

# POLICY & PROGRESS

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JUSTICE CENTER

SPRING 2013



## THE FAT CATS VS. NORTH CAROLINA'S UNDERDOGS.

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# ▶ The “New Normal” of Kicking the Underdog and Damaging NC’s Public Structures



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

There is a “new normal” on Jones Street in Raleigh, where the NC General Assembly meets. It is marked by a state legislature seeking to undermine and dismantle North Carolina’s public structures—such as public schools, roads, courts, job training and other safety-net programs—that lay the groundwork for a more prosperous future. By doing so, lawmakers are hurting the state’s ability to compete and reversing decades of progress as many moderate- and low-income North Carolinians still struggle to make ends meet in this slow economic recovery.

The current legislative session reveals the changing values among legislative leadership. So far, lawmakers’ efforts have been to the detriment, rather than to the benefit, of the state’s underdogs—those who are uninsured, unemployed, or poor.

Here’s a rundown of what the legislature has done in less than two months in session:

➔ Within the first two weeks of the session, legislative leadership ushered through a radical restructuring of the state’s unemployment insurance system. Without blinking an eye, legislators chose to adopt the NC Chamber of Commerce’s plan and permanently cut benefits to jobless workers. They also rejected more than \$700 million in federal funds for unemployment benefits for those facing long-term unemployment.

➔ Legislative leadership subsequently rejected the Medicaid expansion, forgoing the opportunity to provide health coverage for a half-million poor, uninsured working parents and other adults. These North Carolinians will face a coverage gap—both unable to enroll in Medicaid and ineligible for the tax credits to buy coverage in the new health insurance exchange—meaning they will continue to rely on costly emergency room visits for their health care. Legislators’ short-sighted decision will not only forfeit state savings and federal dollars but will also lead to a less healthy workforce.

➔ Next, legislators voted to immediately reduce the state’s Earned Income Tax Credit (EITC), which is a modest but vital support for nearly 907,000 workers earning low wages, and to axe the credit at the end of year. Similar to unemployment benefits and Medicaid coverage, the EITC helps ensure some measure of financial stability for struggling families at a time when good-paying jobs are still hard to come by. Legislative leadership asserted the state could not afford the EITC’s \$105.2 million price tag—worth, on average, \$116 per tax-filing household. Then just one day later...

➔ Legislators spearheaded an effort to repeal the estate tax that would result in a \$52 million loss to state revenues. And here is the kicker: only 23 North Carolinians with multi-million dollar properties paid the estate tax last year. Combined, these measures form the start of the Great Tax Shift (see pages 5 and 6) that will ultimately stifle North Carolina’s recovery and ability to compete.

These policy decisions are a sure sign of what is to come during the remainder of the legislative session, which will likely end sometime in the summer. The prospect of a new state budget that invests in the public structures that support an inclusive economy is not promising. Round after round of budget cuts over the last several years have already taken an enormous toll on North Carolina’s core education, health, transportation, and community safety structures. No area of the state budget has been untouched, with investments in public services down 11.4 percent compared to pre-recession levels.

| County   | Total Value of the State EITC to Families by County 2011 | Percentage of State Tax Returns Claiming the State EITC, by County |
|----------|--|--|
| Wake     | \$6,519,930  | 15%  |
| Durham   | \$2,740,415  | 20%  |
| Johnston | \$1,660,538  | 21%  |
| Harnett  | 1,244,596  | 27%  |
| Orange   | \$661,678  | 13%  |
| Chatham  | \$467,238  | 15%  |

Source: NC Department of Revenue. Preliminary Run of 2011 Individual Income Tax Extract. February 2013

North Carolina cannot afford another bare-bones state budget that fails to rebuild the foundation for shared prosperity and a strong state economy. Nor can the state afford to expand tax breaks for profitable big businesses and wealthy North Carolinians when the cost is teacher layoffs, ever-growing waiting lists for pre-kindergarten programs, and the dismantling of public policies that serve as a lifeline for the state’s jobless, uninsured, and low-paid workers. Better options exist.

State legislators have the opportunity to make policy decisions that put North Carolina on a path to a better future. Yet, rather than digging the state out of its economic hole, legislators are making it deeper by undermining the foundations of our public structures. They say these policy changes are economic necessities, but that is simply not the case.

Such austerity fervor amidst a depressed economy defies mainstream economics and common sense. It is due time to reverse the state’s wavering commitment to the well-being and safety of the state’s working families by protecting the critical public investments that are key to building a strong middle class, a high quality of life, and a stronger economic future for the state and all North Carolinians. ■

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# ► Uninsured, Unemployed, and Uninspired by NC Lawmakers

*North Carolina's leaders block Medicaid expansion, slash benefits for unemployed workers*



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

March has been a bleak month for hundreds of thousands of North Carolinians.

Going into 2013, North Carolina had the fifth-highest unemployment rate in the country, with three workers available for every job opening. Families across the state needed help.

But rather than being champions for these underdogs—their own constituents—state leaders have kicked them while they're down.

Lawmakers attacked some folks because they are out of work. Others who are struggling with their health are now paying the price for political posturing in the battle over the Affordable Care Act.

## Two Laws Bully and Batter NC's Underdogs

Earlier this month, Governor Pat McCrory signed a new law that blocks the expansion of Medicaid and rejects federal money that would help low-income individuals get affordable coverage.

Expanding Medicaid would have improved health access for more than 500,000 North Carolinians. It would have saved the state and local governments millions of dollars, as they would no longer have to spend money helping hospitals, community health clinics, and other providers take care of uninsured patients.

The rejection of the Medicaid expansion was the General Assembly's second body blow to North Carolina's underdogs. The first came on February 19, when Gov. McCrory signed into law the harshest cuts to unemployment benefits anywhere in the United States. Starting on July 1, 2013, unemployment benefits will be slashed by one-third, with the new maximum benefit set at \$350 per week, down from \$535. No state has ever made such a severe cut.

