

Massachusetts budget makes deep cuts to cities and towns

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Governor Deval Patrick has signed a \$27.6 billion budget that includes deep cuts in aid to Massachusetts cities and towns. The budget was signed on June 30, the day before the beginning of the new fiscal year, and includes nearly \$500 million in line item cuts because of the failure of the US Congress to make available matching Medicaid funds. Making clear whom he serves, the Democratic governor boasted that the big bond rating agencies are happy about his budget initiatives, adding that “business confidence is soaring.”

While the effects of the economic crisis on Massachusetts have not yet been as devastating as in some states, the fiscal year 2011 budget—developed over six months by Patrick and the Democrat-controlled legislature—is of a piece with nationwide attacks on the working class. It includes layoffs, drastic cuts to funding for schools, libraries and other public services, and a shifting of the tax burden onto the working class through increased sales and meals taxes.

The US Senate, by refusing to extend unemployment benefits for the long-term unemployed, has not only left 30,000 such people in Massachusetts in the lurch, but also killed the FMAP (Federal Medical Assistance Percentages) funding included in the bill. The program would have provided more than \$600 million in matching Medicaid funds to Massachusetts, enabling the state to free up funds for other purposes.

Patrick responded quickly to the federal cuts by vetoing more than \$450 million in state appropriations, including \$264.5 million for the Department of Health and Human Services and \$65.7 million for the Department of Education. The state legislature did not fight Patrick’s veto, and also agreed to cuts of 4 percent in local aid and 3.1 percent in public education funding.

For 17 years, state aid to cities and towns for K-12 education, known as Chapter 70 aid, has been determined by adding a complicated, and inadequate, set of inflationary calculations to a “foundation budget” based on 1993 levels. Now the state government has simply reduced the payout by

4 percent from 2010 levels. Most cities and towns use fiscal years concurrent with the state’s. The effects of these drastic cuts will take shape as the new school year approaches.

The Springfield *Republican* reported last week on the experience of the School Committee in the city of Westfield, which should serve as a warning to workers across the state. The City Council is threatening the public schools with fiscal year 2011 cuts of \$864 million, in a transparent attempt to wring concessions from the unions.

The *Republican* quotes Springfield City Council member Christopher Keefe, who “explained that options are open to restore the \$864,000 at a later date. ‘The council is willing to provide funding when we see progress,’ said Keefe. ‘We had heard good feedback from other (city) bargaining units except the teachers.’” If they go through, the cuts would include laying off all librarians in the middle and high schools along with 12 guidance counselors, and “cutting art and music programs in all grades.”

The deep cuts in public school funding are not hindering the funding for privatization of education through the establishment of charter schools in some more well-off districts. The city of Somerville, next to Boston, expects a cut of nearly 6 percent in its Chapter 70 funding for fiscal year 2011, but an increase of 93.5 percent in charter school tuition reimbursements from the state. In Cambridge, charter school reimbursements are expected to more than triple. Working class cities like Lynn and Lawrence will see cuts in both categories.

Cities and towns in Massachusetts have come to rely on state aid because they are unable to raise enough revenue through local property taxes. Although the housing crisis has not impacted the Boston area nearly as much as in other parts of the country, the ability of municipalities to increase property taxes is limited by a referendum passed into law at the beginning of the Reagan years.

Even without the state cuts, the resulting increases in municipal revenues would not be enough to keep up with the soaring cost of health insurance and allow for decent raises for state and local workers. Now both the government and

the unions are trying to claw back health benefits and raises are becoming a thing of the past. The *Boston Globe* reported last week, for example, that the town of “Rockland has avoided layoffs through ... the unions’ agreement to take three straight years without raises.”

Despite the loss of FMAP funds, the Massachusetts budget also relies on \$809 million in federal stimulus funds to disguise the ongoing crisis. Fiscal year 2011 will see the end of these funds, and it is becoming evident nationwide that the “double-dip recession” is, in fact, a far deeper crisis that was only temporarily slowed by government bailouts. In this atmosphere, the state government is increasingly trying to shift the tax burden onto the working class.

In response to the economic crisis, a year ago Massachusetts increased meals and sales tax rates, taxes that fall more heavily on workers and the poor. As a result, while year-to-date income tax revenues in June 2010 had decreased by 5.4 percent since the previous year, and corporate taxes had increased by only 1.7 percent, sales and use taxes had increased by more than 18 percent. In fiscal year 2009, corporate taxes accounted for 11.7 percent of total state tax revenues and sales taxes were 20.7 percent of the total. By the end of fiscal year 2010, those proportions had changed to 11.9 percent and 24.4 percent.

The fiscal year 2011 budget contains a provision that will cap the capital gains revenue available to the operating budget at \$1 billion per year, or slightly more than 5 percent of current revenue estimates, and divert any additional amounts into the state’s “rainy day fund.” Both the governor and the legislature have argued that capital gains tax income is too “volatile” a revenue source given stock market gyrations.

While this arrangement is being painted as prudent, it is opening the way for more regressive taxes, including new casino revenues, to fund the yearly operating budget. The political establishment, in both the government and the media, are now debating bills that would allow casino gambling in Massachusetts. The state Senate bill would allow for the building of up to three casinos, whose ultimate effect would be to further bilk the working class. No such revenue increases will be levied on the gambling earnings of stock market speculators.

Cuts in federal employment assistance are having an effect beyond education, and, when combined with the continuing jobs crisis, have resulted in adults taking summer jobs that normally would go to teenagers. At the beginning of July, the Worcester *Telegram & Gazette* reported that “last year, the federal government put \$1.2 billion in stimulus funds into the Summer Youth Employment Program, which provided employment for 317,000 youths across the country, according to a U.S. Department of Labor report. In

Massachusetts, that supported about 6,900 jobs. This year, no money has been made available yet as Congress has debated spending bills.”

The paper went on to quote the president of nonprofit Commonwealth Corp. as saying that ““what we’ve seen around young employment is that about two-thirds of young people who work, work in retail and food services ... That hasn’t really picked up, and we’ve got unemployed adults who are pushing youths out of the job market, so it’s just become a very difficult environment for young people to find work.””

Politically, Governor Patrick is trying to walk a thin line on immigration, and has used the budget process to try to shore up support from his liberal base on that issue. This fall he faces two challengers from the right, one an establishment Republican and the other the state treasurer who has broken from the Democratic Party and is now flirting with the Tea Party movement.

Patrick is at pains to point out that the budget will provide health care funding for 24,000 of an estimated 30,000 legal immigrants who don’t qualify for the state’s Commonwealth Care health program. However, the funding he has released will last for only six months. At the same time, the final budget contains immigration provisions which, while removing the most noxious of the state Senate’s amendments affecting immigrants, would still deny benefits—including medical assistance for pregnant women, hospital care for the elderly, medical care for disabled children, and access to the MassHealth insurance program—to undocumented immigrants.

In a morbid footnote to the economic crisis, the state budget includes provisions about the amount the state will pay toward funeral costs for the homeless and indigent. Previously, state law stipulated a total payment of \$1,100, but also said that the total funeral couldn’t cost more than \$1,500 regardless of the funding source. Now this second cap has been removed, but the state will still pay only \$1,100 per person, and it still reserves the right to collect reimbursement if an estate is found after the funeral.



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