



The Choices We Face:

A guide for faith leaders to the federal budget and tax debate

PICO National Network - Sojourners



Stand with Families

Congress is about to make important decisions about taxes and government spending that will affect all our families.

Call Congress and ask them to:

- 1) Protect Medicaid and Medicare.
- 2) End the tax breaks for the richest 2% so we have the revenue we need to support families.
- 3) Protect tax credits for the working poor.

Call your member of Congress at 1-866-598-5789 today!

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2012-2013



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A Circle of Protection

In difficult times, faith leaders play a vital role in not only ministering to the spiritual and material needs of families, but also in helping people of faith understand the moral consequences of the choices we face as a society.

As our nation wrestles with fundamental questions about taxes and budgets, it is vitally important that religious leaders step into the breach to remind us that budgets are moral documents that should be judged against how they treat the most vulnerable.

Over the coming months Congress will debate starkly different alternatives for how to reduce the federal budget deficit. Will the deficit be closed primarily by cutting Medicaid, Medicare, education funding, food stamps and other parts of the safety net or by also asking wealthier Americans – who have seen the biggest gains in income over the last decade – to pay a little bit more in taxes? These decisions will shape the opportunities available to a generation of Americans.

Religious leaders from many different traditions have called on Congress to create “A Circle of Protection” around programs serving vulnerable families.¹ The U.S. Catholic Bishops have written that Congress must “put the poor first in budget priorities. We look at every budget proposal from the bottom up – how it treats those Jesus called “the least of these” (Matthew 25:45). They do not



¹ *A Circle of Protection: A Statement on Why We Need to Protect Programs for the Poor*, <http://www.circleofprotection.us/>

have powerful lobbies, but they have the most compelling claim on our consciences and common resources. The Christian community has an obligation to help them be heard.”ⁱⁱ

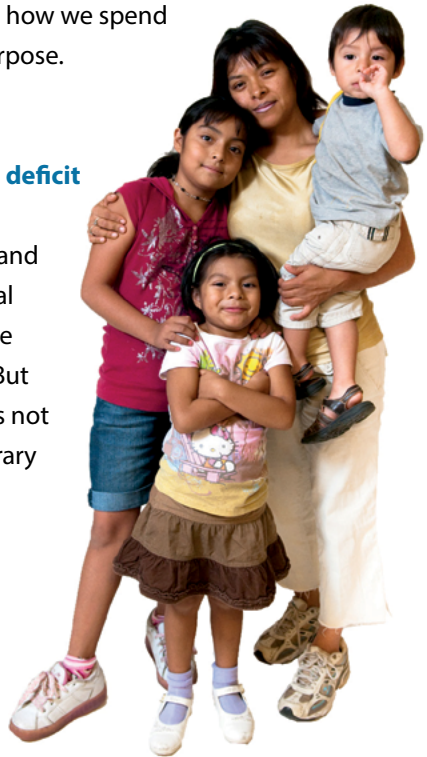
This is a debate that cannot solely take place in Washington, DC. People across the nation need to participate in this conversation that will determine the future for American children, families and seniors.

That is why it is so important for religious leaders to understand the choices facing the nation and engage themselves and their congregations in the debate. This guide is written to help faith leaders talk with their congregations about the practical and moral consequences of the tax and spending decisions before Congress, including proposals that would make deep cuts to the safety net.

Scripture does not tell us how we should spend public funds, but it makes clear that we are stewards – not owners – of the financial resources entrusted in our care and that how we spend those resources must advance God’s purpose.

Agreement on the need to reduce the deficit

There is agreement among economists and elected officials from both major political parties that steps need to be taken in the long term to reduce the federal deficit. But fear about the deficit in the short term is not the crisis it is often painted to be. Temporary increases in the deficit make sense for a country combatting a major recession. Deficit spending over the past several years helped create jobs and avert deep budget cuts in critical programs in the



ⁱⁱ *ibid*

face of a terrible financial crisis that choked private investment. Cutting back on federal spending too soon could push the country back into recession.

