

Poverty was severe before legislative session

- Worst recession since 1930's
 - Formal definition of recession is negative growth in GNP 07-09
 - Usually correlates with unemployment
 - unemployment rate still close to 10% after almost 5 years *(Exhibit #1)**
 - Longer unemployment than other recessions
 - Almost 50% unemployed > six months
 - Still in recession if measured by unemployment
 - African-American unemployment rate was 20%, still > 15%
 - ~~NC~~ Poverty rate 12.5% in 2007; 15% since and still

*[this Exhibit is from the NC Justice Center's Budget and Tax Center – BTC, some others will be as well]

- 130,000 (13% of 1 m) in Mecklenburg County below federal poverty level *(Exhibit #2a)**
- 54% of CMS children below federal poverty level
- Homelessness as indicator of severe poverty *(Exhibit #2b)*
 - 900 chronic homeless
 - 8,000 (over year) homeless
 - 2,418 (point in time) homeless

*[this Exhibit is from Crisis Assistance Ministry]

- Recent and post-recession growth primarily in low wage jobs *(Exhibit #3)*
 - Service industries: food processing, retail, hospitality
- Minimum wage lost 7% of value since last raised in 2007
 - 30% of value over past 40 years
 - 1970 + inflation = \$12/hour
- One-third of all Mecklenburg families, two-thirds of poor families have insufficient "net worth" for support at poverty level for three months *(Exhibit #4)*

- Pathway to destitution:
 - loss of employment ->
 - exhaust UI ->
 - search for other assistance (disability, TANF, Food Stamps)
 - exhaust savings ->
 - eviction/foreclosure ->
 - exhaust family/friends ->
 - = homeless/food insecurity

Legislative session

Tax Cuts

- Personal Income Tax: 6%/7%/7.75% rates -> 5.8% FY 14, 5.75% FY 15 on
- Corporate Income Tax: 6.9% -> 6% FY 14, 5% FY 15, then 4%/3% contingent on deficit
- Elimination of state Earned Income Tax Credit
- Sales tax expanded to some additional services
 - 2/3 of reductions to top 1% taxpayers, almost all to top 5% (Exhibit #5)
 - Most middle and low income households will see net increase
- Lost revenue approx. \$87 million current FY (Exhibit #6)
 - \$438 million next year,
 - ~\$650 million/year following years
 - Education and Health care (Medicaid) are only places big enough to cut this much

Education

We do not work extensively on Education issues, but some notes

- Teacher salaries were 46th in US, no raises -> 48th
- No M.Ed. salary supplement, no teacher tenure
- larger class size, 20% cut in classroom assistants
- -\$15.5 m low wealth supplemental funding, -\$6 m LEP
- -\$7 m instructional supplies, -\$30 m school buses
- More charter schools, school vouchers foot in the door
- Reductions in funding for higher education
 - -4.7% from base budget level
 - -9.7% from pre-recession (2008) level
- Proportion of population with higher education correlates to hourly wage (Exhibit #7)

Unemployment insurance and "pathway to destitution"

Asserted reason for cuts \$2.5 b debt

- UI tax cuts in 1990's
- Shorten repayment from 5 -> 2 years by reducing benefits permanently
- Max \$535/week -> \$350/week
- Max 26 weeks -> 12/20 weeks depending on unemployment rate
 - Combination of amount/duration is net 50% cut in benefits
- Eliminated substantial fault, expanded definition of misconduct
- Eliminated leaving for health reasons, family hardship and spousal relocation exceptions
- Reduction in hours 20% -> 50% to justify quitting (plus rate reduction 15%)
- No benefits during disciplinary suspension 10 -> 30 days
- Waiting period for each additional claim
- Overpayment of reversed decisions, regardless of fault
- Largest reduction in benefits in any state UI program since inception in 1930's
 - \$1.3 billion in 2012 – maybe \$0.5 billion less to unemployed in 2014
- Terminated Fed Extended EUC, \$700 m to 170,000 unemployed

Medicaid

Affordable Care Act (ACA or Obamacare)

