

# Cardwell's vision for 'big tent' GOP

Incoming chairman has Gov. Pence's ear, and seeks humanitarian imprint on party

By **BRIAN A. HOWEY**

INDIANAPOLIS – Incoming Indiana Republican chairman Jeff Cardwell represents a different type of figure for that job. He has had a long political, professional and personal relationship with Gov. Mike Pence, who in a conference call with the 18-member Indiana Republican Central Committee last week nominated him to replace Chairman Tim Berry.

Cardwell, an Indianapolis businessman, former city councilman, head of the governor's

Faith-Based Office, and humanitarian with a long history with groups like Habitat For Humanity and People Helping People, met Pence during his first congressional campaigns almost three decades ago, and has been involved in the governor's career ever since. As Pence finishes his third legislative session, Cardwell has not only



been an internal policy and political sounding board for the governor, but he will have a seat at the table in the next six to eight weeks as Pence faces perhaps his toughest decision to date, which is whether to seek reelection or

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## 30 political 'don'ts'

By **BRIAN A. HOWEY**

INDIANAPOLIS – With the saga of Rep. Justin Moed finding at least temporary equilibrium after his sexting-capade, we've been urged by several of our readers to update our "Mistakes Politicians Should Avoid" list.

Here goes:

1. Avoid Sydney Leathers. Do not follow, text, Instagram, Facebook, Tweet, bleat or meet anything with the Evansville social media sextpot.
2. Don't run for office if you owe child support.
3. Don't run for office if you've had multiple DUIs or illegal drug violations.
4. Be honest if you've ever had to file for bankruptcy,



**“We have no higher priority than the safety of our children and families and will do what is best for our kids.”**

*- Gov. Mike Pence, announcing the addition of 100 new case workers to the Department of Child Services*



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either personally or with a business. Say that you are a practicing capitalist willing to assume risk.

**5.** Don't run for office if you've had a domestic violence charge or conviction. This should not include the "restraining order" filed during a contested divorce proceeding (a favorite weapon of embarrassment for dueling attorneys).

**6.** Don't beat your wife/girlfriend at a Jimmy Buffet concert while wearing a parrot head shirt.

**7.** Don't run for office if you're a slum lord.

**8.** Don't Tweet crotch shots. In fact, leave all bared genitalia and breasts off of social media.

**9.** Don't Tweet or post on Facebook while intoxicated.

**10.** Don't seek prostitutes, either male or female, on websites. In fact, avoid all prostitutes.

**11.** Don't "like" pornographic or radical websites.

**12.** Don't criticize clergy and churches in your district during Twitter rants. Criticism reduced to 140 characters can easily be misinterpreted.

**13.** Avoid airport restroom stalls other than for performing normal bodily functions. Ditto for the Claypool Courts restrooms.

**14.** Vote where you live. If you're living in your ex-wife's basement or sleeping on your mother's couch, you probably have better things to do than run for public office.

**15.** Live where you vote.

**16.** Don't get busted or outed in the immediate months preceding the Gridiron.

**17.** Don't run for office if you're being sued by your church, university or civic organization.

**18.** Don't run for president, governor or Congress if you're having an extramarital affair or have fathered a love child. If you are having an affair, don't bait the press and then do a cruise on the "Monkey Business."

**19.** Don't brawl with the Palins at a beer bash.

**20.** Don't be a hypocrite. Voters despise hypocrisy.

**21.** Keep current on your property taxes.

**22.** Don't claim the home-



stead exemption on your rental property.

**23.** Don't lobby for legislation while in office that would allow you to make a profit, particularly a million dollar profit.

**24.** Avoid Downton Abbey themed public office remodeling projects that would, in any way, be under written by taxpayers or with companies where you could be criticized for having a conflict of interest.

**25.** Don't compare summertime Hoosier flea markets with any similar setting in Iraq, Syria or Afghanistan while wearing a flak jacket.

**26.** Don't run campaign ads where you declare "I'm not a witch" unless you want voters to compare you

to Monty Python.

**27.** Don't put campaign lists on public computers, or lift political party data lists without proper authorization.

**28.** Don't stage rotunda press conferences where you upbraid your leadership unless you are seeking to shed staff and switch your seating assignment to be with your friends "across the aisle."

**29.** Don't compare a political campaign to waging war against a guerilla group such as the Viet Cong. Combat veterans will not be amused.

**30.** Don't glance at your watch during a debate, forum or press conference. Voters and the press will think you really want to be somewhere else. ❖

## Cardwell, from page 1

nomination for the U.S. presidency.

On Tuesday, it was reported that Pence would attend the "invisible" Republican presidential primary of Sheldon Adelson in Las Vegas later this month, just a few weeks after he met with key Club For Growth donors. Into these potential momentous events comes Cardwell, who will almost certainly be elected chairman on April 1.

On Wednesday, Pence said of his incoming chairman, "Jeff Cardwell is a man well known in Central Indiana but not well known around the state. I think as people get to know him they will see he is a guy who has paid his dues, come up through the Republican Party. He is one of the biggest hearted people I've ever met in my life. He's somebody who has been a friend of mine for 30 years. I think he is going to lead our party with great distinction."

In our phone conversation with Cardwell on Wednesday, the incoming chairman was quick to point out that while it may be a fait accompli, "It's just a nomination. The state committee still has to have a vote." He stressed that he did not want to come off as arrogant or take the chair position for granted. HPI pressed Cardwell for this interview, following our publishing tradition of a question and answer feature for each incoming major party chair.

**HPI:** Why did Gov. Pence decide to make this change at this particular time?

**Cardwell:** I'm not sure he chose to make the change. I was asked if I'd be interested to come in and

lead and, of course, I am all about bringing new energy and new people and giving opportunities for everybody to play a role. I just look forward to the opportunity to come in, build some new excitement and go on a listening tour to see what the needs are across the state.

**HPI:** What is your perception of the state of the Republican Party? Over the past several months, we've heard that fundraising wasn't where it needed to be and that there were communication and personnel issues.

**Cardwell:** We've been really blessed with some great leadership over the years. I've looked back to the days of Rex Early, Mike McDaniel, a number of those guys are friends

of mine, Gordon Durnil. I've known all of those guys for many years, and, of course, Eric Holcomb. You go through different eras and different times. We are entering a new season and a new time. The culture is changed. I want to move forward to getting new people involved, young people, college Republicans, really people from all walks of life. Just as spring season is upon us, this is just a new season. It's different. It's time to look at new opportunities.

**HPI:** Is the party where it needs to be from a technological standpoint?

**Cardwell:** It's just like being in business. When you're in business you come to a crossroads to reinvent yourself with some type of new technology. The technology and innovation we have all across the state of Indiana, across America; Indiana has led the way, whether it is data analytics or private sector innovation. People like Exact Target's Scott Dorsey and Chris Baggott, who in 2000 started a whole new industry on the south side of



Indianapolis. It's a worldwide industry today and it's really changed the way we communicate. It's constantly evolving and changing. If you're standing still, you're losing ground. We'll look at all the new tools in the tool box, not only here but what others are doing across the country. That's something we look forward to embracing. It's good for economic development from all sectors.

**HPI:** As a businessman and an Indianapolis councilman, were you tapped into the kind of innovations that were going on at Exact Target?

**Cardwell:** I very much understand it. Chris Baggott is a friend from when he was in the dry cleaning business. We were a beta test site when they were developing the program. The Do It Best family is headquartered in Fort Wayne and is a worldwide leader in retailing in the building materials and hardware industry. I've been doing that since 1976. There's a lot of innovation. We've got a lot of great talent in Indiana. Do It Best Corporation is a worldwide leader founded in Indiana in 1945. So, yeah, we're going to embrace that technology. We are constantly looking at analytic products, and we are going to look at those technologies and innovation for the party.

**HPI:** In 2000, George W. Bush's campaign was state of the art in technology. In 2008 and 2012, Barack Obama's campaign pushed it forward. Have you studied them and, if so, what have you learned?

**Cardwell:** I wouldn't say I've studied those programs. I watched them evolve. It's the same thing in business. You see new products and new innovative techniques with technology, and we're going to embrace that. We're going to turn over every opportunity to grow. It's really Economics 101 and how we move Indiana and America forward.

