



State Budget Update

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Integrity

Innovation

Teamwork

Excellence

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Agenda

- North Carolina Today
 - Economic Snapshot
 - Demographic Trends
- Summary of FY 2021-23 General Fund Budget
- American Recovery Plan Act
- NC PRO Update

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North Carolina Today

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North Carolina's Economy

- **11th** largest economy in the nation
\$594 billion state GDP in 2020 Q3 (2.8% of US)
- New business start-ups in 2021 **55% above 2020** (Q1-Q3)
- 2020 Per capita Income: **\$50,305** (40th in U.S.)

Sources: Bureau of Economic Analysis (GDP, in current dollars); NC Secretary of State

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North Carolina's Economy



NC's Largest Employers (2020)

1. Walmart
2. Duke Healthcare
3. Food Lion
4. Atrium Health
5. Wells Fargo Bank



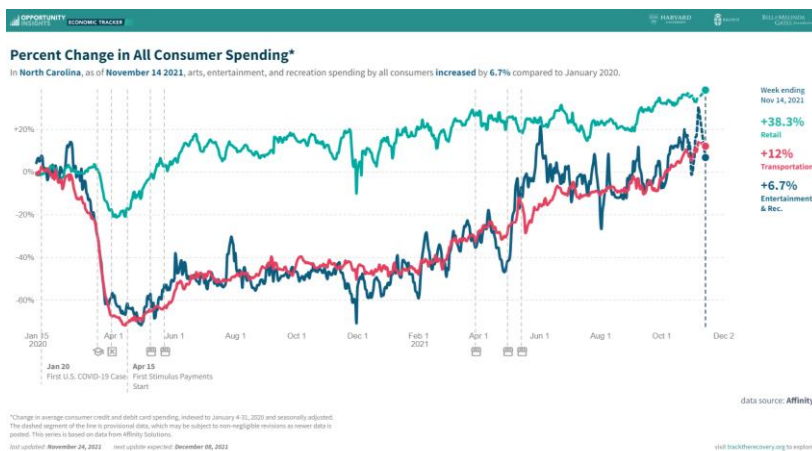
Amazon Fulfillment jumped from 26th to 6th largest employer Q1 2020 → Q1 2021

Sources: NC Department of Commerce LEAD



Consumer Spending Up, Especially on Goods

- Strength of financial and housing markets helped higher income households
- Federal stimulus packages boosted income and spending
- Consumer spending shifted to taxable goods vs in-person services —boosted sales tax revenues



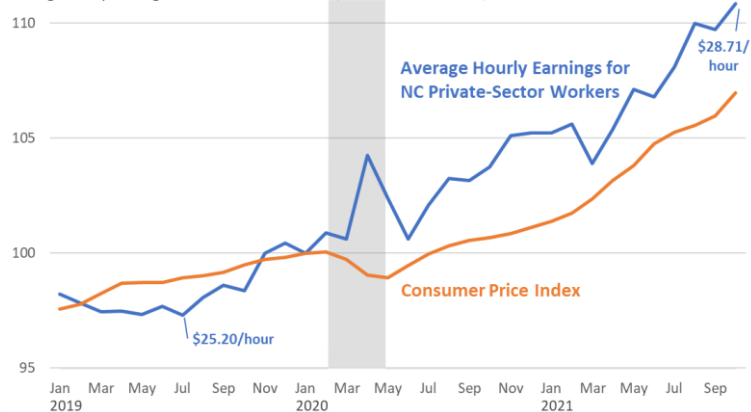


Inflation Accelerating, But Wages Growing Faster

- Wages in North Carolina have grown faster than inflation
- Average hourly wage up more than 10% since January 2020
- Consumer prices up roughly 7% since beginning of 2020

Wage Growth in North Carolina Has Outpaced Inflation

Average Hourly Earnings for Private-Sector Workers; Consumer Price Index; Indexed to 100 in Jan. 2020



