

THE HOWEY POLITICAL REPORT



The Weekly Briefing On Indiana Politics

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Quayle bugs out of '96 campaign

Indiana political landscape jarred by stunning announcement

In an announcement that rocked Indiana's political landscape this morning, former Vice President Dan Quayle has indicated he will not seek the 1996 presidential nomination.

The announcement made by press aide Mark Goodin in Washington not only alters the 1996 presidential landscape, but it could wildly rearrange the Indiana gubernatorial race where either Dan Quayle or his wife Marilyn would be the immediate favorite.

The announcement caught nearly everyone off guard. Sources tell HPR that Quayle conferred with his wife and former President George Bush late Wednesday night before approving the announcement. "He was extremely excited and fired up about running a campaign, but the financial aspect of it threw a bucket of cold water on his enthusiasm," Goodin said this morning.

The looming presidential candidacy of U.S. Sen. Richard Lugar apparently dried up financial support in Indiana that Quayle needed to launch his campaign, even though recent national polls showed Quayle in second place behind Sen. Bob Dole, 38-17 percent.

"Republicans were divided about 50/50 when they were asked if they had a favorable or unfavorable opinion of Vice President Quayle," observed CNN political analyst Bill Schneider. "They had serious doubts about his standing and his ability to serve as president. I think that's primarily the principle reason why he was having trouble raising money."

Lugar reacted by saying, "I respect my friend and I am sorry he left the race. He had a large constituency both nationally and in Indiana. My own hope is that I will appeal to that constituency."

Kellems reported "a flood" of support into Lugar's office.

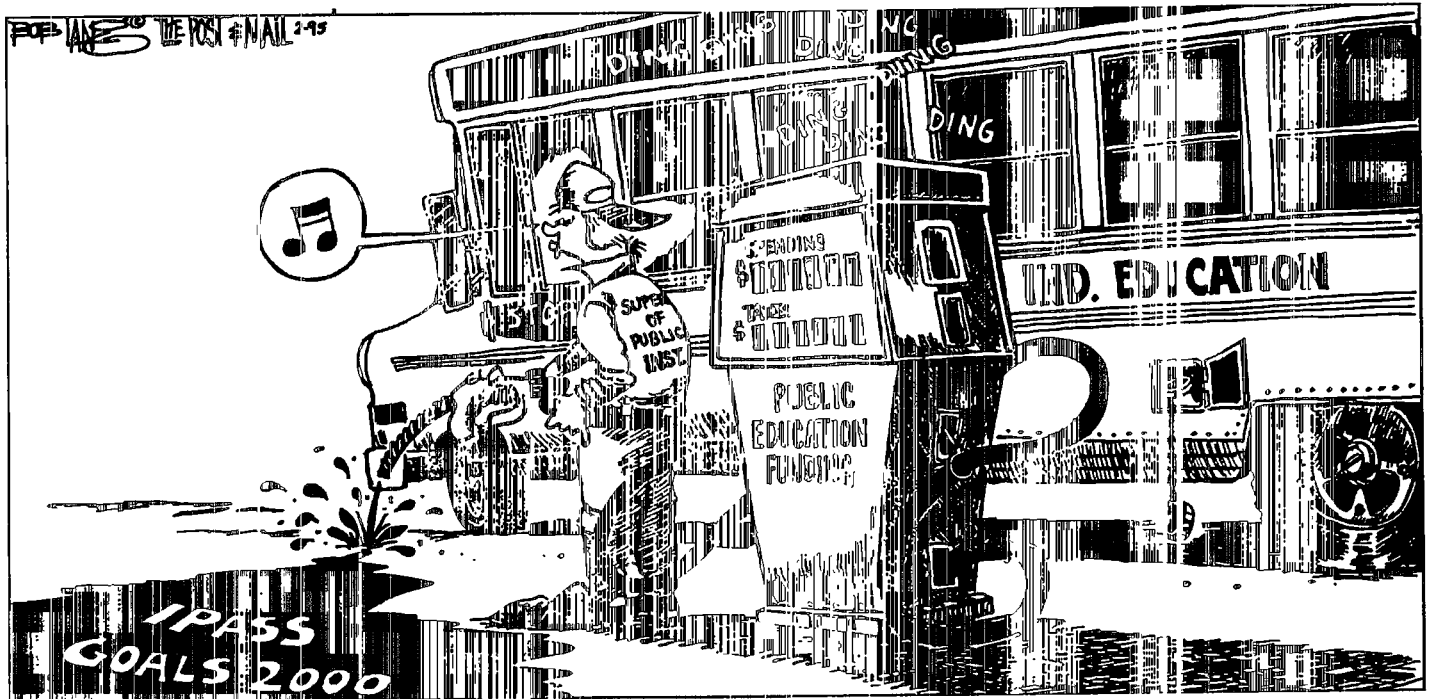
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"QUOTE" OF THE WEEK

