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Routing

Fiscal Policy Report Card on America's Governors: 2004

by Stephen Moore and Stephen Slivinski

Executive Summary

As states continue to claw their way out of the worst state budget hole in years, this report presents the findings of the Cato Institute's seventh biennial fiscal policy report card on the nation's governors. The report card's grading is based on 15 objective measures of fiscal performance. Governors who have cut taxes and spending the most receive the highest grades. Those who have increased spending and taxes the most receive the lowest grades. Our analysis shows that states that keep tax rates low and restrain spending growth have the best economic performance and thus the best long-term fiscal health.

This year, four governors receive the grade of A: Arnold Schwarzenegger of California, Craig Benson of New Hampshire, Bill Owens of Colorado, and Judy Martz of Montana. Four governors receive Fs for their poor performance in dealing with the state fiscal crisis: Bob Holden of Missouri, Bob Taft of Ohio, Edward Rendell of Pennsylvania, and James McGreevey of New Jersey.

The grades of the governors of some of America's most populous states are Jeb Bush of Florida, B; George Pataki of New York, B; Rick Perry of Texas, B; and Jennifer Granholm of Michigan, D.

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Introduction

These have not been fun times to be a governor.

State governments have just started to raise their heads above water after one of the worst fiscal crises to hit the state capitals in 20 years. The states were slammed with a perfect storm of bad economic and financial news, exploding costs of key services such as health care, and increased demand for expenditures for homeland security in the wake of the attacks of September 11, 2001. After nearly a decade of prosperity, rising tax receipts, and healthy budget surpluses, the states quickly sank in a sea of red ink during the recession. For example, in late 2002 the total California state deficit forecast for fiscal years 2004 and 2005 reached a record $35 billion.[1] The Golden State's fiscal crunch, which was caused largely by the ineptitude of then-governor Gray Davis, was the major contributing factor to Davis's being recalled by California voters and replaced with Arnold Schwarzenegger.

Some governors addressed the fiscal meltdown by enacting major tax hikes. Others enacted belt-tightening measures. In FY03 state expenditures adjusted for inflation actually fell for the first time since the early 1980s.[2] Only in the last nine months have states finally begun to see better times ahead.

It is in the context of the state fiscal crisis that we present the results of the Cato Institute's seventh biennial fiscal policy report card on the nation's governors.[3] The study is a comparative analysis of the budget and tax records of 42 governors. (Six governors were excluded because they assumed office too recently for their records to be fully assessed. The governors of Alaska and Wyoming were excluded for technical reasons.)[4] The report card provides an index of fiscal restraint for each governor. Governors who cut taxes and spending the most receive the highest grades. Those who raised taxes and spending the most receive the lowest grades.

Table 1
Senior Class Governors—Overall Grades

Governor	State	Score	Grade
Bill Owens (R)	Colorado	77	A
Judy Martz (R)	Montana	75	A
Jeb Bush (R)	Florida	66	B
George Pataki (R)	New York	63	B
John Hoeven (R)	North Dakota	57	B
Gary Locke (D)	Washington	57	B
Rick Perry (R)	Texas	55	B
Michael Easley (D)	North Carolina	53	C
Dirk Kempthorne (R)	Idaho	52	C
Tom Vilsack (D)	Iowa	50	C
Mike Johanns (R)	Nebraska	49	C
Bob Wise (D)	West Virginia	43	D
Ruth Ann Minner (D)	Delaware	42	D
Kenny Guinn (R)	Nevada	40	D
Mike Huckabee (R)	Arkansas	37	D
Bob Holden (D)	Missouri	35	F
Bob Taft (R)	Ohio	30	F

Table 2
Freshman Class Governors—Midterm Grades

Governor	State	Score	Grade
Arnold Schwarzenegger (R)	California	84	A
Craig Benson (R)	New Hampshire	82	A
Mark Sanford (R)	South Carolina	70	B
Tim Pawlenty (R)	Minnesota	69	B
Bill Richardson (D)	New Mexico	69	B
John Baldacci (D)	Maine	68	B
Mike Rounds (R)	South Dakota	68	B
Phil Bredesen (D)	Tennessee	68	B
Don Carcieri (R)	Rhode Island	66	C
James Doyle (D)	Wisconsin	66	C
Mitt Romney (R)	Massachusetts	66	C
Linda Lingle (R)	Hawaii	66	C
Brad Henry (D)	Oklahoma	65	C
Robert Ehrlich (R)	Maryland	64	C
James Douglas (R)	Vermont	64	C
Rod Blagojevich (D)	Illinois	59	D
Ted Kulongoski (D)	Oregon	58	D
Jennifer Granholm (D)	Michigan	58	D
Sonny Perdue (R)	Georgia	57	D
Mark Warner (D)	Virginia	56	D
Kathleen Sebelius (D)	Kansas	53	D
Janet Napolitano (D)	Arizona	52	D
Bob Riley (R)	Alabama	51	D
Edward Rendell (D)	Pennsylvania	48	F
James McGreevey (D)	New Jersey	42	F

The grading mechanism is based on 15 objective measures of fiscal and economic performance and follows the methodology of previous Cato fiscal report cards. The sources of the tax and spending data in the study are the U.S. Bureau of the Census, the National Association of State Budget Officers (NASBO), the National Conference of State Legislatures (NCSL), and the budget office of each governor.[5]

Appendix A of this report discusses the purpose of the study and contains some caveats. Appendix B provides a detailed discussion of the report card's methodology and the 15 policy variables that it examines. Appendix C contains detailed tables. Appendix D provides a summary of the record of each governor in this year's report.

Main Results

Tables 1 and 2 present the main results of the study. Because more than half of the governors graded this year were inaugurated in January 2003 or after—so we could award them only "midterm" grades—the governors were grouped in two classes and graded relative to other governors in those classes. Because the senior and freshman governors

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are graded on separate curves, their numeric scores are not directly comparable.

This year, two "senior class" governors—those that were inaugurated before 2003—receive the grade of A: Bill Owens of Colorado and Judy Martz of Montana. Two "freshman class" governors—those inaugurated in January 2003 or after—received As: Arnold Schwarzenegger of California and Craig Benson of New Hampshire.

Two senior class governors receive the grade of F: Bob Taft of Ohio and Bob Holden of Missouri. Two freshman class governors receive F grades for their poor performance in dealing with the state fiscal crisis: Edward Rendell of Pennsylvania and James McGreevey of New Jersey.

Results for Spending Restraint

The Best. The senior class governors with the best spending restraint records are Bill Owens of Colorado and Judy Martz of Montana. Martz deserves substantial credit for holding the line on spending by proposing and signing into law budgets that, on average, have grown more slowly than population plus inflation. Owens's excellent record is largely due to the effective constitutional amendment (titled the Taxpayer's Bill of Rights, or TABOR) that limits the growth of government to population plus inflation. Governor Owens, to his credit, has been a strong advocate and defender of that limit, and his score largely reflects TABOR's success.

The freshman class governors with the best spending restraint records are Craig Benson of New Hampshire, Jennifer Granholm of Michigan, and Arnold Schwarzenegger of California.

Governor Schwarzenegger started his term in office with some much-needed budget cutting: a net of around $2.5 billion from Gray Davis's baseline spending level. Although part of Schwarzenegger's budget-balancing plan included a large and controversial amount of debt, Schwarzenegger did do a substantial amount of cutting and realigning programs to avoid future cost overruns. He also recently held a huge "garage sale" of unused state assets, such as computers and furniture, to raise funds for debt retirement. Although his 2005 budget compromise with the state legislature increased spending above what he requested—indeed, it raised overall general fund spending by 4 percent in real per capita terms and brought spending levels close to where they had been when he entered office—the state is still far better off with him in charge. The state is no longer teetering on the verge of bankruptcy and inability to pay its bills, even if it still remains one of the most indebted states in the union.

Governor Granholm's proposed budgets included aggressive net cuts in spending, thereby setting the tone and the standard for the legislature. It worked: the legislature eventually sent to her desk—and she signed—budgets that firmly maintained spending control.

Governor Benson, an avid supporter of a Colorado-style Taxpayer's Bill of Rights amendment for his state's constitution, proposed a "Kitchen Table Budget" that held spending growth substantially below population growth and inflation.

All three of those governors proposed annual spending cuts equaling an average of more than 4 percent in real per capita terms in their first two budgets and signed into law budgets that cut spending by similar amounts.

The Worst. The worst budget restraint grades among the senior class governors are awarded to Bob Taft of Ohio and Bob Holden of Missouri, both of whom proposed massive spending increases at a time when their states were facing deficits. Both governors presided over some of the largest budget increases of all the governors in this report card, and both proposed budgets that grew far faster than their states' population growth.

The worst spending restraint so far among the freshman governors is exhibited by Janet Napolitano of Arizona, Edward Rendell of Pennsylvania, James McGreevey of New Jersey, and Kathleen Sebelius of Kansas. All of those governors either proposed or presided over large spending increases—far in excess of population plus inflation—instead of focusing on restraining the growth of government.

Results for Tax Policy

The Best. The best records of cutting taxes and restraining revenue growth among senior class governors are those of Bill Owens of Colorado, Jeb Bush of Florida, and Judy Martz of Montana.

Although Bill Owens's job in this area has been virtually mandated by TABOR's requirement that surplus tax revenue be returned to taxpayers, he actively sought substantial tax cuts even before TABOR refunds automatically kicked in. For instance, Owens has succeeded in bringing the state's flat income tax rate down to 4.63 percent, helping to set off a long-running period of economic growth in Colorado.

Jeb Bush of Florida has garnered an impressive record of tax cutting by successfully fighting against sales tax increases and phasing down the state's dreaded intangibles tax. Remarkable among current incumbent governors, Bush has presided over $10 billion in total tax cuts since his first day in office.

Judy Martz's excellent record is largely a result of her proposal to cut Montana's 11 percent top marginal income tax rate—the highest in the nation—to 6.9 percent. Although Martz's plan does raise tourism taxes, the overall plan results in a net tax cut for the state's taxpayers. Martz's proposed income tax cuts are a supply sider's dream and the most aggressive income tax cut proposal in this year's report card.

The freshman class governors who have so far racked up excellent records in tax policy are Arnold Schwarzenegger of California, Craig Benson of New Hampshire, Mike Rounds of South Dakota, Phil Bredesen of Tennessee, and Mark Sanford of South Carolina.

Schwarzenegger's main strength was in resisting the call for tax increases to balance a badly overextended budget. In fact, Schwarzenegger repealed the unpopular car tax hike put into place during the waning days of the disastrous Gray Davis administration, thereby providing a tax cut of more than $2 billion in 2004.

Mike Rounds did propose a large increase in South Dakota's cigarette tax. However, his grade benefits greatly from the fact that his state has no personal or corporate income tax—a distinction that Rounds seems to have no plans to change.

Phil Bredesen of Tennesee continues to oppose a state income tax and has not proposed any tax increases. Indeed, the strength of his tax grade rests partly on the fact that Tennessee has not been afflicted with an income tax.

Craig Benson of New Hampshire, who kept his promise to submit budgets with no tax increases, earned a high tax grade by proposing to slice in half the state's property tax—an unpopular tax put in place by his Democratic predecessor Jeanne Shaheen—at a time when many governors were raising taxes.

Mark Sanford of South Carolina scored high in this category as a result of his substantial income tax cut, which sliced the top income tax rate by 30 percent. In fact, Sanford has proposed a 15-year plan to eliminate the state income tax entirely.

It is worth noting that, although he missed an A on taxes by a few points, Governor Bill Richardson of New Mexico has been an aggressive tax cutter. Although he fell for the chronic temptation to raise cigarette taxes, his income tax cut—which slices the top income tax rate by 30 percent—is among the few truly aggressive tax cut proposals in the entire report card.

The Worst. The senior class governors with the worst records on tax policy are Bob Taft of Ohio, Mike Huckabee of Arkansas, Kenny Guinn of Nevada, Bob Wise of West Virginia, and Bob Holden of Missouri.

Bob Holden of Missouri imposed an income tax surcharge along with casino and tobacco taxes and various tax law changes that would have the result of increasing the corporate tax burden, all of which ensured his failing grade on taxes.

Bob Wise's low tax grade is mainly the result of his proposed and enacted increases in the cigarette tax. What's worse is that Wise spent his administration promoting misguid-

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ed corporate welfare boondoggles instead of paying attention to one of the real reasons why his state is mired in economic mediocrity: a 9 percent corporate income tax rate that is among the highest in the nation.

Kenny Guinn, after receiving an A on this report card during his first two years in office, dropped his grade precipitously as a result of a stunning rush to raise virtually every sort of tax in Nevada. His F grade on tax policy comes from his proposals to raise the cigarette and liquor excise taxes, state payroll taxes, and slot machine and business registration fees, not to mention his creation of two entirely new taxes: a live entertainment tax and a gross receipts tax, the functional equivalent of a corporate income tax. Luckily, the state legislature did not pass the gross receipts tax in its final tax hike package, thereby salvaging for the time being Nevada's claim to being one of only a fortunate handful of states without any sort of income tax.

Mike Huckabee of Arkansas scores low because of his increases in his state's cigarette and sales taxes and the creation of a so-called temporary income tax surcharge.

Finally, Bob Taft of Ohio repeats his extremely poor fiscal performance for a second report card in a row, adding to his record of failure a hike in "sin" taxes on cigarettes and alcohol and an increase in the gasoline tax. His wrong-headed 2003 tax plan, although it proposed slightly lower income tax rates, offset any potential economic growth by broadening the sales tax base, which amounted to a large overall tax increase on Ohioans.

The freshman class governors with the worst records on tax policy are James McGreevey of New Jersey, Bob Riley of Alabama, Edward Rendell of Pennsylvania, and Sonny Perdue of Georgia.

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Within a month of his inauguration after beating tax-cutting Democratic governor Roy Barnes in the general election—and after pledging during the campaign not to raise taxes—Republican Sonny Perdue proposed one of the largest tax increases in Georgia history. It included increases in cigarette and alcohol taxes and various fees. Although he eventually backed off from a plan to raise property taxes in the state, his overall tax record has been a disappointment.

Edward Rendell's low tax grade is a result of his stubborn insistence on raising taxes. After vetoing a budget that balanced the state's books without raising taxes, Rendell lobbied for a 33 percent hike in the income tax, an increase in the beer tax, and a new tax on cell phones. Even though his plan included some property tax relief, it still would have resulted in a net tax increase of more than $1 billion.

Bob Riley of Alabama shocked conservatives by proposing a massive two-year tax increase—the biggest in Alabama history—that would have raised virtually every tax on the books, including the personal income and sales taxes. Some aspects of the plan, such as the small decline in the corporate income tax rate, looked like a tax cut on the surface, but when coupled with the elements of the plan that closed so-called corporate loopholes, a higher effective tax burden would have been the final result. Riley campaigned hard for those tax increases, which required voter approval, even going so far as to suggest that Jesus would endorse his tax hikes. Luckily for the taxpayers of Alabama, the tax plan was resoundingly defeated at the ballot box and heavenly retribution did not follow.

James McGreevey left office with a dreadful tax record that calls to mind all the worst tax-and-spend impulses of the Jim Florio years. In his first two years in office, McGreevey broke his campaign promise to not raise taxes and proposed $2 billion in tax increases, including tax hikes on items ranging from cell phone towers to old automobile tires to real estate. The largest chunk of the McGreevey tax increases hit already overtaxed businesses in his state. As if that wasn't enough, in 2004 McGreevey signed into law a "millionaire's tax," which hits families who make $500,000 or more a year in income.

Personal Income Taxes

The senior class governor who proposed or enacted the largest cut in the top income tax rate during her tenure is Judy Martz (Montana). Income tax rates have also been reduced under George Pataki (New York), Bill Owens (Colorado), and Dirk Kempthorne (Idaho).

The freshmen class governors who proposed and enacted the largest cuts in the top income tax rate during their tenure are Bill Richardson (New Mexico) and Mark Sanford (South Carolina). Both governors received from their legislatures most of what they asked for in terms of income tax rate cuts. The only other rate cut proposals were from John Baldacci (Maine) and Mitt Romney (Massachusetts).

The largest rate increase enacted by a senior class governor was signed by Michael Easley (North Carolina). Bob Holden (Missouri), Bob Taft (Ohio), and Mike Huckabee (Arkansas) have proposed or enacted the only other income tax rate increases in this report card.

The freshman class has a larger number of income tax raisers. Kathleen Sebelius (Kansas) leads the pack with a proposal to create a 5 percent income tax surcharge. Other freshman governors who either proposed, supported, or signed into law increases in income taxes were James McGreevey (New Jersey), Bob Riley (Alabama), Edward Rendell (Pennsylvania), Ted Kulongoski (Oregon), and Mark Warner (Virginia).

Sales Taxes

The only senior class governor who proposed or enacted a cut in the sales tax rate was Bill Owens (Colorado).

The only freshman class governor who proposed or enacted a cut in the sales tax rate was John Baldacci (Maine).

The sales tax hikers among the senior class were Mike Huckabee (Arkansas), Robert Taft (Ohio), Mike Johanns (Nebraska), Gary Locke (Washington), Michael Easley (North Carolina), and Rick Perry (Texas).

