BluegrassBeacon
BY JIM WATERS

Pudgy politicians shout, 'Supersize that budget!'

By Jim Waters

Kentucky's health nannies routinely point out the unhealthy habits of fellow residents.

Yes, we Kentuckians do smoke, eat and drink too much. But signs of improvement have cropped up.

Not so when it comes to the state's fiscal obesity. If they created a "Biggest Loser" reality show in which states competed at cutting their bloated budgets, Kentucky wouldn't stand a chance of winning.

Kentucky's tax-and-spend policies keep it from attracting the fitness factors needed to create a lean, healthy state: capital, people and jobs.

This diagnosis comes from "Rich States, Poor States," a report by the American Legislative Exchange Council written by Arthur Laffer and Stephen Moore, two of the nation's top free-market economists. It shows that only four states would follow Kentucky to the finish line in a race for economic competitiveness.

The report ranks states based on 16 categories directly affected by state policy. In six of the most important areas, Kentucky ranks in the bottom 10.

In one of those areas, the council's report shows that when compared with Kentucky, only Alaska used a higher percentage of total tax revenue to pay for past debt-ridden budgets. Nearly 14 percent of Kentucky's tax revenue is tied up in servicing our debt.

As one now very famous, and very retired, preacher said: "The chickens are coming home to roost." And trust me, these chickens come deep-fried and with enough cholesterol to make King Kong keel over.

Kentucky spends the hard-earned dollars residents dump into Frankfort's tax tills every April 15 faster than someone can say "supersize those fries." We face a lifetime of paying off debts.

According to the council's report, one of the things Kentucky's politicians like to "supersize" on each trip to the trough is the size of the state workforce. Only 16 states have more public employees per capita than Kentucky's 580 per 10,000 residents. Trying to cut some of that fat is like trying to get my kids to eat their lima beans.

Former Gov. John Y. Brown tried to address the issue by signing a law capping the executive-branch workforce at 33,000. For 26 years, the cap has largely been ignored. A conservative estimate, based on calculations using information obtained from the Kentucky Personnel Cabinet, shows that failure to abide by the cap cost taxpayers an additional $1.3 billion. And the meter is still running.

As economist Michael LaFaive of the Mackinac Center for Public Policy told me, “When the public sector grows, it usually increases the number of people living off a smaller number of private, wealth-generating taxpaying citizens.”

Most public employees don’t just eke out a living. They live pretty well. This doesn’t sit well with hard-working, private-sector employees, said LaFaive.

“Entrepreneurs are not sheep lining up to be sheered,” he said. “They’re going to get tired of watching the servants do better than their masters.”

And in Kentucky, those “servants” love to feast on high taxes.

According to the council’s report, only eight states squeeze its residents and corporate citizens harder. Kentucky’s top earners get taxed at an 8.2-percent rate; top corporate producers pay 9.2 percent.

LaFaive says this drives up the cost of doing business – and drives away new jobs.

“You get less of what you tax,” he said. “If you tax more labor, you get less labor. If you tax more profit, you get less profit.”

And so only Ohio, Rhode Island, New York and Vermont look more fiscally fat than Kentucky.

The good news: Kentuckians might be on the road to taking better care of themselves.

The bad news: Unless the economic geniuses in Frankfort start taking better care of our tax dollars, Kentuckians can look forward to using their newfound health to work harder and get less for it.

Jim Waters is the director of policy and communications for the Bluegrass Institute, Kentucky's free-market think tank. You can reach him at jwaters@bipps.org. You can read previously published columns at www.bipps.org.