"I would think they'd want a serious person because this is a serious business. This is not entertainment hour." - Sen Lugar to CNN's Judy Woodruff on whether he has "pizzazz"

INSIDE FEATURES

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TICKER T A P E

J. Patrick Rooney has certainly proven to be a friend of House **Speaker Newt Gingrich**. In the last 10 years, Rooney has contributed \$103,160 to GOPAC, his 1984 book endeavor and Gingrich congressional campaigns. It leaves little doubt that Rooney can spend whatever he wants in the upcoming '95 gubernatorial race.

This is what **U.S. Sen. Dan Coats** had to say about President Clinton's surgeon-general nominee, Dr. Henry Foster Jr. "I hope the president has nominated someone who will be in the mainstream of American values, and not someone who will insult

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Lugar and Quayle's handling of media may be early clue to success

Dan Quayle had just sunk a marvelous putt during a pro-am golf tournament televised on CBS last Sunday.

"It's a big breaker," Quayle said as he watched a replay on the monitor. "There we go. I wish it was for a birdie."

Quayle then was asked whether he would run for president in 1996.

"What are you, David Letterman?" the former vice president asked. "A few more putts like that and we'll run."

The question was then posed to Marilyn Quayle, seated at his side. But Dan Quayle interrupted, pleasantly chiding his questioner a la Chung, saying, "Yeah...just between the two of you...just between the two of you...."

It was a light moment on the links, but the friendly needling brings to light a major difference between Indiana's two presidential caliber pols - and a bit of irony thrown in for good measure.

Here's Dan Quayle, son of a newspaperman, a newspaperman himself, and a columnist, who until Thursday seemed dead set on

running not only for the presidency, but against the news media as well.

And then there's Sen. Richard Lugar, a man who has a background that includes the military, school board, private business and farming, who will likely make or break his run for the presidency on his contacts with the news media.

Since Quayle has returned to Indiana, media access to him has come in the course of public events such as the

opening of the Brickyard Golf Course last year, book signings and campaign appearances. He's polite and will answer questions at public events. But on the campaign trail, when stumping in Indiana for congressional candidates David McIntosh, Mark Souder and John Hostettler, Quayle got the biggest rise out of his audiences by baiting the network anchors.

"Let's disappoint my good friends Dan Rather, Peter Jennings, Tom Brokaw and Bernie Shaw," Quayle told cheering crowds, urging them to vote Republican.

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HORSE R A C E



Quayle-Lugar, from page 2

And who could blame him? The day Quayle's vice presidential selection was announced by George Bush in 1988, a call from New Orleans came into the Elkhart Truth newsroom from a reporter from Cox Newspapers.

"Do you have any dirt on Dan Quayle, particularly about the Indiana National Guard?"

The response was: It was never an issue here.

The feeding frenzy commenced and Quayle has been alienated from the news media ever since. Even, to some extent, from Hoosier reporters who might treat Dan Quayle better than their national counterparts.

With Lugar, it's a completely different story. More than one Indiana reporter will tell you stories of phone interviews with Lugar,

where he'll just happen to mention that he was on the line with Boris Yeltsin a few minutes before.

Where it's an iffy proposition to even get a comment out of Quayle's office, it's quite easy to get Lugar on the phone, or for a breakfast at the Hilton on Sunday mornings. There is substantial access.

Nationally, Lugar is a regular on all the major news shows, and he is trusted by the Washington media establishment. ABC's Hal Bruno marveled to HPR about Lugar's intellect last week.

So what's likely to be in the cards is a scenario where Lugar will cultivate his excellent media contacts, both nationally and in Indiana. He may call in a few chits to get the kind of network exposure necessary to launch a credible presidential bid.

Quayle out, from page 1

Even friends of Quayle's were caught off guard. U.S. Rep. David McIntosh was in the middle of a conference call with reporters this morning when he found out. "That would be news to me," a surprised McIntosh said. "It would be a different approach than what I was talking with Vice President Quayle about."