The freshman class had only one governor who cut sales taxes: John Baldacci of Maine. The class had four sales tax hikers: Jennifer Granholm (Michigan), Mark Warner (Virginia), James Douglas (Vermont), and Kathleen Sebelius (Kansas).

Gasoline Tax

Fuel tax increases were proposed or enacted by senior class governors Gary Locke (Washington), Robert Taft (Ohio), Mike Huckabee (Arkansas), and Michael Easley (North Carolina). The freshman class governors proposing or enacting gas tax increases were Jennifer Granholm (Michigan) and Bill Richardson (New Mexico).

Cigarette Tax

Many states have raised cigarette taxes during the past recession. Ten senior class governors either proposed or enacted cigarette tax increases: Rick Perry (Texas), George Pataki (New York), Robert Taft (Ohio), Gary Locke (Washington), Bob Holden (Missouri), Bob Wise (West Virginia), Mike Johanns (Nebraska), Kenny Guinn (Nevada), John Hoeven (North Dakota), and Ruth Ann Minner (Delaware).

The stampede to soak smokers with higher taxes continued among the nation's newest governors. Twelve new governors either proposed or enacted cigarette tax increases: James McGreevey (New Jersey), Brad Henry (Oklahoma), Jennifer Granholm (Michigan), Bill Richardson (New Mexico), Sonny Perdue (Georgia), Mark Sanford (South Carolina), Mike Rounds (South Dakota), Edward Rendell (Pennsylvania), Mark Warner (Virginia), Don Carcieri (Rhode Island), Linda Lingle (Hawaii), and Ted Kulongoski (Oregon).

How Do Republicans and Democrats Compare?

In the early and mid-1990s a new breed of tax-cutting and reformist Republican governors was elected to more than a dozen governorships. Those governors included John Engler of Michigan, William Weld of Massachusetts, Christine Todd Whitman of New Jersey, and George Pataki of New York. Those governors reversed the high-tax policies of their predecessors and created a sea change of fiscal reform in their states. Between 1995 and 2001 the states as a whole enacted net tax cuts every year, although those cuts were nowhere near

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enough to offset the rapid growth in state revenues that resulted from the strong economy. A number of Democratic governors in those years, including Jim Hunt of North Carolina and Zell Miller of Georgia, also cut taxes.

Yet the sad truth is that the longer most of the senior class Republican governors remained in office—the more comfortable they became in their incumbency and the more the media praised them for "growing in office"—the less resistant they became to higher taxes and increased spending. As a result, they scored lower on the report card. The freshman class of GOP governors has an average grade of B, higher than the senior class Republicans' average grade of C.

The senior class Republican average grade is dragged down by a few governors who have racked up progressively worse fiscal records over the years—Kenny Guinn of Nevada and Bob Taft of Ohio are perfect examples of two governors who have become worse the longer they've remained in office. On the other hand, governors with uniformly strong records, such as Bill Owens of Colorado, Judy Martz of Montana, and Jeb Bush of Florida, are the main reasons why the average grade of the senior class of Republicans isn't lower.

The state fiscal crunch that most governors confronted resulted from out-of-control spending during the past decade.

The freshman class of governors has within it some rising stars who deserve praise for cutting taxes and controlling spending, especially in light of the budget deficits they encountered upon entering office. The bright new stars in the GOP are Arnold Schwarzenegger of California and Mark Sanford of South Carolina. The longer those governors stay in office, the more they must resist the temptation to relax their vigilance.

The senior class Democratic governors receive the same average grade as the freshman class Democrats (D). Yet it's important to note that the average grade for the Democratic freshman class would have been lower if not for the strong fiscal performance of governors such as Bill Richardson of New Mexico—who cut income taxes in his state and is the highest-graded Democrat in the report card—and the fiscally moderate record of John Baldacci of Maine.

The main reason the freshman Democrats didn't earn a higher average grade is the fiscally reckless records of governors such as Edward Rendell of Pennsylvania and James McGreevey of New Jersey. In the cases of Rendell and McGreevey in particular, the moderate "New Democrat" rhetoric that both politicians used in their runs for office—Rendell ran on his tax-cut record as mayor of Philadelphia, and McGreevey stated flatly that he was committed to not raising taxes—was abandoned shortly after they were inaugurated, and massive tax increases followed.

The State Fiscal Crisis of 2000–2003

The state budget crisis of 2000–2003 hit suddenly and with wicked force. In the late 1990s states had the largest surpluses in their history. By FY02 the two-year deficit (2002–03) of all states was estimated at a total of $86 billion, including some of the largest deficits in state history.[6] Between 2001 and 2004, the four-year total deficit of all states was $235 billion—the FY04 budget deficits alone equaled $84 billion.[7]

The state fiscal crunch that most governors confronted resulted from out-of-control spending during the past decade. For instance, state governments grew faster than the federal government. Between 1990 and 2002 total federal government spending rose by 60 percent. Yet state spending doubled during the same period.[8] That is far faster than population growth plus inflation.

Table 3 depicts the extent of the problem. Even after adjusting for inflation and population growth, almost all state budgets grew by more than 50 percent. The real per capita budgets of seven states more than doubled between 1991 and 2002: Mississippi, Arkansas, West Virginia, Missouri, Pennsylvania, New Mexico, and Utah.

As the economy slowed and large budget gaps started appearing, state budgets did not shrink in size even if the rates of growth declined. Spending continued to rise—in 2002,

Table 3
Real per Capita Spending Increases, 1991–2002

Rank	State	Increase
1.	Mississippi	137%
2.	Arkansas	117%
3.	West Virginia	116%
4.	Missouri	114%
5.	Pennsylvania	108%
6.	New Mexico	103%
7.	Utah	102%
8.	Oklahoma	99%
9.	Minnesota	97%
10.	North Carolina	95%
11.	Tennessee	95%
12.	South Carolina	95%
13.	Kentucky	93%
14.	Texas	93%
15.	Oregon	89%
16.	California	88%
17.	Colorado	88%
18.	Maine	86%
19.	Kansas	86%
20.	Alabama	83%
21.	Wisconsin	83%
22.	Iowa	81%
23.	Ohio	80%
24.	Idaho	79%
25.	North Dakota	76%
26.	Nebraska	76%
27.	South Dakota	76%
28.	New Hampshire	75%
29.	Montana	74%
30.	Indiana	73%
31.	Illinois	73%
32.	Florida	72%
33.	Washington	70%
34.	Maryland	70%
35.	Georgia	68%
36.	Connecticut	68%
37.	Rhode Island	67%
38.	Vermont	67%
39.	Virginia	67%
40.	Michigan	63%
41.	Delaware	63%
42.	New York	62%
43.	New Jersey	62%
44.	Louisiana	59%
45.	Massachusetts	50%
46.	Nevada	49%
47.	Hawaii	47%
48.	Wyoming	46%
49.	Arizona	36%

Source: Authors' calculations based on Bureau of Census data.
Note: Alaska is excluded. Wyoming is included since Census Bureau data for Wyoming for this time period are comparable enough with those of other states to warrant inclusion.

for example, when revenue was expected to decline by 0.7 percent, state appropriations still rose by 1.2 percent.[9]

Some analysts blame the state tax cuts of the last 10 years for the budget gaps. Although there was widespread tax cutting in the late 1990s, tax cuts tapered off substantially in FY02, and tax increases began anew in FY03. Besides, the tax cuts of the 1990s were very modest compared with the huge spending increases that took place. Indeed, roughly two of every three surplus dollars between 1996 and 2002 went to new spending, with just one dollar going to tax cuts. In other words, spending increases were twice as big as recent tax cuts.

Even with the tax cuts, state revenues still boomed. In fact, the states that had the top 10 highest rates of growth in revenue per $1,000 in personal income between 1995 and 2002 had larger deficits as a percentage of state spending than the 10 states that had the lowest revenue growth rates.[10] The same holds true for spending trends: the states with the top 10 fastest rates of real per capita spending growth had larger deficits on average than the states that maintained control over spending.

If states had not cut taxes in the 1990s, today's budget gaps would be even larger because extra revenue would have fueled even more spending. It is simply not true that states that cut taxes had higher deficits than those that did not; indeed, the opposite is true. If money is available for politicians to spend, it will be spent. Tax cuts are valuable not just because they lower tax burdens but because they get the money out of the hands of politicians.

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

The states that hiked taxes in the early 1990s generally did not solve their budget woes; they simply created slower economic growth.

History Repeats Itself

The 1990s were, in part, a case of history repeating itself. In the 1980s few states resisted the pressure to use surplus revenues from the economic boom to create costly new programs. As a result, when the economy slipped into recession in the early 1990s, many states found themselves in the worst fiscal crunch in decades. The recession caused revenue growth to slow, but demands to meet all the new spending commitments did not slow. Real state spending grew faster in the 1990s (4 percent annually) than in the go-go 1980s (3.4 percent annually).

Contributing to the spending problem is the fact that many governors—a surprising number of them Republicans—who were elected in the early and mid-1990s as tax and budget cutters now embrace higher spending. George Pataki of New York is a good example. After enacting substantial cuts in spending and taxes in his first term, Pataki subsequently allowed New York's budgets to grow too rapidly, and he besmirched his tax cut record by proposing and signing into law large tax increases.

Tax Hikes: Then and Now

During the recession of the early 1990s, about half the states—led by Arizona, California, Connecticut, New Jersey, and New York—tried to close yawning budget gaps by enacting major tax hikes. As analysis later in this study shows, the states that hiked taxes in the early 1990s generally did not solve their budget woes; they simply created slower economic growth. For instance, the state that raised income tax rates the most, Connecticut, had job growth in the 1990s of just 4 percent. But Colorado, which cut income taxes substantially, saw a 45 percent job increase.[11]

In the early stages of the recent economic slowdown, most governors stayed away from broad income tax hikes. They turned instead to "sin" taxes, particularly cigarette and tobacco taxes. In 2002, 20 states raised taxes on tobacco consumers.[12] Indeed, cigarette and tobacco taxes accounted for 31 percent of the total $9 billion in tax hikes enacted in 2002.[13]

In 2003, however, income and sales tax hikes came back into fashion among governors. Sales tax increases accounted for roughly 30 percent of the total $8.8 billion in tax increases enacted in 2003, and increases in personal income taxes accounted for another 30 percent.[14] That amounts to the largest increase in state income taxes since 1991. Seventeen states reported overall increases in their sales tax, and a total of 14 states raised income taxes in one form or another;[15] among the latter were soak-the-rich income tax increases in New York, income tax rate hikes in Pennsylvania, and an income tax surcharge in Arkansas. If history is any guide, the states that raised income taxes have reduced their ability to climb out of the current economic doldrums.

Some governors are heeding the warning that states cannot tax their way back into prosperity. Even in the face of tough economic times, a few governors, particularly Bill Richardson of New Mexico, Mark Sanford of South Carolina, and Judy Martz of Montana, proposed and enacted substantial income tax cuts.

Tax Cuts Are Good Policy and Good Politics

Although some commentators believe that state taxpayers would rather have taxes raised than government programs reduced, election results tend to show the opposite. On at least three separate occasions in the last two years, high-profile tax increases have been put on the ballot as a substitute for spending cuts. In each case, the tax increase was decisively defeated. In Oregon an $800 million tax increase championed by the governor, the legislature, and labor unions was trounced in February 2004 by a three-to-two margin even after the state legislature tried to scare citizens with long lists of services that would be cut if voters did not approve higher taxes to satisfy the hunger of big-spending politicians.[16] In Virginia Governor Mark Warner campaigned aggressively for a Northern Virginia ballot initiative that would have increased sales taxes to pay for more highway spending. The tax plan was rejected in the November 2003 election by more than 55 percent in the region.[17] In Alabama Republican governor Bob Riley supported a $1.2 billion tax increase on the ballot and even maintained that raising taxes was his Christian duty. That tax hike was killed by a more than two-to-one margin.[18]

In recent years Republicans and Democrats have been equally ignorant of voter discontent with tax hikes. Republican governors have been just as inclined to raise taxes as Democratic governors have. Republican governors who either proposed or enacted tax increases include Bob Riley of Alabama, Mike Huckabee of Arkansas, Sonny Perdue of Georgia, Dirk Kempthorne of Idaho, Kenny Guinn of Nevada, Bob Taft of Ohio, and George Pataki of New York. Although many Democratic governors raised taxes, some refused to raise taxes and even proposed tax cuts. They include Jim Doyle of Wisconsin and Bill Richardson of New Mexico, who cut income taxes and announced that New Mexico could attract businesses from other states by reducing tax rates.

The good news is that most states are turning the corner. The economic recovery, sparked in part by President Bush's tax cuts, has replenished state treasuries, and most states are creeping back into the black. A preliminary report by the National Conference of State Legislatures finds that "budget gaps are practically non-existent" for the remainder of FY05.[19] States across the country—from California to Minnesota to Massachusetts—are reporting revenue growth again.[20]

The states' return to fiscal health underscores a point that we have made consistently throughout the last 12 years: the most important help the federal government can give the states is a pro-growth macroeconomic environment. In other words, the federal tax cut was the most effective bail out Uncle Sam could have possibly provided the states.

The most important help the federal government can give the states is a pro-growth macroeconomic environment.

General Observations about State Fiscal Policy

Drawing from our survey of the fiscal condition of the states and the deficit reduction

The states that spent the most in the boom years generally had the deepest fiscal holes to climb out of when the recession hit.

strategies governors employed, we can draw several conclusions about state fiscal policy during the past decade and in the years to come:

- First, and most important, the states that spent the most in the boom years generally had the deepest fiscal holes to climb out of when the recession hit. That fiscal calamity was driven almost entirely be reckless overspending in the 1990s when many state budgets doubled during boom times.
- Second, constitutional spending restraints coupled with tax cuts are arguably the best antidote to bloated budgets during boom years and out-of-control deficits during lean years. Colorado under Governor Bill Owens is an example of a high-growth state that cut taxes during the height of the 1990s prosperity (in large part because of a state tax and expenditure limit that mandated refund of the surplus) and thus was able to avoid most of the problems that many states had when the economy turned sour.[21] Governors and legislators of other states would be well advised to experiment with similar limits.
- Third, flat rate tax systems are highly preferable to graduated income tax structures (personal and corporate), not only because flat rate taxes create fewer economic distortions and disincentive effects, but also because flat rate taxes avoid the peaks and valleys in revenues that cause boom-and-bust cycles for states. States such as California with highly graduated income tax structures had the biggest windfalls in revenues when the economy soared in the 1990s and the most devastating bust cycles when the economy collapsed. Governors should be looking for ways to flatten tax rates not only as a way to make their revenue systems less volatile but also as a way to make their states more attractive to businesses and to spur economic growth.
- Fourth, if states and the federal government don't do something to slow the stampeding growth of Medicaid, health care costs will swallow up state budgets. An analysis by the American Legislative Exchange Council found that, if Medicaid stays on its path of double-digit growth over the next generation, health care costs will consume virtually the entire budget in most states.[22] Of necessity, states will have to move toward cost containment strategies for Medicaid, including copayments, vouchers, and malpractice reform. Constantly raising taxes to cover the cost overruns of a broken system will begin a vicious cycle that will only hurt states.

Tax Policy and Economic Growth in the 1990s

In this report's rankings, we emphasize the importance of tax cuts in general, and income tax cuts in particular, because the evidence shows that states that reduce taxes improve their prospects for economic growth. For example, a 1996 study by Zsolt Besci of the Federal Reserve Bank of Atlanta found that "relative marginal tax rates have a statistically significant negative relationship with relative state growth averaged for the period from 1961 to 1992."[23] The message of the study for state governments is that "lowering aggregate state and local marginal tax rates is likely to have a positive effect on longterm growth rates."[24] A study for the congressional Joint Economic Committee by Richard Vedder of Ohio University came to a similar conclusion.[25] A study by Thomas Dye of Florida State University found that states with no income tax had higher personal income growth (and smaller government growth) than states that had an income tax.[26]

Tax changes enacted in the states in the 1990s offer a useful laboratory for exploring the effects of tax policy. We compared economic performance in the 10 states that increased taxes the most with economic performance in the 10 states that cut taxes the

Table 4
Taxes and State Economic Performance, 1990–2002

	Top 10 Tax-Cutting States	50-State Average	Top 10 Tax-Hiking States
1990–2002 revenue increases (per $1,000 of personal income)	($8.23)	$3.10	$15.35
Employment growth, 1990–2002	24.63%	22.34%	17.62%
Personal income growth, 1990–2002	91.70%	86.43%	78.60%
Population growth, 1990–2002	17.50%	16.01%	14.40%

Source: Authors' calculations.

most during 1990–2002 (Table 4). The results suggest that when states reduce taxes they improve their relative economic performance.[27]

Employment Growth

Businesses and jobs migrated to low-tax states in the 1990s. Job growth averaged 25 percent in the top 10 tax-cutting states, higher than the national average of 22 percent, while the top 10 tax-hiking states experienced employment growth of just under 18 percent.

