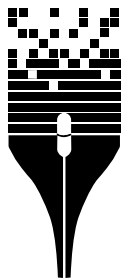


The Howey Political Report



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“QUOTE” OF THE WEEK

“Only a moron would answer that question. If you don’t know anything, it’s easy to have an opinion...” - Political analyst Charlie Cook, at the HPR Forum after he was ask to make a prediction on who will win Congress in 2002

Cook, Kernan, Buyer show an edge

200 attend 2nd HPR Forum Series

By **BRIAN A. HOWEY**, in Indianapolis

It was a fascinating sight: State Rep. Ed Mahern who drew Indiana’s new Congressional maps, wedged in between U.S. Rep. Steve Buyer and Republican Chris Chocola who many people believe were victimized by those maps.

Lt. Gov. Joe Kernan presented his “10 reasons to pass property tax reform.” State Sen. Vi Simpson said if it failed, voters should hold every legislator accountable. Kernan and David McIntosh traded barbs.

And the 200 people present for the *2nd Annual HPR Forum Series* were entertained by the intriguing insights of Washington political analysts Charlie Cook and Stuart Rothenberg, presented along with Hoosier views from HPR’s Brian A. Howey, Mark Schoeff Jr., Mary Beth Schneider of the *Indianapolis Star*, John Ketzenberger of the *Indianapolis Business Journal*, Jack Colwell of the *South Bend Tribune*, and Amos Brown from the *Indianapolis Recorder*.

This week’s special report centers on a national overview, redistricting and tax restructuring, illustrated by Bob Lang’s cartoons. In the next edition of *HPR* on Nov. 21, we’ll look at further reaction to those issues, Indiana’s political realignment and the legislature’s Organization Day with the huge tasks ahead.



* * *

National overview

Panelists Cook, Rothenberg, Howey, Schoeff and moderator Mary Beth Schneider.

Charlie Cook

HPR Forum headliner Charlie Cook talked extensively about the “suburban voter” and the impact on national politics. “Cities are now in concentric circles. The close-in suburbs are now pretty Democratic. The farther you go, the whiter, more conservative and more Republican these suburbs are. And so you just can’t say suburbs. Are they older suburbs, or are they far-out suburbs with very small trees? It

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COCKRUM OUTLINES TAX RESTRUCTURING TEAM: State Budget Director Betty Cockrum outlined the O'Bannon administration's legislative tax restructuring team: They include Kernan Chief-of-Staff Al Degner on technical issues; and Bill Stuart heading up Kernan's legislative liaison. From the governor's office the point people will be Cockrum on deficit management; legislative director Terry Mumford and her assistant Amy Levander; Mike Gery, executive assistant for legislative issues; John Grew serving as executive assistant to Gov. O'Bannon on fiscal policy; deputy budget directors David Reynolds (a former analyst for Rep. Jeff Espich) and Mike Landwer (an LSA veteran and former analyst for Rep. B. Patrick Bauer). "I feel good about that team hitting the front lines," Cockrum said.

LEGISLATORS COMBINE TO AID PORTER COUNTY: Four Northwestern Indiana legislators said Wednesday they would introduce bills in the 2002 General Assembly to bail out Porter County from the financial jam it faces (Robin Biesen, Times of Northwest Indiana). State Sens. Rose Ann Antich, D-Merrillville, and Sue Landske, R-Cedar Lake, planned to file legislation Tuesday that could ease the financial jam the county

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makes a very big difference in what kind of suburban voters those are. You've got a lot of suburban voters - more female than male - but not exclusively female who if you'd look at their income tax return, you'd swear they are Republicans. But, they are not voting their pocketbooks. They're voting on abortion, gun control, environment, social-cultural issues and they're voting a lot more Democratic.

"Nothing personifies that any better than the gun issue. There is no doubt the gun issue has significantly hurt Republicans in cities and northern suburbs. But think of that same gun issue as a sword with two edges. That same issue is killing Democrats in small towns, rural America, in the South, the border South and among union members. We saw that last fall during the debates. Gore and Bush were asked about gun control. Neither one of them answered the question."

Cook added that a Democratic strategist told him after the election, "We got killed in every district that didn't have a Starbucks. I bet you if you took the white Democratic vote in Congress in this country and plotted it out on a national map and you overlaid a map of Starbucks locations, OK? I'm talking

about the freestanding, not those in Barnes & Noble Bookstores, and it's a perfect correlation."

