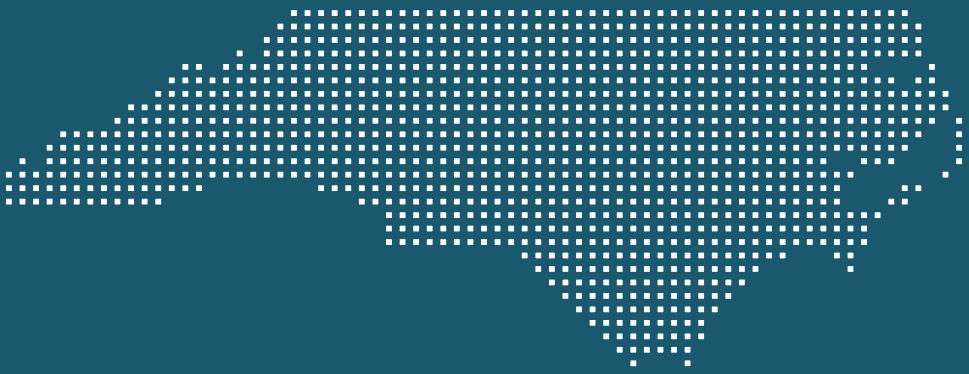
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2020

North Carolina Economic Performance Factbook

MARCH 2020

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Thirty years ago, Ronald Reagan made a powerful call...

> Mr. Gorbachev, tear down this wall.

He was calling for an end to the barriers that keep citizens trapped in communist tyranny. And it worked. Soon the Berlin Wall fell, and the world rejoiced.

The Soviet Union may have vanished, but many of the ideas which fueled its rise and its failed policies still threaten our freedom.

The growing popularity of socialism among young people and the embrace of socialist ideas by leading political candidates tell us this is a battle our generation must fight - and win.

Today many of the barriers we fight are ones erected by our government. They stifle innovation, limit opportunity and freedom, and prevent individuals, families and societies from fully flourishing.

The Civitas Institute fights to remove barriers to freedom so that all North Carolinians can live a better life.

We believe North Carolina can and should lead the nation to a future of unfettered opportunity without political favoritism. Our vision is to be your indispensable ally in the fight to nurture the pursuit of happiness and the cultivation of a healthy civil society, free of government interference, where all North Carolinians can enjoy the benefits of freedom and opportunity.

The Civitas Institute
811 Spring Forest Road, Suite 900
Raleigh, North Carolina 27609

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Letter from the President

Dear Friends,

I am happy to present the second edition of the North Carolina Economic Performance Factbook (NCEPF).

Ours is the information age. We have access to more information and data than ever. What's in short supply, however, is the ability to interpret data and aid our understanding of important issues.

Business leaders and policymakers all require reliable data to aid decision making. Lousy information is costly and can cripple organizations and companies. Good information is critical for good decisions and good public policy.

The Civitas Institute created NCEPF to help meet those needs. NCEPF conveys information in critical areas - population, the economy, economic performance, taxes, business climate, state government, and education. Key data are tracked over time and highlighted to help tell the North Carolina story. NCEPF tells us how we're doing, where we're going, and where we need to improve.

NCEPF can aid policymakers in their decision making and, more importantly, help to expand the liberties and freedoms we all cherish.

We hope you enjoy reviewing the information in this booklet. Share the content with your friends and start a discussion about how we can work to make North Carolina a better place!

Donald Bryson
President, The Civitas Institute

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SECTION
01

North Carolina: Our People

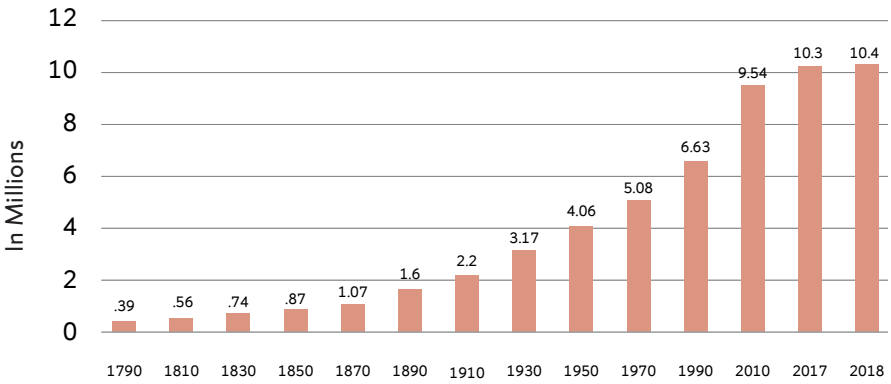
North Carolina continues to grow, but at a much slower rate



10.4 million

The North Carolina population reached 10.4 million in 2018.

North Carolina Population (1790-2018)

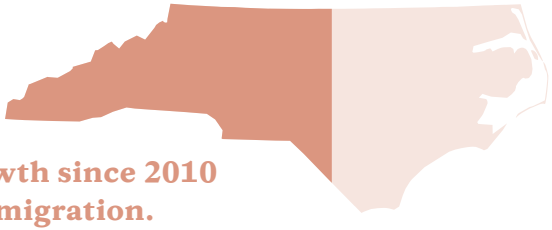


Source: U.S. Census Bureau and State population estimates .

By the Numbers

- 113,000 new residents since 2017 and 837,000 since 2010
- 5th largest population growth among states since 2017

66%



of population growth since 2010 was due to net in-migration.

Among states, North Carolina had the 5th largest numeric increase since 2017, with the state's population increasing by nearly 113,000 individuals. This marks the third consecutive year that the state population has grown by more than 100,000 individuals in a single year. Only Texas (379,00), Florida (323,000), California (158,000), and Arizona (123,000) gained more residents than did North Carolina over the past year. With a growth rate of 1.1% since 2017, North Carolina continues to grow faster than the national average (0.6%) and ranked as the 10th fastest -growing state between 2017-18.[i]

Source: U.S. Census Bureau Newsroom

- Since 2010, North Carolina's population has grown by nearly 850,000 residents, an increase of 8.9%.
- These new estimates are consistent with the latest population projections from the State Demographer that project that North Carolina will have more than 10.6 million residents by 2020.
- North Carolina remains on track to pick up a 14th seat in the U.S. House of Representatives, provided current population trends continue.[ii]

Source: NC Office of State Budget and Management

9th most populous

North Carolina is the 9th most populous state in the U.S.[iii]

10 Most Populous States

Rank	Name	2010	2018
1	California	37,254,523	39,557,045
2	Texas	25,146,114	28,701,845
3	Florida	18,804,580	21,299,325
4	New York	19,378,124	19,542,209
5	Pennsylvania	12,702,873	12,807,060
6	Illinois	12,831,572	12,741,080
7	Ohio	11,536,757	11,689,442
8	Georgia	9,688,709	10,519,475
9	**North Carolina**	**9,535,736**	**10,383,620**
10	Michigan	9,884,117	9,995,915

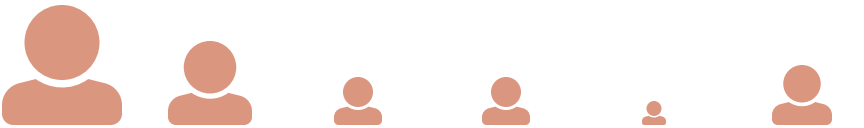
Source: U.S. Census Bureau Newsroom

States with the Largest Numeric Population Growth Since 2017

Rank	Name	2017	2018	Numeric Growth Since 2017
1	Texas	28,322,717	28,701,845	379,128
2	Florida	20,976,812	21,299,325	322,513
3	California	39,399,349	39,557,045	157,696
4	Arizona	7,048,876	7,171,646	122,770
5	**North Carolina**	**10,270,800**	**10,363,620**	**112,820**

Source: U.S. Census Bureau Newsroom

The Faces of North Carolina[iv]



70.6% White

22.2% African American

1.6% American Indian

3.2% Asian

0.1% Hawaiian/ Pacific Islander

9.6% Hispanic or Latino



7.8% Foreign Born

14.0% Persons Living in Poverty

Source: U.S. Census Bureau, Quick Facts, North Carolina.

North Carolina Income

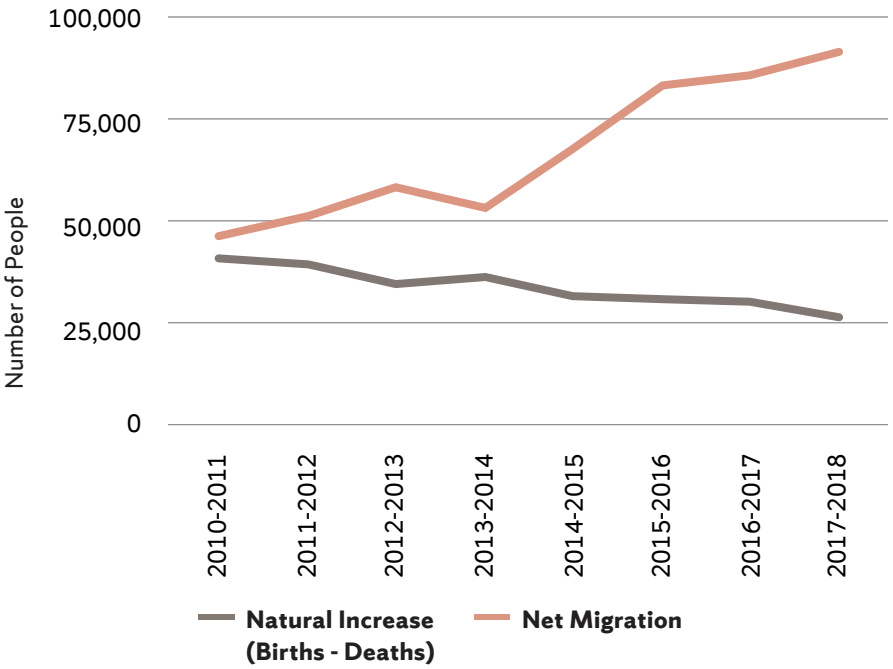
$53,369

Median Household Income (2018)[v]

$46,117

Per Capita Personal Income (2018) [vi]

Annual Estimates of Components of Population Change (2010-2018)[vii]



Source: U.S. Census Bureau.

"Since 2010, North Carolina's population has grown by nearly 850,000 residents, an increase of 8.9%. Two-thirds of this growth was due to net in-migration. In the most recent year, North Carolina received an estimated 87,000 net in-migrants (77% of total population growth). This was the fourth largest net in-migration of any state; only Florida (309K), Texas (188K), and Arizona (98K) had more growth from net migration last year. Most of these in-migrants were domestic migrants (67K), meaning that they moved to North Carolina from other states.

From 2017-18, North Carolina received an estimated 20,000 net in-migrants from other countries. The largest in-flows were from India, China, and Mexico, according to the 2017 ACS."

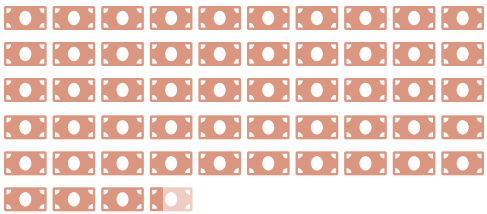
Source: Rebecca Tippett, UNC Carolina Demography Blog, December 20, 2018.[viii]



5th

North Carolina has the 5th largest population growth in the U.S.

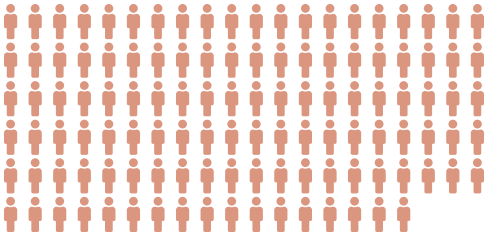
Source: "By the Numbers," page 6



$53,369

The North Carolina median household income is $53,369.

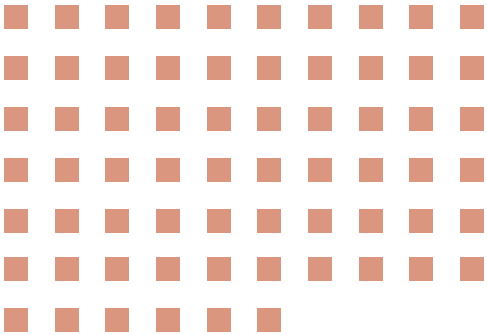
Source: "North Carolina Income," page 8



113,000

North Carolina has 113,000 new residents since 2017.

Source: "States with the Largest Numeric Population Growth Since 2016," page 7



66%

In North Carolina, 66% of new population growth since 2010 is due to in-migration.

Source: "By the Numbers," page 6

SECTION
02

The North Carolina Economy

America's 11th largest economy is strong and growing.



