Policy Analysis

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Fiscal Policy Report Card on America's Governors: 2000

by Stephen Moore and Stephen Slivinski

Executive Summary

This report presents the findings of the Cato Institute's fifth biennial fiscal policy report card on the nation's governors. The grading mechanism is based on purely objective measures of each governor's fiscal performance. Those governors with the most fiscally conservative records—the tax and budget cutters—receive the highest grades. Those who have increased spending and taxes the most receive the lowest grades.

Two governors receive an A on our 2000 report card: Paul Cellucci of Massachusetts and Kenny Guinn of Nevada. Three governors receive an F: Tom Vilsack of Iowa, Gray Davis of California, and John Kitzhaber of Oregon.

The recent governors of America's most populous states and their grades are George W. Bush of Texas, B; George Pataki of New York, B; Tom Ridge of Pennsylvania, B; George Ryan of Illinois, D; Bob Taft of Ohio, D; John Engler of Michigan, B; Jeb Bush of Florida, B; and Christine Todd Whitman of New Jersey, C.

Overall, we are concerned that the trend during the past several years of prosperity for states has been to ratchet up state budgets instead of returning revenue surpluses to taxpayers. By our estimates, roughly two of every three surplus dollars in the state coffers since 1996 have gone to new spending, not to tax reduction. Ironically, Republican governors were more aggressive in cutting taxes in the early 1990s, when the states were in fiscal shortfall, than they are today with the largest budget reserves in nearly two decades. The Republican governors tend to be touted as the GOP's policy stars, but our report card suggests that, although there are a number of tax-cutting fiscal conservatives among the group, far too many of those top state executives have become big-government Republicans.

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Introduction

Herein we provide the results of the Cato Institute's fifth biennial fiscal policy report card on the nation's governors.[1] The study is a comparative analysis of the budget and tax record of 47 governors. (Mel Carnahan of Missouri is not graded in this study because he died in office in October 2000. Mississippi governor Ronnie Musgrove assumed office too recently for us to be able to fully assess his record. Tony Knowles of Alaska is excluded because of peculiarities in Alaska's budget that make interstate tax comparisons problematic.) The report card provides an index of the fiscal restraint imposed by each governor. Those who cut taxes and spending the most receive the highest grades. Those who raised taxes and spending the most receive the poorest grades.

Table 1 presents the results. Two governors receive an A on our 2000 report card: Paul Cellucci of Massachusetts and Kenny Guinn of Nevada. Three governors receive an F: Tom Vilsack of Iowa, Gray Davis of California, and John Kitzhaber of Oregon.

Several trends uncovered in our report warrant special mention. First, there has been a clear trend toward more spending at the state level since our last report card in 1998. The national economic expansion has filled state coffers with revenues, and many governors have recommended using those windfall funds for modest to major new expenditures. For fiscal 2000, roughly a quarter of all governors—both Republicans and Democrats—recommended increasing spending by more than 7 percent, almost three times the rate of inflation. More than half proposed increasing spending by more than 5 percent. For the past three years, state spending has grown more than twice as fast as federal expenditures. Many governors have proposed the same types of spending initiatives that populated Bill Clinton's budget requests. Hence, the talk of a fiscally conservative trend in the states under Republican governors seems to be exaggerated.

It is also noteworthy that, as the national economy now shows signs of a slowdown, many of the states that hiked their budgets the most in recent years are talking of potential fiscal crises in 2001. Those states include New Hampshire, Tennessee, North Carolina, and Virginia.

Second, the governors elected in recent years (in particular those elected in 1998) have tended to be more aggressive in cutting taxes than those first elected before 1997. Although many Republican governors elected in the early 1990s—Christine Todd Whitman of New Jersey, George Pataki of New York, and Don Sundquist of Tennessee, for example—gained reputations as tax-cutting warriors when first elected, they have more recently tended to shift their priorities from tax cutting to new spending. By contrast, none of the recently elected governors has pushed for income tax hikes in his or her first term, and most recommended tax cuts of one kind or another. In fact, the major tax cuts proposed by the new governors are, as a proportion of the budget, four to six times bigger on average than those proposed by the "old" governors.

Third, although states are still cutting taxes, the size of state tax reductions fell off sharply in 2000 despite record budget surpluses. We are now in the midst of the longest sustained run of net state tax cutting in American history, a run that began seven years ago. But in fiscal 2000, states cut their taxes by only $5 billion. That tax-cutting effort is minuscule, given that at the beginning of fiscal 2000, the states had a surplus of more than $30 billion. Moreover, tax cuts have not kept pace with the huge surge in tax collections that have resulted from the national economic expansion. When governors have cut taxes, their emphasis usually has been on income and property tax cuts. However, in 1999 and 2000 four states—Connecticut, Colorado, Minnesota, and Wisconsin—offered tax rebates, and Florida, New York, Oklahoma, and Texas created sales tax holidays. In Indiana governor Frank O'Bannon cut the state gas tax in response to rising oil prices.

Table 1
Overall Fiscal Policy Grades

Governor	State	Score	Grade
Paul Cellucci (R)	Massachusetts	76	A
Kenny C. Guinn (R)	Nevada	74	A
George W. Bush (R)	Texas	70	B
John G. Rowland (R)	Connecticut	68	B
Gary Locke (D)	Washington	68	B
Bill Owens (R)	Colorado	67	B
Benjamin J. Cayetano (D)	Hawaii	66	B
Jeb Bush (R)	Florida	66	B
Gary E. Johnson (R)	New Mexico	66	B
George E. Pataki (R)	New York	64	B
Jesse Ventura (I)	Minnesota	61	B
William J. Janklow (R)	South Dakota	61	B
John Engler (R)	Michigan	60	B
Frank O'Bannon (D)	Indiana	60	B
Tom Ridge (R)	Pennsylvania	59	B
Paul E. Patton (D)	Kentucky	59	B
Tommy G. Thompson (R)	Wisconsin	59	B
Bill Graves (R)	Kansas	59	B
Edward T. Schafer (R)	North Dakota	58	C
Frank Keating (R)	Oklahoma	58	C
Lincoln Almond (R)	Rhode Island	58	C
Christine T. Whitman (R)	New Jersey	57	C
Mike Johanns (R)	Nebraska	57	C
Mike Huckabee (R)	Arkansas	57	C
Roy Barnes (D)	Georgia	56	C
Cecil H. Underwood (R)	West Virginia	56	C
Jim Hodges (D)	South Carolina	55	C
Angus S. King, Jr. (I)	Maine	55	C
Dirk Kempthorne (R)	Idaho	55	C
Jeanne Shaheen (D)	New Hampshire	54	C
James G. Hunt, Jr. (D)	North Carolina	54	C
Jim Geringer (R)	Wyoming	54	C
James S. Gilmore (R)	Virginia	53	C
Howard Dean (D)	Vermont	53	C
Michael O. Leavitt (R)	Utah	51	D
Mike Foster (R)	Louisiana	51	D
George H. Ryan (R)	Illinois	51	D
Bob Taft (R)	Ohio	51	D
Thomas R. Carper (D)	Delaware	51	D
Jane Dee Hull (R)	Arizona	50	D
Marc Racicot (R)	Montana	50	D
Don Siegelman (D)	Alabama	50	D
Parris N. Glendening (D)	Maryland	49	D
Don Sundquist (R)	Tennessee	49	D
Tom Vilsack (D)	Iowa	45	F
Gray Davis (D)	California	41	F
John A. Kitzhaber (D)	Oregon	30	F

In state capitals from Albany to Sacramento, budgets have been on a tear over the past decade. Between 1990 and 1998, state expenditures climbed by 63 percent, from $572 billion to $930 billion in current dollars—a 30 percent increase after adjusting for inflation.

Fourth, the Northeastern states have moved in the most fiscally conservative direction in the past four years. Although this region is still 20 to 30 percent above average in tax burden and per capita spending, as the trend toward pro-growth tax cutting has continued in these states, their relative economic performance has improved since the mid-1990s.[2] Last year in Massachusetts, the voters approved a measure endorsed by Governor Cellucci to cut the income tax rate from 5.95 percent to 5 percent.

Fifth, the average grade for the Republican governors on this year's report card (58 points, or B) was only slightly higher than the average grade for Democratic governors (52 points, or C). Republican governors have been heralded by the media as the policy stars of the GOP. And while it is true that there is a handful of Republicans (Cellucci, Guinn, Owens, and Johnson, for example) with outstanding fiscal records, there are also many whose fiscal records more closely resemble that of Nelson Rockefeller than that of Ronald Reagan. In the face of giant budget reserves in recent years, many Republican governors have proposed net tax increases. Those governors include George Pataki (N.Y.), who signed a huge 55 cents a pack increase in the cigarette tax; Don Sundquist (Tenn.), who is lobbying for a state income tax; Jane Hull (Ariz.), who supported an increase in the sales tax to pay for more school spending; George Ryan (Ill.), who raised taxes by more than $300 million in 1999; Louisiana's Mike Foster, who won an extension of the 3 percent sales tax on food and utilities; and Bob Taft of Ohio, who raised several taxes his first year in office and proposed a $200 million environmental bond initiative. Mike Leavitt (Utah) is leading the charge in the states for an Internet taxing scheme. All of that taxing activity occurred when state revenues were climbing by 6 to 8 percent per year.

In general, we are concerned that the trend during the past several years of prosperity for states has been to ratchet up state budgets, rather than to return revenue surpluses to taxpayers. By our estimates, roughly two of every three surplus dollars in the state coffers since 1996 has gone to new spending, not to tax reduction. Ironically, Republican governors were more aggressive in cutting taxes in the early 1990s, when the states were in fiscal shortfall, than they are today with the largest budget reserves in nearly two decades. Thus, our report card suggests that many of these top state executives have become big-government Republicans.

State Spending Trends in the 1990s

With 30 of the state governorships held by Republicans during the past five years and close to half of the state legislatures also controlled by the GOP, it would be natural to conclude that states have moved in a more fiscally conservative direction in the 1990s. But that conclusion would be true only in some of the states. In state capitals from Albany to Sacramento, budgets have been on a tear over the past decade. Between 1990 and 1998, state government expenditures climbed by 63 percent, from $572 billion to $930 billion in current dollars. After adjusting for inflation, that represents a 30 percent increase.

The states now spend roughly $630 (adjusted for inflation) more per person than they did in 1990. Seven states have permitted their budgets to mushroom by more than 30 percent after adjusting for population growth and inflation: Mississippi, Oregon, Arkansas, West Virginia, Texas, Missouri, and New Hampshire.

There is no indication that the spending spree is slowing down—if anything, the pace of state budget expansion has accelerated in recent years with a sizzling national economy. For example, in an era of almost no inflation, state budgets grew, on average, by 5 percent in 1997, 5.7 percent in 1998, 7.7 percent in 1999, and 6.9 percent in 2000. Eight states raised their spending by 10 percent or more in 1999 (Table 2). Since 1995 state government expenditures have risen at roughly twice the pace of federal government spending.

Table 2
Largest General Fund Increases, FY 2000 (nominal dollars)

State	Increase
1. Oregon	17.8%
2. California	13.9%
3. Wisconsin	13.2%
4. South Carolina	12.9%
5. New Hampshire	12.1%
6. Wyoming	11.3%
7. Virginia	10.6%
8. Mississippi	10.5%
9. Rhode Island	9.6%
10. Georgia	9.1%
11. North Carolina	9.1%
12. Texas	8.9%
13. Delaware	7.9%
14. New Jersey	7.7%
15. West Virginia	7.6%
16. Maine	7.5%
17. Indiana	7.4%
18. Ohio	7.3%
19. Tennessee	7.3%
20. Massachusetts	7.2%

Source: National Association of State Budget Officers, *The Fiscal Survey of the States,* August 2000.

A Cato study on state budgeting documented the cost to taxpayers of this spending surge. The study found that, if states had restricted increases in expenditures and tax collection to the rate of inflation and population growth over the period 1992–98, the state tax burden would be $80 billion less today, or almost $300 less per person.[3]

Fifteen years ago the states were in the midst of a similar fiscal boom. Few states resisted the pressure to use their surplus revenues to create costly new spending programs. Then, when the economy went into a downturn in 1990, the states found themselves in what many described as their worst fiscal crisis since the Depression. That statement could have been made about the fiscal plight of about half the states in the early 1990s. Revenue growth slowed, but demands to meet all the new spending commitments did not.[4]

Real state spending has grown slightly faster over the past decade than in the go-go era of the 1980s when many state budgets doubled in size.[5] State expenditures expanded by 3.4 percent per year in the 1980s, after adjusting for inflation, compared to a 3.6 percent growth rate in the 1990s. State spending per $1,000 of personal income nudged upward by 0.1 percent per year in the 1980s. In the 1990s, state outlays grew at an annual rate of 1.3 percent above income growth.

One big difference between today and the late 1980s is that states have been building up their "rainy day" funds in recent years to protect against a recession. According to the NASBO, the states now have average reserves of 6 percent of expenditures, and all but 15 of the 50 states had balances at the end of fiscal 2000 that exceeded the 3 to 5 percent of expenditures recommended by most financial analysts.[6] However, in recent months, as the U.S. economy has shown signs of sluggishness, and GDP growth has slid from 4 percent to 2 percent, about a dozen states are staring at potential deficits in 2001 as a result of overspending. History may be repeating itself. As *USA Today* recently put it: "The 1990s produced record budget surpluses in most states, but many have entered the 21st century strapped for cash. . . . Across the country, several states face fiscal crises."[7]

Why State Budgets Shouldn't Be Growing

State lawmakers allege that their budgets are rising because they are facing increased demands to catch up on spending demands occasioned by earlier years of fiscal neglect. For example, schools are said to be in terrible disrepair because of inadequate budgets for education. State policymakers also maintain that, with the renewed emphasis on states' rights and federalism under the Republican Congress, the federal government is devolv-

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ing more spending responsibilities to the states—for example, in the areas of welfare and criminal justice—without a commensurate increase in federal funding.

The truth is, however, that federal spending on grants to states and localities has been growing, not falling. Federal grants to state and local governments did decline in the 1980s, from $155.7 billion in 1980 to $144.7 billion in 1990 after adjusting for inflation—a reduction of 7.1 percent. Real federal aid remained level throughout the mid-1980s and has surged since 1987. From 1990 to 1998, federal aid rose by almost half in real terms, from $144.7 billion to $215.9 billion.[8] So real federal aid is about 40 percent higher now than it was in 1980.

In any case, there are several factors that are driving down state costs and should allow states to constrain their budgets. One of those factors is the decline in interest rates. States are large borrowers. They borrow to fund highways, school construction, prisons, and other capital spending. In 1997 state governments spent $26.3 billion on interest payments. But long-term interest rates over the past six years have fallen by more than 200 basis points. Therefore, after doubling in the 1980s from $13.2 billion to $26.5 billion, interest payments on state debt (in real terms) actually declined slightly in the 1990s. Hence, debt service has cost states less in recent years.

A second factor has been the impact of a strong economy and welfare reform legislation on welfare caseloads. Welfare reform has been an astonishing success story in the states and at the national level. Following the lead of the states, the federal government in 1996 adopted work requirements, time limits, and new eligibility restrictions for welfare benefits. The result has been that welfare rolls have fallen by 53 percent nationwide since 1996.[9] In 1994 there were 14.4 million Americans on welfare; by the end of 1998 the number had dipped to 8.4 million.[10] Since welfare is the second largest item in state budgets, reduced welfare payments have saved billions of dollars.[11] Unfortunately, states have misallocated much of those savings to new areas of spending, such as day care and job training, where governmental programs are of dubious efficacy.

A third factor that should be restraining state expenditures has been the dramatic slowdown in health care cost increases in recent years. As the private sector has moved to greater reliance on patient cost sharing, managed care, and competition, the inflation rate for health care in the United States has fallen from 9 to about 3 percent since 1990. This too has generated an unexpected fiscal benefit for states, because aside from the federal government, the states are the largest purchasers of health care services. If medical inflation were as high today as it was in 1990, states would be spending from $5 billion to $10 billion more per year on Medicaid and other health and hospital services.

A final economic factor benefiting the states has been the steady decline in unemployment. Each year states spend about $20 billion on unemployment benefits.[12] Today the unemployment rate is at its lowest level in 20 years, and the problem in many states is not a shortage of jobs but a shortage of workers. The increase in the number of workers paying into the unemployment compensation systems and the decline in the number of unemployed drawing benefits have created huge and in some cases unprecedented surpluses in state unemployment insurance trust funds.

When those four factors are taken together, it seems reasonable to expect that state spending would be flat or even declining slightly—even without a long-overdue reconsideration of the scope of state government. Instead, the budgetary savings have simply helped finance an explosion of expenditures in other areas of state budgets. Governors of both parties have done an inadequate job of saying no to special-interest demands for funds. And while most Republican governors and some Democratic governors have been cutting taxes, those tax reductions have been inadequate to keep pace with the huge revenue windfalls from the strong economic expansion of the past six years. Since 1994, despite some $20 billion in tax cuts, state tax collections have exceeded expectations by a cumulative $40 billion. About two-thirds of that revenue windfall was spent, not rebated to taxpayers.

State Tax Rates Are Going Down

One welcome trend in the states has been the reduction of income tax rates, on both businesses and individuals. In the early part of the 1990s, recession brought record tax increases in an attempt to balance state budgets. But in a stark repudiation of those policies, governors elected since 1993 have tended to endorse supply-side tax rate reductions. In each of the past three years, roughly half the states have cut taxes, although the pace of tax cutting fell off dramatically in 2000. Most of that tax-cutting activity has consisted of chopping anti-competitive business and personal income tax rates, as states have become more sensitive to improving interstate tax competitiveness.

One negative trend in the past decade has been the political crusade in non-income-tax states to adopt a personal income tax. In 1993 Connecticut became the 41st state to adopt a personal income tax. Moves are afoot in Tennessee and New Hampshire to adopt a state income tax as well. Gov. Jeanne Shaheen of New Hampshire became the first governor in memory to get elected without making the no-income-tax promise, known in New Hampshire as "the pledge." In 2001 there will likely be a major fight to adopt an income tax to deal with school equity financing issues.

Comparing Tax-Raising and Tax-Cutting States in the 1990s

In this Fiscal Report Card we emphasize the importance of tax cuts in general and income tax rate reductions in particular, because we believe that there is now compelling evidence that states lowering their overall tax burdens can significantly improve their economic conditions and their financial competitiveness vis-à-vis other states. For instance, in a 1996 study, economist Zsolt Besci at 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." Besci advises that "if [a state's] long-term growth rates seem too low relative to other states, lowering aggregate state and local marginal tax rates is likely to have a positive effect on long-term growth rates."[13] A study for the Joint Economic Committee of the U.S. Congress by Richard Vedder of Ohio University came to a very similar conclusion about the impact of states' tax policy changes on their economic standing. Vedder found that the low-tax states had dramatically outperformed the high-tax states—particularly in attracting more residents.[14] More recently, Thomas Dye of Florida State University went one step further to show that, in particular, states without an income tax had far higher personal income growth and smaller government growth than did states that adopted an income tax.[15]

The wide variety of tax changes enacted in the states in the 1990s also offers a useful laboratory for exploring the effects of tax policy on relative state economic performance. Some states have significantly raised their state and local tax burdens relative to the national average. Others—particularly in the Northeast—have improved their tax position by slashing the overall tax burden.

We compared the economic and fiscal results in the 10 states that increased taxes the most with the results in the 10 states that cut taxes the most over the period 1990–98. The results suggest that, when states reduce their aggregate and marginal tax burdens, they improve their comparative economic performance.[16]

Major findings, including the following, are summarized in Table 3.

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Table 3
Taxes and State Economic Performance, 1990–1999

	Top 10 Tax-Cutting States	Top 10 Tax-Hiking States	U.S. Average
1990–99 revenue increases (% of 1990 personal income)	-0.60%	1.58%	0.43%
Employment growth, 1990–99	18.45%	9.31%	12.37%
Unemployment rate (% pts.), 1990–99	-1.22	-1.39	-1.39
Unemployment rate, 1999	3.59%	4.46%	4.23%
Personal income, 1990–98	62.42%	49.26%	56.08%
Per capita personal income increase, 1990–98	45.61%	41.98%	43.06%

Source: Authors' calculations.

In the 10 states that raised taxes, total employment rose slower than the national average.

Employment Growth

Businesses and jobs migrated to low-tax states in the 1990s. From 1990 to 1998, the United States gained 14.5 million net new jobs. But in the 10 states that raised taxes, total employment rose slower than the national average. The biggest job losses were in the tax-raising states of Connecticut and Rhode Island. Job growth averaged 9.3 percent in the tax-increasing states and 18.5 percent in the tax-cutting states.

Unemployment Rate

The superior job creation performance of the tax-cutting states is also revealed in the unemployment data. At the end of 1999, the unemployment rate was 3.6 percent, on average, in the 10 tax-cutting states and 4.5 percent in the 10 tax-raising states. The unemployment rate fell in the 1990s by 1.2 percentage points in the tax-cutting states and by 1.4 percentage points in the tax-raising states. The reason the rate did not fall as far in the tax-cutting states is that they had low unemployment to begin with.

Income

Total state income grew by 62 percent in the tax-cutting states and by 49 percent in the tax-raising states. Per capita income grew 42 percent in the tax-raising states, below the 46 percent average in the tax-cutting states and slightly below the national average of 43 percent.

