Commentary

? Back in the mid-late 1980s, Washington County adopted a County Economic Development Income Tax (CEDIT).

This tax is predicated on legislation passed by the Indiana State Assembly in 1984. According to the Indiana Department of Local Government Finance, the purpose of CEDIT is "for economic development, capital projects, private developer loan interest, a regional venture capital fund, and any other lawful purpose. The last phrase of that quote notwithstanding, it seems clear to me that the intent of the lawmakers was for the CEDIT monies to promote/advance/enhance/stimulate/generate/encourage/facilitate (you choose the verb that works best for you) economic development efforts and projects within the county and the region of which the county is a part.

In recent years, Washington County has generated and received CEDIT revenues between $600,000 and $800,000 per year. That money is derived from an local option income tax on resident workers of the county and any non-resident who works in the county but does not live in a county with a CEDIT.

In 2005, The State Assembly rewrote the legislation to allow local elected officials (LEO) to use the CEDIT money for anything that they deemed would facilitate economic development. It should be noted that the action of relaxing the wording in the legislation was not intended to give LEO a blank check but rather to give individual counties and municipalities the latitude to fund economic development strategies and projects in a manner suited to the specific needs of the local economies. Still, the intended purpose of the funding remained the same–economic development.

Back in December of 2007, I wrote an article that compared the economic development efforts and results in Washington County, Gibson County (location of Toyota plant), and Decatur County (location of new Honda plant). The purpose of that article was to focus attention on the efforts and resources being brought to bear on attracting new employers to rural Southern Indiana communities. In the article, the budgets of the three counties' economic development organizations were published along with the budgets of several other Southern Indiana counties with similar demographic profiles to Washington County. Even to the most casual of readers it became obvious that Washington County, despite all of the political rhetoric about efforts to attract good jobs was not playing in the same league as some of its neighbors. Simply put, Washington County is trying to do it "on the cheap."

All sorts of sports analogies fit this scenario, but the one that probably will make sense to most people here in Southern Indiana is one dealing with NASCAR and IndyCar. Week in, week out, the teams that are willing to spend the money for the best equipment, best testing, and best personnel win the majority of races; not all the races, but the majority. So too is the economic development race won or lost.

That brings me back to the CEDIT money. The most recent budget proposed by the Washington County Board of Commissioners calls for $645,000 in the CEDIT Fund. Of the money, $30,000 is earmarked to help fund the Washington County Growth Partnership. That is equal to 4.67 percent of the total amount of money that is supposed to be the economic development seed money for Washington County. So where will the remaining 95.33 percent of the CEDIT money go?

A good way to anticipate the weather, the stock market, or human behavior is to study past performance and see what happened during similar situations. It is reasonable to expect that the future actions of the Board of Commissioners and the County Council will be similar to the past actions of these groups in regards to the spending of CEDIT money.

In 2004, $550,664 of CEDIT money was spent on road projects.

In 2005, $558,296 of CEDIT money was spent on road projects.

In 2006, $659,563 of CEDIT money was spent on road projects.

In 2007, $706,127 of CEDIT money was spent on road projects.

In 2008 (through May), $150,008 of CEDIT money was spent on road projects.

I realize that I am not the shiniest marble in the bag but I think I see a pattern emerging. Economic development and asphalt are synonymous, right? I know, I know, good roads are important to economic development, but not all roads. Besides, the most heavily traveled roads in the county are maintained by the Indiana Department of Transportation.

Although I have not delved into the issue deep enough to pinpoint the exact roads and type of road work being done with CEDIT money (it is easy enough to do since it is a matter of public record) I am willing to bet that the purpose of paving many of these roads has far more to do with political expediency and votes than a long term, focused economic development plan--Call me cynical.

As the cost of paving one mile of county road escalates to over $60,000, it may be time to admit that we can no longer afford to spend our economic development seed money frivolously on paving roads that have little or no direct impact on the economic growth of this community. Trying to keep the current paved roads of Washington County repaved on a regular basis is like trying to bail out the Titanic with a five gallon bucket. It is time to face the reality that some roads are going to deteriorate before the current cycle of paving gets back to them again.

According to information obtained from the Washington County Highway Department, a little more than 20 miles of county roads can be paved in 2008 due to the high price of asphalt. At that rate, county residents can expect to be on the 40-year road repaving plan considering that nearly 800 miles of county maintained, paved roads currently exist in Washington County. The point is, with the high price of asphalt, a different, more productive use of CEDIT money must be considered by county officials. The small amount of paving it will accomplish pails in comparison to what can be done if the money is used as it was intended.

