



Fish tales can't keep Kentucky's economy from drifting down river

By Jim Waters

Only the Ohio River separates the worst-run state in America from one that turned a \$200 million deficit into a \$1.2 billion surplus in five years.

While Forbes was [lamenting](#) the [poor management of Kentucky's economy](#), Newsweek was running articles about why national political leaders should [listen to Indiana Gov. Mitch Daniels](#).

Somehow, I don't envision a national essay being published during the current fight over the debt crisis urging the nation to pay attention to what Gov. Steve Beshear has done during his tenure – despite the fact that he claims to have balanced the budget nine times while cutting \$1 billion in spending.

In fact, such claims offer concern about the governor's math competency, which seems to rival that of Kentucky's 22 Persistently Low-Achieving Schools.

The numbers just don't add up.

A stout \$9.26 billion was budgeted for this fiscal year's General Fund, which began July 1 – *up* from \$8.44 billion last year.

“That's an increase of nearly 10 percent, completely wiping out claims of cutting \$1 billion from the \$9.3 billion level in 2008,” said Andy Hightower, executive director of Kentucky Club for Growth.

If Beshear means by “cuts” that he slowed the growth in planned spending – which a lot of politicians mistake for actual cost reductions – well, even that hasn't happened. Even on paper, spending has increased.

While it may be politically easier to boast about cuts while actually increasing spending, Hightower notes that “Indiana has made the hard choices and maintained its discipline.”

Last year, Daniels originally planned to cut \$600 million, but – get this – added an additional \$400 million in cuts as the year went on.

And many of these cuts were achieved by state workers, who found and eliminated wasteful spending without cutting programs. For instance, almost \$325 million was cut from the state school system's \$6.9 billion budget and nearly 17 percent -- \$104 million – was cut from the Department of Child Services' \$629 million budget.

Yet neither the public education system nor the Department of Child Services was shut down. There were no breaking news stories about “the children” being abandoned, needy citizens being turned into the streets or any of the other fear mongering offered by the Hoosier State's big-government addicts.

Meanwhile, the Beshear administration claims Kentucky had a \$157 million surplus at the end of the budget year on June 30, of which \$122 million will go into the state's "rainy day" fund.

Using some fishy accounting techniques, the Beshear administration claims the state has a surplus that is only about 10 percent the size of Indiana's. But there's only so long that this fish tale can survive outside of Kentucky's murky economic waters.

After all, only in Frankfort during an election year can you borrow \$100 million from next year's Medicaid budget and face a \$27 billion unfunded pension liability yet claim a surplus.

But this fish tale starts to shrink when the full picture is developed.

According to the American Legislative Exchange Council's latest State Economic Competitiveness Index authored by Art Laffer, a highly regarded economist, [Indiana and Kentucky are moving in diametrically opposite directions](#). The index is based on many factors, including income and productivity growth, tax rates and the share of tax revenue eaten up by debt service,

The outlook for Indiana's economy is just as good as its past performance is bad. Ranked No. 47 among states for its economic performance during the past decade, Daniels' leadership in addressing its budget woes resulted in a ranking of No. 16 for its future economic outlook.

Kentucky ranked higher – No. 31 – for its performance during the past 10 years. Yet its future outlook, which drops to No. 40 in the index, indicates that while Indiana paddles upstream, Kentucky continues to drift down the river.

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