



Politics of FSSA privatization

Indiana has a long history of outsourcing; Dems question profit motive

By **BRIAN A. HOWEY**

INDIANAPOLIS - Since 1968, Indiana has outsourced 27 vendor functions that are now under the guise of the Families Social Services Administration, which was created by Gov. Evan Bayh in his first term. The 27th - the decade long \$1.6 billion contract to IBM and affiliated companies - has enmeshed Indiana and the Daniels administration in a showdown with Congress over outsourcing the food stamp program.

The three Democratic Indiana gubernatorial candidates - Jim Schellinger, State Sen. Richard Young and Jill Long Thompson - have said they will use the privatization issue against Gov. Daniels in the 2008 campaign.

Indiana Democrats say they are opposed to the program because, as spokeswoman Jennifer Wagner said, it limits "transparency" in efforts to serve the poorest Hoosiers.

What is striking is that of the 27 outsourced



FSSA Commissioner Mitch Roob calls the 2007 Farm Act that could end the IBM food stamp deal a "political football. (HPR Photo by Brian A. Howey)

functions, 19 of them occurred during the administrations of Democratic Govs. Roger Branigin, Evan Bayh, Frank O'Bannon and Joe Kernan.

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Hill finds niche in fuel bill

By **MARK SCHOEFF JR.**

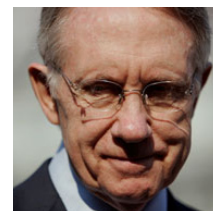
WASHINGTON - U.S. Rep. Baron Hill's (D-9th CD) legislation to set higher gas mileage limits has given him a foothold on a high-profile issue in two places critical to his political future: an important congressional committee and his competitive district.



SCHOEFF

In mid-July, Hill and a Republican colleague, Rep. Lee Terry (Nebraska), introduced a bill to require cars and trucks to average a combined 32 to 35 miles per gallon by model year 2022. Separate standards could be set for each vehicle category.

Hill and Terry tout their bill as setting a tough but more reasonable goal



"We have all over the country crumbling infrastructure. For every billion dollars we spend on our crumbling infrastructure, 47,000 high paying jobs are created."

- **U.S. Sen. Harry Reid**



than an alternative House proposal that would require both cars and trucks to obtain 35 mpg by model year 2018 and a Senate measure that mandates 35 mpg by model year 2020.

The bill, Hill argues, would protect the environment while preserving Hoosier jobs in the auto industry and allowing manufacturers to continue to produce SUVs and other light trucks, something they claim they wouldn't be able to do under other proposals.

The fate of the Hill-Terry measure, which had 162 bipartisan co-sponsors as of Aug. 6, is unclear. The House passed a major energy bill just before it went into summer recess last weekend, but that legislation doesn't address fuel standards. A bill approved by the Senate earlier this year contains the 35 mpg mandate.

If Senate language survives House-Senate negotiations on a final energy bill, it might curtail plans to address mileage standards in separate climate-change legislation this fall.

House Energy and Commerce Chairman John Dingell (D-Michigan) wants to deal with the controversial mileage standards in September. House Speaker Nancy Pelosi favors the Senate proposal that will be on the table in the energy bill conference committee.

"We're going to be pushing not to have any cafe (corporate average fuel economy) standards in the conference report," said Lori Pepper, Hill's legislative director. "Our preferred process is to go through the committee."

Hill joined the House energy panel in January, after he won another battle against then-incumbent Republican Rep. Mike Sodrel, who defeated Hill in 2004. The newly re-minted congressman was seeking a portfolio on the influential committee when he embraced gas mileage. "He was looking for some of these niche issues, and this is a good way for him to be involved," Pepper said.

His work has drawn praise from Dingell, who is a strong advocate of the Hill-Terry bill. "They went out and did it on their own," he said at a Capitol Hill press conference in July. "They did such a good job that I can't improve on it." Support also has come from the

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other side of the aisle from one of Hill's colleagues in the Hoosier congressional delegation, Rep. Mike Pence (R-6th CD).

"I am persuaded it would be in the interest of energy independence, the environment and Hoosier jobs to support the Hill-Terry bill," Pence told the Muncie Star Press this week.

Part of Hill's motivation for writing the bill comes from the auto industry presence in and around his district, including a new Honda plant that will be built in Greensburg, which is Pence's territory but just across the 9th CD boundary. The National Association of Manufacturers estimates that there are 50,000 auto-related jobs in the district.

Voters in that sprawling swath of mostly rural south-east Indiana also are warming up to environmental topics, according to Democratic observers.

Last year's race was "the first campaign where Baron could speak about these environmental issues," Pepper said. Hoosiers, noticing changing weather patterns, are "starting to realize that something is going on and we have to address what we're putting in the air."

Mike Jones, 9th CD Democratic chairman, sees energy as a political winner in an area where both SUVs and hybrid vehicles populate the roads and the agricultural industry is facing rising fuel costs. "As you travel around the district, other than the (Iraq) war, the biggest constituent issue has been fuel prices,"

he said. "People believe we should be way ahead of where we are now (on energy independence). Baron made that an issue in his campaign, and he's being consistent on what he ran on."

By offering a fuel economy bill, Hill also may be firing a shot across Sodrel's bow. Sodrel, who owns his own truck and busing company, has made his transportation expertise a selling point in his three previous contests against Hill. Sodrel is considering taking on Hill again in 2008.

But a Republican Washington campaign operative says that Hill will hurt himself politically with his mileage bill. "A Republican challenger will simply have to make the case that he is going to put the interests and needs of the district first before the needs of the Democrat leadership and environmentalists in Washington with no loyalties to the workers of Indiana," said the aide, who requested anonymity. "Baron Hill will need every dollar he can squeeze out of the Washington special interests to defend his abysmal record."

But at least one environmental group opposes Hill's idea. "Hill-Terry does nothing to reduce our dependence on foreign oil or help consumers at the pump," said the Pew Campaign for Fuel Efficiency. "The only thing it would do is to weaken and delay long overdue increases in fuel efficiency in cars and light trucks." ❖



REP. HILL



Privatization: From page 1

In the Dec. 14, 2006, edition of HPR, Gov. Daniels was asked how Indiana's welfare rolls went from a model during the Bayh years to one that this week drew a \$10 million fine from the federal government. Daniels responded, "The rolls did come down, but then while the rest of America went down 58 percent, in many states 80-plus percent, we stood still. At the end of 1995 we weren't in bad shape. But then time stood still in Indiana and you had this unbelievable success nationally. That's how we ended up at the bottom of the list. There is nothing new in Indiana government about contracting out; 92 percent of FSSA was already contracted out. We're only taking this from 92 to 94 percent. The totally vertically integrated business is a dinosaur that died quite sometime ago."

