

A FISCAL POLICY REPORT CARD ON AMERICA'S GOVERNORS: 1998

by Stephen Moore and Dean Stansel

Executive Summary

This report presents the findings of the Cato Institute's fourth 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 1998 report card: William Janklow of South Dakota and John Rowland of Connecticut. Three governors receive the grade of F: John Kitzhaber of Oregon, Lawton Chiles of Florida, and Mel Carnahan of Missouri.

The governors of America's most populous states and their grades are Pete Wilson of California, C; George W. Bush of Texas, B; George Pataki of New York, B; Tom Ridge of Pennsylvania, B; Jim Edgar of Illinois, D; George Voinovich of Ohio, D; John Engler of Michigan, B; and Christine Todd Whitman of New Jersey, B.

There has been a clear trend toward more spending at the state level during the past two years. This year many governors recommended budget increases of more than 7 percent, roughly three times the rate of inflation. Since 1996 state spending has grown roughly 50 percent faster than federal expenditures. Inflated budgets are now being promoted even by Republican governors who came into office in 1994 and 1995 promoting tax-cutting agendas. In our 1996 report we noted that the governors had moved states in a pronounced fiscally conservative direction. Now we are much less sanguine.

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Introduction

Today, more than at any time in half a century, state governments in America are under the command of Republicans. Nowhere is the GOP's ascendancy at the state level more evident than in the party's nearly two-to-one lead over the Democrats in governorships. Thirty-two of the governors are Republicans, 17 are Democrats, and one, Angus King of Maine, is an independent. Only 2 of the 10 most populous states, Florida and Georgia, have Democratic governors. That is a dramatic shift in party control from 15 years ago when only 22 governors were Republicans. Adding to the Democrats' woes at the state level is the fact that the GOP has steadily gained seats in state legislatures across the nation as well. Since 1992 the Republicans have picked up nearly 500 seats in the state legislatures and have gone from controlling 27 percent of the state legislative houses to controlling just under half of them.

It is in this new era of Republican domination of statehouses that we provide the results of the Cato Institute's fourth biennial "Fiscal Policy Report Card on America's Governors."¹ The study is a comparative analysis of the budget and tax records of 46 governors. (Jane Hull of Arizona, Paul Cellucci of Massachusetts, and Jim Gilmore of Virginia are not included because they assumed office too recently for it to be possible to fully assess their records. 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.

The grading mechanism is based on purely objective measures of fiscal performance. With a few minor refinements in the grading system, the study is based on the procedures developed in the previous three studies. All of the spending and tax data come from the Bureau of the Census, the National Association of State Budget Officers, the National Conference of State Legislatures, and individual state budget and revenue departments.

Table 1 presents the overall fiscal policy grades of each of the 46 governors. (More detailed tables are found in Appendix A.) Two governors receive an A on our 1998 report card: William Janklow of South Dakota and John Rowland of Connecticut. Three governors receive the grade of F:

Table 1
Overall Fiscal Policy Grades

Governor	State	Date Took Office	Overall Fiscal Policy Score	Grade
William J. Janklow (R)	South Dakota	Jan-95	75	A
John G. Rowland (R)	Connecticut	Jan-95	74	A
George E. Pataki (R)	New York	Jan-95	70	B
George W. Bush (R)	Texas	Jan-95	69	B
Gary E. Johnson (R)	New Mexico	Jan-95	61	B
David M. Beasley (R)	South Carolina	Jan-95	61	B
Fob James Jr. (R)	Alabama	Jan-95	59	B
Philip E. Batt (R)	Idaho	Jan-95	59	B
John Engler (R)	Michigan	Jan-91	59	B
Gary Locke (D)	Washington	Jan-97	58	B
Jim Geringer (R)	Wyoming	Jan-95	58	B
Christine T. Whitman (R)	New Jersey	Jan-94	57	B
Tom Ridge (R)	Pennsylvania	Jan-95	56	B
Bill Graves (R)	Kansas	Jan-95	56	B
Don Sundquist (R)	Tennessee	Jan-95	55	B
Benjamin J. Cayetano (D)	Hawaii	Dec-94	55	B
Mike Huckabee (R)	Arkansas	Jul-96	52	B
Frank O'Bannon (D)	Indiana	Jan-97	51	B
Bob Miller (D)	Nevada	Jan-89	51	B
Paul E. Patton (D)	Kentucky	Dec-95	49	C
Kirk Fordice (R)	Mississippi	Jan-92	49	C
Parris N. Glendening (D)	Maryland	Jan-95	49	C
E. Benjamin Nelson (D)	Nebraska	Jan-91	48	C
Mike Foster (R)	Louisiana	Jan-96	47	C
Lincoln Almond (R)	Rhode Island	Jan-95	47	C
James B. Hunt Jr. (D)	North Carolina	Jan-93	46	C
Cecil Underwood (R)	West Virginia	Jan-97	46	C
Angus S. King Jr. (I)	Maine	Jan-95	46	C
Tommy G. Thompson (R)	Wisconsin	Jan-87	45	C
Arne H. Carlson (R)	Minnesota	Jan-91	44	C
Zell Miller (D)	Georgia	Jan-91	44	C
Howard Dean (D)	Vermont	Aug-91	44	C
Michael O. Leavitt (R)	Utah	Jan-93	44	C
Roy Romer (D)	Colorado	Jan-87	43	C
Marc Racicot (R)	Montana	Jan-93	43	C
Edward T. Schafer (R)	North Dakota	Dec-92	42	C
Pete Wilson (R)	California	Jan-91	41	C
Jeanne Shaheen (D)	New Hampshire	Jan-97	41	C
Frank Keating (R)	Oklahoma	Jan-95	40	D
Terry E. Branstad (R)	Iowa	Jan-83	40	D
Tom Carper (D)	Delaware	Jan-93	39	D
George V. Voinovich (R)	Ohio	Jan-91	39	D
Jim Edgar (R)	Illinois	Jan-91	38	D
Mel Carnahan (D)	Missouri	Jan-93	35	F
Lawton Chiles (D)	Florida	Jan-91	32	F
John A. Kitzhaber (D)	Oregon	Jan-95	27	F

John A. Kitzhaber of Oregon, Lawton Chiles of Florida, and Mel Carnahan of Missouri.

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 1996. The national economic expansion has filled state coffers with revenues, and many governors have recommended from modest to major new expenditures of those windfall funds. This year numerous governors--both Republicans and Democrats--recommended increasing spending by more than 7 percent, roughly three times the rate of inflation. For the past three years state spending has grown roughly 50 percent faster than federal expenditures. The New York Times recently headlined a report on the budget proposals of the governors of northeastern states, "Spending, Not Tax-Cutting, Draws Focus of Governors." Political reporters David Broder and Dan Balz of the Washington Post noted earlier this year that GOP governors "have learned to be conservative and pro-government at the same time."² Many have proposed the same types of spending initiatives that populate Bill Clinton's budget requests. Hence, in our opinion, the talk of a dramatic fiscally conservative trend in the states has been exaggerated.

Second, the governors elected in recent years (in particular those elected in 1993 and 1994) have tended to be more aggressive in cutting taxes than those first elected before 1993. The top 8 governors in our report (and 14 of the top 20) were elected in 1993 or 1994. None of those new governors has pushed for income tax hikes in their first terms, and most have recommended tax cuts of one kind or another. Major income tax cuts have been enacted in New York under George E. Pataki, Pennsylvania under Tom Ridge, Connecticut under John G. Rowland, Oklahoma under Frank Keating, and New Jersey under Christine Todd Whitman. For this reason, only two of the 1994 class of governors received a grade worse than C.

Third, the northeastern states in particular have moved in a most fiscally conservative direction in the last four years--thus reversing the tax-and-spend policies of previous governors, such as Lowell Weicker of Connecticut, Jim Florio of New Jersey, Michael Dukakis of Massachusetts, and Mario Cuomo of New York.³ Although the northeastern states are still 20-30 percent above average in tax burden and per capita spending, as the trend toward pro-growth tax cutting has continued,⁴ their relative economic performance has improved.

Fourth, for the first time since we began publishing this report card, we found that party affiliation did seem to make a major difference in the governors' records of fiscal restraint. Republicans substantially outperformed Democrats on the 1998 report card. The average grade for Republicans was a B-, while the average grade for the Democratic governors was a C-. On the past three report cards, Republicans recorded only slightly higher average grades than Democrats (C+ for Republicans and C- for Democrats). But not all Republicans did well. Frank Keating of Oklahoma, Terry Branstad of Iowa, George Voinovich of Ohio, and Jim Edgar of Illinois all received a grade of D.

Finally, this study inevitably reflects the impact of the spending and taxing inclinations of the state legislatures. On average, governors of states with more fiscally conservative legislatures tend to perform better on the report card than do governors of states with more pro-spending legislatures. There are 14 governors in our survey who work with state legislatures that are entirely controlled by the other party. Governors Lincoln Almond of Rhode Island, Kirk Fordice of Mississippi, Gary Johnson of New Mexico, and Frank Keating of Oklahoma have each been particularly handicapped by the fact that they work with legislatures that are more liberal than those of most states. On the other hand, Governors Roy Romer of Colorado, Gary Locke of Washington, and Lawton Chiles of Florida have each benefited significantly from a more fiscally conservative legislature. To at least partially separate out the influence of the legislature, we include data on each governor's budget recommendations and proposed tax cuts and increases--which are independent of the legislature--as a component of the rating.

The Myth of State Government Downsizing

The historic election of 1994 brought Republicans into majority power in both the U.S. Senate and the House of Representatives for the first time in 40 years. What was overlooked in that election--but was perhaps just as momentous--was the Republican takeover of the nation's statehouses including those of Texas, New York, Pennsylvania, Tennessee, Alabama, Oklahoma, and Connecticut. In all, 14 new Republican governors were elected in November 1994. Almost all of them--from Bush in Texas to Pataki in New York--promised leaner and less costly state government.

The elections in 1995, 1996, and 1997 brought further GOP pickups so that the GOP now has almost a 2-to-1 advantage in governorships, and roughly 70 percent of the U.S. population lives in a state with a Republican governor. The

statehouses have a decidedly Republican flavor today.

That remarkable shift of the balance of power in favor of Republicans has at least partially reflected the voters' general preference for more fiscal restraint at the state level. Both 1990 and 1991 brought record tax increases in the states. Arizona, California, Connecticut, Kansas, Massachusetts, Michigan, Missouri, New Jersey, and New York enacted multi-billion-dollar tax hikes--mostly income tax rate increases. In almost every case those tax policies had crippling effects on the state's economy and exacerbated its fiscal crisis.

Most tax-raising governors were rejected by voters at the polls and replaced with more fiscally conservative successors, such as Engler of Michigan, Ridge of Pennsylvania, Whitman of New Jersey, and Pataki of New York. Each of those governors ran for office pledging spending restraint and broad-based tax cuts. Whitman's unexpected victory over Florio in the 1993 New Jersey gubernatorial race stemmed largely from her bold proposal for a 30 percent income tax cut. Since then, Whitman's tax cut platform has been widely, and usually successfully, imitated by other Republican gubernatorial candidates across the country. The most recent example of the continued potency of the tax issue in state elections was the victory by Republican Jim Gilmore of Virginia in a race that became a referendum on Gilmore's pledge of "No Car Tax."

Republican governors have introduced many innovative fiscal and economic reforms to state government. Since 1993 some 30 states have enacted supply-side tax rate cuts. Only a handful has raised taxes since then. Republican governors have also been highly active in promoting education reform through school choice (Tommy Thompson of Wisconsin, Arne Carlson of Minnesota, and Voinovich of Ohio); work-based welfare requirements (Engler of Michigan, Fordice of Mississippi, and Rowland of Connecticut); and tort reform (Bush of Texas). "We are overthrowing all the unworkable liberal abstractions of the past and replacing them with a revolution of conservative ideas," boasted Pataki who defeated Mario Cuomo in New York in 1994.⁵

But on budget restraint, Republican governors have a mixed record at best. Despite the almost universal rhetoric of governors about government downsizing, in the past two years as the national economy has surged, many Republican governors have launched state spending sprees, reminiscent of state fiscal behavior in the 1980s. In those prosperous Reagan years, popular governors such as Michael Dukakis of Massachusetts, Mario Cuomo of New York, Tom Kean of New Jer-

sey, Bruce Babbitt of Arizona, and George Deukmejian of California allowed state expenditures to double and more in the span of a decade. The rapid rise in salaries, corporate profits, and consumer spending created tax windfalls for states in those years. When the recession finally hit in 1990,⁶ spendthrift states faced unprecedented levels of red ink.

This is precisely the situation in many states in the current economic expansion. In 1997 the states ended the fiscal year with about \$21 billion more in tax collections than they had anticipated. It appears that⁷ there will be a sizable revenue windfall this year as well.

In state capitals from Trenton to Sacramento, those surpluses have provided an irresistible temptation to spend. Pataki's eulogy for big government liberalism in New York was at best premature. In fact, only months after delivering that speech, Pataki endorsed a \$1.5 billion "infrastructure bond act," and this year he served up to the state legislature a budget calling for \$5 billion in new spending, a 9 percent increase. Pataki's first two budgets in 1995 and 1996 called for zero growth in spending. (His "sophomore slump" drops him from an A to a B on this year's report card.) Meanwhile, across the river in New Jersey, Whitman endorsed a 6 percent budget hike, including a \$600 million boost in education spending. On the West Coast, California's budget grew 8 percent in fiscal year 1998, and for 1999 outgoing Governor Wilson proposed another 8 percent increase, including more than \$1 billion in extra education spending.

In an era of almost no inflation, state budgets grew by 5 percent in FY97 and more than 6 percent in FY98.⁸ Noting that apparent return to profligacy, a recent Wall Street Journal headline read, "For Republican Governors, Spending Isn't a Dirty Word Anymore."⁹ Tommy Thompson recently declared all too truthfully that "you see a new breed of activism among us [Republican governors]." Voinovich adds that "we recognize there are problems to be solved and that there is a role for government to play." In recent years states have dramatically increased spending on Clintonesque priorities such as expanded government programs for child care, health care, education, and the environment.

In fact, although state lawmakers claim to have learned the lessons of the boom and bust cycle of 1982-90, the evidence does not altogether support that conclusion. On the one hand, it is true that states have built up sizable "rainy day" reserve funds. The National Association of State Budget Officers reported last year that "balances as a percentage of expenditures in fiscal 1996 and 1997 are at the highest levels since 1980."¹⁰ Over the past three years state reserves have averaged a healthy 7 percent of revenues.

But even as rainy day funds increase, state expenditures are climbing at an even more frantic pace than in the 1980s. After adjusting for inflation, state expenditures have grown by 4 percent per year so far in the 1990s versus 3.4 percent per year in the 1980s.

One measure of the expansion of state governments is the number of workers on the state payroll. A recent cover story in Governing magazine, titled "The Myth of the Meataxe," revealed the extent of the hiring binge at the state level in recent years. According to author Jonathan Walters,

In the mid-1990s as the words "freeze," "shrink," "cap," and "cut" have become staples of the executive lexicon, state government employment has continued to go up almost everywhere. Nationally, in the years from 1990-96, it increased by 5 percent, according to the Bureau of Labor Statistics.

You might expect that the states have staffed up at the expense of squeezing local governments--which according to conventional wisdom are laboring under the double hiring constraint of severe budgetary stress and political pressure to outsource and privatize. . . .

In fact, local and state government both win a place on the BLS top-10 list of growth industries in the 1990s.¹¹

The story notes that in Georgia, where Zell Miller boasts of "smaller is better" state government, public-sector employment is up 13 percent in the last 7 years. In Wisconsin Tommy Thompson has allowed state government payrolls to grow 7 percent in the last 6 years.

Even the barrage of tax cutting by the current crop of governors is not as dramatic as fiscal conservatives might have hoped. Despite the tax cuts, in these times of eco-

nomic expansion, state revenues naturally continue to rise substantially from year to year, particularly in states with progressive income tax codes. Furthermore, in many cases the tax cuts of 1994-98 have not fully reversed the massive tax hikes of 1990-92. As a result, since 1990 total state and local revenues as a share of incomes have risen from 22.2 percent to 25.1 percent.

State taxpayers fare worse today when it comes to the litany of fees, tolls, and excise taxes imposed by states. "Voters will no longer tolerate big broad hikes," notes a December 1997 Wall Street Journal editorial titled "Sales Tax Mania." "So politicians simply have started picking targets they hope voters won't notice. Hence, the recent spate of gas taxes, hotel taxes, car-rental taxes, cigarettes taxes, and so on."¹² A case in point is Wisconsin's Tommy Thompson, who has earned accolades in the past as an anti-tax-and-spend CEO. In his 1998 budget Thompson requested an increase in the gasoline tax and the cigarette tax as well as a tax on Internet sales. Governor Whitman of New Jersey has hiked the gas and cigarette taxes.

Of course, it is still unquestionably true that the current group of governors is far more fiscally conservative than the Florios, Cuomos, Weickers, and Caseys they replaced. On balance, the most onerous state and local taxes--income, property, and sales taxes--have fallen in recent years.

Nonetheless, rumors of the takeover of state government by fiscal conservatives have been greatly exaggerated. In our 1996 report card, we wrote that "from Albany, to Trenton, to Lansing, to Phoenix, the culture of big government liberalism is in clear retreat in the states and fiscal conservatism on the rise."¹³ That statement was made after 21 states slashed taxes in 1995. But now we are not so confident of a genuine conservative paradigm shift in state capitals. We are deeply discouraged, for example, that more of this year's revenue windfalls went for spending increases than for tax cuts. And as the example of Tommy Thompson indicates, even many of the most celebrated fiscal downsizers in the statehouses have caught the spending bug--particularly in this election year.

State Tax Rates Are Falling

In the 1990s the states have undergone a dramatic about-face on tax policy. The years 1990-92 brought record tax increases to attempt to balance state budgets in the recession. Since then the states have, by and large, pursued

the opposite policy. The governors elected in 1993, 1994, and 1996 have led the tax-cutting parade, enacting numerous supply-side tax rate reductions. In each of the past three years, more than half the states have cut taxes. 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. Over the same time period, no states passed major tax increases and only two raised tax rates.

This year about half of the governors recommended further tax cuts in their budget proposals for the coming fiscal year, including several recommendations for further supply-side rate reductions. Most ambitious of all was a proposal by Oklahoma's Frank Keating to cut the top state income tax rate in half, from 7 percent today to 3.5 percent by 2002. Ben Cayetano of Hawaii proposed cutting his state's sky-high personal income tax rates by 15 percent over several years. Engler of Michigan proposed phasing in a reduction of from 4.4 to 3.9 percent in the top income tax rate. Governor Cellucci of Massachusetts proposed reducing the state's personal income tax rate from 5.95 percent to 5 percent, phased in over three years. And Governor Pataki has continued his crusade to make New York's record-high tax system more pro-business and pro-investment by cutting the corporate income tax by 1.5 percentage points. Governor Janklow of South Dakota, one of the nine states that benefits from having no income tax, has proposed a second large property tax cut. Governors Gilmore of Virginia, Wilson of California, and Lincoln Almond of Rhode Island have started to phase out the car tax in their states.

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

The wide variety of tax changes enacted in the states so far in the 1990s 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 burden relative to the national average; others--particularly in the Northeast--have improved their tax position by slashing their overall tax burdens.

