

Indiana governor set the blueprint



D. Kevin Elliott for the Journal Sentinel

Indiana Gov. Mitch Daniels works in his office at the Indiana Statehouse in Indianapolis. With just his signature, he rescinded collective bargaining for public employees in his second day in office in January 2005. He is considering a 2012 run for the Republican nomination for president.

By [Bill Glauber](#) of the Journal Sentinel

March 27, 2011 | [\(278\) Comments](#)

Indianapolis — The new governor was out to shake up his state's old economic order.

He wiped away collective bargaining for thousands of state employees. And he created a public-private partnership to aggressively lure businesses - and jobs - to the heartland.

That may sound like Gov. Scott Walker in Wisconsin.

But, actually, another governor beat him to the punch.

His name: Mitch Daniels. His state: Indiana.

Daniels' way of governing, introduced with a flourish in 2005, has become something of a blueprint for a new crop of Republican governors rising to prominence in the Midwest.

Walker in Wisconsin, John Kasich in Ohio and Rick Snyder in Michigan all appear to be taking from parts of Daniels' playbook, going toe-to-toe with the unions to quickly reshape government for the 21st century and focusing on economic development.

Unlike Daniels, who could simply sign away collective bargaining for state employees with the stroke of a pen, Walker had to get his budget-repair bill passed in the Legislature. And even then, the bill curtails collective bargaining for most public employees but not does not eliminate it.

"We try and look at any successful governor," Walker says. "But Mitch, as much as anyone, has the clearest road map for the two big issues I ran on, fixing the economy, jobs, and fixing the budget, spending."

The Daniels way is a lean approach to governing in an age of austerity, delivering more for less, blending business metrics with merit pay. His mantra: "We'll operate at the speed of business, not the speed of government."

It's a way of governing that America may hear about even more as Daniels publicly ponders joining the Republican field and making a run for the presidency in 2012.

In recent weeks, Daniels' star has risen, with speeches, opinion pieces and an appearance at the Gridiron Club in Washington, D.C., where he reeled off one-liners that had the press and the politicians howling.

"I bring greetings from my beloved Indiana, a land of surprises where, as we say, South Bend is in the north, North Vernon's in the south, and French Lick is not what you hoped it was," Daniels told the crowd.

He also joked about the "favorable press" he has received and ran through the list of words used to describe him, including boring, balding, blunt, nerdy and wooden.

Sitting in his second-floor office at the Indiana Statehouse, Daniels recalls the Gridiron experience and says that a friend told him: "Did you ever notice none of those adjectives has ever been used by an Indiana reporter, only by these people kind of looking at a distance. . . . Do they think that we won those elections and set the record by boring people to death?"

Daniels, who turns 62 in April, can turn on the folksy, I'm-not-from-Washington charm. He owns not one but two Harley-Davidson motorcycles, a 2004 Low Rider and a 2007 Fat Boy that he calls the "baddest, blackest bike in Indiana; it's just black, black, black, even the wheels."

Yet Daniels is adept in the ways of governing inside and outside the Beltway.

He was an aide to U.S. Sen. Richard J. Lugar, served a stint in the Reagan White House and was George W. Bush's director of the Office of Management and Budget from 2001 to June 2003. He also earned his business spurs as an executive with Indianapolis-based pharmaceutical giant Eli Lilly and Company.

"He comes across as a homespun, down-home country boy who grew up in denim. He's filthy rich. He's Bloomberg-lite," says state Rep. Charles Brown (D-Gary), comparing Daniels to wealthy New York Mayor Michael Bloomberg.

Daniels' friends say his modest manner is no act.

"Mitch has just always been a terrific guy," says Al Fasola, a business executive who has known Daniels since the fourth grade. "He never flaunted any of the gifts he got, like his brain. In school, he just got things so much faster than anybody else."

Harry Gonso, a former Indiana University football quarterback, local lawyer and Daniels' first chief-of-staff, says the governor "is a lot of fun to be around, funny as hell, loves his family, adores them, loves to golf and loves to have a good time."

"He is truly remarkable when it comes to the ability and willingness to listen to people's points of view," Gonso adds.

With Daniels, Hoosiers like what they see. He won a tough election fight for Indiana governor in 2004 and was re-elected with a record number of votes in 2008.

Reminiscent action

Right now, state government there is at a standstill. In February, House Democrats took off for Illinois to block right-to-work legislation. In Indiana, a quorum is needed to do legislative business. Negotiations continue to bring back the runaway lawmakers.

Daniels remains above the fray in the standoff.

But make no mistake: He's a hands-on governor.

"He runs the state almost single-handedly," says state Rep. Scott Pelath (D-Michigan City). "Even the Republican leaders have ceded a great deal of authority to him."

As governor, Daniels made his mark early. His second day in office he rescinded collective bargaining for public employees. The right was granted in 1989 through an executive order by then-governor Evan Bayh.

