

US states prepare to axe social spending, attack government workers

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States across the US are attacking the wages and jobs of public sector workers, and drastically reducing spending on education, health care, and all other forms of social spending, according to a new study from the Center on Budget and Policy Priorities (CBPP) that analyzes budget proposals from 41 states for fiscal year 2012.

Both Democratic and Republican governors are demanding the cuts, and in most cases they are collaborating with public sector unions to put them in place. Both parties openly and shamelessly insist that the working class must foot the entire bill for the economic crisis that was triggered by the parasitism of the financial elite.

The CBPP report catalogues the sorts of cuts that are being outlined. Taken together, they foretell a rising tide of human misery and a society in an advanced state of dissolution.

Among 36 states having so far made public the necessary data, 27 will reduce spending levels to lower levels than in 2008, adjusted for inflation, even though “in the 2012 budget year, there will be more children in public schools, more students enrolled in public colleges and universities, and more Medicaid enrollees than there were in 2008,” as the study notes. Aggregate state spending will be about 10 percent less than it was in 2008, and only two sparsely populated states, North Dakota and Alaska, have significantly increased spending since then.

At least 16 states will undertake “identifiable, deep” cuts to public education, according to the study, and at least 15 have proposed severe cuts to higher education funding.

A minimum of 14 states have proposed layoffs or wage and benefit cuts to state workers. These will come on top of the 426,000 job cuts in state and local government that have been put in place since August 2008.

At least 23 states have proposed major cuts to health care spending. Especially targeted is the joint federal-state health insurance coverage for the poor, Medicaid, which the Obama administration envisions absorbing millions of people as part of its “health care reform.” As the study notes, “Some 4 million more people are projected to receive subsidized health insurance through Medicaid in 2012 than were enrolled in 2008, as employers have cancelled their coverage and people have lost jobs and wages.”

Only three states—Minnesota, Illinois, and Connecticut—are combining cuts to social spending and attacks on state workers with modest increases in corporate tax rates and income tax rates for wealthy filers. Elsewhere, tax increases target the income of the working class through sales tax hikes, as well increased license and user fees for state services.

Seven states are exacerbating their budget crises by enacting major new tax breaks for corporations. Florida will lose \$459 million in funding by cutting its corporate tax rate nearly in half, to 3.5 percent, if it adopts Governor Rick Scott’s budget proposal. New Jersey Governor Chris Christie’s move to reduce the estate tax on millionaires and slash the corporate tax rate will cost the state \$700 million by 2016. Reductions in the estate and corporate tax rates in Maine will reduce revenues by \$203 million and widen the two-year budget deficit by 25 percent, if Governor

Paul LePage’s budget is enacted in full. In January, Wisconsin Governor Scott Walker put in place business and individual tax cuts of \$117 million. Michigan’s Governor Rick Snyder has proposed abolishing the state business tax. He intends to pay for this by taxing workers’ pensions and doing away with the state’s Earned Income Tax Credit for low-income working families. The measure will nonetheless increase Michigan’s deficit by \$254 million in 2012.

Like the unemployment rate, economists view the fiscal health of states and cities as a “lagging indicator,” as tax revenues remain low even after recoveries in the business cycle. Tax receipts have fallen because of high unemployment and wage cutting, driving down revenues earned through income and sales taxes, the two primary sources of funding for states. At least 31 states have less revenue in 2012 than they had in 2008, by an average of 8 percent. Meanwhile, joblessness and growing poverty place greater demands on state services.

The situation has been exacerbated by the decision of Congress and the Obama administration to cut off even the miserly amount of funding the government had afforded to the states in 2009 and 2010. The CBPP estimates that only about \$6 billion in emergency relief will be extended to the states in 2011, a tiny proportion of their combined budget deficit of \$125 billion.

Obama’s multi-year freeze on discretionary social spending will also severely impact budget crises, because about one third of this sort of spending is distributed through the states. Republicans have countered Obama’s freeze with a proposal for a 14 percent reduction in discretionary social spending. A “compromise” resulting in a substantial reduction is the likely result.

The CBPP report analyzes budget proposals in a number of states.

Arizona Republican Governor Jan Brewer’s budget would reduce funding for the university system by 20 percent, bringing funding down nearly 50 percent compared to what it was in 2008. These cuts have already resulted in 2,100 job cuts, spiraling tuition, and the merger or closure of 182 colleges, schools, programs and departments. Brewer is also proposing cutting half of the funding for community colleges. Her proposal eliminates Medicaid coverage for 280,000 people, and imposes a 5 percent cut to fees paid to doctors, clinics and hospitals that treat Medicaid recipients.

California Democratic Governor Jerry Brown is proposing slashing funding for the state Medicaid program, MediCal, by \$1.7 billion. To come up with these savings, he would limit access to most prescriptions and certain medical devices, for example hearing aids, and he would reduce the number of covered doctor visits to six from ten. The budget also axes a program that helps elderly people stay in their communities and out of nursing homes. Brown is demanding savage cuts to the joint state-federal CHIP (Children’s Health Insurance Program), which aims to provide health insurance to children above the poverty level, but whose families cannot afford private insurance. He would eliminate eye care, including glasses, from coverage, and increase premiums and co-pays.

Brown's budget also outlines \$1.5 billion in cuts to CalWorks, the state's "welfare to work" program. He would reduce the number of months families can receive benefits to 48 from 60, and cut the maximum monthly CalWorks stipend for a family of three from \$694 to \$604.

