

Dear fellow Hoosier:

Our nation is at a crossroads. We are suffering through the deepest recession in seventy years. Our national security is threatened by terrorists and rogue nations. Our status as a debtor nation grows daily. Yet all we get from the Obama administration are proposals for more spending, bigger government, and more interference in our lives.

We must do more than say “no” to Obama. As patriotic Republicans, we have an obligation to propose our own plans to secure the future of our great nation.

When I announced my candidacy for Indiana’s 5th Congressional district seat at the Getrag plant near Tipton, I was placing a stake in the ground. I wanted it to be known that from that day forward my campaign would be about getting Hoosiers back to work.

We have the greatest workforce in the nation. Companies like Enerdel have testified to this by announcing large investments in the 5th district. But one great announcement is only the beginning. We must find ways to bring prosperity to the farthest reaches of our diverse district.

That is why today I am proud to present you with the Murphy Plan for Job Growth. It is a comprehensive plan with concrete proposals on jobs, agriculture, energy, health care, defense, and education. Each policy initiative is designed to bring maximum economic benefit to the 5th district, while lessening the role of government in our lives, and preparing a promising future for our children and grandchildren.

I am proud of my policy team, some of the smartest people in the nation, who helped develop the Murphy Plan. Special thanks are due to Neil Pickett, a great thinker, and an even greater doer. I am fortunate to have him as an advisor. I would also like to thank former Lt. Governor John Mutz, a personal and professional mentor for more than 20 years. His leadership has changed this state. I hope the Murphy Plan can also have an impact.

When I stood in front of the vacant Getrag plant, I said “If you cannot work, you cannot dream. And if you cannot dream, you cannot lift yourself above your circumstances.” Let us work together to lift up the 5th district. Let us help our fellow Hoosiers realize their dreams.

Together, We are going to Restore the American Dream.



Mike Murphy

P.S.: Call me on my cell at 317-414-0964 and tell me how I can continue to improve the Murphy Plan for Job Growth. I’m looking forward to hearing from you!

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THE MURPHY PLAN: Agriculture – The Industry that Provides for All of Us

Agriculture's value to every Hoosier is undeniable. It is an industry that provides the most basic of human needs, but it also generates jobs and economic opportunity, creates new sources of energy, offers new foods and products to improve human health, and depends on and protects our natural resources, among others.

With this tremendous responsibility also comes tremendous challenges for Hoosier farmers, their families and our agribusiness community. Today's new operating environment is marked with growing government regulation, an uncertain tax climate, intense international competition, and volatile market conditions. Our agricultural industry needs partners in Congress who understand the critical importance of its contributions and are willing to unapologetically play a leadership role in supporting policies that defend and enhance its future.

My priorities for agriculture all center around one basic tenant: farmers and agricultural business leaders require a conducive business and stable regulatory environment in order to survive and plan for the future. Many business, tax and regulatory uncertainties are swarming agriculture today. I commit not only to navigating agriculture through these new challenges in our nation's Capital, but more importantly to offer it a thriving and competitive environment full of opportunities to grow and expand.

In the **MURPHY PLAN** for Agriculture, I set out **4 priorities** to take to Washington that

are guided by my experience working for Hoosiers in the Indiana legislature.

Priority #1: Agriculture holds tremendous potential. I will ensure it continues to be a key part of our economic recovery and growth.

Perhaps in no other industry is the outlook for potential future economic growth as promising as in agriculture. The advent of an unbelievable number of new technologies and product applications offers tremendous opportunity. These new investments will come in the fields of biotechnology, alternative energy, information technology, food processing, livestock production and animal health and many others. And, they bring with them billions of dollars in new economic development and thousands of new jobs.

Global trade and investment opportunities for agriculture also are critical. Maintaining strong and positive working relationships with our customers in markets all around the world will ensure the continued purchase of millions of dollars of Indiana corn, soybeans, pork, poultry, dairy, fruit and vegetables, wine and hardwood/lumber products.

I will engage at the local, state and federal levels and also in the global arena to identify and seek out these emerging technologies and business opportunities with the intent of introducing them to the agricultural potential of our region.

Priority #2: Aggressive regulatory schemes threaten agriculture's competitive future. I will work to minimize and prevent their harmful effects on farmers and the broader industry.

Sadly, regulation today can be based more on political maneuvering than on sound scientific and economic analysis and review. The agriculture industry stands to lose more from this approach of regulatory decision-making than nearly any other industry.

A few examples of troubling regulatory issues for agriculture include the cap-and-trade with its far reaching impacts on the cost of farming and operating agribusinesses. We must also protect those in agriculture (especially livestock agriculture) who are coming under increasing pressure to eliminate or overhaul their well-proven and well-managed production practices. Activist animal welfare and fringe environmental groups who are "attacking" agriculture cannot be the voice defining future regulation.

I will promote a progressive view towards our current and future agricultural regulatory structure with a commitment to ensure science-based and well-implemented standards to support industry growth.

Priority #3: Agriculture must continue to protect and enhance our natural resource base – our land, water and air – for the benefit of all Hoosiers. I will support creative and necessary stewardship initiatives that offer both environmental benefits and value added opportunities for farmers.

I will seek every possible avenue for more Federal and State partnerships to support our conservation needs. This would include expansion of existing programs, such as the US Department of Agriculture cost-share Conservation Reserve Enhancement Program (CREP) that offers a 5:1 federal match for Indiana conservation spending, as well as pursuit of new program opportunities. Indiana has woefully lagged other agricultural states in its conservation funding and that must change.

I will also work with the appropriate regulatory agencies and committees to further minimize and work smartly through environmental regulatory challenges for agriculture including the ongoing climate change debate, new requirements for air and water quality, pesticide applications, etc.

Priority #4: Agriculture still is a way of life for many Hoosiers. I will do all I can to ensure the quality of that lifestyle remains and is improved.

Families and businesses involved in Indiana agriculture deserve:

- Low taxes – an eliminated estate (or "death") tax and reduced capital gains and real estate and property taxes;
- Good health care solutions;
- Rural community prosperity and growth – access to broadband, wastewater, housing;
- Improved infrastructure – roads, rail; and
- Quality education.

I happen to believe that leadership, experience, and results still matter. As a former member of the Agriculture Committee of the Indiana House of Representatives and a voting member of the Indiana Farm Bureau, I understand the challenges and threats that face Indiana and American agriculture today. But, more importantly, I also have a vision of growth, opportunity and success for agriculture's future. I will do all I can to help Indiana farmers, their families, their rural communities and our agribusinesses to be a part of that vision.

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THE MURPHY PLAN: Defense

STRENGTHENING OUR NATIONAL DEFENSE AND PROMOTING FREEDOM

At a time when our nation is engaged in critical war efforts in Iraq and Afghanistan and faces the challenge of rogue states armed with nuclear weapons, our Government must redouble its commitment to ensure the safety of the American people and to secure our vital interests abroad. My plan for ensuring “domestic tranquility” and providing for “the common defense”, as mandated by our nation’s Constitution, is to promote three basic commonsense principles:

- *Protecting the homeland.* We must spare no expense to keep our country safe.
- *Winning the War on Terrorism.* Let us never forget the tragic lessons of 9/11. The wars in Iraq and Afghanistan are vital to US national security interests and we must finish the job there in order to ensure peace at home.
- *Promoting Freedom, Democracy, and Security.* We must not deviate from our core values and work in concert with like-minded nations to advance our interests abroad.

This year is especially symbolic in what we can achieve as a nation if we are united in these core beliefs. The Berlin Wall fell twenty years ago, signifying the end of the Cold War and

a victory for the United States over the existential threat we faced from the Soviet Union. President Ronald Reagan's "peace through strength" doctrine triumphed then and it remains relevant to this day.

Winning the War on Terror

As we have tragically witnessed on 9/11, our nation is at war with a ruthless enemy that seeks to destroy our way of life. The eight-year Global War on Terror has put Al-Qaeda and their associates on the run, but the job has not been completed. To the contrary, we have recently witnessed a resurgence of terrorism in Afghanistan and Pakistan, which threatens to engulf both nations and increase the terrorists' ability to plot new attacks against the US homeland. We must meet this generational challenge head-on by firmly committing to the ongoing war efforts.

In view of the deteriorating situation in that theater of operations, it is painfully clear that the stakes could not be higher. As recently reported in the media, 2009 is slated to become the "deadliest year of the war." We must not jeopardize the lives of our troops and must provide all the support they need on the battlefield.

President Obama recently announced his Administration's long-overdue Afghanistan war policy, which falls short of military recommendations and misguidedly sets a 2011 deadline to begin withdrawal. The 30,000 troops slated for deployment include a significant percentage of support troops that would not be available for combat, while imposing an arbitrary redeployment deadline sends the wrong message to the Afghan people and may unnecessarily encourage our enemies. Instead, we should use the situation on the ground to assess progress and begin

redeploying only when conditions allow. As Sir Winston Churchill once counseled: “No matter how beautiful the strategy, one should occasionally look at the results.” The President should keep in mind the lessons of Iraq, when the Bush Administration’s full adoption of General David Petraeus’ bold counterinsurgency strategy led to a dramatic turnaround of the security situation.

In Iraq, we must also remain flexible in our redeployment strategy to preserve the gains made within the last several years and to guard against a resurgence of terrorism. Despite vociferous opposition by the left, the “surge” in Iraq has been a resounding success. But as our military commanders have repeatedly cautioned, gains in Iraq remain “fragile and reversible”, while it has been recently reported that Al-Qaeda “has rebounded in strength and appears to be launching a concerted effort to cripple the Iraqi government as U.S. troops withdraw.”

Moreover, we must ensure the best care for our troops as they return from battle. I strongly support the inclusion of \$1.2 billion in the Fiscal Year 2010 appropriations bill to provide medical care to active forces as well as mobilized Reserve Components and their family members. I also strongly support any legislative efforts that would facilitate the delivery of benefits for injured service members and would prevent problems such as those found at the Walter Reed Army Medical Center. Our brave men and women in the battlefield deserve our country’s unyielding support and the undivided attention of this Administration and Congress.

