Democrats, Republicans plan deep cuts in US state budgets

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11 January 2011

Governors in states throughout the US have begun to unveil budget proposals that include devastating cuts in basic social services, education, health care, and pay and benefits for government workers.

US state governments face a collective deficit of about $140 billion this coming fiscal year, according to the Center on Budget and Policy Priorities. This does not include the disastrous budget situation confronting cities and localities throughout the country. Total state revenues fell by half a trillion dollars from 2008 to 2009, contributing to the budget crises.

Nicholas Johnson of the Center on Budget and Policy Priorities remarked to the *Washington Post* that the coming year "will actually be the most difficult budget year for states ever." The combined budget deficit is somewhat smaller than last year's, but the states will be deprived of even the very limited federal aid to the states included in an earlier stimulus package.

Amidst various plans put forward by Democratic and Republican governors alike, the one proposal that has been completely excluded is the option of increasing taxes on the wealthy. The state budget cuts, which will have disastrous consequences for millions of people, are being implemented even as corporations sit on record profits and the pay of Wall Street and corporate executives returns to its pre-2008 highs.

Democratic Governor of California Jerry Brown set the tone in remarks on Monday that accompanied a budget proposal that cuts far deeper than previous proposals from his predecessor, Republican Arnold Schwarzenegger. The state faces a budget shortfall for this year of $8.2 billion and next year of $17.2 billion.

"For 10 years," Brown declared, "we've had budget gimmicks and tricks that pushed us deep into debt. We must now return California to fiscal responsibility…" He called his proposal to cut $12.5 billion in state spending "vast and historic." "These cuts will be painful, requiring sacrifice from every sector of the state, but we have no choice."

The cuts include: $1.5 billion from the state's welfare program; $1.7 billion from Medi-Cal (the state Medicaid health care program for the poor); $1 billion from the state university systems; and $750 million from the Department of Developmental Services, which provides aid to the disabled.

Pay for state workers not covered by collective bargaining agreements will be cut by 10 percent, and Brown has made clear that he is targeting the pensions and pay of all state workers. In addition, the governor will seek a referendum vote to keep in place a series of regressive taxes, including sales taxes and a vehicle license fee.

Brown's reference to sacrifices from "every sector of the state" is a fraud, as it is only the poor and working class that will be forced to pay. California, the largest state by population, is also home to six of the country's wealthiest 10 zip codes and 19 of the wealthiest 400 individuals. A wealth tax of 10 percent on these 19 people, who have a combined net worth of $136.2 billion, would raise more money than the value of all the cuts in Brown's budget for the next 18 months.

On the other side of the country and the opposite side of what passes for a political spectrum in the United States, Republican Governor of New Jersey Chris Christie is set to deliver his state of the state speech today. According to Bloomberg news, he "may cut Medicaid and employee benefits to eliminate a $10.5 billion budget deficit."

Medicaid—the health care program for the poor that was established in 1965 as part of Lyndon B. Johnson's "Great Society" program—is jointly funded by the states and the federal government. It is currently a favorite target for state governments throughout the country, even as demand for the program grows as a result of mass unemployment and declining wages. These cuts are

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encouraged by the Obama administration, which is itself looking for ways to significantly reduce spending on health care at the federal level.

Bloomberg writes, "The 48-year-old chief executive [Christie] joined 28 other Republican governors asking President Barack Obama and congressional leaders last week for permission to reduce Medicaid outlays below federally prescribed levels."

In neighboring New York—the home of Wall Street, three of the country's wealthiest 10 zip codes and 21 of the country's 400 wealthiest individuals—incoming Democratic Governor Andrew Cuomo is targeting Medicaid for $2.1 billion in cuts, in addition to freezing state worker pay.

New York faces a projected $9 billion deficit next fiscal year. Cuomo has categorically ruled out any increase in taxes. The state's second wealthiest individual—New York City Mayor Michael Bloomberg—has a net worth of $18 billion, twice the budget shortfall.

A few of the other states set to implement cuts include:

• **Illinois** The budget crisis in the state is one of the most severe in the country—about $13 billion, on top of $6 billion in unpaid bills to various agencies, and a pension fund that is underfunded by about $130 billion. In addition to severe cuts in social programs, some Democrats had proposed a sharp raise in the income tax—a regressive flat tax that presently stands at 3 percent—and the state corporate tax. However, this proposal appeared to fail on Friday.

• **Texas** The state comptroller estimated on Monday that Texas faces a budget shortfall of at least $15 billion over the next two years. Republican Governor Rick Perry has made clear his general hostility to all forms of social programs and public spending, and has indicated that he might try to take the state out of the Medicaid program altogether. Perry has categorically ruled out increasing taxes in a state that is home to a significant section of the country's oil industry.

• **Georgia** To close a budget deficit of up to $2 billion, the state plans to scale back funding for the Hope scholarship for college students and for pre-kindergarten education programs. The cuts will mean a loss of funding for students even as tuition at that the state's colleges and universities has risen sharply after cuts of $230 million in the current fiscal year.

• **Washington** Democratic Governor Christine Gregoire has implemented a 3 percent pay cut for government workers. Like her counterpart in California, Gregoire has worked closely with the trade unions in enforcing these attacks and is also planning on implementing cuts in state pensions. As many as 4,200 jobs in state agencies and public schools may be eliminated. Stateline.org noted, "If approved, [Gregoire's] budget would be the first one in Washington State since the Great Depression to decrease overall state spending from one biennium to the next."

Along with Christie, Gregoire is scheduled to deliver her "state of the state" speech this week. Other governors scheduled to perform this annual ritual this week are those from Arkansas, Idaho, Indiana, Kansas, Nebraska, South Carolina, Virginia, and Wyoming. The general theme will be on the need for "sacrifice" in "tough times."

The Obama administration and Congress are once again making clear that there will be no federal bailout for the states. California in particular has made requests in the past for assistance, only to be repeatedly rebuffed on the grounds that any aid to one state would create a precedent for aid throughout the country, thus preventing the type of cuts demanded by the financial aristocracy.

Federal Reserve Chairman Ben Bernanke said on Friday, "We have no expectation or intention to get involved in state and local finance."

Democratic Senator Kent Conrad (North Dakota) added that neither the House of Representatives nor the Senate would be "very interested in bailouts to the states," according to the *Wall Street Journal*. These remarks were echoed by House Budget Committee Chairman Paul Ryan (Republican—Wisconsin), who said, "If we bail out one state, then all of the debt of all of the states is almost explicitly put on the books of the federal government."

The combined budget deficit of all the states is equivalent to about 15 percent of the annual spending on the US military. It is less than a fifth of the amount handed out to Wall Street as part of the first bank bail out in 2008 (the $700 billion TARP program) and a small fraction of the amount made available over the past two years by the Obama administration.

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