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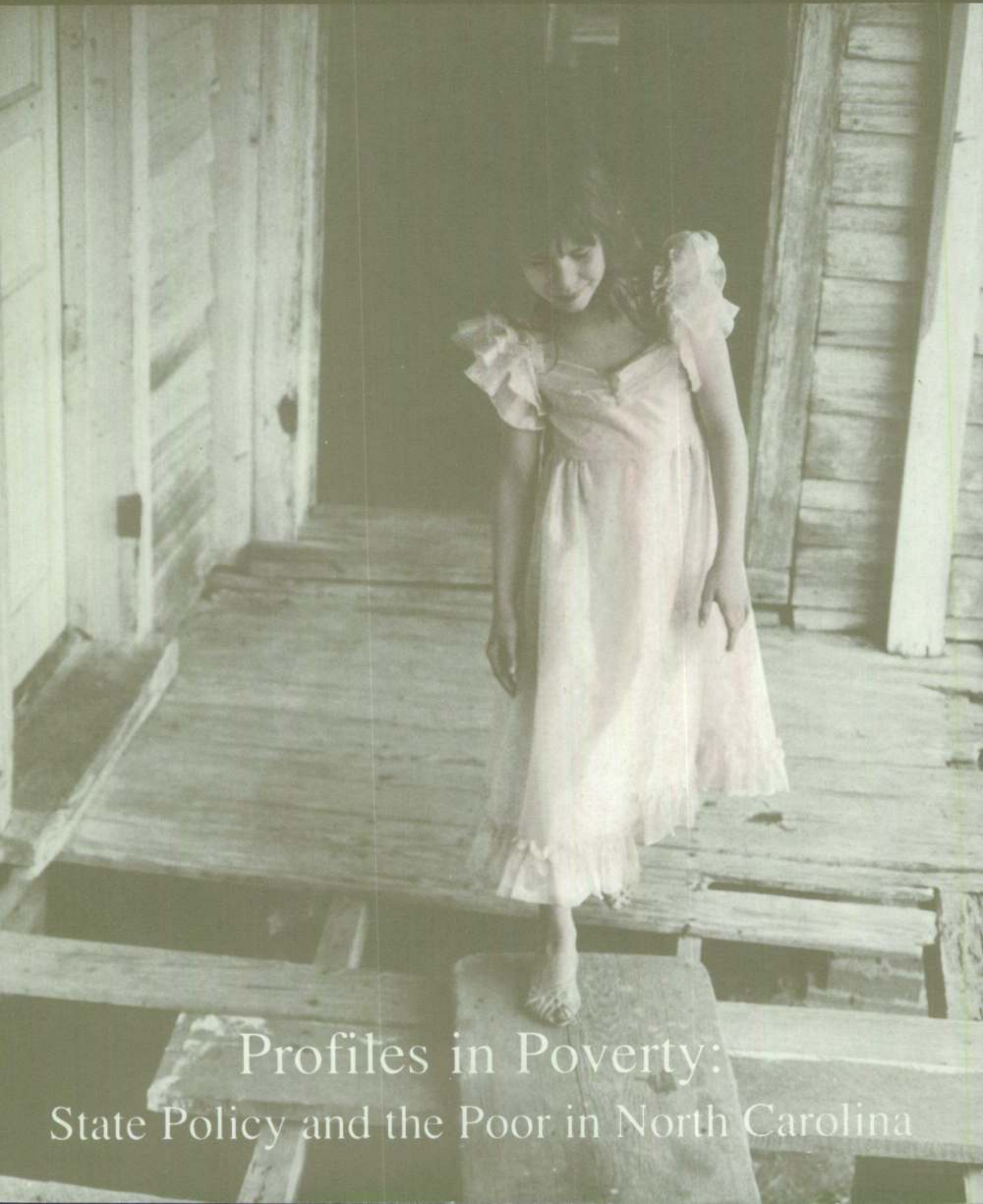

Profiles in Poverty:
State Policy and the Poor in North Carolina

N.C. Center for Public Policy Research

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North Carolina **Insight**

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FEATURES

DEPARTMENTS

Who Are the Poor? The Demographics of Poverty

by Anne Jackson
and Jack Betts

To hear the politicians tell it, North Carolina is in a period of unparallelled prosperity. Thousands of new jobs, billions of dollars in new investment, higher manufacturing wages, better education—in short, an economic renaissance. But contrast that with what the experts tell us—that nearly a million North Carolinians are in poverty and hundreds of thousands more are in near-poverty, that too many people are in low-wage, dead-end jobs, that one in five children and one in five persons over 65 is in poverty, that while the poverty rate is high the percentage of welfare recipients is low, that those on public assistance don't get enough help, and that increasingly, the poor are women and children who will have no real future. To understand these conflicting claims, North Carolinians must first know more about the poor.

J. Gordon Chamberlin still winces at the recollection. As executive director of the Greensboro-based North Carolina Poverty Project, Chamberlin was speaking to a civic club in a town he now declines to identify. He asked its 90 members to list their ideas for ways the business community should deal with poverty in the state. Wrote one respondent: "Get rid of minimum wage, get rid of welfare, sterilize the women after two children, and hang the bums."

Widespread misunderstanding about the nature and causes of poverty, says Chamberlin, poses one of the greatest impediments to easing the condition that afflicted some 884,000 North Carolinians in 1987, an estimated 14.3 percent of the population, according to U.S. Census figures. Nationwide, about 13.6 percent of Americans live in poverty.[1]

"What we're up against is attitudes—negative stereotypes, hostility, moral judgments," Chamberlin says. "Social policy [and] political decisions are not based on statistics. More funda-

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mental than that is basic attitudes."

Statistics, in fact, reveal information that might be unsettling to those who assume that in booming economic times in this growing state, poverty must be the result of laziness, moral laxity, or both. Consider:

■ One in five children and one in five persons age 65 or older lives in poverty in North Carolina.[2]

■ Even with its above-average poverty rate, North Carolina has one of the lowest percentages of welfare recipients in the nation.[3] Many North Carolina poor are either too proud to ask for help, or they don't know how to apply. And certain barriers to assistance—problems with transportation to social services offices, lengthy and difficult forms to fill out, waiting periods before benefits arrive—may discourage the needy from getting help. (See Profiles in Poverty, p. 52, for more). For whatever reason, government poverty programs don't reach all those who need help.

■ Those who are on public assistance don't get enough help to bring them close to the federally-established poverty level. An unemployed mother with two children could receive up to $266 per month from the Aid to Families with Dependent Children (AFDC) program in 1988 and $228 per month in food stamps, bringing her annual total income to $5,928, which still is less than two-thirds of the official federal poverty level of $9,690 for a family of three.

■ North Carolina has the highest proportion of working mothers in the nation—65 percent. The national average is 55 percent.[4] Many of these working mothers are the heads of their households.

■ The average AFDC check issued by the state in July 1988 benefited 2.2 persons, refuting the myth that welfare rolls are crowded with welfare mothers who keep having babies to increase their handout.

■ In North Carolina and across the nation, the income gap is widening. While the wealthiest fifth of U.S. households gained $1,490 from 1980 to 1983, after federal budget cuts, tax policy changes, and recession, the nation's poorest fifth lost $190.[5]

But for all the statistics the state compiles about its neediest citizens, there are some glaring gaps. For one thing, no state agency keeps a reliable *annual* tally of the number of poor North Carolinians. Policymakers must rely on estimates compiled by the U.S. Bureau of the Census from small yearly surveys of about 2,500 N.C. households—less than one-tenth of 1 percent of the state total. The State Data Center at the N.C. Department of Administration warns that the potentially large sampling error "may lead to false conclusions." And while various statistical tables are available, few of them are based on estimates of the poverty population for the same year. Instead, they purport to represent the status of poverty in North Carolina for different years.

That's just one problem with the data collection. For another, recent Democratic and Republican governors have kept scrupulous records about the number of new jobs they claim to have brought to the state, but the state keeps *no* statistics concerning, for instance, how many workers earn only the minimum wage of $3.35 per hour. At minimum wage, an employee would have to work 55 hours a week 52 weeks a year just to earn more than the poverty-line of $9,690 for a family of *three*.[6] Or put another way, a worker would have to earn $5.39 an hour and work 40 hours a week for 52 weeks—taking no vacation, no holidays, and no time off for illness—to meet the federal poverty standard of $11,629 for a family of *four*.

The state also lacks information about the needs of specific target areas of poor people—the urban poor, for example. "We don't know what's worked and what hasn't," says Joel New, director of the state Division of Employment and Training. "It's been a serious problem."

James Forte, director of the state Division of Economic Opportunity, agrees that the lack of a reliable count of the state's poor hinders policy development. "Why we don't do anything more than that, I cannot answer." he says. "I would think [a tally] at least every three years, which is the normal planning period, would be most helpful."

Despite this lack of comprehensive data, the statistics that do exist paint a vivid portrait of North Carolinians in poverty—women in poverty, poverty and race, children in poverty, the working poor, the rural poor, and the urban poor. But to understand these problems requires a historical perspective.

"For ye have the poor always with you."

—Matthew 26:11

Roots of Poverty

From its earliest days, North Carolina had an image as a haven for the indolent. In 1728, the explorer William Byrd observed:

> *Surely there is no place in the world where the Inhabitants live with less Labour than in N Carolina. It approaches nearer to the description of Lubberland than any other, by the great felicity of the Climate, the easiness of raising Provisions, and the Slothfulness of the People.*[7]

A hundred years later, little had changed. North Carolina in the ante bellum period remained a poor state with little industry and low wages in the ones that did exist. Known then as the "Rip Van Winkle State" because it appeared to be slumbering economically, North Carolina went into the Civil War with its reputation intact. As Frederick Law Olmsted wrote shortly before the war, "North Carolina has a proverbial reputation for the ignorance and torpidity of her people."[8]

Following the Civil War, North Carolina began to make economic progress that afforded its people a steady job and a wage—albeit a low wage that often held workers indentured to the mills that sprang up along the state's waterways. In the 20th century, more economic progress arrived in the form of further industrialization and gradual diversification from reliance on agriculture. The state became the nation's most industrialized state in terms of work force employment, but these industries by and large paid low wages—textiles, furniture, and tobacco. (For a thorough discussion of the transitions in North Carolina's economy, see Bill Finger, "Making the Transition to a Mixed Economy," *North Carolina Insight,* Vol. 8, Nos. 3-4, April 1986, pp. 3-21.)

So more than 250 years after Byrd wrote his disparaging words, North Carolina remains a place of poverty, despite real gains in industrial development, in education, in per capita income, and in the quality of life. In 1988, in a state where the unemployment rate remained under 4 percent most of the time, poverty and its related problems kept hundreds of thousands of people in its unrelenting grip. And more than ever before, its victims were women, children, the elderly, and working people.

President Lyndon Johnson's War on Poverty helped North Carolina enjoy a steady decline in the number and percentage of poor people among her citizenry throughout the 1960s. The downward trend continued in the 1970s, although at a slower pace. According to Census figures, 992,000, or 20.2 percent of the population, lived in poverty in North Carolina in 1970, a figure that declined to 839,000, or 14.8 percent, by 1980. In the 1980s, that figure has waxed and waned, up to an estimated 996,000 in 1983 projections (see Table 1, p. 10) and back down to 884,000 in 1987. But the overall poverty rate in the 18 years since 1970 has declined to a current estimated rate of 14.3 percent.[9]

The Feminization of Poverty

These numbers may change from year to year, but they clearly show distinct trends. One such trend is the increasing feminization of poverty. In 1983, for example, a report by the Division of Economic Opportunity in the Department of Natural Resources and Community Development found that women headed 58 percent of all poor households in the state, making them "the new poverty class."[10] The same study showed that 37 percent of poor households were headed by people over age 65, and that nearly half of the state's female householders were elderly. The number of such "poverty-prone" households is expected to account for half of all N.C. households by the year 2000, the study predicted.

What accounts for this rise in women in poverty? "The 'feminization of poverty' is due largely to the economic impact of separation,

In 1964, President Johnson's White House staff looked for a poor family to help dramatize LBJ's War on Poverty, and settled on the family of William David Marlow of Rocky Mount. In this photograph, Johnson and then-Gov. Terry Sanford (now a U.S. Senator) sit on the steps of the Marlow home and pose for the national press. Evidently the Marlows did not appreciate the gesture. Mrs. Marlow told reporters later, "We didn't ever feel like we were in poverty," adding, "we've been talked at, talked to, talked about, and throwed off on."

N.C. Department of Cultural Resources

divorce, widowhood, longer life spans, the lack of better paying jobs, and limited job opportunities for women," concludes the report.

The report, titled "The Changing Face of Poverty," noted that a majority of the women in poverty who also had children under six were working mothers, but that they found it difficult to work their way out of poverty because of a lack of job skills, experience, opportunities, and the cost of day care. "Another problem facing women and minority householders now and in the future is that most of the new jobs in the state are in the service and retail sales fields. While many of these jobs do pay well, the type traditionally held by women and minorities are low-wage jobs."

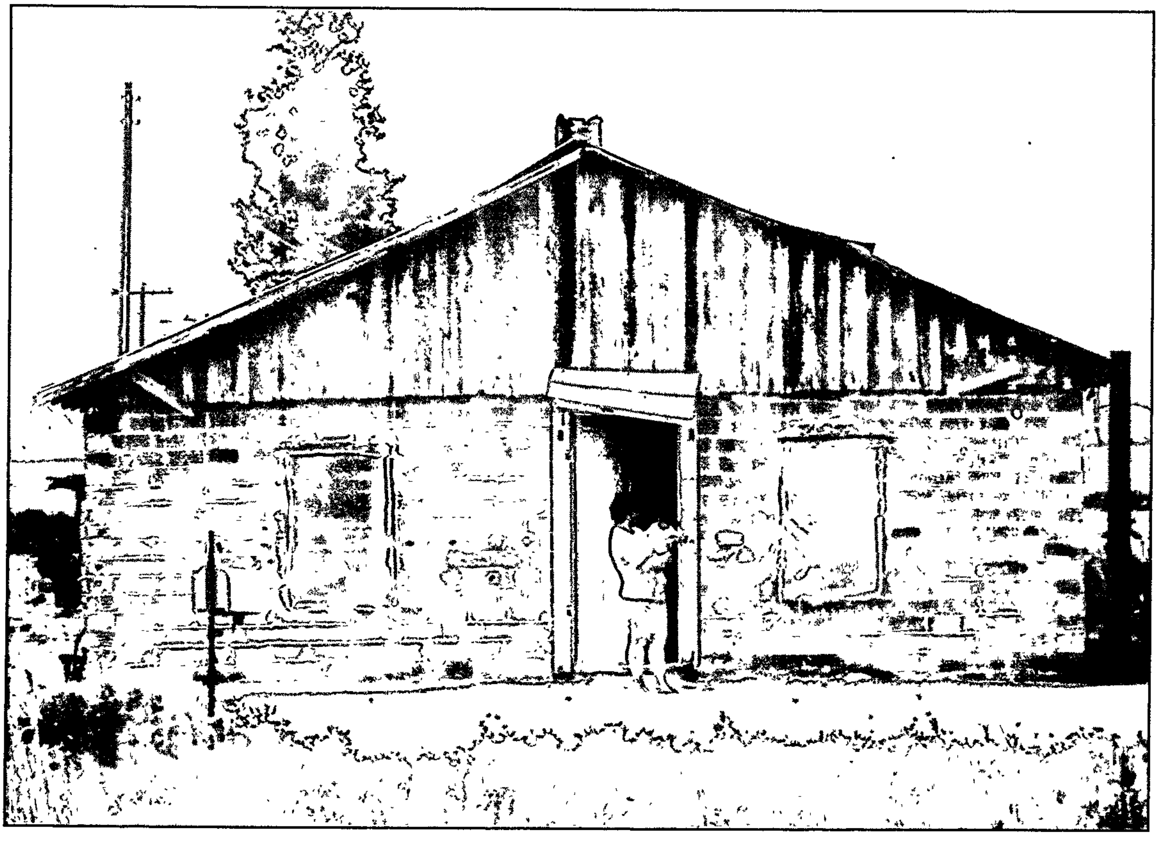
The Ford Foundation echoes this observation. "Poverty is inextricably tied to family structure, especially among households with children. Today, nearly half the female-headed households with children are poor, while fewer than one-tenth of two-parent families are poor. Moveover, single-parent families are likely to remain poor for long periods of time."[11]

The Color of Poverty

Few may realize it, but in numbers, far more whites than blacks are mired in poverty in North Carolina—though a greater percentage of blacks than whites are poor. Although more white families (91,916) than black (87,492) lived in poverty in 1985, the 30.7 percent poverty rate among black families represented a 4 percent increase over 1980, while the 6.6 percent rate for white families represented a decline of 1 percent.[12]

"The Changing Face of Poverty" reported that of the poverty households in North Carolina, about 58 percent were white and 42 percent minorities. Of the white households, about half (28 percent) comprised the elderly, while 20 percent were 41-65 years old and 10 percent were under 40. Of the minority households, the breakdown in age was more even. About 11 percent were over 65, 18 percent were 41-65, and 13 percent were under 40.

"Making up only 23 percent of all households in the state, minority households accounted for close to half of the poverty households in 1981,"



Eric Green / N.C. Poverty Project

says the report. "In contrast to white households in poverty, for whom poverty appears to be more a problem of aging, three-quarters of minority households in poverty are headed by persons 65 and under. Poverty for minorities seems to be much more a problem of being poor while of working age—often a jobs problem."

The Youth of Poverty

More than one child in five lives in poverty in North Carolina, according to the latest estimates, and the effects of poverty on children often perpetuate the cycle. In a report issued in August 1988, the N.C. Child Advocacy Institute identified poverty as a leading cause of hunger, juvenile crime, unsatisfactory school performance, neglect, and even deaths in children. "Some children aren't able to concentrate in class because they're hungry," says Margaret B. Arbuckle of Greensboro, chairman of the institute's board of directors.[13] In a report titled the *North Carolina Children's Audit,* the institute said that 22 percent of North Carolina's 1.6 million children under 18 live in poverty—and that many of them go to school hungry each day.

Although state and federal aid is available to poor children and their families, the institute's report indicated that no more than half of all poor N.C. families received food stamps in 1987, while no more than one-third received AFDC.

The report found that while the state's wealthiest counties are thought to be doing the best job for poor families and children, that's not always the reality. In some cases, the state's poorer counties do better. "You would expect that the rich counties would do a better job of providing services to children," says John Niblock, president of the institute. "But the audit shows this is not true. Some of the poorest counties do the best job of seeing that children in poverty benefit from the programs available."

The Permanently Dependent

Much of North Carolina's poverty population includes those who cannot work because of chronic illness, disability, or other impairments. These include alcoholics, the physically disabled, the elderly, the mentally ill, the retarded, the physically handicapped, and the deformed. The Poverty Project has estimated that 495 persons in poverty are alcoholics, 32,000 are elderly with no Social Security income, 109,000 are mentally ill, and 218,000 are retarded. These are among the poor who are "permanently dependent upon public assistance," notes Gordon Chamberlin of the Poverty Project.

> *"We are the first industrial nation in the world in which children are the poorest age group."*
>
> —Sen. Daniel Moynihan

The Working Poor

A common stereotype of the Southern poor person is a lazy free-loader who won't work. But most of the poor in this state are steady workers who are mired in poverty not because of their work habits, but because they can't get better jobs. A higher-than-average poverty rate and lower-than-average jobless rate indicate that many poor people in North Carolina hold jobs. Many of those work in the growing service sector of the economy, where jobs are plentiful but wages and benefits are often meager.

"We have attracted lots of employers to our state over the years who have created lots of work here," Jonathan P. Sher of the University of North Carolina's Small Business and Technology Center reported in a study for the N.C. Association of Educators. "Nevertheless, the data show that far too much of this employment has been in low-wage, seasonal, part-time and dead-end jobs—jobs that do not provide sufficient income, benefits and security to lift even the people employed to a place above the poverty line."[14]

For 23 years, Fentress Morris has worked at the Community Action agency in Edenton, helping channel government grant money to poor people in a 10-county area of northeastern North Carolina, historically one of the poorest areas of the state. Many of the people now turning to the agency for help in paying their rent are people with jobs, Morris said. "A lot of the people we see are working in a lot of the service industries—McDonald's and Hardee's," he said. "We do have a lot of that, where they're eligible [for assistance] even though they're working."

Nationally, the number of full-time wage earners who are still poor increased by two-thirds—to two million—between 1978 and 1985, while the number of working people between the ages of 22 and 64 who remained poor increased by more than 60 percent.[15] Nationally, about 9.3 million persons in poverty have some type of job, but many are part-time or seasonal.

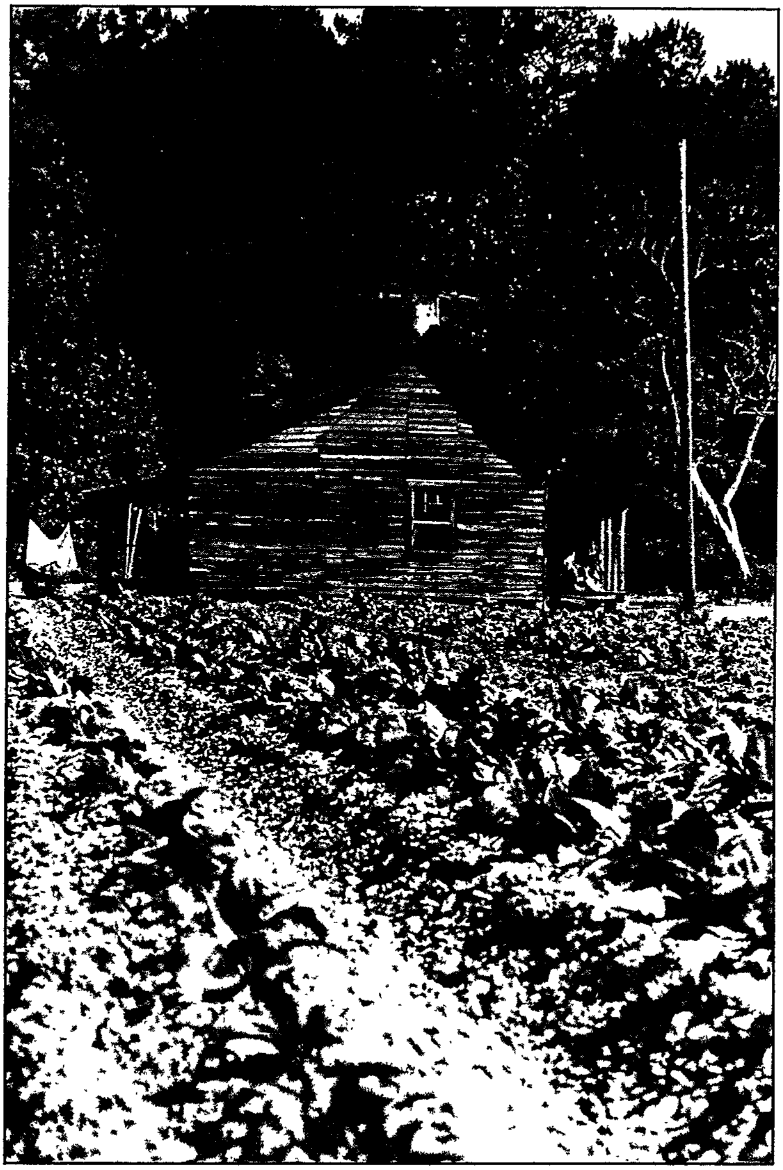
William C. Crawford Jr., director of social services in Montgomery County, thinks more working people qualify for aid in part because of state and federal lawmakers' actions to relax some eligibility standards in response to federal budget cuts in domestic aid programs made by the Reagan administration (overall public assistance spending is up, but numerous cuts were made in some programs and the rate of growth was trimmed in others). "It's a marked public policy change from 10 years ago," Crawford says. "We're almost beginning to reach up ... into what you might call the lower middle class—people we wouldn't have served [earlier]."

But Niblock of the Child Advocacy Institute also points out that many families have lost benefits during this period. "Kids have been cut off AFDC, school lunches, and food stamps," points out Niblock.

With no increase in the $3.35-an-hour minimum wage since 1981, workers are now earning the equivalent of just $1.55 in 1975 dollars.[16] "If they go to work at minimum wage, a lot of people believe they're better off not working. And there's a grain of truth in it, I must concur," says Bob Leatherwood, executive director of Mountain Projects, a Community Action agency serving Jackson and Haywood counties in western North Carolina.

Joel New, head of the Division of Employment and Training in the Department of Natural Resources and Community Development, says that in 1980, 49 percent of poor people held jobs; nearly one-third of those worked full time. Today, he estimates, 50 to 60 percent of adults in poverty work. "You've got a group of folks who don't have the training and skills to move into higher-paying jobs," he said. "The impression of people being poor is they don't work. That's just not true."

But no one knows for sure just how many working poor there are, or how many make the minimum wage or less. The U.S. Census Bureau



Eric Green / N.C. Poverty Project

estimates that about 2 percent of the nation's work force work full-time at less than minimum wage and live in poverty. If that were applied to North Carolina's work force of 3.3 million, then more than 66,000 North Carolinians *work full time* and make *less* than $6,700 per year—which itself is far less than the federal poverty level in 1988 of $9,690 for a family of three, or $11,652 for a family of four.

Crawford, the social services director, says the existence of a class of working poor people seems to be a growing phenomenon. "Even for people who work 30 or 40 hours a week at a low-income job—especially if they don't have health insurance or retirement benefits—they can't make enough to really sustain themselves," he observes.

Montgomery County's unemployment rate jumped to 15.6 percent at the height of the recession in the early 1980s. But last year, with the county jobless rate dipping below 4 percent, some local employers added benefits to draw workers. Some employers introduced retirement programs for hourly employees, and one even agreed to pay half of day care costs for the children of female workers, Crawford says.

Low wages are an obvious part of the poverty problem. In June 1988, North Carolina ranked next-to-last among the 50 states and Washington, D.C., in the average weekly manufacturing wage. The N.C. average was $327.24, the U.S. average $418.59, according to the U.S. Bureau of Labor Statistics. Yet a higher percentage (29 percent) of North Carolina's work force held manufacturing jobs than that of any other state.[17]

The Rural Poor and the Urban Poor

The causes of poverty are numerous and varied, and even geography has been a key factor in North Carolina's poverty problem. Poverty is much more widespread in the rural areas of eastern and western North Carolina, but pockets of destitution remain in the wealthier metropolitan areas of the Piedmont as well. Sher notes that "to an alarming degree, geography is destiny in North Carolina. Children born in certain communities predictably will not have opportunities and life chances equal to those of similar children who had the good fortune to be born in more favored communities."[18] Sher found that except for Wake, Dare, and Carteret counties, every county east of Chatham had a poverty rate higher than the state average. The same was true for 14 border counties in the West.

Larry Barnes, director of social services in eastern North Carolina's Sampson County, puts it this way: "We are eastern, we are rural, we are agriculturally based, and we are poor—and getting poorer."

Even in Wake County, where the poverty rate is half the state average and personal income averages one-third higher, many poor people can't afford rent, clothing, or food. In Raleigh, 4,800 people crowd a waiting list for just 3,000 public housing units. The wait can last anywhere from three to 10 years, according to Anne Burke of Urban Ministries. "Raleigh is not alone," she said. "There's a tremendous shortage of housing."

Burke's organization is supported by 75 local churches and operates a downtown shelter for the homeless. Burke says that between 60 and 75 percent of the 30 or 35 people who sleep at the shelter have jobs. Although shelter rules restrict how many nights a person may stay, Burke said the staff tries to help as much as possible. "We keep them as long as we can, as long as we know they're really trying," she says. (For a full discussion of housing problems in North Carolina see "Mortgage Overdue: The State Enters the Housing Market," *N.C. Insight*, Vol. 5, No. 2, August 1982.)

North Carolina long has been a state with stark rural-urban contrasts. Perhaps the most striking is that the state's most rural counties are the counties with the heaviest percentages of citizens in poverty—but the urban counties have the far greater numbers of poor people. As Table 1 indicates, for instance, the state's smaller counties, such as Hyde and Tyrrell in the East and Graham and Swain in the West, have large percentages of the poor—31 percent in Hyde, 27 percent in Tyrrell, 27 percent in Graham, 35 percent in Swain. These counties are doubly vexed. Not only do they have high percentages of the poor, but they also have relatively modest tax bases with which to support services to the poor.

By contrast, the urban—and wealthier—counties of Mecklenburg, Guilford, Wake, and Cumberland have much lower percentages of the poor—but far greater poor populations. Mecklenburg, to cite the prime case, has a 12 percent poverty rate, but ranks first in the state in its poverty population of more than 51,000 North Carolinians. That's *more than five times* the *entire* population of Hyde, Tyrrell, Graham, and Swain put together. Guilford's poverty population tops

—continued on page 13

Table 1. Projected Poverty Population by Rank and Percentage, 1983#

County	Est. Total Population	Rank	Poverty Population	Rank	Percent in Poverty	Rank
Alamance	97,673	15	14,651	19	15.0	73
Alexander	26,610	63	2,661	87	10.0	100
Alleghany	9,955	92	2,001	14	20.1	44 *
Anson	26,494	65	4,981	69	18.8	52
Ashe	22,936	70	6,124	58	26.7	16 *
Avery	14,029	86	2,890	86	20.6	43
Beaufort	42,075	47	10,014	36	23.8	27 *
Bertie	21,576	74	7,077	50	32.8	2
Bladen	31,761	57	9,306	41	29.3	7
Brunswick	39,680	49	9,444	39	23.8	27 *
Buncombe	163,072	7	24,624	7	15.1	71 *
Burke	73,728	24	9,216	44	12.5	91 *
Cabarrus	87,880	19	10,985	31	12.5	91 *
Caldwell	70,577	28	9,243	42	13.1	84 *
Camden	5,987	99	982	100	16.4	63
Carteret	43,710	46	6,338	55	14.5	74 *
Caswell	21,004	76	4,495	72	21.4	38 *
Catawba	108,633	10	10,972	32	10.1	99
Chatham	34,361	54	3,711	79	10.8	97
Cherokee	19,507	78	4,955	71	25.4	20
Chowan	13,221	87	3,226	84	24.4	24
Clay	6,985	97	1,872	97	26.8	15
Cleveland	85,609	21	14,468	21	16.9	61
Columbus	52,668	40	16,696	14	31.7	3
Craven	70,979	27	13,912	23	19.6	48
Cumberland	247,606	4	39,617	3	16.0	65
Currituck	12,575	89	2,402	89	19.1	51
Dare	15,885	82	2,081	92	13.1	84 *
Davidson	117,562	9	16,106	15	13.7	81
Davie	26,014	66	3,668	81	14.1	78
Duplin	42,034	48	10,845	34	25.8	18
Durham	151,686	8	20,326	10	13.4	92 *
Edgecombe	57,884	36	13,545	24	23.4	31
Forsyth	246,275	5	31,277	5	12.7	88 *
Franklin	30,304	58	6,576	53	21.7	36
Gaston	164,888	6	22,095	8	13.4	82 *
Gates	8,890	95	1,787	98	20.1	44 *
Graham	7,448	96	2,026	93	27.2	13
Granville	32,767	56	6,062	59	18.5	53 *
Greene	16,163	80	4,461	74	27.6	10 *
Guilford	315,488	2	40,067	2	12.7	88 *
Halifax	55,635	37	17,247	13	31.0	6
Harnett	60,908	34	12,669	26	20.8	42
Haywood	47,186	43	9,343	40	19.8	47
Henderson	62,517	31	8,940	46	14.3	77
Hertford	22,610	72	5,811	60	25.7	19
Hoke	21,491	75	4,986	68	23.2	32
Hyde	6,038	98	1,884	96	31.2	5
Iredell	84,763	22	11,104	30	13.1	84 *
Jackson	23,700	67	4,977	70	21.0	41
Johnston	72,950	25	14,590	20	20.0	46
Jones	9,876	94	2,163	91	21.9	35
Lee	38,949	50	6,894	51	17.7	58

Table 1. *continued*

County	Est. Total Population	Rank	Poverty Population	Rank	Percent in Poverty	Rank
Lenoir	60,152	35	12,993	25	21.6	37
Lincoln	44,966	45	5,396	63	12.0	96
Macon	20,841	77	4,064	77	19.5	49
Madison	16,101	81	4,444	75	27.6	11 *
Martin	26,498	64	7,605	49	28.7	8
McDowell	36,078	52	5,051	66	14.0	79 *
Mecklenburg	415,406	1	51,095	1	12.3	94
Mitchell	14,609	85	3,214	85	22.0	34
Montgomery	23,115	70	3,606	82	15.6	67
Moore	53,468	39	7,753	48	14.5	74 *
Nash	69,775	29	14,932	18	21.4	38 *
New Hanover	107,605	12	19,369	11	18.0	56 *
Northampton	22,264	73	6,323	56	28.4	9
Onslow	97,088	16	15,340	16	15.8	66
Orange	71,809	26	10,915	33	15.2	70
Pamlico	10,682	90	2,286	90	21.4	38 *
Pasquotank	28,125	62	5,147	65	18.3	55
Pender	23,376	69	5,587	61	23.9	26
Perquimans	9,884	93	2,471	88	25.0	21 *
Person	29,983	59	5,397	62	18.0	56 *
Pitt	88,548	18	21,783	9	24.6	23
Polk	13,119	88	1,981	95	15.1	71 *
Randolph	95,344	17	11,632	29	12.2	95
Richmond	46,900	44	8,020	47	17.1	60
Robeson	107,836	11	29,008	6	26.9	14
Rockingham	86,191	20	13,963	22	16.2	64
Rowan	98,436	14	12,403	28	12.6	90
Rutherford	55,482	38	9,765	37	17.6	59
Sampson	51,242	41	12,452	27	24.3	25
Scotland	33,567	55	6,210	57	18.5	53 *
Stanly	49,255	42	6,354	54	12.9	87
Stokes	35,592	53	4,983	67	14.0	79 *
Surry	61,296	32	10,114	35	16.5	62
Swain	10,500	91	3,675	80	35.0	1
Transylvania	23,541	68	3,390	83	14.4	76
Tyrrell	4,098	100	1,119	99	27.3	12
Union	73,800	23	9,225	43	12.5	91 *
Vance	37,836	51	9,055	45	23.8	27 *
Wake	308,339	3	31,759	4	10.3	98
Warren	16,753	79	5,294	64	31.6	4
Washington	15,136	84	3,784	78	25.0	21 *
Watauga	28,969	61	6,605	52	22.8	33
Wayne	98,685	13	19,145	12	19.4	50
Wilkes	61,025	33	9,459	38	15.5	68
Wilson	63,927	30	15,087	17	23.6	30
Yadkin	28,987	60	4,464	73	15.4	69
Yancey	15,374	83	4,105	76	26.7	16 *
Totals	**5,982,405**		**966,215**		**16.1 %#**	

1983 is latest year in which poverty projections have been made for each county. A 1987 state projection estimated the poverty rate at 14.3 percent.

* = tie

Source: State Data Center

Table prepared by Center Intern Kurt W. Smith

Table 2. Per Capita Income by County, 1986

County	Total Population	Rank	Per Capita Income	Rank
Alamance	103,229	15	$13,704	9
Alexander	26,814	64	11,530	31
Alleghany	9,722	93	9,703	67
Anson	26,324	67	9,153	81
Ashe	23,251	72	9,163	80
Avery	15,028	84	9,272	77
Beaufort	43,396	48	10,006	60
Bertie	21,251	77	9,675	70
Bladen	30,826	59	8,632	90
Brunswick	47,797	45	9,624	71
Buncombe	170,004	7	12,587	19
Burke	75,990	27	11,095	40
Cabarrus	92,844	19	12,808	16
Caldwell	70,146	29	11,084	41
Camden	5,861	98	10,405	51
Carteret	50,414	41	11,190	37
Caswell	22,489	76	7,493	98
Catawba	114,143	12	13,312	12
Chatham	36,015	54	12,749	18
Cherokee	20,363	78	8,758	86
Chowan	13,387	87	10,106	56
Clay	7,210	95	8,742	87
Cleveland	86,216	21	11,126	39
Columbus	52,292	40	8,906	84
Craven	80,211	24	11,277	34
Cumberland	254,943	5	10,884	42
Currituck	13,366	88	10,562	49
Dare	18,705	79	11,575	28
Davidson	119,094	10	11,904	24
Davie	28,415	63	12,945	15
Duplin	41,685	49	8,905	85
Durham	165,839	8	14,786	6
Edgecombe	59,071	36	9,529	73
Forsyth	260,853	4	16,282	3
Franklin	34,173	57	9,551	72
Gaston	171,784	6	12,058	23
Gates	9,557	94	10,011	59
Graham	7,179	96	8,021	96
Granville	37,696	52	10,172	55
Greene	16,586	81	8,233	93
Guilford	329,862	3	15,733	4
Halifax	56,030	38	9,711	66
Harnett	64,009	32	8,974	82
Haywood	48,469	44	11,276	35
Henderson	67,222	30	13,413	11
Hertford	24,046	70	9,494	74
Hoke	23,135	73	7,097	100
Hyde	5,909	97	8,401	91
Iredell	88,429	20	13,130	13 *
Jackson	26,577	66	9,736	64
Johnston	78,191	26	10,559	50
Jones	9,814	92	8,166	94
Lee	41,408	50	$12,334	20
Lenoir	60,220	35	10,760	46
Lincoln	46,278	46	11,532	30
Macon	23,085	75	10,820	44 *
Madison	17,359	80	8,291	92
Martin	26,719	65	10,321	52
McDowell	36,220	53	9,453	75
Mecklenburg	453,107	1	16,786	1
Mitchell	14,541	85 *	9,735	65
Montgomery	23,852	71	9,846	63
Moore	56,009	39	14,339	7
Nash	71,241	28	13,130	13 *
New Hanover	114,656	11	12,796	17
Northampton	22,497	74	10,195	54
Onslow	125,134	9	10,013	58
Orange	84,729	23	15,032	5
Pamlico	11,053	89	10,223	53
Pasquotank	29,860	61	10,702	47
Pender	25,199	69	9,699	68
Perquimans	10,534	91	8,741	88
Person	30,648	60	9,966	61
Pitt	97,406	18	11,604	27
Polk	14,486	86	14,217	8
Randolph	99,070	16	11,563	29
Richmond	46,227	47	9,244	78
Robeson	106,094	13	7,899	97
Rockingham	85,516	22	11,821	25
Rowan	104,523	14	12,096	22
Rutherford	56,880	37	10,616	48
Sampson	50,321	42	9,171	74
Scotland	33,735	58	10,105	57
Stanly	50,276	43	11,810	26
Stokes	35,610	55	10,820	44 *
Surry	61,546	33	11,274	35
Swain	10,938	90	8,027	95
Transylvania	26,132	68	11,327	33
Tyrrell	4,088	99	7,117	99
Union	79,832	25	13,594	10
Vance	38,740	51	9,881	62
Wake	366,004	2	16,666	2
Warren	16,452	82	8,672	89
Washington	14,541	85 *	9,299	76
Watauga	34,479	56	9,678	69
Wayne	97,410	17	10,882	43
Wilkes	60,727	34	11,168	38
Wilson	64,564	31	12,316	21
Yadkin	29,643	62	11,342	32
Yancey	15,843	83	8,950	83
North Carolina	6,331,288		$12,438 avg.	

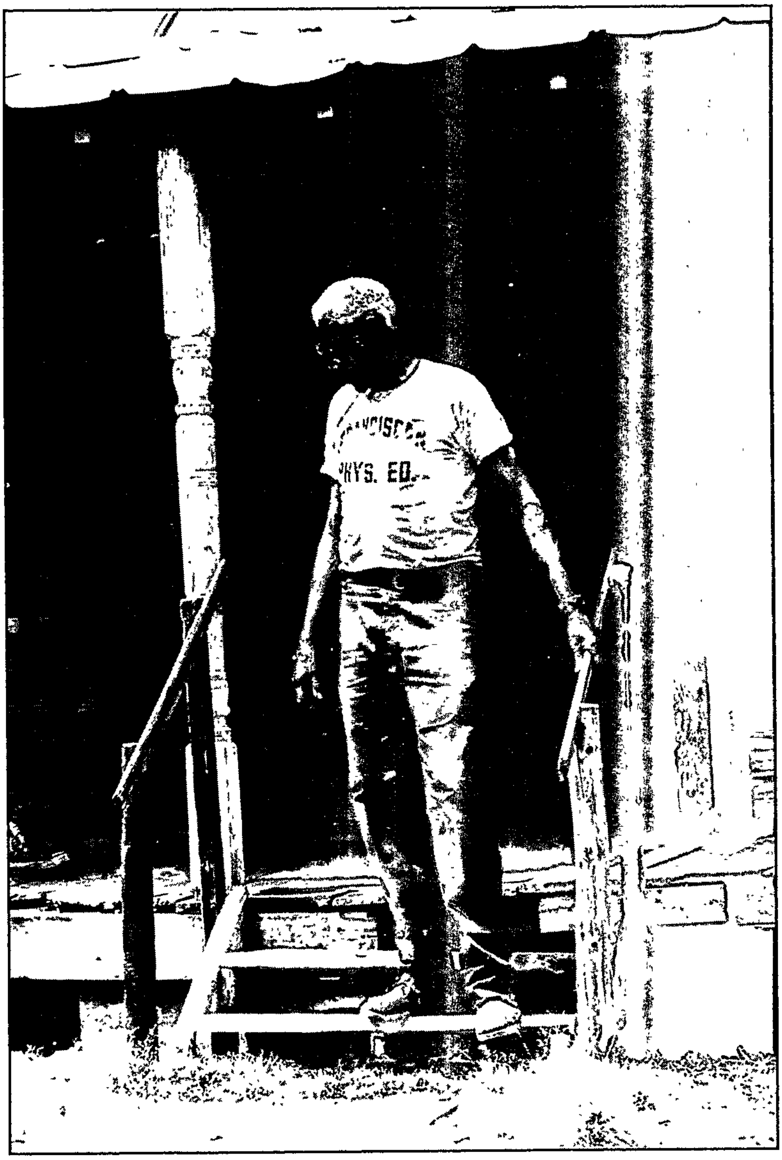
* = Tie

Source: State Data Center

Table prepared by Center Intern Kurt W. Smith

40,000, while Cumberland has more than 39,000 and Wake has more than 31,000 poor persons.

These counties, with their larger tax bases, should be in a better position to provide services to the needy, but the local directors of social services will affirm that even the urban counties struggle to provide basic necessities to their poor. Table 2 illustrates the problem. In the state's urban counties, per capita income is high. Mecklenburg, Wake, and Guilford are in the $15,000-$17,000 range. In other words, the average income for *each person* in the county is well above the poverty level for an entire *family* of four. But look at the rural counties. Many, like Graham and Swain, have *less than half* the per capita income of Mecklenburg.



Eric Green / N.C. Poverty Project

These urban-rural disparities were a part of the debate over the Basic Education Plan in 1985. The plan was adopted not only to increase overall expenditures on public schools, but also to increase educational opportunities in the poorer counties that could not afford to provide the sorts of courses available in urban counties. Sher's report notes that despite the highly touted plan implemented by the legislature in 1985, the state dropped from 33rd to 34th place in per-pupil expenditures in 1986-87. And in per capita spending on elementary and secondary school, the state ranks 42nd.[19] Meanwhile, people without high school diplomas headed 77 percent of the N.C. households in poverty in 1983.[20]

Assisting the Poor

Governmental aid to the poor in North Carolina comes through a variety of sources, including Aid to Families with Dependent Children (AFDC), food stamps, Medicaid, and job training. At least 69 programs funded by federal, state, and local tax dollars funnel cash and other aid to the poor in North Carolina. The total comes to more than $3 billion, and the largest direct aid programs are Medicaid, AFDC, and food stamps (see "Policymaking and Poverty in North Carolina —Who's On First?," p. 18, for more).

AFDC, which provides cash assistance to poor families with children, served 190,000 people in 1988, according to figures from the Division of Social Services. Food stamps went to 391,000 people. While the number of food stamp recipients has declined from 478,000 in 1985, AFDC rolls were growing from the 163,500 clients who received that aid in 1985. One reason for the increase is a change in state law that took effect Jan. 1, 1988. That change allows families

Table 3. Federal Poverty Levels and AFDC Payments for a Family of Three in N.C.

	1975	1980	1985	1988
Poverty Level:	$4,293	$5,565	$8,573	$9,690
Needed Per Month:	$ 358	$ 463	$ 714	$ 808
Maximum Monthly N.C. AFDC Payments: [1]	$ 183	$ 192	$ 246	$ 266
Monthly Gap:	$ 175	$ 271	$ 468	$ 542
Maximum Monthly Food Stamp Payment: [2]	$ 128	$ 165	$ 211	$ 236
Monthly Gap With AFDC & Food Stamps: [3]	$ 47	$ 106	$ 257	$ 306
Percentage of Poverty Level Income Supplied by AFDC & Food Stamps:	87%	77%	64%	62%

[1]This benefit represents the maximum payment to a family of three. It may be a lesser amount if the family has other income.

[2]This benefit represents the maximum cash value of food stamps for a family of three.

[3]The term "gap" means the difference between the combined values of AFDC and Food Stamps, and the Poverty Level, which is the minimum amount of income the federal government says is needed to maintain a family of three.

Chart prepared by Anne Jackson

to qualify for AFDC with more income than they were allowed before.[21] Between 3,000 and 4,000 cases—representing up to 9,000 individuals—were added to the AFDC roster because of the new law, according to department figures.

Some AFDC recipients are required to work in exchange for benefits. About 32,000 AFDC recipients age 16 or older live in the 41 counties with workfare-type programs, says Lucy Burgess, who directs employment programs for the Division of Social Services. Of those, 9,875 went to work last year through the state program, she says. A recent survey by the division showed that 57 percent of these clients who went to work remained off AFDC at the end of one year. Of the other 43 percent, 10 percent had some earnings. Critics of such workfare programs say there's little correlation between these employment programs and getting a job; many recipients would have gotten jobs anyway. (See article on job training, p. 64, for more.)

"I think our participation rate shows that our clients want jobs," Burgess says. "We feel we're not doing anybody a favor by helping them stay on AFDC. The payments are not that high, the lifestyle is not that great."

In fact, AFDC payments don't come close to providing minimum poverty level income. As Table 3 illustrates, the gap between the maximum AFDC payments and food stamp benefits in North Carolina for a family of three, and the federal poverty level, is substantial—and has been increasing. In 1975, the gap per month was about $47, when AFDC and food stamps supplied about 87 percent of the income needed for the poverty level. By 1986, the monthly gap had risen to $257 while the percentage of income provided plummeted to 64 percent. That dropped further in 1988, when AFDC and food stamps provided 62 percent of the income needed to match the poverty line.

Scott Dedman / Pisgah Legal Services

The Center for Social Welfare Policy and Law makes regular assessments of state-by-state benefit levels and reports that North Carolina is one of many states that do not provide sufficient benefits to obtain "the basic necessities of life." The report notes, "The combined value of AFDC and food stamp benefits is below the federally established poverty level and is substantially below that level in most states," including North Carolina. In fact, North Carolina is one of 20 states that provide less than $300 per month in AFDC benefits for a family of three. The other 30 states provide much more.[22]

Medicaid pays health care costs for certain poor families with children and for low-income elderly and disabled people. The state's Medicaid program covers 20 of the possible 32 optional services.[23] For a family of three, the average Medicaid benefit for the 1988 fiscal year was $1,079 for an adult and $689 for each child, according to the Department of Human Resources.

Single people without children and married childless couples who are neither disabled nor elderly qualify for neither cash assistance nor Medicaid. They may, however, qualify for food stamps. Yet advocates for the poor say that only about one-third of those who need it actually receive help under Medicaid.

The Charlotte Observer notes that North Carolina trails 40 other states in the amount of AFDC cash payments to eligible families, and observes, "And even more disturbing, North Carolina taxes those families at a higher rate than other states." The *Observer* also says that AFDC families are not the only ones faring poorly. "Poor families generally and single people and childless couples are falling behind, too. In large measure that is because North Carolina has no general assistance or relief programs to help needy adults who are not elderly or disabled."[24] The state does, however, provide some emergency assistance for these citizens.

Future Directions

In 1983, the Division of Economic Opportunity recommended to Gov. Jim Hunt's administration that the state establish a lead agency to coordinate planning and supervision of North Carolina's anti-poverty programs. "A state focal point, preferably a designated lead agency, should be established. Its role: To develop a common theme for North Carolina poverty programs and to oversee the carrying out of that theme through agency coordination," the division said.[25] That proposal was never implemented.

"We have all different types of programs, all segmented. They don't work together," lamented Chamberlin. His organization is pushing for consolidation and also urging various sectors of North Carolina society—business groups, school administrators, religious leaders, and others—to consider ways they can help reduce poverty in the coming decade.

Chamberlin thinks such a feat would require more than isolated acts like increasing welfare benefits or raising the minimum wage. "Poverty is a systemic thing," he says. "The cycle of poverty is not family, it's community."

Social services directors from across the state issued recommendations for alleviating poverty when they met in April 1987 for a conference on welfare reform. In "A Blueprint for the Future," they called for job training for all welfare recipients, coordination of public and private funding, and a stronger emphasis on enforcing child support requirements.[26]

Eradicating poverty may not be a realistic goal, even in the world's wealthiest nation, some observers believe. Chamberlin says he thinks poverty will remain a fact of life in North Carolina unless the public stops thinking of aid to the poor as charity and begins to look at it as justice.

Crawford doubts that will happen. "I really think North Carolina is comfortable ... with a certain level of poverty," he says. "We've always had the myth of whether the poor are victims or culprits. And we're still wrestling with that."

FOOTNOTES

[1]"North Carolina State Data Center Newsletter," Office of State Budget and Management, Vol. 10, No. 2, August 1988, p. 14. The State Data Center makes updated projections based on U.S. Census Bureau reports stemming from the 1980 census. Using the traditional method, the Census Bureau pegs the national poverty rate at 13.6 percent; in early 1989, the Census Bureau reported that if all sources of income and assistance, including non-cash income, were considered, the national poverty rate would be lower, at 10.3 percent.

[2]"The Changing Face of Poverty," Division of Economic Opportunity, Department of Natural Resources and Community Development, March 1, 1983, p. 4.

[3]Jonathan P. Sher, "North Carolina Today: A State of Emergency, a State of Grace, a State of Anticipation," N.C. Association of Educators, 1988, p. 10. Fewer than one-third of North Carolina's poor children receive AFDC, according to the Office of Planning and Information, Division of Social Services, in the Department of Human Resources.

[4]"A North Carolina Population Snapshot, 1980 Census Data," State Data Center, N.C. Department of Administration, undated, p. 4.

[5]"Smaller Slices of the Pie: The Growing Economic Vulnerability of Poor and Moderate Income Americans," published by the Center on Budget and Policy Priorities, Washington, D.C., November 1985, p. 4.

[6]"The Incredible Shrinking Paycheck," *Time* magazine, Aug. 1, 1988, p. 40.

[7]As quoted in *The North Carolina Miscellany*, edited by Richard Walser, The University of North Carolina Press, May 1962, p. 51.

[8]As quoted in *North Carolina Illustrated, 1524-1984*, edited by H.G. Jones, The University of North Carolina Press, 1983, p. 191.

[9]These figures are based on periodic assessments issued by the State Data Center in the Office of State Budget and Management in Raleigh. All such estimates are based on U.S. Census estimates, which themselves are based on original raw data from the 1980 Census, much of it collected in 1979.

[10]"The Changing Face of Poverty," p. 3.

[11]"The New Permanence of Poverty," *The Ford Foundation Letter*, Vol. 19, No. 2, June 1988, p. 2.

[12]"Families in Poverty, United States and North Carolina, 1969, 1979, 1985," State Data Center, N.C. Department of Administration, undated, p. 8.

[13]Nina Youngstrom, "Group calls on state to aid poor children," *The News and Observer*, Raleigh, N.C., Aug. 30, 1988, p. 3C.

[14]Sher, p. 10.

[15]"Smaller Slices of the Pie," p. 13.

[16]*Time*, p. 40.

[17]Sher, p. 10. According to the N.C. Bureau of Labor Statistics *Monthly Report*, 29 percent of the N.C. workforce is engaged in manufacturing (December 1988, p. 1).

[18]*Ibid.*, p. 18.

[19]*Digest of Education Statistics*, U.S. Department of Education, 1988, p. 133.

[20]"The Changing Face of Poverty," p. 5.

[21]Section 67, Chapter 738 (H 1514), 1987 Session Laws.

[22]"Analysis of 1988 Benefit Levels in the Program of Aid to Families with Dependent Children," Center on Social Welfare Policy and Law, Washington, D.C., March 1988, p. 1.

[23]Isaac Shapiro and Robert Greenstein, "North Carolina: Holes in the Safety Nets, Poverty Programs and Policies in the States," the Center on Budget and Policy Priorities, Washington, D.C., Spring 1988, p. 14.

[24]"Will N.C. Care For Its Poor?," *The Charlotte Observer*, May 29, 1988, Editorial Page.

[25]"The Changing Face of Poverty," p. 11.

[26]"A Blueprint for the Future: Poverty or Prosperity Among North Carolina's Families," N.C. Association of County Directors of Social Services, April 14, 1987, pp. 2-3.

Eric Green / N.C. Poverty Project

Eric Green / N.C. Poverty Project

Policymaking and Poverty in North Carolina— Who's On First?

by Jack Betts

A quarter century after the federal government launched its War on Poverty, North Carolina has developed a large administrative and services delivery system to deal with the more than 800,000 Tar Heels in poverty. Local governments spend nearly $457 million on poverty programs, the state spends nearly $432 million, and the federal government spends more than $2 billion each year in North Carolina to fight poverty and to assist those near the poverty line. What programs are in place to help the poor? What is the specific mission of each of these programs, and how much money do they channel to the poor? This article examines each state agency and program with responsibility for dealing with the state's poor.

