Local budget crises spell harsh austerity

by Mel Klenetsky

Taking the budget axe to the meat of such municipal and county government structures as Los Angeles County, New York City, and Washington, D.C. fits in well with the policy prescriptions that the Gingrich "Contract with America" advocates have put forward for the federal budget; yet, few of these balanced-budget fanatics have considered the impact of these measures, both economically and from the standpoint of the social and political turmoil that such harsh austerity will necessarily unleash.

Days after the June 19 announcement of proposed budget cuts by Los Angeles County Chief Administrative Officer Sally Reed, 1,000 demonstrators marched on the Los Angeles County Hall of Administration in protest. "Reed to L.A.'s Sick: Drop Dead!" was emblazoned on the signboards. Placards and slogans targeted Reed, whose proposal to slash $1.2 billion to close the deficit now appears before the five county supervisors.

Reed's plan is an $11.2 billion Los Angeles County budget that proposes laying off 18,255 county employees and closing down the L.A. County-University of Southern California Medical Center, along with four comprehensive health centers and 25 neighborhood health centers. Additionally, 12-15 out of the county's 87 county libraries will be closed. Reed rounds out her plan with $65 million in cuts from the sheriff's office, a 20% cut in the municipal and Superior Court budgets, some 2,300 layoffs for the welfare staff, and a cut of $7 million for the parks that would necessitate closing 30 parks, including six public swimming pools.

Axing health care for the indigent

Two-thirds of the job cuts, 12,600, and $655 million out of $1.2 billion of the proposed budget cuts come from the Department of Health, and the closing of County-USC Medical Center represents the biggest chunk of that. County-USC Medical Center requires $1.3 billion modernization upgrades, including meeting new earthquake codes, which is one reason Reed has put the medical center on the chopping block, despite the fact that the hospital contains one of the county's three burn centers, treats most of the county's AIDS victims, and delivers 10,000 babies per year to high-risk mothers.

County-USC Medical Center has more than 65,000 inpatient and 850,000 outpatient visits per year. Terry Bonecutter, chief operating officer of Children's Hospital Los Angeles and 13 other Los Angeles county administrators indicated they would help solve the immediate and long-term shortfalls. Health Director Robert C. Gates, however, indicated that previous studies by the Los Angeles Medical Association revealed that private hospitals could not absorb the projected emergency room visits, leaving 200,000 such visits unaccounted for. Forty percent of the patients treated at County-USC are indigent, compared to 2% in the private hospitals, which shows who would suffer most under the Reed plan.

Analysts estimate that an equal number of "indirect jobs" will be lost as a result of the cuts: that is, given the 18,255 proposed cuts from the county workforce of 88,811, another 18,000 indirect jobs could be lost in the restaurant and service sectors.

In 1978 California voters passed Proposition 13 which places a cap on property taxes, thereby creating a revenue gap for counties like Los Angeles. The gap was filled by state revenues, which have more recently dried up, due to the collapse of the defense, aerospace, and computer-electronics industries in California. Since 1991, the state has been officially declared in a deep and prolonged recession. More than 20% of the residents are on public assistance in Los Angeles County alone. In 1993, state officials, desperate to balance their budgets, shifted more than $1 billion in property taxes from the county to the state's coffers.

These specific developments reflect part of the problems for Los Angeles County, but, like New York City and Washington, D.C., it faces the same basic budget crisis that the federal government faces. Physical economist Lyndon LaRouche, in his radio interview with "*EIR* Talks" on June 28, defined the problem from the standpoint of a 50% collapse of productivity and consumption levels of the typical American, in the past quarter-century, which has led to the collapse of the tax revenue base.

"Now, any official of a state, local, or federal government who pays attention to figures, can tell you that the problem of the federal budget, and of the state budgets, and of the local budgets, is that the tax revenue base has collapsed," LaRouche stated. "That means that we're poorer, and we're poorer by about 50% in real terms, than we were 25 years ago. . . . What we have to do, is to stop this silly discussion about 'cutting the budget,' and begin cutting out some of those policies like the derivatives policy, which are responsible for our mess, and go back to becoming a productive nation again."

New York's budget is no model

New York City has had an Emergency Finance Control Board since 1977. The budget crisis for the city publicly blew up in 1975, when the city was forced to establish the

Municipal Assistance Corporation, sell Big MAC bonds, and begin a massive austerity program. When the Financial Control Board was set up for the nation's capital this year, effectively ending the 22 years of home rule, New York City was held up to Washington as some sort of model of fiscal soundness. But, look at New York City's current problems, 20 years after Big MAC. The case of New York City underscores the budget-cutting folly that LaRouche describes.

