



IPALCO deal anticipated to make a Kernan-Daniels comeback

Emerging from the dissipating pot fumes

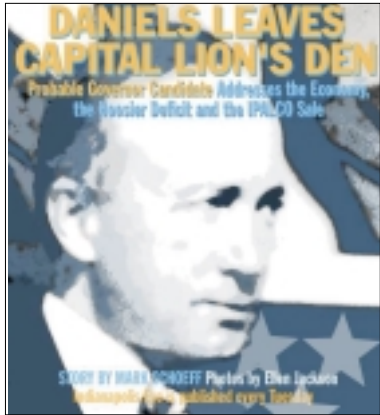
By BRIAN A. HOWEY in Indianapolis

As the 30-year-old marijuana fumes dissipated over the 2004 Indiana gubernatorial field this week, the next chapter, Mitch Daniels' role in the IPALCO sale, began to come into focus once again.

Democratic operatives began floating the story to reporters around the state, just as the pot story had been sifting around for months. The Daniels campaign, aware Democrats were seeking retirees who lost their stock portfolios when the AES shares plunged in value to make television ads, took a page from the Bush administration and offered up a pre-emptive strike. The reason is simple: TV ads featuring IPALCO retirees losing their "widows and orphans" stock could have a political impact.

The marijuana (see page 3) and IPALCO sagas were the chess game being played out over the ethics side of the field. Democrats, worried about the BMV and FSSA scandals in Indianapolis, and the cascading corruption epidemic that promises to severely cripple its Lake County bulwark, turned to pot and power companies to try and wreak havoc on the Daniels campaign.

Indiana Democratic Chairman Kip Tew said IPALCO will be an issue because Daniels has repeatedly "held Gov. Kernan accountable" for his record over the past seven years. "He's going to be held accountable while serving on the board of directors of IPALCO," Tew said. As another Democrat put it, "He was an executive who made an executive decision that had an impact on Indiana workers, jobs and savings." Democrats maintain that Daniels and other directors took a stable corporation, sold it out of state, and the stock plunged 92 percent. Workers and retirees lost more than \$100 million in stock value and 500 Hoosiers lost their jobs. Daniels and other corporate officers sold their stock and made \$70 million.



"I've never been a grandstander."

— Gov. Joe Kernan, on his low-key campaign style, to the *Indianapolis Star*

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Brian A. Howey, Publisher
Mark Schoeff Jr., Washington Writer
Jack E. Howey, Editor

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Call 317-254-1533 or 254-0535.

The Howey Political Report
PO Box 40265
Indianapolis, IN 46240-0265.

www.howeypolitics.com
BrianHowey@howeypolitics.com
Indianapolis Office: 317-254-1533.
Indianapolis Fax: 317-968-0487.
Washington Office: 202-775-3242.
Business Office: 317-254-0535.

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Critical to this story is the general utility environment. During the 1990s, utility deregulation was the bomb and a number of Indiana utilities were either pickoff targets or sought acquisitions. IPALCO unsuccessfully tried a hostile takeover of PSI, its natural partner, which later merged with Cincinnati Gas & Electric to form Cinergy. NIPSCO merged with Columbia Gas and then bought Indianapolis Water Co. SIGECO and Indiana Gas merged to form Vectren. Bigger was thought to be better in the pre-Enron era.

Most of the basic facts of the IPALCO saga have not changed since HPR's Mark Schoeff Jr. wrote about it in a June 2003 *Indianapolis Eye* article that was recast in the June 5, 2003, edition of HPR. Between March 2001, when the \$3 billion IPALCO/AES merger was finalized, and October 2002, the AES stock price dropped from \$49.60 per share to 92 cents. Daniels sold 60,000 shares of IPALCO stock prior to joining the Bush cabinet in January 2001 for a profit of \$552,540 before heading to Washington, according to the *Associated Press*.

IPALCO CEO John R. Hodowal and other officers sold their stock in the days immediately after the sale. Hodowal, for instance, sold stock for \$14.22 million on Sept. 8, 2000, as part of a \$71 million stock sale, which the lawsuit calls dumping by the IPALCO board and officers. Daniels explained to Schoeff, "I signed my agreement with the Office of Government Ethics on Jan. 18, 2001, committing to sell all family financial holdings."

In July 2002, a class of IPALCO shareholders brought suit against IPALCO officers. They accused the IPALCO officers of violating the Employee Retirement Income Security Act. The suit contends that IPALCO insiders misled investors on the financial condition of AES Corp. and the volatile nature of its stock. AES, for instance, had never paid a dividend.

The Daniels campaign casts the situation like this:

1. As an outside director for IPALCO, Daniels "cast a responsible vote in good conscience with the best interests of the shareholders firmly in mind."

2. The IPALCO board had explored many other options before determining unanimously that the sale to AES was the best course of action, securing \$25 a share for stock valued at \$15 a share.

3. Daniels demanded the board receive a separate, independent financial counsel. Goldman Sachs concluded the sale "was the best option for shareholders."

