

# Summary of South Carolina Meeting about a Proactive Campaign on Tax and Budget Issues

## I. About the Meeting

The meeting was held on March 12, 2004 from 12 p.m. to 4 p.m. and was hosted by Erin Hardwick of the South Carolina Association of Nonprofit Organizations in Columbia and OMB Watch. Ten people attended the meeting. Gary Bass, John Irons, and Ellen Taylor attended from OMB Watch.

The purpose of the meeting was to discuss how to launch a longer-term proactive campaign on federal tax and budget issues. The meeting was structured to lead to the development of specific recommendations for the desired outcomes of such a campaign and the strategies and next steps necessary to implement it.

## II. Where are we now?

**FEDERAL PICTURE:** Federal deficit as a percentage of the economy is at the second highest level ever since World War II and federal revenue is at the lowest level since 1950. The reason often cited for exploding deficits – federal spending that has grown out of control – is simply not true. When spending is adjusted for inflation and population growth, domestic non-homeland security spending is on a downward spiral. The longer-term budget picture is even more catastrophic. If 2005 tax and budget policies continue, budget deficits will explode at the same time that massive baby-boomer retirement is straining the resources of Social Security and the health care system. The sobering fact is that the federal tax cuts of 2001 and 2003 have created a systemic problem, and even with a more fair and equitable tax system that increases revenue, hard choices about spending priorities will remain.

**STATE PICTURE:** Revenue in South Carolina has been going down – the General Fund has shrunk from \$6 billion to \$5 billion over five years – and the downward spiral continues. Proposed tax policy in South Carolina is skewed toward higher income taxpayers, with over 50% of taxpayers receiving no benefit, and would cost at least \$63 million dollars more in additional tax cuts each year. This situation results in even more inadequate funding for education and reliance on localities through property taxes; even more dependence on sales tax revenue, which is limited by structural changes; and huge cuts in services.

The massive budget deficits at the federal level – still well below the public's radar – cause a further deterioration in the ability of South Carolina to provide for its citizens. Additionally, the overly broad use of federal dollars in place of state dollars has further implications for the state as federal resources are withdrawn. As one participant put it, "the Norquist philosophy [of shrinking government] is already coming to fruition in South Carolina."

Even the proposal to increase sales tax on tobacco products as a source of revenue to match Medicare funds, which had over 70% of public support in South Carolina, has not seen success.

### III. Where do we want to be?

This discussion was wide-ranging including the role of government in fostering a healthy society; the widespread lack of knowledge about the benefits that government, through our taxes, provides; the importance of tax reform and insuring an adequate revenue base; and the need to change public perceptions of poverty and stress the value of a strong public safety net, since any one of us is only a mishap away from needing assistance.

Based on this discussion, the group identified key objectives for a long-term campaign. They fell into three broad categories:

- **Better define the role of government and major functions it plays, and the relationship of nonprofits to government service delivery.** The purpose is to improve the public image of government and nonprofits in order to stop the Norquist-type attacks. The discussion focused on ways of demonstrating the positive things that government does for the public, including middle class subsidies as well as assistance to vulnerable and low-income people, infrastructure, regulation, education, etc. There was a sense that the public does not even know the extent to which government services, regulations, and programs make possible and benefit their everyday lives. The public's lack of understanding about what government provides includes the link between government and the nonprofit community, which often acts as an extension of government's provision of services. Related to this was the recognition that we also need to find ways to make government more accountable and to improve government services where they are inadequate.
- **Identify the elements of a healthy society situated in a global world and clarify the responsibilities of citizens, communities, and local, state and federal governments towards building such a society.** The group identified a strong need to develop a vision for a healthy society, which includes attention to the root causes of social problems. This vision would be written in local, community-based terms and serve as the platform for what we want from a long-term campaign. Even though it should be framed in local terms, there was support for also putting the vision in the context of a global economy (including concerns like outsourcing). This vision should also show the real and direct impacts of cuts in government services on families and communities, both now and in the future. The vision would be the equivalent of a new social compact between government and its citizen, and would serve as the framework for demanding the resources necessary to make it a reality.
- **Based on this vision for a healthy society, develop a progressive tax plan that provides adequate revenue to address the vision.** The tax plan must have strong incentives for charitable giving; and it must be fair and equitable although the group did not specifically define "fair and equitable." There was the sense that it would include the wealthy and corporations paying more and low- and middle-income taxpayers paying less than they are now. The group felt it very important to reveal the way tax cuts are offset by cuts in services and increased costs and fees, property taxes, etc. They also believed it essential to demonstrate the positive value of fair and equitable

taxes, with the primary burden on those who are most able to pay, so that government can meet the priorities we value.

