

JOINT SELECT COMMITTEE ON WORKFORCE NEEDS



**REPORT TO THE
2005 REGULAR SESSION OF THE
2005 GENERAL ASSEMBLY OF NORTH CAROLINA**

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STATE OF NORTH CAROLINA

JOINT SELECT COMMITTEE ON WORKFORCE NEEDS



January ___ 2005

TO THE MEMBERS OF THE 2005 GENERAL ASSEMBLY:

Attached for your consideration is the report of the Joint Select Committee on Workforce Needs, established by the President Pro Tempore of the Senate and the Speakers of the House of Representatives pursuant to G.S. 120-19.6, Rule 31 of the Rules of the Senate of the 2003 General Assembly, and Rule 26(a) of the Rules of the House of Representatives of the 2003 General Assembly.

Respectfully submitted,

Senator Katie Dorsett
Co-Chair

Representative Alma Adams
Co-Chair

Representative Curtis Blackwood
Co-Chair



North Carolina General Assembly

Marc Basnight
President Pro Tem

James B. Black
Speaker

Richard T. Morgan
Speaker

JOINT SELECT COMMITTEE ON WORKFORCE NEEDS

Section 1. The **Joint Select Committee on Workforce Needs** is established by the President Pro Tempore of the Senate and the Speakers of the House of Representatives pursuant to G.S. 120-19.6, Rule 31 of the Rules of the Senate of the 2003 General Assembly, and Rule 26(a) of the Rules of the House of Representatives of the 2003 General Assembly.

Section 2. The Committee consists of the twenty members listed below, ten of whom are appointed by the President Pro Tempore of the Senate and ten of whom are appointed by the Speakers of the House of Representatives. Members serve at the pleasure of the appointing officer.

Sen. Katie Dorsett, Co-Chair
Sen. Charlie Albertson
Sen. Tom Apodaca
Sen. Dan Clodfelter
Sen. Clark Jenkins
Sen. Robert Holloman
Sen. Vernon Malone
Sen. Bill Purcell
Sen. Joe Sam Queen
Sen. Larry Shaw

Rep. Alma Adams, Co-Chair
Rep. Constance Wilson, Co-Chair
Rep. Jeff Barnhart
Rep. Jean Farmer-Butterfield
Rep. Stan Fox
Rep. Pryor Gibson
Rep. Linda Johnson
Rep. Mary McAllister
Rep. Tim Moore
Rep. John Rayfield

Section 3. The Committee shall:

- (1) Identify a basic needs budget for North Carolina families and determine the income and hourly wage needed to support the basic needs budget.
- (2) Determine the extent to which current labor market participation and wages enable individuals and families to earn the income necessary to meet their basic needs.

- (3) Determine how many North Carolinians work and earn an adequate basic needs income and study trends in the size, geographic, and demographic profiles of these groups. To the extent possible, county level data should be used to study trends in counties and regions of the State.
- (4) Examine job market factors that contribute to any changes in the composition and numbers of those working but unable to meet their basic needs including, but not limited to, shifts from manufacturing to service, from full-time to part-time work, from permanent to temporary or other contingent employment, and geographic location of economic development.
- (5) Examine the impact on the State's economy, employment, and wages of the decreased barriers to free trade among countries that has resulted from NAFTA, GATT, and other federal free trade agreements, and examine the impact of mass layoffs and plant closings in rural and urban counties and assess the future of North Carolina industry in the new economy.
- (6) Examine the efficacy of current and proposed economic development efforts and evaluate what types of jobs and wages they have brought to the State, explore other options for increasing jobs that pay a wage adequate to meet a basic needs budget, and identify future industries that may be viable for development in North Carolina.
- (7) Explore other public and private initiatives that could increase household income to an amount adequate to support a basic needs income budget.
- (8) Evaluate the effectiveness of the public school system to educate students about budgeting and economic literacy skills and about their role as consumers and workers in contemporary society.
- (9) Examine the efficacy of a State earned income tax credit to enable working families to meet the requirements of a basic needs income budget.
- (10) Examine the wages, benefits, and protections available to part-time and temporary workers, leased employees, independent contractors, and other contingent workers as compared to regular full-time workers.
- (11) Examine the number, household structure, and demographics of workers earning close to the federal minimum wage, the economic effects in North Carolina of the past increases in the federal minimum wage, and economic effects in other states that have implemented minimum wages higher than the federal minimum, including, but not limited to, the impact on public assistance payments, competitiveness of employers, and other employee benefits.
- (12) Consider any other matter that the Committee finds relevant to its charge.

