Bluegrass Beacon
BY JIM WATERS

KLC smells like KFC: the original recipe for government payola

By Jim Waters

Mayfield Mayor Arthur Byrn might not think anything “sinister” is going on at the Kentucky League of Cities. But in these days of busted municipal budgets, the KLC’s wasteful spending seems pretty sinister to me — and others.

Recent Lexington Herald-Leader reports on excessive spending at the KLC and the Kentucky Association of Counties led Crit Luallen, state auditor, to announce plans to look at their books. State insurance investigators picked up the scent, too.

Entities such as the KLC and KACo lobby, loan money and provide liability insurance to Kentucky cities and counties. They reel in a lot of money to do that with very little oversight. And let’s not forget, they get tax-exempt status, too.

The Herald-Leader reported on KLC’s high salaries, lavish spending on meals and entertainment, spouses traveling on the taxpayer’s dime and spouses’ restaurants benefiting from thousands of dollars worth of KLC business.

Among questionable spending KACo activities “uncovered” by the newspaper: Spencer County Judge-Executive David Jenkins’s records show $620 worth of charges for strippers and escorts in Louisville and Lexington. The charges came while Jenkins was KACo’s president in 2008. Jenkins doesn’t know how the charges got there, he said.

Frankly, I don’t think taxpayers care who the charges belong to as much as they disdain the careless handling of their hard-earned dollars.

The whole mess exemplifies what the late Nobel laureate and free-market economist Milton Friedman identified as the problem with government. Friedman talked about the four ways to spend money:

- You can spend your money on yourself. This ensures that you both “watch what you’re doing, and you try to get the most for your money,” Friedman said.

- You can spend your money on someone else. He used a birthday gift as an example. “I’m not so careful about the *content* of the present, but I’m very careful about the *cost,”* he said.

- You can spend someone else’s money on yourself. “Then I’m sure to have a good lunch!” Friedman said.

- You can spend somebody else’s money on somebody else. Then, as Friedman said, “I’m not concerned about what I get. And that’s government.”

And that’s the KLC and KACo.

While cities and counties cut spending, put projects on hold and cut jobs and/or benefits, they continue to invest huge amounts of money in these murky agencies.

During the past two years — a time when the current recession slammed Kentucky taxpayers and the cities and counties where they live — five of the top executives in KACo spent $600,000 on travel, expensive dinners, hotels, sports tickets and birthday gifts for staff, the Herald-Leader reported.

Would the hotel rooms and birthday gifts fall in the same price range if these executives paid the bills with their money? Human (and government) nature shows that people do not spend as carefully using someone else's money.

However, officials say they can't afford to abandon these organizations because they provide low rates on liability insurance premiums and loans from private investors.

Indeed. But let's look again at the dynamic that separates private enterprise from government.

Unlike government or even quasi-government agencies, private-sector firms must make a profit. Government can pickpocket the taxpayer to pay for lavish hotel rooms and high-priced escorts at night and then undercut the private-sector insurance rates during the day.

If government wants more money for its wasteful appetites, it takes from you in the form of taxes.

But private companies can only raise prices so high before the customers bail.

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