



Freshman hopeful, but no compromise

Prefer cut, cap & balance; willing to let ceiling expire

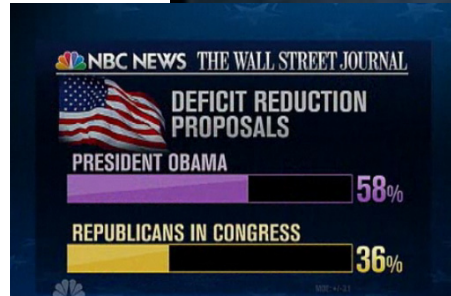
By **MARK SCHOEFF JR.**

WASHINGTON - With 12 days remaining before the United States will go into default on its massive loan obligations, freshmen Hoosier Republicans in the House hold out some hope that a compromise can be reached between the congressional GOP and the Obama administration to raise the debt ceiling.

Their preferred method for boosting the \$14.3 trillion debt limit is the so-call cut, cap and balance bill that passed the House 234-190 on Tuesday night. But Senate Democrats say that measure has no chance on the other side of Capitol and President Barack Obama has said he will veto it.

"I'm not saying 'no' to anything else," Rep. Todd Rokita, R-4th CD, said in an HPI interview on Wednesday. "We still have a little time to be bold and creative."

Rokita and his GOP freshmen colleagues, however, are showing little inclination to compromise with Democrats, all but five of whom in the House opposed cut, cap



U.S. Rep. Todd Rokita told ABC's Topline that he is representing his children and grandchildren and not his current district constituency on the debt crisis.

and balance.

The bill would reduce the federal budget by \$30.38

Continued on page 3

Inside the game of chicken

By **MARK SOUDER**

FORT WAYNE - All this battling back and forth about the debt limit has been confusing. Fortunately some of my friends have leaked me some notes of plausible internal discussions.



President Obama was stunned when advisers demonstrated that to balance the budget without touching entitlement spending, all discretionary spending would have to be eliminated (2010 discretionary spending was \$1.375 trillion while the debt was \$1.5 trillion). Revenue was \$2.118 trillion whereas entitlement spending was



"This legislation would create a framework that could lead to severe cuts in Social Security, Medicare and other programs that assist the least among us."

- U.S. Rep. Joe Donnelly on cut, cap & balance



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\$2.034 trillion and interest on the debt was \$209 billion. The President mused that it probably wouldn't work to eliminate interest payments that go to rich people, and was quickly told the paperwork task would be immense. "But that's more jobs, right?" he asked before dropping the idea.

Given that entitlement

reform is thus essential, the President asked for options. Minority Leader Nancy Pelosi and Senate Majority Leader Harry Reid made it clear that there could be no perceived reductions to Medicare or seniors programs because they intended to use the issue in the 2012 elections. "Mr. President," they firmly declared, "we are about politics, not policy."

Some suggested that raising the retirement age would help. Enthusiasm abounded. Then someone pointed out that life expectancy was increasing at an even more rapid pace, more than wiping out any gains from raising the retirement age. There was limited enthusiasm for eliminating the National Institute of Health, though it offered clear opportunities for life reductions "down the road." If they went ahead with this strategy of lowering life expectancy, the President leaned toward bringing back smoking.

There was also some discussion about trying to reverse the actuarial tables on Social Security by promoting births. It was suggested that perhaps Planned Parenthood would initiate a new "Why Stop at 6" campaign if given enough government money. But the President challenged this: "Wouldn't that increase spending since the government is taking over education, child care, and providing for age appropriate toys?"

The meeting ended with Pelosi and Reid once again reminding everyone that Democrats were not elected to balance budgets. "People call us tax and spend liberals for a reason," they pointed out.

Over on the Republican side, many in the excitable ideological group

felt the showdown offered the party a terrific opportunity. "A default on the debt limit wouldn't impact any of our supporters," a few of the economically challenged Members claimed, citing some talk radio sources. "Doesn't China own our bonds anyway?" they said enthusiastically.

When it was pointed out that most investment dollars are now retirement savings since China sold off early, it didn't seem to matter much since Glenn Beck hadn't said it. Nor did the fact that a default would likely increase interest payments on the existing debt in order to sell the bonds, which also would increase all interest rates competing for scarce dollars. That assumes the bonds could even be sold now that they weren't the "gold standard" investment they had always been. The Republican leadership soon regretted having brought up the word "gold."

When Paul Ryan pointed out that it could not be done without tackling the retirement issues, including Medicare, he was immediately challenged. Ideas poured out with some claiming that cutting all Congressional earmarks would save \$16 billion, eliminating all foreign aid some more billions, and if we legalized and taxed marijuana, that should take care of it. Ryan's point that the challenge was trillions not billions was lost. Ryan was encouraged to keep talking about Medicare reform, but the rest would first see how well he was received. "Profiles in Courage" was written by a Kennedy Democrat someone pointed out.

So here we are. The Democrats realize that MediScare is a winning issue. The House Republicans, having backed down twice on government shutdowns already this year when their supporters were most fired up, now have chosen to fight on an issue where playing chicken – all alone, the Senate Republicans already clucked – has potential serious consequences ranging from terrible to disastrous. If you're playing a game



of bluff without key cards and thus are dependent upon the other person backing down, you give yourself some room. Or prove your toughness on something that doesn't require death to one side. If you're Ronald Reagan, you go after Grenada not Russia directly.

I was one who voted against debt ceiling expansions, except when I voted for them. This historic, bipartisan rule is logical: if your party controls all three relevant parts, and you did not control spending enough to avoid needing a higher credit card limit, then it is your responsibility to suck it up and pass the new debt limit. It is actually quite admirable compared to most dodging and ducking.

The rule also generally applies when one party controls two-thirds of the process. It is up to the President and the Senate Democrats to get it done, especially since the Senate Republicans seem willing to let it pass. All Speaker Boehner needs to do is allow the rule to pass by letting enough moderate Republicans join the Democrats to vote for the rule and the bill. (Since a "rule" vote is generally considered a "party line requirement" it would require a

leadership "pass.")

Since conservatives know that the entitlement shortfall is only going to magnify as baby boomers retire, there is a general consensus that this may be the only place where a last ditch stand can be made. Appropriations bills don't impact entitlements. The Democrat Senate isn't going to pass any budget resolution that controls entitlements. So it is here or nowhere for those who feel reform is essential to our economy. In other words, if Speaker Boehner lets it slip through with a wink and a nod, it may soon be Speaker Cantor.

But there is this stubborn fact: the Democrats control two-thirds of the process. The Republican position is claiming 11% support in the polls, so it doesn't exactly have the Democrats shaking in fear. Simply put, the debt limit will be raised either by Speaker Boehner blinking or the President acting unilaterally. We know the end, just not exactly how we are going to get there. ❖

Souder is a former Republican member of Congress.

Debt ceiling, from page 1

billion in fiscal year 2012, cap total spending at 19.9 percent of the U.S. economy by 2021 and send a balanced budget amendment to the states for ratification.

"Cut, cap and balance was the concession. We gave a very clear road of how Mr. Obama can get his extra \$2.5 trillion," Rokita said, referring to the amount by which Obama wants to raise the debt ceiling.

Democrats counter that the bill will hurt vulnerable groups.

"This legislation would create a framework that could lead to severe cuts to Social Security, Medicare and other programs that assist the least among us while continuing to provide tax breaks for millionaires and companies that ship jobs overseas," Rep. Joe Donnelly, D-2nd CD, said in a statement.

The measure embodies what the House GOP freshmen say is their goal – substantial spending cuts and fundamental reform of the budget process.

"I'm looking for multi-trillion-dollar spending cuts," Rep. Todd Young, R-9th CD, said in an HPI interview on Wednesday. "I'd also like to see some

structural mechanisms put in place, whether it be a balanced budget amendment or caps on spending. We still have a universe of different possibilities in terms of what the negotiation is going to look like."

But giving Obama the power to raise the debt ceiling without what they believe are appropriate spending cuts is something the House GOP members can't accept.

"I would have to be 'no' right now," Young said, referring to whether he would vote to increase the debt limit.

Failure to boost the ceiling, however, could result in global economic turmoil and sharply increase U.S. interest rates, according to experts.

It creates a risky situation for Republicans, if they are perceived as being the impediment to a debt-ceiling agreement.

"It's wise for us not to discuss in a cavalier way the possibility we might default," Young said. "But that said, I think each of us who is demanding substantial spending concessions need to be prepared to walk away, otherwise we have no leverage at the negotiating table. And this is the one pressure point that conservatives have in the Congress to get the sort of spending concessions that the American people asked for last November."

One of Young's GOP colleagues in northern



U.S. Rep. Joe Donnelly saw cut, cap and balance as the "framework" for severe cuts in Social Security and Medicare. (HPI Photo by A. Walker Shaw)



Indiana, however, is ready to let the debt-limit deadline pass without raising the ceiling because he's not convinced that economic catastrophe would occur.

