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Dan Paliganoff, Attorney for the Committee
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Lauren Sewell, Fiscal Analyst for the Committee

Authority: IC 2-5-31.8

INTERIM STUDY COMMITTEE ON ECONOMIC DEVELOPMENT

Legislative Services Agency
200 West Washington Street, Suite 301
Indianapolis, Indiana 46204-2789
Tel: (317) 233-0696 Fax: (317) 232-2554

MEETING MINUTES[1]

Meeting Date:	**September 4, 2013**
Meeting Time:	**10:00 A.M.**
Meeting Place:	**State House, 200 W. Washington St., Room 431**
Meeting City:	**Indianapolis, Indiana**
Meeting Number:	**2**

Members Present: **Sen. James Buck, Co-Chairperson; Sen. James Arnold; Rep. Mark Messmer, Co-Chairperson; Rep. Dan Forestal; Eric Doden; Jeff Quyle; Danita Rodibaugh; Chris Lowery; Tom Easterday.**

Members Absent: **Art Evans; Mark Becker; Mayor Shawn Girgis; Dr. Raymond Golarz; Dr. Vidya Kora.**

Co-Chair Senator Jim Buck called the meeting to order at 10:00 a.m. **Co-Chair Representative Mark Messmer** offered opening remarks on several of the challenges involved with rural economic development in Indiana.

Economic development in rural areas in Indiana

Senator Buck recognized **Representative Kathy Heuer** to begin the day's program. Representative Heuer made three main points:

- Rural areas in Indiana are in decline, as evidenced by a number of measures,

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[1] These minutes, exhibits, and other materials referenced in the minutes can be viewed electronically at http://www.in.gov/legislative Hard copies can be obtained in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for hard copies may be mailed to the Legislative Information Center, Legislative Services Agency, West Washington Street, Indianapolis, IN 46204-2789. A fee of $0.15 per page and mailing costs will be charged for hard copies.

including the migration of college graduates away from rural areas and the disparity in broadband access between rural and urban areas.

• The majority of economic development incentives are used by larger businesses in the most populous areas of the state. She pointed out that in the region of Northeast Indiana, where her district is located, the cities in ten of eleven counties have populations of less than 50,000.

• Until we become creative, these circumstances in rural Indiana will persist. One example of a creative proposal was first made by Lieutenant Governor Sue Ellspermann in 2012 when the Lieutenant Governor was a member of the Indiana House of Representatives. Then-Representative Ellspermann proposed the notion of Rural Entrepreneurship Area Development Incentives (READI) areas in HB 1241-2012, which passed the House in the form of a pilot program but ultimately failed in the Senate. The idea was taken up again in HB 1462-2013 by Representative Davisson and various co-authors, but again failed to become law. The idea would have allowed a county having a population of 50,000 or fewer to be designated as a READI area, the purpose of which would be to capture the available income tax increment in the county and use the money for various economic development purposes.

Representative Heuer was accompanied by three gentlemen who work in the area of rural economic development in Indiana. The first to follow her was **Geoff Schomaker,** Director of Project Development, Indiana Office of Community and Rural Affairs ("OCRA"). A copy of Mr. Schomaker's presentation is attached ("Economic Development in Rural Indiana" (Attachment A)). In addition, he distributed two other documents: "Forming a Rural Policy Initiative" (Attachment B) and "Rural Indiana Today" (Attachment C).

Mr. Schomaker's presentation was organized with three main parts:

(1) A description of the barriers to growth in rural Indiana, which he formulated as:
(a) development and incentive tools are not designed for rural communities;
(b) negative externalities and market forces are causing private disinvestment in rural centers; and
(c) smaller scale/low volume--creates risk for the private market to invest in rural Indiana;
(2) A description of the evolution in the thinking about economic development to match the evolution of the economy, which is now driven by highly-skilled workers and where they prefer to live; and
(3) Suggestions for actions that may be effective in removing the barriers to growth in rural Indiana, with particular emphasis on:
(a) the fundamental importance of making broadband Internet access available throughout rural Indiana; and
(b) preserving the flexibility of tax-increment financing (TIF).

The second person to follow Representative Heuer was **Bill Konyha,** President and Chief Executive Officer, Economic Development Group of Wabash County, Inc. Mr. Konyha told the Committee about Wabash County's recent successes in economic development, which were based on extensive cooperation by governments in Wabash County and beyond.

The Wabash County story, as told by Mr. Konyha, began several years ago when people interested in economic development in the city of Wabash realized several things:

• Rural Indiana was not going to get help from venture capitalists or industrial

developers to solve their problems.
• Broadband Internet access was essential to the city's ongoing economic vitality.
• It was up to the people of Wabash County to cooperate together to provide for a better future.

On the basis of these realizations, an idea was conceived to use TIF to build a system of broadband Internet access extending throughout key areas of Wabash County. The plan began with a resolution for a TIF district in the city of Wabash, and successively resolutions were adopted by the County and the town of North Manchester, which formed the basis of an interlocal cooperation arrangement for a tax-increment financing district that would be managed by the city of Wabash. The TIF district goes where the fiber goes, resulting in a so-called 'spider' TIF district.

Mr. Konyha attributed $280 million in subsequent investment in advanced manufacturing to the availability of the broadband network. According to Mr. Konyha, this investment consequently raised the per capita income of Wabash County by 12%. In addition, he said, the composition of the workforce in Wabash County has changed to include more engineers and health care workers, among other highly-skilled workers. Mr. Konyha said that these successes would not have been possible without TIF and he encouraged the Committee to endorse TIF wholeheartedly.

The third person to follow Representative Heuer was **Alan Tio,** President, Whitley County Economic Development Corporation (EDC). Mr. Tio also mentioned that he serves as President of the Indiana Economic Development Association.

Mr. Tio observed that most employers in Whitley County start small. Therefore, he sees the role of the EDC as coaching and mentoring businesses through their growing pains at all stages of business development. To that end, the EDC has developed a range of programs for businesses and is intent on establishing ongoing relationships with businesses in Whitley County to connect companies with the assistance that's appropriate for their circumstances. The challenge for economic developers, he summarized, is to create programs and then to sustain those programs with funding. Mr. Tio concluded by adding his endorsement of TIF to those of the previous speakers, saying that they have been very successful using TIF in Whitley County.

Senator Buck next recognized **Evan Werling,** President of the Brown County Redevelopment Commission and semi-retired CPA and businessman. Mr. Werling submitted written testimony, designated as Attachment D.

Mr. Werling acknowledged at the outset of his spoken testimony that TIF is an excellent economic development tool, but the main thrust of his testimony was to describe what he considers an abuse of TIF in Brown County by the town of Nashville.

The problem, as Mr. Werling sees it, is that Nashville's water and sewer systems require extensive repair and upgrading. Because Nashville is unable to borrow additional money to accomplish these repairs and upgrades, as a solution to this problem the Town has undertaken a plan of TIF and annexation to finance these repairs and upgrades with additional new tax revenues obtained from newly annexed areas. This, Mr. Werling believes, is nothing but a grab-for-cash by the town of Nashville that will have all of Brown County paying for Nashville's water and sewer systems, without any significant benefit to the annexed areas. Mr. Werling's assessment is that if the General Assembly does not do something to eliminate this tactic by cities and towns, the General Assembly will be sending a message to cities and towns that this tactic is appropriate.

At the conclusion of Mr. Werling's testimony, Senator Buck next offered the floor to **Marian Harvey,** resident of Roachdale, Putnam County. Ms. Harvey described herself as an advocate for animals, who is particularly interested in the regulation of confined animal feeding operations (CAFO).

Ms. Harvey asked the Committee to question the assumption that farmers and farming operations are always worthy of our support. When it comes to big agribusiness, she invited the Committee to ask, what is agribusiness doing to our communities? As she sees it, big agribusiness is uprooting trees, flattening the land, and spraying harmful pesticides. One percent of the people may be growing food for the rest of us, but in the process we are destroying the land used to feed people. In the case of CAFOs, we need to think about what we are doing to the animals.

Senator Buck next recognized **Barbara Sha Cox.** Ms. Sha Cox described herself as a fourth generation farmer.

Ms. Sha Cox said that rural Indiana is receiving mixed signals. She made the following points:

- Roads are terrible in rural communities. She thought that if she were an outsider who was looking to bring a business to a rural community, her first trip would be her last because of the condition of the roads. She believes that trucks coming in and out of CAFOs are to blame in part.

- On the topic of broadband service, she said that certainly everyone wants broadband service. But then, on other hand, in her township there is a push to put in 70 wind mills [whose construction and placement tends to interfere with broadband delivery networks]. So one group wants broadband service and another group wants to take it out.

- Out-of-state landowners don't contribute to the community.

These are all things, she concluded, that the General Assembly needs to consider before it gives out money.

At 11:52 a.m., Senator Buck placed the Committee in recess until 1:15 p.m. The Committee resumed its meeting at 1:18 p.m.

Annexation of rural areas

Bruce Ungethiem, who described himself as a rural resident of Vanderburgh County, indicated that he had served as co-chairman of Citizens Opposed to Annexation.

Mr. Ungethiem described some of the history of Vanderburgh County in which the city of Evansville has several times in the past sought to reorganize city and county government by annexing the entire territory of the Vanderburgh County. These attempts have been unsuccessful but they were always initiated by the City of Evansville.

Mr. Ungethiem would like to make it more difficult for a city or town to annex territory than it is today. He asked for a change to IC 36-4-3 (Municipal Annexation and Disannexation) to give residents in an area proposed for annexation the right to choose whether annexation occurs. He proposes that before a city or town could annex territory, at least 51% of the people in a proposed territory to be annexed must vote affirmatively in favor of the annexation. This would give rural residents protection against a forced annexation.

David Bottorff, Executive Director, Association of Indiana Counties (AIC), had comments on both TIF and annexation of rural areas.

Mr. Bottorff made the following points regarding TIF:

- AIC supports TIF: without TIF, we would not have attracted the major employers we have.

- TIF abuse has a connection with the tax caps. The tax caps have changed the analysis completely. Under the tax caps, everyone is looking for any revenue they can find.

- We need to figure out how all units can benefit from using TIF.

He made the following points regarding annexation of rural areas:

- Under the tax caps, a city or town wouldn't want to annex property at the cap.

- AIC would support an end to involuntary annexation and a move to voluntary annexation.

Mr. Bottorff concluded by saying that AIC definitely wants to participate in any discussion about changing how TIF works.

Katrina Hall, Director of State Government Relations, Indiana Farm Bureau, spoke about both annexation of rural areas and TIF.

Ms. Hall began with an informal observation that annexation activity seems to have increased significantly over the past several years. And a number of these annexations proposed to take in large areas of farm land.

Ms. Hall then talked about the connection between annexation and economic development. When economic development is offered as a justification for annexation, one may ask whether the proposed annexation is necessary for economic development. The question may be phrased in terms of a but-for test: would the economic development occur without annexation? Ms. Hall then articulated an additional question that she believes is central to all annexations: how much control over property does a unit need to promote the long-term interests of its citizens?

Ms. Hall turned her attention to the difficulties of opposing a proposed annexation. As she sees it, the deck is stacked against rural opponents to annexation. First, it's hard to organize rural constituents. Second, the only way to defeat an annexation is to go to court, but the cost to individuals is overwhelming. She believes that the laws regulating the process of annexation need to be changed for these reasons:

- the prospect of opposing an annexation is overwhelming; and
- the current procedure:
  - creates animosity;
  - has a negative effect on rural electric companies; and
  - undermines the preservation of farm land.

Ms. Hall said that her members would prefer an annexation procedure that includes:

- a petition and remonstrance process that is based on landowners rather than registered voters;
- a high threshold for approval of annexation somewhere in the neighborhood of

75%; and
• protections for farm land.

Ms. Hall offered some additional comments about TIF:
• TIF is good if it's used in a tailored way, but it was never intended to cast a broad net.
• The General Assembly should ask what TIF is used for. What is the definition of economic development that motivates the use of TIF? It can't just be park benches or some other minor thing.
• Broadband has been an issue with Farm Bureau members for a long time:
  • a strong education system is important to rural constituents as well as urban constituents; and
  • broadband is a critical thing because agriculture is a technological engine now.

At the conclusion of her testimony, Ms. Hall distributed a pamphlet titled "A Citizen's Guide to Annexation: What it Means for You" (Attachment E).

The final witness was **Jodie Woods,** General Counsel, Indiana Association of Cities and Towns (IACT).

Ms. Woods made the following comments on the topic of annexation:

• On the differences between urban versus rural perspectives, Ms. Woods observed that different government and structures are necessary when people live together.

• If a city doesn't grow, it dies.

• Many people outside of cities use city services without paying for them.

• Annexation doesn't take away property rights; that's eminent domain.

• Problems with annexation can be taken care of on a political basis.

• Zoning is an important consideration: units are advised to tailor their zoning to what's going on in newly annexed territory.

On the topic of TIF, Ms. Woods emphasized that IACT's members are concerned that, if the General Assembly makes changes to the TIF laws, the General Assembly doesn't throw the baby out with the bath water.

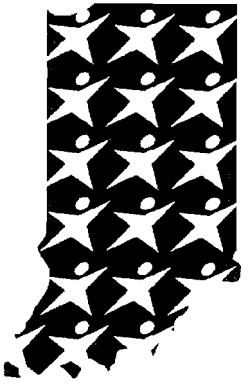
The following people submitted written testimony to the Committee on the topic of the annexation of rural areas but they did not appear in person:
• **Aaron Smith,** Founder, Watchdog Indiana (Attachment F).
• **Charles (Chuck) Weisling,** Evansville resident (Attachment G).
• **Gary Harbaugh,** Fort Wayne resident (Attachment H).

Close of the meeting

Senator Buck reminded everyone that the next meeting of the Committee is scheduled for September 25th at 10:00 am.

Senator Buck adjourned the meeting at 2:32 p.m.

