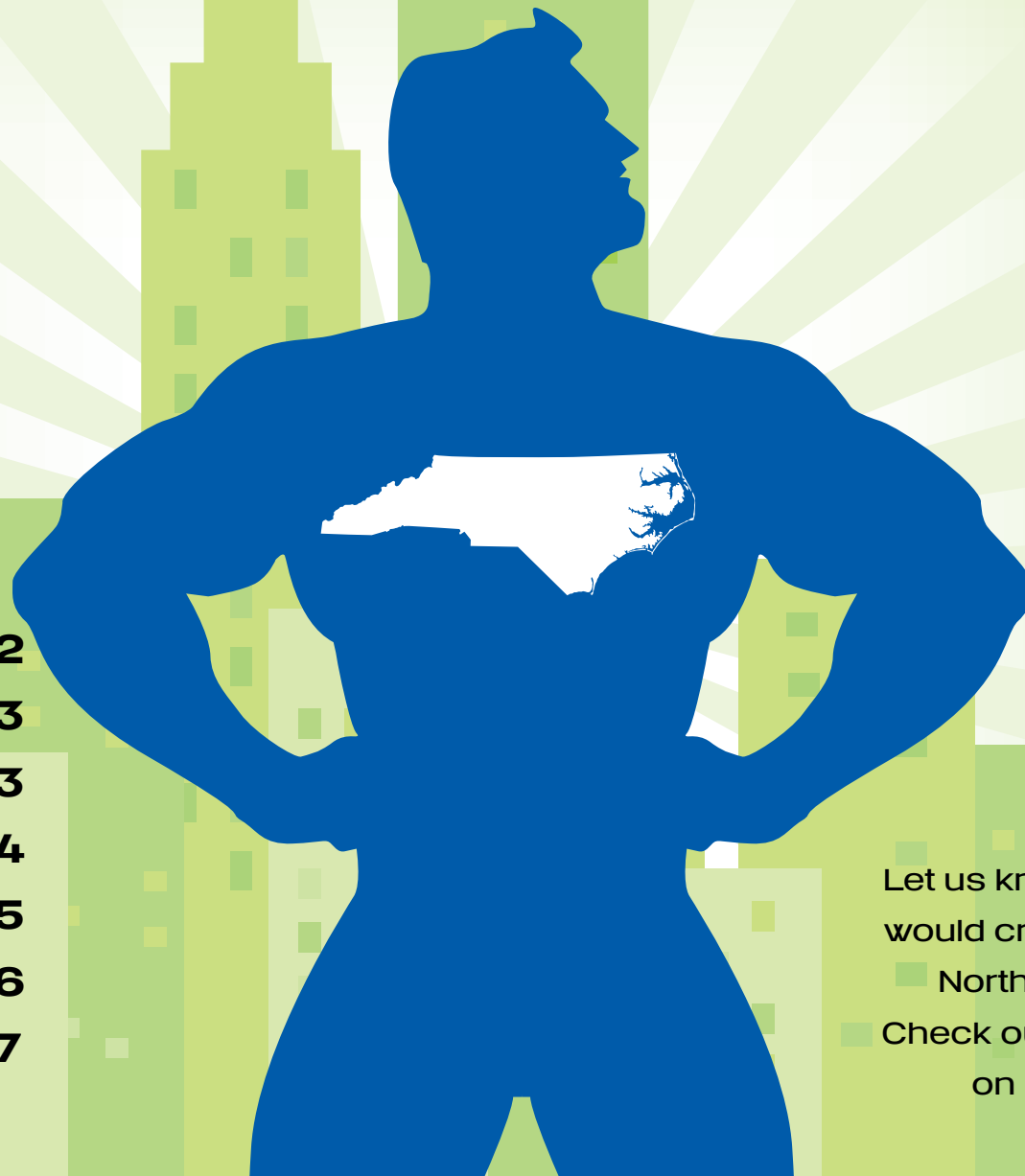


HOW TO BUILD A SUPER NORTH CAROLINA



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Let us know how **you**
would create a Super
North Carolina.

Check out our survey
on page 6.

A Strong Economy that Works for Everyone

With smart investments we can rebuild the American Dream in North Carolina



By **Tazra Mitchell**, Fellow at the NC Justice Center's Budget & Tax Center

One of the nation's most cherished ideals is that hard work pays off, that with effort and ingenuity anyone can get ahead. It's the American Dream.

And North Carolinians are working harder. Their productivity is up 1.5% since the end of the Great Recession. But their wages have dropped over that same time period. North Carolina workers are increasing productivity and their employers' profits, but they are not benefitting from their efforts (see box below).

That's not how the economy is supposed to work.

At the same time workers are boosting productivity, they are also losing economic mobility—the ability to improve their socioeconomic status over the course of their lives. In fact, recent research by the Pew Center on the States shows it is harder for North Carolinians to achieve economic mobility

than it is for the average American or Southeasterner.

Hard work is supposed to lead to financial stability and middle-class status, but it just isn't happening for many North Carolinians. That's a sure sign of an economy that's not working for the majority of people.

Now the good news—it doesn't have to be this way, and state policymakers can act to put North Carolina on a better course.

Attracting and Growing Better Jobs

Building an economy that rewards hard work and works for everyone involves attracting, retaining and creating businesses in high-growth industries that pay well, offer benefits, and provide opportunities for career advancement.

The NC Department of Commerce has already studied which industries have a stable presence in the state or are poised for growth in the future. The list includes tire manufacturing, medical-device manufacturing, boat building, pharmaceuticals, and heavy-duty-truck manufacturing. So how do we attract businesses in these industries to move to North Carolina and—more importantly—encourage those businesses already here to expand and hire more workers?

We invest in the public structures that make North Carolina

(CONTINUED ON PAGE 9)

The state's preeminent voice for economic, social and political justice

The Justice Center works to ensure that every household in North Carolina has access to the opportunity, resources and fair treatment it needs to achieve economic security.

Justice Center Projects

- Budget & Tax Center
- Workers' Rights Project
- Education & Law Project
- Consumer Protections & Housing Project
- Immigrant & Refugee Rights Project
- Health Access Coalition
- NC Policy Watch

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Hard Work Goes Unrewarded

By **Allan Freyer**, Economic Policy Analyst for the NC Justice Center's Budget & Tax Center

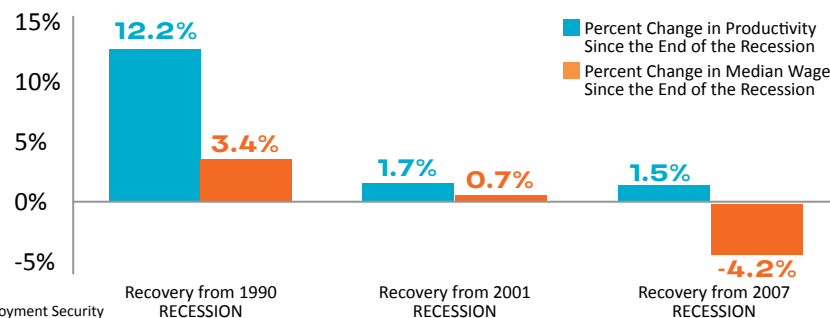
Hard work is supposed to pay off. As workers improve their productivity, they save their employers money and increase the economic output and profitability of their employers. In past business cycles (including the recoveries from the recessions of 1981, 1990, and 2001), these savings were passed along to workers in the form

of higher wages.