Rep. Marlin Stutzman, R-3rd CD, drew an analogy to his experience running a small business, Stutzman Farms in Lagrange, an operation encompassing 4,000 acres and generating \$2.5 million in annual revenue.

"I don't think we have to go into default," Stutzman said Wednesday in an HPI interview. "I never went into default. I never filed bankruptcy because we prioritized our debt. We worked with our creditors and found ways to work through (a) cash flow statement that was very, very difficult."

Rokita also is prepared to let the debt-limit deadline pass.

"Without permanent and structural reforms, I'm not inclined to raise the debt ceiling because that just (produces) an extra \$2.5 trillion my kids have to pay for," Rokita said.

The Hoosier GOP freshmen are lukewarm toward alternatives to the cut-cap-balance.

They're not ruling out nor are they embracing a plan by Senate

Minority Leader Mitch McConnell, R-Ky., to increase the debt ceiling in increments and establish a deficit-reduction procedure similar to the military-base-closing process.

They also express some support for elements of the Senate Gang of Six plan unveiled this week that would reduce the deficit by \$3.7 trillion over 10 years. It also contains a tax reform proposal designed to generate at least \$1 trillion in additional revenue.

Raising taxes is anathema to the House freshmen. They and their colleagues forced Speaker of the House John Boehner to back out of negotiations over a \$4 trillion deficit reduction because of fears that Obama would demand tax increases.

Nonetheless, there may be a little wiggle room in the GOP approach to taxes, especially when it comes to removing special deductions.

"If you raise rates, that's a tax increase," Stutzman said. "I don't necessarily agree that eliminating a tax credit is a tax increase."

Young said, "The elimination of deductions paired

with a reduction in rates would not be a tax increase."

The GOP freshmen all expressed frustration with what they characterized as bad-faith bargaining by Obama and Senate Democrats. Those two groups, they assert, have not put forward any deficit reduction plan, while the House passed cut-cap-and-balance in addition to a budget resolution earlier this year that would cut spending by \$5.8 trillion and restructure entitlement programs.

None of the freshmen expressed concern about recent polls showing that Americans would blame the GOP more than Obama for a debt default.

"The president owns the economy," Rokita said. "Todd Rokita in the fourth district doesn't own the economy. The president has much more to lose politically by not going down one of these paths (cut-cap-balance, House budget resolution) to fiscal sustainability." ❖



U.S. Reps. Todd Young and Todd Rokita at the unveiling of the Paul Ryan budget earlier this year.

Obama eyes short term deal

WASHINGTON - The contentious budget talks that have dominated Washington for months intensified Wednesday, prompting President Obama to say he would accept a short-term hike in the debt ceiling if it gave lawmakers time to finalize a comprehensive deal (Washington Post). Obama had pledged to veto any short-term measure, but White House spokesman Jay Carney said Wednesday that the president could accept an

extension of "a few days" if it allowed a long-term deficit-reduction and debt-ceiling deal to work its way through Congress.

By Wednesday evening, as House Speaker John A. Boehner (R-Ohio) and Majority Leader Eric Cantor (R-Va.) huddled with Obama at the White House, aides in both parties said a grand bargain to slice \$4 trillion out of the federal budget over the next decade was back on the table. All of those options remain in the mix. "There are multiple trains heading towards the station, and we have to decide," Carney said before Obama met with the two GOP leaders. "We need to be sure that that fail-safe option is there — even as we pursue, aggressively, the possibility of doing something bigger."

At a press conference this morning, Boehner said Congress had the "responsibility to act." He said he was keeping the "lines of communication open."

Boehner also noted that he had never voted for a tax increase. ❖



Political consequences of big votes often in a wave

By **BRIAN A. HOWEY**

INDIANAPOLIS - Since I started publishing *Howey Politics Indiana* in 1994, there have been a number of defining votes in Congress where the consequences could be expected, though the direction was unknown. The Iraq War resolution and the Affordable Care Act are recent ones that resulted in a demonstrable impact on future elections.



The vote on "Obamacare" came about six months before the 2010 general election and we watched U.S. Rep. Baron Hill lose a reelection bid by 14 percent and U.S. Rep. Joe Donnelly barely escape with a 2,500 vote plurality. U.S. Rep. Brad Ellsworth also voted for the bill and he subsequently lost his U.S. Senate race to Dan Coats. The Iraq War vote in October 2002 had a longer gestation term. With the counter-insurgency going badly, it took four years before John

Hostettler, Mike Sodrel and Chris Chocola were swept from office in an anti-George W. Bush backlash in 2006, though none of them actually voted for the resolution (Chocola and Sodrel were candidates for Congress in 2002 backing the resolution, while Hostettler was a rare Republican who voted against it).

In 1994, the U.S. House passed by a 216-214 vote the Violent Crime Control and Law Enforcement Act of 1994 (more commonly known as the "assault weapons ban"). Democrat U.S. Reps. Frank McCloskey and Lee Hamilton voted against the measure, reflecting the Southern Indiana gun culture, and retiring Democratic Rep. Phil Sharp voted for it. But the issue fueled the Republican tsunami that washed out McCloskey, nearly defeated Hamilton, while Sharp's district was won by Republican David McIntosh. Rep. Jill Long didn't cast a vote on the bill, but she lost to Republican Mark Souder. The ban invigorated the Republican base while embarrassed Democrats stayed home.

The lesson here as Congress wallows and wails toward a solution to the debt ceiling showdown?

The national dynamic it fuels may determine the fate of those casting votes more than the actual votes they cast.

Two national polls this week reflect what could be a fun house of mirrors for Members who must weigh in. According to a Tuesday NBC/Wall Street Journal Poll, strong majorities of Democrats and independents want Congress

to compromise. Nearly 60 percent (58-36 percent) favor the plan of President Obama to lower the deficit by \$4 trillion with spending cuts, raising taxes on the wealthy and reducing some Medicare spending. By comparison, only about a third of respondents prefer the House Republican proposal to reduce the deficit by \$2.5 trillion over 10 years through cutting spending alone and not raising additional revenues. Fifty-five percent of all respondents, including 63 percent of Democrats, 59 percent of independents and 47 percent of Republicans, believe that not raising the ceiling would be problematic. That's compared with just 18 percent who say it wouldn't be a real and serious problem. But that number jumps up to 33 percent among self-identified Tea Party supporters.

This is a dilemma for Republicans in competitive districts, like U.S. Rep. Larry Bucshon's 8th CD. He will need his base, but will also want to attract independent voters.

Americans blame both President Obama and congressional Republicans for the stalemated debt negotiations, but the public sees GOP leaders as particularly intransigent, according to a new Washington Post-ABC News poll. Fifty-eight percent of Republicans say their leaders are



Joe Donnelly defeated U.S. Rep. Chris Chocola in a 2006 rematch. The upset was fueled in part by the Iraq War. (HPI Photo by Brian A. Howey)

not doing enough to strike a deal, up from 42 percent in March. Nearly six in 10 of all those polled say the President has not been open enough to compromise. Among independents, 79 percent say Republicans aren't willing enough to make a deal, while 62 percent say that of Obama.

A majority in the ABC/Washington Post Poll -- 62 percent -- say deficit reduction should be accomplished with a combination of spending cuts and tax increases. Sixty-four percent of independents share that view. A minority



of Republicans – 46 percent - believe in that approach. A minority of the public – 32 percent - say deficit reduction should be done with just spending cuts. Fifty percent of Republicans support this approach.

What sacrifices are the public willing to make?

According to the ABC/Washington Post Poll, 72 percent backs higher taxes on those who earn \$250,000 a year or more; 66 percent would raise the income level subject to Social Security taxes; 64 percent favor raising taxes on hedge fund managers from the current 15%; 61 percent would raise Medicare premiums for better-off retirees; 59 percent support higher taxes on oil and gas companies; 46 percent favor raising the age of eligibility for Medicare health insurance from 65 to 67; 42 percent favor slowing the rate of growth in Social Security benefits; 43 percent support cutting military spending; and 26 percent support cutting Medicaid spending.

Democratic pollster Peter D. Hart, who conducted the NBC/WSJ survey with Republican pollster Bill McInturff, says the public's message can be summed up in one phrase: "Compromise and get it done."

"The public feels like this is a real problem that needs a real solution," Hart explains. "And they want compromise by both parties." But there's one hurdle to this compromise: A majority of Republicans – and nearly two-thirds of Tea Party supporters – want GOP leaders to hold their ground.

"You are watching opinion shift as people are learning more about the debate," said McInturff.

Where does this pundit think the real political danger lies?