However, looking forward it is clear that the country will have to act with good stewardship to bring its fiscal house in order in the longer run. Not doing so could eventually result in interest rates rising to levels that make it difficult for families to buy homes and businesses to finance their growth. The key is for the Congress and Obama Administration to agree to a comprehensive deficit-reduction agreement that both boosts the economy in the short run and phases in spending cuts and new revenue as the economy improves.

What caused the deficit?

Understanding the cause of the deficit is important to addressing it. A major source of the nation's deficit is the very large tax cut passed in 2001 and 2003 during the Bush Administration. The economic downturn led to a natural increase in spending to avoid a deeper recession while revenue was reduced due to a temporarily shrinking tax base. In addition, the wars in Afghanistan and Iraq were not directly paid for and added significantly to the deficit. The reality is that our deficit is primarily a result of a revenue crisis – with federal taxes at record low levels – combined with rapidly rising health-care costs, large military commitments and temporary increases in spending because of the recession.



What are the options for closing the deficit?

The deficit cannot be closed simply through spending cuts or tax increases. Reducing the deficit will require a mix of three ingredients: 1) new revenues, 2) spending cuts, and 3) policies that slow the growth in health-care spending. How much we rely on each of these three ingredients and the specific decisions we make about them will determine which Americans bear the greatest burden. That is a question of grave concern to people of faith who are committed to act in ways that protect the vulnerable, both in our daily lives and in our public choices.

What would an approach to deficit reduction that relies on cuts instead of revenue mean for ordinary families?

The budget passed by the House of Representatives in March 2012 has received the most attention from religious leaders because it relies solely on spending cuts – with an estimated 62 percent of cuts coming from programs protecting lower-income children, families and seniors.ⁱⁱⁱ At the same time, the plan contains more than \$4 trillion in additional tax cuts, primarily for wealthy people, which stand in stark contrast to these deep cuts to safety net programs.

Here are six ways ordinary people's lives would be different in Congress follows the House-passed budget and takes an approach that relies on cuts rather than revenue.



ⁱⁱⁱ *Chairman Ryan Gets 62 Percent of His Huge Budget Cuts from Programs for Lower-Income Americans*, Center on Budget & Policy Priorities, March 23, 2012, Kelsey Merrick and Jim Horney, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3723>

1. Fewer families would be able to work their way out of poverty because of large tax hikes on the working poor

A “cuts over revenue” approach modeled on the House-passed budget would reduce the Earned Income and Child Tax Credits that have lifted millions of working families out of poverty. A single mother with two children who works full time at the minimum wage would have her Child Tax Credit cut by more than \$1,500, from \$1,725 to \$218 according to one estimate.^{iv} The U.S. Conference of Catholic Bishops has called these tax credits “some of the most effective antipoverty programs in our nation.”^v

2. Medicare’s health coverage guarantee would end

The biggest change for most Americans in the 2012 House-passed budget would come from turning Medicare into a voucher system. People who are now 55 years or younger would no longer receive guaranteed health coverage through Medicare when they reach retirement age. Instead they would get a payment from the federal government to purchase health insurance.

Under this approach, future seniors would pay a much larger share of their



^{iv} *New Tax Cuts in Ryan Budget Would Give Millionaires \$265,000 on Top of Bush Tax Cuts*, Center on Budget & Policy Priorities, April 12, 2012, Chuck Marr, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3728>

^v *Letter to Congress from Bishop Stephen Blaire, Chairman of Committee on Domestic Justice and Human Development*, U.S. Conference of Catholic Bishops, July 25, 2012, <http://www.usccb.org/issues-and-action/human-life-and-dignity/federal-budget/upload/letter-on-tax-credits-senate-2012-07-25.pdf>

health costs.^{vi} Seniors would either have to cut back on their health care, spend less on other expenses or significantly increase their retirement savings.