Personal Income Growth

Wealth grew faster in the tax-cutting states than it did in the tax-hiking states. Indeed, tax-cutting states saw personal income grow more than 5 percentage points faster than the national average, while the tax-hiking states saw below-average personal income growth.

Population Growth

Citizens voted with their feet and migrated to the tax-cutting states in great numbers. Population growth averaged 17.5 percent in tax-cutting states but only 14.4 percent in the tax-hiking states. Again, growth in this variable outstripped the national average in the tax-cutting states.

Bond Ratings

In Virginia Governor Mark Warner and other advocates of increasing taxes maintained that higher taxes were necessary to avoid a downgrading of the state's credit rating. That is a common excuse for governors who want to raise taxes. Even some of the bond-rating agencies suggested that tax hikes were necessary to avoid poorer credit ratings. Yet history shows just the opposite. Over the 1990s the bond ratings of the 10 tax-cutting states showed more improvement than those of the states that raised taxes the most. For the tax-cutting states, the average Standard and Poor's bond rating in 2002 was between AAA and AA. For the tax-raising states, the average bond rating was between AA and A.

That conclusion may seem counterintuitive. Here's the explanation of why tax hikes lead to a deterioration in state bond ratings. First, tax hikes at the state level are rarely used for debt retirement; they are almost always used to raise baseline expenditure levels. So tax hikes ratchet up state spending levels, which over time leads to a worse fiscal picture for states. Second, tax increases hurt state economies, which makes it more difficult for states to finance their debts. California, which saw its bond rating fall to near junk bond levels during Gray Davis's tenure in office, is the classic example of the futility of relying on higher taxes to solve a state budget crisis.

Conclusion

The worst state fiscal crisis of the past 20 years is now mercifully over—thanks in part to

Constitutional spending restraints coupled with tax cuts are arguably the best antidote to bloated budgets during boom years and out-of-control deficits during lean years.

Voters from Alabama to Virginia to Oregon have declared by close to two-to-one margins that they oppose higher taxes to balance budgets or increase spending.

the Bush tax cut, which helped revive the national economy. Most states dealt with the crisis by exercising modest spending restraint. Governors who raised taxes during the crisis—such as Gray Davis of California and Bob Holden of Missouri—have been chased from office. Voters from Alabama to Virginia to Oregon have declared by close to two-to-one margins that they oppose higher taxes to balance budgets or increase spending. Voters seem to understand that you can't attract new businesses, capital investment, workers, or families to a state by making it more expensive to live or work there.

Now that states have moved back toward healthy revenue growth and more stable reserve funds, the temptation will be to start ratcheting up spending again. But spending budget surpluses is precisely what caused the state fiscal mess of 2000–2003 in the first place. The lesson of the last 20 years is that governors can't tax and spend their way to prosperity; they should stop trying.

Appendix A: Report Card Background

Purpose of the Governors' Report Card

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

Scoring the fiscal records of governors is important for several reasons. One is that state governments have grown into large, multi-billion-dollar enterprises. The general fund budget of California now exceeds $75 billion and is larger than the gross domestic product of many small nations. Census Bureau data show that direct spending by the states was about $3,200 per person in 2002 and represents more than 10 percent of personal income.[28] With such huge resources at their disposal, the governors have a dramatic effect on the fiscal and economic health of the nation.

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

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

Report Card Caveats

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

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

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

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

In recent years, many states have moved to reduce reliance on local property taxes as part of school finance overhauls. In 1994 Michigan passed an education finance package that increased the state sales tax in exchange for a larger dollar reduction in local property taxes. Since 1994 other states have followed Michigan's lead, including Idaho, Kansas, South Carolina, South Dakota, Vermont, Michigan, Texas, Florida, and Wisconsin. In most cases, the changes involve a reduction in local property taxes, with the state government compensating local governments by increasing the state share of school funding. (As an aside, we think that centralizing a traditionally local function of government, such as education, is misguided and counterproductive.) For the purposes of our report card, such reforms create a significant challenge. Our data on state finances reflect the increased state spending and revenue but do not reflect the reductions at the local level. Yet, because local property taxes were substantially cut, the combined state and local burden has not risen. For states that have implemented such school finance overhauls, we made adjustments to our spending and tax variables so that governors are not penalized for an increase in state-level spending when the spending was designed to compensate localities for a local tax cut.

Appendix B: Report Card Methodology

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

Each of the 42 governors graded in the report has been in office long enough to propose at least two budgets. As noted, governors of Connecticut, Indiana Kentucky, Louisiana, Mississippi, and Utah have not been in office long enough to be graded here.

Grading Procedure

We examined 15 policy variables: 4 for spending, 5 for revenue, and 6 for tax rates (one of which has a weight of only one-half). However, for the governors who took office in 2003, we have excluded two of the spending variables and two of the revenue variables—the ones based on Census Bureau data.

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

Policy Variable Details

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

Expenditure Variables

1. Average annual change in real per capita spending through FY02 (measured only for the governors in office before 2003).
2. Average annual change in direct general spending per $1,000 of personal income through FY02 (measured only for governors in office before 2003).
3. Average annual recommended change in real per capita general fund spending through FY05.
4. Average annual change in general fund spending per $1,000 of personal income from FY02 through FY05.

Revenue Variables

1. Average annual change in real per capita tax revenue through fiscal year 2002 (measured only for governors in office before 2003).
2. Average annual change in tax revenue per $1,000 of personal income through fiscal year 2002 (measured only for governors in office before 2003).
3. Average annual recommended change in general fund revenue per $1,000 of personal income through FY05.
4. Average annual change in real per capita general fund revenue from FY02 through FY05.
5. Average annual recommended tax cuts or increases as a percentage of the prior year's expenditures through FY05.

Tax Rate Variables

1. Percentage point change in the top personal income tax rate, including governors' recommended changes that were not enacted.
2. Percentage point change in the top corporate income tax rate, including governors' recommended changes that were not enacted.
3. Sum of the top marginal personal and corporate income tax rates in 2004. (This variable is given a weight of only one-half.)
4. Change in the sales tax rate under each governor, including governors' recommended changes that were not enacted.
5. Change in the gasoline tax rate under each governor, including governors' recommended changes that were not enacted.
6. Change in the cigarette tax rate under each governor, including governors' recommended changes that were not enacted.

Appendix C: Detailed Tables

Table C-1
Spending Variables—Senior Class

Governor	State	Spending Score	Grade	Average Annual Change in Real per Capita Direct General Spending through 2002	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
Owens (R)	Colorado	92	A	1.9%	-0.1%	-3.0%	-6.8%
Martz (R)	Montana	86	A	2.2%	-0.8%	-2.2%	-5.5%
Pataki (R)	New York	73	B	1.7%	-0.6%	-1.4%	-1.4%
Locke (D)	Washington	68	B	2.9%	0.2%	-1.3%	-1.9%
Easley (D)	North Carolina	61	B	-0.2%	-0.3%	0.8%	1.0%
Vilsack (D)	Iowa	58	C	3.2%	2.8%	0.1%	-4.7%
Johanns (R)	Nebraska	58	C	4.2%	3.6%	-2.8%	-0.7%
Wise (D)	West Virginia	58	C	4.1%	0.8%	-2.0%	1.3%
Kempthorne (R)	Idaho	57	C	2.7%	1.3%	0.6%	-2.4%
Hoeven (R)	North Dakota	55	C	4.6%	3.7%	-0.9%	-4.1%
Guinn (R)	Nevada	49	D	0.1%	-0.6%	1.8%	3.7%
Bush (R)	Florida	48	D	1.9%	2.1%	-0.1%	2.7%
Perry (R)	Texas	46	D	6.7%	6.0%	-2.1%	-3.2%
Huckabee (R)	Arkansas	38	D	4.1%	2.9%	1.2%	0.1%
Minner (D)	Delaware	36	D	4.7%	4.4%	-0.3%	1.5%
Holden (D)	Missouri	22	F	8.3%	7.4%	1.9%	-5.4%
Taft (R)	Ohio	21	F	5.5%	5.1%	2.0%	1.5%

Table C-2
Average Annual Change in Real per Capita Direct General Spending through 2002

Best Spending Restraint			Worst Spending Restraint		
1. Easley (D)	North Carolina	-0.20%	1. Holden (D)	Missouri	8.31%
2. Guinn (R)	Nevada	0.12%	2. Perry (R)	Texas	6.71%
3. Pataki (R)	New York	1.72%	3. Taft (R)	Ohio	5.47%
4. Owens (R)	Colorado	1.88%	4. Minner (D)	Delaware	4.74%
5. Bush (R)	Florida	1.94%	5. Hoeven (R)	North Dakota	4.60%

Table C-3
Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002

Best Spending Restraint			Worst Spending Restraint		
1. Martz (R)	Montana	-0.79%	1. Holden (D)	Missouri	7.35%
2. Pataki (R)	New York	-0.56%	2. Perry (R)	Texas	6.02%
3. Guinn (R)	Nevada	-0.55%	3. Taft (R)	Ohio	5.05%
4. Easley (D)	North Carolina	-0.32%	4. Minner (D)	Delaware	4.43%
5. Owens (R)	Colorado	-0.09%	5. Hoeven (R)	North Dakota	3.67%

Table C-4
Average Annual Recommended Change in Real per Capita General Fund Spending through 2005

Best Spending Restraint			Worst Spending Restraint		
1. Owens (R)	Colorado	-3.02%	1. Taft (R)	Ohio	1.97%
2. Johanns (R)	Nebraska	-2.84%	2. Holden (D)	Missouri	1.85%
3. Martz (R)	Montana	-2.20%	3. Guinn (R)	Nevada	1.82%
4. Perry (R)	Texas	-2.10%	4. Huckabee (R)	Arkansas	1.17%
5. Wise (D)	West Virginia	-1.97%	5. Easley (D)	North Carolina	0.76%

Table C-5
Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005

Best Spending Restraint			Worst Spending Restraint		
1. Owens (R)	Colorado	-6.79%	1. Guinn (R)	Nevada	3.67%
2. Martz (R)	Montana	-5.48%	2. Bush (R)	Florida	2.72%
3. Holden (D)	Missouri	-5.36%	3. Taft (R)	Ohio	1.51%
4. Vilsack (D)	Iowa	-4.73%	4. Minner (D)	Delaware	1.50%
5. Hoeven (R)	North Dakota	-4.06%	5. Wise (D)	West Virginia	1.28%

Table C-6
Revenue and Tax Rate Variables—Senior Class

Governor	State	Tax Score	Grade	Average Annual Change in Real per Capita Own-Source General Revenue through 2002	Average Annual Change in Own-Source General Revenue per $1,000 Personal Income through 2002	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
Owens (R)	Colorado	75	A	-1.7%	-3.6%	-1.7%	-2.4%	-5.3%
Bush (R)	Florida	75	A	-2.6%	-2.2%	-5.2%	-2.8%	0.4%
Martz (R)	Montana	68	A	-2.1%	-4.4%	-0.2%	0.4%	-1.2%
Hoeven (R)	North Dakota	60	B	1.2%	-2.9%	0.3%	-3.5%	3.6%
Pataki (R)	New York	59	B	1.2%	-1.1%	-0.3%	-1.6%	-1.3%
Perry (R)	Texas	59	B	1.8%	-6.1%	0.7%	-2.4%	-2.5%
Kempthorne (R)	Idaho	54	C	-3.0%	-4.6%	0.6%	3.9%	3.0%
Locke (D)	Washington	52	C	-0.8%	-3.4%	1.3%	-1.2%	-1.3%
Easley (D)	North Carolina	50	C	-1.3%	-3.3%	1.3%	1.6%	0.4%
Vilsack (D)	Iowa	48	D	0.6%	0.0%	0.6%	2.3%	-3.4%
Johanns (R)	Nebraska	48	D	0.5%	-0.1%	-0.2%	-1.6%	0.8%
Minner (D)	Delaware	45	D	1.7%	1.1%	0.9%	0.9%	0.8%
Holden (D)	Missouri	40	F	2.6%	-3.6%	2.6%	1.9%	-2.3%
Wise (D)	West Virginia	37	F	11.0%	0.3%	1.4%	-0.3%	-0.2%
Guinn (R)	Nevada	36	F	0.2%	-0.6%	5.2%	1.6%	5.1%
Huckabee (R)	Arkansas	36	F	3.3%	2.1%	0.8%	0.3%	1.4%
Taft (R)	Ohio	32	F	1.8%	1.3%	1.4%	1.9%	2.5%

Table C-6 ***continued***
Revenue and Tax Rate Variables—Senior Class

Governor	State	Tax Score	Grade	Change in Top Personal Income Tax Rate (% point)	Change in Top Corporate Income Tax Rate (% point)	2004 Combined Top Income Tax Rates (personal plus corporate)	Change in Sales Tax Rate (% point)	Change in Gas Tax Rate (cents per gallon)	Change in Cigarette Tax Rate (cents per pack)
Owens (R)	Colorado	75	A	-0.8	-0.4	9.3	-0.2	0.0	0
Bush (R)	Florida	75	A		0.0	5.5	0.0	0.0	0
Martz (R)	Montana	68	A	-4.1	0.0	17.8		0.0	0
Hoeven (R)	North Dakota	60	B	0.0	0.0	16.0	0.0	0.0	35
Pataki (R)	New York	59	B	-1.0	-2.0	14.4	0.0	0.0	95
Perry (R)	Texas	59	B		0.0	4.5	0.5	0.0	100
Kempthorne (R)	Idaho	54	C	-0.4	-0.4	15.4	0.0	0.0	29
Locke (D)	Washington	52	C		0.0	3.5	1.0	9.0	60
Easley (D)	North Carolina	50	C	0.8	-0.8	15.5	0.5	1.9	0
Vilsack (D)	Iowa	48	D	0.0	0.0	21.0	0.0	0.0	0
Johanns (R)	Nebraska	48	D	0.0	0.0	14.5	1.0	0.0	50
Minner (D)	Delaware	45	D	0.0	0.0	14.7		0.0	35
Holden (D)	Missouri	40	F	0.3	1.3	12.3	0.0	0.0	59
Wise (D)	West Virginia	37	F	0.0	0.0	15.5	0.0	0.0	58
Guinn (R)	Nevada	36	F		0.3	0.3	0.0	0.0	45
Huckabee (R)	Arkansas	36	F	0.2	0.0	13.5	1.6	3.0	0
Taft (R)	Ohio	32	F	0.3	-1.5	16.0	1.0	6.0	76

Table C-7
Average Annual Change in Real per Capita Own-Source General Revenue through 2002

Best Revenue Restraint			Worst Revenue Restraint		
1. Kempthorne (R)	Idaho	-3.01%	1. Wise (D)	West Virginia	11.02%
2. Bush (R)	Florida	-2.56%	2. Huckabee (R)	Arkansas	3.30%
3. Martz (R)	Montana	-2.13%	3. Holden (D)	Missouri	2.60%
4. Owens (R)	Colorado	-1.68%	4. Perry (R)	Texas	1.81%
5. Easley (D)	North Carolina	-1.26%	5. Taft (R)	Ohio	1.78%

Table C-8
Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002

Best Revenue Restraint			Worst Revenue Restraint		
1. Perry (R)	Texas	-6.06%	1. Huckabee (R)	Arkansas	2.08%
2. Kempthorne (R)	Idaho	-4.61%	2. Taft (R)	Ohio	1.25%
3. Martz (R)	Montana	-4.43%	3. Minner (D)	Delaware	1.07%
4. Holden (D)	Missouri	-3.65%	4. Wise (D)	West Virginia	0.32%
5. Owens (R)	Colorado	-3.61%	5. Vilsack (D)	Iowa	-0.02%

Table C-9
Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005

Best Revenue Restraint			Worst Revenue Restraint		
1. Hoeven (R)	North Dakota	-3.51%	1. Kempthorne (R)	Idaho	3.89%
2. Bush (R)	Florida	-2.76%	2. Vilsack (D)	Iowa	2.26%
3. Perry (R)	Texas	-2.45%	3. Holden (D)	Missouri	1.94%
4. Owens (R)	Colorado	-2.35%	3. Taft (R)	Ohio	1.94%
5. Pataki (R)	New York	-1.59%	4. Guinn (R)	Nevada	1.60%
5. Johanns (R)	Nebraska	-1.59%			

Table C-10
Average Annual Change in Real per Capita General Fund Revenue, 2002–2005

Best Revenue Restraint			Worst Revenue Restraint		
1. Owens (R)	Colorado	-5.32%	1. Guinn (R)	Nevada	5.05%
2. Vilsack (D)	Iowa	-3.45%	2. Hoeven (R)	North Dakota	3.57%
3. Perry (R)	Texas	-2.46%	3. Kempthorne (R)	Idaho	3.03%
4. Holden (D)	Missouri	-2.28%	4. Taft (R)	Ohio	2.47%
5. Locke (D)	Washington	-1.34%	5. Huckabee (R)	Arkansas	1.41%

Table C-11
Average Annual Recommended Tax Changes as a Percentage of Prior Year's Spending through 2005

