California: Schwarzenegger administration presents austerity budget

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15 January 2008

Prompted by recent projections of a $14 billion budget shortfall over the next eighteen months, California Governor Arnold Schwarzenegger declared a state of "fiscal emergency" on January 10. The declaration was accompanied by the release of his proposed budget for fiscal year 2008-2009.

The central component of the new budget is a massive attack on social programs that serve millions of working people in the state.

The current crisis has direct roots in the budget crisis of 2003, which was caused by the collapse of the dot-com bubble and the illegal fleecing of California residents by large energy suppliers in 2000 and 2001. The state government has never demanded the return of funds extracted by companies such as Enron, which are estimated at $11 billion.

The 2003 crisis was temporarily averted through a combination of spending cuts, massive borrowing, and increased revenue that came with the beginning of the housing boom.

Five years later, the state has still failed to pay its bond debt, the housing bubble has burst, and state officials are hoping to resolve the current crisis largely through attacks on programs that help the state's most vulnerable residents.

Schwarzenegger's proposed budget-cutting mechanisms include:

* A 10 percent decrease in education funding, including $4.4 billion in cuts from K-12 education and $1.13 billion from higher education.
* The closing of 48 of the state's 280 parks.
* A reduction of $1.13 billion dollars from the California Department of Health Care Services, including the elimination of dental care for low income residents on the state's Medi-Cal program.
* The firing of 7,000 state employees.
* An $11.7 million cut from the Office of Emergency Services-Disaster Assistance Program, less than three months after the state suffered from the most extensive and damaging wildfires in its entire history.
* A $175 million cut from the child services division of the Department of Social Services, which provides resources for abused, neglected, and deaf children.
* A 10 percent reduction in retirement benefits for military veterans, along with a $20.5 million cut in the California Department of Veteran Affairs - Veteran Homes Program, which provides nursing services and residential care for veterans.

In addition, the budget includes a provision to borrow $3.3 billion dollars approved under California Proposition 57, placing the state's poor credit rating under further strain and providing cover for future spending cuts. Schwarzenegger is also proposing the early release of 37,000 prisoners from the state's overcrowded penitentiary system.

The proposed cuts in education come mere months after the governor declared 2008 to be the "Year of Education." California already ranks 43rd in the nation in per-pupil spending for K-12 education, or $2,000 below the national average. The $4.4 billion cut will have even more devastating consequences for the quality of education for California students.

Furthermore, as the governor himself admitted in his state of the state address, the typical California school has 30 percent fewer teachers and 50 percent fewer counselors than the national average. The governor's cuts will doubtless cost the livelihoods of many more teachers and school support staff.

The $1.13 billion higher education cut will mostly impact the state's University of California and California State University systems. Students were once able to attend these schools for free, but the cuts will mean further fee increases on top of sharp increases in recent years.

President of the California Faculty Association, Lillian Taiz, remarked that the cuts would lead to "course reductions, increased class sizes and longer times to graduation. The loss, in the end, would not only be dollars, but the loss of the hope and optimism about the future that is an intrinsic trait of a society committed to broad educational opportunity," she said.

The park closings would mark the first time such a measure has been taken to balance a budget since the California State Park Department was established in 1902, and would rob many Californians of their only source of solace and relaxation.

One of the parks slated for closing, Henry Coe State Park, is the state's second largest at over 86,000 acres, and is distinct among other parks in that nearly all of its plant and animal life is indigenous to California.

Other state parks to be closed include the Del Norte Redwoods State Park near Oregon, the Silver Strand State Beach in San Diego, Portola Redwoods in San Mateo County, and the Tomales Bay State Park in Marin County.

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The park closings underscore the ruthless character of the current spending cuts, as their closing would only cover one-tenth of one percent of the projected deficit. The complete closure of the parks at reduced staffing levels will leave them vulnerable to vandals and arsonists. Many could be sold off to private developers at fire-sale prices.

