

ACTION INDIANA

*Our Positive Plan for Change
to Move Indiana Forward*

**GOV. JOE KERNAN
&
LT. GOV. KATHY DAVIS**

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“We will not tolerate the status quo. We will embrace change and shape it. We will lead, not follow. And we, together, will build the Indiana we all dream of.”

Gov. Joe Kernan, June 12, 2004

INTRODUCTION

We live in a very special place – Indiana. It is a place in which the greatest asset is the people who live and work here. Indiana is home to manufacturers and musicians, artists and astronauts, entrepreneurs and engineers, scientists and scholars, and farmers and factory workers. We have the best workers on the planet, innovative and productive businesses, and cities and towns that are unrivaled anywhere.

We are honest, humble, and hardworking. We have a strong sense of values. We are tough to knock down, and quick to get up again. We help those who are less fortunate and those who are most vulnerable. And we are committed to doing the right thing, to help our families and friends, our neighbors, and our communities.

My time in military service helped shape my approach to life – to challenges, to opportunities, and to the kinds of responsibilities we have to each other. When I came home, I had a greater appreciation for the extraordinary place this is, and the opportunities we have to do good things – and great things. My experience in business and in public service taught me that we are only as good as our team, and that when we work together, there is nothing we cannot achieve.

Together, we have already accomplished so much – lower taxes for businesses to create jobs, more resources for worker training, higher test scores and accountability in our schools, and groundbreaking changes in our health care system. We have been hit by the national recession and hit hard. But we are seeing good signs in job growth and the economy, more people going back to work, more investment being made, and more signals that we are turning the corner for the better.

Still, there is unfinished business before us, and we will not hesitate to take action, bring about positive change, and get the job done. We can and will do more.

My mission for Indiana’s future is clear: to help Indiana be the place that we dream of, and to do everything I can to ensure that Hoosiers have opportunities to get good-paying jobs; affordable and accessible health care; world-class education; an efficient and effective state government; and a safe place to live, work and raise a family.

These are bold and broad goals that we all share. Of course, our state faces a number of additional challenges and opportunities – such as improving our infrastructure, better protecting the environment and preserving our natural resources. But the goals I have outlined are where we must begin.

The challenge is how we get there. It starts by working together, putting politics aside, and focusing on what’s right for our future as a community.

The following is my vision for Indiana’s future, an action plan for how we get to where we want to go.

CHAPTER ONE: JOBS

“My mission is to create the opportunity for every Hoosier to get a good-paying job.”

A better Indiana starts with creating an environment where every Hoosier has the opportunity to get a good-paying job. And we have proven that we can achieve this goal, because we’ve done it before. When we’ve worked together, we’ve gotten results that help Hoosiers.

Like nearly every state in the country, Indiana was hit hard by the national recession. Many of our families, businesses and communities suffered in recent years, and some are still battling the effects. But while other states were sitting still during those tough times, we went on offense.

We took action – making unprecedented investments in career training, education, and job-creation activities. We cut business taxes to create a better climate for our companies to grow and create good jobs. And we made our state a better place to start and grow a business. We laid a strong foundation, and we will make the changes to build on it.

Our work is paying off: we’re attracting more businesses and more investment; we’re seeing more growth and creating more jobs; and we’re turning the corner toward the great days that lie ahead. This year, *Site Selection* magazine recognized Indiana as the best place in America at competing for jobs and business investment.

Our commitment to making the changes that matter for Hoosier workers and businesses will remain strong. Those steps include working together to:

- keep taxes low for businesses;
- invest more resources in Hoosier companies;
- work aggressively to attract new high-growth businesses;
- provide job training and continuing education opportunities for workers;
- support Indiana small businesses, which are the heart of our economy;
- fight back against the negative effects of Washington trade policies and shipping jobs overseas; and
- provide more resources and better opportunities for our rural communities to make a strong comeback in the 21st Century.

We will build on our successes, meet our challenges head-on with confidence, and work together to make Indiana the best place in the world to locate and grow a business, and get a good-paying job.

ACCESS TO CAPITAL FOR SMALL BUSINESSES

THE NEED

One of the biggest challenges facing Hoosier entrepreneurs and innovators is access to start-up funding and low-cost loans, assistance that is critical to get small businesses up and running. Access to capital can transform innovative ideas and new technologies into successful businesses and good-paying jobs.

THE CHANGE

State funding for three loan programs will provide much-needed capital to our state's entrepreneurs and innovators.

1. We are providing funds for the new Micro-Enterprise Loan Program, which implements the provisions of House Enrolled Act 1434, sponsored by Sen. Vi Simpson and Rep. Bill Crawford. Through this program, we can give grants to community-based organizations, which in turn will make loans to local businesses.
2. We recently made a significant investment in LYNX, an investment fund providing growth capital to businesses owned by minorities. The state will have a seat on the LYNX board, and the investments will be made in the form of low-interest loans.
3. We are providing matching funds to the Biocrossroads initiative – an organization with a proven track record of developing public-private partnerships to increase access to capital for life science companies with high-growth potential.

These changes, coupled with other efforts to help Hoosier small businesses, will provide more opportunities for entrepreneurs and business-owners to find the means to succeed.

THE COST

Resources for these grant and loan programs come from the funds below:

1. \$600,000 from existing Indiana Economic Development Council (IEDC) funds.
2. \$2 million from existing IEDC funds.
3. \$3 million from existing Indiana Development Finance Authority funds.

OFFICE OF SMALL BUSINESS ADVOCACY

THE NEED

Small businesses often cite government regulations and limited access to capital as the biggest hurdles to success. Regulations that may be reasonable for larger companies can sometimes be burdensome to small businesses. Likewise, small businesses often struggle to find low-cost loans. And rising health care costs are an ever-increasing burden on small businesses.

A one-stop center will assist Indiana small businesses in meeting these challenges.

THE CHANGE

I have created the new Office of Small Business Advocacy, housed in the Indiana Department of Commerce, which serves as the first point of contact for Indiana small business. Earlier this year, I appointed David Dorff as Indiana's Small Business Advocate to:

- help Hoosier small businesses navigate the state's regulatory process;
- provide information on grants and low-cost loans and on opportunities to reduce health care costs; and
- undertake a top-to-bottom review of all state government regulations to determine the economic burden of those regulations on small businesses and propose changes to lessen that burden where possible.

THE COST

The Small Business Advocate fills an open position in the Indiana Department of Commerce. Funding comes from existing funds in the agency's budget. Any additional staff would also be funded from existing resources.

REGULATORY RELIEF FOR SMALL BUSINESSES

THE NEED

The economic burden on small businesses to keep up with both new and long-standing regulations is greater than that on larger organizations, because small businesses often don't have the same abundance of resources to ensure compliance.

Through the Peak Performance Project Lt. Gov. Davis has initiated significant improvements to the turn-around time for permits in the Indiana Department of Environmental Management. In addition, she has created Business Action Teams (BATs) – comprised of representatives from those state agencies involved in job growth and business development. Companies that have multiple regulatory issues, and that are looking to grow or expand here, can look to these teams for assistance.

Still, there is more we can do, especially for our small businesses.

THE CHANGE

1. In addition to the top-to-bottom review of all state government regulations that the Small Business Advocate will undertake, I have directed our Advocate to determine the fiscal impact to small business of any new agency regulations.
2. We will make available to small businesses online notification of regulations that are being developed, so they have a voice in the process.
3. We will propose a mechanism for state agencies to waive fines or penalties on small businesses if they take corrective action within 30 days.

These changes, coupled with the early initiatives of the Peak Performance Project, will improve small business services, speed up the permitting process, and provide real help to Indiana's small businesses.

THE COST

Existing staff and resources will be utilized to direct the regulatory changes, beginning with the Small Business Advocate.

SMALL BUSINESS HEALTH CARE RESOURCE CENTER

THE NEED

One of small businesses' principal concerns is the rising cost of providing health insurance to employees. Along with these rising costs, the complexity of health insurance programs, health benefits, and health care trends places additional burdens on small businesses.

Small businesses often do not have the resources to assist employees with all the questions and concerns that arise when it comes to health care. At the same time, small businesses are often unaware of opportunities for savings or cost containment. A clear need exists for a health care resource center to assist small businesses with these day-to-day challenges.