Sustaining Our Military

A strong US military is the cornerstone of our national security. During the Cold War, our military strength acted as a decisive deterrent from Soviet aggression, both against the US homeland and our European allies. Although the challenges we face in the 21st century are

different, one basic principle has not changed: in order to maintain our military superiority, our armed forces must be equipped with the most advanced weapons and technologies to the safeguard post-Cold War gains and to meet new challenges.

In my view, the Obama Administration's defense budget for Fiscal Year 2010 represents a step back from a commitment to fully invest in our nation's military. Despite enacting the costly stimulus package and leading the push for the budget-busting healthcare bill, this Administration has ironically chosen defense spending as an area to promote "fiscal responsibility."

As a result, we are witnessing the Department of Defense (DOD) scaling back or outright cancelling some of our military's most innovative programs, such as the F-22 Raptor jets and the Army's Future Combat Systems, among others. And as the Wall Street Journal has reported, "[m]ore ominously, Mr. Obama's budget has overall defense spending falling sharply starting in future years -- to \$614 billion in 2011, and staying more or less flat for a half decade."

America's military advantage has historically been rooted in our technological prowess. It is evident that in order to maintain this edge, a steady investment is needed for our Research and Development (R&D) and Science and Technology (S&T) efforts. But yet again, this Administration has chosen to cut spending where least appropriate. An analysis by the non-profit American Association for the Advancement of Science (AAAS) reveals that "[d]efense R&D would fall for the first time in recent years and DOD S&T programs would be hit particularly hard. Total defense R&D would fall to \$84.0 billion in 2010, down 2.0 percent from FY 2009." I believe that we need to reorient our priorities and spending to where they matter most – rendering our nation's military fully capable of addressing current and future threats.

Confronting Our Enemies

In addition to leading the fight in the global war on terror, America faces another daunting challenge in the 21st century: containing rogue regimes armed with nuclear weapons. The governments of North Korea and Iran have made it abundantly clear through their aggressive actions that their “peaceful” pursuit of nuclear technology is in reality intended to intimidate the United States and its allies. We must confront the challenge posed by these regimes with all available diplomatic and if absolutely necessary, military means.

Our most pressing challenge is preventing the prospect of a nuclear Iran. Despite three separate United Nations Security Council (UNSC) resolutions and numerous admonishments from the International Atomic Energy Agency (IAEA), Iran continues to build up its nuclear stockpile and engage in enrichment activities, in violation of its Nuclear Nonproliferation Treaty obligations. The recent disclosure of a new secret nuclear facility at Qom and the subsequent announcement by Iran of a plan to build ten more nuclear plants represent yet another slap in face of the United States and the international community.

I believe that the current Administration’s view that it can reason with Iranian mullahs is decidedly misguided. Time and time again, that regime has demonstrated that it has no intention to give up its pursuit of nuclear weapons and its support for international terrorism. Therefore, I fully endorse the current legislation in the US Congress that would impose “crippling sanctions” on Iran, including in the energy and financial sectors. In doing so, I believe we should work closely with our allies in the international community that are similarly concerned with Iran’s intransigence and continue to pressure those nations that supply Iran with nuclear technologies or conventional weapons. Most importantly, however, we must continually reiterate our support for

the people of Iran and to encourage any democratic and peaceful steps to remove this dangerous regime from power.

Similar to the Iranian theocracy, North Korea's totalitarian leadership regularly flaunts international law and is determined to test the resolve of the US and the international community. After repeated missile launches this year, aimed at the US homeland and our allies in Asia, North Korea's dangerous behavior represents a genuine threat that we must not underestimate. In a brazen disregard for the multilateral talks, the North Koreans have yet again recently said that abandoning their nuclear program was "unthinkable even in a dream." Yet, the Obama Administration now appears to favor engagement with the North Koreans. We should instead work aggressively with our international allies to further isolate North Korea and pursue additional sanctions to deprive it of funding for its nuclear program, while supporting any applicable humanitarian efforts for the long-suffering North Korean people.

As has been repeatedly demonstrated during the course of world history, diplomacy has its limits. In the case that talking to our adversaries fails, we must be ready to deter any and all future aggression. Thus, I fully support the development and continued funding of a robust national missile defense program to protect the US homeland and our allies in Europe from the threat of long-range ballistic missiles from states such as Iran and North Korea. As President Reagan stated in announcing the launch of the Strategic Defense Initiative ("Star Wars") in 1983: "Deterrence means simply this: making sure any adversary who thinks about attacking the United States, or our allies, or our vital interest, concludes that the risks to him outweigh any potential gains. Once he understands that, he won't attack. We maintain the peace through our strength; weakness only invites aggression." Over quarter of a century later, I believe that this timeless message should resound louder than ever in the White House and the halls of Congress.

Supporting Our Allies

It is my belief that the United States thrives in the international arena when it works collaboratively with its allies in support of common interests and when we are united by a firm commitment to freedom, democracy, and security.

Our relationship with the state of Israel is one of our most vitally important global partnerships. Israel represents an incredible story of perseverance and survival – a successful and vibrant democracy constantly at war with terrorism. It is a society built around the same values we cherish as Americans: freedom and a rugged entrepreneurial spirit. In their recent book, “Start-up Nation”, authors Dan Senor and Saul Singer point out that “Israel—a country of just 7.1 million people—attracted close to \$2 billion in venture capital, as much as flowed to the U.K.'s 61 million citizens or the 145 million people living in Germany and France combined.” This is a truly remarkable achievement for a nation smaller than the state of New Jersey with virtually no natural resources.

I fully support strengthening our relationship with Israel in all areas, including military, scientific, and economic cooperation. As a state legislator, I sponsored successful legislation that gave our state treasurer the authority to invest in State of Israel Bonds. These bonds are just as safe and secure as U.S. Treasury notes. Our direct investment in the economy of Israel had an immediate positive impact on their stability. I have visited Israel in 2005 and 2006 and have authored legislation to enhance economic ties with our state. I believe that Israel’s continued prosperity and security is in the direct national interest of the United States.

In the Western Hemisphere, we must sustain and build good neighborly relations with Canada and Mexico. As the only Spanish-speaking candidate for the 5th Congressional district seat, I can communicate directly with Latin American leaders. We should offer strong support for our Latin American allies such as Colombia, especially in view of the constant threats that country faces from the authoritarian regime of Hugo Chavez in Venezuela. In Asia, we should work closely with our traditional allies, such as Japan and South Korea, but also continue to build our promising strategic partnership with India.

I believe we should work to strengthen our transatlantic partnership with the European Union (EU) and members of the North Atlantic Treaty Organization (NATO) alliance. A number of NATO member states already play an important role in Afghanistan and other conflicts around the globe and we should encourage them to contribute additional resources and troops. As outlined in the founding North Atlantic Treaty, all members must stand “determined to safeguard the freedom, common heritage and civilization of their peoples, founded on the principles of democracy, individual liberty and the rule of law.”

While sustaining traditional alliances, I believe the United States must continually support the integration of new states into the Euro-Atlantic fold, based around our common values and interests. After the fall of the Iron Curtain, states such as Poland and Czech Republic have made an incredible journey from totalitarianism to liberty and have subsequently entered the EU and NATO, becoming some America’s most reliable global allies and friends. More recently, “new democracies” such as Ukraine and Georgia have embarked on a similar path to freedom and we should firmly support the Euro-Atlantic aspirations of their governments and their people.

Defending the Peace

It is no coincidence that the United States and its allies are threatened by states such as Iran and North Korea. In my view, there is a concrete link between freedom and international peace. When governments suppress the liberty and aspirations of their people at home, they are more likely to act aggressively in relation to the outside world. After the Islamic Revolution of 1979, Iran became a pariah state, whose current leader threatens to “wipe Israel off the map” and denies the Holocaust. As Russia slid back into authoritarianism under President Vladimir Putin, it acted more aggressively toward the West and invaded neighboring Georgia last year.

I believe we should stand ready to confront these challenges of the 21st century with an unyielding commitment to strengthening our nation’s defense capabilities and working with our allies to advance liberty and to ensure global security. At his inauguration speech in 1981, President Reagan offered these historic words: “To those neighbors and allies who share our freedom, we will strengthen our historic ties and assure them of our support and firm commitment. We will match loyalty with loyalty. We will strive for mutually beneficial relations. We will not use our friendship to impose on their sovereignty, for our own sovereignty is not for sale. As for the enemies of freedom, those who are potential adversaries, they will be reminded that peace is the highest aspiration of the American people. We will negotiate for it, sacrifice for it; we will not surrender for it -- now or ever.”

Honoring our Veterans

There is no greater shame than to send our youth into battle, and then to fail to honor and protect them and their families during their service and when they return to our shores.

Too often, our soldiers' families are left to feel unappreciated by the military, and disconnected from information about their loved ones overseas. When soldiers return, they are often left to their own devices to re-integrate into their communities. Wounded and disabled soldiers often do not receive the best possible physical and mental care. No soldier should feel like their service and their sacrifice were in vain.

As a state legislator, I authored several pieces of legislation aimed at honoring our soldiers/veterans, and to ease their post-service transitions. I authored bills to:

- Provide re-settlement bonuses of \$500, which have been traditional in past wars.
- Provide a \$150,000 death benefit payable to the survivors of a National Guard or Reserve member who dies in the service of our country outside the United States.
- Require the State of Indiana to reimburse Medal of Honor recipients for their travel costs for attending patriotic and civic events.
- Create the Veterans Affairs Trust Fund to help pay the cost of re-training grants and other transition programs, including the granting of high school diplomas to service members who had to leave high school early without the opportunity to earn their diploma.

Additionally, we must make sure the Indiana Veterans Home and our VA facilities are adequately funded to ensure quality, compassionate care for those veterans who have given so much. The families of active duty service members must have confidence that their government will keep them informed at all times as to the well-being of their loved ones; that no factual information will be withheld or covered up; that they will have adequate housing and social services support while their family member is serving overseas; and that the services will do

everything humanly possible to smooth their reunification as a family. A great nation must keep its promises to those who have made it great and kept it free.

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THE MURPHY PLAN: Education- National Standards, Local Control

There is perhaps no issue more important to Indiana's future than the education of our children. Education is an essential prerequisite for personal and community prosperity. The jobs that will pay good salaries and offer opportunities in the 21st Century economy require skills and knowledge beyond those gained in high school. Indeed, the lifetime earnings gap between someone with a high school diploma and a college degree is now at least \$1 million.