The 2007 Farm Bill enacted by the House would prohibit Indiana from continuing with the IBM deal and similar ones in 21 states. Republican critics of the House move called it an AFSCME-orchestrated payback after Gov. Mitch Daniels ended the state's collective bargaining agreement on his first full day in office in 2005.

U.S. Sen. Dick Lugar called it a "severe blow to taxpayers." U.S. Rep. Steve Buyer said the bill will cost Hoosier taxpayers over \$100 million, thereby making Indiana continue a failed program to help the needy. "It is unfortunate that a process which began in a bipartisan effort ended with language inserted for labor unions and a tax increase on business inserted in the dark of night," Buyer said. "When Gov. Mitch Daniels came into office the state's administration of child welfare programs was in disrepair. It had the most child deaths in the foster care system and ranked last in reducing its welfare caseloads. The food stamp program was a paper process and provided poor service. These are not proud achievements by any measure."

U.S. Rep. Mike Pence was concerned that the 1,000 jobs coming to a Daleville processing center might be lost. Both FSSA Commissioner Mitch Roob and IBM say that the center is still under construction and they will take the issue to the U.S. Senate and, ultimately, President Bush. Jonathan Swain, a spokesman for Sen. Evan Bayh, said the senator has yet to be contacted by Roob or Daniels.

Roob told the **Indianapolis Star** that the restriction in the House bill is a result of the project "being used as a larger national political

FSSA Out-Sourcing History

OUTSOURCED FUNCTION VENDOR	YR	GOV
Medical Care Hospitals, Doctors, etc	1968	Branigin
Medical management 5 MCOs	1968	Branigin
Level of Care 16 AAAs	1972	Whitcomb
Outpatient mental health 30 CMHCs	1972	Whitcomb
Payment integrity Myers & Stauffer	1979	Bowen
Hospital rate setting Myers & Stauffer	1979	Bowen
Actuarial Analysis (1986) Milliman	1986	Orr
Technical support Navigant	1990	Bayh
Claims processing/fiscal agent EDS	1992	Bayh
Support for ICES Consultants Consortium	1992	Bayh
Maintenance for ICES Deloitte Consulting	1992	Bayh
Enrollment broker Amerchoice	1993	Bayh
PCCM Administrator Americhoice	1993	Bayh
Support for ISETS Deloitte Consulting	1996	Bayh
Enhance ICWIS Unisys	1996	Bayh
Inpatient admissions to SOFs 30 CMHCs	1997	O'Bannon
Outpatient addiction to gambling	1998	O'Bannon
Premium vendor agent for CHIP EDS	1998	O'Bannon
EBT services J.P. Morgan	1999	O'Bannon
Consulting for SSI & ICWIS Sequoia	2002	O'Bannon
Prior Authorization HealthCare Excel	2000	O'Bannon
Medical Policy HealthCare Excel	2000	O'Bannon
Pharmacy audits Prudent Rx	2003	O'Bannon
Medical oversight Regenstrief	2004	Kernan
Case management IPMG	2005	Daniels
External mgt of FWSDC Liberty	2005	Daniels
Foodstamp program	2007	Daniels

football, frankly, by AFSCME interests," referring to the union that had represented state employees who did the food stamp work. "We've done this very carefully," he said. "We think it's wrong to use Indiana as a football in a political debate on privatization. That's not what we're trying to be."

AFSCME, in response to a July 25 **Wall Street Journal** column ("Union Doozy," excerpted in the July 26 edition of HPR) said "Indiana's privatization program has just begun and many aspects have not been implemented, although similar experimental efforts have already proved disastrous in Texas. Indiana taxpayers are being protected from a costly mistake, which is why Democrats and Republicans in a strongly bipartisan vote soundly defeated the provision that you endorsed in the editorial. It is inaccurate to say that the legislation would harm the '21 other states that have privatized administration of their food stamp programs to some extent.' The vast majority of those states are working with nonprofits on food stamp outreach and they would not be affected."



Democrats respond

Jill Long Thompson was the first Democratic challenger to open the privatization issue at an April Statehouse press conference where she called for a review of all of Indiana's outsourcing.

On Wednesday, she told HPR, "I would review all privatization contracts irrespective of when they were signed," she said, acknowledging that recent Democratic governors had done what Daniels is doing now. "It is the primary duty of government to protect the security and welfare of our citizens."

Thompson said there was a "clear distinction between finding contractors in the state who can help with specific functions and help increase efficiency." But she quickly assailed the Indiana Toll Road lease, noting a recent **Business Week** story that said the foreign consortium will recoup its investment in 15 years, with 60 years of profit.

As for FSSA, Thompson said, "IBM lost a contract in Texas because they weren't performing. As someone who has a background in business as well as government, I appreciate the value of public/private partnerships. But Gov. Daniels's 75-year lease amounts to a sale of the toll road to a foreign firm."

She gave an example of her days as undersecretary of the U.S. Department of Agriculture. "We centralized the services of the single family housing loan portfolio," she said. "We retained control of it. It wasn't privatized, but we used software created by Fiserv." (Fiserv develops banking software. It is located in Brookfield, Wis. and has a South Bend office.)

"It's very important to ensure that government programs are executed cost effectively, producing services they are supposed to," Thompson said. "But it's also important that taxpayers are getting a good deal. Looking at IBM as a contractor for the social services when the contract was terminated in Texas because they weren't adequately servicing, just doesn't take sense."

As for the 2007 Farm Bill, Thompson said, "I have not read the final language, but I know what was initially considered. I would support that and restrict further privatization of the food stamp program."

Jim Schellinger released this statement to HPR late Wednesday: "As I travel the state, I'm hearing everyday Hoosiers express real concerns about the level of privatization that has occurred in recent years. People wonder why Indiana can find \$2 billion to send to out-of-state companies but can't find money for property tax relief. The state

of Indiana shouldn't be up for sale. The solutions to our challenges are not in Texas or Florida or Spain; the solutions can be found right here in Indiana. What it takes is leadership that respects the people of Indiana, and the ideas and innovations Hoosiers have to offer, right here at home."

