

California budget deadlock broken as Democrats accede to right-wing demands

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California Governor Arnold Schwarzenegger signed the state budget into law late last month after a 51-day deadlock in the state legislature that paralyzed funding for government services in the nation's most populous state.

Republicans in the State Senate had refused to sign the bill, which requires a two-thirds majority for approval, demanding greater budget cuts to eliminate the state deficit. They also sought assurances that state Attorney General Jerry Brown would not sue counties and municipalities that failed to meet mandated reductions in greenhouse gas emissions.

Since taking office in 2003, Schwarzenegger has relied on bipartisan support to push through his reactionary agenda. At the same time, the Republican governor has postured as someone who is above the partisan fray while oscillating between the extreme right in his own party and so-called moderate Democrats.

Last May, when the governor proposed massive cuts in state welfare programs, the Democrats were given the opportunity to masquerade as champions of the poor before Schwarzenegger concluded a deal with them. In August, the Democrats returned the favor, joining with Schwarzenegger in denouncing Republican senators for the budget deadlock, before capitulating to their demands.

Senate Republicans were able to extract two major concessions before providing the two necessary votes to pass the budget: \$700 million in budget cuts were imposed, using Schwarzenegger's line-item veto, and a separate bill was passed establishing a two-year moratorium on global-warming lawsuits against public works projects funded by state and local bonds. The use of the line-item veto is a particularly cynical maneuver, allowing Democrats to claim that they never voted for the compromise budget.

The character of the cuts—which will have a devastating impact on working and poor people—reveals the class interests to which both political parties are beholden. Seventy-five percent of the cutbacks—or \$527 million—will come from the Health and Human Services Department, the state agency that oversees welfare programs, including \$55

million from the Integrated Services for Homeless Adults with Serious Mental Illness program. At the same time, the budget provides a \$45 million tax break for yacht owners.

The cuts also include \$30 million cut from state park funding, \$6 million cut from prescription drug discounts, \$17.4 million from aid to senior citizens and \$40 million from drug-abuse treatment centers.

In addition, \$84 million in federal TANF (Temporary Aid to Needy Families) money is being diverted to the General Fund, as is \$1.3 billion previously earmarked for public transportation.

The budget passed by the State Assembly July 20 contained significant cutbacks in social programs, which were demanded by both Governor Schwarzenegger and Republicans to guarantee passage of the bill. That bill included \$500 million in tax credits negotiated by the Republican Assembly caucus and no funding to help cover fee increases at public universities.

The Republicans had demanded even greater budget cuts, ostensibly to eliminate the deficit, coupled with more tax cuts for corporations and the wealthy, including \$850 million in tax cuts for large corporations and the entertainment industry. The Democrats, having no principled differences on this score, essentially capitulated to all but the most extreme demands, while posturing as opponents of cuts in social services.

While a spokesman for Senate President Pro Tem Don Perata, a Democrat, stated in July, "We [the Democrats] are not considering cuts to children on CalWORKS [California Work Opportunity and Responsibility to Kids, the major state welfare program]," the enacted budget does exactly that. It freezes increases in cost-of-living allowances for the third year in a row.

Constitutionally, the state of California is required to approve a budget by June 15, two weeks before the beginning of the fiscal year. The budget requires a simple majority vote for approval in the State Assembly, the lower house of the state legislature, but a two-thirds supermajority in the State Senate. If no budget is approved by July 1, state

budget allocations are withheld from recipients.

This year's situation is hardly new—16 of the last 20 budget bills have been approved after July 1. Since 1998, there has been a \$2 billion emergency fund for recipients of Medi-Cal funding, the state healthcare program for the poor and uninsured. Although originally designed to last for two months, the fund was never indexed to inflation, and ran out before the end of July.

The budget deadlock had a disastrous effect on all social services, which suddenly resulted in a cutoff of state funds. In all, more than \$3 billion was withheld from daycares, nursing homes, medical clinics, community colleges and other providers of essential services. To continue operating, many were forced to rely upon lines of credit, of which only the principal will be reimbursed by the state.

Reimbursements did not commence until August 27 and will certainly prove inadequate. Some service providers are reported to be paying 95 percent interest on loans drafted to cover shortfalls during the budget deadlock.

The delay in passing the state budget has also narrowed to three weeks the timeframe during which the legislature may debate further legislation, most important of which is the healthcare bill proposed by Schwarzenegger. In the shortened session, Republicans controlling key votes will find their clout much stronger than in normal sessions, and will be able to push legislation even further to the right.

The Democratic leadership in Sacramento made a determined effort to pose as defenders of the poor and working class, but has overseen an evisceration of social welfare programs over the last three decades. In control of the state legislature since 1970, California Democrats have consistently and ruthlessly attacked the working class.

This right-wing shift comes as the growing polarization in wealth continues apace. A new study by the California Budget Project, *A Generation of Widening Inequality: The State of Working California*, spells out the growing social polarization in the state, where low-wage workers (the lowest fifth of wage earners) have seen a decrease in real wages of 7.2 percent from 1979 to 2006, while the highest-income (the top fifth of wage earners) saw their real incomes increase 18.4 percent over the same period. The median wage rose a mere 1.3 percent.

At the same time, California had 39,013 foreclosures notices in July, a 289 percent increase from the year before, and has led the nation in foreclosure notices every month in 2007. Of US metropolitan areas with the highest foreclosure rates, 6 of the top 10 were in California.

This polarization in wealth finds a corollary in the population's alienation from the political system in California. Polls in mid-August showed that only 12 percent of Californians were closely watching the budget news—not

surprising given the increasingly backroom and antidemocratic nature of negotiations—and only 22 percent approved of the legislature's handling of the budget.

Schwarzenegger himself was brought to the governorship on wave of popular disgust with the right-wing policies of his predecessor, Democrat Gray Davis. Schwarzenegger's vulgar populism, an integral part of the antidemocratic 2003 gubernatorial recall campaign, has allowed the former actor to posture as an independent political force, while working actively with both parties to attack the living standards of the working class. This was on display most notoriously in the 2005 special election, when he sought voter approval for measures that would have further restricted the influence of the unions and given himself the power to unilaterally impose budget cuts.

Commentators in the bourgeois press have claimed that amending the California constitution to allow for a simple majority in both of the Democratic-controlled houses of the legislature to ratify the budget would remove the threat of this year's budget situation repeating itself, thus making the entire process more democratic and responsive to the needs of the population.

Such proposals ignore the reality that the two parties are united in attacking the living standards of the working class in order to serve a small constituency of wealthy individuals. No less than the Republicans, the Democrats in California and nationwide are committed to a policy of attacking the already meager remnants of the welfare state. Despite tactical differences, both major parties are in agreement on the necessity of eliminating social programs, implementing tax cuts for the richest individuals, and removing all constraints on the accumulation of wealth while condemning millions to poverty.



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