



Colorado Governor John Hickenlooper receives C grade on CATO Fiscal Report Card

BY: Sarah Tanksalvala – October 9th, 2012

The CATO Institute released its Fiscal Policy Report Card on America's Governors for 2012 today. The biennial report evaluates how effectively governors have managed to deal with their states' financial situations. The criteria for scoring was the amount each governor has been able to cut taxes and spending since 2010 or 2011 (in the case of governors entering office in that year, which Hickenlooper did), though the report discusses the main economic issues facing states and noteworthy actions by each governor.

Four governors were awarded an A (65-69) in the study, and five were awarded an F. Of the top ten governors, only one was a Democrat (John Lynch of New Hampshire), and of the bottom ten, all were Democrats except one Republican and one Independent. Governor Hickenlooper received a score of 53, or a C, placing him at #26 in the nation, though Mississippi and Alaska were missing from the report. The study showed that in 2012, more governors stayed with their party's standard policies than in previous years. Republican governors had an average score of 57, and Democrats had an average score of 43, with differences being "slightly more pronounced on taxes than on spending."

The report also discussed tax reforms which successful states were pursuing. One major focus was states' appeal to business investment, which was achieved through reforms such as cutting taxes on corporate income, business inputs and property taxes on machinery and equipment. Hickenlooper got points in this area for reducing Colorado's business personal property tax, which even applied to businesses which were not making a profit. They pointed, however, to the problem of subsidies for specific industries, or tax incentives, which they said are unfair and distort the economy. CATO specifically identified film production tax breaks as the "poster child for tax incentive disease." In May 2012, Governor Hickenlooper signed the Film Production Activities in Colorado Act, which offers incentives to businesses to shoot movies and other forms of entertainment in Colorado.

The next specific area the institute addressed was taxes on healthcare providers for the purpose of funding Medicaid programs. "The purpose of these taxes is not to raise money from the health care industry, but for the states to grab more 'matching funds from Washington.'" CATO says, adding "State governments impose taxes on health care providers, and then they increase spending on health care to pay back the providers."

The score was determined by tax, revenue and spending variables, taking into account both the governors' proposed and passed changes.

On spending, Hickenlooper received a score of 50, having increased spending by 1.9% but having proposed an increase of 3.1%. His revenue score was much higher at 58, having a revenue drop of 0.5%. The national average for states was a 3.6% spending increase, proposed 2.2% spending increase, and 0.4% revenue increase.

He received a score of 51 on taxing, having neither raised nor dropped any scored tax rates (top individual, top corporate, general sales, cigarette). The average was a 0.01% increase on individual, 0.08 decrease on corporate, 0.03% increase on general sales and \$0.08 per pack increase on cigarette tax rates.

The study identified his fiscal policy as being centrist and average, saying he had opposed major tax increases had indicated support of a "flatter tax system with fewer loopholes." He supported but did not actively campaign for Proposition 103, an income and sales tax increase for education which Colorado voters overwhelmingly rejected. He is also working with a divided legislature.