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Cato Institute echoes criticisms of Gov. Kasich's fiscal record

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By Jason Hart

Ohio Gov. John Kasich received a D grade in a new Cato Institute study of governors' fiscal policies, with Cato researchers repeating concerns Ohio's free-market think tanks have voiced for years.

Cato's latest Fiscal Policy Report Card on America's Governor [1]s, released Oct. 2, "uses statistical data to grade the governors on their taxing and spending records — governors who have cut taxes and spending the most receive the highest grades, while those who have increased taxes and spending the most receive the lowest grades."

"The report focuses on short-term taxing and spending actions to judge whether the governors take a small-government or big-government approach to policy," the publication states [2].

North Carolina Gov. Pat McCrory and Kansas Gov. Sam Brownback, both Republicans, tied for the top score at 78 and were among the four governors to receive an A in the 2014 report card. Kasich, meanwhile, tied Michigan Gov. Rick Snyder as the lowest-scoring Republican, at 44.

Helped by tax cuts but hampered by higher spending, Kasich's score placed him lower than eight of 20 Democrat governors in Cato's analysis.

"Governor Kasich's large income tax cuts should be celebrated," Nicole Kaeding, a Cato Institute budget analyst, said in an email to Ohio Watchdog. "Cutting taxes is an important step to fostering economic prosperity within a state. However, the large increases in spending in Ohio over the last several years are disappointing."

"While Governor Kasich has cut some taxes, he has also supported increasing other taxes like the severance tax on oil and gas production," Kaeding said. "This sort of tax increase would move Ohio in the wrong direction."

The Cato report noted Kasich's support for the Obamacare Medicaid expansion as a concern, but Medicaid expansion was not one of the variables used in calculating governors' scores.

Opportunity Ohio and The Buckeye Institute for Public Policy Solutions, Ohio's two free-market think tanks, have sharply criticized Kasich's support for Obamacare [3] and called on him to pair tax cuts with state spending cuts.

Opportunity Ohio President Matt Mayer referenced a July 2013 white paper [4] that found the state budget increased by more than 20 percent since Kasich took office in 2011.

"As we showed with our 'When the Lines Cross' report, Governor Kasich's budgets increase spending and only balance because of higher revenues," Mayer explained in an email to Ohio Watchdog. "When revenues drop during the next downturn, Ohio will face large deficits again."

"We fully expect Governor Kasich to continue his tax shifting push to cut personal income taxes by raising sales, severance, CAT and other taxes and fees," Mayer said.

Kasich has indicated a severance tax hike as one of his priorities for a second term.

"Now I'm talking to Democrats early on about coming over and helping me out on some other issues — for example, taxing the big oil companies on this severance tax," the governor said in a Sept. 29 interview on Cleveland's WTAM 1100.

Opportunity Ohio has produced a three-part video series [5] sharing the stories of Ohioans who could be negatively affected by a severance tax hike, which Kasich has pushed as a funding source for a statewide income tax cut.

The Buckeye Institute has called for leadership on municipal income tax reform [6]. In late 2013, municipal tax reform proposals in the Republican-dominated Ohio House were replaced [7] with what Americans for Tax Reform, National Taxpayers Union and others described as "a phony reform bill."

Buckeye Institute analysts have consistently advocated more aggressive income tax cuts [8] while advising caution in state spending, despite increasing tax revenues.

"What looks good today as we climb out of the economic hole Ohio fell into during the late 2000s may look less sunny when the next downturn hits," Greg Lawson wrote in a January 2014 Buckeye Institute release [9].

Data sources for the 2014 Cato report card include National Association of State Budget Officers, National Conference of State Legislators, state budget documents, Tax Foundation, and news articles, the Cato report explains [10].

After reviewing policies proposed or enacted since 2012, Kaeding and tax policy director Chris Edwards assigned scores on a 100-point scale to each governor based on a total of seven spending, revenue and tax rate variables.