



Fiscal Policy

NEWS RELEASE

One North Pennsylvania St., Suite 1000, Indianapolis, IN 46204 ■ (317) 237-2890 ■ FAX (317) 237-2893

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Indiana is Falling Behind

Contact: William Sheldrake, Indiana Fiscal Policy Institute (317) 237-2890

The Indiana Fiscal Policy Institute today released its latest report, *Fiscal Policy Issue Brief: Indiana is Falling Behind*. The Hoosier state is losing the race with other states across the nation in economic performance and, as a result, Hoosiers' incomes are lagging as well. Action is needed to reverse this troubling trend, according to the Indiana Fiscal Policy Institute.

The report examines Indiana's historical performance in per capita personal income, a useful and accurate measure of Indiana residents' incomes and wealth. It finds that

- ⇒ Indiana's ranking fell from 17th in 1965 to 33rd in 2000.*
- ⇒ It was the largest drop of any state in the nation.*
- ⇒ Many states have done very well over the same period. Colorado, Georgia, Minnesota, New Hampshire, and Virginia all improved their rank significantly, bypassing Indiana along the way.*
- ⇒ While Indiana's average annual increase in per capita personal income was only 6.4%, competitive states grew much faster - North Carolina at 7.3% and Minnesota at 7.0 %.*
- ⇒ Indiana has not performed well, even when compared with its Midwestern neighbors. In 1965, Indiana (at 17th) was only a few places behind its industrial neighbors of Illinois (8th), Michigan (10th), and Ohio (15th). In 2000, while our neighbors ranks*

had all fallen, all were still essentially in the top twenty – Illinois, 11th; Michigan, 19th; and Ohio, 21st - while Indiana languished in 33rd.

⇒ Indiana’s poor performance is consistent across a broad scope of economic vitality and quality of life measures.

“The Indiana Fiscal Policy Institute believes that policymakers should focus on clear, measurable goals in structuring their economic development priorities,” said William J. Sheldrake, President of the Institute. “This report demonstrates how one very significant measure can and should be used as a target in addressing the state’s economic development needs.”

In looking at different regions and cities in Indiana, the report finds that Indianapolis and central Indiana have performed better than the rest of the state. But even central Indiana’s annual growth rate does not keep pace with the most competitive cities across the country. While Indianapolis grew at 6.7%, Austin, Raleigh-Durham, and Minneapolis-St. Paul) experienced remarkable growth over the past 30 years, growing at rates of 7.7%, 7.5% and 6.9%, respectively. Austin’s rate of growth was 14% faster *every year* than central Indiana’s.

The report confirms that Indiana ranks low in both tax burden and spending levels, and has remained so over the last 35 years. But low per capita taxes do not necessarily tell the whole story.

⇒ Wealthier states, like Illinois and Maryland, because of their high personal income, have tax burdens – measured by computing per capita taxes as a percent of per capita personal income – similar to Indiana.

⇒ If Indiana’s per capita personal income, in 2000, had remained at its 1965 ranking of 17th, the state would have collected nearly \$1.5 billion more in annual state and local taxes.

The report brings to light what other experts are saying about longer term, fundamental economic changes that affect states, as well. According to the State New Economy Index, “...while history shapes the hand a state is dealt, public policy determines how that hand is played.” The research finds that Governors across the country recognize the importance of

personal income with Iowa, Kentucky, Maine, New Mexico, and Oklahoma having recently made increasing per capita personal income among their top priorities.

The report finds that Indiana's per capita personal income performance since 1965, in light of the changes in the national and international economies, points clearly to a need for action.

The report urges both public and private policymakers to reverse Indiana's declining trend by addressing several important issues:

- ⇒ *restructuring the state's tax system,*
- ⇒ *meeting the demand for quality education of our children, and*
- ⇒ *working to retain our college graduates as an integral part of a 21st century workforce*

“Indiana policymakers should be very concerned about the unprecedented drop in the state's per capita personal income ranking. Improving this measure in nominal terms and in relation to other states should be a top priority,” said Kevin Brinegar, President of the Indiana Chamber of Commerce. “Tax restructuring and other public policy initiatives should be enacted with this goal in mind.”

In a concluding vision of alternate roads to Indiana's future, the report endorses action now as the best assurance that Indiana's economic performance relative to the rest of the nation will become a model of success rather than an example of mediocrity and stagnation.

The report is available on-line at <http://www.indianafiscal.org/pubs> in PDF format and can be obtained by contacting the Indiana Fiscal Policy Institute, One North Pennsylvania Street, Suite 1000, Indianapolis, IN 46204 Telephone 317-237-2890, FAX 317-237-2893, or email at IFPI@indy.net.