Economic Development in Rural Indiana



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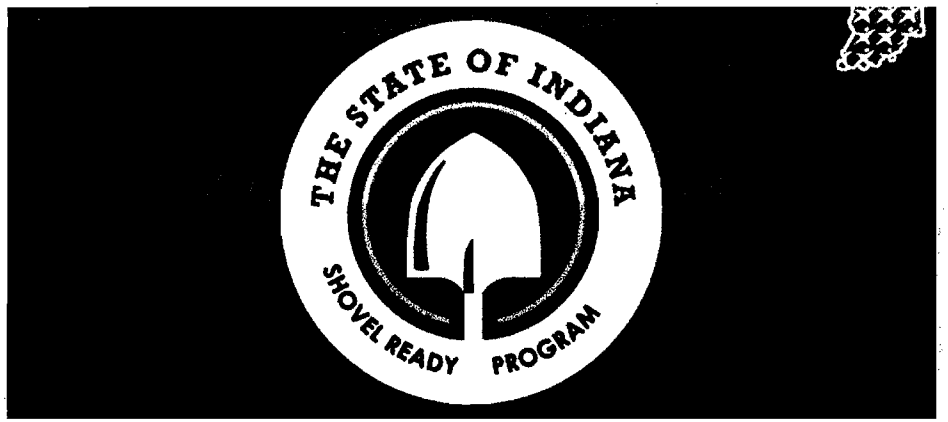

Community Development
Block Grants

Barriers to Growth

- Development and incentive tools are not designed for rural communities
- Negative externalities and market forces are causing private disinvestment in rural centers
- Smaller Scale/Low Volume – creates risk for private market to invest in rural Indiana

Old economy:
Old school economic development

- Work on the farm and in the factory required many hands. Workers migrated to these large employers, a community, and economy was built around these 'smokestacks'.

- Technology has evolved agriculture and manufacturing. While it is more productive than ever before, it requires fewer hands. Fewer people are participating in the economy built around that population. This often means the collapse of that economy.

- Many in economic development are still chasing these 'smokestacks' even though the economy has evolved beyond them.

- Many incentives are designed to attract large employers even though fewer and fewer of them exist.

Negative externalities and market forces

- Population loss
- Aging population – fixed and lower income
- Brain drain
- Lower average wage
- Lower educational attainment
- Migration to urban centers
- Dwindling industrial base
- Decaying infrastructure
- Inadequate Internet infrastructure

New economy: new school of economic development

- **The paradigm has turned upside down:**
  - **Jobs require higher skilled workers.**
  - **Businesses must follow the workers that they need.**
- Those workers can ***choose where they want to live***. Many can do their job from anywhere in the world.
- **The new 'smokestacks' to chase are workers.**

New economy:
New economic development

- **The paradigm has turned upside down - the workers choose where they want to live and business must follow the workers that they need.**

- **To attract and retain business a community must first have the workforce.**

- **To have the workforce it must:**

  - Build it by connecting life-long learning to the needs of business

  - Attract it by having the quality of place demanded by the worker/consumer

New economy:
New economic development

- **Build the workforce by connecting life-long learning to the needs of business**
  - Encourage entrepreneurial training
  - Connect business and the classroom
- **Attract the workforce by having the quality of place demanded by the worker/consumer**
  - Internet access sufficient to meet needs
  - Transportation networks
  - Mixture of cultural and recreational amenities
  - Quality schools for children
  - Access to life-long learning for adults
  - Attractive housing

Core Policy & Action Areas Removing Barriers to Growth

- Local development funds such as EDIT have been reprioritized to core functions such as public safety and road maintenance
- Disinvestment and migration to urban centers continue to shrink the tax base
- Tax Increment Financing (TIF) remains one of the most flexible and viable tools for a community to assign cash and bonding capacity for economic growth
- Creative and flexible capital access tools, scalable to promote economic gardening in any community, would go a long way to develop new economies

Core Policy & Action Areas Removing Barriers to Growth

- Critical infrastructure such as water & sewer have enormous needs and mandates. These leave few local funds for human capital and quality of place investment.

- Commercial buildings have decayed to a crisis level statewide – 64 buildings in 32 communities have collapsed, burned, or have been demolished in the last five years

- Indiana Historic Rehabilitation Tax Credit could match successful national program--- if cap were lifted

Core Policy & Action Areas
Removing Barriers to Growth

"Corporate site selectors expect broadband. It is not a perk or a special benefit. For communities, it is a critical piece of infrastructure for attracting new capital investment."

— Site Selection magazine, 2011

Core Policy & Action Areas Removing Barriers to Growth

- The expectation of almost anyone purchasing a home or locating a business is that broadband, like electricity, is available at a price and service level adequate for their needs.

- Business relies on a dispersed workforce and partner network – this means connectivity is required.

- Top notch education from K through the graduate level utilize interconnected resources that require significant connectivity.

Core Policy & Action Areas Removing Barriers to Growth

- Respect local control/home rule and not impede efforts to provide this critical infrastructure
- Preserve or enhance existing tools such as TIF that have brought and can bring more fiber optic service to Indiana
- Be certain that our telecommunication policy addresses the current and future states of the market and technology

The way forward

- Employ new economic development for a new economy
- Attract, develop, and retain a talented and entrepreneurial workforce
- Find ways to assist local government as a partner in progress
- Smaller scale in rural Indiana is a bad news / good news
- Smaller scale means fewer resources but…
- Smaller scale means success can be achieved by moving fewer numbers

Indiana Office of Community & Rural Affairs

Serving Indiana's 92 Counties and 566 cities and towns

Mission Statement:

- **Promote community prosperity to strengthen Indiana's economy by providing capacity-building solutions to assure ready, marketable, and competitive communities for economic growth**

One N Capitol, Ste. 600

Indianapolis, IN 46204

www.in.gov/ocra

1-800-824-2476

Geoff Schomacker

Director of Project Development

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Economic Development in Rural Indiana

Forming a Rural Policy Initiative

Executive Summary:

Most of the tools created through legislation and policy initiatives to enhance growth and development in Indiana are driven by and grown from population centers. Rural Indiana is therefore faced with challenges as it struggles to apply urban solutions to address rural problems.

Essentially:

1. **The development and incentive tools available were not specifically designed for rural Indiana.**
2. **Negative externalities and market forces are causing disinvestment in rural centers.**
3. **The new economy mandates that non-competitive communities will be left behind.**
4. **The need for a targeted rural policy initiative for Indiana is vital and important.**

This document, as well as *Rural Indiana Today, A Study Committee Report*, promotes in-depth discussion regarding the need to reverse trends, gain traction, and achieve success through rural development initiatives that address community readiness, build capacity, and incent private investment into rural Indiana.

OCRA Mission Statement: Promote community prosperity to strengthen Indiana's economy by providing capacity-building solutions to assure ready, marketable, and competitive communities for economic growth.

As a state agency, the Office of Community and Rural Affairs (OCRA) plays a limited role in providing assistance in the form of policy recommendations. However, we play a vital role in providing the technical assistance that helps shape the vision and advancement of the Indiana cities, towns, and counties that we work with on a daily basis. OCRA field staff and management are quick to document the challenges and obstacles that are facing each community's pursuit of their own prosperity, as well as observe best practices. The following examples answer serious questions charged to the Interim Study Committee on Economic Development and provide real-world application as viewed by OCRA field staff.

As a disclaimer, OCRA is not advocating policy positions, but simply creating dialogue regarding the available tools and current rural statuses. We stand prepared to provide further assistance to the General Assembly as it moves forward with a targeted rural policy for the State of Indiana. Three core policy and action areas regularly surface when communicating about barriers and opportunity in rural Indiana. All three of these areas are relevant to the committee's scope:

STUDY COMMITTEE SCOPE

How Might We:

1. *Foster entrepreneurship in rural Indiana?*
2. *Attract new business to rural Indiana?*
3. *Attract venture capital to rural Indiana?*
4. *Help (and retain) existing businesses to expand in rural Indiana?*
5. *Promote employment opportunity and workforce development in rural Indiana?*

Core Policy & Action Areas:

We will use these 3 topics as the starting point for policy application by addressing four questions on each subject: Where are we now? How did we get there? Where do we want to be? How might we get there?

-Lack of Available Financial Resources **-Crisis of Decaying Physical Infrastructure and Assets**

-Limited Access to Broadband Fiber Services

Lack of Available Financial Resources

Where are we now?

A. Rural Indiana has fewer financial resources to provide incentives to the private market or to build the infrastructure necessary to be competitive. Rural economies find themselves heavily relying on a handful of large employers for economic stability.

B. A myriad of small pilot programs and investment groups exist to provide some access to venture capital and start-up lending. Many large banks have extremely tight standards as it relates to financing entrepreneurs. Indiana ranks 47th out of 50 states in small business lending (U.S. Chamber of Commerce).

C. Property tax caps have caused reprioritization of local dollars that may have been previously available as funding sources for community development. Option income taxes with specific intent (such as CEDIT) have been repurposed for basic government functions such as public safety.

D. OCRA has only $22 million in federal Community Development Block Grant (CDBG) funds to distribute to eligible rural communities in FY 2013. CDBG is not presently viewed as stable and is subject to drastic Congressional cuts. Competition for OCRA CDBG funds is based on national objectives with strict requirements. Urban centers receive direct CDBG dollars from HUD based on their size and without competing.

E. Tax increment financing (TIF) remains one of the most flexible and viable tools for a community to assign cash and bonding capacity to a project.

Why are we here?

A. The growth of urban centers, rural population loss, and the exodus from downtown business districts have led to a progressive disinvestment and shrinking tax base for communities.

B. Local governments struggle to provide necessary services on current budgets and lack development tools to further invest in their communities.

Where do we want to go?

A. Private investment should be the driver for sustainable new growth and revitalization efforts. Even with incentives, demand must exist for a return on private investment.

B. State agencies should be viewed as partners in progress rather than as a checkbook and the solution to all funding streams. We do not want to create entitlement communities that are focused solely on the receipt of state and federal grant dollars.

How might we get there?

A. Home rule on flexible revenue tools allows for locally accountable implementation of taxation as a tool to reflect a community's own priority and vision.

B. Study the impact of property exemptions as it relates to the compounding of multiple exemptions.

C. Continue to evaluate Rural Entrepreneurship Area Development Incentives (READI). This was first proposed in House Bill 1462 from 2012. Local governments would be allowed to create development zones where new income tax revenue would be captured to further encourage more business and entrepreneurship in the community.

F. Research additional programs that promote and incent public private partnerships. Though tougher to implement in rural settings, when done so effectively the same economy of scale can create an even more dynamic impact.

Crisis of Decaying Physical Infrastructure and Assets

Where are we now?

A. Critical infrastructure such as water, sewer, and storm water face numerous unfunded mandates and regulations. Diverting funds to these critical infrastructure needs leaves less investment for human capital and quality of place initiatives. Aging facilities and fewer ratepayers place a higher cost of doing business on remaining industry. It is unreasonable to expect strategic investment from the private sector with such high fixed costs.

B. Commercial building stock in rural downtowns is rapidly decaying to the crisis level. OCRA has documented 64 core commercial buildings in 32 different communities that have either collapsed, burned, or been pending demolition in the last 5 years. The domino effect is very applicable because when one collapses or is demolished, other previously viable buildings are also damaged beyond repair.

C. The Indiana Department of Natural Resources has a backlog of Indiana Historic Rehabilitation Tax Credits (IHRTC). The projects are limited to $400,000 per year which pushes the realization of new credits out over 15 years. The national model is considered a success but is not widely utilized in rural Indiana.

D. Indiana Main Street (IMS) is a successful OCRA led program that engages the private sector in downtowns of all sizes. Main Street enhances thought leadership in the communities as they address design, marketing, promotion, and economic restructuring. A small portion of CDBG funding is allocated for Main Street Revitalization to eligible communities.

Why are we here?

A. Communities vary in their approach to passing rate increases for utilities to fund necessary maintenance activities and required environmental upgrades. These delays surface in the form of a crisis when the infrastructure fails and enforcement action is implemented.

B. Strict regulation on combined sewer systems and other pollutant regulations from the EPA. A new example in 2013 regulates air emission from stand-by generators at water and wastewater facilities.

C. Building owners struggle with energy efficiency, ADA accessibility, fire codes, and effective upper floor reuse. The assessed value of these buildings, in many cases, is less than what it was in 1920. Investors will not invest in downtown buildings when great liability outweighs return on investment.

Where do we want to go?

A. While Main Street will never be the same as it was in 1950, best practices have shown us what it can become when leadership, private investment and market forces are brought together.

B. Bustling Main Streets in addition to thriving industries can address Indiana's high unemployment. Thriving downtowns contribute to and compliment employment figures.

C. Stop the bleeding and incent private property investment in downtown. Help the private sector see value in rural downtowns by pushing the demand side of the market.

D. Rural city centers with competitive utility rates create a more level playing field.

How might we get there?

A. Explore funding assistance options independent of CDBG. Enable proactive communities with matching funds to compliment self-financed initiatives to maintain competitive utility rates.

B. Consider making adjustments to the IHRTC and modeling it after the successful national program.

C. Listen to mayors, county officials, building inspectors, and private investors on ways to overhaul Indiana's tax sale process to provide for stabilization and protection of vacant buildings while still preserving private property rights of the delinquent owner.

D. Enhance abatement tools or other incentives for Main Street common wall buildings. Consider a reduced or zero base year assessment (enhanced increment) for rural downtown TIF districts with a limited area, reduced lifespan, and

required consent. Sales Tax Increment Financing (STIF) creation implementation for downtown districts. While this may seem an aggressive approach, the status quo may be more detrimental in the long run. Weigh the difference between fiscal impacts of new tool implementation versus the continued downward trend of the current crisis.

Limited Access to Broadband Fiber Services

Where are we now?

A. Internet service is a fundamental necessity of business and living in 2013. The term 'broadband' has been diluted and does not offer a meaningful definition; it is more useful to think in terms of Internet service that has both sufficient speed and capacity to meet the needs of those that require the service.

