

## ► Poverty Tour Exposes Lack of Economic Opportunity

*Calls for greater investments in education, job creation, and development of rural communities*



By **Julia Hawes**, NC Justice Center  
Communications Specialist

**DURING A LEGISLATIVE HEARING** in early March, State Rep. George Cleveland of Onslow County said extreme poverty doesn't exist in North Carolina. But a drive through communities in the northeastern and southeastern regions of the state proves otherwise.

The poverty rate in North Carolina grew 22 percent from 2007 to 2010, for a total of 1.6 million residents living in poverty. More than 728,000 North Carolinians lived in "deep poverty" in 2010, meaning their families' incomes were less than half of the federal poverty level, roughly \$11,000 a year for a family of four.

The Truth and Hope Tour of Poverty in North Carolina—a statewide tour of rural counties and inner-city neighborhoods where North Carolinians struggle to find work, decent housing, transportation, and sufficient food for their families—found that data showing wide swaths of poverty across the state are painfully accurate.

### Truth and Hope Tour

Led by the North Carolina NAACP, a group of social- and economic-justice organizations—the NC Justice Center; the UNC Center on Poverty, Work & Opportunity; the Institute for Civil Engagement and Social Change at NCCU; and AARP NC—visited some of the most impoverished areas of North Carolina in January and March as part of the Truth and Hope Tour (see map on page 6). Poverty has touched the lives of all residents in these communities, and they seemed baffled at the idea of politicians questioning just how difficult their struggles have been.

"We have moved from a place of discomfort with poverty to comfort, to beating up on the poor," said Rev. Dr. William J. Barber II, president of the NC NAACP, at a town hall meeting in Wilmington.

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The Truth and Hope Tour holds an event at the Opportunities Industrialization Center in Rocky Mount. Credit: Jeff Shaw

## ► Dismantling Pathways to Economic Mobility in NC

*New state budget shifts asset-building resources to those with the most assets*



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

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Policy Analyst for the NC  
Justice Center's Budget &  
Tax Center



**ONE OF THE PRIMARY ROLES** of government is to create pathways to opportunity that build and support a strong middle class. However, recent state budget decisions have reduced or eliminated funding for many of those pathways and threaten to severely limit economic mobility in North Carolina.

### Abandoning Mobility

Economic mobility has stagnated in the United States over the past several decades. Analysis by the Pew Center on the States' Economic Mobility Project shows that nearly half of children born into low-income families in the United States today will be low-income as adults.

Economic mobility is undermined by income inequality, which has reached historic levels nationally. In North Carolina in 2010, the wealthiest 20% of households held half of all the income in the state, and they had an average income 26 times greater than the average income of the poorest fifth of all households in the state. With so much of the nation's wealth concentrated at the top, there is simply less wealth within the reach of low-income families, no matter how hard they work.

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# ▶ 10 Ways Health Reform Fights Poverty



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

The kryptonite of any attempt to fight poverty in the United States is our entangling and mangling health care system. Low-income families are often locked out of our expensive health insurance system, so they are one diagnosis away from financial disaster.

Now, after a century-long fight, we are tantalizingly close to implementing national health reform. The Affordable Care Act, which is sometimes derided as “Obamacare,” is a sweeping assault on poverty. Here are ten ways the law will reduce inequality.

**1. CURRENTLY, IT IS DAUNTINGLY DIFFICULT** to qualify for Medicaid. Parents in North Carolina can only receive Medicaid assistance if they are extremely impoverished; even a measly unemployment check can push people out of Medicaid in our state. Non-disabled adults without children do not qualify for Medicaid no matter how poor.

In 2014, this changes. A family of four earning about \$30,000 per year automatically will be eligible for Medicaid. For the first time in our nation's history, we will have a health insurance safety net thanks to this expansion.

**2. BECAUSE MEDICAID IS A PROGRAM** that protects our most vulnerable citizens—including seniors, children, and people with disabilities—it is often the target of state budget cuts. Health reform, however, prevents states from kicking people off of Medicaid.

**3. NOT ONLY DOES REFORM PROTECT MEDICAID**, it extends through 2015 the Children's Health Insurance Program, which provides health coverage for children from families that earn too much for Medicaid but not enough to afford private insurance. That means the tens of thousands of North Carolina children served by this program will continue to have care while health reform is implemented.

**4. ANOTHER IMPORTANT ANTI-POVERTY PROVISION** in health reform is the subsidy to purchase private insurance. For a family of four with a household income of less than \$90,000 per year, the government will help cover the cost of insurance premiums. Imagine such a family with annual

earnings of \$40,000 where the primary insurance holder is 50 years old: insurance will cost an estimated \$16,858 per year for that family in 2014. But thanks to health reform, the family will pay about \$1,982 a year for insurance.

**5. HEALTH REFORM NOT ONLY HELPS** with premiums, but it caps out-of-pocket expenses. In the example above, the family's total spending for medical expenses would max out at \$4,167. Studies show that 60 percent of personal bankruptcies filed in the United States are due in part to medical debt. Limiting out-of-pocket expenses will combat that trend.

**6. SUBSIDIES AND COST-SHARING CAPS** are only helpful if people can buy insurance. Health reform ensures that, for the first time, policies are available to everyone. Starting in 2014, insurance companies can no longer refuse to sell an insurance plan to someone with a pre-existing condition.

**7. ALL INSURANCE PLANS WILL OFFER** more coverage in a few years, and thanks to health reform, every policy will include a guaranteed package of benefits. That means insurance salespeople will no longer be able to con consumers—usually low-income people—into purchasing plans that don't cover a hangnail, much less a hospital visit. This practice will end in 2014.

**8. LOW-INCOME FAMILIES NEED NOT WAIT** until 2014 to gain a new measure of financial security. Today insurance companies can no longer impose lifetime limits on insurance policies. That means patients will not exhaust their benefits halfway through cancer treatments.

**9. MEDICARE BENEFICIARIES**, which include many low-income seniors and adults with disabilities, can now get preventive care and recommended health screenings without paying anything at the doctor's office.

**10. AND, FINALLY, NEW TAX CREDITS** are available to small businesses to help them offer health coverage. Many low-income families include breadwinners employed by small businesses with skimpy benefits. Now there is an incentive for those businesses to cover employees, especially those on the skinny end of the wage scale.

Fixing our health care system is not enough to end inequality in North Carolina, but we can't end inequality without fixing our health care system. That is why we can't let the Affordable Care Act fall, no matter what blows the Supreme Court or Congress land against it. Our lives, and the lives of our neighbors, hang in the balance. ■



**North Carolina  
Justice Center**

*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.

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- Education & Law Project
- Consumer Protections & Housing Project
- Immigrant & Refugee Rights Project
- Health Access Coalition
- NC Policy Watch

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Diane Gill Morris



# ► Wage Theft: Robbing Workers of a Fair Day's Pay

*When employers don't pay, families and communities suffer, but some workers have little recourse*



By **Sabine Schoenbach**, Policy Analyst for the NC Justice Center's Workers' Rights Project

**WHEN SARAH\* WAS OFFERED** a job at her son's Triangle-area daycare center, she jumped at the chance. Having recently received a degree in child development, she had been searching for a job in her field, and this position would let her spend her days closer to her son. Looking back on that time, Sarah remembered thinking, "It's a job and I get to be with my son... What could go wrong?"

When she was hired, Sarah didn't know the daycare was extremely understaffed and that she would be asked to care for 27 children ages 3 to 12 for hours at a time. She could not have imagined that due to the understaffing, bathroom breaks for teachers would be a rarity. "There is no one to relieve us because everyone's classrooms are at capacity, so you can't leave the classroom for two minutes to go to the bathroom," she said. Six teachers in six classrooms at the daycare had left within the preceding year.

On top of the poor working conditions, Sarah started noticing that hours were missing from her paycheck. A full day of training was uncompensated, early mornings spent getting her classroom ready were not counted, and curriculum planning was considered "volunteer time."

When she asked her supervisor about the missing hours, she was told that these tasks were expected but did not constitute paid time. Sarah said, "Coming in early to make sure that my classroom is set up is a requirement, which makes sense, except that you are not getting paid for that time."

Curriculum planning was also expected to be done on teachers' own time. "[We] are expected to do it on our lunch break or before work or after work or during nap time—but that's when we are required to be cleaning, filling out daily forms, dealing with bathroom breaks," Sarah said. "There is no time to work on the curriculum... When I go home at the end of the day, I'm still expected to be working on a volunteer basis."

