OVERVIEW

State of NC Economy

Community Impacts

Policy Matters

Moving Forward to 2015
State of NC Economy
NC has reached same number of jobs as in December 2007

Change in Employment

Months from start of recession

1981 Recession
1990 Recession
2001 Recession**
2007 Recession
Yet jobs deficit persists

To provide employment opportunities for the growing working-age population

449,598 jobs
Majority of job growth in the recovery in low-wage and poverty-wage occupations

![Bar chart showing distribution of job growth in different wage categories.]

Poverty has not declined, Despite the recovery

Source: 2013 American Community Survey.
Poverty remains high

1.7 million+ in Poverty

$23,492

(poverty level for family of four)

Source: 2013 American Community Survey.
North Carolina ranks 34th in the nation for overall child well-being

- 26% of North Carolina children are below poverty
- 1/3 have parents who lack secure employment
- 34% live in households with a high housing cost burden

Learn more at datacenter.kidscount.org/NC
Community Impacts
Job Growth Varies by Region

Percent Change in Employment, September 2013 to 2014

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Carolina</td>
<td>2.2%</td>
</tr>
<tr>
<td>Winston-Salem MSA</td>
<td>0.9%</td>
</tr>
<tr>
<td>Wilmington MSA</td>
<td>2.8%</td>
</tr>
<tr>
<td>Rocky Mount MSA</td>
<td>0.2%</td>
</tr>
<tr>
<td>Raleigh-Cary MSA</td>
<td>3.2%</td>
</tr>
<tr>
<td>Jacksonville MSA</td>
<td>1.6%</td>
</tr>
<tr>
<td>Hickory-Lenoir-Morganton MSA</td>
<td>0.6%</td>
</tr>
<tr>
<td>Greenville MSA</td>
<td>2.0%</td>
</tr>
<tr>
<td>Greensboro-High Point MSA</td>
<td>0.6%</td>
</tr>
<tr>
<td>Goldsboro MSA</td>
<td>0.5%</td>
</tr>
<tr>
<td>Fayetteville MSA</td>
<td>0.2%</td>
</tr>
<tr>
<td>Durham-Chapel Hill MSA</td>
<td>1.9%</td>
</tr>
<tr>
<td>Charlotte-Gastonia-Rock Hill NC-SC MSA</td>
<td>2.6%</td>
</tr>
<tr>
<td>Burlington MSA</td>
<td>2.0%</td>
</tr>
<tr>
<td>Asheville MSA</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

Source: Current Employment Statistics, US Department of Labor
Local hardship persists despite official recovery

<table>
<thead>
<tr>
<th></th>
<th>Poverty Rate</th>
<th>Child Poverty Rate</th>
<th>Median Household Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buncombe</td>
<td>14.8%</td>
<td>17.4%</td>
<td>$46,431</td>
</tr>
<tr>
<td>Henderson</td>
<td>15.6%</td>
<td>22.1%</td>
<td>$44,036</td>
</tr>
<tr>
<td>North Carolina</td>
<td>17.9%</td>
<td>25.2%</td>
<td>$45,906</td>
</tr>
</tbody>
</table>

Source: 2013 American Community Survey
## Local Labor Market Trends Since Great Recession

<table>
<thead>
<tr>
<th></th>
<th>Change in Labor Force Since Recession</th>
<th>Change in Unemployed Since Recession</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asheville MSA</td>
<td>5.6%</td>
<td>44%</td>
</tr>
<tr>
<td>North Carolina</td>
<td>3.3%</td>
<td>39.6%</td>
</tr>
</tbody>
</table>

Source: Local Area Unemployment Statistics, US Department of Labor
The end of the NC Earned Income Tax Credit hits working families

<table>
<thead>
<tr>
<th></th>
<th>Number of Taxpayers</th>
<th>Value of Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buncombe</td>
<td>20,520</td>
<td>$2,127,185</td>
</tr>
<tr>
<td>Henderson</td>
<td>7,868</td>
<td>$872,272</td>
</tr>
<tr>
<td>North Carolina</td>
<td>906,916</td>
<td>$107,660,805</td>
</tr>
</tbody>
</table>

