

US state governments prepare attacks on jobs, wages, pensions

By Patrick Martin
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January 1 marked the beginning of a three-week period in which new governors take office in more than half the 50 American states, including three of the four largest—California, New York and Florida.

Whether Democratic or Republican, the new state chief executives are planning major attacks on public employees and public services, including huge budget cuts and mass layoffs. In the 26 states with new governors, 23 face budget deficits, according to the Center on Budget and Policy Priorities.

The National Conference of State Legislatures forecast that the combined state deficits this year will reach \$83 billion, somewhat less than in 2009 and 2010, but requiring even greater cuts than in those years because the Obama administration's stimulus bill provided federal assistance to the states that has now been exhausted.

Forty-nine of the 50 states (all but Vermont) must by law balance their budgets each year, and nearly all of the incoming governors have publicly sworn off any new taxes on the wealthy or big business, making drastic cuts in public spending or increases in regressive sales and excise taxes their only policy options.

Since state and local government spending accounts for about one-eighth of the US gross domestic product, these cutbacks will have a sizable effect on the US economy and add to the likelihood of a further downturn, or "double-dip" recession.

Both the Obama administration and Republican congressional leaders have made it clear that there will be no further federal assistance to bankrupt state governments. In a clear signal on how both big business parties plan to treat public employees, Obama last month ordered a wage freeze for all federal government workers.

A prominent Republican consultant, former White House aide Ed Rogers, wrote in the *Washington Post* Sunday that the biggest political shock of 2011 was likely to be "public-sector labor strikes and demonstrations that could stray into civil disorder as state and local governments cut budgets... The same kind of protests that have rocked Paris,

London and Rome could erupt in California, New York and Illinois."

The *New York Times* chimed in with a lead article Sunday that declared, "Across the nation, a rising irritation with public employee unions is palpable," noting that in many states "even long-time liberal political leaders have demanded concessions—wage freezes, benefit cuts and tougher work rules."

The "irritation" is not something the *Times* can actually document, but a political sentiment its editors wish to whip up, making public employees a scapegoat for a fiscal crisis caused by the Wall Street crash of 2008 and the ensuing slump, the deepest recession since the 1930s.

The biggest budget deficit and the largest cuts will come in the most populous state, California, where Democrat Jerry Brown is to be inaugurated January 3 as the new governor (he served two terms previously from 1974 to 1982).

By law, Brown must submit a balanced budget plan to the state legislature by January 10, under conditions where the outgoing administration of Republican Arnold Schwarzenegger projected a deficit of \$28.1 billion.

The new governor is expected to propose a special election on the budget crisis, to be held in May or June, before the beginning of the fiscal year July 1, for a statewide referendum on a package of spending cuts and tax increases that would balance the budget.

Brown discussed the plan with state legislators last month and told them he wanted to "rip the Band-Aid off next year," adding, "What we're looking at today is much worse than it's ever been before." He said the state was facing annual deficits of \$20 billion or more for each of the next five years.

Democrat Andrew Cuomo took office January 1 as the governor of New York state, after declaring that his top priority was to impose a ceiling on property taxes levied by school districts, cities or other local government bodies. Tax increases are to be capped at 2 percent or the rate of inflation, which will force devastating cuts on local governments and schools outside of New York City, where

the biggest source of revenue is the city income tax.

Cuomo's first action was to allow 900 layoffs of state workers, ordered by his predecessor David Paterson, to take effect. The layoffs were ordered as punishment for public employee unions refusing to offer sufficient concessions. The state faces a deficit of as much as \$10 billion for the coming fiscal year, and Cuomo must present a budget eliminating at least that much spending by April 1.

The New York Democrat has rejected pleas to extend the so-called "millionaire's tax," enacted as a temporary measure in 2009, saying that an extension would violate his campaign pledge of "no new taxes, period." The result is that the Wall Street financial parasites will get a state tax cut this year on top of the windfall on their federal taxes from the extension of the Bush-era tax cuts.

In Michigan, the state hardest hit by the industrial slump, Republican Rick Snyder took office January 1 with a Republican-controlled state legislature and Republicans holding all statewide offices. To emphasize his desire to obtain Democratic Party support for his right-wing policies, Snyder invited Detroit Mayor David Bing to preside over the inauguration ceremony, after appointing a prominent Democrat, former state House Majority Leader Andrew Dillon, as his treasurer, the principal budget-cutting post.

The new year began with reports that Michigan, once one of the highest-income states because of a high-paying auto industry, had fallen to the bottom third of US states in per capita income. The state has fallen from 24th among the 50 states in 2005 to 34th last year, a collapse that is unprecedented.

Although the state faces a general fund deficit estimated at \$1.85 billion, Snyder, former chief operating officer of computer manufacturer Gateway, has proposed to eliminate the Michigan Business Tax, one of the major sources of revenue for the state government. This will increase the deficit by as much as \$2.2 billion and provide a justification for even deeper cuts in social spending.

Snyder took office as the state government received a request by city officials in Hamtramck, an industrial enclave inside of Detroit, to be permitted to file for municipal bankruptcy so they can tear up union contracts and impose cuts in wages and pension benefits. There were reports that another 30 towns and cities will follow suit if Hamtramck is allowed to default, although forced amalgamation with Detroit was also considered an option.

In Wisconsin, the new Republican governor, Scott Walker, takes office January 3, having declared that state workers' wages and benefits must be brought "into line" with those of private sector workers. Particular targets are health and pension benefits.

An effort by the public employee unions to push through a

new concession-ridden contract before Walker took office, ostensibly to preempt even greater concessions, failed when the Democratic leader of the state Senate cast a vote against the plan. In a demonstration of his intentions, Walker announced a 5 percent cut in his own state pension upon taking office.

Walker is proposing a sweeping right-wing program including enactment of a "right-to-work" law banning the union shop, the elimination of a proposed high-speed rail plan to link Chicago, Milwaukee and Madison—and with it, an estimated 13,000 construction jobs—the lowering of taxes on businesses, and the imposition of limitations on liability lawsuits against corporations over defective products.

Other state governors plan similar measures. In New Mexico, Republican Susana Martinez has frozen all pending state regulations while they are reviewed for their potential impact on business. In Georgia, Republican Nathan Deal called for downsizing the state workforce. In South Carolina, Republican Nikki Haley inherits a deficit approaching \$1 billion and state legislators have proposed cutting the school year by 10 days to save money.

Perhaps the most remarkable proposal comes from the newly elected governor of Oregon, Democrat John Kitzhaber, who returns to office after serving two terms from 1994 to 2002. At a summit meeting with business leaders in Portland, Kitzhaber called for a complete revamping of the state's budget process.

"We must adopt a 10-year budget that is permanent and cannot be changed in the future," he said. Such a measure would be tantamount to abolishing democracy, since voters would not be able to change the policy in subsequent elections.

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