



GOV. MITCH DANIELS
GOVERNMENT LEADER OF THE YEAR

By Tom Schuman

Indiana Gov. Mitch Daniels knows how to reverse the low voter approval ratings he has experienced and lessen the criticism that he has faced since taking office in January 2005. He's just not going to do it.

"I know how to make it go away, by just sitting back and letting events control Indiana's future," he explains during a 25-minute interview in his Statehouse office. "There is absolutely nothing easier than being popular in a job like this – just say 'yes' and do nothing, change nothing. But then why would we want the job."

From the outside, the governor may appear to deflect the condemnation that has accompanied issues such as Indiana's move to Daylight Saving Time, the leasing of the Indiana Toll Road as part of the Major Moves transportation funding plan and the closure of some license branches in the effort to improve efficiency.

However, it does register. "I won't kid you. It's not fun to be attacked personally when all you are trying to do is build a greater state. I don't ever pretend that our policies are 100% on target, but I do believe we are sincere about it."

The negativity gains the most public attention, but the supportive comments are frequent. "Every day people say, 'Hang in there, don't quit.' I get that everywhere. I think there is a large section of Hoosiers with a whole new outlook of hope."

Major issues

What's driving that hope, or in some cases fueling the criticism? A partial list includes:

- **Major Moves:** The two key areas of concern were misinformation that the Toll Road was being sold (it is actually a 75-year lease) and the fact that a foreign consortium is now operating the roadway. In return, Indiana received nearly \$4 billion (not counting the interest that is expected to total as much as \$900 million) to fund more than 200 transportation projects over the next decade.

Indiana was not the first state to take this privatization approach, but the scope of its agreement has drawn attention from around the country. Major Moves takes an asset (the Toll Road) that was losing money, brings a cash infusion to allow projects that had languished on the drawing board for years to be completed and will result in an improved Toll Road due to additional investments from the leaseholder.

Randall Tobias, who served as president of Eli Lilly and Company during a portion of Daniels' tenure with the pharmaceutical giant, is now director of the Foreign Assistance Administration at the U.S. State Department. He says Major Moves is among a number of Indiana initiatives that have not generated the widespread acclaim they deserve.

That will change, he believes, in the years to come. "In the long term, Major Moves will be viewed as one of the most incredible decisions a governor ever made."

Photographs from
a day with the
governor: Page 91

Left: Gov. Mitch Daniels catches up on electronic messages while on the road in his RV 1 office. Below: The governor, with Indiana Chamber President Kevin Brinegar, takes questions at a Chamber board of directors meeting.



Government Leader of the Year Winners

2005: Sen. Earline Rogers & Rep. Jerry Torr
2004: Sen. David Ford & Rep. Brian Hasler
2003: Rep. B. Patrick Bauer & Rep. Brian Bosma
2002: Sen. Larry Borst
2001: Gov. Frank O'Bannon & Dr. Suellen Reed
2000: Rep. Jeff Linder
1999: Rep. Bob Behning
1998: Sen. Teresa Lubbers
1997: Rep. Lee Hamilton
1996: Rep. David McIntosh
1995: Rep. Michael Smith & Sen. Thomas Weatherwax
1994: Rep. Paul Mannweiler
1993: Sen. Morris Mills
1992: Hon. Thomas Barnes
1991: Sen. Joseph Harrison
1990: Sen. Richard Lugar

Daniels points out that meeting the state's infrastructure needs without raising any taxes was essential. The partisan struggle to gain approval from the General Assembly and the continued negative reaction has been surprising.

"(Chicago Mayor) Richard Daley had just done the same thing (leasing that city's Skyway) with the same people and everybody applauded." The second part that is difficult to understand, he adds, is, "This is a slam dunk, no questions, smart business move for the state. I just take the burden on myself. If you can't explain a grand slam winner like that ..."

The governor says that the opposition is diminishing, although it's not easy to judge at what rate. "If we take public opinion polls to decide how to move this state forward, we won't move very often or very far. You have to do what you know is right."

- **Economic development:** One of Daniels' first moves was implementation of the Indiana Economic Development Corporation (IEDC), a public-private partnership to generate job creation. Through the first 21 months of his administration, more than 33,000 jobs and nearly \$7 billion in private investment had been committed.

