

California legislature passes massive austerity budget

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After the longest vote session in state history, the California state legislature approved a budget yesterday that will balance the \$42 billion deficit at the expense of millions of working people in California. The bill includes a combination of regressive taxes that will fall disproportionately on the working class, as well as staggering levels of budget cuts to education and social services.

The proceedings and the anti-democratic manner in which the bill was passed, behind closed doors and with numerous tax breaks for big business inserted up to the last minute, are the consummate expression of the contempt the entire ruling establishment has for the mass of the state's population.

California, the eighth-largest economy in the world, has been verging on bankruptcy for several months. The state's coffers have been decimated over the last two decades by a combination of factors, including endless tax breaks for the wealthy and big business, the gaming of the state's energy markets by Enron and other private power companies, the bursting of the dot-com bubble, and now the meltdown of the housing market.

The just-passed legislation will slash current fiscal spending for California by \$14.8 billion. In addition, a series of tax hikes will be implemented—including a 1 percent increase in the sales tax and a doubling of the vehicle license fee, the latter of which Schwarzenegger had made a prime target of his populist, demagogic anti-tax rhetoric when brought into office during the 2003 recall election.

There will be a 0.25 percent rise in personal income taxes. Dependent care tax credits, which millions of families rely upon to alleviate the cost of raising children, will also be cut by \$200 annually.

In addition, money raised by a special 1 percent tax on those making more than \$1 million a year to finance mental health services, which California voters approved in 2004, will be diverted toward other budgetary needs. As a result, the California Mental Health Services Act will be reduced by \$226.7 million.

Continuing a practice implemented last month prior to the passage of a budget, state workers will be furloughed at least one

day every month. This is equivalent to an approximate 5 percent cut in pay. An additional two state holidays will be eliminated, which along with changes in overtime rules and furloughs will decrease the state's payroll costs by \$1.4 billion.

The budget will attempt to plug the remaining hole in the state treasury by utilizing \$7.8 billion in promised federal stimulus funds and borrowing an additional \$5.4 billion. With California's bond rating now the lowest of all the 50 states, even if the state is able to raise additional funds through this method, the terms under which it will be obligated to do so will further undermine the fiscal health of the treasury.

The bulk of the spending cuts will fall on education, which will see its finances gutted by \$8.6 billion. Funding for California's K-12 public schools, which serve 5.9 million students, would be cut \$5.2 billion—a reduction of \$875 per student, according to the California Budget Project. The remainder of the money will be taken from other educational services and the budget for the state's public universities and community colleges, which having once been the envy of the nation, will now be bled white.

The social safety net in California, which already cannot keep pace with rising demand stemming from the impact of the economic crisis, will be decimated. The following cuts are just a limited example of what is being prepared in the state.

The California Work Opportunity and Responsibility to Kids Program or CalWORKs, which provides cash assistance for low-income families with children while assisting parents in finding employment, would be forced to drop more than 230,000 children from the program under the new budget.

The recently passed budget will reduce Supplemental Security Income/State Supplementary Payments (SSI/SSP), which provide additional income to lower-income seniors and people with disabilities, by \$1.3 billion.

This vulnerable population will be further hit by the elimination of the Cash Assistance Program for Immigrants (CAPI), which provides assistance to more than 10,000 senior and/or disabled legal immigrants who do not qualify for SSI/SSP payments due to their immigration status. This cut will save the state \$149 million.

The budget will also drastically reduce the state government's contribution to In-Home Supportive Services (IHSS), a program that helps offset the cost of providing domestic service workers to help 440,000 low-income seniors and people with disabilities.

The most extraordinary aspect of the budget—and one that expresses the utter contempt of the ruling elite for the needs and sentiments of masses of people—is the reported \$700 million in tax breaks included for large corporations.

Governor Schwarzenegger and the Democrats insisted that the tax bonanza for big business was necessary in order to win over Republican support for the budget proposal. The tax breaks will be permanently embedded into state law.

Another major provision in the state budget, which meets the interests of large corporations, will allow construction companies to delay the retrofitting of heavy diesel vehicles that contribute to air pollution. Emissions from bulldozers, scrapers and other soot-spewing construction equipment contribute to 1,100 premature deaths each year, more than 1,000 hospitalizations for heart and lung disease, and tens of thousands of asthma attacks in California, according to the Air Resources Board.

The anti-democratic manner in which the budget deal was reached is also revealing in its own right. The version of the budget passed on Thursday was virtually identical to that proposed by Schwarzenegger and four other leading legislative representatives last week after a 24-hour closed-door session.

Despite an almost weeklong battle in the Senate, in which backers of the budget deal struggled to find one more Republican legislator to vote for the legislation, at no point was there any public review of the proposed measures, which all sides of the political establishment knew to be widely unpopular.

Rather, Schwarzenegger made it clear that even if a budget deal were not reached, working people would pay the price. On Tuesday, the governor began preparations to lay off 20,000 California state employees, insisting that they would have to be let go if no budget were passed. At the same time, Schwarzenegger halted several billion dollars worth of ongoing public construction projects and instructed the treasury to withhold \$3 billion in welfare checks, tax refunds and other payments.

Ultimately, the budget deadlock was only overcome by incorporating into the bill the demands of a single Republican State Senator, Abel Maldonado, to place before California voters a bill in 2010 that would make changes to the California constitution to allow for open primaries.

Maldonado's vote broke the impasse and saw the budget imposed over the deep-seated hostility of his fellow Republican legislators. Despite attempting to present their anti-tax mania as some sort of populist defense of ordinary, struggling Californians,

it became clear that the Republican opposition to the legislation was from the far right. These layers wanted to even further, more massive reductions in public spending.

The budget was passed in the California legislature with the overwhelming backing of state Democrats, who were Schwarzenegger's most strident supporters in the legislative deadlock. Similarly, the SEIU, the union representing most of California's state employees, responded to the budget crisis not by leading a campaign to defend the wages and working conditions of its employees—much less the social services upon which the state's population relies—but rather by insisting that it have a seat at the bargaining table in the process of determining to how deep an extent workers' living standards would be destroyed.

The various unions representing teachers, university employees and other workers in the state's educational institutions failed to mount a serious fight on the budget question. Despite the fact that rallies, demonstrations and other events in recent weeks opposing the massive cuts to education garnered the widespread support of educators and the public, the unions have proven unable to lead a serious struggle against the draconian measures worked out in Sacramento, much less prevent the destruction of public education in the state. In addition to being closely allied to the Democratic Party—which crafted and promoted the budget deal—these organizations also accept as legitimate the existence of a socioeconomic system in which the needs of private profit reign supreme over those of social need.

There are upwards of 90 billionaires in the state of California. However, at no point has it been remotely considered that even a tiny fraction of their wealth should be utilized to prevent the destruction of the living standards of state's 38 million people.

The California budget crisis, which was decades in the making, must be seen as part of a global trend. The political representatives of capital and the corporate-influenced trade unions are united in the philosophy that zero inroads can be made into the vast fortunes of the tiny 1 percent that control the world's resources and industries. Instead, they insist that the only viable framework is one that places the burden on the millions of working people and families who are already struggling.



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