- Medicaid currently categorical (elderly, disabled, pregnant, child + poor)
- ACA expanded to 138% of poverty for all poor, including non-disabled adult
 - 100% federal payment for three years, then $\geq 90\%$
 - Established sliding subsidy scale for persons over 138% poverty
- US Supreme Court said ACA is Constitutional, but cannot coerce states to expand Medicaid
- NC rejected Medicaid expansion (a no-brainer) *(Exhibit #8)*
- 500,000 people not insured
 - will continue without access to primary care
 - will continue to use expensive and inappropriate emergency care
 - are not eligible for ACA subsidies because "too poor"
- Money in the economy (\$20 billion over 10 years = \$2 billion/year)
- Revenue to hospitals
 - especially small rural hospitals
 - cost shifting in all hospitals

Other changes in Medicaid

- Max MD visits 22 -> 10
- Co-payments up 30% to \$3.90, max allowed by feds
- Lowers reimbursement rates (more MD's will refuse Medicaid patients)

Affordable Care Act Implementation

- No state activity, all federal and private
- Navigators – 10 in Mecklenburg
 - 3 each LSSP, MedAssist and CW Williams
 - 1 at Crisis Assistance Ministry
 - 6400 total hours for appointments in six month open enrollment period
- Estimated 80,000 eligible for subsidy

Other health care issues

- (for profit) Managed Care Organizations
 - Our experience with Piedmont Behavioral Health, now Cardinal Innovations

Public Assistance

Temporary Assistance for Needy Families (Work First Family Assistance) (AFDC, "welfare," "welfare reform")

- Low income eligibility (\$8,172/year) and assets (\$3,000 exc car) thresholds
- Low benefit level \$272/mth family of 3 (\$3,264/year)
- Low participation rate 30,000 families in 2006
 - 47,500 children, 11,300 adults
 - > 50% child only households
- Most TANF funds spent on work supports
 - 24% on cash assistance
 - 33% on child care
 - 13% on work-related activities
 - 20% on other non-assistance activities
- Fewer than ~~1%~~^{4.5%} of NC families below federal poverty level receive TANF benefits
- Drug testing applicants for public assistance

< 60,000 of 1.5 million
in poverty
< 4%

Food Stamps (SNAP)

- Only substantial support for non-disabled adults after UI runs out
- House of Reps proposal to cut dramatically

NC FAST

- Combining and automating application for all public benefits
- Coincides with ACA, need to have "all doors" for Medicaid, CHIP and ACA eligibility
- Several month delay for emergency Food Stamps (zero income, no food)
- Litigation possible - imminent

Sequestration

- 1,500 Head Start slots
- 1,300 Child care slots
- 3,550 child vaccinations
- 3,700 substance abuse program admissions
- \$1.5 m senior meals

Vulnerable Populations

Seniors

- Home & Community Care Block Grant not increased
 - 15,000 waiting list for meals, transportation
- Adult Care and Group Homes \$4.6 million temporary funding to replace Medicaid PCS funds
 - no permanent solution
- Consumer Fraud rampant

Immigrants

- Population no longer growing but not shrinking
 - Undocumented immigrants less visible due to fear of deportation
 - Wage Theft
- Charlotte Immigration Court serves all of both Carolinas
 - Approx. 8 x 30 unrepresented immigrants in first appearances each week
- Abused, Abandoned and Neglected Children – Special Immigrant Juvenile Status
- Victims of violence – VAWA, U and T visas, asylum
- Deferred Action DACA

Ex-Offender Discrimination and Re-entry

- 1.5 million people in NC (1/6 of population) have arrest or criminal records
- Now routinely used for employment and housing screening

I have painted a grim picture

- High unemployment
- Low wage jobs
- High poverty level – child poverty, homelessness, food insecurity
- Low savings
- Increased taxes for low and middle income people
- Cuts in education – pre-K, K-12 and higher education
- Cuts in safety net – UI, TANF (“welfare”), FoodStamps
- Progress but problems in health care access
 - Medicaid expansion
 - ACA implementation
 - MCO’s

Massive scale of loss/missed opportunity

- \$700 million federal UI
- \$0.5 billion/year State UI
- \$2 billion/year Medicaid expansion
- Disappearance of AFDC/TANF/WFFA as significant safety net program
- \$600 m/year state budget for education/health care

