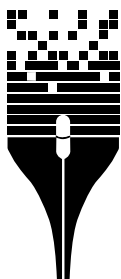


The Howey Political Report



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“QUOTE” OF THE WEEK

“To do nothing would be a horrible mistake by the legislature ...”

- Gov. Frank O’Bannon, on tax restructuring

Daniels tantilizes victory starved GOP

He’d ‘walk on coals’ for Kittle

By **BRIAN A. HOWEY** in Indianapolis
and **MARK SCHOEFF JR.** in Washington

OMB Director Mitch Daniels tantilized those attending the Indiana Republican Congress of Counties last weekend. The dead-panning Daniels set the crowd up, saying, “I don’t intend to be a candidate for governor ... of New York.”

Those in attendance told HPR that Daniels spoke about the War on Terror, the new morality in the White House, and then a homeward view of Indiana, which Daniels deems to be at a decisive economic and, ultimately, cultural crossroads.

The speech sent the GOP rumor mill in full bore. Several county chairs told HPR that Daniels “sounded like a candidate.” Others openly hoped he’d come home and run.

The Daniels speech came during a week when the Indiana Republican 2004 gubernatorial derby seemed to spring into action. In part, the cross-currents and undertows of the tax restructuring issue proved to be dangerous territory for those trying to operate on the home front.

David McIntosh conducted a Statehouse press conference with Libertarian Andy Horning. McIntosh’s call for spending caps and education cuts prompted Senate Finance Committee Chair Larry Borst to reject the notion, saying he wouldn’t be doing any kind of a “McIntosh budget” as he reworked HB 1004.

State Sen. Murray Clark pushed his spending cap legislation (which was denied a hearing by Borst despite 20 Senate co-sponsors) with a statewide radio advertising campaign. Clark also had to endure a front page *Indianapolis Star* photo of him filling his plate at a buffet. The photo

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BUSH APPROVAL RATING AT 82 PERCENT: A CNN/USA Today/Gallup poll of 1,001 adults, conducted over February 8-10 (+/- 3%), shows: 82% approve of President George W. Bush's job performance. When told that "Congress' investigative arm, the General Accounting Office, says it will file a lawsuit to force the White House to release information about the consultations with business leaders by Vice President Cheney's energy task force," 69% said "Vice President Cheney should ... turn over information to Congress about the task force meetings"; 26% said he should not; 5% were not sure.

ERHARD TO ANNOUNCE FOR HD8: James P. Erhard will announce today that he is a candidate for the Republican nomination for HD8, the seat being vacated by State Rep. Mike Dvorak, who is running for St. Joseph County prosecutor. Erhard, 27, is currently practicing law with the firm Hardig Lee & Groves, where he focuses primarily on general civil litigation. He graduated from Notre Dame Law School in 2000 and earned his Bachelor of Arts degree from the University of Chicago in 1997, having studied American history. Dvorak's son, Mike Jr., is expected to seek the

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Daniels, from page 1

accompanied a story about how lobbyists fork out food and ducats to influence legislation. The headline read, "Groups wooing legislators with parties, receptions." Advance America's Eric Miller called for another Statehouse rally this week in hopes of topping one last month that drew 800 people.

No one in the prospective 2004 field, however, came close to capturing the attention paid to Mitchell E. Daniels Jr., both in Indiana and Washington. He's not the most popular person in the Bush administration in Congress. *Roll Call* quoted Daniels as saying the practice of earmarking in the federal budget "has gotten out of hand."

Roll Call reported, "Senior House Appropriations Committee lawmakers and aides said this week that the Bush administration has committed a political misstep and sown unnecessary resentment on the Hill by focusing too heavily on eliminating Members' pet projects. Of particular concern to GOP lawmakers is the OMB's plan to eliminate funding for hundreds of earmarked health and education projects."

With much of the Washington

establishment figuring (perhaps hoping) that Daniels will tire of the Bush deficits, anthrax letters, and DC bloodsport and come back home to run for governor. His speech before Indiana Republicans along with recent appearances in Fort Wayne and Evansville and his method of keeping in touch with the Hoosier news media does little to douse the rumor and much to titillate a GOP tired of losing the big 'uns.

