

## **Testimony to the Indiana House of Representatives, Committee on Commerce, Small Business and Economic Development**

### **HB 1035, January 22, 2014**

I am Michael Hicks, a professor of economics and director of the Center for Business and Economic Research at Ball State University. I am here today to speak to the Regional Cities Initiative which Governor Pence spoke about in his State of the State Address, and which HB 1035 offers the first portion of the initiative.

At the outset I want to make clear I think the concept of the Regional Cities Initiative addresses the most critical economic development problem Indiana now faces, and will face for some time: a chronic decline in the relative standard of living of households and acutely uneven population growth.

Second, as I understand this proposal it is heavily reliant on private sector participation, which is important for a number of reasons I will shortly detail.

Finally, this is an innovative proposal, which will help Indiana and her communities across a number of economic development efforts.

Let me explain.

Much of the research my Center has produced in the past few years points to the significant worries about personal income growth and population decline in major parts of the state. These include studies on personal income, community assets, economic development, regional transportation and others.<sup>1</sup> Today I pass out a White Paper (The Future of State and Local Economic Development Policy) which condenses many of these arguments into a more digestible form and lays out the policy ramifications of the problem. This work is a joint effort by me, my colleague at Ball State, Dick

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<sup>1</sup> See these studies and the White Paper at [www.bsu.edu/cber](http://www.bsu.edu/cber)

Heupel and Dave Terrell, the former head of the Office of Community and Rural Affairs and now a colleague at Ball State.

I should say that much of the research and programmatic work the three of us and our organizations have performed the last decade focuses on the idea that quality of place is a primary and increasingly more important economic development consideration facing Indiana communities. For example, I note in this work that traditional economic development efforts in Indiana touch only one out of every 22 new jobs. While these may be the most important 4.5% of new jobs, the remainder of our policies must focus on how we can develop the other 95 percent of jobs which come to the state. The Regional Cities Initiative does just this.

I have also passed out a map of our State in three colors. These are census tracts, and illustrate places that are growing (green), places in relative decline (yellow) and places which are in absolute decline (red). Unless we make more yellow places green, and morered places yellow, Indiana's long term economic prospects are only fair. The Regional Cities Initiative helps rectify the greatest problem, a relatively low quality of place in many of our most important cities.

Second, I think a strong private sector involvement is a key feature of this initiative. There is clearly leadership from the public sector on this issue in many towns and cities in Indiana. There are however, resource constraints. This initiative is large enough and flexible enough that it will help bring private sector leadership to bear on this issue. I personally trust the public sector leadership in many of the state's regional cities, but I know full well they would welcome more private sector involvement. Moreover, even if public sector dollars were limitless, the private sector owns many of the quality of place activities that make a difference in attracting and retaining talent in Indiana.

Third, I think the Regional Cities Initiative is flexible enough and big enough to address a wide variety of our state's economic development concerns. As you all know, each city faces some different problems and

some common problems. A structure that forces communities to think through these problems, prioritize them and prioritize solutions based on resources will do many things for our state. The idea is big enough to gain significant attention from the national economic development community. Indiana will again create a new ‘buzz’ among developers, competing states, and with the media. This will obviously do much for our marketing efforts. Think how much more powerful it will be for Indiana to have other people tell our story than it is to buy our own advertisements. This initiative will focus on regional cities, and obviously if successful will spur population growth and development. This will help ease the fiscal burden in these places in the long run, and will in at least some cases, draw more residents into central cities, alleviating much of the challenge of urban poverty and blight which holds back these cities.

Besides what this does for some cities, is the potential for significant improvement in the towns and rural places in Indiana. There are two pieces here that are especially important. First, small towns and rural areas in Indiana are very dependent upon the success of regional cities. Think of Portland, in Jay County. It is a pleasant place, many livable communities and good schools. They have made the place successful through more than a generation of focus on quality of place and human capital. Still, it is a nice, but small place. They will never have a large mall, many types of restaurants or a 12 movie Cineplex. For much entertainment and recreation they will rely upon Muncie and Fort Wayne. If Muncie cannot arrest its decline, Portland will inevitably follow, so too will the rural areas in Delaware, Jay and surrounding counties. Regional cities are key to successful and growing small towns and sustainable rural areas in our State.

Also, this proposal focuses on regional development authorities. I’ m not one to push for another layer of bureaucracy, but the fact is that my most recent study of tax incentives and that of other scholars finds that places with regional economic development authorities (RDA’s, EDA regions or MPO’s) all see better job growth and prosperity than places which do not have them. The proposal in the Regional Cities Initiative helps create and

sustain these organizations which can make a significant difference in the development prospects for Indiana.

So, let me close by arguing that the Regional Cities Initiative is, in my view, the most important new idea to address our deepest problems of declining relative personal income and population loss. It identifies the problem, works with the private sector in the places that are most immediately important to our state's economic development and this proposal tackles a lot of our seemingly disparate economic development concerns. It strongly urge this body to consider this legislation and think of ways of improving it and increasing its impact.

Very Respectfully,



Michael J. Hicks Ph.D.  
*Professor and Director*