



BTC Brief

BUDGET & TAX CENTER

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Winter has arrived and the COVID-19 pandemic continues to hurt our state

NC General Assembly should prioritize these 6 policies for putting residents, communities, schools, businesses on a path to recovery

By Budget & Tax Center Staff

It's a new year, but the pandemic and its many harms to the people and communities across our state continue to deepen. As families are struggling to put food on the table and stay up-to-date on bills and rent, landlords and neighborhood businesses are struggling as well, and the ability of neighborhoods, communities, and the economy to start a recovery will stall. (See Breakout Box.)

The expiration of many of the supportive policies and investments at the federal and state level in December 2020 and the short-term, small-scale nature of the response in the latest federal aid package make it urgent for North Carolina legislators to prioritize a stop-gap spending measure this month, now that they have returned to Raleigh.

Hardship for people is taking an economic toll

The latest Household Pulse Survey data from the U.S. Census Bureau, analyzed by the Center on Budget & Policy Priorities, shows widespread hardship when considered alongside the prior year data that demonstrated the last expansion had failed to move more people out of poverty. In 2019, 1.4 million North Carolinians lived on poverty incomes (less than \$26,000 for a family of four).¹ In the period between Nov. 25 to Dec. 21, 2020, in North Carolina²:

- 14 percent of adults reported that their household was having difficulty getting enough to eat.
- 18 percent of adult renters were behind on rent.
- 35 percent of adults were struggling with usual household expenses.

1 Harris, Logan Rockefeller, October 2020. Persistent poverty demands a just recovery for North Carolinians. BTC Report, NC Justice Center: Raleigh, NC. Accessed at: <https://www.ncjustice.org/publications/2020-poverty-report-persistent-poverty-demands-a-just-recovery-for-north-carolinians/>

2 Center on Budget & Policy Priorities, January 8, 2021, Tracking the COVID-19 Recession's Effects on Food, Housing and Employment Hardships, accessed at: <https://www.cbpp.org/research/poverty-and-inequality/tracking-the-covid-19-recessions-effects-on-food-housing-and>

North Carolina can afford a robust response

The state's \$4.2 billion unreserved balance, dollars available for investment today after appropriations, is a direct result of the underinvestment that has been the hallmark policy approach of legislative leaders since coming out of the Great Recession.³ It is an approach that has left our communities less able to deal with the effects of COVID-19.

The large balance is also the result of record profits that large corporations and very high-income individuals have secured in the past year,⁴ even as many households weren't getting enough to eat and people were behind on their rent across our state.⁵ Such extreme inequalities, left unchecked by public policy, threaten not only the strength of our economy but our democracy.

State action is particularly important in this moment. Congressional movement in December was important after months of delays in acting on COVID-19 relief. However, the smaller amount of support for people through cash assistance and Unemployment Insurance for example — in addition to the failure to include critical aid to state and local governments on the frontline of the sustained response to this crisis — is unlikely to halt the cycle of hardship.

With many of the federal supports set to expire in March and the potential for ongoing gaps for North Carolina even with additional federal response, building a pathway to recovery that is relevant to the local context and sustainable through to recovery would be best achieved through state leadership.

With only \$243 million remaining in Coronavirus Relief Funds, which can now be expended in this year⁶, North Carolina needs to provide a robust plan for responding to COVID-19 that extends through the rest of this year so that families aren't left with impossible choices about risking their health or their incomes.

Public investments in people are needed immediately

The growing spread of COVID-19 in communities — including its disparate impact on communities of color and rural communities and the reality that our recovery cannot begin nor can economic well-being be secured without containment of the virus — means public investments in this moment are critical.⁷

The bottom line is that a public investment in people — so that they can get the care they need, stay safe in a home, learn, connect with their communities, and work through 21st-century broadband infrastructure — will make it possible for businesses and the economy to survive.

Such extreme inequalities, left unchecked by public policy, threaten not only the strength of our economy but our democracy.

3 NC Office of the State Controller, General Fund December Monthly Report, accessed at: https://files.nc.gov/ncosc/documents/files/GFMR/2020/Dec_2020_Gen_Fund_Monthly_Report.pdf. More current data available as of January 25, 2021 through NCOSC Cash Watch has the total unreserved balance at \$5.2 billion, accessed at: <https://www.osc.nc.gov/news/press-releases/cash-watch-january-25-2021>.

