



Gov. Pence prepares to pick a fight

Reelection obstacles are numerous, but governor sets a no nonsense tone

By **BRIAN A. HOWEY**
and **MATTHEW BUTLER**

INDIANAPOLIS – Last Thursday evening, it wasn't the packed banquet hall at Primo's, or the demonstrators outside, or even the red meat rhetoric that caught our attention. It was Gov. Mike Pence's face, snapped in a Howey Politics Indiana

photo by Matthew Butler that told the story. Pence's eyes were piercing. His mouth drawn taut. Jaw clenched. And he put the Hoosier political world on notice that he was ready

to, as he once famously said on the Washington Mall, pick a fight.

"This is going to be a fight and I'm ready," Pence told the Indiana Republican spring dinner. "We're not going



to allow liberals and special interests in Washington, D.C., undo all we've accomplished together. To do this we must be prepared to stand united for common sense leadership that has made our state synonymous with growth and government reform. For those expecting a campaign like 2012, they will be disappointed."

Continued on page 4



Kiely watches a revolution

By **BRIAN A. HOWEY**

INDIANAPOLIS – When Pat Kiely entered the Indiana House in 1978, there were no cell phones. When he joined the Indiana Manufacturers Association 24 years ago, the venerable organization was still in the pre-computer era. Now as he prepares to step away from that organization, Kiely surveys a state that is just as reliant on making things as it was when U.S. Steel employed tens of thousands of Hoosiers and his hometown of Anderson was home to a huge General Motors complex.

Things have evolved to the point where U.S. Steel employs fewer than 6,000 workers and GM has vanished from



"I know we can't simply arrest our way out of the violent crime crisis that Indianapolis faces. That's why my public safety plan tackles the root causes of crime."

- Joe Hogsett, Indianapolis mayoral nominee



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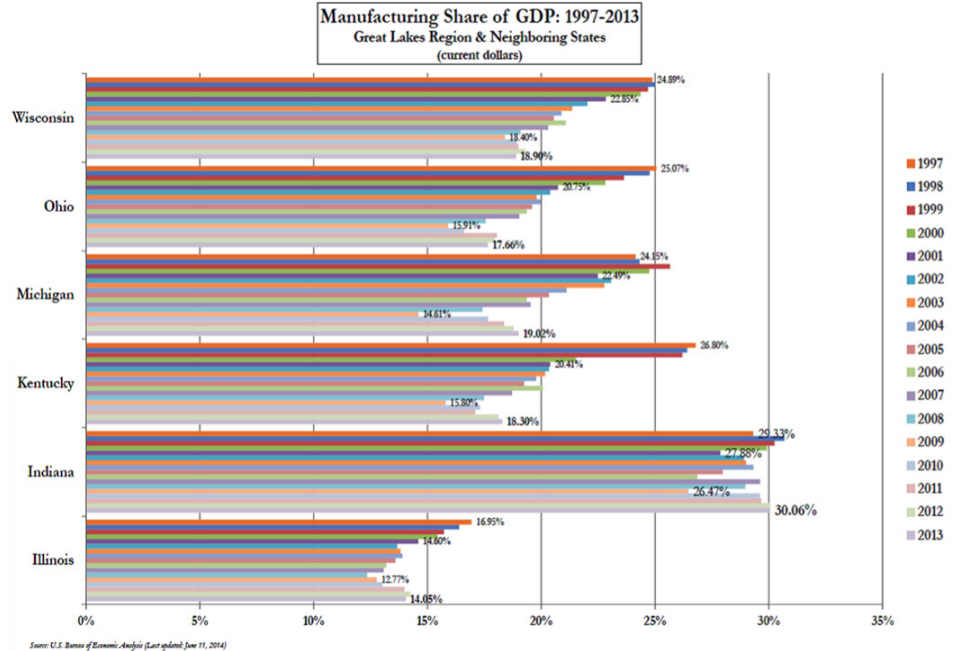
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Anderson. In 2008, Kiely watched as the domestic auto industry teetered near bankruptcy, an event which, had it occurred, would have produced the same kind of 20% jobless rate he witnessed after the oil shocks of the late 1970s. Tabbed by Speaker J. Roberts Dailey as one of the youngest Ways & Means Committee chairs in history, the 31-year-old Kiely was faced with plugging an epic budget deficit in December 1982 with a record tax increase.

Today, Indiana's manufacturing sector is No. 1 in gross state product (GSP) at 30.1%. Its manufacturing GSP at \$95.3 billion is sixth highest in the U.S. It is the No. 1 employment

sector at 19.9%, total wages, 23%, and employer-supplied benefits. It accounts for more than half of the state's growth in the past five years. "We just passed Michigan," Kiely observed in his barren office as the IMA was preparing to move from One American Square to the PNC

Building. "We're only following California and Texas. Our GSP is higher than it was in 1997."

Some of the credit goes to the Obama administration, which stepped in to forge a restructured bankruptcy for General Motors and Fiat/Chrysler. Had GM and Chrysler liquidated, Indiana's auto supplier network which



numbers in the hundreds of companies stood to fail, with the potential of creating a second Great Depression.

Kiely pulled up a Power Point chart that traced the manufacturing gross domestic product in the Great Lakes Region, and the state had lapped the competition. Its 30% GDP stood above Michigan's 19%,

Ohio's 17.6%, Illinois' 14% and Kentucky's 18%. "We are 70% back from the crash. Most states haven't bounced back."

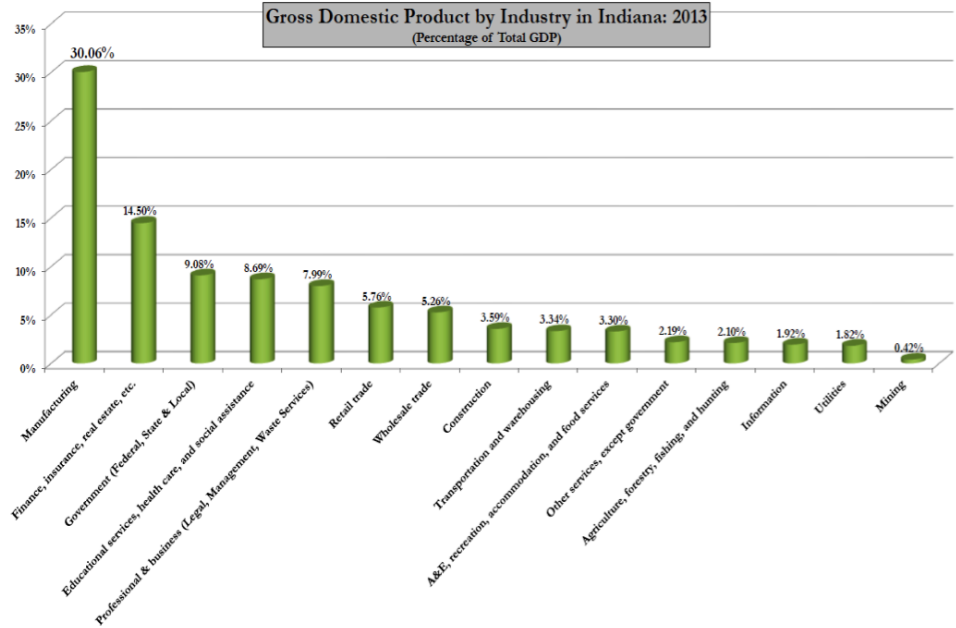
The ability of Indiana manufacturing to endure is the result of policy decisions dating to 2002, under the Democratic administrations of Govs. Frank O'Bannon and Joe Kernan, and Republican Govs. Mitch Daniels and Mike Pence. He cites the elimination of the inventory tax, the single sales tax, a corporate tax that has declined from 8.5% to 4.8%, the return to solvency by next year of the Unemployment Insurance Fund which was once in a \$2.6 billion hole, and the passage of Right to Work.

"We are driving policy," Kiely observed of the 2012 passage of Right to Work, which has been copied in Michigan and Wisconsin. "Right to Work will pay the dividends we thought and said it would."

Despite Republican-dominated governance, the changes weren't all easy. He sparred with Gov. Daniels over whether GM and Chrysler should be bailed out. Daniels called it throwing "good money after bad" while citing the Japanese auto companies as better positioned than the domestics. There was a "knockdown, dragout" episode with Gov. Daniels and Senate President David Long over plugging the UI hole. "They were off \$3.6 billion over 10 years," Kiely wryly observed.

Daniels would show up at St. Elmo's for a dinner with Kiely, Karl Rove and Al Hubbard, holding a package for Kiely. It turned out to be a Corvette cover, an accessory for his 2000 model.

Kiely has interacted with seven governors as a legislator, Ways & Means chair and IMA president. He called Daniels "the best poker player" who kept a comprehensive



Source: U.S. Bureau of Economic Analysis (Last Updated: June 11, 2014). "Gross domestic product by state (millions of current dollars)". GDP by state is the value added in production by the labor and capital located in a state. GDP for a state is derived as the sum of the gross domestic product by state originating in all industries in a state. In concept, an industry's GDP by state, referred to as its "value added", is equivalent to its gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus its intermediate inputs (consumption of goods and services purchased from other U.S. industries or imported). Thus, GDP by state is the state counterpart of the nation's gross domestic product (GDP). BEA's branch estimate of U.S. output. BEA prepares estimates of GDP by state in billions of current dollars and of real GDP by state in billions of chained 2009 dollars.

perspective and was adroit at influencing a General Assembly which, he said, "can take a governor out at any time" with a simple majority veto override. Would Kiely advocate creating a stronger constitutional governor? No, he said, the powerful legislature has "been good to Indiana. We're not deviating, not cooking the numbers."