B. "Corporate site selectors expect (Internet access). It is not a perk or special benefit. For communities, it is a critical piece of infrastructure for attracting new capital investment."[1]

C. In most places, consumer choice is between the incumbent telephone provider and the cable TV provider. DSL from the copper line telephone service has a technologic limit of three miles from the office in town leaving many rural residents out. Cable service often does not extend far beyond the city. Our largest providers of copper line service have either already sold their copper business in favor of mobile wireless or there is potential for them to do so in the future.

D. Mobile wireless Internet networks have seen very significant private investment. Data usage caps can limit the usage capacity of these networks. Copper (telephone line) based services may be in jeopardy of obsolescence.

E. Fiber optic service, virtually unlimited in speed and capacity, is being deployed in a handful of places. Some of these have been possible through creative use of 'spider-TIF's.

Why are we here?

A. 21% of GDP growth over the past five years was related to the Internet, and three-quarters of that came from traditional industries.[2]

B. The expectation of almost anyone looking to purchase a home or start a business is that Internet access, much like electricity, is available because access to the rest of the world is almost equally indispensable.

C. Business increasingly relies on a dispersed workforce connected with more and more powerful video meeting and collaboration tools to maximize presence and efficiency.

D. The classroom has become more interconnected with 1:1 (device/student) solutions while lessons, text, exercises, lectures, and even tests are all available online.

Where do we want to go?

A. Ensure that Indiana leads the present and future with fiber optic Internet connections to every premise. This is fundamental to 21st century business and living.

B. Indiana does not regulate broadband. We must be certain that our telecommunication policy addresses the current state of technology and needs of our economy.

How might we get there?

A. Indiana must respect local control/home rule and not impede efforts to provide Internet service.

B. Many examples of successful public private partnerships exist and should be investigated.

C. Preserve tools such as TIF that have brought and can bring more fiber optic service to Indiana.

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[1] Site Selection magazine, 2011

[2] McKinsey Global Institute

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Exhibit C
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Rural Indiana Today

A study committee report

Indiana Office of Community and Rural Affairs

CONTENTS

EXECUTIVE SUMMARY 3

DEFINING "RURAL" ..... **Error! Bookmark not defined.**

DATA 5

HISTORIC POPULATION GROWTH VERSUS CONTEMPORARY RURALITY 5

MEDIAN AGE VERSUS RURALITY 8

EXPLORING THE BRAIN DRAIN 9

AVERAGE WAGE VERSUS RURALITY 10

PER CAPITA INCOME VERSUS RURALITY 11

POVERTY RATE VERSUS RURALITY 12

EDUCATIONAL ATTAINMENT VERSUS RURALITY 13

ANALYSIS 15

TRANSPORATION ACCESS 15

BROADBAND ACCESS 15

INADEQUATE/AGING PHYSICAL ASSETS 18

HUMAN CAPITAL AMMENITIES 18

APPENDIX A: WALDORF'S INDEX OF RELATIVE RURALITY 19

APPENDIX B: COMMUNITY FEEDBACK 22

WORKS CITED 23

EXECUTIVE SUMMARY

In the past sixty years, rural Indiana has experienced an exodus of human and financial resources. There is no indication that this trend will change course without intervention. **The State of Indiana can make it profitable to invest in rural Indiana again by mitigating the factors currently impeding economic prosperity.** In doing so, the State can:

- Foster entrepreneurship in rural Indiana
- Attract new businesses to rural Indiana
- Attract venture capital to rural Indiana
- Help existing businesses expand in rural Indiana
- Promote gainful employment opportunities and workforce development in rural Indiana

These goals are not specific to rural communities; desire for economic growth is universal. However, there are issues preventing growth that are specific to rural communities. One of these issues is scale. A town that only had a few commercial buildings to start with is more devastated by a fallen structure than a metropolitan area. There are fewer possible business patrons in a rural community than in one with a larger population, which makes success less likely.

However, credit should also be given to the benefits of scale that come with being rural. A town with only a few commercial buildings can improve a greater percentage of them with fewer investment dollars than a city. Similarly, fourteen counties could decrease their high school dropout rates 100% by encouraging fewer than ten students per year to stay in school.[1] (Indiana Department of Education & Indiana Business Research Center, 2013)

Following conversations with community leaders and substantial data analysis, improvements in these areas have been identified as catalysts for rural economic growth:

- Transportation infrastructure
- Broadband access
- Inadequate and aging physical assets
- Human capital amenities and, in turn, quality of life

We hope that this report will serve start a fruitful conversation about rural economic growth by illustrating what rural Indiana looks like today and how we can improve it for future generations.

[1] Based on 2010 data provided by Indiana Department of Education & Indiana Business Research Center

DEFINING "RURAL"

Dr. Brigitte S. Waldorf's Index of Relative Rurality as defined in her 2007 paper, "What is Rural and What is Urban in Indiana?" has been used as the basis of determining rural counties in Indiana. In Waldorf's paper, the "thresh-hold trap" of **defining what is versus what is not rural is avoided** by a "rural-urban continuum," which instead answers the question, "**How rural is it?**" Each county in Indiana has been assigned a **score between 0 and 1** on the Index of Relative Rurality, which is shown in Appendix A. (Waldorf, 2007) The index calculation is based on these **four factors**, as Waldorf lists them in the paper:

- ***Population size**: other things being equal, a county with a large population size is considered less rural than a county with a smaller population size;*
- ***Population density**: other things being equal, a county with a higher population density is considered less rural than a county with a lower population density;*
- ***Percentage of urban residents**: other things being equal, a county with a higher percentage of urban residents (as defined by the U.S. Census Bureau) is considered less rural than a county with a lower percentage of urban residents;*
- ***Distance to metropolitan areas**: other things being equal, a county in close proximity to a metropolitan area is considered less rural than a remote county far away from a metropolitan area.*

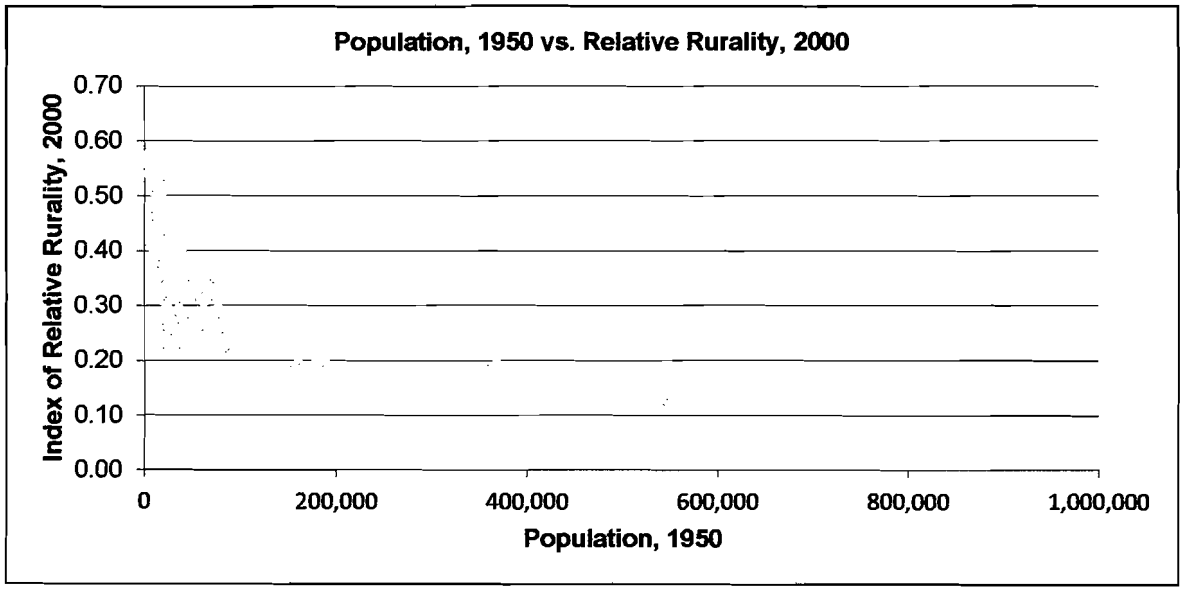
While the purpose of Waldorf's Index is to avoid the rural versus non-rural distinction, some distinction became necessary for the comparison of regions for this paper. To avoid the confusion of oft-used "urban," "suburban," and "rural" distinctions, the terms used henceforth will be "more rural" and "less rural." (Waldorf, 2007)

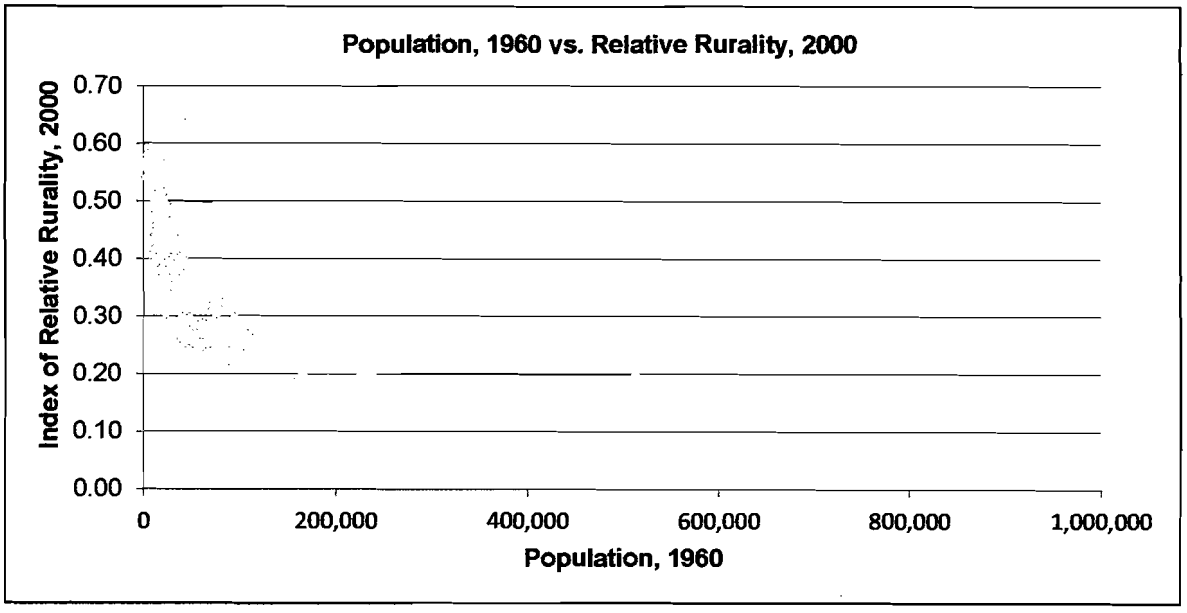
The cut-off for which counties are considered "more" or "less rural" was determined arbitrarily. This was done intentionally—not as a method of last resort, but to reflect how irrelevant this, and any, distinction is. There is such a range even within counties that a clear division is impossible. A rudimentary analysis of the data is that most issues are universal; rurality primarily plays a role in the scale.

