Policy Analysis

Cato Institute Policy Analysis No. 203: A Fiscal Policy Report Card on America Governors: 1994

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Executive Summary

This study presents an objective, comparative analysis of the spending and taxing policies of 47 of America's governors. In effect, it is a report card on their fiscal performance.

For each of the governors who were elected before 1991, we constructed a 14-variable index of fiscal performance. The variables used include measurements of the change in state expenditures, the change in state tax rates, and the change in the tax burden in each state under each current governor. For the 13 governors who took office after July 1991, we explored similar but fewer fiscal policy variables based on budget and tax changes enacted through fiscal 1994.

Three governors receive A's on our fiscal policy report card: L. Douglas Wilder of Virginia, Stephen Merrill of New Hampshire, and Kirk Fordice of Mississippi. Five governors receive F's: Lowell Weicker of Connecticut, James Florio of New Jersey, John Waihee of Hawaii, James Hunt of North Carolina, and Thomas Carper of Delaware. Other prominent governors and their grades, from best to worst, are William Weld of Massachusetts, B; Tommy Thompson of Wisconsin, B; John Engler of Michigan, B; Lawton Chiles of Florida, B; Mario Cuomo of New York, C; Jim Edgar of Illinois, C; Ann Richards of Texas, D; and Pete Wilson of California, D.

Introduction

This is the Cato Institute's second Fiscal Policy Report Card on America's Governors.[1] In it we examine the taxing and spending records of the governors of 47 states, 34 elected before 1991 and 13 after.[2] The governors' overall grades are given in Tables 1 and 2. Appendix A contains detailed tables.

Major Findings

Three findings of this study warrant special mention. First, the economic condition of a state and the fiscal grade of its governor tend to be closely connected.[3] That is no coincidence. Virtually all of the states with poor economic performance in recent years--especially California and the northeastern states of Connecticut, New Jersey, Pennsylvania, and Rhode Island--have governors who have pursued policies of high taxes and spending. Moreover, studies have shown that states that have raised taxes in the 1990s have suffered deeper and more painful recessions than the rest of the nation.[4] Tax and spending policies are important factors in shaping the economic destinies of states.

Second, party affiliation makes less difference than some observers might expect. Republicans do score somewhat better on average. The average grade for Republican governors is C+, versus C- for Democratic governors. Yet it is noteworthy that, among the pre-1992 governors, Democrats earned the top three grades and that Democrats, with the exception of Independent Lowell Weicker, also hold the bottom five spots.

Finally, although this paper is an analysis of the governors' performance, the grades assigned also indirectly reflect the fiscal policy performance of each state's legislature. We found that governors with high grades generally work with fiscally conservative legislatures. Conversely, governors with poor grades generally have pro-tax-and-spend legislatures that are inclined to favor expansive fiscal policies.

Recent Developments in State Budgets

Table 1
Overall Fiscal Policy Grade--Pre-1992 Governors

Governor	Ranking	Grade
Wilder (VA)	75	A
Romer (CO	72	B
Z. Miller (GA)	71	B
Weld (MA)	69	B
Bayh (IN)	69	B
Engler (MI)	69	B
Sullivan (WY)	69	B
Campbell (SC)	67	B
Thompson (WI)	66	B
Chiles (FL)	66	B
McWherter (TN)	64	C
Schaefer (MD)	64	C
Edgar (IL)	62	C
Branstad (IA)	61	C
Symington (AZ)	61	C
Cuomo (NY)	61	C
Andrus (ID)	60	C
Walters (OK)	59	C
McKernan (ME)	59	C
Carlson (MN)	56	D
Richards (TX)	56	D
Nelson (NE)	56	D
Finney (KS)	55	D
B. Miller (NV)	52	D
King (NM)	51	D
Caperton (WV)	51	D
Voinovich (OH)	50	D
Casey (PA)	50	D

Wilson (CA)	46	D
Roberts (OR)	45	D
Sundlun (RI)	44	D
Waihee (HI)	41	F
Florio (NJ)	37	F
Weicker (CT)	33	F

Table 2
Overal Fiscal Policy Grade--New Governors

Governor	Overall Ranking	Grade
Merrill (NH)	78	A
Fordice (MS)	77	A
Dean (VT)	73	B
Leavitt (UT)	62	C
Jones (KY)	61	C
Edwards (LA)	59	C
Tucker (AR)	56	D
Lowry (WA)	55	D
Carnahan (MO)	54	D
Schafer (ND)	53	D
Racicot (MT)	52	D
Carper (DE)	50	F
Schafer (ND)	48	F

Running a state government is big business these days. In 1992 the states spent approximately $700 billion, up from $250 billion in 1980. That comes to about $2,800 per resident and about $150 per $1,000 of state personal income. The primary job of the nation's governors is to serve as the fiscal managers of those funds and to pursue budget and tax policies that will promote prosperity.

The growth of state government has been outpacing the growth of the private economy in recent decades. For most of America's history, the states consumed roughly 4 to 5 percent of gross national product. But by 1970 that figure had grown to 7 percent; by 1980, to 8 percent; and by 1990, to 8.5 percent. Three budget trends of the 1980s underscore the unsustainable trend in state government spending:

* State spending and tax revenues climbed at more than twice the rate of inflation from 1980 to 1990.

* State-government employment outpaced population growth. In the 1980s the U.S. population grew by 10 percent, but state employment grew by almost 30 percent.

* An American Legislative Exchange Council study shows that state-government pay grew at a much faster pace than private-sector pay. For every dollar increase in compensation received by private-sector workers, state-government workers received $6.30.[5]

Contrary to popular mythology, the states have not become more fiscally conservative in the 1990s. In the early 1990s many states faced severe budget deficits. Most states opted to close their deficits with massive tax hikes. Both 1990 and 1991 were record tax increase years for many states--with California, Connecticut, and New Jersey leading the charge. Those tax increases have not been coupled with reductions in spending. With few exceptions, state lawmakers have avoided undertaking painful cutbacks in state spending programs to balance their budgets. In 1991 state spending rose by 10 percent, and in 1992 it grew by 12 percent. By no definition is that fiscal restraint.

Big spending binges have been most apparent in the states that have hiked taxes the most. In 1992 spending rose by 26.0 percent in New Jersey, 12.4 percent in California, 31.4 percent in Pennsylvania, and 14.5 percent in Rhode Island.

The surge in federal mandates handed down to state and local governments has contributed to the expansion of state budgets. (Federal mandates are laws passed by the U.S. Congress that force states and localities to spend money.) Federal mandates are the ultimate form of buck passing. Many state lawmakers complain that federal mandates are a major reason state budgets are spiraling out of control. Mandates apply to some of the biggest programs in state budgets, including Medicaid, Aid to Families with Dependent Children, roads and highways, and environmental protection. The ultimate mandated spending program, the state component of Medicaid, has been growing at between 10 and 15 percent per year over the past 10 years. Some states complain that over half of each year's budget is eaten up by spending mandated by Washington.

Although mandates are increasingly irritating for the states, it is not true that governors and state legislators have little remaining discretion to control their state budgets. Spending on education, for example, is not generally mandated by Washington (although in some cases the courts have mandated school funding). Moreover, innovative states can and do find ways to hold down spending, even on programs that are dictated by Washington. For example, Michigan, Wisconsin, and several other states have been granted waivers of the federal rules governing welfare spending in order to implement cost-saving reforms. States can curtail Medicaid spending by refusing to cover more than 30 optional services--such as nursing care and chiropractors.

In sum, despite legitimate complaints about the policy mandates handed down from Capitol Hill, governors and state legislators do still hold their states' fiscal fate in their own hands. Some have handled their states' fiscal affairs much better than others.

Governors as Policy Innovators

Examining the fiscal policies of governors is important for several reasons. One is the sheer size of the enterprises they control. Today the budgets of California, Florida, New York, and Texas are larger than those of all but a few countries. Every state in the country, even sparsely populated South Dakota and Wyoming, would rank in the Fortune 500 if it were a business. And state government is the largest employer in many states. The state of Michigan currently employs more workers than does General Motors.

Another reason to focus on governors' policies is that the occupants of the state houses are highly influential political figures in America. Today a governorship is regarded as a solid stepping stone to the White House. Bill Clinton, Jimmy Carter, and Ronald Reagan all arrived at the White House via the state house. Moreover, Republican governors John Engler of Michigan, William Weld of Massachusetts, Carroll Campbell of South Carolina, Pete Wilson of California, and Tommy Thompson of Wisconsin are all considered possible presidential or vice presidential candidates in 1996. So is former Tennessee governor Lamar Alexander.