Young makes distinctions; Daniels disputes

Sen. Young told HPR that many of the previously outsourced functions of FSSA fall into a couple of categories. "First are specialized, technical, healthcare management functions that FSSA lacked adequate resources or expertise to undertake," Young explained. "Often for singular, specific purposes, these contracts generally are not for considerable sums of money. The second category of outsourcing has been contracts to Indiana-based, non-profit service providers. FSSA, under Bayh-O'Bannon-Kernan, wisely saw that established local Hoosier social service agencies were capable of providing many services to FSSA clients. In many cases, they were already providing these services to Hoosiers.

"I find neither of these examples of outsourcing objectionable," Young said.

Under Gov. Daniels, FSSA is focusing on for-profit businesses, many out-of-state, to provide human services that are the responsibility of state government. "In doing so, Daniels ignores the many local social service agencies that do provide services efficiently," Young charged. "These organizations have, over many years, learned to do more with less. Daniel's approach is problematic for both Hoosiers eligible for services and for local communities. When using local social services agencies, the face-to-face interaction with clients is maintained. Questions

can be answered. Resources can be offered to clients. Now, all clients must use the Internet for benefit registration. This requires ownership of, or access to, a computer with Internet access. An alternative offered by IBM is to encourage local agencies to 'volunteer' to register clients by providing computers, Internet access, and staff to answer questions about the Medicaid registration process. IBM incurs no expense and increases profits; local agencies spend their own funds to provide this service."

Cam Savage of the Daniels campaign took issue with Young on those points. "The social service organizations that Sen. Young is talking about are our TANF IMPACT providers that the state contracts with individually to provide welfare to work services," Savage said. "This system is responsible for Indiana being well short in its welfare to



Schellinger with Mayor Peterson.



work rates (30% when the federal government requires 50%). Unless we change this system Indiana faces \$10 million in penalties to the federal government. In our new contract with the IBM-led coalition, the state will contract with one provider rather than over 92, thereby increasing oversight of the contract (one is easier to manage) and requiring the coalition to meet the federal guidelines or pay half the penalty as well as paying the state."

Savage said that Sen. Young is wrong when he says that clients must apply over the Internet. "The new system actually increases their ability to apply for benefits," Savage said. "They can apply at any of our county offices like they used to. Even ones outside of their home county, unlike the system now where they must apply in the county they reside. They can apply over the Internet. They can apply over fax. They can apply over the phone (and have materials mailed to them if they are unable to make it to an office). They can also apply at community organizations that have partnered with us to help clients have more places to apply closer to their homes than a county office which sometimes is an inconvenience to travel to."

Young continued, "Gov. Daniels' approach is to tell a for-profit business that we're spending millions (or billions) on Medicaid. If they will manage this system for us, with the money we are currently spending, they keep the cost savings as profit."

Sen. Young added, "Cost savings from efficiencies are not nearly as significant as the savings that are realized when claims for services, and registrations for eligibility, are denied or discouraged. The money saved by serving fewer Hoosiers may benefit FSSA and IBM. It will not benefit the Hoosier children who need FSSA-administered health care programs. Children without medical insurance often don't receive proactive health care treatment. Reactive health care treatment shifts the treatment and costs from primary health care practitioners into hospital emergency rooms, where the cost of care is highest. Larger, urban hospitals may find ways to absorb these unfunded treatment costs. Smaller, rural hospitals often cannot. Instead of receiving reduced rates for treatment of children insured by Medicaid, they receive no payment at all."

Savage said that is incorrect. "To the contrary, IBM will be penalized severely by the state if they deny benefits to eligible Hoosiers," Savage said. The money to pay benefits doesn't come from IBM, it comes from the state and federal governments. All eligibility determinations will still be made by state employees."

Some guardians of the poor give FSSA good marks

for reforms brought on by Daniels and Roob. John Dickerson, president of the Arc of Indiana, which advocates for the disabled, said Family and Social Services has done a "very good job" of continuing efforts to expand services for people with developmental disabilities by shifting them from institutions to community settings (Callahan, **Associated Press**). He said that when the state closed the Fort Wayne State Development Center this year, those savings were plowed into services to help them and other people on waiting lists. Dickerson praised the recent addition of a priority Medicaid waiver for any caregiver over the age of 80 whose disabled son or daughter lives at home. He said there are between 400 and 600 such homes in Indiana.

He also said a crisis-intervention system that will soon provide in-home, immediate help for both children and adults with disabilities in the midst of a crisis "is huge."

"All of these things we're doing with the same amount of money," Dickerson said.

The inevitable results ...

Young said the results of a deal like IBM will result in fewer Hoosiers served. "The inevitable results of fewer Hoosiers receiving FSSA-administered benefits for which they are eligible may be savings for FSSA," he said. "But it also will lead to cost increases for locally based public hospitals, which are obligated to care for patients regardless of ability to pay. This simply contributes to the health care crisis in Indiana and the U.S. It's also another example of Gov. Daniel's shortsighted

approaches to problem solving. Selling off Indiana's responsibility for social programs merely shifts the costs to other Hoosier communities and healthcare organizations."

Young concluded by saying, "Finally, FSSA's recent decision to award a nursing home transition program contract to an out-of-state, for-profit company is particularly disturbing. Indiana's local Area Agencies on Aging submitted a proposal that was significantly less than the out-of-state, for-profit company that received the contract. Local agencies have been involved for years in finding alternatives to nursing homes for elderly and disabled Hoosiers. Despite 'bidding' for this particular program—and agreeing to do so for less cost—their expertise and less-expensive bid was ignored."

The Daniels campaign disputes this. "The Nursing home proposals were evaluated by not only the cost of the program, but by the benefit to Hoosier seniors and the contract was awarded to the person who could provide the best service to Hoosiers at the lowest cost," Savage said. "Senator Young is wrong if he thinks we should give money to nursing homes regardless of how well they are treating our most senior and disabled Hoosiers." ❖



SEN. RICHARD YOUNG



Campaigns in blundermode as public wields pitchforks

By **BRIAN A. HOWEY**

TRENDLINE: After surveying the Democratic gubernatorial race and the Kelty and Peterson mayoral campaigns, a couple of thoughts leap out at us: the people are pissed and the establishment organizations don't seem to understand this. Matt Kelty is taking out shady loans when people - Republicans - are demanding fiscal accountability and frugality. The Democratic gubernatorial field has been mostly MIA on the tax crisis sweeping the state. And Mayor Peterson's budget presentation while the people broiled on the street was unlike anything we've seen before. Being an incumbent is a liability this year and with all the anger, it might not take much money to knock one off (right, Bob Garton?).