4. The Daniels campaign maintains the Indiana Utility Regulatory Commission could have stopped the sale, but instead indicated to federal regulators it had no objections. Regulatory sources tell HPR that a 1999 Indiana Supreme Court decision involving the SBC/Ameritech deal determined that the state could not hold up acquisitions at the holding company level. The Daniels campaign also produced an IURC document dated Feb. 5, 2001, announcing a "notice of

withdrawal of intervention and protest" of the IPALCO/AES deal. Regulatory sources indicate that the IURC's only leverage over the deal was to threaten a case before the Federal Utility Regulatory Commission or refuse to sign off with the Securities and Exchange Commission. FERC in that era was signing off on most acquisitions. But regulatory sources tell HPR that had Gov. Frank O'Bannon seen red flags, he could have used the IURC to string the deal out in a way Gov. Robert Orr, who had no direct authority of the development of Marble Hill, did in using the IURC to get PSI to pull the plug.

5. After the sale to AES, the Daniels campaign said that all but 1 percent of the IPALCO shareholders were free to do whatever they wanted with the gains in their stock value.

6. Daniels is not included in the class action suit sought by attorney John R. Price, a 2000 Republican candidate for governor. Price called the IPALCO sale "Daniels' fatal disease" in 2003, but did not return phone calls this week from HPR asking why Daniels had been dropped from the suit.

Tew cast the merger in a different light. "He chose to push the sale of a long-standing Hoosier company out of state and it had an impact on Indiana workers and Indiana worker life savings," Tew said. "He voted for \$46 million in termination benefits for officers and executives, not stocks. But the worker who hung the lines back up after tornadoes lost everything and that guy is now cutting grass."

Kernan campaign spokeswoman Tina Noel said, "It's very clear that voters should have serious concerns about Daniels' judgment, given his decision to sell an Indiana company out of state, and that decision's impact on the Hoosier workers who lost their jobs and their life savings."

Economist Morton Marcus was asked about the impact of the issue. "One must ask if management made it possible for the directors to know what was happening," Marcus said. "Or the culture of the directors may have been not to know about what management was doing. This may be a classic ex ante, ex post issue. The surface seen today was not visible yesterday before the wind's and the water's effects were made manifest."

Most observers HPR talked with said they don't believe Daniels or the board did anything illegal, unethical or immoral. But for a candidate constantly attacking Kernan over a loss of jobs, Daniels' "executive decision" will soon be in play. There could be a political price if voters see an IPALCO widow on camera juxtaposed with Hodowal at play. Then again, John Fernandez (with the help of Tew) tried to use the issue in the 2002 secretary of state race and it had no impact.

Daniels said he feels for people who lost money on the AES stock but cannot be held accountable. "Sympathy, absolutely. Responsibility, no," he said. "One feels terrible. But under those circumstances, the board was acting in good faith. Maybe I would have held on, too, if I had stayed where I was." ❖



Choking on the bong. Duoh!

By BRIAN A. HOWEY

The Mitch Daniels marijuana story some Democratic operatives were pushing this week was a stunning political miscalculation.

Daniels had publicly acknowledged his 1970 bust at Princeton University. But the word leaking out over the last six weeks was that he had really been arrested for dealing. The *Indianapolis Star* ran a lengthy story on the matter in Sunday's "Behind Closed Doors" column. WTHR-TV's Roger Harvey followed up on Monday. The essence of the *Star* story was that Daniels was arrested, spent two nights in jail, had the charges reduced and paid a \$350 fine.

The WTHR-TV story seemed to suggest that Daniels was a dealer and that other, harder drugs were involved. Harvey reported, "Newspaper accounts reported that in addition to marijuana, an undercover officer bought other drugs, including LSD, during numerous visits to the room over about a three-month period. Five months later, a grand jury indicted Daniels on two counts, marijuana possession and maintaining a nuisance. Eventually the prosecutor agreed to drop those charges and Daniels pled guilty to a disorderly persons charge."

"The officer thought we did something wrong and that was true," Daniels told WTHR, comments similar to ones he had made in 2003. "We didn't deserve to go scot-free. But the process worked and after the facts were visible I was fined for what I had done, which was being a customer at a low-level for a short time period."

Democratic Chairman Kip Tew said the real news was Daniels' indictment months after the bust.

On Tuesday, that story took a turn for the absurd when four Democrats -- State Reps. Ed Mahern and Bill Crawford, and Indianapolis Councilors Rozelle Boyd and Joanne Sanders -- called a Statehouse press conference. Mahern said 1970 news reports of the arrest do not "match up with what we hear."

But if the Democrats thought it would be a fourth straight day of "Mitch smoked pot" headlines, they were wrong. The headline in dozens of Indiana newspapers and TV newcasts on Wednesday morning was that Gov. Joe Kernan had smoked pot, too. And so had Mahern and Sanders. It was Mike Smith of the Associated Press who posed the obvious question and got Kernan campaign manager Bernie Toon to say, "He did use marijuana a few times in his younger years, in his 20s."

As Fox political analyst Homer Simpson would say: "Duoh!"

