



Pence's key to jobs, innovation may hinge on subsidies

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January 2, 2017

Vice President-elect Mike Pence has found success in attracting manufacturing jobs to Indiana while governor. But that success has been based on subsidies and tax breaks that he once opposed and in some cases have backfired.

The Indiana development plan that Pence spearheaded, which is still being implemented, includes a broad swath of 21st century job creators.

Some projects, like a \$64 million plant being built by French auto-supply giant Faurecia, have been described with one word — "wow" — because of the innovation and complexity involved.

That plant is probably one of the boldest being developed in the country.

Ironically, the company is making products that benefit from the Environmental Protection Agency's strict emissions regulations for vehicles under the Obama administration. President-elect Trump opposes a number of EPA's regulations because he says they kill jobs.

The plant has been likened to a gigantic 3-D printer with large robots and automated vehicles working in conjunction with their human cohorts to manufacture advanced emissions-control devices for Cummins' line of diesel truck engines.

Part of the reason for companies to invest in the state is the matching grants and numerous tax subsidies that the Pence administration proposed to dole out under its Indiana Regional Cities Initiative and other development programs.

The cities' initiative, for example, is made up of seven regions, with nearly \$4 billion in investment using public and private investment dollars.

It is currently providing \$126 million in matching grants for proposals in three regions of the state, while offering a slew of tax breaks, subsidies and other perks to attract businesses.

A big part of the new investment in the state has come from the auto industry, which included major upgrades to plants owned by Honda and Toyota, in addition to Faurecia's plant.

Some of the Pence tax breaks include a credit for relocating a company's headquarters to Indiana, which Trump said he supports as long as a company doesn't move jobs out of the country. Trump doesn't mind a company moving from one state to another to take advantage of a more favorable business atmosphere.

Other incentives that Pence supported as part of the Indiana Economic Development Corporation and investment initiative included research and development incentives and tax credits for venture capital investments, industrial recovery subsidies for updating old facilities, workforce retraining grants and many others.

Pence has found himself a target of criticism by some conservative groups because of his reliance on subsidies.

The Downsizing the Federal Government website, a project by the libertarian Cato Institute think tank, has written extensively on Pence while he was in Congress and as governor for supporting tax subsidies, despite opposing the idea in political talking points.

"When he was a high-ranking conservative Republican in the U.S. House of Representatives, Mike Pence was a chief critic of Washington's out-of-control spending and growing debt," one of the website's contributors, Tad DeHaven, wrote when Pence took over as governor. "Now that he is Indiana's governor, Pence is dependent on the same federal largesse that he bemoaned. Most Hoosiers would be surprised to know that under Pence's first budget proposal, federal funds would have accounted for around 35 percent of total state spending," he wrote.

"According to popular myth, Democrats favor government planning of the economy and Republicans favor free markets," DeHaven added in a separate blog. "Today's example of why this is baloney comes from the Republican governor of Indiana, Mike Pence."

DeHaven wrote that in 2013, when Pence announced the need for a new energy plan for his state to support job growth and expansion, the state's energy offices drafting the plan received federal subsidies to do so. DeHaven said that's fine, but it should be noted that all subsidies have a price.

"The appeal of federal funds to governors is obvious: They get to spend additional money without having to raise taxes on their voters to pay for it," he added. "A problem with this arrangement is that it creates a fiscal illusion — state taxpayers perceive the cost of government to be cheaper than it really is. In effect, the federal money and a large part of the annual budget appears to be 'free.'"

The same, it appears, goes for state subsidies when it comes to keeping jobs in the state.

The Hoosier State's IndyStar newspaper in an investigative report published in August showed that the tens of millions of dollars in state incentives under Pence did not prevent companies from sending jobs to other countries, which Trump has vowed to oppose as president. The Pence administration had to fight with the companies to get the money back or take the loss.

One of the companies in question was the air-conditioning manufacturer Carrier, with which Trump later negotiated to save some of the jobs the company was planning to send to Mexico. Critics say the much-publicized deal did little to reverse what the company had already set in motion months earlier.

The newspaper said companies are able to send jobs overseas while receiving subsidies because the job creation and retention requirements in the state's incentive agreements are narrowly written to pertain only to a single facility. That leaves workers at other facilities vulnerable to offshoring.

Ten companies, including auto giant General Motors, took the incentives before deciding to ship jobs abroad where labor costs are cheaper. Trump has vowed to punish companies for doing that by leveling excise taxes on the products they want to sell in the U.S.

But the heightened critique and Trump's threats haven't stopped companies from flocking to Indiana.

The Faurecia plant project alone will create nearly 2,000 jobs when it opens this month, making it the second largest employer in the southern region of the state.