

New York enacts sweeping cuts amid threats of state shutdown

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Since the beginning of April, a government shutdown in New York, the third most populous state and the center of the financial industry, has been averted only by passage of weekly budget extensions. On Monday, for the 11th consecutive week, the state legislature passed another one of these emergency spending bills, even as agencies were preparing to close their doors and put their employees in the street.

The Democratic governor of New York State, David Paterson, has in recent weeks used the deadlock over passage of the state budget, now more than two months overdue, to force through massive budget cuts. He is, in effect, dictating terms to the legislature by using the mechanism of the weekly extenders.

These temporary spending measures are necessary to keep the government functioning in the absence of an adopted annual budget. They have in the past been used simply to appropriate funds to continue normal operations. The legislature can either accept or reject the weekly bills, but not amend them. Paterson has now taken the unprecedented step of inserting major pieces of his proposed annual budget, which include substantial reductions in funding of major programs, into these temporary spending bills. This, in effect, forces the legislature to choose between accepting the inserted cuts or forcing an immediate shutdown of the government.

This week's emergency budget extender included about \$775 million in health care cuts. Next week's bill is expected to feature more health-related reductions plus massive cuts to education funding. Significant portions of these cuts have already been agreed upon in largely closed-door negotiations with the legislature. However, there is still disagreement over how to close an approximately \$2 billion gap remaining out of an overall projected deficit of \$9.2 billion.

If neither a new budget nor another temporary extender is passed, most state functions will cease since there will be no authorization to pay employees or expend funds. Unemployment benefits for more than half a million state

residents will not be paid. Vendors of goods and services to the state will not be paid. There are already news reports that state agencies are delaying payments for such things as rent on office space and telephone bills. Holders of state bonds, however, will be paid in full.

Despite howls of protest from some legislators that Paterson's procedure of inserting major portions of the annual budget into the weekly extenders is undemocratic, it is broadly conceded that this maneuver deflects political heat from the Democrats, who control both the Senate and Assembly, and many of whom are up for reelection in the fall. They can claim that they have no choice but to vote for these measures, the alternative being a crippling halt to most government services. Paterson has withdrawn from this year's gubernatorial race and is, thereby, free to carry out savage attacks on the working class with impunity.

The two-year-old financial crisis has hit New York especially hard due to a significant decline in revenues from Wall Street firms as well as the associated decline in the economy more generally. As a result, the state has faced exponentially rising budget deficits. Both major capitalist parties have sought to place the burden on the working class. This has, however, been somewhat awkward for some Democrats; hence, the remaining \$2 billion gap. The governor is now "forcing" the hands of these politicians.

Two state senate Democrats threatened not to vote for the latest budget extender if it included any additional budget cuts. The false and opportunistic nature of such posturing is indicated by the fact that these are the same two individuals who last year temporarily switched their support to the Republicans, eliminating the Democrats' slim majority in the Senate and paralyzing the legislature.

In response, Governor Paterson appealed to Republicans for support, offering to add further cuts in human services and mental health services that the Republicans had previously proposed, to gain their votes for this week's budget extender, which already included more than \$300 million in cuts to these areas. The Republicans have proposed a total of almost \$800 million in additional cuts

and insist that they will not vote for any tax increases. Paterson's incorporation of some of the Republican proposals combined with the anticipated chaos if the government were to shut down garnered sufficient additional votes to pass the extender.

Regardless of whether the next budget extender or an entire budget is passed, the consequences of the economic crisis are already being deeply felt across the state. Millions of dollars in periodic state payments to local governments and nonprofit agencies have been delayed several times over the past year due to cash flow problems at the state level.

County and municipal governments are being severely affected by such delays. Some, such as Yonkers, the state's fourth-largest city, located just north of New York City, will effectively be bankrupt within weeks. Even if a state budget is adopted and payments are made, the combination of state cuts, increasing demand for social services, and declining revenues will drive many local governments to enact draconian reductions in their own budgets, resulting in more layoffs and service reductions.

School districts across the state have already been forced to pass budgets for the coming school year with drastic reductions in spending due to uncertainty regarding what, if any, aid would come from the state. According to the New York State School Boards Association, 14,800 teachers and other school staff will be laid off as a result.

The health care cuts enacted in this past week's budget extender will have a substantial effect on medical services. The *New York Times* reports that in New York City alone, "The Bronx-Lebanon Hospital Center, for example, would lose about \$8.8 million in federal and state subsidies ... while Jamaica Hospital Medical Center in Queens would lose \$4.5 million. Because of cuts to graduate medical education financing, some major teaching hospitals would lose even more: Montefiore Medical Center in the Bronx, for example, would lose about \$13.9 million." Medical facilities across the state will suffer similar effects, and this does not include the additional cuts anticipated in the next weekly budget extender.

Substantial attacks on state employees are also on the horizon. Having been prevented by legal action from carrying out one-day-a-week furloughs, Governor Paterson has instructed state agencies to formulate plans to lay off thousands of state employees at the beginning of next year, after he leaves office.

Both the Democratic and Republican gubernatorial candidates in this fall's election have stated that they are in favor of reductions in the state workforce, and so are likely to implement if not enhance Paterson's plan. State employee contracts expire next year, coincident with the state's fiscal year, at the end of March. Negotiations for new contracts are

expected to begin this fall. Whichever party wins the governorship and control of the legislature in the autumn elections will seek major concessions from the unions under the banner of "shared sacrifice" during an economic emergency.

Politicians and supporters of both big-business parties constantly repeat the claim that state spending is "out of control" and, consequently, major cuts are necessary to ensure that the state no longer lives "beyond its means." In fact, while state spending has increased somewhat over the last few decades, the imbalance has primarily been caused by substantial reductions in taxes for the wealthy enacted by both Democratic and Republican administrations. By one accounting, these reductions have resulted in savings to wealthy taxpayers of at least \$16 billion over the last two decades (*Albany Times Union*). This was compounded by the substantial losses due to the financial crisis beginning in 2008. State revenues are now 17 percent lower than were projected two years ago, before the Wall Street meltdown.

The effects of state budget cuts are being compounded by cuts at the federal level. New York City Mayor Michael Bloomberg announced this past week that the possible elimination of \$600 million in Medicaid reimbursements from the federal government, if implemented, would force the city to make additional cuts such as thousands of teacher and other public employee layoffs. The state and other municipal governments would also be affected, resulting in a potential tidal wave of job cuts. The *New York Times* recently reported that there has been a marked change in Congress away from even the modest forms of aid provided to states and municipalities toward a much more fiscally conservative, deficit conscious approach.

By the end of this year, the last of the federal stimulus money will have been expended. There is no prospect that any additional support will be forthcoming. The full force of the economic crisis will then be felt by state and local governments across the country. States currently face a combined budget deficit of \$127.4 billion according to the National Governors Association and the National Association of State Budget Officers.



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