

# As pandemic rages in New York, new budget allows for massive cuts in social programs

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On Friday, April 3, the New York state budget for the 2020-2021 fiscal year was passed by the legislature and signed by the governor, Andrew Cuomo. The governorship and both houses of the state legislature are controlled by Democrats.

The total projected expenditure is \$177 billion, up slightly from \$175.5 billion last year. However, the shortfall between revenues and expenditures is estimated to grow to between \$10 and \$15 billion, to be made up in part by authorization to incur an additional \$11 billion in debt. Even before the impact of COVID-19 pandemic began to unfold, the budget deficit was projected to be at least \$6 billion, indicating that the state's economy was already in crisis.

Regardless of its nominal contents, however, one must state plainly that the budget is, in effect, a fraud, which will inevitably lead to major attacks on the working class. Whatever amounts are allocated and however they are distributed in the formal document, the state budget director is given the authority to unilaterally cut spending, including payments to schools and local governments, at three points during the fiscal year, if state revenues fall below projections.

Given the recent precipitous fall in the stock market, from which New York state has historically derived 17 percent of its revenues, a decline that is only likely to continue and even accelerate, compounded by the additional declines in revenue due to massive unemployment--nearly half a million New Yorkers filed unemployment insurance claims in March--and general collapse of the economy, a substantial drop in funds coming into the state's coffers is inevitable.

Moody's Investor Service has revised the state's credit rating downward, from "stable" to "negative," which will increase the cost of debt service.

Despite the critical need to marshal economic resources to counter the impact of the pandemic, including such areas as health care, education, employment, housing and the like, the budget includes no new taxes on the wealthy. Following the financial crisis a decade ago, Governor Cuomo, who took office in 2011, enacted drastic cuts to social programs (including a \$1.3 billion cut in school aid) and attacked the pay and benefits of state employees in order to protect the interests of his wealthy constituents, using the now standard lie that "there is no money."

Throughout his tenure, Cuomo has staunchly refused to enact any measures to increase revenues from the wealthy. The same pattern is being repeated in the current crisis. Earlier proforma

statements by Democrats in the legislature regarding increases in revenues, such as higher income taxes on upper incomes and new levies on things like stock transfers and luxury yachts, were adamantly opposed by Cuomo, and quickly dropped.

## Education

A legal ruling in 2006 found that the state was drastically underfunding public education. Cuts made following the 2008-2009 financial crisis only worsened the situation. Despite the supposed recovery of recent years, funding has remained woefully inadequate. The Cuomo administration has steadfastly refused to address this attack on public education, choosing instead to promote the growth of private charter schools, which are funded by diverting funds from public schools. In fact, the situation has been exacerbated by the state's enactment of a local tax cap in 2011, which became permanent last year. This prevents municipalities, which bear the responsibility to run the public schools, from increasing local taxes by more than two percent per year.

The new budget includes a nearly \$400 million cut in state funding for public education. This is supposedly counterbalanced by an additional \$1.3 billion from the federal government, which, under current conditions, is by no means guaranteed. Furthermore, Foundation Aid, the main source of state funding for public schools, was frozen at last year's levels. This, when the huge disruptions in education caused by the pandemic will undoubtedly increase the financial burden on local school districts.

## Medicaid

One of the main targets for budget cuts by the Cuomo administration prior to the outbreak of the pandemic was Medicaid, the health insurance program for the poor and disabled. Even though benefits were grossly inadequate, Cuomo had appointed a "Medicaid Redesign Team," which was tasked with finding \$2.5 billion in cuts to the program. If achieved, this would

have resulted in the loss of \$6.7 billion in federal aid.

This brutal indifference to the needs of some of the most vulnerable segments of the population graphically illustrates the criminal assault by the ruling class on public health, which has led to the gross lack of preparation to deal with predictable health crises, such as COVID-19. The final budget does not include that level of “savings.” However, it does tighten the eligibility rules regarding who qualifies for managed long-term care programs that help the elderly and disabled. It also includes provisions that shift the burden of supporting hospitals and nursing homes to the municipalities, which already face budget shortfalls.

### **“Gig economy” workers**

Despite earlier claims that improved conditions for so-called gig workers, such as those with delivery and ride-hailing companies like Uber and Lyft, would be included in the budget, nothing ultimately was done. The extreme exploitation, including lack of health care and unemployment benefits, and horrendous working conditions experienced by these workers is hugely compounded by the loss of jobs and income caused by the pandemic. While major corporations have received trillions in bailouts, these workers have literally been left to starve, sicken, and die.

### **Paid sick leave**

In what would be grossly inadequate under “normal” circumstances, a provision in the budget requires private employers to provide workers a minimum of between four and seven paid days of sick leave per year, depending on the size of the enterprise. Under current conditions, this is nothing more than a slap in the face to the millions of workers and their families who face weeks if not months of severe illness due to the pandemic.

### **Renters**

The budget includes mortgage relief for some property owners, but no rent forgiveness for tenants, millions of whom face partial or total loss of income for months into the future. Although the state has decreed that no one can be evicted for non-payment of rent over the next three months, the unpaid amounts will simply accrue, creating an unmanageable burden for those already facing dire economic circumstances.

### **Public transit**

Another mechanism whereby billions in debt, in the form of bonds, is being incurred to the benefit of banks and other financial institutions, beyond the official budget, is public transit. A prime example is the Metropolitan Transportation Authority (MTA), which encompasses the New York City Transit Authority (the city’s public busses and subways) as well as several commuter rail lines that bring workers from the suburbs into the city.

The MTA’s long-term bond debt is already \$45 billion. The Authority’s substantial current operating deficit, projected to be \$6.5 billion for the year, as well as the need for major capital improvements to keep the aging system from collapse, which had risen to \$35 billion as of last year, have put the system’s finances clearly on an unsustainable trajectory. This system is vital to the New York metropolitan region’s economic survival, and a major benefit to Wall Street. However, instead of using the vast wealth of the city and state’s elite to sustain this essential infrastructure, it is being bled dry by financial vultures.

The projected increase in the state’s debt load, which will have to be paid back, with interest, represents a massive boon to the banks and other financial institutions.

The obvious question then is—where will the necessary resources be found to cover the unprecedented costs incurred as a result of the COVID-19 pandemic? Costs that have been greatly increased by the malign neglect of the ruling class?

The inevitable answer is—the working class will be made to pay through a combination of tax increases and cuts to social programs. This has been the ruling class’s agenda for decades, which accelerated following the 2008 financial crisis. Now, under the motto of not letting a good crisis go to waste, these attacks are being exponentially increased.

In a state that is home to Wall Street, the center of American and world capitalism, the refusal to marshal the necessary forces to fight the pandemic, both its medical and economic effects, is an irrefutable indictment of the capitalist system. Governor Cuomo’s bluster notwithstanding, it is a clear demonstration that the Democrats, no less than the Republicans, represent the interests of the financial and corporate elite, no matter what the cost to the working class.



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