

As new fiscal year begins

US states slash spending, cut jobs

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The majority of US states begin their new fiscal year July 1, with budgets that impose crippling reductions in public services, particularly health care and education, and destroy hundreds of thousands of jobs. These state budget cuts are the spearhead of an offensive by the US financial aristocracy, which seeks to drive down working class living standards and create conditions of mass social distress.

In their budgets for the 2012 fiscal year, the governors of the 50 states—29 Republicans and 21 Democrats—proposed not only to spend less than in 2011, despite the increasing need for public social services due to the ongoing economic slump. They actually demanded that spending be reduced to below the level of 2008, a regression of at least four years.

Since the financial crisis exploded in September 2008, state and local governments in the United States have cut 535,000 jobs, more than half of them in education. The deliberate demolition of public social services is one of the largest single contributors to the ongoing jobs crisis in America.

For two years, the collapse of state government finances was partly offset by \$165 billion in emergency funding from the federal government, through the 2009 stimulus legislation and other federal programs. This federal money will largely cease after June 30, under conditions where 42 states and the District of Columbia face a combined shortfall of \$103 billion.

The bulk of the federal funding, some \$135 billion, was in support for Medicaid, which underwrites health care for the poor and disabled and nursing home care for the low-income elderly. The federal portion of the joint state-federal program rose to 67 percent during 2009 and 2010, but it will revert to 57 percent July 1. Half the states have already begun reducing Medicaid reimbursement to providers, while 20 are cutting benefits outright.

According to a June 28 report by the Center on Budget and Policy Priorities, 2012 marks the fourth consecutive year of significant state budget cutting. Of the 32 states that had adopted new budgets by the time of the report, at least 24 are imposing major cuts.

Among the cuts that begin to take effect Friday:

- Arizona will end Medicaid coverage for 130,000 childless adults;

- California is shutting down 78 state parks, cutting university funding by 23 percent, halting a program to help teen mothers get an education, and slashing hundreds of millions of dollars from

mental health programs;

- Florida is terminating 1,300 public employees and cutting 15,000 children from a school readiness program for low-income families;

- Georgia is shortening the school year for pre-K programs from 180 days to 160 days, increasing class sizes and cutting pre-K teacher salaries by 10 percent;

- Michigan is cutting K-12 education spending by \$470 per student, ending cash assistance to 13,000 poor families and cutting cash assistance to the poor disabled by 25 percent;

- Mississippi is defaulting on its statutory obligations to local school districts for the fourth year in a row, underfunding them by \$237 million;

- New York is cutting education aid by \$1.3 billion, or 6.1 percent;

- North Carolina is cutting \$1 billion from K-12 education over the next two years, and nearly \$1 billion from higher education, forcing a community college tuition increase of 40 percent;

- Washington State is eliminating cash assistance for 28,000 poor individuals with disabilities.

The sheer cruelty of these cuts, mainly targeting preschool children, disabled people and the poorest families, is both remarkable and bipartisan: five of the states listed above have Republican governors, four are governed by Democrats. Both parties are committed to a right-wing agenda of slashing public spending for those in need, while lavishing tax breaks on corporations and the wealthy.

Four states—Iowa, Massachusetts, Minnesota and Oregon—had not yet completed their budget process by June 30, and in a fifth, Connecticut, the budget adopted by the Democratic-controlled state government has been called into question by the rejection of \$1.6 billion in wage and benefit concessions by state workers in contract ratification voting over the past week.

Democratic Governor Dannel Malloy is preparing brutal retaliation against the state workers for their courageous defiance

of his austerity policies, proposing the layoff of 5,500 workers and draconian changes in state pension benefits. The response of the state employee unions has been to refuse to validate the rejection vote, suggesting that the union executives want to overturn the decision of the rank and file through some procedural trick.

Of the four states without budgets, Iowa and Oregon were expected to finish action on Thursday, and Massachusetts adopted a brief extension to July 10. But the state of Minnesota was preparing Thursday for a statewide shutdown of most public services because of a deadlock between the Democratic governor, Mark Dayton, and the Republican-controlled state legislature. The state faces a \$5 billion deficit in the budget for the two-year period beginning July 1.