"I'm a little surprised," said President Clinton this morning. "I know it must have been a difficult decision for him." Former President Bush, said, "I'm disappointed" and added, "He took a tremendous pounding. But now the American people understand what he was talking about."

Quayle's withdrawal immediately raises the specter that either he or his wife will consider the Indiana gubernatorial race in 1996.

"I would certainly hope either one of them would run for governor," said Allen County GOP chairman Steven R. Shine, who added that with both Lugar and Quayle in a presidential race, "the natural base of both men would suffer. People would be unwilling to contribute to both of them."

Schneider added, "It was getting late and he was finding his money tied up."

Lugar contested U.S. Sen. Phil Gramm's contention that the '96 conservative vote would go to the Texan. "That's a real stretch," Lugar said. "It's a rather self-serving comment."

TICKER
T A P E

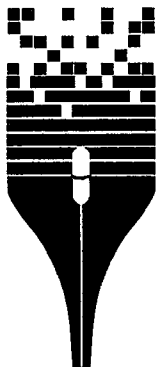
those values repeatedly as the president's last surgeon-general did."

Gov. Evan Bayh will be the keynote speaker when Virginia Democrats gather for their annual Jefferson-Jackson Day Dinner this Saturday in Richmond.

"A battle of Titanic proportions is brewing" is the way **Robin Biesen** of *The Times of Munster* described the looming Democratic primary battle for East Chicago mayor between incumbent **Robert Pastrick** and former Lake County Sheriff **Stephen Stiglich**, whose Tuesday announcement ended months of speculation. Pastrick beat Stiglich for mayor in 1983 and for Lake County Democratic chairman in 1992. Stiglich will attempt to blame Pastrick for East Chicago's decline.

Former Congressman **John Brademas's** speech before the Sinai Forum in Michigan City has been postponed until March 26 due to bad weather. His talk has been titled, "Return of a Native: Souvenirs from a Life's Journey." Attorney **F. Lee Bailey** is scheduled to speak at the March 5 forum despite the **O.J. Simpson** trial.

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TICKER T A P E

WPTA-TV in Fort Wayne conducted a poll (985 respondents, all from Allen County, +/- 3.2%) in **Dan Quayle's** old congressional district on "Which do you feel would make the best Republican presidential candidate. **Quayle** or **Richard Lugar**?"

OVERALL

Lugar - 52 percent
 Quayle - 26 percent
 Don't know - 22 percent

REPUBLICANS

Lugar - 55 percent
 Quayle - 35 percent
 Don't know - 10 percent

DEMOCRATS

Lugar - 49 percent
 Quayle - 18 percent
 Don't know - 33 percent

INDEPENDENTS

Lugar - 50 percent
 Quayle - 21 percent
 Don't know - 30 percent

18-24 YEAR OLDS

Lugar - 37 percent
 Quayle - 35 percent
 Don't know - 28 percent

24-44 YEAR OLDS

Lugar - 57 percent
 Quayle - 26 percent
 Don't know - 17 percent

45-64 YEAR OLDS

Lugar - 53 percent
 Quayle - 24 percent
 Don't know - 24 percent

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Lugar's CNN interview on '96 run

On CNN's Feb. 2 edition of "Inside Politics," correspondent Judy Woodruff interviewed Sen. Richard G. Lugar about his exploring a 1996 presidential run. Here is that interview:

WOODRUFF: It just so happens that Republican Sen. Richard Lugar of Indiana is going to the Granite State on the 19th of this month to speak at a GOP fund-raising dinner. Sen. Lugar joins us now. Are you testing the waters?

LUGAR: Yes I am. I have been invited to speak in New Hampshire along with others who are involved in the presidential business. I've accepted the invitation. I look forward to meeting with New Hampshire Republicans, and likewise with many others in the days that precede that. I have a number of things I want to say that I think are important for the country. And I will arrive at some decision as to what I will do next year after the New Hampshire meeting.

WOODRUFF: What do you bring to the contest that these others don't bring; some of your fellow senators - Dole, Gramm, Specter, former Vice President Quayle and Gov. Alexander and so on. What do you bring to this race that they don't?

LUGAR: A combination of experience. Naval officer, school board member, farm operator, manufacturing executive, mayor of Indianapolis for eight years, senator for 18 years. These are all experiences that I believe qualify me. I'm going to make the decision in due course based upon what others think of those qualifications and those ideas that I will be expressing.

