Cato Institute Policy Analysis No. 257: A Fiscal Policy Report Card on America's Governors: 1996

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Executive Summary

This study presents an objective, comparative analysis of the spending and tax policies of 46 of America's governors. It is a report card on their fiscal conservatism. Governors who have cut spending and taxes the most get the highest grades; governors who have raised spending and taxes the most get the lowest grades.

For each of the governors who took office before 1993, we constructed a 14-variable index of fiscal performance. Those variables measure the change in state spending, tax burdens, and tax rates during each governor's tenure. For the 20 governors who were first elected in 1993 or 1994, we explore similar, but fewer, fiscal policy variables based on budget and tax changes proposed and enacted for fiscal 1996 and 1997.

In general, we find that the states have moved dramatically in a fiscally conservative direction since 1994, with most states cutting taxes and holding general fund expenditures at or below inflation in 1995 and 1996. Three governors had outstanding records of fiscal restraint and received an A grade on our Report Card: George Pataki of New York, Steve Merrill of New Hampshire, and Fife Symington of Arizona. Four governors received an F: Gaston Caperton of West Virginia, Tom Carper of Delaware, Lawton Chiles of Florida, and George Voinovich of Ohio. Other prominent governors and their grades are William Weld of Massachusetts, B; Tommy Thompson of Wisconsin, B; John Engler of Michigan, B; Evan Bayh of Indiana, B; Christine Todd Whitman of New Jersey, B; Tom Ridge of Pennsylvania, B; Pete Wilson of California, C; and Jim Edgar of Illinois, D. With few exceptions, the 16 Republican governors elected in 1993 and 1994 have admirable records of supply-side tax cuts and budget downsizing.

Introduction

From Albany, to Trenton, to Lansing, to Phoenix, the culture of big-government liberalism is in clear retreat and fiscal conservatism is on the rise in the states. Nineteen ninety-five was the largest tax-cutting year for states in more than a decade. [1]

Twenty-one states--led by New York, New Jersey, Arizona, Connecticut, and Pennsylvania--cut taxes last year. This year the tax-cutting torrent continues: 27 governors recommended lower taxes in their latest budgets. [2] Just as impressive, no states have enacted major tax increases over the same time period.

The state spending buildup of the late 1980s and early 1990s--particularly in the Northeast where budgets expanded at double-digit annual growth rates--has also subsided. Since 1994 many states, such as Michigan, New Hampshire, and most recently New York, have held spending at or below the rate of inflation. This year state general fund expenditures are projected by the National Association of State Budget Officers (NASBO) to grow by just 2 percent--

the smallest increase in 14 years. [3] Even with the national economy growing at only a modest pace, most states now have a clean bill of fiscal health.

It appears that, for now at least, the supply-side philosophy that low tax rates and expenditure controls are the key fiscal tools for promoting state economic competitiveness is the new governing doctrine in the nation's state capitals. [4] Unquestionably, the primary torchbearers for the government-downsizing agenda are the 16 new Republican governors elected to the statehouse in 1993 and 1994. "We are overthrowing all the unworkable liberal abstractions of the past and replacing them with a revolution of conservative ideas," boasts George Pataki, who defeated Mario Cuomo in New York. [5] The reality does not always match the rhetoric, but an ideological sea change is evident in most state capitals.

It is in this new era of state fiscal constraint that we provide the results of the Cato Institute's third biennial "Fiscal Policy Report Card on America's Governors." [6] The study is a comparative analysis of the budget and tax record of 46 governors. (Mike Huckabee of Arkansas, Paul Patton of Kentucky, and Mike Foster of Louisiana are not included because they assumed office too recently for their records to be fully assessed. Tony Knowles of Alaska is excluded because of peculiarities in Alaska's budget that make interstate tax comparisons problematic.) The Report Card provides an index of the fiscal restraint imposed by each governor. Those who cut taxes and spending the most receive the highest grades. Those who raised taxes and spending the most receive the poorest grades.

The grading mechanism is based on purely objective measures of fiscal performance. With a few notable refinements in the grading system, the study is based on the procedures developed in the previous two studies. All of the spending and revenue data come from the Bureau of the Census, NASBO, and individual state budget and revenue departments.

For the purposes of grading the fiscal record of the governors, we divide them into two groups: the 26 who were first elected in 1992 or before (pre-1994 governors) and the 20 first elected in 1993 or 1994 (new governors). The grading system is based on the performance of each governor *relative* to the rest of the group. For that reason, the numerical scores are only meaningful relative to the rest of the governors in the group. [7] Tables 1 and 2 show the results. Three governors receive an A on our 1996 Report Card: Steve Merrill of New Hampshire, Fife Symington of Arizona, and George Pataki of New York. Four governors receive an F: Gaston Caperton of West Virginia, Thomas Carper of Delaware, Lawton Chiles of Florida, and George Voinovich of Ohio.

Several trends uncovered in our study warrant special mention. First, the new governors tend, as a class, to be substantially more fiscally conservative than those first elected before 1993. Only 3 of the 20 new governors recommended real increases in the budget for 1996 and 1997. But nearly half of the more senior governors recommended real increases in spending for those years. While about half of the pre-1994 governors have enacted tax increases during their tenure, no new governors have pushed for major tax hikes in their first two years and most have recommended tax cuts of one kind or another. For that reason, none of the new governors received the grade of F.

Second, the northeastern states in particular have moved in the most fiscally conservative direction in the last two years--thus reversing the tax-and-spend policies of previous governors, such as Lowell Weicker of Connecticut, James Florio of New Jersey, Michael Dukakis of Massachusetts, and Mario Cuomo of New York. [8] George Pataki of New York, Christine Todd Whitman of New Jersey, Tom Ridge of Pennsylvania, and John Rowland of Connecticut have all enacted major tax cuts in the past two years. Although the Northeast is still far above average in tax burden and per capita spending, if the trend toward pro-growth tax cutting continues in those states, their relative economic performance is likely to improve. [9]

Third, party affiliation is not an overriding factor in predicting the fiscal performance of individual governors.

Table 1

Overall Fiscal Policy Grade--Pre-1994 Governors			
Governor	**State**	**Score**	**Overall Fiscal Policy Grade**

Steve Merrill (R)	New Hampshire	69	A
Fife Symington (R)	Arizona	66	A
William Weld (R)	Massachusetts	63	B
Roy Romer (D)	Colorado	59	B
Howard Dean (D)	Vermont	58	B
Tommy Thompson (R)	Wisconsin	58	B
John Engler (R)	Michigan	57	B
Kirk Fordice (R)	Mississippi	54	B
Edward Schafer (R)	North Dakota	54	B
Evan Bayh (D)	Indiana	54	B
Bob Miller (D)	Nevada	54	B
Benjamin Nelson (D)	Nebraska	52	C
Terry Branstad (R)	Iowa	52	C
James Hunt (D)	North Carolina	50	C
Arne Carlson (R)	Minnesota	50	C
Pete Wilson (R)	California	49	C
Zell Miller (D)	Georgia	49	C
Mike Leavitt (R)	Utah	49	C
Jim Edgar (R)	Illinois	47	D
Mike Lowry (D)	Washington	46	D
Mel Carnahan (D)	Missouri	46	D
Marc Racicot (R)	Montana	45	D
George Voinovich (R)	Ohio	43	F
Lawton Chiles (D)	Florida	42	F
Tom Carper (D)	Delaware	41	F
Gaston Caperton (D)	West Virginia	36	F

Table 2

Mid-Term Fiscal Policy Grade--New Governors			
Governor	**State**	**Score**	**Overall Fiscal Policy Grade**
George Pataki (R)	New York	80	A
Christine Whitman (R)	New Jersey	62	B
Tom Ridge (R)	Pennsylvania	57	B
John Rowland (R)	Connecticut	54	B
William Janklow (R)	South Dakota	53	B
Gary Johnson (R)	New Mexico	51	B

George Bush (R)	Texas	49	B
David Beasley (R)	South Carolina	46	B
Frank Keating (R)	Oklahoma	42	C
George Allen (R)	Virginia	40	C
Fob James (R)	Alabama	37	C
John Kitzhaber (D)	Oregon	36	C
Jim Geringer (R)	Wyoming	36	C
Philip Batt (R)	Idaho	35	C
Angus King (I)	Maine	34	C
Bill Graves (R)	Kansas	34	C
Don Sundquist (R)	Tennessee	33	C
Parris Glendening (D)	Maryland	31	D
Benjamin Cayetano (D)	Hawaii	29	D
Lincoln Almond (R)	Rhode Island	28	D

Although Republicans tended to do somewhat better (their average grade is C+ versus an average grade of C- for Democrats), there were notable exceptions. Two of the top five pre-1994 governors were Democrats: Roy Romer of Colorado and Howard Dean of Vermont. Two of the five most pro-tax-and-spend old governors were Republicans: George Voinovich of Ohio and Marc Racicot of Montana. The worst fiscal record of the new governors was compiled by Rhode Island Republican Lincoln Almond, who is out of step with his northeastern neighbors.

Finally, this study inevitably reflects the impact of the state legislature on the fiscal outcomes in the states during the tenure of each governor. Governors with more fiscally conservative legislatures tend to perform better on the Report Card on average than governors from states with more pro-spending legislatures. Tommy Thompson of Wisconsin is handicapped by the fact that he works with a liberal legislature. Roy Romer of Colorado and Bob Miller of Nevada have more conservative legislatures, which improves their grades somewhat. To at least partially offset the influence of the legislature, we examine each governor's budget recommendations and proposed tax rate changes, which are independent of the legislature, as a component of the rating.

The Republican Ascendancy in the States

In recent years the electorate has voted increasingly for free-market-oriented governors--particularly in the South and in the New England states that have typically been the bastion of government activism. [10] The 1993 and 1994 elections brought to the nation's statehouses 20 new governors; 16 of them are Republicans. With few exceptions, this new class of governors ran for office on an agenda of cutting taxes, stripping away bureaucratic red tape, and downsizing state government. Not all have governed that way, but the brake on government expansion in the states is unmistakable. "The ideological conservatives who want to shrink government are seizing control of state government," concludes state fiscal policy expert Steven Gold of the Urban Institute. [11]

The GOP takeover of the nation's governorships has been nothing short of astonishing. Five years ago 28 of the nation's governors were Democrats. Today 32 governors are Republicans, and 17 are Democrats. Eight of the nine most populous states have GOP governors; Florida is the only exception. Hence, two-thirds of Americans now live in states where a Republican occupies the governor's mansion.

We should underscore a critical point raised earlier: we consistently find in this Report Card series that the label "Republican" is not always interchangeable with "fiscal conservative." In general, however, Republicans tend to be somewhat more likely to support budget controls and tax cuts than Democrats. Hence, the shift toward Republican control of the statehouses has been a primary factor in the less-government, more-economic-freedom philosophy in the states in the past two years.

Restraint in state budget policies has also been prompted by the defeat at the polls of many of the most pro-tax-and-spend governors as identified in our previous Report Cards. After our last Report Card in 1994, 7 of the 10 governors with the most profligate spending records either were voted out of office or chose not to run again. Not a single governor of the 13 that received the grade of A or B on our Report Card lost reelection, and 10 of them are still in office. The public, at least in recent state elections, has given approval at the ballot box to tax and budget cutters, while voting out governors who expanded the size and cost of state government.

State legislatures have tilted in a Republican direction in recent years as well. In 1994 the Republicans gained a net 600 state legislative seats. [12] Many of those gains were achieved in the South--a region where Democrats have typically had a near-monopoly on the state legislative apparatus. In 1991, 31 state legislative chambers were controlled by Democrats. Today 19 have Republican majorities, and 16 have Democratic majorities.

Recent Fiscal Trends in the States

The first half of the 1990s was a period of economic stagnation, steeply rising tax burdens, and rising state expenditures. [13] The years 1990 and 1991 saw the largest state tax increases. Moreover, rates of income tax, the most destructive form of state taxes, [14] were raised substantially in many states. Pete Wilson in California, James Florio in New Jersey, Lowell Weicker in Connecticut, Bruce Sundlun in Rhode Island, Bob Casey in Pennsylvania, and George Voinovich in Ohio all enacted progressive "soak the rich" income tax increases. Those states suffered substantial losses of jobs, income, and investment capital relative to the rest of the nation following those tax hikes. [15]

In 1995 the trend was dramatically reversed. Twenty-nine governors recommended tax cuts last year, and 21 states enacted them. "This was the largest tax-cutting year for states in a decade," concludes Laffer and Canto's annual report ranking the tax competitiveness of the states. [16]

In Michigan John Engler celebrated his 60 percent reelection margin by signing into law his 14th and 15th tax cuts in five years. Wisconsin's Tommy Thompson cut property taxes. Governor Fife Symington is crusading to make Arizona the second state in history to entirely repeal a state income tax. [17] This year he delivered the down payment on that pledge by chopping tax rates by 20 percent.

Unquestionably the single politician in America most responsible for the sudden flurry of state tax cuts is New Jersey's Christine Todd Whitman. In her 1993 race to unseat James Florio, Whitman sagged so low in the polls that her campaign was given last rites by the political pundits. With two months to go, Whitman embraced a plan, conceived by supply siders Steve Forbes and Lawrence Kudlow, to cut state income tax rates by 30 percent. That plan was the absolute antithesis of what Florio called progressive populism.

Last year, to the surprise of everyone, not least of all conservatives, Whitman delivered fully on her promise. A July 1995 *New York Times* editorial grudgingly conceded, "In political terms, Gov. Christine Todd Whitman of New Jersey has had a sensational first year and a half in office. She has cut income taxes as promised in two years instead of three, without shredding local aid or social programs." [18] Whitman, a social liberal, enjoys solid public approval. Revenues are growing at a more rapid pace in the Whitman era of tax rate reductions than they did during the Florio era of rate increases. Nearly half of the 275,000 jobs that were lost during the Florio era returned to New Jersey in Whitman's first two years. [19]

Many of the freshman Republican governors have embraced Whitman-style tax cuts. [20] Most impressive have been John Rowland of Connecticut, Gary Johnson of New Mexico, George Pataki of New York, Frank Keating of Oklahoma, and Tom Ridge of Pennsylvania, all of whom endorsed dramatic income tax relief in their first-year budgets.

Meanwhile, incumbent Republicans Pete Wilson of California, Terry Branstad of Iowa, John Engler of Michigan, and

Tommy Thompson of Wisconsin also proposed new income tax cuts of varying degrees. [21] Even many liberal-leaning Democratic governors have embraced a platform of tax cuts. In 1995 James Hunt of North Carolina, Washington's Michael Lowry, Benjamin Nelson of Nebraska, and Delaware's Thomas Carper all proposed business or income tax cuts to improve their states' economic competitiveness. In the past those governors had pursued more traditional tax and spend policies.

Tax cuts have not meant runaway budget deficits. On the expenditure side of state budgets, outlays are more constrained today than in many years. From the late 1980s through the early 1990s state budgets expanded at about twice the inflation rate. Now state budgets are growing just slightly above inflation. For fiscal 1997, 11 governors have recommended budgets below the 1996 level. Thanks to the slowdown in spending, the states have bulky budget reserves, and the red ink crisis of the early 1990s has fully subsided. [22]

Economic realities seem to be driving the new fiscal trends. The economic case for state tax cuts and government downsizing has simply become too compelling for many state policymakers to ignore. [23] Ohio University economist Richard Vedder recently showed that since 1980, 1,000 people every day have packed their bags and moved from the 10 highest tax to the 10 lowest tax states. [24] That's a migration of more than 5 million people--mostly young, industrious, and economically productive citizens.

Business Week compared the performance of high- and low-tax states and discovered that "job growth in low-tax states over the last eight years has been a stunning 65 percent higher than in high-tax states." [25] One of the states where jobs are being created in vast numbers is Michigan. [26] In fact, under John Engler, Michigan has ended welfare for 80,000 able-bodied residents, closed entire departments, reduced spending to below inflation for five years, and reduced the average household tax burden by more than $500. Under Engler's leadership, Michigan has created as many new manufacturing jobs as the rest of the nation combined.

Today pro-growth legislators and governors recognize that improving their states' competitive environment requires lowering tax rates and giving taxpayers greater value for their tax dollars by rolling back unproductive state agencies.

Purpose of the Fiscal Policy Report Card

We focus on the fiscal record of governors for several reasons. One is that state governments have evolved into large, multi-billion-dollar enterprises. The California and New York state budgets now both exceed $60 billion and are each larger than those of most nations. In 1994 total state spending was $779 billion, which, after adjusting for inflation, is up from $648 billion in 1990 and $464 billion in 1980. The states now spend roughly $12,000 per family and $150 per $1,000 of personal income. The primary job of a governor in the 1990s is to serve as the equivalent of the state's chief financial officer. In that capacity, the governor has a substantial impact on the fiscal and economic health of the state.

