



Tax crisis faces Indiana's power trio

Legacy and political challenges for Daniels, Bauer & Peterson

By **BRIAN A. HOWEY** in Indianapolis

For the growing ranks of disgruntled property taxpayers facing double and triple digit increases, the candidates for blame and salvation include Gov. Mitch Daniels, House Speaker B. Patrick Bauer, and Indianapolis Mayor Bart Peterson.

Bauer's misguided rebate has become a magnet for criticism and acknowledged as a "Band-Aid" by allies like State Rep. Chet Dobis. Bauer's own tax storm hasn't even hit St. Joseph County, where GOP and Democratic sources are describing a "horror show" in the making. If he fails, House Democrats, already staggered by early retirements and others in the making, could easily lose their slim majority.

Gov. Mitch Daniels sat out the property tax debate during the 2007 legislative session when previous governors - such as Doc Bowen in 1973 - were the catalysts. He signed the rebates into law. The tax crisis landed in his front yard like a Fourth of July cherry bomb. An elusive solution could put his re-election prospects - already vulnerable to the Iraq War disaster - in a precarious position.

As for Peterson, we keep thinking of a quote State Rep. Winfield Moses Jr. - a former two-term Fort Wayne



Gov. Mitch Daniels, House Speaker B. Patrick Bauer and Indianapolis Mayor Bart Peterson have a lot riding on the line in the 2007 property tax storm. (HPR & WTHR Photos)

Our taxing problem

By **CURT KOVENER**

CROTHERSVILLE - In a couple of weeks when you receive an envelope with a return address of the Jackson County Treasurer, before you swallow hard, knowing that your increased property tax bill is inside, take a prophylactic aspirin, heartburn tablet, and/or belt of bourbon before opening.

Try to understand that your property tax bill is developed like a three-legged stool. The assessed value for your property contributed to it, spending by local government (school, county, town, township, library) contributed, and funding rules and subsidies by the legislature added to the mix. Let's try to condense all of those as they probably apply to your looming tax bill. Several years ago the state (at the bidding of the legislature) moved



"I don't trust the government to shovel my sidewalk and I don't trust the government to spread the word of God."

- State Rep. Jon Elrod, reacting to criticism he attended Gay Pride event



assessing to represent more market based values. Today, a property's value should more closely resemble what it would sell for. (Except for agricultural ground. Curiously, Purdue says farm ground sold on average for around \$2,700 an acre, but a farmer sells to a developer for \$5,000 to \$30,000 an acre, however for taxation the state assigns a value of \$850 an acre.)

For the first time this year, we will experience trending, a process which will reassess our property each year based upon what property in our neighborhood is bringing.

After looking at your assessed value, before you claim your place isn't worth that much, first do some homework. I am routinely amazed at what some property is bringing. Within the past three years for instance, a 40-acre parcel on Bethany Road at the edge of town sold for \$151,000, a five acre parcel in town sold for \$65,000, and an eight acre parcel in Uniontown sold for \$300,000. I will let you and your calculators do the math for your neighbors.

If you still think your home value is unreasonable, getting a real estate appraiser to provide you a market value will greatly help both you and your assessor make the needed adjustments.

Now let's look at government spending. Sure, it's easy to say they spend too much. Maybe you think we didn't need that big new jail because it was too expensive to build and run. But being all for law & order, you appreciate police doing their job to keep bad guys and gals off the street and to do so police need someplace to warehouse offenders...we call that warehouse a jail. A jail which is now filling up because the police are doing their job but can't empty as fast as its filling because there aren't enough courts to process the misdeed doers. So a new court is coming and - that's right - more spending.

Or maybe you didn't think the school needed renovated. Before you say we didn't need to air condition classrooms, turn yours off. The old school kitchen and its equipment was the same that served me lunches back in the 1960s. Have you replaced any kitchen appliances or done any remodeling at your home in the past 40 years?

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Or what about those new fire trucks? Almost a quarter of a million dollars for just one truck? It replaced a 1967 model. And remember, as a result of the purchase of that new fire truck and the town's improvement to the water supply system (more spending), the community's fire rating went down which resulted in lower insurance premiums. The local fire department has the shortest response time of any volunteer fire department in the county.

Now in my estimation, the third leg of our tax stool, the legislature, plays a greater roll in taxation than we or they would acknowledge. I was shown a letter from one state senator claiming that local government was wrongly pointing the finger at the legislature for the tax increases. He pointed out on our tax bills that the state gets only a few cents. "How can the legislature be held responsible for the increases in your bill?" he asked.

"Because they make all the rules," we should answer. It was the legislature that moved us to market value assessing, the legislature that approved "trending" our assessed values, the legislature that gave businesses tax breaks and eliminated the inventory tax which shifted the payment burden to residential property owners. And in 2006 the legislature approved reducing the Property Tax Replacement Credit and Homestead Credit which went into effect for the first time this year. Those are subsidies paid by state income, sales and excise taxes to local government to offset the costs of local servic-

es. As those subsidies decrease, to keep government services going, our tax bills go up.

So now we are experiencing the confluence of what some call a perfect storm: decreased state support, increased "trended" assessed values, a shift in the tax load from business to residential property, and local government spending being faulted for the increase.

Our legislators point out that we will get a tax rebate check (along with a legislative mandated letter singing the praises of our elected state law makers for giving us back our money) later this year. Well, maybe.

It seems that only those with homestead exemptions are eligible for the rebate check. If you failed to file for a homestead exemption, you can start crying now. And if you are delinquent in some other property taxes (home, farm, business) your rebate check will be withheld to pay that delinquency. And because of the lateness of the tax bills going out the tax rebate will be late as well. And it is the county that will foot the bill for generating and mailing those rebate checks at a cost estimated around \$7,000. There's that increased spending again.

Tax bills may be coming out in a couple of weeks, but go ahead with your aspirin or shot of bourbon now. Consider it like Novocain before the dentist's drill. ❖

Kovener publishes The Crothersville Times and is a township assessor.



Taxed Trio: From page 1

mayor - once told us: "Why did I run for that third term?" If Peterson can't deliver property tax relief and confront a growing crime problem, complicated by a \$90 million request to prop up the long-neglected criminal justice system, his third term might not be as inevitable as once thought, and if he gets it, could destroy any hopes he maintains for a run for governor or U.S. Senate.

Even though many knew this tax disaster was coming, all are now on their heels, reacting and scrambling for more information as storm clouds gather.

And yet, despite the angst and confusion, a successful conclusion could cement their ultimate legacies as their time in office ticks away.