**HPI:** You talked about cultural changes and a new era. How do you define those developments?

**Cardwell:** First thing I want to do is listen and see what's on the mind of people across our state. One of the focuses will be on the simple basics of planting the seeds of hope and getting people involved in their communities, creating jobs, infrastructure and public safety. These are formed at the local level and are important statewide and nationally. In business, you over-complicate some of the bigger issues when it really comes down to the basics. If we keep our eye on the basics, public safety, economic development and infrastructure, I think the private sector will take care of itself.

**HPI:** Do you see the Indiana Republican Party in the big tent concept? There were some rumblings in the

party when your name surfaced for chair that you were perceived as an ideologue. What kind of message would you like to convey?

**Cardwell:** The broader message is everybody is welcome. This is an opportunity to grow Indiana. There's a role for everybody to play. We are going to be focused on how we build the family foundation, how we do economic development. How do we direct economic development for individual and family growth across our state, the basics of infrastructure and public safety? We've got a lot of good men and women all across our state. One of the great privileges is to travel the state and really get to meet fantastic people who are doing great things in the private and public sector. Indiana has a great story to tell. We want to continue to tell that story all across the state but also share some of the innovations in Indiana all across the country.

The Republican Party is a big tent and there are roles for everybody to play. It is open to everyone.

**HPI:** What is your personal history with Gov. Pence?

**Cardwell:** We met in the late '80s when he decided to run for Congress. I got to know him then; we found we had a lot of things in common. I appreciated his passion for America. I was a volunteer on his campaign, was a supporter then, and through that we developed a friendship. Of course, he didn't win the first time around, we tried again the second time and he wasn't successful. After that we continued to stay in contact. He started his radio career; I followed that career for a long time and stayed in touch. In the late '90s, when there was talk about David McIntosh running for governor, that created an open seat and many of us encouraged Mike Pence to take another look at it, because of his patriotism, his passion for America and for all people. As you know, our non-profit organization is called People Helping People. Mike was always concerned about helping the least of the people. That was just something that was important to me and my family.

**HPI:** What role did you play in Gov. Pence's 2012 gubernatorial campaign?

**Cardwell:** Same role that I did in the early days, to help push his message forward. I was a volunteer, a donor, a fundraiser. I was very passionate about his message of helping to grow Indiana.

**HPI:** Since he's become governor, do you have his ear? Does he bounce ideas off you? Put that in perspective.

**Cardwell:** I'm a senior advisor, special assistant to the governor. I offer opinions on policy matters. For 39 years I've been in small business. I've been a real estate



developer and have been in the lumber business. I bring a perspective that is different than others at the table. That's the goal of many of us as advisors. We come from different sectors from society. We provide insight and opinions so that he can have the information he needs to make the best decision on whatever policy he is deciding.

**HPI:** I've seen other political figures surround themselves with "yes men" who may not be able to offer candid assessments. Does Gov. Pence want an array of opinions and perspectives, some of which he may not like to hear?

**Cardwell:** That's an accurate statement. I offer opinions and several people offer opinions. Just because I offer an opinion doesn't mean he accepts it. He wants to hear opposing opinions. We don't always agree. What I have been most impressed with is there are so many talented people on his team. Many make huge sacrifices to be part of the team. Many have very successful careers and are not looking for a job. They are here because of their passion to serve Indiana and the passion to give back. That's the type of people I like to be around. I'm very blessed and very grateful for what I have and what God's given me. I'm not looking for a job. I've been very successful in my career and I'm very thankful for that, but I'm in a phase of life where significance is more important or just as important as success. It's something I strive for, to wake up every day and ask how can I have a significant impact on making life better for others?

**HPI:** Indiana Republicans have a wealth of power right now with two legislative super majorities, seven of nine Congressional seats, half the U.S. Senate seats, all but one of the constitutional Statehouse offices. There is the potential for a natural erosion. How will these elements impact your chairmanship? Will you try to maintain it all?

**Cardwell:** If you're focused on helping people and what's best for Hoosiers, then all the rest will take care of itself. How do we move Indiana forward? How do we provide economic opportunities? How do we continue to build on the foundation? We've had a lot of great leaders. I am honored to have this opportunity, because a lot of people have done this before me. How can we help people? I don't think we need to over-complicate it.

**HPI:** So the 2016 cycle is just over the horizon. We've learned that Gov. Pence is going to meet with Sheldon Adelson in Las Vegas in what's called the "invisible Republican presidential primary." Sen. Coats may not seek reelection. There could be some real change on the way. Tell me, from your perspective, how to process the political decisions before Gov. Pence in the next six to eight weeks.

**Cardwell:** I can't tell you anything different than what you know. I get the same answers you receive. The focus has been what's happening with the General Assembly. The governor has some great agenda bills right now. One close to my heart is the medical health shield. It can help a lot of people; that's totally above politics. A large portion of bills on both sides of the aisle are looking to help Indiana move forward; there is a lot of agreement. Everybody focuses on the things where people disagree, but a lot of people agree on many things. Right now the governor is laser-focused, spending a lot of time



with legislators and leadership and working with them to make sure we're doing what's best for Indiana. He's been really focused on this building. As he says, after the General Assembly is over and we get through this session, we'll focus on other issues.

**HPI:** After sine die, I assume you're going to be one of the people at the table when he makes his political decisions.

**Cardwell:** I will probably be one of those. There will be others. A lot of others.

**HPI:** What can you tell me about Sen. Coats and his looming decision?

**Cardwell:** I really haven't talked to Eric Holcomb or Sen. Coats. I only know the things you've printed, so I haven't had a sitdown with Sen. Coats or anyone on his team.

**HPI:** Anything else you'd like to address that I didn't bring up?

**Cardwell:** I believe there is a role for everybody to play and we are a big tent. We're going to focus on the basics: Jobs, infrastructure and public safety. We'll let the others resolve themselves. Sometimes we get caught up on things we disagree on. We want to focus on the people who make decisions every day in our cities and make sure they have the resources to do the job. I want to make sure we have that big tent open to everyone. That's my most important job. ❖



# Analyzing the looming decisions of Gov. Pence and Sen. Coats

By **BRIAN A. HOWEY**  
and **MATTHEW BUTLER**

INDIANAPOLIS – The current conventional wisdom has Gov. Mike Pence settling into an Indiana reelection campaign once May rolls around. But the scenario that might induce a presidential bid by the first term Indiana governor is not only there, it's growing.

Consider the latest NBC/Wall Street Journal Poll, which prompted the Washington Post "Fix" blogger Aaron Blake to write: 'It showed that Marco Rubio led the entire



GOP field when it comes to being a guy Republican voters could see themselves supporting. What I didn't mention:

Just three months ago, that guy was Jeb Bush. But while in December, 63% of Republican voters said they could see themselves backing Bush,

today it's just 49%. And it's hardly the only poll in which Bush has seen his fortunes declining."

On the same day, Politico reported that Bush was beginning to tamp down the \$100 million quarter expectation. While Bush will likely post a first quarter number that will be the envy of other contenders, it is not translating to support in the polls. And there was the Politico story on Rubio's bizarre house purchase with a colleague mired in scandal.

There has been wide speculation that Pence's May decision would be too late. Yet, Sens. Marco Rubio, Rand Paul (April 7 in Louisville) and Ted Cruz will officially kick off their campaigns in April, as will Democrat Hillary Clinton. In this scenario, Pence would only trail by a month or so on a timeline. For historical perspective, this was a similar timeline for Gov. Mitch Daniels in 2011, and U.S. Sen. Dick Lugar in 1995 for the 1996 nomination race. Bloomberg News reported Tuesday: "Two Republican governors who look great on paper, Indiana's Mike Pence and Ohio's John Kasich, have been tip-toeing around the fringes of the contest."

We've seen an early expected heavyweight (pun intended), New Jersey Gov. Chris Christie, go into free fall. The current "frontrunner" is Wisconsin Gov. Scott Walker, but he is already showing vulnerability on issues, such as comparing his potential dealings with ISIS to how he dealt with Wisconsin labor unions. There were stories about how Walker was taking a series of crash courses on

foreign policy (not the kind of story that supports a fully prepared contender). HoweY Politics asked former House Intelligence Committee Chairman Mike Rogers last week if he had met Walker. "I have met Gov. Walker," Rogers responded, "but I have not met with Gov. Walker."