But it begged the question, did anyone on the Democratic side even bother to ask Gov. Kernan before this stunt? And if they had and knew what we know now, then, well ...oh, never mind. ❖



HPR 2004 Forum

HPR Forum Series Agenda

Oct. 1, 2004, Downtown Marriott

Tickets \$75 (or \$100 for non-HPR subscribers) and can be ordered at 317-254-0535 or by e-mailing a request to jackhowey@howeypolitics.com

7:30 a.m. Registration

8 a.m. Opening Remarks by Brian A. Howey and Dan Seitz, BoseTreacy.

8:15 a.m. 2004 Election Overview

Dr. Larry Sabato, University of Virginia

Brian A. Howey, HPR

Mark Schoeff Jr., HPR

Vince Robinson, Fort Wayne Ink

Jeff Lewis, TeleResearch

Moderator: Dan Seitz

9:15 a.m. Indiana House Election Overview

State Rep. Ed Mahern, D-Indianapolis

State Rep. Luke Messer, R-Shelbyville

Paul Mannweiler, BoseTreacy

Andy Miller, BoseTreacy

Moderator: Brian A. Howey

10:15 a.m. Power Realignment in the Indiana Senate

Sen. J. Murray Clark, R-Indianapolis

Sen. Robert Meeks, R-LaGrange

Sen. Jeff Drozda, R-Westfield

Brad Hiller, BoseTreacy

Moderator: Patricia McGuffey, BoseTreacy

11:15 a.m. Remarks by Gov. Joe Kernan

Noon: Luncheon

12:30 p.m. Dr. Larry Sabato Keynote

1:15 p.m. Remarks by Mitch Daniels

2 p.m. The Case for Government Reform

Brian A. Howey, HPR

State Sen. David Long, R-Fort Wayne

Lawrence Township Assessor Paul Ricketts

Indianapolis Deputy Mayor Mike O'Connor



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Indiana 2004 Statewides

Governor 2004: Republican: Mitch Daniels.

Democrat: Gov. Joe Kernan. Libertarian: Kenn Gividen. **1996**

Results: O'Bannon (D) 1,075,342, Goldsmith (R) 997,505,

Dillon (L) 35,261. **2000 Results:** O'Bannon (D) 1,230,345,

McIntosh (R) 906,492, Horning (L) 38,686. **2004 Forecast:**

This has been a very bad week for the Kernan-Davis cam-

paign and they can't endure too many more. The backfiring

bong story, the Associated Press finally doing the *Site*

Selection Magazine illusion story HPR did about two months

ago, and the revised jobs numbers that made the first five-

second Kernan ad incorrect are all things that happen to cam-

paigns that are imploding. Kernan's apparent light campaign

schedule is perplexing and his explanation to the *Indianapolis*

Star on Sunday ("I've never been a grandstander") had many

Democrats we know twitching anxiously. The last two GOP

gubernatorial campaigns imploded over TV ads that got the

facts wrong (i.e. the Goldsmith allegation that Frank

O'Bannon had voted for 38 tax increases in September 1996

and the David McIntosh "property taxes have doubled" in July

2000). Neither fully recovered from those errors. Now Kernan

finds himself in a similar

skid. Other hallmarks of a

campaign in trouble include

phone calls not being

returned by key campaign

personnel and speculation in

political circles that the 5-

second ads reflect fundrais-

ing problems do not help.

Democrats need to remember that Frank O'Bannon, under

the guidance of Tom New, ran an accurate, disciplined cam-

paign in 1996 in a race where there was virtually no room for

error. It was Goldsmith who made the blunders. O'Bannon,

who had developed relationships with the news media, was

able to appeal to reporters when Goldsmith began airing the

38-tax increase ad that September. There is no similar

dynamic with the Kernan campaign and time is running out.

Former Lt. Gov. John Mutz and State Sen. Murray Clark

called on Gov. Kernan to pull a TV ad that they say is inaccur-

ate. The two said that analysis of a *Site Selection Magazine*

story that ranked Indiana number one in economic develop-

ment is wrong. They used news stories that showed the 401

new job projects for 2003 actually numbered 246 and includ-

ed projects from previous years. A second TV for Gov. Kernan

says that Indiana is outpacing the nation in job creation, when

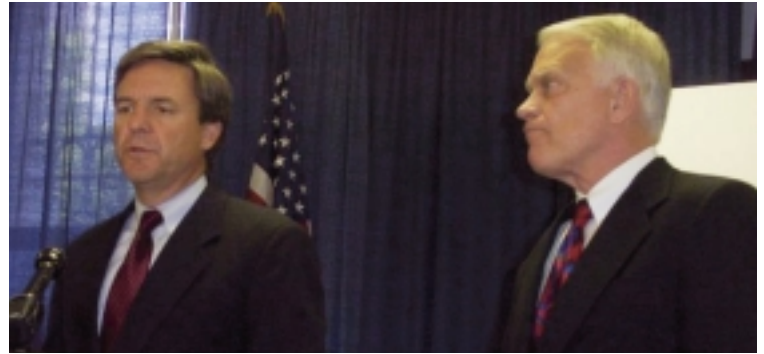
revised June job figures the state released last week show