"Mitch Daniels was usually three moves ahead of where you think he was," Kiely observed.

Gov. Robert Orr was the most engaged, he said, meeting with legislative leadership every Thursday, and opening up trade to Japan, China and Asia. Gov. Evan Bayh "was too hands off," noting how "his own party rewrote his budget." Gov. Frank O'Bannon "was a great guy, a great friend," who helped forge the tax reforms in 2002 that ultimately repositioned the manufacturing sector. O'Bannon was ultimately handicapped by the tax court decision that threw the property tax system into chaos.

And Gov. Mike Pence? Kiely acknowledged the Religious Freedom Restoration Act took him by surprise, but added that the first-term Republican is "bright, articulate, honest and genuine."

While Kiely likes the strong General Assembly, one change he would support would be lifting the two-term limit for governors. "If you have a good manager, why throw him out?" he asked.

As for legislative leadership, he called Dailey a "great speaker," cited Speaker Kermit Burrous as one of the most powerful, and also cited Republican Paul Manweiler and Democrat Michael K. Phillips as effective leaders. Of Speaker B. Patrick Bauer, "He's a book" who was "great at reconstructing himself."

He called current Speaker Brian Bosma "as good as any of them." ❖

INDIANA MANUFACTURING

- #1 State in the U.S. with Manufacturing share of state GSP at 30.1%
- Indiana Manufacturing GSP at \$95.3 billion is 6th highest in U.S.
- #1 Employment Sector in Indiana (19.9%)
- #1 in Total Wages (23%)
- #1 in Employer-Supplied Benefits
- Accounted for more than half of the state's growth in the past five years

Pence, from page 1

While Pence is in tight head-to-head showdowns with 2012 Democratic nominee John Gregg (trailing 41-40% in last week's Bellwether Poll) and Supt. Glenda Ritz (tied at 42%), Pence will likely have a \$4 million lead when mid-year fundraising reports become public in mid-July. He had more than a \$3.5 million campaign balance to begin the year. Since May 13, the Mike Pence for Indiana campaign has filed 12 large donation reports totaling \$241,000 from 17 individuals, political action committees and companies. Four individuals, campaign treasurer Fred Klipsch, Lawrence Garatoni, Norman Pfau and John D. Bryan, have contributed \$25,000 each.

Last Thursday, informed and reliable sources told HPI that Tennessee Gov. Bill Haslam was supposed to give Pence a \$5 million check from the Republican Governors Association, which he heads. While that didn't happen, it will, meaning that Pence will likely start out with something in the neighborhood of a \$9 million lead.

With the mood in the room described repeatedly as "energized," one prominent Republican likened Pence to a heavily favored boxer who took a severe first-round punch: "The opposition has bloodied him, he was shell-shocked, maybe even a little punch drunk, and now he's responding."

Pence has revamped his gubernatorial staff, which faces little margin for error after a year in which story lines were obscured by snafus (i.e. "JustIn" over-shadowing HIP 2.0).

Pence faces significant challenges

Pence faces significant challenges well beyond the two Bellwether polls conducted for Howey Politics Indiana in April and for Bill Oesterle last week that revealed the damage the governor suffered from the Religious Freedom Restoration Act fiasco. Multiple GOP and Statehouse sources are telling Howey Politics Indiana that there is a growing realization that expansion of the state's civil rights code must happen, and it must be Republican-sourced.

The troubling Republican scenario is that Democratic legislators will file legislation, setting in motion a three-month process that becomes the "shiny object" for media attention both statewide and nationally. That could have disastrous implications for the Pence reelection as well as for the GOP super majorities.

While Pence tags the "liberals" and East Coast

media for creating the RFRA firestorm, the fact is that the urban Republicans such as Indianapolis Mayor Greg Ballard and Allen County Republican Chairman Steve Shine were in outright rebellion over the issue, as well as the Daniels economic wing of the party, much of the corporate community from Lilly to Cummins, the emerging high tech sector that brings coveted economic development plums to the state, and the sports community that includes the wider NCAA circles.



Indiana Democratic Chairman John Zody joined Democratic protesters at the Indiana GOP Spring Dinner last Thursday. (HPI Photo by Matthew Butler)

Sources tell HPI that there has been talk about introducing and passing a package during the November Organization Day. The plan would be to exempt churches and related elements such as affiliated day care facilities, as well as religiously affiliated hospitals, but expand the state's civil rights code to include sexual orientation. And while the civil rights expansion would inflame the exposed Republican fissures between the social and economic wings, the permeating realization is that unless a civil rights expansion is achieved, the party will continue to face the issue over and over again.

The problem with passing the expansion in November, as opposed to the first quarter of a critical election year, is the fear among some members that it would give the family advocacy groups three months to recruit Republican primary challengers. Curt Smith of the Indiana Family Institute has told Howey Politics Indiana that his group is prepared to attempt to take out any one taking aim against its interests. But while this alliance was able to pick off moderate Reps. Rebecca Kubacki and Kathy Heuer in the 2014 primaries, there are fewer such districts with moderates representing overwhelmingly socially conservative districts.

Instructive is the cultural and political reaction to the Charleston, S.C., church massacre a week ago, that since has prompted a coalition of Palmetto State Republicans and Democrats to agree to remove the Confederate battle flag from its statehouse, and an array of corporations who have in lightning quick time removed the flag from product lines. This is another example of how the public is shifting in emphatic fashion on an array of cultural issues from gay marriage, to marijuana reform, and now Civil War symbolism, while political figures tend to cling to well-established policy ruts, and then find themselves in a game of catch-up, if not outright embarrassment. It's interesting when political figures express dismay at the



Gov. Pence arrives at Primo's to find Democratic protesters outside. (HPI Photo by Matthew Butler)

demonstrable shifts of opinion by the public when it challenges their long-time stances, and it makes one wonder if their pollsters are reliably picking up on these shifts, or just feeding survey data their clients want to hear, as opposed to data they need to hear.

Multiple sources have also told HPI that at a recent Indiana Republican Central Committee meeting, State Sen. Randy Head gave the legislative report and indicated that members have seen constituents hold Gov. Pence 100-percent responsible for the RFRA fiasco, when in fact, it was legislative Republicans who passed RFRA by wide margins, ignoring an array of warning signs that the public had shifted away from such a position. The Pence operation is aware of this perception and is taking a stance that the governor will not be thrown under the bus.

Key legislators to watch on the civil rights extension include State Reps. Mike Karickhoff and McMillin, as well as Speaker Bosma and Senate President David Long.

Reporters pressed Pence on RFRA and a civil rights expansion hours before he declared for reelection. Pence spoke in generalities. "I think everything is going to be an issue in this race," Pence answered. "I understand when you're an incumbent running for reelection, your performance in office and the results of your leadership are all fair game."

Pressed on the issue of potential RFRA backlash, Pence said, "That's going to be for voters to decide. For me, I'm very proud of our record, very proud of the progress our state has made."

During the speech Thursday evening, Pence assumed some culpability for the RFRA scrutiny heaped upon the state, but framed it without mentioning the law specifically. "Our opponents and liberal special interests across the country are already lining up. They think they can reverse the progress we've made," Pence said. "One need look no further than two months ago to understand why. Hoosier hospitality came under attack, and as governor, I bear some responsibility for that. Thoughtful debates are always welcome, they are always encouraged, but those seeking to divide us and hurt our people, hurt our state, will not succeed."

The governor did not address the subject of adding sexual orientation and gender identity to the state's civil rights code. Cities and counties across the state have

taken the lead on the issue, introducing new civil rights ordinances. "In Indiana, we won't tolerate discrimination against anyone," Pence said. "But Hoosiers also know, in the changing tides of popular culture, there must be room for faith. We will find our way forward as a state that respects the dignity and worth of every individual, and we will ensure that no government intervention, no government coercion will interfere with the freedom of conscience and freedom of religion enshrined in our state and federal constitution."

Gov. Pence faces his most challenging political chapter since his two congressional race losses in 1988 and 1990. He will be targeted by national groups, he must heal the fissures in the Indiana GOP that were induced by the family groups pushing RFRA, he must keep his base intact while making inroads with decisive female and independent voters who will decide the next election.

Pence has policy assets to fuel a successful reelection, most notably Health Indiana Plan 2.0, and a low jobless rate that came on his watch. He will have a significant money advantage. And he will likely face a Democratic opponent, who, to date, is unproven on the policy and money fronts. This is an election that Pence can win, but he is going to have to be at the top of his game, pragmatic, accessible, and as we saw last Thursday night, fierce in his approach.

Can Democrats mount a campaign?

Combined at the end of April, the three gubernatorial Democrats have less than \$300,000, and the Ritz political operation is in \$37,000 debt with a 2014 year-end balance of \$132,000.