New York Mayor Rudolph Giuliani has proposed a $32 billion city budget that calls for the deepest cuts seen since the Great Depression. These cuts include $101 million in so-called welfare reform, $30 million more for a total of $75 million from the municipal hospital system, a delay in commercial rent tax-cuts estimated at $65 million, and an estimated $165 million in cuts in overtime, hiring delays, and non-personnel spending. Giuliani's cuts are designed to fill an estimated $3.3 billion budget gap.

The city budget calls for the Board of Education to spend $7.28 billion for the next fiscal year, down $470 million from the current fiscal year. Inflation, higher enrollment, and contractual obligations leave the gap for this proposal at $900 million. As plans were put forward, outgoing Schools Chancellor Ramon C. Cortines, resigning because of his disputes with the mayor and because of the budget cuts, announced that the 32 community school districts and the high schools they serve, would have to spend $125 million less in the coming fiscal year in order to comply with their part of the proposed cuts. After-school programs, a shorter school day, and layoffs of teachers, guidance counselors, and assistant principals are among the many ways that districts will deal with the cuts. The central board will go for administrative cuts and seeking concessions from the teachers union. The City University of New York has announced that it will raise tuition by $750 per year at the four-year colleges to $3,200 and $400 per year to $2,500 at the community colleges.

The Transit Authority of New York City, according to documents released by the Straphangers Campaign, will reduce services to achieve savings. Subway riders will have to wait 2 minutes longer during the rush hours for 10 subway lines starting this fall, and 57 bus routes will undergo route changes that will increase waits.

A major feature of Giuliani's budget plan involves selling the city's reservoirs, water tunnels, sewers, and sewage treatment plants to the New York City Water Board, a public authority created 11 years ago to run the system, for $2.3 billion. Giuliani planned to use $400 million from the sale for construction projects, including $200 million for repairs of leaky roofs, peeling paint, and collapsed buildings for the school system. The Water Board would raise the $2.3 billion by selling its own bonds.

City Controller Alan G. Hevesi announced on June 28, that he would block the plan as a risky "fiscal gimmick" that could erode the city's control over the upstate watershed. "We have a great water system," Hevesi said. "It is the best asset we have in the City of New York. I'm not sure there's any circumstance where it's justified to transfer the title."

Giuliani's budget also includes an estimated $200 million surplus from the 1995 budget and other uncertain projections, which has led many to point out that the budget will have to be reexamined within three months. New York City's budget was redone twice last year, once to patch up a $1.1 billion gap.

Gingrich crowd takes aim at D.C.

Washington, D.C. is another city facing major budgetary problems. The D.C. budget for 1995 is $3.35 billion, and Mayor Marion Barry is trying to close a $722 million budgetary gap. Barry has just received a $146.7 million loan from the U.S. Treasury, to which it had to resort after Wall Street downgraded its bonds to "junk status." In January, the newly elected Barry inherited what he thought was a $400 million deficit from the Sharon Pratt Kelly administration. Year-end audits in 1994 showed the deficit at more than $700 million. During her administration, Kelly had cut 2,000 jobs through layoffs and attrition. In 1993 she adjusted the city property tax year by pushing it back three months, thereby getting 12 months of spending with 15 months of taxes and giving herself an extra $170 million. By 1994, Congress intervened, forcing Kelly to cut $140 million in spending, a move that did not bode well for D.C. services, or for her reelection efforts.

Marion Barry inherited both the budget mess and a Gingrich-dominated Congress. As the "Contract on America" crowd moved their legislative agenda forward, they used pressure to bring the Barry administration under control, creating a financial control board headed by Andrew Brimmer, a former Federal Reserve Board member, whose mandate is to oversee D.C. finances and rein in spending.

Barry's latest draft proposals include a 2% commuter tax, which requires congressional approval. In addition, Barry proposes payroll cuts, furloughs, reduced services, and other measures to reduce the deficit. The effects of these cuts, previous and proposed, are epitomized by the testimony of Police Chief Fred Thomas before a House Judiciary Subcommittee on Crime. Thomas said that crime had begun to rise again, after a significant drop last year, because the budget-cutting process had demoralized his underequipped department, pointing to a recent pay cut and restrictions on overtime as factors. Police officers in the nation's capital are among the lowest paid in the region, he said. Efforts to improve operations by installing field computers, which would reduce time to process arrests from 4 hours to 40 minutes, have been set back by cuts, despite the $10 million he has spent over the past two years for computers. The volume of crime is up 10%.