

OPINION & COMMENTARY

THE INDIANAPOLIS STAR

A GANNETT NEWSPAPER

EUGENE C. PULLIAM 1889-1975, Publisher 1944-1975
EUGENE S. PULLIAM 1914-1999, Publisher 1975-1999

Barbara A. Henry
President and Publisher
barbara.henry@indy.com
(317) 444-8131

Dennis R. Ryerson
Editor and Vice President
dennis.ryerson@indy.com
(317) 444-6169

Tim Swarens
Editor of the Editorial Pages
tim.swarens@indy.com
(317) 444-6176

Pamela B. Fine
Managing Editor
pam.fine@indy.com
(317) 444-6168

Kudos

John and Phyllis Zimmerman and other residents of a Southside neighborhood staged a small protest last week to call for better code enforcement in Indianapolis. The residents want the city to force property owners to keep up abandoned houses. They also called for a crackdown on drug dealing and prostitution in their neighborhood. Such grassroots efforts are essential in protecting the city's quality of life.

Outrage

State Rep. Jeff Thompson, R-Litton, managed to shut down the Indiana House last week. Thompson proposed a surprise amendment to an eminent domain bill that would have stopped local governments from extending civil-rights protections to gays and lesbians. House Speaker Brian Bosma quickly adjourned the House for the night on Tuesday to prevent a vote, and Thompson withdrew the amendment the next day. He later apologized to House members for causing "commotion, emotion and turmoil."

Overheard



"A breakthrough like this may come but once in a public service lifetime."

Gov. Mitch Daniels, announcing a \$3.85 billion bid to lease the Indiana Toll Road.

Questions about Toll Road lease? We have some answers

Gov. Mitch Daniels' push to lease the Indiana Toll Road is a novel adventure for Indiana. But Europeans have long been familiar with road privatization deals like the one struck last week by the state and a consortium led by Australia's Macquarie Bank and Spain's Cintra.

Many Hoosiers have been left with questions about the deal. The Star Editorial Board offers some answers:

Why did Gov. Daniels strike this deal?

Start with \$2.9 billion. That's the cost for projects such as extending I-69 from Indianapolis to Evansville, none of which has been funded by state or federal dollars.

Then there is \$5.4 billion. That's the cost of road upgrades, bridge repairs and other maintenance the state must complete in the next 10 years.

And finally, \$226 million, or the cost of adding lanes to three sections of the Indiana Toll Road and other improvements. That doesn't include additional capital costs in coming decades or the \$199 million owed by the Indiana Finance Authority — and ultimately you the taxpayer — to bondholders.

Essentially these are debts that taxpayers must repay. Delaying maintenance on existing roads merely adds to the costs — both in tax dollars and lives lost. Same goes for repairs on the Toll Road and the 300 or so bridges along the route. Increased commercial and residential traffic, straining existing capacity, is forcing the state to either add new roads or expand existing ones.

So how does leasing the Toll Road bring down those obligations?

Think of it as a version of the risk management and asset diversification strategies practiced by businesses, or by individuals when buying stocks.

Besides earning taxpayers \$3.6 billion in net proceeds, the deal allows the state to hand off the Toll Road's future capital costs to Macquarie-Cintra. The consortium's

