



# Daniels signs tormented budget



### *Help! A wild day in a crisis setting*

By **KATIE COFFIN**

INDIANAPOLIS – After a long and partisan special session, the Indiana House passed a biennial budget hours before the state government would have been forced to shut down. It came as five states - California, Arizona, Mis-

issippi, North Carolina and Pennsylvania - all failed to pass budgets last night.

The document that House Speaker B. Patrick Bauer called a "Republican-flavored" budget earned a surplus of votes from the Democratic side of the aisle. Rep. Sheila Klinker, D-Lafayette, said there were enough positives in

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# The school wars

By **BRIAN A. HOWEY**

INDIANAPOLIS - This was a cultural war that played out in the Indiana General Assembly's special session. The battleground was the classroom; the playground; the city.

"I believe that the other side has a position on public education they have not articulated," said State Rep. Ed DeLaney of Gov. Mitch Daniels and Republicans. "I think there is a direct assault on public education and they won't say it."

"Where does this concept go?" DeLaney asked. "This came in late and it came from one party. We need to have common schools. We must say no



"I believe our manufacturing base will attract and retain many clean energy jobs. This is absolutely essential to safeguarding our economic and national security."

- **U.S. REP. BARON HILL**, after his vote on cap & trade legislation





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House Minority Leader Brian Bosma reacted to passage of the budget, saying, "Hoosier taxpayers and students are the winners in this budget," Rep. Bosma said. "House and Senate Republicans entered into the budget process with key principles, including holding our state reserves, funding education and cutting every other area of spending, and we stood firm for Hoosier taxpayers." (HPI Photo by Katie Coffin)

to the lingering death of IPS. What size should it be? We budgeted less for 2,000 less students."

"What's the cost going to be to us later?" asked State Sen. Charles Taylor. "I predict we will be answering those questions in 2011."

**Sen. John Broden**, D-South Bend, said, "Looking at the bigger picture, you cannot escape talk of K-12 education. It's roughly half our budget." He said that Indianapolis schools will lose \$28 million, Gary \$13 million, East Chicago will lose \$3.5 million, Anderson \$4.3 million. He said that many of the schools will face huge additional circuit-breaker losses. The funding loss comes five years before the 2014 balloon payment comes due to No Child Left Behind, which seeks to have every student in the U.S. proficient.

The struggling urban schools will now have vastly less resources to bring their woeful graduation rates up

to speed.

"They will go to communities already facing school funding formula losses," Broden said. "Where is the tipping point? Do we expect these school corporations to compete with charter schools? Compete with neighboring schools? I worry about these communities. If we quit investing in children of these school corporation, they may end up in a spiral they may not be able to recover."

State Sen. Lonnie Randolph of East Chicago noted that Carmel-Clay will receive \$2.9 million more, Zionsville and \$2.7 million. He said that it will be "teacher layoffs" and end to programs. "We have, in essence, contributed to the unemployment rate," Randolph said.

**State Sen. Tim Lanane**, D-Anderson, sees a city where its schools and City Hall will be running on fumes. Anderson schools will lose





4.7 million in one year and 4.9 million in another year. "When you do look at the impact on the caps, it's not just on the schools, but cities and towns," Lanane said. "Muncie had to lay off 40 firefighters. I'm very concerned about what we're doing to our cities and urban areas. We don't want our cities to survive, we want them to shine. Remember that phrase, 'The Shining City on the hill'? I worry that we're sending the message that we're giving up on our cities."

State Sen. Jean Leising, R-Oldenberg, in an emotional speech, said all 11 school corporations in her rural district will lose money. The Indiana Live racino is headed for bankruptcy. She said that the racino contributed \$50 million to state revenues; the CIB nothing. "I just hope that all of us keep that in mind," Leising said in announcing her opposition to the budget.

State Rep. Greg Porter explained, "The bottom line is this proposed legislation in my eyes is toxic to public education. It's toxic. This bill is bad for public education.

And State Rep. John Bartlett added, "No one has explained to me how we can justify giving \$750 million to grown men to play a boys game at Lucas Oil Stadium and Conseco Fieldhouse and yet we can't fund education."

Republicans eagerly defended their "Republican budget." State Sen. Gary Dillon, R-Columbia City, noted that, for instance, IPS had been looking at a \$1,100 per student increase. Instead, it was \$400. "I don't know what the right balance is, but we hit it on the middle."

State Sen. Brandt Hershman noted that Rossville Schools had been receiving \$10,254 per student; that will now be \$5,871 per student. "It's not equal. Your challenges are not unique and they are not alone."

Senate Minority Leader Vi Simpson said it was necessary to "get beyond this kind of warfare every two years" and urged the General Assembly to take a comprehensive look at how education is funding, adding that it doesn't necessarily mean the same dollar amount for each student.

Kenley agreed. But he noted that during the conference committee the circuit-breaker was "never brought up." He said that people were "leaving meetings because they were mad" over how the pie was being sliced.

"The House is gone," Kenley said shortly before 7



**Senate Minority Leader Vi Simpson wants to end the biennial battles over the school funding formula. (HPI Photo)**

p.m. "If you vote against this budget, the state will shut down. It will be 10 times worse. Even though you hate this budget, please vote yes."

The Senate finished one of the longest budget sessions in state history on a 34-16 vote.

## **Indiana vs. Indianapolis**

State Sen. Earline Rogers may have captured the sentiment of urban areas such as East Chicago, Gary and Anderson feel. She said she was thinking about having a T-shirt printed up: "I went to Indianapolis and all I got was a lousy study committee."

That sentiment was endorsed by State Sen. Connie Sipes, who said the "gorilla in the room" was a growing resentment "about fixing Indianapolis's problems and not mine."

"I sat with 15 to 20 legislators last night, and without exception, everyone said, 'Oh yeah, me too. I have that resentment. It's all about Indianapolis and, without exception, they all said they wanted to help Indianapolis. Proud of the Colts, proud of the Pacers. But we want you to help our communities too. I'm whining and I'm irritated that I didn't get any help."