And then there is the Hillary Clinton email story, the Clinton Global Foundation taking money from Chinese company stories, and the searing Maureen Dowd New York Times column that suggests the kind of evolving Hillary Evitaesque vulnerabilities that ended up in full bloom in 2008, producing the shooting star candidacy of Barack Obama. Dowd observed, "It has come to our attention while observing your machinations during your attempted restoration that you may not fully understand our constitutional system. Thus, we are writing to bring to your attention two features of our democracy: The importance of preserving historical records and the ill-advised glut-tony of an American feminist icon wallowing in regressive Middle Eastern states' payola." Vox's Ezra Klein openly daydreamed of an Al Gore candidacy.

Finally, there was the news that Pence will take part in the "Sheldon Adelson invisible presidential primary" in Las Vegas on April 25. This is where the billionaire casino owner will gather wealthy Jewish donors to consider a presidential candidate to back. Pence has been conspicuous in his support for Israel, his criticism of the Obama administration, and his admiration of the victorious Prime Minister Netanyahu.

HPI asked Pence about Adelson on Wednesday.

"Yeah, I read that," Pence responded.

Why are you going?

"He invited me," Pence said.

Plan on speaking?

"Absolutely. I have been a very, very strong sup-



**Table 2: Favorability of potential presidential candidates**

Potential candidate	Avg. favorable	Avg. unfavorable	Net avg. favorability▼	Total % with opinion
Chris Christie	30.6	45.1	-14.5	75.7
Jeb Bush	33.4	44.9	-11.5	78.3
Ted Cruz	27.7	35.7	-8.0	63.4
Rick Santorum	20.2	26.7	-6.5	46.9
Joe Biden	40.7	45.6	-4.9	86.3
Elizabeth Warren	28.8	31.1	-2.3	59.9
Mike Huckabee	34.3	36.4	-2.1	70.7
Scott Walker	25.1	26.0	-0.9	51.1
Rand Paul	35.2	35.6	-0.4	70.8
Marco Rubio	31.1	30.9	0.2	62.0
Hillary Clinton	48.5	44.4	4.1	92.9

Source: HuffPost Pollster

porter of Israel throughout my public life. The opportunity to speak about that and the importance of that relationship and the challenges we face is something I greatly welcome. Honored to be invited.”

Pence was asked if his change from Tim Berry to Jeff Cardwell as state Republican chairman was indicative of his focus on reelection, Pence seemed to joke at his Wednesday presser, saying in present tense, “My attention is right here.”

What might Pence and Pence watchers deduce from all of this?

- In a bid for perhaps the last open White House in his career timeline, the odds-on favorite (Clinton) is showing increasing signs of vulnerability that have Democrats across the nation fretting.

- The Republican nomination is wide open with no clear, enduring front runner to date. In a CNN/ORC Poll released this morning, Bush leads the pack with 16%, Walker follows at 13%, Paul nearly matches him at 12% and Huckabee holds 10% support. This is a party that four years ago counted frontrunners Herman Cain, Rick Perry and Rick Santorum until Mitt Romney emerged. Can you say “Party-o-flux?”

- It is not too late.

- There are a vast number of billionaires and bundlers who have not committed to a candidate and Pence is close to two conspicuous ones, David Koch and old ally David McIntosh at Club For Growth.

- The talent for a campaign is there, particularly when you consider that some of the historic long-shot campaigns (i.e. Bill Clinton in 1992 and Barack Obama in 2008) relied and flourished on new talent to the process such as James Carville and David Plouffe.

- Pence has had numerous opportunities to take a presidential bid out of the equation over the past several months, and resisted. He has had equal number of oppor-

tunities to fully commit to a reelection bid and has passed.

- And about that reelection bid: For a governor who won with a mere 49% of the vote in 2012, the reality is that his reelection bid may not be a formal trapeze through the garden. A number of Republican county chairs have told HPI over the past week they are concerned about the legislative Republican war on Supt. Glenda Ritz, and how it has invigorated her base and the sprawling education community. One southern Indiana chairman told HPI, “It’s one thing if they had sought to curtail the superintendent’s power with a Republican in office. But they are doing this to the only elected Democrat. It could really backfire.”

Those comments have been echoed by legislators like State Sen. Jean Leising. Last Saturday, several hundred educators and allies showed up to support Ritz at a legislative cracker barrel session in Terre Haute. This comes in Vigo County, which has been a presidential and gubernatorial bellwether county. As bizarre a notion as it seems, Pence might find a presidential race – even if he comes up short for the nomination – more of a career-extender than a potentially tough reelection bid.

So the Shellaesque conventional wisdom is that Pence opts for the reelect. In our view, the question is very much open, and as we’ve noted in recent editions, will truly be a game time decision with plenty of national options available.

### Sen. Coats’ reelection decision

The other intriguing story is the future of U.S. Sen. Dan Coats. Multiple informed and reliable Republican sources are now indicating to Howey Politics Indiana that they don’t believe he will seek a third full term in 2016. The sources, speaking on background, say that Coats aide Eric Holcomb is seeking to line up support for his own Senate bid. Holcomb hosted a meeting with influential Republicans at the Columbia Club on Wednesday that featured a briefing from former U.S. House Intelligence Committee Chairman Mike Rogers. Holcomb has also visited dozens of Indiana counties over the past year in his official Coats capacity.

Others saw Coats’ refusal to sign U.S. Sen. Tom Cotton’s letter to Iranian leadership as evidence that he wasn’t running. We’re not buying that, as the Cotton letter was sophomoric.

Holcomb told HPI last Thursday that Sen. Coats had not made a final decision on whether to seek a third full term. When we broached the rumors with Holcomb on Friday as he traveled with Coats across a swath of southern Indiana, Holcomb responded, “The senator is working all over southern Indiana today, making stops in Clark, Floyd, Crawford and ending up at yet another Lincoln Day dinner in Jackson County this evening, all in the rain. Since no final decision has been made, and I’m with the man right now, your sources are simply speculators.”

“I think there are some tough decisions coming up that we need to make,” Coats said in an interview with the



Sen. Dan Coats speaks before the Jackson County Lincoln Dinner in Brownstown last Friday. (Seymour Tribune Photo)

New Albany News & Tribune on Friday. "I'm in the process of making that decision, and I'll be announcing relatively soon."

Wednesday, Holcomb told HPI that a Coats decision will come "by the seventh-inning stretch of the Cubbies home opener" on Sunday April 5. Coats is a Chicago Cubs fan and told the IndyStar's Matt Tully he would make his decision known by Opening Day.

Into this void come Republicans like U.S. Rep. Marlin Stutzman, who finished second to Coats in the 2010 Republican Senate primary. Capitol Hill sources tell HPI that Stutzman is beginning to reach out to potential supporters, though one Indiana Capitol Hill source observed that Stutzman is not likely to get a tip-off from Coats or his organization.

If Coats doesn't run, U.S. Reps. Susan Brooks, Todd Young, Luke Messer and Todd Rokita will take a look at the political landscape, but a move into a contested Senate primary race with little statewide name recognition would risk plum committee and leadership positions they have attained early in their careers. Multiple sources tell HPI that Rokita, who ran statewide twice as secretary of state, is more interested in challenging U.S. Sen. Joe Donnelly in 2018.

A potential Holcomb candidacy is fascinating. He was a popular state chairman and has vivid and widespread relationships with an array of county chairs and local officials. He has been a conspicuous presence with Sen. Coats for almost two years now. He remains very close to Purdue President Mitch Daniels (arguably the most cunning political strategist and tactician of this generation), whom he served as deputy chief of staff. Holcomb possesses considerable conservative credential gravitas, and his resume is impressive.

The Stutzman scenario found further legs when it was announced last Monday that Club For Growth had

given him a 93% rating on its scorecard, tied for 20th in the House. Rokita had the second highest rating at 73%. Coats had a score of 63%, which ranked him 30th in the Senate.

HPI's take? Sources we have long trusted say Coats has truly not made a decision. For that to be the case this late in the process suggests the 71-year-old senator may be having vivid second thoughts about flying back and forth between Indiana and Washington, and then traveling around the state every weekend, until he's 80. Two months ago, with his new committees and economic chair, we placed a potential reelection bid in the 90th percentile. Based on what we're hearing in the past week, our perception is that stands well below 50%.

Could a Coats reelection bid have the same potential of a Chicago Cubs World Series title this fall? Ponder that one for the next week or so.

