



July 19, 2019

Top Stories

New OMB Director Makes Prudent Financial Proposal for the State

Just days into the job as Gov. Eric Holcomb's newly appointed director of the Office of Management and Budget (OMB), Cris Johnston looked at the fiscal state of the state and made a wise call. Johnston is new to this job but not new to state finance. He has held several key positions in state government and worked on public finance matters in private practice for many years.

When he saw that state revenue collections for this biennium have come in stronger than projected (1.3% or \$181 million above the budgeted forecast), he knew that the money would only be adding to an already very healthy reserve fund.

In fact, the additional revenues would put Indiana over the general fund appropriations threshold of 12.5% that would trigger application of the 2012 law providing for automatic taxpayer refund claims. While refunds may sound good to many, the OMB director's proposal is a much more practical option.

His approach is to use the funds to make one-time cash payments on capital projects that have been approved by the General Assembly but via long-term debt. Using some \$300 million in reserves to pay for the numerous projects upfront will save tens of millions of taxpayer dollars over time. Those proposed projects include:

- \$78 million for traffic flow on U.S. 31 so the Indiana Department of Transportation can complete this transformational project
- \$50 million for the swine barn at the Indiana State Fairgrounds
- \$73 million for the Purdue College of Veterinary Medicine teaching hospital
- \$60 million for the Ball State University STEM and Health Professions facilities
- \$30 million for the Ivy Tech Columbus main building replacement

And the \$300 million total just happens to bring the reserves under the refund threshold in IC 4-10-22-2. While individual refunds would be nominal, the savings under this option would be substantial. The financing change does have to be approved by legislators, but it is a prudent move and will likely be viewed as such by the budget-makers.

Resource: Bill Waltz at (317) 264-6887 or email: bwaltz@indianachamber.com

Ohio Raises Smoking Age; Update on Sen. Young's National Effort

Indiana, take note. Yesterday, Ohio Gov. Mike DeWine signed the state's budget bill into law that includes a provision raising the state's smoking and vaping age from 18 to 21; it takes effect in 90 days. Then, people in Ohio under 21 can no longer buy tobacco products, including electronic smoking devices and Juul pods.

“Thank you to Governor DeWine and state lawmakers for taking this tremendous step in protecting our youth from the death and disease associated with tobacco use,” said Harold Wimmer, president and CEO of the American Lung Association in a statement.

“The Ohio governor and legislators who supported this law proved that they are truly focused on the health of their constituents. With the rise of easily concealable and fruit and candy flavored e-cigarettes, Tobacco 21 is important now more than ever – protecting youth, reducing smoking rates, saving on health care costs and saving lives.”

For several years, similar policy has stalled in the Indiana General Assembly. This issue remains a top priority for the Indiana Chamber, and we hope the Governor and state legislative leaders will finally address this critical issue in 2020.

On the national front, we remain encouraged by Sen. Todd Young’s effort to [raise](https://www.young.senate.gov/newsroom/press-releases/senators-young-schatz-durbin-romney-introduce-bipartisan-legislation-to-raise-smoking-vaping-age-to-21) the smoking age. Late last month, the key components of his Tobacco to 21 Act (<https://www.young.senate.gov/newsroom/press-releases/senators-young-schatz-durbin-romney-introduce-bipartisan-legislation-to-raise-smoking-vaping-age-to-21>) passed out of the Senate Health, Education, Labor and Pensions (HELP) Committee as part of the Lower Health Care Costs Act. Like Ohio’s new law, the Tobacco to 21 Act would prohibit the sale of tobacco products, including e-cigarettes, to anyone under the age of 21. The August recess for the Senate is just around the corner, but hopefully soon thereafter there will be action taken by the full Senate on this critical issue.

Resource: Mike Ripley at (317) 264-6883 or email: mripley@indianachamber.com

Chamber-Backed Cadillac Tax Repeal Gains Momentum, But Medical Device Tax Relief Stalls

The Indiana Chamber previously signed on to a stakeholder letter to Congress urging repeal of the “Cadillac Tax.” On July 17, the U.S. House of Representatives voted on H.R.748, the Middle Class Health Benefits Tax Repeal Act of 2019, which repeals the 40% excise tax on employer-sponsored health care coverage for which there is an excess benefit (high-cost plans).

The repeal applies to taxable years beginning after December 31, 2019. The measure passed in an overwhelmingly bipartisan vote of 419-6. All of Indiana’s delegation was supportive. Full bill details are available at <https://www.congress.gov/bill/116th-congress/house-bill/748?q=%7B%22search%22%3A%5B%22HR+748%22%5D%7D&s=2&r=1>.

