

OUR VOICES

EDITORIAL

What ails Indiana's economy, and 2 prescriptions to ease pain

Dramatic reforms are necessary

Our position:

Local government reform and improving education are keys to spurring state economic growth.

Despite state officials' hard work in recent years, Indiana's economy remains stagnant. During the first eight months of this year, 218 mass layoffs occurred — 30 percent more than during the same period in 2006. The distress plaguing manufacturing-dependent communities such as Marion is spreading to Indianapolis; the city lost nearly 3,000 jobs since 2006, according to the U.S. Bureau of Labor Statistics.

The decline of traditional manufacturing, which has shed 107,000 jobs (on a seasonally adjusted basis) since 2000, is an underlying culprit of the state's economic struggles. But long-term structural issues also are to blame.

The dearth of highly skilled workers, upon which knowledge-based firms are built, makes the state less appealing to both established employers and startups. Rising property taxes, especially in key areas such as Indianapolis, make it harder for homeowners and businesses to spend and invest in the economy.

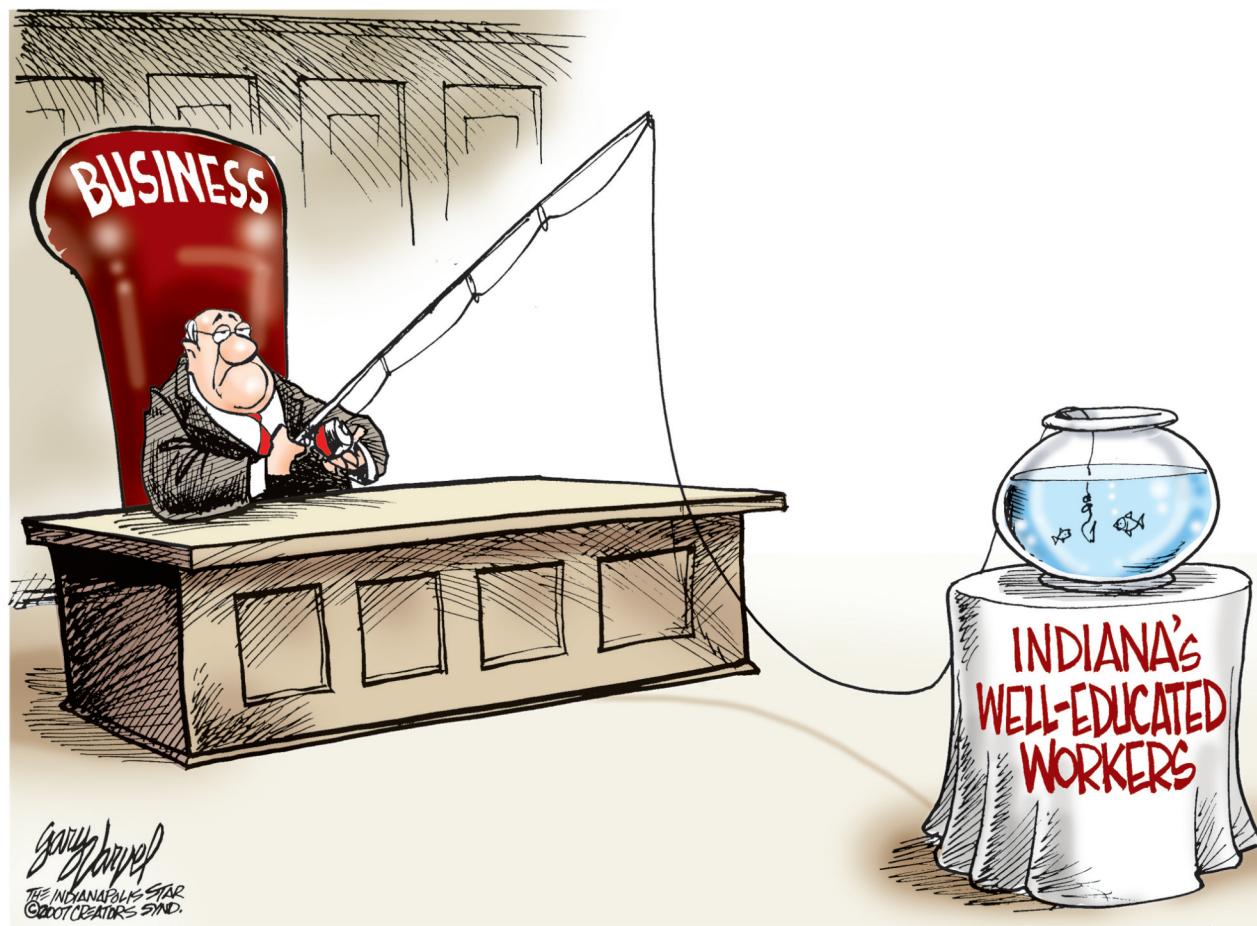
Solving both problems will require dramatic reforms in how local government is structured and in education.

