



New Hampshire, Iowa Governors Grade Well for Fiscal Policies

While four governors received A grades, seven got an F, according to a new report from the Cato Institute.

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As the White House and Congress haggle over another stimulus to help Americans, industries and local governments struggling during the coronavirus pandemic, a new report shows that some states might need more help than others due to their governors' recent fiscal policies.

The report released on Monday by the Cato Institute, a libertarian think tank, graded governors of 47 states based on their fiscal policies from January 2018 to August 2020. Governors who have controlled their state's spending and restrained tax increases received higher grades, while those who increased taxes and spending got lower grades. The report "excludes the governors of Kentucky and Mississippi because they have been in office only a brief time, and it excludes the governor of Alaska because of peculiarities in that state's budget," according to the report.

A large majority of governors received grades of C or below, which might spell trouble for their states with a continued stalemate over another stimulus package. Federal Reserve Chair Jerome Powell said on Tuesday that a tentative recovery from the recession caused by the COVID-19 pandemic could falter without additional support from the federal government, according to The Associated Press. Not long after Powell's comments, President Donald Trump tweeted that he was instructing his representatives to stop negotiating with Congress over a deal until after the presidential election. Trump seemed to reverse course later, calling on Congress to pass some stand-alone relief bills.

If broader negotiations continue to stall, it could mean that unemployed Americans, struggling businesses and states will not receive much-needed federal support for weeks or months, according to the AP. The National Governors Association on Sept. 29 released a statement calling on Congress to "prioritize state and local aid."

"As we begin to recover and rebuild from the COVID-19 crisis, we can't afford to repeat the mistakes of the past – we know now that there can be no national recovery if state and local governments aren't solvent," said NGA Chairman and New York Gov. Andrew Cuomo, a Democrat, and Vice Chairman and Arkansas Gov. Asa Hutchinson, a Republican, in the statement. "Ultimately, we hope for a relief package that will support the needs of the American people, including health care workers, firefighters, police officers and teachers, and we urge the Senate and the White House to meet them at the negotiating table."

Cuomo was one of seven governors to receive an F grade from the Cato Institute in its 2020 report card, largely due to his "raft of tax increases" and large hikes in state government

spending, according to the report. All seven governors who received an F are Democrats, with Gov. Jay Inslee of Washington getting an overall score of 18, the lowest of the group. The four A grades went to Republicans: Gov. Chris Sununu of New Hampshire, Gov. Kim Reynolds of Iowa, Gov. Pete Ricketts of Nebraska and Gov. Mark Gordon of Wyoming.

Sununu, who is serving his second term, received the highest overall score – 75 – due to his efforts to keep general fund spending "close to flat" in recent years and his reluctance to institute a payroll tax, according to the report. The most common grade given by the institute was a D, received by a mix of Republican and Democratic governors. The next most-common grade was a C.

The report notes the importance of rainy day funds – the common term for reserves and balances from state budgets – in responding to economic crises like this one. While states' rainy fund balances totaled 8.7% of annual general fund spending going into the 2020 financial crisis, which was much higher than the share going into the 2008 recession, some states – Illinois, Kansas, New Jersey and Pennsylvania – had saved "virtually nothing" in their reserve funds going into this year, according to the institute.

Minnesota and Utah were among those best prepared for the economic impact of the coronavirus pandemic due at least in part to their robust rainy day funds, according to an April report from Pew Charitable Trusts. But the governors from both states received D grades from the Cato Institute, largely due to their high spending and tax hikes.