Another reason to focus on governors' policies is that the occupants of the statehouses are hugely influential political figures in America. Today a governorship is regarded as a solid stepping stone to the White House, as Jimmy Carter, Ronald Reagan, and Bill Clinton have proven. Moreover, Republican governors John Engler of Michigan, Tommy Thompson of Wisconsin, Christine Todd Whitman of New Jersey, Tom Ridge of Pennsylvania, and George Voinovich of Ohio are all considered possible vice presidential candidates in 1996. [27]

Governors are also leading public policy innovators. The states are increasingly fulfilling their roles as incubators for untested policy proposals and as "laboratories of democracy." Currently, Tommy Thompson of Wisconsin is recognized as a pioneer on welfare policy; John Engler of Michigan is the preeminent architect of a government-downsizing agenda; William Weld of Massachusetts is an advocate of privatization; and Christine Todd Whitman of New Jersey and Fife Symington of Arizona are driving forces for supply-side tax cuts. [28] Moreover, as the new Congress continues to push for block grants and a new federalism that relies more on the states, governors will take on an escalating role as architects of government programs and policies in the future.

The Cato "Fiscal Policy Report Card on America's Governors" is unique in that it is overtly based on criteria of fiscal restraint and tax reduction (see Appendix A). Conventional measures of governors' success are based on government activism. According to that measure of success, governors who are willing to spend money to solve problems are touted as the best and most successful. [29]

The purpose of the Cato Institute's Report Card is to assess the policies of each governor from the taxpayer's perspective. There are currently dozens of prominent taxpayer rating systems for members of Congress. To our knowledge this is the only objective analysis of the fiscal performance of governors.

Limitations of the Report Card

This is the third Cato "Fiscal Policy Report Card on America's Governors." This year we have refined the methodology in order to improve the results. Nonetheless, at the outset we acknowledge several unavoidable problems in grading the fiscal performance of the governors.

First, as mentioned above, the Report Card does not entirely isolate the impact of the governor from the fiscal decisions made by the state legislature. In most states the legislature's influence on budget outcomes is at least as great as the governor's. In addition, if the state legislature is controlled by a different party than the governor, then the governor's command over fiscal policy outcomes is normally diminished. (Appendix B summarizes the fiscal policy record of each governor and makes note of whether the legislature is of the same party as the governor.) There are 11 governors in our survey who work with legislatures controlled by the other party.

One refinement of the 1996 Report Card is that we account for the budget and tax recommendations put forward by the governors, not just the budget outcomes. That allows us to assess the governors' budget priorities independent of the legislature.

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

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

Many states have moved in recent years toward placing restrictions and regulations on local property taxes as part of school finance reform initiatives. For example, in Michigan John Engler endorsed an increase in the state sales tax in exchange for a larger dollar reduction in the local property tax. In some cases the state government has taken over more responsibility for spending on the schools. That artificially inflates the spending levels in some states by simply shifting the funding responsibility from the local government to the state government. Local property tax changes of that type have been implemented in recent years in Idaho, South Carolina, South Dakota, and Wisconsin. While such centralization of an inherently local function of government is, in our opinion, seriously misguided, [30] we have attempted in each of those cases to make reasonable adjustments to state spending and tax variables to account for the net impact (taking into account local property tax cuts) of those property tax and school finance reforms.

We have substantially more data for assessing the fiscal performance of the pre-1994 governors than the new governors. For example, Census Bureau data are available for all the pre-1994 governors but none of the new governors, for whom we rely exclusively on general fund budget data from NASBO and data provided by the finance and budget agencies of each state. Since the new governors' report cards are based on only their first two budget submissions, we believe their grades should be viewed as midterm report cards.

Finally, the general fund budget data used in portions of this study do not include all sources of spending and taxes and are less reliable than the Census Bureau's data. They are, however, the best numbers currently available.

Report Card Methodology

In this study we compute three separate grades for each governor: a spending grade, a tax grade, and an overall fiscal policy grade. All of the revenue and expenditure data used in this study come from the Census Bureau, NASBO, and individual state budget and revenue agencies. [31]

Twenty governors were elected in 1993 or 1994. We do not yet have official Census Bureau data with which to measure all of the spending and tax changes that have been implemented in the first year or two that they have held office. Therefore, we divide the governors into two groups: those who were first elected before 1993 and those who were elected later. For the 20 new governors, we rely on general fund budget data and tax rate changes through fiscal year 1996 and recommended budget changes through FY97.

Grading Procedure

For the pre-1994 governors we examine 14 policy variables: 5 for spending and 9 for taxes. For each variable we use a procedure to standardize the data, 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 two tax rate variables that are weighted at 0.5 each, because we view them as having less fiscal importance) and average the scores to obtain an overall fiscal policy grade for each governor. We obtain separate grades for spending and for taxes by averaging the scores achieved in each category.

The same basic procedures are used for grading the 20 new governors except that only nine variables are used.

Policy Variables Examined for Pre-1994 Governors

One objective of our analysis is to compile a comprehensive picture of the budget and tax changes recommended and approved by each governor. [32] We attempt to do that by examining a broad range of fiscal policy measures that take account of economic, demographic, and other factors within each state. All but two of the variables measure the change in the fiscal policy variable during each governor's tenure. The remaining two variables measure the levels of taxes and spending of each state in 1994.

Expenditure Variables

1. Overall level of state spending approved by each governor in 1994 per $1,000 of personal income.

2. Average annual change in real state spending per family of four under each governor through 1994. [33]

3. Average annual change in state spending per $1,000 of personal income under each governor through 1994.

4. Average annual change in real state general fund spending per family as recommended by the governor from 1991 through 1997. [34]

5. Average annual change in state general fund spending per $1,000 of personal income from 1994 to 1996.

Tax Rate and Revenue Variables

1. Average annual change in real state revenues per family under each governor through 1994. [35]

2. Average annual change in state revenues per $1,000 of personal income under each governor through 1994.

3. Average annual tax changes recommended by the governor as a percentage of the prior year's budget from 1991 through 1997.

4. Average annual change in state general fund revenue per $1,000 of personal income as recommended by the governor from 1991 through 1996.

5. Percentage point change in the top marginal individual and corporate income tax rates approved or recommended by each governor.

6. Change in top state individual income tax rate paid by median-income wage earner approved or recommended by each governor.

7. Sum of the top marginal individual and corporate income tax rates in 1996.

8. Change in the state sales tax rate approved or recommended by each governor.

9. Change in the state gasoline tax rate approved or recommended by each governor.

Policy Variables Examined for New Governors

Nine fiscal policy variables are examined for the 20 new governors.

Expenditure Variables

1. Overall level of state spending in 1994 per $1,000 of personal income.

2. Average annual change in real state general fund spending per family as recommended by the governor through 1997.

3. Average annual change in state general fund spending per $1,000 of personal income through 1996.

Tax Rate and Revenue Variables

1. Average annual tax changes recommended by the governor as a percentage of the prior year's budget through 1997.

2. Average annual change in real state general fund revenue per family as recommended by the governor through 1997.

3. Average annual change in state general fund revenue per $1,000 of personal income through 1996.

4. Percentage point change in the top marginal individual and corporate income tax rates approved or recommended by each governor.

5. Sum of the top marginal individual and corporate income tax rates in 1996.

6. Change in the gasoline tax per gallon approved or recommended by each governor. [36]

Ratings of the Pre-1994 Governors

Expenditures

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

The governors tied with the best budget restraint record were Weld (Massachusetts), Engler (Michigan), and Dean (Vermont). Each of those governors recommended a decline in state spending per family during his tenure. State spending fell from 1992 through 1994 by more than $400 per family in Vermont under Dean. In Michigan general fund spending per $1,000 personal income has plummeted by more than 5 percent since 1994 under Engler.

By far the biggest spender of the pre-1994 governors is Gaston Caperton of West Virginia, who received an F on spending. In West Virginia under Caperton real state spending has exploded by almost $700 per family per year. The state budget has outpaced personal income by an enormous 4 percentage points per year. As a result of Caperton's unrivaled budget buildup, state spending in West Virginia relative to income is today about 25 percent more burdensome than the national average. Other big-budget governors receiving an F on spending were James Hunt of North Carolina and Mel Carnahan of Missouri.

The spending scores highlight huge differences in fiscal direction of the states in recent years. In North Carolina state spending expanded by nearly $800 per family in 1994 under Hunt. In that same year under Edward Schafer, state spending fell by $694 per family in North Dakota.

In the 1994-96 budget cycle the governors who approved the steepest spending cuts are John Engler of Michigan and Steve Merrill of New Hampshire. The biggest recent budget increases of more than 5 percent of personal income were approved by Thomas Carper of Delaware and Mel Carnahan of Missouri.

Tax Rates and Revenues

Tables A-7 through A-16 present the results for the pre-1994 governors on tax rates and revenues. The premier tax cutters in recent years have been Symington (Arizona) and Merrill (New Hampshire), both of whom received an A on taxes. Symington, who has pledged to end Arizona's income tax, has recommended tax reductions of about 2 percent per year since his reelection in 1994. Merrill cut the state tax burden by an impressive $650 per family in New Hampshire in 1994 and has continued to recommend further tax cuts in 1995 and 1996. That is a remarkable achievement in a state that already had the lowest tax burden in the nation when he took office.

The biggest tax hikers have been Racicot (Montana), Chiles (Florida), and Carper (Delaware), each of whom received an F in this category. The tax burden in Florida rose by roughly $1,000 per family during Chiles's first term. Chiles has continued to recommend more taxes in each of his recent budget proposals. Carper approved $1,200 in tax increases per family in his first budget. Racicot has recommended the largest state tax increases over the period 1994-97.

Four governors have brought down income tax rates substantially during their tenures: Branstad (Iowa), Symington (Arizona), Thompson (Wisconsin), and Merrill (New Hampshire). Those tax rate reductions have actually led to an increase in income tax revenue collections in those states. Meanwhile the largest tax rate increases have been enacted under Carnahan (Missouri) and Schafer (North Dakota). Pete Wilson's huge income tax increase of 1991, which produced almost no new revenues, has now expired, and the top rate is back down where it was when he took office. There are signs that that has helped to propel an economic rebound in California.

The largest sales tax hikes were enacted or recommended by Racicot (Montana), Branstad (Iowa), and Engler (Michigan). Racicot recommended a new 4 percent sales tax, but voters rejected it in a referendum. Engler's 2 percentage point sales tax rate increase was tied to a sizable reduction in Michigan property taxes. The package was a $1 billion net tax cut for Michigan residents. The only governors to cut the sales tax were Leavitt (Utah) and Carnahan (Missouri). The largest gasoline tax increase (10 cents per gallon) was approved by Caperton (West Virginia). Only two governors, Hunt (North Carolina) and Nelson (Nebraska), enacted slight cuts in the gas tax.

Ratings of the New Governors

Of the 20 new governors, George Pataki of New York had far and away the most impressive fiscal record in his first two years and receives a midterm grade of A. None of the governors had enacted major tax increases or expensive new programs, so we did not assign any governor an F. Lincoln Almond of Rhode Island, Benjamin Cayetano of Hawaii, and Parris Glendening of Maryland each receive midterm grades of D.

Expenditures

The results for each of the three spending categories we investigated for the new governors are given in Tables

A-17 through A-20. The recommended spending cuts in Pataki's first two budgets amounted to more than $1,000 per family. General fund spending tumbled by more than 5 percent in his first year, reversing big budget buildups in the early 1990s under Mario Cuomo.

On a per family basis, only 2 of the 20 new governors recommended real spending increases in their first two budgets:

Geringer (Wyoming) and Kitzhaber (Oregon). Actual spending as a share of personal income rose in only two states from 1995 through 1996: Connecticut under John Rowland and Maryland under Parris Glendening.

Tax Rates and Revenues

Tables A-21 through A-27 give the results for the tax records of each of the new governors. The champion tax cutter of this group was also Pataki. His recommended tax cuts for 1996 and 1997 amount to a savings of $900 per family. Whitman's tax cuts were the next largest, amounting to about $750 per family, and Rowland of Connecticut is not far behind with recommended tax cuts of $550 per family. Only Benjamin Cayetano (Hawaii), Lincoln Almond (Rhode Island), and Angus King (Maine) recommended net tax increases--and each recommended increase was only slight.

Income tax rate reductions were most pronounced in New Jersey under Whitman, Pennsylvania under Ridge, and New York under Pataki, where the top rates were cut by roughly 1 percentage point. No new governors raised the income tax or the sales tax. The gas tax was cut by 6 cents a gallon by Gary Johnson of New Mexico and raised by 1 cent a gallon by Lincoln Almond in Rhode Island. This year Phil Batt of Idaho recommended a 4-cent-a-gallon tax hike.

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

Conclusion

Since 1991 voters across the country have ousted 10 tax-and-spend governors and replaced them with (mostly Republican) governors with more fiscally conservative agendas. That has translated into an era of tax reduction and spending restraint in at least half the states since 1994. While supply-side economic policies are spurned in Washington, D.C., as failed Reaganomics, many governors have pursued strategic income tax cuts as a way to create prosperity and reduce the tax burdens on their states' families and businesses.

The new era of fiscal restraint is most pronounced in many of the nation's more politically liberal states. California, Connecticut, Michigan, New Jersey, New York, Pennsylvania, and Vermont are a few of the traditionally high-tax-and-spend states that have most improved their economic competitiveness since 1994.

Whether the fervor for tax cuts in the nation's statehouses will continue beyond 1996 is an open question. But for now, at least, the policy of open checkbooks and "soak the rich" tax increases to pay for vast new state programs is out of favor with voters and governors.

Appendix A: Detailed Tables

Table A-1

Spending Variables - Pre-1994 Governors

Governor	1994 Total State Spending per $1,000 Personal Income	Average Annual Change in Real Total State Spending per Family of 4 through 1994	Average Annual Change in Total State Spending per $1,000 Personal Income through 1994	Average Annual Recommended Change in Real General Fund per Family of 4, 1991 - 1997	Average Annual Change in General Fund Spending per $1,000 Personal Income, 1994 - 1996	Overall Spending Score	Grade
Dean (VT)	$171	-$215	-2.7%	-$32	-1.2%	62	A
Weld (MA)	$153	$37	0.6%	-$178	-0.7%	62	A
Engler							

(MI)	$151	$210	0.8%	-$59	-5.5%	62	A
Schafer (ND)	$192	-$694	-2.3%	$58	-2.1%	61	B
Romer (CO)	$116	$145	0.8%	-$41	-0.3%	60	B
Miller (NV)	$133	$179	-0.6%	-$57	0.6%	59	B
Merrill (NH)	$127	$351	3.9%	-$58	-5.4%	58	B
Racicot (MT)	$190	-$40	-3.9%	-$37	0.9%	55	B
Carlson (MN)	$161	$290	1.3%	-$191	1.0%	54	B
Edgar (IL)	$112	$242	2.0%	$3	1.9%	52	C
Thompson (WI)	$153	$248	1.1%	-$12	-1.6%	51	C
Fordice (MS)	$175	$297	1.0%	-$105	-1.1%	50	C
Symington (AZ)	$148	$329	2.6%	-$49	-1.6%	50	C
Nelson (NE)	$126	$302	2.2%	-$54	2.6%	49	C
Miller (GA)	$127	$269	1.9%	$35	0.7%	49	C
Wilson (CA)	$155	$404	3.9%	-$222	1.4%	49	C
Bayh (IN)	$137	$420	3.3%	-$18	-2.0%	49	C
Chiles (FL)	$114	$337	3.1%	$130	-1.0%	46	D
Lowry (WA)	$171	$601	4.1%	-$134	-2.8%	45	D
Branstad (IA)	$157	$267	1.6%	$97	-1.6%	44	D
Voinovich (OH)	$154	$326	1.8%	$98	-1.1%	43	D
Leavitt (UT)	$171	$98	-0.7%	$75	2.6%	42	D
Carper (DE)	$172	-$158	-2.0%	$96	6.5%	41	D
Hunt (NC)	$147	$780	5.7%	-$49	-0.9%	37	F
Carnahan (MO)	$113	$219	2.7%	$178	5.5%	35	F
Caperton (WV)	$211	$697	4.0%	-$37	1.4%	24	F

Table A-2
State Spending per $1,000 Personal Income in 1994 - Pre-1994 Governors

	Five Smallest Budgets	Amount		Five Largest Budgets	Amount
1.	Edgar (IL)	$112	1.	Caperton (WV)	$211
2.	Carnahan (MO)	$113	2.	Schafer (ND)	$192
3.	Chiles (FL)	$114	3.	Racicot (MT)	$190
4.	Romer (CO)	$116	4.	Fordice (MS)	$175
5.	Nelson (NE)	$126	5.	Carper (DE)	$172

Table A-3
Average Annual Change in Real State Spending per Family of Four through 1994 -- Pre-1994 Governors

Cut Spending	Amount	Increased Spending	Amount
1.Schafer (ND)	-$694	1.Hunt (NC)	$780
2.Dean (VT)	-$215	2.Caperton (WV)	$697
3.Carper (DE)	-$158	3.Lowry (WA)	$601
4.Racicot (MT)	-$40	4.Bayh (IN)	$420
No Others		5.Wilson (CA)	$404

