

# State budget cuts hit poor hardest

by H. Graham Lowry

This year's season of budget-cutting for the coming fiscal year has begun like the last one, with the brunt of state cutbacks to be borne by the poor, the sick, and the elderly. The difference, however, is that the ranks of the impoverished have been swelled by the massive increase in unemployment, due to the deepening economic depression. More people in need are receiving less in assistance, and their plight will only worsen under the budgets being prepared now.

New York State entered its new fiscal year April 1 with a budget which cuts welfare and Medicaid spending by \$1.1 billion, keeping projected total costs for the programs at \$400 million above last year's. During 1991, the state's monthly caseloads for each program rose by an average of 200,000, and have continued to rise. Energy assistance grants to the poor were cut by \$50 million, leaving local governments to pick up the difference through budget cuts of their own. Medicaid patients will pay a charge each time they receive service, to the tune of an estimated \$20 million they do not have. And taxes on hospitals and nursing homes, many of them already on the verge of bankruptcy, were increased by \$229 million.

New York City alone lost nearly 200,000 jobs last year, and there is no turnaround in sight. The metropolitan area has lost 495,000 jobs in the last two years, and the Port Authority of New York and New Jersey projects the region will lose another 200,000 during 1992. Without an economic recovery, New York City faces additional mass layoffs of municipal workers, which would drive still more to the unemployment and then the welfare lines.

## California's flight from reality

After wringing out a record of nearly \$15 billion in spending cuts and tax increases last July, California is now projecting a deficit of up to \$6 billion for the fiscal year which ends June 30. Republican Gov. Pete Wilson and the Democratic-controlled legislature have begun budget maneuvers for next year which assume disastrous austerity, even with rapid *growth* in revenues.

Charging that Wilson was trying to force a deadlock on the new budget until after the November elections, the California Assembly's Democratic majority passed a series of measures on April 6 and 7 setting a spending limit of \$60.4 billion. Without making specific appropriations, the legisla-

tion includes a "trigger mechanism" to automatically cut spending by 6%, then 12%, and finally by 18%, if Wilson's new prediction of a recovery proves as worthless as his last one. He projected in January that revenues for the current year would grow by 13.5%; but with just three months to go, tax collections are up only 2.2%, despite the massive hikes imposed last year.

Wilson's own budget proposals would slash welfare benefits by an incredible 25%, with an immediate cut of 10%, and six months later by another 15% if the recipient has still not found a job. The Assembly measure would limit cuts in welfare and Medi-Cal spending to 4.5%, exempt from the automatic "trigger." But its 18% reduction for all other state functions and services except public schools, in the event there is no recovery, is the equivalent of shutting down the entire California government for more than two months! Either of these devastating "solutions" would only worsen the depression that both the governor and legislature refuse to address.

## A national catastrophe

According to a recent study, Aid to Families with Dependent Children (AFDC) was cut in 40 states during 1991. The Washington-based Center on Budget and Policy Priorities and the Center for the Study of the States in Albany, N. Y., report that last year's overall cuts in aid to the poor were the deepest in ten years. More than 500,000 general relief recipients had their aid either cut substantially or eliminated entirely.

Figures compiled by the U.S. House Ways and Means Committee show that, despite state tax increases totaling \$13 billion during 1989 and 1990, the median monthly AFDC benefit for a family of four dropped from \$475 to \$432. The states increased taxes again in 1991 by \$16.2 billion, yet benefit levels are still dropping, even though many states drastically restricted eligibility to throw more people off the rolls. Massachusetts, for example, cut 13,000 people from its rolls in 1991.

The U.S. Department of Agriculture reports that one American in ten—more than 22.5 million people—is now on food stamps. In Michigan, where nearly 90,000 people were cut off from general assistance, many of the poor have been forced to use food stamps to pay for rent. Landlords who take them often allow only 50-75¢ on the dollar.

Health care costs for the poor in the form of Medicaid are projected to exceed \$100 billion in 1992, in spite of state cutbacks. That is an increase of more than \$9 billion over 1991—largely due to the growing numbers of laid-off workers who have exhausted their unemployment benefits, according to the American Public Welfare Association.

President Bush, who claims to be in perfect health, still retains a large team of "spin doctors" offering the diagnosis that the economy is in "recovery." Even the state budget-makers operating on that premise, however, are coming up with numbers which will cut off millions more Americans from any care at all.