US state budget crises lead to shutdowns of offices, parks, schools

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Three US states—New Jersey, Maine and Illinois—with a combined population of 23 million people entered a new fiscal year Saturday without a state budget, forcing widespread shutdowns of public services, state offices and schools, as well as the closure of state parks on the Fourth of July holiday weekend.

In a fourth state, Connecticut, Democratic Governor Dannel Malloy ordered across-the-board spending cuts totaling $2.1 billion after the legislature failed to pass a balanced budget. Malloy's cuts include the elimination of summer youth employment programs and rental assistance for low-income families, as well as a reduction in education funding.

Six more states entered the new fiscal year without a final budget, but without, as yet, any significant shutdown of state services: Delaware, Massachusetts, Oregon, Pennsylvania, Rhode Island and Wisconsin. Cuts are to be expected in all of these states if new budgets are not enacted by July 5, the first workday after the holiday.

The most immediate impact of the crisis is in New Jersey, the eleventh most populous state with a population of nearly 9 million, where Republican Governor Chris Christie ordered the first ever shutdown of state offices and facilities on June 30 after failing to reach a budget agreement with Democratic leaders in the state legislature.

Christie issued an executive order shutting down what he described as "nonessential" state services, continuing operations of the state police, the prison system and state-run gambling facilities that generate revenue.

The closure affected all state parks, beaches and tourist facilities on the eve of the busy Fourth of July holiday weekend, and could force cancellation of Fourth of July fireworks in many locations.

In a display of elitist arrogance, Christie spent the weekend with his family at an official residence in a state park that had otherwise been closed to the public by his own executive order. Asked about the double standard, he replied, "That's just the way it goes. Run for governor and you can have a residence there."

In Maine, Republican Governor Paul LePage ordered the first statewide shutdown of government services since 1991 after the legislature failed to bow to his demand that it adopt a new, two-year, $7 billion budget without any tax increases.

In a brazenly antidemocratic action, LePage and Democratic and Republican state legislators had already agreed that the new budget would repeal a measure approved last November by the votes of more than 357,000 people in a statewide referendum. The referendum imposed an additional three percent income tax on the wealthiest state residents—those who make more than $200,000 a year—to increase funding for public education.

The biggest deficit, and potentially the biggest political crisis, is in Illinois, the fifth-largest US state, home to more than 12 million people, which entered its third year without a budget, amid warnings that the state's credit rating could be reduced to junk status.

Republican Governor Bruce Rauner has not signed a budget into law since he was elected in November 2014, not because the Democrats, who control the state legislature, object to massive budget cuts—they are more than willing—but because Rauner has insisted on incorporating into any budget his "Turnaround Agenda."

This includes a right-wing wish list slashing workers' compensation benefits and pensions, attacking contract bargaining rights for unionized workers, limiting product liability and negligence lawsuits against corporations, and imposing term limits for state legislators. The Democrats oppose this in large measure because they rely on campaign funds from the major unions.

The state has staggered on from year to year with stopgap partial budgets that have provided limited funding to state colleges and universities, forcing widespread layoffs and cutbacks. Unpaid bills now top $15 billion, and some state-subsidized agencies serving the poor, the homeless and the mentally disabled have been forced to close their doors. The state comptroller has warned of “unmanageable financial strains” beginning this month if no budget adopted and signed by the governor.

There are three major factors underlying the fiscal crisis at the state level: continuing economic stagnation nationally, which undermines state tax collections under conditions where nearly every state is constitutionally barred from running a deficit; the soaring cost of health care, with Medicaid, the joint federal-state health insurance program for the poor and disabled, constituting the largest single element in every state budget; and the impending bankruptcy of pension plans for public employees, both state employees and public school employees.

Each of these is a manifestation of the deep-going crisis of American and world capitalism. Despite claims to the contrary by both Obama and Trump, there is no economic “recovery” for working people in the United States. Demand for state social services is continually increasing along with mounting social need.

Medicaid has long been labeled a time bomb for state budgets, and the Obamacare repeal legislation now before the US Senate will detonate it by cutting back federal support for the program by $772 billion over ten years. States will either slash their Medicaid rolls to near zero or face enormous and growing demands to increase their contribution to the program as the federal share (now 60-40) is slashed dramatically.

The crisis in state employee pension funds has also been building up for a long period of time, with the state governments routinely deferring mandatory contributions to the pension funds with the collaboration of the unions, including state employee unions such as the American Federation of State, County and Municipal Employees (AFSCME) and the Service Employees International Union (SEIU), and the teachers unions, the American Federation of Teachers (AFT) and the National Education Association (NEA).

State governments run by both capitalist parties, Democratic and Republican, have been robbing state workers of their pensions little by little to finance tax cuts for the wealthy and big business. Now both parties, as in Illinois, are seeking to make use of the fiscal crisis to go all the way and abolish pensions for state workers and teachers altogether.

In many ways, Democratic state and local officials have outpaced even their Republican counterparts in attacking public worker pensions and other benefits. It was the Democratic-controlled state government in California that pushed through an increase in the retirement age for state workers from 55 to 67.

And it was the Obama administration, working through a Democratic lawyer, Kevyn Orr, appointed emergency financial manager of Detroit by a Republican governor, which tore up the constitutionally protected pensions of Detroit public employees as part of the city’s court-supervised bankruptcy.