Well, if you're one of the freshman Republicans, a vote for the debt ceiling might ensure a primary challenge, and there's plenty of time for such a campaign to take shape. For a freshman member, a credible primary challenge might be survivable, but the lack of security in such a scenario is an angst maker.

If the economy tanks – and because a debt ceiling has never been rejected – this is new territory and in my opinion, a potential wave maker, even as far off as November 2012. The risk for Republicans here is that it could unshackle President Obama from ownership of this economy if it were to go into some type of dramatic tailspin within the next quarter and blame fixated on failure to raise

the ceiling.

And it was summed up when U.S. Rep. Michele Bachmann – a surging presidential contender – was asked during a television interview last week whether she thought higher unemployment would increase her chances of winning the presidency. "I hope so," Bachmann replied.

As Washington Post columnist Dana Millbank noted: Now she's putting that theory to the test. "This is a misnomer that I believe that the President and the Treasury secretary have been trying to pass off on the American people, and it's this: that if Congress fails to raise the debt ceiling by \$2.5 trillion, that somehow the United States will go into default and we will lose the full faith and credit of the United States. That is simply not true."

We've seen U.S. Rep. Todd Rokita and Indiana Treasurer Richard Mourdock align with this type of thinking. Sen. Dick Lugar sees great peril in not doing so. "It

will be important to raise the debt ceiling because failure to do so would be catastrophic to the ability of this country to borrow money, to have an active bond market," Lugar told Roll Call. Rokita resides in a safe Republican district, but a vote against a rise in the debt ceiling followed by an economic crisis could induce a primary fight. The issue could be a defining one in the Mourdock/Lugar showdown, but at this point it's impossible to say how it will play out.

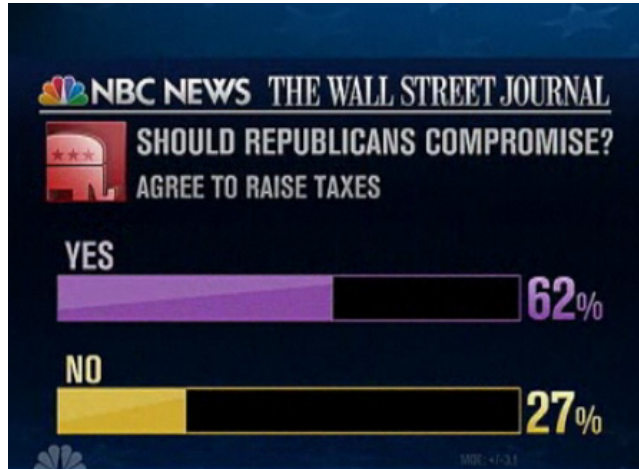
What if Bachmann and Mourdock are right? A failure to raise the ceiling followed by ... nothing ... might actually bolster their bids.

This has been a week of memorable quotes, from the slippery and smooth Obama telling House Majority Leader Eric Cantor, "Eric, don't call my bluff," to Federal Reserve Chairman Ben Bernanke warning of a "huge financial calamity" (I've never seen a little calamity). When Aug. 3 rolls around with no new debt ceiling, "Fairly soon after that date," Bernanke said, "there would have to be significant cuts in Social Security, Medicare, military pay or some combination of those in order to avoid borrowing more money."

And we have Senate Minority Leader Mitch McConnell warning of the Republican "brand" facing destruction.

How will this all play out?

The individual stances and votes are fascinating (and they are pissing regular folks off as they worry about jobs and the economy). But the real red menace may be a red tide rising in either May or November 2012. ❖





Wallace calls Pence ‘a polarizing figure’

By **BRIAN A. HOWEY**

INDIANAPOLIS - For Republican gubernatorial candidate Jim Wallace, the 2012 election should be about jobs and not social issues.

His coming contrast with U.S. Rep. Mike Pence - the GOP frontrunner to date - will be jobs versus the social issues that has been the cornerstone of Pence's public career. "I want to offer voters a real choice with a real plan and real issues," Wallace said on Tuesday, suggesting that he will soon surface to contrast Pence.

The Pence campaign declined to comment on Wallace's assertions. But the Pence campaign announced the hiring recently of Chris Atkins as its policy director.

Wallace is a West Point graduate, an Army combat helicopter pilot, and a graduate of the Harvard Business School. The former Fishers and Hamilton County Councilman has been head of strategy at Anthem, chief of staff at Conesco, and is founder, president and CEO of TWG Capital, Inc., in Indianapolis. He was director of management services under Indianapolis Mayor Stephen Goldsmith, served under Mitch Daniels on the Indianapolis SELTIC Commission (Daniels chaired the commission).

He has identified \$6 billion in state spending that is outside of education and not mandated by state or federal constitutions.

And he has spent much of the past year looking at individual communities and identifying key infrastructure improvements that can mean the difference between 1,000 jobs or tens of thousands of jobs. An expansion of the

Greensburg Airport runway could have turned 1,000 Honda jobs into "several thousand" with greater freight capacity there.

A spur line from the Gary-Chicago airport to the South Shore Passenger Service could draw regional airline gates, becoming the quickest air/road link to the Chicago loop and instead of serving 800,000 people could expand to serve 8 million. Indiana is the fifth biggest U.S. port state "and we're not even on a coastline."

"We are 40 percent closer to the Gulf of Mexico and we're situated to be a multi-model state," Wallace said,

pointing to the Port of Mount Vernon that could connect to the new I-69 to become a key terminus to the Gulf of Mexico. Wallace advocates taking \$500 million in state spending and availing it to local communities to make key infrastructure improvements that will translate into jobs and elevated income.

"Indiana has more superlatives and assets than Silicon

Valley did before it became what it is," Wallace said, pointing to the research universities of Indiana, Purdue, Notre Dame, IUPUI and Ball State along with the engineering at Rose-Hulman. "We haven't created any incentives and tax protection to keep these graduates here. The reason we're not as involved as Austin or the North Carolina Research Triangle is we haven't asked. We haven't gone the next step to be the ambassador."

Wallace is taking a campaign page out of the Mitch Daniels playbook, using last year and this to crisscross the state to meet with Republican voters. He uses a Humvee - made in Mishawaka to travel many of the same small communities that Daniels did in 2003 and 2004. And Wallace notes that he has similar name ID at this point compared to Daniels. The difference is that



Republican gubernatorial candidate Jim Wallace talks about his campaign at Howey Politics Indiana on Wednesday. (HPI Photo)

Wallace Campaign File

Headquarters: Fishers and Elwood

Campaign Manager: Jeff Howe

Website: wallaceforgovernor.com

Pollster: American Viewpoint

Media: Englehart Group, Blair Englehart

Fundraising: Ron Arnold



Daniels was well-known in Republican circles with his party roots stretching back to Dick Lugar and Keith Bulen.

The critical question for Wallace is a simple one: How does he beat Mike Pence in a Republican primary?

While Pence looks like a robust frontrunner, and out-raised Wallace \$1.6 million to \$900,000 by the end of June, Wallace says that a series of American Viewpoint polling beginning in February reveals critical chinks in Pence's political armor. Polling shows that the issues of fiscal prudence and job growth overwhelm social issues such as abortion and gay marriage. Wallace explained, "81 percent of Republican primary voters don't like Mike's priorities. They are more concerned about moving up the economic ladder than sliding down the banister of social issues." He also maintains that while Pence has 77 percent name ID in the 6th CD, he is in "single digits" in Northern Indiana.

He said that there is concern within the Statehouse and in some parts of the Republican Party that Pence spends too much time talking about divisive social issues on issues such as abortion and gay marriage. "Mike is a polarizing figure," Wallace said.

In a raw "head-to-head" American Viewpoint numbers, Pence had a 51-20 percent lead over Wallace. After push questions, "Mike lost 20 percent," Wallace said, "and three-quarters came to us. And you can buy name ID."

He notes that "81.5 percent" of GOP voters "do not feel the same sense of priorities that Mike does. Most want to chase the American dream than the theocracy that Mike proposes."

He points to an Indiana divorce rate in the 50 percent range and notes that "three-quarters of Hoosiers have been touched by divorce." Many of those people, Wallace believes, do not agree with Pence on the various marriage issues that Pence has championed on Capitol Hill.

Pence has a \$700,000 money advantage at this point. Does Wallace believe he can compete?

"We have enough money now," he said. "We will be able to implement a baseline strategy. If we execute our plan, we're within the margin of error."

Wallace has also aligned himself with people who know Pence. His campaign manager, Jeff Howe, worked on early Pence congressional campaigns. Ron Arnold is a former Pence deputy chief of staff, and will head opposition research.

Pence hires Atkins as policy director

Pence made his first significant policy hire, bringing on Chris Atkins as his policy director. Atkins previously served in the administration of Gov. Mitch Daniels as general counsel and policy director in the State of Indiana's Office of Management and Budget. "I am grateful to have

someone of Chris Atkins' experience and integrity on our team," said Pence. "His knowledge of the accomplishments and progress Hoosiers have made during the Daniels Administration will be invaluable as we work to build an even better Indiana in the years ahead."

