**Budget
&
Economic
Outlook**

NC SBM
OFFICE OF STATE BUDGET
AND MANAGEMENT

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 **We can't talk about the economy**



**...without
talking about
Coronavirus**

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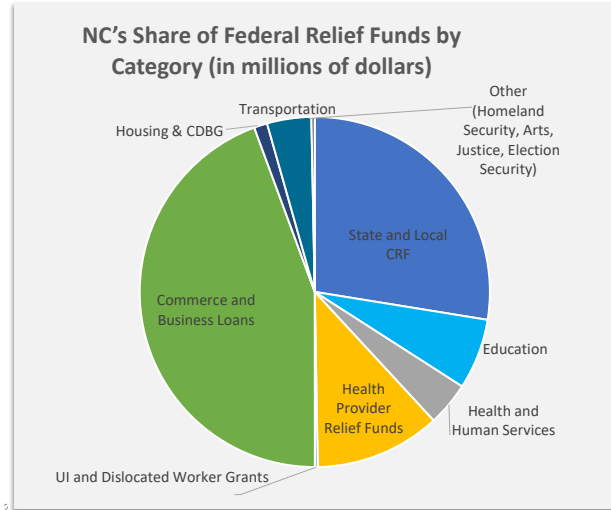


Federal Coronavirus Aid in NC >\$14 Billion

Four main federal relief laws...

1. Coronavirus Preparedness & Response Supplemental Appropriations Act
2. Families First Coronavirus Response Act
3. CARES Act
4. Paycheck Protection Program and Health Care Enhancement Act

...targeting these areas:



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90% of NC's Coronavirus Relief Funds (CRF) Disbursed

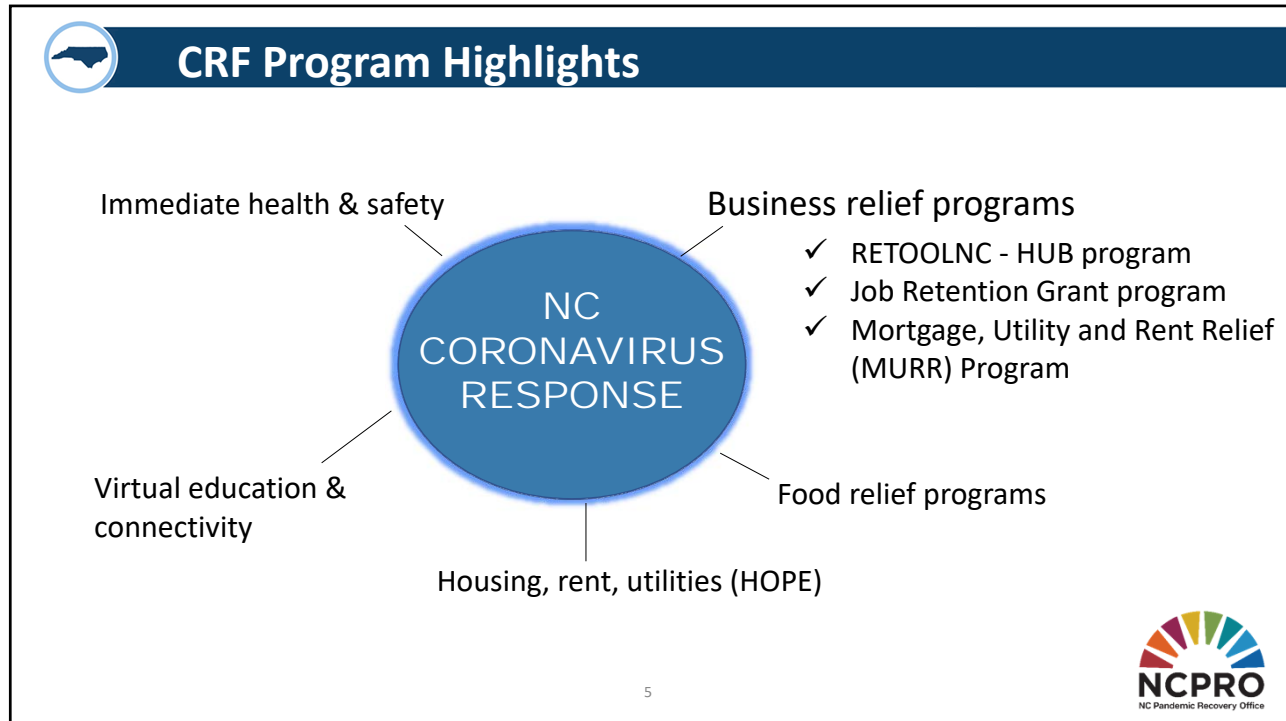
CRF Funds Disbursed as of November 30, 2020

