

# New York state budget slashes education, health care and taxes on the rich

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The newly adopted budget for the State of New York contains savage attacks on major services for the working class, while at the same time providing substantial tax cuts for the wealthy and support for businesses. Democratic and Republican legislators collaborated with Democratic

Governor Andrew Cuomo in making historic reductions in education, health care, and other key programs in order to make the working class pay for the financial crisis.

## Education

The state budget for education is cut by \$1.3 billion. The New York State United Teachers (NYSUT), the state's principal teachers union, estimates that between 18,000 and 20,000 teachers will be laid off as a result of cuts in state aid to local school districts. Large cities anticipate major layoffs—900 in Rochester and 700 in Yonkers, for example. A State School Boards Association survey indicates that many districts plan to increase class sizes, reduce or eliminate sports and other extracurricular activities, and offer fewer electives.

The cuts will be especially damaging to poorer districts. The lowest 20 percent derive roughly half of their revenue from state aid. Much of the remainder comes from local property taxes, which hit working class homeowners especially hard. The State School Boards Association estimates that districts will need to raise taxes by 3 percent. That is in addition to an average 3.2 percent increase last year. The precipitous fall in housing values due to the financial crisis will make it even more difficult for school districts to raise taxes. The process of developing and approving individual school district budgets is currently under way, so the full effects of the state cuts are not yet known.

Governor Cuomo has made the absurd claim that no layoffs or program cuts are needed, because school districts can use reserve funds to cover the shortfall. The state comptroller has reported, however, that more than 100 districts do not have enough reserves to cover the reduction in state aid this year, and that even the wealthier districts will run out of money next

year. This finding was corroborated by the Statewide School Finance Consortium, a project of the Central New York School Boards Association. Poorer districts will immediately be forced to undertake drastic layoffs and cutbacks in educational programs. Even those with some reserves will be thrown into crisis as additional cuts to state aid are made in subsequent years.

The budget establishes “Education Performance and Efficiency Grants,” which will be awarded on a competitive basis to school districts that demonstrate significant improvements in student performance and to districts that undertake long term structural changes to reduce costs and improve efficiency. In other words, districts will be forced to compete over which can make the most drastic cuts in order to receive meager additional funds.

Despite token opposition to the education cuts, teachers' unions are collaborating in their implementation. “Teachers are stepping up to the plate and sacrificing,” New York State United Teachers spokesman Carl Korn told the Associated Press. According to Korn, 200 of the more than 700 public school districts in the state have agreed to concessions in recent years.

One current proposal, supported by the union, to help districts cope with state aid cuts is to defer employee pension fund payments. Such a move would simply compound the budgetary crisis in future years and likely be used to justify attacks on workers' retirement benefits.

While the new budget cuts money to school districts for operating expenses, it maintains funding for capital construction. So, as teachers are being fired and class sizes are increasing, private contractors can make money building or repairing schools.

The state's two public higher education systems are also hit hard by the budget. The City University of New York (CUNY) senior colleges will lose \$91.5 million, and the community colleges \$12.3 million. The budget cuts funds for the State University of New York (SUNY) by \$100 million. This brings the total cuts to SUNY over the past two-and-a-half years to nearly \$700 million or a third of its operating budget.

These cuts will inevitably result in additional faculty layoffs, reductions in course offerings, and the elimination of whole

departments and programs. Many students may have to pay for an additional year in school in order to take courses required for graduation that will be offered less frequently.

## Health care

State spending on health care will be reduced by approximately \$2.8 billion. This will be compounded by the loss of roughly \$2 billion in Medicaid matching funds from the federal government.

The 4.7 million Medicaid recipients in the state will face significant reductions in services due to the adoption of many recommendations made by Cuomo's "Medicaid Redesign Team." There will be a significant expansion of categories placed in "managed care," under which services can be restricted or excluded. In addition, the budget establishes a "global cap" on Medicaid spending tied to the consumer price index. If the cap is exceeded, automatic, across the board reductions will be triggered.

Assistance to the elderly for payment of medications will be reduced by \$36 million. The program has served 300,000.

One of the areas that is sustaining a substantial hit is home health care, despite the fact that this service is less costly than institutional care. The reduction will lead to substantial layoffs and a significant reduction in the quality of care. Simultaneously, reductions in funding will result in the closing of dozens of nursing homes, making even worse the already inadequate care available for the elderly.

It is projected that up to a dozen hospitals may be forced to close in New York City alone. This is in addition to recent closures of St. Vincent's Hospital in Greenwich Village and North General Hospital in Harlem. Up to 600 beds will be eliminated in state psychiatric hospitals.

## State workers

In addition to the layoffs resulting from the program reductions described above, Governor Cuomo has threatened to sack up to 9,800 state workers if new union contracts do not result in savings of \$450 million. Closed-door negotiations with the unions, whose contracts expired on March 31, are ongoing.

These layoffs would come on top of the loss of nearly 9,000 workers, 3.2 percent, since 2008, due to retirements and layoffs. Agencies are already significantly understaffed, and their ability to provide essential services substantially impaired. The State Education Department, for example, had 883 fewer employees in 2010 than it did in 2001, a nearly 20 percent drop,

half in the past year. Additional layoffs will make the situation even worse.

The new budget also includes a wage freeze on approximately 130,000 state workers.

## Business and the rich

In contrast to the broad range of attacks on the working class, the budget includes tax incentives, "regulatory relief," and financial giveaways for business. Included among these are the creation of Regional Economic Development Councils to remove obstacles to the maximization of business profits and the elimination of the tax on Industrial Development Agencies. Another program, Recharge New York, provides companies with cheap electric power.

A major theme in the political posturing by teachers and other public employee unions regarding the budget has been the so-called millionaires tax. This is a surcharge, enacted in 2009, on the income taxes of individuals making more than \$200,000, and families more than \$300,000. It brings in more than four billion dollars per year. The tax was established at the height of the financial crisis and is set to expire at the end of 2011. Governor Cuomo adamantly rejected renewal of the tax, and it was not part of the final budget deal. Union leaders and some Democratic politicians are using calls for continuation of the tax as a way of channeling mass anger over the budget cuts into a futile gesture that has no chance of passage.

The new state budget represents the interests of big business and the wealthy at the expense of the working class. Its adoption illustrates the anti-democratic nature of the political process, which effectively disenfranchises the majority of the population. Governor Cuomo reportedly received \$87,000 in campaign contributions from David Koch, one of the principal financial backers of the right-wing Tea Party movement. News accounts also indicate that Koch donated \$100,000 to the state Republican Party this year.

The budget "debate" was also significantly influenced by a massive ad campaign funded by the Committee to Save New York, a cabal of wealthy individuals who donated millions of dollars to support the budget proposal. By contrast, public opinion polls conducted prior to enactment of the budget indicate that significant majorities of New Yorkers oppose cuts to education and health care and support continuation of the millionaires tax.



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