Bond Ratings

If tax cuts contribute to fiscal deterioration, then the bond ratings of the 10 states that cut taxes the most in the 1990s should be worse than those of the 10 states that raised taxes. Just the opposite is true. The average Moody's bond rating for the tax-cutting states in 1997 was between Aaa and Aa. For the tax-raising states, the average Moody's bond rating was between Aa and A1.

Purpose of the Fiscal Policy 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. There are currently dozens of prominent taxpayer rating systems for members of Congress. To our knowledge, this is the only objective analysis of the fiscal performance of governors.

This report focuses on the fiscal record of governors for several reasons. One is that state governments have evolved into large, multi-billion-dollar enterprises. The budgets of some states—including California, New York, and Texas—now exceed $60 billion, which means that they are larger than most nations' budgets. The states now spend roughly $3,450 per person and 13 percent of personal income. With such huge resources under their control, in many ways governors now serve as the equivalent of states' chief financial officers. In that capacity, the governors have a substantial impact on the fiscal and economic health of their states.

Another reason to focus on governors' policies is that the occupants of the statehouses are hugely influential political figures in America today. Today a governorship is regarded as a solid stepping stone to the White House, as Jimmy Carter, Ronald Reagan, Bill Clinton, and now George W. Bush have proven. Governors are also leading public policy innovators. The states are increasingly fulfilling their roles as incubators for untested policy proposals and as "laboratories of democracy."

The Cato report card is unique in that it is overtly based on criteria of fiscal restraint and tax reduction. Conventional measures of governors' success are based on their level of government activism. Under this measure of success, governors who are willing to spend money to solve problems are touted as the best and most successful.[17]

Limitations of the Report Card

This is the fifth Cato "Fiscal Policy Report Card on America's Governors"; the first was published in 1992. As we did for each subsequent edition, this year we have made refinements in the methodology and added variables in order to improve the results. Nonetheless, at the outset we acknowledge several unavoidable problems in grading the fiscal performance of the governors.

First, the report card does not entirely isolate the impact of the governor from the fiscal decisions made by the state legislature. In most states the legislature has an influence on budget outcomes at least equal to the governor's. In addition, if the state legislature is controlled by a party that is different from the governor's, then the governor's command over fiscal policy outcomes is normally diminished. (The Appendix of this report summarizes the fiscal policy record of each governor and makes note of whether the legislature is of the same party as the governor.) There are 13 governors in our survey who worked with state legislatures entirely controlled by the other party in 2000.

To mitigate this problem, we grade the governors not just on policy outcomes but also on the expenditure and tax proposals contained in their official budget recommendations. This allows us to isolate the governors' policies from those of the legislatures.

Another limitation of this study is that some states grant their governors substantially more constitutional authority over the budget process than others. For example, in Wisconsin, Tommy Thompson is empowered with an item reduction veto allowing the governor to unilaterally reduce agency funding. By contrast, Jim Hunt of North Carolina is the only governor in the country who does not have veto authority. Moreover, the supermajority vote requirement to override a veto varies among states. Those factors give the governors different levels of control over budgetary outcomes, which are not accounted for in this study.

Another complication is that every state has peculiarities in its expenditure and tax policies that can impede interstate tax and spending comparisons. For instance, in Hawaii most school funding comes from the state not the local governments, which inflates Hawaii's spending figures. Alaska and several other states receive tax revenues from severance taxes on oil produced or minerals mined in the state. These are taxes that can be exported to out-of-state residents. Furthermore, the fiscal condition of these states can improve or deteriorate dramatically in response to changes in the market price of commodities. We believe that severance taxes are a significant distortion only for Alaska and exclude that state from the study for this reason.

The Cato report card is unique in that it is overtly based on criteria of fiscal restraint and tax reduction.

One objective of our analysis is to compile a comprehensive picture of the budget and tax changes recommended and approved by each governor.

In recent years many states have moved toward reducing reliance on local property taxes as part of school finance reform initiatives. Most notably, in 1994 Michigan implemented an education finance reform package that included an increase in the state sales tax in exchange for a larger dollar reduction in the local property tax. Since 1994 numerous states have followed Michigan's lead. In most cases those changes involve a reduction in local property taxes, with the state government compensating local governments for that reduction by increasing the state share of school funding. In some cases the increased state funding comes from new state-level taxes or increases in existing state taxes. Local property tax and school finance reforms of this type have been implemented in recent years in numerous states, including Idaho, Kansas, South Carolina, South Dakota, Vermont, Michigan, Texas, Florida, and Wisconsin. Such centralization of an inherently local function of government is both seriously misguided and counterproductive.[18] For the purposes of this report card, such reforms create a significant challenge. Our data on state finances reflect the impact of the increased spending and revenue at the state level, but they do not reflect the impact of the reductions at the local level. Thus, for a state like Michigan, it appears that taxpayers have seen a huge increase in spending and revenue under Engler—which is fairly accurate at the state level. However, because local property taxes have been substantially reduced, the combined burden of state and local taxes and spending has not exploded. For Michigan, and for each of the other states that have implemented similar property tax and school finance reforms, we have attempted to make reasonable adjustments to our state spending and tax variables to account for the net impact of those changes.

Report Card Methodology

In this study, we compute an overall fiscal policy grade for each governor; the grades reflect the governors' success at restraining the growth of taxes and spending. All of the tax and expenditure data used in this study come from the U.S. Bureau of the Census, the NASBO, the NCSL, and individual state budget and revenue departments.[19]

A total of 47 governors are graded in this study. Sixteen of them were inaugurated between September 1997 and 1999. We do not yet have official Census Bureau data with which to measure all of the spending and tax changes that have been implemented in the first year or two that these governors have held office. For the new governors, we rely strictly on general fund budget and revenue data and tax rate changes.

Grading Procedure

We examine 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 16 governors who have taken office since mid-1997, two of the spending variables, two of the revenue variables, and the economic growth variable—the ones that are based on Census Bureau data—are excluded.

For each variable we use a procedure to standardize the results, such that the governor with the worst score (e.g., largest increase) receives a zero and the governor with the best score (e.g., largest reduction or smallest increase) a 100. We then assign an equal weight to each variable (with the exception of one of the tax rate variables, which has a weight of only one-half) and average the scores to obtain an overall fiscal policy grade for each governor. We obtain separate grades for spending and for taxes by averaging the scores earned in each category.

Policy Variables Examined

One objective of our analysis is to compile a comprehensive picture of the budget and tax changes recommended and approved by each governor. In order to make meaningful comparisons between the levels of spending and revenue in the states, we must first control for the substantial differences in the sizes of the states' populations and their economies. To do that, government spending and tax figures are typically expressed as a ratio of one of two economic variables: population and personal income. All but one of the revenue and spending variables we use in this report are expressed in this way (i.e., per capita or per $1,000 personal income). The one exception is the variable for recommended tax cuts or increases as a percentage of the prior year's expenditures.

Adjusting for the size of state economies also allows us to make more meaningful comparisons of the growth of revenue and spending in the states. For example, assume that a tax rate reduction in a particular state fosters higher economic growth, as we would expect. The growth of state revenue collections should rise as a result of that faster economic growth. However, since the economy is also expanding, the actual burden of taxes per person and as a share of income—that is, the ratio of revenue to both population and personal income—should grow less rapidly than total revenue itself. In some cases, the tax burden may remain constant or perhaps even fall. Conversely, if a tax rate increase reduces economic growth, as we would expect, the tax burden per person and as a share of income will increase faster than the raw dollar value of revenues. In short, this report card rewards governors who adopt pro-growth measures that increase migration into the state and increase income levels, and it punishes those who adopt measures that reduce economic growth. We have added a separate variable this year that takes into account the general economic growth in the state.

All but one of the variables measure the change in tax policy during each governor's tenure. That remaining variable measures the current level of the top income tax rates in each state. Two new tax variables added this year are a variable to measure the change in the cigarette tax rate in each state and a dummy variable to gauge a governor's public support for or opposition to imposing new taxes on Internet commerce. (We award a 1 if the governor has stated his opposition and a 0 if he has not. This variable is applied only to the scores of those governors who have made their position on this issue clear publicly. The other governors are not penalized for not yet taking a position on this issue.)

Expenditure Variables

1. Average annual change in real per capita direct general spending under each governor through FY98. (This variable is measured only for the "old" governors.)
2. Average annual change in direct general spending per $1,000 of personal income under each of the governors through FY98. (This variable is measured only for the "old" governors.)
3. Average annual recommended change in real per capita state general fund spending through FY 2001.[20]
4. Average annual change in state general fund spending per $1,000 of personal income under each governor from FY98 through FY 2000.[21]

Revenue Variables

1. Average annual change in real per capita state tax revenue under each governor through FY98. (This variable is measured only for the "old" governors.)
2. Average annual change in state tax revenue per $1,000 of personal income under each of the governors through FY98. (This variable is measured only for the "old" governors.)
3. Average annual recommended change in state general fund revenue per $1,000 of personal income through FY01.[22]
4. Average annual change in real per capita state general fund revenue under each governor from FY98 through FY 2000.[23]
5. Average annual recommended tax cuts or increases as a percentage of the prior year's expenditures through FY01.[24]
6. Average annual increase in the growth of state personal income. (This variable is measured only for the "old" governors).

This report card rewards governors who adopt pro-growth measures that increase migration into the state and increase income levels, and it punishes those who adopt measures that reduce economic growth.

The "old" governors with the best records on budget restraint were Locke of Washington, Engler of Michigan, and Bush of Texas. Of the new governors, Guinn of Nevada, Cellucci of Massachusetts, and Barnes of Georgia scaled back overall government growth in their states.

Tax Rate Variables

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

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

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

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

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

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

7. Stated position of the governor on the taxation of e-commerce. (This is a dummy variable of 0 or 1).

The Most Frugal and the Biggest Spending Governors

Detailed tables showing the governors' grades on spending and taxing, as well as on individual variables, appear in Appendix A. Overall grades on expenditure are shown in Table A-1. Tables A-2 through A-5 show the highest and lowest scorers on each expenditure variable.

The "old" governors with the best records on budget restraint were Gary Locke of Washington, John Engler of Michigan, and George W. Bush of Texas. Gary Locke's score was due mostly to the strength of the tax-and-expenditure limitation added to the Washington Constitution by the voter-approved Initiative 601 in November 1993. This limit restricts the rate of spending increases to the rate of population growth plus inflation, and Locke's adherence to it is notable. George W. Bush (Texas), despite a surprisingly large 9 percent biennial spending increase in his most recent budget, has an otherwise notable record of spending restraint in previous years.

Of the new governors, Kenny Guinn of Nevada, Paul Cellucci of Massachusetts, and Roy Barnes of Georgia scaled back overall government growth in their states. They recommended declining spending levels of around 3 percent per year on a real per capita basis. Actual spending declined by more than 5 percent per $1,000 of personal income. Guinn's score is primarily a result of a substantial decrease in the government payroll: he has instituted a state hiring freeze and proposed eliminating more than 1,000 government jobs since being elected governor. Other high scores for budget restraint were received by Bill Owens of Colorado and Mike Johanns of Nebraska.

By far the biggest spenders of the group were John Kitzhaber of Oregon and Gray Davis of California. On average, their recommended budgets have called for increasing real per capita spending by more than 6 percent. Carper (Delaware), Leavitt (Utah), and Huckabee (Arkansas) also have very poor overall records of spending restraint.

Some other new governors have not been able to shake the spending bug, which normally waits a few years before setting in. Gilmore (Virginia), Vilsack (Iowa), Hodges (South Carolina), and Taft (Ohio) rack up very low spending restraint scores.

The spending scores highlight huge differences in fiscal directions of the states in recent years. In contrast to the calls of Kitzhaber (Oregon), Davis (California), Glendening (Maryland), Schafer (North Dakota), and Geringer (Wyoming) for increases in real per capita spending of between 2 and 7 percent a year, governors such as Johanns (Nebraska), Guinn (Nevada), and Cellucci (Massachusetts) recommended real per capita spending reductions of 3 to 4 percent per year. Underwood (West Virginia) has proposed a 5 percent annual reduction.

Over the past two years, Guinn (Nevada) and Owens (Colorado) have approved the largest cuts in spending as a proportion of real personal income growth. The largest increase in this category was approved by Carper (Delaware).

The Governors Who Taxed Most and Least

Table A-6 presents the governors' overall grades on tax rates and revenues. Tables A-7 through A-17 show the highest and lowest scorers for each variable. The "old" governor with the best record on reducing taxes and restraining revenue growth was John Rowland of Connecticut, who implemented an $80 million income tax rebate and a 7 cent reduction in the gasoline tax and is the one of the few governors to propose using a portion of the tobacco settlement to provide tax relief. On average, Rowland's recommended tax cuts have amounted to about 1 percent of the state budget, which in Connecticut is just over $12 billion a year. Bush (Texas) and Johnson (New Mexico) also have excellent records of tax cutting and revenue restraint, as does Cayetano (Hawaii) on the strength of his proposals to cut personal and corporate income tax rates.

Paul Cellucci of Massachusetts was another aggressive tax cutter overall. His proposal to slice the state personal income tax rate to 5 percent (an overall 16 percent cut in the tax rate) was turned down by the legislature. So Governor Cellucci spearheaded a successful campaign to place the tax cut proposal on the ballot in November. It passed by a wide margin, and, as a result, the income tax rate in Massachusetts will be at its lowest point this decade.

The "old" governor with the worst record on reducing taxes and restraining revenue growth was John Kitzhaber, of Oregon. Under Kitzhaber per capita tax revenue in Oregon has gone up 16 percent per year in real terms, and tax revenue per $1,000 of personal income has gone up by 13 percent per year. His recommended budgets have called for increasing revenue per $1,000 personal income by more than 2 percent per year.

Other premier tax cutters include Graves (Kansas), Engler (Michigan), Pataki (New York), and Janklow (South Dakota). On average, throughout their terms, each of them has recommended annual tax cuts of more than 1 percent of state spending.

The largest tax cutters were new governors: Bill Owens of Colorado, Jesse Ventura of Minnesota, Jeb Bush of Florida, and Jim Gilmore of Virginia. Bill Owens proposed $200 million in tax cuts in the form of cutting the state income tax rate by a quarter percentage point and the sales tax by .15 of a percentage point, all of which equaled 6 percent of the state budget. Jesse Ventura rode to a stunning electoral victory on his promise to rebate surplus sales tax revenue. Not only was he successful at providing two back-to-back tax rebates totaling more than $1.5 billion, but he also proposed and signed into law an across-the-board reduction in personal income tax rates and a cut in the vehicle registration tax, amounting to a tax cut of 5 percent of state expenditures. Bush's tax cuts, the largest in Florida history, amount to more than 2.5 percent of state spending per year, and Gilmore's car tax repeal stands at an average of 2.7 percent per year of Virginia's $19 billion annual budget.

The biggest tax hikers and proposers have been Shaheen (New Hampshire), Sundquist (Tennessee), Hull (Arizona), Dean (Vermont), and Foster (Louisiana). On average, throughout their terms, each of them has recommended annual tax hikes of more than 1.5 percent of state spending per year. Shaheen's proposed tax increase amounts to roughly 8 percent of state spending, and Sundquist's proposed income tax amounts to close to 3 percent.

Personal Income Tax

The three governors who have proposed or enacted the most substantial income tax rate cuts during their tenures are Johnson (New Mexico), Cayetano (Hawaii), and Carper (Delaware). However, income tax rates have also been reduced under Pataki (New York), Whitman (New Jersey), Glendening (Maryland),

The "old" governor with the best record on reducing taxes and restraining revenue growth was Rowland of Connecticut. The largest tax cutters among new governors were Owens of Colorado, Ventura of Minnesota, Bush of Florida, and Gilmore of Virginia.

Much of that tax cutting is in response to the increasing tax competitiveness among states—a competition that we view as quite healthy.

Engler (Michigan), Keating (Oklahoma), Almond (Rhode Island), Leavitt (Utah), and Thompson (Wisconsin). The new governors who have lowered income tax rates are Cellucci (Massachusetts), Ventura (Minnesota), Owens (Colorado), Kempthorne (Idaho), Taft (Ohio), and Hull (Arizona). Many of the governors listed above proposed larger income tax rate reductions than their legislatures were willing to approve. Tax rate reductions have typically led to an increase in income tax revenue collections in these states.

The largest recommended tax increase was by Gov. Don Sundquist of Tennessee. After submitting a budget that increased spending at a rate three times higher than inflation, he declared a "budget crisis" and tried to impose on residents the first-ever state income tax in Tennessee history. The legislature responded to overwhelming public outcry by voting against the income tax twice—once in a special session in 1999 and again during the regular session in 2001. Governor Sundquist's grade has suffered severely as a result of that.

Sales Tax

Sales tax increases were proposed or enacted by Foster (Louisiana), Racicot (Montana), Huckabee (Arkansas), Cayetano (Hawaii), Bush (Texas), Dean (Vermont), and Geringer (Wyoming). Only one new governor asked for or received an increase in the sales tax: Jane Hull of Arizona actively supported a ballot initiative to increase the state sales tax by .6 of a percentage point to provide increased school funding after the Republican-dominated legislature spurned her proposal during the regular session. The initiative passed by a 6 percent margin.

Sales tax decreases, on the other hand, were popular with Almond (Rhode Island) Leavitt (Utah), and Owens (Colorado). Angus King (Maine) proposed the reversal of the one percentage point increase of his predecessor.

Gasoline Tax

Fuel tax increases are very common: the largest occurred under Geringer (Wyoming), Carper (Delaware), Thompson (Wisconsin), and Dean (Vermont). Governors who cut the gasoline tax include Rowland (Connecticut), Keating (Oklahoma), and Johnson (New Mexico). Frank O'Bannon of Indiana suspended his state's gasoline tax for a period to combat rising fuel prices. None of the new governors raised the gasoline tax.

Cigarette Tax

With a $206 billion revenue windfall from the tobacco litigation settlement awaiting the states over the next 25 years, the last thing states should be doing is raising cigarette taxes. That is why we have added this variable to the report card for the first time this year. As we have discovered, the "soak the smoker" mentality is still alive and well across the nation. Cigarette taxes went up under many governors. The biggest increases were under Glendening (Maryland), Pataki (New York), Cayetano (Hawaii), Kitzhaber (Oregon), and Whitman (New Jersey). On the other hand, none of the new governors proposed or enacted an increase in the cigarette tax.

Conclusion

The fiscal record of the current governors is a mixed bag. The governors have generally chopped punitive and anti-growth income taxes on workers and businesses. The good news is that the newer governors also tend to be much more aggressive in cutting taxes. Much of that tax cutting is in response to the increasing tax competitiveness among states—a competition that we view as quite healthy. Interstate tax competition forces states to downsize their budgets and eliminate expenditure programs that do not give residents value for their tax dollars, particularly income transfer programs. It also forces states to concentrate on the dynamic economic impacts of tax policy changes. There is now little doubt that tax changes can have a profound impact on the relative economic conditions of states.

The Republican governors are regarded

today as the real stars of the GOP. We say, "not so fast." Our report calls these accolades into question. Although there are a number of Republicans with impressive records in cutting spending and taxes and improving the economic climates of their states—a list that includes John Engler of Michigan, Paul Cellucci of Massachusetts, and Gary Johnson of New Mexico—there are also a growing number of Republican governors who have tilted their states in a tax-and-spend direction. This list includes Taft of Ohio, Sundquist of Tennessee, Hull of Arizona, Ryan of Illinois, and Leavitt of Utah. The past four years have brought an unprecedented acceleration of state spending. Republican governors who advertise themselves as fiscal conservatives have been some of the worst offenders. On balance, therefore, we regard the performance of the Republican governors as somewhat overrated. It is certainly not the sterling record of accomplishment that press reports and press releases would have us believe.

Although there are a number of Republicans with impressive records, there are a growing number who have tilted their states in a tax-and-spend direction.