JOINT SELECT COMMITTEE ON WORKFORCE NEEDS
2004 Membership

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LA: Irma Avent-Hurst

Senator Clark Jenkins
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Senator Vernon Malone
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Senator Joe Sam Queen
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COMMITTEE PROCEEDINGS

JOINT SELECT COMMITTEE ON WORKFORCE NEEDS

AGENDA

APRIL 13, 2004, 1:00 P.M., ROOM 544 LOB

Sen. Katie Dorsett, presiding

Welcome and Introductions

Authorizing Legislation

Committee Staff, Mr. Richard Bostic and Ms. Drupti Chauhan

NC Labor Market Wage Demographics

Mr. Harry Payne, Chairman, NC Employment Security Commission

Mr. David Clegg, Deputy Chairman, NC Employment Security Commission

Department of Commerce Perspective on Increasing Wages in North Carolina

Mr. Don Hobart, Director of Legal and Legislative Affairs, NC Dept. of Commerce

Summary of Proceedings

The Joint Select Committee on Workforce Needs (Committee) met Tuesday April 13, 2004 at 1:00 p.m. in Room 544 of the Legislative Office Building. Senator Katie Dorsett, Presiding Chair, called the meeting to order. Four Senate members and eight House members were present. Committee staff identified the twelve issues that the authorizing legislation charged the Committee to study. The issues are as follows:

1. Identify a basic needs budget for North Carolina families and determine the income and hourly wage needed to support the basic needs budget.
2. Determine the extent to which current labor market participation and wages enable individuals and families to earn the income necessary to meet their basic needs.
3. Determine how many North Carolinians work and earn an adequate basic needs income and study trends in the size, geographic, and demographic profiles of these groups. To the extent possible, county level data should be used to study trends in counties and regions of the State.
4. Examine job market factors that contribute to any changes in the composition and numbers of those working but unable to meet their basic needs including, but not limited to, shifts from manufacturing to service, from full-time to part-time work, from permanent to temporary or other contingent employment, and geographic location of economic development.
5. Examine the impact on the State's economy, employment, and wages of the decreased barriers to free trade among countries that has resulted from NAFTA, GATT, and other federal free trade agreements, and examine the impact of mass layoffs and plant closings in rural and urban counties and assess the future of North Carolina industry in the new economy.

6. Examine the efficacy of current and proposed economic development efforts and evaluate what types of jobs and wages they have brought to the State, explore other options for increasing jobs that pay a wage adequate to meet a basic needs budget, and identify future industries that may be viable for development in North Carolina.
7. Explore other public and private initiatives that could increase household income to an amount adequate to support a basic needs income budget.
8. Evaluate the effectiveness of the public school system to educate student about budgeting and economic literacy skills and about their roles as consumers and workers in contemporary society.
9. Examine the efficacy of the State earned income tax credit to enable working families to meet the requirements of a basic needs income budget.
10. Examine the wages, benefits protections available to part-time and temporary workers, leased employees, independent contractors, and other contingent workers as compared to regular full-time workers.
11. Examine the number, household structure, and demographics of workers earning close to the federal minimum wage, economic effects in North Carolina of the past increases in the federal minimum wages, and economic effects in other states that have implemented minimum wages higher than the federal minimum, including but not limited to the impact on public assistance payments, competitiveness of employers, and other employee benefits.
12. Consider any other matter that the Committee finds relevant to its charge.