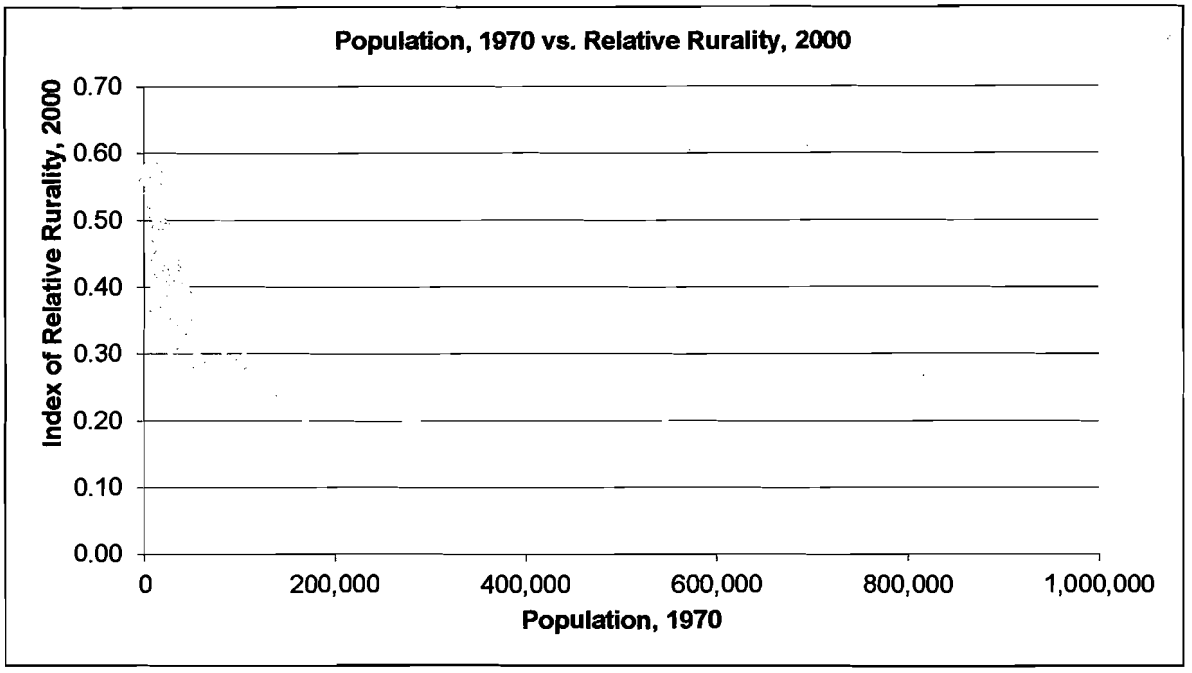
HISTORIC POPULATION GROWTH VERSUS CONTEMPORARY RURALITY

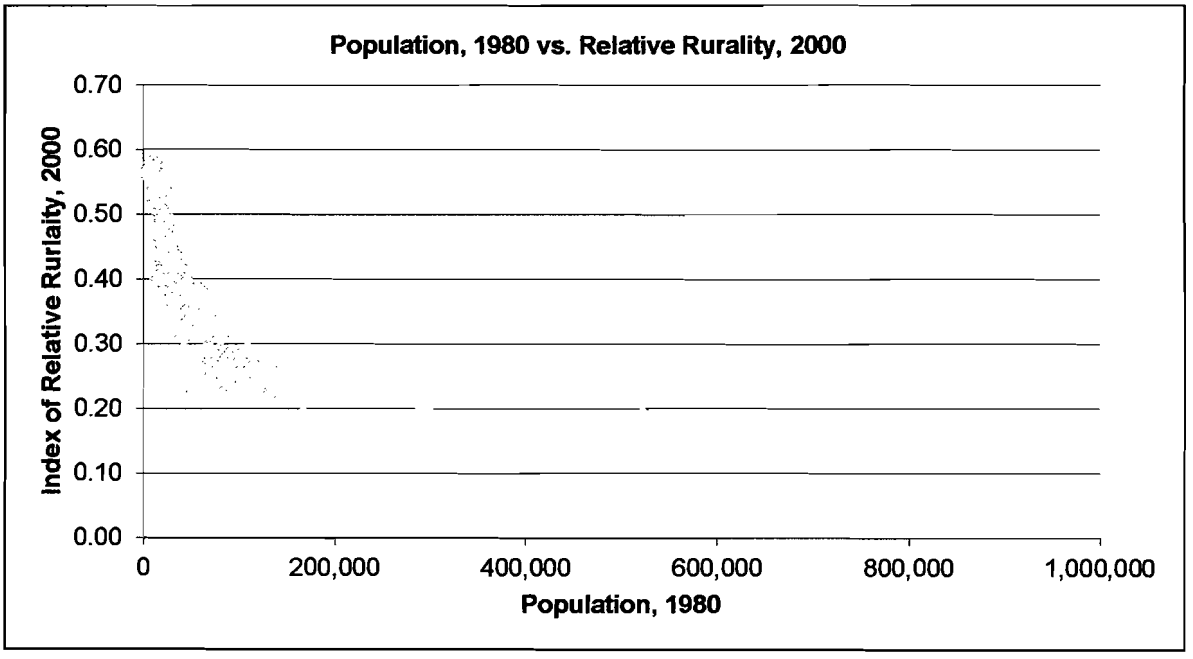
AT A GLANCE: POPULATIONS IN LESS RURAL COUNTIES HAVE GROWN AT A FASTER RATE THAN POPULATIONS IN MORE RURAL COUNTIES SINCE 1950.

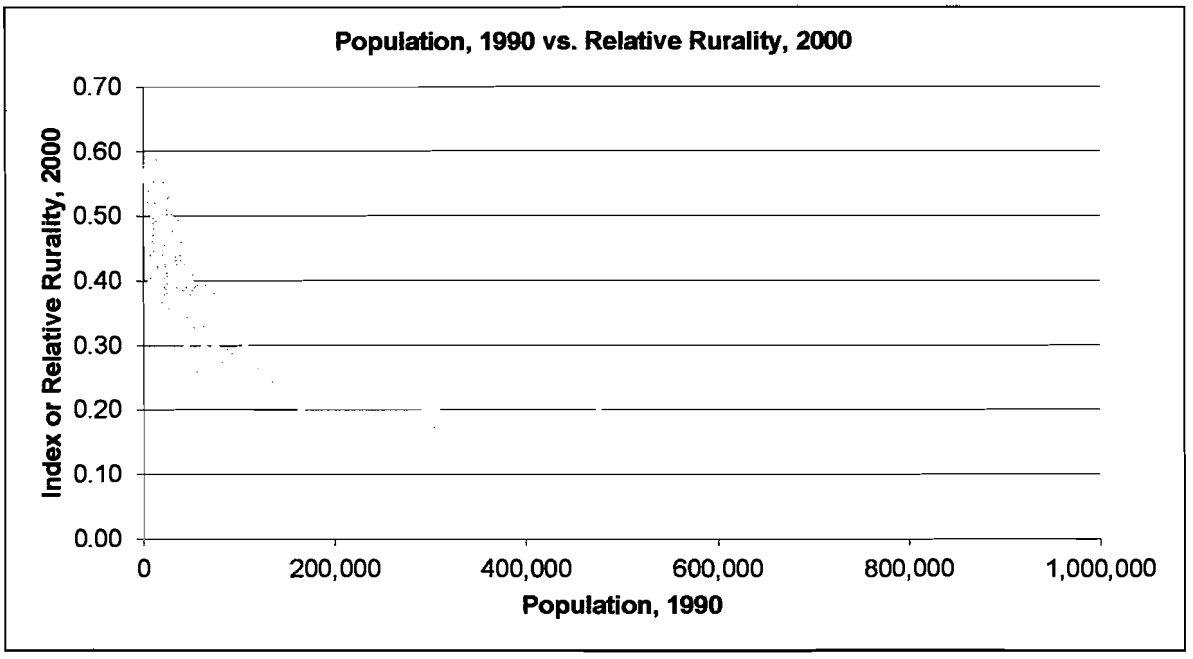
The following charts show rurality as measured in 2000 versus the decennial population of each county between 1950 and 2000. The time series shows that the rates of growth in less rural counties exceed those in more rural counties.

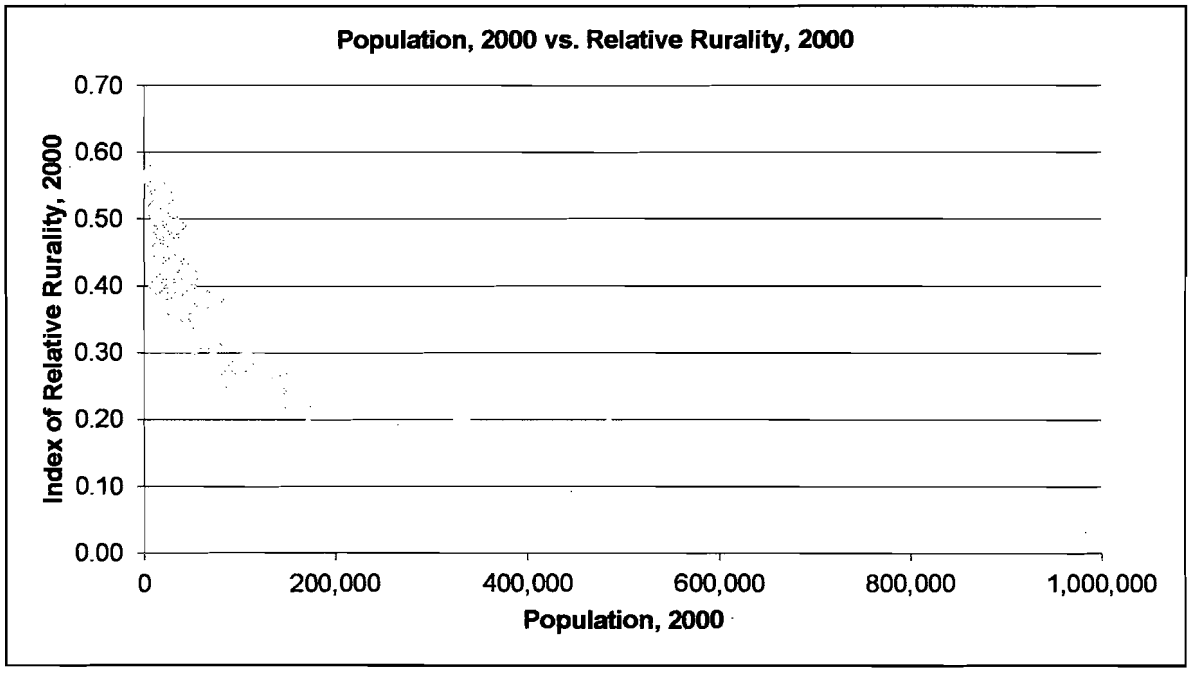





Population, 1970 vs. Relative Rurality, 2000
Index of Relative Rurality, 2000
0.70
0.60
0.50
0.40
0.30
0.20
0.10
0.00
0
200,000
400,000
600,000
800,000
1,000,000
Population, 1970


Population, 1980 vs. Relative Rurality, 2000
Index of Relative Rurlaity, 2000
0.70
0.60
0.50
0.40
0.30
0.20
0.10
0.00
0
200,000
400,000
600,000
800,000
1,000,000
Population, 1980



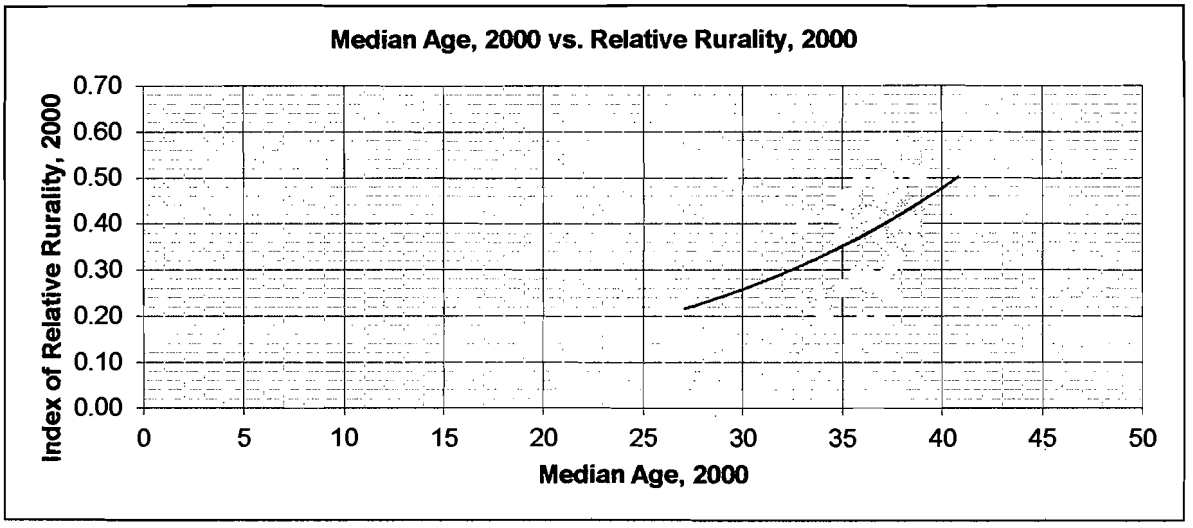


While Marion County, the least rural county, grew from 551,777 to 918,977 between 1950 and 2012, there was minimal if not negative growth in the most rural counties, as can be seen by the generally stagnant upper left portion of the graphs, where the most rural, lowest population counties' points are clustered. If the trend over the past sixty years continues into the future without a force of change, disparate growth rates will lead to the continued growth of less rural populations at the expense of more rural populations. (STATS Indiana, 2013)

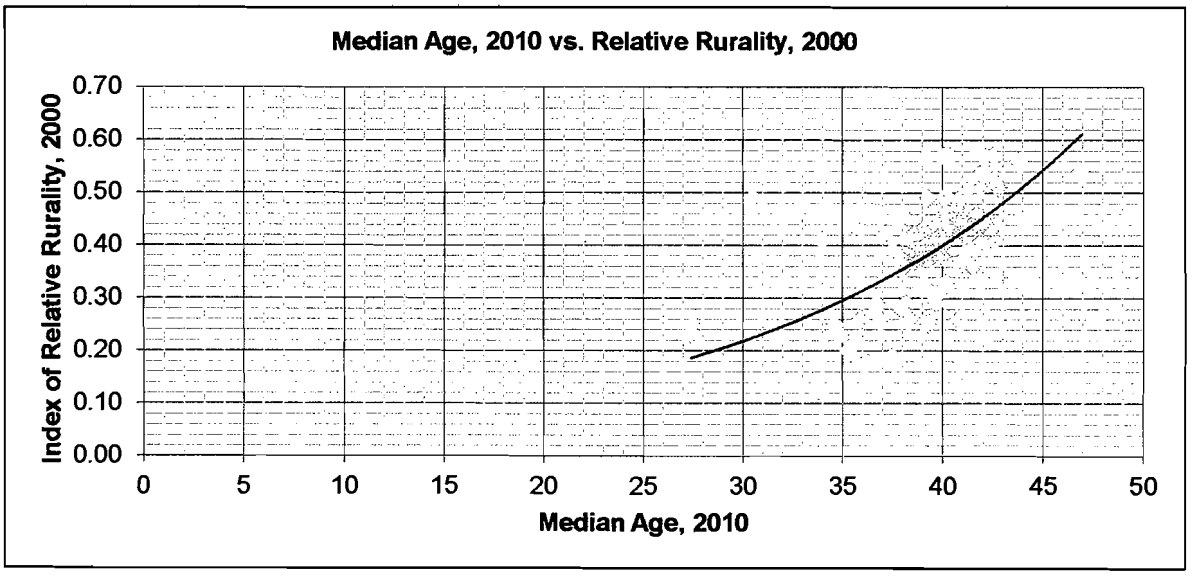
MEDIAN AGE VERSUS RURALITY

AT A GLANCE: MORE RURAL COMMUNITIES HAVE OLDER POPULATIONS THAN LESS RURAL COMMUNITIES.

There is a correlation between rurality and median age in a county. That is, median age increases with rurality. The correlation coefficient for data in 2000 was **0.417**, which is a moderately positive relationship.



Between 2000 and 2010, the correlation coefficient increased from 0.417 to **0.588**. The more positive correlation ten years later means that the median age in more rural communities is increasing, the median age in less rural communities is decreasing, or some combination of the two. The comparison of the graphs from the two years indicates that it is a combination of the two.



EXPLORING THE BRAIN DRAIN

AT A GLANCE: YOUNGER POPULATION SEGMENTS ARE GROWING AT A SLOWER IF NOT NEGATIVE RATE IN MORE RURAL COMMUNITIES THAN IN LESS RURAL COMMUNITIES.