While today's seniors would keep their current Medicare under the House-passed budget, they would lose additional prescription drug and preventive benefits that were contained in the Affordable Care Act. And as the population in Medicare became older and older, their out-of-pocket costs could increase significantly.

3. Medicaid funding would be cut for low-income and disabled Americans

Medicaid works hand-in-hand with Medicare to protect the health of Americans as they face hard times. Medicaid provides low-cost health coverage to poor children and families and covers nursing home and long-term care costs for low-income seniors and the disabled. The majority of Medicaid spending goes towards care for seniors and the disabled.

The House-passed budget would have the greatest immediate impact on Medicaid. It would cut the program by a third and convert it into a block grant (an unrestricted federal grant to state governments) which could substantially switch the financial burden to states and decrease benefits. More than 14 million people would lose Medicaid as a result.^{vii} It would become even harder for low-income children and the disabled to find doctors willing to accept Medicaid reimbursement. Another 30 million people would lose health coverage from repeal of the Affordable Care Act.

As people of faith, we must pay close attention



^{vi} *Medicare in the Ryan Budget*, Center on Budget & Policy Priorities, March 28, 2012, Paul N. Van de Water, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3731>

^{vii} *FAQ: Ryan's Plan Would Make Key Changes In Medicaid, Too*, Kaiser Health News, August 15, 2012, Mary Agnes Carey, <http://www.kaiserhealthnews.org/Stories/2012/August/15/medicaid-ryan-faq.aspx>

to public decisions that could result in the most vulnerable people among us – the poor, the elderly, the disabled – facing even greater obstacles to getting the health services they need. As followers of Jesus, whose ministry of healing so often focused on the poor and outcast, we find it unacceptable to solve the nation’s budget woes by sacrificing health care for the weakest in our communities.

4. More poor children and families would go hungry

A “cuts over revenue” approach based on the House-passed budget would cut food stamps by \$133.5 billion over ten years. As a result, millions of poor and working people could lose their food stamps. Food stamps lift nearly 4 million people out of poverty – including 1.7 million children – so there is little question that deep cuts would increase poverty. Research shows that people use most of their food stamps during the first two weeks of the month and then rely on emergency food programs, so cuts in food stamps would also put increased pressure on food pantries and soup kitchens.^{viii}

5. Cities and towns would be forced to cut education and other community services

A “cuts over revenue” approach would likely result in large cuts to special education, funding to schools educating poor children, and college assistance. According to the non-partisan Center on Budget Policy and Priorities, “cuts of such magnitude would force states and localities to reduce the quality and reach of their basic public systems – their schools, clean water facilities, and law enforcement activities, for example – or raise new revenue or cut other programs



^{viii} *Ryan Budget Would Slash SNAP Funding by \$134 Billion Over Ten Years: Low-Income Households in All States Would Feel Sharp Effects*, April 18, 2012, Dottie Rosenbaum, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3717>; *Who’s in Your Circle of Protection? How Rep. Paul Ryan’s Proposed Budget Impacts Hungry and Poor People*, March 2012, Bread for the World, <http://www.bread.org/hunger/budget/pdf/ryan-budget-analysis.pdf>

to continue meeting these needs. Either way, the result would be a huge cost shift from the federal government to states and localities” and would result in painful cuts to education at the local level.^{ix}

6. Taxes cuts would be tilted heavily to the wealthy

The tax cuts in the House-passed budget would reduce revenue by \$4.5 trillion, adding to the deficit. Most of the cuts would go to the wealthiest people. According to one non-partisan estimate, relative to current policy, people earning over \$1 million a year would see a \$265,000 decrease in their taxes; those earning between \$50,000 to \$70,000 would pay almost \$1,000 less. Because of the reduction in tax credits for working families, however, those earning less than \$30,000 would, on average, actually face a tax *increase*.^x

The United States has greater levels of income-inequality than at any time since the 1920s. The House budget would further increase those inequalities by providing a huge windfall to the wealthy. Rising inequality is not simply an economic issue. The growing gap between rich and poor is a moral issue with profound implications for the fabric of life in our communities and society.