To be sure, Indianapolis didn't get "everything." IPS is facing decimation after a \$28 million funding cut after a 40 year decline.

This legislature met in crisis and certainly, things could have been worse. But few leaving the Statehouse had a satisfied feeling Tuesday night. ❖



## Tormented, from page 1

the budget to get her vote.

"I think it was time to move ahead. Any problems that we had in this budget, which were numerous, we'll work on this summer," Klinker said. "We have four months until the next budget is discussed, so any corrections we have to make we'll be making, hopefully in next year's budget."

Gov. Mitch Daniels signed the document into law promptly after it passed both houses at 8:05 p.m.

"Like any compromise, this budget has its defects, but it meets the fundamental condition I laid down in January and every day since: to limit total spending enough to preserve our surplus and thereby protect taxpayers against the tax increases happening in virtually every other state," he said.

Sen. Frank Mrvan, D-Hammond, also crossed party lines to help get the budget through the Senate. One of the reasons he cited for the leap was \$14 million in the budget for flood control on the Little Calumet River, which is part of his district.

"I think the budget was worthy of my vote, and it wasn't too bad for my schools," Mrvan said. "But I felt that Sen. Kenley and Sen. Vi Simpson worked together and many of our ideas, he put into the budget, and I didn't look at it [as] Democrat and Republican. I thought they tried to help us, they helped me and they helped other people, but you're never going to be completely satisfied. As far as I'm concerned, there was no politics."

Bauer did not vote on the budget because he normally doesn't vote unless there's a tie. He said if he had voted, he would've voted against it.

## Republican flavored

"Yes, it is a Republican-flavored budget, but the bad taste has been watered down a little bit," Bauer said. "It was a compromise, and that's what we needed."

"It's just the attitude of whether you're going to fight to the death or not. I appreciate fighters. But sometimes you've got to learn to fight another day."

Bauer said there are more winners with this budget than the governor's proposal and the Senate's first clean-up version.

"I think the 2,000 or more teachers who would've lost their jobs are winners. The 6,000 workers that might've lost their jobs if that retroactive tax had stayed in there are winners, and I think a lot of students that are going to colleges are winners because I think that 4 percent cut the governor had on higher ed [which is now flat-lined] will now help them not increase tuition as much."

Asked if the budget vote should have come down to the final hours of the fiscal year, Bauer simply said, "Sure."



Ranking Ways and Means Republican Jeff Espich said, "This is the toughest time to write a budget, bar none. I think there is a ton of compromise from the governor on down." (HPI Photo by Katie Coffey)

"I mean, let's face it," Bauer said. "We're in an economy that's lost hundreds of millions of dollars. [Republicans] had an agenda that was really an attack on public schools. We had to mitigate that, we had to moderate that."

Rep. Eric Turner, R-Marion, said the budget isn't perfect but is good for the state considering the economic conditions. House Minority Leader Brian Bosma, R-Indianapolis, agreed.

"I think it was an appropriate budget in the times we're in," Turner said. "The governor set some parameters when we started the special session. I think we met the parameters, not exactly as I would've drafted it, but I wasn't the author. So I was very encouraged by House Republicans all coming together and saying, 'These are the parameters we're going to stick with,' and voted appropriately."

"It lives within the state's means, it lives within the governor's frugal parameters for our reserves and sets us up for economic and fiscal success in the future," Bosma



said. "So, I'm very pleased with the product."

## Real progress began Monday

Sen. Luke Kenley, R-Noblesville, who was critical in getting the budget together, said real progress began Monday.

"Yesterday morning, Sen. Long and I spoke with Speaker Bauer and Chairman Crawford, and we cut to the bottom line of those important issues that we thought we had to have, agreed to do a two-year budget and do a mutual document, and that was the point where I really felt confident we were going to make it and everybody was committed to making it.

"But in this case, I was truly worried, particularly with the House people being gone, that if by some fluke this thing would go down, we would've been in a disastrous position if the state had shut down."

Most state employees received an e-mail around 1 p.m. Tuesday warning them of a furlough if the legislature did not pass a budget by deadline. Bosma said he thought that the threat was necessary to get a budget through.

"Unfortunately, I believe we had to have the threat of the government shutdown for the Speaker to actually allow this to come down for a vote," Bosma said. "It is unfortunate that we're only hours away from a government shutdown, but it was avoided, and the work is through."

All 48 Republicans voted for the bill, along with the following 14 Democrats: Barnes, Bischoff, Candelaria-Rear-don, Cheatham, Dembowski, GiaQuinta, Grubb, Klinker, Moses, Niezgodski, Robertson, Stemler, Sullivan and Welch.

## The looming deadline

Bauer also said a looming deadline helped accelerate compromise efforts.

"I think whenever there's even an imagined deadline it helps you get to a closer point," Bauer said.

This budget had a compromised increase for K-12 public education of 1.1 percent, right between the governor's proposed .25 percent increase and the House Democrats' 2 percent increase.

Rep. Vernon Smith, D-Gary, said schools in Gary will suffer and some will even shut down. He questioned why the Capital Improvement Board got language in the bill but Gary did not receive that kind of attention. He pleaded for the legislature to "stop treating [Gary] as a stepchild."

"We have people who are suffering and are looking for hope, and you don't care," Smith said.

Many Democrats said they weren't pleased with how the budget is not fair in distributing money. Rep. Ed DeLaney, D-Indianapolis, said the budget was a "direct assault on public education" from Republicans. Rep. Trent Van Haften, D-Mount Vernon, said he's "one of those

losers," and it's hard to tell his constituents that money is being taken from the smaller communities and being given to bigger communities. He also said his schools will lose \$1 million over the next biennium.

However, Bosma was more optimistic with the guidelines set for school funding.