THE CHANGE

The new online resource center, which will be live in September, will include the following:

- details about the various types of health plans and a clearinghouse of what is available in Indiana;
- tips on what employers can and should demand from their health insurance company;
- chronic disease and wellness/prevention initiatives that could help businesses contain costs;
- information on the costs and benefits of being a self-funding vs. a fully-insured employer;
- quality indicators of health care providers; and
- information on pooling resources with other businesses to purchase less costly health care benefits.

THE COST

The online resource center will be developed and implemented using existing resources within participating state agencies.

SMALL BUSINESS TRAINING

THE NEED

Small businesses often struggle to find qualified employees with the skills needed to serve their customers. They have to be more precise and selective in their training and recruiting efforts because they do not have the resources that larger companies do.

Indiana has a strong record of providing training resources to *all* of its business. Just this month, the state was ranked 9th in the country for the quality of its training programs, based on a national survey of over 70 site consultants conducted by *Expansion Management* magazine.

Indiana@Work, a new program I initiated earlier this year, has helped address this need by providing state-of-the-art tools for workforce skill enhancement for all sizes of businesses. However, to help our small companies in particular, we've made improvements to Indiana@Work that will benefit these companies immediately and into the future.

THE CHANGE

1. Indiana@Work provides all Indiana companies with the opportunity to assess their workers' skills, obtain job profiles to match the desired skill set with the worker, and receive assistance to close any skill gap needed within the company. To increase small businesses' utilization of Indiana@Work, a one-page application is now available at www.workforce.IN.gov.
2. Indiana@Work not only provides businesses with training opportunities but also utilizes WorkKeys assessments to develop a standardized and reliable indicator of workplace skill levels that can be used in businesses throughout the state.

To build on that effort, the state has developed work readiness certificates based on WorkKeys to help small businesses identify and develop workers for a wide range of skilled jobs. A gold level certificate qualifies an individual for 80 percent of the current workforce jobs. A blue level certificate qualifies an individual for 50 percent of the jobs. Students and workers also benefit by being able to document and improve their employability skills.

In addition, to continue our efforts to assist small businesses in training their employees, we are developing a small business training rebate. Rebates will be available for up to 20 employees per business. The plan is simple. To receive a rebate, a small business – one with 50 or fewer employees – would document that its employees have been assessed and have earned a “Worker Readiness” certificate. For gold certificates, the rebate would be \$100 per employee; for blue, \$50 per employee.

3. Finally, by July 2005, we will ensure that businesses, especially those in rural communities, have access to skilled employees by providing distance-learning opportunities in every county in the state. Specifically, the Department of

Workforce Development will dedicate \$2 million of its budget to implement self-tutorial, computer-based training systems designed to assess an individual's WorkKeys score. Today, fewer than half of Indiana's counties have access to these distance learning opportunities.

THE COST

1. No cost.
2. \$1.875 million in existing resources from the Department of Commerce's Skills Enhancement Fund.
3. \$2 million in existing resources from the Department of Workforce Development's Workforce Investment Act dollars.

OPPORTUNITY INDIANA

THE NEED

State government's need to purchase goods and services can actually add fuel to our efforts to create jobs and spur further investment by Indiana businesses.

The reality is that state government buys millions of dollars of goods and services each year. At a time when Indiana is still working to grow its way out of this national recession, these dollars are even more important to Hoosier businesses, and because of that, we have made significant changes to support our homegrown companies.

THE CHANGE

In December 2003, we created Opportunity Indiana (www.OpportunityIndiana.IN.gov), aimed at increasing opportunities for Hoosier companies to do business with the state. Today, more than 3,600 new businesses have registered to receive email notification when a state agency is in need of the product or service they provide. Earlier this year, we also held the first Opportunity Indiana forum, where 350 representatives from Hoosier businesses were able to learn more about the state's procurement process and about upcoming state projects.

Additionally, we have changed state procurement policies to make it even easier for Hoosier companies to land state contracts. Those changes include:

- waiving the bid bond and sureties requirement for professional service requests for proposal (RFP) and contracts;
- directing state agencies to divide large projects into smaller subcomponents to allow better opportunities for Indiana companies – particularly small businesses – to compete for contracts;
- holding in-person “request for information” sessions at the agency level at least 60 days in advance of an RFP being issued for a product or service, so businesses can ask questions and better understand the details of the project going into the bid process; and
- requiring “Indiana Economic Impact” forms from all companies bidding on state contracts, asking for:
 - the amount of the contract being allocated for payroll and benefits to Indiana residents;
 - the amount being awarded to Indiana subcontractors and suppliers; and,
 - the amount being subcontracted to Indiana certified minority- and women-owned businesses.

THE COST

No additional fiscal impact.

BUY INDIANA

THE NEED

In our highly competitive, ever-changing global economy, Indiana businesses need all the help they can get to promote what they have to offer. In fact, we know that Hoosier companies, large and small, offer a vast array of products and services. However, often, those same companies are unaware that there are opportunities to both buy and sell with other Hoosier businesses and, as a result, they miss out on local opportunities for growth and investment.

THE CHANGE

Working hand-in-hand with our Opportunity Indiana initiative, in June we launched the Buy Indiana online database – located at www.OpportunityIndiana.IN.gov. The site is aimed at promoting Hoosier businesses, not only to our state agencies, but also to other potential customers. This unique networking opportunity allows businesses to search for suppliers of the products or services they need, as well as to look for potential subcontractors for projects they are working on.

A business can register if:

- it is headquartered in Indiana;
- it derives more than half of its revenue from business in Indiana; or
- more than half of its employees are Indiana residents.

With more than 300 businesses already registered, we have set a goal of having 500 Indiana companies in this online database by Oct. 1.

THE COST

No additional cost to the state.

TRADE COMPLIANCE OFFICE

THE NEED

Indiana has been very successful in the international trade arena, most recently setting export records for 2003 and the first quarter of 2004. We have aggressively courted foreign investment, and have provided countless companies – particularly small ones – with assistance for trade shows and in overcoming language barriers, so that businesses in other countries know what we have to offer in terms of goods and services.

However, Indiana's global success, and that of the rest of the United States, has often come with a cost. The same Washington trade policies that opened doors to new markets have sometimes made it easier for companies to cut costs by sending American jobs overseas. And efforts to reign in those negative impacts have been few. For steel tariffs, assistance came too late, and was rescinded too early.

Indiana businesses and workers can compete with anyone in the world. It's a selling point for our state. But in order to stay competitive, we must have a level playing field.

THE CHANGE

We will create, in the Indiana Department of Commerce, a new Trade Compliance Office. This office will monitor and document cases of unfair trade practices – such as dumping and copyright violations. It will also assist Hoosiers with bringing trade actions.

In addition, the Office of Trade Compliance will work with the Department of Workforce Development to maximize federal assistance programs, such as Trade Adjustment Assistance (TAA), wage insurance and the health care tax credit; and it will build coalitions with other states in the Midwest; and prepare an annual report on trade impact within Indiana.

THE COST

The Trade Compliance Office will be funded through existing resources in the Indiana departments of Commerce and Workforce Development.

TRADE IMPACT COUNTIES AND COMMUNITY COMEBACK GRANTS

THE NEED

Some Indiana communities are negatively affected by federal trade policies more than others, and our rural communities are most often at risk.

The steps Washington has taken to help America's cities and towns have been in large part reactionary – all defense, no offense. Rather than looking ahead, Washington just focuses on what's happening now, and on how to get displaced workers through a few months. Job creation is rarely on the agenda.

We owe it to our families and our communities to do more than just provide help for those who have been laid off. We must do that, and then some – we must help them take quick action and plan for the future.

THE CHANGE

The Indiana Department of Commerce will identify "Trade Impact Counties." This identification will be voluntary, for communities that show either a job dislocation rate over the last five years that is in the top 20 percent of all Indiana counties or a current employment rate that is in the bottom 20 percent of all Indiana counties.

To support these counties, we have created a new grant program – the Community Comeback Grant program.