Right now, too many Hoosiers lack the education and training they need to perform – or even qualify for – the kind of skilled jobs that we want to bring to or grow here in Indiana. Our state lags others in the number of adults with more than a high school degree. Our students' scores on standardized tests have increased modestly, if at all, over the past twenty years. And almost 20 per cent of our students are not completing high school on time. Indiana must rededicate itself to the education and training of its citizens, from the time they enter kindergarten to the time they retire. We must improve our anemic student achievement scores – and not by a few points a decade. We must prepare our students for higher education or for a skilled technical career.

By tradition, education has been – and will to a significant extent remain – a state and local responsibility. But the federal government's role in funding education, and in shaping education policy through legislation such as "No Child Left Behind," has grown dramatically

over the past decade and seems likely to continue to expand in the years ahead. The Obama Administration's massive \$787 billion stimulus bill included approximately \$110 billion for K-12 education, money that has been used by states to fill funding gaps created by unprecedented declines in revenue during this recession.

Perhaps even more significant is the \$4.35 billion that was allocated to the U.S. Department of Education to make "Race to the Top" grants to states with the explicit intention of influencing state education policies and practices in order to improve education quality and results. "Race to the Top" requires states seeking funds to commit to reform in four key areas; standards and assessments, building data systems to measure student performance, recruiting and retaining effective teachers and principals, and turning around low-performing schools.

The requirements of "Race to the Top" exemplify the Obama Administration's general views regarding education. The President and his Secretary of Education, former Chicago School Superintendent Arne Duncan, support an aggressive reform agenda intended to shake up the education status quo, which they believe is not meeting the needs of many, if not most, American students. Secretary Duncan has, at various times, advocated for more charter schools, paying teachers based on the academic progress of their students (a position that is anathema to the powerful national teachers' unions), and the takeover of consistently poor performing schools. This is not the typical Democrat education platform, which is why the Administration has gained the cautious support of school reformers across the country, and also why education is the one policy area where I believe President Obama and his team are generally on the right track.

"Race to the Top" (RttT) is an example of how the federal government can leverage its financial support for our nation's schools to encourage reforms and innovation that are

desperately needed to improve education quality and student achievement. Its goals, especially in terms of changing how teachers are evaluated and rewarded, are generally worthy of support. The challenge is for the federal government not to overreach and try to take on roles and responsibilities that more appropriately belong to states and local communities. Doing so risks both failure, because of lack of competence or overcommitment, but also a backlash from state and local officials and their constituents, who resent their loss of control over their schools.

The first major reform element in “Race to the Top” involves the development and adoption of national standards regarding what our children need to know, as well as common assessments for determining how well students are mastering these standards. Standards are the goals of education. They tell us, by grade level and subject area, what children need to know to be proficient and to be able to move on to the next level of learning. Currently, every state adopts its own standards, and many are loathe to give up that authority, arguing that those at the state and local level are best suited to determine what their children need to learn. But why should there be significant differences between what 5th graders in Indiana or California or Vermont are expected and need to know about math or reading or science?

Experts in educational psychology and brain science increasingly understand how children learn and develop, and what concepts and skills it is appropriate for them to master at different ages. Common standards would take advantage of this growing body of knowledge and let parents throughout the country know that there are generally accepted and endorsed guidelines that tell them what their children should be learning and mastering every year they’re in school. It would also prevent states from adopting standards that were insufficiently challenging, thus shortchanging their students in the long run.

As an example, some 90 percent of Mississippi 4th graders passed the state's reading exam (based on its reading standards) in 2007, but only 50 percent were judged to have "basic" or partial mastery of reading according to the national assessment known as the nation's report card. Mississippi officials could and did claim that the state's students met their reading standards, but in fact their reading skills were terribly deficient. And a very recent study of high school exit exams (created to determine whether students are ready for college or work) show again that many states are watering down the tests in order to ensure that an acceptable number of students are able to pass them.

Of course, adopting common standards should be a voluntary option available to states. Already, Indiana has some of the nation's most highly regarded and rigorous education standards. By no means should we be forced to adopt common standards that were less rigorous or watered down. But a voluntary effort to develop common national standards, as is currently occurring under the auspices of the National Governors Association and the Council of Chief State School Officers, makes sense and deserves the support and the encouragement of the federal government, and of the education community.

With common standards should come common assessments to measure what and how well our children are learning. There are many details still to be worked out about such tests would be developed, implemented and analyzed (i.e. who should determine what constitutes "passing" or "proficiency" on such a test), but in principle it should be possible to reach consensus on these issues and develop a series of tests based on the standards that effectively measure student learning growth and achievement in core subjects.

The federal government is also well positioned to analyze the results of such tests and provide accurate and transparent information about student performance by state, district, school,

and school subpopulations to the public. Measuring relative as well as absolute performance is particularly important in order to fairly and accurately assess the impact of teachers and schools on student achievement. It takes into account the student's previous performance and then assesses how much (or little) the student has learned during a specific period of time (generally an academic year). Indiana is also making good progress in developing a longitudinal data system that will track students over time – from kindergarten thru higher education (at an Indiana college or university) – which is essential to judging how the state is doing in preparing students for college and career.

Perhaps the most important reform element of “Race to the Top” relates to the recruitment, retention, and rewarding of effective teachers and principals. There is no longer much doubt among the experts that the quality of a classroom teacher has more impact on student learning and achievement than any other single variable. This is hardly surprising. The problem with our current education system is that it generally does a terrible job of evaluating teacher quality, rewarding outstanding teachers, and providing useful remediation to those teachers judged to be performing at unsatisfactory levels.

This is not altogether surprising, given the power and influence of teachers unions in America's education system. If unions ever made sense to protect the interests of teachers, they have clearly outlived their usefulness and stand as a major and often unmovable obstacle to the achievement of meaningful education reform and the improvement of student achievement. Teachers unions have aggressively opposed such sensible ideas as paying teachers more on the basis of performance or need (i.e. teachers in shortage areas like math should make more than art or gym teachers). The contracts they negotiate with school districts make it virtually impossible for teachers to be fired after a brief apprentice period that can be as short as two years and is

rarely more than three. The contracts reward seniority and education levels rather than performance in the classroom. They include strict and complex work rules that make it more difficult for principals and other administrators to deploy staff flexibly.

Consider the following conclusion from a recent report on Teachers Unions and School Reform by the Citizens' Commission on Civil Rights, whose membership included former D.C. Representative Eleanor Holms Norton, Father Theodore Hesburgh, Senator Bill Bradley, and former Senator Birch Bayh, as well as former Indianapolis Mayor Bill Hudnut and highly regarded Ft. Wayne businessman Ian Rolland:

The unions have battled against the principle that schools and education agencies should be held accountable for the academic progress of their students. They have sought to water down the standards adopted by states to reflect what students should know and be able to do. They have attacked assessments designed to measure the progress of schools, seeking to localize decisions about test content so that the performance of students in one school or community cannot be compared with others. They have resisted innovative ways—such as growth models—to assess student performance. 1

One of the most important elements of the Administration's "Race to the Top" competition is its requirement that states permit the use of student achievement data as part of the process of teacher evaluations if they wish to be eligible to compete. This requirement compelled the Indiana General Assembly to include for the first time in the two-year budget passed last June a provision that allowed student performance to be considered explicitly in teacher evaluations. This shows how effective federal incentives can be in influencing state policy in the direction of reform.

To be fair, school principals and administrators deserve some share of the blame for creating such an inflexible and illogical system. After all, they negotiate and agree to the terms of contracts that they sign with the unions. In many cases they do not regularly review teacher performance, or do so in a cursory fashion such that few teachers are ever judged to be unsatisfactory. They have also been slow to adopt data systems that would enable them to more effectively evaluate student (and thus teacher) performance.

We must move to a system that treats teachers as the professionals they are, that recognizes and rewards those who consistently achieve excellent results, that provides effective interventions for those who struggle to do so, and that ultimately removes from the classroom those who over time demonstrate an inability to provide effective instruction. We must be able to pay teachers in high demand areas like science and math more than their counterparts in order to encourage more people with math and science training to become and remain teachers. We must be able to assign the best teachers to the classrooms where they are needed most, and, again, reward them for being there (as well as for achieving positive results). Similarly, we must identify, support and reward excellent school leaders, and give them the authority they need to manage a group of professional teachers effectively with the goal of increasing student learning.

Another important reform element in “Race to the Top” focuses on creating and disseminating new models of schooling. To my mind, the most promising of these efforts lies in the charter school movement. Charter schools are public schools that are independent from the districts in which they operate, and, generally, are not bound by state and local regulations or by contracts between districts and local teachers unions. So, charter schools have the freedom and flexibility to hire and fire staff, develop curriculum to match the needs of students, and otherwise be responsive and accountable to parents and the communities they serve. Charter schools must

be authorized by a designated authority or “sponsor” – for example, in Indiana, charter schools can be authorized by local school boards, the Mayor of Indianapolis, or any of the state’s public institutions of higher education.

Charter schools go part of the way toward meeting the goal of competition and choice that I outlined at the start of this paper. Freed from many of the stifling rules and requirements that bind traditional public schools, charter schools are able to tailor their programs to meet the needs of students and set high standards for their students. Charter schools can have longer school days and school years than traditional schools, something that is especially important for students coming from disadvantaged backgrounds who often need additional time and work to master subject matter.

I strongly support the growth and expansion of charter schools in Indiana and elsewhere across the country. Some 40 states now have laws authorizing the creation of charter schools, and I hope that number will soon reach 50. I believe that the federal government should use its authority to assist charter schools wherever possible. Here again, “Race to the Top” provides an instructive example. The Department of Education is using the RttT grant competition to leverage states to reduce or eliminate any limits on charter schools in their legal code. States that fail to do so may not be eligible to compete for RttT funds or may find their applications lose points that will be used to determine the winners.

“Race to the Top” also invites states to offer ideas and initiatives for turning around “failing schools,” that is, schools that consistently and chronically fail to improve the achievement of their students as measured by state and national assessments. Unfortunately, too many of these schools are concentrated in our nation’s large urban areas and serve overwhelmingly minority and disadvantaged student populations. If we are to have any hope of

eliminating the achievement gap that exists in our country between white and minority students, we must intervene more aggressively in schools that are not providing disadvantaged students with a quality education.