## **Wage Theft is Widespread**

Wage theft—the illegal underpayment or non-payment of workers' wages—can take on a number of

forms. Employers may commit violations of minimum-wage and overtime standards or simply underpay or not pay promised wages.

However it manifests, the effects of wage theft can be severe. Sarah described how overtime hours were routinely underpaid at the center, yet her co-workers were coming in "early and leaving late every day in anticipation of overtime hours." Earning that legally required time-and-a-half overtime pay was significant for teachers getting paid \$10 per hour.

Recent research has shown that wage theft is widespread in industries that pay low wages, including child care. A National Employment Law Project (NELP) survey of more than 4,000 workers in New York, Chicago and Los Angeles found that wage and hour laws are regularly and systematically violated in such industries and that "the framework of workers protections that was established over the last 75 years is not working."

More than three in four workers surveyed were not paid the legally required overtime rate, and 70 percent of those who came in early before or stayed late after their shifts did not receive any pay for the extra hours.

## **Numbers Understate Wage Theft in NC**

The scope of wage theft in North Carolina is difficult to measure, but data from the North Carolina Department of Labor's Wage and Hour Bureau shows that, similar to the national trends, wage and hour complaints are more likely to occur in low-wage industries such as child care, home health care, restaurants, and construction. In fiscal year 2010-11, the bureau investigated more than 3,000 employers and cited 1,651. Investigators found employers owed North Carolina workers more than \$4.6 million.

These numbers likely underestimate the occurrence of wage theft in the state. Workers may fear retaliation, hang on to bad jobs because of lack of other job options, or have difficulties seeking redress. Sarah ultimately submitted her resignation. Nothing changed even after she took her concerns to her supervisor. While she wanted to retain a stable environment for the children—they were still getting over the last teacher leaving—she had reached a breaking point:

Frankly, none of it is right for the kids, which is why we are supposed to be there. You end up really feeling discouraged. You are just trying to get through every single day and then you look at your paycheck and you get so frustrated.

Sarah's co-workers were surprised when she resigned. "Several of the other teachers were amazed that I stood up for myself," Sarah noted. They told her they were scared to complain for fear of losing their jobs.

## **Protecting Workers, Stopping Wage Theft**

Americans have long believed that hard work should be rewarded with fair wages, and rising outrage over wage theft has led to local and state organizing efforts across the country. Anti-wage theft laws have been approved in such states as New Mexico, Massachusetts, Maryland, Illinois, and Washington. Last year, legislation to aid in the recovery of unpaid wages was introduced in North Carolina.

While North Carolina has laws on the books to ensure that workers are paid for all hours worked and to provide workers with access to basic wage protections, state leaders must ensure these laws are enforced. Also, without strong penalties for non-compliance, employers have little incentive to follow the law. By strengthening protections and improving enforcement of wage theft laws, North Carolina can reinforce the value of work, help struggling families, and accelerate the economic recovery. ■

*\*Sarah's name has been changed. Her story is part of a joint qualitative research project by the Justice Center and the UNC Human Rights Policy Clinic.*

## **Are you a victim of wage theft?**

Wage theft can include:

- Being paid less than the minimum wage
- Not being paid time-and-a-half for overtime hours
- Misappropriation of tips
- Not getting a last paycheck after leaving a job
- Misclassification as an independent contractor

The Justice Center's Workers' Rights Project is conducting a wage theft story collection project. If you are a worker who has recently been a victim of wage theft, if you are a business owner who has been hurt by other businesses' unscrupulous practices, or if you are a service provider who has seen the impact of wage theft on your clients, we want to hear your story.

Contact **Sabine Schoenbach** at 919-856-2234 or [sabine@ncjustice.org](mailto:sabine@ncjustice.org).





## ► Virtual Charter School Pushing Its Way Into North Carolina Market



By **Sarah Ovaska**, Investigative Reporter for NC Policy Watch

**A QUESTIONABLE FOR-PROFIT** online education company is making an aggressive push to open a statewide virtual charter school, a move that would give Wall Street investors a share of North Carolina's education dollars.

K12 Inc. (NYSE: LRN) has spent the last year pursuing a proposal to open and run the North Carolina Virtual Academy, a proposed public school that teaches children an online curriculum at home. The Virginia-based company hired a team of state-level lobbyists, convinced the Cabarrus County School Board to partner with the company in exchange for a monetary kickback, and appears to have recruited some powerful political figures to help make its case.

In the online schools run by K12 Inc., students from kindergarten through 12th grade work through home computers and interact over the Internet with their teachers, while parents (called "learning coaches" by K12) monitor their work. In its proposal to Cabarrus County, the company said low-income students without computers or Internet access would receive computers from the company or could take their classes at a public

the legislature changes the charter-school law, a virtual charter school would be entitled to that full amount despite not having to pay for the physical classrooms that brick-and-mortar charter schools have.

K12 hopes to recruit 2,750 students in its first year and take in \$18 million in federal, state and local education dollars.

### National Criticism

More than two dozen other states have public virtual schools run by K12, the largest online education company in the country, and more than 80% of its revenue comes from taxpayer-funded online schools, according to K12 Inc. investor information.

Critical news articles from national outlets like the New York Times and Washington Post have questioned the quality of education the company offers, pointing to overbilling for ineligible students in Colorado and a Pennsylvania school where virtual students performed significantly worse than their public-school peers. A class-action investor lawsuit is also pending against the company, accusing company leaders of making misleading statements about the performance of K12's schools.

The mounting national attention does not appear to have dampened K12's interest in North Carolina. The company, through a newly formed non-profit organization named N.C. Learns, wants the N.C. State Board of Education to grant permission for the virtual charter school to open its portals this fall.

That comes despite the state board already having dealt with applications of so-called "fast-track" charter schools in March. Those "fast-track" schools will open this fall, and no additional charter schools will be able to open until the 2013-14 school year.

The operators of the would-be virtual school argue that because they have partnered with the Cabarrus County schools, the state board should have considered their application on a faster timetable. In exchange for giving preliminary approval to the virtual charter school, the Cabarrus school district was promised free use of K12's online products, as well as a 4-percent cut of the public education funding the virtual charter school anticipates receiving.

### Aggressive Tactics

N.C. Learns has asked an administrative law judge in the Office of Administrative Hearings to force the



state education board to review K12's charter school application. The non-profit hired state Sen. Fletcher Hartsell, a prominent, veteran GOP lawmaker from Cabarrus County, to represent its interests.

"By failing to consider, much less grant final approval to the Application, the SBE [State Board of Education] has substantially deprived NCVA [NC Virtual Academy] of its rights to form and operate the charter school approved by the [Cabarrus County school board], costing NCVA a substantial sum of money," Hartsell wrote in a motion.

The virtual school is also asking for at least \$10,000 in damages.

It's not clear who is paying Hartsell and his firm to represent the non-profit. Funding information about the non-profit was not yet publicly unavailable, and N.C. Policy Watch's questions about funders were not answered by Chris Withrow, the N.C. Learns board chair. Hartsell did not return several phone calls seeking comment.

The state board isn't eager to review the application from N.C. Learns and K12 Inc. and wants more information about the funding and quality of the virtual charter schools before taking up the matter, said Bill Harrison, the chairman of the N.C. State Board of Education.

"We're big fans of virtual education, but we all think this isn't something we need to jump into without doing some serious work," Harrison said. "There are some concerns around accountability and quality assurance."



*More than two dozen other states have public virtual schools run by K12, the largest online education company in the country, and more than 80% of its revenue comes from taxpayer-funded online schools.*

library.

In North Carolina, charter schools get a set per-student amount of funding (between \$7,000 and \$10,000, depending on the level of local funding) and, unless

# ► The Unintended Use—and Disturbing Consequences—of NC’s Charter Schools

*State policies threaten to rob traditional schools of funding and increase racial and economic segregation*



By **Christopher Hill**,  
Director for the NC Justice Center’s  
Education & Law Project

**THE NORTH CAROLINA GENERAL ASSEMBLY** spent much of the last legislative session trying to expand the charter school movement in the Old North State. State legislators passed—and the governor signed—a bill that eliminated the cap of 100 charter schools, which the original charter law set for the state. The legislature also required the State Board of Education to create an advisory board to ensure that getting new charter schools up and running would be a priority.

Originally, charter schools were supposed to be “laboratories of innovation” that gave teachers more autonomy. Today, North Carolina leaders have a strong but unproven belief that these schools will provide better educational choices for parents and students. The facts show that many charter schools do not serve the students most in need and precious few offer children a better quality education.