The Department of Commerce will provide up to \$25,000 in matching funds for counties hit hard by federal trade policies. They can be used for strategic planning to determine what job creation investments are needed and which industries to target.

The grants will supply funds to Trade Impact Counties that want to implement aspects of the Indiana Economic Development Council's strategic plan or take other steps to enhance the county's appeal to businesses looking to expand or relocate.

THE COST

The \$25,000 matching fund grants will come from the Indiana Department of Commerce's Economic Development Fund, which has allocated \$250,000 in this fiscal year for grants to Trade Impact Counties.

DEVELOPMENT OF TRADE IMPACT SITES

THE NEED

Empty manufacturing plants. Suppliers that have shut down because of those empty plants. Boarded-up restaurants surrounding those suppliers and plants.

A plant closing affects more than just the employees of that facility. It affects everyone who did business with the company, and everyone who called their employees “customers.”

Indiana has been aggressive in redeveloping its brownfields – urban pieces of land that are vacant because of real or perceived environmental problems. The next step is to bring that kind of aggressive action to sites and communities *immediately* after a company has chosen to leave because of federal trade policies, to provide state resources and reviews necessary to spur job growth, sooner rather than later.

THE CHANGE

Lt. Gov. Kathy Davis’ newly created Business Action Teams will work to jumpstart job growth after learning of a plant closing or mass layoff. A result of the Peak Performance Project, these action teams are made up of representatives of the various agencies involved with economic development, and they are focusing on the needs of new or expanding businesses with multiple regulatory issues.

Communities that have received a WARN notice (a result of the Worker Adjustment and Retraining Notification Act) due to an impending plant closing – meaning 50 or more employees will be laid off in a business that has at least 100 employees – will be eligible for “Trade Impact Site” designation. That designation will allow the abandoned site – or nearby sites identified by the action teams and community leaders – to be prepared and marketed for future use.

The BATs Department of Natural Resources (DNR) representatives, for example, would clear the site for historic structure, archaeology, and natural heritage reviews. Its Department of Environmental Management (IDEM) group would determine whether any environmental cleanup is needed, analyze sewer and drinking water needs, and develop an environmental blueprint of the facility. The departments of Commerce and Workforce Development would step in with business outreach and training opportunities.

THE COST

No cost. The Business Action Teams utilize current employees of DNR, IDEM, Commerce and the Department of Workforce Development.

EXPANDING WARN REQUIREMENTS

THE NEED

With the change we made to regionalize the Department of Commerce into 12 offices across the state, we are closer to our customers than ever before. Our regional directors are in daily contact with local elected officials, organized labor, and business leaders in Indiana's communities.

Through our regional organization, as well as through the Department of Workforce Development's outreach efforts, we often know early when a company is considering laying off workers. However, it is usually the larger companies that make their intentions clear. Our smaller manufacturers, often in rural communities, can fly under the radar screen because job losses of 25 or fewer haven't traditionally been viewed as significant.

We don't agree. Every job lost is important to that person, that family and that community. The sooner we know about job cuts, the quicker we can get to work on replacing those jobs with new ones, using new tools that were created in a bipartisan manner over the last few years.

Under the Worker Adjustment and Retraining Notification Act (WARN), companies with an impending plant closing – meaning 50 or more employees will be laid off in a business that has at least 100 employees – must give their employees early notification of the closing.

THE CHANGE

We will introduce state legislation to expand the WARN requirements to include employers with 50 or more full-time workers who are planning to reduce their workforce by 25 or more employees due to a closing.

Several other states have made the move to toughen the WARN requirements. We have many small manufacturing businesses, so it only makes sense that we make this change. Our Hoosier workers deserve the ability to plan their futures and to receive adequate notice when their jobs are in danger.

THE COST

No cost to the state.

SUPPORT FOR FEDERAL LEGISLATION PROTECTING HOOSIER WORKERS

THE NEED

Indiana's ability to affect change at the federal level is minimal. We can work with our Congressional delegation to make sure our opinions and priorities are known, but when the final decisions are made, the state is left to adapt to what Washington decides and to make those federal decisions work for our businesses and employees.

Fortunately, Indiana has strong advocates in Washington, in its U.S. senators and representatives. Among others, U.S. Sen. Evan Bayh and U.S. Rep. Pete Visclosky have provided extraordinary leadership on the trade front, working hard for their constituents – many of whom have been hit hard by the negative impacts of foreign trade.

THE CHANGE

On Sept. 1 Sen. Bayh unveiled his "Get Tough on Trade Act," designed to put teeth back into U.S. trade laws and encourage the United States to put a stop to countries that are cheating to get an edge over American workers.

The senator's proposal includes legislation for increasing the number of enforcement staff at the United States Trade Representative (USTR), the U.S. organization responsible for enforcing trade, and restoring Super 301, a provision used in the past to identify countries that violated U.S. trade agreements. Bayh's bill will provide the USTR with much-needed manpower and tools to identify trade violations, negotiate with other countries to stop violations, and if necessary, bring cases against these nations to stop unfair trade.

Congressman Visclosky is also considering legislation – the "Federal Trade Adjustment for Communities Act" – that would encourage communities hurt economically by trade-related problems to develop community-based economic development plans to stem job loss; to help communities access federal funding in a manner that would support job creation for the entire community affected by the job loss; and actively market this legislation's benefits, as well as other federal, state, and local programs such as the Trade Adjustment Assistance program, that assist communities suffering from economic dislocation.

Lt. Gov. Davis and I pledge our support to both Sen. Bayh's and Congressman Visclosky's efforts to pass their respective bills, and we will be directly engaged as they make their way through Congress.

THE COST

No cost to the state.

CHAPTER TWO: HEALTH CARE

“My mission is to help Hoosier families and seniors find more affordable health care, with the goal of providing every Hoosier access to health insurance.”

Indiana joins every other state in the country with too many families, too many seniors, and too many businesses struggling to cope with rising health care costs. It is a national challenge that we all face. But in Indiana, we are unique in how we have approached the challenge. What makes us different is that we are taking a comprehensive approach with a bias toward action, a belief in innovative change, and an urgent commitment to do everything we can to help the people we serve.

We have been leaders in the nation and recognized by experts for our efforts to provide insurance for our children, to get prescription drug relief for our seniors, and to help families deal with long-term health care coverage. Our success is credited to teamwork and our core commitment to make health care a top priority.

But, while we have been innovators on a number of fronts, too many Hoosiers are forced to pay too much for their medicine, too many face difficult choices about long-term care and disease management, and too many remain without affordable health insurance. Indiana is 44th in the country in obesity, 46th in smoking, and 47th in cancer rates. These are statistics I will not accept as your governor.

To do more, to provide better service, and to meet our challenges, we will work together to find solutions and make continuing changes; we will target limited resources to help those who are most vulnerable; and we will promote healthier lifestyles for every Hoosier.

My health care mission focuses on access, affordability, and personal responsibility, and includes:

- pressing the federal government to take action on the national issue of soaring prescription drug costs, by taking action here at home;
- building on the success of Hoosier Rx to provide prescription drug relief for seniors;
- creating a health insurance pool to help the uninsured and small businesses gain access to affordable health care coverage;
- expanding the Indiana Long Term Care insurance program that helps families plan for long-term care needs without fear of going broke or losing their jobs;
- working with Hoosier companies to widen the benefit of the Chronic Disease Management program, to help Hoosiers everywhere manage health problems such as diabetes, heart disease, and high blood pressure; and
- focusing efforts to move more Hoosier seniors to home- and community-based care.

The effort starts with our children. A healthy child is a child who can learn, who can do well in school, and who has a better chance to get a good job and raise a family in the future. That’s our mission: to do everything we can to help Hoosiers overcome the high cost of health care, and be able to experience a healthy and prosperous future.

PRESCRIPTION DRUG REIMPORTATION

THE NEED

We're proud to be home to world-renowned developers of pharmaceuticals, medical devices, and diagnostics, and we have a responsibility to do all that we can to continue to grow our outstanding life sciences industry in the future.

At the same time, however, state government has an even greater responsibility to its individual citizens. And right now, many of our citizens – particularly our seniors – are struggling with the high cost of prescription drugs.

