Policy Analysis

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Fiscal Policy Report Card on America's Governors: 2002

by Stephen Moore and Stephen Slivinski

Executive Summary

Against the backdrop of the worst state budget crunch in years, this report presents the findings of Cato Institute's sixth biennial fiscal policy report card on the nation's governors. The report card's grading is based on 17 objective measures of each governor's fiscal performance. Governors who have cut taxes and spending the most receive the highest grades. Those who have increased spending and taxes the most receive the lowest grades.

This year, two governors receive the highest grade of A: Bill Owens of Colorado and Jeb Bush of Florida. Four governors receive the lowest grade of F: Gray Davis of California, Don Sundquist of Tennessee, Bob Taft of Ohio, and John Kitzhaber of Oregon.

The governors of some of America's most populous states and their grades are George Pataki of New York, B; George Ryan of Illinois, D; and John Engler of Michigan, B.

State governments faced a combined budget gap of more than $40 billion in 2002, largely as a result of an overspending binge in the 1990s. Most governors will confront more tough budget choices in 2003. We hope that governors do not make the mistake of raising taxes to try to balance budgets, as many did in the economic slowdown of the early 1990s. Instead, by reducing spending and cutting tax rates, governors can return their states to fiscal and economic health. If they do, we will have many high grades to reward on the next Cato fiscal report card.

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Introduction

This report provides the results of the Cato Institute's sixth biennial fiscal policy report card on the nation's governors.[1] The study is a comparative analysis of the budget and tax records of 42 governors. (Seven governors were excluded because they assumed office too recently for their records to be fully assessed. Alaska's governor was also excluded.)[2] The report card provides an index of fiscal restraint for each governor. Those who cut taxes and spending the most receive the highest grades. Those who raised taxes and spending the most receive the lowest grades.

The grading mechanism is based on 17 objective measures of fiscal and economic performance and follows the methodology of previous Cato governors studies. The sources of the tax and spending data in the study are the U.S. Bureau of the Census, the National Association of State Budget Officers (NASBO), and the National Conference of State Legislatures (NCSL).[3]

The first section of the study discusses the main results for both the spending and tax sides of state fiscal policy. Following the main results, the report discusses trends in state fiscal policy during the past decade, causes of current budget gaps, and the relationship between state taxes and economic performance. Appendix A discusses the purpose of the study and explains study caveats. Appendix B provides a detailed discussion of the report card's methodology and the 17 policy variables that were examined. Appendix C contains detailed tables. Appendix D provides a one-page fiscal summary for each governor in this year's report.

Main Results

Table 1 presents the main results of the study. Two governors received the highest grade of A this year: Bill Owens of Colorado and Jeb Bush of Florida. Four governors received an F: Gray Davis of California, Bob Taft of Ohio, Don Sundquist of Tennessee, and John Kitzhaber of Oregon.

Results for Spending Restraint

The governors with the best spending restraint records are Kenny Guinn of Nevada, Bill Owens of Colorado, and Roy Barnes of Georgia. The worst budget restraint record was recorded by John Kitzhaber of Oregon. During his tenure, real per capita state spending increased at an annual average rate of about 9 percent through 2000. Davis (California), Jane Swift (Massachusetts), Jane Hull (Arizona), and Jesse Ventura (Minnesota) also have very poor records on spending restraint.

The spending scores in the study highlight big differences in the direction of fiscal policy between the states in recent years. In contrast to the large proposed spending increases of Kitzhaber (Oregon) and Davis (California), Governors Guinn (Nevada), Barnes (Georgia), and Owens (Colorado) have recommended substantial real cuts in spending.

Results for Tax Policy

The best record on cutting taxes and restraining revenue growth was recorded by Bill Owens of Colorado. It is true that his job was made easier by Colorado's Taxpayer Bill of Rights, a state constitutional amendment passed by voters in 1992 that requires tax refunds when state revenue growth exceeds the growth rate of population plus inflation. Nonetheless, Owens has proactively sought substantial tax cuts even before TABOR refunds automatically kick in. Owens has succeeded in bringing the state's flat income tax rate down to 4.63 percent. He has both proposed and signed into law sales tax and corporate income tax cuts.

Some governors, such as Gary Locke of Washington, have chafed under voter-imposed budget restrictions and tried to overturn them. But Colorado's Owens has fully respected the fiscal discipline imposed by TABOR. Indeed, Owens has proposed tax cuts averaging about $235 million per year—or about 2.6 percent of general fund spending—in addition to the TABOR refunds.

Table 1
Overall Fiscal Policy Grades

Governor	State	Score	Grade
Owens (R)	Colorado	76	A
Bush (R)	Florida	67	A
Barnes (D)	Georgia	64	B
Pataki (R)	New York	63	B
Guinn (R)	Nevada	63	B
Janklow (R)	South Dakota	60	B
Johnson (R)	New Mexico	60	B
Locke (D)	Washington	60	B
Engler (R)	Michigan	58	B
Martz (R)	Montana	58	B
Keating (R)	Oklahoma	58	B
Rowland (R)	Connecticut	58	B
Swift (R)	Massachusetts	56	B
Minner (D)	Delaware	54	C
Patton (D)	Kentucky	53	C
Musgrove (D)	Mississippi	53	C
Kempthorne (R)	Idaho	53	C
Cayetano (D)	Hawaii	52	C
O'Bannon (D)	Indiana	52	C
Huckabee (R)	Arkansas	52	C
Geringer (R)	Wyoming	52	C
Johanns (R)	Nebraska	52	C
Almond (R)	Rhode Island	50	D
Hodges (D)	South Carolina	50	D
Hull (R)	Arizona	49	D
Ryan (R)	Illinois	49	D
Leavitt (R)	Utah	48	D
Graves (R)	Kansas	48	D
Shaheen (D)	New Hampshire	48	D
Ventura (I)	Minnesota	48	D
Siegelman (D)	Alabama	48	D
King (I)	Maine	47	D
Vilsack (D)	Iowa	46	D
Glendening (D)	Maryland	46	D
Dean (D)	Vermont	46	D
Hoeven (R)	North Dakota	45	D
Foster (R)	Louisiana	44	D
Wise (D)	West Virginia	44	D
Davis (D)	California	42	F
Sundquist (R)	Tennessee	40	F
Taft (R)	Ohio	40	F
Kitzhaber (D)	Oregon	30	F

The four governors proposing or enacting the largest income tax rate cuts during their tenures are Gary Johnson (New Mexico), Frank Keating (Oklahoma), Ben Cayetano (Hawaii), and Judy Martz (Montana).

Other top tax cutters include Jeb Bush of Florida and George Pataki of New York. Each has recommended tax cuts averaging between 1 and 2 percent of state spending each year. It should be noted, however, that Governor Pataki's tax cuts have been partly offset by his recent support of a cigarette tax increase.

The worst record on taxes came from John Kitzhaber of Oregon. Under Kitzhaber, real per capita tax revenue in Oregon increased at an average of 11 percent per year through 2000. Others proposing or signing into law big tax hikes were Govs. Mike Foster (Louisiana), Jeanne Shaheen (New Hampshire), Sundquist (Tennessee), and Bob Wise (West Virginia). On average, each has recommended tax hikes averaging more than 2 percent of state spending per year. Shaheen's tax increase proposals have equaled a whopping 15 percent of state spending, and Sundquist's proposal for a Tennessee income tax would have increased tax revenues by about 5 percent of the size of the state budget.

Personal Income Taxes

The four governors proposing or enacting the largest income tax rate cuts during their tenures are Gary Johnson (New Mexico), Frank Keating (Oklahoma), Ben Cayetano (Hawaii), and Judy Martz (Montana). Income tax rates have also been reduced under Pataki (New York), Parris Glendening (Maryland), John Engler (Michigan), Howard Dean (Vermont), Lincoln Almond (Rhode Island), Michael Leavitt (Utah), Ventura (Minnesota), Owens (Colorado), Dirk Kempthorne (Idaho), Taft (Ohio), and Hull (Arizona). Some of these governors have proposed larger income tax cuts than their legislatures were willing to approve.

The largest recommended income tax increase was proposed by Governor Sundquist of Tennessee. For the past three years, he has not made any serious effort to rein in rapid state spending growth but instead has focused on imposing the first-ever personal income tax in Tennessee. The state legislature responded to overwhelming public outcry and voted against the income tax proposal three times. Governor Sundquist's report card grade has suffered severely as a result of his proposal.

Sales Taxes

Sales tax increases have been proposed or enacted by Foster (Louisiana), Shaheen (New Hampshire), Ronnie Musgrove (Mississippi), Keating (Oklahoma), Frank O'Bannon (Indiana), Mike Huckabee (Arkansas), Cayetano (Hawaii), Dean (Vermont), Hull (Arizona), Bill Graves (Kansas), and Engler (Michigan). However, Keating's proposal to raise sales taxes is a part of a plan to institute major tax reforms that would lower the income tax and lower the overall tax burden substantially.

Sales tax cuts were proposed by Owens (Colorado), Almond (Rhode Island), Leavitt (Utah), Ventura (Minnesota), Sundquist (Tennessee), and Jim Geringer (Wyoming). Angus King (Maine) proposed reversing the one percentage point sales tax increase of his predecessor.

Gasoline Tax

Fuel tax increases were proposed or enacted by many governors, including Geringer (Wyoming), Locke (Washington), Leavitt (Utah), William Janklow (South Dakota), Almond (Rhode Island), Kitzhaber (Oregon), Ventura (Minnesota), Engler (Michigan), King (Maine), Foster (Louisiana), Paul Patton (Kentucky), Graves (Kansas), Huckabee (Arkansas), and Dean (Vermont). Frank O'Bannon (Indiana) reinstituted the gasoline tax in his state after suspending it in the summer of 2000. The only governors to propose or enact a cut in the gasoline tax were John G. Rowland (Connecticut), Keating (Oklahoma), and Johnson (New Mexico).

Cigarette Tax

With a more than $200 billion windfall from the tobacco litigation settlement to be added to state revenue over the next 25 years, the last thing states should do is raise taxes on cigarette consumers. But a stampede to soak the smoker resulted in a majority of states increasing cigarette taxes in recent years. Cigarette taxes have not gone up under the following 20 governors: Don Siegelman (Alabama), Hull (Arizona), Huckabee (Arkansas), Owens (Colorado), Bush (Florida), Barnes (Georgia), Kempthorne (Idaho), Tom Vilsack (Iowa), Patton (Kentucky), Swift (Massachusetts), Musgrove (Mississippi), Martz (Montana), Guinn (Nevada), Johnson (New Mexico), John Hoeven (North Dakota), Keating (Oklahoma), Kitzhaber (Oregon), Jim Hodges (South Carolina), Wise (West Virginia), and Geringer (Wyoming).

The State Spending Splurge of the 1990s

To provide context for this year's governors report card, readers can look at state budget trends during the past decade. The state fiscal crunch that many governors now confront resulted from excess spending in recent years. Between 1996 and 2001, total federal government spending rose 19 percent. By contrast, state general fund spending rose 39 percent during the same period. State general fund spending grew 5.0 percent in 1997, 5.7 percent in 1998, 7.7 percent in 1999, 7.2 percent in 2000, and 8.3 percent in 2001.[4] (All budget figures are for fiscal years.) As the economy slowed down and large budget gaps started appearing, states still increased spending by 2 percent in 2002, on average.

Clearly, rapid spending growth has put states in the current budget mess. Yet states recently enacted tax hikes of more than $6 billion, which is the biggest combined increase since 1992.[5] Many states are expected to consider further big tax hikes next year. Leading the pack are California and New York, which have a combined $30 billion budget gap to close. In dealing with the budget gaps, states should heed the wisdom of Colorado's Governor Owens who noted: "States do not have a revenue problem. They have an overspending problem."[6]

Contributing to the spending problem is the fact that many of the Republican governors who were elected in the early and mid-1990s as tax cutters now embrace higher spending. John Engler of Michigan and George Pataki of New York are good examples. They both enacted substantial cuts in spending and taxes in their first terms but subsequently allowed their budgets to grow rapidly. In the past three years, the New York budget has grown more rapidly than it did under big-spending former governor Mario Cuomo. Four of the biggest tax increases this year were signed into law by Republican governors Bob Taft of Ohio, Bill Graves of Kansas, George Ryan of Illinois, and Don Sundquist of Tennessee.

Tax Hikes in the Early 1990s Compared to Today

During the recession of the early 1990s, about half the states—led by Arizona, California, Connecticut, New Jersey, and New York—tried to close yawning budget gaps by enacting major tax hikes. As it turned out, the states that hiked taxes in the early 1990s generally did not solve their budget woes; they simply created slower economic growth.[7] The state that raised income tax rates the most, Connecticut, had job growth in the 1990s of just 4 percent. But Colorado, which cut income taxes substantially, saw a 45 percent job increase.

In the current economic slowdown, most governors have stayed away from broad income tax rate hikes; they have turned instead to "sin" taxes, particularly cigarette taxes. In the past two years, at least 18 states have raised taxes on cigarette consumers, and a handful has raised taxes on consumers of liquor. At least four states have raised their general sales tax. Many states are looking at the gaming industry and lotteries as a source of added revenue. And in Washington State there is a ballot initiative to tax consumers of gourmet coffee drinks, which takes the concept of sin taxes to a whole new extreme.

There was some good fiscal policy news in 2002. Attempts to enact income taxes in New Hampshire and Tennessee failed. Also, an attempt to pass a huge increase in the sales tax in Florida was thwarted.

Fiscal Restraint and Tax Cuts to Spur Growth

During economic slowdowns, it makes sense for governors to enact pro-growth tax cuts, such as income and capital gains rate cuts, to revitalize state economies. However,

Rapid spending growth has put states in the current budget mess.

The prosperity of the late 1990s created a strong momentum to continually expand state budgets.

only 11 states cut personal income taxes in 2002, and far fewer have proposed tax cuts for 2003.[8] By restraining spending, states can free funds for further tax cuts. Consider the example provided by John Engler of Michigan during the last recession. Although Engler inherited a $2 billion deficit, he proceeded to eliminate unneeded state agencies and held spending to below the inflation rate for three years. That fiscal restraint allowed him to cut taxes and boost the economy to create the "Michigan Miracle."

In recent years, spending restraint efforts such as Engler's of the early 1990s have been rare. The prosperity of the late 1990s created a strong momentum to continually expand state budgets. By our estimates, roughly two of every three surplus dollars that flowed into state coffers between 1996 and 2001 were used for new spending, not for tax reduction.

Some analysts argue that the state fiscal picture would be brighter today if governors had not cut taxes in the 1990s. In fact, deficits very likely would be larger today if tax cuts had not been enacted in the 1990s. The reason is that the state spending splurge would have been even larger. Colorado provides a good example. It was forced to hold down spending and taxes in the 1990s because of a state constitutional budget growth limitation. As a result, it does not have the enormous budget gap that confronts many states today. Other states should consider adopting a Colorado-style budget limitation measure to avoid repeating fiscal mistakes in the future.[9]

How Do Republicans and Democrats Compare?

Disappearance of Tax-Cutting Republicans

In the early and mid-1990s a new breed of tax-cutting and reformist Republican governors was elected to more than a dozen governorships. They included John Engler of Michigan, William Weld of Massachusetts, Christine Todd Whitman of New Jersey, George Allen and Jim Gilmore of Virginia, and George Pataki of New York. Those governors reversed the high-tax policies of their predecessors and created a sea change of fiscal reform in their states. During 1994–2000, states as a whole enacted net tax cuts every year—although those cuts were nowhere near enough to offset the rapid growth in state revenues from the strong economy. A number of Democratic governors in those years, including Jim Hunt of North Carolina and Zell Miller of Georgia, also cut taxes.

This report card finds that the ethic of fiscal restraint and tax reduction among the GOP governors has waned in recent years, as reflected in this year's report card grades. The average grade for Republican governors was C–, compared to the average grade of D+ for the Democrats.

There is a surprising lack of fiscally conservative stars in the current field of GOP governors. Most Republican governors have fiscal records more closely resembling that of Nelson Rockefeller than that of Ronald Reagan. Many Republican governors have supported tax increases, including George Pataki (New York), who signed into law a huge increase in the cigarette tax; Don Sundquist (Tennessee), who lobbied for a state income tax; Jane Hull (Arizona), who supported an increase in the sales tax; George Ryan (Illinois), who raised taxes by more than $600 million in 2002; Mike Foster (Louisiana), who extended the state's 3 percent sales tax on food and utilities; and Bob Taft (Ohio), who raised taxes by more than $700 million. Mike Leavitt (Utah) is leading the charge in the states for an Internet taxing scheme. Indeed, only nine incumbent Republican governors refused to sign a letter to Congress calling for an Internet tax in 2000.

There are some notable Republican exceptions, including Bill Owens (Colorado) and Kenny Guinn (Nevada), who held down taxes and spending while their states' economies boomed. Gary Johnson held off a big-spending legislature with three budget vetoes in 2002. Jeb Bush is a policy pioneer in tax reform, school choice, litigation reform, and other areas. But that is a thin crop of pro-growth policy entrepreneurs out of 24 Republican governors.

The Disappearance of Centrist Democrats

Another troubling development is the disappearance of centrist Democrats from governors' offices. Ben Cayetano of Hawaii used to sound like a supply sider when talking about income tax cuts, but then he raised taxes in 2002. Gary Locke of Washington has a good fiscal record, but only because he has been pushed to protect taxpayers by a conservative legislature and voter initiatives that restrict state spending. For the most part, recent Democratic governors have tended to be pro-tax and pro-spending with little regard for the negative effects on the economy.

The most high-profile example of that trend is California's Gray Davis. Davis entered office as a rising star in the Democratic Party with an image as a fiscal moderate. However, in four years he has grown the state budget by nearly 40 percent and turned a $10 billion budget surplus into a $24 billion deficit. Davis has abandoned any pretense of fiscal conservatism and has had as economically destructive a first term as any governor.

Rapid Spending Growth Caused the Fiscal Crunch

In the 1980s, few states resisted the pressure to use surplus revenues from the economic boom to create costly new programs. As a result, when the economy slipped into recession in the early 1990s, many states found themselves in the worst fiscal crunch in decades. Then-governor Mario Cuomo of New York said his state's budget was "broke down to the marrow of our bones."[10] The recession caused revenue growth to slow, but demands to meet all the new spending commitments did not slow.

The same thing has happened in recent years. In state capitals from Albany to Sacramento, state budgets have exploded. Between 1990 and 2000, state government expenditures (excluding federal transfers) more than doubled in current dollar terms from $303 billion to $638 billion. After adjusting for inflation and population growth, eight states permitted their budgets to grow by more than 50 percent during the decade: Mississippi, Pennsylvania, West Virginia, Arkansas, Utah, North Carolina, Missouri, and New Mexico (see Table 2).