#### **IV. What are the strategies to move towards where we want to be?**

There was discussion about various approaches, including broadening the base to go beyond self-identified “progressives” and mobilizing and re-energizing the existing base; improving coordination between groups including better sharing of information and resources; finding ways to deliberate and identify common values and priorities and create simple and powerful messages; and developing principles, policies, and, ultimately, legislation based on shared priorities.

The discussion lead to five key strategies to launch the campaign:

- **Get professional assistance in framing tax and budget issues.** The group felt that one goal is to find ways to deliberate about and identify common values and priorities that we may all embrace within different perspectives and to create simple and powerful messages from these common values. There was an emphasis on using experts to help frame the debate in language that public would understand and support. The group also felt that this framing exercise should be based on the values that support the vision for a healthy community. There was discussion about conducting focus groups and polling to test out the language, particularly in South Carolina, which is a conservative state and, hence, a good testing ground. The key point was there needs to be a process for testing the vision and values language and framing of messages.
- **Begin using the new framing messages in activities to strengthen our existing base and build a broader and more diverse audience interested in these issues.** The group made three points: a) we need to work with nonprofits in South Carolina to make them aware of the importance of federal tax and budget issues; b) we need to broaden the base of groups and individuals; and c) we need to think about unusual alliances. There was a heavy emphasis on reaching out to the business community and educating nonprofit boards of directors. This process of strengthening and broadening the base might take the form of discussion groups or raising these tax and budget topics at conferences and meetings. The consensus was that a long-term campaign will not succeed unless we find ways to involve a broad stratum of community leaders – both organizations and individuals. Some normally wouldn't be thought of as interested in budget and tax issues or particularly supportive, but may, in fact, share some of the same values and recognize the importance of tax and budget policy in achieving those values. The point was also made that work needs to be done to build bipartisan political support.
- **Improve coordination between groups including better sharing of information and resources.** As work is accomplished to broaden and reenergize the base, there needs to be a simultaneous effort to improve coordination and communication between diverse groups – within the state, between national groups, and between state and national groups. There was also concern that we are not fully utilizing work that is already being done –

one example was the work by the Palmetto Institute on indicators of community health. This effort at coordination would help to create an echo chamber for common messages being repeated at many different levels and from different issue areas.

- **Use the message and improved language to counter negative news media and to introduce positive media coverage.** The group did not identify ways of doing this, but felt it was important that it get done.
- **Develop legislative initiatives to implement elements of the vision for a healthy society.** This work would start with creating principles and policies based on the vision of a healthy society and the tax system that is needed to support it. Ultimately, we should develop and promote legislative initiatives based on common priorities. There was the recognition that such legislative efforts would likely fail initially but that they serve as a great organizing tool and as a way of sowing the seeds for later success. Several pointed out that legislative success comes from persistence.

The group felt South Carolina was an excellent test ground to begin identifying the elements of the vision of a healthy society, as well as testing language on budget and tax issues. One idea was to start a listening tour throughout South Carolina.

#### **V. What are the opportunities and challenges?**

There was a hearty discussion of opportunities and challenges that included:

- Opportunity: National groups need state and local groups now more than ever.
- Challenge: Developing common messages that are useful, that can be echoed at a variety of levels, and that complement (or at least don't conflict with) issue based organizations.
- Challenge: Turning tax policy into something catchy.
- Opportunity: Now is a good time to articulate a positive vision for change in America. That's what we have to sell, not how much it will cost.
- Challenge: Being concrete and simple about what we are asking groups to do, and developing ways to measure efforts.
- Challenge: Pulling down the silos that separate nonprofits in terms of issues.
- Challenge: Realizing that we are pushing a message and asking every year, but we may not see results for many years.

The group talked about the need to raise money for a public relations campaign, emphasizing that the real task in front of us is one of framing the public debate and winning over a sizable part of the electorate. Thus, resources are needed not only for the development of language and message, but also for implementing a public relations campaign that includes paid advertising.

The group also discussed organizational structure for this campaign. They felt it must be both a national and state level effort. One problem is that the policy analytic groups often do not communicate with the issue-based advocates. Additionally, there is no coordination with the policy analytic groups and issue based groups on message to the

media or the grassroots. Addressing the communication and coordination of this infrastructure is very important.

## **VI. Next steps**

The group identified four specific next steps to take:

- Explore the “vision of America” with a variety of nonprofits throughout the country and see what transcends issues and how to play to different strengths. How do you lift the quality of everyone’s life in your community or state?
- Develop a team of tax experts (federal and state) to lay down principles of tax policy. This can serve as the framework for local action, including legislative initiatives.
- Develop a strategic plan including engaging the grassroots and other potential allies (e.g., business) by showing how federal tax and budget issues directly impact them, and also develop a media plan.
- Develop messages, through a public opinion plan including focus groups, the development of messages, and testing the messages through polls. National groups should develop a media message and test it in states such as South Carolina.