

New Jersey Governor demands draconian budget cuts

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In his budget address delivered last week, Democratic Governor Jon S. Corzine called on the New Jersey state legislature to pass an austere \$33 billion budget which includes, according to his own calculations, \$2.7 billion in budget cuts directed against the state's working and middle class residents. These cuts include the elimination of 3,000 state employee jobs, the reduction of some property tax rebates, as well as the reduction of aid to municipalities, higher education, hospitals, and Medicaid. This is only the fourth time since 1951 that the state's budget has been reduced and represents the second largest spending cut in the state's history.

The new cut of 3,000 state jobs, to be accomplished through early retirement and layoffs, comes on top of a previous cut of 2,000 employees when Corzine took office in January 2006. The governor has made it clear that legislative measures will be taken to guarantee that the state will not hire new employees to replace those whose jobs are eliminated. In addition, he has proposed the elimination of the Departments of Commerce, Agriculture and Personnel. There are also plans to close some state parks and reduce the hours at motor vehicle offices. It is estimated that this will result in \$350 million in savings.

Tax rebates for households with a total income of \$150,000 or more will be eliminated and the rebates for households that earn between \$100,000 and 150,000 will be reduced by one-third. The state has the highest property taxes in the country, which at \$6,330 per homeowner is twice the national average. It is estimated that the 400,000 state residents will lose some or all of their rebates, for a cut amounting to about \$375 million.

There will also be a reduction of \$331 million in health care benefits. This includes forcing Medicaid health care beneficiaries to contribute a co-payment.

FamilyCare, which provides health care to low-income families, will experience cuts, and nonprofit corporations that provide community services will not get cost-of-living increases.

Funding for hospitals will be cut by \$144 million, a 14 percent reduction. Much of this money goes to pay for treating the uninsured. The state now has only 78 community hospitals, as compared to 112 about 20 years ago. Betsy Ryan, president-elect of the New Jersey Hospital Association, has predicted that many of the remaining "hospitals will not survive this budget."

The reduction of \$190 million in aid to cities and towns will force them to impose higher property taxes and reduce vital services such as firefighting. Colleges and universities will be hit with a reduction of \$76 million in aid, which will lead to tuition increases.

According to Corzine, nearly 10 percent of the budget goes to paying off debt services, and he expects that this amount will continue to grow in the years ahead unless there are severe measures taken in order to pay the bondholders. The current budget has more money earmarked for debt service than it does either for higher education or property tax relief. In his budget address, Corzine called his plan "cold turkey therapy for our troubled spending addiction", and made it clear that he sees his proposed budget cuts as only the beginning of harsh austerity measures to be imposed on working people in New Jersey.

Indeed, in addition to his budget, Corzine had put forward a complex plan that will increase road tolls 800 percent in the next 15 years in order to support a multi-billion-dollar transportation bond, and reduce the state's \$32 billion debt.

Democratic Party Assembly Speaker Joseph Roberts predicted that the budget will pass "in large measure as the governor presented it." Democrats have a majority

in the Assembly of 48-32 and in the Senate of 23-17. The Republican Party Senate minority leader Thomas H. Kean Jr. said, "We need to go further." The proposed budget "is still 20 percent higher than the day the governor took office," he added.

Joan Verplanck, the president of the New Jersey Chamber of Commerce, the state's big business association, said "We applaud the governor for understanding the seriousness of our fiscal crises by presenting a budget that, while tough to stomach by just about everyone in this state, will begin to repair the damage."

While the leadership of the state workers union condemned the cuts, it was their collaboration with Corzine that made it possible for the governor to work out a deal last year that in addition to eliminating 2,000 jobs raised the retirement age for new employees from 55 to 60, increased workers' pension contributions, capped the defined pension for new employees, and mandated that state employees contribute to the cost of their health care. In his address, the governor proudly boasted of imposing these concessions as a foundation for demanding even greater sacrifices in his current budget.

The governor's approval ratings are at an all time low, with 52 percent of the respondents disapproving of Corzine's performance, according to a poll conducted by Quinnipiac University that was issued about two weeks ago. Before his address to the legislature, Corzine conducted 13 town hall meetings throughout the state in an attempt to sell his budget cuts and succeeded only in receiving some very hostile reactions.

New Jersey's budget is a manifestation of the fiscal crisis that is sweeping the country. The Center on Budget and Policy Priorities released a report last week that concluded that more than 20 states are struggling with long-term budgetary problems which have been aggravated by the recent economic downturn. The center calculated that while New Jersey has a 10 percent budget gap that it needs to eliminate, California has a 15 percent deficit and Arizona's deficit is 16 percent, the highest of any state.

Another federal report prepared by the Government Accountability Office, also issued last week, found that about half the states are not properly funding the amount of money necessary to pay promised pension

benefits to retired public employees, and that this is putting a significant financial strain on the states' budgets.

Corzine has claimed that "reality is that like the rest of society, everybody ought to share in some degree in the burdens that are involved. We have tried to broadly spread the painful cuts." The reality is that these cuts are being broadly applied to everyone, except, of course, the corporations and the very wealthy. Indeed, the whole purpose of these cuts is to improve the environment for big business by lowering the wages and benefits of working people. There is, for example, no hint of canceling the debt to the wealthy bondholders, a debt which according to Corzine's own analysis is sucking the very life out of the living standards of ordinary residents who are struggling to make ends meet.

Corzine is himself an expert at protecting the financial interests of rich investors. He was named a partner at Goldman Sachs, the New York investment firm, in 1980 and became its chairman and chief executive officer in 1994. By the time he left the company in 1999, he had enough personal wealth to spend \$62 million of his own money in a successful run for the US Senate of New Jersey in 2000, which was the most expensive Senate campaign in the history of the country. Corzine left the Senate to become the state's governor in 2006.



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