2008 Indiana Governor

Governor 2008: Republican: Gov. Mitch Daniels. Democrat: Senate Minority Leader Richard Young, Jim Schellinger, Jill Long Thompson. **1996 Results:** O'Bannon (D) 1,075,342, Goldsmith (R) 997,505, Dillon (L) 35,261.

2000 Results: O'Bannon (D) 1,230,345, McIntosh (R) 906,492, Horning (L) 38,686. **2004 Results:** Daniels (R) 1,302,912, Kernan (D) 1,113,900, Gividen (L) 31,644. **2008 Forecast:** The first internal polling numbers of the 2008 gubernatorial race had

Thompson leading with 33 percent, Young at 12 percent and Schellinger at 8 percent. Some 47% were undecided. Benenson Strategy Group conducted 602 interviews with Democratic primary voters July 23-25, 2007. The margin of error for overall results is $\pm 3.99\%$. JLT had big leads in Indianapolis (35%) and Northern Indiana (43%). Young leads in Southern Indiana with 23% (compared to 14 for Schellinger and 19% for JLT. Schellinger polled only 10 percent in Northern Indiana (he's a South Bend native) and 11% in Indianapolis where his company is located.

The poll also revealed that 78% believe a competitive primary will produce a stronger nominee, which runs counter to the many comments by Chairman Dan Parker that the party mush coalesce around one candidate. That stance has earned considerable enmity from a number of Democrats we've talked to around the state.

While the Young campaign characterized the poll as "pushed" the text of the profiles had positives about all candidates: Thompson was the "proven leader"; Young the "consensus building Democratic leader"; Schellinger was

described as "growing up in a working class South Bend neighborhood" and his company was named one of the top five in the state by the Indianapolis Star.

HPR's reaction: The poll makes sense to us. It shows Long has strength in Northern Indiana where she served three terms in Congress from the Fort Wayne area, ran in the 2nd CD in 2002 and served on the Valparaiso City Council. Young's lead in Southern Indiana is consistent with anecdotal comments we've heard from Democrats in that region in recent months.

Schellinger has been an enigma. His fundraising has been sound but still far behind Gov. Daniels. He has a great life story, but that's all we know about him. We haven't a clue where he stands on policy issues, other than he has some labor support and, as he told the **South Bend Tribune** last week, the state's tax system needs an overhaul (hello?). We were told the policy positions would begin to emerge in April ... then May ... then in June we were told there was "17 months" to talk policy.

Mike Edmondson, Schellinger's new campaign manager, said the poll's only surprise "is that Jill Long Thompson is not doing better."

Edmondson was quoted on the Blue Indiana blog as saying the only surprise was that JLT didn't have a bigger lead. "At this stage, people don't know who he is," Edmondson said of Schellinger, but said that will change over the next 15 months.

Successful gubernatorial campaigns are built on policy, not which pollsters and direct mail firms you hire. Schellinger's patron - Mayor Bart Peterson - finds himself in political

quicksand. There is consistent speculation about Rep. Julia Carson's health and future election plans. Former Speaker John Gregg, who could have easily been the frontrunner, bowed the Schellinger.

We've begun to notice more and more Democrats saying they know little about Schellinger that was captured earlier this summer in the **Evansville Courier & Press**. Schellinger acknowledged as much in Jack Colwell's South Bend Tribune column on Sunday (See page 12). Our sense is that Indiana Democrats - who have long been characterized as bankrupt on ideas - are looking for a nominee who can put the whole package together: raise money, talk policy, inspire voters, put a dynamic campaign together, and create an atmosphere that Gov. Daniels can be beaten.

No one in this field is even close to doing that at this point. For Schellinger and - to a lesser extend Young - this has been a golden opportunity squandered. With JLT leading in this first poll, Schellinger can no longer push the idea that the field should be cleared. As the tax crisis ignited firestorms around the state, the silence from this





field at what could have been Daniels' greatest liability has been ... deafening. Not a single one attended any of the tax protests that have and still are springing up around the state. Gov. Daniels is poised to maneuver into this void that cash out of what could have been his greatest liability with even more political capital.

CAMPAIGN NOTES: Candace Martin, a former aide to Arkansas Gov. Mike Beebe, has joined the Schellinger campaign as communications director. Mike Busch, a former aide to U.S. Rep. Jim Jontz, has been named Young's campaign manager.

Democratic Primary Status: Tossup. **General Status:** Leans Daniels.

2007 Mayoral

Fort Wayne: Republican: Matthew Kelty. Democrat: Tom Henry. **2003 Results:** Richard (D) 27,251, Buskirk (R) 19,701. **2007 Forecast:** Fort Wayne Republicans are bracing for a worst case scenario: their mayoral nominee's indictment. The **Fort Wayne News-Sentinel** reported today that the panel of four men and two women should have a decision ready by Friday on whether Kelty is to be indicted for filing a fraudulent campaign finance report, a Class D felony. When Kelty made the quote after the Republicans on the Allen County Election Board "cleared" him (i.e. "Case closed. Period") the rest of us had to wait only 24 hours for a punch line. A complaint was filed with the Allen County prosecutor Karen Richards. She quickly punted the case to Special Prosecutor Dan Sigler of Columbia City who had prosecuted former mayor Win Moses for campaign violations back in 1985. Whitley County Republican Chairman Jim Banks observed of Sigler: "He has an impeccable reputation and is well respected." Now there is a grand jury, which is Kelty's worst nightmare. Just about any jackass prosecutor can wring an indictment out of a grand jury. As former prosecutor Elizabeth Toole told WPTA-TV, "It's a pretty low standard because basically what you're looking at is just whether enough there's enough evidence to file charges. You're not looking at, as I said earlier, whether or not he's guilty. So it is a pretty low standard of proof. So I think it is certainly much easier to get an indictment than it is to get a guilty verdict, for instance." Several sources tell HPR that a number of Allen County Republican Central Committee members unfriendly to Kelty have testified before the grand jury. The problem for

the GOP is even if Kelty is indicted on his loan scheme, he'll still be on the ballot in November. This is a disastrous turn of events for what had been the GOP's best prospect

at picking up a major Indiana city. It didn't help when the **Fort Wayne Journal Gazette** reported on Sunday that Kelty had taken out another \$60,000 loan and acted shocked when it became public. Kelty has scheduled a prayer breakfast/fundraiser for Friday. GOP sources tell HPR that despite all this, internal polling shows the race is still a dead heat. "If he's indicted, we're going to plug away," said Allen County GOP Chairman Steve Shine. "If he isn't indicted, he wins. He has a great grassroots organization." But Kelty can't be raising much money, with all the personal debt he now has and donors fearing he will use campaign contributions to pay it back. He's lost most of the summer when he could be talking issues. Tom Henry was almost in a "What? Me Worry" mode when he appeared on the banks of the St. Joseph River announcing a new initiative called "Celebrate Our Rivers." **Status: LIKELY HENRY.**