Worker productivity has increased 1.5% since the end of the Great Recession, but North Carolina's workers have seen their wages fall by 4% (see figure below). Employers are clearly treating their workers differently than in the past. According to a recent report from the Economic Policy Institute, employers are choosing to keep the savings generated by productivity gains in cash reserves or as profits distributed to shareholders instead of rewarding hard work with higher wages.



North Carolina Workers' Wages Failing to Keep Pace with Productivity Gains During Current Recovery



Source: U.S. Bureau of Economic Analysis, NC Division of Employment Security

▶ State Revenues Can Fuel North Carolina's Resurgence

A fairer system that requires equitable contributions can fund critical state investments

Figure 1



By **Alexandra Forter Sirota**,
Director of the
NC Justice Center's
Budget & Tax Center

we have forgotten what taxes get us as a society.

Bang For Our Bucks

Taxes made statewide public education possible and enabled North Carolina to expand access to quality education to all children regardless of their race or ethnicity in the post-Civil Rights era. Taxes also built the transportation infrastructure that established North Carolina's early

*"Taxes are the price we pay
for a civilized society."*

—Oliver Wendell Holmes, Jr.,
US Supreme Court Justice, in a 1904 speech

reputation as the "good roads state" and encouraged the development of research and development centers clustered around public universities—also created with tax dollars—across the state.

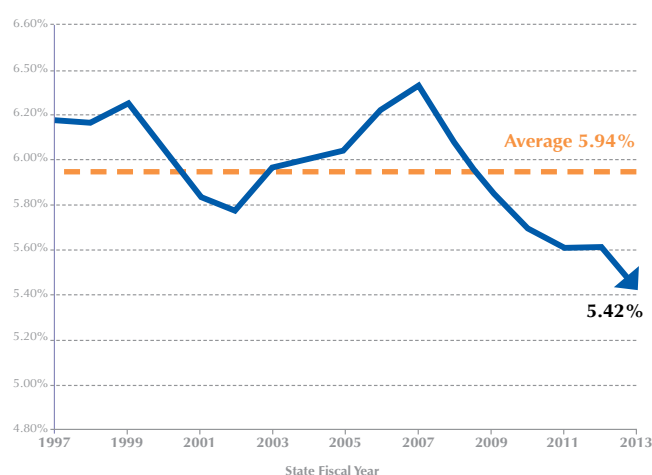
In addition to continuing to support and build upon these early investments, today's taxes enable North Carolina to

provide training for unemployed workers, services for businesses seeking to expand, and assistance for those who are elderly or who have disabilities. They help keep our food and water safe, protect our environment, and preserve the state's nature and culture.

However, North Carolina's tax system has struggled in recent years. The inadequacies and lack of fairness in the system have resulted in diminished state revenues and harmful budget cuts.

Sure, the recession was tough, but it's not the main reason why state revenues have fallen. North Carolina is actually collecting a smaller share of state personal income than it did before the

State General Fund Revenue as Share of State Personal Income



recession (see Figure 1).

Why? Because the tax system we have today was built for the economy of the 1930s and thus is outdated and because the people whose incomes have grown the most are being asked to pay the least. This unfairness in the tax system and inability of revenue to grow over the long term fuels the budget crises that primarily hurt those who are paying

(CONTINUED ON PAGE 11)

▶ A Life-Saving Act: Voting to Expand Medicaid

Legislators can prevent the deaths of thousands of their fellow North Carolinians



By **Adam Linker**,
Policy Analyst for the NC Justice
Center's Health Access Coalition

*Rejecting Medicaid expansion would
mean allowing 2,840 people to die
every year unnecessarily.*

This coverage comes in two flavors. For middle-income families—making up to \$88,000 annually for a family of four—reform provides subsidies to help pay insurance premiums and caps out-of-pocket expenses. Those of more meager means—about \$15,000 per year for an individual—can enroll in Medicaid once health reform is fully implemented in 2014.

At least that was the plan until June 28, when the Supreme Court ruled on health reform. While the justices upheld the law as constitutional and left most of it intact, there was a wrinkle in the ruling.

The justices decided that if a state refuses to expand Medicaid, as the health reform law requires, the federal government cannot boot the state out of the Medicaid program. The risk of losing Medicaid—which is paid for mostly with federal dollars and provides medical and other care services to people who are elderly or who have disabilities—would have coaxed even reluctant states into implementing the expansion.

The ruling means it is likely a few retrograde states will refuse to expand Medicaid.

In North Carolina, the Supreme Court's decision has put the question of whether to expand Medicaid into the legislature's hands. Fortunately, our state is unlikely to follow some of our hotheaded neighbors in their decisions to deny health insurance to low-income residents.

(CONTINUED ON PAGE 8)

▶ North Carolina Public Schools Can Soar - With the Right Policies



By **Matt Ellinwood**,
Policy Analyst for the NC Justice
Center's Education & Law Project

North Carolina's public schools have made impressive progress over the last 20 years. According to a report from Harvard University's Kennedy School of Government, North Carolina ranks among the top 12 states in terms of the annual rate of growth in student achievement in math, reading, and science as measured by the National Assessment of Educational Progress (NAEP)—the only test that can be used to compare students from different states over time.

North Carolina had a great deal of room for improvement, and the state made considerable investments in order to move from the low end on student achievement to the middle of the pack in comparison to other states. Policymakers now face

the more difficult question of how to build on these successes and create one of the highest-achieving educational systems in the world so North Carolina's workers can compete with their peers globally.

Learning by Example

Building a world-class public school system in North Carolina is possible, and we need only look to the highest-performing states for examples of how to do it.

According to Harvard's Kennedy School report, if all the students in the country made the same gains as students in the leading states made over the last 20 years, the United States would be back among the top-performing countries in the world.

In the 2012 legislative session, state lawmakers looked to other states to see what is working that can be replicated in North Carolina. Unfortunately, the state they chose as a model for education reform, Florida, actually lags behind North Carolina on 7 out of 8 available measures of student achievement on the NAEP. Florida does have extremely low per pupil expenditures, and that seemed to be the primary focus for many state

legislators this year.

There is one state – Maryland – that jumps off the page when looking at NAEP data because it leads the country in improvement over the last 20 years and is currently among the top states on every available performance indicator. Maryland is one of the few states that can compete on equal footing with the highest-achieving nations in the world, based on its scores on the Programme for International Student Assessment (PISA), which is used to compare student achievement internationally.

Plotting a Course to Success

Maryland made these remarkable gains by focusing its reform efforts on policies that have the greatest impact on student achievement: improving the quality of teaching, improving the curriculum, and committing adequate financial resources to provide instruction effectively.

There are a number of key reform efforts ongoing in Maryland that can be replicated in North Carolina to improve student achievement.

(CONTINUED ON PAGE 9)

▶ Neighborhood Schools AND Diverse Schools? Yes, It's Possible

How housing policies can remake our schools by creating inclusive communities



By **Chris Hill**,
Director of the Justice Center's
Education & Law Project

diversity.

