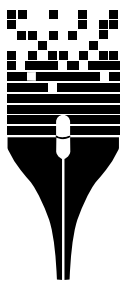


The Howey Political Report



The *Howey Political Report* is published by NewsLink Inc. Founded in 1994, *The Howey Political Report* is an independent, non-partisan newsletter analyzing the political process in Indiana.

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**Subscriptions: \$350 annually via e-mail;
\$550 annually including the HPR Daily
Wire. Call 317-254-1533 or 254-0535.**

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“QUOTE” OF THE WEEK

“If the state is going to offer tax relief the state should pay for it instead of making taxpayers subsidize their neighbor’s tax cut.”

- House Minority Leader Brian Bosma

Gov. Kernan’s take on Indiana’s future

Special HPR Report

By **BRIAN A. HOWEY** in Indianapolis

Gov. Joe Kernan had just returned from an emotional tree-planting ceremony in memory of his predecessor, Frank O’Bannon, on Tuesday when he sat down for an hour with *HPR* Publisher Brian A. Howey in the governor’s office.

The Indiana General Assembly had convened in special session to deal with the perceived property tax crisis, Gov. Kernan had made his decision to seek his own term, and he had completed a spate of interviews with Indiana newspapers that covered his ascension to power. In this special *HPR Interview*, Kernan was looking forward to 2004, a year that will give him wings to create his own distinct gubernatorial legacy. He will be running on his own in what will be the first truly competitive campaign (his sixth, three as mayor of South Bend and two as lieutenant governor).

HPR INTERVIEW

HPR interviewed Republican candidate Mitch Daniels (*HPR* Nov. 13, 2003, Vol. 15), who vowed to making sweeping changes at the Statehouse, both in the executive branch and in working with the legislature. He said that only new leadership could get Indiana out of its economic crisis. Daniels had embraced the Constitutional Convention concept.

In contrast, Gov. Kernan talked about his working relationship with legislative leadership and Supt. Suellen Reed. He countered Daniels, saying that current leaders can bring Indiana out of its economic doldrums. He didn’t embrace the Con-Con, but left himself open to exploring in that direction, saying he would prefer the “consistency” of choosing his own executive branch administration.

Here is *HPR*’s first extensive interview with Gov. Joe Kernan:

HPR: I’ve been reading a lot of other media reports on the transition and I’d like to look into the future with you. How did the prison tour with the Speaker, the Chief Justice and the Senate President Pro Tempore come about?

Kernan: In mid-September as a follow-up to the first gathering of the state’s department heads, which was a precursor to the cabinet system, I asked the agency heads what were the biggest challenges and biggest opportunities out

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INDIANA PRISONS 'WORST EVER' SAYS OFFICIAL:

State officials say crowding in Indiana's 24 prisons has reached levels not seen in decades, potentially forcing them to place bunks in prison classrooms and recreation areas. "This is the worst crowding we've faced in at least 40 years," said Department of Correction spokeswoman Pam Pattison. Larry Landis, a member of the Prison Sentencing Commission established by the General Assembly in August, goes even further (Indianapolis Star). "This is the worst it's ever been," he said. The state's 10 largest prisons are housing thousands more prisoners than they were built to hold, according to new statistics released by the Department of Correction. Indiana prisons now have adequate space for about 16,000 offenders but hold nearly 23,000. Projections show that the adult male population, the largest group of inmates, will grow each year until 2008, when it will reach more than 28,000. Taxpayers pay nearly \$21,000 a year to house, clothe and feed each inmate. There's a political risk of appearing soft on crime, acknowledged Senate President Pro Tempore Robert Garton, R-Columbus. But Garton said the issue should be considered. "It's time to look at the

there. Evelyn Ridley Turner made it clear that there are significant challenges in the prison system. The population continues to grow, which is consistent with what's happening across the country, and we need to focus on being more efficient in terms of incarceration, community-based corrections, and other programs that are available to try and have offenders get the kind of assistance they need to be successful once they finish their terms.

Recognizing the value in terms of human capital that this is and that there are public safety concerns as well as the opportunity to save resources and use them more effectively, I thought that gathering leadership of the three branches of government would allow us to all have a similar reference point. I talked with the chief justice and the leaders in both houses and they agreed they would go. That was the genesis.