## Mayors

### McDermott faces campaign allegations

Allegations of illegal campaign expenditures and finance reporting violations are being leveled at Gary Mayor Karen Freeman-Wilson, Hammond Mayor Thomas McDermott Jr. and Lake Station Mayor Keith Soderquist, who are in contested races for re-election this spring (Dolan, NWI Times). John A. Nauracy Sr., who runs an East Chicago towing firm and is known by WJOB radio listeners as "Lefty," complained of \$201,931 reimbursed to the mayor in campaign money between 2006 and 2014 on gas, food, lodging and other unitemized expenditures as well as \$353,700 McDermott's campaign paid over the same period to Kelly Consulting, owned by McDermott's wife, Marissa. The elections board dismissed a similar complaint in 2013 about payments to Marissa McDermott's



business. Nauracy also questioned McDermott allegedly spending \$13,795 between 2007 and 2014 on renting recreational vehicles and \$1,000 spent on Spanish lessons. The elections board set a hearing April 6 on this complaint. The elections board voted Tuesday to dismiss another Nauracy complaint lodged against Kevin Smith, the election's board chairman. Nauracy claimed Smith must step down from the board because Smith appears on the radio show hosted by Hammond's mayor. Smith said he isn't an official member of McDermott's campaign. The board voted that Smith's personal support of McDermott doesn't violate state law.

### Ditto for Gary's Freeman-Wilson

Jim Nowacki, a Gary landlord and one of four Democrats running to unseat Mayor Freeman-Wilson in the May 5 primary, complained her latest campaign report



was riddled with errors, including donations listed from the Gary Community School Corp. and the NAACP, neither of which should be making political donations (Dolan, NWI Times). The mayor said an individual donated \$2,000 to her campaign so Gary School Board members could attend one of her political fundraisers. Both Republican and Democrat board members asked their attorneys to investigate all details of Nowacki's complaint and report back to them by April 6 before they decide to investigate it further.

### Neese eyes Elkhart equipment costs

In an effort to save taxpayer money that may include the city of Elkhart's Central Garage Department, Republican mayoral candidate Tim Neese proposed exploring a "low usage equipment sharing program" with county

government. For such a program to be successful, this should not hamper daily operations and would exclude certain types of equipment. Equipment that could be considered for sharing includes trailers, road striping equipment, parking lot sweepers and generators."

### Columbus candidates to debate

The two candidates seeking the Republican nomination for Columbus mayor will meet in a debate that includes questions gathered from the community (Columbus Republic). Incumbent Mayor Kristen Brown and challenger City Councilman Jim Lienhoop will debate at IUPUC in the Columbus Learning Center at 6 p.m. April 1. IUPUC is sponsoring the event as an example of the university's belief in civic engagement and democracy. ❖

# When you can't be Mayor Tom at the polls

By RICH JAMES

MERRILLVILLE – When political operatives can't beat someone at the polls, they often employ a variety of other tactics. That frequently is the case when it comes to Hammond Mayor Thomas McDermott Jr.



Such was the situation this week when John A. Nauracy Sr. filed a couple of complaints against McDermott before the Lake County Board of Elections and Registration. Nauracy runs an East Chicago towing firm and is a frequent guest on local radio. And he obviously doesn't like McDermott. Maybe his firm

doesn't get any towing jobs out of Hammond.

Nauracy first complained about the \$201,931 that he says was reimbursed to the mayor from his campaign fund from 2006 and 2014 for gas, food, lodging and other unitemized expenditures. Also part of the complaint is the \$353,700 McDermott's campaign paid over the same eight years to Kelly Consulting, which is owned by McDermott's wife, Marissa.

**Nauracy went on to** challenge the alleged spending of \$13,795 between 2007 and 2014 on renting recreational vehicles and \$1,000 spent on Spanish lessons. While the recreational vehicles sound like a real stretch of a legitimate campaign expense, it wouldn't be too hard to concede that there is political value in McDermott learning Spanish, given that the city has a growing Hispanic popu-

lation. It also should be noted that McDermott's primary opponent, city Councilman Homero "Chico" Hinojosa, is Hispanic.

**There also was a** complaint filed with the Lake County Election Board in 2013 about payments to Marissa McDermott's consulting firm. The board dismissed that complaint.

While the board ruled it is a legal campaign expense for McDermott to hire his wife's firm, it seems questionable at best.

That is an issue for the voters to decide when they go to the polls on May 5. The mayor's donors likely won't really care what he does with his campaign funds. The board set an April 7 hearing on Nauracy's complaint about the use of campaign funds for recreational vehicles and Spanish lessons.

There was another Nauracy complaint filed against McDermott that was dismissed by the board. Nauracy argued that Election Board Chairman Kevin Smith should step down because Smith appears on a weekly radio show hosted by McDermott.

**Smith said he's not** part of McDermott's campaign committee. And the board agreed that Smith's support of McDermott doesn't violate state election law. But wait, this is more than a black and white issue. Smith and McDermott are joined at the hip politically and governmentally.

Smith shouldn't have to resign from the election board because of a complaint filed against McDermott.

But Smith sure as heck ought to recuse himself from any vote involving McDermott. And naming a proxy wouldn't be fair, either. ❖

**Rich James has been writing about state and local government and politics for more than 30 years. He is a columnist for The Times of Northwest Indiana.**

# What if I told you ... about the new toll road lease

By **SHAW FRIEDMAN**

LAPORTE - ESPN has a great series titled "30-for-30," where the promo spots feature a narrator asking, "What if I told you?..."

Well, what if I told you that a state agency, charged with protecting the interests of Hoosiers, actually endorsed the bid of an offshore equity fund to buy the



Indiana Toll Road lease rights? And without doing its job to fully check on the financials of the bid or trying to leverage the best deal for Indiana?

And what if I told you that same state agency, the Indiana Finance Authority (IFA), supported the offshore bid over a home-grown, viable Hoosier bid? You wouldn't believe it, would you?

How'd we get here? Well, when IFA took a pass at exercising

its rights to reversion of the road (when the road fell into bankruptcy last fall), LaPorte and Lake counties put together a bid for the lease rights that would have meant hundreds of millions invested in Northwest Indiana, profits from the road over the coming decades. A world-class team was assembled to aid the County Consortium in its bid, including financial advisors from investment banking firm Piper Jaffray. Bank of America/Merrill Lynch was signed as lead underwriter to sell over \$5 billion in non-recourse municipal toll road revenue bonds if the counties' bid was successful. The world's second largest infrastructure management firm, Globalvia, was enlisted as our operator to clean up and modernize the toll road.

**We sought legal** opinions from four different law firms, from Indiana to New York City, on the legal justification that would allow establishment of a regional, non-profit entity (the Northern Indiana Toll Road Authority or NITRA) that would have issued the bonds (at no risk to either county or their taxpayers) to acquire the lease rights. NITRA would plow back a guaranteed \$5 million annually to each county in "founders' payments" and then award a split of "excess revenues" after debt service to each county, as well as cities and towns in each county and to qualified nonprofits. Because of the lower cost of capital involved in issuing municipal debt (vs. private bank financing available to our competitors) the counties knew we would have a very competitive bid.

While we were taken seriously by the Creditors' Committee and UBS (the bank administering the sale) and

our bid moved from an original field of eight to the final four, it was heartbreaking to encounter vigorous opposition from our own state government. IFA, which apparently had no qualms about seeing toll road profits shipped to an offshore tax haven, strenuously challenged our plan to distribute profits to counties along the toll road!

**Mind you, LaPorte and Lake** counties have suffered under some of the highest unemployment, poverty levels and infant mortality rates in the state and have some of the worst, decaying infrastructure. Yet when county officials looked to state leaders the last 10 years for assistance, they have been told repeatedly, despite the state's \$2 billion surplus, "Sorry, you're on your own, there's no money, fix it yourself."

Well, that's exactly what county commissions and county councils in both counties did. They authorized a bid that was ultimately opposed by the state. To add insult to injury, IFA gave its endorsement to the winning Australian bid without asking anything in return. IFM, the deep pocket equity fund, knew its bid was contingent on state approval. The Aussies need not have worried as our state agency rubber-stamped their bid within hours of the announcement. No questions asked. No additional guarantees sought. Why not seek immediate replacement of the dilapidated rest plazas, full upgrades to bridges like the toll road to I-94 bridge in Lake Station or even cash grants to the toll road counties just like the consortium proposed? Nothing. Nada.

**How about detailed** side-by-side comparisons of proposed operators? Nope. What about checking out whether the Australian bid was even realistic, since it topped the second-place bid (our county consortium bid) by half a billion dollars? Nah.