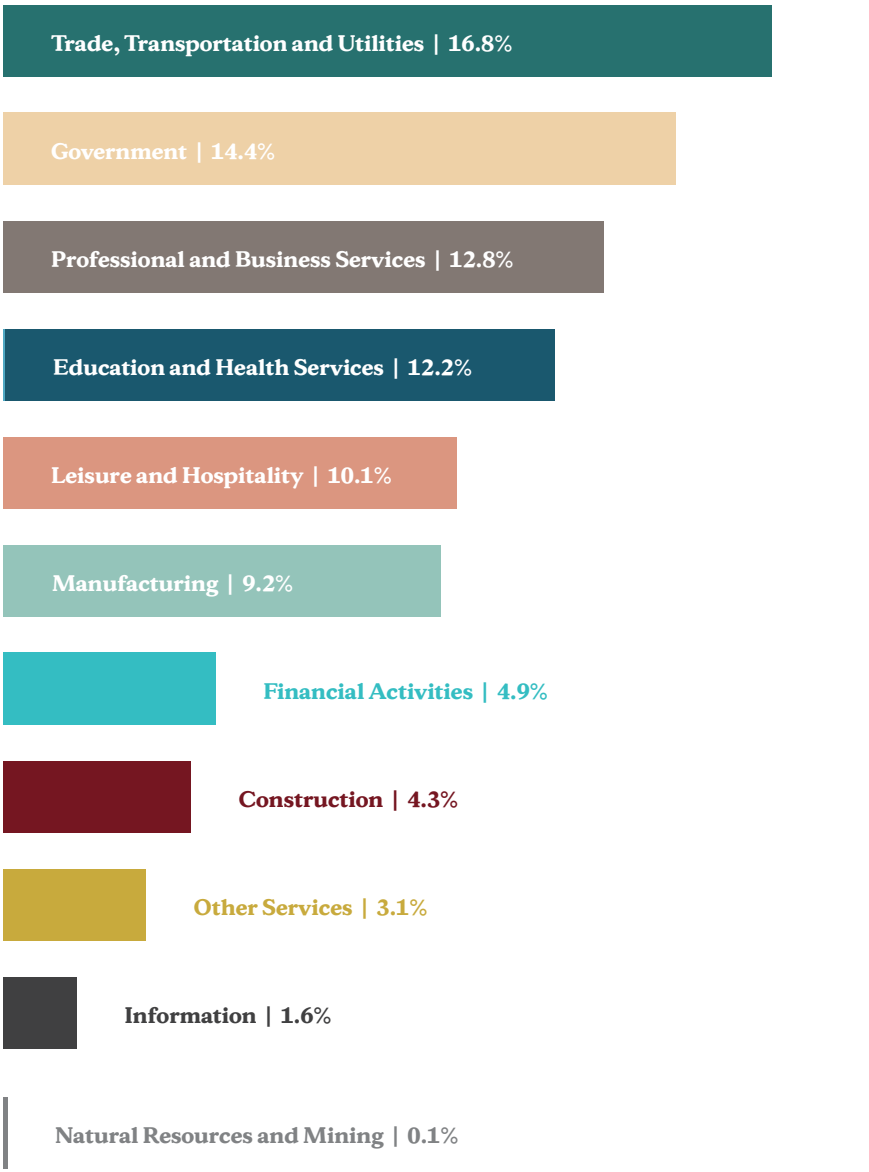
North Carolina has the 11th largest state economy.

It continues to expand and change. Earnings continue to grow

The North Carolina Economy

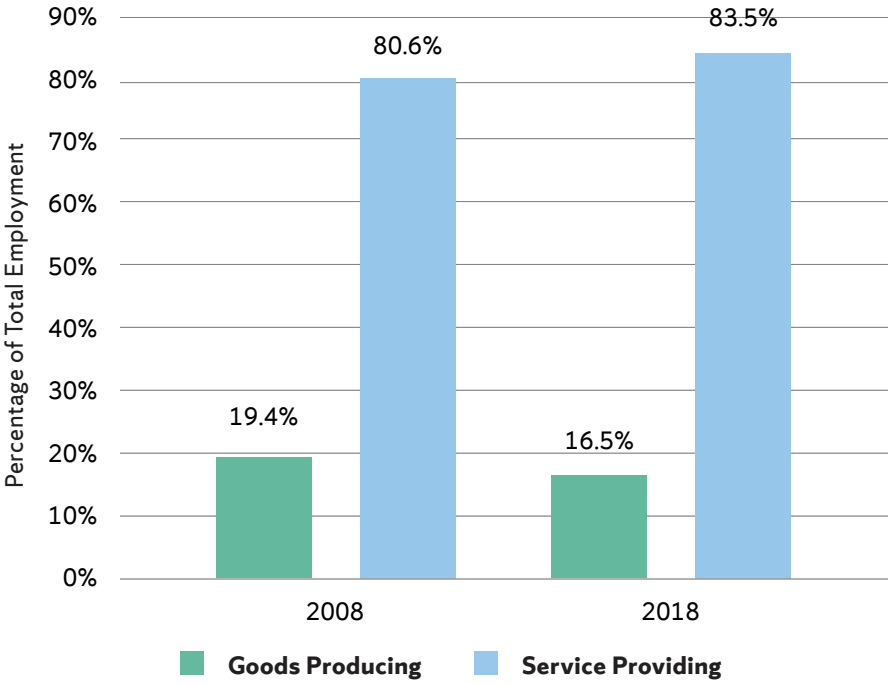
- In 2018, North Carolina current-dollar GDP was $565.8 billion and ranked 11th in the United States.[ix]
- North Carolina's GDP is 22nd largest in the world, between Poland and Sweden.[x]
- The size of North Carolina's Workforce is 5,059,100.[xi]

North Carolina Economy: Employment Share by Industry, 2018 [xii]



North Carolina service sector continues to expand[xiii]

Growth of Service Providing Industries in North Carolina (2008-2018)[xiv]

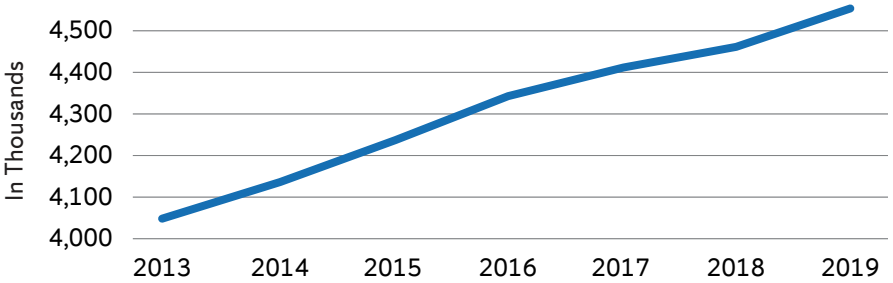


Source: : Quarterly Census Employment and Wages, NC Department of Commerce.

Nonfarm jobs continue to grow

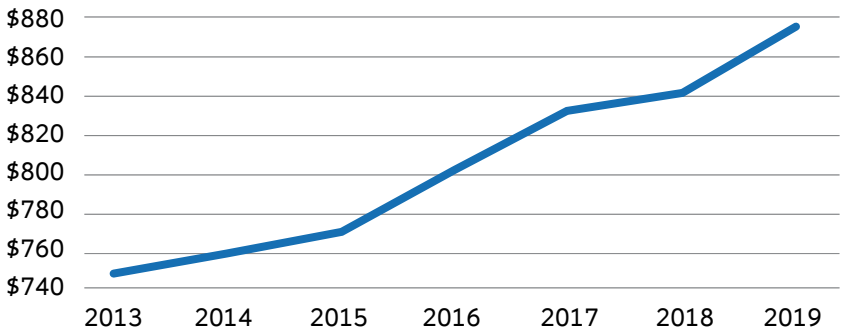
U.S. nonfarm jobs continue to grow. Average real weekly earnings grew to more than $875 in 2019.

Total Nonfarm Jobs



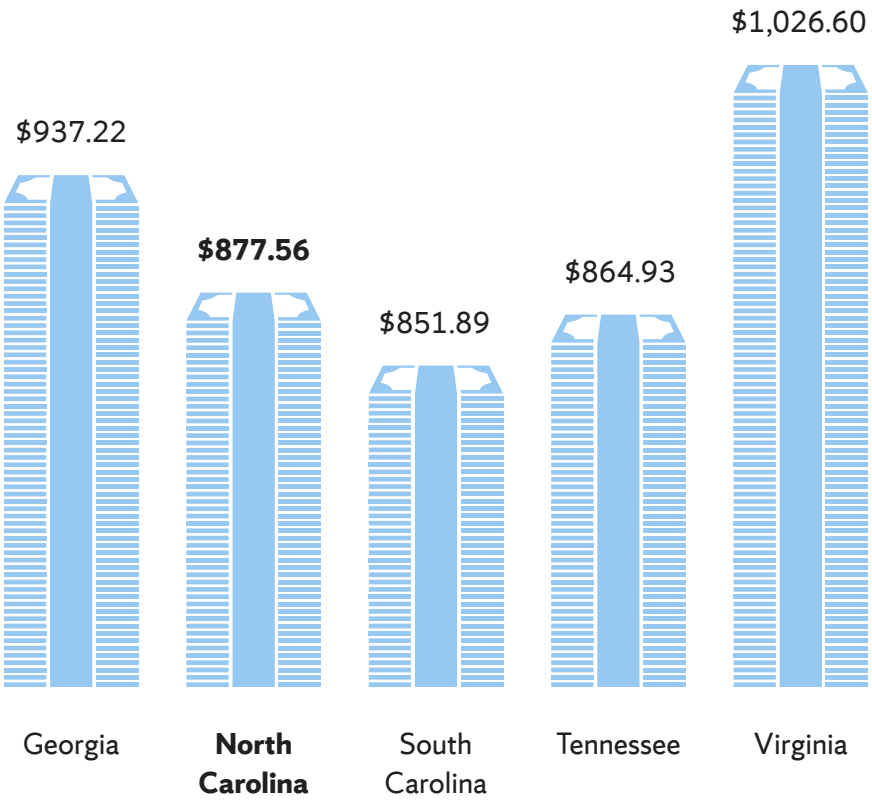
Source: Bureau of Labor Statistics, U.S. Department of Labor. 2019 figure is based on June 2019.

Average Weekly Earnings in North Carolina, Private Nonfarm Sector (2013-2019)[xv]



Source: Bureau of Labor Statistics, U.S. Department of Labor. Figures based on June of each year.

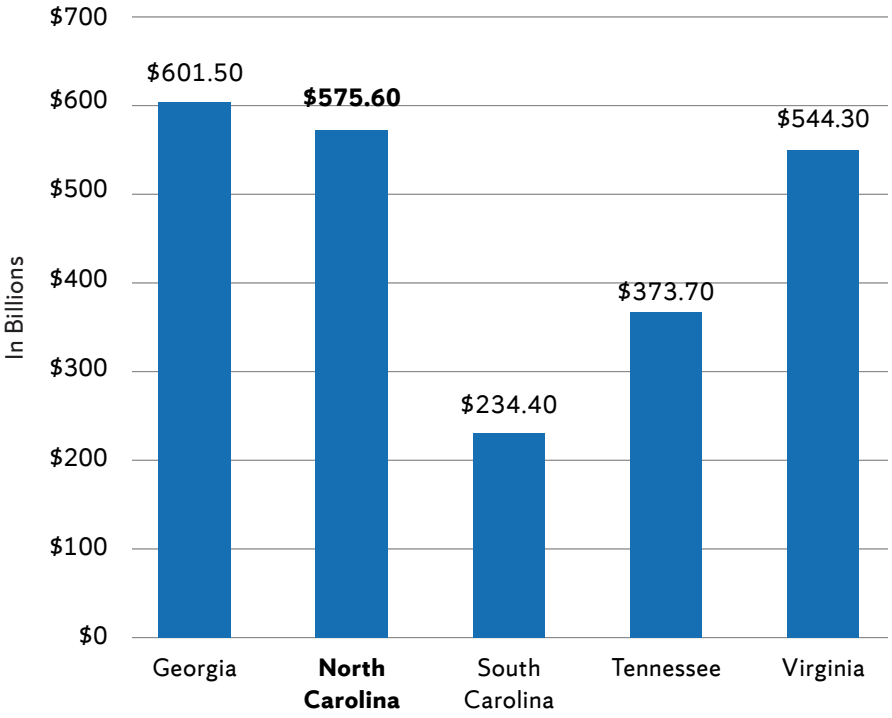
Average Weekly Earnings of Employees on Private Nonfarm Payrolls in North Carolina and Neighboring States (January 2019)[xvi]



Source: Bureau of Labor Statistics. Table D-6, Average hours and earnings of all employees on private farm payrolls, by state and metropolitan area, not seasonally adjusted.

North Carolina has 2nd largest GDP when compared to neighboring states

GDP of North Carolina and Neighboring States (2018)[xvii]



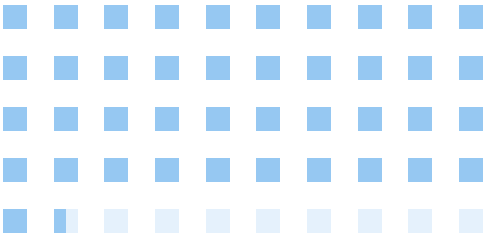
Source: Gross Domestic Product by State, Fourth Quarter and Annual 2018. Bureau of Economic Analysis, U.S. Department of Commerce.



11th

North Carolina has the 11th largest state economy in the U.S.

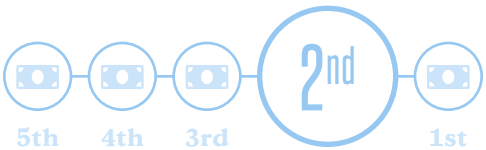
Source: Page 11



83%

83% of workers are employed in the service sector.

Source: "Growth of Service Providing Industries in North Carolina 2008-2018," page 13



2nd

North Carolina has 2nd largest GDP when compared with neighboring states.

Source: "GDP of North Carolina and Neighboring States," page 16



3rd

North Carolina average weekly earnings are the 3rd highest when compared with neighboring states, behind Virginia and Georgia.

Source: "Average Weekly Earnings of Employees on Private Nonfarm Payrolls in North Carolina and Neighboring States," page 15

SECTION
03

North Carolina Economic Performance

490,000 new jobs since 2013 have aided families and fueled economic growth



North Carolina Economic Performance

- In 2018, North Carolina real GDP grew 2.4%, while real GDP for the nation grew at a rate of 2.9%.
- The 2008-2018 average annual growth rate for North Carolina's real GDP is 1.1%; the average annual growth rate for the nation is 1.8%.
- The 2015-2018 average annual growth rate for North Carolina's real GDP is 1.9%; the average annual growth rate for the nation during this time is 2.3%.