Indianapolis: Democrat: Mayor Bart Peterson. Republican: Greg Ballard. **2003 Results:** Peterson (D) 92,763, Jordan (R) 55,354. **2007 Forecast:** As if a crime spree, the DUI/IMPD swearing in case that could jeopardize hundreds of cases, the millions of dollars spent on

billionaires named White and Simon for their new hotels and offices, the property tax meltdown, a \$75 million bond issue scheme to give temporary relief to homeowners that had Democrats we know shaking their heads in disbelief, followed by a \$90 million income tax increase were not enough, then came last Monday night. As angry taxpayers broiled in the 90-degree heat outside, the men in suits strolled by and took





"reserved" seats in the Council Chambers as Mayor Peterson unveiled a budget that did not include millions of dollars of cuts he had promised. While Peterson might have presented other budgets before a chamber packed with his administration before, whoever is calling the shots on what is now a growing political debacle is in a blunder mode. The media coverage was horrific for the Peterson campaign. In Brian Howey's Jan. 12, 2006 weekly newspaper column, there was this quote about Senate President Pro Tempore Bob Garton: "He's lucky in that he doesn't appear to have an opponent." We all know what happened. Despite having a 10-to-1 money lead, Garton lost to Greg Walker who captured voter discontent over legislator health care for life and pulled off one of the most stunning upsets in Hoosier history. While health care for life was a philosophical issue that irritated voters, what is happening in Indianapolis now impacts people in their wallets, their mortgage payments and their economic and physical security. Everybody - even our apolitical friends - are fuming about this. The most astounding thing is that political establishments in both parties appear to be tone deaf. Like Garton, they think millions of dollars will protect them from the populace that is arming themselves with pitchforks, tar, feathers and rails. Peterson does have an opponent: Greg Ballard, and Republicans are reassessing. And here's what they are reassessing: not so much an inspired belief that Ballard will be a great mayor (though he was a Lt. Colonel in the Marine Corps and had administrative duties while leading 1,000 men and women) but that they can slay a Democratic heavyweight on the cheap. Rex Early, who backed Sens. Brent Waltz and Greg Walker when nobody (except us) believed they had a fighting chance, just sent Ballard \$1,000 and is beginning to network with other GOP donors that had been on the sidelines. That's bad news for the mayor. With all the anger, a \$200,000 campaign and thousands of clever bumper stickers could probably get Ballard into the game. Peterson seems to understand the fury. He came out after the Monday council debacle and announced that he would be announcing 10 sets of budget cuts in the coming weeks. But as we said in our July 26 edition, his TV ads come off as phony. The Peterson campaign hasn't released any internal polling, which has many observers believing the numbers are shaky. An unscientific Star reader poll (which we mostly ignore) has the mayor getting shellacked. The blogosphere and mainstream media are sensing blood in the water. We believe Mayor Peterson is in treacherous seas here. **Status:** LEANS PETERSON.

Muncie: Democrats: Jim Mansfield Jr. Republican: Sharon McShurley. **2003 Results:** Canan (R) 7,211, Tyler (D) 6,758. **2007 Forecast:** The tax crisis is in full



SHARON McSHURLEY

swing in Muncie with more than 300 angry people appearing at a Wednesday hearing that featured DLGF Commissioner Cheryl Musgrave. McShurley, the Republican nominee for mayor, asked Musgrave to tell Daniels to support repeal of property taxes through a constitutional amendment (**Muncie Star Press**). "Repeal! Repeal!" the crowd shouted. **Status:** TOSSUP.

2008 Congressional

Congressional District 8:

Republican: Greg Goode. Democrat: U.S.

Rep. Brad Ellsworth. **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. **People:** Urban/rural 58/42%; median income \$36,732; poverty 10.7%; race white 93.7%, black 3.7%, Hispanic .9%; blue/white collar: 32/52%. **2000 Presidential:** Bush 56%, Gore 42%; **Cook Partisan Voting Index:** R+8. **2002 Results:** Hostettler 98,952 (51%), Hartke 88,763 (46%), **2004 Results:** Hostettler 145,576, Jennings (D) 121,522, Garvin

(Green) 5,680. **2008 Forecast:** Goode officially entered this race on Aug. 1. "For everyone in this room who knows me so well, you know that this decision is not made lightly." Goode said to crowds in both Terre Haute and Evansville. "My aim is to become a champion of the values that define this community and this district: 'Common Sense Conservatism.' I strive to live life with the people of Indiana and the ideals of our founding fathers in my heart. I believe that our Congress can and must do a better job in guiding our country in a way to which President Reagan referred as the 'shining city on a hill.' Let it be known in this community, throughout the 8th Congressional District, across the State of Indiana, and indeed the country, that we are about to open the floodgates and unleash an army of volunteers-- men and women, individuals of all ages, dedicated to the conservative cause, and ready to take the issues of this campaign to the doorsteps of every voting American." **Status:** LIKELY ELLSWORTH ❖



GREG GOODE



Unprecedented joint statement from Daniels, Bauer and Long

By **BRIAN A. HOWEY**

INDIANAPOLIS - Gov. Mitch Daniels, Senate President Pro Tempore David Long and Speaker of the House B. Patrick Bauer issued a rare joint statement late Tuesday afternoon on the property tax crisis.

It is the first collective statement in memory between the Republican and Democratic leaders in the executive and legislative branches. The fascinating aspect of it was that it got virtually no media coverage.

It came a day before 300 angry taxpayers appeared at a DLGF hearing attended by Commissioner Cheryl Musgrave in Muncie. On the same day, former Gov. Joe Kernan told the South Bend Rotary that the Blue Ribbon Commission he heads with Chief Justice Randall Shepard will consider a Constitutional Convention to revamp Indiana government (See Ticker, Page 13).