Real state spending grew slightly faster in the 1990s (3.7 percent) than in the go-go 1980s (3.4 percent). The current so-called fiscal crisis is mostly a result of states wanting to spend more every year, not of taxpayers not giving up enough income.

One difference between the budget crunch of today and the one of 10 years ago is that states did use the boom years to accumulate sizable "rainy day" funds this time around. According to NASBO, the states started 2002 with reserves averaging a hefty 7.8 percent of expenditures.[11] In the current slowdown, drawing down these reserve funds, combined with tobacco lawsuit settlement funds, has been an important defense against reduced tax revenue growth.

The other difference between the deficits of the early 1990s and today is their size. The more than $40 billion of state deficits today is about 10 percent of general fund expenditures, which dwarfs the 1992 deficits of about 2 percent of expenditures.[12] Even though the recession of the early 1990s was deeper than the current slowdown, today's deficits are much larger.

Why are today's deficits larger? Some analysts are trying to blame recent tax cuts for the budget gaps. Although there was widespread tax cutting in the late 1990s, tax cuts tapered off substantially in FY02. Besides, the tax cuts of the 1990s were very modest compared to the huge spending increases that took place. Indeed, roughly two of every three surplus dollars since 1996 have gone to new spending, with just one dollar going to tax cuts. In other words, spending increases were twice as big as recent tax cuts.

Table 3 shows that states with the highest deficits have had substantially higher spending and tax revenue growth since 1995, on average, than have low-deficit states. Even with tax cuts in many states in the 1990s, state revenues still boomed. If states had not cut taxes in the 1990s, today's budget gaps would be even larger because extra revenue

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Table 2
Real per Capita Spending Increase, 1991–2000

Rank State	Increase
1. Mississippi	76%
2. Pennsylvania	61%
3. West Virginia	57%
4. Arkansas	57%
5. Utah	56%
6. North Carolina	56%
7. Missouri	56%
8. New Mexico	54%
9. Wisconsin	48%
10. New Hampshire	47%
11. Texas	47%
12. Minnesota	46%
13. Oregon	45%
14. Kentucky	44%
15. Colorado	44%
16. Iowa	42%
17. Tennessee	41%
18. South Carolina	40%
19. Alabama	39%
20. Maine	38%
21. Idaho	38%
22. Montana	36%
23. Kansas	35%
24. Indiana	35%
25. North Dakota	34%
26. Virginia	34%
27. South Dakota	33%
28. Nebraska	32%
29. California	32%
30. Vermont	32%
31. Delaware	30%
32. Washington	29%
33. Louisiana	28%
34. Ohio	27%
35. Florida	27%
36. Maryland	27%
37. Georgia	24%
38. Connecticut	23%
39. Massachusetts	22%
40. New York	22%
41. Illinois	22%
42. Michigan	20%
43. Arizona	19%
44. Rhode Island	19%
45. New Jersey	18%
46. Hawaii	16%
47. Nevada	13%
48. Oklahoma	11%
49. Wyoming	11%

Source: Authors' calculations based on Bureau of Census data.
Note: Alaska is excluded.

Table 3
Budget Deficits vs. Recent Budget Increases

Variable	10 Lowest-Deficit States	10 Highest-Deficit States
Size of deficit (% of budget)	0.2%	10.2%
Increase in real per capita spending, 1995–2000	6.4%	18.2%
Increase in real per capita tax revenue, 1995–2000	12.5%	17.5%

Source: Authors' calculations based on NASBO and Bureau of Census data.

would have fueled even more spending.

The best way to combat today's budget gaps is by cutting spending. Indeed, 29 states have enacted at least modest cuts.[13] In addition, many states are drawing down their rainy day funds to cover shortfalls. Unfortunately, many states are also making the mistake of raising taxes. This year, states enacted tax hikes of more than $6 billion, which was the biggest combined increase since 1992.[14] Many states are threatening to take the easy way out and raise taxes again in 2003.

How the state governors have chosen to close current budget gaps is an important factor in the fiscal report card rankings. Those governors who have advocated raising taxes to cover deficits receive low marks, and those who have proposed spending cuts or use of rainy day funds receive higher marks.

Tax Policy and Economic Growth in the 1990s

In this report's rankings, we emphasize the importance of tax cuts in general, and income tax cuts in particular, because the evidence shows that states that reduce taxes improve their prospects for economic growth. For example, a 1996 study by Zsolt Besci of the Federal Reserve Bank of Atlanta found that "relative marginal tax rates have a statistically significant negative relationship with relative state growth averaged for the period from 1961 to 1992."[15] The message of the study for state governments is that "lowering aggregate state and local marginal tax rates is likely to have a positive effect on long-term growth rates."[16] A study for the congressional Joint Economic Committee by Richard Vedder of Ohio University came to a similar conclusion.[17] A study by Thomas Dye of Florida State University found that states with no income tax had higher personal income growth (and smaller government growth) than states that had an income tax.[18]

Tax changes enacted in the states in the 1990s offer a useful laboratory to explore the effects of tax policy. We compared economic performance in the 10 states that increased taxes the most with economic performance in the 10 states that cut taxes the most during 1990–2000 (see Table 4). The results suggest that when states reduce taxes they improve their relative economic performance.[19]

Employment Growth

Businesses and jobs migrated to low-tax states in the 1990s. Job growth averaged 25 percent in the tax-cutting states but just 9 percent in the tax-increasing states. The lowest job growth was in the tax-raising states of Connecticut and Rhode Island.

Businesses and jobs migrated to low-tax states in the 1990s.

Unemployment Rate

At the end of 2000, the unemployment rate averaged 3.6 percent in the 10 tax-cutting states but 4.2 percent in the 10 tax-raising states.

Table 4
Taxes and State Economic Performance, 1990–2000

	Top 10 Tax-Cutting States	Top 10 Tax-Hiking States	U.S. Average
1990–2000 revenue increases (% of 1990 personal income)	-1.1%	2.4%	0.6%
Employment growth, 1990–2000	25%	9%	20%
Unemployment rate, 2000	3.6%	4.2%	4.0%
Personal income growth, 1990–2000	74%	57%	71%

Source: Authors' calculations based on Department of Commerce data.

As many as half of the nation's governors are expected to propose tax hikes in 2003, thus succumbing to the illusion that states can tax their way back to prosperity.

Income

State personal income grew by 74 percent in the tax-cutting states but 57 percent in the tax-raising states.

Bond Ratings

If tax cuts caused fiscal deterioration, then the bond ratings of the 10 tax-cutting states should be worse than the bond ratings of the 10 tax-raising states. But the opposite is true. In the tax-cutting states, the average Standard and Poor's bond rating in 2000 was between AAA and AA. In the tax-raising states, the average bond rating was between AA and A.[20]

Conclusion

The fiscal record of the current governors could be much better. Spending has surged in nearly all states in the past decade, even in states with supposedly conservative governors. States should be combating current budget gaps by going after the source of the problem and cutting spending. But many states have instead raised taxes. As many as half of the nation's governors are expected to propose tax hikes in 2003, thus succumbing to the illusion that states can tax their way back to prosperity.

If history is a guide, the states that combat budget gaps by shutting down unnecessary agencies, shrinking government workforces, and resisting new spending will emerge from the economic slowdown with the best prospects. But governors who try to tax their way to budget balance will likely face the unhappy fate of Mario Cuomo (New York), Jim Florio (New Jersey), and Lowell Weicker (Connecticut), who were all chased from office when their tax hikes caused even larger economic and fiscal problems. With the 2002 elections likely to bring in a class of 10 to 20 new governors, we hope that the freshman governors learn from such blunders and aim to score high on the next Cato fiscal report card.

Appendix A: Report Card Background

Purpose of the Governors Report Card

The purpose of the Cato Institute's report card on the governors is to assess the policies of each governor from the taxpayer's perspective. To our knowledge, it is the only objective analysis of the fiscal performance of the nation's governors.

Scoring the fiscal records of governors is important for several reasons. One is that state governments have evolved into large, multi-billion-dollar enterprises. The budget of California now exceeds $100 billion and is larger than many nations' gross domestic product. Bureau of the Census data show that average direct spending by the states was about $2,700 per person in 2000, which represents more than 9 percent of personal income.[21] With such huge resources at their disposal, the governors have a great effect on the fiscal and economic health of the nation.

Another reason to focus on governors' policies is that statehouse occupants are influential political figures in America. A governorship is a solid steppingstone to the White House, as Jimmy Carter, Ronald Reagan, Bill Clinton, and George W. Bush have proven. Governors are also leading public policy innovators. The states often serve as policy incubators and the "laboratories of democracy."

The Cato report card has a pro-taxpayer perspective that emphasizes fiscal restraint and tax reduction. By contrast, many analysts judge governors' success according to the number of new spending programs they initiate. But real leadership is shown by fiscal restraint and pursuit of pro-growth policies that raise living standards for state citizens.

Report Card Caveats

This is the sixth Cato report card on the governors. This year we have made some further refinements to the methodology and added variables to improve the results. Note, however, that there are several unavoidable problems in grading the fiscal performance of the governors.

First, the report card does not entirely isolate the impact of the governors from the fiscal decisions of state legislatures. In most states, the legislature has at least an equal influence on budget outcomes. In addition, if a state legislature is controlled by a different party, then a governor's control over fiscal policy is usually diminished. (Appendix D summarizes the fiscal record of each governor and notes whether the legislature is of the same party.) To isolate governors' performance, we grade them not just on outcomes but also on tax and spending proposals contained in their official budget recommendations.

Second, some states grant governors more authority over the budget process than other states. For example, most governors are empowered with a line item veto allowing them to unilaterally reduce spending. By contrast, governors of nine states do not have line item veto power. Moreover, the supermajority voting requirement to override a veto varies among states. These factors give the governors different levels of budget control, which are not accounted for in this study.

States have other unique features that are difficult to control for. In Hawaii, most school funding comes from the state not local governments, which inflates Hawaii's spending figures. Alaska and several other states receive substantial severance taxes from companies that extract oil and minerals. The burden of those taxes falls on out-of-state residents to some extent. Furthermore, the fiscal condition of those states can improve or deteriorate dramatically in response to changes in the market price of commodities. Severance taxes are a large distortion only for Alaska, and we have excluded that state from the study.

In recent years, many states have moved to reduce reliance on local property taxes as part of school finance overhauls. In 1994, Michigan passed an education finance package that increased the state sales tax in exchange for a larger dollar reduction in the local property tax. Since 1994, other states have followed Michigan's lead, including Idaho, Kansas, South Carolina, South Dakota, Vermont, Michigan, Texas, Florida, and Wisconsin. In most cases, these changes involve a reduction in local property taxes, with the state government compensating local governments by increasing the state share of school funding. (As a side note, we think that centralizing a traditionally local function of government, such as education, is misguided and counterproductive.)

For the purposes of our report card, such reforms create a significant challenge. Our data on state finances reflect the increased state spending and revenue but do not reflect the reductions at the local level. Thus, in Michigan it may appear that there has been a big increase in spending and revenue under

John Engler. However, because local property taxes were substantially cut, the combined state and local burden has not risen as much. For Michigan, and other states that have implemented similar school finance overhauls, we made adjustments to our spending and tax variables so that governors are not penalized for an increase in state-level spending when the spending was designed to compensate localities for a local tax cut.

Appendix B: Report Card Methodology

This study computes a fiscal policy grade for each governor reflecting success at restraining the growth of taxes and spending. All of the tax and spending data used in the study come from the U.S. Bureau of the Census, the National Association of State Budget Officers, the National Conference of State Legislatures, and individual state budget and revenue departments.

Each of the 42 governors graded in the report has been in office long enough to propose at least two budgets. As noted, governors of Missouri, New Jersey, North Carolina, Pennsylvania, Texas, Virginia, and Wisconsin have not been in office long enough to be graded here.

Grading Procedure

We examined 17 policy variables: 4 for spending, 6 for revenue and economic conditions, and 7 for tax rates (one of which has a weight of only one-half). However, for the six governors who have taken office since 2000, we excluded two of the spending variables and two of the revenue variables—the ones based on census data.

For each variable, we use a procedure to standardize the results, such that the governor with the worst score receives a zero and the governor with the best score a 100. We then assign an equal weight to each variable (with the exception of one of the tax rate variables and the economic growth variable, which has a weight of only one-half) and average the scores to obtain an overall grade for each governor.

Policy Variable Details

To make meaningful comparisons between the states, we control for differences in the sizes of state populations and economies. To do that, we typically express spending and tax revenue data for each state as a ratio of either each state's population or personal income. Most of the revenue and spending variables are expressed in this way (i.e., per capita or per $1,000 of personal income). All variables measure state-level tax and spending, and thus the report does not include the fiscal activities of local governments. All variables are measured for only those years of each governor's tenure in office.

Expenditure Variables

1. Average annual change in real per capita spending through fiscal year 2000 (measured only for the governors in office before 2000).

2. Average annual change in direct general spending per $1,000 of personal income through fiscal year 2000 (measured only for governors in office before 2000).

3. Average annual recommended change in real per capita general fund spending through FY03.[22]

4. Average annual change in general fund spending per $1,000 of personal income from fiscal year 2000 through FY02.[23]

Revenue Variables

1. Average annual change in real per capita tax revenue through fiscal year 2000 (measured only for governors in office before 2000).

2. Average annual change in tax revenue per $1,000 of personal income through fiscal year 2000 (measured only for governors in office before 2000).

3. Average annual recommended change in general fund revenue per $1,000 of personal income through FY03.[24]

4. Average annual change in real per capita general fund revenue from fiscal year 2000 through FY02.[25]

5. Average annual recommended tax cuts or increases as a percentage of the prior year's

expenditures through FY03.

6. Average annual increase in the growth of state personal income.

Tax Rate Variables

1. Percentage point change in the top personal income tax rate, including governors' recommended changes that were not enacted.

2. Percentage point change in the top corporate income tax rate, including governors' recommended changes that were not enacted.

3. Sum of the top marginal personal and corporate income tax rates in 2000. (This variable is given a weight of only one-half.)

4. Change in the sales tax rate under each governor, including governors' recommended changes that were not enacted.

5. Change in the gasoline tax rate under each governor, including governors' recommended changes that were not enacted.

6. Change in the cigarette tax rate under each governor, including governors' recommended changes that were not enacted.

7. Position of the governor on the taxation of e-commerce (0 for supporting taxation, 1 for opposing taxation).[26]

Appendix C: Detailed Tables

Table C-1
Spending Variables

Governor	State	Spending Score	Grade	Average Annual Change in Real per Capita Direct General Spending through 2000	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2003
Guinn (R)	Nevada	75	A	-10.0%	-8.7%	-2.5%	0.9%
Owens (R)	Colorado	72	A	-2.5%	-0.4%	-3.6%	-6.0%
Barnes (D)	Georgia	70	A	-2.2%	0.2%	-6.4%	-2.1%
Engler (R)	Michigan	62	B	2.1%	0.0%	-2.2%	-5.8%
Shaheen (D)	New Hampshire	62	B	0.3%	3.5%	0.4%	-9.6%
Bush (R)	Florida	59	B	-1.6%	4.4%	-4.5%	-1.0%
Pataki (R)	New York	56	B	-0.7%	-1.8%	-2.0%	0.9%
Dean (D)	Vermont	56	B	2.7%	0.5%	-0.7%	-4.7%
Martz (R)	Montana	56	B			-2.7%	-0.6%
Janklow (R)	South Dakota	54	B	1.3%	-0.5%	-1.7%	-0.4%
Graves (R)	Kansas	54	B	1.9%	0.7%	-0.4%	-3.0%
Musgrove (D)	Mississippi	54	B			-0.9%	-2.1%
Ryan (R)	Illinois	53	B	-0.5%	2.0%	-0.9%	-0.7%
Locke (D)	Washington	53	B	1.6%	-1.7%	-1.3%	0.6%
Foster (R)	Louisiana	51	C	2.7%	-0.1%	-0.7%	-1.0%
Keating (R)	Oklahoma	51	C	-1.3%	-0.9%	0.1%	1.6%
Johnson (R)	New Mexico	50	C	3.1%	2.8%	-2.9%	0.5%
Huckabee (R)	Arkansas	49	C	2.2%	1.9%	1.0%	-2.9%
O'Bannon (D)	Indiana	48	C	4.2%	2.6%	0.9%	-4.1%
Rowland (R)	Connecticut	48	C	1.2%	-0.4%	1.5%	-0.6%
Patton (D)	Kentucky	48	C	5.2%	3.8%	-2.2%	-1.2%
Johanns (R)	Nebraska	45	C	6.9%	7.4%	-2.6%	-2.6%
Vilsack (D)	Iowa	45	C	3.9%	7.2%	0.0%	-3.4%
Almond (R)	Rhode Island	45	C	2.0%	1.1%	-1.1%	3.4%
Minner (D)	Delaware	44	C			0.5%	-0.9%
King (I)	Maine	44	C	2.9%	1.8%	0.9%	0.2%
Sundquist (R)	Tennessee	43	D	0.0%	-0.5%	2.3%	2.5%
Kempthorne (R)	Idaho	42	D	0.4%	2.1%	0.7%	3.0%
Cayetano (D)	Hawaii	42	D	0.7%	2.3%	0.9%	2.9%
Leavitt (R)	Utah	39	D	5.0%	2.4%	0.4%	1.7%
Hodges (D)	South Carolina	37	D	4.5%	6.5%	-1.6%	3.4%
Siegelman (D)	Alabama	37	D	3.2%	4.2%	-1.1%	-3.3%
Glendening (D)	Maryland	35	D	5.0%	0.9%	2.4%	2.9%
Geringer (R)	Wyoming	35	D	1.5%	0.1%	3.6%	4.5%
Taft (R)	Ohio	32	D	4.6%	5.5%	2.0%	2.5%
Hoeven (R)	North Dakota	32	D			2.7%	0.2%
Wise (D)	West Virginia	31	D			2.7%	0.2%
Davis (D)	California	29	F	5.0%	4.0%	4.4%	2.2%
Swift (R)	Massachusetts	28	F			-1.2%	6.2%
Hull (R)	Arizona	27	F	10.8%	17.1%	-2.2%	-0.3%
Ventura (I)	Minnesota	26	F	9.8%	11.8%	0.4%	0.7%
Kitzhaber (D)	Oregon	24	F	9.1%	7.9%	5.7%	-1.8%

Table C-2
Average Annual Change in Real per Capita Direct General Spending through 2000

Best Spending Restraint			Worst Spending Restraint		
1. Guinn (R)	Nevada	-10.0%	1. Hull (R)	Arizona	10.8%
2. Owens (R)	Colorado	-2.5%	2. Ventura (I)	Minnesota	9.8%
3. Barnes (D)	Georgia	-2.2%	3. Kitzhaber (D)	Oregon	9.1%
4. Bush (R)	Florida	-1.6%	4. Johanns (R)	Nebraska	6.9%
5. Keating (R)	Oklahoma	-1.3%	5. Patton (D)	Kentucky	5.2%