The first presentation made to the Committee was an overview of the NC Labor Market Wage Demographics by Mr. David Clegg, Deputy Chairman, NC Employment Security Commission. According to Mr. Clegg, North Carolina's labor market is changing dramatically because the State is in a transitional economy. The duration of unemployment in North Carolina continues to remain relatively short at approximately 13 weeks while many other states are exceeding the 26-week benchmark of exhausting unemployment benefits. The number of employers in North Carolina has remained reasonably static over the past four years but the workforce within those employers has decreased.

Mr. Clegg reviewed the average weekly wage of the manufacturing industry as of January 2004; the unemployment insurance benefits paid in North Carolina from February 2003 to February 2004; the State comparison of average weekly wage for total covered employment from 2001 to 2002; North Carolina's annual average salary compared to the U.S. and southeast region for 2002; and the quarterly average weekly wage in North Carolina during the third quarter of 2003.

Mr. Don Hobart, Director of Legal and Legislative Affairs at the North Carolina Department of Commerce made the next presentation. Mr. Hobart reviewed the mission of the Department and explained that the Workforce Division of the Department of Commerce develops State policy in the area of workforce development and oversees the federal funds that are made available to the State to improve worker skills through training and retraining. The purpose of the Workforce Division is to increase the wages

that are paid to workers in the State by increasing their skills and enabling them to obtain jobs that involve higher skills and pay better wages.

Mr. Hobart next explained that the Department of Commerce's Division of Community Assistance also has a role in developing the State's workforce. This division works primarily with smaller communities in the State by providing infrastructure for a variety of different needs, such as Community Development Block Grants earmarked for economic development. In addition, the Department plays an active role in recruiting new industries and companies to the State and expanding existing ones. The focus is on advanced manufacturing and skilled service related jobs rather than low wage and low skill jobs that are difficult to sustain and are vulnerable to federal free trade policies.

Mr. Hobart acknowledged that it is very difficult for the State to assist an industry that is in financial difficulty. However, for industries that have potential for moving outside the State but can sustain themselves in North Carolina in the correct environment, tools such as low interest borrowing, and training assistance are provided and in some instances equipment investment.

Mr. Roger Shackleford, Executive Director of the North Carolina Workforce Development Commission stated that there are programs in place to provide customized training to specific industries that are coming into North Carolina. Moreover, additional dollars from the federal government have been obtained through national emergency grants to train and re-train workers as was done in the Pillowtex situation in Cabarrus County.

JOINT SELECT COMMITTEE ON WORKFORCE NEEDS

AGENDA

October 19, 2004, 1:00 P.M., ROOM 425 LOB

Rep. Alma Adams, presiding

Welcome

Rep. Alma Adams

Current State and Needs of NC Workforce

Ms. Sorien K. Schmidt, Legislative Director, North Carolina Justice Center

View from the Trenches: How are Dislocated Workers Really Faring

Louise Mack, Executive Director, Prosperity Unlimited, Inc.

Legislative Recommendations for Helping Workers

Bill Rowe, General Counsel, North Carolina Justice Center

Responses from Business and Industry

Perri Morgan, National Federation of Independent Business

T. Jerry Williams, NC Restaurant Association

Summary of Proceedings

The Joint Select Committee on Workforce Needs met Tuesday, October 19, 2004 at 1:00 p.m. in Room 425 of the Legislative Office Building. Representative Alma Adams, Presiding Chair, called the meeting to order. Six Senate members and six House members were present.

Ms. Sorien Schmidt, Legislative Director, North Carolina Justice Center, gave a presentation entitled the "Current State and Needs of North Carolina's Workforce." The data presented came from two primary sources, "The State of Working North Carolina, 2004" NC Budget and Tax Center; and "Working Hard – Is Still Not Enough" North Carolina Justice Center. Ms. Schmidt noted that North Carolina's economy is about "change." According to Ms. Schmidt, the State is experiencing a shift away from manufacturing jobs and has lost a large number of the jobs in this industry. Globalization is one reason for these job losses, however, the economic restructuring is also due to businesses focusing more on improving their profit margins and bottom lines. New jobs are being created in the new economy but they are often services jobs. These service jobs can be divided into two categories: those requiring higher skills and therefore providing higher pay; and those requiring lower skills and therefore providing much lower wages with fewer benefits.