HPR: And it took that long to schedule this?

Kernan: Find dates, set up where we wanted to go, set up the program, make sure the security issues were dealt with.

HPR: I've been covering state government off and on since 1985 and I can't ever remember the four heads joining on such a tour. Was it that unique?

Kernan: I don't know. I just know that the executive branch is responsible for running our correction system. The legislature has a great deal to say about what sentences will be and operations and the framework within which we work. The judicial system is actively involved as well, making determinations about whether someone is going into community corrections or the prison system. We all have a role. This was a way to talk about those things. Certainly the leadership is all aware, but this gives us all the same frame of reference, which is a very good thing. How might we utilize the resources we have and change some policies that can have an impact on how we deliver corrections in the state. It was the day after that

there was an article in the *New York Times* about states taking a look at their prison systems. Back in the lock 'em up and throw away the key days, that is what states did. They were responding to the public attitudes of the time. I think it's important for us now to step back and take a look at the policies and see if it's appropriate for us to make some changes.

HPR: Will that trip become the modus operandi of your administration? Gathering up the relevant people and showing up to solve problems?

Kernan: I would expect so. It is a

"I thought gathering up leadership of the three branches of government would allow us to all have a similar reference point."

way in which I am very comfortable working. I recognize the responsibilities we have cannot be fulfilled by working in a vacuum; that we need to be reaching out to those who can provide assistance, can provide leadership, or can provide resources to help make Indiana a better place. I will continue to do that as long as I sit here.

HPR: Do you see a de-evolution of pre-determinant sentencing?

Kernan: I think Sen. Garton and the Speaker shared some concerns about some of those things being in place. Clearly the pre-determinant sentences have had an impact on the prison population. Twenty years ago there was a response to judges imposing lenient sentences and we went to a lock 'em up and throw away the key mode. Clearly views have evolved and people recognize that we've got all these people incarcerated and it would be more fiscally responsible to deal with this in a preventive way.

HPR: Looking at drug courts?

Kernan: Bringing the leadership together begins the dialogue as to how we might all work together and look at more evidence-based processes.

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HPR: In Eric Schlosser's book *"Reefer Madness: Sex, Drugs and Cheap Labor in the American Economy,"* he says that marijuana is the No. 1 cash crop in the Midwest and, perhaps, Indiana, where a significant part of the book takes place. As a former commissioner of agriculture, is that true?

Kernan: I don't know that to be true. We know we've got meth labs that are springing up over the Midwest. It's a problem here in Indiana and clearly if we're able to deal with the drug and alcohol offenses, we wouldn't have nearly the kinds of problems we have today.

HPR: Has Indiana sent teams to Iowa and Missouri which were hit by the meth crisis a decade ago to see what works and what doesn't?

Kernan: The State Police in working with local law enforcement are working to evolve in the way they deal with these sorts of things. We know it's a major problem in our state.

HPR: The reason I ask is I covered the crack cocaine crisis in Fort Wayne in the early '90s, and when I came down here five years later, the same thing was happening but (Attorney General) Jeff Modisett told me that they weren't comparing notes with the people in Fort Wayne.

Kernan: We had the same kind of challenges in South Bend. The sharing of information has evolved, particularly since 911, whether it's just more dialogue taking place across jurisdictional lines, not just horizontally, but vertically. Local, state and federal law enforcement are working much more closely than they ever have before.

HPR: You came out with the original tax restructuring plan in October 2001 and then you helped get the final plan out of the Indiana House in June 2002. Are you comfortable with what evolved?

Kernan: I'm very proud of what was done in a bipartisan fashion in June 2002. It, like all legislation, evolved from what was originally proposed. Parts of the

final package came from all four caucuses. It was bipartisan support that caused it to happen in very difficult times. There are two points important to understand. One is that had the General Assembly not acted and we moved to market-based assessments of properties for purposes of property taxation, the bills homeowners have already received in many communities and will be receiving in many more would be much higher than the ones they're getting today. Secondly, the problem is not tax restructuring, it's reassessment. Going in, we had three challenges. One was the revenue shortfall which we solved to a degree with tax increases on gaming and cigarettes. Second was restructuring to create a better business climate in Indiana when no other state is doing or has done during these very diffi-

"I'm very proud of what was done in a bipartisan fashion in June 2002. It, like all legislation, evolved from what was originally proposed."

cult times. And third, reassessment and the actions the General Assembly took had a positive impact on what would have otherwise happened to homeowners, farmers all across the state. Now the challenge is to get good information, analyze it, and have a dialogue as to what we might be able to do on a very complex issue. I think and hope that will happen in a bipartisan way in the regular session that will begin in January.