## The Origin of Charter Schools

In 1974, an education professor at the University of Massachusetts presented a paper entitled “Education by Charter.” Nothing came of the paper until the late 1980s when then-president of the American Federation of Teachers Albert Shanker mentioned the idea of allowing teachers to create schools within schools at the National Press Club.

Shanker’s idea was that teachers would apply and obtain charters from local school boards. These teachers would try innovative educational techniques, free from many of the regulations and restrictions of traditional public school, and if they were successful, they would share what they learned with others. Shanker also intended for the schools to serve the most at-risk students.

In 1991, Minnesota was the first state to pass legislation creating charter schools, although they were called “outcome-based schools” instead. The legislation said the purpose of these schools was to “encourage the use of different and innovative teaching methods” and to “create new professional opportunities for teachers.”

Licensed teachers could apply to start a school, and the approval process would be in the hands of the local school board.

Sadly, these ideals—that charter schools would be created by teachers, function as experimental schools that improve education for everyone, serve the most at-risk students, and be under the control of local school boards—have all been abandoned by North Carolina’s leaders. Instead, charter schools are viewed as competition for traditional schools and threaten to create a more racially and economically segregated system in which fewer children receive a quality education.

## Poor Performance, Racial Isolation

A Stanford University study showed that in North Carolina, charter schools students were significantly better in reading than their colleagues in traditional public schools but they were significantly worse in math. The study found that nationally, only 17% of charters outperform traditional public schools while 37% were worse and 46% showed no significant difference.

This is telling, especially since charter schools often exclude those students who struggle the most. Because of the inability of some charter schools to provide

services for students with special needs and the unavailability of services such as transportation and access to the free-and-reduced-lunch program, many children who are low-income or have disabilities don’t have the choice of charter schools.

An additional concern is the racial segregation that occurs with charter schools. According to research by Dr. Helen Ladd at the Sanford School of Public Policy at Duke University, in 2011, 37 of the charter schools in the state were more than 80% white, and 26 of the charter schools in the state were more than 80% minority. Nationwide, charter schools are more racially isolated than traditional public schools in virtually every state and large metropolitan area.

## Ignoring the Community’s Voice

Last month, the new Charter School Advisory Board of the State Board of Education fast-tracked nine new charter schools, clearing the way for them to open this fall without the usual “planning year.”

One of the fast-track schools is the Research Triangle High School, a STEM (Science, Technology, Engineering and Math) school in Durham County. According to news reports, almost every elected official in Durham spoke out against the new school for a variety of reasons, including the fact that Durham Public Schools plans to open several STEM schools itself this year. But North Carolina’s charter school process took the decision out of the hands of the people of Durham.

In addition, Research Triangle High School will only accept students who can pass Algebra I in the ninth grade—a high bar for even children from well-off backgrounds to clear. The school is certain to increase racial and economic segregation in Durham schools.

To top it all off, Durham Public Schools is forced to fund this new, unwanted charter school. A North Carolina Court of Appeals ruling requires that school districts provide funding for charter schools from their general operating budgets. Districts also have to share from funding sources for programs not even provided by the charter schools.

As North Carolina expands its charter schools, it is starving its traditional public schools through budget cuts and the siphoning off of funds to these unproven entities. Supporters of charter school falsely claim that traditional public schools are failing. The truth is that we are failing our traditional public schools. ■

## We Offer Workshops

Staff of the Justice Center’s Education & Law Project are available to speak on a wide variety of issues impacting public education, including:

- The rights of students with special needs, economically disadvantaged students, English language learners, at-risk students, and other underserved groups of students
- Suspension/expulsion policies
- Assistance with public school registration/enrollment
- State and local education funding
- Education legislation currently before the General Assembly

Contact **Matt Ellinwood** at (919) 861-1465 or [matt@ncjustice.org](mailto:matt@ncjustice.org) to request a speaker at your school, church, or community meeting.

# Poverty Tour

(Continued from page 1)

“It’s perfectly acceptable to engage in a war on the poor instead of a war on poverty.”

## Nowhere else to go

External issues—ranging from the overarching impact of the Great Recession to astronomical utility bills resulting from municipal debt (see sidebar on page 7)—have compounded the struggles of poverty in North Carolina.

Something as basic as finding an affordable place to live is a daunting challenge, and while state-supported housing fills a vital role, demand has far outpaced supply in recent years.

Elizabeth Murray, who lives in a temporary recovery house in Wilmington, said that she had applied for supported housing but was told she shouldn’t bother filling out an application. Murray said she has “fallen through the cracks” of the system. She doesn’t qualify for many programs given her age and lack of family, and so she struggles to rise above the poverty she has faced her entire life.

“That’s all I’ve ever known – being poor,” Murray said. “I don’t know any

other way of life.”

Shelters and community centers fill some of the need, but much like state-supported housing, they have difficulty keeping up with the demand. In Elizabeth City in Pasquotank County, almost 25 percent of the population lives in poverty. The New Beginning Emergency Shelter is the only men’s shelter within 100 miles of Elizabeth City, and it turns away up to 15 men each night. There are only 26 homeless shelter beds in the city, with approximately 1,000 individuals seeking shelter on any given night.

## Desperate for Work

In some counties in eastern North Carolina, the unemployment rates are consistently several points higher than the state average (see map). In March, the latest month for which data is available, Edgecombe County’s unemployment rate was 14.2%, Halifax’s was 13.2%, and Dare County’s was 15.3%—compared to 7.6% unemployment in Wake and Durham counties.

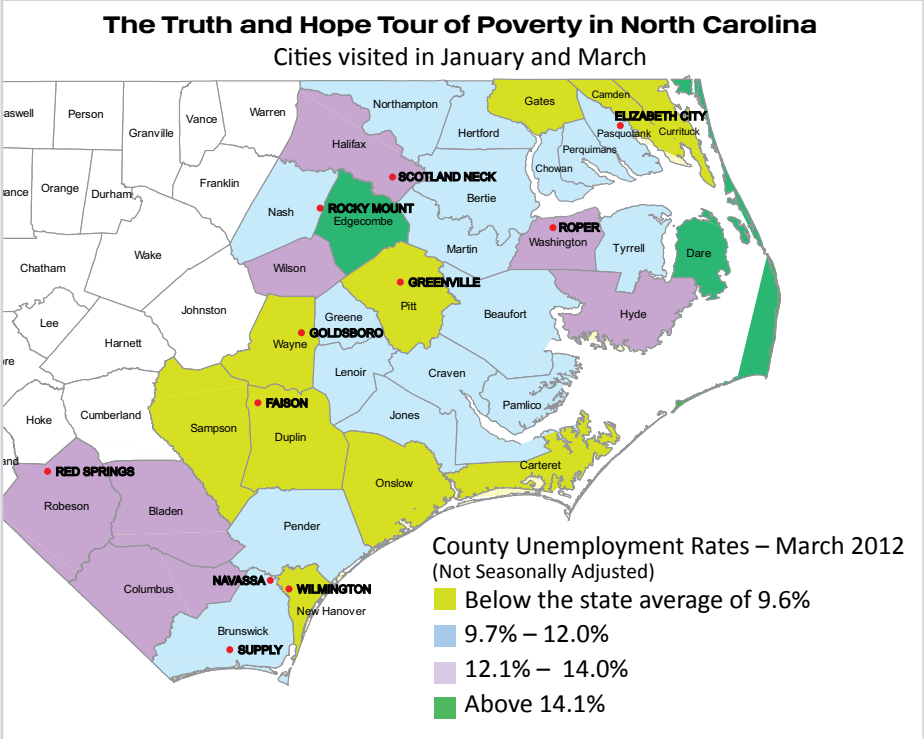
“Politicians say, ‘Maybe people are just lazy and need to find things to do,’” said Geoffrey Kenan, an unemployed worker in Greenville who has a master’s degree. “My wife and I share a two-bedroom apartment with another couple... We’re facing \$700 electric bills. But I put 26 applications in to a hospital the other day. I haven’t heard anything but I don’t let that stop me.”

Finding work close to home can be a challenge. At the Juniper Community Center in Faison, residents of Duplin and Sampson counties described the multiple textile factories that used to operate in the area. When those plants closed, some 3,000 workers lost their jobs – and those jobs have yet to be replaced.

Jobs are notoriously difficult to come by in rural areas. Many residents don’t have cars, and without a comprehensive transportation system, it’s impossible for them to travel to nearby cities where jobs might be more plentiful.