Table A-4
Average Annual Change in State Spending per $1,000 Personal Income through 1994 -- Pre-1994 Governors

	Cut Spending	Percentage		Increased Spending	Percentage
1.	Racicot (MT)	-3.9%	1.	Hunt (NC)	5.7%
2.	Dean (VT)	-2.7%	2.	Lowry (WA)	4.1%
3.	Schafer (ND)	-2.3%	3.	Caperton (WV)	4.0%
4.	Carper (DE)	-2.0%	4.	Merrill (NH)	3.9%
5.	Leavitt (UT)	-0.7%	5.	Wilson (CA)	3.9%

Table A-5
Average Annual Recommended Change in Real General Fund Spending per Family of Four, 1991-1997 -- Pre-1994 Governors

	Cut Spending	Amount		Increased Spending	Amount
1.	Wilson (CA)	-$222	1.	Carnahan (MO)	$178
2.	Carlson (MN)	-$191	2.	Chiles (FL)	$130
3.	Weld (MA)	-$178	3.	Voinovich (OH)	$98
4.	Lowry (WA)	-$134	4.	Branstad (IA)	$97
5.	Fordice (MS)	-$105	5.	Carper (DE)	$96

Table A-6
Average Annual Change in General Fund Spending per $1,000 Personal Income, 1994-1996 -- Pre-1994 Governors

	Cut Spending	Percentage		Increased Spending	Percentage
1.	Engler (MI)	-5.5%	1.	Carper (DE)	6.5%
2.	Merrill (NH)	-5.4%	2.	Carnahan (MO)	5.5%
3.	Lowry (WA)	-2.8%	3.	Leavitt (UT)	2.6%
4.	Schafer (ND)	-2.1%	4.	Nelson (NE)	2.6%
5.	Bayh (IN)	-2.0%	5.	Edgar (IL)	1.9%

Table A-7
Revenue and Tax Rate Variables -- Pre-1994 Governors

			Revenue Variables			
Governor	Overall Revenue Score*	Grade	Average annual Change in Real Own-Source Revenue Per Family of 4 through 1994	Change in Own-Source Revenue per $1000 Personal Income through 1994	Average Annual Recommended Tax Changes as % of Prior Year's Budget, 1991-1997	Recommended Change in General Fund Revenue per $1000 Personal Income, 1991-1996
Symington (AZ)	76	A	$120	0.7%	-1.7%	-4.0%
Merrill (NH)	75	A	-$655	-7.7%	-0.3%	-4.6%
Weld (MA)	64	B	$270	2.9%	-0.7%	-3.0%
Thompson (WI)	61	B	$232	0.9%	-1.3%	-1.1%
Romer (CO)	59	B	$36	-0.3%	0.0%	-3.4%
Hunt (NC)	59	B	$234	0.7%	-0.6%	-2.9%
Branstad (IA)	57	B	$276	2.3%	0.1%	-0.4%
Fordice (MS)	57	B	$446	4.3%	-0.5%	-5.1%
Bayh (IN)	57	B	$118	0.3%	-0.4%	-1.5%
Dean (VT)	56	B	-$284	-3.9%	2.2%	-3.6%
Nelson (NE)	54	C	$335	3.3%	-0.2%	-1.2%
Engler (MI)	54	C	$326	2.5%	-0.7%	-3.3%
Carnahan (MO)	53	C	-$64	-0.7%	-0.4%	-0.2%
Leavitt	52	C	$516	4.1%	-0.7%	-1.6%

(UT)						
Miller (NV)	50	C	$172	-0.6%	1.5%	-3.4%
Wilson (CA)	50	C	$164	2.2%	0.1%	-0.2%
Schafer (ND)	49	C	-$380	-0.8%	0.6%	1.6%
Miller (GA)	49	C	$300	3.1%	-0.1%	1.1%
Carlson (MN)	48	C	$366	2.3%	0.1%	-1.9%
Lowry (WA)	47	C	$324	3.6%	1.9%	0.2%
Caperton (WV)	44	D	$274	1.0%	0.5%	-0.8%
Edgar (IL)	43	D	$266	2.8%	1.5%	-0.4%
Voinovich (OH)	43	D	$471	3.2%	0.7%	0.3%
Carper (DE)	41	F	$1,283	8.0%	-0.6%	-3.4%
Chiles (FL)	39	F	$333	3.8%	1.9%	4.7%
Racicot (MT)	39	F	-$145	-4.8%	2.5%	-3.6%

Table A-7
Continued

	Tax Rate Variables				
Governor	Percentage Point Change in Combined Top Income Tax Rates (Individual+Corporate)**	Percentage Point Change in Top Individual Income Tax Rate on Median Income**	1996 Total Combined Top Income Tax Rates (Individual+Corporate)	Percentage Point Change in Sales Tax Rate**	Change in Gas Tax Rate (Cents per Gallon)**
Symington (AZ)	-1.9	-1.05	14.6	0	0
Merrill (NH)	-1.0	0	7.0	0	0
Weld (MA)	-0.8	-0.8	15.45	0	0
Thompson (WI)	-1.03	-0.69	14.83	0	5.9
Romer	0.25	-0.67	10.0	1.0	4.0

(CO)					
Hunt (NC)	-0.75	0	15.5	0	-0.3
Branstad (IA)	-4.02	-1.2	21.98	2.0	7.0
Fordice (MS)	0	0	10.0	0	0
Bayh (IN)	0	0	11.3	0	0
Dean (VT)	-0.4	-0.28	18.15	1.0	0
Nelson (NE)	-0.17	-0.38	14.8	0	-0.1
Engler (MI)	-0.25	-0.2	6.7	2.0	0
Carnahan (MO)	1.25	0	12.25	-0.25	2.0
Leavitt (UT)	0	0	12.2	-0.125	0
Miller (NV)	0	0	0	0.75	7.25
Wilson (CA)	-0.93	-0.4	18.6	1.25	3.0
Schafer (ND)	1.2	0	16.0	0	1.0
Miller (GA)	0	0	12.0	0	0
Carlson (MN)	0.5	0	18.3	0.5	0
Lowry (WA)	0	0	0	0	0
Caperton (WV)	0	0	15.5	0	10.0
Edgar (IL)	0.65	0.25	10.3	0	0
Voinovich (OH)	0.6	0	16.4	0	2.0
Carper (DE)	-0.4	0.3	15.8	0	4.0
Chiles (FL)	0	0	5.5	0	0.9
Racicot (MT)	0	0	17.75	4.0	7.0

Table A-8
Average Annual Change in Real Own-Source Revenue per Family of Four through 1994 -- Pre-1994 Governors

	Cut Taxes	Amount		Increased Taxes	Amount

1.	Merrill (NH)	-$655	1.	Carper (DE)	$1,283
2.	Schafer (ND)	-$380	2.	Leavitt (UT)	$516
3.	Dean (VT)	-$284	3.	Voinovich (OH)	$471
4.	Racicot (MT)	-$145	4.	Fordice (MS)	$446
5.	Carnahan (MO)	-$64	5.	Carlson (MN)	$366

Table A-9
Average Annual Change in Own-Source Revenue per $1,000 Personal Income through 1994 -- Pre-1994 Governors

	Cut Taxes	Amount		Increased Taxes	Amount
1.	Merrill (NH)	-7.7%	1.	Carper (DE)	8.0%
2.	Racicot (MT)	-4.8%	2.	Fordice (MS)	4.3%
3.	Dean (VT)	-3.9%	3.	Leavitt (UT)	4.1%
4.	Schafer (ND)	-0.8%	4.	Chiles (FL)	3.8%
5.	Carnahan (MO)	-0.7%	5.	Lowry (WA)	3.6%

Table A-10
Average Annual Recommended Tax Changes as a Percentage of Prior Year's Budget, 1991-1997 -- Pre-1994 Governors

	Cut Taxes	Percentage		Increased Taxes	Percentage
1.	Symington (AZ)	-1.7%	1.	Racicot (MT)	2.5%
2.	Thompson (WI)	-1.3%	2.	Dean (VT)	2.2%
3.	Leavitt (UT)	-0.7%	3.	Lowry (WA)	1.9%
4.	Weld (MA)	-0.7%	4.	Chiles (FL)	1.9%
5.	Engler (MI)	-0.7%	5.	Miller (NV)	1.5%
			6.	Edgar (IL)	1.5%

Table A-11
Average Annual Recommended Change in General Fund Revenue per $1,000 Personal Income, 1991-1996 -- Pre-1994 Governors

	Cut Taxes	Percentage		Increased Taxes	Percentage
1.	Fordice (MS)	-5.1%	1.	Chiles (FL)	4.7%
2.	Merrill (NH)	-4.6%	2.	Schafer (ND)	1.6%
3.	Symington (AZ)	-4.0%	3.	Miller (GA)	1.1%
4.	Racicot (MT)	-3.6%	4.	Voinovich (OH)	0.3%
5.	Dean (VT)	-3.6%	5.	Lowry (WA)	0.2%

Table A-12
Percentage Point Change in Combined Top Income Tax Rates (Individual + Corporate) -- Pre-1994 Governors*

	Cut Taxes	Percentage Points		Increased Taxes	Percentage Points
1.	Branstad (IA)	-4.02	1.	Carnahan (MO)	1.25
2.	Symington (AZ)	-1.9	2.	Schafer (ND)	1.2
3.	Thompson (WI)	-1.03	3.	Edgar (IL)	0.65
4.	Merrill (NH)	-1.0	4.	Voinovich (OH)	0.6
5.	Wilson (CA)	-0.93	5.	Carlson (MN)	0.5

*Includes proposed changes and extensions of temporary changes scheduled to expire.

Table A-13
Percentage Point Change in Top Individual Income Tax Rate on Median Income -- Pre-1994 Governors*

Cut Taxes	Percentage Points		Increased Taxes	Percentage Points
1. Branstad (IA)	-1.2	1.	Carper (DE)	0.3
2. Symington (AZ)	-1.05	2.	Edgar (IL)	0.25
3. Weld (MA)	-0.8		No Others	
4. Thompson (WI)	-0.69			
5. Romer (CO)	-0.67			

Table A-14
1996 Total Combined Top Individual and Corporate Income Tax Rates -- Pre-1994 Governors

		Percentage			Percentage
	Lowest Taxes	Points		Highest Taxes	Points
1.	Miller (NV)	0	1.	Branstad (IA)	21.98
1.	Lowry (WA)	0	2.	Wilson (CA)	18.6
3.	Chiles (FL)	5.5	3.	Carlson (MN)	18.3
4.	Engler (MI)	6.7	4.	Dean (VT)	18.15
5.	Merrill (NH)	7.0	5.	Racicot (MT)	17.75

Table A-15
g>Percentage Point Change in Sales Tax Rate -- Pre-1994 Governors*

	Cut Taxes	Percentage Points		Increased Taxes	Percentage Points
1.	Carnahan (MO)	-0.25	1.	Racicot (MT)	4.0
2.	Leavitt (UT)	-0.125	2.	Branstad (IA)	2.0
	No Others		2.	Engler (MI)	2.0
			4.	Wilson (CA)	1.25
			5.	Romer (CO)	1.0
			5.	Dean (VT)	1.0

*Includes proposed changes and extensions of temporary changes scheduled to expire.

Table A-16
Change in Gasoline Tax Rate -- Pre 1994 Governors*

	Cut Taxes	Cents per Gallon		Increased Taxes	Cents per Gallon
1.	Hunt (NC)	-0.3	1.	Caperton (WV)	10.0
2.	Nelson (NE)	-0.1	2.	Miller (NV)	7.25
	No Others		3.	Branstad (IA)	7.0
			3.	Racicot (MT)	7.0
			5.	Thompson (WI)	5.9

*Includes proposed changes and extensions of temporary changes scheduled to expire.

Table A-17
Spending Variables

Governor	Average Annual Recommended Change in Real General Fund Spending per Family of 4 through 1997	Average Annual Change in General Fund Spending per $1000 Personal Income through 1996	1994 Total State Spending Per $1000 Personal Income	Overall Spending Score	Grade
Pataki (NY)	-$503	-5.6%	$171	83	A
Janklow (SD)	-$146	-3.9%	$142	64	B
Whitman (NJ)	-$218	-2.3%	$141	61	B
James (AL)	-$51	-3.4%	$151	54	B
Cayetano (HI)	-$310	-3.9%	$212	53	B
Allen (VA)	-$31	-0.7%	$111	52	B
Bush (TX)	-$56	-0.9%	$119	52	B
Ridge (PA)	-$97	-2.2%	$148	52	B
Johnson (NM)	-$238	-5.3%	$227	50	C
Batt (ID)	-$91	-2.3%	$155	50	C
King (ME)	-$1	-4.1%	$168	49	C
Sundquist (TN)	-$18	-1.0%	$127	48	C
Keating (OK)	-$41	-2.4%	$154	48	C
Rowland (CT)	-$315	2.0%	$141	47	C
Graves					

(KS)	-$57	-0.6%	$132	47	C
Almond (RI)	-$154	-1.4%	$177	43	C
Glendening (MD)	-$27	0.8%	$120	43	C
Beasley (SC)	-$103	-2.3%	$183	42	C
Kitzhaber (OR)	$96	-1.1%	$154	34	D
Geringer (WY)	$2	-2.3%	$213	28	D

Table A-18
Average Annual Recommended Change in Real General Fund Spending per Family of Four through 1997 -- New Governors

	Cut Spending	Amount	Increased Spending	Amount
1.	Pataki (NY)	-$503	1. Kitzhaber (OR)	$96
2.	Rowland (CT)	-$315	2. Geringer (WY)	$2
3.	Cayetano (HI)	-$310	No Others	
4.	Johnson (NM)	-$238		
5.	Whitman (NJ)	-$218		

Table A-19
Average Annual Change in General Fund Spending per $1,000 Personal Income through 1996 -- New Governors

Cut Spending	Percentage	Increased Spending	Percentage
1. Pataki (NY)	-5.6%	1.Rowland (CT)	2.0%
2. Johnson (NM)	-5.3%	2.Glendening (MD)	0.8%
3. King (ME)	-4.1%	No Others	
4. Cayetano (HI)	-3.9%		
5. Janklow (SD)	-3.9%		

Table A-20
State Spending per $1,000 Personal Income in 1994 -- New Governors

Five Smallest Budgets	Amount	Five Largest Budgets	Amount
1.Allen (VA)	$111	1.Johnson (NM)	$227
2.Bush (TX)	$119	2.Geringer (WY)	$213
3.Glendening (MD)	$120	3.Cayetano (HI)	$212
4.Sundquist (TN)	$127	4.Beasley (SC)	$183
5.Graves (KS)	$132	5.Almond (RI)	$177

Table A-21

Revenue and Tax Variables -- New Governors

			Revenue Variables		
Governor	Overall Revenue Score*	Grade	Average Annual Recommended Tax Changes as % of Prior Year's Budget through 1997	Average Annual Recommended Change in Real General Fund Revenue per Family of 4through 1997	Average Annual Change in General Fund Revenue per $1000 Personal Income through 1996
Pataki (NY)	78	A	-2.3%	-$451	-4.9%
Whitman (NJ)	63	B	-1.4%	-$253	-3.0%
Ridge (PA)	60	B	-0.6%	-$123	-5.4%
Rowland (CT)	57	B	-2.6%	-$284	0.5%
Johnson (NM)	52	B	-1.0%	-$130	-3.3%
Beasley (SC)	48	B	-1.5%	-$170	-5.7%
Janklow (SD)	47	B	-1.3%	-$146	-3.7%
Bush (TX)	47	B	0.0%	-$169	-6.4%
Geringer (WY)	40	C	0.0%	-$40	-5.7%
Keating (OK)	38	C	-1.9%	-$90	-2.0%
Kitzhaber (OR)	37	C	-0.4%	-$102	-5.7%
Allen (VA)	34	C	-1.4%	-$87	-1.2%
James (AL)	27	C	0.0%	-$65	-1.9%
Batt (ID)	26	C	-1.0%	-$23	-2.7%
Graves (KS)	25	C	-1.3%	$48	-1.0%
King (ME)	25	C	0.1%	-$4	-3.8%
Sundquist (TN)	24	C	0.0%	-$1	-1.0%
Glendening (MD)	24	C	0.0%	-$13	-1.9%
Almond (RI)	19	D	0.7%	-$138	-1.7%
Cayetano (HI)	14	D	0.7%	-$155	1.7%
Continued on next graph					