Dayton sought and obtained a court order allowing him to shut down the bulk of the state government at midnight Thursday night, laying off 22,000 workers, closing all state parks and recreational facilities that are usually packed on the Fourth of July weekend, and stopping all road construction projects. Nearly 50 state agencies will close, and programs like state childcare assistance will end.

Joint state-federal programs like unemployment benefits, food stamps and Medicaid payments to providers, hospitals and nursing homes will continue, as well as state funding to local school districts and local government. Prison guards and state troopers will continue to receive their salaries and remain on duty.

As the Connecticut example demonstrates, the first target of state budget-cutters, Democratic and Republican, is the state employees themselves. According to a survey by the *New York Times*, eight states have imposed increased employee contributions to pension funds—in effect, pay cuts—while another ten states are in the process of either cutting benefits or increasing contributions, or both. Twelve states did so last year. Among the most aggressive pension cutters have been Democratic governors: Andrew Cuomo in New York, Martin O'Malley in Maryland, Pat Quinn in Illinois, John Kitzhaber in Oregon.

There is a striking disparity between the unanimity in support of cuts in state services and in the pay and benefits of state employees on the part of the Democratic and Republican politicians and in the corporate-controlled media, and the broad opposition to such cuts among the American people as a whole.

Even when the questions are framed in the context of an all-out media barrage about the necessity and inevitability of austerity policies, poll after poll shows immense public opposition. A *Washington Post/ABC News* poll in March, for instance, showed that fewer than four in ten supported reduced state spending on roads and infrastructure or layoffs of state employees. Only two in ten supported cuts in Medicaid, parks and recreation, or aid to public schools. And there was little or no support for laying off teachers and public safety personnel.

In Ohio, where the legislature enacted a vicious anti-worker law in March and a draconian budget last week, there is overwhelming popular opposition to both measures. Opinion polls showed sizable majorities opposing both the law restricting collective bargaining rights for state and local government workers and the outright ban on public employee strikes that is a key provision in the bill.

The unions in Ohio failed to mobilize any serious opposition to

the anti-worker bill or the budget, confining themselves to lobbying a handful of supposedly “pro-labor” Republican state legislators, while the largest demonstration in Columbus was limited to 20,000 workers. Instead of industrial action, the unions have channeled the opposition among workers into a petition campaign to put the anti-worker law, SB 5, on the ballot for a referendum vote in November.

On Tuesday, organizers of the referendum drive filed petitions signed by 1.3 million people, six times the number required to put the SB 5 repeal on the ballot. The staggering signature total was not only a demonstration of the mass popular opposition to the anti-worker law; it also amounted to an indictment of the unions for refusing to take any action to mobilize the working class against the Republican governor, John Kasich, and his right-wing allies.

Whatever the fate of SB 5, the Ohio state budget has gone into effect, slashing aid to local government by 50 percent over two years, cutting \$1.4 billion from Medicaid, privatizing five state prisons and the Ohio Turnpike, and eliminating the state's estate tax on inherited wealth, while preserving \$800 million in state income tax cuts that disproportionately favor the rich. The budget will destroy the jobs of an estimated 29,000 school employees.

In Wisconsin, the assault by Republican Governor Scott Walker and the Republican-controlled state legislature on the jobs, pay, pensions and collective bargaining rights of state and local government workers produced the biggest working-class demonstrations since the 1960s. It took the combined efforts of the state AFL-CIO, the teachers union WEAC, and their supporters in such pseudo-left groups as the International Socialist Organization to block the development of a general strike movement in Wisconsin and divert workers into a pro-Democratic Party campaign to recall a handful of Republican state senators.

The recall elections are set for July 12. But even if all the Republicans are defeated and replaced by Democrats, there will be no change for the workers in Wisconsin. The destruction of bargaining rights took effect on Wednesday, June 29, affecting immediately the 26,000 state and local government workers without existing contracts.

The new two-year state budget slashes K-12 school funding by \$1.6 billion over two years, university funding by \$250 million, Medicaid by \$500 million, and local governments by \$77 million. The budget's impact has already begun to be felt, with the Milwaukee Public Schools issuing layoff notices this week to 519 employees, including 354 teachers, and eliminating another 500 jobs currently vacant.



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