Source: Tax Year 2012, NC Department of Revenue
Policy Matters
NC Relies on Diverse Sources of Revenue to Fund its Priorities

FY2015 General Fund Budget (BTC’s analysis of State Controller data)

- Personal Income Tax: 51%
- Sales and Use Tax: 29%
- Corporate Income Tax: 5%
- Insurance and Franchise Tax: 5%
- Fees and Other Revenue: 9%
DETAILS OF 2013 TAX PLAN

Personal income tax
• Three-tier personal income tax rate – 6%, 7%, and 7.75% – replaced with a flat 5.75 percent tax rate by 2015
• Standard deduction increased to a maximum $15,000 from $6,000 based on filing status; itemized deductions limited to mortgage interest and property taxes and capped at $20,000 plus unlimited charitable contributions.
• Personal exemption allowance eliminated and state Earned Income Tax Credit allowed to expire at the end of 2013.
• Child Tax Credit increased by $25 per child for filers with adjusted gross income below $40,000
• Business pass-through income deduction and private pension deduction eliminated

Corporate income tax
• Corporate income tax rate to be cut to 5 percent from 6.9 percent by 2015 and if revenue triggers are met will be reduced to 3 percent by 2017."}

Sales Tax
• Expanded to include selected services such as warranty agreements for appliance purchases, auto repair contracts, and maintenance agreements.
• Electricity and piped natural gas taxed at combined general tax rate (franchise and excise tax on these items eliminated)
• Manufactured and modular homes taxed at general sales tax rate
• Entertainment and exhibitions taxed at general sales tax rate (privilege tax on these items eliminated)
• Sales tax holidays eliminated

Gas Tax
• Capped the gas tax at 37.5 cents per gallon
Tax cuts limited the ability to regain ground lost during the recession.

Source: Original, FN for HB 998; Revised, Consensus Forecast; ITEP, Using Up-to-Date Taxpayer Data
Major 2014 Tax Change was Repeal of Local Privilege Tax

Additional revenue from expanded local sales taxes not enough to replace revenue lost from repeal of Local Privilege Tax.

Source: Fiscal Research Division, Fiscal Note, HB 1050
State spending is not recovering, despite official economic recovery.
Change from Base Budget (what is needed to maintain current service levels)

-6.4%  -1.5%
-1.6%  -0.05%
-4.7%  -9.7%

Change from Pre-Recession Investment (FY2008, adjusted)

-47.9%
-8.3%  1.9%
-5.7%  7.3%
-0.2%  8.2%

1.0%  5.7%
0.2%  7.3%
-0.05%  8.2%
-1.6%  8.2%

Spending is % below pre-recession levels

PUBLIC EDUCATION
COMMUNITY COLLEGES
UNIVERSITY SYSTEM
HEALTH & HUMAN SERVICES
JUSTICE AND PUBLIC SAFETY
NATURAL & ECONOMIC RESOURCES
TOTAL GENERAL FUND BUDGET
K-12 Education

- Teacher Salary Changes
- Teacher Assistant Funding
- Adjustments to Read to Achieve
- Replace Common Core
- At-risk Student Services Reduced
Health and Human Services

- Contract reductions
- State/County Special Assistance Changes
- Mental Health
- Medicaid Reform
- Provider Rate Cuts
Early Childhood

• Child Care Market Rate Increase
• Child Care Subsidy Eligibility Changes
• Increasing Reliance on federal funds
Moving Forward
• **Budget:** Lower revenue due to tax cuts and a likely shortfall before the end of the fiscal year
• **Taxes:** Efforts to eliminate income taxes and capital gain tax, nonprofit sales tax refunds, charitable deductions, nonprofit property tax exemption
• **Medicaid:** Potential for expansion still exists but unlikely, opportunities for better outcomes with reform
• **Economic Development:** Greater push for corporate subsidies
• **Early Education:** Child care subsidy eligibility, Early literacy
State of NC Economy:
Jobs deficit persists, low-wage jobs grow

Policy Matters:
A commitment to reinvestment & targeted assistance is needed

Local Impacts:
Communities struggle in recovery

Moving Forward to 2015:
Lots of opportunities to get involved, share your work
Contact:

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Today’s presentation can found at:

www.unitedwaync.org/advocacy