It's not been a week and the Australian Financial Review is now reporting experts say the IFM bid of \$5.725 billion is "nuts" and should set off "warning bells" about its "uncanny parallels" to the last Australian bid in 2006 that went bankrupt. The price offered was 32 times EBITDA, well above multiples being paid for similar infrastructure assets.

IFA, the same agency which sanctioned the toll road bid from Macquarie/Cintra in 2006, and which declined reversion rights of this valuable, revenue-generating asset last fall, is the same unpatriotic agency that just stuck a knife in the backs of all Hoosiers when they supported profits going offshore rather than being reinvested in Northwest Indiana.

Isn't it time the governor and legislators reform this incompetent and misdirected agency? ❖

**Shaw Friedman is former legal counsel for the Indiana Democratic Party and a longtime HPI columnist.**

# Religious freedom bill will likely need Zoeller's litigation

By **MATTHEW BUTLER**

INDIANAPOLIS – Just before the State of the State address in January, the statewide-elected officials were introduced to a packed House chamber. Each was given recognition but only one, Attorney General Greg Zoeller, brought someone in the gallery to his feet to give emphatic applause. The tall figure was easy to notice in the sea of seated dignitaries and political operatives. It was Curt Smith, president of the Indiana Family Institute (IFI).



Smith and other Hoosier social conservatives have reason to laud Zoeller's tenure. During the last half of 2014, the state's top attorney defended in federal court a 2013 state law that required clinics that provide the nonsurgical abortion pill (mifepristone) to have surgical facilities. A summary, but not final, judgment was issued by a U.S. District Court judge that it was unconstitutional. A trial is scheduled for June and the AG's office is reviewing whether to continue to defend the statute.

Zoeller has also been a national legal figure in defense of traditional marriage statutes. He filed amicus briefs in support of the federal Defense of Marriage Act (DOMA) and California's same-sex marriage ban (Proposition 9). Both were eventually struck down. According to the Indiana Law Blog, a majority of all the amicus briefs authored within the Zoeller's office have been dedicated toward defending other states' same-sex marriage bans.

Just off the heels of last session's HJR-3 drama, Zoeller's office defended Indiana's marriage statute. In October the 7th Circuit Court of Appeals upheld last summer's district court ruling that it was unconstitutional. Indiana along with a flurry of other states this past autumn joined the ranks of those

allowing same-sex marriage, now a total of 37 states.

Though ultimately unsuccessful, the head of IFI thought Zoeller fought the good fight competently. In an op-ed for Indiana Forefront last September, Smith praised "Zoeller's stellar defense of Indiana's marriage laws," writing, "AG Z and his staff did an admirable job of defending our law and deserve applause from my ilk, not disdain... Zoeller has been a tireless advocate of Indiana's rights as a sovereign state to speak on a range of issues, including marriage."

While some conservatives like Sen. Mike Delph have questioned Zoeller's conservative cred, and the attorney general raised eyebrows when he arrived at a recent State Board of Education meeting with embattled Supt. Glenda Ritz, from a legal standpoint, Zoeller has been a conspicuous presence across the Statehouse spectrum.

## Litigation: Duty vs. cost?

Zoeller's track record of defending socially controversial statutes is an important subtext as the full House could vote as soon as today and likely pass some form of a religious liberty bill (SB 101). Opponents are citing concerns over potential litigation costs for the state and businesses. Major corporations such as Cummins Inc. and the Indiana Chamber of Commerce are among them, as are the expected advocacy groups such as the ACLU of Indiana and Freedom Indiana.

Besides the usage of state resources and staff hours to defend Indiana's marriage statute, the state has agreed to pay the legal fees of the plaintiffs. According to the National Law Journal, it reported earlier this month that Indiana will pay \$650,000 to be evenly split by the law firm Kirkland & Ellis and Lambda Legal Defense and Education Fund. In addition to those costs, defending the abortion clinic bill last year could not have been cheap either, if other states' experiences are any indication. Public records requests by RH Reality Check have found various states have spent hundreds of thousands defending abortion statutes in recent years: Idaho, \$811,000; Kansas, \$913,000; North Dakota, \$200,000; South Dakota, \$170,000; and Texas, \$650,000.

Another abortion suit might not be far off if the House were to pass SB 334; it would prohibit abortions based on gender or disability. After the cross-over point Speaker Brian Bosma seemed unenthusiastic when asked about the bill and since then the House Public Policy Committee has



Attorney General Greg Zoeller (right) chats with State Rep. Mike Karickhoff during the Indiana Republican Convention in Fort Wayne last June. (HPI Photo by Brian A. Howey)



yet to hear it.

Zoeller contends it's his sworn duty to uphold Indiana's laws even if they're unpopular or poorly conceived. "As the state government's lawyer, the attorney general's office has a legal duty to defend the state laws passed by the people's elected legislators, both in the trial court and on appeal, so long as a good-faith defense exists," the office has said on these matters.



Zoeller's critics don't buy the "good-faith defense" rationalization. "It's past time for Greg Zoeller to stop spending Hoosier dollars defending discrimination," IUPUI SPEA Prof. Sheila Kennedy wrote last summer on the marriage issue. "His determination to appeal a decision that mirrors every other decision the courts have handed down is an exercise in futility, a waste of time and money, but of course, he and Pence and the other professional Christians can't help themselves."

Critics also point to Zoeller's filing of amicus briefs across the country as unnecessary, wasteful of state resources, and politically motivated. "Just as courts exercise judicial restraint and refrain from deciding issues not squarely before them, we believe that Zoeller should show similar restraint by not volunteering Indiana as a partisan 'culture warrior' in cases to which the state is not a party," wrote Kennedy along with attorney Bill Groth in the Indianapolis Star back in August 2013. "He claims no tax money is involved in the preparation of these briefs, because his staff researches and writes them. That staff, of course, is paid with Hoosiers' tax dollars...It is hard to escape the conclusion that Zoeller is using his public office to advocate for his personal religious views."

In Zoeller's defense, there have been politically charged issues he has opted not to defend. For example, in 2012 the attorney general's office halted the defense of warrantless arrests within the state's larger immigration law after the U.S. Supreme Court struck down a similar law in Arizona. It generated howls of protest, which Zoeller felt obliged to address in an op-ed. "The oath I took as AG means I must acknowledge that at times the law is not what we might want it to be, and must shepherd state legal resources in a responsible manner," Zoeller wrote then. "I rest easily knowing I made the right decision, to defend the parts that are defensible, to not defend the part that is clearly unconstitutional, to uphold the Constitution and to speak truthfully to the people of Indiana whom I serve."



Indiana Family Institute's Curt Smith (right) and IU SPEA Prof. Sheila Kennedy are squaring off over the religious freedom act.

In December 2014, Zoeller declined to carry the Pence administration's legal challenge (along with other states) against the Obama administration's executive order calling for deferred action on certain immigrants in the country illegally. Pence has since signed Barnes & Thornburg to pursue the suit. Zoeller's defense of myriad state

laws is not out of step with his fellow attorneys general across the country. Speaking in relation to Zoeller's and others' decisions not to defend state laws, The Pew Charitable Trusts' Stateline blog wrote in 2013, "Declining to defend a law is the most extreme position an attorney general can take. More often, a state's top lawyer will make the best legal argument possible, even when it isn't likely to be successful."

One can convincingly argue Zoeller is following his remit and it is the popularly elected legislature putting him in this position. As Zoeller wrote in a Fort Wayne Journal Gazette op-ed in March 2013, "As Indiana attorney general, I don't get to define marriage or vote on legislation. Instead, as the state government's lawyer, I am obligated to defend our state's laws passed by the people's elected representatives in the Indiana legislature."

They might put him in a similar situation again.

### License to discriminate?

Just before the House Judiciary Committee passed SB 101 along partisan lines on Monday, bill sponsor Rep. Tim Wesco told the panel, "This is not an experiment; this is not a new idea."

The bill's proponents argue it will bring Indiana in line with an existing federal law, the Religious Freedom Restoration Act (RFRA). The 1993 law states: "Government may substantially burden a person's exercise of religion only if it demonstrates that application of the burden to the person: (1) is in furtherance of a compelling governmental interest; and (2) is the least restrictive means of furthering that compelling governmental interest." The Supreme Court has since restricted RFRA's application to only the federal government, but 19 states have since passed similar legislation, including more liberal states like Connecticut, Illinois, and Rhode Island.

