

U.S. Taxes Are Low by Comparison

Politics drive anti-tax movements and low-income families suffer

By Fred Kammer, S.J.,
J.S.R.I. Director

Total 2008 Taxes as a % of GDP



Source: OECD, U.S. Treasury, Census. Figures include federal, state, and local taxes. Center for Tax Justice (2010).

Everyone seems to be worshipping at the “no new taxes” altar. This continues some 30 years of anti-tax propaganda whose most vociferous current harbinger is the Tea Party movement. The actual results have included a widening of the gap between rich and poor to its current

morally grotesque levels and the substantial deterioration of U.S. infrastructure.

Are we overtaxed as a nation? The facts don’t support the rhetoric of the tax cutters. In 2008, total U.S. taxes at the federal, state, and local level were 26.2 percent of our gross domestic product (GDP). *The United States ranks 25th among the 27 nations in the Organization for Economic Cooperation and Development (OECD) for which data are available.*¹ Only Turkey and Mexico had combined lower taxes at 23.5 percent and 20.4 percent of GDP. Many industrial countries have tax levels much higher; for example, 17 of the 24 OECD nations with higher taxes exceed the U.S. tax level by at least 25 percent. Nine of these have taxes at least 50 percent higher as a percent of GDP.

Corporate Taxes

Are corporate taxes too high? In 1965, the taxes paid by U.S. corporations were 4.0 percent of our GDP, compared to 2.3-percent average of other OECD nations. The U.S. then ranked second among OECD nations in corporate income taxes as a percent of GDP. By 2008, U.S. corporate taxes had dropped to 2.5 percent of GDP, while other

OECD nations had raised corporate income taxes to 3.0 percent of GDP. The result was that in 2008—the latest available figures—*U.S. corporate taxes were the fifth lowest as a percentage of GDP among developed countries.* We ranked 21st among 25 OECD nations.

Anti-tax corporate lobbyists will point to the high U.S. marginal corporate tax rate of 35 percent, which actually is the top rate of a graduated corporate tax structure. President Obama even talked of lowering the corporate tax rate in his State of the Union message. But, because of the combination of corporate deductions, credits, and other tax breaks, U.S. corporations actually paid 13.4 percent of their profits in taxes on average from 2000 to 2005.² In 2007, the Treasury Department estimated that various corporate tax breaks would cost the U.S. government more than \$1.2 trillion over the 10-year period from 2008 to 2017.³

And in the States...

Two recent reports have highlighted the acute disparities in taxation in the 50 states—namely, how it is the poor who carry the greatest tax burdens and how *regressive* are state and local tax systems. State taxes only reinforce the income distribution trends of the past several decades where—you guessed it—the rich are indeed getting richer, the poor poorer, and the middle class largely standing still (until the current recession knocked many of them down). The five states of the Gulf South, sadly, are among the most regressive.

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Taxes in the Gulf South in 2007

Taxes as Shares of Income for Non-Elderly Residents⁵

INCOME GROUP ⁶	LOWEST 20%	SECOND 20%	MIDDLE 20%	FOURTH 20%	NEXT 15%	NEXT 4%	TOP 1%
Alabama	10.2%	10.5%	9.5%	8.2%	6.6%	4.9%	4.0%
Florida	13.5%	10.4%	9.0%	7.2%	5.7%	4.2%	2.1%
Louisiana	10.4%	10.3%	9.8%	8.9%	7.3%	5.6%	5.2%
Mississippi	10.8%	10.7%	10.7%	9.4%	7.9%	6.4%	5.5%
Texas	12.2%	10.2%	8.4%	7.2%	5.8%	4.4%	3.0%

Many States Tax Working-Poor Families into Deeper Poverty

On April 26, 2010, Phil Oliff and Ashali Singham of the Center on Budget and Policy Priorities (CBPP) released a new report on how, out of 42 states with income taxes, 13—including *Louisiana*, *Mississippi*, and *Alabama*—are taxing families whose incomes are below the federal poverty line (in 2009, \$21,947 for a family of four and \$17,102 for a family of three). Five states, including *Alabama*, tax families living in severe poverty, earning less than 75 percent of the federal poverty line. In addition, from those living just above the official poverty line (up to 125 percent of the poverty line), a majority of the states collect income taxes. This is despite the fact that many studies indicate that in most parts of the U.S. the basic costs of living exceed the federal poverty line.

States can protect their poorest families in many ways from such exploitive taxes. Use of personal exemptions and/or standard deductions can lift the income tax threshold above the poverty line. Twenty-four states, including *Louisiana*, have adopted an Earned Income Tax Credit (EITC) modeled on the federal EITC which reduces the tax obligation of working families, especially those with children. See the full report *The Impact of State Income Taxes on Low-Income Families in 2009* at <http://www.cbpp.org/cms/index.cfm?fa=view&id=3173> (accessed 1/31/11).

Most States Have Regressive Overall Tax Systems

A more intense look at state tax systems is important, especially in the current economic context where almost every state is scrambling to identify ways to close enormous recession-driven and past-tax-cut revenue shortfalls. A study of state tax burdens was released in November 2009 by the Institute on Taxation and Economic Policy.⁴ Its key finding is on page one:

The study's main finding is that nearly every state and local tax system takes a much greater share of income from middle- and low-income families than from the wealthy. That is, when all state and local income, sales, excise and property taxes are added up, most state tax systems are regressive. (page 1)

Of the 10 “particularly regressive” states, three are in the Gulf South: *Florida* (2nd), *Texas* (5th), and *Alabama* (10th). They are the most regressive because of the relative overall tax burdens on the poorest families (the bottom quintile) when compared with the wealthiest families. And families in the middle also carry a greater tax burden than the wealthiest.

