



Gov. Daniels and a future view

Inventers, not 'statesmen,' will bring dramatic change to state

By **BRIAN A. HOWEY**
INDIANAPOLIS

- This interview took an hour out of the day of Gov. Mitch Daniels on Dec. 11, the day Indiana celebrated its 190th anniversary of statehood. It came as the sounds of hundreds of 4th grade voices could be heard beyond the massive oaken doors in the governor's Statehouse office.

But HPR's emphasis this day was not the past - the long or recent - but a long-term glimpse of the future, coming in a building and within a political apparatus known for a tiny attention span, great inertia and little vision. For instance, the Commerce Connector outer loop from Pendleton to the Indianapolis Airport prompted us to ask the governor, will we even be driving cars in 50 years? Or, as Daniels suggested, will we be in "robot flying pods?" As we wrote earlier this month, the changes between 1900 and 1999 were stunning. Change - by inventor and scientist, not by statesman and politician - will likely accelerate the dynamics many Hoosiers will witness and live through in the coming decades.

While Gov. Daniels has a long-term view, he also revealed two huge endeavors for the public to view: franchising future profits of the Hoosier Lottery to fund higher education and student "grants," and a privately constructed Illiana Expressway.

Here is our interview with Gov. Daniels:

HPR: When you came out with the Commerce



Gov. Daniels makes an Indiana 190th anniversary address. (HPR Photo)

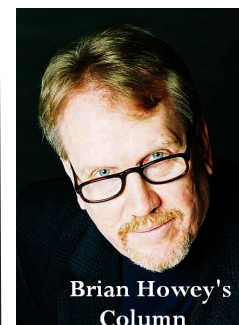


Connector project, it got me thinking about the changes in Indiana between 1901 and 1999. They were incredible. How are we going to be traveling in 2050? 2099? Are we going to be building something that may be obsolete?

Daniels: I used to make that point about the toll roads. One of many positive arguments for what we did

but below the vision of most people was that all of the risk has been shifted. Those folks are going to spend \$4- to \$5-

How is privatized Indy doing?



Brian Howey's Column

INDIANAPOLIS - In just a three-hour period on Monday morning, I found myself in the privatization taffy pull.

On the New York Times editorial page, the evil liberal columnist Paul Krugman (also an economist) called President Bush the outsourcer-in-chief, saying that "outsourcing of the government's responsibilities -



not to panels of supposed wise men, but to private companies with the right connections" is "one reason the administration has failed on so many fronts."

He cites the \$17 billion Coast Guard modernization fiasco (Lockheed Martin, where former Indianapolis mayor Stephen Goldsmith served as a management consultant, and resulting cracked hulls), DynCorp training the Afghanistan police force (\$1.1 billion spent and no cops); and Landstar Express (hired by FEMA to transport hurricane targets; ended up hiring Carey Limousine too late to help New Orleans).

And, a few hours later, there I was with Gov. Mitch Daniels, who was on the verge of proposing a new privately financed Illiana Expressway and future profits of the Hoosier Lottery to fund higher education.

At this point, any reporter, columnist and editorial writer ought to be dialing phone numbers that begin (317-327- ----) and find out what actually happened between 1991 and 1999 when Goldsmith was mayor and Daniels chaired the Service, Efficiency and Lower Taxes for Indianapolis Commission (SELTIC). About 70 city agencies were privatized as Goldsmith successfully aimed at reducing the city workforce by 25 percent. But "contractual consultants" quadrupled to \$20 million in Goldsmith's first term and critics said there was a lack of oversight, as problematic golf course and swimming pool privatization cases came into public scrutiny.

Shortly after Goldsmith was re-elected in 1995, he told the Chicago Tribune, "For the past three years, I've been the CEO of Indianapolis. Now I'd like to privatize all of Indiana." He told the Indianapolis News he intended to make Indiana the "first fully privatized state" in America.

As we all know, Goldsmith suffered a stunning defeat for governor in 1996, so it would be eight years before the true CEO/Gov. Daniels took the helm. Yet, Goldsmith-style privatization hardly came up during the

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2004 showdown between Govs. Joe Kernan and Daniels. Kernan criticized the Republican with regard to new toll roads, and Daniels eagerly acknowledged his interest. But Indiana Democrats decided to slug away at Daniels IPALCO stock sale in the wake of the Enron/Adelphia scandals. Thus, Hoosiers didn't get a vivid philosophical tussel over the pros and cons of privatization.

That's why Indianapolis now deserves thorough scrutiny. It's been six years since Goldsmith left office. There should be plenty of trending on what worked, what didn't.

"Indianapolis has been a pretty successful city," Daniels said. "A pretty well-run city. If you go ask ... 'Mayor Peterson, you've got a wastewater plant, a water company and an airport all privately managed under a contract with European firms. How's it working?'"

"Great," said Daniels quoting Mayor Peterson. Daniels added of

Peterson, "He didn't change a thing. If it works, you do it."

Indianapolis officials would not comment for this column.

Daniels even cites "Bill Clinton's bible, David Osborn's 'Reinventing Government'" as a must-read.

This conversation and this reading came in the same week Pennsylvania's Gov. Ed Rendell pondered leasing the Pennsylvania Turnpike) and Illinois Gov. Rod Blagojevic eyed a privatized state lottery. Both are Democrats.

"It's all about contracting for service and competing services where it fits," Daniels said, noting that while cuts have been made, the state has hired thousands of new state police and child protective service caseworkers.

So perhaps the earliest subplot in a 2008 Daniels vs. Peterson showdown might be played out in the neighborhoods and financial tables of Indianapolis. ❖



Iraq: From page 1

billion. They've already started upgrading and modernizing that road. The good question is, what if in 60 years we're not using roads so much anymore? What if we are all in robot flying pods or something? It won't be Indiana's problem, meaning the risk will be on them. But it's the right way to ask the question. The rule of life is discontinuous change, and many people either don't think about change at all, or only think in linear terms. "We're driving cars today. I guess we'll be driving more cars tomorrow." There will be blatant discontinuity. That's the way life is and how progress comes. I guess training for this came in the years I was at Hudson Institute. That was their trademark, to think what people say is 'outside the box.' They lived outside all boxes. They were students of history enough to know that things don't travel forever in straight lines. You'll just extrapolate from today. Look at population. All the doomsayers got it totally wrong. They looked at populations 50, 60, 70 years, extrapolated from that ... Oh my gosh ... we'll be overrun with people; we won't be able to feed ourselves. Completely wrong. First of all, behavior changed, all over the world. Got better educated, women took up larger roles in society and birthrates plummeted. The biggest demographic problem facing the world right now is we're not going to have enough kids.