I believe strongly that parents ought to be given the option to leave failing schools. Wealthy parents have the ability to choose where their children go to school, but poor and middle class parents generally do not. This is one of the most unfair and unjust consequences of the ongoing monopoly enjoyed by public schools. The great economist Milton Friedman wrote about this monopoly and its consequences in his famous book, *Free to Choose*. Friedman argued that without competition – the ability for parents and students to choose which schools they wanted to attend – the public school system is under no real pressure to improve performance or provide quality education. As in all other economic endeavors, the discipline of the competitive marketplace is the best way to produce optimal education outcomes. If given a choice, most parents would “vote with their feet” and send their children to high quality schools, even if such schools were not located in their neighborhoods.

Ideally, rather than funding schools and school districts, the government would provide parents with a subsidy to use at the school of their choice, public or private. In addition to promoting quality and achievement, such a system would also encourage schools to be more efficient as they competed on the basis of both quality and cost. Given that overall spending on K-12 education has risen by approximately 50 percent (in real dollars) since 1980 – while achievement scores have largely stagnated – it’s fair to say that competition along both lines would be healthy and productive for our nation’s schools.

School choice does not yet enjoy support among the majority of Americans or Hoosiers. Although it is the right long-term goal for our education system, there are many other reforms to

the current system that can and should be adopted short of choice that would help make our schools more responsive to the needs of parents, students, and communities, and better able to prepare our children for successful employment and citizenship in the 21st Century. As I have argued above, the Obama Administration’s “Race to the Top” plan has identified a number of such reforms and is actively encouraging states and school districts to adopt them. All of these proposals are controversial and have their detractors. But in general I believe that our schools and, more importantly, our children, would be better off if these reforms were to be adopted.

“No Child Left Behind”

It is not possible for a Congressional candidate to prepare a policy paper on education without commenting on “No Child Left Behind” (NCLB), the federal legislation proposed by President Bush in 2001 and passed with strong bipartisan support by Congress. “No Child Left Behind” has been extremely controversial. Much of the education establishment, numerous policy experts, and even many parents express opposition to the law, especially to its testing (assessment) provisions, and its requirement that schools be rated on the basis of progress made in improving student achievement both in total and among different sub-populations.

These concerns are understandable. As with many pieces of legislation, it’s hard to argue with the goals and objectives of NCLB. As President Bush noted at the time, too many of America’s neediest children were being “left behind,” not receiving the quality education they needed to be successful in life, and trapped in failing schools with no alternatives available to them. The goal of NCLB was to improve the performance of the nation’s schools by measuring and holding them accountable for their performance. As a reminder, here is a brief summary of the major elements of NCLB:

- Required all states to establish rigorous standards in math and reading and then annually test all students in grades 3-8 to measure their progress
- Test results would be made public in annual “report cards” that showed how schools and the state overall were performing. School data would be “disaggregated,” i.e. broken down by student race, gender, socio-economic status, etc.
- Schools would be required to make “adequate yearly progress” (AYP) toward the objective of having 100 per cent of students being proficient in math and reading by 2014. Schools failing to meet their AYP goals would be subject to different improvement interventions, restructuring, or even permitting students to attend other schools (modified choice) over time.
- Significantly increased funding for scientifically based reading programs to help ensure that all children could read by grade 3.

NCLB has certainly had some positive results. First and foremost, it focused the country’s attention on the shameful achievement gap that exists between white and minority students, and shed light on what former President Bush eloquently labeled the “soft bigotry of low expectations.” In the years since NCLB has been in place, this achievement gap has been closed dramatically in many parts of the country. NCLB also began the essential practice of analyzing school performance not only on the basis of absolute student achievement, but also on the relative growth in performance of students and schools over time. Among other important benefits, this will allow stakeholders to evaluate the performance of individual teachers and help determine which ones do the best (and worst) job of helping their students learn. Finally, NCLB’s focus on reading is a lasting legacy of the law, forcing states to examine their teaching

practices and adopt scientifically-based reading programs, and leading to significant improvements in reading achievement in many states.

However, NCLB has also had its failings. Thoughtful critics of the legislation have noted that many states and localities have tried to “game” the law’s testing and accountability provisions, in order to show progress in improving student achievement and meet the law’s “Annual Yearly Progress” requirements. Some schools and teachers have taken a “teach to the test” mentality to inappropriate extremes with their students, focusing so hard on preparing them for their yearly assessments that they neglect other important content areas. And NCLB has shown the federal government to be, in reality, incapable of enforcing the “cascade of sanctions” for low-performing schools that the legislation called for. States who have chosen not to impose such sanctions have found countless ways to get around the federal requirements without penalties. States have also, again without any real consequences, “gamed” the NCLB requirements that all teachers in key content areas be “highly qualified,” by watering down their definition of “highly qualified” to the point of uselessness.

The Obama Administration has yet to publicly announce its plans for NCLB. Education Secretary Duncan has acknowledged the law’s problems, especially regarding the watering down of state proficiency standards and results, but has also credited the law with placing an important focus on achievement gaps among students and also moving toward outcome-based measurement and accountability from a prior focus on inputs and resources provided to schools. It is possible that the Obama Administration will tailor its NCLB reauthorization proposal to reflect the key reform elements it has articulated in “Race to the Top.”

In any event, the involvement and financial support of the federal government in our nation’s schools is a reality. It is up to members of Congress, among others, to ensure that

federal initiatives and financing are sound, reasonable, and support the efforts of those working in their communities and at the state level to improve the performance of their schools and provide their children with the high quality education they need to be successful in their personal and professional lives as adults.

Most of the hard work of improving our schools must be and is being done on the state and local levels. We must help good teachers be even better, and give them the tools they need to enforce discipline, and to teach effectively. All federal incentives should be just that- incentives- aimed at rewarding model behavior. At no time should the federal government engage in punitive actions intended to bludgeon the states into submission. Enlightened state policy makers, in tandem with excellent teachers and involved parents, should be supported by the federal government in achieving lofty education goals. Inspiration will go much farther toward achieving an educated, competitive workforce than usurpation.

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THE MURPHY PLAN: Energy– Driving Hoosier Jobs & Innovation

Background

As the nation's most manufacturing intensive state, long dependent on low cost and reliable coal-fired electricity to sustain its competitive advantage, Indiana has a lot at stake as the nation debates energy policy. The Obama Administration has made energy one of its top domestic priorities, and committed some \$300 billion of the total \$787 billion stimulus bill to energy-related projects. But just as with health care, Obama and the Democrats are proposing a tax and control approach to energy policy that would be devastating to Indiana and other states that are heavy energy users. Their program would not significantly reduce carbon emissions but it would stall economic growth around the country, reduce Americans' disposable income, and drive thousands of jobs overseas in search of cheaper electrons.

To understand why Indiana is ground zero for energy policy, it is first necessary to understand where the state is today and how it got there. Indiana is the most manufacturing intensive state in the union, with as much as 30 percent of our GSP (gross state product) tied to the manufacturing sector. Second, the state's historical economic dependence on energy-intensive manufacturing, coupled with its geographic proximity to coal reserves, led to high demand for low-cost and reliable coal-generated electricity. Therefore, Indiana is among the most coal-dependent states in the nation, with over 90 percent of its electric power generation coming from coal.

These historical facts are the reason Indiana has so much to lose, but also potentially so much to gain, from the growth of an alternative energy sector. On the one hand, a carbon tax will disproportionately hit Indiana businesses and taxpayers because of our pattern of energy use. On the other hand, our advanced manufacturing sector is well positioned to engineer and manufacture the next generation of energy technologies that will be sold globally, creating lasting jobs across the state. The irony is that the very solution to energy independence and efficiency lies in our advanced manufacturing capabilities, which are at risk of being taxed out of existence under the Democrats' misguided energy proposals.

This concept becomes more compelling as you start to look at the broad array of Indiana companies that are currently (or plan to be) manufacturing "clean-technologies." In fact, Indiana has been a pioneer and global leader in clean tech long before it was called "clean tech." Indiana was the birthplace of the electric car (the GM EV1 was designed and engineered on the north side of Indianapolis where EnerDel is today). We are currently the only place in North America that still builds nuclear reactors (at Babcock & Wilcox in Mont Vernon) a truly zero emissions technology. And we have provided most of the advanced electronics systems for the military through companies like Raytheon, SAIC, BAE, URS, ITT, and NSWC Crane.

Cap and Trade – A Disaster for Indiana

The Obama Administration has fully signed onto the agenda of environmental activists who claim that America must drastically reduce its emissions of carbon dioxide in order to prevent devastating consequences of global warming. The Administration and Democrat leaders in Congress have endorsed legislation aimed at reducing greenhouse-gas emissions by 15-20% by 2020 over the amounts produced in 2005 by significantly increasing the cost of energy production and consumption.

Specifically, rather than supporting a direct tax on carbon, which would too obviously violate the president's pledge not to raise taxes on middle-class Americans, the legislation would create a complex, convoluted process by which firms are given permits to issue emissions, beneath a total national cap that they could trade or sell. Companies that produce too much CO₂ could buy permits to do so from companies that are more energy efficient. The national caps would be lowered over time, making the permits more expensive. The main legislative vehicle for this so-called cap and trade, the Waxman-Markey bill in the House, is replete with exemptions and exceptions that favor certain companies and industries at the expense of others. The Senate version, known as the Boxer-Kerry bill, is different in specifics but no better in terms of design or likely outcomes for Indiana.

Supporters of cap and trade generally admit that it is a form of taxation, but they claim that it punishes polluters rather than ordinary citizens. Such distinctions are disingenuous, since the cost increases incurred by heavy producers of CO₂ emissions will inevitably be passed along to consumers in the form of higher prices for energy and products that are energy-intensive to produce (i.e. products of manufacturing). Indiana, as the most manufacturing-dependent state in the nation, would be especially hard hit by the increases in energy costs that would come with cap and trade legislation. Indeed, the U.S. Chamber of Commerce estimates that the cost of living of a typical Hoosier household could increase by \$1,600/year if cap and trade legislation is passed, while the National Manufacturers Association says that some 60,000 Hoosier jobs could be lost over time, part of their estimate of 3 million total American jobs that would migrate to lower-cost countries. The Heritage Foundation has placed Indiana at the top of its list of states most vulnerable to the impact of cap and trade legislation on their manufacturing economies.