That raises the age-old issue of whether tax changes affect state economic growth rates. To address that issue, we compared, in a nonscientific way, 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

Table 2

Taxes and State Economic Performance in the 1990s

	Top 10 Tax- Hiking States FY90-96	Top 10 Tax- Cutting States FY90-96	U.S. Average
FY1990-96 Revenue Increases (as % of 1990 Personal Income)	1.7%	-0.3%	0.6%
Population, 1990-95	4.2%	7.4%	5.4%
Employment, 1990-95	0.0%	10.8%	5.9%
Unemployment Rate (% pts.), 1990-95	-0.2	-0.5	0.1
Unemployment Rate, 1995	6.0%	4.7%	5.6%
Personal Income, 1990-95	27.0%	32.6%	28.6%
Per Capita Personal Income, 1990-95	21.8%	23.4%	22.1%
Budget Reserves, FY1996 (% of spending)	1.7%	7.1%	5.1%

the period 1990-96. The results are at least suggestive that when states reduce their aggregate and marginal tax burdens, they improve their comparative economic performance.¹⁴

Major findings, as summarized in Table 2, include the following:

Population Growth

Americans voted with their feet in favor of tax-cutting states. Population gains were 4.2 percent in the tax-raising states but 7.4 percent in the tax-cutting states. The tax-cutting states gained 500,000 more people than did the tax increasers.

Employment Growth

Businesses and jobs migrated to low-tax states in the 1990s. From 1990 to 1995 the United States gained 7 million net new jobs. But in the 10 states that raised taxes, total employment did not rise at all--in fact, it fell slightly. The biggest job losses were in the tax-raising states of

Rhode Island, Connecticut, California, and Massachusetts. Job growth averaged 0.0 percent in the tax-increasing states and 10.8 percent in the tax-cutting states. None of the tax-cutting states lost jobs. Most noteworthy of all is the situation in New Jersey. After Florio's \$2 billion income tax hike in 1990, the state lost 275,000 jobs. Since Whitman's 30 percent income tax cut, virtually all of those jobs have returned to the Garden State.¹⁵

Unemployment Rate

The superior job creation performance of the tax-cutting states is also revealed in the unemployment data. At the end of 1995 the unemployment rate was, on average, 4.7 percent in the 10 tax-cutting states and 6.0 percent in the 10 tax-raising states. The unemployment rate fell in the 1990s by 0.5 percentage points in the tax-cutting states but by only 0.2 percentage points in the tax-raising states. Since Engler began his tax-cutting agenda in Michigan, the state has seen its unemployment rate fall from 1 percent above the national average to below the national average. At 4.3 percent, Michigan now has its lowest unemployment rate since before Ford introduced the Mustang some 30 years ago.

Incomes

Total state income grew by 32.6 percent in the tax-cutting states and by 27.0 percent in the tax-raising states. Per capita income grew 21.8 percent in the tax-raising states, slightly below the 23.4 percent average in the tax-cutting states. That translated into a \$400 greater increase in per capita income in the tax-cutting than in the tax-raising states.

Budget Reserves

The budget reserves of the tax-cutting states (7.1 percent of state expenditures) were much higher than of the states that had raised taxes (1.7 percent). That is, tax-cutting states are in better fiscal health this year than are tax-increasing states. New York's experience is instructive. A recent study by the Empire Foundation, a state think tank in New York, found that "even when the final and deepest phase of New York's income tax cut is implemented this year, the state's resurgent economy appears likely to generate more income tax revenue under Gov. George Pataki than it ever did under former Gov. Mario Cuomo."¹⁶

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. In the tax-cutting states, the average Moody's bond rating in 1995 was between Aaa and Aa. In the tax-raising states, the average Moody's bond rating was between Aa and A1.

Numerous academic studies on the competitive environment in the states have confirmed what the anecdotal evidence above suggests. For instance, in a 1996 study, economist Zsolt Becsi at the Federal Reserve Bank in Atlanta found that "relative marginal tax rates have a statistically significant negative relationship with relative state growth." He 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."¹⁷ Or as Michigan's Engler has put it, "The governors are now cutting taxes because we have seen them work in our states first hand."¹⁸

It appears that, for now at least, the supply-side philosophy, that low tax rates help promote state economic competitiveness, is the new governing doctrine in the nation's state capitals.¹⁹ The new tax-cutting philosophy has even invaded some of the most traditionally liberal spending states. Last year Democratic Governor Parris Glendening of Maryland endorsed lowering tax rates by 10 percent, after earlier conceding that "right now an income tax cut is the single most important step we can take to make Maryland more competitive and create more jobs."²⁰

Purpose of the Fiscal Policy Report Card

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, Florida, New York, and Texas--now exceed \$50 billion, which means that they are larger than most nations' budgets. In 1996 total state spending was roughly \$860 billion, up from about \$685 billion in 1990 (in 1996 dollars) and about \$490 billion in 1980 (in 1996 dollars). The states now spend roughly \$3,250 per person and 14 percent of personal income. With such huge resources under their control, in many ways governors in the 1990s serve as the equivalent of the states' chief

financial officers. In that capacity, the governors have a substantial effect 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, and Bill Clinton have proven. Moreover, Republican Governors Bush of Texas, Wilson of California, Engler of Michigan, and Thompson of Wisconsin have all been mentioned as top candidates for the Republican nomination for president or vice president.

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." Currently, Thompson of Wisconsin is recognized as a pioneer on welfare policy; Engler of Michigan is the preeminent architect of a government downsizing agenda; Bush of Texas crafted a pioneering tort reform bill; and Whitman and Pataki are the driving force for supply-side tax cuts.

The Cato Institute's "Fiscal Policy Report Card on the Governors" 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 that measure of success, governors who are willing to spend money to solve problems are touted as the best and most successful.²¹

The purpose of the "Fiscal Policy Report Card on America's Governors" is to assess the policies of each governor from the taxpayers' 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.

Limitations of the Report Card

This is the fourth "Fiscal Policy Report Card on America's Governors"; the first was published in 1992. As we have with each report card since the first, this year we have made minor refinements in the methodology in order to improve the results. Nonetheless, at the outset we acknowledge several unavoidable problems in grading the fiscal performance of the governors.

First, as mentioned above, the report card does not entirely isolate the impact of the governor from the fiscal decisions of the state legislature. In most states the legislature's influence on budget outcomes is at least equal to the governor's. In addition, if the state legislature is controlled by a different party than the governor's, then the governor's command over fiscal policy outcomes is normally diminished. (Appendix B to 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 14 governors in our survey who work with state legislatures entirely controlled by the other party.

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

Another limitation of this study is that some states grant their governors substantially more constitutional authority over the budget process than do others. For example, in Wisconsin, Tommy Thompson is empowered with an item-reduction veto, which allows him 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 for overriding a veto varies among states. Those factors give the governors different amounts 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. Those are taxes that can be exported to 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 exclude that state from the study for that reason.

A number of states have moved in recent years 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, the 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/school finance reforms of this type have been implemented in recent years in numerous states, including Idaho, Iowa, Kansas, South Carolina, South Dakota, Vermont, and Wisconsin. Such centralization of an inherently local function of government is both seriously misguided and counterproductive.²² For the purposes of our 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, it appears that taxpayers in Michigan have seen a huge increase in spending and revenue under Engler--which is fairly accurate at the state level. However, because local property taxes were substantially reduced, the combined burden of state and local taxes and spending has not exploded at all. For Michigan, and for each of the other states that have implemented similar property tax/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.

Finally, we have substantially more data for assessing the fiscal performance of governors first elected before 1995 than for the seven governors in our survey who have taken office since then. Therefore, we caution that the grades of the seven governors who have taken office since 1995 should be viewed as midterm reports.

Report Card Methodology

In this study, for each governor we compute an overall fiscal policy grade that reflects the governor's success at restraining the growth of taxes and spending. All of the tax and expenditure data used come from the Bureau of the Census, the National Association of State Budget Officers, the National Conference of State Legislatures, and individual state budget and revenue departments.²³

Unlike the case for past report cards, there are only a few governors who have been in office for fewer than three years. Therefore, we do not have two groups of governors, old governors and newer governors. All 46 of the governors included in this study are examined together. However, we

do not yet have the complete Census Bureau data with which to fully assess changes that have been implemented by the seven governors who have taken office since 1995. Therefore, for those seven governors we rely strictly on general fund budget and revenue data and tax rate changes.

Grading Procedure

We examine 14 policy variables: 4 for spending, 5 for revenue, and 5 for tax rates (2 of which have a weight of only one-half). However, for the seven governors who have taken office since 1995, two of the spending variables and two of the revenue variables--the ones that are based on the 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 the two tax rate variables that are weighted at only one-half each, because we view them as of less fiscal importance) 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 present a comprehensive picture of the budget and tax changes recommended and approved by each governor. To make meaningful comparisons of the levels of spending and revenue in the states, we must first control for the substantial differences in the size of the states' populations and 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, that is, per capita or per \$1,000 of personal income. (The one exception is the variable for recommended tax cuts or increases as a percentage of 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 most cases, the tax burden should fall. Conversely, if a tax rate increase reduces economic growth, as we would expect, then 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 punishes those who adopt measures that reduce economic growth.

All but one of the variables measure the change in the fiscal policy variable during each governor's tenure. That remaining variable measures the current level of the top income tax rates in each state.

Expenditure Variables

1. Average annual change in real per capita direct general spending under each governor through FY96.

2. Average annual change in direct general spending per \$1,000 of personal income under each governor through FY96.

3. Average annual recommended change in real per capita state general fund spending through FY99.²⁴

4. Average annual change in state general fund spending per \$1,000 of personal income under each governor from FY96 through FY98.²⁵

Revenue Variables

1. Average annual change in real per capita state tax revenue under each governor through FY97.

2. Average annual change in state tax revenue per \$1,000 of personal income under each governor through FY97.

3. Average annual recommended change in state general fund revenue per \$1,000 of personal income through FY99.²⁶

4. Average annual change in real per capita state general fund revenue under each governor from FY96 through FY98.²⁷

5. Average annual recommended tax cuts or increases as a percentage of the prior year's expenditures through FY99.²⁸

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 1998. (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. (This variable is given a weight of only one-half.)

The Most Frugal and the Biggest Spending Governors

A summary of the results and ratings on the four expenditure variables is shown in Table A-1. Tables A-2 through A-5 list the five biggest spenders and five biggest budget cutters in each individual spending category.

The two governors with the best records of budget restraint were Bush of Texas and Rowland of Connecticut. Each of those governors recommended and enacted spending levels that declined by 1.5 percent per year on a real per capita basis and declined by more than 2 percent per year on a per \$1,000 of personal income basis. Janklow (South Dakota), Pataki (New York), Batt (Idaho), James (Alabama), and Engler (Michigan) also have exceptional records of spending restraint.

By far the biggest spender of the group was Kitzhaber of Oregon. On average, his recommended budgets have called for increasing real per capita spending by more than 5 percent, and spending has gone up roughly 2 percent per year faster than personal income. Carper (Delaware), Chiles

(Florida), and Shaheen (New Hampshire) also have very poor records of spending restraint.

The spending scores highlight the huge differences in fiscal directions of the states in recent years. In contrast to the calls of Kitzhaber (Oregon), Chiles (Florida), and Carnahan (Missouri) for increases in real per capita spending of 3 percent a year and more, Beasley (South Carolina), Wilson (California), Miller (Nevada), and Johnson (New Mexico) have recommended real per capita spending reductions of more than 2 percent per year.

Since 1996 the governors who have approved the steepest spending cuts are Engler (Michigan), Janklow (South Dakota), and Rowland (Connecticut). By far the biggest budget increase over the last two years was approved by Shaheen (New Hampshire).

The Most and Least Taxing Governors

Tables A-6 through A-16 present the results on tax rates and revenues. The governor with the best record on reducing taxes and restraining revenue growth was Janklow of South Dakota, who implemented an \$80 million property tax cut. On average, Janklow's recommended tax cuts have amounted to about 1.5 percent of the state budget, which in South Dakota is just over \$1 billion a year. Rowland (Connecticut), Pataki (New York), Johnson (New Mexico), Whitman (New Jersey), and Bush (Texas) also have exceptional records of tax cutting and revenue restraint.

The two governors with the worst records on reducing taxes and restraining revenue growth are Carnahan of Missouri and Chiles of Florida. Under Carnahan, per capita tax revenue in Missouri has gone up 5.6 percent per year in real terms, and tax revenue per \$1,000 of personal income has gone up by 3.7 percent per year. Chiles's recommended budgets have called for increasing revenue per \$1,000 of personal income by 2.5 percent per year. Voinovich (Ohio), Kitzhaber (Oregon), and Dean (Vermont) also have very poor records on taxes and revenue restraint.

The premier tax cutters have been Janklow (South Dakota), Pataki (New York), Rowland (Connecticut), Graves (Kansas), and Beasley (South Carolina). On average, throughout their terms each of them has recommended annual tax cuts of more than 1 percent of state spending per year.

The biggest tax hikers have been Dean (Vermont), Kitzhaber (Oregon), Shaheen (New Hampshire), and Chiles (Flor-

ida). On average, throughout their terms each of them has recommended annual tax hikes of more than 1.5 percent of state spending per year.

The four governors who have brought down income tax rates the most during their tenures are Branstad (Iowa), Pataki (New York), Whitman (New Jersey), and Rowland (Connecticut). However, income tax rates have also been reduced under Carper (Delaware), Cayetano (Hawaii), Glendening (Maryland), Engler (Michigan), Nelson (Nebraska), Johnson (New Mexico), Hunt (North Carolina), Keating (Oklahoma), Almond (Rhode Island), Leavitt (Utah), and Thompson (Wisconsin). Wilson (California) has had his proposals to cut income tax rates stymied by the legislature. Similarly, many of the governors listed above have proposed larger income tax rate reductions than their legislatures were willing to approve. Those tax rate reductions have typically led to an increase in income tax revenue collections.

Meanwhile income tax rate increases have been enacted under Voinovich (Ohio), Carnahan (Missouri), and Dean (Vermont). In North Dakota under Schafer and in Vermont under Dean, residents saw their state rates go up in 1993 with the Clinton tax hike, because in those states the personal income tax is levied as a percentage of federal income tax liability. Wilson (California) also raised income tax rates substantially in 1991--producing almost no new revenues; however, that increase has now expired, and the top rate is back down where it was when he took office. There are signs that this has helped propel an economic rebound in California.

The largest sales tax hikes were enacted or recommended by Racicot (Montana), Branstad (Iowa), and Engler (Michigan). Racicot recommended giving Montanans a first-ever state sales tax of 4 percent, but voters rejected it in a referendum. Engler's 2-cent sales tax increase was tied to a sizable reduction in Michigan property taxes. The package was a \$1 billion net tax cut for Michigan residents. Branstad also enacted a 2-cent sales tax hike. The sales tax in Mississippi was increased by 1 cent, but only after the legislature overrode Fordice's veto of that tax hike. The only governor to cut the sales tax was Leavitt (Utah).

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. Much of this 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.

Our great concern, however, is that in this era of national prosperity states have forgotten all of the lessons of the 1980s and again are embarking on a fiscally reckless spending spree. The past two years have brought an unprecedented acceleration of state spending. Republican governors who advertise themselves as fiscal conservatives have been some of the worst offenders. Fiscal prudence suggests that the revenue windfall from a strong economy should be returned to taxpayers, not carelessly spent by governors and state legislators as if it were manna from heaven.

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 1996	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
George W. Bush (R)	Texas	Jan-95	85	A	-3.1%	-5.0%	-1.5%	-2.0%
John G. Rowland (R)	Connecticut	Jan-95	85	A	-1.7%	-5.2%	-1.8%	-2.7%
William J. Janklow (R)	South Dakota	Jan-95	80	B	-2.4%	-1.9%	-1.5%	-4.1%
George E. Pataki (R)	New York	Jan-95	77	B	-1.4%	-3.8%	-1.5%	-2.1%
Philip E. Batt (R)	Idaho	Jan-95	76	B	-1.6%	-4.2%	-0.6%	-2.0%
Fob James Jr. (R)	Alabama	Jan-95	76	B	-2.9%	-5.2%	-0.1%	-0.2%
John Engler (R)	Michigan	Jan-91	69	B	1.2%	-0.8%	-1.5%	-4.8%
Don Sundquist (R)	Tennessee	Jan-95	67	B	-1.7%	-4.5%	0.7%	-0.1%
Jim Geringer (R)	Wyoming	Jan-95	66	B	-3.0%	-4.9%	1.4%	1.3%
David M. Beasley (R)	South Carolina	Jan-95	65	B	-0.6%	-2.9%	-3.4%	2.0%
Bill Graves (R)	Kansas	Jan-95	64	B	0.3%	-2.2%	-0.4%	-2.1%
Gary Locke (D)	Washington	Jan-97	63	B			0.5%	-2.4%
Benjamin J. Cayetano (D)	Hawaii	Dec-94	62	B	-0.4%	-1.0%	-2.3%	-0.4%
Tom Ridge (R)	Pennsylvania	Jan-95	61	B	0.7%	-1.5%	-0.3%	-2.3%
Howard Dean (D)	Vermont	Aug-91	61	B	0.1%	-1.6%	-0.7%	-1.1%
Bob Miller (D)	Nevada	Jan-89	59	B	1.3%	-0.3%	-2.7%	-1.0%
Gary E. Johnson (R)	New Mexico	Jan-95	57	B	2.2%	-1.0%	-2.3%	-0.9%
Paul E. Patton (D)	Kentucky	Dec-95	56	B			-1.9%	0.9%
Angus S. King Jr. (I)	Maine	Jan-95	54	B	-0.6%	-1.8%	1.1%	0.4%
Lincoln Almond (R)	Rhode Island	Jan-95	53	B	1.6%	-1.1%	-1.1%	0.0%
Mike Huckabee (R)	Arkansas	Jul-96	49	C			1.2%	-0.9%
Edward T. Schafer (R)	North Dakota	Dec-92	49	C	-0.8%	-1.1%	2.4%	0.1%
Kirk Fordice (R)	Mississippi	Jan-92	48	C	4.2%	1.4%	-2.2%	-2.4%
Christine T. Whitman (R)	New Jersey	Jan-94	46	C	2.4%	1.3%	-0.3%	-1.6%
Marc Racicot (R)	Montana	Jan-93	46	C	3.3%	1.9%	-0.6%	-2.7%
Roy Romer (D)	Colorado	Jan-87	44	C	1.8%	0.5%	-0.2%	0.2%
George V. Voinovich (R)	Ohio	Jan-91	44	C	1.5%	-0.1%	2.0%	-0.9%
Pete Wilson (R)	California	Jan-91	44	C	1.4%	1.6%	-2.7%	1.9%
Parris N. Glendening (D)	Maryland	Jan-95	44	C	1.4%	-0.1%	2.3%	-1.1%
Tommy G. Thompson (R)	Wisconsin	Jan-87	43	C	1.2%	-0.1%	0.0%	1.5%
Cecil Underwood (R)	West Virginia	Jan-97	43	C			1.9%	-0.5%
Mike Foster (R)	Louisiana	Jan-96	41	C			0.7%	0.9%
Arne H. Carlson (R)	Minnesota	Jan-91	40	C	3.3%	1.7%	-1.3%	0.0%
James B. Hunt Jr. (D)	North Carolina	Jan-93	39	C	3.5%	1.2%	-1.1%	0.3%
E. Benjamin Nelson (D)	Nebraska	Jan-91	38	C	2.7%	1.6%	0.0%	-0.1%
Frank O' Bannon (D)	Indiana	Jan-97	38	C			0.8%	1.4%
Jim Edgar (R)	Illinois	Jan-91	37	C	3.0%	1.4%	0.8%	-0.3%
Frank Keating (R)	Oklahoma	Jan-95	37	C	1.2%	0.5%	1.8%	1.3%
Mel Carnahan (D)	Missouri	Jan-93	34	D	2.3%	0.5%	3.0%	0.0%
Michael O. Leavitt (R)	Utah	Jan-93	33	D	3.9%	0.9%	1.1%	0.2%
Zell Miller (D)	Georgia	Jan-91	32	D	4.1%	2.3%	-0.2%	0.1%
Terry E. Branstad (R)	Iowa	Jan-83	31	D	3.0%	1.7%	1.5%	0.5%
Jeanne Shaheen (D)	New Hampshire	Jan-97	25	F			0.9%	3.4%
Lawton Chiles (D)	Florida	Jan-91	25	F	3.2%	2.2%	3.0%	0.4%
Tom Carper (D)	Delaware	Jan-93	23	F	4.0%	2.5%	1.0%	1.9%
John A. Kitzhaber (D)	Oregon	Jan-95	5	F	6.1%	2.7%	5.3%	1.8%

