



# Building a Stronger North Carolina: A Legislative Briefing and Call to Action

**2014**

# OVERVIEW

**State of NC Economy**

**Community Impacts**

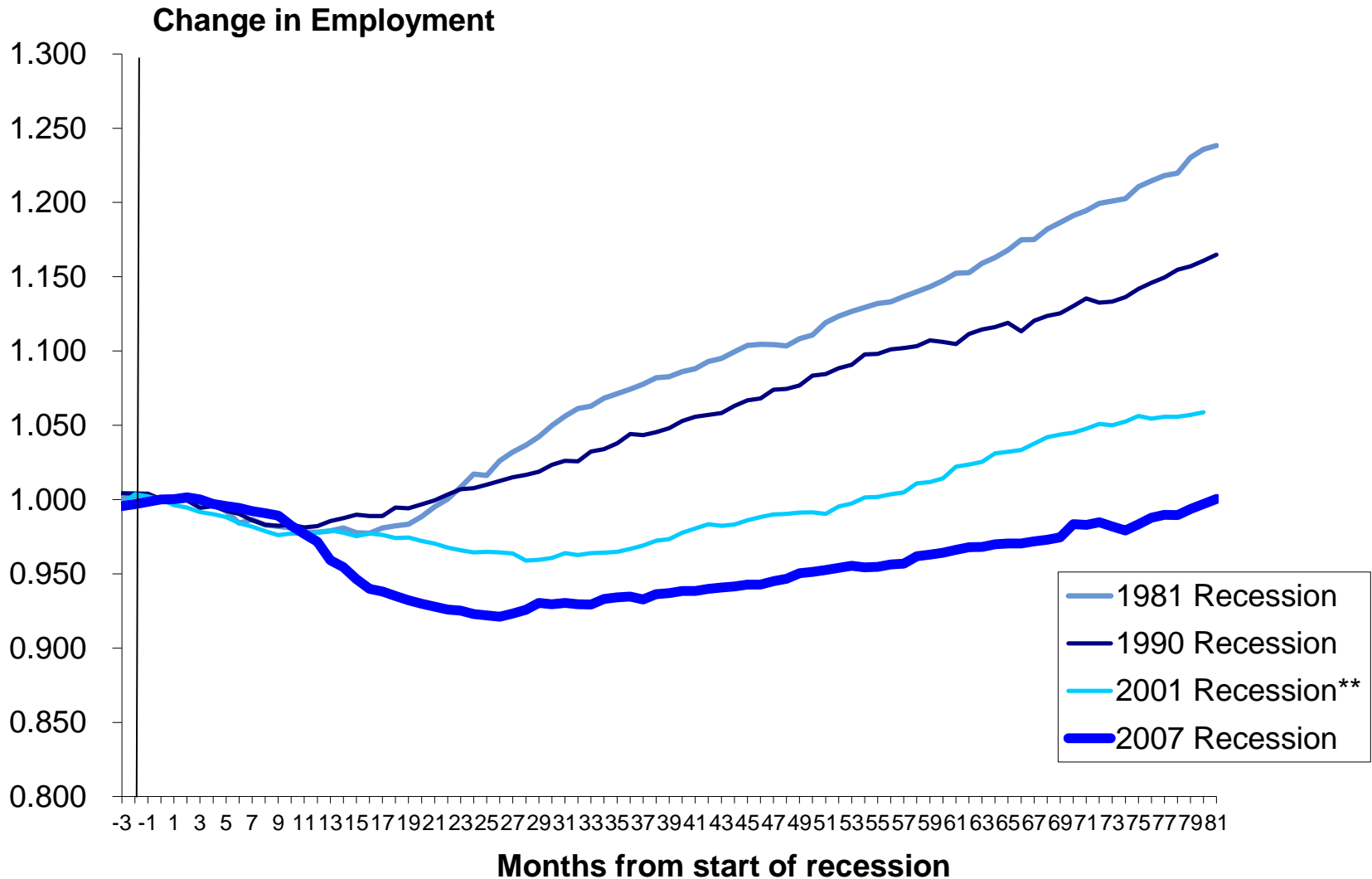
**Policy Matters**

**Moving Forward to 2015**



State of  
NC Economy

# NC has reached same number of jobs as in December 2007

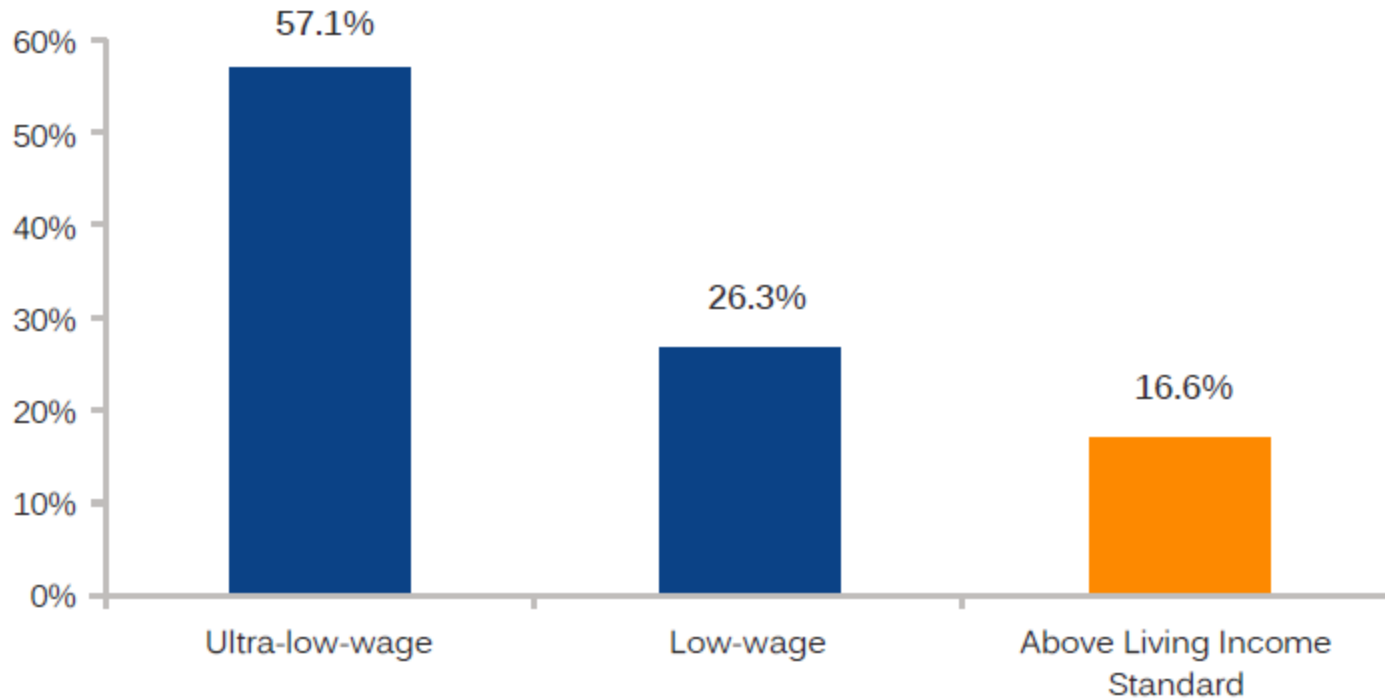