Source: US Department of Commerce, Bureau of Labor Statistics; Shaded area indicates recession

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Near-Term Outlook

Growth

- National and state growth accelerating after third-quarter slowdown

Employment

- Unemployment rate back to near pre-COVID levels
- Employers to continue to face tight labor market even as number of jobs remains below pre-COVID peak

Income, Inflation, & Supply Chains

- Wage growth and inflation likely to moderate through 2022
- Supply-chain crisis likely to persist, though improving, well into 2022

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NC Population Today

Census 2020: **10.4 million** people lived in NC 2020

- **9th** largest state in the nation
- **6th** largest population gain 2010-2020
- **+1** additional Congressional seat



Source: US Census Bureau, 2020 Census

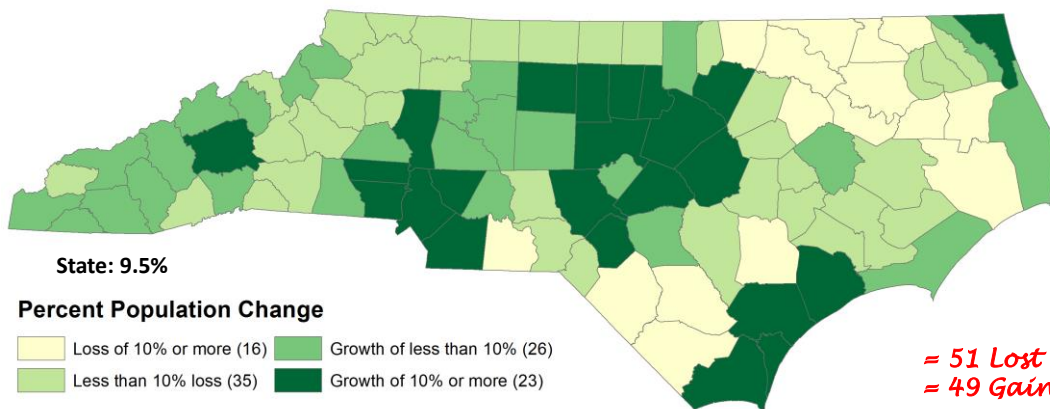
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Census 2020: Certain Areas Gained, Others Lost Population

Population Change from 2010 to 2020



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Rural is Significant *BUT* North Carolina Becoming More Urban

Rural Counties (80)

40% of Population
8% of Population Growth

- 51 Counties Lost Population
- 2 Rural Counties to “Graduate” to Urban (Suburban/Regional Center)

Urban Counties (20)

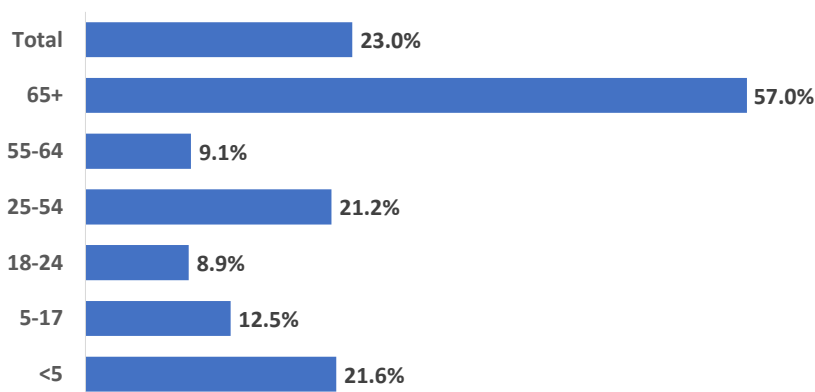
60% of Population
92% of Population Growth

- 47% of Population Growth in Wake/Mecklenburg

*NC Rural Center Classifications using 2010 Census counts

Demographic Trends – Aging of Population

NC population 65 and over projected to grow 2.5x faster than Total Population in next 20 years



1 in 5 residents will be 65+ by 2028

By 2035, the 65+ population will be larger than childhood population (-18)