WOODRUFF: When you say cultural values; family values, what is it that you want to say about that?

LUGAR: I want to point out that many people in our country have a great deal of despair right now about what they see as a disintegration of public morality. I'm more optimistic about how we can make a difference. A substantial way you make a difference as president of the United States is by example, by the life that you live; the thoughts that you have

WOODRUFF: Senator, you are chairman of the Senate Agriculture Committee, but so many people think your great passion is for international affairs, international issues, because you after all served on the Senate Intelligence Committee, Senate Foreign Relations Committee. It's a subject I've interviewed the most about over the years. And yet isn't this a time that Americans are more concerned about domestic problems.

LUGAR: Americans have reason to be concerned both about the status of our public morality, as I've mentioned, as well as our economy, job security and growth. But I certainly intend to stress, whether I'm a candidate or not, the need for American leadership in the world. This is really imperative for our own security as well as for the future quality of life in our country.

WOODRUFF: What do you say to those who say, well, Senator Lugar is an accomplished fellow, very bright, but he just doesn't have that pizzazz personality that a presidential candidate who is successful needs?

LUGAR: I'm not certain what sort of a personality the American people want right now. I would think that they would want a serious person because this is a serious business. American security, the type of person who has the courage to cut spending, to make the balanced budget work whether we have an amendment or not, to take on the special interests - that may not be a pizzazz situation. This is not entertainment hour. I think it's very important that we get that across early on as to the quality and demeanor of the person who serves as president.

WOODRUFF: How handicapped are you by virtue of you and former Vice President Quayle both being from the state of Indiana? You're going to be both going after many of the same contributors in your home state.

LUGAR: I think this indicates how productive Indiana is. We have a good number of leaders in our state and surely Vice President Quayle has been one of them. I certainly respect his candidacy and I certainly respect my ideas. I don't know whether I'll be a candidate or not but I'm going to proceed independently.

COLUMNISTS ON INDIANA

Jack Colwell, South Bend Tribune - Sen. Richard Lugar's message could find appeal to Republicans who find no present GOP contender to their liking. There will be an abundance of attack rhetoric from others. But with Jack Kemp out of the picture, will there be a Republican talking about bringing people together? Inclusion? Could Lugar fill the void left by Kemp's departure?

David L. Haase, Indianapolis News - My easily titillated colleagues in the media will be particularly titillated by Lugar's challenge to Dan Quayle. And make no mistake. This is a challenge to Quayle. Now the former vice president faces two races, one for the respect on the national scene and the other for money at home. Who wins the war for Hoosier bucks? Interesting. Very interesting.

David Broder, Washington Post - With both (Cheney and Kemp) gone, the odds have to increase that Newt Gingrich will think seriously about vaulting from the speaker's job to seek the Oval Office. If a current or former senator or governor - a Bob Dole, Phil Gramm, Dan Quayle or Lamar Alexander - becomes president, House Republicans would probably return to their traditional status as junior partners in the GOP enterprise. I doubt that Gingrich and his pals would welcome that. The obvious way to avoid it is for Gingrich to run himself.

John Krull, Indianapolis News - Welcome, class, to another session of our seminar on Principles of Leadership. I am Stephen Goldsmith, your teacher. When we last met, I asked you to study my new plan to break up the Indianapolis Public Schools into five districts. (And make no mistake about it, it is my plan - the credit should be mine, mine, all mine!) Do you have any questions? Yes, Mr. Goldsmith. Why have so many people criticized you for involving yourself so deeply in public education? I would think you could come up with a more intelligent question than that. Clearly, the people who disagree with me

are jealous. Why didn't you talk to the members of the IPS board? That question is even more stupid than the last one. If I had talked to anyone while I was putting this plan together, they might have had suggestions, even ideas. And then the plan wouldn't have been mine, mine, all mine!

Paul Greenberg, Los Angeles Times - The Gipper proposed not just to struggle against the Soviet empire but to end the damnable thing. And he proceeded to do just that, with a little help from our allies. Carry on in a twilight struggle? That wasn't the message Reagan sent when he spoke at Notre Dame on May 17, 1981. "The West won't contain communism," he announced that day. "It will transcend communism. It will dismiss it as some bizarre chapter in human history whose last pages are even now being written."