Appendix A: Detailed Tables

Table A-1
Spending Variables

Governor	State	Date Took Office	Spending Score	Grade	Average Annual Change in Real per Capita Direct General Spending through 1998	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
Kenny C. Guinn (R)	Nevada	Jan-99	93	A			-3.22%	-7.99%
Paul Cellucci (R)	Massachusetts	Jul-99	85	A			-3.34%	-5.57%
Roy Barnes (D)	Georgia	Jan-99	82	A			-2.67%	-5.69%
Gary Locke (D)	Washington	Jan-97	82	A	0.76%	-4.32%	-0.66%	-4.19%
Mike Johanns (R)	Nebraska	Jan-99	78	B			-3.61%	-3.36%
John Engler (R)	Michigan	Jan-91	75	B	0.59%	-1.23%	-1.91%	-2.17%
Jeb Bush (R)	Florida	Jan-99	74	B			-2.69%	-3.25%
Bill Owens (R)	Colorado	Jan-99	73	B			0.36%	-6.54%
George E. Pataki (R)	New York	Jan-95	72	B	0.19%	-2.28%	-1.11%	-0.52%
Benjamin J. Cayetano (D)	Hawaii	Dec-94	72	B	-0.76%	0.49%	-0.22%	-3.18%
George W. Bush (R)	Texas	Jan-95	70	B	0.11%	-2.64%	2.25%	-2.58%
Bill Graves (R)	Kansas	Jan-95	70	B	-1.70%	-3.59%	0.92%	1.67%
Mike Foster (R)	Louisiana	Jan-96	70	B	4.39%	-2.88%	-0.96%	-2.85%
Howard Dean (D)	Vermont	Aug-91	66	C	1.25%	-0.63%	0.61%	-1.97%
Jeanne Shaheen (D)	New Hampshire	Jan-97	65	C	1.67%	-3.88%	1.66%	-0.10%
Don Sundquist (R)	Tennessee	Jan-95	65	C	-1.27%	-2.89%	1.73%	2.02%
William J. Janklow (R)	South Dakota	Jan-95	64	C	9.64%	-2.14%	-1.67%	-5.46%
Cecil H. Underwood (R)	West Virginia	Jan-97	64	C	3.29%	0.45%	-4.89%	1.56%
Jim Geringer (R)	Wyoming	Jan-95	64	C	0.01%	-1.47%	4.69%	-3.57%
Edward T. Schafer (R)	North Dakota	Dec-92	64	C	0.97%	-0.04%	2.74%	-3.77%
Christine T. Whitman (R)	New Jersey	Jan-94	62	C	0.82%	-1.28%	0.65%	0.76%
Gary E. Johnson (R)	New Mexico	Jan-95	61	C	3.00%	1.30%	-1.11%	-1.33%
Marc Racicot (R)	Montana	Jan-93	60	C	2.59%	1.27%	-0.04%	-1.78%
Frank Keating (R)	Oklahoma	Jan-95	60	C	1.77%	0.23%	0.85%	-0.76%
John G. Rowland (R)	Connecticut	Jan-95	59	C	0.68%	-2.20%	-2.33%	1.30%
Dirk Kempthorne (R)	Idaho	Jan-99	59	C			0.86%	-3.21%
Lincoln Almond (R)	Rhode Island	Jan-95	58	C	2.48%	-0.82%	-0.38%	1.47%
Paul E. Patton (D)	Kentucky	Dec-95	57	C	6.45%	3.05%	-2.05%	-3.68%
Tommy G. Thompson (R)	Wisconsin	Jan-87	56	C	1.09%	-0.79%	-0.70%	4.13%
Parris N. Glendening (D)	Maryland	Jan-95	56	C	0.14%	-1.38%	3.49%	1.20%
Jesse Ventura (I)	Minnesota	Jan-99	56	C			0.99%	-2.67%
Tom Ridge (R)	Pennsylvania	Jan-95	55	C	3.33%	0.89%	-0.24%	0.17%
Jane Dee Hull (R)	Arizona	Sep-97	55	C			0.48%	-1.80%
Angus S. King, Jr. (I)	Maine	Jan-95	55	C	1.78%	-0.32%	2.64%	0.17%
Frank O'Bannon (D)	Indiana	Jan-97	52	D	2.89%	-0.74%	1.38%	1.90%
Don Siegelman (D)	Alabama	Jan-99	52	D			-0.98%	0.77%
James G. Hunt, Jr. (D)	North Carolina	Jan-93	51	D	3.63%	1.42%	-1.45%	2.61%
George H. Ryan (R)	Illinois	Jan-99	49	D			0.87%	-0.40%
Mike Huckabee (R)	Arkansas	Jul-96	48	D	4.18%	0.64%	2.09%	0.49%
Michael O. Leavitt (R)	Utah	Jan-93	47	D	5.49%	2.51%	1.26%	-1.31%
Tom Vilsack (D)	Iowa	Jan-99	47	D			-0.08%	0.96%
Jim Hodges (D)	South Carolina	Jan-99	44	D			0.95%	0.76%
Bob Taft (R)	Ohio	Jan-99	43	D			1.85%	-0.12%
Thomas R. Carper (D)	Delaware	Jan-93	40	F	2.63%	1.34%	1.03%	6.12%
James S. Gilmore (R)	Virginia	Jan-98	33	F			2.71%	1.81%
John A. Kitzhaber (D)	Oregon	Jan-95	12	F	10.28%	7.37%	5.97%	0.41%
Gray Davis (D)	California	Jan-99	2	F			6.86%	5.70%

Table A-2
Average Annual Change in Real per Capita Direct General Spending through 1998

Best Spending Restraint			Worst Spending Restraint		
1. Bill Graves (R)	Kansas	-1.7%	1. John A. Kitzhaber (D)	Oregon	10.3%
2. Don Sundquist (R)	Tennessee	-1.3%	2. William J. Janklow (R)	South Dakota	9.6%
3. Benjamin J. Cayetano (D)	Hawaii	-0.8%	3. Paul E. Patton (D)	Kentucky	6.5%
4. Jim Geringer (R)	Wyoming	0.0%	4. Michael O. Leavitt (R)	Utah	5.5%
5. George W. Bush (R)	Texas	0.1%	5. Mike Foster (R)	Louisiana	4.4%

Table A-3
Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998

Best Spending Restraint			Worst Spending Restraint		
1. Gary Locke (D)	Washington	-4.3%	1. John A. Kitzhaber (D)	Oregon	7.4%
2. Jeanne Shaheen (D)	New Hampshire	-3.9%	2. Paul E. Patton (D)	Kentucky	3.1%
3. Bill Graves (R)	Kansas	-3.6%	3. Michael O. Leavitt (R)	Utah	2.5%
4. Don Sundquist (R)	Tennessee	-2.9%	4. James G. Hunt, Jr. (R)	North Carolina	1.4%
5. Mike Foster (R)	Louisiana	-2.9%	5. Thomas R. Carper (D)	Delaware	1.3%

Table A-4
Average Annual Recommended Change in Real per Capita General Fund Spending through 2001

Best Spending Restraint			Worst Spending Restraint		
1. Cecil H. Underwood (R)	West Virginia	-4.9%	1. Gray Davis (D)	California	6.9%
2. Mike Johanns (R)	Nebraska	-3.6%	2. John A. Kitzhaber (D)	Oregon	6.0%
3. Paul Cellucci (R)	Massachusetts	-3.3%	3. Jim Geringer (R)	Wyoming	4.7%
4. Kenny C. Guinn (R)	Nevada	-3.2%	4. Parris Glendening (D)	Maryland	3.5%
5. Jeb Bush (R)	Florida	-2.7%	5. Edward T. Schafer (R)	North Dakota	2.7%

Table A-5
Average Annual Recommended Change in General Fund Spending per $1,000 Personal Income, 1998–2000

Best Spending Restraint			Worst Spending Restraint		
1. Kenny C. Guinn (R)	Nevada	-8.0%	1. Thomas R. Carper (D)	Delaware	6.1%
2. Bill Owens (R)	Colorado	-6.5%	2. Gray Davis (D)	California	5.7%
3. Roy Barnes (D)	Georgia	-5.7%	3. Tommy G. Thompson (R)	Wisconsin	4.1%
4. Paul Cellucci (R)	Massachusetts	-5.6%	4. James G. Hunt, Jr. (R)	North Carolina	2.6%
5. William J. Janklow (R)	South Dakota	-5.5%	5. Don Sundquist (R)	Tennessee	2.0%

Table A-6
Tax Rate and Revenue Variables

Governor	State	Date Took Office	Tax Rate and Revenue Score	Grade	Average Annual Change in Real per Capita Own-Source General Revenue through 1998	Average Annual Change in Own-Source General Revenue per $1,000 Personal Income through 1998	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
Paul Cellucci (R)	Massachusetts	Jul-99	73	A			-6.98%	-1.37%
John G. Rowland (R)	Connecticut	Jan-95	73	A	4.70%	1.70%	-4.32%	-0.25%
George W. Bush (R)	Texas	Jan-95	72	A	2.43%	-0.39%	-3.60%	-4.28%
Benjamin J. Cayetano (D)	Hawaii	Dec-94	70	A	0.16%	1.43%	-0.42%	-3.63%
Kenny C. Guinn (R)	Nevada	Jan-99	69	A			-3.36%	-8.00%
Gary E. Johnson (R)	New Mexico	Jan-95	69	A	3.89%	2.16%	-2.93%	-0.70%
Bill Owens (R)	Colorado	Jan-99	66	B			-3.14%	1.43%
Jeb Bush (R)	Florida	Jan-99	64	B			-2.35%	-1.51%
Tom Ridge (R)	Pennsylvania	Jan-95	63	B	2.70%	0.28%	-3.20%	1.49%
George E. Pataki (R)	New York	Jan-95	63	B	0.55%	-1.92%	-1.65%	3.90%
Frank O'Bannon (D)	Indiana	Jan-97	63	B	6.28%	2.53%	-1.31%	0.85%
Jesse Ventura (I)	Minnesota	Jan-99	63	B			-5.10%	-1.18%
Tommy G. Thompson (R)	Wisconsin	Jan-87	63	B	-5.65%	-9.44%	-1.87%	-0.78%
Gary Locke (D)	Washington	Jan-97	62	B	2.08%	-3.07%	-5.61%	0.45%
William J. Janklow (R)	South Dakota	Jan-95	61	B	2.24%	-0.28%	-5.73%	0.69%
Paul E. Patton (D)	Kentucky	Dec-95	61	B	2.82%	-0.47%	-2.56%	-2.27%
Mike Huckabee (R)	Arkansas	Jul-96	60	B	4.39%	0.85%	-0.66%	1.47%
Edward T. Schafer (R)	North Dakota	Dec-92	59	C	1.29%	0.28%	0.40%	-1.29%
Frank Keating (R)	Oklahoma	Jan-95	59	C	3.64%	2.07%	-1.73%	2.34%
Lincoln Almond (R)	Rhode Island	Jan-95	58	C	4.03%	0.69%	-3.56%	1.36%
Jim Hodges (D)	South Carolina	Jan-99	58	C			-1.10%	-3.37%
John Engler (R)	Michigan	Jan-91	57	C	4.90%	3.00%	-3.34%	1.02%
James S. Gilmore (R)	Virginia	Jan-98	57	C			-3.09%	4.80%
Cecil H. Underwood (R)	West Virginia	Jan-97	56	C	1.46%	-1.33%	-1.52%	0.40%
Bill Graves (R)	Kansas	Jan-95	56	C	3.27%	1.29%	-2.07%	-1.06%
Christine T. Whitman (R)	New Jersey	Jan-94	56	C	0.96%	-1.14%	-2.85%	2.08%
Angus S. King, Jr. (I)	Maine	Jan-95	56	C	5.30%	3.12%	-3.95%	-1.02%
Thomas R. Carper (D)	Delaware	Jan-93	55	C	4.73%	3.41%	-2.94%	0.15%
Dirk Kempthorne (R)	Idaho	Jan-99	54	C			-0.62%	-1.59%
James G. Hunt, Jr. (D)	North Carolina	Jan-93	54	C	3.67%	1.47%	-2.17%	2.46%
Bob Taft (R)	Ohio	Jan-99	53	C			-0.84%	0.01%
Mike Johanns (R)	Nebraska	Jan-99	53	C			-0.62%	0.68%
Michael O. Leavitt (R)	Utah	Jan-93	52	D	4.20%	1.25%	-2.05%	0.91%
George H. Ryan (R)	Illinois	Jan-99	52	D			-1.77%	1.22%
Jim Geringer (R)	Wyoming	Jan-95	51	D	7.07%	5.49%	-2.75%	-1.37%
Howard Dean (D)	Vermont	Aug-91	51	D	0.38%	-1.48%	-2.59%	-1.95%
Gray Davis (D)	California	Jan-99	50	D			-1.49%	4.94%
Roy Barnes (D)	Georgia	Jan-99	49	D			0.75%	1.06%
Jane Dee Hull (R)	Arizona	Sep-97	49	D			1.06%	0.06%
Don Siegelman (D)	Alabama	Jan-99	49	D			-0.24%	-0.03%
Marc Racicot (R)	Montana	Jan-93	49	D	-0.01%	-1.30%	-2.81%	1.43%
Parris N. Glendening (D)	Maryland	Jan-95	49	D	1.43%	-0.11%	-1.41%	0.67%
Jeanne Shaheen (D)	New Hampshire	Jan-97	46	D	4.85%	-0.87%	3.81%	0.08%
Mike Foster (R)	Louisiana	Jan-96	46	D	9.27%	6.23%	-1.78%	-1.93%
Tom Vilsack (D)	Iowa	Jan-99	44	F			-0.04%	1.02%
Don Sundquist (R)	Tennessee	Jan-95	42	F	2.06%	0.38%	4.44%	2.11%
John A. Kitzhaber (D)	Oregon	Jan-95	32	F	15.78%	12.72%	2.22%	5.29%

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

Governor	State	Date Took Office	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001	Change in Top Personal Income Tax Rate (% points)	Change in Top Coporate Income Tax Rate (% points)	2000 Combined Top Income Tax Rates (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
Paul Cellucci (R)	Massachusetts	Jul-99	-4.99%	-0.95	0	15.25	0	0	0	1
John G. Rowland (R)	Connecticut	Jan-95	-1.06%	0	-3.0	12.0	0	-7	0	1
George W. Bush (R)	Texas	Jan-95	-0.33%	0	0	4.5	0.5	0	0	1
Benjamin J. Cayetano (D)	Hawaii	Dec-94	0.04%	-2.0	-3.2	15.2	0.75	0	40	1
Kenny C. Guinn (R)	Nevada	Jan-99	0.00%	0	0	0	0	0	0	
Gary E. Johnson (R)	New Mexico	Jan-95	-0.97%	-1.7	0	15.8	0	-6	0	1
Bill Owens (R)	Colorado	Jan-99	-5.95%	-0.25	-0.25	9.5	-0.15	0	0	1
Jeb Bush (R)	Florida	Jan-99	-2.55%	0	0	5.5	0	0	0	1
Tom Ridge (R)	Pennsylvania	Jan-95	-0.52%	0	-1.0	12.8	0	0	0	
George E. Pataki (R)	New York	Jan-95	-1.13%	-1.03	-2.0	14.4	0	0	56	1
Frank O'Bannon (D)	Indiana	Jan-97	-0.50%	0	0	11.3	0	-15	0	
Jesse Ventura (I)	Minnesota	Jan-99	-5.43%	-0.15	0	17.65	0	0	0	0
Tommy G. Thompson (R)	Wisconsin	Jan-87	-0.83%	-1.15	0	14.7	0	8.3	29	0
Gary Locke (D)	Washington	Jan-97	-0.35%	0	0	3.5	0	5	0	0
William J. Janklow (R)	South Dakota	Jan-95	-1.03%	0	0	0	0	4	10	0
Paul E. Patton (D)	Kentucky	Dec-95	-0.10%	0	0	14.3	0	7	0	
Mike Huckabee (R)	Arkansas	Jul-96	-0.44%	0	0	13.5	0.125	1	0	1
Edward T. Schafer (R)	North Dakota	Dec-92	0.29%	1.2	0	16.0	0	4	15	1
Frank Keating (R)	Oklahoma	Jan-95	-0.78%	-0.5	0	12.8	0	-1	0	
Lincoln Almond (R)	Rhode Island	Jan-95	0.44%	-0.59	0	19.3	-0.5	0	15	
Jim Hodges (D)	South Carolina	Jan-99	-0.40%	0	0	12	0	0	0	
John Engler (R)	Michigan	Jan-91	-1.37%	-0.7	-0.05	6.6	2	4	0	0
James S. Gilmore (R)	Virginia	Jan-98	-2.69%	0	0	11.75	0	0	0	1
Cecil H. Underwood (R)	West Virginia	Jan-97	0.08%	0	0	15.5	0	0	0	0
Bill Graves (R)	Kansas	Jan-95	-1.96%	0	0	13.8	0	7	0	0
Christine T. Whitman (R)	New Jersey	Jan-94	-0.62%	-0.63	-0.375	15.4	0	7	40	
Angus S. King, Jr. (I)	Maine	Jan-95	0.54%	0	0	17.4	-1	5	37	
Thomas R. Carper (D)	Delaware	Jan-93	-0.44%	-1.75	0	14.7	0	8	0	0
Dirk Kempthorne (R)	Idaho	Jan-99	-0.05%	-0.1	0	16.2	0	0	0	
James G. Hunt, Jr. (D)	North Carolina	Jan-93	-0.31%	0.25	-0.75	15.0	0	0.3	0	0
Bob Taft (R)	Ohio	Jan-99	-0.07%	-0.43	0	15.3	0	0	0	
Mike Johanns (R)	Nebraska	Jan-99	0.81%	0	0	14.5	0	0	0	
Michael O. Leavitt (R)	Utah	Jan-93	-0.23%	-0.2	0	12.0	-0.25	5	25	0
George H. Ryan (R)	Illinois	Jan-99	1.01%	0	0	10.3	0	0	0	
Jim Geringer (R)	Wyoming	Jan-95	0.57%	0	0	0	1	11	20	0
Howard Dean (D)	Vermont	Aug-91	1.88%	-1.0	1.5	19.3	1	8	24	0
Gray Davis (D)	California	Jan-99	-0.10%	0	0	18.14	0	0	0	1
Roy Barnes (D)	Georgia	Jan-99	-0.30%	0	0	12	0	0	0	
Jane Dee Hull (R)	Arizona	Sep-97	0.62%	-0.13	-0.5	12.0	0.6	0	0	
Don Siegelman (D)	Alabama	Jan-99	0.33%	0	1.5	11.5	0	0	0	
Marc Racicot (R)	Montana	Jan-93	0.47%	0	0	17.8	4	7	0	0
Parris N. Glendening (D)	Maryland	Jan-95	0.11%	-0.5	0	11.9	0	0	100	0
Jeanne Shaheen (D)	New Hampshire	Jan-97	7.50%	0	1.0	7.0	0	0	37	1
Mike Foster (R)	Louisiana	Jan-96	1.75%	0	0	14.0	4	4	0	
Tom Vilsack (D)	Iowa	Jan-99	0.00%	0	0	20.98	0	0	0	0
Don Sundquist (R)	Tennessee	Jan-95	2.95%	3.75	0.5	6.0	-2.25	0	0	0
John A. Kitzhaber (D)	Oregon	Jan-95	1.38%	0	0	15.6	0	6	40	

Table A-7
Average Annual Change in Real per Capita Tax Revenue through 1998

Best Revenue Restraint			Worst Revenue Restraint		
1. Tommy G. Thompson (R)	Wisconsin	-5.7%	1. John A. Kitzhaber (D)	Oregon	15.8%
2. Marc Racicot (R)	Montana	0.0%	2. Mike Foster (R)	Louisiana	9.3%
3. Benjamin J. Cayetano (D)	Hawaii	0.2%	3. Jim Geringer (R)	Wyoming	7.1%
4. Howard Dean (D)	Vermont	0.4%	4. Frank O'Bannon (D)	Indiana	6.3%
5. George E. Pataki (R)	New York	0.6%	5. Angus S. King, Jr. (I)	Maine	5.3%

Table A-8
Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998

Best Revenue Restraint			Worst Revenue Restraint		
1. Tommy G. Thompson (R)	Wisconsin	-9.4%	1. John A. Kitzhaber (D)	Oregon	12.7%
2. Gary Locke (D)	Washington	-3.1%	2. Mike Foster (R)	Louisiana	6.2%
3. George E. Pataki (R)	New York	-1.9%	3. Jim Geringer (R)	Wyoming	5.5%
4. Howard Dean (D)	Vermont	-1.5%	4. Thomas R. Carper (D)	Delaware	3.4%
5. Cecil H. Underwood (R)	West Virginia	-1.3%	5. Angus S. King, Jr. (I)	Maine	3.1%

Table A-9
Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001

Best Revenue Restraint			Worst Revenue Restraint		
1. Paul Cellucci (R)	Massachusetts	-7.0%	1. Don Sundquist (R)	Tennessee	4.4%
2. William J. Janklow (R)	South Dakota	-5.7%	2. Jeanne Shaheen (D)	New Hampshire	3.8%
3. Gary Locke (D)	Washington	-5.6%	3. John A. Kitzhaber (D)	Oregon	2.2%
4. Jesse Ventura (I)	Minnesota	-5.1%	4. Jane Dee Hull (R)	Arizona	1.1%
5. John G. Rowland (R)	Connecticut	-4.3%	5. Roy Barnes (D)	Georgia	0.8%

Table A-10
Average Annual Change in Real per Capita General Fund Revenue, 1998–2000

Best Revenue Restraint			Worst Revenue Restraint		
1. Kenny C. Guinn (R)	Nevada	-8.0%	1. John A. Kitzhaber (D)	Oregon	5.3%
2. George W. Bush (R)	Texas	-4.3%	2. Gray Davis (D)	California	4.9%
3. Benjamin J. Cayetano (D)	Hawaii	-3.6%	3. James S. Gilmore (R)	Virginia	4.8%
4. Jim Hodges (D)	South Carolina	-3.4%	4. George E. Pataki (R)	New York	3.9%
5. Paul E. Patton (D)	Kentucky	-2.3%	5. James G. Hunt, Jr. (R)	North Carolina	2.5%

Table A-11
Average Annual Recommended Tax Changes and as a Percentage of Prior Year's Spending through 1999