The Cadillac Tax, set to take effect in 2020, would force a large number of Indiana employers to either 1) reduce the value of health care coverage they provide to their employees by raising deductibles, co-pays, out-of-pocket maximums and/or premiums, or 2) pay a substantial tax because the health care coverage they provide to their employees has been deemed “too rich”.

The tax would have the detrimental effect of reducing benefits for employees and increasing the cost of business for employers. It is regressive in its approach and will have a negative impact on an employee’s health care costs as well as on our economy as a whole.

The bill has now been placed on the Senate Legislative Calendar. We will be communicating once again to Sens. Todd Young and Mike Braun the importance of repealing the Cadillac Tax.

Another health care interest of the Chamber and many employers is the medical device tax. Representative Jackie Walorski (IN-02) has again encouraged a House vote on bipartisan bills to repeal the medical device tax. Walorski spoke in support of a procedural effort to amend H.R. 748 to include the Protect Medical Innovation Act (H.R. 2207). Unfortunately, her effort was defeated. The tax has been burdensome on Indiana’s

medical device manufacturers. Watch Walorski speak:

<https://www.youtube.com/watch?v=fYsvhm39NUk&feature=youtu.be%20and%20https://www.congress.gov/bill/116th-congress/house-bill/2207/actions?q=%7B%22search%22%3A%5B%22HR+2207%22%5D%7D&r=1&s=3>.

Resource: Greg Ellis at (317) 264-6881 or email: gellis@indianachamber.com

IN OTHER NEWS

Taxation and Public Finance

Another Township Bad Actor Comes to the Forefront

State auditors are asking a township trustee in Grant County to repay taxpayers \$56,628 following an audit that found she used township assistance funds to help herself and relatives, reports Indianapolis TV station WRTV (<https://www.theindychannel.com/news/call-6-investigators/township-trustee-owes-taxpayers-56k-after-helping-relatives-audit-shows>).

This is yet another prime example of why the Indiana Chamber has been pushing for years to eliminate township government; it's outdated, rarely used and ripe for this type of illegal activity. At a minimum, the General Assembly should finally move on reducing the number of townships through mergers in low-population areas and enhancing the oversight of fiscal matters. Both would be very positive steps forward.

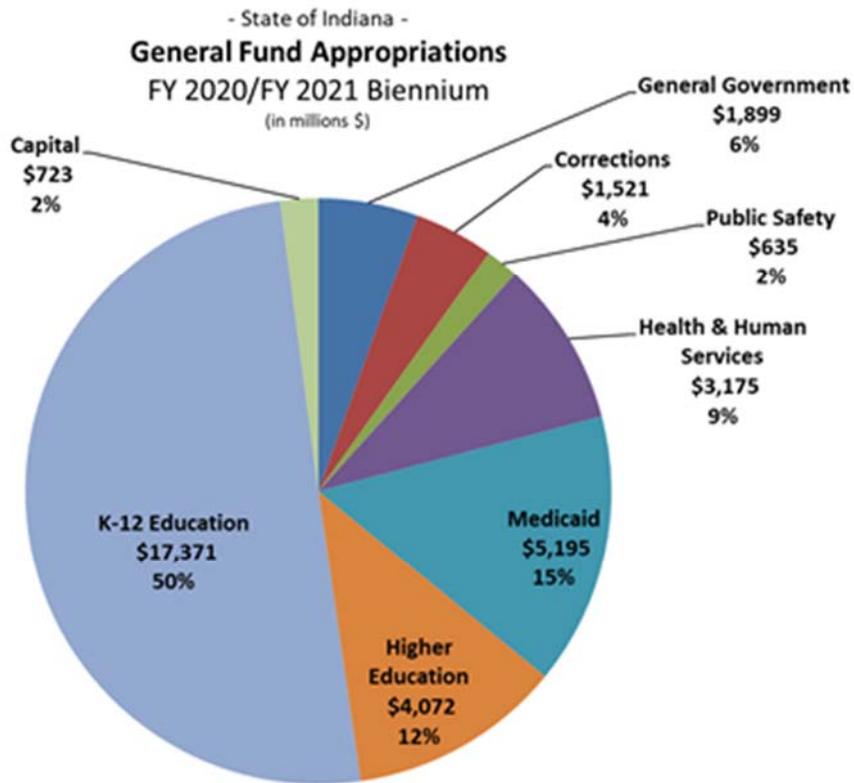
Find out more in our new information sheet, Can We Afford Township Government? See https://www.indianachamber.com/wp-content/uploads/2019/07/ICC_TownshipGovt.pdf.