Source: Bureau of Economic Analysis, U.S. Department of Commerce

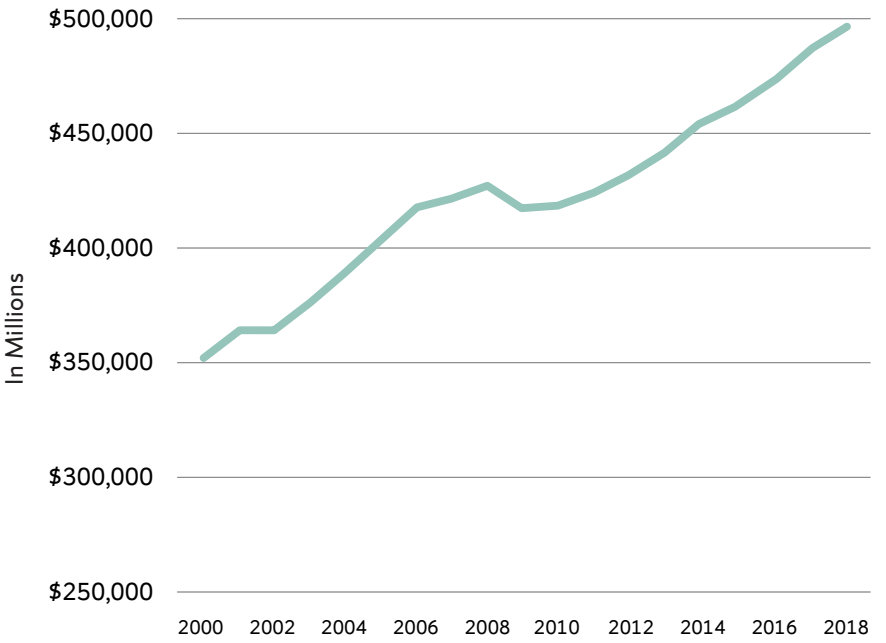
Since 2013...

More than 490,000 net new jobs were created.

Unemployment rate declined from 7.9% to 3.8%.

Real GDP grew 10.4% or 1.9% annually, adjusted for inflation.

North Carolina Real GDP (2000-2018)* (in millions)



Source: Real GDP by state: All Industry total, Bureau of Economic Analysis, U.S. Department of Commerce.
**In chained 2012 dollars. For an explanation of chained dollars see Endnotes.*[xviii]

North Carolina Real Per Capita Personal Income (2017)

$45,836*

U.S. Real Per Capita Personal Income (2017)

$48,980

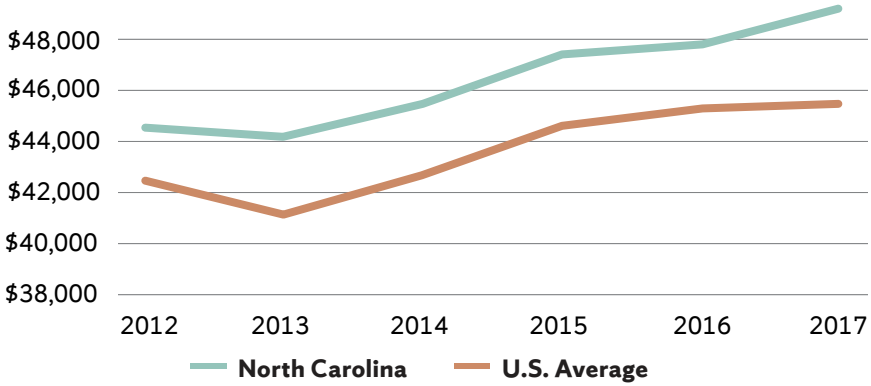
Source: Bureau of Economic Analysis, U.S. Department of Commerce.
**North Carolina and the U.S. figures for 2017 Real Per Capita Personal Income represents inflation-adjusted dollars. 2017 latest available figure from Bureau of Economic Analysis.*

North Carolina and Neighboring States Per Capita Real GDP (2012-2018)*

	2012	2013	2014	2015	2016	2017	2018	Change
U.S. Average	$51,603	$52,191	$53,118	$54,261	$54,752	$55,692	$56,968	10.4%
North Carolina	**$45,088**	**$45,244**	**$45,807**	**$46,793**	**$46,801**	**$47,270**	**$47,896**	**6.2%**
Georgia	$44,855	$45,198	$46,245	$47,301	$48,353	$49,610	$50,288	12.1%
South Carolina	$37,178	$37,560	$38,053	$38,816	$39,421	$40,204	$40,755	9.6%
Tennessee	$43,979	$44,168	$44,595	$45,759	$46,355	$46,780	$47,810	8.7%
Virginia	$54,360	$54,108	$53,641	$54,401	$54,295	$54,906	$56,002	3.0%

Source: Per capita real GDP by state, Bureau of Economic Analysis, U.S. Department of Commerce. For an explanation of total and average annual percentage change, see Endnotes.[xix]
**In chained 2012 dollars.*

North Carolina Real Per Capita Personal Income (2012-2017)*



Source: Real per capita personal income, Bureau of Economic Analysis, U.S. Department of Commerce.
**In chained 2012 dollars.*

$46,117*

In 2018, the North Carolina per capita personal income is $46,117.

Source: Bureau of Economic Analysis, U.S. Department of Commerce.
**In current dollars.*

North Carolina and Neighboring States Per Capita Personal Income (2018)*

U.S. Average	$54,446	**North Carolina**	$46,117	Georgia	$46,482
South Carolina	$43,702	Tennessee	$46,900	Virginia	$57,799

Source: Bureau of Economic Analysis, U.S. Department of Commerce.
**In current dollars.*

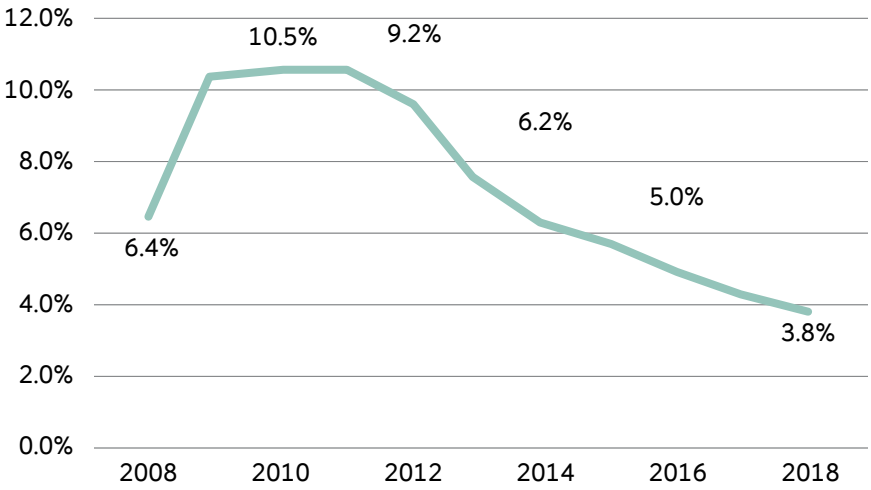
North Carolina and Neighboring States Percentage Change in Real Per Capita Personal Income (2013-2017)

U.S. Average	4.0%	**North Carolina**	3.8%	Georgia	4.4%
South Carolina	4.1%	Tennessee	3.5%	Virginia	3.4%

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

The North Carolina unemployment rate has been cut in half since 2013

North Carolina Unemployment Rate (2008-2018)[xx]

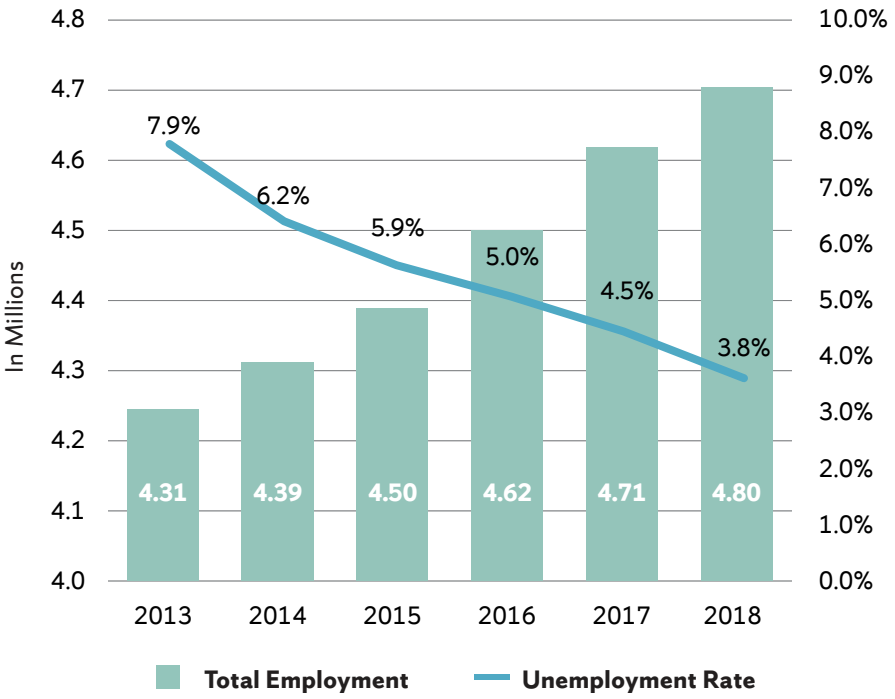


Source: Bureau of Labor Statistics, U.S. Department of Labor.

490,000

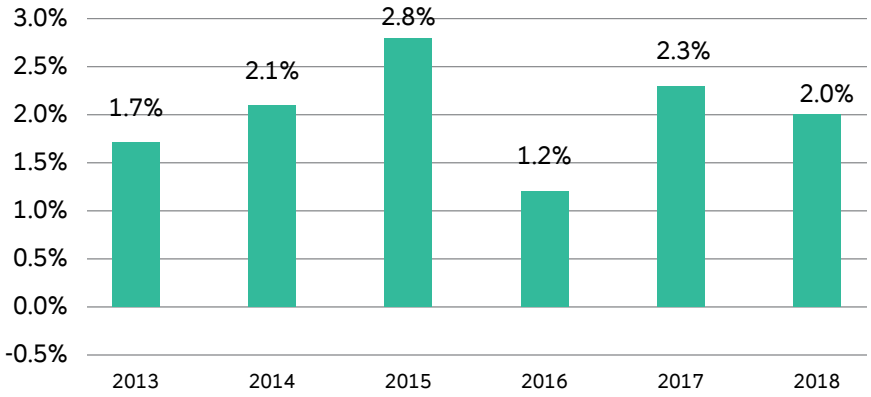
More than 490,000 jobs have been added since 2013 in North Carolina. The unemployment rate declined to 3.8%. in 2018.[xxi]

North Carolina Total Employment and Unemployment Rate (2014-2018)



Source: Bureau of Labor Statistics, U.S. Department of Labor.

North Carolina Percentage Change in Real GDP (2013-2018)



Source: Bureau of Economic Analysis, U.S. Department of Commerce.

North Carolina and Neighboring States Percentage Change in Real GDP (2012-2018)

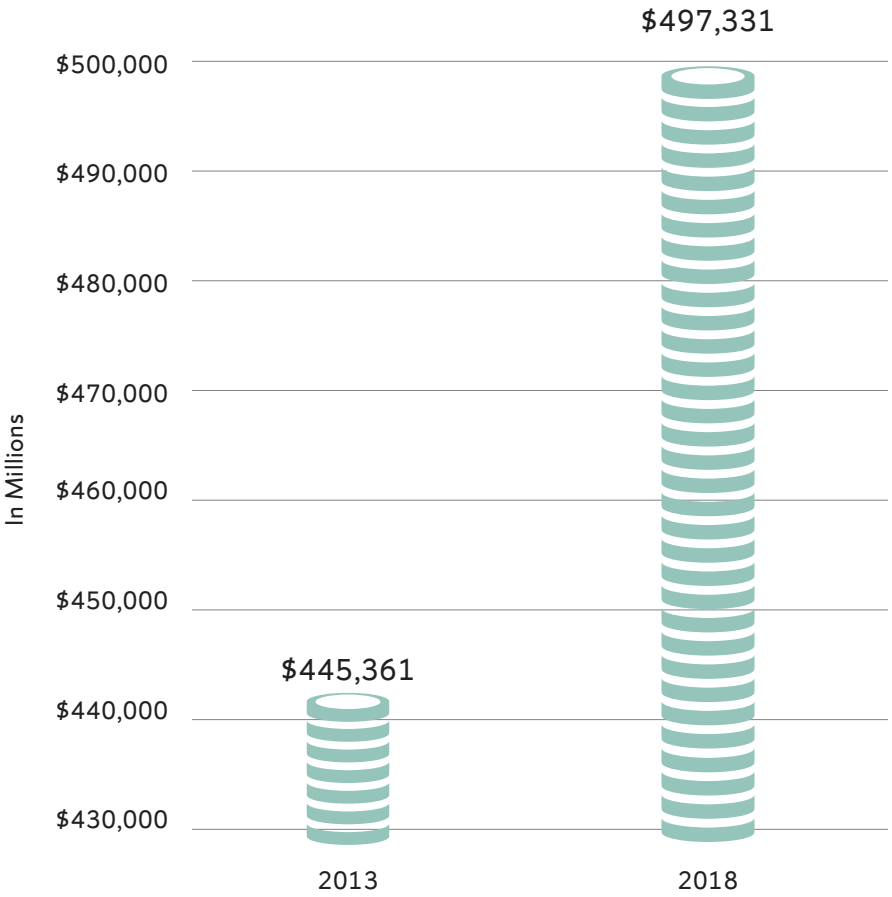
State	Average Percentage Change Since 2012	Average Percentage Change Since 2015
U.S. Average	2.4%	2.3%
North Carolina	**2.1%**	**1.9%**
Georgia	3.0%	3.2%
S. Carolina	2.8%	2.9%
Tennessee	2.2%	2.4%
Virginia	1.2%	1.6%

- Since 2015, average North Carolina real GDP growth has been 1.9% annually.