Table A-21
Continued

Governor	Percentage Point Change in Combined Top Income Tax Rates (Individual+Corporate)**	1996 Total Combined Top Income Tax Rates (Individual+Corporate)	Change in Gas Tax Rate (Cents per Gallon)**
Pataki (NY)	-0.875	16.575	0
Whitman (NJ)	-1.005	15.37	0
Ridge (PA)	-1.0	12.79	0
Rowland (CT)	-0.75	15.25	0
Johnson (NM)	-0.5	15.6	-6.0
Beasley (SC)	0	12.0	0
Janklow (SD)	0	0	0
Bush (TX)	0	0	0
Geringer (WY)	0	0	0
Keating (OK)	0	13.0	0
Kitzhaber (OR)	0	15.6	0
Allen (VA)	0	11.75	0
James (AL)	0	10.0	0
Batt (ID)	0	16.2	4.0
Graves (KS)	0	15.1	0
King (ME)	0	17.43	0
Sundquist (TN)	0	6.0	0
Glendening (MD)	0	12.0	0
Almond (RI)	0	19.89	1.0
Cayetano (HI)	0	16.4	0

Table A-22
Average Annual Recommended Tax Changes as a Percentage of Prior Year's Budget through 1997 -- New Governors

	Cut Taxes	Percentage		Increased Taxes	Percentage
1.	Rowland (CT)	-2.6%	1.	Almond (RI)	0.7%
2.	Pataki (NY)	-2.3%	2.	Cayetano (HI)	0.7%
3.	Keating (OK)	-1.9%	3.	King (ME)	0.1%
4.	Beasley (SC)	-1.5%		No Others	
5.	Allen (VA)	-1.4%			
6.	Whitman (NJ)	-1.4%			

Table A-23
Average Annual Recommended Change in Real General Fund Revenue per Family of Four through 1997 -- New Governors

	Cut Taxes	Amount		Increased Taxes	Amount
1.	Pataki (NY)	-$451	1.	Graves (KS)	$48
2.	Rowland (CT)	-$284		No Others	
3.	Whitman (NJ)	-$253			
4.	Beasley (SC)	-$170			
5.	Bush (TX)	-$169			

Table A-24
Average Annual Change in General Fund Revenue per $1,000 Personal Income through 1996 -- New Governors

	Cut Taxes	Percentage		Increased Taxes	Percentage
1.	Bush (TX)	-6.4%	1.	Cayetano (HI)	1.7%
2.	Beasley (SC)	-5.7%	2.	Rowland (CT)	0.5%
3.	Kitzhaber (OR)	-5.7%		No Others	
4.	Geringer (WY)	-5.7%			
5.	Ridge (PA)	-5.4%			

Table A-25
Percentage Point Change in Combined Top Income Tax Rates (Individual + Corporate) -- New Governors

		Percentage		Percentage
	Cut Taxes	Points	Increased Taxes	Points
1.	Whitman (NJ)	-1.005	No tax rate increases.	
2.	Ridge (PA)	-1.0		
3.	Pataki (NY)	-0.875		
4.	Rowland (CT)	-0.75		
5.	Johnson (NM)	-0.5		

*Includes proposed changes and extensions of temporary changes scheduled to expire.

Table A-26
1996 Total Combined Top and Corporate Income Tax Rates -- New Governors

		Percentage			Percentage
	Lowest Taxes	Points		Highest Taxes	Points
1.	Janklow (SD)	0	1.	Almond (RI)	19.89
2.	Bush (TX)	0	2.	King (ME)	17.43
3.	Geringer (WY)	0	3.	Pataki (NY)	16.575
4.	Sundquist (TN)	6.0	4.	Cayetano (HI)	16.4
5.	James (AL)	10.0	5.	Batt (ID)	16.2

Table A-27
Change in Gasoline Tax Rate -- New Governors*

	Cents per		Cents per
Cut Taxes	Gallon	Increased Taxes	Gallon
1. Johnson (NM)	-6.0	1. Batt (ID)	4.0
No Others		2. Almond (RI)	1.0
		No Others	

*Includes proposed changes and extensions of temporary changes scheduled to expire.

Appendix B: Summary of Fiscal Policy Records of the Governors

Due to rounding, the spending and revenue figures in the tables in this appendix may not match those in Appendix A. The tax rate figures in this appendix reflect what has been enacted, while those in Appendix A reflect proposed rate changes and extensions of temporary rate changes scheduled to expire. The figures in Appendix A were used in determining the ranking of the governors. General fund figures for 1997 are based on the governors' budget proposals. Notes to the following tables are at the end of this appendix.

Alabama

Fob James, Republican
Legislature: Democratic
Took Office: 1/95

Grade: C

This is James's second go-round as governor. He served in the statehouse from 1979 to 1982 as a Democrat. James switched to the GOP in a state that is turning more Republican every year. In 1994 he upset incumbent Jim Folsom Jr. by promising economic development and no new taxes. James has steered clear of tax hikes in his first two years, but he has not shown any inclination to cut taxes as so many of his fellow freshman governors have done. His most important legislation from the standpoint of taxpayers has been a judicial reform bill that explicitly curbs the authority of state judges to arbitrarily assume the power to tax without the consent of the legislature. His first two budgets have held the line on spending; outlays have grown only at the rate of inflation. In his 1996 budget James promoted welfare reform designed to discourage illegitimacy, and he locked horns with the education establishment by holding the line on school funding. Overall, James's record in his first two years is credible but unspectacular.

General Fund Spending	1997	1995	Average Annual Change
Millions of 1995 dollars	$4,159	$4,151	0.1%
Per $1,000 personal income	$52.23	$54.89	-2.5%
Per family of four (1995 $)	$3,835	$3,904	-$34

General Fund Revenue	1996	1995	Average Annual Change
Millions of 1995 dollars	$4,101	$4,078	0.6%
Per $1,000 personal income	$52.88	$53.93	-1.9%
Per family of four (1995 $)	$3,819	$3,835	-$16

State Tax Rates

	1996	1995
Individual income tax		
-Range of rates (%)	2-5	2-5
-Top bracket	$3,000	$3,000
-Marginal rate on median income	5.0%	5.0%
General sales tax	4.0%	4.0%

	1996	1995
Corporate income tax		
-Range of rates (%)	5.00	5.00
-Top bracket	N/A	N/A
Gasoline tax (per gallon)	16.0Â¢	16.0Â¢

Arizona

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

Grade: A

In his first five years in office, Fife Symington has proven to be the nation's premier tax-cutting governor. He has enacted nearly $1.5 billion in state tax cuts, mostly by chopping personal and business income tax rates. Those tax cuts are not likely to be reversed any time soon. Symington helped pass a ballot initiative that requires a supermajority vote of the legislature to raise taxes. He has also championed work-based welfare reform and Arizona's closely watched, cost-saving alternative to Medicaid. He is also a tireless advocate of statewide parental school choice--an initiative that remains bottled up in the legislature. Symington is not an aggressive budget cutter. In his first term state spending grew by $1,000 per family. In his second term, to pay for his tax cuts, Symington has finally begun to slowly rein in the budget, holding spending to below the rate of income growth. Perhaps the clearest signal that Symington's supply-side fiscal strategies are working is that the economy in Arizona has surged during his tenure, with jobs, new business creation, and population growing three times the national average in the 1990s.

Total State Expenditures	1994	1991	Average Annual

			Change
Millions of 1994 dollars Per $1,000 personal income Per family of four (1994 $)	$10,522 $148 $10,329	$8,750 $136 $9,341	6.3% 2.6% $329

State Own-Source Revenue	**1994**	**1991**	**Average Annual Change**
Millions of 1994 dollars Per $1,000 personal income Per family of four (1994 $)	$8,919 $125 $8,755	$7,863 $123 $8,394	4.3% 0.7% $120

General Fund Spending	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars Per $1,000 personal income Per family of four (1995 $)	$4,429 $52.96 $4,087	$4,044 $54.82 $3,966	4.7% -1.7% $61

General Fund Revenue	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars Per $1,000 personal income Per family of four (1995 $)	$4,435 $53.03 $4,092	$4,191 $56.82 $4,110	2.9% -3.4% -$9

State Tax Rates

	1996	**1991**
Individual income tax -Range of rates (%) -Top bracket -Marginal rate on median income General sales tax	 3-5.6 $150,000 4.20% 5%	 3.8-7 $150,000 5.25% 5%

	1996	**1991**
Corporate income tax Range of rates (%) Top bracket Gasoline tax (per gallon)	 9.00 N/A 18.0Â¢	 9.30 N/A 18.0Â¢

California

Pete Wilson, Republican
Legislature: Divided
Took Office: 1/91
Grade: C

Wilson's second term in office could hardly be worse than his first. Wilson's first year was a catastrophe. He muscled through the legislature--with the willing support of the Democrats and moderate Republicans--a $7 billion tax increase, the largest in the history of the 50 states. That sent an already ailing economy into intensive care. The income tax hikes were noteworthy in that they failed to raise any new revenue but sank the state deeper into recession as upper-income families and entrepreneurs left. Part of the tax hike, a sales tax on food, was repudiated by voters at the polls by a 2-to-1 margin. Despite the fiscal crisis, in his first term the California budget leaped forward, with expenditures increasing by roughly $1,200 per family. His second term has been much better so far. His first-term tax hike finally expired this year on schedule, and he even proposed a further 15 percent income tax rate cut that was rejected by the legislature. He has also become a budget hawk of late, proposing that spending actually shrink in both of his last two budgets. Wilson's overall record is still below average, but the trend is very positive. Still, there is much work to be done to regain the prosperous growth of the 1960s, 1970s, and 1980s. The Small Business Survival Committee calculates that because of California's notorious regulatory morass and the high business taxes, the Golden State is now the second worst state for small business.

Total State Expenditures	**1994**	**1991**	**Average Annual Change**
Millions of 1994 dollars	$105,831	$93,188	4.3%
Per $1,000 personal income	$155	$138	3.9%
Per family of four (1994 $)	$13,468	$12,255	$404

State Own-Source Revenue	**1994**	**1991**	**Average Annual Change**
Millions of 1994 dollars	$85,530	$79,035	2.7%
Per $1,000 personal income	$125	$117	2.2%
Per family of four (1994 $)	$10,885	$10,394	$164

General Fund Spending	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars	$42,957	$40,216	3.4%
Per $1,000 personal income	$59.10	$57.25	1.6%
Per family of four (1995 $)	$5,380	$5,122	$129

General Fund Revenue	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars	$42,685	$41,068	2.0%
Per $1,000 personal income	$58.73	$58.47	0.2%
Per family of four (1995 $)	$5,346	$5,230	$58

State Tax Rates

	1996	**1991**
Individual income tax		
-Range of rates (%)	1-9.3	1-9.3
-Top bracket	$31,701	$27,646
-Marginal rate on median income	8.00%	8.00%
General sales tax	6%	4.75

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	1996	1991
Corporate income tax -Range of rates (%) -Top bracket Gasoline tax (per gallon)	 9.30 N/A 18.0Â¢	 9.30 N/A 15.0Â¢

Colorado

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

On the national level, as head of the National Governors Association, Romer has been a voice for liberal activist government; but in Denver, he has governed as a centrist in a conservative state. In some areas--particularly taxes--Romer is clearly to the left of his constituents. His proposal for a sales tax hike to fund education was defeated several years ago by voters; he opposed Colorado's successful "Taxpayer Bill of Rights" initiative that requires that any new tax increase be approved by a vote of the people and limits spending growth to the rate of inflation and population growth (he even called the sponsor of the initiative a "terrorist); and he vetoed a tax cut passed by the legislature earlier this year. Still, Colorado has had comparatively low taxes and low spending during Romer's 10 years as governor. To his credit, Romer has curtailed spending through programs to cut waste and merge duplicative agencies. Spending has been relatively restrained since 1987, especially in recent years. Romer's fiscal record is clearly aided by a fiscal tightwad legislature that often approves spending and revenues below the levels Romer requests, by constitutional caps on spending, and by one of the nation's most anti-tax electorates.

Total State Expenditures	**1994**	**1987**	**Average Annual Change**
Millions of 1994 dollars Per $1,000 personal income Per family of four (1994 $)	$8,903 $116 $9,740	$7,113 $110 $8,728	3.3% 0.8% $145

State Own-Source Revenue	**1994**	**1987**	**Average Annual Change**
Millions of 1994 dollars Per $1,000 personal income Per family of four (1994 $)	$8,241 $108 $9,017	$7,142 $110 $8,763	2.1% -0.3% $36

General Fund Spending	**1996**	**1994**	**Average Annual Change**

Millions of 1995 dollars Per $1,000 personal income Per family of four (1995 $)	$4,031 $47.26 $4,196	$3,748 $47.47 $4,094	3.7% -0.2% $51

General Fund Revenue	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars Per $1,000 personal income Per family of four (1995 $)	$4,050 $47.49 $4,217	$3,828 $48.48 $4,182	2.9% -1.0% $17

State Tax Rates

	1996	**1987**
Individual income tax* -Range of rates (%) -Top bracket -Marginal rate on median income General sales tax	 5.0 N/A 5.0% 3%	 3-8 $14,150 8.0% 3%

	1996	**1987**
Corporate income tax -Range of rates (%) -Top bracket Gasoline tax (per gallon)	 5.0 N/A 22.0Â¢	 5.25-6 $200,000 18.0Â¢

Connecticut

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

For the taxpayers of Connecticut, almost anyone would be an improvement over Lowell Weicker, and Rowland unquestionably is that. Weicker was the biggest tax increaser in Connecticut history and responsible for passage in 1991 of the state's first income tax, which has caused an exodus from the state. Connecticut is one of only two states to lose population in the 1990s. Rowland's success or failure as governor hinges on one issue: will he and can he keep his campaign pledge to purge the state of Weicker's hated income tax within five years? Rowland's first-year budget contained a $200 million income tax cut--which was a disappointingly small slice of the $2.6 billion raised from the income tax. That tax cut was less than half the promised first-year reduction and has raised suspicions that the income tax may become a permanent fixture after all. To his credit, Rowland has reversed the seemingly endless budget buildup engineered by his two big-spending predecessors, Weicker and Democrat William O'Neill. Connecticut's budget grew by 160 percent from 1980 to 1992--the third fastest rate of growth of the 50 states. In Rowland's first two years he has slammed on the brakes, with general fund spending proposals that have actually declined in real terms. Unfortunately, the legislature appropriated $350 million more in 1996 than he requested. He has cut the general assistance welfare budget, public housing aid, and transportation funds, while imposing a hiring freeze. He wants to sell a portion of the state lottery to private investors. Rowland's growth-oriented agenda has helped pull the economy out of the depths of the early 1990s recession that devastated the state's insurance, defense, and banking industries--a recession exacerbated by Weicker's tax grab. But if in two years the income tax is intact, Rowland's term cannot be considered a success.

General Fund Spending*	**1997**	**1995**	**Average Annual Change**
Millions of 1995 dollars Per $1,000 personal income Per family of four (1995 $)	$8,281 $85.56 $10,131	$8,399 $88.29 $10,258	-0.7% -1.6% -$64
General Fund Revenue*	**1997**	**1995**	**Average Annual Change**
Millions of 1995 dollars Per $1,000 personal income Per family of four (1995 $)	$8,282 $85.57 $10,132	$8,480 $89.14 $10,357	-1.2% -2.0% -$112

State Tax Rates

	1996	**1995**
Individual income tax -Range of rates (%) -Top bracket -Marginal rate on median income General sales tax	 3-4.5 $16,500 4.5% 6.0%	 4.5 N/A 4.5% 6.0%

	1996	**1995**
Corporate income tax -Range of rates (%) -Top bracket Gasoline tax (per gallon)	 10.75 N/A 37.0Â¢	 11.50 N/A 32.0Â¢

Delaware

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

A former five-term member of the U.S. Congress, Carper is one of the last of the truly big-spending governors. Whereas most states have held spending growth well below inflation over the past two years, the Delaware budget has climbed by 5 to 6 percent per year. Carper continues to push for rapid growth of expenditures for health care, education, and industrial-policy-type economic development programs. In the past two years Delaware has led the nation in rapid spending growth. Carper's welfare reform initiative--"A Better Chance"--is designed to push recipients into work and self-sufficiency, but it is too early to tell whether the rhetoric will be matched with results. Carper's tax record is mixed. In his first year in office he enacted a series of giant tax hikes--raising revenues by more than 8 percent. He raised the gas tax, turnpike toll prices, and various other fees. Yet since then he has approved almost $40 million in income tax rate cuts and rollbacks in the unemployment and utility taxes. On balance, Carper has Delaware headed in the wrong direction fiscally.