Geoffrey Kenan (seated), an unemployed worker in Greenville, and Curtis Speller run the Motivational Empowerment Network to help other unemployed workers and “empower them with hope.”  
Credit: Julia Hawes



## Institutional poverty

Poverty has touched individuals from every color, creed, and county across North Carolina. However, black and Latino residents are much more likely to live in poverty than their white counterparts. Nearly 28% of African-Americans and 34% of Latinos live in poverty, versus less than 12 percent of the white population.

In Wilmington, the tour saw evidence of the long struggle between race and class, in part due to an event that took place more than a century ago. The Wilmington riots in 1898 dramatically changed the racial demographics of the city as black residents and businesses fled. Many of the minorities who remained struggled to stay afloat in this new version of Wilmington, and that struggle has carried well into the 21st century.

Despite the glamour of the nearby beaches, the reality in New Hanover County is that many individuals work every day and go “home” to a homeless shelter. Currently, one out of every three African-Americans lives in poverty in New Hanover.

To the west in Red Springs, Kim Pevia

– a member of the Native American Lumbee tribe – described the “collective pain” of what it has meant to be poor and a minority in Robeson County.

“As people of color, we have oppression imprinted on us,” Pevia said. “It’s systemic... It’s in the ways we’re sent to prison; it’s in the ways that one box that knocks you out of opportunity for a job for something you did or didn’t do – but we certainly weren’t judged by a jury of our peers. It’s not fair and it’s not right. Things must change for people of color in Red Springs and Robeson County.”

## There are no services here

Those on the Truth and Hope Tour also heard stories of what essentially could be termed “environmental poverty” in predominantly minority communities that have been neglected or targeted for harmful construction.

Mayor Eulis Willis led the tour to fertilizer factory sites in Navassa that provided jobs for hundreds of residents in the area during the 1950s and ‘60s. The factories are closed now, but they left behind 624 acres of contaminated land. The former factory sites now resemble a





ghost town, with the remnants of stone foundations littering expansive fields and the beautiful nearby marshes and river belying the toxic soil underneath.

In nearby Supply, the Royal Oaks community is battling the establishment of a 259-acre landfill that would loom 252 feet over the residents living 300 yards away. These residents have been denied water and sewage services from Brunswick County, even as the county supplies the nearby animal shelter with these services.

The lack of public services is an issue for minority and low-income communities across the state. Estelle “Bunny” Sanders, mayor of Roper in Washington County, noted that her town has no parks, library or recreation offerings for children, and it’s extremely difficult for the city to maintain basic services such as water and sewer. Twenty-six percent of the population in Washington County participates in the food stamp program, which subsidizes just \$1 per person for every meal.

An hour away in Scotland Neck, unemployment has been among the worst in the state throughout the recession. More than half of the housing in the town

is considered below minimum standards, according to Mayor James Mills. The city is plagued with clogged street drains, dilapidated buildings, and until recently, downed trees from last year’s hurricane and tornadoes. It is just one of many rural areas that have been forgotten, its residents left to try and make it on their own despite the lack of jobs and public services.

“The voice of small-town America is often drowned out by the millions of voices in the cities,” Sanders lamented.

### Focusing on the future

Over and over again, the communities visited on the tour called on state leaders to focus on the future. Poverty needs to be fought from the bottom up, residents said, starting with North Carolina’s youth.

Residents from every area the tour visited said that nothing is more important than educating North Carolina’s children. Four out of 10 minority children – African-American, Latino, and Native American – in North Carolina currently live in poverty. If the children are neglected, residents said, poverty will carry on in an endless cycle.

Equally important is electing leaders who support and encourage education. “Education is the foundation of good citizenship,” said John Stokes at an event in Goldsboro. “We need to go the polls and put people in office who will change

things. The road that will lead us out of poverty must run by the schoolhouse.”

It must also run by the House of Representatives and Senators in Raleigh, if only the state leaders would listen and in turn help clear a pathway to prosperity. ■



Local Navassa residents came out to an abandoned fertilizer factory site that left behind hundreds of acres of contaminated land when the factory closed.

Credit: Julia Hawes

## ► High Energy Costs Killing Eastern NC Cities

**RECENT ELECTRICITY RATE HIKES** by Duke Power have drawn attention to how harmful high energy costs are to low- and middle-income working families. While most of Duke Power’s service area is in the central and western parts of the state, eastern North Carolina has been experiencing an electricity rate crisis of its own for many years, resulting in rates that are significantly higher than those paid by Duke and Progress Energy customers. During the Truth and Hope Tour of Poverty in North Carolina earlier this year, many residents in these communities complained about electric bills of \$600 to \$1000 a month.

The reason their bills are so high goes back to the 1970s when 32 eastern North Carolina cities took on massive amounts of debt to finance the construction of new power plants. In return for the financing, these cities get a proportional share of the electricity generated.

It might have been a good deal except that extensive construction cost overruns and a failure to construct

*I have a job, and it’s hard to pay \$700 or \$800 bills. People on fixed incomes cannot afford this. They don’t have trash pickup, sewer services – just power and water.*

the plants as planned mean the cities get far less energy for their investment than promised. The Shearon Harris nuclear power plant, for example, ended up costing approximately four times as much to build as expected, with only one reactor rather than the four originally planned.

As of January 2012, the cities, known collectively as the North Carolina Eastern Municipal Power Agency, had approximately \$2.1 billion in debt related to plant construction. This debt burden is putting tremendous stress on electricity consumers in some of the cities.

Businesses don’t want to locate in these cities, and many residents can’t afford to stay. For low-income residents, the high electric bills are a burden that robs them of any chance of achieving economic security.

“I’ve been an advocate, trying to talk to commissioners to see if anything can be done,” said Wanda Duchess in Red Springs, a town of about 3,400 people that owes more than \$12 million. “I have a job, and it’s hard to pay \$700 or \$800 bills. People on fixed incomes cannot afford this. They don’t have trash pickup, sewer services – just power and water.”

If communities like Red Springs are going to survive, legislative leaders must find a way to eliminate this strangling debt burden. In addition, there should be a comprehensive state energy plan to help ensure that the entire state enjoys reasonably priced utilities. State policymakers should also place limits on the borrowing options for all North Carolina communities so that a disaster like this cannot happen again. ■

# CHARTING A PATH TO PROSPERITY IN NORTH CAROLINA

1 in 5 North Carolinians live in poverty -

## How did we get here?

**EVEN BEFORE** the Great Recession, many North Carolinians were struggling to make ends meet. The legacy of policies that connected too few to jobs, education and opportunities to build assets left many behind and held us all back.



In 2000, **1 in 7** North Carolinians were jobless



Then the housing bubble burst and the economic downturn followed, impacting every corner of the state.

**326,300**

**JOBS WERE LOST IN NC**

from December 2007 to February 2010



By 2010,



**LIVED IN POVERTY.**

### THE RIPPLE EFFECT:

When economic hardship increases, everyone in North Carolina is impacted. Households cut back on spending, children face greater obstacles to success and communities struggle to remain vibrant. High-poverty neighborhoods reduce the potential for economic development and living in poverty as a child makes it more difficult to move up and out of poverty. The ripple effects of economic hardship are wide-ranging and deep.<sup>1</sup>

### MEASURE of the Lack of Opportunity

There are many ways to capture the breadth and depth of hardship in our communities. The most reliable and widely available source is the American Community Survey from the U.S. Census Bureau. But how this survey tool measures hardship, the Federal Poverty Level, has long been considered out of date and flawed. Here are some of the measures used in this analysis:

LIVING INCOME STANDARD THRESHOLD

**\$48,814**  
for a family of four

FEDERAL POVERTY THRESHOLD

**\$22,113**  
for a family of four

DEEP POVERTY THRESHOLD

**\$11,056**  
for a family of four



### STRUGGLING MAIN STREETS:

When spending power decreases, many small businesses can't survive. Research has found that higher poverty rates are associated with lower retail employment density.

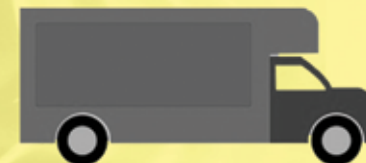
### ENVIRONMENTS OF TOXIC STRESS:

Poverty has a physical impact on our state's future citizens. Research finds that poverty affects children's cognitive, social and emotional development. Low-income toddlers were seven times more likely to be exposed to risk factors associated with poor education and life outcomes than their middle-income counterparts.