Segregated housing patterns have created some sections of Wake County that are significantly wealthier than others. That's the case in counties throughout North Carolina. As a practical matter, given the housing patterns in North Carolina, a "neighborhood schools" approach basically tells children that because their parents are poor, they are not worthy of a high-quality education.

Recent studies show that integrated schools narrow racial and socioeconomic achievement gaps. Last year, a Century Foundation report entitled "Housing Policy is School Policy" studied an area of Montgomery County, Maryland that uses inclusionary zoning, which helps assure that people of different income levels reside in the same neighborhood. The Century Foundation reported that the achievement gap narrowed in the schools when low-income students learned with their more affluent peers.

A report released by the Brookings Institution found that where there are integrated housing and integrated schools, the achievement gap narrows. That report

"Neighborhood schools" and "diverse schools" don't have to be mutually exclusive. All we need is neighborhoods that have racial and socioeconomic diversity.

studied the Raleigh-Cary area in North Carolina and found that even where there is not integrated housing, the achievement gap narrows when there is a concerted effort to integrate the schools—such as the Wake County assignment policy that promoted socioeconomic integration.

So the diversity policy of Wake County schools is essential if the district is to provide quality education to all of its students. However, as county officials look to the future, they may want to look for ways to create inclusive neighborhoods. Then they will be able to create the ultimate superhero of public education—diverse neighborhood schools. ■

▶ Offering Second Chances, Ending Collateral Consequences

Tearing down barriers for ex-offenders will save money and make communities safer



By **Daniel Bowes**,
Equal Justice Works
Fellow with the NC
Justice Center's
Workers' Rights Project

As a 17-year-old boy, Luther* was charged with a non-violent felony. It was his first brush with the law, and he was advised that if he pled guilty to the charge he would serve just a few months in prison and be released in time to start college in the spring. Thinking himself fortunate to have avoided a lengthier sentence, he accepted the deal and was convicted.

Almost twenty years later, Luther is all too familiar with the collateral consequences of his criminal conviction. These consequences, after all, have had

a far more detrimental impact on his life than his actual criminal punishment. Like many of the 1.6 million North Carolinians with criminal records, Luther remains isolated from many of the opportunities and resources essential to productive citizenship because of this criminal record.

Many landlords refuse to rent to him. Most employers will not even interview him. Plus, more than 900 state and federal laws deny Luther a wide range of privileges and rights because of his conviction.

Lifelong Punishment

Often, it is reasonable and appropriate for an employer, landlord or government agency to consider an individual's criminal record. Prior behavior may indicate an inability or unwillingness to responsibly

enjoy a privilege, discharge the duties of a profession or job, or comply with certain rules or agreements.

But there is more to a person than his worst mistake. Accordingly, there needs to be an individualized assessment of each applicant—looking at what the person has done since his conviction and who he is today—in order to appropriately determine risk. Instead, employers, landlords and state officials often see only a box on an application checked “yes” beneath the question “Have you ever been convicted of a crime?” For many people with criminal convictions, the opportunity to build new lives and provide for their families ends right there.

“No matter how well an interview is going, when I tell them about my conviction the whole atmosphere

changes,” Luther said. “I can almost feel this wall going up.”

Such automatic reactions unnecessarily isolate thousands of low-risk North Carolinians from gainful employment, housing, and community supports. It is not surprising then that, decades removed from his crime and punishment, Luther, like many people with criminal convictions, feels he is “still serving time.”

Setting People Up for Defeat

By burdening individuals with many far-reaching collateral consequences and offering them little assistance in starting new lives (see box on page 12), North Carolina's current reentry scheme sets up people for defeat.

Society demands individuals with criminal records not re-offend but then deprives them of meaningful

(CONTINUED ON PAGE 12)

▶ Only One Battle in the War for Justice

The anti-Amendment One campaign was an important step in diverse efforts to create a better North Carolina

By J. Tiffany Holland, Lisa Levenstein, and Isabell Moore

Yes, Amendment One passed. But the campaign against it has strengthened the ties between neighbors and communities throughout North Carolina and laid the foundation for an ongoing effort to create a state that embraces justice and refuses to tolerate bigotry.

Anti-amendment campaign planners understood they were likely to lose on Election Day, so they focused on using this organizing opportunity to build a broad multi-racial coalition that could work toward future progressive victories — even if it did not bear immediate fruit.

In the months preceding the vote, opponents of the amendment—in particular, the organizations Southerners on New Ground (SONG) and All of Us NC—launched an innovative grassroots campaign in small towns and rural areas, on college campuses,

and with communities of faith. They worked with people of color, church-goers, working-class families, and immigrants, and they explored links between the attacks on marriage equality and other right-wing initiatives that threaten many kinds of families and communities in North Carolina.



Protestors gather in Newton, NC in May to rally against hate comments of a local pastor. Photo courtesy of Manju Rajendran.

Creating a Diverse Movement

Through Protect All North Carolina Families (PANCF), a large statewide anti-amendment coalition, traditionally LGBTQ-focused organizations cultivated unprecedented ties with the North Carolina NAACP and black clergy. Reverend Dr. William J. Barber, II, the president of the North Carolina NAACP, served as a fierce ally and frequently spoke at anti-amendment rallies. Fifteen black clergy placed a full-page advertisement in a black newspaper in Greensboro urging others to “Stand Up and Speak Out” against the amendment. More than 100 Christian and Muslim black clergy joined the chorus, denouncing the amendment as “unnecessary and unjust.”

Local organizers used the anti-amendment fight as an opportunity to help break down stereotypes of a “straight” black community and “white” LGBTQ community. The struggles of black people affect gay people, and vice versa, because many gays are black. They are every race and ethnicity, poor and working-class, rural and urban, religious and nonreligious.

Local activists forged bonds across differences

(CONTINUED ON PAGE 12)

▶ A Bill of Rights for North Carolina Workers



By **Ajamu Dillahunt**,
Senior Outreach Coordinator for
the NC Justice Center's Workers'
Rights Project

Laws that protect workers from abusive employers, unsafe conditions, and destitution in times of unemployment or other crises are found in various state and federal statutes. However, there is no coherent set of laws laying out what working people need and are entitled to.

A Workers' Bill of Rights would assure that workers have the structural support to take care of their families, stay healthy and contribute to the development of their communities.

A History of Workers' Rights

In 1944 President Roosevelt proposed an Economic Bill of Rights. With the lessons of the Great Depression in mind, he proffered a set of principles that would guarantee against the individual destitution experienced by so many. It called for, in part, "the right to a useful and remunerative job in the industries or shops or farms or mines of the nation; the right to earn enough to provide adequate food and clothing and recreation; the right to adequate medical care and the opportunity to achieve and enjoy good health."

Jesse Jackson's 1988 presidential campaign proposed a Worker's Bill of Rights, which included a woman's right to pregnancy leave and guarantees of a safe workplace and a living wage. In 1996, the Labor Party,

founded by several national unions, labor councils and individual trade unionists, adopted a "Workplace Bill of Rights," which emphasized the right to organize "without interference from the employer and that the right be available to all irrespective of job titles and responsibilities, citizenship status, method of payment or sector of the economy in which employed."

