



Lawmakers get credit — for bad credit ratings

By Jim Waters

Those of us calling for a return to fiscal sanity in the halls of government by following private-sector practices frequently hear: “Government is not a business.”

Maybe not. But when government operates like a successful company, it works a whole lot better — and costs a whole lot less.

Then there’s Frankfort.

Political generosity — made possible only by taxes — brought us to the current condition in which either dramatic change in budgeting, taxing and spending must occur or the state should prepare, as the biblical Hosea warned, to “sow the wind and reap the whirlwind.”

Those living on the government dole probably don’t even see the storm.

Census Bureau data shows that more than 18 percent of Kentuckians live below the poverty line — only Arkansas exceeds that percentage — while nearly 25 percent of Kentuckians will get [Medicaid](#) benefits if the federal government’s race toward health-care collectivism continues.

Voters getting these benefits tend to pull levers for political sugar daddies, rather than for serious policymakers willing to make tough decisions such as cutting entitlement programs.

Example: House lawmakers in both parties pursued a strategy that led to them to vote for spending cuts and real verification of budget savings only after Gov. Steve Beshear agreed to veto those measures.

However, some unexpected developments threaten to blow the entitlement gravy train off its tracks before it reaches “Election Station” on Nov. 8.”

For one, Kentucky’s credit score — known in sleep-inducing financial terms as a “bond rating” — was [downgraded](#) again by Moody’s Investor’s Services Inc., the second drop in recent months. Fitch Ratings Ltd. downgraded Kentucky from “stable” to “negative watch.”

Put simply: Finance experts say counting on Kentucky to meet its debt obligations is about as wise as counting on a lottery ticket to take care of your retirement.

No government equivalents of those cheeky “freecreditreport.com” commercials exist. But if they did, Frankfort could provide plenty of characters for the ads — in the form of the governor and all but a handful of House members content to give the administration carte blanche when it comes to “restructuring” state debt.

Remember: “Refinancing” means you keep making payments but in smaller amounts, and if you get lucky, at a reduced interest rate. “Restructuring” delays payments altogether.

During the original budget session, legislators restricted Beshear to \$130 million worth of “delayed payments” during the 2011 budget year.

In the fine tradition of constitutional, check-and-balance government — the governor ignored them. He upped the “restructuring” to \$197 million.

So, when the commonwealth’s credit score plunges, guess what happens to the interest owed on all that debt? Yeah, it goes up.

A mortgage-seeker with bad credit gets stuck with higher interest rates and payments. Likewise, Kentuckians get stuck when a governor cannot stop spending or pay on time.

This doesn’t go unnoticed.

The website 24/7 Wall Street calls Kentucky the [worst-run state](#) in America. The low bond ratings and the high number of poor people led to the website’s bleak assessment: “Kentucky’s overall terrible performance.”

It all adds up — badly for Kentucky: the lowest GDP per capita, ranked No. 47 among states in median household income and the lowest percentage among all surrounding states of people older than 24 years of age who finished high school.

“Well-run states have a great deal in common with well-run corporations,” concluded the 24/7 Wall Street report. “Books are kept balanced. Investment is prudent. Debt is sustainable. Innovation is prized. Workers are well-chosen and well-trained. Executives are picked based on merit and not politics.”

President Bill Clinton was onto something when he told Apple Computer Inc. employees in Cupertino, Calif., several years ago: “Government should be run like a business.”

We could do — and have done — worse.

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