Total State Expenditures	1994	1993	Average Annual Change
Millions of 1994 dollars Per $1,000 personal income Per family of four (1994 $)	$2,617 $172 $14,828	$2,623 $175 $14,986	-0.2% -2.0% -$158

State Own-Source Revenue	1994	1993	Average Annual Change
Millions of 1994 dollars Per $1,000 personal income Per family of four (1994 $)	$2,741 $180 $15,531	$2,493 $167 $14,248	9.9% 8.0% $1,283

General Fund Spending	1996	1994	Average Annual Change
Millions of 1995 dollars Per $1,000 personal income Per family of four (1995 $)	$1,664 $99.06 $9,156	$1,382 $87.34 $7,810	9.7% 6.5% $673

General Fund Revenue	1996	1994	Average Annual Change
Millions of 1995 dollars Per $1,000 personal income Per family of four (1995 $)	$1,594 $94.90 $8,771	$1,489 $94.09 $8,414	3.5% 0.4% $179

	1996	1993
Individual income tax -Range of rates (%) -Top bracket -Marginal rate on median income General sales tax	 3.2-7.1 $30,000 7.10% No Tax	 3.2-7.7 $40,000 7.00% No Tax

	1996	1993
Corporate income tax -Range of rates (%) -Top bracket Gasoline tax (per gallon)	 8.70 N/A 23.0Â¢	 8.70 N/A 19.0Â¢

Florida

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

Chiles has carefully nurtured a public image as a genuine "new Democrat" with an agenda of reinventing government and "rightsizing" the bureaucracy of state agencies. The reality of his administration could hardly be further from the rhetoric. In the first months of his first term in 1992 he pushed for a $1.3 billion tax hike. It was rejected by the legislature, so he settled for $400 million in various fees and assessments. In 1994 he pushed for a Clinton-style health care reform proposal that the voters hated. He is also enamored of expensive industrial policy initiatives to develop enterprise in the state. In his first term, Chiles was one of America's most spendthrift governors, as Florida's state expenditures stampeded from $25.1 billion to $32.3 billion--a 29 percent rise. Even accounting for inflation and the state's rapid population growth, spending per family was $1,000 higher by 1994 than when Chiles took office. His second term has been more of the same: rhetoric about downsizing government, yet spending and revenue increases that continue to outpace income and population growth. Chiles promised a more "efficient and accountable government" when he became governor. Instead he has given Floridians a much bigger and costlier state government.

Total State Expenditures	**1994**	**1991**	**Average Annual Change**
Millions of 1994 dollars	$32,284	$27,386	5.6%
Per $1,000 personal income	$114	$104	3.1%
Per family of four (1994 $)	$9,255	$8,244	$337

State Own-Source Revenue	**1994**	**1991**	**Average Annual Change**
Millions of 1994 dollars	$27,398	$22,772	6.4%
Per $1,000 personal income	$97	$87	3.8%
Per family of four (1994 $)	$7,854	$6,855	$333

General Fund Spending	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars	$14,366	$13,714	2.3%
Per $1,000 personal income	$45.58	$46.76	-1.3%
Per family of four (1995 $)	$3,989	$3,930	$29

General Fund Revenue	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars	$14,465	$13,526	3.4%
Per $1,000 personal income	$45.90	$46.12	-0.2%
Per family of four (1995 $)	$4,016	$3,876	$70

State Tax Rates

	1996	**1991**
Individual income tax		
Range of rates (%)	No Tax	No Tax
Top bracket	N/A	N/A
Marginal rate on median income	N/A	N/A
General sales tax	6%	6%

	1996	**1991**
Corporate income tax		
Range of rates (%)	5.50	5.50
Top bracket	N/A	N/A
Gasoline tax (per gallon)	12.5Â¢	11.6Â¢

Georgia

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

Miller, a long-time Bill Clinton supporter, gained national fame in 1992 as the keynote speaker at the Democratic National Convention. In the Atlanta statehouse Miller has governed as a fiscal moderate. Spending and revenues have grown just at the rate of personal income growth over the last two years. The one exception has been the education budget, which has ballooned since Miller instituted a state lottery with the funds earmarked for the schools. In recent years Miller has supported and enacted a series of tax cuts. In January 1996 he signed into law a $200 million tax cut, exempting food from the sales tax. In 1994 Miller approved a $100 million tax cut for families with children; the dependent exemption was raised from $1,500 to $2,500. He also signed a tax cut for senior citizens with retirement income. Miller's primary achievement is that, during his tenure, Georgia has by many measures enjoyed the fastest growth rate of any state east of the Mississippi. In this increasingly conservative state, Miller's mode of governance has suited the mood of his constituents.

Total State Expenditures	**1994**	**1991**	**Average Annual Change**
Millions of 1994 dollars	$16,823	$14,457	5.2%
Per $1,000 personal income	$127	$120	1.9%
Per family of four (1994 $)	$9,538	$8,730	$269

State Own-Source Revenue	**1994**	**1991**	**Average Annual Change**
Millions of 1994 dollars	$13,651	$11,328	6.4%
Per $1,000 personal income	$103	$94	3.1%
Per family of four (1994 $)	$7,740	$6,841	$300

General Fund Spending	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars	$10,056	$9,132	4.9%
Per $1,000 personal income	$67.60	$66.89	0.5%
Per family of four (1995 $)	$5,474	$5,175	$149

General Fund Revenue	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars	$9,951	$9,153	4.3%
Per $1,000 personal income	$66.90	$67.05	-0.1%
Per family of four (1995 $)	$5,417	$5,187	$115

State Tax Rates

	1996	**1991**
Individual income tax -Range of rates (%)	1-6	1-6

-Top bracket	$7,000	$7,000
-Marginal rate on median income	6.00%	6.00%
General sales tax	4.0%	4.0%

	1996	1991
Corporate income tax		
-Range of rates (%)	6.00	6.00
-Top bracket	N/A	N/A
Gasoline tax (per gallon)	7.5Â¢	7.5Â¢

Hawaii

Benjamin Cayetano, Democrat
Legislature: Democratic
Took Office: 12/94
Grade: D

Hawaii has long had a big-spending, high-tax culture--so much so that even very modest budget restraints attempted by newly elected Cayetano have met fierce opposition. Cayetano is clearly more tightfisted on fiscal issues than his predecessor, John Waihee, who doubled the state budget in eight years. Although Cayetano's budget-cutting efforts pale in comparison with those of other governors, they are nearly unprecedented in Hawaii. Cayetano, who inherited a $750 million deficit, cut $530 million from the projected 1996 budget by laying off 2,700 state employees (the first multiple layoffs of state union workers in Hawaii's history), paring Medicaid costs, and consolidating agencies. Those steps won accolades from the Small Business Hawaii coalition but hostility from the public employee unions. When he cut the University of Hawaii's funding by $50 million, indignant students protested by staging a "death of education" march. Cayetano deserves credit for rejecting calls from the legislature and the media for a state tax increase to close the deficit in his first two years. But he does not seem to understand that holding the line is not enough to generate growth in a state that has suffered the nation's fourth most anemic income gains in the 1990s. A genuine economic renaissance will require slashing the state's punitive income tax rates that chase investment away. Hawaii needs a tax cut, not a tax hike.

General Fund Spending	**1997**	**1995**	**Average Annual Change**
Millions of 1995 dollars	$2,938	$3,169	-3.7%
Per $1,000 personal income	$101.34	$111.84	-4.8%
Per family of four (1995 $)	$9,648	$10,679	-$515
General Fund Revenue	**1997**	**1995**	**Average Annual Change**
Millions of 1995 dollars	$2,973	$2,969	0.1%
Per $1,000 personal income	$102.55	$104.78	-1.1%
Per family of four (1995 $)	$9,763	$10,005	-$121

State Tax Rates

	1996	1995
Individual income tax		
-Range of rates (%)	2-10	2-10

-Top bracket -Marginal rate on median income General sales tax	$20,500 10.0% 4.0%	$20,500 10.0% 4.0%

	1996	1995
Corporate income tax -Range of rates (%) -Top bracket Gasoline tax (per gallon)	 4.4-6.4 $100,000 16.0Â¢	 4.4-6.4 $100,000 16.0Â¢

Idaho

Phil Batt, Republican
Legislature: Republican
Took Office: 1/95
Grade: C

Idaho is booming. In the 1990s employment has risen by 22 percent--more than in any other state--as companies and workers have stampeded into this low-tax, business-friendly environment. Batt's first two budgets called for spending increases of 7 and 5 percent--well above the national average in these increasingly frugal times. But he has proposed the elimination of several agencies and a welfare reform that would require recipients to work and that would pursue deadbeat dads. Batt's central accomplishment was passage in 1995 of the largest property tax cut--$40 million a year--in Idaho history. The bill also placed a 3 percent cap on local government budget increases unless local constituents affirmatively vote to override them. Despite those accomplishments and his encouraging free-market rhetoric, Batt is not entirely hostile to new government programs and new taxes to pay for them. For FY97 Batt has proposed a 4-cent increase in the gas tax--the largest hike supported by any new governor--and an increase in the vehicle registration fee to pay for repairing the state's roads.

General Fund Spending	**1997**	**1995**	**Average Annual Change**
Millions of 1995 dollars Per $1,000 personal income Per family of four (1995 $)	$1,331 $58.52 $4,330	$1,268 $60.80 $4,361	2.4% -1.9% -$16
General Fund Revenue	**1997**	**1995**	**Average Annual Change**
Millions of 1995 dollars Per $1,000 personal income Per family of four (1995 $)	$1,331 $58.52 $4,330	$1,233 $59.12 $4,241	3.9% -0.5% $44

State Tax Rates

	1996	1995
Corporate income tax Range of rates (%) Top bracket Gasoline tax (per gallon)	 8.00 N/A 22.0Â¢	 8.00 N/A 22.0Â¢

	1996	1995
Individual income tax		
Range of rates (%)	2-8.2	2-8.2
Top bracket	$20,000	$20,000
Marginal rate on median income	8.2%	8.2%
General sales tax	5.0%	5.0%

Illinois

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

On almost all issues Edgar can be found in the middle of the road. He boasts that during his term there have been "no statewide tax increases." The facts are more complicated. Early in his first term he extended an unpopular temporary income tax increase and later made it permanent. In 1995 he signed a law that removed county property tax caps and raised statutory limits on the amount counties can borrow without a voter referendum. That could allow counties to raise as much as $500 million in additional property tax levies beginning in 1996. Shortly after his reelection, after pledging no new taxes, he tried, but failed, to raise taxes to pay for more education funding. The Wall Street Journal blasted that "tax-and-switch" ploy. Illinois is a low-tax-and-spend state--relative to personal income--but in real terms the state now spends roughly $700 more per family than in 1991. To his credit, Edgar has blocked ill-advised taxpayer funding of Mayor Daley's pet projects, including a new airport, lakefront casinos, and a downtown trolley. Edgar's chief accomplishment has been passage of a "tough love" welfare reform bill that encourages mothers to work and caps Aid to Families with Dependent Children benefits. Edgar's overall fiscal record is mediocre at best.

Total State Expenditures	**1994**	**1991**	**Average Annual Change**
Millions of 1994 dollars	$29,449	$26,789	3.2%
Per $1,000 personal income	$112	$105	2.0%
Per family of four (1994 $)	$10,023	$9,298	$242

State Own-Source Revenue	**1994**	**1991**	**Average Annual Change**
Millions of 1994 dollars	$24,721	$21,946	4.0%
Per $1,000 personal income	$94	$86	2.8%
Per family of four (1994 $)	$8,414	$7,617	$266

General Fund Spending	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars	$17,399	$15,960	4.4%
Per $1,000 personal income	$61.18	$58.97	1.8%
Per family of four (1995 $)	$5,845	$5,429	$208

General Fund Revenue	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars	$17,369	$16,020	4.1%

Per $1,000 personal income	$61.07	$59.19	1.6%
Per family of four (1995 $)	$5,834	$5,449	$193

State Tax Rates

	1996	**1991**
Individual income tax		
-Range of rates (%)	3.00	3.00
-Top bracket	N/A	N/A
-Marginal rate on median income	3.00%	3.00%
General sales tax	6.25%	6.25%

	1996	**1991**
Corporate income tax		
-Range of rates (%)	7.30	7.30
-Top bracket	N/A	N/A
Gasoline tax (per gallon)	19.0Â¢	19.0Â¢

Indiana

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

Evan Bayh is far more pro-business and pro-taxpayer than the national Democratic Party. He ran for governor in 1988 as an opponent of higher taxes and expensive government activism. He has kept his word on taxes. In the recession of the early 1990s, when the vast majority of states enacted major tax hikes, Bayh steadfastly rejected them. Indiana is one of only three states that have not raised taxes in the 1990s. In his second term Bayh has cut several taxes--a $600 million cut in property taxes over five years and a 50 percent reduction in the auto excise tax. State expenditures have expanded under Bayh, however. From 1989 to 1994 state spending grew by $2,100 per family of four after accounting for inflation. Spending has slowed to just above the inflation rate in the past two years; nonetheless, state expenditures today are 55 percent higher than when Bayh was first elected. His spending priorities tend to resemble those of traditional Democrats: education, health care, and children's programs. Still, the combination of a strong state economy on his watch and his unwavering anti-tax stance has made Bayh one of the nation's most popular governors--a fiscally conservative Democrat in his record, not just his rhetoric. The Almanac of American Politics reports that many Democrats "see Bayh as an attractive national candidate" some day.

Total State Expenditures	**1994**	**1989**	**Average Annual Change**
Millions of 1994 dollars	$15,048	$11,551	5.4%
Per $1,000 personal income	$137	$117	3.3%
Per family of four (1994 $)	$10,465	$8,364	$420

State Own-Source Revenue	**1994**	**1989**	**Average Annual Change**
Millions of 1994 dollars	$11,575	$10,301	2.4%
Per $1,000 personal income	$106	$104	0.3%

Per family of four (1994 $)	$8,049	$7,459	$118

General Fund Spending	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars	$6,971	$6,824	1.1%
Per $1,000 personal income	$58.16	$60.55	-2.0%
Per family of four (1995 $)	$4,763	$4,743	$10

General Fund Revenue	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars	$7,312	$6,906	2.9%
Per $1,000 personal income	$61.00	$61.28	-0.2%
Per family of four (1995 $)	$4,996	$4,800	$98

State Tax Rates

	1996	**1989**
Individual income tax		
-Range of rates (%)	3.40	3.40
-Top bracket	N/A	N/A
-Marginal rate on median income	3.4%	3.4%
General sales tax	5%	5%

	1996	**1989**
Corporate income tax		
-Range of rates (%)	7.90	7.90
-Top bracket	N/A	N/A
Gasoline tax (per gallon)	15.0Â¢	15.0Â¢

Iowa

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

With the defeat of Mario Cuomo in 1994, Terry Branstad is now the nation's senior governor. The state budget has swelled under Branstad, though much of the blame rests with a pro-spending legislature throughout most of his tenure. Even after adjusting for inflation, the state now spends $2,900 more per family than in 1983. The budget is twice as large as it was when Branstad first took office 12 years ago--although most states saw even more rapid budget increases in the expansionary 1980s. Branstad's tax record is above average. Iowa's notoriously high income taxes on individuals and businesses have been chopped, and the rates have been indexed for inflation, but the sales tax and the gas tax have risen (the sales tax hikes are especially unpopular). Last year Branstad proposed a four-year 15 percent income tax rate cut--modeled after that of Whitman in New Jersey--and property tax relief. During Branstad's four terms as governor the state economy has performed well, partly because of the overdue reductions in the state's growth-suppressing tax rates of the 1970s and early 1980s.

			Average

Total State Expenditures	1994	1983	Annual Change
Millions of 1994 dollars Per $1,000 personal income Per family of four (1994 $)	$8,101 $157 $11,454	$6,186 $133 $8,518	2.5% 1.6% $267

State Own-Source Revenue	1994	1983	Average Annual Change
Millions of 1994 dollars Per $1,000 personal income Per family of four (1994 $)	$6,922 $134 $9,787	$4,900 $105 $6,747	3.2% 2.3% $276

General Fund Spending	1996	1994	Average Annual Change
Millions of 1995 dollars Per $1,000 personal income Per family of four (1995 $)	$3,732 $64.38 $5,230	$3,568 $66.84 $5,042	2.3% -1.9% $94

General Fund Revenue	1996	1994	Average Annual Change
Millions of 1995 dollars Per $1,000 personal income Per family of four (1995 $)	$3,915 $67.53 $5,485	$3,662 $68.59 $5,174	3.4% -0.8% $156

State Tax Rates

	1996	1983
Individual income tax Range of rates (%) Top bracket Marginal rate on median income General sales tax	 0.4-9.98 $48,195 7.55% 5%	 0.5-13 $76,725 8.00% 3%

	1996	1983
Corporate income tax Range of rates (%) Top bracket Gasoline tax (per gallon)	 6-12 $250,000 20Â¢	 6-12 $250,000 13Â¢

Kansas

Bill Graves, Republican Legislature: Republican
Took Office: 1/95
Grade: C

Graves's first two years in office have been fiscally schizophrenic. He has held spending in his first two budgets to below inflation. He approved a $180 million tax cut (more than twice as large as the one he had requested) initiated by the legislature last year, which included a 50 percent reduction in automobile taxes, repeal of the anti-growth sales tax on labor used in new construction and on utilities used in production ($165 million saved), and a two-year moratorium on unemployment insurance taxes. He embarked on a six-month moratorium on new regulations followed by the elimination of 530 unnecessary rules. He has called for a 5 percent reduction in agency staff levels by 1997. And he says he will veto any property, sales, or income tax increase. But he is now at war with the conservatives in the state over issues like term limits and tax cuts. Graves has rejected further attempts by the Republicans in the legislature to cut taxes, saying, "What part of 'hell no' don't you understand?" He has even asked the legislature to renew the property tax mill levy dedicated to funding public education. His statement against a property tax cut sounds like it was prepared by the teachers' union: "I will not allow the schoolchildren of Kansas to be held hostage to election year politics." Graves got off to a solid start, but he now seems to be a guardian of the status quo and an enemy of growth-oriented reform.