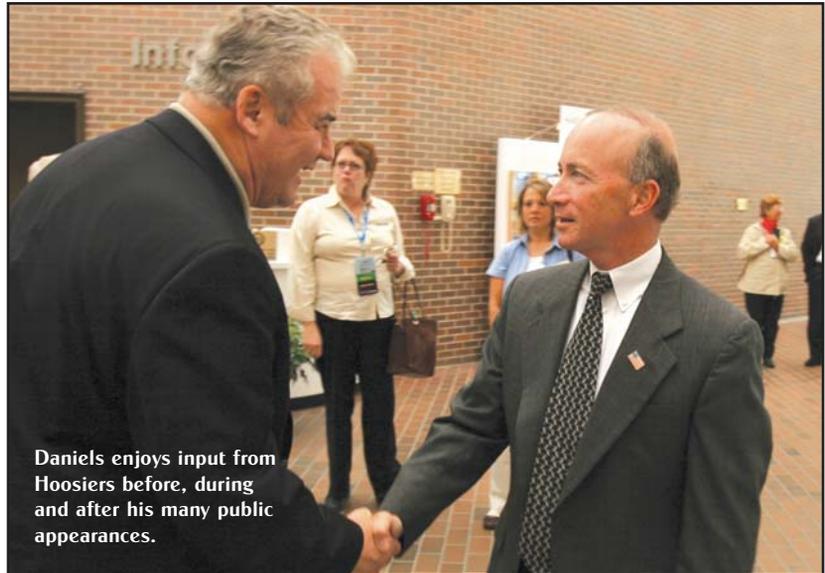
It's not just the numbers of jobs, but the diversity in industries and locations. For every Honda manufacturing facility and its 2,000-plus jobs, there are several additions or expansions in life sciences, financial services or other industries. While Indianapolis is experiencing major growth at Rolls-Royce, all corners of the state and many areas in between are among the beneficiaries.

John Mutz, lieutenant governor during the Orr administration and a longtime Indiana business leader, is a member of the IEDC board of directors. He has seen firsthand the beginnings of the economic turnaround.

"This was not your average recovery from a recession. The challenges were more daunting," Mutz explains. "The governor has been able to bring in a whole new leadership team with a lot of business experience and business savvy. Their deal-making prowess is paying off (in addition to the) governor's overriding energy to get this done."

The state has also seen the benefits of two Daniels-led trade missions to Japan. Both Mutz, who brokered many of the early deals that brought Japanese companies to Indiana 20 years ago, and Daniels cite the importance of the long-term relationships and the recent expansions.

Indianapolis hosted the Midwest U.S.-Japan Association annual meeting in September. At that same event a year earlier in Cincinnati, Daniels had projected a "second surge of insourced jobs into Indiana and it's happening. We've had at least seven significant expansions, plus Toyota



Daniels enjoys input from Hoosiers before, during and after his many public appearances.

(bringing 1,000 jobs to Lafayette for production of the Camry), plus Honda."

- **Energy, agriculture and rural development:** As noted previously, job-creation announcements are taking place throughout the state. Sixteen ethanol and biodiesel facilities are in the works. A defined rural development strategy and the state's first energy plan in more than 20 years are in place.

Daniels believes that the untapped potential in agriculture is beginning to be realized. The state is on track to double pork production, increase its share from the hardwoods industry and grow its food processing capabilities (a new Nestle plant in Anderson being just one example).

Strengths in corn and soybean production will be enhanced through the development of alternative fuels. Incentives are in



In the passenger's seat and catching up on the baseball results as RV 1 travels between South Bend and Valparaiso.

place to assist with the progression of clean coal technology that is critical to utilizing another plentiful Indiana resource to meet energy needs in an environmentally friendly manner.

The results of many of these initiatives will be several years down the road. “But we have to make something happen,” Daniels claims. “We can’t just sit around and hope one day it will. You have to have a pro-growth attitude about these things.”

- **Efficient state government:** Near the top of Daniels’ list alongside Major Moves is balancing the state’s budget for the first time in eight years. A fiscally sound state government is needed to effectively attack future challenges.

It is also satisfying for Daniels to see government agencies making progress in how they serve their customers – Indiana residents. Despite 3,000 fewer people on the state payroll, goals, measurements and analysis provide a documented path of improvement – whether it’s more timely business permits, tax refunds that come back a month quicker or increased funding for state retirees.

Daniels admits he’s never satisfied and possibly never will be in this area and that his direct involvement in the details of individual agencies is “maybe to excess.” While few outside government may notice the overall improvements, he finds the progress to be important.

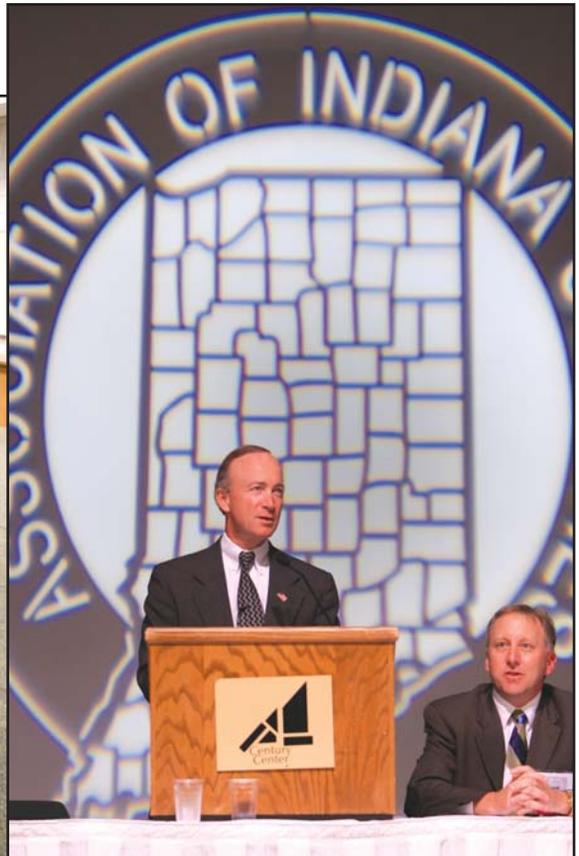
Working, listening

On election night in 2004 and two months later during his inauguration speech, Daniels told all Hoosiers, including state legislators, to “buckle up” for a wave of activity. The ride has been quite bumpy thus far.