In addition, cap and trade would be very likely to raise the costs to Indiana's large and productive agricultural sector, another key base of the state's economy. Higher energy costs would increase the prices of farmers' fuel, fertilizer, and transportation. In addition, electricity and other inputs used for further agricultural processing will also increase, as noted above. Higher production costs would decrease competitiveness of Indiana agricultural products in international markets, driving customers to fill as much of their needs as possible from lower cost South American producers. Loss of these markets will decrease Indiana production capacity and increase per unit fixed costs, thus cap and trade costs to domestic users of these products will increase by more than the increased energy costs alone.

And all this pain would actually produce little environmental benefit. Since the U.S. share of greenhouse-gas emissions is only 25 percent and declining (as developing countries like India and China increase their emissions), a 15 percent reduction in U.S. emissions would cut global CO₂ output by less than 4 percent, a negligible reduction that is unlikely to have any meaningful impact on future temperatures.

It is hardly a coincidence that the main supporters of cap and trade are powerful Democrat leaders from the East and West coasts, where energy usage is much lower relatively than in the Midwest and West. As Gov. Daniels has rightly noted, cap and trade legislation would represent an income transfer of historic proportions from the struggling centers of U.S. manufacturing to the wealthy states of the coasts. Both the governor and U.S. Sen. Richard Lugar have indicated their opposition to cap and trade legislation. Even Democrat Sen. Evan Bayh has expressed strong concerns about the bill and has not yet indicated whether he will vote for it in the Senate. I would certainly urge him not to do so.

If elected to Congress, I'll fight hard to protect Hoosier taxpayers, farmers, and manufacturers from being forced to bear the burdens of misconceived energy policy like the Democrats' cap and trade plan.

The Right Energy Policy

A sound energy policy for Indiana and our nation would work to achieve greater energy independence while also improving efficiency. By focusing on these two goals, which all Americans can rally behind, our nation will become more secure, productive, and in the near future create an economic boom that we desperately need. This goal cannot be achieved by imposing new taxes on energy. It can only be met through technology innovation and investment spurred by the free market, much in the same way the U.S. has given birth to robust IT and life-sciences sector. Technology commercialization could be accelerated by some government-supported investment in energy technology development and incentives on the margins to spur early adoption. This is best done in the form of competitive matching grants and not large government loans, which discourage private investment and pick winners without adequate information. Temporary incentives can be effective in the form of tax credits for purchasing energy efficient products, such as plug-in cars. In some cases, government and other public entities (i.e. universities) can serve as effective early adopters to prove out technology performance speeding up market penetration.

Infrastructure

The single most important thing that government can do to speed up commercialization of energy technologies is to invest in infrastructure and/or allow regulated utilities to make such investments. Our nation's electric grid, natural gas pipelines, and home metering system are

inadequate and, in most cases, antiquated. Our infrastructure must be updated in order bring our energy sector into the “digital age,” Currently, we cannot move renewable energy from where it’s most abundant (wind in the upper Midwest and solar in the West) to where the greatest energy demand is located in metro regions. Quickly removing regulatory, permitting, and sitting barriers to building a robust national “grid superhighway” would generate thousands of construction and equipment manufacturing jobs. The investments could be paid for with private investment (although some regulatory protections or loan guarantees may be required to lower upfront investment risk). Building pipelines to transport more natural gas from Alaska and new shale gas reserves across the continental U.S. or CO2 from coal plants in the Midwest to oil fields in the Gulf Coast would have the same economic stimulus impact.

We need to allow regulated utilities to invest in a system-wide build-out of “smart grid” technology. Smart grid is THE key enabler for nearly all other clean tech markets including: plug-in cars, smart appliances and building energy management systems, micro-grids, small and commercial renewable energy generation, and energy conservation. Smart grid allows us to manage our energy use by regulating time of use, allowing for a new rate system that rewards efficiency. Also, by enabling ancillary markets for more energy efficient products, smart grid will support increased investment in new technology commercialization.

Renewable Energy

Renewable energy generation is a topic that receives a great deal of public attention both in Washington and at the Statehouse. Indiana is one of a few states without a Renewable Energy Standard (RES). While this has been a major point of contention at the policy level, the practical impact has been inconsequential. In fact, Indiana has and will likely continue to be the fastest growing state for wind energy generation. This is because we have reasonable wind resources

and, more importantly, good infrastructure to support wind energy transmission. Indiana is located in the middle of two major grid interconnects, which allow renewable energy generation to be quickly put on the national grid and sold to the highest bidder (often out east).

This competitive advantage has spurred investment in renewable energy in Indiana that would not otherwise be here. Therefore, a state level renewable energy standard could, in fact, stifle large scale wind and other renewable energy developments by forcing the developers to sell their power generation to Indiana utilities for less than east cost utilities are willing to pay. Any national RES would need to be designed to give time for coal states to diversify their portfolios and focus on generating a national market for renewable energy that supported regional diversity (i.e. solar out west, wind and biomass in the Midwest, hydro out east, etc.). The standard should be shared across all utilities with those having larger service territories meeting higher standards.

Consider how hard it would be for Vectren to have 20 percent renewable vs. Duke Energy who can spread it across five states. Not taking this approach would lead to mass consolidation in the utility industry, which would hurt local control and economic benefits of homegrown utilities.

Clean Coal

Clean coal must remain a priority for the state of Indiana and our nation as a whole. Purdue's State Utility Forecasting Group projects Indiana will need over ten thousand more megawatts of electricity over the next 16 years. We haven't built a new baseload power plant in Indiana for over 20 years. A recent study by the National Academies of Science titled "America's Energy Future: Technology and Transformation" finds that clean coal with carbon capture and storage (CCS) will be the primary source of our future power generation portfolio.

Indiana remains an important coal producing state. However, we're producing only half the coal we are actually consuming today, resulting in a net loss to the state's economy of some \$1 billion annually. We have the coal reserves to meet our energy demand for 400 years. Clean coal technology has the potential to unlock the true value of this abundant Indiana resource and help satisfy Indiana's future energy needs while bringing billions of dollars in new investment and thousands of new Hoosier jobs.

That is why, seven years ago, I authored the language that created the Clean Coal Technology Research Center at Purdue University. The scientists and engineers at the Center research methods by which Indiana coal can be burned in a more environmentally safe way. They also develop marketable products from the by-products of coal, such as fly-ash. The legislation I authored is now creating jobs in southern Indiana and in Tippecanoe County as research results are transferred to the marketplace.

Working with Gov. Daniels and other members of the Indiana General Assembly, I supported groundbreaking legislation that made Indiana the first state to create the economic incentives and regulatory foundation needed to support clean coal development. The National Conference of State Legislatures recognized Indiana as having "the most comprehensive, aggressive and diversified portfolio of [clean coal] financial incentives." This model legislation paved the way for the construction of a 630 megawatt integrated gasification combined cycle electric plant by Duke Energy in Edwardsport, IN. When completed, this plant will be the cleanest coal plant in the world, reducing emissions by some 90 percent from today's "coal-fired" plants. A second clean coal plant under development in Rockport, IN will produce pipeline-quality natural gas from Indiana coal and will supply more than 20 percent of future residential and commercial gas demand in the state.

Carbon Capture and Storage (CCS)

Given Indiana's dependence on coal and the increasing likelihood that some form of carbon regulation will emerge from Washington through legislation or EPA regulation, Indiana must develop and deploy new technologies to reduce carbon emissions, particularly those generated by our use of coal. Carbon Capture and Sequestration is the best available technology solution to reduce the CO₂ emissions from coal power plants.

While commercial application of technologies for capturing CO₂ from traditional "coal-fired" power plants are still emerging, we know that our two clean coal gasification plants (Edwardsport and SNG) are capture ready. Moreover, Indiana has a geography that is conducive to large scale CO₂ storage in the abundant deep saline aquifers located across southern Indiana. By laying the groundwork for CCS technology to be deployed in Indiana for these two projects, our state will continue to have the most advanced clean coal technology program in the nation. Indiana is already working to establish a regulatory and legal liability framework for CCS.

Indiana is and must remain the leader in commercialization of clean coal technologies and CCS. We should fight to increase federal R&D spending programs for this technology while ensuring that a sizable amount of those dollars flow to Indiana pilot projects at Edwardsport and Rockport.

Clean Technology

Developing a robust clean tech sector is a key to capturing the positive economic impact of moving to a more diversified energy portfolio. Clean tech cuts across several industries (automotive, life sciences, IT, agriculture, etc.) and is defined by products and services that generate and transmit low or zero emissions energy or improve energy efficiency. Most clean

technologies involve blending digital and wireless communication technologies with traditional mechanical platforms (i.e. battery powered cars).

Indiana is a leader in this industry because of our deep roots in the manufacturing of electronic automotive, aerospace, and defense industry products (discussed in Overview section). While it is important for government to be supportive of this growing industry and to provide some R&D and commercialization grant funding, the best possible thing would be for government to stay out of the way and allow private industry to pick the clean tech winners. The Obama stimulus funding for this industry has often resulted in diverting companies' attention from sustainable product commercialization strategies to chasing federal money. What the clean tech industry needs is regulatory and policy certainty in the market, so that entrepreneurs can plan, invest, and deliver profitable solutions.

Nuclear Power

Any energy policy that seeks to increase domestic sources of abundant, reliable, and affordable energy to support future economic growth must include a key role for nuclear power. Currently, there are 104 nuclear plants in the U.S. operating at an average capacity of 90 percent with a combined output of 800 billion kilowatt hours. Moreover, these nuclear plants represent 75 percent of U.S. carbon free electricity generation.

Historically, opponents of nuclear power have challenged its safety and cost effectiveness. However, in March of this year the Nuclear Regulatory Commission published a fact sheet highlighting the dramatic improvements in every aspect of nuclear plant performance, noting that the number of significant reactor events over the past 20 years has dropped to nearly zero with only two shutdowns in 2007 compared to 530 in 1985. While nuclear power still requires significant upfront capital investment, the increased reliability and streamlining of

reactor design has dramatically lowered financial risk. Federal loan guarantees have also provided a vehicle for lowering the cost of capital, allowing for more utilities to pursue nuclear as a viable near-term power generation option. In fact, many experts suggest that financing a nuclear plant may be easier than a clean coal plant with CCS given the potential future cost of CO2 emissions and the regulatory and technology uncertainties associated with CCS.