### INCREASED HOUSING STRESS:

Low-income kids are more likely to live in substandard housing and to move often.<sup>2</sup>





So, how do we  
**rebuild the path**  
to prosperity?

An economy that works for all North Carolinians will be more stable, grow stronger and make us all proud.

Nearly **1/2**  
of all  
children  
growing up  
in poverty  
remain poor  
as adults.



✓ **PROTECT WORKERS' AND FAMILIES' EARNINGS AND ASSETS**

by securing and enforcing laws that protect against wage violations, discrimination, and exploitative practices such as predatory lending or sub-prime home loans



✓ **PROVIDE OPPORTUNITIES TO LIVE HEALTHY LIVES**

by ensuring access to quality health care services, providing health care coverage, and creating an adequate supply of safe and affordable housing



✓ **CREATE GOOD, QUALITY JOBS**

that pay a living wage, provide family-supporting benefits, offer upward mobility, and ensure a safe work environment



✓ **SUPPORT FAMILIES STRUGGLING TO MEET BASIC NEEDS**

by making work accessible, by ensuring quality childcare, and investing in work supports such as the Earned Income Tax Credit



✓ **ENSURE CHILDREN'S DEVELOPMENT AND EDUCATION**

by providing a quality education to every child, investing in crucial early childhood programs, and improving access and affordability of higher education

1 A growing body of research finds that the greater economic hardship and income inequality in an economy the shorter the periods of growth. Cutting income inequality in half can double the length of an economic growth spell.

2 Foreclosures put downward pressure on housing values and increase housing vacancies. More than 50,000 foreclosure filings in NC occurred in 2011.

SOURCES: Data on poverty from the American Community Survey, 2010. Job loss data from Economic Policy Institute analysis of Bureau of Labor Statistics data from December 2007 to March 2012. Measures of Opportunity levels represent the Budget and Tax Center's 2010 Living Income Standard for a family of four, the Federal Poverty and Deep Poverty level from U.S. Census Bureau. Struggling Main Street research findings from Schurtz, Jenny and Rachel Meltzer, Winter 2012. "Are Poor Neighborhoods 'Retail Deserts'?" USC Lusk Center for Real Estate. Environments of Toxic Stress research findings from Evans, Gary W, Jeanne Brooks-Gunn, and Pamela Kato Kabanov, Winter 2011. "Stressing Out the Poor: Chronic Physiological Stress and the Income-Achievement Gap," Pathways. Decreased Home Values research findings from Action for Children NC, May 2009. "National Crisis Hits Home for North Carolina's Children" and NC Administration of the Courts, 2011. Less Sustainable Economic Growth research findings from Berg, Andrew G and Jonathan D. Ostry, April 2011. "Inequality and Unsustainable Growth: Two Sides of the Same Coin?" IMF Discussion Note: Washington, DC. Economic mobility across generations from Isaac, Julia, February 2008. "Economic Mobility of Families Across Generations," Brookings Institution: Washington, DC.

## Dismantling Pathways (Continued from page 1)

Federal and state policies have a lot to do with whether America and North Carolina can deliver on the promise of economic mobility. In the past, government at all levels invested in mobility through the provision of public education for all, post-secondary education via the GI Bill, multiple homeownership tax benefits, and other programs that played a role in creating periods of economic expansion and increased opportunity. Such policies are implemented through spending and tax decisions at the federal and state levels. In total, they make up a significant, although hidden, aspect of the overall budget: the asset-building budget.

### The Asset-Building Budget

The asset-building budget is comprised of investments in a range of areas, from housing to higher education to small-business development. It includes both direct spending and tax expenditures (tax credits or deductions for things like interest paid on a home mortgage).

North Carolina's state budget, passed last year, invested about \$13.1 billion directly into building the assets of individual North Carolinians. Most of North Carolina's asset-building budget is concentrated on the spending side; for every \$1 in direct spending for asset-building purposes, the state spends \$0.30 through the tax code.

On an annual basis, the vast majority of these state asset-building investments occur in education and therefore the development of human capital (See Figure 1). This is certainly among one of the better-targeted asset-building investments the state could make in terms of creating opportunity for low-income households. We know from the Census Bureau that in 2010, a person with a post-secondary degree, for example, earned

\$25,000 more than someone with no high school diploma.

But sadly, the state legislature made decisions last year that dramatically reduced state investment in post-secondary education and undermined access for low-income students both now and in the future.

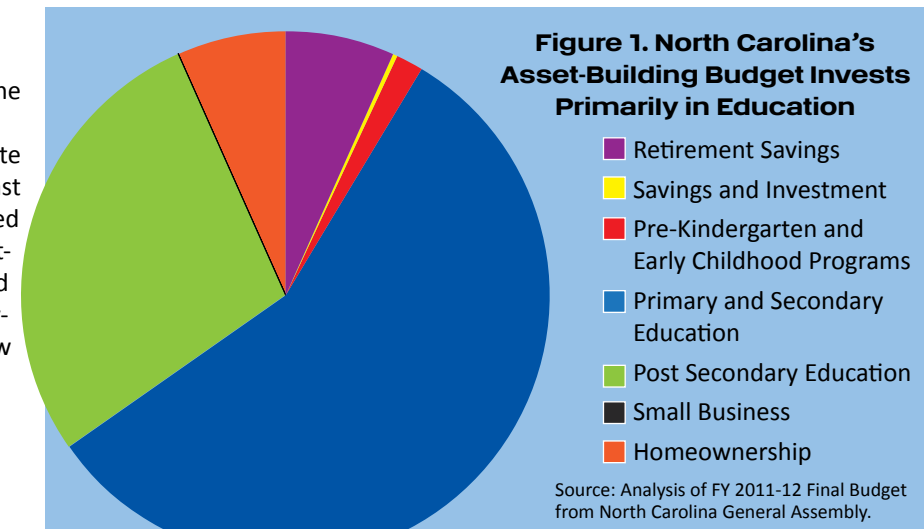
### Undermining Asset-Building in NC

First, the state legislature cut state funding for need-based aid at public universities at the same time tuition increased. The cut of 22% to need-based aid, combined with a new rule that says students can't receive financial aid for more than nine semesters, created significant barriers to post-secondary completion for students from low-income households.

Furthermore, deep cuts to early childhood education and K-12 education will weaken students' educational achievement and preparation for higher education, which is increasingly necessary to achieve middle-class status.

Budget decisions made last year by state policymakers harmed other key asset-building investments as well. For example, the legislature cut funding for the NC Housing Trust Fund, and that will reduce the availability of affordable housing options across the state and homeownership options for eligible households.

The parts of North Carolina's asset-building budget that legislators didn't cut last year were those that benefit people who are already wealthy.

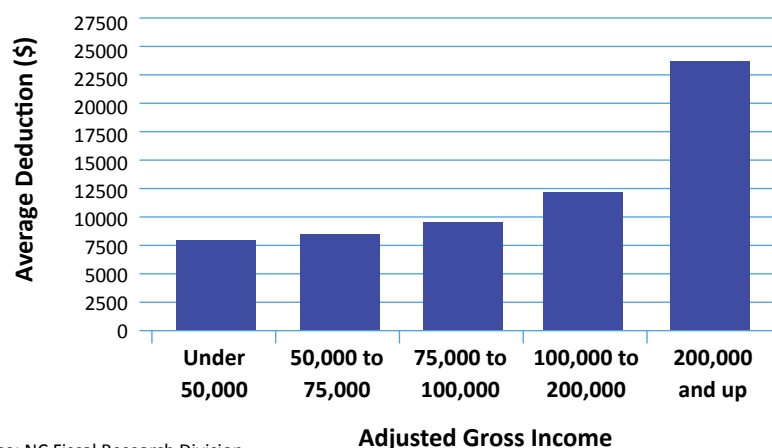


state's wealthiest households. For example, the value of the state's home mortgage interest deduction for households earning more than \$200,000 annually is four times greater than the value of the deduction for those earning less than \$50,000 in any given year.

One change the legislature made last year that benefits higher-income households was the removal of the cap that let only families making less than \$100,000 a year get a tax deduction for contributions to the state's 529 college savings plan. The tax deduction was intended to encourage more low- and moderate-income households to save for college, and the cap made sure the state wasn't subsidizing those could already afford to save. By removing the cap, households earning more than \$200,000 in North Carolina will receive three times the value from the 529 college savings deduction as households earning less than \$50,000.