A Variety of Significant Tax Matters in the Works

- Sports wagering, and the associated tax collections, begins September 1.
- The Indiana Department of Revenue (DOR) rolls out the first phase of its massive computer system update when it switches over the portions controlling corporate taxes.
- The DOR is currently in the process of updating several bulletins and putting together guidance on 2019 legislative changes. Explore its newly formatted web site at <https://www.in.gov/dor/>.
- The Department of Local Government Finance is in the midst of redrafting a volume of its rules and plans to start the formal publication process August 1.
- These issues will be considered by the Interim Committee on Fiscal Policy this fall:
 - Medicaid spending and cost drivers
 - Criteria for establishing regional governance models
 - Study of the complexity index used in the school funding formula
 - Taxation of CBD oil and vaping products
 - Multi-year reviews of workforce programs and tax incentives

State Budget at a Glance

Curious where all the state dollars go? Below is the breakdown of appropriations passed in the new budget that went into effect this month:



Resource: Bill Waltz at (317) 264-6887 or email: bwaltz@indianachamber.com

Federal – Health Care Will Obamacare Survive?

The answer largely depends on what the U.S. Court of Appeals for the Fifth Circuit decides in the coming months. On July 9, this court in New Orleans heard arguments on a case that could upend the 2010 Affordable Care Act (ACA). This threat was filed by a group of 20 red states, including Indiana, in 2018, which the Trump administration has joined.

Their argument is that Congress' decision to scrap the individual mandate penalty in its 2017 tax cut rendered the law unconstitutional because the Supreme Court previously upheld the mandate as a valid exercise of its taxing power. The three-panel U.S. Fifth Circuit Court is made up of two Republicans and one Democrat.

Politico analysis (<https://www.politico.com/story/2019/07/09/obamacare-lawsuit-1404171>) on the possible decision scenarios: "They could back the lower court ruling invalidating all of Obamacare or overturn it entirely. The judges may also determine that the elimination of the individual mandate penalty only renders certain parts of the ACA unconstitutional, such as its protections for individuals with preexisting medical conditions. That was the Trump administration's original stance on the lawsuit before recently embracing the lower court ruling against the entire ACA."

On the flip side, “The judges could toss the entire lawsuit if they determined the red states who brought the case haven’t suffered any harm from the removal of the individual mandate penalty. Attorneys for those states argued that even without a tax penalty, the mandate causes harm by forcing them to spend money on government health care coverage for more people.”

One thing seems certain. If the appellate court rules against the law, that would pretty much guarantee the ACA’s survival once again will come down to the Supreme Court.

Resource: Mike Ripley at (317) 264-6883 or email: mripley@indianachamber.com

Federal – Labor Relations

House Passes Job-Killing Minimum Wage Hike, Ignoring the Economic Pitfalls

On Thursday, the U.S. House of Representatives passed the Raising Unemployment for Americans Workers Act (H.R. 582), legislation put forth by House Democrats, 231-199. The vote was nearly along party lines, with only six Democrats opposing while three Republicans supported it. The bill’s intent is to raise the minimum wage to \$15 per hour over a six-year period.

The Indiana Chamber believes market conditions pertaining to the supply and demand of labor for different occupations should drive wage levels. And that this proposed government interference into the marketplace for wage levels should be rejected. The legislation would have a devastating impact on lower-wage earners who could lose their positions with an increase to the minimum wage, as well as adversely affect local economic development.

Indeed, the Congressional Budget Office (CBO) recently reported that more than doubling the current federal minimum wage of \$7.25 to \$15 could cost 1.3 million jobs when fully implemented by 2025, costing employers a staggering \$51 billion annually. CBO also stated that this was a median forecast and would equal roughly 0.8% of the workforce. While wages could rise for as many as 27 million workers, in a worst-case scenario some 3.7 million jobs could be lost.

The silver lining here is that Senate Majority Leader Mitch McConnell is highly unlikely to take up the measure and President Trump is on record with a veto threat.

Congressman Larry Bucshon, M.D. (IN-08), who said the bill “would move our economy backwards” and voted against it, offered some advice for his colleagues: “Instead of focusing on minimum wage policies, we should instead be focused on policies that maximize economic opportunities for Americans.” The Chamber couldn’t agree more.

Resource: Mike Ripley at (317) 264-6883 or email: mripley@indianachamber.com

Education and Workforce Development

Local Career Coaching Grants Offered to Key Stakeholders

With a portion of the workforce challenge being the need to educate young people about future career opportunities, a new resource is being made available to employers and their local partners.