Governors are also leading public policy innovators. The states are increasingly fulfilling their roles as incubators for new ideas and as "laboratories of democracy." We have seen Governors Thompson of Wisconsin and Sullivan of Wyoming pursue innovative welfare strategies, Governor Engler of Michigan experiment with market-based school reforms, Governors Wilder of Virginia and Weld of Massachusetts save tax dollars through privatization, and Governors Fordice of Mississippi and Symington of Arizona implement pro-growth supply-side tax cuts.[6]

All too often, however, government activism is regarded as government success. Governors who are willing to spend money to solve problems have conventionally been touted as the best and most effective governors--at least in the popular press. That was certainly true in the 1980s when chusetts, Tom Kean of New Jersey, John Sununu of New Hampshire, Bruce Babbitt of Arizona, and Bill Clinton of Arkansas--were all widely praised as bold architects of changes in economic and social policy.[7] The more tax money those governors spent, the better was their reputation among policy experts. Yet the legacy of many of the highly praised state spending programs of the 1980s is a sea of red ink in the 1990s.

Willingness to spend tax dollars is no longer viewed as a positive achievement--especially by the voters. Since 1990, 10 pro-tax governors--both Republicans and Democrats-- have either lost bids for reelection or not sought reelec- tion because of their low popularity ratings. Jim Florio was the latest political casualty. In short, the public is increasingly demanding fiscal restraint from state government.

Purpose of the Fiscal Policy Report Card

Almost all existing ratings of governors are subjective. Typically, ratings are made by political scientists, other academics, or even other politicians. Those ratings constitute little more than political popularity contests. To our knowledge, the Cato Fiscal Policy Report Card on America's Governors is the only objective system for measuring and comparing the governors' fiscal performance. By contrast, there are dozens of prominent rating systems for assessing members of Congress on a whole range of issues-- from their budget and tax policies to their positions on foreign policy and abortion.

The objective of this report card is to find out which governors have pursued budget and tax policies that promote the interests of the taxpayers of their states. Of course, special-interest groups would no doubt rate the governors entirely differently. What we measure is the degree of fiscal restraint exercised by each governor.

Limitations of the Report Card

At the outset, we acknowledge several unavoidable problems in grading the performance of the governors. The first, mentioned earlier, is that we do not take direct account of the influence of the state legislatures.[8] In most states, the legislature's influence on budget outcomes is roughly equal to the governor's. However, if the state legislature is controlled by a party that is different from the one to which the governor belongs, the governor's influence on fiscal policy outcomes is normally diminished. (Appendix B contains a summary of the fiscal policy record of each governor and indicates whether or not the legislature is of the same party as the governor.) There are 12 governors in our survey who have legislatures controlled by another party.

We find that the dominant party in the legislature does appear to make an important difference in the performance of some governors. For example, three of the top-scoring Democratic governors have worked with Republican legislatures: Bayh (IN), Romer (CO), and Sullivan (WY). The flip side is also true. Republican governors with poor scores tend to have Democratic legislatures. Those governors include most prominently Wilson (CA) and Carlson (MN).

The average governor's grade is C- for states in which the legislature is controlled by Democrats. It is C- for states in which control of the legislature is split. And it is C for states in which Republicans control the legislature.

How to interpret those findings is unclear. It may be that when a "Republican" state elects a Democratic governor, that governor tends to be more fiscally conservative than the typical Democrat. Similarly, when a "Democratic" state elects a Republican governor, that politician may be predisposed to be more moderate on fiscal issues than the typical Republican. In other words, it may be that Evan Bayh, for example, has a fiscally conservative record because the voters of Indiana are fiscally conservative and would not tolerate high-tax policies, not because the legislature is pushing Bayh in that direction. On the other hand, it may be that the legislature is successfully imposing its fiscal views on the governor.

Regardless of which explanation is correct, it is important to emphasize that, with only a few exceptions, most governors have been granted greater constitutional authority over the state budget process than has the president over the federal purse strings.[9] For example, more than 40 governors have line-item-veto authority, a budget tool the president lacks. Just as it is appropriate to hold the president at least partially accountable for the fiscal policies of the federal government, it is appropriate to hold governors accountable for the fiscal outcomes in their states.

Another potential complication in this study is that every state has peculiarities in its expenditure and tax policies that can make interstate comparisons of taxing and spending difficult. For instance, in Hawaii most school funding comes from the state, not the local governments, which inflates Hawaii's spending figures. Alaska and several northwestern states receive tax revenues from severance taxes on oil produced or minerals mined in the state. Those taxes are often paid by out-of-state residents. Furthermore, the fiscal condition of those 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 therefore exclude that state from the study.

Also, some changes in the states' tax codes may not be fully accounted for in the rate structures we examine. For instance, a broadening of the sales tax base is not directly measured in the tax rates analysis, whereas an increase in the sales tax rate is. Comparisons of income tax structures may not fully account for all the manifold deductions and exemptions that make each state's tax code unique. That is why we measure changes in both tax rates and tax revenues. It allows us to detect the fiscal impact of all tax changes.

Methodology

We compute three separate grades for the governors: one on how well they control spending, one on how well they restrain taxes, and one on overall fiscal policy. All of the tax and expenditure data used in this study come from the U.S. Census Bureau and other nonpartisan sources.[10]

For the 13 governors who took office after July 1991, official Census Bureau data are not yet available to use in measuring all of the spending and tax changes that have been implemented in their first year or years in office. Therefore, we divide the governors into two groups: those who took office before August 1991 (pre-1992 governors) and those who have taken office since July 1991 (new governors). For the 13 new governors, we rely on general fund budget data and tax rate changes through fiscal 1994, as compiled by the National Association of State Budget Officers. Those data do not include all spending and taxes and are less reliable than the Census Bureau data. They are, however, the best numbers currently available.

Since the grades for the new governors are based on their performance after just one or two years in office, those grades might be likened to "midterm" grades. They could markedly change depending on the governors' policies throughout the remainder of their terms. We note that of the midterm grades assigned in the first Cato Fiscal Policy Report Card in 1992, 7 have remained the same, 10 have changed by one grade, and 2 have changed by two grades.

Grading Procedure

For the pre-1992 governors, we examine 14 policy variables, 5 of which are for spending. We standardize the results for each variable, such that the lowest score is zero and the highest score is 100. We then assign a weight to each variable and add the scores achieved in each category.[11] That provides us with separate grades for spending and for taxes. We combine those scores to obtain an overall fiscal policy grade for each governor.

The same basic procedures are used for grading the new governors except that only nine variables are used.

Policy Variables Examined

One objective of our analysis is to compile as comprehensive a picture as possible of the fiscal policy changes made by each governor. We attempt to do that by examining a broad spectrum of fiscal policy measures that take account of economic, demographic, and other factors within each state. All but two of the variables measure the change during each governor's tenure. Two of the variables measure the level of taxes and spending in each state in 1992.

Expenditure Variables for Pre-1992 Governors

The following expenditure variables are used for each of the pre-1992 governors.

1. Overall level of state spending per family in 1992.[12]

2. Average annual change in real state spending per family through 1992.

3. Average annual change in state spending per $1,000 of personal income through 1992.

4. Average annual percentage change in real state spending through 1992.

5. Real change in state general fund expenditures per family from 1992 to 1994, as recommended by the governor.[13]

Tax and Revenue Variables for Pre-1992 Governors

The following tax rate and revenue variables are used for each of the pre-1992 governors.

1. Average annual real percentage change in state taxes through 1992.

2. Average annual change in real state revenues per family through 1992.[14]

3. Average annual percentage change in state revenues per $1,000 of personal income through 1992.

4. Revenues from tax changes for fiscal years 1992 through 1994, as a percentage of 1991 general fund revenues.

5. Percentage point change in the state's top marginal individual and corporate income tax rates through 1994.

6. Change in state personal income tax rate paid by median-income wage earners through 1994.

7. Sum of the state's top marginal individual and corporate income tax rates in 1994.

8. Change in the state gasoline tax rate through 1994.

9. Change in the state sales tax rate through 1994.

Expenditure Variables for New Governors

The following three expenditure variables are examined for each of the 13 new governors.