(CONTINUED ON PAGE 11)

**Figure 2. The Average State Home Mortgage Interest Deduction is Far Greater for High-income Households**



Source: NC Fiscal Research Division.

### More Benefits for the Wealthy

While investments in asset-building via spending in the state budget have declined, state policymakers have continued making investments in asset-building through the state tax code, and the benefits overwhelmingly go to the

### The Federal Asset-Building Budget Heavily Favors the Wealthy

Analysis by the non-profit Corporation for Enterprise Development found that the federal asset-building budget topped \$384 billion in 2009—roughly equivalent to the size of the Pentagon's budget. The problem is that the wealthiest people in America received 84 percent of the benefits.

Households with more than \$1 million in income received benefits worth \$96,000 on average, while the poorest 20% got an average benefit of about \$5. Most of the federal asset-building budget is implemented through tax expenditures; for every \$1 in spending for asset-building purposes at the federal level, \$10 is spent through the tax code.





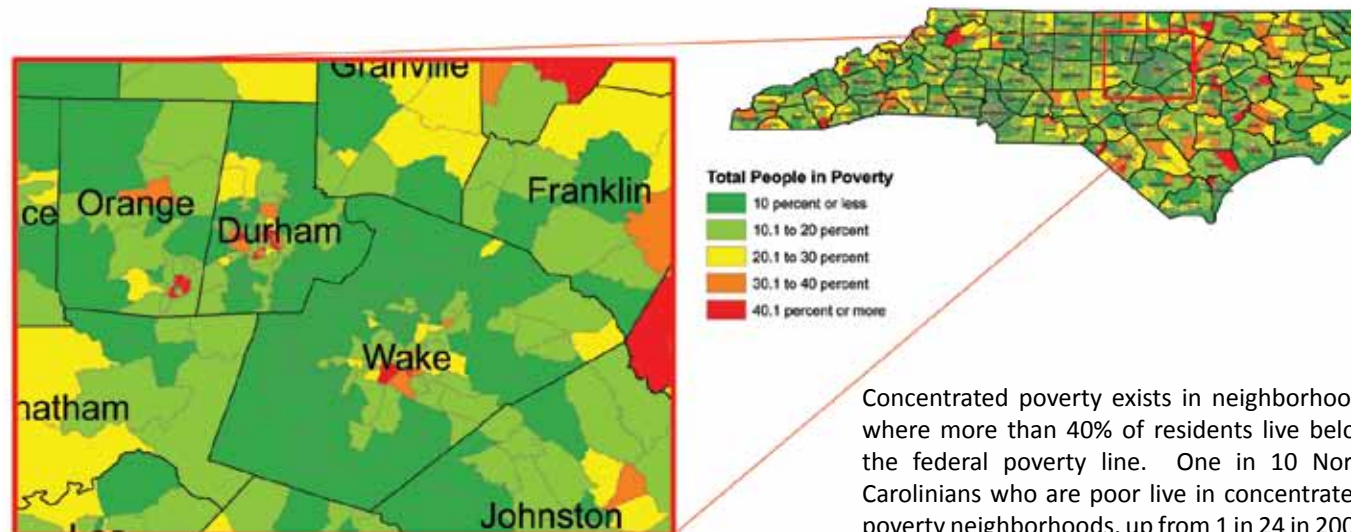
## Dismantling Pathways

(Continued from page 10)

Perhaps most disturbing is that North Carolina's legislative leadership made a deliberate effort to target the state's asset-building tax expenditures at upper-income households and cut asset-building spending that benefits low- and moderate-income families. They could have made changes to the tax code that would have made it possible to continue investments in proven asset-builders, like post-secondary education. They simply chose not to.

Reducing North Carolinians' access to economic opportunity and asset-building over their lifetimes will only hold back the growth of our state's economy. Our collective investments in these pathways to prosperity that connect all North Carolinians to education, savings, investment, homeownership and entrepreneurship are crucial to realizing of our shared dream for true economic mobility. ■

## Concentrated Poverty in North Carolina



Poverty and concentrated poverty exist throughout North Carolina, even in the well-off counties that make up the Triangle area.

Source: Tazra Mitchell, Public Policy Fellow at the N.C. Budget and Tax Center. U.S. Bureau of the Census' poverty estimates, American Community Survey, 2006-2010 estimates.

Concentrated poverty exists in neighborhoods where more than 40% of residents live below the federal poverty line. One in 10 North Carolinians who are poor live in concentrated-poverty neighborhoods, up from 1 in 24 in 2000. There are nearly 3 times as many concentrated-poverty neighborhoods in North Carolina now as there were in 2000. The majority—63 percent—of concentrated-poverty neighborhoods are in urban counties.

## Federal Budget Proposal would Worsen Nation's Housing Woes

By **Carley Ruff**, Policy and Outreach Coordinator for the NC Housing Coalition

**EVERY DAY AT THE NC HOUSING COALITION**, we get calls from folks around the state with housing needs. They are working hard to make ends meet but are coming up short. Some are underemployed or disabled and are looking for a decent and affordable place to rest their heads at night. Some are struggling to stave off foreclosure and hold on to their life's biggest investment. Some are just hoping for shelter so they can avoid spending another night in a car or on the street. We do our best to connect these callers with organizations and programs that can help.

While affordable housing needs have long been a challenge, the problem has become more acute as a result of the Great Recession – a recession caused by predatory lending, risky financial products, and high-risk, irresponsible Wall Street practices. Since the beginning of the recession in 2008, there has been a significant increase in the number of households spending more than 50% of their incomes on housing. Here in North Carolina, more than half of renter households can't afford a two-bedroom apartment.

Low- and middle-income Americans have clearly

suffered most from a recession they did not cause. And now, some elected officials in Washington want low-income and middle-income Americans to shoulder the entire burden of deficit reduction while simultaneously delivering massive tax breaks to the richest 1% of Americans.

Recently, the US House of Representative voted to accept a budget proposal, crafted by Rep. Paul Ryan of Wisconsin, that would cut \$5.3 trillion in non-defense spending over ten years. According to the Center on Budget and Policy Priorities, 62% of those cuts would come from programs that serve our nation's most vulnerable citizens.

Housing programs serving low-income Americans would be slashed. Housing and Urban Development Secretary Shaun Donovan has stated that under the proposed Ryan budget, more than a million households could lose their housing. Donovan has also remarked that an estimated 17,000 jobs would be lost from cuts to the Community Development Block Grant, and cuts to the HOME program would mean tens of thousands of new affordable housing units would not be built.

These cuts would hurt our local economies and our already-fragile housing market.

In February, President Obama released his own

budget plan, which does make some difficult choices with cuts to some needed housing programs. But his budget also proposes important increases that could bring new opportunity and needed economic vitality.

While the president's budget does not do all that is needed, it does reflect traditional American priorities – progressive taxation, a balanced approach to deficit reduction, and a directive to ensure that our nation's people have roofs over their heads and food in their bellies.

With the current political gridlock in Washington, it is unlikely that either of these budgets will pass Congress in their current form. However, they paint two distinct pictures of America's future: One in which we punish the victims of the Great Recession and increase the gap between rich and poor, and another in which we hold on to traditional American values of shared prosperity, shared sacrifice, and care for our most vulnerable.

We must urge Congress to make the right choice. We must let our elected officials in Washington know that punishing low- and middle-income Americans for the transgressions of Wall Street is unfair and unjust. Willfully causing a million or more households to lose their homes is tragedy on an economic and social level for everyone. Americans deserve better. ■



# ► The Growing Opportunity Gap: How Income Disparities Affect North Carolina's Classrooms



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

**THE GROWING INCOME GAP** between the richest and poorest families in America has become a central part of the public debate on tax and social policies in recent months, but the impact of this polarization on children and schools rarely comes up.

Now a Stanford University School of Education study, released in February, demonstrates that the rising income inequality of the last 40 years parallels a similar increase in the socioeconomic academic achievement gap.

## Shifting, Widening Gaps

The extent of the impact of socioeconomic status (e.g., income, parental educational attainment, family structure) on educational outcomes has been an important question in education policy, if not politics, ever since the Coleman Report in 1966 famously chronicled the relationship between parental income and children's level of academic achievement.

Since No Child Left Behind was adopted in 2001, states have been required to measure achievement gaps between different subgroups of students. This has led to a focus on the achievement gaps between different racial groups, particularly the black-white achievement gap, with less of an emphasis on measuring and understanding the socioeconomic achievement gap.