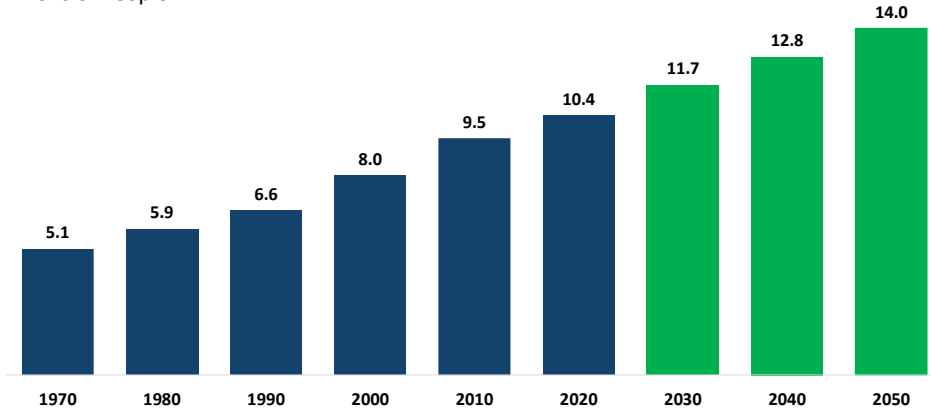
Source: North Carolina Office of State Budget and Management, Population Projections, Vintage 2020.



North Carolina Projected to Add 3.6 Million by 2050

North Carolina Population 1970 – 2020 and Projected Through 2050

Millions of People



Source: NC OSBM, Population Projections, Vintage 2020; US Census

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QUESTION

Population Growth

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Summary FY 2021-23 Budget

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State General Fund Revenue Picture

- June forecast \$60.4B for 2021-23 fiscal years
- Revenues in 2019-21 biennium closed \$6.7B (14%) above May 2020 forecast
- Revenue collections have exceeded expectations through first four months of FY 2021-22



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Summary of General Fund Budget

Availability

Beginning Balance	\$7.2B
FY 2021-22 (<i>base revenues – base expenditures</i>)	\$4.9B
FY 2022-23 (<i>base revenues – base expenditures</i>)	\$6.1B
Total State Funds to Allocate	\$18.2B
Left over	\$0.0021B

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Where Did Almost \$18.2B Go?

Capital Improvements	\$7.8B	44%
Includes SCIF, Disaster Recovery, Information Technology, and Economic Development Reserves.		
Operating Recommendations	\$3.7B	20%
Includes Education Enrollment, Medicaid Rebase, State Health Plan and Retirement System adjustments, and Compensation Increases.		
Tax Reductions	\$3.3B	18%
Personal income tax rate reduced from 5.25% to 3.99% over 6 years. Corporate tax rate reduced from 2.5% to 0% over 8 years.		
Reserves	\$3.3B	18%

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Capital Improvements

- Over **\$6B** in capital investments statewide
- Approx. **\$1B** for disaster recovery efforts
- Over **\$400M** for economic development projects
- Almost **\$400M** for large IT projects



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Operating Recommendations

- 5% increase for most state-funded employees
- Public school employees minimum wage to \$15/hour
- Retiree bonuses (Y1 2%; Y2 3%)
- Sound basic education investments
 - \$10M school psychologists
 - \$18M for intervention in low performing schools/districts
 - \$36M grants for after/before school programs
 - \$36M summer school extension programs

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Tax Reductions



Personal Income Taxes

- Reduces tax rate from 5.25% to 3.99% over 6 years
- Increases standard deduction to \$25,500 (MFJ)
- Increases child deduction by \$500; expand eligibility to \$140k (MFJ)
- Eliminates tax on military pension income



Corporate Income & Franchise Taxes

- Corporate income tax repealed over 6 years
- Eliminates alternate property bases for franchise tax