When moderator Mary Beth Schneider asked Cook who would control Congress in 2002, he said, "The cheap answer is nobody is going to control anything. It will be 51-49 in the Senate and when you have 51 percent of the House, you're not really in control. The chances of either party winning a significant enough majority in the House or Senate to have any real control is fairly unlikely. It depends on where the spotlight goes. On Sept. 10, it was focused almost exclusively on domestic issues. It was aimed at some pretty Democratic issues.

"The question is will it end up on foreign policy and security issues? Or will it be on domestic issues? We don't know. History tells us there is a gravitational pull and that ultimately the economy and domestic issues always overpower, always trump foreign policy. But we're in an unprecedented situation.

"We do know a couple of things. In 32 out of 34 mid-term elections since the end of the Civil War, the party that holds the White House has lost House seats, including every single time we were in combat. We know 11 months after Pearl

Harbor Democrats lost nine Senate seats and 55 House seats. So we know where history is, we just don't know where it applies now.

"President Bush has just grown about three feet since Sept. 11. Some things have changed. The questions about President Bush's legitimacy in office are gone. Secondly, the stature question - whether he's big enough for the job - that's essentially gone. And the third thing, the Democrats had the president in the bullseye on the deficit, that right or wrong, President Bush blew the budget surplus. That's gone. This is going to be the bin Laden deficit, not a Bush deficit."

Stuart Rothenberg

Co-headliner Rothenberg, who publishes *The Rothenberg Political Report*, talked about the 2002 elections. "I can't tell you who's going to control the House or the Senate. There are 20 Republican seats up in the Senate and only 14 Democrats. That should be a formula for a Democratic net gain. Three Republican Senate retirements; zero Democratic retirements. You say that and you think right off the bat the Democrats are going to pick up two or three Senate seats. It's possible, but Republicans have had such a strong recruiting year that when you look at the top tier races - the dozen seats that are in play - six are Democratic and six are Republican. It's an extraordinary class and it gives the Republicans a chance to maybe pick up a seat.

"As far as the House, the Democrats need to only net six seats and the problem is, how many seats are in play? It depends on whether it's the economy, stupid, or it's the war, dummy."

Rothenberg unleashed a variety of statistics to make some points. "Reuters reported on Oct. 31, 'Consumer confidence plummeted in October to its lowest level in almost seven years. Prospects for a quick economic recovery dimmed.'

Unemployment is up a couple of percentage points. *CBS-New York Times* right track 61 percent, wrong track 29. Bush job approval 87, disapprove 8. Congress job approval 67, disapprove 24. All the approval numbers are measuring patriotism and the rally-round effect for our political institutions. This is after three decades of cynicism about distrusting our politicians. Now suddenly we think they're great and all doing a good job. We are just in an unbelievably short-term artificial environment and the notion that this can last indefinitely is pollyannish.

"Now, could that mood change and then come back next year, due to, as Brian says, international events? Of course! Some terrorism could happen next October and you'd get the rallying effect. I'm not discounting anything."

Mark Schoeff Jr.

HPR's Schoeff, who heads external affairs for the Center for Strategic International Studies, observed, "George W. Bush is prosecuting the War on Terrorism right now with an 85 percent approval rating. Down the road he will be prosecuting it at around 50. It's inevitable. When that happens, I think the Democrats will have the advantage. The Democrats are looking at a model like the Gulf War. If there's been some sort of achievement made on the War on Terrorism, the political focus goes back to issues on which the Democrats believe President Bush is weak.

"There is a movement away from tax cutting in and of itself. That's what makes the terrorism issue so interesting. If the fight against terrorism becomes systemic in American life and it's something people think of truly all the time, day in and day out, it will be interesting to see how the issue agenda changes. If you can tie your issue to terrorism, you can almost justify anything. House members who voted for the Farm Bill said this is important to support farmers during a time of

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faces because of the bankruptcy filing of Bethlehem Steel Corp. Rep. Duane Cheney, D-Portage, and Ralph Ayes, R-Chesterton, said they would file identical bills later this week. The goal is to pass \$31 million in no-interest financing during the one-day session Nov. 20. On Thursday, Bethlehem Steel made it official: The steelmaker won't be paying its property taxes this November. Nor does it expect to pay either tax installment due next year. The company filed for Chapter 11 bankruptcy protection Oct. 15. In response to media inquiries, the company issued a statement Thursday, saying it has notified county officials it will not be making its semi-annual property tax payment of \$10.3 million Nov. 13.