Since the time of the Coleman Report, researchers have understood that one of the primary drivers of racial achievement gaps is the parallel gap in median incomes between different racial groups. However, the Stanford research indicates that the achievement gap between high- and low-income families has grown significantly over the last 25 to 50 years while racial achievement gaps have narrowed.

The achievement gap between children from high-income (the highest 10%) and low-income (the lowest 10%) families is 30% to 40% larger than it was among similar children born 25 years ago. Fifty years ago, the black-white achievement gap was about twice as large as this socioeconomic achievement gap. Today, the trend has reversed: the socioeconomic achievement gap

is now twice as large as the black-white achievement gap.

## NC's Achievement Gaps

Research from Duke University's Terry Sanford Institute of Public Policy demonstrates that these achievement-gap trends hold true for students in North Carolina. Socioeconomic factors drive a portion of the racial test-score gaps in North Carolina, and these factors grow more important as students advance in school. The socioeconomic achievement gap actually begins before students even enter school and increases as lower-income students fall further behind their better-off peers over time.

The growing gap between the richest and poorest students is driving achievement gaps between various groups of students because socioeconomic status is tied to a host of other factors that can impact student achievement. These factors include parental education levels; access to health care and healthy food; access to expensive, high-quality child care and preschool; and the likelihood students will attend low-performing, high-poverty schools.

## Discrimination in the Schoolhouse

It is important to note that socioeconomic status alone does not explain all of the differences in educational outcomes between various groups of students. Black, Native American, and Hispanic students in North Carolina are disproportionately suspended, expelled, and held back a grade in school. Each of these punishments greatly increases the likelihood of a student dropping out of school prior to graduating.

There is also evidence to suggest that a student's race can impact teacher perceptions and expectations and can influence decisions about which academic track a student should take. These decisions have lasting consequences for students as they progress through school.

However, the Stanford study shows that socioeconomic disparities are more significant in education than ever before, and these disparities are on the rise. The achievement gap between the wealthiest and poorest families exists in rural, urban, and suburban areas across the entire state.

The key area policymakers in North Carolina must focus on in order to improve educational outcomes is the socioeconomic achievement gap. Since the achievement gap has already begun at the time children enter kindergarten, early childhood interventions, such as NC Pre-K (see article on page 13) are critical. Education policies such as socioeconomic integration of schools, the equitable distribution of teachers, after-school programming, and increased resources in high-poverty areas are needed to lessen the impact of the rising income gap.

Other social policies such as access to health care, income supports, and residential socioeconomic integration can also improve the quality of schools and children's ability to learn.

All children, regardless of their parents' income levels, have the right to an opportunity to receive a high-quality education. Unless the effects of rising income disparities are addressed head-on through educational and other social policies, the widening gap between the richest and poorest families will continue to deny North Carolina's most vulnerable children the opportunity to obtain an education and pursue their dreams. ■



## ▶ A Better Future Begins in Pre-K

*Early childhood education has well-documented benefits for children and communities*



By **Louisa B. Warren**  
NC Justice Center Policy  
Advocate

**WHEN ALLEN PEEBLES GAINED** sole custody of his now-five-year-old daughter, she had never been to preschool. A single dad working two jobs to support his daughter and older children heading off to college, Peebles wanted her to have the best educational opportunities possible but didn't know if he could afford to pay thousands of dollars a year for high-quality early care.

"I'd have to find another job or work more hours, and that would mean less time with my daughter," Peebles said.

Fortunately, Peebles learned about NC Pre-K, which provided high-quality prekindergarten instruction to his daughter at no charge to him because of his low income. Since his daughter has started the program at Academically Based Child in Raleigh, Peebles has watched her blossom.

"She comes home from school and tells me about the new letters she's learned, her favorite bug, volcanoes, so many things," Peebles said, chuckling. "It gives me hope that she's happy about what she's learning."

Peebles and his daughter are one of thousands of families that have benefited from NC Pre-K, North Carolina's state-funded prekindergarten program, which seeks to enhance school readiness for eligible four-year olds. Young children like Peebles' daughter can enroll in NC Pre-K for free as long as they meet at least one of the program's criteria, which include coming from a low-income family, having a disability, having limited proficiency in English, or having a parent who is active-duty military.

NC Pre-K currently serves approximately 27,000 four-year olds across the state. More than 40,000 children are eligible but on the waiting list due to limited program slots and funding.

### **An Investment with Long-term Benefits**

North Carolina policymakers have long recognized the importance of investments in education to the state's economic success. The state was one of the first in the region to establish and invest in a public system of higher

education. More recently, North Carolina has emerged as a national leader in establishing and supporting a range of quality early-care and early-education initiatives.

NC Pre-K was created in 2001 as a pilot program to prepare at-risk four-year olds for kindergarten. Since 2004, it has expanded in response to the North Carolina Supreme Court's ruling that the state was failing to fulfill its constitutional obligation to provide at-risk students with a sound basic education.

Research has repeatedly verified the lasting impacts and investment values of pre-kindergarten. For example, the Frank Porter Graham Child Development Institute (FPG) at UNC-Chapel Hill found that NC's Pre-K program (known at the time of the study as More at Four) improves low-income students' outcomes later in life. The FPG study found that low-income students enrolled in NC Pre-K had higher third-grade reading and math scores than children from similar backgrounds who were not in the program.

These early learning gains translate into significant returns on investment for communities and economies as a whole. A range of research literature has found that investments in early care and education programs can yield returns of \$8 to \$17 for every \$1 spent.

### **Changes Ahead?**

Despite the overwhelming evidence that pre-kindergarten and North Carolina's own Pre-K program yield remarkable cognitive and economic benefits to children and the state, state policymakers have been pulling back investments in the program. In 2011, state legislators cut NC Pre-K by \$32 million, which resulted in the loss of 6,000 slots for eligible children.

More recently, the NC House Select Committee on Early Childhood Education Improvement considered several fundamental changes to NC Pre-K. One proposal would privatize all of the program's classrooms. Currently nearly half of all Pre-K slots are in public-school settings for alignment with kindergarten, and removing the Pre-K classes from schools would create considerable difficulties for rural counties that do not have widespread networks for quality private child-care centers.

Another proposal for narrowing Pre-K's reach is to lower the income eligibility threshold. Currently, children from families that earn less than 75 percent of the state median income are eligible (currently \$42,819 annually for a family of three), but the proposal would lower that threshold to the federal poverty level, which

would knock off at least 9,600 children currently eligible for and enrolled in NC Pre-K.

While the legislative committee ultimately did not take formal action, it is expected that over the next year the legislature will go forward with making some changes to narrow the reach of NC Pre-K.

### **Providing Children with a Better Start**

Lorraine Dixon thinks such changes would be shortsighted.

She has been in the child-care industry for 30 years and currently is the owner and director of ABC Land, Inc. in Garner. She has been a NC Pre-K provider since the program's inception and has observed the difference the program has made in the lives of the children she serves and teaches.

"The majority of the children that come to this program have never been away from their parents. Some have never seen crayons or books before. Many of our children don't get enough food at home," Dixon said. "They come to us and have the opportunity for language development, social development, and peer interactions prior to going to school. Most of them would not have that opportunity without Pre-K."

For low-income, disadvantaged families, accessing high-quality early education opportunities can be a significant challenge due to the high cost of such programs. The cost of high-quality early childhood programs in North Carolina can be well above what it takes to send a child to college.

According to the state's Market Rate Study, early care and education for children ages 3 to 5 in a five-star setting is \$587 a month or \$7,044 annually. This figure is roughly equivalent to the total cost per slot of NC Pre-K. Average tuition and fees at North Carolina's public universities total just over \$4,000 annually. For a family of three living at the federal poverty level of \$18,530 annually, early care and education could take up nearly 40 percent of their annual income.

For Dixon, what NC Pre-K achieves goes beyond the individual children it serves.

"Children aren't born on equal footing financially, but North Carolina has set the standard by giving children the opportunity for an equal education," she said.

"It's part of our duty to make sure our children are provided for," Dixon added. "North Carolina can afford to provide prekindergarten. Many of the parents we serve cannot." ■

## Two NC Justice Center Staff Receive National Honors

In November, the National Consumer Law Center awarded its prestigious Vern Countryman Award to Carlene McNulty, the Justice Center's director of litigation and staff attorney for more than 15 years. The Countryman Award is the top honor for consumer attorneys working to strengthen the rights of low-income Americans.