In an interview Tuesday with *HPR*, Daniels played down his speech last weekend in Indianapolis. He said that he was scheduled to be home anyway -- his family continues to live in Indianapolis -- and that he did it as a favor for "two dear old friends" -- state GOP chairman Jim Kittle and former secretary of state Ed Simcox. "I would walk across hot coals for Jim Kittle and Ed Simcox," he said.

Daniels stressed that for each of the appearances he has made in the state since joining the Bush administration last year -- one each in Fort Wayne, Indianapolis, and Evansville -- he has declined 10 others. He also pointed out that he keeps the focus on his current job when he speaks. In Indianapolis, "I scrupulously stuck to the president, his agenda and national subject matter."

Still, the speculation swirls in Hoosier political circles about a possible Daniels bid for governor. One source said that prominent Republicans are "waiting on Mitch to make a decision."

Daniels insists that his priority is to serve the president. But Daniels, a master of political rhetoric, stops short of a Shermanesque denial when answering a question about Hoosier Republicans wanting him to run in 2004. "It's not good manners to propose to a girl who's spoken for," he told *HPR*. "And I'm spoken for."

An Indiana GOP political insider in Washington said Daniels has the best shot at defeating Lt. Gov. Joseph Kernan, the likley Democratic gubernatorial nominee in 2004. "I think he could win," said Mark Helmke, a former top aide to Sen. Richard Lugar and currently the

director for corporate development at the Nuclear Threat Initiative. "He's the one candidate in the state who could garner the money to take on Kernan." In addition, "16 years of Democratic rule works against the incumbent party."

Kittle acknowledged the GOP is swooning for Daniels. "All sorts of people came up to me after he spoke and said I should recruit Mitch," Kittle said. "What I'm doing is creating a political party that will be strong enough to help great candidates when they become available. We want to recruit best of class candidates. But there was no clear signal that Mitch has changed his position."

The hopeful Republican might top off Kittle's last sentence with a single word: "Yet." ❖

Daniels, Congress clash on budget

By **MARK SCHOEFF JR.**
The Howey Political Report

WASHINGTON -- White House Budget Director Mitch Daniels is no threat to win a popularity contest in Washington. But despite conflict with members of Congress whose re-election depends in part on spending projects that he has vowed to slash, Daniels is confident that the administration's \$2.13 trillion budget proposal will survive.

"There's bipartisan support for the principal objectives of the budget, and most of them will be enacted," Daniels said in an *HPR* interview on Tuesday. "We heard as much from members of both parties last week," when he testified on Capitol Hill.

The agenda Daniels laid out concentrates resources on the campaign against terrorism--strengthening the Pentagon (\$50 billion increase) and funding homeland security (\$38 billion)--and fighting the recession with tax cuts. But the effort will cause a \$106 billion deficit in fiscal year 2002 and an \$80 billion

deficit in FY 2003. In order to hold down non-defense spending, the Bush Administration wants to cut \$1.3 billion in "earmarks" for health, education and workforce programs and put the savings

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into low-income college grants. Targeting earmarks has raised the hackles of Republicans and Democrats on the Hill. House Appropriations Committee Chairman Bill Young (R-Fla.) wrote a letter to Daniels that stated: "All the wisdom of the allocation of federal grant funding does not reside in the Executive Branch."

Democrats were harsher. "He's making a big stink over roughly 1/700 of discretionary spending," said a spokesman for the Democratic side of the House Appropriations Committee. "He's putting the wrong foot forward. He needs to realize that this is not an autocratic process; it's a democratic process. So far, Mitch

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Democratic nomination.

WELCH TO SEEK THIRD TERM: State Rep. Peggy Welch announced Monday she'll seek a third term in District 60. The Bloomington Democrat said it has been "a privilege" the past 3 1/2 years to represent the concerns of district residents on state spending, taxes, education, health care and other issues (Kurt Van der Dussen, Bloomington Herald-Times).

EARNST RESIGNS FROM REPUBLICAN STATE COMMITTEE: 5th CD Chairman John Earnst, who lost the race for Indiana Republican chair to Jim Kittle in January, has resigned from the state committee, where he had served for more than a dozen years.