DOLE TO ADDRESS STATE GOP: Elizabeth Dole will be the keynote speaker for the Fall Republican Dinner on Nov. 30.

BRAD STEELE IN HOUSE RACE: Muncie attorney Brad Steele will seek the Republican nomination for the state House of Representatives in the May primary (Rick Yencer, Muncie Star Press). He must face State Rep. Jack Lutz of Anderson who was drawn into District 35 during the redistricting process. Bruce

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Munson is the current District 35 incumbent, but he has said he will not seek re-election. Steele, 35, was an unsuccessful candidate for Congress from the 2nd District in 2000.

CUNEGIN SEEN AS FRONT-RUNNER FOR GOEGLIN SEAT: While Allen County Councilman Michael Cunegin appears to be the top choice to replace the late State Rep. Gloria Goeglein, he can't run until the 2002 primary because he's not currently living in HD84 (that changes when the new districts come into play). Allen County Republican Chairman Steve Shine said several people - Sherry Cavada, John Becker, Jeff Laymon and Randy Borrer - have said they will run in the Nov. 29 caucus to finish out the Goeglein term. Another possibility is Leonard Goeglein, the late representative's husband.

DANIELS SAYS FEDERAL BUDGET SURPLUSES ARE OVER: As a candidate, George W. Bush said he planned to keep the federal budget balanced if he was elected president. The Republican said there were only three situations - war, a recession or a national emergency - in which deficit spending could be warranted, OMB Director Mitch Daniels, said Monday in Fort Wayne. For a while, it looked as if Bush might

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national emergency. The fiscal conservatives - like Tim Roemer or Baron Hill - how do they focus on being a fiscal conservative when everyone is becoming a Keynesian? If terrorism becomes the coin of the realm, I think Republicans and fiscally conservative Democrats lose that issue and what do they turn to? If everyone is spending money to fight terrorism, what do you do to set yourself apart?"

Brian A. Howey

"I see the nation now on an emotional high. It's a very artificial environment. I was at a Wal-Mart parking lot the other day and I saw American flags and decals on every other car. I didn't think we'd ever see this kind of patriotism. Congress has been on an emotional high. We saw the Senate ram through the airline security bill 100-0. In a normal environment, that wouldn't have happened. We've never seen skyscrapers fall to the ground. This brings into question our most basic security. Here in Indianapolis, the spores had arrived. It was a jarring thing for Hoosiers. That's the key thing - security. It's a basic thing. We've seen our political leaders under assault. Since I've been covering politics, I've never had to use that word with regard to the physical well-being of our leaders.

"How's this all going to play out in 2002? I don't think there's anyone in this room who can say. We are heading into a political environment that is extremely tenuous and potentially volatile.

"What I'm concerned about is the patience of the nation. We live in a fast-food environment. We want it now. We're starting to see a little bit of this unraveling on the right with Bill Kristol and Charles Krauthammer, who are calling the Afghanistan military policy a failure *three weeks in*. Bush said from the on set that this would be a long battle, but I'm not sure the American people have the patience for it.

"As for 2002 and Congress on the Indiana front, the 2nd CD will be in

play and I expect Chris Chocola to face Jill Long Thompson. If it turns out to be a Democratic year should economic issues take over, the 6th could come into play. If the issues stay on a war footing and it becomes a Republican year, the 7th could come into play between Julia Carson and Brose McVey."

Mary Beth Schneider

Moderator Schneider asked, "Would it benefit George W. Bush to have a Democratic Congress, the way it benefited Bill Clinton to have a Republican Congress?"

Cook: "Absolutely. A president is always better off electorally when at least one chamber is on the other side so they can have somebody else to blame."

Rothenberg: "I agree."

Howey: "Americans are comfortable with divided government. They see it as an additional check and balance."

Schoeff: "Bush has taken a page out of the Clinton playbook. He's triangulating with a Republican House. Since Sept. 11 he's tried to step away from the House Republican leadership."

* * *

Redistricting

Panelists: State Rep. Ed Mahern, U.S. Rep. Steve Buyer, State Sen. Mike Young, 2nd CD Republican Chris Chocola, 6th CD Democrat Melina Fox, Moderator John Ketzenberger.