^{ix} *Deficit-Reduction Package That Lacks Significant Revenues Would Shift Very Substantial Costs to States and Localities: Ryan Budget Cuts to State and Local Services Would Be Far Deeper than Cuts Under Sequestration*; Center on Budget & Policy Priorities, August 8, 2012, Michael Leachman, Richard Kogan, Vincent Palacios, and Kelsey Merrick, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3816>

^x *New Tax Cuts in Ryan Budget Would Give Millionaires \$265,000 on Top of Bush Tax Cuts*, Center on Budget & Policy Priorities, April 12, 2012, Chuck Marr, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3728>

How would African Americans, Latinos and other people of color in particular be impacted?

While families across the board would be negatively impacted by a “cuts over revenue” approach based on the House-passed budget, the impact on communities of color would be disproportionately severe.

Cuts to Medicaid that would push 14 million Americans out of the program would disproportionately impact communities of color, who make up 56 percent of the overall Medicaid population including:

- 4 out of 10 disabled recipients who rely on Medicaid for long-term care
- 4 out of 10 senior recipients who rely on Medicaid for nursing home coverage
- 6 out of 10 child recipients who rely on Medicaid for preventive care and needed treatments like immunizations and regular checkups
- Many low-income pregnant women who rely on Medicaid for prenatal and postnatal care^{xi}



The House-passed budget would make cuts to the Earned Income and Child Tax Credits, which would push nearly 1 million African-Americans and Latinos into poverty.^{xii}

Massive cuts to food stamps would push millions off the program and would disproportionately impact people of color, who make up at least 4 out of 10 recipients of the program.^{xiii}

^{xi} *Ryan Proposal to Block Grant Medicaid Would Disproportionately Impact Communities of Color, The Leadership Conference Education Fund, June 8, 2011, <http://www.protectcivilrights.org/pdf/healthcare/ryan-medicaid-proposal-impact-on-communities-of-color.pdf>*

^{xii} *Poverty and Financial Distress Would Have Been Substantially Worse in 2010 Without Government Action, New Census Data Show, Center on Budget & Policy Priorities, November 7, 2011, Arloc Sherman, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3610>*

^{xiii} *Characteristics of Supplemental Nutrition Assistance Program Households: Fiscal Year 2010, U.S. Department of Agriculture, September 2011, <http://www.fns.usda.gov/ora/MENU/Published/snap/FILES/Participation/2010Characteristics.pdf>*

What happens if Congress does not increase revenue?

The faith community has worked hard to block cuts to programs serving vulnerable families. But the reality is that without new revenue, deep cuts to the safety net are inevitable. It is not possible to close the deficit and protect the poor without raising taxes on wealthy households who have gained the most from the economy over the past decade. Granting the top two percent of income earners additional tax breaks while we cut programs for the poor and vulnerable doesn't make sense for our economy, and it fails the most basic moral test.

What about rising health-care costs?

Politicians who want to turn Medicaid into a block grant and Medicare into a voucher argue that these changes are necessary to save the programs. The reality, however, is that both Medicaid and Medicare are more cost-effective than private health insurance and their costs are increasing at a lower rate than overall health-care costs. Much of the increase in government spending on health care is being driven by the increasing number of older and disabled Americans and by the effort to cover all Americans.^{xiv}

Changing the structure of Medicaid and Medicare will only reduce benefits for seniors, and the low-income and disabled Americans who depend on them. It won't slow the growth of health-care spending, which requires delivering health care more efficiently. As Bishops Stephen Blaire and Richard Pates have written on behalf of the U.S.



^{xiv} *Medicare and Medicaid Spending Trends and the Deficit Debate*, *New England Journal of Medicine*, August 2, 2012, John Holahan, Ph.D., and Stacey McMorrow, Ph.D., <http://www.nejm.org/doi/full/10.1056/NEJMp1204899>

Conference of Catholic Bishops, “Access to affordable, life-affirming health care that respects religious freedom remains an urgent national priority. Rising health-care costs contribute in major ways to increased government spending. We warn against shifting rising health-care costs to vulnerable seniors, people with disabilities, and those who are poor, without controlling these costs.”^{xv} As states debate whether to expand their Medicaid programs, it is especially important that the federal government not shift cost onto states or families.