"In these times when education is being cut all over the country to come back with a 1.1 percent increase in the first year for education K-12 is pretty strong, yet the taxpayer is not going to be forced into a tax increase in the future, and I think that was the right thing to do," Bosma said.

## Pain for all

Despite Rep. Dennis Avery's statement that the legislature has "totally failed" in terms of fairness with the budget, Kenley said that everyone would be feeling pain.

"This budget, the urban schools ... they got more increase per child, enormously more increases per child, and the suburban schools are facing the same crisis," Kenley explained. "I think we spread the pain evenly to everybody. I don't know if a single school superintendent, whether it's a growing school or a declining school, that says, 'I got a good deal,' and that's just the measure of how difficult the times are and how level this formula is."

Kenley said the CIB was an issue because the legislature gave the Indianapolis board money, almost like rewarding their financial carelessness, but not other cities. Smith said he thought it was "totally unfair" that Indianapolis got help through the CIB and Gary didn't get anything like that.

"That was a much bigger factor than whether the governor had a better solution or the mayor had a better solution," Kenley said. "It was just a disappointment to all of us, and I think nobody wanted to have to solve that kind of a problem when they felt that other problems were a little more pressing."

After a special session that went to the final day, when asked if this was the best compromise the General Assembly could come up with, Kenley said, "I think it is. I think it really is."

## Blessings and Help!

Sen. Buck urged the Senate to "count your many blessings, name them one by one; count your many blessings, see what God has done," but Sen. Vi Simpson, D-Bloomington, was singing to a different tune.

"Not everybody around the state has the same number of blessings to count. And so I wasn't thinking of a hymn, I was thinking more of the Beatles singing, 'Help! Help!'"

❖





## Winners & losers

By **ABDUL HAKIM SHABAZZ**

WXNT's radio personality weighs how various officials fared in the just concluded legislative session:

**Gov. Mitch Daniels:** Big Winner! He got the budget he wanted and kept the surplus. He stayed on message and drove the debate. He also walked right up to the brink and the Legislature blinked.



**House Speaker Pat Bauer:** Talk about fighting a war on two fronts. Between having to fight the Governor on one hand and members of his own caucus, particularly the Black caucus, on the other hand. He did have a major victory on the unemployment insurance fund.

tory on the unemployment insurance fund.

**Senate President Pro Tempore David Long:** Although there was never any question, Republicans would get a budget out of the Senate, I will give the big guy credit for keeping an orderly process the whole time and keeping a civil atmosphere in his chamber.

**Senate Appropriations Chairman Luke Kenley:** Once again proved he is one of the smartest people in Indiana.

**Ways & Means Chairman Bill Crawford:** I think we are looking at the final days of Bill Crawford. Throughout the session he looked tired and somewhat discombobulated. He stood his ground and fought for IPS, but in the end the best he could do was mitigate damages.

**House Minority Leader Brian Bosma:** The groundwork has been laid for 2010. With redistricting and tax caps both at stake in the next election, the House GOP scored a major victory by getting the budget they wanted.

**Senate Minority Leader Vi Simpson:** Although Democrats have as about as much power in the State Senate as the former President of Honduras, Simpson gave an impassioned warning about the need to change the school funding formula on the last day of special session. And from my vantage point, that message did not fall on deaf ears.

**Indianapolis Mayor Greg Ballard:** Whereas the Mayor of Indianapolis had some big wins last year, this year was different. Losses on government reform and the CIB, the Mayor really took it on the chin. He had some smaller legislative victories but lost the big ones. I still think there is an opportunity to fix the CIB which I will expand on tomorrow, but it will require the Mayor to do something he hates doing, play politics.

**ISTA:** Talk about a bad millennium. Between the scandal involving the health insurance fund and cuts in school funding and now the seeds for real choice being planted in Indiana, ISTA may not be around much longer.

**School Choice Lobby:** They won because ISTA lost.

**Labor:** By scoring a victory on the unemployment insurance fund, labor in Indiana proved that it can still get things done and show up in force.



Senate President David Long (left) and Chairman Luke Kenley prevailed in the budget war.

**Business:** The business community almost took it as much on the chin as the Mayor's office. It suffered losses in both government reform and unemployment insurance. I think the consequences are going to be a lot of cash for House Republicans but not so much for their Senate counterparts. ❖



## Tax cloud over Weinzapfel rising star

By **BRIAN A. HOWEY**

INDIANAPOLIS - It's a long, loooooong way off - the 2012 gubernatorial race - but already there is at least one potential candidate who is facing a moment of truth.



Evansville Mayor Jonathan Weinzapfel went along with a secretive plan to kill Vanderburgh County's homestead tax exemption. As a result the Indiana Office of Management and Budget told the Evansville Courier & Press that Vanderburgh property

taxes billed to homeowners are up 39 percent in 2009, while overall Indiana homeowner taxes are down an average of 7 percent.

The keywords in this sequence are "secret" and "property tax increase." So Weinzapfel is facing a problem squared: he helped kill the homestead exemption in order to preserve his city's revenue, and that means he sparked a 39 percent tax increase.

We're not suggesting that Weinzapfel's gubernatorial hopes have been dashed. Just a week ago during the Indiana Jefferson-Jackson Dinner, he appeared to be the brightest rising star in the Democratic fold. But now a potential candidacy faces the problem of explaining two of the most toxic things a public official can do.

And it doesn't help that Weinzapfel's Evansville is one of 10 cities that get millions of casino dollars that places like Elkhart and Kokomo don't.

**Weinzapfel told the** Courier & Press that the dilemma "will require tough decisions by city council members and me. Frankly, I have been kicking myself for the past several days for allowing a big decision like this to be made without public input. I am angry with myself that, because the decision was poorly handled, people are now questioning my motives. I understand why people are upset. I don't blame them. I can tell you that there was no intent to mislead or deceive those who have entrusted me with this office. A decision was made that, at the time, I thought was in the best interests of the people of Evansville, given the economic information we had available."