HPR: Russia.

Daniels: Hey, even China!

HPR: OK.

Daniels: Europe. They are committing demographic suicide. And so the great example of all the doomsaying we'd be out of food, out of energy, completely overlooking the fact that human ingenuity creates departures. We're going to get them in energy for sure. We've had them anyway. Energy

consumption has dropped. Everybody was drawing straight lines from the '70s and '80s; totally wrong because why? Prices went up, suddenly conservation dropped. Suddenly you could make a buck on alternative sources. So, the one thing you know is wrong is a projection of what is today. That's what you came to talk about. It is the way you have to think. Also, never, never, never underestimate the power



"The rule of life is discontinuous change and many people either don't think of change at all, or only think in linear terms."

- Gov. Mitch Daniels

of human ingenuity to solve problems.

HPR: You, probably as much as anybody in the state, gets in so many different nooks and crannies. You've seen what's going on in nano-technology and logistics. Are we at any dramatic pivot points in the next five, 10, 20 years?



Gov. Mitch Daniels meets with university presidents Benjamin, Gora, Helton, Herbert, Jischke and Fong this morning. "We at Ball State are delighted with the governor's desire to invest boldly and strategically in higher education," said Ball State President Jo Ann Gora. "Our state has an amazing range of opportunities," said Purdue President Martin Jischke. "In this high tech advanced manufacturing economy, the governor's proposal will position Indiana as a leader nationally by making our universities stronger and by supporting our very best students and encouraging them to remain in Indiana." IU President Adam Herbert said, "We must act boldly and the governor has done exactly that." (HPR Photo by Brian A. Howey)

Daniels: I'm sure the answer is yes. I can't predict for you exactly which ones. It's the nature of these things that if they were utterly predictable, they wouldn't have the impact that they do. You were talking about 1900. Just imagine a point in mid-century or even after; these funny little things we've all read about - the computer - and even after they've been invented and people said you could



serve the whole world's needs with five big ones. Just astonishing, the dimension of change compared to what supposedly smart people saw coming, but, again, the one thing you know for sure is that if you project from what you know today, you'll be way off.

HPR: You have ignited what you call an agriculture revolution in this state. I read on the biomass front, particularly down in Brazil, they are maybe four or five years away from some significant breakthroughs for producing energy. I've written the next American president should declare a Manhattan Project to wean us off Middle Eastern oil. Tell me a little bit about what you know of the agriculture revolution here in Indiana that enters into our whole energy needs?

Daniels: Let me start with one of my favorite little quotes which I believe should be handed out to newly elected politicians. Paul Johnson, the English historian, wrote, "The scientist or inventor, for good or for ill, impinges on history far more than any statesman or warlord." The politicians think they're in charge of things; that they are the real drivers, but it's people like ... Henry Ford, and (Intel founder) Andrew Grove, and Einstein and today, people working in agriculture, that will have the most input. I'm an appreciator but not an author of any real inventions.

HPR: But you are a synthesizer and distributor of information.

Daniels: Well, I try to be. I believe there is a vital role for public activity to create the conditions for ingenuity to flourish. That means everything from a best educated populace, which increases your shots on goal. The more bright people you have means keeping traditional freedom, economic freedom. Why is biofuel taking off in Indiana right now? In part because we got organized, got a tax credit, went out and started marketing the state, made sure we build the roads and things and all the right pre-conditions. But the main reason is the price of oil went up. And now somebody can make a buck. Because whatever it costs, what, 40 bucks, or something to make it a gallon of ethanol and oil is at \$20 to \$25, nobody's going to throw their money away. Nobody likes \$3 gas and \$75 a barrel oil. The economic conditions became ripe. The market calls forth amazing ingenuity, especially in places that are receptive to it.

Daniels: Thursday I've got a little something that

pretty much fits what we're talking about here. One of the main things that will decide where academia takes place is how strong the higher education system is, and how rigid a technological and intellectual climate in a given place, which in this country typically happens around great universities. We have a pretty good starting point in this state; three great large research universities, including Notre Dame. Somehow I thought we should make a major step forward. And so, I think I know a way to do it and here it is: One, a large number of Hoosier Hopes scholarship, a grant, several thousand dollars per year, just for Indiana schools: keep your grades up, finish in four years, we'll forgive the loan if you stay for three years. (We) go right after the brain drain. Two, maybe more in importance, a major trust we would spend down over 10 years, with its earnings to invest in world class scholarship and research here in Indiana. Schools would approach the fund with a match. With the match (it would be) over \$100 million or more for 10 years. The idea is to go from here to there.

HPR: In one generation.

Daniels: With an emphasis on science and technological disciplines but not limited to those. Where will this money come from, perhaps a billion dollars? By franchising the Hoosier Lottery. By the way, I'm not even talking about franchising the whole thing. I'm going to propose keeping the revenue we have now. It's franchising the future growth for 30 years or something.

HPR: Franchising ... to other states?

Daniels: No, to a private company. There will be someone who will leap up and say, "Well, I'll tell you, if we have to own and operate, I guess you want me to buy the horse tracks. The state doesn't own those. We license them and regulate them. Or, I guess you want me to buy the casino boats. State government doesn't own those. We just license them and regulate them. There's only one kind of gambling the state owns and operates. Why? The company runs it and we regulate the living dickens out of it. Every university is going to be here; I've been working with them on this for a couple of months now and every one of them is excited.

HPR: How does this impact a normal family?

Daniels: It's pretty straightforward. If that junior gets really good test scores - it will be merit based ... there will be some formula that includes grade point average - (and) is one of the best students and applies for it, that's 20 grand of free money. We'll give them a grace period for grad school. But basically if you stay in the state for three years, we'll forgive that; convert that from a loan to a grant. And when junior goes to an Indiana university, he'll be more likely to encounter a Nobel Prize winner or the kind of junior research assistant in a world class lab, you know, the kind of people you ask about at IU.