Campaign spokesman Matt Lloyd called Atkins "a big hire." Sources close to the Pence campaign noted, "We were looking for continuity. The success he's done with the budget and getting Indiana back where it needs to be is important."

At OMB, Atkins advised the Gov. Daniels and senior administration officials on tax and fiscal policy and helped to develop and implement Governor Daniels' tax and fiscal policy agenda. He was part of the leadership team that designed and implemented Governor Daniels' historic property tax reform plan that cut property taxes and capped homeowners' property taxes at 1 percent of assessed value. Atkins also helped to design and implement Governor Daniels' legislation for the automatic taxpayer refund and corporate tax reform.



ATKINS

Before joining the Daniels administration, Atkins was senior tax counsel and director of state fiscal projects at the Tax Foundation, where he specialized in analyzing federal, state and international tax policy from a legal and economic perspective. While at the Tax Foundation, Atkins testified before many tax and budget committees in state legislatures and co-authored the Tax Foundation's State Business Tax Climate Index, several amicus briefs submitted to the U.S. Supreme Court, and numerous studies on state tax reform and multi-state business tax issues. Atkins' work at the Tax Foundation received citations in numerous media sources, including the Wall Street Journal, USA Today, the Detroit News, BBC World, and State Tax Notes.

Before joining the Tax Foundation, Atkins was director of tax and fiscal policy at the American Legislative Exchange Council (ALEC), where he worked with state legislators nationwide to develop and implement fiscal policies consistent with the Jeffersonian principles of free markets and limited government.

He is an Anderson native and graduated from Wabash College in 1997 with a B.A. in economics and political science, and received a law degree and masters in public affairs from Indiana University-Bloomington in 2001. He is a member of the state bar of Indiana. ❖



Brooks enters 5th CD challenge to Burton

By **BRIAN A. HOWEY**

INDIANAPOLIS - Former U.S. Attorney Susan Brooks officially entered the 5th CD race as a Pakistani spying scandal began to engulf incumbent U.S. Rep. Dan Burton. Brooks joins former congressman David McIntosh and Dr. John McGoff on the list of challengers to Burton.

"Like many Hoosiers, I am very concerned about the direction of our country and strongly agree that solving the many challenges we face as a nation requires new ideas and new leadership," said Brooks.

She currently serves as VP and general counsel for Ivy Tech Community College, at one time overseeing statewide workforce development strategies. In 2001, President George W. Bush appointed Brooks as U.S. attorney for the Southern District of Indiana, where she served for six years and rose to a leadership advisory role with two U.S. attorneys general. In 1998-99, Brooks served as deputy mayor of Indianapolis under Stephen Goldsmith, focusing on public safety and social issues, and from 1999 to 2001 practiced law in Indianapolis with Ice Miller in the government services practice group. She has also practiced as a criminal defense attorney in state and federal courts throughout Indiana.

The campaign is co-chaired by former state senator and state GOP chair Murray Clark from Marion County and retired federal magistrate V. Sue Shields from Hamilton County. Karen Glaser, a civic volunteer from Hamilton County, will serve as campaign treasurer.

"Susan Brooks shares the conservative principles of Republican primary voters throughout this new district," said Clark. "I believe her unquestioned depth of experience and background, along with her exemplary character and integrity, will distinguish Susan as a candidate the voters of the 5th District can be very excited

about."

Brooks' entry came as the Kashmir Dispatch in Pakistan reported that two people, including Syed Ghulam Nabi Fai, a U.S. based separatist ideologue of Kashmir origin, have been charged with participating in a long-term conspiracy to act as agents of the Pakistani government in the United States without disclosing their affiliation with the Pakistani government as required by law. Burton has received campaign funds from Fai.

"I am deeply shocked by Dr. Fai's arrest," Burton told Politico. "I've known Dr. Fai for 20 years and in that time I had no inkling of his involvement with any foreign intelligence operation and had presumed our correspondence was legitimate. For as long as I've known him, Dr. Fai has been either a permanent legal resident of the United States or a citizen and as such any political contributions I may have received from Dr. Fai over the years are completely legal. However, if there is any doubt about the origin of these contributions, I will donate those funds to the Boy Scouts of America."

McGoff called on Burton to return any campaign funds.

Donnelly names campaign manager

U.S. Rep. Joe Donnelly announced today that Paul Tencher will serve as campaign manager in his race for the United States Senate. "I'm proud to have Paul joining our campaign team as we work to get government back on the side of Indiana's working families," said Donnelly. "His experienced hand and proven leadership will be instrumental to building a campaign that Hoosiers can be proud of. Paul Tencher will be an outstanding addition to our team." Tencher has managed campaigns and served as a senior aide both in government and on the campaign trail. In the Midwest, he has served as communications director for U.S. Rep. Mary Jo Kilroy (OH-15) and in the same capacity on State Representative Judy Baker's congressional race in northeast Missouri in 2008. Most recently, as coordinated campaign manager in Vermont, he engineered one of only three Democratic Gubernatorial "pick ups" in the U.S. in a difficult political environment. The organization also propelled Congressman Peter Welch and Senator Patrick Leahy to above average winning margins despite the national anti-incumbent trend.

Previously, he served as chief of staff to Rhode Island Lt. Governor Elizabeth Roberts and successfully managed her campaign for the post in 2006. Roberts is the highest ranking female elected official in state history and beat a well-funded and popular Republican candidate by a 20-point margin.

U.S. Senate: Lugar responds on TV

U.S. Sen. Dick Lugar's reelection campaign kicked off a 10-day statewide TV buy, responding to a \$100,000



Former U.S. Attorney Susan Brooks entered the 5th CD race this week.



Club for Growth TV buy that FactCheck.Org has called "exaggerated."

The TV ad war, coming extremely early in this primary battle between Lugar and Indiana Treasurer Richard Mourdock, follows the revelation that Mourdock had only \$213,000 cash on hand and an anemic second quarter FEC report showed he raised just \$300,000.

"For 35 years, I've battled for balanced budgets and less government," Lugar says in the ad, over b-roll of him walking with and sitting next to President Ronald Reagan in the White House. Lugar says President Obama "needs to understand that for jobs to grow, business must expect to make a profit. Instead, he keeps pushing for taxes and regulation. He's just wrong. And I hope you'll agree that a veteran, fighting alongside our new recruits, will help."

The final line was in reference to Indiana congressional Republican freshmen who are backing the "cut, cap and balance" legislation that passed the House but is doomed in the Senate.

Jennifer Duffy, who analyzes Senate races for the nonpartisan Cook Political Report, told the Indianapolis Star that the ad should stop any inside-the-beltway-type hand-wringing that Lugar is a relic who isn't prepared for a hard-fought campaign. "I'm not saying this means he wins," Duffy said. "But the campaign that needs to be there looks like it will be there."

In an interview with Roll Call on July 14, Lugar only once acknowledged that his race will be a "struggle." He described supporters approaching him at airports, including Transportation Security Administration agents, offering their words of encouragement more often than he has seen in years.

"There's a degree of interest that I've not seen before, and I think it's probably impelled by their sense that this is a real struggle and they want to make certain that I know they're on my side," Lugar said.

"Murdock has a lot of brawn, but no brain," said one Mourdock supporter, who declined to speak on the record. "And you've got Lugar, and this is not his first time at the rodeo, and he's smart enough to know it's not all about hard work."

There's a groundswell of hatred among hard-core Republicans for Lugar. What remains to be seen, however, is if Mourdock is well-enough equipped to take him out. Mourdock's fundraising is anemic. He raised only \$300,000

during the past three months, one-third of what Lugar brought in during the same time period.

Roll Call reported that Mourdock has met with many national conservative organizations that play in primaries, including the Tea Party Express, FreedomWorks, Club for Growth and Citizens United. None of these groups has backed Mourdock yet or shown as much interest in the Indiana Senate race as they have in Sen. Hatch's contest until recently.

The group might not be rushing to back Mourdock after he faltered in his first meeting with members in late February, according to two Republicans

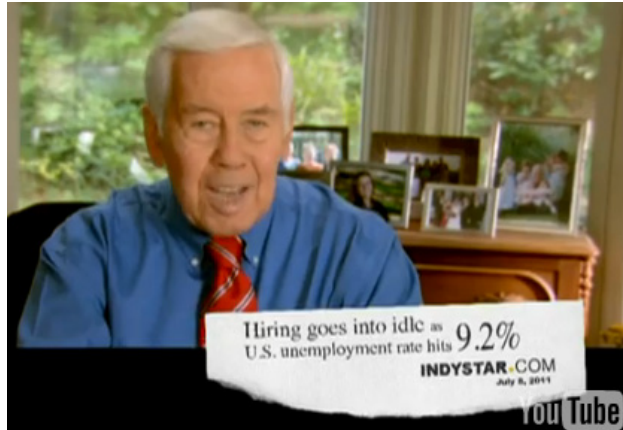
with knowledge of the event. As Club for Growth members peppered him with questions, Mourdock was caught off-guard, became defensive and raised his voice.