RUPPEL WON'T RETURN TO LEGISLATURE UNTIL MARCH: State Rep. Bill Ruppel, R-North Manchester, had heart surgery at Parkview Hospital Jan. 28 (Niki Kelly and David Griner, Fort Wayne Journal Gazette). He was one of two Republicans (Rep. John Ulmer was the other) to miss the HB 1004 vote. Ruppel was scheduled for an angioplasty. During the surgery, a guide wire slipped, cutting his artery and necessitating immediate action. "I was awake on the table when the doctor

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said I had to submit to emergency bypass surgery," said Ruppel. "I asked God to guide the doctor's hand so He must have felt I needed the bypass." Ruppel, 55, returned home Feb. 1, and is slowly recuperating. He is not allowed to drive or work, and probably won't return to the session until at least March.

HOWELL TO CHALLENGE GIAQUINTA: Fort Wayne Republican Kevin Howell has filed to challenge Rep. Ben GiaQuinta, D-Fort Wayne, for the District 80 House seat (Kelly and Griner, Fort Wayne Journal Gazette). Howell, 46, is a teacher at Village Woods Middle School. He served one year on the Fort Wayne Community Schools board in 1990 and was unsuccessful in two runs for Fort Wayne City Council. Howell, who does not yet have a Republican opponent in the May primary, announced his candidacy at a news conference at the flagging Southtown Mall.

GREGG LEAVES TWO VACANCIES: The shuffling already has started in the Indiana House of Representatives to decide who will replace John Gregg as Speaker, but there is another vacancy he leaves: The 45th District representative (Peter Ciancone, Terre Haute Tribune Star). There had been no hint of anyone

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O'Bannon lays out his priorities

INDIANAPOLIS - Gov. Frank O'Bannon conducted this Q&A session with the news media last Thursday. It came at the mid-point of the legislative session that could go a long way in establishing his legacy. O'Bannon opened with a statement, excerpted here.

O'Bannon: Over the past few months we've seen some changes (in HB1004) in the way we look at the challenges we have and recognize them now. The votes showed in the House that it was vitally important to move forward. The leadership of the Democrats in the House certainly stepped up with strong support for both the balanced budget and certainly for protecting our schools and personal services in the state as well as restructuring taxes. It cut property taxes in the face of the court-ordered reassessments. It was a remarkable step forward. I think the alliance of groups that are interested in the future of the state - such as the Chamber of Commerce and the teacher organizations, labor unions, the Farm Bureau, the mayors, the university presidents all see this is an important direction for the state of Indiana to go and meet these challenges of a balanced budget and restructuring taxes this year. It's a great opportunity to hold that support group together and give strength to legislators that this is vitally important to Indiana's future. The vision and purpose of 1004 is cutting taxes, but all they talk about is raising taxes, raising taxes, raising taxes. It gets to be the political talk up there - it's going to raise taxes. The message is: We're cutting property taxes and we're restructuring business taxes so we can create jobs, cut property taxes to protect homeowners. These are all long-term goals that are vitally important. That's why we must act in this session.

Brian Howey: What kind of conversations have you had with Sen. Borst?

O'Bannon: I'll be meeting with Sen. Borst next week. I met with Sen.

Garton and Sen. (Richard) Young this week. As the bill has moved forward, I've chatted with Sen. Borst off and on for several months, including at the Formula One race. We talked then about things that could come up. I think he's a person of great experience in taxation. He'll certainly have some very important ideas for the state of Indiana.

Howey: What about the specifics we're starting to hear that involve a payroll tax, ending the personal property tax for business, schools 100 percent off the property tax rolls?

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O'Bannon: We've discussed all those. It will go through the process. Certainly the inventory tax should be phased out or taken care of. I think he talked about funding 100 percent of the school operating from a state level. We did just part of it because it gets into a conversation about local control and home rule of schools. I think he will have some innovative ideas. He talked in 1998 about extending the sales tax to other kinds of services and I don't think he's approaching that this time. So it's a mix of things we'll continue to look at, My purpose is as long as the goals are met, certainly making sure our fiscal condition is proper with a balanced budget, protect homeowners, create new jobs and cut property taxes.

Mary Beth Schneider, Indianapolis Star: (Borst) says you can deal with the budget deficit if they help you find money available in the state. Can that be done?