Daniels: Too much government

Daniels was quick to emphasize the broader picture. "That is, we have too much government," Daniels said. "Too many layers, too many subdivisions, too many offices, too much overhead of all kinds. If up until now the idea of fundamental restructuring of local and school government in Indiana seemed an abstraction, maybe it will now be more clear that it has a direct impact on people's taxes."

Steve Johnson, president of the Indiana Fiscal Policy Institute, said he has been pleading for local government reform since 2005. "We're sitting on jurisdictions that were created in the 1800s," Johnson said. "Nobody knows who's done a good job or bad job. You go for townships, cities, counties and then special taxing units on top of that, often times the different local officials don't have a way to gather sufficient local accountability. The authority and accountability is spread across so many taxing units, it's difficult for people to understand the local controls."

Johnson said it used to be people would do the "five things that define your life - work, home, leisure, where you get information, where you shop - all in one county." Now it's common to find a good percentage of people who do two or three of those things in other counties. "The taxing structures don't fit," he said.

740 assessor/trustees

House Minority Leader Brian Bosma said that he attempted to do away with 740 township trustee/auditors. "We were unable to convince our colleagues," Bosma said. "The property tax system in pockets here in Indiana is simply broken and something has to be done."

Bosma and House Republicans pushed a deferral of residential tax increases, extending the Homestead Credit filing deadline, an immediate reassessment in counties where there are "apparent gross discrepancies," and resurrecting the GOP local government reform plan that would include referenda approval for all major construction projects. Long term, Bosma called for a nonpartisan panel of fiscal experts to study the entire tax system with a goal of ending residential property taxes. He also advocates state government funding all child services costs.

As for a "nonpartisan" study, IFPI's Johnson thinks that's a good idea. "Right now, a commission could begin its work. It's going to have to be very circumspect. You don't want the gubernatorial campaign to degenerate into



House Minority Leader Brian Bosma, a fierce critic of the rebate, called for a nonpartisan study commission to formulate a new tax code late Wednesday afternoon. He also called for local government reforms. (HPR Photo by Brian A. Howey)

nitpicking on whatever comes out of a commission."

Interim ideas

In the interim, Daniels said he is floating ideas for short-term measures to reduce the pain that could prompt his calling for a special session. "State government didn't cause the problem, but it has the responsibility of trying to solve it," Daniels said. "The residential homeowner presented with an unacceptable and unpayable bill is not to blame in this case. We've got to find a way to provide help there. I have formulated an idea that would require legislation, and I'm trying it on legislative leaders now. It's just too soon to tell whether this is a workable idea or a sellable idea or the best idea," Daniels said.

Daniels said Wednesday he will extend the deadline for counties to evaluate other available revenue tools to help them reduce local property taxes from Aug. 1 to Oct. 1. When the Tippecanoe County Council rejected the income tax last month, members said it "came at them too fast." David Abbott, president of the Clark County Coun-



cil, said yesterday he wasn't even aware of the new law and that the council hasn't discussed it (**Louisville Courier-Journal**). In Floyd County, council members heard a presentation about it at a meeting Tuesday night but had not decided whether to move forward. "It just came on so quick," said Floyd County Council President Larry McAllister. Clark County Councilman Monty Snelling said yesterday he doubts the council will act on the new options. "I don't see anyone (on the council) interested in increasing taxes" even if it would reduce property-tax bills, Snelling said.

Additionally, the Department of Local Government Finance is beginning to analyze commercial and industrial parcel data for Marion County that it received late yesterday. This review will help determine if assessments between residential and commercial properties are fair or if a reassessment for Marion County will be ordered and what the scope, timing and cost of such a reassessment would be.

Bauer lays out SS conditions

Bauer was originally angry that Peterson had called for a special session. The Speaker, who could be facing his own district tax crisis, told WTHR-TV Tuesday, "If the Governor chooses a special session, so be it, but let's have a plan that is substantial, visible and lasting."

In a statement released Wednesday evening, Bauer said, "If there is to be a special session on the issue of property tax relief, there must be a defined bipartisan proposal that offers long- and short-term solutions. Until we see a plan from the Governor that has agreement from all interested parties, there is no need to discuss a special session."

Bauer then defended his actions during the past session of the General Assembly. "There was a plan this session that would have provided more than \$1 billion in property tax relief," Bauer said. "It was contained in House Bill 1007, a measure that initially was praised by the governor. This legislation would have enabled the state to take over a greater portion of welfare costs and given local units of government the financial flexibility to reduce local property taxes. Unfortunately, the Governor withdrew his support for House Bill 1007 and Indiana House Republicans offered no support at all. A plan that would have taken a major step in providing relief now was set aside."

And Bauer lobbed one spear at the Governor. "I look forward to hearing the Governor's proposals to fix this crisis that House Democrats have been warning the people of Indiana about for several years," the Speaker said. "I wonder whether he regrets his efforts back in 2005 to cap the relief that taxpayers would have received through the Homestead Credit and the Property Tax Replacement Credit." Daniels had a mild zinger for the Speaker, saying, "The way the rebate is constructed, it would provide a little aid to people with a big jump and it would provide a check for people with no increase at all, or even a decrease.

Maybe there's a better way." He added, "for 35 years, state government has been tooling with the property tax system. Most of that time it hasn't worked that well."

Bauer urged county and municipal leaders to act as quickly as possible in cutting spending and taking advantage of the options provided by the bipartisan legislation passed this year that was aimed at slashing property taxes.

"I also encourage the Governor to review some of the faulty decisions made by the Department of Local Government Finance (DLGF) that led to business property in some areas being undervalued, shifting an unfair burden to homeowners," Bauer said. "If these problems persist, there may be a very real need to order a completely new reassessment. Finally, property owners should appeal their assessments. I think that is a prudent course of action, considering the vast number of mistakes that we have seen."



State Rep. Jackie Walorski called for an "immediate response" and options to take to her constituents this fall and ready for passage in 2008. She appeared with Elkhart County officials. Walorski predicted a "horror show" when Speaker B. Patrick Bauer's home county of St. Joseph sends its bills out in August.

Daniels had similar advice for Peterson and the City-County Council that will debate a \$90 million income tax ordinance this month. "If that option were used here in Marion County, it would cut by well over half the entire increase in property tax levy," Daniels explained. "It would raise \$150 million, more than half of the \$270 million in residential property tax increases. So it's a very powerful tool."

Daniels, Bauer and Peterson appear to agree that the Marion County assessments were "botched." The Governor said he wouldn't hesitate to order a new assessment if that is proven.