"Our study told me that we were never going to be able to change this wretched stagnant customer-hostile state-government of ours with those agreements in place," Daniels says. "You were paralyzed. You couldn't change anything. You couldn't change things structurally. You couldn't change personnel policy. You couldn't change technology. You couldn't close anything. You couldn't outsource anything. All of the things I wanted to do if you wanted to make government work well."

Daniels says he was worried about "exactly the scene" that occurred recently in Madison, where tens of thousands of pro-labor demonstrators turned out to protest Walker's budget-repair bill.

"Here we have this long list of dreams and ambitions, what if the whole thing gets derailed by a big fight over this collective bargaining step?" Daniels says.

He met with aides for weeks and discussed the issue and finally decided to act quickly.

"On the second day, we discontinued it and I held my breath," Daniels says. "And we didn't have a Madison at all. I often say the only two things that happened were, one, we got the freedom to change things in a major way and, two, 95% of the employees, once it was their free choice, quit paying the dues to the union."

When Daniels came into office, Indiana had just over 35,000 state employees. Now, there are 28,700.

In 2005, there were 16,408 employees who paid union dues. Currently, there are 1,490 who pay the dues.

Daniels says without collective bargaining he could move quickly to refashion government. On the same day

he eliminated collective bargaining he created the Department of Child Services.

Dissatisfied unions

One union leader claims that Daniels acted vindictively after he failed to gain labor support in the 2004 race.

"Since he took away the collective bargaining, state employees are just for the most part unhappy," says David Warrick, executive director of Council 62 of the American Federation of State, County and Municipal Employees. "They feel that this administration doesn't want them to have a voice. They don't have a voice. They're intimidated. It's a park your brains at the door, do what we say, we don't want your input."

Daniels and his aides pushed for government efficiency, outsourcing food and medical services in the prison system; scrapping government print shops through outsourcing to Pitney Bowes; centralizing information technology and human resources. They even shed around 2,500 state vehicles after efficiency experts went around and placed pennies on the tires of some dusty sedans parked in government lots. The pennies never moved.

Early on, he encountered controversy when he leased the Indiana Toll Road to foreign firms.

A deal with lead contractor IBM to outsource Indiana's welfare enrollment program by setting up call centers flopped. In 2009, Indiana dropped IBM from the \$1.34 billion project. The dispute has gone to court.

"One of the reasons that outsourcing is often an attractive option is that if you get it wrong, you can fire the contractor and get a better one," he says. "It's very hard to fire a whole government department. I mean, you can't. And so, the first contractor IBM didn't work out well, but the second one is working extremely well."

But Daniels says his program isn't just about cutting - it's about creating jobs.

"I thought jobs, economic growth and income growth were the end objective of what we were going to do here," he says.

He created the Indiana Economic Development Corp., a public-private partnership, to bring business to the state. Daniels chairs the board. The commerce secretary, currently Mitch Roob, is on the road in search of business.

"We're the point of the sword here, but every person involved in the Daniels administration believes their No. 1 job is jobs," Roob says. "The throw-weight of all this is the governor's commitment to drive the culture of his administration to be a pro jobs, pro investment, low-tax state."

Daniels says other states looking to emulate the Indiana model should avoid what he calls "over-subsidizing" new jobs. Wisconsin moved to the Indiana model in February when Walker signed a bill creating the Wisconsin Economic Development Corp.

"In business, people sometimes let their zeal for the deal take them past the point of prudence," Daniels says. "But it's much more dangerous in government because they're playing with someone else's money. There is a terrible incentive for politicians to give away the store. They get to the cut the ribbon, but they're long gone when the bills come due. That's the single biggest mistake we see other states do."

A report last year by local TV station WTHR found that thousands of jobs promised by the program never materialized. Tad DeHaven, a budget analyst with the Cato Institute and former deputy director of the Indiana Office of Management and Budget, has derided the economic development corporation for engaging in what he termed "news release economics."

Daniels defends the program.

"Businesses made these commitments fully hoping to meet them or go past them," Daniels says. "This little matter of the recession did get in the way. We never pay a nickel for a job that doesn't show, so taxpayers are fully protected. Some of these are just postponements. Some of these companies were stopped cold or slowed by the recession."

Daniels remains confident that the state's business climate will improve. Indiana's unemployment rate dropped to 8.8% in February, its lowest rate since December 2008.

What's next for Daniels? The question swirls inside the ornate Statehouse as he contemplates making a run for the White House. He hasn't made a decision, he says.

"The clock has to be ticking now," he says.

He's weighing it all, the toll on family (he has a wife and four daughters), the punishing travel through the primary states and the prodigious fundraising that would be required for such an effort.

"I do believe we could get table stakes together," he says. Later, he adds, "I just believe a credible campaign on the side of freedom, on the side of dealing with our debt before it destroys the American dream, will have lots of friends and will have its day in court."

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