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QUESTION

Impact of Tax Reductions

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Reserves

- Adds **\$1.1B** to savings reserve each year of biennium
 - Rainy day balance will be \$4.25B by end of biennium (about 16% of General Fund budget)
- Medicaid Transformation Reserve **\$460M** over two years

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Federal American Rescue Plan Act (ARPA)

North Carolina's Fiscal Recovery Funds & Coronavirus Capital Projects:

\$5.7B

Major Investments	
Water/wastewater infrastructure	\$1.7B
High Speed Internet Connectivity	\$1B
Small Business/Economic Development	\$0.7B
Premium Pay Bonuses	\$0.7B
UNC System/NC Community Colleges	\$0.4B
Health & Human Services	\$0.4B

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NCPRO Update

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NCPRO's Role

- Established under [Session Law 2020-4 of House Bill 1043](#)
- Oversees all COVID-19 funds administered by the Governor's Office
- Provides technical assistance and ensures coordination of federal funds received by state agencies and local governments



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NCPRO Management of Funds

Funds	Federal Agency	Amount	Direct Recipients	Expenditure Date	Final Reporting Date (frequency of reports)
Coronavirus Relief Funds	US Treasury	\$3.6 billion	1. Hospitals 2. Non-profits 3. Local governments 4. State agencies	December 31, 2021	March 31, 2022 (quarterly)
Emergency Rental Assistance (Parts 1 and 2)	US Treasury	\$1.1 billion	1. State agency 2. Counties (12)	September 30, 2022 (ERA 1) September 30, 2025 (ERA 2)	December 31, 2022 (ERA 1; monthly and quarterly) December 31, 2025 (ERA 2; monthly and quarterly)
Homeowners Assistance Funds	US Treasury	\$273.3 million	State agency	September 30, 2026	TBD (quarterly and annual reports required)
Governor's Emergency Education Relief Funds (parts 1 and 2)	US Department of Education	\$138.6 million (plus unused EANS)	1. State educational entities 2. Non-profit	September 30, 2022 (part 1) September 30, 2023 (part 2)	February 1, 2024 (annual reports due each February 1)
Economic Development Administration (Tourism and Strategy)	US Department of Commerce	\$6.4 million (tourism) \$1 million (strategy)	1. State agencies 2. Non-profit	May 31, 2027 (tourism) May 1, 2024 (strategy)	September 30, 2027 (tourism) August 29, 2024 (strategy - semiannual reports due April 30 and Oct 31)
American Rescue Plan Act - State Fiscal Recovery Funds	US Treasury	\$5.4 billion	1. State agencies 2. Non-profits	December 31, 2026	June 30, 2027 (quarterly expenditure; annual plan)
American Rescue Plan Act - Capital Project Fund	US Treasury	\$273.6 million	State agency	December 31, 2026	TBD

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How NCPRO will work with state agencies

- Work with the agencies to meet federal and state reporting requirements
- Develop an MOA or contract for each agency program
- Host a state agency working group to work through common challenges and share information on recovery

Planning

Oversight

Reporting

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How NCPRO will work with state agencies

- Provide a grants manager for each agency/non-profit to:
 - Provide technical assistance and support
 - Monitor agencies work
 - Communicate financial management guidance and processes to meet financial reporting requirements
- Develop and provide training on federal grants management and monitoring requirements

Training

Guidance

Grants Management



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POLL

Training from NCPRO

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What NCPRO needs from state agencies

- Complete reporting template from NCPRO and survey from Berry Dunn on agency readiness
- Communicate on a regular basis
- Follow financial management guidance
- Use the NCPRO grants management portal
- Meet reporting deadlines, respond to requests in timely manner
- Be flexible



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Reporting Requirements by Participant Type

