

California budget impasse leads to funding crisis in health care, education

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Seventy-five days into the current fiscal year, the California legislature and Governor Arnold Schwarzenegger have failed to reach agreement on a budget to close the state's \$19 billion shortfall. Should the budget not be passed by September 23, it will be the longest budget stalemate in state history.

The state has already suspended billions of dollars in payments for critical social programs, many of which already suffered cuts as a result of previous budget agreements. They will be further cut once the current budget is passed.

The state is not legally allowed to fund certain programs if a budget is not in place. However, the government also wishes to insure that payments are made to municipal bond holders without interruption during the impasse. The bond payments average \$500 million per month.

Two weeks ago, the state legislature, at the behest of treasurer Bill Lockyer, approved a bill permitting the state to delay payments to schools and counties totaling \$2.9 billion.

In the midst of the ongoing budget crisis and payment stoppages, social service providers have been forced to either close their doors or make deep cutbacks.

The YMCA of Tulare County, in the state's Central Valley area, for example, recently announced that it will be closing its state run preschools on Friday, September 17. The organization cited the fact that it is currently receiving no funding from the state, forcing it to lay off 40 teachers and leave 219 children without child care. The preschools have lost \$900,000 from the state over the past three months. According to Tim Foster, Chief Executive Officer for Golden State YMCA, the schools won't be able to remain open even if the state passed a budget in the coming week.

Tulare County, which is dominated by the local

agriculture and dairy industries, has one of the highest rates of poverty in the state.

As a result of the loss of state funding, the Tulare Community Health Clinic nearly closed its doors before receiving loans from Woodland Hills, California based Health Net, one of the nation's largest health insurance companies. The loans, although offered at zero interest, will undoubtedly be repaid through administrative cuts and rationing of care.

Other child care providers who rely on state funding have also been forced to either close their doors or accept reduced rates as the state normally subsidizes part of the cost of care on a per child basis.

Hundreds of California medical centers have already lost funds as a result of the budget impasse. These include free and community health clinics, chronic dialysis and surgery clinics, air ambulance transportation, breast cancer detection programs as well as home and day care for the elderly and disabled.

One such facility, the George G. Glenner Alzheimer Center in San Diego, lost nearly \$180,000 in state funding two years ago and is poised to lose similar or greater amounts during the latest budget impasse.

In response to the crisis facing small, rural health clinics and services in particular, the California Health Facilities Financing authority made \$9 million in interest-free loans available to rural hospitals and clinics. Individual loans can reach a maximum of \$750,000 and must be fully repaid within 45 days after the budget is passed.

The implications for health care for these rural residents are particularly dire considering that the current budget delay emptied out a \$2 billion contingency fund to pay the state's Medicaid bills, leading to the loss of funding for clinics, clinical laboratories, home health agencies and other providers

that provide care for low income residents.

Education has also suffered as a result of the impasse. The three state public university systems—the University of California, California State and California Community College systems—have also not received expected payments from Sacramento. More than 100,000 qualified students were waitlisted at the Cal State and University of California systems this September as a result of the current budget impasse and past cuts. This represents the first time in the history of these institutions that students were sent away who met established criteria.

In another move unprecedented in the history of higher public education in the state, the University of California Los Angeles' Anderson School of Management announced that it would end all state funding despite being part of a public university. As a result, tuition increases are expected to offset the loss of state funds. Annual tuition would rise from the current \$41,000 per year to over \$50,000.

Secondary education has also suffered. Nearly half of all of the school districts in the state will shorten their instructional calendars from 180 days per year to either 175 or 176, depending on the school district. This means that from the time they begin first grade until the time they finish high school, many children will lose a total of two and a half to three months worth of instructional time. Students will also receive less attention from teachers who, because of layoffs and other cutbacks, are forced to teach much larger class sizes.

Local libraries have also cut operating hours and staff and state parks have done the same.

In-home support services for the elderly and disabled are also experiencing severe cuts and may be eliminated entirely once the current budget is passed.

The current budget impasse is an expression of the tactical disagreement among the two political parties and the governor as to how to best make the state's poor and working class pay for the financial crisis. The two main gubernatorial candidates, Democrat Jerry Brown and Republican Meg Whitman, have signaled their fulsome support for austerity.

On September 3, Brown pledged that, if elected governor, he would cut pensions for public employees and “do things that labor doesn't like.” Brown further asserted, “If you're looking for frugality, I'm your

man.” In so doing, Brown will enjoy the full support of the state's labor unions, which have already devoted huge sums toward portraying him as a friend of labor.

Meg Whitman has pledged to “remove waste” in state government, and has promised that one of her first acts, if elected, will be to lay off at least 20,000 state workers. This would come on top of the current governor's pledge that no budget will be passed that does not include significant reductions to state worker pensions and benefits.

As part of the ongoing budget negotiations, Schwarzenegger has already secured agreement with several state unions to increase workers' minimum retirement age by five years and increase employee pension contributions by 10 percent. The decision was made without any input from workers. The governor is also hoping that any budget passed will include reform to the state's CalPERS retirement, fund which hundreds of thousands of state workers rely on for their pensions.

While state workers face dwindling retirement funds, it is likely that they will also receive no reprieve from ongoing mandatory unpaid furloughs that, at three days every month, equal a nearly 15 percent pay cut.



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