Table C-3
Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000

Best Spending Restraint			Worst Spending Restraint		
1. Guinn (R)	Nevada	-8.7%	1. Hull (R)	Arizona	17.1%
2. Pataki (R)	New York	-1.8%	2. Ventura (I)	Minnesota	11.8%
3. Locke (D)	Washington	-1.7%	3. Kitzhaber (D)	Oregon	7.9%
4. Keating (R)	Oklahoma	-0.9%	4. Johanns (R)	Nebraska	7.4%
5. Janklow (R)	South Dakota	-0.5%	5. Vilsack (D)	Iowa	7.2%

Table C-4
Average Annual Recommended Change in Real per Capita General Fund Spending through 2003

Best Spending Restraint			Worst Spending Restraint		
1. Barnes (D)	Georgia	-6.4%	1. Kitzhaber (D)	Oregon	5.7%
2. Bush (R)	Florida	-4.5%	2. Davis (D)	California	4.4%
3. Owens (R)	Colorado	-3.6%	3. Geringer (R)	Wyoming	3.6%
4. Johnson (R)	New Mexico	-2.9%	4. Wise (D)	West Virginia	2.7%
5. Martz (R)	Montana	-2.7%	5. Hoeven (R)	North Dakota	2.7%

Table C-5
Average Annual Change in General Fund Spending per $1,000 Personal Income, 2000–2002

Best Spending Restraint			Worst Spending Restraint		
1. Shaheen (D)	New Hampshire	-9.6%	1. Swift (R)	Massachusetts	6.2%
2. Owens (R)	Colorado	-6.0%	2. Geringer (R)	Wyoming	4.5%
3. Engler (R)	Michigan	-5.8%	3. Almond (R)	Rhode Island	3.4%
4. Dean (D)	Vermont	-4.7%	4. Hodges (D)	South Carolina	3.4%
5. O'Bannon (D)	Indiana	-4.1%	5. Kempthorne (R)	Idaho	3.0%

Table C-6
Tax Rate and Revenue Variables

Governor	State	Tax Score	Grade	Average Annual Change in Real per Capita Own-Source General Revenue through 2000	Average Annual Change in Own-Source General Revenue per $1,000 Personal Income through 2000	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003	Average Annual Change in Real per Capita General Fund Revenue 2000–2002	Average Annual Recommended Tax Change as a % of Prior Year's Spending through 2003
Owens (R)	Colorado	78	A	-0.6%	1.6%	-2.8%	-2.1%	-2.6%
Bush (R)	Florida	72	A	-5.1%	0.7%	-2.1%	-1.8%	-1.8%
Pataki (R)	New York	67	A	0.6%	-0.6%	-2.9%	4.8%	-1.0%
Swift (R)	Massachusetts	65	A			-1.3%	0.9%	0.0%
Janklow (R)	South Dakota	64	A	2.7%	0.9%	-1.6%	0.9%	-0.8%
Johnson (R)	New Mexico	64	A	1.7%	1.5%	-3.2%	2.9%	-0.9%
Locke (D)	Washington	63	B	0.2%	-3.1%	0.8%	-1.0%	0.2%
Rowland (R)	Connecticut	62	B	2.7%	1.1%	-3.5%	0.3%	-0.7%
Cayetano (D)	Hawaii	61	B	0.0%	1.6%	0.5%	-0.6%	0.0%
Barnes (D)	Georgia	61	B	-0.4%	2.1%	1.1%	-1.2%	-0.2%
Keating (R)	Oklahoma	61	B	2.7%	1.9%	-1.6%	2.3%	-0.7%
Engler (R)	Michigan	59	B	5.0%	2.6%	-3.1%	-5.9%	-1.4%
Musgrove (D)	Mississippi	59	B			-0.7%	-3.5%	0.0%
Minner (D)	Delaware	59	B			-1.0%	-2.3%	0.3%
Geringer (R)	Wyoming	59	B	2.5%	1.1%	-1.9%	2.3%	0.4%
Martz (R)	Montana	58	B			-6.7%	2.3%	-0.1%
Guinn (R)	Nevada	58	B	-0.2%	1.2%	-1.4%	-1.2%	0.3%
Kempthorne (R)	Idaho	58	B	1.0%	2.8%	0.9%	-1.1%	-1.3%
Ventura (I)	Minnesota	56	C	2.6%	4.5%	-1.8%	3.7%	-2.7%
Patton (D)	Kentucky	56	C	1.7%	-0.1%	-2.2%	1.6%	-0.1%
Hodges (D)	South Carolina	55	C	-2.8%	-0.9%	2.9%	1.9%	-0.1%
Hull (R)	Arizona	55	C	-2.8%	2.7%	1.0%	3.2%	1.1%
Johanns (R)	Nebraska	54	C	4.0%	5.3%	-1.2%	-5.7%	-0.3%
Siegelman (D)	Alabama	54	C	0.6%	1.7%	-0.1%	-1.9%	1.0%
Almond (R)	Rhode Island	54	C	1.9%	1.0%	-2.4%	2.0%	0.4%
Huckabee (R)	Arkansas	53	C	3.7%	1.7%	0.4%	-1.5%	-0.4%
Leavitt (R)	Utah	52	D	4.3%	0.2%	-0.9%	0.1%	-0.2%
O'Bannon (D)	Indiana	52	D	1.0%	-0.6%	-2.9%	-2.5%	0.5%
Glendening (D)	Maryland	51	D	1.8%	0.8%	-1.5%	1.9%	0.2%
Hoeven (R)	North Dakota	51	D			1.6%	0.4%	0.1%
Ryan (R)	Illinois	51	D	2.3%	4.9%	-0.2%	0.0%	1.0%
Vilsack (D)	Iowa	51	D	0.7%	4.0%	2.4%	0.0%	0.1%
King (I)	Maine	49	D	4.9%	3.8%	-2.7%	0.6%	0.6%
Wise (D)	West Virginia	48	D			0.0%	0.9%	2.4%
Davis (D)	California	48	D	9.7%	8.6%	-0.5%	-0.3%	0.8%
Graves (R)	Kansas	47	D	1.0%	-0.1%	0.7%	4.1%	-0.5%
Taft (R)	Ohio	45	F	4.7%	5.6%	1.6%	3.1%	0.3%
Dean (D)	Vermont	44	F	4.0%	1.8%	-3.1%	-2.4%	1.9%
Foster (R)	Louisiana	44	F	3.7%	2.7%	-1.3%	0.9%	2.1%
Sundquist (R)	Tennessee	37	F	1.3%	0.8%	5.2%	6.2%	4.7%
Shaheen (D)	New Hampshire	36	F	9.9%	13.4%	3.0%	2.5%	14.9%
Kitzhaber (D)	Oregon	30	F	11.3%	10.1%	2.8%	-0.6%	1.9%

continued

Table C-6 ***continued***
Tax Rate and Revenue Variables

Governor	State	Tax Score	Grade	Change in Top Personal Income Tax Rate (% points)	Change in Top Corporate Income Tax Rate (% points)	2002 Combined Top Income Tax Rate (personal plus corporate)	Change in Sales Tax Rate (% points)	Change in Gas Tax Rate (cents per gallon)	Change in Cigarette Tax Rate (cents per pack)	Internet Tax Variable
Owens (R)	Colorado	78	A	-0.8	-0.4	9.3	-0.2	0.0	0	1
Bush (R)	Florida	72	A	0.0	0.0	5.5	0	0.0	0	0
Pataki (R)	New York	67	A	-1.0	-2.0	14.4	0	0.0	95	1
Swift (R)	Massachusetts	65	A	-0.3	0.0	14.8	0	0.0	0	1
Janklow (R)	South Dakota	64	A	0.0	0.0	0.0	0	4.0	10	0
Johnson (R)	New Mexico	64	A	-1.8	0.0	15.8	0	-6.0	0	0
Locke (D)	Washington	63	B	0.0	0.0	3.5	0	9.0	0	0
Rowland (R)	Connecticut	62	B	0.0	-4.0	12.0	0	-7.0	61	0
Cayetano (D)	Hawaii	61	B	-2.0	-3.2	14.7	0.8	0.0	60	0
Barnes (D)	Georgia	61	B	0.0	0.0	12.0	0	0.0	0	
Keating (R)	Oklahoma	61	B	-7.0	0.0	13.0	1.4	-1.0	0	0
Engler (R)	Michigan	59	B	-0.7	-0.6	6.0	2	4.0	50	0
Musgrove (D)	Mississippi	59	B	0.0	0.0	10.0	1.5	0.0	0	0
Minner (D)	Delaware	59	B	0.0	0.0	14.7	0	0.0	35	
Geringer (R)	Wyoming	59	B	0.0	0.0	0.0	-1	11.0	0	0
Martz (R)	Montana	58	B	-4.0	0.0	17.8	0	0.0	0	0
Guinn (R)	Nevada	58	B	0.0	0.0	0.0	0	0.0	0	0
Kempthorne (R)	Idaho	58	B	-0.4	-0.4	15.4	0	0.0	0	0
Ventura (I)	Minnesota	56	C	-1.2	0.0	17.7	-0.5	5.0	29	0
Patton (D)	Kentucky	56	C	0.0	0.0	14.3	0	7.0	0	0
Hodges (D)	South Carolina	55	C	0.0	0.0	12.0	0	0.0	0	0
Hull (R)	Arizona	55	C	-0.1	-2.0	12.0	0.6	0.0	0	0
Johanns (R)	Nebraska	54	C	0.0	0.0	14.5	0	0.0	50	0
Siegelman (D)	Alabama	54	C	0.0	1.5	11.5	0	0.0	0	0
Almond (R)	Rhode Island	54	C	-0.6	0.0	19.3	-0.5	2.0	76	0
Huckabee (R)	Arkansas	53	C	0.3	0.0	13.8	0.6	3.2	0	0
Leavitt (R)	Utah	52	D	-0.2	0.0	12.0	-0.3	5.0	43	0
O'Bannon (D)	Indiana	52	D	0.0	0.0	11.3	1	3.0	50	0
Glendening (D)	Maryland	51	D	-0.2	0.0	11.8	0	0.0	100	0
Hoeven (R)	North Dakota	51	D	0.0	0.0	16.0	0	0.0	0	0
Ryan (R)	Illinois	51	D	0.0	0.0	10.3	0	0.0	50	0
Vilsack (D)	Iowa	51	D	0.0	0.0	21.0	0	0.0	0	0
King (I)	Maine	49	D	0.0	0.0	17.4	-1	5.6	63	0
Wise (D)	West Virginia	48	D	0.0	0.0	15.5	0	0.0	0	0
Davis (D)	California	48	D	0.0	0.0	18.1	0	0.0	63	1
Graves (R)	Kansas	47	D	0.0	0.0	13.8	0.3	1.0	65	0
Taft (R)	Ohio	45	F	-0.4	0.0	15.3	0	0.0	31	0
Dean (D)	Vermont	44	F	-1.0	1.5	19.3	1	8.0	99	0
Foster (R)	Louisiana	44	F	0.0	0.0	14.0	3	4.0	12	0
Sundquist (R)	Tennessee	37	F	3.8	0.5	6.0	1	0.0	7	0
Shaheen (D)	New Hampshire	36	F	0.0	-3.5	7.0	2.5	0.0	37	1
Kitzhaber (D)	Oregon	30	F	0.0	0.0	15.6	0	6.0	90	0

Table C-7
Average Annual Change in Real per Capita Tax Revenue through 2000

Best Revenue Restraint			Worst Revenue Restraint		
1. Bush (R)	Florida	-5.1%	1. Kitzhaber (D)	Oregon	11.4%
2. Hull (R)	Arizona	-2.8%	2. Shaheen (D)	New Hampshire	9.9%
3. Hodges (D)	South Carolina	-2.8%	3. Davis (D)	California	9.7%
4. Owens (R)	Colorado	-0.6%	4. Engler (R)	Michigan	5.0%
5. Barnes (D)	Georgia	-0.4%	5. King (I)	Maine	4.9%

Table C-8
Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000

Best Revenue Restraint			Worst Revenue Restraint		
1. Locke (D)	Washington	-3.1%	1. Shaheen (D)	New Hampshire	13.4%
2. Hodges (D)	South Carolina	-0.9%	2. Kitzhaber (D)	Oregon	10.1%
3. Pataki (R)	New York	-0.6%	3. Davis (D)	California	8.6%
4. O'Bannon (D)	Indiana	-0.6%	4. Taft (R)	Ohio	5.6%
5. Patton (D)	Kentucky	-0.1%	5. Johanns (R)	Nebraska	5.3%

Table C-9
Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003

Best Revenue Restraint			Worst Revenue Restraint		
1. Martz (R)	Montana	-6.7%	1. Sundquist (R)	Tennessee	5.2%
2. Rowland (R)	Connecticut	-3.5%	2. Shaheen (D)	New Hampshire	3.0%
3. Johnson (R)	New Mexico	-3.2%	3. Hodges (D)	South Carolina	2.9%
4. Dean (D)	Vermont	-3.1%	4. Kitzhaber (D)	Oregon	2.8%
5. Engler (R)	Michigan	3.1%	5. Vilsack (D)	Iowa	2.4%

Table C-10
Average Annual Change in Real per Capita General Fund Revenue, 2000–2002

Best Revenue Restraint			Worst Revenue Restraint		
1. Engler (R)	Michigan	-5.9%	1. Sundquist (R)	Tennessee	6.2%
2. Johanns (R)	Nebraska	-5.7%	2. Pataki (R)	New York	4.8%
3. Musgrove (D)	Mississippi	-3.5%	3. Graves (R)	Kansas	4.1%
4. O'Bannon (D)	Indiana	-2.5%	4. Ventura (I)	Minnesota	3.7%
5. Dean (D)	Vermont	-2.4%	5. Hull (R)	Arizona	3.2%

Table C-11
Average Annual Recommended Tax Changes as a Percentage of Prior Year's Spending through 2003

Top Tax Cutters			Top Tax Hikers		
1. Ventura (I)	Minnesota	-2.7%	1. Shaheen (D)	New Hampshire	14.9%
2. Owens (R)	Colorado	-2.6%	2. Sundquist (R)	Tennessee	4.7%
3. Bush (R)	Florida	-1.8%	3. Wise (D)	West Virginia	2.4%
4. Engler (R)	Michigan	-1.4%	4. Foster (R)	Louisiana	2.1%
5. Kempthorne (R)	Idaho	-1.3%	5. Dean (D)	Vermont	1.9%
6. Pataki (R)	New York	-1.0%	6. Kitzhaber (D)	Oregon	1.9%
7. Johnson (R)	New Mexico	-0.9%	7. Hull (R)	Arizona	1.1%
8. Janklow (R)	South Dakota	-0.8%	8. Ryan (R)	Illinois	1.0%
9. Rowland (R)	Connecticut	-0.7%	9. Siegelman (D)	Alabama	1.0%
10. Keating (R)	Oklahoma	-0.7%	10. Davis (D)	California	0.8%

Table C-12
Change in Top Personal Income Tax Rate (% points)
Including Governors' Recommended Changes That Were Not Enacted

Top Tax Cutters			Top Tax Hikers		
1. Keating (R)	Oklahoma	-7.0	1. Sundquist (R)	Tennessee	3.8
2. Martz (R)	Montana	-4.0	2. Huckabee (R)	Arkansas	0.3
3. Cayetano (D)	Hawaii	-2.0	No Others		
4. Johnson (R)	New Mexico	-1.8			
5. Ventura (I)	Minnesota	-1.2			
6. Dean (D)	Vermont	-1.0			
7. Pataki (R)	New York	-1.0			
8. Owens (R)	Colorado	-0.8			
9. Engler (R)	Michigan	-0.7			
10. Almond (R)	Rhode Island	-0.6			
11. Taft (R)	Ohio	-0.4			
12. Kempthorne (R)	Idaho	-0.4			
13. Swift (R)	Massachusetts	-0.3			
14. Leavitt (R)	Utah	-0.2			
15. Glendening (D)	Maryland	-0.2			
16. Hull (R)	Arizona	-0.1			

Table C-13
Change in Top Corporate Income Tax Rate (% points)
Including Governors' Recommended Changes That Were Not Enacted

Top Tax Cutters			Top Tax Hikers		
1. Rowland (R)	Connecticut	-4.0	1. Siegelman (D)	Alabama	1.5
2. Shaheen (D)	New Hampshire	-3.5	2. Dean (D)	Vermont	1.5
3. Cayetano (D)	Hawaii	-3.2	3. Sundquist (R)	Tennessee	0.5
4. Hull (R)	Arizona	-2.0	No Others		
5. Pataki (R)	New York	-2.0			
6. Engler (R)	Michigan	-0.6			
7. Kempthorne (R)	Idaho	-0.4			
8. Owens (R)	Colorado	-0.4			
No Others					

Table C-14
Combined Top Income Tax Rates (personal plus corporate), 2002 (% points)

Lowest Tax Rates			Highest Tax Rates		
1. Guinn (R)	Nevada	0	1. Vilsack (D)	Iowa	21.0
2. Janklow (R)	South Dakota	0	2. Almond (R)	Rhode Island	19.3
3. Geringer (R)	Wyoming	0	3. Dean (D)	Vermont	19.3
4. Locke (D)	Washington	3.5	4. Davis (D)	California	18.1
5. Bush (R)	Florida	5.5	5. Martz (R)	Montana	17.8

Table C-15
Change in Sales Tax Rate (% points)
Including Governors' Recommended Changes That Were Not Enacted

Lowest Tax Rates			Highest Tax Rates		
1. King (I)	Maine	-1.0	1. Foster (R)	Louisiana	3.0
2. Geringer (R)	Wyoming	-1.0	2. Shaheen (D)	New Hampshire	2.5
3. Almond (R)	Rhode Island	-0.5	3. Engler (R)	Michigan	2.0
4. Ventura (I)	Minnesota	-0.5	4. Musgrove (D)	Mississippi	1.5
5. Leavitt (R)	Utah	-0.3	5. Keating (R)	Oklahoma	1.4
6. Owens (R)	Colorado	-0.2	6. Dean (D)	Vermont	1.0
No Others			7. O'Bannon (D)	Indiana	1.0
			8. Sundquist (R)	Tennessee	1.0
			9. Cayetano (D)	Hawaii	0.8
			10. Huckabee (R)	Arkansas	0.6
			11. Hull (R)	Arizona	0.6
			12. Graves (R)	Kansas	0.3
			No Others		

Table C-16
Change in Gas Tax Rate (cents per gallon)
Including Governors' Recommended Changes That Were Not Enacted

Tax Cutters			Tax Hikers		
1. Rowland (R)	Connecticut	-7.0	1. Geringer (R)	Wyoming	11.0
2. Johnson (R)	New Mexico	-6.0	2. Locke (D)	Washington	9.0
3. Keating (R)	Oklahoma	-1.0	3. Dean (D)	Vermont	8.0
No Others			4. Patton (D)	Kentucky	7.0
			5. Kitzhaber (D)	Oregon	6.0
			6. King (I)	Maine	5.6
			7. Leavitt (R)	Utah	5.0
			8. Ventura (I)	Minnesota	5.0
			9. Foster (R)	Louisiana	4.0
			10. Engler (R)	Michigan	4.0
			11. Janklow (R)	South Dakota	4.0
			12. Huckabee (R)	Arkansas	3.2
			13. O'Bannon (D)	Indiana	3.0
			14. Almond (R)	Rhode Island	2.0
			15. Graves (R)	Kansas	1.0
No Others					

Table C-17
Change in Cigarette Tax Rate (cents per pack)
Including Governors' Recommended Changes That Were Not Enacted

Tax Cutters	Tax Hikers		
None	1. Glendening (D)	Maryland	100
	2. Dean (D)	Vermont	99
	3. Pataki (R)	New York	95
	4. Kitzhaber (D)	Oregon	90
	5. Almond (R)	Rhode Island	76
	6. Graves (R)	Kansas	65
	7. Davis (D)	California	63
	8. King (I)	Maine	63
	9. Rowland (R)	Connecticut	61
	10. Cayetano (D)	Hawaii	60
	11. Johanns (R)	Nebraska	50
	12. Ryan (R)	Illinois	50
	13. O'Bannon (D)	Indiana	50
	14. Engler (R)	Michigan	50
	15. Leavitt (R)	Utah	43
	16. Shaheen (D)	New Hampshire	37
	17. Minner (D)	Delaware	35
	18. Taft (R)	Ohio	31
	19. Ventura (I)	Minnesota	29
	20. Foster (R)	Louisiana	12
	21. Janklow (R)	South Dakota	10
	22. Sundquist (R)	Tennessee	7

Appendix D: Summary of Fiscal Policy Records of the Governors

The following summaries are based on a wide variety of sources, including individual governors' official biographies and articles in magazines and local newspapers.