Table A-2
Average Annual Change in Real Per Capita Direct General Spending through 1996

Best Spending Restraint			Worst Spending Restraint				
1.	George W. Bush (R)	Texas	-3.1%	1.	John A. Kitzhaber (D)	Oregon	6.1%
2.	Jim Geringer (R)	Wyoming	-3.0%	2.	Kirk Fordice (R)	Mississippi	4.2%
3.	Fob James Jr. (R)	Alabama	-2.9%	3.	Zell Miller (D)	Georgia	4.1%
4.	William J. Janklow (R)	South Dakota	-2.4%	4.	Tom Carper (D)	Delaware	4.0%
5.	John G. Rowland (R)	Connecticut	-1.7%	5.	Michael O. Leavitt (R)	Utah	3.9%

Table A-3
Average Annual Change in Direct General Spending per \$1,000 Personal Income through 1996

Best Spending Restraint			Worst Spending Restraint				
1.	Fob James Jr. (R)	Alabama	-5.2%	1.	John A. Kitzhaber (D)	Oregon	2.7%
2.	John G. Rowland (R)	Connecticut	-5.2%	2.	Tom Carper (D)	Delaware	2.5%
3.	George W. Bush (R)	Texas	-5.0%	3.	Zell Miller (D)	Georgia	2.3%
4.	Jim Geringer (R)	Wyoming	-4.9%	4.	Lawton Chiles (D)	Florida	2.2%
5.	Don Sundquist (R)	Tennessee	-4.5%	5.	Marc Racicot (R)	Montana	1.9%

Table A-4
Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999

Best Spending Restraint			Worst Spending Restraint				
1.	David M. Beasley (R)	South Carolina	-3.4%	1.	John A. Kitzhaber (D)	Oregon	5.3%
2.	Pete Wilson (R)	California	-2.7%	2.	Lawton Chiles (D)	Florida	3.0%
3.	Bob Miller (D)	Nevada	-2.7%	3.	Mel Carnahan (D)	Missouri	3.0%
4.	Gary E. Johnson (R)	New Mexico	-2.3%	4.	Edward T. Schafer (R)	North Dakota	2.4%
5.	Benjamin J. Cayetano (D)	Hawaii	-2.3%	5.	Parris N. Glendening (D)	Maryland	2.3%

Table A-5
Average Annual Change in General Fund Spending per \$1,000 Personal Income, 1996-98

Best Spending Restraint			Worst Spending Restraint				
1.	John Engler (R)	Michigan	-4.8%	1.	Jeanne Shaheen (D)	New Hampshire	3.4%
2.	William J. Janklow (R)	South Dakota	-4.1%	2.	David M. Beasley (R)	South Carolina	2.0%
3.	Marc Racicot (R)	Montana	-2.7%	3.	Tom Carper (D)	Delaware	1.9%
4.	John G. Rowland (R)	Connecticut	-2.7%	4.	Pete Wilson (R)	California	1.9%
5.	Gary Locke (D)	Washington	-2.4%	5.	John A. Kitzhaber (D)	Oregon	1.8%

Table A-6
Revenue and Tax Rate Variables

Governor	State	Date took office	Reven & Tax Rate Score	Grade	Average Annual Change in Real Per Capita Tax Revenue through 1997	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
William J. Janklow (R)	South Dakota	Jan-95	73	A	-3.4%	-6.3%	-3.4%	-0.5%
John G. Rowland (R)	Connecticut	Jan-95	69	B	1.7%	-1.3%	-5.2%	-1.1%
George E. Pataki (R)	New York	Jan-95	67	B	-1.7%	-4.1%	-3.6%	0.5%
Gary E. Johnson (R)	New Mexico	Jan-95	63	B	0.5%	-1.7%	-3.9%	-0.9%
Christine T. Whitman (R)	New Jersey	Jan-94	62	B	-1.3%	-2.6%	-3.7%	-1.1%
George W. Bush (R)	Texas	Jan-95	62	B	1.9%	-0.2%	-5.0%	-1.9%
David M. Beasley (R)	South Carolina	Jan-95	59	B	0.6%	-1.4%	-3.8%	0.0%
Gary Locke (D)	Washington	Jan-97	57	B			-3.5%	1.2%
Frank O'Bannon (D)	Indiana	Jan-97	55	B			-0.8%	-1.4%
John Engler (R)	Michigan	Jan-91	54	B	1.8%	-0.1%	-3.4%	-3.5%
Jim Geringer (R)	Wyoming	Jan-95	54	B	-1.5%	-3.0%	-0.9%	0.4%
Tom Ridge (R)	Pennsylvania	Jan-95	54	B	0.5%	-2.0%	-3.3%	0.4%
E. Benjamin Nelson (D)	Nebraska	Jan-91	53	B	2.7%	0.9%	-1.6%	-1.2%
Fob James Jr. (R)	Alabama	Jan-95	52	B	0.6%	-1.4%	-2.0%	1.0%
Mike Huckabee (R)	Arkansas	Jul-96	52	B			0.0%	-0.4%
Bill Graves (R)	Kansas	Jan-95	52	B	2.6%	-0.2%	-2.5%	0.9%
Philip E. Batt (R)	Idaho	Jan-95	52	B	0.6%	-1.3%	-1.4%	-1.3%
Benjamin J. Cayetano (D)	Hawaii	Dec-94	51	B	0.6%	0.8%	-0.3%	-2.6%
Parris N. Glendening (D)	Maryland	Jan-95	51	B	0.0%	-1.6%	0.1%	0.1%
Zell Miller (D)	Georgia	Jan-91	50	C	2.3%	0.4%	0.1%	-1.4%
Don Sundquist (R)	Tennessee	Jan-95	49	C	1.8%	-0.2%	-1.5%	1.2%
James B. Hunt Jr. (D)	North Carolina	Jan-93	49	C	2.2%	-0.1%	-2.2%	2.0%
Kirk Fordice (R)	Mississippi	Jan-92	49	C	5.0%	2.2%	-4.8%	0.1%
Michael O. Leavitt (R)	Utah	Jan-93	49	C	2.8%	-0.3%	-2.7%	0.3%
Mike Foster (R)	Louisiana	Jan-96	49	C			-2.3%	1.1%
Bob Miller (D)	Nevada	Jan-89	48	C	2.2%	0.4%	-3.4%	-1.7%
Cecil Underwood (R)	West Virginia	Jan-97	47	C			-0.6%	1.2%
Paul E. Patton (D)	Kentucky	Dec-95	47	C			-0.9%	2.1%
Tommy G. Thompson (R)	Wisconsin	Jan-87	47	C	1.4%	-0.1%	-0.9%	1.5%
Arne H. Carlson (R)	Minnesota	Jan-91	46	C	4.2%	2.1%	-4.1%	-1.4%
Tom Carper (D)	Delaware	Jan-93	46	C	2.8%	0.9%	-3.2%	2.5%
Jeanne Shaheen (D)	New Hampshire	Jan-97	45	C			-0.6%	0.3%
Lincoln Almond (R)	Rhode Island	Jan-95	45	C	2.5%	0.6%	-3.0%	1.7%
Terry E. Branstad (R)	Iowa	Jan-83	43	C	2.5%	0.9%	-1.9%	2.8%
Angus S. King Jr. (I)	Maine	Jan-95	42	C	2.5%	0.9%	-1.7%	1.7%
Roy Romer (D)	Colorado	Jan-87	42	C	2.0%	0.6%	-3.3%	4.2%
Marc Racicot (R)	Montana	Jan-93	41	C	-1.0%	-2.6%	-3.0%	-0.7%
Frank Keating (R)	Oklahoma	Jan-95	41	C	3.6%	2.1%	-0.7%	3.6%
Pete Wilson (R)	California	Jan-91	40	D	1.6%	1.4%	-0.5%	4.1%
Jim Edgar (R)	Illinois	Jan-91	39	D	2.3%	0.5%	-0.9%	1.4%
Edward T. Schafer (R)	North Dakota	Dec-92	39	D	2.1%	-0.2%	0.8%	1.1%
Howard Dean (D)	Vermont	Aug-91	37	D	-0.1%	-1.9%	-3.5%	-0.7%
John A. Kitzhaber (D)	Oregon	Jan-95	36	D	3.0%	-0.3%	0.1%	0.0%
George V. Voinovich (R)	Ohio	Jan-91	36	D	2.8%	1.1%	0.0%	0.9%
Lawton Chiles (D)	Florida	Jan-91	35	F	2.8%	1.5%	2.5%	1.4%
Mel Carnahan (D)	Missouri	Jan-93	35	F	5.6%	3.7%	-1.5%	1.9%

Continued

Table A-6 *Continued*

Governor	State	Date took office	Average Annual Recommen- ded Tax Changes as % of Prior Year's Spending through	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)	1998 Combined Top Income Tax Rates (Personal plus Corporate) (*0.5)	Change in Sales Tax Rate, proposed and/or enacted (% points)	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon) (*0.5)
William J. Janklow (R)	South Dakota	Jan-95	-1.5%	0	0	0	0	3.0
John G. Rowland (R)	Connecticut	Jan-95	-1.3%	0	-3.0	14.0	0	0
George E. Pataki (R)	New York	Jan-95	-1.3%	-1.025	-0.5	15.85	0	0
Gary E. Johnson (R)	New Mexico	Jan-95	-0.9%	-0.5	0	15.8	0	-6.0
Christine T. Whitman (R)	New Jersey	Jan-94	-0.8%	-0.63	-0.375	15.37	0	7.0
George W. Bush (R)	Texas	Jan-95	-0.9%	0	0	4.5	0	0
David M. Beasley (R)	South Carolina	Jan-95	-1.0%	0	0	12.0	0	0
Gary Locke (D)	Washington	Jan-97	-0.7%	0	0	3.45	0	5.0
Frank O'Bannon (D)	Indiana	Jan-97	-0.4%	0	0	11.3	0	0
John Engler (R)	Michigan	Jan-91	-0.6%	-0.2	-0.05	6.7	2.0	4.0
Jim Geringer (R)	Wyoming	Jan-95	0.0%	0	0	0	1.0	5.0
Tom Ridge (R)	Pennsylvania	Jan-95	-0.1%	0	0	12.79	0	3.5
E. Benjamin Nelson (D)	Nebraska	Jan-91	-0.7%	-0.24	0	14.49	-0.5	-1.9
Fob James Jr. (R)	Alabama	Jan-95	0.0%	0	0	10.0	0	0
Mike Huckabee (R)	Arkansas	Jul-96	-0.8%	0	0	13.5	0.125	0
Bill Graves (R)	Kansas	Jan-95	-1.2%	0	0	13.8	0	0
Philip E. Batt (R)	Idaho	Jan-95	-0.1%	0	0	16.2	0	4.0
Benjamin J. Cayetano (D)	Hawaii	Dec-94	0.1%	-1.5	0	16.4	0.75	0
Parris N. Glendening (D)	Maryland	Jan-95	0.1%	-0.25	0	11.875	0	0
Zell Miller (D)	Georgia	Jan-91	-0.5%	0	0	12.0	0	0
Don Sundquist (R)	Tennessee	Jan-95	0.0%	0	0	6.0	0	0
James B. Hunt Jr. (D)	North Carolina	Jan-93	-0.4%	0	-0.75	15.0	0	0.3
Kirk Fordice (R)	Mississippi	Jan-92	-0.4%	0	0	10.0	0	0
Michael O. Leavitt (R)	Utah	Jan-93	-0.2%	-0.2	0	12.0	-0.25	5.5
Mike Foster (R)	Louisiana	Jan-96	0.0%	0	0	14.0	0	4.0
Bob Miller (D)	Nevada	Jan-89	1.2%	0	0	0	0.75	7.75
Cecil Underwood (R)	West Virginia	Jan-97	0.0%	0	0	15.5	0	0
Paul E. Patton (D)	Kentucky	Dec-95	-0.1%	0	0	14.25	0	0
Tommy G. Thompson (R)	Wisconsin	Jan-87	-0.6%	-1.03	0	14.77	0	7.9
Arne H. Carlson (R)	Minnesota	Jan-91	-0.1%	0.5	0	18.3	0.5	0
Tom Carper (D)	Delaware	Jan-93	-0.6%	-1.3	0	15.6	0	8.0
Jeanne Shaheen (D)	New Hampshire	Jan-97	1.6%	0	0	7.0	0	0
Lincoln Almond (R)	Rhode Island	Jan-95	0.9%	-0.396	0	19.692	-0.5	0
Terry E. Branstad (R)	Iowa	Jan-83	-0.5%	-4.52	0	20.98	2.0	7.0
Angus S. King Jr. (I)	Maine	Jan-95	0.6%	0	0	17.43	0	0
Roy Romer (D)	Colorado	Jan-87	0.0%	1.0	-1.0	10.0	1.0	4.0
Marc Racicot (R)	Montana	Jan-93	1.1%	0	0	17.75	4.0	7.0
Frank Keating (R)	Oklahoma	Jan-95	-0.7%	-0.5	0	13.0	0	0
Pete Wilson (R)	California	Jan-91	0.1%	-1.4	-1.395	18.14	1.25	3.0
Jim Edgar (R)	Illinois	Jan-91	1.3%	1.0	0.4	10.3	0	0
Edward T. Schafer (R)	North Dakota	Dec-92	0.4%	1.204	0	16.044	0	3.0
Howard Dean (D)	Vermont	Aug-91	2.1%	1.754	1.5	19.65	1.0	8.0
John A. Kitzhaber (D)	Oregon	Jan-95	1.9%	0	0	15.6	0	6.0
George V. Voinovich (R)	Ohio	Jan-91	0.8%	0.3	0	16.1	1.0	2.0
Lawton Chiles (D)	Florida	Jan-91	1.5%	0	0	5.5	0	1.2
Mel Carnahan (D)	Missouri	Jan-93	-0.1%	0	1.25	12.25	0	0

Table A-7
Average Annual Change in Real Per Capita Tax Revenue through 1997

Best Revenue Restraint		Worst Revenue Restraint		
1.	William J. Janklow (South Dakota) -3.4%	1.	Mel Carnahan (D) Missouri	5.6%
2.	George E. Pataki (R) New York -1.7%	2.	Kirk Fordice (R) Mississippi	5.0%
3.	Jim Geringer (R) Wyoming -1.5%	3.	Arne H. Carlson (R) Minnesota	4.2%
4.	Christine T. Whitman (R) New Jersey -1.3%	4.	Frank Keating (R) Oklahoma	3.6%
5.	Marc Racicot (R) Montana -1.0%	5.	John A. Kitzhaber (D) Oregon	3.0%

Table A-8
Average Annual Change in Tax Revenue per \$1,000 Personal Income through 1997

Best Revenue Restraint		Worst Revenue Restraint		
1.	William J. Janklow (South Dakota) -6.3%	1.	Mel Carnahan (D) Missouri	3.7%
2.	George E. Pataki (R) New York -4.1%	2.	Kirk Fordice (R) Mississippi	2.2%
3.	Jim Geringer (R) Wyoming -3.0%	3.	Frank Keating (R) Oklahoma	2.1%
4.	Christine T. Whitman (R) New Jersey -2.6%	4.	Arne H. Carlson (R) Minnesota	2.1%
5.	Marc Racicot (R) Montana -2.6%	5.	Lawton Chiles (D) Florida	1.5%

Table A-9
Average Annual Recommended Change in General Fund Revenue per \$1,000 Personal Income through 1997

Best Revenue Restraint		Worst Revenue Restraint		
1.	John G. Rowland (R) Connecticut -5.2%	1.	Lawton Chiles (D) Florida	2.5%
2.	George W. Bush (R) Texas -5.0%	2.	Edward T. Schafer (R) North Dakota	0.8%
3.	Kirk Fordice (R) Mississippi -4.8%	3.	John A. Kitzhaber (D) Oregon	0.1%
4.	Arne H. Carlson (R) Minnesota -4.1%	4.	Parris N. Glendening (D) Maryland	0.1%
5.	Gary E. Johnson (R) New Mexico -3.9%	5.	Zell Miller (D) Georgia	0.1%

Table A-10
Average Annual Change in Real Per Capita General Fund Revenue, 1996-98

Best Revenue Restraint		Worst Revenue Restraint		
1.	John Engler (R) Michigan -3.5%	1.	Roy Romer (D) Colorado	4.2%
2.	Benjamin J. Cayetano (D) Hawaii -2.6%	2.	Pete Wilson (R) California	4.1%
3.	George W. Bush (R) Texas -1.9%	3.	Frank Keating (R) Oklahoma	3.6%
4.	Bob Miller (D) Nevada -1.7%	4.	Terry E. Branstad (R) Iowa	2.8%
5.	Frank O'Bannon (D) Indiana -1.4%	5.	Tom Carper (D) Delaware	2.5%

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

Top Tax Cutters			Top Tax Hikers				
1.	William J. Janklow (R)	South Dakota	-1.5%	1.	Howard Dean (D)	Vermont	2.1%
2.	George E. Pataki (R)	New York	-1.3%	2.	John A. Kitzhaber (D)	Oregon	1.9%
3.	John G. Rowland (R)	Connecticut	-1.3%	3.	Jeanne Shaheen (D)	New Hampshire	1.6%
4.	Bill Graves (R)	Kansas	-1.2%	4.	Lawton Chiles (D)	Florida	1.5%
5.	David M. Beasley (R)	South Carolina	-1.0%	5.	Jim Edgar (R)	Illinois	1.3%
6.	Gary E. Johnson (R)	New Mexico	-0.9%	6.	Bob Miller (D)	Nevada	1.2%
7.	George W. Bush (R)	Texas	-0.9%	7.	Marc Racicot (R)	Montana	1.1%
8.	Christine T. Whitman (R)	New Jersey	-0.8%	8.	Lincoln Almond (R)	Rhode Island	0.9%
9.	Mike Huckabee (R)	Arkansas	-0.8%	9.	George V. Voinovich (R)	Ohio	0.8%
10.	E. Benjamin Nelson (D)	Nebraska	-0.7%	10.	Angus S. King Jr. (I)	Maine	0.6%

Table A-12
Change in Top Personal Income Tax Rate (% points)
(including governors' recommended changes which were not enacted)