The law will cut the maximum weeks of benefits from 26 weeks to a sliding scale of 12 to 20 weeks. Soon the state will offer only half the total weeks of benefits as North Dakota—which, at 3.2 percent, has the lowest unemployment rate in the country.

The law also cut off federally funded extension benefits that more than 80,000 workers currently receive—benefits that are 100% funded by the federal government and bring an estimated \$25 million each

week into the state to help families make ends meet while they struggle with long-term unemployment.

## Unemployed – “The people that lose out are my kids”

Ted (whose name has been changed to protect his privacy), an unemployed worker from Winston-Salem, currently receives \$535 each week in benefits. His state benefits expire in June, and he'll get a few weeks of federal benefits before those end for everyone in North Carolina on July 1. He's hopeful he'll have a job before that happens.

Ted knows the difference a few hundred dollars a week can make to a family's survival. He said that under the new maximum benefit of \$350—which would amount to well under \$300 after taxes—it would have been impossible for him to support his three children, who are his first priority, as he searched for a new job.

“I don't know what [politicians] expect people to do,” he said. “I guess they don't care.”

Ted was in advertising when the recession forced his company to fold in 2008. He spent the next two and a half years looking for work. After taxes, he was living off of approximately \$400 a week in benefits, but he owed \$1,300 a month in child support. Eventually he had to have the payments reduced, even though he wanted to live up to his responsibility to his family.

“That's often lost on people,” Ted said. “They're looking at a single person collecting unemployment. But if my payments go down... it makes it hard for [my ex-wife] to make ends meet. It has a rippling effect. We're not just sitting at home watching Oprah.” At one point he considered selling his house, but mortgage payments were ultimately lower than rent.

“There's this misconception that if you just cut out a few things, you'll be fine,” Ted said. “‘Oh, just cut out cable.’ That's only \$80 a month, compared to \$900 a month for the mortgage, \$80 for car payments. And you can't cut those.”

Ted was able to find some work in 2010 and 2011, but one job had him commuting nearly 1,000 miles each week. He found many employers didn't want to hire someone who was unemployed, so Ted suffered through the long commute just so he could put something current on his resume.

“I tried to do everything right,” he said. The commute drained him—he often missed dinner with his children—and eventually he was laid off a second time. He's finding the job search marginally more hopeful than the last time around. But at 46, he's also eager for a senior-level position with a salary to support both him and his

children.

When Ted heard unemployment benefits were being slashed statewide, he panicked. People cannot survive on \$350, he thought, especially when it's not just one person relying on that money.

“I was truly scared they were going to enact the cuts March 1st,” he said. “I didn't know what I was going to do.”

“They're out of touch,” Ted said of lawmakers. “It's more than just me and what I need. I'm part of a support group for people. If my mom needs help, I try to help out. This is bigger than just an individual collecting \$535... The people that lose out are my kids.”



*Courtesy of Governor McCrory's Office.*

This photo shows Governor Pat McCrory signing the No Medicaid Expansion law, which denies health coverage to 500,000 North Carolinians, flanked by three members of the state's part-time General Assembly. All four of them can get government-sponsored health insurance.

The governor, a full-time state employee, can get the comprehensive 70/30 state health plan for free (insurance pays 70% of health care expenses), or he can get the 80/20 plan for \$22.76 a month.

The legislators pictured—Rep. Justin Burr of Albemarle (R), Rep. Marilyn Avila of Raleigh (R), and Rep. Mark Hollo of Taylorsville (R)—have a very special deal. Even though they are only part-time state employees, the legislators get the same deal as the governor and other full-time state employees. Currently 80% to 90% of legislators take this great deal.

## The Uninsured Face Lose-Lose Situations

Last fall, Anthony Conant took a fall in his apartment in Raleigh. He was messing around with some friends, fell, and used his wrist to brace himself. He didn't think much of it at the time.

In the following months, Anthony, 25, a student at Wake Technical Community College, noticed persistent pain in his wrist. In early February he went into the emergency room and was diagnosed with tendinitis.

Tendinitis isn't life-threatening, and Anthony's situation may not seem particularly dramatic. But it's indicative of a problem across North Carolina—one's health situation can change in a heartbeat. If you don't

(CONTINUED ON PAGE 4)

## Uninsured (Continued from page 3)

have health insurance and don't qualify for Medicare or Medicaid, a seemingly innocuous injury can become something much more serious.

Anthony used to be on his parents' health insurance, which offers coverage to children until they're 26. However, his father was laid off from work in the summer of 2012, and Anthony has been without insurance ever since. Under North Carolina's current Medicaid program, if a person between 18 and 64 years of age does not have a serious disability or is not the parent of a young child, they cannot qualify for Medicaid coverage – regardless of their financial situation.

Expanding Medicaid, as called for in the Affordable Care Act, would have offered widespread coverage. Uninsured individuals, who often rely on emergency rooms for care, would be able to visit health clinics before minor problems become serious. Prohibitively expensive co-pays and other costs make it difficult for even young and relatively healthy North Carolinians like Anthony to have regular doctor visits.

"It makes a lot of people in my situation—or worse—reconsider their options, or their health," Anthony said. They ask themselves, "How bad is it? Is my situation bad enough to warrant the cost of health care?"

An emergency room doctor told Anthony to see a hand specialist, but Anthony said he probably wouldn't be able to afford it.

"A 'specialist' implies it's going to be more money than the hospital, even if it may be able to help me," he said.

If Gov. McCrory and the state legislature had expanded Medicaid, Anthony likely would have qualified. So

*"It's more than just me and what I need. I'm part of a support group for people. If my mom needs help, I try to help out. This is bigger than just an individual collecting \$535... The people that lose out are my kids."*

— Ted, an unemployed worker in Winston-Salem

would have his parents and girlfriend. "I wouldn't be as hesitant about getting the help I need," he said. "Now if something goes wrong, I just have to deal with it because I can't pay."

Anthony pointed out that lawmakers likely aren't the North Carolinians who are on Medicaid, or were hoping to be. As legislators and state government employees, they can get government-sponsored health insurance.