Brown's budget would reduce funding to public universities by \$1 billion. For the University of California system, "the cuts would bring nominal spending down to the fiscal year 1999 level—when the system had 31 percent fewer students than it does today," the study notes. Brown's budget would also jack up community college fees by 38 percent, an average increase of \$300 per student.

Washington Democratic Governor Christine Gregoire proposes cutting \$1 billion in education funding and a further \$345 million from public universities, which will be made up largely by tuition increases. She would eliminate health care coverage for more than 60,000 people currently insured by the state's Basic Health Plan, axe a cash assistance program for 28,000 low-income disabled people, end medical assistance for 21,000 poor people with disabilities, cancel a program that provides health assistance to 27,000 children of undocumented workers, and roll back in-home care that benefits 45,000 people.

Texas The budget proposal in Texas, advanced by the Legislative Budget Board, would cut rates paid to Medicaid providers by 10 percent, end all funding for three community college campuses, cut funding for public colleges and universities by 16 percent, and eliminate a college scholarship program that benefits 87,000 low-income students. The proposal cuts funding for public education to 23 percent below the state's own legally mandated level, and it ends funding for a learning program that serves about 40 percent of the pre-kindergarten population. According to the "state's leading expert on school finance," the cuts to education proposed in Texas would result in layoffs for as many as 100,000 teachers.

Colorado Democratic Governor John Hickenlooper's budget proposal would cut public education spending by \$497 per pupil and university spending by \$878 per student. He would gut more than \$13 million from state Medicaid services, mainly by reducing fees paid to medical care providers.

Florida Republican Governor Rick Scott would lay off 8,100 state workers, cut another 2,000 positions, and require \$5,000 health insurance contributions from state workers. His budget would also reduce public education funding by 10 percent.

Georgia Republican Governor Nathan Deal would reduce the state workforce by 14,000. He would cut by 5.6 percent funding to public schools and by 10 percent funding to the university system. His budget would slash Medicaid by ending coverage of a number of services, including adult vision, dental, and podiatry services and by cutting payments to health care providers. The plan jacks up co-pays for inpatient hospital services by 400 percent, and by 15 percent for outpatient services. He would also drastically scale back funding for daytime childcare, reducing by as much as 10,000 the number of children served.

Nevada The budget of Republican Governor Brian Sandoval would cut teacher pay by 5 percent, reduce funding for the public schools by \$270 per student, cut state funding for higher education by 18 percent, cut by \$100 million aid to counties, and end all funding for protective services for the elderly and a program providing treatment for the mentally ill.

New York Democratic Governor Andrew Cuomo proposes to slash public education funding by 7.3 percent, funding to the State University of New York (SUNY) system by 9.1 percent, and support for the City University of New York (CUNY) by 5.2 percent. He is demanding nearly \$1 billion in cuts to Medicaid funding.

South Dakota Republican Governor Dennis Daugaard is requesting a 10 percent cut in Medicaid provider rates, and a 10 percent cut to funding

for public education system. "The cut is so large that the state's largest school district says it would be unable to satisfy it even if it were to eliminate all school buses and remove all athletic and fine arts programs," the CBP notes.

New Hampshire Democratic Governor John Lynch is pushing for a 23 percent cut in funding for the public universities, equivalent to \$750 per student, and a 21 percent cut in state funding for community colleges, or about \$400 per student. The budget would cut 1,100 state jobs and force 255 layoffs, and would eliminate state contributions to worker retirement accounts.

Oregon Democratic Governor John Kitzhaber is requesting an 11 percent cut in funding for community colleges and a 4.9 percent cut in support for the universities. He would reduce Medicaid fees by between 16 and 19 percent.

Connecticut Democratic Governor Dan Malloy would cut Medicaid costs by limiting to one per year adult dental exams, cleanings and x-rays. His budget relies on \$2 billion in concessions from government workers to be wrung out of the workforce by the unions. Among options Malloy and the unions are considering are: "freezing state employee wages, moving state employees to a health plan similar to that provided to federal workers, extending 3-day-a-year furloughs until the end of the biennium, and raising the retirement age." If these cuts are not accepted, Malloy is threatening thousands of layoffs.

Kansas Republican Governor Sam Brownback has targeted mental health for major cutbacks. His budget would end funding for community mental health centers that currently provide 24-hour emergency assistance for 70,000 uninsured and underinsured people. He is demanding the end of funding for mental health assistance for 850 families of children "with severe emotional disturbances." He is also proposing a drastic 6 percent cut in per-pupil funding in the public schools.

Massachusetts Democratic Governor Deval Patrick has proposed a budget that would cut by 7 percent aid to local governments and reduce by \$16.4 million aid for mental health services. This "would result in the elimination of 160 beds for mental health patients, a reduction of almost 25 percent."

Minnesota Democratic Governor Mark Dayton's budget calls for a 6 percent pay cut for all state workers and reductions of between 2 percent and 4.5 percent for Medicaid providers. He also demands the elimination of a subsidized health care plan that covers 7,200 adults.

Nebraska Republican Governor Dave Heineman is demanding a freeze in both government worker pay and in funding for public education. He would roll back Medicaid by reducing pay rates to providers by 5 percent, jacking up co-payments, and instituting a punitive system that would "bar welfare recipients who do not meet certain work requirements from receiving Medicaid."

New Jersey Republican Governor Chris Christie would drastically increase state worker contributions for retirement and health. State workers would have to pay for 30 percent of their health insurance, around \$4,500 per worker (instead of the 1.5 percent salary they currently pay), and retirement contributions could double. He is demanding an increase in the retirement age from 60 to 65, and would end cost of living increases for all retirees, current and future. He also calls for cutting Medicaid funding by \$300 million.



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