Sylvia Smith, Fort Wayne Journal-Gazette - The ironic development (over propping up the Mexican peso) was that House Speaker Newt Gingrich supports President Clinton on this one, and he publicly scolded a member of the GOP leadership who doesn't. That has led some, including Rep. Mark Souder, to shake their heads over Gingrich's new, less combative style. "Here's my read on it," said Souder. "They don't want to be blamed for bringing down whatever's going to happen. But they're also not pushing to make it happen." On top of that, Souder said, Gingrich "is obsessed with style. He's concerned that his image got to be kind of rough-housing, and he's trying to grow in his job. We're saying, 'Hey, people who elected us wanted controversy.'"

Bob Hammel, Bloomington Herald-Times - "I hate the clock and I hate the three-point shot," Indiana University coach Bob Knight muttered. "I should have retired about seven years ago and I wouldn't have to put up with this. I just don't like the game. The thing I really used to like about the game...the clock takes it away. The game has passed me by...."

TICKER T A P E

Republican gubernatorial candidate **Rex Early** made these observations on the "Indiana Week in Review" TV show about Mayor Goldsmith's move to revamp Indianapolis Public Schools: "If it's broke, fix it. It needs something radical."

Evansville Courier staff writer **Alan Julian** writes that while **Mayor Frank McDonald II** is expected to have a "smooth ride to re-election, the campaign trail can have a few bumps." And one of those bumps is **Harvey Taylor**, recently convicted of seven counts of theft. Taylor was director of an Evansville community center and was a political appointee. During the trial, testimony indicated that back in 1989, McDonald and **Parks Director James Haddan** learned of an unpaid bill Taylor had at the Indianapolis Radisson Inn.

The regulatory subcommittee of **U.S. Rep. David McIntosh** voted to extend a moratorium on Clinton Administration red tape until enactment of a new law establishing regulatory reform. "This is a critical first step to destroy Clinton's hidden tax of regulations on working families," McIntosh said shortly after the Wednesday vote.

IDEM **Commissioner Kathy Prosser** approached House Speaker Newt Gingrich about some regulations recently. She was told to talk to McIntosh.

U.S. Rep. Mark Souder has been elected vice president of the House freshman class.

HPR

INTERVIEW



Larry Grau's 'Kids' school funding study calls for incremental change

"We need to allow new funding systems to work first, and then examine performance indicators. Performance indicators are a whole other area that needs to be examined...."

"Now that we've made that large step, I think the climate is there to make the incremental steps to improve what we have now...."

- Larry W. Grau

During the final days of the overtime 1993 Indiana General Assembly session, Larry W. Grau was a fiscal analyst for the House Ways and Means Committee. He wrote the numbers that resulted in Indiana's state-of-the-art "Reward for Effort" school funding formula.

As with any major piece of legislation, the 1993 formula was born out of compromise. Grau has spent much of the last year analyzing the formula that he believes will be seen as a national model in the years to come. But he believes there is much work the legislature can do to create a more equitable system, reward fiscally prudent school districts, and put more state money in the classroom while holding the line on property taxes.

HPR talked with Grau on the eve of the release of his report, "Kids - Keeping Indiana's Dollars in Schools."

HPR: Give us a quick overview as to why you did the "Kids" study.

GRAU: There was a great need to focus on specific issues relative to education funding in Indiana. In the last year or two, I have not seen that happening. That may have been a fall-out from the raucous debate over education funding two years ago. Nonetheless, we seem to be getting further and further away from details and talking more and more about general political rhetoric, about ideas like vouchers, charter schools and things like that. The bottom line to any of those topics is that you have to provide means for adequately funding those programs. Or those programs, or any other, aren't going to get off the ground. I wanted to publish a book that would focus on some of the details of education finance. Coordinated with that, though, is the feeling we spent a great deal of time - a year and a half - in a bipartisan effort to change the formula with surprising results. Rep. Brian Bosma commented that the interim House Education Committee ended up producing a lot more relevant findings than anyone anticipated. Part of that was some agreements about where

we needed to head in education funding. After spending all that time and after a session where we hammered out an education formula that appeared to be addressing the inequities in the old formula, I felt that story needed to be told.

HPR: There was a unique political climate in the 1993 overtime session. Was that just a fortunate anomaly? And is the current political climate ripe for the second generation reforms you're advocating?