Top Tax Cutters			Top Tax Hikers		
1. Bill Owens (R)	Colorado	-5.9%	1. Jeanne Shaheen (D)	New Hampshire	7.50%
2. Jesse Ventura (I)	Minnesota	-5.4%	2. Don Sundquist (R)	Tennessee	2.95%
3. Paul Cellucci (R)	Massachusetts	-5.0%	3. Jane Dee Hull (R)	Arizona	2.01%
4. James S. Gilmore (R)	Virginia	-2.7%	4. Howard Dean (D)	Vermont	1.88%
5. Jeb Bush (R)	Florida	-2.6%	5. Mike Foster (R)	Louisiana	1.75%
6. Bill Graves (R)	Kansas	-2.0%	6. John A. Kitzhaber (D)	Oregon	1.38%
7. John Engler (R)	Michigan	-1.4%	7. George H. Ryan (R)	Illinois	1.01%
8. William J. Janklow (R)	South Dakota	-1.0%	8. Mike Johanns (R)	Nebraska	0.81%
9. John G. Rowland (R)	Connecticut	-1.1%	9. Jim Geringer (R)	Wyoming	0.57%
10. George E. Pataki (R)	New York	-1.1%	10. Angus S. King, Jr. (I)	Maine	0.54%

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

Tax Cutters			Tax Hikers		
1. Benjamin J. Cayetano (D)	Hawaii	-2.0	1. Don Sundquist (R)	Tennessee	3.75
2. Thomas R. Carper (D)	Delaware	-1.75	2. Edward T. Schafer (R)	North Dakota	1.2
3. Gary E. Johnson (R)	New Mexico	-1.7	3. James G. Hunt, Jr. (R)	North Carolina	0.25
4. Tommy G. Thompson (R)	Wisconsin	-1.15	No Others		
5. George E. Pataki (R)	New York	-1.03			
6. Howard Dean (D)	Vermont	-0.996			
7. Paul Cellucci (R)	Massachusetts	-0.95			
8. John Engler (R)	Michigan	-0.7			
9. Christine T. Whitman (R)	New Jersey	-0.63			
10. Lincoln Almond (R)	Rhode Island	-0.59			
11. Frank Keating (R)	Oklahoma	-0.5			
12. Parris Glendening (D)	Maryland	-0.5			
13. Bob Taft (R)	Ohio	-0.43			
14. Bill Owens (R)	Colorado	-0.25			
15. Michael O. Leavitt (R)	Utah	-0.2			
16. Jesse Ventura (I)	Minnesota	-0.15			
17. Jane Dee Hull (R)	Arizona	-0.13			
18. Dirk Kempthorne (R)	Idaho	-0.1			
No Others					

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

Tax Cutters			Tax Hikers		
1. Benjamin J. Cayetano (D)	Hawaii	-3.2	1. Howard Dean (D)	Vermont	1.5
2. John G. Rowland (R)	Connecticut	-3.0	2. Don Siegelman (D)	Alabama	1.5
3. George E. Pataki (R)	New York	-2.0	3. Jeanne Shaheen (D)	New Hampshire	1.0
4. Tom Ridge (R)	Pennsylvania	-1.0	4. Don Sundquist (R)	Tennessee	0.5
5. James G. Hunt, Jr. (R)	North Carolina	-0.75	No Others		
6. Jane Dee Hull (R)	Arizona	-0.5			
7. Christine T. Whitman (R)	New Jersey	-0.375			
8. Bill Owens (R)	Colorado	-0.25			
9. John Engler (R)	Michigan	-0.05			
No Others					

Table A-14
Combined Top Income Tax Rates (personal plus corporate), 2000 (% points)

Lowest Tax Rates			Highest Tax Rates		
1. Kenny C. Guinn (R)	Nevada	0	1. Tom Vilsack (D)	Iowa	20.98
2. William J. Janklow (R)	South Dakota	0	2. Lincoln Almond (R)	Rhode Island	19.3
3. Jim Geringer (R)	Wyoming	0	3. Howard Dean (D)	Vermont	19.3
4. Gary Locke (D)	Washington	3.5	4. Gray Davis (D)	California	18.14
5. George W. Bush (R)	Texas	4.5	5. Marc Racicot (R)	Montana	17.8

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

Tax Cutters			Tax Hikers		
1. Don Sundquist (R)	Tennessee	-2.25	1. Mike Foster (R)	Louisiana	4
2. Angus S. King, Jr. (I)	Maine	-1	2. Marc Racicot (R)	Montana	4
3. Lincoln Almond (R)	Rhode Island	-0.5	3. Jim Geringer (R)	Wyoming	1
4. Michael O. Leavitt (R)	Utah	-0.25	4. Howard Dean (D)	Vermont	1
5. Bill Owens (R)	Colorado	-0.15	5. Benjamin J. Cayetano (D)	Hawaii	0.75
No Others			6. Jane Dee Hull (R)	Arizona	0.6
			7. George W. Bush (R)	Texas	0.5
			8. Mike Huckabee (R)	Arkansas	0.125
			No Others		

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

Tax Cutters			Tax Hikers		
1. Frank O'Bannon (D)	Indiana	-15	1. Jim Geringer (R)	Wyoming	11
2. John G. Rowland (R)	Connecticut	-7	2. Tommy G. Thompson (R)	Wisconsin	8.3
3. Gary E. Johnson (R)	New Mexico	-6	3. Thomas R. Carper (D)	Delaware	8
4. Frank Keating (R)	Oklahoma	-1	4. Howard Dean (D)	Vermont	8
No Others			5. Paul E. Patton (D)	Kentucky	7
			6. Christine T. Whitman (R)	New Jersey	7
			7. Marc Racicot (R)	Montana	7
			8. Bill Graves (R)	Kansas	7
			9. John A. Kitzhaber (D)	Oregon	6
			10. Angus S. King, Jr. (I)	Maine	5
			11. Michael O. Leavitt (R)	Utah	5
			12. Gary Locke (D)	Washington	5
			13. William J. Janklow (R)	South Dakota	4
			14. John Engler (R)	Michigan	4
			15. Edward T. Schafer (R)	North Dakota	4
			16. Mike Foster (R)	Louisiana	4
			17. Mike Huckabee (R)	Arkansas	1
			18. James G. Hunt, Jr. (R)	North Carolina	0.3
			No Others		

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

Tax Cutters	Tax Hikers		
None	1. Parris Glendening (D)	Maryland	100
	2. George E. Pataki (R)	New York	56
	3. Benjamin J. Cayetano (D)	Hawaii	40
	4. John A. Kitzhaber (D)	Oregon	40
	5. Christine T. Whitman (R)	New Jersey	40
	6. Jeanne Shaheen (D)	New Hampshire	37
	7. Angus S. King, Jr. (I)	Maine	37
	8. Tommy G. Thompson (R)	Wisconsin	29
	9. Michael O. Leavitt (R)	Utah	25
	10. Howard Dean (D)	Vermont	24
	11. Lincoln Almond (R)	Rhode Island	15
	12. Edward T. Schafer (R)	North Dakota	15
	13. William J. Janklow (R)	South Dakota	10
	No Others		

Appendix B: Summary of Fiscal Policy Records of the Governors

The following summaries are based on a wide variety of sources, including individual governors' official biographies, *The Almanac of American Politics*,[25] and articles in magazines and local newspapers.

Alabama

Don Siegelman, Democrat

Legislature: Democratic
Took Office: 1/99

Grade: D

Don Siegelman, a 30-year presence in Alabama politics, beat incumbent Republican Governor Fob James in 1998 by a substantial 15 percent margin, mostly on the strength of Siegelman's plan to institute a state lottery and earmark the revenue for school funding, which was popular at the time. His first budget expanded spending almost as much as the state's population grew. Tax revenues also grew roughly as fast as personal income. The lottery plan, however, was defeated in October 1999, but that hasn't dampened Siegelman's fervor to increase spending on education. In 1999 the state supreme court declared unconstitutional the state's business franchise tax. The expected loss of revenue put a damper on the governor's spending plans, including a large expenditure to increase teachers' salaries. In response to the court decision, Siegelman endorsed a ballot initiative (eventually successful in March 2000) to increase the corporate income tax to 6.5 percent. He has, unfortunately, pursued no broad-based tax reductions and instead has poured his energies into his "Taxpayer Bill of Rights," which creates the position of state taxpayer advocate. In all, the Alabama governor's fiscal performance has been unremarkable. With aggressive tax cutting going on nearby in Florida, and fellow Democrats in neighboring Georgia cutting property taxes, Siegelman risks making Alabama a regional fiscal policy relic.

	Score	Grade	Rank
Overall Fiscal Policy Score	50	D	42
Spending Score	52	D	36
Revenue and Tax Rate Score	49	D	40

Amount	
-0.98%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
0.77%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
-0.24%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
-0.03%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
0.33%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
0.0	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	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Arizona

Jane Dee Hull, Republican

Legislature: Republican
Took Office: 9/97

Grade: D

Jane Hull's tenure as governor has been a major disappointment so far. The then-secretary of state succeeded to the governor's seat after Fife Symington was convicted on federal fraud charges in September 1997. She was elected in her own right in 1998. Since then, she has been at odds more often than not with fiscal conservatives. Although Hull has decreased taxes in the state during her first few years in office (she proposed and signed into law a 16 percent cut in the state car tax and proposed an additional 5 percent reduction for fiscal 2000, as well as a cut in the corporate income tax rate from 8 to 7.5 percent), her tax cuts have lately been paltry by comparison with what some members of the state legislature have been proposing: in fiscal 2000, Hull's tax cuts equaled only $54 million at a time when conservative members of the Arizona House were calling for $200 million in cuts. She has proposed historic amounts of new spending. "A great Democratic state-of-the-state address," was how a Democrat in the state house described Hull's fiscal 2000 budget speech. In 1998 she signed into law her KidsCare health program despite conservative attempts to initiate time limits on recipients of the entitlement. Her StudentsFIRST program added $375 million annually to the state education budget starting in 1998, and she has asked for additional increases in education spending in excess of $100 million every year since. In a surprising turn of events, Hull resisted calls to cut other program budgets to pay for her education spending spree and instead endorsed raising the state sales tax by .06 percentage points. Reversing 10 years of tax cuts, this increase is the largest in Arizona history, and Hull expects the $440 million tax hike to be barely sufficient to cover her wish list. She spearheaded the movement to place the tax increase on the November 2000 ballot, and it passed, 54 percent to 46 percent. In the meantime, she denounced another ballot initiative to phase out the state personal and corporate income tax over four years. "If you want to open the prisons and close the schools, this is the initiative for you," Hull said of the tax abolition plan. For a governor of the home state of Barry Goldwater, Hull is a sad departure from the substantial tax cutters of years past.

	Score	Grade	Rank
Overall Fiscal Policy Score	50	D	40
Spending Score	55	C	33
Revenue and Tax Rate Score	49	D	39

Amount	
0.48%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-1.80%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
1.06%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
0.06%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
0.62%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
-0.13	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)
2.0	2000 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)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Arkansas

Mike Huckabee, Republican

Legislature: Democratic
Took Office: 7/96

Grade: C

Arkansas was once Clinton country, but not so anymore. In 1996 Mike Huckabee became the first Republican governor in 15 years, following the Whitewater-related conviction of Clinton's successor, Jim Guy Tucker. In 1998 Huckabee won the governorship with 60 percent of the vote, and in 2000 Arkansas voters opted for Bush over Gore in the presidential race. Arkansas is becoming more Republican, but the state legislature is filled with entrenched good-old-boy Democrats, many of whom have been in office for 30 years or more. The Associated Press reports, "The acrimony that marked the relationship between Huckabee and the Democrats two years ago has simmered into mutual mistrust." Although Huckabee has a reputation as a fiscal conservative, his record doesn't always fit the press clippings. In his first budget he won support for a sweeping overhaul of Arkansas's archaic income tax system. The $70 million tax cut package was the first broad-based state tax cut in more than 20 years. In 1999 he signed legislation to phase out of the state's 6 percent capital gains tax—a significant pro-growth accomplishment. But on the politically supercharged issue of property taxes, Huckabee has sought little homeowner relief and has called a plan to abolish the state's $1 billion property tax "irresponsible." Huckabee has been a bigger spender than most governors, though he generally wants to spend less than the liberal-leaning legislature. Last year he backed a controversial $575 million bond initiative paid for by an increase in the diesel tax. He wants to spend the state's $1.5 billion share of the tobacco settlement on health care and anti-smoking initiatives rather than return the money to the people through tax cuts. Conservatives in the state are losing patience with Huckabee. The Arkansas Public Policy Foundation fumes that "we're still growing government here more than we're cutting taxes." Huckabee has been a better governor than his two more famous predecessors, but the sweeping governmental agency reforms—in a state public sector that is one of the most corrupt and bureaucratically inept in the nation—and the tax relief that conservatives had hoped for have yet to materialize.

	Score	Grade	Rank
Overall Fiscal Policy Score	57	C	24
Spending Score	48	D	39
Revenue and Tax Rate Score	60	B	17

Amount	
4.18%	Average Annual Change in Real per Capita Direct General Spending through 1998
0.64%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
2.09%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
0.49%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
4.39%	Average Annual Change in Real per Capita Tax Revenue through 1998
0.85%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-0.66%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
1.47%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-0.44%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
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)
13.5	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.125	Change in Sales Tax Rate, proposed and/or enacted (% points)
1.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
1	Internet Tax (1=oppose; 0=support)

California

Gray Davis, Democrat

Legislature: Democratic
Took Office: 1/99

Grade: F

The mediocre fiscal record of Pete Wilson has given way to the extraordinarily bad fiscal performance of Gray Davis. A politician for most of his adult life, Davis won the 1998 governor's race in a landslide to become the fourth Democratic governor in California this century. His first budget, prepared under the specter of a $2 billion deficit, included spending increases of the magnitude common during Wilson's administration. When the revenue estimates were updated and the state government found itself swimming in excess revenue to the tune of $4.3 billion, Davis's big-spending instincts kicked into high gear. He increased his spending proposals massively and requested growth in the state budget twice as great as was needed to keep up with population growth and inflation. In fact, 77 percent of the surplus went to new spending. He proposed paltry targeted tax cuts equaling $78 million in contrast to the plan by the Republicans in the legislature to cut taxes 20 times as much. Under bipartisan pressure, Davis finally agreed to allow a $500 million tax cut, which sped up the phaseout of the state's car tax. When he submitted his second budget in 2000, the state surplus was expected to be more than a record-breaking $10 billion, and the tax cuts he put forward equaled only $2 billion. He opposed other more substantial tax cut proposals, including one to cut the income tax by 10 percent across the board. Davis's tax cut plan also included a small cut in the capital gains tax burden and a car tax rebate. Still, those cuts amounted to a meager proportion of the surplus tax revenue and didn't stem the staggering 7 percent average annual real per capita increase in the budget. Davis also helped the signature-gathering effort for Proposition 39, the ballot initiative that would roll back a linchpin of the California tax revolt of the 1980s: lowering the local vote requirement for new school bonds from a 2/3 majority to 55 percent. The proposition passed, partly as a result of Davis' endorsement. With the likelihood of large surpluses on the horizon in this high-tax state, Davis' spendaholic appetite will be well fed, and the prospects for substantially lower taxes will likely take a back seat to towering growth spurts in the budget.

	Score	Grade	Rank
Overall Fiscal Policy Score	41	F	46
Spending Score	2	F	47
Revenue and Tax Rate Score	50	D	37

Amount	
6.86%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
5.70%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
-1.49%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 200
4.94%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-0.10%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
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)
18.1	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
1	Internet Tax (1=oppose; 0=support)

Colorado

Bill Owens, Republican

Legislature: Republican
Took Office: 1/99

Grade: B

Bill Owens cut his teeth politically as a teenager working as a congressional page for Democrat Jim Wright of Texas. Who would have thought that he would later become one of the most fiscally conservative governors in America? In November 1998 Owens became the first Republican governor of Colorado in 20 years, succeeding long-time governor Roy Romer. Owens has wasted little time tilting budget policy in a more taxpayer-friendly direction. In his first budget Owens proposed and passed a $200 million tax cut, which left about $600 more a year in the pockets of typical Colorado families. The major components were a reduction in the income tax rate from 5 to 4.75 percent; a cut in the capital gains, interest, and dividends tax; and a business property tax cut. Then in 2000, Owens proposed another $200 million in tax cuts including a further reduction in the personal income tax, a cut in the sales tax rate, and an expansion of the earned income credit. Thanks to a tight constitutional tax and expenditure limitation measure, Amendment 1, which requires tax surpluses to be rebated to taxpayers, tax burdens are comparatively lower. Owens earned the enmity of some Colorado taxpayer advocates by opposing an even more stringent initiative on the ballot in November 2000 that would have cut taxes $25 a year for each resident indefinitely. The measure failed. Owens has been admirably frugal on the budget, though he's pumped hundreds of millions more dollars into road and highway construction projects in this fast-growing state. Colorado is increasingly Republican territory with voters wanting government small, inexpensive, and reasonably unintrusive. Bill Owens has set out to give them just that.

	Score	Grade	Rank
Overall Fiscal Policy Score	67	B	6
Spending Score	73	B	8
Revenue and Tax Rate Score	66	B	7

Amount	
0.36%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-6.54%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
-3.14%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
1.43%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-5.95%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
-0.25	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
-0.25	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
9.5	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
-0.15	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
1	Internet Tax (1=oppose; 0=support)

Connecticut

John Rowland, Republican | Legislature: Divided
Took Office: 1/95

Grade: B

John Rowland has had the political good fortune to succeed 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 from 1991 to 1994. The tax-and-spend program wrecked the state's economy and left a sea of red ink for Rowland to deal with. 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 also started reversing the anti-growth tax hikes of his predecessor and has declared his philosophy to be to "cut taxes whenever and wherever possible." Rowland has cut the personal income tax (by raising the income exemption), the corporate income tax (by 4 percentage points), the gasoline tax (by 7 cents a gallon), and the sales tax on clothing (for purchases up to $75) and has proposed a private school tax credit (rejected by the legislature). He gave $50 million of tobacco settlement money back to local jurisdictions for property tax relief. In his second term, Rowland has followed the disturbing national trend of Republican governors of spending the state surpluses. In late 1998, he proposed a $375 million bond initiative to subsidize the building of an NFL football stadium. 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." Then 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. Alan Ehrenhalt of *Governing* magazine recently quipped, "Some fiend has kidnapped the conservative governor and installed a Hubert Humphrey liberal look-a-like in his place." Even with all this new spending, Connecticut's business and fiscal climate has improved dramatically under Rowland, which explains his re-election by 62 percent of the voters in 1998. But this is still a government that spends a larger share of residents' money than all but six other states. Rowland's top priority should be to end the state spending boomlet he helped launch and get back to fulfilling his original promise of dismantling Lowell Weicker's state income tax.

	Score	Grade	Rank
Overall Fiscal Policy Score	68	B	4
Spending Score	59	C	25
Revenue and Tax Rate Score	73	A	2

Amount	
0.68%	Average Annual Change in Real per Capita Direct General Spending through 1998
-2.20%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
2.33%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
1.30%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
4.70%	Average Annual Change in Real per Capita Tax Revenue through 1998
1.70%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-4.32%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
-0.25%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-1.06%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
0.0	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
-3.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
12.0	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
-7.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
1	Internet Tax (1=oppose; 0=support)

Delaware

Tom Carper, Democrat

Legislature: Divided
Took Office: 1/93

Grade: D

Tom Carper has been in politics since his late 20s; he served as Delaware's state treasurer, five terms in the U.S. House of Representatives and eight years as governor, and now he is in the U.S. Senate. It is to be hoped that his fiscal philosophy in the Senate will become less pro-government. Under his governorship, per capita state outlays in Delaware have risen by 40 percent since 1993. In his first term, real per capita general fund spending rose by nearly four times the national average. On taxes, Carper enacted some commendable pro-growth changes. He continued the income tax rate cutting first begun under Republican Pete DuPont in the 1970s. Twenty-five years ago the top income tax rate in Delaware was a stratospheric 13 percent. Carper cut it from 7.7 to 6 percent. He now boasts that the state has one of the lightest tax burdens in the Northeast, which is true, but taxes are still much lower in most other regions of the country. Income tax cuts have propelled the state economy and helped create a budget surplus. But Carper raised the gas tax and other fees to help fund the spending barrage during his eight years. Carper also blocked electricity deregulation and even deeper tax cuts passed by the legislature. Carper touts himself as a fiscally prudent, pro-business Democrat, rather than an old-school tax and spender. His actual record suggests that this may be a case of false political advertising.

	Score	Grade	Rank
Overall Fiscal Policy Score	51	D	39
Spending Score	40	F	44
Revenue and Tax Rate Score	55	C	28

Amount	
2.63%	Average Annual Change in Real per Capita Direct General Spending through 1998
1.34%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
1.03%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
6.12%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
4.73%	Average Annual Change in Real per Capita Tax Revenue through 1998
3.41%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-2.94%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
0.15%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-0.44%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
-1.75	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)
14.7	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
8.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
0	Internet Tax (1=oppose; 0=support)

Florida

Jeb Bush, Republican

Legislature: Republican
Took Office: 1/99

Grade: B

Jeb Bush, President George H. W. Bush's son, was elected governor in 1998, four years after a hard-fought and ultimately unsuccessful election battle against the incumbent Democratic governor, Lawton Chiles. Although his message of tax cuts, school vouchers, and voter approval of all state and local tax increases resonated well with voters and his poll numbers were high for most of the 1994 campaign season, last-minute negative ads by the Democrats allowed Chiles to triumph by 1 percentage point. Jeb's policy proposals the second time around still included tax cuts and school choice, but this time his opponent, Lieutenant Governor Buddy MacKay, was no match for Bush's message and Jeb won handily with a 10-point margin. Taking advantage of a Republican legislature, Bush proposed and signed into law a $1 billion tax cut, the largest in Florida history and one of the largest in the nation in 1999. Much of it (40 percent) took the form of reimbursements to localities for education spending in return for lower property taxes (called "millage rates" in Florida). For FY01, Bush proposed an additional $600 million in tax cuts. His budgets, however, have also stressed new spending on education (around $1 billion each year of his tenure) and social services ($2 billion to be received by Florida as a result of the tobacco settlement will be placed in the Lawton Chiles Tobacco Endowment and spent on services for the elderly and children). Yet the increased spending has grown slower than personal income and population growth and is mostly a tradeoff for passing his innovative school voucher program—which gives scholarships to students in poorly performing public schools to attend certified private schools—that was signed into law in 1999 and withstood a state supreme court challenge early in 2000. Jeb Bush's policies are a breath of fresh air for Floridians, and he deserves the praise he receives as one of the best new governors in the nation.