4 McHugh, Patrick, September 14, 2020. Prosperity Watch: Corporate windfalls from COVID-19 mostly benefit rich shareholders. Accessed at: <https://www.ncjustice.org/publications/corporate-windfalls-from-covid-19-mostly-benefit-rich-shareholders/>

5 Center on Budget & Policy Priorities, January 8, 2021.

6 NC Office of State Budget & Management, Report on Coronavirus Relief Fund Reallocation for Week of December 31, 2020, accessed at: <https://www.nc.gov/agencies/ncpro/news-information>

7 Gaspar, Vitor et al, October 5, 2020, Public Investment for the Recovery, International Monetary Fund. Accessed at: <https://blogs.imf.org/2020/10/05/public-investment-for-the-recovery/>; Kamarck, Elaine, December 1, 2020. America needs a COVID-19 Commission, Brookings Institution. Accessed at: <https://www.brookings.edu/blog/fixgov/2020/12/01/america-needs-a-covid-19-commission/>

The General Assembly must move forward with a near-term spending bill to meet the urgency of the needs in communities, as well as commit to going all in on an ongoing response and the crafting of a comprehensive budget this year that puts North Carolina on a path to a just recovery.

Here are six priority investments that are needed — and that could be funded with the unreserved balance available now — to ensure a sustained response to COVID-19 and its harms. These investments, if designed effectively, could also advance systemic improvements that would put North Carolina on more resilient ground for the future.

PRIORITY 1: Ensure families have a home to stay at home this winter.

An investment of at least \$200 million in rental assistance is needed each month to help households that are behind on rent, and advocates estimate a similar figure for utilities will be needed, too, so people can stay in their homes.⁸ Hundreds of thousands of people in N.C. are behind on their utility bills, and more than 15,000 coronavirus cases and over 300 deaths are estimated to have resulted from eviction from June 20 to September 3, 2020, when there was no moratorium on evictions in place.⁹ If we want to slow and stop the spread of COVID-19 and get on the road to economic recovery, people need a home to be able to stay at home, stay healthy, and activate our economy. The significant need for additional rental and utility assistance was illustrated by the tremendous number of applications for the \$117 million made available through the NC HOPE fund in 2020¹⁰; program funds were exhausted in approximately 4 weeks with many qualified applicants going unserved by the program. While the recent federal package provides a critical investment of nearly \$700 million¹¹, many renters are behind on months of rent, and the challenges of the pandemic and downturn are unlikely to be addressed without additional state commitments.

GOING ALL IN to address housing challenges means considering the implementation of a refundable housing tax credit — like the ones in 18 states, including Maine and Maryland¹² — to reduce the housing cost burden for renters and homeowners, making housing more stable, and to commit to building an affordable housing supply statewide by funding the Housing Trust Fund.

PRIORITY 2: Stabilize the child care system with an investment of at least \$340 million in state dollars.

The child care system, which has been hard hit by COVID-19, is essential to the ability of the economy to recover as workers who must return to work need to be able to access quality care for their children. The system needs investments to increase the subsidy reimbursement rate to a statewide floor for child care providers, provide bonus pay to educators, and cover the cost of child care for more families to ensure their children have a high-quality place to

8 Pedersen, Leila, October 1, 2020. Fiscal Facts: The 101 on Housing needs that North Carolina should be funding during the pandemic, accessed at: <https://www.ncjustice.org/publications/fiscal-facts-the-101-on-housing-needs-that-north-carolina-should-be-funding-during-the-pandemic/>

9 Leifheit, Kathryn M., et al. November 30, 2020. Expiring Eviction Moratoriums and COVID-19 Incidence and Mortality. Social Science Research Network, accessed at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3739576

10 NC Governor Press Release, <https://governor.nc.gov/news/governor-cooper-announces-applications-open-new-rent-and-utility-assistance-program>. Additional reports suggest that ultimately \$167 million was allocated to the program, see: <https://www.ncdps.gov/news/press-releases/2020/11/10/application-period-closing-nc-hope-rent-and-utility-assistance>

11 National Low Income Housing Coalition, Estimates of Distribution of Emergency Rental Assistance in December 2020 Relief Bill, accessed at: <https://nlihc.org/sites/default/files/Estimating-the-Distribution-of-Emergency-Rental-Assistance-Funds.pdf>

12 Institute on Taxation and Economic Policy, 2018. Property Tax Circuit Breakers, accessed at: <https://itep.org/property-tax-circuit-breakers-in-2018/>

learn.¹³ While an estimated \$338.8 million in federal funds will be made available to North Carolina for early childhood care and education, state dollars to match this commitment would ensure a comprehensive response.¹⁴

GOING ALL IN to address the child care challenges that North Carolina faces in the long-term means increasing the state's funding level in the system so that providers aren't dependent on parents' ability to pay and investing in a high quality learning experience for every child. The critical public investment needed in child care can be supported through investments in K-12 education¹⁵ that meet the consent agreement in the *Leandro vs. The State of North Carolina* case.¹⁶

PRIORITY 3: Enforce workplace protections and seed a state paid-leave insurance program.

The state's commitment to an economic recovery shouldn't put people's health and well-being at risk, and that means fundamental changes to the supports for working people, particularly in low-wage industries. Investments to increase enforcement of workplace health and safety protections are essential, as is seeding a paid-leave insurance program to provide all workers in North Carolina with the ability to take time off when they are sick or need to care for a loved one. Federal action in December extended the ability of employers to receive tax credits for providing paid leave, though it did not require employers to offer paid leave to employees. Working people are the economy, and we must invest in them for our state to begin to recover from this crisis.