Tax Cutters			Tax Hikers				
1.	Terry E. Branstad (R)	Iowa	-4.52	1.	Howard Dean (D)	Vermont	1.754
2.	Benjamin J. Cayetano (D)	Hawaii	-1.5	2.	Edward T. Schafer (R)	North Dakota	1.204
3.	Pete Wilson (R)	California	-1.4	3.	Roy Romer (D)	Colorado	1.0
4.	Tom Carper (D)	Delaware	-1.3	3.	Jim Edgar (R)	Illinois	1.0
5.	Tommy G. Thompson (R)	Wisconsin	-1.03	5.	Arne H. Carlson (R)	Minnesota	0.5
6.	George E. Pataki (R)	New York	-1.025	6.	George V. Voinovich (R)	Ohio	0.3
7.	Christine T. Whitman (R)	New Jersey	-0.63	No Others			
8.	Gary E. Johnson (R)	New Mexico	-0.5				
8.	Frank Keating (R)	Oklahoma	-0.5				
10.	Lincoln Almond (R)	Rhode Island	-0.396				
11.	Parris N. Glendening (D)	Maryland	-0.25				
12.	E. Benjamin Nelson (D)	Nebraska	-0.24				
13.	John Engler (R)	Michigan	-0.2				
13.	Michael O. Leavitt (R)	Utah	-0.2				
No Others							

Table A-13
Change in Top Corporate Income Tax Rate (% points)
(including governors' recommended changes which were not enacted)

Tax Cutters			Tax Hikers				
1.	John G. Rowland (R)	Connecticut	-3.0	1.	Howard Dean (D)	Vermont	1.5
2.	Pete Wilson (R)	California	-1.395	2.	Mel Carnahan (D)	Missouri	1.25
3.	Roy Romer (D)	Colorado	-1.0	3.	Jim Edgar (R)	Illinois	0.4
4.	James B. Hunt Jr. (D)	North Carolina	-0.75	No Others			
5.	George E. Pataki (R)	New York	-0.5				
6.	Christine T. Whitman (R)	New Jersey	-0.375				
7.	John Engler (R)	Michigan	-0.05				
No Others							

Table A-14
Combined Top Income Tax Rates (personal plus corporate), 1998 (% points)

Lowest Tax Rates			Highest Tax Rates				
1.	Bob Miller (D)	Nevada	0	1.	Terry E. Branstad (R)	Iowa	20.98
1.	William J. Janklow (R)	South Dakota	0	2.	Lincoln Almond (R)	Rhode Island	19.692
1.	Jim Geringer (R)	Wyoming	0	3.	Howard Dean (D)	Vermont	19.65
4.	Gary Locke (D)	Washington	3.45	4.	Arne H. Carlson (R)	Minnesota	18.3
5.	George W. Bush (R)	Texas	4.5	5.	Pete Wilson (R)	California	18.14

Table A-15
Change in Sales Tax Rate (% points)
(including governors' recommended changes which were not enacted)

Tax Cutters			Tax Hikers				
1.	E. Benjamin Nelson (D)	Nebraska	-0.5	1.	Marc Racicot (R)	Montana	4.0
1.	Lincoln Almond (R)	Rhode Island	-0.5	2.	Terry E. Branstad (R)	Iowa	2.0
3.	Michael O. Leavitt (R)	Utah	-0.25	2.	John Engler (R)	Michigan	2.0
No Others				4.	Pete Wilson (R)	California	1.25
				5.	Roy Romer (D)	Colorado	1.0
				5.	George V. Voinovich (R)	Ohio	1.0
				5.	Howard Dean (D)	Vermont	1.0
				5.	Jim Geringer (R)	Wyoming	1.0
				No Others			

Table A-16
Change in Gas Tax Rate (cents per gallon)
(including governors' recommended changes which were not enacted)

Tax Cutters			Top Tax Hikers				
1.	Gary E. Johnson (R)	New Mexico	-6.0	1.	Tom Carper (D)	Delaware	8.0
2.	E. Benjamin Nelson (D)	Nebraska	-1.9	1.	Howard Dean (D)	Vermont	8.0
No Others				3.	Tommy G. Thompson (R)	Wisconsin	7.9
				4.	Bob Miller (D)	Nevada	7.75
				5.	Terry E. Branstad (R)	Iowa	7.0
				5.	Marc Racicot (R)	Montana	7.0
				5.	Christine T. Whitman (R)	New Jersey	7.0

**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, and articles in magazines and local newspapers.

Alabama

Fob James, Republican

Legislature: Democratic

Took Office: 1/95

Grade: B

A college football star at Auburn in the 1950s, Fob James started his own business before the age of 30 and made a fortune manufacturing plastic-covered barbells. He was elected governor in 1978 as a Democrat, after switching parties in the mid-1970s. In 1994, after switching back to the GOP, he ran again and upset incumbent Jim Folsom Jr. James is probably best known for his threat to call out the National Guard to prevent enforcement of a court order demanding that an Alabama judge remove a copy of the Ten Commandments from his courtroom. He also has been an outspoken critic of federal violations of the Tenth Amendment. James's fiscal record has been a mixed bag. He has staunchly opposed all efforts to increase taxes, but unlike many of his fellow governors elected in 1994, he has made virtually no effort to pursue tax reductions. James has actively pressured the legislature (fortunately to no avail) to issue new debt to fund higher state spending, such as a \$1 billion bond issue for public schools, a \$700 million bond issue for roads, and a \$100 million bond issue for state parks. To his credit, James has endorsed a state constitutional amendment to require that tax hikes be passed by a 3/5 supermajority. He also has trimmed payroll costs by imposing a hiring freeze and has scaled back the state's targeted economic development efforts, correctly describing such smoke-stack chasing as "corporate welfare." Overall, James's fiscal record has been above average but unspectacular.

	Score	Grade	Rank
Overall Fiscal Policy Score	59	B	7
Spending Score	76	B	6
Revenue and Tax Rate Score	52	B	14

Amount

-2.9%	Average Annual Change in Real Per Capita Direct General Spending through 1996
-5.2%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
-0.1%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-0.2%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
0.6%	Average Annual Change in Real Per Capita Tax Revenue through 1997
-1.4%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-2.0%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
1.0%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
0.0%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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)
10.0	1998 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) (*0.5)

Arkansas

Mike Huckabee, Republican

Legislature: Democratic

Took Office: 7/96

Grade: B

Perhaps no current governor has been elevated to the statehouse under stranger circumstances. Huckabee, a Baptist minister, was elected lieutenant governor in 1994. Two and a half years later, Clinton's heir, Jim Guy Tucker, was convicted of a felony as a result of the Whitewater investigation and was immediately removed from office. In the midst of those tumultuous events, Huckabee became the first Republican governor of Arkansas in recent memory. Upon taking office in July 1996, Huckabee immediately backed a 1/8-cent sales tax hike to fund the Games and Fishing Commission and the Department of Parks and Tourism. The voters enacted that hike as a constitutional amendment in November 1996. In his first budget, however, he redeemed himself by proposing a sweeping overhaul of Arkansas's archaic income tax system. The \$80 million tax cut package was enacted in 1997 and became the first broad-based state tax cut in more than 20 years. It increased the standard deduction, eliminated the income tax "marriage penalty," and indexed the state tax brackets for inflation. The next challenge for Huckabee will be to implement the sweeping tax reduction initiatives recommended by a 1998 blue-ribbon private-sector panel, the Murphy commission, which has endorsed a flat tax and an end to the state capital gains tax. Huckabee's spending record has been uninspiring. Bill Clinton was one of the nation's biggest spending governors in the 1980s and early 1990s. Tucker followed suit, and Huckabee has mostly continued that trend. Huckabee has shown a reluctance to take on the state's powerful education establishment and the government employee unions. Until he cleans house, Arkansas will remain handicapped by one of America's most notoriously corrupt, bureaucratic, and inept state governments.

	Score	Grade	Rank
Overall Fiscal Policy Score	52	B	17
Spending Score	49	C	21
Revenue and Tax Rate Score	52	B	15

Amount

1.2%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-0.9%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
0.0%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
-0.4%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-0.8%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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	1998 Combined Top Income Tax Rates (Personal plus Corporate) (*0.5)
0.125	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon) (*0.5)

California

Pete Wilson, Republican

Legislature: Democratic

Took Office: 1/91

Grade: C

Pete Wilson has had a Dr. Jekyll and Mr. Hyde relationship with the taxpayers of California. His first term was a fiscal and economic disaster for the state. He muscled through the legislature a \$7.5 billion tax increase, the largest in the history of the 50 states. California's already high income tax rates were raised to the third highest in the nation. The economy sank further into recession, real estate values collapsed, business failures soared, Orange County was forced to declare bankruptcy, and, for the first time in its history, California suffered net outmigration. The tax hikes failed to raise the anticipated revenues, and the state's budget crisis intensified. The second term has been better. Wilson not only has allowed the ill-fated income tax hikes to expire but has recommended further cuts in the business and individual tax rates--proposals that have been mostly thwarted by the legislature. His latest budget proposal contained a \$3.6 billion tax cut, including a 75 percent reduction in the car tax phased in over five years. Thanks to the economic resurgence, California today has a \$4 billion surplus. Although Wilson now advertises himself as a fiscal conservative, his record fails to match his rhetoric. The Los Angeles Times recently noted that "Pete Wilson the tax cutter has not come close to matching Wilson the tax raiser. Tax increases at the start of Wilson's administration in 1991 hover at \$3.6 billion above recent tax cuts." Moreover, Wilson has been a prodigious spender. When he took office state spending was at about \$38 billion (in 1996 dollars). By 1996 it had risen to more than \$50 billion. Wilson hopes to run for president on his fiscal record--largely an unhappy one.

	Score	Grade	Rank
Overall Fiscal Policy Score	41	C	37
Spending Score	44	C	28
Revenue and Tax Rate Score	40	D	39

Amount

1.4%	Average Annual Change in Real Per Capita Direct General Spending through 1996
1.6%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
-2.7%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
1.9%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
1.6%	Average Annual Change in Real Per Capita Tax Revenue through 1997
1.4%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-0.5%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
4.1%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
0.1%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
-1.4	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
-1.395	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
18.1	1998 Combined Top Income Tax Rates (Personal plus Corporate) (*0.5)
1.25	Change in Sales Tax Rate, proposed and/or enacted (% points)
3.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon) (*0.5)

Colorado

Roy Romer, Democrat

Legislature: Republican

Took Office: 1/87

Grade: C

After three consecutive terms, Roy Romer has finally been term limited out of office. Romer's fiscal record has always benefited from the fact that he has had an electorate and a legislature that are far more fiscally conservative than he is. His lame-duck status seems to have only moved him further in a liberal direction--and further out of step with this increasingly right-leaning state. In 1998 alone Romer has vetoed at least seven different tax cuts. He has also opposed the legislature's efforts to refund excess tax collections this year, as the state constitution requires. That requirement is part of an amendment called the Taxpayer Bill of Rights (TABOR), which voters approved in 1992 over Romer's staunch opposition. That same year voters defeated the governor's proposal for a sales tax hike to fund more education spending. TABOR is one of the nation's strictest spending caps. It restricts budget growth to the rate of population growth plus inflation, requires that any revenue growth in excess of that limit be refunded to the taxpayers unless they vote otherwise, and requires voter approval of all tax hikes. Thanks to TABOR, budget growth has been restrained and Colorado state government has been forced to give taxpayers rebates for two years in a row now. Not coincidentally, the state's economy has been soaring, ranking in the top 10 on growth of population, employment, and income over the last two years. Despite TABOR's benefits, in Romer's 1998 state of the state address, he questioned whether voters "were wise enough when they passed TABOR," said that "they didn't have a clue," and called the measure "stupid" and a "fiscal straitjacket." Because of a fiscally conservative electorate and legislature, Romer's grade of C does not fully reflect his own fiscal philosophy as a tax-and-spend liberal.

	Score	Grade	Rank
Overall Fiscal Policy Score	43	C	34
Spending Score	44	C	26
Revenue and Tax Rate Score	42	C	36

Amount

1.8%	Average Annual Change in Real Per Capita Direct General Spending through 1996
0.5%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
-0.2%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
0.2%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
2.0%	Average Annual Change in Real Per Capita Tax Revenue through 1997
0.6%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-3.3%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
4.2%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
0.0%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
1.0	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)
10.0	1998 Combined Top Income Tax Rates (Personal plus Corporate) (*0.5)
1.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
4.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon) (*0.5)

Connecticut

John G. Rowland, Republican

Legislature: Democratic

Took Office: 1/95

Grade: A

John Rowland has shone as Connecticut's governor, helping clean up the wreckage left by the catastrophic policies of his one-term predecessor Lowell Weicker. In 1991 Weicker signed into law Connecticut's first income tax and used the revenues to finance a massive budget buildup from 1991 through 1994. By contrast, Rowland has been one of America's most tight-fisted governors over the past four years. He has enacted tough welfare-to-work requirements, frozen the state government workforce, held overall expenditure growth to below the inflation rate, and converted the \$500 million budget deficit he inherited into a nearly \$1 billion four-year surplus. This year he called for giving back \$125 million of that surplus to taxpayers in the form of a one-time rebate. During his tenure he has aggressively cut taxes. He has cut the personal income tax, the corporate tax, the gas tax, and the property tax. Under Rowland, Connecticut has recovered all of the nearly 100,000 jobs that were lost during the bleak Weicker years. The state now has an unemployment rate of just 4.3 percent. One troubling sign is that Rowland's latest budget was by far his worst. The Hartford Courant wrote that "Rowland proposes pouring money into traditional Democratic programs--education, the environment, children's programs, and rent and nursing home subsidies for the elderly." Even with the spate of tax cutting, Connecticut's tax burden is still the sixth highest in the nation. Also troubling is that Rowland has backed away from his earlier goal of repealing the hated income tax--without which Connecticut survived for 200 years. Repeal should be the state's number-one economic priority.

	Score	Grade	Rank
Overall Fiscal Policy Score	74	A	2
Spending Score	85	A	2
Revenue and Tax Rate Score	69	B	2

Amount

-1.7%	Average Annual Change in Real Per Capita Direct General Spending through 1996
-5.2%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
-1.8%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-2.7%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
1.7%	Average Annual Change in Real Per Capita Tax Revenue through 1997
-1.3%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-5.2%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
-1.1%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-1.3%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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)
14.0	1998 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) (*0.5)

Delaware

Tom Carper, Democrat

Legislature: Divided

Took Office: 1/93

Grade: D

Tom Carper is a life-long politician, virtually never having worked in the private sector. After serving five terms in Congress, he was elected governor in 1992 with 65 percent of the vote; he won reelection in 1996 even more convincingly with 70 percent. Since governors in Delaware are limited to two terms, this will be Carper's last term in office. Carper has just been named chairman of the National Governors' Association. Carper raised the gas tax and various fees his first year in office, but his record on taxes has improved. The top marginal income tax rate has been reduced three times by a total of 17 percent (from 7.7 percent to 6.4 percent). However, the state's Republican-majority house has often passed much larger tax cuts than those proposed by Carper, only to have them knocked down by the state senate or the governor himself. And Carper has proposed several revenue increases that the legislature has failed to approve. Meanwhile, spending has been surging under Carper. In the last two years general fund spending has risen at a rate of 8.3 percent per year, compared to the national average of 5.3 percent and the inflation rate of less than 3 percent. Carper is clearly not as fiscally prudent as he advertises himself to be.

	Score	Grade	Rank
Overall Fiscal Policy Score	39	D	41
Spending Score	23	F	45
Revenue and Tax Rate Score	46	C	31

Amount

4.0%	Average Annual Change in Real Per Capita Direct General Spending through 1996
2.5%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
1.0%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
1.9%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
2.8%	Average Annual Change in Real Per Capita Tax Revenue through 1997
0.9%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-3.2%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
2.5%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-0.6%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
-1.3	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
15.6	1998 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) (*0.5)

Florida

Lawton Chiles, Democrat

Legislature: Republican

Took Office: 1/91

Grade: F

Lawton Chiles won election to a second term in 1994 by a 51 to 49 percent margin, narrowly keeping his undefeated record unblemished. He is prohibited from serving more than two consecutive terms and will retire in January 1999. While Chiles's public image is that of a moderate New Democrat, his record could hardly be in greater conflict with that image. In his first term, he proposed a \$1.3 billion tax hike that the legislature rejected; instead, it passed a \$400 million increase. In 1994 he proposed an expensive Clinton-style health care reform plan that was also rejected by the legislature. In 1997 Chiles proposed a \$121 million (10-cent per pack) cigarette tax hike. The legislature rejected that proposal as well and instead sent Chiles a \$22 million package of targeted business tax reductions that he vetoed. This year Chiles proposed a \$45.1 billion budget for FY99, a 6.5 percent increase. Unfortunately, with the revenues pouring in, the legislature passed an even larger \$45.3 billion budget. Even with the large spending increase, there were several tax cuts: a \$185 million (\$50 per homeowner) property tax rebate, a one-week sales-tax holiday on clothing purchases timed for the back-to-school buying season, and about \$100 million in various business tax breaks. Chiles vetoed the largest of those tax cuts, saying it was unfair because the rebate would not go to renters. When Chiles took office, the state legislature was controlled by the Democrats, but it is now controlled by the GOP. If not for this more fiscally conservative legislature's repeated rejections of his calls for tax hikes, Chiles's record would have been even worse. Nevertheless, without a state income tax to drag it down, Florida's economy has continued to prosper in spite of the larger, costlier state government that will be Chiles's legacy.

	Score	Grade	Rank
Overall Fiscal Policy Score	32	F	45
Spending Score	25	F	44
Revenue and Tax Rate Score	35	F	45

Amount

3.2%	Average Annual Change in Real Per Capita Direct General Spending through 1996
2.2%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
3.0%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
0.4%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
2.8%	Average Annual Change in Real Per Capita Tax Revenue through 1997
1.5%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
2.5%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
1.4%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
1.5%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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	1998 Combined Top Income Tax Rates (Personal plus Corporate) (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
1.2	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon) (*0.5)

Georgia

Zell Miller, Democrat

Legislature: Democratic

Took Office: 1/91

Grade: C

Despite initially promising to serve only one term, the folksy, charismatic Zell Miller was elected to a second term after a close race in 1994. He is prohibited from seeking a third consecutive term in 1998. For the most part, Miller has successfully governed as a fiscally moderate Democrat. In 1991, when many governors were raising taxes in an effort to close budget shortfalls, Miller actually reduced taxes by a modest \$30 million. After raising taxes and fees by about \$230 million his second year in office, Miller cut taxes in four of the next six years. In 1994 the cuts included a \$100 million reduction in the income tax. In 1996 Miller enacted a phased-in elimination of the sales tax on food. This year, he cut another \$200 million from the income tax cut. Miller has also repeatedly opposed efforts to raise the state's gas tax, which is among the lowest in the nation. While those tax cuts are laudable, Miller and the Democratic legislature have defeated larger Republican tax cuts. Furthermore, one of the key planks in Miller's first campaign was establishing a new state lottery with funds specifically earmarked for expanded spending on education. Thus, while tax cuts have been enacted, they have been offset by the new revenues from the lottery. The substantial expansion of the state education budget also explains why Miller's record on spending is in such stark contrast to his tax record. Under Miller, state spending rose from about \$8.5 billion in 1991 (in 1996 dollars) to more than \$13 billion by 1996. One indication of Miller's expansive conception of the role of government spending is a new program--much ridiculed--that will send a cassette or CD of classical music to the parents of every newborn baby. Miller believes soothing music will enhance brain development of infants. In eight years the Georgia state budget has rapidly expanded, but so has the state's torrid economy.