There has been a sudden spike in states consider-

ing their own RFRA laws, however. Opponents argue it is in reaction to same-sex marriage court rulings. It probably also correlates with 24 states having both their legislatures and their governorships controlled by Republicans. The issue is popular with their base. Last year Kentucky lawmakers overrode the Democratic governor's veto to enact a religious freedom law. "As written, the bill will undoubtedly lead to costly litigation," Gov. Steve Beshear said. Earlier that year Arizona's Republican governor vetoed similar legislation citing it would hurt investment and tourism.

In addition to Indiana, nine states have seen similar religious liberty bills proposed this year. Some have foundered, such as in Arkansas, South Dakota, and Wyoming, but a Georgia version, like Indiana's, has already passed one chamber.

A veto is out of the question in Indiana. "I strongly support the legislation," Gov. Mike Pence said on Wednesday, "and will sign it if reaches my desk."

If passed into law and litigation does ensue, proponents like Curt Smith will blame the other side. As he described to HPI in October, those seeking to force vendors to provide services to same-sex marriages are "a very litigious group of people."

Seeking to allay business concerns, the House Judiciary amended SB 101 to exempt employers from any lawsuits brought by their employees under that law. Proponents have long argued that there has been little usage of state RFRA to protect discrimination.

That track record, however, pertains to a period before same-sex marriage swept much of the country, especially its more conservative parts, like Indiana. Perhaps emboldened, there will be an increase in high-profile instances of businesses denying services to customers based on religious objections.

As Smith sees it, Indiana's own RFRA would protect religious liberty in the marketplace. "Economic rights are at risk. We see it all the time: Cake bakers, florists, bed and breakfast owners," he told HPI in October. "This is a matter of conscience. We think reasonable people who embrace freedom and believe in liberty can accept this and move on down the road to the next meeting hall."

It's safe to assume that if Indiana enacts SB 101, groups like IFI and national legal advocacy groups will then deploy it to defend religious businesses. Their corresponding local and national opponents will then see them in court. It's no wonder that SB 101 has been jokingly referred to as a full-employment act for trial attorneys. If that's the case, then Hoosiers will most likely see more litigation and join yet another front in the larger so-called "culture war." It could prove quite divisive. Last fall a Washington Post/ABC nationwide poll found 81 percent of Americans oppose the idea of letting businesses refuse service to homosexuals.

If these potential legal cases bubble up to the federal court system, Attorney General Zoeller will likely again play a pivotal role. ❖

## Counties, IACT seek more road money

By MAUREEN HAYDEN  
CNHI Statehouse Bureau

INDIANAPOLIS – County officials from around Indiana arrived at the Statehouse Tuesday with a tough request: Give us billions of dollars to fix our roads and bridges.

They didn't have much problem making the case that their infrastructure is crumbling, given a decade's decline in funds for local governments to maintain 85,000 miles of roads and 12,000 bridges.



Harder was the argument that legislators may have to impose new taxes to raise that revenue. "There's no pain-free way to solve this," said Stephanie Yager, who heads the Indiana Association of County Commissioners.

"But it's not pain-free to ride down a road that's full of potholes.

Yager, a former county commissioner from the tourist haven of scenic Brown County, has watched paved roads turn back to gravel as gas tax revenues used for local repairs dwindled over the past decade. A local "wheel tax," imposed on every motorist residing in Brown County, hasn't raised enough dollars to close the gap. "We welcome the tourists, they're a big part of our economy," she said. "But our roads take a beating."

Jason Heile, a Davies County highway engineer and president of the Indiana Association of County Highway Engineers and Supervisors, made a similar case at the Statehouse.

With a stretch of the new Interstate 69 running through his county, Heile says there's not enough money to build side roads for the development that will come with the highway.

There's barely enough to keep existing roads patched. "Most people I talk to know we need more funding. They can see it every time they drive on our roads," he said.

Two years ago, the General Assembly allocated an extra \$65 million a year for local governments to make road repairs. The proposed state budget now under debate maintains that funding. The increase was intended to help make up for declining dollars from the gas tax. Proceeds have fallen, due largely to more fuel efficient vehicles, to about \$500 million a year from almost \$700 million a decade ago.

But that extra money barely made a dent in the need.

A Purdue University study in 2009 estimated that local governments need more than \$5 billion just to bring roads and bridges up to federal safety standards. A state-

funded survey last year echoed those findings.

That doesn't include \$4 billion that the state Department of Transportation says it needs just to repair state's aging highways and bridges, which make up just a fraction of the total road infrastructure.

Proposed solutions aren't easy, said House Transportation Chairman Ed Soliday, an advocate of more road funding for local governments.

Soliday called the need "huge" but the appetite for fixing it small. That's because fixes include significantly raising the gas tax above its current 18 cents a gallon, siphoning off more sales tax revenue from schools, and/or tagging on "user fees" for every state license plate issued.

None seem palatable for Republican lawmakers who've boasted about a series of tax cuts in recent years. "Sixty-five percent of Hoosiers think roads need to be maintained better. Thirty-five percent are willing to pay for it," said Soliday, citing a private House poll of voters. "That's not real compelling when you're running for office every two years."

A state Department of Transportation report on the most cost-effective remedies is due out this summer, in time for legislators to make plans for next year's session.

Soliday said lawmakers and local officials alike will have to convince Hoosiers of the value of absorbing the additional costs.

"So far, we haven't done a good job of convincing (the public) there's no free lunch," he said.

Leah McGrath of the Indiana Association of Cities and Towns said at its legislative day on Monday that the \$200 million municipalities received last year "wasn't enough." She explained, "In 2014, we got quite an increase, but in talking with you, it wasn't quite enough and it's all gone now. There's over \$1 billion in shortfall just to maintain current infrastructure we have right now." She said that INDOT will be releasing a study this summer on the topic

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### **House panel passes energy efficiency**

A House committee has approved a proposal that would reduce state oversight of the energy efficiency programs of major utilities (Associated Press). The House Utilities Committee advanced a measure Wednesday that would allow major utility companies to develop their own efficiency programs and charge customers to implement them. The Indiana Utility Regulatory Commission would have the final say on approving the programs. Supporters say there isn't a one-size fits all solution and companies should have the flexibility to choose their own programs. Opponents say it's a mediocre replacement for the state-wide Energizing Indiana program lawmakers eliminated last year and allows utilities to recover unlimited lost revenues for electricity they don't sell.

### **Powered alcohol on route to be banned**

Indiana could ban powdered alcohol before it even

has a chance to hit store shelves, as a House committee voted unanimously Wednesday not to allow the new product's sale, purchase or even possession in the state (Associated Press). A federal agency, the U.S. Alcohol and Tobacco Tax and Trade Bureau, earlier this month approved the sale of the powdered alcohol product, Palcohol. The manufacturer says on its website that it hopes to have the product available for sale as early as this summer. But the Indiana House's Public Policy Committee voted 13-0 in favor of banning the product within the state while calling for further study of the issue after the legislative session ends. "We have to be responsible," said the committee's chairman and bill's sponsor, Rep. Tom Dermody, R-LaPorte. "I'm not sure we need to push for more alcohol products that we don't know much about."

### **Gaming bill advances**

A Senate committee passed a bill Wednesday aimed at reviving Indiana's declining casino industry (Indiana Public Media). The bill includes accommodations for the various needs of the state's 13 casinos. But not all are satisfied with the proposed fixes. The bill's author says the proposed legislation would offer a series of tools to incentivize casinos to compete. That includes letting riverboats build on land, extending promotional deals and allowing the state's racinos to use live dealers. But Rising Star Casino CEO Dan Lee says these tools mean nothing if live dealers take away their share of the central Indiana market. "And at this point we are a break-even proposition. We are kind of hanging on by our fingernails and our forecast is if this bill is passed as written, we will turn unprofitable," Lee says.

### **Tropicana seeks changes in gaming bill**

The operators of Tropicana Evansville are hoping lawmakers address concerns they have with a proposal moving forward in the Indiana General Assembly that would allow riverboat casinos to move onto land (Schneider, Evansville Courier & Press). The proposal, which passed the House and is now in the Senate, aims to make the state's gambling industry more competitive. The gambling proposal passed the Senate Public Policy Committee, 10-0, on Wednesday, but will now go to the chamber's fiscal committee, where changes are anticipated before the bill goes before the full Republican-controlled Senate. Tropicana operators want lawmakers to remove a cap on gaming positions contained in the current proposal for riverboats that choose to move onto land. They also are requesting tweaks to location requirements for land-based casinos because of the uniqueness of the proposed Tropicana site. Public Policy Chairman Sen. Ron Alting said he appreciated hearing Tropicana's concerns, and he expects further changes to the bill. "As you can see and witness, what has made gaming so difficult is there's special needs for kind of special areas, and it's tough to do hodge-podge legislation to particularly fit that need," said Alting, a La-



fayette Republican.

