

IOWA ECONOMIC SCORECARD

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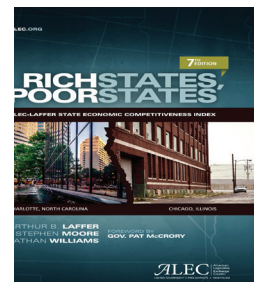
Rich States, Poor States, 2014 Edition

By Arthur B. Laffer, Stephen Moore, and Jonathan Williams

Throughout the country, states are looking for ways to energize their economies and become more competitive. Each state confronts this task with a set of policy decisions unique to its own situation, but not all state policies lead to economic prosperity.

Using years of economic data and empirical evidence from each state, we identify which policies can lead a state to economic prosperity. *Rich States, Poor States* not only identifies these policies, it also makes sound research-based conclusions about which states are poised to achieve greater economic prosperity and which are stuck on the path to a lackluster economy.

The 2014 Economic Outlook Ranking is a forward-looking measure of how each state can expect to perform economically based on 15 policy areas that have proven, over time, to be the best determinants of economic success. Each of these factors is influenced directly by state lawmakers through the legislative process. The top five states in this year's report are Utah, South Dakota, Indiana, North Dakota, and Idaho. The five worst are New York, Vermont, Illinois, California, and Minnesota.



The Economic Performance Ranking is a backward-looking measure based on a state's performance on three important variables: State Gross Domestic Product, Absolute Domestic Migration, and Non-Farm Payroll Employment – all of which are highly influenced by state policy. This ranking details states' individual performances over the past 10 years based on this economic data. The top five in this evaluation are: Texas, Utah, Wyoming, North Dakota, and Montana. The five worst include Michigan, Ohio, New Jersey, Rhode Island, and Illinois.

The State of Iowa ranks a solid middle-of-the pack 25 on the Economic Outlook Ranking, dropping from 23 and 22 in previous years. On the Economic Performance Ranking, Iowa's score was slightly better, at 24. State Gross Domestic Product ranked highest at 15 with a cumulative growth of 54.6 percent between 2002 and 2012, followed by a 19 rank and cumulative growth of 4.9 percent on Non-Farm Payroll Employment, and a poor showing of 34 on Absolute Domestic Migration, with a cumulative loss of 27,470 people between 2003 and 2012.

Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index is an annual economic competitiveness study authored by economist Dr. Arthur Laffer; Stephen Moore, chief economist at the Heritage Foundation; and Jonathan Williams, Director of the Tax and Fiscal Policy Task Force at the American Legislative Exchange Council. Reprinted with permission, <<http://www.alec.org/publications/rich-states-poor-states/>> accessed on October 26, 2014.

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The articles in this publication are brought to you in the interest of a better-informed citizenry, because IDEAS DO MATTER.

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Rich States, Poor States Historical Ranking Comparison - Iowa

	2008	2009	2010	2011	2012	2013
Economic Outlook Rank	25	35	28	23	22	25

Source: Rich States, Poor States, 2014, p.84

2014 ALEC-Laffer State Economic Competitiveness Index

Iowa Specific Data by Variable and Rank

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.42%	23
Top Marginal Corporate Income Tax Rate	9.90%	46
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$11.89	33
Property Tax Burden (per \$1,000 of personal income)	\$35.15	32
Sales Tax Burden (per \$1,000 of personal income)	\$23.34	26
Remaining Tax Burden (per \$1,000 of personal income)	\$17.57	21
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2012 & 2013, per \$1,000 of personal income)	(\$0.12)	21
Debt Service as a Share of Tax Revenue	5.00%	3
Public Employees Per 10,000 of Population (full-time equivalent)	564.8	33
State Liability System Survey (tort litigation treatment, judicial impartiality)	69.5	10
State Minimum Wage (federal floor is \$7.25)	\$7.25	1
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.90	26
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0= least/worst 3=most/best)	1	14

Source: "Iowa" 2014 ALEC-Laffer State Economic Competitive Index, p. 84.

Iowa Governor Terry Branstad's Report Card - 2013

Spending Score	Proposed Changes in Per Capita Spending (%)	Actual Changes in Per Capita Spending (%)	Revenue Score	Changes in Revenues From Proposed and Enacted Tax Changes (%)	
	37	5.2	3.4	83	-2.1
Average Score		2.4	4.2	N/R	-0.1
Tax Rate Score	Change in Top Individual Income Tax Rate	Change in Top Corporate Income Tax Rate	Change in General Sales Tax Rate	Change in Cigarette Tax Rate (cents per pack)	
	50	0	0	0	0
Average Score		-0.02	-0.18	0.03	8

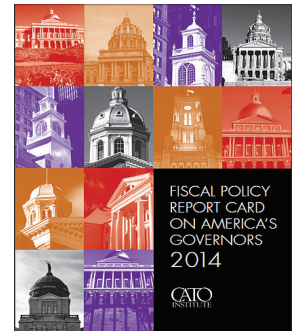
Source: Table A.1, Spending and Revenue Changes, "Fiscal Report Card on America's Governors," Cato Institute, pp. 10-11.

