



## **A California Where All Can Thrive**

### **Faith Communities' Stake in State Budget Fairness**

*Exploring Underlying Governance Issues*

*Recalling Californians' Common Dreams*

*Using the Language of Faith with Integrity*



## **Concerning Private Charity and Public Justice: We Live Out Our Faith When We Have Both**

In recent years we have heard more than a few cynical leaders say that no one should worry about government cutbacks in programs serving the poor and the sick and disabled because “private charity will step in and fill the gap.”

None of us in the religious world doubts that our charitable activities—our food distribution programs, our efforts to serve homeless persons and addicts, our work with at-risk youth, etc.—are valuable and important. But do we really think we can bear the whole load, especially when the economy is in such bad shape?

In California, the state’s acute fiscal crisis has already put serious stress on the charitable non-profit sector. How will private charity possibly be able to patch the new holes in the safety net created by just the latest round of \$6 *billion* in social service cuts?

We must acknowledge that we can’t do without a major government role if we are serious about meeting the needs of the poorest and most vulnerable. Because this is true, we have a responsibility to advocate for effective and efficient delivery of government services and to advocate as well for the taxes necessary to support these services.

There is no contradiction between the impulse to provide charity and the imperative to support public justice. Both grow from the same soil of human solidarity and compassion.

There will always be gaps in what government can do for people and also some things that government doesn’t do very well – that private charitable action does better. And likewise, there will never be the capacity within private charitable organizations to do the really big things that only government can do to make people’s lives better

The anti-government cynics imagine that they flatter us when they say that we can “fill the gap” with private charity when government programs are dismantled. In reality, they insult our intelligence by making such a patently false statement.



## **Part One:**

# **How a Broken System Fails Us**



## Underlying Causes of a “Broken Operating System”

California, home to one in every eight Americans, is famous for being the place where national trends get started. Many of the ideas originating here have been good, but one that is NOT so great is our Golden State habit of legislating through statewide ballot initiatives that make the actual legislature’s job impossible. All of these initiatives have been presented as “reforms,” but the weight of all of them piled on top of each other is now having the effect of making us a backward state. One long-time observer likes to say that we have been “bitten by reform.”

The most famous of the initiatives was Prop 13 in 1978—a measure intended to limit property tax increases for individual homeowners. Prop 13 (and its successors 62 and 218) took away taxing authority from local elected officials and centralized all money matters in Sacramento while also adding the 2/3 vote requirement in each legislative chamber for raising revenue.

This was supposed to prevent the legislature from making unwise spending decisions, but it has produced the opposite result. State budget negotiations in California actually resemble hostage negotiations: the legislative minority is able to block enactment of a budget until it is paid a ransom in the form of new tax breaks for favored industries or activities. (This explains how the legislature has managed to *reduce* corporate taxes by \$2 billion since the Great Recession began.) While adding to the long-term budget deficit through these tax favors to Big Business, the legislative minority also gets to demand that massive cuts be made in the programs that everyday people actually need and depend on: K-12 education, health care, colleges and universities, parks and recreation, environmental protection.

California remains the ONLY state in the nation that imposes strict 2/3 vote requirements for enacting or extending all forms of taxes and fees.

### Questions for discussion:

- Do you think it’s fair to say that we have a “broken operating system”?
- Does knowing about this situation make you feel hopeless, or does it make you feel energized to do something about it?
- Discuss the difference between “corruption” in Sacramento and “breakdown” in the way the system of government works. Why do you think people often confuse the two?



## **An All-Cuts State Budget Will Make Our Problems Much Worse (because all budget “solutions” are not the same!)**

Gov. Brown has said that if he cannot persuade Republicans in the legislature to let the people vote on a budget package that balances spending cuts with extensions of some existing taxes, he will be forced to produce a budget that makes over \$15 billion in new cuts on top of the \$11 billion that was already cut out of the budget.

Sen. Mark Leno, who chairs the state senate’s Budget Committee, asked the independent and non-partisan Legislative Analyst’s Office to look at the jobs that would be lost in an all-cuts state budget. *The San Francisco Chronicle* then decided to take a look at what economists call the multiplier effect of making spending cuts vs. collecting taxes – and the results are eye-popping. **An all-cuts budget would directly eliminate 140,000 government jobs and add one full point to the state’s unemployment rate.** The multiplier effect of the service cuts would probably add *another* full point to the state jobless rate.