Bad Direction for public policies

- Cuts in public services probably to continue due to lower state revenue
 - Education and health care
- State resistance to Affordable Care Act
- Federal attack on Food Stamps

Voluntary sector and philanthropy cannot make up this gap with direct services

Response must be advocacy

- Coordinated among broad alliance
 - Non-profits
 - Faith community
 - Philanthropic community
- Focus on poverty

Individual organizations do good advocacy work

- many SOMNCF grantees
- some of our key partners
 - Men’s Shelter
 - Care Ring
 - Crisis Assistance Ministry
 - Council for Children’s Rights
 - NC Justice Center

Coordinated advocacy is better

Effectiveness of Homeless Services Network (HSN) in making Homelessness a public issue

- Rental assistance endowment project - \$10 m each City/FFTC-private donors
- Coordinated Intake and Assessment
- Meck FUSE

Need to do better with poverty itself – incomes

- Minimum wage
 - Federal proposal to raise to \$10.10 pending
 - Higher state minimum wage possible and done in many states
- Unemployment insurance publicity, public awareness
 - As debt is repaid, bring adequacy of system back

Need to do better with health care access

- MedLink – all providers for low income uninsured
 - Coordinates more than advocacy
- Affordable Care Act Implementation
 - 10 Navigators for 80,000 eligible for subsidies
 - Outreach and public education
- Medicaid expansion still possible
 - Resolution in Mecklenburg County Commission to ask NCGA to reconsider

Potential partners in Mecklenburg County

- United Way
- Crisis Assistance Ministry
- LSSP, Urban League, Goodwill Industries, others
- NC Justice Center (Budget and Tax Center)
- Funders like you – SOMNCF
 - Not just for money
 - Stature, credibility

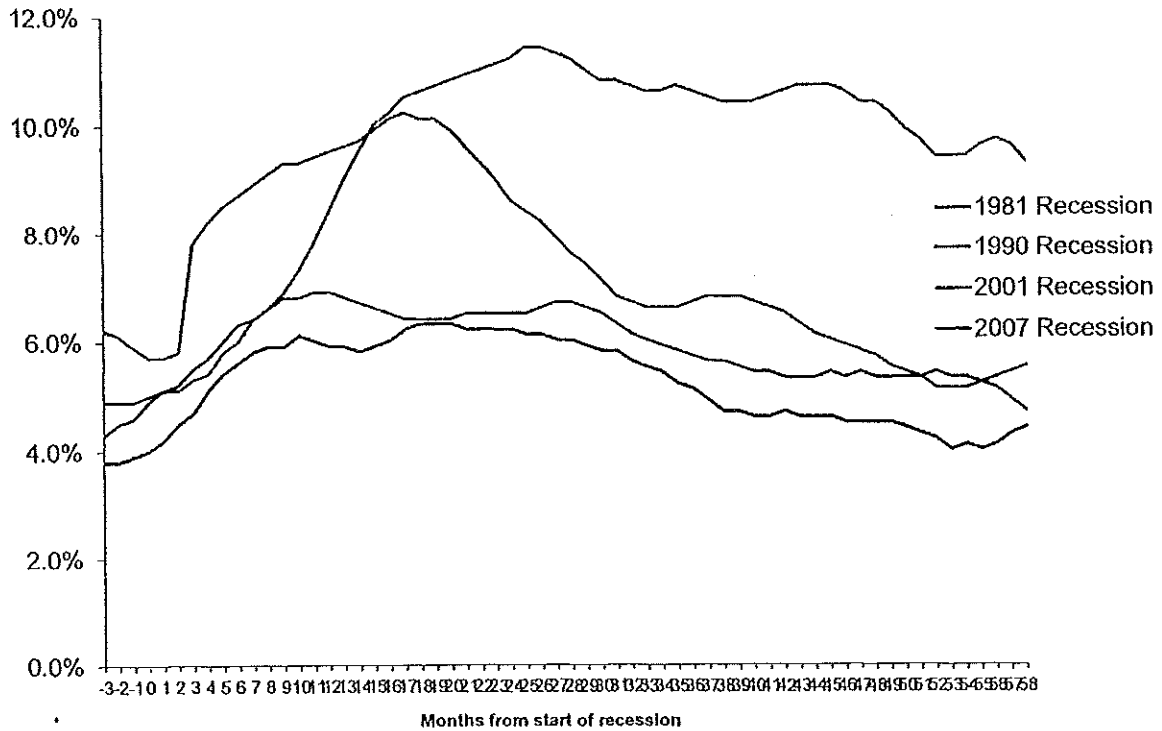
Ways philanthropic organizations can partner with non-profits to help
Natural Allies: Philanthropy and Civil Legal Aid