General Fund Spending	1997	1995	Average Annual Change
Millions of 1995 dollars	$3,320	$3,310	0.1%
Per $1,000 personal income	$59.88	$62.42	-2.1%
Per family of four (1995 $)	$5,108	$5,162	-$27

General Fund Revenue	1997	1995	Average Annual Change
Millions of 1995 dollars	$3,324	$3,223	1.6%
Per $1,000 personal income	$59.97	$60.78	-0.7%
Per family of four (1995 $)	$5,115	$5,026	$45

State Tax Rates

	1996	1995
Individual income tax		
-Range of rates (%)	4.4-7.75	4.4-7.75
-Top bracket	$30,000	$30,000
-Marginal rate on median income	7.5%	7.5%
General sales tax	4.90%	4.90%

	1996	1995
Corporate income tax		
-Range of rates (%)	4-7.35	4-7.35
-Top bracket	$50,000	$50,000
Gasoline tax (per gallon)	18.0Â¢	18.0Â¢

Maine

Angus King, Independent
Legislature: Divided
Took Office: 1/95
Grade: C

As the nation's only governor betrothed to neither political party, King, a former TV talk show personality in the state, has governed as a moderate to conservative in the statehouse. He has pledged not to raise taxes, and his first two budgets contained no major tax hikes. But they did contain a series of fee increases and other revenue raisers. State spending has been held to below the rate of inflation and population growth, and King has imposed a temporary moratorium on regulations. The major challenge facing King is to end the economic malaise in the state. In the 1990s Maine has seen no increase in population or employment, and its per capita income has grown about 10 percent slower than the national average. The towering business and personal income tax rates in the state are a formidable economic albatross. Earlier this year the state legislature enacted a budget "cap" on the individual income tax that would take effect in 1998 and then remain in effect until the income tax rate is reduced by 20 percent. That is precisely the program for prosperity that is needed. Unfortunately, King chose not to support it.

General Fund Spending	**1997**	**1995**	**Average Annual Change**
Millions of 1995 dollars	$1,683	$1,713	-0.9%
Per $1,000 personal income	$67.42	$70.90	-2.5%
Per family of four (1995 $)	$5,408	$5,521	-$57

General Fund Revenue	**1997**	**1995**	**Average Annual Change**
Millions of 1995 dollars	$1,680	$1,709	-0.9%
Per $1,000 personal income	$67.27	$70.73	-2.5%
Per family of four (1995 $)	$5,396	$5,508	-$56

State Tax Rates

	1996	**1995**
Individual income tax		
Range of rates (%)	2-8.5	2-8.5
Top bracket	$16,500	$16,500
Marginal rate on median income	8.5%	8.5%
General sales tax	6.0%	6.0%

	1996	**1995**
Corporate income tax		
Range of rates (%)	3.5-8.93	3.5-8.93
Top bracket	$250,000	$250,000
Gasoline tax (per gallon)	19.0Â¢	19.0Â¢

Maryland

Parris Glendening, Democrat
Legislature: Democratic
Took Office: 1/95
Grade: D

In this Democratic stronghold Glendening managed to beat conservative tax-cutting Republican Ellen Sauerbrey by only a hairsbreadth in 1994. Borrowing from Sauerbrey's agenda, Glendening got off to a fast start in 1995, calling for a 10 percent income tax cut and arguing correctly that Maryland's anti-growth tax system is bleeding jobs to low-tax neighbors like Virginia. Maryland has the fifth highest income taxes in the country, and Money magazine recently referred to the state as a "tax hell." Not surprisingly, in the 1990s Maryland's income growth has lagged nearly 20 percent behind that of the rest of the nation. Glendening never invested much political capital in pushing his tax cut proposal through the state legislature and now has abandoned it. In fact, the governor's about-face has been so dramatic that he now claims a tax cut would be "irresponsible" and tries to mute anti-tax sentiments by arguing that it injures Maryland's competitiveness when politicians and business leaders publicly complain about the state's taxes. Tax cuts may have been declared unaffordable, but Glendening has no problem finding ways to fund an arsenal of new spending programs. The governor's chief economic redevelopment initiatives now involve spending tax dollars on everything from a $200 million taxpayer-financed Baltimore football stadium (a sweetheart deal for Browns owner Art Modell), to inflated school budgets, to an arsenal of industrial policy programs, including technology training centers and revolving loan funds to help small businesses. Glendening touts those corporate welfare giveaways as evidence that he is "pro-business." The Washington Post editorial page, hardly hostile to activist government, has criticized Glendening's spending ways by writing that the governor "promises too many new programs."

General Fund Spending	**1997**	**1995**	**Average Annual Change**
Millions of 1995 dollars	$7,042	$7,000	0.3%
Per $1,000 personal income	$54.80	$56.27	-1.3%
Per family of four (1995 $)	$5,477	$5,553	-$38
General Fund Revenue	**1997**	**1995**	**Average Annual Change**
Millions of 1995 dollars	$7,042	$7,068	-0.2%
Per $1,000 personal income	$54.80	$56.82	-1.8%
Per family of four (1995 $)	$5,477	$5,607	-$65

State Tax Rates

	1996	**1995**
Individual income tax		
-Range of rates (%)	2-5	2-5
-Top bracket	$3,000	$3,000
-Marginal rate on median income	5.0%	5.0%
General sales tax	5.0%	5.0%

	1996	**1995**
Corporate income tax		
Range of rates (%)	7.00	7.00
Top bracket	N/A	N/A
Gasoline tax (per gallon)	23.5Â¢	23.5Â¢

Massachusetts

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

Weld's combination of fiscal conservatism and social liberalism seems to be a popular brand of Republicanism in what is arguably the most Democratic of states. As successor to Michael Dukakis, Weld took office in 1991 in the midst of a severe regional depression and an $800 million state deficit that the Boston Globe described as a "fiscal Beirut." Weld began to engage in a whirlwind of government downsizing. In his first two years in office, the state budget actually declined in nominal terms--an astonishing achievement given the pro-spending inclinations of the legislature. Weld privatized state services, slashed the public payroll, and cut general welfare assistance for employable adults. Weld has also been a supply-side tax cutter. His 1991 income tax rate rollback was the first of eight tax cuts he pushed through in his first term. He also canceled several Dukakis tax hikes. Yet in recent years his fervor for spending restraint seems to have waned; he has approved budgets that are far more accommodating of the Democrats in the legislature than was his first budget. He trumpets big spending increases for schools, the environment, and child care. Conservative critics in the state complain that after six years of Weld, the state still overspends, overtaxes, and overregulates. True, but there is no denying that the fiscal health and livability of this state have improved since Weld took over.

Total State Expenditures	**1994**	**1991**	**Average Annual Change**
Millions of 1994 dollars	$22,454	$22,142	0.5%
Per $1,000 personal income	$153	$150	0.6%
Per family of four (1994 $)	$14,868	$14,757	$37

State Own-Source Revenue	**1994**	**1991**	**Average Annual Change**
Millions of 1994 dollars	$16,856	$15,530	2.8%
Per $1,000 personal income	$115	$105	2.9%
Per family of four (1994 $)	$11,161	$10,350	$270

General Fund Spending	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars	$15,829	$15,393	1.4%
Per $1,000 personal income	$99.44	$101.96	-1.2%
Per family of four (1995 $)	$10,405	$10,192	$107

General Fund Revenue	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars	$15,706	$15,450	0.8%
Per $1,000 personal income	$98.67	$102.34	-1.8%
Per family of four (1995 $)	$10,324	$10,230	$47

State Tax Rates

	1996	**1991**
Individual income tax		
-Range of rates (%)	5.95	6.25
-Top bracket	N/A	N/A
-Marginal rate on median income	5.95%	6.25%
General sales tax	5%	5%

	1996	**1991**
Corporate income tax		

-Range of rates (%)	9.50	9.50
-Top bracket	N/A	N/A
Gasoline tax (per gallon)	21.0Â¢	21.0Â¢

Michigan

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

Engler inherited a $1.5 billion deficit in 1991 and quickly closed the gap with an impressive budget-cutting agenda. He ended a general assistance program for 75,000 employable adults, slashed 6,000 workers from state payrolls, ended low-priority programs, and privatized homeless services and other state activities. During his first six years, Engler has consistently recommended budgets that grow less than inflation and population, and the state now runs a healthy surplus. The unemployment rate of 4.5 percent is lower than at any time since the mid-1960s and well below the national average. Last year Engler signed into law his 14th and 15th tax cuts. The largest and most controversial of those was a school-financing, tax-restructuring program under which local property taxes were sharply reduced and the state sales tax was raised by 2 percentage points. The plan yielded a net tax cut of more than $500 million a year and provided the go-ahead for an ambitious agenda of charter schools. But the move away from local jurisdiction over school financing is clearly wrongheaded. Engler has also shown too much enthusiasm for costly industrial policy initiatives designed to lure investment into the state. His ambitious work-to-welfare initiative has had mixed reviews. Today, one of every three Michigan welfare recipients has a job, but Engler's "reform" plan includes questionable governmental spending on such things as child care and transportation. Overall, however, Engler's agenda has been one of impressive fiscal restraint.

Total State Expenditures*	**1994**	**1991**	**Average Annual Change**
Millions of 1994 dollars	$28,005	$26,155	2.3%
Per $1,000 personal income	$144	$141	0.8%
Per family of four (1994 $)	$11,797	$11,165	$210

State Own-Source Revenue*	**1994**	**1991**	**Average Annual Change**
Millions of 1994 dollars	$23,375	$20,775	4.0%
Per $1,000 personal income	$120	$112	2.5%
Per family of four (1994 $)	$9,846	$8,869	$326

General Fund Spending*	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars	$7,793	$8,107	-2.0%
Per $1,000 personal income	$35.69	$40.48	-6.1%
Per family of four (1995 $)	$3,248	$3,416	-$84

General Fund Revenue*	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars	$7,793	$8,080	-1.8%
Per $1,000 personal income	$35.69	$40.34	-5.9%

Per family of four (1995 $)	$3,248	$3,405	-$78

State Tax Rates

	1996	1991
Individual income tax		
Range of rates (%)	4.40	4.60
Top bracket	N/A	N/A
Marginal rate on median income	4.40%	4.60%
General sales tax	6%	4%

	1996	1991
Corporate income tax		
Range of rates (%)	2.30	2.35
Top bracket	N/A	N/A
Gasoline tax (per gallon)	15.0Â¢	15.0Â¢

Minnesota

Arne Carlson, Republican
Legislature: Democratic
Took Office: 1/91
Grade: C

Throughout his first term, Carlson governed as a tax-and-spend liberal Republican. From 1991 to 1994 total state expenditures expanded by almost 20 percent. After adjusting for inflation, taxes per family of four climbed by about $1,100. He approved highly unpopular and counterproductive hikes in both the sales tax and the income tax. He supported new spending for education, an expensive health care program, "family services" grants, environmental programs, and even $55 million for the Minneapolis Timberwolves sports stadium. The good news is that his second term has brought some improvement. He has now endorsed spending restraints and has called for program consolidations and greater local flexibility for the schools. He also is an advocate of school choice for low-income parents. But what Minnesota needs most is what most states are adopting and what Carlson has not endorsed: pro-growth tax cuts.

Total State Expenditures	**1994**	**1991**	**Average Annual Change**
Millions of 1994 dollars	$15,278	$13,852	3.3%
Per $1,000 personal income	$161	$155	1.3%
Per family of four (1994 $)	$13,381	$12,511	$290

State Own-Source Revenue	**1994**	**1991**	**Average Annual Change**
Millions of 1994 dollars	$13,709	$12,077	4.3%
Per $1,000 personal income	$144	$135	2.3%
Per family of four (1994 $)	$12,007	$10,908	$366

			Average

General Fund Spending*	1996	1994	Annual Change
Millions of 1995 dollars Per $1,000 personal income Per family of four (1995 $)	$8,987 $86.87 $7,721	$8,362 $85.99 $7,322	3.7% 0.5% $200

General Fund Revenue	1996	1994	Average Annual Change
Millions of 1995 dollars Per $1,000 personal income Per family of four (1995 $)	$8,791 $84.97 $7,553	$8,391 $86.29 $7,347	2.4% -0.8% $103

State Tax Rates

	1996	1991
Individual income tax Range of rates (%) Top bracket Marginal rate on median income General sales tax	6-8.5 $51,330 8.00% 6.5%	6-8 $93,000 8.00% 6.0%

	1996	1991
Corporate income tax Range of rates (%) Top bracket Gasoline tax (per gallon)	9.80 N/A 20.0Â¢	9.80 N/A 20.0Â¢

Mississippi

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

Fordice, a career businessman whose first job in politics has been as governor, continues to leave a pro-growth, fiscally conservative imprint on the state budget. His score would almost certainly be higher if he were not encumbered by a liberal-leaning state legislature that has attempted to torpedo his agenda at every turn. In his first year the legislature enacted a sales tax increase only by overriding Fordice's veto. Last year Fordice requested a 10 percent income tax cut; the legislature ignored it. The state constitution mandates a 3/5 majority vote to cut taxes; Fordice has crusaded for the repeal of that ill-advised requirement as well as the passage of a constitutional amendment requiring that any tax hike be approved by a vote of the people. He did manage to muscle through the legislature a capital gains tax cut that has helped lure new businesses into the state. On the expenditure side of the budget, the legislature has not been able to ignore his tightfisted approach. During his tenure as governor, general fund spending has risen only at the rate of personal income growth. He pushed through a work-for-welfare requirement and a tort reform law to cut litigation costs. He has presided over what he calls the "Mississippi miracle"--125,000 new jobs since he became governor, a drop in the unemployment rate from 8.1 to 5.5 percent, and a 40 percent increase in the state's export trade. Fordice is the Mississippi taxpayer's best friend in many years.

			Average

Total State Expenditures*	**1994**	**1992**	**Annual Change**
Millions of 1994 dollars Per $1,000 personal income Per family of four (1994 $)	$6,611 $170 $9,908	$6,085 $167 $9,314	4.2% 1.0% $297

State Own-Source Revenue*	**1994**	**1992**	**Average Annual Change**
Millions of 1994 dollars Per $1,000 personal income Per family of four (1994 $)	$5,017 $129 $7,520	$4,330 $119 $6,628	7.7% 4.3% $446

General Fund Spending*	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars Per $1,000 personal income Per family of four (1995 $)	$2,481 $57.30 $3,646	$2,269 $56.84 $3,400	4.6% 0.4% $123

General Fund Revenue*	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars Per $1,000 personal income Per family of four (1995 $)	$2,518 $58.16 $3,700	$2,376 $59.51 $3,559	2.9% -1.1% $71

State Tax Rates

	1996	**1992**
Individual income tax Range of rates (%) Top bracket Marginal rate on median income General sales tax	 3-5 $10,000 5.00% 7%	 3-5 $10,000 5.00% 6%

	1996	**1992**
Corporate income tax Range of rates (%) Top bracket Gasoline tax (per gallon)	 3-5 $10,000 18.0Â¢	 3-5 $10,000 18.0Â¢

Missouri

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

At a time when most states are moving toward fiscal restraint, Carnahan continues to promote the expansion of state government in Missouri. Since 1993 total state expenditures have grown faster than they have in all but a handful of states and almost 3 percent faster than personal income in the state. Carnahan is strongly backed by the powerful Missouri teachers' unions, and he has rewarded their support by funneling hundreds of millions of additional dollars into the schools. He has also pumped state dollars into unpromising economic redevelopment programs. In 1994 he promoted a statewide Kennedy-Kassebaum-style health care agenda that was wisely rejected by the legislature. To pay for his spending initiatives, Carnahan endorsed the largest tax increase in Missouri history in 1993: both the corporate income tax and the gasoline tax were raised, and localities were required to raise their property taxes. In 1994 he staunchly opposed a ballot initiative (the Hancock II Amendment) that would have limited the growth of state taxes and spending. But in 1995 he proposed a weaker substitute tax limitation amendment, which was successful, that requires all tax increases of more than $50 million to be ratified by a vote of the people. That requirement would have been most useful when Carnahan first took office.