"The people deciding already have health insurance," Anthony said. "They don't have to worry about that."

"You're supposed to be for the people," he added. "It doesn't matter if you're Democrat or Republican, you're supposed to be looking out for the well-being and interest of the people. These people already have these perks, and they're the ones who are specifically deciding for the masses."

### North Carolina's New State Dog?

With unemployment benefits slashed and Medicaid expansion rejected, hundreds of thousands of North Carolinians are considering their future—and their stories run the gamut of experience.

There are stories of families where both parents work

but can't afford to pay health care premiums for two children and both parents. There are stories of mothers who were once on Medicaid but were disqualified once they got a job that paid them just 27 cents over the income limit, and of young people who take only half-doses of their medications because they have pre-existing conditions and no insurance.

Some of these individuals bear the double impact of being uninsured and unemployed. Already struggling to pay for health care costs, they now face having their benefits slashed in July – benefits that in some cases could mean the difference between staying in their homes and living on the streets. An already challenging experience will become that much more dire.

The long-term damage to these individuals' lives will be unprecedented and extreme. The underdogs of North Carolina who have struggled to find work or adequate health care may soon become the norm. The underdog will become the dominant species in the Tar Heel state.

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## ► The South, Integration and Medicaid Expansion

*Lessons of the past resonate in current battle over health care reform*



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

Like many institutions across the southern United States, hospitals were largely segregated in the 1960s. Some cities had separate hospitals for white physicians and patients and black physicians and patients. Other cities segregated hospitals by floor.

This began to change with the enactment of the Civil Rights Act in 1964 and the establishment of Medicare

in 1965. The Civil Rights Act said that organizations receiving federal funds could not discriminate based on race. Health care facilities desperately needed Medicare because they were treating a large number of uninsured seniors. But to get the Medicare funds, the hospitals and other clinics had to integrate.

I'm reminded of this history today as states decide whether to accept Medicaid funds to provide health insurance to their low-income populations. Under the Affordable Care Act, or Obamacare as it is commonly called, middle-income families will get subsidies to purchase private health insurance plans. Most low-income families will automatically qualify for Medicaid. That was how the law was structured.

Then the United States Supreme Court, in its decision upholding the constitutionality of the law, said that states could reject Medicaid expansion, forego the federal funds, and leave their uninsured populations uncovered.

In the 1960s many hospitals in the South staunchly resisted integration. These health care facilities were denied Medicare funds even as other hospitals started to prosper with this new revenue stream. There was no policy reason to deny black patients access to white hospitals. In fact, standing against the federal policy hurt patients, strained providers, and damaged the reputations of recalcitrant regions of the country. But some still stood against integration even though it

## ► The Great Tax Shift

*Legislators act to increase the load on working families in order to fund tax cuts for the rich*



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

North Carolina lawmakers are seriously considering proposals that would increase the tax load on middle- and low-income North Carolinians and cut taxes for the wealthy and big, profitable corporations.

The state's tax system is already upside-down. Recent data from the Institute on Taxation and Economic Policy shows that taxpayers who earn less than \$60,000 pay more than 9 percent of their incomes in state and local taxes, while the top 1 percent, earning more than \$800,000, pays less than 7 percent.

The proposals would make this worse by increasing the state's reliance on the sales tax. Middle- and low-income families spend more of their incomes than wealthy households do, so they pay more in sales taxes. These households are primarily spending out of necessity: to buy clothes for their children, household supplies and other basic needs. While

wealthy North Carolinians certainly buy those things too, the share that these expenditures take up of their incomes is much smaller. So an increase in the sales tax hits working families much harder.

On the flip side, there's the personal income tax, which is a progressive tax. The tax rate increases with the taxpayer's income.

The current proposals at the General Assembly would reduce or eliminate the personal income tax (a huge tax cut for the wealthy) and would make up some of the lost revenue by increasing the sales tax. The net result—the wealthy would pay much less in taxes while middle- and low-income families would pay more. That's the Great Tax Shift. Lawmakers want to shift the tax load from wealthy North Carolinians onto working families.

### Creating a Long-term Budget Mess

Current economic trends suggest this tax shift would be problematic not just on the grounds of equity but also in regards to the long-term adequacy of the state tax system. Income growth is concentrated at the top; indeed, the incomes of the

richest 5 percent of households grew by 8.8 percent while those of the poorest fifth fell by 3.7 percent from the late 1990s to the mid-2000s.

The long-term adequacy of the state's revenue stream is undermined when it must attempt to raise revenue from those

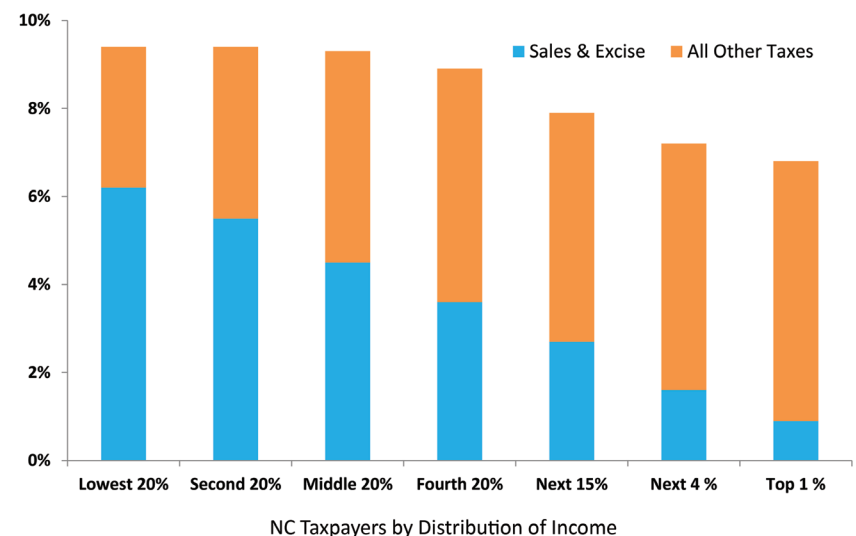
whose incomes are stagnant—the middle class and low-income families. As the state's needs grow, the revenue simply won't keep up.