that to be untrue. "This is on the governor's desk," said Mutz,

asking him to pull two TV commercials he said are false. "It's

up to Joe to do what's right." Bernie Toon, Kernan's campaign

manager, responded, "Mitch Daniels has made it a central



Sen. Murray Clark and former Lt. Gov. John Mutz ask Gov. Kernan to pull his first 5 second ad. (HPR Photo)

theme of his campaign to tear down anything positive that is happening in the state of Indiana. We've been hearing for months that Daniels and his staff have been trying to convince anyone who would listen that there's no way Indiana could have landed the top spot in *Site Selection Magazine's* competitiveness award competition. This award is something the state will use to grow even more jobs and encourage businesses to locate and expand here. Yet, rather than celebrate it, it's been five months of non-stop criticism from RV1 and its inhabitants." Toon didn't dispute the numbers the Daniels campaign made available to reporters on Monday. In the second TV ad controversy, the first "This just in," the brief ad stated, "Indiana is gaining jobs faster than the rest of America." Aimed at improving Hoosiers' views about the economy, the commercial attracted notice for its brevity. Friday, it attracted controversy over its accuracy (*Indianapolis Star*). "The governor should take his factually false ads off the air, and he should rectify the misperception his ads created in recent weeks," said Bill Oesterle, Mitch Daniels' campaign manager. Kernan spokeswoman Tina Noel said the ads would remain on the air through their scheduled run, which ended early this week. The campaign quietly changed the ad on Monday. Noel said the campaign believed the numbers when they were initially announced, and that newspapers reported the figures. "The simple fact is that more people are employed in Indiana today than were a year ago," Noel said in a statement. The controversy flared Friday after the Indiana Department of Workforce Development announced disappointing July job numbers and revised June numbers. Those figures show Indiana created 1,000 new nonfarm jobs in June. That is less than one-fourth the preliminary number reported a month ago. With the new numbers, Indiana's jobs growth rate was about half that of the rest of the nation, a sharp difference from the message in the current Kernan campaign ad. The nation grew 78,000 jobs in June, according to Bureau of Labor Statistics figures. Jeff Harris, a Department of Workforce Development spokesman, said preliminary job numbers are first drafts and usually revised the



following month. "We try not to make a big deal out of the preliminary numbers," he said. "They fluctuate." The *Star* also covered Kernan's low profile on the campaign trail. His campaign releases frequent updates on his schedule. On Friday alone, he hit five counties, starting with an engineering company in Jay County and ending at a racetrack in Grant County. Kernan's campaign outings have been much fewer and often not publicized, though he got good coverage Wednesday when he visited the Colts training camp. Before one recent week, no public events were announced (*Indianapolis Star*). "It's almost eerie. There is no presence (from the Kernan team) almost anywhere we go." Daniels said. "I've never been a grandstander,"



Kernan said of the decision to keep quiet about many campaign events. His campaign points out Kernan has a day job and can't campaign full time. As we said last week, our suspicions are this race is beginning to trend Republican, but we've seen no polling evidence that it's outside the margin of error. Democrats are hoping that the old Notre Dame catcher in Kernan -- with his back to the wall -- will become the tenacious fighter they expected him to be in this race. **Status:** *Tossup.*

Attorney General 2004: Republican: Attorney Gen. Steve Carter. Democrat: Joseph Hogsett. **2000 Results:** Carter (R) 1,077,951, Freeman-Wilson (D) 978,713, Harshey (L) 45,490. **2004 Forecast:** Carter issued a debate challenge, proposing the debate be held at one of the state's law schools in Valparaiso or Bloomington as a way of involving law school students in the political process (HPR). "Having the state's future lawyers become more involved in the campaign for Indiana's chief legal officer should help further their interest in and appreciation of our electoral process," said Carter. Hogsett said Friday that he would run both the state's sex offender registry and directory from his office if elected (*Louisville Courier-Journal*). "Currently there is confusion, which needs to be remedied," Hogsett said at a press conference. The Indiana Sheriffs Association maintains the sex offender registry list, which tells the public where convicted sex offenders live and provides their pictures. The Indiana Criminal Justice Institute runs the separate offender directory, which lists all people convicted of sex crimes but doesn't carry addresses or pictures. "Neither of these is a government agency," Hogsett said. Carter said he would have no objection to maintaining the list if that is what the legislature decides. But he has not proposed the move. "In conversations with legislators about ways to improve the system, I think the issue has been raised once or twice," Carter said. "But it is up to them." **Status:** *Leans Carter.*