Last Thursday, the newspaper reported on an April 1, 2008, "closed door" meeting in the mayor's

office of several city and county officials of both major parties who decided not to renew the exemption. Left out in the cold were Vanderburgh County council members. "I think we'd probably have had a little different outcome had I been there," said Republican James Raben, who has been the county council's finance chairman since at least 1997. "It's regrettable that I wasn't." Raben said he was not told after the meeting that the local homestead credit wasn't being renewed and did not learn of the meeting or the decision until this month.

Ouch.

**It's the kind of fodder** that will make Democratic primary TV ads or, if somehow Weinzapfel were to consolidate the Democratic field and win the nomination, would certainly be in play in the fall of 2012.

The critical question for Weinzapfel is whether the issue will undercut his ability to emerge as a frontrunner. He had been picking up some early support, but at least one Democratic leader we talked to was questioning



Evansville Mayor Jonathan Weinzapfel made a huge mistake in the way he eliminated the homestead credit.





whether the issue is a candidacy killer. There have also been reports that Weinzapfel's own congressman - Brad Ellsworth - may be taking a look at the race.

## **Pence to Iowa**

The chief of staff for U.S. Rep. Mike Pence, R-Ind., said the Columbus native will visit Iowa this month for political fundraisers, not to discuss a possible run for president in 2012 (Columbus Republic). Bill Smith said he wanted to quell any rumors that Pence's visit is anything more than it appears. He said Pence, the House GOP Conference chairman, will attend two fundraisers for Iowa Rep. Steve King and another for the Iowa state GOP.

## **9th CD: Hill votes for cap & trade**

One potential gubernatorial contender - U.S. Rep. Baron Hill - has his own challenges. Late last Friday, Hill was one of two Indiana Democrats to back the Waxman-Markey energy bill.

Hill explained his vote on Friday, saying, "With legislation of this importance and impact, the partisan rhetoric and outright mistruths must stop. Both are not only counterproductive, but misleading to - what should be - our end goal of enacting energy legislation that addresses energy independence, creates green jobs, and combats climate change while protecting Hoosier ratepayers, jump-starting the economy, and taking into account geographic disparities. And, most false comments are based on the original proposal, which I will readily admit was simply not feasible for Indiana. But the bill has changed significantly, and will continue to change.

Hill called cap and trade "an important step in the process of achieving a difficult, yet attainable, goal." Hill added, "While working toward this goal, I have kept my focus on protecting Hoosier families. To that end, I worked

with my colleagues to enact the following consumer protection provisions: First, in order to prevent utility rates from spiking during the transition to a clean energy economy, the legislation allocates the majority of emission allowances for regulated entities like utility companies. Second, to protect jobs, manufacturing industries will be compensated for their cost of compliance with these new standards, and countries that do not accept the standards will face trade consequences. Finally, the original renewable energy standard was altered to a level at which Indiana can comply while using other, more nontraditional sources, to reach the standard. For example, I secured language in the bill that will allow more waste resources to be converted into and counted as renewable energy."

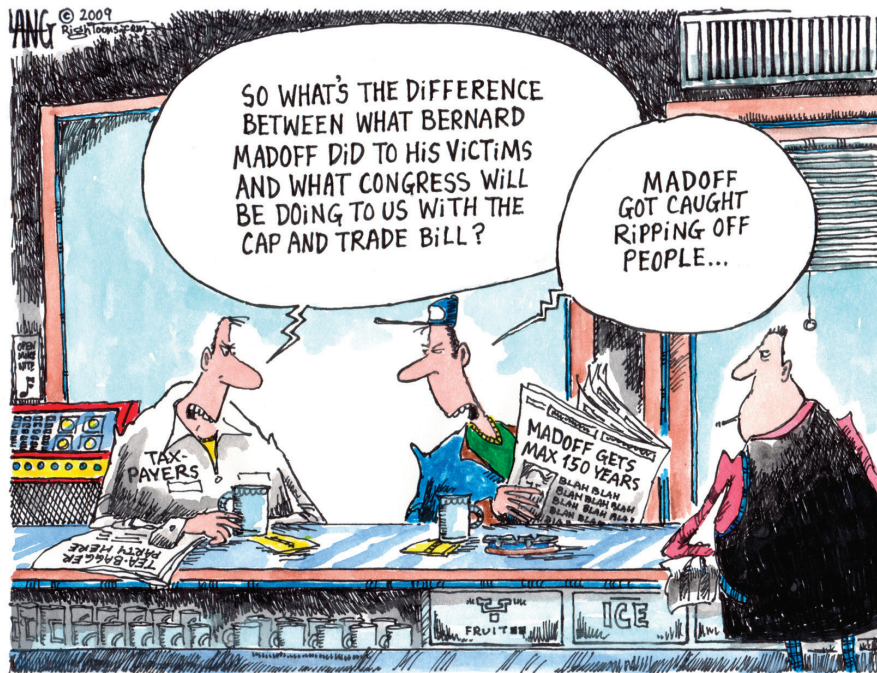
The congressman said he believes the legislation will help attract more jobs to Indiana. "Southern Indiana possesses the tools to play a key role in this process, and I believe our manufacturing base will attract and retain many clean energy jobs," he said. "This is absolutely essential to safeguarding our economic and national security."

Paoli Republican Todd Young, who has announced

his intent to challenge Hill, came out against the legislation. "I hope every Hoosier will take a little time to investigate what's in the massive cap and trade bill that passed by the narrowest of margins Friday in the U.S. House of Representatives," Young said. "If this bill succeeds in the Senate, Indiana might just as well put up signs saying 'closed for business' on its borders."

Young explained,

"In my 10 years of closely following congressional activities, I cannot recall any other bill that would have a more devastating impact on Indiana than this legislation. Not only is it potentially the biggest tax increase I have ever seen, it is the most regressive. It saddens me to think of what this carbon tax bill will do to Hoosiers on fixed incomes who are already having trouble paying their electric bills. This legislation has the potential to practically double those bills almost overnight."







