

California Democratic governor releases proposal for continued budget austerity

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23 May 2011

On May 16, California Governor Jerry Brown, a Democrat, released his proposal to deal with state's remaining budget deficit. The proposal, known as the May Revision, strives to close the shortfall mainly through \$9.1 billion in regressive tax proposals that target the working class.

Brown is threatening to implement billions more in cuts to K-12 education and other social services if his tax proposals are not passed. At the same time, his proposal contains billions in tax cuts to corporations.

The new measures come on top of the more than \$8 billion in cuts already approved by the legislature this year. These cuts, passed with the support of senate Democrats last March, included: \$1 billion from CalWorks, California's welfare to work program; \$1.7 billion from MediCal, the state health insurance program for poor residents; and \$1.4 billion in higher education. The state's workforce was also reduced by 5,500, and 70 state parks were closed.

With the governor's current proposal, 2011-12 general fund spending, as a proportion of overall income, will drop to its lowest level since 1972.

As a result of the sharp cuts in social programs, as well as an unexpected \$6.6 billion uptick in tax revenue, the state's budget shortfall for fiscal year 2011-2012, which begins this July 1, has decreased from \$26 billion to \$9.6 billion.

The tax increases proposed by Brown are extensions of increases to sales, income and vehicle taxes passed by the Schwarzenegger administration, set to expire on June 30, the end of the fiscal year. The governor had sought to get voter approval to extend the tax increases by putting them on the ballot for the June special election. With the deadline for that election passed, the governor is now asking that the senate and assembly temporarily extend the tax increases prior to a possible

statewide vote as early as next September.

The governor's tax proposals, like the austerity measures, have been supported by the trade unions. The California Teachers Association launched a campaign for the tax increases that culminated in "state of emergency" protests earlier in the month. The unions have repeated the line from Brown that the only alternative to the regressive taxes, mainly targeting working people, is massive cuts in K-12 education funding.

The necessity for cuts, demanded by the entire political establishment and media, was exposed in its own way by the unexpected surge in tax revenues. The majority of the increase comes from the recovery of personal income among the wealthy and capital gains. Although wages for Californians in general only grew by 1 percent in 2010, personal income tax receipts were up 6.2 percent from an earlier estimate in April.

The governor's summary of the May Revision notes that "wage growth among higher income groups that pay a higher tax rate far outstripped the growth in lower income levels."

The governor is taking this "recovery" in the fortunes of the wealthy as an opportunity to reduce corporate and income taxes. These maneuvers would save the state's wealthiest residents \$2.9 billion through a series of corporate tax credits that the governor asserts will "encourage the hiring of employees." He will also let a quarter-percent income tax surcharge for the wealthy lapse in 2011.

There is no suggestion that the increased revenue should be used to reverse the cuts in social programs already imposed, let alone that taxes on the wealthy should be increased to address the remaining budget crisis. Only \$1 billion would reverse this year's cuts to the UC and CSU systems or easily reverse the firing of

5,500 state employees.

If the taxes are not passed, Brown is proposing to cut an additional \$5 billion from K-12 education and community colleges.

This is “equivalent to eliminating 4 weeks of the K-12 school year and 52,000 community college courses. Alternatively it equates to laying-off 51,000 teachers...and raising community college fees from \$36 to \$125 per unit,” said Brown.

Brown would also double the cuts to the university systems, which could lead to tuition and fee increases of 32 percent. These continued cuts may also necessitate tuition increases of between 8 and 20 percent per year for the next 4 years. In other words, students at the University of California may see their tuition more than double over the course of 4 years alone.

Additionally, the governor threatened that public employees would have to renegotiate their contracts to absorb hundreds of millions of dollars in pay cuts and benefit reductions.



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