COLLEGE AGE

The following chart shows the College Age population, that is, people between the ages of 18 and 24, in more and less rural counties, between 2000 and 2010. The data was collected by the U.S. Census Bureau. (STATS Indiana, 2013)

	Population 2000	Rate of Change	Population 2005	Rate of Change	Population 2010
More Rural	165,300	0.455%	166,052	-1.951%	162,812
Less Rural	453,163	3.941%	471,022	3.776%	488,807

The aggregate growth in less rural counties in these regions exceeded 3.5% in the periods 2000-2005 and 2005-2010. During the same periods, aggregate growth in more rural communities was 0.455% and -1.951%, respectively. There does seem to be a tie between College Age population growth and rurality—there is much lower growth, if not negative growth, in the more rural communities than the less rural communities.

YOUNG ADULT

The following chart shows the Young Adult population, that is, people between the ages of 25 and 44, in more and less rural counties, between 2000 and 2010. The data was collected by the U.S. Census Bureau. (STATS Indiana, 2013)

	Population 2000	Rate of Change	Population 2005	Rate of Change	Population 2010
More Rural	548,545	-6.615%	512,259	-7.428%	474,207
Less Rural	1,239,857	-2.854%	1,204,467	-0.864%	1,194,055

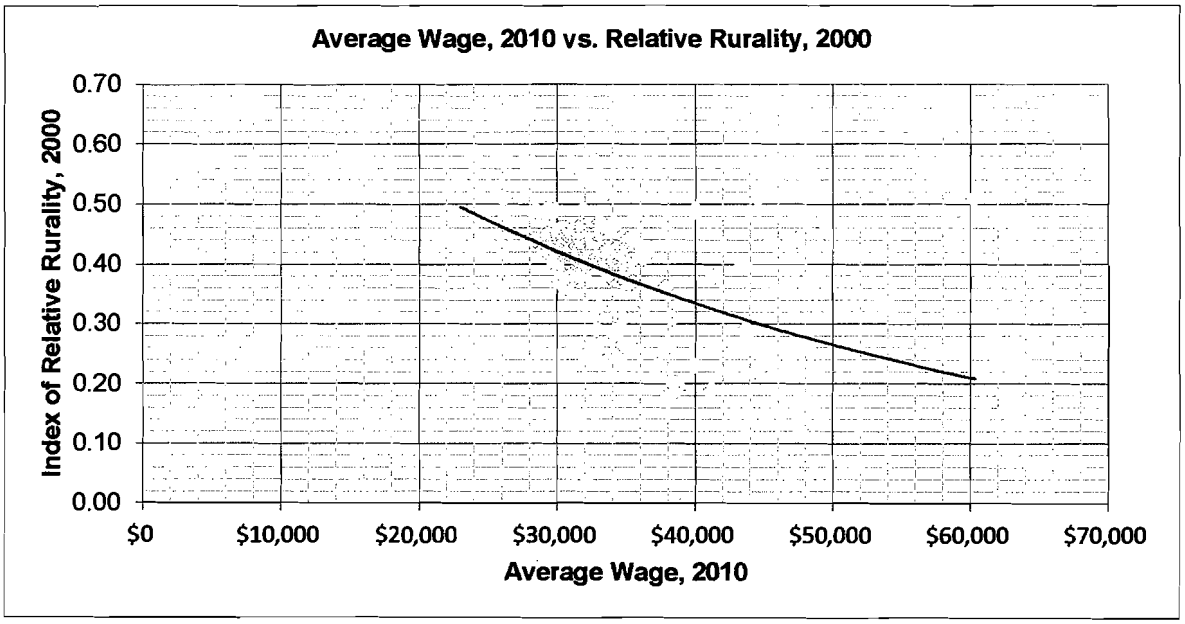
In the aggregate, the Young Adult population decreased statewide between 2000 and 2010. However, the more rural communities lost this demographic at a faster rate than less rural communities in both of the five-year periods shown in the table above.

The College Age and Young Adult population growth rates show that the Brain Drain claim is founded.

AVERAGE WAGE VERSUS RURALITY

AT A GLANCE: AVERAGE WAGE TENDS TO BE HIGHER IN LESS RURAL COMMUNITIES THAN IN MORE RURAL COMMUNITIES.

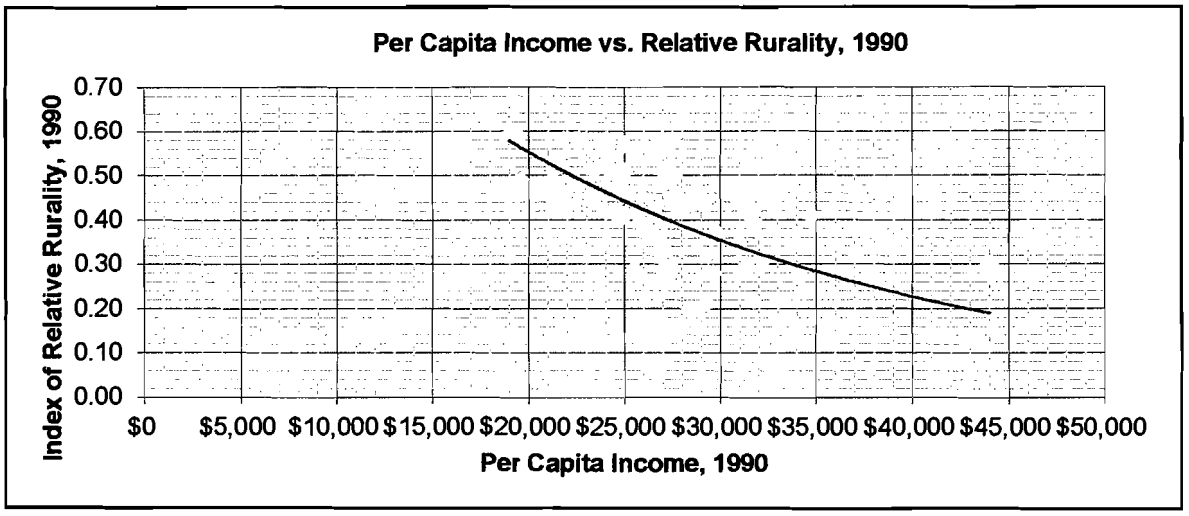
The correlation coefficient between average wage and rurality is **-0.401**. The negative correlation means that as rurality decreases, average wage increases.



PER CAPITA INCOME VERSUS RURALITY

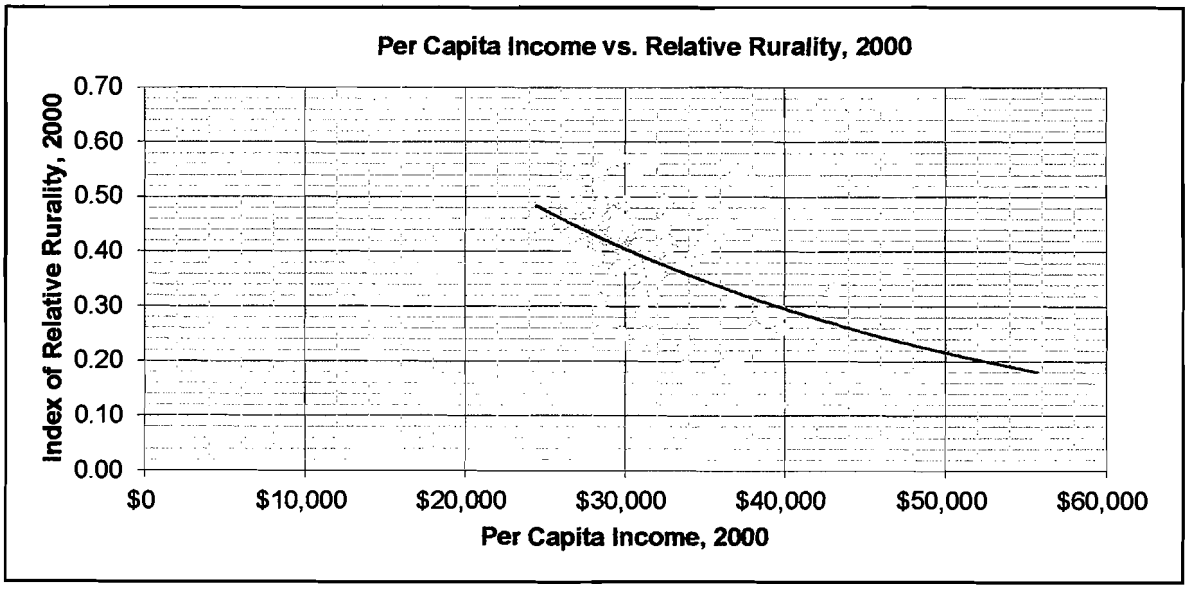
AT A GLANCE: PER CAPITA INCOME TENDS TO BE HIGHER IN LESS RURAL COUNTIES.

There seems to be a correlation between per capita income and rurality. In 1990, the correlation coefficient measuring per capita income and rurality was -0.611. That is, less rural communities tended to have higher per capita incomes in 1990.



Note: the 1990 per capita income was measured against the 1990 Index of Relative Rurality, rather than the 2000 Index used against a time series as is done in much of the rest of the paper.

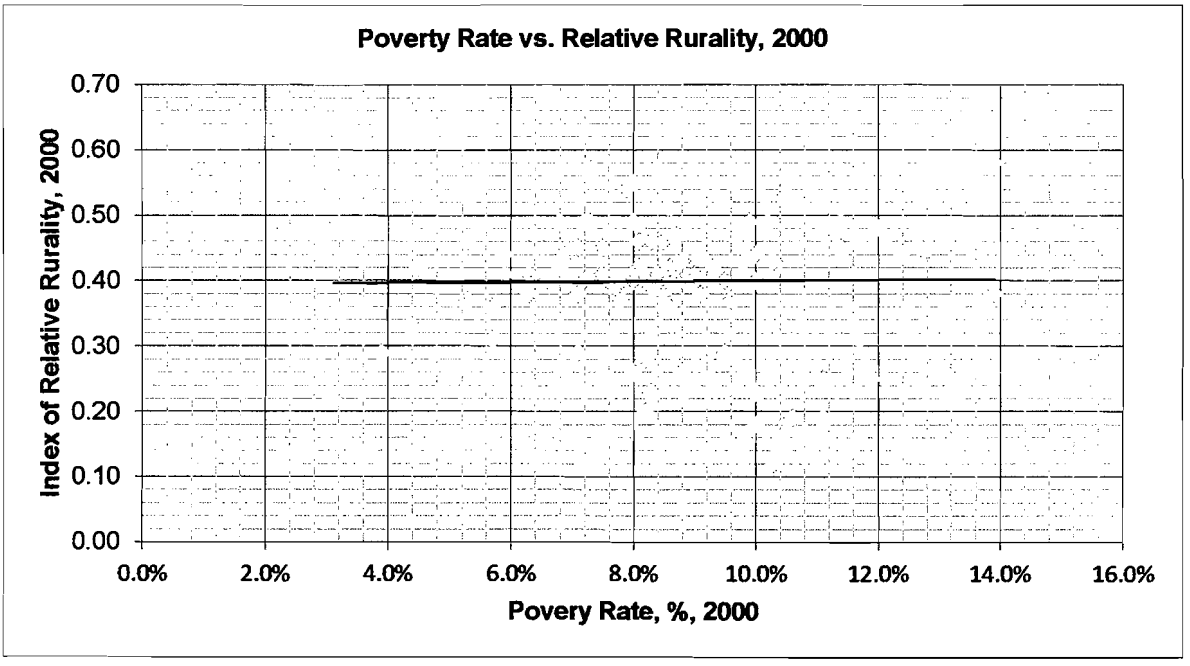
In 2000, the tie seemed to be less direct. Higher incomes were still skewed toward less rural communities, but with a correlation coefficient of -0.496.



POVERTY RATE VERSUS RURALITY

AT A GLANCE: THERE IS ALMOST NO CORRELATION BETWEEN THE RATE OF POVERTY AND RELATIVE RURALITY.

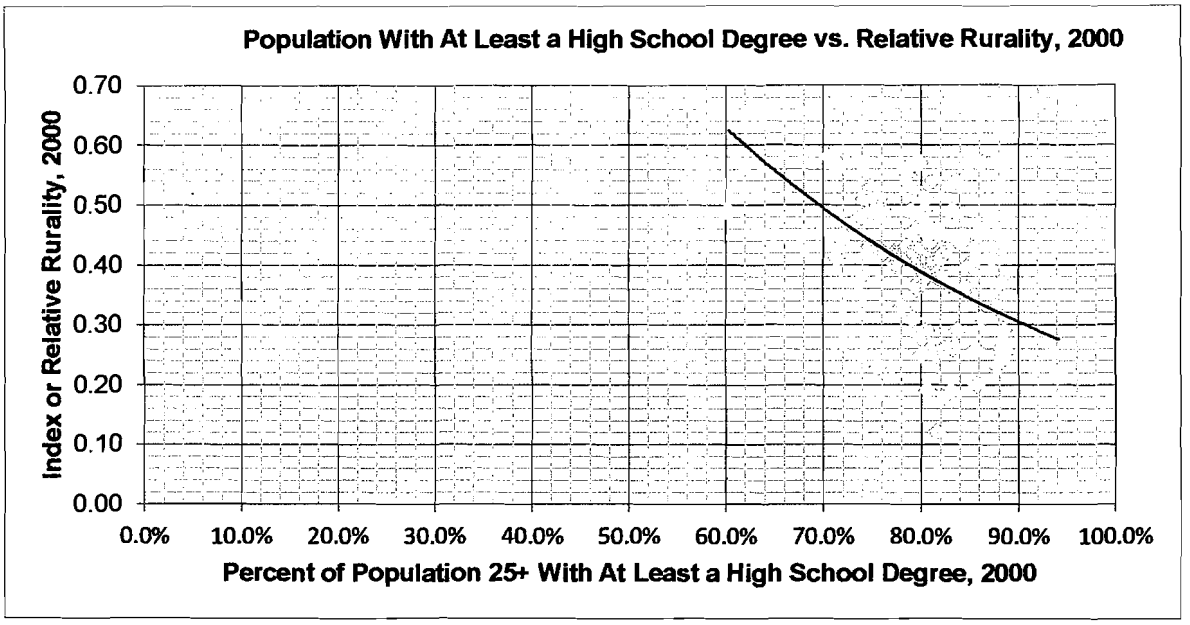
That is, the percentage of people in poverty is not tied to the rurality of a community. The correlation coefficient is 0.011.