In this century, North Carolina mental health workers represented by the North Carolina Public Service Workers Union have advocated for a Mental Health Workers Bill of Rights. This proposed standard requires protections for workers and patients alike: "the right to a safe workplace, including the right to protect oneself from harm with consideration for the safety of the patients and the right to refuse work that poses a danger to one's health and safety; the right to adequate and updated equipment and techniques to ensure safer working conditions and quality care for patients."

A Vision for North Carolina Workers

Challenging legislative times for workers and progressives require not only defensive advocacy but also imagination and vision. The Justice Center and our partners are holding "Know Your Rights" workshops across the state, and in partnership with workers we are developing a future North Carolina Workers' Bill of Rights. Playing the role of "labor legislators," workshop participants propose laws that would govern the treatment of workers in the state. Free to brainstorm based on their experiences and needs, workers have made far-ranging recommendations, but some consistent ideas have emerged.

- Equal pay for equal work
- No discrimination in hiring, pay or promotions

- The end to wage theft
- Safe equipment and appropriate training
- Stronger government enforcement of occupational safety and health laws
- Health insurance for everyone
- Health and other benefits for workers' partners
- Paid sick leave and family medical leave
- A ban of the box asking about felony convictions from applications
- Abolition of "right to work" laws, which discourage union organizing
- Collective bargaining rights for all workers
- A guaranteed living wage tied to inflation

In spite of the difficulty, workers and advocates will continue to push for needed reforms, resisting the stale and disingenuous excuse from anti-worker legislators that this is not a good time to make changes that have fiscal consequences. In fact this is precisely the time when families and struggling communities most need these changes. ■

Host a Workers' Rights Workshop

We offer Know Your Rights workshops covering a range of issues including:

- Wage Theft
(your employer didn't pay you properly)
- Health and Safety
- Family Leave
- Paid Sick Days
- Unemployment
- The Right to Organize
- Immigrant Workers' Rights

Contact Ajamu Dillahunt at **919-856-3194** or ajamu@ncjustice.org.

WHAT SUPERPOWERS WOULD YOU GIVE SUPER NORTH CAROLINA?

- ❑ **SUPERIOR INTELLECT** — public schools with super-sized brains that prepare kids to compete in a global economy
- ❑ **INCREDIBLE STRENGTH** — a tough and muscular economy that empowers everyone in the state
- ❑ **AMAZING AGILITY** — a workforce with the training necessary to shape-shift into diverse industries
- ❑ **PHENOMENAL HEALING ABILITY** — widespread access to quality health care in order to zap any injury or illness
- ❑ **DEDICATION TO JUSTICE AND FAIRNESS** — willing to risk life and limb for the "little guy"
- ❑ **IRRESISTIBLE MAGNETISM** — a clean environment and quality of life so wonderful businesses can't stay away

Tell us your ideas for how to make North Carolina super online at www.ncjustice.org/superpowers or by email at policy&progress@ncjustice.org. We'll take your input and reveal our final North Carolina superhero on Facebook — www.facebook.com/ncjustice.

Education as an Economic Investment



By **Julia Hawes**,
NC Justice Center Communica-
tions Specialist

Fifty years after National Geographic dubbed North Carolina the “Dixie Dynamo,” the state is booming. The population jumped 18.5% between 2000 and 2010, with the major metropolitan areas leading the way. Charlotte’s population grew 35.2% throughout the decade; Wilmington grew by 40.4%; and most impressively, Raleigh ballooned by 46.3%.

Census data show North Carolina had one of the highest rates of in-migration from other states throughout the 2000s, with individuals, families and companies flocking to the state, thanks to the promise of world-class universities, technology and research industries, low cost of living and housing, and a great quality of life from the mountains to the beaches.

Even as the state’s economy waxed and waned, companies arrived in the Old North State in droves. After shifting away from an economy based in tobacco and textiles, clusters of high-tech, high-paying research, health care and technological jobs in North Carolina’s metro areas boosted the state’s profile. Throughout the first decade of the 21st century, business publications lauded North Carolina as one of the top states for competitiveness.

“Over a quarter of a century, North Carolina diversified its economy,” said Ferrel Guillory, a journalism professor and director of the Program on Public Life at the University of North Carolina at Chapel Hill, explaining how the state has continued to grow despite two damaging recessions. “The diversification of the ‘80s and ‘90s, the growth of the Raleigh-Durham-Chapel Hill and Charlotte-Mecklenburg areas, and the emphasis on higher education gave the state a momentum that carried it through some of the hard knocks of the last decade.”

Education – NC’s “Bread and Butter”

Yet that momentum may be at risk. Despite diversification of the state’s manufacturing base and growth in the state’s metropolitan areas, North Carolina currently faces a dire jobs deficit. As of June, the state tied with South Carolina for the fifth-highest unemployment rate in the country at 9.4%, with high rates even in areas

that did well during the recession and disastrously high rates in areas that struggled.

The in-migration of individuals to North Carolina from all over the nation has not slowed, even as job growth has failed to pick up again in the post-recession economy. As John Quintero, a principal with South by North Strategies, a research and communications consultancy, pointed out, “We continue to add people and not jobs,” and now the state is having trouble generating enough revenue to support what he called our “bread and butter areas,” including education.

Surveys that measure a state’s competitiveness often look at the number of college and high school graduates in a state – an indicator of a highly skilled, educated work force. North Carolina’s robust university and community college systems have attracted individuals and companies from around the world. Education is one of the state’s most important brands, and it’s a brand worth saving.

“I come down on the side of history of this state that teaches us when you have the universities, the business sector, and the government sector in harness, the state propels itself in a way that few other states have in the modern area,” Guillory said. “It takes that kind of both public and private propulsion to make a long-term difference.”

Yet the state known for its commitment to education investments is now facing across-the-board cuts to education, economic development, and job recruitment. There are more students going to college and yet less investment per pupil, Quintero said.

“A lot of services we are going to stop being able to offer,” he said. “You have community colleges asking, ‘What function do you want us to give up?’”

Creating a Damaging Cycle

Education cuts perpetuate a much larger issue in North Carolina, one that can fundamentally alter the future of its children. A recently released survey by Kids Count showed North Carolina ranks 34th in the country in terms of the overall economic well-being of its children, with 1 in 4 children living in poverty.

“Poverty affects the life trajectory of children,” said Laila Bell, director of research and data for Action for Children North Carolina. “Those children are more likely to have poor health outcomes and are less likely to graduate from high school. When they enter the workforce, they have reduced earnings potential, which impacts the economic stability of their family and ultimately the revenue base of our state.”

Forbes.com ranked Raleigh #2 on its list of Best Places for Business and Careers.

“Raleigh continues to be an attractive destination for companies with business costs 18% below the national average, according to Moody’s Analytics, and a highly educated workforce thanks to nearby schools like North Carolina State, Duke University and University of North Carolina.”

-- Forbes.com, June 27, 2012

Rankings of other North Carolina cities:

- #14 – Durham
- #17 – Asheville
- #18 – Charlotte
- #52 – Wilmington
- #72 – Greensboro
- #79 – Winston-Salem
- #150 – Fayetteville
- #189 – Hickory

North Carolina is currently failing to make investments that might help mitigate the negative impact of the recession for these at-risk children, Bell said, which will directly affect the state in the long term.