1. Total 1992 state spending per family.

2. Average annual change in real state general fund expenditures per family through 1994.

3. Average annual percentage change in real general fund expenditures through 1994.

Tax and Revenue Variables for New Governors

The following six tax rate and revenue variables are examined for each of the 13 new governors.

1. Revenues from recommended tax changes as a percentage of state revenues.

2. Average annual percentage change in general fund revenues through 1994

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3. Percentage point change in the state's top marginal individual and corporate income tax rates through 1994.

4. Sum of the state's top marginal individual and corporate income tax rates in 1994.

5. Change in the state gasoline tax rate through 1994.

6. Change in the state sales tax rate through 1994.

Ratings for the Pre-1992 Governors

Expenditures

A summary of the results and ratings on five expenditure variables is given in Table A-1 in Appendix A. Tables A-2 through A-6 list the five biggest spenders and the five biggest budget cutters in each individual spending category.

Two governors distinguished themselves as outstanding on the spending side of the budget and receive an A: Weld (MA) and Wilder (VA). Both reduced real government spending per family in 1992--in Massachusetts the decline was nearly $400 per family. Sullivan (WY) also has an enviable record on spending. Real outlays in Wyoming have been cut on an average annual basis and as a share of personal income during Sullivan's tenure.

The biggest spenders have been Waihee (HI), Florio (NJ), and Sundlun (RI). In each of those states real spending rose at a double-digit annual pace in 1992. Moreover, the average annual increase in spending per family was over $1,200 in each of those states. Other governors who have presided over huge spending binges are Wilson (CA) and Walters (OK). In both California and Oklahoma, spending as a share of personal income rose by about 11 percent in 1992.

The spending scores highlight major differences in fiscal strategies for dealing with deficits. In Rhode Island, Sundlun enacted taxes to close deficits, and spending rose nearly $1,600 per family in 1992. In Massachusetts, taxes have been spurned by governor Weld, and the strategy of cutting spending has brought it down by almost $400 per family. Massachusetts is now in better fiscal health than Rhode Island.

Rhode Island is not the only tax increase state where spending has exploded. In the other four states with major tax increases in 1990-91--California, Connecticut, New Jersey, and Pennsylvania--expenditures also surged. Although those record tax hikes were supposed to be coupled with budget cutbacks, real annual per capita expenditures rose by $967 under Wilson (CA), $265 under Weicker (CT), $1,573 under Florio (NJ), and $636 under Casey (PA). The promised spending cuts have materialized slowly, if at all.

Tax Rates and Revenues

Tables A-7 through A-16 present the results for the pre-1992 governors on tax rates and revenues. The champion tax cutter in recent years has been Symington (AZ), who received an A for his performance on tax rates and revenues. The tax burden on families has been reduced during Symington's term in Arizona, and revenues have fallen both in real terms and as a share of personal income. Symington has cut income taxes and held the line on all other major taxes. Governors Wilder (VA), Engler (MI), Romer (CO), and Sullivan (WY) have also done a superior job of holding the line on taxes. In late 1993 Engler enacted a multi-billion-dollar reduction in the state and local property taxes. That reduction is too recent to have been included in the tax statistics for Engler in this report.

The biggest tax hikers have been Weicker (CT) and Roberts (OR), both of whom received an F in the tax category. The tax burden rose by nearly $2,000 per family in Connecticut under Weicker and by nearly $1,750 per family in Oregon under Roberts in 1992. Taxes rose 20 percent as a share of personal income in both those states.

Three governors have brought down income tax rates substantially: Cuomo (NY), Romer (CO), and Branstad (IA). Those tax rate reductions have actually led to an increase in income tax revenue collections in those states. Meanwhile, the largest tax rate increases have been enacted under Casey (PA), Sundlun (RI), Florio (NJ), Finney (KS), Weicker (CT), and Wilson (CA). Virtually all of those states have suffered a much more severe recession than their neighbors.[15] Wilson's tax increase has produced only a fraction of the revenue expected.[16]

Ratings for the New Governors

Thirteen states have governors who took office after July 1991.[17] The fiscal policy track records of those governors is much more limited than those of the pre-1992 governors. Census Bureau expenditure and tax data are not yet available to measure the performance of the new governors. We are limited to two years' data for Governors Jones (KY), Edwards (LA), Fordice (MS), and Dean (VT) and just one fiscal year's data for the other nine. We rely mostly on general fund expenditure data and enacted changes in deriving midterm grades for the new governors.

Governors Fordice (MS) and Merrill (NH) received A's. Two pro-tax-and-spend governors received F's: Hunt (NC) and Carper (DE) (see Table 2).

Expenditures

The results for each of the three spending categories we investigated for the new governors are shown in Tables A-17 through A-20. The two governors with the best records for cutting the budget are Fordice (MS) and Schafer (ND). They have cut general fund spending both in real terms and on a per family basis.

Hunt (NC) and Carper (DE) have shown a strong proclivity for higher spending in their first budgets. Last year, real general fund spending was hiked by $316 per family in North Carolina and by $144 per family in Delaware.

Tax Rates and Revenues

The results for the new governors in the revenues and tax rates categories are given in Tables A-21 through A-27. The new governor with by far the best record on taxes is Merrill (NH). He has recommended tax reductions equal to about 0.5 percent of total general fund revenues at a time when most governors have been recommending tax hikes. Dean (VT) also deserves credit for approving an income tax rate reduction, as does Fordice (MS) for vetoing an increase in the state sales tax--a veto that was subsequently overridden by the legislature.

On the other end of the scale, Racicot (MT) and Schafer (ND) earned F's for their tax policies. Racicot has tried to raise virtually every tax the state levies and has requested an enormous 21 percent increase in taxes in his first year. He raised the gas tax and approved a new 4 percent sales tax, which voters quashed overwhelmingly in a referendum. Schafer and Carnahan (MO), who received a D on taxes, approved large increases in their states' income taxes.

Overall, the fiscal record of the new governors has been uninspiring, with far more showing a willingness to raise taxes than to cut them.

Conclusion

As has been the case on the federal level, the 1990s have been years of significant fiscal expansion for the states. The major lesson of the 1990s so far is that governors who try to combat budget deficits with major tax increases harm their states' economies and have very little success in slowing the tide of red ink. California, Connecticut, New Jersey, Rhode Island, and Pennsylvania all bear unhappy witness to the fiscal and economic consequences of raising state taxes.

For the first time in many years, the fiscal outlook for the states is rosy. Many states will have the luxury of a budget surplus in 1994. Several governors, including Cuomo, Engler, Fordice, King, Symington, Weld, Wilson, and newly elected New Jersey governor Christine Todd Whitman have proposed major tax cuts this year. That is precisely the proper fiscal strategy for state governments to pursue after several years of budget hemorrhaging in state capitals. Governors who refuse to cut taxes this year will see their states fall further behind in the competition for investment, new business creation, and jobs.

Notes

[1] The first was Stephen Moore, "A Fiscal Policy Report Card on America's Governors," Cato Institute Policy Analysis no. 167, January 30, 1992.

[2] Three governors are not included in this report. Walter Hickel of Alaska is excluded because of peculiarities in Alaska's budget system that make interstate comparisons problematic. Jim Folsom of Alabama is excluded because he did not become governor until April 1993, when the previous governor, Guy Hunt, was indicted. Walter Miller of South Dakota also did not become governor until April 1993, when George Mickelson was killed in a plane crash. We do not yet have sufficient information on the fiscal policies of Gover nors Folsom and Miller.

[3] Several of the variables used reflect the growth of spending and taxes relative to the growth of personal income in

the states. Governors who have presided over periods of rapid growth in state personal income have better grades, other things being equal, than governors whose tenure has corresponded with declines in state personal income.

[4] U.S. Congress, Joint Economic Committee, "Taxing Lessons from the States," Minority staff report prepared for Reps. Jim Saxton and Chris Cox, 1993

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[5] Wendell Cox and Sam Brunelli, "America's Protected Class II," The State Factor 19, no. 1 (January 1993): 7.

[6] See Stephen Moore, "Reform Afoot," National Review, May 11, 1992, pp. 36-39.

[7] 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, until the fiscal collapse of Massachusetts in 1989.

[8] We use fiscal year 1994 figures from the governors' recommendations rather than the amounts appropriated by the legislatures.