HOWEY *Political Report*

HPR: And the political forces in play?

Daniels: It's all about if you don't cooperate, you don't go forward now. There are two ways for two years, we can either cooperate or somehow muster party unity. On full day kindergarten, it's something we all ought to be able to get together on. I've tried to listen, integrate and synthesize different views. Improve on it if you want. The details have been hammered out with the university presidents. It's not good to look for a little more of this and a little more of this and little incremental changes, but to look for equation-changing steps that might make a big, lasting difference. The telecom bill was like that. I see this in that way. Frankly, if we did it well, it could be as big as anything ... because of the world we're moving into, because of technological innovation and so forth. I want our state to be a big part of it.

HPR: One of the things I wanted to talk with you about was privatization, which the Goldsmith administration actually tried to change the semantics on 10 years ago.

Daniels: Let me give you one more example. You know the connector which we kind of thought of ... I'm going to partner that tomorrow with the Illiana. You know what the Illiana is?

HPR: Interstate 57 to 65?

Daniels: Why not run it around I-94. There are intermodal possibilities like LaPorte or Porter counties. We've got a deal worked out with Illinois to explore that as a P-3 with somebody else's money. Someone will build that road for us, with a franchise.

HPR: Are we talking about a 10- to 15-year period to build?

Daniels: It would take us that long, but it won't take the private sector that long. One of the good things about private capital is that they can raise it. They are only limited by how fast you can build.

HPR: I read up on your role with the SELTIC initiative in Indianapolis during the Goldsmith administration. We are now six years removed. What lessons and achievements did we get out of that process?

Daniels: Indianapolis has been a pretty successful city; a pretty well-run city. If you go ask the mayor, and I remember somebody did down here about a year ago. They said, "Mayor Peterson, you've got a wastewater plant, a water company and an airport all privately managed under a contract with European firms. How's it working?" (The governor quotes Peterson as saying) "Great." He (Mayor Peterson) didn't change a thing. If it works, you do

it. When we formed SELTIC, the first thing I did was buy a copy of Bill Clinton's bible, David Osborn's "Reinventing Government." It's all about contracting for service and competing services where it fits.

HPR: Do you go into each of these "franchising" situations with half the electorate lined up against you?

Daniels: I don't know. I'm prepared to have this discussion. The first thing I'm for is a good deal for taxpayers and who's supposed to receive the services. Please note that where we think it's the right way, we grow; we have added state employment: state police, case workers, 800 child protection caseworkers.

HPR: Are all 800 funded and working?

Daniels: That's in the budget and that's the plan. We've been hiring them. It's case by case what will work and what is best for taxpayers. There are two examples where we are adding hundreds if not over a thousand

people to state employment. Where there's a better way, I'm for more Hoosiers on private tables where wages, benefits and career paths can be better. If you are on public payroll, all is equal as long as the job gets done.

HPR: I see at least a semantics showdown, if not a philosophical showdown between Republicans and Democrats over this. How much government do you want? The ability of government to deliver services. That is something that hasn't even been fully won within the Republican

Party.

Daniels: I understand there is a big government lobby in the state, like everywhere. These folks, and I am not questioning their sincerity, believe government ought to be big and they like it that way. There is a self-interest motive. They like a lot of state employees, compulsory union dues and the money goes back into politics. The welfare situation is the last play station to look for an argument. The facts are overwhelming. The report that was done this summer ... most taxpayers in this state rightly suspect their money is not well-spent in the welfare system. They don't know how right they are. I don't think it's the best way to have a legitimate debate; they want big government, I'll argue for limited government. They can argue on the old model for everybody on the public payroll for life. I'll argue for a more nimble, case-by-case, sometimes on a contract approach. I could be wrong, but I think they picked the worst factual ground they could to try and defend today's welfare.

HPR: You've got a political/public policy stake in this. It's not going to serve your interests or your adminis-





tration if in five years ...

Daniels: We still have the worst welfare-to-work record in America. There are more people on welfare rolls than states twice our size.

HPR: How did that happen, particularly after the Bayh/Clinton waivers of the mid-'90s? That was supposed to wean the state from the big welfare rolls.

Daniels: The rolls did come down, but then while the rest of America went down 58 percent, in many states 80-plus percent, we stood still. At the end of 1995 we weren't in bad shape. But then time stood still in Indiana and you had this unbelievable success nationally. That's how we ended up at the bottom of the list. Go look at institutions of all kinds, particularly business. There is nothing new in Indiana government about contracting out; 92 percent of FSSA was already contracted out. We're only taking this from 92 to 94 percent. The totally vertically integrated business is a dinosaur that died quite sometime ago.

HPR: Before you became governor, I questioned this state's ability to change and what it means to be a conservative in this century needs to be redefined. What you're saying is that from school to work, people are seeing this kind of change in their daily lives and it is now about translating that into the political perspective.

Daniels: Yes.

HPR: Was the opposition to Major Moves a political spasm, the fingers finally unclutching from the way things have always been?

Daniels: We had problems, obviously, with the foreign sponsorship. It's not really ownership. By the time it's all said and done the share will be mostly ... owned by American pension funds and banks. I think the fact we were doing something familiar in a brand new way ... it was some of those things.

HPR: Are you learning the communication part of this takes on a greater emphasis?

Daniels: I never thought it otherwise, but yes.

HPR: The BMV computer switch started under, what, Gov. Kernan?

Daniels: That was flat out a mistake. That's on us.

HPR: Taking one system off line as the other went on line?

Daniels: You're right, it's been going on for six years. They weren't ready and they did it at a time when there are lots of transactions. I'm not laying that one on communication; fundamentally that was a management mistake.

HPR: Have you taken a look at what Gov. Mitt

Romney has done with health care in Massachusetts?