"Murdock was either unprepared for the issues that the club cared about most or unwilling to see the world as they see it," one of the Republican sources said. "They wanted so badly to support Mourdock, but he gave them every reason not to." In an effort to make amends with the Club, Mourdock requested a second meeting in early May that sources said was more productive.

Club for Growth exaggerates when it claims Lugar voted to bail out New York City "back in the 1970s" at a cost of \$9.4 billion (FactCheck.org). Lugar was mayor of Indianapolis when Congress passed the 1975 New York City bailout. He did vote for a 1978 bill that provided the city with \$1.65 billion in federal loan guarantees, but it cost federal taxpayers nothing.

The main point of the ad is also exaggerated. It implies that Lugar's votes for the bailouts of Wall Street, car companies and two federal mortgage agencies have added more to the national debt than is actually the case. The ad says Lugar voted for "the Wall Street bailout, the car company bailout, the Fannie Mae and Freddie Mac bailout." That's all correct (although we will have more to say about that later). The announcer goes on to say that "back in the 1970s, he even voted to bail out New York City." The ad displays text on the screen that reads: "Lugar voted for: New York City bailout. \$9.4 billion." That is not true.

When asked about the New York City bailout, Club for Growth cited Lugar's vote for the New York City Loan Guarantee Act, which President Jimmy Carter signed into law in 1978. It's true that Lugar voted for that bill, along with 57 other senators on the final vote. It provided New York City with a federal loan guarantee, allowing the city





to obtain lower interest rates on bonds and loans, because the federal government guaranteed it would assume liability if the city defaulted. The law guaranteed up to \$1.65 billion, if the city defaulted on its loans.

Mourdock is traveling the state this week, talking to voters and news editors about the looming deadline to raise the nation's \$14.3 trillion debt ceiling (Hayden, CHNI). Mourdock is against pushing up the limit on the amount of money the federal government can borrow to meet its obligations, and he said he's finding an attentive audience, especially from Tea Party supporters, at grass-roots events where he's campaigning in the sweltering heat. "I can tell you from people I meet at county fairs, they're paying attention (to the debt-ceiling debate) like they haven't paid attention since the 'Obama-care' vote," said Mourdock.

"It will be important to raise the debt ceiling because failure to do so would be catastrophic to the ability of this country to borrow money, to have an active bond market," Lugar told Roll Call. "I believe we would have repercussions in the stock market that would be very severe."

Mourdock doesn't agree, CHNI reported. He's convinced that raising the debt ceiling will result in its own severe consequences, dragging the nation deeper and deeper into debt. He's an avid supporter of the so-called "Cap, Cut, and Balance" bill that would mandate a balanced federal budget.

Just how much traction either Lugar or Mourdock will gain or lose over the issue is difficult to predict. Mourdock has lagged behind Lugar in fundraising. The writer of the Roll Call article, which profiled Lugar, said a vote on raising the debt ceiling may be the six-term senator's "greatest legislative test." That's because his vote will be closely followed by Mourdock supporters who hope their candidate can topple Lugar in next May's primary.

Meanwhile, Mourdock has hired five regional field coordinators who will manage grassroots activities. "I am delighted 10 months out before the 2012 primary that we have area directors in place who will be managing and coordinating the grassroots efforts of our campaign," said Mourdock. "We know that this election will be about reaching Hoosier voters where it matters most in their individual communities and neighborhoods. Our campaign is and will be a true grassroots campaign, and I am grateful that our field staff has agreed to play a key role in those efforts."

The field directors for the campaign are: Northwest Indiana, Suzy Barnhart of Lake County, who most recently served as a field director for the House Republican Campaign Committee in 2010 and has been active and volunteered for multiple local campaigns over the past 10 years; Northeast Indiana, Cheryl Johnson of Elkhart County, who most recently served as a county coordinator for the Coats Senate Campaign in 2010 and has been involved with her local 4-H organization and a homeschool parent for 11

years; West Central Indiana, Lora Miller of Marion County, who has worked at the Indiana Statehouse in the past, has multiple political experiences from two statewide races, a city-council race in Indianapolis, and a mayoral campaign; East Central Indiana, Kristine Schutte of Johnson County, who has a degree in political science and international studies from St. Joseph College, is a mother of three and current president of the Parent Teacher Organization of St. Jude School; Southern Indiana, Cindy Lamar of Warrick County, who volunteered for the Evansville Rescue Mission, Habitat for Humanity, and Right to Life Committee, and has worked on five congressional campaigns in Southwestern Indiana.

8th CD: Crooks hires campaign manager

The Dave Crooks Democratic 9th CD campaign has hired Boris Medzhibovsky as its campaign manager. The Temple University graduate worked as a field director for Chicago Mayor Rahm Emanuel and has served as campaign manager for a Philadelphia City Council candidate. He has worked as a field director for the congressional campaign of Rep. Patrick Murphy, D-Pa. Crooks also announced a strong showing of support for his campaign to represent Indiana's 8th Congressional District, reporting \$115,723 in his first quarter. Support for Crooks comes overwhelmingly from Hoosiers with more than 92 percent of contributions coming from Indiana. He launched his campaign May 5. "I am proud to earn the support of so many Hoosiers for my campaign to stand up for our seniors, fight for middle class families, small business owners and create good jobs here in Indiana," he said. "This campaign is built on the firm belief that together we can restore the promise of a strong future for our state and our nation. This is an exciting first step in taking on the extreme agenda in Washington that's out of touch with our values here in Indiana, and I am thrilled by what we are building together."

9th CD: Locke joins Welch on sidelines

U.S. Rep. Todd Young has seen another potential challenger decide to sit out the 2012 cycle. Sam Locke said Monday he will not be a candidate. "While I am confident I would have run a strong and deeply principled campaign that would have resonated well with Southern Indiana voters, the timing is simply not right," said Locke, who was the unsuccessful 2010 Democratic nominee for state auditor. Earlier this month, State Rep. Peggy Welch announced she would not challenge Young, a freshman from Bloomington. Sources tell HPI that the Democratic Congressional Campaign Committee has approached State Rep. Steve Stemler about running in the 9th CD. Stemler was one of two House Democrats selected by Speaker Brian Bosma to chair a committee.



HD54: LaMar won't challenge Saunders

Henry County Councilman Nate LaMar will not challenge State Rep. Tom Saunders, as some GOP sources had speculated. Henry County Republican Chairman Todd Hiday told HPI that "Henry County is perfectly happy with our state representative and appreciate the way he has voted on our behalf." Earlier this month LaMar announced he would not enter the 6th CD race.

Indianapolis mayoral

Indianapolis Mayor Greg Ballard and Democratic challenger Melina Kennedy are initial contributors to a new University of Indianapolis education blog at HoosierEd.com.

Ballard writes, "As I speak to people around our great city, they often ask questions or share their opinions with me on the issues that matter most to them. It will not come as a surprise, but jobs, crime and education are usually among the most discussed topics. Education is critical to companies seeking a well-trained workforce. It also is a key factor to reducing crime. The importance of education to our community is why I asked to visit every high school in the city during the first school year I was in office. I have good relationships with our school superintendents and continue to dialogue with them. Many people don't know that mayors in Indiana have little official ability to effect change in our education system. A significant role we can officially play, thanks to Mayor Bart Peterson and state legislators years ago, is the mayor of Indianapolis can sponsor charter schools." Ballard said that Indianapolis "has a stellar record of overseeing charter schools. My administration has added charter schools and is increasing opportunity for the 2,000 students that were on waiting lists to attend mayor-sponsored charter schools. In 2011, Stanford University found that charter school performance in Indianapolis outpaced the traditional public schools in learning gains. We set high standards, demand results and hold accountable schools that don't measure up. It's difficult to argue with the fact that 90% of graduates from mayor-sponsored charter schools enroll in college."

Ballard also said that Indianapolis public, private and public-charter schools "are making progress."

And Ballard pledged to work with schools on the state takeover list. "After six years of failing to meet the state's minimum standards, some of our schools face the prospect of being taken over by the state," Ballard said. "At my request, the General Assembly this year passed a law giving the mayor the ability to ask the state to regain local oversight of state takeover schools as early as next year. Once the state determines which schools to take over, I will bring together Dr. Bennett, IPS Superintendent Dr. Eugene White, local community groups, education experts, parents and teachers to develop a local, community-based and

accountable management system for each school. We will present our plan to the state next year. These would not be charter schools; however I believe we can and should build a charter-like model that incorporates local leadership, partnerships with local community groups and the flexibility to make long overdue changes."

