

# Lake County Record-Bee

## Newsom Gets An ‘F’ On States’ Fiscal Ranking

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It’s hardly a secret that California Gov. Gavin Newsom might be plotting a presidential run, but a new ranking of governors by the libertarian Cato Institute suggests that California’s chief executive ought to spend more time focusing on issues at home. He was one of eight governors who received an “F” grade in the group’s recent fiscal policy report card.

That takes some doing, when one considers that California – thanks to its booming tech economy – has a surplus estimated at \$97.5 billion. He could have used that extra cash to reform California’s ill-designed tax structure, or lower the state’s highest-in-the-nation tax burden to improve its business climate or address our long-standing infrastructure backlog.

Instead, Newsom “has supported numerous tax hikes,” according to the report card. Although he approved some limited one-time rebates and backed away from his problematic decision to limit business-tax credits during the pandemic, he has nevertheless doubled-down on California’s high tax and regulation policies.

Those are presenting the state with long-term challenges because of California’s reliance on high-income earners to fund its massive government. “IRS data show the state lost a net 114,652 households to other states in 2020,” according to the report card. “The state is losing two households earning more than \$200,000 for every one that it gains.”

Cato notes that California ranks 48th in business tax competitive and 48th in its index of personal and economic freedom. Neither of those low rankings are news. California businesses have long sought greener pastures given the state-imposed hurdles. California is among the worst states for individual workers, too, with Assembly Bill 5’s limits on independent contracting and voluminous occupational-licensing rules that constrict opportunities.

The report card echoes a point this Editorial Board has made: “California should be using its budget surpluses to permanently reform its tax code with lower and more competitive rates.” We’re pleased California isn’t struggling with huge deficits as it had a decade ago, but Newsom has missed an opportunity to make structural changes that could free us from endless boom-and-bust cycles.

In his apparent presidential quest, Newsom has argued with Florida’s Republican Gov. Ron DeSantis. “I’ll bring my hair gel. You bring your hairspray. Name the time before Election Day,” Newsom tweeted last month when challenging DeSantis to a debate. Newsom was right on the particular issue – the Florida governor’s cruel policy that sent migrants to Democratic states.

But Newsom's Independence Day ad in Florida calling for Floridians to "join us in California where we still believe in freedom" seemed delusional. California still has a lot going for it, but Florida has far fewer regulations and a more freedom-friendly tax structure. By the way, DeSantis only got a "C" on the report card – largely because he didn't support the wide-ranging tax cuts embraced by the best governors.

Although not the subject of the Cato report, Newsom has wisely reduced some of the state's zoning burdens by signing several significant laws that make it easier to build housing. The governor also has announced a praiseworthy plan to expand water infrastructure.

Nevertheless, we think Newsom ought to spend less time worrying about Tallahassee and more time in Sacramento reforming our ill-performing government. Once he gets a better grade in California, then he could look toward the White House.