HPR: The only Monday morning quarterbacking question I'm going to ask is whether Indiana would have better weathered the recession if tax restructuring had occurred in 1997 or 1999?

Kernan: There's the old Will Rogers line that everybody complains about the weather, but nobody ever does anything about it. We've been complaining about our tax structure forever. The inventory tax argument goes back before

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(mandatory) sentences (for certain crimes), because that is causing a lot of your prison buildup," Garton said.

BOSMA SAYS STATE SHOULD PAY FOR TAX SHIFTS: The political heat surrounding property taxes was turned up Wednesday as House Republicans said the state should pay for any new deductions (Jennifer Whitson, Evansville Courier & Press). The state's budget shortfall, which is approaching \$1 billion, makes such a proposal unlikely, said the House Democrats, who are backing a bill that would temporarily increase the homestead deduction from \$35,000 to \$44,000. The Democrats' version also would create new deductions for old homes and historic homes. But the \$320 million in changes would mean increased tax rates and higher tax bills for farmers, businesses and owners of modest homes. If the state can't provide the funding for the new deductions, then lawmakers shouldn't bother to bring them up, said House Republican Leader Brian Bosma. "House Republicans believe that rather than turning to other taxpayers to subsidize their neighbor, the buck should stop with the state," said Bosma. "Perhaps it's time to stop the discussion on the increase on some of

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the shifts if the state cannot afford to cover it." "I'd have to ask them what tax they'd want to increase," said House Speaker B. Patrick Bauer of South Bend. "They are all intelligent people and know that we don't have any money." Bauer said he would be open to considering some of the Republicans' other proposals.

250 COUNTY AUDITORS TO DESCEND ON STATE-HOUSE: Two hundred fifty County Auditors and Deputy Auditors representing 79 of Indiana's 92 counties will come to the State House to talk to legislators this Thursday, November 20, 2003 at 9:45 a.m. EST. The Indiana County Auditors Association, holding its annual meeting in Indianapolis this week, will recess Thursday morning to urge lawmakers to be deliberate in considering changes to Indiana's property tax system just one year after the entire system was revamped. "We cannot let exceptional circumstances affecting relatively few taxpayers lead to a hasty rewriting of the system before we even know what the final results of reassessment are state wide," said Patti Smith, Fountain County Auditor and the Association President. The Association believes there are changes that can be made to mitigate the hardship reassessment

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Gov. Bowen. There's been a lot of discussion about that but nothing was ever done. I feel good that in Indiana, and in a bipartisan way, we were able to get rid of the inventory tax, the gross receipts tax, increase the research and development tax cut from 5 percent to 10 percent, and create a much better climate to create good jobs in Indiana. Certainly the effects of that will take time. But the full impact of that decision -- that collective decision -- will take time. In the aftermath, Caterpillar made the decision on the spot that they were going to invest in Lafayette and nowhere else due to the elimination of the

"I feel good that in Indiana, and in a bipartisan way, we were able to get rid of the inventory tax"

inventory tax. In Michigan City, the very next day I went up to HartMark in Chicago and said, "I know you're going to close that facility, but we've got another story to tell." Today that facility is open and adding employees. That would not have happened if we hadn't restructured Indiana's taxes. It's a much better environment in business. It sends the message that we get it, that we understand being in a climate that is very competitive for all our companies; a climate that is supportive of what they're doing. Nobody else restructured taxes in America at a time when everyone else was looking at where to make cuts. I'm very proud of that.

HPR: In 1982, President Reagan was saying "stay the course" on his 1981 tax cuts in a dismal economy. Will you be making the same plea to legislators who seem panicked today?