Total State Expenditures	**1994**	**1993**	**Average Annual Change**
Millions of 1994 dollars	$11,549	$11,086	4.2%
Per $1,000 personal income	$113	$110	2.7%
Per family of four (1994 $)	$8,692	$8,472	$219

State Own-Source Revenue	**1994**	**1993**	**Average Annual Change**
Millions of 1994 dollars	$9,640	$9,578	0.7%
Per $1,000 personal income	$94	$95	-0.7%
Per family of four (1994 $)	$7,255	$7,319	-$64

General Fund Spending	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars	$5,590	$4,789	8.0%
Per $1,000 personal income	$50.01	$45.65	4.7%
Per family of four (1995 $)	$4,168	$3,629	$270

General Fund Revenue	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars	$5,516	$4,840	6.8%
Per $1,000 personal income	$49.34	$46.13	3.4%
Per family of four (1995 $)	$4,113	$3,667	$223

State Tax Rates

	1996	**1993**
Individual income tax		
-Range of rates (%)	1.5-6	1.5-6
-Top bracket	$9,000	$9,000
-Marginal rate on median income	6.00%	6.00%
General sales tax	3.975%	4.225%

	1996	**1993**
Corporate income tax		
-Range of rates (%)	6.25	5.00

-Top bracket	N/A	N/A
Gasoline tax (per gallon)	15.0Â¢	13.0Â¢

Montana

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

Montana is a surprisingly high tax-and-spend state, and Racicot has worked to keep it that way. In his first budget Racicot endorsed a blizzard of new taxes: first a 4 percent sales tax (which was rejected by the voters), then an income tax hike, then a payroll tax hike and a tax on self-employment, and finally a 10-cent-per-gallon rise in the gasoline tax. His record on spending has been more respectable--partly because many of his tax increase plans were foiled. Outlays have been held to the personal income growth rate in his first term, and the state payroll has been trimmed. The $200 million deficit he inherited has been erased. Also to his credit, he has proposed a "Truth in Budgeting" bill that would outlaw current services baseline budgeting in favor of a performance-based budgeting system. Since Racicot's catastrophic first year in office, his record has clearly improved, but he is still one of the most pro-tax Republican governors.

Total State Expenditures	**1994**	**1993**	**Average Annual Change**
Millions of 1994 dollars	$2,778	$2,731	1.7%
Per $1,000 personal income	$190	$198	-3.9%
Per family of four (1994 $)	$12,980	$13,019	-$40

State Own-Source Revenue	**1994**	**1993**	**Average Annual Change**
Millions of 1994 dollars	$2,327	$2,311	0.7%
Per $1,000 personal income	$159	$167	-4.8%
Per family of four (1994 $)	$10,872	$11,017	-$145

General Fund Spending	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars	$970	$929	2.2%
Per $1,000 personal income	$62.11	$60.99	0.9%
Per family of four (1995 $)	$4,385	$4,342	$22

General Fund Revenue	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars	$946	$927	1.0%
Per $1,000 personal income	$60.56	$60.86	-0.2%
Per family of four (1995 $)	$4,275	$4,332	-$28

State Tax Rates

	1996	**1993**

Individual income tax		
Range of rates (%)	2-11	2.1-11.5
Top bracket	$64,600	$55,000
Marginal rate on median income	9.00%	9.00%
General sales tax	No Tax	No Tax

	1996	**1993**
Corporate income tax		
Range of rates (%)	6.75	7.07
Top bracket	N/A	N/A
Gasoline tax (per gallon)	27.0Â¢	20.0Â¢

Nebraska

Benjamin Nelson, Democrat
Legislature: Nonpartisan
Took Office: 1/91
Grade: C

Nelson was one of the few Democratic governors to be reelected in the GOP tidal wave of November 1994. He retained his seat in a landslide victory by running on his record as a fiscal moderate. In his first term he did not impose any new taxes and even enacted modest income tax reductions. He did support a state lottery that was instituted during his first term. In 1995 Nelson proposed a $40 million across-the-board income tax cut of 4.5 percent. His spending record is less impressive. During his first term total state expenditures grew from $3.3 billion to $4.0 billion--much faster than state population and inflation. The pace of new spending continues to grow at a 5 to 6 percent annual rate in his second term. All of that adds up to an underwhelming fiscal record for Nelson.

Total State Expenditures	**1994**	**1991**	**Average Annual Change**
Millions of 1994 dollars	$3,991	$3,554	3.9%
Per $1,000 personal income	$126	$118	2.2%
Per family of four (1994 $)	$9,836	$8,930	$302

State Own-Source Revenue	**1994**	**1991**	**Average Annual Change**
Millions of 1994 dollars	$3,368	$2,903	5.1%
Per $1,000 personal income	$106	$96	3.3%
Per family of four (1994 $)	$8,301	$7,295	$335

General Fund Spending	**1996**	**1994**	**Average Annual Change**
Millions of 1995 dollars	$1,838	$1,657	5.3%
Per $1,000 personal income	$53.28	$50.72	2.5%
Per family of four (1995 $)	$4,460	$4,081	$190

General Fund Revenue	**1996**	**1994**	**Average Annual Change**

Millions of 1995 dollars Per $1,000 personal income Per family of four (1995 $)	$1,778 $51.53 $4,314	$1,688 $51.67 $4,157	2.6% -0.1% $79
State Tax Rates			

	1996	**1991**
Individual income tax Range of rates (%) Top bracket Marginal rate on median income General sales tax	 2.62-6.99 $26,500 5.24% 5%	 2.2-6.92 $27,000 5.62% 5%

	1996	**1991**
Corporate income tax Range of rates (%) Top bracket Gasoline tax (per gallon)	 5.58-7.81 $50,000 26.4Â¢	 5.58-7.81 $50,000 26.5Â¢

Nevada

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

Over the past eight years the Nevada economy has absolutely exploded. During Miller's tenure as governor the state has added more than 250,000 new residents--almost twice the rate of increase of the next largest gainer, Idaho. Many of the new Nevadans are Californians fleeing high taxes, stifling regulations, and congestion. The rocket fuel driving Nevada's bustling economy is its status as one of only five states with no personal or corporate income tax. Miller, to his credit, recognizes that strategic edge and has never tried to institute an income tax. He did, however, approve an increase in the sales tax and the gas tax--revenue raisers he claimed were necessary to build new schools and roads to accommodate new residents. Spending in the state under Miller has kept pace with the state's rapid rise in personal income. To hold down costs, Miller has streamlined state agencies, and he has pushed through a work-based welfare reform that shows some promise. Still, Miller's chief accomplishment in seven and a half years has been to do no harm and to allow the state to fully exploit its economic advantages.

[Tables temporarily omitted]

New Hampshire

Steve Merrill, Republican
Legislature: Republican
Took Office: 1/93
Grade: A

Merrill is a perfect fit as governor of the nation's most "taxphobic" state. On our 1994 Report Card, Merrill achieved the highest grade, and he is the first governor to do so twice in a row. New Hampshire is one of only two states in the nation (Alaska is the other) without a sales tax or an income tax, and Merrill has vigilantly protected that unique status by fending off persistent calls by the legislature for one or the other to fund education, roads, and other public services. In a state with the lowest taxes in the nation, Merrill has found a way to ratchet down the burden still further. He has lowered the tax on business profits (from 8 to 7 percent), telecommunications, and real estate transfers and eliminated the corporate franchise tax. In his first year in office the tax burden per family dropped by $600 in real terms. His reforms in banking, education, welfare, and health care have all been consistently free-market based. When Merrill was first elected in 1992 New Hampshire's economy was sagging from a deep regional collapse. But Merrill has helped pull the state out of the recession in as solid condition as any of its neighbors. With 45,000 new jobs created since 1992, New Hampshire has the fastest growth rate in new employment of any northeastern state. Merrill's record on economic and fiscal policy has been consistently excellent.

[Tables temporarily omitted]

New Jersey

Christine Todd Whitman, Republican
Legislature: Republican
Took Office: 1/94
Grade: B

To the surprise of everyone, Whitman has fulfilled her campaign pledge of a 30 percent income tax reduction--and has even done so in two years instead of three. The top income tax rate in New Jersey has now been chopped from 7 to 6.37 percent--a $1.2 billion tax cut. The average family will now pay almost $500 less per year in state income tax. That is a spectacular achievement--a success story that has now been imitated in at least six other states. Whitman's tax cuts have helped to stop the state's economic bleeding of the Jim Florio years. Over half of the jobs that disappeared under Florio have returned under Whitman. But there are notable deficiencies in Whitman's record as well. Although the budget has been held in check and state salaries have been frozen for two years, much of the budget savings has come from gimmicks, including raiding the state pension fund and rescheduling the state's bonded indebtedness. Whitman has advocated a series of activist initiatives that seem to be intended to antagonize her allies. She has criticized spending caps for welfare mothers who have additional children. She supports Robin Hood school funding schemes (as if money were the problem for the state's inner-city schools that spend more than $9,000 per student each year). Her worst idea was a $125 million new spending program to provide health insurance for the working poor to be paid for through a new tobacco tax. She vetoed legislation to provide businesses a 90-day grace period to comply with environmental regulations before being fined. The Whitman record is far from ideal, but there is no question that New Jersey is in far better economic and fiscal condition today than it was three years ago.

[Tables temporarily omitted]

New Mexico

Gary Johnson, Republican
Legislature: Democratic
Took Office: 1/95
Grade: B

New Mexico has the ignominious distinction of being one of the five biggest spending states in the union. The state government spends $2,500 more per family of four than does the average state. New Mexico has 335 state employees per 10,000 residents--almost twice the national average of 180. Taxes are 30 percent above the national average. Johnson, a businessman turned politician, is aggressively trying to make the state more taxpayer friendly. To control spending, Johnson has vetoed 200 bills passed by a liberal legislature. His first budget cut about $50 million in projected spending increases and holds expenditures below inflation. State employees sued Johnson last year for unilaterally cutting agency budgets by 2.5 percent. Last year he sought repeal of the gross receipts tax on prescription drugs, a $47 million income tax cut, and repeal of a 1993 6-cent-a-gallon gas tax hike. The legislature approved only the gas tax cut, but he continues to agitate for income tax relief. The Associated Press recently wrote of Johnson that he holds a "conservative, cut-government philosophy. . . . He stands for anti-politics, anti-government, and antipoliticians." In New Mexico his is a long-overdue voice for fiscal sanity.

[Tables temporarily omitted]

New York

George Pataki, Republican
Legislature: Divided
Took Office: 1/95
Grade: A

No other state has improved its fiscal condition over the past two years more than New York has--but then no other state had such a giant hole to climb out of. In 1994 Pataki defeated the nation's most articulate champion of big-government liberalism, Mario Cuomo, by running on a platform of income tax cuts, government downsizing, term limits, and the death penalty. Pataki has so far delivered on that agenda. He has already cut about $2 billion to $3 billion from the state's $62 billion budget by slashing per capita Medicaid costs that are nearly twice the national average; privatizing state services; and slashing the state bureaucracy by 12,000 workers, or 6 percent of the gigantic 200,000-person state workforce. He recently announced a plan to take $100 million of state lottery proceeds normally given to public schools and use it for a reduction or rebate of property taxes. Unfortunately, this year, under pressure from the legislature (even Senate Republicans), he has backed away from his proposed fiscal 1997 budget cuts and may be losing his zeal for downsizing. Pataki's latest triumph has been to overhaul the state's antiquated workmen's compensation system, which now costs New York businesses 30 percent more than the national average. But the crown jewel of the Pataki agenda has been his 20 percent income tax cut. It will shave $2 billion a year off New Yorkers' tax bills--a tax cut as large in dollar terms as those enacted by all the rest of the states combined. Despite Pataki's splendid record, there is still much work to be done to repair New York's climate for growth. As Dusty Rhodes, founder of Change New York-- the political organization that has been the primary inspiration for the fiscal improvement in the state--recently observed in The Wall Street Journal, "Pataki inherited the most anti-competitive tax structure in the region, and now that his economic plan has passed . . . New York still has the region's most anti-competitive taxes."

[Tables temporarily omitted]

North Carolina

James Hunt, Democrat
Legislature: Divided
Took Office: 1/93
Grade: C

In 1992 Hunt was elected to his third term as governor after an eight-year absence from the statehouse. In the first year of his comeback, the North Carolina public coffers were flush with tax money and Hunt eagerly found inventive ways to spend it. In one year total state expenditures exploded from $16.9 billion to $19.0 billion--an enormous 12.5 percent increase. Hunt seemed at first to never have seen a government program he did not like, as he pushed more funding for schools, day care, apprenticeship programs, and health insurance coverage. Activist government was the guiding principle of the day in Raleigh. The good news is that since that spendthrift first year, Hunt has moved toward a strategy of fiscal moderation. In 1995 and 1996 budget growth has been held below the growth rate of personal income. In 1995 he called for a $500 million tax cut that included an income tax cut (an increase in the exemption, not a rate cut), elimination of the state intangibles tax, and a 10 percent rate reduction in North Carolina's excessive corporate income tax. The legislature approved all but the corporate tax cut. This year he called for a $140 million reduction in the unemployment insurance tax. The "new" Jim Hunt clearly works better for North Carolina taxpayers than the old.

[Tables temporarily omitted]

North Dakota

Edward Schafer, Republican
Legislature: Republican
Took Office: 1/93
Grade: B

North Dakota has become increasingly Republican in recent years. Schafer is only the second GOP governor in 30 years, and the legislature is now under GOP control for the first time in a decade. On spending, Schafer has been a budget hawk, whose government-downsizing record is second to none. In his first budget in 1994 expenditure savings amounted to an impressive $700 per family. Since then spending has climbed at only the rate of inflation. Schafer's performance on taxes has been less exemplary. He allowed the income tax to rise and enacted a 1-cent-a-gallon gas tax hike and a 15-cent-a-pack cigarette tax hike. But his recent budgets have held the line on taxes and even called for minor tax cuts. One of Schafer's major accomplishment has been to reform a state workers' compensation system that was on the verge of bankruptcy in 1994 with a $228 million unfunded liability and skyrocketing costs. Schafer's legislation has cut employers' costs by 8 percent while improving the system's solvency. The next major priority for Schafer should be to chop down the state's oppressive corporate income tax that peaks at 10.5 percent.

[Tables temporarily omitted]

Ohio

George Voinovich, Republican
Legislature: Republican
Took Office: 1/91
Grade: F

At a time when most GOP governors are cutting taxes, Voinovich almost flaunts his contempt for supply-side tax policy. In 1993 he passed a gigantic billion-dollar tax hike with an increase in the top income tax rate from 7 to 7.5 percent. In 1995 he tried to revive a 1-cent bottle tax after voters had rejected it at the polls. Earlier this year the Democrats in the legislature passed a tax cut to come out of the state's $1.5 billion-plus budget surplus, but Voinovich blasted the tax cut as irresponsible. In June he begrudgingly consented to sign the tax cut, but then line-item vetoed a provision that would have given taxpayers an automatic tax rebate if revenue growth created a larger budget surplus than expected. Ohio has a budget surplus because in Voinovich's first term taxes were raised by about $1,400 per family after adjusting for inflation. Voinovich calls himself a fiscal conservative on spending, but his record does not match his rhetoric. From 1991 to 1994 total state expenditures ballooned from $27.8 billion to $33.4 billion--roughly a 20 percent increase. Much of the money has gone to the schools, public works, and dubious state economic development programs. Voinovich points to the economic recovery of Ohio as evidence that his policies are working, but employment growth has been only at the national average during his tenure and earnings have been below average. Voinovich is arguably the spending establishment's favorite Republican, and his fiscal record explains why.

[Tables temporarily omitted]

Oklahoma

Frank Keating, Republican
Legislature: Democratic
Took Office: 1/95
Grade: C

In a landslide year for Republicans all over the state, Keating, a former Jack Kemp aide, won the governorship in 1994 on an aggressive tax- and budget-cutting platform. His first budget called for $65 million in business tax cuts. His 1996 budget proposal recommended a series of additional tax relief measures: elimination of the state business franchise tax, business employment tax credits, estate tax relief, and reform of the workmen's compensation system. He has also pushed work-based welfare changes and a right-to-work law. Keating's first budget called on most state agencies to cut their expenditures by 2.5 percent. He used his executive veto authority a record 57 times to trim expenditures. But at the same time he has allowed big spending hikes for three of the biggest components of the state budget: corrections, education, and highways. Overall, state general fund expenditures have grown slightly faster than inflation, which represents improvement but is a far cry from the deeper cuts enacted in other states with new governors.

[Tables temporarily omitted]

Oregon

John Kitzhaber, Democratic
Legislature: Republican
Took Office: 1/95
Grade: C

Kitzhaber, a physician by profession, is best known for the famous (or perhaps infamous) Oregon Health Plan, which expands health care coverage by rationing care and prioritizing treatment. Kitzhaber bucked the Republican tidal wave in 1994 and won an easy victory. His major objective as governor has been to protect and preserve the experimental and controversial health plan. So far, the results are less than inspiring, with enrollments and costs bulging. On the budget, Kitzhaber has proposed the fastest spending increases of any of the new governors. But he has held the line on taxes--except for the 10-cent-a-pack cigarette tax hike to pay for the health plan. In general, Kitzhaber is more moderate than his tax-and-spend predecessor, Barbara Roberts, but he is more liberal than most of America's governors today.