The institute’s report breaks out the relative tax burdens for the year 2007 of first four quintiles of the families in each state—from, first, the poorest 20 percent to the fourth 20 percent—and then divides the top 20 percent into three groups (the top 1 percent, the next 4 percent, and the remaining 15 percent, due to sharp disparities even in their wealth). In the Gulf South, the relative tax burdens (measured in percentage of income paid in taxes) can be seen in the above chart.

As you can see just from the Gulf South states, in Florida the poorest families pay a six-times-heavier tax burden than the most wealthy, and in Texas a four-times greater percentage of the poorest families’ income goes to state and local taxes. While the CBPP study, above, focused on states with income taxes and their impact on working poor families, often more regressive tax systems exist in states without an income tax, including Texas and Florida.

See *Catholic Social Teaching and Taxes* in this issue, page 3.

ENDNOTES

- 1 Bob McIntyre, *United States Remains One of the Least Taxed Industrial Countries*, Citizens for Tax Justice, November 11, 2010, p. 1 at <http://www.ctj.org/pdf/oced111110.pdf> (accessed 3/16/11).
- 2 Chry-Ching Huang, *Putting U.S. Corporate Taxes in Perspective*, Center on Budget and Policy Priorities release, October 27, 2008, p. 1, at <http://www.ctj.org/pdf/oced111110.pdf> (accessed 1/31/11).
- 3 *Ibid.*, p. 2.
- 4 *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States* (3rd edition), Institute on Taxation and Economic Policy, November, 2009. See the full report at <http://www.itepnet.org/whopays3.pdf> for details (accessed 1/31/11).
- 5 The study limited its scope to non-elderly families (singles and couples, with or without kids) because state tax systems often treat elderly families very differently.
- 6 While the table depicts the respective quintiles by each state, the actual income ranges for each quintile vary due to the overall income levels of the state population, e.g. the lowest quintile’s income is below \$15,000 in Mississippi, but below \$18,000 in Texas.



Catholic Social Teaching and Taxes

By Fred Kammer, S.J.

The clearest statement on taxes and their morality came in the U.S. Bishops' pastoral on *Economic Justice for All*. The bishops urged that, "*The tax system should be continually evaluated in terms of its impact on the poor.*"¹ They enunciated three principles to guide such evaluations:

- First, the tax system should raise adequate revenues to pay for the public needs of society, especially to meet the basic needs of the poor.
- Secondly, the tax system should be structured according to the principle of progressivity, so that those with relatively greater financial resources pay a higher rate of taxation. The inclusion of such a principle in tax policies is an important means of reducing the severe inequalities of income and wealth in the nation. ...
- Thirdly, families below the official poverty line should not be required to pay income taxes. Such families are, by definition, without sufficient resources to purchase the basic necessities of life. They should not be forced to bear the additional burden of paying income taxes.²

The U.S. bishops' statement was consistent with Catholic tradition reflected in teaching of the popes and the new Catholic Catechism. Twenty-five years earlier, Pope John XXIII stated the traditional principle very simply, "As regards taxation, assessment according to the ability to pay is fundamental to a just and equitable system."³ In the new *Catechism*, payment of taxes is presented as part of one's responsibility for the common good:

Submission to authority and co-responsibility for the common good make it morally obligatory to pay taxes, to exercise the right to vote, and to defend one's country...⁴

In this context, payment of taxes is seen as a moral responsibility of the person or institution.

Progressivity has been fundamental to the Catholic tax tradition. It reflects our belief in the universal destination of all goods—that they must serve the common good—as well as our teaching about the stewardship of all created gifts, whose origin is God. As stewards, this progressive responsibility reflects the teaching of Jesus in *Luke 12:48*, "From everyone to whom much has been given, much will be required; and from the one to whom much has been entrusted, even more will be demanded."

"As regards taxation,
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—Pope John XXIII

Evaluating the morality of tax systems means asking about the progressivity and regressivity of various kinds of taxes—the more progressive, the more moral.

The **personal income tax** can be the most just system, IF it is structured progressively. A flat tax is much less progressive since, by definition, it taxes the income of the wealthiest family at the same rate as that of the poorest family. Even income tax systems with nominally graduated income tax rates may be regressive where, for instance, the percentage of those paying the highest rate is very large (66 percent of *Alabama* families pay the highest rate, which kicks in at \$6,000 of taxable income for married couples). This is especially true if the taxing authority also provides special tax breaks targeted to upper-income families.

Property taxes typically are "somewhat regressive" because poor homeowners and renters pay more of their income than other groups and the wealthiest property owners pay the least.

Finally, **sales and excise taxes** (e.g. on cigarettes, gasoline, and beer) are the most regressive because they take a larger share of the income from low and moderate income families than they do from wealthy families. When states rely heavily on sales taxes, as *Florida*, *Texas*, and *Alabama* do, their tax systems are very regressive. One moderating factor in sales taxes is the exclusion of necessary items such as groceries (*Florida*, *Louisiana*, and *Texas*).⁵

When looking for increased revenues, lawmakers should focus on taxation methods that are more progressive, asking more of those most able to shoulder increased responsibilities for the common good.

ENDNOTES

- 1 National Conference of Catholic Bishops, *Economic Justice for All: Pastoral Letter on Catholic Social Teaching and the U.S. Economy*, Washington, DC, 1986, No. 202, emphasis in original.
- 2 Ibid., emphasis added.
- 3 Pope John XXIII, *Mater et Magistra*, 1961, No. 102.
- 4 *The Catechism of the Catholic Church*, 1992, 1994, No. 2240, referencing *Romans 13:7*.
- 5 *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States* (3rd edition), was released by the Institute on Taxation and Economic Policy in November 2009. See the full report at <http://www.itepnet.org/whopays3.pdf> for details (accessed 1/7/10).