These factors have led to a renaissance in the nuclear industry with 35 nuclear power plants under construction worldwide and 91 units in 18 countries planned by 2017. However, only a handful of these plants are planned in the U.S., despite our history as a pioneer in the nuclear power industry. Indiana has no nuclear power plants but does utilize 65 percent of the 2,200 MW Cook Nuclear Generation Facility located northwest of South Bend in Bridgman, MI. There is some interest from Indiana Michigan Power/AEP in expanding the Cook facility by constructing additional reactor(s) with much of the power slated for use in Indiana. This development, while important, should be just the tip of the iceberg in terms of future nuclear power in Indiana and the nation.

As a state that is more than 90 percent dependant on coal, we must diversify our generation portfolio at least as a hedge against damaging federal anti-coal legislation/regulation. Even more important is the potential economic development impact that nuclear energy could have on the state of Indiana. There are more than 30 Indiana companies (list developed by Indiana Michigan Power with help from NEI) that could be providing equipment or products to build and maintain a nuclear power plant.

Babcock & Wilcox has a plant in Mount Vernon that is the only operational facility in the U.S. that can assemble nuclear reactors. If the B&W facility was operating at full capacity, it could employ more than one thousand Hoosiers in high-wage manufacturing jobs. Indiana is also

home to two leading nuclear engineering schools, Purdue University and Notre Dame. Purdue is one of the few leading engineering schools in the nation that has maintained a nuclear department despite the drop in new plant construction, and the university is now gearing up to build on its program as demand for nuclear engineers grows. Notre Dame has been one of the elite nuclear research centers for more than 40 years.

Sound federal energy policy should require nuclear power to be included in any federal legislation related to an alternative/renewable energy mandate and/or carbon regulation. Additionally, federal loan guarantees, similar to those available for clean coal plants, should continue to be made available to utilities and private developers of new nuclear power plants. Finally, a specific target for new nuclear plants or level of generation, similar to the one proposed by Sen. McCain, should be strongly considered.

Hoosier jobs first:

The natural result of a comprehensive clean energy policy will be the creation of thousands of high-paying jobs in the clean energy and advanced manufacturing industries for our fellow Hoosiers. Putting Hoosiers to work must be our priority, and the added benefit of creating these jobs in industries with the potential to be nation-leading centers of innovation, will serve our state well for generations.

Indiana economy and the goal of sustained economic development will be supported by the adoption and implementation of clean energy policies as energy prices continue to be stable, predictable, and affordable.

Indiana is well-poised to lead the Midwest and the nation on energy policy. We must relentlessly push members of Congress to follow Indiana's lead, and to protect states that provide our nation's manufacturing base. This can only be accomplished with a congressman who is not

afraid to work across the aisle when possible, and to stand up for Indiana without exception. I have led, and I will lead. Together we are going to Restore the American Dream through wise energy policy decisions.

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THE MURPHY PLAN: Health Care – A Way Forward

As I review current proposals for reforming health care in America, it is helpful to understand a few core facts:

1. We do not have a free market in health care. Since nearly two-thirds of every health care dollar is controlled by the federal government, and the federal government also unilaterally sets prices that drive reimbursement levels across the spectrum, a totally free-market solution to our health care problems is not possible.
2. We do not have a health care system. We have thousands of health care systems layered over by a mixture of 50-state and federal regulation. Most employers with 100 or more employees “self-insure” and are exempt from state regulation. Only “fully insured products” are subject to state regulation.
3. Much of the current rhetoric revolves around access to health care. What we are really talking about, however, is the financing of health care. The two concepts are very different, and glitzy marketing campaigns from any angle simply distort the core issues. If we solve the issues around the financing of health care: make it fair; broad-based; and revenue neutral, we will also increase access and improve quality.

4. We each must bear some responsibility for acting as a wise health care consumer.
5. Some tension between doctors, payors, and facility-based providers is good.
Negotiations, if conducted with the correct motivation, benefit the consumer.
6. Ultimately, you and I pay for our own health care and that of our neighbors who cannot afford it, through cost-shifting and taxes.

The current health care reform proposals under consideration by the Congress and supported by President Barack Obama would:

- Threaten the ability of patients to choose their healthcare coverage by driving people into a new government health plan. That would lead eventually to bureaucrats and politicians in Washington, rather than patients and their doctors, making decisions about their health care options, as well as a loss of incentives for life-saving medical innovation;
- Dramatically increase the size of the federal deficit and debt over the next 10 years;
- Damage small businesses – the engine of economic growth in America – by increasing taxes and imposing a mandate to provide insurance that will discourage job creation;
- Damage the ability of hospitals and doctors to provide care for patients by making major cuts in reimbursement rates in Medicare;
- Still leave millions of Americans without health insurance

The reform legislation passed out of the House and currently being discussed in Senate puts the nation's future fiscal solvency at risk. Early estimates suggested the plan to expand access to health insurance for the uninsured would cost at least \$1 trillion over the next decade, but many experts believe it would actually cost hundreds of billions more.

These experts point to the experience of Massachusetts, which passed universal health care legislation in 2006 and has seen the state's health care expenses explode over the past two years, contributing to a huge state deficit that the governor and legislature are now struggling to close. It is inevitable that giving more people access to the health care system will increase the usage of health services and thus the cost of providing that care. Meanwhile, the government's current health care programs – Medicare and Medicaid – are growing uncontrollably.

The Democrats' reform proposals would create another entitlement program at a time when the nation faces huge and growing deficits – the administration says the deficit for 2009 will reach \$1.5 trillion, the biggest in percentage terms since the end of World War II. The Congressional Budget Office projects that this spending explosion will force us to borrow more than \$9 trillion over the next decade, driving the national debt from 40% of GDP to over 80%, with no stopping in sight.

The huge costs of their insurance program have forced the Democrats to look for ways to increase federal revenues to pay for their plan. The House solution? Raise taxes on millions of Americans, including small businesses, at a time when unemployment is at a 25-year high and the economy is struggling to recover. The House proposal is compelling evidence – if more were still needed – that the Democrats are committed to a radical policy of income and wealth redistribution that will, if enacted, inevitably damage our economy and our culture.

The Wall Street Journal has calculated that if the House reform plan is passed, the top combined income tax rate in the U.S. (including federal, state and local taxes) would reach close to 60%, higher than all European countries except Denmark, Sweden and Belgium. Small businesses would do even worse, since they would have to pay higher payroll taxes if they don't offer health insurance to their employees, in addition to their income tax bills. Small businesses would pay higher taxes than those paid by the Fortune 500! They will lose all incentive to grow their businesses and hire new workers, thus endangering the long-term health of the American economy.

In addition to these massive tax increases, the Democrats in Congress also want to cut payments to doctors and hospitals by hundreds of billions of dollars to try to pay for their plan. Medicare and Medicaid already reimburse health care providers less than their costs of providing care, so further cuts will put new strains on the health care delivery system and discourage physicians from accepting new patients.

The Democrats' plan would create a new government-run health plan to "compete" with private insurance plans available today. With some 1500 health plans available across the country, the Democrats can't really explain why one more plan will increase competition. They claim that their "public insurance plan" will cost less, and at the same time that it will not drive people out of their private insurance plans. But their logic doesn't work. If the public plan costs less, it will do so because it pays health care providers at lower rates. A less-expensive public plan will inevitably attract only the healthy, leaving the sick to pay even more for care.

Of course, this is the unspoken goal of the Democratic leadership in Congress – to force Americans into a government-run health plan so that government bureaucrats can decide who

gets what care and how much is paid for it. The result will be health care rationing based on politics rather than on the free choices of patients and their physicians. Rather than ration health care, all players in the health care equation should be educating citizens about how to make wise health care decisions for the best possible outcomes.

Over time, the Democrats' plan will destroy the health care system as we know it. Health care costs will skyrocket, providers will be squeezed financially, and government bureaucrats will make decisions about what kinds of care are paid for and who receives it. Their plan will put the nation's fiscal future at risk, dramatically increasing federal deficits and debt that will drive up interest rates and limit resources available for private investment. Their plan is a guaranteed growth and jobs killer, and will do potentially irreparable damage to the main engine of American economic growth – our small and medium sized businesses.

But it doesn't have to be this way. There are alternatives to the Democrats' plan that don't bust the federal budget and expand the power and reach of the government over our health care decisions. Here are some principles that I believe form the core of an approach to health care reform that would empower individuals, expand access to health coverage, and improve the quality of health care provided to Americans.

1. We need to transition to breaking the link between health insurance and employment.

Tying health insurance to employment discourages labor mobility and creates problems for people who change or lose their jobs. The tax treatment of employer-sponsored benefits is unfair to the self-employed and those who work for small businesses that don't offer coverage; their premium costs are too high because they can't benefit from the tax break that others enjoy. And that tax break also encourages employers to offer plans that

are more expensive than they need to be. Nowhere else in the federal tax code are deductions allowed for a payment without it creating income for the recipient.

So, instead of today's employer-based insurance system, individuals and families should receive a tax deduction for purchasing insurance. There should be no limits on where people purchase their insurance, thus encouraging real, national competition among insurance providers, as opposed to today, when state laws restrict the sale of insurance products and expensive coverage mandates make premiums unaffordable for many.

2. Health insurance should really be insurance. In other words, it should protect individuals and families from unexpected or financially ruinous costs. It should not pay for normal and anticipated health care costs. One of the main reasons that health care costs are out of control is that there is little connection anymore between the user and payer of health care services. So there is little or no incentive for the users of health care to find the best price for services or to ask whether a proposed treatment is necessary or if a less expensive alternative exists.

Health Savings Accounts offer a way to protect people from catastrophic costs while giving them tax protected savings from which to finance routine and expected health care expenses. Such accounts should be expanded dramatically as a way to encourage patients to be wise consumers of health care without putting them at risk of financial ruin in the event that serious and expensive health care conditions do arise.

