

Minnesota balances budget on the backs of workers and the poor

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Minnesota resolved its \$4.6 billion state budget deficit for the fiscal biennium 2010-2011 by slashing financial and medical assistance for the poor, elderly and disabled; delaying payments to school districts; and making higher education less financially accessible for students. Minnesota is expected to face huge budget deficits for fiscal biennium 2012-2013.

Initially, the state faced a \$6.4 billion deficit, but that number was reduced to \$4.6 billion as a result of Minnesota's portion of the federal stimulus dollars. In May, the Democratic Party-controlled House and Senate passed an Omnibus budget bill that was signed by Governor Tim Pawlenty. The bill reduced the deficit by approximately \$1.5 billion through, among other measures, \$63 million in cuts to higher education, \$537 million in cuts to Health and Human Services, and an increase in court-related fees of \$47 million.

The cuts to Health and Human Services include reductions or delays in funding to nursing homes, long-term care facilities, hospitals, specialty care providers, and people with disabilities. They limit the already minimal discretionary spending allowed to people living in nursing or group homes by 26 percent.

The cuts reduce the "work participation bonus" for families who have left welfare for low-wage work from \$75 to \$50 per month, limit funding that counties use for emergency assistance and families receiving welfare, and cut services to help people with disabilities access job training and find work. The budget reduces funding for Achieve Scholarships (designed to help overcome academic and financial barriers to college) by 54 percent. It slashes funds for civil legal services and the Board of Public Defense, and imposes increased fees for individuals who seek access to the

court system. No cuts were made to the state's prison system or to law enforcement, with the exception of services for victims of crime and domestic abuse.

Governor Pawlenty then went beyond these cuts by using his line-item veto authority to eliminate General Assistance Medical Care (GAMC) and make even deeper cuts to Health and Human Services. Line-item vetoes to the GAMC, which provides healthcare assistance to low-income adults, will cut off between 31,000 and 35,000 Minnesotans from medical coverage in 2011, many of whom suffer significant health issues such as chronic illness, chemical dependency and mental illness. Another veto eliminates the TEACH program designed to improve the quality of child care through scholarships to those seeking degrees in childcare education.

The legislature then presented the governor with an additional bill to eliminate the remaining \$2.7 billion gap by shifting state aid payments to local school districts, raising taxes on alcohol, and modestly increasing income tax rates for the highest paid Minnesotans. Governor Pawlenty, who first campaigned for governor in 2002 on a "no new taxes" platform, vetoed the bill.

Governor Pawlenty then turned to an old but little-used "unallotment" authority. Unallotment allows the governor to reduce the deficit by reducing or eliminating previously authorized budget allocations not yet spent. This marked only the sixth time a governor has used the authority during the past 70 years, with Pawlenty accounting for three of those six. Moreover, this is the first time the power has been used at the beginning of a biennium, and it is by far the largest amount ever unallotted. The unallotment order cut \$1.8 billion through delays in payments to school districts; \$100 million through additional cuts to higher

education; \$210 million through additional cuts to Health and Human Services; \$300 million through cuts in aid to local governments; and \$51 million in cuts to renters' credits.

The plan temporarily suspends programs to ensure that eligible families are enrolled in public healthcare programs. It reduces the state supplementary service rate by 5 percent, impacting homeless shelters, board and lodge homes with special services, and housing for long-term homeless people and families. The unilateral budget cuts will result in an estimated 4,700 lost jobs.

When announcing his unallotment plan, Pawlenty repeated his frequently stated belief that when families are financially hurting and being forced to cut back, the government should do so as well. This is the same governor who early in his first term fended off a scandal that he had received more than \$50,000 for "consultation fees" without any evidence that he had done anything to earn those fees.

Due to the one-time nature of many of the tools used to balance the current budget, and the fact that another huge deficit looms for the next biennium, the poor and vulnerable of Minnesota can expect only worsening conditions. The Democratic legislature demonstrated in the budget debate that it shares Pawlenty's conviction that it is the state's working class that must pay for the crisis. The Minnesota Democrats, dubbed the "Democratic Farmer Labor Party," represent the same class interests as Pawlenty.

The bipartisan attack on programs that benefit Minnesota's most vulnerable is politically significant. The state was for decades a center of US liberal reformism—and liberal anti-communism—producing such prominent figures as Hubert Humphrey, Eugene McCarthy, Walter Mondale, and Paul Wellstone. Minnesota promoted the image of a "soft" or humane capitalism, at least by American standards.

The budget crisis comes not for lack of money in the state. According to *Forbes*, there are nine billionaires in Minnesota with a combined net worth of \$32 billion, about seven times the state's budget deficit. The state is also home to 19 of the nation's largest 500 corporations.

Pawlenty was on a short list of John McCain's potential running mates in the last presidential election. He recently announced that he will not be running for a third term as governor, increasing speculation that he

will seek the Republican nomination for president in 2012.



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