"If there was a general reassessment ordered, there would have to be some way to get some money coming into government so we could function, but beyond that, the idea that people shouldn't have to pay if their bills are wildly wrong, I completely agree with that and that's one of those things that could be worked out in a Special Session of the General Assembly," Mayor Peterson said.



Peterson said he will activate the Office of Taxpayer Advocate to help citizens through the appeals process.

As for the politics, Peterson will be the first of Indiana's power trio to appear on the ballot ... this November. He faces a mostly unknown, completely under-funded Greg Ballard. But if Peterson doesn't get in front of this crisis, he could be known as the mayor who defeated himself. At the two protests outside the Governor's Mansion, the message

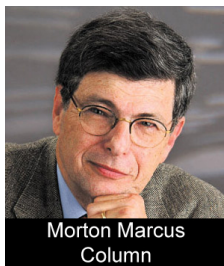
was simple and clear: "Throw all the incumbents out."

"As property tax bills are starting to hit home, politicians are going to be tempted to point fingers," Mayor Peterson said. "The blame game is unproductive and a waste of time." He suggested this morning borrowing \$75 million that would allow a 50 percent tax cut, though he acknowledged it would end up costing taxpayers more in the long run. ❖

Property tax reduction trumps good government

By **MORTON J. MARCUS**

INDIANAPOLIS - Indiana's Gov. Mitch Daniels has warned Hoosiers that lowering property taxes can be achieved by increasing controls on local spending. Does increasing controls reduce local determination of the quality and quantities of public services? Do we want our counties, cities, and towns to be controlled more than they are currently by the wise and worthy members of the state legislature?



Morton Marcus
Column

What is local spending? If the costs of juvenile courts, foster care, and detention were not paid by local taxes but by the state, property taxes could be lowered. Of course sales, income and other states taxes or fees would have to rise, but who cares as long as the "cruel, unfair, burdensome" property tax could be reduced.

If the state paid for welfare or public assistance, then local property taxes could be reduced. Of course it would mean raising those state revenue sources, but property taxes could be reduced.

Over the years, the state has increased its share of spending on public education. Is public education a state or a local function? Or is that question just a matter of convenience for those who are philosophically void?

Many politicians are now foaming at the mouth to eliminate units of local government. "Let's combine school corporations, destroy the townships, merge fire and police departments." Remember, these ideas were thoughtfully proposed in the past and politicians rejected them. Now, there is a flurry, a frenzy to cut, slash, and burn without cautious study or reflection.

Misdirection often is the chief game of the politician. Let us not forget that lower property taxes will mean higher taxes on something else. If we cut government spending, what do we sacrifice? The presumption is that government is fat, inefficient, and ineffective, while

spending recklessly and unnecessarily. Visit your local government and see how plush the accommodations are. Spend some time with government workers and you will see how vital their work is to our communities. Yes, there are sluggards in some agencies, but they are to be replaced; their functions should not be forsaken.

Let's ask the uncomfortable question: What is wrong with property taxes?

1. The property tax is paid only twice a year. If it were less visible (like the sales and income taxes) there would be fewer complaints.

2. Some people think that the property taxes they pay are too high relative to the assessed values of their homes. OK, what would be "the right" ratio of taxes to value – two percent? four percent? Pick a number from one to ten?

3. People confuse the property tax with the income tax. "Poor people pay too high a percentage of their income on property taxes compared to rich people." Perhaps that is true, but do we know that it is true? Do we have records that match the property taxes paid on a residence with the income of the residents? It might sound simplistic, but the property tax is a tax on property, just as the gasoline sales tax is a tax on gasoline sales. We do not ask the income of the person filling his/her tank. Why introduce income into a discussion of property taxes?

4. Some will tell you that the property tax discourages people from buying homes, the best form of savings in our society. I say that low property taxes encourage urban sprawl and people living in house of excessive size plopped on lawns too large for them to maintain. Low property taxes are anti-environmental sanity.

The Governor and Mayor Peterson are calling for a special session of the General Assembly to get them out of uncomfortable political positions. Perhaps they should spend some time trying to think through a comprehensive approach to taxation as part of a good government program. That will take more than a few days of frenetic deal-making, but since both are intelligent men, the rewards to the future of Indiana might be extraordinary.

Or so it seems to me. ❖



JLT enters, but which Democrat can put it all together going into '08?

By **BRIAN A. HOWEY**

INDIANAPOLIS - With Jill Long Thompson saying she's spent a "lifetime preparing to lead this state," the Democratic gubernatorial field maxed out at three this week.

The key question is which contender can put it all together. In Jim Schellinger, Democrats have a candidate who raised \$1 million in four months. But he has yet to articulate where he stands on the issues. He is currently a blank slate. Allies of Schellinger say that's about to change, but say there will be plenty of time in the next 17 months to discuss issues.

In Senate Minority Leader Richard Young, Democrats have a steady Statehouse hand, where the Senate has long been a breeding ground for Hoosier governors. He has yet to fully articulate issues beyond privatization and growing a green economy. Young has been in the race since December, has former First Lady Judy O'Bannon as campaign chair, couldn't raise money during the legislative session that ended in late April, but will post only about \$80,000 in the two months he was free and clear of legislative time and fundraising restrictions. His campaign said he is only just now beginning to focus on the money, which is perplexing.

Then there's Thompson, who just finished a five-city campaign kickoff.

Her campaign said that she will quickly pick up at least \$100,000 in funds and will likely have EMILY'S List involved. There were some conspicuous supporters - Andy Jacobs Jr., Ann and Ed DeLaney, State Rep. Matt Pierce, Brian Hasler, 2nd CD Chair Michelle Livinghouse and 3rd CD Chair Steve Hanes, Allen County Democratic Chair Kevin Knuth - but only pulled a dozen or so supporters at the first campaign announcement in South Bend. Fort Wayne mayoral nominee Tom Henry attended her Fort Wayne event where more than 150 people showed up, but he did not

offer a specific endorsement.

The campaign said other key endorsements will come from the Bloomington area. That would most likely be State Sen. Vi Simpson, whose daughter attended the Statehouse rally late Wednesday.

And Thompson talked in generalities during her kickoff speech. She said she had "spent a lifetime preparing to lead this state." She is against privatization, calling it an "ideological obsession" for Gov. Mitch Daniels and tax increases.

Thompson defended the administrations of the previous three Democratic governors, saying, "For 16 years, the incumbent governor's predecessors all managed to keep the state going strong without resorting to pillaging the state's wealth."