“We rank among the top states for business competitiveness,” Bell said. “But if we’re not making the kinds of investments we need to make sure that our children come out on the other end... We’re not going to have the skilled workforce we need to entice those companies that need to come and invest in our state.”

Bell added, “There’s really this waterfall that happens in other areas of well-being – economic security, health outcomes, public safety – that come from not making the types of preventative investments that help make sure that we have a healthy, well-educated citizenry.”

In short, a supported education system and subsequent educated workforce can make all the difference in a state’s growth and expansion as well as the lives of its citizens. For Guillory’s part, he thinks it will be crucial to ensure that North Carolina is both equitable for its citizens and competitive for business.

“North Carolina has the potential to remain a dynamic economy, one that’s attractive to people around the country and around the world,” he said. “The more equitable our society, the more likely it is to be competitive. And the more competitive our people are, the likelihood our society will be more equitable. We’ve got to attend to our economy, but we’ve also got to attend to our soul.” ■

What Expansion Would Mean for North Carolina

Refusing to expand Medicaid would mean turning down \$20 billion in federal funds that would flow to the state over ten years to help cover the uninsured.

It would mean imperiling the financial solvency of many rural hospitals that currently provide a lot of free care and are struggling; under Medicaid expansion, they would see a significant and much-needed increase in their numbers of insured patients.

And rejecting Medicaid expansion would mean allowing 2,840 people to die every year unnecessarily.

That last point comes from a recent Harvard study published in the *New England Journal of Medicine*. The authors examined states that dramatically expanded Medicaid in recent years and those that did not. Researchers compared states with similar demographic profiles and ruled out reasons why people in one state

might live longer than people in another state.

They found that expanding Medicaid by 500,000 enrollees is associated with 2,840 fewer deaths. Medicaid, the authors concluded, likely saves lives.

That makes sense. You can't catch cancer early enough to treat it effectively if you can't afford screenings, which are not provided free in the emergency room. To get them you need to visit a doctor and you will need to have insurance or cash. You also can't get treatment for high blood pressure or diabetes if you don't know you have the condition and you can't afford the medication. In North Carolina the Medicaid expansion would cover more than 500,000. So that's 2,840 lives saved every year.

Providing Life Support to Rural Hospitals

Expanding Medicaid will not only save lives, it will also save hospitals. In some rural areas of the state, hospitals

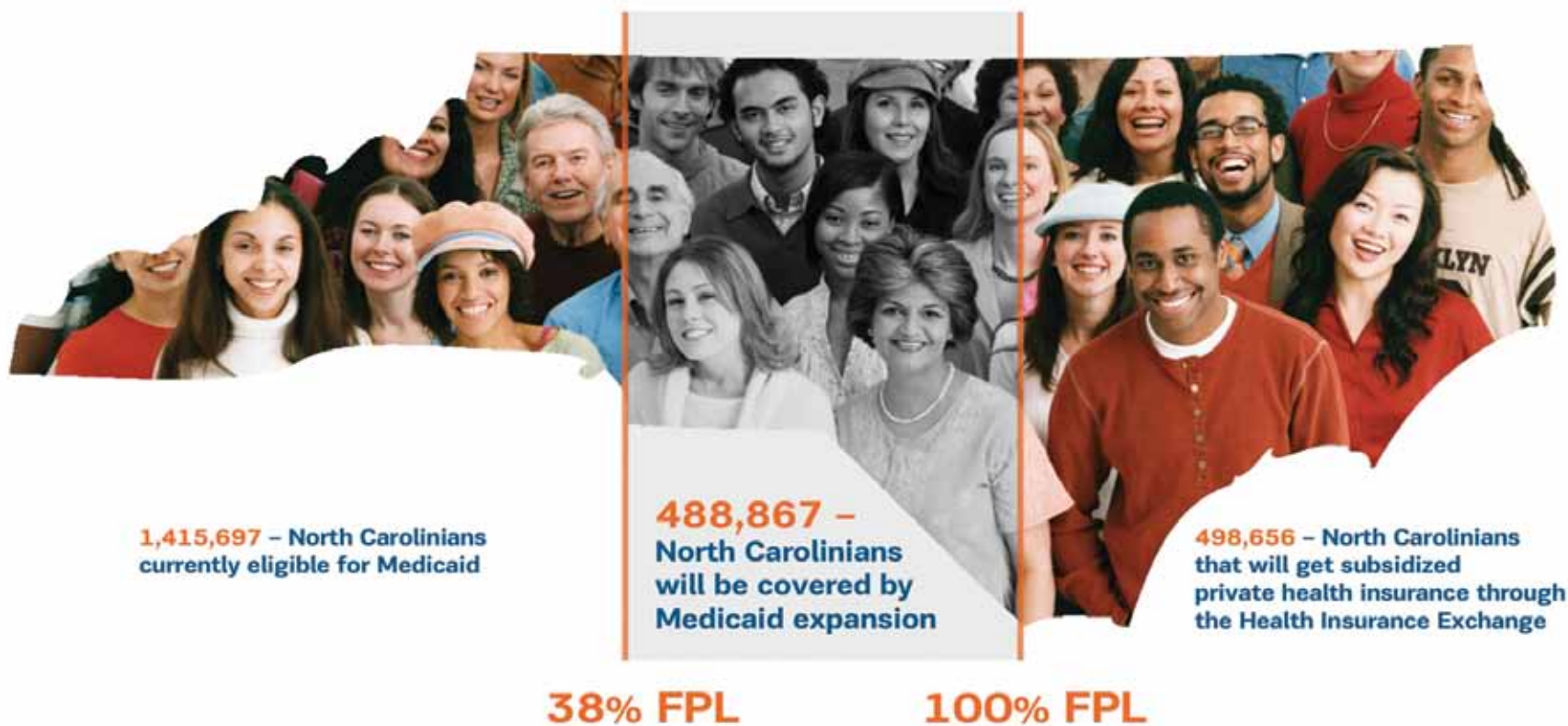
provide free care to patients who can't afford hefty medical bills—and that's many, many people in North Carolina's rural communities. Because health reform legislation banks on new patients possessing Medicaid cards, the law phases out federal funds to help support hospitals that provide large amounts of free care. Many hospitals will also see reduced reimbursements for Medicare as policymakers try to rein in spending.

North Carolina hospitals can weather these changes with an influx of newly insured Medicaid patients. But if Medicaid is not expanded, several hospitals may tank, resulting in a dramatic decrease in the availability of quality care in rural communities.

