

# California on the brink of financial ruin

By Dashka Slater and Gary Rivlin, Newsweek

Toni Sevchuck knows that budgeting is about making tough choices: taxes vs. cuts, parks vs. prisons, health care vs. schools. But as California's austere new state budget goes into effect, the 47-year-old mostly deaf single mother is finding that her own options have run out. "I don't get to make choices," she says. "I don't have the money to make choices with."

The state's Medicaid program, called Medi-Cal in California, stopped covering dental care in 2009, so Sevchuck has had four molars pulled and is likely to lose a fifth. Last month her welfare and disability payments were cut by 8 percent each, leaving her with \$1,160 in monthly aid, plus \$200 a month in food stamps. After she pays her rent, she has \$310 to pay all her other bills, including a \$237 car payment. Each month most of her bills don't get paid. "It doesn't seem like a lot of money to most people," she says of the combined \$44 reduction in her monthly checks. "But when you're in my boat, that pays your utilities."

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Sevchuck's sense of dwindling options is being echoed across the state. You hear it from the 22-year-old senior at the University of California, Santa Cruz—the first in his family to go to college—whose tuition has risen 80 percent since freshman year. You hear it from the 49-year-old partial quadriplegic in Orange County who may lose the state-funded caregiver who allows her to stay out of a nursing home. And you hear it from the 55-year-old accountant in Inglewood as he braces for the end of state funding for the adult-day-care

center where his 75-year-old mother, a retired schoolteacher with advanced dementia, spends her days. “Many of these cuts are hitting the same vulnerable people over and over again,” says Lydia Missaelides, executive director of the California Association for Adult Day Services. “It’s not sharing the pain, it’s really piling on the pain.”

As the nation’s most populous state and the world’s eighth-largest economy, California rarely does things by halves. Dreams are bigger and glossier here, and when they crash, they crash spectacularly. California’s per capita foreclosure rate is the highest of any state outside of Nevada. Unemployment has reached a grueling 12 percent, nearly 3 points higher than the national average. And while nearly every state in the union faced budget deficits this year, California’s was the nation’s largest, at \$26.6 billion. The resulting \$15 billion in cuts came on top of the \$22.5 billion axed in the previous two budget cycles. By way of contrast, the package of austerity cuts and tax hikes that sent rioters into the streets in Athens this spring totaled \$40 billion over three years—and those cuts hadn’t even gone into effect when the demonstrations started.

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