[9] In the South the state constitutions tend to confer fewer powers on the governors than is typical in the rest of the nation. The southern states have typically followed what is sometimes called the "weak executive model." The weakest governor in the nation is the governor of North Carolina, who does not have veto authority of any kind.

[10] For the pre-1992 governors, unless otherwise noted, the U.S. Census Bureau is the source of all the data presented on state spending, state taxes, state population, and state personal income. The U.S. Census Bureau monitors state government finances each year and publishes a detailed report of its findings entitled "State Government Finances." The census data on state governments is superior to data from all other sources because they account for every type of outlay and every type of revenue generated for each state. The most recently published data are for 1992.

The data on general fund expenditures and general fund tax revenues come from biannual compilations by the National Association of State Budget Officers published in "Fiscal Survey of the States"; and from Tax Foundation, State Tax Rates and Collections in 1993, Special Report no. 27 (Wash ington: Tax Foundation, January 1994).

The data on changes in tax rates come from several sources: the Advisory Commission on Intergovernmental Rela tions, "Significant Features of Fiscal Federalism," various years; the National Conference of State Legislatures, "State Tax Actions," various years; and statistics obtained direct ly from the finance and tax offices of the individual states.

[11] All spending and revenue variables have a weight of 1. The tax rate variables are assigned lower weights, as ex plained in the notes to Tables A-7 and A-21.

[12] Throughout this report "family" means a family of four.

[13] This last spending measure captures the effect of spending decisions that have been made in the last two years in the states but are not yet compiled by the Census Bureau. For this measure we use annual data compiled by the National Association of State Budget Officers. The 1994 fiscal year estimates are based on the levels recommended by the gover nors during last year's budget cycle. General fund data are far from ideal for measuring total spending growth in a state. General fund spending does not include certain types of nonappropriated spending, such as pension fund spending and some entitlement outlays. Furthermore, state lawmakers sometimes move spending into or out of the general fund to mask fiscal problems. Despite those defects, the general fund data do, for the most part, provide us with a fairly good picture of how the states' spending patterns have changed since 1992. The 1992-93 growth rates were used in estimating the 1994 population.

[14] All state revenues in this report exclude intergovern mental funds from the federal government.

[15] Victor A. Canto and Arthur B. Laffer, "The State Compet itive Environment: 1993-94 Update," Laffer and Canto Associ ates, La Jola, Calif., November 1993.

[16] Although tax increases are often viewed as fiscally responsible, recent evidence indicates that states' bond ratings generally fall after taxes are raised and rise after taxes are cut. In other words, raising taxes hurts the fiscal condition of a state. See Victor A. Canto, Christo pher Charles, and Arthur B. Laffer, "The Determinants and Consequences of State General Obligation Bond Rating Changes," Laffer, Canto & Associates, La Jola, Calif., 1991.

[17] Lt. Gov. Jim Guy Tucker of Arkansas took over the gover norship when Bill Clinton was elected president in 1992.

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Appendix A: Detailed Tables [Omitted]

Appendix B: Summary of Fiscal Policy Records
of the Governors
[Tables Omitted]

Due to rounding, the figures in the tables in this appendix may not match those in Appendix A. The figures in Appendix A were used in determining the ranking of the governors.

Arizona

Fife Symington, Republican Legislature: Republican
Took Office: 3/91
Grade: C

Elected in 1990 as a self-described "Reagan Republican" with an agenda of cutting taxes and state spending, Symington has delivered on half his promise. In his first two years, Symington has shunned all tax increases and even enacted two small tax cuts--at a time when most governors have been raising taxes. Thanks to a small budget surplus in 1993, Symington has promised more income tax cuts in 1994. However, Arizona's spending continues to spiral out of control. (Arizona had the fastest growing state budget in the nation in the 1980s.) In Symington's first fiscal year, 1992, the state budget grew by 12 percent. The one positive sign is that since then general fund expenditures have declined slightly.

Arkansas

Jim Guy Tucker, Democrat Legislature: Democratic
Took Office: 12/92
Grade: D

Tucker was elevated to the governorship after Bill Clinton's election to the presidency. So far Tucker has continued Clinton's 10-year state budget and tax build-up. To address a Medicaid funding gap, upon his swearing-in Tucker called a special session of the legislature that resulted in an almost $80-million increase in state revenue. Among the tax hikes were an increase of 12.5 cents in the cigarette tax, a new soft drink excise tax of 2 cents per 12 ounces or the equivalent, an expansion of the sales tax to various services, new taxes on health care providers, a new gross receipts tax on bingo, and an increase in the real estate transfer tax. Taxes and spending both rose by 4 percent above inflation in his first budget.

California

Pete Wilson, Republican Legislature: Democratic
Took Office: 1/91
Grade: D

Pete Wilson's fiscal stewardship has been hard on California. In 1991 Wilson rammed through the legislature a $7-billion tax increase--the largest state tax hike in American history. It has contributed to the outmigration of people, businesses, and an estimated half million jobs. In three years Wilson has raised virtually every state tax imaginable: the income tax, the sales tax, the gasoline tax, the cigarette tax, and a host of others. Yet only a frac- tion of the projected revenues has been delivered, and thus big budget deficits remain. Tax collections actually fell in 1992, an indication that California's new 11 percent income tax rate is losing money for the state. Every dollar raised in taxes in 1991 was supposed to have been linked with $2 of spending cuts. In Wilson's first year alone, the state budget increased by 10 percent, or $9 billion or almost $1,000 per family--after inflation. The one bright spot in the fiscal outlook is that last year Wilson finally requested and won sharp cutbacks in the state's $100-billion budget.

Colorado

Roy Romer, Democrat Legislature: Republican
Took Office: 1/87
Grade: B

During Romer's tenure as governor, Colorado has done an enviable job of keeping the lid on spending and taxes. Some of that solid performance is attributable to a fiscally conservative legislature and an even more fiscally conservative electorate, which recently passed a referendum requiring voter approval of state and local tax increases. Expenditures have been growing at a real rate of 2 percent per year--much lower than the budget growth in most states. By far the most important fiscal achievement of Romer's governorship came in his first term when the state's progressive corporate and personal income tax rates, which topped out at 8 percent, were converted to a flat, simplified 5 percent rate. However, of late Romer has been acting like a traditional tax-and-spend liberal. He lobbied against the ballot measure requiring voter approval of tax increases and for his own initiative to raise the sales tax to pay for more spending on education. Fortunately, the voters ignored his advice on both measures.

Connecticut

Lowell P. Weicker, Jr., Legislature: Democratic
Independent Took Office: 1/91

Grade: F

Weicker is the champion tax-and-spend governor--edging out New Jersey's Jim Florio. After a decade during which Connecticut's budget increased by 150 percent, Weicker's solution to the resulting red ink in 1991 was to enact a massive tax hike. Despite roughly two-thirds public opposition to the concept, Weicker won narrow support in the legislature for the state's first personal income tax in exchange for a decline in the state sales tax. For the average Connecticut taxpayer, that was a bad deal: the real tax burden climbed by $2,000 per family, and annual state revenues went up by 20 percent after inflation. Over roughly the same time period, 1989-92, real income per family in Connecticut dropped by almost $2,500 and jobs disappeared. There has been no fiscal restraint on the expenditure side of the budget; real expenditures have climbed by more than $200 per family per year.

Delaware

Tom Carper, Democrat Legislature: Divided
Took Office: 1/93
Grade: F

After serving five terms in the U.S. House of Representatives, Carper won a landslide election to the governorship in

1992. As governor, he has shown about as much fiscal restraint as one might expect of a 10-year veteran of the U.S. Congress. Carper has followed closely in the footsteps of his Republican predecessor, Michael Castle, by increasing spending on health care, education, and economic development. He has sought to extend access to health care to all children and provide early childhood education. To pay for all of that, Carper increased Delaware's gasoline tax by 3 cents per gallon, hiked turnpike tolls from $1.00 to $1.25, and raised the motor vehicle document fee. If Carper truly wants to promote economic development in Delaware, he should imitate the policies of another former Republican governor, Pete DuPont, who cut tax rates and presided over a lengthy period of prosperity in Delaware.