Indiana 2004 Congressional

Congressional District 2: Republican: U.S. Rep. Chris Chocola. Democrat: Joe Donnelly. **Geography:** South Bend, Michigan City, Mishawaka, Elkhart, Kokomo, Plymouth, Logansport; LaPorte, St. Joseph, Starke, Marshall, Pulaski, Fulton, Cass, Carroll and parts of Howard, Porter, Elkhart and White counties. **Media Market:** South Bend-Elkhart, Indianapolis, Lafayette, Chicago. **People:** Urban/rural 73/27%; median income \$40,381; Poverty 9.5%; Race 84% white, 8% black; 5 Hispanic; Blue/white collar: 34/50%. **2000 Presidential:** Bush 53%, Gore 44%; Cook Partisan Voting Index: R+5; 2002 Result: Chocola 95,081 (50%), Long Thompson 86,253 (46%); **2004 Forecast:** The *Rothenberg Political Report* notes that Chocola has an \$821,106 to \$132,585 money advantage as of June 30 and observes, "Chocola looks good for re-election." **Status:** *Leans Chocola.*

Congressional District 4: Republican: U.S. Rep. Steve Buyer. Democrat: David Sanders. **Geography:** Tippecanoe, Clinton, Boone, Montgomery, Hendricks, Morgan, Lawrence and parts of Marion, Johnson, Monroe, Fountain and White counties. **Media Market:** Lafayette, Indianapolis, Terre Haute, Evansville, Louisville. **People:** urban/rural 68/32%; median income \$435,947; Poverty 8%; Race 93% white, 1.3% black, 2.6% Hispanic; blue/white collar 29/56%; **2000 Presidential:** Bush 66%, Gore 31%; **Cook Partisan Voting Index:** R+18; **2002 Results:** Buyer 112,760 (71%); Abbott 41,314 (26%). **2002 Money:** Buyer \$924,869, Abbott \$21,634. **2004 Outlook:** The incarceration rather than the rehabilitation of drug addicts often seems more the aim of America's laws, a Democratic candidate for U.S. 4th Congressional District said Thursday (*Lafayette Journal & Courier*). And minorities, because they are the least likely to afford a competent lawyer, often go to prison under those laws, said David Sanders, who then chastised Republicans for cutting federal funds for helping the poor pay for legal defense. Lafayette City Councilman Perry Brown, D-District 3, attended the press conference and mostly agrees with Sanders. But rather than discriminating against certain races, the nation's laws are better characterized as weighted against the poor, Brown said, the lone African-American on the council. "When you get into meth, those are poor white people who are making that stuff," said Brown. **Status:** *Safe Buyer.*

Congressional District 8: Republican: U.S. Rep. John Hostettler. Democrat: Jon Jennings. Green Party: Clark Gabriel Field. **Geography:** Evansville, Terre Haute, Greencastle; Posey, Vanderburgh, Warrick, Gibson, Pike, Martin, Daviess, Knox, Sullivan, Greene, Owen, Clay, Vigo, Vermillion, Parke, Putnam, Warren and part of Fountain counties. **Media Market:** Evansville, Terre Haute, Indianapolis, Lafayette. **People:** Urban/rural 58/42%; median



income\$36,732; poverty 10.7%; race white 93.7%, black 3.7%, Hispanic .9%; blue/white collar: 32/52%. **2000 Presidential:** Bush 56%, Gore 42%; Cook Partisan Voting Index: R+8. **2002 Results:** Hostettler 98,952 (51%), Hartke 88,763 (46%), **2004 Forecast:** The *Rothenberg Political Report* observes, "Bosten Celtics scout Jon Jennings, who had \$270,870 in the bank after raising \$665,517, has an interesting and varied background, but his chances rest on Hostettler running his usual inept campaign. Hostettler had only \$147,542 in the back on June 30, and he'll probably need the NRCC to pull his chestnuts out of the fire again. A Democratic target." We've discerned no apparent fallout from Hostettler pleading guilty to a gun crime last week. That could be a perilous issue ... for both candidates. The Bloody 8th's love affair with guns and the 2nd Amendment is legendary. But Hostettler did a real stupid thing when he was arrested at the Louisville airport, coming at a time of heightened security concerns and fears of a looming domestic terrorist attack. We suspect this may come up during the homestretch, but how it plays out and what impact it has remains unclear. While Rothenberg repeatedly talks about the "inept" Hostettler campaigns, the fact is that the Republican has the best Hoosier ground organization at the CD level and it always pulls him out. Having said that, Hostettler never has had much room for error and if the gun crime cuts against him, he could lose. He reminds us of former Congressman John Hiler, who won five elections in the old 3rd CD, always close in the mid-terms. The sense was that it was only a matter of time before events would catch up with him. When Hiler lost to Tim Roemer in 1990, he described it as not one single issue, but more of a "hundred cuts." We see a similar dynamic with Hostettler. Whether it happens this year or in 2006 is the big question. **Status:** *Tossup.*

Congressional District 9: Republican: Mike Sodrel.

