



Economic brink shapes HPI Power 50

A Detroit 3 demise & tough budget shapes 2009 list

By **BRIAN A. HOWEY**
MARK SCHOEFF JR.

The exhilaration of the 2008 presidential election and property tax reform has now given way to the sober and potentially catastrophic prospects of capitalism in crisis and a possible collapse of Indiana's automotive sector. As gasoline prices rocketed to \$4.19 a gallon last summer and the fissures of Wall Street swept Main Street credit into the gutter, Indiana saw cascading reverberations: first the RV industry where Elkhart County now has a 12.8 percent jobless rate, then auto suppliers, followed by the Detroit 3, and now in the last month or so, steel.

The crisis comes as the American empire wobbles. The seven sisters of private multi-national oil companies



Gov. Daniels after his budget address at the Scottish Rite Cathedral on Tuesday. The Indiana of today find the RV, auto and news media industries in steep decline or near collapse and a tough budget scenario. (HPI Photo by Brian A. Howey)

have become enterprises controlled by hostile nations like Venezuela and Russia. Even friendly producers such as Saudi Arabia are moving toward China. Oil may soon be traded under a currency other than the dollar.

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Chewing gum with Pat

By **BRIAN A. HOWEY**

INDIANAPOLIS – Last March in the Indiana Statehouse, there was a historic gathering of our leaders who had wrought great change. Gov. Mitch Daniels was there.

So was Democratic House Speaker B. Patrick Bauer. They convened to sign HB1001 which brought many of you a 30-percent property tax reduction. Some of you even more.

More than a 2-to-1 margin in the House and Senate passed this bill. That meant that many Republicans and Democrats voted for the bill. It wasn't a partisan showdown.

The bill ushered in phased



“What do you want me to do, walk around here? We're saving taxpayers' money by riding in a Hummer. I could've have bought a \$50,000 Expedition.”

- Gary Mayor Rudy Clay

PRESS

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Speaker Bauer with Gov. Daniels, Lt. Gov. Skillman and Sen. Long during the HB1001 signing in March 2008. (HPI Photo by Brian A. Howey)

property tax caps. In doing so, it brought a new era to local governments across the state. Because of the caps, they could no longer state their needs and then bill constituents. It turned the entire premise around. The taxpayer would pay only so much and cities, towns and counties would have to manage their budgets to fit the revenue stream. The caps would ensure that never again would homeowners see their property taxes go up double or triple digits, which happened in pockets around the state.

If local governments couldn't fit their budgetary needs to the revenue stream, they had to make some decisions like making cuts or finding greater efficiencies. They could pass local option income taxes. Or they could merge. This was the proverbial first shoe.

The second shoe is the Kernan-Shepard local government reforms. They were forged by Indiana Supreme Court Chief Justice Randall T. Shepard – about as non-partisan a man as you can find - and former Democratic Gov. Joe Kernan. There were Republicans on the Kernan-Shepard Commission like former

secretary of state Sue Anne Gilroy and Democrats like former State Sen. Louis Mahern. These statesmen and women had no political motive. No axe to grind. They didn't have scores to settle.

They just love their state. They want Indiana to succeed. They want the state to become more efficient and to extend services to as many people as possible.

When Speaker Bauer signed HB1001 into law, he said, "We're doing things in Indiana that other states only wish they could. This bill does cut property taxes dramatically."

Now it's time to walk in the other shoe and therein lies the problem. Speaker Bauer now doesn't want to complete the equation. Because this is the biennial budget session of the Indiana General Assembly and we are facing tough economic times and, if the Detroit 3 automakers liquidate (which is a potential economic calamity), Bauer says we can only deal with the budget.

Local government reforms and putting property tax caps into the state constitution can wait, Bauer says. There is not enough time to do



both.

A few weeks after Bauer signed HB1001, I ran into the Governor and he explained the strategy: "I believe the caps and spending limitations will now be the force that will pull Kernan-Shepard off the shelf, where otherwise it would collect dust. The people who would otherwise guard their turf and who would otherwise protect the redundant systems of today will have to get serious about cooperation, collaboration, consolidation," Gov. Daniels said.

But not Pat Bauer. When Daniels found out that he said it would be impossible to pass a budget and pass government reform, the Governor wondered if Bauer could walk and chew gum at the same time.

I believe that B. Patrick Bauer can do both of these things simultaneously, though I have never witnessed such a scene. But there's another element to this. While there will be House Ways & Means Committee meetings and Senate Budget Committee hearings, and three readings and votes on the budget bill, and then a final vote, this only takes a fraction of the time for most of the 150 members of the General Assembly.

And, in reality, only a handful of legislators hammer out the budget details. The remaining 140 or so legislators work on other things and then, in the final days as the few conferees cut deals on the budget, they sit around, mill

around, go to posh luncheons and expensive dinners. I know this because I've covered the Indiana General Assembly first hand since 1985.

I am here to attest that there are more than enough man and woman hours to pass a budget, pass government reform, chew gum and walk simultaneously. Do not let the crafty Speaker fool you.

The only thing I can think of is that either Bauer doesn't have enough trust in his fellow Democrats to do the right thing on government reform, or he wants to preserve the status quo. If it's the former, then that's a sad commentary on the Democratic House caucus.

And if it's the latter, then I would remind Speaker Bauer that Hoosiers have an ardent appetite for change these days. In 2007, they tossed out of office more than 40 percent of the incumbent mayors. Since 2004, voters have defeated an incumbent governor, four incumbent congressmen, a powerful Senate President Pro Tempore and a powerful Senate Finance Chairman.

They also voted for a skinny Illinois politician with a funny sounding name for president who made 49 appearances across the state with a banner that read "Change" spread out above him.

Juicy Fruit, anyone? ❖

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In Kevin Phillips' book "Bad Money: Reckless Finance, Failed Politics, and the Global Crisis of American Capitalism," he notes that 17 of every 1,000 Chinese owned an automobile in 2007, compared to 860 of every 1,000 Americans. It's predicted that China will buy as many cars as the U.S. by 2012. Global crude oil production peaked at 74,298 barrels a day in May 2005 and has been in decline since.

