

# THE AMERICAN SPECTATOR

## High Tax, Big Spending States Are Out of Money

*Why would a red state like Kansas ever want to join them?*

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Governors and state legislators say they are running out of money again, and many are demanding tax hikes to close budget gaps. Here we go again. The cycle in state capitals from Albany to Sacramento is always the same: spend when times are good, tax when times are bad, and repeat.

More than half the states are facing big deficits this year, and they are mostly blue states like California, Connecticut, Delaware, Illinois, New York, and Oregon. Wait. These are the highest tax states with some of the deepest pools of red ink. There's got to be a message here.

But some red states have money woes too. The biggest fight is in Kansas where the Republican-dominated legislature recently passed a massive income tax hike that would raise taxes on every small business in the state and every wage earner with income above \$15,000. Fortunately, governor Sam Brownback vetoed the GOP tax hike, but they will be back.

So what is the source of the budget crises from coast to coast? First, on the revenue side, tax receipts are down because states are front-line victims of the slow-growth era of the Obama years. When the U.S. economy sputters at only 1.6 percent as it did in 2016, state and local tax revenues barely trickle in. So much for the liberal spin that Obama left behind a healthy economy.

Revenues have plummeted in oil-producing states like Alaska, Kansas, Oklahoma, North Dakota, and Wyoming. Liberals are pushing big tax increases in each of these states that not so long ago gorged on new spending during the years of high prices. North Dakota had one year that the budget rose more than 50 percent.

The best thing Washington can do to help states is to pass the Trump tax cuts so we get faster economic growth. Nothing heals state budgets quicker than a dose of prosperity.

The major reason states are in financial trouble is the eight-year state spending binge that almost no one is reporting on. Chris Edwards, a fiscal analyst at the Cato Institute, has run the numbers. He reports that “state general fund spending has soared 32 percent since 2010.” The National Association of State Budget Officers predicts a 4.3 percent hike in fiscal 2017 budgets — twice the inflation rate.

One reason state budgets have spun out of control is Obamacare. Some 20 million Americans have been added to state Medicaid rolls. For now, the feds pay most of the costs. But in several years the patients will still be on Medicaid but the costs will be shifted to the states. All the more reason to repeal Obamacare as rapidly as possible before the Medicaid caseloads grow by millions more.

It’s worth noting that many of the blue states that signed up for the Obamacare Medicaid expansions now face the biggest deficits.

Will tax hikes solve the problem? The answer can be found in Connecticut and Illinois. These two states passed multi-billion-dollar income tax hikes “on the rich.” Both have seen their economies get crushed by the out-migration of tax filers to avoid the tax hikes. Today their deficits are still gigantic. Connecticut faces a near half-billion-dollar deficit and Democratic governor Malloy is calling for his third mega-tax increase to stop the red ink. Illinois has at least \$6 billion in unpaid bills following its biggest tax increase in history.

Spending discipline and pro-growth tax reforms are the best formula for reviving state budgets. If Republicans who control 69 of the 99 state legislative chambers think they can tax their way back to prosperity, don’t be surprised if they find themselves back in the minority after 2018.