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Thank you Mr. Chairman. I'm Gene Nichol, Director of the Poverty Center at the University of North Carolina. I'm honored to speak to the Commission members again – with Bill Rowe and our partners at the Justice Center. When this Commission's work began, we explored broad and ambitious goals for this effort; including, as I recall, the setting of benchmarks and timetables, as many other states have done in the last four years, to reduce poverty and extreme poverty and troubling child poverty in North Carolina over the next decade.

I hope, of course, that such overarching efforts – including their necessary challenges in education and economic development and job training and health care – are not beyond our capabilities. But there is no doubt that the world has much changed in the past year. Huge challenges in the state budgeting process and dramatic shortcomings in resources have arisen. Needs often beyond measure and capability. So we come, at the request of the committee, to offer a brief, and we think, modest list of practical but effective steps to address the challenges of North Carolina's poorest citizens.

It is worth recalling, though, that the crisis of those at the bottom of our economic ladder has, in the intervening year, only deepened. Child poverty has risen to 19.5%. Almost 15% of all North Carolinians now live below the federal poverty threshold. About 11% of us are unemployed. 185,000 North Carolinians have lost their health care coverage in this year alone. We have one of the highest rising rates of the uninsured in the nation. 260,000 jobs have disappeared in the last 22 months. Income inequality in North Carolina has peaked. Food stamp participation is up by 24%. Food banks are overrun with applicants. These steps, it is obvious to state, will not reverse this daunting tide. But they will help to give a fairer shot and a fighting chance to those Tar Heels locked at the bottom.

1. North Carolina should raise the state earned income tax credit to 10% of the federal benefit.

The federal Earned Income Tax Credit (EITC) is widely recognized as the largest, most effective low-and moderate income anti-poverty program in the nation. Begun in 1975 under President Ford, the bi-partisan program – expanded by presidents Clinton and Bush – rewards work, offsets regressive taxation schemes, sustains families, lifts threatened workers out of poverty, and promotes economic development. In 2007, North Carolina wisely became one of twenty-four states bolstering the proven benefits of the federal EITC by adding an analogous refundable

state credit. Our state EITC was pegged, however, at the very modest rate of 3.5% of the federal benefit. This year it was raised to 5% - still among the lowest in the nation. [New York's rate, for example, is 30% of the federal EITC.] Approximately 20% of North Carolina households take advantage of the credit. They receive an average benefit of \$108. The maximum benefit, at present, is roughly \$280. The Carolina credit should be raised to 10%.

The state EITC helps offset not only income taxes, but frequently regressive payroll and state and local sales and property taxes. Sales tax increases, for example, fall disproportionately upon the poorest North Carolinians. For very low income workers, the credit can work as an income supplement as well. An increased credit would directly enhance economic security, improve the possibility of social mobility, encourage work and savings, foster local purchasing power and economic recovery, sustain families, and reduce poverty in North Carolina. It would, of course, cost revenues – like other tax cuts – reportedly an estimated \$85 million. But raising the state EITC would be among our wisest investments in North Carolinas families.

2. North Carolina should remove caps on enrollment in the critical S-CHIP or Health Choice children's insurance program.

This year the NC General Assembly limited growth in North Carolina's children's health insurance program to 7% in FY2010 and 3% in FY2011. Growth caps have been imposed on the program for the past seven years. North Carolina now enrolls fewer eligible children than many other states. Approximately 3 of every 5 (186,000) uninsured children in North Carolina are eligible for, but not enrolled in, Medicaid or NC Health Choice. That is, they are citizen children who live households with an income of less than 200% of the federal poverty level. Another 23,000 are ineligible because of citizenship status; and 97,000 because their family income levels are too high. Imposed enrollment caps mean that we leave vulnerable kids uninsured and generous federal matching funds on the table.

The federal government provides a nearly 3-1 match for kids enrolled in NC Health Choice. Therefore, North Carolina can choose to cover more children in both Medicaid and Health Choice with the national government picking up 75% of the cost. Even with their respective budget crises, in 2009, eighteen states expanded health care coverage for poor children – usually by increasing eligibility levels. The federal government has increased funds available to North Carolina to enroll kids in Health Choice by 25%. We recently received a \$678,000 grant to conduct outreach campaigns to enroll more eligible children in Medicaid and Health Choice. An enrollment cap is, of course, at odds with such efforts. Health Choice provides crucial support for North Carolina's many, and increasing, uninsured families. An expanded state commitment to the program, for a relatively small investment, would pay large dividends for our poorest families and most threatened children.