



NC Justice Center

*Opportunity and Prosperity
for All*

BTC *Brief*

▶ NC BUDGET & TAX CENTER

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Six Steps for Stabilizing the State Economy

Weakening economic conditions are having a magnified impact on North Carolina's low- and moderate-income families, who were already working hard to make ends meet. Stagnant wages and rising costs of necessities like gas, food, health care and housing, are squeezing hundreds of thousands of North Carolina families and threatening their economic well-being. Therefore, it is critical legislators focus the state's limited resources this session on policies that help the state confront the current economic downturn, boost the incomes of working families and stimulate local economies.

Adopting the six proven, research-supported policies described below not only would alleviate current hardships but also would position all North Carolinians to benefit from the eventual economic recovery.

*Timely,
accessible,
and credible
analysis of
state and local
budget and tax
issues*

Boost the effective incomes of families hardest hit by a downturn

- **Increase North Carolina's refundable state Earned Income Tax Credit (EITC) to 5% of the federal credit.** The EITC is a proven and targeted tax cut that improves the lives of more than 20% of North Carolina's working families. Increasing the size of the state's refundable EITC will help struggling families deal with the rising costs of gas and food while stimulating local economies as families spend the additional income on basic necessities.
- **Accelerate the scheduled minimum wage increase.** North Carolina's minimum wage is \$6.15/hour or the federal rate, whichever is greater. This summer, the federal rate is slated to increase to \$6.55/hour before rising to \$7.25/hour in July 2009. Raising the state wage to \$7.25/hour a year ahead of the federal timetable would help the least-paid workers better afford the escalating costs of such basic goods as gas and food.
- **Provide funding to eliminate the child-care subsidy waiting list and increase provider reimbursement rates.** For families with young children, the cost of childcare – an essential expense if parents are to work full-time – is one of the largest, if not the largest, monthly expense. Currently, close to 30,000 otherwise-eligible low-income children are waiting to receive child-care subsidies. Eliminating the waiting list would provide financial relief to hard-working families. And raising the reimbursement rates for childcare providers would inject money into an industry with a sizable presence in all 100 counties.

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Aid the growing number of unemployed North Carolinians.

- **Expand the Home Protection Pilot Program to all 100 counties.** When a worker becomes unemployed, the absence of a paycheck increases the odds of falling behind on mortgage payments. The Home Protection Pilot Project offers deferred, interest-free bridge loans to qualified dislocated workers to help them avoid losing their homes to foreclosure. Since its creation in 2004, the program has helped 300 families and has retained real estate valued at more than \$37 million. Expanding the program to all 100 counties would provide more unemployed families with a chance to hold on to their most important source of wealth, their homes.

Invest in the building blocks of long-term growth: physical infrastructure and human skills

- **Increase annual funding to the NC Housing Trust Fund to \$20 million.** Managed by the NC Housing Finance Agency, the NC Housing Trust Fund leverages production and repair of quality affordable housing for low-income residents. Its investments are especially important in troubled housing markets and areas with rising foreclosures, creating new jobs and expanding property tax bases.
- **Increase funding for community colleges.** When the economy falters, working adults turn to the community college system for the training needed to seize new opportunities. The current downturn, for example, has caused community college enrollments to rise unexpectedly. Yet owing to flaws in how the state's two-year institutions are financed, the colleges essentially are serving students for whom no state funds were allocated. At a minimum, fully funding this enrollment growth will ensure that the community colleges can continue to serve working North Carolinians in need of training.