Between 2002 and 2007, the dollar declined 39 percent against the euro, 38 percent against the Canadian dollar, 32 percent against the Swiss franc and 15 percent against the yen. Manufacturing, which represented 29.3 percent of the United States GDP in 1950, 20.8 percent in 1980, and 16.3 percent in 1990 fell to 12 percent in 2005. Financial services (which Indiana doesn't have much of) rose from 10.9 percent of the American GDP in 1950, 15 percent in 1980 and 20.4 percent in 2005. The total credit market debt as a share of the U.S. gross domestic product stood at 176 percent in October 1929, 287 percent when FDR devalued the U.S. dollar in 1933, about 150 percent in 1984. It stood at 335 percent in 2006. Debt, in essence, has become an industry and a precursor to a sick economy.

Phillips comes to the conclusion that the U.S. is poised to follow a declining model similar to those that oc-

curred in 17th century Spain, 18th century Dutch and 20th century British. In each case, a transition of energy (from wind/water, to coal, to oil) was a precursor to the end of those once thriving empires.

These trends have impacted Indiana in the early 21st Century. Our oil-dependent industry is now in the throes of demise. The subprime mortgage crisis has placed Indiana consistently at the top of state-by-state foreclosure lists.

Asked about New York Times columnist Paul Krugman who wrote on Monday that the U.S. might be on the brink of a second Great Depression, Gov. Mitch Daniels responded, "The American economy surprises people over and over again. I have a suspicion that the worst of the doomsayers will prove to be too pessimistic, but we don't know. That's why it is so essential that Indiana continue to proceed in a more careful way than other states have. Until we see the better days coming back, we better not assume they are right around the corner."





Earlier this week, we asked an Indiana industrial source if the Daniels administration had fully recognized the scope and magnitude of what this state is facing. Yes, the source said. The governor has been circumspect given that an errant remark even here deep in the industrial Midwest could be tantamount to the butterfly in China setting in motion a Caribbean hurricane or a Wall Street sell off.

It is this backdrop, along with two wars, a trillion-dollar national deficit, and allegations by Terre Haute Republican James Bopp that the Bush 43 presidency has gone "socialist" that we fashion the 2009 Howey Politics Indiana Power 50. The scale and depth of this crisis seem headed somewhere between the severe recession of 1980-82 and the Great Depression. This year's list is dominated by budgeteers and Capitol Hill public servants who will be interacting with the incoming Obama administration.

We also begin to survey how a post-Daniels era might shape up since he won't be facing voters again. This list was crafted from input from HPI subscribers and from www.howeypolitics.com.

1. Gov. Mitch Daniels: Eight years ago Gov. Frank O'Bannon won a convincing re-election campaign and then the economy soured. It was as if a curtain had fallen between the first and second terms. The analogy is vastly more complex with Gov. Daniels. O'Bannon was hesitant to use his political capital, whereas Daniels has been an unrivaled and successful risk taker. But the fact is Daniels is facing a financial crisis unlike anything we've seen since 1979-82 and possibly since 1929-35. Like the Great Depression's Gov. Paul V. McNutt, who extensively reorganized state government and balanced budgets, Daniels is seeking to restructure local government and education. He parts ways with McNutt, who was an old-style machine politician with presidential aspirations (Daniels repeatedly says he doesn't have any) who greatly expanded welfare and relief programs. Daniels' ultimate legacy may be forged by how Indiana weathers the potential financial collapse that could take out a huge chunk of the state's economy represented by auto manufacturing and suppliers. In his speech to the Indianapolis Downtown Rotary this week, Daniels said he expects that the elimination of state debt, balanced budgets, reduced spending, and a AAA bond rating will ultimately position the state to lead the nation into an economic recovery. In fact, the state is aggressively preparing to position itself as the best place (with work force, location and tax struc-

ture) to have what's left if the Detroit 3 automakers make their inevitable consolidations here. Daniels recently was honored by Governing Magazine as public official of the year. He won an impressive 58 percent re-election victory despite Barack Obama's first Democratic presidential victory here in 44 years. Ultimately critical to Daniels' legacy will be the Republicans regaining control of the Indiana House in 2010. That is when the economy could be in rebound and he can finish his reforms, universally extend full-day kindergarten, complete much of his visionary Major Moves program, and make inroads into college affordability (including two years free tuition to Hoosier students) and local government restructuring that will likely run into Demo-



Sen. Lugar with Secretary of State designate Hillary Clinton last month in Lugar's office. Note the photos on the wall in the background. (Lugar Senate Photo)

cratic roadblocks this year. The one element to this emerging second term is the governor's skepticism a Detroit 3 bailout (See page 15), which is philosophically understandable. What is hard to imagine is the collapse of much of this sector and the impact it would have on 20 percent of the state's economy directly connected. Should this happen in 2009, Daniels may find himself in the company of Indiana's two crisis governors - McNutt and Oliver P. Morton during the Civil War. An auto industry collapse could require the governor to think even further beyond his sandbox, will require the steady hand we've seen, and an even more compassionate governor than he's exhibited to date. Extraordinary times require such leadership. We appear to have both in 2009.

2. U.S. Sen. Dick Lugar: For the first time in decades, the wise Lugar may actually have the attentive ear of an American president. That it is Democrat Barack Obama



is one of the great ironies of our times. If President George W. Bush had heeded Lugar's advice and warnings about Iraq and energy security issues, his legacy likely would have been in much better shape as he leaves office. Lugar reached out to Obama after his 2004 Senate victory and he mentored him on the Senate Foreign Relations Committee. During his historic presidential campaign, Obama repeatedly cited his work with Lugar. During Obama's campaign kickoff in Springfield in 2007, he mentioned only two other political figures: Lugar and President Lincoln. Lugar in return told HPI he felt that Obama had a "wide scope" and actually seemed more comfortable with the prospect of a President Obama as opposed to John McCain, who Lugar ultimately publicly supported, though without much enthusiasm. Obama has said his No. 1 national security priority is containing weapons of mass destruction, which must be music to the ears of Lugar and former Sen. Sam Nunn. Lugar also has a close relationship with Vice President-Elect Joe Biden. So Lugar will find reception in the White House when he talks about energy security (he warned of the Russian energy assaults that are playing out in the Ukraine and Europe at this writing) and funding of the Nunn-Lugar Act, which was never on the front burner with the Bushes and Clintons. Lugar is now the senior Republican in the U.S. Senate. We see his influence growing and that's a good thing for America, which as an empire is truly at a crossroads.

