California budget crisis continues to grow

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California state controller John Chiang last week reported that the state fell $233.5 million short of revenue expectations for the month of March. $125.8 million of that figure, or 54 percent, comes from a shortfall in corporate income tax revenue.

The shortfalls are part of an ongoing trend. The state is now expected to miss its revenue target by $1.1 billion for the fiscal year ending in June, meaning the budget deficit will be that much bigger than the $9.2 billion figure that Governor Jerry Brown had predicted.

Facing yet another year of deficits, Brown has publicly demanded that the state legislature "man up," by which he means push through massive spending reductions. Said Brown on a San Francisco-based radio program, "We're trying to be as prudent as we can. That's why the Legislature has to man up, make the cuts, and get some taxes and we'll make it."

Brown, a Democrat, is proposing a combination of spending cuts and tax increases to close the budgetary gap. Proposed cuts would come largely from social services and public education.

The tax measure includes a quarter percent increase in sales tax for the next four years. The governor has also proposed an increase in income tax on those making over $250,000 a year. The highest tax bracket in the state, for individuals making more than $1,000,000 in income or couples making more than $2,000,000 in income, is a mere 10.3 percent, with the next highest bracket at 9.3 percent. While full details of the governor's measure which will most likely appear on next November's ballot has not been released, it is widely expected that the income tax measure will be extremely modest and will probably not exceed the 10.3 percent rate currently being paid by the wealthiest.

The Democrat-controlled state legislature, far from being an impediment to mass austerity, has accommodated virtually every request by Brown and his predecessor, Republican Governor Arnold Schwarzenegger, to cut spending. The state has continually experienced budget deficits, resulting in billions cut from social programs since the onset of the recession. At each juncture, governors from both big business parties have imposed austerity measures as the only means to solve the state fiscal woes.

Brown's first action upon taking office was to demand $12 billion in cuts, setting the tone for an austerity regime in excess of anything Schwarzenegger had been able to accomplish. Said Brown after his inauguration, "If you're looking for frugality, I'm your man."

The governor has been able to implement more extreme austerity measures than could any Republican governor largely because of the backing of the unions. With an election coming up, several of the state's unions, including the International Union of Operating Engineers, the Union of American Physicians and Dentists, the California Association of Psychiatric Technicians, and the American Federation of State, County and Municipal Employees, have agreed to put off contract negotiations until after November 6.

The union bureaucrats are asking for a modest cost-of-living wage increase for their members. Since Brown plans to reject these demands outright, both the governor and the unions prefer to negotiate the contract after the election. In other words, rather than run any risk of exposing the Democratic Party as the enemy of the workers, the unions will instead negotiate after the election, when they can impose rotten deals on their members without harming the electoral prospects of the Democrats.

Rather than correcting the problem and triggering growth, the austerity measures coming out of Sacramento have exacerbated the problem by putting tens of thousands more Californians out of work. Since the beginning of the recession, government jobs in California have been cut by 5 percent. Thousands of teachers have also lost their jobs, as public education repeatedly bears the brunt of the cuts. The loss of tens of thousands of teaching and other public sector jobs only serves to prolong the economic slump and pave the way for even more vicious austerity. The cycle of cuts and budget shortfalls resembles the situation in many of the European countries, most notably Greece and Spain.