Florida

Lawton Chiles, Democrat Legislature: Divided
Took Office: 1/91
Grade: B

Chiles took office in 1991 pledging to reinvent state government and "right-size" the bureaucracy, but so far he has devoted most of his attentions to raising taxes. In 1992 Chiles introduced his "investment budget," which called for $1.4 billion in new taxes, including an expansion of the sales tax to utilities and various personal services and an increase in taxes on businesses. Chile's relatively good grade here is to some extent a reflection of the fact that all his attempts to enact tax hikes have been stymied by the legislature and a skeptical public. Florida's expenditures have been growing at about an average pace (5 percent per year) during his term. But because Florida remains a low-taxing-and-spending state, its economy continues to perform fairly well under Chiles.

Georgia

Zell Miller, Democrat Legislature: Democratic
Took Office: 1/91
Grade: B

Miller's fiscal performance has been above average in almost all spending and taxing categories. He has not raised any major new taxes, and the tax burden in Georgia actually fell by about $150 per family in 1992. Miller did, however, throw his support behind a new state lottery, to pay for more spending on education. Although Georgia remains one of the South's highest spending states, Miller held the growth of spending to less than 3 percent in 1992. He has also cut the state-government payroll by 5,000 workers. The only disturbing development is that general fund spending approved last year included substantial spending hikes for fiscal 1994.

Hawaii

John Waihee, Democrat Legislature: Democratic
Took Office 12/86
Grade: F

Waihee has helped to create and prolong the recession in Hawaii by his spendthrift budget policies. In his first five years, he allowed the state budget to mushroom from $3.2 billion to $5.3 billion--an average annual increase of 10 percent. That amounts to about $1,200 per family every year. Since then, spending has continued to rise at a rate well above the U.S. average. Waihee has pumped funds into an expensive new universal health care program--which threatens to bankrupt the state--new low-income housing projects, education, and "economic development." Despite all of those "pro-growth" spending initiatives, the unemployment rate in Hawaii has increased by 2 percentage points since 1989, and property values are in a depression. The spending path charted under Waihee is clearly unsustainable--both fiscally and economically.

Idaho

Cecil D. Andrus, Democrat Legislature: Republican
Took Office: 1/87
Grade: C

Andrus has a pro-tax, pro-spending bias that seems out of step with historically fiscally conservative Idaho. He has raised corporate taxes, gasoline taxes, and other fees. Tax receipts have been accelerating at 6 percent per year above inflation. Andrus has used that money to expand the state budget by more than one-third, after inflation, since 1987. Much of the money has been channeled into the schools, children's programs, and the environment. Idaho is losing its distinction as a low-tax state under Andrus's leadership.

Illinois

Jim Edgar, Republican Legislature: Divided
Took Office: 1/91
Grade: C

The Republican party apparatus in Illinois has long been ruled by moderates, and Edgar is the prototypical Illinois GOP politician. He has not raised major taxes, but he made permanent an anti-growth state income tax increase (enacted by his predecessor Republican Jim Thompson) that was supposed to have been temporary. Although Edgar promotes himself as an anti-spending crusader and talks of aggressively downsizing state bureaucracy, during his first year, the Illinois budget grew by more than $1 billion, or almost 6 percent. Over the past year, however, Edgar's performance has finally started to match his budget-hawk rhetoric. In 1993 and 1994 the budget will grow by only about 1 percent per year after inflation. Edgar falls in the middle of our ranking of governors.

Indiana

Evan Bayh, Democrat Legislature: Divided
Took Office: 1/89
Grade: B

Bayh has an admirable overall fiscal and economic record as governor of Indiana since 1989. Indiana has been one of the top states in job creation in the 1990s, and its unemployment rate has declined significantly relative to the national average. Bayh has been conspicuous among governors in firmly keeping his promise not to raise any major taxes. By 1992 the tax burden had declined by about $300 per family. His record on spending is not as solid; expenditures climbed by 4 percent per year above inflation, with more money poured into education, health care, and children's programs. Still, on balance, his performance is better than that of most governors.

Iowa

Terry E. Branstad, Republican Legislature: Divided
Took Office: 1/83
Grade: C

As one of the two governors with the longest tenures (the other is Mario Cuomo), Branstad has had a tough task doing battle year in and year out with a notoriously pro-big-government legislature. His major successes came in his first term when he cut business taxes and personal income tax rates. But the state still has one of the 10 highest top marginal income tax rates in the country at 10 percent. Branstad hurt himself severely by not vetoing an unpopular sales tax rate hike and base-broadening measure in 1992, the same year he gave state employees an 8 percent raise. Overall, Branstad's budget numbers are a bit better than average. He has held real spending and revenue growth to about 2.5 percent per year for almost 10 years. His tax cuts and fiscal restraint have made Iowa one of the fastest growing states since the mid-1980s.

Kansas

Joan Finney, Democrat Legislature: Republican
Took Office: 1/91
Grade: D

Although Finney was elected as a fiscally conservative, anti-tax Democrat, her performance has been somewhat disappointing. In her second year in office, she agreed to major income tax increases, a sales tax hike, and a gasoline tax increase. Expenditures rose about 4 percent after inflation in her first year, and the general fund has grown by 9 percent per year since then. Kansas voters have dumped their last two governors (Democrat John Carlin and Republican Mike Hayden) for raising taxes; Finney may be the third in a row to be ousted.

Kentucky

Brereton C. Jones, Democrat Legislature: Democratic
Took Office: 12/91
Grade: C

Jones, a former Republican state legislator in West Virginia, won a lopsided gubernatorial race in 1991 by promising to promote economic development in Kentucky. His major development initiative has been the expansion of a corporate tax abatement program that provides tax relief for new businesses locating in the state. (In some cases the state pays half of new businesses' rent for up to 10 years and reimburses them for up to half of their start-up costs.) But there is much on Jones's agenda that will hurt business formation, including an increase in the corporate tax rate and a proposed new universal health care program. For the most part, Jones has shown moderate fiscal restraint on spending issues, with outlays rising only slightly higher than inflation. Halfway through his term (he is ineligible for reelection), Jones seems destined to leave behind a mediocre fiscal record.

Louisiana

Edwin W. Edwards, Democrat Legislature: Democratic
Took Office: 1/92
Grade: C

In his long career in politics, Edwards did the public his greatest service in 1991 when he bested ex-Klansman David Duke for the governorship of Louisiana. Elected to three previous four-year terms as governor in 1971, 1975, and 1983, he was chased from office in 1987 under indictment for bribery, of which he was later acquitted. In 1992 Edwards cut spending and held the line on taxes. But in his budget for fiscal year 1994, he reversed course and pushed a $480-million tax hike, including a new state property tax. A charitable assessment of the fiscal record of his fourth term is that it has been average.

Maine

John R. McKernan, Jr., Legislature: Democratic
Republican Took Office: 1/87
Grade: C

McKernan has been governor during the best of times and the worst of times for Maine. During the good economic times that lasted through 1989, the state treasury was flush with revenues and McKernan used those riches for tax rebates and generous spending hikes. From 1987 through 1992, Maine's expenditures increased by 6 percent per year, or approximate $2,500 per family over the period. When the bottom fell out of the economy in the Northeast, Maine's unemployment rate skyrocketed by 3.5 percentage points, and the budget surpluses quickly turned to a pool of red ink. McKernan initially responded to the budget crisis by agreeing to "temporary" increases in the sales and income taxes. Those temporary tax hikes remain in effect today. From 1989 to 1993 Maine had the fifth largest tax increase in the nation, which hindered its economic recovery. Fortunately, McKernan has finally forced the Democratic legislature to take the knife to the budget. General fund spending has been reduced by nearly $200 million since 1992. For liberal Maine, McKernan may be as fiscally conservative as a governor can be.

Maryland

William Donald Schaefer, Legislature: Democratic
Democrat Took Office: 1/87

Grade: C

Schaefer may have made the biggest mistake of his 40 years in public office two years ago when he rammed a major tax increase through the state legislature. That tax hike included higher income tax rates on the rich, a gas tax increase, an expanded sales tax, and a doubling of the cigarette tax. The tax bill propelled Maryland, which already collected $500 more per resident in tax revenues than the average state, even higher into the ranks of America's most taxing states. As so often happens, the tax rate increases have failed to translate into increases in tax revenue. Hence, chronic budget deficits remain. Schaefer has failed to support even modest restraint in spending. The Maryland budget grew at an annual pace of almost 4 percent above inflation between 1987 and 1992--notwithstanding Schaefer's assurances of belt-tightening in Annapolis. Overall, Schaefer's fiscal performance has been less than inspiring.