The Daniels campaign will almost certainly counter such talk from a Democratic nominee by pointing out that 92 percent of FSSA and 86 percent of the Hoosier Lottery have already been out-sourced, much of it by Govs. Evan Bayh, Frank O'Bannon and Joe Kernan.

At Evansville Wednesday, the **Courier & Press** reported: It's too early to tell if she'll earn their support, but Evansville Democrats said they were eager to hear more from Thompson. Before her arrival, her anti-privatization message was the hot topic among the dozen people in attendance. "She's questioning stuff that Mitch (Daniels) has done, and I've never heard anything out of (Jim) Schellinger," said Bill Bennett, a local precinct committeeman.

She wants to expand the agriculture and manufacturing economies with good-paying jobs. She suggested that Gov. Daniels will be vulnerable on an element the Daniels campaign had suggested will work in its favor: personal income.

"I have been a teacher, a small businesswoman, a city councilwoman, and a three-term Member of Congress from one of the most Republican districts in the nation," Thompson said. "I know how to bring together Democrats and Republicans to get things done - something Indiana sorely needs. I was appointed by a Democratic president and confirmed by a Republican U.S. Senate to serve as Undersecretary for Rural Development at the United States Department of Agriculture, where I led three agencies of 7,000 workers with a nearly \$10 billion annual budget."



Jill Long Thompson talks to WXNT's Abdul Hakim-Shabazz during her press conference Tuesday. (HPR Photo by Brian A. Howey)



Thompson vowed to lead a "comprehensive effort to 'Reinvest' in Indiana ... to reinvest in our economic foundation; to reinvest in our infrastructure; to reinvest in our educational institutions, teachers, and students; to reinvest in job training; and to reinvest in social services for those who truly need help. To turn things around, I will work tirelessly to reinvest in Indiana's manufacturing base to create and attract new jobs. And I will increase the use of technology parks and zones to bring a new wave of high-tech, state-of-the-art, mini-industries to Indiana to create and attract high-tech jobs."

She ventured out into the old battleground of daylight-saving time, suggesting she might move the state toward Central Time. It was an issue some in the General Assembly had vowed to resurrect earlier this year, but pulled back.

Thompson and Young both weighed in on the property tax crisis. Thompson did so only when asked by the press at the Statehouse. She is generally "opposed" to raising some taxes to offset property tax cuts. "We pay enough

in taxes. We need to look to grow the economy," she said.

Young released an April 28 letter he wrote Daniels that said, "the foundational security of home ownership is at risk as Hoosier homeowners face unpredictable increases in property taxes again this year. I receive daily phone calls from taxpayers expressing their anxiety."

Young wrote, "The time has come to bring innovation and change to an archaic system. Hoosiers deserve a tax structure that protects homeowners, especially those on fixed incomes."

Schellinger did not comment on the tax crisis, with spokesman Mike Edmondson telling HPR that "he wants to get the full picture."

For the past three years, the most strident criticism of Indiana Democrats has been their lack of ideas. The most significant idea emanating from the General Assembly - the property tax rebate - is a ticking bomb.

Say the names Schellinger, Young and Thompson and the word or phrase for what they stand for ... is missing. ❖

2008 Indiana Governor

Governor 2008: Republican: Gov. Mitch Daniels. Democrat: Senate Minority Leader Richard Young, Jim Schellinger, Jill Long Thompson. **1996 Results:** O'Bannon (D) 1,075,342, Goldsmith (R) 997,505, Dillon (L) 35,261. **2000 Results:** O'Bannon (D) 1,230,345, McIntosh (R) 906,492, Horning (L) 38,686. **2004 Results:** Daniels (R) 1,302,912, Kernan (D) 1,113,900, Gividen (L) 31,644. **2008 Forecast:** Does Gov. Daniels have a political problem on the right flank of the GOP? Advance America's Eric Miller and the American Family Association both have Daniels in their crosshairs. Miller sent an e-mail to supporters in late June complaining about Daniels lack of support for SJR7 and a ban on gay marriage. Daniels' quote in a June 15 Governors Mansion talk with reporters about his re-election kickoff has inflamed the right. Daniels was asked about "wedge issues" and said, "I do believe there are other things more important to our future, at least other things that a governor and the people around him can try to work on. And, secondly, I'm always trying to bring this state together, and we don't have, I don't believe, the luxury of division."



Miller then told his supporters, "Yet, six days earlier the Governor was not concerned about divisiveness when his letter to Indy Pride welcoming homosexuals attending a festival and parade was published in the gay pride program. The annual Indianapolis gay pride event featured such apparently non-divisive items as drag queens on stage, men in

leather bondage outfits kissing on the street."

Advance America was also upset about the Indiana Department of Health hosting a seminar with Planned Parenthood that featured Dr. Michael Carrera, an outspoken critic of abstinence-only programs for schools. Miller said, "It is inexcusable that the IDOH would provide partnership in hosting a speaker who is a harsh critic of abstinence-only education."

The AFA was also critical of Daniels and added in a letter to supporters, "The Governor was not the only politician to send a welcome letter to this hedonistic festival" and pointed to Secretary of State Todd Rokita, State Rep. Jon Elrod, and Indianapolis Councilman Scott Keller for having a presence at the Gay Pride parade.

Rokita told HPR on Tuesday that his office will always reach out to people who vote.

When told of the criticism on his wedge issue statements, Daniels told HPR, "There's probably never been a more pro-life governor than I have been."

That got State Sen. Jeff Drozda checking with HPR on the context of the quote. When HPR asked Drozda if the Governor was looking at a split with the pro-life segment of the party, Drozda answered, "I don't know, but with a quote like that...."

McGrath joins Daniels campaign

Brian McGrath has joined Indiana Governor Mitch Daniels' re-election campaign as finance director. **Democratic Primary Status:** TOSSUP. **General Status:** Leans Daniels. ❖



Long ignored, Lugar alters Iraq debate, but not Bush

By **BRIAN A. HOWEY**

INDIANAPOLIS - His warnings that the Bush administration hadn't thought through the Phase IV Iraq invasion aftermath made news in late 2002 and early 2003.

But in the spate of books about this war - Thomas Ricks' "**Fiasco**"; Michael Gordon's "**Cobra II**"; Bob Woodward's "**State of Denial**" and "**Bush at War**" - U.S. Sen. Richard Lugar was never quoted and apparently rarely consulted by the Bush administration. He had chaired 36 Foreign Relations Committee hearings; participated in nine hearings chaired by Sen. Joe Biden this year. On July 31 and Aug. 1 2002, Lugar and Biden chaired hearings on the post-invasion that were most prescient, but received little press attention.