And tax cuts for the rich help no one but the rich. They do not lead to job creation. In fact, the 65+ years of historic

(CONTINUED ON PAGE 6)

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

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



made no moral or economic sense.

Today we see many of the same states that resisted integration are blocking access to Medicaid for their most vulnerable citizens. And, again, the resistance makes no moral or economic sense. We know that expanding Medicaid, for example, would provide health insurance to more than 500,000 North Carolinians. It would boost the bottom line of many health care providers, especially rural hospitals and clinics. We know expanding Medicaid would save the state money over the first 10 years. And we know that in the first three years alone expanding Medicaid would create 25,000 new jobs in the state.

Despite these overwhelming benefits, Republican legislators in Raleigh, along with Gov. Pat McCrory, declared that North Carolina will not take any new federal money to provide health insurance to low-

income citizens in our state. This decision does not have to be final. There is no deadline to expand Medicaid. It works just like Medicare in the 1960s: as long as hospitals refused to integrate they would miss another year of federal financing. Similarly, every year that North Carolina declines to expand Medicaid means we pass on billions of dollars of funding.

By refusing Medicaid money we inflict other wounds on our population as well. The American Academy of Actuaries says that premiums for all insurance plans will be at least two percent higher in states that do not expand Medicaid. More businesses will get penalized for not providing affordable coverage to employees in states that do not expand Medicaid. Racial minorities and recently returned veterans from Iraq and Afghanistan will continue to be uninsured at higher rates than the general population in states that do not

expand Medicaid. And, in states like North Carolina that refuse expansion, the terrible health disparities that are largely driven by a lack of access to health care will persist.

We know that Republican governors in eight states are pushing for Medicaid expansion. It is likely, just as every hospital eventually integrated, that every state will relent on Medicaid. But, as Martin Luther King said in his last sermon, progress never rolls in on the wheels of inevitability. In the 1960s it took a fight to tear down the walls of racial segregation. Those of us who support Medicaid expansion can't sit back, smug in the knowledge that history is on our side. We must work and organize and push every day to make sure the most vulnerable in North Carolina are protected.



NC state legislators voted to immediately reduce the state's Earned Income Tax Credit (EITC), which is a modest but vital support for nearly 907,000 workers earning low wages, and to axe the credit at the end of year. The EITC is a small investment that encourages and supports work and lifts families out of poverty. Legislative leadership asserted the state could not afford the EITC's \$105.2 million price tag—worth, on average, \$116 per tax-filing household.

Then just one day later, legislators spearheaded an effort to repeal the estate tax, which would result in a \$52 million loss to state revenues. Here's the kicker: only 23 North Carolinians with multi-million dollar properties paid the estate tax last year.

## Tax Shift (Continued from page 5)

evidence shows tax cuts for the rich at the federal level contribute to income inequality, and they don't boost savings, investment or employment growth. States that have adopted such regressive tax agendas have not experienced greater job growth.

On the flip side, mainstream research finds that progressive income taxes, under which the wealthy pay more than low- and middle-income earners, are beneficial to state economies. States with relatively high income tax rates have outperformed states without income taxes in terms of economic growth in recent years.

### The Dumb Idea that Refuses to Die

Why then are we back to arguing about tax proposals based on trickle-down economics?

Because there are lawmakers who believe a greater tax load for low- and moderate-income is justified because they receive government benefits. They forget that rich people also drive on roads, send their children to public schools, and are safer with dangerous criminal behind bars. Moreover, the proponents of the great tax shift greatly exaggerate the government benefits most poor people in North Carolina actually receive. The vast majority of low-income families do not receive all the services they are eligible for, in part because there are not enough funds to allow that. Moreover, these services aren't luxuries—they prevent families from going homeless or hungry.

But lawmakers who support increasing taxes on working families apparently think they can afford to pay for a tax cut for the rich. We doubt most people in North Carolina agree.

The Great Tax Shift will do nothing to fix the current problems with our tax code but will deliver greater income inequality. The underdog in this story is the 60 percent of taxpayers earning less than \$50,000 who will see their tax contributions increase in order to pay for a tax cut for those at the top. ■

# THE GREAT TAX SHIFT

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**WILL GET A TAX CUT WHEN THE GENERAL ASSEMBLY**  
**REPEALS THE ESTATE TAX.**

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# ► The Right to (Be Underpaid for Your) Work in North Carolina

*Proposal to enshrine anti-unionism into the state's constitution is wrong for workers and the economy*



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

It's possible that in November 2014, North Carolina voters will once again be asked to amend the state's constitution with a law that already exists. This time, the ballot may ask voters to approve a "Right to Work" (RTW) constitutional amendment.

RTW laws have little to do with the right to a job. Rather, they are all about undermining the effectiveness of unions. These laws make it illegal for workers and employers to negotiate a contract requiring everyone who benefits from the contract to pay for their share of administering it.

North Carolina is already a RTW state and has been for more than half a century. It can be easy to overlook this amendment proposal as harmless or simply a waste of taxpayer money to duplicate what already exists. However, enshrining RTW law into the state constitution says something significant about how our state lawmakers think about economic policy and job creation.

## A Job-Creation Strategy that Doesn't Create Jobs

We can all agree that, with unemployment still well above the national average, North Carolina needs jobs. But research clearly shows that RTW laws do not spur job growth.

The Economic Policy Institute conducted a state-by-state analysis, controlling for local variants such as industry trends and educational attainment, and found that RTW laws had no impact on job growth in the states that have them.

North Carolina already has the dubious distinction of being the least unionized state in the country. Our RTW laws have diluted union bargaining strength by making it more difficult for unions to financially sustain themselves.