Tax Cutters			Tax Hikers		
1. Bush (R)	Florida	-5.20%	1. Guinn (R)	Nevada	5.20%
2. Owens (R)	Colorado	-1.71%	2. Holden (D)	Missouri	2.64%
3. Pataki (R)	New York	-0.32%	3. Wise (D)	West Virginia	1.43%
4. Martz (R)	Montana	-0.25%	4. Taft (R)	Ohio	1.37%
5. Johanns (R)	Nebraska	-0.16%	5. Easley (D)	North Carolina	1.30%
			6. Locke (D)	Washington	1.26%
			7. Minner (D)	Delaware	0.92%
			8. Huckabee (R)	Arkansas	0.83%
			9. Perry (R)	Texas	0.67%
			10. Vilsack (D)	Iowa	0.63%
			11. Kempthorne (R)	Idaho	0.57%
			12. Hoeven (R)	North Dakota	0.27%

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

Tax Cutters			Tax Hikers		
1. Martz (R)	Montana	-4.10	1. Easley (D)	North Carolina	0.75
2. Pataki (R)	New York	-1.03	2. Holden (D)	Missouri	0.30
3. Owens (R)	Colorado	-0.75	3. Taft (R)	Ohio	0.27
4. Kempthorne (R)	Idaho	-0.40	4. Huckabee (R)	Arkansas	0.21
No Others			No Others		

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

Tax Cutters			Tax Hikers		
1. Pataki (R)	New York	-2.00	1. Holden (D)	Missouri	1.25
2. Taft (R)	Ohio	-1.50	2. Guinn (R)	Nevada	0.25
3. Easley (D)	North Carolina	-0.75	No Others		
4. Kempthorne (R)	Idaho	-0.40			
5. Owens (R)	Colorado	-0.37			

Table C-14
Combined Top Income Tax Rates (personal plus corporate), 2004 (% points)

Lowest Tax Rates			Highest Tax Rates		
1. Guinn (R)	Nevada	0.25	1. Vilsack (D)	Iowa	20.98
2. Locke (D)	Washington	3.45	2. Martz (R)	Montana	17.75
3. Perry (R)	Texas	4.50	3. Hoeven (R)	North Dakota	16.04
4. Bush (R)	Florida	5.50	4. Taft (R)	Ohio	16.00
5. Owens (R)	Colorado	9.26	5. Easley (D)	North Carolina	15.50
			5. Wise (D)	West Virginia	15.50

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

Tax Cutters			Tax Hikers		
1. Owens (R)	Colorado	-0.15	1. Huckabee (R)	Arkansas	1.63
No Others			2. Taft (R)	Ohio	1.0
			2. Johanns (R)	Nebraska	1.0
			2. Locke (D)	Washington	1.0
			3. Easley (D)	North Carolina	0.5
			3. Perry (R)	Texas	0.5

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

Tax Cutters	Tax Hikers				
None			1. Locke (D)	Washington	9
			2. Taft (R)	Ohio	6
			3. Huckabee (R)	Arkansas	3
			4. Easley (D)	North Carolina	1.9
			No Others		

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

Tax Cutters	Tax Hikers			
None	1.	Perry (R)	Texas	100
	2.	Pataki (R)	New York	95
	3.	Taft (R)	Ohio	76
	4.	Locke (D)	Washington	60
	5.	Holden (D)	Missouri	59
	6.	Wise (D)	West Virginia	58
	7.	Johanns (R)	Nebraska	50
	8.	Guinn (R)	Nevada	45
	9.	Hoeven (R)	North Dakota	35
	9.	Minner (D)	Delaware	35
	No Others			

Table C-18
Spending Variables—Freshman Class

Governor	State	Spending Score	Grade	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
Benson (R)	New Hampshire	90	A	-4.1%	-5.0%
Granholm (D)	Michigan	87	A	-4.5%	-4.1%
Schwarzenegger (R)	California	86	A	-4.7%	-3.5%
Henry (D)	Oklahoma	78	B	-3.4%	-2.9%
Pawlenty (R)	Minnesota	75	B	-2.6%	-2.9%
Richardson (D)	New Mexico	74	B	-4.1%	-1.3%
Sanford (R)	South Carolina	74	B	-0.3%	-4.6%
Perdue (R)	Georgia	71	C	-3.8%	-0.9%
Riley (R)	Alabama	68	C	-3.5%	-0.3%
Ehrlich (R)	Maryland	61	C	-0.7%	-1.2%
Warner (D)	Virginia	60	C	-1.1%	-0.8%
Baldacci (D)	Maine	60	C	0.2%	-1.9%
Lingle (R)	Hawaii	59	C	-0.2%	-1.2%
Rounds (R)	South Dakota	57	D	0.6%	-1.0%
Blagojevich (D)	Illinois	56	D	-0.1%	-0.6%
Carcieri (R)	Rhode Island	55	D	0.0%	-0.3%
Doyle (D)	Wisconsin	54	D	0.9%	-0.9%
Romney (R)	Massachusetts	52	D	0.1%	0.2%
Douglas (R)	Vermont	51	D	-0.1%	0.5%
Kulongoski (D)	Oregon	50	D	-6.8%	6.8%
Bredesen (D)	Tennessee	44	D	0.0%	2.2%
Sebelius (D)	Kansas	37	F	2.1%	2.1%
McGreevey (D)	New Jersey	32	F	3.1%	4.6%
Rendell (D)	Pennsylvania	24	F	5.2%	2.1%
Napolitano (D)	Arizona	8	F	6.4%	4.9%

Table C-19
Average Annual Recommended Change in Real per Capita General Fund Spending through 2005

Best Spending Restraint			Worst Spending Restraint		
1. Kulongoski (D)	Oregon	-6.80%	1. Napolitano (D)	Arizona	6.44%
2. Schwarzenegger (R)	California	-4.72%	2. Rendell (D)	Pennsylvania	5.25%
3. Granholm (D)	Michigan	-4.54%	3. McGreevey (D)	New Jersey	3.07%
4. Benson (R)	New Hampshire	-4.12%	4. Sebelius (D)	Kansas	2.09%
5. Richardson (D)	New Mexico	-4.07%	5. Doyle (D)	Wisconsin	0.91%

Table C-20
Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005

Best Spending Restraint			Worst Spending Restraint		
1. Benson (R)	New Hampshire	-5.01%	1. Kulongoski (D)	Oregon	6.77%
2. Sanford (R)	South Carolina	-4.63%	2. Napolitano (D)	Arizona	4.88%
3. Granholm (D)	Michigan	-4.06%	3. McGreevey (D)	New Jersey	4.63%
4. Schwarzenegger (R)	California	-3.52%	4. Bredesen (D)	Tennessee	2.16%
5. Pawlenty (R)	Minnesota	-2.91%	5. Rendell (D)	Pennsylvania	2.10%

Table C-21
Revenue and Tax Rate Variables—Freshman Class

Governor	State	Tax Score	Grade	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
Schwarzenegger (R)	California	87	A	-3.6%	-4.0%	-5.5%
Benson (R)	New Hampshire	80	A	-0.4%	-0.3%	-4.6%
Rounds (R)	South Dakota	77	A	0.6%	-2.1%	1.8%
Bredesen (D)	Tennessee	70	A	0.0%	0.1%	1.4%
Sanford (R)	South Carolina	70	A	-0.5%	-2.4%	-1.1%
Baldacci (D)	Maine	68	B	0.2%	-0.5%	0.3%
Carcieri (R)	Rhode Island	67	B	0.9%	-1.1%	0.0%
Richardson (D)	New Mexico	66	B	-0.9%	-3.0%	3.5%
Doyle (D)	Wisconsin	66	B	0.0%	-0.4%	1.3%
Romney (R)	Massachusetts	66	B	0.0%	0.1%	1.2%
Pawlenty (R)	Minnesota	66	B	0.3%	0.2%	0.3%
Douglas (R)	Vermont	65	B	-0.1%	-2.2%	3.0%
Lingle (R)	Hawaii	65	B	-0.1%	-0.3%	2.3%
Ehrlich (R)	Maryland	61	C	0.2%	2.9%	1.7%
Henry (D)	Oklahoma	60	C	2.1%	-0.2%	0.2%
Kulongoski (D)	Oregon	60	C	2.8%	0.0%	-0.7%
Sebelius (D)	Kansas	56	D	1.1%	1.6%	0.7%
Warner (D)	Virginia	55	D	2.6%	-2.0%	1.3%
Napolitano (D)	Arizona	55	D	0.1%	6.7%	1.8%
Blagojevich (D)	Illinois	53	D	1.7%	2.6%	7.2%
Granholm (D)	Michigan	52	D	2.0%	1.7%	-2.1%
Perdue (R)	Georgia	50	F	2.3%	1.1%	4.7%
Rendell (D)	Pennsylvania	48	F	2.2%	5.3%	2.7%
Riley (R)	Alabama	45	F	6.6%	2.3%	1.3%
McGreevey (D)	New Jersey	38	F	3.0%	5.4%	5.6%

continued

Table C-21 ***continued***
Revenue and Tax Rate Variables—Freshman Class

Governor	State	Tax Score	Grade	Change in Top Personal Income Tax Rate (% point)	Change in Top Corporate Income Tax Rate (% point)	2004 Combined Top Income Tax Rates (personal plus corporate)	Change in Sales Tax Rate (% point)	Change in Gas Tax Rate (cents per gallon)	Change in Cigarette Tax Rate (cents per pack)
Schwarzenegger (R)	California	87	A	0.00	0.0	18.1	0.0	0.0	0.0
Benson (R)	New Hampshire	80	A		0.0	3.0		0.0	0.0
Rounds (R)	South Dakota	70	A			0.0	0.0	0.0	30.0
Bredesen (D)	Tennessee	70	A		0.0	6.0	0.0	0.0	0.0
Sanford (R)	South Carolina	70	A	-2.25	0.0	12.0	0.0	0.0	46.0
Baldacci (D)	Maine	68	B	-0.75	0.0	17.4	-0.5	0.0	0.0
Carcieri (R)	Rhode Island	67	B	0.00	0.0	17.8	0.0	0.0	21.0
Richardson (D)	New Mexico	66	B	-3.30	0.0	15.3	0.0	1.0	70.0
Doyle (D)	Wisconsin	66	B	0.00	0.0	14.7	0.0	0.0	0.0
Romney (R)	Massachusetts	66	B	-0.30	0.0	14.8	0.0	0.0	0.0
Pawlenty (R)	Minnesota	66	B	0.00	0.0	17.7	0.0	0.0	0.0
Douglas (R)	Vermont	65	B	0.00	-1.3	19.3	1.0	0.0	0.0
Lingle (R)	Hawaii	65	B	0.00	0.0	14.7	0.0	0.0	20.0
Ehrlich (R)	Maryland	61	C	0.00	0.0	11.8	0.0	0.0	0.0
Henry (D)	Oklahoma	60	C	0.00	0.0	13.0	0.0	0.0	77.0
Kulongoski (D)	Oregon	60	C	0.80	0.0	15.6		0.0	10.0
Sebelius (D)	Kansas	56	D	5.00	0.0	13.8	0.4	0.0	0.0
Warner (D)	Virginia	55	D	0.50	0.0	11.8	1.0	0.0	22.5
Napolitano (D)	Arizona	55	D	0.00	0.0	12.0	0.0	0.0	0.0
Blagojevich (D)	Illinois	53	D	0.00	0.0	10.3	0.0	0.0	0.0
Granholm (D)	Michigan	52	D	0.00	-0.6	5.9	2.0	4.0	75.0
Perdue (R)	Georgia	50	D	0.00	0.0	12.0	0.0	0.0	46.0
Rendell (D)	Pennsylvania	48	F	0.95	0.0	13.1	0.0	0.0	25.0
Riley (R)	Alabama	45	F	1.00	-0.5	11.5	0.0	0.0	0.0
McGreevey (D)	New Jersey	38	F	2.60	0.0	15.4	0.0	0.0	170.0

Table C-22
Average Annual Change in Recommended General Fund Revenue per $1,000 Personal Income through 2005

Best Revenue Restraint			Worst Revenue Restraint		
1. Schwarzenegger (R)	California	-4.05%	1. Napolitano (D)	Arizona	6.72%
2. Richardson (D)	New Mexico	-3.04%	2. McGreevey (D)	New Jersey	5.39%
3. Sanford (R)	South Carolina	-2.42%	3. Rendell (D)	Pennsylvania	5.34%
4. Douglas (R)	Vermont	-2.20%	4. Ehrlich (R)	Maryland	2.89%
5. Rounds (R)	South Dakota	-2.12%	5. Blagojevich (D)	Illinois	2.58%

Table C-23
Average Annual Change in Real per Capita General Fund Revenue, 2002–2005

Best Revenue Restraint			Worst Revenue Restraint		
1. Schwarzenegger (R)	California	-5.45%	1. Blagojevich (D)	Illinois	7.16%
2. Benson (R)	New Hampshire	-4.60%	2. McGreevey (D)	New Jersey	5.60%
3. Granholm (D)	Michigan	-2.07%	3. Perdue (R)	Georgia	4.67%
4. Sanford (R)	South Carolina	-1.09%	4. Richardson (D)	New Mexico	3.48%
5. Kulongoski (D)	Oregon	-0.71%	5. Douglas (R)	Vermont	2.97%

Table C-24
Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005

Tax Cutters			Tax Hikers		
1. Schwarzenegger (R)	California	-3.56%	1. Riley (R)	Alabama	6.58%
2. Richardson (D)	New Mexico	-0.94%	2. McGreevey(D)	New Jersey	3.04%
3. Sanford (R)	South Carolina	-0.46%	3. Kulongoski (D)	Oregon	2.79%
4. Benson (R)	New Hampshire	-0.37%	4. Warner (D)	Virginia	2.62%
5. Douglas (R)	Vermont	-0.15%	5. Perdue (R)	Georgia	2.30%
6. Lingle (R)	Hawaii	-0.08%	6. Rendell (D)	Pennsylvania	2.22%
7. Romney (R)	Massachusetts	-0.03%	7. Henry (D)	Oklahoma	2.12%
8 Doyle (D)	Wisconsin	-0.02%	8. Granholm (D)	Michigan	1.95%
			9. Blagojevich (D)	Illinois	1.72%
			10. Sebelius (D)	Kansas	1.14%
			11. Carcieri (R)	Rhode Island	0.89%
			12. Rounds (R)	South Dakota	0.59%
			13. Pawlenty (R)	Minnesota	0.30%
			14. Ehrlich (R)	Maryland	0.24%
			15. Baldacci (D)	Maine	0.17%
			16. Napolitano (D)	Arizona	0.06%

Table C-25
Change in Top Personal Income Tax Rate (% points) Including Governors' Recommended Changes That Were Not Enacted

Tax Cutters			Tax Hikers		
1. Richardson (D)	New Mexico	-3.30	1. Sebelius (D)	Kansas	5.00
2. Sanford (R)	South Carolina	-2.25	2. McGreevey (D)	New Jersey	2.60
3. Baldacci (D)	Maine	-0.75	3. Riley (R)	Alabama	1.00
4. Romney (R)	Massachusetts	-0.30	4. Rendell (D)	Pennsylvania	0.95
No Others			5. Kulongoski (D)	Oregon	0.80
			6. Warner (D)	Virginia	0.50

Table C-26
Change in Top Corporate Income Tax Rate (% points) Including Governors' Recommended Changes That Were Not Enacted

Tax Cutters			Tax Hikers
1. Douglas (R)	Vermont	-1.3	None
2. Granholm (D)	Michigan	-0.6	
3. Riley (R)	Alabama	-0.5	
No Others			

Table C-27
Combined Top Income Tax Rates (personal plus corporate), 2004 (% points)

Lowest Tax Rates			Highest Tax Rates		
1. Rounds (R)	South Dakota	0.0	1. Douglas (R)	Vermont	19.3
2. Benson (R)	New Hampshire	3.0	2. Schwarzenegger (R)	California	18.1
3. Granholm (D)	Michigan	5.9	3. Carcieri (R)	Rhode Island	17.8
4. Bredesen (D)	Tennessee	6.0	4. Pawlenty (R)	Minnesota	17.7
5. Blagojevich (D)	Illinois	10.3	5. Baldacci (D)	Maine	17.4

Table C-28
Change in Sales Tax Rate (% points)
Including Governors' Recommended Changes That Were Not Enacted

Tax Cutters			Tax Hikers		
1. Baldacci (D)	Maine	-0.5	1. Granholm (D)	Michigan	2.0
No Others			2. Warner (D)	Virginia	1.0
			2. Douglas (R)	Vermont	1.0
			3. Sebelius (D)	Kansas	0.4
			No Others		

Table C-29
Change in Gas Tax Rate (cents per gallon)
Including Governors' Recommended Changes That Were Not Enacted

Tax Cutters	Tax Hikers		
None	1. Granholm (D)	Michigan	4.0
	2. Richardson (D)	New Mexico	1.0
	No Others		

Table C-30
Change in Cigarette Tax Rate (cents per pack)
Including Governors' Recommended Changes That Were Not Enacted