Mike Young

"Those districts look strange. When you have a district that runs two counties south of Michigan and two counties north of Kentucky it's kind of hard to have people in that district who believe they belong together. When you look at that district, I consider it an open seat. No one has really served in that district for a long period of time. One congressman only has part of it and Steve, I'm sure the Democrats don't want to admit it, but

there are some Democrats who wanted to pay you back for your role in the House impeachment. Open seats don't come open very often and sometimes in politics you have to be in the right place at the right time. I have nothing against the congressmen that are there already, but sometimes you just have to take your chance. I'm a guy who likes to take chances."

Steve Buyer

"I'm a person who doesn't mince words. I will incite some response from Rep. Mahern. The motive was very clear and the motive

was very different from Republicans who drew the maps. It's about obtaining power. It's very clear why Democrats did what they did, but more importantly what they did to the state maps. They went after some particular individuals they didn't care for in a political manner and

wiped out their districts. It's clearly understandable when I look at the climate.

"Democrats have controlled our state and the Statehouse. They've delayed for years a response on property taxes. The Democrats are now supporting a tax increase. They're defending a dismal education record. They are now cutting Medicaid rates. They're closing nursing homes, closing beds and thereby putting the Greatest Generation out on the sidewalks. So if I were defending that record, I would be pretty brutal in how I drew those maps.

"When I came into the political scene in the fall of 1991, the Democrats were drawing the Congressional maps at that time and the ratio in Indiana was 8

Democrats and 2 Republicans. I then defeated an incumbent named Jim Jontz. Pete Visclosky and Tim Roemer gave us some territory to help Jontz and created a new district and he never got the opportunity to serve in that district. So sometime despite the motive, those maps drawn in 1991 went from an 8-2 Democrat to 6-4 Republican. When I look at the new maps, if our trends continue, I can envision Republicans have a majority at 7-2 by the end of the 10 years.

"As for Chris Chocola's district in the 2nd, Mark Souder and I are very excited about it. If in fact Jill Long becomes



the candidate there, Mark Souder has the encyclopedia and the digest on her and having represented many counties in the 2nd, both of us will be extremely helpful and that is where I will spend most of my time to ensure Chris Chocola is elected.

"I am probably the only person in Indiana disappointed that John Gregg didn't run for Congress, because John Hostettler would have ended his political career. Ed gave me a 65 percent Republican district. I can't complain about that. With Brian Kerns moving from Terre Haute to Danville and Mike also moving in, I'm not surprised they would want to move into a 65 percent Republican district. There's a huge difference between being a state rep and running that type of

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be able to achieve his goal. Then came the terrorist attacks of Sept. 11. "A couple of days later he told me, 'Lucky me,' " Daniels said. " 'I hit the trifecta.' " (Mike Dooley, Fort Wayne News-Sentinel). In the city to speak at Allen County Republicans' annual Bean Dinner, Daniels told reporters the "special circumstances" of recent weeks might require the government to go into a temporary mode of spending more than it takes in. After several quarters of budget surpluses, Daniels said, the good times may have ended. The events of Sept. 11 "changed the economic situation probably more than we understood at the time," said Daniels, who last served in the White House as chief political adviser to President Ronald Reagan. The economy seemed to have stabilized and was even strengthening slightly before the attacks, he said, but since then all indicators have pointed downward. Although Daniels said the economic outcome of the attacks and subsequent military response is still uncertain, he predicted Bush's economic stimulus package, which he called a middle-of-the-road approach, will have a positive impact.

**NEW TAX RULES
APPROVED:** The State Board of Tax

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Commissioners formally adopted new rules Tuesday for valuing business equipment and inventory for tax purposes, a move that will help shape the outcome of next year's statewide reassessment (Mike Smith, Associated Press).

FORT WAYNE MAYORS BACK DOWNS CENTER: Several former Fort Wayne mayors joined current Mayor Graham Richard in the kickoff event for the Mike Downs Center, a new political resource center in honor of the late IPFW political science professor. "Mike Downs was one of those wonderfully unique individuals that really epitomizes the concept of a public servant," Richard said (Fort Wayne Journal Gazette). The center is likely to be housed in IPFW's Helmke Library and will provide precinct-by-precinct election data in local and statewide races, archived state-of-the-state and state-of-the-city addresses, and oral histories. It will also conduct annual surveys. "To have a center that collects this kind of data is invaluable," said former Republican Mayor Paul Helmke. He and former mayors Win Moses Jr., Robert Armstrong and Ivan Lebamoff accompanied Richard. Andy Downs, son of the IPFW professor and Richard's chief of staff, said the center could open as

race. There's a huge difference by saying 'I've run a Congressional race' and being a candidate."