3. House Speaker B. Patrick Bauer: While those familiar with both sides agree that Bauer and Gov. Daniels actually like each other these days - and worked well on the historic HB1001 and several other issues last session - the two are on a collision course in several key areas: government reform, budget cutbacks on education, the property tax constitutional caps, money for job incubation and tapping the Rainy Day Fund. We know the governor has a deep aversion to special sessions. What we are hearing now is simply the establishment of a skirmish line. Both know the state is facing potentially catastrophic economic times. Both are going to have to give and take. While the "car bomber" days have long passed, watching Bauer and Daniels this session will be one of the key subplots of this critical 2009 legislative session.

4. U.S. Rep. Mike Pence: After being decisively beaten in his effort to become the Republican House minority leader after the GOP lost control of the House in 2006, Pence has emerged in a pivotal role. As the chair-



U.S. Rep. Mike Pence's move to conference chair may pre-empt a 2012 gubernatorial bid. (Pence Photo)

man of the House Republican Conference, Pence will have an opportunity to shape the message not just for his caucus but also for the overall party. The first glimpse of his new influence could be found on Jan. 7 on the closed circuit TV monitor on Capitol Hill. It said that Pence was scheduled to host a "pen and pad" session with reporters. Although it was canceled, it is an example of the platform Pence now has. The challenge is enormous. He will help lead a party that "must admit we lost our way," he says. Pence's prescription for recovery includes adherence to a balanced budget, promoting school choice and strong defense and defending traditional marriage and pro-life policies. Some of these issues, especially the social ones, are divisive. But Pence's genial personality may help him make the sale with the American people. Prior to taking over the GOP conference, Pence and his staff

were sending signals about a 2012 gubernatorial run. But some local GOP chairs are saying that talk is now tamped down. If Pence were to run for governor, he would be an early favorite with his extensive network established in the state during his radio days.

5. UAW President Ron Gettelfinger: There are tens of thousands of Hoosier auto workers who are depending on this Indiana native to work out a deal with the Big 3. Gettelfinger is working to ensure that it isn't just the auto workers who are making concessions. He said on NBC's Today Show this morning that when contract negotiations begin with General Motors next Monday he will be working on "modifications" and not opening up the entire contract.

6. U.S. Sen. Evan Bayh: With President Obama occupying the White House, there will be no speculation about a



Sen. Bayh with President Elect Obama at Purdue last July. It's time for Bayh to define himself with policy, not politics. (HPI Photo by Ryan Nees)



presidential campaign or a vice presidential appointment for Bayh for at least four years. The break might be a boon to the state's junior senator. He can use the time to develop a distinctive legislative agenda that will define what has so far been an amorphous Senate legacy. During his vice presidential bid, more than one national media Senate reporter told us they viewed Bayh as an undistinguished back bencher. We hear from Hoosier columnists, Democrats and even people on his staff who say they wish Bayh would put aside all the political calculations leading up to his presidential/vice presidential runs and just forcefully stand up for what he believes. Success there creates political opportunities. Bayh is intelligent and articulate and has demonstrated impressive political savvy. Although he may draw a serious challenge in 2010 from former Republican legislator Dan Domezich, so far he has been conservative enough to befuddle state Republicans and avoid any chinks in his armor. He was agile enough to help Sen. Hillary Rodham Clinton get an Indiana victory in the Democratic presidential primary but still maintain his standing with Obama and become a serious candidate for vice president. His perches on the Senate committees for banking and armed services will keep him at the heart of the two most important issues the country will face - economic recovery and international security - though breakdowns in those sectors could open him to political attack in 2010.

7. Senate President Pro Tempore David Long: He has adroitly moved his way into power since Bob Garton's defeat in 2006 with the help of the female caucus. He has kept the right vs. moderate fratricide to a minimum within his caucus, which is no small feat. His move to bring in Sen. Brandt Hershman as chair of the tax committee is evidence that he is consolidating his power. He works well with Gov. Daniels and has been open to reforms. We view Sen. Long as an upper tier 2012 gubernatorial contender, should he choose that path.

8. State Sen. Luke Kenley: This may be the most intense budget year since 1982-83 when the legislature had to deal with the last severe recession and a near industrial collapse (then it was steel along with the RV industry). Kenley has four years under his belt since Larry Borst was defeated for re-election. He's been innovative, gets along with the governor well, but as we've said before, can at

times be politically tone deaf and doesn't always stay on the reservation. That's why he is sharing part of the fiscal portfolio with Sen. Hershman. Kenley could also play a key role in tweaking HB1001, including the part of the legislation that allowed for students to transfer to any school once the state picked up all the local general fund costs.

9. Ways and Means Chairman William Crawford: There is much speculation that this may be Crawford's swan song. He will preside over the opening round of the House-generated budget, one that is expected to be the most difficult to craft in a generation.

10. Chief of Staff Earl Goode: The Daniels organization has been a tight ship. There have been few leaks. It is disciplined and a good part of that is because of the grasp Goode has brought since taking over for Harry Gonso a couple of years ago.

11. Lt. Gov. Becky Skillman: Gov. Daniels is always quick to point out that his LG is a full partner. Once again, Skillman says she will be "focused on leading the governor's legislative agenda" in 2009. But the question many Hoosiers are asking is whether she will seek to succeed Daniels in 2012. The answer is quite opaque. Skillman did many Lincoln Day dinners during the '08 re-elect and will work that circuit heavily this year. It's one reason the 2008 Howey/Gauge Polls showed that Skillman is very popular within the GOP. However, she had a 46 percent "no recognition" score last October, compared to 25

percent who said she had favorable name recognition and 24 percent who were neutral. Those are not robust numbers for a fifth year LG (below Frank O'Bannon's numbers in 1993 and about the same as Joe Kernan's in 2001) and they suggest that she is not aggressively gearing up to take over the party mantle and attempt to become Indiana's first female governor. Skillman was a Lawrence Party Republican chair for 12 years and served similar amounts of time in the Indiana Senate and as a local official, so she's got a stellar political resume. Having said that, Skillman did not have a conspicuous campaign trail presence in 2008 - spent mostly with GOP organizations, tailgates - that exposed her to independent and Democratic voters and she has been careful not to step into the governor's limelight. Many key people within the Daniels orbit as well as the



Lt. Gov. Skillman is mum on her political plans, setting her sights on the legislative session at hand. (HPI Photo by Brian A. Howey)



GOP profess little or no knowledge on what her ultimate plans are, which is curious. One administration official told HPI when we asked about Skillman and 2012 last year, "It's never come up." Thus, Skillman finds herself in the center of the most conspicuous political mystery in the Crossroads of America.