Ms. Schmidt next addressed the issue of the minimum wage in North Carolina and stated that there is a decline in the value of minimum wage. The last increase in minimum wage was in 1996-1997, the value of which has been lost to inflation. Although most of the jobs being created are above minimum wage average hourly pay, those jobs are still low wage hourly paying jobs that tend to track minimum wage. According to Ms. Schmidt, minimum wage has not kept up with inflation.

One of the major problems stemming from the changing economy is the lack of health benefit options for workers, particularly those in low-paying jobs. The results of the most recent poverty data from 2003 illustrate an increase in the percentage of persons without health insurance. Approximately 1.4 million North Carolinians are uninsured and 80% of them have a worker in their family. Either the employee doesn't have health insurance or they cannot afford to purchase family coverage.

Ms. Louise Mack, Executive Director, Prosperity Unlimited, Inc., was recognized next to inform the Committee as to how displaced workers are really managing. She shared real life examples of how the displaced employees of PillowTex are coping with its closing. The federal Trade Adjustment Act and Trade Readjustment Act has provided the displaced workers with additional unemployment benefits and education. However, jobs that pay wages comparable to the jobs they had are what they really want and need.

Ms. Mack noted that the lesson learned through this economic disaster is that the normal State response of providing short-term urgent crisis or emergency assistance is not enough and long-term stability assistance must be in place. Although the short term assistance helped the displaced workers keep their utilities on for a month or two and allowed them to pay a couple of mortgage payments to prevent foreclosures, the long term problems still existed. There was not a particularly good system to help them a few

months later if they are still unemployed? The State must focus on long-term stability as well.

Ms. Mack recommended that the State could encourage companies to provide job skills assessment for their workers and train workers to learn new skills while they are still employed. For example, companies could provide on-site GED training, financial literacy workshops; retirement planning and information to protect retirement benefits; as well as affordable health care.

Bill Rowe, General Counsel, North Carolina Justice Center, next made recommendations for helping workers in North Carolina. He suggested six areas for the Committee to consider: health; housing; education; tax help for workers; wages and the coordination of relief efforts.

- Improving Access to Health Insurance
 - Expand health insurance coverage for working parents of children who are currently in the State's Children's Health Insurance Program
 - Implement a small business health care tax credit that would cover some percentage of the cost of coverage to businesses
- Improving Access to Affordable Housing and Preventing Foreclosures
 - Provide \$50 million for the North Carolina Housing Trust Fund which would assist approximately 6,000 families annually
 - Expand North Carolina's pilot foreclosure prevention program, which presently exists in less than ten counties, statewide
- Education
 - Address the immediate needs of children in at-risk school districts by earmarking additional money for the vocational education and disadvantaged students funds established by the Governor in response to the Leandro lawsuit
 - Conduct an independent study to bring parents, educators and other experts together to determine the actual cost of applying the Leandro holding of providing a sound basic education to every child in North Carolina
- Tax Relief
 - Create a state earned income tax credit to alleviate some of the burden of taxes that are falling on lower income workers.
- Wages
 - Raise North Carolina's minimum wage to a level that would allow fulltime workers to obtain a minimum decent standard of living.
- Coordination of Relief Efforts
 - Appoint a single State Emergency Relief Official under the direction of the Governor to ensure that there is someone to address the immediate needs and also develop long term plans for improving the State's capacity to respond to these emergencies.

Perri Morgan, State Director, National Federation of Independent Business (NFIB), was recognized next to give responses from the business and industry community. After a brief history of NFIB, Ms. Morgan stated that the minimum wage issue has been balloted repeatedly and NFIB members overwhelmingly oppose any state mandated increase beyond the federal minimum wage. She stated that over 90 percent of NFIB members have never employed workers at the minimum wage. The small business industry has created 42,000 net new jobs in North Carolina since the year 2000.