Massachusetts
William F. Weld, Republican Legislature: Democratic
Took Office: 1/91
Grade: B

Weld has demolished the myth that it is politically impossible to cut government spending. Except for a brief "sophomore slump," Weld has a stunningly successful fiscal record in Massachusetts. His supply-side fiscal conservatism has reversed a decade of uninterrupted budget growth during the "Massachusetts Miracle" years under predecessor Michael Dukakis. Inheriting a $1-billion deficit, Weld balanced the budget in his first year by slashing state expenditures by $600 million--a 3 percent real cut--by shunning all new taxes, and by repealing a sales tax on services that had been enacted in December 1990. Since then the budget has grown by a modest 2 percent per year, with most of that growth occurring in his slump year, fiscal 1993, when he increased funding for "investment" and envi- ronmental programs. In addition to balancing what had been perceived as a hopelessly imbalanced budget, Weld has had several other noteworthy triumphs. He has cut taxes five times, slowed the growth of Medicaid and welfare spending, proposed eliminating the state tax on long-term capital gains, and engineered a triple up-grade in the state's bond rating in just three years. His latest bombshell was a pronouncement that he will seek a $300-million income tax cut to offset the impact of President Clinton's federal income tax increase. Weld is on the way to creating a genuine Massachusetts miracle.

Michigan
John Engler, Republican Legislature: Divided
Took Office: 1/91
Grade: B

Engler has helped to catapult Michigan, once derided as the rust-belt state, into one of the fastest growing states in the union. Last year Michigan's unemployment rate fell below the national average for the first time in 25 years. Engler's growth-oriented fiscal policies are in part responsible for that impressive economic performance. Engler has held state spending growth to just above the inflation rate in his first three years. He has cut the state workforce by 4,000 workers; eliminated an entire department; and cut spending on the arts, commerce, and labor in half. Engler gained national attention for eliminating the state's general assistance welfare program for some 80,000 employable adults--thus disproving the mythical iron rule of politics that entitlements cannot be eliminated. The only blemish on his record has been an increase in school funding over the past three years. But Engler's latest crusade is to sharply cut sky-high property taxes that fund the schools, while demanding greater parental choice in education. Engler's unique blend of policy innovation and fiscal conservatism has been positive for Michigan.

Minnesota
Arne H. Carlson, Republican Legislature: Democratic
Took Office: 1/91
Grade: D

Carlson came to the governor's mansion with a reputation as a moderate Republican, not as a dedicated budget cutter. So far, he has lived up to that reputation. In his first three years, spending in real terms has grown at a respectable rate of less than 3 percent per year. Carlson deserves credit for holding the Democratic legislature to that moderate spending level. But he has created several new spending programs, including a universal health care program called HealthRight, which will cost state taxpayers at least $250 million a year. On the tax side, he has fared worse. The income tax and sales tax have been raised, and tax revenues climbed by $650 per family in his first year alone. Overall, Carlson's fiscal performance has been slightly below average in most categories.

Mississippi
Kirk Fordice, Republican Legislature: Democratic
Took Office: 1/92
Grade: A

Fordice is Mississippi's first Republican governor in 115 years. A self-made businessman, he has pursued an unapologetic pro-business, pro-jobs agenda. Fordice has stuck to his guns and refused to consider any tax hikes; instead, he trimmed the budget by nearly 5 percent during his first two years in office. In 1992 the Democrat-controlled legislature passed a 1 cent increase in the state sales tax--overriding Fordice's veto. Because of Fordice's tightfistedness, the budget is now running a surplus that Fordice wants to erase by cutting income taxes. His policies have been a spectacular economic success. In 1993 U.S. News & World Report ranked Mississippi first in economic performance coming out of the recession.

Missouri
Mel Carnahan, Democrat Legislature: Democratic
Took Office: 1/93
Grade: D

Democratic lieutenant governor Mel Carnahan soundly defeated state attorney general William Webster for the governorship in 1992. Carnahan campaigned on the promise of a tax increase for education--to reduce class size, expand merit pay, and reorganize higher education--and to establish a Missouri Research Alliance to assist business growth. Unfortunately for Missouri taxpayers and businesses, he has kept his promises. His first-year budget included a 5.3 percent real increase in spending. The legislature added yet another $119 million to that figure, which means that spending will rise by 7 or 8 percent. Furthermore, the corporate income tax rate was raised from 5 to 6.25 percent, and the federal income tax deduction from both the state personal income tax and the state corporate income tax was sharply reduced.

Montana
Marc Racicot, Republican Legislature: Divided
Took Office: 1/93
Grade: D

Racicot has one of the most pro-government, pro-tax philosophies of any governor of either party. His first initiative as governor was to push for a new 4 percent sales tax (Montana does not have one)--an idea the voters soundly defeated when it appeared on the ballot last year. The fallback measure approved by the legislature and Racicot was an income tax increase. An avalanche of public opposition to the increased income tax has forced a voter referendum on the issue in November 1994. In the meantime, Racicot has doubled the state payroll tax, raised the state gas tax 7 cents a gallon, and increased dozens of fees and assessments. Racicot's latest brainstorm is a government-run universal health care program for Montana. In his first year in office, Racicot came up with a seemingly endless stream of bad ideas for Montana.

Nebraska
E. Benjamin Nelson,
Democrat Legislature: Nonpartisan
Took Office: 1/91
Grade: D

Nelson is the third straight Nebraska Democrat to win the governorship by ousting a pro-tax Republican. He relentlessly attacked incumbent Kay Orr for breaking a no-new- taxes pledge. But once he gained office, Nelson raised taxes several times himself. Both the top marginal corporate and personal income tax rates have been raised, although

Nebraskans did see a small reduction in the gasoline tax. In Nelson's first year in office, real state expenditures grew by nearly 8 percent, but since then spending has been held to roughly the inflation rate. Nebraska currently ranks 40th among the states in tax burden and spending, but in recent years it has been moving toward the middle. That is not going to bring jobs and families back to a state that has been losing both.

Nevada
Bob Miller, Democrat Legislature: Divided
Took Office: 1/89
Grade: D

The Nevada economy has been surging over the past several years--thanks in no small part to the exodus of businesses and jobs from high-tax neighbor California and the fact that Nevada has no personal or corporate income tax. Unfortunately, Nevada's budget has surged forward even faster than the economy and population growth. In Miller's first full three years in office (1989-92), the state budget grew by more than 10 percent per year above inflation. Real spending per family grew by $1,200 in those years. To help finance that enormous spending build-up, Miller raised the sales tax, the gas tax, and the cigarette tax. After a miserable start, Miller's budget performance is slowly improving. Since 1992 spending has fallen below the inflation rate and Miller is insisting on no new taxes. If Nevada's spectacular economic boom is to continue, the state needs to follow Miller's new policies.

New Hampshire
Stephen Merrill, Republican Legislature: Republican
Took Office: 1/93
Grade: A

New Hampshire has the lowest per capita state tax burden, no personal income tax, and no state sales tax. Residents want it to stay that way. Since 1972 every governor and state legislator has taken a pledge not to vote for a sales tax or an income tax. In 1992 Merrill trounced his Democratic opponent Deborah Arnesen, who refused to take "the pledge." During his first full year in office, Merrill held the line on taxes and made real cuts in state spending. Cutting the size of government in a state that already has the lowest tax burden in America is an impressive accomplishment indeed. Merrill's policies have helped New Hampshire crawl out of the recession in stronger economic shape than most of its neighbors. Jobs are finally reappearing, and the half-decade-long budget crisis is finally over.

New Jersey
James Florio, Democrat Legislature: Republican
Took Office: 1/90
Grade: F

Florio's just-completed four-year term as governor was a period of severe economic decline and fiscal deterioration for New Jersey. After winning a landslide election by pledging no new taxes, Florio immediately rammed through the legislature a "soak the rich" $2.8-billion tax hike to provide a massive infusion of funds to the inner-city schools. The economy immediately sank deeper into recession, business bankruptcies increased by 150 percent, 300,000 jobs were lost, and the unemployment rate rocketed to 9.1 percent--the highest in the nation. Florio contended that his tax hike was an unavoidable dose of bitter medicine to balance the budget. The truth is that Florio was among the three biggest spending governors in the nation. In 1991 the budget in nominal terms grew by 8.4 percent; that increase was followed by a 1992 budget expansion of 26.1 percent (the third largest in the nation). In his first two years the budget grew by more than $3,000 per family. Florio's woeful fiscal record would be worse, except that after the Democrats were swept from the legislature in the 1991 midterm elections, the newly elected legislators enacted spending and tax cuts over Florio vetoes. From start to finish, Florio's new-age progressive populism was an enormous bust for New Jersey.

