

New Jersey budget targets workers, services

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Faced with a budget deficit of nearly \$11 billion for next year, New Jersey Governor Chris Christie announced austerity plans last week. New Jersey is the latest in a series of states to announce proposals that punish state workers and drastically slash services upon which millions of people depend, in order to pay for the deepening crisis.

Since the economic crisis began in 2008, 45 states have enacted budget cuts. As plans emerge for the fiscal year 2011, which begins in July for most states, it is clear that the extent of cuts this time around is far beyond anything seen to date. New Jersey is no exception.

Governor Christie proposed closing the budget gap foremost by a direct assault on wages and benefits of state workers. The largest chunk of savings in his proposal was a \$3.1 billion deferment of obligatory pension payment—the entire year’s worth. The state’s unfunded pension liability is currently approaching \$50 billion. Bankrupting the pension system is a conscious policy to force employees to renegotiate their contracts and accept a drastic cut in their future living standards.

Christie, a Republican, has received full support from the Democratic-controlled State Legislature. After issuing the budget plan last week, the State Assembly dutifully passed three pension “reform” bills, which were subsequently signed into law by the governor. The new laws target future workers by reducing their benefits and restricting part-time workers from coverage in the pension system. One law also requires that current workers raise their contribution to health care coverage.

The budget plan also targets state workers by eliminating 2,000 jobs through privatization next January. The privatization scheme would allow New Jersey to lay off state employees with many years of experience instead of the newest employees first. In addition, by initiating them in January, Christie would

avoid legal consequences of breaking a deal between the former governor, Jon Corzine, and state workers, whereby workers accepted furloughs and deferred raises in exchange for no layoffs through 2010.

The \$11 billion in fiscal year 2011 cuts come on top of \$2.2 billion already cut at the beginning of this year, shortly after Christie was elected. Christie solidified support for his election bid among the business elite precisely because of his willingness to impose draconian cuts on workers. His victory over Corzine, the multimillionaire former chairman of Goldman-Sachs, was not a reflection of mass support for his policies, but rather disillusionment among Democratic voters with the Obama administration and the Democratic Party. Large sections of workers who voted for Obama and the Democrats just one year earlier simply stayed home during the gubernatorial election.

One particular segment of public employees that has been the focus of Christie’s ire is New Jersey’s teachers. In his address to the state, Christie launched an attack on teachers’ benefits: “Is it fair to have New Jersey taxpayers foot the bill for 100 percent of the health insurance costs of teachers and their families from the day they are hired until the day they die? Is it fair that teachers have a better, richer health plan than even state workers and pay absolutely nothing for it?”

He continued, “The leaders of the union who represent these teachers, however, have used their political muscle to set up two classes of citizens in New Jersey: those who enjoy rich public benefits and those who pay for them.”

Despite Christie’s method, long-established, of seeking to divide workers, the reality of conditions in New Jersey speaks with vastly more force of the true class divisions. According to Mainstreet.com, New Jersey has the third highest concentration of millionaires of any state in the country. At the same time, New Jersey is also home to areas with poverty

suggestive of the third world—cities like Camden, where 40 percent of the population lives below the official poverty line. In the state’s largest city, Newark, roughly a quarter falls below this threshold.

The budget proposal outlines \$820 million in direct cuts to primary and secondary public education, over and above the \$450 million reduced earlier this year. It would reduce funding to the 600 districts by approximately 5 percent of their total operating budgets. State aid would be entirely eliminated in some wealthier school districts, which rely more heavily on local property taxes than the state.

The proposed cuts have prompted a rash of emergency school board meetings, where the boards are deciding between cuts to school programs and teacher compensation, and property tax increases to offset the shortfall. In one such meeting last week, the Jersey City Board of Education used the proposed budget cuts to go back on the contract negotiated with the teachers. The Board threatened to lay off 500 of the district’s 3,400 teachers if the agreement, which included salary increases between 1.6 and 0.3 percent, was upheld. The Board action was met with angry outbursts from the hundreds of teachers present at the meeting.

Another school district, Bridgewater-Raritan, presented a tentative plan to lay off 180 workers, including 95 teachers, eliminate several academic programs altogether and require fees for extracurricular activities.

At the same time, Christie is working to ensure that education cuts are not offset by tax increases. He has proposed a constitutional amendment capping property tax increases at 1.5 percent. This rate would also serve as the limit for teachers’ compensation increases, including salary and benefits.

It’s not arbitrary that public education is a primary target of the state’s budget cuts. The same pattern is unfolding across the country, where school closings have escalated as well as their replacement by private or quasi-private charter schools, often under the guise of budget crises. The attack is launched by both the Democrats and Republicans, with President Obama and his education secretary, Arnie Duncan, leading the way with the “Race to the Top” program. In announcing the budget cuts, Christie scolded teachers for refusing merit pay last year, precluding eligibility for paltry federal funding through Race to the Top.

Education, however, is not the only target of the budget plan. A wide range of services are falling under the axe, which can only result in severe hardship for children, college students, the elderly, disabled, etc. The service cuts include:

- * Reducing the subsidy to public transit by \$270 million, generating workforce reductions, a fare increase, and the elimination of some routes/services;

- * Cutting support for public universities and community colleges and reducing tuition assistance, totalling \$175 million;

- * Adding more than \$90 million in costs for the elderly and disabled currently receiving state pharmaceutical assistance;

- * Reducing the earned income tax credit for low-income workers by \$45 million;

- * Stopping welfare payments of \$24 million to childless adults;

- * Eliminating \$20 million in child care subsidies; and

- * Closing a psychiatric hospital in Hunterdon County, saving \$8 million.

These draconian cuts, together with those in other states, are bound to provoke a mass opposition.



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