Lugar remained the conscience of the Senate on Iraq, issuing 15 letters to his colleagues from Dec. 2, 2005, to July 31, 2006 seeking to "elevate our debate by studying thoughtful sources of information and embracing civility in our discourse."

Now, Sens. Lugar and John Warner have signalled they will propose a "Plan B" for Iraq in the coming days. The **Washington Post** reported Wednesday that the Lugar-Warner measure will be linked to recommendations by the bipartisan Iraq Study Group, including a new push on diplomatic fronts and possible shifts in the U.S. mission toward counterterrorism and training.

"We're certainly coming to a major climax in the Iraqi policy debate," said former Democratic Rep. Lee Hamilton, who was a co-chairman of last year's Iraq Study Group along with former Republican Secretary of State James Baker.

In the June 27 edition, HPR characterized Lugar's historic June 25 Senate floor speech urging a redeployment of U.S. troops to preserve broader U.S. interests in the Middle East as "Lugar Moves the Iraq Center of Gravity." Through the Fourth of July holiday and a few days beyond, there was a steady erosion of Senate Republican support for the Bush administration's current strategy. Sens. John Warner, George Voinovich, Pete Domenici, Lamar Alexander, Judd Gregg, Olympia Snowe and Susan Collins joined Lugar, Chuck Hagel and Gordon Smith as opposing the surge strategy.

"It is hard to characterize the reaction to

Lugar's letters other than they created a foundation of knowledge for members that added credibility to Lugar's speech when he made (it)," said spokesman Andy Fisher. "The hearings were not covered by the media as extensively as one might expect. Iraq books would have done well to cover the hearings, especially the 2002 hearings."

This all led to an extraordinary interview Lugar had with CNN's Wolf Blitzer on Sunday's **Late Edition**.

Lugar said that he "prays" President Bush will take notice of his urging for a bipartisan approach to redeployment and withdrawal from Iraq.

Asked what a "realistic timeline" for U.S. troop redeployment in Iraq would be, Lugar said, "I would think the majority of our forces could redeploy by the mid-point of next year. Probably before that time but by then. And I've advocated a majority to come out of Iraq and the rest to redeploy other than going door to door in the present surge."

Asked if some of the spring 2008 time lines advocated by senators from both parties could work, Lugar answered, "Perhaps." He called on a bipartisan approach, saying, "It's so important to have American unity." He said the U.S. needed to be "thoughtful" in its approach to a redeployment and withdrawal instead of a "pell mell pullout."

And Lugar related details of a Jan. 5 Oval Office meeting he and U.S. Sen. John Warner had with President Bush and National Security adviser Stephen J. Hadley. "I made the point at that meeting that we really needed to move toward a bipartisan consensus," Lugar said. "We had an opportunity with the Baker-Hamilton report. The president said he respected the point of view from the speech 13 days ago, but that would have to wait until the surge. My counsel then was there might not be time for the surge and a bipartisan consensus."

Lugar said his message was similar to the one he delivered on the Senate floor on June 25. "This is why I spoke again - same words, almost. I hope and I pray in that speech that the President will take notice. Work in a bipartisan way. This was a reaching out to the president."

Last Monday, the New York Times and ABC's Martha Raddatz reported that an intense debate over Iraq was taking place in the White House. Raddatz characterized it as the White House "in panic mode," fearful of losing even more GOP support. "The President continues to dig in his heels," Raddatz reported.

There was also the prospect of a mandated





military report to Congress by July 15 on the war. Raddatz said there would be "no surprises" and that the "political progress has stalled and that is why the White House is so worried."

U.S. Rep. Joe Donnelly, D-Granger, just returned from Iraq and Afghanistan and backed Lugar's point. "We can't walk away today," said Donnelly, predicting that even under the best of circumstances it still would take at least six months to make an orderly departure (Wensits, **South Bend Tribune**).

Donnelly said the United States also has an obligation to leave order behind for the 25 million Iraqi citizens who live there. "We face a myriad of problems that are almost breathtaking in scope," said Donnelly, who speculated that the United States will have a military presence in Iraq "for the foreseeable future." The congressman said everyone on the trip seemed to agree that "until the Iraqis decide if they want peace as much as we want it for them, we'll never get there." It is also understood that "this is not going to be won militarily," Donnelly said. "This will have to be a political solution, and the people of Iraq are the ones who are going to have to come up with that solution." Donnelly added, "The Army is bruised, it's damaged, it's stretched to its greatest limit."

And Donnelly noted that after four years of a U.S. military presence, it is still too dangerous to drive from the airport into Baghdad.

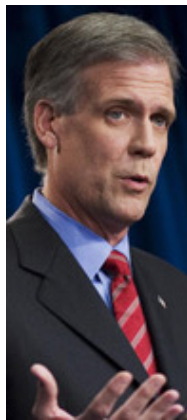
While Lugar's speech essentially established critical mass for an end game in Iraq with both Republicans and Democrats, the White House appeared to be in a state of flux. On Tuesday, spokesman Tony Snow talked of a "beginning of a new way" in Iraq. "Everybody says, 'We want to do it a new way.' We agree. It's now started."

President Bush articulated this "new way" in a White House press conference today. "Those of us who believe the battle in Iraq can and must be won see the satisfactory performance on several of the security benchmarks as a cause for optimism," Bush told reporters. "Our strategy is built on the premise that progress in security will pave the way for political progress, so it's not surprising that political progress is lagging behind the security gains we're seeing." He added, "I don't believe the Congress ought to be running the war," but should just fund it.

On Tuesday in Cleveland, Bush He suggested troops levels could be reduced "in awhile."

That occurred after a tortured press briefing by Snow on Monday, partially excerpted here (transcript):

SNOW: What Senator Lugar, I think, also is concerned about, as you read further into what he says, is that he does not want a situation where we withdraw hastily, we create a vacuum, and therefore we have a longer-term and much more dangerous security environment for the United States.



TONY SNOW

Q: He said most U.S. troops can be pulled out by the middle of 2008, specifically. Do you agree with that?

SNOW: We'll see. I mean, I'm not a general, I'm not going to try to play one.

Q: He also said, "Our course in Iraq has lost contact with our vital national security interest." Do you agree with that? Does that really show --

SNOW: I think it's tied up with our vital national security interest. But I'm not going to -- again, I'm not going to get into a fight with --

Q: But how can you say, as you did this morning, you're saying again that Republicans like Lugar are not necessarily opposing the White House when they're saying "our force in Iraq has lost contact with our vital national security interest" -- how does that agree with what you're saying?