Sources close to Ritz say she will begin to fill out her campaign in early July. The belief there is that Ritz will be able to activate support throughout the education sector, which includes 60,000 teachers and tens of thousands more retirees. While Gregg has trotted out several labor endorsements, the expectation is that Ritz will be able to draw the support of the Indiana State Teachers Association.

With the mid-year finance reports coming, Gregg has the most at stake. When he reported just over \$500,000 in his first quarter report in 2012, the underwhelming number signaled to many that he would not

be competitive with Pence. The fact that he lost to Pence by just under 3% of the vote was an epic missed opportunity for the former House Speaker and the Democratic Governors Association, which did not invest in the race in part because of the tepid early finance report. Gregg now seems fixated on the notion of posting impressive early numbers. He has not been generally accessible because, he says, he's too busy "dialing for dollars." A mid-year report in the \$1.5 million range would get that money monkey off his back.

Gregg is showing some traction. In six major donation reports since May 10, the Gregg for Indiana campaign has raised \$105,000. Ritz and Tallian have not posted any large contributions since the end of the General Assembly.

Gregg was endorsed by the United Food and Commercial Workers Union (UFCW) Monday, which represents more than 13,000 Hoosiers working in the grocery, retail, meat packing and food processing industries. "Every day we work to improve wages, benefits and working conditions for our members and all workers across this state, and so will John Gregg," said Joe Chorpensing, UFCW Local 700 president. "He will be an advocate for working people and will use his governorship to improve the economic well being of all Hoosiers, rather than attempt to force a radical political agenda down our throats like Mike Pence continues to do." In addition to UFCW's support, the Indiana State Building Trades Council, the Laborers' International Union of North America, the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States, Canada, the International Union of Operating Engineers and the International Association of Heat and Frost Insulators and Allied Worker have already endorsed Gregg's campaign.

Gregg reacted to the Pence announcement by saying, "Mike Pence does not deserve reelection. His administration has been one of the most divisive, dysfunctional and disappointing in our state's history. From the RFRA debacle, to the ill-advised attempt to launch a state-run media outlet, to his constant meddling in public education and disrespect for our teachers, to the various scandals within state government, to repealing the long-standing and very successful common construction wage law which will further drive down wages in our state, to the myriad of other misguided legislative priorities that seem to push his own personal ideology rather than helping real people, Mike Pence has failed Hoosiers time and time again. I'm running for governor because I have

a much different vision of what a chief executive should focus on, and that's working to grow the economy, improve schools and strengthen our state's infrastructure. And, as a former university president and Speaker of the House, I have the leadership skills and experience to bring people with differing views together to get results, something Indiana desperately needs today. Mike Pence is not a leader. He doesn't have the skills, vision or willingness to move Indiana forward. And, while I welcome him into this race, I look forward spending the next 507 days talking to Hoosiers about the directions we'd like to take this state" (Howey Politics Indiana). There were no statements from Democratic candidates State Sen. Karen Tallian and Supt. Glenda Ritz.

State Sen. Karen Tallian says she's the only candidate aiming to unseat Gov. Mike Pence that has a current working relationship with the Legislature (NWI Times). The Ogden Dunes Democrat spoke to the Portage Rotary Club on Wednesday about the most recent legislative session and her reasons for seeking the state's highest office. "It's not just about bringing balance," Tallian said about speaking for more progressive interests. "But once you win the election, someone has to actually work in there." Tallian pointed to mortgage foreclosure legislation that she was able to get passed as representative of her ability to work with GOP lawmakers.

U.S. Senate: Young draws closer

U.S. Rep. Todd Young was a conspicuous presence at the Howard County Republican Reagan dinner in Kokomo Monday night. The Bloomington Republican worked the room, providing more fodder that he is preparing to enter the 2016 U.S. Senate race.

Another sign that Young is gearing up for the Senate race is WISH-TV's report that he has hired Cam Savage as a consultant. Savage was Gov. Daniels' communications director in 2008 and managed Sen. Dan Coats' 2010 campaign. He was also part of the embattled administration of Supt. Tony Bennett, which ended up with campaign materials on state government servers.

The other two declared candidates, Eric Holcomb and U.S. Rep. Marlin Stutzman, did not attend. Holcomb appeared at the Knox County Lincoln dinner on the same night.

A key event in July will be State Sen. Jim Buck's annual "garden party" that will include Gov. Pence, Sen. Dan Coats, Reps. Young, Stutzman, Todd Rokita, Susan Brooks, Speaker Bosma and President Long.



Republican Senate candidate Eric Holcomb (right) greets Rep. Randy Frye as Zionville Mayor Jeff Papa watches at the Indiana GOP Spring Dinner last Thursday. (HPI Photo by Matthew Butler)

Holcomb announced another round of endorsements on Wednesday, this time coming from southeastern Indiana. Includes: State Reps. Randy Frye, Jud McMillin and Cindy Ziemke; Decatur County Prosecutor Nate Harter, and Clark County Auditor Monty Snelling. Party leader endorsements come from five county chairs, Mark Holwager of Jennings County, Larry Meyer of Decatur County, Josh South of Switzerland County, Justin Stevens of Scott County, and John Worth of Franklin County.

"I'm honored to have earned the support of these leaders in Southeast Indiana and look forward to being their voice in the United States Senate," said Holcomb. Talk of a potential 2016 U.S. Senate run by South Bend Mayor Peter Buttigieg was dismissed by the first-term Democrat, who announced last week he is gay, becoming the first Indiana elected official to do so. Asked if there was any veracity in rumors, Buttigieg spokeswoman Kara Kelly told HPI, "Mayor Buttigieg is focused on reelection in November, and serving the residents of South Bend as mayor." Influential Democratic sources are also telling HPI that former senator Evan Bayh will not run. One said, "I have it on complete assurance that there is no way EB is running. Baron (Hill) is in full tilt and appears to have the full faith and credit of the Senate Democratic Campaign committee." Baron Hill is the only declared Democrat in the race, though State Rep. Christina Hale of Indianapolis is still weighing a bid, as is Hammond Mayor Thomas McDermott Jr.

Hale told HPI on Wednesday that a decision is "coming very soon, before July."

Hill released a campaign video on Wednesday. In his initial announcements, Hill said his platform likely would focus on jobs, wages and the economy (Bloomington Herald-Times). He focused on that in his video, starting by talking about his childhood in Seymour, where despite being the last of seven kids in a family that struggled to make ends meet, he "always had food in my belly and a basketball in my hands." Hill says he learned the value of hard work, playing by the rules and creating community through respecting and caring for one another. And he lays out what he thinks national lawmakers should be doing to help working families. "Instead of more tax breaks for the big banks, we should be growing small business in Seymour and towns big and small — all across the heartland. Investing in a whole new generation of manufacturing jobs right here — in Indiana," he says in the video. "And tackling the student loan crisis that is putting college out of reach for too many families... by ensuring students get the same low interest rates that the big banks get EVERY DAY... If we fight for what's right — together — I know we can do it."

Mayors

Indianapolis: Hogsett wants 150 cops

Democratic mayoral nominee Joe Hogsett announced a comprehensive public safety platform focused on neighborhood-based prevention, collaborative law enforcement, and comprehensive reentry services. Drawing on lessons learned as federal prosecutor, Hogsett's holistic plan addresses the root causes of violent crime, and would add 150 sworn police officers to return IMPD to a neighborhood-based law enforcement strategy. "As the former federal prosecutor, I know we can't simply arrest our way out of the violent crime crisis that Indianapolis faces," said Hogsett. "That's why my public safety plan tackles the root causes of crime, giving our law enforcement officers and community partners the support they need to stop the cycle of violence that steals too many of our city's young people." The Hogsett Public Safety Plan includes: Adding 150 new officers to the police force over the next four years in order to return IMPD to neighborhood-based policing; lifting the city's decades-long moratorium on new streetlights. Horse Race Status: Safe Hogsett.



Evansville: Riecken raises spending issue

In a video released today, Democratic mayoral candidate Gail Riecken calls on Mayor Winnecke to stop spending tax dollars the city doesn't have. Riecken states "With each passing year, our general fund starts out with less money than the year before. Our city credit card is becoming maxed out. We cannot continue to borrow future money to pay the city's bills today. This type of action is unsustainable."

LaPorte: No Dem opponent for Milo

LaPorte County Democratic Party Chairman John Jones said no solid enough candidates have come forward to run against Blair Milo (South Bend Tribune). Jones said he's talked in private with a few individuals about entering the general election, but nothing came from those discussions and no caucuses are scheduled before the June 30 deadline for members of the party to choose a candidate. "My position as chairman of the Democratic Party is not to fill positions with warm bodies just to have a representative," he said. "The current mayor has done a good job."❖

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YOUR FRIENDS ALL HANG OUT HERE... DO YOU?

Coats surveys the race for his successor

By **MATTHEW BUTLER**

INDIANAPOLIS – Though he has said he will not endorse any candidate, U.S. Sen. Dan Coats described to Howey Politics Indiana the type of Republican he would like to see win the nomination for his seat in May 2016. Coats announced in March he would not seek reelection, citing the desire to spend more time with family.

Concerning his successor, he stressed that a willingness to cooperate is essential to achieving substantive reforms in a country that is politically polarized. "I'm very much going to try to work for and support someone who I think has the maturity, has made tough decisions, has the judgment to go in and be a very responsible senator, and, hopefully, pursue the major issues without just being a wrecking ball," Coats said.