So adding anti-union legislation in our constitution will not help struggling families or limping local economies. In fact, it will hurt both. Research has shown that all workers – union and non-union – in RTW states face a wage penalty. Whether unionized or not, the average worker in a RTW state earns about \$1500 less per year than a similar worker in a free-bargaining state. Lower wages, in turn, translate into reduced consumer demand and fewer funds flowing into local economies.

If union membership in North Carolina increased by 10 percentage points, the state would see an estimated \$2.8 billion gain in middle-class income.

There are responsible ways to encourage job growth in North Carolina and ensure that the jobs we hope to attract are quality, family-supporting jobs. An RTW constitutional amendment isn't one of them.

## An Opportunity to Learn from History

North Carolina was one of the first states to enact RTW laws after the passage of the 1947 Taft-Hartley amendments to the National Labor Relations Act of 1935. To learn more about the historical and political context in which Right to Work laws were pushed forward in the 1940s, and to take the opportunity to learn from this history, we had a conversation with David Zonderman, who teaches American labor history at NC State University.



*The short version of the long answer is that we became the state with the lowest unionization rate because of economics, culture, and race.*

David Zonderman—NC State  
Professor of History

## Can you briefly describe the national historical and political context leading up to Taft Hartley?

During the first half of the 1940s, during the war, the economy is doing well and unemployment is close to 2 percent. During this time, the national labor movement grew dramatically. Of course, the thriving economy did not last after the war. In 1946, you see an enormous strike wave spread across the country driven by unions pressing for wages to catch up with the previous wartime inflation rates and corporate profits.

The fall of 1946 is also a congressional election year, and the Republicans make enormous gains in the House and the Senate. This occurred for a host of reasons, but one was that they ran on a platform of needing to reign in "Big Labor." The Taft-Hartley Act is exactly that – an effort to reign in organized labor and worker solidarity.

## What was the context in North Carolina and what explains the long-standing hostility to unions in the state?

The short version of the long answer is that we became the state with the lowest unionization rate

*Whether unionized or not, the average worker in a right-to-work state earns about \$1500 less per year than a similar worker in a free-bargaining state.*

because of economics, culture, and race. In the 1940s, and up until the 1960s and 1970s, North Carolina was a predominantly agricultural state. Most of our industry was dominated by textiles, tobacco and furniture—industries conscious of keeping production up and wages down. The textile industry, especially, always fought very hard to keep unions out. Their profit margins were low and the wages they paid were low, which was also how they sought to attract the Northern textile industry.

And until recently, we were predominantly a rural state. Culturally, unions were seen as something foreign, Yankee, or even communist. And the third piece of this context is race, which becomes particularly powerful right after World War II. The CIO [Congress of Industrial Organizations, a federation of unions] was launching what they called "Operation Dixie," which was a huge effort to organize the South, mainly in the textile industry, but in other industries as well. Operation Dixie threatened segregation because many CIO unions were on record as saying that they would strive to organize both black and white workers. The effort won some victories, for example in the tobacco warehouses in Rocky Mount, but the major efforts were turned back.

## What are some of the lessons we can take away from this political and historical context?

It's not a coincidence that Right to Work laws were passed in the high tide of union development in this country. In the mid-1950s, union rates peaked at about 35 percent of the non-farm workforce. We are now down to a little under 12 percent. These laws were intended to roll back the tide of worker organization, and I would argue that particularly recently, it hasn't helped our economy at all. Our national economy was the most prosperous during the 25 years following World War II. There are many reasons that explain the health of the economy, but two reasons are that we had a very progressive tax system and a very strong labor movement. During this time, we were incredibly prosperous as a nation and had a strong middle class. There just isn't any hard evidence that Right to Work laws, which keep unionization rates low, are good for the economy. ■

► **Budget Cuts May Leave Working Families without Essential Child-care Help**



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

More than 1,000 low-income children could lose their spots in daycare and after-school care programs by this summer as funding for child-care subsidies dries up in several counties.

The child-care slots for 1,226 North Carolina children in 10 counties are at risk as counties contending with state budget cuts exhaust their allocated funds, according to projections from the NC Department of Health and Human Services.

More than 3,000 additional children in nine counties have already lost the subsidies, though an infusion of funding put half of those children back into the program, according to DHHS.

The loss of 1,000 more slots to the child-care program could force some parents to leave jobs and quit schooling in order to stay home with their children, said Rob Thompson, the director of the Covenant for North Carolina’s Children, a statewide advocacy group that works on children’s issues. It can leave families at disadvantages over time, with drops in income and training for new jobs put on hold.

“That can cut a family’s income in half,” Thompson said. “The idea is to make sure we have the support for parents to provide for their families.”

| County    | Projected number of children to lose child-care subsidy |
|-----------|---|
| Alexander | 61  |
| Anson     | 70  |
| Avery     | 42  |
| Columbus  | 216   |
| Greene    | 21  |
| Johnston  | 340   |
| Mitchell  | 69  |
| Orange    | 70  |
| Stokes    | 33  |
| Wake      | 304   |
| Total     | 1226  |

The state’s child-care subsidies program, designed to bridge the gap between what low-income families can afford and high child-care costs, was funded with \$348 million in state and federal dollars this year. Child-care centers receive an average of \$395 a month to help offset the costs for eligible parents who show they otherwise can’t work or attend school, or for children in situations where abuse has been alleged or in the child protective services system.

Statewide, 75,000 children benefit from the subsidies, with more than 40,000 families on waiting lists for slots. The \$348 million allotted for the program is a 10-percent cut from funding levels two year ago.

In Wake County, 750 families of the 5,300 enrolled in the program have already had their after-school care stopped, and administrators are preparing another 750 families for cuts if additional state money doesn’t come through. Paul Gross, the financial officer for Wake County Human Services, said he has 4,000 more families on the waiting list for spots, all of whom meet the low-income threshold and have need.

“There’s simply not enough money to meet all the needs of Wake County,” he said.

In Johnston County, 340 daycare slots are at risk, out of 1,500 total in the county.