Daniels: Sure, we looked very, very carefully. I think a great contribution, not original, that Mitt made was underscoring that this is everybody's problem. We're paying for this health care now. Just because you're lucky enough to be healthy or lucky enough to have health insurance you're not paying for this. You are paying for the costs smoking inflicts, the costs that obesity inflicts. This is absolutely a subject on which a conservative should be an activist. We're paying for it now, but we're doing it in the most inefficient, wasteful way. The group brought me a Massachusetts-like proposal, the first, second, third, fourth time. I said, "I want something different." The critical differences are I wanted to cap the financial exposure so ours is limited to strictly how much money comes in, not entitlement. You can't predict those things. I don't want to be dragged over the cliff like Tennessee and some other places were. We could help ... a huge number of people but we would be limited. We would always have enough money in any given year to only help insure the people we had money for. I also wanted it much simpler. The Massachusetts plan ... is complicated. I wanted something that was much simpler



for the newly insured person, but also for our fellow citizens to, understand. And I wanted more personal responsibility and economy in this plan. We have that. It's not an HSA ... it's an HSA plus, because I wanted preventive care. (Gov. Romney's) state is significantly different than ours. Those were the differences I identified: more personal responsibility, more control for the individual, preventive care.

HPR: Re-election in 2008: Is it something you're going to do, or think about?

Daniels: I will have something to say about it at the appropriate time. ❖



It's time to reform executive branches of state and counties

By **BRIAN A. HOWEY**

INDIANAPOLIS - Whether it was before the mayors at IACT, or the Association of Indiana County Commissioners earlier this month, Gov. Mitch Daniels has had a consistent message for local government: Reform yourselves before the state does it for you.

"I sometimes ask people, 'Do you know any businesses that haven't changed their bylaws in 160 years?' Daniels asked the commissioners. "Nobody has named one yet. The only one I know of is the government of Indiana. It think maybe it's time."

The commissioners, arguably one of the most conservative areas of government, applauded. They have a three-option plan that came close to a vote at their December meeting.

"Do you know that county commissioners group is close?" Daniels asked HPR. "They had a draft that was pretty (darn) exciting. As I understood it they were going to say here's our kind of ideas. I was going to heap praise on them. They pulled back a step. There is at least some leadership in that organization."

Before IACT in September, Daniels encouraged local governments to reform themselves, insisting there are "too many layers and too little accountability." Daniels added, "If no one comes through the door, it will come from the top."

This comes amid controversies in two counties - Marion and Grant - concerning the performance of elected county coroners, and the 2006 elections, where Democrats missed a golden opportunity to pick up several statewide executive branch offices. And it underscores the fact that at the state and county levels, the executive branch of government is diffused in duty, diluted by multiple elected officials, with the buck ultimately stopping at any number of places.

The governor of Indiana - any governor - does not have complete control or accountability for finance, education, or security and financial regulation. Indiana citizens

elect superintendents of public instruction, auditors and treasurers.

At the county level, there are three commissioners and elected clerks, treasurers, auditors, recorders and coroners, all performing segments of executive branch function.

Gov. Daniels and the Indiana General Assembly should address the establishment of true executive government at the state and county levels. As Daniels told the commissioners last week, "I would value your suggestions."

Since 2002, The Howey Political Report has advocated the establishment of true executive branches of government. Voters would elect policy-making positions, and the policy makers would appoint those who run the bureaucracies. The reforms would include:

State executive: The governor would appoint a true cabinet that would include an education superintendent, secretary of state, treasurer and auditor. The constitutional office of attorney general would remain an elected position, acting as an additional check and balance.

County executive: In 91 Indiana counties - possibly 89 if Allen and Vanderburgh counties consolidate with Fort Wayne and Evansville - county voters would elect a county executive to replace

the three commissioners. The executive would appoint a cabinet that would perform functions of clerk, recorder, auditor, sheriff, surveyor, along with a county medical examiner to replace the office of coroner. The county council would serve as the legislative branch. Voters would continue to elect a county prosecutor and judges.

The Indiana General Assembly has already moved in this direction, moving the clerk of the court into the judicial branch after 156 years as a constitutionally elected office.

Govs. Joe Kernan and Daniels have supported a gubernatorially appointed superintendent of public instruction. But what about secretary of state, treasurer and auditor? The conduct of the Indiana Democratic Party is illustrative of why these offices should become part of a gubernatorial cabinet. For most of the past decade, the Democrats have treated these offices as virtual afterthoughts.

The lone exception was in 2002 when then-Bloom-



LaGrange County Commissioner George Bachman asked Gov. Daniels a question at the December Association of Indiana County Commissioners convention. (HPR Photo by Brian A. Howey)



ington Mayor John Fernandez raised more than \$1 million but was defeated by Republican Todd Rokita, getting just 42 percent of the vote.

This year, Democrats did not unveil a candidate until just before the state convention in June. Joe Pearson raised \$168,000 with state Democrats pledging to put an additional \$100,000 in media buys. Indiana Democrats came in with only \$50,000 (for the three statewide races) and Pearson wasn't consulted by the party until Nov. 1. Pearson had only one full-time staffer. The irony of the 2006 experience is that Pearson could have upset Rokita. He ended up with 746,460 votes or 46 percent, winning 33 counties. He had 119,044 more votes than Fernandez. He lost 51-46 percent.

In fact, Indiana Democrats could have won all three offices had they spent more than the \$50,000. Auditor-elect Tim Berry defeated Judy Anderson by a 51-49 percent margin. Treasurer-elect Richard Mourdock defeated Highland Clerk-Treasurer Michael Griffin 52-48 percent.

There is a distinct pattern. In presidential/gubernatorial years, Democrats generally get between 500,000 and 800,000 votes. In mid-terms, they poll around 500,000 to 650,000 votes. Even in years when Democrats do well, such as 2000 when Gov. Frank O'Bannon polled 1.23 million votes, Attorney General Karen Freeman-Wilson (finishing out the term of the only Democrat to win a statewide, Jeff Modisett, in 1996) polled only 978,713 votes. Since 1988, the only Democrats to win statewides have been Evan Bayh and Joe Hogsett (secretary of state 1988 and 1990), Attorney General Pamela Carter in 1992 and Modisett in '96. Otherwise, the Indiana political landscape is littered with the likes of Susan Williams, Day Smith and Doug Leath-erbury, who at least gave a memorable speech at a 1998 Democratic Editorial Association convention at French Lick.