A More Humane System

Community-Based Alternatives to Immigration Detention (Part 2)



By Dr. Sue Weishar, Migration Specialist

While I was the director of immigration and refugee services at Catholic Charities Archdiocese of New Orleans (CCANO), my department ran one of the few community-based Alternatives to Detention Programs for immigrants ever operated in the U.S. The program served two groups of immigrants being held in detention in Louisiana— asylum seekers without family members in the U.S. and “indefinite detainees” without family sponsors. The indefinite detainees were immigrants deemed inadmissible or deportable based on criminal charges but whom the

government was unable to remove because no country would accept them. Instead of releasing these individuals, the government chose to detain them—many for years longer than the criminal sentences that made them deportable. We met with much success in assisting both asylum seekers and indefinite detainees. I will describe here the Alternative to Detention (ATD) program at CCANO in the hope that

other social service providers will consider what role they might play in providing community-based alternatives to the immigration detention paradigm that has been dominant, should the opportunity to do so become available as a consequence of the Obama administration’s detention reform agenda, outlined in my last *Just South Quarterly* article.

The CCANO ATD program had its roots in meetings between immigrant advocates¹ and INS officials that began in late 1998 over the conditions of detention for immigrants in Louisiana. The level of trust and productive working relationships which evolved during these meetings led the local INS District Office to release eight asylum seekers to the care of Catholic Charities in May 1999. Although there was no formal agreement between INS and Catholic Charities, it was clear we needed to provide the asylum seekers a program of services to meet their many needs.

Most of the asylum seekers served by the program came to the U.S. as stowaways on ships that docked in New Orleans. Before release to our program, the INS determined that the asylum seeker had a credible fear of return and no family members in the U.S. Most spoke no English and had never lived outside their home-countries.²

CCANO had been resettling refugees since the exodus of Cubans from Castro’s regime in the mid-1960s and had operated an immigrant legal services program since the early 1980s. Our expertise in refugee resettlement and immigration legal services and the strong networks with social service providers and immigration attorneys developed through such work over the years were essential to the success of the program. A major priority for the program’s case manager was to persuade local immigration attorneys to accept the asylum seekers’ cases at no cost or at a greatly reduced cost. Housing was a tremendous challenge, as funding for the program was extremely limited. Due to a lack of funds, if a community sponsor could not be found in our network of resettlement contacts, then asylum seekers initially were placed by the case manager in an emergency homeless shelter. The case manager, Ms. Kathleen Harrison, worked with employers to find jobs appropriate to the language and work skills of the asylum seekers and with landlords to obtain leases at affordable apartments. The case manager also helped her clients obtain state ID and Social Security cards, interpreted at meetings with attorneys and social service agencies, and provided transportation to key appointments.

In August 1999, after much urging from advocates, the local district office of the INS began releasing long-term “criminal alien” detainees to the program when suitable family sponsors could not be found. The services provided to the formerly indefinitely detained immigrants were similar to asylum seekers, but because most spoke English and had lived in the U.S. for many years before being incarcerated and then detained, many fewer case management services were required. Also, the former indefinite detainees did not need legal representation. More than anything they needed the emotional and spiritual support provided by program

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SPECIAL SECTION

POST-KATRINA NEW ORLEANS: A Welcoming Community?

As we contemplated the fifth anniversary of Hurricane Katrina (August 29, 2010), it seemed to our staff that a key prism through which to view these five years was how New Orleans was or was not a welcoming community—first, to the poor, the elderly, and people of color who often were least able to weather the storm and its aftermath; and, second, how we welcomed those migrants who came to help rebuild our homes, our offices, and our communities.

On Saturday, September 11, 2010, we presented *Post-Katrina New Orleans: A Welcoming Community?* In this report, we include the presentations of our two morning keynoters, Jarvis DeBerry of *The Times Picayune* and Dr. Allison Plyer of the Greater New Orleans Community Data Center.



Changing Demographics in

By Allison Plyer, M.B.A., Sc.D., and Elaine Ortiz, M.S., Greater New Orleans Community Data Center

Hurricane Katrina and the subsequent levee failures caused perhaps the largest forced migration in the history of the U.S. since the Dust Bowl. The population of New Orleans plunged nearly overnight, but within weeks the city was reopened and residents were encouraged to return. St. Bernard and Plaquemines parishes also sustained heavy flooding resulting in significant population loss from these parishes. And Jefferson Parish experienced less severe damage but lost population nonetheless. Consequently, the demographics of the entire New Orleans area were changed. Five years later, the demographics in the city and the metro area continue to evolve as pre-Katrina residents trickle home and new residents arrive.

Diversity

According to the Census Bureau's 2010 population counts, there are 118,526 fewer African Americans living in New Orleans compared to 2000. Nonetheless, the share of the city's 2010 population that is African American—while lower than in 2000 when it was 67 percent—continues to represent the majority at 60 percent.

Orleans, Jefferson, and St. Tammany have gained more diverse populations. The number of African Americans has grown in all seven metro area parishes except Orleans and Plaquemines. There have also been notable increases in the number of Asians in St. Tammany and Jefferson. And the number of Latinos has grown in all parishes in the metro area with the exception of St. Bernard. Between 2000 and 2010, the share of Hispanics increased to 12.4 percent (+21,284) in Jefferson, 5.2 percent (+3,225) in Orleans, and 4.7 percent (+6,233) in St. Tammany. Nonetheless, at 7.9 percent, the share of Hispanics in metro area parishes is still far below the average for the United States.¹