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

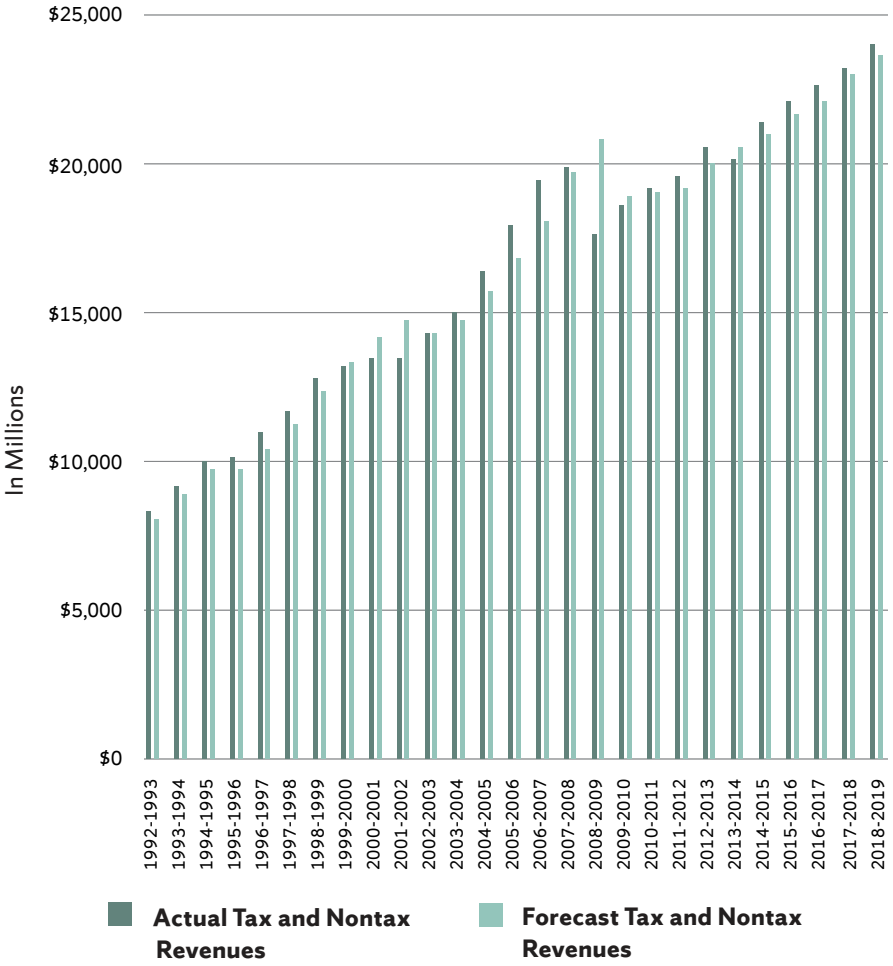
North Carolina real GDP is up 10.4% since 2013

North Carolina Real GDP (2013-2018)*



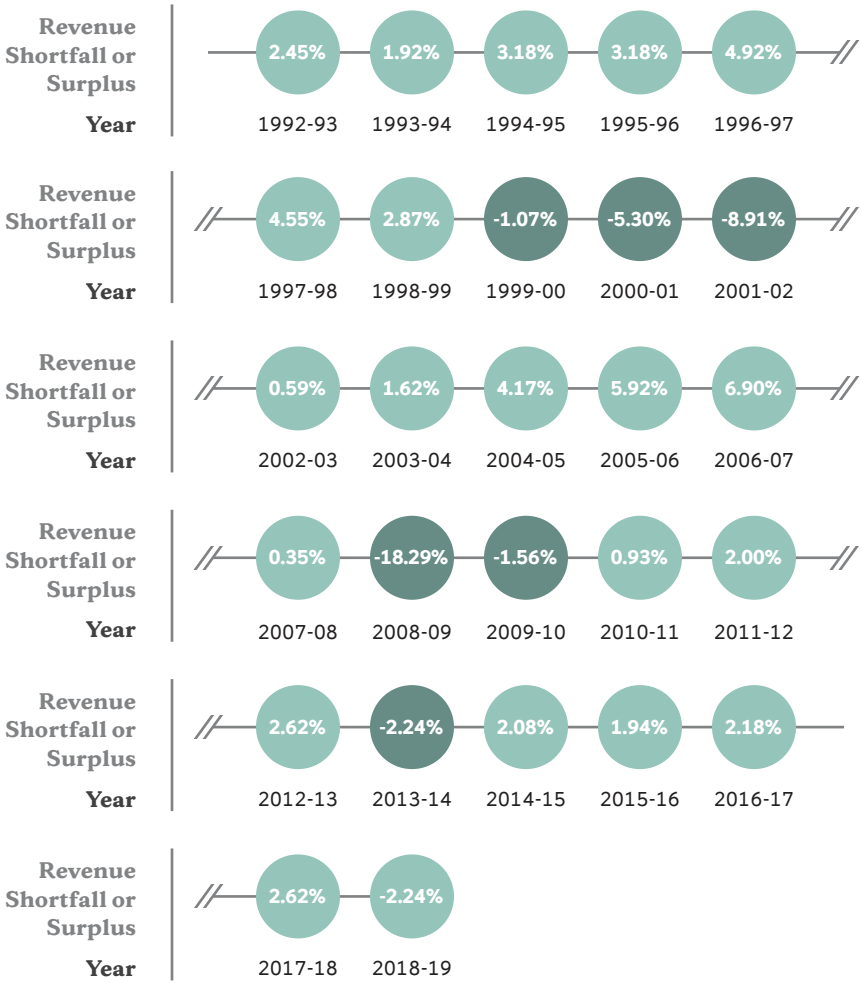
Source: Bureau of Economic Analysis, U.S. Department of Commerce.
**In chained 2012 dollars*

North Carolina Actual Tax Revenue vs. Forecasted Revenue (1992-1993 to 2018-2019)

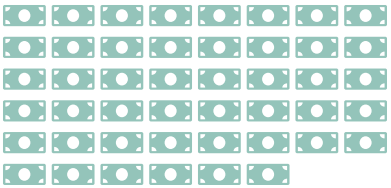


Source: North Carolina State Budget, Post Legislative Summary, 2013-15, Appendix Table 3D and General Fund Monthly Financial Report for June 2015 and 2014 and Fiscal Year-to-Date, June 2017 and 2016 and Fiscal Year-to-Date, and June 2018 and 2019 and Fiscal Year-to-Date.

Percentage Difference Between Actual Year End and Forecasted Year End Revenue (1992-1993 to 2018-2019)



Source: North Carolina State Budget, Post Legislative Summary, 2013-15, Appendix Table 3D and General Fund Monthly Financial Report for June 2015 and 2014 and Fiscal Year-to-Date, June 2017 and 2016 and Fiscal Year-to-Date, and June 2018 and 2019 and Fiscal Year-to-Date.



$46,117

In 2018, North Carolina's per capita personal income was $46,117.

Source: page 21



1.9%

North Carolina has had an average real GDP growth of 1.9% since 2015.

Source: page 18



490,000

More than 490,000 jobs have been added since 2013 in North Carolina.

Source: page 23



3.8%

From 2013 through 2018, the unemployment rate declined from 7.9% to 3.8% in North Carolina.

Source: page 22



8 of the last 9

8 of the last 9 fiscal years state government ended the year with a revenue surplus.

Source: page 27

SECTION
04

North Carolina Taxes

Tax reductions help families and spur business growth



Income and corporate taxes account for 56% of all General Fund Revenue[xxii]

State General Fund: Tax Revenue by Source (2017-2018)[xxiii]

Tax	Revenue Raised	Percentage of All Revenue
Individual Income Taxes	$12,517,540,917	53.12%
Sales and Use Taxes	$7,337,447,300	31.14%
Corporate Income Taxes	$739,045,213	3.14%
Franchise Taxes	$669,046,241	2.84%
Insurance Taxes	$566,105,324	2.40%
Alcohol Beverage Taxes	$371,120,312	1.57%
Tobacco Taxes	$260,291,576	1.10%
All Other Taxes	$175,314,224	0.75%
Total Tax Revenue	**$22,635,911,103**	**96.06%**

$27 billion

In 2018, North Carolina collected over $27 billion in tax revenue. This figure includes total General Fund taxes and transportation taxes.[xxiv]

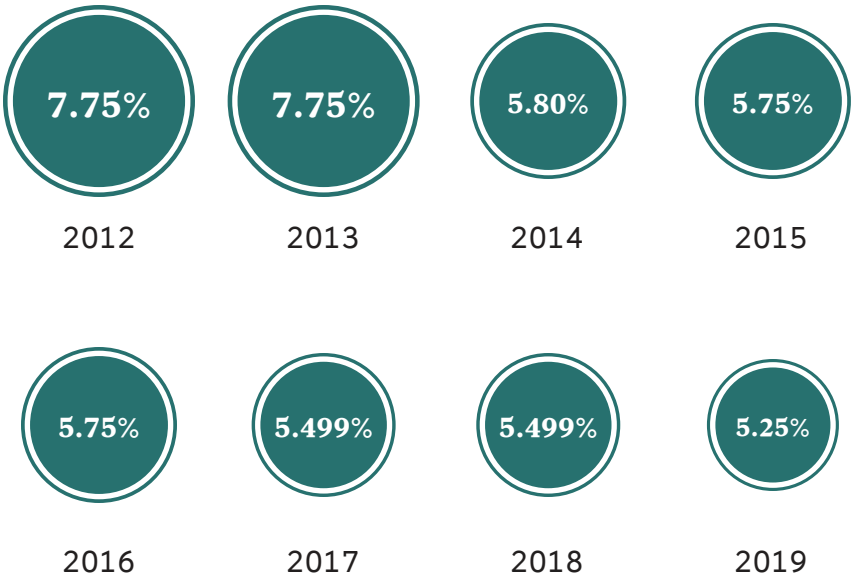
North Carolina State Tax Revenue by Year [xxv]



North Carolina lowers top income tax rate

Over the period 2012-2019, the top individual income tax rate in NC declined from 7.75% (2012) to 5.25% (2019).[xxvi] Individual income tax revenue increased from $10.3 billion (FY 2011-2012) to $12.5 billion (FY 2017-2018). [xxvii]

Top Marginal Income Tax Rates for Individuals in North Carolina (2012-2019)*



Source: Marginal Income Tax Rates, Tax Foundation for selected years.

2nd lowest

North Carolina has the 2nd lowest individual income taxes when compared with neighboring states.

Individual Income Tax Rates of Neighboring States (2012 and 2019)x[xxviii]

State	Top Marginal Income Tax Rate (2012)	Ranking	North Carolina and Neighboring States Ranking
Georgia	6.00%	39	4
North Carolina	**7.75%**	**43**	**5**
South Carolina	7.00%	40	3
Tennessee	0.00%	8	1
Virginia	5.75%	37	2

Source: Tax Foundation State Individual Income Tax Rates, Tax Foundation (for various years).

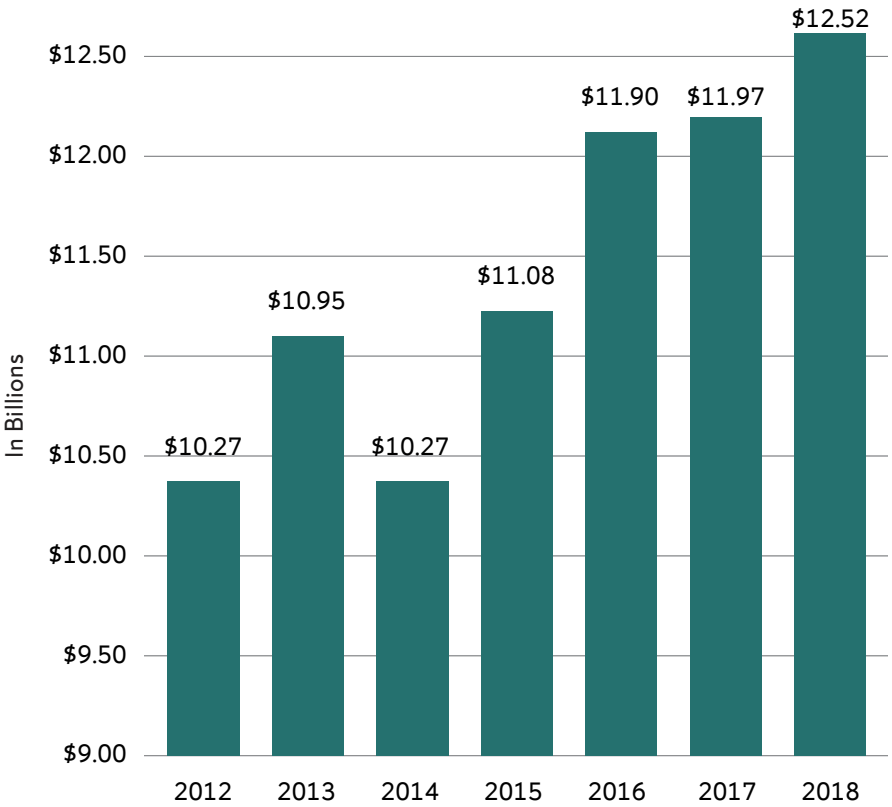
State	Top Marginal Tax Rate on Personal Income (2017)	Ranking	North Carolina and Neighboring States Ranking
Georgia	5.75%	28	3
North Carolina	**5.25%**	**25**	**2**
South Carolina	7.00%	40	5
Tennessee	0.00%	8	1
Virginia	5.75%	28	3

Source: Tax Foundation State Individual Income Tax Rates, Tax Foundation (for various years).