SNOW: Well, again, what you've done is -- we went through this last week, where you take one sentence, I'd cite another sentence -- I didn't bring the whole speech with me this time.

Q: Well, he's got a speech -- it's 45 minutes. Is there a line in his speech that agrees with your policy?

SNOW: Yes, I think there -- the whole series of lines in there. Again, ask yourself what Dick Lugar wants to see. What he wants to see is an effective and integrated diplomatic effort within the region, which this administration has been trying to work through and has been working through. What he wants is more political progress on the ground with the Iraqis. What he wants is better training and capability on the part of the Iraqis. He wants al Qaeda to lose. He wants the Iraqi people to win. I think there are substantial areas of agreement here.

Q: But is the White House in denial about (time running out)?

SNOW: No, the White House is not in denial about the fact, but I think you're in denial about the fact that in the overall contours, there's just not that much disagreement. If you want disagreement, you compare what he's saying with what Harry Reid is saying. If you want a disagreement, you take a look at what Dick Lugar has been saying and what Democratic leaders have been saying, by and large. What Dick Lugar is trying to do -- and I think this is a sensible thing -- is to try to lower the temperature and find a way where you can get some bipartisan conversations, because in many cases, people have dug in their heels, saying, the President is for it, we're going to be against it. And he understands that if you try to look at this through strictly a political lens, you run a very high risk of ignoring the fact that our national security really is under assault by the forces of terror, and it's important to succeed in Iraq because, as I pointed out this morning, what begins in Iraq, whether it is a Democratic renaissance or a victory in the war on terror, does not end there. ❖



THE BOAR'S NEST

Rumors persist of a primary foe for Kenley

By **BRIAN A. HOWEY**

We let our competition deal with most of the rumors, but this one is worth flagging. Statehouse sources tell HPR that State Sen. **Luke Kenley** will likely face a Republican primary opponent in 2008.

After the primary defeats of State Sen. **Steve Johnson** in 2002, Senate Finance Chairman **Larry Borst** in 2004 and Senate President Pro Tempore **Robert Garton** in 2006, the silver bullet for Republican senators is the primary.

Kenley has never had a close race since he entered the Senate in 1992. But as chairman of the Tax and Fiscal Policy Committee, he's now in the vortex of the tax crisis sweeping the state, though in our opinion he has been the source of some of the most progressive and productive initiatives. Had his reforms not have been derailed by the Legislative Services Agency report in the final week of the 2007 session that spawned one of the worst public policy elements we've ever see - the rebates - there wouldn't be a current tax crisis, or certainly not to the degree we're seeing today.

But Kenley might find himself vulnerable if he can't find a solution to this mess that - as you've read on page 1 - already has **Gov. Daniels**, **Speaker Bauer** and **Mayor Peterson** in the public cross hairs. Throw in the food and beverage tax that is paying for the Colts stadium in downtown Indianapolis, and you might find the seeds of a challenge.



Sen. Luke Kenley with Senate President Pro Tem Robert Garton in February 2006. (HPR Photo by Brian A. Howey)

Clem, VanDenburgh join the House

It was a bizarre scenario: State Rep. **Duane Cheney** resigns after buying a home near Bloomington. Then he changes his mind (after, perhaps, a call from Speaker Bauer, worried about defending seats) and re-enters the caucus designed to replace him. It didn't work. That paved the way for long-time Portage politician **Jack Clem** to replace him on Sunday. "Clem was the only person that filed and based on state law, Mr. Cheney could not run for the seat he resigned from. The precinct voted unanimously to accept Clem," Indiana Democratic Chairman **Dan Parker** said, noting there were no arguments during the proceedings. "We stuck to the process. The committee-men had heard plenty in the 72 hours up to this point." In Lake County, **Rochelle VanDenburgh** was the unanimous choice to replace **Bob Kuzman** in District 19. She is a supervisor in the Lake County child support division of the clerk's office. Now speculation shifts to French Lick, where State Rep. **Jerry Denbo** has filed for a town council seat there, but has not yet decided to resign.

Peterson to observe Disabilities Act

To celebrate the 17th anniversary of the signing of the Americans with Disabilities Act, Mayor **Bart Peterson** and the Mayor's Advisory Council on Disability (MACD) are hosting the annual Access and Inclusion Awards. Held on Monday, July 16 from 11 a.m. to 1 p.m. at the Circle Centre Mall ArtsGarden, this event recognizes those businesses, organizations and individuals who make a difference in the lives of people with disabilities through a commitment to inclusion and accessibility.

Lugar Series deadline nears

Applications are still available for the 18th class of the **Richard G. Lugar** Excellence in Public Service Series and can be obtained by contacting **Sandi Huddleston**, Executive Director, The Lugar Series, 47 S. Meridian Street, Suite 200, Indianapolis, IN 46204, (317) 964-5005 or be downloading the application from the Lugar Series website at www.lugarseries.org. The deadline is Aug. 1. ❖

Got a tip for the Boar's Nest? Send it to: phillipscgroup@comcast.net



Is Obama the frontrunner?

WASHINGTON - The \$31 million collected by Sen. Barack Obama (Ill.) over the last three months is an eye-popping figure. It's also \$10 million more in primary funds than Sen. Hillary Rodham Clinton (N.Y.) collected over that same time. Former Sen. John Edwards (N.C.) raised \$9 million for the quarter, roughly \$2 million more than Gov. Bill Richardson (N.M.).

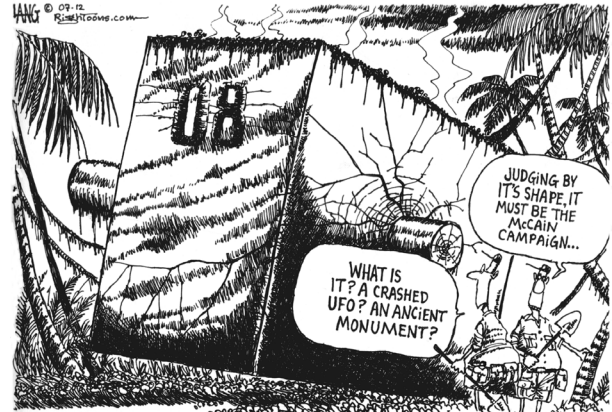


When this race started it was widely assumed that Clinton would dominate the money chase. But that conventional wisdom has been upended as Obama has outraised Clinton in primary cash for the second straight quarter. Obama's success on the fundraising trail came even as Clinton rode high in national polls and was widely recognized as performing best of the top candidates in the three debates held during the past three months.