Democrat: U.S. Rep. Baron Hill. **Media Market:** Evansville, Indianapolis, Louisville, Dayton, Cincinnati. **People:** urban/rural 52/48%, median income \$39,011; race white 94%, 2.3% black, 1.5% Hispanic; blue/white collar: 34/50%; **2000 Presidential:** Bush 56%, Gore 42%; Cook Partisan Voting Index: R+8. **2002 Results:** Hill 96,654 (51%), Sodrel 87,169 (46%). **2002 Money:** Hill \$1.144m, Sodrel \$1.62m. **2004 Forecast:** *Rothenberg Political Report* observes, "Hill had \$738,141 in the bank on June 30 to Sodrel's \$306,960. Worth keeping an eye on, though Hill is clearly a survivor." **Status:** *Leans Hill*

Indiana 2004 Legislative

House District 26: Republican: Tippecanoe County Councilwoman Connie Basham. **Democrat:** Joe Micon. **Geography:** Lafayette, West Lafayette, Tippecanoe County. **2002 Results:** Scholer 5,630, Micon 4,731. **2004 Forecast:** At his news conference Monday, Micon held up a report by the Indiana Commission on Abused and Neglected Children and Their Families. The report, released Sunday, recommends 32 ways to reform Indiana's system of child welfare. Of those, Micon singled out training for social workers as a way to improve welfare without further depleting the state's treasury (*Lafayette Journal & Courier*). He also said that, without spending a lot of money, the public can be taught to better recognize the signs of child abuse. But for Basham, such reforms miss the point. The biggest problem with child welfare in Indiana, she said, is its inclusion in the Family and Social Services Administration. Such an enormous bureaucracy can all too easily lose sight of the needs of children, Basham said. "The worst thing that could have been done is to lump all the agencies under FSSA," she said. **Status:** *TOSSUP.* ❖

04 Bush-Kerry Election Presidential Polls

AP-Ipsos 8/3-5, +/-3.5%
Kerry 47, Bush 46, Nader 4

USA Today/Gallup 8/9-11, +/-3
Bush 46, Kerry 46, Nader 3

Pew Research 8/5-10, +/-3.5
Kerry 47, Bush 45, Nader 6

Rasmussen Tracking, 8/17-19
Kerry 48, Bush 46

Rasmussen Tracking (Ohio)
Kerry 46, Bush 45

Gallup believes Bush is consolidating base

Gallup.com reports President George W. Bush "has over the last two months consolidated his base vote in core Republican states and made slight inroads in swing states in the process of moving to a somewhat more competitive position against John Kerry. This conclusion is based on a comparison of more than 3,500 interviews (including 3,141 registered voters), conducted in three CNN/*USA Today*/Gallup polls from mid-July through Aug. 11, with a group of more than 3,000 interviews (including 2,696 registered voters), conducted in three polls in June and early July.





One last hurrah for the King of Steeltown?

By BRIAN A. HOWEY

You have to wonder if Joe Kernan, Joe Hogsett and Evan Bayh and their respective operatives wake up at night in cold sweats over the idea of a simultaneous Robert Pastrick "Last Hurrah" campaign being conducted in their midst.

About 72 hours after the Indiana Supreme Court ruled 3-2 in favor of an unprecedented new election in scandal-o-rama East Chicago, the word seeping out from the Pastrick battlements was that he was unfolding the white handkerchief and looking for the 10-foot pole to use as staff. One Pastrick friend said the mayor was indicating to him and Lake County Democratic Chairman Stephen Stiglich that he had had enough.



But then the *Post-Tribune* reported over the weekend that on Monday morning, Pastrick allies embedded in a city government that employs about a third of the city's population, were preparing to pump the mayor up for that last hurrah. These were the same guys who reportedly talked Pastrick into running one more time in 2003, after Chris Sautter's film "King of Steeltown" had captured the mayor saying in 1999 that that would be the final time.

I'm not sure which was the worst miscalculation: the 2003 re-election campaign that saw Pastrick eke out a 278-vote win over former police chief-turned-casino owner George Pabey, or son Kevin Pastrick's pressing for the "King of Steeltown" to be made and distributed while the mayor was still breathing. The initial deal between the mayor and the film-maker was that the tapes of the 1999 campaign and the simultaneous \$20 million sidewalk scandal were to be kept in storage until the mayor had passed away.

The result has been virtually Shakespearean, as Kevin Pastrick and family friend Peter Manous face indictment, along with three East Chicago council members, and multiple members of the Pastrick administration were indicted on a variety of charges. The latest was the indictment last week of Jimmy Fife and his wife, Karen, long-time Pastrick family friends, accused of concealing unreported income.

The problem with the "King of Steeltown" is that Northern District Attorney Joseph Van Bokkelen, Lake County

Prosecutor Bernard Carter, Attorney General Steve Carter, and, perhaps even Supreme Court Justice Robert Rucker, all saw the film, too. For the DA, it was the literal red flag waving before an angry bull. Van Bokkelen has answered with fists full of indictments that are spreading across the Lake County Democratic machine. Steve Carter responded by filing a RICO suit against Pastrick and 26 cronies, equating East Chicago government as being a "criminal enterprise."

By midnight Monday, Mayor Pastrick's Indianapolis attorneys had filed 28 booklets of bound copies petitioning the Supreme Court to rehear the election overturning case. Pabey's attorney, Ned Ruff, saw it as a delaying tactic. Others wondered if Pastrick was essentially seeking a slo-mo replay of East Chicago native Rucker's tiebreaking vote.

