US: Massachusetts governor threatens 2,000 state layoffs

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Massachusetts Governor Deval Patrick announced budget cuts last week that could result in the layoff of 2,000 state workers in the coming months. These layoffs would be in addition to 1,400 jobs that have already been cut this budget year, and a total loss of 4,200 state jobs since September 2008.

Patrick called on union leaders to work with the administration to identify ways union employees can "share in the sacrifice," through contract revisions and other measures. This statement should be read as a threat that state workers will be forced to give up pension, health care, and other benefits.

The governor also said that state programs and services were being targeted for privatization, stating, "This may include suspending certain programs or asking outside entities, such as quasi-public agencies, business groups or charitable agencies, to take on services or programs currently delivered by government."

The Democratic governor's October 15 statement coincided with the release of figures by his Office of Labor and Workforce Development that the state's unemployment rate had increased from 9.1 percent in August to 9.3 percent in September, the highest since the peak during the New England recession of the early 1990s. Massachusetts unemployment stands at a 33-year high, the highest level since the 1970s.

A new poll of state residents shows growing anxiety over the threat of joblessness. The Suffolk University/*Boston Globe* poll found that 44 percent of those surveyed last week were concerned about keeping their jobs. This includes 15 percent who are "very concerned" that their jobs may be on the chopping block.

The new threat to state workers' jobs was triggered by revised revenue estimates for the fiscal year ending June 30, 2010. The governor now estimates that these revenues will be $600 million less than was predicted just four months ago, and come on top of a fiscal year 2010 budget deficit that was already estimated at $5.1 billion.

Despite pep talks from Patrick about an economic recovery to be fueled by the biotechnology, clean energy, and education sectors, state revenues from taxes continue to fall after a disastrous drop in the spring. Between January and May 2009, the state collected $1.5 billion less than it had anticipated, and April 2009 tax revenues were $1 billion less than in April 2008. These drops prompted the governor to make emergency cuts in the fiscal year 2009 budget, and to submit a revised 2010 budget in June.

The state government is relying on several short-term fixes and regressive taxes to address the fiscal year budget gap. These include approximately $1.7 billion in federal stimulus (ARRA) money, which will not be available after the middle of the state's 2011 fiscal year. They also include about $300 million from the state's "Rainy Day Fund," which is rapidly being depleted by the crisis. As part of the FY10 budget process, the state legislature voted to increase the sales tax by 1.25 percent, a tax disproportionately hitting working families and the poor. The crisis has also prompted renewed calls in the Democrat-controlled legislature for casinos in the state, a measure that would further drain workers' wallets if enacted.

Large corporations doing business in the state, however, have received substantial benefit from recent changes to tax regulations. On September 23, the Massachusetts Department of Revenue (DOR) reported to the legislature that $535 million of tax revenue will be lost over the next seven years because of a 2008 law that allows companies to reduce their taxes by changing

the way they report liabilities. The three largest corporate benefactors will save $281 million, and the DOR is keeping their identities secret. In contrast, there is no confidentiality for workers who are fined by the state at tax time for not having "adequate" health insurance, as mandated by state law.

Layoffs and demands for worker concessions at the state level will be compounded by the effects of the economic crisis on cities and towns. Because of a decades-old state law limiting yearly municipal property taxes, Massachusetts cities and towns have become dependent on local aid from state revenues for the funding of such essential services as fire departments, schools, and public libraries.

Even before the Governor's October 15 announcement, the independent Massachusetts Budget and Policy Center calculated that inflation-adjusted local aid will have decreased by nearly $500 million between fiscal years 2008 and 2010. In March, the *Boston Globe* reported that due to unemployment and the economic crisis, workers are increasingly using libraries for museum passes, Internet access, movie and DVD loans, and resume preparation. Book circulations are at their highest level in nine years, according to the *Globe*. Such services are now jeopardized by inadequate budgets.

The governor has been at pains to declare that his fiscal year 2010 budget meets the legally mandated baseline for local aid funding for public schools. However, the Massachusetts Budget and Policy Center calculates that, when adjusted for inflation, this aid has dropped by more than $600 million, or 13 percent, since 2002.

The cuts will also have a deep effect on the subsidized portion of the state's mandatory health insurance law. This past summer, the governor tried to cut subsidized health care for nearly 30,000 documented immigrants, a move that would have left them unable to meet the state's legal mandate that they have insurance. Although a half-measure was implemented for this immediate problem, there will be less funding in the state's budget for subsidized care, at the very time when the growing ranks of unemployed workers need it.

Now State Treasurer Timothy Cahill is blaming state budget deficits on the subsidies included as part of the 2006 legislation mandating health care coverage for all state residents. On October 2, Reuters quoted Cahill as saying that he doesn't think the subsidized care is "sustainable."

Separately, a legally mandated but employer-funded health insurance subsidy for laid-off workers is nearly broke, according to the *Boston Globe.* Last Friday, the *Globe* reported that the Medical Security Program will be running at a deficit by December if changes are not made. This program is funded by a modest $16.80 per year, per employee tax on businesses, but the *Globe* reports that the state would like to balance the fund by increasing the payments of unemployed workers, not raising the tax on businesses.