**Yet jobs deficit persists**

**To provide employment opportunities  
for the growing working-age  
population**

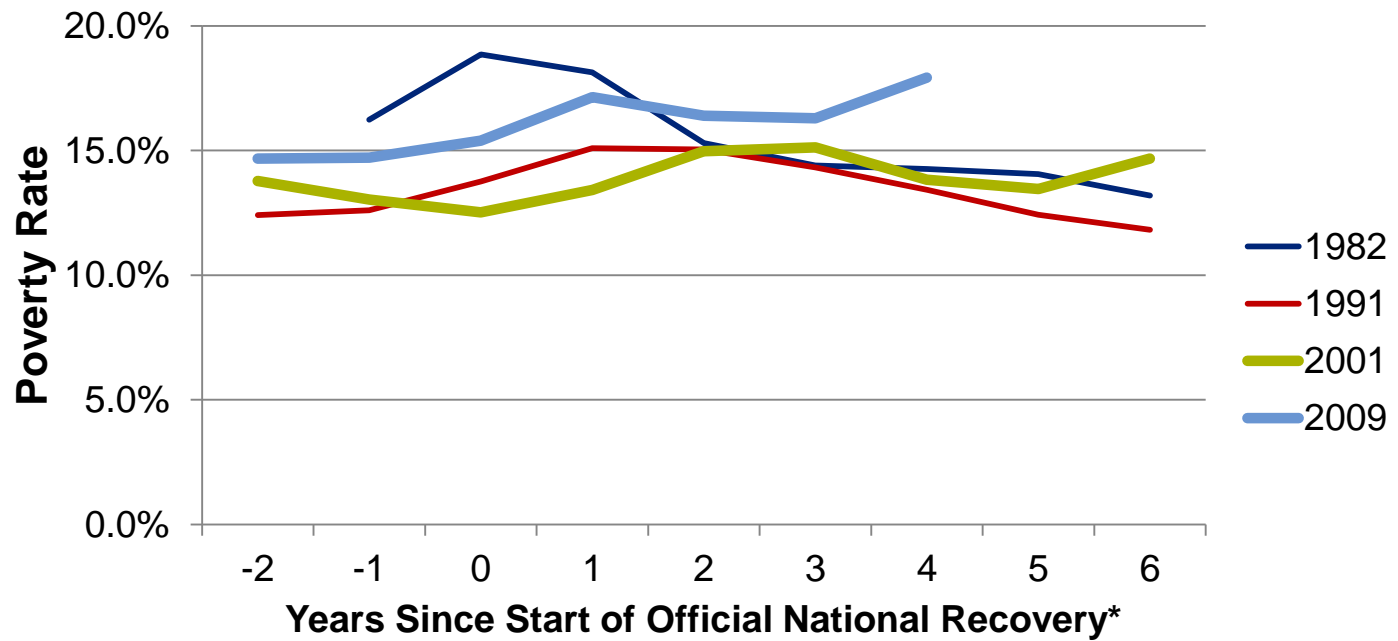
**449,598 jobs**

# Majority of job growth in the recovery in low-wage and poverty-wage occupations



SOURCE: Freyer, Allan and Alexandra Sirota, June 