It's now up to the legislature. Lawmakers can save the lives of thousands of constituents and save local hospitals. They should be glad for such an opportunity. ■

Medicaid Expansion Completes the Picture in North Carolina

Nearly **half a million** North Carolina working-age adults and children will get health coverage through the Medicaid expansion in 2014 - **many for the first time.**



Under the Medicaid expansion, individuals earning between zero and 138 percent of the federal poverty limit will be eligible for health coverage through the Medicaid program. However, individuals and families will only be eligible to purchase subsidized health insurance policies through the state's Health Insurance Exchanges if they earn 100% FPL or more. This means that individuals and families earning less than 100% are not eligible to purchase subsidized insurance policies through the exchange - hence, the gap in coverage. In effect, individuals and families between 100% and 138% FPL can choose between Medicaid coverage and subsidized private health insurance coverage. However, without the Medicaid expansion, North Carolinians earning between approximately 38% and 100% FPL will be left with no viable option for obtaining health insurance, either public or private. Under current Medicaid eligibility standards in North Carolina, adults between the ages of 18 and 65 without dependent children are not eligible for Medicaid unless they have a qualifying disability. Adults or caretakers of children under the age of 19 may be eligible for Medicaid if they are extremely low-income, defined as having resources (financial or non-liquid assets) of \$3,000 or less and an income of approximately 38% FPL. Since adults age 65 and older are eligible for public insurance (Medicare) under existing law, the Medicaid expansion will primarily affect non-disabled, working-age adults and children. Estimates of Medicaid current-eligible population, Medicaid expansion population, and HIE subsidy-eligible participation in 2014 were taken from the North Carolina Health Benefit Exchange Study prepared for the North Carolina Department of Insurance by Milliman, Inc., in December 2011.

a great place to live and do business.

North Carolinians who want to start and expand businesses must have access to the technical assistance and capital that will allow them to bring their ideas to market. State-supported community development finance institutions, which make small loans for businesses to start up and expand, particularly in underserved and minority communities, play an important role in business development. So do the state's Small Business Centers—but they have been defunded. That's a fixable problem.

Any manufacturing company needs good roads on which to transport its products. But more than 5,000 of the state's 13,000 bridges are structurally deficient or functionally obsolete, and more than one-third of the state's primary and secondary roads are in poor or mediocre condition, according to the NC Department of Transportation. That is a fixable problem, too.

Pharmaceutical and other science-related companies need workers with credentials ranging from community-college certificates to associate's degrees to doctorates. But state investments in the community college system and the public university system have dropped 4.3% and 11.1%, respectively, since 2007, even as enrollment has jumped. Another big—and especially pressing—problem the state legislature can fix.

Providing Workers with a Path to Better Jobs

This issue of decreased funding for post-secondary

education is of particularly damaging to job creation. A recent report in USA Today (August 10) found that companies are cutting their training programs and instead are only willing to hire workers who already have the skills they need.

The NC Community College System is a vital pipeline for employers seeking workers with skills beyond the high-school level. Several community colleges in North Carolina have innovative career pathway programs—a series of connected education and training programs and student support services—that enable individuals to secure a job or advance in a skill-demanding industry or occupation. For example, Pitt Community College has a program focused on energy efficiency/weatherization construction, repair, and maintenance.

A growing body of research shows that career pathway programs are an effective way to improve economic outcomes not only for dislocated or discouraged workers but also for businesses and local communities, which benefit from a higher-skilled workforce.

But in order to build a more inclusive economy, career pathway programs must be accessible to low-income residents who rely heavily on public transit to access employment and education networks. Sixty percent of North Carolinians traveling to work by means of public transit have incomes at or below \$25,000. Many low-income residents rely on the public transit systems due to high transportation costs—such as the cost of a vehicle, insurance premiums, and operating expenses—which

account for the second largest share of expenditures for the typical American household.

Even though strong transit systems enhance transit-dependent residents' mobility and ability to connect to opportunities like job training programs, the state legislature reduced investments in public transit grants by nearly \$2 million. The pathway to better jobs must consider residents' access to transportation options to ensure that low-income residents will not be left behind as new opportunities enter their communities. This is especially true in suburban and rural areas where the transit systems are less robust compared to urban areas.

Building Stronger Public Structures

Developing and promoting access to career pathway programs is just one way state leaders can move North Carolina toward an economy that works for everyone. Investments in other public structures are necessary too – better schools (see page 4), more access to the health care system (page 3), and a smarter justice system (page 5). And don't believe the hype that North Carolina can't afford to make these investments; it can, with a fairer and better revenue system (page 3).

No state or country ever got ahead by cutting its investments in its people and its public structures. North Carolina has the resources to make the investments necessary to create an economy that works for everyone. ■

North Carolina Can Soar (Continued from page 4)

•**Emphasize critical-thinking skills.** One of the problems with high-stakes multiple-choice testing is that it generally favors rote memorization over the application of critical-thinking skills. Students may soon forget memorized facts, but they never lose the thought processes they develop from thinking critically. Maryland, like the nations that lead the world in student achievement, has developed assessments that test critical-thinking ability. As a result, students are better prepared for high-skill jobs.

•**Elevate the teaching profession.** Maryland is committed to making teaching a desirable and high-status profession. The average teacher salary is \$64,000, compared to \$42,000 in North Carolina. Maryland also has high professional-development standards, provides mentoring by master teachers, offers teaching academies, and supports new teachers with induction programs. By contrast, North Carolina cut all state funding for professional development in 2011, did away with the Teacher Academy, and cut funding for teacher

mentoring.

•**Provide high-quality early learning.** The National Institute for Early Education Reform (NIEER) ranks Maryland in the top 10 states for its pre-kindergarten program. Research on pre-kindergarten shows it improves the academic performance of all children, particularly for economically disadvantaged students. Everyone from education experts to economists like Nobel Prize winner James Heckman agrees that pre-kindergarten is not only effective but also economically efficient—meaning, if you provide kids with quality pre-kindergarten education, they do better and cost the state less throughout their academic careers.

North Carolina also has a high-quality pre-kindergarten program called NC Pre-K (formerly More at Four), which is ranked in the top three in the country by NIEER. However, the state legislature eliminated 20 percent of prekindergarten slots in the 2011 budget and has not replaced them. Throughout North Carolina, at least 12,750 children are stuck on the most recent waiting list

for NC Pre-K.

•**Link local education interventions to research.** Individual school districts in Maryland have demonstrated a willingness to enact comprehensive reforms that are linked to educational improvement. Economically integrated housing (also called inclusionary zoning) began in 1976 in Montgomery County, MD, one of the highest-achieving districts in the nation. Lower-income students from Montgomery County have significantly outperformed their peers in high-poverty schools during this period, resulting in large overall proficiency gains for Montgomery County students. As a result, the achievement gap has been cut in half for math and by one-third for reading.

Policy makers should look to educational interventions such as these that have a proven track record of success for improving student learning. Doing so can put North Carolina's public schools on the path to becoming a truly world-class educational system that will enable the state to thrive for years to come. ■

▶ A Baffling Decision



By **Chris Fitzsimon**,
NC Policy Watch
Executive Director

while turning their lives around.

It not only helps the offender, it saves the state big money. The program costs a few thousand dollars for each participant, roughly a tenth of the almost \$30,000 a year it costs to keep a person behind bars.

Numerous studies show the program works. One found that 75 percent of the graduates of drug court were arrest-free two years after finishing the program.

It is one of a handful of programs supported by both prosecutors and advocates for alternatives to incarceration. In fact, it's hard to find anyone who thinks the drug courts are a bad idea.

But that didn't stop budget writers in 2011 from ending state support for the operations of the program. Then lawmakers came back this summer and abolished state funding for the treatment services that the program provides.