And Young added, "There are two main reasons Indiana remains one of the better states for manufacturing. Our energy costs are relatively low and we have a good quality work force. This bill wipes out the first reason and punishes our workers with a major new tax they do not deserve."

## Mayors on the hot seat

The political fortunes of two Indiana mayors are flagging right before our eyes. Indianapolis Mayor Greg Ballard has been all over the board with the Capital Improvement Board bailout. He's stood with Gov. Mitch Daniels when he announced a solution and then backtracked several times. He ended up with a \$12 million funding hole.

Muncie Mayor Sharon McShurley has been openly feuding with firefighters after cleaving away 32 positions last month. She won in 2007 by only a handful of votes. Last week was embarrassing. She abruptly ended a "Mayor's Night Out" meeting after she found a hostile room of firefighters. At a regional meeting of mayors, the crowd openly laughed when the mayors were asked for examples of how they cooperated on economic development.

Earlier in the month, she quickly rejected a compromise that would have merged Muncie Fire with the township, which is exactly what Gov. Mitch Daniels had hoped would happen after passage of the 1-2-3 property tax caps that will force cities to dramatically cut budgets in 2010 and 2011.

## 5 Most Vulnerable Mayors

The class of 2007 is a little less than half way through their terms. Here are the five most vulnerable mayors in Indiana:

**1. Muncie Mayor Sharon McShurley:** Her temperament is in considerable question and she has little political base. Feuding with firefighters, who are viewed as heroes is politically risky.

**2. Indianapolis Mayor Greg Ballard:** He runs a real close second to McShurley. Almost a tie. This was sup-



Indianapolis Mayor Greg Ballard (top) and Terre Haute Mayor Duke Bennett (right) will have tough re-election campaigns in two years.

posed to be a critical year for him to show his management style, but the CIB mess has shredded that element.

**3. Terre Haute Mayor Duke Bennett:** The Supreme Court finally allowed him to finish out a full term. He won by a little over 100 votes in a city that has tossed out the last four incumbents after one term.

**4. Gary Mayor Rudy Clay:** His city is facing ruinous budget cuts. The state is forcing him to hire an economic consultant. He just lost the chair of the Lake County Democratic Party. Remember the Paul Simon song, "Slip Slidin' Away?" Clay is ripe for a Democratic Party challenge.

**5. Frankfort Mayor Chris Pippenger:** He was elected in 2007 as an independent and this recession has been bad for the city. Without a party base, his re-election is a real challenge. ❖

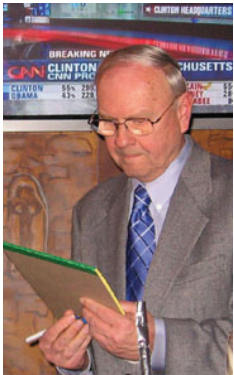




## Cash for clunkers, and Mourdock, too

By JACK COLWELL

SOUTH BEND - "Cash for clunkers" legislation, passed with bipartisan support in Congress, aims at helping the struggling U.S. auto industry, spurring the economy, improving the environment and reducing reliance on foreign oil.



Worthy goals. No panacea. But certain to help some, especially in Indiana and Michigan, states so reliant on automotive-related jobs.

Too bad it can't get rid of a Hoosier politician who is a real clunker, willing to hurt his own constituents and use their own money to do it. More on him later.

Some opposition came from legislators in other regions that would just as soon see Midwest automotive producers rust away. That, of course, also would see jobs vanish from Detroit to Kokomo and in many other parts of the Midwest.

"Cash for clunkers" provides incentives of up to \$4,500 for motorists who junk their old gas guzzlers and buy more fuel-efficient vehicles.

The formula for the amount of federal vouchers proved as incentive to buy fuel-efficient vehicles is based on mileage improvement. The trade-in can't be hauled from a junkyard. It has to be registered and in use for at least a year. And it can't be sold again as a used car. It's for salvage.

Up to \$1 billion is provided for the vouchers, good from about Aug. 1 until Nov. 30. Program backers hope it brings 250,000 new sales.

**To qualify, the new car** must get at least 22 miles per gallon. If mileage is at least 4 mpg better than the trade-in, there is a \$3,500 voucher. If improvement is at least 10 mpg, the maximum \$4,500 voucher is provided.

A trade-in for those amounts wouldn't make sense for a vehicle with a trade-in value higher than the voucher amounts. Thus, older cars will be the ones taken off the road.

Not surprisingly, two members of Congress from Michiana, U.S. Reps. Fred Upton, R-St. Joseph, from Michigan's 6th District, and Joe Donnelly, D-Granger, from Indiana's 2nd District, co-sponsored the program.

Upton, who is co-chair of the Congressional Auto Caucus, says the program will save jobs in auto production

and help to keep suppliers and dealers in business. He says 16 other countries spurred sales with "cash for clunkers" programs, with Germany's scrap program leading to a 21 percent surge in auto sales in February.

Donnelly, whose district is heavily reliant on the auto industry, especially in the Kokomo area but also all the way up U.S. 31 to the Michigan line, says it will be "absolutely devastating" if federal efforts to save Chrysler and General Motors fail. He counts on the "clunkers" program to help get buyers back in the showrooms and workers back on the job.

**Donnelly also hailed** the bipartisan support for the program. Fifty-nine House Republicans voted for it.

The program was supported by such diverse groups as the U.S. Chamber of Commerce and the United Auto Workers and also by President Obama.

Supporters contend that fuel savings will cut back on foreign oil imports and put more money in the pockets of the drivers. Environmentalists also like the greater fuel efficiency.

Additionally, Upton says increased sales will help hard-pressed states with more sales tax revenue and less unemployment costs.