Parker reacts

Indiana Democratic Chairman Dan Parker managed the campaign of 1994 secretary of state nominee Tim Jeffers, who ran on the platform of abolishing that office. Jeffers lost to Sue Anne Gilroy. Parker agrees, for the most part, about forming a true executive branch cabinet. The exception, he says, would be to combine state auditor and

treasurer into an elected controller. "The controller could act as a financial check and balance on the governor," Parker said.

Parker agrees mostly with HPR's county executive model, but would prefer to elect a sheriff.

And he agrees that we could ask 100 people at the RCA Dome during the next Colts game who were the two 2006 secretary of state nominees "and given Rokita's name ID, only 13 percent would know and 9 percent of them would be lying."

As for the HPR proposal to create a county executive, which was the subject of HPR Publisher Brian A. Howey's 2005 keynote to the Association of Indiana County Commissioners, retiring Elkhart County Commissioner Phil Stiver was all for it.

"I find it hard to argue against that point," said Stiver, who served nine years as a commissioner, eight on the Elkhart City Council and 20 years as a policeman. "We have three commissioners and a county administrator. We don't need the commissioners with a good county administrator."



Gov. Mitch Daniels sits under the portrait of Gov. Thomas Marshall, who served from 1909 to 1913 and unsuccessfully tried to form a constitutional convention to reform Indiana government. (HPR Photo by Brian A. Howey)

3 commissioner options

Bill Haan of the Association of Indiana County Commissioners said that his organization had drafted a three-option plan:

- 1.** Keep the status quo;
- 2.** Streamline the number of elected officials with three commissioners;
- 3.** Go to the executive model HPR has described with one executive, a controller and the county council acting as the legislative body.

"We're mulling it over within our ranks," said Haan. "What we have now is a horizontal line, as opposed to a pyramid." He said that with true executive and legislative branches "we could get better efficiencies and better service." Commissioners are also concerned about a lack of technical

requirements for offices such as auditor, clerk, coroner and surveyor.

Haan said option No. 3 is popular with counties above 100,000 population. Smaller counties appear to favor the status quo. He said trial balloons floated by Joe Loftus of Barnes & Thornburg "have not gotten a warm reception" in the Indiana General Assembly.

"If you had somebody add it all up in a given county and you had a tax adjustment board, I think it would add to the pressure for reform," Daniels said on Monday. "Even people running some of the piecemeal



government we have is to take out some of the inefficiencies. Right now every taxing district just sets its own tax and goes about its business. If every realm of government was human endeavor, you figure out what your revenue is and conform your spending to that. Only in property taxation does somebody decide what the spending will be and writes out a bill and hands it to the property owner. It might propel reform forward."

Asked about the government consolidation/unifications in Allen, Marion and Vanderburgh counties and if there was a way for him to help these initiatives pass, Gov. Daniels said, "I may have to try to help a little more actively. My attitude is that this ought to be encouraged. I like it from the bottom up. I'm not even going to try to ascertain each and every aspect of a given proposal is perfect. I believe we ought to encourage more of this activity and if there are imperfections, that will be exposed and that will inform the next group. If it doesn't work out well, there will be local reckoning."

Three stabs at government reform

In the past century, there have been three attempts to change government. In 1908, Gov. Thomas Riley Marshall (whose protrait now hangs above Gov. Daniels conference table) concluded that the 1851 Constitution was "an obstacle to progress" that was extremely difficult to amend. When Democrats gained control of both the Indiana House and Senate in 1911, Marshall decided that not only did Americans need a really good five-cent cigar, Indiana needed an entirely new constitution. His attempts were shot down by the Indiana Supreme Court on a 3-2 vote. "I obeyed the judgment of the court," lamented Marshall, who went on to be a two-term U.S. vice president. "I had no respect for it, and I now have a supreme contempt for it."

In 1970, an Indiana Constitution Commission, co-chaired by former Govs. Matthew E. Welch and Harold W. Handley, along with a future governor, State Sen. Robert Orr, studied resubmission of failed amendments, the areas of taxation and local government, and the "possibility of holding a constitutional convention."

The Commission concluded, "As is the case with most proposals for constitutional change, there are a number of practical problems sought to be corrected by amending the present contents of Article 10, Section 1. A major problem is that whenever the General Assembly seeks to remove some type of property tax from the tax rolls, such as motor vehicles, it is necessary to amend the constitution. This type of inflexibility is another example of clumsy restrictions on the General Assembly in its development of public taxation policy."

In 2002, the Indiana General Assembly removed the office of clerk of the court as a constitutionally elected office.

At the 2005 Howey Political Report Forum, Chief

Justice Randall Shepard said that with regards to Indiana government, "You've got to stop thinking about these things as if they were engraved in stone." Shepard said the "The Constitution of our state in its present form says very little about the structure of local government. It says that municipalities can do everything except the things the legislature tells them they can't do or tells them to do only in a particular way."

As for the executive branch, Shepard said, "The Constitution provides for only five statewide elected officials. All the rest of the executive branch is in the hands of the legislature and governor." As noted above, the legislature via a constitutional amendment has removed one of those offices.

And Shepard pointed to Supreme Court rulings involving the town of Bicknell in 1923 that limited municipal debt to 2 percent and the Indianapolis Unigov (Lieber vs. Borst) case that consolidated various administrative activities as "coming too late in the day" and rejected them. Indiana municipalities responded to the Bicknell case by creating separate taxing districts for parks, schools, libraries, airports. "Each one of these is treated like a little silo," Shepard said.

Gov. Daniels suggested before IACT the creation of 92 "county tax adjustment boards" that would regulate the debt. "If people think the taxes are too high for the services they are getting, they'll know exactly whose phone to call," Daniels said. He said that county executive reforms would perform the same functions as TABs.

At the HPR Forum, Chief Justice Shepard admonished those who think the Constitution keeps them from reforming government. "For most purposes, other than the financial ones which are a disadvantage, the real barriers are things in statute and in our own minds. It seems to me the real question for modern reformers is not what the Constitution won't let us do, but what we are ready to do with each other for Indiana's future."

Said Daniels, "If it would help, I certainly would be happy to propose changes. The single biggest flaw we have right now is being one of the only handful of states without a super majority veto override. That is one I'd love to see go before the voters, not for me, but for future governors."