“I wasn’t totally naïve (about the legislative process), but I was surprised about the level of partisanship,” Daniels offers. “My impression of the Indiana legislative process in the past was that frequently when elections were over, there was some cooperation; we’ve had zero.”

Daniels spent 16 months during the campaign traveling the state and listening to the thoughts and concerns of Hoosiers. A donated recreational vehicle dubbed RV 1 serves as a second office for frequent trips, although the governor would like to “spend all my time out there.” When an overnight stop is required, Daniels continues to stay in the homes of Indiana families. While its original

Valparaiso University law school students and members of the Association of Indiana Counties receive the governor’s positive messages about Indiana’s economic prospects.



focus may have been as a campaign cost savings, today it allows Daniels to learn from some of the 6.2 million people he works for.

"I think it is essential. It's no different than in business. If you settle in comfortably behind a desk and let others filter their information, you don't go see the customer and don't go see where it happens, (then) there won't be any jobs." Daniels notes that there are still those, particularly in small towns, surprised that the governor would come to listen to them, while you also "get an earful from people who don't like specific actions. That's what I'm out there for."

Listening by itself is not enough, according to Tobias.

"There's two ways that can go," he relates. "People who say 'tell me what I ought to do, see which way the wind blows and make a decision based on public opinion.' Or take into account all the information from a wide variety of sources, often conflicting, and not one of how do I figure out how to make as many people as happy as possible, but make the best decision I know how to make. That's Mitch."

Business background

Indiana Chamber President Kevin Brinegar has been active at the Statehouse and in public policy discussions for a quarter of a century. Before becoming head of the organization, he knew Daniels from his various roles at Eli Lilly.

"Throughout his career, Mitch Daniels has brought a hard-driving, full speed ahead approach to whatever he's been involved in. We knew his election would transform state government, but the accomplishments and results for the entire state have exceeded our loftiest expectations," Brinegar attests. "Indiana is on course for an even brighter future, due in large part to Gov. Daniels' leadership."

Mutz doesn't quite buy into the notion that you can make government run like a business, but both he and Tobias say past experiences and instincts are a positive factor. Daniels' decision to run for governor was not a foregone conclusion, despite several stints in Washington, including director of the Office of Management and Budget for President Bush from 2001 to 2003.

"Mitch has always had a profound interest in public policy and the political process," claims Mutz, who recalls when he was first running for the state Legislature that Daniels' parents were quite involved in politics at the county level. "It doesn't surprise me that he followed in their footsteps."

Tobias came to Lilly just after Daniels had been promoted to president of North American operations. Despite a lengthy streak of positive financial growth, it was a time in the industry

when the status quo was not good enough.

"Mitch did an extraordinary job addressing some of the cultural issues that needed addressed," Tobias recalls. "The world had changed dramatically. It was hard to say, 'We've got to quit doing it the way we have (with all the success) and do it a different way.'"

Daniels was promoted to the role of planning corporate strategy at a period when the patent for the highly successful Prozac was approaching expiration. His efforts helped Lilly avoid

the negative fate that impacted so many other major pharmaceutical companies at similar stages.

Tobias says Daniels, as has been proven, is "very willing to think out of the box. I place a very high premium on operating ethically and above board. Mitch is on my list of all-time all-stars when it comes to that."

Mutz chooses his words carefully and thoughtfully when discussing the governor's straightforward approach.

"The Daniels administration exhibits an unusual degree of candor. I believe candor can be quite compelling and effective in leadership," he contends.

"There can be times when the directness of that candor can raise a few hackles. But this is a time in history that calls for that candor."

Moving forward

Daniels decided to seek office because he thought he could make a difference. Has that drive, that determination changed at all after nearly two years on the job?

"It has been reinforced. First, by seeing that we weren't blowing smoke about Indiana's economic potential. Look at the economic development successes, look at the cultural improvement, look at the cleanup of government and look at the fact that we not only balanced the budget but ahead of time, in one year, without a tax increase. You take heart from things like that.

"We know that the problems confronting the state go well beyond our tenure," he continues. "We came here to do big things, but you get a little back by seeing the needle move."

Daniels is less than halfway through his four-year term. He says he'll start considering whether he wants to run for re-election after the next legislative session, evaluating the status of his administration's goals and what remains on the list.

"I think we should measure people in public life not by how many votes they got, but by what they got done. That and their likely permanence," he concludes. "I was surprised to find myself running for office in the first place. To be honest, there are a whole lot worse things that could happen than private life."



Daniels, while serving as director of the Office of Management and Budget in Washington, is interviewed by Gerry Dick of *Inside Indiana Business*.