Alas, that Hoosier politician who is a real clunker when it comes to saving automotive jobs can't be junked in the program. The clunker is Indiana's state treasurer, Richard Mourdock.

Both Donnelly and Upton point out that the treasurer's effort to kill the bankruptcy transaction that is bringing back Chrysler jobs could have led instead to liquidation of Chrysler - and also of General Motors, if the U.S. Supreme Court had agreed with the politically motivated Mourdock attack on the Obama administration's efforts to keep Chrysler and GM in business.

Luckily, the inefficient clunker crashed in the Supreme Court. Mourdock's strange logic, through which Hoosier investors he sought to represent would have ended up with less money in liquidation than through the bankruptcy transaction, didn't prevail.

**But clunkers are costly.** Mourdock spent \$2 million of Hoosier taxpayer money in pursuing his threat to Hoosier jobs and investors.

"Cash for clunkers" is worth the try, even if it doesn't provide for trading in a political clunker. ❖

**Colwell has covered Indiana politics over five decades for the South Bend Tribune.**



REP. JOE DONNELLY





## Rudderless budgeting and personal income

By **MORTON J. MARCUS**

INDIANAPOLIS - If we are lucky, by the time you read these words the Indiana General Assembly will have passed a new budget. Democrats use tarot cards and Republicans chicken innards to determine how much to spend. There are alternatives.



Morton Marcus  
Column

In some states, changes in the level of the budget are driven by the percent change in personal income (PI). Two weeks ago, the U.S. Bureau of Economic Analysis released its latest estimates of quarterly state PI. Where U.S. PI grew by 0.8% from the first quarter of 2008 to the same quarter in 2009, Indiana advanced only 0.4%. There were 16 states that performed worse than we did.

If Indiana's budget was linked to PI, the legislature would have an easier time. The budget for next year would rise by 0.4%. The question would become: "Which agencies and functions of government should get how much of that small increase in funding?"

If we were going to hang state spending on some statistical star, PI is not the best choice. Look again at first quarter 2008 to 2009. PI in Indiana rose by 0.4% without adjustment for inflation. However, that figure doesn't tell the real story of Indiana's economic performance in the year.

When times are tough, many workers lose their jobs and collect unemployment compensation. As we know too well, that puts a strain on our state's finance. In the past year, unemployment compensation payments tripled in Indiana. If we exclude these payments, PI did not increase by 0.4% but declined by 0.3%.

**Farm earnings** are highly volatile; there can be wild swings depending on government subsidy payments and sudden speculative activities. In our year-over-year comparison for the first quarters of 2008 and 2009, Hoosier farm earnings declined by 23%. We do best to focus on the non-farm sector of the economy which is far larger and more stable.

While thousands of Hoosiers in the private sector were losing jobs or taking pay cuts, earnings in the public sector rose by 4.8%. (During this period, state government shrank by 2.1% -- a loss of 2,400 jobs, while local government employment increased by 1.8% or 5,230 jobs.) With the government and farm sectors excluded, PI in Indiana declined by 0.7%.

**Included in PI are dividends**, interest, and rent. This sector was down in the past year (-0.2%). You see dividends and interest credited to your retirement account statements. But you aren't able to spend that money and you don't pay taxes on those receipts until you cash in the account. It doesn't make sense to include those funds, whether they go up or down, in any consideration of this year's income.

The same applies to contributions made by employers to social security, health insurance and other benefits for their workers. They are not funds available for current spending.

What should be the guideline for government spending if we throw out all these components of PI? We could use wages and salaries paid to employees in the private sector, plus government transfers to individuals (Social Security, welfare, Medicare, Medicaid, and certain pensions), plus non-farm proprietors' income (less their contributions to social insurance programs).

**This nameless sum declined by 0.4%** in the 12 months we have been discussing. If we linked state spending as outlined here, there would be no foundation for increasing the state budget beyond its previous level; unless a strong case could be made that existing services will be harmed seriously by operating without additional funds. And if such harm can be substantiated, we have a rainy day fund to help out.

I am not recommending this approach, but it would be better than seeing our representatives continue to sail without a rudder in stormy waters. ❖

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**Sylvia Smith, Fort Wayne Journal Gazette:** The best thing about the Mark Sanford spectacle last week was that surely it establishes the low-water mark for the Republican Party. Yes, of course, the amazingly bizarre Sanford saga did not happen because he's a Republican. But when a high-profile member of either political party is exposed as a cheat, a fraud and/or a crook, there's blowback for the party. This is especially true for the GOP, which seems to be more dragged down by its members' ethical failings than does the Democratic Party. Republicans are more likely to define themselves (and thus their party) in what they describe as moral terms, including sanctity of mixed sex marriage, than are Democrats. When they stumble and prove they are human, Republicans and the GOP cope with the additional sin of hypocrisy. Americans seem better able to forgive — or at least not punish — a politician who is a sexual cheat than a politician who uses piety as part of a campaign strategy and then is exposed as an international playboy/bathroom stall footsie-player/customer of a prostitution ring. So when Sanford's affair and rapturous e-mails became front-page news from Arizona to New Hampshire, it's not only his wife, four sons, presidential ambitions and chairmanship of the Republican Governors Association that were charred. The GOP brand goes down some notches, too. ❖

**Stephanie Salter, Terre Haute Tribune-Star:** "He lied under a different oath, and that's the oath to his wife. So it's got to be taken very, very seriously. — then" - U.S. Rep. Mark Sanford on his impeachment vote against President Bill Clinton. When news broke about South Carolina Gov. Mark Sanford and his affair with a woman from Buenos Aires, I was in a meeting near a television set. As the story unfolded during the governor's fascinating press conference, I said, "Whenever another one of these guys gets caught, it really brightens my day." A male colleague said, "These guys? You mean just guys, right?" No, I do not mean just guys. It is not about the cheating, which (unless I am being cheated on) is none of my business. It is not about the lying, which (be it guy, gal, Republican, Democrat, Christian, Muslim, Jew or atheist) tends to follow cheating as night follows day. It isn't even about Sanford's unique version of cheating and lying — hiking the Appalachian Trail to Argentina. After all, if Elizabeth Edwards' public statements are any indication, Democrat John Edwards has convinced his wife he was practically mugged into bed by the woman who became his mistress. And who can forget Newt Gingrich's hospitalized wife getting divorce papers or Bill Clinton's "that depends on what 'is' is"? The happy-making element of the disgraced conservative Sanford is that he is the hypocrite du jour on a very long list. ❖



