

Minnesota budget agreement slashes social spending

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Minnesota appears to be ending its two-week-old government shutdown with a tentative agreement that will impose huge reductions in social spending. Abandoning all of his pledges to resolve the state's \$5 billion budget deficit by raising taxes on the wealthiest Minnesotans, Democratic-Farmer-Labor Governor Mark Dayton announced July 14 that he will accept the proposal made on June 30 by Republican legislative leaders.

The agreement will defer \$700 million in payments to schools and borrow another \$700 million from future tobacco settlement payments. The budget includes billions in spending cuts in a state that has repeatedly cut spending in recent years.

Dayton called a special session scheduled for early this week to work out the final details. Prior negotiations indicate that cuts of the following approximate nature can be expected:

- \$1 billion to health and human services
- \$530 million to property tax aids and credits
- \$351 million to higher education
- \$94 million to state government
- \$56 million to environment and commerce
- \$55 million to transportation
- \$14 million to economic development

The reductions to health and human services will strike at the state's most vulnerable residents and will include reductions in mental health services for children and adults, community-based services for the disabled and elderly, child care assistance, and emergency assistance for families facing homelessness.

Cultural institutions such as the Minnesota Historical Society and the Science Museum of Minnesota will receive reduced funding. Transportation cuts will be aimed primarily at public transportation. And as the

state and the nation remain mired in a jobs crisis, the budget will decrease funding for job training programs and make higher education less accessible.

Public opinion polls consistently reveal strong public support for taxing the rich to resolve the budget crisis. Dayton, who campaigned and was elected on such a platform, nevertheless engaged in one concession after another until his final abandonment of any tax increase on the rich.

The governor indicated the direction he would take early in the budget process, announcing his proposed budget in February. After the projected deficit was reduced that same month from \$6.2 billion to just over \$5 billion, Dayton, on his own initiative, immediately dropped the part of his proposal that called for a temporary three-year, 3 percent increase for incomes of more than \$500,000 per year.

Presently, Dayton is using the government shutdown as cover for his capitulation to right-wing forces. In a statement released Thursday, he says, "Despite my serious reservations about your plan, I have concluded that continuing the state government shutdown would be even more destructive for too many Minnesotans. Therefore, I am willing to agree to something I do not agree with—your proposal—in order to spare our citizens and our state from further damage."

Dayton's surrender does include a few demands, including the dropping of a proposed 15 percent reduction to state-agency employment rolls. Dayton had begun negotiations calling for a 6 percent reduction. The impact of such a cut to the state's workforce will have a crippling effect on public assistance for the most vulnerable residents.

The governor is also seeking a \$500 million construction projects bill, half of his initial proposal and wholly inadequate for the repair and upgrade of

dilapidated infrastructure in the state. Dayton has said the construction funds are no longer considered a requirement to reach a deal.

The Republicans have conceded on legislative proposals for a strict new voter-ID law and new restrictions on abortions and embryonic stem cell research. Opposition to such legislation, which in the main served as a political diversion, has allowed the governor and the Democratic Party to posture as less reactionary while carrying out devastating cuts to life-sustaining social programs.

Citing the deferred school payments and borrowing from the tobacco fund, Fitch Ratings downgraded Minnesota's bond rating from AAA to AA+.

While the state is obligated to eventually pay school districts, it is hard to see how this will happen when a \$4.4 billion deficit (\$7.1 billion with inflation) is expected for the 2014-15 biennium. "It leaves the structural problem virtually unchanged, and in fact actually makes the structural problem just a little bit worse looking out into 2014 and 2015," Tom Stinson, a University of Minnesota and state economist, commented to Reuters June 15.

In addition, the state will not pay the interest payment incurred by the districts. Grace Keliher, director of government relations for the Minnesota School Boards Association told *Time*, "We're like the bank for the state. And it's fascinating that the state doesn't account for borrowing costs that we pay locally."

The budget crisis in Minnesota yet again exemplifies the ruling class's determination to place the burden the financial crisis it created entirely on the back of the working class. The interests of the wealthy dictate the destruction of education and the social safety net.

Among the 2010 Forbes list of the 400 wealthiest Americans are six Minnesotans. Census Bureau data indicates that in 2004, 33,000 Minnesotans had a net worth of at least \$1.5 million, for a combined net worth of \$135,682,000,000 at that time. As was revealed by one of Dayton's earlier budget proposals, 7,700 Minnesotans currently have incomes of at least \$1 million per year.



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