



Cato Institute: California governor receives 'C' for fiscal policy

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(The Center Square) – California Gov. Gavin Newsom received a “C” grade for his fiscal policies in a report card released by a libertarian think tank.

The Washington, D.C.-based Cato Institute released its **“Fiscal Policy Report Card on America’s Governors 2020”** this week.

“This report discusses ways that states can respond to today’s budget challenges, including tapping revenues from marijuana legalization and cutting costs by prohibiting public-sector collective bargaining,” the think tank said in a news release. “The report also describes how states can prepare for future downturns by building large rainy day funds and creating stable and pro-growth tax bases.”

Newsom received a “C” grade along with 12 other governors from across the country. The Democratic governor “received a middling grade, but he did better than prior governor Jerry Brown who scored poorly on past Cato fiscal reports.”

Cato noted that under Newsom's administration, spending growth has slowed somewhat when compared to the 13.7 percent spending increase in Brown’s final year. But general fund spending still increased by 5.6 percent in Newsom's first year as governor.

"Newsom raised business taxes by more than \$1 billion in 2019, including by limiting loss deductions," the Cato report says. "He signed into law additional large business tax increases in 2020, including sharply limiting the use of business tax credits and loss deductions for three years. Imposing higher taxes on businesses during a recession is the wrong way to revive growth and get Californians back to work."

Cato recommends that California reform its tax system to create greater revenue stability, particularly during recessions.

"One problem is that the state’s top 1 percent of earners pay about 50 percent of all state income and capital gains taxes, but these tax revenues are highly variable," the report says. "California should move toward greater reliance on sales taxes and less reliance on income and capital gains taxes."