According to Ms. Morgan, the growth and prosperity of North Carolina small businesses are critical to our economy. Mandatory wage increases not only hurt small businesses but their employees as well. NFIB believes that focus should be on helping the businesses that remain in our State to grow and flourish so that they can continue contributing to North Carolina's economy. She concluded her presentation by saying that the future of North Carolina's economy depends on an accurate understanding of the causes of prosperity. To lift people out of poverty, a system that maximizes opportunities for economic well being of low skilled workers is needed.

T. Jerry Williams, NC Restaurant Association, also was recognized to come before the Committee. He stated that the NC Restaurant Association definitely supports implementing small business health care tax credit. Additionally the state earned income tax credit is an issue that they could support. The NC Restaurant Association did not think that increasing the minimum wage was the answer to the economic problems facing the State's workers and it supports the position that the federal minimum wage should be the minimum wage for North Carolina. Moreover, health care is also another major concern but the issue is how can employers afford to pay for health benefits.

JOINT SELECT COMMITTEE ON WORKFORCE NEEDS

AGENDA

December 8, 2004

1:00 P.M.

ROOM 544 LOB

Sen. Katie Dorsett, presiding

Welcome

Sen. Katie Dorsett

Child Care Economic Impact Report

Former North Carolina State Senator Clark Plexico, Member,
Board of Directors, North Carolina Partnership for Children

Retraining Dislocated Workers: State, Local and Individual Perspectives

Dr. Larry Keen, Vice-President for Economic and Workforce Development,
North Carolina Community College System

Dr. Matt Garrett, President, Central Carolina Community College

Ms. Diane Johnson, Central Carolina Community College

Federal Job Training Funds and Local Workforce Programs

Mr. Barry Edwards, NC Association of Workforce Development Boards

Committee Discussion

Summary of Proceedings

The Joint Select Committee on Workforce Needs met Wednesday, December 8, 2004 at 1:00 p.m. in Room 544 of the Legislative Office Building. Senator Katie Dorsett, Presiding Chair, called the meeting to order. Four Senate members and five House members were present.

Former North Carolina State Senator Clark Plexico, member, Board of Directors, North Carolina Partnership for Children was recognized to review the findings of the Economic Impact Study of the North Carolina Child Care Industry conducted by the National Economic Development and Law Center. Mr. Plexico noted that the child care industry is a silent partner in the success of all the industries in the State. He presented the following facts:

- NC's Child Care industry:
 - Generates over \$1.5 billion in gross revenues
 - Employs 46,358 taxpayers
 - Consists of 8,425 licensed/regulated child care businesses in our StateCombined, these businesses have an economic impact of over \$7 billion in our State annually
- The Child Care Workforce:
 - Has an average wage of less than \$15,000 annually
 - 16% have fully funded health care benefits
 - 54% receive time off for training
- Child Care facilitates employment of parents of young children
 - Parents will earn \$6.1 billion annually
 - Parents pay nearly \$1.8 billion in local, state and federal taxes
- Child Care Costs:
 - Average yearly cost of care for one 3-year old is \$5,000 in rural communities and \$7,000 in urban communities
 - Two children in child care consumes 19% of dual income household budget and 50% of single income household budget

The following recommendations were made:

- Incorporate child care into recruitment strategies into the State's industries
- Fully fund Smart Start and More at Four pre-kindergarten programs
- Expand and institutionalize T.E.A.C.H. and WAGES program
- Fully fund child care subsidy system for working parents of young children
- Create special incentives/tax breaks for companies that provide child care benefits
- Require any industry that receives a tax incentive to offer a child care subsidy to low-income employees.

Mr. Plexico concluded that high quality child care is a necessity that offers immediate, short and long term returns on investment; better prepares children to learn in the public education system; and is a vital and valuable part of the State's education and economic development infrastructure. Our economic development efforts will not succeed without access to affordable quality child care by our workforce.

