



Think tank slams governor's fiscal policies

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November 4, 2016

Oh, how the mighty have fallen. Not just fallen, but precipitously fallen.

Every two years the Cato Institute releases its “Fiscal Policy Report Card on America’s Governors” — grading each governor from “A” to “F” and ranking them in order of the wisdom and worthiness of their fiscal policies in regard to taxation and spending.

To be fair, each state’s lawmakers should be given considerable credit and/or blame for a state’s fiscal status as well.

“State governments have been in an expansionary phase in recent years,” relates 2016 report card author Chris Edwards. “Even though U.S. economic growth since the last recession has been sluggish, general fund revenues of state governments have grown 33 percent since 2010. Some of the nation’s governors have used the growing revenues to expand spending programs, while others have pursued tax cuts and tax reforms.”

This year Cato awarded “A” grades to five governors and 10 “F” grades. The grading is based on seven variables, including two spending variables, one revenue variable, and four tax-rate variables.

Nevada’s chief executive, Brian Sandoval, solidly earned an ignoble “F” and ranked 47th out of 50 governors.

This is the Republican governor who won election while promising no new taxes and then pushed the highest tax hike in history. This is the governor who has handed tax breaks to Apple, Amazon, Tesla Motors, Faraday Future and others.

This is the governor who recently called the Legislature into session to hike Las Vegas hotel room taxes by 1.5 percentage points to raise \$750 million to build a professional football stadium — the biggest such government subsidy for a sports facility in history — and expand a convention center, but refused to consider funding education savings accounts.

That special session siphoning from the state's larder happened after the governor sheepishly brought home his Cato report card, so you can imagine where he will rank on the next report card — below the three Democratic governors of Oregon, Washington and Pennsylvania, whom he barely outscored this time?

“Brian Sandoval came into office promising no tax increases. But Governor Sandoval made a U-turn in 2015 and signed into law the largest package of tax increases in Nevada's history at more than \$600 million per year,” analyst Edwards writes, though the actual hike probably works out to be closer to \$750 million a year. “The package included a \$1 per pack cigarette tax increase, extension of a prior sales tax hike, an increase in business license fees, a new excise tax on transportation companies, and an increase in the rate of Nevada's existing business tax, the Modified Business Tax (MBT).”

The report card notes that the Commerce Tax that Sandoval pushed and the Legislature also approved was very similar to the margin tax that the state teacher union placed on the November 2014 ballot, but Nevada voters rejected 4-to-1.“

The Commerce Tax is complex, distortionary, and hidden from the general public,” Cato argues. “As a gross receipts tax, it will hit economic output across industries unevenly, and it will likely spur more lobbying as industries complain that their tax burdens are higher than other industries. Imposing the tax was a major policy blunder.”The report card also heaps criticism on the governor and the Legislature for those business-specific tax breaks for electric car companies, data centers and other favored businesses.

Sandoval's “F” this year is a slide from his 2014 “C” grade and a ranking of 21st in the nation. Cato dinged him for approving the expansion of Medicaid under ObamaCare. It also noted that he specifically promised to not extend temporary tax increases enacted in 2009, but reversed course and approved the extension, which included higher sales taxes, higher business taxes, and business license fees. He got extra credit back then for his lip service opposition to the margin tax on the 2014 ballot.

That 2014 report card showing was down from the “B” and the 16th ranking Sandoval earned in 2012, after a year in office.

The best grade any Nevada governor has been awarded by Cato was a “B” and a fifth best in the nation for Jim Gibbons in 2008. Oh, how the mighty have fallen.

The full report card may be downloaded online at: https://object.cato.org/sites/cato.org/files/pubs/pdf/edwards_report_card_on_govs_20161004.pdf