12. OMB Director Ryan Kitchell: He is the key fiscal policy numbers cruncher for the governor, who held the same position in the Bush 43 White House. Kitchell also heads up the Distressed Unit Appeals Board and will be the administration's point man on how to deal with chronically depressed Gary. Kitchell noted the other day that with Gary's airport, sewage district and transportation administered outside City Hall, there are about 800 city employees that don't have a clear mission. Kitchell will also play a key role in evaluating any collapse of Chrysler (he's from Kokomo), General Motors or the domestic sector of the auto industry. The administration is beginning to model out how a partial or total domestic industry collapse would have on state and local budgets and taxing districts. If this crisis deepens, Kitchell will play a crucial role in working through it.

13. U.S. Rep. Joe Donnelly: The second term Democrat will be Indiana's auto industry point man as he represents two key auto cities (Kokomo with Chrysler and Delphi; Mishawaka with Hummer). In 2004, Donnelly wasn't at the top of the Democratic wish list to take on then-incumbent GOP Rep. Chris Chocola in his north central Indiana district. Chocola won handily, but Donnelly persevered. He came back in 2006 and rode the first of two recent Democratic waves into office. Donnelly's political evolution is continuing at a rapid pace. In 2008, he raised a ton of money and wasn't seriously challenged. Donnelly seems to be a good fit for what is perhaps the most blue-collar district in the state, encompassing South Bend, Kokomo and Elkhart, all mired in the Detroit 3 brink. Although he's a lawyer, Donnelly projects a common-man aura that makes it easy to believe that he can connect with

the job fears that thousands of auto workers in his district are experiencing. As a member of the House Financial Services Committee, Donnelly will be in a prime position to respond to what will almost certainly be further twists and turns in the auto industry bailout.

14. U.S. Rep. Baron Hill: Key Democratic sources tell HPI that Hill will take a serious look at the 2012 Indiana gubernatorial race. He ran a credible statewide U.S. Senate race against Sen. Dan Coats in 1992 and lost. There is a potential that if Indiana loses a congressional seat after the 2010 census, Hill might find himself in the same district with U.S. Rep. Brad Ellsworth. Hill is now 3-1 against his political nemesis, former GOP Rep. Mike Sodrel. After three close contests, Hill finally put Sodrel away with authority in 2008. Sodrel is not likely to challenge him again. In fact, it might

be time to declare that Hill has a firm grip on his conservative-leaning southeast Indiana district. Meanwhile, in Washington, Hill is adding to potential influence. As co-chair of the Blue Dog Coalition in the House, Hill will have an opportunity to advocate a mechanism, called pay-go, that requires spending cuts or tax increases to offset other tax cuts or spending increases in legislative proposals. The first challenge for Hill and other Blue Dogs is to figure out whether and how pay-go applies to a massive economic stimulus package. "In the final

analysis, the economy has to take priority," Hill said in a November HPI interview. "Getting a stimulus package is more important than pay-go." Nevertheless, Hill will continue to bolster his credentials as a fiscal conservative - a label that political opponents are having a hard time changing. He also seems to be close to House Majority Leader Steny Hoyer, a good sign if he has ambitions to join House leadership. In addition, he has changed the way he tours his district, spending a half-day at a time in each area he visits. This gives him an opportunity to meet with more local officials and constituents and reinforce the idea that he stays in touch. That's a formula for more election victories.



Reps. Hill and Donnelly at an Obama campaign stop in October 2006. (HPI Photo by Brian A. Howey)



15. Evansville Mayor Jonathan Weinzapfel:

He will be another top Democratic gubernatorial possibility in 2012. He smartly passed a lieutenant governor nomination from the deeply flawed Jill Long Thompson candidacy. Weinzapfel appears to be politically popular. He had a shoot-out with the new owner of Casino Aztar last year and appears to have come out of that row in good shape. He now presides over a new arena to replace aging Roberts Stadium. Weinzapfel is a two-term mayor, a former legislator and ran an unsuccessful congressional campaign in the 8th CD. He is largely unknown in central and northern Indiana. Watch for this young mayor to emerge on the Jefferson-Jackson Dinner circuit over the next two years.



Evansville Mayor Jonathan Weinzapfel and wife introducing Barack Obama on April 22 at Roberts Stadium. (HPI Photo by Brian A. Howey)

will help with the governor's agenda in a 52-48 Democratic Indiana House, he will play an absolutely critical role in the coming 18 months in making sure House Republicans recruit and contest as many seats as possible in order to regain control of the lower chamber during Gov. Daniels' final two years in office. There were many critics of the '08 class of candidates and several seats that were not fully contested. Even more important is that whoever controls the House will be in the critical position of redrawing the maps in 2011. So while he is in minority status now, Bosma may hold the key to how dynamic the

Daniels legacy ultimately is.

16. Kokomo Mayor Greg Goodnight, Columbus Mayor Fred Armstrong & Marion Mayor Wayne Seybold:

These are the Big 3 mayors - one Republican (Seybold) and two Democrats - who will grapple with any fallout from the Detroit 3 consolidation or collapse. Kokomo and Columbus (Cummins) are two of the most exposed auto communities in the nation. Marion is home to a GM stamping plant and has already dealt with closings at Thomson Consumer Electronics, Ball-Foster, Ampad, and Malleable Iron Works. Goodnight and Seybold rose to the occasion laying out what is at stake at a Dec. 22 forum in which economists described a collapse that could bring on a depression in Indiana. So these mayors are on the economic front lines and, in a worst case scenario, will be facing the consequences of picking up the pieces from a devastated tax base and tens of thousands of Hoosier lives caught in the crossfire.



Mayors Goodnight and Seybold at the Detroit 3 crisis conference on Dec. 22. (HPI Photo by Brian A. Howey)

18. State Sen. Brandt Hershman: He chairs the Senate Tax and Fiscal Policy Committee, sits on the Senate Budget Committee and is majority whip. That is a conspicuous set of credentials in this gloomy economic climate. His ascension comes as President Long consolidates his power. Hershman played an instrumental role in passage of the historic Telecommunications Reform Act in 2006.