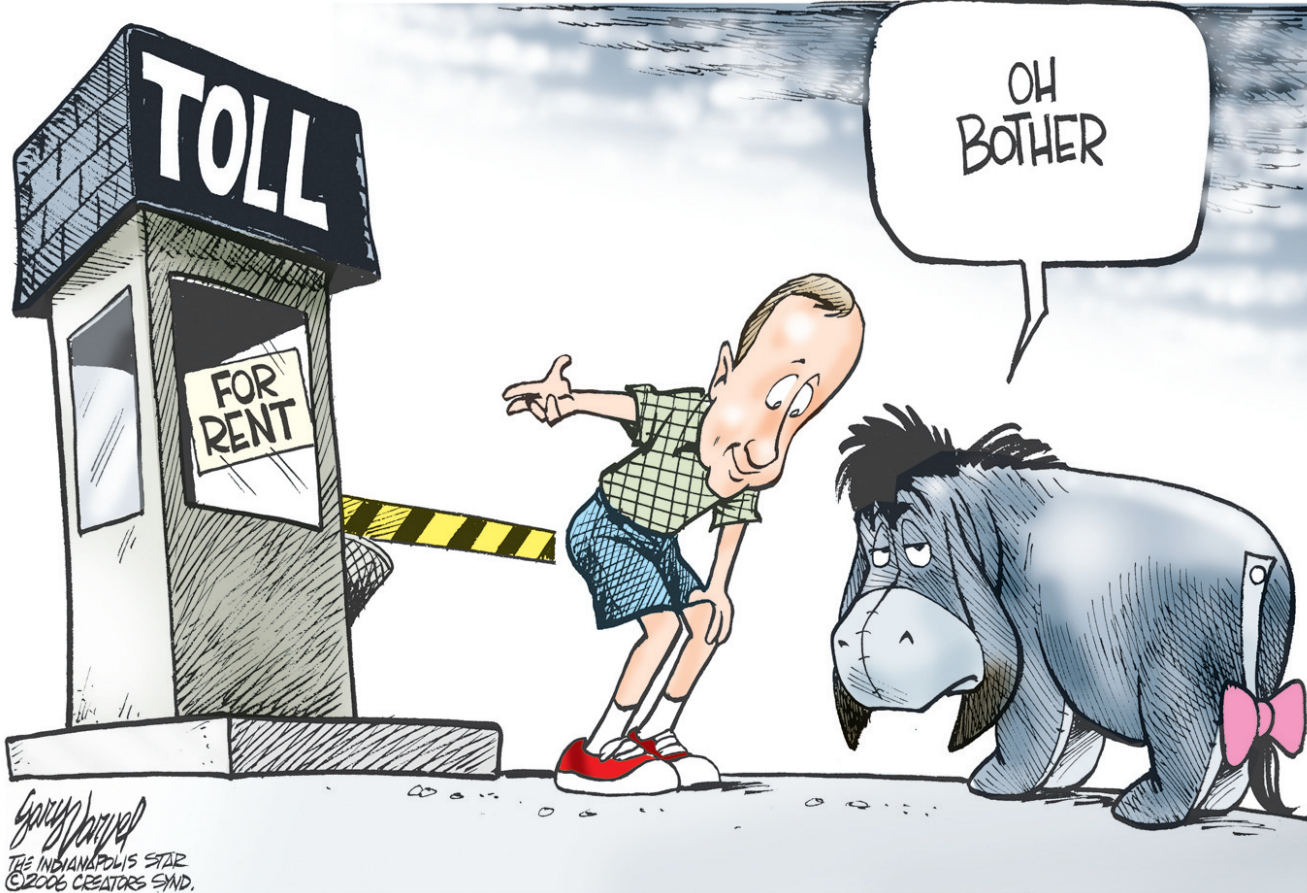
commitment to spend \$4.2 billion on additional upgrades means taxpayers will avoid those obligations.

But isn't the Toll Road profitable?

Government agencies such as the Toll Road don't earn profits per se, but can rack up surpluses after expenses are paid. None of the Toll Road's surpluses are used to fund other state programs. Surplus revenue is eventually used for capital improvements or to offset other costs of the Toll Road.

While the Toll Road garnered an \$11 million surplus on \$96 million in revenue last fiscal year, that was possible largely because the state had earlier decided to delay capital improvement projects.

The size of the surplus also has varied. In fiscal year 2003, the Toll Road



returned only \$900,000.
Does that mean the state isn't efficiently running the Toll Road?

Actually, yes. And it's evident not only in the delayed improvements. By not raising tolls since 1985, the state has allowed inflation to weaken the Toll Road's buying power, adding to its capital maintenance woes. The failure to add modern upgrades such as electronic toll lanes has cost users lost time and taxpayers higher labor costs.

Couldn't the state simply issue new bonds or raise tolls?

Some \$1.4 billion is already owed to bondholders for funding infrastructure projects, all backed by the state's gasoline tax. There's little room for more debt. Floating so-called Garvee bonds, backed by federal highway subsidies, would tie up future revenues, according to state Transportation Commissioner Tom Sharp.

Issuing new Toll Road bonds backed by already-scheduled toll increases, a recommendation of House Democrats, could hurt its credit rating, increasing the costs of borrowing.

Municipal bonds, with their strict repayment terms, do not allow for flexible options such as back loading debt payments, a method that works well with toll roads. Only corporate debt — which Macquarie-Cintra will float — allows for such flexibility, according to Chierian George, a managing director at bond rating service Fitch Inc.