	Score	Grade	Rank
Overall Fiscal Policy Score	44	C	31
Spending Score	32	D	41
Revenue and Tax Rate Score	50	C	20

Amount

4.1%	Average Annual Change in Real Per Capita Direct General Spending through 1996
2.3%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
-0.2%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
0.1%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
2.3%	Average Annual Change in Real Per Capita Tax Revenue through 1997
0.4%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
0.1%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
-1.4%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-0.5%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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	1998 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) (*0.5)

Hawaii

Benjamin Cayetano, Democrat

Legislature: Democratic
Took Office: 12/94

Grade: B

Benjamin Cayetano took office in the midst of the state's worst economic downturn, a recession that has continued through 1998. In his first year, Cayetano reduced the state bureaucracy by more than 2,700 employees and cut spending by more than 10 percent in all departments except education, bringing FY96 spending below the FY93 level. What he has not done is reform the state's absurdly generous welfare system. Hawaii offers the most generous welfare package of any state--the equivalent of a job that pays more than \$17 per hour. Not surprisingly, Hawaii is one of only three states that has not lowered welfare caseloads since 1995. Until this year, Cayetano had also failed to provide any net tax relief. His modest tax cuts were offset by revenue increases elsewhere. In a state with one of the highest personal income tax rates and one of the highest state and local tax burdens, tax relief is a must if Cayetano hopes to revitalize Hawaii's stagnant economy. Cayetano appointed an Economic Revitalization Task Force, which in 1997 put forth a tax reform plan with a substantial income tax cut offset by an almost equally large increase in the state's general excise tax. Although the plan had powerful support from business and unions, it did not win legislative approval. At least Cayetano and the legislature did approve an income tax cut that will reduce the top rate from 10 percent to 8.25 percent over four years. Hawaii's lagging economy has slowed revenue growth, forcing Cayetano and the legislature to cut expenditures. Under Cayetano spending growth has slowed from more than 8 percent per year to about 1.6 percent a year, less than the rate of inflation. In this heavily liberal Democratic state, Cayetano is clearly the most fiscally conservative governor in many years. His popularity is low and his reelection prospects are in doubt mainly because he has had to battle the establishment within his own party.

	Score	Grade	Rank
Overall Fiscal Policy Score	55	B	16
Spending Score	62	B	13
Revenue and Tax Rate Score	51	B	18

Amount	
-0.4%	Average Annual Change in Real Per Capita Direct General Spending through 1996
-1.0%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
-2.3%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-0.4%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
0.6%	Average Annual Change in Real Per Capita Tax Revenue through 1997
0.8%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-0.3%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
-2.6%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
0.1%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
-1.5	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)
16.4	1998 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) (*0.5)

Idaho

Philip Batt, Republican

Legislature: Republican

Took Office: 1/95

Grade: B

Batt, an onion farmer, served 16 years in the state legislature and 4 years as lieutenant governor. His first term as Idaho's governor will also be his last, as Batt, 71, is not seeking reelection this year. Batt ran on a platform of lower taxes, and he delivered the largest tax cut in state history in his first year in office, a \$40 million local property tax cut. Batt increased state aid to localities to offset that lost revenue. Unfortunately, in his second year in office Batt pushed through a 4-cent gas tax hike and vehicle registration fee increase that raised revenues nearly as much as they had been reduced the year before. In 1996 he irritated taxpayer groups by opposing a 1 percent property tax cap initiative. On the spending side, Batt used zero-based budgeting to slow state budget growth from 12 percent per year over the two years before he took office to 5 percent per year over his first three years. Unfortunately, this year Batt's parting gift to the state was a proposal for a hefty 7.7 percent increase in spending. On balance, Idaho has benefited from Batt's less-government, pro-private-sector mode of governing.

	Score	Grade	Rank
Overall Fiscal Policy Score	59	B	8
Spending Score	76	B	5
Revenue and Tax Rate Score	52	B	17

Amount

-1.6%	Average Annual Change in Real Per Capita Direct General Spending through 1996
-4.2%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
-0.6%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-2.0%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
0.6%	Average Annual Change in Real Per Capita Tax Revenue through 1997
-1.3%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-1.4%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
-1.3%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-0.1%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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)
16.2	1998 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) (*0.5)

Illinois

Jim Edgar, Republican

Legislature: Divided

Took Office: 1/91

Grade: D

In his eight years in the statehouse, Edgar has earned a reputation as one of the nation's most pro-tax governors. He has proposed income tax hikes on four separate occasions and a spate of other levies on cigarettes, telephones, and riverboat gambling. In 1997 the Wall Street Journal dubbed Edgar a "tax recidivist" for his seemingly annual endorsement of higher taxes. "At a time when most states are cutting taxes," noted the Journal, "the Illinois governor has turned himself into a lagging indicator, proposing a 25 percent income tax hike." Even more damning was the praise recently bestowed on Edgar by Bob Chase, president of the pro-tax National Education Association, who gushed, "We need more brave politicians like Illinois' Gov. Edgar." Edgar's most recent \$1.5 billion income tax increase proposal was defeated by the members of his own party, when 51 of 58 Republicans in the state assembly voted no. That rejection was not unusual. For most of the past eight years the moderate to liberal Edgar has been at war with the conservative wing of the GOP. He has threatened numerous vetoes of assembly tax cuts. He has opposed a top priority of Illinois taxpayer groups, a 2/3 supermajority vote to raise taxes. This past year Edgar finally agreed to a small tax cut of \$125 million out of a projected \$1 billion surplus. Meanwhile, in three years Edgar has inflated the state budget by \$3 billion, to \$37.4 billion. His latest budget spends lavishly on schools, prison construction, kidcare, and Medicaid expansions. Edgar's chief accomplishment has been passage of a "tough love" welfare reform bill that encourages mothers to work and caps Temporary Assistance to Needy Families benefits. Welfare caseloads have fallen impressively on Edgar's watch. Edgar is leaving office in January 1999 and trumpets "fiscal integrity" as one of his most important legacies. Tax and spend might be a better label for the Edgar years.

	Score	Grade	Rank
Overall Fiscal Policy Score	38	D	43
Spending Score	37	C	37
Revenue and Tax Rate Score	39	D	40

Amount

3.0%	Average Annual Change in Real Per Capita Direct General Spending through 1996
1.4%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
0.8%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-0.3%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
2.3%	Average Annual Change in Real Per Capita Tax Revenue through 1997
0.5%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-0.9%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
1.4%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
1.3%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
1.0	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.4	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
10.3	1998 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) (*0.5)

Indiana

Frank O'Bannon, Democrat

Legislature: Divided

Took Office: 1/97

Grade: B

Frank O'Bannon defeated Indianapolis's Republican mayor Stephen Goldsmith by a 52-47 margin. O'Bannon's campaign focused on continuing the policies of his popular predecessor Evan Bayh, one of the most fiscally conservative Democratic governors of the 1990s, under whom he had served as lieutenant governor. In his first year O'Bannon signed a biennial budget that included \$300 million in tax cuts over the two years but conspicuously failed to cut tax rates. That budget was expected to leave the state with a \$1.1 billion surplus, or about 12 percent of state revenues. By December 1997 the midyear revenue estimates indicated that because of faster economic growth the state would bring in nearly \$500 million more over the biennium than had been initially projected. With a surplus that had already been projected at over \$1 billion, Republicans in the legislature called for returning that windfall to the taxpayers through permanent tax cuts. O'Bannon did not propose a tax cut at all. He wanted to delay any consideration of permanent tax reform until the 1999 session, after his much publicized tax reform commission will have issued its report. O'Bannon staunchly opposed any permanent reductions and gave only lukewarm support to a Democratic plan to provide one-time tax rebates. In the end, O'Bannon won. Indianapolis will continue to sit on one of the largest state surpluses in the nation. While most other states are at least returning a portion of their growing revenue surpluses, Indiana's taxpayers must wait at least another year for tax relief. O'Bannon claims to be a fiscal conservative, but so far he hasn't completely lived up to that billing.

	Score	Grade	Rank
Overall Fiscal Policy Score	51	B	18
Spending Score	38	C	36
Revenue and Tax Rate Score	55	B	9

Amount

0.8%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
1.4%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
-0.8%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
-1.4%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-0.4%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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	1998 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) (*0.5)

Iowa

Terry Branstad, Republican

Legislature: Republican

Took Office: 1/83

Grade: D

After 16 years as governor, Terry Branstad, the nation's senior governor in terms of longevity in office, is finally retiring. Branstad has sponsored some beneficial fiscal reforms during his 16-year tenure, including twice cutting income tax rates and most recently reducing the estate tax. Yet Iowa has had one of the most depressed economies over the past decade. Iowa is only one of three states that has fewer residents today than it did in 1980, although population has grown slightly in the 1990s. In fact, the Iowa Tax Foundation reported not long ago that Iowa added more state government employees than taxpayers from 1980 to 1991. The Small Business Survival Committee ranks Iowa 37th of the 50 states in terms of governmental costs imposed on businesses and entrepreneurs. How much of the blame for that economic anemia rests with Branstad is debatable. What is not debatable is that after 16 years under Branstad, Iowa is still a high-spending state, with expenditures as a share of personal income that are today 8 percent higher than the national average and almost 15 percent above those of its neighbors. Iowa is also crippled by a tax code that economist Arthur Laffer recently described as "overtly unfriendly to entrepreneurs, investors, workers, and retirees." Even with Branstad's recent tax cuts, the personal and business income tax rates are among the highest in the nation. Branstad has done too little, too late to fix the repressive tax-and-spend regime in Des Moines.

	Score	Grade	Rank
Overall Fiscal Policy Score	40	D	40
Spending Score	31	D	42
Revenue and Tax Rate Score	43	C	34

Amount	
3.0%	Average Annual Change in Real Per Capita Direct General Spending through 1996
1.7%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
1.5%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
0.5%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
2.5%	Average Annual Change in Real Per Capita Tax Revenue through 1997
0.9%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-1.9%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
2.8%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-0.5%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
-4.52	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)
21.0	1998 Combined Top Income Tax Rates (Personal plus Corporate) (*0.5)
2.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
7.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon) (*0.5)

Kansas

Bill Graves, Republican

Legislature: Republican

Took Office: 1/95

Grade: B

Kansas is becoming more conservative all the time, but Bill Graves, a moderate Republican, often seems to resist the tide. Graves was elected governor in 1994 by an overwhelming 64-36 margin over the early favorite, then-congressman Jim Slattery. After working for his family's trucking firm, Graves went to work for the Office of the Kansas Secretary of State in 1980. In 1986 he was elected secretary of state, a post he kept until his 1994 election. Graves has had a tumultuous first term in Topeka, tussling with his party's conservative wing on a number of issues, including school vouchers, which he opposes. Objecting to the legislature's proposal for a larger tax cut, Graves once said, "What part of 'hell no' don't you understand?" Lately, he has been more agreeable to the smaller government agenda. With revenues pouring in, Graves has even been more cooperative with the legislature on tax cuts. In each of the past two years he approved property and income tax cuts that were substantially larger than the ones he initially proposed. This year he has promised to eliminate the car tax if he is reelected in November, which seems likely. Graves has towering approval ratings. Graves's overall fiscal record is above average, but it does not measure up to those of most of his fellow GOP governors elected in 1994. And, given the robust Kansas economy, much more ambitious fiscal reforms could have been achieved over the past four years.

	Score	Grade	Rank
Overall Fiscal Policy Score	56	B	14
Spending Score	64	B	11
Revenue and Tax Rate Score	52	B	16

Amount

0.3%	Average Annual Change in Real Per Capita Direct General Spending through 1996
-2.2%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
-0.4%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-2.1%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
2.6%	Average Annual Change in Real Per Capita Tax Revenue through 1997
-0.2%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-2.5%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
0.9%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-1.2%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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	1998 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) (*0.5)

Kentucky

Paul Patton, Democrat

Legislature: Democratic

Took Office: 12/95

Grade: C

In 1995 Kentucky raised its one-term limit for all statewide officials to two terms. Nevertheless, incumbent governor Brereton Jones decided not to seek a second term, and, in a state that is incrementally tilting conservative Republican, the voters promoted the Democrat Patton from lieutenant governor to governor, though by only a slim two-point margin. Patton's first budget contained modest tax relief in the form of an increase in the state's minuscule personal income tax standard deduction from \$650 to \$1,700 over four years (and indexing it for inflation thereafter) and a four-year phaseout of the provider tax on physicians. That first biennial budget also provided only a fairly modest increase in spending. This year, Patton's second budget contained no major tax relief but did include numerous new spending initiatives--about \$500 million for more than 100 one-time pork-barrel spending projects--and nearly \$1 billion in new debt. The legislators added more pork projects of their own and gave themselves a 50 percent pay raise. Patton has been a major defender and funder of Kentucky's 1990 education reform program, KERA--a misguided multi-billion-dollar school funding equalization scheme that has failed to raise test scores. Throwing good money after bad won't improve the schools or the economy in Kentucky.

	Score	Grade	Rank
Overall Fiscal Policy Score	49	C	20
Spending Score	56	B	18
Revenue and Tax Rate Score	47	C	28

Amount

-1.9%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
0.9%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
-0.9%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
2.1%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-0.1%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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	1998 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) (*0.5)

Louisiana

Mike Foster, Republican

Legislature: Democratic

Took Office: 1/96

Grade: C

If nothing else, Mike Foster has succeeded in bringing a sense of normalcy and ethical standards to a state whose political culture had been tarnished in previous years by the racist Republican David Duke and the indicted Democrat Edwin Edwards. In 1995 Foster switched parties and beat a crowded field by running as an anti-gun-control, anti-gambling fiscal conservative. In his first year he managed to balance the Louisiana budget without new taxes or budget gimmickry for the first time since 1993--arguably his signature accomplishment. He did so by holding spending growth to below inflation and reducing a bloated state bureaucracy that had been padded for years with layers of patronage jobs. He also successfully pushed through the heavily Democratic legislature a \$25 per child tax credit and a four-year \$360 million bond repayment plan in a state long plagued by heavy indebtedness. But last year Foster faltered. The Louisiana economy has underperformed the nation's because of its heavy dependence on oil (the state loses \$22 million in revenues for every \$1 drop in crude oil prices) and increasingly intense foreign competition in the fishing industry. To make up for lost revenues, Foster won a \$300 million renewal of sales taxes on food and utilities to pay for teacher salary hikes and a 20-year extension of a 4 cent a gallon gas tax to pay for infrastructure improvements. One of the few promising developments in the budget was the creation of a blue-ribbon panel to recommend restructuring of the Louisiana tax code. If Foster wants to leave a legacy of fiscal sanity and integrity, he will have to repair Louisiana's loophole-laden, high-rate tax system. The tax code is one of the most enduring remnants of Louisiana's era of cronyism and corruption.

	Score	Grade	Rank
Overall Fiscal Policy Score	47	C	24
Spending Score	41	C	32
Revenue and Tax Rate Score	49	C	25

Amount

0.7%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
0.9%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
-2.3%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
1.1%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
0.0%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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	1998 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) (*0.5)

Maine

Angus King, Independent

Legislature: Democratic

Took Office: 1/95

Grade: C

Angus King is the nation's only governor who is not a member of one of the two major parties. Formerly a Democrat, King ran as a moderate, pro-business independent. He won a close race with only 35 percent of the vote, edging out former Democratic governor Joseph Brennan, who got 34 percent. King had never held elective office before. He had practiced law, run his own business, and gained state-wide name recognition by hosting a television talk show. The Almanac of American Politics described King as a "high-energy, high-tech governor . . . [who] calls for more infrastructure and lower taxes, better education and less video gambling." In his first two years, King slowed the growth of spending and imposed a moratorium on new regulations. There were no tax hikes, but there were several fee increases. And the legislature passed, without King's support, a cap on the growth of income tax revenue to take effect in 1998 and remain in place until the state's excessively high income tax is reduced by 20 percent. Then in 1997 King proposed doubling the state's cigarette tax and eliminating the new income tax cap. Part of the new revenue was to be used for a tax relief fund. The legislature, now under complete Democratic control after the 1996 elections, eventually gave King his way. King's grade of C reflects this mixed fiscal record.

	Score	Grade	Rank
Overall Fiscal Policy Score	46	C	28
Spending Score	54	B	19
Revenue and Tax Rate Score	42	C	35

Amount

-0.6%	Average Annual Change in Real Per Capita Direct General Spending through 1996
-1.8%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
1.1%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
0.4%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
2.5%	Average Annual Change in Real Per Capita Tax Revenue through 1997
0.9%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-1.7%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
1.7%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
0.6%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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	1998 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) (*0.5)

Maryland

Parris Glendening, Democrat

Legislature: Democratic

Took Office: 1/95

Grade: C

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. The Glendening paradox is that despite governing during times of high incumbent popularity, he has never won the hearts of Marylanders. His poll ratings have consistently sagged below 40 percent, and some pollsters have panned Glendening as the least popular governor in America. That is partly a reflection of the technocratic Glendening's utter lack of personal charm, partly due to a seemingly aimless policy agenda, and partly a result of a state economy that has consistently underperformed the rest of the nation in the 1990s. From 1990 to 1997 Maryland ranked 46th in per capita income growth and 38th in job growth. To his credit, last year Glendening proposed a 10 percent income tax rate cut to be phased in over five years, arguing correctly that "a tax cut is the single most effective policy to bring jobs back to Maryland." The plan passed, but no one was particularly pleased. Republicans still want a 25 percent tax cut, and the liberal Democrats, who have a decades-long stranglehold on the state legislature, wanted to spend all the money. The truth is that, even with the modest tax cut, the budget has expanded greatly during Glendening's term. His budgets have generally requested that expenditures grow at twice the inflation rate. The Washington Post recently reported that Glendening has "showered money on local schools, higher education, health care coverage for the poor, and environmental programs to protect the Chesapeake Bay." Glendening is mostly a pro-government interventionist, as evidenced by his legislation to restrict gun ownership, raise the cigarette tax, impose workplace smoking bans, and fund a \$200 million football stadium in Baltimore. It is no wonder that Glendening will face another tough challenge from Ellen Sauerbrey in November.

	Score	Grade	Rank
Overall Fiscal Policy Score	49	C	22
Spending Score	44	C	29
Revenue and Tax Rate Score	51	B	19

Amount

1.4%	Average Annual Change in Real Per Capita Direct General Spending through 1996
-0.1%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
2.3%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-1.1%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
0.0%	Average Annual Change in Real Per Capita Tax Revenue through 1997
-1.6%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
0.1%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
0.1%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
0.1%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
-0.25	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
11.9	1998 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) (*0.5)

Michigan

John Engler, Republican

Legislature: Divided

Took Office: 1/91

Grade: B

After two terms in office, John Engler remains one of the nation's most fiscally frugal governors. He has also been a preeminent policy pioneer at the state level in areas ranging from welfare reform, to charter schools, to privatization, to growth-oriented tax reduction. There is almost nothing not to admire about Engler's eight-year record. The \$1.5 billion deficit he inherited has been erased and is now a \$500 million surplus. The state government workforce was cut by an impressive 5,700 workers between 1991 and 1997, an 8 percent drop. The state unemployment rate, which was one of the highest in the nation in the 1970s and 1980s, has been below the national average for the past four years, and Michigan firms now complain of a labor shortage. Welfare rolls have dropped by more than 80,000 since 1994. While the economy has surged, the overall state budget has grown by less than inflation. There have been 24 tax cuts, including reductions in the personal income tax, the state unemployment tax, and Michigan's notoriously high property taxes. The total savings over eight years to Michigan businesses and residents: \$9 billion. And Engler is not through with his crusade to make Michigan more taxpayer friendly: his latest budget calls for phasing in a half percentage point reduction in the income tax rates. The one major blemish on the Engler record has been an infatuation with pumping tax dollars into trendy industrial policy initiatives that mainly benefit big business. Still the Michigan Miracle under Engler's tenure shows no signs of abating. It is no wonder that he is considered a top-tier contender for the presidency in 2000.

