



INDIANA UNIVERSITY PUBLIC POLICY INSTITUTE



WELCOME & ACKNOWLEDGEMENTS

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ABOUT US

- Non-partisan, applied research organization
- Affiliated with IU School of Public and Environmental Affairs (SPEA) – located in Indy
- Funded by grants and contracts
- Over 150 clients including state/local government, non-profits, trade groups



IU PUBLIC POLICY INSTITUTE

- Institute make-up
 - Full-time analysts
 - Faculty
 - John L. Krauss & Senior Directors
 - Graduate students
- Types of work
 - Data Analysis
 - Facilitated Discussions/Focus Groups
 - Convening Experts
 - Reports & Presentations



IU PUBLIC POLICY INSTITUTE

- Project Examples

- Traffic Safety
- LOIT
- Benchmarking
- Motor Sports
- Quality of Life
- Economic Impact Studies
- Policy Choices for Indiana's Future
 - Gubernatorial Forum





INDIANA UNIVERSITY PUBLIC POLICY INSTITUTE

POLICY CHOICES

for Indiana's Future



Three keys to Indiana's economic future

*Everything we do or hope to do depends on
the future of our state's economy*





Education and workforce development

Develop the highly skilled workforce necessary for economic growth in a knowledge economy



Energy and the environment

Leverage the state's energy assets in an environmentally responsible, productive manner



State and local tax policy

Create a balanced tax environment that:

- Enables growth
- Efficiently delivers essential services
- Makes infrastructure investments that will keep Indiana competitive





One key to Indiana's economic future

AN EDUCATED WORKFORCE



CORE PREMISE

The seamless integration of our education, workforce development and business communities is essential to future economic growth in Indiana



WHERE INDIANA STANDS

- 41st in per capita income, last in Midwest
- 16+ percent poverty rate, in bottom 1/3 nationally
- Slightly more than 30 percent of Indiana's population aged 25 and older has earned an associate's degree or higher
- At or near the bottom among Midwest states for educational attainment



WHERE INDIANA NEEDS TO BE

- By 2018, 55 percent of Indiana's jobs will require some postsecondary education
(Georgetown University Center on Education and the Workforce)
- Lumina Foundation says we should aim for 60 percent by 2025
(Goal 2025)
- Many of these jobs can be filled by individuals with less than a four-year college degree, but more than a high school diploma



GOAL

Create a highly skilled workforce in which 2/3 of workers have the degrees and credentials demanded by a knowledge economy



3 OBJECTIVES

1. Every Indiana resident should possess the basic skills required to remain competitive in the workforce and allow a successful transition to higher education or further training
2. The postsecondary education model must be broadened to incorporate the value of degrees and credentials other than a four-year bachelor's degree
3. Engagement with employers and the business community is vital to improving the education and workforce development systems



POLICY OPTION 1

Align college and career standards for graduation from high school and admission to college



HIGH SCHOOL/COLLEGE/CAREER ALIGNMENT

- Integrate the final year of high school with the initial year of postsecondary education for secondary school students who consistently demonstrate proficiency of college and career readiness academic standards
- Increase dual credit enrollment so that 2/3 of Indiana students will leave high school with at least six college credits



HIGH SCHOOL/COLLEGE/CAREER ALIGNMENT

- Identify those students unprepared for postsecondary education and training and utilize the final year of high school to provide appropriate remediation
- Increase the options available to Hoosiers in the delivery of secondary and postsecondary instruction through the use of technology, alternative schools and accelerated pathways



POLICY OPTION 2

Redesign the state's workforce training, economic development and postsecondary education strategies for workers to ensure that they remain competitive in the labor market



INCREASING COMPETITIVENESS

- Expand accelerated degrees and intermediate credentialing programs so that many more Hoosiers are prepared for good-paying, high-demand jobs
- Create an Office of Economic and Workforce Development by integrating the Indiana Economic Development Corporation with the employment and training division of the Department of Workforce Development



INCREASING COMPETITIVENESS

- Align the state's policy-setting initiatives for postsecondary education and training under the Commission for Higher Education, with specific emphasis on increasing system capacity and efficiency that will increase postsecondary attainment
- Incorporate the majority of the state's career and technical education into the revamped Commission for Higher Education



