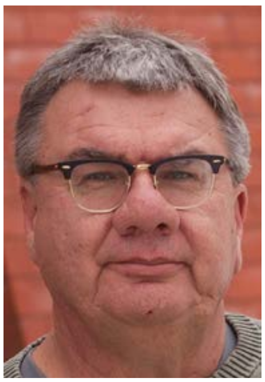
A non-partisan data perspective on Indy's impact on Indiana

By DREW KLACIK
and CHRIS WATTS

INDIANAPOLIS — We're writing in response to Craig Dunn's column in last week's Howey Politics Indiana ("Indianapolis is in a state of decline"), not to question Mr. Dunn's political commentary or his choice of mayoral candidate. Rather, we offer a different, non-partisan perspective on the state of our state capital and the structural challenges as well as regional opportunities that will define its future.



Dunn's take on Indianapolis comes from the gut – literally, as he writes, "You can feel [the decline] in the depths of your stomach."

Indianapolis is a city of nearly one million Hoosiers, anchoring a metropolitan area approaching two million that is Indiana's dominant regional economy. As in any major metro, some places are struggling against difficult economic and demographic trends. Others are winning the fight and reversing decades of disinvestment and depopulation. Facts tell a more complicated story than gut feelings, and a more promising one about the potential for a thriving Indianapolis and Central Indiana.

Indianapolis is 1% of Indiana's land, home to 15% of its population and 20% of its employment. The nine-county Indy region accounts for more than two-thirds of the state's recent population growth. Looking forward, only 14 Indiana counties are projected to grow in working-age population through 2014; Marion County is one, with five neighboring counties among the remaining 13.

In a talent-driven economy, Indianapolis isn't declining, it's driving regional growth. According to the Brookings Institution, Indy ranks among the upper third of the top 100 U.S. metros in job creation over the last decade.

And while Dunn sees "urban decay," success hasn't come despite the urban core, but in large part because of it. Another recent Brookings study highlights impressive metropolitan gains in employment density, boosting jobs-per-square-mile 42% from 2004 to 2015. The clustering of technology, hospitality and healthcare jobs in and around downtown shaped this trend, making up for uneven progress in other parts of the region.

A 2019 retail market analysis by Hunden Strategic Partners for the Indy Chamber also shows the number of downtown homeowners and renters jumping from 60,000 in 2000 to more than 90,000 today. Downtown's population outgrew the metro by 10%, the rest of Indiana by nearly 300%.

More people and employers moving closer to downtown doesn't suggest a state of decline.

Dunn points out the pothole epidemic, the stubborn persistence of poverty and crime, neighborhood blight and homelessness. Promising urban redevelopment is tempered by township neighborhoods caught between resurgent areas of the central city and booming suburbs.

Communities across Indiana and the U.S. have faced the consequences of decades of manufacturing job losses, employment at risk from automation, and lagging educational attainment leaving workers unprepared to compete in a changing economy. Indianapolis isn't immune to national economic trends … or state fiscal policy.

More urbanized areas of Indiana lose more of their tax levy under the state's property tax caps. Marion County lost $160 million in potential revenue last year; looking across the state, our 20 most urbanized counties lost nearly three times more tax collections under the caps than their rural and suburban peers.

Localities are forced to rely more on income taxes, a less predictable revenue source – and a less productive one, given Indiana's sluggish population and personal income growth. From filling potholes to hiring police, the local revenue system isn't keeping up with service demands in our centers of population and commerce.

Solutions can't come only from the mayor of Indianapolis. Indeed, they never have: The decades of progress that turned 'Indy-a-no-place' into a Super Bowl host city and high-tech boomtown came from not only forward-thinking elected officials, but also engaged civic and corporate leaders and public-private partnerships.

The same spirit has produced a community blueprint to end homelessness, a business-led commitment to more inclusive economic growth, and private support for raising teacher salaries in the state's largest school district (IPS). Elections matter, but so does continuing these efforts beyond Nov. 5.