Dearth of high-skilled workers

It's well known that only 22 percent of Indiana's adults have completed college or graduate school, the nation's seventh-lowest level of educational attainment. That number, however, merely hints at the depth of the state's problems in developing, luring and retaining high-skilled workers.

Professionals made up only 29 percent of the state's work force in 2005, according to analysis of state and federal data by the state Commission for Higher Education. The national average is 33 percent. Only six other states — Nevada, Mississippi, Arkansas, West Virginia, Alabama and Kentucky — have such a low percentage.

Just 24 percent of the state's high school freshmen eventually graduate



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from college with a bachelor's degree, six percentage points below the national average. Many of those who do earn a college diploma don't stay in Indiana. About 10,500 college graduates, including those with graduate-level degrees, moved out of the state during the 2004-05 school year.

Thanks to the presence of top universities, Indiana is a prime location for students pursuing a degree. But a lack of high-paying jobs, and not enough other opportunities for advancement, means many of the students will exit Indiana once their studies are completed. They take with them the skills needed to build a knowledge-based economy.

Young Hoosiers' poor academic preparation in high school and middle schools also makes the existing work force unattractive to employers. One of every four students drops out of high school. Many of those who do graduate struggle in college. Twenty-six percent of Indiana's college freshmen take at least one remedial math or English course, according to the Commission for Higher Education; 76 percent of remedial reading students and 63 percent of remedial math students eventually drop out of college.

State officials have made small strides in making the state more attractive to high-skilled workers and emerging industries. Further steps are needed.

One idea worth reviving is Gov. Mitch Daniels' plan to offer scholarships designed to retain top graduates. The proposal died in the legislature this year. Forgiveness of college loans based on how long a graduate remains an Indiana resident also should be explored.

Improving public schools is critical to building a stronger work force. College prep work, the idea behind high schools' Core 40 curriculum,

should begin for many students in middle school. Expanding full-day kindergarten, along with investing in early education programs, also is vital.

Overly high property taxes

To the lengthy list of reasons why property owners should be angry about rising tax bills, add one more: Higher property taxes will hurt the state's economy.

Even before this year's botched reassessment, Indiana's per-capita property tax burden of \$1,219 (as of 2005) was the 15th highest in the nation, according to the Tax Foundation. That was despite the fact that home values grow slower here than in most of the nation. Workers relocating to Indiana, therefore, would face low appreciation on their homes' value while seeing property taxes rise sharply over time.

Indiana has one of the nation's lowest tax burdens for business. Corporate taxes, however, are a small factor in startup, relocation and expansion decisions. Costs of real estate and labor, along with the quality of schools and the work force, are bigger considerations. High property taxes are unacceptable to businesses when they aren't matched by a supply of high-quality workers and good schools.

Rising property taxes play an even greater role within the state economy, especially when it comes to existing firms' decisions on expansion and relocation. That fact is especially troublesome for areas such as Marion and Lake counties, where residents have seen double-digit increases in tax bills even as services don't meet the demand. Indianapolis' labor force has barely increased

since 2000, according to the U.S. Bureau of Labor Statistics. Carmel added 11,700 workers during that same period.

At the heart of rising tax bills is the state's inefficient system of 2,370 cities, counties, townships and other local governments, all dependent on property taxes. Overlapping tax districts hit property owners on multiple levels. The lack of a central body coordinating tax decisions means that each layer of government acts without consideration of the overall impact on homeowners.

Rising property tax bills, as Indianapolis Mayor Bart Peterson points out, can mean life or death for numerous communities throughout the state.

Local government reform is not only key to reducing property taxes but also to bolstering Indiana's still-anemic economy.

The tax burden discourages investment, increasing the odds that certain areas will be left behind during an economic recovery.

The state needs to wean local governments from their dependence on property taxes, shifting more of the load to sales and income taxes.

One level of local government to look at is school districts, which account for 54 percent of all property taxes paid, yet derive almost all their operating income from the state. Debt service on bonds accounts for 39 percent of school property tax revenues. Much of it pays for unnecessarily lavish buildings.

The elimination of township government, especially in Marion County, is a critical and overdue step toward efficiency.

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EXPRESSO

A quick shot of opinion from The Star Editorial Board and local columnists

Mixed message

Ralph Waldo Emerson said, "What you do speaks so loud, I can't hear what you're saying."



Varvel

That quote came to my mind recently when I pulled up behind a car at a stoplight. The car sported one of the new "In God We Trust" license plates and in the back window was a decal of a cartoon character flipping me the bird. Is that a mixed message?

I guess it depends on who your God is.

I recently purchased new license plates. With apprehension I chose the "In God We Trust" plate. Why the apprehension?