Like an Abbott and Costello routine, North Carolina's poverty and policymaking apparatus sometimes seems to be a complex, overlapping, and duplicative machine full of confusion about who's on first and what's on second.

Consider:

■ More than $3 billion is spent on government programs for the poor in North Carolina each year, with the vast majority of that ($2.1 billion) coming from federal funds. Federal programs thus are the most important part of the public assistance delivery system in the state. But local governments spend more than does the state government—$457 million, compared to the state's $432 million—on poverty programs.

■ The state of North Carolina administers mosts of those funds, and often sets policy on how much money the poor get—such as the main income poverty program, Aid to Families with Dependent Children (AFDC). But North Carolina doesn't pass on nearly as high a level of AFDC payments as do most other states. If you're poor in North Carolina and if you have children, AFDC will provide barely one-third of the official federal poverty income level.

■ The state's own administrative system spreads responsibility for poverty over a number of different agencies. For instance, many think of the Division of Social Services in the Department of Human Resources as the prime delivery service for poverty programs. But the Division of Medical Assistance administers nearly a billion dollars worth of poverty services—nearly a third of the total spent in the state. And the Division of Economic Opportunity in the Department of Natural Resources and Community Development has major responsibility for ridding the state of poverty. NRCD's Division of Community Assistance also has a role in the poverty war. So does NRCD's Division of Employment and Training.

And the list goes on, with major responsibilities shared by the Department of Public Instruction, the Department of Community Colleges, the Department of Commerce, the Department of Administration, the Department of Agriculture—the list seems endless. There also are nine different boards and commissions with direct or indirect responsibilities for poverty policy, and three private agencies set up by law to deal at least in part with poverty problems.

Examining each state agency's responsibility for poverty problems would give researchers a good idea of what the table of organization looks like, but a more vivid picture would examine how tax funds are spent, and in what areas, to attack poverty. So instead of looking at poverty policymaking on an agency-by-agency basis, the Center for Public Policy Research examined state poverty programs by dividing them into eight key categories: income programs, housing and utilities programs, education programs, job training programs, food and nutrition programs, health programs, programs for the elderly, and all other programs that defy categorization in one of the other seven areas. The Center researched each program administered by state agencies (and a few key ones administered only by the federal government) and asked the agencies for spending data for the most recent fiscal year, July 1, 1987, to June 30, 1988, broken down by local, state, and federal sources.

> ♦
>
> *"This administration, today, here and now, declares unconditional war on poverty in America."*
>
> —Lyndon B. Johnson
>
> ♦

The Center also sought to determine whether each of these programs was primarily a sustenance program—that is, one designed to provide the poor with services they needed to remain alive—or whether it was designed to lift the poor out of poverty—that is, to give them skills or training or improve their circumstances so that in the future they could become self-sufficient.

This examination has identified 69 separate poverty programs at work in North Carolina, which spend $3 billion each year to help the estimated 884,000 persons in poverty and many thousands more who are not officially below the pov-

Jack Betts is editor of North Carolina Insight. *Center interns Richard Leddon, Kim Kebschull and Kurt W. Smith assisted in the research for this article.*

erty line but who are involved in housing, education and training, or medical programs. Of these 69 programs, the majority—44—are sustenance programs designed to help the poor maintain themselves and their families. Only 25 of these programs are designed specifically to help the poor reach the point that that they can care for themselves without the public's assistance (see summary below). *By percent of spending, programs designed to lift people out of poverty account for just 10 percent of the total spent on poverty in North Carolina.*

By far the most money for poverty programs is channeled through health programs—$967.3 million in 1987-88 (See summary, below, and Table 6, page 36, for more). Of that amount, the largest sum is the $933.6 million spent on Medicaid, including $42.4 million by local governments, $253 million by the state, and $638 million by the federal government. The federal government provides two-thirds of the funding for Medicaid while state and local governments underwrite the remaining one-third.

The next largest spending area is on income programs—and here again, the federal government provides the vast majority of the money. As Table 1 on page 24 indicates, governments spend nearly $759 million for various kinds of income programs. Supplemental Security Income for the aged, the disabled, and the blind, provides nearly half that—about $350 million, including some state funds. The next largest sum is spent for the

Summary of Governmental Spending on Poverty Programs in North Carolina, 1987-1988

Program Area	Number of Programs	Sustenance Programs	Lift Out of Poverty	Spending in 1987-1988 (in thousands)				% of Total
				Local	State	Federal	Total	
Income	5	5	0	$35,909.8	$40,074.8	$682,884.5	$758,869.1	25%
Housing/ Utilities	8	6	2	0	5,355.7	78,072.3	83,428.0	3%
Education	12	1	11	5,849.0	51,751.9	110,997.7	168,598.6	6%
Job Training	11	1	10	806.0	20,664.0	109,087.3	130,557.3	4%
Food/ Nutrition	9	9	0	313,772.0	11,607.0	428,877.5	754,256.5	25%
Health	14	14	0	42,600.0	274,732.3	649,985.6	967,317.9	32%
Elderly	6	6	0	29,349.8	27,626.9	19,715.4	76,692.1	2%
Other	4	2	2	28,269.0	0	51,009.1	79,278.1	3%
Total	69	44	25	$456,555.6	$431,812.6	$2,130,629.4	$3,018,997.6	100%

Total spending by programs to lift the poor out of poverty: $ 276.7 million, or 10 percent of all poverty spending
Total spending by programs to sustain those in poverty: $2,737.7 million, or 90 percent of all poverty spending

+ 9 Boards & Commissions
+ 3 Private, tax-supported agencies which spend an additional $10.4 million

Table prepared by Nancy Rose and Jack Betts

Scott Dedman / Pisgah Legal Services

Aid to Families with Dependent Children program, which is funded mostly by the federal government (two-thirds) with equal shares (one-sixth each) supplied by local and state governments. AFDC, usually thought of as the major public assistance program for the poor, really reaches only those families with dependent children. It pumps more than $199 million into the state, including $31.2 million each by local and state governments, and $136.8 million by the federal government.

Food and nutrition for the poor is the next largest spending area, and almost all the money comes from federal tax funds. Of the total $754 million spent on food and nutrition, only about $11.6 million comes from state sources. As Table 5 on page 34 indicates, much of the food spending is distributed to the poor in the form of food stamp coupons worth nearly $218 million. Another $50.1 million in food coupons provided by the federal government through the WIC (Women, Infants and Children) program, and still another $41 million in surplus commodities, are channeled to the poor through the state Department of Agriculture. Many of the same types of commodities are provided to WIC recipients and to surplus food program recipients. But local governments provide a whopping $313.7 million, mostly through the school lunch program.

Those areas are by far the biggest spending items in the delivery of services to the poor. The next closest spending areas are education, at $168.6 million (see Table 3, page 28), and job training, at $130.6 million (see Table 4, page 30). But the figures for job training are somewhat misleading, because as the article on job training on page 64 points out, far less than half that $130.6 million—or $53.9

♦

"People forget that when Jesus said 'Man does not live by bread alone,' he was talking to the devil. When Jesus came into contact with the poor people, he fed them."

—Parker Palmer

♦

Major Lobbyists for the Poor in North Carolina

Lobbyist	Group Represented
Bonnie Allred	Division of Social Services, N.C. Department of Human Resources
Jim Gulick	Consumer Protection Section, N.C. Department of Justice
Collins Kilburn	N.C. Council of Churches
Sister Evelyn Mattern	N.C. Council of Churches
Margot Saunders	N.C. Legal Services Resource Center
Don Saunders	N.C. Legal Services Resource Center
Pam Silberman	N.C. Legal Services Resource Center
Roslyn Savitt	State Council for Social Legislation
Elisa Wolper	N.C. Fair Share
(Position Vacant)	N.C. Social Services Assn.

million—is spent strictly on job training and job preparation programs. The bulk is spent on programs related to job training, including such items as day care programs (nearly $28 million) and the N.C. Employment Service ($36 million) run by the N.C. Employment Security Commission, which seeks to match workers with jobs.

The three smallest area of spending on the poor are housing programs ($83.4 million, although this figure does not include millions more spent by local housing agencies), $76.7 million for the low-income elderly, and nearly $80 million for other poverty programs that do not fall within the previously mentioned categories. Spending on housing programs has declined steadily since 1981, when federal budget cuts took a bite out of the resources available for housing programs. The other category includes such items as the Social Services Block Grant, a small portion of the Community Development Block Grant program, and the Community Services Block Grant.

The state also deals with problems of poverty through 9 boards and commissions, ranging from the Social Services Commission and the Job Training Coordinating

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"It is one of the cruelest ironies of social life in advanced countries that the dispossessed at the bottom of society are unable to speak for themselves. The people of the other America do not, by far and large, belong to unions, to fraternal organizations, or to political parties. They are without lobbies of their own; they put forward no legislative program. As a group, they are atomized. They have no face; they have no voice."

—from *The Other America*
by Michael Harrington

♦

Eric Green / N.C. Poverty Project

The Single Portal of Entry: Streamlining the Maze

As the accompanying article on government poverty agencies and programs indicates, the huge administrative structure is a complex and confusing one—so much so that many professionals who deal with poverty worry that the poor often do not get help because they don't know where to go, or they get discouraged by the difficulty of applying for benefits. Compounding the problem is limited access to transportation to get to the right assistance office, and so is having to go to several different offices to fill out different types of forms—some of which are hard to read.

In April 1988, United Way of North Carolina sought to solve that problem by proposing that the state create or designate a single agency in each community to serve as the public's contact on services for the poor and for others in need of assistance from both government and private agencies. This idea, called the Single Portal of Entry, would provide a place where a citizen could make one application and receive all services available to meet that client's needs.

Charles Dunn, assistant director of the State Bureau of Investigation and chairman of the United Way of North Carolina's government relations division, said the agency believed "that the citizen in need of assistance would be more effectively and more efficiently served if the system in all of its programs were more readily accessible, if services were better integrated between agencies and departments, and if human service policy and service delivery were planned and coordinated from a common perspective—from a Single Portal of Entry."

The proposal was generally supported by candidates for governor in the 1988 election—including Gov. James G. Martin—and could become an issue before the 1989 General Assembly.

—*Jack Betts*

Council to the Governor's Commission on Literacy, and the Employment Security Commission (see Table 10, page 46, for a list of these boards). The state also has created two private agencies to work on poverty solutions. They are the not-for-profit N.C. Rural Economic Development Center, which works on economic development of rural areas, and the N.C. Enterprise Corporation, a for-profit corporation set up to make loans to developing businesses in rural areas. The latter agency gets no direct state appropriations, but has received $20 million in investments from the State Treasurer. In addition, the federal government funds Legal Services of North Carolina, which

Table 1. State-Administered Programs Providing Income to the Poor

Department	Division and Program	Responsibilities and Activities
Human Resources	*Division of Social Services*	
	Public Assistance Section	
	Aid to Families With Dependent Children (AFDC)	Public assistance program providing cash benefits to families with children below age 18 whose monthly income falls below legislatively established maximums for ea size family.
	AFDC-Emergency Assistance	Grants made directly to individuals providing help with rent and utility bills (other than those for heating or cooling). Payment made only once within a 12-month period, and limited to $300.
	Child Support Enforcement Program	Collects money from absent parents for the support of their minor children. Service is free for AFDC households.
Commerce		
	Employment Security Commission	
	N.C. Unemployment Insurance Program	Provides benefits to workers unemployed through no fault of their own. Determines benefit eligibility and makes payment to eligible claimants.
U.S. Department of Health and Human Services		
	Social Security Administration	
	Local Social Security Administration Offices	
	# Supplemental Security Income	Basic federal cash assistance grant to the low-income elderly, disabled, and blind.

This is not a state-administered program, but the benefit is a major source of public assistance.

represents the poor in legal affairs.

Although the state, local, and federal governments pump an enormous amount of money into the fight against poverty, these tables make clear that the two mostly widely known—and most often criticized—poverty programs provide a relatively small amount of money. Out of the total of $3 billion, AFDC accounts for $199.2 million, and food stamps account for another $217.9 million, or a total of little more than $417 million—less than 14 percent of the sum total spent by government on eradicating poverty in North Carolina.

Statutory or Regulatory Authority	Expenditures in NC FY 1987-88 (in 1000s)			
	Local	State	Federal	Total
G.S. 108A-27	$31,200.0	$31,200.0	$136,834.0	$199,234.0
G.S. 108A-39.1	1,007.8	1,007.8	2,015.5	4,031.1
G.S. 110-130	3,702.0	3,537.0	15,382.0	22,621.0
G.S. 96-12 G.S. 96-13	0	0	183,053.0	183,053.0
	(Note: Money is raised through unemployment taxes on N.C. employers and collected and distributed by the federal government. These figures are actual benefits paid.)			
20 CFR 416.101 -416.227	0	4,330.0	345,600.0	349,930.0
Totals:	$35,909.8	$40,074.8	$682,884.5	$758,869.1

Table 2. State-Administered Programs Dealing with Housing and Utilities for the Poor

Department	Division and Program	Responsibilities and Activities
Human Resources	*Division of Social Services*	
	Public Assistance Section	
	Low-Income Home Energy Assistance Program (LIHEAP)	Funded by the federal Low Income Energy Assistance Block Grant
	1. Low-Income Energy Assistance Payments Program	Provides a one-time direct payment to eligible low-income households to assist in heating costs.
	2. Crisis Intervention Program	Provides funds to assist low-income eligible households in a heating- or cooling-related crisis.
	3. Weatherization	Administered by the N.C. Dept. of Commerce; funds are used to repair dwellings of low-income individuals to make them more energy-efficient.
Natural Resources and Community Development		
	Division of Community Assistance	
	Emergency Shelter Grants Program	Provides funds for the rehabilitation and operation of emergency shelter to house the homeless.
	Community Development Block Grants (CDBG)	Funds allocated to local governments which apply for grants on behalf of particular projects to improve housing and neighborhood conditions, promote innovation in providing housing, and provide interim assistance in financing on short-term basis for eligible housing projects.
	Division of Economic Opportunity	
	* Community Services Block Grants	Provides program services for the poor in the areas of housing, but money spent is shown in Table 8, page 42.
	* Emergency Community Services Homeless Grant Program	Provides shelter and services to the homeless and helps them become self- sustaining
Administration	*Governor's Office*	
	N.C. Housing Finance Agency	Created to provide affordable housing for low- and moderate income families. Operates housing rehabilitation tax-exempt bond program; multi-family rent subsidy programs, and single family housing ownership program; operates Mortgage Credit Certificate Program; administers Rental Rehabilitation Grant program, Low-Income Housing Tax Credit program, and Housing Trust Fund. Much of the agency's funds come from private sources, including the sale of bonds. Figures listed include *only* public funds, and do not reflect millions of dollars spent each year by local housing authorities on low-income housing.

* An asterisk denotes programs designed to lift people out of poverty; others are maintenance programs.

Statutory or Regulatory Authority	Local	State	Federal	Total
P.L. 97-35; G.S. 108A-25				
	$0	$0	$19,956.5	$19,956.5
	0	0	4,983.7	4,983.7
	0	0	1,984.4	1984.4
G.S. 143B-276 G.S. 143-323	0	0	1,071.0	1,071.0
G.S. 143B-276 G.S. 143-323	0	0	29,227.7	29,227.7
P.L. 97-35; G.S. 143B-276; G.S. 143B-277 G.S. 143-323(d)	(Included in Community Services Block Grants, Table 8, 42)			
P.L. 100-77 G.S. 143B-276; G.S. 143B-277	0	0	999.1	999.1
G.S. 122A-5 -5.7	NA	5,355.7	19,849.9	25,205.6
	(Local houing agencies spend millions of dollars each year on housing for the poor. These sums do not reflect local spending)			
Totals:	0	$5,355.7	$78,072.3	$83,428.0

NA: Not Available

Table 3. State-Administered Programs Dealing With Education for the Poor

Department	Division and Program	Responsibilities and Activities
Human Resources	*Division of Social Services*	
	Preventive and Support Services Branch Program Support Unit	
	* Adolescent Parenting Program	Serves low-income first-time parents aged 16 and younger through 8 county departments of social services. Program's goals are to provide services leading to personal self-sufficiency and economic self-support, and to enhance parenting skills and delay subsequent pregnancies.
U.S. Department of Health and Human Services	*Office of Human Development Services*	
	Administration for Children, Youth and Families	
	# * Head Start	Federal child development program for disadvantaged 3- and 4-year-olds providing educational, nutritional, medical, and social services. Funds are allocated by the federal government directly to local-level grantees, which provide a 20% match.
Public Instruction	*Division of Support Programs*	
	* Migrant Education Programs	Programs designed to serve the special needs of children of migrant laborers from preschool through age 20. Provides technical and consultant services to school units; supporting services such as medical, dental, nutritional, and social programs; and supplementary programs of instruction promoting the active involvement of migrant parents.
	Compensatory Education Section	
	* Chapter I, Education Consolidation and Improvement Act	Compensatory education programs serving children and youth from ages 4 to 21. Funds are provided to local school units and state agencies to meet the special reading and math needs of educationally and economically deprived children.
	Dropout Prevention Section	
	Dropout Prevention Program	Provides leadership and services in the development and implementation of intervention and prevention programs for low-income students at risk of dropping out of school.
Administration	*N.C. Commission of Indian Affairs*	
	* Community Services Program	Serves children aged 2-5 in 4 regions of N.C. Program provides for 4 child day care centers for children meeting Title XX income guidelines; teaching curriculum, lunch, and afternoon snack provided by the state.
	* Educational Talent Search	Serves persons aged 12-27 in 11 N.C. counties. For programs to receive funds, at least 2/3 of all participants must meet economic (low income) or cultural criteria. Program helps N.C. Indians by providing educational and career counseling and financial aid for post-secondary education.

Statutory or Regulatory Authority	Expenditures in NC FY 1987-88 (in 1000s)			
	Local	State	Federal	Total
G.S. 153A-255	$73.0	$0	$188.0	$261.0
P.L. 88-452	5,776.0	0	23,064.0	28,840.0
P.L. 93-380 G.S. 115C-409	0	0	2,621.3	2,621.3
P.L. 97-35 G.S. 143A-42	0	0	82,454.8	82,454.8
G.S. 143A-42	0	20,864.0	0	20,864.0
G.S. 143B-404	0	71.9	54.2	126.1
P.L. 96-374 G.S. 143B-404	0	0	85.4	85.4

—continued on page 30

Table 3. State-Administered Programs Dealing With Education for the Poor, *continued*

Department	Division and Program	Responsibilities and Activities
Community Colleges	*Division of Adult and Continuing Education*	
	* Adult Basic Education Program	Provides instruction for the poor in basic literacy skills at 58 community colleges.
	* General Educational Development Program	Provides instruction at 58 community colleges to help low-income students pass the General Educational Development test.
	* Adult High School Program	Series of courses sponsored jointly by 40 community colleges and public high schools; offers programs leading to a high school diploma for low-income students.
	* Continuing Education Program	Program open to high school graduates and other adults at 58 community colleges; targeted to low-income individuals; features educational and skills training to help adults obtain jobs or advance to better ones; provides literacy training if needed.
	* State Board of Community Colleges Child Care Grants	Funds used to provide affordable day care to community college students who are single parents or homemakers, freeing them to pursue training for jobs.

* An asterisk denotes programs designed to lift people out of poverty; others are maintenance programs.
# Not a state-administered program, but it is an integral part of the public assistance system.

Table 4. State-Administered Programs Dealing With Job Training for the Poor

Department	Division and Program	Responsibilities and Activities
Human Resources	*Division of Social Services* *Public Assistance Section*	
	* Work Incentive Program (WIN)	Federal program for AFDC recipients providing skills, job training, and employment services.
	* Community Work Experience Program (CWEP): "Workfare"	State counterpart to the federal WIN program, operated by 41 county departments of social services. Program requires participants (AFDC recipients) to work a prescribed number of hours without pay at a public or non-profit agency. Education, training, work experience, and supportive casework services are provided.
	* Child Day Care Services for CWEP participants	Program funded by Social Services Block Grants to assist a parent's employment efforts.

Statutory or Regulatory Authority	Expenditures in NC FY 1987-88 (in 1000s)			
	Local	State	Federal	Total
G.S. 115D-1	0	11,563.0	2,530.0	14,093.0
G.S. 115D-1	0	4,333.0	0	4,333.0
G.S. 115D-1	(Included in General Educational Development Funds, above)			
G.S. 143A-42	0	14,510.0	0	14,510.0
G.S. 143A-42	0	410.0	0	410.0
Totals:	$5,849.0	$51,751.9	$110,997.7	$168,598.6

Statutory or Regulatory Authority	Expenditures in NC FY 1987-88 (in 1000s)			
	Local	State	Federal	Total
G.S. 108A-30	$59.0	$0	$531.0	$590.0
G.S. 108A-39.2	747.0	747.0	1,494.0	2,988.0
G.S. 108A-39.2	0	190.5	143.7	334.2

— continued on page 32

Table 4. State-Administered Programs Dealing With Job Training for the Poor, *continued*

Department	Division and Program	Responsibilities and Activities
Human Resources *continued*	*Division of Facility Services* *Child Day Care Section* * Day Care Programs	Regulates all child day care centers and family day care homes in state, and administers publicly subsidized day care programs for eligible children.
	Job Corps Section * Job Corps Outreach and Screening Program	Federal program providing training, education, and counseling in residential centers for economically disadvantaged young people between the ages of 16 and 21.
Natural Resources and Community Development	*Division of Economic Opportunity* * Community Services Block Grants	Provides programs and services for the poor in the areas of job training, but money spent is shown in Table 8, page 42.
	Division of Employment and Training * Job Training Partnership Act (JTPA)	Provides job and skills training and other employment-related assistance to economically disadvantaged persons through private industry and governmental cooperation. Includes Summer Youth employment program as well as targeted programs for the elderly.
	Division of Community Assistance Community Development Block Grants	Funds allocated to local governments who apply for grants for economic development projects designed to create or retain jobs for low- and moderate-income persons.
Labor	*Division of Pre-apprenticeship* * Skill Job Training	Division contracts with local Service Delivery Areas to provide skilled job training for permanent job placement. On-the-Job trainees and classroom training participants must meet JTPA economically disadvantaged criteria.
Commerce	*Employment Security Commission* * N.C. Employment Service	Provides job placement services including testing, job development, and referral; also involved in the administration of the federal WIN and JTPA programs.
Community Colleges	*Division of Adult and Continuing Education* * Human Resources Development	Provides pre-employment training in 45 community colleges for the long-term unemployed and under-employed adults, and provides intensive follow-up efforts to help participants remain employed

* An asterisk denotes programs designed to lift people out of poverty; others are maintenance programs.

Statutory or Regulatory Authority	Expenditures in NC FY 1987-88 (in 1000s)			
	Local	State	Federal	Total
G.S. 143B-153 G.S. 110-85 -106.1	0	15,826.5	11,791.5	27,618.0
P.L. 97-300	0	0	563.7	563.7
P.L. 97-35 G.S. 143B-276; G.S. 143B-277; G.S. 143-323(d)	(Included in Community Services Block Grants, Table 8, page 42)			
P.L. 97-300 G.S. 143B-344.11	0	0	51,100.0	51,100.0
G.S. 143B-276 G.S. 143-323	0	0	7,370.4	7,370.4
P.L. 97-300 G.S. 94-2	(Funds included in total spent for JTPA, above)			
G.S. 96-3 -4	0	0	36,093.0	36,093.0
	(Note: Money for this programs comes from taxes on N.C. employers and is collected and disbursed by the federal government)			
G.S. 115D-1	0	3,900.0	0	3,900.0
Totals:	$806.0	$20,664.0	$109,087.3	$130,557.3

Table 5. State-Administered Programs Dealing With Food and Nutrition for the Poor

Department	Division and Program	Responsibilities and Activities
Agriculture	*Food Distribution Division*	
	Surplus Commodity Distribution Program	Receives and distributes agricultural commodities to public and private schools; to charitable institutions; to summer camps; and also provides commodities through: — Commodity Supplemental Food Program for women, infants, and children; — Food Distribution Program for Cherokee Indian Reservation — Temporary Emergency Assistance Food Program for the needy. — Nutrition Program for the Elderly.
Human Resources	*Division of Social Services* *Public Assistance Section*	
	Food Stamps	USDA-funded public assistance program providing coupons for the purchase of food to individuals and families whose income falls below 130% of federal poverty guidlelines.
	Division of Health Services *Maternal and Child Care Section* *Nutrition and Dietary Services Branch*	
	Special Supplemental Food Program for Women, Infants, and Children (WIC)	Program covering pregnant, breastfeeding, and post-partum women, and children up to age 5. Participants must be at nutritional risk and have a gross income below 185% of federal poverty guidelines. WIC provides for nutritional education and the distribution of supplemental food.
	Title XX Support for Nutrition Program-Health Support Services	Nutrition services are provided to clients of all ages with chronic problems); administered by local health departments, which determine eligibility for low-income participants.
Public Instruction	*Division of Child Nutrition*	
	Child Care Food Program (CCFP)	USDA-funded program serving children up to age 12; operated by participating local child care centers and family day care homes. The sponsoring agency is reimbursed for a maximum of 2 meals and 1 supplemental snack per child per day.
	School Breakfast Program	USDA-funded program serving children in grades K-12 in a public or non-profit school.
	National School Lunch Program	USDA's largest school nutrition program; same criteria as school breakfast program.

Statutory or Regulatory Authority	Expenditures in NC FY 1987-88 (in 1000s)			
	Local	State	Federal	Total
P.L. 74-320 P.L. 98-8	$0 (Value of commodities distributed)	$0	$41,089.0	$41,089.0
G.S. 108A-25	0	0	217,913.0	217,913.0
P.L. 95-627 G.S. 130A-361	0	5.0	50,099.5	50,104.5
G.S. 130A-361	0	102.0	0	102.0
7 CFR Part 226	0	0	12,937.0	12,937.0
7 CFR Part 220	0	0	19,650.0	19,650.0
7 CFR Part 210	313,772.0	11,500.0	84,499.0	409,771.0

—continued on page 36

Table 5. State-Administered Programs Dealing With Food and Nutrition for the Poor, *continued*

Department	Division and Program	Responsibilities and Activities
Public Instruction *continued*	Special Milk Program for Children	Provides milk to students up to age 18 in institutions which do not participate in the meal programs; milk is served free to children whose family income falls within specified levels.
	Summer Food Service Program for Children	Designed to accommodate childrens' nutritional needs during summertime when school is not in session; serves free meals at approved sites or in residential camp settings to economically disadvantaged children up to 18 years of age.

Table 6. State-Administered Programs Dealing With Health Care for the Poor

Department	Division and Program	Responsibilities and Activities
Human Resources	*Division of Social Services*	
	State-funded abortion program	Service provided to indigent individuals and AFDC recipients; abortion must be performed within first 135 days of pregnancy, and the individual must either be an eligible minor, a victim of rape or incest, mentally retarded, have her health impaired by pregnancy, or be carrying a deformed fetus.
	Division of Health Services	
	Preventive Health Services Block Grant	Federal grant allocating funds to local health departments to provide basic public health services for economically disadvantaged recipients.
	Maternal and Child Care Section	
	Adolescent Pregnancy and Prematurity Prevention Projects	Counseling and educational programs designed to reduce the number of unintended adolescent pregnancies among low-income women and to improve the health of pregnant adolescents and their infants.
	Child Health Program	Program designed to evaluate and monitor the health of eligible low-income children by a public health nurse at Well Child Clinics run by local health departments.

Statutory or Regulatory Authority	Expenditures in NC FY 1987-88 (in 1000s)			
	Local	State	Federal	Total
7 CFR Part 215	0	0	121.0	121.0
7 CFR Part 225	0	0	2,569.0	2,569.0
Totals:	$313,772.0	$11,607.0	$428,877.5	$754,256.5

Statutory or Regulatory Authority	Expenditures in NC FY 1987-88 (in 1000s)			
	Local	State	Federal	Total
G.S. 14-45.1 (Program authorized by biennial appropriations bills passed by General Assembly)	$0	$924.5	$0	$924.5
None	0	4,624.3	2,040.7	6,665.0
P.L. 90-21.5 Chapter 479, 1985 Session Laws	NA	933.4	481.7	1,415.1
G.S. 143B-142	(NA	4,242.9	4,191.6	8,434.5)
	(These funds included in overall Medicaid program spending)			

—*continued on page 38*

NA: Not Available

Table 6. State-Administered Programs Dealing With Health Care for the Poor, *continued*

Department	Division and Program	Responsibilities and Activities
Human Resources *continued*	*Epidemiology Section*	
	Environmental Epidemiology Branch	
	Lead Screening Program	Available to patients aged 1-2 years from poor families. Screening tests are done at local health departments to determine the level of lead in the blood; if elevated, the home and child are evaluated for sources of lead toxicity requiring further treatment.
	Division of Health Services	
	Maternal and Child Care Section	
	Maternal and Child Health Branch	
	Maternal Health Perinatal Program	Serves pregnant women, and infants up to 28 days old, who have low incomes. Activities are run by local hospitals, high-risk clinics, and health departments.
	Developmental Disabilities Branch	
	Children's Special Health Services Program	Services designed to provide health care for children and youth through age 21 who are financially eligible and who have certain chronic diseases or conditions hindering normal development. Program includes a network of specialty clinics, treatment services, and reimbursement to medical and health care providers for services.
	Dental Health Section	
	Dental Public Health Program	Service available to children from 5-12 years of age who are also eligible for free school lunches. Provides educational and preventive dental services, and clinical services to eligible children in counties with public health dentists.
	Division of Medical Assistance	
	Medicaid	Pays for health services for qualified financially needy aged, blind, and disabled citizens as well as for poor children, pregnant women, and those who receive AFDC. The program covers a full range of medical services, including hospitalization, physician visits, medications, dental care, and long-term institutional care.
	Medical Policy/Utilization Control Unit	
	Baby Love Medical Assistance Program	Medicaid program for women, and children up to age 2, who are at or below 100% of the federal poverty level. Program aims to remove financial barriers which prevent poor pregnant women and infants from gaining access to medical care; aims to ensure early and continuous prenatal care for low-income pregnant women.
	Healthy Child and Teens Program	Preventive health care program available to all Medicaid-eligible children and youth up to age 21. Provides diagnostic care, health screening, and treatment.

Statutory or Regulatory Authority	Expenditures in NC FY 1987-88 (in 1000s)			
	Local	State	Federal	Total
G.S. 130A-5 G.S. 143B-202	0	0	86.6	86.6
G.S. 130A-124 G.S. 143B-142	NA	5,504.3	4,810.8	10,315.1
G.S. 130A-124	0	7,599.8	1,250.8	8,850.6
G.S. 130A-366	0 (Figures are estimates)	0	525.0	525.0
P.L. 89-97 G.S. 108A-54	42,400.0	253,100.0	638,100.0	933,600.0
P.L. 99-509	(600.0 (These funds are included in overall Medicaid program spending)	3,200.0	8,200.0	12,000.0)
P.L. 89-97	(100.0 (These funds are included in overall Medicaid program spending)	600.0	1,500.0	2,200.0)

NA: Not Available

—*continued on page 40*

Table 6. State-Administered Programs Dealing With Health Care for the Poor, *continued*

Department	Division and Program	Responsibilities and Activities
Human Resources *continued*	*Division of Mental Health, Mental Retardation, and Substance Abuse Services*	
	CAP-Mental Retardation Program	Medicaid-funded program open to Medicaid-eligible persons (both children and adults) with developmental disabilities. Funds provide for purchase of medical equipment, home mobility aids, respite care, homemaker services, and case management.
	Mental Health Services for the Homeless Block Grant	Federal grant used to provide outreach, mental health, and case management services to homeless people who are chronically mentally ill.
	Division of Services for the Blind	
	Medical Services Unit	
	Medical Services	Program provides for eye examinations, glasses, treatment, surgery, and screening for vision defects for economically eligible clients.

Table 7. State-Administered Programs Dealing With the Elderly Poor

Department	Division and Program	Responsibilities and Activities
Human Resources	*Division of Aging*	
	Foster Grandparents Program	Program for older adults below the poverty level; provides for activities with economically and socially disadvantaged youth.
	Older Americans Act Programs	Locally-administered programs to serve socially and economically disadvantaged citizens over 60.
	1. Title III Programs	Access, in-home, legal, senior-center, nutrition and other services to persons over 60, targeting socially and economically disadvantaged elderly and low-income minorities.
	2. Title V Programs	Provides subsidized part-time community service employment for low-income persons 55 and older.

Statutory or Regulatory Authority	Expenditures in NC FY 1987-88 (in 1000s)			
	Local	State	Federal	Total
P.L. 97-35	200.0	900.0	2,400.0	3,500.0
P.L. 100-77	0	0	290.0	290.0
G.S. 111-8	0	1,146.0	0	1,146.0
Totals:	$42,600.0	$274,732.3	$649,985.6	$967,317.9

Statutory or Regulatory Authority	Expenditures in NC FY 1987-88 (in 1000s)			
	Local	State	Federal	Total
G.S. 143B-181.1	$68.0	$0	$320.4	$388.4
P.L. 100-75	2,526.6	1,042.9	17,634.0	21,203.5
P.L. 100-75	130.8	0	1,478.6	1,609.4

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Table 7. State-Administered Programs Dealing With the Elderly Poor *continued*

Department	Division and Program	Responsibilities and Activities
Human Resources *continued*	*Division of Aging,* continued Social Services Block Grant for Respite Care Programs	Programs based on a sliding fee scale providing respite support to families of infirm persons over age 60.
	Division of Social Services *Public Assistance Section* State-County Special Assistance for Adults	Provides monthly payments to eligible residents in family care homes and pays for care of older adults. Payment is made on an income-based formula and provides up to $721 per month per individual.
U.S. Department of Health and Human Services	*Social Security Administration* *Local Social Security Administration offices* # Supplemental Security Income (SSI)	Basic federal cash assistance grant to low-income elderly persons.

Not a state program, but the benefit is an intergral part of the public assistance system.

Table 8. Other State-Administered Poverty Programs

Department	Division and Program	Responsibilities and Activities
Human Resources	*Division of Social Services* Social Services Block Grant	Federal funds allocated to the 100 county departments of social services to provide 12 mandated and 18 optional services for the disadvantaged and for at-risk children and adults.
Natural Resources and Community Development	*Division of Community Assistance* Community Development Block Grants (CDBG)	Funds allocated to local government agencies who apply for grants on behalf of particular planning projects designed to assist local government in preparing CDBG applications.
	Division of Economic Opportunity * Community Services Block Grants	Provides services for the poor in the areas of employment, education, housing, emergency assistance, and community involvement to assist them in moving above the poverty level.

Statutory or Regulatory Authority	Expenditures in NC FY 1987-88 (in 1000s)			
	Local	State	Federal	Total
G.S. 143B-202	40.4	0	282.4	322.8
G.S. 143B-153 G.S. 108A-40	26,584.0	26,584.0	0	53,168.0
20 CFR 416.101 -416.2227	0	0	(81,926.4) (estimates) (Payments included in Social Security entry, Table 1)	(81,926.4)
Totals:	$29,349.8	$27,626.9	$19,715.4	$76,692.1

Statutory or Regulatory Authority	Expenditures in NC FY 1987-88 (in 1000s)			
	Local	State	Federal	Total
None	$28,269.0	$0	$41,559.7	$69,828.7
G.S. 143B-276 G.S. 143-323	0	0	50.6	50.6
P.L. 97-35 G.S. 143B-276; G.S. 143B-277; G.S. 143-323(d)	0	0	8,412.2	8,412.2

—continued on page 44

Table 8. Other State-Administered Poverty Programs, *continued*

Department	Division and Program	Responsibilities and Activities
Natural Resources and Community Development, *continued*	* Community Action Partnership Program	Provides funds to supplement Community Services Block Grant funds for services to the poor in employment, education, housing, emergency assistance, and community involvement to assist them in moving above the poverty level.

* An asterisk denotes programs designed to lift people out of poverty; others are maintenance programs.

Table 9. Private Agencies Established by Statute to Deal with Poverty

Department	Division and Program	Responsibilities and Activities
Independent	*N.C. Rural Economic Development Center*	Private, nonprofit corporation established by the General Assembly in 1986 to carry out research, demonstration projects, and policy analyses. Mission is to improve economic conditions in the state's rural areas and to ensure that poor and working people benefit from improved economic conditions.
Independent	*N.C. Enterprise Corporation*	Private, for-profit corporation established by the General Assembly in 1988 to provide loans to help businesses get started in rural counties in order to provide jobs for low-income residents.
Independent	*Legal Services of North Carolina, Inc.*	Private, non-profit corporation organized in 1976 by the N.C. Bar Association to administer a system of programs delivering legal services to the poor. LSNC is a confederation of 15 geographically based field programs; three special client programs addressing problems of migrant farmworkers, prisoners, and persons with mental handicaps; a Resource Center which undertakes state-level policy advocacy; the N.C. Clients Council; and a central administrative office.

Statutory or Regulatory Authority	Expenditures in NC FY 1987-88 (in 1000s)			
	Local	State	Federal	Total
G.S. 113-28.21	0	0	986.6	986.6
Totals:	$28,269.0	0	$51,009.1	$79,278.1

Statutory or Regulatory Authority	Expenditures in NC FY 1987-88 (in 1000s)			
	Local	State	Federal	Total
G.S. 55A-1	$0	$2,000.0	$0	$2,000.0
	(Private funds added $100,000 to total)			
G.S. 55A-1	(No direct appropriations involved, but State Treasurer has invested $20 million in public funds in the N.C. Enterprise Corporation)			
P.L. 93-355 42 USC 2996 et. seq.	114.0	0	$8,339.9	$8,453.9
	(Legal Services also receives other funds from private sources, including the N.C. Bar Association and United Way, that raise funding up to $9.6 million)			
Totals:	$114.0	$2,000.0	$8,339.9	$10,453.9

Table 10. Boards, Commissions, and Councils Dealing with Poverty

Department	Division and Program	Responsibilities and Activities
Human Resources	*Governor's Advisory Council on Aging*	Makes recommendations on improvement of services to the elderly (including those with low incomes) and on coordination of programs with other state agencies to provide these services.
	Social Services Commission	Establishes standards and adopts rules and regulations for public assistance and social services programs.
Natural Resources and Community Development	*Job Training Coordinating Council*	Serves as policy adviser to the Governor on issues relating to job training in the state; has overall responsibility for all JTPA programs, and reviews plans and activities to see that they are moving toward goals and objectives.
Administration	*Indian Housing Authority*	Provides improved housing for low-income Indians throughout the state.
	Governor's Advocacy Council on Children and Youth	Acts as advocate for children and youth (including those who are economically deprived); assists in developing and coordinating child advocacy systems on regional and local levels; identifies needs and makes program recommendations.
	N.C. Human Relations Council	Enforces the N.C. Fair Housing Law, which prohibits discrimination in most housing on the basis of race, color, gender, or national origin. The Council also works to provide equal opportunities in the areas of employment, education, public accommodations, and governmental services.
	N.C. Farmworkers Council	Studies and evaluates existing systems of delivery of services to migrant workers; seeks methods to improve their living and working conditions.
	Governor's Commission on Literacy	Studies ways to coordinate literacy training programs currently available through the state's community colleges, literacy councils, community action agencies, and libraries.
Commerce	*Employment Security Commission*	Plans and implements programs to reduce and prevent unemployment, assists in vocational training, and provides reserves for high-unemployment periods.

Tables prepared by Kim Kebschull, Kurt W. Smith, Nancy Rose, and Jack Betts

Statutory or Regulatory Authority	Number of Members
G.S. 143B-181	33
G.S. 143B-153	11
G.S. 143B-344.14	17
G.S. 157-66	9
G.S. 143B-414	17
G.S. 143B-391	20
G.S. 143B-426.25	11
Executive Orders: 32 on Feb. 16, 1987; and 38 on March 12, 1987	17
G.S. 96-3	7

Environmental Agency Consolidation Bill To Affect N.C. Poverty Program Administration

Legislation designed to restructure the state's environmental management machinery to enhance environmental protection will directly affect the organizational structure of agencies that administer four key North Carolina poverty programs. Sen. Russell Walker (D-Randolph) and Rep. Joe Hackney (D-Orange) have proposed legislation creating the Department of Environment, Health, and Natural Resources to replace the Department of Natural Resources and Community Development (NRCD) and to assume some of the health functions of the existing Department of Human Resources (DHR). Both NRCD and DHR have major responsibilities for state poverty programs.

If the General Assembly approves Walker's and Hackney's proposal (SB 354 and HB 480), three agencies and several boards with poverty responsibilities in NRCD and one agency in DHR will move to other state departments. The list includes:

The ***Community Assistance Division*** in NRCD, which will move to the Department of Commerce; the ***Economic Opportunity Division*** in NRCD, which will move to the Department of Human Resources; the ***Employment and Training Division, the Job Training Coordinating Council, and the Rural Service Delivery Area's Private Industry Council***, all in NRCD, which will move to the Department of Commerce; and the ***Division of Health Services*** in DHR, which will move to the new Department of Environment, Health, and Natural Resources.

The restructuring thus lets the Governor retain control of four divisions (Community Assistance, Economic Opportunity, Employment and Training, and Health Services) in agencies whose heads the Governor appoints (the Departments of Commerce and of Human Resources).

Welfare Reform: No Vacation from Poverty

by Daniel C. Hudgins and Fred Broadwell

In 1988, Congress adopted the Family Support Act, the culmination of years of effort at serious welfare reform. The act, which puts emphasis on preparing the poor for work, will help to lessen some poverty and poverty-related crises, but it will fail to have any major impact on poverty unless it is used as a catalyst for more significant changes in national and state welfare policy.

Columnist Nancy Amidei recalls a meeting of Washington officials discussing welfare systems in European countries.[1] No surprises emerged in the meeting until participants mentioned that some countries offer vacations to welfare recipients. Amidei wryly comments, "Vacations are for people who work; people we like; people like us. Americans who get welfare are seen as none of the above; they're a breed apart, subject to different rules."

Poverty is no vacation anywhere, and in North Carolina there's not even a three-day pass. Yet some changes are in the offing. The state government of North Carolina is in the midst of planning the implementation of the Family Support Act of 1988[2] — which many are calling the most significant welfare reform since public assistance programs began under Franklin D. Roosevelt in 1935. What kinds of changes will this reform bring to North Carolina welfare policy? Will it help to alleviate poverty and engender an attitude of equal citizenship and respect for North Carolina's poor, or will it be business as usual? While the picture remains cloudy, it looks as though we are approaching another face-off between the concerns of the poor and the forces of the bureaucracy.

Reform: The Noblest of Intentions

The welfare reform initiatives which resulted in the Family Support Act began with the noblest of intentions. Advocates such as the American Public Welfare Association and the National Anti-Hunger Coalition began to publicize the enormity of the childhood poverty problem in this country. Drawing from a number of studies of poverty programs, especially in the field of employment and training, advocate groups aided legislators in drafting a bill which provided a comprehensive approach to the problem of child and family poverty. The bill which eventually passed the U.S. House of Representatives contained Aid to Families with Dependent Children (AFDC) benefit increases; money for training and education; money for support services such as day care, transportation, and extended Medicaid coverage; better work incentives; and improvements in child support policy. The bill encouraged simplification of welfare red tape. Most importantly, the bill represented a new attitude toward poor people. It said that they deserved a minimum standard of living and a fair chance to re-enter the labor market. The poor would become, in Amidei's words, "people we like; people like us."

But the tab for this proposal was expensive, and in our budget-tight times, the House version did not survive a joint House-Senate conference committee. Instead, Sen. Daniel Patrick Moynihan's (D-N.Y.) weaker Senate version became law, and what remains is welfare reform on a shoestring budget. A better term would be welfare revision, not welfare reform.

The Family Support Act

It is important to realize that the provisions of the Family Support Act will be implemented

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by *both* the federal and state governments. For example, federal officials will direct the National Academy of Sciences to study a guaranteed minimum income standard for all families, and federal officials will write the key regulations. By and large, however, the implementation of the law rests with state administrators who have been given a large degree of flexibility. Therein lies a challenge for North Carolina government officials.

In December 1988, the N.C. Division of Social Services convened its first meeting of an advisory welfare reform task force. The group, comprising administrators and advocates from within and outside the welfare field, is assisting the division in drafting its implementation plan. In North Carolina, changes in three areas must be ironed out: Aid to Families with Dependent Children; child support; and employment and training programs.[3] What are the key issues involved?

AFDC Payment Levels

Welfare reform could have changed the AFDC program drastically, by combining AFDC and food stamps and turning both programs into a comprehensive family support system. Many advocates and professionals hoped that would happen, but the administrative and cost hurdles of such a program were too high. Instead, the new act provides only a few, albeit worthy, changes in the existing program.

First, the act creates better work incentives for AFDC recipients. A new budgeting formula will be used to determine the amount of AFDC payments for those with earned income. Standard monthly deductions for work-related expenses and for work incentives also will increase, which will boost the amounts of AFDC payments to the working poor. The standard work deduction will increase from $75 to $90 per month. The monthly allowance for child care will increase from $160 per child to a maximum of $175 or $200 for a child under 2. And a complicated work incentive formula also will increase the amount available to a working parent. For instance, a working mother with two children, who earns $750 a month on the job, gets a $157-per-month AFDC check under the old rules. Under the new formula, she will get $243 per month — a net increase of $86, thanks to welfare reform. Equally significant, beginning in April 1990, the state must provide 12 months of child care and a Medicaid transition benefit for AFDC recipients who go off welfare and into a job.

The act also calls for states to re-evaluate AFDC payment levels every three years. If the state takes this provision seriously, the act can spur action on the worst omission of this welfare reform — the lack of an increase in the current AFDC level. A review may help encourage North Carolina legislators to raise North Carolina's pitifully low payment level (see page 14, for more). AFDC provides barely a third of the federal poverty level income, and even with food stamps, welfare recipients barely approach two-thirds of the poverty line. One other provision which is sure to stir controversy is whether the state should exercise a new option in 1989 to require minor parents to live with their parents as a condition for receiving AFDC.

Child Support Tightens Up

From the beginning, the welfare reform movement stressed that parents should be responsible for their children. Accordingly, strengthening child support enforcement became a key element of the legislation. Moreover, the relative budget neutrality of the child support provisions — requiring little or no new tax funds — protected this part of the legislation through the compromise process.

Important changes will affect the child support program. The most dramatic change is mandatory withholding of child support payments from a responsible parent's wages, beginning in October 1990. Current estimates project that about 75 percent of parents are delinquent at some time in paying their child support.[4] This provision may not bring families out of poverty, but it will help prevent disastrous disruptions in a poor family's income.

A second major improvement is the requirement that states promptly respond to requests for child support assistance and that payments be distributed promptly. Currently in North Carolina, waits of up to two months exist be-

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Profiles in Poverty

by Mike McLaughlin

Mike McLaughlin

Numbers and statistics abound about what constitutes poverty and who is impoverished, but to the thousands of people across North Carolina struggling to put food on the table and keep the telephone and the lights turned on, poverty is not an abstraction. Neither is poverty the stereotypical image of idleness held by many members of the public. Each family is different, and if one looks beneath the surface, there usually are reasons for a family's plight that go far beyond indolence.

In the far west mountains of Graham County, a young mother with a disabled husband and two children regularly travels 70 miles to a community college to acquire secretarial skills in hopes of some day lifting her family above the subsistence level. Down east, a Cumberland County single mother lays ambitious plans to become self-sufficient by completing a nursing program while caring for a 2-year-old and triplets less than a year old. And in Raleigh, a disabled painter struggles to regain the dignity he lost when he was forced into the streets while seeking his Social Security disability benefits.

All of these people depend heavily on public assistance to survive. In the pages that follow, these recipients tell their stories—in some instances offering suggestions on how programs could be better designed to help lift people out of poverty while preserving the dignity of the poor.

Horace and Anita Wilson, Robbinsville

Horace and Anita Wilson were a proud mountain couple who asked nothing of anyone until Horace dropped out of the work force for health reasons and launched a battle for Social Security disability benefits eight years ago. Three rent-subsidized houses later, they are struggling to buy their own home on a five-acre tract of land about two miles outside the town limits of Robbinsville, the Graham County seat. They are using part of Horace's $291-a-month Aid to Families With Dependent Children check to meet the $150 monthly house payment.

Anita Wilson with her children Horace Jr. and Rebecca. Anita and her husband Horace fought and finally won an eight-year battle for Social Security disability benefits.

The two-bedroom frame home is modest. Unpainted two-by-fours support the roof above the front porch. A bright square of linoleum serves as the living room carpet, and an upholstered pillow is stuffed into the hole left by a broken windowpane in the front bedroom. Because there are no back steps, Anita must step a couple of feet from the back door down to the ground to hang the wash on a clothesline that stretches across the backyard.

Yet the Wilsons count themselves lucky—at least as far as housing is concerned. Money from a tobacco allotment that went with the property is applied directly to the interest payments to keep

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their dream of home ownership alive.

"I want off welfare," says Anita, 25. "This is the first step—to get off HUD (the U.S. Department of Housing and Urban Development Section 8 rent subsidy program). That saves the taxpayers $150 a month. It takes it out of my pocket, but I'm saving the hassle."

But despite the creative financing scheme, making the house payment depends upon juggling too little money to pay too many bills. There is no margin for error. A bill from Nantahala Power and Light Company shows a $78.86 charge for a month of summer service, but when the past-due amount and the late charges are added in, the total comes to $284.69, roughly equal to the Wilsons' monthly AFDC check to support a family of four. The family's last house had a gravity-flow water system, Anita says. She did not calculate into her budget the cost of pumping water into the house and the result has been a problem paying the electric bill.

"You try the best you can," says Anita. "I nearly got the phone cut off last month because I hadn't paid the phone bill in three months. The telephone company, they let you get two bills behind and [then] it's a disconnect order, and the power company, they'll work with you any way they can. I pay as much as I can on each bill and still have a little pocket money to go back and forth. He [Horace] sold his dog to make a truck payment."

The Wilsons get $282 a month in food stamps, which they stretch with a large garden and careful shopping. "We eat about as good as anybody and better than most people on food stamps," says Anita. "We grow a garden and put up our own food products. We have meat and fruits. I buy steak and on food stamps and I'm not ashamed of it. You can pay $1.98 a pound for round rump steak and chop it up or pay $3.15 a pound for stewing beef that is already cut."

Much of the family's clothing is purchased at yard sales. The kitchen table was someone's castoff. "It was sitting out at a trash dumpster," says Anita. "The legs were taken off of it. We put the legs back on it and scrubbed it down and used it."

The one luxury the Wilsons enjoy is an abundance of time with their children, Rebecca, 5, and Horace Jr., 9. "We call him Chubby, and he's about as skinny as a fence rail," says Horace.

Anita says the nickname is a holdover from her first pregnancy. "When I was pregnant he [Horace] called me Chubby, and when he was born, he kept right on calling him Chubby," says Anita of Horace Jr. Both children are energetic and playful. Horace Jr. shows off on his bicycle for a visitor. He constructs an innovative model of a tank out of Lego blocks and explains how it would work. Without prompting from his parents, he struggles with a homework assignment for more than an hour. Rebecca shows that she can do sit-ups like her brother and proudly displays her kitten and a litter of four-month-old puppies. The children are not, however, ignorant of the family's circumstances.

♦

"He [Horace] sold his dog to make a truck payment."

—Anita Wilson

♦

"That last house we had, Daddy fell through the floor in bedroom," says Horace Jr.

"There were rats in the house," says Rebecca. "I had to get in the bed with Mama."

Anita says she would like to work, but her increased income would likely cost the family its Medicaid benefits, which cover all but 50 cents for every medical visit and prescription and all but $2 for each dental checkup. "The Medicaid is what is the problem," she says. A family is no longer eligible for Medicaid if household income after medical expenses exceeds 133 percent of the state AFDC payment level, or $392 for a family of four. "That is why so many women do not work," says Anita. The problem is compounded by the potential for staggering medical bills for Horace, who suffers a litany of ailments, including a degenerative nerve disorder called chronic sensory motor neuropathy, arthritis, elevated levels of fat and lead in his blood, and chronic back pain he traces to an injury he suffered as a young man while lifting a Volkswagen to impress his friends. "The doctor says I have four times as much lead in my system as I'm supposed to," says Wilson, "and it wasn't the liquor I used to drink either, because I told them right fast I knew how it was made." Wilson, 40, reads at a third-grade level because of dyslexia. He worked 16 years—much of it clearing right-of-way and operating heavy equipment for a highway construction company—before his doctor advised him to leave the work force in 1980. The Social Security Administration rejected his bid for disability benefits, contending that although he could not do construction work, there were sedentary jobs he could do, such as light assembly or inspection of finished goods. He has been fighting the decision ever since.

Wilson's disability also is indirectly keeping his wife out of the work force, he says. If Anita were to secure a job offering family insurance coverage, his medical problems would be considered a pre-existing condition and his bills would not be covered for the first year. "She can't work unless it cuts us out of everything," says Wilson, "and she can't earn enough to cover it [the medical expenses]—even a third." (That will change under federal welfare reform legislation called the Family Support Act of 1988, which takes effect in April 1990. Under the act, Medicaid benefits will remain in place up to 12 months after a wage earner enters the work force, as long as the family's gross income after child care expenses does not exceed 185 percent of federal poverty guidelines.)

Wilson says because of his long absence from the work force, his eligibility for Social Security Disability ended in 1985. If he were to drop his appeal and return to work, he would not be eligible for Social Security disability benefits unless he were able to work for a number of years. If Wilson were not able to work long enough for his Social Security eligibility to be restored, which he contends is likely, he would have to depend on Supplemental Security Income, which generally provides only subsistence payments and imposes stringent restrictions on property ownership.