Carlene is one of the lead attorneys in a series of class-action cases against payday lenders that has so far recovered a total of \$43.75 million for more than 364,000 class members. She is the "go-to" person for lawyers in North Carolina who are struggling with complex consumer-law issues. She has successfully defended numerous homeowners from foreclosure and has litigated against mobile-home dealers, unscrupulous mortgage brokers and predatory lenders.

Carlene has also been involved in numerous legislative efforts. She helped draft significant consumer protection statutes involving a broad array of issues, including mortgage loan servicing, foreclosure procedures, contract-for-deed transactions, and debt-buyer collections.

In January, Families USA, the national



Justice Center attorneys Al Ripley and Carlene McNulty attend the National Consumer Law Center's annual conference in Chicago, where Carlene received the Vern Countryman Award.

organization for health-care consumers, presented its Consumer Health Advocate of the Year Award to Adam Searing, director of the Justice Center's Health Access Coalition. Families USA honored Adam for his fierce defense of health-care consumers in North Carolina, his efforts to educate North Carolinians about federal health care reform, and his accomplishment in helping to defeat legislation that would have hurt implementation of health reform in the state.

"Adam is the kind of advocate that my staff calls the 'whole package' in terms of consumer advocacy," said Ron Pollack, executive director of Families USA. "When we work with Adam, we marvel at his innovative and creative use of media and online advocacy, his broad understanding of health care policy, and his ability to bring it all together in coalition building." ■



Adam Searing, director of the Justice Center's Health Access Coalition, speaks at Families USA's conference in Washington, DC in January.

## OPINION FROM NC POLICY WATCH

### The Facts about Your Taxes



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

**LAST MONTH, MILLIONS** of Americans sent their tax returns to the IRS—or filed extensions asking for a few more months to get their forms together.

Every Tax Day, the anti-government crowd swings its propaganda machine into overdrive to brew resentment over taxes to serve their narrow ideological agenda, still best summarized by Grover Norquist's statement that his goal was to shrink government "down to the size where we can drown it in the bathtub."

Here are a few facts about taxes and spending that you didn't hear from the folks trying to dismantle our schools and safety net and the rest of our public infrastructure.

► The United States collects less tax revenue as a share of its economy than all but two of the world's developed countries. The non-profit research group Citizens for Tax Justice reports that only Chile and Mexico collect less. That doesn't sound like a country that is overtaxed.

► North Carolina's state tax system has traditionally collected roughly 6 percent of total state personal income in tax revenue. The N.C. Budget & Tax Center reports that during the recession, revenue collections dropped to 4.8 percent of personal income.

Because of that drop and the unwillingness of state lawmakers to adequately address it, overall state funding for core services like education, health and human services and public safety, adjusted for inflation, will fall to a 40-year low next year.

► Lower-income taxpayers in North Carolina continue to pay a higher

percentage of their incomes in taxes than wealthy taxpayers do. The Budget & Tax Center reports that low-income households contributed \$9.50 for every \$100 in income while a household in the richest one percent paid \$6.80 for every \$100 in income.

► Back to the national tax system. Guess which president was talking about a letter he received when he said this.

It's a letter from a man out here in the country, an executive who is earning in six figures, well above \$100,000 a year. He wrote me in support of the tax plan because he said, 'I am legally able to take advantage of the present code... and wind up paying a smaller tax than my secretary pays.' And he wrote me the letter to tell me that he'd like to come to Washington and testify before Congress as to how that is possible for him to do and why it is wrong.

That was not President Obama. It was President Ronald Reagan in 1985, making the case for the Buffet Rule, Mr. Obama's proposal to make sure that people in the highest tax bracket don't pay a lower percentage of their incomes in taxes than most Americans do.

► And finally, on another historical note, President Abraham Lincoln was the first president to sign the income tax into law, and as Bradley University Sociologist Jackie Hogan points out in the Christian Science Monitor, it was a progressive income tax with higher rates for the wealthy and it treated capital gains the same as all other income.

Wonder why none of the speakers at all the Republican Party Lincoln Day Dinners across the state pointed that out? ■



## ► The Link between Tax Revenues and Child Well-being



By **Rob Schofield**,  
NC Policy Watch  
Director of Research  
and Policy  
Development

**THERE IS A BIT OF POPULAR** mythology in the modern American political spin world – especially in conservative circles – that it’s somehow a mistake to preserve or increase public spending on important public programs and structures in order to get better results.

Here in North Carolina, this particular talking point has been the chief defense for the huge budget cuts that conservatives have heaped upon pre-kindergarten, K-12 and higher education in the past year. “If school personnel just work harder and more efficiently,” goes the conservative mantra, “they’ll be able to do more with less.”

The ironic thing about this talking point is that not even conservatives really seem to believe it. At the same time that they’re repeating it out of one side of their mouths, they’re bragging (albeit deceptively) about having increased spending on “state-funded teachers” out of the other.

Even they acknowledge the obvious rule understood by any citizen with a modicum of common sense: Imperfect as it sometimes is, when government allocates more resources to address a need, it generally gets more done than when it allocates fewer resources.

A recent N.C. Policy Watch poll confirmed a widespread understanding of this obvious truth amongst the North Carolina electorate. When asked: “Do you think your local public schools should receive more funding, less funding or about the amount they have right now?” 65% said “more,” 21% said “about the same,” and only 13% said “less.” Similarly:

- 67% said teachers were not paid enough while only 9% said they were paid too much.

- 80% said keeping class sizes small is important while 16% said it is not.

- 64% said it is a bad thing that North Carolina schools have fewer teachers, teacher assistants and other professionals, while only 23% said it was a good thing.

In other words, politicians and voters of all stripes agree it makes sense to spend more money on critical public structures like education.

But don’t just take the opinions of politicians and voters or common sense as proof of this proposition; consider the hard evidence. A new report by the respected nonpartisan research and advocacy group Action for Children North Carolina contains just such evidence.

The report is entitled “Public Investments Matter for Child Well-Being: Smart State Policy Can Change Lives,” and it is based in large measure on a venerable national metric known as the Child Well-Being Index (CWI), which researchers have now applied on a state-by-state basis across the country. It found that “States that spend more on children have better outcomes, even after taking into account potential confounding influences.”

Researchers found that states with higher tax rates and revenues:

- Invest more money in public pre-kindergarten and full-day kindergarten, which gives at-risk children

more time to ready themselves for elementary school.

- Invest more per pupil in elementary and secondary schools, supporting higher pay for teachers and improving access to state-of-the-art instructional resources.

- Have less restrictive eligibility rules for participation in Medicaid, allowing more children to enroll.

- Pay higher Temporary Assistance to Needy Families benefits, increasing the economic resources available to families.

When it comes to applying these data to North Carolina, the report minces no words. It says that “state investments that improve child well-being are on the decline” and cites three major categories: cuts to K-12 and higher education; cuts to non-education state departments, including Health and Human Services, Medical Assistance, Public Safety,

Natural & Economic Resources and General Government; and foregone federal matching funds for Medicaid and children’s’ health insurance.

In other words, despite mounds of evidence that the state would be better served by preserving and expanding its investments in essential public structures for kids, North Carolina legislators are pursuing a shortsighted and potentially disastrous path based on cutting them instead. They are cutting taxes and the services they fund at precisely the wrong time.

The bottom line on all of this is pretty simple: As in most other areas of life, you get what you pay for, and right now North Carolina is paying for a lot less when it comes to children. We will almost certainly come to regret this decision very soon. ■



# The 14th Annual DEFENDERS of JUSTICE Awards

May 10, 2012



## 2012 Defenders of Justice Award Honorees



**Mary Lee Hall** of Legal Aid of NC's Farmworker Unit for fighting to protect the rights and improve the well-being of the tens of thousands of migrant and seasonal farmworkers who work in North Carolina's fields.



**State Representative Deborah Ross** of Wake County for her dedication to increasing access to affordable housing and public transportation, protecting civil rights, and reforming North Carolina's tax system to make it more fair and transparent.



**State Representative Larry D. Hall** of Durham County for his commitment to protecting vulnerable families and members of the military from predatory lenders, safeguarding voting rights, and expanding opportunities for low-income individuals and communities throughout the state.



**Reuben Blackwell** of the Opportunities Industrialization Center in Rocky Mount for his tenacity in opening doors to opportunity, breaking down barriers, and standing up for the rights and well-being of the people of Rocky Mount and the state.



**Disability Rights North Carolina** for their research and advocacy efforts to uphold the fundamental rights of people with disabilities to live free from harm in the communities of their choice and with the opportunity to participate fully and equally in society.

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