"I think the Republicans need to look for someone who has demonstrated judgment, has the values that reflect Indiana, are able to see the big picture. And, are able to recognize that the person they send is not so ideologically driven that they are willing to position themselves as part of a minority with no ability to achieve anything except to say, 'No.'"

"Ideology is very, very important but there are things that need to be done," Coats added. "I'm not talking about compromise, I'm talking about cooperation. It was Reagan who said, 'Give me 80 percent and we'll work to get the other 20.' But there are some that approach this and say, 'If I can't get a 100 percent of what I want, I'm not giving anything.' While that makes a nice statement back at home – you're fighting for this and so forth – it doesn't accomplish, it doesn't move forward."

As Coats sees it, political reality and the polarization of the country do not allow either side to get everything that it wants. "Hopefully we've learned a lot about standing on principle, making our point, but be willing to work for progress going forward as long as it doesn't compromise the bedrock principles. We're not going to get everything. The public hasn't allowed us; they're very divided," said Coats.

Coats appears perturbed by some Republicans

criticizing party colleagues for cooperating with Democrats on legislation lest nothing would otherwise get done. "Some people view that as you're not truly faithful to the cause. I don't take a backseat to anybody about what I think the role of government should and shouldn't be," Coats told HPI. "To simply say, 'You didn't agree with us on that so you're not conservative enough,' leaves you in a distinct minority."

This disagreement over approach and rhetoric is likely to divide Indiana's Republican Senate hopefuls between now and May 2016. "I think that's one of the major issues that will need to be addressed here in Indiana," Coats told HPI. "We will have people on both sides of that issue. It's so easy to come home and throw red meat at people and say, 'I'm against everything.' If you're against everything you're not accomplishing anything. There are too many things that need to get accomplished for the future of the country. There needs to be cooperation in terms of getting it done. There are points where you draw the line and say you can't go past that, but there are a lot of issues where you say, 'Does this move us forward or does it not?' If it moves us forward and we can improve on that, let's work to see if we can get that done."

No endorsement, at least for now

Though Coats refuses to endorse a candidate, he did mention two specific hopefuls, one announced and the other unannounced. "I don't feel like I'm in a position to endorse any particular person. I think we have some good candidates," he said. "Frankly, Eric Holcomb has shown an amazing network he is putting together around the state based on his former state chairmanship and his work with Mitch Daniels and so forth. He's going to be a very viable competitor. Todd (Young) has not announced yet. I'm not sure what his final decision is going to be. He may very well get in the race."

Before announcing his candidacy in late March, Holcomb had been Coats' chief of staff. Young is widely believed to be in the race but delaying a formal announcement.

"I think Eric has a pretty good jump on people at this point in time," Coats added. "He's a wonderful guy who did wonderful things for Mitch Daniels and for me. He's a 24/7 hard worker. I'm amazed at what he's put together so far, but it's a long way to next May."

"I think the field is still settling out. We don't even know yet. We know who is not running. I think there are others out there still considering," Coats added.

Coats omitted any mention of U.S. Rep. Marlin Stutzman, the only other formally announced candidate. Coats faced Stutzman during the 2010 U.S. Senate primary. Stutzman's formal kickoff in early May gave the clear indication he would be running to the right and would try to capitalize on a voting record and several high-profile stands that placed him at odds with House Speaker John Boehner. Stutzman has the endorsement of at least 34

Republican state legislators.

Will Coats eventually endorse a candidate before the primary or withhold his favor until the nominee is chosen in May? He told HPI, "Well, I'm just watching now to

see how it's shaking out. I don't want someone to be part of a nonproductive strategy that sounds nice on the stump but can't deal with the complexity of what it takes to move good legislation and defeat bad legislation. ❖

Pence partisans can find solace in Mitch

By MAUREEN HAYDEN
CNHI Statehouse Bureau

INDIANAPOLIS – In ranking humbling moments for politicians, the night that an Indianapolis Pacers crowd jeered Gov. Mitch Daniels still is right up there. Daniels had been in office little more than a year when he showed up at Bankers Life Fieldhouse, then Conseco Fieldhouse, to join a ceremony to retire Reggie Miller's number. The first-term governor ran onto the floor to a long, loud chorus of boos. Daniels dismissed the incident, blaming it partly on the fact that the Pacers were down to the Phoenix Suns by 14 points at halftime. (They ended up losing the game, too.)

Daniels was down by double digits, as well. His approval rating, which was 55 percent soon after taking office, had dipped to 37 percent. Weighing it down was an aggressive economic agenda that included slashing state spending, leasing the Indiana Toll Road to foreign investors, and shoving most of the state into Eastern Daylight Time.

Even a year later, Daniels' approval rating was stuck at 40 percent in a poll that showed potential Democratic opponents gaining on him. Yet, in November 2008, voters returned the Republican governor to office with a hefty margin of 18 points, even as the other party's presidential candidate, Barack Obama, carried the state.

Loyalists to Republican Gov. Mike Pence are clinging to that story as they face troubling numbers of their own. A poll by trusted GOP pollster Christine Matthews of Bellwether Research, released last Wednesday on the eve of Pence's reelection announcement, showed that a majority of voters want a new governor. Pence's favorability rating registered at just 34 percent, according to

the poll. His numbers continue to slide since his defense of the divisive Religious Freedom Restoration Act, hailed by religious conservatives as protection against same-sex marriage.

Pence's standing has fallen even since April, when Matthews conducted a similar poll for Howey Politics Indiana.

"The numbers for him are worse," said Matthews, who conducted the most recent survey on behalf of former Angie's List CEO Bill Oesterle, who opposed the religious freedom law and was also Daniels' first campaign manager.

Matthews dismisses the notion that Pence is in the same position that Daniels once was. "His personal image ratings were never as bad as Mike Pence's," she said.

Daniels' approval ratings eroded because of discomfort over his fast pace of change on economic issues. Pence's marks are falling due to discomfort over his seeming reluctance to embrace change on social issues. The latest Matthews poll shows 54 percent of voters support adding sexual orientation and gender identity to Indiana's civil rights laws, something that Pence isn't keen to do.

In April, Matthews found that Pence is losing support among college-educated women, a group that can decide elections both in Indiana and nationally since they're not as loyal to party labels. The latest survey shows even more erosion. College-educated women rate Pence negatively by nearly 2 to 1, both in terms of whether they like him and whether they approve of the job he's doing as governor.

The poll also showed what Matthews called a more ominous finding: A significant drop in support for Pence among college-educated men, who typically favor Republican candidates by more than 20 points. Increasingly, they have a negative image of Pence, as well.

Pence publicly dismisses the numbers. As he told reporters last week: "The only poll that really matters is going to happen in November of 2016."

While that much is true, it's well past halftime for Pence, and he faces a far more daunting deficit than Daniels did that night in Indianapolis. ❖



Gov. Mitch Daniels on the night of his 2008 reelection with 58% of the vote. (HPI Photo by A. Walker Shaw)

Maureen Hayden covers the Indiana Statehouse for CNHI's newspapers and websites. Reach her at mhayden@cnhi.com.

GOP family is coming together

By CRAIG DUNN

KOKOMO – I grew up in a large family of seven children. Mom used to say that we fought like cats and dogs as we were growing up. I make no secret of the fact that I stalked my sister Becky for a full year with the intent to kneecap her with a big orange Fred Flintstone whiffle ball bat. I would chase her into the only bathroom in our small house and patiently wait for hours on end for her to peek out. Then whammo!

Looking back, I can't even remember what she did to arouse my ire. She paid me back in spades a few years later when she pulled me into the bathroom and asked me



if I wanted to have a taste of some Champale. She told me to be sure not to tell my mother because she wouldn't want to see us drinking. Now this 12-year-old boy had a powerful hankering to get his first taste of booze so I readily promised not to tell. I took a giant swig from the bottle only to discover that it was Champale bubble bath. I can distinctly remember chasing my sister through the

house cussing at her, all the while bubbles kept coming out of my mouth every time I hurled an epithet at her.

Thank goodness my family was raised during simpler times. Can you imagine surviving in a house today with one bathroom, one television, no cable and only three television channels? Despite the limited number of channels, we still fought epic battles over whether we'd watch Heckle and Jeckle or Championship Wrestling on Saturday mornings. With four boys, the magpies never stood a chance!

The Dunn family may have had some colossal knockdown and dragout battles, but there was one thing that our entire neighborhood knew out on East Jefferson Street; you didn't pick on one Dunn kid without going to war with all of the Dunns. We may have had our differences and given each other a few bloody noses, but when it got rough, we were family and families hang together when times get tough.

And so it is politically in the Republican family. In the past few months we've done some introspection, argued, fought a few battles, bloodied some noses and hurt some feelings. We've demonstrated that we're not just some lock-step group of old white geezers, but a vibrant, big-tent party that shares a wide range of beliefs. While we've cussed and discussed changing social norms and well-intended, but poorly executed legislative responses, as a political party we've never lost track of our core

values and fundamental beliefs.

I grew up in the Disciples of Christ church. I never cared much for religious dogma and I was always impressed with the creed of the Disciples: "In essentials, unity; in opinions, liberty; in all things, love." That would make a pretty good motto for the Republican Party as well. For it is in the essentials that we Republicans share an unwavering commitment to unity and singleness of purpose.