Recipient Type	Appropriated	Disbursed	Remaining to be Disbursed
Agencies (except education)	\$1,671,006,530	\$1,624,929,374	\$46,077,156
Education	523,613,029	523,613,029	0
General Fund Offset for allowable expenditures	645,400,000	403,300,335	242,099,665
Non-profits	341,527,617	274,154,064	67,373,553
Hospitals	102,000,000	89,921,659	12,078,341
Counties	316,844,000	307,844,000	9,000,000
TOTALS	\$3,600,391,176	\$3,223,762,462	\$376,628,714

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QUESTION

Coronavirus Relief Funds
eligible expenses, according to
the CARES Act

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CRF Program Challenges

- Changing US Treasury reporting requirements
- Conflicting state law, federal guidance
- Real-time audits
- No governmental revenue replacement
- Hidden people in need
- Condensed timeline
- Uncertain future of funding

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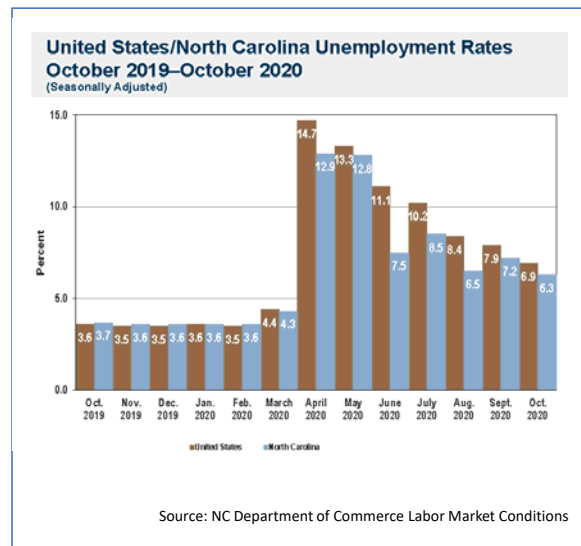


Employment in NC

- Unemployment trends downward since April/May peak
- NC's unemployment rate tracked below national average

Uncertainty ahead

Rising COVID-19 rates has led to rising unemployment in some U.S. locales



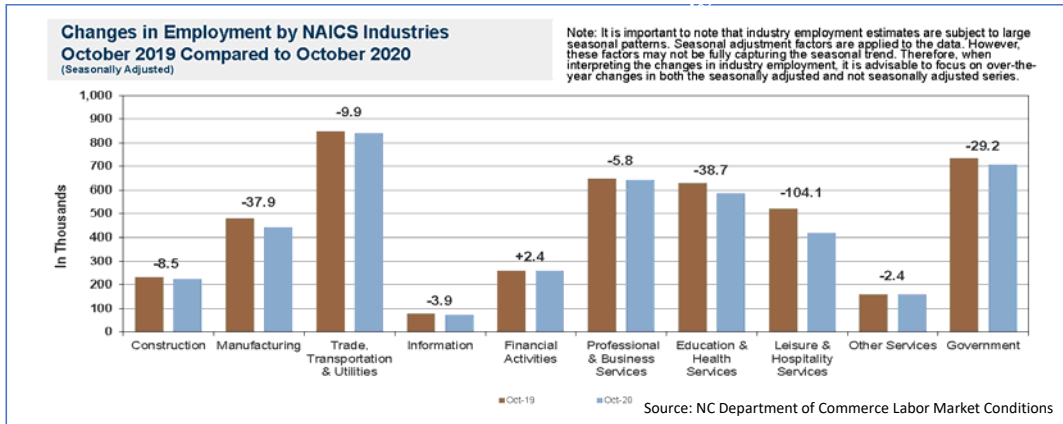
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Employment Disparity in NC

- Job losses disproportionately affecting certain industries
- Job recovery slower for lower income jobs