"With regards to Congressman Kerns, in the Vargus poll, he claims he represents 60 percent of the new 4th District, yet only 58 percent recognized his name and he only polled 12 percent among likely primary voters. So that would make anyone cringe."

Chris Chocola

"Fifty House seats will be competitive. How far can this go? How long will it be before constituents begin to pay attention and do something about it? Essentially what we end up with is an attempt to predetermine elections and take the decisions out of the voter's hands and let the officials choose their voters than voters choosing their elected officials.

"When you ignore communities of interest, people become cynical."

Mel Fox

"If I understand Sen. Young and Congressman Buyer correctly, drawing of the maps is just politics? And we all know the Indiana Democratic Party ... and Ed, thank God we were in power when we drew these maps because it just is politics and if they had been in power, we would just be talking the opposite today.

"The greatest challenge I face in the new 6th District is finding a reliable and affordable RV to travel in. It's 19 counties and it takes four hours to drive one end to the other. I have traveled extensively throughout the new district and we even have a new slogan: State Road 3 all the way to DC. When they drew the new maps, it went 53 to 47 percent Republican.

"The counties we took in are basically agricultural. My family came to that district in 1815, we helped build that district, we've been active participants not only in the Democratic Party but in agriculture. I know almost all the producers in

the new counties. In 2000, Gov. O'Bannon won in the new 6th District by 28,000 votes. I'm very confident about running in this district."

Ed Mahern

"I've heard them say the 4th's too big, the 6th's is too big, the 8th's too big, the 9th's too big. The fact is, these nine new districts have within one one-hundredth of a percent of the ideal number. Outside of Lake and Marion counties, you have to go a long darn way to pick up 120,000 people. Competitive? There are more Congressional districts competitive right now than in any state in the country. I believe there are five Congressional districts out of the nine that can be competitive especially if they are open seats, and that's the 2nd, the 6th, the 7th, the 8th and the 9th. All of those can be competitive. We'll have contests for the next 10 years and I think that's healthy.

"I tried to help out Baron Hill by giving him Bloomington. Congressman Buyer is correct, John Hostettler operates under the radar screen. That is a Democratic district - slightly - as it sits now. So it's not really any better politically than it is now. Speaker Gregg is a tremendously funny guy, and it would have been interesting to see that campaign."

John Ketzenberger

The panel moderator asked, "Who will control the Indiana delegation in 02?"
Buyer, Chola and Young: 6-3 Republicans.

Fox: "Democrats will control the House."

Mahern: "4-4 and 1. The one is the 8th where it's a question of whether a good Democratic candidate will emerge."

* * *

Tax restructuring

Keynote address by Lt. Gov. Joe Kernan; panel: Budget Director Betty Cockrum, State Sens. Luke Kenley, Sen.

Vi Simpson and 2000 Republican gubernatorial nominee David McIntosh; moderator Pat Kiely.

Joe Kernan

Kernan was on a roll when he appeared to push for passage of his tax plan. After Notre Dame fumbled away a football game to Tennessee last

Saturday, a celebrating Volunteer fan at a restaurant asked Kernan if he could borrow some parmesan cheese. "No," Kernan said. The fan shot back that he could either ask Kernan for it, or wait for him to drop it.

As for his tax plan, Kernan insisted, "Doing nothing is no alternative at all." He used a story of a friend who is a hospice volunteer who told a story about an 80-year-old widow living in the core of South Bend. "She took \$400 in cash down to the St. Joe County courthouse to pay her November installment on property taxes. So she pays a little less than \$800 a year. It is that widow and many people like her across Indiana who are most vulnerable and will be hurt the most if we don't do this."

In detailing 10 reasons to pass the plan that had a hint of David Letterman at the beginning but was dead serious throughout, some of the other reasons Kernan stressed included, "We can eliminate some uncertainty that Hoosiers face" since Sept. 11. He said the plan is "fair," "good for neighborhoods," would put Indiana on a better competitive footing to attract new companies, and "I believe it's the right thing to do and we ought to go out and do it."

Kernan was pressed on several controversial aspects of his plan. On the franchise tax, Kernan says it is used in 21 other states, including high-tech havens



of Massachusetts, North Carolina and Texas. "It's something by and large based on net worth. It's relatively stable."