O'Bannon: Do you know what that means? Does that mean we borrow from a savings account? Reduce a savings account? Balanced budget means that we have to have revenue coming in at the same amount to fund the budget. I think

what I've heard them say (is) there are pots of money all over the state we can use to fund our budget. That's not a balanced budget. We can use the reserves of what you'd call the surplus that we now have on hand and spend that. That's not a responsible way to conduct our state business. It will affect our credit rating. So what they're saying is we'll just keep taking from pots of money and not answer the question of how you have sufficient funds coming in to fund the budget that's on-going. Period. That's like spending the surplus down and not fixing the budget. With some kind of revenue enhancement next year, what's it going to be? Sales tax? Income tax? Cigarette tax? Gaming tax all goes for tax restructuring. That's where we ought to be looking at and thinking,

Lesley Stedman, Louisville

Courier-Journal: Do you think we'd be in this situation if you had insisted on a balanced budget under your definition ... in your first term?

O'Bannon: In the first term we were balancing every budget except the one in 2001.

Stedman: You weren't taking any surplus money in 1999?

O'Bannon: We did it the right way. Let me go through it one more time. We had \$2 billion. Some in the building here said spend it all, give it back to the taxpayers. Well, we cut taxes to remove that increase in spending stream that gives us more than we need to match our budget. We had a balanced budget but we had a surplus where we spent \$800 million and left \$1.2 billion in reserves - 12 percent - which is fiscally responsible. If we hadn't done that, we'd be in worse shape today. But then the economy changed and the national economy took us into a downturn and then into a recession. That killed our reserves. Out of that \$2 billion, we've still got \$800 million. That's not like it's all spent; all piddled away. Now last year, that budget was \$500 million out of balance. That's when I asked for the cigarette tax last year. Now that continues to get

worse. We still have that \$800 million that can be used in emergencies. But we shouldn't put ourselves in emergencies and still have that backup.

Niki Kelly, Fort Wayne Journal

Gazette: When did you find out about Speaker Gregg and will that have an impact on the rest of the session?

O'Bannon: Speaker Gregg had kept it close to the vest and when he called to notify me, we had already left the Statehouse. But I got the message right away. I've talked to him since then and I complimented him on the great leadership he's provided the State of Indiana in many ways and in a way it brings people together instead of moving people apart, even when it's political. I certainly understand his desire to be with his family and two young sons. Now, when he announces that, how does that affect his leadership through the rest of the session? I think his leadership is already in place when they passed last Monday 1004. He's committed as is the rest of leadership to carry this forward. They know in their own minds the best policy is to pass these two plans in 1004; the best political reasons for any of them running this coming year is to do something positive; to step up and show leadership and solve these challenges. To do nothing would be a horrible mistake by the legislature.

Terry Burns, Times of Northwest

Indiana: Do you feel some of the House Democrats may not feel beholden to the Speaker any more since he no longer has the big stick?

O'Bannon: I don't think so. I think they'll come together to win the election and majority. It depends on whether cutting property taxes after reassessment is a winning message or that you do nothing and don't raise any taxes to replace property taxes and do nothing on the budget.

Eric Berman, WIBC: Are there single components you have to have in 1004 for passage?

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planning to run against him, and Greene County GOP Chairman Lavon Yoho said, "Everybody's jockeying for position right now." As of Friday, only one candidate had filed for the position: Democrat Alan Chowning, 52, former Sullivan County commissioner. Sullivan attorney Richard Bramer said he is considering a run in the Republican primary. Feb. 22 is the deadline for filing.

CROSBY GETS COMPETITION: Andrew P. Thomas of Brazil, a Republican, has announced his plan to run in the primary for the House seat in the 44th District currently held by Rep. Susan Crosby, D-Roachdale (Terre Haute Tribune Star). Thomas practices law with his uncle, former State Rep. John J. Thomas and former U.S. Rep. Edward A. Pease.

PFLUM TO RUN IN HD56: Phillip C. Pflum of Cambridge City will run in the Democratic primary for the house seat in District 56 currently held by Dick Bodiker, D-Richmond. Pflum, 58, has worked in manufacturing and as a farmer. He has owned and operated a farm in Wayne County since 1973.

INDIANA'S NATIONAL SHARE OF PERSONAL INCOME DECLINES: Indiana's share of the nation's personal income

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shrank to a record low last year, according to an Indiana University study (Norm Heikens, Indianapolis Star). Personal income is still rising in Indiana, economist James C. Smith emphasized, but it isn't keeping up with the national average. "There's just a long-term underlying trend," Smith said. "It's consistently in the wrong direction." Personal income, which includes wages, salaries, investment income and government payouts such as farm income and unemployment benefits, is considered among the most revealing gauges of economic performance. In the year that ended Sept. 30, the latest government figures available, Indiana generated 1.94 percent of the nation's personal income. That was down from 1.97 percent in 2000 and 2.5 percent in 1969, the first year the U.S. Bureau of Economic Analysis began tracking the figure.

