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Oil Prices or Tax Structures?

What does the price of oil have to do with cuts to higher education and healthcare?

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JSRI Upcoming Events

March 19

Fr. Kammer will discuss Jesuit faith and justice with Loyola's Ignatian Faculty Fellows.

March 21 and April 25

Fr. Kammer will provide two sessions on the social implications of the Spiritual Exercises of St. Ignatius for the Ignatian Spirituality Institute at Montserrat Retreat House in Lake Dallas, TX.

March 24

Fr. Kammer will deliver the [Yamauchi Lecture](#) on campus concerning Catholic social thought and immigration.

Since June 2014, the average price of a barrel of oil has fallen from more than \$100 to about \$50.^[1] Many states, including those in the Gulf South, are considering budget cuts to higher education, healthcare, and social services in order to deal with oil revenue shortfalls. But is the oil revenue shortfall really the culprit? Contrary to what state budget offices profess, pressure to public services stems from the inadequacy and regressive nature of tax structures and not from oil revenue shortfalls.

For example, the Gulf South's most oil-revenue dependent state, Louisiana, has an oil revenue shortfall of \$376 million for fiscal year 2014-15. However, the budget shortfall not related to oil revenues was already an alarming \$1.2 billion before oil prices began to drop. Louisiana's budget deficit is mainly driven by an inadequate and unfair tax structure of tax exemptions and credits for corporations and the wealthy worth more than \$3 billion a year.^[2]

JSRI Recent Activities

March 6

Fr. Kammer addressed participants in the AJCU Honors Conference on the intersection of honors programs and justice.

March 4

Dr. Milodich presented his study

[Penalty in Louisiana](#)" to the Loyola Law School.

February 25

Dr. Mikulich gave the 9th Annual [Thomas Merton lecture](#) honoring Black History Month at the Thomas Merton Center, Bellarmine University.

February 21

Fr. Kammer addressed parishioners at St. Gabriel Parish in New Orleans on Catholic Social Thought.

February 18

Dr. Weishar spoke at a rally in front of the 5th Circuit Court of Appeals to protest a decision by a Texas District Court that has temporally halted President Obama's Executive Actions on immigration.

February 12

Fr. Kammer and Mr. Bustamante presented JSRI's study on family living costs to the Louisiana Supported Living Network annual meeting in Baton Rouge.

February 11 & 20 and March 12

Fr. Kammer met in Baton Rouge with Catholic leaders to plan workshops on Pope Francis' Joy of the Gospel.

February 9

Fr. Kammer lectured to a Tulane University communications class on faith-based advocacy.



Trickle-down economic theories have been wildly discredited, and yet the wealthy continue to shift their tax responsibilities onto the poor under the guise of stimulating economic growth.[3] The unfair structure of state and local taxes has contributed to rising income inequality and eroded state budgeting capacity.[4]

Florida and Texas have the second and third most unfair tax systems in the U.S. while Alabama, Louisiana and Mississippi rank 12th, 19th and 21st respectively.[5] In the Gulf South and across the U.S., the poorest families, the bottom 20 percent, pay at least two times more of their income (10.9 percent) in state taxes than the top 1 percent (5.4 percent).

Between 2009 and 2012, the share of total income growth captured by the top 1 percent in the Gulf South ranged from 49.2 percent in Mississippi to 259.9 percent in Florida.[6] In Florida and Louisiana, all income growth between 2009 and 2012 accrued to the top 1 percent.

Catholic Social Teaching supports progressive taxation systems as just and equitable ways to promote the common good and reduce severe income and wealth inequalities. [7] Progressive systems require higher tax contributions from those with more ability to pay.

Additionally, a more progressive state income tax with a higher effective tax rate, fewer tax exemptions, and an expanded state earned income tax credit (EITC) can increase state revenues, preserve essential funding to education, healthcare, and social services, and promote a more equitable and sustainable state.

[1] See: [Nasdaq End of day Commodity Futures Price Quotes for Crude Oil WTI \(NYMEX\)](#).

[2] Sources: Louisiana Department of Revenue. 2014. [Tax Exemption Budget 2013-2014](#).

[3] Andrews, Dan, Christopher Jencks, & Andrew Leigh. 2011. "Do Rising Top Incomes Lift All Boats?" *The B.E. Journal of Economic Analysis & Policy* 11: (1).

[4] See: Standard and Poor's Ratings Services. 2014. DRAFT: [Income Inequality Weighs On State Tax Revenues](#).

[5] Institute on Taxation and Economic Policy (ITEP). 2015. [Who Pays: A Distributional Analysis of the Tax Systems in All Fifty States](#), Fifth Edition at (accessed Feb. 2, 2015).

[6] Sommeiller, Estelle and Mark Price. 2015. The Increasingly Unequal States of America: Income Inequality by State, 1917 to 2012. Economic Analysis Research Network.

[7] Saint Pope John XXIII. 1961. Mater et Magistra, No. 102. National Conference of Catholic Bishops. 1986. Economic Justice for All. United States.

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