We are unified in our determination to never go down the path of financial ruin again for our state by allowing the Democrat Party to sink us into a giant hole filled with red ink. Gone are the days of massive, \$800 million budget deficits, six month delays for payments to schools and healthcare providers, collapsing bond ratings, pot-hole-strewn roads, stagnant economic development and crippling property taxes. This was the world of Democrat governors Evan Bayh, Frank O'Bannon and Joe Kernan. And let's not forget the bankrupt and clueless leadership in the Indiana House of Representatives offered up by former Speakers John Gregg and Pat Bauer. No, Hoosiers have long memories and the Indiana Republican family simply will unite and, once again, deliver an unequivocal message that we will not go back down that long lonesome highway to financial ruin.

Evidence that the Republican family is coming together is beginning to become painfully clear to deluded Democrats in Indiana. Gov. Mike Pence's reelection announcement in front of an enthusiastic packed house last week was well-received and spot on. The governor's message was clearly stated and simple: Indiana is the economic envy of the Midwest. We have created more, good-paying jobs for Hoosiers because of our diligent work to build an environment of economic opportunity and prosperity. We have reformed taxes, improved our schools, addressed infrastructure needs and dealt with bureaucratic roadblocks to success. We are truly the state that works! By making the 2016 election about the future of our state and not about the past, Gov. Pence did an impressive and able job of making the case for his reelection.

When I first began my working career in southern Indiana, I was fortunate to find a great mentor in Robert Graham, from Washington, Ind. We shared an interest in sailing and on one occasion while sailing together the subject of the upcoming 1980 election for governor of Indiana came up. At that time, I thought Indiana needed a businessman running the state and I actually (please don't tell anyone) liked Batesville Casket Company owner John Hillenbrand, a Democrat, for governor. I recall Mr. Graham telling me that John Hillenbrand was a good, honest and very smart man, but that I needed to keep one very important fact in mind: Governors never come into office by themselves. Democrat governors bring with them all of the detritus of the Democrat Party, the hacks, union thugs, educational misfits and people who just can't keep their hands out of your pockets. It made sense to me and I became a loyal and enthusiastic supporter of eventual Gov. Bob Orr.

When Hoosiers are presented with a clear choice between candidates for governor in 2016, when all of the hoopla and misinformation are stripped away, Gov. Mike Pence will be sworn in for his second term. We Republicans may fight and squabble but when it comes to the

neighborhood, we stick together. ❖

Dunn is chairman of the Howard County Republicans.

The Pope, Republicans and climate change

By JACK COLWELL

SOUTH BEND – The plea by Pope Francis for awareness of climate change dangers and for action to avert catastrophe brings fascinating responses.



Some critics of Francis cite the Bible's book of Genesis as giving man "dominion" over earth, including the right to pollute and warm the globe as much as we please. Biblical quotations on one website are used in attacking "Antipope Francis" as not even a Catholic.

Darn, we could no longer say that questioning something obviously true is like asking: "Is the pope Catholic?"

Using scripture in this criticism reminds me of the story of the old preacher who was distressed when some ladies in his congregation were showing up with what he regarded as a radical hairstyle, the top knot. In his sermon, he quoted a biblical admonition in Matthew 24:17: "Top knot come down."

The passage he cited in the King James version isn't about hairstyles. It reads: "Let him which is on the housetop not come down to take any thing out of his house."

Also fascinating is the reaction of some politicians who have sought votes and funding as climate change deniers. Presidential candidate Rick Santorum, a Catholic caught between a pope and a hard-right place, the Iowa caucuses, said Pope Francis was being alarmist.

"We probably are better off leaving science to the scientists," said Santorum. That's known in football as an audible at the line. In politics it called a flip-flop.

Santorum and other climate change deniers have long said we shouldn't listen to the scientists warning about global warming. Now, we should leave it to the scientists? Maybe Santorum still claims that there's a lot of

disagreement among scientists about dangers and causes of climate change. Well, only 97 percent of the scientists agree. The others? Coal and oil interests certainly can buy a few scientists to testify on their behalf.

It wasn't surprising that Sen. Jim Inhofe, Senate Environmental and Public Works Committee chairman, said the pope should stay out of the global warming debate. Inhofe scoffs at alleged proof of global warming, things like satellite photos showing rapid and substantial melting of the Arctic ice cap and temperatures recorded on scientific instruments on land, sea and in the air all around the world. He presented his own proof on the Senate floor in February.

Proof? Inhofe tossed a snowball that he brought in from outside on a cold day. How could there be global warming when it still snows a lot on some winter days?

The pope will speak to Congress when he visits the United States in September. If he talks of climate change, perhaps a distinguished congressman will shout out, "You lie."

Pope Francis will meet with some guy in the White House denounced by other deniers, those denying he's a Christian, an American citizen or president. Not long ago the pope met with a guy named Putin. Lots of ammunition from those two meetings for the critics.

There is of course much favorable reaction to the pope's encyclical. Favorable comments from those long concerned about climate change, however, were to be expected and thus aren't as fascinating.

The pope was praised by clergy of other faiths. In fact, a large number of Evangelical Christian leaders, while agreeing, could also say: "What took you so long?"



In a call to action on dangers of climate change nearly a decade ago, they said: "This is God's world, and any damage that we do to God's world is an offense against God Himself."

Polls show a growing majority of Americans are now concerned about global warming. What to do about it is the question. The pope hasn't said, as one critic contended, that driving a car is a mortal sin. But doing nothing and

denying that there is even a problem?

Will Pope Francis have much effect? Critics say he doesn't stand a snowball's chance. Not as long as Sen. Inhofe can sell a snow job with a snowball in Washington.

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Sen. Coats laments political fundraising

By **MATTHEW BUTLER**

INDIANAPOLIS – Serving his last year and a half in office, U.S. Sen. Dan Coats continues to lament the fundraising imperatives of electoral politics.

However, his recent interview with HPI spanned a wide range of domestic and foreign policy subjects. With the Republicans assuming the majority in the Senate this year, Coats says issues are being addressed and legislation is moving, but that major reforms are unlikely to survive President Barack Obama's veto pen. On the foreign policy front, Coats is wary and fears America will again have to fill power voids in key regions of the world.



As Coats told CNHI's Maureen Hayden earlier this spring, he can devote his fulltime attention to his last 18 months in office without the need to campaign and especially to continually fundraise. "From my perspective, it's amazing. From the day I made the decision I have been freed up to be an active, fulltime senator," Coats told HPI. "I'm trying to engage every minute of effort into the issues I really

believe in and I've been around long enough and through enough campaigns to know that all of that has to be set aside when you're running for office." Coats described fundraising for U.S. senators as "a consuming effort. My 23 Republican colleagues who are up for reelection are doing fundraising morning, noon, and night."

"I now have the privilege for two years of really throwing myself into the job. And, I've never enjoyed it more. I cherish everyday that I have left. Now I'm liberated to be engaged in whatever I want," Coats added. "I'm going to leave like a lion. I'm going to throw my full effort into the privilege of serving in the Senate."

In January when HPI last spoke at length with Coats, he was relishing the prospect of being in the majority and addressing his priorities. Now, Coats says things are moving. "We are no longer a dysfunctional Senate in terms of being able to move legislation," Coats said. "We are actually taking up major pieces of legislation and moving them through the Senate despite a lot of opposition from the Democrats. It's nice to be part of an affirmative effort."

However, Coats said systemic reforms were off the table. "You just can't get the big things done without presidential support," he said. "We recognize that most of this stuff is going to get to the White House and get rejected. No longer is the barrier to move forward at the Senate door; it's now at the White House door. That's a

step in the right direction and I think it puts us in a much better position for 2016 to have a change in the management of the White House and allow us to accomplish some of the things like tax reform, like regulatory reform, fiscal reform, things I think really need to be done."

Coats' committee work touches on all of these policy areas, particularly his chairmanship of the Joint Economic Committee. Last week it released a 10-point report on the economic and fiscal health of the country. Coats says failure to tackle big issues has been an anchor on the economy. "It's one of the reasons we've had such a tepid recovery," Coats told HPI. He said research of seven post-recession periods shows the current recovery is moving at only half the average growth rate. It's clear evidence to him that systemic reforms are needed.

Hoosier manufacturing and the recovery

During three of the last four years, Indiana's economic growth trailed the national average. Last year it was only .4 percent. Coats said a reliance on manufacturing partly explains slow growth during that period. "We are one of the leading manufacturing states and manufacturing states have been hit the hardest," Coats said. "I think the steps we've made toward biotechnology, bio-sciences, supporting our medical device and pharmaceutical industry, and the research things that are going on here are going to benefit us significantly in the future."

Coats says numerous recent investment and jobs announcements in Indiana, particularly in high-tech manufacturing, indicate a recovery and transition are at hand.

"We are looked at as a 'go-to' state," Coats said in terms of industrial concerns. He gave examples from this year such as Princeton's Toyota plant increasing production (500 new jobs), the Fort Wayne GM truck plant expansion and modernization (\$1.2B), and the new Lafayette GE jet engine facility (\$115M and 230 new jobs). "The GE people told me, 'You do not realize how significant this is that we chose Indiana. This is the first new facility GE has built in 30 or 40 years. Every state in the union was throwing stuff at us, begging us, and offering us the moon.'" GE came to Indiana, Coats was told, because of the business environment.