DOBIS BELIEVES TAX RESTRUCTURING WILL PASS: "If we can get all of this done this year, it will be a historic session," said Rep. Chet Dobis, D-Merrillville (Steve Walsh, Gary Post-Tribune). "I can't say what the final package will look like, but I believe something will pass," said Dobis, who carried the tax restructuring bill in the House.

O'Bannon: Let me point out how important it is to have broad support to meet these two challenges. I don't think you have broad support if you pick only one of the challenges. If all you do is balance the budget, all you do is pick up those interested in education. You have those who want tax restructuring very badly. The Republicans were telling me if the Democrats picked up their amendments, they'd probably get some votes for it. But each time you move toward that direction, you lose support with the Democrats; you lose support outside, like labor groups. If you want enough votes to get it passed, you have to move both of them.

Stedman: Is there any one component you will insist on in 1004? Does the inventory tax have to be gone?

O'Bannon: It's important in that bill that we have enough funding for education. It's important we cut property taxes. Then the business tax restructuring to create jobs. Those corporations are looking at all the states. They look at Indiana's inventory tax and gross receipts tax and they say they don't even want to look at Indiana.

Berman: So any bill that reaches your desk would be acceptable if it would

do all that by raising the sales tax?

O'Bannon: Yes. Any that meets that goal will be the No. 1 priority. I'll look at whatever it is except for an expansion of gambling.

Burns: What is your definition of an expansion of gambling?

O'Bannon: Dockside would be an expansion of gambling. Pull tabs, which I finally figured out; somebody told me what pull tabs are. When you talk about dockside, you're talking about expansion of gambling big time with new facilities going up, the number of stations increase. I'd rather see us control that.

Burns: In SB 333, they call for no barge provisions, it's just flexible boarding. Does that satisfy you?

O'Bannon: I'll certainly look at that final product. That isn't the same as dockside to me.

Schneider: What about French Lick?

O'Bannon: French Lick is another thing you've got to look at. The 11th boat was in the French Lick area - Lake Patoka. I'll look at that when it comes down, but that was part of what was put in the law originally.



Indiana 2002 Racing Form

Congressional District 2: Republican: Chris Chocola. **Democrat:** Jill Long Thompson, Mark Meissner, State Sen. William Alexa, Kathy Cekanski Farrand. **Geography:** South Bend, Michigan City, Mishawaka, Elkhart, Kokomo, Plymouth, Logansport; LaPorte, St. Joseph, Starke, Marshall, Pulaski, Fulton, Cass, Carroll and parts of Howard, Porter, Elkhart and White counties. **Media Market:** South Bend-Elkhart, Indianapolis, Lafayette, Chicago. **2000**

Result: Roemer (D) 107,076, Chocola (R) 98,367. **2002 Forecast:** *South Bend Tribune's* Jack Colwell reports that Republicans are aiming at Jill Long Thompson. Colwell wrote on Sunday, "Republicans apparently have decided, in their strategy to win this race, a contest that could determine which party controls Congress, that Long Thompson will be their opponent -- The Target." **Primary Status:** *Leans JLT.*

Congressional District 3: Republican: U.S. Rep. Mark Souder, Nick Metel. **Democrat:** Rodney Scott, Jay Rigdon. **Geography:** Fort Wayne, Goshen; Kosciusko, Whitley, LaGrange, Steuben, DeKalb and parts of Elkhart and Allen counties. **Media Market:** South Bend-Elkhart, Fort Wayne. **2000 results:** Souder (R) 131,051, Foster (D) 74,492. **2002 Forecast:** Helmke will make a final decision over the weekend, but many allies believe he'll

HORSE R A C E

run (See page 8). Indiana Republican Chairman Jim Kittle observed of a Helmke candidacy, "That would come as a great surprise. Mark is strong up there. The two new counties - Elkhart and Kosciusko - are very Republican, but they would tend to support Mark. It would be a tough race for Paul to win." **Primary Status:** *LEANS SOUDER*.