Recipient	Interim Report	Project and Expenditure Report	Recovery Plan Performance Report
States, U.S. territories, metropolitan cities and counties with a population that exceeds 250,000 residents	By August 31, 2021, with expenditure summary by category	By October 31, 2021, and then 30 days after the end of each quarter thereafter ⁹	By August 31, 2021, and annually thereafter by July 31 ¹⁰
Metropolitan cities and counties with a population below 250,000 residents which received more than \$5 million in SLFRF funding			Not required
Tribal Governments			
Metropolitan cities and counties with a population below 250,000 residents which received less than \$5 million in SLFRF funding		By October 31, 2021, and then annually thereafter ¹¹	
NEUs	Not required		

Source: [“Compliance and Reporting Guidance: State and Local Fiscal Recovery Funds.”](#)
UST. June 17, 2021. Version 1.0

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Reporting elements required in 60 days

- Project overview (description, timeline, etc.)
- Use of funds
 - Promoting equitable outcomes
 - Evidence-based interventions
 - Targeted to economically disadvantaged communities
- Expenditures
 - Overall
 - Subawards
- Programmatic data



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Relief and recovery funds tracker

NCPRO submits reports to federal and state agencies on these funds that can be found online:

<https://www.nc.gov/agencies/ncpro>

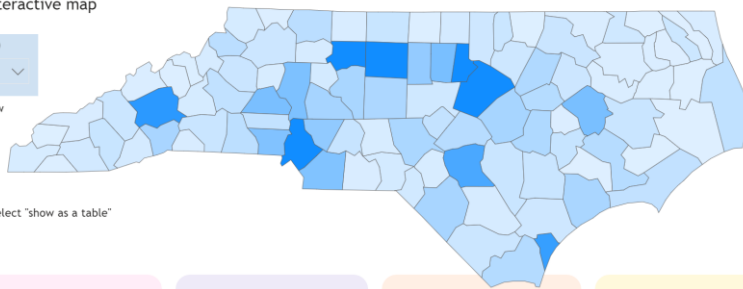
<https://www.pandemicoversight.gov/news/articles/prac-releases-coronavirus-relief-fund-data>

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Relief Funds by County

A non-exhaustive, interactive map

Select county (or multiple)
 All ▼
 Use eraser to reset view



To view the full data:
 Right click on the map and select "show as a table"

<p>\$17,045,243,249 Business Aid Total</p> <p><small>Paycheck Protection Program (PPP), administered by the U.S. Small Business Administration (SBA). Note that awards greater than \$150K are estimated based on median award amounts.</small></p> <p><small>Economic Injury Disaster Loan (EIDL), administered by SBA. EIDL A are automatically forgiven advances.</small></p> <p><small>Job Retention Grant (JRG), administered by NC Department of Commerce using CRF.</small></p> <p><small>Small Business Loan (SBL), administered by SBA.</small></p>	<p>\$786,819,001 Local Government Total</p> <p><small>Includes CRF allocated to counties and municipalities by NC General Assembly, as well as direct allocations from the US Treasury.</small></p>	<p>\$3,610,414,752 Education Total</p> <p><small>Public K12 schools includes CRF, Governor's Emergency Education Relief (GEER) I, and Elementary and Secondary School Emergency Relief (ESSER) I & II.</small></p> <p><small>Higher education includes CRF, GEER I, and Higher Education Emergency Relief Funds (HEERF) I & II.</small></p>	<p>\$2,711,342,823 Health Provider Total</p> <p><small>Includes CRF allocated to hospitals by NC General Assembly, and Provider Relief Funds (PRF) distributed to providers by U.S. HHS. Providers were attributed to their corresponding counties.</small></p>
<p>\$351,540,625 Payments to Families</p> <p><small>Includes Extra Credit Grants.</small></p>	<p><small>Notes: Map represents \$24.1 billion out of over \$50 billion in federal COVID relief funds allocated to NC in 2020 (does not include American Rescue Plan funds). Amounts do not reflect expenditures of NC Pandemic Recovery Office.</small></p>		

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Stay in touch with NCPRO!

NCPRO Phone:
984-236-0795

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<https://www.nc.gov/agencies/ncpro>

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 @ NC Pandemic Recovery Office

 @NCPRO_gov

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