Tax Cutters	Tax Hikers		
None	1. McGreevey (D)	New Jersey	170.0
	2. Henry (D)	Oklahoma	77.0
	3. Granholm (D)	Michigan	75.0
	4. Richardson (D)	New Mexico	70.0
	5. Perdue (R)	Georgia	46.0
	5. Sanford (R)	South Carolina	46.0
	6. Rounds (R)	South Dakota	30.0
	7. Rendell (D)	Pennsylvania	25.0
	8. Warner (D)	Virginia	22.5
	9. Carcieri (R)	Rhode Island	21.0
	10. Lingle (R)	Hawaii	20.0
	11. Kulongoski (D)	Oregon	10.0
	No Others		

Appendix D:
Summary of Fiscal Policy Records of Governors

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

Alabama

Bob Riley, Republican

Legislature: Divided
Took Office: January 2003

Grade: D

Former U.S. congressman Bob Riley defeated the big-spending Democratic incumbent Don Siegelman largely by opposing tax increases and a state lottery. Riley's first budget controlled spending by cutting real per capita spending by around 6 percent. But when it looked like the budget still wasn't going to be balanced, Riley broke his campaign pledge on taxes by proposing a massive $1.2 billion tax hike that raised virtually every tax on the books, including the personal income and sales taxes. Some aspects of the plan, such as the small decline in the corporate income tax rate, looked like a tax cut on the surface, but when those aspects were coupled with the elements of the plan that closed so-called corporate loopholes, a higher effective tax burden would have been the final result. Riley campaigned hard for the tax increases, which required voter approval, even going so far as to suggest that Jesus would endorse his tax hike. Luckily for the taxpayers of Alabama, the tax plan was resoundingly defeated at the ballot box (68 percent voted against it). After the defeat, a repentant Riley was able to find more spending to cut to balance the budget, which should make taxpayers wonder why he couldn't have done that before trying to force a tax hike down their throats. In 2004 Riley eventually signed into law a 26-cent per pack cigarette tax hike. All of this makes Bob Riley the most pro-tax new Republican governor in the nation.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-3.5%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-0.3%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
2.3%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
1.3%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
6.6%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
1.0	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)
11.5	2004 Combined Top Income Tax Rates, personal plus corporate
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Arizona

Janet Napolitano, Democrat

Legislature: Republican
Took Office: January 2003

Grade: D

In the last edition of the report card, we criticized Republican governor Jane Hull, Janet Napolitano's predecessor, for being one of the biggest spending governors in the nation—she received an overall final grade of a D in 2002. As it turns out, Napolitano's spending record has made Hull look like a piker. Napolitano campaigned as a fiscal conservative and stated in her first State of the State speech that she intended not to raise taxes to balance the books. Instead, her maiden budget included a series of accounting gimmicks to pay for a massive 11 percent spending hike. Fiscal conservatives in the Arizona House and Senate had trouble combating big-spending Republicans who teamed up with the Democrats in the narrowly divided upper chamber to give Napolitano most of what she wanted. Napolitano's second budget expanded Arizona state government by around 10 percent. By the time the budget battle had ended in May 2004, the legislature had given her a budget that was even bigger than what she originally proposed—it grew by 13 percent—and she signed it into law. At least Hull had the good sense to cut the car tax and corporate income tax early in her term. Arizona taxpayers have good reason to worry that Napolitano's next two years in office could be even more expensive than the first two.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
6.4%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
4.9%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
6.7%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
1.8%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
0.1%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
0.00	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
12.0	2004 Combined Top Income Tax Rates, personal plus corporate
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Arkansas

Mike Huckabee, Republican

Legislature: Democratic
Took Office: July 1996

Grade: D

Mike Huckabee's grade has gotten worse the longer he's stayed in office. When in 1996 he became the first Republican governor of Arkansas in 15 years, Huckabee promptly began to wage war against the big spenders in the capitol. Overriding his budget vetoes was yearly sport in the legislature. He fought hard for his sweeping overhaul of Arkansas' archaic income tax system—a $70 million net tax cut package that was the first broad-based tax cut in the state in more than 20 years. In 1999 he signed legislation to phase out the state's 6 percent capital gains tax—a significant pro-growth accomplishment. But by the time he was reelected in 2002, Huckabee was already a member of the entrenched establishment he had fought so hard against in his early years. He proposed a sales tax increase in 2003, but instead the legislature gave him (and he signed) a bill that included a 3 percent income tax "surcharge" and a 25-cent cigarette tax increase. In response to a court order to increase spending on education, Huckabee proposed another sales tax increase, and the legislature sent to him a smaller sales tax increase with a corporate franchise tax to make up the difference. Hucakbee let it become law without his signature. Huckabee's innovative idea from 2002—a "Tax Me More Fund" that would accept donations from people who didn't think they were paying high enough taxes—received national attention. Unfortunately, since 2002 Huckabee has done his share of taxing Arkansans more whether they like it or not.

Fiscal Performance Data	
4.1%	Average Annual Change in Real per Capita Direct General Spending through 2002
2.9%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
1.2%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
0.1%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
3.3%	Average Annual Change in Real per Capita Tax Revenue through 2002
2.1%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
0.3%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
1.4%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
0.8%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
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)
13.5	2004 Combined Top Income Tax Rates, personal plus corporate
1.6	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	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

California

Arnold Schwarzenegger, Republican

Legislature: Democratic
Took Office: November 2003

Grade: A

Arnold Schwarzenegger's historic win in California's recall election has been a salvation for the state's beleaguered taxpayers. Within hours of taking office, Schwarzenegger cut taxes by more than $2 billion by repealing Gray Davis's tripling of the car tax. Inheriting a $15 billion budget deficit, Schwarzenegger proposed a balancing plan that did not raise taxes. He proposed slashing spending by around $6 billion over two years and relied on a $15 billion bond issue to cover the rest. The legislature gave him much of what he wanted, and for the first time in years spending was under control in Sacramento. Borrowing is not as preferable as cutting the state's obese $105 billion budget further, but it is far preferable to the alternative: raising taxes. The budget negotiated in 2004 reversed some of the gains of his first: it increased net general fund spending by around $1 billion but is still below where it was headed under Davis. Schwarzenegger held a government-wide "garage sale" to get rid of excess state property, from computers to staplers. He created a budget task force that found that $32 billion could be saved over five years and recommended, among other things, abolition of more than 100 state boards and privatizing state assets. By the look of things, Schwarzenegger isn't through shaking up the power structure in Sacramento.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-4.7%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-3.5%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
-4.0%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
-5.5%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
-3.6%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
0.00	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
18.1	2004 Combined Top Income Tax Rates, personal plus corporate
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Colorado

Bill Owens, Republican

Legislature: Republican
Took Office: January 1999

Grade: A

On the second report card in a row, Bill Owens receives an A. During his six years in office Owens has amassed a sterling record of fiscal accomplishment. He has supported the state's tax and expenditure limit (known as the Taxpayer's Bill of Rights, or TABOR), which restricts the growth of Colorado's budget to the growth of population plus inflation and mandates refunding of any surplus. In addition, Owens has cut the income tax rate from 5 to 4.63 percent; slashed taxes on capital gains, interest, and dividends; and given businesses property tax relief. When the state faced a $850 million deficit in FY03, Owens vowed not to raise taxes, and he stuck to his promise by ordering across-the-board budget cuts, exempting only K-12 education programs. Colorado faces budget deficits mainly because of a constitutional provision known as Amendment 23, which requires education spending to grow faster than the TABOR cap. Despite Owens's overall positive record, he recently irked fiscal conservatives in the state by asking voters for approval to withhold $100 million from the next TABOR refund (estimated at $500 million). Owens says that was in response to legislative proposals to severely evicerate TABOR by changing the formula used to cap spending. His grade on the 2006 report card will depend largely on how Owens handles TABOR reform and the likely opposition to tax and spending cuts from a new Democratic majority in the legislature.

Fiscal Performance Data	
1.9%	Average Annual Change in Real per Capita Direct General Spending through 2002
-0.1%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-3.0%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-6.8%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
-1.7%	Average Annual Change in Real per Capita Tax Revenue through 2002
-3.6%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
-2.4%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
-5.3%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
-1.7%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
-0.8	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
-0.4	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
9.3	2004 Combined Top Income Tax Rates, personal plus corporate
-0.2	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Delaware

Ruth Ann Minner, Democrat

Legislature: Divided
Took Office: January 2001

Grade: D

Ruth Ann Minner racked up a poor fiscal record during her first term in office. Her grade this year reflects a decline in achievement from the grade of C she received on the last fiscal report card. Minner's saving grace in her first two years was her desire to keep spending under control. In 2002, when the state faced a deficit, Minner ordered a hiring freeze on all but essential government jobs and ordered $30 million in state agency cuts. However, her FY04 budget included fee and tax hikes equaling $145 million, the centerpiece of which was a large cigarette tax hike. The budget she signed into law outpaced population growth and inflation. When state revenue started to pick up in the fall of 2003, resulting in an unexpected surplus of $100 million, Delaware House Republicans proposed cutting taxes by an equal amount. Minner instead trotted out ideas for a host of new government programs, including mandatory all-day kindergarten, various corporate welfare boondoggles, and expanding the state-run health insurance program. State taxpayers have reason to worry about what types of spending schemes she will come up with once more revenue begins to flow into the capitol.

Fiscal Performance Data	
4.7%	Average Annual Change in Real per Capita Direct General Spending through 2002
4.4%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-0.3%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
1.5%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
1.7%	Average Annual Change in Real per Capita Tax Revenue through 2002
1.1%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
0.9%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
0.8%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
0.9%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
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)
14.7	2004 Combined Top Income Tax Rates, personal plus corporate
n/a	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
35	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Florida

Jeb Bush, Republican

Legislature: Republican
Took Office: January 1999

Grade: B

The fiscal record of Jeb Bush's past two years shows some blemishes that have bumped his grade from an A in 2002 to a B this year. His tax record is still one of the most impressive of any governor. He has proposed and signed into law a tax cut virtually every year of his tenure so far—ranging from cuts in property taxes to cuts in the fuel tax to a phaseout of the intangibles tax (a tax on certain financial assets, including stocks and bonds). The blemishes on his record have lately come in the form of larger budgets. Although his first term was remarkable for its spending restraint, his last two proposed budgets have grown substantially faster than population and inflation. His 2004 general fund budget proposal grew by 8 percent, and his 2005 budget proposal—including the "supplemental" additions—grew by a whopping 15 percent. Bush is also not immune to corporate welfare schemes: he handed $310 million in taxpayer money to the Scripps Institute to lure it to Florida from La Jolla, California. Scaling back the rate of increase of the state budget will be vital to a better grade on the 2006 report card.

Fiscal Performance Data	
1.9%	Average Annual Change in Real per Capita Direct General Spending through 2002
2.1%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-0.1%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
2.7%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
-2.6%	Average Annual Change in Real per Capita Tax Revenue through 2002
-2.2%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
-2.8%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
0.4%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
-5.2%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
n/a	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	2004 Combined Top Income Tax Rates, personal plus corporate
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	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Georgia

Sonny Perdue, Republican

Legislature: Divided
Took Office: January 2003

Grade: D

In 2003 Sonny Perdue was inaugurated as the first Republican governor of Georgia since Reconstruction after beating tax-cutting Democratic incumbent Roy Barnes (who scored a B on the 2002 report card) by running on a pledge to not raise taxes. However, 48 hours later, Perdue proposed one of the largest tax increases in Georgia history. It consisted of increases in taxes on wine, liquor, and beer; a nearly fivefold increase in the cigarette tax (from 12 cents per pack to 58 cents); and reversing a property tax cut in place since early in Barnes's term. It was a bigger tax increase than even the divided legislature wanted to pass. The legislature sent to the governor a 2004 budget that raised cigarette taxes by only 25 cents and killed the rest of the tax package. In fact, the legislature made the property tax cut program permanent. Perdue's spending record looks better than his tax record. His first budget included no pay increases for state employees, axed 600 state jobs, and left 4,000 bureaucratic jobs vacant. His FY05 budget cut overall general fund spending by a net $49 million. Overall general fund spending during his tenure has grown by just under population growth plus inflation. It remains to be seen whether this spending prudence is a short-term phenomenon for Perdue.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-3.8%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-0.9%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
1.1%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
4.7%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
2.3%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
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	2004 Combined Top Income Tax Rates, personal plus corporate
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)
46.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Hawaii

Linda Lingle, Republican

Legislature: Democratic
Took Office: January 2003

Grade: C

Within a week of taking office, Linda Lingle, the first female governor of Hawaii, announced a 5 percent budget cut and a statewide hiring freeze to help balance the 2003 budget. Lingle vetoed some spending in the 2004 budget that the legislature sent her, but the legislature overrode some of the vetoes. When revenue began to pick up in September 2003, the governor reversed her spending cuts and proposed a supplemental budget that increased general fund spending by more than 2 percent. Her record on spending, however, is still better than her predecessor's. On tax policy, however, it seems that her Democratic predecessor Ben Cayetano had a better idea of how to spur growth in the state: he sliced the oppressive top income tax rate from 10 to 8.25 percent and proposed a phase-down of the capital gains tax. Lingle has so far ignored the need to cut income taxes further—Hawaii's top rate is still the eighth highest in the nation—and instead proposed penny-ante tax credits and expansions of the standard deduction that are very unlikely to spur the type of economic growth that Hawaii desperately needs.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-0.2%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-1.2%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
-0.3%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
2.3%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
-0.1%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
0.00	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
14.7	2004 Combined Top Income Tax Rates, personal plus corporate
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)
20.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Idaho

Dirk Kempthorne, Republican

Legislature: Republican
Took Office: January 1999

Grade: C

Dirk Kempthorne's fiscal record continues to be mixed. In his first term, he supported the most expensive education bill in Idaho history, raised a series of licensing fees, and initially resisted the legislature's call for broad-based income tax cuts. He inherited a $100 million budget surplus and spent most of it. Yet in 2000 he called for a 0.1 percentage point cut in income tax rates, a reduction in business income taxes, and a tax rebate. The legislature passed a bigger tax cut that reduced corporate and individual income tax rates by 0.4 percentage points, and Kempthorne signed that bill. A turnaround in tax policy, however, has been accompanied by a continued spending spree. Census Bureau numbers show that from Kempthorne's first day in office spending has annually grown an average of 3 percentage points faster than population and inflation. In 2003, in response to the budget gap, Kempthorne proposed—and the legislature approved—the largest tax increase in state history, consisting of sales and cigarette tax hikes. After asking taxpayers to sacrifice, Kempthorne proposed an FY04 budget that expanded spending by almost 4 percent. His FY05 budget expanded spending by 4.5 percent—hardly the picture of austerity. To his credit, he did recently pledge to allow the sales tax increase to expire on schedule in 2005. On the whole, however, Kempthorne's fiscal record has been mediocre.

Fiscal Performance Data	
2.7%	Average Annual Change in Real per Capita Direct General Spending through 2002
1.3%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
0.6%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-2.4%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
-3.0%	Average Annual Change in Real per Capita Tax Revenue through 2002
-4.6%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
3.9%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
3.0%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
0.6%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
-0.4	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
-0.4	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
15.4	2004 Combined Top Income Tax Rates, personal plus corporate
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)
29	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Illinois

Rod Blagojevich, Democrat

Legislature: Democratic
Took Office: January 2003

Grade: D

Former representative Rod Blagojevich became Illinois' first Democratic governor in 30 years after being elected in 2002. Blagojevich campaigned on a pledge not to raise state personal income or sales taxes. Once in office, however, he began proposing increases, particularly in corporate taxes. Blagojevich has proposed tax increases each year in office so far. His crusade to close so-called loopholes in the sales tax and corporate income tax has amounted to a call for an average of $500 million in tax hikes each year. The state faced a $5 billion deficit when he took office, yet his first budget expanded general fund spending by 9.6 percent in real per capita terms. The budget passed. For FY05 Blagojevich proposed another slew of tax increases. The state legislature approved a budget that spent at least $400 million less than Blagojevich wanted and did not include many of his tax and fee increases. Blagojevich needs to stop proposing tax increases and pay more attention to restraining spending.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-0.1%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-0.6%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
2.6%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
7.2%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
1.7%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
0.00	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
10.3	2004 Combined Top Income Tax Rates, personal plus corporate
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Iowa

Tom Vilsack, Democrat

Legislature: Republican
Took Office: January 1999

Grade: C

Tom Vilsack is talked about as a potential presidential candidate in 2008, primarily because he is seen as a fiscal moderate. However, his record shows an infatuation with big budgets and high taxes. In Vilsack's first two years, he vetoed a $74 million income tax cut and demanded a huge increase in school funding. During the era of budget surpluses that Vilsack enjoyed when he entered office, he offered a few tax cuts, but they were small and targeted—such as credits for high-tech companies, engineering graduates, and ethanol producers. In 2003 he made a grand pronouncement that he would not sign any more tax cuts. He has kept to his word. In 2003 Vilsack proposed closing "loopholes" in state business taxes. State legislators blocked that stealthy business tax increase and even cut $116 million from Vilsack's budget request. In the summer of 2003 the governor vetoed an income tax cut passed by the legislature. He proposed increasing the sales tax in 2004 by broadening the taxable base but not lowering the rate. He also wanted a huge 60-cent increase in the cigarette tax (bringing the rate to 96 cents per pack). Again, the legislature declined to raise taxes. In fact, Vilsack has the legislature to thank for his grade: it would have been far lower if the legislature had rubber-stamped his expensive schemes.

