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Report scores Gov. Dayton a 'D' on fiscal policy

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We Minnesotans are well used to Gov. Dayton patting himself on the back for his stewardship of the state's economy. But a report released last week by the Cato Institute suggests that the picture isn't as rosy as he makes out.

Cato's *Fiscal Policy Report Card on America's Governors* gives Gov. Dayton a D grade for fiscal policy. This poor grade is a result of his tax hikes and increased spending. As Chris Edwards, the report's author, writes, "Under Dayton, Minnesota's general fund spending has increased by 49 percent in 7 years (2011–2018); it rose 4.7 percent in 2017 and 8.0 percent in 2018."

The report goes on

In 2013, Dayton approved a package that raised annual revenues by $1 billion, which was almost 5 percent of total state tax revenues. The package increased the top individual income tax rate from 7.85 percent to 9.85 percent and hiked the cigarette tax by $1.60 per pack.

In 2014, Dayton reversed course and approved tax cuts of about $500 million a year, including reductions to income taxes, estate taxes, and sales taxes on business purchases. But Dayton reversed again, and in 2015 and 2016 he proposed raising taxes by hundreds of millions of dollars a year, although those proposals did not pass the legislature.

With a budget surplus in 2016, Republicans in the legislature proposed major tax cuts, including reductions in property taxes on business equipment. It seemed as if Dayton might reach a compromise on these cuts, but the bill that passed the legislature included a drafting error, and Dayton refused to sign it. That same year, Dayton proposed raising gas taxes and vehicle fees by $400 million a year.

In 2017, Dayton and the legislature feuded again over a budget surplus. Dayton's budget called for $300 million in tax cuts, but the legislature wanted to cut $1.15 billion. They reached a compromise on a grab bag of cuts, many of which will do little to spur economic growth, such as expansions in tax credits.

The bad blood between Dayton and the legislature continued in 2018. Minnesota enjoyed further surpluses and is expected to receive a revenue windfall of about $400 million a year if it conforms to the 2017 federal tax law. Dayton wants to increase education spending, expand low-income tax credits, and reverse some of the previous year's tax cuts that he did not agree with.

The legislature sent Dayton a bill to increase education spending and modestly cut individual and corporate tax rates. However, Dayton vetoed it because he did not want to cut corporate taxes and because the plan did not include low-income tax credits. Without a compromise on federal tax conformity, Minnesota residents will be left with a higher tax burden and a more complicated tax code.

These high taxes are hurting our state's economy. With its high personal tax rates, Minnesota's government is driving productive workers and entrepreneurs out of the state. With its high corporate taxes, it is depriving the state's workers of the tools and venture capital they need to become more productive. All this exacerbates our existing problem of below average labor productivity. For the sake of its continued prosperity, Minnesota needs to change direction.