	Score	Grade	Rank
Overall Fiscal Policy Score	59	B	9
Spending Score	69	B	7
Revenue and Tax Rate Score	54	B	10

Amount

1.2%	Average Annual Change in Real Per Capita Direct General Spending through 1996
-0.8%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
-1.5%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-4.8%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
1.8%	Average Annual Change in Real Per Capita Tax Revenue through 1997
-0.1%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-3.4%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
-3.5%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-0.6%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
-0.2	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)
6.7	1998 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) (*0.5)

Minnesota

Arne Carlson, Republican

Legislature: Democratic

Took Office: 1/91

Grade: C

Arne Carlson's tenure in the statehouse could be called "a tale of two governors." In his first term, during the recession of the early 1990s, Carlson was one of the nation's most taxing governors, having raised both the state sales and income taxes. He also approved a flurry of new expenditures for a costly health care program called "HealthRight," "family services grants," environmental programs, and even \$55 million for the Minnesota Timberwolves sports stadium. But in his second term Carlson has proven an effective promoter of pro-growth fiscal, economic, and education policy. Last year Carlson approved the largest tax relief bill ever in Minnesota. The bill cut property taxes by 20 percent, created a \$400 million education tax credit, and slashed the state's health care provider tax. However, Carlson supported a 10-cent increase in the cigarette tax to pay for yet another professional sports stadium, this time for the Minnesota Twins, who are threatening to leave the Twin Cities. But a majority of Minnesotans oppose public financing of sports facilities, and that plan was rejected with no immediate solution to the controversy in sight. Carlson's main claim to fame, however, has been as a passionate supporter of school choice for Minnesota parents. Last year, in a high-stakes showdown with the legislature and the education establishment, he promised to veto a \$6 billion education-financing bill if it excluded his education tax credit proposal. The legislature finally backed down, and the widely acclaimed tax credit plan is now the law. Minnesota is arguably further along in implementing genuine, innovative education reform than any other state--thanks in large part to Governor Carlson.

	Score	Grade	Rank
Overall Fiscal Policy Score	44	C	30
Spending Score	40	C	33
Revenue and Tax Rate Score	46	C	30

Amount

3.3%	Average Annual Change in Real Per Capita Direct General Spending through 1996
1.7%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
-1.3%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
0.0%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
4.2%	Average Annual Change in Real Per Capita Tax Revenue through 1997
2.1%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-4.1%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
-1.4%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-0.1%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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)
18.3	1998 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) (*0.5)

Mississippi

Kirk Fordice, Republican

Legislature: Democratic

Took Office: 1/92

Grade: C

Kirk Fordice's first foray into politics was his defeat of incumbent governor Ray Mabus in 1991 to become the state's first Republican governor elected since 1874. Before then Fordice, an engineer by training, ran his own construction business. He was reelected in 1995, but the Democrats still hold large majorities in the legislature. Mississippi's constitution contains a unique provision that requires that all tax cuts be passed by a 3/5 supermajority. That anti-taxpayer provision and the large Democratic majorities in the legislature have provided virtually insurmountable obstacles to Fordice's efforts to enact pro-growth tax cuts and rein in the growth of spending. In his first year in office, the legislature enacted a 1-cent sales tax hike that Fordice vetoed. The legislature overrode that veto. In 1994 Fordice proposed a 10 percent income tax cut, which the legislators ignored. He was at least able to get lawmakers to approve a capital gains tax cut. In 1995 and 1996 Fordice again proposed income tax cuts and again had them rejected by the legislature. In 1997 he was able to get approval of a small income tax cut that eliminates the "marriage penalty." Unfortunately, the effects of six years of battering by the profligate legislature have started to show. In 1998 he didn't even bother proposing a tax cut. Fordice's spending record is plagued by the same maladies as his tax record. With the economy in high gear, revenues are pouring into the capital. Unable to get the necessary 3/5 supermajority of the legislature to approve substantial tax cuts, Fordice is faced with a legislature that has vaults of new money to spend and is all too willing to do so. Despite Fordice's repeated vetoes (94 in seven legislative sessions) he has had little success at reining in state spending. Clearly, spending and taxes would have been substantially higher had it not been for Fordice's fiscal restraint. More than that of any other governor, his grade reflects the opposing fiscal philosophy of the legislature rather than his own.

	Score	Grade	Rank
Overall Fiscal Policy Score	49	C	21
Spending Score	48	C	23
Revenue and Tax Rate Score	49	C	23

Amount

4.2%	Average Annual Change in Real Per Capita Direct General Spending through 1996
1.4%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
-2.2%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-2.4%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
5.0%	Average Annual Change in Real Per Capita Tax Revenue through 1997
2.2%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-4.8%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
0.1%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-0.4%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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)
10.0	1998 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) (*0.5)

Missouri

Mel Carnahan, Democrat

Legislature: Democratic

Took Office: 1/93

Grade: F

Mel Carnahan's two landslide gubernatorial election victories (in 1992 and 1996) represent the biggest percentages any Democrat has won in Missouri since 1968. He is prohibited from serving a third term. Carnahan has governed as one of the nation's most fiscally liberal governors. In his first term he delivered on his campaign promise of a huge tax increase--\$310 million--to fund new spending on education. In 1994 he successfully opposed the Hancock II Amendment to strengthen the state's constitutional tax and expenditure cap. Later, Carnahan supported a more moderate ballot initiative requiring voter approval of all tax hikes over \$50 million, which was passed in August 1996. Despite its loopholes, the original Hancock Amendment has forced Carnahan and the legislature to rebate about \$700 million in surplus tax dollars in the last three years. However, it has done little to restrain the growth of state government under Carnahan. In his first four years in office, state tax revenues rose from \$5.5 billion in 1993 to \$7.8 billion by 1997, a 42 percent increase. Even after adjusting for inflation, state tax revenue growth outpaced population growth by 5.6 percent and personal income growth by 3.7 percent. Carnahan has funded major expansions of education, health care, and early childhood programs. To his credit, Carnahan has successfully pushed through modest tax cuts each of the last three years. However, in each case the reduction was not large enough to prevent revenues from exceeding the Hancock limit. Thus, the tax cuts represented money that would have had to have been refunded anyway. In an era when most states are reducing taxes, under Carnahan Missouri seems to be one of the few states heading in a fiscally expansionary direction. Carnahan's fiscal liberalism is reflected in his failing grade.

	Score	Grade	Rank
Overall Fiscal Policy Score	35	F	44
Spending Score	34	D	39
Revenue and Tax Rate Score	35	F	46

Amount	
2.3%	Average Annual Change in Real Per Capita Direct General Spending through 1996
0.5%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
3.0%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
0.0%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
5.6%	Average Annual Change in Real Per Capita Tax Revenue through 1997
3.7%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-1.5%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
1.9%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-0.1%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
0.0	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
1.25	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
12.3	1998 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) (*0.5)

Montana

Marc Racicot, Republican

Legislature: Republican

Took Office: 1/93

Grade: C

Marc Racicot won a close race in 1992 despite calling for a first-ever 4 percent state sales tax, which the voters rejected by a 3-to-1 margin in a June 1993 referendum. By that time, Racicot and the legislature had already crafted a fallback measure, an income tax hike that would automatically go into effect if the sales tax was defeated. Overwhelming public opposition to that back-door income tax hike allowed a taxpayer group to collect enough signatures to suspend the increase until the voters had a chance to consider it. In November 1994 the income tax hike was also rejected by a wide margin. On the spending side, Racicot has consistently favored fatter budgets and has fought with the legislature to win funding for Head Start, public schools, higher education, foster care, and environmental regulation. Throughout his term, the legislature has had to repeatedly scale back his bloated budgets. Even so, spending has outpaced the growth of population and inflation by 3.3 percent and outpaced the growth of personal income by 1.9 percent. Perhaps not surprisingly, Racicot received the endorsement of the teachers' unions in 1996. He cruised to victory with a gaudy 79-19 margin over a little-known opponent, and he remains enormously popular with approval ratings of near 80 percent. In his second term Racicot has pursued heightened spending on infrastructure and on research and development at state universities. Racicot's fiscally liberal record has played well in Big Sky country--especially since the voters have been able to reject his proposals for broad tax increases--but in this era of tax-cutting governors it earns him a grade of C for his lack of fiscal restraint.

	Score	Grade	Rank
Overall Fiscal Policy Score	43	C	35
Spending Score	46	C	25
Revenue and Tax Rate Score	41	C	37

Amount

3.3%	Average Annual Change in Real Per Capita Direct General Spending through 1996
1.9%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
-0.6%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-2.7%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
-1.0%	Average Annual Change in Real Per Capita Tax Revenue through 1997
-2.6%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-3.0%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
-0.7%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
1.1%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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	1998 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) (*0.5)

Nebraska

Benjamin Nelson, Democrat

Legislature: Nonpartisan

Took Office: 1/91

Grade: C

Benjamin Nelson won the governor's seat in 1990 by a very narrow margin over the tax-hiking GOP incumbent Kay Orr. He was reelected in 1994 by a landslide but is prohibited from seeking a third term this year. Nelson has governed as a relative fiscal moderate. He has pushed for modest reductions in taxes and has avoided proposals for huge increases in spending. This year Nelson signed legislation that will use about half of the state's revenue surplus to extend indefinitely a temporary 5 percent income tax cut and to cover a temporary one-year half-cent reduction in the sales tax. Unfortunately, the other half of the surplus was spent. As a result, in Nelson's last year, FY99, general fund appropriations will rise by a whopping 12.6 percent. Early in his tenure he supported a state lottery and has used the revenue to dramatically increase spending on education and environmental programs. Compared with that of his tax-hiking predecessor, Nelson's moderate fiscal record has been an improvement. However, compared with the records of the many tax-cutting governors in statehouses today, that record is not so impressive.

	Score	Grade	Rank
Overall Fiscal Policy Score	48	C	23
Spending Score	38	C	35
Revenue and Tax Rate Score	53	B	13

Amount

2.7%	Average Annual Change in Real Per Capita Direct General Spending through 1996
1.6%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
0.0%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-0.1%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
2.7%	Average Annual Change in Real Per Capita Tax Revenue through 1997
0.9%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-1.6%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
-1.2%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-0.7%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
-0.24	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	1998 Combined Top Income Tax Rates (Personal plus Corporate) (*0.5)
-0.5	Change in Sales Tax Rate, proposed and/or enacted (% points)
-1.9	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon) (*0.5)

Nevada

Bob Miller, Democrat

Legislature: Divided

Took Office: 1/89

Grade: B

Bob Miller was lieutenant governor in 1988 when then-governor Richard Bryan won a U.S. Senate race. Miller served the remainder of Bryan's term and was elected to two full four-year terms in 1990 and 1994. He is not eligible to run for a third consecutive term. Miller has presided over Nevada during a period of rapid economic expansion. Since 1988 the state's population has grown by more than half a million, an increase of 56 percent--the largest in the nation and about twice as large as the increase in the next fastest growing state, Arizona). Economic growth has primarily been fueled by Nevada's status as one of only five states with no personal and no corporate income tax. Many new Nevadans are refugees from neighboring California and its high taxes, stifling regulations, and congestion. Since pushing through a huge tax increase in 1992--which included a sales tax hike, a gas tax hike, and new business taxes--Miller has resisted calls for further tax hikes. Of further assistance to the taxpayers, a referendum passed in November 1996 requires that all tax hikes be approved by a 2/3 supermajority of the legislature. However, that has not slowed the flood of new revenues the state's surging economy is pouring into Carson City. And Miller has not been particularly reluctant to spend that revenue windfall. In 1997 he pushed through a \$2.9 billion budget for the 1997-99 biennium, increasing spending by 15 percent over the previous biennial budget. Big spending increases were approved for higher education, mental health, and an expanded class-size reduction program. Miller also won approval for Family-to-Family, a new program designed to teach child-rearing skills to new parents through free home visits. From 1990 to 1996 Nevada led the nation in the growth of its bureaucracy, which expanded by 5.6 percent per year compared to the U.S. average of 1.5 percent. When Miller's 10-year reign as governor comes to an end next year, Nevada's economy will be much larger than when he began, but so will state government.

	Score	Grade	Rank
Overall Fiscal Policy Score	51	B	19
Spending Score	59	B	16
Revenue and Tax Rate Score	48	C	26

Amount

1.3%	Average Annual Change in Real Per Capita Direct General Spending through 1996
-0.3%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
-2.7%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-1.0%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
2.2%	Average Annual Change in Real Per Capita Tax Revenue through 1997
0.4%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-3.4%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
-1.7%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
1.2%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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	1998 Combined Top Income Tax Rates (Personal plus Corporate) (*0.5)
0.75	Change in Sales Tax Rate, proposed and/or enacted (% points)
7.8	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon) (*0.5)

New Hampshire

Jeanne Shaheen, Democrat

Legislature: Republican

Took Office: 1/97

Grade: C

When Jeanne Shaheen was elected in 1996, New Hampshire became the first state in American history to have a female governor and a female speaker of the house, prompting the New York Times to call the state America's first "political matriarchy." Shaheen is also the first Democratic governor in recent memory in this highly conservative, anti-tax state. Unlike most failed Democratic gubernatorial candidates who came before her, Shaheen wisely took what is known in New Hampshire as "the pledge"--a promise not to impose an income or sales tax. As governor, Shaheen has been described by the Concord Monitor as "the ultimate incrementalist." The problem for New Hampshire is that she is incrementally raising the state's tax burden and inflating the state budget. In Shaheen's first two budgets, expenditures have risen by more than \$100 million, or nearly 13 percent. Under her Advancing Better Classrooms plan she proposes increasing state education spending by 40 percent. She also has supported a universal health care program. The single issue that dominates New Hampshire politics these days is school financing. New Hampshire is under court order to move away from local property tax funding of schools to increase equity in per pupil expenditures. To her credit, Shaheen has so far resisted calls for any new broad school-financing tax. But she has endorsed a doubling of the state cigarette tax to 50 cents a pack and a highly controversial \$80 million plan for video poker and slot machines. Shaheen is far from a traditional liberal Democrat, but so far under her governorship New Hampshire appears to be moving--if only incrementally--to the left.

	Score	Grade	Rank
Overall Fiscal Policy Score	41	C	38
Spending Score	25	F	43
Revenue and Tax Rate Score	45	C	32

Amount

0.9%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
3.4%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
-0.6%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
0.3%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
1.6%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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)
7.0	1998 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) (*0.5)

New Jersey

Christine Todd Whitman,
Republican

Legislature: Republican
Took Office: 1/94

Grade: B

Back in 1993 Christine Todd Whitman became an overnight national cause célèbre when she carried her anti-tax message to an improbable, last-second victory over liberal, pro-tax incumbent Jim Florio. Whitman not only delivered on her 30 percent income tax cut; she did so ahead of schedule and without running up big deficits. For Republican gubernatorial candidates across the country, "Whitman-omics" became a rallying cry. After Whitman had been in office two years, her popularity had soared and Vogue magazine branded her the "patrician with the populist touch." The Whitman tax plan has been an unmitigated success: the budget is now running a \$700 million surplus, income tax revenues are coming in faster with Whitman's tax cuts than they did with Florio's tax rate increases, the state now ranks first in the region in new business relocations, and New Jersey has recaptured the more than 200,000 jobs it lost under Florio and added 100,000 more. In her first term, Whitman was also frugal when it came to the expenditure side of the budget. Outlays rose at only 2 percent per year in her first three years. Since then, Whitman's star has faded. She has reversed fiscal course. Since barely winning re-election, Whitman has supported a seemingly endless barrage of new taxes: a 40-percent a pack increase in cigarette taxes, a 67 percent increase in the gas tax (that even the Democrats in the legislature wouldn't support), a \$3-a-day increase in the car rental fee, and an increase in motor vehicle and other fees. All of this despite a budget surplus. The budget Whitman just signed into law raises outlays by \$1 billion--an 8.3 percent hike, including \$15 million for bicycle paths, \$116 million for state worker pay raises, \$100 million for land-use and farmland preservation, and \$60 million for "members' projects" such as a Yogi Berra Museum and a Frank Sinatra Museum. No wonder these days New Jerseyites are saying, "Will the real Christine Todd Whitman please stand up."

	Score	Grade	Rank
Overall Fiscal Policy Score	57	B	12
Spending Score	46	C	24
Revenue and Tax Rate Score	62	B	5

Amount

2.4%	Average Annual Change in Real Per Capita Direct General Spending through 1996
1.3%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
-0.3%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-1.6%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
-1.3%	Average Annual Change in Real Per Capita Tax Revenue through 1997
-2.6%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-3.7%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
-1.1%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-0.8%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
-0.6	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	1998 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) (*0.5)

New Mexico

Gary E. Johnson, Republican

Legislature: Democratic
Took Office: 1/95

Grade: B

A true citizen-lawmaker who calls himself a libertarian, Johnson never sought nor held an elective office before winning the statehouse in 1994. He started his own construction business while still in college and built it into one of the largest construction companies in the state. In a big-government state like New Mexico, where the state tax burden has long been among the most oppressive in the nation, Johnson's staunch fiscal conservatism has been much needed, but also much resisted. In his first year in office he proposed \$85 million in tax cuts, including a \$47 million personal income tax cut--reducing the top rate from 8.5 percent to 8 percent--and a 6-cent gas tax cut. The Democrat-dominated legislature approved only a 3-cent gas tax cut worth about \$15 million. In 1997 Johnson proposed a modest \$15 million personal income tax cut that the legislature rejected; instead, it sent him a \$45 million 5-cent per gallon phased-in gasoline tax hike that Johnson vetoed. This year Johnson again proposed a modest income tax cut of about \$20 million, reducing the top rate from 8.5 percent to 8.3 percent. Surprisingly, the legislature sent him an even larger tax cut package of \$60 million, including a reduction of the top rate to 8.2 percent and elimination of the sales tax on prescription drugs, partially offset by a 12-cent cigarette tax hike. Johnson vetoed the cigarette tax hike and enthusiastically signed the income tax cut into law. On the spending side, general fund expenditures went up by 10 percent per year over the six years preceding the Johnson administration. In Johnson's first year, spending rose by about 6 percent, and since then spending growth has averaged less than 4 percent per year. He has also reduced the number of state employees by nearly 10 percent, and he has set a state record for legislative vetoes. While New Mexico is still a high-tax state, Johnson has made great strides in reducing taxes and slowing spending growth, much to the displeasure of the entrenched tax-and-spend culture in Albuquerque.

