Journal Review

Promises delivered

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In his first State of the State address in 2005, Gov. Mitch Daniels announced, "Our state's public finances are in ruins." Unaware of the coming recession, he made four promises to citizens: To work to strengthen the economy, make government leaner and more efficient, modernize infrastructure and improve public education.

On Tuesday, Indiana voters will select Daniels' successor. In most quarters, he's considered a hard act to follow, especially considering the economic downturn that Indiana weathered from 2007 to 2009.

This column surveyed a half dozen leaders in tax and spend policy, business climate, and education reform to grade Daniels' time in office. To a person, they said: Promises delivered.

Daniels doesn't get perfect marks on all agenda items. For example, Aaron Smith of Watchdog Indiana labeled Daniels as "taxpayer unfriendly" for the first three years of his tenure. His first budget included seven property tax increases, he spearheaded a food and beverage tax to pay for Lucas Oil Stadium, he allowed new local option income taxes and he consented to increased pay for state legislators.

Smith echoes Chris Edwards of the free market Cato Institute, who recently rated the governors on fiscal policy. Edwards gave Daniels a B instead of an A for his "mixed record on taxes" and for caring more about balancing the budget than shrinking government.

By most measures, government is leaner, said Patrick J. Kiely, president of the Indiana Manufacturers Association, and Kevin Brinegar, president and CEO of the Indiana Chamber of Commerce.

Indiana is one of about 12 states with a AAA bond rating, a key measure of a state's financial reputation. In one of his first cost-savings acts as governor, Daniels rescinded collective bargaining rights for state employee sand drew none of the firestorm that occurred in 2011 when a similar proposal was signed into law by Wisconsin Gov. Scott Walker.

State employee numbers, not counting Department of Corrections and welfare caseworkers, “are lower than any time since the 1970s,” Brinegar said.

Daniels also reformed government services previously known for bureaucratic ineptness. Overall visit time at the Bureau of Motor Vehicles has dropped from more than 30 minutes to under 14, and customer satisfaction is over 95 percent. The Indiana Department of Environmental Management has cut in half the time it takes for businesses to get permits.

Business climate is also healthier, Kiely and Brinegar agree, citing, among other things: a shift in the income tax formula that favored companies that kept their capital and employees in Indiana, a cap on manufacturing property taxes, a cut in the Indiana Corporate Income Tax and the phasing out of the Indiana Inheritance Tax.

Some taxes went up under Daniels, which in part explains why he was not in the elite group of four governors who earned “A”s from Cato for tax and spend policies. The sales tax went from 6 to 7 percent, but in exchange property taxes were capped for homeowners at 1 percent of assessed valuation. Cigarette taxes went up, but that helped pay for health care insurance; unemployment taxes rose to eliminate a deficit in the unemployment insurance fund.

Tax hikes aside, Smith gives Daniels a “taxpayer friendly” rating.

When Daniels took over, Indiana faced a budget deficit of more than $820 million. At the end of fiscal 2012, Indiana enjoyed a surplus of more than $500 million and $2 billion in reserve funds. Pretty good for a governor who led Indiana during the worst recession since the Great Depression.