Congressional District 6: Republican: U.S. Rep. Mike Pence. **Democrat:** Melina Ann Fox. **Geography:** Anderson, Muncie, Richmond; Wells, Adams, Blackford, Jay, Madison, Delaware, Randolph, Henry, Wayne, Rush, Fayette, Union, Decatur, Franklin, and parts of Bartholomew, Shelby, Johnson and Allen counties. **Media Market:** Indianapolis, Fort Wayne, Dayton, Cincinnati. **2000 results:** Pence (R) 106,023, Rock (D) 80,885, Frazier (I) 19,070. **2002 Forecast:** Fox brings Chris Worden in as campaign manager. Worden managed Pam Carter's (1992) and Jeff Modisett's (1996) successful attorney general campaigns and served as a deputy under Modisett. Pence spoke on the House Floor Wednesday, at the request of Majority Whip Tom DeLay, in opposition to the campaign finance reform bill introduced by Reps. Chris Shays and Marty Meehan. "I strongly oppose the Shays-Meehan bill principally because of the oath of office that I took a little over a year ago," said Pence. "That oath of office charged me with upholding and defending the Constitution of the United States of America. James Madison, the father of the Constitution, penned these very simple words: 'Congress shall make no law abridging the freedom of speech.'" Pence called for a balanced federal budget. "If Enron has taught us anything, it is that when the books don't balance, people get hurt," said Pence. **Status:** *Leans Pence*.

Congressional District 7: Republican: Brose McVey. **Democrat:** U.S. Rep. Julia Carson. **Geography:** Indianapolis. **Media Market:** Indianapolis. **2000 Results:** Carson (D) 91,300, Scott (R) 61,818, Ali (L) 2,513. **2002 Forecast:** Perhaps the key development in this race happened this week: Democrat Frank Anderson officially declared for Marion County sheriff. That could have a big impact and a boost for Carson, as many African-American voters will jump at the chance of electing the county's first minority sheriff. Carson is good at moving her troops out, but this heightens that incentive. McVey commiserated with Beech Grove Amtrak workers who were laid off. "With our central location, infrastructure, and excellent transportation companies, Indianapolis needs to look at light rail, over the road, and all transportation issues," McVey said. "This is why one of the first Committee assignments that I will seek upon election is to the Transportation committee." **Status:** *Leans Carson*.

Congressional District 8: Republican: U.S. Rep. John Hostettler. **Democrat:** Bryan Hartke, Frank McCloskey. **Geography:** Evansville, Terre Haute, Greencastle; Posey, Vanderburgh, Warrick, Gibson, Pike, Martin, Daviess, Knox, Sullivan, Greene, Owen, Clay, Vigo, Vermillion, Parke, Putnam, Warren and part of Fountain counties. **Media Market:** Evansville, Terre Haute, Indianapolis. Lafayette. **1994 results:** Hostettler (R) 93,529, McCloskey (D) 84,857. **1996 Results:** Hostettler (R) 109,582, Weinzapfel (D) 106,134, Hager (L) 3,799. **1998 Results:** Hostettler (R) 92,227, Riecken (D) 81,381, Hager (L) 3,395. **2000 Results:** Hostettler 116,860, Perry (D) 100,461. **2002 Forecast:** Hartke reported \$7,475 in his year end FEC report. He also had \$15,619 on hand as of Dec. 31. In comparison, 2000 nominee Paul Perry had \$157,657 during the same time period of 1998 nominee Gail Riecken raised \$146,721. Hostettler reported \$143,113 and may have raised as much as \$125,000 last week during a campaign stop by Vice President Dick Cheney. **Status:** *Likely Hostettler*.

Congressional District 9: Republican: Mike Sodrel, Jeff Ellington, Chris Redmon. **Democrat:** U.S. Rep. Baron Hill. **Geography:** Bloomington, Columbus, Lawrenceburg, Rising Sun, New Albany Jeffersonville, Madison, Nashville; Spencer, DuBois, Orange, Crawford, Perry, Harrison, Washington, Jackson, Brown, Jennings, Scott, Floyd, Clark, Jefferson, Switzerland, Ripley, Ohio, and parts of Dearborn and Monroe counties. **Media Market:** Evansville, Indianapolis, Louisville, Cincinnati. **1994 results:** Hamilton 91,459 (D), Leising (R) 84,315. **1996 Results:** Hamilton (D) 128,885, Leising (R) 97,747, Feeney (L) 2,315. **1998 Results:** Hill (D) 92,477, Leising (R) 87,278, Feeney (L) 2,397. **2000 Results:** Hill 125,978, Bailey (R) 101,790, Chambers (L) 4,634. **2002 Forecast:** Ellington officially entered the race. He cited campaign issues such as the exercise of personal freedom "from gun control to (limits on) political contributions," jobs and economic development, and health care. "I'm pro-life and pro-gun," he said. **Primary Status:** *LEANS SODREL*. ❖