Kernan: I don't think you ever want to stay the course in terms of not continuing to adapt and not make changes that are appropriate to the new circumstances in which we find ourselves. What we did last year was very important. But it

does mean that we shouldn't continue to tweak and look for other ways to be competitive. I'm looking at how the Indiana Department of Commerce is delivering services, moving to a regional basis, recognizing that we had to be closer to our customers; knowing that one size doesn't fit all. We've always had an Indianapolis-based program for the delivery of economic development services who will be partners all across Indiana. This is a new way of doing business. So you have to continually adapt. Energize Indiana: Another example of not just sitting back and saying, "Gee, what we did is enough." We continued to make investments. We put more money in K through 12 and higher ed. That was very uncommon in this climate for states. More money in economic development. Most states were cutting back on money they were putting in economic development. We have not stayed the course in the sense of being stagnant. But we have stayed the course in being progressive and looking for ways to make Indiana's economy stronger and keep creating jobs, and better jobs.

HPR: We're seeing a diverse group of legislators, ranging from Republican Rep. Sue Scholer and Democratic Sen. Allie Craycraft talk about eliminating property taxes and going to a graduated income tax. There's an element out there that people are grasping at straws as opposed to weathering the storm. How would you respond to them?

Kernan: Having dialogue about different ideas and different ways to approach things is important. And I don't think there is anything we shouldn't look at. You have to be realistic about what you can do and balance those things about what you want to do with what you believe you can accomplish. That balance always exists. I think that Indiana is poised to be able to take advantage of things that have already been done. I think our inherent strength is that a great workforce, a good location, an emerging technology industry, and a strong base in man-

ufacturing set us up for great things in the future.

HPR: Sen. Borst said he thought 2005 would be the appropriate time to tweak the tax restructuring.

Kernan: I hope that we have enough information to get back together in January to have a couple of months to look at the impact of reassessment, be able to analyze that information and how it has played out all across the state; to understand why it happened and take appropriate action. I believe in that time frame, January to March of next year, we should have a good handle on this and be able to make some decisions.

HPR: What is your position on putting caps on local government spending?

Kernan: It's a discussion that will evolve. You already have caps on local government. One thing the Speaker is understandably concerned about is the significant increases in levies it appears we have seen all across the state. But we need to understand that better; why those increases occurred, where they occurred, and why it was so much different than our expectations and then use good judgments to protect property tax payers, but at the same time help local governments in these very difficult financial times to be able to provide basic services to their citizens.

HPR: At least 30 mayors were defeated for re-election this year. What does that tell you as a governor and a politician?

Kernan: It's hard to say. A mayors race is city and town focused. In most cases it has had to do with local issues and the belief in people who live in those cities that it was time for somebody else. Whether that was driven by it's time for a change and we don't care who it's going to be, or we have someone we believe will do a better job, I don't know all the circumstances around the state. But I think we look at mayors races as the least partisan races in the executive branch. People base their support on who they believe will do the best job. I view it as largely

being given what was happening in those communities.

HPR: Have you ever pondered patterning a speech after FDR's 1932 "Fear Itself" speech? Because people may be looking to you to bring about that kind of reassurance.

Kernan: The prospects for Indiana, as I said earlier, are unlimited, even in these difficult times. Yet we can make tough decisions and we can do things to help move the state forward. And if we can all realize we're all in this together.

HPR: We keep hearing the phrase "run government like a business." Can Indiana be a 21st Century state running on a 19th Century government structure?

Kernan: It's not something I've given a great deal of thought to, but it's something worth taking a look at. Right now my focus is on creating good jobs and protecting education in the state, and that's something I'll continue to do. If that becomes something I believe can help make those things happen, then I'll take a longer look at it.

On the Con-Con, Kernan said, "It's not something I've given a great deal of thought to, but it's something worth taking a look at."

HPR: If you added up all the taxes from all of Indiana's taxing districts, but reorganized Indiana government at the state and local levels, would there be enough tax revenue to do the things we need to be doing? Maybe a county should be run by an executive. Maybe we should only be electing policy makers instead of surveyors and coroners. Do we even need townships in urban areas? Is looking at these things a good idea?