$12.5 billion

NC collected $12.5 billion from individual income taxes in 2018. [xxix] This represents a 21.9 percent increase from 2012 ($10.27 billion).

North Carolina Income Tax Revenue (2012-2018)

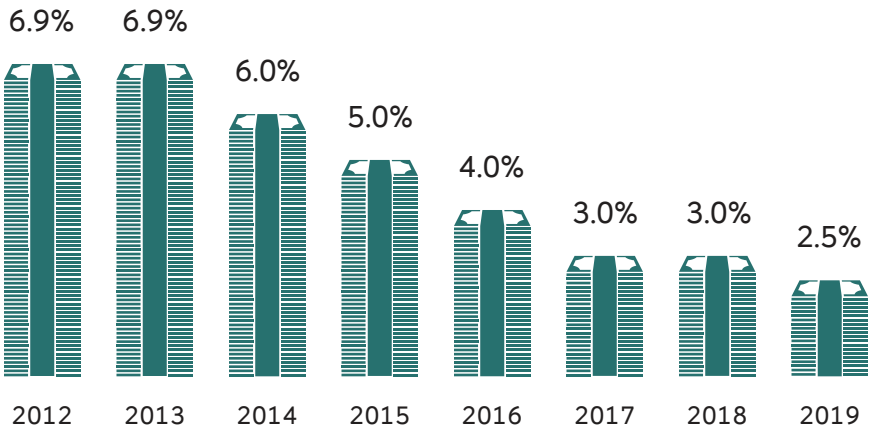


Source: North Carolina Department of Revenue.

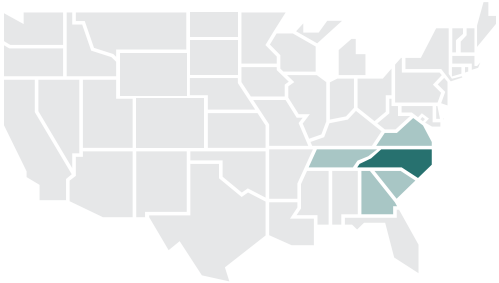
North Carolina Corporate Income Taxes

- Since 2012, NC corporate taxes declined from 6.9% (2012) to 2.5% (2019). Revenue collected from the corporate tax declined from $1,132,871,164 (2011-2012) to $739,045,213 (2017-2018).[xxx]

North Carolina Top Marginal Corporate Tax Rates (2012-2019)*



Source: Corporate Income Tax Rates, Tax Foundation for selected years.



North Carolina has the lowest rate of any state that taxes corporate income. [xxxi]

Corporate Tax Rates in North Carolina and Neighboring States (2012 and 2019) [xxxii]

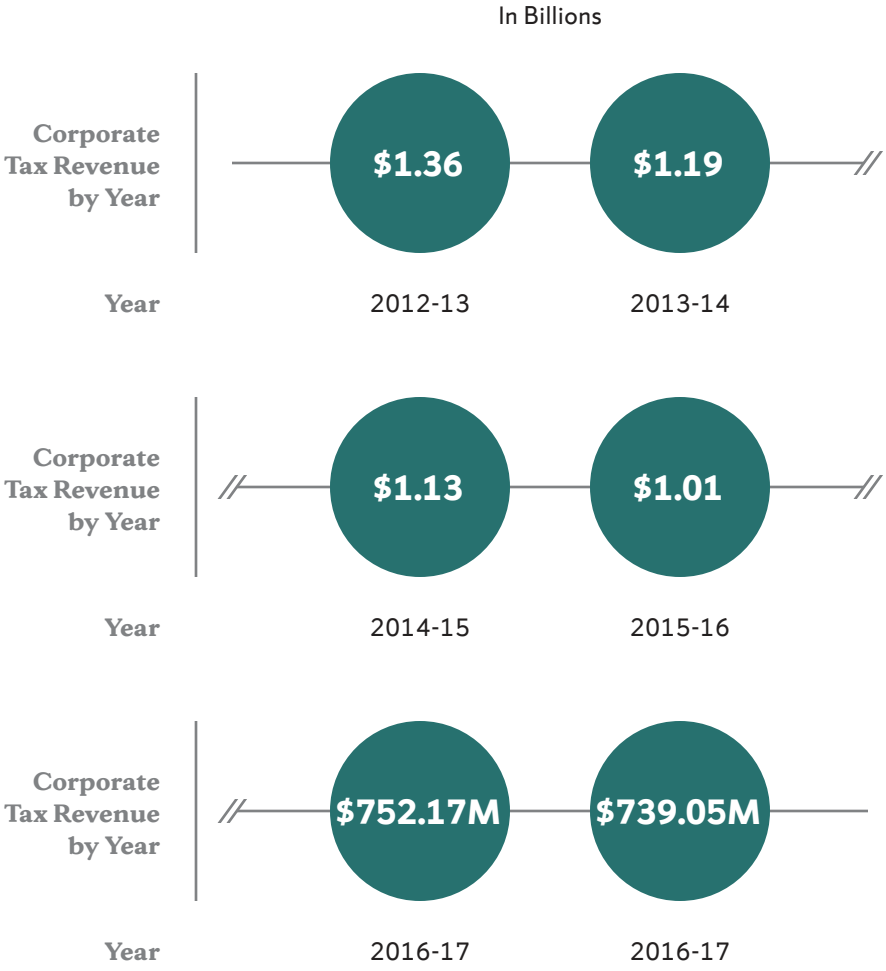
State	Top Corp Tax Rate (2012)	U.S. Ranking	North Carolina and Neighboring States Ranking
Georgia	6.00%	9	2
North Carolina	**6.90%**	**29**	**5**
South Carolina	5.00%	10	3
Tennessee	6.50%	13	4
Virginia	6.00%	6	1

Source: State Corporate Income Tax Rates (for specific years), published by Tax Foundation.

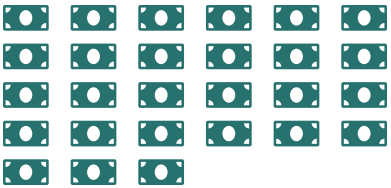
State	Top Corp Tax Rate (2019)	U.S. Ranking	North Carolina and Neighboring States Ranking
Georgia	5.75%	16	3
North Carolina	**2.50%**	**7**	**1**
South Carolina	5.00%	14	2
Tennessee	6.50%	27	5
Virginia	6.00%	21	4

Source: State Corporate Income Tax Rates (for specific years), published by Tax Foundation.

North Carolina Corporate Tax Revenue by Year



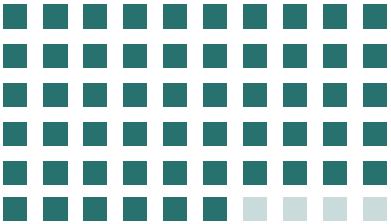
Source: North Carolina Department of Revenue.



$27 billion

The total tax revenue collected in North Carolina in 2018 was $27 billion.

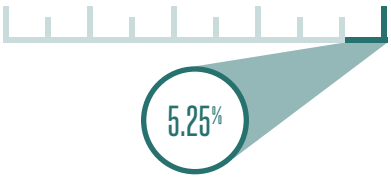
Source: page 30



56.0%

Income and corporate taxes account for 56% of all General Fund revenue.

Source: page 29



5.25%

The top marginal rate for individual income taxes in North Carolina is 5.25%.

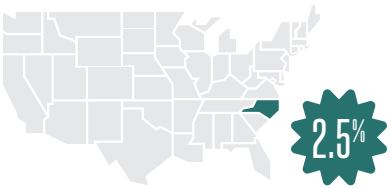
Source: page 31



21.9%

Since passage of tax legislation, revenue from income tax has increased 21.9%.

Source: page 33



2.5%

The corporate tax rate is 2.5%, which is the lowest of any state that has a corporate income tax.

Source: page 34

SECTION
05

North Carolina Business Climate

Businesses respond to changes in tax code



North Carolina Corporate Income Taxes

- Second Lowest Total Effective Business Tax Rate in FY18
  Source: 2019 Ernst and Young. [xxxiii]
- 5th Lowest Business Tax Share
  Source: 2019 Ernst and Young
- Lowest Tax Rate among states that tax corporate income
  Source: Tax Foundation, 2019.

1st overall

North Carolina ranks as FORBES' Best State for Business for the third straight year (2017-2019 Rankings

15th overall

North Carolina is the 15th most competitive business tax climate by the Tax Foundation, up from 44th in 2012

3rd overall

North Carolina is the 3rd most competitive business tax climate by Corporate Income Tax

Source: 2019 Business Climate Rankings, Site Selection, and 2020 State Business Tax Climate Index, Tax Foundation. [xxxiv]

What Do Others Say?

NC has the best business climate in the U.S.

North Carolina ranks as FORBES' Best State for Business for the third straight year (2017 was its first time on top). With one of the highest net migration rates in the U.S., people have been flocking to North Carolina for the past decade. The state has the smallest union workforce in the U.S. in terms of percent of total employment. The resulting benefit is labor costs that are 8% below the national average—sixth lowest in the country. North Carolina has ranked in the top five overall for 14 straight years

North Carolina ranks no. 1 when it comes to the economy.

While economic growth here pales in comparison to Washington and Utah, no state's economy is on more solid ground than the Tar Heel state. The housing market is healthy and state finances are sound. The state attracted some $2.6 billion in venture capital in 2018, the 6th highest figure in the nation. It is also attracting skilled workers, who are moving to North Carolina in droves.

CNBC, July 10, 2019 [xxxvi]

NC no. 9 for wage growth.

North Carolina is among the leading states in wage growth, according to Business Insider's ranking that used data from the Bureau of Economic Analysis. North Carolina is tied with Georgia at No. 9, with an increase of 3.8 percent in earnings.

Triad Business Journal, April 2, 2018 [xxxvii]

NC is blueprint for tax reform.

In 2012, North Carolina suffered from sluggish growth and an unemployment rate of almost 10%. So, state lawmakers did the obvious thing to kick-start the economy: They cut taxes. Starting in 2013, Raleigh legislators passed a series of reforms that reduced the personal income tax rate by 30% and the corporate tax rate by 63%. Fast-forward to today, and the unemployment rate has been cut in half. The American Legislative Exchange Council now ranks North Carolina third in the nation for its economic outlook, up from 22nd in 2013. Over the same period, the state's business tax climate has shot up from 44th in the country to 11th, according to the Tax Foundation. North Carolina is likely to fare even better after passing its latest budget, which should serve as a model to reformers across the country.

Investor's Business Daily, February 16, 2018 [xxxviii]

NC top life science state in job growth and wages.

North Carolina's life sciences promotion policies have played a pivotal role in placing it ahead of other states when it comes to job growth in the industry known for lucrative wages, a new report says. In an increasingly competitive environment - both nationally and internationally - for such jobs, those policies will be increasingly important moving forward. According to the International Technology & Innovation Foundation report, called "Growing the Future: State Efforts to Advance Life Sciences," U.S. companies employed 1.2 million people in life sciences in 2016. "Employment in North Carolina grew the fastest, at 46 percent, or over 12,900 jobs," the report states.

Triangle Business Journal, February 12, 2018 [xxxix]

SECTION
06

North Carolina State Government

Strong economy and prudent spending improve state's fiscal condition



$23.9 billion

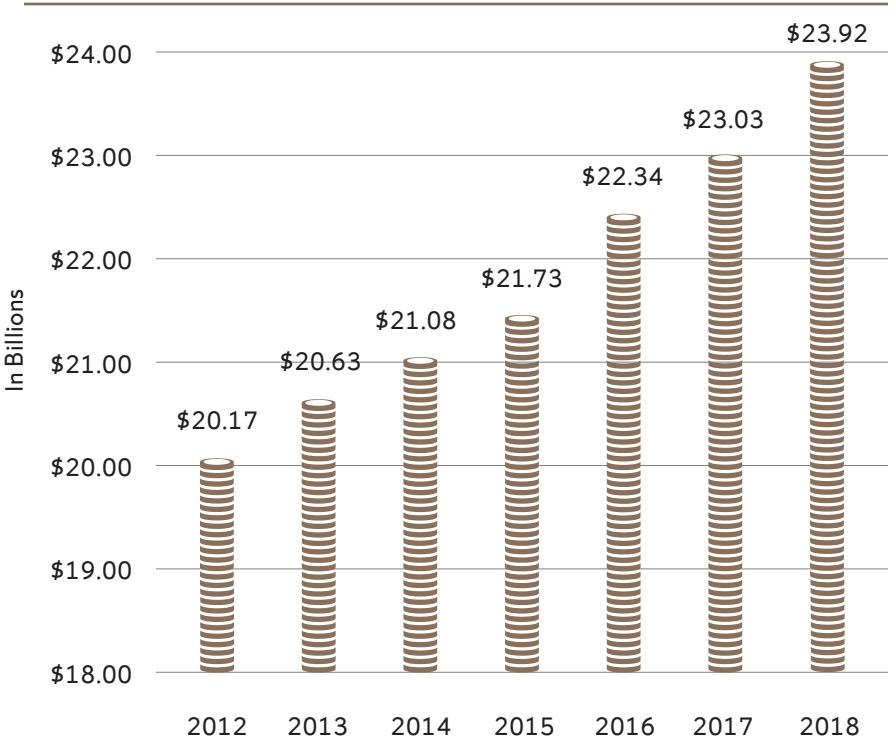
NC had a $23.9 billion state budget in 2018.[xl]

52.2 government employees per 10,000

North Carolina has 52.2 government employees per 10,000 population[xli]

Source: 2018 Annual Survey of Public Employees and Payroll, U.S. Census

North Carolina State Budget



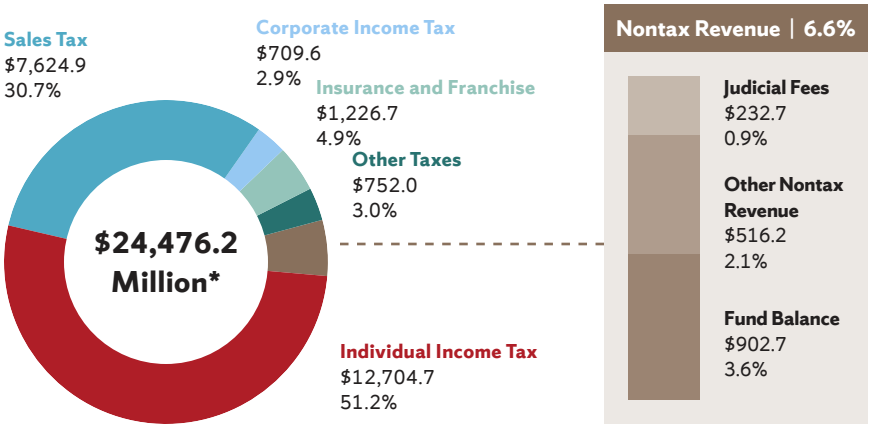
Source: Joint Conference Committee Report on the Base, Capital and Expansion Budget, for specific years.