## Republicans reject energy increases

Republicans rejected an attempt in a House committee Wednesday to limit what's called "lost revenue recovery" for utility companies in the state's proposed energy efficiency program (Indiana Public Media). If energy efficiency programs succeed, consumers use less energy, which means utility companies get less money. Indiana's proposed energy efficiency program includes what's called "lost revenue recovery," meaning utilities can get back some of the money they lose by increasing rates. But Citizens Action Coalition counsel Jennifer Washburn says the problem is the proposed program doesn't really limit how much companies can get back. "So if you have insulation that will last 20 years, the utility, if they install it in 2015, will be recovering that all the way out until 2035," Washburn explains. Washburn says average ratepayers will lose whatever cost savings they might get by reducing energy usage if utilities can keep recovering costs. But the Pence administration and utility companies say any cap disincentivizes utilities to participate in energy efficiency programs. Pence administration official Dan Schmidt, who helped develop the proposed program, also notes, because of increased future demand, Hoosiers' energy bills are go-

ing to go up no matter what. "The hope is, the goal here is, that they're not as high as they otherwise would have been," Schmidt says.

## Indy 11 supporters rally; Pence comments

Supporters of an \$82 million soccer stadium for the Indy Eleven will rally at the Statehouse Thursday in hopes of getting lawmakers on board (WRTV). The House approved a bill that would allow the team to capture up to \$5 million a year in sales and ticket taxes to go toward paying off construction bonds over 30 years. Gov. Mike Pence said the proposal has merit, but must be financially responsible. "I want to make sure that anytime we see a public facility that has public support, that the public that will enjoy the facility will be the ones we look to for that financial support," Pence said.

## Rape bill passes

A House committee unanimously passed a bill Wednesday that would extend the statute of limitation in certain Indiana rape cases. The House Committee on Courts and Criminal Code voted 11-0 to pass Senate Bill 94 to the full House. If enacted, the bill would let prosecutors file rape charges within five years of a confession or the discovery of sufficient DNA evidence. ❖

# Federal Reserve's economic models

By **MICHAEL HICKS**

MUNCIE – The Federal Reserve relies on economic models to keep markets in balance. There is much speculation over the timing of the Federal Reserve's decision to raise interest rates. One common approach by Fed watchers is to parse every word and statement to divine the moment rates will rise. Another is to understand the economic models the Fed is using to guide policy. As an economist, I obviously prefer the latter approach, and so here's my explanation of the models.

First, all things being equal, any increase in interest rates will slow economic growth. Interest rates are the price of borrowing for capital investment, and the law of demand will be obeyed. Higher borrowing prices means less investment, lower employment growth and other unwanted side effects. No one wants this to occur, but the alternative is inflation, which will

reduce investment over the long run.

The Federal Reserve has a large group of very good macroeconomists. The models they construct vary from region to region, but all have some common elements. Each one models financial markets such as stocks, bank lending and bonds. They each measure markets for household consumption of durable and non-durable goods. They also examine labor markets.

**It is worth noting that** all these models may be described as new-Keynesian because they all rely upon well-documented human market behavior along with slow and variable adjustment rates in labor markets. Because of this, the Federal Reserve may influence short-run economic activity by varying interest rates, and hence the cost of borrowing.

Today, the U.S. economy is in the midst of a very tepid recovery. Overall, growth rates are unusually slow, home building remains at historically low rates, large numbers of workers have exited the formal labor force, and governmental debt layers an implicit brake over the long-term prognosis for growth. So, Fed decision makers want to squeeze as much growth out of the economy as they can before raising rates.

The models say that we can wait some time to raise rates before inflation begins. This is partly due to lower energy costs, partly due to weakening world economic conditions, and partly because labor markets are



worse than the unemployment rate suggests. So, from a purely labor market perspective, interest rate increases may not happen this year. The market for goods is less important to the decision, but financial market models tell a concerning story.

**Interest rates have** been so low for so long that an increase in Federal Reserve rates or an unanticipated spike in inflation could lead to a dumping of U.S. Treasury bonds and a large spike in U.S. dollar valuation. This would pummel the housing market and weaken exports. However, we have no historical examples of this to calibrate the models, so count on the Fed to weigh this in to its timing calculus. The longer it delays, the stronger the Fed views financial markets and the weaker it views labor markets. An early rate hike signals the opposite worry. The Fed will be looking at both issues closely over the coming months.

❖ **Michael J. Hicks, PhD, is the director of the Center for Business and Economic Research and the George and Frances Ball distinguished professor of economics in the Miller College of Business at Ball State University.**



## Geographic disparities in Hoosier income

By **MORTON MARCUS**

INDIANAPOLIS – Data from the American Community Survey by the U.S. Bureau of the Census indicate that 5.5 million households, or 4.8% of all American households, have income and employer-paid benefits of \$200,000 or more per year. You might call these the Top 5% households, just as we hear so often about the Top 1% who are included in, but are way above this level.



Now \$200,000 in income, including benefits like a share of health insurance, is awfully good, if not so amazing these days. Many two-worker families can achieve this level and, apparently, nearly one in 20 households have.

Yet, where are they? Half of them live in just seven states. California leads the way with 908,000 of these top income households. "Of course,"

you might say, "California has more households than any other state, it makes sense they would have the most top income households."

**Yes, California has** 10.9% of all households, yet accounts for 16.5% of the top income households. The other six states comprising the top half of these fortunate

households are New York, Texas, New Jersey, Florida, Illinois and Virginia. These seven states have 52.5% of the top income households with only 40.6% of all households.

**Contrast that with** Indiana. We have 2.2% of all households, but only 1.2% of the top income households. In total, 63,400 of the top income households are in the Hoosier state, fewer than in Tennessee, Missouri and Wisconsin, just above Louisiana. That small 1% deficit is the fifth worst case in the nation. Only North Carolina, Michigan, Florida, and Ohio have greater deficits.

If you like rankings, Indiana has the seventh lowest concentration of top income households among the 50 states. With just 2.6% of all Indiana household in that \$200,000-plus category, we rank lower than those same four states (North Carolina, Michigan, Florida and Ohio).

At only 2.6% in the top income households, Indiana is tied with South Carolina and Alabama. We are just above Kentucky, Montana, Idaho, Arkansas, Mississippi and West Virginia.

Surprising as it may be to some, New Jersey has the highest percent of its households (9.4%) in the \$200,000-plus group. The Garden State is followed by Connecticut, Maryland, Massachusetts and Virginia.

These data for the states covered the years 2009 to 2013. A similar report two years earlier showed the Indianapolis metro area, our state's presumptive leader in sumptuous living, had a concentration of just 4.4% high income households. Compare that to 18% in southwestern Connecticut near New York City and 16% in Silicon Valley.

**What does it mean** to have a low concentration of high income households? Just look around your community. Indiana may have wonderful people, but it does not have many households with the income, or education, to support many distinctive restaurants and stores, or even better movie houses.

Our national income disparities are geographic realities which deny all citizens, however modest their income, the opportunities to enjoy a more varied, enriching life. ❖

**Mr. Marcus is an economist, writer, and speaker who may be reached at [mortonjmarcus@yahoo.com](mailto:mortonjmarcus@yahoo.com).**

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>> Beautiful view of Downtown from our 2nd floor patio

**YOUR FRIENDS ALL HANG OUT HERE... DO YOU?**

**Marc Chase, NWI Times:** Just because you can do something doesn't mean you should. The potential spoils of operating the Indiana Toll Road are there for the taking now that a private Australian-Spanish consortium, which bought the rights to this public asset in 2007, went belly-up bankrupt late last year. But spoils for whom? Lake and LaPorte county government officials, presumably wearing red capes, are now teaming up and appear poised to swoop in and save this asset for taxpayers. It will be a great deal, those officials and their well-compensated lawyers say. It would mean at least \$5 million a year in free money flowing into the county governments if the joint partnership wins the bid to take over the operating lease of what is actually a state-owned toll road. But if you feel like you're about to be clotheslined by a toll gate, you're not alone. Lake County government, in particular, has been anything but a bastion of civic-minded superheroes over the years. There are county elected leaders I respect. But one look at the patronage, waste and corruption characterizing Lake County government for decades should be enough to convince us we're more apt to be collectively led like Easter lambs to the slaughter than to salvation. That history notwithstanding, who would really benefit from what essentially would be a Lake/LaPorte county takeover — through a related nonprofit organization — of the Toll Road? County officials pushing the plan are quick to tell us taxpayers won't be on the hook for any real debt or liability. The nonprofit shell will bear that burden. That's important to note since the last third-party consortium that tried to make a go of the roadway ended up drowning in \$6 billion of debt. But will this venture really benefit taxpayers? Supporters of the plan tell us the counties will see the \$5 million per year in "founder's fees" if the two-county partnership wins the Toll Road bid. I wouldn't bank on taxpayers actually seeing a dime of it — not really. Lake County, at least, has a penchant for quickly blowing such cash windfalls on patronage and other political playground waste. Do we really need another source of mad money for county elected leaders? ❖