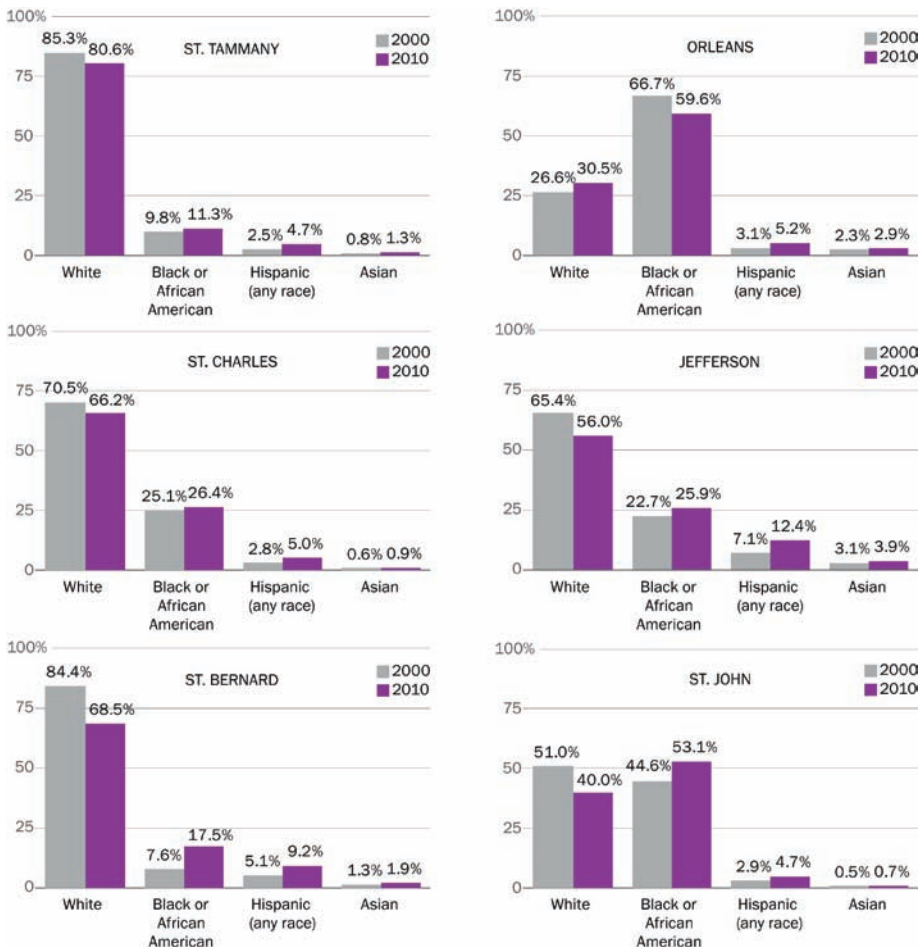
Poverty

Poverty in New Orleans has historically been high—at 28 percent in 1999 compared to 12 percent nationally. However, the poor have been among the least likely to return to New Orleans, such that poverty fell to 24 percent by 2009. Meanwhile, poverty rates held steady in Jefferson Parish at 14 percent and in St. Tammany Parish at 10 percent. In contrast, the poverty rate in the United States increased from 12 percent to 14 percent between 1999 and 2009.

Children and elderly

Among the poor who have had difficulties returning home are a very large number of children. In every parish except St. Bernard, children are now a smaller percentage of the population than in 2000. In contrast, the share of elderly is unchanged or increased in all parishes except St. Bernard, indicating that the elderly have been more likely to return than other age groups.

RACE/ETHNICITY by parish for metro area parishes



SOURCE: GNOCDC analysis of U.S. Census Bureau data from Census 2000 and 2010.

the New Orleans Area

Some factors affecting return

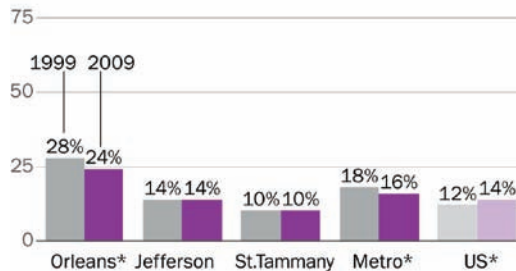
According to research from other disasters, families with children are less likely to return to or move to a disaster damaged area.² Data from Hurricane Katrina's effects certainly supports this finding. A number of factors may have contributed to this. Few schools, child care centers, and health care services were available in the first two years after Hurricane Katrina. In addition, parents might have been reluctant to re-expose their children to the hardship of periodic evacuations, and parents new to New Orleans might want to avoid living in a seemingly disaster-prone area.

High post-Katrina housing costs were also a significant obstacle to returning. In 2004, median rental costs (rent plus utilities) in New Orleans were \$643 per month, indicating that thousands of rentals were available for \$300 to \$500. But many of these non-subsidized, inexpensive rentals were destroyed by the flood. By 2009, median rental costs had risen 37 percent to \$881 per month. Renter costs are now higher than the national average in many comparable cities. Rents in Jefferson are equal to New Orleans', and even higher in St. Tammany.

Homeowner costs (including mortgage payments, taxes, insurance, and utilities) also increased post-Katrina, although not as much as rental costs. As a result, the share of renters has fallen from 54 percent in 2000 to 49 percent in 2009 in the city of New Orleans, and from 20 percent to 18 percent in St. Tammany.

The biggest obstacle to bringing home previous residents and attracting new residents will likely be the economy. Although the New Orleans area has weathered the recession relatively well, losing only 1.4 percent of all jobs between the third quarter of 2008 and 2009 compared to the national loss rate of 4.7 percent, the recession has stalled local jobs recovery. The metro area now has only 15,100 more jobs than at the lowest point of the 1987 oil bust. Both the pre-Katrina residents who want to return and new prospective residents will be hesitant to move to New Orleans without job prospects.