GRAU: It's hard to put a finger on whether that was an anomaly or not. I think whether lawmakers would want to admit it or not, Indiana's back was to the wall in the form of (the 1987 Lake Central) lawsuit. That was in the back of everyone's mind. You would probably find very few lawmakers willing to admit that. It probably prompted a higher level of discussion than what would have normally occurred. Nonetheless, the session went well into overtime. In fact, literally the last hours of the fiscal year were winding down when we came up with an agreement. That just illustrates how difficult it was to change any type of policy, let alone the funding formula that was in place for 20 years. Now that we've made that large step, I think the climate is there to make the incremental steps to improve what we have now. That cuts across political lines. It's always, "How much is my district getting."

HPR: Some Indiana lawmakers watched Michigan Gov. John Engler eliminate property tax funding of education, and in your book you mention that the Reward for Effort formula can accommodate even that drastic a step. Put that into context.

GRAU: The funding formula certainly can be adapted to accommodate any kind of local revenue. If Indiana did decide to do the Michigan maneuver and eliminate property taxes, this funding formula doesn't have to operate on property tax dollars. If you wanted to replace property taxes with, say, a local option income tax, this formula would do that. It's

based on a local contribution. Obviously, if you go to that system your wealth determination is going to be different, based on income instead of property. Everyone is guaranteed a return on their local investment. As far as going to Michigan's situation, I do not think that is called for in Indiana. We're in a very different situation. Indiana has always been among the leaders in terms of state versus local contribution to education funding.

HPR: So far in this session, most of the talk with regard to education has been centered on IPASS and district restructuring. Do you think your report will be a pivotal step that will change the course of discussion during this session?

GRAU: As far as a pivot, I don't know if it will turn the debate on vouchers or IPASS. But I think this book certainly gives some good food for thought. No matter what you decide which direction you go, you have to examine funding first. If you're moving to a voucher system, you first have to determine how that system will be financed. If you do not have equitable financing, you're probably headed for lawsuit No. 2 in Indiana. Now when we are in the midst of changing policies, to suddenly say we want to restructure systems completely without adequate performance results is getting the cart before the horse. We need to allow new funding systems to work first, and then examine performance indicators. Performance indicators are a whole other area that need to be examined.

HPR: Your study advocates increasing state funding by enhancing the weighted student counts, the guaranteed yields and the elimination of the minimum guarantee. I always ask the bottom line question: where's that money going to come from?

GRAU: I will readily admit I believe far more money needs to go into the education system than has over the past three or four years. I understand that, since we were in the midst of a national recession. I don't think a lot of people realized what Indiana accomplished when it changed the funding formula while having little revenue to go into that system. Most states greatly increase their funding when installing a new formula like this. I think it is now time to take revenue from whatever source and determine what you want to dedicate to education.

TRAC 'Kids' study calls for focus on educational debate

INDIANAPOLIS - Concerned that Indiana's education debate has strayed from fundamental funding concerns, the Tax Research Analysis Center will release a report on Friday detailing specific solutions that will augment current issues in the legislature.

"Kids - Keeping Indiana's Dollars in Schools" was written by Larry W. Grau. In an exclusive HPR interview (presented in full on pages 6 and 7), Grau said that after the reforms that occurred in the 1993 legislative session, "There was a great need to focus on specific issues relative to education funding in Indiana. In the last year or two, I have not seen that happening.

"We are getting further and further away from detail and talking more and more about general political rhetoric, about ideas like vouchers, charter schools and things like that."

Grau said that the bottom line on all those issues is the need to fine-tune the school funding formula that will make those programs possible.

While Michigan had a literal tax revolution last year, Indiana set about changing its school funding formula in the waning moments of the overtime 1993 legislature. It went from a foundation-based formula put in place in the 1940s and augmented with an integration of revenue controls and flat grants during Gov. Otis Bowen's property tax reform of 1973, to a "Reward for Effort" formula that positions the state as of model of school funding for the next century.

Prior to 1993, every time the legislature adjusted the old method of funding, new disparities would appear. It created a system where per pupil expenditures varied from a 1992 high of \$4,706 in funding per student for Whiting School City while pupils in neighboring Hanover Community Schools were getting \$3,011. The 1993 formula designed by State Rep. B. Patrick Bauer, D

continued on page 8

HUMOR

M I L L

Wendellisms, by Wendell Trogdon, *Indianapolis News*

"Press those plaid shirts, Char, I'm headed for New Hampshire" - Richard Lugar, en route to a presidential bid.