	Score	Grade	Rank
Overall Fiscal Policy Score	66	B	8
Spending Score	74	B	7
Revenue and Tax Rate Score	64	B	8

Amount	
-2.69%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-3.25%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
-2.35%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
-1.51%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-2.55%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
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)
5.5	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
1	Internet Tax (1=oppose; 0=support)

Georgia

Roy Barnes, Democrat

Legislature: Democratic
Took Office: 1/99

Grade: C

Roy Barnes's fiscal record is not unexpected for a moderate Southern Democrat. Like his predecessor Zell Miller, Barnes has proposed modest tax cuts. As promised during his campaign, Barnes has been able to cut property taxes by $83 million in his first year, and he proposed a doubling of that cut in FY01. He also raised the state income tax homestead exemption, and another increase is on the way, all of which is a step toward his stated goal of raising the exemption to $50,000 over eight years. He also signed into law a three-year moratorium on unemployment compensation taxes, saving businesses $1 billion. Yet his tax cuts were small by comparison with those of the other new governors and could have been larger. (Indeed, the unemployment tax action will grant relief to only 43 percent of Georgia businesses, and new businesses will have to wait three years to qualify for relief. In addition, this action was accompanied by an increase in unemployment benefits of $40 per week.) Despite that, Barnes's spending score is strong. His increases in the state budget have been smaller than his predecessor's, and, while they include the typically large increases in education spending, they haven't exceeded population and personal income growth. In fact, the budget has hovered around the $13 billion mark, just about where Miller left it. However, the Census Bureau predicts that state tax revenue could grow by more than 5 percent in 2001. Provided Barnes sticks to his guns on spending (or, at the very least, spends no faster than inflation), there is still plenty of room for him to cut taxes further.

	Score	Grade	Rank
Overall Fiscal Policy Score	56	C	25
Spending Score	82	A	3
Revenue and Tax Rate Score	49	D	38

Amount	
-2.67%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-5.69%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
0.75%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
1.06%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-0.30%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
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)
12.0	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Hawaii

Benjamin Cayetano, Democrat

Legislature: Democratic
Took Office: 12/94

Grade: B

In one of the nation's most politically liberal states, Benjamin Cayetano has been a surprisingly fiscally conservative, tax-cutting governor. Part of that has been out of economic necessity. Hawaii has some of the highest taxes, fattest budgets, and most generous welfare systems in the nation. The state economy never fully recovered from the U.S. recession of the early 1990s, and then this tourism-dependent state was rocked again by the economic crisis in Japan and other Asian nations. The state now has the highest unemployment rate in the nation, has seen the smallest declines in welfare rolls, and is struggling to keep the budget balanced, even as the mainland states are up to their waists in surpluses. Cayetano has finally stumbled on the right economic revival formula. He's cut the income tax by 2 points (from 10 to a still extremely high 8 percent); he's chopped the corporate income tax nearly in half; he's proposed cutting the bank franchise tax in half; and he wants a research and development tax credit for business. He also opposes the Internet tax. Even though he has raised the sales tax and the cigarette tax, his is one of the most impressive tax-cutting records of any governor. Cayetano has proposed relatively lean budgets, particularly during his first term when he cut 3,000 jobs from the state workforce and held spending to the rate of inflation and population growth—for which he's earned the enmity of many of the legislators in his own party. Lately, however, Cayetano has become enamored with state-funded industrial policy measures, including a $60 million increase in the marketing and tourism budget, $300 million for a convention center, and a $50 million venture capital fund called the Hawaii Technology Fund. He need only look across the Pacific Ocean to Japan to see that such corporate welfare handouts are fool's gold. At the time of this writing, Hawaii is finally beginning to claw its way out of the hard times. The tax cuts seem to be working, though the state is still hobbled by a culture of overtaxing, overregulating, and overpaying people for not working.

	Score	Grade	Rank
Overall Fiscal Policy Score	66	B	7
Spending Score	72	B	10
Revenue and Tax Rate Score	70	A	4

Amount	
-0.76%	Average Annual Change in Real per Capita Direct General Spending through 1998
0.49%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
-0.22%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-3.18%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
0.16%	Average Annual Change in Real per Capita Tax Revenue through 1998
1.43%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-0.42%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
-3.63%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
0.04%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
-2.0	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)
5.2	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.75	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
40.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
1	Internet Tax (1=oppose; 0=support)

Idaho

Dirk Kempthorne, Republican

Legislature: Repblican
Took Office: 1/99

Grade: C

Former U.S. senator Dirk Kempthorne has brought with him to the governor's mansion a typical senatorial penchant for weak tax cuts and increased spending. His main tax cut proposal his first year in office was an end to the state income tax's marriage penalty. A similar measure was vetoed in Philip Batt's administration because it wasn't phased in. Kempthorne's cut is phased in, but it amounts to a mere $2.6 million over the next two years. In his first budget, the rest of the $90 million surplus was devoted to new spending. When the midsummer surplus estimates rocketed upward by $30 million, Kempthorne proposed to spend most of it and place the rest in a rainy day fund. The Republicans in the legislature came forward with a much larger tax cut plan than the governor's ($50 million), which included a permanent income tax rate reduction of 1/10th of a percentage point, corporate tax cuts, and the marriage penalty relief. By the end of the session, the package had been whittled down to $29 million. And the worst part is that the income tax cut is only temporary; the cut has to be reapproved in 2001. Considering Kempthorne's desire to increase government at a very rapid pace (his second budget increased even faster than the first), future surpluses are likely to be eaten by the state government and not returned to the taxpayers. This is bad news for people living in Idaho, which has a higher combined income and corporate tax rate that is higher than that of neighboring Oregon—a state with a reputation for high taxes—and much higher than those in most of the surrounding states.

	Score	Grade	Rank
Overall Fiscal Policy Score	55	C	29
Spending Score	59	C	26
Revenue and Tax Rate Score	54	C	29

Amount	
0.86%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-3.21%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
-0.62%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
-1.59%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-0.05%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
-0.1	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)
16.2	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Illinois

George Ryan, Republican

Legislature: Divided
Took Office: 1/99

Grade: D

The bad news for Illinois taxpayers is that George Ryan's tenure has so far brought a continuation of the big government fiscal policies of former governor Jim Edgar. Ryan, the former Illinois secretary of state, has been involved in Illinois politics for more than 30 years. Jumping from one elective office to another, he finally made his way to the governor's mansion in 1998. During his campaign, he took decidedly unconservative stances by endorsing stricter gun control measures and promising a whole range of spending increases, particularly for education. His stances on many issues were to the left of his Democratic opponent, whom he referred to in television advertisements as "extreme." His four-point electoral win was smaller than the polls predicted. Upon arriving in the governor's chair, he began his spending spree: Ryan's first budget grew faster than inflation and population. Ryan has also proposed putting most of any surplus revenue in a rainy day fund instead of cutting taxes. He achieved the goal of automatically devoting more than 50 percent of state revenue growth to the education budget. He signed into law small, targeted tax cuts (most of which he did not originally propose), which were swallowed up by his proposed hikes in license fees and liquor taxes, resulting in an overall net tax increase in 2000 to pay for his $12 billion, five-year transportation initiative. Ryan's second budget was just as bad: he proposed a $12 billion, five-year increase in education spending and characterized the moderate tax cut proposals of Republicans in the legislature as "giving away the store." The governor finally agreed to allow tax cuts, provided they did not exceed $500 million—only half of what the state legislature was proposing. When legislators and Ryan finally worked out a compromise, and after the governor rebuffed attempts by both Republicans and Democrats to cut taxes, Illinois taxpayers were left with a much smaller $350 million tax plan; some of that money will be used to rebate a small fraction (5 percent) of property taxes already paid, and much of the tax plan will be in place for only a year. The subsequent special legislative session in 2000 saw the passage of a gas tax suspension, but only temporarily. The past nine years have been hard on Illinois taxpayers thanks to Jim Edgar, and things will get harder under the big government schemes of George Ryan.

	Score	Grade	Rank
Overall Fiscal Policy Score	51	D	36
Spending Score	49	D	38
Revenue and Tax Rate Score	52	D	34

Amount	
0.87%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-0.40%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
-1.77%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
1.22%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
1.01%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
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)
10.3	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Indiana

Frank O'Bannon, Democrat

Legislature: Divided
Took Office: 1/97

Grade: B

Frank O'Bannon is a folksy, fiscally conservative and politically shrewd governor who seems to match the temperament of Hoosier voters to a tee. He's impressively managed to fend off two highly regarded Republican opponents, then-Indianapolis mayor Steve Goldsmith in 1996 and then-U.S. Rep. David McIntosh this past November. O'Bannon seems to have acquired his political skills during the eight years he served as lieutenant governor to another populist and popular Democratic governor, Evan Bayh. O'Bannon has made a number of ingenious policy decisions in recent years. He was the first governor to cut the gas tax in the midst of the recent spike in oil prices. His popularity soared. He's taken on the teachers' unions by insisting on tougher academic standards in high schools. He's cut taxes four times—though the conservative Republicans in the legislature have called for an even bigger tax cut with much justification, given the $1 billion-plus revenue surpluses Indianapolis has been sitting on. He preempted David McIntosh's call for a 25 percent property tax cut by proposing a growth cap on local levies himself. These have been very prosperous times for Indiana, so he's easily balanced the budget and hasn't had to raise taxes once, even though the state budget expanded at a brisk pace in his first term. State expenditures have grown 3 percent above population growth plus inflation since 1997, but as long as the state stays out of the red, the voters don't seem too concerned about the budget bloat. O'Bannon's a genuine New Democrat, and he once even called himself a "compassionate conservative." For nearly two decades now, that has been a formula for electoral success for Democrats in one of the most Republican-leaning states in the nation.

	Score	Grade	Rank
Overall Fiscal Policy Score	60	B	14
Spending Score	52	D	35
Revenue and Tax Rate Score	63	B	11

Amount	
2.89%	Average Annual Change in Real per Capita Direct General Spending through 1998
-0.74%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
1.38%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
1.90%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
6.28%	Average Annual Change in Real per Capita Tax Revenue through 1998
2.53%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-1.31%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
0.85%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-0.50%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
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)
11.3	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
-15.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Iowa

Tom Vilsack, Democrat

Legislature: Republican
Took Office: 1/99

Grade: F

As the first Democratic governor of Iowa in 30 years, Tom Vilsack has done even less than his Republican predecessors to lower the punitive tax burden in that state, which the Census Bureau ranks as the seventh highest in the nation. Vilsack's record of advocating liberal budget policies is well established: as a state senator from 1992 to 1996, he lobbied for large increases in state health care and education spending. As governor, he has advocated more of the same: his first budget increased spending faster than inflation and population growth. After winning a victory on a $71 million increase in education funding, he promptly called on the legislature to pass an additional $10 million class-size initiative. He conditioned his support for tax cuts on acceptance by the legislature of this education proposal; yet, when Republicans agreed to a $150 million, three-year expenditure, Vilsack said he still would refuse to sign a property tax cut any larger than $42 million (he proposed a $70 million property tax cut break during his campaign). He eventually vetoed a $74 million income tax cut and used his line-item veto to reduce $60 million in property tax cuts to $42 million. Vilsack also opposed a ballot initiative that would have required a supermajority in the legislature to raise taxes. In 2000 Vilsack proposed a tax credit for engineers and teachers and a lowering of income tax rates. But the lowering of the rates (which the governor's office predicts would be only a $6 million cut in a $5 billion budget) would be accomplished at the expense of the state's unique federal income tax deduction—a change the Republican legislature said would result in a net tax increase. By the time the 2000 session closed, Iowans received only a clothing sales tax holiday and a series of tax credits aimed at businesses. With one of the most anemic growth rates in personal income, Iowa is far from recovery. Tax cuts could go a long way to letting the state enjoy the economic growth that is manifest in low-tax states. Vilsack, despite a very willing legislature, seems determined not to let that happen any time soon.

	Score	Grade	Rank
Overall Fiscal Policy Score	45	F	45
Spending Score	47	D	41
Revenue and Tax Rate Score	44	F	45

Amount	
-0.08%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
0.96%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
-0.04%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
1.02%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
0.00%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
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)
20.98	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
0	Internet Tax (1=oppose; 0=support)

Kansas

Bill Graves, Republican

Legislature: Republican
Took Office: 1/95

Grade: B

Bill Graves has won two easy elections for governor, the last one in 1998 by the biggest margin of victory in Kansas history. Graves has a generally fiscally conservative record, but since his first year in office he has found himself to the left of the Republicans in the state legislature in Topeka. The big political brawls in this Republican-dominated state are intraparty. In 1998 Graves signed a $250 million tax cut, slicing the inheritance tax, the property tax, the sales tax, and severance taxes. In 1999 he endorsed a four-year phase-out of the state car tax. In each year of his first term he cut taxes, but never as much as the conservative Republicans in the legislature wanted. His first-term budgets, on average, held spending slightly higher than the rate of inflation and population growth. His second term has been much worse. He proposed the most expensive public works and infrastructure program in the history of the state—an eight-year, $10.7 billion highway construction bill that raised spending more than 50 percent above previous levels. That spending plan will be partially paid for by a 4-cent hike in the gas tax. He proposed spending the state's tobacco lawsuit settlement money on expanded children's programs. He's beefed up school funding while opposing school vouchers. This combination of policy positions won him the endorsement of the state teachers' union. He's pumped millions of dollars into the Kansas Technology Enterprise Corp., an unproductive state agency that doles out corporate welfare funds to nurture high-tech investment in Kansas. What is most worrisome is that in late 2000 Graves signaled support for a tax hike to provide even more school funding next in 2001. To make matters worse, he tried to pressure state legislators not to sign a "no tax increase" pledge when running for reelection, so he can corral the votes for the higher taxes he's seeking. Overall, Graves's six-year fiscal record is good, but, given the tax-cutting bias in the legislature and the robust Kansas economy in recent years, the record could have been much better.

	Score	Grade	Rank
Overall Fiscal Policy Score	59	B	18
Spending Score	70	B	12
Revenue and Tax Rate Score	56	C	25

Amount	
-1.70%	Average Annual Change in Real per Capita Direct General Spending through 1998
-3.59%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
0.92%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
1.67%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
3.27%	Average Annual Change in Real per Capita Tax Revenue through 1998
1.29%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-2.07%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
-1.06%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-1.96%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
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)
13.8	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
7.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
0	Internet Tax (1=oppose; 0=support)

Kentucky

Paul Patton, Democrat

Legislature: Democratic
Took Office: 12/95

Grade: B

In November 1999, Paul Patton became the first governor in Kentucky history to be reelected. Kentucky previously had a one-term limit. Patton is also one of the few statewide elected Democrats in a state that increasingly leans Republican. Much of his political success is a result of his moderate to conservative fiscal policy priorities. He fixed the state's antiquated and gold-plated workmen's compensation system—much to the consternation of the coal miners and the trial lawyers, but to the benefit of taxpayers. This is "tobacco row," so Patton smartly took a high-profile stance in opposition to the Clinton administration's lawsuits against the tobacco companies. He cut state health care costs by forcing 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 then indexed it for inflation thereafter. The only new tax he supported was a 7-cent-a-gallon gas hike, which the legislature declared dead on arrival. In his first term, spending rose rapidly (about 7 percent above inflation plus population growth) with most of the money dedicated to schools. Patton has dutifully complied with a 1990 court-ordered education reform program called the Kentucky Education Reform Act. That act has forced a multi-billion-dollar rise in per pupil spending and imposed an equalization formula on school districts. The program has proved to be yet another contemporary case study in the proposition that school spending and school performance are not always related. So far in his second term, Patton has proposed leaner budgets. He remains quite popular with voters even though his record can best be described as unspectacular.

	Score	Grade	Rank
Overall Fiscal Policy Score	59	B	16
Spending Score	57	C	28
Revenue and Tax Rate Score	61	B	16

Amount	
6.45%	Average Annual Change in Real per Capita Direct General Spending through 1998
3.05%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
-2.05%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-3.68%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
2.82%	Average Annual Change in Real per Capita Tax Revenue through 1998
-0.47%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-2.56%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
-2.27%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-0.10%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
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)
14.3	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
7.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Louisiana

Mike Foster, Republican

Legislature: Democratic
Took Office: 1/96

Grade: D

Mike Foster is one of America's more politically eccentric governors. He calls himself a "conservative populist." In 1996 he rankled party faithful by supporting Pat Buchanan for president. He's a fierce opponent of affirmative action and an advocate of bringing to Louisiana the initiative and referendum process—much needed in this historically politically corrupt state. He opposes gambling and gun control. He's brought a semblance of respectability back to the governor's office after years of state politics dominated by racist Republican David Duke and three-time governor Edwin Edwards, who was recently convicted of extortion and racketeering. Foster's successes include a food sales-tax cut, a ban on racial preferences in government hiring, and a tort reform law that should cut down on lawsuit abuses. His budgets have been relatively lean, with state expenditures growing at less than the rate of growth of personal income during his first term. But he's no Reaganite supply sider on taxes. He tends to favor industrial policy and smokestack-chasing economic initiatives, including an ill-designed multi-million-dollar program called Louisiana Inc., a state-funded venture capital fund to lure new businesses into the state. State tax collections have exploded under Foster: he increased the sales tax and gas tax in his first term, and tax cuts have not scaled back the rising tax burden in the state. He opposed a residential property tax cut and recently declared that he thinks property taxes may be too low, not too high. He bewilderingly says that the Republicans are obsessed with tax cuts. He wants to create a pro-business climate but seems stubbornly opposed to the kinds of sweeping income tax reforms and reductions that are needed to nurture the environment he seeks. The high tax rate and loophole-ridden tax code are one of the most enduring remnants of Louisiana's era of cronyism and corruption. Foster's heart seems to be in the right place, but his tenure as governor will be mostly a disappointment unless he overhauls the state's Byzantine tax system and chops tax rates.

	Score	Grade	Rank
Overall Fiscal Policy Score	51	D	35
Spending Score	70	B	13
Revenue and Tax Rate Score	46	D	44

Amount	
4.39%	Average Annual Change in Real per Capita Direct General Spending through 1998
-2.88%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
-0.96%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-2.85%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
9.27%	Average Annual Change in Real per Capita Tax Revenue through 1998
6.23%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-1.78%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
-1.93%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
1.75%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
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)
14.0	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
4.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
4.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Maine

Angus King, Independent

Legislature: Democratic
Took Office: 1/95

Grade: C

Angus King gained statewide popularity by hosting a TV talk show, *MaineWatch*. He leveraged his name recognition and notoriety to run successfully for governor as an independent reformer promising to "reverse the economic decline" in Maine. He said that Maine needed a leaner and smarter state government, tax cuts, and less meddlesome regulation of business. He has tried to advance a centrist platform that balances the interests of the staunch anti-development environmentalists and property rights advocates against the interests of the powerful state government employees' union and businesses that feel smothered by one of the nation's highest tax burdens. His accomplishments include two reductions in the sales tax, more business-friendly environmental permitting procedures, a two-year ban on new regulations, workers' 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. On the liability side of the ledger, 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 the state's income tax rates, which rank in the top 10 in the nation and are a deterrent to new investment. One reform that has helped King is a new term limits law that has started to evict from the legislature much of the entrenched leadership. King promised to pull Maine out of its economic doldrums, and for the most part he has succeeded, as incomes have risen and unemployment has fallen steadily. This is still a staunchly anti-business state, but it is perhaps a little less so since King became governor.

	Score	Grade	Rank
Overall Fiscal Policy Score	56	C	28
Spending Score	55	C	34
Revenue and Tax Rate Score	56	C	27

Amount	
1.78%	Average Annual Change in Real per Capita Direct General Spending through 1998
-0.32%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
2.64%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
0.17%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
5.30%	Average Annual Change in Real per Capita Tax Revenue through 1998
3.12%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-3.95%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
-1.02%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
0.54%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
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)
17.4	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
-1.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
5.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
37.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Maryland

Parris Glendening, Democrat

Legislature: Democratic
Took Office: 1/95

Grade: D

Parris Glendening won the governor's office in 1994, beating tax cutter Ellen Sauerbrey by a whisker in an election marred by charges of widespread vote fraud in Baltimore. Then in a 1998 rematch, he beat her handily 55-45. In his six years in office, Glendening has gained a reputation for 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 across-the-board rate cut. He even sounded like a Reagan Republican, declaring, quite correctly, that "a tax cut is the single most effective policy to bring jobs back to Maryland." He demagogued Republicans for wanting to cut taxes for the rich, but then signed an inheritance tax exemption for immediate family members. He's flip-flopped on a contentious gambling issue revolving around whether to allow slot machines at racetracks—his latest position is that he is opposed. However, Glendening has never wavered on his support for fatter state budgets. His latest budget included $256 million in new school modernization projects, $800 million for teacher salary hikes (the teachers' union has been a solid supporter of Glendening's over the years), and $8 million to install telephone lines in every classroom. He bribed Marriott Corp. to stay in Maryland with a package of tax breaks, job training grants, road improvements, and other taxpayer handouts worth an estimated $32 million. To date, his proposed budgets have grown 4 percent faster on average than inflation and population. He spent $170 million on a Rural Land Legacy program, which was essentially a property grab of tens of thousands of acres by the state to try to limit development. 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. Glendening says that one of his biggest achievements was his "smart growth" initiative. A few more years of these spendthrift fiscal policies and there may not be much more growth of any kind in Maryland.