Alabama

Don Siegelman, Democrat

Legislature: Democratic
Took Office: 1/99

Grade: D

In November 1998, Don Siegelman became governor by trouncing incumbent Republican governor Fob James. Siegelman, a 30-year veteran of Alabama politics, has had more legislative defeats than victories in his four years as governor. His support for trial lawyers against tort reform has infuriated Alabama employers because of the notoriously large jury awards in the state. His education "reforms" have simply consisted of demands to spend more money. He wanted a state lottery to pay for new school funding, but that initiative was defeated by voters in 1999. Although Siegelman has resisted calls for broad-based tax hikes, he endorsed a ballot initiative (eventually successful in March 2000) to use offshore drilling royalties to fund $400 million in bonds for roads, bridges, and other infrastructure. In his first term, the state budget soared by more than 20 percent, and now the state faces a mountain of red ink. To his credit, Siegelman has supported a "Taxpayer Bill of Rights" that creates a state taxpayer advocate, although it does little to reduce taxes. Siegelman came into office touted as a "New Southern Democrat," but thanks to the state's fiscal problems, the accolades have faded away.

Fiscal Performance Data

3.2%	Average Annual Change in Real per Capita Direct General Spending through 2000
4.2%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
-1.1%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
-3.3%	Average Annual Change in Real per Capita Tax Revenue through 2000
0.62%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
1.7%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
1.0%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-0.06%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
-1.86%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0.00	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
1.5	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
11.5	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Arizona

Jane Dee Hull, Republican

Legislature: Republican
Took Office: 9/97

Grade: D

Jane Hull has been one of America's biggest-spending governors over the past six years. Arizona's budget is now about 30 percent larger than when she entered office. Hull entered office in 1997 with great promise. She took over the governorship from Republican Fife Symington, who had been convicted on federal fraud charges (the conviction was later overturned on appeal), and she promised to continue Symington's tax cutting and lean budgeting. Instead, Hull sharply changed direction and endorsed one big spending initiative after another. In 1998, she signed into law her KidsCare health program and opposed attempts to limit spending with time limits on new benefits. Her Students FIRST program added $375 million annually to the state education budget starting in 1998. She asked for additional increases in education spending in each of her first five years as governor, gave big raises to state employees, and pushed for public funding of a new NFL stadium. She also embraced an alternative fuels subsidy program for automobiles, an enormously expensive ($500 million) policy mistake that helped drive the budget into deficit. Hull started out as a tax cutter by trimming the car tax and cutting the corporate tax rate from 8 percent to about 7 percent. But the bills for her spending plans have forced an endless series of tax hikes since she was reelected in 1998. She campaigned for a successful state ballot initiative that raised the state sales tax by six-tenths of a percentage point. She supported taxes on rental cars and hotels, and she has already spent much of the state's tobacco settlement money. She denounced a ballot initiative to phase out the personal and corporate income tax over four years. Hull is not eligible to run for reelection this year—much to the relief of taxpayers in Arizona.

Fiscal Performance Data

10.8%	Average Annual Change in Real per Capita Direct General Spending through 2000
17.1%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
-2.2%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
-0.3%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
-2.82%	Average Annual Change in Real per Capita Tax Revenue through 2000
2.7%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
1.08%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
0.99%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
3.15%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
-0.13	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
-2.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
12.01	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.6	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Arkansas

Mike Huckabee, Republican

Legislature: Democratic
Took Office: 7/96

Grade: C

Democrats controlled politics in Arkansas for many years. But all that changed when Bill Clinton was elected president and his successor, Democrat Jim Guy Tucker, was convicted of a Whitewater-related felony. In 1996 Mike Huckabee became the first Republican governor in 15 years, winning with 60 percent of the vote. During his first term, Huckabee had an acrimonious relationship with the entrenched "good ol' boy" power interests in the legislature, which overrode many of his budget vetoes. But term limits have taken effect, and the old-timers have been replaced by new legislators who are less resistant to change. Huckabee has gained publicity this year for his "Tax Me More Fund." That gambit was conceived by Huckabee as a clever response to "tax and spend liberals whining that they want more taxes." Under the plan, Arkansans who wish to pay more in taxes can send a check to the state treasury to a special fund. On taxes, Huckabee has had some significant legislative victories. In his first budget, he sponsored a sweeping overhaul of Arkansas's archaic income tax system—a $70 million net tax cut package that was the first broad-based tax cut in the state in more than 20 years. In 1999 he signed legislation to phase out the state's 6 percent capital gains tax—a significant pro-growth accomplishment. On the other hand, he infuriated fiscal conservatives by calling a plan to abolish the state's $1 billion property tax "irresponsible." He also backed a hike in the state's diesel fuel tax. Spending has consistently risen faster than personal income in the state during the past six years—with big increases for transportation, health care, anti-smoking campaigns, and early education programs. The recommendations of a state advisory panel that proposed cutting waste and duplication have been mostly ignored. For six years, Huckabee has vacillated between reformist and conventional public policies, and between support for bigger government and pro-growth tax reductions.

Fiscal Performance Data

2.2%	Average Annual Change in Real per Capita Direct General Spending through 2000
1.9%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
1.0%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
-2.9%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
3.72%	Average Annual Change in Real per Capita Tax Revenue through 2000
1.7%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
-0.4%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
0.35%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
-1.5%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0.25	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
13.75	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.625	Change in Sales Tax Rate, proposed and/or enacted (% points)
3.2	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0	Change in Cigarette Tax Rate, propose and/or enacted (cents per pack)

California

Gray Davis, Democrat

Legislature: Democratic
Took Office: 1/99

Grade: F

In 1998, Gray Davis captured one of the most powerful elected positions in America. He did so by vowing to "govern from the center." Instead, he has become one of the biggest spending governors in California history. Under Davis, the state budget has mushroomed from $74 billion to $101 billion in four years. In 1999–2000, at the height of the high-tech boom, California increased its expenditures by a staggering $9.7 billion, or 13 percent. That budget hike set a new record for an increase in state expenditures. In 2000–01, Davis shattered his own record as the budget leapt upward by another 14 percent. Meanwhile, the state payroll swelled by over 33,000 employees during Davis's first three years in office, a larger increase than the next three biggest states combined. There was a series of minor tax cuts, but 75 percent of the prosperity windfall of the 1990s went to budget bloat. Davis's bungling of the California electricity crisis of 2001 has added mightily to the state's financial miseries. In the midst of the crisis, Davis foolishly borrowed $6 billion and locked in electricity prices at what are now two to three times the market price. Since Davis took office, Moody's has downgraded California bond ratings twice. Although Davis has tried to blame the state's fiscal deterioration on the policies of his predecessor, Republican Pete Wilson, the truth is that when Davis entered office, he inherited a $12 billion two-year surplus. Now, the latest forecast shows that the state is facing $24 billion in red ink over the next two years. That deficit is larger than the entire budget of most states. Davis has avoided broad-based tax hikes, but that can last only if he moves to cut the bloated budget. Gray Davis's fiscal performance has been one of severe budget bungling and overspending.

Fiscal Performance Data

5.0%	Average Annual Change in Real per Capita Direct General Spending through 2000
4.0%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
4.4%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
2.2%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
9.69%	Average Annual Change in Real per Capita Tax Revenue through 2000
8.6%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
0.79%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-0.49%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
-0.33%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0.00	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.00	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
18.14	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
63	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
1	Internet Tax (1=oppose; 0=support)

Colorado

Bill Owens, Republican

Legislature: Republican
Took Office: 1/99

Grade: A

Bill Owens was recently praised by *National Review* as "America's best governor." We agree. Over four years, Owens has amassed a sterling record of fiscal accomplishment. He has strongly supported the state's tax and expenditure limit (known as the Taxpayer's Bill of Rights, or TABOR), which restricts the growth of tax revenue to the growth of Colorado's population plus inflation. That has led to four straight years of tax rebates to Colorado taxpayers and prevented the state government from spending the budget surpluses of the late 1990s. Consequently, spending has not exploded under Owens as it has in almost all other states in recent years. That restraint has allowed the state to avoid tax increases in the current economic slowdown, and the budget crisis that has hit most states has not hit Colorado as heavily. The tax rebate checks during Owens's tenure have been quite large, with about $6 billion rebated, or more than $1,500 per family. In addition, Owens has argued successfully that if taxes are to be rebated, then income tax rates should be cut to grow the economy. That way, excess taxes would not have to be collected in the first place. He cut the income tax rate from 5 to 4.63 percent; slashed taxes on capital gains, interest, and dividends; and gave businesses property tax relief. He has led the charge against the Internet tax that many of his gubernatorial colleagues support. He has refused to join other states in demanding help from Uncle Sam to balance the state budget. "The states have an overspending problem, not a revenue problem," he notes. Colorado's economy has flourished under Owens's sound fiscal management and his support of policies to stimulate Colorado investment and growth.

Fiscal Performance Data

-2.6%	Average Annual Change in Real per Capita Direct General Spending through 2000
-0.4%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
-3.6%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
-6.0%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
-0.60%	Average Annual Change in Real per Capita Tax Revenue through 2000
1.6%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
-2.58%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-2.78%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
-2.10%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
-0.75	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
-0.4	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
9.26	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
-0.15	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.00	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
1	Internet Tax (1=oppose; 0=support)

Connecticut

John Rowland, Republican

Legislature: Divided
Took Office: 1/95

Grade: B

Throughout the latter half of the 1990s, John Rowland was one of the Northeast's most fiscally responsible governors, but in recent years Rowland's good record has weakened somewhat. Rowland succeeded one of the most fiscally reckless and unpopular governors in recent history, Lowell Weicker. In 1991 Weicker signed into law Connecticut's first-ever income tax and used the revenues to finance a massive budget buildup. Rowland was swept into office in 1995 promising to eventually end the hated income tax, clean up the budget mess, and rejuvenate the ailing state economy. In his first term, 1995–98, Rowland was one of America's most tight-fisted governors. He enacted tough welfare-to-work requirements, slashed the state government workforce by 10 percent, and converted the $500 million budget deficit he inherited into a $300 million surplus. Annual proposed real per capita state spending rates fell those first three years. Rowland has not followed through on his earlier campaign pledge to end the Weicker income tax, but he has shaved back the burden. Rowland has also cut the corporate income tax (by 4 percentage points), the gasoline tax (by 7 cents a gallon), and the sales tax on clothing. He gave $50 million of tobacco settlement money back to local jurisdictions for property tax relief. Rowland says that his tax cuts have cumulatively saved Connecticut families and businesses a combined $2.1 billion a year. The problem has been that as jobs and prosperity returned to Connecticut, so did the stampede of spending that had created the last budget crisis of 1990–91. In late 1998, he proposed a $375 million bond initiative to subsidize the building of an NFL football stadium, but the New England Patriots were eventually moved back to Massachusetts. His fiscal 1999 budget was so larded with extra spending that it violated the state's constitutional spending cap and could be approved only by invoking, for the first time ever, a loophole called a "Declaration of Extraordinary Circumstances." In 2000 Rowland proposed a $500 million bond-funded construction bill to rebuild downtown Hartford, including funds for a hotel, a convention center, a college football stadium, and a luxury apartment tower. Last year, he backed a 61 cent per pack increase in the cigarette tax to rebalance the budget. Overall, Rowland has a solid fiscal record, but after eight years in power, he has "grown in office" in ways that are not always friendly to taxpayers.

Fiscal Performance Data

1.2%	Average Annual Change in Real per Capita Direct General Spending through 2000
-0.4%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
1.5%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
-0.6%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
2.71%	Average Annual Change in Real per Capita Tax Revenue through 2000
1.1%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
-0.73%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-3.53%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
0.31%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0.00	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
-4.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
12	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0	Change in Sales Tax Rate, proposed and/or enacted (% points)
-7.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
61	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Delaware

Ruth Ann Minner, Democrat

Legislature: Democratic
Took Office: 1/2001

Grade: C

Ruth Ann Minner, elected governor in 2000, has been a state officeholder since 1974, when she was elected to the state House. Running as the lieutenant governor under Tom Carper in 1992, she was a supporter of Pete DuPont's income tax cuts (eventually continued by Carper). Minner does get somewhat better grades on holding down expenditures than Carper did, but that's likely a result of the budget deficit appearing early in her term, which constrained schemes for new programs. To her credit, in the 2002 budget, she used her power as governor to make across-the-board budget cuts, trim administrative costs, and implement a three-month hiring freeze, all of which saved the state about $20 million. The 2003 budget she signed was relatively lean and held agency increases to 3 percent or less. Even though she generally ruled out tax increases as a budget solution early in 2001, in April of this year she proposed a $25 million cigarette tax increase, which would more than double the rate from 24 cents per pack to 59 cents per pack. The legislature ruled out the tax hike, but Minner has already stated that she intends to seek a tobacco tax hike again next year. This is a fiscal record that is not as bad as Carper's, but it is close.

Fiscal Performance Data

0.5%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
-0.9%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
0.29%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-1.05%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
-2.25%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0.00	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.00	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
14.65	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
35	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)

Florida

Jeb Bush, Republican

Legislature: Republican
Took Office: 1/99

Grade: A

Jeb Bush has proven himself to be more fiscally conservative than his older brother, the president. He is the second-highest scoring governor on the report card this year, which reflects a strong aversion to new taxes and an impressive array of economic growth–oriented policies over the past four years. In an era when many governors have dealt with the recession by raising taxes, Jeb Bush has cut the Florida tax burden and held off a tax hike agenda advanced by senators in his own party. In 1999, he cut the Florida property tax by $1 billion, and in 2001 he cut the business intangible tax by $600 million. This past year he regrettably agreed to delay the final stage of the intangibles tax cut until 2003 as part of a budget-balancing deal to cut $1 billion in state spending. That deal was patched together to close a deficit arising from the fall-off in tourism (and sales tax revenues) after the 9/11 attacks. Bush's brightest accomplishment in 2002 was to squash a huge sales tax hike proposed by Senate Majority Leader John McKay under the disguise of "tax reform." He even took the unusual step of walking the halls of the capitol himself, asking members of both parties to oppose the plan. The only tax blemish on Bush's record is that he signed the National Governors Association letter that comes close to endorsing taxation of Internet sales. Bush has also distinguished himself for promoting one of the most innovative choice-based school reforms in the nation and for enacting pro-consumer tort reform legislation.

Fiscal Performance Data

-1.6%	Average Annual Change in Real per Capita Direct General Spending through 2000
4.4%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
-4.5%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
-1.0%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
-5.09%	Average Annual Change in Real per Capita Tax Revenue through 2000
0.7%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
-1.75%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-2.08%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
-1.84%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0.00	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.00	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
5.5	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Georgia

Roy Barnes, Democrat

Legislature: Democratic
Took Office: 1/99

Grade: B

Roy Barnes has built a strong fiscal record in his first term in office. He succeeded now-Senator Zell Miller, one of the most fiscally conservative Southern Democrats in recent memory. In large part, Barnes has carried on the Miller legacy. In 1999 Barnes sponsored a Taxpayer Bill of Rights that was oriented toward controlling local property tax burdens. Barnes has proposed property tax cuts every year, and so far the burden has been chopped by $250 million. He has also cut the unemployment insurance tax in Georgia, resulting in tax relief of over $1 billion to businesses and workers since 1999. He opposes an increase in the state gasoline tax, which is the second lowest in the nation. Recently, Barnes has shown open-mindedness to a cut in the state capital gains tax, which has been the priority of the Republicans in the legislature. His first two budgets held expenditure growth to about the inflation rate, and when revenues began to dry up in 2001, Barnes imposed a freeze on state hiring and made across-the-board cuts of 2.5 percent in the 2002 budget, followed by cuts of 5 percent in the 2003 budget. His education reform plan has received national attention. The major fault line in Barnes's fiscal record has been a surge in the state's indebtedness, which Republican critics charge will require future tax hikes to pay the bills. Overall, Barnes's policies have been more fiscally conservative than those of most Republican governors, and he is perhaps the most pro-growth of all the Democratic governors. It is no surprise that the Georgia economy has performed well under Barnes's fiscal restraint.

