



Jerry Brown and nine of his fellow governors get an ‘F’ in fiscal policy

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The Cato Institute has released its [2016 Fiscal Policy Report Card](#) on America’s Governors, and it doesn’t look good: 10 governors have received a failing “F” grade.

Chris Edwards, the author of the report, told Watchdog that to get an “A” grade, which five did, governors should pursue tax reforms, restrain budget growth, and limit government. Conversely, the governors who got an “F” increased government spending and taxes.

“Restraining should not be that difficult. The best governors did not slash spending. They restrained spending,” Edwards said. “The average change [among the “A” governors] in per capita spending was three percent. Only two governors cut spending. Indiana restrained spending growth to two percent. There is no reason to increase taxes. As the economy grows, revenues will go up. If education [spending] is important, find spending cuts elsewhere.”

But some governors appear to be having trouble finding line items to cut. Among them, California Gov. Jerry Brown, who finished dead last in Cato’s previous report card but managed to move ahead of seven other governors this time around. His grade remained an “F,” though.

According to the report, California’s general fund budget increased 13 percent in 2015 and 2.7 percent in 2016, and it’s projected to increase by 5 percent in 2017. Some of that increase can be blamed on a hiring spree at the state level: state government employment has risen 7 percent in the last three years, the report notes.

Emblematic of the state’s wasteful spending is the high speed rail project, which has doubled in cost from \$33 billion to \$68 billion. Taxpayers are on the hook for the cost to build the rail system, but they will also be responsible for the operating costs as well. So if enough people don’t ride the train, taxpayers will need to make up any losses.

On the revenue side, Edwards pointed out that California’s fiscal situation is worse than many states because the budget relies heavily on the top 1 percent of earners for half of the funds, a situation that even Gov. Jerry Brown knows is problematic.

“We are taxing the highest income earners, and as you know, 1 percent of the richest people pay almost half of the income tax,” Brown said in May. “That’s fair, but it also creates this volatility. So in order to manage this budget, it’s like riding a tiger.”

But Brown isn't just soaking the "1 percent." The legislature hasn't passed the plan, but Brown has proposed raising \$3 billion a year from higher fuel taxes and charging a \$65 annual fee per vehicle.

Edwards noted that a bust or recession is likely to occur in the near future which will leave California's budget in bad shape. He suggested that California and states in a similar situation should not only restrain the budget but move away from their heavy reliance on an income tax and toward relying more on a sales tax.

One silver lining for California, though: despite having pension problems of its own, a few other states are faring worse.

"The level of pension liabilities varies widely," Edwards said. "The highest liabilities are in New Jersey, Illinois, Alaska, Kentucky and Connecticut."

He noted that there is a political incentive to spend money or promise to spend money on certain special interests but worry about where to get the money later.

"Government unions lobby for higher pensions or greater healthcare coverage and push the costs off onto the future generations," Edwards explained.

He also poured cold water on the idea that Republicans are "slashing and burning" budgets, since only two governors have actually cut spending. Some GOP governors have even dramatically increased it.

"Nikki Haley's budget has gone up 38 percent," Edwards noted. She received a D. "Three of the ten "F" [grades] were Republican governors."

The bottom spots on the list with "F" grades were, from the bottom up, Tom Wolf (D) of Pennsylvania, Jay Inslee (D) of Washington, Kate Brown (D) of Oregon, Brian Sandoval (R) of Nevada, Dennis Daugaard (R) of South Dakota, Dan Malloy (D) of Connecticut, David Ige (D) of Hawaii, Jerry Brown (D) of California, Peter Shumlin (D) of Vermont, and Robert Bentley (R) of Alabama.

Only five governors received an "A" grade in the report. These governors were, from first through fifth, Paul LePage of Maine, Pat McCrory of North Carolina, Rick Scott of Florida, Doug Ducey of Arizona, and Mike Pence of Indiana, all Republicans.