Kernan: I think it is appropriate to look at ways to deliver services that we are responsible for in the most effective manner. That's with all levels of government. You do that by having a constructive dialogue, by having good informa-

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may be placing on some homeowners, such as a one-time extension of the deadlines for deductions, and shifting the authority for reducing penalties to local officials. "But we have serious concerns that incomplete data and emotional outcries are being used to advance another radical redrawing of Indiana's property tax rules - something that will only add time, expense and headaches to local governments across the state," mentioned Mary Ann Beard, Rush County Auditor.

FIRST LADY GOES TO SCHOOL: As students filed into Irwin Elementary School in Fort Wayne on Wednesday morning, they were greeted by two principals (Fort Wayne Journal Gazette). One was the familiar face of Principal Jeffrey Cline, the other was Indiana first lady Maggie Kernan, the school's guest principal for a day. "Hello. Hello. Hello," Kernan said as the students walked to their classrooms. "Welcome to school." Kernan was one of 14 community, business and government leaders to serve as principal for a day in a Fort Wayne Community Schools building and learn what goes on during a school day. Donning an Irwin sweatshirt and baseball cap, Kernan spoke to the students about paper Indiana flags they brought

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to the assembly. "We think education is so important in the state of Indiana that we highlight it on our flag," she said. "What you do here today, and what you do everyday is so important."

HILLS LEANS AGAINST MEDICARE BILL:

Democratic Rep. Baron Hill (CD 9) is leaning against the \$400 billion Medicare prescription drug bill that may come to a vote this week in Congress, according to Hill spokesman Stefan Bailey. Hill hasn't made up his mind in part because the final legislation, which would provide a prescription drug benefit for seniors, hasn't been circulated. A compromise was reached last weekend after months of House-Senate negotiations. Hill's primary concern is a provision that would force traditional Medicare coverage to compete with private insurance plans. Bailey characterized the idea as "privatization" of Medicare. Supporters of the bill say that competition, or "premium support," would give seniors more choice and ultimately lower costs. Republican Mike Pence (CD 6) has stated that he opposes the bill because it would create a huge new entitlement. Both Hill and Pence voted against the original House version of the Medicare bill over the summer.

tion, and getting people to come together, and try to build some consensus. Again, I don't think that is anything that is beyond our capabilities. It's more than within our reach and our responsibility.

HPR: You've gone to a cabinet style of government. Wouldn't it be better for a governor to constitutionally select an entire cabinet? Selecting your own superintendent of public instruction? Attorney general? Treasurer? Secretary of state? Then you would have full control and also full accountability.

Kernan: The current system is what it is. The decision is that I've decided to change the structure within the executive branch. It's one that just reflects my thoughts. I'm more comfortable dealing directly with the ones who are given the most responsibilities. So they understand my expectations and what challenges are

"...the more consistency there is in the executive branch ... the better off we are."

and what their opportunities are. It's something I've found works very well for me in my years as mayor. To the broader question, I think the more consistency there is in the executive branch, which includes all of those things that you mention, the better off we are. And consistency with responsibilities. There's no question that people look on what happens on the executive side as being the governor's responsibility, no matter whose elected responsibility it is today. In an ideal world, that would be my preference, but I also recognize the system we have today, I embrace it and work within it.

HPR: You've had a good working relationship with Supt. Reed. But, you could end up with a very different superintendent.

Kernan: Supt. Reed has been a great partner. She helped form the Education Roundtable and helped Indiana pass the highest standards in the country.

She's been a great partner and a great leader.

HPR: What kind of challenges will the federal No Child Left Behind standards bring to you?

Kernan: There is no question that our schools face significant challenges. We have been telling them that they need to make changes and they have responded in very meaningful ways. We see great objective movement in the different measurements in education. SAT scores over the last 10 years have gone up 29 points; the national average is 19. That in 1986, we had 37 percent of our kids that came out of college and we ranked 40th in the country. Today 60 percent of our kids come out of high school and go on to college. We've got more of our college graduates who are staying in Indiana. But for us to be fair to our schools, we need to make sure they have the resources they need and that's not just from state government. It's also from the federal government. And the dollars for No Child Left Behind, the dollars for our special needs students, have fallen woefully short in terms of the promises and expectations.

HPR: Do we need 92 counties? Mitch Daniels told me last week that everything should be on the table. Should we look at changes that profound?