Because I think the plate comes with an accountability factor. Will my driving habits match what I'm saying on the back of my car? To be honest, I've been known to go with the flow. On I-465, the flow tends to be a little quicker than the posted speed limit.

When actions don't match up with words, that person is called a hypocrite. Jesus Christ used this word to describe the teachers of the law and Pharisees in Matthew 23. We don't like to identify with the Pharisees, but the truth is we all talk a better game than we play. Myself included.

This all reminds me of a story. After a police officer checked a woman's license and registration he gave them back to her and asked her to be more careful. "Why did you pull me over?" she asked. "Because I noticed the Jesus bumper sticker on this car. Then when I saw you making obscene gestures to another motorist after being cut off in traffic, I assumed this car had been stolen," the police officer said.

In the words of Emerson, "Go put your creed into your deed."

Gary Varvel

BMV gets it right

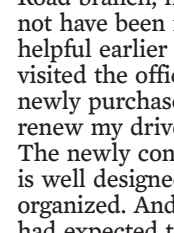
Pleasant and professional service. A clean, comfortable, even attractive, office. In and out in less than 30 minutes. Could this really be the Indiana Bureau of Motor Vehicles?

I asked myself that question recently after completing transactions at the BMV's new Rockville Road branch. Previous excursions to state license branches have proven to be frustrating, largely because of the system's slowness and inefficiency. Many Hoosiers have shared that experience, and they've harshly, and often justifiably, criticized the state's handling of license branches.

The staff at the Rockville Road branch, however, could not have been more polite or helpful earlier this month. I visited the office to register a newly purchased vehicle and renew my driver's license. The newly constructed office is well designed and smartly organized. And, although I had expected to spend at least an hour in the office, I left, with my completed documents in hand, in less than half that time.

The BMV has a sour reputation to overcome, and problems still may be significant in other areas of the agency. But at one site, at least, the state is getting it right.

Tim Swarens



Swarens

Go to IndyStar.com/opinion to read the Expresso blog.



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Kudos

Until last year, Marion County's juvenile detention center was dirty, overcrowded and inhumane for the youth incarcerated there. But in the past year, the Superior Court has taken steps to reduce overcrowding and clean up the facility. The moves are yielding results: Only 95 juveniles were jailed on any given day during the third quarter of this year, a 42 percent decrease over the same period two years ago.

Nightlines

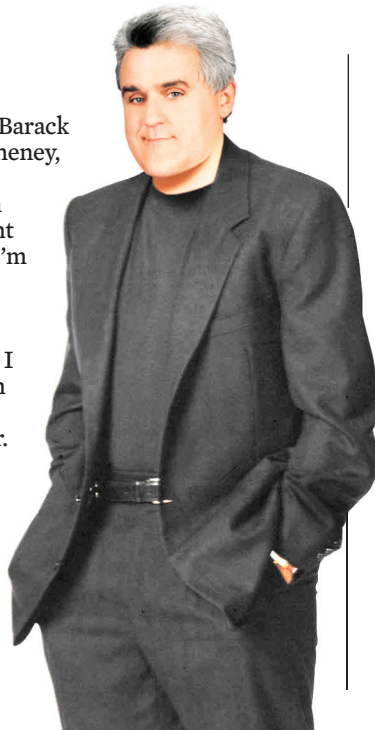
Jay Leno (right): The big story: Dick Cheney and Barack Obama are related! They are eighth cousins. Dick Cheney, Darth Vader? Second cousins.

Conan O'Brien: This morning, Sen. Hillary Clinton appeared on "The View." It was an awkward moment when Hillary looked around and said, "Good Lord, I'm the hottest one here."

Craig Ferguson: A fisherman in Florida caught an 844-pound shark. When I heard that someone had caught an 844-pound, cold-blooded eating machine, I thought that's it: Rush Limbaugh's finally been taken out.

◆ There's a fair going on in Vienna. A divorce fair. This is the first time the words "divorce" and "fair" are being used together in the same sentence.

Jimmy Kimmel: The second annual Hip-Hop Awards were aired last night by BET. I noticed a theme in the opening announcements: "We've got David Banner, Busta Rhymes, Lil' Boosie, Lil' Mama, Lil' Kim, Lil' Jon, Lil' Italy, Lil' Debbie, Lil' Orphan Annie, Lil' House on the Prairie." It's a Lil' Paloosa over there.



65%

The portion of schools' property tax revenue that is expected this year to pay for debt service on construction, pension bonds and other obligations, according to a report by the state Legislative Services Agency.

Why it matters

The state funds 85 percent of schools' operating budgets. Yet schools still collect 54 cents of every dollar in property taxes. A major reason for the rise in property taxes is that schools fail to exercise discipline in their construction priorities. Schools, especially those in growing districts, must expand and renovate their buildings. But the state also needs to control schools' spending on frills such as multimillion-dollar sports facilities. Moving all education funding, including construction spending, to the state level would help bring discipline to school finance.