Press Release

The University of North Carolina
Center for Public Television

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January 23, 1989

FOR IMMEDIATE RELEASE

CENTERS SAY POVERTY IN NORTH CAROLINA REMAINS HIGH DESPITE QUARTER-CENTURY FIGHT

Despite the expenditure of billions of dollars over a quarter-century, poverty in North Carolina remains at an unacceptably high level, report the N.C. Center for Public Policy Research and the UNC Center for Public Television in a joint production. Federal, state, and local governments are spending $3 billion a year in North Carolina to alleviate poverty, but only a fraction of that goes to direct relief -- cash and food -- for the poor, the Centers say in a televised report scheduled for 8 p.m. on January 25.

Those programs provide less than two-thirds the amount of help needed for poor families, according to standards set by the federal government. In North Carolina, the Centers report, Aid to Families with Dependent Children (AFDC) and food stamps add up to only <u>62 percent</u> of the amount needed to reach the federal poverty line -- about $9,700 for a family of three. This represents a steady decline since 1975, when AFDC and food stamps provided <u>87 percent</u> of the income and food a family in poverty needed. What's more, the gap between the poverty line and the actual cash value of these benefits has been growing.

"Although the state, local, and federal governments pump an enormous amount of money into the fight against poverty," says Mike McLaughlin, associate editor of <u>North Carolina Insight</u> and a panelist on the program, "the two most widely known and most often criticized poverty programs (AFDC and food stamps) provide a relatively small amount of money -- less than 14 percent of the sum spent by government on eradicating poverty in North Carolina."

These findings are among those to be highlighted in the joint production, "Center Reports: Profiles in Poverty," to be aired at 8 p.m. on Wednesday, January 25, 1989, on all 10 channels of the UNC Television Network. The program will be followed in March by a special report on poverty in <u>North Carolina Insight</u> magazine, the quarterly journal of the Center for Public Policy Research.

The television production, third in a series produced by the two Centers, features several short documentaries and a panel discussion. Panelists include Dan Hudgins, director of social services for Durham County; Don Saunders, representing the N.C. Legal Services Resource Center; Sen. Russell Walker (D-Randolph), chairman of the N.C. Senate Committee on Human Resources; Keith Crisco, president of Asheboro Elastics Inc.; Lisa Carroll, a working mother on public assistance in Fayetteville; Mike McLaughlin, associate editor of <u>North Carolina Insight</u>; and Jill McSweeney of the UNC Center for Public Television, who will moderate the discussion.

The poverty report was edited by McLaughlin and Jack Betts, editor of North Carolina Insight. The television program was produced by Ted Harrison of the UNC Center for Public Television, and reported by McSweeney, Chris Fitzsimon, and John Bason.

Culminating more than a year of research into North Carolina's poverty problem, the report examines six specific issues: (1) the demographics of poverty, (2) the array of state programs designed to fight poverty, (3) state tax policy and the poor, (4) the impact of education programs on the poverty problem, (5) how North Carolina attacks poverty through job programs, and (6) the adequacy and availability of health care for the poor. The television program focuses on three poor families and how they deal with these issues.

The report also examines some of the myths about poverty, and how the public too often views those in poverty. J. Gordon Chamberlin, the executive director of the nonprofit North Carolina Poverty Project, relates an incident that occurred when he was speaking to a civic club in one North Carolina town. He asked its members to list their ideas for ways the community could help alleviate poverty, and one respondent wrote, "Get rid of minimum wage, get rid of welfare, sterilize the women after two children, and hang the bums."

Some citizens may share that view, says McLaughlin, but the record doesn't justify it. "Our findings show that the minimum wage is barely enough to get even one person above the official poverty line, that welfare payments fall well short of the poverty line, that women in poverty rarely have more than 2 children, and that poverty is far less the result of indolence than the public realizes. Most poor people in North Carolina do work, they do have jobs, and they still need help getting out of poverty."

Policymakers and legislators should consider improvements to several government programs during the 1989 General Assembly, McLaughlin said. Among the changes might be an increase in the state minimum wage, increases in AFDC benefits, a reduction in paperwork and a streamlining of the benefits application process, expansion of health care availability, and reduction of the heavy income tax and sales tax burdens on the poor in North Carolina.