Kernan: The county system is one that has, by and large, worked in Indiana. We are a rural state. We have many parts that are unincorporated. I think county government has typically been viewed as representing those areas not incorporated. I don't see any need for 93 counties, but at the same time, I don't think we want to go out and blow something up because we don't have good information or a good idea with what we want to replace it with.

HPR: Your Republican opponent next year will lay out the case that the state's economy has not prospered under your watch. How will you counter that, particularly if it's Mr. Daniels, the national economy had a great deal to do with Indiana's misfortunes?

Kernan: Indiana has been hard hit by the national recession. Hoosier workers have been displaced or lost jobs as the result of that. But it's not my style, it's not my way to point fingers and lay blame. My way is to do something about where we find ourselves. It is to be constructive, to look ahead, to be looking for ways to be of assistance to Indiana families, to create more jobs, to create an environment where we can keep jobs. I'm focused on the future. I can't do anything about what happened yesterday.

HPR: Last week Mitch Daniels told me he didn't think Indiana could be turned around with the same people in charge, across the spectrum. How do you respond? Or do you even want to engage?

Kernan: That's his opinion. I look back on what we've been able to do over the course of the last couple of years in a bipartisan fashion in the General Assembly, with great leadership from people who have been there a long time and others who have not been there for such a long time. I'm optimistic about our abilities to get things done and going forward. You look at the environment in which we made enormous changes over the course of the last couple of years, counter to what is happening in virtually every other state. Indiana did itself proud and I think we ought to feel good about that and I think we ought to build on that.

HPR: Will that be your message?

Kernan: I don't know who it is that's going to be running against me. They're running against each other right now. And I'm not paying any attention. I'm worried about the responsibilities I have.

HPR: How do you signal the Republican nominee that 2004 should be an election about the future?

Kernan: That's where I'll be. That's where I'll go. I'm not worried about, nor can I control, whatever it is or whoever it is decides to do.

HPR: What is your stance on

abortion?

Kernan: I'm not in favor of abortion, but I believe the decision should be made by a woman, hopefully in consultation with her family and her pastor or rabbi.

HPR: Death penalty?

Kernan: It is something that I have supported.

HPR: Gaming and its possible expansion?

Kernan: I think we have enough gaming in Indiana today. The decision was made that a casino in Orange County was good for that community, good from an economic development standpoint, for historic preservation. But at this stage of the game we have enough.

HPR: Pull tabs?

Kernan: I think at this stage of the game we have enough.

HPR: How important is the BioCrossroads initiative?

Kernan: The BioCrossroads is an example of what we can do when we all work together. It is a partnership among the private sector, public sector and our universities.

HPR: How wrenching is it going to be for that guy or gal working at ArvinMeritor, Chrysler Foundry or Dana to make the transition to, say, a Guidant clean lab? Will we see a further erosion of personal income as we retool?

Kernan: Our economy is changing every day. We have to adapt. In 1963, Studebaker closed its doors in downtown South Bend and there were 8,000 people who were put out of work two weeks before Christmas. The community and those workers made the decision that we were going to press on. The economy in South Bend is much more diverse than it was then. And in that diversity, there is great strength. The economy continues to diversify. If we build on our strengths and be sure our people have the skills to take advantage of the opportunities there, we can make sure that every Hoosier has the opportunity to earn a good living. ❖

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LaPLANT CASE BACK BEFORE ELECTION COMMISSION: Five months after slapping a state lawmaker with the toughest fine it ever doled out, the Indiana Election Commission today will revisit the case -- opening the door for the fine to be reduced or even eliminated (Indianapolis Star). In June, the commission of two Republicans and two Democrats voted 4-0 to fine state Rep. Brooks LaPlante, R-Terre Haute, \$10,000. He had not filed any required finance reports to tell the public of the tens of thousands of dollars he and his business poured into his campaign just before the November 2002 election. The commission also voted 3-1 to refer the case to prosecutors in Marion County, as well as the three counties in LaPlante's western Indiana district. But no final order was signed making either action official. LaPlante's attorney, Jim Bopp, is now arguing that the commission has missed a 90-day deadline to formally impose the fine. There's another complication. Since June, the Republican commission members have been replaced with two new Republicans -- Brian Burdick and Brad Hiller. If they don't agree with the commission's earlier actions and refuse to sign an order imposing the fine, the \$10,000 penalty would be erased.