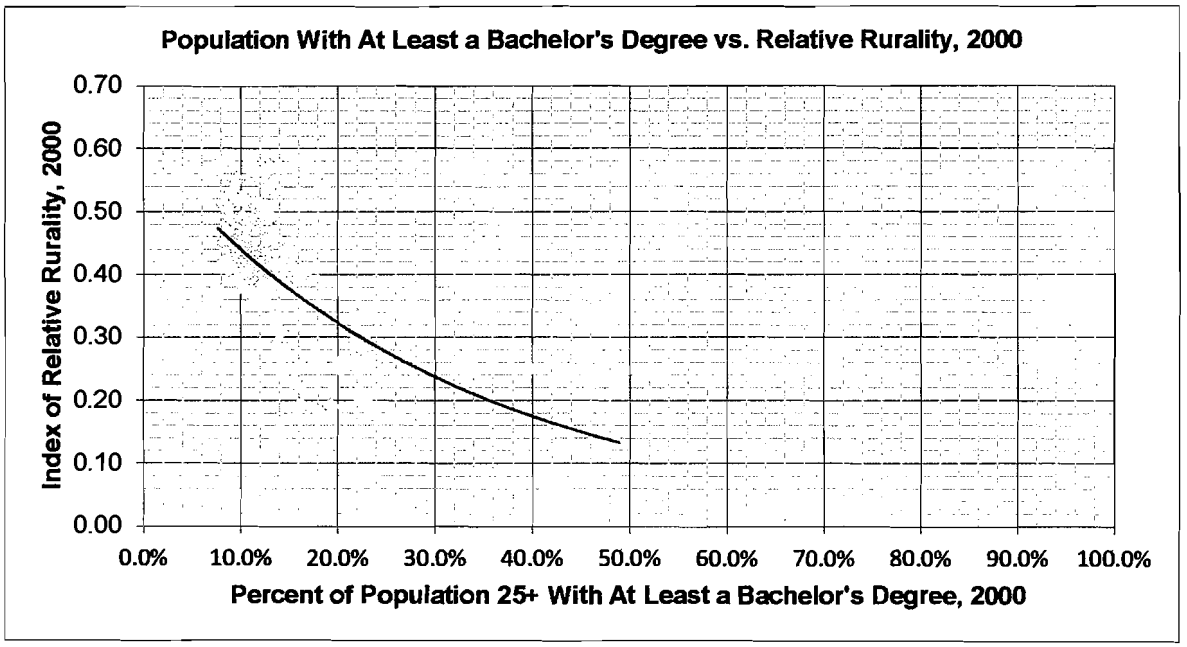
EDUCATIONAL ATTAINMENT VERSUS RURALITY

AT A GLANCE: POPULATIONS IN LESS RURAL COUNTIES TEND TO HAVE MORE FORMAL EDUCATION THAN POPULATIONS IN MORE RURAL COUNTIES.

There is a correlation between educational attainment and rurality. The following graphs show the percentage of people in each county that have attained either a high school or Bachelor's degree. **The correlation coefficient between high school degree attainment and relative rurality is -0.399.** People in more rural communities are less likely to have a high school degree than those in less rural communities.



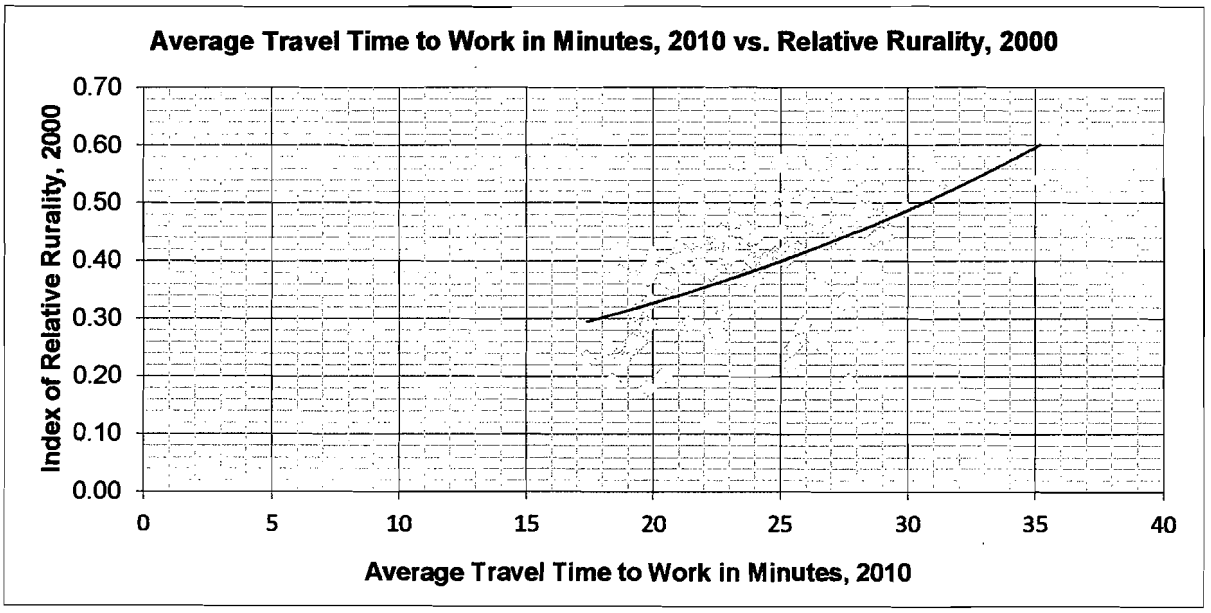
The correlation coefficient between Bachelor's degree attainment and relative rurality is -0.650. People in more rural communities are less likely to have a Bachelor's degree than those in less rural communities.



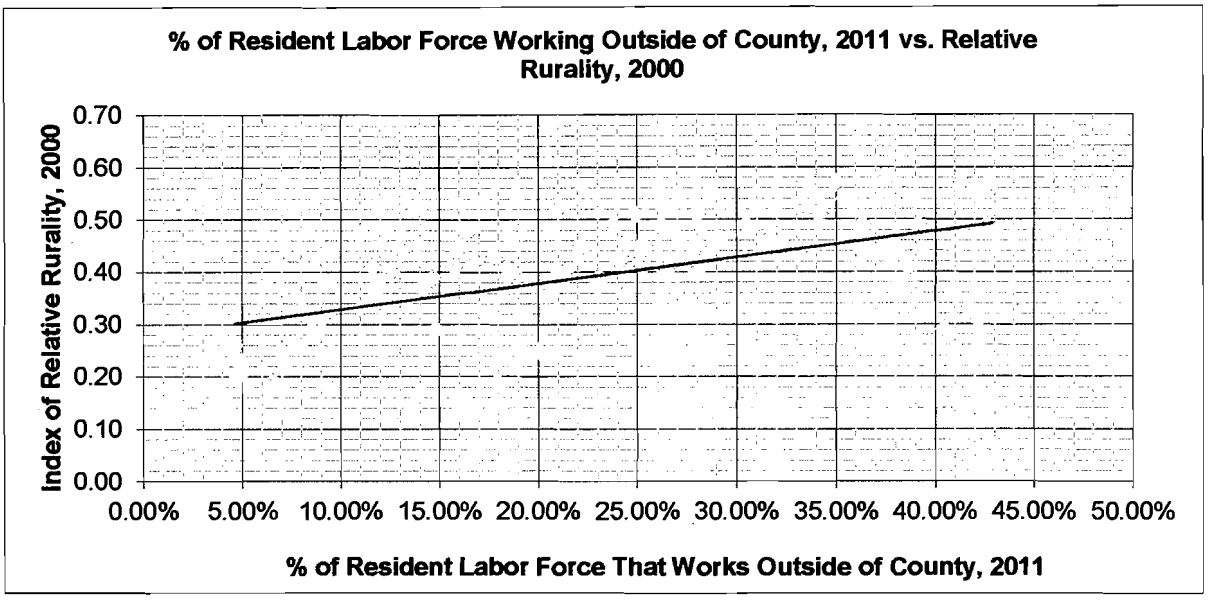
Through data analysis and feedback provided by community conversations, we have identified that **deficiencies in the following four areas are impeding economic development: transportation, broadband coverage, inadequate and aging physical assets, and a lack of human capital amenities.** We believe that solutions should fall within these areas because they are most often prioritized by communities.

TRANSPORATION ACCESS

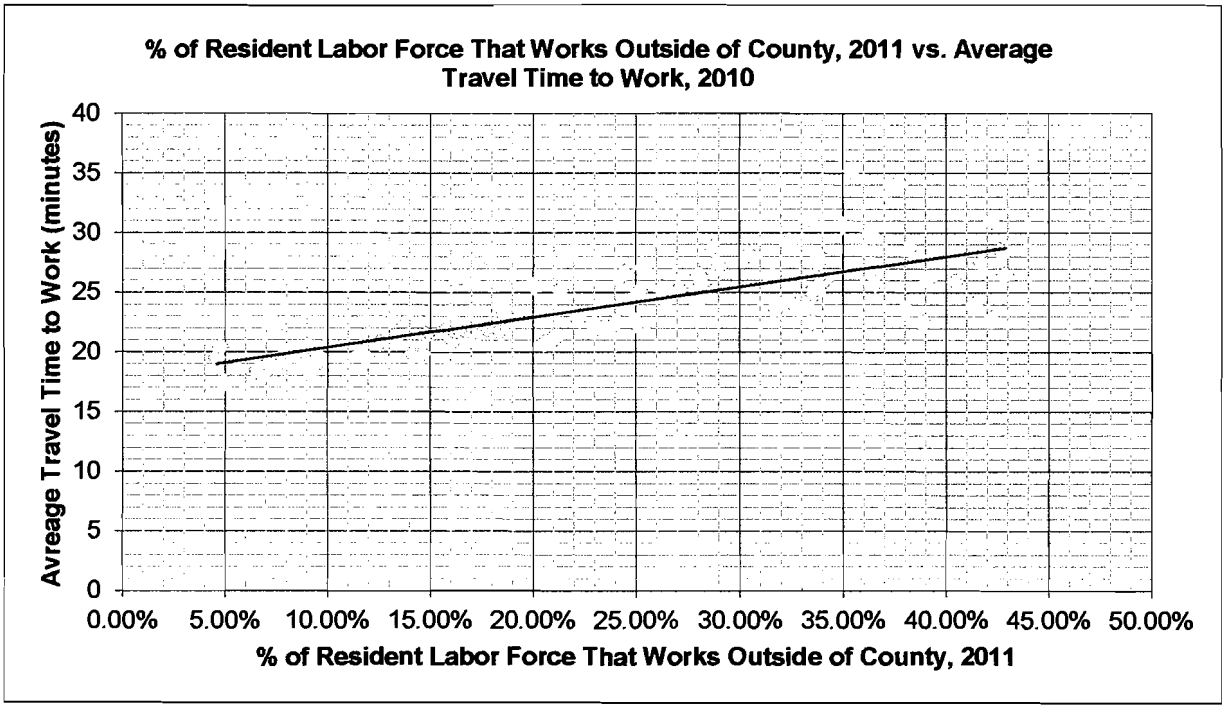
As rurality increases, so do commute times. This is to be expected since distance from an MSA contributes to rurality scores, and there are more jobs in metropolitan areas.



There is a correlation between the percent of a county's resident labor force traveling outside of the county for work and rurality.



It further appears that commute times are more closely tied to distance than traffic in the following chart, which shows how many residents travel outside of their counties for work versus how long the average commute time is in each county.



Closing the gap between residents and workplaces can be approached from both sides. While bringing jobs to communities is a noble goal, expediting travel times to jobs outside of rural communities would also be very beneficial. This will allow residents to stay in their communities even if their chosen careers are not located there.

BROADBAND ACCESS

Businesses need to have enough patrons to sustain them. Because rural areas have a lower population by definition, internet traffic can be used to encourage **a virtual economy of scale**. There is a **proven disparity** between urban and rural areas in terms of this access, as described in the National Telecommunications & Information Administration's May 2013 broadband brief, *Broadband Availability Beyond the Rural/Urban Divide*.[2] (National Telecommunications & Information Adminstration, 2013)

In a 2011 edition of Site Selection magazine, Matt McQuade's article "The Importance of Broadband To Economic Development" addresses not only the benefits, but the necessity of, broadband access to businesses in rural communities. Faster internet speeds could both increase productivity of companies that use the internet integrally for business and help companies without a web presence expand their businesses virtually. He says that this has an impact on new business attraction, as "Corporate site selectors expect broadband. It is not a perk or special benefit. For communities, it is a critical piece of infrastructure for attracting new capital investment." (McQuade, 2011)

McQuade also mentions the macroeconomic impacts of broadband by pointing to Sharon Gillett's study:

> *In her 2006 econometric study of U.S. communities, Sharon Gillett found that broadband added about 1-1.4 percent to the employment growth rate and 0.5-1.2 percent to the business establishment growth rate between 1998-2002. Speedmatters.org says that for each $5 billion in new broadband investment, 250,000 jobs are created. Moreover, with every percentage point increase in new broadband penetration, employment expands 300,000. Estimates by Accenture in 2003 suggest that broadband could contribute $500 billion to U.S. GDP.* (McQuade, 2011)

[2] This report examines the broadband disparity beyond the distinction urban/rural and broken down into five categories of relative rurality, similar to this report. The findings are that increased rurality tends to mean decreased broadband access. This is correlated more with the distance from an MSA measure of rurality than population density. (National Telecommunications & Information Adminstration, 2013)

An investment in broadband in Indiana could lead to a return on investment in a very real way. On a smaller scale, having a fast internet connection will enable residents to have full access to the internet, including the most updated websites. This will allow businesses to expand to e-commerce and web developers to live and work from rural Indiana.