"Hell, myself, I'd way rather be a-working," says Wilson. "Just to tell you the truth, son, it drives me crazy as hell to have to sit here." His frustrations are aggravated by the resentment he feels from some neighbors. Wilson keeps a bass boat in his yard which he says belongs to his mother. He uses the the boat to go fishing on nearby Lake Santeetlah. "People thinks we really got it good," says Wilson. "They say, 'Oh, they got it made. All he's got to do is just lay around and fish.' They think if they see me on the lake fishing that's all I do. They see me on the road with the boat, and they think I fish all the time." Often, says Wilson, he must pull the boat up to the bank and lie in the grass and rest.

Anita says she has no doubts about her husband's condition. "If I thought he was putting on, I'd leave his ass in a minute," she says.

The Wilsons say the welfare system could be improved to better serve recipients, but the chief need is a change of attitude among service providers. They say the Graham County Department of Social Services is too quick to make judgments about who needs and deserves help, and sometimes discourages qualified applicants for aid programs from seeking assistance. Anita says the state Division of Social Services should make unannounced checks to assure that applications for food stamps and AFDC are being processed in a timely manner at local social services offices. Horace believes social services directors should be replaced periodically so they do not accumulate too much power in a county where more than a quarter of the population lives in poverty and the unemployment rate averages 10 to 12 percent.[1]

Despite the obstacles, Anita is preparing herself with the hope of some day entering the labor market. An eighth grade dropout, she has earned her General Educational Development diploma and is enrolled in a two-year secretarial program at Tri-County Community College in Murphy. She also is a district Legal Services board member and does volunteer work, such as helping the elderly understand the benefits to which they are entitled. "I don't want people to compare us to all food stamps recipients, because our faults are not their faults," says Anita. "You can't judge all people by one person. I don't work, but I do my best to help out the community I live in."

* * *

Social Security disability benefits were finally approved for Horace Wilson following a November 1988 administrative hearing in which a vocational expert testified that there were no jobs Wilson could perform. Wilson will be eligible for back benefits, as well as a monthly stipend. Anita Wilson says the Wilsons have added a back porch and fixed the broken window in the children's bedroom since McLaughlin's visit.

Benjamin Jones, Raleigh

Ben Jones, a former neighbor of Gov. James G. Martin, knows what it is like to be locked out of government programs to aid the poor.

If the Governor had a block party and invited his closest neighbors, he would have to put Benjamin Jones on the guest list. Until November 1988, Jones lived in a Spartan boarding house with a name more fitting for a quaint bed and breakfast lodge—Mansion Square Inn. His window commanded a view of the stately Victorian Executive Mansion across the street, but the wrought-iron fence that surrounds the Governor's residence is a vivid reminder of the vast divide that separates Jones from his neighbor.

The boarding house is home to people plagued by mental problems, marginal jobs, and—in the case of Jones—health problems and bad luck. He cooks his meals in his microwave oven and stores his food in a tiny refrigerator that came with the room. But the corner room at Mansion Square was a palace compared to the depths Jones sank to while he was fighting for his Social Security disability benefits. His resources dwindled away to nothing, and he was forced out on the streets.

"If I don't get but $100 a month, I'm going to stay away from out there if I can," says Jones, 57. "You have to go through it to really know what it is all about—and I don't wish that on nobody."

Jones is a Korean War veteran and a widower with a 24-year-old son living in Elizabeth City. His decline began in 1985 when dizziness caused by diabetes forced him off the high ladders he had climbed for 19 years as a self-sufficient housepainter. He suffered diabetic neuropathy, which interfered with his circulation and caused his feet and ankles to swell so that it was painful and difficult for him to walk. When he lost his job, Jones says, he quickly got two months behind on his rent. The landlord evicted him, seized his belongings, and sold them. "I just took the loss," says Jones. "You try to get it out of your mind and forget it, but you can't forget some things. That was a terrible loss. I hate to even think about it. All of a sudden, I'm in the streets with nothing except what I had on."

Jones moved into a one-bedroom house with a friend, the friend's wife, and their two children. Jones slept on the couch while the children slept in the basement. But Jones' friend was having a hard time himself, and there were not enough groceries to go around. "I said, 'Sam, I'm inconveniencing you. I've got to go,'" says Jones. "It wasn't enough for five people."

Jones says he moved next door to a place called Lydia's on a promise that he would pay the $35 weekly rent when his disability came through. "It was a flophouse really," says Jones. "She became skeptical and doubtful and told me I would have to leave."

Next stop for Jones was the streets. "You need an intermediary," says Jones, "something to save a man's pride and dignity, but there is no ledge—nowhere to hang on to even with your fingernails, so you just go down." For 18 months Jones had no permanent address. He says he slept mostly in homeless shelters but sometimes in empty cars and on front porches. He qualified for food stamps and Medicaid, but his bid for disability benefits was initially rejected, in part because of inadequate medical records (Jones had rarely visited a doctor). The appeals process dragged on for months. Meanwhile Jones got an education on what the world looked like from the bottom.

There were people with mental problems and people with drinking and drug problems and just plain bums who would rather take advantage of others than go to work, says Jones. And some of the sights he saw were enough to sour him on the human condition. "There were some guys and a girl in the bushes, man, they were acting like they were in privacy—taking liberties. It was the damnedest thing I have ever seen," says Jones. "People were standing around laughing. She didn't resist or anything. I thought it was the lowest form of life I had ever seen. I walked away down the street. It made me sick."

Strong-arm robbery was a common occurrence, says Jones, and often a victim would be set up by a seemingly friendly invitation to sip some wine or liquor. "You got some prejudice out there," says Jones. "They'll ask some white guy if he wants to drink some wine, and as soon as he gets drunk, they'll take his money. You see them walking out on the streets with black eyes and bleeding. It's a jungle out there. It's survival."

Jones says those who got government checks had particular need to be wary of robbers. "They would run in packs of two or three," says Jones. "They know what days of the month to look for you. On the first of the month..., they are there."

He says he avoided a beating or a robbery by listening well and steering clear of those who bragged about their exploits and by playing on his disability to avoid drinking sessions that might cause him to drop his defenses. But Jones says the psychological trauma of living in a shelter for the homeless was as bad as the threat of physical abuse. "You don't be looking that well," says Jones. "You're not shaved, you're smelly, you're ragged. The stink in that place, it can't help but get in your clothes."

His son came to visit him at one of the shelters, and Jones felt ashamed. "I hated for him to see me like this," Jones says.

The shelters closed in the mornings and Jones would spend the day hanging out in laundromats and fast food restaurants. When the city of Raleigh virtually shut down one winter day with two inches of glare ice on the streets, Jones found himself negotiating the sidewalks all day on swollen ankles with a cane. Soon he found himself slipping in with the street crowd. "You don't feel like you are presentable enough to be anywhere else," says Jones. "You feel comfortable. You try to keep an image but you can't do it because you ain't got anything to do it with."

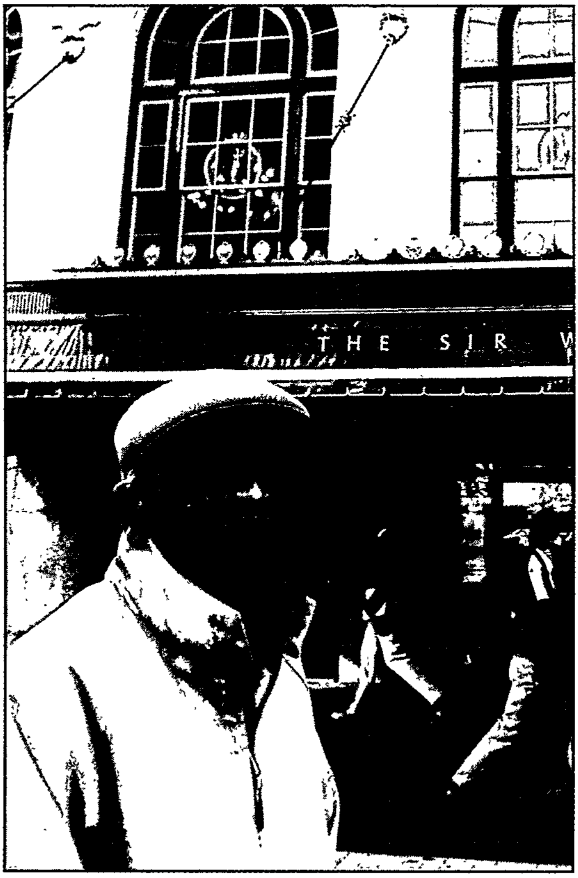
Jones began to learn about another kind of prejudice—the kind that tends to lump together everybody on the streets as good for nothing. "People judge you by the company you keep," says Jones. "When I was doing well, I did the same thing. I said, 'Look at all these people. They don't want to work or do anything.' But you see a man who is down, sleeping on a bench, you don't know why he's there."

Jones also ran into kindness on the streets. A photographer with a downtown studio befriended him and often invited him to spend the day in the studio. Jones began to worry that he was frightening off customers. A woman at The Ark shelter took an interest in his welfare and began to let him stay until 9 a.m. instead of the usual 7 a.m. so that he could administer his insulin shots and get cleaned up after the rest of the shelter crowd had already hit the streets.

Jones had gotten Medicaid and food stamps, but he says he was getting nowhere in securing disability benefits until the photographer took him to a Legal Aid lawyer. "If it wasn't for him, I'd still be waiting," says Jones. "I had 15 letters saying the same thing in different terms. If a person has a quality lawyer, they'll look at him and say, 'Hey, he's got representation,'" says Jones. "If you don't have representation, they'll just keep stringing you along."

Jones' Social Security benefits finally came through in May of 1988—about the time he was getting out of the hospital after surgery to improve his circulation. He spent a few weeks in a rest home in rural Wake County but could not abide the isolation and returned to Raleigh to the boarding house. A $3,015 lump-sum settlement for back benefits put money in Jones' pocket for the first time in years, but it also caused an interruption in his Medicaid benefits. He was advised to spend the money down to the $1,500 limit so that he could qualify for Medicaid again. Jones readily complied, buying himself a bed and a dresser, a television, clothes, and sheets and curtains for his room. Jones also entered into a 17-month rent-to-own agreement for a stereo system at a cost of $99 a month. (For more on rent-to-own agreements, see Volume 10, No. 3 of *North Carolina Insight*, pages 2-16.)

Within four months the extra money was gone but so was the remaining $1,500. Jones was down to $10 in his bank account with only the $328 Social Security disability check and a monthly $46 Supplemental Security Income check to live on. Jones concedes that he may have gone overboard, but explains it like this: "If I get some money to buy me just a little pinch of decency, I'm going to do it."



Virginia McGee

Jones outside his new quarters at The Sir Walter Apartments, a center for low-income and disabled citizens.

With his $235-a-month rent and the $99-a-month stereo payment, however, Jones had roughly $40-a-month in spending money. He says a trip to the laundromat cost him $5, and the cab fare to the grocery store down the street ran him another $5. In October, Jones applied for food stamps—which he had lost while in the hospital—and was told he might be eligible for $10 to $15 a month. He put in an application for an apartment in a building for the elderly and the disabled, which would trim his rent by more than half, but was told the waiting list was six to 12 months long. In November Jones got a break when an efficiency apartment became vacant and he was invited to move in right away. Jones is still awaiting Veterans Administration disability benefits that could boost his income to $516 a month.

But while he waits, the rent-to-own stereo might have to go. "It's going to be close. It's going to be very close," says Jones. "I wish I could paint a little but I can't stand that long. I hate to lose anything. Not when I've been without anything for so long."

Among Jones' chief complaints with public assistance are the long waits, and lengthy forms at social services. "They gave me such a hard time the first time I didn't want to go back," says Jones. "They dig deep down in your pride and your soul and your business. They want to know your grandmother's maiden name. I don't know why."[2]

Jones also seems convinced the Social Security Administration makes it as difficult as possible for low-income working people to collect benefits when they become disabled. "You begin to wonder, 'When am I going to get some results, instead of all this talk?'" says Jones. "It's always a prolonged thing. In other words, they are in total command and in charge—and they let you know that."

Helping the Poor: How Far Would the Public Go?

Political promises to crack down on welfare fraud have struck a chord with the electorate in recent years. No one likes to think there are able-bodied citizens who get a free ride at the taxpayer's expense. But how far would the public go to help the poor?

The Public Agenda Foundation tried to answer that question with an innovative research method intended to overcome the limitations of public opinion polling while preserving the use of representative sampling so the results could be generalized to a wider population. A total of 545 participants from five cities in the United States were asked to evaluate six different proposals for welfare reform: mandatory job search and training for recipients of Aid to Families with Dependent Children; expansion of the Women, Infants and Children program (WIC); expansion of the Head Start program; income supplements for the working poor; health insurance for the working poor; and catastrophic illness and long-term care programs for all Americans.[1]

The participants were given time to weigh the pros and cons of each proposal—including costs—so that the researchers could be assured the respondents were familiar with the programs they evaluated.

The study, published in January 1988, confirmed a negative attitude toward current anti-poverty efforts but also found a willingness to help those who cannot help themselves. Participants gave good marks to Head Start, a preschool program for disadvantaged youngsters, and to WIC, a nutritional supplement program for low-income mothers and young children. These were viewed as enhancing the likelihood that youngsters from disadvantaged backgrounds would grow up to become productive citizens and thus were considered a good investment of tax dollars.[2]

Participants strongly favored a required work component in welfare programs, and disapproved of direct cash subsidies to working poor families on grounds they might erode the incentive to work. A hike in the minimum wage was preferred over direct cash subsidies as a means of assuring a minimum standard of living for all Americans.[3] The study found strong support for guaranteed health insurance for the working poor. Indeed, health care was viewed in the study as "a basic right, and not a form of welfare," and there was general support for helping those who legitimately cannot help themselves.[4]

Respondents were willing to pay more in taxes to programs to help the poor, but their generosity was not sufficient to pay the full cost of any of the six proposals.[5]

—Mike McLaughlin

FOOTNOTES

[1]Keith Melville and John Doble, *The Public's Perspective on Social Welfare Reform,* The Public Agenda Foundation, New York, N.Y., January 1988, pp. v-vii.

[2]*Ibid.*, pp. viii and pp. 24-42.

[3]*Ibid.*, pp. ix and pp. 49-54.

[4]*Ibid.*, pp. xi and pp. 57-61.

[5]*Ibid.*, pp. xii-xiii.

Greg Gibson

Lisa Carroll, Fayetteville

Lisa Carroll, an unmarried mother just a couple of years out of her teens, counts her four children a blessing, but she readily admits she doesn't need any more of that kind of blessing. While she nurtures her children she also nurtures a dream—that of getting a two-year nursing degree from Fayetteville Technical Community College. To Carroll, 22, the question isn't *whether* she will complete the nursing program, but *when.*

"I'm very confident about it," says Carroll. "It's just something I know I will enjoy." She turns her attention to one of her infants. "And it's not going to take Mommy a long time to do it either," she says, "because Mommy will put her mind to it and do it."

Carroll's story is one of a young woman who might have done less with her life—were it not for a set of triplets that forced her to set her sights higher. She was working as the manager of a fast-food restaurant in Atlanta earning $300 a week when she learned she was pregnant a second time and returned home to Stedman in rural Cumberland County. At five months the doctors informed her she could expect not one new mouth to feed but three. "I nearly passed out when they told me," says Carroll. So did her boyfriend, the children's father, when she phoned him in Atlanta and told him about it. "He said, 'You're joking,' and I said, 'Marvin, nobody jokes about having three babies at one time." The two had agreed to separate when Carroll left Atlanta. Later the father would move to Fayetteville to be closer to the children.

The six weeks Carroll spent in the hospital before she delivered the triplets rekindled her high school interest in nursing. "I just like people," she says. "I don't want to see anybody hurt and I will do all I can to help people."

Lisa Carroll has her hands full with triplets A.J., B.J, and C.J., plus Tiffany, her two-year-old.

Carroll apparently has the academic aptitude to achieve her goal. Her favorite subject in high school was math, and her curriculum included two courses in algebra and one in geometry. She says she graduated 67th in a senior class of more than 200 at Terry Sanford High School in Fayetteville. East Carolina University offered her a partial track scholarship and accepted her into its nursing program. But Carroll didn't go. She was living with an uncle because her mother and stepfather had asked her to move out. "I didn't like him hitting on her," says Carroll. "She told me I was wrong. Finally, he told me to leave and she agreed with him." Without the support of her family, Carroll did not believe she could afford college. She served three months in the Army but was injured and honorably discharged when a gun fell out of a rack and struck her on the head.

Carroll says she was able to save $1,600 while working in Atlanta, but it quickly evaporated when she moved back to Stedman and into a two-bedroom mobile home with her sister and her mother, who had separated from Carroll's stepfather. She says she paid $400 to get a septic tank installed at the trailer, $600 to pay off a phone bill rung up by a homesick brother in the Army who kept calling collect from Oklahoma and then Korea, and $200 for a pump to run water to the trailer. But the water, which was accessible only at a pipe in the bathroom, wasn't fit to drink because the iron content was too high. "I was planning to go back to work, but the doctor forbid me to go to work when he found out I was having triplets," she says.

A big blow came when her car was repossessed because she could not afford the $160 she was supposed to pay on it every two weeks. "It was a 1979 Grand Prix, and that was my first car and I lost it," says Carroll. "I had $1,124 left to pay on that car. I had it less than a year. It was in real good condition. It hurt a lot. It hurt real bad—but there was nothing I could do."

Carroll was hoping to go back to work six weeks after the delivery, but one of the triplets had a blockage of the intestine that required surgery and a colostomy. The infant needed close and near-constant attention and for sanitary reasons, Carroll's doctors decided she should provide it. In October—nearly a year after moving back to Stedman—Carroll took a part-time job at a McDonald's restaurant paying $3.35 an hour.

Carroll took the job just as a five-month search for a low-income apartment was ending.

♦

"I've got to go to school. I cannot go back into fast food. It's just not enough. It would take too long to get in the position I need to be in to take care of all these kids."

—Lisa Carroll

♦

She began looking for a place to live in May and was bounced back and forth between the Fayetteville Housing Authority, the Cumberland County Department of Social Services, and a nonprofit agency called Consumer Credit Counseling. The agency sent her out to look at an apartment that cost $300 a month, almost as much as her $317 monthly Aid to Families with Dependent Children check. She ran into a backlog of families seeking public housing at the housing authority, and the one rent-subsidized house to which the authority was able to refer her fell through because the owner did not want the father paying extended visits.

Carroll says she has ruled out marriage to the father but still wants him to spend time with the family. "We talked about it [marriage] many times but there are too many complications," says Carroll. "He cut somebody in Atlanta—he [the victim] had to get 72 stitches, three inches from the heart—just because I was riding in the car with him, and I can't stand it. I'm scared. He wants to dominate, but he knows I'm just not that type of person. Even though we can't be together, I want him to share this with me since he was there when it started."

Social services told Lisa she would have to get an eviction letter from her mother before she could qualify for emergency housing funds, but her mother refused to provide it. "She said she was not telling anybody she was putting me and these babies out," says Carroll.

Meanwhile she and the triplets were sleeping on a fold-out couch in the living room of the too-hot trailer while Tiffany, who was not yet 2, slept with Carroll's mother and sister. The mobile home was without air conditioning or shade, and when the temperature rose above 100 degrees, Carroll gathered up the children and took them to her grandmother's house or to the library.

Not surprisingly, Carroll's chief complaint about programs that aid the poor is a lack of coordination among agencies that help with housing.[3] But her luck turned when her case was assigned to the early intervention unit of social services and caseworker Sharon Alligood. "Miss Alligood comes out to see me about once a week," says Carroll. "She brings me clothes, a swing—she's trying to see if she can get a stroller. She has brought me supplies like powder, baby oil, wet wipes, and soap for the baby. She is calling the Housing Authority regularly, trying to see if she can help me get in."

In November of 1988, Carroll moved into a mobile home in Fayetteville and set up her own household. The mobile home is privately owned and rents for $200 a month. The electric bill for the first month was $105. With an AFDC check of only $317, Carroll was left with only $12 to cover non-food expenses for the month. Social services had run out of day care money, so her dream of enrolling in a community college nursing program would have to wait. Still, Carroll refused to let go of her dream.

"One hospital might give you a scholarship as long as you work for them for two years," says Carroll. "I've got to go to school. I cannot go back into fast food. It's just not enough. It would take too long to get in the position I need to be in to take care of all these kids."

❋ ❋ ❋

Harassing the Poor or Protecting the Public Purse?

The stories of the Wilsons, Ben Jones, and Lisa Carroll are varied, but they share a common theme. Regulations intended to prevent fraud and to assure that the undeserving do not get undue assistance also can work a hardship on those who are in need.

Here are a few examples:

—The system may encourage unlawful cheating because benefits are too low. North Carolina ranks 42nd in the nation in its AFDC payment level.[4] The combined value of AFDC benefits and food stamps totals less than two-thirds of the federal poverty line for a family of three. But food stamps can be used only for food. Even such household items as napkins, toilet paper, and laundry powder are excluded. The maximum monthly AFDC payment of $266 for a family of three amounts to 33 percent of the federal poverty level of $807 a month. "The system encourages fraud because the benefits are so low," says Jane Wettach, a lawyer with East Central Community Legal Services in Raleigh. "It is virtually impossible for a family without a public housing subsidy to live on the amount provided. In order to keep a roof over the children and the heat bill paid and the kids in clothes, many mothers are forced to try to pick up a little extra money. If it is reported, the AFDC goes down. If it is not reported and is discovered, they can be prosecuted. A realistic benefit level would avoid this situation."

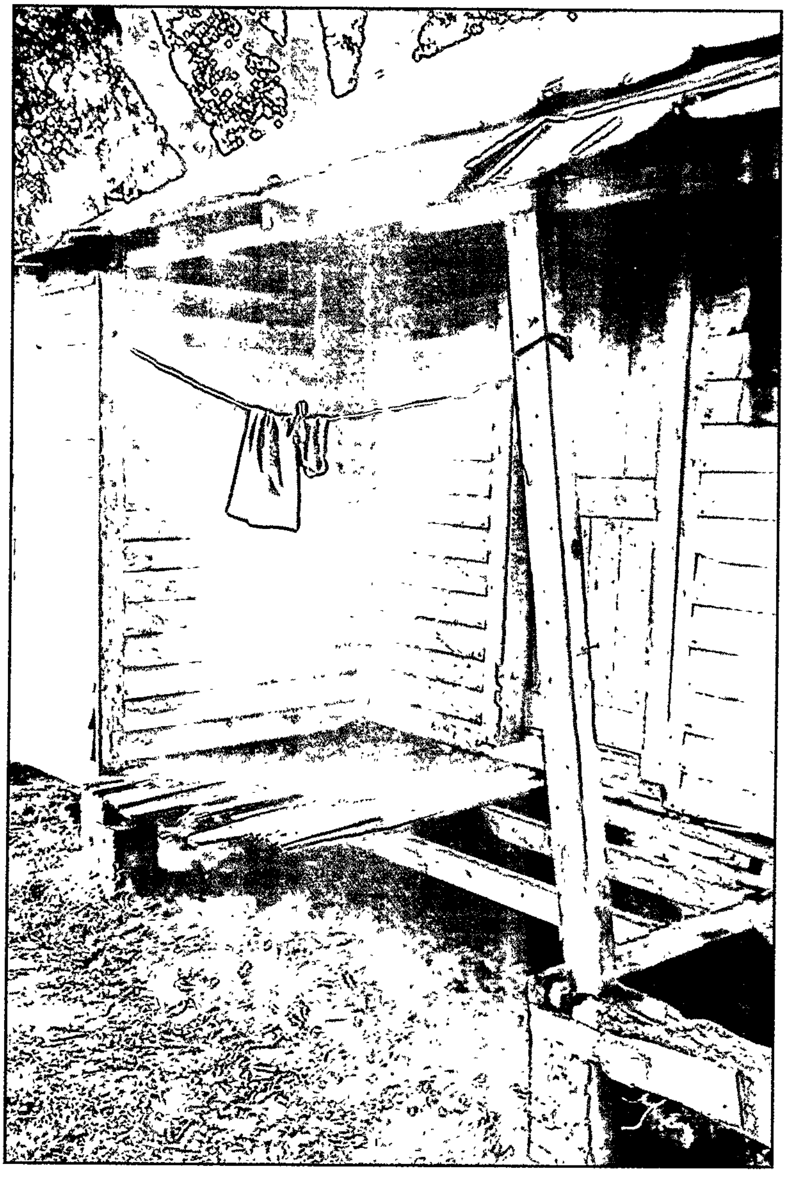
—The applicant might have to wait a long time to receive benefits. There is no time limit for processing applications for Social Security or Supplemental Security Income programs. It can take months or even years to get benefits, and many applicants cannot afford to wait. Medicaid applications must be processed within 60 days but only if the applicant has supplied all verification materials; Social Services eligibility specialists get 45 days to process AFDC applications and 30 days to process applications for food stamps. The same limits apply if the applicant fails to turn in a monthly report on income, assets, and other eligibility-related criteria. The application process starts over again and the recipient must do without benefits until they are reinstated. The one expedited application process is in the food stamps program. It is triggered if the applicant has had less than $150 in gross income for the month and $100 or less in liquid assets such as cash or savings, or if the family's combined gross income and liquid assets are less than their monthly rent or mortgage, plus utilities. In such cases, the applicant must receive his food stamps allotment within five days of submission of a complete application.

—If an applicant is denied aid, an appeal can take months to resolve. Applicants for Social Security disability benefits can be left with no income while they appeal unfavorable decisions. The N.C. Disability Determination Services Unit in the state Division of Social Services, which operates under contract with the federal Social Security Administration, makes the first decision on eligibility. If benefits are denied, the applicant can appeal, and if he is again rejected, he may request a hearing before a federal administrative law judge. If the judge rules against the applicant, the applicant may take his case to an Appeals Council review at the Bureau of Hearings and Appeals in Arlington, Va. The Appeals Council is the applicant's last option before taking his case to federal court. Typically, appeals that are resolved by the Social Security Administration take 12 months or more.[5] If they wind up in federal court, the appeals process can take years. In the AFDC and food stamps programs, appeals are resolved in a matter of weeks at the county level or in two to three months if the case is resolved by the state, but the delay in receiving benefits may still work a hardship on a poor family.

—There is no statewide general assistance program for adults. Adults who are not disabled or elderly and who have no dependent children are not entitled to any program of public assistance providing ongoing cash support. These citizens may be left without any means of supporting themselves if hit with a sudden loss of income due

to illness or unemployment. Although the Employment Security Commission provides unemployment benefits for those who meet its eligibility criteria, North Carolina is one of a minority of states with no general assistance program.[6]

—If an applicant has a little money, he might have to spend it to become eligible for Medicaid. To qualify for Medicaid assistance, a recipient can have no more than $1,500 in savings or other assets (excluding burial plot, homesite, and car if used for medical visits). The intent of the regulation is to assure that the government does not foot the bill for those who are able to pay their own way. A bank balance of $1,500 or less, however, is a thin margin for a person already in poor health and facing substantial medical bills. If outgo exceeds income, as is often the case in Medicaid-eligible families, the remaining $1,500 quickly melts away as it goes to meet monthly bills. In addition, this regulation may encourage the applicant for Medicaid assistance to deplete his assets to get within the $1,500 limit. Medicaid also carries strict categorical eligibility restrictions. For example, an adult without children would not be eligible for Medicaid unless he was totally disabled for at least 12 months. For a variety of reasons, many North Carolina citizens do not have private health insurance, and these citizens may be confronted with medical expenses they cannot pay. (For more on this problem, see "Health Care for the Poor: Adequacy, Availability, and Affordability, p. 122.)


Eric Green / N.C. Poverty Project

—Lack of transportation may discourage participation in public benefits programs. The poor often have no means of transportation. When they arrange a ride to the county social services office to apply for aid programs, they find they must also visit the health department for a birth certificate, the bank for account information, and the Social Security Administration for Social Security numbers for all family members. If they apply for Medicaid, they may also need to visit the hospital or a physician's office for medical records. If housing assistance is needed, that too will require one or more separate stops. There may also be additional stops for emergency food, clothing, or utilities assistance from private agencies. The problem is particularly pronounced for residents of rural areas, who do not have the benefit of public transportation. For example, many elderly citizens may be en-

titled to only $10 to $15 a month in food stamps. It might cost that much to arrange a ride from a remote crossroads to the county seat to apply.

—Resources in some programs are so limited that eligibility does not guarantee participation. Waiting lists are long for such non-entitlement programs as subsidized day care and housing. A survey of county social services departments taken in December 1988 found about 9,400 children were on waiting lists for subsidized day care, says Ron Penny, administrative director of the State Child Day Care Section in the North Carolina Department of Human Resources. Without subsidized day care, an AFDC parent might be effectively blocked from getting a job or pursuing job training to get off the welfare rolls. A 1983 study found that public housing or rent-subsidized private housing was available to no more than a third of those eligible.[7]

—Privacy is the first casualty when an applicant seeks aid. The interview process for a food stamps application, for example, lasts longer than an hour. The questions range from the make and value of one's car to burial plans to the property holdings of one's grandmother. Social Services gains access to the applicant's banking records and to the records of the Employment Security Commission to assure that the income figures the applicant supplies are correct, and the applicant must give the names of two non-relatives who will be questioned about the number of persons living in the applicant's household. These are but a few of the pervasive disclosure requirements that may keep borderline applicants from seeking benefits. For those who do apply, forms are difficult to read and understand, and many potential aid recipients are illiterate. The extensive and complex verification requirements can block otherwise eligible applicants from receiving benefits. And benefits can be interrupted if the applicant fails to keep up with the required paperwork, which for many recipients includes two monthly report forms.

Can the welfare system be made less intrusive without an explosion of fraud and abuse? A number of practitioners believe the answer is yes. "The system discourages participation because there is too much emphasis on fraud and such a cumbersome application process," says William Crawford, Montgomery County social services director. Crawford says the amount of savings realized by the tight controls does not cover the increased administrative expense. "Statewide, we are wasting millions of dollars a year on administrative procedures that really serve no purpose other than to decrease the amount of food stamps by a few dollars," he says.

FOOTNOTES

[1]Graham County Social Services Director Martha Parks says there is a misconception among some members of the public that eligibility specialists and directors hold power and authority in determining who gets benefits. She says social services departments must apply a strict set of criteria, and performance is closely monitored by both regional and state-level officials. She says workers are coached to treat their clients professionally and not to make judgments about who is more deserving of aid. Parks says she does not believe judgmental social services workers are a problem in Graham County, although she notes that eligibility specialists "are not angels" and says an occasional slip-up may occur. But Parks says the highly personal nature of the questions eligibility specialists must ask may make the applicant uncomfortable even in the most professional of interviews. Parks says the county social services board holds the authority to appoint the director, and citizens may petition the board for a change if there is an abuse of power.

[2]James Wight, Wake County social services director, says he agrees applicants for aid are asked to fill out an excessive number of forms. He says the forms are required to comply with state and federal regulations but he favors consolidating them so separate forms are no longer required for Medicaid, food stamps and Aid to Families with Dependent Children. Wight says most fraud and abuse that is detected is uncovered by monitoring bank and Employment Security Commission records for unreported income, rather than through the application process.

[3]Eunice Rives, director of the Fayetteville Housing Authority, says there is a real shortage of low-income housing in the Fayetteville area. She says there are 703 applicants on a waiting list for 1,000 units of *public* housing. The waiting list for 1,300 units of subsidized *private* housing is shorter, she says, carrying 150 to 200 names, but only because the authority has not taken applications for subsidized housing for five years. Rives says those seeking housing are given lists of other low income housing in the Fayetteville area, including apartment complexes managed by churches and nonprofit groups. But she says it is difficult to find a vacancy, and many times these private complexes stop taking applications without giving notice.

[4]Isaac Shapiro and Robert Greenstein, "Holes in the Safety Nets, Poverty Programs and Policies in the States, North Carolina," Center on Budget and Policy Priorities, Washington, D.C., Spring 1988, p. 1.

[5]William Greenwald, Social Security Administration district manager for Wake, Johnston, Franklin, Henderson, and Vance counties, says the agency works expeditiously to process applications for disability benefits. He says hospitals are sometimes slow in forwarding records necessary to determine eligibility, and there can be a lag in scheduling hearings when decisions are appealed.

[6]Shapiro and Greenstein, p. 7.

[7]*Ibid.*, p. 16.

Jack Betts

Unemployed men wait for day labor in Raleigh.

Off the Dole and Onto the Payroll: Do Jobs Programs Get People Out of Poverty?

by Bill Finger
and Jack Betts

If there is one sure ticket out of poverty, it is effective job training—training that results in a sufficient skill level to get and keep a job that pays a living wage. Many poverty-stricken North Carolinians have gone through government-sponsored job training programs and are now supporting themselves and their families. In other cases, however, job training programs have failed. Some potential workers have not availed themselves of job training opportunities. Others have enrolled in training programs, but find themselves unemployed once the training is over. Still others have completed training programs only to find themselves sliding back and forth between employment and unemployment, between self-sufficiency and dependency. More than 880,000 North Carolinians are in poverty, yet job training programs accommodate only about 55,000 persons each year.

How well do these programs work? How could they be improved to help more North Carolina citizens get off the dole and onto the payroll? In the following pages, Insight *takes a hard look at the three main job programs in North Carolina designed to assist the poor and finds the following:*

—The Job Training Partnership Act, a federally funded program administered by the Department of Natural Resources and Community Development, initially finds work for about 7 in every 10 participants—but only about one of every two welfare recipients who participate in the program gets a job through JTPA, and only half the participants work steadily for three months after a JTPA program. Is that enough?

—The Human Resources Development program, run and funded by the state Department of Community Colleges, finds jobs for about 6 out of every 10 participants, but the program is small and can help only a small fraction of those in poverty. Is that enough?

—Workfare, also known as the Community Work Experience Program, run through local social services departments, requires the state's able-bodied welfare recipients to register for work, but at best only about 40 percent get jobs—and often those are minimum-wage jobs that cannot lift the worker out of poverty. Is that enough?

The record, in the following pages of North Carolina Insight, *suggests that the state is not doing enough—and* Insight *recommends ways for the state to do more.*

Jesse Braboy, age 22, puts down a load of thin-gauge steel he's loading into a truck and asks the other guys to cover for him. In the office of the 15-person steel fabrication company, he talks openly about his ups and downs in getting his life on track. A few years ago, his parents split up, he dropped out of college, and he was in a tailspin. He drifted through two jobs in Raleigh before landing back in his hometown of Fayetteville. He needed a job but didn't know where to turn. "My friend heard about the Jobs Training Service Center, so I went down there with him," Jesse explains. He and his buddy walked through the storefront on Hay Street, a downtown area known over the years for bars and strip joints but now in the midst of a major renovation and facelift. Inside the storefront, 24 Cumberland County employees work out of cubicles lining both sides of the room, administering an annual budget of $1.6 million in federal funds from the *Job Training Partnership Act.*

* * *

After dropping out of high school, Quennia Hargrove, now 26, says she "let six years of my

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Bill Finger, former editor of North Carolina Insight, *is a Raleigh writer. Jack Betts is editor of* North Carolina Insight.

life slip away." Not until 1987, though, when she had a baby girl, did she find herself back in the same welfare office where her mother and father used to take her as a child, the vast Cumberland County Department of Social Services (DSS). The three-story building fills an entire block in downtown Fayetteville, housing a $77 million operation, the second largest program in the state, behind only Mecklenburg County. Quennia (an Indian name, from her mother's side, pronounced Kawanna) walked into the crowded waiting room, where lines form at a counter and mothers and young children spill over the rows of molded plastic seats. While she waited to see her social worker, she happened upon a brochure. She read it and mailed in the form asking for more information. She sent the form to Fayetteville Technical Community College, which runs a program called *Human Resources Development.*

* * *

Gervis Hilliard, 28, recently cut back her volunteer work at the Cumberland County library from three days to one day a week. The reason? She went to work. The library system hired her at $5.25 an hour for a 16-hour a week position shelving books. For most of the last seven years, Gervis has received a monthly AFDC (Aid to Families with Dependent Children) check. When Gervis started getting paid at the library, the Cumberland County DSS office reduced her AFDC check of $266 a month; she still qualifies for Medicaid, food stamps, and some day care assistance. But Gervis wants off the welfare rolls altogether. "I've got to keep busy," says Gervis. "You know, idle hands, idle mind." She applied for a library assistant position, which has a salary of $11,425. She got a shot at that job thanks to a series of events that began in October 1987 when Gervis' second child turned three. The DSS computer automatically kicked out a letter informing Gervis that she had to register for work—in something called the *Community Work Experience Program.*

* * *

The Job Training Infrastructure

Job Training Partnership Act (JTPA). Human Resources Development (HRD). Community Work Experience Program (CWEP). What do these three acronyms have in common? They are the three primary government programs in North Carolina that attempt to get people *out of poverty* and *into the work force*—though only JTPA is a true job training program. The other two (HRD and CWEP) are pre-employment programs with a job-training element to them. In 1987-88, the three programs together had $58.5 million available to be spread among 55,200 participants—which averaged out to $1,060 in job training expenses per person (see Table 1, page 70). The vast majority of that—$957 per person—came from federal sources, while smaller amounts came from state and local funding—$87 and $16 respectively. Just for comparison purposes, the state spends far more per year on each student in public schools or in public colleges than it does on those in job training programs. In fact, the state spends far more in public funds on in-state students attending private colleges than it does on job training—$1,500 per student. The state spends $3,473 per public school student and $3,841 on public college and university students.

Overall, most of the job training money—$52.8 million—came from federal sources while the state contributes only a small amount for job training of the poor—about $4.8 million. Counties contributed the remainder—$900,000, plus other funds in cash and in kind that are not reported to state agencies.

The $58.5 million spent in 1987-88 will get only a small portion of the 55,200 participants out of poverty and into the work force. Would more money help with the effort? Should the money be concentrated on basic education and classroom training, or on-the-job training, or specialized job-skill training? Who should administer the money and how should it be coordinated with other programs? How much should be offered as incentives to the private sector, and how much should go directly to the people in poverty? What kind of measurements should be required to evaluate the programs?

And how many of those in poverty can job training programs help? North Carolina's poverty population is an estimated 884,000. Counting those in what the experts call *near poverty*—those whose incomes keep them just barely above federally-established poverty levels—as many as 1.2 million North Carolinians live in economic straits. No one keeps count, but experts estimate that perhaps half of those below the poverty level—or 442,000—are physically and mentally able to work. In fact, many of them do work part-time or full-time. Many do not, and they could be helped by job training programs. But in a typical year, state programs reach only about 55,000 per-

Glossary of Acronyms

AFDC: Aid to Families with Dependent Children, the main federally funded welfare program, which is administered by the state Department of Human Resources through the county Departments of Social Services.

CETA: Comprehensive Employment and Training Act, the federal job training program operated from 1973 to 1983, preceding the Job Training Partnership Act.

CWEP: Community Work Experience Program, a federally supported program, operated at a state's option, requiring welfare recipients who meet certain criteria to register to work in public or non-profit organizations or take other training. Also known as Workfare, the program is operated by the N.C. Department of Human Resources through 41 county Departments of Social Services.

DET: Division of Employment and Training, N.C. Department of Natural Resources and Community Development.

DHR: N.C. Department of Human Resources.

DSS: Department of Social Services, located in each of the state's 100 counties, or the Division of Social Services, a state agency in the Department of Human Resources. In this article, DSS refers to the county Departments of Social Services.

ESC: Employment Security Commission in the N.C. Department of Commerce.

HRD: Human Resources Development, a program run by the N.C. Department of Community Colleges that seeks to help individuals get jobs through a combination of personal development, classroom instruction, and job training.

JTPA: Job Training Partnership Act, the main federally-funded job training program since 1983, administered by the N.C. Department of Natural Resources and Community Development.

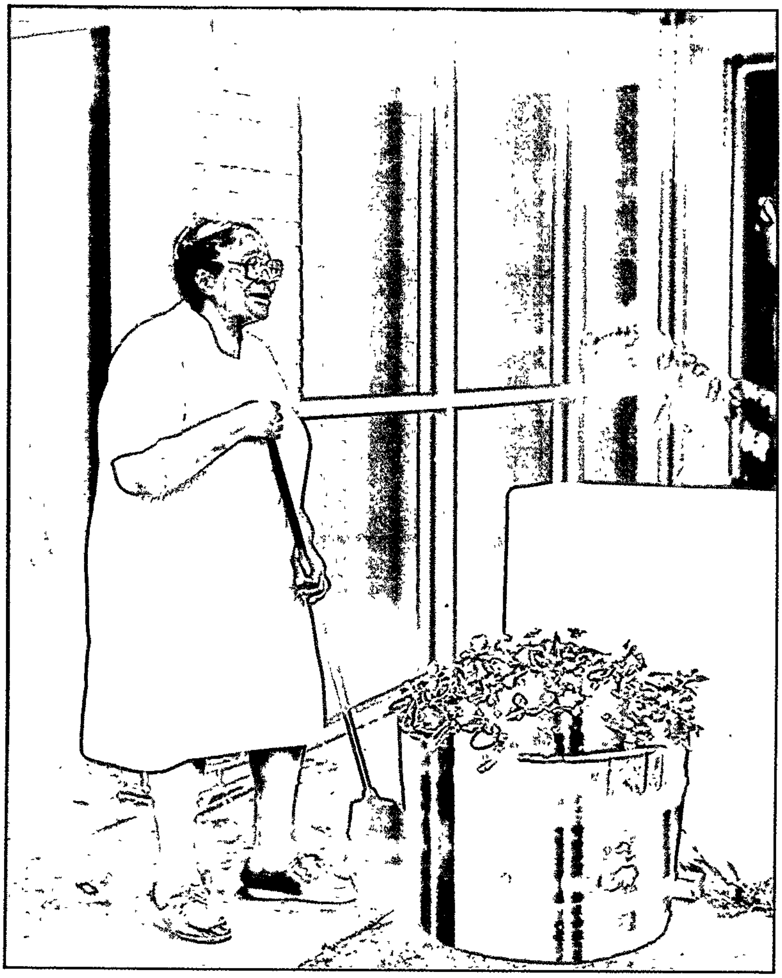
NRCD: N.C. Department of Natural Resources and Community Development.

OJT: On-the-Job Training.

PIC: Private Industry Councils, which supervise the local operation of Job Training Partnership Act programs through the 28 Service Delivery Areas.

SDA: Service Delivery Area, a geographic area as well as a designated unit of local government providing job training programs within the state. There may be more than one such unit in each SDA. Organizations administering actual programs within SDAs are called Administrative Entities.

WIN: Work Incentive program, which emphasized education, soon to be supplanted by the federal government in favor of the Family Support Act of 1988, the landmark welfare reform bill that places greater emphasis on job training.



Scott Dedman / Pisgah Legal Services

education at the state and local level so that we have a unified attack on economic and social problems related to employment. With the kind of state and federal budgets we're working with, I don't see how we can succeed without a coordinated attack. In the education field, for example, the job training effort has had no impact on making the crusade for excellence relevant to the needs of at-risk youth."

Those who know the welfare system raise other concerns. "You can do all the welfare reform you want," says E. C. "Chip" Modlin, Cumberland County Department of Social Services (DSS) director for 13 years. "But until you get more jobs and increase the minimum wage, you aren't accomplishing all you can."

Private industry leaders also see job training as part of a larger challenge. "To the extent we can, we're talking about economic development rather than job training," says Ronald Davis, vice president of administration for Carolina Steel Corporation and chairman of the N.C. Job Training Coordinating Council, the state group with overall responsibility for job training policies. "There are sections of the state where there's been heavy unemployment for some time. You can train all day long, but until you have a job for the person to go to, it's irrelevant."

And sometimes those jobs are less than what's needed. One recent study by the Southern Regional Council found that while North Carolina ranked fifth best in the United States in the number of new jobs produced in recent years, many of those jobs provided little hope for improving workers' quality of life because of generally low pay, poor working conditions, inadequate worker protection, and low quality of life.[2]

Even more alarming is another recent report that found that half of all new jobs created since 1979 were below the poverty line for a family of four. The report, released in September 1988 by the U.S. Senate Budget Committee, said that this

sons—or one in eight persons who may need them—because of the lack of funding.

Such questions have vexed the experts for 25 years, since the Johnson Administration's War on Poverty launched the forerunners of today's job training programs. The put-people-to-work programs that Franklin Roosevelt created during the Depression did not transfer successfully to the relative prosperity of the post-war era. And not until the welfare reform push in 1988, 53 years after public assistance programs began with the 1935 Social Security Act (which included what is now AFDC), did job training move to the heart of this system. But the cumulative knowledge of the experts has increased.

"I'm optimistic about the infrastructure that the federal government has put into place for JTPA," says George Autry, founder and president of MDC, Inc., a national manpower research center based in Chapel Hill that was founded in the late 1960s.[1] "But it's underfunded. I'm pessimistic about its success in coordinating welfare and had led to an increase in poverty wage earners from 22.3 percent of the country's workers to 26.5 percent. "The sad truth," said former U.S. Sen. Lawton Chiles of Florida, the committee chairman, "is that jobs paying below the poverty level are growing faster than any other kind. And jobs that provide a middle-class standard of living are a shrinking part of the job landscape." Chiles' committee found that 395,000 new jobs had been created in North Carolina between 1979 and 1987, but that 231,000 of those—or 58 percent— were jobs paying below the poverty line of $11,611 for a family of four.[3]

Autry, Modlin, and Davis perceive four limitations of existing job training efforts:

- inadequate funding of programs;
- few opportunities for high-paying jobs;
- the proper minimum wage level, which keeps the working poor below the poverty level; and
- lack of coordination of welfare and education programs.

Preventive v. Corrective

Government jobs programs can be characterized as either *preventive* or *corrective*. The most significant preventive programs are the public schools—particularly vocational education, remedial efforts, and dropout prevention projects—and the community college system, including literacy training, adult basic education, and specialized training for new companies. Economic development efforts also fall into the preventive camp. Such efforts need to be targeted to transitions in the economy to help prevent certain groups of workers (farm laborers, mill workers, and the like) from remaining underemployed or falling into more severe poverty conditions.[4]

The state's primary jobs programs—JTPA, HRD, and CWEP—are corrective; that is, their central mission is to get people into the work force and off of welfare (though JTPA, especially its youth programs, has preventive elements, too). Many other programs work closely with these three as subcontractors, as additional funding sources, or as support services. The state's Employment Security Commission (ESC), for example, works hand-in-hand with all three programs, but the central ESC mission is *job placement*—matching an employer's opening with an unemployed person—not *job training*. Local Community Action Agencies provide a variety of training and placement mechanisms. The degree programs and skill training efforts in the community colleges, similarly, are an important opportunity which a person in poverty might use to get into the work force, but many people not in poverty also use these resources. Finally, apprenticeship programs administered through the state Department of Labor help train skilled craftsmen, but those who qualify for apprenticeships generally are not in the poverty pool.

In this article then, the term *jobs program* refers to a government program with the primary goal of getting individuals off of welfare and into the job stream—where they one day may earn wages above the poverty level. Ironically, not one of these programs has a stated goal of getting its participants out of poverty, although that distinction is nothing more than semantic to those who believe that a good job is the only sure ticket out of poverty.

How do the stories of Jesse Braboy, Quennia Hargrove, and Gervis Hilliard reflect the overall job training efforts in North Carolina? Is the government money spent on them a successful investment of taxpayer dollars? With a $44.8 million budget this year, JTPA is the central cog for corrective job training programs. The HRD and CWEP efforts each have budgets of about $4 million. Hence, the JTPA funds and administrative structure in large part drive the overall job training system in this state.

Job Training Partnership Act

When Jesse Braboy went along with his buddy to the Cumberland County Job Training Service Center, he knew nothing about JTPA, but his new employer, David McCune, president of McCune Technology, Inc., did. Other JTPA participants had worked at the company, and McCune is one of 12 businessmen on the local Private Industry Council (PIC), one of 28 PICs in the state. "We oversee what the JTPA program does, approve what the money goes for," says McCune. The 21-person Cumberland County PIC oversees the Jobs Training Service Center, designated by the state as a Service Delivery Area (SDA).

The governor of a state has overall responsibility for JTPA. In North Carolina, the Division of Employment and Training (DET), located in the Department of Natural Resources and Community Development, administers JTPA. A 20-member Job Training Coordinating Council ad-

Table 1. Comparison of Job Training Funds in North Carolina 1987-88 for Job Training Partnership Act (JTPA), Human Resources Development (HRD), & Community Work Experience Program (CWEP) (in millions of dollars)

Program	Federal Funds	State Funds	County Funds	Total Funds	Percent of Total Funds	Number of Persons Served	Percent of Total Served
JTPA	$51.1	$0.0	$0.0*	$51.1	87.4%	42,800	77.6%
HRD	0.0	3.9	0.0	3.9	6.6%	5,162	9.3%
CWEP	1.7	0.9	0.9	3.5	6.0%	7,238	13.1%
TOTALS	$52.8	$4.8	$0.9	$58.5	100 %	55,200	100 %

* Does not include local funds spent in kind or in cash for JTPA programs

Total Funds From All Sources: $58.5 million

Total Number of Persons Served: 55,200

Per Person Spending

Total spent on job training from all funding sources:	**$ 1,060**
Average spent on job training from *federal* funding:	**$ 957**
Average spent on job training from *state* funding:	**$ 87**
Average spent on job training from *county* funding:	**$ 16**

Table prepared by Bill Finger and Jack Betts

vises the governor on jobs issues. The division directly administers JTPA funds that go to the Service Delivery Areas and passes other JTPA funds to three other departments: Public Instruction, Community Colleges, and Commerce (Employment Security Commission). The SDAs contract with a wide variety of agencies and private organizations.

JTPA took effect on Oct. 1, 1983, replacing its forerunner, the much-criticized Comprehensive Employment and Training Act (CETA). JTPA operates with four key precepts that CETA lacked. The JTPA program:

■ shifts policy development, program administration, and monitoring responsibilities from the federal to the state level, with the governor having the power to delegate much of this responsibility to local governments;

■ gives extensive responsibility to the private sector to work in partnership with local governments, most significantly by requiring that at least 51 percent of Private Industry Council members be from private businesses;

■ sharply reduces stipends for participants in training and eliminates public service employment, a much-criticized feature of the CETA program because a lot of this work did not provide training useful for the job market; and

■ institutes performance standards designed to reflect JTPA's three chief goals—increasing employment, increasing earnings, and reducing welfare payments. Among other things, these performance standards measure the number of participants who got jobs, the wage level achieved in the jobs, the impact on welfare recipients, and, on a limited basis, job retention and other follow-up information.

JTPA funds for North Carolina have decreased dramatically in the program's six-year existence. From its first-year high of $83.4 million in 1983-84, the North Carolina share of JTPA money plummeted to $44.8 million in 1988-89—a 46 percent decrease. As Table 2 indicates, this is part of a long-term trend. Federal job training funds over the past 10 years have dropped drastically—from $179 million in 1979-80 for the CETA program to a projected $38.4 million next year in 1989-90 for JTPA—a decline of nearly 80 percent in a decade, without considering the effects of inflation. The Gramm-Rudman-Hollings Act led to reductions in JTPA nationally, and a declining unemployment rate in North Carolina reduced this state's share of the shrinking national fund. The unemployment rate is a significant factor in determining allocations among the states.

Table 2. Federal Funds for Job Training Programs in North Carolina, 1979-1990

Year	Federal Funding (Millions)	Program
1979-80	$179	CETA
1980-81	129	CETA
1981-82	111	CETA
1982-83	67	CETA
1983-84	83.4*	CETA/JTPA
1984-85	67.1	JTPA
1985-86	60.9	JTPA
1986-87	51	JTPA
1987-88	51.1	JTPA
1988-89	44.8	JTPA
1989-90	38.4 (estimate)	JTPA

*Of this sum, $61.8 million was for JTPA programs; $21.6 million was for the final months of CETA. This table does not reflect CWEP funding.

Source: Office of State Auditor and Division of Employment and Training, NRCD

There are three major parts to the JTPA system: Title IIA, Title IIB, and Title III. Title IIA ($31.1 million, 69 percent of this year's allocation) funds the comprehensive programs administered by the SDAs and special jobs programs administered by several different state departments (see Table 3). Title IIB money ($10.9 million, 24 percent) goes for summer youth programs and is administered entirely by the SDAs. Title III, the dislocated worker program ($2.8 million, 6 percent) assists people who lose their jobs and is administered by the Employment Security Commission.[5] This article will examine mainly Title IIA of JTPA, because that is the section that deals chiefly with adult job training.

The basic structure of JTPA can be changed only in Washington, but the law gives administrative responsibility for JTPA—and substantial program flexibility—to the states. To evaluate how well JTPA is working in North Carolina requires an examination of three general areas: leadership and administration, budget and program activities, and performance indicators and follow-up efforts.

The state's leadership has not yet made job training programs a state priority, certainly not on a par with economic development or education programs. Decisions in Raleigh have a critical impact on how well JTPA works in North Carolina. The governor has significant authority in determining the local JTPA structure delivering the services, how much JTPA funds must be used in coordination with related programs, and which program activities and performance indicators receive priority. The JTPA program in North Carolina (1983-88) has overlapped the last years of the Hunt Administration (1977-85) and the Martin Administration.

In 1985, Gov. James G. Martin, a Republican, took office. The uncertainties of a new Republican administration reinforced a growing interest in job training programs in the General Assembly, controlled by Democrats. Perhaps part of the reason for concern about the program is that it had four different directors from 1982-1986.

Even though the leadership in the division has recently stabilized, in 1988 and early 1989 the Martin administration itself was uncertain what department should house DET when a restructuring of the state's environmental programs began at NRCD. In 1985, meanwhile, the General Assembly had enacted a new N.C. Employment and Training Act.[6] The act emphasized such issues as

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"One bright sunny morning in the
shadow of the steeple
By the relief office I saw my people —
As they stood there hungry,
I stood there wondering if
God Blessed America for me."

—Woody Guthrie

◆

following up on participants in job training programs to see if they stayed in the work force or fell back into poverty. Another bill requested a "comprehensive inventory" of job training programs from the Office of State Budget and Management.[7] These new laws reflected widespread concern about the way job training programs were working in North Carolina.