Is there a way to reduce the deficit without increasing poverty and inequality?

It is truly possible for Congress to act as a good steward of the nation’s abundance while protecting the most vulnerable. This will require elected officials from both parties to rise above partisanship and make wise, principled decisions that prioritize working families, even if they lack clout in Washington.

One clear step would be to ensure that the Bush-era tax cuts for the wealthiest Americans – those earning more than \$250,000 a year – expire. This and closing loopholes that benefit the rich could reduce the deficit by as much as \$1.5 trillion over a decade.^{xvi}

In both making cuts to spending and raising new revenues, it is important that Congress act with care so as not to inadvertently increase poverty or income inequality. It will also be important to fully implement provisions in the Affordable Care Act that deliver health care in a more efficient manner, benefitting all Americans and reducing the deficit by driving down health-care costs. Pilot efforts led by local faith communities are already demonstrating that it is possible to deliver better care at a lower cost.^{xvii}

^{xv} Letter to Congress from Bishop Stephen Blaire, Chairman of Committee on Domestic Justice and Human Development, and Bishop Richard E. Pates, Chairman of Committee on International Justice and Peace, U.S. Conference of Catholic Bishops, March 6, 2012, <http://www.usccb.org/issues-and-action/human-life-and-dignity/federal-budget/upload/Letter-to-Congress-Federal-Budget-2012-03-06.pdf>

^{xvi} Analysis of President Obama’s 2013 Budget, Independent Sector, http://www.independentsector.org/presidents_budget_2013_old

^{xvii} Pilot Health Care Project Receives National Award, PICO National Network, May 9, 2012, <http://www.piconetwork.org/news-media/news/2012-news/pilot-health-care-project-wins-national-award>



A Role for the Faith Community

Clergy and people of faith have important contributions to make in the debate over federal tax and spending policy:

A moral standard: The faith community has a vital role to play in reminding our elected officials that budgets are moral documents that reflect our values as a community that values the life of each person – poor, rich, or middle class.

A commitment to civility and truth: At a time when politicians hurl insults and common ground is a narrow path, religious leaders have a unique capacity to focus public debate on truth and create space for elected officials from both parties to make hard choices in the public interest.

A voice for the vulnerable: Corporations and special interests are spending hundreds of millions of dollars to influence the budget debate. The faith community can create some semblance of balance by bringing the interests of families and “the least of these” into the process. We can hold Congress accountable to the simple and long-held standard that deficit reduction must not increase poverty or inequality.





How can people of faith make a difference?

- 1. Study the issues** and understand them in light of the faith teachings of your religious tradition.
- 2. Pray for a wise, fair and compassionate resolution** to the nation's budget and revenue debate.
- 3. Talk with your colleagues, neighbors and friends** in an open manner about the choices we face and how your faith values influence your perspective.
- 4. Organize discussions within your congregation.** Materials are available at www.PICONetwork.org.
- 5. Contact your members of Congress** and share your views with them. Call [1-866-598-5789](tel:1-866-598-5789) and ask your member stand with families by saving Medicaid, Medicare and tax credits that protect the working poor.





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About PICO:

PICO National Network is the largest grassroots, faith-based organizing network in the United States. A multi-faith organization, PICO works with 1,000 religious congregations in more than 200 cities and towns through its 60 local and state federations.

Learn more at www.piconetwork.org.



About Sojourners:

Sojourners publishes a monthly magazine of the same name and is a voice and vision for social change. Sojourners provides an alternative perspective on faith, politics, and culture through its magazine, Web site, e-mail services, media commentaries, and public events. Christian and progressive, Sojourners lifts up the biblical connection between social justice and spiritual renewal.

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