Among the report's findings are the following:

(1) The Demographics of Poverty

North Carolina has about 884,000 persons in poverty, according to the latest available estimates, and a poverty level of 14.3 percent, slightly above the national level of 13.6 percent. Of North Carolina's population, about one in every five children, and one in five elderly persons, live in poverty. Yet even with its above-average rate of poverty, North Carolina has one of the lowest percentages of welfare recipients in the nation.

The state also has low welfare benefits. The federal poverty level for a family of three is $9,690, but monthly AFDC payments of $266 and maximum food stamps worth $236 produce the equivalent of only $502 in monthly income, or about $6,024 per year -- 62 percent of the federal poverty line.

Those families of three are often headed by a single working mother, evidence of the increasing feminization of poverty. In fact, North Carolina has the highest proportion of working mothers in the nation -- 65 percent, compared to the national average of 55 percent. In addition, a high percentage of those in poverty are the working poor. These are persons who do not have the skills to get better jobs, but who must work in part-time or full-time, low-wage jobs that will never raise them above the poverty line. And although the majority of North Carolina's poor people are white, the percentage of blacks in poverty is much higher than that of whites in poverty.

Poverty also has an urban-rural character. While the largest concentrations of the poor are to be found in the urban areas of the state -- Mecklenburg, Guilford, Cumberland, and Wake counties -- the rural counties like Hyde in the East and Swain in the West have much higher proportions of their citizenry in poverty. This creates special strains on the budgets of rural counties, which do not have the tax bases to provide adequate services.

(2) Government Spending on Poverty

To fight these poverty problems, government agencies spend more than $3 billion each year in North Carolina. By far, the largest amount is the nearly $1 billion spent on health care programs, accounting for 32 percent of poverty spending. That's followed by nearly $759 million on income maintenance programs, including Social Security Disability to the tune of about $350 million and AFDC payments of about $199 million. Those income programs account for about 25 percent of poverty spending. Food and nutrition programs -- including food stamps (about $218 million) and the national school lunch program (about $410 million) -- account for another 25 percent.

The research identified about 67 separate programs at work in the poverty arena, plus 10 state boards and commissions and two private agencies created by the state to fight poverty. Together, these agencies spend $3,038,592,000 on poverty, but the smallest amount comes from state government. The federal government provides most of the money -- about $2.1 billion -- while state and local governments split the remaining costs -- $457 million for local governments and $441 million for state government.

Of the 67 anti-poverty programs, the majority (41) are designed to sustain the lives of those in poverty, while only 26 are designed to help people get out of poverty. By spending, 90 percent of the money goes to sustenance programs (about $2.8 billion) while 10 percent goes to programs that lift the poor out of poverty (about $313 million).

(3) Taxation and the Poor

The report found that state tax policy often is unfair to the poor, and that certain changes would make taxes more equitable for those in poverty. While the household income for a family of four in poverty has risen 193 percent since 1970, that same family's state income tax liability has risen 710 percent. The state income tax, enacted in 1921, was not meant to fall on the poor at all, but rather to tax only those with sizable incomes. But tax rates, brackets, exemptions, and the standard deduction have changed very little while the income of the poor has risen. That means a poor person in North Carolina owes state taxes before his income has reached half the federal poverty line.

In addition, state sales taxes are burdensome to the poor even though North Carolina has not relied as heavily on such taxes as have other states. While 28 other states exempt food from sales taxes, North Carolina's poor must pay taxes on food (although food purchased with food stamps is exempt).

Partly because of this tax burden, North Carolina ranks 21st in the nation in the sales and excise tax burden it places on its poorest citizens.

(4) Education and the Poor

Poverty is an expensive problem not only for North Carolina's education system but for its economy as well. The state spends more than $160 million a year to battle the effects of poverty in the classroom, but North Carolina remains handicapped by a high dropout rate and a high rate of illiteracy -- factors that keep the work force from becoming as proficient as it needs to be.