INCREASING COMPETITIVENESS

- Increase promotion and utilization of The Benefit Bank to ensure residents are receiving all eligible federal and state benefits



POLICY OPTION 3

Increase participation by employers in the design and delivery of the workforce development system



EMPLOYER PARTICIPATION

- Provide tax incentives for businesses that hire new workers and train incumbent workers
- Create a statewide skills bank to connect employers with the skilled workers they require



BOTTOM LINE

Enhanced Education + Workforce Development
= Economic Prosperity





One key to Indiana's economic future

AN ENVIRONMENTALLY SOUND ENERGY POLICY



COMMISSION MEMBERS

Co-chairs

- Mark Maassel, Northwest Indiana Forum (and member of the IU PPI Board of Advisors)
- Dr. Wallace Tyner, Purdue University

Members

- Dr. Sanya Carley, Indiana University School of Public and Environmental Affairs
- Martin Coveney, Energy Systems Network
- Dr. Greg Lindsey, University of Minnesota (and member of the IU PPI Board of Advisors)
- Dr. Maureen McCann, Purdue University Energy Center
- Paul Mitchell, Energy Systems Network
- Bowden Quinn, Sierra Club Hoosier Chapter



COMMISSION MEMBERS

Members (continued)

- Darlene Radcliffe, Duke Energy
- Dr. J.C. Randolph, Indiana University Center for Research in Energy and the Environment
- Dr. Ken Richards, Indiana University Richard G. Lugar Center for Renewable Energy
- Michael Roeder, Vectren Corporation
- John Rupp, Indiana Geological Survey
- Jane Ade Stevens, Indiana Soybean Alliance and Indiana Corn Marketing Council
- Dr. Paul Sokol, Indiana University Energy Institute
- Kent Yeager, Indiana Farm Bureau, Inc.



STATE/NATIONAL GOALS

- National energy security
- Reduced greenhouse gas emissions
- Job growth



HOW INDIANA CAN HELP (AND HELP ITS ECONOMY, TOO)

- Advanced biofuels
- Electric vehicles and battery technology
- Energy efficiency
- Carbon capture and storage



ADVANCED BIOFUELS WHERE INDIANA STANDS

- Great potential to use agricultural resources
- Strong research universities for developing new technologies
- Natural resource capacity to support ~ five cellulosic ethanol plants using corn stover
- Lots of jobs, economic potential



BIOFUELS UNCERTAINTIES

- Five major areas of uncertainty
 - Future oil prices
 - Feedstocks costs
 - Conversion costs
 - Environmental impacts'
 - Government policy
- One promising area is combining biomass and coal to produce liquid fuels



ADVANCED BIOFUELS OPTIONS

Option 1. Support university research to develop new technologies and to research the economic and policy issues associated with producing advanced biofuels in Indiana

Option 2. Support the development of new advanced biofuels production facilities by purchasing fuel through a reverse auction

- Reduces risk for the private sector, but could increase risk for the public sector



ADVANCED BIOFUELS OPTIONS

Option 3. Make traditional and specialized economic development incentives available to firms locating new advanced biofuels facilities

- Currently available but not funded

Option 4. Continue to promote ethanol and biodiesel production and flex fuel vehicle deployment

- These have been used to some extent, and the trade-off is costs versus gains to the state



ELECTRIC VEHICLES AND BATTERY TECHNOLOGY WHERE INDIANA STANDS

- Prowess in auto and auto parts industries
- Strong university research capabilities
- Willingness and ability to offer competitive financial incentives to attract manufacturers
- Already gaining national attention as a leader in battery manufacturing



ELECTRIC VEHICLES/BATTERIES

Option 1 & 7. Support in-state electric vehicle supply chains and in-state development and manufacturing of batteries through economic development incentives

Option 2. Support in-state purchase and use of electric vehicles

Option 3. Support development of an adequate recharging infrastructure

Option 4. Encourage off-peak charging of electric vehicles



ELECTRIC VEHICLES/BATTERIES

Option 5. Encourage state and local government adoption of electric vehicles

Options 6 & 8. Support research to develop new technologies and to research the economic and policy issues associated with manufacturing electric vehicles and batteries

