



Fiscal Report Card: Which State Governors Are Earning As?

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Nicole Kaeding, budget analyst, and Chris Edwards, director of tax policy at the Cato Institute, have released a new "fiscal policy report card" on the fifty states. The report analyzes the policies of each state governor since 2012, grading state leaders on their fiscal performance.

Who leads the pack? Kaeding and Edwards gave four As to Pat McCrory (R-N.C.), Sam Brownback (R-Kan.), Paul LePage (R-Maine) and Mike Pence (R-Ind.). Why?

McCrory's 2013 tax reform instituted a single income tax rate of 5.8 percent, cut the corporate tax rate and broadened the sales tax base. Additionally, he repealed the estate tax altogether. Even more tax cuts have been made this year, and those -- combined with spending constraints -- have made the state highly competitive.

Governor Brownback replaced the state's three income tax brackets with two and dropped the top rate down to 4.9 percent in 2012. In addition to lowering small businesses' taxes, he repealed several tax breaks. Last year, he instituted further income tax cuts. The state's spending has increased only slightly since 2012.

LePage earned an A based on the state's flat spending rate over the last three years as well as the drop in government employment. He also made a number of reforms that cut the costs of welfare and the state's health care programs.

Similar to McCrory, Governor Pence cut Indiana's inheritance tax altogether and dropped the individual income tax rate in 2013. Already this year, he has cut the corporate income tax as well as business property taxes.

Cutting business and individual taxes is critically important, because tax rates discourage investment and constrain entrepreneurs from starting new businesses and employing new workers. Estate taxes are also devastating, and capital gains taxes keep new investment low. The governors who earned high scores recognized these realities and sought to lower rates.

On the other hand, eight state leaders earned an F: Mark Dayton (D-Minn.), John Kitzhaber (D-Ore.), Jack Markell (D-Del.), Jay Inslee (D-Wash.), Pat Quinn (D-Ill.), Deval Patrick (D-Mass.), John Hickenlooper (D-Colo.) and Jerry Brown (D-Calif.). There is a clear distinction between those who earned As and those who earned Fs in their party affiliations. Kaeding and Edwards explain that Democratic leaders sought tax increases to combat the recession, compared to spending limits which were supported by Republicans.