Since June 2014, the average price of a barrel of oil has fallen from more than $100 to about $50. Many states, including those in the Gulf South, are considering budget cuts to higher education and health care services in order to deal with oil revenue shortfalls. However, contrary to what state budget offices profess, pressure to cut the budgets of education, health, and social services stems from the inadequacy and regressive nature of tax structures and not from oil revenue shortfalls.

Oil Revenues Have Long Lost Importance

On average, sales and excise taxes, property taxes and state income taxes individually contribute more to state and local revenues than oil revenues in the Gulf South. The portion of the state budget linked to oil and gas revenue is about 13 percent in Louisiana and only 4.5 percent in Texas, the Gulf South’s two most oil-dependent states. Conversely, sales and excise taxes alone represent 33.6 percent of state revenues in Louisiana and 31.7 percent in Texas.

In the 1980s oil and gas revenue represented a much larger portion of state revenues—about 45 percent in Louisiana and 20 percent in Texas. A sudden shift in oil prices had the power to fuel a spending bonanza or to cripple state budgets. However, since the 1980s, the economies of the Gulf South have diversified and a smaller share of state and local revenues, as well as state and local employment, is tied to oil and gas than in past decades.

Today, a steep drop in oil prices no longer drives the Gulf South into recession or necessitates cuts in education and health services because these programs are largely funded by income and sales taxes. However, the increased stability of state and local revenues has come at a cost increasingly paid by low- and middle-income families.

Unfair Taxation

A new report from the nonpartisan Institute on Taxation and Economic Policy (ITEP) titled Who Pays: A Distributional Analysis of the Tax Systems in All Fifty States reveals that all state and local tax systems in the U.S. are regressive and unfair. Florida and Texas have the second and third most regressive tax systems in the U.S. while Alabama, Louisiana, and Mississippi rank 12th, 19th, and 21st respectively.

In regressive tax systems, low- and middle-income families pay a greater share of their income in taxes than the wealthy. Progressive systems do the opposite, requiring higher tax contributions from those with more ability to pay. Catholic Social Teaching supports progressive taxation systems as just and equitable systems that reduce severe income and wealth inequalities.

States in the Gulf South place a disproportionately greater burden on low- and middle-income families to sustain state and local tax revenues. The effective state and local tax rates by income level in the Gulf South show that the poorest families, the bottom 20 percent, pay at least two times more of their income in taxes than the top one percent.

Gulf South Regressive Taxation

The regressivity and fairness of a state’s tax system depends on the different tax sources that states implement as well as on how state lawmakers design each tax. Sales and excise taxes are flat taxes that prove to be very regressive because they consume a greater share of the incomes of lower-income earners. Across the U.S., poor families pay almost eight times more of their income in sales and excise taxes than wealthy families. On average, states in the Gulf South depend on sales and excise taxes for at least 46.4 percent of all state and local tax revenues, compared to 34.4 percent nationally. Property taxes are also regressive because poor families pay more of their incomes in property taxes than wealthy ones, even when poor families rent.
Share of Family Income Paid to Total State and Local Taxes for Non-elderly Taxpayers by Income Level (2012)

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Lowest 20%</th>
<th>Second 20%</th>
<th>Middle 20%</th>
<th>Fourth 20%</th>
<th>Next 15%</th>
<th>Next 4%</th>
<th>Top 1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>10.0%</td>
<td>10.2%</td>
<td>9.5%</td>
<td>8.1%</td>
<td>6.6%</td>
<td>4.9%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Florida</td>
<td>12.9%</td>
<td>9.6%</td>
<td>8.5%</td>
<td>6.9%</td>
<td>5.5%</td>
<td>4.0%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Louisiana</td>
<td>10.0%</td>
<td>10.0%</td>
<td>9.5%</td>
<td>8.6%</td>
<td>6.9%</td>
<td>5.4%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Mississippi</td>
<td>10.4%</td>
<td>10.8%</td>
<td>10.6%</td>
<td>9.2%</td>
<td>7.6%</td>
<td>5.8%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Texas</td>
<td>12.5%</td>
<td>10.4%</td>
<td>8.7%</td>
<td>7.4%</td>
<td>6.1%</td>
<td>4.7%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Nat. Avg.</td>
<td>10.9%</td>
<td>9.9%</td>
<td>9.4%</td>
<td>8.7%</td>
<td>7.7%</td>
<td>7.0%</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

State income taxes are usually more progressive than sales and excise taxes and property taxes because effective tax rates go up with income. However, Florida and Texas are two of the seven states in the U.S. without state income taxes. In practice, Alabama’s income tax is regressive because the top tax rate of 5 percent is paid by all married couples with $6,000 or more of taxable income. Likewise, Louisiana’s income tax is far from progressive as the top 20 percent of income earners pay the same top tax rate of 6 percent whether they make $100,000 or $10 million.

Trickle-down economic theories have been discredited, and yet the wealthy continue to shift their tax responsibilities onto the poor under the guise of stimulating economic growth. The unfair structure of state and local taxes has contributed to rising income inequality and eroded state budgeting capacity.\(^8\)

Lowering sales and excise taxes as well as progressive state income tax with a higher effective tax rate and an expanded state earned income tax credit (EITC) can increase state revenues, preserve funding to education and health services, and promote a more equitable and sustainable state.

ENDNOTES


5. ITEP.


7. ITEP page 7.


2014 STUDENT SUMMER RESEARCH GRANTS

Through the generosity of the Keller Family Foundation, in the summer of 2014, three students received grants to support research, completed research projects, and submitted written reports focused on the core issues of JSRI—race, poverty, and migration. On October 28, 2014, the three students presented their research at a symposium to a small audience of students, faculty, and staff.

**Foster Care Youth and Vulnerabilities to Human Trafficking**

**MOLLY J. ALPER ’14**

My research builds off a study that was designed to investigate the prevalence of human trafficking amongst the New Orleans homeless population. The research, which was conducted by a team of Loyola professors and research students, is a replica of a study conducted through the New York City Covenant House, which found that 14.9 percent of their youth respondents had experienced a form of trafficking victimization.

**Food, Health, and Inequality: A Community Study of Rural Louisiana**

**MATHEW B. HOLLOWAY ’16**

The purpose of this study is to add to the national discussion on obesity in the United States. This study seeks to insert the narrative of rural Louisiana in East Carroll Parish, specifically from the town of Lake Providence, into the public discourse. For far too long, public and federal attention was focused upon urban metropolises, while the most devastating effects of obesity were felt within rural communities.

**The Impact of Social Location on Birth Weight in New Orleans, Louisiana**

**POLLY A. PILLEN, GRADUATE STUDENT**

This research examines birth outcomes in New Orleans, Louisiana, through the lens of the theoretical framework of intersectionality. Outcomes demonstrated no statistically significant correlations between social locations and birth weight but suggest important relationships when examining distributions of birth weight, particularly low birth weight.