**Matt Tully, Indianapolis Star:** The joke, of course, was far too easy to pass up. There was Gov. Mitch Daniels, standing at the front of a banquet hall here, clutching a microphone and preparing to make the case for his version of a new state budget. On a screen behind him flashed the first slide of his upcoming presentation. "A state budget Hoosiers can afford," it read. But first, before the budget talk, came the joke. It was made at the expense of the lovesick, globe-trotting governor of South Carolina. "In the last two or three days," Daniels said, "it has occurred to me it isn't bad to be a boring governor." The crowd liked that one. So he continued: "Maybe it's not much to aspire to, but from now on that's my goal -- to bore you to tears." We must be easily entertained in Indiana. Because despite the lack of a scandal worthy of a TV movie, most Hoosiers -- supporters and critics alike -- find Daniels anything but boring. Who needs a sex controversy in a state that gets riled up over time zones? ❖

**Mark Kiesling, Times of Northwest Indiana:** Gary Mayor Rudy Clay has been by turns controversial or comical, but I have basically always thought that he was smarter than a lot of people give him credit for. Until Michael Jackson died. Now I'm not so sure. With a perfectly straight face, Clay told reporters that he expects the run-down home in which Jackson and his family once resided in the Midtown neighborhood of Gary could become the next Graceland. I have been to the gate of Graceland, Elvis Presley's ostentatious Memphis digs, on a number of occasions, but I have never been inside. The price tag has always kept me from getting beyond the wrought iron gates with the musical notes on them into the equally tasteful mansion beyond, but the lure of the leopard pattern wallpaper has been a temptation, I will admit. Still, there is no shortage of pilgrims willing to put down good money and see Elvis' private plane, his palatial home and the shrine where his mortal remains lie. He makes more money dead than he did alive, and a lot of the visitors were not even born when the King passed in 1977. Graceland has always been an attraction. The house at 2300 Jackson St. in Gary has been an eyesore for years. I can imagine people shelling out good money to get the first bus away from it. Memphis has experienced a renaissance of its Beale Street area, once rundown but now a thriving night-life district with blues clubs, bars and restaurants. Looking for Gary's entertainment district? Let me know how that turns out for you. Clay says plans are afoot to turn the old Jackson homestead into a museum or part of a grander scheme to use the fame of the late King of Pop and his siblings to start Gary on a renaissance of its own. "If it's good enough for Elvis Presley, it's good enough for Michael Jackson, too," declared Clay. ❖





## Money should follow student says Bennett

MERRILLVILLE - State Supt.

Tony Bennett said in Merrillville Tuesday that Indiana children belong at the top of the pack (Times of Northwest Indiana).

Bennett said he was pleased the Senate passed a budget that

does not cap charter school growth.

The budget also includes a scholarship tax credit for those who donate to private school scholarship though it was cut to \$2.5 million a year and there's a pilot program for online virtual charter schools. Bennett said 35 states cut education funding, and Indiana is one of the state's that did not -- which puts it in an opportune position to improve.

"We have never been in a situation before where we have such clear cut goals from our national leaders," he said, referring to President Obama and Secretary of Education Arne Duncan's support of school choice and charter schools. Bennett said it has limited authority to take over failing schools, at least for the next couple of years, but the Indiana Department of Education will send out technical teams this fall to assist failing schools. "One of the state's which is really showing improvement in education is the state of Louisiana, and part of that is because of Katrina. They went in and redesigned the schools," he said. Bennett mentioned a model in Texas that is doing "really good things in a tough school district," a model that he'd like to bring to Indiana. Bennett said "the money should follow the student."



bail out the Capital Improvement Board, though Mayor Greg Ballard's administration said the mix of tax increases and loans will not be enough to overcome a projected \$47 million deficit (Indianapolis Star). Adoption of the plan came after much debate over how best to rescue the CIB, highlighted by a rift that developed late in the game between Ballard's administration and Gov. Mitch Daniels over how much the troubled sports board could cut in spending. The board operates the city's stadiums and arenas. The plan, part of the state budget approved in special legislative session, also generated animosity from lawmakers who wanted help for struggling projects in their own communities. In the end, the legislature approved a plan that gives Ballard just one of the three tax increases he requested and forces the CIB to cut a total of \$22 million in spending -- instead of the \$12 million the mayor had suggested was the most possible. The CIB already has cut \$10 million. Daniels had proposed it shed \$13 million more. "It's problematic. It's disappointing, and frankly, the state's the loser. It's the state sales tax revenue really at stake," Ballard told WRTV. "I was very clear we need to get over this three or four-year hump. Then, we could re-look at it. If we can't do it with what they are making available to us, we are going to have to make some serious decisions." Ballard admitted that he doesn't have a Plan B, and said the city will be forced to work with what it has.

## Moses voted for budget due to Innovation

INDIANAPOLIS - Rep. Win Moses, D-Fort Wayne, and Rep. Phil GiaQuinta, D-Fort Wayne, voted for the budget (Fort Wayne Journal Gazette). Moses originally thought he would vote "no" but said he changed his mind after talking to Fort Wayne Community Schools officials and seeing the Innovation Center appropriation.