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GALLUP POLL SHOWS SUPPORT FOR WAR ERODING: A thin majority of Americans still believe the situation in Iraq was worth going to war, but most are unconvinced that the war has made the United States safer from terrorist attacks, a USA TODAY/CNN/Gallup Poll shows. At the same time, approval for the way the United States has handled Iraq since President Bush declared an end to major combat on May 1 has dropped by half from 80% as U.S. tanks rolled into Baghdad in April to 42% now. More than half, 55%, disapprove of the administration's post-combat management, which is the highest negative measurement on that question since the invasion.

APPEALS COURT REOPENS EAST CHICAGO LAWSUIT FROM 1999 CAMPAIGN: The 7th U.S. Circuit Court of Appeals in Chicago this week reopened the door for a lawsuit to go forward relating to an incident that happened the day before the May 1999 Democratic primary in East Chicago (Post-Tribune). The court on Tuesday reversed part of an earlier decision made by U.S. District Court Judge Allen Sharp, who dismissed a lawsuit in July 2002 filed by Manuel "Rick" Morfin against several parties in the city of East Chicago, including the mayor, police chief, three police officers and Kevin Pastrick, the mayor's son.

COLUMNISTS ON INDIANA

Lesley Stedman Weidenbener,

Louisville Courier-Journal - State lawmakers are facing a somewhat precarious political situation as they begin meeting this week to consider changes to the state's property tax system. They are at risk of raising expectations so high they can't deliver, which could cause even greater frustration among property taxpayers. ❖

Jack Colwell, *South Bend Tribune* -

Joe Kernan's decision to run for a full term as governor brushed away dark clouds of doom that hung over Democratic hopes for retaining the governor's office in Indiana next year. But, despite what some Democrats now seem to think, Kernan is no sure bet to win. What Kernan's "go" decision means is that Democrats now have a real chance to win. Before, with the two announced candidates for the Democratic nomination not exactly thrilling the party faithful, chances of victory seemed almost nil. After Democratic victories in the past four races for governor in a state looked upon as Republican -- no Democrat has carried Indiana for president since 1964 -- there will be an all-out effort by the GOP to win the governor's office in '04. President Bush, who almost certainly will keep Indiana in the Republican column for president once more, even if he loses popularity in other parts of the country, already is playing a role in support of Mitch Daniels, regarded as likely to be Kernan's opponent. "My man Mitch," the president calls him. Indeed, Daniels was his man, serving as budget director in the Bush administration before coming back home again to Indiana to run for governor. An all-out, well-funded GOP effort to convince voters that it's time for a change won't be canceled just because Kernan,

the opponent Republicans didn't want to face, will run with the advantage of being in the governor's office and with a unified Democratic Party behind him. Neither of the two now-withdrawn Democratic candidates who were seeking the governor nomination would have had much chance to survive the GOP blitz -- neither state Sen. Vi Simpson, who had little statewide name recognition, nor former Democratic National Chairman Joe Andrew, who virtually self-destructed with a fiasco in his early selection of a running mate. That's why so many Democrats wanted Kernan to run. They had wanted him to run and were united behind him earlier. Daniels still faces a determined primary challenge by Eric Miller. The Hoosier Republican establishment in Indianapolis looks upon Miller as a religious-right nuisance who won't be taken seriously in the Republican primary next May. But Miller has moved toward the mainstream in his rhetoric and he has the backing of former Gov. Otis R. Bowen. Kernan will be helped by another Democrat on the ticket next year. U.S. Sen. Evan Bayh is up for re-election. It appears, however, that Republicans will use the same strategy against the popular Bayh as Democrats have used against U.S. Sen. Dick Lugar, the popular Republican who wins big. They will put up only a token effort, hoping to neutralize Bayh. Some other developments have helped brush away the dark clouds of doom for Democrats. Democrats won the mayoral races in the seven largest cities in Indiana. In some cities where they were supposed to be in big trouble, such as Fort Wayne, the incumbent Democratic mayor won big. So the clouds are gone. Democrats now have a chance in the governor race. Kernan has a chance. A good chance? Yes. But Republicans have a good chance, too. ❖

Sodrel looks for stronger economy on ground

By **MARK SCHOEFF JR.**

The Howey Political Report

WASHINGTON - Republican congressional candidate Mike Sodrel believes that tax cuts are good for the economy. Government figures indicating that economic growth reached a sizzling 7.2 percent in the third quarter would seem to bolster his argument.