Fiscal Performance Data

-2.2%	Average Annual Change in Real per Capita Direct General Spending through 2000
0.2%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
-6.4%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
-2.1%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
-0.44%	Average Annual Change in Real per Capita Tax Revenue through 2000
2.1%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
-0.17%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
1.12%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
-1.16%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0.00	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.00	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
12	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.00	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.00	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)

Hawaii

Benjamin Cayetano, Democrat

Legislature: Democratic
Took Office: 12/94

Grade: C

Benjamin Cayetano has had the misfortune of presiding as Hawaii's governor during some of the worst economic times since the islands gained statehood. Hawaii's woes are resounding evidence that policies have consequences. This is a state with very high tax burdens, an anti-business regulatory climate, and some of the highest welfare benefits for nonworkers in the nation. A recent Harvard Business School study listed Hawaii as last in the country for job growth, 48th among the states in income growth, and last in business investment. Hawaii is a great vacation paradise, but it is a hostile place to work or start a business. Cayetano has done many of the right things as governor. He has cut tax rates, trimmed the state workforce, and implemented welfare reforms. He has challenged costly government regulations, such as the Americans with Disabilities Act, as an infringement on states' rights. In his 2003 budget, Cayetano proposed a four-year phase-down of the capital gains tax from 7.25 percent to 5.6 percent, which he argued would bring badly needed capital investment to the state. His problem has been opposition within his own party, particularly from Senate Democrats. The legislature regularly pares back Cayetano's more sensible tax initiatives and adds bloat to his budgets. Cayetano has proposed relatively lean budgets, particularly during his first term when he cut 3,000 jobs from the state workforce. The state has nonetheless been mired in almost perpetual deficit since the early 1990s. And even after Cayetano cut the income tax from 10 to 8.25 percent, the state still has one of the most oppressive income taxes. Cayetano raised the state sales tax, which hasn't helped revive tourism or retail sales. This year, as the state budget crisis worsened, he supported higher tobacco and alcohol taxes. Nonetheless, Cayetano's initiatives have generally been in the right direction but have not been bold enough to overcome the big-government, high-tax culture that has reigned for too long in Honolulu.

Fiscal Performance Data

0.7%	Average Annual Change in Real per Capita Direct General Spending through 2000
2.3%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
0.9%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
2.9%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
0.00%	Average Annual Change in Real per Capita Tax Revenue through 2000
1.6%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
-0.04%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
0.46%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
-0.60%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
-2.00	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
-3.2	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
14.7	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.75	Change in Sales Tax Rate, proposed and/or enacted (% points)
0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
60	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Idaho

Dirk Kempthorne, Republican

Legislature: Republican
Took Office: 1/99

Grade: C

Former senator Dirk Kempthorne is probably best known as a defender of the Tenth Amendment and traditional notions of federalism. Kempthorne's philosophy is that "power belongs securely with the states, not the federal government." That admirable dedication to states' rights may explain why he surrendered his Senate seat in Washington to return to Boise and run for governor. Unfortunately, his policies as governor have been somewhat schizophrenic and his fiscal record mixed. He supported the most expensive education bill in Idaho history, raised a series of licensing fees, initially resisted the legislature's call for broad-based income tax cuts, and supported an increase in the state's minimum wage. He inherited a $100 million budget surplus and spent nearly 80 percent of it. But lately his record has improved. In 2000 he called for a small cut in income tax rates (0.1 percentage point), a reduction in business income taxes, a tax rebate, a lower food tax on seniors, and various tax credits for economic development. The Republican legislature passed a tax bill that cut taxes even further than the governor had proposed by reducing corporate and individual income tax rates by 0.4 percentage points. Kempthorne signed that bill. Now, even as the deficit has emerged, Kempthorne has vowed to protect the tax cut from legislators who would scale it back to balance the budget. Spending growth is the source of the fiscal problem in Boise. After nearly double-digit annual growth in the budget in the late 1990s, there were signs of modest fiscal restraint from the governor's office in 2002, as evidenced by Kempthorne's call for a hiring freeze. Nonetheless, most of the money for balancing the budget this year came, not from needed budget austerity, but rather from depleting the rainy day fund. Hence, the state's budget problems have been swept into 2003.

Fiscal Performance Data

0.4%	Average Annual Change in Real per Capita Direct General Spending through 2000
2.1%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
0.7%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
3.0%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
1.02%	Average Annual Change in Real per Capita Tax Revenue through 2000
2.8%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
-1.30%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
0.94%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
-1.10%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
-0.40	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
-0.4	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
15.4	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Illinois

George Ryan, Republican

Legislature: Divided
Took Office: 1/99

Grade: D

No governor in America today has operated under a darker cloud of scandal than George Ryan, a 25-year veteran of Illinois politics. Since even before he was sworn into office, Ryan has been plagued by allegations (that have led to several convictions of his employees) of selling driver's licenses for campaign contributions when he was secretary of state. For four years now, the lingering scandal has severely limited Ryan's credibility with voters and his ability to govern. And Ryan has carried on a decades-long tradition of high tax-and-spend Republicans in the state that began with "Big Jim" Thompson in the 1970s. He has enacted large budgets over the objections of many fiscal conservatives in the legislature (the state general fund budget grew by more than 15 percent in his first three years, and the total budget has now ballooned to well over $50 billion). He created a new state-subsidized child care program; he raised liquor and car taxes to pay for a $12 billion transportation bill; and he has pushed the state into its worst fiscal crisis in a decade. In 2000, when the state surplus swelled and tax relief would have made a lot of sense, Ryan said he wouldn't "engage in a bidding war" over tax cuts. The legislature wanted a $500–$600 million tax cut; Ryan finally relented and signed a property tax package half that generous. In a state that has underperformed economically during the past decade, Ryan's tax cuts were far more limited than what other states enacted during the same time period. No wonder when this embattled governor announced that he would not run for reelection this year most fiscal conservatives breathed a sigh of relief.

Fiscal Performance Data

-0.5%	Average Annual Change in Real per Capita Direct General Spending through 2000
2.0%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
-0.9%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
-0.7%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
2.33%	Average Annual Change in Real per Capita Tax Revenue through 2000
4.9%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
1.03%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-0.16%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
0.02%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0.00	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.00	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
10.3	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
50	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Indiana

Frank O'Bannon, Democrat | Legislature: Divided
Took Office: 1/97

Grade: C

Frank O'Bannon is a folksy and politically shrewd governor who has beaten two reform-oriented Republicans in his two elections to the state house. He is a quintessential Hoosier, matching the state's fiscal conservative orientation with a steady serving of middle-of-the-road policies. He once even described himself as a "compassionate conservative." But his policies have more resembled those of Bill Clinton than George W. Bush. As with Clinton, his governing style has been to placate Republicans in the legislature when necessary, but never give them entirely what they want. But O'Bannon has also trimmed some of the more grandiose spending programs coveted by many of the legislators in his own party. In his first term, O'Bannon had the luxury of budget surpluses. In the revenue-rich years of the late 1990s, he used about half the surplus revenues to cut taxes by $1.5 billion, but then spent the other half to keep special interests happy. Meanwhile, the budget grew briskly with a 6 percent annual growth rate from 1997 to 2000. O'Bannon had a decent tax-cutting record in the first term. He cut the gas tax to give motorists a break when gas prices spiked in the late 1990s. He provided income tax relief as well. In 2000, O'Bannon preempted his Republican opponent David McIntosh's call for a 25 percent property tax cut by proposing a growth cap on local levies himself. But during his second term, O'Bannon has run into trouble. His free spending during the boom years has contributed to a fiscal gap during the recession. Earlier this year he approved a $600 million tax hike that included higher tobacco taxes, an increase in the gas tax, and expanded gaming taxes. He has also depleted most of the state's $525 million rainy day fund. Overall, O'Bannon's six-year record is one of moderation and modest achievement. But his ultimate legacy may be shaped by his final two years in office as the state struggles with a court-ordered property tax reconfiguration and leaner economic times.

Fiscal Performance Data

4.2%	Average Annual Change in Real per Capita Direct General Spending through 2000
2.6%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
0.9%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
-4.1%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
0.99%	Average Annual Change in Real per Capita Tax Revenue through 2000
-0.6%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
0.54%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-2.92%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
-2.5%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0.00	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.00	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
11.3	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
1	Change in Sales Tax Rate, proposed and/or enacted (% points)
3	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
50	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Iowa

Tom Vilsack, Democrat

Legislature: Republican
Took Office: 1/99

Grade: D

In an era when most politicians rush to the political middle of the road, Tom Vilsack is an aberration. He does not bother to hide his infatuation with big budgets, high taxes, and statist prescriptions for Iowa's economic problems. In his first two years, he opposed a ballot initiative to require a supermajority to raise taxes, line-item-vetoed a property tax break from $60 million down to $43 million (even though he supported a $70 million break when campaigning), vetoed a $74 million income tax cut, and demanded a huge increase in school funding. During the era of budget surpluses that Vilsack enjoyed when entering office, he offered a few tax cuts, but they were small, targeted, and lacked broad growth benefits. He had tax credits for high-tech companies, engineering graduates, residential utility users, and ethanol producers. Last year he made a grand pronouncement that he would not sign "any more tax cuts." Spending, on the other hand, has been on the rise. In his first year, the budget grew by more than 8 percent. His 2000 budget was so big it was challenged for violating the state's legal spending restrictions. As revenue growth slowed, Vilsack fought budget cuts at every turn. When surpluses turned into deficits in early 2001, conservatives advocated slicing $40 million from the budget, but Vilsack proposed a trust fund transfer gimmick to keep the budget balanced. As the deficit worsened, Vilsack protested that the 2003 budget was "inadequate" even though it cut spending by less than 1 percent. Vilsack says that a top priority is long-term economic growth for the state. He has supported attracting 300,000 immigrant workers to the state to offset the exodus of young Iowa workers. But if he wants inflows of investment, he will have to cut the state's punitive personal and corporate income taxes.

Fiscal Performance Data

3.9%	Average Annual Change in Real per Capita Direct General Spending through 2000
7.2%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
0.0%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
-3.4%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
0.75%	Average Annual Change in Real per Capita Tax Revenue through 2000
4.0%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
0.07%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
2.4%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
0.03%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
20.98	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Kansas

Bill Graves, Republican

Legislature: Republican
Took Office: 1/95

Grade: D

As often happens in one-party states, infighting persists inside the Republican party in Kansas between moderates and conservatives. For the past four years, Bill Graves has been the field general of the moderate faction, and this year worked to defeat anti-tax Republicans in the legislature. He has urged Republicans not to take "no tax" pledges. He has also given only tepid support for conservative Republican Tim Schallenberger, who hopes to succeed the retiring Graves next year. Graves was first elected in the landslide GOP year of 1994, and his first-term performance on economic issues was solid. In 1998, Graves signed a $250 million tax cut, slicing the inheritance tax, the property tax, the sales tax, and severance taxes. He endorsed a four-year phase-out of the state car tax. In each year of his first term he cut taxes, although not by as much as conservatives sought. His first-term budgets, on average, held spending to a reasonable growth rate. But his second term has been a fiscal calamity. He proposed the most expensive public works and infrastructure program in the history of the state—an eight-year, $10.7 billion highway construction program that raised spending by more than 50 percent. To pay for it, he hiked the gas tax 4 cents per gallon. He eagerly spent tobacco lawsuit settlement money on expanded children's programs. He has beefed up school funding but opposed real reforms. He has pumped millions of dollars into the Kansas Technology Enterprise Corp., an unproductive state agency that doles out corporate welfare. Worst of all has been his about-face on taxes. He declared in his 1999 State of the State address: "Many have speculated, with election to my final term as governor, that my commitment to the people of this state to reduce their tax burden will wane. It will not; it cannot; it must not." But it did. Last year he enacted a giant $225 million tax hike—one of the largest in the nation when measured as a share of the state economy. He raised every tax he could, including the sale tax, cigarette taxes, motor fuel excises, and fees. As Karl Peterjohn of the Kansas Taxpayers' Association noted, "Bill Graves turned out to be one of the most pro-tax governors that Kansas has ever had."

Fiscal Performance Data

1.9%	Average Annual Change in Real per Capita Direct General Spending through 2000
0.7%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
-0.4%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
-3.0%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
1.01%	Average Annual Change in Real per Capita Tax Revenue through 2000
-0.1%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
-0.52%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
0.7%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
4.1%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0.0	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
13.8	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.25	Change in Sales Tax Rate, proposed and/or enacted (% points)
1.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
65	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Kentucky

Paul Patton, Democrat

Legislature: Democratic
Took Office: 12/95

Grade: C

In November 1999, Paul Patton, a former coal company executive, became the first governor in Kentucky history to be reelected, since Kentucky had previously had a one-term limit. In a state that increasingly tilts in favor of the GOP, Patton has had a generally cooperative relationship with the Republicans in the legislature, until recently. When first elected in 1995, Patton got off to a fast start. He fixed the state's gold-plated workmen's compensation system to the great benefit of taxpayers. His reform plan helped cut worker's compensation costs by nearly 20 percent. Kentucky is the heart of "tobacco row," so Patton smartly took a high-profile stance in opposition to lawsuits against the tobacco companies. He cut state health care costs by moving state employees into managed care. Patton's first budget contained modest income tax relief. He raised the income tax standard deduction from $650 to $1,700 over four years and indexed it for inflation thereafter. He did, however, support a 7 cent per gallon gas hike, but the legislature killed that. Patton's fiscally conservative policies paid off for the state: the budget was balanced, the reserve fund fattened, the state's bond rating improved, wages rose 7 percent faster than the national average, and the state ranked in the top 10 in job creation. Voters rewarded this performance with a resounding 61 percent reelection win. Then the governor made a turn for the worse. He pushed a "tax reform proposal" that was heavy on income redistribution and light on supporting economic growth. He raised taxes on long-distance phone service; reversed some of the earlier gains on worker's compensation reform, saying the bill had "gone too far;" and started to spend money the state did not have on new and expanded programs, such as early and vocational education. In 2002, he created a budget impasse with the legislature, which would not pass a spending plan that included Patton's $9 million scheme for taxpayer financing of gubernatorial campaigns. Patton talks often of increasing Kentucky's "competitive position relative to other states," and of preparing the state "to move into the knowledge-based economy," but he doesn't seem to understand that cutting tax rates is one of the most effective ways of accomplishing that goal.

Fiscal Performance Data

5.2%	Average Annual Change in Real per Capita Direct General Spending through 2000
3.8%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
-2.2%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
-1.2%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
1.71%	Average Annual Change in Real per Capita Tax Revenue through 2000
-0.1%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
-0.10%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-2.21%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
1.64%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0.00	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
14.25	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0	Change in Sales Tax Rate, proposed and/or enacted (% points)
7	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Louisiana

Mike Foster, Republican

Legislature: Democratic
Took Office: 1/96

Grade: D

Mike Foster is one of the more politically eccentric governors in one of the most politically eccentric states. In the 1992 race for governor, the voters nearly elected racist David Duke but instead settled for Edwin Edwards, who was recently convicted of bribery. That race produced famous bumper stickers: "Vote for the Crook! It's Important!" Foster's main contribution has been to bring a semblance of respectability back to the governor's office. He calls himself a "conservative populist." In 1996, he rankled many in his party by supporting Pat Buchanan for president, but he supported George W. Bush in 2000. He is in favor of bringing to Louisiana the initiative and referendum process—much needed in a historically politically corrupt state with entrenched politicians. Foster's first-term successes included a food sales tax cut and a tort reform law that has cut down on lawsuit abuses. His budgets started out lean but became more spendthrift in his second term. His tax record has not been impressive, and he has shown contempt for pro-growth tax policies. This past year, he ridiculed as "tooth fairies" those legislators who wanted to cut taxes to help boost the state economy. He favored extending "temporary" sales and income tax increases to balance the budget. He also supports a ballot initiative this fall to raise the income tax and repeal the sales tax on certain necessities, a move that will surely reduce investment and job creation in Louisiana. Instead of broad-based tax relief, he tends to favor industrial policy and smokestack-chasing economic initiatives, including an ill-designed multi-million-dollar program called Louisiana Inc., a state fund to lure new businesses into the state. He opposed a residential property tax cut and recently said that he thinks property taxes may be too low, not too high. He complains that Republicans are obsessed with tax cuts. He wants to create a pro-business climate but seems stubbornly opposed to the broad income tax reforms and reductions that are needed to nurture that environment. The high tax rate and loophole-ridden tax code are enduring remnants of Louisiana's cronyism and corruption. He has one year left in the governor's office to redeem himself with taxpayers.

Fiscal Performance Data

2.7%	Average Annual Change in Real per Capita Direct General Spending through 2000
-0.1%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
-0.7%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
-1.0%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
3.69%	Average Annual Change in Real per Capita Tax Revenue through 2000
2.7%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
2.14%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-1.28%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
0.90%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0.00	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
14	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
3	Change in Sales Tax Rate, proposed and/or enacted (% points)
4	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
12	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Maine

Angus King, Independent

Legislature: Democratic
Took Office: 1/95

Grade: D

Angus King gained popularity in Maine by hosting a TV talk show, MaineWatch. He leveraged his name recognition to run successfully for governor as an independent reformer promising to "reverse the economic decline" in Maine. He was reelected in 1998 with 59 percent of the vote, trouncing the Democratic and Republican challengers. King's focus during his eight years in office has been economic growth. At first, he advanced a centrist platform and made some progress on one of the nation's highest tax burdens. His early pro-growth accomplishments included two reductions in the sales tax, streamlined environmental permitting procedures, a two-year ban on new regulations, worker's compensation reform, and electricity deregulation. The budget has grown faster than personal income under King, but it might have grown even faster without his veto pen. He has vetoed increases in the minimum wage and a plan for free tuition for freshmen at the University of Maine. But he has also initiated a series of pricey programs, including a subsidized children's health insurance program and provision of a computer for every Maine school child. His tax record is mixed. Although King claims credit for "$428 million in tax cuts since I arrived in office," he approved one of the largest cigarette tax hikes in the nation and a 5 cent per gallon gas tax hike. King has resisted attempts by conservatives in the legislature to trim income tax rates, which rank in the top 10 highest among the states. This year, King has had to close an estimated $180 million budget deficit. His main solution has been to call for delays in expected tax cuts, including state income tax indexing, an unpaid holiday for some state workers, a raid on the tobacco trust fund money, and a higher meals tax. But the state's fiscal problems are not yet solved and major action will be needed in the next legislative session to avoid further deficits. When first elected, King promised to pull Maine out of its economic doldrums, but the state is stuck in the same rut that it was when he first arrived.