The job training inventory included 109 pages of appendices listing all the employment programs, including the subcontractors involved. But the report itself cautioned against relying heavily on the information because the inventory *did not* review the role of the Service Delivery Areas, examine inter-agency coordination of programs, or analyze the data it had compiled.[8]

Meanwhile, the new Martin administration was changing the administration of JTPA drastically. In late 1985, DET began a major overhaul of the JTPA hub, the Service Delivery Areas. Under JTPA, local governmental units may apply to the state to become an SDA; each SDA has its own Private Industry Council. In the summer of 1986, the Governor enlarged the system from 12 to 26 SDAs, and added two more in 1988. The administrative organizations for the current SDAs include 15 councils of government, six counties, three cities, and four other administrative structures. (The governmental unit itself employs the local SDA staff, but each PIC, within federal and state guidelines, oversees the SDA program and budget.) With the change in the SDA system, DET's direct funding area went from 82 to nine counties, and in 1988, down to five. When Governor Martin took office in January 1985, the DET staff was 137 strong; 16 months later, it was down to 47. In other words, the state delegated much of the decision-making to the local level, and cut its central staff 66 percent.

The 1985 legislative actions, the inventory, and the Governor's overhaul of the SDA system and DET staff prompted then-Speaker of the House Liston Ramsey and then-Lt. Gov. Robert B. Jordan III to request the Office of State Auditor to conduct an operational audit of North Carolina's JTPA program. In December 1986, State Auditor Edward Renfrow released the audit, which contained evaluative information as well as a number of recommendations.[9]

Just after the audit began, the Division of Employment and Training got its fourth director in four years, Joel New. "I walked into my new office and found the auditors there just ahead of me," says New, who took over in 1986. "Few people have such a luxury. It was very helpful in steering me through what I needed to do. We've adopted many of the recommendations and are at work on others."

The nonpartisan tone of the auditor's report tended to remove partisan politics and executive-legislative branch bickering over JTPA. The report found, for example, that the much-reduced staff size at DET "eliminated unnecessary duplication and activities, established an environment for a more efficient and responsive organization for the program, was capable of managing its federal and state mandates, and reduced the need to divert administrative funds from multiple sources to support DET administrative cost."[10] The report also dealt with various legislative concerns about DET's reporting on JTPA.

Some questions remain about the wisdom of moving to 28 Service Delivery Areas. "We have too many SDAs in North Carolina which are not big enough and lack the staff support and expertise they need," says Richard Mendel, a research associate at MDC, Inc. "Some PICs do a good job, but most aren't very deeply involved in the program."

"Hogwash," says DET Director New, whose office must monitor all 28 SDAs. "It's true that some PICs are more involved than others. But we need the flexibility that the SDAs provide. A local SDA can better respond to the particular situation in a local area."

While differences remain on the ideal number of SDAs, the state has no plans to change any of the 28 different delivery units of JTPA funds. The

Table 3. Job Training Partnership Act Funding, 1988-89.

Section of Act	Who May Participate	Administered by	N.C. Budget
Title IIA (69.3 percent)			
Basic Grant (78 percent of IIA funds)	90% for economically disadvantaged; 10% for barriers to employment (any income level); 40% of these funds must be spent on youth	Division of Employment & Training to the 28 Service Delivery Areas (NRCD to SDAs)	$24,221,167
Incentive Grants & Technical Assistance (6 percent of IIA funds)	same as Basic Grant funds	NRCD to SDAs	1,863,167
State Administration (5 percent of IIA funds)		NRCD	1,552,639
Older Persons (3 percent of IIA funds)	100% for the aged and economically disadvantaged	NRCD, mostly to SDA's, some to Employment Security Commission (ESC), and some to the Division of Aging through SDAs	931,583
State Education & Coordination Grants (8 percent[1] of IIA funds)	80% for economically disadvantaged; 20% for barriers to employment (any income level)	Department of Public Instruction, Community Colleges, and NRCD	2,484,222
Subtotal Title IIA	(69.3 percent of all JTPA funds)		$31,052,778
Title IIB (24.3 percent)			
Summer Youth Program	All must be economically disadvantaged and aged 16-21; SDAs may also choose to serve ages 14-15.	NRCD to SDAs	$10,903,115
Title III (6.3 percent)			
Dislocated Worker Program	Criteria based on layoff time, not income level	ESC	$ 2,824,875
Total JTPA[2]			$44,780,768

[1]The 8 percent fund is divided into two funds, coordination (20%) and program (80%). In 1988-89, one-third of the coordination funds go to the Division of Employment and Training, Public Instruction, and Community Colleges. The program funds go to Public Instruction (45%) and Community Colleges (55%).

[2]There are some other small funds within JTPA which are for special services outside job training, primarily $183,000 for veterans' services.

Source: N.C. Division of Employment and Training

SDAs each have distinctive economic and social characteristics that may require different types of training. And because local conditions may vary so much from SDA to SDA, the standards are adjusted for each area and for the participants they serve. The standards reflect local conditions—not state conditions. The central question regarding state-level administration, then, is the quality of leadership provided to the SDAs on program activities, performance standards, and coordination with related efforts.

Program activities and budget constraints may limit the JTPA's effectiveness. In allocating the Title IIA Basic Grant funds (see Table 3, page 73), SDAs must spend at least 70 percent on training (school, classroom training, on-the-job training, etc.), and no more than 15 percent on administration and 15 percent on support services (transportation, day care, uniforms, etc.). Last year, the split was 77 percent on training, 15 percent on administration, and only 7 percent on support services (less than half of what is allowed). In other words, the state spends the *maximum* (in terms of percentages) on administration, only about *half* of what is allowed on support services such as transportation and day care, and slightly more than the *minimum* required on training. Program officials say that the local training organizations make the decisions on how much should be spent on such items as support services, administration, or training. None of the SDAs spent all of the funds available for the program, however.

The Cumberland County PIC, at the recommendation of the Jobs Training Service Center staff, plans to spend $271,000 this year for on-the-job (OJT) training, the program involving Jesse Braboy. McCune Technology hired Jesse at $4.30 an hour and agreed to train him for 1,816 hours, about nine months; the SDA agreed to pay McCune Technology one-half of Jesse's starting wage rate, $3,904 for the entire program. Jesse has recently completed the program and is now making $5 an hour—above the minimum wage of $3.35, but below the state average manufacturing wage of $8.26 an hour. That average wage is the second lowest in the nation, ahead of only Mississippi, and is more than $2 per hour less than the average national manufacturing wage of $9.91. Still, Braboy's $5-an-hour wage is considered a good one by JTPA standards for a starting wage in an entry- level job located in the eastern part of the state.

"The government is paying the employer to help train a person," says McCune. "It's good for the employer and the employee, a good 50-50 thing. He is getting experience and the employer is getting a financial savings. With the tax credits, Jesse won't cost the company anything the first year, except the fringe benefits." McCune put Braboy on the company health plan from day one and absorbs the cost of his vacation and holidays. After two years, Braboy is eligible for the company retirement plan.

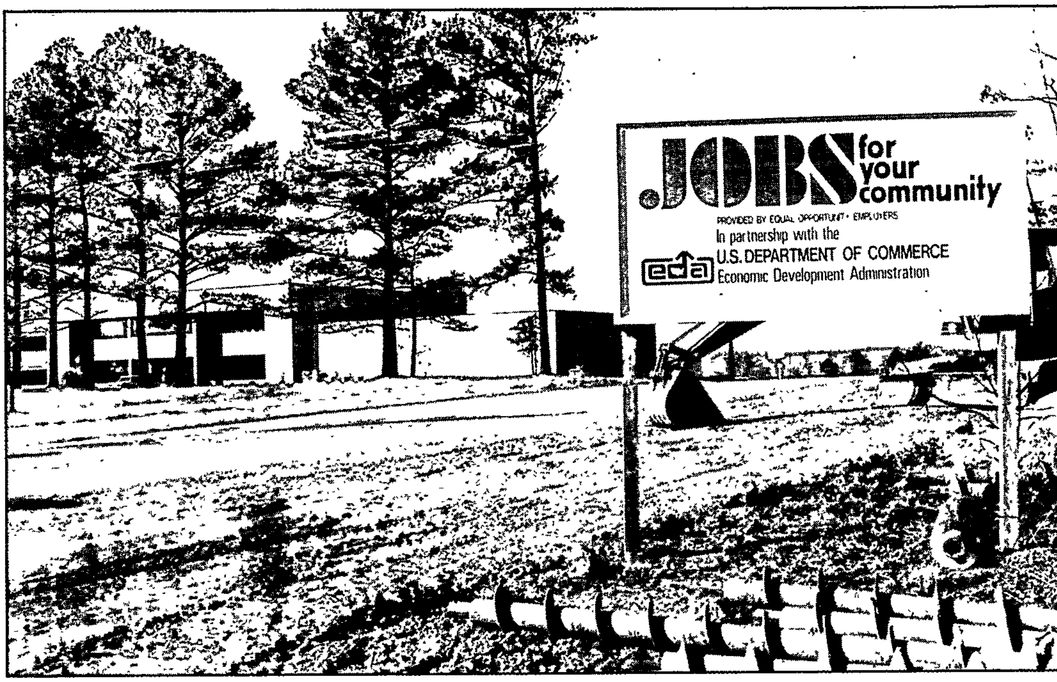
Without stipends for training or public service employment, the features that sank CETA, the approved JTPA program activities generally have received fair marks. One criticism has surfaced over the JTPA emphasis on private sector involvement and on having on-the-job training as a major program activity. A 1986 article in *The New Republic*, for example, called JTPA "corporate welfare" and said JTPA subsidized companies for "routine business costs."[11]

While supporting on-the-job training in general, New acknowledges that an employer might keep a person only as long as the JTPA subsidizes that position, and then let that worker go when the subsidy expires. "We're aware that there is some abuse. Once aware of a specific instance, we move to correct it," says New. "And the SDAs don't do business with that company again."

McCune, the Fayetteville businessman, adds, "It's better to have the person working than unemployed. They [the Jobs Training Service Center] do good screening, putting people where they're best suited. But if a company lays the guy off, it is milking the U.S. government. If that happens, we need to get rid of that company [from the program]."

Perhaps the most important issue in the JTPA system of programs—in terms of preparing people for employment and getting them out of poverty—is Title IIB, the summer youth program. In North Carolina in 1988-89, Title IIB received 24 percent of all JTPA funding, $10.9 million, the largest single program area in JTPA. The summer youth program has generally focused on finding some kind of a summer job for teenagers from poor families, "getting some money into these kids' pockets," as one SDA staffer puts it. But these jobs usually are not part of a job-training track, and the program has a number of critics.

In 1986, Congress enacted several significant amendments to JTPA, including one addressing the educational shortcomings of Title IIB. Beginning in 1987, SDAs had to include in the summer youth program remedial education and an assess-



Jack Betts

Federal Economic Development Administration funds helped finance this new plant near Wake Forest.

ment of reading and math skills. Even so, in 1987, 99 percent of the summer youth money went for this "work experience," while other funds came from the Basic Education Plan. In 1988, the money was better targeted towards remedial education, but a major coordination issue overshadowed the impact of the JTPA amendment.

As part of the state's new Basic Education Plan, the legislature had appropriated a large new pot of money for dropout prevention—$21 million, nearly twice the Title IIB fund. The Division of Support Services in the Department of Public Instruction administers this program through the local school systems, a structure entirely different from the JTPA/SDA setup. At best, the Title IIB and the dropout prevention funds can function as multipliers, giving each program greater impact. But neither bureaucracy has authority over the other, and the success of the program depends somewhat on the degree of coordination between the two.

JTPA's statutory emphasis on youth funds (all Title IIB funds, plus 40 percent of the Title IIA Basic Grant funds) raises questions in the minds of many policymakers about how the money is spent. Although the program has helped put money in the pockets of many disadvantaged youth, these critics wonder aloud whether it will help them work their way out of poverty. "JTPA does not work with kids under 14, even though ages 9 to 15 are when attitudes are solidified," says Mendel of MDC, Inc. "Too little of the youth money is a long-term investment in skills that they are going to need. We need to build in these kids some competencies and attitudes that they need to succeed in life."

But there's another way to look at budget constraints, too. As Table 3, page 73, indicates, at least 40 percent of the Title IIA Basic Grant and Incentive Grants money must go for youth programs. Of the available $26.1 million from the two, that means $10.4 million goes for youth training programs (although many 21-year-olds in OJT programs are classified as youth). Combine that with the Title IIB Summer Youth funds of $10.9 million, and the total earmarked for *youth* is about $21.3 million—or almost half (47.6 percent) of the total money available under JTPA.

That gives JTPA a strong *preventive* character, but it also limits the resources available for *corrective* programs. Out of the remaining half must come costs for state administration, support services, training for the elderly, and education and coordination grants. And after subtracting the totals spend for older persons, state administration, and dislocated workers (more than $5 million total), it becomes obvious that *less than*

— continued on page 78

Table 4. Job Training Partnership Act Performance Standards North Carolina Record, 1987-1988

Performance Measures[1]	1987-88 National Standard	1987-88 N.C. Calculated Standard[2]	N.C. Actual Performance
ADULT PROGRAMS			
1. Entered Employment Rate (# entering employment divided by total # of adult terminations[3])	62 %	58 %	69 %
2. Average Wage at Placement (for all adults who entered employment at time of termination)	$4.91 /hour	$4.07 /hour	$4.69 /hour
3. Welfare Entered Employment Rate (# of welfare participants who got jobs divided by total # of welfare recipients who terminated)	51 %	43 %	55 %
4. Cost Per Entered Employment (total costs divided by total number who entered employment)	$4,374	$4,593	$2,067
YOUTH PROGRAMS			
5. Positive Termination Rate (# in employment or attained an employability enhancement[4] at termination, divided by total youth terminated)	75 %	70 %	70 %
6. Cost Per Positive Termination (expenditures divided by # of youth in employment or # who attained an employability enhancement at termination)	$4,900	$4,006	$1,925
7. Entered Employment Rate (# who entered employment when program ended, divided by total # at end of program)	43 %	28 %	44 %

FOOTNOTES

[1]These seven standards have been in place for the first five years of JTPA, 1983-88. In the 1988-89 year, all 28 Service Delivery Areas (SDAs) in North Carolina must continue to use performance standards listed in this table as 1, 2, 3, and 5. North Carolina has dropped items 4 and 6. Also, each SDA may choose to use either the "Entered Employment Rate" standard for youth, listed as item 7 in this table, or a new standard called "Employability Enhancement Rate" (item 4, Table 5).

[2]No state-level performance standards actually exist; performance standards are established for each Service Delivery Area. Each SDA may adopt the national performance standard developed by the U.S. Department of Labor or may develop its own standard using a formula that must include such factors as unemployment rate, rural/urban mix, number of handicapped persons, and extent of poverty. NRCD's Division of Employment and Training developed this so-called "N.C. Calculated Standard" shown here using the same factors as used for each SDA. This column is included only for comparison purposes, to show the relationship between N.C. and federal standards. For example, the average wage at placement in North Carolina is substantially lower than the federal standard, which reflects the fact that wage levels are relatively low in this state.

[3]The word "terminations" in this case refers to trainees who complete, or leave, their programs.

[4]The term "employability enhancement" refers to skills a trainee gains that enhance his chances for employment.

Source: Division of Employment and Training, NRCD

Table 5. Job Training Partnership Act Follow-Up Standards in North Carolina

New JTPA Performance Standards in Effect in N.C., 1988-1989[1]	1988-1989 National Standard[2]	North Carolina Record 1987-1988[3]
ADULT		
1. Follow-Up Employment Rate (# employed, part- or full-time, in 13th week after termination, divided by # of terminees who completed follow-up interview)	60%	66%
2. Follow-Up Welfare Employment Rate (same as method in item 5, Table 4, except using only adults who were on welfare when they entered JTPA)	50%	NA
3. Follow-Up Average Earnings (average wage for employed respondents at 13th week after termination from JTPA program)	$177/week	$196/week
YOUTH		
4. Employability Enhancement Rate (# who attain an employability enhancement when program ends, whether they got a job, divided by total # at end of program)	30%	NA

FOOTNOTES

[1]In 1988-89, the 28 Service Delivery Areas in North Carolina will use the first three standards listed above and may choose either "Employability Enhancement Rate" or "Entered Employment Rate" (listed as item 7 in Table 4). This is the first time that follow-up indicators have been part of the national performance standard system.

[2]In Table 4, a North Carolina "calculated standard" is shown for comparison's sake for each national standard. No such comparison can be drawn for this table, because performance standards are developed for each SDA by using the characteristics of the persons actually served in that SDA—at the end of the program year—and not by the general characteristics of the SDA at the beginning of the year.

[3]For the termination period April 1, 1987, through March 31, 1988, the Division of Employment and Training attemped a follow-up interview with every person who completed the program. The interviews were made about 13 weeks (90 days) after completion of the program, and 4,763 adults and 1,435 youths were interviewed. The 66 percent and $196 weekly wage figures were taken from that study and are shown here only for comparison purposes. Figures for state performance on items 2 and 4 above were not part of the follow-up interviews.

Source: Division of Employment and Training, NRCD *half of the money* is available for mainline adult (over 21) job training programs.

Performance indicators seem to show that JTPA works well, but are state standards high enough, and does the state perform enough follow-up? One of the most acclaimed aspects of JTPA is its system of performance standards. These performance standards apply *only* to participants funded by the Basic Grant and Incentive Grant parts of Title IIA. For the first five years of operation (1983-88), the U.S. Department of Labor required the states to follow seven nationally established performance standards. While a governor could choose to establish additional standards to measure JTPA's performance, neither Hunt nor Martin has done so.

For the 1988-89 program year, the U.S. Department of Labor augmented the seven original standards (see Table 4, page 76) with a choice of several new ones, and gave the states flexibility to choose among the new standards. This year, North Carolina has chosen to use five of the original seven standards, and add four new standards from the U.S. Labor Department's list. From among these nine, the SDAs have some flexibility to choose standards (see footnotes to Tables 4 and 5, pages 76-77, for more).

The state is dropping two standards used in the first five years related to cost per participant (one standard for youth and one for adults). "They have become rather meaningless," the DET staff explained to the Evaluation Committee of the Job Training Coordinating Council.[12] "The Department of Labor's pressure to remove dollar limits on what the SDAs can spend and their desire to serve the truly hard-to-serve make these two standards less important in meeting the goals of JTPA."

Previously, the U.S. Department of Labor had emphasized efforts to hold down JTPA spending, an effort that bred criticism about *creaming.* Short for *skimming the cream off the top,* creaming refers to spending JTPA funds on those persons most nearly ready for the job market, which results in good performance results. It costs much more to train the hard-core unemployed, and by raising the cost standard to $4,500 (the average spent last year in North Carolina was $2,067), the U.S. Labor Department hopes to encourage more training of those described as "the less job-ready."

Table 6. Comparison of Selected Performance Results for JTPA Adult Training Programs, 1984-1987

Program Year	% of Adults Who Get a Job*		Average Hourly Wage		% of Welfare Recipients Who Get a Job**	
	Calculated	Actual	Calculated	Actual	Calculated	Actual
1984	34.4%	68.6%	$3.87	$4.26	18.6%	53.5%
1985	50.6%	68.3%	$3.80	$4.34	37.6%	51.3%
1986	57.8%	71.2%	$3.87	$4.42	44.1%	56.8%
1987	57.8%	68.8%	$4.07	$4.69	42.9%	54.9%

* Also called Entered Employment Rate

** Also called Welfare Entered Employment Rate

Source: Division of Employment and Training, Department of Natural Resources and Community Development

Performance Standards Are Not Program Goals

The performance standards used in the JTPA program are not meant to be annual goals, nor are they meant to be yardsticks for evaluating JTPA's effectiveness, DET officials say. Instead, the standards orient the program to job placement, and give program officials a barometer of how an SDA is performing relative to the economic and other characteristics of that SDA. The standards are reset each program year at the end of the year, based on such factors as unemployment rates and the trainees' characteristics. There are "national departure points," a set of basic standards for a particular set of client characteristics, and as those characteristics vary, so does the standard vary. That's why an SDA's standard is not set until the end of a program year. In addition, SDAs may request adjustments to standards in response to local conditions. Thus, raising performance standards in Raleigh may not benefit the trainees—or "client population," in JTPA jargon—or affect the performance results measurably, DET officials say.

One report, soon to be published by the U.S. General Accounting Office (GAO), documents this problem. Lawrence H. Thompson, assistant chief of the GAO, told the U.S. House of Representatives Education and Labor Committee in October 1988 that young poor workers were being shortchanged by the JTPA program because those who are less "job ready" were being ignored by the program while more employable youth were being helped. "It would appear that less JTPA funding is spent on those less ready for jobs, even though they may need more assistance to prepare them for employment," Thompson testified.[13]

Some would consider spending JTPA money on Jesse Braboy, an articulate high school graduate with some college under his belt, as an example of creaming. "The original JTPA standards encouraged program operators to recruit the most job-ready [participants] and place as many as possible," says George Autry, the MDC, Inc. president. "The incentives need to be adjusted so that we can reach further down into the labor market and provide better quality training by raising the basic competency of people we recruit."

DET Director New thinks using on-the-job training money for someone like Braboy is appropriate. "Without it, he might have stayed in poverty," says New. But like Autry, New thinks the new emphasis in the standards might move JTPA towards a broader purpose: "Our emphasis should be moving people out of poverty. We're doing nothing if we train them, put them in a job, and they're still in poverty. We should not count that as an accomplishment, but the federal government still allows it."

Besides an over-reliance on short-term placements for the least cost, another criticism of the original JTPA standards was the lack of follow-up. New and his staff recommended adding new standards requiring follow-up efforts on the progress of participants, all of which were adopted by the council and the Governor. In 1985, the legislature required the Job Training Coordinating Council to develop a "long-term tracking system to measure the effectiveness of the Job Training Partnership Act with respect to permanent job placements. Such a system . . . [to last at least a year] . . . shall be implemented by July 1, 1986."[14] But the legislature didn't fund such a system, and the system was not implemented.

As requested, the State Auditor reviewed how well DET was complying with this follow-up requirement, summarizing federal and state efforts in its report. The Auditor endorsed the legislative concern about the importance of follow-up procedures but reminded the lawmakers that such procedures cost money—particularly because of the difficulty of finding former participants who have no incentive to keep in touch with DET. "When the General Assembly establishes reporting requirements for JTPA that exceed the existing system's capabilities, sources of funds should be identified to support the reporting requirements that will minimize the diversion of funds from training programs," the report recommended.[15]

DET and SDA staffers routinely contact people 13 weeks after leaving a program, and DET has begun some sampling of former participants one year after they leave. "We need to do the full one-year follow-up, not just a sample, but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dards and five of the seven national standards (performance standards are set by DET for each SDA, and they are established at the end of a program year, not in advance. See box, p. 79 for more). By that measure alone, the state's programs would seem to be working. But two main questions arise: Are the standards high enough? And even when the state's standards are met, are the performances good enough to make a serious contribution to getting jobless North Carolinians out of poverty?

Just considering adult training programs, the *entered employment rate* shows that 69 percent of the state's trainees get a job. That's nearly seven out of 10 of those who enter training. What's more, standard three, the *welfare entered employment rate,* indicates that 55 percent of those who were on welfare got jobs—a little better than one out of every two persons on welfare.

In addition, regular follow-up surveys of trainees, taken 13 weeks following completion of a program, show that the number of workers still on the job drops slightly to about 66 percent. And of all those who get a job in the first place, only about 55 percent work the *entire* 13-week (or 90-day) period. Among JTPA analysts, that figure does not seem low. John Hice, an analyst at DET, says, "Results must be looked at in context. To supply just a portion of that context, those 55 percent who were employed throughout the 13 week period between termination and follow-up include a large number of people who were not employed in any of the 26 weeks prior to application; 47 percent of that group of people were employed throughout the 13 weeks after termination." In addition, many of those workers are out due to sickness, child care problems, or transportation problems, DET officials say.

But to a layman, the figures would seem to be shockingly low. If a person can't hold a job for

it would take $500,000," says New. "If the General Assembly wants us to do it, they need to give us the money."

New believes the new performance standards, particularly one called *employability enhancement rate* (which seeks to measure the number of youth trainees whose employment prospects are enhanced by a program), address some of the major weaknesses of the original JTPA standards. "The stress is moving away from outputs to understanding what we did with the people. There's more weight on the quality of the product," New says.

So how do North Carolina's job training programs stack up? As Table 4 indicates, the state's JTPA programs meet or better all seven state stan-

13 weeks, that person is certainly not a good risk for staying out of poverty in the long run. Fred Aikens, a legislative analyst, says that's enough to worry legislators. "Fifty-five percent are holding jobs for 13 weeks," observes Aikens. "What happened to the other 45 percent? That's what the legislators really want to know. They want to know if people are really staying employed."

DET officials caution against using the performance-standard results as a measure of program effectiveness. "Alone, the status of program terminees cannot be taken as a measure of program effectiveness," says Hice. "Terminee status is also impacted by demographic and local economic conditions that vary from SDA to SDA. If these factors are not taken into account or controlled for, then the variance of results from program to program will be misleading."

Another performance standard that seems to show the program is working is that of average wage at placement. The state's performance in 1987-88 was $4.69 for the average trainee—or the equivalent of about $187.60 per week, or $9,698 for a year based on working 40 hours a week, 52 weeks a year. That is just above the official poverty line of $9,690 for a family of three. But again, the state doesn't know for sure because it has no year-long tracking mechanism in place to determine how long former job trainees actually work, at what wage, and whether trainees stay out of poverty.

These performance standards, then, are helpful in understanding how JTPA works, but for those looking for an answer as to how well JTPA works, additional follow-up questions could provide more of an answer. But until NRCD and the legislature seek better answers to those questions by providing realistic funding needed to get the answers, no one will know how well JTPA works to get North Carolinians out of poverty and onto the payroll. "If CETA was too often guilty of constantly taking its pulse, it can be said fairly that JTPA presently could drop dead without even having had a prior suspicion of ill health," says R.C. Smith of MDC, Inc.

But DET officials do know that enrollees generally like the JTPA program. As part of regular follow-up surveys, DET employees asked trainees how they rated the program, and 87 percent rated it either excellent or good, while less than 3 percent rated it poor. But when asked what enrollees had hoped to get out of the JTPA program, more enrollees (37.4 percent) said they signed on to get schooling and financial aid than those who said they wanted a job (36.2 percent), while another 18 percent said they wanted to learn a skill. The survey also found than 81 percent felt they had met their goals.

Human Resources Development

Quennia Hargrove is still smiling after a full day of math, biology, and English courses at Fayetteville Technical Community College, all prerequisites for the high school diploma she plans to earn there. She has no car or day care assistance, but she leaves her 18-month old with her mother and catches a ride to school with a neighbor. She still receives her AFDC check.

"I don't want to be on welfare the rest of my life," she says. "I want to give my daughter the best possible care I can with the money I earn from my own work, so she'll work when she grows up, too." Just a year ago, Quennia was not talking with such resolve. She was still drifting through the period of her life she now remembers as having slipped away. Her six-week course through the Human Resources Development (HRD) program changed all that. "My classmates and my teachers helped me get motivated," she says. "We were like a family. I decided in that course that I wanted to be a nurse." By the end of the HRD course, she says, "you will know what you want to do. I recommend HRD to anyone."

Quennia is one of the success stories of the $3.9 million HRD program, operating in 45 of the state's 58 community colleges. The program operates with a staff of 150 persons, only two of them in Raleigh. The local staffs average three people; some are as large as five, including the Fayetteville program. State officials are quick to point out that HRD is not a full-service job training program. "We are a pre-employment training program for long-term unemployed and underemployed adults," says Peggy Graham, the HRD state coordinator. "We specifically target our money to people on welfare, displaced homemakers, and the economically disadvantaged."

Four elements distinguish HRD from other job training programs. It is performance-based, with a local program's funding level decided by its *efficiency index* (more below). Second, it conducts three follow-up surveys with every participant—after three, six, and 12 months—and must keep these results for five years. Third, it is *entirely state funded.* Finally, it is a self-contained program, doing its own recruitment, assessment, self-esteem building, some basic education, skill training, placement, and follow-up.

In the 1987-88 program year, 5,162 persons enrolled in HRD statewide and 3,855 completed the course. About six of every 10 HRD graduates (counting current and previous-year graduates) got a job, and one-fourth continued job training (some did both and are in both statistics).[16]

Like the hard data available for evaluating the JTPA program, there are pluses and minuses for the HRD program. For instance, of those who graduated from the program in 1987, about 56 percent wound up with jobs—but of those who *originally* enrolled in HRD, fewer than half (42 percent) graduated and got jobs. Yet follow-up programs show that these rates do improve over time (see Table 7).

"We do some short-term skill training for security guards, geriatric workers, bakery assistants, and others," says Graham. "These are usually entry-level jobs. Many of them are fortunate to get any kind of job. But we follow up on them, encouraging them to get further skill training and education."

The Fayetteville program, for example, has recently held classes on retail sales and on basic skills (self-esteem building, interviewing skills, resumé writing, and motivation). In the sixth day of the retail class, the 12 students were practicing on a cash register donated by a local business and writing four sample letters—an application letter, an answer to an advertisement, a thank-you letter for an interview, and a letter of resignation.

"We practice a letter of resignation because it's important that our students know you can't just walk away from a job," says Sharmon Herring, the Fayetteville HRD coordinator. Why a thank-you note? "You'd be surprised at how many of our students have gotten jobs . . . because of that letter."

HRD started in six community colleges 20 years ago through a pilot program started by MDC, Inc. (then called Manpower Development Corporation). Inaugurating the program in 1969, then-Gov. Robert W. Scott sounded a theme that has survived for two decades: "I think we have another very vivid example of private enterprise working together with government to solve or seek a meaningful solution to a very persistent and nagging problem . . . lifting our employment picture, particularly as it relates to the disadvantaged and those with below-average incomes."

In 1973, the General Assembly funded the program and placed it within the community college system, now headed by the same Bob Scott. With its focus on pre-employment training and a budget of less than $4 million, HRD has significant constraints in scope and in funding. But its enduring track record also contains three valuable lessons for other manpower programs—lessons about bureaucracy, a performance index, and follow-up.

Despite its longevity, HRD has not established a separate bureaucracy but still functions within the existing community college system. This administrative choice, plus the efficiency index, has meant that only a small portion of HRD funds go to administrative costs.

Second, the performance index emphasizes the difference in income between what a participant was making at the beginning and at the end of the program, not whether the trainee got a job and what it paid. Thus, if 90 percent of the students in an HRD class are on AFDC, a placement into a skill-training program or a low-paying job that provides needed work experience results in a good performance index—or efficiency index, as it's called. The formula translates education into an income figure and includes a special three-fold multiplier for a reduction in welfare benefits.

"You can't fudge on that formula too much," says State Coordinator Graham. "It keeps us honest." The formula is a major factor in determining the funding allocation for a local program. Hence, this index is an ever-present reminder of how to evaluate the students.

Not only that, but HRD administrators also keep track of total income produced by graduates, and the total amount of public assistance funds saved by getting graduates off welfare (see Table 7). For instance, program records show that graduates had earned more than $10 million and the state had reduced their welfare payments, saving $1.2 million in public assistance in fiscal year 1987-88 alone.

And follow-up is an equally important factor, as one HRD instructor explains. "I'm sitting on a time bomb in Spring Lake," says Sharmon Herring, referring to her basic HRD class in a satellite center outside Fayetteville. "Almost everyone in that class is on AFDC." All students allowed to complete the class (some are cut by the program) go into the index calculation. If they are not motivated enough to enroll in an education or training program, they hurt the Fayetteville efficiency index—and possibly the program's budget. The formula thus motivates the HRD staff to concentrate on follow-up.

The index emphasizes the long term. *How* a person inches out of poverty—the progress a person makes—is more important than a short-term job placement. This emphasis breeds an effective follow-up system. Besides graduating 3,855 students last year, HRD also followed up on another 4,621 graduates from the preceding year. Of these, 82 percent had jobs or were in skill training programs at the end of the 12-month follow-up period.[17]

As impressive as these statistics are, *the style of the follow-up is what sets HRD apart.* The personal contact drives the follow-up system more than the statistics. "We've kept all of our files since we opened up," says Herring. "We get calls all the time from people who are changing jobs and want to come back and see their resumé."

One participant in the retail sales class, Barbara Chapel, went through an HRD class nine years ago. Over the years, she's worked as a laborer and cement mason while raising three boys alone. Now unemployed, she sought out HRD for a second time around. "I'm a go-getter, but there were times when I needed help," she says, referring to her periods back on AFDC. "But you get depressed sitting in that house." Now 35 years old and the mother of teenagers, Chapel hopes to add retail sales skills to her knowledge of construction. "I know there's a Lowe's or an auto parts store or an FCX just dying to hire me," she says.

This strong relationship is what makes the HRD program so different from JTPA. Follow-up in the JTPA system, to the extent that it takes place, concentrates on statistics. This is partially a by-product of the program's size. JTPA does not encourage people like Quennia Hargrove to take the next step, enrolling in her nursing assistant program.

In 1979, Chet Fuller of *The Atlanta Journal* traveled around the South and wrote a series of articles on his experiences, called "A Black Man's Diary." The HRD program impressed him, he wrote, because of "the amount of follow-up involved to see how well former students are making out in the workaday world." Just as Bob Scott's 1969 remarks about HRD ring true today, so does the ending to Fuller's decade-old review:

Table 7. Performance of Enrollees in Human Resources Development Program, 1983-1988

Fiscal Year	Students Enrolled	Job Placements	Percent Who Got Jobs	Total Job Placements for Year[1]	Job Placement Percentage[2]	Graduates Receiving Follow-Up	Income Increase (millions)	Welfare Decrease (millions)
1983-84	4,258	1,849	43%	2,548	59.8%	4,085	$11.7	$1.3
1984-85	4,469	1,721	39%	2,614	58.5%	4,372	11.9	1.6
1985-86	4,394	1,758	40%	2,565	58.4%	4,379	11.5	.8
1986-87	5,304	2,330	44%	3,308	62.4%	4,406	10.1	.9
1987-88	5,162	2,148	42%	3,151	61.0%	5,245	10.3	1.2

[1]This figures represents the number of Human Resources Development graduates from all previous years who got jobs in the current calendar year, while the column marked "Job Placements" refers only to those current year graduates who got jobs in the current calendar year.

[2]This percentage figure compares the total number of graduates who got jobs in the calendar year to the number of students enrolled for the calendar year.

Source: N.C. Department of Community Colleges

"The more I think about that program, the more I wonder why North Carolina is the only state using it."[18]

Community Work Experience Program

Gervis Hilliard epitomizes the *work ethic* even though she has never heard the term. Her father was a carpenter and her mother raised eight children. Among them are a nurse, a photo lab technician, and factory workers. Someday, Gervis hopes to work as a librarian. "I didn't have any experience," says Gervis. "That was my difficulty. I thought here's my chance to get it." Placed at the library as part of the Cumberland County work experience program, Gervis has blossomed. "It has worked for me," she says. "If you want to work, experience gives you the proof that shows you can do it."

County Social Services offices have operated job programs for more than 20 years, beginning with the Work Incentive program (WIN), which at one point operated statewide but which is now being phased out. The Community Work Experience Program (CWEP), a separately funded federal program, began in 1982. Many referred to CWEP as *workfare*, because it could be construed as punitive—forcing a welfare recipient to work off a welfare payment through community work. It emphasizes the value of experience for getting people into jobs (which must be in the public or non-profit sector, not the private sector). In the last six years in North Carolina, CWEP has evolved into a generic term within the professional welfare world, referring to all AFDC employment and training programs funded both by CWEP and WIN.

Currently, the CWEP program is not mandatory statewide. In 1987-88, 38 of the 100 N.C. counties operated CWEP programs; those counties had 56,971 AFDC cases, or 61 percent of the statewide caseload of 93,532. In the 38 counties (by 1989, the number of counties with CWEP programs was up to 41), 42 percent of the AFDC recipients 16 years or older (23,782 people) registered for the program. Registration is mandatory for those who can work—those who are mentally and physically able and whose youngest child is at least three. Of those registered, only 7,238 received services, or about three of every 10 (see Table 8).[19] One reason that less than one-third of the registrants get services is that some counties don't have sufficient staff to process the paperwork. In addition, there just aren't many jobs suitable for CWEP participants. In short, the program could accommodate only 7,238 participants in 1987 even though three times that many were registered. Statewide, $3.5 million went towards CWEP training programs.[20]

As Table 8 indicates, the CWEP program has served only a fraction who would be eligible. Of the 56,971 AFDC cases in the CWEP counties, 32,450 were exempt for several reasons, notably the presence of children younger than 3 in the household. That left 23,782 to register. Of those, 5,212 were temporarily excused from participation for such reasons as short-term illness or other family considerations. That left 18,570 available for CWEP services, but only 7,238 actually received services.

Expressed in percentages, about 12.7 percent of all AFDC cases wound up receiving CWEP services; 41.7 percent of the AFDC cases actually registered for CWEP; less than a third, or 30.4 percent, of the CWEP registrants actually participated; and about 17.7 percent of the CWEP participants actually got into work experience, while the others were involved in various kinds of development or training programs. Of the 23,782 registrants, the department says, 9,875 got jobs at some point during the year.

Like the HRD program, CWEP also reported significant savings on public assistance. In 1986-87, for instance, the program reported it had saved at least $1.4 million in welfare payments that government agencies did not have to make. But the program that year cost $3.56 million to make those savings. Legislative analyst Nina Yeager draws this conclusion: "The report illustrates that the state spent approximately four dollars in General Fund appropriations for every dollar savings recouped from employment programs. These figures exclude the cost of day care for AFDC recipients who are involved in work experience or training efforts."

In 1987-88, the same sort of *savings* occurred. The CWEP program reported saving at least $1.1 million in AFDC payments—but the program cost from all sources was $3.5 million. In other words, $3.50 spent, $1.10 saved. But Mary Deyampert, director of the Division of Social Services in the Department of Human Resources, says the comparison is unfair, and that welfare payment savings are understated. "The savings are understated for the year because they only represent the amount each AFDC payment was reduced or terminated during the first month the individual be-

Table 8. Participants Involved in Community Work Experience Program (CWEP) in North Carolina, for 38 Participating Counties, 1987-88

CWEP Registrants From Total AFDC Caseload	
Number of AFDC cases	56,971
Number of recipients 16 or older	56,232
Number of 16 & older recipients who are exempt from program	- 32,450
Number of mandatory/voluntary registrants who are 16 & older	23,782
Those Actually Receiving CWEP Services	
Number of total registrants	23,782
Number registered for CWEP but temporarily excused	- 5,212
Number registered and available for assessment and program activities	18,570
Number with no reported employment program activity	-11,332
Number of registrants actually participating	7,238
Number of registrants who got jobs	9,875
Unduplicated Count of 7,238 Registrants Actively Participating	
Number in vocational training	1,179
Number in Adult Basic Education or General Education Development program	930
Number in job preparation/job search	3,790
Number in work experience	1,279
Number in grant diversion	8
Number in on-the-job training	22
Number in post-secondary education	131
Number in services only	476
Number in post-termination support services	1,547
Total:	**7,238**
Percent of AFDC cases registered for CWEP:	41.7%
Percent of AFDC cases receiving services:	12.7%
Percent of CWEP registrants who participated in programs:	30.4%
Percent of CWEP participants in work experience:	17.7%
Percent of CWEP registrants who got jobs:	41.5%

Source: "Community Work Experience Program—Annual Report, 1987-1988," Division of Social Services, Department of Human Resources, Oct. 1, 1988, see Tables 1-3 (pp. 4-7).

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came employed and any subsequent savings which resulted from a further reduction in benefits. The savings do not represent the amount that continued to be saved as a result of individuals remaining in paid employment." On the other hand, the department does not publish welfare cost increases for CWEP participants who lose a job and go back on welfare.

Many county programs began moving away from the punitive workfare approach in the 1970s, but not until 1986 did the General Assembly, with Gov. Jim Martin's urging, redirect the CWEP program statewide. The legislature appropriated $600,000 to expand CWEP into 18 counties.[21] It also required the counties to develop uniform program components under CWEP, including assessment of vocational and academic skills, development of an employability and training plan, job training, work experience, and follow-up. A county had to "ensure that each participant is being provided necessary transportation and child care prior to requiring the participant to participate in a program component."[22]

State Sen. Russell Walker (D-Randolph), chairman of the Senate Appropriations Committee on Human Resources, pushed through these 1986 requirements and follows the issue closely. "You still have wide variations in these programs," says Walker. "We have to go beyond those that are just make-work type operations. It's not good policy to make someone go to a job just to get a check, without any real training that will elevate them towards getting a permanent job. A lot of these people work in a school cafeteria, for example, but are not advancing toward getting a job."

Nationwide, some employment and training programs have been successful at getting welfare recipients into jobs. One such program in Massachusetts received a lot of attention during the 1988 presidential campaign. It has been a model for work programs elsewhere, but so far, the idea has not caught on in North Carolina.

How do the CWEP programs in North Carolina stack up? Advocates of poor people in North Carolina generally give CWEP poor marks, and those working within CWEP offer only mixed reviews.

"These people are being placed in dead-end jobs, not jobs that lead to self-sufficiency," says Blanche Lyons, director of the N.C. Hunger Coalition.

"We try to open up opportunities," says Chip Modlin, the Cumberland County Social Services director. "It's not a one-shot deal."

The programs vary extensively from county to county. A Durham County Social Services Department cooperative venture with the local Chamber of Commerce got a lot of praise for helping AFDC clients find permanent jobs in the Research Triangle Park. Some counties cooperate closely with the HRD and JTPA systems, combining several funding sources into workable programs that do not duplicate functions. Statewide, however, critics say that the system does not appear to have a significant impact. They generally make five criticisms of the program:

■ First, the *local DSS offices are understaffed.* While a large number of clients are required to register (in those counties that choose to operate CWEP), only three of 10 clients who registered received services last year. Of the 425 full-time employees at the Cumberland County Department of Social Services office, only 6.5 positions—fewer than 2 percent of the staff—work with employment and training programs. In 1987-88, this small staff had responsibility for supervising 2,367 people, who, like Gervis, had to register for CWEP. That works out to an average caseload of 364 registrants per caseworker. State officials say, however, that the caseload is not that bad in other counties.

■ Second, the data suggest that *CWEP is not necessarily the primary factor in getting welfare clients into jobs.* Last year, DHR reported that 9,875 of the 23,782 CWEP registrants entered employment, an impressive 41.5 percent, with a $1.1 million saving in welfare payments.[23] But there's a flaw in the data. Only 7,238 registrants were participating in the training effort—2,700 fewer people than the program claims to have gotten jobs. In reality, then, how much credit can CWEP take for the 9,875 who had their welfare check reduced or eliminated? The data system does not routinely evaluate the performance of the program and compare the outcomes of the 9,875 who received only CWEP services with those who received no CWEP services, or with those who participated in CWEP combined with JTPA or HRD, or with no manpower program services at all.

■ Third, *the department does not monitor how many of these stay in jobs and off welfare.* "We do not have the capacity to do the tracking of the job retention rate," explains Burgess. But the department can monitor people who return to AFDC and has done periodic surveys on retention.

A 1987 Department of Human Resources study strongly suggests that CWEP has *a minimal impact* on getting a person off public assistance and out of poverty. In the CWEP counties, the department reported, 75 percent of former clients remained off the welfare rolls for at least a year, but the non-CWEP counties did nearly as well, with a 69 percent rate.[24] In other words, CWEP, for all its efforts, makes only a 6 percent difference. But Quentin Uppercue, head of planning and information for the Division of Social Services in Human Resources, views the results more positively: "The study seems to show that CWEP has had some impact."

■ Fourth, *counties have very little money available for support services* to help cushion the transition into the job market. The total state budget for CWEP from *all sources* in 1987-88 was just $3.5 million, yet 38 counties (41 by 1989) had CWEP programs. Each participating county, then, had an average of $92,000 to operate its entire CWEP program—and that's not nearly enough. "Most people want to work," says Modlin. "But you've got to phase people off welfare. You can't go cold turkey into an entry-level, underemployed position. We need more money for training, placement, screening." Last fall, a bipartisan coalition in Congress took a large step in that direction, passing a $3.3 billion welfare reform bill. Much of the law focuses on job training requirements and provides new funds for support services to help with that effort. The state does not yet know how much it will receive.

■ Fifth, *staying on welfare sometimes may be a better deal than getting a low-wage job.* In North Carolina, AFDC payment levels, plus food stamps, meet only 62 percent of the poverty line (see table on page 14). Even so, AFDC, food stamps, and the medical coverage of Medicaid together may amount to more financial security than a person can get at many entry-level jobs, which usually pay the minimum wage of $3.35 an hour. In 1987, the General Assembly addressed this issue through the Family Support Act, which broadened Medicaid coverage to encourage recipients to work and made it easier for teenagers on AFDC to finish high school.[25] In 1988, Congress considered raising the federal minimum wage, but the bill lost momentum in the legislative maneuverings of the election year. A higher minimum wage could alleviate somewhat this shortcoming with CWEP, but the experts also debate whether a higher minimum wage would reduce the number of entry-level jobs available—

thus hurting rather than helping the poor.

Senator Walker's 1986 bill required the Department of Human Resources to submit a plan to the U.S. Department of Health and Human Services to operate what is called the AFDC grant diversion program. This program, which is voluntary, allows a person's AFDC benefits to be "diverted" to an employer who hires, trains, and pays the welfare recipient. "It's a kind of OJT-welfare program," explains Lucy Burgess, chief of the Employment Programs Section for the Department of Human Resources.

In theory, the grant diversion program could encourage people to work rather than staying on welfare because it would cut welfare payment *only* by the amount of new wages a person earns. But as a practical matter, a grant diversion program can work only if tied into the larger job training system of JTPA. In 1988, only eight people in the entire state were using grant diversion, and all of them were in Davidson County, where the DSS works closely with the JTPA system.

For all of its shortcomings, the CWEP program has helped people like Gervis Hilliard get into the job stream. Next year, the state welfare system will have substantial new federal funds for support services with its job training. These funds might broaden the impact of CWEP beyond those already well-motivated. To have the maximum impact, however, state executive and legislative officials will need to monitor closely how these funds will be used.

"There is a lot of opportunity to strengthen and expand our efforts," says Burgess. "We're in an expansion mode now and should be able to increase the availability of services to our clients. We should be able to help stabilize those people who go to work through that transition period with increased child care funds and longer Medicaid coverage. And we need to strengthen our program—with JTPA, with grant diversion, with interagency efforts. We need to increase the number of welfare clients enrolled in employment and education programs."

Conclusions and Recommendations

Nearly 400 people gathered at the Europa Hotel outside of Chapel Hill in October 1988 for the first annual North Carolina Partnership Conference, a three-day event sponsored by the Division of Employment and Training. "Job training is emerging with a new emphasis," conference moderator George Autry told the crowd. Autry ticked off the list—welfare reform, the greatly expanded displaced workers program (under the federal Trade Adjustment Act), attention to literacy, a study on the future of the community college system in North Carolina, and a new Worker Training Trust Fund established by the 1987 General Assembly.[26] "There is unprecedented attention to employment and training efforts. We welcome the ferment. The stew is simmering and is now on the front burner again," Autry observed.

Renewed interest in such training is a point that William C. Friday, former president of the University of North Carolina, welcomes these days. Spending on what he describes as "human capital" declined in the 1980s. "It's been going on a long time," notes Friday. "The emphasis on government policy the last few years has been on revitalizing the economy and improving the business climate, and job training has been cut. But those cuts [such as the 80 percent cut in North Carolina's JTPA budget] could not have come at a worse time."

In 1988, both JTPA and CWEP were six years old, and the presidential campaign had job training proponents on both tickets. The June 1988 issue of *The Washington Monthly* reflected this new national interest, with 13 short essays on "poverty programs that work."[27] Introducing the series, the editors wrote: "After an interlude of shoulder-shrugging disillusion, the country seems ready to begin confronting the problems of the poor again. . . . The Jobs Clubs and the training programs and the computerized literacy plans and the small business incubators and the preschool programs and the community colleges that we describe do make differences in individual lives."

Most of the programs described were initiated by private, nonprofit and for-profit companies, not through governmental efforts. The 13 programs varied a great deal but they reportedly worked for very similar reasons, summed up by one of the writers: "Hundreds of papers are written each year seeking to identify the elements of successful job training programs. But these elements are not complex—strong ties with employers, a curriculum geared toward demand, motivated students, and most of all a dogged persistence in helping them contact employer after employer in finding work."

Jesse Braboy, Quennia Hargrove, and Gervis Hilliard are headed out of poverty because of these same elements—contacts with employers, relevant curriculum, good motivation, and dogged staff follow-up. But many others in the JTPA, HRD, and CWEP programs are not so lucky. To broaden this positive impact to more people in poverty, officials in North Carolina should monitor closely three general aspects of the existing job training programs: follow-up, performance standards, and coordination.

1. *State jobs programs, particularly JTPA, need more complete follow-up data to determine how long program graduates are staying on the job and whether they are staying out of poverty.* HRD checks on its graduates three times—at three, six, and 12 months into the program. Neither JTPA nor CWEP reviews its participants regularly past the 90-day point. "We need to review the participants on an annual basis to see if they are being trained for the right jobs and are staying employed," said Fred Aikens, a senior fiscal analyst at the General Assembly who monitors the JTPA system, in the fall of 1988. Several months later, however, Aikens had changed his mind after reviewing the sketchy results of one-year sampling. "We really don't need to do the 12-month follow-up because we know that about half the people are not working after 90 days," Aikens now says.

But the 12-month follow-up—adequately funded—could divulge a wealth of new information for DET. The skimpy information from DET's 12-month sampling data, gathered in 1988, does not show whether workers are receiving adequate training, whether they need more training or education assistance, whether they are managing to remain employed regularly, or whether they are getting out of poverty. The legislature's Joint Commission on Governmental Operations appears to be leaning against recommending mandatory 12-month follow-up surveys, and DET has not asked for funds to pay for such surveys. Beyond even good data, though, comes a key element—personal involvement with the clients. This is impossible to legislate but comes instead through leadership at every point in the bureaucracy, especially at the local level. The key to the HRD follow-up is the tradition of staying in touch with graduates. DET officials say that JTPA workers do keep in touch with participants at the local level, but with so many program participants—far more than the HRD program—JTPA faces a difficult task in keeping tabs on each participant.

2. *State officials should consider adopting the efficiency index model used by the HRD program as an effective measure of JTPA success, and performance standards should be raised.* The efficiency index used by HRD offers a valuable model that should be broadened and put to good use under the governor's discretion within JTPA. The new JTPA performance standards, being used for the first time in 1988-89, de-emphasize quick job placement. This might help with the long-term goal of getting people out of poverty. But the performance standards apply only to part of Title IIA funds. The governor has the authority under JTPA to request that performance standards be established for the rest of Title IIA and for Title IIB funds, but no such initiatives have come during the first six years of JTPA. In 1986, the State Auditor recommended such new standards as "critical to the effective administration and evaluation of JTPA."[28]

Another way that performance standards could be expanded is for the Job Training Coordinating Council to require that more JTPA subcontracts be performance-based. Such subcontracts require, for example, that a company or agency administering the actual JTPA training gets paid only if the participants get certain kinds of jobs. "We shoot for $6 an hour for our preapprenticeship training contracts," says Charles Jeffress, N.C. assistant commissioner of labor, discussing the JTPA subcontracts run by that department's pre-apprenticeship division. "But all of these contracts have a $5-an-hour minimum." In this kind of arrangement, the subcontractor gets paid (with the JTPA money) only if the performance promises are met.

State officials should also consider whether they are setting certain performance standards too low. While nearly 7 out of 10 enrollees get jobs, the number who stay in those jobs trails off. The 1987-88 N.C. average standard for entered employment rate was only 58 percent, and was easily topped by the performance of 69 percent. Similarly, the welfare entered employment rate standard was 43 percent, easily beaten by the actual performance of 55 percent. While the state has done an admirable job of meeting or beating the average standards, the standards need to be set and met at a considerably higher level if the state is to gain ground on its poverty problem. If this is not done, then stringent evaluation standards should be adopted.

DET officials maintain that performance standards are not goals. They measure performance in an SDA based on economic factors and other characteristics unique to that SDA area, and they are set at the end of a program year, not at the start. Thus, raising performance standards alone would not set new targets to shoot for in the JTPA system. But higher standards might give a more realistic picture of actual JTPA performance.

3. *State program officials should make serious efforts to develop coordination plans to take better advantage of the far-flung program offices.* There are 28 SDAs, 28 PICs, and several advisory bodies for JTPA; there are 45 different HRD programs run by local community colleges; and there are 41 separate county-run CWEP operations in Departments of Social Services. Obviously, coordination would be by far the most elusive issue to monitor, but in 1989 it may be the most important—and for that reason state agencies must find a way to coordinate programs. While the "simmering stew" of job training programs has moved to the front burner, hungry and often competing bureaucracies are waiting with ladles. The JTPA program already has spawned a sprawling bureaucracy through 28 separate administrative structures, prompting the State Auditor to observe that "job training and employment resources in North Carolina are diffused and decentralized. This fragmented system results in multiple agencies providing comparable services from multiple funding sources. JTPA represents only one component of a very large and diverse delivery system which may, as structured, result in duplication of efforts, increased administrative cost, interagency tensions, and other inefficiencies." In 1989-90, the new funds coming from welfare reform and from the federal Trade Readjustment Act for displaced workers will seek a bureaucratic home.

Eric Green / N.C. Poverty Project

"We have the potential of laying bureaucracy on bureaucracy," says Sanford Shugart, vice president of programs in the N.C. Community College system. "Programs with that kind of money could set up conflicting priorities and turf. We need to make the best use of the system we have.