	Score	Grade	Rank
Overall Fiscal Policy Score	49	D	43
Spending Score	56	C	30
Revenue and Tax Rate Score	49	D	41

Amount	
0.14%	Average Annual Change in Real per Capita Direct General Spending through 1998
-1.38%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
3.49%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
1.20%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
1.43%	Average Annual Change in Real per Capita Tax Revenue through 1998
-0.11%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-1.41%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
0.67%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
0.11%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
-0.5	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)
11.9	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
100.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
0	Internet Tax (1=oppose; 0=support)

Massachusetts

Paul Cellucci, Republican

Legislature: Democratic
Took Office: 7/97

Grade: A

Paul Cellucci became governor after the resignation of William Weld in 1997. While lieutenant governor, Cellucci was a firm ally in Weld's successful push to lower the tax burden in the state that is sometimes referred to as "Taxachusetts." Once described as a personification of the burgeoning Massachusetts middle class, Cellucci has been more aggressive than his predecessor in lowering taxes in this revenue-rich state. Each year he has proposed more than $1 billion in tax cuts, including a reduction in the state income tax from 5.95 to 5 percent (thereby eliminating Michael Dukakis's "temporary" tax increase of the 1980s), a halving of the state capital gains tax, and a cut in the unemployment insurance tax on businesses. His tax cut proposals were, as a proportion of the entire state budget, the third highest in the nation in 1999 and the largest in Massachusetts history. (In 2000 his tax cuts were the second largest in the nation by this measure.) While the Democratic legislature gave the governor the capital gains cut he wanted, it gave Cellucci a much smaller income tax rate cut, to 5.75 percent. That's when Cellucci spearheaded the effort to bring the issue to the ballot in November 2000. He succeeded, and the tax cut passed with 60 percent support. This tax cut will undoubtedly go far in stemming the tide of revenue that is pouring into Beacon Hill: growth of income tax receipts reached a peak of 10 percent in 1999 alone. Cellucci has also endorsed the elimination of automatic hikes in the gasoline tax. On the spending side, Cellucci has submitted budgets that, while not decreasing net spending, have grown slower than personal income and population. In fact, he vetoed $250 million in new spending added to the fiscal 2000 budget by the legislature. There are a few blemishes on the governor's fiscal record: his endorsement of new bond issues to pay for cost overruns of the "Big Dig" highway project, his committing the state to spend more than $100 million for related construction costs of the new Red Sox park, and his halting of Weld's phaseout of driver's license fees come immediately to mind. But his overall devotion to tax cuts is still evident. Cellucci even bucked the trend of some fellow Republican governors by aggressively supporting the tax moratorium on Internet commerce, going the extra step to propose a hemisphere-wide moratorium on taxation of electronic commerce. While Massachusetts still has far to go to be considered a low-tax state, it has come a long way under Cellucci.

	Score	Grade	Rank
Overall Fiscal Policy Score	76	A	1
Spending Score	85	A	2
Revenue and Tax Rate Score	73	A	1

Amount	
-3.34%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-5.57%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
-6.98%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
-1.37%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-4.99%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
-0.95	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)
15.25	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
1	Internet Tax (1=oppose; 0=support)

Michigan

John Engler, Republican

Legislature: Republican
Took Office: 1/91

Grade: B

During the 1990s, John Engler earned a reputation as one of the nation's preeminent policy pioneers at the state level in areas ranging from welfare reform, to charter schools, to privatization, to growth-oriented tax reduction. When Engler took over the statehouse in 1991, Michigan was in a spiral of economic decline. The unemployment rate was about twice the national average. The state budget had a $1.5 billion deficit. Michigan was considered the epicenter of America's rust belt. Businesses were leaving the state for more capital-friendly environments. Engler initiated many policies that turned the state around, but tax cuts and welfare reform were by far the most significant. Engler was one of the first governors to impose work requirements for welfare and to end general welfare assistance for 80,000 employable adults. The Michigan welfare rolls fell by 70 percent in the 1990s under Engler—making this state number two in the success of welfare reform efforts. To create more jobs, Engler has cut taxes more than 25 times for a cumulative taxpayer savings of $12 billion. The income tax has been cut by nearly a full percentage point. The average property tax for school funding has fallen from 36 mills to 6 mills—an 80 percent decline that was accomplished 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 seems to have worked. In 1997 and 1998 Michigan won the prestigious Governor's Cup for building the most new industrial plants and attracting the most new businesses, and now the unemployment rate is near 3 percent, the lowest since Ford first introduced the Mustang convertible in the mid-1960s. The budget is now running a $500 million surplus, and the state bond rating is stronger than at any time in two decades. There are only two blemishes on Engler's fiscal record. First, in recent years the economy has done so well that Engler has started to become a big spender, especially on education and unpromising economic development projects. Second, Engler has been an outspoken advocate of taxing the Internet, a curious position for such a taxpayer-friendly governor. On balance, it's hard to point to much that hasn't markedly improved during Engler's "Michigan Miracle" years.

	Score	Grade	Rank
Overall Fiscal Policy Score	60	B	13
Spending Score	75	B	6
Revenue and Tax Rate Score	57	C	22

Amount	
0.59%	Average Annual Change in Real per Capita Direct General Spending through 1998
-1.23%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
-1.91%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-2.17%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
4.90%	Average Annual Change in Real per Capita Tax Revenue through 1998
3.00%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-3.34%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
1.02%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-1.37%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
-0.7	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
-0.05	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
6.6	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
2.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
4.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
0	Internet Tax (1=oppose; 0=support)

Minnesota

Jesse Ventura, Independent

Legislature: Divided
Took Office: 1/99

Grade: B

Much to the surprise of the pundits in the media, former pro wrestler Jesse Ventura became a national sensation by winning 37 percent of the vote in a three-man gubernatorial race mostly on the strength of his promise to refund to Minnesotans the $2 billion state tax surplus. His proposal set off a bidding war in St. Paul with each political party vying to provide ever-larger tax cuts. After the state surplus was estimated to be larger than expected, the prospects of an even bigger tax rebate loomed. Eventually, Ventura's sales tax rebate plan returned over $1 billion in FY99, and he plans to return another $840 million during the current biennium. His tax cut plans also included an across-the-board income tax rate cut and a motor vehicle registration tax reduction, which together equal $2.3 billion. As enacted, those tax cuts are larger as a percentage of the state budget than those signed by Ventura's Republican predecessor, Arne Carlson. Where Ventura's score on this report card flagged was in the area of state spending. The government grew substantially faster than population, although slower than personal income. His new proposals for funding education, which make up at about half of all his proposed new spending, include a class size reduction initiative costing $150 million. Yet his instincts are those of one who appreciates that excess tax revenue should be returned to taxpayers and that taxes should be lower. Tentative proposals for 2001 include another large sales tax rebate and even a lowering of the sales tax rate. On the national level, he has already stressed his support for replacing the national income tax with a sales tax. Overall, it is clear that Jesse Ventura deserves his reputation as an aggressive tax cutter and is one of the best new governors in the nation.

	Score	Grade	Rank
Overall Fiscal Policy Score	61	B	11
Spending Score	56	C	31
Revenue and Tax Rate Score	63	B	12

Amount	
0.99%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-2.67%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
-5.10%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
-1.18%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-5.43%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
-0.15	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	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
0	Internet Tax (1=oppose; 0=support)

Montana

Marc Racicot, Republican

Legislature: Republican
Took Office: 1/93

Grade: D

Marc Racicot, a close confidant of George W. Bush, has just completed two terms as governor that have been marked by combat with a legislature dominated by his own party. The problem for Racicot, a fiscally left-of-center Republican, is that the party he leads tilts in a more laissez-faire direction than he does. Throughout his two terms he's maintained towering personal approval ratings, although his policies have not always been so popular. His very first proposal was to create a 4 percent state sales tax, which the voters rejected by a 3-to-1 margin in a June 1993 referendum. His fallback was an income tax hike, which voters also rejected. Thanks to the voters, in recent years the state's economy has flourished, and budget deficits have been converted into tax surpluses. He provided an income tax rebate at the end of his first term and more recently cut the property tax, the livestock tax (a big deal for Montana ranchers), and taxes on electricity. The budget has grown at a fairly rapid pace under Racicot. Spending has grown twice as fast as inflation and population growth during his tenure, as Racicot has arm-twisted the legislature to approve more funding for public schools, the university system, and children's health and economic development programs. Not surprisingly, given his spending proclivities, Racicot opposed a 1998 ballot measure to require voter approval of all future tax increases, to which voters gave two thumbs up anyway. He even challenged the measure in the state supreme court. Mark Racicot was, in short, no ally of the taxpayer.

	Score	Grade	Rank
Overall Fiscal Policy Score	50	D	41
Spending Score	60	C	23
Revenue and Tax Rate Score	49	D	41

Amount	
2.59%	Average Annual Change in Real per Capita Direct General Spending through 1998
1.27%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
-0.04%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-1.78%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
-0.01%	Average Annual Change in Real per Capita Tax Revenue through 1998
-1.30%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-2.81%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
1.43%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
0.47%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
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)
17.8	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
4.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
7.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
0	Internet Tax (1=oppose; 0=support)

Nebraska

Mike Johanns, Republican

Legislature: Nonpartisan
Took Office: 1/99

Grade: C

During his campaign for governor, Mike Johanns endorsed many free-market principles: he opposed the revival of federal farm subsidies, advocated free trade as a benefit to farmers, opposed trendy education spending such as class size reduction programs, and opposed increasing state environmental legislation. One of the few blemishes was his opposition to a tax-and-expenditure limitation that would restrict state spending to population growth plus inflation (he previously had endorsed the idea). In spite of the latter, his first budget signaled a firm commitment to scaling back the growth of government in Nebraska: it expanded government much more slowly than population growth plus inflation. He kept his commitment to property tax relief by proposing $150 million in property tax refunds for 2000. He eventually signed into law a much smaller tax cut ($100 million over three years). In the 2000 session, the fiscally conservative momentum hit a series of snags. Johanns proposed only very small, targeted tax credits to encourage business growth in the most rural areas of state. The state legislature decided to scale back the already modest property tax cut by $10 million. In all, Johanns scored high on spending but low on taxes. If Johanns keeps spending at bay—the tax-and-expenditure limitation he opposes would be ideal for doing that—he should be able to cut Nebraska's tax rates, currently higher than the national average, more aggressively in the future.

	Score	Grade	Rank
Overall Fiscal Policy Score	57	C	23
Spending Score	78	B	5
Revenue and Tax Rate Score	53	C	32

Amount	
-3.61%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-3.36%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
-0.62%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
0.68%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
0.81%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
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	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Nevada

Kenny Guinn, Republican

Legislature: Divided
Took Office: 1/99

Grade: A

A former bank chairman, Kenny Guinn is a perfect example of a governor who brings to the office the businessman's sense of streamlining a company. After serving a year as president of the University of Nevada at Las Vegas as the school recovered from a basketball scandal (during which Guinn donated his entire salary to the school scholarship fund), he spent two years running for governor. Upon taking office, he was greeted with a $110 million budget shortfall. While reiterating his opposition to new or increased taxes in general and a state income tax in particular, Guinn covered the shortfall by cutting large amounts of state spending: he extended a state hiring freeze and revoked funding for 35 public works projects. His new budget even more aggressively scales back the size of Nevada government: it eliminates more than 1,000 positions, scales back the growth rate of funding for state universities, reduces the caseload of state medical programs, privatizes medical services in the state prison system, cuts the governor's executive office budget by 5 percent, and eliminates a state-employee pay raise. In addition, Guinn called for a top-to-bottom review of all state operations and proposed the institution of zero-based budgeting. This spending restraint explains his high grade on this report card. He is not without interest in increasing spending in some areas, though. Like many governors reviewed for this report card, he has increased education funding to the largest share of the state budget ever and has proposed a $2,500 scholarship to any state college to any high school student graduating with a B average or better. But his increases in the education budget are tempered by his support for educational choice as a general principle and the advancement of charter schools in particular. On the tax side, Guinn has signed into law a phaseout of the intangibles tax on personal property, but the most substantial tax refund he has advocated is not a broad-based reduction but is instead aimed at senior citizens. He has clearly benefited from Nevada's status as a relatively low-tax state—the lowest growth rate of revenue per capita of any state occurred during his first two years in office. If this spending restraint continues, and calls to increase taxes are resisted, Nevada will remain taxpayer friendly.

	Score	Grade	Rank
Overall Fiscal Policy Score	74	A	2
Spending Score	93	A	1
Revenue and Tax Rate Score	69	A	5

Amount	
-3.22%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-7.99%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
-3.36%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
-8.00%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
0.00%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
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)
0.0	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

New Hampshire

Jeanne Shaheen, Democrat

Legislature: Republican
Took Office: 1/97

Grade: C

New Hampshire has long been the one free-market foothold in the Northeast, but that may be changing. The migration of Northeasterners seeking tax refuge in New Hampshire has moved the state further to the left politically with each passing year. That may explain the improbable electoral success of Jeanne Shaheen, the first Democratic governor in decades. Shaheen has been described as "Governor Betty Crocker" for her penchant for moderation and compromise. But the reality is that Shaheen has so far dramatically increased the size of state government. In fact budgets have grown, on average, at almost twice the rate of inflation and population growth. Her Advancing Better Classrooms plan increased state kindergarten aid by 50 percent. She talks often of improving schools but is opposed to anything other than conventional approaches (i.e., more money) to education reform: she vetoed a teacher tenure reform bill and a limited voucher pilot program—much to the joy of the teachers' union. The *Wall Street Journal* has described New Hampshire residents as "tax-aphobic," but Shaheen isn't. She signed a statewide property tax measure, proposed to raise the corporate income tax, and hiked the cigarette tax. The dominant political issue these days in New Hampshire is the income tax. For as long as anyone can remember, the winner of the governor's race has always taken what is referred to as "the pledge"—a political oath to oppose any statewide income or sales tax. New Hampshire is the only state without either. In this past election, Shaheen refused to take the anti-income tax pledge, which she had signed and honored in her first two successful runs. She won reelection narrowly anyway. With the state under a court order to enact a statewide tax to fund the schools, a battle royal is looming in 2001. One thing is certain: if Shaheen wins her quest for a statewide income tax, New Hampshire's reputation as the Northeast's only anti-tax sanctuary will be irretrievably lost.

	Score	Grade	Rank
Overall Fiscal Policy Score	54	C	30
Spending Score	65	C	15
Revenue and Tax Rate Score	46	D	43

Amount	
1.67%	Average Annual Change in Real per Capita Direct General Spending through 1998
-3.88%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
1.66%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-0.10%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
4.85%	Average Annual Change in Real per Capita Tax Revenue through 1998
-0.87%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
3.81%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
0.08%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
7.50%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
0.0	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
1.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
7.0	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
37.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
1	Internet Tax (1=oppose; 0=support)

New Jersey

Christine Todd Whitman, Republican

Legislature: Republican
Took Office: 1/94

Grade: C

Christie Whitman comes from a patrician family in New Jersey with deep roots in the state Republican Party. Back in 1994, Whitman soared to national prominence by ousting the tax-hiking incumbent Jim Florio in a race closely watched by politicos across the nation. Whitman won by promising a 30 percent income tax cut. The tax cuts, designed by magazine publisher Steve Forbes and economist Larry Kudlow, were a political and economic coup. The state's moribund economy revived in the wake of the rate reductions, and Whitman's popularity initially soared. Income tax revenues came in faster with Whitman's tax cuts than they did with Florio's tax rate increases. Soon thereafter, a succession of Republican governors across the nation ran as "Whitman-wannabes," promising income tax cuts of their own. Whitman's first two years were by far her best. She cut 12 other taxes in 1994 and 1995 and was relatively tight-fisted on controlling state spending. She converted a massive budget deficit left behind by Florio into five straight years of surpluses. She gained a kind of political rock star celebrity status and was spoken of reverentially as presidential, or at least vice presidential, material. But Whitman's popularity began to wither, particularly when she foolishly neglected to defuse the politically explosive property tax issue. After very narrowly winning a second term, Whitman moved to the left fiscally. In her second term, she raised taxes rather than cut them. In 1998 she proposed a 7-cent-a-gallon gas tax hike to pay for new roads and environmental projects, but the Republican legislature squashed the plan. She supported several billion dollars of new state bond issues to the irritation of fiscal conservatives in the state. She hiked the cigarette tax by 40 cents a pack. She gave up on a run for an open seat in the U.S. Senate. Seldom has a politician's star faded as quickly as did Christie Whitman's.

	Score	Grade	Rank
Overall Fiscal Policy Score	57	C	22
Spending Score	62	C	21
Revenue and Tax Rate Score	56	C	26

Amount	
0.82%	Average Annual Change in Real per Capita Direct General Spending through 1998
-1.28%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
0.65%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
0.76%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
0.96%	Average Annual Change in Real per Capita Tax Revenue through 1998
-1.14%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-2.85%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
2.08%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-0.62%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
-0.63	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
-0.375	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
15.4	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
7.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
40.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

New Mexico

Gary E. Johnson, Republican — Legislature: Democratic

Took Office: 1/95

Grade: B

Gary E. Johnson has gained a well-deserved reputation as a maverick governor. More so than just about any prominent politician in America today, Johnson has a libertarian attitude when it comes to government. In this liberal-leaning state, Johnson supports school vouchers, term limits, privately run prisons, drug legalization, and deep tax cuts. He's a genuine citizen-lawmaker who never held public office before winning the statehouse in 1994. He competes in iron-man sporting competitions around the country; he started his own construction company while in college, and now he spends his time warring with the Democrats in the New Mexico state legislature. *Governing* magazine says, "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. After his reelection in 1998 he warned the legislators that he was not going to be "the kinder, gentler Gary Johnson." Few governors have been more ferocious advocates of taxpayers than Johnson has in recent years. Battling the legislators at every turn, Johnson has succeeded in cutting the state income tax, the gasoline tax, the state capital gains tax, and the unemployment tax. In 1999 he vetoed a 12-cent-a-pack cigarette tax hike—not because he likes smoking, he says, but because he opposes all tax hikes. In 2000 he signed a residential property tax cap that will limit increases in valuations to 3 percent per year. He also wants to cut the income tax from 8.2 to 6.8 percent. He calls the plan a $177 a year "pay raise for New Mexicans." So far the legislature has foiled that tax-cutting plan. Johnson has successfully sponsored other government reform initiatives including an electricity deregulation bill, a 10 percent reduction in state payrolls, and a Medicaid cost-cutting plan that has saved the state tens of millions of dollars. In sum, Johnson has had a sterling pro-taxpayer, pro-business record over the past six years. New Mexico has one of the highest percentages of its workforce working for federal or state government, but Johnson is slowly eroding the culture of dependence on government in New Mexico. It's no wonder the state's economy has been booming in recent years.

	Score	Grade	Rank
Overall Fiscal Policy Score	66	B	9
Spending Score	61	C	22
Revenue and Tax Rate Score	69	A	6

Amount	
3.00%	Average Annual Change in Real per Capita Direct General Spending through 1998
1.30%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
-1.11%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-1.33%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
3.89%	Average Annual Change in Real per Capita Tax Revenue through 1998
2.16%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-2.93%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
-0.70%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-0.97%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
-1.7	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	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
-6.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
1	Internet Tax (1=oppose; 0=support)

New York

George Pataki, Republican

Legislature: Divided
Took Office: 1/95

Grade: B

Will the real George Pataki please stand up? In his first two years in office, there was no more fiscally conservative governor in the nation. In his first state of the state address, Pataki declared, “In New York, government has become the uninvited dinner guest who arrived too early, ate much, and stayed too long.” He quickly converted $5 billion of red ink into a record $2 billion surplus. Pataki not only delivered on his promised $3 billion, 25 percent income tax cut on schedule, he slashed other taxes as well, including the workers’ compensation tax, the capital gains tax, and the state sales tax on clothing. Throughout much of the 1970s and 1980s, New York was a state that was bleeding jobs and chasing out entrepreneurs with its highest-in-the-nation tax burdens and its anti-business regulatory regime. New York’s taxes, for example, are about 40 percent above the national average. Pataki’s supply-side income tax cuts not only pumped new life into the state economy, they’ve also caused tax revenues to explode at a faster pace than in the late 1980s and early 1990s when Cuomo was raising tax rates. Pataki likes to point to three impressive accomplishments on his watch: a gain of 350,000 jobs, a decline of 560,000 welfare recipients, and the first improvement in New York’s bond rating in 20 years. That’s George Pataki, the economic savior. But in the past three years the statehouse has been occupied by George Pataki, liberal big spender. His FY98 and FY99 budgets grew six times as fast as his first-term budgets. He’s infuriated some of his most loyal conservative backers by sponsoring a series of multi-billion-dollar bond initiatives for roads and pork-barrel environmental projects. In 1999 he signed into law a 55-cent-a-pack hike in the cigarette tax to fund new state health insurance programs. The state Conservative Party fumes that Pataki has taken “a left fork in the road.” Make no mistake about it, New York is a much more economically vibrant place today than it was when Pataki was first elected. But almost all the economic gains occurred under the policies of the old George Pataki, not the new one.