Kennedy disagreed with Ballard's general assessment. "The evidence that we need to improve our schools surrounds us, and in the past few years we have taken steps backward, not forward, in many regards," Kennedy said. "Our graduation rates are too low, and many of our children are not prepared for success when they leave our schools. Currently, several of our Indianapolis public schools face takeover by the state Department of Education based on recent performance. Education is a key to our city's future success, and schools are a reason people are attracted to a city and often a reason people leave a city. Our citywide objective must be to have the best performing schools in the nation. I have said repeatedly that over a generation, education, economic development and public safety are the same issue. Therefore, so long as we keep children and a student-centered, learning focused environment as our top priorities, our city will be successful."

Kennedy added, "Now is not the time to pass the buck or turn a blind eye. The problem doesn't belong to one individual, agency, district or neighborhood. It's our moral responsibility to work together to make sure everyone has an opportunity to succeed. For the past four years, there has been a lack of sustained leadership on education in Indianapolis. Simply put, to learn, students have to be engaged in the classroom, and to lead, a mayor has to be engaged in education."

Evansville mayoral

Republican mayoral candidate Lloyd Winnecke released a glimpse of what his administration would take on if he is elected in November (Sarkissian, Evansville Courier & Press). Winnecke released a statement that highlighted his ambitions by covering five points related to the improvement of transportation. First, he outlined plans to improve city roads and highways. "To adequately understand and prioritize road projects, we will conduct annual public hearings throughout the city to solicit feedback from the community as to which roads are in need of the greatest attention," Winnecke wrote in his statement. Winnecke also pledged that his staff would remain vigilant of road priorities through a revamped section of the city website. Also, the use of smartphone applications will be explored to convey complaints to city departments, he wrote. The proposed administration also will look at ways to pre-treat roads during winter. The last point on Winnecke's statement promised to make Evansville a stop on any future Midwest railway plans. ❖



Lugar faces a national sharkfest

By JACK COLWELL

SOUTH BEND - Just when you thought it was safe to go back in the water, with no congressional elections this year, jaws are snapping in shark-like negative TV attacks in Indiana.

The target is Sen. Richard G. Lugar, long the state's most popular political figure. Viewers say they dislike these blood-in-the-water sharkfests, but the negative attacks often work.



Spend enough to tear down even someone like Lugar, statesman image and all, and you can convince a lot of voters, maybe even a majority in a partisan primary, that Indiana needs to replace a statesman with a politician who would spend more time politicking in the state.

The TV attacks are paid for by the Club for Growth, a national conservative organization seeking to defeat Republicans it deems not sufficiently

right-wing and replace them with more doctrinaire conservatives.

There's political danger in this.

Tea party favorites, such as Lugar opponent Richard Mourdock, sometimes win a Republican primary, thanks to big national funding from conservative organizations, and then come across as too extreme to win in the fall. Christine "I Am Not a Witch" O'Donnell comes to mind. So does the way big national money helped in Nevada to defeat a traditional Republican in the primary, leaving the GOP stuck with about the only person in the state who could have lost to Harry Reid.

Indiana Democratic Chairman Dan Parker says the only person as happy as Mourdock with the Club for Growth buy might be Congressman Joe Donnelly, likely Democratic nominee for the Senate. Donnelly's best chance for election would be if Mourdock defeats Lugar. His second best would be if Mourdock so weakens Lugar in a shark-attack primary that Donnelly can upset Lugar in the fall.

As with most negative political TV, the attacks on Lugar have deception and seek to turn voters against him in the very area where he is strongest.

"Thirty-five years," the negative narrator says. "That's how long Richard Lugar's been in Washington. What's he done about our debt?"

Ignore a distinguished career without scandal and with many significant accomplishments, including making

the nation safer through destruction of nuclear weapons once pointed at us? Look only at the number of years served and the national debt?

Saying Lugar is responsible for national debt increases makes as much sense as saying he's to blame for higher gasoline prices. Both occurred while he served in the Senate.

No senator had or has power to decree a drop in debt or gas prices. Lugar actually has tried to do something about both. But presidents won't listen _ George W. Bush when Lugar urged better planning and less cost in lives and billions in Iraq; Barack Obama when Lugar now urges a sensible energy policy.

Lugar throughout his career has supported a balanced budget amendment. Every year since election to the Senate, he has been named a "Spirit of Enterprise" award winner by the U.S. Chamber of Commerce, not exactly your left-wing, deficit-loving outfit.

But the negative TV attacks cite selected Lugar votes that were aimed at preventing a second Great Depression. Then the narrator tells us: "Now with \$14 trillion in debt, Lugar will soon vote on raising our debt limit even higher."

Yes, he likely will vote to keep the nation from defaulting on its credit, with major spending cuts, too. He's not the type to say: "Let's let the economy collapse and people suffer so we can blame it on Obama."

Two of the votes cited in the sharkfest are especially interesting. Lugar is denounced for voting for the bailout of the American auto industry. Mourdock sought as state treasurer to scuttle the successful effort to save General Motors and Chrysler. They were saved and prosper, bringing economic growth and jobs to Indiana and already paying back a lot of the federal funds ahead of schedule.

"Ha," scoffs the narrator. "Back in the 1970s, he even voted to bail out New York."

Yes, in 1975, Republican President Gerald R. Ford, after driving a hard bargain, signed legislation providing loans for New York. All the loans, fees and interest that gave taxpayers a profit were paid. Yet, Lugar is blamed for this "addition" to the national debt.

Sharks have no morals. Just jaws. Same with negative TV. ❖

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



Why Obama passed over Elizabeth Warren

By **CHRIS SAUTTER**

WASHINGTON - Is Ralph Nader correct when he accuses President Obama of "throwing Elizabeth Warren overboard" to placate Republicans and the financial industry that opposed her nomination to head up the new Consumer Finance Protection Bureau?

Or was it, as some administration defenders say, a shrewd move that gets the President both a first-rate CFPB director and gives him a decent chance to reclaim Ted Kennedy's U.S. Senate seat in Massachusetts which Democrats lost to Scott Brown in a 2010 special election after Kennedy's death?

The answer is that both are right.

It is indisputable that Elizabeth Warren is the most

qualified person to head up the new Consumer Finance Protection Bureau. It was Warren's idea – a way to help avoid repeating the mistakes that drove the economy off a cliff during George W. Bush's presidency. It would not have become law without her relentless advocacy before Congress and in the media. She has spent the past year building the agency from scratch, hiring first-rate staff, and molding it consistent with



her vision.

But Warren became a lightning rod to conservatives in Congress and to the bankers and financial industry the agency will regulate. More importantly, perhaps, Warren had detractors within the administration who opposed even giving her the temporary job of setting up the agency a year ago.

Senate Republicans have made it clear they will oppose any director until changes are made to the law that would water down the agency's effectiveness. That means former Ohio Attorney General Richard Cordray, whom Obama nominated as director over Warren, stands no better chance of winning confirmation by the Senate than Warren did. Cordray will not become director unless Obama gives him a recess appointment, which would put him on the job only through 2012. Cordray has made no secret of the fact that he wants to return to Ohio anyway in time to run again for statewide office in 2014. In other words, the Cordray nomination provides the administration little or no strategic advantage.

Congressional Republican opposition to Warren

and CFPB is to be expected. They are doing the bidding of a financial industry that opposed creation of the agency. What is surprising is the degree of opposition among some within the White House to nominating Warren to the job of director, a job that she told the President point blank she wanted. Giving Warren the temporary job of assistant to the President and special adviser to the secretary of the Treasury a year ago and charging her with setting up the new consumer agency was a compromise.

According to insiders, David Axelrod and Valeria Jarrett were strong supporters of Warren. Former Chief of Staff Rahm Emanuel and Treasury Secretary Timothy Geithner opposed her nomination. Warren had grilled Geithner intensely during the TARP hearings and he has not forgiven her. But Axelrod and Jarrett convinced the President that giving Warren the interim job was a political winner, particularly among progressives.

It is not clear that Obama ever planned to nominate Warren for director as the agency opens its doors today, July 21. In fact, the President asked Warren to recommend to him a director. Warren passed along the names of Cordray, who was a pro-consumer Ohio attorney general, and Raj Date, a former banker. Both were recruited by Warren for top jobs at the CFPB.

Meanwhile, the support of Axelrod and Jarrett waned as opposition to Warren on Capitol Hill and in the financial community intensified. Axelrod told me the fallout that would occur from nominating Warren and then having to give her a recess appointment wasn't worth it for the few months that Warren could hold the job under a recess appointment. And she would never get full Senate confirmation. Better, he said, that she run for U.S. Senate and give Democrats a shot at picking up a seat in Massachusetts.