The county has been spending at 110 percent of its capacity every month. Johnson County Department of Social Services head Earl Marette acknowledges that rate is not sustainable, but he says the funds have gone to cover those with the most need – children in foster care, child protective services, and homes where abuse has been alleged.

“We’re trying to get spending down to the point that we won’t overspend,” Marette said. “We’ve got over 1,100 (children) on the waiting list and there’s a great deal of demand that we can’t meet.”

The county has also made offering daycare to teenage parents a priority, in hopes that the parent will finish high school and be better able to care for their children later on in life than if they dropped out of school.

“It’s an enormous benefit and advantage in life when they don’t quit school,” he said about teenage parents. “Kids can’t go to school if they don’t have someone to watch their children.”

He hopes that if the cuts are coming, he’ll be able to delay payments to providers to the next fiscal year,



Photo Courtesy of NC Partnership for Children

instead of having to cut families off.

The NC Division of Child Development and Early Education, which administers the child-care subsidy program, has been without a director since January. In early February, Health and Human Services Secretary Aldona Wos appointed Dianna Lightfoot to take over the division, but Lightfoot resigned two days later after it came to light that she was president of an organization that advocated against early childhood education programs, saying they create dependency. No one else has been appointed to fill the position.

In years past, funds have been reallocated to help cover shortfalls, but the likelihood of that happening under Wos is unknown. DHHS spokeswoman Lori Walston said the agency hasn’t developed a specific plan of how to address the funding shortage for the 1,226 slots.

Lois Stephenson, who runs three child-care centers in Clayton, said nearly a quarter of the 800 children attending her centers receive the subsidies.

“[Their parents] would not be able to work if they didn’t have the assistance with their child-care fees,” Stephenson said. “We don’t know going forward how it’s going to be.” ■



## ► Education Funding Cuts Fall Hardest on Poor Communities



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

The dramatic cuts in recent years to North Carolina's education funding system have eliminated vital resources in all of the state's public schools, but these cuts have fallen hardest on the state's low-income school districts and students.

North Carolina has plummeted from near the national average to 48th in the nation in per-pupil spending, ahead of only West Virginia and Mississippi. Funding cuts have already had real consequences at schools and in classrooms across the state. Wealthier school districts, like Wake County, have some ability to deal with funding losses by using local revenue to supplement state funding.

Low-income counties do not have this option. Most of their county governments are operating at a deficit in the wake of the Great Recession. Also, property values tend to be low, so raising local tax rates does little to increase revenue. That's why these schools rely on state

funding to cover the costs not only of teacher salaries but also of many critical supplies. But the money has disappeared—textbook funding has been cut by 80%, school bus replacement has been delayed indefinitely, and dropout prevention programs have been eliminated.

### **46th in the Nation in Teacher Pay**

Teachers, the most critical input in children's education, have been particularly hard hit. Thousands of teacher and teaching assistant positions have been cut, leaving remaining teachers to deal with larger classes of increasingly needy students. Funds for professional development and teacher mentoring programs have been eliminated. Teacher pay has languished to the point where North Carolina has dropped to 46th in the nation for average teacher pay, and teachers earn 15.7% less today in inflation-adjusted dollars than they did in 2002. It takes a teacher with a bachelor's degree 15 years to make \$40,000 per year.

Cuts to teacher salaries and supports are amplified in low-income counties and schools that serve large populations of low-income students. These schools tend to be the hardest to staff. The state puts such a strong emphasis on test scores that teachers are hesitant to go to schools where they will have limited resources to

meet their students' considerable needs. Plus, available teachers are concentrated in higher-income metro areas where quality of life and job prospects for their spouses may be higher.

In order to attract high-quality teachers to low-income schools, salary supplements and enhanced teaching supports are needed. In the wake of education cuts of the past five years, low-income areas have lost what little resources they had to attract high-quality teachers.

### **Cuts Hit NC's Youngest Students**

The education cuts stretch beyond public school to pre-kindergarten. High-quality pre-kindergarten is the educational intervention that has the most positive impact for low-income students. Gaps develop between wealthy and poor students before they even enter kindergarten and persist through graduation and into adulthood. High-quality early education has proven effective at eliminating these gaps before they can undermine a student's educational progress.

In spite of the overwhelming evidence supporting North Carolina Prekindergarten (NCPK) as a national model for improving the education of low-income students and students with disabilities, NCPK (formerly known as More at Four) was singled out for disproportionately

(CONTINUED ON PAGE 11)

## ► The Trouble with Vouchers

*Abuse and fraud in other states show why North Carolina should be wary*



By **Lindsay Wagner**,  
NC Policy Watch Education Reporter

School vouchers and education tax credits are spreading like wildfire across the country. Typically these programs allow families who wish to send their children to private schools the use of public funds to cover the cost of tuition and other associated expenses. Many of these programs purport to help low-income and minority students access better educational alternatives, but more often than not they do not begin to cover the cost of attendance. As a result, these credits and vouchers are used primarily by those who already can afford the expensive private alternatives.

These programs drain badly needed funds from our public school systems and support a private industry that is poorly regulated. Oversight of voucher and tax

credit programs themselves is weak, as is evidenced by a number of stories that have surfaced in which people and organizations used them for personal gain.

### **Widespread Evidence of Abuse**

In Georgia, 129,000 tax credits were issued from 2007 to 2009, yet private school enrollment increased by just 0.3% because the majority of students taking advantage of the credits were already in private school. Some students were simultaneously enrolled both in public schools and private schools, costing the state both its per-pupil allotment for the public schools and the amount of the tax credit or voucher for the private school tuition.

Faith Christian Academy in Lakeland, Florida defrauded that state's voucher program by allegedly taking money from a federal free lunch program for more students than actually attended the school and accepting more than \$200,000 in state voucher money for disabled children who didn't attend it at all. Those arrested pocketed the voucher money and used it to pay for real

estate, personal automobiles, restaurant meals, airfare and cell phone bills, according to the State Attorney's Office investigation. Taxpayers also paid for rent, utilities, tickets to a comedy show, clothing, satellite television, and trips to beauty shops and nail salons, investigators said.