As for taxes on services, Kernan acknowledged, "It's one I expect will come up" but predicted that it will "eventually collapse under its own weight."

As for Kernan's status as point man on preparing the plan for passage, journalist Amos Brown observed, "Joe Kernan is going to go out and explain it in Hoosier, not English."

Betty Cockrum

Cockrum identified the "read my lips" anti-tax mantra "for a lot of politicians in our lives" as a "barrier to passage" of the tax restructuring and deficit management plans. "I'm hopeful that barrier is overcome because these people who are responsible enough to put their names on the ballot ... will understand significance of the failure to address these things."

"It's important that the deficit be addressed before we close books on June 30. I believe that failure to do that will result in some pretty drastic cuts in essential services, including K-12 education." If that happens, "The backslide will begin."

"As for the timing of tax restructuring, I believe it is essential that it take place in 2002. If we don't have tax restructuring done in 2002, it will create

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early as spring with a budget of about \$80,000. Fund-raising efforts have already netted about \$60,000 and have secured about \$115,000 for the next 10 years.

DANIELS SEEN AS POSSIBLE BUSH CHIEF OF STAFF: USA Today's Susan Page said on CNN's Late Edition, "There is already some speculation about his [Andrew Card's] successor might be Mitch Daniels, the budget director, who has been a tough negotiator on the Hill. I think he has earned trust from President Bush."

O'BANNON ANNOUNCES \$209 MILLION DEFICIT IN BUDGET PROJECTIONS: With state tax revenues in October coming in at \$67.8 million below forecast, Indiana has, in the first four months of fiscal 2002, taken in \$209.4 million below the projections on which the budget was based, Gov. Frank O'Bannon announced Monday. The sobering news prompted the governor to order the Family and Social Services Administration to use a combination of cuts and revenue enhancements to find at least \$150 million in the budget for Medicaid, the joint federal-state health care program for the poor. That target was set because the legislative appropriation for Medicaid was \$150 million less than the state expects to spend this bienni-

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um. The state tried to address that shortfall by proposing \$108 million in spending cuts. But they have been challenged in court and, even if they eventually are allowed, every day of delay in their implementation diminishes their effect. Compounding the Medicaid problem is a separate court decision in the Day case that will require the state to spend an additional \$136 million over the biennium. The state may yet face an untold amount in retroactive reimbursements that also emanate from that ruling. O'Bannon said at a news conference that the state has no choice but to look at Medicaid expenditures, which represent 11 percent of the state's spending. "We will need help from the pharmaceutical, hospital and nursing home industries, as well as the legislature, to accomplish these goals," O'Bannon said. "We anticipate that our revenues will drop even more because laid off workers will be paying fewer taxes and business collections will continue to drop."

SKILLMAN, FORD PROPOSE HOMELAND SECURITY FUND: Sens. Becky Skillman (R-Bedford) and David Ford (R-Hartford City) announced that they are working on a proposal to establish a new state budget fund known as the Hoosier Homeland Security (HHS) fund and they are hoping to secure bipartisan

chaos in the entire (municipal government and schools) systems across the state of Indiana."

As for the budget deficit, Cockrum said, "I'm not sure on any given day who is in charge of the budget, but can assure you Sen. Kenley is not. In my view, it's pretty hard to get a budget passed without the cooperation of the Senate Republicans. So they are part of the budget history we have."

Vi Simpson

State Sen. Vi Simpson made a case for accomplishing tax restructuring in the 2002 short session. "I've heard a lot of people talk with some disdain the voters being able to digest such a complicated issue in a very short session. I disagree. If we do our job in explaining this thing; what benefits tax reform will bring to our state, then voters will understand it and support it."

She called the Kernan plan "complicated" but said, "It takes some guts and it takes some risk and Lt. Gov. Kernan did that. It's bold. It's meant to stimulate conversation. Is it a perfect plan? No. I'm sure there will be a number of tweaks."

Simpson laid out this scenario for tax restructuring to pass: "Bauer will introduce the Kernan Plan. It will be amended to be a little more progressive with some of the replacement revenues added on businesses and off individuals. It will pass in a bipartisan manner. The Senate will take all those changes out and increase the property tax reductions extend sales tax on services and it will pass in a bipartisan way. In conference committee, it will get mixed up with the budget deficit. We'll vote on one package." She said of the four conferees, "I hope they will all be grownups."