Axelrod talked enthusiastically about Warren's chances against Scott Brown, whose upset victory in 2009 stunned the White House. Axelrod said polling shows voters move to Warren when they hear about her and that Brown's lead would quickly evaporate. If Warren runs – and she has yet to make up her mind – it would likely be one of the top U.S. Senate races in the country. Tuesday, Axelrod and Chief of Staff Bill Daley huddled with Warren to talk about the Senate race.

Warren says she is confident she is leaving the CFPB in good hands with Cordray. But Nader is correct when he says that Cordray lacks Warren's communication skills. Nor does he have her credibility. And, Obama's snubbing of Warren raises questions about whether he will cut a deal with the Senate that allows confirmation of a director to a full term, but undercuts effectiveness of the agency.

Nonetheless, Obama may have done himself and his party a big favor. The Democratic Senate majority is in



jeopardy. Wins in Democratic states like Massachusetts will help offset losses in Republican states like North Dakota.

Elizabeth Warren today is what Ralph Nader was before Nader became a national crank. She is America's top consumer champion. She gives voice to the struggling middle class.

Yet Warren has the potential to be so much more than the head of a federal agency. Her charisma, courage, and ability to speak in plain language are unique qualities

in politics today. Winning the Massachusetts Senate seat would not be easy, the state's Democratic leanings notwithstanding. But if Warren should win the Senate race, she would immediately move into the national conversation about 2016. ❖

Chris Sautter is a Democratic strategist based in Washington, DC.

New Hoosier motto: Be less than you have been

By MORTON J. MARCUS

INDIANAPOLIS - The U.S. Army says "Be all that you can be." Indiana is moving toward a different message, "Be less than you have been." But that message is not stated clearly.

Here is an example: The Cline Avenue Expressway (SR 912) is a major, limited access connector for traffic going from Northwest Indiana (NWI) to Chicago. It runs from the Borman Expressway (I-80/94) to the Indiana Toll Road (I-90) and the Chicago Skyway. Along its route are major steel mills, a prominent casino, the Gary-Chicago Airport and dozens of other commercial and industrial properties.



Many months ago, a high bridge on Cline Avenue was declared unsafe by the Indiana Department of Transportation (INDOT). Truck and automobile traffic was diverted off the expressway onto city streets. The bridge must be demolished. Hearings about building a new bridge were

held and INDOT decided it was too expensive. Instead they proposed a "permanent detour."

In effect, INDOT was saying, contrary to the clearly stated choice of the public in Northwest Indiana, the costs exceeded the benefits. Benefits to whom? Costs to whom?

The major beneficiaries of the Cline Avenue Expressway are the people and businesses of Northwest Indiana. The costs of rebuilding would fall on residents of the entire state.

Federal funds likely would pay 80 percent of the cost for this major reconstruction. NWI leaders represent this as meaning Indiana pays for only 20 percent of the project. This is true only if the feds increase the funds allocated to Indiana by the cost of the Cline Avenue project.

If, however, that 80 percent is taken from an exist-

ing, limited grant of money to Indiana for road construction, then other projects in the state will not be built or will be delayed. In that case, citizens in other parts of Indiana would bear the costs of Cline Avenue in the form of reduced benefits for themselves.

The INDOT decision not to restore Cline Avenue was a blow to the people of NWI. It reinforced and increased their feelings of alienation from the state. To the apparent rescue comes Governor Mitch Daniels.

Last week, the Governor told reporters that it is not too late to consider a plan for rebuilding Cline Avenue. All that is necessary is a financing plan put together by NWI. The region is being called upon to fund the rebuilding of a state road. Imagine telling the people of Clark County to come up with money for a new bridge over the Ohio River. Or tell Evansville and all the counties north to Indianapolis that they must come up with funding for I-69. Not all of the money, but enough to convince the state that the project is "worthwhile".

One of the casinos did offer \$35 million toward the restoration of Cline Avenue, but backed down when Illinois started rumbling again about permitting open gambling in Chicago -- a major competitive challenge to Indiana's Lake Michigan boats.

Two issues are raised by this example: First, is Indiana moving toward taxing those who benefit directly from public projects? If so, the time has come for tolls on our major interstates and congestion pricing on our busiest streets. Users would pay, in part or in full, for parks and libraries. This policy also requires parents to pay more for their children's education (have you looked at the state voucher program?).

Second, are we preparing Indiana to become less than it has been by reducing maintenance and repair of infrastructure? Is this how we cope with slow population growth and declining relative income? This then is the legacy we leave for our successors: a slow, cancerous disfiguration of Indiana achieved by accepting neglect. ❖

Mr. Marcus is an independent economist, speaker, and writer formerly with IU's Kelley School of Business.



Eric Bradner, Evansville Courier & Press: On the heels of the news that Indiana wrapped up the fiscal year ending June 30 with a \$1.2 billion surplus, the tit-for-tat between Gov. Mitch Daniels and House Democratic leader B. Patrick Bauer was easy to see coming. For almost seven years now, Daniels has been the hard-charging Republican governor bent on reform. Bauer, meanwhile, has been his chief scourge — the only Democrat in state government with enough power to stand in Daniels' way. It's always the same. Daniels goes on offense. He takes an action that, whether smart or ill-advised, is certainly provocative. Bauer plays defense. He hammers the governor for failing to care enough about whatever it is he says his caucus is concerned with. Then, Daniels dismisses Bauer by hearkening back to the days when the South Bend Democrat was House Ways and Means chairman and Indiana was delaying payments to schools in order to work around a structurally unbalanced budget. So here are last week's additions into this game of Mad Libs. Indiana closed the fiscal year with \$1.2 billion in the bank. Despite cuts that were painful in the areas of education and child services, Daniels says the economy is too unstable to start spending the reserve the state has built up. Bauer uses the news to hammer the governor for underfunding schools at the same time he's launching new charter schools and a voucher program. Daniels does the "I'd never take advice from this guy" thing. *Déjà vu*. There's an extra wrinkle here, though, that I think makes this situation interesting. The surplus was 9 percent of the approximately \$14 billion that Indiana spends in a year. The \$1.2 billion is a big enough number to make people legitimately wonder why Daniels has been cutting so deeply over the last two years. If it'd been something closer to \$500 million, or perhaps \$700 million, it'd be much tougher to make the argument that Indiana should spend any of it. You need at least some money on hand for day-to-day cash flow. Though a big surplus is good news, politically, it seems that Daniels could've been saved a headache if the number was smaller. But there's another number — 9 percent — that gets the governor closer to an even bigger victory. If Indiana's surplus exceeds 10 percent of what the state spends for a year, then the excess would be sent back to taxpayers in the form of individual checks. That's the "automatic taxpayer refund" that Daniels fought for during this year's legislative session. And if that 10 percent trigger is met while Daniels is in office, it's safe to say the governor would be very, very happy. Because Daniels isn't running for president, and because the next gubernatorial campaign is already under way, I thought we might see Democrats start to take the long view on fiscal stuff like this. On Friday Daniels announced bonuses of between \$500 and \$1,000 for the state workers who have carried the budget-cutting load. Democrats could have



praised Daniels for taking care of relatively low-paid public servants. Then, they could begin to turn the governor with high favorability ratings into a baseline, and use him to make comparisons that are negative for whoever comes next. This is Bauer, though. I wasn't holding my breath.

Maureen Hayden, CHNI: What would you do if you had a lot more money coming into your bank account than you anticipated? Would you sit on it, fearful of storm clouds on the horizon that might bring a torrential down-pour of bad economic news? Or spend some of it on people who helped you weather the last storm and kept you from sinking under water? The weather metaphors were raining down on the Statehouse this past week when the topic of finances came up; first invoked by state Auditor Tim Berry and a day later by Indiana Gov. Mitch Daniels. On Thursday, Berry announced some sunny news with the state's final budget figures for the 2011 fiscal year. After balancing its checkbook, the state has \$1.2 billion in reserves. That's plenty enough to refill the state's emergency spending fund — also known as its Rainy Day Fund — which was seriously depleted in recent years by sluggish revenues brought on by the recession. A year ago at this time, Berry was announcing a grimmer assessment: Indiana ended fiscal year 2010 with \$188 million in reserve and fears that it would keep draining away. It went from scary to good due to much better revenues than anticipated and deep spending cuts by state agencies. Berry said the state took in \$204 million more than expected in taxes in the 2011 fiscal year, and cut even deeper into state spending than initially estimated by cutting positions and programs. Some of those cuts came from education spending, but Berry said the deepest cuts were to state agencies whose already reduced workforces were asked to do much more with much less. Berry said it wasn't unusual for a single state employee to be doing the work that two or three state employees once did. He repeated that theme frequently in his press conference, calling state employees — from prison workers to state park maintenance workers — the real "heroes" in the story of the state's fiscal soundness. As Berry noted, over the past three years state employees have gone without a raise, while watching their health insurance costs go up. Berry more than hinted that the state's 28,000 employees were due a reward. A day later, Daniels delivered that reward with what he called an "efficiency dividend" — a one-time bonus payment of up to \$1,000 for the state employees who helped him earn his national reputation as a tight-fisted, budget-balancing governor. The cost of those bonuses will be about \$20 million, Daniels said. About 90 percent of the 24,000 state employees who work for the executive branch are expected to receive a bonus, based on their end-of-the-year performance evaluations. ❖



