Despite surplus, California governor releases austerity budget

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California Governor Jerry Brown released the so-called May Budgetary Revision on May 15, outlining proposed state spending for the 2015-2016 fiscal year. The measures included in the May Revision are typically adopted in the enacted state budget.

The May Revision incorporates larger than expected state income and capital gains tax revenue. It uses the expanded revenue not to restore past cuts but to create new school privatization schemes, expand the state's rainy day budget stabilization fund and to otherwise insure continued hardship for the working class.

California is the most populous state in the country and also the poorest. According to the official federal poverty measure, which is based on an annual income threshold of three times the cost of basic nutritional requirements, the state's poverty rate is 16 percent meaning 6.1 million residents are poor. Nearly 2.5 million of these have incomes less than half of the official poverty line and half of both these groups are children.

Using the US Census Bureau's Supplemental Poverty Measure, however, which also factors in the price of other basic necessities such as shelter, clothing and utilities, California is the most impoverished state in the country with nearly a quarter of the state's 38 million residents, or 8.9 million people in poverty.

The administration of Governor Jerry Brown has mercilessly used state budgets to impose austerity on the working class. Said Brown upon assuming office after a nearly 30 year absence, "If you're looking for frugality, I'm your man."

Brown has enacted massive cuts to the CalWorks Welfare to Work program, SSI recipients, funding for AIDs education and research and numerous other critical programs for the most vulnerable sections of the population.

The new budget does not restore a single dime to CalWorks despite the fact that 1.2 million impoverished Californians already use the program. 900,000 of those dependents are children. To qualify for the CalWorks Grant, recipients must receive an annual income of less than 50 percent of the federal poverty line and thanks to cuts imposed by Brown and Governor Schwarzenegger before him, CalWorks recipients receive $180 per month less, adjusted for inflation, than they did in 2008.

Funding will also not be restored to cuts made to the state's Supplemental Security Income/State Supplementary Payment (SSI/SSP) program that provides payments to the disabled. The program has been cut to the legal minimum of $156 per month per recipient and cost of living adjustments or COLA, typically tied to the rise in the state's Consumer Price Index, have not been restored.

The budget also maintains a ten percent cut to Medi-Cal, the state-subsidized health insurance program. The cut was enacted at the same time that the income threshold for Medi-Cal eligibility had been raised as part of the state's implementation of the Affordable Care Act or Obamacare. This was meant to insure that more workers would be forced to move onto the Medi-Cal rolls in a time of diminishing benefits. Under Brown, the Medi-Cal program no longer offers dental and vision services.

The only areas in the state budget that will see a significant increase in funding are in public education and in the state's rainy day fund, which itself is meant to capture increased revenues and insure that they are not used to restore prior cuts to social programs.

Passed by state voters in 2014, Proposition 2 sets aside 1.5 percent of general fund revenues to the rainy day or state budget stabilization account. It also requires an additional transfer of capital gains tax revenues exceeding eight percent of general fund revenues to the account.

Half of the existing rainy day fund balance may be used to pay down outstanding state debt, while the remaining balance may only be used in cases of emergency if the state is running a budget deficit.

Because of the release of a portion of the existing rainy day account in the May Revision, there is now a $6.1 billion increase in funding for Public Education compared with the 2013-2014 school year, provided that these provisions in the Revision are included in the enacted budget.

As made explicitly clear in the terms of the Revision, the majority of the overall education spending will be directed towards the newly-created Local Control Funding Formula (LCFF). Under the terms of the LCFF, local school districts receive a certain amount of funding per student with those districts with a higher percentage of disabled, minority or immigrant students receiving higher funding.

Those districts can spend the money as they see fit provided that they implement “reforms” tied to standardized testing, Common Core Evaluation standards and show significant improvement in performance on those tests and other key areas each year. An example of measurable improvement would be a one percent increase in high school graduation rates each year for eight years.

To the extent that such measures cannot be realized, districts so affected would not only lose LCFF funding but would potentially fall victim to pro-charter school conversion measures such as the so-called Parent Trigger law. Under this reactionary law, a “failing” public school can be converted into a private charter operation if a majority of parents support it.

The open backing by state government of private charter schools is also made abundantly clear in the May Revision’s lack of funding for traditional public schools. Despite the overall Proposition 98 funding increase, funding for traditional public schools is decreased by $224 million in the Revision.

Also, while Cost of Living Adjustments remain in place for LCFF programs, traditional public schools will see a COLA decrease from 1.58 percent to 1.02 percent or $22.1 million.

The California Community College System (CCC) will also see a significant reduction in traditional funding as a result of the governor’s May Budget Revision. Traditional Proposition 98 funding to the CCC will be reduced by $156.1 million and COLAs are likewise to be reduced from 1.58 percent to 1.02 percent. Energy efficiency projects at CCC in the midst of one of the largest droughts in state history are also to be reduced by $825,000.

In addition to a meager $75 million expenditure to increase full time faculty, the May Revision provides $626 million to repay outstanding state debt and also to implement plans for curricula redesign and start up costs to expand the career and technical education programs and reorient the community college’s overall educational missions accordingly.

$30 million is also designated towards creating “student success outcome” plans at CCC. These are designed to provide funds to underrepresented student groups to maintain “equity,” the current political buzzword employed as a smokescreen to distract attention from overall diminishing funding levels for education.

The CCC is the largest network of state community colleges in the country, with more than 2.3 million students enrolled.

The Brown administration also reached a well-publicized agreement with the University of California (UC) Board of Regents, freezing state tuition for the next two years in exchange for reducing course loads and the amount of time it takes for students to complete their degrees. Out of state tuition will continue to increase by as much as eight percent per year.

UC enrollment rates are at their lowest levels ever as more students apply for the same number of slots available. Enrollment rates at the UC are half of what they were in the mid-1990s even though the number of academically qualified students has not declined accordingly.

As a result, Brown, together with UC Board Regent and former Department of Homeland Security head Janet Napolitano are blaming the lack of UC access on unmotivated students who are taking too long to finish their degrees and are simply taking advantage of too many opportunities to educate themselves. As such, course credit requirements will be reduced and entire classes eliminated to push through UC students more quickly.

Similar measures would also be implemented at the larger California State University system (CSU) under the terms of the May Revision.

As the state faces a $72 billion liability for retiree health care, a major overhaul in how public pensioner health benefits is also now underway. This would involve state workers pre-funding their benefits, changing from a pay-as-you-go method towards paying into a prefunded, interest-accruing trust fund. The cost of this fund would largely be borne by state workers themselves.

Workers would not only have to rely on a static, inadequate funding source to pay for increasing medical costs when they retire, the minimum amount of time these workers must have on the job to even be eligible for the program is a full thirty years.

Perhaps the most significant portion of the May Revision is what it portends for future state budgets.

The introduction to the May Revision reads, “Despite stronger revenues, the budget remains precariously balanced and faces the prospect of deficits in succeeding years. The state has hundreds of billion of dollars in existing liabilities, such as deferred maintenance on its roads and other infrastructure and its unfunded liability for future retiree health care benefits for state employees and various pension benefits.”

There can be no doubt that future budgets will include further measures to address these “liabilities” at the expense of the working class. In this, the trade unions, including the SEIU and California Teachers Association will be willing partners.

While the most vulnerable sections of the population are being squeezed California is now home to 131 billionaires, nearly a quarter of all US billionaires and more than any other nation except for the US as a whole and China. This small collection of individuals has a combined wealth of $560.1 billion, more than the GDP of 49 countries including Argentina, Poland and Taiwan.