"I'm really positive about the future, but we have to realize we're in a transition," Coats said. Part of adjusting to that transition means dealing with international trade, a double-edged sword for Indiana businesses and workers, offering both opportunity and cutthroat competition.

An IU Kelley School of Business Report found Indiana has the 12th highest ratio of exports to GDP. The topic has dominated Washington politics in the last few weeks and the Hoosier delegation has been divided on the issue despite party affiliation. On Tuesday Coats voted to keep a package of trade deals alive including trade promotion authority (TPA) and trade adjustment assistance (TAA). The former is anathema to many congressional Democrats whereas the latter runs afoul of many conservative Repub-

icans. Coats believes both are necessary and worthwhile.

"I've broken with my party on a number of occasions in support of TAA to people who lose their jobs," Coats told HPI. "I like reform, but I do think we need a program because clearly there are some major changes taking place that directly affect Hoosiers." Coats also drew attention to protecting Indiana's steel industry from illegal foreign dumping. He argues enforcing World Trade Organization rules and bilateral trade agreements will go a long way to protecting Hoosier jobs from unfair trade practices.

Spending priorities

Coats believes that given the current fiscal state, national spending priorities should be divided into three categories, vital, desirable, and frivolous. The last category is addressed during his weekly "Waste of the Week" floor speeches. Yet, he cautions that low-hanging fruit accounts for little in the big picture. "You can find savings in discretionary spending, but it is an ever-shrinking piece of the pie. The numbers show that. With the Baby Boomer retirements, the entitlement numbers are running away from the budget," Coats said. "We end up spending way too much time on the little things and not nearly enough time on the big stuff."

When Coats first ran for Congress the nation's federal debt stood at \$1 trillion. When he returned to the Senate in 2010, the debt stood at \$10 trillion. Now, it's \$18 trillion. "It's out of control," Coats said. "I'm trying to focus my last year and half on the big stuff." He cautions that if bond rates return to historic norms, some \$1 trillion will be required to simply service the debt. According to the Pew Research Center, only \$223 billion (or 6 percent of spending) was required in 2013 to service the debt, thanks to historically low interest rates. If creditors fear a debt is no longer serviceable, interest rates can increase abruptly. "Europe is a perfect example if you let your debt-to-GDP get out of control," Coats explained.

Medical research and space exploration fall into the category of desirable spending yet are severely limited by the state of the economy and fiscal picture. "We've put our self in the position in which we have fewer and fewer options in what we can do," Coats told HPI. "With a dynamic growing economy there are a lot of things you can do to benefit mankind. That might be space explora-

tion. If you're growing along at 1 to 2 percent when your historic average is 4 or 5 percent, particularly following a recession, everything in the discretionary spending mode is drastically shrinking and entitlements are eating it up. Everything you look at now, everything is under water. Highways are a perfect example."

Cyber security

Almost every week appears to reveal a new cyber breach of a major American institution. Where is it coming from? "It's coming from everywhere," Coats replied. "It's coming from criminal gangs, from individuals in the basement of their dorm or home that are geniuses with computer technology, it's coming from states, it's coming from terrorist organizations. It is a huge, huge threat to

our economic future and maybe our own physical wellbeing. We have critical infrastructure, whether it's the electric grid or the financial system. The hacking that is going against our intelligence agencies' information and military is mindboggling."

When does a cyber attack cross the threshold of espionage to an act of war? Coats said systemic attacks to infrastructure, the financial markets,

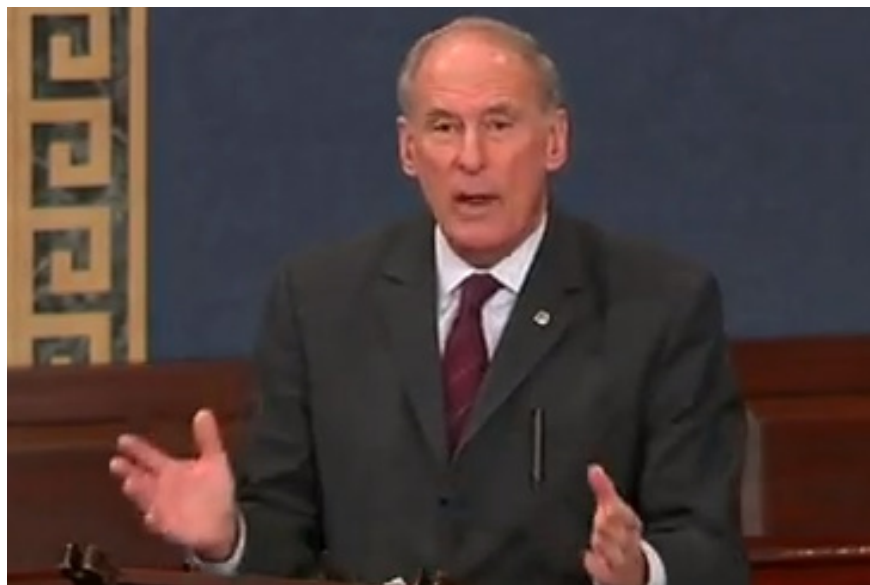
or military would constitute a true act of aggression. He alluded to a hypothetical and deadly scenario in which an electrical system is shut down by hacking during winter months.

Coats is far from pleased with our cyber security preparedness: "We are way behind the curve in terms of providing the defenses and retaliatory ability to deal with this."

Civil liability is a powerful incentive and force for corporations to improve their cyber security, but it's not enough. He said the federal government can and should perform a unique and essential role in monitoring hacking attacks in real time and coordinating the immediate response. "The true irony here is that the only entity in the world that can protect people's privacy is the NSA," Coats told HPI.

China and Russia pushing boundaries

Preoccupation with the Middle East, particularly ISIS, has allowed both China and Russia to challenge America's resolve and push boundaries on both land and



sea. This year China has been saber rattling in the very important maritime corridor of the South China Sea. It's building artificial islands off the coast of the Philippines and has warned American surveillance aircraft in international waters.

"The real threat long term is a China that has the capability to match us in addressing major world problems," Coats told HPI. He worries it will deploy its eventual super-power capabilities toward building a different world order. "They're already an economic competitor, but the real question is, 'Are they in a position to be a dominant world power?'"

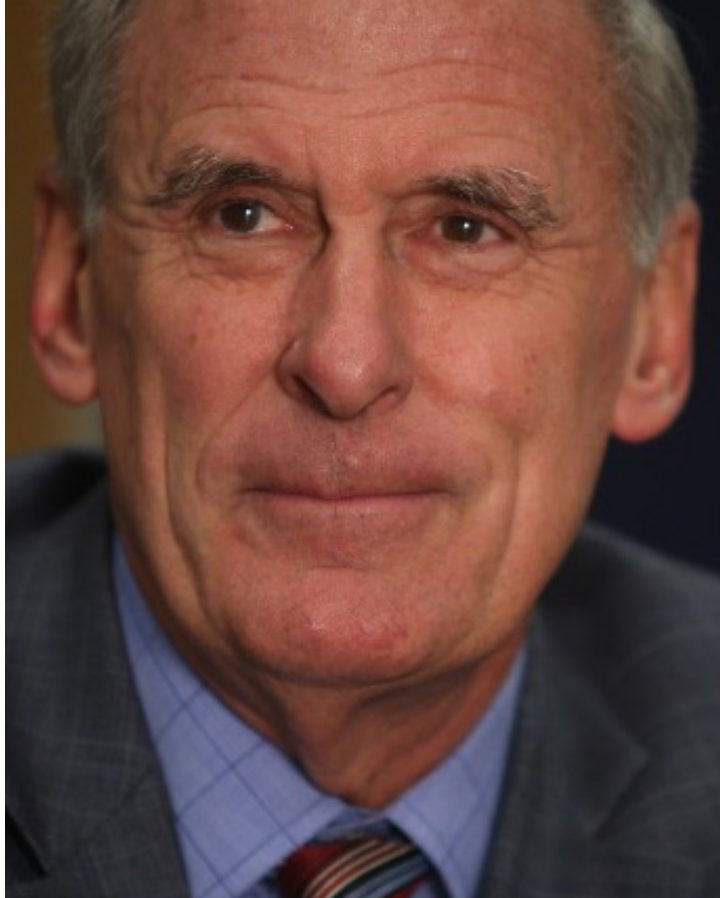
Since becoming a superpower, the U.S. has devoted its energies toward building and preserving an open, liberal world order. Coats, like many foreign policy thinkers, worries China has other designs. "Unfortunately, it's the story of the history of the world that nations think they don't have to live within their boundaries, they can extend their influence for good or bad."

The Obama Administration failed to shore up NATO in Coats' estimation and thus encouraged Russian President Vladimir Putin to push boundaries in Eastern Europe. Alliance members have not been pressed to meet their defense spending pledges of 2 percent of GDP. Having met with NATO's supreme Allied commander, Gen. Philip Breedlove, Coats says Putin took advantage of the alliance's lack of resolve and America's failure to make reassuring commitments of force along Russian frontiers. Things may be changing. Earlier this week Secretary of Defense Ashton Carter confirmed that 1,000 fighting vehicles, 250 of which are main battle tanks, are being deployed to eastern European countries within the NATO alliance.