Daniels, Bauer and Long's statement said the three were continuing work on bipartisan solutions to Indiana property tax issues:

"We have been in regular discussion about additional ways to help Hoosier property taxpayers. Although we have identified several points of agreement and are making good progress, we have not reached agreement on a specific plan at this time.

"We will continue to work hard in seeking a bipartisan solution. We are in complete agreement that immediate, lasting property tax relief can only be accomplished in partnership with local governments," the statement continued. "The state is already providing a record amount of \$2.3 billion in local government and school spending subsidies (i.e., direct property tax relief) this year. In addition, locally-elected leaders are best equipped to make decisions regarding the proper mix of local taxation and determine the best way to target relief to homeowners, rental property owners, farmers and small businesses."

With Sullivan County becoming the 91st to pass an income tax and seven counties passing the new option income tax passed in the 2007 legislative session, the three leaders said, "We applaud elected officials who have aggressively used tools previously provided by the General Assembly to reduce the reliance on property taxes. For example, 43 counties took action before this year to protect homeowners from the shift associated with the inventory tax elimination. As a result, property tax increases generally have been much lower in these communities. In the past

legislative session, county and city leaders asked the state for more tools to reduce their reliance on property taxes. We responded with a law (HEA 1478) that allows counties to create a new income tax that directly cuts property taxes dollar for dollar.

"We are pleased to see that seven counties already have implemented this option this year," the statement said. "Hoosiers living in these counties will begin seeing significant property tax relief beginning in 2008. Under HEA 1478, homeowners' property tax bills can be cut on average by 60 percent in a county that adopts a 1.0 percent local option income tax and by an average of 30 percent in a county that uses a 0.5 percent income tax option. But seven out of 92 counties are clearly not enough. Local government has been given an unprecedented opportunity to cut property taxes in record amounts, and it must act today. Counties have until October 1 to implement these property tax cuts. We are encouraging all Hoosier citizens to contact their city and county councils and urge them to begin the process to cut their property taxes now."

In Muncie, the Star-Press reported: More than 300 boisterous property-tax protesters attended a public hearing conducted Wednesday morning by Cheryl Musgrave, commissioner of the Indiana Department of Local Government Finance.

"The opinions expressed here today were for immediate property tax relief, and they feel that a special session of the Legislature will provide that," Musgrave said in an interview after the 2 1/2-hour hearing at the county fairgrounds. "That's what I heard at this meeting today."

The purpose of the hearing was to gather public opinion on Gov. Mitch Daniels' proposal to reassess property in Delaware County based on evidence of apparent errors. "The majority of the people in this room did not favor reassessment," Musgrave said. That prompted Gov. Daniels to forgo a reassessment for Delaware County today.

The crowd booed Musgrave when she told speaker Linda Michael, one of the leaders of a local "army" of tax protesters, "Your time is up." The crowd booed Delaware County Assessor James Carmichael as he approached the microphone to speak. Earlier this week, Indiana treasurers and auditors released a statement favoring direct rebate payments to taxpayers. The cost of doing that in Lake and Porter counties would be \$240,000, the **Post-Tribune** reported. Musgrave told the audience that she heard overwhelming support for a special session of the Legislature but a lack of support for commercial and industrial reassessment because of an assumption that industrial and commercial values are falling. "Did I hear that correctly?" she asked. When GOP mayoral nominee Sharon McShurley asked Musgrave to tell Daniels they wanted a Constitutional repeal of property taxes, the crowd shouted, "Repeal, Repeal!" ❖



Gov. Daniels greets Speaker Bauer with Chief Justice Shepard looking on at January's State of the State address. (HPR Photo by Brian



THE BOAR'S NEST

Skillman to address HPR Forum on Oct. 23

By **BRIAN A. HOWEY**

Lt. Gov. **Becky Skillman** will address the HPR Forum on Oct. 23 at the Madam Walker Theater in Indianapolis. She will follow a joint appearance by the three Democratic gubernatorial candidates **Jim Schellinger**, **Jill Long Thompson** and Sen. **Richard Young**. The event will be keynoted by Washington Post blogger **Chris Cillizza**. The event will be open to the public with admittance being a canned food item that will be donated to local foodbanks.

Carson, scheduler practice astrology

The Hill newspaper included another Hoosier on its "50 Most Beautiful List" (hmmmm, maybe HPR could ... never mind).

Aarti Nayak, a scheduler with U.S. Rep. **Julia Carson**, made the list along with No. 1 U.S. Rep. **Brad Ellsworth**. **The Hill** writes: Was it meant to be? Nayak reads astrological signs, although she's not a fervent believer. During college at Virginia Tech, she and a friend wrote blurbs on astrological signs for the **Eccentric**, a student newspaper — they were called the "psychic sisters." At any rate, she doesn't look one bit "psychic."



AARTI NAYAK

On Wednesday, **The Hill** followed up with this story: "Rep. Julia Carson (D-Ind.) relies on astrology to make important office decisions such as hiring choices - and often she is spot-on - says the congresswoman's scheduler. Aarti Nayak, Carson's scheduler, says her boss' use of astrology keeps things in the office sort of mystical... In job interviews, she reportedly always asks for birthdays so she can check up on the astrological sign of the potential hire."

The story prompted the NRCC to e-mail out this propaganda: "Apparently, Julia Carson's constituents will have to wait for the stars to align in order for her to start providing the kind of representation they deserve."

West is the best?

Statehouse sources tell HPR that former agriculture department employee **Ryan West**, now with the Soy Bean Council, has been endorsed by former senator **Dick Thompson** and State Rep. **Bill Friend** for the HD 40 seat vacated by former State Rep. **Matt Whetstone**. And there's further speculation that at least two more House members may move on: State Reps. **Terry Goodin** and **Cleo Duncan** according to several recent blog posts.

GOP women honor Joyce Smith

Joyce Smith of Galveston was recognized as 2007 Indiana Republican Woman of the year at the Tribute to Women hosted by the Indiana Federation of Republican Women on Aug. 3 at Primo West Banquet and Conference Center in Plainfield.

Lt. Gov. **Skillman**, State Auditor **Tim Berry**, State Treasurer **Richard Mourdock**, and Superintendent of Public Instruction Dr. **Suellen Reed** joined IFRW President **Marcie Thompson** in honoring Joyce for her outstanding service and leadership in the Indiana Republican Party.

