

PERSPECTIVE

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Cauldron of wasteful spending continues to churn

Like ghouls hungrily stirring a pot of stew, the Kentucky general assembly has already begun its 2006 chant. Soon the freshly boiled batch of pork will be thoroughly sliced, diced and distributed at the expense of every taxpayer across Kentucky.

The 2005 batch tasted pretty bad. In conjunction with Citizens Against Government Waste, the Bluegrass Institute recently unveiled “Kentucky: Unbridled Pork” to expose the ugly truth behind the state’s spending policies.

From structural problems like runaway Medicaid spending and a prevailing-wage law that inflates the cost of state-funded construction, to the ridiculous such as \$2.7 million for shrimp farming, it’s obvious that Kentucky politicians have forgotten to be good stewards of tax dollars.

To remedy the problem of excessive spending and bloated government, Kentucky should immediately institute a commission such as the one undertaken by South Carolina Gov. Mark Sanford to address the following serious spending issues highlighted in the “Piglet Book”:

Medicaid

Medicaid originally was designed to provide basic health-care services to Kentucky’s poorest citizens. But like many other well-intentioned efforts, the program has ballooned into an extremely costly service, providing virtually every health-care need for many people who are not destitute.

More than 16 percent of Kentuckians now have their entire health-care bill paid for by Medicaid, which has become the commonwealth’s second-largest expenditure behind education. The cost of the health-care program grows by an average of 11 percent annually.

Kentucky will spend \$17 million from the current budget’s general fund on Medicaid, with an additional \$18 million coming from restricted funds and \$41 million from the federal government. Unfortunately, this \$76 million will not provide even a single aspirin to a Kentucky recipient; it covers only the cost of administering the Medicaid program.

Supplying health-care benefits to needy Kentuckians will cost the state an additional \$925 million from its General Fund and nearly \$377 million from restricted funds earmarked specifically for this purpose during the current budget biennium.

‘Prevailing wages’

The “prevailing wage” law provides an example of a well-intentioned policy gone awry. Originally modeled after the federal Davis-Bacon Act, Kentucky lawmakers wanted to ensure contractors working on state projects paid workers a fair, but not rock-bottom, wage.

However, during the past 20 years, Kentucky’s prevailing-wage policy has become a huge boondoggle employed by labor bosses trying to keep nonunion contractors off public job sites and out of competition with union workers.

By David E. Williams

Summary

(Total Word Count 809)

An independent commission formed by South Carolina Gov. Mark Sanford to evaluate government spending helped save the Palmetto State \$34 million last year. Kentucky needs a similar effort.

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“With its rich, storied history and rolling hills, Kentucky is a serene and beautiful state. But underneath that facade is a bubbling cauldron of government waste and inefficiency that must be addressed sooner rather than later.”

The law prevents state government from receiving the most value for every dollar spent on public projects. Forcing government to pay union-like wages drives up the cost of roads, school buildings and infrastructure systems by 10 to 15 percent.

By setting the prevailing wage higher than the standard rate for construction workers, unions usually succeed in re-

moving any competitive advantage enjoyed by nonunion contractors. The policy often makes it impossible for these nonunion companies to bid lower than union firms, when doing so would save taxpayers money on public schools, office buildings or roadways.

Shrimp farming

Lawmakers voted to donate \$1.1 million in operating funds and \$1.7 million in bonds for the British firm Sygen International – which has earnings of \$247 million a year – to research and develop shrimp farming in Kentucky.

In doing so, the politicians bypassed the usual process whereby economic-development officials evaluate projects involving collaboration between universities and corporations to determine whether such schemes benefit the state’s economy.

South Carolina’s model

On June 10, 2003, Gov. Sanford took a large step toward fulfilling his mission to make South Carolina’s government more efficient by establishing the Governor’s Commission on Management, Accountability, and Performance (MAP). The group was charged with investigating ways that government services can in-

crease productiveness and efficiency while lowering costs.

Modeled after President Reagan’s Grace Commission, which was formed to address wasteful spending at the federal level, the MAP Commission worked vigorously and submitted a report offering 213 recommendations for better government three months later.

The commission concluded that the patient – in this case, South Carolina’s state government – was much sicker than originally thought. Commission chairman Ken Wingate noted in his opening statement in MAP’s report that South Carolina state government is “grossly fragmented and inefficient ... laden with layers of duplication ... and Byzantine in the delivery of services.”

However, the report did not just diagnose the illness. By enacting the commission’s recommendations, Sanford’s office reports that it saved South Carolina \$34 million last year alone.

MAP’s final report goes further than identifying ways to save money. For example, a chapter on organizational structure proposes entirely overhauling the engine of state government.

With its rich, storied history and rolling hills, Kentucky is a serene and beautiful state. But underneath that façade is a bubbling cauldron of government waste and inefficiency that must be addressed sooner rather than later.

Implementing a bottom-up review of the state’s expenditures is the first step in ensuring a strong fiscal future for all Kentuckians.

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