Is Obama's fundraising performance a game changer? And should Clinton still be considered the front-runner?

The answer to both questions, we think, is yes. Obama is now moving into a position to dictate the terms of the rate and depth of spending in the caucuses and primaries. All of the other candidates -- including Clinton -- will have to watch and see what Obama's spending strategy is over the coming months. 23. ❖

Cillizza blogs for the Washington Post. He will keynote the HPR Forum on Oct. 23.



2008 Presidential Polls

Republican	Date	Giuliani	McCain	Thompson	Romney	Comp. Spread
Zogby	05/17 - 05/20	26%	13%	10%	10%	Giuliani +13%
Gallup	07/06 - 07/08	30%	12%	20%	9%	Giuliani +10%
Rasmussen	06/11 - 06/14	24%	12%	27%	13%	Thomps +3%
CNN	06/22 - 06/24	30%	18%	19%	9%	Giuliani +11%
Cook/RT	05/11 - 05/13	26%	24%	9%	9%	Giuliani+2%
FOX News	06/05 - 06/06	22%	13%	15%	10%	Giuliani +7%
Pew Research	03/21 - 03/25	33%	23%	--%	8%	Giuliani +10
LA Times/Bloom	06/07 - 06/10	27%	12%	21%	10%	Giuliani +6%
NBC/WSJ	06/08 - 06/11	29%	20%	14%	14%	Giuliani +9%
Democrat	Date	Clinton	Obama	Edwards	Gore	Comp. Spread
Zogby	05/17 - 05/20	39%	24%	11%	--	Clinton +15%
Gallup	07/06 - 07/08	37%	21%	13%	16%	Clinton +16%
Rasmussen	06/25 - 06/28	39%	26%	13%	--	Clinton +13%
Time	04/05 - 04/09	33%	26%	25%	--%	Clinton +7%
CNN	06/22 - 06/24	35%	23%	13%	16%	Clinton +12%
Cook/RT	05/11 - 05/13	32%	24%	13%	10%	Clinton +8%
FOX News	06/05 - 06/06	36%	23%	12%	14%	Clinton +13%
LA Times/Bloom	06/07 - 06/10	33%	22%	8%	15%	Clinton +11%
NBC/WSJ	06/08 - 06/11	39%	25%	15%	--	Clinton +14%

Hoosier Support: **Giuliani:** Marion County Prosecutor Carl Brizzi, Stephen Goldsmith, Tim Durham, Beurt SerVaas, Steve Hilbert. **McCain:** Gov. Mitch Daniels; Attorney General Steve Carter. **Romney:** Secretary of State Todd Rokita, James Bopp Jr., Dan Dumezich, Bob Grand, Chris Chocola. **Thompson:** U.S. Rep. Steve Buyer, U.S. Rep. Dan Burton, David McIntosh, Mike McDaniel, Rex Early. **Clinton:** Mel Simon, Bren Simon. **Edwards:** Robin Winston, Ann & Ed DeLaney, 9th CD Chair Mike Jones, State Reps. Russ Stilwell, Dennie Oxley, Terri Austin, Terry Goodin, Sheila Klinker, Linda Lawson and Scott Pelath; Robert Kuzman, Greencastle Mayor Nancy Michael, Bill Moreau Jr., Shaw Friedman, Vanderburgh Co. Chairman Mark Owen, 8th CD Vice Chair Mary Lou Terrell, Greg Hahn, Bruce Kehoe. **Obama:** Kip Tew, State Rep. Charlie Brown, Melina Kennedy, State Rep. Mae Dickinson, State Rep. Bill Crawford, State Rep. Jeb Bardon, State Sen. Earline Rogers, Frank Short, Jack Wicks, Andy Miller, John Fernandez, Dennis Lee. ❖



Leslie Stedmen Weidenbener,

Associated Press - Don't look for Gov. Mitch Daniels to call a special session about property taxes any time soon, despite a call from the mayor of the capital city. Just days before Marion County residents were to receive their property tax bills in the mail, Indianapolis Mayor Bart Peterson turned to the governor for help, but Daniels wasn't interested. The mayor's move might have been politically astute. After all, there was nothing Peterson could do at that moment to help angry taxpayers. So pushing attention to legislators wasn't a bad idea -- at least in the world of public relations. But Peterson had to know his request would go unheeded. After all, lawmakers spent months earlier this year debating property tax issues and ultimately approved some \$500 million in tax relief for this year and next. That won't show up on tax bills this year. Instead, homeowners will get rebate checks and lowered bills next year. It won't be enough to wipe out the 24 percent average increase that homeowners are expected to suffer statewide. And in the counties where bills already have been mailed, the increases for some have been much higher. But lawmakers already had to expand gambling in Indiana just to get enough cash to do that much relief. So it's unlikely they'll be willing to part with even more money now to offset a problem that has been years in the making. Lawmakers did give local governments more authority to raise income taxes and use the resulting revenue to lower property tax bills. And local officials must decide in the coming weeks whether to do that for next year. But don't look to lawmakers for anything else -- at least until they meet again in January. That's when the pressure will really be on. By then, all Hoosier homeowners will have received their tax bills, so there might be even more frustrated folks. ❖

Rich James, Post-Tribune

- For years, Dick Lugar has been the most respected member of the Senate when it comes to foreign policy. That respect comes from both sides of the aisle. A couple hours after Lugar's speech, David Gergen, a former presidential adviser and frequent talk-show guest, was on CNN with Anderson Cooper's "360." Gergen said: "He's not simply -- this is not simply about the surge. It's an agonizing speech, which he's obviously been thinking about a long time, that breaks dramatically with where the administration is. It's -- it has the same kind of weight as the Iraq Study Group, in the sense it comes from such a person of stature that it really begins to -- it does change the discourse." That's one of the problems with this egomaniacal president. He's never had the wherewithal to listen to a man of reason and experience like Lugar. If he had listened to Lugar, we never would have gotten into this tragic position. We never would have destroyed a country for no reason and inflamed the

entire Middle East. George Bush isn't bright enough to know it, but after Lugar's speech, Bush no longer is going to be The Decider. Lugar gave the decision-making back to the Congress and the people. Given the coterie of clowns seeking the GOP presidential nomination, I've got to wonder why the party doesn't embrace a guy like Lugar. I guess it just makes too much sense.