The AARP reports that, on average, total prescription drug spending in the US grew by 13 percent per year between 1993 and 2000, and it is expected to grow by about 12 percent per year through 2011. In addition:

- From 2001 to 2004, the price of the 30 brand-name drugs most frequently used by the elderly rose by 3.6 times the rate of inflation.
- In a university study, 36 of the 50 most commonly used drugs were less expensive in Canada, with savings ranging from 5 percent to as high as 1000 percent.

Again, Indiana has made great strides in the life sciences industry. So great, in fact, that according to Indiana University's Indiana Business Research Center, our state gained jobs in life sciences at more than twice the national rate from 2001 to 2003.

But this is a time when we must all come together and recognize that Hoosiers – particularly our low- and middle-income senior citizens – are hurting. Our Hoosier Rx program is a significant step in the right direction, and has received national acclaim, but we must do more.

Thanks to Indiana's up-and-coming life sciences industry, we have the knowledge and expertise right here at home to deal with this issue on our own. But if we can't come up with a solution – together – and the federal government fails to act, I will make changes to make prescription drugs more affordable for Hoosiers, including pursuing reimportation.

Whether it's the low-income senior citizen forced to choose between paying her heat bill, or for her blood pressure medication; or Indiana's state government, which is facing unsustainable increases in prescription drug expenditures; a solution must be found. **The federal government has failed to take action**, even though this issue is one that affects every person living in this country. Our state, with the help of our burgeoning life sciences industry, must therefore initiate change.

THE CHANGE

To date, four states – Minnesota, North Dakota, Rhode Island, and Wisconsin – have taken steps to make prescription drugs more affordable for their citizens by creating state Web sites with links to Canadian pharmacies. In addition, the state of Vermont has filed

a lawsuit against the federal government for the Food and Drug Administration's denial of its petition to establish a reimportation program for Vermont's 20,000 state employees.

There is no reason that Hoosiers, or any other American, should be paying more for their prescriptions than they would be paying if they lived in another country. Nor should they be supporting pharmacies from other countries, instead of ours here at home. The drugs are developed and produced here. Cities and states provide billions of dollars in incentives to assist pharmaceutical manufacturers with their research and development, so that they can continue to create their products here and distribute them worldwide.

To help Indiana's citizens better afford their prescription drugs, I am committed to the following:

- In November, I will meet with the governors who have attempted to force the federal government to take a closer look at their reimportation policies, to see what they have learned thus far from their states' experiences.
- On December 1, 2004, I will lead a bipartisan prescription drug summit in Indianapolis. I will invite representatives of the pharmaceutical industry, insurance providers, government, patient advocates, and universities to participate. The purpose will be to discuss how everyone involved in the issue can help those struggling with prescription drug costs, without the federal government's assistance, and without utilizing reimportation.
- In advance of the summit, I will ask our Congressional delegation to hold public forums on the subject.

Let me be clear: My preference in addressing this issue is to bring everyone to the table, share ideas, and hammer out a plan that's balanced and workable – to find solutions that are specific to Indiana. I am certain that we have the people and the resources to do it. If that cannot be accomplished, and if the federal government doesn't act, allowing reimportation may be Indiana's only option.

For its part, the federal government should consider the following actions, as well as other proposals that may reduce the cost of prescription drugs, some of which I have already communicated to Indiana's Congressional delegation:

- Take steps to ensure that escalating prescription drug prices don't fully negate the benefits intended for seniors under the temporary Medicare discount drug cards program.
- Amend the Medicare prescription drug law approved by Congress last year to require rather than prohibit the U.S. Secretary of Health and Human services to negotiate the lowest possible prices for prescription drugs under the newly authorized benefit.
- Also change the law to allow negotiated Medicare drug prices to be considered as part of the "best price" requirements of the Medicaid program, reducing costs for both the federal government and states.

- Encourage and simplify the use of supplemental rebates in Medicaid programs and making state-negotiated Medicaid Rx drug discounts available to other low- and moderate-income populations.
 - Complete in a timely manner the study on drug importation required under the Medicare Modernization Act. This study is due in December 2004.
- If, by March 1, 2005, the federal government has not shown that it will seriously address the plight of middle-class seniors and families paying increasingly higher prices for prescription drugs, I will support and encourage prescription drug reimportation. I will initiate collaborative, bipartisan efforts with other governors who have already taken steps to encourage the federal government to allow reimportation, and take steps to see how Indiana can provide this option to its seniors in a safe way. Among the initiatives I will consider are the creation of an Indiana Web site that links to Canadian pharmacies, as well as legal action.

THE COST

The cost of the summit will be minimal. The cost of the potential Web site is yet to be determined, but an outside consultant would likely be hired to develop it.

The savings for Hoosiers will be immeasurable.

HOOSIER Rx AND ADDITIONAL EFFORTS TO MAKE PRESCRIPTION DRUGS MORE AFFORDABLE

THE NEED

When it comes to costly prescription drugs, state government faces the same challenges that Hoosiers – particularly our low-income seniors – face. It is estimated that \$240 billion will be spent nationally in 2004 on prescription drugs. In Indiana, prescription drugs are showing the highest rate of growth, at 15 percent, in terms of what is driving our Medicaid expenditures. Next year, these costs are expected to drive our bills up again, bringing our total Medicaid expenditures to \$835 million.

These costs are becoming nearly unsustainable for the state, for our businesses, and for Hoosier families. I will make every effort to reduce the burden on taxpayers, businesses, seniors, and the uninsured population.

THE CHANGE

- We have aggressively pursued cost containment and efficient purchasing initiatives to address the growing amount of taxpayer money the state spends on prescription drugs. Measures already underway include mandatory use of generic drugs, implementation of a preferred drug list, and pursuit of additional rebates from drug manufacturers for our Medicaid recipients. Last session I signed legislation into law that coordinates pharmacy benefit management services for all state employees and other tax-supported entities, such as cities, towns and local school corporations. These cost containment and efficient purchasing efforts demonstrate my commitment to reducing costs and my sensitivity to taxpayer dollars spent on prescription drugs. Moving forward, I will continue to build on these initiatives by expanding such pool purchasing opportunities to other groups that would benefit from lower-cost drugs such as local units of government and school corporations.
- Earlier this summer, Indiana was touted as a national model for our efforts to make prescription drugs more affordable for seniors through coordination of the Hoosier Rx and Medicare Discount Drug Card programs. We took the lead in providing up to \$1200 in prescription drug relief to seniors, based on income eligibility. To make sure seniors get the help they need, we are providing Hoosier Rx enrollment assistance at major events that seniors are likely to attend. We also continue to partner with Eli Lilly, the AARP, the Primary Health Care Association, Area Agencies on Aging, and pharmacies statewide to promote enrollment. Our goal is to enroll 30,000 seniors by 2006.
- Making affordable prescription drugs available to our uninsured population is a priority of my administration. My office is working with drug manufacturers, pharmacies, and health care providers across the state to implement House Enrolled Act 1643, to provide low-cost prescription drugs to low-income individuals who have nowhere else to turn for prescription drug coverage.

THE COST

These initiatives either are budget-neutral or will produce savings.

HEALTH CARE FOR THE UNINSURED AND SMALL BUSINESSES

THE NEED

The uninsured population in Indiana is made up of approximately 600,000 Hoosiers, and it includes employees of small businesses, the working poor, the self-employed, early retirees and young adults, just out of college. A recent study conducted on Indiana's uninsured population suggests that while three out of 10 uninsured Hoosiers have actually have access to employer-sponsored health benefits, they still cannot afford or choose not to purchase them.

The uninsured tend to go to the emergency room more than others because they don't have benefits that allow them to visit the doctor. Instead, they wait until it is an emergency and seek services through the emergency room, which is the most expensive place to receive care. It is vital that we utilize existing resources more efficiently to provide affordable health insurance.

THE CHANGE

I recently announced a program called the Hoosier Health Plan, which creates a purchasing pool for small businesses and the uninsured. It will allow small businesses the opportunity to partner together to and negotiate lower health care costs.

Over the coming months, my administration will be working with small business owners, medical providers and health insurance experts to develop an affordable option for our uninsured population. This plan will be made available to Hoosiers by the end of 2005.

