

# **Stocking Coal**

## **hot coals by john yarmuth**

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Anyone have a videotape of President Bush's press conference this week? If you do, please send it to Gov. Fletcher. Even if he happened to watch the Commander-in-Chief live, he needs to watch again, if only to see W stumble through a discussion of the federal budget mess.

When asked how he reconciled his philosophical rhetoric about federal spending discipline with the fact that he never vetoed a spending measure in his first term, Bush responded, "I submitted a budget and Congress hit our number ... In other words, we — we worked together ... and then we came up with a budget that we thought was necessary and we took it to the leadership and they accepted the budget and they passed bills that met our budget targets. So how can you veto an appropriations — series of appropriations bills if the Congress has done what you've asked them to do?"

In other words, Bush admitted, without appearing to admit, that he endorsed a \$413 billion deficit. He should be applauded for his inadvertent candor (an oxymoron?), and Fletcher should recognize the trap he has put himself in with his own rhetoric about taxes and spending.

The Kentucky General Assembly will be faced with multiple challenges when it convenes next month. It is now working under a court order to approve a budget by June 30, 2005, and it will be responding to Gov. Fletcher's tax reform proposals, which purportedly are designed to "modernize" Kentucky's tax code while remaining "revenue neutral," which begins to sound ominously like some of the national Republican budgetary rhetoric.

Fletcher has an ambitious education plan, which calls for new and expanded programs at most levels. (Education spending in Kentucky already consumes 60 percent of the total budget.) He has not yet said how he will pay for his plan, just as Bush has not yet explained how he will pay the \$2 trillion cost of instituting private investment accounts as part of his proposal to save Social Security.

Some Kentuckians already understand that political "no new taxes" promises are often just shell games. Consider the families of college students who are staggering under the load of annual double-digit tuition increases forced by reduced state funding. Those Kentuckians rightly see the tuition hikes as indirect tax increases for them, while the politicians still smugly profess their tax cut virginity.

Other Kentuckians, whether they've been cut from Medicaid or in some other way had their state benefits reduced, have learned the hard way that there are more ways to raise taxes than a bill on April 15.

As for Fletcher, he is about to learn what every other tax-allergic government leader invariably learns: Tax-cutting rhetoric eventually meets the road, which means a lot of squirming in the hot seat. Here's the short summary: Fletcher and about one-third of the General Assembly have signed a "pledge" not to raise taxes. This pledge — the brain(?)child idea of the ultraconservative, Americans for Tax Reform chairman Grover Norquist, who has said he wants to shrink government to the size at which he can drown it in a bathtub — has put Fletcher in a box. In order to do almost anything, he has to find more money, but because he can't and won't simply endorse a tax hike, he has to contrive a scheme that produces more revenue from existing sources at current or lower rates. So he will propose eliminating some loopholes (which is, of course, raising taxes on those who could use the loopholes), cutting taxes on some stagnant sectors of the economy and hiking them on "growing" sectors, such as telecommunications, for example. He also will allow an increase in cigarette taxes and some new forms of gambling. This will let him say he has kept the government "revenue neutral" (at least on the income tax level) and therefore kept his pledge.

But there are two problems with this fiscal sleight of hand. First, if any plan is truly revenue neutral, it by definition does not provide any more money, which means there are no additional expenditures and Kentucky's government stops investing in its citizens. Second, if his proposal resembles the one he floated last year, it will include a budget gimmick known as "triggers" — provisions that require taxes to be cut as revenues increase, thereby ensuring that no matter how fast the economy grows, the state's revenue will not grow accordingly.

So the bottom line is that unless Fletcher and Republicans in the House and Senate are willing to eat a little tax-raising crow, they will have a tough time assembling a record of progress during their stewardship of government. Then again, maybe they just want to drown it in the bathtub.

Merry Christmas and Happy Holidays to one and all.

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