Here is how the job-loss math works out:

- cut \$1 billion from in-home supportive services and you lose 163,000 jobs
- cut \$1 billion from child care and you sacrifice 27,000 jobs
- cut \$1 billion from MediCal and you also eliminate 27,000 jobs
- cut \$1 billion from education and the cost to the state is 19,000 jobs

And here is how the multiplier effect works:

- MediCal: each state dollar spent on MediCal is fully matched by the Federal government and also generates an additional \$2.30 in economic activity for a total impact of \$4.30. So invest \$1 dollar on MediCal and you get a \$4.30 impact.
- Education: each \$1 that is spent on education injects \$2 into the overall economy.
- There is no such multiplier effect when you cut taxes for rich folks: the \$1 that is not paid in taxes doesn’t multiply anything – it simply remains just \$1.

### **Questions for discussion:**

- Do you agree that not all ways of “fixing” the state budget deficit are the same in terms of their overall economic effects? Why or why not?
- Should we be eliminating tens of thousands of public employee jobs at a time when the unemployment in our state is already extremely high?



## **How to Shortchange the Future: State Budget Cuts Take a Heavy Toll on California's Young**

Of all the cuts already made to state spending in recent years, the most costly over the long term are severe and ill-considered cuts to education. This is especially true in a state that used to pride itself on its investment in public education. As of 2010, California ranked:

- 44<sup>th</sup> among the 50 states in K-12 education spending per student
- 46<sup>th</sup> in education spending as a percentage of aggregated personal income
- 50<sup>th</sup> in respect to students per teacher—21.3 students per teacher last year, which is more than 50% higher than the national average of 13.8 students per teacher
- 49<sup>th</sup> in respect to the number of students per guidance counselor
- 50<sup>th</sup> in respect to the number of students per school librarian

We also have a very high 30% high school dropout/push-out rate. Research shows that more than two-thirds of these dropouts will end up on food stamps at some point - and that high school graduates will earn an average of almost \$300,000 over their lifetimes than dropouts will earn.

On the public higher education side, the picture is equally grim. After two previous rounds of cutbacks in the state's share, Gov. Brown's proposed budget (the one that balances spending cuts with tax extensions) would cut state support for the California State University system by an *additional 18%*, cut state support for the University of California system by an *additional 16%*, and cut state support for the California community college system by an *additional 7%*.

For lower-income students and families, the cutbacks of recent years have *already* slowed college completion rates and forced many students to quit school. The new round of cuts is expected to push some 400,000 students out the Golden State's community colleges.

At the other end of the spectrum, the pricing out of California students works in favor of wealthy out-of-state students and their parents, who are being actively recruited for a growing number of slots in the UC system because UC campuses can charge non-resident students as much as \$25,000 more per year than in-state students have to pay.

### **Questions for discussion:**

- Does the mandate to "teach your children well" apply to the children of privilege only, or to all children?
- Can we see how severe social inequality is made much worse when support for public education is thrown under the bus??



## Talking About Taxes in California

Having the facts on California taxes is important. And the facts may surprise us. We do have the highest statewide sales tax rate at 8.25%. We are third-highest in the personal income-tax rate of 9.3%. Our corporate tax rate is eighth-highest, at 8.84%. But the deductions and credits enjoyed by corporations and high-income individuals make our state's tax system a "Swiss cheese" with lots of holes and gaps. When these gaps are factored in, we end up 15<sup>th</sup> among the states in taxes actually paid per \$100 in personal income. And even with the highest official sales tax rate, the amount we Californians actually *pay* in sales taxes as a percentage of personal income comes in at 22<sup>nd</sup> in the nation. In short, we in California are still within the medium-to-high range among the 50 states in the amount of taxes we pay. We are very far from the #1 spot.

### The Real Tax Issue is Fairness

More revealing than the raw amounts is how the tax burden has been shifted *downward* onto poor and working families.

- According to the independent California Budget Project, our lowest-income families pay the most in taxes. The bottom fifth of non-elderly California families now pay 11.1% of their income on state and local taxes, whereas the wealthiest 1% (with an average household income of \$2.3 million) pay just 7.8% of their income on state and local taxes.
- Over the past two decades corporations have paid less and less to support state services while individuals have been paying a greater share. Personal income tax receipts will provide around 52% of all General Fund revenues in 2010-11, up from 35% in 1980-81. Corporate tax receipts are expected to provide around 12% of General Fund revenue in 2010-11, down from a 15% share in 1980-81.
- Prop 13—originally intended to “keep Grandma in her house”—has also made taxes less fair by sheltering property-rich corporations. In LA County, private homeowners paid 53% of all property taxes collected in 1975; now individual homeowners pay 69% of the total. Commercial property owners paid 46% in 1975; today they pay just 30%. In fast-growing Orange County, the situation is even worse. Private homeowners paid 59% of the total in 1975 but pay 72% today. Commercial property owners paid 40% in 1975 but pay just 27% today.