Leaders across Indiana agree that by improving broadband access, their communities' economies will be more prosperous in the future.

[ADD TESTIMONIALS]

INADEQUATE/AGING PHYSICAL ASSETS

The addition of highways, malls, and widespread personal vehicle ownership has transformed American life and landscapes over the past century. While this has historically been beneficial to the economy, there are negative externalities that are catching up to us in the Twenty-First Century. One of these is a disinvestment that plagues smaller downtowns across America. It has not missed Indiana.

The economy of rural Indiana is especially susceptible to the negative effects of sprawl because it is a relatively compact rural state. While Montana may not feel the impact of overtaken acreage on its agricultural economy, there would be a definite opportunity cost in Indiana from the lost revenue that may have otherwise been generated by utilized farmland. It is much more difficult to flatten buildings and create farmland than it is to preserve it in the first place.

However, there is an underutilized investment already in most of these communities: a dilapidated downtown. Reinvestment in the properties will make it feasible for businesses to locate there. In addition to the captured income that those will bring to the area, it could lead to walking being a practical method of transportation again. As "neighborhood sidewalk walkability" is increasingly a trend in home purchases in the United States, it increases a home's value by $4,000 to $34,000 according to HouseLogic, a blog affiliated with the National Association of Realtors.

It would require substantial upfront investment, but revitalizing small downtowns in Indiana would increase desirability to locate there. It would create the potential for amenities to locate there that would attract the young innovators that could become entrepreneurs and leaders in the community.

HUMAN CAPITAL AMMENITIES

APPENDIX A: INDEX OF RELATIVE RURALITY

The following index is the basis of measuring rurality in this paper. The cells highlighted in green are those considered "more rural" in this paper.

	Classification Scheme I		Classification Scheme II	Classification Scheme III	Classification Scheme IV		Index of Relative Rurality	
	% Urban		1=MSA 2=RMSA 3=nonCore	Coding (See Table 5)	1=urban 2=mixed urban 3=mixed rural 4=rural		Index varies from 0 (most urban) to 1 (most rural)	
County	**1990**	**2000**	**2003**	**2003**	**1990**	**2000**	**1990**	**2000**
Adams	0.39	0.44	2	6	3	3	0.43	0.41
Allen	0.83	0.87	1	2	2	2	0.22	0.20
Bartholomew	0.51	0.68	1	3	3	3	0.35	0.29
Benton	0.00	0.00	1	3	4	4	0.58	0.57
Blackford	0.51	0.50	3	6	3	3	0.42	0.40
Boone	0.46	0.55	1	1	3	3	0.41	0.37
Brown	0.00	0.00	1	1	4	4	0.55	0.54
Carroll	0.13	0.20	1	3	3	3	0.51	0.49
Cass	0.44	0.53	2	4	3	3	0.42	0.38
Clark	0.74	0.76	1	1	3	3	0.30	0.28
Clay	0.31	0.38	1	3	3	3	0.45	0.42
Clinton	0.48	0.50	2	6	3	3	0.41	0.39
Crawford	0.00	0.00	3	8	4	4	0.59	0.58
Daviess	0.39	0.41	2	7	3	3	0.46	0.44
Dearborn	0.41	0.37	1	1	3	3	0.41	0.41
Decatur	0.39	0.42	2	6	3	3	0.44	0.42
De Kalb	0.49	0.58	2	4	3	3	0.40	0.36
Delaware	0.75	0.77	1	3	3	3	0.27	0.25
Dubois	0.42	0.47	2	7	3	3	0.44	0.42
Elkhart	0.67	0.78	1	3	2	2	0.28	0.23
Fayette	0.60	0.66	2	7	3	3	0.40	0.37
Floyd	0.64	0.79	1	1	2	2	0.32	0.26
Fountain	0.35	0.34	3	6	3	3	0.47	0.46
Franklin	0.17	0.21	1	1	3	3	0.51	0.49
Fulton	0.32	0.36	3	7	3	3	0.49	0.47
Gibson	0.34	0.47	1	2	3	3	0.45	0.40
Grant	0.61	0.72	2	4	3	3	0.35	0.31
Greene	0.28	0.35	1	3	3	3	0.47	0.44
Hamilton	0.69	0.88	1	1	3	2	0.30	0.22
Hancock	0.39	0.62	1	1	3	3	0.41	0.33
Harrison	0.09	0.12	1	1	4	3	0.51	0.49

Hendricks	0.36	0.71	1	1	3	3	0.40	0.29
Henry	0.37	0.55	2	4	3	3	0.42	0.36
Howard	0.71	0.78	1	3	3	3	0.29	0.26
Huntington	0.46	0.48	2	6	3	3	0.42	0.40
Jackson	0.49	0.56	2	4	3	3	0.41	0.37
Jasper	0.20	0.39	1	1	3	3	0.51	0.45
Jay	0.42	0.43	3	6	3	3	0.44	0.43
Jefferson	0.52	0.54	2	6	3	3	0.42	0.40
Jennings	0.22	0.41	2	6	3	3	0.48	0.42
Johnson	0.75	0.83	1	1	3	2	0.30	0.26
Knox	0.58	0.64	2	4	3	3	0.41	0.38
Kosciusko	0.27	0.47	2	4	3	3	0.44	0.38
Lagrange	0.00	0.09	3	6	4	4	0.53	0.49
Lake	0.95	0.95	1	1	1	1	0.20	0.19
La Porte	0.57	0.65	1	3	3	3	0.32	0.29
Lawrence	0.43	0.44	2	4	3	3	0.41	0.40
Madison	0.67	0.76	1	3	3	3	0.29	0.25
Marion	1.00	0.99	1	1	1	1	0.13	0.12
Marshall	0.31	0.37	2	6	3	3	0.44	0.41
Martin	0.28	0.26	3	6	3	3	0.52	0.51
Miami	0.46	0.51	2	6	3	3	0.41	0.38
Monroe	0.69	0.77	1	3	3	3	0.29	0.25
Montgomery	0.39	0.44	2	6	3	3	0.44	0.41
Morgan	0.31	0.46	1	1	3	3	0.43	0.38
Newton	0.00	0.03	1	1	4	4	0.57	0.55
Noble	0.30	0.34	2	6	3	3	0.45	0.42
Ohio	0.00	0.00	1	1	4	4	0.58	0.56
Orange	0.19	0.33	3	6	3	3	0.53	0.48
Owen	0.15	0.00	1	3	3	4	0.51	0.53
Parke	0.18	0.18	3	6	3	3	0.52	0.51
Perry	0.42	0.48	3	6	3	3	0.46	0.43
Pike	0.00	0.20	3	6	4	3	0.57	0.51
Porter	0.67	0.78	1	1	3	2	0.30	0.26
Posey	0.28	0.30	1	2	3	3	0.46	0.44
Pulaski	0.00	0.19	3	6	4	3	0.58	0.52
Putnam	0.30	0.28	1	1	3	3	0.47	0.46
Randolph	0.32	0.36	3	6	3	3	0.46	0.43
Ripley	0.16	0.18	3	6	3	3	0.51	0.49
Rush	0.31	0.40	3	6	3	3	0.49	0.46
St. Joseph	0.87	0.92	1	2	2	1	0.21	0.18
Scott	0.46	0.49	2	6	3	3	0.43	0.41
Shelby	0.38	0.44	1	1	3	3	0.43	0.40
Spencer	0.00	0.00	3	8	4	4	0.55	0.54

This is where the letters from LEDOs and mayors will be attached.

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I CED
Exhibit D
9/4/13

Evan A. Werling, CPA (Semi-Retired)
Werling Management Group
eawerling@gmail.com
317-446-1955

- During my career, I gained strong experience in Forensic Auditing, Business Turnarounds, International Business, and with development of Entrepreneurial Businesses.
- My audit experience with Ernst & Ernst focused on Banking, Manufacturing and Government accounts- and covered mergers & acquisitions, and operations management.
- My wife and I purchased Moore Langen and transformed it from an insolvent commodity company, into the largest privately owned high-tech print communications company in the United States- serving the education and computer publishing industries.
- Previously, I was in senior management with five public/private companies, and worked for a N.Y. Venture Capital Firm. As President & CEO, I never inherited a profitable company- but led each company to industry prominence, through development of innovative technology, international business development and by improving operational efficiencies.
- First person in the United States to receive two President's "E" Awards (Excellence in Exporting). Ohio Exporter of the Year; runner-up to United States Exporter of the Year. One of the first U.S. businessmen invited to develop business inside China. Successfully negotiated with senior Mexican government officials for two wholly-owned U.S. companies during the 1980's, when 51% Mexican ownership was required.
- Testified before more than a dozen U.S. Senate and House Committees, and successfully led a national campaign to reorganize the U.S. Export/Import Bank- which was then touted by President Reagan as one of the most important jobs programs in the United States.
- Chairman of the National District Export Council Conference in Washington, D.C. for Secretary of Commerce Malcolm Baldridge. Chairman of the Indiana District Export Council; Director of the Small Business Council of the U.S. Chamber of Commerce, Washington, D.C.; International Policy Committee- National Manufacturers Association, Washington D.C. Advisor to several U.S. Governors, Congressmen and Senators.
- Current Treasurer and Executive Committee Member of the Board of Directors of The Columbus Chamber of Commerce; rated the #1 Chamber of Commerce in the United States. Columbus Chamber's representative on the ECO 15 economic development program.
- Executive Committee of the Board of Directors of the Indiana Chamber of Commerce.
- Director of Vincennes University School of Technology- rated #1 print school in the U.S. Director & President of Alumni Board- College of Business, Ball State University.
- Invited to breakfast with the President of the United States. Appeared on national television with Martin Feldstein, President Reagan's Chief Economic Advisor, and Fred Bergsten, to discuss international currency valuations, and their effect on international trade, jobs, and the balance of payments between countries. Author of numerous nationally published business articles; written-up in the Wall Street Journal, Business Week and other national magazines.
- Honor graduate of Ball State University, with advanced studies at I.U. and other institutions.

Indiana General Assembly
Interim Study Committee on Economic Development
Testimony from Evan A. Werling, CPA and
President, Brown County Redevelopment Commission
10:00 A.M., Room 431, Indianapolis Statehouse
Wednesday, September 4, 2013

Abusive use of Annexation & TIF (Tax Increment Financing) by Rural Towns

In Brown County Indiana, Annexation/TIF has become a new tool to pay for neglected maintenance and apparent mismanagement of the Town of Nashville's Storm Sewers, Sanitary Sewers and Water System.

The Town's new TIF District is a "shotgun approach" for economic development, and essentially envelops the entire town- with the stated goal of annexing county property, whenever a new business or commercial project commences- so the Town can capture all new property taxes, through its TIF.

On June 12, 2012, in a joint county/town meeting, the Town of Nashville presented TIF as a Targeted "Incentive" to attract Specific Jobs/Investments that would not otherwise come to Nashville- "**But For**" the fact that TIF Incentives were available to incentivize these new or expanding businesses.

Since that time, we have discovered that Nashville's intentions appear to be quite different:

1. It plans to use TIF income, not as an Incentive to Attract businesses & jobs- but to pay $4,000,000 to replace/rehabilitate its crumbling infrastructure (Storm and Sanitary Sewer systems, 6/06/12 report).
2. In Addition, we recently learned that Nashville has a failing Water System- that loses 40% of its water. It is believed it will cost Tens of Millions of additional Dollars to rehabilitate/replace this aging system.
3. Nashville has reached its statutory borrowing limit, and is facing a massive financial problem- which is the result of years of failing to properly maintain the Town's infrastructure- i.e. mismanagement?

Therefore, the Town of Nashville Plans to Pay for its Financial Problems through Annexations/TIF, by:

1. aggressively annexing county property, to significantly expand the boundaries of the town-
2. including the annexation of massive sections of Brown County- such as out to Helmsburg, and by
3. annexing and TIF(ing) more county property- whenever development takes place.

Summary

The new Nashville Annexation/TIF plan appears to be nothing more than a "**Grab For Taxpayer Cash**," to capture incremental property tax revenue, to pay for apparent financial mismanagement- rather than for the purpose of incentivizing businesses, that pass the "But For" test- thus creating new jobs.

The Town's Annexations/TIF will result in Higher Property Taxes for all County Taxpayers, and take money away from other county services, taxing units and entities that rely on property taxes for their existence.

Recommendation

The Indiana Legislature should prohibit rural towns from using Annexations/TIF as an opportunity to bail-out elected officials- from financial problems, that they created. With few exceptions, TIF use should be used to Incentivize business/jobs growth, for targeted entities that pass the "But For" test, or to expand the community's infrastructure to accommodate growth (example- to support a new industrial park).

Evan A. Werling, CPA
317-446-1955
eawerling@gmail.com

Note: Further information and documentation will be supplied upon request- all from audio of public meetings or recorded minutes.

Much litigation has centered on the adequacy of the fiscal plan. The fiscal plan is a written document that explains how a municipality will extend services to the annexed area and how those services will be paid for. Challenges to the fiscal plan frequently fail, as repeated judicial opinions have said that courts will show deference to the city's legislative judgment and will not "audit" the plan.[5] The plan does not have to be exhaustive and cover every single detail that will need to be developed to provide municipal services. Rather, it need only demonstrate to the court that the plan is reasonable on its face and that, if followed, would provide for the extension of services.[6]

On the other hand, there is a separate list of factors that, if found to *all* be present, require the court to not grant the annexation. They are:

1. Police and fire protection and street and road maintenance are adequately furnished by a provider other than the municipality (like the county).
2. Annexation will have a significant financial impact on the residents or landowners (but it must be more than just an increase in taxes)[7].
3. Annexation is not in the best interest of landowners.
4. And at least 65 percent of landowners or owners of 75 percent of the area's assessed value oppose annexation (This is a separate, second count from the signatures obtained to file a remonstrance.)[8].