2014. North Carolina's Low Wage Recovery is Hurting Workers and the Economy. Budget and Tax Center Report: North Carolina Justice Center: Raleigh, NC.

# 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

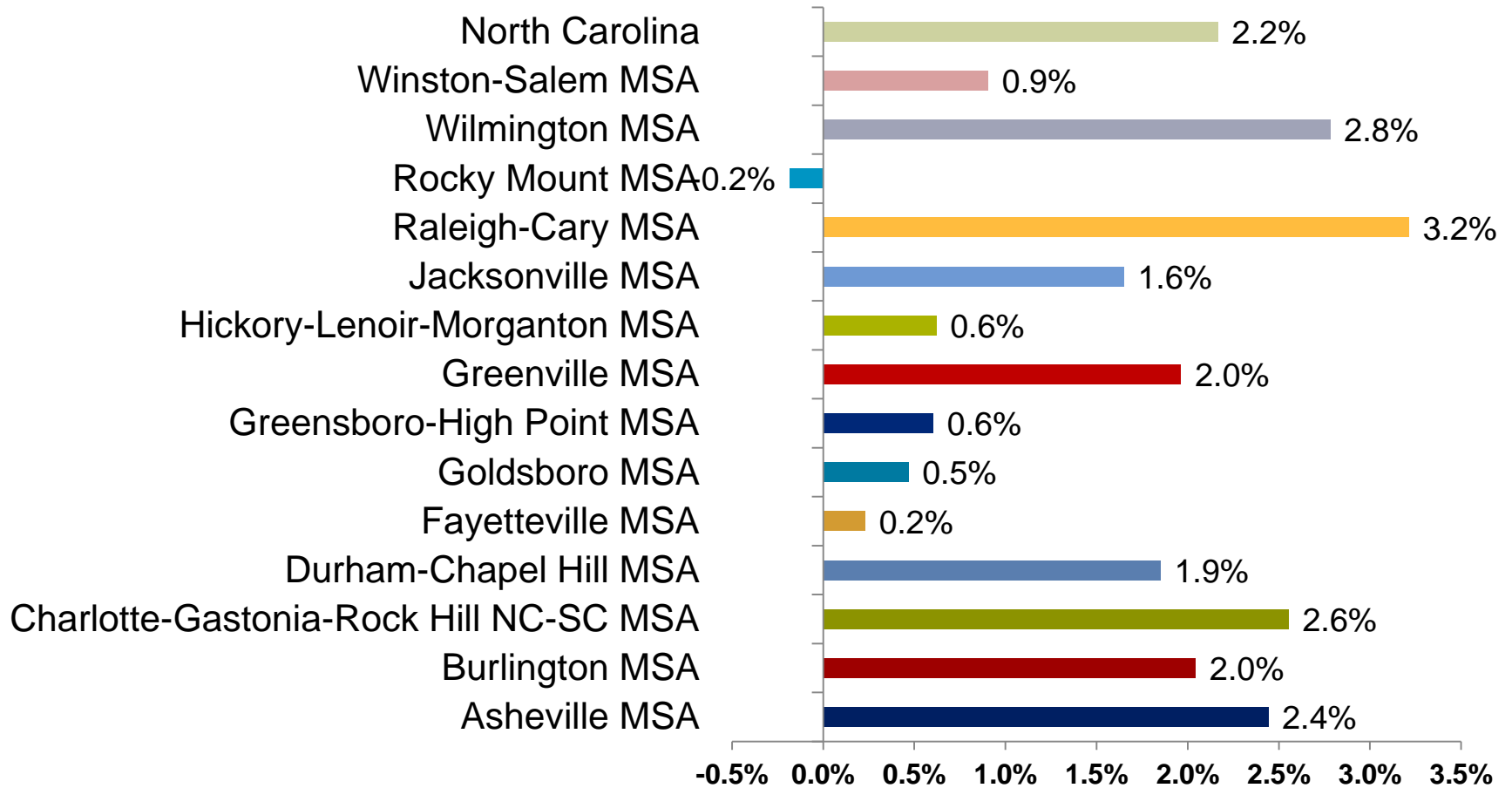
Learn more at [datacenter.kidscount.org/NC](https://datacenter.kidscount.org/NC)