The rationale for this year's cuts was that the operations funding had been cut the year before. That doesn't make any sense. They could have restored the

funding instead—it was only a few million dollars in a \$20 billion budget—but they decided to end it entirely.

No legislator publicly questioned the drug court's effectiveness or the long-term savings it could provide, not to mention its value in giving people the chance to turn their lives around.

A few lawmakers did complain that not every county had a drug court, which was true. They were operating in fewer than half the state's 100 counties, though plans were underway to expand when more funding became available. There doesn't seem to be much logic in eliminating a highly successful program that saves money and lives because it isn't in place everywhere.

Republicans and Democrats across the country support drug courts, so it's not really a partisan issue. Republican Governor Chris Christie of New Jersey recently began requiring that nonviolent drug offenders enter treatment programs instead of prison, saying drug addiction is an illness that needs to be treated.

Supporting drug treatment courts also

doesn't mean you are soft on crime. District attorneys and law enforcement officials are some of the strongest proponents of the program.

A couple of years ago the Wilmington Star-News reported on the graduation ceremony of seven people who had completed the Brunswick County drug court program. They included a woman who had been addicted to heroin since she was 17.

She was arrested in 2009 and entered the drug treatment program the following summer and graduated drug-free while managing to keep her job and maintain her relationship with her family. That woman would have been sent to prison if the drug court hadn't existed.

Drug offenders from now on are not likely to have that second chance because of the decisions made by state lawmakers in the last two years. And the state will spend \$30,000 to keep each offender locked up instead. ■

The **2011-2012 General Assembly** made a host of troubling decisions in the last two years on everything from education to environmental policy. In most cases lawmakers offered at least some claims or evidence or some ideology to support their actions.

But a few decisions were simply baffling regardless of your political philosophy, policy views, or partisan leanings. One of them was the legislative leaders' insistence on ending all funding for the state's drug treatment courts.

The courts are one of the state's success stories. They provide a tough but effective treatment option for drug offenders which allows them to stay out of prison, stay with their families, and often pay restitution to their victims, all

▶ The Tourism Industry Strikes Again



By **Rob Schofield**,
NC Policy Watch
Director of Research
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struck again. They prevailed upon friendly conservative lawmakers to insert a subtle change into a last minute "technical corrections" bill that dramatically changes the school attendance requirement for one-and-a-half million school kids in the state.

Previously, North Carolina schoolchildren were required to attend school for a minimum of 180 days and 1,025 instructional hours over a period of nine calendar months. Local districts had a great deal of flexibility as to how these hours and days were apportioned, but the bottom-line requirements were firm. In 2011, the legislature increased the minimum number of days to 185, although essentially all districts were granted waivers that allowed them to use the traditional number of 180.

Under the last-minute change, however, the "and" in the requirement

was changed to an "or." Thus, the new law requires attendance of 185 school days or 1,025 hours of instruction. Small Change, Big Impact

This switch from and to or is a big deal. Under the old law, the 185-day requirement (180 under the waivers) was the more rigorous standard. Given the length of a typical school day, most districts surpassed the 1,025-hours requirement well before the end of the school year.

With six hours of instruction a day, a district can meet the 1,025-hour requirement in 171 days. A district that lengthens the school day to 6.5 hours could fulfill its requirement in 158 days. A seven-hour day reduces the year to 146 days.

In light of the huge budget cuts imposed by the General Assembly in recent years—North Carolina K-12 schools will

have \$190 million less in state funding for the coming year and at least 12,000 more students—it's likely cash-strapped school districts will move to take advantage of this change.

Got that? As part of a last minute deal driven by the tourism industry, North Carolina just effectively shortened its school year by as much as three weeks or more.

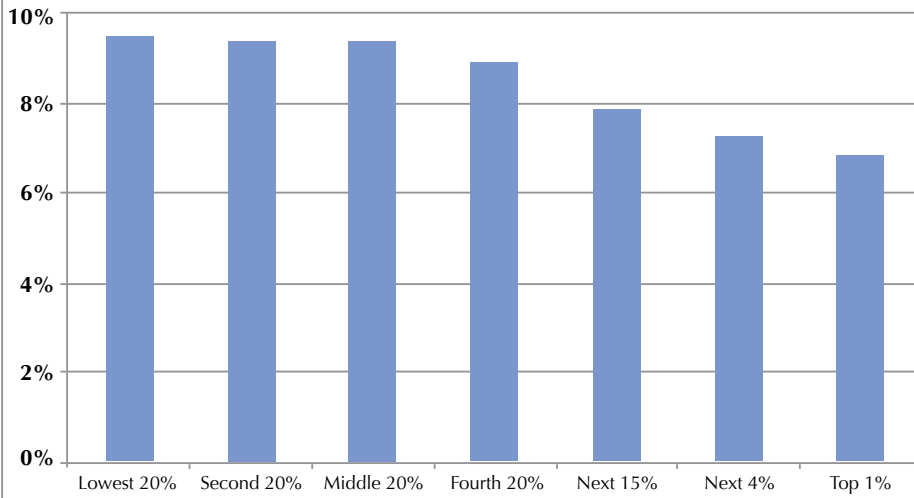
For years now, numerous education experts have been calling for American schools to lengthen their school years – both to compete on the world stage and in order to reduce the brain drain that frequently afflicts American students during long summer breaks.

And while there are certainly differing (and legitimately so) opinions on the school-year issue, it strains the imagination to think that the solution to what ails American schools and students

Figure 2

Low- and Middle-Income Families Pay Greater Share of Income in State and Local Taxes than Wealthy

State and Local Taxes as a Share of Household Income in North Carolina



Source: Institute on Taxation and Economic Policy - November 2009
Includes "federal offset" for reduced federal income taxes for state and local taxes deducted from federal taxable income

their fair share—North Carolina’s working families.

Restoring Fairness

Currently, North Carolina requires low-income families to pay a greater share of their incomes in taxes than wealthy families do (see Figure 2).

In order to be fair, a tax system should ask North Carolinians to contribute based on their ability to pay. This is important for economic, moral and social reasons.

The pure economics of collecting taxes from those who can least afford it, or who have seen the least growth in their incomes over time, creates fiscal challenges because revenue is less likely to grow with the size and needs of the population. From a moral perspective, the current system leaves low-income families with fewer dollars for basic

needs such as food and shelter. And finally, when the public perceives a tax system as unfair, it is more difficult to build widespread support for the critical role that taxes play in investing in communities.

To achieve a more equitable tax system that can support the investments necessary to grow our economy and expand opportunity, North Carolina must reform its current tax system. In short, North Carolina needs to maintain and enhance the progressive income tax, reconfigure the sales tax so it’s broader but also less burdensome on low-income families, and make sure corporations are paying their fair share.

Needed Reforms

Income Tax Reform – The personal income tax is the state’s largest source of

revenue. It is also the best able to grow with the economy over the long term. It is critical that the income tax base upon which the rate is applied – taxable personal income – is broad enough to capture economic activity.

Equally important is preserving our progressive rate structure so that those earning the most are contributing according to their means. We also need to make the income tax more progressive by allowing fewer costly exceptions that disproportionately benefit high-income individuals and profitable businesses.