3. Just as we need to change incentives on the “demand” side of health care by encouraging patients to be good consumers, we also need to change the incentives of the “suppliers” of health care – doctors and other providers. In today’s world of mostly “fee-for-service” medicine, health care providers are paid based on the volume of care they provide, as opposed to the quality of that care. This makes no sense, as is not in the interests of patients or the health care system overall. It often leads to unnecessary care being provided, or at the very least discourages doctors and other care providers from spending time with patients and managing their illnesses efficiently and effectively.

Health care providers should be rewarded for providing coordinated, high quality care. They should share in savings that occur when patients are treated efficiently, and they should be held at risk when the care they provide does not meet established standards of quality and cost. The rapid adoption of electronic health records and health exchanges should be encouraged to support the delivery of high quality care and reduce the costs of redundant tests and treatments. Although this change in incentives has to be done carefully and thoughtfully, it has the potential to dramatically lower the long-term costs of our health care system while also producing better outcomes for both individual patients and communities as a whole.

4. The nation as a whole should adopt Indiana’s highly regarded medical malpractice rules, which fairly balance the rights of those injured by malpractice and those of health care providers who need protection against unreasonable injury claims and the high costs of malpractice insurance. A significant amount of the nation’s health care costs are driven by doctors and other providers practicing “defensive medicine” – ordering extra tests,

treatments, and services to make sure that patients have no grounds for claiming later that their treatment was inadequate and then suing. Malpractice reform is a key element of fair and balanced health care reform that is never mentioned in the Democrats' huge, complex and expensive reform schemes.

5. Individuals should be able to band together in larger "pools" defined by common threads, such as professions, club membership, school affiliation, etc... to create the type of scale that will help drive premium discounts currently based on employer-related volume. Medical underwriting for pre-existing conditions should be mostly eliminated, but should be allowed for lifestyle choices such as smoking.

6. Most of the costs in health care are caused by five or six chronic conditions such as asthma, high blood pressure, and diabetes. A significant portion of those costs can be avoided by helping people live with their condition by adjusting lifestyles and adhering to best practices for managing the condition. We also face high medical costs at the beginning and end of life. What Governor Mitch Daniels has accomplished here in Indiana can be replicated nationwide. By emphasizing once again the true "public health" nature of health care costs, the private sector can partner with state governments to create networks of neighborhood clinics staffed by recently-graduated physicians and physicians assistants who will help our at-risk population make the adjustments and learn adaptive behavior that leads to healthier lives. Models like the Healthy Indiana Program and Wishard Advantage should be imitated.

7. We must ask questions of our providers so that we know the cost-benefit of every procedure that may be performed as part of a diagnosis or treatment plan. It is not acceptable to allow a provider to say the cost of a test or medicine is “indeterminable.” When we are engaged in all aspects of our care, including the cost, and we take responsibility for how our health care dollars are spent, costs will become more rational and trends will moderate closer to inflation.

Ultimately, the answers to most of the health care financing issues lie in leadership. Our current congressman has never offered a comprehensive set of principles to guide the health care debate. He has served, but he has not led. I am prepared to discuss my ideas presented above, and modify them when the result would be better for the citizens of the 5th congressional district. I have led, and I will lead. Predictable, affordable health care is part of the American Dream.

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THE MURPHY PLAN: Making Indiana a Jobs Magnet

Background

Although the American economy appears to be recovering slowly from the worst recession in decades, unemployment remains painfully high, with no prospect for real improvement anytime soon. Thanks to strong leadership from Governor Daniels, who has kept Indiana taxes and regulations low to attract new business, Indiana has fared much better than surrounding states. Still, at close to 10 per cent, Indiana's unemployment rate is far too high. The result is tens of thousands of Hoosier families in need, young people with dreams deferred, and a weakened state economy. Many of the counties in the 5th Congressional District have suffered even more than the rest of the state, with Howard, Huntington, Miami, and Wabash counties registering unemployment rates ranging from 11.8 to 12.6% last month.¹

Unfortunately, the policies of the Obama Administration and the Democrat Congress are making it less likely, not more, that the economy will recover robustly. The Democrats seem to believe that they can tax and spend America into recovery, even though it is the private sector – not government – that creates wealth, prosperity, and employment for Americans.

¹ Up-to-date figures from “Hoosierdata.in.gov”, Research and Analysis Division, Indiana Department of Workforce Development.

In its first year in office, the administration focused on two new initiatives – health care reform and a carbon cap-and-trade plan to combat the alleged effects of carbon dioxide emissions, rather than jobs and the economy, which were and remain the American people’s top priorities. And when the President did finally realize that he had to do something about jobs and unemployment, his response has been a series of uninspiring proposals that are, yet again, predicated on the false presumption that government spending can create growth, wealth and jobs.

In 2009, the federal government pumped billions of dollars into the U.S. economy. The result: 10% unemployment and a record \$1.6 trillion deficit. The Democrats’ much-hyped \$787 stimulus bill, which was going to keep unemployment below 8%, has largely been a failure, and estimates of the number of jobs it has created or retained have been vastly overinflated. Now, in his recently released budget for 2011, the President proposes another round of stimulus spending. Administration officials claim this round will be focused on job creation (leading one to wonder about the point of the first stimulus program), and it does offer some useful tax cuts to small business. But, overall, the President’s plan is uninspired and still focuses too much on using government spending to create economic growth.

It can hardly be surprising that businesses are reluctant to invest in the current environment. At every turn they are confronted with the prospect of new taxes on income, hiring, and raw materials, uncontrolled government spending and the creation of a vast new health care entitlement, and massive federal borrowing that threatens the stability of the dollar and America’s future financial credibility.

America needs leadership now more than ever. It needs representatives in Washington who will fight for regular families and their hopes for a better future. Representatives who will resist the Democrats' plans to reallocate wealth and strengthen government control over our economy. Representatives who understand that the role of government is not to create jobs – it is to create the conditions under which entrepreneurs, small business owners, and even large corporations, can grow and create jobs that are sustainable.

The next few years in Washington will be critical. The agenda of the Obama Administration and the Democrat Congress is increasingly unpopular. Republicans have a chance to take back the initiative and roll back the Democrats' efforts to create a government-dominated economy. But we will be successful only if we can be both specific and persuasive in the policy choices we offer the American people, and if we can reestablish our credibility as the party of low taxes, restrained regulation, and limited government intervention in the economy.

In this brief paper, I outline some of my ideas for helping the country grow and getting Hoosiers back to work. But while these ideas offer real possibilities for supporting and enhancing our state's future economic prospects, I recognize that the most important thing I can do in Washington to support the economy of Indiana and America is propose and support policies that will enable businesspeople and entrepreneurs to do what they've always done so well; namely, to invest their money, ideas, and dreams in enterprises that create wealth and prosperity and jobs for all of us.

Here are some specific policies I will propose in Washington:

Reform Sarbanes-Oxley: Reform the compliance costs of S-O for small corporations and startups while maintaining the intent of the bill. Far too many jobs have been lost due to losing

IPOs and startups to overseas stock exchanges due to its higher costs.

High-Speed Internet Access for Rural Areas: Assure that within three years that rural counties have ready access to high-speed fiber optics either landline and/or 3G/4G coverage. This will allow rural residents to telecommute as well as put the world at these areas small businesses. I have already led in this area. I authored, along with my partner, Senator Brandt Hershman, a historic telecom deregulation law that has freed up market forces to create thousands of jobs and more than \$1.5-billion in private investment. Because of the Murphy-Hershman bill, 102 more Hoosier communities have access to broadband than three years ago.

Nuclear Power Act: Streamline the application process for construction and/or expansion of nuclear power plants. Maintaining cheap energy will keep jobs in the US.

High-Speed Rail: Form a private sector advisory committee to investigate high-speed rail between major Midwest cities that will traverse and have stops in key 5th District cities and towns.

Repeal Estate Tax: I will fight for the complete repeal of Estate Tax just as I have here in Indiana. Short of that, I will work hard for at least a \$10 million exemption on the federal estate , above the \$2-3 million it is now. I have already led in this area as well. I eliminated the Indiana inheritance tax for all Hoosier estates of \$100,000 or less. This includes one-half of all Hoosier estates.

Small Investors Capital Gains Tax Exemption: I pledge to support an exemption from the capital gains tax for small investors and a lowering of the rate for all others. This is not the time to discourage or penalize prudent investment in the markets.

Fair Tax: For years, I have been an advocate of the fair tax and I will continue advocating for this simpler tax system that will increase economic growth and serve as a job magnet. The current tax system creates many instances of double taxation, slows down growth, and it hinders job creation. In addition, the burdensome compliance costs for most individuals would be virtually. The fair tax would also create a system where all businesses are under the same rules therefore eliminating the political jockeying by certain industries for special exceptions so often lamented by the general public.

Corporate Taxes and Regulations: I would stress 'commonsense' and 'transparency' in regulation. At every turn I would work hard to reduce the red-tape and needless, redundant paperwork businesses have to comply with. Again, as the author of the 2006 telecom deregulation act in Indiana, I was able to eliminate vast quantities of bureaucracy. My bill is still a national model, and according to Indiana governor Mitch Daniels, is one the three or four most important developments during his administration.

Encourage Foreign Investment: Streamline procedures and rules for foreign investment from key allied and peaceful countries in the USA--especially Europe. Funding our enemies is no longer acceptable. We should reward our friends.

Protect America's Competitive Edge: I pledge to fight the Obama administration's plans to tax the foreign profits of American companies. If his scheme is adopted, the U.S. would be the only country in the world to tax these profits before they are repatriated. This tax would make American companies targets for takeover, and could threaten thousands of jobs in Indiana.

Visa-Reform: By improving and increasing the amount of visas the United States grants to those with advanced degrees, our country should be able to attract even more high-tech business.

Getting Hoosiers Back to Work – Prospects for the Indiana Economy

During the four years prior to the start of the recession, Indiana proved that it could compete effectively with any other state to attract new jobs and investment. The state's economic development corporation broke records in both categories for three years running. Indiana remains a manufacturing powerhouse, a strength recognized by companies such as Honda, Enerdel, Toyota, Cummins, Siemens, Berry Plastics, Cook Pharmica, and countless others who have created or expanded operations in the state. Indiana has made great strides in creating a business climate that is conducive to business success. In fact, the state now consistently ranks among the top 10 business-friendly states in the nation.