And Pastrick's attorneys were suggesting the mayor wanted to talk and set the record straight.

In all, the *Associated Press's* Tom Coyne reported, more than 25 politically connected people in Lake County have been indicted since the start of 2002. And the East Chicago mayor, 11 others and 15 businesses are being sued by the Indiana attorney general under racketeering laws. The investigations are continuing. "It's not over," Van Bokkelen said. "There are others, too."

Coyne served up some relevant history, such as then-Attorney General Robert F. Kennedy calling Lake County one of the most corrupt in the nation back in 1962. Thirty years later, the 7th U.S. Circuit Court of Appeals wrote in an opinion that county commissioners had a history of awarding contracts to friends for kickbacks. "The corruption is just far too rampant," Attorney General Carter said.

"A good part of these investigations come from whistleblowers, people who are unhappy' and media coverage of things," Van Bokkelen said.

So Pastrick just might seek one last re-election, this one possibly coming on either Oct. 12 or Oct. 19, just a few weeks before Nov. 2. If he does, Rich James of the



Mayor Robert Pastrick

Post-Tribune (and the media star of "King of Steeltown") believes Pastrick will be toast, facing almost certain defeat by Pabey. Carter and Van Bokkelen might be thinking that Pastrick is toast, both civilly and criminally. Pass the jelly.

And the prospect of a cascading election in Steeltown, at the time Gov. Kernan and attorney general candidate Joe Hogsett are appealing to the better instincts of Hoosier voters, well, that may be the strangest sideshow in Hoosier Democratic history. ❖



Rich James, *Post-Tribune* - Given what transpired last week, one has to wonder if Attorney General Steve Carter and the Indiana Supreme Court are in cahoots. First, Carter announced the filing of a civil complaint against East Chicago Mayor Robert Pastrick, 11 other city officials and 15 firms that did business with the city — primarily the pouring of concrete sidewalks to ensure Pastrick's renomination in the 1999 primary election. Before Carter's pronouncement had stopped reverberating around Lake County, the Supreme Court ordered a new 2003 mayoral primary. The court said there was so much evidence of vote fraud that it was unable to tell whether Pastrick got the most legal votes or if his supporters stole the election from George Pabey, who lost by 278 votes. While Pastrick's chances to win a new primary were slim, they were reduced to virtually nothing as a result of Carter's civil complaint. In cahoots? No, I don't buy that. But, was Carter playing politics? Absolutely. Carter is running for re-election and faces a stiff challenge from Joe Hogsett. Carter could have filed his civil complaint long ago — as much as a year. Was Pastrick wrong with what he did with the sidewalk project? Absolutely. Was that a really, really bad wrong? That's a matter of interpretation. But what he did wasn't bad enough, apparently, to have U.S. Attorney Joseph Van Bokkelen indict Pastrick along with the "Sidewalk Six." In other words, what Pastrick did was wrong enough to potentially get him a heavy fine, but not a stint in jail. The sidewalk scandal was a prime example of government at its lowest. If the city hadn't done it covertly and had advertised for bids and signed contracts, it all would have been perfectly legal. So, what is all this going to mean to Lake County Democrats when the bell rings in November? Not much. The Lake County Democratic Precinct Organization is much like a towering oak. It bows in the face of adversity, but it doesn't break. It may lose a few branches, but it quickly sprouts new ones. ❖



Charlie Cook, *National Journal* - If you want to know where the real battleground states are, just listen to the advice that Deep Throat gave to Washington Post reporters Bob Woodward and Carl Bernstein: follow the money. At this

point, there remain 10 states that are too close to call: Florida with 27 electoral votes, Iowa (7), Minnesota (10), Missouri (11), Nevada (5), New Hampshire (4), New Mexico (5), Ohio (20), Pennsylvania (21) and Wisconsin (10). While too close to call, these states are not necessarily dead even. In Pennsylvania, President Bush, after holding a consistent lead over Kerry, finally slipped behind last month, but not far enough to warrant moving it into the "Lean Kerry" column. The same case exists in Florida, where a recent poll by a Republican firm for a private client put Kerry up by four points, but no one believes that the state is anything but a toss up. In Minnesota, New Hampshire and New Mexico, Kerry seems to be up by a bit, but again not quite enough to move those into the Kerry column. Bush is ahead in Missouri, but it's a close call as to whether the lead is big enough to justify moving it into the "Lean Bush" column. In adding up all the electoral votes that are in the safe and lean columns for each candidate, President Bush has a tight 211 to 207 lead in the Electoral College. Bush also has 120 votes in the toss up column. However, if you pushed each of the 10 toss up states to Kerry -- who seems to be ahead by a slight margin -- he would come out on top. ❖