President Thompson said, "The Tribute to Women is one way that Indiana Republicans can acknowledge the tremendous volunteer work women contribute to make a difference in Indiana. Republican elected officials and candidates realize the commitment of time and energy that Federation members have given to make their elections successful. The IFRW is very proud to recognize Joyce Smith and her worthwhile political activities."

Smith also is currently a candidate for second vice president of the National Federation of Republican Women. The election will be held at the NFRW National Convention scheduled for September in Palm Springs, California. ❖



JOYCE SMITH

Got a tip for the Boar's Nest? Send it to: phillipscgroup@comcast.net



A Hoosier changing history?

By **ANDREA HOLECEK**
Times of Northwest Indiana

CHICAGO - Health care is what matters, not his 15 minutes of fame, says Stephen Skvara. He rose at Tuesday night's AFL-CIO presidential forum at Soldier Field and asked the candidates "What is wrong with America and what will you do to change it?" A crowd estimated of 15,000 rose to its feet to applaud Skvara's straight-forward question.

"This isn't a story about my wife and the situation we're facing, it's about the millions of women, heads of households, people without health insurance, who are working hard to raise their families, but whose lives can be changed overnight because they can't afford health insurance," said the 60-year-old retired steelworker from Union Township.

"We need national health care," said the former mill mechanic. Skvara rose at Tuesday night's AFL-CIO presi-

dential forum at Soldier Field and told the Democratic candidates that after 34 years with LTV, he retired on a disability, then lost one-third of his pension and his family's health care benefits after the company went bankrupt.

Since then, he said, he hasn't been able to afford to pay for his wife's health insurance. "What is wrong with America and what will you do to change it?" Skvara asked the candidates.

A crowd estimated at 12,000 to 15,000 rose to its feet to applaud Skvara's straight-forward question, and MSNBC's Chris Matthews said, "I wonder if that wasn't a moment that's going to change American political history."



STEPHEN SKVARA

2008 State Presidential Polls

Iowa (R)	Date	Romney	Giuliani	Thompson	McCain	Huckabee
ABC/WP	July 26-31	24	16	13	11	3
ARG	July 26-30	21	22	13	17	1

New Hampshire (R)

ARG	July 26-30	26	27	13	10	-
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South Carolina (R)

ARG	July 26-30	7	28	27	10	Gingrich 7
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Iowa (D)

	Date	Clinton	Edwards	Obama	Richardson
ABC/WP	July 26-31	26	26	19	11
ARG	July 26-30	30	21	15	13

N. Hampshire (D)

ARG	July 26-30	31	14	31	7
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South Carolina (D)

ARG	July 26-30	29	18	33	2
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Hoosier Support: **Giuliani:** Marion County Prosecutor Carl Brizzi, Stephen Goldsmith, Tim Durham, Beurt SerVaas, Steve Hilbert. **McCain:** Gov. Mitch Daniels; Attorney General Steve Carter. **Romney:** Secretary of State Todd Rokita, James Bopp Jr., Dan Dumezich, Bob Grand, Chris Chocola. **Thompson:** U.S. Rep. Steve Buyer, U.S. Rep. Dan Burton, David McIntosh, Mike McDaniel, Rex Early. **Clinton:** Joe Hogsett, Mel Simon, Bren Simon. **Edwards:** Robin Winston, Ann and Ed DeLaney, 9th CD Chair Mike Jones, State Reps. Russ Stilwell, Dennie Oxley, Terri Austin, Terry Goodin, Sheila Klinker, Linda Lawson and Scott Pelath; Robert Kuzman, Greencastle Mayor Nancy Michael, Bill Moreau Jr., Shaw Friedman, Vanderburgh Co. Chairman Mark Owen, 8th CD Vice Chair Mary Lou Terrell, Greg Hahn, Bruce Kehoe. **Obama:** Kip Tew, State Rep. Charlie Brown, Melina Kennedy, State Rep. Mae Dickinson, State Rep. Bill Crawford, State Rep. Jeb Bardon, State Sen. Earline Rogers, Frank Short, Jack Wicks, Andy Miller, John Fernandez, Dennis Lee. ❖



Doug Ross, Times of Northwest Indiana - The surprise shouldn't be that Hoosiers have held a Boston-style tea party but that it has taken so long to get to this point. City and town leaders have pushed for two years to get the Indiana General Assembly to approve their Hometown Matters proposal to grant more freedom in establishing diversified revenue streams. But can they really be trusted to act wisely? Porter County officials have had a couple of years to decide what to do about the inventory tax's disappearance, but they failed to act. And now the county is facing a loss of nearly \$350 million in assessed value because of the Legislature's decision to end the inventory tax. Why didn't the County Council act sooner on a replacement? Where's the long-range planning that businesses need in order to survive in today's marketplace? Where's the leadership the region and the state need? Here's how I would like to solve the state's property tax crisis: Call a special session of the General Assembly to fix things like the distribution formula for Lake County's income tax, which shouldn't be adopted until it's more fair. And freeze the amount local governments can collect in property taxes. Force them to cut spending. Support the Shepard-Kernan commission in its efforts to re-examine how government operates in Indiana, in hopes that streamlining will bring the cost down. Plan a constitutional convention to draft a form of government more suited to the 21st century than in 1851, when the current Constitution was written. There's no reason for a single county to have dozens of taxing entities. ❖

Rich James, Post-Tribune - Lake County government isn't the cause of our property tax problems. For instance, what would happen to property taxes if county government cut \$5.5 million from its budget? Not much. I'm rising to the defense of county government because of this local government study commission that Gov. Mitch Daniels created to find a way to reduce the cost of government, and thus, property taxes. It isn't going to happen, Mitch. The only way to reduce the cost of local government is to get rid of some of it. Good luck. ❖

Leslie Stedman Weidenbener, Louisville Courier-Journal - Monroe County Assessor Judy Sharp went against the grain a bit last week when she told a legislative study commission that they should let the