THE COST

The Hoosier Health Plan will be funded 100 percent by the participants, including businesses and individuals – through the premiums they pay into the plan. Some very low-income Hoosiers may need additional financial help to be able to afford to participate in the Hoosier Health Plan. To address that need, we will work creatively to identify possible funds – including pursuing federal resources – to reduce the costs of the program for low-income uninsured workers.

LONG-TERM HEALTH CARE

THE NEED

As Indiana's senior citizen population continues to grow, especially with the dramatic increase projected for the next two decades, we must take steps to ensure that both individuals and the state prepare for the demands this population will have on our health care system. That means giving seniors and the state tools to plan for and protect these resources.

Indiana is one of only four states with an insurance program that helps people plan for long-term care needs without fear of going broke or losing their job. Congress has recently recognized our efforts and has tapped into our expertise about how to model our program in other areas of the country.

THE CHANGE

- My administration has set a goal to increase the number of long-term care policyholders by 15,000, to over 42,000 total, by June 30, 2005. We will be promoting and encouraging adults to begin planning for their long-term care needs now.
- I will be proactive in assisting other states to establish long-term care programs to improve the overall Long-Term Care Insurance market and make policies more affordable for everyone.
- I will work to reach out to other governors to establish agreements which will honor Indiana's long-term care policies in other states if Indiana residents move, and will allow incoming residents to carry their states' policies with them.

THE COST

As participation in this program grows, it will generate savings for the Medicaid program because fewer seniors will have to rely on Medicaid benefits.

DISEASE MANAGEMENT INITIATIVES

THE NEED

Many chronic diseases are becoming a national epidemic. In Indiana, for example, the percentage of Hoosiers who had diabetes in 1990 was 5.7 percent. By 2003, that rate had jumped to 7.8 percent, putting us above the national average. It is no secret that Indiana has an opportunity for improvement in our national rankings in the areas of cancer rates and obesity.

THE CHANGE

When it comes to disease management, my team is working hard to build on a program that is quickly becoming a national success story.

We have developed a homegrown disease management program that strengthens and utilizes the local public health infrastructure to help Medicaid recipients improve their health. And now we have expanded the initiative statewide in the areas of diabetes, congestive heart failure, and asthma.

We will continue to build on this success by further expanding our program later this year to include stroke, hypertension, and HIV/AIDS. We also will focus on the effects of depression and obesity on the successful management of chronic disease.

Because of our efforts in developing the infrastructure built on evidence-based guidelines, our ability to reach all Hoosiers, not just Medicaid recipients, with a variety of health problems is limitless.

THE COST

Our disease management program is paid for with existing state resources that are already a part of our budget.

HOME AND COMMUNITY-BASED CARE

THE NEED

Within 20 years, the number of Hoosiers over the age of 85 is expected to grow by 55 percent.

As Indiana's senior population increases, it is important that every senior is afforded the opportunity to remain independent and have access to all long-term care options. For some, this could mean nursing home care, but for many Hoosier seniors, remaining in home- and community-based settings is a vital component of their quality of life.

THE CHANGE

- We have improved the options for seniors since 2002 by increasing our state's capacity to serve nearly 7,000 more Hoosier seniors and people with disabilities.
- We have requested an additional 20,000 Medicaid waiver slots from the federal government to serve more people.
- We have transitioned more than 800 people residing in a nursing facility, or at risk of being placed in a nursing facility, into home- and community-based care.
- We are working to do even more to expand home- and community-based options for seniors. One tool that has provided a roadmap towards this goal is Senate Enrolled Act (SEA) 493, which Gov. Frank O'Bannon signed into law. I am committed to implementing it.

THE COST

Many of our goals have been accomplished and are budget-neutral; however, funding is the biggest hurdle we must overcome in fully implementing SEA 493.

CHAPTER THREE: EDUCATION

“My mission is for every Hoosier child to have access to world-class education opportunities, from quality early learning and full-day kindergarten to affordable college tuition.”

Good jobs and a good economy start with education. Building opportunities for Hoosier kids to get a world-class education makes Indiana a more attractive place for businesses and families to locate, grow, and prosper. Every child that is well educated today has a better shot at having a good-paying job in the future.

Already, Indiana has received national acclaim for raising academic standards for our students and improving accountability for our schools. Reading scores are up, math scores are up, and more students than ever are going on to college. Indiana’s SAT scores are on the rise again and our ACT scores continue to be above the national average.

These results are due in large part to the leadership of Gov. Frank O’Bannon, who made education a top priority by creating the Education Roundtable, a bipartisan collaborative effort to put our best ideas and efforts forward to help Hoosier children. We will continue this commitment to our children.

The next best investment we can make is in quality early learning programs and full-day kindergarten. Greater investment in early learning opportunities shows the kind of commitment to education that companies look for when making investment and location decisions. A child’s early years are critical and formative, and we should do everything we can to give Hoosier children an early start on success. This is a focus on our young people that is far more important than politics. It is too important to not do.

Early education is where my focus begins, but I recognize other areas where we need to make continued changes to help Hoosier families succeed, including:

- building on the commitments of the Education Roundtable to improve standards for our students and accountability in our schools;
- making Indiana’s Superintendent of Public Instruction an appointed position, rather than an elected one;
- working with local communities to facilitate increased number of charter schools, which are an important tool in our education system; and
- standing up for Hoosier families by finding ways to limit tuition increases and make college more affordable.

A better educated child today will result in a better prepared and better paid worker and citizen in the future. These investments are too important not to make. We must be willing to work together, putting politics aside, to do everything we can to help Hoosier kids succeed.

EARLY LEARNING TRUST

THE NEED

Scientific research on the brain is clear: By the time a child arrives for kindergarten, 85 percent of the brain is developed. If the brain is purposefully stimulated before a child is old enough to tie his or her shoes, that child's lifelong capacity to learn will be forever enhanced. Unfortunately, if not, that child's opportunity is lost forever. Hoosier children need more and better early care and education opportunities...and they need these opportunities now.

The evidence is compelling – high quality early learning is cost effective and will lead to improved academic results, a world-class workforce, a healthier society, and ultimately a stronger economy for Indiana. For every government dollar invested in high-quality, comprehensive early care and education, society saves \$7.16 in welfare, special education, and criminal justice costs.

Further, children who participate in high-quality pre-K programs demonstrate higher math and reading scores, stronger learning skills, increased creativity, better school attendance, improved health, and greater parent involvement in school. These children are less likely to drop out of school, less likely to repeat grades, less likely to need special education, and less likely to get into trouble with the law.

THE CHANGE

Indiana's youngest Hoosiers need action now. I will continue to fight to accelerate Indiana's efforts to improve education and develop a world-class workforce through the creation of the Early Learning Trust. This pre-kindergarten education and wellness initiative is a bold commitment and will ensure that all Hoosier children enter school ready and able to succeed.

My plan:

- supports parents as a child's first and most important teacher;
- focuses on high-quality reading and family literacy;
- provides quality pre-school for all at-risk children; and
- expands optional, voluntary full-day kindergarten immediately.

Additionally, Lt. Gov. Davis and I will continue to call on every state department that touches the lives of Indiana's children to support early learning, parental education, school readiness and child reaching goals. Further, I will work with the newly-created Early Learning and School Readiness Commission to provide all Indiana children with world-class early learning opportunities.

THE COST

We put forth a plan for the 2004 legislative session that funded full-day kindergarten in a responsible manner that didn't place any additional burden on the state's finances. The total estimated cost, projected to be \$75 to \$80 million, was financed by a redirection of monies to meet this important priority. That plan fell victim to partisan politics during the session. In developing an updated funding plan for the 2005 session, I will consider the recommendations from the Early Learning and School Readiness Commission as part of our funding discussions.

P-16 EDUCATION

THE NEED

Indiana is a national leader in educational progress over the last decade. Our P-16 plan, developed by the bipartisan Indiana Education Roundtable, builds on that progress by working to create a streamlined system of educational opportunities for every Hoosier child.