JTPA programs already reach into multiple delivery systems: Employment Security Commission offices, welfare offices, Service Delivery Areas, community colleges, vocational rehabilitation offices, and other agencies. But to Shugart, these multiple points of *entering the training systems* could evolve into separate training systems themselves. Excessive bureaucracy should be avoided. "In North Carolina, the basic delivery system is the community college," says Shugart. DET officials debate that point, and so do officials from other agencies dealing with training programs. The task for state officials is to evaluate whether there is any consensus on the delivery vehicle, and if not, how to develop one. The Job Training Coordinating Council has such a responsibility within its legislative mandate to provide "management guidance and review of all State administered employment and training programs."[29]

The council and the legislature need to evaluate what kind of system or combination of systems can make best use of job training funds. An updated and expanded version of the 1986 inventory of JTPA programs would help, especially if it examined all 28 Service Delivery Areas and focused on coordination of such items as the $21 million in dropout prevention funds under the Basic Education Plan and Title IIB summer youth programs, and how they best might be used; or cooperation with HRD programs to identify areas where JTPA can provide more training components; or improving the use of Division of Vocational Rehabilitation programs and Employment Security Commission services in JTPA programs.

"How can we get the biggest bang for our buck?" asks Aikens, the legislative fiscal analyst. "We still look at things individually, even though we have several bureaucracies at work. The legislature tried to fashion the council into a structure that could advise the governor and the legislature on how all the job training dollars are being used and should be used—Human Resources, ESC, NRCD, DPI [Department of Public Instruction], Community Colleges. We've just got to have a strong concerted effort to pull all of those under one umbrella. It's a tough cookie to crack."

In addition to these three issues, the state must also consider the budgetary implications of job training programs:

4. *With federal job training funding in decline, the state must recognize it has to take more responsibility in job training.* Since its inception, funding available for JTPA, the main job-training program, has steadily declined, and state funds come to less than $5 million. That has not been enough money to provide extensive job training in a state where more than 800,000 are in poverty and many more live just above the poverty line. And with the federal welfare reforms taking place in 1989, North Carolina either will have to ante up more money for job training or see its federal jobs funds drop even further. The reform will require the state to involve 7 percent of its eligible AFDC recipients in job training programs by 1990, and 20 percent by 1995. Unless the state meets those goals, its job training funds will drop substantially. (See "Welfare Reform: No Vacation from Poverty," page 48, for more.)

For these reasons, the North Carolina General Assembly should immediately begin planning for the increased job training outlays it needs to make to beef up the HRD program, to provide more job training for the CWEP program, and to consider ways to augment federal JTPA funding, the main training program in North Carolina. North Carolina will need to put more money into training programs, set and meet tougher performance standards or goals, and develop ways to reach more of those in poverty.

* * *

Evaluations, inventories, case studies, performance standards, and coordination can all help to make job training programs work better. But in the end, says George Autry, "It is a matter of will. The nature of big government and bureaucracy is not to be creative. There's too much turf protection. So the impetus has to come from outside the the bureaucracy."

But all that must change if job training programs and education programs are going to mesh, train the poor to work, and help them find jobs. "Federal welfare reform," says Peter Carlson, a National Alliance of Business official who spoke at the N.C. job training conference, "will *require*

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"Across the cities, across this land,
Through the valleys and across the sand,
Too many people standing in line,
Too many people with nothing planned,
There's too many people with empty hands."

—"Empty Hands"
by John Mellencamp and George Green

♦

the governor [of each state] to provide some leadership to bring together the social services people and the employment and training people, to make them do it right. And state legislatures are going to *have* to get involved to come up with the money to get these programs rolling. Success will be determined by whether there is a political will to solve the problem."

Government job training programs worked for Braboy, Hargrove, and Hilliard because they were motivated and got help entering the job stream. But not everyone is so well-motivated, nor does everyone get so much individual help. These efforts will have to improve to reach further into the poverty rolls, to those who lack motivation, who have handicaps to overcome, and who need more than just one chance.

George Autry, who developed many of the jobs programs in North Carolina, believes any workable solution to this puzzle must ultimately revolve around the basic JTPA structure. "There are not enough dollars and will not be enough in the foreseeable future to solve the nation's structural employment problem," says Autry. "But there are increasing funds for welfare reform, worker readjustment, new state initiatives for disadvantaged youth, and so forth. None of these programs alone can solve the problem. JTPA is the only one than can serve as the glue to maximize our painfully modest efforts in overcoming penury, the only one that can act as leverage in an effort to prevent permanent establishment of an underclass."

FOOTNOTES

[1]MDC, Inc., has published numerous reports over the years regarding job training. Three of the most recent are "America's Shame, America's Hope —Twelve Million At Risk" (1988); "The Bridge to the Next Century—A Commentary by the MDC Community College National Advisory Panel for the Commission on the Future of the North Carolina Community College System" (May 1988); and "Workforce Literacy in the South—Meeting the Economic Challenge of the 1990s" (September 1988). MDC, Inc. is located at 1717 Legion Road, P.O. Box 2226, Chapel Hill, N.C. 27514, (919) 968-4531.

[2]"The Climate for Workers in the United States," Southern Regional Council, 1988, p. 35.

[3]"Wages of American Workers in the 1980s," Senate Committee Print 100-124, U.S. Senate Budget Committee, Sept. 26, 1988, p. 32.

[4]See Bill Finger, "North Carolina: An Economy in Transition," *North Carolina Insight*, Vol. 8, No. 3-4, April 1986, pp. 3-20; see also Jack Betts, "Job Training—From Classroom to Boardroom," pp. 84-95, same issue.

[5]The federal Trade Readjustment Act, passed in 1988, removes the dislocated worker program from JTPA and increases funding for this program substantially, effective in 1989. Ironically, the much larger dislocated workers fund will come to North Carolina outside the JTPA, but could be administered by the JTPA Service Delivery Areas, and not by the Employment Security Commission.

[6]G.S. 143B-344.11 to -344.15 (Chapter 343 of the 1985 Session Laws).

[7]Chapter 479 of the 1985 Session Laws (SB 1, Section 118).

[8]"State Administered Employment and Training Programs—An Inventory of JTPA Related Programs," Office of State Budget and Management, May 1986, p. 3.

[9]"Operational Audit Report—North Carolina Job Training Partnership Act Program," Office of the State Auditor, December 1986.

[10]*Ibid.*, p. 4.

[11]"Son of CETA: Job Training? No, Corporate Welfare," *The New Republic*, April 14, 1986, pp. 16-17.

[12]Minutes, Evaluation Committee, N.C. Job Training Coordinating Council, March 23, 1988, p. 7.

[13]"JTPA Said to Neglect Neediest," *Education Week*, Washington, D.C., Oct. 5, 1988, p. 19. The General Accounting Office report on JTPA will be published in May 1989.

[14]G.S. 143B-144.14.

[15]"Operational Audit Report," p. 23 (quote) and pp. 21-22, background information.

[16]"Human Resources Development Program, 1987-88 Performance Summary," Continuing Education Section, Division of Adult and Continuing Education, N.C. Department of Community Colleges, August 1988, Chart 2 (pages not numbered).

[17]*Ibid.*, Chart 3.

[18]Chet Fuller, "People on 'Trash Heap' Given Revitalized Lives," from "A Black Man's Diary" series, *The Atlanta Journal*, Dec. 24, 1979, p. 1-A.

[19]"Community Work Experience Program—Annual Report, 1987-1988," Division of Social Services, Department of Human Resources, Oct. 1, 1988, Tables 1-3 (pp. 4-7). The 1987 General Assembly required the department to produce this report (Chapter 738 of the 1987 Session Laws).

[20]*Ibid.*, pp. 20-25 (tables and text explain the complicated sources of funding that have evolved within CWEP programs). Note that most of the $3.5 million came through the CWEP funding structure (50 percent federal, 25 percent state and county); the rest came through WIN (90 percent federal, 10 percent local). Subsidies for child care used for a CWEP client are not included in the $3.5 million. Child care subsidies come from other state allocations or the federal Community Service Block Grant, which can be used for various services. The funds are divided into three general spending categories: county administration, participant transportation, and vocational education and training.

[21]Chapter 1014 of the 1985 Session Laws, 2nd Session (HB 2055, Sec. 128).

[22]*Ibid.*, HB 2055, Sec. 128 (b) and (c).

[23]"Community Work Experience Program—Annual Report, 1987-1988," pp. 11-12.

[24]"Questions and Answers About the Community Work Experience Program in North Carolina," Division of Social Services, Department of Human Resources, March 1987, p. 17.

[25]Chapter 738 of the 1987 Session Laws, known as the Family Support Act, now codified as G. S. 108A-28.

[26]G.S. 96-5(f) (Chapter 17 of the 1987 Session Laws).

[27]"Don't Give Up—Poverty Programs That Work," *The Washington Monthly*, June 1988, pp. 28-40, quotes from pp. 29 and 32.

[28]"Operational Audit Report," p. 47.

[29]"G.S. 143B-344.14(10).

— continued from page 49
tween the time a payment is made to a clerk of court and the moment it reaches the needy family. The new standard will reduce this to a few days.

Other changes in the child support program are designed to create consistent payment standards, force states to review child support awards more frequently, and set up more sophisticated monitoring and tracking systems. All of these changes will be helpful, but none of these reforms deals with the problems of inadequate income or parents who cannot be located. To handle these problems, the Jobs Opportunities and Basic Skills program (JOBS) was created.

The Job for JOBS

The Jobs Opportunities and Basic Skills program is the key element of what remains of the original House of Representatives welfare reform effort. In it lies the hope for the transition of welfare recipients from public assistance into the labor market where they can find a decent-paying job. As early as July 1989, North Carolina can use the JOBS program to replace the old Work Incentive (WIN) program, which currently operates under the Community Work Experience Program name in 41 counties in the state (see page 64 for more).

The JOBS program would be coordinated by the leading welfare agency — in this case, the N.C. Department of Human Resources — but the actual program could be operated by the same agency operating the Job Training Partnership Act (now in the Department of Natural Resources and Community Development). Federal matching funds of 90 percent would be provided to each state in an amount up to the 1987 WIN payment levels, and greater amounts would be matched at up to 80 percent. In other words, the more serious a financial commitment to job training each state is willing to make, the more federal money it will receive.

And there are some incentives to succeed over the long run. By 1991, each state has to enroll at least 7 percent of its welfare recipients who are eligible for the JOBS program, a target already met by existing employment and training programs in North Carolina. By 1995, the participation rate requirement rises to a more ambitious 20 percent, and if that goal is not achieved, the state's federal funding of the program would begin to decline.

It is difficult to determine what impact the potential new flow of money will have for poor people in North Carolina. Depending on how the state chooses to implement the program, JOBS could be either a boon or a bust in North Carolina. On the one hand, the new money could allow the state to serve more people with employment and training services, including more extensive counseling and wider availability of classes and courses. This would require a comprehensive plan, going beyond the program's minimum requirements and potentially entailing increased state spending to benefit from the federal match. On the other hand, the state could decide to serve the minimum number of recipients, restricted to certain counties and involving only certain prescribed activities.

On the bright side, however, two important accountability measures will be put in place. First, the state must target certain needy groups such as young families with no high school education. Second, the state must measure the outcomes of its program, and not just activity or participation.

The JOBS program also contains the greatest potential benefit from the new legislation. It provides the greatest opportunity for the state to show its determination to design a program which can work for North Carolina's poor citizens.

FOOTNOTES

[1]Nancy Amidei, "Welfare," in *Preventing Need: A Long Way To Go,* The Study Group on Social Security of the Field Foundation, September 1988, p. 7.

[2]P.L. 100-485.

[3]Technical information about implementation in North Carolina was provided by the Division of Social Services, N.C. Department of Human Resources, Oct. 10, 1988. Note that certain provisions of the Family Support Act affect only certain states. For example, North Carolina is one of the states which already has an AFDC-Unemployed Parent program, extending AFDC to families where both parents are in the home. The new act requires the program in all states.

[4]Interview with Gary Meares, Child Support Supervisor, Durham County Department of Social Services, December 1988.

Greg Gibson

David, Nicholas, and Brian Steele toss a football in front of their home in Biscoe, while their parents, Horace and Vivian Steele, watch from the front porch. The Steeles are a case study in the plight of the working poor.

The Family in Poverty: Working and Still Poor

By Mike McLaughlin

Harvey Steele earns nearly $6 an hour for cleaning and maintenance work at a huge textile plant near his Montgomery County home in Biscoe. By working the swing shift and all the overtime he can muster, Steele manages to boost his income to about $18,000 a year—nearly double the per capita income for Montgomery County residents and just above the federal poverty line of $17,530 a year for a family of seven. But with five children and a wife to support, Steele's income still comes up short. The family must depend upon a monthly allotment of food stamps to make ends meet.

The Steeles are a case study in a class that long has been a pillar of the North Carolina economy—the working poor. How did the Steeles find themselves in a situation in which outgo exceeds income? Are there programs in place to help them, and what are their chances of improving their lot? Would those prospects be improved if Harvey Steele left the work force and his family went on the welfare rolls?

Harvey Steele went to school long enough to keep the truant officer away from his door and then he quit. His wife Vivian says he attended through the 9th or 10th grade. Steele says he gave up much earlier. "Really, the fifth grade," says Steele. "I went long enough to where they would leave me alone, and then I quit. I hated school so bad."

For a dropout who can barely read, the 39-year-old Biscoe resident has done rather well for himself. After driving a truck for a few years and serving a stint as a sheriff's deputy, he seems to have found his niche in the textile industry—doing maintenance work at a mill that spins out bolts of cloth for shirts and slacks and dresses in nearby Robbins. But the lack of an education is one factor that may have locked Steele in at a wage just above the subsistence level, assuring that the stuff of the American dream, such as his own home and a late model car, remain beyond his reach.

If his lack of education sets the odds against Steele, the sheer size of his family stacks them even higher. Harvey's first child, Shawn, was born soon after his marriage to Vivian. Shawn is 12 now. He has an 11-year-old brother Brian, and three younger siblings—Nicholas, 6, David, 4, and Carrie, who is almost a year old. The Steeles say they never thought much about family planning, but now that they finally have a little girl, they are ready to stop having children, and Vivian has begun using birth control pills. Harvey says he does not want Vivian to have her tubes tied. He says he had a cousin who went in for the operation and she was given too much ether and died.

The family does not live in a shoe, but their four-room house—which they rent from their minister for $100 a month—is almost that crowded. A living room and a kitchen comprise the right side of the house. A bathroom separates two bedrooms on the left side. The wood-lath walls of the living room are painted a red that has faded to the color of tomato soup. Harvey says he would rip out the dirt-smudged wood and replace

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Mike McLaughlin is associate editor of North Carolina Insight.

the old-fashioned windows if the house belonged to him. Because it is rental property, he does not invest in improvements beyond the plastic he puts on the windows to keep out the cold. The living room couch is covered with an orange bedspread. Plaques on the walls bear messages such as "Love isn't love until it is given away," and "With God, everything is possible"—testaments to Vivian's strong Christian faith. There are also a few family snapshots.

Vivian sometimes jokingly refers to her children as "the Four Horsemen and Precious." She calls her sons "the Duke boys" in reference to the rowdy television program, "The Dukes of Hazzard." Slamming screen doors and chattering children and the blaring television create a dull roar when everyone is at home at once. Vivian says the setting is not as chaotic as it seems. She says she makes sure the children sit down and do their homework each night. She lets them watch a few game shows, and they usually are in bed by 9 p.m. She says she does not hesitate to revoke television privileges or use a switch if it becomes necessary to keep order. "I'd like to meet the parents who didn't have to use a switch sometimes," she says.

The aroma of old grease hangs heavy in the kitchen, which is crowded with a large, rust-spotted refrigerator, a table, and a woodstove with a flue that feeds up through the sagging ceiling. A bare bulb with a string pull illuminates the room, and snapping it on after dark sends swarms of roaches scurrying for cover. Wedged between a wall and the kitchen sink is an electric range, its surface covered with pots and pans of almost every shape and size. Vivian says she cooks a big meal at least once a day. She says a typical supper might include green beans, fried chicken, corn, and homemade biscuits. "As far as giving them dessert every evening, I don't do that," says Vivian. "It could be habit forming. We might have dessert once or twice a week."

Sleeping quarters are tight. The four boys share a front bedroom, while Carrie sleeps in the back bedroom with her parents. The house is heated by an oil burner in the living room and the wood stove in the kitchen. Vivian says the family tries to turn off the oil burner at night and heat with wood to save money. At $40 a pickup-truck load, she says, wood is cheaper than fuel oil. Still, the old-fashioned oil burner gobbles up 100 gallons of fuel a month during the heart of winter, and the total monthly heating bill typically exceeds $100.

The grocery bill is closer to $100 a week. Vivian says the family gets between $50 and $150 a month in food stamps—depending upon how much Harvey earns each month at the plant. The Steeles must fill out a monthly report for the county Social Services office because their household income fluctuates. A family may earn up to 130 percent of the federal poverty line—or $1,900 a month in gross income—and still be eligible for an allotment of food stamps if other criteria are met. Unlike many rural families, the Steeles are not able to supplement their food budget with homegrown meats and vegetables. "In the city limits, you can't raise hogs or anything a lot," says Vivian. "There's not really no place to put a garden." But the stamps, Vivian says, combined with Harvey's paycheck, are enough to provide nutritious meals for her family. "It can get tough sometimes, stretching dollars," says Vivian. "You don't just buy the first thing you see. You might see a can of beans for 30 cents but a bigger can for a few more cents. You get more for your money by buying the bigger can. I hit the sales and stuff and stock up on shortening, flour, and necessities with the stamps."

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"Very few people can afford to be poor."

—George Bernard Shaw

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Vivian says she also gets assistance from the Women, Infants and Children (WIC) program. The program pays for a monthly allotment of infant formula, infant cereal, and juice for Carrie and eggs, cheese, milk, juice, and cereal for David. The older children get free breakfasts and lunches at school.

But there is no help with the telephone bill, which runs $25 to $30 a month, or the electric bill, which averages $50 to $60 a month. Another big expense is clothing for the children. Vivian says she gets some free clothes from a local charity, the older children hand their clothes down to their siblings, and she shops at discount stores to keep expenses in line. "They carry nice clothes," she says. "A lot of these kids are going for name

Greg Gibson

The kitchen is a busy place in the Steele household. Vivian says she cooks at least one big meal a day. Also pictured are David and Carrie, the youngest of five children.

brands, but name brands don't wear no better than any others."

No Free Ride

The Steeles also face a constant parade of repair bills for the three cars they own—a 1967 Volkswagen, a 1969 Pontiac GTO, and a 1970 Pontiac Grand Prix. "I've got one of them sitting out there right now with the flywheel broke in it," says Harvey. "Another one, the manifold is busted. They are wore out—all three." Harvey says the cars are paid for and he does not plan to buy a more dependable automobile. "I can't afford going in debt with no car right now," he says. But he is already in debt to the bank for a loan he took out to replace an engine in one of the cars. "Motors cost about as much as a car," says Harvey. "I haven't been able to find one. Motors are so high. It costs $1,000 to $1,200 to rebuild one." And while Harvey looks for an engine, part of the bank loan is spent for other household bills. "Some of it's already gone," he says.

Steele says he brings home $249 a week if he works 48 hours. Often, he works more, but in the fall of 1988, the company temporarily put its employees on a 38-hour-work week, which caused severe financial strain for the Steeles. Harvey typically earns extra pay by working what is called a swing shift—a rotating schedule in which he begins work on a Wednesday and works through the next Tuesday from 8 a.m. to 6 p.m., then works Wednesday night from 4 p.m. to 12 midnight and gets a Thursday off. He reports back to the plant on Friday and works from 10 p.m. to 8 a.m. through the following Thursday. Steele punches out on Friday morning to begin a stretch of four consecutive days off. His time card shows he has worked 15 of the previous 16 days on a schedule that has taken him around the clock. At 8 a.m. on Wednesday he starts the process over again.

"One week you might get used to sleeping at night, and then the next week you get all messed up again," says Steele. "There ain't nobody who can get used to that. There's people been there 40 years who can't get used to that."

Although the schedule keeps him tired and takes him away from his family, Steele says he is forced to work it for financial reasons. "It's pretty hard," says Steele. "I would probably just get a straight-shift job, but I couldn't make it on a straight-shift job."

Harvey could not quit work and go on welfare, even if he wanted to. That's because Aid to Families with Dependent Children (AFDC) is available to single-parent households or to two-parent households in which one parent is unemployed or disabled and meets strict eligibility criteria. Even to qualify for food stamps, a worker who quits his job without a good reason faces a two-month penalty period in which he receives no benefits. *If, however, Harvey were to move out of the house, Vivian and the children would qualify for a full complement of monthly benefits.* These would including $342 in AFDC payments, $404 in food stamps, a possible rent subsidy, and perhaps some assistance with heating and electric bills. They also would qualify for Medicaid, which would pay all but a pittance of the children's dental and doctor bills. The Steeles currently must meet a $200 deductible before Harvey's health insurance plan picks up 80 percent of doctor bills, and they have no dental coverage. "When they [the children] have to have something expensive like dental work, you have to pay out of your pocket," Vivian says.

Although the Steeles are better off with Harvey working, the difference is not a great one. And the Steeles have learned firsthand they can scrape by solely on public assistance. Harvey missed four months of work in 1987 for surgery on his gall bladder. "He had a stone about the size of a golf ball taken out of him," says Vivian.

In the spring of 1988, Harvey missed another two months of work when he came down with bronchial flu, an ailment aggravated by the dust in the textile plant. Harvey's group health insurance plan took care of 80 percent of the medical bills, and he drew a little more than $300 a month in disability insurance benefits, as well as more than $400 a month in food stamps. It was during Harvey's 1987 illness that Vivian first turned to Social Services. William Crawford, Montgomery County Social Services director, says working poor families such as the Steeles often are forced by the loss of a job or by a sudden illness to seek public assistance. "They are just hanging on by the fingernails, and then the medical emergency breaks that grip and they tumble off," says Crawford.

Montgomery is a sparsely populated county an hour's drive east of Charlotte. Its manufacturing base is in textiles, furniture, and logging, all of which are sensitive to recession. "You should have seen this place back in 1982 and 1983," says Crawford. "There was 16 percent unemployment. The food stamp participation rate was 35 percent higher than it is now. Middle class families were

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"Take every possible occasion of entering into the levels of the labourers ... see what they eat, how they are cloathed, whether they are obliged to labour too hard; whether the government or their landlord takes from them an unjust portion of their labour; on what footing stands the property they call their own, their personal liberty & c."

—Thomas Jefferson

♦

Greg Gibson

The Steele children are (l-r) David, Carrie, Shawn, Nicholas, and Brian. Vivian and Harvey have high hopes that they will advance themselves through education.

in danger of losing their homes. We're just a sitting duck because of our industrial base. People in these economically sensitive industries can become our clients overnight." Crawford says unemployment has since dropped to 2 to 3 percent, but many of the new jobs are in lower-paying service sector industries such as fast food. "In this county, anybody can get a job," he says, "but it's what the jobs pay—or don't pay—that's the problem."

Vivian says she has no qualms about wading through the stacks of forms with an eligibility specialist at the county social services office and providing reams of personal information in order to obtain assistance. "They are strict, but when it comes to a crisis, they are quick to help you out," says Vivian.

A Paperwork Nightmare

But Sheila Hamilton, a food stamps eligibility specialist, says working poor families unused to seeking public assistance are in general the group most bothered by the disclosure requirements. "They're the kind who get really discouraged and get up and walk out of here because they have to tell us so much," she says. As an example, she points to a requirement that the applicant give two references who can verify the number of people who live in the home. Hamilton says many proud working families do not want anyone to know they are seeking assistance and refuse to give the names. Another obstacle to borderline recipients receiving food stamps is a limit of $4,500 on the value of an automobile, a problem that the Steeles don't have. A person who is temporarily thrown out of work might be blocked from getting benefits solely because his car is too valuable, says Hamilton.

A January 1988 study by The Public Agenda Foundation found the public most willing to help the working poor because they are making the effort to help themselves.[1] The irony is that the bureaucratic maze is most likely to discourage this group from seeking assistance.

"It's just a nightmare of tedious paperwork that never really ends," says Crawford. "We just harass them something fierce. We know we're doing it, but it's required. The state requires it."

Crawford, in a guest editorial for *The News and Observer* of Raleigh, argued that the plethora of paperwork is not only intimidating for the poor but inefficient for the public purse. "Our staff has increased by 91 percent since 1982," Crawford said. "Most of the new staff are assigned to AFDC, food stamps, and Medicaid. But the total caseload for these three programs is 10 percent less than it was in 1982. We have nearly doubled our staff—as well as adding extensive computer capability—to serve 10 percent fewer clients in the safety net programs!"[2]

Crawford's view is apparently widely held by Social Services directors across North Carolina. "The requirement for public accountability has made the verification process horrendous," said Wake County Social Services director James Wight in an interview with *The News and Observer.* "In some respects, I would rather fill out my 1040 [tax] form than an application for AFDC."[3]

Despite Harvey's past medical problems and the uncertainties of the textile industry, Vivian says she does not fear a return of hard times. "It's not like somebody who has got something and loses it all," says Vivian. "If hard times come, it won't be so hard for me. It's not like somebody who has been living high on the hog and has to come back to eating 'taters and beans. You learn how to adjust your expectations."

An usher at the Sidney Grove Church of Deliverance in Ellerbe, Vivian also has her faith to sustain her. "I put my trust in God because God will always find a way for you," she says. With the exception of Carrie, the children sing in the youth choir. They also belong to the youth group at church. "This year they went to Busch Gardens [a theme park in Williamsburg, Va.]," says Vivian. "They're thinking about going to Six Flags Over Georgia next year."

There is one way the Steeles could immediately boost their income above the poverty line. Vivian could put the two youngest children in day

Gender and Education: New Determinants of Poverty?

A review of recent literature points to a strong link between family structure and poverty. The majority of families in poverty nationwide are now headed by females. And there is a dwindling number of good-paying jobs for males who do not hold at least a high school degree. Some experts believe this has contributed to a decline in marriage rates, creating even more female-headed households and putting more families in poverty.

Researchers trace the trend toward lower-paying jobs to economic changes wrought by the oil embargo of 1973 and to the shift from a manufacturing to a service-based economy.[1] The result is a sharp increase in the number of working poor. The Ford Foundation reports that two million adults nationwide worked and yet remained in poverty in 1986, a 50 percent increase over 1978.[2] An additional 6.9 million poor people worked part-time or less than a full year, some of them because they were unable to find full-time work.[3]

Especially hard hit are female-headed households. Nearly half such households are poor, compared to less than one-tenth of two-parent households. Female-headed households now comprise more than 56 percent of all poor families, more than double the number of poor families headed by women in 1960.[4] Divorce and separation may be the primary cause of the increase in female-headed households, but researchers also suggest a link between the declining marriage rate and a drop in earnings for young men.[5]

Job training is the oft-prescribed remedy for improving the lot of the poor, but consider the practical difficulties: a worker may have to balance job training with a fluctuating work schedule and a less-than-accommodating boss in his current job. A single parent may also have difficulty finding affordable day care. And one must question the effectiveness of any care and take a job. Crawford says jobs are plentiful in Montgomery County in the $3.35- to $4-an-hour range, but that day care—which averages about $40 a week in Montgomery County—and other expenses such as clothing and transportation would devour most of the additional income. Vivian would not qualify for a day care subsidy because her income combined with that of her husband would push her above the $18,026 income limit for a family of seven for subsidized day care. She also would lose her allotment of food stamps, although she could continue to participate in the WIC program, which has an income cutoff of 185 percent of the poverty line. "She really in effect is discouraged by the system from working," says Crawford. "She's smart to stay home." (See sidebar, page 102, for an analysis of working vs. public assistance for the Steele family.)

Vivian offers no apologies for shunning the work force. "If I was working and had to put these children in day care, I'd be losing," she says, adding that she has no qualms about collecting social services benefits. "Since it is there to help, I am proud and thankful to get it," says Vivian. "More people might could use help if they knew a little more about it."

She says she may take a job when the two youngest children are enrolled in school. "[Paying someone for] keeping children 30 minutes is not as bad as keeping them eight hours a day," she says.

Still, she does not expect her situation to improve dramatically. "The price of living is going up," says Vivian. "Even for families with two people working, times are getting hard, and they're making good money, too."

—continued on page 104

job-training program that does not lead to steady work. In *How the Poor Would Remedy Poverty,* a 1987 study by the Coalition on Human Needs, poor people from four states were given a platform for discussing their problems and suggesting possible solutions. A major drawback cited by study participants from Hertford, Gates, Bertie, and Northampton counties in northeastern North Carolina was that the region's economy was not sufficiently developed to link jobs with job training.[6]

"There are a lot of people in this area who want to work," said a working mother who participated in the study. "They don't have the money to get training for jobs. Then, if they have the money to get training, the jobs wouldn't be here."[7]

And there are political obstacles to developing effective programs to help the working poor. Thomas Byrne Edsall, author of a book called *The New Politics of Inequality,* argues that the ranks of the working poor are increasing at the same time their political clout is decreasing. Edsall, in an article published in the June 1988 *The Atlantic* magazine, points out that programs needed to help the working poor—such as worker retraining, publicly financed day care, and broader medical coverage—are unlikely to be initiated unless this group increases its participation at the ballot box. Edsall argues that the declining role of political parties in bringing out the vote, combined with the reduced clout of organized labor, has resulted in an erosion of power for lower income citizens.[8] This undercuts their ability to demand services that would blunt the impact of the transition to a lower paying service-based economy.[9]

—Mike McLaughlin

FOOTNOTES

[1]Gordon Berlin, "The New Permanence of Poverty," *The Ford Foundation Letter,* New York, N.Y., Volume 19, No. 2, June 1988, p. 2. See also Bill Finger, "Making the Transition to a Mixed Economy," *North Carolina Insight,* Vol. 8, No. 3-4, pp. 3-20.

[2]*Ibid.*

[3]*Ibid.*

[4]*Ibid.*

[5]*Ibid.*

[6]*How the Poor Would Remedy Poverty,* Coalition on Human Needs, Washington, D.C., p. 48.

[7]*Ibid.*

[8]Thomas Byrne Edsall, "The Return of Inequality," *The Atlantic,* June 1988, p. 94.

[9]*Ibid.*

Working vs. Shirking: An Analysis of Options for the Steele Family

Arlester Simpson, a minister and a middle school principal in Montgomery County, may be as familiar with the problems of Harvey and Vivian Steele as anyone outside their immediate family. Simpson is their landlord and next-door neighbor, besides being the leader of the Steeles' church, where members are described as family instead of as a congregation.

Simpson believes if Vivian would go to work, the financial situation of the Steeles would be much improved. "They are the only family in our church wherein the wife doesn't work, so that makes it extremely difficult for them to make ends meet," says Simpson. "If she was working, the income would be much greater."

But would the Steeles really be better off if Vivian were to take a job? An analysis by the North Carolina Center for Public Policy Research reveals that the answer is clearly no.

For purposes of the analysis, Harvey's income is frozen at $18,000 a year and Vivian is assumed to have found a job working 40 hours a week and earning $4 an hour. The analysis also assumes the Steeles must put the two youngest children, Carrie, 8 months, and David, 4, in day care at a cost of $40 each a week (or $347 a month for both children) and that they must find after-school care for Brian, 11, and Nicholas, 6, at a cost of about $65 a month each. These costs are based on estimates of the cost for care at state-licensed day care centers in Montgomery County. It is assumed that Shawn, at 12, is old enough to stay at home alone or to participate in after-school activities such as athletics.

As the accompanying table shows, with Vivian working, the Steeles gain about $606 in monthly income after deductions for Social Security and taxes. But besides having to pay out $477 in monthly day care expenses, the Steeles lose a $143 monthly food stamp allotment because their gross income now exceeds the $1,900-a-month maximum income for a family of seven. The increased income means the Steeles also must pay $40.50 a month for reduced-price school lunches and breakfasts for Shawn, Brian, and Nicholas. Carrie and David still qualify for the Women, Infants and Children nutritional supplement program, which has an income cutoff of 185 percent of the federal poverty line. Vivian estimates the cash value of this program, in which coupons are exchanged for food items such as infant formula, cereal, and juice, at about $85 a month.

The bottom line shows a monthly income of $1,322.95 if Vivian works, and $1,560.90 if she stays home and tends to the children. In other words, if Vivian were to take a job, the Steeles would suffer the equivalent of a pay cut of about 15 percent. That's without taking into account the possible added expenses of clothing, transportation, and increased consumption of convenience foods if both parents worked. Even if Shawn—at 12 the oldest—cared for his two younger brothers after school each day, the Steeles would lose almost $108 a month with Vivian working a full-time job.

The analysis also clearly indicates the worst option for the Steeles would be for Harvey to leave the home and for Vivian and the children to go on public assistance. Their monthly income would drop by nearly half to $871.50. —*Mike McLaughlin*

Table 1. The Pluses and Minuses of Working vs. Going on Public Assistance

A. Monthly income with Harvey earning $18,000 a year and Vivian staying home with five children		B. Monthly income if Harvey leaves home and family accepts full welfare benefits package		C. Monthly income if Harvey stays in the home and Vivian takes full-time job earning $4 an hour	
+$1,340.06	(net income after deducting for taxes and Social Security)	+$342.00	(from Aid to Families with Dependent Children program)	+$1,946.11	(net income after taxes and Social Security for Harvey and Vivian)
-$47.66	(for Harvey's health insurance)	+$47.66	(family covered by Medicaid, eliminating health insurance payment)	-$47.66	(for Harvey's health insurance)
+$143.00	(food stamps allotment for family of seven earning $18,000 a year)	+$404.00	(food stamps allotment for family of six collecting maximum AFDC benefit)	-$143.00	(lose eligibility for food stamps)
+$85.00	(estimated value of participation in Women, Infants and Children program for two children)	+$85.00	(participation in WIC program for two children)	+$85.00	(participation in WIC program for two children)
+$40.50	(savings from participation in free school breakfast and lunch program for three children)	+40.50	(participation in free school breakfast and lunch program for three children)	-$40.50	(reduced price breakfast and lunch program for three children)
				-$347.00	(day care for two children)
				-$130.00	(after school care for two children)
Income totals:					
$1,560.90 a month		$919.16 a month		$1,322.95 a month	

Table by Nancy Rose, N.C. Center for Public Policy Research

Home ownership is a dream the Steeles view as far out of reach. "We would love to be able to own our own home," says Harvey, but he quickly adds that the payments would run "$370, $400, or $500 a month," and the down payment alone would put the Steeles out of the market. "It's getting to where you just can't have a home built unless you got a big job, the down payment is so much," says Harvey.

Hope for the Children

Despite their modest means and meager prospects, the Steeles are hopeful that their children will face a brighter future. "I want them to be all that they can be and get the best education they can get," says Vivian.

Harvey says he hopes the children will go to college so they won't have to work in a mill. "I don't want them to be like me," he says. Still, Harvey has mixed feelings about the value of a college education. "My brother, he's been to college, and I'm making more than he is."

Vivian says the three oldest children are doing well in school—making A's and B's on their report cards. Shawn and Brian participated in Head Start, a preschool program for the disadvantaged that tries to interest children and their parents in learning (for more on Head Start, see page 106).

She did not enroll Nicholas and David in Head Start because the Biscoe program was consolidated in Troy after a round of federal budget cutting, and there was no bus service. "We teach them what their brothers learned," says Vivian, "and they watch 'Sesame Street' and stuff like that." The two youngest boys appear to be eager students, despite missing out on Head Start. Nicholas, the 6-year-old, shows off his fledgling reading skills by attempting to decipher a dog-earred reader he has carried home from school. Although he misses a few words, he is able to make out most of them. David, who is 4, stands with his hands behind his back in the middle of the living room and counts as high as 16, skipping only a couple of numbers in the sequence.

But Arlester Simpson, the Steeles' minister and the principal at Brutonville Middle School, says the children must overcome a number of obstacles if they are to out-achieve their parents. He says that beyond the local newspaper, there is little reading matter in the home. (Vivian says her only other subscription is to McCall's magazine). Simpson also believes the children spend too much time in front of the television. "From what I've seen, the chance that they will go through school and go to college is very slim," says Simpson.

Simpson says the Steeles' situation is almost like that of a single-parent household because of Harvey's grueling work schedule. Vivian, he says, has her hands full with the five children. And Simpson believes poor management is to blame for some of the problems of working families in or near poverty, including the Steeles. "It's not like he is really poverty-stricken," says Simpson of Harvey. "It is a less-than-proper use of the money that is made. For example, he tries to own three cars. A man of his income is not financially able to keep up with three cars. You cannot make $200 and spend $250. You will always be in the hole. That is what has kept the Steele family poverty-stricken is bills—just bills."

Still, Simpson says it is clear that the Steeles love their children and that Harvey has a sense of pride that pushes him to work hard and resist efforts at charity. "The Steeles have worth. They are somebody," says Simpson. "Regardless of how depressed the situation, God loves them."

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"Men who can graft the trees and make the seed fertile and big can find no way to let the hungry people eat their produce. Men who have created new fruits in the world cannot create a system whereby their fruits may be eaten. And the failure hangs over the State like a great sorrow."

— John Steinbeck
The Grapes of Wrath

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FOOTNOTES

[1]John Doble and Keith Melville, "The Public's Perspective on Social Welfare Reform," The Public Agenda Foundation, New York, N.Y., January 1988, p. 46.

[2]William C. Crawford, "The Welfare System Deters Poor from Seeking Help," *The News and Observer* of Raleigh, Oct. 11, 1988, p. 12-A.

[3]Bob Wells, "System May Discourage Poor from Seeking Aid," *The News and Observer* of Raleigh, Sept. 5, 1988, p. 1-A.

Greg Gibson

Harvey and Vivian Steele

Poverty and Education: A Costly Problem for North Carolina

by Barbara Barnett

Poverty is an expensive problem for North Carolina's educational system. Each year, millions of dollars are spent in North Carolina on education programs designed to stave off the ill effects of poverty or to correct the damage poverty has done. In fiscal year 1987-88 alone, more than $168 million in federal and state tax dollars went to various educational programs designed specifically to fight poverty.[1]

Education and government leaders say the money is an investment in North Carolina's economic future; for individuals, an education offers realistic hopes for good-paying jobs. On a broader scale, education gives North Carolina a solid work force, making it competitive with other states for business and industry.

Yet in spite of good intentions and government support, the education programs aimed at combating poverty reach only a fraction of those who need them. Why? Poverty affects people of all ages, all races, both sexes. It is a problem for the residents of rural eastern North Carolina, urban centers in the Piedmont, and the mountain communities to the west. The poverty problem is so widespread and the numbers of people needing help so great that current education efforts fall short, educators and state officials say.

Consider:

- In fiscal year 1988, the federal and local governments will spend more than $28 million on Project Head Start programs in North Carolina. Yet national studies say Head Start programs reach only 24 percent of the three- and four-year-olds living in poverty (although optimistic estimates range up to 50 percent, while low estimates for North Carolina say Head Start may reach as few as 16 percent).[2]
- State government will spend more than $20 million on North Carolina's high school dropout prevention program during fiscal year 1988-89. That money will be used to try to prevent 350,000 of the state's 1.1 million students—students considered at risk—from dropping out of school, educators say. North Carolina's dropout rate parallels the national average of 23 to 25 percent, meaning that for each class of freshmen who enter high school, roughly a fourth will not receive their diplomas. In 1986-87, 22,813 students left high school without completing their course work.
- The state's community college system will spend $18 million this fiscal year on its Adult

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Eric Green / N.C. Poverty Project

Basic Education programs, designed to provide students with remedial reading programs. There are 1,700 literacy training programs and 20,000 classes offered by the state's 58 community colleges. More than 100,000 North Carolinians attend each year. And there are 60 private literacy councils, 36 Community Action agencies, and 26 industry-based literacy programs. Nonetheless, as many as 1.7 million people are regarded as illiterate in the state, and that figure grows by up to 25,000 people annually.

Definitions of illiteracy, and the estimates of the illiteracy problem, vary enormously. The federal government defines illiteracy as the number of adults over age 25 who have less than an eighth-grade education. Using 1980 Census figures, there were 835,620 illiterates in North Carolina (see Table 1, p. 113). Others, including the Governor's Commission on Literacy, use a much broader definition of illiteracy—the number of persons 16 and over who do not have a high-school diploma. Using that standard, the Census Bureau's figures would show that 1.7 million North Carolinians—about a fourth of the population—are illiterate. While many of these illiterates can and do hold jobs, their lack of reading and writing skills limits their prospects in the workplace.

Both educators and government leaders believe that education—particularly good reading ability—is essential to breaking the stranglehold poverty has on North Carolina's economy. "I see a direct link between the literacy issue and the poverty issue," says Dr. Janice Kennedy-Sloan, vice president for adult and continuing education in the N.C. Department of Community Colleges.

Adds William C. Friday, retired president of the University of North Carolina system: "You put the economic level of a family and the educational achievement level side-by-side, and you can pretty well predict the accomplishment level of these children in their lives—and it's low."

Friday knows whereof he speaks. As chair-

> *"In every child who is born ... the potentiality of the human race is born again."*
>
> —James Agee
>
> *Let Us Now Praise Famous Men*

man of three major organizations addressing poverty—the N.C. Poverty Project, the Governor's Literacy Council, and the N.C. Rural Development Center—Friday detects a painful cycle among the poor. "About one-sixth of our population is caught up in this poverty-illiteracy cycle," he says. "That has an immediate and devastating effect on an economy that is trying to catch up with an international economy.... To neglect it any longer is unwise economically, it is unwise politically, and it is unwise culturally."

The causes of illiteracy are varied, and go beyond a family's economic circumstances into a broad spectrum of societal circumstances. But it is left largely to the state and to local literacy groups to fight the problem. What are the solutions? To successfully fight poverty, North Carolina must reduce its illiteracy rate, educators and government leaders say. To reduce the illiteracy rate, they say, the state must launch a three-level attack that includes:

- *preventing illiteracy* by providing high-quality preschool programs for poor children;
- *reducing the state's dropout rate* among teenagers; and
- expanding and improving *literacy training programs for adults.*

Getting a Head Start

For young children about to enter the school system, predicting academic success by looking at income levels is akin to having the power to gaze into a crystal ball, experts say. "Poverty is the single most powerful predictor of quality of life for children and families," according to the 1988 Children's Index, published by the N.C. Child Advocacy Institute, a private, non-profit organization in Raleigh.[3] "Poverty is a key predictor of dropping out of school. Poor children, regardless of race, are three times as likely to drop out."

Since the mid-1960s, educators have fought poverty and its adverse effects on academic achievement through Project Head Start.[4] Born out of President Lyndon B. Johnson's "War on Poverty," Project Head Start is based on the premise that poor children face numerous obstacles that prevent them from doing well in school, and that preschool programs can lay the groundwork for future classroom successes.

Since Head Start's implementation nationwide more than two decades ago, several national studies have demonstrated that preschool can improve children's academic performance. At a 1987 hearing before Congress' Select Committee on Children, Youth and Families, David A. Hamburg, M.D., president of the Carnegie Corporation in New York, said, "We believe the evidence now shows from 20 years of follow-up studies, profound potential for building strength through Head Start type of intervention at age 3 to 5. . . ."[5] In addition, the Perry Preschool Project, a Michigan program that followed disadvantaged students from preschool through age 19, showed that "preschool education contributed to increased school achievement during the years of elementary and middle school."[6]

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"Poverty is the single most powerful predictor of quality of life for children and families. Poverty is a key predictor of dropping out of school. Poor children, regardless of race, are three times as likely to drop out."

— "1988 Children's Index"
N.C. Child Advocacy Institute

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The experts debate the effectiveness of Head Start programs because of several studies more than a decade ago, during the early years of Head Start, that questioned the programs' worth. These studies questioned whether Head Start had a lasting effect or whether its effects wore off in the later grades, although most agreed that it gave the students involved a good head start over other disadvantaged youth.[7] The Perry Preschool study found more positive results for Head Start—that Head Start students who were tracked until age 19 had a one-third higher graduation rate than non-Head Start participants, and an employment rate nearly double the rate for non-participants.[8] Most Head Start studies have found "generally positive" results, says Karabelle Pizzigati, a staff member of the U.S. House of Representatives

Select Committee on Children, Youth, and Families.

A major government study published in 1985 examined hundreds of reports, including all known Head Start studies, and came to the conclusion that "children enrolled in Head Start enjoy significant immediate gains in cognitive test scores, socioemotional test scores, and health status. In the long run, cognitive and socioemotional test scores of former Head Start students do not remain superior to those of disadvantaged children who did not attend Head Start. However, a small subset of studies find that former Head Starters are more likely to be promoted to the next grade and are less likely to be assigned to special education classes."[9]

North Carolina's Head Start programs will serve an estimated 10,550 children this fiscal year, according to the U.S. Department of Health and Human Services. There are 43 programs statewide, which together serve 91 counties. Nine counties have no Head Start program (see Table 1, p. 113). None of the programs receives state funding; however, four work in conjunction with local school systems and are housed in their buildings. Programs usually are limited to 20 students per classroom, and students learn under the supervision of a full-time teacher, a part-time staff member, and parent volunteers.

Head Start programs focus on trying to make up the educational and cultural deficits imposed by poverty, says Lois Sexton, president of the N.C. Head Start Association. Children who live in poor homes often are not exposed to books and they may not spend much time talking or playing with their parents, Sexton says. "Education itself may not be valued," she adds.

Head Start tries to interest children—and their parents—in learning. A typical day for a Head Start pupil involves activities ranging from language skills to personal hygiene to playtime.

Sexton says it is these learning activities, which may be commonplace in middle-class or upper-class homes, that can help poor children when they enter school. Pre-school children in poverty, like children from better economic circumstances, are not all alike, of course. Some can learn faster than others, and some get more encouragement at home than others. That makes designing good programs even more difficult. But

Head Start facility in Franklin County offers basic development programs for at-risk youth.

Jack Betts

effective preschool programs can make a big difference to children in poverty. Like a set of building blocks, Head Start can lay the foundation for education, and the child can improve skills as he or she progresses from grade to grade, Sexton says. "No child should miss that intervention," she says. "From a cost standpoint, it makes good sense to step in early and do what we can to prevent problems."

Eric Green / N.C. Poverty Project

The N.C. Child Advocacy Institute says that preschool programs such as Head Start can be cost effective. If North Carolina were to implement "quality preschool programs," the number of students who fail first grade would drop by 50 percent, the Institute says. That translates into a $3,400 savings for each child who doesn't repeat first grade—or a total savings to the state of $1.36 million. In addition, high-quality preschool would mean a 50 percent reduction in the number of students—180,000 annually—who need special education classes. The Institute estimates a $7,200 savings per child, or a total of $648 million.[10]

But the Institute's estimates were based on studies that were not addressed specifically to North Carolina. These projections for reductions in the failure rate, for savings for each child, and for overall savings were drawn from a formula devised by the Perry Preschool Project researchers in Michigan for national estimates, and then computed on statistics supplied by the N.C. Department of Public Instruction. Thus, they are only estimates, not hard projections. In addition, the Institute estimates that the cost of a preschool pilot project with an eight-to-one student/teacher ratio would be $3,500 per pupil—very roughly the same price as savings for each child who doesn't have to repeat the first grade. But this figure, too, is an estimate and not a hard projection.

Both Sexton and Institute officials agree that more must be done to offer good preschool programs for the state's poor children. Sexton says additional federal funding could increase the number of children who enroll in Head Start programs. She also supports the use of state funds for Head Start. But given the federal budget deficit, an increase in federal spending is unlikely. And a strained state budget in the 1989 legislature may mean little chance for state funding of Head Start programs.

The Institute proposes a pilot project that would set uniform standards for preschool programs, including a child/teacher ratio of eight to one, requirements that teachers have degrees in child development, and requirements for a planned, approved curriculum. Gov. James G. Martin proposed spending $2 million for a pilot preschool project in his State of the State address Jan. 17, 1989. The Governor had campaigned for re-election partly on a promise of instituting preschool programs, which eventually would cost nearly $4 million a year. But those funds could get caught up in the budget debate as well.

The Dropout Problem

While Head Start can give students an advantage entering school, educators admit it is often difficult to keep poor children motivated to stay in school. As low-income families struggle to buy food, pay rent, and make ends meet, teenagers often leave school to take a job that supplements the family income. Ironically, the poor teenager who leaves school without a high school diploma and without literacy skills may be forced to work in a low-paying job—or may not find work at all. That often perpetuates the poverty cycle.

While no current statistics are available, "students at risk [of dropping out] are oftentimes students in poverty," says Anne Bryan, director of the state's Dropout Prevention Program and assistant director of support programs for the N.C. Department of Public Instruction. But "at-risk" students also include students who are learning-disabled; the victims of physical or sexual abuse; substance abusers; pregnant teens; the mentally, emotionally, or physically handicapped; and students who have failed a grade or who are reading below grade level. Poverty thus is only one of the determinants in the dropout rate.

With implementation of the state's Basic Education Program in 1985, North Carolina intensified its efforts to prevent these "at-risk" students from dropping out of school.[11] Under the comprehensive program aimed at bettering educational opportunities for all students, North Carolina allocates from $45,000 to $1 million annually to each of the state's 140 school systems, according to Bryan. The allocation is based on student population. Funds can be spent for students in all grades, she says, but the money must be used for personnel, teachers, counselors or coordinators. Each school district must submit to the state a three-year dropout prevention plan, with yearly updates.

Critics of North Carolina's schooling system often point out that schools traditionally have not been effective in dealing with dropouts. Some critics charge that the state's schools have ingrained faults that exacerbate the problem, and others point out that the Basic Education Plan was not designed to deal primarily with dropouts, and that other steps are needed.

Steps the state has taken to reduce the number of dropouts include expansion of several prevention programs, Bryan says. Among these efforts are early identification and follow-up counseling of students at risk for dropping out; in-school suspension programs that discipline unruly students but don't turn them out of the classroom and put them farther behind in their studies; extended-day programs that offer classes in the late afternoons and evenings, so students who must work in the day can continue their education; and programs aimed at helping students see the connection between getting a good education and getting a job.

Bryan says the Department of Public Instruction encourages school systems to work with their communities to establish a task force of educators, human service representatives, and business leaders to study the dropout problem and take action. The State Board of Education has set an ambitious goal of a 50 percent reduction in the number of dropouts from 1985 to 1993.[12] State spending now tops $20 million annually on dropout prevention, and the experts call for more such spending. The tab may be high, but the cost of not spending the money will be even higher, Bryan says. Citing a 1987 study by Prof. Dan Durning at Duke University's Institute for Policy Sciences and Public Affairs, Bryan says each class of dropouts costs the state $3.73 billion in lost economic activity over the class's lifetime. In addition, every class of dropouts costs North Carolina $167 million annually in welfare and unemployment payments, according to the study.[13] Durning's class computed these estimates for North Carolina, using a national formula based on 1980 U.S. Census data for the state.

A study conducted by the University of North Carolina at Chapel Hill supports Bryan's comments that reducing dropout rates could reduce state expenditures for unemployment and welfare programs. Researchers at UNC-CH surveyed dropouts to determine their economic status without a high school education. The "1988 North Carolina High School Dropout Follow-up

Eric Green / N.C. Poverty Project

Study" compared the job status of high school dropouts with that of graduates and found that 30 percent of the dropouts were unemployed, while only 13 percent of the graduates were unemployed.[14]

Bryan says she is extremely pleased with the progress made thus far in the Basic Education Program. Dropout rates are starting to decline slightly. The figures show that of the 1.1 million students enrolled in 1984-85, the dropout rate fell from 7 percent to 6.9 percent in 1985-86 and to 6.7 percent in 1986-87.

The percentage differences are small, but the downward trend is encouraging to educators. However, Bryan says the state can do more. She suggests that educators must learn to identify potential dropouts earlier, and colleges and universities must better prepare teachers in dropout prevention.

Governor Martin's Task Force on Youth at Risk agrees that additional steps must be taken in the areas of preschool preparation and dropout prevention if the state is to successfully fight poverty. While the task force says it supports current efforts of Project Head Start and the N.C. Department of Public Instruction, the task force adds that the Basic Education Program must go forward as quickly as possible.

"North Carolina must work to guarantee this opportunity [of education] to all children; many of them currently have only the prospect of a lifetime of high unemployment, low wages, frustration and despair," the task force says in a new report.[15] The task force, comprising representatives from the public schools, government agencies, and the N.C. Business Committee for Education, calls for expanded efforts in reducing the number of dropouts. The report, which outlines the roles of the governor's office, the legislature, and the N.C. Department of Public Instruction, lists 27 recommendations for reducing the state's dropout rate. The group did not calculate the cost of the recommendations,[16] but the state Board of Education has requested $650,000 in 1989-90 to finance additional programs on dropouts. Among the 27 recommendations of the Task Force are the following:

■ To develop local public-private partnerships to focus business and community resources and services on poor youngsters, other "youth at risk," and their families.

■ To increase state funds to provide more counselors for children in kindergarten through third grade.