Indiana is failing, however, in two important categories. According to economist Graham Toft, Indiana performs poorly in the areas of: Access to capital; and our level of research activity.

As your Congressman, I will work to increase research grants directed toward our great research universities, Purdue, Indiana, and Notre Dame. These universities, while outside the 5th district, have tremendous potential to produce thousands of spin-off jobs from the

commercialization of ideas and patents developed on their campuses. I will also work to create incentives for investors to provide venture capital and second-stage financing for start up companies.

Maintaining and Improving Hoosier Strengths

Affordable, High-Tech Energy Powering Hoosier Workers

Indiana's affordable energy costs are attractive to current businesses, small and large, as well as the myriad of potential investors and companies who will eye Indiana for expansion or relocation in the future. While working vigorously toward higher energy efficiency, cleanliness, and viable green technologies, Indiana's economic wellbeing cannot be sacrificed. Indiana deserves active, informed leadership to combat misguided energy policies currently being considered in Washington. The possible ruinous effects of a Washington imposed cap-and-trade system would be detrimental to every sector of the Indiana economy; higher energy costs will bleed Hoosier jobs pure and simple. Indiana's economy is inescapably dependent upon coal-based energy well into the future. Radical disruption of this cheap source of energy would cause utter havoc if not economic devastation as employers move elsewhere and working families see their bills rise dramatically. Instead, a multifaceted, nimble energy policy is needed to diversify Indiana's energy resources while improving the efficiency and cleanliness of Indiana's existing coal-based power. I helped create the Clean Coal Technology Center at Purdue seven years ago to jump start research into ways to burn Indiana coal in a more environmentally safe way, and to find new markets for the bi-products of coal. We are now creating jobs in southern Indiana, and

near the Purdue campus as well. A sound energy policy, in other words, is sound a jobs policy. Hoosiers need Washington to be helpful and flexible, not dictatorial.

The more Indiana takes a lead on these and similar innovative energy initiatives the more high-tech jobs will flock to our state. Washington needs to let businesses and local communities invest and plan with long-term certainty in their energy bills; policies that arbitrarily pick technology winners and losers will not fully unleash the innovative capacity of Indiana in this burgeoning field, but likely outsource decisions and jobs outside the state. This cannot be allowed to happen.

We must do everything we can to ensure the success of Enerdel's lithium-ion battery manufacturing project, which is slated to bring 1,400 jobs to Hancock County. The Indiana workforce is well prepared to provide companies like Enerdel with the necessary expertise to make the 5th district a world center for energy storage and propulsion research and manufacturing.

Overall economic growth and innovation coupled with a sensible clean energy policy, is the best means to arrive at the viable green technologies of tomorrow. In the meantime, we cannot sacrifice Hoosier jobs for top-down energy policies whose most likely impact is further downturn, not renewed growth. With so many energy technologies still unproven in the long term it is important to remain flexible and open-minded. I remain committed to exploring and finding the many energy solutions to keep Hoosier businesses running and workers working. With active, sensible leadership in Washington the employment potential of this sector throughout the state is set to grow and bring high-tech, good-paying, sustainable jobs to Hoosiers. Indiana needs a proponent of unshackling safe, clean, efficient nuclear energy in Washington.

Commonsense, Pro-Jobs Regulation

The federal government must maintain fair yet simple and consistent business regulations that do not unduly burden enterprise from small businesses to multinational corporations. The government's role is to regulate interstate commerce only to the extent that all states have a fair shot at economic success. Hoosier businesses appreciate that the state must compete nationally and internationally, but all too often politicians in Indianapolis and Washington do not. In this global market all too often the decisions and regulations made in Washington rule Indiana out. Businesses appreciate that taxation comes with any location, but those with high rates, complicated regulations and layers of bureaucracy are those most likely to be passed over by potential employers. I will work toward eliminating senseless bureaucracy and red tape while streamlining and improving commonsense regulation. Moreover, tax credits and incentives for high-paying startups and expansion of existing operations should be a legislative priority. This is the pro-growth, pro-jobs policy I have pursued in the Indiana state house; let's take this capable, informed approach in Washington.

The Hoosier Businesses of Tomorrow—Globally-Minded and High-Tech

High-technology, human capital-intensive business is the future of work in Indiana. Creating (or building) a diversified, well-paying state economy without abandoning our many manufacturing industries is not only wise, but essential. Indiana is poised to situate itself in the

various production chains, whether it is from research and development, to drawing-board design, to actual manufacturing, and to the services surrounding its marketing, sale, and maintenance. The Hoosier workforce is skilled enough to participate in all these value-added steps; retaining and attracting businesses from a diverse range of economic sectors will not only contribute to Indiana's dynamism, but insulate the state from future downturns.

Indiana must continue to attract investment, especially foreign investment. The Indiana Business Research Center issued a report this autumn stating unequivocally, "Indiana has been one of the nation's top beneficiaries of foreign direct investment."² This study found in 2006 foreign-owned firms accounted for 4.6% of Indiana's private sector employment; the state is ninth in the nation in its proportion of FDI generated jobs. Already among the nation's best destinations for foreign capital during the 2000s, Indiana outshines all of its Midwestern peer states in terms of foreign company-based job growth. The majority of these jobs have been in manufacturing. From this strong foundation Indiana can not only maintain its attractiveness to foreign investors but improve its competitive profile in national and international terms. Other states, not to mention countries, will be vying for future investment; in order to successfully compete in the global labor and production site market. Hoosiers must not stand still.

The United States will likely continue to be a leading destination of foreign investment and, with Indiana already a known quantity to many foreign investors, it will have a tremendous opportunity to strengthen old ties as well as establish new ones. Indiana's leaders need to appreciate that in certain economic sectors more jobs are likely to arise through closer contacts overseas, for example, with Japan, the United Kingdom or Germany just as much, if not more so with Ohio, California, etc. The 5th Congressional District contains British, Canadian, Chinese,

² Matt Kinghorn, "Foreign Direct Investment in Indiana," *In-Context* Vol. 10, No. 5 (September-October 2009).

Dutch, German, Irish, Japanese, Spanish, and Swiss amongst others, employment-generating investments. From IT firms such as Baker Hill Corporation in Carmel to Oxford BioSignals, Indiana's 5th Congressional district has proven its capacity to recently attract DFI. We can do more, we can do even better. Examples of sites awaiting development include the large, state of the art facilities at Grissom Joint Air Reserve base, or the ample facilities and industrial zones of Kokomo.

As your congressman, I will work to create special re-investment zones around our BRAC properties nationwide, with specific emphasis on Grissom. Grissom is a perfect example of the potential for giving new economic life to areas surrounding former active duty military installations. With the help of forward-thinking Republicans, then-Mayor Steve Goldsmith of Indianapolis was able to privatize the former Naval Avionics Center by leasing it to Raytheon. Hundreds of jobs were preserved, and tremendous research talent was kept in Indiana.

Broader job growth and opportunity for Hoosiers will rest upon a sound policy in maintaining and attracting additional manufacturing industry, not moving away from it. As the Indiana Business Research Center concluded this autumn, "The key to improving Indiana's economic performance moving forward will be to maintain Indiana's position as a national leader in manufacturing while expanding opportunities in other high-growth production or service industries."³ I remain committed to the modernization of Indiana's plants, workshops, and mills, not abandoning them.

³ Matt Kinghorn, "GDP Dynamics Shed Light on Economic Downturn in Indiana," *IN Context* Vol. 10, No. 6 (November-December 2009).

Creating the "Connecting Infrastructure" to Attract New Business

It is critical that Indiana improves its already attractive image as a world-class location for businesses and their employees to work and raise their families. Though perhaps counterintuitive, Indiana's workforce will benefit from attracting additional skilled workers; startups, plant expansions, and new enterprises almost always source the majority of their workers locally. This will attract capital and skills to create clusters of activity and innovation within Indiana's borders. Moreover, Indiana must demonstrate its decades old tradition of openly welcoming those to its community. The best of Hoosier values are conducive to sound business and responsive government—employers and employees will come to appreciate this as other states increase their debt burdens, taxation, and onerous regulations.

Indiana must complete and maintain its system of federal interstate highways. Central Indiana's placement at such a critical junction of highways has been and should remain a strong economic asset. The presence of a new international airport, and logistical support, such as the major FedEx hub will help keep the "donut counties" as attractive places to expand businesses. There are other areas of the 5th district that equally deserve our attention however. I-69 must be completed as quickly as possible. The U.S. 31 bypass around Kokomo will provide the first un-hindered freight route between South Bend, Indianapolis and all cities in between. The area around the intersection of U.S. 31 and U.S. 24 will then grow as a potential jobs magnet. Indiana must also upgrade its power grid to be more efficient and more dependable; reliable, cheap energy is not simply a product of power production, but delivery as well. Internet 2 must be made accessible to all institutions of secondary and post-secondary education in Indiana and across the nation. Bandwidth of 100 megabytes is the minimum standard for high schools.

Universities will soon be dealing in terabytes and petabytes, amounts of information and speeds that are almost unimaginable to the average Hoosier today. These are the tools small businesses need to compete and remain viable; this is the connecting infrastructure of tomorrow that corporations will come to expect when choosing where to locate. Let us not accept any portion of Indiana without the physical, energy, and communications infrastructure needed to keep good jobs as well as attract them.

Conclusion

Indiana possesses a unique set of attributes which are attractive to various types of employers and entrepreneurs. The cost of doing business in Indiana is low for a variety of reasons, from a lower cost of living, cheaper energy, and business-friendly regulation and taxation, as well as the presence of a skilled, motivated workforce. It is critical that Indiana maintains these advantages over its Midwestern peers, but also works to hone and improve them; elsewhere in the world others are catching up and surpassing us. In order to capitalize on their strengths Hoosiers will need leadership that will address these problems now. Moreover, Indiana needs lawmakers that will keep as many decisions and choices as possible in Indiana, not in Washington.

I pledge to lead in Washington as I have in Indiana, by freeing up market forces, encouraging investment, supporting improved infrastructure, and lessening the regulatory and tax burdens on all Americans.

Together Hoosiers across the state can realize the American dream, with good-paying, secure, and rewarding jobs. Let's make Indiana the ideal place to do business and, in turn, the ideal place to live and work.

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