And as challenges become more complex, cooperation has to extend across city and county lines. Central Indiana boasts a strong regional economic development campaign and collaboration among mayors, town council presidents and county commissioners to build a competitive business climate and appealing quality of life.

This includes a healthy debate over the best way to collect and invest local taxes to support regional infrastructure and transformative projects to keep Indy on the map as a destination for talent. Ultimately, these discussions will be settled at the Statehouse, as regional revenue reform requires legislative action.

We agree with Mr. Dunn that, "The success of Indiana begins and ends with Indianapolis." But while we acknowledge the challenges facing the state's capital and largest region, evidence doesn't lead us to share his conclusion of chronic decline.

Instead of a glass half empty, we see opportunities to keep filling the glass toward a dynamic future for Indianapolis and Central Indiana – if we continue to work together across partisan divides and political boundaries.❖

Drew Klacik is senior policy analyst at the IU Public Policy Institute, and Chris Watts is president of the Indiana Fiscal Policy Institute.

Why is Social Security running out of funds?

By MORTON MARCUS

INDIANAPOLIS — We've all heard the Social Security Trust Fund will no longer be able to finance Social Security payments in full after 20xx. We say "xx" because the date keeps changing.

When folks think about Social Security, what mostly comes to mind is the Old Age Insurance aspect of the program. But there's also a vital role played by Survivors' Insurance for spouses and children and important Disability Insurance for those unable to work.

Why is this safety net, this trust fund, running out of money? For several reasons:

We are living longer than expected. People are retiring too early. Congress gave an increase in benefits that was too generous. Too many people are claiming disability benefits for which they do not qualify. There are more disabled people than we ever anticipated.

It goes on. What are we to do? There is a partial solution, known for decades, which Congress does not yet support: Eliminate the cap on eligible earnings.

Yes, there is a limit on how much wages and salaries can be taxed for Social Security, but not for Medicare. We don't have much data for 2019 yet, but we can look at 2017 for detail.

In 2017, the cap stood at $127,200, up from $51,300 in 1990. That put the cap $76,900 higher than the average wage in '17, well more than double the difference of $30,300 in '90.

I said the average wage. And this is the reason folks hate statistics. The average wage is not the wage of the average worker. The average worker is more likely the median one who stands in the middle of the pack, with half of the wage earners to one side and the other half on the other side. The average wage is strongly influenced by the few, but very high wages paid to the most favored employees.

Average Anne can be very different from Median Mike. In 1990, Average Anne earned more than 63% of all workers. By 2017, Average Anne's income was higher than 67% of all workers. At the same time, Median Mike's wages, which were 72% of Anne's wages, had fallen to 65% of hers.

These two little-known, related statistics have persistently reflected the widening income gap.

Meanwhile, the maximum eligible income taxed for Social Security has advanced at an average annual rate of 3.4%, almost tied to the average wage which has grown by 3.3% annually. But the median wage, a much more meaningful number, has risen only 2.9 annually.

How much money will be raised annually if the cap is removed? Roughly, it would exceed $75 billion, a relatively small amount of the $1 trillion estimated Social Security revenues for 2018.

Why hasn't the cap been removed? Ask that Congressional representative you keep reelecting.

Calculating the added revenue

The aggregate amount of wages for 2017 was $8 trillion dollars. The cap of $127,200 applied to 7.7 million wage earners, which exempted $1.2 trillion from a 6.2% tax rate. The resulting uncollected revenue was $74.6 billion.

This result is based on un-rounded numbers and minimizing assumptions. Readers who contest these figures are invited to submit their own procedures and resulting estimates. ❖

Mr. Marcus is an economist. Reach him at mortonjmarcus@yahoo.com. Follow his views and those of John Guy on "Who gets what?" wherever podcasts are available or at mortonjohn.libsyn.com.