2.9%

Since 2012, the North Carolina state budget grew at an average annual rate of 2.9%.

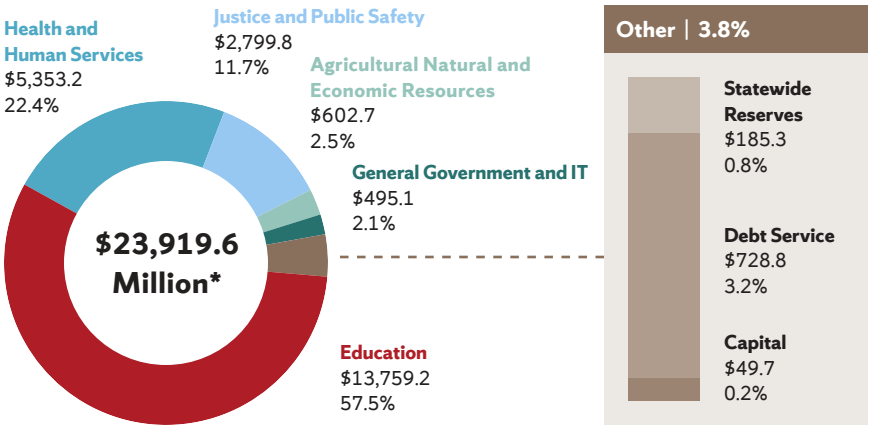
Source: Joint Conference Committee Report on the Base, Capital and Expansion Budgets, for selected years. Fiscal Research Division of North Carolina General Assembly.

State Budget: Where Does the Money Come From? (Fiscal Year 2018-19 Budget)



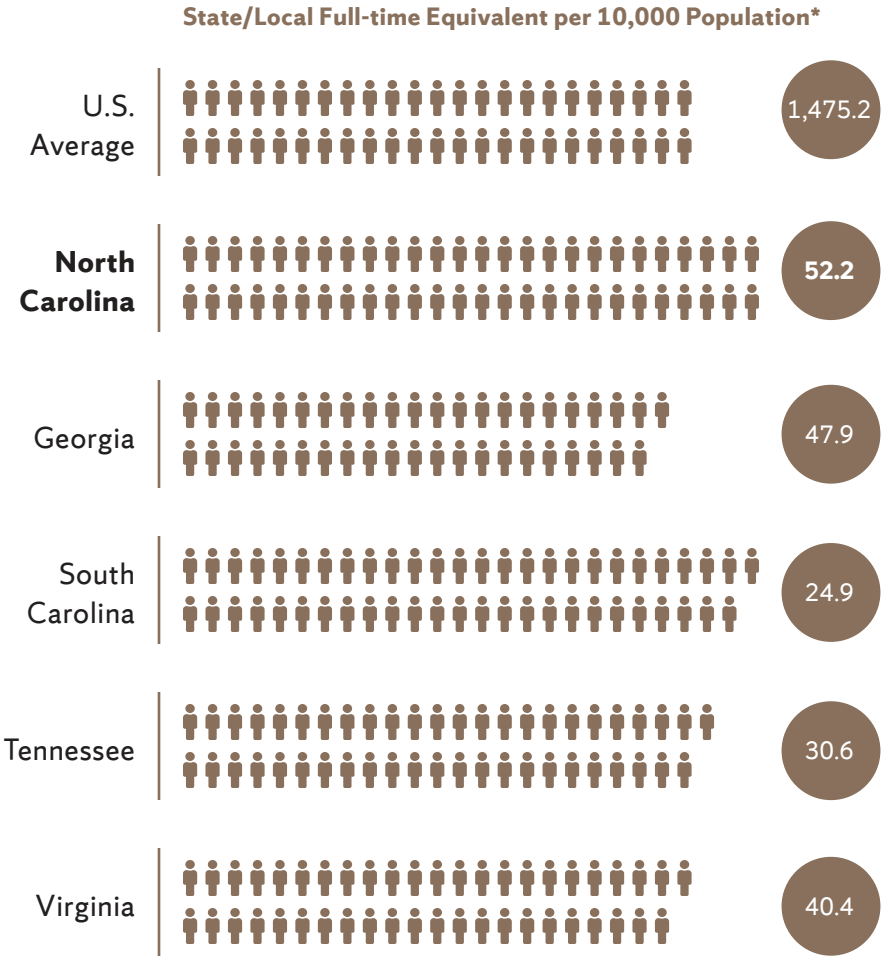
Source: Fiscal Research Division, North Carolina General Assembly.
**Net of $356.6 million transfer to Medicaid Transformation Reserve and Savings Reserve; reflects general purpose revenue and does not include agency receipts.*

State Budget: Where Does the Money Go? (Fiscal Year 2018-19 Budget)



Source: Fiscal Research Division, North Carolina General Assembly, 2018.
**General Funds appropriations made from general purpose revenue; does not include appropriations made from agency receipts.*

Number of Government Employees (2018)



Source: 2018 Annual Survey of Public Employment & Payroll, U.S. Census.

State and Local Government Gross Public Debt in 2018, Ranked by Percentage of GDP [xlii]

New York State

HIGHEST DEBT

21.52%

8.28% State Debt
13.23% Local Debt

Wyoming

LOWEST DEBT

4.62%

1.87% State Debt
2.75% Local Debt



North Carolina

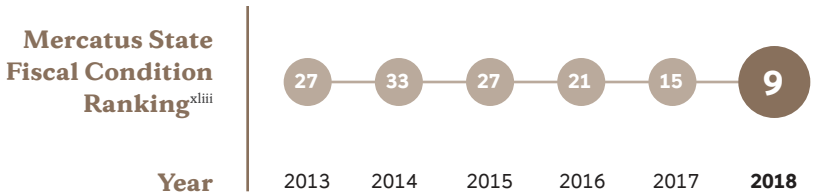
4TH LOWEST DEBT

7.40%

2.65% State Debt
4.74% Local Debt

State Fiscal Condition in 2018

- Mercatus Center Ranking North Carolina's Fiscal Condition
- 50 states and Puerto Rico ranked in terms of the state's fiscal condition



Source: State Fiscal Rankings (2018), Mercatus Center

North Carolina Fiscal Rankings (2018) [xliv]

23rd
Cash Solvency

2nd
Budget Solvency

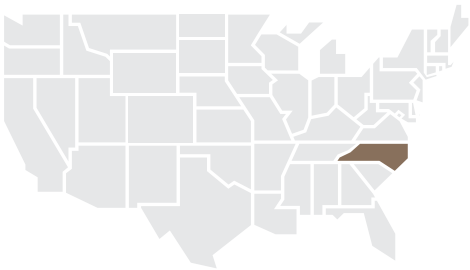
8th
Long-Run Solvency

16th
Service Level Solvency

14th
Trust Fund Solvency

Source: Mercatus Center: Ranking the States by Fiscal Condition (2018).

Assessing State Government: Administration



North Carolina ranked 22nd of Best and Worst Run States in America (2018) [xlv]

North Carolina Administration Rankings (2018) [xlvi]

3.9%
Unemployment
(25th Highest)

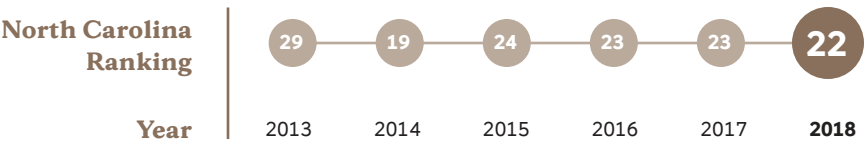
90.7%
Pension Funded Ratio
(6th Highest)

AAA
Credit Rating and
Outlook (Stable)

14.0%
Poverty
(15th Highest)

2.4%
GDP growth
(25th highest)

Best and Worst Run States in America



Source: 24/7 Wall Street, for specific years.

North Carolina State Budget Highlights (2018) [xlvii]

The modified FY 2018-19 budget represents a 3.9% increase over the FY 2017-18 budget and a 1.1% increase over the budget originally enacted for FY 2018-19 during the 2017 Session.

The 2018 budget provides salary increases and benefit enhancements totaling over $208 million including:

2.0%↑	A 2% salary increase for State employees, excluding University of North Carolina (UNC) employees,
$20 million	$20 million to provide salary increases to UNC employees based on the priorities and discretion of the UNC Board of Governors,
< $31,200	A minimum salary of $31,200 for full-time, permanent State employees,
$24.1 million	$24.1 million to provide salary increases to local community college employees based on the priorities of the State Board of Community Colleges,
2.0%↑	A 2% salary increase for noncertified personnel of local school districts,
6.9%↑	A 6.9%, increase in the principal salary schedule, and,
$70/mo ↑	A $70 per month increase to the base teacher salary schedule salary for educators with 25 or more years of experience.

The Appropriations Act of 2018 establishes the School Safety Grants Program and provides an additional $28 million to enhance public school safety. Under the supervision of the Superintendent of Public Instruction, the additional funding will:

$5 million ↑

- Expand the number of school resource officers in public middle and elementary schools by increasing the State's School Resource Office grant program from $7 million to $12 million;

$2 million

- Serve students in crisis by providing $2 million in grants for private or nonprofit organizations that partner with local education agencies (LEAs);

$3 million

- Help train students to develop healthy responses to trauma and stress by providing $3 million in grants for community partners;

$3 million

- Enhance school safety by providing $3 million in grant funds to LEAs, regional schools, innovative schools, and lab schools to purchase safety equipment, such as interlocking door systems and cameras;

$10 million

- Increase mental health services in public schools by providing $10 million for grants to LEAs to employ additional school mental health personnel; and

$5 million

- Provide access to the State's anonymous safety tip line by providing $5 million for full implementation of the application to all public secondary schools.

The Appropriations Act of 2018 includes an additional $60 million for disaster recovery, bringing the total in State recovery funds to approximately $360 million appropriated since the original Disaster Recovery Act of 2016.

8.3%

According to the Pew Charitable Trusts, the current reserve balance is $1.8 billion, or 8.3 percent of annual spending. This fund ranks 14th in the country for the number of days it could sustain state government operations. [xlviii]

2.9%

The average annual growth rate of the North Carolina state budget since 2012 is 2.9%.

Source: Joint Conference Committee Report on the Base, Capital and Expansion Budgets, for selected years. Fiscal Research Division of North Carolina General Assembly.



52.2 per 10,000

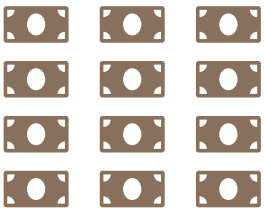
North Carolina has 52.2 government employees per 10,000 population; highest in the Southeast.

Source: 2018 Annual Survey of Public Employment & Payroll, U.S. Census.

9th

North Carolina ranks 9th in the U.S. for fiscal condition.

Source: Mercatus Center at George Mason University, 2018.



$1.25 billion

The balance in North Carolina's "Rainy Day" fund is $1.25 billion as of Spring, 2019.

Source: Fiscal Survey of the States, (See Table 31), National Association of State Budget Officers, Spring 2019.

SECTION
07

North Carolina Education

Focus on better outcomes, higher teacher pay and expanding education options.



$13.9 billion

North Carolina public schools spent $13.9 billion on education in 2018-19.

$9.4 billion | **State Funding (2018-19)**

$9,865 | **Average Per Pupil Expenditure (2018-19)**

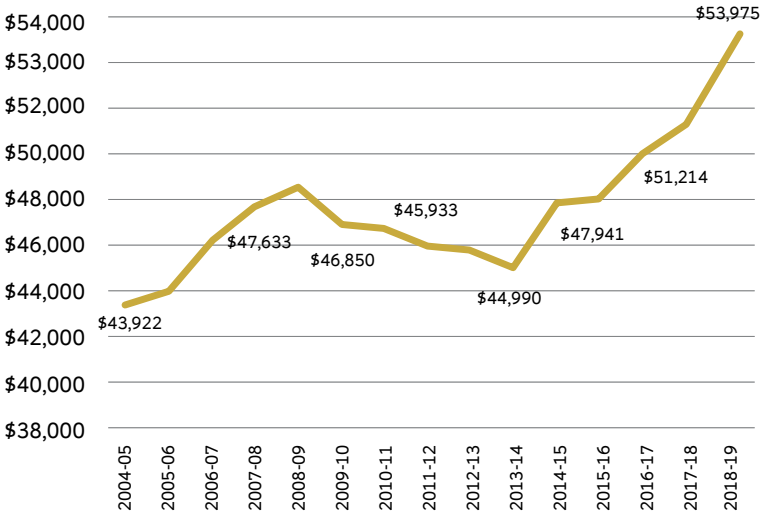
Source: Statistical Profile, Public Schools of North Carolina.