Materials

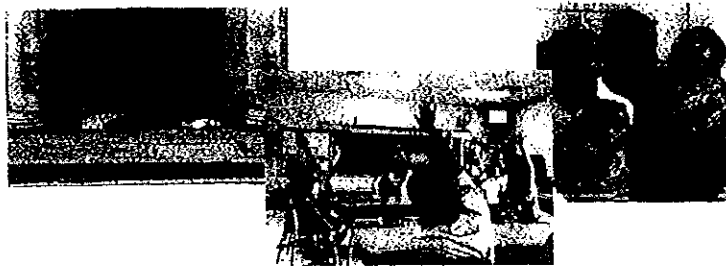
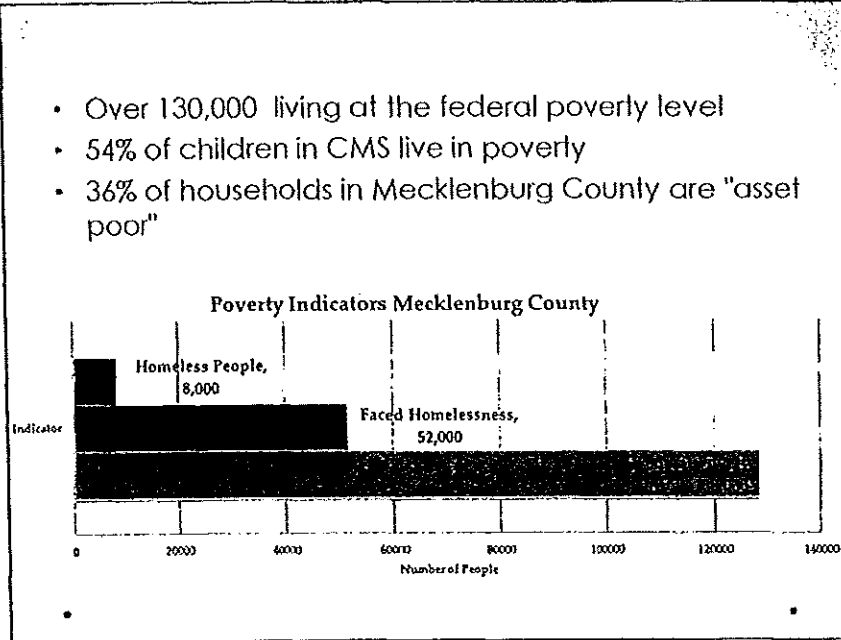
Natural Allies: Philanthropy and Civil Legal Aid



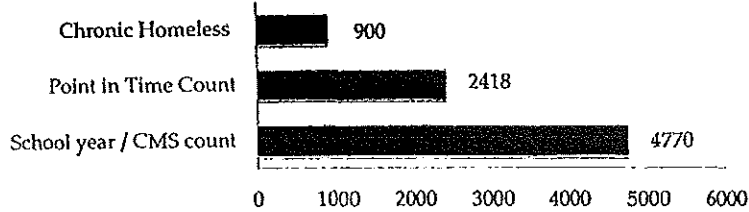
Unemployment remains high despite official recovery



- Over 130,000 living at the federal poverty level
- 54% of children in CMS live in poverty
- 36% of households in Mecklenburg County are "asset poor"