### Questions for discussion:

- Why do you think so many people do *not* really know what they “know” about taxes?
- Why do you think this particular topic so subject to confusion and misinformation?
- What does having the correct information make you want to *do* about taxes?



## **Counting the Cost: The Terrible Human Toll of State Budget Cuts *Already* Made**

A recent poll by the *Los Angeles Times* found that a large majority of Californians believe that state government spending has been *growing* in recent years. It hasn't! Even if Gov. Brown succeeds in extending 2009's temporary tax increases, state spending next year will be 17.5% *less* than it was three years ago, dropping over this period by the huge sum of \$18 billion (an amount exceeding the *total* budgets of most states of the union). Spending per \$100 in personal income will be the lowest since Ronald Reagan was governor.

This is why people of faith must resist the idea that we can cut our way out of our state's fiscal mess. There is no "fat" left to cut: we have already cut deeply into the lifeline programs serving our state's most vulnerable residents and its young people.

This spring the legislature approved *\$6 billion* in new cuts to health and human services—programs that serve people who have very little political muscle. The latest cuts include:

- Reductions in supplementary Social Security grants for impoverished seniors and disabled persons—down to the federally-allowed minimums.
- Cuts in CalWorks basic welfare grants—now down to just \$638/month from \$694/month for a family of four in high-cost regions of the state—and imposition of a new four-year limit to the total time allowed for anyone to remain in the CalWorks program.
- Cuts in the MediCal program that provides health care to the state's poorest. MediCal recipients—who have almost no money by definition—must now pay \$50 to use an emergency room and \$100 per day if they are hospitalized. MediCal recipients will be barred from getting cold medicines or nutritional supplements unless they are on a feeding tube.
- Elimination of child care for most 11- and 12-year-old children of working mothers in the CalWorks program. (The child care originally came about because conservative former governor Pete Wilson recognized that providing it would help keep welfare kids out of later trouble with the law – saving the state a lot of money overall.)

### **Questions for discussion:**

- Do we know any of people who are experiencing these state social service cuts?
- How is our perspective affected by knowing or not knowing these neighbors of ours?
- How do we measure the moral greatness of a society? Is it measured by how much comfort we provide to people at the very top – or by the degree of support we provide for the most vulnerable among us?



## **Part Two:**

# **Recalling Californians' Common Dreams**



## **Tell Us YOUR Story: A State Made by Immigrants and Dreamers**

In contemplating the kind of future we want to create in California it is sometimes good to recall the Big Story that lies beneath all of our individual stories.

It's a story of the Golden West as a place of opportunity, of second chances and starting over. Whether your "people" came to California in the 1850s or the 1950s or in 2010 matters less than the shared aspirations for a better life that brought our ancestors here or brought us here.

Many of us belong to faith traditions that are also inflected with a Big Story about coming to place of peace and plenty from the hard corners of oppression and want.

### ***Small Group Exercise:***

In groups of no more than eight people in a circle, invite each participant to say something about his or her personal story (or family story) of "coming to California" - and also to comment on what she or he thinks the California Dream represents.

Prompts:

- Is the California Dream just about material advancement, or does it have some spiritual and ethical content?
- If you think it includes the latter, can you try to describe some of that content?
- Can this so-called California Dream be renewed in the 21<sup>st</sup> century, or was it just a historical fluke that gave California its golden luster in past eras?



## **Thinking BIG About the Common Good: It's the California Way!**

In the 20<sup>th</sup> century California made massive public investments in three big areas (and in smaller ones, like research in viniculture) that contributed enormously to the state's overall prosperity.

The big infrastructure investments were in the areas of *water, transportation, and public higher education.*

Today many of us have serious regrets about re-engineering the California Delta in order to send water south, and we may also feel that all those freeways advanced global warming without getting us there faster. Very few of us have second thoughts about the wisdom of the investment in education.

But the point about public investment is a simple one: instead of being a “drag” on the economy, public sector activity usually fosters growth and innovation on the part of private individuals and businesses.

### ***Small Group Exercise***

In groups of no more than eight people in a circle, spend 30 minutes envisioning work about what kinds of Big Things our state might be able to accomplish in the 21<sup>st</sup> century – things in which a healthy state government can help play a constructive role.

Prompts:

- “Green economy” transition
- 21<sup>st</sup> century transportation
- Sustainable agriculture
- California's creative sector – communications/entertainment, technology
- World's most diverse population as an economic asset



## **Part Three:**

# **The Language of Faith and the Common Good**



## **Does Our Noblest History Have Anything to Teach Us?**

Many people have blamed the media for the very common perception these days that trouble must be brewing whenever religion gets involved in public policy matters.