But Sodrel, who is running for a second time against incumbent Democrat Baron Hill in the 9th CD, is not trumpeting the good economic news until the recovery on paper becomes a reality on the ground in southeast Indiana. "The current national trend is very encouraging, but it comes back down to the impact on jobs," said Jeff Canada, a Sodrel campaign spokesman. "It seems like traditionally, southern Indiana lags behind the national trend. We have to figure out a way to turn economic numbers into real job growth."

Canada cited the loss of thousands of manufacturing jobs in the predominantly rural district that runs along the Ohio River in the south to Bloomington in the north and includes Cincinnati and Louisville suburbs. Recently, a longtime furniture company closed its Corydon operation due to international competition. "Every day, you're seeing more and more of our goods and services provided by China," said Canada. "That should be an alarm and a concern to everybody. You have to be careful when you trade with your enemy."

The China issue will be a difficult one for Hill, who has been among the most steadfast supporters of trade liberalization in Congress. In 2000, he voted in favor of strengthening trade relations with the country and has also supported legislation to give the president more flexibility in negotiating trade agreements. Recently, Hill has called for tougher enforcement of trade rules and has backed resolutions to force China and other Asian countries to stop artificially lowering the

value of their currencies to boost exports.

"If you're looking for one corner of the state where moral concerns marry with economic concerns, it's down here by the river," said Robert Dion, professor of political science at the University of Evansville. "There's a real moral problem with dealing with China."

On the domestic economic front, Sodrel criticizes Hill for opposing President Bush's \$350 billion tax cut in May and for voting against legislation that would permanently abolish the inheritance tax. "I don't think you can find an economist that will tell you that cutting taxes doesn't increase economic activity and that increasing taxes reduces economic activity," Sodrel, who owns a trucking and bus company, told HPR in October. Hill, a moderate Democrat, consistently supports tax and budget measures proposed by the Blue Dog Democrats.

The group asserts that its approach is more fiscally responsible, providing tax cuts that are paid for. In a statement released at a Blue Dog press conference on Oct. 29, Hill said, "We should be working to make the future brighter for our children and grandchildren, but now every dime of these deficits will be a burden that they will have to confront." A federal surplus in 2001 has turned into a \$373 billion deficit in fiscal year 2002 and is projected to be more than \$500 billion next year.

Voters don't necessarily distinguish between federal and state tax issues. Sodrel's anti-tax stance may gain momentum from property tax controversy in Indiana. "They all sort of get crushed together in voters' minds," said Dion. "There's always going to be an undercurrent of tax revolt, and that's going to help Sodrel."

But Hill is capable of selling his brand of fiscal conservatism that focuses first on deficit and debt reduction. "He's an able campaigner," said Dion. ❖

TICKER

T A P E

While the court upheld the dismissal of the lawsuit against Mayor Robert A. Pastrick, Police Chief Frank Alcalá, Officer Clarence Anderson and the city, it reversed Allen's order as it pertains to Kevin Pastrick and two other city police officers. In Morfin's original claim, he alleged his First and Fourth amendment rights were violated when he was arrested by city police the day before the 1999 primary.

DVORAK MULLS CHALLENGE TO CHOCOLA: St. Joseph County Prosecutor Michael Dvorak issued a press release late Wednesday acknowledging news reports he is considering a run for Congress (South Bend Tribune). Dvorak said in the release he has been approached and encouraged to enter the 2nd District congressional race.

CHOCOLA GETS LEADERSHIP POSITION: Just a year into his first term, U.S. Rep. Chris Chocola is moving up in the congressional hierarchy. Chocola, R-Bristol, will become one of about 40 assistants to House Majority Whip Roy Blunt (Elkhart Truth). While not a glamorous role since it takes place behind the scenes, Chocola said it's one that's important for Republican legislation to succeed. "It is an honor to be asked to join the leadership in Congress," Chocola said.

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