Option 9. Support university initiatives to develop relevant curricula (batteries)

Option 10. Encourage/incent utilities to utilize used EV batteries in grid storage applications



ENERGY EFFICIENCY WHERE INDIANA STANDS

- Industrial sector contributes to state's relatively high energy consumption
- Significant opportunities for energy efficiency across sectors
- Newest construction standards can easily and cost-effectively reduce energy use, save money, avoid waste and minimize pollution



ENERGY EFFICIENCY – UTILITY POLICY

Option 1. Establish energy efficiency as a formal resource within long-term utility and energy planning

Option 2. Address Indiana's annual energy savings goals

Option 3. Make Indiana's Clean Energy Portfolio Standard mandatory – trade-off is cleaner environment vs. higher electricity costs

Option 4. Adopt decoupling or some other form of lost revenue adjustment for Indiana's electric utilities



ENERGY EFFICIENCY – UTILITY POLICY

Option 5. Adopt utility performance incentives for achieving energy efficiency goals

Option 6. Adopt time-based pricing for electricity



ENERGY EFFICIENCY - INDUSTRIAL

Option 7. Provide incentives for combined heat and power

Option 8. Provide incentives for other industrial energy efficiency programs



ENERGY EFFICIENCY – BUILDING CODES

Option 9. Improve the process of adopting new building energy codes to allow the state to benefit quickly from advances in efficiency – harmonize the energy efficiency codes

Option 10. Educate builders and building officials on new building codes and track compliance



ENERGY EFFICIENCY-OTHER

Option 11. Expand state financial and information incentives to consumers for energy efficient improvements

Option 12. Facilitate financing for energy efficiency retrofits to buildings

Option 13. Fully implement energy efficient design standards for new state-owned buildings and retrofits of existing buildings

Option 14. Expand incentives for public university energy efficiency improvements



ENERGY EFFICIENCY- OTHER

Option 15. Encourage energy efficiency for local public buildings

Option 16. Support research, development and demonstration

Option 17. Support university initiatives to develop relevant curricula

Option 18. Track and evaluate the efficacy of energy efficiency programs; strengthen programming if necessary



CARBON CAPTURE AND STORAGE WHERE INDIANA STANDS

- 90%+ of the electricity generated in Indiana comes from coal-burning power plants
- Dependence on coal provides relatively low-cost electricity, ranking it among the 15 lowest-cost states in the nation
- Second largest coal-consuming state in U.S.
- Indiana's industries and its coal-based power generation release significant amounts of CO₂



PUBLIC POLICY CHALLENGE/OPPORTUNITY

- Continue low-cost, reliable electricity
- Support manufacturing jobs that rely on coal
- Sustain in-state coal-mining industry
- Retain industries that emit greenhouse gases
- AND improve on practices that affect the environment



CARBON CAPTURE AND STORAGE

Option 1. Clarify pore space ownership

Option 2. Develop a regulatory framework for carbon dioxide pipelines

Option 3. Address the long-term liability of carbon storage

Option 4. Facilitate research to establish additional carbon capture technologies

- These options are about creating a legal infrastructure that would facilitate CCS



CARBON CAPTURE AND STORAGE

Option 5. Facilitate investigation and evaluation of Indiana's deep subsurface geology for CO₂ storage

Option 6. Evaluate enhanced oil recovery opportunities located within and outside of the state

Option 7. Provide economic development incentives to private sector CCS implementers

Option 8. Create a state utility to develop CO₂ pipelines and/or storage facilities



BOTTOM LINE

- Many energy/environment issues are governed by federal policy and action, but some can be addressed at the state level
- Options address areas in which Indiana already has strong advantages and areas critical to Indiana's economy
- Many of Indiana's strongest opportunities involve development and commercialization of emerging technologies
- We must move fast and be among the first





One key to Indiana's future

A BALANCED TAX POLICY



STATE CONTEXT

- Indiana lost, 250,000 of its 3.1 million total jobs between 2008 and 2011
- Adjusted for inflation, Indiana personal income grew by 4 percent since 2000, compared to 14 percent for the nation
- Indiana faces significant shortfalls in funding needed to meet current road needs
- Local governments face greater challenges than state government for fiscal sustainability