GOING ALL IN would mean increasing the staffing and supports for the N.C. Department of Labor to monitor workplace conditions and enforce health and safety rules, while guaranteeing that every worker in the state has access to paid sick days and paid leave.

PRIORITY 4: Bolster the public health infrastructure for the vaccine and winter surges.

With over 500,000 adults estimated to be in North Carolina's initial vaccine priority population alone, according to new research from the Kaiser Family Foundation,¹⁷ the state must invest adequate dollars to ensure that an equitable and inclusive vaccination campaign can be carried out. The state must also continue to ask the federal government for funding and other resources to ensure the largest vaccination effort in history is successful.

GOING ALL IN would mean building a larger public health workforce, including Community

13 Harris, Logan Rockefeller, October 6, 2020. Fiscal Facts: The 101 on Child Care needs that North Carolina should be funding during the pandemic, accessed at: <https://www.ncjustice.org/publications/fiscal-facts-the-101-on-child-care-needs-that-north-carolina-should-be-funding-during-the-pandemic/>

14 Hardy, Alycia and Katherine Gallagher Robbins, December 22, 2020. Child Care Relief Funding in the Year-End Stimulus Deal: A State by State Estimate, Center for Law and Social Policy. Accessed at: <https://www.clasp.org/publications/fact-sheet/covid-relief-stimulus-child-care-state-estimates>

15 Nordstrom, Kris, October 27, 2020. Fiscal Facts: The 101 on Education needs that North Carolina should be funding during the pandemic, accessed at: <https://www.ncjustice.org/publications/fiscal-facts-the-101-on-education-needs-that-north-carolina-should-be-funding-during-the-pandemic/>

16 Childress, Greg, June 18, 2020. First-year 'action steps' to fulfill promise of Leandro ruling carries a \$427 million price tag. Progressive Pulse, accessed at: <http://pulse.ncpolicywatch.org/2020/06/18/first-year-action-steps-to-fulfill-promise-of-leandro-ruling-carries-a-427m-price-tag/#sthash.pomcpDO5.dpbs>

17 Levitt, Larry, et al. December 10, 2020. Estimates of the initial Priority Population for COVID-19 Vaccination by State, Kaiser Family Foundation. Accessed at: <https://www.kff.org/coronavirus-covid-19/issue-brief/estimates-of-the-initial-priority-population-for-covid-19-vaccination-by-state/>

Health Workers, with the ability to understand and work within each community's culture, as well as prioritizing health care for historically marginalized communities and closing the health coverage gap.¹⁸

PRIORITY 5: Provide a tax credit to working families who earn low wages.

Too many of the essential workers — who are critical to caring for those who are sick and keeping the local economy moving — earn low wages that make it difficult to make ends meet. A refundable, inclusive state Earned Income Tax Credit (EITC) would provide workers who earn low wages with a crucial support now, while also addressing the upside-down nature of our tax code in the long term.

GOING ALL IN would mean marrying a refundable, inclusive state EITC with a plan to ensure that workers who deliver essential services in the state are paid a living wage and that all state employees are covered by the legislatively established \$15-an-hour wage standard.

PRIORITY 6: Connect every community to information and resources that they need to survive and thrive.

Broadband access is a modern-day utility that has been able to keep people working, learning, connecting, and receiving care via telehealth during the COVID-19 pandemic. But too many households lack access or can't afford to connect to the infrastructure that does exist. A state-level investment in broadband infrastructure in rural communities would support employment, education, and health goals while also providing direct support to consumers with low incomes to offset the cost of this essential connection, ensuring that access to broadband does not further increase gaps and generate inequities.

GOING ALL IN would mean making sure that telecommunication companies are no longer receiving tax breaks when they fall short of delivering services to the public. It would also mean removing barriers for local governments to provide broadband services to residents, especially in places that are often the last to be served, such as Public Housing Authorities and farmworker housing.

As the General Assembly kicks off the 2021 Legislative Session, leaders must pursue public policies and investments that will address the hardship faced by people while also building the systems to support a just recovery and resiliency for the long term. These six priorities can be a start to ensure that post-pandemic North Carolina will have moved beyond a paycheck-to-paycheck economy, strengthened its community infrastructure to connect every person — Black, brown, and white — to opportunities, and removed barriers that have excluded many in our state from the promise of a high quality of life.

¹⁸ Khachaturyan, Suzy, October 13, 2020. Fiscal Facts: The 101 on Health needs that North Carolina should be funding during the pandemic, accessed at: <https://www.ncjustice.org/publications/fiscal-facts-the-101-on-health-needs-that-north-carolina-should-be-funding-during-the-pandemic/>