A successful remonstrance will not only stop the pending annexation ordinance, but also *prevents any additional attempts* to involuntary annex the territory for a period of four years. A failed remonstrance can be appealed, but a *stay of annexation* should be filed to prevent the annexation ordinance from going into effect during the appeals process.[9]

Landowners who live within one-half mile of the territory to be annexed may also file a remonstrance but must do so *within 60 days* of the ordinance publication instead of 90. The timeline is shortened to *30 days* when the annexation was initiated voluntarily. The only justification available to challenge the annexation in this type of remonstrance is contiguity. Contiguity means that the area to be annexed is physically connected to the annexing municipality. In Indiana, at least one-eighth of the boundary of the area to be annexed must coincide with a municipal boundary.[10] In special annexation circumstances under Section 4, noncontiguous land may be annexed, however.

- **Declaratory Judgments**

Declaratory judgments may be filed by either taxpayers of the annexing municipality[11] or by landowners in the area to be annexed. Declaratory judgments have been created by the courts and can only be granted on specific legal grounds.

Because of the complexity and specificity of the annexation challenges, it is advisable to consult an attorney to help guide you through the legal process in greater detail. In lieu of a remonstrance or declaratory judgment, you may also want to speak with an attorney about a settlement agreement with the annexing municipality or another form of special contracting to avoid an unwanted annexation.

What Is Disannexation?

If the municipality has not extended municipal services as promised to the annexed area within *one year* for noncapital services (police, fire, water) and within three years for capital services (construction, lighting, drainage), a taxpayer of the newly annexed area may request disannexation in court. Disannexation would essentially put things back how they were before the annexation took place.

It is very difficult to succeed in a disannexation attempt. The wrongdoing on the part of the annexing municipality typically must be "egregious."[12] Even if the court does find for the aggrieved taxpayer, disannexation is not a guarantee. Other forms of relief are available, such as a halt on future property taxes until services are provided.

[5] But for an example of a successful challenge to the fiscal plan, see *Harris v. City of Muncie*, 163 Ind. App. 522 (1975).
[6] *City of Hobart v. Chidester*, 596 N.E. 2d 1374 (1992); *Bradley v. City of New Castle*, 764 N.E. 2d 212 (2002).
[7] *In re Annexation of Certain Territory to the City of Muncie, Indiana*, 914 N.E. 2d 796 (2009).

[8] *City of Carmel v. Certain Southwest Clay Township Annexation Territory Landowners*, 868 N.E. 2d 793 (2007).
[9] *Annexation Ordinance F-2008-15 v. City of Evansville*, 955 N.E. 2d 769 (2011).
[10] *Town of Dyer v. Town of St. John*, 919 N.E. 2d 1196 (2010).
[11] *Montagano v. City of Elkhart*, 149 Ind. App. 283 (1971).

[12] *Salmon v. City of Bloomington*, 761 N.E. 2d 440 (2002).
*Additional cases: *City of Carmel v. Steele*, 865 N.E. 2d 612 (2007); *In re Remonstrance Appealing Ordinance Nos. 98-0004, 98-005, 98-006, 98-007, and 98-008, of the Town of Lizton*, 769 N.E.2d 622 (2002); *Rogers v. Municipal City of Elkhart*, 688 N.E. 2d 1238 (1997); and *West v. City of Princeton*, 907 N.E. 2d 1141 (2009).

a publication of

{logo}

A Citizen's Guide to Annexation:

What It Means for You

225 S. East Street
P.O. Box 1290
Indianapolis, IN 46206
317-692-7840
1-800-866-1160 ext. 7840
www.infarmbureau.org

Updated 2013

Exhibit 9/4/13

Indiana annexation laws are derived from a combination of statutes and case law. Annexation proceedings can be complex and are dependent on specific facts. This brochure provides a brief guide to understanding the annexation process. It is not a substitute for legal advice. Please share this information with your attorney, who will have access to the statutes and court cases referenced.

What Is Annexation?

Annexation is a process by which municipalities extend their corporate boundaries. Formerly unincorporated areas are "absorbed" into the municipality, and after annexation, are treated just like all other land within the municipality.

How Does Annexation Happen?

Under Indiana law, annexations can take place in one of four ways. Two of the procedures are considered "voluntary" annexations and two are "involuntary." These annexation procedures can be found in Indiana Code §§ 36-4-3-3, 4, 5 and 5.1.[1]

Sections 3 and 4 are considered involuntary, meaning they are initiated by the municipality and do not require anyone's consent. Section 5 is considered voluntary and requires a signed petition requesting annexation from either 51 percent of landowners or owners of 75 percent of the assessed value of the area to be annexed. Section 5.1 is also voluntary but requires signatures from 100 percent of landowners in the area to be annexed.

Whether initiated by landowner petition or municipal decision, the proposed annexation will be put into an ordinance. The ordinance will

[1] Indiana's entire annexation law can be found at www.in.gov/legislative/ic/code/title36/ar4/ch3.pdf

be published, most likely in your local newspaper. The publication date is important because it starts the statute of limitations for challenging an annexation. Along with publication, notice will be sent, typically through certified mail, to landowners in the area to be annexed. The notice will include important information about the proposed annexation as well as the time, date and location for an upcoming public hearing on the topic. At the public hearing, any interested party will be given an opportunity to testify regarding the annexation proposal. In most cases, the public hearing must take place at least 60 days after the ordinance is published.

Annexation procedures generally work the same for both voluntary and involuntary annexations, but there are a few special provisions of voluntary annexations. Landowners who request annexation may seek to have their request approved by a judge if the city council hasn't acted on the petition within 120 days of submission. In addition, an expedited process exists for Section 5.1 annexations because they have received unanimous consent of affected landowners.

The earliest an annexation ordinance can go into effect is 90 days after publication. This is only if the municipality has met all statutory requirements and no one has filed a challenge to the annexation.

What Will Happen if My Land Is Annexed?

Annexation has both positive and negative effects. For instance, municipal services, such as police and fire protection, sewage, and road maintenance, will become available, but you may become subject to additional municipal taxation, zoning and ordinances. Land currently

zoned for agricultural purposes, however, is *exempt* from municipal taxation so long as it remains zoned for agricultural purposes. Furthermore, agricultural zoning status *cannot be changed* after annexation without landowner consent.

How Can I Challenge an Annexation?

Pending annexations can be legally challenged by three separate groups of people (landowners being annexed, landowners within one-half mile of the annexed area, and taxpayers in the annexing municipality) in two distinct ways (remonstrance and declaratory judgments).

- **Remonstrance**

A remonstrance begins by gathering the signatures of either 65 percent of landowners or owners of 75 percent of the assessed value of the area to be annexed.[2] If the territory to be annexed contains 100 or fewer parcels and is 80 percent contiguous with the municipality, then the signatures of 75 percent of landowners are required. The threshold must be reached *just to get into court* – it does not defeat the annexation by itself.

A remonstrance must be filed *within 90 days* of ordinance publication. The petition for remonstrance must include a copy of the ordinance and a list of the gathered signatures. Only one person may sign for each parcel involved. However, an owner of multiple parcels may sign once for each parcel owned.

When determining if the required number of signatures has been obtained, remonstrators

[2] *City of Boonville v. American Cold Storage*, 950 N.E. 2d 764 (2011); *Arnold v. City of Terre Haute*, 725 N.E. 2d 869 (2000).

must watch out for remonstrance waivers connected to sewer hook-ups. If someone has signed such a waiver, their signature on a petition for remonstrance will *not* be counted by the court.[3] Such waivers are not considered consent to annexation.[4]

If the necessary signatures are obtained, a judge will consider the annexation. The judge's discretion is severely limited by statute. This is because remonstrance proceedings are not regular lawsuits, and the normal rules of civil procedure may not apply.

If the following factors are met, the judge shall order the annexation to take place:

a. There is a fiscal plan in place with definite contents.

AND

Either b. OR c.

b. The land to be annexed meets the contiguity requirements of IC § 36-4-3-1.5 and also **one** of the following:
    1. Density of at least three persons per acre.
    2. 60 percent of the territory is subdivided.
    3. The territory is zoned for commercial, industrial or residential use.
c. The land to be annexed has one-quarter common boundary and territory is needed and can be used by municipality for its development in the reasonably near future.

[3] *City of Kokomo ex rel Goodnight v. Pogue*, 940 N.E. 2d 833 (2010).

[4] *City of Greenwood v. Town of Bargersville*, 930 N.E. 2d 58 (2010).

ICED
Exhibit F
9/4/13

DATE: August 24, 2013

TO: Interim Study Committee on Economic Development

FROM: Aaron Smith, Founder
Watchdog Indiana
2625 Countryside Drive, Lebanon, IN 46052
Phone: (765) 891-1439 E-mail: taxless3@comcast.net

Please accept this document as my written testimony for the September 4 meeting of the Interim Study Committee on Economic Development regarding agenda item (2)(F) "Annexation of rural areas."

The illogical and predatory involuntary 2013 municipal annexations proposed in the southeast quadrant of Boone County dramatically emphasize the need for rational municipal annexations: see the Watchdog Indiana web page at http://www.finplaneducation.net/rational_municipal_annexations.htm. The Indiana Code changes proposed on this Watchdog Indiana web page would help protect against illogical and predatory municipal annexations. The proposed Indiana Code changes would reduce the annexation remonstrance threshold from 65% to 51% of land owners, and would make it very difficult for a municipality to annex territory that did not meet one of the following criteria: (a) a resident population density of at least three persons per acre; (b) sixty percent of the territory is subdivided; or (c) the territory is zoned for commercial, business, or industrial uses. While these proposed Indiana Code changes would be helpful, a better solution would be to **make involuntary municipal annexations in Indiana subject to binding referenda.**

Making involuntary municipal annexations subject to binding referenda can be achieved by amending the Indiana Code Chapter 36-4-3 to include the provisions listed next. (Note: These provisions are similar to the provisions found in the Indiana Code Chapter 36-1.5-4 titled "Reorganization by Referendum.")

(1) The voters residing within the municipality must be included only in the tally of votes for the municipality, and the voters who reside within the territory sought to be annexed must be included only in the tally of votes for the involuntary annexation territory. This means that a densely populated municipal area cannot force a merger onto a less populated rural area without the consent of rural voters.

(2) For an involuntary municipal annexation to be approved, the number of voters voting to approve the annexation must equal or exceed 55% of the total votes cast within both the municipality and the territory sought to be annexed. Since the Indiana Code Section 36-4-3-5 provides that 51% of the owners of land in the territory sought to be annexed (or the owners of 75% of the total assessed value of the land for property tax purposes) can initiate a voluntary municipal annexation, it is appropriate that a higher threshold of 55% of the total votes cast be required for an involuntary municipal annexation to be approved.

ICED
Exhibit G
9/4/13

Senator James Buck,

Representative Mark Messmer

Members of the Study Committee on Economic Development

RE: Interim Study Committee on Economic Development, Agenda item (2) (F)," Annexation of Rural Areas"

On behalf of some 40,000 property owners in Vanderburgh County, Indiana, I am urging the Interim Study Committee on Economic Development to support changes to Indiana Code Chapter 36-4-3 to protect the rural residents from undesirable and often hostile municipal annexations. We rural residents chose to live outside the City for various reasons. We do not have or want street lights, or sidewalks. Our Sheriff provides police protection, and the volunteers provide excellent fire protection. Many people have working septic systems, and we pay for trash disposal by private companies. We have privacy, low crime, and peace and quiet.

In 2009, the City of Evansville attempted to annex a large portion of the west side, including two shopping centers, two hotels, and 3 apartment complexes. Aware that this annexation was for the sole purpose of collecting additional taxes for the City, I helped form West Siders Against Annexation, a group of concerned citizens not wanting to be a part of the City of Evansville. We went door-to-door asking property owners to sign a petition rejecting annexation, and we obtained signatures from 75% of the owners. The large national stores did not participate in our petition drive, but one hotel and all 3 apartment complexes were with us.

Even with 75% of the signatures, we were faced with a court battle that would be decided by a local Judge. More often than not, that is a futile effort. Due to procedural mishandling by the City, the annexation was not voted on by the City Council, therefore it died.

IN 2012, the Reorganization of Evansville and Vanderburgh County was attempted, and defeated by a 3-1 margin in both the City and the County. I was an organizer of Citizens Opposed to Reorganization in Evansville (www.core.net), opposing this merger for the same reason I opposed the annexation, higher taxes. During the heated campaign, rural residents were told to vote for reorganization or face annexation. The merger was defeated, and once again, annexation is in the future.

Having stopped annexation in 2009, and defeating the merger in 2012, the rural residents of Vanderburgh County are once again being intimidated with annexation . In January 2014, IC 36-1.5-4 will require a rejection threshold of at least 51%. The annexation laws need to be amended to be consistent with IC 36-1,5-4, requiring a threshold vote for residents in proposed annexation zones.

Thank you for your time,

Charles (Chuck) Weisling 5224 Westlake Drive, Evansville, IN 812 425 7805

wsaa2009@yahoo.com

ICED
Exhibit H
9/4/13

Interim Study Committee on Economic Development
Attn: Michael Landwer, Attorney for the Committee
Legislative Services Agency
200 West Washington Street, Suite 301
Indianapolis, IN 46204-2789

Dear Mr. Landwer,

Please accept this as written testimony for the September 4 meeting of the Interim Study Committee on Economic Development regarding agenda item (2)(F) "Annexation of rural areas."

The illogical and predatory involuntary 2013 municipal annexations proposed in the southeast quadrant of Boone County dramatically emphasize the need for rational municipal annexations. The proposed Indiana Code changes would reduce the annexation remonstrance threshold from 65% to 51% of land owners, and would make it very difficult for a municipality to annex territory that did not meet one of the following criteria: (a) a resident population density of at least three persons per acre; (b) sixty percent of the territory is subdivided; or (c) the territory is zoned for commercial, business, or industrial uses. While these proposed Indiana Code changes would be helpful, a better solution would be to **make involuntary municipal annexations in Indiana subject to binding referenda**.

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Cordially,

Gary Harbaugh
8303 Chapel Bend Drive
Fort Wayne IN 46835