

Attached as Exhibit A is a "pie chart" which depicts the distribution of tax funds paid by the average taxpayer. Significantly, the third largest recipient of local real estate tax revenue is the program operated by the State of Indiana in conjunction with federal welfare dollars. Specifically, 12.34% of the average tax bill goes to support the type of program that has historically referred to as "County Welfare".

The term "County Welfare" is a misnomer since the program is not conducted by the County but in fact is operated by the State of Indiana. The only thing that a county does is to provide local real estate tax revenue to defray the costs of the program. There is no local control over the program or its operation.

The costs of this program need to be shifted from a local property tax base to some other sort of statewide revenue source. The concentration of welfare costs is historic and acts as a "hammer" on the local tax base. Some other source independent of property ownership needs to be selected to fund this programmatic area. Property taxes are not the appropriate taxing medium.

To simply respond by saying that welfare is a local program overlooks the basic federal/state structure of this social welfare system. In addition, the concentration of recipients in some areas is the result of catastrophic economic changes that have occurred since 1970. Lake County has lost over 60 thousand jobs in the industry which were high paying, carried benefits, and contained retirement provisions. The effect on the local economy was predictable in creating an absence of readily available jobs for those people most in need.

The pie chart as Exhibit A is revealing in that the largest costs for programs contained within average taxpayer's bill are those over which the Indiana General Assembly has direct and primary input and control. Within Lake County, the elected State Senators and State Representatives in the Indiana General Assembly through their enactment of laws increasing responsibilities and providing funding mechanisms are directly responsible for the following components of the average taxpayers 2002 pay 2003 Lake County Gross Tax Rate Allocation:

|  |        |
|--|--------|
| Schools                                      | 33.05% |
| State Welfare                                | 12.34% |
| County Civil Law and Criminal Justice System | 10.63% |
| State Fair/Forestry                          | 0.84%  |
| Total  | 56.10% |

The General Assembly has historically responded by altering the impact of these costly areas on local real estate taxes by adopting alternative funding mechanisms such as the property tax replacement credit. What is needed now is another way to shift the above costs off of local property tax rolls.

I know that this is a lot to ask. The place to start obviously is in the state welfare system since local people have no control at all over this area and a successful shift of funding