

New York state legislature passes draconian budget cuts

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23 August 2008

In a special session of the New York State Legislature on August 20, lawmakers agreed with Democratic Governor David A. Paterson to make hundreds of millions of dollars in budget cuts in order to reduce the state's budget deficit for this and future years. The cuts will immediately reduce the \$122 billion budget for this fiscal year by \$427 million. They are expected to cut next year's budget by \$1 billion and slash another \$2.4 billion by fiscal year 2011-2012.

The legislature passed a 6 percent reduction in services, including \$141 million in cuts to health care. This includes a reduction to Medicaid funding, which services the health needs of poor people, by \$127 million.

The state cuts in payments to hospitals and nursing homes will be especially painful, due to the reduction in matching funds from the federal government.

There will also be a \$97 million cut in aid to local governments for various health services, such as nutritional programs. The annual inflation-based increases for Medicare, the health care program for the elderly, have been capped, and this is expected to reduce spending by about \$170 million every year.

There will also be a 7 percent reduction to the New York City university system, totaling \$51 million, and cuts to various projects in the legislators' districts, totaling \$50 million.

Immediately after the special session, the governor employed his own authority to make another round of cuts totaling \$630 million. This included reducing the budget of the State University of New York system by \$96 million and cutting the Dedicated Highway and Bridge Trust Fund by \$41 million. He was able to do this by reducing state agency spending by 7 percent. This is in addition to his decision earlier this year to cut agency funding by 3.35 percent for a total spending

reduction of \$500 million, which was then followed by his decision to implement a state hiring freeze on June 30.

Social service providers have warned that these reductions will lead to a significant deterioration in vital services. "The cuts that were enacted will inflict real pain on health care providers, health care workers, and the New Yorkers they serve," said the president of the Greater New York Hospital Association, Kenneth E. Raske.

This fiscal crunch—which is being reproduced in state after state—has been created by a growing credit crisis and recession that have dramatically reduced tax revenues. New York State's financial condition has been thrown into particular crisis by the billions of dollars that Wall Street firms have lost, plus the layoffs of their employees. Altogether, Wall Street has accounted for about one fifth of the state's income. The state comptroller, Thomas P. DiNapoli, has reported that tax receipts from businesses were \$453 million below projections for the first quarter of the state's fiscal year.

Before the cuts were passed, the governor's office had projected that the budget deficit for the next fiscal year would be \$6.4 billion, instead of an original estimate of \$5 billion. Deficits for the next three years are now estimated to reach \$26.2 billion, instead of the original estimate of \$21.5 billion. Therefore, these cuts promise to be only the beginning of a series of future social service reductions aimed at offsetting the state's ballooning deficits. Indeed, Paterson has already suggested that it might be necessary to recall the state's lawmakers later this year to pass more budget cuts. He expressed concern that tax revenues could shrink further, due to a deepening downturn in corporate capital gains and the shrinking of the bonuses paid to

Wall Street employees.

The decline of Wall Street and real estate taxes is also having an enormous impact on New York City's budget deficit, which according to the city comptroller William C. Thompson is expected to grow from \$68 million in fiscal year 2009, to more than \$2 billion in 2010, and \$5 billion in 2011. In March of this year, the city's mayor, Michael Bloomberg, sent a letter to all city agencies ordering them to cut 3 percent of their budgets for this fiscal year, which began in July. This was on top of a 2.7 percent cut imposed during last fiscal year and a 4.4 percent budgetary reduction that was projected for the current year. This last cut included a special \$324 million reduction to the Department of Education.

In addition, the Metropolitan Transportation Authority (MTA) is also suffering from a budget gap of nearly \$900 million. This is partially a result of the falloff of monies earmarked for public transportation such as real estate taxes, due to a slowdown in that market, as well as rising costs, especially for fuel.

As a result, the authority is planning to increase fares next year, after just imposing a fare hike earlier this year. Moreover, the MTA's budget projections are unrealistically optimistic, considering that the agency is counting on \$300 million in additional support from the state and city, which given their own deficits, is nothing more than a fantasy. Indeed, at a recent meeting of the US Conference of Mayors, Bloomberg told reporters that the city is definitely not able to give the transit authority any additional money.

While the public transit system has seen a significant increase in ridership, a substantial share of it no doubt owing to commuters seeking to avoid high gas prices, the fare hikes mean one more attack on working-class living standards.

During the state's special session, demonstrators gathered outside the Capitol building protesting cuts in health care. Protesters in wheel chairs assembled outside the governor's office.

Various state employee union heads have also protested. Professional Staff Congress President Barbara Bowen complained that the educational cuts would "slash the only opportunity for college education for thousands of New Yorkers." The public unions had spent millions of dollars in advertisements aimed at influencing Governor Paterson and the legislators to

refrain from cutting programs involving their members.

These same unions predictably gave their support last year to the state's Democratic Party candidates, and helped Paterson win election as lieutenant-governor, and Elliot Spitzer as governor. Paterson became the governor when Spitzer suddenly resigned in mid-March over a sex scandal, after having served only a little more than two months of his term.

In a year in which all the 212 state Senate and Assembly legislators are up for reelection this November, a number of unions had threatened to withhold their endorsements from any lawmaker who voted for budgetary reductions in education or health care. There was no indication that the threat had any impact. Both Democratic and Republican politicians voted overwhelming for the cuts. The Senate voted twice by a margin of 51-6 for the package, while the Assembly first voted 128-10 and then 131-7 to approve the draconian budget reductions.



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