The state's dropout rate is roughly 25 percent, meaning that in each freshman high school class, one-fourth will not graduate. Often these students quit to take a job and help out at home -- but the jobs they can get are menial, low-paying positions that offer little opportunity for advancement or for learning marketable job skills. Partly as a result of the dropout rate, the state's illiteracy rate is high. More than 800,000 adults have less than an eighth-grade education, and an estimated 1.7 million North Carolinians over 16 do not have a high school diploma.

Educators have identified three approaches to dealing with this problem. Preschool programs such as Head Start can help "at-risk" students enter the first grade on a par with students from other families, but such programs currently reach as few as 16 percent of the North Carolina children who need them.

Dropout prevention programs in the public schools -- costing more than $20 million annually -- have been designed to motivate students to stay in school, but only slight decreases in the dropout rate have begun to show up in recent years.

And critics say that North Carolina's public and private literacy programs aren't doing enough to identify, attract, and train the adult illiterates who cannot get better jobs without improving their literacy skills. The Department of Community Colleges has had responsibility for literacy programs, but now the Governor is planning to establish a new office on literacy under his control.

(5) Job Training Programs

In addition to education efforts, state-sponsored job programs attempt to get trainees off welfare and increase their earnings -- but the state has at best a mixed record. Three key programs are at work, but only one -- the federally-funded Job Training Partnership Act (JTPA) program is a true job training effort. Two others -- Community Work Experience Program (CWEP) in the Department of Human Resources, and Human Resources Development (HRD) in the Department of Community Colleges -- produce some results, but they are aimed more at helping welfare recipients learn how to land an entry-level job and less on teaching them a trade or job skill.

Perhaps as many as 400,000 North Carolinians in poverty could be helped by these programs, but only about 55,000 are now served in any one year. JTPA funding has steadily decreased in recent years, and HRD and CWEP receive only modest funding from the state.

The Centers report that the largest of the three programs -- JTPA -- serves more than 40,000 people, and helps about 70 percent of the program's participants get a job. But follow-up reports indicate that the number of trainees still working 13 weeks later (after leaving the program) drops off significantly to about 55 percent of the participants. By comparison, the HRD program helps about 60 percent of its graduates to get jobs, while the CWEP program claims that about 40 percent of its participants wind up in paid jobs. Critics of these programs say they help only the easiest-to-train individuals and don't do enough to work with the hard-core unemployed.

(6) Health Care and the Poor

Although public opinion polls indicate broad support for making health care available to everyone who needs it without regard for ability to pay, many poor citizens lack access to adequate health care. The poor also use far fewer medical services even though their health is poorer than that of the general public. And North Carolina's infant mortality rate is among the worst in the nation.

Although Medicaid spending is the largest single spending item on poverty in North Carolina (nearly $1 billion each year), it covers only a third of the state's residents who fall under the federal poverty line. In addition, nearly one-third of the state's residents are medically indigent -- that is, they have no health insurance coverage at all, or their coverage is inadequate. In fact, as many as 1.9 million people -- a third of the state's population -- are uninsured at some time during a given year. Most of these uninsured or underinsured citizens are poor -- and many of them are children. And most of the uninsured residents work in small businesses (those with 25 or fewer employees), yet three-fourths of the state's new jobs are created by small businesses -- so the problem is growing worse.

The N.C. Center for Public Policy Research in an independent, nonpartisan, nonprofit corporation created to examine state government policies and practices. The Center is supported in part by grants from the Z. Smith Reynolds and Mary Reynolds Babcock Foundations, both in Winston-Salem. Other funding comes from 110 corporate contributors and more than 700 individual and organizational members. In addition to North Carolina Insight magazine, the Center also has conducted studies comparing the performance of for-profit and not-for-profit hospitals, problems with local landfills running out of space, and the possibility of publishing legislator's votes. Recently, the Center published research on the fact that N.C. has the highest number of legislative committees in the United States.

For more information, call Jack Betts or Mike McLaughlin at the N.C. Center for Public Policy Research at (919) 832-2839. For a copy of the videotape of this Center Reports program, call Ted Harrison at the UNC Center for Public Television at (919) 737-2853.