# Community Impacts

# Job Growth Varies by Region

## Percent Change in Employment, September 2013 to 2014



Source: Current Employment Statistics, US Department of Labor

# Local hardship persists despite official recovery

	Poverty Rate	Child Poverty Rate	Median Household Income
<b>Buncombe</b>	14.8%	17.4%	\$46,431
<b>Henderson</b>	15.6%	22.1%	\$44,036
<b>North Carolina</b>	17.9%	25.2%	\$45,906

Source: 2013 American Community Survey

# Local Labor Market Trends Since Great Recession

	Change in Labor Force Since Recession	Change in Unemployed Since Recession
Asheville MSA	5.6%	44%
North Carolina	3.3%	39.6%

Source: Local Area Unemployment Statistics, US Department of Labor

# The end of the NC Earned Income Tax Credit hits working families

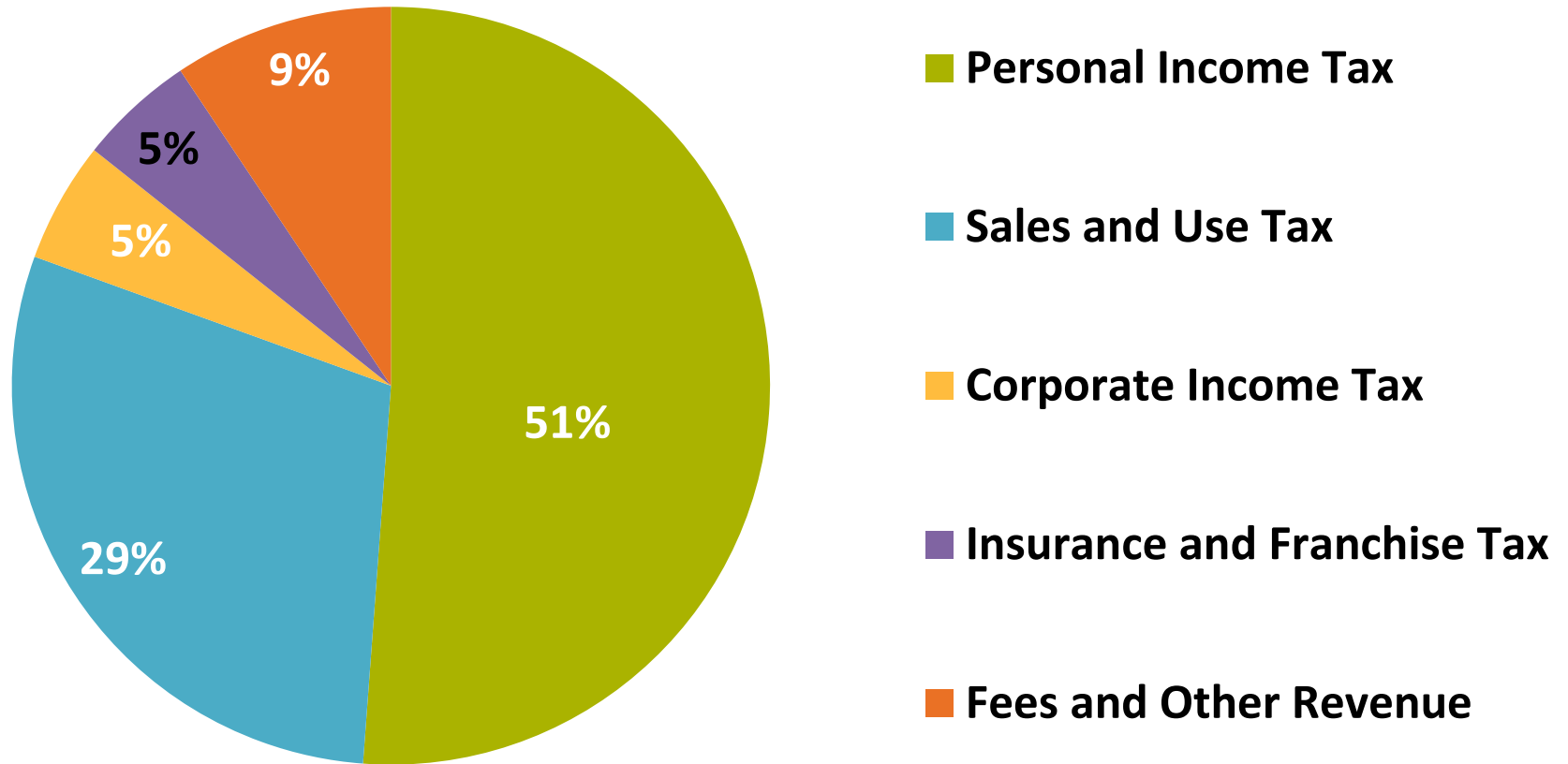
	Number of Taxpayers	Value of Credit
Buncombe	20,520	\$2,127,185
Henderson	7,868	\$872,272
North Carolina	906,916	\$107,660,805

