

Minnesota state budget shutdown in second week

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With the government shutdown in Minnesota into its second week, people and agencies around the state are experiencing its serious impact. Democratic-Farmer-Labor Governor Mark Dayton and Republican legislative leaders have met only once since most of state government closed July 1.

Twenty-two thousand state employees have been laid off. Services to the blind and elderly, as well as childcare subsidies, are two of many government-backed programs that have ceased operation. Non-profits are reducing services and staff. One hundred road construction projects are in limbo, along with an estimated 5,000 to 10,000 jobs.

Without state funding, counties are notifying some of their employees that they will be laid off. While no agreement seems imminent, Governor Dayton appears ready to abandon his pledge to make the state's wealthiest residents help pay for the state's financial crisis.

Workers who received child care assistance prior to the shutdown face a choice between taking care of their children or losing their jobs. Parent Tiffany Taylor told the local Fox 9 News, "Everyone that I run into today—they're so concerned and so scared. If their benefits don't come, what are they going to do? It's so sad."

All State Services for the Blind locations are closed. The Senior Linkage Line that provides housing options and health plan information to Minnesota's elderly goes unanswered.

More than 50 nonprofits have turned to the courts for relief. Only nine have received a decision so far regarding continued funding. Among those denied continued funding is the Arc Minnesota, which helps disabled people find housing. Some nonprofits have simply closed. Many are using cash reserves and lines

of credit, which will quickly run out, to help cover expenses without any guarantees that they will be reimbursed for services they provide during the shutdown.

Many nonprofits have reduced services and cut staff. For instance, 47 of the 57 employees at the Minnesota AIDS Project have either been laid off or are working reduced hours. Bobby Long, who is diagnosed with AIDS, told MinnPost, "When you're living under fear and then you have the stress of not knowing whether medical payments are going to continue or for how long, it's frightening." He does not know whether the state will pay for his counseling and dental appointments or the \$3,000 of prescriptions he has picked up since the shutdown.

The shutdown has ironically increased Minnesota's budget woes. According to the Associated Press, the losses include: \$1.25 million a day on the lottery; \$1 million a week on state park revenues, \$52 million a month in uncollected taxes, and \$40,000 to \$50,000 a week on passes to use express highway lanes.

State agencies will have to pay an estimated \$8.5 million weekly cost of unemployment benefits for workers laid off as a result of the shutdown, once it ends. Fitch Ratings downgraded the state's bond rating from AAA to AA+, which will make borrowing more expensive for the state, local governments, and schools.

Governor Dayton and the Republican-controlled legislature are still approximately \$1.4 billion apart in their negotiations to erase a \$5 billion budget deficit. The media has characterized the battle as one of Republicans who refuse any new taxes and a governor who wants to tax the rich. That depiction, however, masks the real nature of the negotiations.

Both Dayton and the Republicans are in agreement on imposing huge social spending cuts. In fact, Dayton's

starting point, announced last February, included \$1 billion in reductions, more than half of which were directed at state health and human services. Since then, he has found \$2 billion more that he is willing to trim.

In addition, Dayton has repeatedly backed away from the “tax the rich” platform on which he campaigned. In February, he proposed a tax rate increase to 10.95 percent for households bringing in more than \$150,000 per year, and an additional temporary three-year, 3 percent increase for incomes of more than \$500,000 per year.

When the projected budget deficit was reduced from \$6.2 billion to \$5.03 billion in February, Dayton immediately dropped his proposal for the temporary tax increase for those with incomes over \$500,000. In May, he narrowed the group for tax increases to the top 2 percent; last week he narrowed it further to the top 1 percent. Now he has proposed an additional \$1 tax per pack of cigarettes and a delay in school-aid payments by \$490 million to \$700 million as an alternative to taxing the rich.

Republicans House Speaker Kurt Zellers and Senate Majority Leader Amy Koch immediately rejected the cigarette tax proposal. Zellers commented, “A tax increase in general is a nonstarter in our caucus. Things went backward today.” Koch expressed disappointment that Dayton continues to propose any tax increases when the Republican legislature has clearly indicated it will not accept them.

The Republican leadership has also scoffed at the recommendations of a bipartisan panel led by former Democratic Vice President Walter Mondale and former Republican Governor Arne Carlson which, among other things recommended a three-year, 4 percent income tax increase for all Minnesotans.

Unions have thrown their support to Dayton, including whatever Dayton “needs” to do to reach a deal. The state’s two largest unions, the American Federation of State, County and Municipal Employees Council 5 and the Minnesota Association of Professional Employees, led a rally last week outside the Capitol.

Union member Steven Katz was quoted by the *Pioneer Press* as saying that the rally was “an opportunity to let the legislators know there’s some support for the governor.” Promoting compromise, he added, “I think they’re both going to have to wear nose

plugs, bring barf bags and compromise.”

Whatever compromise is reached will impose hardships not unlike the hardships caused by the shutdown itself, only more long lasting. Only the working class, independent of the Democratic Party and its union supporters, can defend its interests and the most vulnerable sections of society.



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