Finally, strengthening the state’s Earned Income Tax Credit contributes to a stronger economy by putting money in the hands of low-income families, who are more likely to spend those funds on goods and services locally than higher-income families are, further fueling North Carolina’s economic recovery from recession.

Sales Tax Reform – Right now, North Carolina’s sales tax exempts most services from taxation. As North Carolina has shifted from an agriculture- and manufacturing-based economy to a service- and technology-based economy, the sales tax has become less and less effective at capturing a share of North Carolina’s economic activity for public reinvestment. By adding most services to the sales tax, the state can actually lower the sales-tax rate and still raise needed revenue. While expanding the sales tax base alone will disproportionately impact low-income families, who spend a greater share of their incomes on the goods they need to survive than do wealthier families, the negative impact of expansion can be offset by increasing the state Earned Income Tax Credit.

Corporate Tax Reform – There are

numerous multi-state and multi-national companies in North Carolina that make millions in profits from business transacted here in North Carolina, but pay very little in taxes toward the maintenance and expansion of the public structures that make their businesses profitable. North Carolina’s tax laws enable these corporations to avoid paying taxes by shifting profits earned in North Carolina to their subsidiaries in other states that have no corporate income tax.

That would end with “mandatory combined reporting.” This much-needed reform would require each parent corporation and its subsidiaries to “combine” for state tax purposes and file a joint tax return, making it far less possible for these companies to shield their North Carolina profits from fair and equal taxation.

Investing in North Carolina’s Future

Increasing fairness in the tax system will also increase revenue, enabling North Carolina to make needed investments in critical public structures that provide the foundation to community well-being, economic opportunity and business success.

When a state has the funds available to make proven investments in education, skills training, well-being and competitiveness, the returns are great. Investments made with tax revenues contribute to greater economic opportunity and higher educational attainment, and they support the expansion and attraction of businesses. The mortar in the foundation of economic opportunity is our collective investment in our communities through taxes. ■

Tourism Industry (Continued from page 10)

is for them to attend school two or three weeks less each year.

A Backroom Deal

Regardless of how one feels about the substance of the issue, the truly noxious

part of this major policy shift was the way it happened. Rather than holding open public debate in which experts, parents, and the public-at-large could follow along and participate, the conservative leadership of the General Assembly fell

back on what has increasingly become its default method of governance: a secret, late-night, backroom deal with a well-connected, big-money special interest group.

It’s an approach that stands in stark

contrast to their promises of transparency and honesty upon assuming office in 2011 and one that does not bode well for our schoolchildren or the state they will inherit in the years to come. ■

opportunities to provide for themselves. Rehabilitation and reintegration are the stated goals, but far too often laws and personal preferences force men and women with criminal records to the fringes of communities—far adrift from the normalizing, day-to-day relationships that support reintegration.

Community safety is, as it should be, the first priority, but the state has created a peculiar circumstance of exclusion that often facilitates re-offending. We suffer a heavy toll for these contradictions: North Carolina's three-year recidivism rate is 40 percent, and the state spends \$1.2 billion a year on incarceration.

Stopping the Revolving Door

North Carolina's leaders have begun to realize that a revolving-door criminal justice system is unfair, costly, and unsafe, and they are working to end it.

In 2010, Governor Bev Perdue's StreetSafe Task Force provided a host of recommendations for additional re-entry services and reforms of state practices. Following one of the task force's recommendation in 2011, the state legislature gave the state's courts the discretion to grant a "certificate of relief" to an individual with a misdemeanor or low-level felony conviction if the court is satisfied he does not pose an unreasonable risk to society. Certificates of relief transform most automatic sanctions into discretionary disqualifications. They also protect employers who hire certificate holders against

negligent hiring liability

In early 2012, the NC General Assembly's Committee on Criminal Record Expunctions proposed legislation providing for the expunctions of first-time nonviolent offenses. The legislature passed the bill and, as of December 2012, courts will have the discretion to expunge first-time nonviolent misdemeanors and felonies after 15 years of good behavior. This measured but historic legislation represents the first time expunctions of nonviolent offenses are generally available to individuals regardless of their age at the time of the offense.

These executive and legislative efforts are significant steps toward creating a reentry system that works for all of us. Ultimately, North Carolina needs a re-entry system that meaningfully restores opportunities and resources to people with criminal records based on individualized assessments of risk and need. Not only is such a system more just, it better ensures safe communities.

Luther is now eligible for both an expunction of his nonviolent felony conviction and a certificate of relief. These tools of relief offer Luther an opportunity to finally move beyond a mistake that has defined much of his life and more fully provide for his family and contribute to his community.

**We omitted Luther's last name at his request. ■*

One Battle (Continued from page 5)

by presenting the amendment as part of a broader struggle. After all, the same policymakers who proposed the constitutional ban sought to reduce taxes on the wealthy while cutting unemployment benefits in the middle of a recession. These politicians continue to push

to restrict immigration, cut funds for education, build multi-million-dollar prisons, suppress voting rights, and curtail protections for workers.

Different Communities, Similar Needs

Anti-amendment organizers viewed marriage as one important goal for the gay rights movement because it makes same-sex couples eligible for a specific set of rights and, for some, offers access to an important spiritual and cultural tradition. However, many recognize that the ability to marry will not in and of itself significantly improve the lives of many LGBTQ people, especially those not coupled. Like everyone else, LGBTQ people need a living wage, quality public schools, protections on the job, and affordable and accessible health care.

Local organizers understood their coalition work against the amendment not as a one-time protest but as laying the foundation for a broad-based social movement. This vision is already taking shape in many different parts of the state. Every majority-black precinct in the state's five major cities rejected the amendment, and thousands of people in rural North Carolina also voted against it.

Ending the Cycle of Recidivism

People with criminal records often can't get the social supports they need to become self-sufficient and successfully reintegrate with society. A labyrinth of state and federal laws deny them access to many traditional social supports, and there are not enough private reentry-focused service programs in North Carolina to meet the need.

To address these inadequacies, the General Assembly recently established a pilot program for a statewide network of local reentry councils that will coordinate the delivery of services and respond to gaps in resources. A statewide reentry advisory board will make recommendations to the Department of Public Safety regarding any gaps that local reentry councils identified but were unable to plug.

Of course, the local reentry councils' success will be dependent on the actual availability of reentry-specific resources. Fortunately, North Carolina's justice system is set to save more than \$250 million over the next six years thanks to the Justice Reinvestment Act, which makes numerous cost-saving changes to the corrections system, such as placing many more individuals on community-based supervision rather than in prison beds. If a significant portion of this expected saving is reinvested in reentry supports, North Carolina's communities will become safer and more inclusive.

In May, rural activists held a rally in Newton, NC, a town of about 13,000. More than 2,000 people protested the hate comments of a local pastor, holding signs including "Sexism, Racism, Homophobia, Anti-Semitism: Same CRAP, Different Victims," "Libertad Para Todos," and "Queer and Straight, Black, Brown and White, We're United for Our Rights."

The activists in Newton, as well as hundreds of thousands of people in North Carolina, are building a long-haul justice movement that goes well beyond marriage equality. As one sign from the Newton rally read, "Our Vote Against Amendment One was Just the Beginning."

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African-American clergy participated in the rally against bigotry in Newton. Photo courtesy of Manju Rajendran.