A recent example of using CEDIT money in the manner that is in synch with the spirit of the legislation that established the tax is the joint effort between the City of Salem and Washington County to demolish the old Parks & Recreation Building at the corner of High Street and Market Street along with the Old Cheese Factory on South Main Street in Salem. The properties will eventually be used for increased parking, commercial development, public space, or a combination thereof. The Washington County Board of Commissioners reluctantly agreed to spend $30,000 of CEDIT money (approximately one-half mile of asphalt) to make the project work. The Commissioners argued that the money should come out of some other fund but the County Council would not authorize the expenditure unless it came from CEDIT money, as it should have.

When personal finances at home get to a point that eating out on a regular basis, or buying a new spring wardrobe, or going on vacations is cutting into the money needed for the long term investing in the kids' college fund or for the establishing and growing of a retirement plan it is time to cut back on the discretionary spending and start to realize that we are living above our means. Of the approximately 890 miles of county maintained roads, a little over 100 miles are gravel. Maybe we are going to have to face the facts that a wiser use of our limited funds is to let some of the less traveled roads remain or return to gravel and start patching rather than paving the moderately traveled ones.

The road my wife and I live on in the southeast part of the county is a good example of this idea. When we moved to Washington County 26 years ago, the road was gravel; today it is paved. Of course, we prefer a paved road to a gravel road but, in all honesty, I have serious doubts that my section of Hurst Road has any significant, positive impact on the economic development of Washington County. I realize that a gravel road may take a worse toll on our vehicles than a paved road but that would be a small price to pay for strong, county-wide economic growth.

Using such a large percentage of CEDIT money for road work and defending the practice by saying that good roads are important to economic growth is like taking $200 out of the family grocery budget to buy a couple of tickets for a Colts game this fall and rationalizing it by saying the hot dog you eat at half time will be supper.

One way to gauge economic well being in a community is to compare the per capita income in that community to the per capita income across the state. According to information available through the Indiana University, Kelley School of Business website, StatsIndiana at www.stats.indiana.edu/profiles, the per capita income in Washington County is $26,322 and $32,288 for the entire state of Indiana. That ranks Washington County 77 out of the 92 counties in the state. In other words, Washington County's average income is 18.5% less than the average income of the rest of the state. Of course, those numbers take into account all types of income from salariers/wages to interest income and rental income.

An even more revealing comparison is one dealing with the hourly wage averages for jobs in manufacturing, warehousing, and transportation. The state average for these types of jobs is $24.01/hour compared to Washington County's average of $15.10/hour. That is a difference of 37%. Washington County workers employed in these sectors make less than 2/3 of what the rest of the state makes. Image the impact on the well being of county residents with a wage base and tax base 37% more than it is now. A 37% increase in the CEDIT money alone would be between $225,000 and $300,000 per year, not to mention all the new home construction and property tax revenue that would come along with those new homes.

CEDIT money is intended to be an investment in the economic future of a community. Keep in mind that spending money and investing money are not the same thing. By definition, investing implies a degree of risk taking in order to achieve a commensurate return on that investment. Spending money on something that does not bring with it an anticipated return on investment is just spending, not investing.

I would welcome the opportunity to review the 3-year, 5-year, 10-year, and 25-year strategy that the LEO of Washington County have to bring us up to the state averages. Oh, I forgot–asphalt–Never mind. Where is the vision; where is the long term planning and wise stewardship of our economic seed money? The next time you walk out to the mail box, look down at the county road. There is the answer. Money that should have been used for recruitment of new businesses, training for local entrepreneurs, low interest start up loans for new businesses, business incubators, broad-based infrastructure projects, and a whole myriad of proven economic development strategies is on the county roads. Keep in mind that money is, and has always been in the county budget for road work, even if the CEDIT had never been enacted back in the 1980s.

Local officials can point to projects like the new retail developments on South Main Street in Salem or the concept of raising the water level of Lake John Hay as economic development projects. Of course, they are good examples of growth but where is the unified, long term strategy as opposed to what appears to be a hit-or-miss, shoot from the hip, bandwagon behavior that has landed Washington County behind the economic 8-ball.

Going back to the personal finance model; if you don't think and act long term regarding your children's college education and your ability to retire with some degree of dignity then you are going to be standing on the platform when the train pulls out of the station. Without the long term plan and vision, it is impossible to determine if short term strategies and opportunities are moving you closer to your long term goals.

If Washington County has any hope of being relevant to the economic growth of Southern Indiana and the Midwest in the future, then it is time for county officials to look past the next election cycle and look to the next decade and beyond by investing rather than spending CEDIT money.