POLICY BRIEF

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Another Useless Ranking

Inc. magazine released its ranking of state governors, at least those running for re-election this year, based on what they call "small business friendly" criteria. These criteria include tax and fiscal policy, work force and economic development, health care, education, and regulation. They even gave bonus points to governors for being "good cheerleaders" for their state. But the criteria are limited to their effects on small businesses, and not on the populace as a whole—rendering them virtually meaningless when discussing the effectiveness of a governor.

For example, the Governor of South Carolina was given the magazine's lowest rating, despite his push for a major tax cut. He was criticized for not raising the cigarette tax to pay for an extension of publicly funded health benefits to those employed by small businesses. There are other ways of helping small business owners with health costs than shifting the burden to taxpayers.

On the other hand, Michigan's Governor was given a three star rating while her state "was one of only three states to record a net loss of jobs" in 2005 and the only state to do so without having been struck by a natural disaster. She also vetoed the legislature's efforts to accelerate the phase out of Michigan's single business tax. The magazine did praise her for using $38 million in tax credits to lure Internet giant Google to relocate its online advertising program to the state with the promise of 1,000 jobs.

Furthermore the magazine gives three stars to the Governor of Oklahoma for, in effect, being the beneficiary of high oil prices. With oil topping $70 per barrel, the state's oil industry paid off handsomely. With this big influx of cash, which as it turns out was only temporary as prices have fallen below $60 in recent weeks, the governor extended health care benefits to workers at small businesses—again having state taxpayers pick up the tab. What will become of his extra spending now that the price of oil has started to fall? Will the taxpayers of Oklahoma be asked to make up the difference?

While there are some good things about the rankings, like giving high marks for cutting taxes and extending tax credits to businesses, especially start ups, the list is fraught with applause for increasing government spending on things like a state funded spaceport (New Mexico) and subsidizing ethanol production (Kansas). They even give high marks to the Governor of Minnesota notwithstanding his using nearly $400 million in taxpayer funds to build a new baseball stadium in Minneapolis.

And what does the magazine think of Pennsylvania's Governor? They give him high marks for being a "cheerleader" for the state's economic development program—a program that has been doling out taxpayer money that "mostly benefits large corporations". The magazine gives him high marks for convincing "PNC Financial Services to offer up to $100 million in credit lines to small businesses…". They fail to mention that PNC was the beneficiary of the Governor's dip into the taxpayers' wallets to give the banking giant $30 million to build a new skyscraper in Pittsburgh.

They also fail to mention his raising of the personal income tax or his backing of the legislative pay raise, which was ultimately repealed. Their reason for giving him only two of four stars is "he has been accused of paying no more than lip service to small business." There is no mention of Pennsylvania's stifling business taxes other than to say that he signed a measure in July to provide some tax relief for businesses. But as a recent *Policy Brief* noted, most of the positive changes to the business tax climate were enacted before the current administration took office.

http://www.inc.com/magazine/20061001/governors.html

Frank Gamrat, Ph.D., Sr. Research Assoc. **Jake Haulk, Ph.D. President**

Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079 * Fax (412) 440-0085
E-mail: aipp@alleghenyinstitute.org