Epilogue

The governor has been urging local governments to reform themselves. He has called for ideas. Indiana Democrats have failed to fully contest statewide offices. With government consolidation efforts underway in Marion, Vanderburgh and Allen counties, and past Democratic support for such reforms going back decades, now is the time to create true executive branches at the state and county levels. ❖



Prominent New Hampshire Democrat says Bayh 'has lots of friends' *Hoosier confronts 'Obama Mania'*

By **MARK CURRY**

WASHINGTON - Can "Bayh Partisanship" compete with "Obama Mania" in the contest to win a spot on the 2008 Democratic presidential ticket? One prominent New Hampshire Democrat says it's way too early to know.

More than 150 voters from all corners of the Granite State packed the conference center at the Puritan Backroom in Manchester last Saturday evening to hear Indiana's Sen. Evan Bayh explain why he thinks he should be the next president of the United States. The next day Sen. Barack Obama of Illinois drew ten times that amount at the Manchester Radisson for a rally to celebrate the state's Democratic sweep in the November midterms, a historic victory Bayh helped to create.

Bayh supporters need not despair quite yet, though they may be rightfully worried about the prospects of facing Obama on the hustings. For starters, neither Democrat has officially committed to a run, though it seems highly likely the junior senator from Indiana will commit sometime early next year. Obama, on the other hand, has been much more coy about revealing his intentions. Earlier this week the former editor of the Harvard Law Review appeared in a clip aired during the opening of Monday Night Football that suggested he was about to announce his candidacy, but finished by proclaiming his support for the Chicago Bears instead. Yesterday, James Pindell of the Boston Globe reported that a group encouraging the Illinois senator to run for president announced it will begin airing television ads in New Hampshire and Washington next week.

Second, the New Hampshire primary is more than

a year away. Anything could happen. In the 1972 cycle, early Democratic favorite Edmund Muskie suffered two setbacks that proved fatal to his campaign. Publication of a document later determined to be a forgery, known as the "Canuck Letter," cost Muskie support among French-Canadians, but more damaging were reports that the candidate cried during a speech defending his wife in a snow storm outside the offices of the Manchester Union Leader. "Though Muskie later stated that what had appeared to the

press as tears were actually melted snowflakes, the press reports that Muskie broke down and cried were to shatter the candidate's image as calm and reasoned," a Wikipedia article states.

Or, consider the case of Michigan Gov. George Romney, the front-runner in 1968 until he used the term "brainwashing" to describe attempts by U.S. generals in Vietnam to influence Romney's understanding of the war. According to Wikipedia, "Republican Congressman Robert Stafford of Vermont sounded a common concern: 'If you're running for the presidency,' he asserted, 'you are supposed to have too much on the ball to be brainwashed.'"

Finally, Bayh supporters should find most comfort in the perception that he is actually well ahead in the game in New Hampshire, having toured the state a total of 13 days over seven visits during the current election cycle. Obama is just getting started. Sunday's visit was his first.

"That's going to be the challenge for both of

those campaigns, whether or not Sen. Obama can keep the momentum going and whether or not Sen. Bayh can reach out and create a message that attracts enough support for him to be successful as well," said Ray Buckley, vice chair for the New Hampshire Democratic Party. "Each one of them has amazing advisors and I'm sure they are going



U.S. Sen. Barack Obama doffs a Chicago Bears hat prior to ESPN's Monday Night Football. Obama's first New Hampshire foray came as U.S. Sen. Evan Bayh also stumped the state. (ESPN)



HOWEY *Political Report*

Weekly Briefing on Indiana Politics

to try like the dickens to accomplish both of those feats.”

Buckley, vice chair in the past two election cycles, is schooled in New Hampshire and national politics. He served in the state legislature for eight years and is a former House Democratic Whip. He was involved in the Al Gore campaign during the 2000 election and the Lieberman campaign in 2004. The Manchester native told HPR that Bayh “has a lot of friends here in New Hampshire.

“He’s been coming up here helping out candidates and local parties for a number of years,” Buckley said during a telephone interview conducted yesterday. “He has a lot of strong relationships with people that go back to the days 30 years ago when his dad ran for president. He also was very involved in assisting us in this year’s election. He was very engaged, very involved in assisting the election of the house majority and the senate majority, but he also provided support for county candidates and for the governor and for the state party as well. Of all the candidates, he really was the most engaged in really assisting candidates directly.”

There’s no place quite like New Hampshire when it comes to presidential politics. The state has hosted the nation’s first primary since 1952. In recent years it has become integral to electoral success. As Buckley pointed out, no candidate who has placed third or below in New Hampshire has gone on to become the nominee of either party. Granite State voters believe they have a responsibility to personally and thoroughly vet any man or woman who would be president. To that end they expect to be provided opportunity to meet with and question prospects.

“In so many other places people get very starry eyed when they meet somebody running for president and



Indiana U.S. Sen. Evan Bayh chats with Democrats in Manchester, N.H. last weekend. (Bayh Flickr Photo)

they’re just excited having shook their hand or even being in the same room, where we in New Hampshire aren’t overly impressed by the fact that you’re running for president,” Buckley said.

When HPR pointed out that New Hampshire voters were undeniably excited to see Sen. Obama this past weekend, Buckley said, “It is very exciting and he obviously has generated a lot of support, but there’s a long time between now and the primary.

“What [Obama] needs to do now is to actually go into people’s living rooms and go from coffee shop to coffee shop, and diner to diner, to really talk to real New Hampshire people and get to know them, and have conversations with people that might not be overly impressed, people that he’s going to need to win over.”

Which is exactly what Evan Bayh has been doing since 2004, and that may explain how he managed to pack a room Saturday night at the Puritan.

“All sorts of different people from across the state came by to see [Bayh], including the state chair and a number of state senators, house members and a number of county chairs were there as well,” Buckley said. “It was a good mixture. There was some young people, some students, in the room. He did a great job talking about his message.”





