

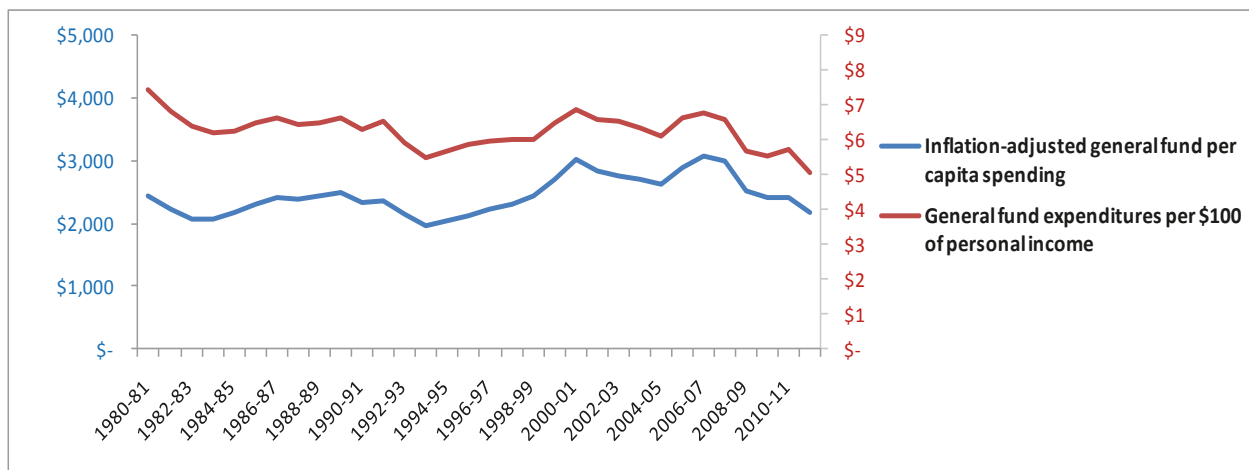
SEIU Local 1000: Focus on the Facts



Is state government spending out of control?

State spending—what the state spends to run state government—is not growing wildly, as an overwhelming number of Californians apparently believe.

In fact, state spending has not changed significantly in the past three decades. Looking at two significant measurements, California state spending has not only remained steady historically, but has actually decreased in the past few years.



Why do people believe state spending is ballooning out of control?

In a poll done by the Los Angeles Times and University of Southern California in April 2011, 41 percent of Californians, by far the largest category, blamed the budget deficit on “state leaders who have been wasteful and haven’t spent wisely in recent years.” The second largest category--20 percent—blamed the national recession, the real culprit for a shrinking budget. In the same poll, people were asked if they believed the state budget is bigger than it was three years ago, smaller than it was three years ago, or, the same size. The largest response--at 48 percent--said the budget is at least somewhat bigger. Only 16 per cent thought it was smaller.ⁱ

Small wonder with outrageous statements like this: "California is swimming in red ink because of its extravagant spending," said Adam Summers, a policy analyst with the Reason Foundation.ⁱⁱ The foundation, in Summers’ February 2009 report, claimed that state spending has increased 180.9 per cent since fiscal year 1990-91.ⁱⁱⁱ The calculation, however, failed to take into account inflation. After all, during the same time span, \$1 inflated to \$1.64.

Many ways to slice the pie

A simple way to refute the claim of skyrocketing state general-fund spending^{iv} is to point to the 16 per-cent decline in general-fund spending between the 2007-08 budget and the 2011-12 budget.^v Yes, state spending declined in those years, but the state made less money as tax revenue and personal incomes tumbled during the economic collapse.

A truer, consistent, long-range measure compares state spending to citizens' ability to pay for it, such as the ratio of state spending for every \$100 of personal income. So if state spending per \$100 of personal income rises, it would mean that state spending is increasing faster than the ability of tax payers to afford it. It hasn't.

The preceding chart details state general-fund spending between 1980-81 to 2011-12. The two lines represent two consistent measures of general-fund spending: spending per \$100 of personal income and spending per capita *adjusted for inflation*. General-fund spending per \$100 of personal income fell from \$7.43 in 1980-81 to \$5.18 in 2011-12.^{vi} Per-capita spending was \$2,443 in the 1980-81 budget, \$45 *more* than the \$2,398 per-capita amount spent in 2010-11.

Conclusion

State spending is not a runaway train. Over the past 30 years the state has tightened its belt, spending an increasingly stingier share of people's incomes even as the demand for state services rises.

ⁱ USC Dornsife College of Letters, Arts and Sciences/Los Angeles Times Frequency Questionnaire, April 7-17, 2011, (1,400 registered voters) [http://gqrr.com/articles/2628/6573_USC-LATimes%20Results%20\(4.25.11\).pdf](http://gqrr.com/articles/2628/6573_USC-LATimes%20Results%20(4.25.11).pdf)

ⁱⁱ Reason Foundation press release, "What Caused the Budget Mess? California's Spending Has Nearly Tripled Since 1990," Feb. 18, 2009, <http://reason.org/news/show/1007039.html>

ⁱⁱⁱ Summers, Adam, "California Spending by the Numbers: A Historic Look at State Spending from Gov. Pete Wilson to Gov. Arnold Schwarzenegger," Reason Foundation, February 2009, pg. 2, <http://reason.org/files/acf6885fc0f9f88e93bc07a9d5a7eceb.pdf>

^{iv} The state's General Fund is the source of most revenue for state programs. This excludes spending from Special Funds, which use dedicated revenue sources for specified purposes.

^v General Fund spending fell from \$103.0 billion in 2007-08 to \$86.8 billion in 2011-12. California State Budget 2011-12, Schedule 6, available at http://www.ebudget.ca.gov/pdf/BudgetSummary/BS_SCH6.pdf.

^{vi} Ibid.