

2004 Annual Conference
The Impact of Tax Cuts on Local Communities

Discussion Leaders:

Sandra Morgen, Director, Center for the Study of Women in Society, University of Oregon
Margaret Simms, Senior Vice President for Programs, Joint Center for Political and Economic Studies
Ronnie Steinberg, Professor of Sociology, Vanderbilt University

“Historically, many of the issues that differentially affect women have been constitutionally relegated to the states...”

-Ronnie Steinberg

“When you devolve programs down to the states, it’s harder to develop effective coalitions...It’s the devolution of research, it’s the devolution of advocacy, it’s the devolution of everything.”

-Sandra Morgen

“It doesn’t do any good to tell someone that they need more exercise and that their children need more exercise if there are no safe places to exercise—if the community is not laid out in a way that you can use walking paths even if it’s just a sidewalk.”

-Margaret Simms

Overview

When federal revenue is reduced due to tax cuts, local communities are either forced to make up the gap in spending or cut services, many of which are disproportionately utilized by women. In this session, participants discussed the issues that states and communities face when cuts in federal taxes strain local resources.

While the panel began with participants reporting issues specific to their home state, it was evident that women from across the nation faced similar problems in their communities as a result of tax cuts. Local efforts to provide housing, increase access to health care, and ensure quality of life for all citizens suffer because of the cutbacks in national spending. When federal funding is cut, the financial responsibility of providing public service and assistance is relegated to the states. With regressive tax systems and an inability to run deficits, states cannot handle the extra burden, and the programs that communities depend on suffer. Women disproportionately benefit from these programs and are often hit hardest when states are forced to reduce benefits. The message of the panel was clear: women need to take a stand against federal tax cuts to assure that their local communities can accommodate their needs and the needs of their families.

Outline: The Impacts of Tax Cuts on Local Communities

Panelists discussed how tax cuts affected specific programs and populations in their own states, reporting findings from studies done by their respective research centers. They identified two key structural issues in the tax system that increased the burden on local communities when federal taxes were cut and four resulting problems that disproportionately affected women, outlined below.

Pressures on Local Communities: Structural Issues in the Tax System

When tax cuts are instituted, reduced federal spending often forces states to pay some of the expense of federal programs. Panelists highlighted two concerns with regard to States’ abilities to absorb these costs: states’ inability to run deficits and the regressivity of state taxation.

1) Problematic state budgeting

- The shift in responsibility for programs from a federal to state level puts great strain on budgets, as states are unable to borrow and cannot provide adequate subsidization. **Ronnie Steinberg** reported that Tennessee, like many states, has a constitutional amendment requiring a balanced budget.
- The federal government often sets regulations for state programming but does not provide funding to meet the requirements.
- **Sandra Morgen** noted that states have run deficits of over 90 billion in the past three years, leading to huge spending cuts.

2) Regressivity of state taxation

- **Morgen** explained that most state tax systems are more regressive than the federal tax system, so a shift from federal to state funding for programs means a shift towards lower and moderate-income families paying for their own assistance programs.
- Tennessee, like many states, relies almost entirely on revenue from a sales tax, which is incredibly regressive, as those with lower income spend a large percentage of income on necessities that are taxed, while upper income individuals engage in economic activity that is not susceptible to sales tax.
- **Steinberg** reported the findings of a study done by the **Vanderbilt Women's Social Policy and Research Center** on how taxation affected women in Tennessee across income levels and household types.
 - The Center found that a single female-headed household earning \$10,000 or less (overwhelmingly women of color) spent \$7.14 out of every \$100 they spent on sales tax, while a married couple earning \$113,000 spent \$2.54 out of every \$100 on sales tax
 - Under a modified income tax, the former group would pay \$4.20 and the latter group \$4.88, increasing state revenues from the upper income bracket
 - With the introduction of a modified tax model, 73% of women in Tennessee would be paying less money in taxes every year

Pressures on Local Communities: Women's Issues Suffer

Cuts in federal spending and reliance on reduced state revenues put pressure on programs that matter to women: health care, justice, housing, and economic equity. Panelists discussed the ways that tax cuts specifically affect these issues in their local communities.

1) Justice

- Lack of funding hampers efforts to push policies that are beneficial to women through the state legislature
- **Steinberg** cited Tennessee, a state that ranked 7th in the rate of rapes in the U.S., as an example.

2) Health Care

- **Margaret Simms** discussed the findings of a study by **The Joint Center for Political and Economic Study** regarding the health disparities in local communities, particularly along racial lines, and specifically how health outcomes are affected by tax cuts
 - Disparities in health outcomes have less to do with health care, which the government spends most of its money on, and more to do with behavior and lack of policies that promote good health

- While emphasis on behavior can result in the blaming of the victim, behavior is often a result of societally controlled factors. The study found that three negative health outcomes in poor/minority communities were often the result of larger economic factors:
 - Asthma
 - People in poor communities often live in rental housing where the landlord refuses or cannot afford to change environmental conditions that trigger it
 - Poor communities lack the tax support to remedy poor environmental conditions in school facilities
 - Tax cuts reduce schools' resources to fund school nurses, limiting students' abilities to follow a medicinal regimen
 - Obesity
 - Lack of revenue to provide park facilities or walking paths means children and adults have no places to exercise
 - Many minority and low-income communities lack supermarkets and transportation options to get to a supermarket, forcing people to rely on fast food; some lack facilities at home to keep food for a long time
 - Schools short on revenue often have to rely on vending machines for extra funding, which have adverse impacts on health
 - Dental Problems
 - Lack of dental care is not just an aesthetic issue; dental health is important for employability and is linked to other health outcomes
- **Morgen** reflected on how Oregon was previously known for its leadership in expanding health care benefits to the low-income population; with tax cuts the uninsurance rate jumped to 30% by 1998
- Women make up the largest percentage of uninsured, many of whom formerly received TANF; health insurance is one of the key factors in getting off welfare
- States are trying to solve the Medicaid crisis by un-enrolling those who miss one co-insurance premium; once someone is un-enrolled they cannot get back on Medicaid

3) Housing

- Housing vouchers, often reduced due to tax cuts and pressure on state budgets, are also extremely important in getting women off welfare

4) Economic Equity

- The economic polarization that occurs as a result of tax cuts is rarely discussed
- **Morgen** noted that Oregon ranks #1 in the country in the rate of growth of economic inequality