Fiscal Performance Data	
3.2%	Average Annual Change in Real per Capita Direct General Spending through 2002
2.8%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
0.1%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-4.7%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
0.6%	Average Annual Change in Real per Capita Tax Revenue through 2002
0.0%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
2.3%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
-3.4%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
0.6%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
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)
21.0	2004 Combined Top Income Tax Rates, personal plus corporate
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	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Kansas

Kathleen Sebelius, Democrat

Legislature: Republican
Took Office: January 2003

Grade: D

Former insurance commissioner Kathleen Sebelius ran as a fiscal moderate during her campaign for governor against incumbent Republican Bill Graves. She promised a top-to-bottom review of state government, but she refused to pledge to veto tax increases although she claimed not to favor tax hikes. Before Sebelius was inaugurated, she suggested that tax hikes would be on the horizon. Her first budget did cut some spending, but it used revenue earmarked previously for property tax cuts to help balance the budget, an action that effectively prevented a tax cut. In her FY05 budget, to pay for a real per capita increase of around 4 percent in general fund spending, she proposed a tax hike that includes an increase in the sales tax rate from 5.3 percent to 5.7 percent by 2007; a 5 percent "surcharge" on state income taxes, and a property tax increase. It would have soaked taxpayers $159 billion in the first year. The legislature killed the governor's proposal. In November 2004 she set the stage for a battle over health care funding by proposing a 50-cent per pack increase in the cigarette tax. Sebelius's expensive proposals so far are much different from the fiscal moderation she promised.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
2.1%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
2.1%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
1.6%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
0.7%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
1.1%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
5.00	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
13.8	2004 Combined Top Income Tax Rates, personal plus corporate
0.4	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Maine

John Baldacci, Democrat

Legislature: Democratic
Took Office: January 2003

Grade: B

During John Baldacci's six years in the U.S. Congress (1994–2002), he racked up one of the House's most liberal voting records. Yet as governor he seems to have changed his stripes. During his campaign, he proclaimed he was against tax increases and in favor of property tax relief and wanted to limit government spending increases to the rate of inflation and eliminate the property tax on business equipment. All that led to his being the first Democratic governor of Maine since 1986. Once in office, he pursued a budget-balancing strategy that included privatizing state liquor stores and freezing spending levels. Unfortunately, his first budget did raise property taxes by lowering the homestead exemption for high-end property owners. By June 2003 Baldacci was proposing income tax cuts—a gradual phasedown of the top income tax rate from 8.5 to 7.75 percent—and making good on his promise to eliminate the property tax on business equipment. For the most part, Baldacci has been able to stick to his guns on spending: spending hasn't grown much faster than population growth and inflation. He's proposed cuts to the popular but bloated state-run health care programs. His grade is much better than that of his predecessor, Angus King, who earned a D on the 2002 report card.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
0.2%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-1.9%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
-0.5%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
0.3%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
0.2%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
-0.75	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
17.4	2004 Combined Top Income Tax Rates, personal plus corporate
-0.5	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Maryland

Robert Ehrlich, Republican

Legislature: Democratic
Took Office: January 2003

Grade: C

Bob Ehrlich, the first GOP governor of Maryland since Spiro Agnew, has been at war with a hostile legislature from virtually his first day in office. Before becoming governor, Ehrlich was a U.S. representative elected on the "Contract with America" platform in 1994 and a strong fiscal conservative. His gubernatorial campaign focused on opposing tax increases, cutting state spending, and legalizing slot machines at racetracks as ways to balance the budget. After being elected, Ehrlich apparently narrowed his anti-tax stance to opposing increases in the sales and income taxes only: he pushed for a $187 million property tax increase and a rise in corporate fees in his first year. His FY05 budget was balanced with more fees, including a sewerage fee that came to be known as the "flush tax." Other blemishes include Ehrlich's acceptance of a provision in the 2005 budget that kept intact the state's estate tax, which was scheduled to disappear. In all, spending has remained tame. Ehrlich is still a far better governor than his predecessor Parris Glendening. However, he has been limited in what he can accomplish by a hostile legislature. But he has avoided broad-based tax increases, and the recent veto of a bill to tax health maintenance organizations demonstrates that Ehrlich's heart is still in the right place.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-0.7%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-1.2%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
2.9%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
1.7%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
0.2%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
0.00	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
11.8	2004 Combined Top Income Tax Rates, personal plus corporate
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Massachusetts

Mitt Romney, Republican

Legislature: Democratic
Took Office: January 2003

Grade: C

Mitt Romney became a prominent public figure when he rescued the 2002 Olympics from a $379 million deficit. When incumbent Republican governor Jane Swift announced that she would not run for reelection, Romney stepped into the race. He scared some conservatives when he said that he was opposed to tax increases but he couldn't rule them out. His first budget, presented under the cloud of a $2 billion deficit, balanced the budget with some spending cuts, but a $500 million increase in various fees was the largest component of the budget fix. Romney's second budget proposal basically kept real per capita general spending frozen. In the first indication that he intends to actively cut taxes, Romney announced in May 2004 that he wants to cut the top income tax rate from 5.3 to 5 percent. As expected, the legislature did not pass the tax cut. Romney is often talked about as a presidential candidate in 2008, but to make that realistic he needs to score big policy victories on taxes. The governor would be well advised to take a page from the Paul Cellucci playbook: go to the people with a tax-cut referendum. Cellucci's tax cuts would not have been possible without the governor's going over the heads of the legislature. The Romney tax cuts may not be possible without that step either.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
0.1%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
0.2%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
0.1%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
1.2%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
0.0%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
-0.30	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
14.8	2004 Combined Top Income Tax Rates, personal plus corporate
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Michigan

Jennifer Granholm, Democrat

Legislature: Republican
Took Office: January 2003

Grade: D

Jennifer Granholm, former state attorney general, campaigned as a moderate centrist Democrat. She has been advertised nationally as one of the rising stars in the Democratic Party. She began her term in office claiming she had no plans to raise taxes, saying: "I know people think because I'm a Democrat that means automatically that I'm interested in raising taxes. But that's just not the case." She initially started to balance the budget by cutting spending and avoiding tax hikes. However, within two months of taking office, she began to flirt with tax increases. She settled on a 4-cent diesel fuel tax hike and increased corporate taxes by ending certain corporate income tax deductions. The legislature killed the first one but gave her the second. By November 2003 she had proposed stopping a scheduled income tax cut. In 2004 Granholm proposed a $391 million tax plan, which raised the cigarette tax from $1.25 per pack to $2.00. She also called for replacing the expiring estate tax with a new inheritance tax. The legislature gave her only the cigarette tax increase. Now Granholm has embarked on a quest to reform the state tax code. Given her recent history of lobbying for higher taxes, there's a strong likelihood that the reform effort will cascade into a series of tax hikes. Granholm has been a great disappointment in her first two years.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-4.5%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-4.1%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
1.7%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
-2.1%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
2.0%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
0.00	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
-0.6	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
5.9	2004 Combined Top Income Tax Rates, personal plus corporate
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)
75.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Minnesota

Tim Pawlenty, Republican

Legislature: Divided
Took Office: January 2003

Grade: B

As majority leader in the Minnesota House, Tim Pawlenty helped pass Jesse Ventura's tax cuts. Campaigning for governor as a fiscal conservative, he pledged never to raise taxes. Pawlenty handily defeated independent Tim Penny and Democratic nominee Roger Moe—indeed, he was the only candidate to pledge not to raise taxes. Upon taking office, he closed a $356 million deficit for FY03 by slashing spending by $171 million and transferring funds to cover the difference. In his 2004 State of the State speech he called for a constitutional amendment that would limit the growth of overall state spending to population growth plus inflation. Pawlenty hasn't had the chance to veto a tax increase yet since the divided legislature hasn't sent one to his desk. Pawlenty has made good use of his executive authority to cut spending on his own; he got rid of a $160 million deficit for FY05 partly by cutting agency budgets by 3 percent. Indeed, real per capita spending has declined by around 3 percent annually under this governor. But Pawlenty should not be content to simply fight tax hikes; he should propose tax cuts. Even though Ventura was able to cut taxes dramatically, tax rates in Minnesota are still comparatively high. For instance, the corporate tax rate is the second highest in the nation. Still, Pawlenty is off to a good start.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-2.6%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-2.9%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
0.2%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
0.3%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
0.3%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
0.00	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
17.7	2004 Combined Top Income Tax Rates, personal plus corporate
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Missouri

Bob Holden, Democrat

Legislature: Republican
Took Office: January 2001

Grade: F

Bob Holden, former state treasurer and Gephardt aide, defeated Rep. Jim Talent in an extremely close election in 2000. What followed was a dismal term in office. Holden's first legislative priority was a $500 million tax hike for highway funding, but the legislature blocked it. Holden's road plan went on the ballot in 2002 and was soundly defeated by nearly a three-to-one margin. Spending exploded his first year: Census Bureau data show that real per capita expenditures grew by more than 8 percent. It's no surprise that the state developed a budget deficit, forcing Holden to balance the budget with some spending cuts. In his FY04 budget, Holden proposed massive tax increases, including increases in the income, cigarette, and casino taxes, and raising corporate taxes by eliminating some corporate tax deductions. When the legislature passed a budget without Holden's tax hikes, he vetoed several major appropriations bills. Holden reluctantly accepted a compromise budget. He spent the rest of that year pushing for tax hikes during two special legislative sessions, announcing that he was on a "crusade" and would "fight on and on and on" for his tax hikes. The legislature didn't budge. Apparently crusading for higher taxes is not good politics, even in his own party. Holden was defeated by state auditor Claire McCaskill in the Democratic primary, who then lost the general election to Talent.

Fiscal Performance Data	
8.3%	Average Annual Change in Real per Capita Direct General Spending through 2002
7.4%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
1.9%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-5.4%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
2.6%	Average Annual Change in Real per Capita Tax Revenue through 2002
-3.6%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
1.9%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
-2.3%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
2.6%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
0.3	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
1.3	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
12.3	2004 Combined Top Income Tax Rates, personal plus corporate
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)
59	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Montana

Judy Martz, Republican	Legislature: Republican Took Office: January 2001

Grade: A

Judy Martz left office after presiding over four years of spending restraint and aggressive supply-side tax cutting. Making clear her opposition to tax increases from the first year of her term—she had signed a pledge not to raise taxes during her campaign—Martz threatened to veto the tax increases that some members of the legislature favored. She repeated that threat throughout her time in office. Her tax reform plan, proposed in early 2002, cut personal income tax rates by eliminating the federal income tax deduction but lowering the top state rate from 11 percent to less than 7 percent. Montana had one of the highest top income tax rates in the country before Martz promoted and fought for that much-needed reform. When the state encountered a series of deficits, Martz tended to favor spending cuts and fund shifts to cover the difference. One main blemish on her record is that she agreed to offset her tax cuts by increases in the state cigarette tax and a levy on rental cars and hotel rooms. She also had a soft spot for tax credit incentives, which junk up the tax code with superfluous special privileges for certain businesses. However, her tax reform package is expected to result in a net tax cut by 2006, and the overall positive impact on the future of Montana's economic growth will be positive. Martz is a rare example of a governor who left office with the state in better shape than she found it.

Fiscal Performance Data	
2.2%	Average Annual Change in Real per Capita Direct General Spending through 2002
-0.8%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-2.2%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-5.5%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
-2.1%	Average Annual Change in Real per Capita Tax Revenue through 2002
-4.4%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
0.4%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
-1.2%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
-0.2%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
-4.1	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
17.8	2004 Combined Top Income Tax Rates, personal plus corporate
n/a	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Nebraska

Mike Johanns, Republican

Legislature: Nonpartisan
Took Office: January 1999

Grade: B

Governor Johanns left office to become President Bush's secretary of agriculture. He scores a higher grade on this report card than in 2002, but with no thanks to the state legislature. During his tenure, Johanns vetoed many bad bills—including a pay increase for the legislature; several fat spending bills; and in 2002 a $140 million sales and income tax increase—only to have his vetoes overturned by the legislature. The governor's greatest accomplishment was his property tax cut of 1999. Nebraska's state government grew very quickly between 1999 and 2002 (much faster than population plus inflation), but Johanns usually proposed more prudent budgets than those that were eventually enacted. In January 2002, although Johanns promised he would not raise taxes to balance the budget, he did sign a 50-cent per pack cigarette tax increase. When the state faced a budget gap in 2003, Johanns cut spending in many state programs, including education, but he endorsed another cigarette tax increase (this time, a 20-cent hike). The state legislature passed a bloated budget with $344 million in tax hikes, including large increases in the income, sales, cigarette, and alcohol taxes. Johanns vetoed the tax package, and, again, his veto was overridden. Nebraska is worse off as a result, but not due to lack of a fight by the governor. Johanns's tenure can be best described as one of lost potential; it would have been nice to see what he could have done with a legislature less friendly to big government.

Fiscal Performance Data	
4.2%	Average Annual Change in Real per Capita Direct General Spending through 2002
3.6%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-2.8%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-0.7%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
0.5%	Average Annual Change in Real per Capita Tax Revenue through 2002
-0.1%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
-1.6%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
0.8%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
-0.2%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
0.0	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
14.5	2004 Combined Top Income Tax Rates, personal plus corporate
1.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
50	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Nevada

Kenny Guinn, Republican

Legislature: Divided
Took Office: January 1999

Grade: D

In one of the biggest falls from grace in this report card's history, Kenny Guinn went from being one of the best new governors in 2000—when he received an A—to one of the worst governors in the nation today. In his first term, Guinn submitted budgets that grew more slowly than population and sternly reminded everyone of his opposition to new taxes, income taxes in particular. Starting in 2002, however, Guinn's budgets began to grow, and his FY02–03 budget spending grew by 20 percent, including big hikes for college education, health care, and anti-smoking programs. When deficits began to appear, Guinn created a new $500 business tax and increased the fees for incorporating in the state—in some cases, quadrupling those fees. In December 2002 Guinn announced that he would seek close to $800 million in tax increases over the next two years even though the Economic Forum, the official estimator of state revenue, forecast a revenue increase of 5 percent in each of those two years. In 2003 Guinn proposed hikes in taxes on cigarettes, alcohol, business licenses, and slot machines. He also called for hikes in property taxes, an amusements tax, and a brand-new gross receipts tax on businesses. Those taxes were originally rejected by the legislature, but the state supreme court helped Guinn strong-arm the legislature into passing many of his tax increases. As far as fiscal policy goes, taxpayers in other states should hope that—to paraphrase the recent Las Vegas tourism advertisement—whatever happens in Nevada stays in Nevada.