Can't the state get additional federal funding instead?

Not exactly. The American Associa-

tion of State Highway and Transportation Officials estimates that the nation needs \$92 billion a year to maintain highways and another \$34 billion a year to complete upgrades. The federal government's latest six-year transportation bill allots only \$48 billion a year. States such as Indiana are scouring for alternatives.

This could be an even bigger issue in the future because higher fuel efficiency will reduce per-car consumption of gasoline, slowing the collection of federal taxes that pay for road projects.
Isn't the deal moving too fast?

Leasing the Toll Road is a logical extension of the role the private sector already plays in design and construction of public roads.

Just 10 percent of new road design is handled by INDOT, according to Sharp. State governments can't offer large enough salaries to keep the necessary expertise in-house; so private firms handle most of the work. All the road construction itself is handled by outside companies. INDOT acts as the project manager and financier.

Could the state be handing off the toll road for too cheap a price?

The fact that few toll road lease deals have been completed in the United States makes that an open question. Macquarie-Cintra's \$3.8 billion bid is only two times more than what it paid to lease the heavily traveled but far shorter Chicago Skyway.

Yet, by paying a price 40 times greater than the Toll Road's revenues last year, more than what a private firm with similar characteristics would likely command in an outright sale, Macquarie-Cintra actually may have overpaid

for the road if it were not for the tax advantages gained from depreciating the acquisition cost over time.

None of this really matters to taxpayers in light of the \$3.6 billion in realized gains and the reduction of more than \$4 billion in capital costs.
Isn't the state handing off a road for today's gain without considering the needs of tomorrow?

While northern counties along the Toll Road's path will receive \$1.1 billion, the state should follow Daniels' instructions to put the remaining \$2.5 billion into a trust fund to finance future construction.

Simply investing the proceeds in bonds bearing 5 percent interest would generate \$125 million in the first year. By reinvesting the income until 2012, when the state will have begun most of its new projects, the principal would grow to \$3.3 billion.
So is this a good deal?

Fitch's George argues that it's not that simple. On one hand, generations of taxpayers can partake in the gain from leasing the Toll Road — better service, better maintenance, less capital risk, funding for long-slated projects.

Future generations, on the other hand, may not discern the benefits of the lease, leading to resentment over the deal. Possible disputes over such matters as the noncompete agreement that blocks the addition of interstate-quality highways parallel to the Toll Road could even force the state one day to buy back the lease.

But think of the advantages of reducing financial risks, adding needed funds and improving service. All things considered, this lease could work well for all involved.



DENNIS RYERSON

Accuracy improving, but we can do better

A typical Sunday edition of The Indianapolis Star contains close to 480 information elements prepared by our newsroom. These include stories, "breakout" information segments, lists, opinion page commentaries and other items.

In handling that amount of information, errors inevitably occur.

Last year, under our daily "CORRECTIONS & CLARIFICATIONS" heading on Page A2 of the newspaper, we ran corrections for 508 errors.

I take some comfort from knowing that figure is down 15 percent from the 600 errors we corrected in 2004. But the fact that we seem to be improving is little comfort, I'm sure, to the people affected when we sent them to an event at the wrong time, or when we misspelled their name, or when we ran somebody else's photograph above their name.

I also know that the total number of corrected errors doesn't represent all the mistakes that appear in The Star. We correct only what we know to be wrong. I'm certain that many errors either aren't caught by us or aren't reported to us by news sources or readers.

We have a systematic process at The Star for reporting and tracking errors.

When we are made aware of an error, the individual responsible for it is required to fill out an error form detailing the nature of the mistake, how it happened, how it was discovered and how a correction should be written.

All corrections are approved by Managing Editor Pam Fine or me prior to publication.

In addition to running corrections on Page A2, we also correct stories in our archives to ensure that mistakes aren't repeated.

Library Director Mike Jesse, who is in charge of logging errors, tells me our most common mistakes involve misidentification — misspelling a name, or providing the wrong title, age or other identifying information.

We track errors by individual, by department and by the step in the editing process within which the error was made. For example, more than half of the errors we corrected last year were made during the reporting process. A total of 12.7 percent occurred during the copy-editing process; 8.4 percent occurred in writing headlines or photo captions.