Simpson concluded: "It is time to step up to the plate, constituent groups, and all the lobbyists who represent them. Because without you this will not happen. In my opinion, if it does not, if it fails, every voter in the state should hold every one of us accountable."

Luke Kenley

Moderator Pat Kiely asked if the budget deficit and tax restructuring will remain separate and "what's it going to take to get some Republican votes?"

Sen. Kenley, R-Noblesville and a 2004 gubernatorial candidate, said, "The real crisis in our mind is the current budget situation. We think it's so critical that we actually got the House Republicans and the Senate Republicans to agree to hold a press conference, which has been unheard of."

"I had several conversations with Lt. Gov. Kernan over the summer. I told him we really do need to restructure taxes as far as economic development. I said that I'm not sure this is going to work unless we all get together and come out of the door together. We're not proceeding on that basis already."

"Our concern is we've offered a lot of plans over the years to solve some of these problems. In 1998, we had our property tax control bill that would have taken all the school general funds off the

property tax. By doing that, it would have probably drained a large amount of the surplus and probably would have helped solve our budget problem as well as create a situation where our property taxes would be low enough so that reassessment would be as demonstrative to our needs.

“We’re trying to cooperate. We think we need to deal with the budget first. The first thing we need to do is get together and we need to look at our budget together and decide whether our appropriate levels of spending today should continue on that basis. Not only has our spending over the last six years out-stripped the cost of living, taxes have out-stripped the growth in personal income. The government has been growing faster than its counterparts and we need to rein that in. I haven’t heard any discussions about controlling costs.”

David McIntosh

The 2000 Republican gubernatorial nominee led off his remarks by saying, “Bad policy is bad politics. The key here is what kind of effect is Lt. Gov. Kernan’s tax plan going to have on families in Indiana? Because that’s what people are going to judge it on when they go the polls.”

He likened the Kernan plan to “zero down, zero percent financing” but said “What they aren’t focusing on is the small print. If General Motors came out and said, ‘We’re going to give you zero down and zero percent financing, in order to make up for lost revenue we’ve got a couple of little kickers. First, whenever you go to the store to buy anything, we get 1 percent of the purchase price. Not just during the first three, four or five years of the loan, but forever. Second, we want 1 percent off your paycheck every month. Now if consumers went out knew that was the fine print, the auto industry would have come up with a disastrous plan.”

While McIntosh praised parts of the plan, like the elimination of the inventory tax, he said the bad part was “there is no focus on spending. It’s as if the government is going to the people and saying, ‘You have to tighten your belt. But we’re going to continue to spend at 5 percent a year, both locally and in the state.’ As a result, it clearly is a tax increase proposal because in five years, all the reduction in property taxes has been eliminated and the increase in sales tax and income tax will be with us forever.”

McIntosh vs. Kernan

The big showdown occurred between McIntosh and Kernan.

McIntosh charged that a shift from property taxes to sales taxes means \$250 million to \$300 million will go to Washington, D.C.” because it isn’t fully deductible. Property taxes are, sales taxes are not. So every year, \$250 million of the Indiana pie would automatically stay in Washington.” In Kernan’s keynote, he responded, “I would say to that deduction - we’ll pay everything with property taxes. Anyone think that’s a good idea? I don’t.”

Random Note

The *Forum* had a moment of silence for State Rep. Gloria Goeglein who died last week. State Rep. Jeff Espich, who was to have appeared on the Tax Restructuring panel, served instead as a pallbearer for Rep. Goeglein. ❖



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support for the idea. The fund would be used to provide funding to state and local entities to help protect the public from terrorist activities and other public safety threats. Skillman and Ford presented the proposal to President Pro Tempore Robert Garton for presentation to the newly created Indiana Counter-Terrorism and Security Council.

Garton is a member of the newly created council. The Council is scheduled to meet to consider security matters today. “In light of recent events, it is important that we do all we can, not only to keep Hoosiers as safe as possible, but to make them feel safe as well,” Sen. Skillman said.

INDIANA GUN SALES SKYROCKET: The supervisor of the State Police firearm section says they are now receiving as many 300 more permit applications a day (WANE-TV). That’s caused the waiting period to grow from four-to-six weeks to 12-to-15 weeks. The commander of the State Police records division attributes some of the increase to the high number of permits issued in 1997. Those permits are now being renewed.

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