■ To implement a program identifying ele-

—*continued on page 116*

Table 1. Comparison of Literacy Rates, Per-Pupil Expenditures, Dropout Rates, and Head Start Programs, by County, 1988

	Illiteracy Number	Percent	County Rank	Per-Pupil Expenditure	County Rank	Dropout Rate %	Dropout Rank	Head Start Program?*
Alamance	14,138	14.2	79	$2,727	80	7.6	31	Yes
Alexander	4,864	19.5	25	2,660	89	5.8	82	Yes
Alleghany	2,405	25.1	1	3,009	30	5.3	92	Served
Anson	4,340	16.9	55	2,828	54	6.6	61	Served
Ashe	5,368	24.0	3	3,057	24	6.6	63	Served
Avery	2,682	18.6	42	3,000	32	8.8	10	Served
Beaufort	6,770	16.8	59	2,743	74	5.0	94	Served
Bertie	4,409	21.0	15	2,776	67	6.4	68	No
Bladen	5,815	19.1	32	2,931	39	6.2	74	Served
Brunswick	5,602	15.7	69	2,789	63	7.4	35	Served
Buncombe	20,945	13.0	86	2,895	41	6.6	64	Yes
Burke	13,632	18.8	37	2,797	60	7.3	38	Yes
Cabarrus	14,328	16.7	60	2,747	73	7.5	33	Yes
Caldwell	12,662	18.7	39	2,755	71	9.2	5	Served
Camden	1,048	18.0	43	3,202	10	10.0	3	Served
Carteret	4,997	12.2	89	2,673	87	8.2	17	Yes
Caswell	4,237	20.5	18	2,736	76	6.8	49	No
Catawba	14,914	14.2	78	2,688	85	6.5	65	Yes
Chatham	5,107	15.3	73	2,942	37	6.4	70	Served
Cherokee	4,414	23.3	5	2,763	69	6.4	67	Yes
Chowan	2,470	19.7	22	3,036	25	4.6	97	Yes
Clay	1,420	21.5	12	2,951	36	5.2	93	Served
Cleveland	13,895	16.7	63	2,786	64	5.7	87	Yes
Columbus	9,746	19.1	33	2,937	38	6.6	62	Yes
Craven	7,463	10.5	93	2,808	56	7.8	24	Served
Cumberland	17,101	6.9	99	2,762	70	5.7	85	Yes
Currituck	1,618	14.6	76	3,285	7	7.0	45	No
Dare	1,364	10.2	94	3,137	14	7.3	37	Served
Davidson	18,475	16.3	65	2,485	99	5.6	88	No
Davie	3,808	15.5	71	2,616	94	5.8	83	Served

—continued

*Head Start programs are located in 43 counties, which also serve another 48 counties. Nine counties have no Head Start programs.

In this table, a county's ranking of 1 would indicate the highest ranking. That is, a ranking of 1 in the illiteracy number indicates that county has the highest *percentage* of illiterates; in the per-pupil expenditure column, a county's ranking of 1 indicates that county has the highest expenditure on schools on a per-pupil basis; and a ranking of 1 in the dropout ranking column indicates that county has the highest rate of dropouts in North Carolina.

Table 1. Comparison of Literacy Rates, Per-Pupil Expenditures, Dropout Rates, and Head Start Programs, by County, 1988 *continued*

	Illiteracy Number	Percent	County Rank	Per-Pupil Expenditure	County Rank	Dropout Rate %	Dropout Rank	Head Start Program?*
Duplin	7,264	17.7	47	2,794	61	6.7	54	Served
Durham	16,324	10.7	92	3,094	22	6.3	72	Yes
Edgecombe	9,754	17.4	50	2,868	45	9.1	6	Yes
Forsyth	27,531	11.3	90	3,190	12	4.5	98	Yes
Franklin	5,847	19.5	26	2,708	83	7.7	27	Served
Gaston	29,233	18.0	45	2,595	96	7.4	36	Yes
Gates	1,685	19.0	35	3,096	20	4.8	95	Served
Graham	1,629	22.6	8	3,121	15	8.5	13	Served
Granville	6,678	19.6	24	2,810	55	5.9	78	Served
Greene	2,898	18.0	44	3,327	6	7.9	23	Yes
Guilford	34,547	10.9	91	3,153	13	5.5	89	Yes
Halifax	11,597	21.0	16	3,021	28	10.1	2	Served
Harnett	9,495	15.9	68	2,637	91	6.7	57	Yes
Haywood	7,928	17.1	54	3,102	19	7.2	41	Yes
Henderson	7,688	13.1	84	2,736	77	6.7	58	Yes
Hertford	4,583	19.6	23	3,011	29	7.7	28	Yes
Hoke	3,085	15.1	75	2,635	93	5.9	79	Served
Hyde	1,020	17.4	52	3,695	1	4.8	96	Served
Iredell	12,545	15.2	74	2,636	92	7.9	21	Yes
Jackson	4,157	16.1	67	2,808	57	6.0	77	Served
Johnston	13,541	19.2	30	2,695	84	6.6	60	Yes
Jones	1,865	19.2	29	3,351	5	7.0	47	Served
Lee	4,890	13.3	82	2,782	66	5.9	81	Served
Lenoir	9,624	16.1	66	3,106	18	6.7	56	Served
Lincoln	7,115	16.8	57	2,676	86	7.3	39	Served
Macon	6,663	19.0	34	3,112	17	5.9	80	Yes
Madison	4,083	20.2	19	2,930	40	8.9	8	Served
Martin	3,806	22.6	7	3,196	11	6.0	76	Yes
McDowell	5,105	19.7	21	2,658	90	8.5	11	Yes
Mecklenburg	31,654	7.8	96	3,386	3	7.5	32	Yes
Mitchell	3,456	24.0	2	2,878	43	6.8	50	Yes
Montgomery	4,172	18.6	41	2,776	68	8.0	20	Served
Moore	6,879	13.6	81	2,984	33	6.5	66	Served
Nash	11,447	17.1	53	2,791	62	6.8	53	Served
New Hanover	9,763	9.4	95	2,861	46	7.9	22	Yes
Northampton	5,310	23.5	4	3,095	21	5.7	84	Served
Onslow	7,048	6.3	100	2,546	98	5.5	90	Yes
Orange	5,825	7.6	97	3,116	16	7.6	30	Yes

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Table 1. Comparison of Literacy Rates, Per-Pupil Expenditures, Dropout Rates, and Head Start Programs, by County, 1988
continued

	Illiteracy Number	Percent	County Rank	Per-Pupil Expenditure	County Rank	Dropout Rate %	Dropout Rank	Head Start Program?*
Pamlico	1,502	14.5	77	2,843	49	7.1	43	Served
Pasquotank	4,407	15.5	72	2,841	51	6.7	55	Served
Pender	3,438	15.5	70	2,808	58	7.4	34	Served
Perquimans	1,909	20.1	20	3,227	9	8.2	18	Served
Person	5,649	19.4	27	3,024	27	5.4	91	No
Pitt	11,996	13.3	83	3,031	26	7.7	25	Served
Polk	2,168	16.7	62	3,278	8	8.4	14	No
Randolph	15,943	17.4	49	2,477	100	9.1	7	No
Richmond	8,549	18.8	38	2,607	95	7.2	42	Served
Robeson	17,935	17.7	46	2,752	72	8.3	15	Yes
Rockingham	15,782	18.9	36	3,007	31	9.9	4	Yes
Rowan	16,300	16.4	64	2,666	88	6.9	48	Yes
Rutherford	10,313	19.2	28	2,786	65	8.2	16	No
Sampson	8,723	17.6	48	2,959	35	6.8	52	Yes
Scotland	5,416	16.8	58	2,869	44	11.5	1	Yes
Stanly	8,450	17.4	51	2,741	75	7.6	29	Served
Stokes	6,197	18.7	40	2,832	53	6.4	69	Served
Surry	13,170	22.2	10	2,729	79	6.4	71	Served
Swain	2,145	20.9	17	3,377	4	8.5	12	Served
Transylvania	3,275	14.0	80	2,804	59	6.1	75	Served
Tyrrell	884	22.2	9	3,526	2	5.7	86	No
Union	8,776	12.5	88	2,587	97	8.9	9	Yes
Vance	7,022	19.1	31	2,726	81	6.3	73	Served
Wake	22,425	7.4	98	2,961	34	6.8	51	Yes
Warren	3,491	21.5	13	3,074	23	7.7	26	Yes
Washington	2,468	16.7	61	2,860	47	4.2	99	Served
Watauga	4,129	13.0	87	2,883	42	7.1	44	Served
Wayne	12,598	13.0	85	2,733	78	4.1	100	Yes
Wilkes	12,643	21.6	11	2,718	82	7.3	40	Yes
Wilson	10,688	16.9	56	2,842	50	7.0	46	Served
Yadkin	6,030	21.2	14	2,847	48	6.7	59	Yes
Yancey	3,428	23.0	6	2,837	52	8.1	19	Served
TOTALS	835,620	17.0%		$2,897	avg. statewide	6.98%		91 *

*Head Start programs are located in 43 counties, which also serve another 48 counties, for a total of 91. Nine counties have no Head Start programs.

Sources: Adult illiteracy: U.S. Department of Commerce, Bureau of the Census, Department of Community Colleges, and N.C. Literacy Councils; Per pupil expenditures: N.C. Department of Public Instruction; High School Dropout Rate: N.C. Department of Public Instruction; Head Start programs: U.S. Department of Education; General resource: N.C. Child Advocacy Institute.

Table prepared by Kurt W. Smith

N.C. Department of Community Colleges

Adult literacy student works ABLE computer program at Wake Tech

mentary students who might drop out and following their progress through school.

- To develop a training program for all educators. Completion of the program, which would help educators identify students at risk, would be required by the State Board of Education for renewal of all N.C. education certificates.
- To provide special merit awards for students who "have completed high school successfully in the face of great odds," including economic hardship.
- To provide funding for Head Start programs in the counties not being served. The group did not estimate how much that would cost, but nine counties do not have Head Start programs. They are Bertie, Caswell, Currituck, Davidson, Person, Polk, Randolph, Rutherford, and Tyrrell counties (see Table 1, p. 113).

Business groups in recent years have been supportive of state efforts to improve education overall and to reduce the problems of illiteracy and poorly trained potential workers. For instance, N.C. Citizens for Business and Industry, which acts as a statewide chamber of commerce, has participated in the development of programs aimed at reducing the number of dropouts and improving the course of instruction. But while business groups have supported educational improvements, they say privately that more care needs to be taken in choosing which programs the state funds. "Most of these programs are well-intentioned," says one prominent Piedmont industrialist. "They need to be looked at, but we also need to be careful. How many of them can we afford? How do we pick and choose?"

Many businessmen are also wary of proposals to expand government's role in some areas. For example, the N.C. Day Care Association has supported efforts to expand developmental day care programs to 4-year-olds (5-year-olds already are served by public kindergartens), but says the state should not be so intrusive as to assume responsibility for educating 4-year-olds in public schools.

Jim Hall of Wilmington, president of the N.C. Day Care Association, and the operator of Winter Park Preschools, says there's a pressing need for developmental programs for 4-year-olds, "but *not* for public schools to take over the 4-year-olds." The association has backed programs for spending more tax dollars to extend these programs to younger children, especially in poor areas of the state like the Northeast, and particularly among the children of the working poor, who must forgo day care now because of the lack of facilities. "We are definitely *for* more public dollars to take care of the 10,000 or more kids who are on waiting lists for day care and are children of the working poor. The need [for facilities and programs] is there for these at-risk kids. But the association is definitely not in favor of the Department of Public Instruction on its own taking on the education of the 4-year-olds. . . . Good quality, equal quality programs in the private sector can be operated as cheaply or cheaper than the public schools can."

Literacy for Adults

While efforts to combat the effects of poverty among youngsters and teenagers focus on programs inside the classroom, the adult poor present a different set of problems for educators and government officials. Many poor adults have unpleasant memories of their academic failures and are reluctant to return to a school building. Others are working and do not see a need to improve their reading skills. Because the adult population is so large and so diverse, programs must be multi-faceted, educators and government officials say.

Improving literacy for adults is "like tackling a big fullback," says Lee Monroe, senior education adviser to Governor Martin. "You can't hit him all at one time. You've got to target points. It's just too big an issue."

Of the 1.7 million citizens who lack a high school education, most are poor. Many are unemployed, but many also are working in low-skill jobs, unable to move to better jobs because of their lack of reading skills. (The U.S. Census Bureau estimates 49 percent of all North Carolinians living in poverty are employed.)

The illiteracy problem among these adults is further aggravated by the fact that, while thousands of people enroll each year in public or private literacy programs, many never complete them. The Governor's Commission on Literacy,[17] also established by the Martin administration, estimates as many as two-thirds of the students enrolled in Adult Basic Education (ABE) programs in the community college system *never finish* their courses. Kennedy-Sloan says these students are easily frustrated and so overwhelmed by their economic struggles that they can't focus on their class work. "If they don't have the money to pay the rent, you can hardly teach [them] vowels," she says.

To help address this problem, the N.C. Department of Community Colleges has begun a pilot project based on the concept that the education system must address the problems students face outside the classroom if they are to perform well inside the classroom. With the help of a community college staff member, students complete a questionnaire that asks them what services they might need to help them stay in school. Included on the survey are questions about the need for day care, transportation, and a job.

Once the college staff members review the surveys, they can predict what obstacles might prevent students from attending class—or what factors might discourage them. College staffers then work with local community, church, or civic groups to meet all students' needs. For example, Kennedy-Sloan says, a church group might provide a bus for transportation. If a student is unemployed, the college can contact job placement agencies. The program, Kennedy-Sloan says, will help meet students' immediate needs, while keeping them in the program long enough to glimpse the long-term benefits of an education. The public schools might well benefit from a similar program.

The community college system is developing another program that taps into community resources. Since January 1988, all community and technical colleges have been working with local government agencies to identify people who may need social services as well as literacy training. For example, a client who comes to the Department of Social Services for food stamps may be referred to the community college for a reading program. If the Employment Security Commission (ESC) finds a client who lacks literacy skills, ESC notifies the community college and a college representative contacts the person with enrollment information.

The Urban-Rural Dichotomy

In its efforts to combat illiteracy, Kennedy-Sloan says, the community college system is noticing a dichotomy between the urban poor and the rural poor. "The way out of poverty in Raleigh-Durham is going to be different than in rural North Carolina," she says. "In an urban area, if you get a student to a high school [literacy level], he can get a minimum wage job and build on those skills. In rural areas, it's not enough to teach them to read and get a high school diploma . . . in an area where there are no jobs."

To fight rural poverty, the community colleges are again trying to tailor their programs to student needs. Literacy programs are expanding not only to offer reading improvement but also to identify the students' work skills and help them adapt to a new job. Kennedy-Sloan gave the example of a man who suddenly finds himself forced out of farming. Simply teaching the farmer to read may not help him find a job in an era when bankrupt family farms are becoming commonplace and the demand for workers with techno-

N.C. Department of Community Colleges

This Adult Basic Education class, offered by Rockingham Community College, is taught in a van.

logical skills is increasing. The community colleges can help the student improve his reading level, while they help him learn basic business principles that may enable him to start his own landscaping business, for example.

In its draft report, the Governor's Commission on Literacy praises the community colleges' efforts but notes "that progress is slow" due to the large numbers of people needing to improve literacy skills.[18] The task force recommended 32 measures to remedy the state's illiteracy problems—but again, the commission did not put a price tag on its recommendations. The recommendations call for better coordination between public and private literacy programs, greater involvement of the business community, and "customized" programs to fit the needs of special groups.

In the 1989 session of the General Assembly, the Governor's office will push for the establishment of a state Office of Literacy within the Department of Administration. The idea is that the office would provide information about existing reading programs for state residents or companies wishing to boost employees' reading skills. The Literacy Office also would identify any gaps in services and work to close them. Monroe says the office should be in the Department of Administration because that department acts as a clearinghouse for many state programs. It would also put the office under the control of the Governor. If it were in the Department of Public Instruction or the Department of Community Colleges, the Governor would not have direct control of the group. Questions over the location of this program symbolize the continuous debate about the educational bureaucracy, now spread over a variety of state agencies plus the 140 state school systems. That debate, in turn, highlights the slow progress on educational issues.

The Department of Community Colleges, which has held the bulk of the responsibility for literacy training for a quarter of a century, was hardly thrilled with the plan to put the new literacy office at Administration. Community College President Robert W. Scott said the new office would be a "super-agency" that could mean "a duplication of administrative functions." The dispute over where to put the new office is yet to be resolved.

One of the keys to fighting illiteracy, Monroe says, is greater involvement of the business community. As North Carolina's economy continues to shift from agriculture and low-skill manufacturing jobs to technology, the demands for education will increase, Monroe says. Companies will require workers with at least a high school diploma, Monroe says, and employees without these minimal skills will find themselves stuck with low-paying jobs (see Bill Finger, "Making the Transition to a Mixed Economy," *North Carolina Insight,* April 1986, for more on this subject). Business and industry can help in retraining current workers as well as educating potential employees, Monroe says. Complicating the issue, of course, are two factors: The huge number of minimum-wage jobs, usually held by those in poverty who cannot make a living at such low wages; and the impact of changes in the international economy, which can lead to large layoffs in the state's traditional industries.

To recruit businesses to literacy efforts, the Martin administration has asked chief executive officers of about 75 N.C. corporations to examine their work forces and determine how they can help employees improve reading skills. If the company finds it doesn't need a literacy program, the CEOs can encourage employees to volunteer as reading tutors.

But UNC President Emeritus William C. Friday says corporations have provided more leadership on education and job training than have political leaders. "The corporate leadership has shown splendid reaction to this problem," he said. Some companies offer bonuses and other incentives to employees who successfully complete literacy programs or get a high school equivalency diploma. Others have set up their own literacy programs.

State government, one of North Carolina's largest employers, has begun its own literacy effort, Monroe says. Departments that report directly to the Governor have surveyed staff members to learn how many have high school diplomas. By taking this step, the state hopes not only to offer programs to make sure its own employees are reading at a high school level, but also to serve as a model for private business and industry.

The Governor's Literacy Commission proposes that the state and the business community further cooperate to create a North Carolina Compact, modeled after the much-touted Boston Compact.[19] The premise is that businesses will provide employment after graduation to high school students who agree to improve their school attendance and academic performance.

The commission's report also recommends that the state develop literacy training programs in the work place to help employees improve reading skills. Monroe says programs should be designed to match industry needs and employee interests. For example, a literacy training program might be developed exclusively for Southern Bell employees or for Burlington Industries employees.

In addition to the formation of a clearinghouse and greater involvement of the business community, the Governor's Commission on Literacy recommends the state take several other steps to combat illiteracy. Among them are the following:[20]

■ To expand community college literacy programs, including the addition of a staff member to serve as a liaison between the education system and the business community. The cost of this recommendation would be about $3.5 million a year, according to the legislature's Fiscal Research Division.

■ To establish a trust fund to provide financial support for public and private literacy programs.

■ To offer grants to local volunteer literacy councils and private non-profit organizations to develop literacy programs outside the school building and inside libraries and community centers.

■ To provide state money for research on and development of literacy programs. Currently, state funds can be spent only on program operation.

■ To increase reimbursement to community colleges for full-time-equivalency students, which could cost $5.6 million. At present, the state reimburses community colleges for Adult Basic Education programs, such as literacy training, at a lower rate than that of regular curriculum programs. The reason for that, in theory, is that literacy instructors work part time, and thus should not be paid as highly as full-time instructors in regular curriculum programs. The state reimburses the community colleges $28,200 per instructional unit for regular courses, but only $22,000 for Adult Basic Education (ABE) programs, including literacy classes. "We must expect to pay similar wages and benefits in ABE programs as in curriculum programs in order to attract full-time, qualified instructors," the report says.

■ To mandate a uniform state reporting system to notify community colleges of high school dropouts.

But once again, the commission failed to provide an estimate of what these recommendations, if implemented, would cost.

Recent assessments of adult literacy have focused on the need for better programs. One of them came in May 1988 when Yevonne Brannon of N.C. State University's Center for Urban Affairs and Community Services told the N.C. Gen-

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"Poverty is the color of a bruise, a birthmark on your soul."

—Ruth Moose
Writer, Albemarle

♦

eral Assembly that adult literacy classes were far too large and that current funding formulas were part of the problem in adult literacy. Current funding, she said, "does not allow flexibility needed for creative solutions to serving adult students in general. . . ." Brannon also reported that surveys with both administrators and students pointed up the need for much smaller classes and more one-on-one instruction. Literacy programs should hire more instructors and hold class sizes to no more than 10, she said. Brannon said her studies showed that having up to 20 people in class "is not working very well" but that many community college classes had a student-teacher ratio of 22 to 1.[21] Brannon's study also recommended a regimen of promoting industry-sponsored classes, more advertising of literacy programs, more special services for adult students, and employing more full-time instructors.

Community Colleges President Scott says that 22 to 1 figure is not the actual teacher-student ratio, however, but represents the funding ratio. "Our average ratio is about 10 to 1," says Scott. A change in the funding formula would allow the community colleges to hire more recruiters and counselors to work with the illiterate, he says.

Another recent evaluation of literacy programs, prepared by MDC, Inc., was critical of the effectiveness of literacy training in the South, but did praise two states—North Carolina and Georgia—for providing a regular mechanism for providing the training. "For the most part, however, outside of North Carolina and Georgia ... the South's technical colleges do not see improving the literacy skills of undereducated adults as a primary mission."[22] The report also noted that literacy councils, including most of those in North Carolina—"operate on a shoestring without any paid staff."

Conclusion

The debate over poverty and illiteracy is a cyclical one. Which came first? Which causes which? Some experts contend illiteracy causes poverty, while others believe poverty leads to illiteracy. But the correlation between poverty and illiteracy is so high that, in the view of many educators and state leaders, education is the single most powerful weapon against poverty. If North Carolina does not address the related problems of illiteracy and poverty, there will be a high price to pay in terms of wasted personal potential and state economic loss, they say.

A coordinated attack on these problems would be helpful, but with the complicated system of state and federal funding sources, a mix of responsibilities among federal, state, and local governments, and even a mix of responsibilities among executive branch agencies, that coordination is easier said than done. Yet the federal government's Head Start program may have a direct impact on local school students' performance; dropout prevention programs funded by the state and by local school boards can be improved to keep youngsters in school; and literacy programs offered by state and local governments, by private employers, and even by individuals may pick up the slack and provide educational opportunities for adults who long ago slipped through the educational cracks.

One innovative program, funded by the William R. Kenan Jr. Charitable Trust, combines two such programs. It seeks to send illiterate mothers to school with their preschool children aged 3 and 4. Both learn to read and write, and both have a chance for a successful life in the future. Pilot programs of this project are underway in four North Carolina communities—Wilmington, Fayetteville, Henderson, and Madison County.

Lois Sexton says that without increased funding for preschool programs, "We will continue to have high dropout rates. We will continue to have adolescents who have a high incidence of trouble with the law and with teen pregnancy. We will continue to have children who are retained [not promoted]. If we do not address the skills and needs of workers, I think we are going to have a monumental problem maintaining people who are not self-sufficient, and we won't have the work force to compete internationally. [Head Start] is the pebble in a whole avalanche of things to come afterward."

The Governor's Commission on Literacy offers this prediction: "Unless effective steps are taken to upgrade the basic skills of both the existing work force and the new entrants to the work force of the future, a large number of individuals and North Carolina's economy as a whole will suffer."[23]

As North Carolina prepares to move into the 21st century, the state has little choice but to strengthen its efforts to combat poverty and illiteracy, says Monroe. By the year 2000, there will be an estimated 510,000 new jobs in North Carolina, and those jobs will demand higher academic skills than those of today. "We're going to have to make changes," says Monroe. "The demands of the work force will force us to. The illiteracy problem suggests a more collaborative effort between the employers and the education system of the state."

A recent report for The Sunbelt Institute on literacy in the South put it more chillingly: "Rising skill demands have driven millions of Americans, millions of Southerners, out of the primary labor force in the past two decades. Once able to thrive in agriculture, mining, and labor-intensive manufacturing, these uneducated workers become candidates for poverty, welfare dependency, and crime—pathologies which extract a heavy price on our region both economically and socially."[24]

FOOTNOTES

[1] Jack Betts, "Policymaking and Poverty in North Carolina—Who's On First?," p. 18 of this issue. See also Bill Finger, "An Inventory of Poverty Programs, North Carolina State Government," the North Carolina Poverty Project, August 1988, p. 1.

[2] Lawrence J. Schweinhart and Jeffrey J. Koshel, "Policy Options for Preschool Programs," Eastern Michigan State University, 1986, p. 34.

[3] "The 1988 Children's Index," N.C. Child Advocacy Institute, June 21, 1988, p. 6.

[4] 34 CFR 215; 45 CFR 1304.

[5] "Infancy to Adolescence: Opportunities for Success," testimony by David A. Hamburg, M.D., to Congressional Select Committee on Children, Youth, and Families, April 28, 1987, p. 5.

[6] L.J. Schweinhart and D.P. Weikart, "Young Children Grow Up: The Effects of the Perry Preschool Program on Youths Through Age 15," Ypsilanti, Michigan, 1980, p. 37.

[7] Gilbert Y. Steiner, *The Children's Cause*, The Brookings Institution, 1976, pp. 34-35.

[8] Schweinhart and Weikart, p. 37.

[9] "The Impact of Head Start on Children, Families and Communities," Head Start Synthesis Projects, U.S. Department of Health and Human Services, 1985, p. 1.

[10] "Quality Preschool," brochure published by the North Carolina Child Advocacy Institute, 1987, p. 2.

[11] G.S. 115C-81.

[12] Resolution approved by N.C. State Board of Education, July 1988.

[13] Dan Durning, "Addressing the Dropout Problem in North Carolina: An Analysis of Costs, Programs, and Solutions," Duke University Institute for Policy Sciences and Public Affairs, Spring 1987.

[14] "1988 North Carolina High School Dropout Follow-Up Study," L.L. Thurstone Psychometric Laboratory at the University of North Carolina at Chapel Hill, June 28, 1988, pp. 27-28.

[15] "Report of the Governor's Task Force on Youth at Risk," prepared by the Governor's Commission on Literacy, April 6, 1988, p. 1.

[16] *Ibid.*, pp. 4-12.

[17] Executive Order 32, issued Feb. 16, 1987, established the Governor's Literacy Council. That order was amended with Executive Order 38, issued March 12, 1987, changing the council's name to the Governor's Commission on Literacy.

[18] "Literacy in North Carolina," Governor's Commission on Literacy, July 21, 1988, p. 3.

[19] *Ibid.*, p. 15.

[20] *Ibid.*, pp. 14-22.

[21] Yevonne Brannon, "A Community Based Study of Adult Literacy in North Carolina," prepared by the Center for Urban Affairs and Community Services at N.C. State University for the N.C. Department of Community Colleges, May 1988, p. 97.

[22] Richard A. Mendel, "Workforce Literacy in the South," prepared by MDC, Inc., for the Sunbelt Institute, September 1988, p. 23.

[23] "Literacy in North Carolina," p. 2.

[24] Mendel, p. 7.

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"Them that's got shall get, them that's not shall lose— so the Bible said, and it is still news.
Mama may have, and papa may have — but God bless the child that's got his own, that's got his own.
And the strong seem to get more, while the weak ones fade — empty pockets don't ever make the grade. . .
And when you got money, you got lots of friends — crowding round your door.
When the money's gone and all your spending ends — they won't be round any more.
Rich relations give, crusts of bread and such, you can help yourself, but don't take too much.
God bless the child that's got his own."

—Billie Holiday and A. Herzog
"God Bless the Child"

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Health Care for the Poor: Adequacy, Availability, Affordability

By Pam Silberman

Studies show most Americans share the view that good health care should be a basic right—not a commodity for sale to the highest bidder. But is health care as readily available to those who sell hamburgers as to those who sell auto insurance or blue-chip stocks? The answer—clearly revealed in statistic after statistic concerning the health of the poor—is an emphatic no. Many low- to moderate-income citizens lack adequate health insurance, and the poor use fewer health services, even though they have more health problems than the general population. Experts believe at least part of the problem is cost and availability. What can be done to make health care more accessible and affordable to North Carolina's poor? Are there realistic hopes for reform?

"It is indefensible that we are the only industrialized country in the world, except for South Africa, without a national health care program."

—Dr. Arthur Flemming, former U.S. Secretary of Health, Education, and Welfare.

What should be the government's role in assuring adequate and affordable health care for all citizens? The federal government wrestled with this crucial question during the war on poverty in the 1960s. Instead of a comprehensive plan, Congress decided to focus on health care for the poor and the elderly, and in 1965 Medicaid and Medicare were born. In the decades that followed, more programs were implemented to aid the medically indigent. But considerable latitude was left to the states, and North Carolina has failed to fill the gaps, leaving gaping holes in the state's health-care safety net.

Experts say Medicaid covers only a third of

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Eric Green / N.C. Poverty Project

state residents who fall under the federal poverty line, and Medicare covers less than half of the total medical expenses of the elderly. But perhaps the most onerous health-care problem facing North Carolina is that nearly one third of the state's residents are *medically indigent* — that is they either have no health insurance coverage at all or their coverage is inadequate.

Who Are the Uninsured?

Many of the medically indigent are impoverished, while others are low- to moderate-income residents who could be plunged into poverty by any major medical emergency. The ranks of the uninsured also include people who have a reasonable income by traditional measures but cannot buy insurance, either (1) because they have a pre-existing medical condition, (2) because their employers do not offer insurance at work and they cannot afford to purchase their own policy, or (3) because they have not met the required waiting period—often six months to a year—for enrolling in the group health insurance plan offered by their employer.

Most of those who lack health insurance, however, have low or moderate incomes, says Chris Conover of the Center for Health Policy Research and Education at Duke University. Conover's research has revealed that in North Carolina, as many as 1,156,000 people are uninsured at some time during a typical year.[1] Another 750,000 people have health insurance which is insufficient to meet their health care needs.[2] Three quarters of these medically indigent citizens are poor or near-poor, Conover says, and evidence abounds that inadequate health insurance is a significant barrier to getting good health care.

Why? First, it is difficult to find doctors and hospitals willing to treat non-emergency patients without a proven ability to pay, and second, the poor put off preventive medical treatment. "They are going to wait a long time before they pay $50 or $100 to go to a doctor to track down a suspicion they are not well," says Jim Bernstein, director of the Health Resources Development Section of the N.C. Department of Human Resources.

Studies have shown that even though North Carolina's uninsured are in worse health than the general population, they use 30 percent to 50 percent fewer services. (See Table 1, p. 124.) When they do seek medical treatment, they are

Table 1. Health Condition Reported by Patient Type

Health Condition	Medicaid	Uninsured	Insured
Arthritis	38%	21%	17%
High Blood Pressure	38%	20%	17%
Heart Disease	16%	7%	4%
Kidney Disease	10%	6%	5%
Diabetes	10%	4%	3%
Stroke	6%	3%	1%
Disability Which Prevents Working	15%	6%	1%

Source: "Who are the Medically Indigent?" Report to the Indigent Health Care Study Commission by C. Johnston Conover, Duke University Center for Health Policy Research and Education, chart entitled "Health Status of Adults in North Carolina," March 12, 1986, p. 28.

more likely to use a public health clinic or an emergency room.[3]

From her Waxhaw home, Dona Montgomery directs a nonprofit advocacy group called the North Carolina Alliance for Social Security Disability Recipients. Montgomery says she believes ability to pay has a significant impact on health care availability. "Many doctors require patients to pay for their services on the day the services are rendered," says Montgomery. "Other doctors refuse to treat patients who have outstanding debts. As a result, many uninsured individuals do not go to the doctor's office until it is too late." These gaps in the health care delivery system fly in the face of polls showing broad public support for access to health care for all Americans, regardless of ability to pay.[4]

Children are the most likely of any group to lack health insurance coverage, according to Conover's study. In 1985, approximately 36 percent of the uninsured in North Carolina were children under age 18.[5] The situation is far worse for low-income children. The number of uninsured poor children grew from 44.2 percent of the state's poor children in 1980 to 53.2 percent in 1985.[6] Experts warn that as the cost of health insurance rises, more and more workers may drop optional family coverage for their dependents, pushing the number of uninsured children even higher. Conversely, the elderly are the group most likely to have some health insurance coverage because of the wide availability of Medicare. Conover found only 2.5 percent of the elderly to be uninsured sometime during the year.[7]


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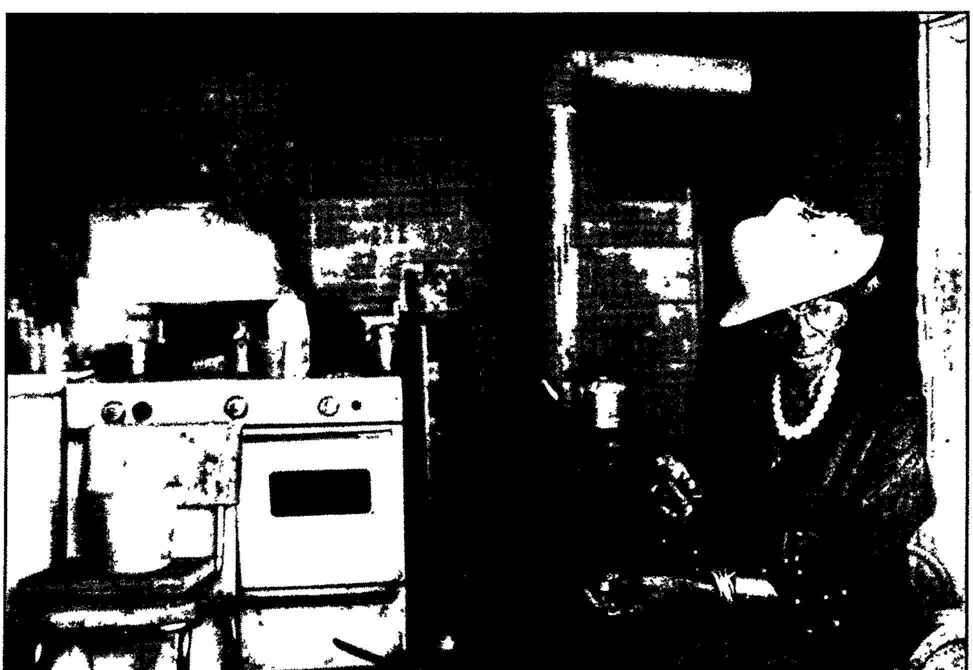
But Medicare coverage alone is insufficient to meet a person's health care needs, and there are 267,000 elderly or disabled North Carolina residents who have Medicare coverage as their sole source of health insurance.[8] Blacks and other minorities are more likely to lack health insurance coverage than whites, and women are more likely to be uninsured than men.[9]

More than two-thirds of the uninsured live in a family where one or more persons works, and more than half live in a family in which one or more persons is working full time. A majority of the uninsured workers work in small firms with fewer than 25 employees or are self-employed, but the reasons employees lack health insurance on the job vary with the size of the firm. Most of the uninsured workers in small firms are not offered health insurance. Small businesses often cannot afford the costs of health insurance, which may run between 30 percent and 50 percent higher than insurance costs at large firms.[10] On the other hand, most of the uninsured workers in large firms are offered health insurance but for one reason or another do not qualify for the plan. For example, the plan may have a six-month waiting period, or may exclude part-time workers or those with pre-existing medical conditions. Although many of these workers are only temporarily uninsured, they nonetheless face the risk of staggering medical costs during this period of exposure.

Recent trends indicate the number of uninsured workers will continue to grow. One reason is a 2 percent decline in employer-based coverage in the United States during the 1980s.[11] This decline is due partly to the shift in jobs from the manufacturing sector to the service sector, which traditionally provides fewer benefits. (For more on this trend, see Bill Finger, "Making the Transition to a Mixed Economy," *North Carolina Insight*, Vol. 8, No. 3-4, April 1986, pp. 3-20.) Nationally, between 1980 and 1985, employment in industries with below-average rates of health coverage grew four times as fast as employment in industries with above-average rates of coverage.[12] This situation is far worse in North Carolina, where employment in industries with below-average rates of health coverage grew seven times as fast between 1980 and 1987 as employment in industries with above-average rates of coverage.[13]

More important, however, are rising health insurance costs and the overall health of the economy. "Premium increases of 30 percent to 40 percent a year are going to get a lot of people thinking about whether they can afford health-care coverage," says Conover. "What happens in terms of trends [also] very much depends on the economy. The economy is absolutely a critical variable, and it is inherently unpredictable."

Conover says his projections show only a modest increase in the uninsured population through 1992 if the economy remains healthy,



Eric Green / N.C. Poverty Project

but an increase of as much as 85 percent in the event of a major recession.

Medicaid: Short of the Mark

Medicaid was created to provide health insurance for the nation's poor, but the program has fallen far short of its mark. On a given day, only about one-third of the people living in poverty in North Carolina qualify for Medicaid, Conover says. One reason for this is the eligibility restrictions imposed by Congress, which limited Medicaid coverage to groups known as the *categorically eligible* — children under the age of 21, pregnant women, families with dependent children, people 65 years or older, and blind or disabled persons. In order to be eligible for Medicaid, the recipient must meet these categorical restrictions, plus stringent income guidelines. Thus, individuals between ages 21 and 64, who have no dependent children and who are not disabled, cannot qualify for Medicaid, regardless of their income or medical needs.

Despite these categorical limitations, Conover says North Carolina has the flexibility to expand Medicaid to cover thousands of additional low-income people. In most states, Supplemental Security Income (SSI) recipients—low income individuals who are elderly, blind, or disabled—automatically receive Medicaid. North Carolina does *not* provide automatic coverage to all SSI recipients, thereby excluding roughly 66,500 low-income elderly, blind, and disabled citizens from Medicaid coverage.[14]

The state also excludes thousands of poor people from Medicaid coverage by setting restrictive standards on income and available resources. In order to qualify for Medicaid in North Carolina, a person may have no more than $1,500 in countable assets. For a family of four, the figure increases to only $2,450.[15]

Income limits are even more restrictive than asset limits. Aside from the categorical exceptions allowed by Congress, Medicaid coverage must be limited to those with incomes of no more than 133 percent of the Aid to Families with Dependent Children payment level in order for the state to receive a federal reimbursement of 67 percent for Medicaid expenditures.[16] This link to the AFDC payment level translates into extremely low Medicaid income criteria in North Carolina, which ranks 42nd in the nation in AFDC payment levels.[17] For example, the maximum AFDC payment for a family of one is $177 a month. Therefore, the Medicaid income limit for an individual is 133 percent of $177, or only $241 a month. (See Table 2 below).

These income limits do not automatically exclude a person from Medicaid eligibility. If categorically eligible, an individual or family may be found to be *medically needy*. In order to qualify, the individual or family must incur medi-

Table 2. Income Limits on Medicaid Coverage in North Carolina

Family Size	AFDC Maximum Payment	Medicaid Income Limit	1988 Federal Poverty Guidelines	Medically Needy Income Limit as % of Poverty Guidelines
1	$ 177	$ 242	$ 481	(50%)
2	231	308	644	(48%)
3	266	358	808	(44%)
4	291	387	971	(40%)

Table by Pam Silberman

Eric Green / N.C. Poverty Project

cal bills equaling the difference between the family's countable income and the medically needy income limit. This difference is called a deductible or *spend-down.* The effect, however, is to force people to spend any excess income and to live on incomes no greater than the Medicaid income guidelines in order to have their health care costs covered by Medicaid.

The legislature's Indigent Health Care Study Commission has recommended that the state broaden Medicaid eligibility in North Carolina to take in about 179,300 additional residents. This would be accomplished by increasing income limits from 50 percent to 75 percent of poverty for the elderly and disabled; from 100 percent to 185 percent of poverty for women and infants; and by increasing by 5 percent the income limits for all other categorically eligible recipients (now 50 percent of poverty guidelines for a family of one). The estimated cost comes to $231 million, with the state paying an additional $65 million (28 percent), local government paying $12.2 million (5 percent), and the federal government picking up the remainder (67 percent).

Such an expansion of Medicaid is strongly favored by the North Carolina Hospital Association, which argues that the number of non-paying patients at North Carolina's hospitals contributes to rising medical costs for paying patients and increased insurance costs for employers. "The North Carolina Hospital Association is working to increase the number of poor people eligible for Medicaid, even though Medicaid does not cover the cost to the hospital of treating a Medicaid patient," says William A. Pully, hospital association lobbyist. "Something is better than nothing, and nothing is what we are getting right now for treating these people. There is a lot of room to expand. We think the state should maximize participation in Medicaid." Pulley says it makes sense for the state to participate to the fullest because the federal government will provide more than a two-to-one match for state and local dollars. "North Carolina ranks 48th in the amount of *all federal funds* per capita coming to the state," says Pulley. "We're not getting our fair share."

Daphne Lyon, chief of planning in the Department of Human Resources Division of Medical Assistance, says 1986 figures, the latest available, showed North Carolina, the nation's 10th most populous state, ranked 17th in drawing *federal dollars to match Medicaid expenditures.*

But despite broad support for Medicaid expansion, whether the state will be able to find the money to pay its share this year remains a question. Revenue collections have fallen short of projections for fiscal year 1988-1989, leaving little room for the legislature to add or expand programs during the 1989 session.

Medicare Coverage Not Enough

Unlike Medicaid, Medicare is not based on a person's financial status. There is no income or resource test in the Medicare program. In order to receive Medicare coverage, a person must be at least 65 years old or have been disabled for at least two years and with some small exceptions must be receiving either Social Security retirement or disability payments.[18]

Medicare coverage alone, however, is insufficient to meet a person's health care costs. Medicare does not cover certain medical needs, such as routine physical check-ups, dental care, intermediate nursing home care, eyeglasses, or drugs. For the services Medicare does cover, a patient must pay at least $26.50 in monthly premiums and pay large deductibles and co-payments.[19] Prior to recent changes, Medicare covered only about 40 percent of a patient's total health care costs.[20]

The Hill-Burton program, created in 1946, has been another source of medical treatment for the poor. Originally set up as a system to pay for the capital costs of hospital construction, the program evolved into a system of treating the poor. In return for federal hospital construction money, local hospitals had to agree to provide a certain amount of free or reduced-charge services to low-income, uninsured individuals for a certain length of time. Thus, while the Hill-Burton free-care provisions were in operation, many low-income people had access to hospitals for necessary treatment.

Congress stopped funding the Hill-Burton program in 1977. Since that time, many North Carolina hospitals have exhausted their free-care obligations. Of the 96 hospitals with Hill-Burton free-care obligations in 1980, only 56 hospitals continue to have free-care obligations, and most of these obligations will be exhausted in the next 10 years.[21] By the end of 1990, in fact, only 37 of North Carolina's 127 general acute-care hospitals still will have Hill-Burton obligations to provide health care for the poor.[22]

Besides the free care which hospitals provide as a part of their Hill-Burton obligations, hospitals also provide a measure of free care to the uninsured and under-insured. In 1985, for example, North Carolina hospitals provided $172 million worth of free care (defined as both charity care and bad debt). Three-quarters of this free care ($124 million) was provided to the uninsured, and one-quarter ($48 million) was provided to people with insufficient health insurance coverage.[23] Pully says continued cuts at the federal level in Medicare reimbursement and increased competition for fewer paying patients in 1987 alone had pushed the amount of uncompensated care provided by North Carolina hospitals to about $780 million. This includes charity care and bad debt. The figure also includes contractual adjustments, which primarily comprise the hospitals' costs for treating Medicare and Medicaid patients, minus government reimbursement for care provided under these programs.

Similarly, physicians in private practice provided $198 million in free care, or 11.1 percent of total physician billings in 1985. About one-quarter of the physician free care, or $52 million,

Scott Dedman / Pisgah Legal Services

went to the uninsured, and the remaining $146 million went to those with inadequate health insurance coverage.[24]

While both hospitals and physicians provide a significant amount of uncompensated care to the uninsured and under-insured, these services do not address all of the needs of the medically indigent. And this source of care for the medically indigent is threatened by cost control efforts. Since charity care and bad debt are financed largely by shifting the costs onto paying patients, efforts to cut costs to private patients may also cut into the amount of free care provided to the medically indigent.[25] (For more on how hospitals care for the medically indigent, see Lori Ann Harris, "The Performance of For-Profit and Not-for-Profit Hospitals in Providing Health Care for the Medically Indigent," *Comparing the Performance of For-Profit and Not-For-Profit Hospitals in North Carolina,* N.C. Center for Public Policy Research, Raleigh, N.C., March 1989, pp. 37-80.)

In addition to Medicaid, Medicare, and the Hill-Burton programs, Congress provided funding to local communities to set up health care centers in medically under-served areas. These centers provide primary health care, such as physician and nursing services, on a sliding-scale basis to the people in their community, with fees based on ability to pay. In addition, some of the facilities offer dental care and low-cost prescriptions. None of the facilities, however, pays for the costs of hospital care for low-income individuals needing treatment.

North Carolina operates 35 clinics under this federal program, plus 46 programs under a similar state-funded rural health program. Nonetheless, "there are still 44 counties in the state that are designated health manpower shortage areas, which means that they have limited access to primary health care physicians," according to DHR's Bernstein. Bernstein says this accessibility problem hits the uninsured poor the hardest, both because they have a harder time finding physicians willing to treat them and because they often lack transportation.

The state also has a system of public health departments which provide some health services to the medically indigent. There are 87 health departments which cover all 100 counties of the state. The services offered at local health departments vary by county. For example, all of the health departments offer immunizations and all check for venereal diseases. But only seven health departments have primary health-care clinics where adults can obtain full medical screenings and treatment.[26]

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"The litmus test that both the biblical and republican traditions give us for assaying the health of a society is how it deals with the problem of wealth and poverty."

— Robert Bellah et al.
Habits of the Heart

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Are the Current Services Enough?

Despite the range of health services currently available to the poor and uninsured, statistics clearly indicate that the care afforded the medically indigent is inadequate. According to a 1983 national study, the insured receive 54 percent more walk-in care than do those without insurance coverage. "It is not the case that the uninsured manage to obtain ambulatory care comparable in amount to that obtained by the insured by relying on public clinics, teaching hospital outpatient clinics, nonprofit health centers, or the charity of private physicians. Without insurance, many simply do without care,'' the authors conclude. They say that "financial access to care is clearly the most important factor affecting use."[27]

Even Medicaid recipients have trouble finding doctors who are willing to accept Medicaid patients. Overall, only 53 percent of the state's primary care physicians actively participate in the Medicaid program, according to the N.C. Division of Medical Assistance. On the county level, participation varies from a high of 100 percent in Alleghany, Bertie, Camden, Franklin, Hoke, Jones, and Richmond counties, to a low of 27 percent in Dare County, a coastal county with relatively few Medicaid-eligible residents.[28] According to a 1987 study by Ralph Nader's Public Citizen Health Research Group, *North Carolina is tied with New Jersey for the nation's lowest physician participation rate in the Medicaid pro-*

gram.[29] While state officials question this finding, they agree that physician participation in the Medicaid program is a significant problem in North Carolina.

Critics say access to hospital care for the uninsured is only slightly better. "Many low-income people who need essential but non-emergency care are turned away or are discouraged from seeking hospital care because they can't pay the required pre-admission deposit or because they have outstanding unpaid hospital bills," says Montgomery of the Alliance for Social Security Disability Recipients.

A survey by the North Carolina Center for Public Policy Research found pre-admission deposits are widely used by for-profit, not-for-profit, and public hospitals across the state. Of the 75 hospitals responding to the survey, 52 percent reported using pre-admission deposits, mostly for non-emergency surgery.[30]

Pully says non-paying patients *should* be discouraged from using hospitals for care, except in emergency situations. "The hospital is the single most expensive portal of entry to the health care system," says Pully. "All efforts to discourage its use by those unable to pay should be supported, even if only those needing emergency care are admitted. The incentives should be directed toward providing adequate primary care [at doctors' offices and clinics]. Offering elective surgery to the uninsured would quickly bankrupt the system."

One national study found that the insured receive 90 percent more hospital care than do the uninsured. This differential is particularly marked in the South, where insured people receive *three times* as many days of hospital care annually as do uninsured persons.[31] Another study found that the uninsured are most often hospitalized for maternity or accident cases, and are less likely than insured patients to receive care requiring high technology.[32] In addition to the problems the uninsured face in obtaining physician and hospital care, the uninsured must overcome obstacles to obtaining ancillary care (such as medication), transportation to the medical provider, and adequate community support services that would enable the elderly to stay out of nursing homes.

Although the health care needs of the poor are well-documented, the question of how best to meet them is far from settled. In one recent study, researchers found that even when primary care clinics were accessible and heavily used, the health of the poor did not improve to the level of the general population. These researchers concluded that education level, quality of housing, nutrition, and other variables erode the health of the poor even when health care is readily available. The authors recommended treating not just the symptoms, but the social conditions that helped to spawn them.[33]

Still, it makes sense intuitively that the poor are better served by health services that give them adequate treatment than by the current stopgap approach. Sweeping programs that would wipe out social inequality are unlikely, but there is substantial room for fine-tuning the existing health-care delivery system so that it better serves the poor.

What Other States Are Doing

Those states which have acted on the indigent health care problem generally have taken one of two approaches: a comprehensive approach aimed at ensuring that every citizen has access to affordable health care, or a targeted effort to expand health care for certain subgroups of the population. Most states have chosen the latter option.

Only Massachusetts has developed a comprehensive health care plan. Beginning in 1992, Massachusetts will require all employers with six or more employees to offer health insurance to all employees who work 30 hours a week and to their dependents.[34] To cover those who cannot obtain employer-based health insurance, Massachusetts will provide health insurance to the unemployed receiving unemployment insurance; expand Medicaid to cover more pregnant women and infants; help otherwise ineligible disabled children and adults obtain the same benefits available through Medicaid; require all college students to have health insurance; and establish a state-subsidized health insurance program for those on general assistance and those who do not fall into any other program category.

Many other states are experimenting with the targeted approach. Some are attempting to broaden private sector health insurance coverage through tax incentives and other means. Others aim at expansion of public assistance programs. The National Leadership Commission on Health Care, a privately formed panel, in January 1989 proposed a national health insurance program for all of the nation's estimated 37 million uninsured.

Several states are trying to devise ways to

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State's Infant Mortality Rate Among Nation's Worst

Perhaps one of the best indicators of a state's commitment to high quality health care for the poor is its infant mortality rate—and North Carolina's rate ranks among the nation's worst. The state had the sixth highest infant mortality rate in the country in 1986. More than 11 out of every 1,000 children died before they reached the age of 1.

And this problem was even more pronounced among minorities. The infant mortality rate for non-white infants was almost twice that of white infants, with an average of 16.6 minority infant deaths per 1,000 before age 1 compared to 9.3 infant deaths for whites.

National rankings have not been compiled for 1987, but state figures show the problem has worsened. The infant mortality rate increased to 12.1 deaths per 1,000 births, or 17.6 deaths for non-white infants and 9.6 deaths for white infants.

Low birth weight and premature births are the leading causes of the high infant mortality rate. Lack of prenatal care, failure to obtain adequate nutrition during pregnancy, maternal diseases, low socio-economic status, and teenage pregnancy are risk factors contributing to North Carolina's high infant mortality rate. All of these factors are more prevalent among the poor.

Access to prenatal care is a significant problem in North Carolina. Between 1980 and 1986, the number of women who received no prenatal care increased by 57 percent. Failure to procure prenatal care can have serious consequences. According to a report by the Department of Human Resources' Division of Health Services, "Women who deliver with no prenatal care are three times more likely to have a low birth-weight baby (under 5 1/2 lbs.) and seven times more likely to have a very low birth-weight baby (under 3 1/2 lbs.)." The number of women who began to receive prenatal care in their last trimester also increased.[1]

The General Assembly expanded Medicaid in October of 1987 to cover more low-income pregnant women in an effort to improve access to prenatal care. State lawmakers raised the Medicaid income guidelines from $392 a month for a family of four—less than half of the federal poverty line—to the federal poverty guidelines ($971 a month for a family of four). About 15,000 pregnant women were eligible for this expanded Medicaid coverage.

The legislature also approved Medicaid program reimbursement for care coordination services provided to Medicaid-eligible pregnant women. The move was intended to help ensure that pregnant women receiving Medicaid also obtained needed support services, such as nutritional supplements through the Women, Infants and Children program, and transportation to the medical provider. In addition, the General Assembly increased the Medicaid reimbursement rates for the basic prenatal and delivery package from $409 to $625, expanded Medicaid to cover nurse midwife services, and most recently appropriated $240,000 to help offset the malpractice insurance costs of doctors who would provide prenatal and delivery services to pregnant women in medically underserved areas. But despite these changes, low income pregnant women still have difficulty obtaining prenatal care.

The Medicaid reimbursement rate is less than one-half of what many doctors receive from private patients. (A proposal by the Indigent Care Study Commission would increase payment for the prenatal care package by 52 percent to $950.) Thus, many doctors either refuse to treat Medicaid patients, or limit the number of patients that they will see. This cutback in the private sector forces more women to use the public health sector as their source of prenatal care. "Between 1984 and 1987 there was an 8.7 percent increase in the number of live births, but a 31.5 percent increase in the number of women receiving prenatal care at state-supported prenatal clinics," says Barry Goldstein, Assistant Director of the Maternal and Child Health Section of the Division of Health Services. However, the health

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encourage more employers to offer health insurance. Hawaii has the most comprehensive employer-based approach, with employers required to provide health insurance coverage to employees working at least 20 hours a week.[35] Employers are not, however, required to provide health insurance for dependents or for certain other categories of individuals, such as those receiving Medicare.

Other states have attempted to create low-cost health insurance plans which would be attractive to the many small employers who do not provide health insurance coverage. The Robert Wood Johnson Foundation of Princeton, N.J., has funded 15 different state and local initiatives to test different ways to reduce premium costs and market health insurance plans to small employers. These methods include limited benefit packages; provider discounts; managed-care systems comparable to health maintenance organizations; small employer health insurance pools; premium subsidies; increased employee cost sharing such as higher deductibles; and information and referral systems to link small employers to existing health insurance plans.[36]

In addition, 15 states have developed high-risk pools to address the needs of the medically uninsurable.[37] These plans offer health insurance to people who have been rejected by other insurance companies because of pre-existing conditions. The purpose of these pools is to spread the cost of covering the medically uninsurable among all the regulated insurance companies in the state. Most of these plans limit the premium rates to 150 percent or less of average premium rates for individuals. Two states, Wisconsin and Maine, provide premium subsidies for low-income people. Such subsidies are intended to offset the high premiums and co-payment requirements that in some states prevent low- and moderate-income people from enrolling in these high-risk plans.