19. Patrick Kiely: The president of the Indiana Manufacturers Association rises on this list because of the potential collapse of the auto industry and the fact that he was there as a rookie Ways & Means chairman in the 1982 special session to deal with the last major economic crisis the state faced. He has the governor's ear (they were to attend the Ball State football game earlier this week). So Kiely will be preaching budget discipline and aspects that could push even more Hoosier companies over the brink. He will be an indispensable voice when the biennial budget is crafted. He will be an important presence as the legislature repairs the bankrupt and

broken unemployment fund. The IMA has a clear message to the rest of America turning its back on manufacturing: 500 miles from Indiana's borders lie an eight-hour drive to 75 percent of the population. As the IMA's Ed Roberts told us, "Come to Indiana and make things. We will accommodate you with low taxes, a great tax system and a talented

17. House Minority Leader Brian Bosma: While Bosma



workforce ready to work.”

20. Bob Grand: The uber operative was one of the only high profile Republicans to back Greg Ballard during his 2007 upset of Indianapolis Mayor Bart Peterson, with many of the city contracts coming to Barnes & Thornburg from Baker & Daniels. He now heads up the Capital Improvement Board which missed the 11th hour Peterson era shredders and will have to deal with unresolved funding dilemmas for the Colts’ Lucas Oil Stadium. Stay tuned for those fire-works.

21. Budget Director Chris Ruhl: He is the governor’s operational fiscal manager who, like Kitchell, will play a critical role as the state steers through the current fiscal dilemmas.

22. Commerce Secretary Mitch Roob: He is a close confidant of the governor and acts as his Mr. Fix It and mano change agent. Roob spent the last four years at the chronically troubled FSSA where modernization was controversial and fitful. Now he heads Commerce, where he follows two administration stars: Mickey Mauer and Nathan Feltman. With Indiana facing a potential jobs catastrophe (after shedding 80,000 jobs last year) and the governor’s stated goal of coming out of this economic downturn better positioned, Roob is once again in a critical position that will ultimately help forge Daniels’ legacy.

23. U.S. Rep. Pete Visclosky: With Democrats increasing their House majority, appropriators like Visclosky will add to their power. He chairs the energy and water subcommittee on the House Appropriations Committee. He also is on the defense subcommittee. These positions will give Visclosky a chance to send money back to northwest Indiana. They also could give him entry into national debates on energy and defense policy. Like Donnelly, Visclosky also will be a touchstone for blue-collar issues. He’s chairman of the Congressional Steel Caucus, a key industry in his district that is beginning to flag once again.

24. U.S. Rep. Mark Souder: The Fort Wayne Republican was dragged into strong Democratic current in 2008 and survived with a double digit victory. Odds are that if he wasn’t ousted from his northeast Indiana seat during the

best year for Democrats in recent memory, he can hold onto it for life. His committee positions keep him in the mix on immigration, security, drug, education and workplace policy. He’s also a champion of national parks. A thoughtful policy wonk and insightful political analyst, Souder delivers sober analyses not only of his own party but also of general Capitol Hill trends. He combines his fierce conservatism



Gov. Daniels with Budget Director Chris Ruhl (center) and OMB Director Ryan Kitchell at Mount Comfort Airport. (HPI Photo by Brian A. Howey)

with a genuine friendliness, ensuring that he’s not a “scary” conservative.

25. Indianapolis Mayor Greg Ballard: We were disappointed when Ballard came back from China without any announcement of a new “Chinatown” for world class Indianapolis. Ballard has been fascinating in his first year in office. He was fortuitous when the Indiana General Assembly helped him get rid of the city’s police and fire pension dilemma. He completed Bart Peterson’s groundwork and landed the 2012 Super Bowl (which we hope is played before the end of the world). This year, all eyes will be on Ballard as the media spotlight returns to him after the 2008 presidential election. So this could be the make or break year for the man critics call the “accidental mayor.” Even his biggest supporters acknowledge his 2007 upset of Peterson was more a referendum on the incumbent. Ballard has stumbled in recent weeks. The city’s decision to buy a fleet of Toyota hybrids when the endangered GM stamping plant in his city makes parts for GM hybrids is a made-for-TV advertisement in 2011. Now he faces the missing “vision” thing that the press and blogs are kicking around. If Ballard can convey a credible vision and help steer the local government reforms through the General Assembly, it will be a good year’s work.

26. Fort Wayne Mayor Tom Henry: This is another mayor that is staring the Detroit 3 collapse squarely in the face. His city has a 2,700-employee GM plant on its



southern flank. This is a city that had to deal with the International Harvester closing a generation ago. Already the freshman mayor is dealing with the credit crisis as key components of the Harrison Square downtown baseball stadium development are falling by the wayside. So Mayor Henry faces huge challenges in the coming year.

27. U.S. Rep. Steve Buyer: The Monticello Republican is one of only three left in the state delegation. With the GOP out of power in the House and White House, his influence is on the wane.

28. Supt. Tony Bennett: The incoming superintendent of public instruction finally gives Gov. Daniels a full working partner at the Department of Education. As fate would have it, the governor's goal of fully implementing full-day kindergarten and providing free college tuition to Hoosier students has been waylaid by the economic crisis.

29. U.S. Rep. Brad Ellsworth: Like Donnelly, Ellsworth avoided a serious challenge this fall in his first re-elect in his south-west Indiana district. That means the former Vanderburgh County sheriff is off to a strong start in his new career in Congress. His law enforcement background has informed his efforts to bring storm safety funding to the district. Ellsworth has staked out an aggressive position on immigration, calling for enforcement first. That stance probably plays well in a district that had grown used to former GOP Rep. John Hostettler's muscular stance on the issue. Ellsworth also can address local issues through his seat on the House Agriculture Committee. It doesn't hurt that Ellsworth was once recognized in a poll as among the best looking people on Capitol Hill. He cuts a confident, can-do profile, sort of like a new sheriff coming to town.

30. U.S. Rep. Andre Carson: The grandson of Julia Carson steered through a caucus, a special election, a contested Democratic primary, and a general election victory. He seems well positioned to hold on to this seat for many years. Republicans don't think they can take him out in a general election, unless President Obama bombs. He may have to fend off a primary challenger heading into his

sophomore term, but given his congressional level track record to date, that is a long shot.

31. UAW Region III President Mo Davison: He is the voice of thousands of Hoosier auto workers who literally sit on the brink at this writing. He has a close relationship with Gettelfinger and has been able to work with Gov. Daniels on the now ill-fated Getrag Transmission plant at Tipton.

Davison has also been instrumental in landing military contracts for his local at Allison Transmission in Speedway. It's all on the line now. Davison's voice could have a significant impact on how our station at the precipice plays out.