	Score	Grade	Rank
Overall Fiscal Policy Score	64	B	10
Spending Score	72	B	9
Revenue and Tax Rate Score	63	B	10

Amount	
0.19%	Average Annual Change in Real per Capita Direct General Spending through 1998
-2.28%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
-1.11%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-0.52%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
0.55%	Average Annual Change in Real per Capita Tax Revenue through 1998
-1.92%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-1.65%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
3.90%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-1.13%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
-1.03	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)
14.4	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
56.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
1	Internet Tax (1=oppose; 0=support)

North Carolina

James Hunt, Democrat

Legislature: Divided
Took Office: 1/93

Grade: C

After 16 years in the governor's office (from 1976 to 1984 and then from 1993 to 2000), James Hunt is finally retiring. The North Carolina budget has exploded in his most recent two terms. Real per capita state expenditures have swelled by more than 25 percent during the past eight years—few states have passed more bloated budgets. He's channeled huge sums of tax dollars into new education programs, including Smart Start, a government-funded day care program, teacher pay raises, and after school programs. Taxes have been cut in some instances—for example, the inheritance tax, the corporate income tax, and the sales tax on food have all been reduced—but mostly that has been at the insistence of the Republicans in the legislature with whom he has an unharmonious relationship. The North Carolina economy has set a torrid pace of growth in recent years, but incredibly, despite a $1 billion-plus tax surplus, Hunt has refused to pass the extra revenues back to taxpayers. But he's remained popular because he supports many populist and conservative positions, including conceal-and-carry gun laws, charter schools, work-for-welfare programs, and tough-on-crime initiatives. *The Almanac of American Politics* praises Hunt as "a working New Democrat, setting a course for activist government informed by strong moral values." As he leaves the statehouse, Jim Hunt leaves a legacy a state government that has clearly become much more activist—and expensive.

	Score	Grade	Rank
Overall Fiscal Policy Score	54	C	31
Spending Score	51	D	37
Revenue and Tax Rate Score	54	C	30

Amount	
3.63%	Average Annual Change in Real per Capita Direct General Spending through 1998
1.42%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
-1.45%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
2.61%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
3.67%	Average Annual Change in Real per Capita Tax Revenue through 1998
1.47%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-2.17%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
2.46%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-0.31%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
0.25	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
-0.75	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
15.0	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.3	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
0	Internet Tax (1=oppose; 0=support)

North Dakota

Edward Schafer, Republican

Legislature: Republican
Took Office: 12/92

Grade: C

The rolling national tide of prosperity that has lifted the level of financial well-being in other states hasn't been felt in North Dakota, one of America's most agriculturally dependent and underpopulated states. The farm crisis of recent years has hammered the state's economy. It's one of the few states that are losing population. There are currently around 630,000 residents, or about as many as lived in the state in 1920. Ed Schafer has taken some positive steps to arrest the decline in his eight years in the statehouse. He says that his governing philosophy is to grow the private sector and shrink governmental interference. In his first term, spending grew less than personal income and the state workforce was trimmed a bit. A big problem in North Dakota is taxes. Its personal and business income tax rates are among the highest in the nation, which erodes the state's competitiveness, particularly given that its neighbor South Dakota has no income tax. North Dakota is in an unvirtuous cycle in which the tax base keeps shrinking, so the legislature keeps trying to raise taxes to make up for the lost revenues. Schafer has blocked legislative proposals to raise the income tax, the Internet provider tax, and a business payroll tax. He's also said that "property taxes should be scaled back and tobacco settlement dollars can help us achieve that goal." He's one of the few governors who suggest giving this money back to the people. In his 2000 budget, he proposed a 60 percent supermajority vote to raise taxes, but the pro-tax legislature bristled at the idea. Alas, Schafer has made some boneheaded mistakes. Since North Dakota's personal income tax is calculated as a straight percentage of federal income tax liability, the 1993 Clinton income tax hike raised the state rate too. Schafer allowed the stealth tax hike to stand. The North Dakota economy will never totally rebound until the state's politicians start chopping taxes, rather than erecting them.

	Score	Grade	Rank
Overall Fiscal Policy Score	58	C	19
Spending Score	64	C	20
Revenue and Tax Rate Score	59	C	18

Amount	
0.97%	Average Annual Change in Real per Capita Direct General Spending through 1998
-0.04%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
2.74%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-3.77%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
1.29%	Average Annual Change in Real per Capita Tax Revenue through 1998
0.28%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
0.40%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
-1.29%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
0.29%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
1.2	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)
16.0	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
4.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
15.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
1	Internet Tax (1=oppose; 0=support)

Ohio

Bob Taft, Republican

Legislature: Republican
Took Office: 1/99

Grade: D

Bob Taft's big-government proclivities are closer to former governor George Voinovich's than to those of the late senator Robert "Mr. Republican" Taft, his grandfather. During his campaign for governor, Bob Taft proposed smaller tax cuts than his Democratic opponent: the targeted tax credits he proposed amounted to less than two-tenths of the entire budget, paling in comparison to the 15 percent property tax reduction his opponent favored. He won by only 5 percent of the vote. The only good news is that, during the past two years, Taft did sign into law a bill that raises the estate tax exemption to $338,000 over three years, saving families a modest $200 million. The bad news is that he has done nothing at all to reduce the punishing income tax rates foisted on the state by his predecessor. The first, and only, biennial budget of his career was a spendthrift's dream, hiking spending by roughly $2 billion, a 10 percent increase. Most of the increase is for education spending—"an all-time record," Taft boasted. He not only opposed tax cuts but, to pay for his spending spree, raided the income tax refund account that was set up three years ago after the legislature—over Governor Voinovich's opposition—passed a law to cut taxes for every dollar the state received in tax surplus. In 1999 Taft proposed to use all of the surplus for education spending as part of his 12-year, $10 billion school-funding plan. The Republican legislature was successful at capping the amount of surplus that could be used to bloat the budget at just over $400 million that year. Taft conceded and has allowed around $700 million in surpluses to be deposited in the tax refund account to date. Shortly thereafter, he announced his opposition to a proposal by conservatives in the legislature to enact an automatic and permanent 5 percent across-the-board tax cut every year the budget has a surplus. He even opposed a July 2000 proposal by Democrats in the legislature to temporarily suspend the state gasoline tax. Taft's opposition to tax cuts, despite his public comments to the contrary, seems to be here to stay. His tenure has so far proven to be a dreadful sequel to George Voinovich's taxaholic reign.

	Score	Grade	Rank
Overall Fiscal Policy Score	51	D	38
Spending Score	43	D	43
Revenue and Tax Rate Score	53	C	31

Amount	
1.85%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-0.12%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
-0.84	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
0.01%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-0.07%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
-0.43	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)
15.3	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Oklahoma

Frank Keating, Republican

Legislature: Democratic
Took Office: 1/95

Grade: C

In his six years as governor, Frank Keating, a former Jack Kemp aide and a close confidant of President George W. Bush, has stressed tax cuts, reducing barriers to economic growth, school reform, and smaller government. He has a mixed record of success. In his first term, he proposed cutting the state income tax in half, from 7 to 3.5 percent. But the Democratic legislature has continually resisted the tax-cut agenda. So far the income tax has been cut only to 6.5 percent. In his second term, Keating has stressed cutting the state's unpopular "auto tag tax" and the estate tax. To his credit, Keating has proposed a tax cut every year as governor, and Oklahoma now has the 7th lowest tax burden in the nation. Keating's record on spending is less impressive. The budget has continued to grow faster than inflation and population. In 2000 he proposed a $500 million state bond initiative for special projects, university funding, and highways. He also increased the prisons budget to more than $400 million (almost a doubling since his first year in office) on the pretense of a prison-overcrowding crisis—at a time when the crime rate was dropping and an increasingly large share of inmates was imprisoned for nonviolent crimes like drug possession. Still, Keating has earned his reputation as a reform governor. He advocates a voucher plan for kids in low-performing schools and has infuriated the state teachers' union by insisting that every new education dollar must be "a reform dollar." He has downsized the state workforce through privatization of government services; he's enacted tough work-for-welfare requirements; and he wants the state to adopt a right-to-work law. Oklahoma is in better economic and fiscal health as a result of Keating's initiatives, but the spending trends in Oklahoma City are worrisome, to say the least.

	Score	Grade	Rank
Overall Fiscal Policy Score	58	C	20
Spending Score	60	C	24
Revenue and Tax Rate Score	59	C	19

Amount	
1.77%	Average Annual Change in Real per Capita Direct General Spending through 1998
0.23%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
0.85%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-0.76%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
3.64%	Average Annual Change in Real per Capita Tax Revenue through 1998
2.07%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-1.73%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
2.34%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-0.78%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
-0.5	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)
12.8	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
-1.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Oregon

John Kitzhaber, Democrat

Legislature: Republican
Took Office: 1/95

Grade: F

Just when it seemed that the 1970s-style tax-and-spend model of governance was out of vogue in state capitals, along came Oregon's John Kitzhaber. A physician who has been in politics for 20 years, Kitzhaber is the nation's most spendthrift governor by a long shot. The *Almanac of American Politics* describes Kitzhaber's governing philosophy as "a faith in the judgment of centralized experts, a taste for complexity, a willingness to use the power of the state to make decisions for others, and a secular disregard for tradition." Under Kitzhaber, the first Oregon Democrat to be reelected to the statehouse in nearly a century, expenditures have skyrocketed, with state spending up by nearly 30 percent in his first term alone. He's 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 excessively expensive treatments. Instead, Oregon's Medicaid caseloads have swollen and costs have risen every year, partly because doctors apparently aren't cooperating with the rationing feature of the plan. As a consequence, the cigarette tax has had to be hiked by 40 cents a pack to pay for the cost overruns. Kitzhaber has dumped money into the public schools while opposing almost all education reforms that would give more power to parents. He proposed a hugely expensive transportation plan, with more money for public transit and bicycle paths to come from a new car tax and higher gas taxes (Kitzhaber is not a big fan of the automobile). But the Republican legislature fortunately KO'd the plan. That episode led Kitzhaber's political opponents to dub him "Governor Taxhaber." In his second term, his top priorities have been to shovel more money into the schools and impose tight land-use restrictions to arrest urban sprawl under a plan he calls "managed growth." Kitzhaber remains quite popular in Oregon (he grabbed more than 60 percent of the vote in the 1998 election) even though, oddly enough, the fickle voters of Oregon have elected a fairly conservative Republican legislature, which is composed of lawmakers ideologically opposed to most of what Kitzhaber wants to do. The other factor that helps keep Kitzhaber from spending the state into fiscal oblivion is a ballot-approved tax and expenditure limit that restrains the ability of the governor to hike taxes. In sum, Kitzhaber is a governor who supports growth in the public sector but casts a suspicious eye on growth when it's private-sector generated. His leftward-leaning policies seem designed to ensure more of the former and a lot less of the latter.

	Score	Grade	Rank
Overall Fiscal Policy Score	30	F	47
Spending Score	12	F	46
Revenue and Tax Rate Score	32	F	47

Amount	
10.28%	Average Annual Change in Real per Capita Direct General Spending through 1998
7.37%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
5.97%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
0.41%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
15.78%	Average Annual Change in Real per Capita Tax Revenue through 1998
12.72%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
2.22%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
5.29%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
1.38%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
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	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
6.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
40.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Pennsylvania

Tom Ridge, Republican

Legislature: Republican
Took Office: 1/95

Grade: B

Pennsylvania is another former rust-belt state that was resuscitated in the 1990s through business-friendly tax policies. The architect of the revitalization has been Tom Ridge. He has cut taxes six years in a row for a cumulative savings of about $4 billion. In 2000 he proposed the largest tax cuts in state history. The Ridge tax cuts include $2 billion in corporate net income and personal income tax cuts, a job creation tax credit, inheritance tax relief, a phaseout of the hated business franchise and capital stock tax, a $300 million property tax rebate plan, workers' compensation reforms that will cut business costs by an estimated 20 percent ($1 billion a year), electricity deregulation, and welfare reforms that have cut caseloads by 75,000. The rate of government spending growth has also been cut in half since the previous administration. The results have been impressive: a state that was once bleeding jobs has created more than 250,000 since the start of Ridge's tenure. But Ridge has flaws as well. With the economy flourishing, taxes could be cut even more, and some of Ridge's adversaries have labeled him "tax and hoard" for his penchant to build up big rainy-day budget reserves. And now the budget is beginning to fatten again. In the past three years the budget has swollen by 13 percent in nominal terms. But Ridge has proven that the right constellation of pro-growth tax and regulatory policies can put muscle back into this proud industrial state's economy.

	Score	Grade	Rank
Overall Fiscal Policy Score	59	B	15
Spending Score	55	C	32
Revenue and Tax Rate Score	63	B	9

Amount	
3.33%	Average Annual Change in Real per Capita Direct General Spending through 1998
0.89%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
-0.24%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
0.17%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
2.70%	Average Annual Change in Real per Capita Tax Revenue through 1998
0.28%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-3.20%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
1.49%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-0.52%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
0.0	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
-1.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
12.8	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Rhode Island

Lincoln Almond, Republican

Legislature: Democratic
Took Office: 1/95

Grade: C

No governor in America has a more thankless 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 by 20 in 2000; the state legislature is 80 percent Democratic. Almond is a fiscal moderate, which, from the taxpayers' perspective, is about as good as it gets in this heavily unionized, industrial Northeastern state. Rhode Island ranks in the top 10 states in tax burden, per capita spending, hostility to small business, and job losses. Adding to Almond's governing miseries is the fact that most of the political power rests in the hands of the legislature, not the governor. Yet, despite all those handicaps, Almond has done a surprisingly decent job as governor—pushing the state about as far in a market-oriented direction as its citizens and inbred political patronage system will allow. 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 though a work-for-welfare bill that has helped reduce caseloads. And he partially deregulated electricity prices, which is a big deal in this high-energy-demand state. He rather heroically vetoed the Democratic legislature's pork-filled budget in 1996 even though his veto was easily overridden. Alas, Almond is no adversary of pork spending himself. He backed a $43 million subsidy for the University of Rhode Island to build a new basketball arena and then a $70 million bond initiative for a rail construction project in Davisville. Now he's trying to use more corporate welfare dollars to lure Pfizer into the state. Still, the bottom line is that Rhode Island could and probably would do a lot worse than have Almond in the governor's mansion.

	Score	Grade	Rank
Overall Fiscal Policy Score	58	C	21
Spending Score	58	C	27
Revenue and Tax Rate Score	58	C	20

Amount	
2.48%	Average Annual Change in Real per Capita Direct General Spending through 1998
-0.82%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
-0.38%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
1.47%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
4.03%	Average Annual Change in Real per Capita Tax Revenue through 1998
0.69%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-3.56%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
1.36%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
0.44%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
-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)
19.3	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
-0.5	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
15.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

South Carolina

Jim Hodges, Democrat

Legislature: Divided
Took Office: 1/99

Grade: C

Many political analysts attribute the eight-point electoral victory of Democrat Jim Hodges, lawyer and former state house minority leader, over incumbent Republican governor David Beasley primarily to Beasley's opposition to legalizing video poker. The incumbent advantage of a booming state economy, aided by Beasley's success at cutting property taxes, providing regulatory relief for business, and reforming welfare, apparently wasn't enough to overcome the voters' enthusiasm for video poker. As the first elected Democratic governor in South Carolina since 1982, Hodges set out a fiscal 2000 budget that increased spending by more than $600 million, which, on a per capita basis, was among the top 20 highest in the nation that year. Much of the increased spending was based on the expectation of increased revenue as a result of Hodges' promise to tightly regulate and tax the video gaming industry after the likely-to-pass referendum on video poker became law in November. The Republican lieutenant governor, Bob Peeler, proposed that much of the expected tax surplus be devoted to further lowering the property tax on noncommercial vehicles according to a plan that would phase out the tax in five years. Beasley suggested that increased spending should take precedence over tax cuts. The state legislature raced to approve a $300 million "wish list" based on projected video poker tax revenue and a much more modest $35 million reduction in taxes, which included a $20 million reduction in the car tax and a small reduction in the sales tax on food, both of which were favored by the Republicans, who wanted to make them larger. The state supreme court ruled in October 1999 that the video poker referendum was unconstitutional, on the grounds that the state legislature couldn't delegate such a decision to a popular vote. Yet, when the books closed that year, there was a large enough tax surplus to allow for the increased spending and very modest tax cuts. Hodges' second budget increased spending even more, and he scaled back the already-passed car tax cut to benefit only senior citizens. Other tax initiatives included a sales tax holiday for back-to-school purchases and an increase in the homestead exemption for senior citizens. Those, however, are quite small, and it is clear that Hodges has a predilection for increased spending at the expense of broader and more substantial tax cuts. With more revenues expected to pour into state coffers as a result of the voter-approved state lottery, Hodges' spending spree will likely continue.

	Score	Grade	Rank
Overall Fiscal Policy Score	55	C	27
Spending Score	44	D	42
Revenue and Tax Rate Score	58	C	21

Amount	
0.95%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
0.76%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
-1.10%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
-3.37%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-0.40%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
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)
12.0	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

South Dakota

William Janklow, Republican

Legislature: Republican
Took Office: 1/95

Grade: B

It's probably no exaggeration to say that no politician in the past 50 years has had more of an impact on South Dakota politics and policy than William Janklow. He served two terms as governor from 1979 to 1987, sat out two terms, then successfully ran again in 1994 and was reelected by a wide margin in 1998. In 1994 he won by promising a sweeping 30 percent property tax cut. He deserves high praise for fulfilling that promise when he signed the final 5 percent installment last year. That tax-cutting accomplishment is all the more impressive, given that South Dakota has no income tax. The property tax cut has been the steepest tax cut in South Dakota history and has sent Janklow's approval rating into the stratosphere. But Janklow has raised other revenues (gas and cigarette taxes) to pay for the property tax relief. He opposed a measure to eliminate the state inheritance tax, though he did sign into law a decrease in that tax. In his 1994-98 term, he cut the executive branch staff by more than 1,000 employees, and general fund spending declined relative to personal income. But in his current (and final) term, Janklow has changed his stripes somewhat. He's been more amenable to spending money. He approved an expensive highway construction bill, a public preschool program, and lots more money for schools. He wants to spend the tobacco settlement money on cleaning up a closed-down gold mine in the Black Hills, children's programs, and anti-smoking programs. Janklow has also assumed the role of lead cheerleader among the governors for taxing Internet sales. He even won a "porker of the month" award from the taxpayers' group Citizens Against Government Waste for threatening to use the state police to collect taxes on Internet-purchased goods by pulling over UPS and Federal Express trucks and searching the packages. Despite those policy mishaps, there's a lot to applaud in Janklow's record, not least of which is that the South Dakota economy has done quite well on his watch.

	Score	Grade	Rank
Overall Fiscal Policy Score	61	B	12
Spending Score	64	C	17
Revenue and Tax Rate Score	61	B	21

Amount	
9.64%	Average Annual Change in Real per Capita Direct General Spending through 1998
-2.14%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
-1.67%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-5.46%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
2.24%	Average Annual Change in Real per Capita Tax Revenue through 1998
-0.28%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-5.73%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
0.69%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-1.03%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
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)
0.0	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
4.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
10.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
0	Internet Tax (1=oppose; 0=support)

Tennessee

Don Sundquist, Republican

Legislature: Democratic
Took Office: 1/95

Grade: D

There's a political civil war going on in Tennessee these days thanks to a "read my lips" tax betrayal by Governor Sundquist. When Sundquist ran for governor in 1994 he promised "no new taxes." When asked about an income tax—Tennessee is one of only nine states without a state personal income tax—Sundquist correctly countered that "new taxes would dampen the fire of enterprise and investment and job creation." But then after reelection he suddenly and inexplicably flip-flopped. At a time when almost all other Republican governors have been cutting taxes to heighten competitiveness, Sundquist has endorsed the creation of an income tax. He has fought hand to hand with the fiscal conservatives in his own party to get an income tax in order to close a $400 million budget shortfall. The broken tax pledge has incited a ferocious tax revolt in Tennessee. The good news is that the Sundquist tax plan continues to narrowly fail in the legislature. How can an economically prosperous state like Tennessee be running a deficit? Per capita state spending has soared under Sundquist. In the 1990s the Tennessee budget was the 11th fastest growing state budget. Tax receipts have grown by 55 percent, twice the rate of population plus inflation (25 percent). The excess tax collections amount to about $1,000 per Tennessee family, and yet, in the wake of this surge in tax receipts, Sundquist unrelentingly agitates for more taxes. The source of the budget problem is the state's disastrous Canadian-style universal health care program called TennCare. During Sundquist's reign as governor (1994–2000), TennCare's cost rose more than twice as fast as the cost of Medicaid in other states. If TennCare's costs had simply grown at the rate of the national average since 1994, the state budget would have a $500 million surplus. Sundquist is a strong supporter of TennCare and shuns almost all talk of reforming the tax-guzzling health care program. If Sundquist isn't the most fiscally reckless governor in America today, he's clearly in the top five.