Several other states have experimented with state-subsidized health insurance programs. Washington, for example, recently enacted the Health Care Access Act, which will help subsidize health insurance coverage for 30,000 people

Infant Mortality

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departments are not all equipped to handle the increasing number of pregnant women. The Division of Health Services surveyed local health departments and found that in 18 counties, pregnant women have to wait more than two weeks in order to be seen by a doctor. Four counties have waiting periods of more than four weeks.

Moreover, 11 counties in the state do not offer prenatal care in their health departments: Alleghany, Ashe, Avery, Clay, Greene, Graham, Hyde, Pamlico, Pender, Polk, and Transylvania. In addition, two of the 18 high-risk clinics in the state temporarily closed down in June 1988 because they lost their obstetrical back-up. In six of the 11 counties that do not have prenatal clinics in their health departments, residents can receive maternity care from health departments in neighboring counties. Division of Health Services officials anticipate that prenatal care will be initiated or reinstituted in four of the remaining five counties in 1989.

The state recently expanded the WIC program to serve more low-income pregnant women. WIC is a nutrition education and supplement program for low-income pregnant, postpartum, and breastfeeding women, as well as infants and young children. Adequate nutrition is critical to a healthy birth. With an annual budget of $50.1 million in North Carolina, WIC reaches 108,000 people each month, approximately 44 percent of all eligible people. National studies have shown that WIC contributed to a reduction of 20 to 30 percent in fetal deaths before birth, and that women who participate in WIC have fewer premature births.[2] The Division of Health Services has taken steps to expand the WIC program by entering into an agreement with two infant formula companies (Mead Johnson and Ross Laboratories) to rebate to the state part of the cost of the formulas. As a result, WIC will reach about under age 65 with gross family incomes at or below 200 percent of the federal poverty line. That means a family of four with a household income of up to $23,000 is eligible for the subsidized coverage. Individuals are required to pay monthly premiums based on their income levels and have nominal copayments for certain services. To contain costs, health services are controlled through health maintenance organizations.[38] Wisconsin and New York are designing similar pilot programs to test the feasibility of state-subsidized health insurance proposals.[39]

Much of the expansion of public assistance has come in the Medicaid program. Most states view Medicaid as a cost-effective means of expanding access to health care, since the federal government contributes heavily to the cost of the program. Consequently, many states have taken advantage of recent changes in federal law that allow the provision of Medicaid to more people. As of July 1988, 30 states, including North Carolina, had enacted legislation to expand Medicaid to cover children and pregnant women with family incomes equal to or below the federal poverty guidelines. An additional 10 states have increased the income eligibility guidelines even more. Congress allows states to provide Medicaid to all infants and pregnant women with household incomes of less than 185 percent of the federal poverty guidelines.[40] Further, four states have expanded Medicaid to cover more low-income aged, blind, and disabled individuals.[41]

In addition, Michigan and Massachusetts have set up state-funded public health programs to ensure access to prenatal care for all pregnant women and children.[42] Eight states have set up state-funded prescription drug programs to subsidize the cost of medication for certain low-income elderly and disabled individuals.[43]

Options Under Study in North Carolina

North Carolina currently has two legislative study commissions examining health access issues: the Indigent Health Care Study Com-

20,000 more people each month, or 51 percent of all people eligible and in need of nutritional supplements.

While these are significant efforts to ensure that pregnant women have adequate diets and access to prenatal care, they have not yet affected North Carolina's infant mortality rate. State officials expect the impact to show up in the 1989 figures, but already there are calls for more aggressive action.

The North Carolina Institute of Medicine, in a November 1988 report, recommended that the state take several steps aimed at reducing the number of premature and low-birth-weight babies. These include county-by-county plans for delivering prenatal care to low-income women through health departments and primary care physicians; expansion of Medicaid income guidelines to 185 percent of the federal poverty guidelines for young children and pregnant women; discretionary funds for counties to fill gaps in prenatal care coverage; and state-employed doctors, nurses, and midwives to provide prenatal care in counties without obstetrical services.

Dr. Sarah Morrow, an Institute board member, says the package would cost $4.7 million in the first year. But she says besides giving children a better chance at a healthy start, increasing access to prenatal care would cut down on expensive medical treatments that often wind up on the hospital bills of paying patients. "For the cost of putting five low-birth-weight infants in intensive care nurseries, you can provide prenatal care to 149 low-income women," says Morrow.

—*Pam Silberman*

FOOTNOTES

[1]Testimony to the Indigent Health Care Study Commission, Subcommittee on Public Assistance Options, by Richard Nugent, consultant to the Maternal and Child Health Section, Division of Health Services, N.C. Department of Human Resources, Nov. 10, 1988.

[2]"Special Information for All Providers: Food and Nutrition Services to Women and Children," N.C. Medicaid Bulletin, N.C. Department of Human Resources, July 1988, p. 6.

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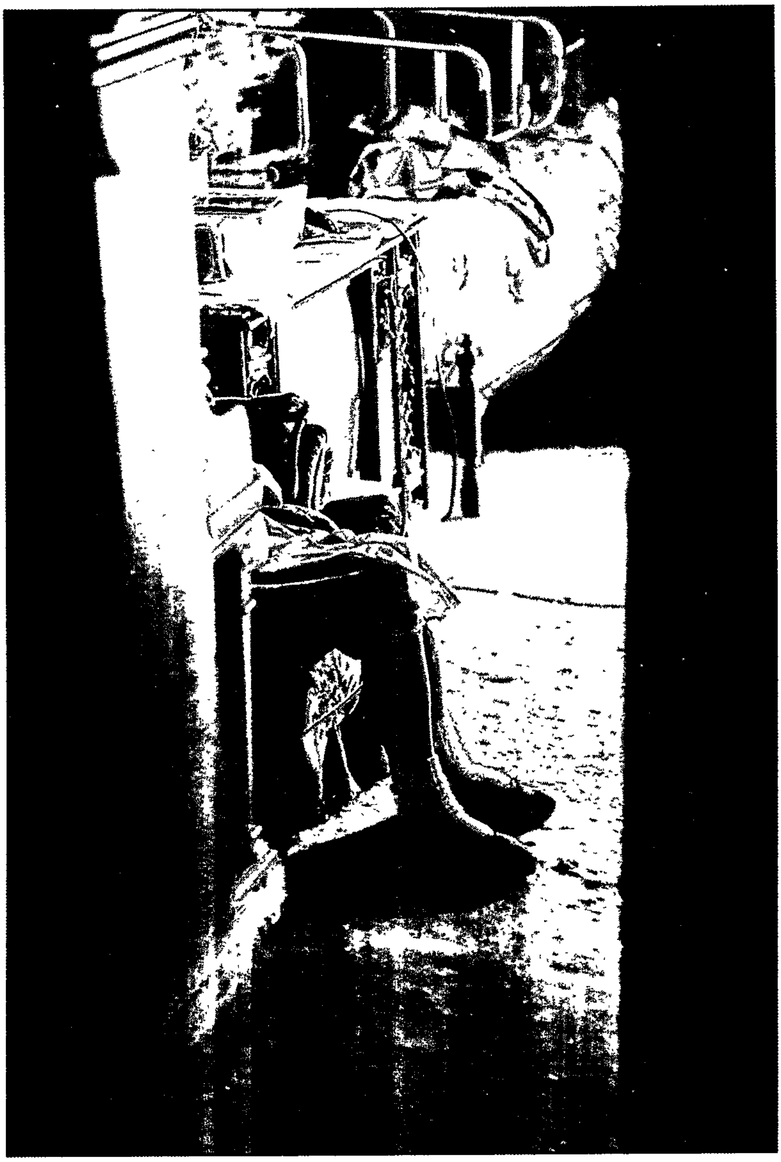
cians to treat low-income pregnant women, the commission recommended that Medicaid reimbursement for prenatal and delivery care be raised from the current $625 to $950 and that the state expand a recently enacted pilot program that offsets part of the malpractice insurance costs for obstetricians and family practitioners who agree to treat low-income pregnant women in medically under-served areas. (This is part of an effort to battle the state's high infant mortality rate. For more on this problem, see sidebar, pages 131-133.) The commission also recommended that the income guidelines be increased to cover more children, elderly, disabled, and working families. These proposals would provide Medicaid coverage to an additional 179,300 low-income individuals at a total cost of approximately $231 million, which includes the cost of administering the program as well as health services costs. The state share would be approximately $65 million, or $30 a month for each additional Medicaid recipient served, and the county share would be $13 million, or $16 a month for each new recipient.[44]

mission and the Health Insurance Trust Commission. The recommendations of these two study commissions to the 1989 session of the General Assembly include Medicaid expansion; community health demonstration programs; changes in the health insurance laws to reduce barriers to employer-sponsored health insurance coverage; and a pilot program to encourage small employers to provide health insurance.

The Indigent Health Care Study Commission recommended that the family income guidelines be increased for infants and pregnant women to 185 percent or less of the federal poverty guidelines. This would raise the income eligibility limit from the current $11,600 for a family of four to $21,460. To encourage more private physi-

The Indigent Health Care Study Commission also recommended that the state develop a two-year demonstration project to assist communities in developing a coordinated health care delivery system for the working poor. The Health Insurance Trust Commission has endorsed this program as well. Grant funds would be made available to communities to provide primary and preventive care services and to arrange for necessary referral, hospital, and support services for the uninsured poor. This program would cost approximately $1.65 million and would provide primary care for up to 4,000 people.

In addition, the Indigent Health Care Study Commission recommended changes to the current insurance laws to provide more coverage to employees in companies that offer health insurance. The proposed changes would prohibit companies with 20 or more employees from excluding certain employees from health coverage on the basis of their health status. The recommendations would also limit the waiting period for new employees to a 90-day maximum and would set a six-month limit on pre-existing condition exclusions. For example, a worker with diabetes would have his health costs from treatment for the disorder covered at the end of six months. The commission also recommended that pregnancy be precluded from the definition of pre-existing medical condition so that all prenatal and pregnancy-related services would be covered once the employee was eligible for coverage. These recommended changes would not, however, require companies to offer health insurance, nor would they affect self-insured health plans.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The Health Insurance Trust Commission has asked the N.C. Life Underwriters Association to conduct a pilot marketing program in New Hanover, Brunswick, Pender, and Columbus counties. The aim is to convince small employers to participate in health plans for their employees. The association will be using a new booklet, *Group Health Plans for Small Businesses,* which contains summaries of nearly 70 policies currently available to small employers in North Carolina. The commission also recommended that the legislature approve a demonstration employer tax credit program to encourage more small employers to offer health insurance.

In addition, the Health Insurance Trust Commission asked the legislature to consider the establishment of a health insurance pool for employees with pre-existing medical conditions. The commission had first considered recommending such a pool only for employees of small businesses. The Indigent Health Care Study Commission asked that health insurance pools be considered for all of the medically uninsurable—not just employees of small businesses.

Sen. Jim Johnson Jr. (R-Cabarrus), who serves on the Indigent Health Care Study Commission, says the recommendations of the two commissions are sound and well researched, but those that will require a substantial appropriation are unlikely to be funded in the near future. "They are good recommendations, but I don't see how we're going to be able to handle them," says Johnson. "We're really strapped. We're going to have to scrape to make any adjustments in state employee salaries."

The activities of the commissions show an interest in and commitment to improving health services to the poor. Yet even if the legislature were to adopt in full the recommendations of both commissions, the ranks of the uninsured likely would be reduced less than 20 percent.[45] Still, many would argue that the state has the responsibility to act, even if the anticipated impact is a modest one. The ranks of the medically indigent comprise disproportionate numbers of children who deserve a chance at a healthy and productive life. Minorities and the working poor also are less likely to have health insurance than the general population, and the link between this lack of insurance and inadequate health care has been well established. But there is a broader interest in mounting a vigorous attack on the problem. Unless the state acts, experts say rising health care and insurance costs will drive the numbers of the medically indigent still higher. Cost shifting by health-care providers will mean a greater burden for paying patients and for employers who offer health insurance. Through such measures as increased participation in Medicaid and inducements for smaller firms to provide health insurance, the state may be able to stem or even reverse an otherwise ominous trend toward increasing numbers of medically indigent citizens.

FOOTNOTES

[1]C. Johnston Conover, "Health Care for the Medically Indigent: Who are the Medically Indigent? and Barriers to Access," Center for Health Policy Research and Education, Duke University, presentation to Indigent Health Care Study Commission, March 12, 1986. Chart entitled "Uninsured Population," p. 3. (Hereinafter "Who are the Medically Indigent?")

[2]*Ibid.*, chart entitled "Number of Medically Indigent at Risk," p. 8. Underinsured are defined as having a 5 percent chance of spending more than 10 percent of their income on health care expenses. In addition, people who have Medicare as their sole source of health insurance are considered underinsured.

[3]*Ibid.*, chart entitled "Major Sources of Medical Care in North Carolina," p. 33.

[4]Keith Melville and John Doble, "The Public's Perspective on Social Welfare Reform," The Public Agenda Foundation, New York, N.Y., January 1988, pp. 47-48.

[5]"Who are the Medically Indigent?," chart entitled "Uninsured Population," p. 3.

[6]*Ibid.*, chart entitled "Coverage Trends Among Poor, North Carolina, 1980-1985," p. 14.

[7]*Ibid.*, chart entitled "Uninsured Population," p. 3.

[8]*Ibid.*, chart entitled "Number of Medically Indigent at Risk," p. 8.

[9]*Ibid.*, chart entitled "Demographic Characteristics of the Medically Indigent," p. 18.

[10]C. Johnston Conover, "Health Care for the Medically Indigent: What Are the Options?", Center for Health Policy Research and Education, Duke University, April 8, 1987, p. 6.

[11]Gail Wilensky, "Filling in the Gaps in Health Insurance," *Health Affairs,* Summer 1988, p. 137.

[12]"Issue Brief: A Profile of the Non-Elderly Population Without Health Insurance," Employee Benefit Research Institute, May 1987, No. 66, p. 6.

[13]C. Johnston Conover, Presentation to Healthcare Financial Management Association, Annual Meeting, May 25, 1988, Myrtle Beach, S.C.

[14]In 1974, when Congress federalized the cash assistance programs for the aged, blind, and disabled into the SSI program (Supplemental Security Income), Congress gave the states the option of providing Medicaid to all SSI recipients, or only to the aged, blind, and disabled individuals who would have received Medicaid using the state's Medicaid rules that were in effect on Jan. 1, 1972. North Carolina chose this latter option, named for Section 209(b) of P. L. 92-603, 42 U.S.C. 1396a(f). As a result, SSI recipients in North Carolina do not automatically receive Medicaid, unlike most other states.

If North Carolina provided Medicaid to all SSI recipients, 66,500 additional people would be eligible, said Wayne Stallings, Division of Medical Assistance, N.C. Department of Human Resources, Nov. 10, 1988, in his presentation to the Indigent Health Care Study Commission, Subcommittee on Public Assistance Options.

[15]Certain resources are not counted in determining Medicaid eligibility, such as the person's home, one car, and household belongings. In general, most other assets are counted in determining Medicaid eligibility.

[16]Congress broke the link between the AFDC payment levels and the Medicaid income guidelines for pregnant women, children under age 8, and the elderly and disabled, allowing states to increase the income guidelines for these groups without increasing the AFDC payment levels. Last year, the General Assembly adopted one of these options, more than doubling the income guidelines for pregnant women and children. As a result, children under the age of 2 and pregnant women who have family incomes less than the federal poverty guidelines are eligible for Medicaid.

[17]Isaac Shapiro and Robert Greenstein, "North Carolina, Holes in the Safety Nets, Poverty Programs and Policies in the States, A State Analysis," Center on Budget and Policy Priorities, Washington, D.C., 1988, p. 3.

[18]People who have chronic kidney disease and certain other limited categories of individuals also qualify for Medicare.

[19]A deduction is a fixed amount a patient must pay before his insurer begins paying for medical expenses. A copayment is a fixed share of medical expenses which is to be paid by the patient once the deductible is met. Medicare Part A covers in-patient hospital services, skilled nursing home care, some home health services, and hospice care. In 1988, Part A had a $540 hospital deductible and an additional copayment of 20 percent of cost for inpatient days beyond the 60th day. In addition, Medicare covered only a certain number of days in the hospital. There were similar cost sharing requirements for skilled nursing care. Under the Medicare Catastrophic Coverage Act of 1988 (P. L. 100-360 amended as 42 USC 1395 et seq.), there is one hospital deductible per year — $564 beginning Jan. 1, 1989, but no co-insurance or limit on the number of inpatient hospital days. There is a limited co-payment by the patient for the

first eight days of nursing home coverage, but no other cost sharing for nursing home care.

Medicare Part B covers doctors' services, outpatient services and diagnostic tests, rental or purchase of durable medical equipment, and certain other health services. There is currently a $75 Part B deductible each year. Part B then pays 80 percent of the "reasonable and customary charges" to the provider. The Medicare Catastrophic Coverage Act puts an upper limit on the amount of out-of-pocket expenses a beneficiary has to pay in cost sharing. Beginning Jan. 1, 1990, the upper limit will be $1,370. Once this upper limit is met (with the $75 deductible and the 20 percent co-insurance), then Medicare will pay 100 percent of the beneficiary's incurred reasonable charges.

In addition, the new Medicare Catastrophic Coverage Act phases in coverage of prescription drugs. Medicare will cover 50 percent of the actual costs of prescription drugs which are more than $600 a year, beginning in 1991. Medicare will increase its coverage to 60 percent in 1992 and to 80 percent in 1993.

[20] "The Role of Medicare in Financing the Health Care of Older Americans," American Association of Retired Persons Research Project, ICF Inc., July 1985, Table 17.

[21] "Facilities Obligated to Provide Uncompensated Services and Community Services," U.S. Department of Health and Human Services, Public Health Service, June 1980; "Directory of Facilities Obligated To Provide Uncompensated Services by State and City as of Jan. 1, 1987," U.S. Department of Health and Human Services, Public Health Service, January 1987. Updated by conversations with Bob Lindsay, Region IV, Aug. 23, 1988.

[22] Lori Ann Harris, "The Hill-Burton Act," *Comparing the Performance of For-Profit and Not-for-Profit Hospitals in North Carolina*, North Carolina Center for Public Policy Research, March 1989, p. 42.

[23] "Health Care for the Medically Indigent: Payment and Responsibility for Indigent Health Care," Duke University Center for Health Policy Research and Education, Presentation to Indigent Health Care Study Commission, April 22, 1986, chart entitled "Hospital Free Care, 1985," p. 15.

[24] *Ibid.*, chart entitled "Physician Free Care in North Carolina, 1985," p. 16.

[25] Patricia Butler, *et al.*, "State Health Insurance as Part of a National Health Program: A Report to the Executive Board, American Public Health Association," March 1988, p. 5.

[26] John Griswold, "Primary Health Care Funded Services in Local Health Departments: 1986 Survey Results," N.C. Department of Human Resources, Division of Health Services, p. 708.

[27] Karen Davis and Diane Rowland, "Uninsured and Underserved; Inequities in Health Care in the United States," *Securing Access to Health Care*. Vol. 3: Appendices, Empirical Legal and Conceptual Studies, President's Commission for the Study of Ethical Problems in Medicine and Biomedical Research, September 1982, Appendix O, p. 66.

[28] Department of Human Resources, Division of Medical Assistance, Report to Indigent Health Care Study Commission, Subcommittee on Public Assistance Options, March 31, 1988.

[29] Karen Erdman and Sidney M. Wolfe, M.D., "Poor Health Care for Poor Americans: A Ranking of State Medicaid Programs," a publication by Ralph Nader's Public Citizen Health Research Group, 1987.

[30] Harris, *Comparing the Performance of For-Profit and Not-for-Profit Hospitals in North Carolina*, pp. 52-53.

[31] Davis and Rowland, pp. 64-65.

[32] F. Sloan, *et al.*, *Uncompensated Hospital Care: Rights and Responsibilities*, John Hopkins University Press, 1986, pp. 29, 38.

[33] D. L. Patrick *et al.*, "Poverty and Health in Rural America," *Milbank Memorial Fund Quarterly*, Vol. 66, No. 1, 1988, pp. 128-130.

[34] Massachusetts Health Security Act, Chapter 23, signed April 21, 1988. ERISA, the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001-1381), prohibits states from directly mandating that employers provide health insurance. To get around this problem, Massachusetts developed a pay-or-play approach. Either an employer must provide health insurance coverage or the employer will be required to pay an annual tax of about $1,680 per employee into a state-administered health insurance fund. The fund will be used to provide health insurance to the uninsured.

[35] Congress amended ERISA in 1978 to exempt the Hawaii Prepaid Health Care Act. See Jane Perkins, "ERISA Preemption Affecting Indigent Health Care Coverage," *Clearinghouse Review*, April 1987, p. 1510.

[36] Presentation by Randy DeSonia, Senior Associate, Alpha Center, to the Health Insurance Trust Commission, Feb. 10, 1988.

[37] Connecticut, Florida, Illinois, Indiana, Iowa, Maine, Minnesota, Montana, Nebraska, New Mexico, Oregon, North Dakota, Tennessee, Washington, and Wisconsin all have high-risk pools. "The Risk Pool Strategy: Comprehensive Health Insurance Associations," Intergovernmental Health Policy Project, February 1988, No. 20.

[38] Health Care for the Uninsured Program, Alpha Center quarterly report, No. 3, July 1987, pp. 5-7.

[39] Intergovernmental Health Policy Project, *State Health Notes*, No. 81, April 1988, pp. 2-3.

[40] Intergovernmental Health Policy Project, *State Health Notes*, No. 87, November 1987, p. 3.

[41] National Health Law Program, *Health Advocate*, No. 158, Fall 1988, p. 19, footnote 18. New Jersey, Washington, D.C., and Rhode Island have expanded the income guidelines for the elderly, blind, and disabled to 100 percent of the federal poverty guidelines. Florida expanded coverage to those with incomes below 90 percent of the federal poverty guidelines.

[42] Telephone conversation with Kay Johnson, Children's Defense Fund, Washington, D.C., Nov. 30, 1988.

[43] Connecticut, Delaware, Illinois, Maine, Maryland, New Jersey, Pennsylvania, and Rhode Island all have prescription drug programs. Intergovernmental Health Policy Project, *State Health Notes*, No. 62, April 1986, pp. 3-5.

[44] Besides expanding Medicaid to make more people eligible, the state may want to work on smoothing the application process so that more eligible people actually get benefits. One analysis found the eligibility process to be a significant barrier to receiving Medicaid benefits. For more on this problem, see Sharon Shuptrine and Vicki Grant, "Study of the AFDC/Medicaid Eligibility Process in the Southern States," Southern Governors' Association, Washington, D.C., April 1988.

[45] Estimate based on the addition of 183,300 persons to the rolls of the insured through direct government action (Medicaid expansion and pilot primary and preventive care program for the uninsured) and on incentives to the private sector producing a modest increase in the number of health plans offered by employers.

Taxes and the Poor in North Carolina: An Unfair Share?

By Charles D. Liner

Is North Carolina's tax system unfair to the poor? Although a number of the aspects of the state's tax structure are favorable to those in poverty, the system as a whole exacts a weighty toll on those least able to pay. Consider these examples:

- *The household income for a family of four at the poverty level has increased 193 percent since 1970, while that same family's state income tax liability has increased 710 percent during the same time period.*
- *When enacted in 1921, the state income tax was not intended to fall on the poor at all, but rates, brackets, exemptions, and the standard deduction have remained almost unchanged. All of these tools were used to shield the poor from income taxes, but inflation has eroded them to the point that the poor shoulder a substantial state income tax burden.*
- *A worker now winds up owing state income taxes before his taxable income reaches half the federal poverty line, a tax threshold far lower than that of most states. And in 1988, a family of four earning $10,000 would have had a higher state income tax bill in North Carolina than in any other state except Kentucky.*
- *North Carolina has increased its reliance on the retail sales tax by increasing the combined state and local tax rate to 5 percent. This regressive tax imposes a relatively high burden on low-income taxpayers, a burden that is increased by the taxation of food and utility bills. Unlike North Carolina, 28 states exempt food purchases from sales taxes, 32 states exempt utility bills, and eight exempt clothing.*

What is the magnitude of this problem of tax equity for the poor in North Carolina, and what can be done to correct it?

Scott Dedman / Pisgah Legal Services

The most widely accepted principle of tax equity is that taxes which are used to support general government services should be imposed according to taxpayers' ability to pay. All states violate that principle by making extensive use of certain taxes, such as sales taxes, that impose burdens on poor people which are proportionately larger in relation to income than those imposed on higher income people. Taxes are called *regressive* when citizens with the least ability to pay bear the largest proportionate burdens. In contrast to regressive taxes, a *progressive* tax imposes proportionately smaller burdens on *those who have less income*.

All states make heavy use of regressive taxes and charges. For the nation as a whole, sales taxes are by far the largest source of revenue for state and local governments.[1] These taxes include the retail sales tax, gross receipts taxes, and selective sales taxes like taxes on gasoline and alcoholic beverages. Forty-five states have a retail sales tax, and 28 of those states also authorize local retail sales taxes. Some states allow local units to impose regressive local retail sales taxes. Although there are conflicting views about whether the property tax is regressive or progressive, in either case the property tax is not tied directly to taxpayers' incomes, and therefore poor people can be subject to relatively high property tax burdens (whether they pay the tax directly or through rents and prices). Finally, user charges, such as tuition at public higher education institutions, medical bills at public hospitals, and water and sewer charges, are used in every state. These charges also are more burdensome to the poor.

Because regressive revenue sources are used extensively, the key to achieving overall tax equity in a state is to have a progressive personal income tax that offsets the disproportionate burdens placed on poor people by regressive taxes and charges. Unlike sales and property taxes, the income tax base can be adjusted according to factors such as family size or medical expenses that have a bearing on ability to pay. And the flexible structure of the tax allows the state to grant relief through personal and dependent exemptions and the standard deduction, and to impose a rate schedule that is graduated according to taxpayers' net incomes. These characteristics permit the state to design income taxes that are consistent with the ability-to-pay principle.

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North Carolina's Taxes

In North Carolina the personal income tax is the largest single tax source for the state and local governments combined. This tax produces half of the state's general fund revenue and more than 28 percent of total tax revenue collected by state and local governments. It produces more revenue than the retail sales tax or the property tax (but not more than retail and selective sales taxes combined). In fact, North Carolina relies more on the personal income tax than all but three states (Delaware, Massachusetts, and Oregon). Six states do not have a personal income tax, and in seven other states the tax accounts for less than 10 percent of total state and local tax revenue.[2]

The state's heavy reliance on the personal income tax means that it relies less on other revenue sources. Including both state and local revenue sources, the state ranks 40th in reliance on property taxes, 31st in reliance on user charges, and 25th in reliance on retail sales and gross receipts taxes.

When comparing North Carolina's tax structure in this way, at first glance it appears that North Carolina's structure favors poor people—the state's largest tax is not intended to impose a tax liability on its poorest citizens and the state relies less on sales taxes than half the states. Furthermore, the state's personal income tax is substantially progressive.[3] In 1988 a family of four with an income of $8,500 earned equally by both spouses would owe taxes of $82, slightly less than 1 percent of its income, while a similar family with an income of $66,000 would owe $3,132, or 4.7 percent of its income.[4] It is true that the poorer family would pay a higher percentage of its income in sales taxes—retail and utility sales taxes together would amount to 2.6 percent of the poorer family's income and only 1.4 percent of the wealthier family's income. But even after combining these taxes with income taxes, the family with the lower income would still pay a smaller percentage of its income than would the higher-income family—3.6 percent compared with 6.1 percent.

Regressive, Progressive, or What?

Whether North Carolina's tax structure is regressive or progressive is a question of much debate. The Special Senate Commission on North Carolina Revenue Laws reported in 1975 that the "tax system has a definite pattern of regressivity in overall terms, with a range of near proportionality in the middle income range." In other words, the state's overall tax bite started at a high level among low-income residents, dropped and then flattened out for a broad range of middle-income citizens, and then dipped again at the highest income levels. The commission based this conclusion on a study by James Wilde, an economist at the University of North Carolina at Chapel Hill. Wilde's study examined the state's tax structure using a methodology aimed at gauging its overall impact upon the poor. For example, the study assumed that corporate income taxes ultimately would be paid by the consumer through higher prices, rather than by stockholders through reduced earnings. When all of these sources of taxation were taken into account, Wilde found that the state's poorest citizens paid the largest percentage of their income in taxes. Wilde says public finance experts disagree on who ultimately pays such taxes as the corporate income tax and the property tax, and how these taxes are treated makes a big difference in determining whether the state's tax structure is progressive or regressive. He also says the proportion of revenue produced by the state income tax has increased substantially since the Senate panel's study, while certain other more regressive taxes have become less important as revenue producers. Wilde says he would need to repeat the study to determine whether the state's tax structure remains as regressive in 1989 as he found it to be in the early 1970s.

—Mike McLaughlin

Eric Green / N.C. Poverty Project

In addition, two recently enacted measures have provided tax relief to lower-income taxpayers. In 1985, the General Assembly authorized an income tax credit—a general credit for low- and moderate-income individuals—that is equivalent to an increase in exemptions of as much as $833 for many low-income taxpayers.[5] (Even after the credit, however, the income tax can fall on taxpayers whose incomes are half the federal poverty level). And during the same session, the General Assembly exempted food stamp purchases from the retail sales tax. For most poor families who receive food stamps, this measure largely eliminates the sales tax on food purchased for consumption at home, although many income-eligible households do not receive food stamps.

Aspects Unfavorable to the Poor

But several other factors should be considered in determining whether North Carolina's tax structure is fair to the poor. First, although the state's personal income tax is progressive, it imposes taxes at a lower income level than in most states. Furthermore, erosion in the value of personal exemptions and tax brackets due to inflation continues to increase the taxes of poor taxpayers more than it increases the taxes of higher-income taxpayers. The result is that the income tax now imposes relatively heavy taxes on families below the poverty level, and the tax has become less progressive.

The personal income tax was never intended to fall on the poor at all. When the tax was enacted in 1921, personal and dependents exemptions sheltered the income of all but the well-to-do. Increasingly, however, the tax has fallen on the poor as well because exemptions and tax brackets have not been adjusted sufficiently to offset inflation. The head of household and spousal exemptions were set at $2,000 and $1,000, respectively, in the early 1920s. Those exemptions have been increased only once—in 1979—and by only 10 percent. The dependents exemption, which was $200 in 1921, was last increased in 1979—to $800 effective in 1981. The maximum standard deduction, set at $500 in 1953, was increased by 10 percent in 1979. Tax brackets and rates have not changed since 1937.

The erosion in the value of exemptions, the maximum standard deduction, and tax brackets has transformed the income tax from a tax that once fell only on the well-to-do to a tax that now also falls on people well below the poverty level. In 1970, a family of four with income equal to the 1970 poverty level ($3,968) would have been en-

Table 1. State Income Tax Thresholds for a One-Earner Family of Four in 1988

Highest 10 States		Lowest 10 States	
California	$18,100	Illinois	$4,000
Mississippi	15,900	Indiana	4,000
Vermont	15,100	New Jersey	4,000
Rhode Island	15,100	Kentucky	4,300
New York	14,000	North Carolina	4,350 *
Maine	13,000	Alabama	4,400
Maryland	12,900	Arkansas	5,600
South Carolina	12,800	Hawaii	5,900
North Dakota	12,800	Virginia	5,900
Nebraska	12,800 **	Montana	6,500

Figures do not include tax credits offered to low income taxpayers in some states, including North Carolina.

*A state's tax threshold is the level of income at which a citizen begins owing income taxes. In North Carolina, the true tax threshold for a one-earner family of four before the general tax credit is applied is $4,222. This comparison overstates the tax threshold because it includes the maximum standard deduction of $550. Many low-income taxpayers cannot take the maximum deduction because they do not earn enough income. These taxpayers instead deduct 10 percent of their adjusted gross income.

**Four other states also have a $12,800 threshold: Minnesota, Kansas, Idaho, and Colorado.

Source: The Unfinished Agenda for State Tax Reform, National Conference of State Legislatures, November 1988, p. 170.

titled to exemptions totaling $4,200, or 106 percent of its income. Poor families cannot always use the full value of their exemptions because exemptions cannot exceed income, and in this case the family would have owed taxes of $23.57, or 0.6 percent of its income. By 1987, a family of four at the 1987 poverty level ($11,612) would have had exemptions totaling $4,900, equal to only 42 percent of its income, and it would have owed $191 (before applying the general credit), or 1.5 percent of its income. Thus, while the officially defined poverty level increased 193 percent between 1970 and 1987, the income tax liability for families at that income level increased 710 percent. The general credit available to low income taxpayers who do not receive food stamps would have reduced the tax liability by $50 in 1987 (only $25 now, due to a 1988 amendment). But even after applying the general credit, taxes owed by a family at the poverty level would have doubled to 1.2 percent of the family's income, and its tax bill would have increased by 498 percent.

Another indicator of income taxes on the poor is the *tax threshold*—the income level at which people begin to owe income taxes. In a recent comparison of state income taxes on one-wage-earner families, the National Conference of State Legislatures found that North Carolina's tax threshold of $4,350 for a one-earner family with an income of $10,000 was lower than that of most other states with state income taxes (See Table 1). Furthermore, the amount of state income taxes owed by a family of four with income of $10,000 was larger in North Carolina than in all states except Kentucky.[6] Although the general credit increases North Carolina's tax threshold to $5,148 for a one-earner family of four (providing it does not receive food stamps), only 11 states had thresholds that low. Sixteen states had thresholds above $8,000 and 12 had thresholds above $10,000.

Another aspect of North Carolina's tax structure that should be considered is that, although the state relies less on sales taxes than many other states, the sales taxes it uses are more burdensome to the poor than those used in most states. And since 1961 the trend has been for North Carolina to rely more on sales taxes.

Tax Term Simplification

The following is a guide to sometimes confusing tax terminology, as applied to the North Carolina personal income tax:

Adjusted Gross Income — Income from wages, salaries, and other sources of taxable income, less deductions for certain expenses incurred in earning income.

Personal Exemptions — Flat dollar amounts allowed for taxpayers and dependents. These exemptions are subtracted from gross income in determining net taxable income. Examples include $2,200 for one working spouse or head of household, $1,100 for a second spouse earning income, and $800 for each dependent.

Personal Deductions — Certain personal expenses that may be deducted from adjusted gross income. Examples include interest payments on a home mortgage, charitable contributions, property tax payments, and medical expenses. In lieu of itemizing deductions, taxpayers are allowed to take a standard deduction of 10 percent of adjusted gross income, subject to a maximum of $550. The standard deduction is often used by renters and others who do not have a lot of allowable expenses.

Net Taxable Income — The amount of taxable income remaining after subtracting personal exemptions and personal deductions from adjusted gross income.

Tax Rate — A percentage to be applied to net taxable income to determine a person's tax liability.

Tax Bracket — A range of net taxable income for which a specific tax rate applies.

Tax Threshold — The amount of gross income that can be earned before a person pays income tax. In general, the threshold is the sum of the personal exemptions and the standard deduction. In North Carolina, this amount is $4,222 for a one-earner family of four.

Tax Credit — A fixed amount that may be deducted from tax liability to determine the amount of tax actually owed. Tax credits provide relief for certain expenditures incurred by the taxpayer. In addition, credits may be used to target overall tax relief to low-income taxpayers.

Progressive Tax — A tax is progressive when the ratio of tax to income rises as income rises.

Regressive Tax — A tax is regressive when the ratio of tax to income falls as incomes rise.

Source: Definitions of tax terms were provided by David Crotts, chief tax analyst for the legislature's Fiscal Research Division, with the exception of the definitions of progressive and regressive taxes. These two definitions were taken from Joseph A. Pechman and Benjamin A. Okner, *Who Bears the Tax Burden?*, The Brookings Institution, Washington, D.C., 1974, p. 1.

The base of North Carolina's retail sales tax includes food purchases—which are exempted from taxation in 28 states—and charges for telephone, electricity, and natural gas services, which are exempted in 32 states (eight states also exempt sales of clothing).[7] Furthermore, utility charges in North Carolina are taxed at a combined rate of 6.22 percent under the retail sales and utility franchise taxes, compared with the overall state and local retail sales tax rate of 5 percent. The 1985 exemption of food stamp purchases provided substantial relief from sales taxes on food purchases for those who receive food stamps.

North Carolina has increased greatly its reliance on the retail sales tax. In addition to adding food sales to the tax base in 1961, the General Assembly in 1971 also authorized local governments to levy a 1 percent retail sales tax. That local rate was doubled with increases authorized in 1983 and 1986. North Carolina's combined state and local rate of 5 percent equals the median state rate and is levied on a base that is substantially larger than that of most states because it includes food purchases and utility charges.

Measures for Reducing Taxes on the Poor

Even if there are no further increases in sales taxes, taxes on the poor will continue to increase disproportionately because inflation will continue to erode the value of income tax exemptions and tax brackets. The following are measures that might be considered as ways to reduce the tax burden on the poor or to adjust the overall tax structure to compensate for inflation, plus a brief discussion of a proposal to replace the current state income tax with a new tax based on the federal income tax.

■ *Allow poor families to take full advantage of existing exemptions.* Many poor families cannot take full advantage of the personal and dependents exemptions to which they are entitled under current law, because the law provides that the spouse who claims the head-of-household exemption must claim all dependents exemptions ($800 for each dependent). Many poor heads of household do not have income sufficient to take full advantage of their exemptions and the standard deduction, and the spouse cannot claim the unused portion of dependents exemptions. For poor people, this provision negates the purpose of dependents exemptions, which are intended to adjust tax liabilities for family size—a poor family with eight children could be liable for the same amount of taxes as a family with the same income and two children. This problem could be corrected with relatively little revenue loss for the state by allowing a spouse to claim the unused portion of dependents exemptions.

■ *Increase the value of personal exemptions.* Exemptions are fundamentally important in achieving overall tax equity under a personal income tax. They shelter a minimum level of income, thus keeping the poorest people off the tax rolls. They also make the tax more consistently progressive. Although exemptions have the same absolute value for all taxpayers, the relative value (the percentage of income they shelter) diminishes as income rises, and an increase in exemptions provides a much greater proportionate reduction in taxes for low-income taxpayers than for high-income taxpayers.

Increasing exemptions to offset inflation is also important in maintaining the structure of the income tax. If exemptions were to remain unchanged as inflation continued, under the current rate schedule most taxable income eventually would be taxed at the highest rate, the rate schedule would become in effect largely a flat rate schedule rather than a graduated rate schedule, and the tax would continue to become less progressive.

The problem with increasing exemptions as a

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"While they're standing in the welfare lines
Crying at the doorsteps of those armies of salvation
Wasting time in the unemployment lines
Sitting around waiting for a promotion."

—Tracy Chapman
"Talkin' 'Bout a Revolution"

♦

way to help poor people is that such increases benefit all those who pay state income taxes, not just the poor, and therefore cost much more in reduced revenue growth than other approaches. If exemptions were doubled, for example, the state would lose about $490 million a year in revenue, according to the legislature's Fiscal Research Division. This extra cost should be kept in perspective, however, because at the average growth rate of collections over the past decade, revenue from the personal income tax now increases about $300 million each year.

Whether this approach should be used depends on the intended objective. If the objective is to maintain the overall equity of the income tax, adjusting exemptions, perhaps in small increments over a period of time, would be appropriate. If, on the other hand, the objective is to provide as much tax relief to the poor as possible for a given amount of loss in revenue growth, other measures like low-income tax credits would be more effective.

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■ *Increase the standard deduction.* Deductions generally are more helpful to high-income taxpayers than to low-income taxpayers. For example, higher-income taxpayers are more likely to own their homes, and as homeowners they can deduct mortgage interest and property taxes. The 10 percent standard deduction (subject to a maximum of $550) is intended at least partially to offset that advantage for higher-income taxpayers. It can be taken only by taxpayers who do not claim other deductions. North Carolina's standard deduction, however, is lower than that of most other states. Only three other states have a percentage deduction that low, and others range up to 20 percent.[8] Of the 24 states in 1986 that had a maximum standard deduction, none was as low as $550. In 18 states the deduction for individuals exceeded $1,000; in 11 states it exceeded $2,000; and in two states it exceeded $3,000. North Carolina's standard deduction could be doubled to $1,100 at an annual cost (in lost revenues) of approximately $30 million.

■ *Create low-income tax credits.* Income-based credits against income tax liabilities have the advantage that they target tax relief only to low-income taxpayers, and therefore they cost much less in reduced revenue growth than increases in exemptions or the standard deduction that provide the same relief.

The primary disadvantage of this approach as a means of providing tax relief to the poor is that an income tax credit provides no relief to the poorest citizens, who are not liable for income taxes and therefore cannot use the credit. Only if a credit is refundable—if the unused portion of the credit is paid in cash—will credits benefit the poorest citizens. Another disadvantage is that this approach—unlike increases in exemptions, the standard deduction, or tax brackets—does nothing to correct the long-term effects of inflation on the overall equity of the income tax.

Despite their limitations, if income-based credits are designed carefully they can be an

—continued on page 149

Tax Fairness Commission Recommends Restructuring of State Income Tax

The legislature's Tax Fairness Study Commission has recommended to the 1989 General Assembly a number of measures aimed at creating a more equitable tax system. Chief among these is a proposal to restructure the current state individual income tax to conform more closely to the federal system. By making the change, the state would be adopting the features of the Tax Reform Act of 1986 that eliminated the federal tax on more than 6 million poor families.

These measures include a $2,000 personal exemption for each family member and a $5,000 standard deduction for a married couple in the 1989 tax year. Thus, a family of four could earn $13,000 in income tax-free. By adopting these changes at the state level, North Carolina's 3 million state income tax returns could be trimmed by about a half million, says David Crotts, the legislature's chief tax analyst. "$13,000 is a high threshold," says Crotts. "You're knocking a lot of people off [the tax rolls]."

The Tax Fairness Study Commission's recommendation is to begin the state tax calculation with federal net taxable income. Thus, the state would be adopting federal rules on which income is taxable, which personal expenses may be deducted from gross income, and the amount of personal exemptions. For a married couple taking the standard deduction, the 5 percent rate would apply to gross income exceeding $13,000. The 8 percent rate would apply to gross income exceeding $33,000.

For a family of four with two dependents in which both spouses work, the proposal would lead to a lower tax bill if the family had a gross income of less than $45,000, according to the legislature's Fiscal Research Division. In 1988, less than 29 percent of North Carolina families had income exceeding $45,000.

Revenue lost by removing poor families from the tax rolls would be made up by increased taxes on high-income taxpayers. A family of four with $200,000 in income, for example, would see its tax bill increase by 12.7 percent. Commission members say shifting more of the state income tax burden to higher-income citizens is justified because the tax initially was intended to fall only on the well-to-do. Inflation and a failure to adjust tax brackets, deductions, and rates have resulted in a state income tax threshold of less than half the federal poverty line. "Theoretically, what we did here is super because we are starting to get away from the regressive features of the North Carolina tax system," says Sen. Marshall Rauch (D-Gaston), co-chairman of the Tax Fairness Study Commission. "The North Carolina system has too much of a burden on low- and middle-income citizens."

The $13,000 tax threshold for a family of four stands in sharp contrast to the current state income tax, in which a one-earner family of similar size would have a tax threshold of $5,148 (or $4,222 without the low-income credit). This is less than half the federal poverty line of $11,612 for a family of four in 1987. In one analysis of state policies affecting the poor, the Center on Budget and Policy Priorities found that in North Carolina a family of four earning $10,000 a year would owe state income taxes of $252, the second highest tax burden in the nation for a family of that income level.[1]

The proposed 5 percent rate would apply to married couples filing jointly and surviving spouses with a net taxable income of $20,000 or less; heads of households earning $16,000 or less in taxable income; single taxpayers earning $12,000 or less in taxable income; and married taxpayers filing separately and earning $10,000 or less in taxable income (See Table 2).

In addition, the restructured state income tax system generally would track the federal system so that taxpayers would not have to fill out additional forms to claim state tax credits, deductions, and exemptions. "The average person on the street, that person is going to benefit," says Rauch. The proposal is designed to be revenue-neutral, with the higher 8 per-

Table 2. A Comparison of Current Tax and Restructured Tax Proposed by the Tax Fairness Study Commission

Current Tax			Restructured Tax		
EXEMPTIONS					
$1,100	for single		$2,000	each for self, spouse and dependents	
2,200	for married ($3,300 if both work)				
800	for dependents				
STANDARD DEDUCTION					
$550	maximum for each taxpayer		$5,000	for joint return/surviving spouse	
			4,400	for head of household	
			3,000	for single individual	
			2,500	for married filing separately	
TAX RATES					
All taxpayers:*			Married filing jointly and surviving spouse:		
$	1 - 2,000	3 %		$1-20,000	5 %
	2,001 - 4,000	4 %		20,001& over	8 %
	4,001 - 6,000	5 %	Heads of households:		
	6,001 - 10,000	6 %		$1-16,000	5 %
	10,000 & over	7 %		16,001& over	8 %
			Single individuals:		
* No joint returns allowed				$1-12,000	5 %
				12,001& over	8 %
			Married filing separately:		
				$1-10,000	5 %
				10,001& over	8 %

Source: Fiscal Research Division, N.C. General Assembly

cent rate supplanting revenue lost through the higher tax threshold.

The commission also proposes eliminating the intangibles personal property tax, a tax on stocks, bonds, and certain accounts receivable that is a bane to North Carolina's businesses and more affluent citizens. This action was taken independently of the decision to recommend restructuring the state income tax system, but may make more palatable the proposed income tax hike for higher-income citizens. "Sometimes you've got to sweeten the bitter dose," says Rauch.

North Carolina is one of only eight states which still have an intangibles tax in some form. The others are Florida, Georgia, Indiana, Kentucky, Michigan, Pennsylvania, and West Virginia. Eliminating the intangibles tax, however, would cost nearly $80 million in tax revenue, and the state already faces a lean budget year in 1989 because tax revenues have fallen short of projections. Because it is a property tax, intangibles tax is collected by the state but returned to local government. In some of the state's more affluent counties, such as Polk, the tax represents a substantial amount of local revenue that keeps other property taxes relatively low. In recent years, the General Assembly has made a practice of reimbursing local government for any local revenue lost through state changes in tax policy. Given this tradition, state budget leaders have said the revenue picture is too tight to consider eliminating the intangibles tax this year. But the study commission proposes that the loss be recouped through a 3.5 percent surcharge on corporate income tax bills and two additional income tax brackets for the state's wealthiest citizens.

The commission decided that corporations and the affluent should make up the lost revenue for two reasons: (1) they would be the prime beneficiaries of the elimination of the intangibles tax; and (2) their relative share of the tax burden has declined during the last 20 years. "I know if we come up with a good, sensible program, the Governor and the Speaker will listen to the proposal," says Rauch. (For more on the intangibles tax, see Sarah Denny Williamson, "Pro—The Intangibles Tax, Why It Should Be Retained," and James Culberson, "Con—The Intangibles Tax, Why It Should Be Repealed," *North Carolina Insight*, April 1985, Vol. 7, No. 4, pp. 8-15.)

Other tax adjustment proposals to benefit lower-income citizens include creating a food tax credit for low income citizens who do not receive food stamps and increasing the income tax credit for child care expenses. While food purchases are exempted from the sales tax in 28 states, North Carolina imposes a combined state and local tax of 5 percent. A 1988 study by Citizens for Tax Justice of Washington, D.C., ranked North Carolina 21st in the nation in the sales and excise tax burden it places on its poorest citizens. According to the study, the poorest fifth of North Carolina residents pay 5.6 percent of their income in sales taxes and excise taxes such as the gasoline tax.

The study commission's proposal would allow a refundable income tax credit of $45 to $75, depending on the number of exemptions claimed, for families with a net taxable income of less than $15,000. Crotts says the credits, which would cost the state less than $10 million a year, represent a rough approximation of the amount these families pay in taxes on food each year. Families which receive food stamps throughout the tax year would not be eligible for the credit because food stamp purchases are exempt from the sales tax. The general tax credit, which benefits all low-income households and is not targeted for food tax relief, would be eliminated in lieu of higher exemptions and deductions if the restructuring bill passed.

(Gov. James G. Martin has offered a proposal to raise salaries of teachers and other state employess that could lead to a cut in the food tax. Martin proposes that the 1989 General Assembly raise the sales tax by 1 percent. This would increase state revenues by $510 million in the first year — enough, Martin says, to implement his pay plan and cover part of the cost, in lost revenues, of removing the sales tax on food and non-prescription medicine.)

The increase in the income tax credit for child care, while not restricted to low-income taxpayers, would benefit those poor people who pay state income taxes and have dependents in day care. The current child care tax credit comes to 7 percent of the first $2,400 in expenses for one qualifying dependent. Taxpayers may claim the credit for up to $4,800 in expenses if they have two or more dependents in child care. The commission is proposing that the credit be increased from 7 percent to 10 percent of expenses. Under this proposal, the maximum credit would be $480. The estimated annual cost of the proposal is $12 million.

Although it does not have a direct impact on the poor, one proposal by the commission is of symbolic importance. Purchasers of motor vehicles, boats, airplanes, and railway locomotives currently get a tax break in the form of a 2 percent sales tax and a $300 cap. The commission proposed eliminating the cap, although it stopped short of recommending that these purchases be subjected to the full 5 percent state and local levy. Only one state, South Carolina, has joined North Carolina in placing a cap on the sales tax on motor vehicles, and only eight states give purchasers of motor vehicles a reduced sales tax rate.[2] Eliminating the cap but leaving the rate at 2 percent would increase state general fund revenue by $28 million in the first year alone.

—*Mike McLaughlin*

FOOTNOTES

[1]Isaac Shapiro and Robert Greenstein, "Holes in the Safety Nets, Poverty Programs and Policies in the States, North Carolina," Center on Budget and Policy Priorities, Washington, D.C., Spring 1988, p. 14.

[2]States which have a reduced sales tax rate for motor vehicle purchases are: Alabama, Mississippi, Missouri, New Mexico, North Carolina, South Dakota, Tennessee, and Virginia. Source: N.C. General Assembly's Fiscal Research Division.

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effective means of providing tax relief to low-income taxpayers. For example, a vanishing credit can be designed which diminishes as income increases, so that the most relief is offered to the poorest taxpayers, and there are no sudden jumps in tax liability when a threshold is crossed. Sudden jumps in tax liability for taxpayers are the chief drawback to no-tax floors, which provide that taxpayers below a certain income level, such as the federal poverty line, are not liable for taxes.

If adequate procedures are set up to provide refunds, credits can offset the disproportionate effects imposed by other taxes. For example, such credits can be used, as they are in several states, to compensate for the regressive effects of sales taxes, or they can be used to provide a limit on property taxes as a percentage of income (similar in effect to so-called circuit-breakers used in many states to prevent property taxes from exceeding ability to pay).

North Carolina adopted one of the nation's first tax credits for low-income citizens in 1985. When first enacted, the credit was based on the *separate* incomes of married spouses. This meant that some high-income couples could benefit from it—one spouse who earned $10,000 would qualify even if the other spouse earned $100,000, or even more. Furthermore, the amount of the credit available to families with the same income differed according to the spouses' share of earnings.

To close this loophole that allowed some high-income taxpayers to benefit from the credit, the 1988 General Assembly based eligibility of married spouses on their *combined* incomes and personal exemptions. This change also reduced by as much as half the credit available to low-income married couples. Doubling the maximum credit would restore this loss and cost the state $28 million in annual tax revenue.

■ *Reduce the burden of sales taxes on the poor.* Two approaches can be used to reduce the disproportionate burden of sales taxes on the poor. First, certain items like food, utility services, or clothing could be exempted from taxation. However, exempting food purchases and utility charges from retail sales taxes would result in $425 million in annual revenue losses, and most of that reduction would benefit moderate- and high-income taxpayers (although the poor would benefit more in relation to income). Furthermore, while such exemptions would reduce the regressivity of the retail sales tax somewhat, the sales tax overall still would be regressive.

The second approach is to offset the effects of sales taxes on the poor through use of refundable income tax credits. (The Tax Fairness Study

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"Once I built a railroad, made it run.
Made it race against time;
Once I built a railroad, now it's done;
Buddy, can you spare a dime?"
from "Brother Can You Spare A Dime?"
by Harburg & Gorney

♦

Commission has proposed a food tax credit ranging from $45 to $75 for low income people who do not receive food stamps. The cost is estimated at less than $10 million a year. For more on this proposal, see sidebar, page 146.) Ideally, such credits, if based on a sliding scale, would convert a regressive sales tax to a progressive tax in the lower range of incomes. The main problem with this approach is that many poor families would not file the forms necessary to obtain the refund of the unused portion of their credit. State and local agencies would have to undertake special measures to get poor people who do not file income tax returns to apply for the credits. Experience in other states indicates that it takes a number of years for a majority of eligible families to seek the credit.[9]

■ *Adopt the federal definition of taxable income.* The Tax Fairness Study Commission has recommended that the 1989-1990 General Assembly replace the present income tax with one based on federal laws that define taxable income. This would mean adoption of the much higher personal exemptions and standard deductions allowed under federal law.

Under the proposal, the starting point for calculating taxable income for North Carolina returns would be the amount of taxable income as defined on the taxpayer's federal income tax return. The amount would be adjusted by certain additions or subtractions authorized by law (for example, the General Assembly might allow persons retired from the military to subtract the exclusion they receive under current law).

After adjusted federal taxable income is calculated, tax liability would be determined by applying a new income tax rate schedule. Because the federal tax uses a different approach in defining how income must be reported, married couples are allowed to file joint returns. North Carolina treats the individual as the reporting unit and therefore does not permit joint returns. The current tax rates are applied to separate taxable incomes of spouses. To achieve equity between different kinds of taxpayers, the single tax rate schedule of the current tax would have to be replaced by different rate schedules, one for each type of tax status. That is, there would be separate schedules for married couples filing jointly, married couples filing separately, heads of household, and single taxpayers. For married couples, the tax rate would be 5 percent on taxable income of $20,000 or less and 8 percent on taxable income above that amount. For taxpayers claiming a different filing status, the rates would remain the same but the break would come at different income levels.