The Arizona Republic reported that wealthy parents in that state have used education tax credits to help send their children to cheerleading camp and on band field trips to Vancouver and New York. Former Arizona Superintendent of Public Instruction Lisa Graham Keegan used the tax credit to recoup \$200 of the \$300 she paid for her son's trip to Catalina Island, off the coast of southern California.

The Huffington Post reported the principal and founder of Mandella School of Science and Math in Milwaukee used proceeds from state voucher payments to buy two Mercedes-Benz automobiles.

### **A Growing Threat in North Carolina**

In a letter directed to legislators, Superintendent of

(CONTINUED ON PAGE 11)

## ► An All-out War on the Poor



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

In October of 2011, House Speaker Thom Tillis told a group of Republicans in Madison County that one of his goals as a leader in North Carolina was to “find a way to divide and conquer the people who are on assistance” by convincing people with disabilities to “look down” on other people who receive help from the government.

In other words, there are good poor

people and bad poor people, and he wants to punish the ones he decides aren’t worthy of help.

Tillis’ disturbing comments were captured on video and prompted widespread outrage and criticism when they were reported.

Now, fifteen months later, Tillis and other Republican legislative leaders are doing their best to achieve his goal of not only dividing and conquering the poor, but punishing them.

The 2013 General Assembly has been in session less than two months and the Republican majorities in the House and Senate have already voted to slash unemployment benefits, reduce the

length of time people who are laid off can receive those benefits, and deny emergency benefits to as many as 170,000 long-term unemployed workers—even though there are three people looking for work for every one job that is available.

Extending the emergency benefits would not cost the state a dime. The federal government would pay for them.

They also voted to deny unemployment to single mothers who lose their jobs because they can’t find someone to take care of their child when a factory manager forces them to switch from first shift to third.

They voted to refuse to expand Medicaid under the Affordable Care

Act and deny health care to more than 500,000 low-income people who cannot afford coverage on their own. Despite the rhetorical claims otherwise, that decision was not financial either—the federal government would pay for 100 percent of the expansion for three years and 90 percent after that. This was about dividing and conquering and punishing the poor, not protecting the state budget.

The House and Senate also voted to allow the state’s Earned Income Tax Credit to expire at the end of 2013. That’s a tax credit to help the working poor and it’s hardly a liberal idea. It was strongly supported by former President Ronald Reagan, who many Republican legislators

(CONTINUED ON PAGE 11)

## ► Political Theater of the Absurd



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

Conservatives at the General Assembly are advancing legislation that would require every North Carolinian to show a government-issued photo ID in order to vote at the polls. In a House Committee hearing earlier this month, speaker after speaker decried the very premise of the proposal.

Sarah Preston of the American Civil Liberties Union of North Carolina spelled out several of the basic arguments:

1. As many as one in ten eligible voters in the state lacks a current, state-issued photo identification card.
2. The people who lack such ID cards tend to be young, elderly, disabled, poor and people of color.
3. For many, obtaining such an ID card could be burdensomely expensive (it

costs at least \$24 for a birth certificate copy and \$32 for a driver’s license) and time-consuming.

4. The U.S. Supreme Court has upheld voter ID requirements only if voters are provided an opportunity to obtain a free photo ID, so the proposal would likely cost tens of millions of dollars if enacted in constitutional fashion.

5. Voter fraud—the supposed target of such a proposal—is already a felony and incredibly rare.

Spokeswoman Dee Hatch of the AARP of North Carolina noted the problem in American elections isn’t fraud; it’s the barriers that make voting difficult—especially for people who lack resources and transportation. “The older you get, the more likely you won’t have an ID,” she said. “Nationally, 18% of the elderly do not have photo identification.”

In addition, she noted that older adults are more likely to lack birth certificates. “If you don’t have or cannot find your birth certificate, it may not be possible to get a birth certificate, depending on when

and where you were born—particularly if you no longer live in the state where you were born,” Hatch said.

Rev. William Barber of the North Carolina NAACP noted his organization has been fighting violence, “grandfather clauses” and poll taxes for more than a century in order to gain unfettered access to the ballot box. Now, he said, the NAACP feels strongly that voter ID requirements are the modern-day equivalent of those practices.

“This new poll tax—we refuse to any longer call it ‘voter ID’—this new voter poll tax... is a violation of the 24th Amendment, which says that no poll tax or any other tax can be required to qualify people to vote,” Barber stated.

Several other speakers at the hearing cited the absurdity of limiting the photo ID requirement to in-person voting while doing nothing to extend such a requirement to absentee voting.

### The great ideological flip-flop

One of the great ironies of voter ID legislation is that it flies in the face of the longstanding conservative and libertarian opposition to mandatory

government ID. Just 35 years or so ago, conservatives in America screamed that then-President Jimmy Carter’s proposal of a national identification card was a grave infringement on personal liberty. Similar sirens sounded 20 years ago when President Clinton called for the issuance of national health care ID cards to all Americans.

Now, such arguments are conveniently forgotten as supposed anti-government conservatives clamor for just such a requirement.

Truth be told, there is a compelling case to be made in support of the provision of tamper-proof biometric national identification cards for all Americans. If done properly and automatically, it could actually make voting easier.

Unfortunately, North Carolina’s legislative leadership has no intention of letting such a rational ID proposal advance. They would rather preserve a worst-of-all-worlds situation in which photo ID is essential for voting but difficult to obtain for the people most likely to vote against them: people who are poor, elderly, have disabilities, and are of color.



## Education Funding Cuts (Continued from page 9)

large cuts in the last biennial budget. As a result, there are 20% fewer pre-kindergarten slots than there were in 2010, denying thousands of at-risk students living in poverty the opportunity to start school on a level playing field with their higher-income peers.