	Score	Grade	Rank
Overall Fiscal Policy Score	61	B	5
Spending Score	57	B	17
Revenue and Tax Rate Score	63	B	4

Amount	
2.2%	Average Annual Change in Real Per Capita Direct General Spending through 1996
-1.0%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
-2.3%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-0.9%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
0.5%	Average Annual Change in Real Per Capita Tax Revenue through 1997
-1.7%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-3.9%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
-0.9%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-0.9%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
-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)
15.8	1998 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) (*0.5)

New York

George Pataki, Republican

Legislature: Divided

Took Office: 1/95

Grade: B

New York's economy has a heartbeat again--thanks in no small part to the pro-growth fiscal agenda of George Pataki. To the surprise of many, after ousting Mario Cuomo from office in November 1994, 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 and the state sales tax on clothing. New York's Empire Foundation for Policy Research recently noted that even with these tax cuts, the state's resurgent economy has generated "more income tax revenue under Gov. Pataki than it ever did under former Gov. Mario Cuomo." His latest budget contained the steepest reductions in business taxes in the country. Alas, New York remains one of the highest tax states in the nation, but its commanding lead over the rest of the pack has been narrowed considerably. Pataki has been most impressive in his tightfisted approach to expenditures in a state notorious for its free-spending tradition. In 1995 he inherited a general fund budget of \$42.7 billion. Two years later the budget was \$41.5 billion, 2.5 percent lower. But lately Pataki has shown signs of fiscal schizophrenia. In 1996 he backed a pork-packed \$1.75 billion "environmental" bond initiative--in a state that already has the highest debt burden and one of the five worst credit ratings in the country. His FY99 budget called for a gargantuan 8.9 percent spending hike. Fears Tom Carroll, president of tax watchdog group Change NY, "The enormous progress made in 1995 and 1996 is beginning to unravel." Overall, Pataki's record has been quite positive, but the recent profligate fiscal trends are worrisome to say the least.

	Score	Grade	Rank
Overall Fiscal Policy Score	70	B	3
Spending Score	77	B	4
Revenue and Tax Rate Score	67	B	3

Amount

-1.4%	Average Annual Change in Real Per Capita Direct General Spending through 1996
-3.8%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
-1.5%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-2.1%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
-1.7%	Average Annual Change in Real Per Capita Tax Revenue through 1997
-4.1%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-3.6%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
0.5%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-1.3%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
-1.025	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)
15.9	1998 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) (*0.5)

North Carolina

James Hunt, Democrat

Legislature: Divided

Took Office: 1/93

Grade: C

James Hunt was elected to his third term as governor in 1992 and his fourth in 1996. He had served two previous terms from 1976 to 1984. Nowadays he touts himself as a moderate New Democrat. Hunt successfully pushed huge double-digit spending increases his first two years back in office, before the GOP took over the state house in 1994. Then in 1995, with revenue pouring in, Hunt pushed through a tax cut of about \$340 million, including an increase in the personal exemption from the income tax and elimination of the tax on intangible personal property. In 1996 he approved a modest legislative tax cut package that reduced the sales tax on food and provided a phased-in cut in corporate income tax rates. In 1997 he approved the legislature's plan to retroactively refund intangibles taxes with interest for tax years 1990 through 1994. But in 1998, despite a roughly \$1 billion surplus, Hunt proposed no tax relief at all. To make matters worse, the double-digit spending increases are back. After spending soared by 10 percent last year, this year Hunt's FY99 budget proposal called for a whopping 12 percent budget hike. That includes a 50 percent increase for one of his pet programs, Smart Start, which gets government's meddlesome hand into the business of providing day care subsidies and other services for pre-schoolers. Despite providing some modest tax relief, Hunt's overall fiscal record is unimpressive.

	Score	Grade	Rank
Overall Fiscal Policy Score	46	C	26
Spending Score	39	C	34
Revenue and Tax Rate Score	49	C	22

Amount

3.5%	Average Annual Change in Real Per Capita Direct General Spending through 1996
1.2%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
-1.1%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
0.3%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
2.2%	Average Annual Change in Real Per Capita Tax Revenue through 1997
-0.1%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-2.2%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
2.0%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-0.4%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
0.0	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	1998 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) (*0.5)

North Dakota

Edward Schafer, Republican

Legislature: Republican

Took Office: 12/92

Grade: C

With his landslide victory in 1996, Edward Schafer became the first GOP governor to be reelected in North Dakota in nearly 40 years. Schafer was a private businessman who had never before held public office. For the most part, his governing philosophy has reflected that businessman's sensibility. He has called for "rightsizing" and "streamlining" state government. In his first three years in office, Schafer succeeded in holding spending growth well below the growth rates of population and personal income. However, in 1997 Schafer's proposed budget for the current biennium called for increasing spending by 10 percent over the previous biennium. Schafer claimed such growth was necessary to meet the state's "unmet needs." Referring to past budget growth, he said, "We passed up spending in areas where we should have invested in. . . . I feel this budget allows us to catch up." Schafer's record on taxes has been less impressive. Since North Dakota's personal income tax is calculated as a straight percentage of federal income tax liability, the 1993 Clinton income tax hike offered the North Dakota treasury a bonus, more income tax revenue without passing a state income tax hike. By not reducing the state income tax rate, Schafer and the legislature allowed North Dakotans to be hit with a stealth tax hike. The effective top marginal state income tax rate climbed by nearly 30 percent, from 4.3 percent to 5.5 percent. This while most other states have been reducing their income tax rates and while the state's more prosperous neighbor, South Dakota, thrives without any income tax at all. In addition, Schafer has raised the gas tax by 3 cents and the cigarette tax by 15 cents. Schafer has the right overall philosophy of leaner, more responsive state government, but his execution has sometimes fallen short.

	Score	Grade	Rank
Overall Fiscal Policy Score	42	C	36
Spending Score	49	C	22
Revenue and Tax Rate Score	39	D	41

Amount	
-0.8%	Average Annual Change in Real Per Capita Direct General Spending through 1996
-1.1%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
2.4%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
0.1%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
2.1%	Average Annual Change in Real Per Capita Tax Revenue through 1997
-0.2%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
0.8%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
1.1%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
0.4%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
1.204	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	1998 Combined Top Income Tax Rates (Personal plus Corporate) (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
3.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon) (*0.5)

Ohio

George Voinovich, Republican

Legislature: Republican

Took Office: 1/91

Grade: D

From his first day in office eight years ago, George Voinovich has engaged in nonstop fiscal combat with conservatives and taxpayer advocates in his own party. In 1993 he passed a giant \$1 billion tax hike, increasing Ohio's already excessive 7 percent income tax rate to 7.5 percent. In 1996 liberal Democrats in the legislature teamed up with conservative Republicans and taxpayer groups to pass a tax cut to be funded out of the state's \$1.1 billion surplus, but Voinovich blasted it as "fiscally irresponsible." He finally and begrudgingly signed a shaved-down version into law. His latest tax scheme came earlier this year when he sponsored a \$1.2 billion tax hike to fund a massive new education spending campaign. The Voinovich plan called for a 20 percent increase in the state sales tax and a 50 percent cigarette tax hike. The tax proposal was placed on the Ohio ballot in May. In an embarrassing rebuke to Voinovich, voters trounced the measure by an 80-20 margin. On the expenditure side of the budget, Voinovich has been a spendthrift in recent years. His fiscal 1998 budget, for example, was 8 percent higher than the 1997 budget--with 13 percent more for schools, 10 percent more for higher education, and 20 percent more for corrections. One of the few constructive features of Voinovich's agenda has been his support for school vouchers in inner-city Cleveland and for expanded charter schools. Voinovich is retiring from the governorship to make a run for the U.S. Senate this year. If he wins that race, his anti-tax-cut and pro-spending inclinations will unfortunately fit right in with those of many of the current Republicans in the Senate.

	Score	Grade	Rank
Overall Fiscal Policy Score	39	D	42
Spending Score	44	C	27
Revenue and Tax Rate Score	36	D	44

Amount

1.5%	Average Annual Change in Real Per Capita Direct General Spending through 1996
-0.1%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
2.0%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-0.9%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
2.8%	Average Annual Change in Real Per Capita Tax Revenue through 1997
1.1%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
0.0%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
0.9%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
0.8%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
0.301	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)
16.1	1998 Combined Top Income Tax Rates (Personal plus Corporate) (*0.5)
1.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
2.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon) (*0.5)

Oklahoma

Frank Keating, Republican

Legislature: Democratic

Took Office: 1/95

Grade: D

Frank Keating, a former aide to Jack Kemp, has pursued a growth-oriented tax agenda for Oklahoma, but the legislature has impeded him every step of the way. In 1997 Keating signed into law a major reduction in the unemployment tax. This past year Keating proposed the biggest supply-side income tax cut of any governor. The Keating plan was to dedicate projected budget surpluses to cutting the income tax in half--from 7 to 3.5 percent over seven years. After a bruising battle with the Democrats in the legislature, Keating emerged only partially victorious. In May he signed the largest tax cut in Oklahoma history, but the income tax cut was a mere 0.25 percentage point. Most of the tax cut was devoted to a grocery sales tax rebate. Keating has also pushed innovation in state services, including a voucher plan for students in poorly performing schools and pay for performance in state agencies. But the budget has expanded at a troublingly rapid rate under Keating. In his four years in office, state general fund expenditures have grown by more than \$1 billion, an increase of a whopping 30 percent. The legislature has eagerly spent nearly every penny of the windfall revenues resulting from the strong economy in the Southwest. But Keating has not been reluctant to propose new spending himself. He has been particularly fond of increasing spending on highways and higher education. Keating's last budget called for a \$103 million increase in education spending and a \$300 million bond issue for state-wide capital projects. Keating gets very high marks for his tax initiatives, but he has been below average in restraining the legislature from spending surplus tax payments.

	Score	Grade	Rank
Overall Fiscal Policy Score	40	D	39
Spending Score	37	C	38
Revenue and Tax Rate Score	41	C	38

Amount

1.2%	Average Annual Change in Real Per Capita Direct General Spending through 1996
0.5%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
1.8%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
1.3%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
3.6%	Average Annual Change in Real Per Capita Tax Revenue through 1997
2.1%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-0.7%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
3.6%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-0.7%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
-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)
13.0	1998 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) (*0.5)

Oregon

John Kitzhaber, Democrat

Legislature: Republican

Took Office: 1/95

Grade: F

John Kitzhaber, a physician, is arguably the nation's most fiscally liberal governor. His 16-year career in the state legislature culminated in the passage of the Oregon Health Plan, which expands health care coverage by rationing treatment. That plan was funded by a temporary 10-cent cigarette tax hike. In Kitzhaber's first year as governor he supported extending that tax hike and later supported a 30-cent cigarette tax increase, which was approved by the voters, to expand the Oregon Health Plan. Despite laudatory appraisal by the media, the Oregon Health Plan has been most noteworthy for its exploding enrollment and costs. In 1997 Kitzhaber proposed increasing the gas tax and vehicle registration fees to fund mass transit spending and road improvements. The legislature rejected that proposal, and later in November voters in a number of counties rejected local road tax hikes as well. Oregon has a "kicker" law under which, if tax collections exceed the original estimate by 2 percent or more, that surplus must be returned to the taxpayers. In 1997 Kitzhaber asked the legislature to spend the extra taxpayer dollars on education and social services rather than return them. His biennial budget proposal for FY98 and FY99 called for a huge double-digit increase in spending. He later increased his own, already astronomic, spending proposal, twice. The legislature rejected Kitzhaber's proposal to keep the surplus tax dollars but passed a biennial budget that still increased spending by about 18 percent. Under Kitzhaber, state general fund spending has mushroomed by 40 percent. Kitzhaber, like many Oregonians, describes himself as "skeptical of growth." If his tax-and-spend policies continue, Oregon can, indeed, expect less growth.

	Score	Grade	Rank
Overall Fiscal Policy Score	27	F	46
Spending Score	5	F	46
Revenue and Tax Rate Score	36	D	43

Amount

6.1%	Average Annual Change in Real Per Capita Direct General Spending through 1996
2.7%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
5.3%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
1.8%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
3.0%	Average Annual Change in Real Per Capita Tax Revenue through 1997
-0.3%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
0.1%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
0.0%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
1.9%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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	1998 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) (*0.5)

Pennsylvania

Tom Ridge, Republican

Legislature: Republican

Took Office: 1/95

Grade: B

Pennsylvania has benefited tremendously from the fiscally conservative, tax-cutting agenda of Tom Ridge. The Commonwealth Foundation, a state think tank, says, "Ridge and the legislature have enacted the most pro-business--and pro-economic growth--reforms in recent Pennsylvania history. These reforms were desperately needed." They include \$2 billion in corporate net income and personal income tax cuts, a job creation tax credit, inheritance tax relief, elimination of the 6 percent sales tax on computer services, 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 65,000. Ridge has cut taxes in each of his first four years in office. He recently endorsed an amendment to the state constitution requiring a 3/5 supermajority vote of the legislature to raise taxes. Spending growth has also been cut to half of what it was under the previous administration. The result of all these reforms has been an economic revival of sorts in Pennsylvania. The unemployment rate is below 5 percent for the first time in 30 years, and 230,000 new jobs have flocked into the state. From 1995 to 1998 Pennsylvania impressively leapfrogged from 45th in the country in job creation to 17th. Alas, there are blemishes on Ridge's record as well. Last year he supported a hefty gas tax and motor vehicle tax increase. His latest budget, described accurately by the Philadelphia Inquirer as "a fat election year budget . . . that spreads the wealth far and wide," is by far his worst. Ridge also seems more enamored with smokestack-chasing industrial policy initiatives than with further cutting Pennsylvania's business taxes, which are still about one-third higher than in the average state. But, on balance, Ridge, who arrived in Harrisburg from Washington with a mushy moderate reputation, has been a very pleasant surprise.

	Score	Grade	Rank
Overall Fiscal Policy Score	56	B	13
Spending Score	61	B	14
Revenue and Tax Rate Score	54	B	12

Amount

0.7%	Average Annual Change in Real Per Capita Direct General Spending through 1996
-1.5%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
-0.3%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-2.3%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
0.5%	Average Annual Change in Real Per Capita Tax Revenue through 1997
-2.0%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-3.3%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
0.4%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-0.1%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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)
12.8	1998 Combined Top Income Tax Rates (Personal plus Corporate) (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
3.5	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon) (*0.5)

Rhode Island

Lincoln Almond, Republican

Legislature: Democratic

Took Office: 1/95

Grade: C

Rhode Island is a brutally tough state for anyone who even glances in a fiscally conservative, market-oriented direction, which explains Lincoln Almond's rancorous first term. With the Democrats controlling 80 percent of the legislative seats, the most powerful figure in state politics is probably not Governor Almond but the longtime house majority leader, Democrat George Caruolo. The years and layers of anti-business policies have had the expected result: virtually every independent financial and business climate index ranks Rhode Island in the bottom five states. Rhode Island is one of only three states--North Dakota and West Virginia are the others--to actually lose population over the past 10 years. Almond took office during an era of banking and real estate crisis in Rhode Island. His predecessor, Bruce Sundlun, had passed massive tax hikes to try to balance the budget. Almond's most noteworthy accomplishment has been to enact a series of tax reductions. In his first budget Almond approved a tax cut on financial services, thus luring Fidelity and 1,200 new jobs into the state from Massachusetts. Last year he signed into law a 10 percent income tax rate cut and a research and development tax credit. In 1998 he managed to get the legislature to enact a phaseout of the car tax and the business inventory tax. He also pushed property tax relief, but the state senate killed the plan. In 1996 Almond shocked the political establishment by vetoing an out-of-balance state budget, but the legislature defiantly overrode the veto. Since then, Almond has generally deferred to the legislature's spending demands, as evidenced by last year's 8 percent spending increase. In some areas, such as his Starting Right child care program, Almond has even outspent the legislators. On balance, Almond has improved the economic climate in Rhode Island, but it remains a terribly inhospitable state for business and workers.

	Score	Grade	Rank
Overall Fiscal Policy Score	47	C	25
Spending Score	53	B	20
Revenue and Tax Rate Score	45	C	33

Amount

1.6%	Average Annual Change in Real Per Capita Direct General Spending through 1996
-1.1%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
-1.1%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
0.0%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
2.5%	Average Annual Change in Real Per Capita Tax Revenue through 1997
0.6%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-3.0%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
1.7%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
0.9%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
-0.396	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)
19.7	1998 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) (*0.5)

South Carolina

David Beasley, Republican

Legislature: Divided

Took Office: 1/95

Grade: B

During David Beasley's first term in office, the South Carolina economy has experienced a torrid rate of growth. In four years South Carolina--one of the nation's most conservative states--has recruited more than \$16 billion in new investment, bringing more than 80,000 jobs to the state. Today, South Carolina is a mecca of foreign-owned investment with international giants like Honda operating new plants in the state. Unemployment is the lowest in 30 years, and in the 1990s this traditionally poor state has enjoyed one of the fastest rates of growth in personal income in the country. Beasley's pro-business policies--including regulatory relief, property tax cuts, welfare reform, and enterprise zones for depressed areas--have clearly helped foster this impressive prosperity and a record-low unemployment rate. In his first four budgets Beasley has called for a combined \$1 billion in tax cuts, including small business tax credits and most recently a phaseout of the car tax. His welfare changes, including strict work requirements and a two-year time limit, must be working, given the nearly 50 percent reduction in state welfare rolls since 1992. On the spending side, the education budget has grown by more than 30 percent in four years under Beasley to fund mostly unpromising, conventional school reforms. Worse, Beasley has sponsored the state purchase of some 140,000 acres of land--by a state that already owns hundreds of thousands of acres and should be selling land, not buying it. Despite these minor blemishes, Beasley's record of fiscal restraint is impressive. His economic and fiscal accomplishments have clearly made South Carolina a richer state.

	Score	Grade	Rank
Overall Fiscal Policy Score	61	B	6
Spending Score	65	B	10
Revenue and Tax Rate Score	59	B	7

Amount

-0.6%	Average Annual Change in Real Per Capita Direct General Spending through 1996
-2.9%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
-3.4%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
2.0%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
0.6%	Average Annual Change in Real Per Capita Tax Revenue through 1997
-1.4%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-3.8%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
0.0%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-1.0%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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	1998 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) (*0.5)

South Dakota

William Janklow, Republican

Legislature: Republican

Took Office: 1/95

Grade: A

Janklow, a lawyer by trade, served two previous terms from 1979 to 1987. In 1994 he again won election to the statehouse with a platform that included a 30 percent property tax cut. In his first year back in office, Janklow delivered a 20 percent property tax cut. The \$80 million reduction was the largest tax cut in state history. However, that cut was partially offset by a 10-cent per pack cigarette tax hike and several other minor tax and fee increases. In 1998 Janklow proposed, and the legislature approved, an additional 5 percent property tax reduction. He has also downsized the executive branch staff by over 1,000 employees, a 13 percent reduction. And over the last two years general fund spending per \$1,000 of personal income has actually declined by 4 percent. Other than the minor first-year tax hikes, the only notable blemish on Janklow's sterling fiscal record is the temporary 3-cent per gallon gasoline tax hike he approved in 1997. That increase, scheduled to expire on October 1, 1998, was approved only after the state was wracked by devastating floods and a fierce blizzard that required a special legislative session to find funds for the unexpected costs of snow removal and road repair. The Small Business Survival Committee ranks South Dakota the most business-friendly state in the nation, in part because it is one of only two states with no corporate income tax, no personal income tax, no personal property tax, and no business inventory tax. In November 1996 voters approved a referendum requiring a 2/3 supermajority for all tax hikes, so the state's low-tax status seems secure. This pro-business, low-tax environment has served South Dakota well. South Dakota has led the nation in per capita income growth in recent years. During his second stint as governor, Janklow has brought South Dakotans both tax relief and tightfisted spending restraint. That impressive fiscal record puts him at the top of the class.