POVERTY RATE in the three most populous parishes, the metro, and the United States



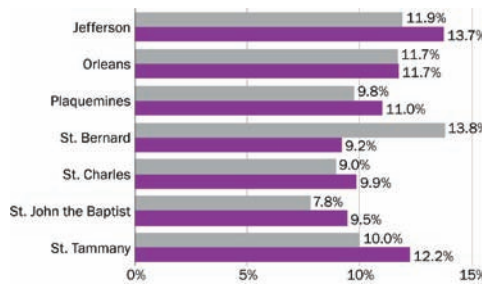
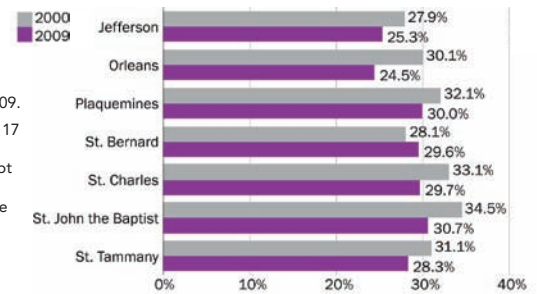
SOURCE: GNOCDC analysis of U.S. Census Bureau data from Census 2000 and American Community Survey 2009.

* Difference between 1999 and 2009 significant at 95% confidence interval.

PERCENT CHILDREN 19 years and younger

SOURCE: GNOCDC analysis of U.S. Census Bureau data from Census 2000 and Population Estimates 2009.

NOTES: Census 2010 data on percent of population 17 years and younger validate that there have been declines in the share of children in every parish except St. Bernard Parish. The 2009 estimates for the population 19 years and younger are presented to be consistent with the 2009 estimates available for the population 65 years and older.



PERCENT ELDERLY 65 years and older

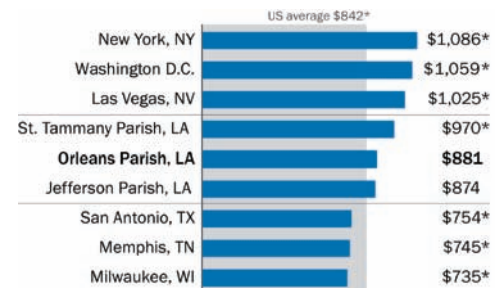
SOURCE: GNOCDC analysis of U.S. Census Bureau data from Census 2000 and Population Estimates 2009.

NOTES: Census 2010 data on percent of population 65 years and older is not yet available, but will be released in the summer 2011.

RENT COMPARISON across cities median gross monthly housing costs for rentals of any size, 2009

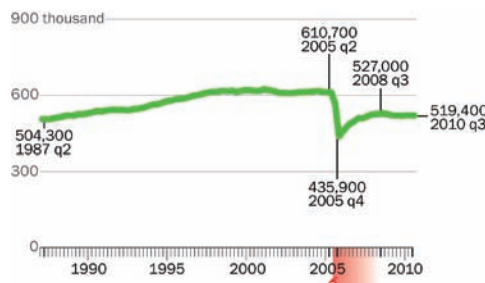
Source: GNOCDC analysis of U.S. Census Bureau data from the American Community Survey 2009.

* Statistically different from Orleans Parish at 95% confidence interval



ENDNOTES

- Census 2010 counts of the population by ethnicity are not yet available for the United States. However, the Census Bureau estimate of the share of Hispanics in the United States was 15.8 percent for 2009.
- Kirschenbaum, A. 1996. "Residential Ambiguity and Relocation Decisions: Population and Areas at Risk." *International Journal of Mass Evacuation and Disasters* 14(1):79-95.



JOBS

Non-farm, New Orleans metro

Sources: GNOCDC compilation of data from the Bureau of Labor Statistics and Moody's Economy.com Database (U.S. Bureau of Labor Statistics: CES, QCEW).

Notes: Data is seasonally adjusted.



Suffering in the Land of Plenty

by Jarvis DeBerry, Editorial Writer and Columnist for *The Times-Picayune*

If we accept Reinhold Niebuhr's claim that it's inevitable that man will sin but not necessary that he does, then it should be easy enough to accept a similar premise regarding poverty: We will always have the poor among us, although there's no legitimate reason that we ever should.

That wasn't always clear to me at first. In Jesus' oft-quoted remark to his disciples, "The poor you shall have with you always," I heard a certain defeatism, a divine declaration that poverty is a problem so intractable that working for its eradication is futile. I didn't know that Jesus was himself quoting Scripture. *Deuteronomy 15*. In the fourth verse of that chapter, we're told that there is to be no poverty in the land. Seven verses later: "There will always be poor people in the land."

We are not supposed to simply make note of said poverty and then focus our attention elsewhere. To the contrary. The statement that poverty will endure precedes an imperative: "Therefore I command you to be openhanded toward your brothers and toward the poor and needy in your land."

There should be no poor people in New Orleans. A drive up or down certain parts of St. Charles Avenue or Prytania Street might convince a visitor that there aren't any. But drive a few blocks away in either direction, and one not only sees the poverty, but remembers that it will always be here and that it always has.

Hurricane Katrina made much of the world more aware of the staggering poverty that characterizes much of New Orleans, but one would have to be in great denial to say the storm created that poverty. What Katrina did was make a bad situation worse. Before the storm, many were poor but the cost of living was generally low. Since the storm, the cost of living has skyrocketed. Living here comes at a premium, which leaves so many former residents aching for home.

But it hasn't been just market forces that have kept many people from returning. Local politicians and policy makers who were hostile to the interests of the poor before Katrina have used the occasion of the city's rebuilding and recovery to amplify their expressed hatred for the poor.

In 2006, Volunteers of America proposed building a 200-unit apartment complex in Terrytown to be inhabited by the elderly. That proposal, along with any other that would seek to provide decent housing for low-income residents, was virulently opposed by Jefferson Parish Councilman Chris Roberts. He didn't want to give people who had lived in the projects in New Orleans any opportunity to move into Jefferson Parish, adding, "With the number of jobs out there, nobody should be on public housing unless you're ignorant or lazy."

In expressing support for Roberts' heartless position, a West Bank developer used the world's most transparent code language. "I would say now we're just getting a disproportionate share of the lower-income families than we had before," he said. "It's changing the whole *complexion* of the area."