32. Indiana Democratic Chairman Dan Parker: Many expected Parker to move on after this year, but we're not so sure. With Sen. Bayh facing a potential tough re-election campaign in 2010 (which will be President Obama's first mid-term, which is always a problem for the incumbent party) against former State Rep. Dan Dumezich, Bayh may insist that Parker mind the Democratic store.

33. Indiana Republican Chairman J. Murray Clark: The former state senator will seek a second term as chairman, minding the political store for Gov. Daniels. We view Clark as a potential 2012 gubernatorial candidate, though he has some fence

mending to do after not taking a more prominent role in the 2007 Greg Ballard campaign.

34. Deputy Chief of Staff Betsy Burdick: She is one of Gov. Daniels' enforcers. Burdick is one of the significant reasons that the governor's state-of-the-art operation is so disciplined.

35. Kevin Brinegar: The Chamber of Commerce president will play a key role in pushing local government reform and work force preparedness overhaul. He also opposes the governor's 1-2-3 property tax caps, but Speaker Bauer takes care of that this time, which is a testament of the strange bedfellows element.

36. State Rep. Scott Pelath: The Michigan City Democrat moved from chair of the House Rules Committee to vice chair of Ways and Means. Is Pelath being groomed to



Indiana Democratic Chairman Dan Parker, who has yet to announce whether he will seek a second term, though we think it's likely. (HPI Photo by Brian A. Howey)



replace Ways & Means Chairman Crawford? Pelath has carried much water for Speaker Bauer and was his point man to quash the gay marriage amendments in recent sessions.

37. U.S. Rep. Dan Burton: The dean of the Hoosier House congressional delegation won a close (for him) primary battle in 2008. Many believe that if Barack Obama hadn't siphoned off many Republican votes that Dr. John McGoff could have come even closer. Brose McVey, McGoff and others will take a long look at a primary challenge in 2010. Burton could be vulnerable if the opposition consolidates behind one challenger. A multiple-challenge primary would almost certainly ensure another Burton term. His vote against the Detroit 3 bailout has brought him criticism in Kokomo and Marion, where he was chastised by Mayor Seybold. How that vote plays out politically depends on what ultimately happens to the Big 3. A liquidation of Chrysler and GM could bring much pain to the 5th CD and it is hard to see what the political ramifications would be.

38. Chief Justice Randall T. Shepard and Gov. Joe Kernan: With many House Democrats gearing up to oppose many of the Kernan-Shepard reforms, the chief justice and former Democratic governor could play an influential role in trying to make the case that the reforms will save Hoosier tax dollars, make government more efficient, and provide better services.

39. Farm Bureau President Don Villwock: Heading the state's largest agriculture organization places Villwock at the nexus of feeding the world as well as fueling it as the U.S. enters into an era where bio-fuels will gradually replace oil. The Farm Bureau will also play a key role in this economic downturn with programs like "Hoppers for the Hungry."

40. Senate Minority Leader Vi Simpson: The glass ceiling continues to break with Simpson's ascension to head the Democratic Senate caucus, the first in Indiana history. Despite her small caucus, Simpson has been savvy in the past in working issues and making her caucus relevant. She ran for governor briefly in 2003 and could be a credible candidate in 2012.

41. South Bend Mayor Stephen Luecke: The three-term mayor is on the front lines of the HB1001 saga. He has had to defend South Bend's 1,200 municipal employees at a time when Gov. Daniels is seeking consolidation and streamlining at the local level. The budget he gets next fall could provide plenty of fireworks.

42. Ron Klain: The North Central HS graduate becomes Vice President Biden's chief of staff just months after Kevin

Spacey played him in the HBO movie "Recount." Klain is a former chief of staff to Vice President Gore and played a key role in the tumultuous 2000 "Bush vs. Gore" recount saga in Florida.

43. Muncie Mayor Sharon McShurley: This rookie public official can be found somewhere between a rock and a hard place in the rough and tumble world of Muncie politics. She won in 2007 by just a handful of votes. Now she is facing the fallout of HB1001 in a city that has already bled auto industry jobs. She has toyed with the idea of making the city fire department volunteer, declared an "economic emergency," sparred with the Delaware County prosecutor

over the local drug task force and just last week had a 24-year-old reservoir superintendent she appointed pick up her third DUI. But the biggest news maker was her new policy of not salting streets during winter events occurring outside of regular business hours. Yikes.

44. Dawn Johnsen: She is President-Elect Barack Obama's assistant attorney general in the office of legal counsel. She was one of four Justice Department picks named last month. Johnsen taught law at the Indiana University Mauer School of Law. "These individuals bring the integrity,

depth of experience and tenacity that the Department of Justice demands in these uncertain times," Obama said in a statement. "I have the fullest confidence that they will ensure that the Department of Justice once again fulfills its highest purpose: to uphold the Constitution and protect the American people." Johnsen said in a statement that she is honored. "I have deep affection for the office, which has historically played a vital role in upholding the nation's commitment to the rule of law," she said. "I look forward to the confirmation process."

45. Lugar Chief of Staff Marty Morris: He will oversee a new era for Indiana's senior senator. Unlike the Bush administrations, Lugar is expected to have the ear of President Obama and Vice President Biden. Lugar will also play a key role in the coming START treaty negotiations with the Russians, and WMD reduction. Morris is the manager that makes the Lugar organization run smoothly.

46. Bayh Chief of Staff Tom Sugar: He had an interesting 2008, transitioning from support of the Hillary Clinton campaign, to that of Barack Obama with a vice presidential



Senate Minority Leader Vi Simpson became the first female to head one of the four legislative caucuses. (HPI)



Gov. Daniels campaign manager Eric Holcomb rocked the Indiana political world all night long. (HPI Photo by Brian A. Howey)

run thrown in for good measure. As with Morris, Sugar makes the Bayh operation run on time.

47. Marion County Prosecutor Carl Brizzi: All eyes will be on Brizzi as he decides whether to seek a third term in increasingly Democratic Marion County. As we've stated in every Power 50 since 1999, the Marion County prosecutor is a key cog in keeping a lid on Statehouse corruption.

48. Rod Ratcliff: As we noted last year, the Centaur Gaming CEO was responsible for one of the biggest windfalls from the private sector to the state in Indiana history with the slots bill. The \$250 million fee Centaur pays helped pave the way for the property tax rebates and subsequent reforms. The timing of the current economic crisis has created challenges for Hoosier Park and its Shelbyville cousin Indiana Live. That Centaur's proposal to move 500 slot machines from Anderson to Fort Wayne, and a governor with an open mind, is a testament to his legislative team. Gaming has become one of the four major revenue streams for the state budget.