"We've already lost (once)," Coats explained. "We've already stood by and watched Putin grab up land and he'll do more as long as there is a vacuum." Coats believes Putin's goal was to prevent Ukrainian admission to the EU and NATO. In addition to that, he has accomplished "a huge win" by annexing the strategic Crimean Peninsula.

ISIS: The product of a vacuum

The success of ISIS can be traced to the Obama Administration not demanding, if not imposing, a residual



American force to remain behind in Iraq, according to Indiana's senior senator.

"Obama left a vacuum by pulling everybody out," Coats said. If such a force had been in place, he argues, ISIS would have not realized the gains they have made.

Asked about Iraqi insistence that America fully withdraw, Coats told HPI, "We didn't ask the Germans, Japanese, or Koreans. We said we just spent a lot of blood and a lot of money to save your country. We're going to keep a residual force here and you're going to sign a status of forces agreement. There is a lot of talk the Obama Administration did not want to do this. There was not strong negotiation on that and we could have imposed our will easily, in our benefit, in their benefit."

Now, Coats says the administration's lack of "a coherent strategy" which depends on airstrikes and a limited number of advisors is not working. "It is no secret the Department of Defense has been frustrated over the fact the president has been so timid and so unwilling to take any kind of risk whatsoever. The strategy he has sanctioned doesn't deal with the problem," Coats told HPI.

"Airstrikes can only be successful if you have prepositioned people on the ground to target. We've had thousands of airstrikes but the percentage of effective airstrikes is shockingly small. No one is saying let's put an invasion force back in there. What they are saying is, let's put enough in there to keep the whole thing from collapsing."

Coats believes foreign policy will be an important 2016 election issue. "We always are hoping the world will accede to the way we like it to be. But history shows the bad guys out there, for whatever reason, want to expand their influence and their territory; they hate their neighbor," Coats told HPI.

"The U.S. has been a great stabilizer of peace for a long, long time. But, it's a new day now. People with bad intentions think they have a blank check. We cannot be the world's policeman but we can be a strong nation, that if needed in critical situations can cause people to pause."



School funding follows student, not school

By **MICHAEL HICKS**

MUNCIE – There is almost no subject in public finance that is as easy to demagogue, distort and mislead as funding for schools. It is helpful to review what is happening in Indiana and how we got here.

In 2008, along with property tax reform, the entirety of the school operational funding was shifted from local taxpayers to the state general fund. This is part of a nationwide trend motivated largely by a series of successful lawsuits that forced states to eliminate the funding inequities between rich and poor communities. Indiana was wise to do this. The last thing Hoosiers need is for the courts to come up with school funding formulas.



The result of the funding shift was beginning in the 2008-2009 school year; the state paid instructional costs while local governments largely paid for new

facilities and transportation. More money can be raised through local referendum, but schools today take almost half the state budget and more than four out of 10 local property tax dollars.

Those local property tax dollars are dependent upon the amount of taxable property in a school corporation, the tax rates collected by other taxing authorities and the amount of property taxes abated or absorbed into tax increment financing (TIF). The much larger state share is paid out through a school funding formula.

The Indiana school funding formula, like that in other states, sets a base rate and then adjusts it for a variety of factors. These factors basically result in more payments to school corporations with poorer kids. The result is that relatively affluent places like Zionsville get a tad more than \$5,500 per student while Muncie received more than \$7,100 per student and East Chicago schools something like \$8,050.

The legislature has twice revised the formula in recent years. One move eliminated a clause that counted students after they left a school. The second flattened the payment differences between schools. Both of these moves were aimed at reducing the bias in funding that short changed growing communities. That bias remains very large. In the example above East Chicago receives more than \$60,000 per classroom than does Zionsville.

The simple fact is that Hoosier students have been getting budget increases each year since the recession ended, yet a surprising number of folks think otherwise. Since funding is tied to students, not schools, population

decline leads to overall budget reductions even when per student spending is rising. The demagoguery and distortion is easy when there is a very strong nexus between school performance and population growth. With a handful of exceptions, low-performing schools are losing population while high-performing schools are growing. Households vote with their feet on these matters.

Budget cuts and budget increases occur for good reasons, and we all should understand why and how these budgets change. In the end, trimming budgets is difficult, necessary work and Indiana taxpayers should not be subsidizing shrinking communities. ❖

Michael J. Hicks, PhD, is the director of the Center for Business and Economic Research and the George and Frances Ball distinguished professor of economics in the Miller College of Business at Ball State University.



Investing in the future of moving people

By **MORTON MARCUS**

INDIANAPOLIS – I do not share the enthusiasm and certainty of many good friends who believe mass transit is a necessary and vital part of our future cities. Rather, I suggest we improve operations of current systems, but invest heavily in the future of moving people.



Private automobiles are the finest mass transit system yet devised. They offer comfort, privacy, security and convenience, unmatched by other modes of travel. In many cases, they are more efficient when the value of the passengers' time is considered.

Advocates for mass transit are quick and correct to point out current private autos pollute and congest our cities. In addition, they note, one can (should) not read, text, nor sleep while driving.

Improvements in private autos are happening quickly. More automatic safety features are showing up in cars. Lighter vehicles are now in use that pollute less and take less room on the road and in parking areas.

Appropriate taxes or fees could hasten this transit transformation. Cars could be charged for parking by the foot print they occupy and charged for road usage according to weight, speed, and contribution to congestion.

Mass transit systems rely on high population and economic densities, which we do not have in most cities. Typically, mass transit requires a supplemental distribution system as simple as sidewalks, which have been absent

in new residential and industrial areas for the past six decades. Mass transit rarely provides protection from the weather, often is unreliable, and fails to keep customers well-informed about service and delays.

Yes, these factors can be overcome with time and/or with new technology and significant investments.

However, the proponents of mass transit fail to recognize the most effective ways to serve those most in need of transportation is not with new trolley cars, express buses, or heavy rail routes.

Many people can (should) not drive. They include persons of all ages. Future autos will offer computer-controlled door-to-door service. Just as the self-service elevator or tram without a "driver" was feared in the past, tomorrow's auto will be suspect until it proves itself in everyday use.

In the meantime, let's put more small transit vehicles on the road with competent drivers, intensifying

the model now used sparingly in many urban and rural settings. Remember, most unemployed youths can drive. This may require innovations by regulatory agencies, the insurance industry and the transit unions.

There is no question transit benefits the poor. Then let's help the poor --- and the unemployed who require transportation --- get vehicles to drive. If you fear misuse of these vehicles, the cars can be monitored and even controlled remotely so they stay within defined areas and are used as intended.

This is not the time to spend heavily on new rail lines in Lake County when old rail lines desperately need upgrading. This is not the time to expend gross amounts on an express busway for the comparatively wealthy of Hamilton County. This is the time to act where needed in the present and to prepare everywhere for a foreseeable future. ❖

Scheub raises city consolidation issue

By RICH JAMES

MERRILLVILLE – Every decade or so, the thought of downsizing government in Lake County comes to the surface. Unfortunately, not enough people take the issue seriously and nothing gets accomplished.

Some react to such talk as if you wanted to do away with their first born.

Lake County Commissioner Gerry Scheub again raised the consolidation issue the other day. Scheub, in fact, has been one of the few in Lake County willing to tackle the issue of combining several communities into one, but stopping short of calling for a system of Unigov for the entire county.

Scheub, and rightly so, contends that Lake County doesn't need 19 municipalities duplicating the services of each other. The way Scheub sees it is that if Lake County is going to grow economically, it must lower taxes by reducing the duplication of services.

Two decades ago, Scheub proposed one governmental unit for St. John Township, which includes the towns of Schererville, St. John and Dyer and a certain amount of unincorporated land. Under his proposal, each of the three towns would keep its identity but save money by having one town council, police department, fire department, street and sewer department and parks department. The savings, of course, would have been extraordi-

nary and taxes would have fallen. That proposal didn't go anywhere as no sitting elected officials had the vision or the willingness to carry it forward.

There are any number of Lake County communities that could combine a variety of services. Crown Point and Merrillville would be a natural, given that the two communities share Broadway, a bustling north/south highway that continues to grow commercially. The two municipalities share a border and the two chambers of commerce merged more than a year ago.

The same can be said about merging Hammond and Whiting, two communities that also have merged their chambers of commerce. The two also share contiguous land on Lake Michigan. And, while we are talking about mergers, the Ridge Road (U.S. 6) communities of Griffith, Munster and Highland also could easily blend into one. Hobart could merge with Lake Station, and Cedar Lake and Lowell could blend together.

Scheub also made an excellent point about roads and streets. He said county government is responsible for 560 miles of road. Municipalities could easily take over many of those roads.

What Scheub is saying is consistent with some of the recommendations in the Kernan/Shepard study on local government. That study, which was commissioned by then-Gov. Mitch Daniels, made a host of recommendations about consolidating and eliminating government. The Legislature didn't act on many of them.

It is good to see Scheub again raise the issue. But when municipal elections roll around this fall, chances are you won't see any candidates talking about consolidation.

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Rich James has been writing about state and local government and politics for more than 30 years. He is a columnist for The Times of Northwest Indiana.