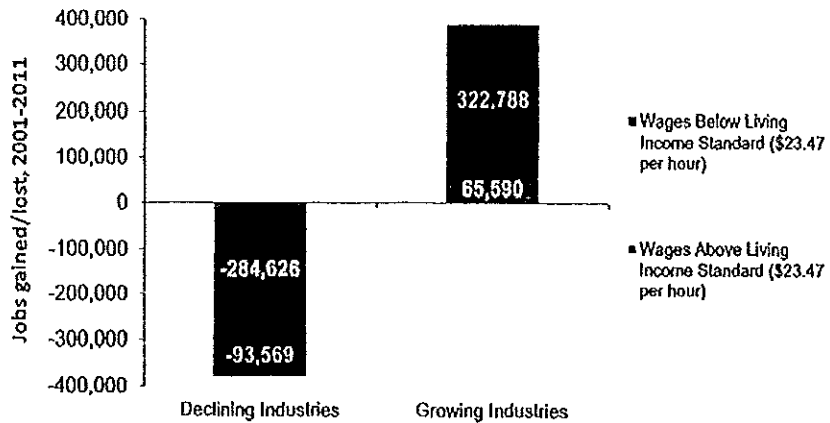
Homelessness in Mecklenburg County





And the jobs we're gaining aren't as good as the one's we've lost

North Carolina loses high-wage jobs, gains low-wage jobs instead



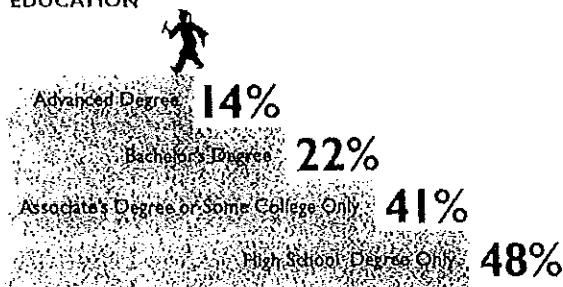
THE ASSET POOR IN CHARLOTTE

Asset poverty is a measure that expands the notion of poverty to establish a minimum threshold of wealth needed for household security. A household is asset poor if it has insufficient net worth to support itself at the federal poverty level for three months in the absence of income, i.e., net worth of less than \$1,633 for a family of three in 2011. Asset poor households would not have enough savings or wealth to provide for basic needs during a sudden job loss or a medical emergency.

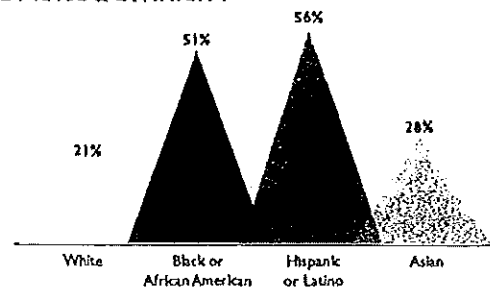
HOUSEHOLDS IN ASSET POVERTY ... BY GEOGRAPHY