New Mexico
Bruce King, Democrat Legislature: Democratic
Took Office: 1/91
Grade: D

New Mexico ranks among the top five states in virtually all spending and tax categories. It spends about $1,500 more per family than the average state; it has roughly twice as many state employees as a share of the population; and its tax burden is the highest among the 48 contiguous states. Under King the disparities have widened. From 1980 to 1992 the New Mexico budget grew by 67 percent, and the welfare budget alone rose 150 percent above inflation--King was governor during roughly half of those years. (This is King's third stint in the governor's mansion; New Mexico does not allow governors to serve consecutive terms.) His performance in recent years has been especially poor. In 1992 King allowed spending to climb by more than $535 per family. Last year he raised the gas tax by 6 cents per gallon, a 38 percent increase. As Forbes recently summarized the fiscal situation in New Mexico under Governor King, "Until the politicians understand that states don't attract capital with high taxes and red tape, you'd want to think twice before starting or expanding a business here."

New York
Mario M. Cuomo, Democrat Legislature: Divided
Took Office: 1/83
Grade: C

In many ways Cuomo has governed as an old-school north-eastern liberal Democrat. He seemingly never met a spending program he didn't like. During his three terms Cuomo has approved enormous budget increases for education, transportation, social services, AIDs, the homeless, and children's programs. In 10 years Cuomo took the New York budget from less than $50 billion to $75 billion--a 55 percent real increase. New York spends $6,000 more per family today than it did when Cuomo was first inaugurated in 1983. Thanks to spending excesses, New York is now saddled with what the New York Times calls "a rotten credit rating, the worst among the 50 states." But the complicating feature of Cuomo's record is that his tax policies have been supply side. He chopped the top tax rate in the state from 14 percent to 8 percent--a policy that generated strong economic growth for New York in the 1980s and thus produced a revenue windfall, which Cuomo eagerly spent. Cuomo has also held the line on the sales and gas tax for 10 years. As he prepares for his fourth election bid, he is now talking about cuts in business taxes to spur an economy that has lost some half million jobs in the 1990s. The big question is whether New York would be getting Cuomo the tax cutter or Cuomo the free-wheeling big spender.

North Carolina
James B. Hunt, Jr., Democrat Legislature: Democratic
Took Office: 1/93
Grade: F

Hunt's third term as governor (he served from 1976 to 1984) has been anything but a charm for North Carolina. He came to office promoting big-government ideas--including school-based apprenticeship programs, increased spending on day care, and more money for the schools--and so far he has been successful at implementing them. His first-year budget contained a recommended 8.7 percent real increase in spending, far above the increase that was legislated in most states for 1994. Hunt's pro-spending philosophy threatens to disrupt a decade of strong economic performance in North Carolina.

North Dakota
Edward T. Schafer, Republican Legislature: Divided
Took Office: 1/93
Grade: D

While sending Schafer to the governor's mansion, North Dakotans also defeated a proposed one-half cent sales tax hike. Schafer did not get the voters' anti-tax message. In his first year North Dakota raised its income tax (because the state piggybacks on the federal rates, which were raised by Bill Clinton), the gas tax, the state's tax on charitable gaming tickets, and the cigarette tax (from 29 cents a pack to 44 cents). To his credit, however, Schafer has pushed through significant cuts in state spending. In 1994 state general fund outlays will grow more slowly than inflation.

Ohio
George V. Voinovich, Legislature: Divided

Republican Took Office: 1/91
Grade: D

Voinovich campaigned for governor as a fiscal conservative. Unfortunately, he has not governed that way. In his second year in office he pushed through a $1-billion tax hike. That package added a new top bracket for the personal income tax; expanded the sales tax base; increased taxes on gas, cigarettes, and alcoholic beverages; and imposed several new taxes, including a bed tax on nursing homes, a tax on soft drinks, and several environmental taxes. Despite Voinovich's encouraging talk about streamlining government, state expenditures rose by nearly $2 billion--$580 per family--in his first year. Since then spending and revenue growth have slowed, but both are still climbing ahead of the inflation rate. During Voinovich's tenure, Ohio has lost 35,000 manufacturing jobs, and it now ranks 36th in employment growth. On the positive side of the ledger, Voinovich has overhauled the state's costly workmen's compensation system and has recently launched a new program of corporate tax credits for new investment. Nevertheless, overall, Voinovich's fiscal performance has been a disappointment.

Oklahoma
David Walters, Democrat Legislature: Democratic
Took Office: 1/91
Grade: C

Walters's term as governor have been dominated by continuous allegations that he ran afoul of campaign finance laws during the 1990 governor's race. He recently pleaded guilty to a misdemeanor. Amidst all the turmoil, Walters's fiscal record has been overlooked. It has been a mixed bag. In 1992 he increased spending by 9 percent, primarily to pump more money into the schools. But he has held the line on taxes--thanks in part to passage of a recent ballot initiative that requires a three-fourths vote of the legislature or a vote of the people to raise taxes. In 1993 he called for and won an across-the-board cut in spending on the entire budget, except education. The economy is on the rebound with a big surge in new business incorporations and a below-average unemployment rate, despite the depression in the oil industry. At least on fiscal and economic issues, Walters has not been the villain that the press has made him out to be.

Oregon
Barbara Roberts, Democrat Legislature: Divided
Took Office: 1/91
Grade: D

Roberts describes herself as an old-school liberal Democrat. But even in liberal-leaning Oregon, she may be too far to the left for the average citizen. She has spent her first three years barnstorming the state unsuccessfully for one major new tax after another. She made it a personal crusade to overturn the state's 1990, 30 percent, property tax reduction referendum measure. The voters rejected that effort. She lobbied for instituting a state sales tax, but the measure was defeated on the ballot by a three-to-one margin. Meanwhile, the Oregon budget has exploded. Roberts's cries that the state was being depleted of revenues were greeted with universal scorn after her first-year budget saw state revenues surge by a nation-leading 22 percent--or $1,700 per family. In spite of her claims that spending had been tightly restrained by tax caps, she somehow found the money to raise spending by $500 per family in 1992. Also in 1992 Roberts narrowly eluded a recall petition, inspired in no small part by her abysmal fiscal record.

Pennsylvania
Robert P. Casey, Democrat Legislature: Democratic
Took Office: 1/87
Grade: D

Both taxes and government spending have been steadily on the rise during Casey's tenure. During his first five years, the state budget roughly doubled. Adjusting for inflation, that amounts to more than $3,000 per family. In 1991 Casey joined the tax hike bandwagon and won passage of a $2-billion personal and corporate income tax increase, which raised the rates and added a surtax to each. (The surtax on personal income expired as scheduled.) The state's economy still has not recovered. Pennsylvania has lost nearly 100,000 manufacturing jobs since 1989; its unemployment rate has risen by almost 3 percentage points; and it has been one of the slowest states to come out of the 1991-92 recession. All that adds up to a below-average economic and fiscal record for Casey.

Rhode Island
Bruce Sundlun, Democrat Legislature: Democratic
Took Office: 1/91
Grade: D

No state was hit harder by the recent recession in the Northeast than Rhode Island. Sundlun took over the governorship in the midst of the downturn, inheriting a banking, real estate, and budget deficit crisis. He has not handled those crises well. In his first year he passed a disastrous tax hike--including higher income, business, and gasoline taxes. Unfortunately, the higher tax rates only produced a trickle of revenue, as the economy worsened. Meanwhile, Sundlun's efforts to control a decade-long budget build-up proved woefully inadequate. In 1992 the budget grew by 11 percent in real terms, or $1,500 per family. Fortunately, since 1992 Sundlun has begun to make some genuinely deep cuts in spending and bureaucracy. His fiscal record has, nevertheless, been a case study in how not to manage a budget crisis.