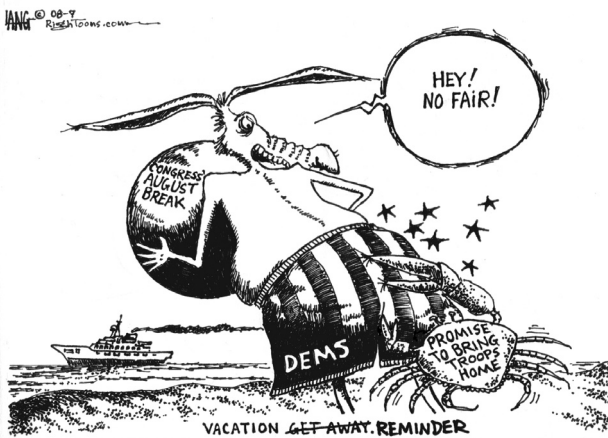
property-tax assessment system go without major change for a few years. There's a lot of discussion in the wake of this year's high bills about big changes in the system that determines property values for taxation. It's not that

Sharp, president-elect of the Indiana County Assessors Association, thinks the system is perfect. In fact, she suggested some changes to lawmakers, including more training for local officials, accountability for assessors who don't fulfill their duties and a beefed-up state agency to oversee local action. But the well-regarded Sharp -- flanked by other veteran assessors from Hamilton and Hancock counties -- told

the commission that the system can work. "It isn't a bad system," she said. The question is whether assessors "are following the rules and are we doing it correctly." For the system to work, however, the base values need to be correct. Assessors need to do an equitable job in assigning the values that serve as the base for trending. And there's evidence that's not happening everywhere. ❖

Jack Colwell, South Bend Tribune - Jim Schellinger, the South Bend native and Indianapolis architect who hopes to be that challenger, was offered a penny for his thoughts while campaigning in his old hometown back on Dyngus Day in April. He still has the penny. "It wasn't big news that I got a penny from a couple in South Bend," Schellinger laughs. But he says that cent is as important to him as any of the hefty contributions reported thus far in raising \$1.2 million. Schellinger proudly displays his precious penny as he tells of how it was pressed into his hand as he talked with a couple at the West Side Democratic & Civic Club amid Dyngus Day madness.

"They said, 'We're gonna vote for you. But please don't forget people like us,'" Schellinger relates. He says they told of being on fixed income, explaining they could give only the symbolic cent because, "For us, every penny counts." It was indeed a penny for his thoughts. For thinking of Hoosiers like them if he does go on to become governor. Schellinger uses the story in promising to remember Hoosiers who have been forgotten. Although he says it's too early for a lot of specifics for his campaign, Schellinger gets very specific in contending that Daniels forgot about Hoosiers and their concerns over property taxes, education, jobs and the environment while pushing instead for theories of outsourcing state government functions and state facilities such as the Toll Road. ❖





Kernan eyes

Con-Con

SOUTH BEND - Time may be running out on the multitiered local government framework established by Indiana's 1851 state constitution (Wensits,

South Bend Tribune).

Former Indiana Gov. Joe Kernan, appointed by Gov. Mitch Daniels to

co-chair a blue ribbon commission to look at ways to streamline local government and make it more efficient, said Wednesday at the South Bend Rotary that one of the things the body will decide is whether it is time to have a new constitutional convention, "which we've not had in a long, long time." Kernan said the group will start by looking at what other states have done, particularly those that have made adjustments in their local government structure. In Indiana, that structure looks much like it did 150 years ago. "There aren't many outfits or organizations that have the same structure they had 150 years ago and are still around," Kernan observed. Kernan said it will begin with no preconceived notions about local government but will ask, "If we could start all over, what would it look like?" Kernan said the commission's role will be to take a long view and make recommendations that, hopefully, will create efficiencies in local government. He also warned that "everyone may not be happy with what we recommend." In response to a question about whether shifting to a metropolitan-style government is a good idea, Kernan pointed out that in most cases where units of local government have consolidated services, "it's been driven by some kind of a crisis." The idea of streamlining local governments, perhaps doing away with the township level, has



been discussed for years. According to Kernan, the many layers of government have produced 11,000 elected officials in Indiana, including 140 in St. Joseph County. Kernan said most of the commission's meetings will not be open to the public. However, once the report is completed, it will be made public and, Kernan said, "there will be no lack of opportunity for people to be able to take shots at it and make recommendations."

2 county cost to mail rebate checks: \$240k

CROWN POINT - To the rising cost of local government, add the price of tax rebates. When state legislators approved a property tax relief package this spring, they could have simply ordered the reductions reflected on homeowners' bills as credits. No political capital in that, though (**Post-Tribune**). The General Assembly instead decided property owners should receive checks in the mail, so they can see what their elected officials did for them this year. The checks will arrive right around Christmas this year. It's a relatively expensive project. Lake County Auditor Peggy Katona asked the county council to this week to appropriate \$200,000 in her 2008 budget to cover the costs of printing and mailing the rebate checks. Porter County Auditor Jim Kopp said it will cost his office more than \$40,000 to get the checks into homeowners' hands. That's \$240,000 in public money largely raised through property taxes, going toward delivering property tax relief in a politically expedient fashion. "It's just a political game. It's foolish," Kopp said. "I could find much better ways to use that money."

Campaign violations alleged in council race

EVANSVILLE - Accusations of distributing campaign material without disclaimers will be at the top of the agenda when the Vanderburgh County

Election Board meets Friday (Evansville Courier & Press). The Election Board's meeting will be devoted to hearing Democratic Party accusations against Andrew Smith, a Republican running for an at-large seat on the Evansville City Council. "Smith has generated a Web site, yard signs and campaign materials dedicated to his City Council race without disclosing that his campaign has funded such materials," states a Vanderburgh County Democratic Party news release. "In September of 2006, Smith was warned by the same county Election Board for not using proper disclaimers on campaign materials used in his failed race for state representative." Smith says he "received no 'warning' that I am aware of from the Election Board on my disclaimers last year." "The name of my campaign committee was 'Smith2006.com,'" he said. "All of my printed materials contained a disclosure that read, 'Paid for and authorized by Smith2006.com.'"

New Albany Council prepares for veto override

NEW ALBANY - The New Albany City Council will meet at 10:30 a.m. tomorrow to consider overriding Mayor James Garner's veto of its decision to seek a court ruling on two contracts awarded without bids (**Louisville Courier-Journal**). On Monday, the council adopted the resolution authorizing the litigation on a 5-3 vote with one abstention. On Tuesday, Garner announced that he had vetoed it. Yesterday, five council members requested the special meeting to consider the veto. Six votes are needed to override.

Lugar honors BSU

NEW ORLEANS - U.S. Senator Richard Lugar presented Ball State University's Council on the Environment (COTE) with the August 2007 Lugar Energy Patriot award during a visit to Ball State's campus Wednesday. ❖