Fiscal Performance Data

2.9%	Average Annual Change in Real per Capita Direct General Spending through 2000
1.8%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
0.9%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
0.2%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
4.93%	Average Annual Change in Real per Capita Tax Revenue through 2000
3.8%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
0.59%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-2.74%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
0.61%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0.0	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
17.43	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
-1	Change in Sales Tax Rate, proposed and/or enacted (% points)
5.6	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
63	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Maryland

Parris Glendening, Democrat

Legislature: Democratic
Took Office: 1/95

Grade: D

Parris Glendening, a veteran of Maryland politics for nearly 30 years, won the governor's office in 1994, beating tax cutter Ellen Sauerbrey by a whisker. In a 1998 rematch, he beat her handily 55 to 45. In his eight years in office, Glendening has gained a reputation for waffling and indecisiveness. He campaigned hard in 1994 against Sauerbrey's 25 percent income tax cut proposal, then after the election he pushed through a 10 percent rate cut. He even sounded like a conservative, declaring, "A tax cut is the single most effective policy to bring jobs back to Maryland." But then he delayed implementation of the cut and spent the revenues elsewhere. He complained that others wanted to cut taxes for the rich, but then signed an inheritance tax exemption for immediate family members. He has flip-flopped on a contentious gambling issue regarding slot machines at racetracks—his latest position is that he is opposed. He was first for, then dead-set against, an intercounty connector transportation project in the Maryland suburbs of Washington. But Glendening has never wavered on his support for fatter state budgets, supporting big increases during the boom years of the late 1990s. His budgets have included $1 billion in new school construction projects, $800 million for teacher salary hikes, $8 million to install telephone lines in every classroom, $170 million for a Rural Legacy program (a state land grab of 150,000 acres of private property), and millions more for "smart growth" anti-development initiatives. He has given corporate welfare to Marriott Corp. to stay in Maryland with job training grants, road improvements, and other handouts worth an estimated $32 million. His proposed budgets have grown 3 percent faster on average than inflation and population. He's helped fund, at taxpayers' expense, not one but two pro football stadiums—one for Baltimore and one in Prince George's County for the Washington Redskins. This year he raised the cigarette tax to $1 a package, a $100 million increase, not for deficit reduction but for more school funding. Glendening will be term limited out of office after the November elections. If Maryland doesn't get back on track, residents may soon learn that an even worse alternative to fast growth is no growth at all.

Fiscal Performance Data

5.0%	Average Annual Change in Real per Capita Direct General Spending through 2000
0.9%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
2.4%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
2.9%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
1.77%	Average Annual Change in Real per Capita Tax Revenue through 2000
0.8%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
0.18%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-1.55%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
1.87%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
-0.20	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
11.75	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
100	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Massachusetts

Jane Swift, Republican

Legislature: Democratic
Took Office: 4/01

Grade: B

As second-in-command to Paul Cellucci, Jane Swift had a hand in helping the former governor push his much-needed tax-cut agenda. Massachusetts had long been derided as "Taxachusetts," and the Celluci/Swift tax reduction plans helped the state creep back toward the middle of the states in terms of tax competitiveness. When Cellucci resigned to become ambassador to Canada, Swift took over the governor's office. She has never fully recovered from the mini-scandals of using governor's office employees for babysitting duties and borrowing a state helicopter for personal use, but her fiscal policies have generally been good. She has been an advocate of continuing the tax cuts already put in place. When the legislature—dominated by big-government Democrats—threatened to stop the phase-in of the Cellucci income tax cuts, Swift came to the taxpayer's defense and stated that tax hikes were off the table. She rejected a gas tax hike to pay for the "Big Dig" transportation project, which has had a series of enormously expensive cost overruns. Swift signed a bill to freeze the unemployment insurance tax rate to keep at bay a scheduled increase in 2002. She also resisted calls for a 50 cent per pack increase in the cigarette tax. Swift voiced support for a spending cap—although the proposed cap was set too high, allowing spending to grow 3 percentage points faster than inflation annually. Swift has been too timid on keeping the lid on the legislature's spending proclivities. She did use her veto pen to cancel $271 million from the 2002 budget, but the budget still grew briskly. Although Swift was able to keep the legislature from raiding the state Tax Reduction Fund to balance the budget, she signed a bill that decouples the state from the new federal depreciation rules, an action that will result in a tax hike of $300 million on the state's businesses. Swift vetoed the 2003 budget plan passed by the legislature that raised taxes $1.14 billion by freezing the income tax rate at 5.3 percent (instead of lowering it to 5 percent), reversing Cellucci's capital gains tax cut, and increasing cigarette taxes by 75 cents per pack. The legislature swiftly overrode her veto (for which Swift is not penalized in this report card). She will not run for reelection this year, and she and Cellucci should be remembered as effective guardians of the taxpayer's interest, in a state where the taxpayer usually gets punished.

Fiscal Performance Data

-1.2%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
6.2%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
0.00%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-1.31%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
0.89%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
-0.3	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
14.8	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
1	Internet Tax (1=oppose; 0=support)

Michigan

John Engler, Republican — Legislature: Republican — Took Office: 1/91

Grade: B

No governor did more in the 1990s to turn a state economy around than John Engler. In his first two terms, Engler was one of the nation's top policy pioneers in areas such as welfare reform, charter schools, privatization, and tax cuts. When Engler took over in 1991, Michigan was in economic decline. The unemployment rate was about twice the national average. The state budget had a $1.5 billion deficit. Businesses were leaving the state in droves. Engler initiated many policies that turned the state around, but tax cuts and welfare reform were the most significant. Engler was one of the first governors to impose work requirements for welfare. The Michigan welfare rolls fell by 70 percent in the 1990s under Engler. To create jobs, Engler cut taxes more than 25 times for a cumulative taxpayer savings of $15 billion. The income tax has been cut by nearly a full percentage point. Property taxes for school funding have fallen dramatically in exchange for a two-point increase in the state sales tax. No state has cut property taxes more than Michigan in the past decade. The tax-cutting plan worked. In 1997 and 1998 Michigan won the prestigious Governor's Cup for attracting the most new businesses. By the late 1990s, the unemployment rate had fallen to 3 percent, the budget was running a $500 million surplus, and the state bond rating was the best in two decades. But Engler's third and final term has been a disappointment. In 1999 and 2000, the budget soared and even long-time allies began to decry his big-spending ways. Budgets have ballooned for education and business subsidy programs. He has now become inclined to raise taxes—even to reverse hard-earned tax-cut gains that were made in the 1990s. Engler raised the cigarette tax by $1.25 a pack. He has been a major voice in favor of Internet taxation. In 2002, he supported accelerations in property tax payments and a delay in business tax reductions. He also raised the diesel fuel tax. As head of the National Governors Association, he spearheaded a series of anti-growth policies, including Internet taxation, and increased federal funds to close state budget deficits. Last year he supported a telecommunications tax to accelerate broadband deployment. This is not the same John Engler that fiscal conservatives once supported.

Fiscal Performance Data

2.1%	Average Annual Change in Real per Capita Direct General Spending through 2000
0.0%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
-2.2%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
-5.8%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
5.03%	Average Annual Change in Real per Capita Tax Revenue through 2000
2.6%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
-1.41%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 20
-3.13%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
-5.91%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
-0.70	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
-0.6	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
6	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
2	Change in Sales Tax Rate, proposed and/or enacted (% points)
4	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
50	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Minnesota

Jesse Ventura, Independent

Legislature: Divided
Took Office: 1/99

Grade: D

The meteoric rise and fall of Jesse Ventura is a strange tale. Four years ago the former pro wrestler won a stunning upset as an independent candidate against two major party opponents. He had a populist message and a quick tongue. He said that the $2 billion budget surplus belonged to the people. He said that families that could afford two color TV sets did not need welfare. Early on, Ventura had a string of policy successes and enjoyed 70 percent approval ratings. He rebated $3.7 billion in surplus taxes and he asked for further tax cuts. He battled the militant teachers unions on education issues. But despite his statements about getting government off the backs of citizens, he favors many new government programs and has not held down spending. Government spending in 2000 grew by double digits on the eve of the recession. In early 2001, he proposed a sweeping tax reform program that would reduce taxes by $1 billion by lowering property taxes by 15 percent, cutting all income tax brackets by half a percentage point, and broadening the sales tax base while cutting the sales tax rate by 0.5 percentage point. However, once the surplus began to disappear, Ventura reduced his tax cut and froze the phase-out of the auto license tax, a tax that Ventura vowed to abolish. Then, in November 2001, Ventura took on a new fiscal persona. He proposed a $397 million tax hike, which would raise gas taxes by 20 percent, cigarette taxes by 60 percent, and modify his sales tax plan to increase tax burdens instead of reducing them. When the legislature instead sent him a plan that balanced the budget without tax hikes, Ventura vetoed it and talked in language that would have been foreign to the Jesse Ventura of old: “Our legislators do not seem to understand that taxes and personal sacrifice are the price we pay for freedom.” The legislature handily overrode Ventura’s veto and saved Minnesotans from a tax increase. Ventura’s decision not to run for reelection has spared the state a second Ventura term and the possibility of more Ventura tax hikes. His political fate paralleled the fate of the XFL—and his position as game announcer for the league, a riches to rags rollercoaster.

Fiscal Performance Data

9.8%	Average Annual Change in Real per Capita Direct General Spending through 2000
11.8%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
0.4%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
0.7%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
2.60%	Average Annual Change in Real per Capita Tax Revenue through 2000
4.5%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
-2.71%	Average Annual Recommended Tax Changes as % of Prior Year’s Spending through 2003
-1.82%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
3.71%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
-1.15	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
17.65	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
-0.5	Change in Sales Tax Rate, proposed and/or enacted (% points)
5.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
29	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Mississippi

Ronnie Musgrove, Democrat

Legislature: Democratic
Took Office: 1/00

Grade: C

Ronnie Musgrove was elected governor by the Mississippi House of Representatives in January 2000. Neither candidate had won the popular vote; Musgrove garnered 49.6 percent of the vote compared to 48.5 percent for his challenger, Republican Mike Parker. The vote in the Democrat-controlled House was 86–36 in favor of Musgrove. His budgets have been fairly tight-fisted, keeping general fund spending increases below population and inflation growth. When revenue trended downward in his first year in office, Musgrove instituted a 5 percent across-the-board spending cut. He vetoed a prison budget that included a large amount of superfluous spending. He also vetoed the fiscal year 2002 budget because the legislature assumed that the state would have more revenue than Musgrove assumed. The legislature overrode his veto. But Musgrove was right: revenue growth turned out to be closer to his prediction, and Musgrove instituted another round of spending cuts. However, Musgrove's spending record has been marred by his calls for increases in spending in many areas, particularly a $338 million six-year pay hike for teachers, health care expansions, and more money for ineffective corporate welfare programs. Musgrove's most recent initiative is a so-called economic development program for the Mississippi delta to be paid for by higher sales taxes and more state debt. This plan has met with resistance among Republicans because payments for debt service are the fastest growing area of the state budget, having ballooned by 485 percent between fiscal 1992 and 2000. Musgrove's business subsidy schemes have included favors to tempt Nissan to open a plant in Madison County. Musgrove has avoided any major calls for new taxes. All in all, he fits the new mold of Democratic governors in the deep South who have wrestled power away from Republicans with a Clintonian message of fiscal prudence, job creation, and social policy moderation. As with Bill Clinton, however, the reality does not always match the rhetoric.

Fiscal Performance Data

-0.9%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
-2.1%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
0.00%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-0.67%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
-3.52%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0.0	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
10	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
1.5	Change in Sales Tax Rate, proposed and/or enacted (% points)
0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Montana

Judy Martz, Republican

Legislature: Republican
Took Office: 1/01

Grade: B

Former Miss Rodeo Montana and 1964 Olympic speed skater, lieutenant governor Judy Martz won a close governors race in 2000 by 51 percent to 47 percent. On fiscal policy, Martz scores far higher than her old boss, and now the head of the Republican National Committee, Marc Racicot, who scored a D on our last report card. Martz's contributions have included her aggressive tax reform plan and prudent budget proposals. Making clear her opposition to tax increases from the beginning (she signed a pledge not to raise taxes during her campaign), Martz has threatened vetos of tax increases desired by some in the legislature, including an increase in the cigarette tax. Her proposed budgets have grown no faster than the rate of inflation. Her tax reform plan, proposed in early 2002, would drop personal income tax rates by eliminating the federal income tax deduction but lowering the top state rate from 11 percent to less than 7 percent. Montana has one of the highest income taxes in the country, which Martz knows is harming state economic development. When the fiscal year 2003 budget fell into deficit, she called a special session to cut spending, and proposed $24 million in cuts including a state hiring freeze. The spending cut also included a proposal to trim $13.7 million from the education budget, a courageous move given that it was instantly criticized by the teachers' unions. Martz is right to want to get education spending under control: the education budget in Montana has been growing at five times the rate of population growth in recent years—a clearly unsustainable spending binge. Martz should be applauded for holding the line on taxes and most spending proposals. She intends to release a tax plan in January that will cut income taxes but raise some targeted taxes on tourists. Finally, Montana has a governor who wants to cut taxes, not raise them.

Fiscal Performance Data

-2.7%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
-0.6%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
-0.12%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-6.7%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
2.3%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
-4	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
17.75	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Nebraska

Mike Johanns, Republican

Legislature: Nonpartisan
Took Office: 1/99

Grade: C

Governor Mike Johanns, a lawyer and former mayor of Lincoln, has had a fractious relationship with the legislature in his first two years. He's vetoed more than two dozen bills in two years, including a pay increase grab by the legislature (overridden); several fat spending bills; and, most important, a $140 million sales and income tax increase (also enacted over his veto). The legislature's tax hike this year will almost certainly retard growth: Nebraska already has surprisingly high tax rates for a generally conservative state. The tax hike was uncalled for given that revenues have been growing 5 percent faster than income growth in recent years. But the robust revenue growth did not prevent deficits when the economy went sour in 2001. The explanation is that state spending nearly doubled over the past dozen years, and even Johanns recommended a 7 percent budget hike in his first year in office. Johanns's best accomplishment so far has been a three-year phased-in property tax cut, which provided relief of about $30 million each year between 1999 and 2001. On spending, Johanns has not been tough enough with the profligate legislature. In the 2002–2003 budget, he canceled only $18.5 million in expenditures, a cut of about two-tenths of a percentage point. In January 2002, Johanns promised he would not raise taxes to balance the budget, but he did sign off on a plan to raise the cigarette tax by 50 cents per pack, or $45 million. Also unfortunate was his decision to support a decoupling of the state's estate tax from the new federal estate tax cut, thereby punishing family businesses and farmers in Nebraska. Even with this new revenue, Nebraska will still face a $250 million deficit for 2003. Since tax hikes have not stemmed the tide of red ink, perhaps Johanns and the legislature should give growth-oriented tax cuts a try.

Fiscal Performance Data

6.9%	Average Annual Change in Real per Capita Direct General Spending through 2000
7.4%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
-2.6%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
-2.6%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
4.00%	Average Annual Change in Real per Capita Tax Revenue through 2000
5.3%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
-0.33%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-1.2%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
-5.7%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0.0	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
14.5	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
50	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Nevada

Kenny Guinn, Republican

Legislature: Divided
Took Office: 1/99

Grade: B

The governor's office is Kenny Guinn's first elected position. He is a former banker and university president. Guinn's fiscal prudence in his first two years earned him an "A" on our last report card, with the second highest rating. His budgets were admirably lean in his first two years with general fund expenditures growing slower than population. His ironclad stand against new taxes safeguarded Nevada's advantage as a low-tax state. Nevada is one of nine states without an income tax, which helps account for the state's rapid economic growth during the 1990s. Recently, Guinn's policies have taken a turn for the worse. His 2002–03 budget asked for a 20 percent increase, with big hikes for college education, health care, and anti-smoking programs. Last year, Guinn held fast to his no-taxes pledge and refused to support various proposals to raise taxes, including a 4 percent business income tax scheme backed by the teachers' union. But when the spending boom, combined with the recession, caused a projected deficit, Guinn did not cut much spending but proposed a fee increase on out-of-state companies. That increase hits companies wishing to incorporate in Nevada and take advantage of its low-tax and low-regulation status. Guinn's proposal increased, and in some cases quadrupled, the fees for incorporating and added a new $500 business tax to the mix. That is expected to raise about $70 million per year or more. In December, when revenue projections became even more worrisome, Guinn did call for a $245 million budget cut, or about 3 percent, mostly in one-time appropriations. Guinn recently had to admit that his first-year top-down review of state agencies did not really save any money. He has stayed committed to his opposition to a state income tax, but if spending isn't brought under control soon, the legislature will continue to demand new taxes.

Fiscal Performance Data

-10.0%	Average Annual Change in Real per Capita Direct General Spending through 2000
-8.7%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
-2.5%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
0.9%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
-0.2%	Average Annual Change in Real per Capita Tax Revenue through 2000
1.2%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
0.34%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-1.44%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
-1.2%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
0	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

New Hampshire

Jeanne Shaheen, Democrat

Legislature: Republican
Took Office: 1/97

Grade: D

New Hampshire has long been the one small-government foothold in the Northeast, but that competitive edge has been under assault as state lawmakers, with the encouragement of the state supreme court, have tried to enact a state income tax. New Hampshire is the only state in the nation that has neither a personal income tax nor a sales tax. But the supreme court has ruled that New Hampshire's property tax system is constitutionally flawed. Into this high-voltage debate over school financing and taxes arrived the first Democratic governor in decades, Jeanne Shaheen. First elected in 1996, Shaheen easily won two reelections. In 2000, she refused to take the anti–income tax pledge, which almost all successful candidates have taken in the past, and which she had signed in her first two runs. She won reelection narrowly anyway. Shaheen has been described as "Governor Betty Crocker" for her penchant for moderation and compromise. But the reality is that Shaheen has dramatically increased the size of state government. In fact, her first three budgets allowed expenditures to rise substantially faster than personal income growth. Her Advancing Better Classrooms plan increased kindergarten aid by 50 percent. She often speaks of improving schools but is opposed to real reforms. She vetoed a teacher tenure reform bill and a limited voucher pilot program. The *Wall Street Journal* has described New Hampshire residents as "taxaphobic," but Shaheen isn't. She signed a statewide property tax measure, proposed to raise the corporate income tax, and hiked the cigarette tax. She has tried several times to contrive a taxing scheme that would meet the court's approval and gain acceptance from the Republicans in the legislature. That hasn't happened. She appointed a commission to study New Hampshire taxes, which recommended new taxes, including an income tax. She proposed a 2.5 percent state sales tax, but that was also rejected by the legislature. The funding problem was finally resolved by enacting a statewide property tax, and no income or sales tax. That solution—probably the best possible outcome under the circumstances—was arrived at in spite of Shaheen, not as a result of her leadership. Shaheen has a reputation, cultivated by the press, as a fiscal conservative. But it is hard to reconcile that with her actual big-budget and high-tax policies during her three terms in office.