Accuracy is more than just getting the facts right. It also involves getting the right facts. In that regard, I know that some people rarely will be satisfied.

If, for example, you think that Gov. Mitch Daniels is out of his mind for wanting to turn the Indiana Toll Road over to a private company, you may not regard as "accurate" any news story that doesn't fully support your point of view.

If you strongly feel that the Bush administration was wrong to commit American soldiers to Iraq, you're likely to think our news stories fall short in presenting the facts about the war.

We nonetheless must strive for balance in all our stories. We must do all that we can to place facts within the proper context and ensure that headlines fairly represent our news stories.

If you see an error in The Star, please don't assume we already know about it. Do assume that we want to know about the error so we can correct it as quickly as we can. Call (317) 444-6000 to report errors.

Thanks for your help in our effort to improve our accuracy. And thanks for reading The Indianapolis Star.

◆ Ryerson is editor of The Star. You may contact him at dennis.ryerson@indy.com, or by calling (317) 444-6169.



EDITORIAL

called Garvee bonds, backed by federal highway subsidies, would tie up future revenues, according to state Transportation Commissioner Tom Sharp.

Issuing new Toll Road bonds backed by already-scheduled toll increases, a recommendation of House Democrats, could hurt its credit rating, increasing the costs of borrowing.

Municipal bonds, with their strict repayment terms, do not allow for flexible options such as back loading debt payments, a method that works well with toll roads. Only corporate debt — which Macquarie-Cintra will float — allows for such flexibility, according to Chierian George, a managing director at bond rating service Fitch Inc.

Can't the state get additional federal funding instead?

Not exactly. The American Associa-

A move to move away from property taxes

State Rep. Chet Dobis wants to make Indiana a national leader by eliminating the property tax, an outdated levy based on an agrarian economy.

The Dobis proposal to phase out property taxes by 2009 was approved by the House last week by a unanimous vote.

"We would be first in something substantial for a change," said Dobis, a Merrillville Democrat.

Gov. Mitch Daniels could give the state's economy a substantial lift with a phaseout. The multi-billion-dollar Toll Road deal gives him the flexibility to consider such a drastic shift in the tax system.

Republicans have proposed the notion before, including George Witmer when he ran for the gubernatorial nomination in 1996. To make up for lost revenue, he proposed a cap on state spending. He suggested that property taxes could be eliminated over a 25-year period, with economic growth boosting in-



RUSS PULLIAM

come and sales tax receipts.

The General Assembly is supposed to be a part-time, citizen legislature. Lifetime health insurance for members and families should not be part of the package.

Most members earn the bulk of their income in a profession outside the Statehouse. The result is an interesting mix of professional experience, including lawyers, teachers, medical doctors, nurses, farmers and law enforcement officials.

Part-time jobs rarely offer full medi-

cal insurance benefits. But the General Assembly quietly gave benefits to its members and families in 2001 and 2002. Now House Speaker Brian Bosma is dropping the program for most House members, and Senate President Robert Garton is thinking about what to do. What other part-time jobs carry such generous fringe benefits?

◆◆◆
Sen. Vi Simpson, D-Bloomington, is joining a few other Democrats who are trying to end the Republican monopoly on family values issues.

She is proposing legislation to ban the sale or rental of violent or sexually explicit video games to anyone 18 and younger. She also is proposing warning labels on the games.

Mayor Bart Peterson has led Indiana Democrats on this issue, calling for a ban on the games near schools as one of his first acts in office in 2000. His initiative wound up in a court challenge by video game interests, but that has not stopped others from joining his

cause.

Potential presidential candidates Evan Bayh and Hillary Clinton have joined the crusade to protect minors from these games, which may sound harmless until they are viewed in all their gruesome detail.

Bayh wants to require the game industry to place ratings on the games so parents can see the depth of the depravity. Research shows, he added, that the games cause future social harm, an argument that is similar in some respects to the fight against smoking.

Democrats may be taking up these issues for political reasons, having seen Republicans dominate family values issues in recent elections. But some, like Bayh or Peterson, also have children who are teenagers or nearly are. And teenagers have been known to convert many a liberal parent into a neo-conservative on these issues.

◆ Pulliam is associate editor of The Star. Contact him at (317) 444-6001 or at russell.pulliam@indy.com.