South Carolina
Carroll A. Campbell, Jr., Legislature: Democratic
Republican Took Office: 1/87
Grade: B

Campbell calls himself a fiscal conservative, and on balance his record lives up to that billing. In an era when most states have been raising taxes, Campbell has been cutting them. He has trimmed the corporate tax rate, the capital gains tax, and commercial property taxes, while holding the line on the personal income and sales taxes. The result: taxes as a share of income have fallen in South Carolina. Moreover, new business investment has grown by some $18 billion since 1987, with BMW scheduling a new plant opening. The South Carolina economy has done surprisingly well despite big declines in defense contracts and the textile industry. Campbell's major deficiency has been a penchant for accommodating special-interest groups on the spending side of the ledger. He talks of the government "doing more with less," but during his tenure government has mostly done more with more. Between 1987 and 1992 real spending sped ahead at 5 percent per year. That all adds up to a good fiscal record, but by no means a great one.

Tennessee
Ned Ray McWherter, Democrat Legislature: Democratic
Took Office: 1/87
Grade: C

McWherter is barred from running for a third term this year, and that may be a major blessing for Tennessee, given his budget and tax policies. In 1992 McWherter lobbied tirelessly for a state income tax--Tennessee is one of nine states without one. He wanted the funds to spend on the state schools and teachers. The legislature defeated the income tax, so McWherter settled on a half-cent sales tax hike, expansion of the sales tax to health care services, and a 4 cent per gallon gasoline tax increase instead. From 1987 to 1992 state spending accelerated at a real rate of 5 percent per year under McWherter. Spending per family increased $1,500. Since then spending has risen even faster. Despite all of those troubling trends, Tennessee's no-income-tax policy continues to lure new business and investment, including new Nissan and Saturn assembly plants, to the state. It may be that Tennessee is doing well in spite of, not because of, McWherter.

Texas
Ann W. Richards, Democrat Legislature: Democratic
Took Office: 1/91
Grade: D

Richards may be the most overrated governor in America. She is undoubtedly one of America's most charismatic political figures. One of her central accomplishments was her aggressive, effective promotion of NAFTA. Richards boasts of being a fiscally moderate Democrat, but the state budget trends suggest otherwise. In her first year the Texas budget grew by an enormous 11.5 percent in real terms, or more than $650 per family. That spending burst outpaced the increases in all but a small handful of states. Texas has no corporate or personal income tax, but Richards has resorted to an assortment of other business taxes and gas tax hikes to bring more revenue into Austin. Worst of all, she has consistently fumbled the political football of school finance reform. Her original Robin Hood scheme to soak the rich districts to pump more funds into the schools in poorer districts was solidly rejected by the voters at the polls. Two other plans have been rejected by the courts. Distancing herself from Bill Clinton, Richards says she wants to run for reelection this year on the basis of her record. That record has been inglorious at best.

Utah
Mike Leavitt, Republican Legislature: Republican
Took Office: 1/93
Grade: C

Leavitt had an average fiscal record in his first year in a very fiscally conservative state. His major accomplishment was to block new taxes to pay for water projects and other public works. His major failing has been a complete unwillingness to challenge the extremely powerful education establishment in Utah. He is against school choice and for the litany of conventional school reforms. That earned him the endorsement of the teachers' unions in the 1992 campaign, but it holds little promise of improving Utah's schools.

Vermont
Howard Dean: Democrat Legislature: Divided
Took Office: 8/91
Grade: B

Dean, a physician by training, succeeded to office in 1991 when Republican governor Richard Snelling died in office. Dean has held the growth of revenue and spending below the rate of inflation. He has also pushed for welfare entitlement reforms, including a reduction in AFDC. But his major interest is health care, and he is leading Vermont in the dangerous direction of universal access and a state takeover of the health insurance industry. That could have major negative implications for the fiscal future of Vermont.

Virginia
L. Douglas Wilder, Democrat Legislature: Democratic
Took Office: 1/90
Grade: A

In an era when many politicians pretend to be "new Democrats," Wilder is the real thing. A grandson of slaves, he was the first black to be elected governor in the nation. He took over the Virginia state house in the midst of a fiscal crisis made worse by painful Pentagon cutbacks in a state where nearly one in five jobs is defense related. Unlike the governors of virtually all other states in a similar predicament, Wilder steadfastly resisted all new taxes and vetoed repeated attempts by the legislature to impose them. Wilder argued that "citizens should not bear a heavier burden during this recession" and that more revenues were "simply unnecessary." He was proven right. By holding state spending to just over the inflation rate for four years, he balanced the budget every year and preserved the state's AAA bond rating. Ironically, in 1993 state revenues accelerated by nearly 10 percent--far better revenue production without new taxes than many states experienced with them. In 1992 Financial World magazine ranked Virginia as the best state in the nation at handling the budget and praised Wilder for "making mincemeat out of the stereotype of free-spending governors." At the end of his term (Virginia does not allow governors to serve consecutive terms), he left Virginia in excellent fiscal shape and with an economy solidly on the rebound.

Washington
Mike Lowry, Democrat Legislature: Democratic
Took Office: 1/93
Grade: D

In his first year in office, Lowry set out to, as the Almanac of American Politics put it, "make Washington a laboratory for liberal reform." Lowry pledged during the 1992 campaign to raise taxes "only as a last resort." Then after his election he raised taxes by $1 billion as a first resort. The money will be used for a universal health care program, which requires businesses to provide insurance for all employees. (Hillary Clinton is said to have used the Washington plan as a model for her national reforms.) The taxpayer cost to cover the uninsured and the unemployed is expected to top $2 billion by 2000, if the program is not repealed. The plan is widely unpopular as is the governor himself, according to recent public opinion polls. Lowry has also lobbied for big increases in education funding and for new "public-private partnerships" with business. So far, Lowry looks like the Jim Florio of the West.

West Virginia
Gaston Caperton, Democrat Legislature: Democratic
Took Office: 1/89
Grade: D

In the 1980s West Virginia had the slowest growth in taxes and spending of any state. In the 1990s under Caper- ton it has had one of the fastest growing budgets. During his first term (1989-92), Caperton broke a no-new-taxes pledge and passed a $400-million revenue raiser that includ- ed broadening the sales tax base and doubling the gasoline tax. During Caperton's first three years in office, West Virginia's expenditures mushroomed by 7 percent per year above inflation. In 1992 the state spent nearly $2,500 more per family than it did in 1989. Most of that money has flowed into the schools and teachers' paychecks, but there is no indication that the schools are performing any better. Meanwhile, the state has produced virtually no net new jobs over the past four years. If Caperton's second term is like his first, West Virginians are in for a long four years.

Wisconsin
Tommy G. Thompson, Republican Legislature: Divided
Took Office: 1/87
Grade: B

Wisconsin has served as the prototype "laboratory of democracy" under Thompson. From welfare reform, to parental choice in education, to supply-side tax cuts, Thompson has been one of the nation's most creative and widely imitated policy innovators. Over the past four years he has cut income taxes, capital gains taxes, and inheritance taxes. The tax burden in Wisconsin actually declined during Thompson's first five years in office. Only recent increases in the corporate income and cigarette taxes mar his tax record. However, Thompson has not been especially tightfisted. From 1987 through 1992 the budget grew by about 3 percent above inflation per year--an increase of more than $1,000 per family. The budget would have grown even faster had Thompson not employed his line-item veto more than 1,200 times to cut hundreds of millions of dollars from appropriations bills over the years. His welfare reform ideas have been criticized by people on both the left and the right end of the political spectrum as social engineering. But there is no arguing with Thompson's results: from 1987 to 1993 AFDC rolls expanded 31 percent nationwide, but they fell by 17 percent in Wisconsin. Some of that improvement is no doubt a result of a remarkably strong economy in Wisconsin. In 1992 Wisconsin ranked in the top five states in job creation. Clearly, Thompson must be doing something right.

Wyoming
Michael J. Sullivan, Democrat Legislature: Republican
Took Office: 1/87
Grade: B

Sullivan's budget-cutting record from 1987 to 1992 was second to none. Over those five years Sullivan held state expenditures to below the inflation rate--a highly impressive feat. Much of the downsizing was the result of necessity; when the oil market went bust in the 1980s, Wyoming's mining and energy tax revenues plummeted, throwing the state government's finances into turmoil. In his first term Sullivan radically reorganized government, trimming 79 agencies down to just 12. He instituted a work-for-welfare program and dramatically shrank the government workforce. For that, he received an A on Cato's first fiscal report card. Unfortunately, his performance during his second term has been mediocre. After he raised the sales tax by 1 percent and increased various fees, the budget started to rise again. Given that Wyoming is already one of the nation's top five spending states on a per capita basis (even after Sullivan's budget cutting), another budget build-up is the last thing the state's struggling economy needs.