### Economic Health Hurt by Underfunding Education

The most efficient way to improve graduation rates, proficiency rates, scores on national and international benchmarking tests, and, consequently, the future economic health of the state is by focusing resources on students who are at risk of failing and eradicating the achievement gap. Unfortunately, education funding cuts have produced the opposite effect – singling out lower-income districts and schools for disproportionately large cuts and reducing the already limited resources that these schools had to educate a population of students with higher needs. With vouchers, tax credits, and further reductions to traditional-public-school funding potentially on the horizon, budget cuts will continue to disproportionately hurt the poorest communities across the state. ■

## All Out War (Continued from page 10)

claim as their political hero, as a way to reward hard work.

Senate leaders are touting a tax reform plan that would increase taxes on the low-income families and the middle class and give a \$41,000 tax cut to people who earn more than \$1 million a year. It would force low-income people to pay a state sales tax on bread and milk to fund the tax cut for the wealthy.

And that's all low-income people, including seniors and people with disabilities.

Legislative leaders are clamoring to require all voters to have a government-issued photo ID before they are allowed to vote, even though they know that most people without a current ID are seniors, people with disabilities and the poor.

Powerful legislators have introduced proposals to allow unscrupulous and predatory payday lenders to prey on the poor with their obscenely high-interest-rate and high-fee loans. A former Republican House Speaker is one of the payday lenders' lobbyists.

We should have known all this was coming. Tillis made it clear 15 months ago that this is what he wanted to accomplish, and he and his Republican colleagues are well on the way, dividing and conquering and punishing and exploiting the poor.

This isn't just politics or a shift in policy priorities. This is an all-out war on the poor, and when it's over North Carolina may never be the same. ■

## Trouble with Vouchers (Continued from page 9)

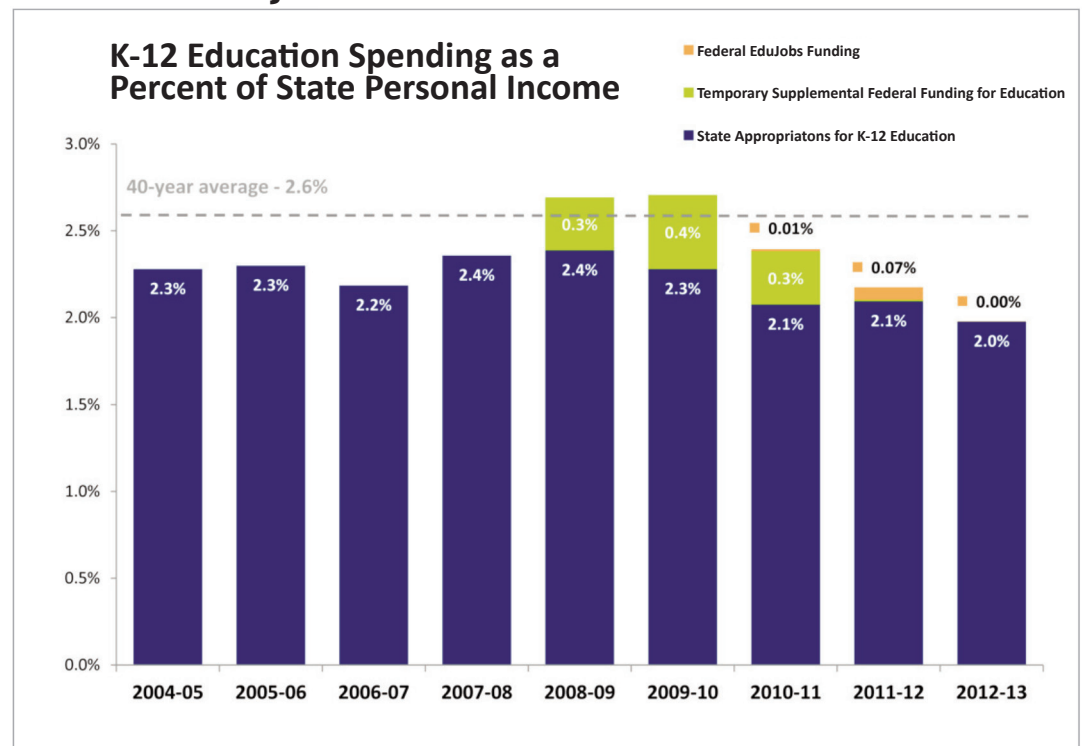
Brunswick County Public Schools Ed Pruden explained, "North Carolina superintendents consider tax credits or vouchers to be the single greatest threat to public schools."

North Carolina schools have already suffered years of budget cuts (see top of page 9), and vouchers and tax credits would take more money out of the public school system. In 2011, the legislature created a new tax credit for parents of children with disabilities who homeschool their children or send them to private school. The measure was limited to children with disabilities only after legislators got considerable pushback against a broader voucher bill. But some legislators have promised that vouchers and other tax credits will be in North Carolina's future. In fact, there is a bill now working through the NC House that would provide a tax credit to any family that homeschools.

Another bill would allow corporations to fund scholarships for special-needs students to attend private schools. The legislature considered a similar but broader proposal in 2012 but again backed off in the face of public criticism. Both proposals for children with disabilities are considered first steps to securing credits and vouchers for any student.

Pruden's letter says such measures "have begun the process of defunding and unraveling the traditional public school system that has served the common good and general welfare of our state. In tax credits or vouchers, we see profound issues of accountability, accessibility, and public finance." ■

## North Carolina has the money to fund education. Our leaders just don't have the will.



One way to measure a state's tax revenue is to look at total personal income—all the personal income of all the people in the state—and figure out how much of it the state collects in taxes. We can also look at how much of personal income the state spends on certain budget areas to understand our lawmakers' priorities. Apparently, education isn't one of North Carolina's priorities. The state's 40-year average for education spending is 2.6% of total state personal income. North Carolina is currently down to 2.0%. That may not seem like a huge difference, but bear in mind that North Carolina's state personal income was \$359 billion in 2012. Do the math – 0.6% of \$359 billion is more than \$2 billion.

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