By the Numbers: North Carolina Public Schools (2018-19)

Traditional Public Schools		Charter Schools	
Total Number	2,455	184	Total Number
Student Enrollment	1,444,537	111,604	Student Enrollment
Teachers	93,411	6,939	Teachers
Total Staff	173,266	10,744	Total Staff
State Funds	$8.7 billion	$674.3 million	State Funds

Source: Highlights of the North Carolina Public School Budget, 2019, published by North Carolina Department of Public Instruction.

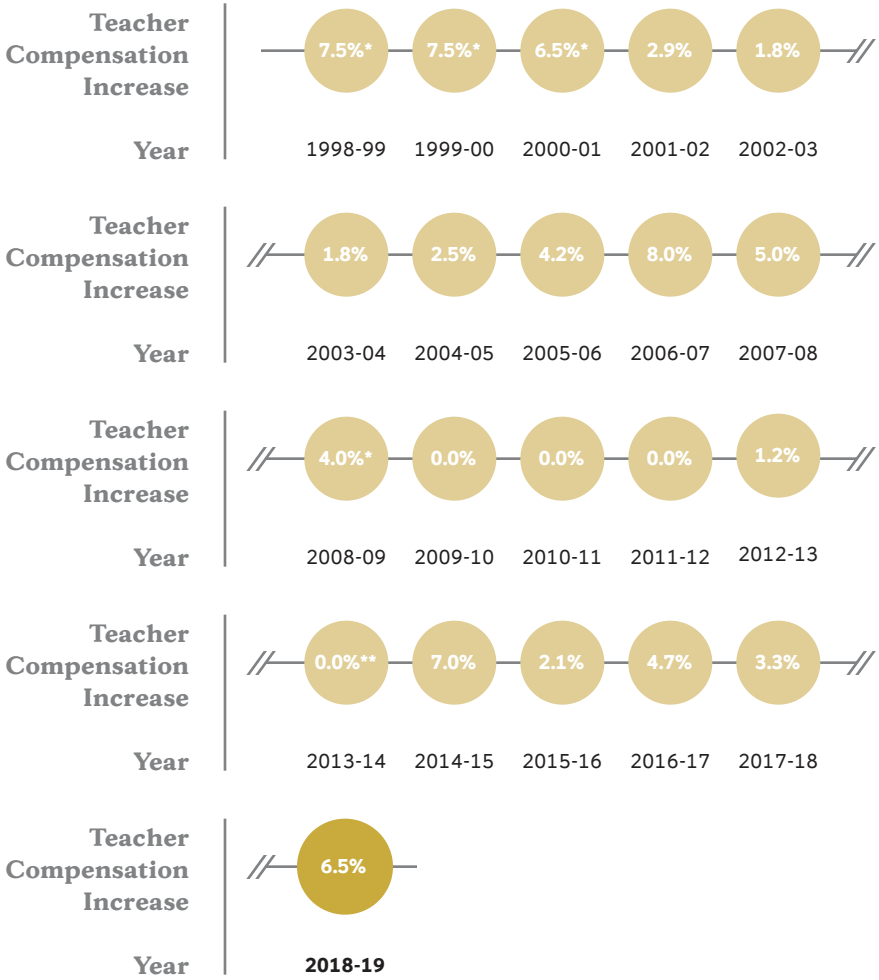
North Carolina Average Teacher Salary



- The North Carolina average teacher salary in 2018-19 was $53,975.

Source: Highlights of the North Carolina Public School Budget, 2019, published by North Carolina Department of Public Instruction.
**2018-19 figure based on an estimate made before the end of the 2018-19 school year.*

North Carolina Average Teacher Compensation Increase (1997-98 to 2017-18)



Source: Highlights of the North Carolina Public School Budget, 2019, published by North Carolina Department of Public Instruction.
**Teachers received varying raises depending on years of experience.*
***Full-time state employees received an additional 5 days vacation.*

Change in Average Teacher Compensation for NC Teachers 2009-2019

		2009	2019
Salary	Average NC Teacher Salary	$48,454	$53,975
Benefits	Health Insurance	$4,157	$6,104
	Retirement Benefits	$3,944	$10,179
	Social Security	$3,706	$4,129
	Total Benefits	$11,807	$20,412
Compensation	Total Compensation	$60,261	$74,837
	Benefits as % of Total Comp.	19.5%	27.4%

Source: Highlights of the North Carolina Public School Budget (for specific years), published by the North Carolina Department of Public Instruction

Public School Funding

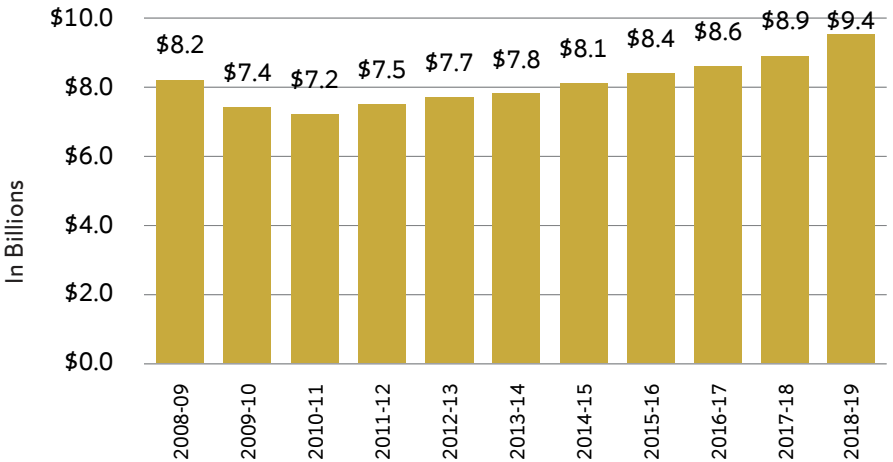
63.1%
State Funding

10.7%
Federal Funding

26.2%
Local Funding

Source: Highlights of the North Carolina Public School Budget, February 2019, published by the North Carolina Department of Public Instruction.

North Carolina General Fund Appropriations for K-12 Public Education in current dollars



Source: Statistical Profile Online, North Carolina Public Schools

Public School Funding (2017-18)

$10.19 billion

Total State Funding Requirements for Education

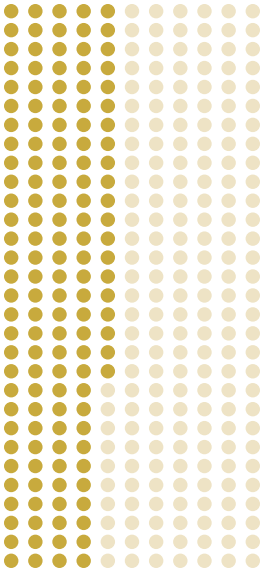
$9.44 billion

State Funding

- Difference of $754.7 million funded by receipts (Civil Penalties, Lottery Fund, Sales Tax Refund, Highway Fund, Surplus Sales)

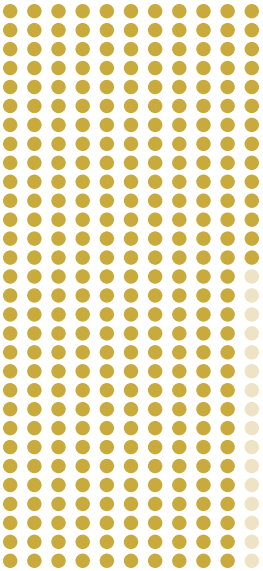
Source: Highlights of the North Carolina Public School Budget, 2019, published by North Carolina Department of Public Instruction

Other Funding for North Carolina K-12 Education



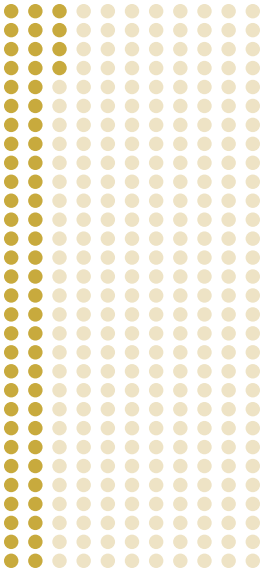
$1.4 billion[xlix]

Federal Funding



$3.4 billion[l]

Local Funding



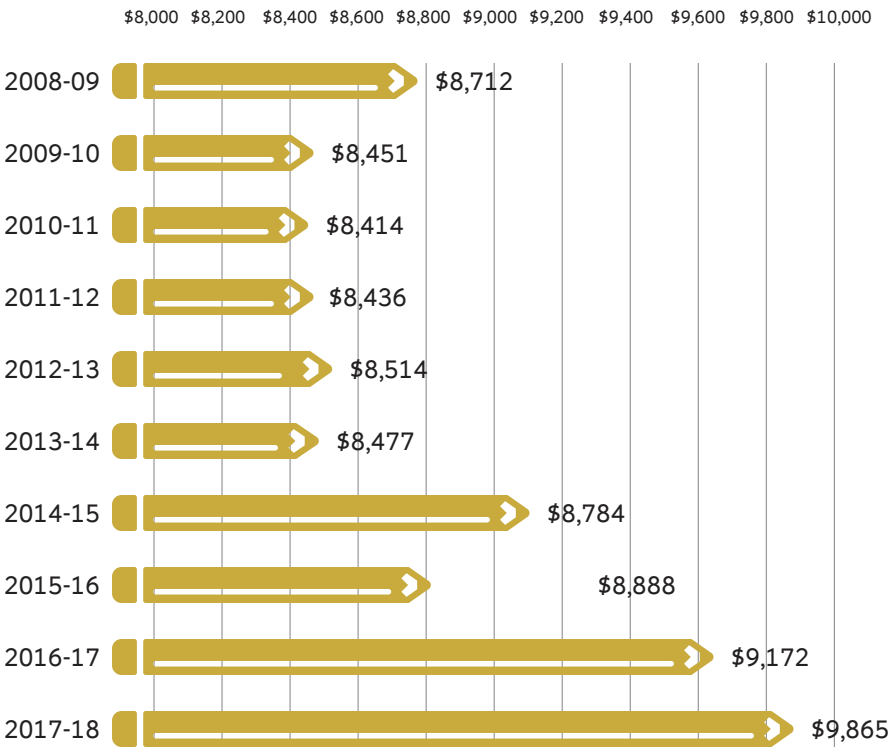
$642 million[li]

Revenue from North Carolina Education Lottery

$9,865

In 2018, North Carolina spent $9,865 per pupil

North Carolina Per Pupil Expenditures for K-12 Public Schools in current dollars



Source: Statistical Profile Online, North Carolina Public Schools.

ACT Academic Performance (2018)

North Carolina		U.S.	
Composite Mean	19.1	20.8	Composite Mean
English Mean	18.0	20.2	English Mean
Percentage Met English Benchmark	46%	60%	Percentage Met English Benchmark
Math Mean	19.3	20.5	Math Mean
Percentage Met Math Benchmark	31%	40%	Percentage Met Math Benchmark
Reading Mean	19.5	21.3	Reading Mean
Percentage Met Reading Benchmark	35%	46%	Percentage Met Reading Benchmark
Science Mean	19.2	20.7	Science Mean
Percentage Met Science Benchmark	25%	36%	Percentage Met Science Benchmark

Source: ACT Profile Report.

ACT Profile Report, 2018

State	Percentage of Graduates Tested	Average Composite Score	Average English Score	Average Math Score	Average Reading Score	Average Science Score
U.S. Average	52%	20.8	20.2	20.5	21.3	20.7
North Carolina	**100%**	**19.1**	**18.0**	**19.3**	**19.6**	**19.2**
Georgia	55	21.4	20.9	20.7	22.1	21.2
South Carolina	100%	18.3	17.3	18.2	18.6	18.5
Tennessee	100%	19.6	19.4	19.1	19.9	19.6
Virginia	24	23.9	23.8	23.3	24.7	23.5

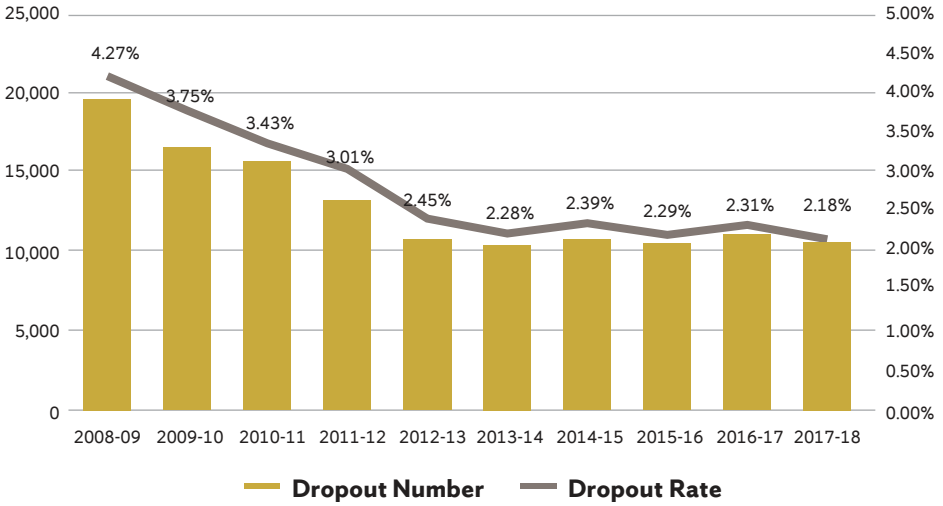
Source: ACT Profile Report.

