Connecticut legislature nears passage of austerity budget

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Connecticut Democratic Governor Dannel Malloy and the Democratic Party-controlled state legislature are in the final stages of tweaking a state budget that will cut nearly $2 billion in social spending over the next two years while extending a handful of corporate taxes originally set to expire. The negotiations between the Governor and the legislature have predictably centered on watering down or doing away entirely with certain of the tax extensions, while leaving the spending cuts intact and likely deepening them.

Democratic legislators from the southeastern part of the state prevailed upon the governor to curtail the extension of a $70 million tax on electricity generators. They claimed that Dominion Resources, which owns two nuclear power plants on Millstone Point in Waterford, which account for more than half of the revenue the state receives from the tax, might choose to close the plants and leave 1,300 workers out of a job if the its profits were cut by the continued tax. Dominion's profits for the first quarter of 2013 alone amounted to $435 million, about ten times the annual tax it pays on the plants. Nonetheless, the mere extension of a tax the company had already been paying is viewed as an unacceptable affront.

While the corporate tax extensions—largely token measures intended to lend the appearance of fairness to what is in reality an austerity budget—amount to at most a minor inconvenience for the corporations affected, the impact of the social spending cuts for working class families in the state will be real and painful.

Malloy's budget will cut funding to hospitals by a whopping $550 million. An open letter signed by 25 hospital CEOs has warned that these cuts will result in a substantial number of layoffs.

Eligibility rules for low-income adults receiving Medicaid will be tightened, with those denied assistance being given the "opportunity" to pay about $5,000 per year for the state administered Charter Oak Health Plan, which is to be discontinued for all others. It will also become more difficult for low-income adults under the age of 26 who live with their parents to receive assistance from the state for healthcare.

Those to whom the state deigns to provide health coverage will see punishing new restrictions to the benefits they receive. There will be new limits on stays in nursing homes, as well as visits to doctors' offices and from home health aides and the state will cut back its reimbursement rate for medication and other medical supplies. Retired teachers will be forced to pay an additional 9 percent in premiums on their health care plans.

The budget will implement a previously approved increase in Connecticut's gasoline tax, resulting in a surge in gas prices in a state which already has the most expensive gas in New England. The proposed budget will also reduce the amount poor families receive from the Earned Income Tax Credit by one sixth. Moreover, there will likely be new spending cuts added to the plan which have yet to be specified.

While the press published information regarding the deep cuts in social spending contained in the budget months ago, official discussion has since focused almost exclusively on whether the budget will succeed in filling a projected $1.2 billion deficit for the fiscal year starting July 1.

Not a single voice in either the Democratic or Republican party, or in the corporate media, has challenged the premise that cuts in social spending are necessary to cover this deficit. Even modest tax extensions for corporations are regarded at best as a necessary evil, while devastating social cuts are passed over without a murmur of protest.

In reality the state's ruling elite, as well as its privileged upper middle class, is awash with wealth. Connecticut has the highest proportion of households earning over $200,000 a year in the country. It is second in income inequality only to New York state.

Connecticut is home to 11 billionaires, whose combined wealth is estimated at $45.2 billion dollars, amounting to nearly 40 times the state's projected deficit. Ray Dalio, currently the richest man in the state, has an estimated net worth of $12.5 billion, enough to pay the deficit off ten times over.

The massive wealth accumulated by these individuals remains inviolate, while the entire political establishment is united in its determination to extract the money needed to pay off the deficit by slashing the living standards of poor and working class families who are scraping to get by in the midst of the worst financial crisis since the Great Depression.