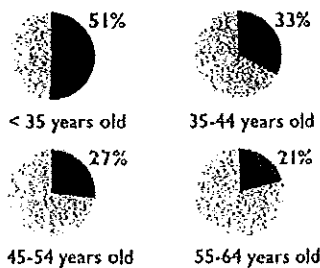
BY EDUCATION



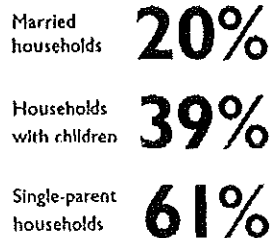
BY RACE & ETHNICITY



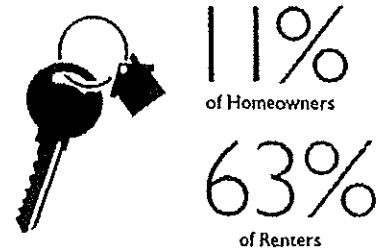
BY AGE OF HOUSEHOLDER



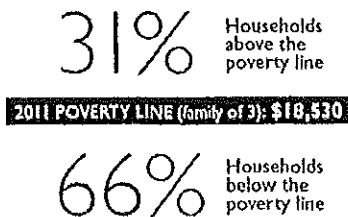
BY FAMILY STATUS



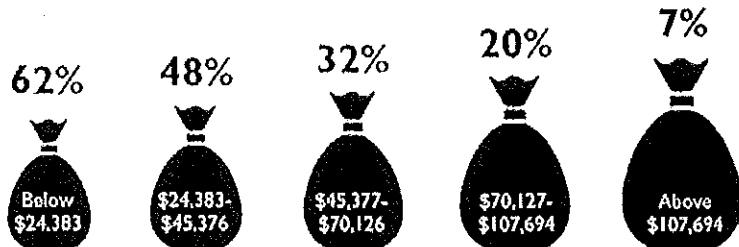
BY HOUSING TENURE



BY POVERTY STATUS



BY HOUSEHOLD INCOME

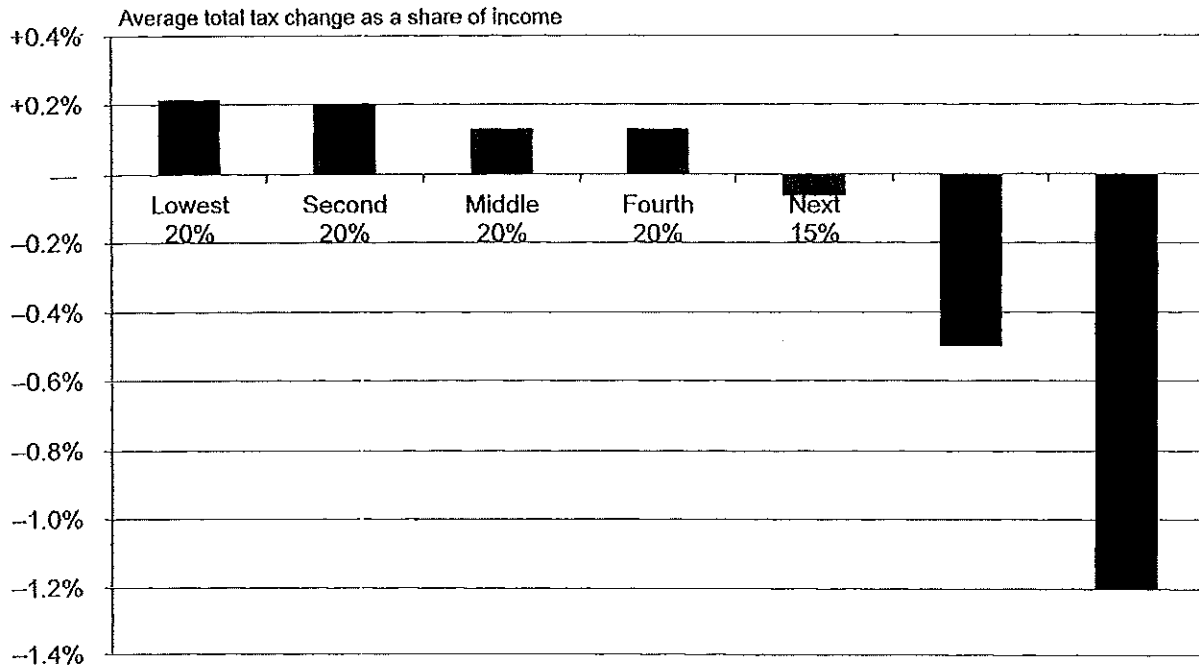


Source: Asset Poverty figures presented in the Profile are estimates derived from a model based on 2009 data from the Survey of Income and Program Participation (SIPP) and the 2008-2010 American Community Survey (ACS) Public Use Microdata Sample. While these estimates are CFED's best efforts to measure local wealth holding, the model is based on a national survey of approximately 50,000 households, and caution should be used when interpreting data at a local level.