Ruth Holladay, *Indianapolis Star* - In the '60s spirit, let the sunshine in, spread a little love, treat everybody equally, wallow in chaos. Hence politicians and operatives from both parties were asked: Did you smoke pot? Here goes nothing. Former GOP state chairman Rex Early, 70: "I've done everything else, but I ain't never smoked no pot. Probably because I never had the chance." State chairman Jim Kittle, 60, U.S. Sen. Richard Lugar, 72, and former Mayor Bill Hudnut, 71: "No." Hudnut attended Princeton in the 1950s: "I never knew what pot was." Al Hubbard, 56, former GOP state chairman: "I did smoke pot, in graduate school at Harvard." Peter Rusthoven, 53, associate counsel to President Ronald Reagan and an attorney: "Yes. I smoked marijuana at Harvard." Rep. Dan Burton, 66, 5th District: "I have not smoked pot, but I have smoked cigars." Rep. Steve Buyer, 45, 4th District, and Rep. Mike Pence, 45, 6th District: Both negative. Now, for the Democrats: Former U.S. Rep. Andy Jacobs Jr., 72, : "I inhaled it at parties, but I did not smoke it." U.S. Sen. Evan Bayh, 48: In 1988, running for governor, he reported he smoked pot at age 18. Former Democrat state Chairman Robin Winston, 46, and U.S. Rep. Julia Carson, 66, 7th District: "No." Kip Tew, 42, Democratic state chairman: "Yes. But that's not the issue here." ❖




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Kernan announces 300 new jobs

Gov. Joe Kernan and Lt. Gov. Kathy Davis announced Wednesday a \$2.4 million state incentive package for Suros Surgical Systems Inc., an Indiana-based medical device manufacturer. Kernan said the incentive package from the Indiana Department of Commerce will support the company's \$3.3 million expansion project and the creation of up to 300 new jobs. "Suros Surgical is an example of the entrepreneurial strength that is the backbone of Indiana's economy, and the state is proud to have worked with the company on their expansion," Kernan said. "Indiana continues to outpace the nation in creating life sciences jobs, and the investment by companies like Suros will continue to attract even more growth throughout our state in this industry."



Hostettler predicts Crane will survive

Five-term U.S. Rep. John Hostettler (R-Ind.) says he believes that Crane Division, Naval Surface Warfare Center will emerge from the 2005 Base Realignment and Closure (BRAC) process positioned stronger from a military standpoint (*Linton Daily Citizen*). He also foresees it becoming an even larger Department of Defense installation. Hostettler, a member of the House Armed Services Committee, made his comments at Tuesday's luncheon meeting of the Linton-Stockton Chamber of Commerce. He outlined approximately \$18 million worth of new construction and research projects for Crane that were included in the 2005 Defense Appropriations Bill that was signed into law last week.

When asked if recently announced foreign-based U.S. military base closures would be good news for Crane in the BRAC process, Hostettler said he thinks it will have an impact. "I remind people that in BRAC many of us spend a lot of time looking at the sea. But we often need to remember that when I believe makes it out of this process that the United State military will be looking for places to realign. Given that Crane is the third largest U.S. Naval base in the world with 98 square miles of territory that can accept new capacity, it doesn't necessarily have to be Naval. The Navy is the largest tenant at Crane so I believe after BRAC 2005 is history, that Crane will probably receive added capabilities there as the result of this realignment action," he said.

Kernan, King to make major Gary announcement

Gov. Joe Kernan of Indiana and officials from three federal agencies on Friday will announce details of one of the nation's largest natural resource damage settlements and efforts to restore the Grand Calumet River corridor. Joining the governor from the federal government will be officials from the U.S. Department of the Interior, its Fish and Wildlife Service, the U.S. Department of Justice and the U.S. Environmental Protection Agency.

Miller says Daniels eyes tolls for U.S. 31

The woman who would head Indiana's economic development efforts if Republican Mitch Daniels is elected governor said Daniels would consider converting part of U.S. 31 to a toll road to pay for needed improvements. Patricia Miller said Tuesday that U.S. 31's South Bend to Indianapolis section would be "the highest priority" for a Daniels administration to spur economic growth. She said Daniels would consider many options to pay for the projected



Mitch Daniels and Pat Miller (HPR Photo)

\$1.4 billion cost of the highway's upgrade. In an interview with the South Bend Tribune, Miller said there might be ways to make the cost of the U.S. 31 project more palatable and suggested the possibility of leasing rather than buying some of the property that will be needed. Making U.S. 31 a toll road would tap the highway's users to help pay for the improvements, she said. "The money has to come from somewhere," she said. "You have such an opportunity for distribution, logistics and processing because of the location (of the highway). But if people can't get here easily, or leave, it is definitely an impediment for growth."

Bayh a leader in fundraising

House and Senate candidates have spent at least \$487 million this election cycle, \$130 million more than congressional candidates had poured in by this point in the 2002 races. Those with the most campaign money in the bank as July began include: Senate: Schumer, \$21.8 million; Richard Shelby, R-Ala., \$11.6 million; Evan Bayh, D-Ind., \$7.4 million; Boxer, \$7 million, and Richard Burr, a Republican running for an open North Carolina seat, \$6.6 million.

Kernan appoints Fernandez

Governor Kernan recently appointed John Fernandez, of counsel for Krieg DeVault LLP, to The Indiana Commission for Higher Education for a four year term. ❖