Earlier proposals to base the state tax on the federal tax were promoted primarily as a means of simplifying tax filing—most record keeping and calculations of deductions would be the same for both federal and state purposes. But the more important and more fundamental effect would be to increase substantially the amount of exemptions and the standard deduction and therefore to make the tax much more progressive, especially for people of low and middle incomes. North Carolina's separate exemptions for heads of household, spouses, and dependents would be replaced by a single federal exemption that applies to taxpayers and dependents. Exemptions would increase to $2,000 for taxpayers and dependents. The standard deduction—now a maximum of $550 for heads of household and single taxpayers and $1,100 for working married couples—would be $3,000 for single taxpayers, $4,400 for heads of household, and $5,000 for married couples filing jointly. A one-earner family of four would have a tax threshold of $13,000, well above the federal poverty line for a family of that size and more than three times the current tax threshold of $4,222.

Increasing exemptions and the standard deduction would benefit all taxpayers, not just low-income taxpayers, so the cost in lost revenue from those increases would be substantial without some offsetting change. The proposed tax package is supposed to be revenue neutral, with the cost of higher exemptions and standard deductions offset by changing the rate schedule. According to the legislature's Fiscal Research Division, working married couples with two dependents and combined incomes below about $45,000 would pay less tax, and those taxpayers with the lowest incomes would have the largest percentage tax reductions. Working married couples with combined income of $57,500 would pay about 7 percent more, while those with a combined income of $118,000 would pay 12 percent more.

The net result would be to make the state's income tax much more progressive at the lower end of the income range and slightly more progressive at the upper end. The increase in progressivity at lower and middle incomes is due mainly to the increased exemptions and standard deductions, but the proposed rate schedule actually is not as graduated as the present rate schedule of 3 to 7 percent. High income taxpayers would pay 8 percent rather than 7 percent on most of their taxable liability, but their taxable income would be somewhat less because of the higher exemptions.

The increased progressivity that would result from the change can be seen by comparing estimated changes in tax liability as a percent of gross income for three four-member families with gross incomes of $13,280, $57,500, and $236,000. According to the legislature's Fiscal Research Division, these families would pay 1.4, 4.6, and 5.6 percent of their gross incomes under the current system. Under the proposed system the percentages would change to 0.1, 5, and 6.4 percent. (See Table 3 for a comparison of tax liabilities under existing state personal income tax and proposal by the Tax Fairness Study Commission.)

What would be the advantages of the proposed system? The main benefit would be that the

Table 3. 1988 State Personal Income Tax Liability and Liability Under 1989 Tax Fairness Study Commission Proposal

Gross Income	$10,000	$20,000	$40,000	$80,000	$200,000
			Tax Liability		
Single:					
Current	$ 315	$ 988	$ 2,118	$ 4,610	$ 12,506
Proposed	250	840	2,346	5,256	14,328
% Change	-20.6 %	-15.0 %	10.8 %	14.0 %	14.6 %
Head-of-Household, Two Dependents:					
Current	$ 223	$ 876	$ 1,978	$ 4,498	$ 12,254
Proposed	—	480	1,888	4,820	13,744
% Change	-100.0 %	-45.2 %	-4.6 %	7.2 %	12.2 %
Married, Two Workers, No Dependents:					
Current	$ 207	$ 699	$ 1,821	$ 4,369	$ 12,069
Proposed	90	550	1,880	4,904	13,784
% Change	-56.5 %	-21.3 %	3.2 %	12.2 %	14.2 %
Married, One Worker, Two Dependents:					
Current	$ 98	$ 876	$ 1,950	$ 4,442	$ 12,114
Proposed	—	133	1,560	4,480	13,320
% Change	-100.0 %	-84.8 %	-20.0 %	.9 %	10.0 %
Married, Two Workers, Two Dependents:					
Current	$ 223	$ 604	$ 1,653	$ 4,145	$ 11,817
Proposed	—	350	1,560	4,480	13,320
% Change	-100.0 %	-42.1 %	-5.6 %	8.1 %	12.7 %

Source: Fiscal Research Division, N. C. General Assembly changes would correct the past effects inflation has had in reducing the value of exemptions, the standard deduction, and tax brackets, and therefore would make the income tax more progressive. If the change could be made with the proposed rate schedule, it could be implemented without unduly increasing the amounts of taxes owed by moderate- and high-income taxpayers, and the highest marginal tax rate would increase by only 1 percent. If the changes were in fact revenue neutral, relief could be provided to lower-income taxpayers without having to increase other taxes or reduce the state's revenue. In addition, filing tax returns would be simplified.

But there are potential drawbacks to the proposed change, aside from the objections likely to come from higher-income citizens who will have higher tax liability. Income tax revenues probably would not grow as fast as in the past, because there would be fewer rate brackets and the rate structure would be less graduated than under the current system, meaning less bracket creep due to inflation. And by adopting the federal definition of taxable income, North Carolina would be using provisions enacted by Congress rather than the General Assembly. Changes in federal provisions, such as the major tax reforms of 1986, would affect state revenue. Some of these federal changes might be offset by authorized adjustments, though perhaps at the expense of simplified filing.

The proposed change seems appealing because it would increase the progressivity of the tax and simplify tax return filing. But the effects of the change on different kinds of taxpayers and on revenue are unknown. Using the federal tax as a base involves more than simply an increase in exemptions and standard deductions and easier filing of returns. The federal tax is based on a different kind of reporting unit and allows joint returns. The approach used in the present state tax does not permit joint returns. Which approach is best is debatable, but a shift to the federal approach can result in substantially different effects among taxpayers. Inequities between different types of taxpayers at comparable income levels can result if the tax rate schedules are not set carefully.

A Growing Burden

North Carolina's growing reliance on sales taxes has increased the disproportionate burden of those taxes on the poor. Erosion in value of exemptions, the standard deduction, and tax brackets has increased income taxes on the poor and reduced the progressivity of the income tax. Recently adopted measures like the exemption of food stamp purchases from the retail sales tax and the general credit for low-income taxpayers have provided some relief for the poor. However, income taxes on the poor will continue to increase unless changes are made to offset the effects of inflation. As a result, the effectiveness of the income tax in achieving overall equity according to the ability-to-pay principle will continue to be eroded.

FOOTNOTES

[1] *State Government Finances in 1986,* U.S. Department of Commerce, Bureau of the Census, Table 58, p. 89.

[2] The six states with no personal income tax are Florida, Nevada, South Dakota, Texas, Washington, and Wyoming. The seven states in which the tax accounts for less than 10 percent of total state and local tax revenue are Alaska, Connecticut, Louisiana, New Hampshire, New Mexico, North Dakota, and Tennessee. Sources: *State Government Finances in 1986,* Table 6, pp. 10-13, and *Government Finances in 1985-1986,* Table 29, pp. 46-97, both publications by U.S. Department of Commerce, Bureau of the Census.

[3] Although North Carolina's highest personal income tax rate of 7 percent applies to taxable income in excess of $10,000, the state does not permit joint returns. Thus, a two-earner family of four with income divided equally between the spouses would pay the full 7 percent rate only for household income in excess of $26,000 (includes head of household and spousal exemptions totaling $3,300, plus exemptions of $800 each for two dependents, and standard deductions of $550 each for the two taxpayers). According to N.C. Department of Revenue data, only 39 percent of taxpayers who filed returns for tax year 1986 had taxable income in excess of $10,000 so that at least part of their income was taxed at the full 7 percent rate.

[4] Tax estimates are based on hypothetical families whose income and spending patterns are derived from data from the U.S. Bureau of Labor Statistics, Survey of Consumer Expenditures.

[5] G. S. 105-151.16. As amended by Chapter 1039 of the 1988 Session Laws, the credit is based on combined income and personal exemptions of married couples. If income less personal exemptions is less than $5,000, then the credit is $25; the credit is $20 if income is $5,001 to $10,000, and $15 if income is $10,001 to $15,000. Recipients of food stamps and certain others such as those in prison or in a hospital for more than six months of the tax year are not eligible.

[6] Steven D. Gold, *State Tax Relief for the Poor,* National Conference of State Legislatures, Denver, Colo., April 1987, Table 3-1, pp. 34-35.

[7] Comparisons of tax provisions are from the Advisory Commission on Intergovernmental Relations, *Significant Features of Fiscal Federalism,* 1987 edition, Washington, D.C., Table 50, pp. 56-57.

[8] Gold, *op. cit.,* Table 3-5, p. 46. The three states are Delaware, Arkansas, and West Virginia.

[9] Steven D. Gold, *The Unfinished Agenda for State Tax Reform,* National Conference of State Legislatures, Denver, Colo., November 1988, p. 170.

Resources on Poverty

Many resources on state policy on poverty appear in the footnotes to the articles in this issue. Listed below are some of those resources, plus others which provide important background material both on poverty policy in general and North Carolina's specific poverty problems.

Resources on Poverty in General

A Blueprint for the Future: Poverty or Prosperity Among North Carolina's Families, the North Carolina Association of County Directors of Social Services, April 1987. This report includes major policy statements from a 1987 conference on welfare reform held by directors of social services.

1980 Census of Population, Volume 1, Characteristics of the Population, Chapter C, General Social and Economic Characteristics, Part 35, North Carolina. U.S. Department of Commerce, Bureau of the Census, June 1983. Contains helpful and most recent compilation of statistics on the number of poor persons in North Carolina.

"Center Reports: Profiles in Poverty," a one-hour videotape by the UNC Center for Public Television and the N.C. Center for Public Policy Research, broadcast Jan. 25, 1989. This television program was based on this issue of *Insight.* Copies of the videotape may be purchased from UNC Television for $45. Call (919) 737-2853 or write to UNC Television, Box 8601, Raleigh, N.C. 27695.

The Changing Face of Poverty, by the N.C. Department of Natural Resources and Community Development, 1983. This report indicates that poverty is on the increase—particularly among women and children—and that solutions are becoming more difficult.

Examining Poverty, by Andrew W. Dobelstein, North Carolina Poverty Project, 1987. A review of studies on poverty and poverty programs from 1960-1985. The N.C. Poverty Project has published numerous useful pamphlets and materials that focus on various aspects of poverty in North Carolina.

Holes in the Safety Nets, Poverty Programs and Policies in the States: National Overview, by Isaac Shapiro and Robert Greenstein, Center on Budget and Policy Priorities, Washington, D.C., 1988. A national analysis of government spending programs and policy issues that have an impact on low- and moderate-income Americans. This report was accompanied by analyses for each of the 50 states.

Holes in the Safety Nets, Poverty Programs and Policies in the States: North Carolina, by Isaac Shapiro and Robert Greenstein, Center on Budget and Policy Priorities, Washington, D.C., 1988. An analysis of government spending programs and policy issues that have an impact on low- and moderate-income North Carolinians. This report accompanies a national overview on the same subject.

How the Poor Would Remedy Poverty, by the Coalition on Human Needs, Washington, D.C., 1988. A review of information gained from interviews with low-income people (including several individuals from northeastern North Carolina) from around the United States.

North Carolina's Present and Future Poor, The North Carolina Fund, 1966. This report, while dated, provides valuable demographic material on poverty in North Carolina during 1965—just as the federal War on Poverty was getting under way.

North Carolina State Data Center Technical Report, Summary Statistics for Selected Areas: 1980 Census of Population and Housing. Office of State Budget and Management, Research and Planning Services, August 1983. Contains useful statistics on poverty in North Carolina.

North Carolina Today: A State of Emergency, A State of Grace, A State of Anticipation, by Jonathan P. Sher, Small Business and Technology Development Center, University of North Carolina, Chapel Hill, March 1988. A look at North Carolina's poverty in the past, present, and future, this report was prepared for the N.C. Association of Educators.

The Other America—Poverty in the United States, by Michael Harrington, Penguin Books, New York, 1962. This pivotal book on poverty in America had a profound impact on the course of the so-called War on Poverty.

Poverty in the East: Shared Ownership in the Problems and Solutions, N.C. Poverty Project, October 1988. This report, directed by the Eastern North Carolina Poverty Committee, examines seven interrelated aspects of poverty in 41 eastern North Carolina counties.

The Public's Perspective on Social Welfare Reform, by Keith Melville and John Doble for The Public Agenda Foundation, New York, January 1988. This study features the results of surveys of the public's impression of the poverty problem and proposed reforms.

The Truly Disadvantaged—The Inner City, the Underclass, and Public Policy, by William Julius Wilson, The University of Chicago Press, 1987. This book examines urban poverty and challenges liberal and conservative ideas about these problems.

"The Unfinished War," by Nicholas Leman, *The Atlantic,* December 1988 (pp. 37-56) and January 1989 (pp. 52-68). This two-part series presents "an inside look at how personal enmity, political calculation, and policy misjudgments prevented any effective prosecution of the War on Poverty by either Lyndon Johnson or Richard Nixon."

Within Our Reach: Breaking the Cycle of Disadvantage, by Lisbeth B. Schorr with Daniel Schorr, Anchor Press/Doubleday, New York, 1988. This book examines the social consequences of the United States' efforts to deal with poverty.

Children and Families in Poverty

America's Shame, America's Hope—Twelve Million Youth At Risk, by MDC Inc. of Chapel Hill, for the Charles Stewart Mott Foundation, July 1988. A report on the estimated 12 million at-risk youth in America who are socially, racially, and economically disadvantaged.

The 1988 Children's Audit Of North Carolina's 100 Counties. Prepared by the North Carolina Child Advocacy Institute, August 1988. This report examines the demographics of child poverty, health care, child abuse, and other issues relating to children in each of the state's 100 counties. Other major reports by the N.C. Child Advocacy Institute are:

Children and Dollars—The North Carolina Children's Budget 1987. March 1987. This report examines state spending and financing patterns for more than 100 different programs designed to benefit North Carolina's children.

The Children's Index, 1988. This brief report (eight pages) contains 30 indicators of the well-being of North Carolina's children.

The State of the Child in North Carolina—1988. The report examines poverty and families, troubled children, education, child care, health care, and children in court.

A Directory of Child Advocacy Groups in North Carolina, by the North Carolina Department of Administration, Spring 1988. This report contains listings of private and public organizations that deal with some aspect of public policy for children.

The Forgotten Half: Pathways To Success For America's Youth And Young Families, the final report on Youth and America's Future, by the William T. Grant Foundation Commission on Work, Family and Citizenship, November 1988. This new study focuses on the demographics of youth in poverty in America, especially the estimated 20 million college-age youth who will not go to college.

Poor Support: Poverty in the American Family, by David T. Elwood, Kennedy School of Government, Harvard University, December 1988. This book reviews welfare reform applying the viewpoints of both conservative and liberal thinking on poverty and the family.

"Public Policy Issues Impacting Families in North Carolina," by Meyressa H. Schoonmaker, in *NCC-LAW,* newsletter of The North Carolina Center for Laws Affecting Women, Report XXXIII, Winter 1988, p. 4. This article addresses the impact of certain public policy decisions on the family, including poor families headed by women.

Education and Literacy

Adult Functional Literacy in the South: Program Responses and a Proposal for a Regional Approach, prepared by the Southern Growth Policies Board, November 1988. Brief report examining adult literacy programs in the South and proposals for improvements.

The Bridge to the Next Century, a commentary by the MDC Community College National Advisory Panel for the Commission on the Future of the North Carolina Community College System, Chapel Hill, May 1988. A report on the mission, design, and performance of the N.C.

community college system, which has responsibility for literacy programs and adult basic education.

A Community Based Study of Adult Literacy in North Carolina, prepared by the Center for Urban Affairs and Community Services, N.C. State University, May 1988. Report examines adult literacy training programs in North Carolina and makes recommendations for their improvement.

An Evaluation of Adult Basic Education Programs in North Carolina, prepared by the Center for Urban Affairs and Community Services, N.C. State University, 1988. This study evaluates ABE programs in the state's community college system.

Meeting the Economic Challenge of the 1990s: Workforce Literacy in the South, prepared by Richard A. Mendel, MDC Inc., for the Sunbelt Institute, September 1988. This report examines the nature and extent of workforce literacy in the South, and its effect on the region's economy.

1988 North Carolina High School Dropout Follow-Up Study, Research Memorandum 74, by Jama Grund, John Larus, and Mark Appelbaum, The L.L. Thurstone Psychometric Laboratory, UNC-Chapel Hill, June 28, 1988. Study focuses on the demographics of North Carolina's high school dropouts and explores factors contributing to dropout rates.

Study of School Dropout Factors in the Secondary Schools of North Carolina, prepared by Research and Evaluation Associates Inc. of Washington, D.C. and Chapel Hill for the Joint Legislative Commission on Governmental Operations of the N.C. General Assembly, Vol. 1, "Literature Review", May 31, 1988; and Vol. 2, "A Comparison of Eight High and Low Dropout Schools," July 14, 1988.

Thinking for a Living: A Blueprint for Educational Growth, by the Public School Forum of North Carolina, Dec. 13, 1988. A report drawn by business, government, and education leaders recommending more flexibility for teachers in exchange for making them accountable for student success, including at-risk students from poor backgrounds.

Income and Taxation

Analysis of 1988 Benefit Levels in the Program of Aid to Families with Dependent Children. Prepared by the Center on Social Welfare Policy and Law, March 1988. This short report examines how AFDC benefit levels have failed to supply the income needs of families with dependent children. Additional helpful reports by the Center include:

Beyond the Myths: The Families Helped by the AFDC Program, Second Edition, by Barbara Leyser, Adele M. Blong, and Judith A. Riggs, Center on Social Welfare Policy and Law, 1985.

Quality Control in Public Assistance: Victimizing the Poor Through One-Sided Accountability, by Timothy J. Casey and Mary R. Mannix, Center on Social Welfare Policy and Law, October 1988.

Money, Income and Poverty Status in the United States: 1987. Prepared by the U.S. Department of Commerce, Bureau of the Census, August 1988. This report gives advanced data from the March 1988 Current Population Survey conducted by the Census Bureau.

The Next Frontier: Relieving State Tax Burdens on the Poor. Prepared by David Kahan and Robert Greenstein of the Center on Budget and Policy Priorities, Washington, D.C., April 1987. Examines proposals for alleviating taxes on the poor.

Nickels and Dimes: How Sales and Excise Taxes Add Up in the 50 States. A joint report of the Citizens for Tax Justice and the Institute on Taxation and Economic Policy, Washington, D.C., March 1988. This report examines the extent of the tax burden on the poor in each of the states.

Report of the Select Legislative Committee on Tax Fairness to the 1989 N.C. General Assembly, January 1989. This report contains proposals for changing North Carolina's tax structure to conform more closely to the federal tax system and to relieve some of the tax burden on the poor. A Summary Report is also available.

Smaller Slices of the Pie—The Growing Economic Vulnerability of Poor and Moderate Income Americans. Prepared by the Center on Budget and Policy Priorities, November 1985. This report focuses on the national debate over poverty and economic vulnerability in America.

Health Care

Comparing the Performance of For-Profit and Not-For-Profit Hospitals in North Carolina, by Marianne M. Kersey, Lori Ann Harris, and Ran Coble, with Melissa Jones, N.C. Center for Public Policy Research, March 1989, $44.50. Chapter 2, "The Performance of For-Profit and Not-For-Profit Hospitals in Providing Health Care for the

Medically Indigent," is particularly helpful. Call (919) 832-2839, or write to N.C. Center, P.O. Box 430, Raleigh, N.C. 27602, to order.

Health Care for the Uninsured Poor of North Carolina, by Patricia M. Danzon and C. Johnston Conover, Center for Health Policy Research and Education, Duke University, Durham, August 1985.

Report of the Indigent Care Study Commission to the 1989 General Assembly, February 1989. This independent study commission report examines the problems of indigent health care in North Carolina and makes recommendations to the 1989 legislature.

Job Training

The Climate for Workers in the United States, Second Biennial Report from the Southern Labor Institute, a project of the Southern Regional Council, Atlanta, Ga., 1988. A report on the problems of economic development in a region of low wages and poor working conditions.

Getting Ahead: What Poor People Think About Their Chances of Earning Their Way Out of Poverty, by J.M. Foster, Peter D. Hart Research Associates Inc., for the Greater Washington Research Center, 1988. A short report summarizing interviews with the poor on their prospects for getting a job and getting out of poverty.

"Job Training Partnership Act: Participants, Services, and Outcomes," testimony of Lawrence H. Thompson, Assistant Controller, U.S. General Accounting Office, before the U.S. House of Representatives Committee on Education and Labor, Sept. 29, 1988. Testimony concludes that JTPA has not reached the most difficult-to-train persons, but has concentrated more on those persons who might have gotten jobs without JTPA services.

JTPA in a Nutshell: A Primer on the Job Training Partnership Act Program in North Carolina. Prepared by the Division of Employment and Training, N.C. Department of Natural Resources and Community Development. A short primer on the JTPA in North Carolina.

Operational Audit Report, North Carolina Job Training Partnership Act Program, December 1986, by the Office of State Auditor. This report examines North Carolina's JTPA program and makes recommendations for improving the administration of job training programs.

State Administered Employment and Training Programs: An Inventory of JTPA Related Programs, Office of State Budget and Management, May 1986. A compendium of state job training programs under the Job Training Partnership Act.

Organizations

Center on Budget and Policy Priorities, 236 Massachusetts Avenue, N.E., Suite 305, Washington, D.C. 20002 (202) 544-0591.

Center on Social Welfare Policy and Law, 1029 Vermont Avenue, N.W., Suite 850, Washington, D.C. 20005 (202) 347-5615.

Center for Urban Affairs and Community Services, N.C. State University, Campus Box 7401, Raleigh, N.C. 27695-7401 (919) 737-3211.

Coalition on Human Needs, Executive Director, Susan Rees, 1000 Wisconsin Avenue, N.W., Washington D.C. 20007 (202) 342-0726.

Legal Services of North Carolina, Inc., Richard M. Taylor Jr., Executive Director, P.O. Box 26087, Raleigh, N.C. 27611 (919) 832-2046.

MDC, Inc., George Autry, President, 1717 Legion Road, Chapel Hill, N.C. 27514 (919) 968-4531.

North Carolina Child Advocacy Institute, John Niblock, President, 1318 Dale Street, Suite 110, Raleigh, N.C. 27605 (919) 834-6623.

North Carolina Council of Churches, Collins Kilburn, Executive Director, Bryan Building, 201A-Cameron Village, Raleigh, N.C. 27605 (919) 828-6501.

North Carolina Hunger Coalition, Blanche Lyons, Coordinator, P.O. Box 27842, Raleigh, N.C. 27611 (919) 828-9631.

North Carolina Legal Services Resource Center, Don Saunders, Executive Director, P.O. Box 27343, Raleigh, N.C. 27611 (919) 821-0042.

North Carolina Poverty Project, J. Gordon Chamberlin, Executive Director, 515 College Road, Suite 20A, Greensboro, N.C. 27410 (919) 299-6861.

Southern Growth Policies Board, Jesse White, Executive Director, 5001 South Miami Boulevard, P.O. Box 122293, Research Triangle Park, N.C. 27709 (919) 941-5145.

State Council for Social Legislation, Roslyn S. Savitt, Director, 4504 Wilkes Street, Raleigh, N.C. 27609 (919) 781-5313.

The Sunbelt Institute, 600 Maryland Avenue, SW, Suite 255, Washington, D.C. 20024 (202) 554-0201.

The Lieutenant Governorship in North Carolina: An Office in Transition

by Ran Coble

In this regular department, Insight *examines an aspect of policymaking by the executive branch. This column focuses on the powers and duties of the office of Lieutenant Governor, which is undergoing a transition in 1989.*

George Santayana once said, "Those who cannot remember the past are condemned to repeat it." And the past is instructive in what it discloses about how North Carolina has treated Republicans who break Democratic strings of succession in office.

North Carolina's first Republican Lieutenant Governor was Tod R. Caldwell of Burke County, who became Governor when a Democratic majority in the N.C. General Assembly impeached Gov. William W. Holden in 1871. Holden was the state's first Republican governor, and Caldwell became the second. The legislature then stripped Governor Caldwell of many powers, leaving him with a staff of one.[1] One hundred and eighteen years later, history has proved a prophet as the state's fourth Republican Lieutenant Governor,[2] James C. Gardner, has been stripped of important powers which had been vested in the Lieutenant Governor for decades. With 37 of the N.C. Senate's 50 members, the Democratic majority stripped or took back—the explanation depending on one's party affiliation—the power to assign bills to committee and the power to appoint committees and committee chairmen.

Why is this important to North Carolina's citizens? How has the office of the Lieutenant Governor evolved in the last 30 years? And how do the powers of North Carolina's Lieutenant Governor compare with those of other states?

The Evolution of the Office of Lieutenant Governor

Calvin Coolidge wasn't Lieutenant Governor in North Carolina, but he might as well have been in the first 50 years of this century, because the office had few powers and few duties. When Coolidge was Lieutenant Governor of Massachusetts, he once was asked what he did for a living by a matron who did not recognize him. Coolidge replied, "I'm Lieutenant Governor," and the lady promptly asked him to tell her all about it. "I just did," answered the taciturn Coolidge.[3]

Up until about 1968, some Tar Heel Lieutenant Governors might have concurred with Silent Cal's assessment of the office as unfulfilling or frustrating. But in the last 20 years, the office of Lieutenant Governor has been transformed into one of great power and opportunities, centered not so much within the executive branch as within the legislative branch.

Picking transition points is an iffy proposition, but let's choose three—1973, 1980, and 1988. Before 1973, the office of Lieutenant Governor was part-time (at least in salary; the job paid $5,000 a year, though the officeholder was lieutenant governor all the time), came with a staff of

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two (having a staff at all was a recent innovation), and an office budget of $12,000. In 1973, the first Republican Governor to be elected in the 20th century, James E. Holshouser Jr., took office, and the Democratic majority in the General Assembly felt the need to elevate the stature of its highest state-level officeholder, Lt. Gov. James B. Hunt Jr. In fiscal year 1973, the Lieutenant Governor's salary was increased six fold to $30,000 a year, the office budget increased to $59,000, the staff expanded to five, and the job became full-time.[4]

A second step up the rungs of power came in

Table 1. Appointments of the N.C. Lieutenant Governor to Boards and Commissions in the Executive Branch: Where the General Assembly Appoints Upon the Recommendation of the Lieutenant Governor

Name of Board in the Executive Branch	Statutory Citation	Number of Appoint-ments by Lt. Gov.	Appoint-ments of Citizens	Appoint-ments of Members of the Senate
1.. Administrative Rules Review Commission	143B-30.1	4	4	0
2. Agricultural Finance Authority, N.C.	122D-4	3	3	0
3. Alarm Systems Licensing Board	74D-4	1	1	0
4. Arboretum, Western N.C. Board of Directors	116-243	2	2	0
5. Art, N.C. Museum of, Board of Trustees	140-5.13(b)(5)	1	1	0
6. Art, N.C. Museum of, Building Commission Board of Trustees	143B-59	3	3 *	0
7. Banking Commission, State	53-92	1	1	0
8. Building Commission, State	143-135.25 (c)(2),(5) & (8)	3	3	0
9. Child Day Care Commission	143B-168.4	4	4	0
10. Chiropractic Examiners, State Board of	90-139	1	1	0
11. Cosmetic Art Examiners, State Board of	88-13	1	1	0
12. Crime Victims Compensation Commission	15B-3	1	1	0
13. Criminal Justice Education & Training Standards Commission	17C-3	1	1	0
14. Deferred Compensation Plan, N.C. Public Employee, Board of Trustees	143B-426.24	1	1	0
15. Disabilities, Governor's Advocacy Council for Persons with	143B-403.2	1	1	0
16. Environmental Management Commission	143B-283	2	2	0
17. Farm Operations Commission, State	106-26.13	1	1	0
18. Farmers Market Commission, Northeastern N.C.	106-720	4	4	0
19. Farmers Market Commission, Southeastern N.C.	106-727	4	4	0
20. Fire Commission, State	58-27.30	1	1	0
21. Hazardous Waste Treatment Commission	143B-470.3	3	3	0
22. Health Insurance Trust Commission, N.C.	58A-4	4	4	0
23. Housing Partnership, N.C.	122E-4	5	5	0
24. Housing Finance Agency, Board of Directors	122A-4	4	4	0
25. Indian Affairs, N.C. Commission on	143B-407	1	1	0
26. Insurance Commission, Public Officers & Employee Liability	58-27.20	1	1	0
27. Low-Level Radioactive Waste Management Authority	104G-5(c)	5	5	0

*The statute requires these to be persons who have served in the N.C. Senate.

1980, when James C. Green became the first Lieutenant Governor with the right to succeed himself and build an eight-year power base in the state Senate. At this point, the Lieutenant Governor became a political rival to the Governor, even if they were of the same party. From 1973 through 1988, the legislature gradually expanded the powers of the Lieutenant Governor for a succession of Democrats, particularly involving him in budget decisions. The legislature also empowered the office with significant appointments. By 1989, the Lieutenant Governor controlled 195

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28. Low-Level Radioactive Waste Management Compact Commission, Advisory Committee to the N.C. Members.	104F-4	2	2	0
29. Major Medical Plan, Board of Trustees, Teachers' and State Employees' Comprehensive	135-39	3	3	0
30. Medical Database Commission, N.C.	131E-211	4	4	0
31. Mental Health, Mental Retardation & Substance Abuse Services	143B-148	2	2	0
32. Milk Commission, N.C.	106-266.7	2	2	0
33. Ports Authority, State	143B-452	2	2	0
34. Private Protective Services Board	74C-4(b)	2	2	0
35. Property Tax Commisison	143B-223	1	1	0
36. Public Telecommunications Commissioners, Board of	143B-426.9	2	2	0
37. Retirement System, Teachers' & State Employees', Board of Trustees	135-6(b)(4)	1	1	0
38. School Facility Needs, Commission on	115C-489.4	5	5	0
39. Science & Mathematics, Board of Trustees, N.C. School of	116-233	2	2	0
40. Science & Technology, N.C. Board of	143B-426.31	1	1	0
41. Seafood Industrial Park Authority, N.C.	113-315.25(d)	1	1	0
42. Sheriffs' Education & Training Standards Commission, N.C.	17E-3 (a) (2)	1	1	0
43. Teaching, N.C. Center for the Advancement of, Board of Trustees	116-74.6	2	2	0
44. Teaching Fellows Commission, N.C.	115C-363.22	3 **	3	0
45. Technological Development Authority, N.C.	143B-471.1	2	2	0
46. Television, UNC Center for Public — Board of Trustees	116-37.1	1	1	0
47. Therapeutic Recreation Certification Board	90C-5	1	1	0
48. Transportation, Board of	143B-350(d)	1	1	0
49. Waste Management Board	143B-216.12	1	1	0
50. Wildlife Resources Commission	143-240	1	1	0
	Total:	106	106	0

** The Lieutenant Governor himself is also a member of this board.

Table prepared by Ran Coble

appointments to 87 boards in the executive branch of state government, though 106 of those appointments had to be approved by the General Assembly before becoming effective.

However, there were constant signs of unease about this expansion of power. Community College President Robert W. Scott, who was Lieutenant Governor from 1965-69, remembers stirring up a hornet's nest when he attended a few Senate committee meetings.

"I was just interested in seeing how they were going to handle a bill, but it upset some people," recalls Scott. "My friend Tom White [the Senate Appropriations Committee chairman] let me know that in the future, it would be a good idea to check with the committee chairman first before I did that again."

Robert B. Jordan III, who served as Lieutenant Governor from 1985-89, remembers a similar feeling—that of being a Senate leader without being a Senate member. "The leadership in the legislature lets it be known, subtly at times and not so subtly at other times, that you are not a member of the legislature. For instance, if I wanted a report from legislative research [the General Research Division] or from Fiscal Research, I had to ask a Senator to request it. The Lieutenant Governor can't get it because he's not

Table 2. Appointments of the N.C. Lieutenant Governor: Where the Lieutenant Governor Alone Makes Appointments to Boards and Commissions in the Executive Branch

Name of Board in the Executive Branch	Statutory Citation	Number of Appointments by Lt. Gov.	Appointments of Citizens	Appointments of Members of the Senate
1. Advisory Budget Commission	143-4	5	0	5
2. Aging, Governor's Advisory Council on	143B-181	2	2	0
3. Andrew Jackson Historic Memorial Committee	143B-132	6	6	0
4. Bicentennial of the U.S. Constitution, N.C. Commission on the	143-564(b)(5)	6 **	6	0
5. Biotechnology Center, N.C. Board of Directors	Bylaws	5	5	0
6. Blind, Consumer & Advocacy Advisory Committee for the	143B-164	1	0	1
7. Capital Planning Commission	143B-374	4 **	0	4
8. Cemeteries, Advisory Committee on Abandoned	143B-128(a)(2)	1	1	0
9. Children & Youth, Governor's Advocacy Council on	143B-415	2	0	2
10. Chowan Interstate Commission	Chapter 757, Section 207 of the 1985 Session Laws	4	0	4
11. Code Officials Qualification Board	143-151.9	4	4	0
12. Crime Commission	143B-478(b)(4)	2	0	2
13. Disciplinary Hearing Commission of the N.C. State Bar	84-28.1	1	1	0
14. Eckerd Wilderness Education System, N.C. Board of	Bylaws	2	0	2
15. Education Commission of the States	115C-104	1 *	0	1
16. Emergency Medical Services Advisory Council	143-510 (a)	2	0	2
17. Energy Policy Council, N.C.	113B-3 (a)(2)	2	0	2
18. Exceptional Children, Council on Educational Services for	115C-121 (b)	2	0	2
19. Farmworker Council, N.C.	143B-426.25(b)(3)	2	2	0

a member. If I wanted a little bit more office space or to move somebody, I'd have to get in line for it. I couldn't do it myself."

In 1971 there was talk of taking away the power to appoint committees, and in 1973 and again in 1975, the Senate attempted, but failed, to strip the Lieutenant Governor of his power to appoint committee membership. Then on the last day of the 1976 session, the Senate successfully voted (34-9) to eliminate the Lieutenant Governor's appointive power. Two months later, however, the Democratic caucus voted to reverse this action (the full Senate made this reversal formal at the opening of the new session).

Despite this continuing unease, the legislative powers of the Lieutenant Governor continued to expand. From 1985-89, Bob Jordan was not only Lieutenant Governor but also the titular head of the Democratic Party in opposition to Republican Gov. James G. Martin. If there was going to be a Democratic Party program, it would fall to Jordan to present the party's program to the Senate and to the people of North Carolina. This combination of Republican Governors, a new right of succession, an expanded staff and budget, and new appointment powers resulted in formidable responsibility for the office of Lieutenant Governor.

Table 2. Appointments of the N.C. Lieutenant Governor: Where the Lieutenant Governor Alone Makes Appointments to Boards and Commissions in the Executive Branch

Name of Board in the Executive Branch	Statutory Citation	Number of Appointments by Lt. Gov.	Appointments of Citizens	Appointments of Members of the Senate
20. General Statutes Commission	164-14 (a)	1	0	1
21. Hearing Impaired, N.C. Council for the	143B-214	1	0	1
22. Holocaust, N.C. Council on the	143B-216.21	8	8	0
23. Human Relations Council	143B-392	2	2	0
24. Inaugural Ceremonies, Committee on	143-533	3 **	0	3
25. Indian Education, State Advisory Council on	115C-210.1	1	0	1
26. Internship Council, N.C.	143B-418	1	1	0
27. Interstate Cooperation, Council on	143B-380	3 **	0	3
28. Local Government Advocacy Council	143-506.14	2	0	2
29. Local Government Commission	159-3 (a)	1	1	0
30. Motor Vehicles Dealers Advisory Board	20-305.4	3	3	0
31. Physical Fitness & Health, Governor's Council on	143B-216.9 (1)	1	0	1
32. School Health Advisory Committee, State	115C-81(e)(6)(c)	1	0	1
33. Southern Growth Policies Board	143-492	1	0	1
34. Southern States Energy Board	104D-2 (a)(3)	1	0	1
35. Thoms Rehabilitation Hospital, Board of Trustees	Bylaws	2	0	2
36. Vagabond School of Drama Inc. & Flat Rock Playhouse Board of Trustees	Bylaws	2	0	2
37. Veterinary Medical Board	90-182 (a)	1	1	0
	Total:	89	43	46

Total appointments in Tables 1 & 2: 195 (149 citizens, 46 Senators)

* This appointment is chosen by the Lieutenant Governor by custom only. The statute designates the appointment authority to the Senate, and by tradition the Lieutenant Governor makes the appointment.

** The Lieutenant Governor himself is also a member of this board.

Table prepared by Ran Coble

The Powers of the Lieutenant Governor

As Jordan went out of office, the Lieutenant Governor had 11 powers, but they came from three different sources—the state Constitution, state statutes, and Senate rules. Most politically savvy observers knew that the Lieutenant Governor appointed committees and their chairmen, and that he assigned bills to committee, but few knew that those powers came from easily changed Senate rules and not from the bedrock authority of the state Constitution. The 11 powers (two have since been dropped) and their origins were as follows:

A. Powers from the State Constitution

1. The power to succeed the Governor (from Article III, Section 3(1) of the Constitution);
2. The power to serve as acting Governor in the Governor's absence from the state or during the physical or mental incapacity of the Governor (Article III, Section 3(2);
3. Membership on the Council of State (Article III, Section 8) and on the State Board of Education (Article IX, Section 4(1) of the Constitution;
4. The power to preside over the Senate and control floor debate (Article III, Section 6 and Article II, Section 13);
5. The power to vote in case of ties (Article II, Section 13);
6. The duty to sign bills when presiding over the Senate (Article II, Section 22);
7. The power to perform such additional duties as the Governor and the General Assembly may assign him (Article III, Section 6);

B. Powers from State Statutes

8. The power to make outright or to recommend to the General Assembly 195 appointments to 87 boards and commissions in the executive branch (under N.C.G.S. 120-121 and 120-123 and various other state statutes; see Tables 1 and 2);
9. Membership on:
   - the State Board of Community Colleges, N.C.G.S. 115D-2.1(b)(1);
   - the Economic Development Board, N.C.G.S. 143B-434(a);
   - the Capital Planning Commission, N.C.G.S. 143B-374;
   - the Council on Interstate Cooperation, N.C.G.S. 143B-380;
   - the N.C. Commission on the Bicentennial of the U.S. Constitution, N.C.G.S. 143-564(b)(2);
   - the Committee on Inaugural Ceremonies, N.C.G.S. 143-533 (ex officio);
   - the Computer Commission, N.C.G.S. 143-426.21 (ex officio); and
   - the N.C. Teaching Fellows Commission, N.C.G.S. 115C-363.23(a)(2).

C. Powers from Senate Rules (not applicable in the 1989 General Assembly)

10. The power to appoint committees and committee chairman (1987-88 Senate Rule 31); and
11. The power to assign bills to committee (1987-88 Senate Rule 43).

Unbeknownst to most voters, *Senate rules* can be changed at the beginning of a legislative session by a majority vote of the Senate and thereafter by a two-thirds vote. State statutes can be changed by a majority vote of the N.C. Senate and N.C. House of Representatives. This scenario makes the powers of the Lieutenant Governor that originate in Senate rules or state statutes much more susceptible to change than those derived from the Constitution. Amendments to the Constitution must be approved by a three-fifths vote in the General Assembly and then by a majority of the voters.

When the voters elected Jim Gardner on Nov. 8, 1988, the N.C. Senate Democrats immediately made plans to revise Senate rules and vest the authority to refer bills and appoint committees in someone other than a Republican Lieutenant Governor. The Democratic caucus voted on Nov. 25, 1988 to give the power of bill referral to the Senate principal clerk, allowing the Senate Rules Committee chairman, a Democrat, to resolve any disputes. The power to appoint committee chairmen (and Democratic members of Senate committees) was given to the Senate President Pro-Tempore, Henson Barnes (D-Wayne), who was nominated by the Democratic caucus on Dec. 1, 1988, and formally elected by the Senate on Jan. 11, 1989. The rules changes were adopted the same day.

Gardner and Republican legislative leaders had warned it would be politically unwise to remove these powers, saying it would anger voters and make it difficult for Democrats to defend such actions in 1990 when they run for re-election. Gardner characterized the move as "stripping" the Lieutenant Governor's powers, an image of Democrats taking away something that belonged to the office of Lieutenant Governor by right.

By contrast, Democrats defended the actions as consistent with the principle of majority rule. In words soon echoed by other Democratic leaders, Senator Barnes said the Senate has given away too much of its authority in prior years. He said that the powers of appointing committees and assigning bills belonged to the party holding a majority in the Senate, not to a presiding officer of the minority party.

"A majority of the Senate has been elected by the public as a majority party," said Barnes. "Do you feel the majority party, 37 out of 50, elected by the public of North Carolina, that the public expects them to put themselves in a position where they can't pass bills in the Senate?"[5] Barnes later drew an analogy of the Lieutenant Governorship with the U.S. Vice Presidency (the Vice President only presides over the U.S. Senate). Barnes observed, "In all states and in every nation in the free world, the House or the Senate has a right to organize itself."[6] Thus, the Democrats offered a trio of defenses for their actions—majority rule, the analogy to the limited powers of the Vice Presidency, and the likeness with other legislatures. But how similar is North Carolina's Lieutenant Governor to that of other states?

A Comparison of the Powers of the North Carolina Lieutenant Governor with Those of Other States

Eight states in the U.S. do not even have a Lieutenant Governor. Among the 42 states with a Lieutenant Governor, only seven allow their Lieutenant Governor to appoint committees and committee chairmen (See Table 3, p. 164). Only 15 Lieutenant Governors have the power to assign bills. Twenty-five states allow the Lieutenant Governor to vote in case of ties, and 28 Lieutenant Governors preside over the Senate. These powers can all be characterized as powers which are more legislative in nature than executive.

By contrast, among the powers which are more executive in nature, other states have been more generous in their grants of power. All 42 Lieutenant Governors have the power to succeed the Governor, 33 can be assigned duties by the Governor, and 40 serve as acting Governor when the Governor is disabled. Thirty-one Lieutenant Governors serve on executive boards, but only six can make appointments to boards in the executive branch, though the data on the latter power is more subject to question.[7] Thirty-one lieutenant governors can succeed themselves for an unlimited number of four-year terms; eight lieutenant governors, including North Carolina's, can serve two consecutive four-year terms; and one state, Kansas, prohibits a second term in office.[8]

The trend is clear, says one expert in the transformation of the offices of Governor and Lieutenant Governor. "In the past, the Lieutenant Governor has been a hybrid executive-legislator," but taking away his legislative duties has helped to make him a firm and integral part of the executive branch, with his allegiance clearly owed to the Governor rather than to a chamber of legislators, wrote Larry Sabato of the University of Virginia in 1983. "Twelve states have now placed the Lieutenant Governor completely in the executive branch, and others have reduced the Lieutenant Governor's legislative role," concluded Sabato.[9]

What Does the Future Hold for North Carolina's Lieutenant Governor?

With the removal of key legislative powers from the Lieutenant Governor, what is the future of the office? Few observers think the powers will be returned, regardless of the party affiliation of future officeholders. Bob Jordan says, "I don't expect to see in my lifetime those powers restored to the Lieutenant Governor."

Jordan does expect the office to play a larger role in the executive branch, with increased assignments from the Governor, and possibly elections of the Governor and Lieutenant Governor as a team. "The Governor should give the Lieutenant Governor more to do, and in my mind, they [the legislature] should go back and look at whether the Governor and the Lieutenant Governor should run as a team," Jordan says. That view reflects a clear trend among other states toward team elections. Twenty-two states have put the concept into practice since 1953.[10] Governor Martin likely will assign Gardner more duties. He already has designated Gardner chief of his administration's campaign against drug use.

Jordan also remembers one other possibility that had been discussed—that of combining the duties of the Lieutenant Governor and the Secretary of State. He served on a 1977 legislative study commission which considered combining the two offices when Thad Eure retired (which occurred in January 1989). The Lieutenant Gov-

Table 3. Comparison of Powers of the Lieutenant Governors Among the 50 States

Number of States with Lieutenant Governors:	42
Number of states in which Lieutenant Governor can serve two consecutive four-year terms (or more):	39
Number of States with Team Elections (where the Governor and Lieutenant Governor run together as a team):	22

	Number of states where Lt. Gov. has this power	Whether N.C. Lt. Gov. had this power in 1988
A. Executive Powers of the Lieutenant Governor		
1. The power to succeed the Governor	42	yes
2. Serves as acting Governor when Governor is disabled	40	yes
3. Performs other duties as may be assigned by the Governor	33	yes
4. Serves on boards in the executive branch	31	yes
5. Serves as acting Governor when Governor is out of state	27	yes
6. Member of Governor's cabinet or advisory body	20	yes*
7. Has appointments to boards and commissions in the executive branch	6	yes
B. Legislative Powers of the Lieutenant Governor		
1. Presides over Senate	28	yes
2. Votes in case of ties	25	yes
3. Assigns bills to committees	15	yes**
4. Appoints committees and committee chairs	7	yes**

* The N.C. Lieutenant Governor is a member of the 10-member Council of State, which is composed of officials elected statewide, excluding judicial candidates.

** The N.C. Senate removed this power from the Lieutenant Governor, effective in 1989.

Source: The Book of the States, 1988-89

Table prepared by Ran Coble

ernors of Alaska, Hawaii, and Utah have statutory authority to perform a number of duties normally associated with secretaries of state—supervision of elections, commissioning notaries public, and maintenance of official state laws and agency rules.[11]

A fourth and final possibility is that the legislature may whittle away at the powers given the Lieutenant Governor in *state statutes*—the power to serve on eight executive boards and the power to make 195 appointments to 87 boards and commissions in the executive branch. But that direction might play directly into the hands of Gardner, whose victory in 1988 is at least partly attributable to his ability to characterize the legislature as a body run by a few people behind closed doors. Gardner's criticism of legislators no doubt helped persuade them to reduce both his powers and any opportunity Gardner had to be a major governing force within the legislature. But those same criticisms may increase Gardner's chances in 1992 at succeeding to the governorship—as eight of the last 30 North Carolina Lieutenant Governors have done.[12]

FOOTNOTES

[1]The Code Commission and the office of Superintendent of Public Works were abolished; the power to elect trustees of the University of North Carolina was taken from the State Board of Education and vested in the General Assembly; and biennial sessions replaced annual sessions, a practice which would not return until 1973-74, when the state's first Republican Governor in the 20th century, James E. Holshouser Jr., took office in 1973. See Hugh T. Lefler and Albert R. Newsome, *The History of a Southern State, North Carolina*, third edition, UNC Press (Chapel Hill, NC), p. 498-99.

[2]The first was Tod R. Caldwell, 1868-70; the second was Curtis H. Brogden, 1873-74; the third was Charles A. Reynolds from 1897-1901; and the fourth is Jim Gardner.

[3]As related in Larry Sabato, *Goodbye to Goodtime Charlie—The American Governorship Transformed*, CQ Press (Washington, D.C.), pp. 69-70.

[4]See Steve Adams and Richard Bostic, "The Lieutenant Governor—A Legislative or Executive Office?" *N.C. Insight*, Vol. 5, No. 3 (November 1982), pp. 2-11.

[5]Van Denton, "Lt. governor gets duties in Constitution, powers from Senate," *The News and Observer* of Raleigh, Nov. 11, 1988, pp. 1C and 2C.

[6]Rob Christensen, "Democrats set to cut Gardner's powers," *The News and Observer* of Raleigh, Nov. 24, 1988, pp. 1A and 6A.

[7]Kathleen Sylvester, "Lieutenant Governors: Giving Up Real Power For Real Opportunity," *Governing* magazine, February 1989, p. 50, examines this new role. "The model for this new lieutenant governorship comes from Indiana, where the lieutenant governor is both the executive director of the state commerce department and secretary of agriculture. John Mutz, who left the position last month, also ran the state's employment and training program, the employment security program, the state planning department, the tourism board, the film commission, the enterprise zone program and the federal energy and community development block grant programs. Managing all of these functions, says Mutz, made him responsible for 1,400 state employees and a $150 million annual operating budget," reports Sylvester.

[8]The statistics quoted in this paragraph and the previous paragraph rely on *The Book of the States, 1988-89*, The Council of State Governments (Lexington, KY), Tables 2.1 (p. 35), 2.9 (p. 51), 2.10 (p. 43), 2.12 (p. 65), and especially 2.13 (p. 66). Also see the Council's 1987 publication, *The Lieutenant Governor: The Office and Its Powers*, pp. 3-24.

[9]Sabato, p. 71.

[10]*The Lieutenant Governor*, Council of State Governments, p. 7. Although 22 states *elect* the two together, only eight *nominate* the candidates together. On Feb. 9, 1989, H 189 was introduced in the N.C. General Assembly to amend the N.C. Constitution and require that the Governor and Lieutenant Governor run as a joint ticket in the general election.

[11]*Ibid.*, p. 6. In three states without Lieutenant Governors, the Secretary of State is first in the line of succession to the Governor.

[12]Three Lieutenant Governors were elevated by a Governor's death (Curtis H. Brogden in 1874, Thomas M. Holt in 1891, and Luther H. Hodges in 1954), one by resignation (Thomas J. Jarvis in 1879), one by a Governor's impeachment (Tod R. Caldwell in 1870), and three by the elective process (O. Max Gardner in 1929, Robert W. Scott in 1969, and James B. Hunt Jr. in 1977. See the Council of State Governments, *The Lieutenant Governor*, p. 55, and Jesse Poindexter, "A Steppingstone to Governorship," *Winston-Salem Journal*, April 29, 1984, p. A4.

In The Mail

Vol. 10, Nos. 2-3
Theme Issue on Environmental Policy
and
Vol. 11, No. 1
Environmental Index and State Parks

North Carolina Insight has performed a great service by spotlighting the environment this [past] year. But it has also, I'm afraid, helped to perpetuate the historic trend of minimizing or ignoring the effects of the widespread use of pesticides on our environment. Some want to continue the tradition of exempting pesticides from environmental consideration, but I hope the Center for Public Policy Research is not among them.

In 1986, the U.S. Environmental Protection Agency called pesticides the number one environmental problem based on the toxicity of the products, widespread exposure, and the limited efforts being made to regulate and control them. But twice in 1988, in your major "Resources at Risk" issue (March) and again in the "Environmental Index" issue (October), *Insight* has almost totally ignored pesticides. It is a great shame and a lost opportunity to help your readers begin to understand the problem. Unintentionally, I'm sure, the effect is to play into the hands of pesticide polluters who like the low-profile status quo just fine.

It is not easy to get a handle on the pesticide problem in North Carolina. A Legislative Study Committee on Pest Control has been engaged in fact-finding on the subject for the past year and has only just barely scratched the surface. It has, however, shown how far we have to go to understand the full scope of the problem and to find common ground in solving it. The committee has seen that pesticides are not just an agricultural problem. Pesticides are also used routinely in schools, homes, and businesses, on lawns, parks, and rights of way, and constitute a major threat to our groundwater.

No one knows how much pesticides are used in the state. Estimates range up to 50 million pounds of active ingredients each year, not including the often toxic "inert" ingredients in pesticide formulations. North Carolina is one of only nine states with *no* pesticide reporting requirements. How can one measure the impact over time or design an effective regulatory program without knowing what is sold and used? Might not such figures be appropriate for the proposed Environmental Index? *Insight* doesn't say.

The Center may not agree [that] pesticides are our number one problem, but surely it can find at least a little space to consider them alongside other major threats to "this goodliest land." They do, after all, have enormous impact on the air, the land, and the water. We hope the Center and *Insight* will soon discover pesticides, too.

Readers also wouldn't know it from your list of resources, but the Agricultural Resources Center, with offices in Carrboro and Raleigh, is the only statewide organization which concentrates on pesticide reform. We have been active for several years and stand ready to help on any aspect of pesticides, including their impact on the environment and public health.

Thanks again for providing an invaluable service and, in advance, for your continuing efforts.

—Allen Spalt, Director
Pesticide Education Project
Agricultural Resources Center
Carrboro

MEMORABLE MEMO

GUIDELINES FOR EXPERIMENT WITH SHORT PENCILS AT THE LOCAL OFFICE(S)

1. Experiment is to last four working weeks. You decide on beginning and ending date.
2. Staff needs to be informed of experiment and their support and cooperation solicited and received.
3. If you have more than one waiting area for clients, start with one area only and then progress to the other areas.
4. Count the number of short pencils you assign to each area under experiment.
5. For every 12 short pencils used, have two long (7") pencils available in the same waiting area.
6. Ask your staff to keep a count of how many clients ask for pencils with erasures or just plain erasers..
7. Determine how many short pencils are taken each weekby clients and compare this with the number of long pencils normally taken by clients.
8. At the end of the four weeks, determine how many short pencils were taken by clients during this period and what % of number of clients served asked for erasures during this experimental period.
9. Alert your staff to log complaints received because of the use of short pencils, and try to record specific comments made by clients.
10. After the four weeks experiment is concluded, please state your recommendations for either the use or non-use of the short (3 1/2") pencils. If the use of the short pencils is recommended, how many long pencils should be used with them in the same waiting area.
11. Submit your information by telephone to Jean LeFrancois by calling 919/733-3100 and provide her with the results of your experiment.
12. Be sure to thank your staff for cooperating with you in this endeavor.

How do you stop a pencil from walking out of an Employment Security Commission office? Cut it in half and chop off the eraser. As this memo indicates, that's the solution one ESC employee suggested to the problem of disappearing pencils. The only trouble with this idea is that it didn't work. It was next to impossible to get a grip on one of the tiny pencils after even a single sharpening, and kids liked to carry off the smaller pencils as much as their parents liked the big ones. But we've got our own suggestion for solving the pencil problem: The ESC could replace their pencils with pens that use disappearing ink. That way, they could use the same forms over and over again. Save a fortune. Meanwhile, we're still on the lookout for memorable memos, whether they're written with three-and-a-half inch pencils, seven-inch pencils, or even a typewriter. No disappearing ink, though, please.

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