STATE & LOCAL TAX COLLECTIONS

Revenue class	2010 Revenue (millions \$)	Annual % change (adjusted for inflation)			Total % change (adj. for inflation)
		2000-08	2009-10	2000-10	2000-10
Sales Tax	\$5,936	2.80%	-5.90%	2.40%	27.10%
Property Tax (Net)	5,304	-1.1	-4	-1.5	-13.8
Individual Income Tax	3,875	0.4	-11.6	-2	-18.5
LOITs	1,589	4.2	2.4	4.6	56.7
Gaming taxes	875	5.3	-1.3	4.4	53.9
Motor fuels taxes	760	-0.6	-6.4	-2.1	-19
Corporate Income Tax	583	-3.7	-32.3	-7.3	-53.3
All tax collections	23,428	1.3	-7.4	0.1	1.1

Source: Indiana State Budget Agency; Indiana Department of Local Government Finance

Note: Excludes approximately \$300M in corporate tax revenues collected through the E-Checks collection system



THREE CRITICAL AREAS

- Preserving an attractive business climate
- Designing a government structure to enable a 21st century growth economy
- Funding necessary maintenance and enhancement of our infrastructure



PRESERVING AN ATTRACTIVE BUSINESS CLIMATE

- Maintain a balance among income, sales, and property tax revenues
- Keep the tax base broad so rates can be low
- Limit tax incentives and tax breaks to initiatives of highest priority and expected return on investment



PRESERVING AN ATTRACTIVE BUSINESS CLIMATE

- Retain the current individual income tax rate
- Retain the current, recently reduced corporate income tax rate
- Review all tax credits, deductions, and exemptions
- Consider how to reduce the state sales tax rate by broadening the sales tax base on a revenue-neutral basis to include more services



PRESERVING AN ATTRACTIVE BUSINESS CLIMATE

- Conduct a comprehensive evaluation of the impact of the 2008 property tax reforms
- Continue efforts to reduce reliance on business equipment and machinery tax revenue
- Encourage regional planning and projects and allow regional taxing districts
- Help city centers by sharing a modest portion of local option income tax revenues between counties of residence and counties of work



PRESERVING AN ATTRACTIVE BUSINESS CLIMATE

- Expand the capabilities of the Department of Revenue to analyze collections and costs and benefits of tax policy
- Provide sufficient resources to the Department of Revenue to enforce collection of the sales tax on Internet purchases
- Standardize tax treatment of not-for-profit organizations
- Establish a Midwest interstate compact to coordinate economic development efforts



DESIGNING A GOVERNMENT STRUCTURE TO ENABLE A 21ST CENTURY GROWTH ECONOMY

- Evaluate the organization of government, the quality of delivery, spans of control and organization layers
- Promote joint purchasing and other inter-local agreements between local government units
- Continue to advocate local government reform and consolidation as a means of improving delivery of services with maximum efficiency, transparency, and accountability



FUNDING NECESSARY MAINTENANCE AND ENHANCEMENT OF OUR INFRASTRUCTURE

- Consider increasing the gas tax to align with neighboring states and index it to inflation to support infrastructure projects
- Use tolls to finance road expansion projects
- Develop a state plan for water, energy, information, and transit infrastructure



FUNDING NECESSARY MAINTENANCE AND ENHANCEMENT OF OUR INFRASTRUCTURE

- Use a state infrastructure bank to support financing, enhance private investment potential and offset risks
- Challenge universities and the General Assembly to devise a sustainable strategy for funding higher education to maintain a strong source of innovation



BOTTOM LINE

- Taxation must be clear and methods certain; certainty promotes confident decision-making, which contributes to improving the economy
- Delineating more reasonable and equitable taxing boundaries will improve tax system fairness and effectiveness
- Significant changes to the structure of local government are necessary to keep it affordable





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POLICY CHOICES

for Indiana's Future

PROJECT RESULTS

- Briefing Senate and House leaders
- Briefing of candidates and policy advisors
- Gubernatorial forum
- Testifying before legislative committees
- Legislative interest in moving ideas forward





INDIANA UNIVERSITY PUBLIC POLICY INSTITUTE

Discussing our state's issues

WHAT ISSUES MATTER TO YOU?