The next presentation was by Dr. Larry Keen, Vice President for Economic and Workforce Development, North Carolina Community College System. He gave an overview the role of the North Carolina Community College System as it relates to retraining the dislocated workforce. The primary programs of the Economic and Workforce Development Division of the NC Community College System are as follows:

- New and Expanding Industry Training (NEIT) provides training for new and expanding companies throughout our State, with the intent purpose of creating new jobs.
- Focused Industrial Training (FIT) is geared to the prospect that as new technologies come into a particular company, employees can take their skills to other employment.
- Workforce Continuing Education is short-term occupational training or retraining that can result in a certification of specific competencies and skills.
- Small Business Center Network (SBCN) provides a variety of seminars and workshops and one-on-one counseling so that employees have an opportunity to pursue educational opportunities and business opportunities for themselves but the process will also enable them to create new jobs and opportunities for others as well.
- Human Resource Development (HRD) provides skill assessment services, employability skills training and career development counseling to unemployed and underemployed adults.
- Workforce Initiatives Unit develops partnerships and workforce policies with other state workforce agencies for the implementation of the Workforce Investment Act (WIA) of 1998. The underlying principle of "One-Stop Service

delivery” is the integration of programs and services and governance structures that is referred to as “JobLink Career Centers”.

Dr. Matt Garrett, President, Central Carolina Community College shared the role of the local community college. For example, Central Carolina Community College partners with Wyeth Pharmaceuticals in The Focused Industry Training (FIT) Program. On-site training is provided for every new employee at no cost to the industry. Job specific training was provided for 743 employees last year.

Ms. Dianne Johnson, Medical Assistant (graduate of Central Carolina Community College) also was recognized to speak to the Committee. She shared her personal story of returning to school and completing the program to become employed as a medical assistant. She also thanked the staff and faculty of Central Carolina Community College for the personal as well as professional support and encouragement. She completed the externship program, has accepted employment, and will graduate with honors in May 2005 with an Associate Degree.

Mr. Barry Edwards, NC Association of Workforce Development Boards, made the final presentation on federal job training funds and local workforce programs. He gave a brief overview of the federal Workforce Investment Act (WIA); the Commission of Workforce Development; the Local Workforce Development Boards and JobLink Career Centers.

Committee Recommendations for Consideration:

1. The General Assembly should improve access to health insurance by expanding health insurance coverage to the working parents of children who are currently in the State's Children's Health Insurance Program and implement a small business health care tax credit that would cover some percentage of the cost of coverage to businesses.
2. The General Assembly should improve access to affordable housing and assist in preventing foreclosures by appropriating funds for the North Carolina Housing Trust Fund and expand North Carolina's pilot foreclosure prevention program statewide.
3. The General Assembly should address the needs of children in at-risk school districts by appropriating funds for at-risk children in low achieving school districts and conducting an independent study to bring parents, educators and other experts together to determine the actual cost of applying the Leandro holding of providing a sound basic education to every child in North Carolina
4. The General Assembly should create a state earned income tax credit to alleviate some of the burden of taxes that are falling on lower income workers.
5. The General Assembly should appoint a single State Emergency Relief Official under the direction of the Governor to ensure that there is someone to address the immediate needs that arise after large-scale layoffs and also develop long term plans for improving the State's capacity to respond to these emergencies.
6. The General Assembly should consider child care issues when developing recruitment strategies to bring businesses and industries into North Carolina.
7. The General Assembly should expand and institutionalize the T.E.A.C.H. and WAGES program.
8. The General Assembly should create special incentives and tax breaks for companies that provide child care benefits.
9. The General Assembly should study ways to assist small businesses in creating jobs and enhancing opportunities for North Carolina's workforce.

The Committee finds that the following items should be given further study:

1. The General Assembly should study raising North Carolina's minimum wage to a level that would allow fulltime workers to obtain a minimum decent standard of living.
2. The General Assembly should study whether to fully fund Smart Start and More at Four pre-kindergarten programs.
3. The General Assembly should study whether to fully fund child care subsidy system for working parents of young children.
4. The General Assembly should study whether to require any industry that receives a tax incentive to offer a child care subsidy to low-income employees.
5. The General Assembly should consider and study reducing the state income tax to alleviate some of the burden of taxes that are falling on the State's workers in all income groups.