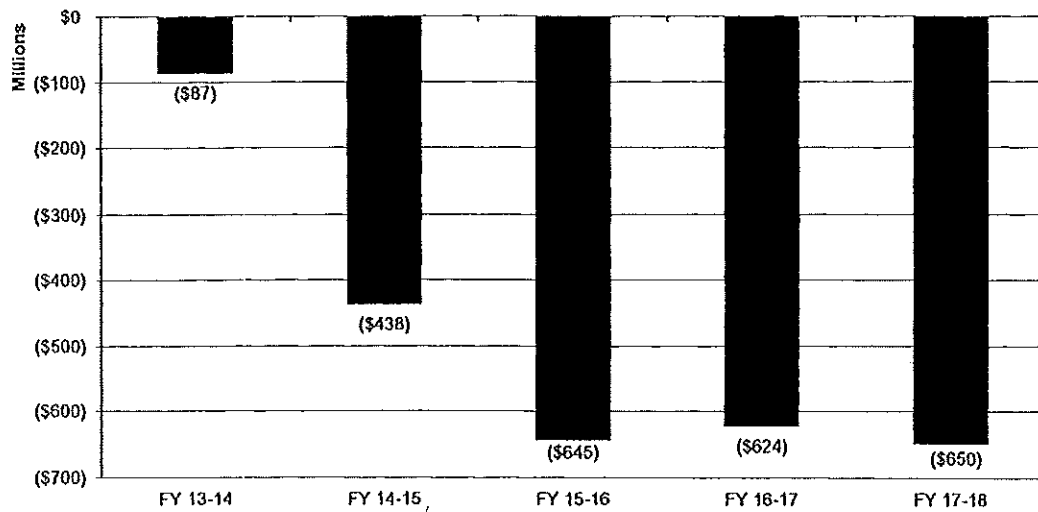
BTC

A TAX SHIFT AWAY FROM THE WEALTHIEST TAXPAYERS TOWARDS LOW- AND MIDDLE-INCOME TAXPAYERS.





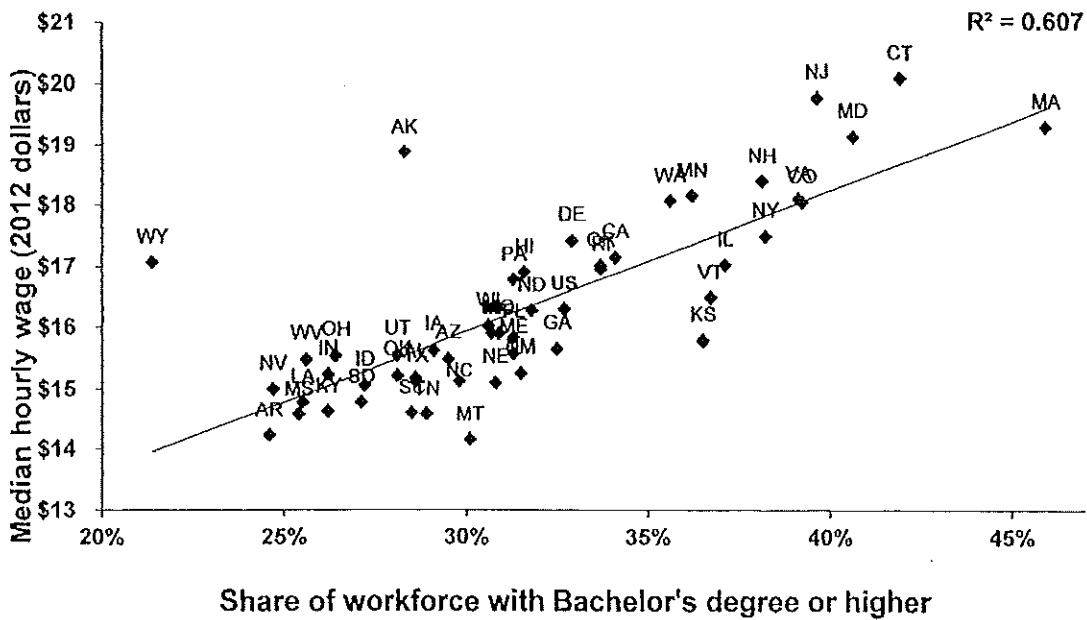
A TAX CUT THAT REDUCES AVAILABLE DOLLARS FOR INVESTMENTS THAT SUPPORT THE WELL-BEING OF NORTH CAROLINIANS & A STRONG ECONOMY.





EDUCATION IS KEY TO ECONOMIC PROSPERITY

Median hourly wage and share of the workforce with a Bachelor's degree or higher, by state, 2012



Source: Berger and Fisher, July 2013 Analysis of CPS-ORG microdata and Tax Policy Center's Tax Facts

Published on January 19, 2013 in the Raleigh News & Observer under the title "Medicaid expansion a no-brainer"

Published on January 20, 2013 in the Charlotte Observer under the title "Medicaid expansion is vital"

Medicaid Expansion under Obamacare: A Critical Decision for NC

By Douglas Sea and Madison Hardee

In the next few months, Governor McCrory and the NC General Assembly will decide whether to expand Medicaid to cover about 500,000 low-income NC citizens who are currently uninsured. The U.S. Supreme Court's decision in *National Federation of Independent Business v. Sebelius* in 2012 upheld the Affordable Care Act (the ACA or Obamacare) but held that the Medicaid expansion provisions in the ACA, which take effect on January 1, 2014, are a state option. The choice is clear – Medicaid expansion is a great deal for NC and will benefit not just to the poor, but every NC citizen and business.

