Journal Review Online

Kenley Rule meets Common Core

By Craig Ladwig

April 11, 2014

At a small table at an Indianapolis club some years ago an argument began — more an intense discussion. It was between two powerful personalities: Luke Kenley, the Noblesville businessman who would become chairman of the state Senate Appropriations Committee, and Stephen Moore, an economist and frequent guest of our foundation who a few years later would join the editorial board of the Wall Street Journal.

We had brought the two men together informally that afternoon because it was thought they would have an affinity for fiscal discipline and smaller government. We were half right. The one was a fiscal disciplinarian; the other was dedicated to smaller government. The two positions, though, didn't mix, especially on the issue of public education.

Kenley had been named Freshman Legislator of the Year. He was beginning to formulate his education policies and surprised some at the table with his support for a plan to distribute state school funds somewhat equally. (Have you ever noticed that in politics, nothing is ever equal; it is somewhat equal, nearly equal or grievously not equal? The work is never done, apparently, in the equality business.)

Moore, on the other hand, saw parental choice as the path to reform. Let those schools responsive to patron expectations prosper, he argued, and let the rest follow or get out of the way. He seemed incredulous that someone introduced to him as a conservative would champion what he considered a redistribution scheme.

Moore had founded the Club for Growth, that bane of the GOP establishment, and he fired a series of questions at Kenley that mostly went unanswered, perhaps out of politeness. It is my recollection, though, and I will allow there may be different interpretations by others at the table that day, that Kenley's responses reduced to his belief that the important thing was to protect government's balance sheet.

Kenley, an honest and widely respected man, made a career of that position. It can be called the Kenley Rule, i.e., legislation and policy should be revenue neutral. If a tax is reduced over here, a tax must be increased over there. It is a strategy that in good times can keep the state running smoothly while ruffling the fewest political feathers. It is a strategy, however, that leaves few opportunities to reduce the size of government.

A few years ago, the Kenley Rule was applied to delay repeal of the state inheritance tax. It now is being applied to compromise the move to detach Hoosier education standards from the national Common Core. The Indiana standards are now in their third draft before going to the quasi-government Education Roundtable.

Whatever the final set of standards, the Statehouse leadership and the governor's office may insist on a statist corollary to the Kenley Rule. That is, on the matter of education standards, Indiana will defer to Washington whenever federal aid is at risk. Such language would subvert the intent of the original measure, protests Scott Schneider, one of its two authors.

All of which is a pity. First, it squashes the sincere populist motivation behind this session's only serious reform legislation, i.e., to reassert Indiana control of public education content and method. Both the Pence administration and the Statehouse majorities will appear not so much interested in a renewed federalism as in simply fooling people. And when educators attempt to apply the new standards next fall, some will be able to say convincingly that no standards would have been better than the hollow ones forced upon them.

Second, there are better ways, but they require abandonment of the Kenley Rule. They would cut Indiana free of the estimated 10 percent of its education budget coming from Washington. Write new standards based on expert advise rather than political blackmail.

Dan Mitchell of the Cato Institute proposes the Fiscal Golden Rule, an alternative to either GOP austerity or Democrat stagnation. He notes that the Congressional Budget Office estimates that nominal GDP will climb 4.5 percent annually over the next 10 years. The Indiana Legislature need only ensure that the burden of government spending here climb at a slower rate. Even if Kenley and the Statehouse leadership allow a 2 percent increase each year (about the rate of projected inflation) that would reduce the relative size of Indiana government significantly.

Dr. John Tatom, an adjunct of our foundation and a fellow at the Institute for Applied Economics, endorses a plan called the Penny Plan. Nationally, it aims to cut federal spending by one percent per year every year until the goal of spending equal to 18.5 percent of GDP is achieved. An Indiana application would get spending down fastest with negligible disruption of anything that could reasonably called an essential government service.

There are negatives to abandoning the Kenley Rule, of course. A calculator could not be substituted for real leadership. Someone would actually have to cut something — perhaps entire departments. Government would have to get smaller, however gradually.

But if Indiana Republicans are interested in true economic growth, allowing more resources to be allocated by markets rather than government officials, public education surely is the place to start. If they are not interested, then they might want to change their name so as not to unduly confuse voters in the next general election.