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# Hey, Little Spenders

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Sorry, taxpayers. The spending party in Washington is still in full swing. But at least a few stalwarts in state government seem determined to treat your money responsibly.

First, the bad news: The Congressional Budget Office reports that the federal government spent $4.11 trillion in the fiscal year that ended last week, an increase of $129 billion or roughly 3% compared to 2017.

As usual, the biggest increases were generated by the major entitlement programs and the servicing of America’s more than $21 trillion in federal debt.

Spending on Social Security benefits rose by $43 billion, a 5% increase. Medicare spending jumped by $16 billion for a 3% hike and Medicaid outlays rose by $14 billion or 4%.

ObamaCare is younger and smaller than the other big entitlement programs but in the last fiscal year it grew much faster. Affordable Care Act subsidies hit up taxpayers for an additional $7 billion, a 17% increase.

CBO adds that net interest on the public debt increased by $62 billion—a 20% hike—due in part to higher inflation. And defense spending rose by $36 billion, a 6% surge.

Fortunately out in the provinces there are at least a few elected officials trying to impose discipline on government outlays. The libertarian Cato Institute has issued its 2018 fiscal report card and this year’s valedictorian is New Mexico’s Gov. Susana Martinez, who is wrapping up her eight-year tenure as a taxpayer champion.

The former prosecutor receives the top score, according to Cato, “because of her spending restraint, tax cuts, and opposition to tax increases. New Mexico’s general fund budget has been roughly flat in recent years, and she has built a reputation for vetoing wasteful spending. State government employment is down about 4 percent over the past three years.”

The Cato crew adds:

On taxes, Martinez has pursued reforms to make New Mexico more competitive. In 2012, she signed a bill reducing gross receipts taxes on inputs to construction and manufacturing. In 2013, she pushed through a cut to the corporate income tax rate, from 7.6 to 5.9 percent, phased in over five years.

Gov. Martinez deserves particular credit because the state had to navigate the sharp decline in oil prices beginning in 2014. It seems that disappointing revenues from energy production did nothing to weaken her resolve against tax hikes. “In 2017, she vetoed bills that would have increased taxes by $350 million a year, including increases to gas taxes, vehicle fees, freight truck charges, gross receipts taxes, and hospital taxes," adds Cato.

Ms. Martinez unfortunately has not been able to undo all of the mistakes of her predecessors. New Mexico's government spending is still high relative to the annual income of its citizens and the pension reforms she enacted in 2013 haven't come close to eliminating the state's unfunded liabilities.

Another star performer dealing with lower energy prices is North Dakota's Gov. Doug Burgum, a former software entrepreneur in his first term who is taking an annual salary of $1. Reports Cato:

Since Burgum entered office in December 2016, his focus has been on fiscal restraint. State government spending was cut by 5 percent between the 2015–2017 biennium and the 2017–2019 biennium.

Earlier this year, the governor called for further reductions and has vowed to change a culture in which bigger government budgets are seen as measures of success.

This column fully endorses the Burgum counterculture. The bizarre notion that more government spending equals progress has been promoted even by people outside the public sector. Stan Liebowitz and Matthew Kelly of the University of Texas at Dallas point out in Reason magazine that many rankings of school systems are biased in favor of big spenders.

Are the children of New Mexico and North Dakota suffering because of the relative fiscal restraint exercised by their state governments? You might think so looking at education rankings from outfits like U.S. News and World Report. According to Messrs. Liebowitz and Kelly:

The general consensus on education, retold every few news cycles, is that fiscally conservative states are populated by cheapskates. In those necks of the woods, people are too ignorant to vote in favor of helping their illiterate and innumerate children. Intelligent people understand that high taxes and generous pensions for public school teachers are the recipe for an efficient and smoothly functioning education system. If skinflint voters would just lighten up, the story goes, they too could become erudite and sophisticated.

But the authors appear to have punctured this myth in part by removing from consideration "factors that do not measure K–12 student performance or teaching effectiveness, such as spending per student (intentions to raise performance are not the same as raising performance), graduation rates (which often indicate nothing about learning, since 38 states do not have graduation proficiency exams), and pre-K enrollment." Messrs. Liebowitz and Kelly add:

Rankings that include these factors distract from true student performance. For example, under traditional rankings, states with inferior test scores sometimes outrank states with better ones simply because they spend more. A June article in the Tampa Bay Times highlighted the role of spending in the state's position in one lineup: "Critics of Florida's public education funding system got another piece of ammunition Wednesday, as Education Week rated the state's school spending an F alongside 25 other states."

As recently as 2011, Education Week placed Florida fifth in the nation. Then the publication altered its methodology to put more weight on raw expenditures. Despite high test scores, the state dropped to 29th place—not because teaching effectiveness fell, but because the state supposedly spent too little!

In the new rankings focused on academic performance, it seems that many fiscally responsible states turn out to be very educationally responsible, too.