Speaking of complexion, James Perry, executive director of the Greater New Orleans Fair Housing Action Center, spoke recently about an online ad offering a rental property in the area. "Not racist," the ad read, "but whites only."

In St. Bernard Parish, the Parish Council tried to push through a blood-kin ordinance, which, generally speaking, would have barred anybody in the parish from renting to non-relatives. Giving the overwhelming percentage of white homeowners, that ordinance would have been a fairly reliable method of keeping non-white renters from moving into St. Bernard.

In New Orleans, former City Councilwoman Cynthia Willard-Lewis,

who campaigned in 2006 on the "right" of everybody to return, proved to be no different than Chris Roberts. She was opposed to tax credits being used to fund big apartment complexes in the East. She was even opposed to a plan that would build single-family homes that would average \$200K each.

Such "cheap" homes, she argued, would bring down the property values of those living in the nearby Lake Carmel neighborhood.

More recently, Gov. Bobby Jindal—in his slavish devotion to balancing the budget without raising taxes—cut funding for food pantries across the state by 90 percent: reducing its annual expenditure from \$5 million to \$500,000. That's a cut of 3.6 million meals across the state of Louisiana.

How welcoming has New Orleans been to the poor after Hurricane Katrina? Not very. And that's in direct contradiction to the imperative in *Deuteronomy 15* to be openhanded toward those who are in need.

It's distressing that such stinginess, such hardheartedness has followed a catastrophe that caused indiscriminate suffering. One may have predicted that in a city where suffering was all-inclusive that the people who remained here would have their hearts pricked, that they would be more sensitive needs of the poor. Instead, selfishness has increased, and some residents have used their own losses to justify not extending a hand to those who are worse off.

The complete eradication of poverty, therefore, seems to be impossible not because we lack the resources to make it happen but because not even a Katrina-sized catastrophe is powerful enough to universally convert hearts toward generosity.

It's inevitable that the poor will be with us, but it's not necessary that anybody suffer in a land of such plenty.



Photo by Steven Rubin

Two asylum-seekers from Iraq in front of the apartment where the ATD program at Catholic Charities Archdiocese of New Orleans was able to house them in 2001.



Photo by Steven Rubin

Kilocho Malumalu Ahmed, Congolese asylum seeker, and Kathy Harrison, the former coordinator of the Detainee Reintegration and Asylum Seeker Assistance Program at Catholic Charities Archdiocese of New Orleans, during a job interview in 2001.

staff as they began the arduous journey of jump-starting their lives after so many years of being lost in the detention system.

A total of 39 asylum seekers were released to the program from May 1999 up until January 2002, when in reaction to the 9/11 terrorist attack the local INS District Office abruptly ended its release policy. One asylum seeker left the country for Canada, which made for an appearance rate of **97.5 percent** for program participants at their immigration hearings.³

The outcomes for indefinite detainees served by the program were also very positive.

A total of 64 long-term detainees were released to Catholic Charities from August 1999 to December 2003. To the best of our knowledge, only two had been reincarcerated as of December 2003.

At any one time, the program's case manager worked actively with 20 to 30 clients—a huge caseload for only a part-time position. The cost to run the program was about \$1,430 per client per year, or \$3.90 a day! Such a low program cost, compared to other detention alternatives and to \$144 a day for detention,⁴ was due in part to the absence of critical funding for housing; and it still would have been impossible to achieve without the exceptional talent and effort of the program's case manager/coordinator and CCANO's commitment to social justice. It is critical that adequate funding for housing and full-time case managers be included in any proposals ICE might consider for community-based ATDs.⁵

The need for ATDs for immigrants in indefinite detention has greatly diminished since the Supreme Court ruled in 2001 and again in 2005 that detained immigrants must be released if the government cannot effect their removal in a reasonable period of time.⁶ Nevertheless, the Migration Policy Institute (MPI) reported that ICE continues to detain large numbers of immigrants for more than six months: 4,154 persons in a January 25, 2009, census analyzed by MPI.⁷

Community-based organizations with immigration legal services and refugee resettlement programs are the ideal entities to assist asylum seekers with no community ties to integrate successfully into American society, to assist immigrants with criminal convictions who cannot be removed and have no family sponsors to “reintegrate,” and to help immigrants that are not a danger to their community to cooperate with their removal process. Let us hope that such organizations have a real opportunity to provide community-based alternatives to detention as implementation of ICE's detention reform agenda continues to unfold.

ENDNOTES

- 1 Advocates included the executive director of the Hispanic Apostolate, the state refugee coordinator, the CLINIC detention attorney for Louisiana, the executive director of the Hispanic Chamber of Commerce, pastors of local ethnic churches, prison chaplains, and staff members of Immigration and Refugee Services.
- 2 The countries of origin of the asylum seekers included Iraq, India, Columbia, Afghanistan, Sri Lanka, Democratic Republic of Congo, Eritrea, Ethiopia, Tanzania, Ivory Coast, and Sierra Leone.
- 3 The success rate for obtaining immigration relief for the asylum seekers was also impressive. As of September 2004, when the program ended, 18 of 38 asylum seekers in the program had been granted asylum, two were granted withholding from removal through the Convention Against Torture, and 19 other cases were still pending. It would have been impossible for most of the asylum seekers to have received legal representation had they been forced to remain in detention.
- 4 See discussion of alternatives and detention costs in the first part of this article, *JustSouth Quarterly*, Winter 2010, pp. 4-5, available at www.loyno.edu/jsri, “publications.”
- 5 Homeless shelters are never an appropriate placement for anyone leaving an institution, but were our only option at the time despite concerted efforts to obtain funding for housing from the INS, ORR, and HUD. The choice was either for the men to remain indefinitely in a prison or live temporarily in a homeless shelter.
- 6 *Zadvyas v. Davis*, 533 U.S. 678 (2001); *Clark v. Martinez*, 543 U.S. 371 (2005).
- 7 Don Kerwin and Serena Yi-Ying Lin, *Immigrant Detention: Can ICE Meet Its Legal Imperative and Case Management Responsibilities?*, Migration Policy Institute, September 2009. Accessed at <http://www.migrationpolicy.org/pubs/detentionreportSept1009.pdf> on October 22, 2010.