	Score	Grade	Rank
Overall Fiscal Policy Score	75	A	1
Spending Score	80	B	3
Revenue and Tax Rate Score	73	A	1

Amount	
-2.4%	Average Annual Change in Real Per Capita Direct General Spending through 1996
-1.9%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
-1.5%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-4.1%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
-3.4%	Average Annual Change in Real Per Capita Tax Revenue through 1997
-6.3%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-3.4%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
-0.5%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-1.5%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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	1998 Combined Top Income Tax Rates (Personal plus Corporate) (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
3.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon) (*0.5)

Tennessee

Don Sundquist, Republican

Legislature: Republican

Took Office: 1/95

Grade: B

These are boom times for Tennessee, with more than \$12 billion in new business investment and 130,000 new jobs lured inside its borders in just the last four years. Per capita income is up 14 percent since 1994. Tennessee's prosperity provides a textbook example of the benefits of globalization and free trade, with much of the new employment-generating investing in the state being done by foreign-owned firms and trade-related manufacturing and financial services industries. This favorable investment climate begins with Tennessee's enormous advantage of being one of only nine remaining states without an income tax. Tennessee's overall tax burden is 23 percent below the national average. The Sundquist administration's policies have contributed to the business friendliness of the state. Sundquist ran for governor in 1994 promising "less government, light regulation, and no new taxes." For the most part he has delivered. Sundquist's 1997 budget called for \$100 million less in expenditures and 1,750 fewer government employees than did the budget of the year before, though his 1998 budget request was up 4 percent. Sundquist points with pride to his "Families First" welfare reform package as a major success story. Welfare enrollment has fallen by 35 percent in two years, nearly twice the national average. But many of the "reforms," including free day care and job training, sound Clintonesque. Though Sundquist supports charter school experiments, most of his education reforms are conventional and costly. Sundquist's most notable achievement has been his steadfast resistance to the almost annual pleas from the media and the political establishment for a state income tax and for higher taxes in general. To the pro-tax lobby, Sundquist has steadfastly replied, "New taxes would dampen the fire of enterprise and investment and job creation." He's right. Why change a winning strategy?

	Score	Grade	Rank
Overall Fiscal Policy Score	55	B	15
Spending Score	67	B	8
Revenue and Tax Rate Score	49	C	21

Amount

-1.7%	Average Annual Change in Real Per Capita Direct General Spending through 1996
-4.5%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
0.7%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-0.1%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
1.8%	Average Annual Change in Real Per Capita Tax Revenue through 1997
-0.2%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-1.5%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
1.2%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
0.0%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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)
6.0	1998 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) (*0.5)

Texas

George Bush, Republican

Legislature: Divided

Took Office: 1/95

Grade: B

The motto these days in Texas is, "The son also rises." In his first term as governor, George W. Bush, the former president's eldest son, has racked up an impressive fiscal and economic record. He is enormously popular and is regarded by many as the GOP's front-runner for the White House in 2000. In an era of prosperity when many of his Republican gubernatorial colleagues have launched wild spending sprees, Bush has been surprisingly tightfisted. In four years state general fund spending has risen by 29 percent. However, the state's economy has grown even faster. On an annual basis, spending growth has been held more than 1.5 percent below the growth of both population and personal income. In his press releases and reelection campaign documents, Bush touts four other accomplishments: tough-on-crime judicial reforms, stringent educational standards, tort reform, and tax cuts. He earned high marks for pushing through litigation reforms that were ferociously attacked by the state's trial lawyers but have cut legal costs. Bush's one major political debacle was an ambitious but ill-fated tax-restructuring plan conceived in 1997. Designed to reduce property taxes and corporate taxes, the reform was universally opposed by small business owners--a key Republican constituency--who saw it as a back-door tax increase aimed at them. Bush eventually withdrew the unpopular plan and settled for a \$1 billion property tax cut instead. On the national stage, Bush has earned a reputation as a vocal supporter of free trade and immigration--two policies that he correctly notes are hugely beneficial to Texas. It is said that Bush has no enemies, just skeptics, but his record so far has put to rest some, though not all, of that skepticism. His record of fiscal restraint ranks him near the top of the list of America's governors.

Utah

	Score	Grade	Rank
Overall Fiscal Policy Score	69	B	4
Spending Score	85	A	1
Revenue and Tax Rate Score	62	B	6

Amount

-3.1%	Average Annual Change in Real Per Capita Direct General Spending through 1996
-5.0%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
-1.5%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-2.0%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
1.9%	Average Annual Change in Real Per Capita Tax Revenue through 1997
-0.2%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-5.0%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
-1.9%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-0.9%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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	1998 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) (*0.5)

Michael Leavitt, Republican

Legislature: Republican
Took Office: 1/93

Grade: C

Michael Leavitt is perhaps best known across the country as an ardent defender of states' rights and the Tenth Amendment against an ever-encroaching federal government. In his first term as governor of Utah, Leavitt once said, "I have chosen to make education, transportation and taxpayers my highest priority." On education, while Leavitt has supported charter schools, he has also dramatically increased school funding, and he has opposed vouchers. Perhaps not surprisingly, those views have won him the endorsement of the powerful teachers' unions. On transportation, Leavitt has tried to establish his "legacy" by pushing higher gas taxes and fees and more debt to fund billions of dollars worth of government-built roads including a new across-state highway. While Leavitt has successfully pushed for modest tax cuts, they have been partially offset by his increases in the gas tax, vehicle registration fee, and cigarette tax. In 1998 Leavitt didn't even bother proposing a tax cut, although revenues surged. This is not the fiscal record one would expect from a Republican in one of the nation's most conservative states.

	Score	Grade	Rank
Overall Fiscal Policy Score	44	C	33
Spending Score	33	D	40
Revenue and Tax Rate Score	49	C	24

Amount

3.9%	Average Annual Change in Real Per Capita Direct General Spending through 1996
0.9%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
1.1%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
0.2%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
2.8%	Average Annual Change in Real Per Capita Tax Revenue through 1997
-0.3%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-2.7%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
0.3%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-0.2%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
-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	1998 Combined Top Income Tax Rates (Personal plus Corporate) (*0.5)
-0.25	Change in Sales Tax Rate, proposed and/or enacted (% points)
5.5	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon) (*0.5)

Vermont

Howard Dean, Democrat

Legislature: Democratic

Took Office: 8/91

Grade: C

Howard Dean was lieutenant governor in August 1991 when Republican governor Richard Snelling died suddenly of a heart attack. Dean was elected to a full term in 1992 and reelected in 1994 and 1996. (Vermont is one of only two states with two-year gubernatorial terms.) Dean has been described by The Almanac of American Politics as "one of the four or five most liberal governors in the nation." He has pushed a higher minimum wage, land development restrictions, family leave legislation, and taxpayer financing of campaigns. A physician, in 1993 he pushed for a Clinton-style health care plan, which was rejected by the legislature. Since then he has expanded state-subsidized medicine incrementally. However, Dean cannot be pigeonholed as a down-the-line tax-and-spend liberal. He has supported such free-market causes as electricity deregulation, a school choice program for high school students, and restraints on state spending. While he often is given credit for reducing the income tax, the reality is different. Vermont's personal income tax is levied as a percentage of federal liability. Dean did allow a temporary increase to expire, dropping the top rate from 34 percent to 25 percent, and he later proposed lowering the rate to 24 percent. However, since the top federal rate has been raised from 31 percent to 39.6 percent, Vermonters still face a much higher effective top tax rate today than they did before Dean was governor. Dean has successfully pushed a 1.5 percentage point increase in corporate income tax rates, a 5-cent per gallon gas tax hike, and a 24-cent per pack cigarette tax hike. He also made a temporary 1-cent sales tax hike permanent. Dean's court-ordered school funding equalization plan has proven extraordinarily unpopular in wealthy towns because their property taxes now go to the state rather than their own local schools. Dean's record of fiscal restraint has been fairly mixed. In the past two years his tax-and-spend liberal instincts have won out over his fiscally conservative side.

	Score	Grade	Rank
Overall Fiscal Policy Score	44	C	32
Spending Score	61	B	15
Revenue and Tax Rate Score	37	D	42

Amount

0.1%	Average Annual Change in Real Per Capita Direct General Spending through 1996
-1.6%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
-0.7%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-1.1%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
-0.1%	Average Annual Change in Real Per Capita Tax Revenue through 1997
-1.9%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-3.5%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
-0.7%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
2.1%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
1.754	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)
19.7	1998 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) (*0.5)

Washington

Gary Locke, Democrat

Legislature: Republican

Took Office: 1/97

Grade: B

Gary Locke, the first Chinese-American governor in U.S. history, succeeded liberal Democrat Mike Lowry who left office amid charges of sexual harassment. Locke's 1996 election coincided with the GOP takeover of the state senate, which gave the Republicans control of both houses for the first time since 1980. That divide in control of state government in Olympia has opened a combative period in state politics. In Locke's first year the legislature sent him a flurry of tax cuts, worth about \$1.3 billion. He repeatedly vetoed those cuts, approving barely more than one-third of the proposed tax relief. In fact, that first year in office Locke shattered the state record by vetoing 125 bills, which amounted to nearly one-fourth of the bills sent to him. Fortunately for Washington's taxpayers, a November 1993 referendum (Initiative 601) imposed a stronger tax and spending cap, which limits budget growth to the rate of population growth plus inflation. Spending can exceed the cap only if voters give their approval, and all tax hikes must be approved by a 2/3 supermajority. Those restrictions, and a more fiscally conservative state legislature, have successfully contained Locke's pro-spending proclivities.

	Score	Grade	Rank
Overall Fiscal Policy Score	58	B	10
Spending Score	63	B	12
Revenue and Tax Rate Score	57	B	8

Amount

0.5%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-2.4%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
-3.5%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
1.2%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-0.7%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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)
3.4	1998 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) (*0.5)

West Virginia

Cecil Underwood, Republican

Legislature: Democratic

Took Office: 1/97

Grade: C

This is Cecil Underwood's second term as governor; he served a previous four-year term beginning in 1957, when he was the nation's youngest governor. When then-governor Gaston Caperton was prohibited from seeking a third term as governor in 1996, Underwood was convinced to leave his career in private business to run again. He won by a 52-46 margin, and, at age 74, became the nation's oldest governor. Underwood's campaign focused on continuing the policies of the popular Caperton. Fortunately for West Virginia's taxpayers, Underwood has not been quite as eager to increase taxes and spending as was his predecessor, one of the biggest spending governors of the 1990s. Underwood has not, however, governed like the free marketeer his business background might suggest. Instead of cutting taxes as many of his fellow governors are doing, Underwood is attempting to foster economic development by using taxpayer dollars to expand corporate welfare programs that put government in the position of picking industrial winners and losers. He has proposed no major tax relief, although he did approve a modest reduction in business taxes last year. In January 1998 the midyear revenue estimates indicated that tax collections were running about \$50 million ahead of schedule. Instead of returning those excess revenues to the taxpayers, Underwood's budget proposal spent almost the entire windfall. The Democratic legislature enthusiastically approved. Underwood's record of fiscal restraint is far better than his big-spending predecessor's. But it is still the same tax-and-spend ethic that has kept West Virginia one of the poorest and least developed states in the nation.

	Score	Grade	Rank
Overall Fiscal Policy Score	46	C	27
Spending Score	43	C	31
Revenue and Tax Rate Score	47	C	27

Amount

1.9%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
-0.5%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
-0.6%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
1.2%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
0.0%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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	1998 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) (*0.5)

Wisconsin

Tommy Thompson, Republican

Legislature: Divided

Took Office: 1/87

Grade: C

If the states are the nation's laboratories of democracy, then Tommy Thompson is arguably America's leading scientist. Thompson's trailblazing reforms in welfare and education and his supply-side tax cuts have been a lesson for the rest of the nation. His tough welfare reforms cut Aid to Families with Dependent Children rolls by nearly half. Thompson was the architect of the school choice program that allows low-income parents in inner-city Milwaukee to send their children to public or private schools--and was recently upheld by the Supreme Court. Wisconsin empowers its governor with the most sweeping line-item veto authority, and for the past 12 years Thompson has employed it prodigiously, with budget savings in the billions of dollars. And he has cut the income tax three times. That's the good news. The bad news is that Thompson's third term--and he is now running for a fourth--has been much worse than his first two. His latest budgets have called for massive new spending for school aid, day care subsidies, corporate pork, and transportation. He infuriated conservatives in the state legislature earlier this year by using his veto authority to shrink a property tax relief bill passed by the Republican legislature and to make it a one-time reduction rather than a permanent tax cut. Thompson called the legislature's larger, permanent tax cut "shortsighted" and "imprudent." His 1998 budget contained new taxes on cigarettes, gasoline, and Internet sales. Overall, Wisconsin is a far more prosperous state today than when Thompson began his reformist crusade 12 years ago, but his recent record also confirms an iron law of politics: the longer Republicans stay in office, the more pro-tax and spend they become.

	Score	Grade	Rank
Overall Fiscal Policy Score	45	C	29
Spending Score	43	C	30
Revenue and Tax Rate Score	47	C	29

Amount

1.2%	Average Annual Change in Real Per Capita Direct General Spending through 1996
-0.1%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
0.0%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
1.5%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
1.4%	Average Annual Change in Real Per Capita Tax Revenue through 1997
-0.1%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-0.9%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
1.5%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
-0.6%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
-1.03	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)
14.77	1998 Combined Top Income Tax Rates (Personal plus Corporate) (*0.5)
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
7.9	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon) (*0.5)

Wyoming

Jim Geringer, Republican

Legislature: Republican

Took Office: 1/95

Grade: B

After a 12-year career in the state legislature, Jim Geringer won his first term as governor by a 19 point margin in 1994. Wyoming is a unique state in many ways. It has no personal or corporate income tax, and it relies on severance taxes on the mineral industry for an inordinately large share of its revenues, about 15 percent. Tax receipts can fluctuate widely in response to changes in the prices of oil and other minerals, thereby causing boom and bust cycles in the state budget. This creates some difficulties in assessing Geringer's fiscal record. To his credit, Geringer's first biennial budget proposal called for an actual decrease in spending. Revenue growth has also been fairly restrained, although that is due in part to a sluggish economy. While Geringer's overall fiscal record has been above average, his record on tax cutting does not compare favorably with the records of the rest of the class of 1994. In fact, Geringer has supported extending a 1-cent temporary sales tax hike enacted by his predecessor and raising the gas tax by 5 cents.

	Score	Grade	Rank
Overall Fiscal Policy Score	58	B	11
Spending Score	66	B	9
Revenue and Tax Rate Score	54	B	11

Amount

-3.0%	Average Annual Change in Real Per Capita Direct General Spending through 1996
-4.9%	Average Annual Change in Direct General Spending Per \$1,000 Personal Income through 1996
1.4%	Average Annual Recommended Change in Real Per Capita General Fund Spending through 1999
1.3%	Average Annual Change in General Fund Spending Per \$1,000 Personal Income 1996-98
-1.5%	Average Annual Change in Real Per Capita Tax Revenue through 1997
-3.0%	Average Annual Change in Tax Revenue Per \$1,000 Personal Income through 1997
-0.9%	Average Annual Recommended Change in General Fund Revenue Per \$1,000 Personal Income through 1999
0.4%	Average Annual Change in Real Per Capita General Fund Revenue 1996-98
0.0%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 1999
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	1998 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) (*0.5)

Notes

1. The first three 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; and Stephen Moore and Dean Stansel, "A Fiscal Policy Report Card on America's Governors: 1996," Cato Institute Policy Analysis no. 257, July 26, 1996. All are available at the Cato Institute's Web site: www.cato.org.
2. David Broder and Dan Balz, "Softer Issues Aid GOP in Gubernatorial Races," Washington Post, August 5, 1998, p. A1
3. Stephen Moore, "Read Our Lips: The Tax Revolt Lives," Reason, June 1992, pp. 40-45.
4. Stephen Moore, "In the States: Everything's Coming Up Supply Side," A. B. Laffer and V. A. Canto Associates, San Diego, August 1995.
5. George Pataki, Speech before the Heritage Foundation, March 1996.
6. Stephen Moore, "State Spending Splurge: The Real Story behind the Fiscal Crisis in State Government," Cato Institute Policy Analysis no. 152, May 23, 1991.
7. National Association of State Budget Officers, "The Fiscal Survey of States," May 1998 and previous editions.
8. National Association of State Budget Officers, "The Fiscal Survey of States: May 1998."
9. Dana Milbank, "For Republican Governors, Spending Isn't a Dirty Word Anymore," Wall Street Journal, February 17, 1998, p. A24.
10. National Association of State Budget Officers, "The Fiscal Survey of States: December 1997," p. 13.
11. Jonathan Walters, "The Myth of the Meataxe," Governing, February 1998, pp. 17-20.
- 12 "Sales Tax Mania," editorial, Wall Street Journal, December 23, 1997, p. A14.
- 13 Moore and Stansel, "A Fiscal Policy Report Card on America's Governors: 1996," p. 2.
14. Stephen Moore and Dean Stansel, "Tax Cuts and Balanced

Budgets: Lessons from the States," Cato Institute Fact Sheet, September 17, 1996.

15. U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics.

16. "Tax Revenues Rise As Tax Cut Continues," Empire Economy 2, no. 3 (April 1997).

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

18. Comments at "Cutting Taxes and Balancing Budgets: The Governors' Experience," Roundtable luncheon, Cato Institute, September 17, 1996.

19. Stephen Moore, "Welfare States," National Review, November 6, 1995, pp. 50-52.

20. Governor's Press Office, Press release, November 19, 1996.

21. For instance, the Corporation for Enterprise Development publishes an annual rating of the states to determine which governors are implementing the best economic policies. In the 1980s Massachusetts and Dukakis routinely ranked at the top of the rating scale, up until the fiscal collapse of Massachusetts in 1989. The 1994 report labeled New Hampshire, the lowest tax state in the nation and the only state without an income and sales tax, as the worst place to do business in America. Since the report's release, New Hampshire has had faster income and job growth than the national average.

22. 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.

23. The 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. Those annual data reports are titled "State Government Finances." The census data on state governments are superior to those from all other sources because the census 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 FY96. However, the Census Bureau's annual "State Government Tax Collections" report is available for FY97, and those data have been used in this report. The more recent data on general fund expenditures and revenues come from semiannual compilations of the National Association of State Budget Officers, published in "The Fiscal Survey of States." The data on enacted and proposed tax rate changes come from several sources, including NASBO's "The Fiscal Survey of States," the National Conference of State Legislatures' annual "State Tax Actions" publication, and the finance and tax offices of the individual states.

24. 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 42 of the 46 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 FY96 and governors' recommended budgets (as opposed to enacted budget levels). For this measure we use annual data compiled by the National Association of State Budget Officers. General fund data are far from ideal for measuring total spending and revenue growth in a state. Those data do not include certain types of nonappropriated spending, such as pension fund spending and some entitlement outlays. Furthermore, governors sometimes move items into and 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.

25. For the five governors who were elected or took office after 1996, this variable reflects only growth from FY97 through FY98. As does the previous variable, this one reflects spending growth since FY96, which was not reflected in the Census Bureau data.

26. See note 24 on expenditure variable 3.

27. See note 25 on expenditure variable 4.

28. As do the other two variables on recommended budget levels, this variable reflects only tax cut and tax increase proposals from FY91 and after.