49. Secretary of State Todd Rokita: Give Rokita credit for overseeing the historic 2008 election with very little controversy. He presided over the conversion of the election system after the 2000 presidential meltdown in Florida. Rokita took tough stances on problematic vendors and has begun the transition to voting centers which, while not

flawless last November, were credible enough that more could be on the way. His historic voter ID law was also upheld by the U.S. Supreme Court. Some expect Rokita to take a look at the 2012 gubernatorial race after he finishes out his final term as secretary of state.

50. Eric Holcomb: He ran Gov. Daniels' flawless and historic re-election campaign. Fiercely loyal to the governor, his relationships on both sides of the aisle extend into veteran and union halls, business board rooms, universities, fire stations, elected officials, and issue activists in every county. Holcomb has been with the governor since day one and knows who's helped Mitch and who hasn't. His task is making sure the governor's ideas become reality.

The Power Annex

Instead of the normal Honorable Mention list, HPI decided to cite key people who will shape events in the coming year. These are future candidates; trusted media reporters, editorial writers and columnists; staffers who represent their bosses as well as the public; influential lobbyists who help shape public policy; new legislators; and in the final category, the people who help make Howey Politics Indiana one of the most influential sources of news and commentary in Indiana. Any of these people could find themselves in a future Power 50 List



2012 Gubernatorial Contenders

Republican: Becky Skillman, Mike Pence, Brian Bosma, David Long, Murray Clark, Todd Rokita

Democrat: Baron Hill, Jonathan Weinzapfel, Vi Simpson, Bart Peterson, Graham Richard, Rogolio Dominguez

News Media

Kevin Rader, WTHR-TV
Jim Shella, WISH-TV-Indiana Week in Review
Niki Kelly, Fort Wayne Journal Gazette
Sylvia Smith, Fort Wayne Journal Gazette
Eric Berman, WIBC-FM
Matt Tully, Indianapolis Star
Abdul Hakim-Shabazz, WXNT
Gary Seiber, WTRC-AM. Elkhart
Doug Ross, Times of Northwest Indiana
Mark Bennett, Terre Haute Tribune-Star

Blogs We Recommend

Blue Indiana
Hoosier Access
Frugal Hoosiers
Fort Wayne Observed
Indiana Barrister

Uber Lobbyists

Paul Mannweiler, Bose Associates
Joe Loftus, Barnes & Thornburg
Jim Purucker, John Frick Associates
Dan Clark, ISTA
Brian Burton, Indiana Manufacturers
Grant Monahan, Indiana Retail Council
Bob Kraft, Indiana Farm Bureau
Karl Berron, Indiana Association of Realtors
John Hammond III, IceMiller
Bob Kuzman, IceMiller
Bill Moreau Jr., Barnes & Thornburg
Lacy Johnson, IceMiller

Staffers

Joe Heerens, Gov. Daniels' chief legislative counsel
Ann Valentine, Gov. Daniels' legislative director
Mike Copher, Rep. Buyer
Bill Smith, Rep. Pence
Andy Fisher, Sen. Lugar
John Schorg, House Democrats
Dennie Oxley II, House Democrats (policy)



From top: Brian Bosma, Graham Richard, Rader & Kelly, Mike Jones and Dan Dumezich.

Party Chairs

Charlie White, R, Hamilton
Tony Long, D, 8th CD
Vidya Kora, D, La Porte
Mike Jones, D, 9th CD
Ed Treacy, D, Marion
Steve Shine, R, Allen

Local Officials to Watch

Fort Wayne Councilman Mitch Harper
Indianapolis Councilman Ryan Vaughn
Elkhart County Council President John Letherman

Freshman legislative class of note

Rep. Mary Ann Sullivan
Rep. Ed DeLaney
Rep. Wes Culver
Sen. Greg Taylor
Sen. Randy Head

Candidate Watch List

Dan Dumezich, U.S. Senate Republican
Todd Young, 9th CD Republican
Luke Messer, 9th CD Republican
Melina Kennedy, Indianapolis mayor
Joe Hogsett, Indianapolis mayor
Brose McVey, 5th CD Republican
Dr. John McGoff, 5th CD Republican

Rear View Mirror

Jill Long Thompson
Mike Sodrel
Jim Schellinger
Barry Welsh
Michael Montagano

Publisher's Perogative:

Michael Davis, Gauge Market Research
Holly Davis, Gauge Market Research
Jack Colwell Morton J. Marcus
A. Walker Shaw Chuck Schisla
Mark Schoeff Jr. Patrick Musgrave
Linda Jones Ryan Nees
Lisa Kobe Cam Carter
Chris Sautter David Galvin
Shaw Friedman Peter J. Rusthoven
Beverly Phillips Mark Curry
Jack E. Howey Lou Gehrig ❖



It's the perfect time for government reform

By JACK COLWELL

SOUTH BEND - Now is the time for the Indiana General Assembly to streamline and strengthen county government and abolish the antiquated system of township government.

It's the perfect time.

With the state facing dwindling revenue amid national recession, legislators won't need to spend hours debating costly new programs and spending proposals. They need, of course, to pass a slimmed-down state budget that should still include some infrastructure spending to create jobs and spur the sputtering economy and education spending aimed at reducing the deplorable drop-out rate.

But they shouldn't just sit around complaining about lack of funding to do much of anything else.

They should do something other than pass a budget and adjourn. They should do things that don't cost a lot but could be of real value in these tough times. Streamlining county government and doing away with the 1,008 townships - an unneeded, outmoded and costly layer of inefficient bureaucracy - wouldn't cost anything. It would save money.

Another reason why this is a perfect time is the political situation. Gov. Mitch Daniels, a Republican who cannot run again for governor because of the two-term limit, can push now for this without appearing to be aiming at his re-election. He is pushing hard for these governmental changes.

The Indiana General Assembly is politically split. While this might seem to diminish chances for effective, equitable governmental reform, it is one of the reasons that now is the perfect time.

Too often we see "reform" passed for partisan purposes, especially in election years. But here is a situation in which the governor's proposals must win support in the Democratic-controlled House as well as in the Republican-controlled Senate. It must be bipartisan.

The governor cannot push through something aimed at punishing Democratic-tending cities and counties. His recent harsh criticism of South Bend and St. Joseph

County in a WNDU-TV interview raised fear of this.

