

Virginia officials announce massive state budget cuts

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On Monday, Virginia's Democratic Governor Terry McAuliffe and state Republican legislators arrived at a deal which would see the slashing of the state's budget over a two-year period. The announcement comes just a month after the governor announced that the previous biennial period had produced a shortfall of \$2.4 billion in the state budget, an increase of nearly \$900 million from an earlier-predicted estimate of the gap.

Under the deal, the state would dip into its "rainy day" fund to cover \$700 million of the total deficit, while the remaining shortfall would be covered through severe cuts to state agencies, higher education, and aid to local governments, with \$192 million, \$90 million and \$60 million slashed from their respective funding.

The deal also commits the state government to an additional \$272 million in as-of-yet unspecified cuts in the 2016 fiscal year. Overall, the bipartisan deal would call for an across-the-board cut of nearly 5 percent from all state departments in the current fiscal year, with another reduction of 7 percent planned for 2015.

"I am pleased we were able to come together in a bipartisan way and make the tough decisions that will help ensure Virginia remains fiscally strong and provide much-needed certainty to the bond rating agencies on Wall Street," McAuliffe enthused about the austerity plan, declaring that "[n]othing is more important for us than preserving that triple-A bond rating." The governor added cynically that the planned slashing of hundreds of millions from state spending would "protect many of our core Democratic priorities."

A number of state and municipal employee advocates have complained that this will likely translate into staff reductions statewide. According to a statement put out by McAuliffe's chief of staff, Paul Reagan, many agencies and localities will be asked to begin

identifying "the lowest priority activities in your respective agency [in order to protect] priorities that are essential to Virginia's economic growth."

While state representatives have vowed that vital programs such as K-12 public education will be exempted from the cuts, the more than \$272 million in undecided future cuts call these promises into question.

McAuliffe won office last fall in part through his opposition to the US federal government shutdown which affected a disproportionate number of workers in Virginia, home to many federal agencies in the Northern Virginia suburbs of Washington, DC. Now he is pursuing just such a strategy while in office.

Rather than opposing the governor's plan of fiscal austerity, so-called state employee "advocates" are seeking to foist the cuts on other areas of state spending. "If the administration is truly serious about long-term budget cutting, then every item in state government should be on the table," said R. Ronald Jordan, the executive director of the Virginia Governmental Employees Association. Demanding that public education also be included in the cuts, Jordan said that "[o]nly then can employees be assured that the pain is being shared by everyone, and not just a dedicated few."

Previously, the governor and state Republicans had been locked in a dispute over plans to expand the state's Medicaid spending in order to assist those unable to qualify for federal subsidies under the Affordable Care Act (ACA), President Obama's right-wing healthcare initiative. Demonstrating the tactical nature of these disagreements between the two big business parties, Virginia House of Delegates speaker Bill Howell, a Republican, noted that "[i]t's no secret that the governor and I have had a disagreement or two along the way... but those disagreements, as strong a[s]

they might be, have not stopped us from working together when it's in the best interests of the commonwealth.”

The announcement to slash the state budget comes amid a backdrop of social austerity. Federal workers, many of whom live in the Virginia and Maryland suburbs of Washington, DC, have already seen attacks on their jobs through the “sequester” which was agreed upon in late 2012 between Obama and congressional Republicans.

On Monday, a study put out by Standard & Poor's pointed out that wealth derived from the financial markets and the resulting levels of social inequality were a major driver of state revenue shortfalls. The report found that from 1980 to 2011, state revenue growth was cut in half while the wealthiest one percent of the populations' income had grown by 20 percent.

Tellingly, the report notes that states' attempts to offset shortfalls by taxing the wealthy would not be a “panacea” because the income of this layer was derived from stocks, bonds and other forms of speculation rather than labor. The report asserts that such policies, if attempted, would introduce “greater revenue volatility,” meaning that any legislative attack on the fortunes of the wealthy would cause them to pull their money out of the state and eventually result in the state's bankruptcy.



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