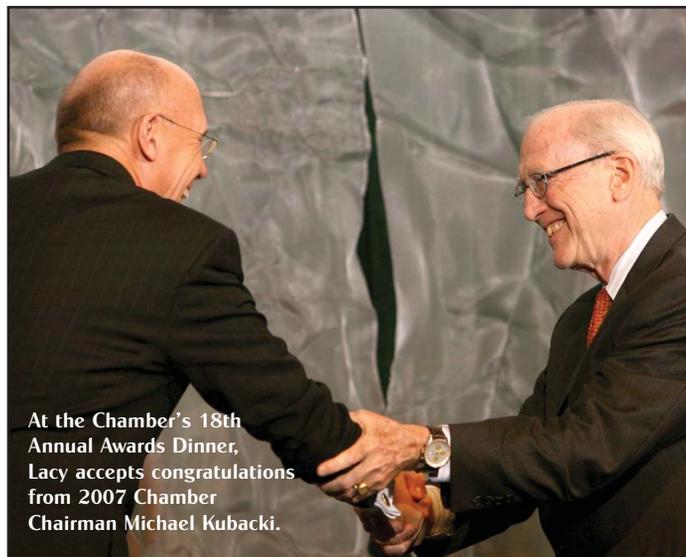
End of the contest

Asked whether he is confident that a strong solution that sets the tone for Indiana's future will be reached by the time this legislative session ends, Lacy hopes that the past doesn't foretell the future.

"So much in government ends up being responsive to a crisis, and this is not a crisis that is being felt universally across the state," he reports. "Some counties addressed this more responsibly and didn't have the big shock. This didn't happen overnight. It's been a combination of legislators and others sticking their heads in the sand and not doing anything about it.

"In the past, people have ended up saying, 'Oh, it's a short session. We can't do anything.' Wrong," Lacy exclaims. "I'm really concerned whether something meaningful is going to come out of this. We have a long history of partisanship, people on both sides of the aisle."

November's municipal elections clearly demonstrated the anger of the voters. Lacy says he has told every elected official he comes across that "you have to fix this" and fix it with the long-term interests of the state at the top of the priority list.



At the Chamber's 18th Annual Awards Dinner, Lacy accepts congratulations from 2007 Chamber Chairman Michael Kubacki.