The P-16 initiative begins by strengthening educational opportunities in a child's earliest years with a focus on child wellness, brain stimulation, early reading and language opportunities, meaningful pre-school opportunities and full-day kindergarten. The plan moves into the K-12 system with a continued commitment to high academic standards, assessments, and school and student accountability. The plan focuses on strategies to eliminate the achievement gap and provide additional learning opportunities for *all* students. The plan also focuses on strengthening the high school curriculum and better preparation for college and the world of work. Finally, the plan touches on changes to Indiana's higher education programs with strategies to strengthen teacher preparation and college admission criteria.

THE CHANGE

To ensure Indiana continues to be a leader in economic development, we must prepare a workforce that is ready to meet the demands of our new high-tech economy. P-16 education is aimed at doing just that – building an educational continuum focused on high-quality educational opportunities from birth through higher education, and extending well into adulthood.

The P-16 plan:

- supports parents and teachers in helping students learn;
- eliminates duplication in the educational system;
- strengthens Teacher Preparation;
- ensures students and schools meet high expectations; and
- creates a well-educated workforce that will keep our economy strong.

In my role as co-chair of the Indiana Education Roundtable, I will continue to work with education constituencies to ensure this blueprint for a better education system is put in place.

THE COST

P-16 is primarily about setting goals. It is our blueprint. The implementation and funding will come through further work of the Education Roundtable.

APPOINTING THE SUPERINTENDENT OF PUBLIC INSTRUCTION

THE NEED

Providing quality education for Indiana students is one of the most important goals any of us, as government leaders, can have. The public holds the governor responsible for meeting this goal, but the current structure of our educational system restricts the governor's ability to ensure this objective is met.

In Indiana, the Superintendent of Public Instruction is a separately-elected office. This creates an unnecessary layer of bureaucracy that is a barrier to quality education. Further, having education outside the executive agency structure provides less opportunity for streamlining efficiencies and collaboration among the various agencies that touch a child's life.

THE CHANGE

I will seek a legislative change to ensure the governor appoints the superintendent. This change will have a positive effect on education and create a more unified educational system. Providing for direct appointment of this position will foster better communication with the State Board of Education, local school leaders, teachers and parents.

Among other things, this change will:

- give the governor power to make needed changes in the educational system;
- foster better communication and collaboration with school leaders;
- ensure funding is connected with policy goals; and
- build support among agencies that touch a child's life.

An appointed superintendent equals more coordinated, efficient and connected education. Action is needed now to ensure Indiana continues to be a leader in education across the country and around the world.

THE COST

No additional cost to the state.

FOSTERING INNOVATION AND STRENGTHENING PUBLIC SCHOOL OPTIONS

THE NEED

Supporting and strengthening our public schools is one of my top priorities. As we move further into the 21st Century, it is important to foster innovation and community partnerships aimed at improving educational opportunities for public school students. Innovation comes in all forms, and successful programs occur in the traditional public school classroom, through magnet programs, and through charter schools.

Charter schools offer communities and parents opportunities to try new educational strategies and tailor programs to meet the learning styles and needs of public school students. They are essentially autonomous in their operation – free from many of the regulations governing traditional schools. Charter schools must be open to all public school students regardless of race, religion, disability or academic ability.

The flexibility of charter schools allows for new ideas and new ways of engaging students. Charter schools also provide parents, students, community members and local entities with an expanded opportunity for involvement in the public school system. Importantly, this freedom and independence is made in exchange for strong levels of accountability and high expectations for performance.

THE CHANGE

We must continue to support new innovation in our public schools. New ideas must be encouraged and fostered in our traditional public school classrooms, through magnet and tailored public school programs and by supporting the growth of high-quality charter schools.

Further, best practices and new ideas must be communicated to all Indiana schools to allow them to replicate these programs to meet the needs of their students. I will work with educators and the Department of Education to provide additional ways to communicate and encourage innovation and program growth.

Additionally, I will continue to support programs that allow for creativity and new thinking in our schools and classrooms, working with charter school authorizers and organizers to bring high-quality programs to Indiana.

THE COST

No additional cost to the state.

COLLEGE AFFORDABILITY

THE NEED

Indiana is home to world-class colleges and universities. They are one of our greatest assets and a key to our ability to attract business investment, create job growth, and bring more young people to our state. However, increasing tuition costs can make a college education unaffordable for many Hoosiers. Families, in particular, often face tough decisions when it comes to figuring out how to pay for their kids' college education.

A college education should be and can be available and affordable for all Hoosiers. I believe that we must make sure that state and higher education leaders are doing all they can to make it easier, not harder, for Hoosiers who want to earn a college degree.

THE CHANGE

This year, I created the new Task Force on College Affordability. In naming the task force, I emphasized the need for the group to look at all aspects of the affordability issue, including tuition and fees, policy changes, opportunities for savings through collaboration, as well as financial assistance.

But we cannot wait to move on this issue.

That's why I have asked our state colleges and universities to cap their tuition increases for the 2005-2006 school year at the rate of no more than 4 percent. I made the same request this past year, and all abided with the spirit of that request. I look forward to working with them again to make sure the limit on tuition increases stays intact for the next school year. Every Hoosier should have the opportunity to receive a post-secondary education – especially at our great schools here in Indiana.

THE COST

No additional cost to the state.

CHAPTER FOUR: CHANGING STATE GOVERNMENT

“What would state government look like if we built it from the ground up today? My mission is to answer that question, by overhauling state government from top-to-bottom to make sure Hoosier taxpayers are getting the most efficient, effective, and ethical service possible.”

Whatever service the state of Indiana provides must fully meet the needs of its customers – the people of Indiana. The people who live, work, and raise their families here, who pay their taxes here, deserve efficient, effective, and ethical service. Anything less than that is simply not acceptable.

Through my experiences in business and public service, I know that government, like any business, must live within its means. I know that government, like any business, must make difficult choices about its priorities. And I know the kinds of responsibilities we have to each other, to make sure the people who call Indiana home are well served by those who represent them.

We are already implementing some of the toughest ethical standards in the country: banning gifts to state employees from vendors and lobbyists, providing greater transparency in the executive branch, increasing ethics training, closing the so-called “revolving door” between government and those who do business with government, and improving fraud prevention.

An organization without fiscal discipline is an organization without options. I strongly believe fiscal responsibility is an important part of building a better Indiana. That’s why we’ve cut over \$1 billion from state government, and continue to find savings by cutting waste and reverting taxpayers’ dollars. It’s why I believe the governor should have line-item veto authority to control frivolous spending. It’s why I believe we must be honest with Hoosiers about the cost of our proposals, and how we’ll pay for them.

Earlier this year, I asked Lt. Gov. Kathy Davis to head up one of the boldest and most aggressive projects in our state’s history. The Peak Performance Project consists of an innovative, top-to-bottom look at how we do business and what changes we can make to better serve Hoosier taxpayers.

Already Lt. Gov. Davis has made changes to improve the coordination of health care services for Hoosier children and families, and created Business Action Teams, which are helping to streamline regulations and speed permitting requirements for new or expanding businesses. This fall, when the initial phase of the Peak Performance Project is completed, broader and more comprehensive changes will be discussed that will further shape how your state government will look in the future.

We’re looking to cut waste, eliminate redundancies, consolidate resources, and improve services. Nothing is off the table, because we cannot afford to limit ourselves with conventional thinking. We will not only embrace change, we will shape it.

OFFICE OF CHIEF INVESTIGATOR

THE NEED

Indiana state agencies have nearly 35,000 employees and spend more than \$10 billion annually in service to Hoosiers. To ensure these employees meet the highest standards of conduct, state government has significant investigative capabilities within its state agencies, including the Indiana State Police, the Indiana State Ethics Commission, and the Indiana State Board of Accounts.

To ensure that the efforts of these agencies are coordinated and that the agencies benefit from a fraud prevention program based upon national best practices, I have established additional safeguards to deter fraud by state employees and others from occurring in the first instance.

THE CHANGE

By Executive Order, I have established a new Office of Chief Investigator. The chief investigator is appointed by, and reports to, the governor, and will work with all state agencies to coordinate investigative efforts and resources, and consult with agency investigators regarding fraud detection and prevention best practices.