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INVENTORY TAX REPEAL REQUIRES CONSTITUTIONAL AMENDMENT: Bill Styring, an economic consultant and former state budget analyst, cites the not-so-minor detail that it would be against the law to wholly repeal the inventory tax. The Indiana Constitution requires all property in Indiana to be uniformly assessed and taxed, and that includes inventory, Styring said (Rex Huppke, Associated Press). To completely do away with the tax would require a constitutional amendment, which is no small task. "The way to do it is just to get rid of it, period, but under the Constitution you can't do that," said Senate Finance Chairman Larry Borst, R-Greenwood. "We're proposing several constitutional amendments to take care of that problem, but that could take four or five years. It needs to happen sooner." The plan currently before the House would eliminate the tax for the first \$37,500 worth of inventory, something Democrats say would free 87 percent of businesses from the tax. The proposal says the tax on inventory above the \$37,500 mark would be cut in half.

FORMER KOMET OWNER WELKER FILES FOR DILLON SEAT: Republican David Dan Welker has filed to run for the House seat held by Rep.

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Gary Dillon, R-Columbia City (Fort Wayne Journal Gazette). Dillon hopes to fill the vacancy left on the other side of the statehouse by the retirement of Sen. Potch Wheeler, R-Larwill. Welker, the former owner of the Fort Wayne Komets, is perhaps best-known for moving the team from Fort Wayne to Albany, N.Y. In 2000, he said he was going to offer \$100 million to buy the Memorial Coliseum, but commissioners insisted the building was not for sale. Longtime Whitley County Councilman Bill Overdeer has also filed to fill Dillon's seat.

INDIANA TRAFFIC FATALITIES DROP SHARPLY: The number of traffic fatalities in Indiana fell sharply in 2000, marking the biggest decline ever for the state. Indiana had 890 crash-related deaths in 2000, down from 1,020 in 1999, according to Jerry McCorry, director of the Governor's Council on Impaired and Dangerous Driving. McCorry said the final figures for 2001 also were expected to be low at 894 crash fatalities, but that number could change as death certificates are issued. "That's still too high in our opinion, but the good news is over the last two years, our numbers have headed in the right direction."

INDIANA WELFARE ROLLS BULGE: After declining for years, welfare rolls in Indiana are growing again. The number of Hoosiers

PERHAPS... WE WANDER

By Brian Howey

Old foes Helmke and Moses prepare their next steps

FORT WAYNE - One of the most vivid rivalries in Indiana politics was the one between two mayors who ran the state's second largest city for five terms - Democrat Winfield Moses Jr. and Republican Paul Helmke. Their epic race occurred in 1987 when Helmke challenged Moses, who was seeking to restore his good name after resigning the office for 10 days due to misdemeanor campaign finance violations. Prior to that episode, Moses had "governor" written all over him, to the point where he might have even impeded Evan Bayh's arrival on the scene. He had guided Fort Wayne through its finest moments - the terrible floods of 1982 - earning the reputation as the "city who saved itself."

Moses was leading Helmke going into the 1987 homestretch until Republican Allen County Prosecutor Steve Sims dropped the bombshell that Moses's brother was being investigated for homicide (the story was not credible and he was never charged). "My numbers collapsed overnight," Moses recalled. He would also add, "What was I thinking about running for a third term?"

Helmke went on to win and become a three-term popular mayor, always with one eye cast on Congress. Moses went into exile for five years, spending some time in Texas. He came back to Fort Wayne in 1992 and ran for an Indiana House seat that was supposed to be created for African-American City Councilman Charles Redd. Moses spent about \$10 on the campaign and easily won, restoring not only his name, but political fortunes as well, having steadily risen up the ranks of the Democratic House Caucus.