Regardless of whether this perception is valid and regardless of how it was created, many leaders in the religious world long for an opportunity to show the public that faith communities can still be united in standing for something noble and great. They like to cite the Civil Rights Movement of the 1960s, when religious leaders from a wide range of faith traditions rallied to the side of Black Americans who were engaged in a high-stakes nonviolent struggle for equality and opportunity after centuries of oppression. Interfaith religious support for civil rights was both wide and deep.

Just recently there has been new polling research showing that diverse people of faith are in widespread agreement on the need for greater fairness in American society. There appears to be an emerging consensus that growing social inequality is in fact a human rights issue.

### **Questions for discussion:**

- In your view, does trying to fix California's broken governance process so that we can expand social opportunity and achieve greater social equality rise to the level of a major human rights struggle? Why or why not?
- Do you think the mass media would pay attention if religious groups in California started collaborating to press for greater opportunity and fairness—and to fix the state's broken governance system?
- Would it take away from or add to the effectiveness of existing faith-led advocacy (in "single issue" areas like criminal justice reform, immigrants' rights, and hunger and homelessness) for religious groups to engage in a large-scale statewide collaborative effort to create a much more effective and accountable state government?



## Legal Issues Concerning Faith Communities and “Politics”

“Religion and politics don’t mix” is an old and established truism in American life. What most people mean by “politics,” of course, is direct religious involvement in supporting particular candidates for public office or in supporting one political party while opposing another.

Religious organizations that enjoy tax-exempt 501(c)3 status must be especially careful about that kind of partisan political activity. The “deal” struck during the presidency of Lyndon Johnson was that religious institutions would remain tax exempt as long as they did not take sides politically.

Direct and indirect lobbying by religious organizations *is* clearly permitted under the law, but only within certain limits. (Direct lobbying refers to direct contact with legislators; indirect lobbying refers to communication with the public on particular legislation.)

Religious 501(c)3 organizations may engage in lobbying provided that their lobbying activities do not become a “substantial part” of their overall activities. They may also work on ballot measure campaigns but with the same limitation as to the amount of resources and staff time that are expended on such campaigns. The general rule of thumb is to limit this activity to no more than 20% of organizational time and resources.

Thematic issue advocacy—i.e., broad public education and public appeals for fairness and social equity based on core religious convictions—*does not count as lobbying activity* unless there is blatant and unmistakable linkage within such advocacy to a particular legislative or ballot measure that is up for consideration.

### Question for discussion:

- The law indicates that there is a broad middle range of permitted activity that religious organizations can legitimately engage in so as to express their deepest values in the public square. Why do you think that hardly any religious groups today take this middle ground—with a few going way over the line into partisan political activity while most don’t even make the attempt attempt to take public stands on issues of common concern?



## **Restoring, Renewing, and Rejoicing in the Common Good**

In November 1620 a motley group of English colonists, still shivering aboard their tiny ship, entered into a social contract. They agreed to “covenant and combine ourselves together into a civil body politic” and to “enact, constitute, and frame such just and equal laws, ordinances, acts, constitutions, and offices as shall be thought most meet and convenient for the general good.” Ten years later Gov. John Winthrop further developed this idea of thriving together; Winthrop wrote that the settlers on a new continent must...

...follow the counsel of Micah, to do justly, to love mercy, to walk humbly with our God. For this end, we must be knit together in this work as one man. We must entertain each other in brotherly affection. We must be willing to abridge ourselves of our superfluities, for the supply of others’ necessities. We must uphold a familiar commerce together in all meekness, gentleness, patience and liberality. We must delight in each other; make others’ conditions our own; rejoice together, mourn together, labor and suffer together, always having before our eyes our commission and community in the work as members of the same body.

The framers of the United States Constitution likewise placed the need “to promote the General Welfare” just *ahead* of the need “to secure the Blessings of Liberty” in giving their rationale for creating a charter document to guide the new nation’s future.

Lately, however, almost all of the emphasis has been on individual liberty rather than on the bonds of mutuality that tie us to one another. The principle that we should seek to thrive together on common ground has been all but forgotten.

All of our religious traditions speak to the idea that we belong to one another and that our neighbor’s welfare must concern us. But our religious communities have been largely mute in the face of the radical individualism that characterizes our era.

### **Questions for discussion:**

- What do we think happened to the old common good idea?
- Is it fair to say that our religious communities have been reluctant to speak out about commonwealth principles in recent decades? And if it is true that they have been relatively silent, what factors do you think help to explain that silence?
- If religious communities DO begin to speak and act around common good principles in the California context, what do you think will happen? Will they gain followers or lose followers? Will they enjoy more or less respect in the eyes of the non-religious public?