Sylvia Smith, Fort Wayne Journal Gazette

-Those of us who have freckles or kids with dastardly diseases or even rotten neighbors know this lesson well: Life ain't fair. We're smacked upside the head by this on a nearly daily basis, so it's kind of hard to forget. Yet it must be tough for a Golden Boy to swallow arbitrary unfairness. Lately, Sen. Evan Bayh has had to cope with a pretty major dose of it. Bayh has done everything right – raised buckets of money, won five statewide campaigns in a largely Republican state, worked to hone his international credentials, cultivated opinion-setters in Iowa and New Hampshire, trained on-the-ground operatives and placed them in the early-primary states, made connections with national media, schooled himself (or enhanced his natural inclination) to not be tabloid fodder through rash or imprudent statements or actions. It's the sort of position any candidate for a presidential nomination would envy or aspire to on the cusp of what will be an intense political year for candidates. But all that effort is so much dandelion fluff if Sen. Barack Obama remains "the Bobby Kennedy of 2008," as he's been described by some national political pundits. Obama has been on the national scene a scant two years, yet his mega-wattage is amazing – and undeniable. For instance, last year, Bayh's appearance at a New Hampshire Democratic Party dinner drew 600 people. Obama is visiting the same group today; 1,500 bought tickets. Obama is such a political celebrity that his mere "thinking about thinking about" an '08 candidacy forces almost everyone else into the background. Except Sen. Hillary Clinton, of course. She is the front-runner in the Democrats' 2008 nominating process and tends to get bigger headlines and more TV air time for doing the exact same thing as Bayh (or other potential Democratic candidates). Yet unlike Obama's presence in the field, Clinton's real or perceived candidacy has the potential to benefit Bayh. Someone has to be the un-Hillary, and now that Mark Warner has bowed out, Bayh is as close to that definition as anyone. ❖



Gen. Barry McCaffrey, Washington Post

- A collapse of the Iraqi state would be catastrophic -- for the people of Iraq, for the Middle East and for America's strategic interests. We need a new political and military approach to head off this impending disaster -- one crafted with bipartisan congressional support. But Baker-Hamilton isn't it. Our objective should be a large-scale U.S. military withdrawal within the next 36 months, leaving in place an Iraqi government in a stable and mostly peaceful country that does not threaten its six neighboring states and does not intend to possess weapons of mass destruction. The courage and skill of the U.S. armed forces have been awe-inspiring. Our soldiers, Marines and Special Operations forces have suffered 25,000 wounded and killed, with many thousands permanently maimed, while fighting this \$400

billion war. But the situation in Iraq is perilous and growing worse. We could immediately and totally withdraw. In less than six months, our 150,000 troops could fight their way along strategic withdrawal corridors back to the sea and the safety provided by the Navy. Several million terrified refugees would follow, the route of our columns marked by the burning pyres of abandoned military supplies demolished by our rear guard. The resulting civil warfare would probably turn Iraq into a humanitarian disaster and might well draw in the Iranians and Syrians. It would also deeply threaten the safety and stability of our allies in neighboring countries. There is a better option. First, we must commit publicly to provide \$10 billion a year in economic support to the Iraqis over the next five years. In the military arena, it would be feasible to equip and increase the Iraqi armed forces on a crash basis over the next 24 months. The goal would be 250,000 troops, provided with the material and training necessary to maintain internal order. Americans had fought and died. We owe them and our own national interest this one last effort. If we cannot generate the political will to take this action, it is time to pull out and search for those we will hold responsible in Congress and the administration. ❖

Thomas Edsall, International Tribune

- Hillary Clinton is the Democratic establishment's anti-establishment candidate. She is simultaneously an insurgent, seeking to end a 220-year reign of men, and the heir apparent — dominant in cash (\$14.4 million in the bank), in the polls and in the colossal reach of her machine. Clinton's most visible challenger, Barack Obama, is similarly an insurgent, but without the former first lady's resources. He is seeking to capitalize on his ranking as an underdog, entering the fray as David battling the Clinton Goliath. The head of the pack is a dangerous place for a Democrat to be. Democrats excel in cannibalizing their front-runners. Just ask those who were knocked out in the primary season (Lyndon Johnson, Ed Muskie and Howard Dean) or those who limped from the ring after 15 rounds (Walter Mondale and Al Gore). The Clinton leviathan provides a perfect foil for Obama. "I think to some degree I've become a short-hand or symbol or stand-in for a spirit that the last election in New Hampshire represented," he said last weekend on his maiden trip to the state. "It's a spirit that says we are looking for something different — we want something new." The candidates not yet in the limelight — Evan Bayh, John Edwards, John Kerry, Al Gore, Tom Vilsak, Bill Richardson, Wes Clark, Chris Dodd, and Joe Biden — would like nothing better than to see Clinton and Obama split their shared constituency, leaving each other lifeless on the slaughterhouse floor. That would make Richardson, who is Hispanic, the sole exception in a field composed entirely of white men. ❖



Help formulate the 2007 Influence List

INDIANAPOLIS - Obviously, there will be major changes in the 2007 HPR 50 Most Influential List.

Senate President Pro Tempore Robert Garton, U.S. Reps. Mike Sodrel, John Hostettler and Chris Chocola were all defeated. Departing the Daniels administration is Chief of Staff Harry Gonso.

The 2006 list reflected the wave that developed around the Iraq War and congressional corruption, as well as the Daniels administration's Major Moves program.

In 2007, there will be the Evan Bayh presi-

dential campaign, the biennial budget in the Indiana General Assembly, mayoral elections, and a huge

decision for Indiana Democrats: who will be challenging Gov. Mitch Daniels?

HPR has been compiling the 50 Most Influential List since 1999. We ask our readers to suggest additions (or subtractions). Some of you compile your own 50 list. HPR encourages this exercise in power, clout and accountability. Send thoughts to HPR Publisher Brian A. Howey at: brianhowey@howeypolitics.com. The 2007 list will be published in the Jan. 11 edition of The Howey Political Report as well as Brian Howey's statewide newspaper column running in 24 papers and reaching more than 200,000 readers each week.