"If Dick Lugar and Dan Quayle are fiscal conservatives, they can save money by sharing a campaign bus."

"Some economists want I-69 extended to Mexico. Armored cars need a direct route to deliver the bailout money."



When Senate Majority Leader Bob Dole appeared on Late Night With David Letterman last week, he offered his "Top 7" list, noting that Republicans are "cutting everything 30 percent." Here's Dole's money-saving list:

- 7.) Stop paying Clinton speech-writers by the word.
- 6.) Get Letterman to pay his speeding tickets.
- 5.) Serve canned hams at all White House state dinners.
- 4.) Save government ink by replacing long William Jefferson Clinton signature with 66 percent shorter Bob Dole signature.
- 3.) Make Gore and Gingrich pay for those good seats at the State of the Union addresses
- 2.) Fire the White House gardeners, let Al Gore do something to earn his keep.
- 1.) Arkansas? Sell it.



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Muncie Evening Press

Michigan City News-Dispatch

New Castle Courier-Times

Newton County Enterprise

Peru Tribune

Shelbyville News

Wabash Plain Dealer

Kids, from page 1

South Bend, lacked the Michigan drama. What it did was create a system "where all school corporations would be granted equal ability to generate revenue, with a secondary goal of taking steps to provide more equalized per pupil funding," explained Grau, the key educational fiscal analyst during the 1993 session for the Indiana House Ways and Means Committee.

Indiana educators, lawmakers and citizens find themselves at a crossroads just two years later. While terms such as "IPASS," "vouchers" and "decentralization" are the current political buzz words in the legislature, Grau believes the essential point is being missed.

"The discussion of vouchers, school district restructuring and property tax controls is relevant, but the debate over these specific education policies needs to be gauged against how we levy taxes to fund our school system," said Grau.

"Serious education reform should begin and end with an integrated, well thought out funding plan," Grau explained, "since a voucher system or a restructured school system becomes meaningless if there is not sufficient funding and an appropriate tax base to sustain education."

Grau is advocating reforms the Indiana General Assembly could take to infuse more dollars in public schools without raising property taxes. Those reforms include:

■ Increase the revenue sources considered in base revenue amounts. Such programs as special and vocational education, gifted and talented programs, summer school, adult education and Primetime funding are still outside the state formula. Dropped in the late hours of the 1993 reform, Grau argues that their inclusion "would represent a marked improvement in equity."

■ Expand the number of funds rolled into the formula. "A school corporation's wealth should be measured by all revenue available to the district," Grau maintains, and not just in terms of property, excise and Financial Institutions tax collections. Included should be local option income taxes, special local/county taxes, investment interest and cash balances. "Why should school districts be denied benefits for being fiscally prudent?" he asks.

■ Increase state funding commitment to the formula by enhancing the guaranteed yields. This component of the new formula can supply a stronger dedication of state resources while holding the line on property taxes. Grau said that by increasing this yield to amounts for every level of per pupil funding, "all districts would be entitled to more state funding for each additional unit of local tax effort."

■ Eliminate the "minimum guarantee." Many of Indiana's larger school districts take advantage of this mechanism, designed in the new formula to supply all districts with a "safety net" if other aspects of the formula fail to trigger any percentage increase in total funding. "If other areas of the formula can be adjusted in conjunction with more significant increases in total state formula funding, this guarantee could be eliminated," Grau explained.

■ Maintain a focus on local flexibility in funding determinations. "It is important to keep lawmakers focused on maintaining that degree of local flexibility," Grau said. "That would move Indiana's education finance system to the highest level of equity possible."

■ Cost-based budgeting or funding. Prior to reaching complete local flexibility in funding determinations, and/or in coordination with that local control, the state should set education funding or budget amounts based on actual educational program and service costs. This is a basic solution to address the "unfunded mandates" in the form of regulations that school districts must pay for. Grau said that total funding amounts based on accurate cost assessments would help reduce or eliminate funding deficiencies.

■ Restructure school district budgeting process and revoke the formula penalty provisions. Grau maintains that penalties used to punish schools set unrealistic general fund tax rates, too often are imposed on what he calls "innocent miscalculations." He advocates having the state supply all school districts with assessed value and general fund rates, which would make for a more uniform budgeting process.

■ Re-examine the at-risk index factors and additional pupil counts for special and vocational education. Data used to gauge school district at-risk factors date back to the 1980 census. Re-examination "may produce an entirely different set of variables."