Robert Novak, Chicago Sun-

Times - National Security Adviser Stephen J. Hadley visited Capitol Hill just before Congress adjourned June 29 for the Fourth of July. Meetings with a half-dozen senior Republican senators were clearly intended to extinguish fires set by Sen. Richard Lugar's unexpected break from President Bush's Iraq policy. They failed. Hadley called his expedition a "scouting trip," leading one senator to ask what he was seeking. It was not advice on how to escape from Iraq. Instead, Hadley appeared interested in how previous supporters had drifted from Bush's course. In the process, he planted seeds of concern. Some senators were left with the impression that the White House still does not recognize the scope of the Iraq dilemma. Worse yet, they see the president running out the clock until April, when a depleted U.S. military will be blamed for the fiasco. The tone set by Hadley signaled the White House did not understand that Lugar, in his fateful Senate speech the night of June 25, was sending a distress signal to Bush that a change in policy can be instituted only by the president and that it is imperative that he act now. Hadley was told it is not too late to go back to last December's Baker-Hamilton Iraq Study Group's neglected 79 recommendations. But the White House still seems unaware of the building tide, typified by the defection last Thursday of six-term Republican Sen. Pete Domenici. The White House no more expected Domenici to jump overboard than it did Lugar. The shock of Lugar was the reason Hadley quickly scheduled sessions with senior Republican senators such as Lugar and Chuck Hagel, the top two GOP members on the Foreign Relations Committee, and John Warner, former Armed Services chairman. While Lugar's defection dispatched the national security adviser to the Hill, Bush did not call the respected senator into the White House for a face-to-face talk. That is not this president's style, as shown by his reaction to an essay by Sen. Hagel in the Financial Times published July 2 calling for an international mediator in Iraq under United Nations Security Council auspices. The first in a succession of critical Republican senators, Hagel feared the worst when he returned home to conservative Nebraska for Fourth of July parades. Instead, he was pleasantly surprised by cheers and calls for the troops to come home. Perhaps a White House scouting trip into the American heartland might be worthwhile. ❖



Muncie, Auburn brace for 'staggering' tax increases

MUNCIE - Some property owners can anticipate staggering increases when property tax bills are mailed Friday (**Muncie Star Press**). "There's a feeding frenzy with the taxpayer, and government and schools cannot just get enough," said Bill Michael, who owns Michael's Shoe Repair. Michael has a sign on his door, saying his property taxes went \$3,000 to \$13,000 on the small storefront along Wheeling Avenue. More empty businesses and houses are the prediction of Chris Hiatt, who runs Hiatt Printing, with owners of small businesses and rental property seeking property tax hikes averaging more than 40 percent. "Some businesses are already walking a fine line" about keeping their doors open, Hiatt said. Combine reassessment with decreasing property tax replacement and homestead credits, and property tax levy increases from Muncie schools, Muncie city government and Muncie's transportation district, and it's easy to see why property taxes in Muncie are so high this year. The Star Press examined the taxes on 10 homes, a major apartment complex and a large retail business property in Muncie and came up with a average 51.6-percent increase in property taxes. Mayor Dan Canan said taxpayers should look 50 miles south to Indianapolis for answers. The **Auburn Evening Star** reported today that some homeowners were in for a "jolt" when DeKalb County tax bills go out in 10 days.



Howard County officials bash legislature over taxes

KOKOMO - Three months ago Howard County officials descended on the Indiana Statehouse to raise a red flag that property taxes were going to

hit homeowners hard (de la Bastide, **Kokomo Tribune**). Those concerns went mostly unheard by lawmakers as the 2007 legislative session was winding down. Legislator approved a property tax rebate. With the mailing of tax statements in Marion County, the state's largest, there is now an outcry for a special legislative session to address the concerns. "We knew the big reaction would be when the Marion County tax statements went out," Howard County Treasurer Martha Lake said. "I wrote a letter to the governor, and Rep. Jim Buck sent a letter to the governor requesting a special session in April. I wish we would have gotten more attention," she said. "There are more people living in Marion County and they have access to the governor and the Statehouse because it is right there. I'm very disappointed with the legislative session even with the way the rebate is being handled. I believe politics is involved. Now that Gov. Daniels has announced he is running for re-election, he may be more sensitive to what taxpayers are saying."

Parke County official arrested with 15-year-old

SPEEDWAY - Speedway police have arrested a county official from western Indiana who they say engaged in sexual activity with a 15-year-old boy he met over a telephone chat line. Roger Fisher, a Parke County Council member, faces initial charges of sexual misconduct with a minor and possession of a controlled substance stemming from his arrest Monday at Motel 6. Fisher, 53, Rockville, was freed Tuesday from the Marion County Jail after posting \$20,000 bond. Fisher was elected to the Parke County Council in 1998. He previously served as county auditor and county clerk.

Mittal Steel forges tax agreement with Porter

VALPARAISO - An agreement this week between Mittal Steel and Porter County may have saved the

county millions of dollars. On Tuesday, the Porter County Property Tax Assessment Board of Appeals approved an agreement with Mittal that will withdraw all of the steelmaker's pending tax appeals. If Mittal would have won the appeals the county may have been forced to issue a \$7 million tax refund.

'Evil' recognized at Trooper Rich's funeral

WABASH - The procession past the flag-draped, honor-guarded casket to seats before the services took nearly an hour. The hundreds who couldn't find seats in the Honeywell gym were ushered into the Ford Theater (Bryan, **Wabash Plain Dealer**). They had come in the hundreds, in their crisp blue and brown uniforms or in solemn mourning black. Many of them, friends of the slain Master Trooper David Rich and his family, came in grief and perhaps fading anger. Others came in pride and solidarity to make a statement by their presence. Still others came in curiosity or a sense of duty because Rich had been one of their own. And all came in the forlorn hope of answers to questions that have no answer: Why do so many good men and women die before their time? Why does evil again and again have such easy victories? The chief speakers at Wednesday's funeral for Rich - his pastor, David Phillips, and ISP State Superintendent Paul Whitesell - had no definitive answers, of course, but they didn't shrink from the questions. They came in their hundreds, police and other emergency personnel, from departments big and small across the state and nation. They converged on Wabash to say something needing to be said - And surely for a few hours Wednesday, Wabash was the center of the moral universe. "Evil is not an illusion," said Phillips. "It's real and today it hits us in the face." "Why, when deciding to kill themselves do they want to take someone with them?" asked Whitesell. "The healthy mind has trouble dealing with that." ❖