There's one other thing about the Moses-Helmke rivalry: They can't stand each other. It was a situation exacerbated

by Helmke's on-line book released a couple of years ago that was critical of the Moses administration.

Today, Hoosiers find Moses and Helmke contemplating new stages of power in a pair of scenarios that will offer a fascinating exhibition of clout execution.

Helmke is pondering a GOP primary challenge to U.S. Rep. Mark Souder. While allies believe he is running, Helmke told *HPR* on Wednesday, "I have not made a final decision yet but will do so this weekend. Reaction to the possibility of my running has been very positive but I know the campaign would not be easy and that I would be getting a late start."

Souder raised only \$74,000, leaving him vulnerable on the money front. He's a hard worker who knows his district, but he'll be in session for much of the time between now and May. He'll also have two new counties, Elkhart and Kosciusko, that are two of the most Republican in the state. Some believe Souder's evangelical support will serve him well there. However, Helmke notes that in 1998, he carried Kosciusko with 66 percent of the vote against conservative John L. Price.

A Helmke-Souder showdown would be an epic battle, giving Indiana three primaries involving Members (Reps. Buyer vs. Kerns in the 4th; Jill Long Thompson's comeback in the 2nd).

In the wake of the retirements of Speaker John Gregg and Majority Leader Mark Kruzan, Moses's goal of becoming speaker is a distinct possibility. Several Democratic sources see the early battle for speaker coming down to Moses and Rep. B. Patrick Bauer, with the early edge to Moses. Bauer's post on Ways & Means could cut either way: He's powerful, but there are colleagues with axes to grind. Moses has revealed a prowess for raising money, managing the caucus campaigns and winning elections. "We haven't lost a seat since I've been here," he said. ❖

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Daniels' motto has been: 'My way or the highway.' That's not the way to work with people."

But Daniels, a former Eli Lilly executive and chief of staff to Sen. Richard Lugar, makes no apologies for getting tough. "It's called leadership," he said. "That's what real presidents do, especially in times of war. We can't run a war and provide homeland defense effectively with a committee of 535. The executive branch, particularly in times of crisis, has to execute. We'll always be open to consultation and will work hard at it."

A Hoosier political insider in Washington believes Daniels benefits from his role. "It's easy for Mitch to be the white knight," said Mark Helmke, a former top aide to Lugar and currently director of corporate development at the Nuclear Threat Initiative. "There are going to be a lot of Republicans across the country who like that tune -- cutting down on pork-barrel projects. What's more important, an earmark in South Dakota or the war?"

In the wake of Sept. 11, the Bush Administration can raise defense spending without dissent. "It is very hard to move a democracy and get a democracy to focus on a single threat that prior to Sept. 11 had never hit this country," said former Rep. Lee Hamilton in an *HPR* interview last month. But now President Bush can achieve that singularity of purpose.

CONGRESS WATCH

Although members of Congress support defense increases, there will be plenty of other budget fights. "Political exigencies are forcing politicians to spend," said Marshall Wittmann, senior fellow at the Hudson Institute. "At the end of the day, it doesn't matter what his relations are." Daniels' experience--he was President Reagan's chief political adviser--may stoke the conflict. "He's an exceedingly bright individual who knows what motivates politicians. And that frustrates him," said Wittmann.

Daniels downplays his dust-ups. "Our relations with 95 percent of Congress are just fine. I can do my duty to the president or be universally popular, but not both." ❖

TICKER

T A P E

getting welfare checks jumped 23 percent in the last six months of 2001 -- one of the nation's biggest increases (Michele McNeil Solida, Indianapolis Star). In December, about 137,000 Hoosiers received monthly checks. Just six months before, welfare recipients numbered about 112,000. Previously, the highest number of welfare recipients in recent years was 134,501 in 1997, and state officials fear the numbers will go even higher.

PRISON EXPANSION DUE SOON: Phase II in the expansion of the Miami Correctional Facility at Bunker Hill will begin in July when the first four houses begin receiving inmates (Kelly Voss, Peru Tribune). There are eight houses in Phase II, each holding 204 inmates. When the facility reaches capacity the population will be 3,188 inmates. There are 1,801 inmates in the prison's six houses currently.

SAUNDERS TO RUN AGAIN: State Rep. Tom Saunders, R-Lewisville, is in his sixth year in the General Assembly and has announced his intent to seek re-election.

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