**Jill Lawrence, Politico Magazine:** Republican governors in the heartland are taking an economic victory lap for what might be called the Midwestern miracle: Ohio is gathering speed, Indiana's on a roll, Michigan is achieving the unbelievable and Wisconsin—well, according to Gov. Scott Walker, "the Wisconsin Comeback is working." What — you thought this was President Obama's recovery? It's an article of history, almost of faith, that a rising economy benefits the president, his party and its White House ticket. And there's plenty to brag about: The national jobs report for February was greeted with adjectives that ran the gamut from "strong" to "wow" to "barnburner." "The United States of America's coming back," Obama said Wednesday in Cleveland, and that should be good news

for the 2016 Democratic presidential nominee. But there's a wild card—make that four wild cards—as the 2016 cycle gets under way: four Republican governors from potentially competitive Midwestern states who are considering presidential bids and, short of that, would make solid vice presidential picks. They are presiding over economies far better than the ones they inherited, and any one of their states could be the tipping point for a GOP presidential nominee next year. These governors are claiming the resurgences as their own in narratives that don't mention Obama or the federal government, except as impediments. Yet economists say they are able to call the state of their states "strong" in large part because of the policies Obama muscled through to strengthen the safety net and prevent collapse on both Wall Street and Main Street. To paraphrase Texas populist Jim Hightower's famous quip about George H.W. Bush at the 1988 Democratic convention: These governors were born on third base and they're claiming credit for hitting triples. ❖

**Martin Schram, Evansville Courier-Journal:** Freshman Sen. Tom Cotton, R-Ark., a Tea Party favorite, celebrated his second month on the job by drafting a rather bizarre letter to Iran's leaders. It was, quite literally, a civics tutorial on how the constitution says the U.S. government works. And it informed Iran's ruling ayatollahs that any nuclear weapons deal they make with President Barack Obama could be quickly undone by a vote of the Republican-controlled Congress, or by a pen stroke of the next U.S. president who will take office in less than two years. What was stunning was that 47 of the Senate's Republican senators wound up signing their freshman colleague's letter, including Senate Majority Leader Mitch McConnell, R-Ky., and many other senior Republicans who once knew better. Many who were once prominent in Republican politics and policy-making now are genuinely saddened by what is happening inside their party. Among them is the respected longtime former Senate Foreign Relations Committee Chairman Richard Lugar, R-Ind., now head of The Lugar Center. "It's unlikely that such a thing would have occurred during the tenure of Howard Baker or Bob Dole as Senate majority leaders," Lugar told me. "They wouldn't have signed such a letter. And they would have understood it was inappropriate to be ... soliciting the members of the party to sign on to it." Lugar, who was defeated by a tea party-supported challenger in 2012, noted that many of his former colleagues in the Senate no doubt felt they might face intraparty challenges if they decline to sign on to the letter. Lugar was pleased to note that one of the seven Republicans who declined to sign the letter was the current Senate Foreign Relations Chairman Bob Corker, R-Tenn. Corker has been working to forge bipartisan support for an arrangement in which Congress would debate and vote on whatever multinational Iranian nuclear pact arises from the negotiations now underway. ❖



## Pence to add DCS caseworkers

INDIANAPOLIS — The Department of Child Services faces a “perfect storm” of challenges, according to a consulting firm hired by the agency. Those findings, publicized Wednesday, prompted an immediate call for more funding (IndyStar). Deloitte Consulting said the rise of DCS family case managers leaving the agency, increasing caseloads, and a slow and complex hiring process have combined to create an environment of “insufficient” resources that will only get worse in the future, according to the report. In response to the study, Gov. Mike Pence is requesting an additional \$7.5 million per year from the state legislature to hire 117 more employees — 100 family case managers and 17 supervisors — for the agency responsible for protecting Indiana’s children from abuse and neglect. DCS Director Mary Beth Bonaventura said she also will use existing funds to hire an additional 17 administrative employees and eight attorneys to handle the increased workload. If Pence’s request is approved by the legislature, DCS will receive the additional funding on July 1, which is the start of the state’s next fiscal year. Senate President Pro Tem David Long, R-Fort Wayne, and Sen. Luke Kenley, who is chair of the Senate Appropriations Committee, expressed support on Wednesday for the request. “We’ve worked really hard the last eight or nine years to bring the number of family case managers to the caseload standards we’re trying to meet,” said Kenley, R-Noblesville. “I’m hoping this will get us where we need to be in terms of providing the services.”



## 100K sign up for HIP2.0

INDIANAPOLIS — Indiana’s

expanded health care program for low-income residents has enrolled more than 100,000 new people in the two months since it received federal approval. Gov. Mike Pence said Wednesday that sign-ups for the new Healthy Indiana Plan are off to a good start. Those new enrollees are in addition to some 180,000 people who were already part of the previous HIP or Hoosier Healthwise programs and were converted to the new plan. Officials estimate 350,000 Indiana residents might be eligible for the program. The Indiana program uses Medicaid funding but federal officials in January waived some rules to allow Pence’s proposal to require some payments from those receiving coverage.

## Flooding to hamper tourney traffic

LOUISVILLE — With bridge construction downtown forcing lanes on surface streets to be closed and Ohio River flooding causing River Road and expressway on- and off-ramps to be shut down, navigating downtown streets in recent days has become a bear (Louisville Courier-Journal). It’s going to get worse as thousands of basketball fans stream downtown on Thursday and Saturday to watch the NCAA Men’s Basketball Tournament. The University of Kentucky will begin what fans hope is its run to the school’s ninth NCAA championship in a game scheduled to start Thursday at 9:40 p.m. “This will be a good time for all of us ... to practice our patience and maybe enjoy the radio or conversation with those in your car a little more because, I’ll be honest with you, at times it will be challenging,” said Lt. Joe Seelye, who heads the Louisville Metro Police Department’s traffic division. While driving may be problematic around the KFC Yum! Center, the arena itself is doing OK, said Sandra Moran, a spokeswoman for the Yum Center. She said that despite flooding on River Road, vendors and

television crews have been able to get goods and equipment into the building through other entrances.

## House GOP face budget impasse

WASHINGTON — House Republican leaders suffered an embarrassing setback Wednesday night as their 2016 budget was temporarily derailed amid tensions between fiscal conservatives and defense hawks (Politico). The leadership was maneuvering to boost defense spending by \$20 billion — without offsetting it by other reductions — to appease a bloc of defense hawks who could vote against the budget on the House floor. House Majority Leader Kevin McCarthy (R-Calif.) made a personal visit to the Budget Committee late in the night to try to break the impasse but was rebuffed. That came after Majority Whip Steve Scalise (R-La.) had assured his fellow GOP leaders that the amendment would succeed. Budget Committee Chairman Tom Price (R-Ga.) had warned House leaders that the amendment did not have the votes to pass, but leadership went ahead with the amendment anyway, Republicans sources said. GOP Reps. Dave Brat of Virginia, Gary Palmer of Alabama, Scott Garrett of New Jersey, Alex Mooney of West Virginia, Tom McClintock of California and Mark Sanford of South Carolina were among the members who raised concerns about the leadership plan, the sources said.

## Howey’s NCAA tourney forecast

GNAW BONE, Ind — Here is HPI’s NCAA Men’s Tournament Forecast: Howey has Wichita State beating IU, Notre Dame beating Northeastern, Butler over Texas, Purdue over Cincinnati and Maryland over Valpo in Round One. My Final Four: Butler, Wisconsin, Villanova and Gonzaga. Butler wins the NCAA title at Lucas Oil Stadium with a revenge win over Villanova.