But even if the governor wanted to be vindictive - and there is no sign that his restructuring proposal is aimed at hurting any area - a Democratic House, with Speaker Pat Bauer, D-South Bend, could stop any such shenanigans.

Bauer and the governor have shown they can work together. They can again.

Also, the proposal is based on recommendations of a commission headed by Indiana Supreme Court Justice Randall Shepard and former Gov. Joe Kernan of South Bend. The commission took a nonpartisan look and recommended eliminating townships and taking numerous county offices off the ballot, eliminating elective offices now held by big bunches of both Republicans and Democrats.

A key proposal would provide for one elected county executive to replace the three-person board of county commissioners. As the governor noted, we don't elect three presidents or three mayors and businesses don't operate with three chief executive officers. Russia found that a troika doesn't work. It doesn't work well with county government either.

Through constitutional change, the county offices of assessor, treasurer, recorder, surveyor and coroner would be taken off the ballot. They would be appointed by the county executive, the way a president appoints members of a cabinet.

Most voters don't know these officials (can you name those officials in your county?) and often can't fix blame when it's not clear which official really is responsible for something like late tax bills. Put the authority with the county executive, who then can be blamed or retained at election time.

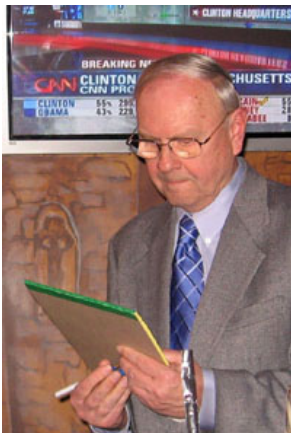
The governor has made a sensible compromise in saying the sheriff, clerk and auditor should still be elected.

He also compromised in calling for the combination school districts with fewer than 1,000 students. The commission put the minimum size at 2,000.

Moving municipal elections from odd-numbered years to even years when most other elections are held is one proposal that could be eliminated. The move was cited as saving money. But the cost is worth it to allow voters to concentrate on the city elections. Having voters pick city officials at a time such as during an outpouring for a presidential election could bring unfortunate decisions by folks not knowing or caring much about the city candidates listed way down on the ballot.

Most of the other changes should be approved. Now is the perfect time. ❖

Colwell has covered Indiana politics for more than five decades for the South Bend Tribune.





Chrysler doomed says analysts

DERTOIT - Even by the standards of battered automakers, Chrysler is in dire shape (**Associated Press**). Its sales in December were down a stunning 53 percent, far worse than Ford's or General Motors', and analysts say it probably won't survive the year as an independent company – despite \$4 billion in government loans and the possibility of more. Things were so bad last year that a single Toyota model, the Camry/Solara midsize car, outsold the entire fleet of Chrysler LLC's passenger cars. "Basically they're done," said Aaron Bragman, an auto analyst with the consulting company IHS Global Insight in Troy, Mich. "There is no real possibility of turning this thing around as an independent company in my opinion." Jonathan Macey, a Yale University law professor who has been critical of U.S. automakers' management, said Chrysler's sales numbers are "further evidence of an unviable entity."



Bauer, Bosma set tone for session

INDIANAPOLIS - The Indiana House reconvened Wednesday to start the 2009 legislative period, and House Speaker B. Patrick Bauer, D-South Bend, opened by discussing the difficult days ahead. "People in Indiana knew they were in a recession because their friends and neighbors lost their jobs," Bauer said (Sheilds, **HPI/Franklin**). "It's not only raining in Indiana; it's a downpour." Bauer laid out the principles Democrats, who are in the majority, will defend.

"Hoosiers first" is at the top of that list, Bauer said. Bauer spoke about his summer travels across Indiana. He heard stories about Ohio workers doing jobs in Indiana, he said. Bauer stressed the importance of keeping jobs in Indiana rather than seeking employees from other states. Bauer spoke about 80,000 jobs lost across the state, more and more people without welfare or food and more Hoosiers filing for Medicaid. Minority leader Brian Bosma, R-Indianapolis, then addressed the House about his plans. The Republican caucus has three main plans about what to accomplish this session: taxpayer protection, job creation and education reform. Bosma made a strong point about one way the budget cannot be changed. "Under no circumstances can we raise taxes... this session," Bosma said.

Long unsure extent of economic crisis

INDIANAPOLIS - Senate President David Long, R-Fort Wayne, said it's unclear how bad the economic woes will become before recovery begins. "We don't have a crystal ball; but we do know that we haven't seen a financial situation like this in decades, if since the Great Depression," said Long (**Evansville Courier & Press**).

IU slices budget

BLOOMINGTON - Indiana University President Michael A. McRobbie ordered budget cuts at each IU campus Wednesday through the end of the current fiscal year to offset a \$4.9 million reduction in state funds to the university (**Associated Press**). McRobbie said the cuts were prompted by notification from the State Budget Agency that operating funds to the university were being reduced by 1 percent. He said they should be considered one-time cuts, although university administrators should be prepared for possible further cuts in the

2009-10 fiscal year. In the meantime, he said, "You should consider delays in administrative hiring and reductions in equipment, supplies and travel, along with other operational reductions that will generate cash savings."

Chrysler doomed says analysts

BLOOMINGTON - A new poll suggests the public might sympathize more with the district's counterarguments: that it has small classes and tight relationships, a longstanding athletic tradition and a barebones administration (**Indianapolis Star**). The statewide poll by Indiana University found weak support at best for Daniels' proposal. Two-thirds of Hoosiers polled said they would oppose such changes to their school district. Fifty percent thought consolidation would expand learning opportunities for students, 49 percent thought it would save tax dollars, and 45 percent thought it would boost test scores. "Terry Spradlin, one of the IU researchers who conducted the poll, said the entrenched connections in schools such as Eminence put the burden on Daniels and other consolidation advocates to make their case.

Burke files brief

TERRE HAUTE - The rhetoric is heating up in the court battle for the Terre Haute mayor's office (**Terre Haute Tribune-Star**). On Wednesday, lawyers for former Mayor Kevin Burke filed a legal response to Mayor Duke Bennett's Dec. 15 request that the Indiana Supreme Court take the case. The brief argues that Bennett was covered by the Hatch Act when he ran for mayor in 2007 and was therefore disqualified from taking office. The brief also states Burke should be named mayor and rejects Bennett's argument that Indiana should adopt its own standards for Hatch Act violations. ❖