Fiscal Performance Data	
0.1%	Average Annual Change in Real per Capita Direct General Spending through 2002
-0.6%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
1.8%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
3.7%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
0.2%	Average Annual Change in Real per Capita Tax Revenue through 2002
-0.6%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
1.6%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
5.1%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
5.2%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
n/a	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.3	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
0.3	2004 Combined Top Income Tax Rates, personal plus corporate
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)
45	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

New Hampshire

Craig Benson, Republican

Legislature: Republican
Took Office: January 2003

Grade: A

Multimillionaire Craig Benson had never held elective office before running for governor of New Hampshire. As a cofounder of a high-tech company (Cabletron) he knew the value of running a company in a state without an income tax. Benson ran on a platform of staunch opposition to income and sales taxes. He proposed a constitutional amendment to cap state spending at the rate of population growth plus inflation—much like Colorado's successful Taxpayer's Bill of Rights (TABOR). He also proposed an amendment to require a 2/3 majority vote in the legislature to raise taxes and another to overturn the New Hampshire Supreme Court's 1997 decision that mandated more spending on education and led to the creation of the state's property tax. He vowed to propose budgets that contained no tax increases, and he kept his promise throughout his term. His first budget cut real per capita spending substantially and included a 50 percent cut in the property tax. That tax cut eventually became a reality. Benson vetoed the legislature's tobacco tax hike. When the legislature refused to allow Benson's TABOR proposal on the ballot, he vowed to take his message to the people. In the 2004 campaign, both Benson and his opponent promised to eliminate the state property tax. In the end, Democrat John Lynch squeaked out an electoral win. It's unfortunate Benson won't be in office to push for some of the best fiscal proposals in the nation. We hope Benson remains engaged in New Hampshire policy discussions and has a chance to help complete what he started.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-4.1%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-5.0%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
-0.3%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
-4.6%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
-0.4%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
n/a	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)
3.0	2004 Combined Top Income Tax Rates, personal plus corporate
n/a	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

New Jersey

James McGreevey, Democrat

Legislature: Democratic
Took Office: January 2002

Grade: F

James McGreevey left office because of a sex scandal, but his ruinous fiscal policy should have been enough to run him out of Trenton. During his campaign for governor against former Jersey City mayor Bret Schundler, McGreevey vowed not to raise taxes. Indeed, during an October 2001 debate, he said, "I'm committed to not raising taxes." Yet, in his first two years in office, McGreevey broke that campaign promise and proposed a total of roughly $2 billion in tax increases, including tax hikes on items ranging from cell phone towers to old automobile tires to real estate. The largest chunk of the McGreevey tax increases hit already-overtaxed businesses in his state. As if that wasn't enough, in 2004 McGreevey signed into law a "millionaire's tax" that actually hits families who make $500,000 or more a year in income. His spending binge was among the biggest in the nation: real per capita spending between FY02 and FY05 grew by around 5 percent annually. As a result of McGreevey's insistence on driving up spending, two major bond houses lowered the state's bond rating. In August 2004 the *Newark Star-Ledger* reported that McGreevey had raised taxes by an average of $417 per resident, amounting to the largest tax hike in the nation between FY03 and FY05. McGreevey's time in office was a fiscal disaster from which it will take a while for the state to recover.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
3.1%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
4.6%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
5.4%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
5.6%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
3.0%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
2.60	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)
15.4	2004 Combined Top Income Tax Rates, personal plus corporate
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)
170.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

New Mexico

Bill Richardson, Democrat

Legislature: Democratic
Took Office: January 2003

Grade: B

Bill Richardson is, bar none, the best new Democratic governor in the nation—for that matter, he is one of the best new governors of any party. The former United Nations ambassador and Clinton cabinet secretary ran a strong gubernatorial campaign in which he advocated income tax cuts as often as he could. He won the three-way general election race with 55 percent of the vote. Within a few weeks of being inaugurated, Richardson continued the revolution in tax cutting begun by his predecessor Gary Johnson. He proposed and signed into law a plan to cut the top income tax rate from 8.2 percent to 5 percent over five years. In the first year alone, the rate dropped to 7.7 percent. Richardson also proposed a dramatic cut to the state's capital gains tax by increasing substantially the amount of the capital gains deduction in the income tax code. The legislature gave him all that he wanted. Each of his budgets has increased spending far more slowly than population plus inflation has grown: in fact, real per capita general fund spending shrank by more than 6 percent in his FY05 budget proposal. Supporting and signing into law a cigarette tax increase in 2003 is one of the few spots on his otherwise clean fiscal record so far. In 2004 he renewed his tax-cutting bona fides by proposing the elimination of the sales tax on food and medical services. It's no wonder Richardson is being recruited to run for president.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-4.1%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-1.3%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
-3.0%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
3.5%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
-0.9	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
-3.30	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
15.3	2004 Combined Top Income Tax Rates, personal plus corporate
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
1.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
70.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

New York

George Pataki, Republican

Legislature: Divided
Took Office: January 1995

Grade: B

George Pataki's grade comes with a footnote. The main reason he gets a B this year is because we grade all governors from their first day in office until the present. If you subtract his first term, Pataki's grade immediately drops to a C. In other words, Pataki did so many good things for New York between 1995 and 1998 that even his dismal fiscal performance since then hasn't been able to drag his grade further down. Among his primary first-term accomplishments were his $3 billion, 25 percent income tax cut and his slashing of the workers' compensation tax, the capital gains tax, and the inheritance tax. At the same time, Pataki held the line on spending. In Pataki's second term, his policies started to get much worse. He has sponsored multi-billion-dollar bond initiatives for roads and pork-barrel environmental projects. He raised the cigarette tax to $1.50 per pack. Although his recent budgets might keep real per capita general fund spending mostly in check, his last two budgets have raised taxes by around $2.5 billion total. In 2004 the legislature eventually passed a bloated budget that dwarfed Pataki's proposal. Pataki vetoed some of the new spending but none of the tax hikes. New York was recently ranked dead last in the U.S. Economic Freedom Index. To regain economic freedom, the Empire State desperately needs the old George Pataki. If the new George Pataki continues down his current path, he could jeopardize his B on the next report card.

Fiscal Performance Data	
1.7%	Average Annual Change in Real per Capita Direct General Spending through 2002
-0.6%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-1.4%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-1.4%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
1.2%	Average Annual Change in Real per Capita Tax Revenue through 2002
-1.1%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
-1.6%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
-1.3%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
-0.3%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
-1.0	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
-2.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
14.4	2004 Combined Top Income Tax Rates, personal plus corporate
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)
95	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

North Carolina

Mike Easley, Democrat

Legislature: Divided
Took Office: January 2001

Grade: C

Governor Mike Easley had a mediocre first term. A former attorney general who played a key role in the national tobacco settlement, Easley was the first governor in 50 years who hadn't been a legislator previously. During his first few years in office, his top priorities were increasing spending on preschool programs and instituting a state lottery. His quest for the lottery cash cow was an ongoing theme of his first term, but one consistently resisted by the legislature. Easley's budgets, on average, grew by roughly population plus inflation. On taxes, Easley scores much lower. In 2001 he proposed a 1 percent sales tax hike and ending various corporate tax deductions. The plan was estimated to raise $600 million, but by the time the legislature sent a bill to his desk, it included a large income tax hike and was estimated to cost taxpayers $1 billion. Easley signed the bill. In 2003 he extended those so-called temporary tax hikes. To his credit, Easley has proposed a corporate tax cut now that the state is on firmer fiscal footing: he wants to cut the top rate by 0.1 percentage points. That would be a much better growth-oriented tax cut than the targeted tax incentives he's been proposing.

Fiscal Performance Data	
-0.2%	Average Annual Change in Real per Capita Direct General Spending through 2002
-0.3%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
0.8%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
1.0%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
-1.3%	Average Annual Change in Real per Capita Tax Revenue through 2002
-3.3%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
1.6%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
0.4%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
1.3%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
0.8	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
-0.8	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
15.5	2004 Combined Top Income Tax Rates, personal plus corporate
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	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

North Dakota

John Hoeven, Republican

Legislature: Republican
Took Office: January 2000

Grade: B

Governor Hoeven has improved markedly from his previous grade of D on the 2002 report card. Two years ago we were telling the story of a governor who was promoting an economic development program that revolved around subsidies to ethanol producers. That part of the story hasn't changed much, unfortunately. The centerpiece spending programs of Hoeven's "Smart Growth" initiative include more corporate welfare, such as $3 million in ethanol subsidies and $5 million in taxpayer funds for a government-run venture capital fund. What has changed is Hoeven's success in slicing the high corporate income tax rate in the state. For years, the state's 10.5 percent top corporate tax rate was among the highest in the nation. In 2003 the governor signed a bill that cut it to 7 percent. The main mark on his tax record is his stubborn insistence on raising the cigarette tax. In 2003 Hoeven proposed a 35-cent increase in that tax to pay for an increase in pay for government workers. The proposal was unpopular with the legislature. Indeed, instead of hiking the cigarette tax, the legislature made plans to lay off 176 government workers. The legislature also rebuffed the governor's attempts to increase the budget for some education programs, build a new prison in Jamestown, expand the state-run health care program, and increase child-care subsidies for parents who attend school. If Hoeven fails to control his spending impulses, taxpayers should hope the legislature will continue to keep him on a leash.

Fiscal Performance Data	
4.6%	Average Annual Change in Real per Capita Direct General Spending through 2002
3.7%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-0.9%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-4.1%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
1.2%	Average Annual Change in Real per Capita Tax Revenue through 2002
-2.9%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
-3.5%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
3.6%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
0.3%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
0.0	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
-0.3	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
16.0	2004 Combined Top Income Tax Rates, personal plus corporate
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)
35	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Ohio

Bob Taft, Republican

Legislature: Republican
Took Office: January 1999

Grade: F

Bob Taft receives another F this year for his disastrous fiscal record. Total real per capita spending went up by 5.5 percent annually his first term in office. In late 2001 he proposed a $465 million, two-year tax hike, mainly on businesses. The legislature sent the governor a bill, which he signed, that raised business taxes by only $349 million and cut spending further than the governor wanted. During a time when his state was facing billions in deficits, Taft continued to propose large spending increases. While most governors were proposing real per capita spending cuts, Taft was ratcheting up the budget by more than 2 percent per year. In 2002 Taft raised a panoply of taxes, including the cigarette tax (by 31 cents, a 130 percent increase) and taxes on businesses. Upon his reelection, Taft proposed a so-called tax reform package that would raise taxes by $2.3 billion. Although it would make small cuts to corporate and personal income rates, it would also broaden the sales tax to result in a net tax increase. Taft also proposed a massive $1 billion increase in the 2004 budget although the estimated deficit for the 2003–05 biennium was $4 billion. Taft also fought for increases in fuel taxes and alcohol taxes and a "temporary" 1 percent increase in the sales tax. About the only good news to report is that Bob Taft is term limited and cannot run for office again.

Fiscal Performance Data	
5.5%	Average Annual Change in Real per Capita Direct General Spending through 2002
5.1%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
2.0%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
1.5%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
1.8%	Average Annual Change in Real per Capita Tax Revenue through 2002
1.3%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
1.9%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
2.5%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
1.4%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
0.3	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)
16.0	2004 Combined Top Income Tax Rates, personal plus corporate
1.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
6.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
76	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Oklahoma

Brad Henry, Democrat

Legislature: Democratic
Took Office: January 2003

Grade: C

Governor Brad Henry scored an upset electoral victory over conservative favorite Steve Largent by a narrow margin. Compared with Largent, Henry looked like a status quo candidate: the GOP contender had proposed eliminating the state income tax, while Henry sang the praises of his plan to institute a state lottery. The idea of eliminating the income tax was promoted vigorously by outgoing Republican governor Frank Keating, and it's a testament to his leadership on tax cuts that gubernatorial candidates of all political stripes—including Henry's primary opponent and the independent candidate—endorsed some version of that idea. All except Brad Henry, that is. But to his credit, in 2003 Henry refused to endorse a 1-cent sales tax increase strongly supported by the teachers' unions. His FY04 budget included no broad-based tax increases but did include a cigarette tax increase. Henry's main strength on this report card is spending control, at which Keating did a terrible job. Henry's budgets have grown substantially more slowly than population plus inflation. Henry's best tax proposals were a freeze in the top income tax rate at 6.65 percent and the elimination of the capital gains tax for Oklahoma-based property held for five years or more. Both of those represent strong supply-side tax policy that Henry should be encouraging. More of that could earn him a higher grade in 2006.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-3.4%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-2.9%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
-0.2%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
0.2%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
2.1%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
0.00	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
13.0	2004 Combined Top Income Tax Rates, personal plus corporate
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)
77.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Oregon

Ted Kulongoski, Democrat

Legislature: Divided
Took Office: January 2003

Grade: D

Ted Kulongoski stated during his campaign that he could support a variety of tax hikes to balance the state budget. He supported a $725 million income tax hike referendum that was then pending and a car tax hike and even said he wouldn't close the door to creating the state's first sales tax. In January 2003 the income tax hike was soundly defeated, and that prompted a seven-month budget battle that finally ended with a massive $800 million tax increase package. The package included an income tax increase similar to the one defeated earlier, along with increases in the corporate income tax and the property tax as well as a new tax on health care providers. Though Kulongoski had repeatedly said that he opposed an income tax hike, he signed the bill, calling it a necessary last resort. Under Oregon law, the tax package had to be approved by the voters. Kulongoski actively campaigned for it. Taxpayers realized that politicians in Salem were the main cause of the budget gap. In February 2004 the voters again overwhelming rejected the tax hike, this time by a three-to-two margin. Kulongoski's tenure so far has been saddled with fiscal problems, but the resounding "no" voters registered at the ballot box suggests a lack of confidence in the governor's fiscal priorities.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-6.8%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
6.8%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
0.0%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
-0.7%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
2.8%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
0.80	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	2004 Combined Top Income Tax Rates, personal plus corporate
n/a	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
10.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Pennsylvania

Ed Rendell, Democrat

Legislature: Republican
Took Office: January 2003

Grade: F

Ed Rendell, former Philadelphia mayor and chairman of the Democratic National Committee, was elected governor in 2002. He came into office with a reputation for being a fiscal conservative who was willing to take on the powerful unions in Philadelphia. Rendell's first budget would have eliminated the state deficit with $1.6 billion in spending cuts. But he quickly stated that he proposed it as a gimmick to show how painful it would be to close the budget gap without a tax increase. The legislature, however, called his bluff and passed his no-tax-hike budget before he had introduced his promised package of tax increases. Those tax increases were accompanied by around $2 billion in new education spending. Rendell made good on his threat and vetoed his own budget to prevent the state from balancing its books without hiking taxes. He then pushed for his massive $2.8 billion tax hike package, which boosted personal income taxes by 35 percent, and hiked beer taxes and business taxes as well, with only about half of that amount set aside to reduce local property taxes. Even when the federal government bailed out Pennsylvania with $900 million, Rendell didn't back down from his tax hike. The state legislature fought Rendell's plan in a bruising year-long fight during which even Democrats in the Pennsylvania House refused to vote for his tax plan. Ultimately, they accepted a $700 million tax hike, including a 10 percent income tax increase. Pennsylvania taxpayers are probably disappointed by the death of the tax-cutting spirit that guided Rendell when he was mayor of Philadelphia. We certainly are.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
5.2%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
2.1%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
5.3%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
2.7%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
2.2%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
0.95	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
13.1	2004 Combined Top Income Tax Rates, personal plus corporate
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)
25.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Rhode Island

Donald Carcieri, Republican

Legislature: Democratic
Took Office: January 2003

Grade: C

Donald Carcieri pledged not to raise taxes during his first year in office. Yet he proposed a cigarette tax hike his first year in office. While claiming he wanted to meet the goal of creating 20,000 new private-sector jobs during his first term, Carcieri proposed spending increases in corporate welfare programs, such as a doubling of funding for government-run "business incubators." Meanwhile, Rhode Island businesses still lumber under a 9 percent corporate income tax rate—not to mention a capital stock tax—which gives the state a very unfriendly business climate. Even his Republican predecessor, Lincoln Almond, was able to persuade the Democratic legislature to cut income taxes by 10 percent in his first term. Carcieri doesn't seem as devoted to tax cutting. Instead, he has opted for penny-ante targeted tax credits and exemptions. The governor did make an effort to hold spending down; he proposed saving a total of $19 million by continuing a state hiring freeze and reducing the budgets of 20 government departments in his 2004 budget. The legislature overturned the governor's vetoes of both the 2004 and 2005 budgets, and spending continues to climb. Only time will tell whether Carcieri's commitment to spending discipline, which on the whole has been somewhat paltry, continues.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
0.0%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-0.3%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
-1.1%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
0.0%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
0.9%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
0.00	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
17.8	2004 Combined Top Income Tax Rates, personal plus corporate
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)
21.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

South Carolina

Mark Sanford, Republican

Legislature: Republican
Took Office: January 2003

Grade: B

Mark Sanford is one of the best new governors in the nation. One of the most fiscally conservative congressmen prior to his gubernatorial run, Sanford won his 2002 race against incumbent Democrat Jim Hodges on a platform of eliminating the state income tax and cutting spending. His policy agenda was a "greatest hits" of fiscal conservatism—in addition to proposing to eliminate the income tax he vowed to enact a sweeping restructuring of the state government that would eliminate several top-level state elective offices. Legislators proposed a broad array of tax hikes, including a cigarette tax hike, but Sanford refused to accept any of those tax increases without their being linked to his income tax cut proposal. When the legislators tried to insert more pork into the budget, Sanford protested by bringing a pig into a capitol press conference. In February 2004 he unveiled what might be considered a down payment on his plan to phase out the income tax: a bill to reduce the state income tax by 33 percent over 10 years (bringing the top rate of 7 percent down to 4.45 percent). Unfortunately, Sanford lost the battle. Democrats in the state legislature successfully filibustered his income tax bill, and both houses overrode most of Sanford's 106 budget vetoes. It's inspiring to see someone fight as hard for such deeply held principles as Mark Sanford does. It's a shame the entrenched powers in the state legislature aren't more cooperative.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-0.3%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-4.6%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
-2.4%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
-1.1%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
-0.5%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
-2.25	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)
12.0	2004 Combined Top Income Tax Rates, personal plus corporate
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)
46.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

South Dakota

Mike Rounds, Republican

Legislature: Republican
Took Office: January 2003

Grade: B

It might have been tough to top the property tax cuts of Governor Bill Janklow's tenure, but Mike Rounds hasn't even tried. Rounds's first term thus far has instead been filled with the worst policies from the waning Janklow years, when state taxpayers were hit with cigarette and fuel tax hikes. While campaigning, Rounds did propose further property tax relief and opposed an income tax but refused to rule out other tax increases. His 2004 budget included a cigarette tax hike (almost doubling the tax per pack), a wholesale alcohol tax increase (a 54 percent increase), and a tax on telephone service. The legislature killed the alcohol tax but passed the phone tax and a smaller-than-requested cigarette tax hike. Rounds claims he wants to make good on his promise of property tax relief but only when the state has more money. The only tax cut that Rounds proposed in his first year and a half was a refund against the food tax for poor families. Meanwhile, his proposed budget increased general fund spending by 10 percent over two years. The main reason Rounds did not receive a lower grade on this report card is the fact that South Dakota still lacks an income tax. Rounds's opposition to an income tax is vital, but it's going to take more than vague promises of future tax cuts to improve his fiscal performance.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
0.6%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-1.0%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
-2.1%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
1.8%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
0.6%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
n/a	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
n/a	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
0.0	2004 Combined Top Income Tax Rates, personal plus corporate
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)
30.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Tennessee