Table A.2, Enacted Tax Rate Changes, pp. 12-13.

New Study Grades Nation's Governors on Fiscal Policy

By Paula Bolyard, Heartland Institute

Quantifiably ranking all the fiscal policies of the nation's Governors, the Cato Institute's recently released "Fiscal Policy Report Card on America's Governors" highlights the variety of economic policies of the various states by grading the nation's 29 Republican and 21 Democrat Governors on their individual tax and spending policies.



The annual study found that, while most state legislatures are having little trouble balancing their metaphorical checkbooks in the short run, long-term problems like unfunded public-sector pension liabilities and the current Medicaid expansion may soon place major stress on state budgets.

Leading this year's class of Governors, Pat McCrory of North Carolina, Kansas's Sam Brownback, Paul LePage of Maine, and Mike Pence of Indiana all earned an "A" grade. Receiving "F" grades were Mark Dayton of Minnesota, John Kitzhaber of Oregon, Jack Markell of Delaware, Jay Inslee of Washington, Pat Quinn of Illinois, Deval Patrick of Massachusetts, John Hickenlooper of Colorado, and Jerry Brown of California.

While Governors do not bear full responsibility for the economic policies of their states, they do have the power to propose budgets and often wield a great deal of influence over their legislatures. Most Governors are also empowered with the line-item veto to help them control spending and influence tax policy.

Bucking Trends

"Good grades" are not always predictive of party affiliation. Three Democrats — Earl Ray Tomblin of West Virginia, Andrew Cuomo of New York, and Lincoln Chafee of Rhode Island — performed above-average work on fiscal reform, whereas Republican Governors Rick Snyder of Michigan, John Kasich of Ohio, and Rick Scott of Florida received failing marks.

However, the author notes that "Republican Governors are more fiscally conservative, on average, than Democrat Governors," explaining that their findings suggest that Democrat and Republican Governors find it easier to disagree "on revenue variables than spending variables."

Among Republicans whose names have been mentioned as potential 2016 presidential candidates, Mike Pence of Indiana received the best marks. Texas Governor Rick Perry, Wisconsin's Scott Walker, Louisiana's Bobby Jindal, and New Jersey's Chris Christie all received a "B" on their respective report card.

Lonely at the Bottom

Ohio Governor Kasich occupies a lonely position at the bottom of the potential GOP presidential candidate pack with a "D." Receiving marks more commonly found among the nation's Democrat Governors, the 2016 hopeful's score was dragged down due to his championing of a 13.6 percent increase in the state's spending and a 3 percent increase in public-sector employment. Other fiscally irresponsible Kasich initiatives noted by the report include his efforts to hike several kinds of taxes on businesses and consumers.

Somewhat predictably, though, the study found that the nation's worst Governor on fiscal policy is California's Jerry Brown. His proposed budget in 2012 called for a \$6 billion increase in tax revenues and increased the top individual income-tax rate to 13.3 percent. Brown proposed spending increases averaging 6.8 percent annually, more than double the national average of 3.1 percent. Under Brown, government spending increased from \$86 billion in 2012 to a projected \$107 billion in 2015.

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By following the lead of the top-scoring Governors, the report claims, states' policymakers can help boost their respective economies by enacting policies proven to work elsewhere in the nation.



**Iowa Governor Terry Branstad, Republican
Took Office: January 2011**

**Grade: B, Score: 56
Legislature: Divided**

Governor Branstad's main fiscal achievement in recent years was pushing through a large property-tax-cut package in 2013. The reforms include an annual growth cap for agriculture and residential assessments, reduced assessment levels for commercial and industrial property, and tax credits to cut property taxes for small businesses. Branstad also approved an increase of the earned-income tax credit and created a system of income-tax rebates for times of budgetary surplus. Residents will receive about \$78 million back in surplus budget funds this year. He also supports reforms to Iowa's high-rate corporate income tax.

On spending he scores more poorly. Branstad came into office promising to cut the size of state government by 15 percent, but has instead proposed budget increases averaging 5.7 percent over the past three years. He also supported the state's expansion of Medicaid under the Affordable Care Act.

Paula Bohyard writes for the Heartland Institute, the Ohio Conservative Review, and RedState. Reprinted with permission of the Heartland Institute, originally published October 20, 2014, <<http://news.heartland.org/newspaper-article/2014/10/20/new-study-grades-nations-governors-fiscal-policy>>, and "Fiscal Policy Report Card on America's Governors 2014," Cato Institute, <<http://www.cato.org/publications/white-paper/fiscal-policy-report-card-americas-governors-2014>> accessed on October 26, 2014.