2006 HPR 50 Most Influential

1. Gov. Mitch Daniels
2. U.S. Sen. Richard Lugar
3. U.S. Sen. Evan Bayh
4. Commerce Secretary/IEDC Chairman Mickey

Mauer

5. House Speaker Brian Bosma
6. Marion County Prosecutor Carl Brizzi
7. Indianapolis Mayor Bart Peterson
8. U.S. Rep. Pete Visclosky
9. U.S. Rep. Mike Pence
10. U.S. Rep. Mike Sodrel
11. U.S. Rep. John Hostettler
12. State Rep. Rep. B. Patrick Bauer
13. Senate President Pro Tempore Robert D. Garton
14. Ways & Means Chairman Jeff Espich
15. FSSA Director Mitch Roob
16. Lt. Gov. Becky Skillman
17. Marion County Sheriff Frank Anderson
18. U.S. Rep. Chris Chocola
19. State Sen. Luke Kenley
20. John R. Hammond III
21. Bob Grand
22. State Rep. Randy Borrer
23. Secretary of State Todd Rokita
24. Lee Hamilton
25. Fort Wayne Mayor Graham Richard
26. Alan B. Hubbard
27. Marty Morris
28. Tom Sugar
29. U.S. Rep. Steve Buyer
30. GOP Executive Director Jennifer Hallowell
31. Indiana Democratic Chairman Dan Parker
32. Indiana Republican Chairman Jim Kittle Jr.
33. State Sen. Vi Simpson
34. Farm Bureau President Don Villwock
35. Chamber President Kevin Brinegar
36. IMA President Pat Kiely
37. UAW President Terry Thurman
38. Mike O'Connor
39. Mike Gentry
40. Hamilton County Republican Chairman Charlie White
41. U.S. Rep. Mark Souder
42. U.S. Rep. Julia Carson
43. Baron Hill
44. Vanderburgh County Sheriff Brad Ellsworth
45. OMB Director Chuck Schalliol
46. Stadium Authority Chairman David Frick
47. State Sen. Mike Young and State Rep. Phil Hinkle
48. Tim Roemer
49. Dan Coats
50. IACT Executive Director Matt Greller



House Minority Leader Brian Bosma (left) with U.S. Sen. Evan Bayh. (HPR Photo)





Espich luke warm on lottery franchise

FORT WAYNE - As details continued to leak out Wednesday about Gov. Mitch Daniels' plan to privatize the Hoosier Lottery, reaction from area lawmakers was less than encouraging (Kelly,

Fort Wayne Journal Gazette).

Daniels is expected to unveil the proposal – which would likely

raise money for higher education – at 11 a.m. today. Wells County Republican Rep. Jeff Espich was briefed on the idea a few weeks ago along with other key lawmakers. "The governor is a man of big ideas, and I don't think he's afraid to suggest them. I give him great credit for that," Espich said. "On the other hand, both the legislature and the public will only accept so many big ideas." He said he is afraid that so many controversial programs – from implementing full-day kindergarten, getting approval to build a toll road around part of central Indiana and increasing the cigarette tax to finance a low-income health insurance program – might dilute Daniels' ability to get any of them done. And Espich isn't so keen on where the money would go – to support college scholarships. "The state already ranks sixth in scholarship assistance, so I'm not sure that's a good reason to make such a bold move," he said. Rep. Phil GiaQuinta, D-Fort Wayne, is concerned that Daniels is sacrificing the future to gain some cash today. "The problem is he is trying to find ways to do things now that will help him in his tenure, but it leaves the next generation short on some revenue," he said. "Where are we then?" Others questioned the possibility of corruption in a privately run lottery. "Oh my," was Monroe Republican Rep. Mike Ripley's reaction to the idea. "There are a lot of



things I think the private sector can do better, but I'm not sure about this one. Because of the potential for graft it might be better to keep it in government hands."

Bauer calls it a 'bad idea' and says it will unite parties

INDIANAPOLIS - Indiana House Speaker B. Patrick Bauer reacted to Gov. Daniels' Hoosier Lottery proposal by saying, "The governor has made a substantial step forward in improving bipartisanship in the Indiana General Assembly, because Republicans and Democrats alike say that his plan to privatize the Hoosier Lottery is a very bad idea. Finding additional funding for higher education should be a goal for all lawmakers, particularly since the current state budget – crafted by this governor and his fellow Republicans – shorted funding for our colleges and universities. Today's announcement follows the approach used so often by the administration when it proposes its grand schemes. They think we will be blinded by the huge dollar figures attached to these deals – even though the numbers never seem to be concrete – and forget about the long-term impact of their proposals. But this decision does have significant long-term implications for Hoosiers. At present, the lottery reduces the cost of our license plates and helps to pay for retirement for our teachers, police and firefighters. Each year, \$30 million in net income from the lottery goes to the Teachers Retirement Fund and another \$30 million toward the Local Police and Fire Pension Relief Fund. Whatever is left goes to reducing excise taxes on our motor vehicles. For instance, in Fiscal Year 2005, more than \$125 million was dedicated to excise tax relief. What impact will the governor's proposal have on these distributions? I would like to think that any proposal would ensure that excise tax relief and pension programs get the same levels of support as in the past, but the devil is in the details and this administration

does not have a good track record in backing up its claims."

Parker's first comment on Hoosier Lottery

INDIANAPOLIS - This is a statement from Indiana Democratic Chairman Dan Parker on the governor's proposal for Hoosier Hope Scholarships: "Hoosiers have learned that whenever the Governor issues a proposal, the Devil is always in the details. We don't know for how long he wants to lease the Lottery or whether he'd allow a private company to expand gambling in our state to make a higher profit. All we know is that he's decided he wants to sell off a profit-generating agency to a private company. At this point, it's clear that the Governor's idea of creative financing is to buy a second pricing gun, so he can slap double the number of price tags on our state assets, agencies and services. Obviously, the Governor didn't get the message from voters in November that his agenda is wrong for Indiana. In fact, we should probably just start referring to him as Outsourcer Daniels, since he doesn't seem to want or be able to govern at all."

Chief Justice Shepard to serve fifth term

INDIANAPOLIS - Randall T. Shepard was appointed Wednesday to his fifth five-year term as chief justice of Indiana by a unanimous vote of the Indiana Judicial Nominating Commission.

Hill on Energy Committee

WASHINGTON - Congressman-Elect Baron Hill was chosen by Democratic leaders in the House of Representatives to serve on the powerful Energy and Commerce Committee. ❖