Source: Tax Year 2012, NC Department of Revenue



# Policy Matters

# NC Relies on Diverse Sources of Revenue to Fund its Priorities





## DETAILS OF 2013 TAX PLAN

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### 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.<sup>1</sup>

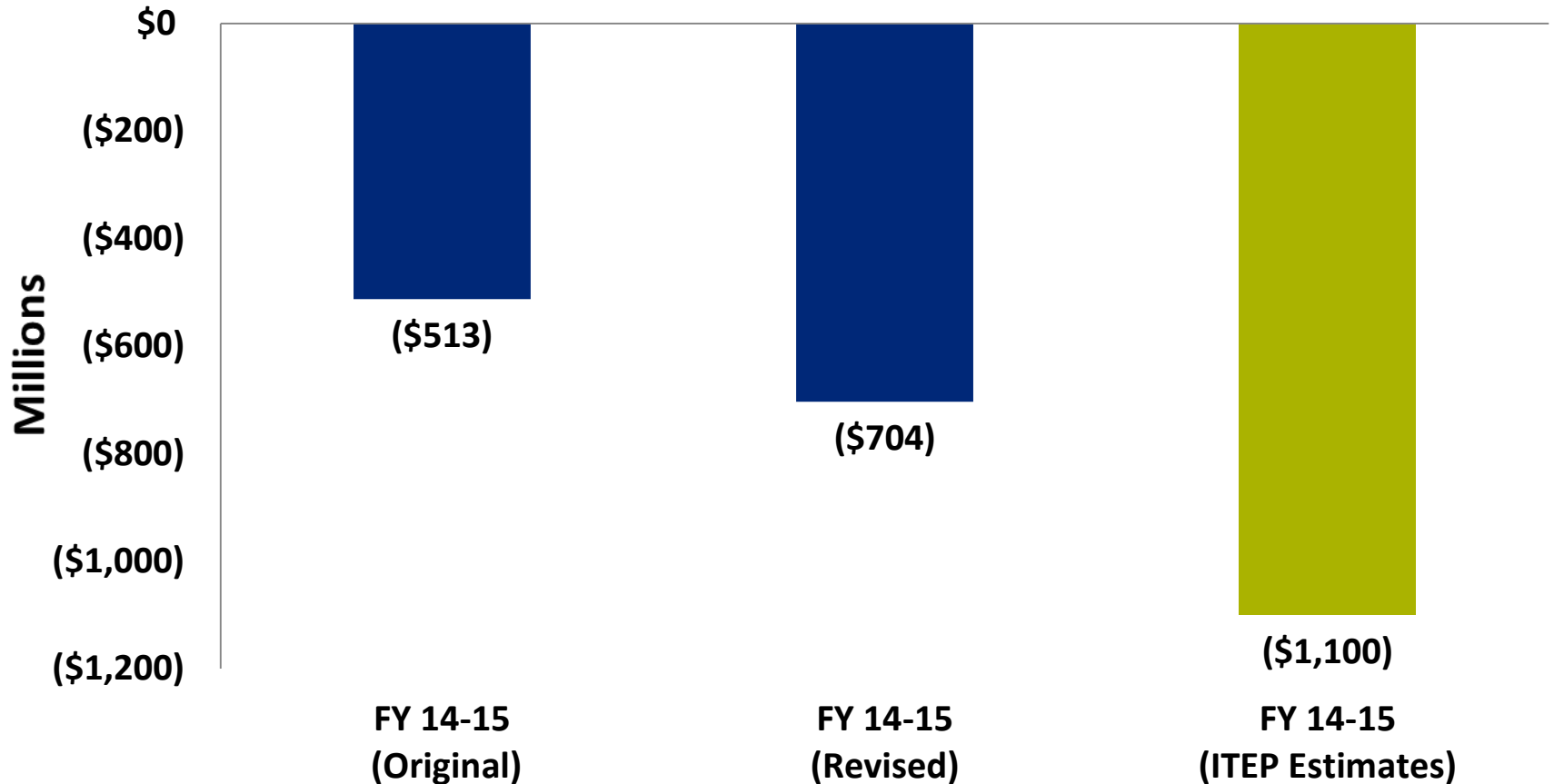
### Sales Tax

- 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

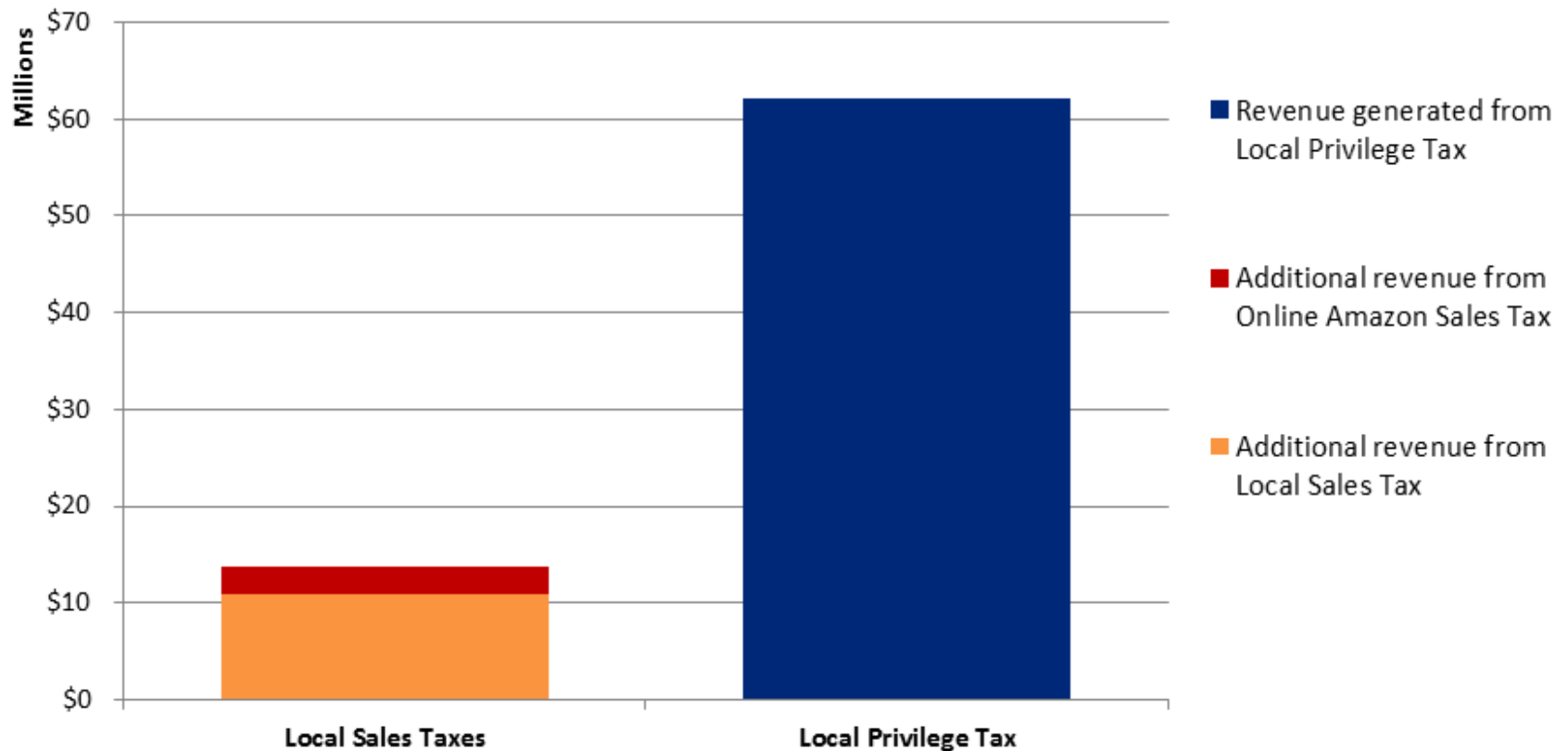
- Capped the gas tax at 37.5 cents per gallon