Obama's Gallup numbers steady

WASHINGTON - President Barack Obama's approval rating has held steady in the past three months, settling at just under 47 percent, according to a Gallup poll released Thursday morning. The president's average approval numbers from mid-April to mid-July were below 50 percent for the sixth straight quarter. Of the last eight presidents that Gallup has tallied quarterly averages for, Obama falls on the lower end of the spectrum. Only Ronald Reagan and Jimmy Carter had lower approval numbers at this stage in their presidency. Reagan, of course, was reelected, with his numbers bouncing up 10 percent by April of 1984, from about 44 percent of Americans approving of his presidency to a 54 percent approval rating. Carter's approval numbers looked the worst of the eight during his 10th quarter as president: 31 percent. Those numbers eventually improved to 48 percent by April of 1980, but it was not enough to get him another term. It can go the other way, too. At the same point in his presidency, George H.W. Bush's Gallup approval numbers topped 73 percent, only to decline by more than 30 points over the next nine months on the way to defeat at the hands of Bill Clinton. In its conclusion, Gallup found that the president's static approval numbers have not yet indicated a trajectory for Obama's performance in 2012. However, on Wednesday, a report by Public Policy Polling showed the president in a virtual tie with current GOP front-runner Mitt Romney, according to numbers based on voter preferences leading up to the 2012 election. PPP reported it was the first time in a year



that Obama did not lead Romney.

Romney's poll numbers tepid

WASHINGTON - Mitt Romney leads the wide-open contest for the 2012 Republican presidential nomination. But a new Washington Post-ABC News poll underscores his vulnerabilities as a front-runner, as well as Sarah Palin's lingering power to shake up the race if she decides to run. The former Massachusetts governor again tops the field, with Palin second and Rep. Michele Bachmann (Minn.) third. Without Palin, Bachmann moves to second, and Rep. Ron Paul (Tex.) runs third, the only other candidate to score in double digits. Romney also runs ahead of the pack on three crucial attributes: leadership, experience and, perhaps most important, who can beat the president next year. But overall, Romney's support is tepid, particularly among the party's most energized constituency — the strong supporters of the tea party movement. It is because of those shortcomings that many Republicans are speculating about who is best positioned to emerge as Romney's strongest competitor. Most of the recent focus has been on Bachmann and Texas Gov. Rick Perry, who is publicly weighing whether to enter the contest.

Daniels hires Hoage at public access

INDIANAPOLIS - Gov. Mitch Daniels announced today the appointment of Joseph Hoage as state public access counselor. He succeeds Andrew Kossack who had served in this capacity since September of 2009. Hoage, of Indianapolis, has been an attorney with the Indiana Gaming Commission since 2008. Previously, he was a deputy prosecutor in the

Marion County Prosecutor's Office where he prosecuted misdemeanor, D-felony and domestic violence cases. He earned his undergraduate degree from Franklin College and his law degree from the Valparaiso University School of Law. Hoage's appointment is effective immediately. He will fill the remainder of Kossack's four-year term which ends on June 30, 2015.

RDA case ends as Supremes reject

VALPARAISO - The Indiana Supreme Court brought an end Wednesday to Porter County's attempts to withdraw as a member of the Northwest Indiana Regional Development Authority (NWI Times). The court voted 4-1 not to accept the county's request to hear the case, following the county's defeat at the state appellate court level. "It's time to move forward," said Porter County Council member Laura Blaney, D-at-large, who helped trigger the attempted withdrawal in April 2009. The move resulted in a legal battle with the council losing at both the trial and appellate court levels. Blaney said she gained a little more hope as a result of the council agreeing in November to rejoin the RDA by filling its vacant seat at the table with hotel developer Jeffrey Good. While pleased with Wednesday's ruling, RDA Executive Director Bill Hanna said the case already was becoming history. "We've already moved past this issue," he said.

Daniels part of GOP biker corps

WASHINGTON - Forget bloated tour buses and RVs — the real hot GOP campaign accessory has only two wheels (Politico). It's hard to miss the photos of former Utah Gov. Jon Huntsman riding his Harley through the streets of Beijing or Indiana Gov.



Mitch Daniels tearing up the open road during his annual "Ride With the Governor." Huntsman does plenty of cruising stateside, too, including a ride during a campaign event in Salt Lake City on Saturday. Huntsman and Daniels are just two of a handful of former and current GOP governors who love a good ride — and a good photo-op — on their Harleys and dirt bikes. Wisconsin Gov. Scott Walker and former Wisconsin Gov. Tommy Thompson, who is mulling over a Senate bid, are also on the list of GOP bikers, according to the American Motorcyclist Association, a group that surveys elected officials each year about their motorcycle habits. Motorcycles are a big part of "red-state culture," GOP consultant Rick Wilson said. They're a "big part of American culture, whether people like it or not." Plus, Wilson said, "Segways are too nerdy and jet packs aren't widely available yet." Motorcycle riders, Thompson told POLITICO, are a group of "people that live on the edge." Indeed, motorcycles signify someone who's a maverick, blue-collar and unafraid to stand up to the establishment, say consultants and politicians. "The idea of a politician on a motorcycle ... really works against the nature of politicians in general," said Nathan Daschle, CEO of the political engagement start-up Ruck.us, and a former Democratic Governors Association executive director. "It gives a real 'everyday guy' kind of feel ... it's kind of the anti-limousine." And motorcycles tend to symbolize masculinity and fearlessness more than wealth — an idea Wilson said is supported by the fact that none of the motorcycle-man governors — except Huntsman and former California Gov. Arnold Schwarzenegger — came from "tremendous personal wealth." Daniels's website said the governor bought his first bike — a Suzuki 90 dirt bike — almost 35 years ago. "I think when you look into these guys, they're motorcycle guys when the cameras aren't on too," consultant Wilson said. Daniels put it

this way on his website: "I've always enjoyed the sense of freedom on a motorcycle. It's the best thing in this job; when you have helpful people taking you around and protecting you — even though we keep that to a minimum — the only time I'm really alone it seems is when I'm on two wheels."

Columbus got \$3M in mistake

COLUMBUS — A state representative from Columbus is apologizing on behalf of the state for a mistake that will force local governments to operate with a total of \$7 million less in their budgets for the next several years (Columbus Republic). State Rep. Milo Smith, R-Columbus, said someone in state government apparently botched his job after 2009, the first year of income tax overpayments to the county, city, towns and other local units. Because the overpayments were allowed to continue, they swelled to \$7 million after three years. The city of Columbus received about \$3 million of that sum.

Allen County may cut jobs

FORT WAYNE - A multimillion-dollar shortfall could result in pink slips for some county employees before the end of the year (Fort Wayne Journal Gazette). The Allen County Council decided Wednesday not to use surplus money from the county's rainy day fund to offset some of a predicted \$5.3 million shortfall in the 2012 budget. Instead, the council plans to make cuts to accommodate the shortfall. "We could recover those (rainy day funds) in three to five years, and we might not," said Council President Darren Vogt, R-3rd. To reduce the budget shortfall, Allen County Audi-

tor Tera Klutz had previously recommended using \$4.5 million from the rainy day fund. The fund's projected balance at the end of year is \$17 million. Revenues are down, Klutz said, because of property tax caps - limiting homeowners' bills to 1 percent of their properties' assessed value; decreases in property values and interest income; and a \$1 million loss of rent from the city of Fort Wayne, which has relocated to Citizens Square.

National group to defend vouchers

INDIANAPOLIS - A national group supporting school vouchers is signing on to help Indiana defend against a lawsuit filed against the state's sweeping education changes (Associated Press). Institute for Justice filed a motion Wednesday in Marion County Superior Court to intervene in defense of the state. A group of teachers, school administrators and clergy filed suit earlier this month to block the state's school voucher program. Lawmakers approved the voucher program as part of a broad overhaul of the education system passed this session. Opponents argue that it will pull funds from already financially struggling public schools. Institute senior attorney Bert Gall says the new law does not strip any access to public education and is on "firm" legal ground.

Indiana plants 6th most toxic

TERRE HAUTE - Indiana has gained the dubious distinction of being ranked sixth in the nation in 2009 for the most toxic air pollution from coal-fired and oil-fired power plants, according to an analysis from the Natural Resources Defense Council.