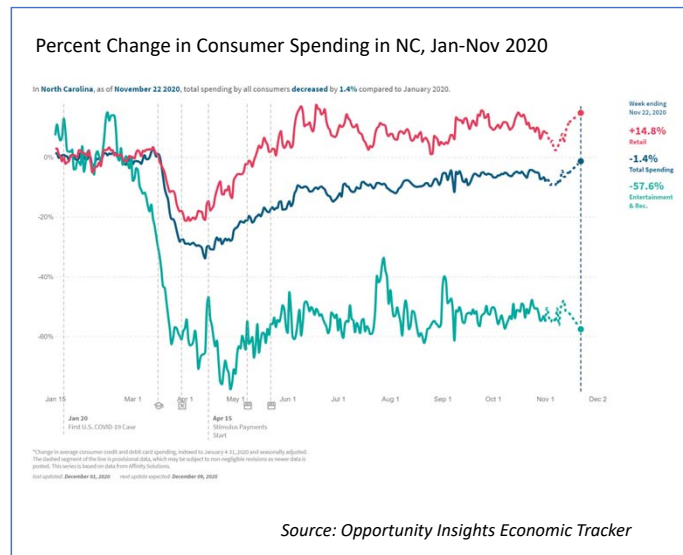


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Consumer Spending Picture

- BEA: in Oct
 - Personal income ↓0.7%
 - Consumer spending ↑0.5%
 - Q3 GDP above expectations
- Spending shifted: online, consumables
- NC benefits from
 - nontaxable services → taxable goods
 - sales tax on online goods
- Inflation & interest rates low



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Reasons for Economic Optimism

Early signs of economic impact were dire but...

- Revenue not as bad as originally anticipated
 - Moody Analytics: state/local government shortfall estimate revised *down* by **\$50 billion** (to \$450 billion) through 2022
 - Through October, we estimate state revenue is:
 - ✓ **\$1.4 billion** over target in May forecast
 - ✓ **More than \$400 million** over last year excluding the tax shift
- Record number of new business applications: Secretary of State
- NC solid fiscal position entering crisis
 - All 3 bond rating agencies reaffirmed NC's AAA rating this fall

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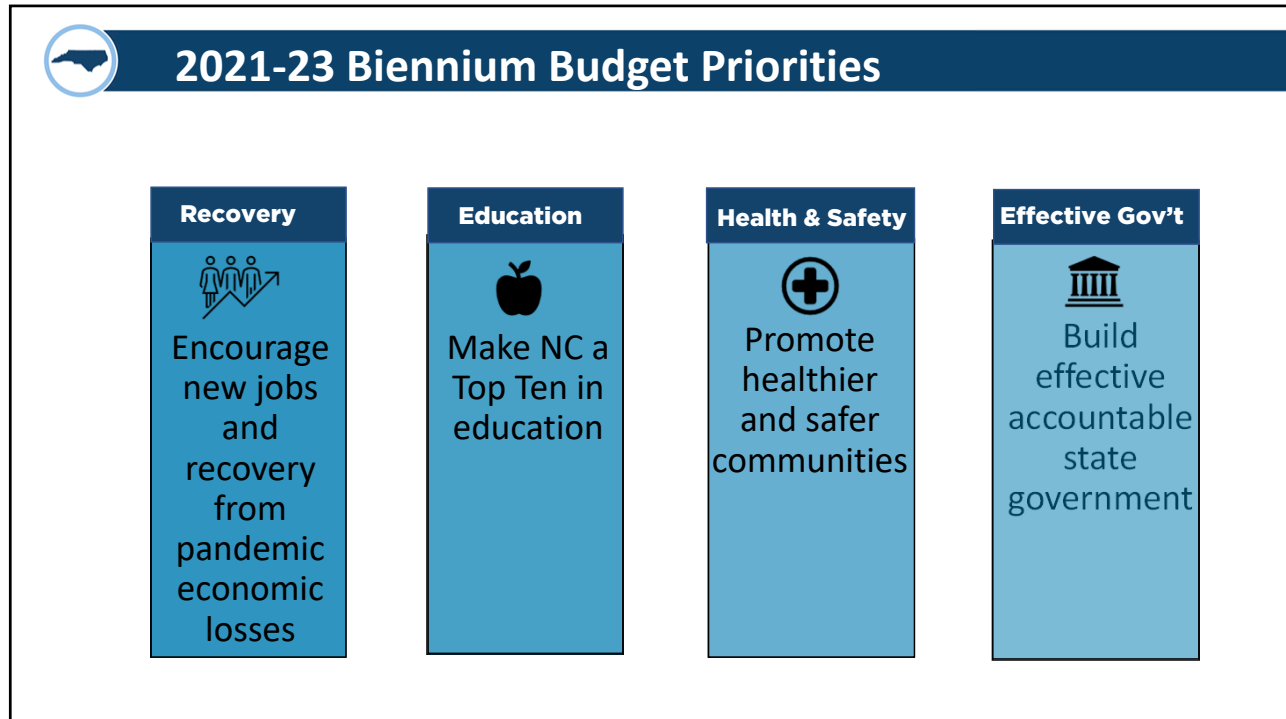


