

Thirty states listed in critical condition

by H. Graham Lowry

Even the “best case” scenarios currently proposed for the collapse of state and local budgets now presume a worsening depression. The National Governors’ Association has put 30 states on the critical list, and the remedies entail hideous suffering under prevailing policies.

New York Gov. Mario Cuomo’s administration released a report March 1 predicting multibillion-dollar budget deficits for years to come. The Empire State of New York is plunging into the dark ages, and Cuomo has presented a budget for 1991-92 which accepts that fate. His revenue projections assume that another 150,000 jobs will disappear statewide during the next 12 months, while private forecasters put the figure at a *quarter of a million!* On performance, even those staggering figures may be off by a million jobs or more. A year ago, Cuomo’s experts estimated the deficit for the coming fiscal year at \$1 billion. They now place it at \$6 billion.

The state’s once flourishing dairy and farm lands have been flattened. New York City’s largely “service” economy was losing 7,000 jobs a month by late last year. Construction has collapsed along with the New York real estate market. Downstate, manufacturing accounts for only 1 job in 10, and just 2 in 10 Upstate. The budget projects that non-agricultural employment will drop nearly 2% this year, as will personal income; but the rate of decline in revenues is already far beyond that.

Compounding the problem for cities

Cuomo’s plan to cut \$4.5 billion from the state budget will only compound the problems at the local level. New York City, slated to lose \$500 million in state aid, now faces a deficit of over \$3 billion, double the figure projected in January. The city’s Transit Authority reported Feb. 20 that the transit deficit alone more than *tripled* in the first seven weeks of the year—from \$70 million to \$215 million!

Soaring unemployment and constant fare increases have cut ridership to the point that expected receipts for the year have already been reduced by \$38 million. Transit Authority executive director Mortimer Downey projects that figure, assuming “a mid-range on the ridership loss. . . . If everything went to the downside, it would be a larger number.” To make matters worse, Downey has proposed another fare increase, to “more than \$1.25.”

The “downside” is virtually guaranteed, since the city already plans to eliminate 25,000 municipal jobs. “In New

York City in particular, there’s going to be a much more prolonged feeling of being at the bottom,” says Peter Radford of National Westminster Bank. He also expects worsening conditions in the city to result in “something of a population slide,” which could lead to a “slump” for years to come.

There is already a terrible human toll. The record homeless population has spread to every neighborhood in the city, and health officials reported March 1 that new cases of tuberculosis rose by 38% last year, almost four times the previous year’s rate of increase. New cases among children nearly doubled, and the TB rate citywide has reached 49.8 per 100,000—five times the national average. The rate in Central Harlem was 233.4, twenty-three times the national figure. Much of the increase is among the homeless, but also reflects the spreading AIDS epidemic. Of the TB cases surveyed at city clinics last November, 35% were also found to have AIDS.

Governor threatens to shut down Massachusetts

In bankrupt Massachusetts, where evictions in Boston rose 10% last year, new Republican Gov. William Weld threatened Feb. 26 to shut down the government for the months of May and June. Weld’s monarchical threat came in response to the legislature’s rejecting his proposal to force every state worker to take an unpaid, two-week furlough. “I’ll tell you one thing,” Weld said. The shutdown “will make the furlough plan we put on the table look extremely mild by comparison.”

The blueblood bankers’ boy also plans to lay off 7,600 state workers, and ultimately cut the \$44 million-a-week Massachusetts payroll by more than half. On top of a three-year wage freeze, thousands of state employees recently were informed by the State Board of Retirement that pension deductions from their paychecks were mistakenly figured below the required level for years. The bills have been sent to the workers to pay for the difference—in some cases more than \$10,000.

Scrambling to impose \$2.6 billion of austerity over the next 15 months, Weld has to deliver almost \$1 billion to the banks by June 30. Debt payments due in February and March alone total over \$470 million. Massachusetts State Treasurer Joseph Malone said Feb. 12 that the state will be out of cash by the end of March if it meets its debt repayments and other bills on time. The *Boston Globe* intoned the next day, “Looming in the background is the continued threat from Wall Street bond rating agencies that the state balance its budget quickly and cleanly or face dire consequences among lenders, who have propped up state finances through three years of deficit spending.”

On March 4, the State Senate granted Weld authority to proceed with a “workfare” program for welfare recipients, including mothers with dependent children. It also gave him the power to impose further restrictions on welfare eligibility as he sees fit, and to force nursing home patients under Medicaid to count their own homes as assets in paying the costs.