

## **The Reason Foundation Gets it Wrong**

More than a century ago, British Prime Minister Benjamin Disraeli said, “there are three kinds of lies: lies, damn lies, and statistics.” The Reason Foundation (RF) recently has provided a sterling example of the misuse of statistics to make a fallacious point.

In “California Spending by the Numbers: A Historic Look at State Spending from Gov. Pete Wilson to Gov. Arnold Schwarzenegger “(February 2009), the RF tracks changes in state spending between 1990-91 and 2008-09 and concludes that annual increases in state spending are out of line with population growth and inflation. But the opposite is true: state spending is actually \$21.3 billion *below* the spending limit (known as the Gann Limit) adopted by voters 30 years ago, which limits annual increases to population growth and inflation.<sup>1</sup> How can the RF get it so wrong? That’s where a little statistical sophistry comes in.

***Misstating the facts.*** The RF overstates General Fund (GF) spending per capita in 2008-09, which makes growth since 1990-91 appear larger than is actually was. According to the most recent data from the Department of Finance, per capita spending was \$2,422; not \$2,644 as stated by the RF. This means the increase since 1990-91 was 79 percent, not the RF’s 96 percent.

***Telling only part of the story.*** The RF ignores the fact that \$6 billion of current state spending is actually the cost to the state of reimbursing local governments for the reduction of the vehicle license fee (VLF). It reflects a tax cut! After backing out the \$155 per capita for the state cost of this tax cut, the overall spending increase becomes 68 percent, not 79 percent.

***Ignoring the context.*** State spending must be seen in the context of the state economy. Between 1990-91 and 2008-09, per capita personal income increased 75 percent. So the increase in state spending was 8 percentage points *less* than the increase in the California economy.

***“Cherry picking” the base year.*** Annual trends easily can be manipulated by picking the base year that best tells the desired story. The RF picked 1990-01, when California and the nation were in a recession. Had it picked 1978-79—when the state spending cap took effect—it would have found that the increase in state spending is \$21.3 billion *below* population growth and inflation.

***Assuming data speaks for itself.*** The RF notes that the number of state employees per 1,000 population grew from 8.7 to 9.3, calling it a “large increase.” Maybe it is, but it’s an equally large *decrease* from 9.9 in 1977-78. The RF neglects to inform its readers that California actually has fewer state employees per capita than all but three states. How many state employees *should* we have? What makes 1990-91, and not 1977-78, the “correct” standard for comparison? RF doesn’t trouble itself with such questions. Instead, it panders to the public notion that *any* growth in state employment is bad, irrespective of need or workload.

Created July 2009

---

<sup>1</sup> California Department of Finance ([www.dof.ca.gov](http://www.dof.ca.gov)), budget documents, Schedules 6 and 12A.