

Michigan Democrats prepare to slash social spending

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With a June 1 deadline approaching, Michigan Republicans and Democrats are locked in a battle over competing plans to deal with the state's budget deficit, which is \$3 billion by some estimates.

The crisis is the product of both the ongoing meltdown of the Michigan economy and the deliberate policies of politicians in both parties, who are seeking to further shift the financial burden caused by the collapse in the state's industrial base onto the shoulders of working people.

Over the course of her previous term Democratic Governor Jennifer Granholm cut \$4 billion, more than any previous governor. The cuts have hit broadly—primary and secondary education, healthcare and the arts. Higher education alone has absorbed a 22 percent cut, amounting to \$2,300 per student. Meanwhile, the Democratic governor enacted substantial tax breaks for big business while moving to increase revenue through regressive fees and taxes and the expansion of casino gambling.

Last year the state legislature voted to eliminate the Single Business Tax (SBT), a measure demanded by Michigan's business interests. It did so without any agreement on an alternative tax to replace it, creating a \$1.9 billion hole in the state budget. The action took place amidst a continuing fall in state revenues. Both Michigan-based Ford Motor Company and General Motors are facing devastating losses and carrying out massive job cuts. As a result of auto layoffs and the general decline in manufacturing, Michigan has suffered a net loss in jobs for an unprecedented seven years running. The state's official unemployment rate now stands at 6.5 percent, the second highest in the US behind Mississippi.

In the latest action, Governor Granholm has threatened to impose big new cuts in education and Medicaid unless the Republican-controlled state senate reaches an agreement with the Democratic-controlled state house on a new tax plan.

Hard-pressed school districts across the state are being

told to prepare for the loss of \$125 per pupil in funding under conditions where districts have already cut programs to the bone. Detroit, one of the poorest big cities in the United States, is facing the closure of 34 public schools this fall with another 8 being considered for shutdown, along with teacher layoffs.

The talk of new reductions in the state Medicaid program comes in the wake of years of cuts in social spending that have had a devastating impact on access to healthcare in poor neighborhoods across the state. In the latest blow, Riverview Hospital, the last hospital on the east side of Detroit, is set to close next month.

Granholm and the Republicans are using the education and health of working people in Michigan as a bargaining chip in an ongoing battle to further restructure state finances in favor of the wealthy. Both the Republican and Democratic tax proposals contain reactionary features, and in any event do not raise enough money to eliminate the projected deficit. While the Democratic proposal would raise more revenue than that of the Republicans, it is weighted in favor of the auto companies and giant manufacturing interests in the state at the expense of smaller businesses. In either case, the state will be faced with the need to cut hundreds of millions of dollars in social spending.

For fiscal 2007 Granholm has already proposed cuts in general fund spending of \$109 million. This includes cuts to the Department of Human Services, state grants to the arts and transportation development. Additional savings are being created through an accounting sleight of hand that will only push the deficit into the next fiscal year.

Likewise, the Democratic governor is proposing to deal with a large portion of a \$322 million school revenue shortfall by use of an accounting maneuver, revaluing the state's liability to the Public School Retirement System. Since Michigan's unfunded liability to teacher and state employees already exceeds \$10 billion, this will only

hasten the day of a default or massive cut in benefits.

Projections for fiscal 2008 indicate a \$2.1 billion deficit without the replacement of the SBT. However, the new tax plans being considered are not expected to raise much more than \$1 billion, still leaving a huge deficit. Granholm has proposed to deal with this through both spending cuts and a hodgepodge of new taxes and fees, largely regressive in nature.

Among the programs being targeted are cash assistance and daycare programs for the Department of Human Services, funding for local libraries, elimination of the tuition grant program, and administrative reductions in all state departments and agencies. This comes on top of devastating cuts that have led to a significant increase in child poverty, which stands at 18 percent statewide and 48 percent in Detroit.

Pat Sorenson with Michigan's Children, a nonprofit agency advocating for children and families, told the *World Socialist Web Site*, "There has been a general erosion in preventive programs for children and families. The economy is part of it. Michigan has shifted from a manufacturing-based economy to a service-based economy. Another part of the problem is that we have had tax cuts over the last 15 years so that we don't guarantee enough funds to provide services at an adequate level.

"We believe you have to invest more in early childhood. We also believe we should invest in children, to keep children out of the child welfare system. Programs are needed to help parents be better parents, so that children can stay with their parents instead of going into child welfare. That can often include just basic things, like help with housing, utilities and rent."

Michelle Corey, also with Michigan's Children, added, "In Michigan 21.8 percent of moms have less than adequate prenatal care. There has been a lot of research to show that health insurance is a big factor in getting adequate prenatal care. Often if there is no connection to a healthcare program prior to pregnancy, it is hard to get a connection, or it takes a long time.

"We have Medicaid, but the issue has become that there have been long waits and there haven't been enough providers willing to take Medicaid patients."

On May 5 home healthcare workers rallied in front of the state capitol in Lansing to protest proposed cuts that would reduce their wages and hours. The Republican controlled Michigan Senate has passed legislation that would cut hours for the state's 42,000 home healthcare workers and eliminate a 50 cent per hour wage increase to their miserable \$7.00 per hour minimum wage.

During the present crisis the unions have offered no criticism of Granholm, directing protests solely at the Republicans, calling on them to reach a budget compromise with Democrats that will reduce the scope of cuts needed to balance the budget by implementing new regressive taxes and fees.

The unions campaigned enthusiastically for Granholm's reelection in 2006 despite the fact that the Michigan AFL-CIO admits that the cuts enacted by her administration have ravaged education and social services.

The Democrats, the media and the unions have all attempted to restrict the discussion over the budget crisis to a narrow framework. It is presented as intractable, with more cuts or one degree of severity or another being the inevitable outcome.

However, to a large degree the crisis has been manufactured through the implementation of policies whose outcome was foreseeable. As a consequence of corporate tax cuts enacted through the bipartisan collaboration of Democrats and Republicans there has been a drastic decline in state revenue. Overall there has been a 16 percent drop in taxes in Michigan as a percentage of personal income since 2000, mostly due to handouts to wealthy individuals and big business. The state currently employs fewer workers than it did in 1973, though the population has grown significantly since then.

With more massive job cuts in the auto industry pending, whatever temporary agreement is reached in Lansing the attacks on education and social services in Michigan are sure to intensify.



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