

# POLITICO

## Grading the governors

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State spending soared 31 percent between 2004 and 2008. But the recession came along and knocked the wind out of the sails in the state budget boom. The deep recession created a challenge for state governors: They could be responsible and cut spending to balance their budgets. Or they could hit families with tax increases and keep on spending.

[Cato's 10th biennial "fiscal policy report card"](#) sorts out the responsible governors from the spendthrifts. After digging through tax and spending data since 2008, we assigned each governor a grade of "A" to "F." This year's results are particularly important since a number of governors have national political aspirations.

Here are the top governors — they all earned an "A":

- Republican Tim Pawlenty of Minnesota has promoted business tax cuts and vetoed numerous tax hikes passed by the legislature, including increases in gasoline taxes, alcohol taxes and income taxes.
- Republican Bobby Jindal of Louisiana has a good record on both taxation and spending. He repealed income tax increases put in place in 2002 and has trimmed the budget substantially since taking office.
- Democrat Joe Manchin of West Virginia has proved a popular governor for good reason. The state economy has done well under his policies of business tax cuts and restrained budgets.
- Republican Mark Sanford of South Carolina has been a champion of spending reduction and pro-growth tax cuts. He may have made personal mistakes, but he has kept true to his public vision of smaller government and a more competitive economy.

Unfortunately, few other governors have consistently supported spending cuts and pro-growth tax reforms. Republicans Rick Perry of Texas and Mitch Daniels of Indiana earned a "B" for their generally sound fiscal management. But neither has done much to actually shrink government.

Republican Jan Brewer of Arizona has conservative views on border enforcement, but she received a "D" — mainly due to her large sales tax hike. Republican Haley Barbour of Mississippi has increased taxes and hasn't been good on spending — so he gets a "C."

Overall, Republican governors did score a little better on spending than Democrats — and a lot better on taxes. Six of the seven governors who got an "F" were Democrats—Ted Kulongoski of Oregon, David Paterson of New York, Pat Quinn of Illinois, Jim Doyle of Wisconsin, Bill Ritter of Colorado and Chris Gregoire of Washington.

The other "F" governor was Republican Jodi Rell of Connecticut, who raised income taxes, corporate taxes and cigarette taxes.

Connecticut was among nine states that increased their top income tax rates in the last two years -- a troubling development. The other states were California, Delaware, Hawaii, New Jersey, New York, North Carolina, Oregon and Wisconsin. These hikes are likely to slow the recovery and reduce long-term economic growth.

As the Republican Nevada Gov. Jim Gibbons said in opposing tax hikes, "It's not the role of the state government to put people out of work."

Another troubling trend is the spread of "tax credit disease." Most states offer dozens of narrow tax breaks to favored activities. For example, more than 40 states offer film production incentives -- favoring Hollywood jobs over, say, manufacturing.

Quinn promises to "create more jobs" with special tax breaks, but he has also pushed to hike Illinois' overall corporate rate, to 9.7 percent from 7.3 percent. Granholm hiked Michigan's business tax rate, but recently awarded narrow breaks and said she had "the most aggressive strategy of any state to grow jobs."

Some governors do understand that economic growth is best spurred through cuts in overall tax rates -- particularly income tax rates.

Rhode Island Gov. Don Carcieri, for example, passed the most impressive tax reform of recent years. He cut the state's top personal income tax rate to 6 percent from about 10 percent; reduced the number of tax brackets, and ended a bunch of special interest breaks.

Other governors have focused on reducing business tax rates, crucial to attracting investment in our global economy. Manchin repealed his state's business franchise tax, repealed business license fees and cut the corporate tax rate. Pawlenty proposes cutting Minnesota's high corporate income tax rate in half.

Looking ahead, all the states face huge fiscal challenges. State government debt has doubled over the last decade, and too many state pension and health plans have massive funding gaps. Many states did trim spending during the recession, but larger reforms are needed.

The nation's "A" governors show the way ahead for their statehouse peers. They can also show Washington policy-makers that governments are entirely capable of trimming spending, cutting taxes and balancing their annual budgets.

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