Uncertainty Prevails





- Pace of **COVID-19** transmission & vaccine dissemination
Jobs, consumer spending, production, state revenue all affected
- **Consumer Sentiment Survey 76.9** in Nov—down **5** pts from Oct.
Source: University of Michigan survey
- S&P Global predicting double-dip recession w/o **new coronavirus relief bill**

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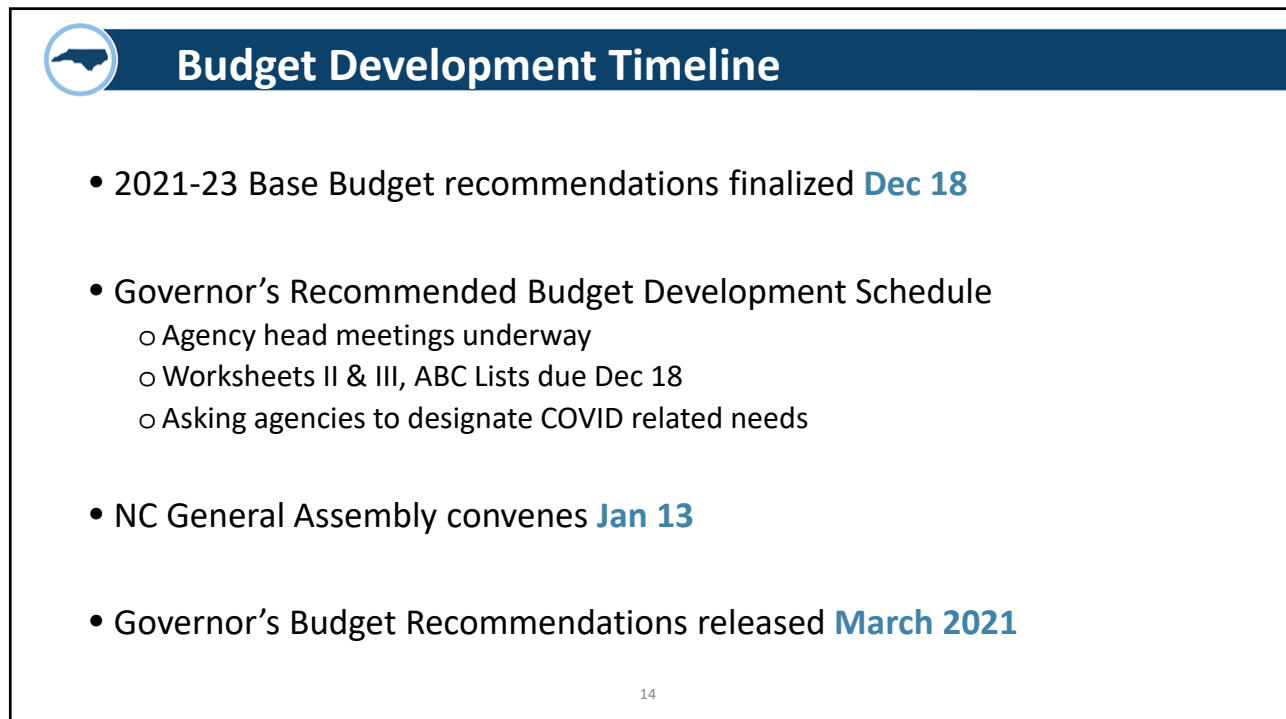
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2021-23 Biennium Budget Priorities

Recovery	Education	Health & Safety	Effective Gov't
 Encourage new jobs and recovery from pandemic economic losses	 Make NC a Top Ten in education	 Promote healthier and safer communities	 Build effective accountable state government

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Budget Development Timeline

- 2021-23 Base Budget recommendations finalized **Dec 18**
- Governor's Recommended Budget Development Schedule
 - Agency head meetings underway
 - Worksheets II & III, ABC Lists due Dec 18
 - Asking agencies to designate COVID related needs
- NC General Assembly convenes **Jan 13**
- Governor's Budget Recommendations released **March 2021**

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QUESTION

Biennial Budgeting across the US

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Questions

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