The Governor’s Workforce Cabinet is offering two types of Local Career Coaching Grants to encourage communities to come together and create a sustainable system for the delivery of career information. Each application group must contain a representative from four categories: employers, K-12 education, postsecondary education and community-based organization.

There are two opportunities for funding. The first is a planning grant, which enables communities to organize and map out resources already available locally and provide a strategy for advancing career counseling. Planning grants last for one year and can be up to \$10,000.

Implementation grants are made available to groups that have conducted planning sessions and created a delivery system but may need more help to address the career coaching deficit in the community. There are no set amounts for these grants

Applicants who are awarded a planning grant will then be eligible to apply for an Implementation grant upon completion. The Local Career Coaching Grants will last for up to three years.

The deadline for the first round of grants is Aug. 1. Applicants will be notified of awards on Aug. 15.

Learn more at

https://content.govdelivery.com/attachments/INSPD/2019/07/01/file_attachments/1240664/Local%20Career%20Coaching%20Grant%20FAQ.pdf.

STEM Focus in Latest Chamber Podcast

Danielle Shockey has two decades of public education experience and is in her second year as CEO of the Girl Scouts of Central Indiana. The two factors are coming together with the recent announcement of the organization being a program partner in an all-girls school focused on STEM education. It's a natural combination.

The Girl Scouts have a rich STEM history and an ever-growing STEM focus. Our state and country have a desperate need for more young girls interested in science, technology, engineering and mathematics to become professionals with careers in those industries. Shockey shares how the idea originated, the reactions that have been received and next steps in our EchoChamber podcast (<http://www.indianachamber.com/echochamber>).

Resource: Jason Bearce at (317) 264-6880 or email: jbearce@indianachamber.com

Technology and Innovation

Learn a Lot From Jack and Jack About Strategic Technology for Organizations

Technology – in the form of making it a strategic part of your workplace and preparing for the future – takes center stage in the EchoChamber. We get help understanding it all through conversations with a pair of Jacks, as in Mansfield and Uldrich.

Jack Mansfield is leader of digital workplace strategy for Bell Techlogix and a member of both the Indiana Chamber's Technology Policy Committee and board of directors. He has seen many changes during his nearly 16 years with the organization, but notes some of the key issues for employers are relatively similar (you have to listen in for the exact reference).

Companies taking full advantage of today's capabilities are those that have gone from viewing information technology as the "cost to keep the computers running" to "critical to the growth of our company". Mansfield talks about what might seem like a minor evolution from chief information officer to chief innovation officer. The new focus, however, is critical.

We mix in a little discussion about Wabash College and the growing number of Little Giants that are making an impact in so many areas of Indiana business.

Our second Jack – Uldrich – is a futurist based in Minnesota. He spoke to the Chamber board of directors at its recent meeting and followed up with a broader message for our EchoChamber audience.

Uldrich opens by commenting that "today is the slowest rate of change we will experience going forward." He points out some facets of business and consumer life that will see 1,000-fold increases in the next decade.

A prolific author in addition to commentator and keynote speaker, Uldrich explains the AHA philosophy. That's AHA as in awareness, humility and action. He outlines what each means and steps people have to take to successfully adapt. The Internet of Things, 5G and more are explored. The closing point from Uldrich: "The best way to predict the future is to create it."

All EchoChamber conversations are available at www.indianachamber.com/echochamber.

Resource: Adam H. Berry at (317) 264-6892 or email: aberry@indianachamber.com

Interim Update Sponsorship Opportunity | Mark Your Calendars

- The Indiana Chamber knows policy – it's been that way since the organization was officially formed by business leaders 97 years ago. We communicate about state and federal policy throughout the year with weekly (and often more frequently) Legislative Reports during the Indiana General Assembly session and monthly Interim Updates for the remainder of the year. You can benefit from the Chamber brand with an exclusive sponsorship of these e-publications. It's your ad, a link to your web site and the added opportunity to offer some perspective in the Chamber blog. Contact Tim Brewer at tbrewer@indianachamber.com to learn more.
- The Indiana Chamber is helping businesses tackle the sensitive and all-too-real subject of workplace violence. On August 14, the Active Threats in the Workplace seminar will focus on how to identify, address and prevent these tragic incidents from happening. Industry expert Vantage Point Consulting will be presenting the program. The event is designed to equip participants and their businesses with the knowledge to detect warning signs and respond to an active threat, should it arise, as well as demonstrate techniques for de-escalation and prevention activities that can help keep businesses safe. Register to attend at <https://www.indianachamber.com/event/active-threats-in-the-workplace/>.