Permitting the Medicaid expansion to go forward will:

Stimulate NC's economy – Like a hundred new businesses, Medicaid expansion will pump billions of new dollars of spending into NC's economy. The federal government will pick up 100% of the cost of Medicaid expansion for the first three years (2014-2016) and will cover at least 90% of the cost thereafter. This means \$20 billion in new federal dollars throughout NC over ten years. The result will be thousands of new NC jobs and billions in revenue for NC businesses.

Leverage Our Federal Tax Dollars – If NC does not expand Medicaid, federal income taxes will be paid by North Carolinians to fund Medicaid expansion in most other states, but not here. Instead we will continue to pay for health care to the 500,000 uninsured poor with state and county dollars. The state Medicaid agency estimates \$250 million over ten years in state budget savings by expanding Medicaid. When combined with new state revenues projected from the economic boost, Medicaid expansion will produce a net savings for the state's budget.

Stop large increases in health insurance premiums – Currently Medicaid does not cover many North Carolinians living in poverty. Most poor adults ages 21 to 65 cannot get Medicaid. Every year NC doctors and hospitals provide \$3 billion in uncompensated care to the uninsured. These costs are passed on to those with health coverage, increasing the annual premium for an insured family by more than \$1,000. By expanding Medicaid, we can dramatically reduce this cost-shifting. Otherwise, our insurance premiums will be higher than in states that opt for expansion, suppressing wages and putting NC businesses at a competitive disadvantage.

Help employers avoid large penalties – Beginning in 2014, large employers must offer health coverage or pay tax penalties if employees receive federal tax credits to purchase insurance through the new federal exchange. However, if NC expands Medicaid, families earning less than 138 percent of the federal poverty line will be eligible for Medicaid. There is no penalty to an employer whose employee receives Medicaid.

Keep rural hospitals open – Because the ACA expands coverage, the law phases out special funding to hospitals providing indigent care. If NC does not expand Medicaid, hospitals will lose not only the Medicaid expansion dollars but also payments they currently get. Smaller NC hospitals that are already struggling can thrive under the ACA with an influx of newly insured patients. However, if Medicaid is not expanded, rural hospitals will suffer greatly, and some may close, reducing health care access in rural communities. Our rural economy will suffer if this happens.

Create a healthier, more productive workforce – Many of those without health coverage are adults with low-wage jobs. Medicaid coverage will provide check-ups and access to prescription drugs, preventing or managing chronic illness. A workforce with health insurance is healthier and more productive. If NC does not implement the expansion, these uninsured citizens will not qualify for federal tax subsidies to buy private health insurance because the ACA limits those subsidies to families that are *not* in poverty. Again, businesses in other states will have a competitive advantage.

Reduce health disparities – Like most states, NC has persistent racial disparities in access to health care and health outcomes. Lack of insurance contributed to poorer health outcomes in communities of color, as measured by mortality rates, infant mortality rates and prevalence of certain preventable diseases such as heart disease, diabetes, stroke and HIV/AIDS. Medicaid expansion holds tremendous potential to reduce long-standing racial health care disparities by extending coverage to traditionally underserved communities throughout NC.

Save lives – A recent study published by the New England Journal of Medicine finds that a Medicaid expansion of 500,000 enrollees will result in 2,840 fewer preventable deaths per year. We can literally save our neighbors' lives if we expand Medicaid.

With so much at stake for NC, Medicaid expansion should not be a partisan issue. To protect North Carolinians' health, economy and pocketbooks, all of us need to make our voices heard now so our governor and legislators do the smart thing for NC.

Douglas Sea and Madison Hardee are attorneys with Legal Services of Southern Piedmont in Charlotte. For more information, email madisonh@lssp.org or visit www.lssp.org/medicaidexpansionadvocacy/.