# Tax cuts limited the ability to regain ground lost during the recession.

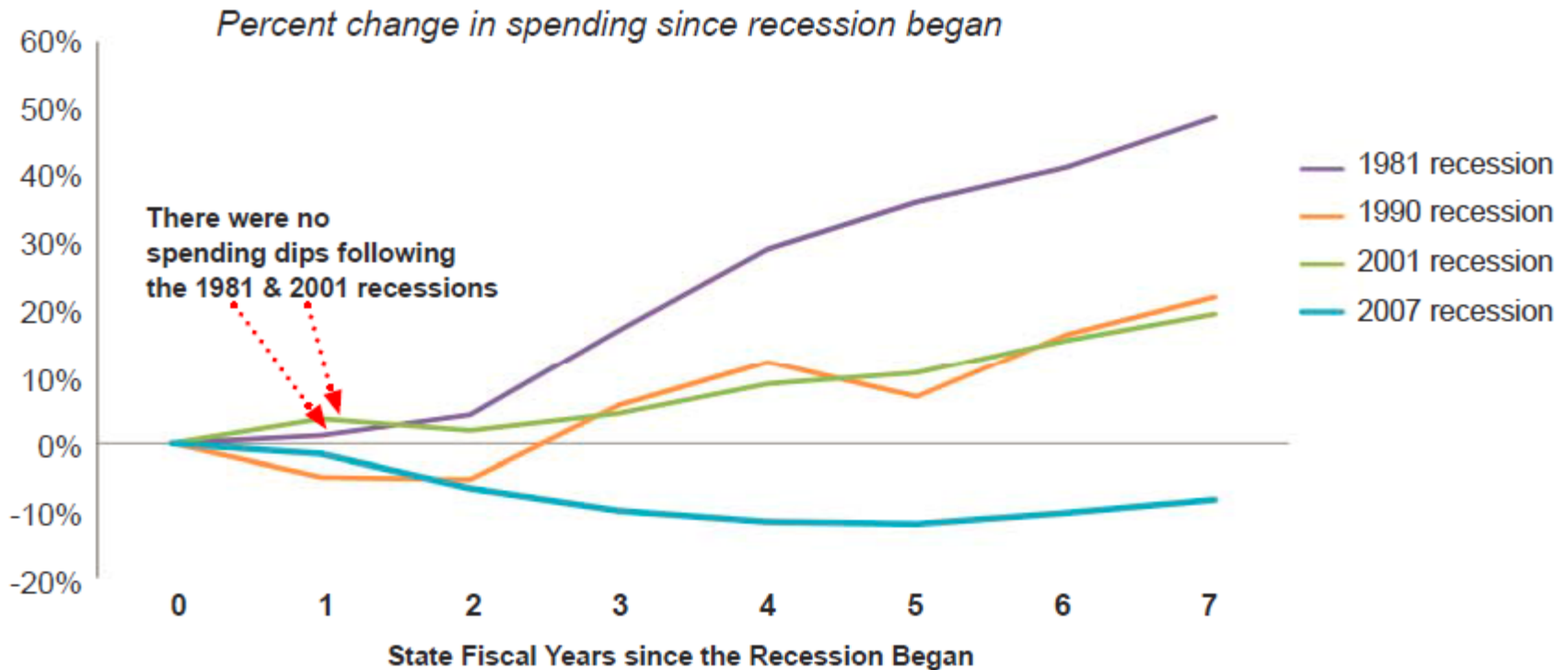


# Major 2014 Tax Change was Repeal of Local Privilege Tax

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

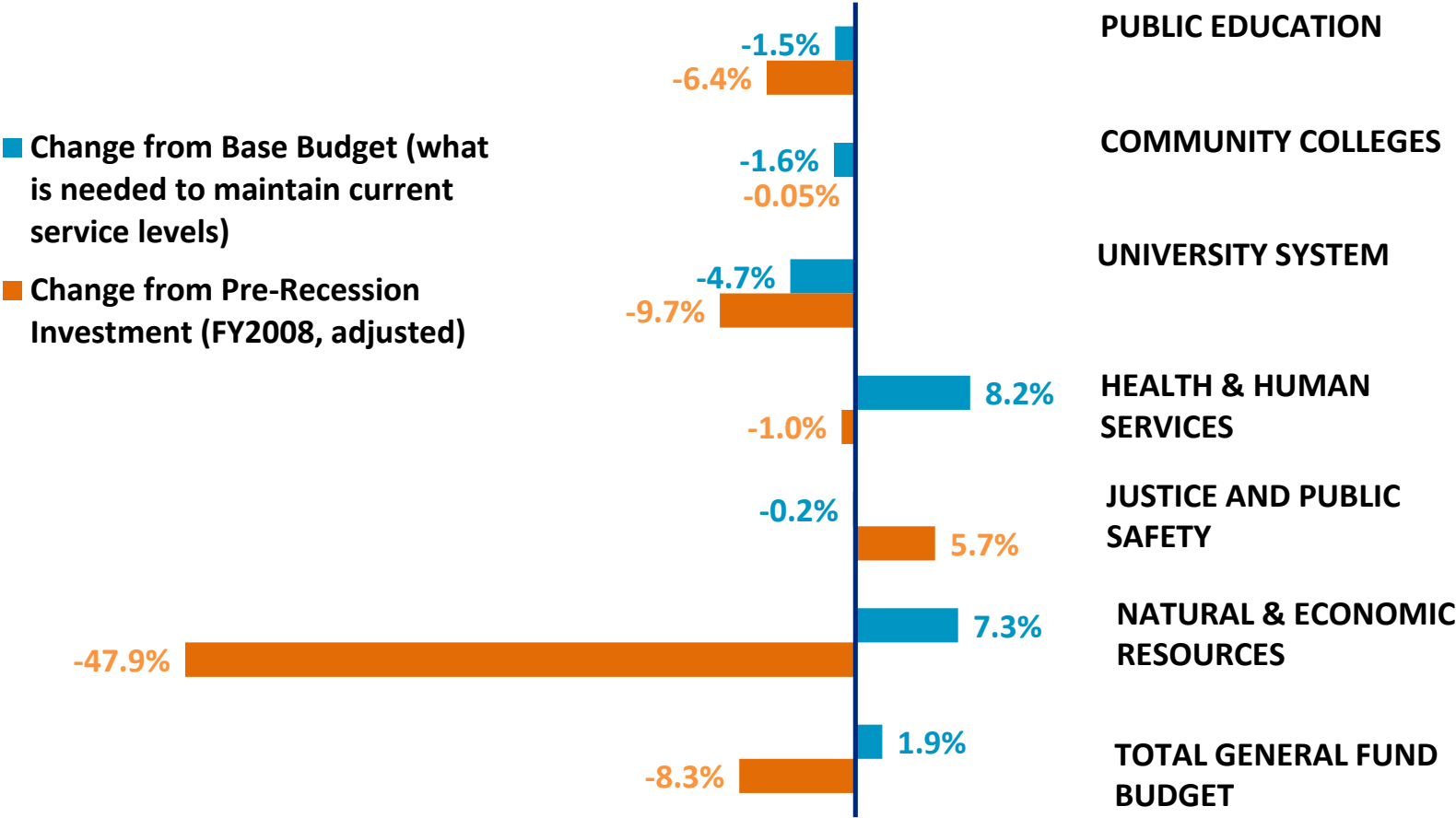


# State spending is not recovering, despite official economic recovery



SOURCE: Spending levels reflect total General Fund spending. Office of State Budget and Management Post-Legislative Summaries and enacted FY2014 and FY2015 budgets; adjusted for inflation in FY2014 dollars.

# Spending is % below pre-recession levels



# 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

# 2015 Policy Opportunities & Threats

- **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

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Today's presentation can found at:

[www.unitedwaync.org/advocacy](http://www.unitedwaync.org/advocacy)