Fiscal Performance Data

0.3%	Average Annual Change in Real per Capita Direct General Spending through 2000
3.5%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
0.4%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
-9.6%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000-2002
9.88%	Average Annual Change in Real per Capita Tax Revenue through 2000
13.4%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
14.87%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
2.97%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
2.49%	Average Annual Change in Real per Capita General Fund Revenue 2000-2002
0	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
-3.5	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
7	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
2.5	Change in Sales Tax Rate, proposed and/or enacted (% points)
0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
37	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
1	Internet Tax (1=oppose; 0=support)

New Mexico

Gary Johnson, Republican

Legislature: Democratic
Took Office: 1/95

Grade: B

Gary Johnson has gained a national reputation as a maverick governor. He is probably best known for endorsing drug legalization, because he says the war on drugs has done more harm than good. Johnson sports a libertarian attitude toward government. He favors school vouchers, term limits, privately run prisons, lean budgets, and deep tax cuts. He is a genuine citizen-lawmaker, having never held public office before winning the statehouse in 1994. *Governing* magazine said that "no governor has been more open in his contempt for the opposition party or the legislative leaders than Johnson." In his first term, he vetoed 200 bills—many of them spending bills, which he labeled as profligate. The state Democrats made defeating Johnson their top priority in 1998, but he won anyway. The feuding continued and his veto total is now up to 750. Only a handful have been overridden—unfortunately one of those overrides was of the 2003 budget. He said he would operate the state agencies at last year's budget levels. Through determination and wearing down the opposition, he has had legislative successes. He has cut the state income tax, the gasoline tax, the state capital gains tax, and the unemployment tax. In 2001, he wanted a further 7 percent reduction in income tax rates. The legislature cut the tax less than he wanted, so he vetoed the bill. In 1999, he vetoed a 12 cent per pack cigarette tax hike because he opposes all tax hikes. (He recently did sign off on a tobacco tax with the condition that the revenues be used to offset other tax cuts.) In 2000, he signed a residential property tax cap that will limit increases in valuations to 3 percent per year. Johnson has successfully sponsored other government reform initiatives such as an electricity deregulation bill, a 10 percent reduction in state payrolls, and a Medicaid cost-cutting plan. What is most surprising about his fiscally conservative governance is that New Mexico is a state that has one of the highest percentages of employment in federal and state governments. But he has done much to create private-sector jobs and to erode the culture of dependence on government in New Mexico. The Speaker of the House in New Mexico, Ben Lujan, recently noted after an override of a Johnson veto: "There is no executive fiat in this state. The governor must have the consent of the legislature for fiscal action." That explains why Gary Johnson's grade is not even higher in this report card.

Fiscal Performance Data

3.1%	Average Annual Change in Real per Capita Direct General Spending through 2000
2.8%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
-2.9%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
0.5%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
1.75%	Average Annual Change in Real per Capita Tax Revenue through 2000
1.5%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
-0.92%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-3.23%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
2.9%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
-1.8	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
15.8	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0	Change in Sales Tax Rate, proposed and/or enacted (% points)
-6.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

New York

George Pataki, Republican

Legislature: Divided
Took Office: 1/95

Grade: B

George Pataki was elected in 1994 to bring fiscal sanity and economic prosperity to New York after Mario Cuomo's free-spending ways and the highest state tax burden in the nation. Pataki's administration brought swift change. In his first state-of-the-state address, Pataki said, "In New York, government has become the uninvited dinner guest who arrived too early, ate too much, and stayed too long." He quickly converted $5 billion of red ink into a record $2 billion surplus. Pataki delivered his promised $3 billion, 25 percent income tax cut on schedule and slashed other taxes as well, including the worker's compensation tax, the capital gains tax, and the sales tax on clothing. He also cut New York's high inheritance tax. "I'm a supply sider. I know that taxes affect economic behavior," he declared. At the same time, Pataki was stingy on spending in the early years. After three years, the budget was no higher than it was when he entered office. Pataki's supply-side income tax cuts and other pro-business reforms pumped new life into the economy: 350,000 new jobs came into the state and welfare rolls dropped by half a million. New York's Empire Foundation found that tax revenues increased faster after the Pataki tax cuts than in the late 1980s and early 1990s when Cuomo was raising tax rates. Unfortunately, the policies of Pataki's second term have been much worse. His 1998 and 1999 budgets grew six times as fast as his first-term budgets. The *New York Post* recently noted: "Pataki's budgets have swollen from $63.2 billion in 1996 to $89.6 billion in 2003. That 41 percent increase is $1,500 for every man, woman, and child in New York." He has infuriated conservatives by sponsoring multi-billion-dollar bond initiatives for roads and pork-barrel environmental projects. In 1999 he signed into law a 55-cents-a-pack hike in the cigarette tax to fund new state health programs and raised the tobacco tax by 39 cents more last year. New York now has the highest cigarette tax in the nation at $1.50 a pack. He has also made deals with union bosses that will cost the state at least $2 billion in higher contract costs. Almost everyone agrees that Pataki has dealt with the World Trade Center attacks with great skill and sensitivity. New York is certainly in much better economic shape now than it was eight years ago, but most of the gains were in the first few years of Pataki's administration. As he runs for reelection, New Yorkers may wonder if they will get the new George Pataki or the old.

Fiscal Performance Data

-0.7%	Average Annual Change in Real per Capita Direct General Spending through 2000
-1.8%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
-2.0%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
0.9%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
.56%	Average Annual Change in Real per Capita Tax Revenue through 2000
-0.6%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
-0.97%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-2.89%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
4.82%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
-1.03	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
-2	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
14.35	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
95	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
1	Internet Tax (1=oppose; 0=support)

North Dakota

John Hoeven, Republican

Legislature: Republican
Took Office: 1/01

Grade: D

John Hoeven was president of the state-owned Bank of North Dakota before he ran for governor as a Republican in 2000. In 1996, while still a Democrat, he contemplated running for governor against Republican incumbent Edward Schafer. When Schafer announced he wouldn't run in 2000, Hoeven switched parties and ran a campaign promising more jobs and development for the moribund state economy. A main impediment to growth in North Dakota is its 10.5 percent corporate income tax rate (the second highest in the nation). It also imposes a personal income tax, while its neighbor South Dakota has none. Hoeven signed a bill that severs the state's linkage to the federal tax code. The state used to assess a 14 percent tax on federal liability, creating a 5.6 top tax rate. The new bill is a double-edged sword. It lowers the top rate to 5.5 percent, but the rate won't come down to 5 percent as would have occurred as a result of President Bush's phased-in federal tax rate cut. Hoeven's economic development initiatives are modest at best. His plan consisted of a 20 percent tax credit on investments up to $50,000 for new or expanding businesses, a phase-out of the sales tax on used farm machinery, and the consolidation of three separate corporate welfare agencies into one Commerce Department. The last proposal eliminated a paltry nine government jobs. More pork for ethanol producers figured prominently in Hoeven's first budget, which included $2.5 million in production subsidies. He proposed raising automobile registration fees by $15. Hoeven's challenge going forward will be to balance the budget, which swung into the red in 2002. He deserves credit for responding to the deficit with a 1 percent across-the-board spending reduction this past year, but next year there are sure to be calls for new taxes. If Hoeven wants more jobs and businesses in North Dakota he should resist those calls.

Fiscal Performance Data

2.7%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
0.2%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
0.1%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
1.55%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
0.35%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
16.044	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Ohio

Bob Taft, Republican

Legislature: Republican
Took Office: 1/99

Grade: F

Bob Taft has been the highest-taxing governor in America recently. He has also proven to be a prodigious spender. In his first two years, he raised spending by more than 10 percent, raided the state tax refund account, campaigned successfully for a voter-approved $400 million environmental bond initiative, and refused to cut income taxes or fuel taxes (which even the Democrats were proposing). Taft did sign a bill that cut property taxes in his first year in office. In early 2001, Taft promised that he would not propose or sign any "major" tax increases or institute a statewide property tax to pay for new court-ordered education spending. (He originally intended to propose such a tax, but dropped the idea after being hounded by some state legislators and even some school officials.) But thanks in part to Taft's new education spending programs, the budget deficit ballooned to more than $700 million in September 2001 and the state supreme court ordered about a billion more dollars for school funding. Taft began to renege on his tax pledge. In late 2001 he proposed a $465 million, two-year tax hike, mainly on businesses. To his credit, Taft did propose a spending cut of $600 million. The legislature sent the governor a bill, which he signed, that raised business taxes by only $349 million and cut spending further. Spending, however, was still 10 percent above where the budget had stood before Taft arrived in office two years earlier. The deficit grew even larger to about $2 billion in 2002. The cash shortage didn't prevent Taft from calling for a huge 10-year $1.6 billion industrial policy program in an attempt to lure high-tech firms to the state. Taft then conspired with legislators to raise the cigarette tax by 31 cents, a 130 percent increase, along with more tax hikes on businesses, in order to get $400 million more cash from Ohioans. Some spending cuts occurred, but tax hikes were much larger. Even with all these new taxes, the budget is still projected to run a $750 million deficit next year. Taft has announced that he cannot rule out further tax hikes next year.

Fiscal Performance Data

4.6%	Average Annual Change in Real per Capita Direct General Spending through 2000
5.5%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
2.0%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
2.5%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
4.67%	Average Annual Change in Real per Capita Tax Revenue through 2000
5.6%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
0.28%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
1.56%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
3.14%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
-0.43	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
15.299	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
31	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Oklahoma

Frank Keating, Republican

Legislature: Democratic
Took Office: 1/95

Grade: B

As his two terms as governor wind down this year, Frank Keating leaves behind an impressive record of pro-growth accomplishments. Keating, a former Jack Kemp aide, has stressed cutting taxes, reducing barriers to growth, school reform, and smaller government. His proposals have been single-minded in their objective of creating jobs and economic growth. Unfortunately, his good proposals have often run into barriers in the legislature, which has watered down and sometimes scuttled Keating initiatives. But there have been important victories and partial victories. In his first term, he proposed cutting the state income tax in half, from 7 to 3.5 percent. The legislature agreed to cut the rate to 6.5 percent. In his second term, Keating stressed cutting the state's unpopular "auto tag tax" and estate tax. Keating has proposed a tax cut every year as governor, and Oklahoma now has the seventh lowest tax burden in the nation. One of Keating's best economic achievements was sponsoring a right-to-work ballot initiative in the state. Keating's other big idea has been a dramatic tax-restructuring plan. "Drastic change in Oklahoma's tax system is needed to spur economic development, increases in personal income, and to encourage young graduates and retirees to stay in Oklahoma," he declared in his 2002 state-of-the-state address. Keating proposed expanding sales taxes to services, but eliminating the income tax and business franchise tax. The clock ran out on tax reform this year, but it is expected to be a high priority in 2003. But Keating is not especially disciplined when it comes to spending. The budget has grown faster than inflation and population almost every year of Keating's tenure. In 2000, he proposed a $500 million bond initiative for special projects, university funding, and highways. Still, Keating has earned his reputation as a reformer. He has been a staunch advocate of a voucher plan for kids in low-performing schools and insisted that every new education dollar must be "a reform dollar." He downsized the state workforce, he enacted tough work-for-welfare requirements, and he passed the charter school legislation in the state. It is a testament to the popularity of Keating's initiatives that in the election to succeed him, there is almost no talk of rolling back the accomplishments of the past eight years.

Fiscal Performance Data

-1.3%	Average Annual Change in Real per Capita Direct General Spending through 2000
-0.9%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
0.1%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
1.6%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
2.71%	Average Annual Change in Real per Capita Tax Revenue through 2000
1.9%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
-0.68%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-1.56%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
2.30%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
-7	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
13	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
1.4	Change in Sales Tax Rate, proposed and/or enacted (% points)
-1.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Oregon

John Kitzhaber, Democrat

Legislature: Republican
Took Office: 1/95

Grade: F

For the third straight time, John Kitzhaber has earned an F on the Cato fiscal report card. His dismal performance is primarily a result of an astonishingly rapid rate of budget growth on his watch. No other governor has come close to the size of the spending spree that Kitzhaber has had in Oregon. A physician who has been in politics for more than 20 years, Kitzhaber has a folksy and charismatic demeanor. He is the first Oregon Democrat to be re-elected governor in a century. But he has shown excessive faith in the efficacy of government programs to solve economic and social problems. In his first term, spending skyrocketed by nearly 30 percent. He is the architect of the controversial Oregon Health Plan, which expands health care coverage by rationing treatment. The plan was supposed to reduce the ranks of the uninsured while cutting the burden on the state of paying for expensive treatments. Instead, Oregon's Medicaid caseloads have swollen and costs have risen every year, partly because doctors apparently are not cooperating with the new rationing. As a consequence, the cigarette tax was hiked by 40 cents a pack to pay for the cost overruns. Kitzhaber has dumped money into the public schools while opposing education reforms that would give more power to parents. He proposed a hugely expensive transportation plan, with more money to come from a new car tax and higher gas taxes. Fortunately, the Republican legislature cancelled that plan. In his second term, spending has soared, causing an enormous funding gap. Now Kitzhaber the spender has morphed into Kitzhaber the taxer. In just the last two years, he has proposed an income tax hike, an increase in auto fees, a 50-cent-a-pack cigarette tax hike (on top of the earlier 40 cent increase), a rollback of $133 million in income tax rebates approved by voters in a prior ballot initiative, a $44 million increase in beer and wine taxes, and numerous increased fees. Some have begun to refer to him as Governor "Tax-haber." In spring 2002, the legislature enacted a balanced budget plan without any major tax hikes. Kitzhaber vetoed it and demanded that the budget contain more taxes. Kitzhaber has always supported growth in the public sector while casting a suspicious eye on growth in the private sector.

Fiscal Performance Data

9.1%	Average Annual Change in Real per Capita Direct General Spending through 2000
7.9%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
5.7%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
-1.8%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
11.35%	Average Annual Change in Real per Capita Tax Revenue through 2000
10.1%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
1.88%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
2.79%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
-0.59%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0.0	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
15.6	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0	Change in Sales Tax Rate, proposed and/or enacted (% points)
6.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
90	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Rhode Island

Lincoln Almond, Republican

Legislature: Democratic
Took Office: 1/95

Grade: D

No governor has a tougher job than Lincoln Almond. Rhode Island has been a one-party Democratic state for as long as anyone can remember. Republicans are few and far between. Bill Clinton won Rhode Island by 32 points in 1996, Gore won it by 20 in 2000, and the state legislature is 80 percent Democratic. Such one-party domination tends to breed arrogance and resistance to change. Lincoln Almond is a fiscal moderate, the voice of economic sanity in a state that lies in the heart of the union-dominated Northeast. The state ranks in the top five for tax burden and per capita spending and in the bottom 10 in job creation and capital investment. Almond has pushed the state in a market-oriented direction, but its inbred political system has not allowed him to move it that far. His biggest accomplishment was a 10 percent income tax cut during his first term. He cut taxes on financial services, which helped lure Fidelity and 1,200 new jobs to Providence. He pushed through a work-for-welfare bill that has helped reduce caseloads. And he partially deregulated electricity prices. He has judiciously employed his veto pen on big-spending budgets, athough Almond has supported some pork himself. He backed a $43 million subsidy for the University of Rhode Island to build a new basketball arena and a $70 million bond initiative for a rail construction project. Now he's trying to use more corporate welfare dollars to lure Pfizer into the state. What started out as an acrimonious relationship with the legislature has deteriorated into frequent combat. In 2001, Almond wanted to phase out the state's capital gains tax, but the legislature nixed the plan as a "tax cut for the rich." In 2002, Almond described the budget accurately as a "fiscal nightmare, a policy disaster, and a constitutional crisis." The budget spent all the tobacco litigation money (which is supposed to last for more than a decade), doled out tens of millions of dollars in lavish subsidies (such as $13 million for dog kennel owners), raised the gas tax, and raised the cigarette tax by 55 cents a pack and 10 cents a pack more for the next five years. Almond vetoed this short-sighted budget, but the legislature overrode his veto. Almond leaves the governors mansion next year having tried to rein in some of the worst excesses.

Fiscal Performance Data

9.1%	Average Annual Change in Real per Capita Direct General Spending through 2000
2.0%	Average Annual Change in Real per Capita Direct General Spending through 2000
1.1%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
-1.1%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
3.4%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000-2002
1.87%	Average Annual Change in Real per Capita Tax Revenue through 2000
1.0%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
0.4%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-2.43%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
2.0%	Average Annual Change in Real per Capita General Fund Revenue 2000-2002
-0.59	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
19.296	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
-0.5	Change in Sales Tax Rate, proposed and/or enacted (% points)
2.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
76	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

South Carolina

Jim Hodges, Democrat

Legislature: Republican
Took Office: 1/99

Grade: D

Who would have thought that a conservative state smack in the heart of Dixie would be governed by one of the biggest spending governors in America? That is the surprising situation in South Carolina. Jim Hodges became governor in a major upset when the incumbent Republican Jim Beasley self-destructed by getting tangled up in the issue of flying the confederate flag and the issue of video gambling—both of which he opposed. Hodges wasted no time inflating the budget. In his first year in office, Hodges approved a budget with 12 percent growth. The budget grew by another 8 percent in 2001. In 2000, Hodges scored a "victory" when the voters approved the state lottery he had been lobbying for, giving the governor a new pot of money to spend. In January 2001, Hodges proposed a $5.9 billion budget for 2002, which increased expenditures 9 percent. The 2002 budget included a $345 million increase in state debt, which sparked controversy because legal debt limit would only allow $50 million. When the legislature trimmed Hodge's budget to $5.6 billion, Hodges used his veto. This is a rare case of a governor using his veto power to demand more, rather than less, state spending. To his credit, Hodges did oppose a 7-cent increase in the fuel tax, but his tax record has been uninspiring at best, since he has not cut any major taxes. Hodges chose instead to rely on tax-break gimmicks that are temporary and microscopic. His 2002 budget created a two-day-long sales tax holiday. That was the extent of Hodges's tax-cutting efforts. When the legislature tried to cut the sales tax on food, Hodges vetoed the measure, and the Republicans in the legislature failed to overturn his veto. At the end of 2002, Hodges bowed to the economic realities of the recession and called for a flat budget for 2003. But to keep the budget balanced, Hodges resorted to smoke-and-mirrors accounting gimmicks. He transferred millions of dollars from off-budget accounts to keep the budget in the black and shifted bill payments into 2003. Hodges has made it clear over the past four years that he wants to expand the reach of government in virtually all areas, and his low grade reflects that profligacy.

Fiscal Performance Data

4.5%	Average Annual Change in Real per Capita Direct General Spending through 2000
6.5%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
-1.6%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
3.4%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
-2.75%	Average Annual Change in Real per Capita Tax Revenue through 2000
-0.9%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
-0.08%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
2.88%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
1.89%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0.0	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
12	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

South Dakota

William Janklow, Republican

Legislature: Republican
Took Office: 1/95

Grade: B

William Janklow is a senior statesman in South Dakota politics, having served two terms as governor: 1979–87 and 1995–2002. He is retiring from the statehouse because of term limits. In 1994 he won by promising a sweeping 30 percent property tax cut. He fulfilled that promise, and the last installment of the tax cut was signed into law in 1999. That tax-cutting accomplishment is all the more impressive given that South Dakota has no income tax. The property tax cut was the steepest tax cut in South Dakota history and sent Janklow's approval rating sky-high. In his first term, he cut the executive branch staff by more than 1,000 employees, and general fund spending declined relative to personal income. He was easily reelected in 1998. However, his second term has not been as inspiring. Janklow raised the gas and cigarette taxes to help pay for property tax relief. He opposed a measure to eliminate the state inheritance tax, so taxpayer groups put it on the ballot and it passed with more than 70 percent approval. He has also been more amenable to spending money of late. He approved an expensive highway construction bill and a lot more money for schools. He spent the tobacco settlement money rather than providing tax cuts. He has thrown money at education, with no real results to speak of. Perhaps his highest profile national issue has been his cheerleader role in favor of Internet taxes. He even threatened to use the state police to collect taxes on Internet purchases by pulling over UPS and Federal Express trucks and searching the packages. But he did support legislation to make it more difficult for localities to raise their property tax assessments. Janklow declared in his final state-of-the-state address that his overriding principle as governor was to "always put taxpayers first." On most occasions Janklow has done just that, and he leaves office with taxes lower than when he arrived and the state economy healthy despite the national slowdown.