In order to fulfill these responsibilities, I have authorized the chief investigator to conduct interviews, obtain documents, and examine fraud prevention procedures in all state agencies.

THE COST

We anticipate the Office of Chief Investigator will be paid for through existing resources provided by multiple state agencies.

REGISTRATION OF STATE GOVERNMENT LOBBYISTS

THE NEED

Many individuals and businesses try to influence state agencies on matters of public policy or the awarding of state contracts. The agency decisions that these lobbyists seek to influence involve billions of taxpayers' dollars and operations of all aspects of state government.

Recognizing that these decisions are extremely important, they must be conducted in a transparent manner that permits citizens to have full information about efforts directed at influencing state agencies' policies and procurement, including money spent by lobbyists to influence these matters. The General Assembly has already created a process to register persons who lobby legislative officials.

THE CHANGE

I have issued an Executive Order directing the commissioner of the Indiana Department of Administration to develop rules requiring registration for those who lobby state agencies. These rules will require state agency lobbyists to report their lobbying activities publicly on at least a semi-annual basis.

THE COST

We anticipate that the Indiana Department of Administration will be able to pay for administering these rules through existing resources, although some additional support staff may be required.

GIFT-GIVING RULES FOR STATE AGENCY EMPLOYEES

THE NEED

Our nearly 35,000 state agency employees strive daily to do their jobs well for the benefit of their fellow Hoosiers. Many of these employees come in contact with a variety of vendors, contractors, and others who do business with the state.

The current ethics rules regarding accepting gifts from these outside parties are too difficult to understand and too cumbersome to apply. Simplification of these rules, including heightened standards for state employees and those who do business with the state, will advance public confidence in the integrity of state government, which is essential to the exercise of good government.

THE CHANGE

By Executive Order, this summer I strengthened the ethics restrictions on gift-giving to state employees to essentially ban gifts of any kind. I have asked the Indiana State Ethics Commission to amend the state ethics rules to reflect these changes and clarify confusing aspects of the current rules. Finally, all new state contracts will contain a provision requiring contractors to abide by these new ethics requirements, and allowing state agencies to terminate state contracts immediately for those contractors who violate the state ethics rules.

THE COST

We anticipate no additional cost to the state.

ENHANCED ETHICS EDUCATION REQUIREMENTS

THE NEED

Because we demand the highest ethical standards from agency employees, it is essential that these employees fully understand their ethical obligations. Since the ethics rules are contained in multiple laws and cover a wide variety of conduct, a comprehensive ethics training program will improve compliance with state ethics rules by educating agency employees about their ethical duties.

THE CHANGE

This summer I established new ethics training requirements for state employees. Each new agency employee will undergo ethics training when they first join state government and every two years thereafter. In addition, the Indiana State Ethics Commission will provide ethics training to state contractors so that they can understand and comply with the state ethics rules.

THE COST

We anticipate no additional cost to the state.

REVOLVING DOOR RESTRICTIONS

THE NEED

Agency policymakers must collaborate closely with other senior government officials to fulfill their responsibilities. Sometimes, these policymakers leave state government and go to work in the private sector for businesses and organizations that are affected by the policymaking decisions of state government. In these circumstances, the public should be confident that safeguards are in place to ensure that these departing policymakers do not have unfair levels of access to and influence on former colleagues in state government when representing private clients.

THE CHANGE

For one year after leaving state government, we are prohibiting departing members of the governor's and lieutenant governor's senior staff from lobbying their former colleagues in the Governor's Office, the Lieutenant Governor's Office, and the head of any state agency. This rule also applies to departing agency heads, who also cannot lobby any member of the agency for whom they used to work during this one-year "cooling-off" period.

THE COST

We anticipate no additional cost to the state.

LINE-ITEM VETO

THE NEED

The line-item veto approach to fiscal management is one that is long overdue in Indiana.

Currently, 43 states have some form of line-item veto to manage their budgets. The Indiana Constitution only allows the governor to veto the entire budget, without the authority to reduce certain spending measures. Creating executive authority to reduce spending by line item would allow the governor to cut spending immediately, rather than to force larger cuts in spending later in the biennium that affect essential state services when they are needed most. In FY 2002 and 2003, the administration cut nearly \$1 billion dollars to successfully meet the goals of the state's Balanced Budget and Deficit Management Plans, yet Indiana's 2004-2005 biennial budget was passed with bipartisan support and signed into law with structural deficits of more than \$800 million for FY 2004, and more than \$650 million for FY 2005.

THE CHANGE

I will ask for an amendment to the Indiana Constitution, which requires passage by two separately-elected General Assemblies, followed by a statewide ballot referendum. The timeline would be as follows:

- In 2005, the 114th General Assembly approves line-item veto legislation and the bill is signed by the Governor.
- In 2006, the 115th General Assembly approves line-item veto legislation and the bill is signed by the Governor.
- In 2008, a line-item veto referendum is placed on the ballot for the November general election to let voters choose whether or not to amend the state's constitution.
- Line-item veto ability could be used in the 115th General Assembly.

THE COST

No additional cost. Use of the line-item veto authority would reduce the state's budget, resulting in savings to the state.

PEAK PERFORMANCE PROJECT

THE NEED

All Hoosiers interact with their state government. For some, the interaction is limited: new parents obtaining a birth certificate, or a young entrepreneur securing a micro-enterprise loan to turn her “big idea” into a business.

Others, however, interact with state government much more frequently. Often, these frequent interactions are a matter of necessity – the senior citizen who needs financial assistance to heat her home every winter, or the disabled person who relies on the state for his health care.

Despite the differences that exist among the many different types of people who receive services from the state, when it comes to the bottom line, they want the same thing: excellent results in a timely fashion.

I am committed to making state government work better for Hoosiers. In January, as part of my first State-of-the-State address, I announced the creation of the Peak Performance Project, a top-to-bottom review of state government led by Lt. Gov. Kathy Davis.

THE CHANGE

Among the early results of the Peak Performance Project, the state is now using teams of professionals to provide coordinated care to children and offering businesses that are looking to expand or locate here a single point of contact for all regulatory and infrastructure matters.

One of next orders of business will be further changes to how the state serves its children.

Currently, state government serves children through 56 program areas and 12 different state agencies. While this structure was created with the best of intentions, it is not serving Indiana’s children and families well enough.

At the end of this month, the lieutenant governor will propose to organize the many children’s services into one coordinated system of delivery that would provide excellent service to our children and families through one point of contact. The proposal will be among a number of “big picture” changes to the structure of state government, aimed at reshaping state government to better fit how people live.

In every community around the state, people are busy, working hard to raise families and to make their ends meet. We want government to help, not hinder, these Hoosiers. To that end, the upcoming recommendations from the Peak Performance Project will aim to save Hoosiers time and money by getting the most out of every tax dollar and getting things right the first time.

THE COST

The initial changes to state government have been implemented using dollars already appropriated. Estimates on future recommendations will be released when they are finalized.

PROPERTY TAXES

THE NEED

In 2002, we led historic, bipartisan efforts to change the state's tax system to ensure that Hoosier homeowners saw property tax relief in advance of the court-ordered switch to a market-value assessment system. That restructuring effort resulted in property tax bills for 2002 being lower than homeowners would have otherwise paid – in some counties as much as 45 percent lower on average. It also laid a foundation for Indiana's economic comeback by creating a better climate for business investment, including the elimination of the inventory tax and gross receipts tax.

However, even with these important steps, a few areas of the state were hit extraordinarily hard by the reassessment. Some homeowners saw tax bills as high as 5 percent or more of the assessed value of their home, while nationally bills average only about 1.5 percent of a home's assessed value.

Property tax bills higher than 2 percent of the assessed value of a home create very difficult challenges for homeowners, promote uncertainty within neighborhoods and local communities, and hinder local economic development efforts. As a result, at the state level, we must do what we can to eliminate that uncertainty and ensure that no Hoosier is being asked to pay more than his or her fair share in property taxes.

THE CHANGE

On July 28, at my request, the Property Tax Replacement Fund (PTRF) Board approved one-time advances to counties that choose to offer a 2 percent "circuit breaker" to homeowners. In all, about 35,000 Hoosier homeowners around the state would benefit from this circuit breaker – the majority of them in Lake County.