Phil Bredesen, Democrat

Legislature: Democratic
Took Office: January 2003

Grade: B

If there's one good thing to come from the disastrous tenure of former governor Don Sundquist, it is this: he showed that proposing an income tax in Tennessee is political suicide. As a result, none of the candidates in the 2002 gubernatorial contest endorsed an income tax. In fact, the debate often centered on who would fight hardest against an income tax. Voters elected Democrat Phil Bredesen over the Republican, former congressman Van Hilleary. A businessman who made his millions in the health care industry, Bredesen started out his term in bold fashion by declining to draw the governor's $85,000-a-year salary. His first budget (FY04) included some needed budget cuts, such as the elimination of more than 200 government jobs. The legislature has tended to give Bredesen most of what he wants. Unfortunately for taxpayers, average annual general fund spending per $1,000 in personal income went up by more than 2 percent between FY02 and FY05. Bredesen's headliner proposal in the first half of his tenure was his plan to control costs in the state-run health program, the outrageously expensive TennCare. By charging copays to one-third of the enrollees, Bredesen was able to promise some much-needed reform of the program. More recently, he has proposed scrapping TennCare. If he succeeds in his move toward a less government-controlled health care program for the state, Tennessee could become a model for the nation.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
0.0%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
2.2%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
0.1%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
1.4%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
0.0%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
n/a	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	2004 Combined Top Income Tax Rates, personal plus corporate
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Texas

Rick Perry, Republican

Legislature: Republican
Took Office: December 2000

Grade: B

As George W. Bush's lieutenant governor, Rick Perry was a key player in getting Bush's tax cuts passed. When he succeeded Bush as governor, he decided to take things slow at first: Perry saw little room for tax cuts in the beginning. The state was still recovering from Bush's spending buildup—Census Bureau numbers show that real per capita spending went up a whopping 6.7 percent in Perry's first year in office. Perry was reelected in a 2002 landslide, pledging to oppose any new or increased taxes. With the state facing a $10 billion deficit in the 2004–05 biennium, Perry instituted a zero-based budget to force the state agencies to justify their continued existence and funding levels. In June 2003 the legislature passed a balanced budget that cut spending and raised various fees and charges but avoided any general tax increase. In 2004 Perry proposed a $6 billion property tax cut, along with a property tax limitation measure that would prevent property taxes from increasing by more than 3 percent a year. To pay for his property tax cut, Perry also proposed a massive cigarette tax hike of $1 per pack. Perry called the legislature into special session to consider his tax plan, but the legislature took no action. Tax reform and education financing are subjects of ongoing debates in Texas, and Perry has been outspoken in his opposition to an income tax. His plan is to cut property taxes, which are high in Texas, and perhaps institute a statewide business tax. He insists that any tax reform plan should be an overall tax cut. With a few exceptions, Perry's fiscal record so far indicates that Texas taxpayers are in good hands.

Fiscal Performance Data	
6.7%	Average Annual Change in Real per Capita Direct General Spending through 2002
6.0%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-2.1%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-3.2%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
1.8%	Average Annual Change in Real per Capita Tax Revenue through 2002
-6.1%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
-2.4%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
-2.5%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
0.7%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
n/a	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	2004 Combined Top Income Tax Rates, personal plus corporate
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)
100	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Vermont

James Douglas, Republican

Legislature: Divided
Took Office: January 2003

Grade: C

For the most part, Vermont governor James Douglas has been an improvement over former governor Howard Dean. During Dean's 11 years in office, real per capita spending grew by 3.5 percent annually. He signed into law a new statewide property tax and raised cigarette taxes. By contrast, Douglas's first budget expanded general fund spending by only 1 percent. Spending levels would have been lower, however, if Douglas hadn't larded his budget request with various corporate welfare programs that were part of a "job creation and economic security package" unveiled in his 2004 budget. For instance, there was $60 million for the Vermont Jobs Fund to provide low-interest loans to businesses, and a Vermont Opportunity Fund was created to hand out taxpayer money to small businesses. Douglas did propose a cut in the Dean-imposed property tax—by 3 cents, to $1.07 per $100 of property value—which would do a better job of making the state attractive to businesses than any number of government-run development programs. When FY03 ended with a small surplus, the money was placed in the rainy day fund instead of contributing to further government bloat. However, when Douglas presented his FY05 budget, his general fund spending request grew by around 4 percent. It seems that Douglas's preference for more spending could look similar to Dean's as revenue growth picks up steam, and that is bad news in a state that already has one of the highest overall spending and tax burdens in the nation.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-0.1%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
0.5%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
-2.2%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
3.0%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
-0.1%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
0.00	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
-1.3	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
19.3	2004 Combined Top Income Tax Rates, personal plus corporate
1.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Virginia

Mark Warner, Democrat

Legislature: Republican
Took Office: January 2002

Grade: D

As someone who ran for governor as a fiscal conservative, Mark Warner has been a big disappointment. In fact, although Warner has cultivated an image as a centrist who can produce results in a bipartisan fashion, his only achievement in an otherwise lackluster three years as governor has been to enact a major tax increase—breaking his campaign pledge not to raise sales and income taxes. His first major initiative was to push for a local sales tax increase to pay for transportation programs in northern Virginia. That part of the state voted overwhelmingly for Warner in the general election just a year before, but in the November 2002 special election the sales tax hike was trounced. In Hampton Roads, where Warner had racked up 53 percent of the popular vote just a year before, the sales tax increase was defeated by a margin of nearly two to one. In November 2003 Warner proposed a massive $1 billion tax increase that raised income taxes, sales taxes, and cigarette taxes and restoration of the estate tax. Republican leaders in the legislature not only embraced the basic elements of the Warner plan but proposed their own tax hike of more than $2 billion. Warner ended up signing a compromise $1.3 billion tax hike. Needless to say, Mark Warner's reputation as a fiscal moderate is entirely undeserved.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-1.1%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-0.8%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
-2.0%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
1.3%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
2.6%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
0.50	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)
11.8	2004 Combined Top Income Tax Rates, personal plus corporate
1.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
22.5	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Washington

Gary Locke, Democrat

Legislature: Divided
Took Office: January 1997

Grade: B

Gary Locke leaves office with the final grade of B, but the credit should go to Washington voters. Indeed, Locke found himself constantly fighting the voters on fiscal issues. Initiative 601, which was passed by voters in 1993 and caps state spending at population growth plus inflation, kept Locke's spending on a leash despite his attempts to circumvent the cap. When Locke vigorously campaigned for a 9-cent increase in the fuel tax to fund his $8.5 billion transportation wish list in 2002, voters again stopped him in his tracks. By December 2002 Locke realized that he was going to have a tough time passing tax increases and was forced to cut $2 billion in spending to balance the budget. In 2003 the legislature finally gave Locke a 10-year, $4.2 billion transportation bill that raised the fuel tax by 5 cents per gallon Perhaps emboldened by that, Locke proposed a 1 percent sales tax increase in 2004. The legislature put the referendum on the ballot, and voters rejected it by an even larger margin than the first fuel tax initiative. As a parting shot, Locke proposed a $500 million tax package that would raise taxes on businesses, sodas, beer, and liquor. It remains to be seen if incoming governor Christine Gregoire endorses that proposal. Locke's example should be a warning to her not to try to force tax increases down the voters' throats: when Locke decided in early 2003 not to run for reelection, his approval rating was around 30 percent.

Fiscal Performance Data	
2.9%	Average Annual Change in Real per Capita Direct General Spending through 2002
0.2%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-1.3%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-1.9%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
-0.8%	Average Annual Change in Real per Capita Tax Revenue through 2002
-3.4%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
-1.2%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
-1.3%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
1.3%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
n/a	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
3.5	2004 Combined Top Income Tax Rates, personal plus corporate
1.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
9.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
60	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

West Virginia

Bob Wise, Democrat

Legislature: Democratic
Took Office: January 2001

Grade: D

Bob Wise came into office stating that he wanted to attract new business to West Virginia. Unfortunately, he spent his entire administration promoting policies that did very little to improve the business climate of the state. His first budget raised spending by 9 percent despite dwindling revenue. Wise proposed tax hikes on video poker and smokeless tobacco. His second budget included a cigarette tax hike (more than tripling the rate) and another smokeless tobacco tax increase. He urged the legislature to keep the state's estate tax even though it was scheduled to disappear. However, ending that tax was a better pro-growth policy than the corporate welfare pork programs that littered his budgets. The legislature voted to stick with phasing out the tax, and Wise eventually agreed. Wise's spending record is fair: for instance, real per capita general fund spending grew by 4 percent from FY02 to FY05. Wise spent his entire tenure ignoring one of the real reasons why his state was mired in economic mediocrity: a 9 percent corporate income tax rate that is among the highest in the nation. Wise's legacy is a failure to enact sufficient pro-growth policies. Incoming Democratic governor Joe Manchin ran on a platform of making the state more friendly to businesses. He would be well advised to learn from Wise's mistakes.

Fiscal Performance Data	
4.1%	Average Annual Change in Real per Capita Direct General Spending through 2002
0.8%	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
-2.0%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
1.3%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
11.0%	Average Annual Change in Real per Capita Tax Revenue through 2002
0.3%	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
-0.3%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
-0.2%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
1.4%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
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	2004 Combined Top Income Tax Rates, personal plus corporate
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)
58	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Wisconsin

James Doyle, Democrat

Legislature: Republican
Took Office: January 2003

Grade: C

After 12 years as state attorney general, James Doyle beat incumbent governor Republican Scott McCallum by 3 percentage points in the governor's race. Doyle ran a campaign that sounded the call for a slash-and-burn philosophy of state budgeting: he vowed to cut the state work force from 67,000 to 56,000, the level the government payroll was at when Tommy Thompson became governor in 1987. He also promised he would not increase taxes and would cut corporate taxes by changing complex rules that taxed companies on their payroll and property, not their in-state sales. Once in office, Doyle was able to deliver on the corporate tax cut, and he eliminated around 2,000 government jobs. "We're spending too much—and we have been for a long, long time," Doyle declared in his 2003 State of the State speech, making a direct reference to the spending explosion in the Thompson years when state spending doubled. Yet his proposed biennial budget, while cutting some programs for 2004, actually raised spending to over 6 percent above the level in place before he took office. Some of the budget balancing also relied on fee increases, federal aid, and a revenue-sharing deal with Indian casinos. Doyle has been able to hold the line on taxes and has opposed a cigarette tax increase proposed by some Republicans in the legislature. Doyle's priorities seem to be right, but so far his execution has fallen short.

Fiscal Performance Data	
n/a	Average Annual Change in Real per Capita Direct General Spending through 2002
n/a	Average Annual Change in Direct General Spending per $1,000 Personal Income through 2002
0.9%	Average Annual Recommended Change in Real per Capita General Fund Spending through 2005
-0.9%	Average Annual Change in General Fund Spending per $1,000 Personal Income, 2002–2005
n/a	Average Annual Change in Real per Capita Tax Revenue through 2002
n/a	Average Annual Change in Tax Revenue per $1,000 Personal Income through 2002
-0.4%	Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income through 2005
1.3%	Average Annual Change in Real per Capita General Fund Revenue, 2002–2005
0.0%	Average Annual Recommended Tax Changes as % of Prior Year's Spending through 2005
0.00	Change in Top Personal Income Tax Rate, proposed and/or enacted (% points)
0.0	Change in Top Corporate Income Tax Rate, proposed and/or enacted (% points)
14.7	2004 Combined Top Income Tax Rates, personal plus corporate
0.0	Change in Sales Tax Rate, proposed and/or enacted (% points)
0.0	Change in Gas Tax Rate, proposed and/or enacted (cents per gallon)
0.0	Change in Cigarette Tax Rate, proposed and/or enacted (cents per gallon)

Notes

The research assistance of Anna Stroman, Jacqueline DeLeon, Phil Kerpen, Jay Johnston, and Matt Hart was vital to this project and is gratefully acknowledged.

1. Gregg Jones, "Davis Says Tax Hikes Likely As Shortfall Soars," *Los Angeles Times*, December 19, 2002, p. 1.

2. Authors' calculations based on data from National Conference of State Legislatures, *State Budget Actions 2003*, May 2004; and National Association of State Budget Officers, *The Fiscal Survey of the States*, April 2004, Table 2, p. 3.

3. The first six reports were as follows: Stephen Moore, "A Fiscal Policy Report Card on America's Governors," Cato Institute Policy Analysis no. 167, January 30, 1992; Stephen Moore and Dean Stansel, "A Fiscal Policy Report Card on America's Governors: 1994," Cato Institute Policy Analysis no. 203, January 28, 1994; Stephen Moore and Dean Stansel, "A Fiscal Policy Report Card on America's Governors: 1996," Cato Institute Policy Analysis no. 257, July 26, 1996; Stephen Moore and Dean Stansel, "A Fiscal Policy Report Card on America's Governors: 1998," Cato Institute Policy Analysis no. 315, September 3, 1998; Stephen Moore and Stephen Slivinski, "Fiscal Policy Report Card on America's Governors: 2000," Cato Institute Policy Analysis no. 391, February 12, 2001; and Stephen Moore and Stephen Slivinski, "Fiscal Policy Report Card on America's Governors: 2002," Cato Institute Policy Analysis no. 454, September 20, 2002.

4. Govs. Jodi Rell of Connecticut, Mitch Daniels of Indiana, Ernie Fletcher of Kentucky, Kathleen Blanco of Louisiana, Haley Barbour of Mississippi, and John Huntsman of Utah all assumed office too recently for their records to be fully assessed. Gov. Frank Murkowski of Alaska is excluded because of peculiarities in Alaska's budget that make interstate tax comparisons problematic. Gov. Dave Freudenthal of Wyoming was excluded this year because a spike in oil revenue and coal severance revenue made the data incomparable with those of other states.

5. The U.S. Bureau of the Census provides comprehensive details on state spending and revenue in a variety of reports on its website at www.census.gov/govs/www/index.html. The census data on state governments provide consistent measurement of state tax and spending items across states. The most recent census data are for FY02 and are available on the "State Government Finances" page of the Census Bureau website. More recent data for state general fund expenditures and revenues come from various editions of the National Association of State Budget Officers, "Fiscal Survey of the States," all of which are available at www.nasbo.org. We also use data from various editions of the National Conference of State Legislatures publication, "State Budget and Tax Actions."

6. National Conference of State Legislatures, *State Budget Actions 2003*, April 2003, pp. 12–13.

7. National Conference of State Legislatures, "State Budget and Tax Actions 2004: Preliminary Report," news release, July 20, 2004.

8. Authors' calculations based on data from the Office of Management and Budget, *Historical Tables: Budget of the United States Government, 2004* (Washington: Government Printing Office, 2003); and National Association of State Budget Officers, *State Expenditure Report* (Washington: NASBO, various years).

9. National Conference of State Legislatures, *State Budget Actions 2002* (Denver: NCSL, April 2003), Table 2, pp. 9–10.

10. Authors' calculations based on data from National Conference of State Legislatures and Census Bureau.

11. Authors' calculations based on data from the Census Bureau and U.S. Department of Labor, Bureau of Labor Statistics.

12. National Conference of State Legislatures, *State Tax Actions 2002*, p. 3.

13. Ibid., p. 4.

14. National Conference of State Legislatures, *State Tax Actions 2003*, p. 4.

15. Ibid., p. 5.

16. James Mayer and Dave Hogan, "Oregon Voters Trounce Tax-Hike Measure," *Oregonian*, February 4, 2004.

17. See Michael Barone and Richard E. Cohen, *Almanac of American Politics 2004* (Washington: National Journal, 2003), p. 1637.

18. Bob Lewis, "Alabama Tax Referendum Defeat Catches Attention of Virginia Tax Reformers," Associated Press State and Local Wire, September 10, 2003.

19. National Conference of State Legislatures, "State Budget Revenue Pressures Ease, But Expenditure Concerns Remain," news release, December 9, 2004.

20. See Nicholas W. Jenny, "No Big Surprise, State Tax Revenue Continues Recovery," Rockefeller Institute of Government State Revenue Report no. 57, September 2004.

21. For more information on this topic, see Michael New, "Limiting Government through Direct Democracy: The Case of State Tax and Expenditure Limitations," Cato Institute Policy Analysis no. 420, December 13, 2001.

22. Steve Moses, "The Long-Term Care Dilemma: What States Are Doing Right and Wrong," American Legislative Exchange Council, September 8, 2004.

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

24. Ibid.

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

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

27. The methodology of these calculations is based on that used in Arthur B. Laffer and Jeffrey Thomson, "The 2004 Laffer State Competitive Environment," Laffer Associates, San Diego, April 12, 2004.

28. Authors' calculations based on data from the State and Local Government Finances page of the Census Bureau website (http://www.census.gov/govs/www/estimate.html) and personal income data from the Bureau of Economic Analysis (http://www.bea.doc.gov/bea/regional/statelocal.htm).

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