Our Federal Budget Reflects Our Nation's Morality

By Fred Kammer, S.J.



The drama of competing federal budgets and the game of “chicken” about shutting down government is red meat for the pundits, the media, and ambitious politicians. But it ignores one basic truth: government budgets are not about economics; they are about national morality. Such morality is now on the line in Washington.

Many people may question talk about morality when “we all know” that what is going on is either (pick one or more): *just politics* or *doing what the most vocal voters want* or *what the lobbyists are well paid for*.

Consider this common scenario: a legislator helps to give a large tax refund or tax cut to the wealthiest of citizens. A few months later, he or she has to pay for that tax break and does so by cutting food for the hungry or shelter for the homeless—any morality in that?

A budget is a moral document because it reflects our moral priorities.¹ For years Catholic theology has taught the responsibility of government for the local, national, and global common good, its duty to protect and lift up the poor and vulnerable, and the obligation to raise sufficient resources to accomplish its duties. In our current fragile economic situation, morally responsible budgeting means: a) insuring adequate revenues to meet overall needs; b) protecting the vulnerable; and c) reducing expenditures through a balanced approach to all services of government so that “we the people” share in reduced benefits according to our means.

What is *immoral* in proposed budgets?

1. *Immoral* is not raising revenues (yes, taxes) when we have spent years unwisely cutting taxes, especially for the wealthy, and incurring expenses and debts without assuming fiscal responsibility (post-9/11 security, two wars, Medicare Part D, etc.). Perhaps both parties and the Administration

could come together around a *National Defense and Security Tax Act* to pay for our wars, their aftermath in veterans’ care, the Transportation Security Agency, and paying down our past due security bills comprising much of our massive deficit.

2. *Immoral* is cutting domestic programs targeted to people with low-or-no-incomes—those who are unemployed, hungry, homeless, and without medical care. (See sidebar.)

3. *Immoral* is cutting international poverty-focused development and humanitarian assistance to the world’s destitute, starving, and war-ravaged peoples.³ Surveyed Americans think we spend 10 – 15 percent of our budget on foreign aid to the poor and this is too high. So politicians pander to that mistaken belief. The reality is: *we spend less than one percent of our budget on the world’s poor*, among the lowest shares of developed nations. The budget passed by the U.S. House would cut that by 50 percent!

4. *Immoral* is cutting or freezing only domestic or international *discretionary* programs while more than two-thirds of the federal budget goes untouched and the possibility of increasing revenues is taken off the table.

Yes, we have a national deficit problem needing serious attention and widespread participation in its remedy. But, no thanks, not on the backs of those here or abroad who can least afford to pay the bill for the “goodies” of benefits and tax-cuts which we have all enjoyed. Start instead with cutting waste, closing tax loopholes and subsidies, stopping unneeded arms programs, and ending tax breaks for the top earners.

Finally, deficit and debt are only part of our challenges. They rank behind the woes of millions of Americans without jobs and 43 million people living in poverty—the highest number in 51 years.

Some specific cuts in the budget passed in February by the U.S. House are:

- **218,000 young children** would not be able to receive Head Start services.
- **11 million patients** would lose health care at Community Health Centers over the next year, with **3.2 million losing care in the next few months; 127 health center sites** would have to close, and **7,434 jobs would be lost**.
- **9.4 million low-income college students** would lose some or all of their Pell grants.
- More than **8 million adults** and youth would lose access to job training and other employment services.
- **81,000 low-income people**, mostly seniors and some children, would no longer receive food packages.
- **1.2 million poor households** in public housing (two-thirds of whose members are elderly or have a disability) would see maintenance and repairs on their apartments deteriorate.
- **10,000 people with significant long-term disabilities** would lose their rental assistance; most of these would lose their homes.²

ENDNOTES

- 1 “The spending choices of Congress have clear moral and human dimensions; they reflect our values as a people.” Letter to the members of the U.S. House of Representatives, February 14, 2011, by Bishop Stephen E. Blaire, Chairman of the Committee on Domestic Justice and Human Development on behalf of the U.S. Conference of Catholic Bishops (USCCB).
- 2 Examples taken from *A Better Budget for All: Saving Our Economy and Helping Those in Need*, Coalition on Human Needs, p. 5, available at <http://www.chn.org/pdf/2011/BetterBudget4AllReport.pdf> (accessed February 27, 2011).
- 3 See letter of February 14, 2011 to the members of the U.S. House of Representatives regarding poverty-focused international assistance from Bishop Howard Hubbard, Chairman, Committee on International Justice and Peace, USCCB, and Ken Hackett, President, Catholic Relief Services.



That's Predatory! How Payday Loans Strangle Working Families

Dr. Alex Mikulich, Research Fellow

Roman Catholic social teaching on usury is clear: “those whose usurious and avaricious dealings lead to the hunger and death of their brethren in the human family indirectly commit homicide, which is imputable to them.” Usury, the church continues, “is still tragically widespread,” and is “a scourge that is a reality in our time that has a stranglehold on many peoples’ lives.”¹

How does payday lending lead to a “stranglehold on many peoples’ lives”?

There are now over 20,000 payday loan shops in the U.S., more than McDonald’s, Wendy’s, and Burger King restaurants nationwide. Ads for “EZ” or “Quik” cash are deceptively attractive to someone in a financial bind. Payday loans are small, short-term loans that are secured by a borrower’s personal check.

