

# New York state budget cuts target working class

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On Tuesday, New York State's Governor David Paterson unveiled a severe austerity budget plan aimed at closing the largest state deficit in history. The current and coming fiscal years' combined shortfall is expected to reach \$15.4 billion.

In addition to the nationwide economic crisis that is devastating the budgets of every state, New York has been hit especially hard by the collapse of Wall Street, which in recent years has provided 20 percent of the state's tax revenues. Unlike the US federal government, states are required to balance their budgets. Consequently, New York, like the majority of other states, is implementing policies to close massive imbalances between income and expenses.

According to Paterson, "The world has changed and we have to adjust to it." Those "adjustments" are being demanded, however, of only one section of society. The proposal demands that the working class pay, while leaving the wealthy relatively unscathed. The thrust of his proposals involves increases in sales taxes and state fees combined with sharp reductions in essential services. A review of these proposals makes clear how severely these actions will impact the lives of working people and the poor.

The cuts fall most heavily on education and medical care. Paterson proposes a cut in statewide school aid of \$880 million, hitting public schools as well as the state's colleges, and universities. The cumulative effects would amount to \$2.5 billion, according to the Alliance for Quality Education. The State University of New York (SUNY) and City University of New York (CUNY) are being hit with a 14-percent increase in tuition, meaning undergraduates would be obliged to shell out \$620 more each year.

Health care cuts amount to nearly \$4 billion, achieved through cutting spending for hospitals, nursing homes and other health care providers by more than \$1 billion and imposing a cap on projected increases in Medicaid for the poor, the disabled and the elderly.

The Home Care Association of New York State released a report Tuesday predicting that half of the state's home care agencies would go under if the Medicaid cuts go through.

"Home care cuts like these would be disastrous for seniors, the sick and persons with disabilities who depend on home care," said Joanne Cunningham, president of the association.

The budget proposal also slashes \$1 billion in state aid to New York City. "That's an awful lot of city employees," the city's billionaire Mayor Michael Bloomberg commented in response to the announcement. "That's 12,000-odd city employees." Bloomberg added that the cuts would result in reduced city services and larger class sizes in city schools.

The tax and fee increases include a wide range of levies on consumption and activities which cumulatively represent the 'death of a thousand cuts' for most of the population, while being only minor annoyances for the wealthy. A few examples of the more than one hundred proposed taxes and fees include increases in automobile registration fees, taxes on sugar-sweetened soda, a rise in the gasoline tax, eliminating the sales tax exemption on clothing and footwear under \$110, and placing a tax on items that can be downloaded from the Internet, like movies, music and games.

Conspicuously, Paterson does not propose a rise taxes on the wealthy, despite a wide and growing income differential in the state. "I have ruled out taxes for the wealthy," he said Tuesday.

New York already has a regressive tax structure. State tax rates do not increase beyond the level imposed on those with incomes of \$20,000 a year. Therefore, people making hundreds of thousands or even millions of dollars are taxed at the same percentage rate as those with a poverty income. There have been populist-style proposals from some quarters for a "millionaires tax". Paterson, clearly indicating which class he represents, has repeatedly opposed such a tax. This is despite the fact that a new, state-wide poll by Siena College indicates overwhelming support for taxing the rich. The poll found equally strong opposition to cuts in education and health care.

In an opinion piece in Wednesday's *Daily News* Paterson states that he is not looking for temporary fixes, but rather wants to attack the "root cause" of the state's "fiscal disease". He again refuses to consider a "broad-based tax increase" which, he claims, will drive people from the state.

Which kinds of people might be prompted to leave is left unsaid, but clearly the conception is that the wealthy as well as corporations and financial institutions would pick up stakes for

lower tax havens if asked to share any of the state's fiscal burden.

While the budget includes the elimination of 3,108 jobs, the number of overt layoffs is kept relatively low under Paterson's proposal. A total of 521 state workers would get pink slips as a result of agency consolidations, facility closures, or program eliminations. However, larger numbers are reportedly being considered if public employee unions don't "play ball" with his proposals for broader compensation cuts and the reopening of state employee contracts.

One major proposed attack on public employees involves a significant reduction in pensions for newly hired workers, creating a two-tiered system reminiscent of that imposed on auto workers. Paterson claimed that the state had been "too generous" in the past and that this "culture" had to change. Required employee contributions would increase. In addition, the age at which a worker could retire with full pension would rise from 55 to 62. The proposed budget also includes a "give back" of previously negotiated three percent pay raises, the deferment of a week's pay until retirement, and greater contributions from state employees and retirees for health care coverage.

His plan also calls for merging seven state agencies with other departments and closing underutilized state facilities, which will inevitably lead to layoffs and reductions in services.

Union bureaucrats have reacted in a predictable manner, complaining that cuts in their particular areas are "unfair", and appealing to Democratic and Republican politicians for redress without questioning the underlying premise that the working class has to pay for the crisis.

President Danny Donohue of the Civil Service Employees Association (CSEA) said, "CSEA does not question the importance of bold and serious action to address the unprecedented fiscal challenges facing our state," but went on to criticize Paterson for "scapegoating of public employees."

Similarly, Public Employees Federation (PEF) President Ken Brynien criticized reliance on "savings from state-worker givebacks" rather than "savings that can be realized by cutting the use of high-priced consultants."

Despite appeals to politicians in the Legislature to blunt the proposed cuts, Democrats and Republicans are either supporting the Governor or criticizing him for not going far enough.

Democratic Assembly Speaker Sheldon Silver defended the Governor's approach, "The Governor has ... proposed substantial savings from consolidation of agencies, 'give backs' and changes in benefits for our public workforce." Silver added: "Tackling a budget deficit of this magnitude will require that our state workforce share in the sacrifices that will have to be made. We will pass a budget that contains significant cuts in spending. We will demand that all New Yorkers - not just those that depend most on government services - share the sacrifice."

Senate Majority Leader, Republican Dean Skelos emphasized

his party's traditional anti-tax stance. "Senate Republicans are very concerned about the Governor's plans to increase taxes and fees by more than \$6 billion," he said. "The budget eliminates property tax relief, calls for local aid cuts that will force property taxes higher, and asks New Yorkers to pay a long list of new and increased taxes and fees that will make it even more difficult for taxpayers to make ends meet." His solution is to squeeze government spending on things like Medicaid and social services, repeating the right-wing mantras of reducing waste and giving aid only to the "deserving poor".

In his budget proposal presentation, Paterson repeatedly raised the theme of "shared sacrifice" and the idea that if only we all "pull together" New Yorkers can get through a difficult period.

He acknowledged Tuesday: "The education cuts are draconian. The health care cuts are prohibitive. The taxes that are being levied on New York citizens are not fair. But when you add it all up, we think we delivered the pain pretty evenly."

He again presented his prescriptions as inevitable given the depth of the economic crisis and suggested that they were the cost of a failure to carry out austerity measures earlier on. "We should have thought about this when we were depending on what we thought was inexhaustive [*sic*] collections of taxes from Wall Street, and now those taxes have fallen off a cliff," he said.

The reality is that the state's deficit, while unprecedented in scope, is insignificant compared to the trillions of dollars in public funds that have been lavished on Wall Street in an attempt to bail out the major financial institutions and their wealthiest investors. No one is suggesting, however, that similar measures will be taken to bail out working people, the elderly, the sick and the state's school children. All are expected to accept the "evenly" distributed pain.

Moreover, the sacrifices being demanded of the working class in the coming year's budget are only the beginning of much greater attacks to come as the economic crisis deepens and increases the size of future deficits.



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