Under this plan, if a homeowner paid more than 2 percent of the gross assessed value of his or her home for the 2002 annual property tax bill (pay '03), he or she will receive a credit or refund for the amount above that 2 percent threshold. This step offers immediate property tax relief to those homeowners hit hardest by the court-ordered reassessment. As well, it makes local governments more accountable to their citizens, since a major contributing factor for high property tax bills are the local tax levies.

Additionally, I have asked the General Assembly to make this 2 percent circuit breaker permanent statewide. This would mean local governments would have to factor the circuit breaker into future property tax bill calculations, and more importantly, protect homeowners from unfair increases in their property tax bills in the future.

THE COST

No long-term fiscal impact for the state. If all eligible counties choose to offer the program, about \$20 million from the PTRF will be needed to cover the one-time advances for the 2002 property tax bills. Counties will reimburse the PTRF for the advances over five years, with an interest rate of 2.95 percent.

If made permanent, counties would have to factor the 2 percent circuit breaker into future property tax bill calculations.

CHAPTER FIVE: SUPPORTING MILITARY FAMILIES

“My mission is to keep the promises and uphold the commitments that have been made to the men and women serving in our military and their families, to ensure they get the support and opportunities they deserve.”

Hoosiers have a long history of stepping up when called up. And we know that when our soldiers are deployed, in a very real sense, their entire families are being deployed as well. That’s why we have to make a concerted effort to not just support our troops, but do everything we can to support their families as well.

Indiana is home to the 5th largest National Guard in the country, with over 14,000 men and women serving. More than 7,600 of them have served on active duty in the global war on terror. This tremendous sacrifice takes a toll on thousands of Hoosier families – from planning for deployments to struggling with income and health care costs, it’s a real strain on a lot of people who call Indiana home.

Our efforts to help those who are sacrificing so much include:

- supporting the Indiana National Guard Family Program, which focuses on family readiness, and has a strong volunteer network to help provide essential services;
- encouraging Hoosier military families to take advantage of services offered at the state’s 147 Family Assistance Centers;
- building on the Guard’s Youth Services Program, which assists parents and teachers with helping children of soldiers deal with problems resulting from deployments; and
- establishing the Indiana National Guard Relief Fund which provides financial assistance to Guard members and their families.

We also must push for change at the federal level to better support military families, including:

- exploring increases in federal health care assistance for National Guard families;
- deferring payments and interest accrual on federally-funded student loans for soldiers on active duty;
- supporting efforts to address pay gaps for activated soldiers who are balancing military service with their civilian careers;
- considering expansion of the Family and Medical Leave Act to include activated Guard families; and
- shortening National Guard “boots on the ground” deployments from twelve to nine months to reduce the strain on families.

The men and women who serve in the military, and their families, make great sacrifices for our country and our communities. We all have an extraordinary responsibility to support them in every way we can, and to make sure that promises made to them are promises kept.

INDIANA NATIONAL GUARD FAMILY PROGRAM

THE NEED

The global war on terror has brought on a changing role for the members of the Indiana National Guard – the fifth largest guard in the country. With more than 7,600 Hoosier troops having been deployed since Sept. 11, 2001. Indiana's soldiers have once again stepped up to serve and protect us abroad. At the same time, they have been on call to take lead roles in our homeland security efforts, and in helping their friends and neighbors during times of disaster, like the tornadoes and floods that hit the state this year.

Now, with so many of our Hoosier Guardsmen and women serving in places like Iraq, Afghanistan, and Bosnia, it is even more important that we make sure that they and their families are getting the essential support they need.

THE CHANGE

The Indiana National Guard's Family Program has established an extensive network of volunteers. This, combined with the broad range of services it offers, sets Indiana's program apart.

More recently, the Family Program has focused on "family readiness," recognizing that when our soldiers are deployed, in a very real sense, their entire family is deployed, as well. The foundation of these support services and resources for Guard families is the vast network of volunteers working out of the 147 Family Assistance Centers throughout the state. Whether it is child care, information on health care, financial planning, or any number of other services, our Guard families can find answers through the Family Program. Nearly 15,000 Family Assistance Center contacts were made March through June alone.

In 2002, the Guard established its Youth Program to provide additional support for the children of our soldiers. The program is led by a full-time volunteer coordinator and a Youth Council made up of the children of Guardsmen and women. Since its creation, the council has spearheaded efforts to provide teachers and parents with important information on how to help children deal with the fear and anxiety that often comes with the deployment of a family member.

THE COST

Because these programs are, for the most part, staffed with volunteers, the state's cost is minimal.

INDIANA NATIONAL GUARD RELIEF FUND

THE NEED

More and more, our Guard members fill their ever-expanding role, and this often puts additional strain on families. Frequently, that strain is complicated by the logistics surrounding deployment, logistics that quickly become a full-time job and often stretch a family's resources. However, when we are asking our soldiers to put their lives on the line, it is important that we do all we can to support the families they leave behind here at home.

THE CHANGE

Last year, with support through private contributions, we started the Indiana National Guard Relief Fund (www.inarng.org/relieffund) to provide financial assistance to Guard members and their families. Since its creation, more than \$20,000 has been distributed to help individual families with medical bills, funeral costs, emergency travel, food, utilities, housing and other expenses.

THE COST

No cost, as the fund is maintained through private support.

A CALL FOR MORE FEDERAL SUPPORT FOR HOOSIER SOLDIERS AND THEIR FAMILIES

THE NEED

More and more, the members of the Indiana National Guard are being called upon to serve the nation as a full-time military force, as peacekeepers, and as key personnel in our homeland security efforts. This changing and demanding role places more stress and strain on the families of these Guardsmen and women, and it is our duty to make sure we are doing all we can to support them.

However, because of the frequency of these deployments, whether at home or abroad, states like Indiana are stretched thin when it comes to providing support for the Guard members and their families.

THE CHANGE

In July, I was asked to testify before a joint U.S. Senate subcommittee hearing on support for our military families. At that time, I asked the members of the subcommittees to take additional steps at the federal government level to help states and the families of our soldiers. Those recommendations included:

- Shorten the “boots on the ground” deployment from twelve to nine months to reduce the strain on Guard families. Under the current policy, with the addition of training and demobilization time, the period can be 14 to 18 months. This puts a tremendous strain on Guard families and on the small businesses that many of them independently own and operate and where many others are employed.
- Support the U.S. House version of the 2005 defense authorization legislation that would allow the Secretary of Defense to fund the Guard for domestic deployment. Currently, states are forced to cover these expenses on their own, despite the national scope of the mission.
- Explore increasing federal health care assistance for eligible Guard families.
- Support the proposal – endorsed by the National Governors Association – to defer payments and interest accrual on federally-funded student loans for soldiers on active duty.
- Support efforts to address pay gaps for activated soldiers who must juggle their military service with their commitments to civilian careers.
- Consider an expansion of the Family and Medical Leave Act to include activated Guard families.

THE COST

No additional fiscal impact to the state, rather these recommendations could increase the resources made available to the state from the federal government to support our Guard members and their families.

“Yesterday, I welcomed a group of fourth graders in my office. They were winners of a contest to create artwork depicting, ‘What’s so great about Indiana.’ Sami, from Terre Haute, described hers this way, ‘I chose to draw a picture of the state’s flower, the state’s bird, and the state’s flag because I am fond of Indiana. I love Indiana. Indiana is my home.’ I want Sami to go to one of Indiana’s great colleges, get a good job close to home, and raise her family in the place she loves.”

Governor Joe Kernan, June 12, 2004

CONCLUSION

Action Indiana is our positive plan for change to move Indiana forward. We have traveled the state extensively and met thousands of Hoosiers along the way, and we believe the actions outlined in this plan address the issues that affect all of us.

There are certainly additional challenges and opportunities in many other areas of importance to our state, including transportation, the environment and natural resources. Over the next four years, we’ll be able to further address those issues, and build on our plans for job growth, affordable health care, quality education, government reform and support for our military.

We can do anything if we work together. And I look forward to working with *you* should you choose to allow me the great privilege of serving for an additional four years as your governor.