Ezra Klein, vox: What happens if the Supreme Court rules for the plaintiffs in *King v. Burwell*? The simplest answer is that Republican states get screwed. You wouldn't know that from the political debate, which pits Democrats who fear a ruling for the plaintiffs against Republicans who welcome one. But both sides are operating under an outdated model of the politics around Obamacare — one in which the law's survival remains an open question. It's not. Obamacare is here to stay — as even congressional Republicans now realize. And the *King v. Burwell* case doesn't threaten the law itself. It threatens Republican states that don't want to implement the law. Residents in those states will end up paying a huge amount of money to fund a law that delivers no benefits to them and their state — and, in fact, turns their insurance market into a disaster zone. More importantly, *King v. Burwell* threatens the 6.4 million people receiving insurance subsidies in states that don't want to implement the law. For them, an adverse ruling by the Supreme Court won't just be an interesting political story — it'll be a genuine disaster that may leave them unable to afford care they badly need. In the states that want to implement Obamacare, however, the law will be just fine — in fact, it will be entirely unaffected. And, over time, most or all states will decide to implement Obamacare. ❖



Dave Bangert, Lafayette Journal & Courier: When Pope Francis ridiculed climate change deniers this week, calling on his flock to mount an earth-saving campaign of personal responsibility and public policy soul-searching, where did that leave U.S. Rep. Todd Rokita, our congressman, faithful Catholic and noted global warming skeptic? I asked. But the Republican congressman from Indiana's 4th District wouldn't come to the phone. "We're going to pass on this for now," said Michael Mets, a Rokita spokesman. All I really wanted to know was this: What was Mass going to be like for Rokita at St. Malachy, his family's Catholic congregation in Brownsburg, after Pope Francis' 192-page position paper — an encyclical, it's called — about why religion and science need to come together in an "ecological conversion." About how the convenience of the First World rich couldn't be an excuse for environmental destruction for the Third World poor. About how admitting that human hands play a role is nothing less than a moral imperative. "For believers," Pope Francis wrote, "this becomes a question of fidelity to the creator." If that brings a different sort of heat to the game for the congressman — the response to the pope's message hasn't been necessarily gracious in many Republican corners in the U.S. — Rokita wasn't saying. But considering that neither one is exactly a climate scientist, let's lay out their competing, key points. Here's a summary of the congressman's stance, taken from an April 2014 "Rokita Report." "For years, I have been saying that man-made global warming is an unsettled matter and that we are cur-

rently in the midst of a naturally occurring environmental cycle, evidenced by previous warming and cooling periods. I am open to proof that human activity contributes to climate change and that it is threatening the planet, but I do not believe the matter to be settled science. "Make no mistake, as a conservative, I believe that we should absolutely conserve the resources we have and ensure we leave a better Earth for future generations. However, we should not sacrifice jobs, drive up the cost of living or increase the debt left to our children due to unsettled science or a politically motivated rush to judgment." Here's Pope Francis: "It is possible that we don't grasp the gravity of the challenges before us." Which one to believe? "The pope is certainly closer to the truth," says Jeff Dukes. For the record, Dukes is a scientist. A professor of forestry and natural resources, Dukes is director of the Purdue Climate Change Research Center, which was set up in 2004 "as a crucible for interdisciplinary research on climate change and its ecological, social, economic and political impacts," according to the center's site. "Clearly the pope has read up on the subject, and this led to today's document,"

Dukes said. "There is no meaningful debate on whether climate change is happening or whether it is largely caused by society's release of heat-trapping gases into the atmosphere." ❖

Bil Browning, RH Health: Indiana's reputation took a drubbing after the legislature passed a Religious Freedom Restoration Act (RFRA), which allowed businesses to discriminate against LGBTQ people. Republican Gov. Mike Pence, however, took the brunt of the vociferous national blowback. While he signed the new legislation specifying that the RFRA law could not be used to deny service to LGBTQ people, Pence was still pointedly clear when he said that protecting them from discrimination was not a priority of his administration. One voice from the opposition was conspicuously absent as the public relations catastrophe unfolded, however. John Gregg, a Democrat and Pence's opponent in the last gubernatorial election, remained silent through most of the controversy. When he did put out a statement, hours after legislators passed the bill through both chambers, it spoke primarily about his religious faith and expressed concern "about others who mock me because of my faith." Gregg's statement hardly mentioned LGBTQ people, except for a single reference that he once campaigned for a gay man. Gregg, who has already announced his intention to pursue a rematch with Pence in 2016, has tried to dance a delicate line on gay rights over the past few years but continues to trip over his own feet. Abandoning a chance to not only score political points, but win support from LGBTQ voters, Gregg hesitated to speak on the issue at all. Instead of acknowledging the law was rooted in animosity toward LGBTQ people, Gregg said Republicans pushed it "because they don't want us to look at their failure to govern the state in a responsible manner." ❖

Pence to defy EPA air rules

INDIANAPOLIS - Indiana Gov. Mike Pence says his state won't comply with the Environmental Protection Agency's effort to curb carbon dioxide from power plants—unless the administration dramatically overhauls its regulation (National Journal). Pence sent a letter to the President Obama on Wednesday with that warning, saying that unless proposed EPA regulations for power plants are significantly "improved" before the agency finalizes them, Indiana will buck the rule. That declaration arrives on the heels of a major push from Senate Majority Leader Mitch McConnell urging governors not to comply with the regulations, which stand at the heart of Obama's effort to tackle global warming and shore up a legacy on the environment before he leaves office. In his letter to the White House, Pence did not explicitly outline what changes he hopes to see from EPA, but claimed that the regulation "fails to strike the proper balance between the health of the environment and the health of the economy," and warned that it will drive up the cost of electricity. "As Governor of Indiana, I am deeply concerned about the impacts of the Clean Power Plan on our state, especially our job creators, the poor, and the elderly who cannot afford more expensive, less reliable energy. I reject the Clean Power Plan and inform you that absent demonstrable and significant improvement in the final rule, Indiana will not comply," Pence wrote, adding that Indiana will "reserve the right to use any legal means available to block the rule from being implemented." But if states don't comply, that's not the end of the story. The administration plans to release a federal implementation plan that will direct states to achieve required emissions cuts if they fail to submit their own plans. "Called for by President Obama's Climate Ac-



tion Plan, EPA's approach is built on a time-tested state-federal partnership in the Clean Air Act, which was established by Congress, for EPA to establish public health goals and then gives states important flexibility to design plans to meet their individual and unique needs," Melissa Harrison, a spokeswoman for EPA, said in response to the letter. "Hoosier families want and deserve clean air for our kids and clean energy jobs for our communities," said Jodi Perras, a state representative for the Sierra Club's Beyond Coal campaign. "Gov. Pence has shown repeatedly that his allegiance lies not with protecting our families, but with protecting the profits of Big Coal and dirty fossil fuels. We deserve better."

Kassig family on hostage change

INDIANAPOLIS - The families of hostages who have been killed by ISIS, including the family of Indianapolis-native Peter Kassig, say they are grateful the U.S. is making changes to its hostage policy, giving families of hostages more freedom to negotiate for their loved ones' release (Indiana Public Media). The White House today announced a significant shift in its decades-old hostage policy, removing the threat of prosecution for families who try to negotiate with captors or pay ransom. The decision comes several months after President Obama ordered a comprehensive review of U.S. hostage policy that was prompted by criticism from families of hostages who were killed at the hands of the so-called Islamic State. Among them was Indianapolis native Peter Kassig, who was murdered in November. Kassig's parents repeatedly reached out to his captors on Twitter, asking what they could do to secure his release. In a statement, the families of Kayla Mueller, Peter, also known as Abdul Rahman, Kassig and Steven Sotloff said they appreciate that the government gave them the opportunity to voice their concerns during the review

process. "We have faith that the changes announced today will lead to increased success in bringing our citizens home. When we see evidence of this occurring, it will further our healing," the joint statement read.

Tsarnaev headed to Terre Haute

BOSTON - Convicted Boston Marathon bomber Dzhokhar Tsarnaev broke his silence Wednesday and apologized to the victims and the survivors of the deadly 2013 attack. "I am sorry for the lives that I've taken, for the suffering that I've caused you, and the damage that I've done," he said Wednesday during his sentencing hearing. The remarks are Tsarnaev's first in public since the attack that killed three people and left 264 others wounded. He was found guilty of the bombing on April 8; the jury gave him the death penalty May 15. "I pray to Allah to bestow his mercy on you," Tsarnaev said prior to Judge George O'Toole imposing the death sentence. "I pray for your relief, for your healing, for your well-being, for your health." He added: "I ask Allah for mercy for me and for my brother," Tamerlan. Tsarnaev will be taken to Terre Haute, Ind., to the federal government's death row. An appeals process is likely to take years.

Riggs leaving for IUPUI job

INDIANAPOLIS - Indianapolis Public Safety Director Troy Riggs, an administrative outsider brought in three years ago to reform the city's embattled police department, is leaving his post to join the Indiana University Public Policy Institute and Indiana University-Purdue University Indianapolis in a newly created public safety research and outreach position (IndyStar). In confirming his departure to the Indianapolis Star this week, Riggs said he likely will stay as director through July, as Mayor Greg Ballard looks for his replacement.