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Brown's Tax and Spending Spree

By Nicole Kaeding

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The Great Recession ended in 2009, but its effects are still being felt within state budgets. To close the gap between higher spending and lower-than-expected government revenues, governors took varying approaches. Some, like North Carolina's Governor Pat McCrory, cut spending and taxes to breathe new life into their economies. Others, like California Governor Jerry Brown, increased taxes on families and businesses and expanded the government, hampering the Golden State's competitiveness.

Cato Institute's 12th biennial edition of its "Fiscal Policy Report Card on America's Governors" assigns grades of "A" to "F" to the governors based on their efforts to restrain government. Not only did Governor Brown receive an "F" in this year's report card, he received the worst score of any governor.

So, why did Governor Brown score so poorly?

To start, Brown has pushed for several large tax increases. In 2012 he championed a plan to increase annual tax revenues by $6 billion a year. That increase, which passed on a November 2012 ballot, included a hike in the top individual income tax rate to 13.3 percent.

He also supported a $1 per pack increase in cigarette taxes, which failed on a June 2012 ballot. To his credit, Brown did approve a 2013 law that reduced sales taxes on the purchase of manufacturing equipment, but this was just a marginal improvement to an otherwise messy tax code.

Brown's follies are not limited to tax policy. He, also, scores poorly on spending for substantially increasing the size of California's budget.. Over the last three years, Brown has proposed general fund spending increases averaging 6.8 percent annually, more than twice the national average over that period. California's general fund spending has grown from $86 billion in 2012 to Brown's proposed spending for 2015 of $107 billion. Brown recently called his 2015 budget one of "restraint and prudence," a laughable claim.

Even worse, California has $340 billion in unfunded pension and health care liabilities to current and future state retirees and state debt, according to the state's Legislative Analyst Office. These may represent even higher taxes in the future, unless California gets its spending under control.

State fiscal decisions matter to the future of the American economy. Much attention is paid to the uncompetitiveness of the federal corporate income tax, which collected $274 billion in 2013. According to Ernst & Young, state and local taxes cost businesses $671 billion in 2013. The burden of state business taxation dwarfs the burden of the federal corporate tax.

With the largest state-local tax burdens of any state and one of the worst business climates, many businesses are choosing to leave California for more economically friendly states like Texas.

California residents are also taking notice of the lower taxes elsewhere. Manhattan Institute research suggests that many Californians are leaving the state[?]. Surely, many things affect migration, like weather, commutes, job opportunities, and families. California--unlike many other high-tax states--does have a fantastic climate and many geographic advantages, but higher taxes don't encourage individuals to stay put.

Lower taxes and less government spending allows the economy to flourish. That means more jobs, more opportunities, and more freedom for individuals to pursue their passions. Governor Brown's policies are moving California in the wrong direction.

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