Fiscal Performance Data

1.3%	Average Annual Change in Real per Capita Direct General Spending through 2000
-0.5%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
-1.7%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
-0.4%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
2.69%	Average Annual Change in Real per Capita Tax Revenue through 2000
0.9%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
-0.77%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-1.6%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
0.9%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0.0	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
0	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0	Change in Sales Tax Rate, proposed and/or enacted (% points)
4	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
10	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Tennessee

Don Sundquist, Republican

Legislature: Democratic
Took Office: 1/95

Grade: F

No one can explain why he did it, but Governor Don Sundquist created a needless four-year political civil war regarding income taxes. Tennessee has never had an income tax. The voters overwhelmingly do not want one. Sundquist promised never to propose one. But after his successful reelection bid, he pulled an about-face and became a huge supporter of the tax he had earlier disavowed. Sundquist had said before that an income tax was not needed because "new taxes would dampen the fire of enterprise and investment and job creation." The broken tax pledge incited a ferocious tax revolt in Tennessee. Every time the tax has come to a vote in the past four years, armies of enraged citizens have converged on the capital with cars honking to shut down business inside the legislature. The good news is that the income tax was defeated on every occasion. This past summer, Sundquist forced a shutdown of the government until the legislature would agree to his tax scheme, but when the votes did not emerge, Sundquist finally backed down. In subsequent elections, Sundquist cronies who favored the income tax were voted out of office, and it appears that that is the end of the tax threat for now. Sundquist is serving out his final months in office as perhaps the most disliked governor in America. Why did Sundquist want an income tax? He argued that it was needed to keep the budget in balance. But for more than a century Tennessee has balanced its budget without an income tax. Indeed, Tennessee has a huge competitive advantage by not taxing income. Budget problems were the result of Sundquist's own spending excesses. Per capita state spending soared under Sundquist. In the 1990s, tax receipts grew by 55 percent, twice the rate of population plus inflation. A key source of the budget problem is the state's disastrous big government health care program called TennCare. In Sundquist's first six years in office, TennCare's cost surged more than twice as fast as the cost of Medicaid. Sundquist did not create TennCare, but he has been a big defender of the program and he has shunned talk of reforming it. When legislators refused to accept his income tax plan, Sundquist proposed raising many other taxes—the car tax, the gross receipts tax, the sales tax, professional licensing fees, taxes on alcohol and cigarettes, and driver's license fees. Sundquist browbeat the legislature into a $1 billion tax hike this year—one of the biggest tax increases in any state in percentage terms—which included a hike in sales, alcohol, and tobacco taxes. No governor in recent memory has had a four-year period more hostile to taxpayers than Don Sundquist.

Fiscal Performance Data

0.0%	Average Annual Change in Real per Capita Direct General Spending through 2000
-0.5%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
2.3%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
2.5%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
1.29%	Average Annual Change in Real per Capita Tax Revenue through 2000
0.8%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
4.71%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
5.24%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
6.2%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
3.75	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.5	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
6.0	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
1	Change in Sales Tax Rate, proposed and/or enacted (% points)
0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
7	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Utah

Michael Leavitt, Republican

Legislature: Republican
Took Office: 1/93

Grade: D

Utah has been one of the most prosperous states during the past decade and recently showcased its economic progress when Salt Lake City hosted the Winter Olympics. The governor for recent boom times has been Michael Leavitt. What is not clear is whether the economic expansion occurred because of, or in spite of, Leavitt's policies. Leavitt has shown time and again that he is to the left of his party—so much so that he was nearly defeated during the Republican nominating convention in 2000. The legislature has on many occasions pushed pro-growth tax policies, only to have them rejected by Leavitt. Last year, the legislature passed a $25 million tax cut that included income tax relief. Leavitt insisted on a tax cut one-fifth that size. In 2002, Leavitt wanted to decouple the Utah tax system from the federal tax system so that President Bush's business depreciation stimulus plan would not reduce the state's revenues. The legislature rejected that scheme. The only two taxes that he has reduced were the sales tax and the unemployment tax. Leavitt is a big spender extraordinaire. During his 10 years in office, real spending per capita has risen by nearly one-third. He backed a massive $2.6 billion highway construction bill and hiked the gas tax by 5 cents a gallon to pay for it. In 2000, Leavitt backed a 7.4 percent hike in school spending, the largest increase since the early 1980s. He says improving education is the "keystone to our state's success," but he opposes voucher reforms. He does deserve credit for dealing with the budget crisis this year without asking for major new taxes, and he has finally slowed spending growth, but he did agree to a cigarette tax hike. The budget nonetheless faces a $175 million shortfall for 2003. Leavitt has also become known in Washington as "Mr. Internet Tax." As head of the National Governors Association, he lobbied incessantly for a federal law to allow states to tax out-of-state Internet companies. It is ironic that one of the most conservative states in the union has one of the most pro–big government governors.

Fiscal Performance Data

5.0%	Average Annual Change in Real per Capita Direct General Spending through 2000
2.4%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
0.4%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
1.7%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
4.33%	Average Annual Change in Real per Capita Tax Revenue through 2000
0.2%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
-0.19%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-0.86%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
-0.06%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
-0.2	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
12	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
-0.25	Change in Sales Tax Rate, proposed and/or enacted (% points)
5.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
43.1	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Vermont

Howard Dean, Democrat

Legislature: Democratic
Took Office: 8/91

Grade: D

Howard Dean, Vermont's articulate and telegenic governor since 1991, is one of America's most iconoclastic politicians. On many issues, he is as pro–government intervention as any governor. He supports state-funded universal health care, government-subsidized child care (even for upper-income families), a higher minimum wage, liberal family leave legislation, and taxpayer-financed campaigns. Dean has raised many taxes over the past decade, including the gas tax, the sales tax, the corporate income tax, the cigarette tax, and the property tax. But he also claims to be "Vermont's most fiscally conservative governor in decades." He has been receptive to smaller government in a few areas. In his first three terms as governor, state spending rose by less than personal income growth. In 1999, he sought and won support for an across-the-board income tax cut to make the state more competitive. He was dead right on that score: Vermont has one of the highest income taxes in the nation and loses jobs and businesses to its income-tax-free neighbor, New Hampshire. He also has also supported electricity deregulation and some limited school choice initiatives for high school students. By far the most contentious decision of his administration was to back Act 60, a controversial Robin Hood–like school equity financing scheme. Act 60 guarantees $5,000 per student for every school district and delivers that guarantee by soaking up funds from some communities and redistributing dollars to poorer ones. Act 60 has unleashed a taxpayer revolt across the state. Dean has taken the brunt of the anger and nearly lost reelection in 1998 as a result. Vermonters want local control back and their property tax dollars spent on their own kids' schools. Vermont has been hit hard by the recession, and Dean's main response has been higher taxes. He raised the cigarette tax by 50 cents a pack and then decoupled the state income tax from the federal tax, so that Vermont would not have to reduce taxes in response to President Bush's federal tax relief. After 12 years of Dean's so-called "fiscal conservatism," Vermont remains one of the highest taxing and spending states. Dean is said to be a potential Democratic presidential nominee and is a frequent guest on national TV talk shows, usually espousing a more activist government.

Fiscal Performance Data

2.7%	Average Annual Change in Real per Capita Direct General Spending through 2000
0.5%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
-0.7%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
-4.7%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
4.00%	Average Annual Change in Real per Capita Tax Revenue through 2000
1.8%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
1.9%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-3.1%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
-2.43%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
-1.04	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
1.5	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
19.254	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
1	Change in Sales Tax Rate, proposed and/or enacted (% points)
8	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
99	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Washington

Gary Locke, Democrat

Legislature: Republican
Took Office: 1/97

Grade: B

Gary Locke says that his political philosophy is one of "governing from the middle," but he is a bigger spender than his rhetoric suggests. Locke's high grade on this report card is due primarily to efforts by taxpayer advocates who got measures enacted through the ballot initiative process that have handcuffed the governor and legislature from big increases in taxing and spending. Washington has an expenditure limitation measure and a supermajority vote requirement to raise taxes. Those limits have both frustrated Locke to no end, but have kept the state's finances under wraps. In his first term as governor, Locke proposed a spate of new spending for schools, health care, unemployment benefits for Boeing workers and a $2.9 billion transportation bill. But most of Locke's spending initiatives were curtailed by hostile legislatures, both Republican and Democrat. Locke has vetoed nearly 200 bills, including a school voucher plan and nearly $1 billion in tax cuts. He vigorously opposed a cut in the car tax, so citizens put it on the ballot in 1998 and it passed with 57 percent of the vote. The state budget has been facing looming deficits in recent years of more than $1 billion. Locke has frozen state hiring and salaries as a result. He also commendably cut $250 million out of the state budget. But he has raised "sin taxes" and now wants a 9 cent a gallon fuel tax hike. A current major controversy is that Locke wants to suspend the ballot Initiative 601 provision that requires a supermajority to raise taxes, so that he can get his tax plans through the legislature. It appears that Locke is trying to gut the very fiscal measure that has been responsible for Washington's lean budgets, manageable taxes, and swift economic growth.

Fiscal Performance Data

1.6%	Average Annual Change in Real per Capita Direct General Spending through 2000
-1.7%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
-1.3%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
0.6%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
0.24%	Average Annual Change in Real per Capita Tax Revenue through 2000
-3.1%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
0.21%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
0.76%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
-1.03%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0.0	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
3.45	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0	Change in Sales Tax Rate, proposed and/or enacted (% points)
9	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

West Virginia

Robert Wise, Democrat

Legislature: Democratic
Took Office: 1/01

Grade: D

Bob Wise has the right set of priorities for a state like West Virginia that has fallen behind in economic growth. He wants to attract new businesses and keep young people in the state. But his policies so far will not accomplish that goal. Known for his clog dancing and love of West Virginia culture, Bob Wise was first elected to the state legislature in 1982. Wise leans left in his political views, although he supports gun rights and welfare reform. With the support of labor unions and environmentalists, Wise beat Cecil Underwood, the Republican incumbent governor, in the 2000 election. Wise criticized Underwood for not doing enough to help the economy. Yet Wise wants to grow the government, not get it out of the way of private sector growth. In his first six months in office, Wise made it clear he was not going to recommend any tax reform or substantive tax cuts. In his defense, the state budget deficit began to worsen from his first days in office. Wise took a much-needed step of cutting spending by 3 percent to avoid red ink. But the fiscal prudence ended quickly. A week later, he proposed a new tax on video poker. When he delivered his first state-of- the-state speech a month later, he proposed a tax on smokeless tobacco, and urged the legislature to keep the fuel tax, which was scheduled to end in 2001. His 2002 budget escalated spending by 9 percent—even as tax revenues were dwindling. The legislature was happy to rubber-stamp the poker and tobacco taxes, but could not stomach the fuel tax extension and they put a sunset provision that gets rid of it in 2007. Wise's 2003 budget was filled with corporate welfare pork and expenditures grew by $130 million. Wise found the money to spend, but not the money to cut taxes. The only tax reductions that saw the light of day were gimmicks: a 72-hour sales tax holiday and an elimination of a small tax on vehicle purchases. Wise's big spending spawned a $200 million budget deficit. Although out of fiscal necessity he called for cutbacks in his own gargantuan budget, he also is talking of raising tobacco taxes to fill the hole and to discourage smoking. Instead, Wise needs to try substantial tax rate reductions to help his struggling state.

Fiscal Performance Data

2.7%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
0.2%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
2.40%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
0%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
0.92%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0.0	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
15.5	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Wyoming

Jim Geringer, Republican

Legislature: Republican
Took Office: 1/95

Grade: C

A bumper sticker in Wyoming, often quoted by governor Jim Geringer, states, "Dear Lord, please give us just one more economic boom and we promise not to screw it up!" Wyoming is great state for private-sector growth. There is no state income tax and energy costs are low. Still, Wyoming lags consistently behind the nation in economic development, partially because the state is dependent on declining industries like mining and ranching. Jim Geringer has been governor since 1995 and has been blamed by his political opponents for the less-than- stellar economy. Geringer has taken some positive steps to try to energize the state by bringing in high-tech businesses. He has also gained support at home for taking on the federal government on land use issues. He has picked fights with the Fish and Wildlife Service for taking thousands of acres of Wyoming land out of development. Geringer has done a credible job balancing the budget in a state that has wild fluctuations in revenues due to its high reliance on mineral royalties. Currently, the state is in a boom cycle and enjoying strong revenue growth and budget surpluses. But on taxes, Geringer's record has been uninspiring. He has raised several taxes, including an extension of a 1-percent "temporary" sales tax hike, an increase in the cigarette tax, and a hike in the gasoline tax of 11 cents a gallon. Although he has cut the unemployment tax. Geringer vows that in this mini-boom in Wyoming he will not "screw it up," which is a hopeful vision for this poor state.

Fiscal Performance Data

2.7%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
1.5%	Average Annual Change in Real per Capita Direct General Spending through 2000
0.1%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2000
3.6%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2003
4.5%	Average Annual Change in General Fund Spending per $1,000 Personal Income 2000–2002
2.5%	Average Annual Change in Real per Capita Tax Revenue through 2000
1.1%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2000
0.43%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2003
-1.91%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2003
2.27%	Average Annual Change in Real per Capita General Fund Revenue 2000–2002
0	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
0	2002 Combined Top Income Tax Rates, personal plus corporate (*0.5)
-1	Change in Sales Tax Rate, proposed and/or enacted (% points)
11.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per pack)
0	Internet Tax (1=oppose; 0=support)

Notes

1. The first five governors reports were as follows: Stephen Moore, “A Fiscal Policy Report Card on America’s Governors,” Cato Institute Policy Analysis no. 167, January 30, 1992; Stephen Moore and Dean Stansel, “A Fiscal Policy Report Card on America’s Governors: 1994,” Cato Institute Policy Analysis no. 203, January 28, 1994; Stephen Moore and Dean Stansel, “A Fiscal Policy Report Card on America’s Governors: 1996,” Cato Institute Policy Analysis no. 257, July 26, 1996; Stephen Moore and Dean Stansel, “A Fiscal Policy Report Card on America’s Governors: 1998,” Cato Institute Policy Analysis no. 315, September 3, 1998; and Stephen Moore and Stephen Slivinski, “Fiscal Policy Report Card on America’s Governors: 2000,” Cato Institute Policy Analysis no. 391, February 12, 2001.

2. Govs. Bob Holden of Missouri, James McGreevey of New Jersey, Mike Easley of North Carolina, Mark Schweiker of Pennsylvania, Rick Perry of Texas, Mark Warner of Virginia, and Scott McCallum of Wisconsin all assumed office too recently for their records to be fully assessed. Tony Knowles of Alaska is excluded because of peculiarities in Alaska’s budget that make interstate tax comparisons problematic.

3. The U.S. Bureau of the Census provides comprehensive details on state spending and revenue in a variety of reports on its website at www.census.gov/govs/www/index.html. The census data on state governments provide consistent measurement of state tax and spending items across states. The most recent census data are for fiscal year 2000 and are available on the “State Government Finances” page of the Census Bureau website. More recent data for state general fund expenditures and revenues come from the National Association of State Budget Officers (NASBO), “Fiscal Survey of the States,” May 2002, www.nasbo.org. We also use data from the National Conference of State Legislatures (NCSL), “State Budget and Tax Actions: Preliminary Report,” July 24, 2002, www.ncsl.org programs/fiscal/presbta02.htm.

4. NASBO, “Fiscal Survey of the States,” May 2002, www.nasbo.org.

5. NCSL.

6. Phone conversation between Governor Owens and Stephen Moore, August 2002.

7. See Stephen Moore, “Taxing Lessons from the States: Why Much of America Is Still in a Recession,” U.S. Congress, Joint Economic Committee, October 1993.

8. NCSL.

9. For further background, see Michael J. New, “Limiting Government through Direct Democracy: The Case of State Tax and Expenditure Limita-tions,” Cato Institute Policy Analysis no. 420, December 13, 2001.

10. Quoted in Dean Stansel and Stephen Moore, “The State Spending Spree of the 1990s,” Cato Institute Policy Analysis no. 343, May 13, 1999, p. 2.

11. NASBO, May 2002, p. 15.

12. Authors’ calculations based on data from NASBO, May 2002, and prior editions of the fiscal survey.

13. NCSL.

14. Ibid.

15. Zsolt Becsi, “Do State and Local Taxes Affect Relative State Growth?” Federal Reserve Bank of Atlanta, *Economic Review,* March/April 1996, p. 34.

16. Ibid.

17. Richard Vedder, “State and Local Taxation and Economic Growth: Lessons for Federal Tax Reform,” U.S. Congress, Joint Economic Committee, December 1995. See also Richard Vedder, “The Effects of Taxes on Economic Growth: What the Research Tells Us,” Texas Public Policy Foundation, March 29, 2002.

18. Thomas Dye, “The Economic Impact of the Adoption of a State Income Tax in Tennessee,” National Taxpayers Union and Tennessee Family Institute, October 1999.

19. The methodology is the same as outlined in Stephen Moore and Dean Stansel, “Tax Cuts and Balanced Budgets: Lessons from the States,” Cato Institute Fact Sheet, September 17, 1996.

20. U.S. Bureau of the Census, *Statistical Abstract of the United States, 2001* (Washington: Government Printing Office, 2001), Table no. 433.

21. U.S. Bureau of the Census, “State Government Finances: 2000,” www.census.gov/govs/state/00st00us.html.

22. This measure uses NASBO data for governors’ recommended budgets (as opposed to enacted budgets). Note that general fund spending reflects only a portion of total state spending.

23. For the five governors who were elected or took office after 2000, this variable reflects only growth from FY01 to FY02.

24. This measure uses NASBO data for governors' recommended budgets (as opposed to enacted budgets).

25. For the five governors who were elected or took office after 2000, this variable reflects only growth from FY01 to FY02.

26. The National Governors Association's open letter to the U.S. Congress, August 8, 2001, regarding Internet taxation, and prior NGA statements on the issue were the basis for this variable.

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