In addition to the $1.13 billion cut from the California Department of Health Services, Schwarzenegger is proposing that low-income families confirm their eligibility for state Medi-Cal services every three months, insuring that children and their families continuously fall off the ranks of the insured, thus saving the state even more money in expenditures.

Schwarzenegger has also proposed an increase in out-of-pocket costs for children in the state's Healthy Families program, a low cost insurance program for children and teens who do not qualify for the state's Medi-Cal program. This will compel many low-income families to drop coverage for their children or delay necessary care.

Since taking office in the 2003 recall election, Schwarzenegger has consistently demonstrated his commitment to attack the state's social safety net and to protect big businesses and the wealthy from tax increases. He has implemented his right-wing policies in collaboration with the Democratic Party, which controls the state legislature.

Soon after taking office, Schwarzenegger proposed a constitutional amendment to limit budget spending, the so-called "California Recovery Plan," which ultimately never went before voters.

This was followed by cuts in 2004 that were mitigated by the approval of $15 billion in state borrowing. The state then borrowed $11.3 billion of the approved $15 billion, exacerbating the current crisis and providing cover for future budget slashing.

The following year, Schwarzenegger attempted to further limit budget spending under Proposition 76, also known as the "California Live Within Our Means Act," one of several right-wing initiatives defeated by California voters in 2005.

Most recently, the state's August 2007 budget, passed with the support of the Democratic Party, enacted $700 million in cuts, $527 million of which was taken from the Health and Human Services Department, a state agency that provides the state's Medi-Cal program under the California Department of Health Care Services. The state's Medi-Cal program coordinates health care for 6.7 million low-income residents.

While Democrats have voiced opposition to some of Schwarzenegger's current proposals, the governor is counting on the Democrats to repeat their role in previous negotiations by agreeing to sharp cuts. The governor has long maintained an alliance with state Democrats, who have helped sustain him in office despite widespread public hostility.

Democrats also argue that the budget could be better balanced with the addition of regressive tax increases. State assembly leader Fabian Nunez, the Democrat who originally proposed the idea of an Internet tax to help balance the budget, declared, "Clearly, cuts alone won't fix things. If there's a $14 billion deficit, you could close every one of the state's public universities and still be nowhere close."

The governor's proposed measures are not limited to the projected shortfall period, as the state's working class and poor will be under continuous assault as a result of the Governor's proposed "Budget Stabilization Act."

If passed by a referendum, the act would allow the state treasury to sequester unexpected increases in tax revenue at the expense of cash-strapped state programs. It would give the governor authority to force state agencies to reduce spending by 5 percent up to three times per year.

While the specific character of such reductions may be initially decided by the state legislature, the governor can unilaterally waive state law to make 5 percent cuts in the agencies of his choosing should the legislature's cuts be deemed insufficient. Essential services for the state's most vulnerable residents would surely be cut first, while the act takes special care to leave both debt services to banks and corporate contracts untouched.

In his State of the State address on January 8, the governor placed the blame for the current shortfall on voter-approved program funding increases. Schwarzenegger predictably dismissed any notion that it could be solved by increasing the tax burden on the state's wealthiest residents, many of whom will soon be enjoying a $45 million tax break on their yachts courtesy of his August 2007 budget.

The governor also tellingly failed to suggest closing tax loopholes, many of which benefit large corporations and the rich, and which in and of themselves could close a large portion of the current budget gap.

This fact was consciously ignored by Schwarzenegger who went to great lengths to claim that the state's most affluent layers were simply overburdened by taxes, and cynically lamented, "We only have so many rich people." This statement is indeed true, as is the enormous concentration of wealth in such a small subset of the state's population. The growth of social inequality will no doubt be intensified by the present budget crisis.

What is being prepared in Sacramento is nothing less than an all-out assault against the state's working class both in word and in deed, the ramifications of which will be felt for many years to come. This situation is by no means unique, as many other states are also facing a similar shortfall. California's budget crisis is only the most prominent expression of this nationwide trend.

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