[Tables temporarily omitted]

Pennsylvania

Tom Ridge, Republican
Legislature: Republican
Took Office: 1/95
Grade: B

Ridge has possibly been the most pleasant surprise of the new class of governors. During his 12-year tenure in Congress from 1983 to 1994 Ridge was a middle-of-the-roader with a thoroughly moderate voting record. But as governor he has been transformed into a fiscally conservative, pro-jobs, pro-business chief executive with an admirable midterm record. In his first year, he pushed through a $200 million business income tax cut and a workmen's compensation reform measure that is expected to reduce premiums by as much as 10 percent. In 1996 he endorsed a reduction in the franchise tax and a $1,000 tax credit for new hires. He has also been miserly on spending. His first two budget proposals held spending growth below the rate of inflation, population growth, and personal income growth. He has already cut the budget by almost $170 per family. He is also a vocal advocate of charter schools and a bold school voucher initiative for low-income families. Tax cuts, school vouchers, and spending restraint make up a potent agenda for progress and prosperity in Pennsylvania.

[Tables temporarily omitted]

Rhode Island

Lincoln Almond, Republican
Legislature: Democratic
Took Office: 1/95
Grade: D

Outside of Washington, D.C., Rhode Island has arguably the most hostile business environment in the nation. The Small Business Survival Committee ranks Rhode Island dead last of the 50 states in its index of the business climate. No surprise that Rhode Island has lost 6.5 percent of its jobs in just the past five years and has suffered the largest population loss in percentage terms of any state. Unfortunately, Almond has done little to reverse the economic meltdown, and his few positive initiatives have been squashed by perhaps the most liberal state legislature in the country. Almond, a career U.S. attorney, is unquestionably an improvement over his champion tax-raising predecessor, Bruce Sundlun, whose almost every policy worsened the early 1990s recession that hit the state with the force of an earthquake. To his credit, Almond has slowed the spending stampede of prior years. His first two budgets cut outlays to inflation, imposed a hiring freeze on all noncritical positions, reduced munificent state employee pension benefits, and consolidated 23 state agencies into 8. This year he became the first governor in Rhode Island history to veto a budget when he courageously rejected the $1.73 billion document because it would "give the state a government we can't afford." The legislature then overrode his veto. Almond has approved an increase in the gas tax, a 5-cent hike in cigarette taxes, and a doubling of hospital fees. Incredibly, the anti-competitive income tax, capital gains tax, and business taxes remain untouched. As most other states rush to reduce their tax rates and burdens, Rhode Island's rotten business climate deteriorates some more.

[Tables temporarily omitted]

South Carolina

David Beasley, Republican
Legislature: Divided
Took Office: 1/95
Grade: B

Beasley took over the statehouse in 1994 from one of the state's most popular politicians, Carroll Campbell. If anything, Beasley has proven himself to be even more fiscally conservative. In his first year he called for phasing out property taxes. The first-year $200 million tax cut turned out to be the largest in the state's history. His budgets have been generally tightfisted, with spending held to just the rate of inflation and population growth. Savings have been generated by a 5 percent across-the-board agency spending cut over two years. His fiscal blindspot has been his support for conventional and failed school reforms--i.e., more centralization and more money. He even celebrates a 1996 budget containing "the single largest increase in education funding" in 12 years. Beasley has advocated a series of populist initiatives, including a welfare bill with work requirements and a two-year maximum on benefits, a state term limits bill, a voter referendum on tax increases, and small business tax credits. In 1995 he launched a South Carolina Enterprise Zone Act that provides tax incentives for businesses to invest in depressed areas of Charleston and Aiken. So far, the governor touts $2.5 billion of new investment in those areas. After just one and a half years in office, Beasley has a remarkable number of accomplishments to trumpet.

[Tables temporarily omitted]

South Dakota

William Janklow, Republican
Legislature: Republican
Took Office: 4/95
Grade: B

This is Janklow's second go-round as South Dakota's governor. He served two terms from 1978 to 1986. He ran in 1994 on a platform of economic development, tax relief, and crime fighting. His major fiscal accomplishment was passage of a 20 percent local property tax rollback that will freeze 1996 property taxes at the 1995 level. The state will pick up the cost of the plan by increasing aid to local governments. In his first two budgets Janklow has recommended reducing revenue by about #140 per family. That is an impressive feat considering that South Dakota is a state that has a well-below-average tax burden to begin with. Janklow often recites Andrew Jackson's maxim that "the goal to strive for is a poor government and a rich people." His budget proposals have generally reflected that philosophy, holding spending growth below inflation, population growth, and personal income growth. South Dakota is one of the nine remaining states without an income tax--and that has been the state's premier comparative economic advantage when in competition for jobs and investment. The Small Business Survival Committee ranks South Dakota the most business-friendly state in the nation. In the 1990s South Dakota has enjoyed twice the number of new jobs and 10 percent higher income growth than the rest of the nation. Janklow's government-downsizing agenda has only enhanced the state's competitiveness.

[Tables temporarily omitted]

Tennessee

Don Sundquist, Republican
Legislature: Divided
Took Office: 1/95
Grade: C

Sundquist, a former six-term congressman, ran for the governorship in 1994 and was part of a remarkable GOP trifecta--two Republicans were elected to the U.S. Senate. Sundquist ran on a platform of "no new taxes" and won handily. He inherited a several-hundred-million-dollar deficit from his predecessor, Ned McWherter, whose popular but expensive health care program, TennCare, has experienced spiraling cost inflation. So far, Sundquist's record is unspectacular. The budget has grown faster than inflation, and TennCare remains in place and untamed. He has called for large spending hikes for mental health, higher education, and job training. His welfare reform initiative ("Families First") encourages work but spends more money on transportation and child-care subsidies. He has approved a state bond proposal to finance a new football stadium in hopes of attracting the NFL's Houston Oilers to Tennessee. The no-new-taxes pledge has been honored--but tax cuts have not been suggested. Tennessee is one of nine states with no personal income tax, and though the media and special interest groups continue to agitate for one, Sundquist has pledged not to even consider it. That may be enough to keep Tennessee's recent economic surge going.

[Tables temporarily omitted]

Texas

George W. Bush, Republican
Legislature: Democratic
Took Office: 1/95
Grade: B

Ten years ago Texas was drowning in an oil recession; today it is growing by some measures faster than any other state, thanks to exports under the North American Free Trade Agreement and the absence of a personal income tax. In many ways Bush, the former president's son and part owner of the Texas Rangers baseball team, has helped promote that growth with his pro-trade, pro-business, pro-jobs agenda. In 1994 Bush vanquished one of the biggest spending governors in the history of the state, Ann Richards. Bush's governing style has been low-key but amazingly effective. Although he has irritated some of his conservative supporters by stubbornly refusing to cut taxes, he has brought an end to Richards's four-year spending spree. In fact, in 1995 the Texas budget grew at a slower pace than at any time in

50 years, according to an analysis by U.S. News & World Report. His three other major accomplishments in 1995 were a school reform bill that removes most state controls on local districts; an easing of insurance, trucking, and environmental regulations; and, most impressive, a new tort reform law--fiercely opposed by trial lawyers--that has substantially reduced litigation costs and is intended to discourage frivolous lawsuits. All of those changes have made Texas a better place to do business. Now Bush must set his sights on repealing the business tax hikes that Richards instituted four years ago.

[Tables temporarily omitted]

Utah

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

Utah was recently ranked the best managed state in the nation by Financial World magazine. Leavitt appears to be a sound fiscal manager but not seriously committed to downsizing the state government. In his first three years in office, state spending has grown at almost a 6 percent annual rate--or twice as fast as inflation. On the hot issue of school reform in the state, Leavitt endorses conventional fixes, such as more spending, and has sided with the teachers' unions in opposing parental choice in education. On health care reform, Leavitt has launched a program called "Utah Healthprint," which shows promise. It is designed to expand patient choice, while relying on market-based cost containment. On taxes, Leavitt has a solid record. His last three budgets have called for tax cuts--though not especially large ones. Still, the sales tax has been cut by 1/8 percentage point, property taxes have been cut by $140 million, and levies on manufacturing have been eased. On the national level, Leavitt is a spokesman for returning power to the states and for federal budget cuts, but he needs to show more effectiveness in cutting the Utah budget.

[Tables temporarily omitted]

Vermont

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

Dean's fiscal record as governor is enigmatic. He is best known outside of Vermont for his role as head of the National Governors Association, a platform he has used to denounce the GOP Congress in Washington, to cheerlead for Clintonomics, and to espouse big government solutions to the nation's social and economic ailments. He is a fierce partisan liberal who has been constrained at home from inflating the state budget. He was promoted to the statehouse in 1991, when GOP governor Richard Snelling died in office, in the midst of one of the most severe recessions in the state's history. To avoid towering deficits, Dean was forced to cut spending. After his first two budgets, real spending had fallen by $400 per family of four. And his most recent two budgets continue to hold spending below the rate of population growth. In fact, in fiscal years 1992-97, Vermont's general fund spending has increased by just 9.8 percent--only five states have had lower expenditure growth over that period. On the tax front, Dean has extended a temporary 1-cent sales tax hike enacted before he took office, but he has allowed a temporary income tax hike to expire as scheduled, thus lowering the state's job-killing income tax of 10.5 percent (third highest in the nation) to a still towering 9.9 percent. His record of restraint has been aided by the trouncing of a costly Clinton-style health plan he unveiled in 1993. Dean is one of the few politicians in America whose rhetoric is to the left of his record.

[Tables temporarily omitted]

Virginia

George Allen, Republican
Legislature: Divided
Took Office: 1/94
Grade: C

Allen has had a frustrating time of it during his three years in Richmond. In 1994 he proposed a five-year $2.1 billion tax cut--a reduction in the personal income tax and a phase out of the locally collected business gross receipts tax--to be paid for through cuts in welfare, education, and the state workforce. But throughout his term he has feuded with a Democrat-controlled legislature, and his tax and spending cuts were shredded. Allen made the November 1995 state legislative elections a mandate on his tax-cutting agenda but failed to win majorities in either house. Allen's 1996 budget was a complete capitulation to the big spenders in the legislature: the tax cut was abandoned, school spending was increased by nearly $1 billion, and his request for funding for school vouchers was dropped. The budget Allen signed into law increases spending by 6 percent at a time when most other states are cutting spending. The Washington Post recently described the new, compromising Allen as the "kinder, gentler governor." Still, there have been some triumphs in Allen's term--mostly before 1995. He pushed through the legislature a welfare reform bill with a tough work requirement. He secured relief for small businesses from the state's onerous business gross receipts tax. And the state economy has created 90,000 new jobs during his tenure. The tax-cutting, combative Allen was preferable to the accommodationist.

[Tables temporarily omitted]

Washington

Michael Lowry, Democrat
Legislature: Divided
Took Office: 1/93
Grade: D

In his first year in office Lowry, a self-described liberal, passed a $1 billion tax hike to pay for an Ira Magaziner-style health care bill intended to vastly expand state coverage for children and uninsured workers. Spending catapulted in 1994 by 9 percent and $600 per family. The health plan and the new taxes were repudiated by voters in 1994, and the new GOP majority in the House proceeded in short order to lead the repeal of the unpopular program. In the past two years Lowry has advanced a more moderate agenda. He has called for a series of property and corporate tax cuts with a price tag of $100 million, designed to make the state more business friendly, and a streamlining of government agencies. But he vetoed an even larger business and property tax cut passed by the more conservative legislature. The modest improvement in Lowry's record since the disaster of 1994 is mostly attributable to a statewide initiative, recently approved by voters, that restricts the growth of state spending to the rate of population growth plus inflation. Because of a series of scandals in his administration, Lowry is not running for reelection.

[Tables temporarily omitted]

West Virginia

Gaston Caperton, Democrat
Legislature: Democratic
Took Office: 1/89
Grade: F

With the recent departure of big-spending governors, such as Mario Cuomo, Jim Florio, and Lowell Weicker, Caperton is now the nation's unrivaled budget-busting governor. In the 1990s under Caperton, West Virginia's budget has already expanded by more than 60 percent (compared to only 50 percent growth in the entire 1980s). Real spending rose by more than $3,000 per family of four from 1989 to 1994. No other governor comes close to matching that kind of budget buildup. The budget inflation has been financed through new taxes. In his first year Caperton expanded the state sales tax to make it applicable to food, a $400 million revenue grab. The gas tax was then raised by 10 cents a gallon--the largest increase of any current governor. Earlier this year Caperton proposed his first tax cut--a modest income tax rollback. But spending increases continue. Mercifully, term limits make this Caperton's final budget.

[Tables temporarily omitted]

Wisconsin

Tommy Thompson, Republican
Legislature: Republican
Took Office: 1/87
Grade: B

After eight years in office, Thompson continues to command the respect of his peers as the nation's premier public policy innovator. His reforms in welfare (measured chiefly by the 30 percent reduction in the rolls), his successful sponsorship of school choice in inner-city Milwaukee, his growth-oriented tax-cutting agenda, and his prodigious use of the line-item veto to trim state spending have placed Thompson in the national spotlight on almost every major domestic policy issue of the day. Those reforms have also led to two lopsided reelections for Thompson in this progressive to liberal state. Thompson's tax record has been stellar. In his first term he cut the state's high income tax rates by 1 percentage point, slashed the state capital gains tax, and all but eliminated the inheritance tax. None of those tax cuts lost much revenue or unbalanced the budget, as the economy has continually expanded through Thompson's tenure. This term Thompson enacted a property tax cut of more than $1 billion. Thompson is more a supply sider than a budget cutter. Spending has increased by $1,000 per family during his two terms. Some of his recent welfare ideas smack of big-government conservatism. There are blemishes on Thompson's record, but he is a governor whose performance has time and again proven that ideas have consequences.

[Tables temporarily omitted]

Wyoming

Jim Geringer, Republican
Legislature: Republican
Took Office: 1/95
Grade: C

In this anti-Bill Clinton state, Geringer, a farmer/rancher, won the governorship by a crushing 19 points in 1994. He ran on the populist issues of economic development and diversification (the primary industries in this state are mining and ranching), no new taxes, and protecting states' rights against an increasingly meddlesome federal government. His fiscal record, however, has been less attractive than those of most of the other new governors. Wyoming thrives on having no income tax and derives its revenue from three sources: a sales tax, property taxes, and mineral taxes. Though Geringer has not raised any of those levies, he did support a proposal to delay a scheduled 1 percentage point reduction in the sales tax. Though he speaks of the virtues of government restraint ("We should limit spending to what government must do, not what it might like to do"), he is one of only two governors from the class of 1994 to call for spending increases that outpace inflation.

[Tables temporarily omitted]

Notes to Appendix B

Colorado

*In 1987 Colorado changed from a graduated rate personal income tax system with deductibility of federal liability to a flat rate system with no federal deductibility. That resulted in a net tax hike. Taking into account federal deductibility, the effective top marginal rate in 1987 was 4 percent and the effective top marginal rate on median income was 5.92 percent.

Connecticut

*FY97 spending and revenue numbers were adjusted downward to reflect the second-year impact of Rowland's unsuccessful FY96 tax cut proposal.

Michigan

*Spending and revenue numbers were adjusted downward to reflect the impact of the local property tax cut included in the 1994 education reform package (which increased state taxes but reduced local taxes by a larger amount).

Mississippi

*Spending and revenue numbers were adjusted downward by the amount of the revenue brought in by the 1-cent sales tax hike enacted over Fordice's veto in 1992.

North Dakota

*Individual income tax is levied as a percentage of federal liability. The current rate is 14 percent, the same as in 1993.

**Same as federal.

Oklahoma

*FY97 spending and revenue numbers were adjusted downward to reflect the second-year impact of Keating's unsuccessful FY96 tax cut proposal.

Rhode Island

*Individual income tax is levied as a percentage of federal liability. The current rate is 27.5 percent, the same as in 1995.
**Same as federal.

South Carolina

*Spending and revenue numbers were adjusted downward to reflect the impact of state-funded local property tax relief.

South Dakota

*Spending and revenue numbers were adjusted downward to reflect the impact of state-funded local property tax relief.

Vermont

*Individual income tax is levied as a percentage of federal liability. The current rate is 25 percent. In 1992 the rate ranged from 28 percent to 34 percent due to a temporary increase that has since expired as scheduled.

**Same as federal.

Virginia

*Spending and revenue numbers were adjusted downward to reflect the impact of Allen's (unsuccessful) FY96 proposal to reduce the locally collected business gross receipts tax. The FY97 numbers reflect the second-year impact of that proposal and of Allen's (also unsuccessful) FY96 proposal to reduce the state personal income tax.

Wisconsin

*Spending and revenue numbers were adjusted downward to reflect the impact of a local property tax cut that was offset by an increase in state funding of schools.