While households may need a loan occasionally to cover unexpected expenses, it is counterproductive for anyone to secure a loan that demands repayment in two weeks to a month at an annual percentage rate (APR) of 390 percent or more. Loans at a 36% APR or lower and that can be repaid over a longer period are a better option for cash-strapped families. For example, compare the costs of these loans:

CREDIT CARD CASH ADVANCE
with 36-percent interest rate annually:
 $\$300 \times 36\% \div 12 = \9.00 interest per month
 \$9 interest paid = 36% APR

PAYDAY LOAN with 15-percent interest rate paid every 2 weeks
 $\$300 \times 15\% = \45.00 interest paid once every 2 weeks
 \$90 interest paid = 390% APR

Since the loan and fees are due in full within two weeks to a month, the borrower is forced to come up with even more cash than s/he needed in the first place—in this case, if the borrower needs a month to repay the loan, s/he will have to find an additional 30 percent (\$90 interest fee or 390 percent APR) plus the loan of \$300.

By contrast, a credit card cash advance of \$300 at 36 percent APR, will only cost the borrower \$309, (the loan plus nine dollars per month interest fee). More competitive APR is available through credit cards, banks, and credit unions.

*Payday lenders make most of their income from “churned” loans, loans that are taken out one after another. The churning of existing borrowers’ loans accounts for three-fourths of all payday loan volume and costs payday borrowers \$3.5 billion in fees per year.*²

The average payday loan borrower takes out 9 loans per year and must pay back the loan and fees for each subsequent loan. The typical payday borrower eventually pays back \$793 for an initial \$325 loan.

In 2007, the median income for payday borrowers was \$30,892. This median income represents the second lowest quintile of income in the U.S., the “working poor.”

The Center for Responsible Lending reports:

Payday lenders are increasingly offering loans on the basis of unemployment checks at rates of 300 and 400 APR. One California lender has stated that one-quarter of new customers are on unemployment.

*Even after controlling for income and a variety of other factors, payday lenders are 2.4 times more concentrated in African American and Latino neighborhoods across the state of California.*³

Payday lending preys on the economically vulnerable—it creates a stranglehold on working poor families. In addition to charging triple-digit interest rates, payday lenders harness more revenue with late payment fees, insufficient fund fees, and attorney fees. Payday lenders are widely recognized for the most aggressive debt collection and have utilized public humiliation, threats, and constant harassment to collect fees.⁴

A comparative location analysis of payday lenders and banks in seven Louisiana parishes and Cook County (Chicago), Illinois, found that economically poor and minority neighborhoods are simultaneously targeted by payday lenders and neglected by traditional banks.⁵ Similar to Louisiana, the Mississippi Economic Policy Center finds that payday lenders tend to be located in Mississippi communities that are under-or-unbanked and economically impoverished.⁶

Thus, when we look at who payday lenders target for loans, where payday lenders place their stores, and how the business model is designed to create a debt trap through short-term loans that demand multiple repeat loans, we see predatory lending.

The predatory nature of the business model reveals its perversity when payday lenders claim that indebtedness patterns only reveal satisfied, repeat customers, that their loans require high fixed costs because consumers demand geographic proximity to lender locations, and “if a competent adult wants to pay triple-digit interest rates, s/he should not be prevented from doing so.”⁷

Lenders’ own arguments reveal a perverse self-interest. This is exactly what the church condemns: a business model

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That's Predatory! How Payday Loans Strangle Working Families

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that preys on the poor and exacts usurious interest rates from people who are most vulnerable to hunger, poverty, homelessness, and ill health. It should be obvious that no one need pay \$793 for a \$350 loan!

The teaching of the church against usury is best understood in the context of God's love for the whole of creation. Dating back to early Christianity, the church celebrates a God who intends the goods of earth to be shared widely to reflect a beneficent creator who intends flourishing for all creatures.⁸

Catholic social teaching thus articulates a principle of the universal destination of goods, based in the vision of *Genesis* 1:28-29, that God gave the earth to the whole human race for the sustenance of its members. "This natural right," writes Pope John Paul II, "is an invitation to develop an economic vision inspired by moral values that permit people to not lose sight of the origin or purpose of these goods, so as to bring about a world of fairness and solidarity...and for preventing exclusion and exploitation."

Usury is a sin that denies the reality of God's abundant love for the whole of creation, and that severs our responsibility to ensure that our most vulnerable brothers and sisters flourish. The Gulf South states of Mississippi, Louisiana, Texas, Alabama, and Florida have yet to utilize the best of Christian teaching against modern day usury.

ENDNOTES

- 1 Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church* (Washington, D.C.: U.S. Conference of Catholic Bishops, 2005, 2007), no. 341.
- 2 "Modern Day Usury: The Payday Loan Trap," Center for Responsible Lending, Washington, D.C., (November, 2010), p.3.
- 3 *Ibid.*, "The Payday Loan Trap," p.5.
- 4 See Center for Responsible Lending video, "Payday Loans Trap Borrowers," at <http://www.youtube.com/watch?v=B6gDhqmlRAU>
- 5 Steven M. Graves, "Landscapes of Predation, Landscapes of Neglect: A Location Analysis of Payday Lenders and Banks," *The Professional Geographer*, Vol. 55, 3, (August, 2003): pp. 303-317.
- 6 See Antwyn Brown, "Economic Impact of Payday Lending on Working Mississippi Families," Mississippi Economic Policy Center Conference, October 22, 2010, accessed online February 1, 2011 at http://www.mepconline.org/images/admin/spotedit/attach/11/Breakout_C-_A._Brown.pdf
- 7 See Ronald J. Mann and Jim Hawkins, "Just Until Payday," *UCLA Law Review* 54 (2007), pp. 861-862.
- 8 Brian Daley, S.J., "The Cappodocian Fathers and the Option for the Poor," in *The Option for the Poor in Christian Theology*, ed., Daniel Groody, (University of Notre Dame Press, 2007), pp.77-88.