United States

July 1 budget cuts mean mass layoffs

by H. Graham Lowry

Public employees across the United States face mass layoffs, as budget cuts for the new fiscal year go into effect for most cities and states on July 1. The resulting nationwide increase in unemployment will further shrink revenues at every level of government, at a time when their rate of collapse has forced major monthly—and even weekly—increases in projected deficits. The combination of huge budget cuts and steep tax increases will deal another crushing blow to what remains of the U.S. economy.

The revenue shortfalls from a vanishing tax base continue to widen, despite the fact that half of the states increased taxes a year ago, and half of them have raised them again for the coming year. Twenty-nine states had to make further budget reductions to cover deficits which grew throughout the past fiscal year, and they are still considering a total of $8 billion in additional cuts, just to get through to July 1.

Studies for the Congressional Budget Office estimate that budget cuts and tax increases by state and local governments could total $50 billion in the next fiscal year, or roughly 1% of the nation's supposed GNP. Yet the National Conference of State Legislatures estimates that 21 states will have deficits totaling $35 billion just by themselves. A leading New York municipal bond investment house is privately predicting that the total state and local budget deficits for the *current* fiscal year could reach $140 billion!

The worst cases—California, New York, Connecticut, Texas, and Pennsylvania—all publicly project multibillion-dollar deficits, with California's estimated as high as $15 billion. All of those but Texas, plus Maine, New Hampshire, and Louisiana, are working on spending cuts and tax hikes totaling more than 20% of their entire budgets.

Layoffs rising rapidly

At least a score of states are already planning sizeable layoffs of public employees, and if New Jersey is any example, the numbers will rise rapidly. A fiscal 1992 deficit projected at $812 million in May prompted 3,000 layoffs. Now New Jersey projects a $1.5 billion deficit, and is preparing to lay off another 6,000, bringing the total to 9,000 out of a statewide work force of 70,000. Additional cuts will come in the form of wage freezes and unpaid furloughs.

In California, Gov. Pete Wilson's administration went into the last week of June threatening to lay off over 22,000 state workers, unless the unions agree to equivalent spending cuts in pay and other benefits. If they reject a 5% pay cut and two payless workdays a month, 9,380 will lose their jobs. If the governor is not granted authority to grab $1.6 billion from the public employee pension fund, another 12,275 workers will be laid off.

New York State laid off 1,300 workers on July 1, and Gov. Mario Cuomo announced June 21 that he would soon lay off another 4,000, despite the fact that the state's fiscal '92 budget has already been passed and put into effect. New York City began laying off nearly 8,000 city employees on June 17 in order to cut them from the payroll by July 1. City budget-cutters plan to eliminate a total of over 20,000 jobs through layoffs and attrition over the next 12 months.

Other layoffs planned for the coming fiscal year include 5,600 in Massachusetts; 5,300 in Virginia; 2,600 in Connecticut; 4,400 in Illinois; and as many as 8,000 in Michigan.

Teachers on the chopping block

Cuts in state aid to local school districts are forcing further waves of teacher layoffs. In Alabama, 2,000 are expected to be let go before the end of June. Minnesota schools are planning to discharge another 1,500, while in Indiana pink slips may be sent out to as many as 5,000 teachers. Twenty-nine states have already cut aid to higher education as well, in some cases closing entire campuses. The bankrupt city of Chelsea, Massachusetts, placed under state receivership June 11, fired all of its public school teachers the same day.

Welfare measures adopted in a number of states will also affect public payrolls. On June 14, Massachusetts created a mandatory "workfare" program for welfare recipients and a 90-day residency requirement for welfare benefits. Aid to Families with Dependent Children (AFDC) and General Relief recipients without children at home and who are not disabled, will be required to work 20 hours a week for their cities or towns in order to receive benefits. This will simply increase the degree to which cities resort to further layoffs of city employees.

The absurdity of attempting to balance budgets without completely overhauling current policies and restarting the economy, was dramatically demonstrated again in the case of Maryland on June 25. State fiscal officers told a stunned joint budget committee of the legislature that their projected deficit for the fiscal year beginning July 1 was already a whopping $300 million, in a budget of $11 billion.

Only $200 million was expected to be in the state's treasury on that date, prompting one legislator to make the black-humored suggestion that it be used to purchase Maryland lottery tickets in hope of a partial bailout. Worse yet, the state's economists project the revenue shortfall for 1993 to hit $573 million.