	Score	Grade	Rank
Overall Fiscal Policy Score	49	D	44
Spending Score	65	C	16
Revenue and Tax Rate Score	42	F	46

Amount	
-1.27%	Average Annual Change in Real per Capita Direct General Spending through 1998
-2.89%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
1.73%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
2.02%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
2.06%	Average Annual Change in Real per Capita Tax Revenue through 1998
0.38%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
4.44%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
2.11%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
2.95%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
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	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
-2.25	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
0	Internet Tax (1=oppose; 0=support)

Texas

George W. Bush, Republican

Legislature: Divided
Took Office: 1/95

Grade: B

To many conservatives, George W. Bush is the messiah who will descend on Washington and clean up the Clinton-era mess: a "reformer with results." Liberals think that Bush had an ignominious record of nonaccomplishment in Texas. Throughout the presidential campaign, Al Gore blasted George W. Bush as a fiscally reckless governor who allowed the Texas budget surplus to "roll away like tumbleweeds." So what's the real fiscal record of George W. Bush? The answer is that Bush racked up a decent, but not a dazzling, pro-taxpayer record as governor. He came into office promising tax cuts, tort reform, a lighter regulatory burden on business, and stringent education standards. Bush more or less delivered on each of those promises. He signed two of the largest tax cuts in Texas history. Something must be working, because Texas's economy boomed during Bush's tenure. Texas has ranked in the top five states in population growth and new business creation since the mid-1990s. But Bush could leave conservatives frustrated. He is a politician who seems to always want to keep everyone happy. His last budget climbed to growth rates not seen since Ann Richards: his last budget grew by close to 10 percent, among the largest increases in the nation in 1999. He shoveled a record $2.1 billion of new money into the Texas schools and then declared himself "the education governor." In 1993 Bush crafted a convoluted tax-restructuring scheme that proved to be hugely unpopular with small businesspeople who would have seen their tax bills rise. The plan blew up, Bush was politically wounded, and finally he strategically retreated and signed a $1 billion property tax cut instead. Whether that incident has soured Bush on federal tax reform efforts remains to be seen. The good news is that the latest Texas comptroller's report indicates a $1 billion-plus budget surplus. It's the sixth straight surplus produced by Governor Bush. If Bush's years in the White House are as successful as his years in Austin, he will be a good president.

	Score	Grade	Rank
Overall Fiscal Policy Score	70	B	3
Spending Score	70	B	11
Revenue and Tax Rate Score	72	A	3

Amount	
0.11%	Average Annual Change in Real per Capita Direct General Spending through 1998
-2.64%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
2.25%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-2.58%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
2.43%	Average Annual Change in Real per Capita Tax Revenue through 1998
-0.39%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-3.60%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
-4.28%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-0.33%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
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)
4.5	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.5	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
1	Internet Tax (1=oppose; 0=support)

Utah

Michael Leavitt, Republican

Legislature: Republican
Took Office: 1/93

Grade: D

Michael Leavitt may be best known today as Mr. Internet Tax. This has won Leavitt the enmity of some of his fellow governors, taxpayer groups, and Utah voters. Leavitt is ideologically far to the left of his party—so much so that he was nearly defeated during the Republican Party's nominating convention in 2000. As head of the National Governors Association, Leavitt allowed that group to become a full-time Washington lobbying outfit for Internet taxation. At home in Utah, Leavitt is a big spender extraordinaire. He says that he "runs a very lean government," but the budget has exploded on his watch. During his eight years in office, real spending per capita has risen by more than 30 percent. 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 vouchers. Utah experienced rapid economic growth in the 1990s, which caused the state tax coffers to swell with funds. Leavitt has passed some of the revenue windfall back to taxpayers through reductions in the sales and unemployment taxes, but he has also raised taxes on gasoline, automobiles, and cigarettes. What an irony: one of the most conservative states in the union has one of the most pro-tax-and-spend governors.

	Score	Grade	Rank
Overall Fiscal Policy Score	51	D	38
Spending Score	47	D	40
Revenue and Tax Rate Score	52	D	33

Amount	
5.49%	Average Annual Change in Real per Capita Direct General Spending through 1998
2.51%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
1.26%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-1.31%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
4.20%	Average Annual Change in Real per Capita Tax Revenue through 1998
1.25%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-2.05%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
0.91%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-0.23%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
-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)
12.0	2000 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)
25.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
0	Internet Tax (1=oppose; 0=support)

Vermont

Howard Dean, Democrat

Legislature: Democratic
Took Office: 8/91

Grade: C

Howard Dean, Vermont's articulate and telegenic governor since 1991, is a political enigma. On some economic issues, he's as pro-government intervention as any governor in America. He supports state-funded universal health care, generous state subsidies for child care, a higher minimum wage, liberal family leave legislation, and taxpayer-financed campaigns. Dean has raised a slew of 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." In some ways he is. In his first three terms as governor (Vermont still has two-year terms), 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 economically 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 annoyed some of the more liberal factions in the state legislature by supporting 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, an enormously controversial Robin Hood–like school equity-financing scheme. Act 60 guarantees $5,000 per student for every school district and delivers on that guarantee by soaking up funds from the wealthy communities and empowering the state authorities to redistribute the dollars to the poorer ones. Act 60 has unleashed a taxpayer revolt across the state. Dean has taken the brunt of the anger. Wealthy Vermonters want local control back and their property tax dollars spent on their own kids' schools. Dean has survived two close elections since Act 60 was launched; he may not survive a third if more local control of the schools isn't restored soon.

	Score	Grade	Rank
Overall Fiscal Policy Score	53	C	34
Spending Score	66	C	14
Revenue and Tax Rate Score	51	D	36

Amount	
1.25%	Average Annual Change in Real per Capita Direct General Spending through 1998
-0.63%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
0.61%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-1.97%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
0.38%	Average Annual Change in Real per Capita Tax Revenue through 1998
-1.48%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-2.59%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
-1.95%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
1.88%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
-1.0	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)
19.3	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
1.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
8.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
24.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
0	Internet Tax (1=oppose; 0=support)

Virginia

Jim Gilmore, Republican

Legislature: Republican

Took Office: 1/98

Grade: C

Through much of 1998, the popularity of Jim Gilmore's campaign bumper sticker ("No Car Tax!") was a clear indicator of the wave of support for Gilmore's plan to abolish the unpopular levy. That plan alone was the galvanizing issue in the 1997 gubernatorial race, and it swept Gilmore into the governor's office by a 56 to 43 percent margin over Democratic lieutenant governor Don Beyer. The potency of the car tax issue was clear when the election returns were final: even in Democrat-heavy Northern Virginia, Gilmore swept the vote—52 to 46 percent—on the strength of the car tax issue (incidentally, that area of the state has the state's highest car taxes). Republicans won control of the state legislature in their own right after the election of 1999. The stage was thus set for a tax revolt in Thomas Jefferson's home state. Gilmore's plan was designed to phase out the car tax for vehicles with assessed values of up to $20,000 over five years and provide money from the state general fund to localities to make up for the lost revenue. This tax cut would return close to $1 billion to Virginia residents when fully implemented and was the fourth biggest tax cut in 2000. Gilmore has also proposed and signed into law a halving of the sales tax on food over four years. This lowering of the general tax burden (and to a lesser extent, his $7.2 million package of business "incentives") has fueled the growth of the high-tech sector in the Northern Virginia corridor, leading many to refer to the area between Washington, D.C., and Dulles Airport as the "Silicon Valley of the East." Jim Gilmore gained national prominence as the head of the Advisory Commission on Electronic Commerce and as an outspoken advocate of the moratorium on the taxation of Internet commerce. But Gilmore's budget grade is one of the worst in the nation. The state budget has grown the fifth fastest in the nation: after accounting for increased local reimbursements as a result of the car tax, it rose almost 3 percent faster than population growth and inflation. State spending since 1998 has even grown 2 percent faster than personal income—Virginia has the sixth highest rate of income growth in the nation—during a period when most states have seen state spending shrink as a percentage of residents' wealth. Most of the increased spending was on grades K-12 and state universities, accounting altogether for about 25 percent of his $3 billion in proposed new spending for 2000–02. Gilmore recently suggested that he may need to put a stop to the car tax repeal if revenue projections aren't met. Yet it is obvious that if spending hadn't ballooned during his term, plenty of money would be left for the car tax cut. His spending hikes could seriously jeopardize the fiscal legacy of Governor Gilmore.

	Score	Grade	Rank
Overall Fiscal Policy Score	53	C	33
Spending Score	33	F	45
Revenue and Tax Rate Score	57	C	23

Amount	
2.71%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
1.81%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
-3.09%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
4.80%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-2.69%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
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)
11.75	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
1	Internet Tax (1=oppose; 0=support)

Washington

Gary Locke, Democrat

Legislature: Republican
Took Office: 1/97

Grade: B

Gary Locke, the son of Chinese immigrants, has a philosophy of "governing from the middle," but he's a bigger spender than his rhetoric may suggest. In his first term as governor—he was just reelected in November 2000—Locke proposed a spate of new spending plans for schools (paid for with tobacco litigation settlement funds), health care, two years of unemployment benefits for laid-off Boeing workers, and a $2.9 billion transportation construction bill. Locke's 1996 election coincided with the GOP takeover of the state senate, and Republican legislators have been engaged in budgetary combat with Locke ever since. 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 as Referendum 49 with 57 percent of the vote. Locke has been saved from his own fiscal recklessness by another earlier ballot measure, Initiative 601, sponsored by conservative activist and GOP gubernatorial candidate John Carlson. That constitutional requirement limits annual spending hikes to inflation plus population growth and has succeeded in handcuffing Locke as he attempts to fund many of his more expensive government programs. Since Initiative 601 passed, state government has grown slower on a per capita basis in Washington than in all but a handful of other states. Initiative 601 coupled with a fairly tight-fisted and independent-minded state legislature explain why Locke's grade on our fiscal report card is as high as it is.

	Score	Grade	Rank
Overall Fiscal Policy Score	68	B	5
Spending Score	82	A	4
Revenue and Tax Rate Score	62	B	14

Amount	
0.76%	Average Annual Change in Real per Capita Direct General Spending through 1998
-4.32%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
-0.66%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-4.19%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
2.08%	Average Annual Change in Real per Capita Tax Revenue through 1998
-3.07%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-5.61%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
0.45%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-0.35%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
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)
3.5	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
5.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
0	Internet Tax (1=oppose; 0=support)

West Virginia

Cecil Underwood, Republican

Legislature: Democratic
Took Office: 1/97

Grade: C

Cecil Underwood has served twice as governor of West Virginia. He served in the late 1950s, when he was the nation's youngest governor, and then some 40 years later ran again and became the oldest governor. He was defeated in his reelection bid this past November and will be retiring, this time for good. Underwood has been handicapped throughout the past four years by a relatively hostile legislature. *Governing* magazine notes that in West Virginia "Republicans are so outnumbered, they're virtually irrelevant." Probably Underwood's single most notable achievement in this latest stint as governor was signing a tough welfare reform bill that has cut caseloads sharply. Real per capita state spending grew more slowly than population and inflation in 1998-2001, which is less of an increase in the budget than occurred under his predecessor, Gaston Caperton. Taxes didn't rise under Underwood, but they didn't fall either, as they have in other states in recent times. His approach to economic development has been to fund state-directed research and development programs, such as a $150 million information technology program. It hasn't worked. The West Virginia economy lagged behind that of the rest of the nation in the 1990s and is still highly dependent on old-economy industries like coal mining and federal grant dollar chasing. Underwood took the fall for the sluggish economy when he lost his reelection bid. He will now leave office with an unspectacular record of accomplishment, but in this left-leaning state—where fiscal discipline is regarded as almost a liability and politicians like pork-king Sen. Robert C. Byrd are exalted—the budget situation could have been, and may get, worse.

	Score	Grade	Rank
Overall Fiscal Policy Score	56	C	26
Spending Score	64	C	18
Revenue and Tax Rate Score	56	C	24

Amount	
3.29%	Average Annual Change in Real per Capita Direct General Spending through 1998
0.45%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
-4.89%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
1.56%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
1.46%	Average Annual Change in Real per Capita Tax Revenue through 1998
-1.33%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-1.52%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
0.40%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
0.08%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
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	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
0	Internet Tax (1=oppose; 0=support)

Wisconsin

Tommy Thompson, Republican

Legislature: Republican
Took Office: 1/87

Grade: B

In his 14 years in the statehouse, Tommy Thompson established impeccable credentials as a policy innovator on issues ranging from welfare reform, to school vouchers and charter schools, to tax restructuring. Thompson was the first governor in the nation to totally overhaul the welfare system to encourage work, economic self-sufficiency, education, and marriage. His reforms have been controversial but mostly effective. The welfare caseload declines of more than 60 percent in Wisconsin have outpaced the reductions in other states. Thompson has been a champion of Milwaukee's highly touted school voucher program, and his administration has successfully defended the vouchers in the courts. On spending, Thompson has used his line-item veto power more than 1,600 times in his four terms as governor to weed out excessive expenditures. He has cut the income tax four times, most recently in 1999. Still, conservatives in the state grouse with some justification that Thompson has moved to the left ideologically in his last two terms. In recent years, spending has far outpaced inflation and population growth—his fiscal 2000 budget grew by 13 percent in nominal terms. He has supported spending for sports stadiums in Milwaukee and Green Bay. Even with his tax cuts, state income tax collections have outpaced personal income growth (revenue growth is twice as high as personal income growth, in fact), suggesting that he should have provided even more tax relief. In 1998 he vetoed the Republican legislature's property tax cut. He endorsed new taxes on cigarettes and gasoline. And he supports taxing Internet purchases. So in many ways, Thompson is a political enigma. His first two terms as governor produced some truly historic public policy accomplishments, but his last two terms were mildly disappointing as he has jockeyed himself into the middle of the political playing field.

	Score	Grade	Rank
Overall Fiscal Policy Score	59	B	17
Spending Score	56	C	29
Revenue and Tax Rate Score	63	B	13

Amount	
1.09%	Average Annual Change in Real per Capita Direct General Spending through 1998
-0.79%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
-0.70%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
4.13%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
-5.65%	Average Annual Change in Real per Capita Tax Revenue through 1998
-9.44%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-1.87%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
-0.78%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
-0.83%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
-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)
14.7	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
8.3	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
29.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
0	Internet Tax (1=oppose; 0=support)

Wyoming

Jim Geringer, Republican

Legislature: Republican
Took Office: 1/95

Grade: C

The big issue in Wyoming these days is economic development and diversification. The state has lagged far behind the rest of the nation in jobs created, per capita income growth, and population gains. Jim Geringer has been governor since 1995 and has been blamed by his political opponents for the less-than-stellar economy—even though most of the state's troubles are due to factors beyond his control. Wyoming is a mining and agriculture state, and those two industries have fared poorly in recent times. The state government is highly dependent on mineral royalties, which means that it goes through boom and bust cycles. Geringer's efforts to improve the state's economic climate, particularly by luring high-tech companies to Wyoming, have had mildly disappointing results. This is the case despite the fact that Wyoming has several comparative advantages: no corporate or personal income tax, low energy costs, and a light burden of government regulation. Geringer, though, has made several fiscal mistakes. Instead of cutting taxes, he's raised them. He extended a temporary 1 percent increase in the state sales tax. He hiked the tax on cigarettes. And he raised the gasoline tax by 11 cents a gallon—a not-too-popular decision in this wide-open state. In his latest budget, he wisely supported a cap of $200 million on severance taxes and mineral royalties. There's increasing agitation in Wyoming for "modernizing" the state's tax system, but Geringer should realize that any move toward an income tax would almost certainly exacerbate the state's economic doldrums.

	Score	Grade	Rank
Overall Fiscal Policy Score	54	C	32
Spending Score	64	C	19
Revenue and Tax Rate Score	51	D	35

Amount	
0.01%	Average Annual Change in Real per Capita Direct General Spending through 1998
-1.47%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 1998
4.69%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2001
-3.57%	Average Annual Change in General Fund Spending per $1,000 Personal Income 1998–2000
7.07%	Average Annual Change in Real per Capita Tax Revenue through 1998
5.49%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 1998
-2.75%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2001
-1.37%	Average Annual Change in Real per Capita General Fund Revenue 1998–2000
0.57%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2001
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)
0.0	2000 Combined Top Income Tax Rates, personal plus corporate (*0.5)
1.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
11.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
20.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)
0	Internet Tax (1=oppose; 0=support)

Notes

1. The first four were 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; and Stephen Moore and Dean Stansel, "A Fiscal Policy Report Card on America's Governors: 1998," Cato Institute Policy Analysis, no. 315, September 3, 1998.

2. Stephen Moore, "In the States: Everything's Coming Up Supply Side," A. B. Laffer and V. A. Canto Associates, San Diego, August 1995.

3. Dean Stansel and Stephen Moore, "The State Spending Spree of the 1990s," Cato Institute Policy Analysis no. 343, May 13, 1999.

4. Stephen Moore, "State Spending Splurge: The Real Story behind the Fiscal Crisis in State Government," Cato Institute Policy Analysis no. 152, May 23, 1991.

5. Ibid.

6. National Association of State Budget Officers, "The Fiscal Survey of States: August 2000."

7. Richard Wolf, "States Bracing for Leaner Times," *USA Today,* July 10, 2000, p. 1A.

8. Office of Management and Budget, *Historical Tables, Budget of the United States Government, Fiscal Year 1999* (Washington: Government Printing Office, 1998), Table 12.1, pp. 203–4.

9. U.S. Department of Health and Human Services, "Change in TANF Caseloads," http://www.acf.dhhs.gov/news/stats/caseload.htm.

10. Richard Wolf, "Drop in Welfare Rolls Threatens State Funds," *USA Today*, October 5, 1998, p. 3A.

11. Ibid.

12. George Leef, "Unemployment Compensation: The Case for a Free-Market Alternative," *Regulation* 21, no. 1 (Winter 1998): 19.

13. Zsolt Becsi, "Do State and Local Taxes Affect Relative State Growth?" Federal Reserve Bank of Atlanta *Economic Review,* March–April 1996, p. 34.

14. Richard Vedder, "State and Local Taxation and Economic Growth: Lessons for Federal Tax Reform," Joint Economic Committee of the U.S. Congress, December 1995.

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

16. 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.

17. For instance, in the 1980s the left-leaning New York-based Corporation for Economic Development published several ratings of the states to determine which governors were implementing the best economic policies. Massachusetts and Michael Dukakis routinely ranked at the top of the rating scale, up until the fiscal collapse of Massachusetts in 1989. The CED's 1994 report labeled New Hampshire, the lowest-tax state in the nation and the only state without an income and sales tax, the worst place to do business in America. Since that report's release, New Hampshire has had faster income and job growth than the national average.

18. For instance, Harvard economist Caroline Hoxby says, "I have consistently found evidence that both students and taxpayers are better off under locally based systems of school funding and school control. . . . More state aid means less effective schools." Caroline M. Hoxby, "Local Property Tax-Based Funding of Public Schools," Heartland Institute Policy Study no. 82, May 19, 1997.

19. The U.S. Bureau of the Census surveys state governments each year and produces detailed data files on the various components of each state's spending and revenue. These annual data reports are entitled "State Government Finances." The census data on state governments is superior to data from all other sources because the Census Bureau accounts for every type of expenditure and every type of revenue generated for each state. The most recently published "State Government Finances" data are for FY98. The more recent data for general fund expenditures and revenues come from semiannual compilations by the NASBO published in "The Fiscal Survey of States." The data for enacted and proposed tax rate changes come from several sources, including NASBO's "The Fiscal Survey of States," the NCSL's annual "State Tax Actions" publication, and the finance and tax offices of the individual states.

20. State-by-state data on general fund spending and revenue recommendations prior to FY91 were

not available. Thus, this variable does not reflect all of the earliest budget recommendations of the four governors first elected before 1990. However, for the other governors in this study, this variable does reflect every one of their recommended budgets. This measure captures two effects that are not reflected in the Census Bureau data: budget growth since FY98 and governors' recommended budgets (as opposed to enacted budget levels). For this measure, we use annual data compiled by the NASBO. General fund data are far from ideal for measuring total spending and revenue growth in a state. The general fund does not include certain types of nonappropriated spending, such as pension fund spending and some entitlement outlays. Furthermore, governors sometimes move items into or out of the general fund to distort the degree of fiscal problems. Despite those defects, the general fund data do, for the most part, provide us with a fairly reliable picture of how the states' spending patterns have changed since 1996.

21. For the sixteen governors who were elected or took office after 1997, this variable reflects only growth from FY98 through fiscal 2000. As does the previous variable, this one reflects spending growth since FY98, which was not reflected in the Census Bureau data.

22. See note 21 for spending variable 3 above.

23. See note 22 for spending variable 4 above.

24. As do the other two variables on recommended budget levels, this variable reflects only tax cut and tax increase proposals in FY98 and thereafter.

25. Michael Barone and Grant Ujifusa, *The Almanac of American Politics* (Washington: National Journal Group, various years).

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