## Muir says that schools will be severely hurt

INDIANAPOLIS - After the vote, Rick Muir, president of the Indiana Federation of Teachers, was livid (Indianapolis Star). "Their priority is the CIB, and not education, is how I feel," he said of the legislature. "I just know this is going to devastate schools from Gary to IPS to Evansville and all points in between." Rep. Bob Behning, R-Indianapolis, said districts like IPS and Gary should be losing money, because they are losing students. IPS, he said, got \$8,844 per student in state funds, and \$11,535 per student once federal funds are counted. The state average, he said, is \$6,553 in state funds, and \$6,995 in total funds. Carmel Clay Schools, in one of the wealthiest suburban areas in the state, gets \$5,596 per student in state funds and \$5,738 per student in total funds.

## Muncie Supt. relieved

MUNCIE - By far the biggest loser is Muncie Community Schools. The largest of all the school corporations in Blackford, Delaware, Henry, Jay and Randolph counties, Muncie will suffer the biggest budget blow - \$2.4 million less over 2010 and 2011 (Muncie Star Press). Yet somehow, it's good news to Supt. Eric King, who had prepared for the worst after seeing Gov. Mitch Daniels' budget plan, one that would have nearly doubled that loss. The Indiana General Assembly approved a budget Tuesday that will give Muncie almost \$51.8 million in 2010 and \$51.1 in 2011, compared to almost \$52.7 million in 2009. (Local lawmakers followed party lines in the House -- Republicans Bill Davis, Jack Lutz and Tom Saunders voted for the budget, while Democrats Joe Pearson, Phil Pflum and Dennis Tyler all voted against it.) "It's not as hard of a hit as we thought it would be," King said. "It's still a blow. I think the key, whatever we do, we have to minimize the

## Ballard disappointed; No CIB Plan B

INDIANAPOLIS - State lawmakers passed a plan Tuesday to



impact upon our classrooms.”

## **Ohio River Bridge Commission created**

INDIANAPOLIS - The budget also creates an Ohio River Bridges Commission to work with Kentucky officials on a plan to govern, finance, construct and maintain the spans. The resulting plan must be approved by the governor and General Assembly, according to the legislation (Louisville Courier-Journal). The bridges commission was among the concessions majority Senate Republicans offered Democrats in an attempt to win votes for the bill, but Kenley still acknowledged the plan was a largely GOP-written effort.

## **Little Cal in budget**

INDIANAPOLIS - Rep. Mara Candelaria Reardon, D-Munster, was the lone region Democrat in the House -- among 14 statewide -- to back the budget as it cleared the Democratic-led chamber by a 62-37 margin (Times of Northwest Indiana). She and Mrvan pointed to the \$14 million included to complete Little Calumet River levees, which is expected to be enough to finish the 28-year-old flood control project. “How could I not support that?” Candelaria Reardon said of the levee funding. “My schools overall take some hits, but it could’ve been worse.”

## **Transit referendum, RDA in budget**

INDIANAPOLIS - Among the prizes secured for Northwest Indiana is a local income tax-backed transit district for Lake, Porter, LaPorte and St. Joseph counties that won't become a reality unless voters in at least two of those counties sign off on referenda scheduled for Nov. 3 (Times of Northwest Indiana). Kenley, R-Noblesville, said the referendum requirement represents a challenge to region politicians to prove public support for the transit

authority. The district, to be overseen by region mayors and county officials, could impose a proportional income tax of up to 0.25 percent in each member county to create a regional bus system for Lake and Porter counties, fund South Shore operations and finance rail extensions to Lowell and Valparaiso. Region lawmakers, particularly Reps. Chet Dobis, D-Merrillville, and Ed Soliday, R-Valparaiso, griped that the referendum requirement was added at the last minute without their consent. Sen. Karen Tallian, D-Odgen Dunes, agreed the referenda will force four county election boards to spend “a pile of cash” on what could be a fool's errand. She also assailed another budget clause allowing the Porter County Council's decision to withdraw from the Northwest Indiana Regional Development Authority to be overridden by any two Porter County municipalities that wish to remain in the RDA -- at cost of \$3.5 million a year to the county.

## **Senate honors Lubbers**

INDIANAPOLIS - The Indiana Senate has honored a colleague who is leaving to become Indiana's new higher education commissioner (Associated Press). Republican Sen. Teresa Lubbers of Indianapolis says she's looking forward to her new job at the Indiana Commission for Higher Education, but she'll miss being in the Senate.

## **Roberts, Kennedy shift Supremes to the right**

WASHINGTON - Chief Justice John G. Roberts Jr. emerged as a canny strategist at the Supreme Court this term, laying the groundwork for bold changes that could take the court to the right even as the recent elections moved the nation to the left (New York Times). The court took mainly incremental steps in major cases concerning voting rights, employment discrimination, criminal procedure and campaign finance. But the chief justice's finger-

prints were on all of them, and he left clues that the court is only one decision away from fundamental change in many areas of the law. Whether he will succeed depends on Justice Anthony M. Kennedy, the court's swing vote. And there is reason to think that the chief justice has found a reliable ally when it counts. “In the important cases, Kennedy ends up on the right,” said Thomas C. Goldstein, a student of the court and the founder of Scotusblog, which has compiled comprehensive statistics on the current term. The two justices agreed 86 percent of the time.

## **Franken joins Senate**

MINNEAPOLIS - Republican Norm Coleman conceded to Democrat Al Franken in Minnesota's contested Senate race Tuesday, hours after a unanimous state Supreme Court ruled the former “Saturday Night Live” comedian should be certified the winner (Associated Press). Coleman announced his decision at a news conference in St. Paul, bringing an end to a nearly eight-month recount and court fight over an election decided by only a few hundred votes.

## **Jackson could lie in state at Gary**

GARY - Mayor Rudy Clay said a spokesperson for Michael Jackson's family suggested July 10 as the best date for a memorial service in the pop star's hometown (Post-Tribune). That suggestion was made, Clay said, as the mayor continued to ask that Jackson's body lie in state in Gary before his funeral. “I believe it's going to happen,” Clay said. “It may not happen, but I believe it will.”