SAT Academic Performance (Class of 2019)

North Carolina		U.S.	
Verbal Mean	554	531	Verbal Mean
Math Mean	546	528	Math Mean
Total Mean	1100	1059	Total Mean
Test Takers	54,462	2,220,087	Test Takers

Source: 2019 SAT Suite of Assessments Annual Report.

North Carolina Dropout Number and Rate by School Year (2008-09 to 2017-18)



Source: North Carolina Department of Public Instruction, Consolidated Data Report 2017-18

For school year 2017-18....

86.5%

4-Year High School Graduate Rate

2.18%

Dropout Rate

10,717

Number of Dropouts

Source: Discipline, ALP and Dropout Annual Report, for specific years, NC Public Schools.

North Carolina Graduation Rates by Category (2018-19)

Subgroups	Graduated	Total	Percentage
All Students	105,481	121,943	86.5%
Male	52,148	62,453	83.5%
Female	53,363	59,490	89.7%
American Indian	1,237	1,523	81.2%
Asian	3,301	3,493	94.5%
Black	26,386	31,524	83.7%
Hispanic	15,574	19,203	81.1%
Two or More Races	4,007	4,776	83.9%
White	54,922	61,297	89.6%
Economically Disadvantaged	38,796	47,428	81.8%
Limited English Proficiency	4,878	6,832	71.4%
Students with Disabilities	10,724	15,364	69.80%
Academically Gifted	-	19,734	>95.0%

Source: North Carolina Department of Public Instruction.

Changes in North Carolina School Enrollment (2008-09 to 2018-19)

	2018-19	2008-09
Total Enrollment	**1,800,578**	**1,652,176**
Change	148,402	-
Percentage Change	**+9%**	-
Traditional Public Schools	**1,444,537**	**1,441,872**
Change	2,665	-
Percentage Change	**+0.2%**	-
Percentage of Total Enrollment	80.2%	87.3%
Charter Schools	**111,604**	**34,694**
Change	76,910	-
Percentage Change	**+221.7%**	-
Percentage of Total Enrollment	6.2%	2.1%
Private Schools	**102,400**	**98,545**
Change	3,855	-
Percentage Change	**+3.9%**	-
Percentage of Total Enrollment	5.7%	6.0%
Home Schools	**142,037**	**77,065**
Change	64,972	-
Percentage Change	**+84.3%**	-
Percentage of Total Enrollment	7.9%	4.7%

Source: North Carolina Department of Public Instruction and Office of Non-Public Education, North Carolina Department of Administration.

Private School Choice Programs

Opportunity Scholarship Program

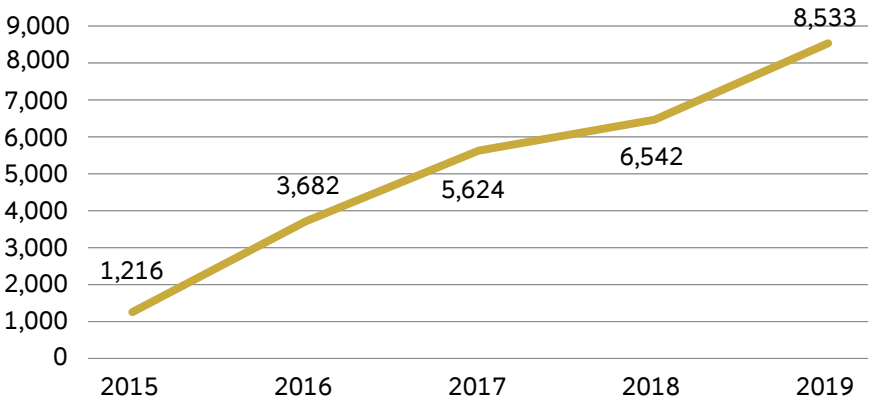
Started in 2014, the Opportunity Scholarship Program provides low and middle-income student up to $4,200 per academic year, for private school tuition.

8,533
Students Participating

$4,062
Average Annual Award

405
Schools Participating

North Carolina Opportunity Scholarship Recipients (2016-19)



Source: ABCs of School Choice, 2019 Edition, published by edchoice.org.

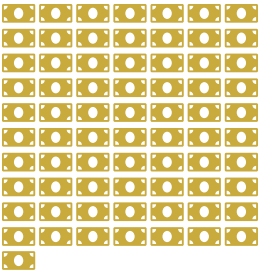
Special Needs Scholarship

Started in 2014, the Special Needs Scholarship provides vouchers of up to $4,000 per semester for private school tuition.



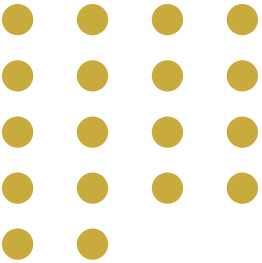
1,245

Students Participating



$7,129

Average Annual Award

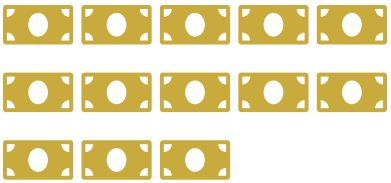


185

Schools Participating

Personal Education Savings Account

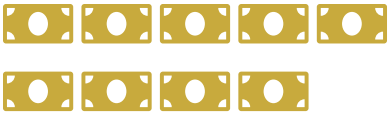
Started in 2018, the Personal Education Savings Account provides parents of special needs students accounts of up to $9,000 to use for tuition, other educational expenses or therapies. The program began operating in the Fall of 2018. The Personal Education Savings Account and the Special Needs Scholarship will be combined into one program beginning in 2020.



$13.9 billion

The total amount North Carolina public schools spent to educate students in 2018-19 was $13.9 billion.

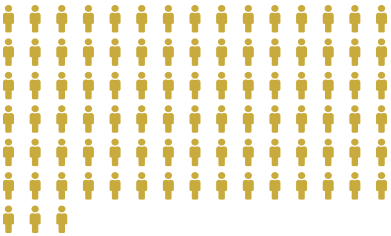
Source: p. 52



$9,865

The North Carolina per pupil spending in 2018-19 was $9,865.

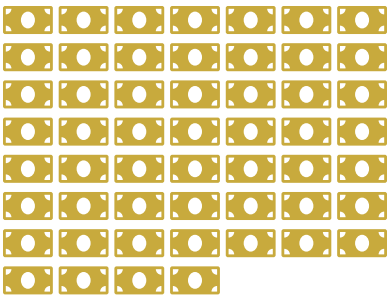
Source: p. 58



93,400

There were over 93,100 North Carolina public school teachers in 2018-19.

Source: p. 53



$53,975

The average North Carolina teacher salary in 2018-19 was $53,975.

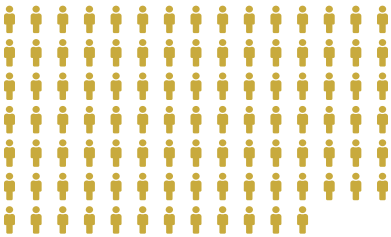
Source: p. 53



7%

The percentage decline from 2008-09 to 2018-19 in traditional public school enrollment as a percent of total K-12 enrollment.

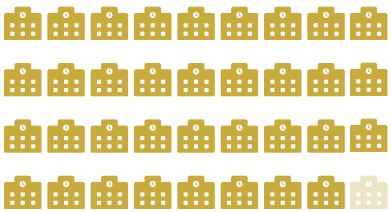
Source: p. 63



111,604

There were 107,172 students in charter schools in 2018-19.

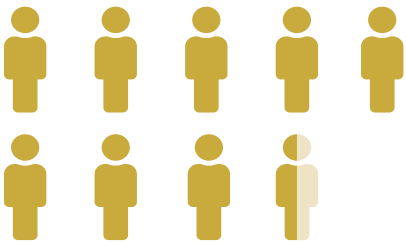
Source: p. 63



356,041

Students attending charter, private and home schools in North Carolina in 2018-19.

Source: p. 63



8,533

Recipients of the North Carolina Opportunity Scholarship in 2018-19.

Source: p. 64

SECTION
08 Endnotes

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[ii] *NC Office of State Budget and Management. 2018. Projected Population Change in North Carolina Counties: 2010-2020. December 3. https://files.nc.gov/ncosbm/demog/countygrowth_2020.html.*

[iii] *United States Census Bureau. 2018. Nevada and Idaho Are the Nation's Fastest-Growing States. December 19. https://www.census.gov/newsroom/press-releases/2018/estimates-national-state.html.*

[iv] *U.S. Census Bureau. 2018. Quick Facts, North Carolina. July 1. https://www.census.gov/quickfacts/fact/table/NC/HSG860217#HSG860217.*

[v] *U.S. Census Bureau via FRED. Access online at: https://fred.stlouisfed.org/series/MEHOINUSNCA672N.*

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[vii] *U.S. Census Bureau. Access online at: https://www2.census.gov/programs-surveys/popest/tables/2010-2018/state/totals/nst-est2018-01.xlsx.*

[viii] *Rebecca Tippett, UNC Carolina Demography Blog, December 20, 2018. Access online at: https://www.ncdemography.org/2018/12/20/2018-marks-third-straight-year-of-100k-population-gains-for-nc/.*

[ix] *Bureau of Economic Analysis, U.S. Department of Commerce, Gross Domestic Product by State, First Quarter 2019.*

[x] *World Economic Outlook database, International Monetary Fund. Access online at: https://www.imf.org/external/pubs/ft/weo/2019/01/weodata/download.aspx*

[xi] *Bureau of Labor Statistics, U.S. Department of Labor.*

[xii] *The Federal Reserve Bank of Richmond, Regional Economic Profiles - North Carolina. Available online at: https://www.richmondfed.org/~/media/richmondfedorg/research/regional_economy/reports/regional_profiles/pdf/nc_regional_profile.pdf*

[xiii] *Quarterly Census Employment and Wages, NC Department of Commerce. Access online at: https://d4.nccommerce.com/QCEWSelection.aspx.*

[xiv] *Ibid*

[xv] *Bureau of Labor Statistics, U.S. Department of Labor. Figures based on June of each year. Access online at: https://www.bls.gov/sae/tables/annual-average/home.htm.*

[xvi] *Bureau of Labor Statistics. Table D-6, Average hours and earnings of all employees on private farm payrolls, by state and metropolitan area, not seasonally adjusted. Access online at: https://www.bls.gov/web/laus/tabled6.pdf.*

[xvii] *Gross Domestic Product by State, Fourth Quarter and Annual 2018. Bureau of Economic Analysis, U.S. Department of Commerce. Access online at: https://www.bea.gov/system/files/2019-04/qgdpstate0519_4.pdf.*

[xviii] *Chained dollars is a method of adjusting real dollar amounts for inflation over time, to allow comparison of figures from different years. The U.S. Department of Commerce introduced the chained-dollars measure in 1996. Chained dollars generally reflect dollar figures computed with 2012 as the base year.*

[xix] *Total percentage change was calculated by subtracting the 2012 per capita real GDP from the 2018 per capita real GDP, and then dividing by the 2012 number. The average annual percentage change was calculated by using the same method to find the percentage change for each year, and then adding*

the annual percentage change statistics together and dividing by six.

[xx] *Bureau of Labor Statistics, U.S. Department of Labor. Access online at: https://www.bls.gov/lau/ex14tables.htm.*

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[xxii] *Statistical Abstract 2018, Part II Summary of State General Fund Revenue Collections, Table II, North Carolina Department of Revenue. Access online at: https://files.nc.gov/ncdor/documents/reports/advanceabstract_2018.pdf.*

[xxiii] *Ibid.*

[xxiv] *Bureau of Economic Analysis, U.S. Department of Commerce, GDP and Personal Income, Regional Data. Access online at: https://apps.bea.gov/iTable/iTable.cfm?acrdn=6&isuri=1&reqid=70&step=1#reqid=70&step=1&isuri=1.*

[xxv] *Statistical Abstract 2018, Part I Taxes and North Carolina Gross Domestic Product, Table I, North Carolina Department of Revenue. Access online at: https://files.nc.gov/ncdor/documents/reports/advanceabstract_2018.pdf.*

[xxvi] *State Individual Income Tax Rates and Brackets for 2019, Tax Foundation. Access online at: https://taxfoundation.org/state-individual-income-tax-rates-brackets-2019/#_ftn12*

[xxvii] *Regional Date, GDP and Personal Income. Bureau of Economic Analysis. Access online at: https://apps.bea.gov/itable/iTable.cfm?ReqID=70&step=1#reqid=70&step=1&isuri=1*

[xxviii] *State Individual Income Tax Rates and Brackets for 2019, Tax Foundation. Access online at: https://taxfoundation.org/state-individual-income-tax-rates-brackets-2019/#_ftn12*

[xxix] *Ibid.*

[xxx] *Regional Date, GDP and Personal Income. Bureau of Economic Analysis. Access online at: https://apps.bea.gov/itable/iTable.cfm?ReqID=70&step=1#reqid=70&step=1&isuri=1*

[xxxi] *State Corporate Income Tax Rates and Brackets for 2019, Tax Foundation. Access online at: https://taxfoundation.org/state-corporate-rates-brackets-2019/*

[xxxii] *Ibid.*

[xxxiii] *Total state and local business taxes, Ernst and Young, October 2019. Access online at: https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-studies-articles-reports/1909-3269660_50-state-tax-2019-final.pdf.*

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[xxxv] *2020 State Business Tax Climate Index, Tax Foundation. Access online at: https://files.taxfoundation.org/20191021155857/2020-State-Business-Tax-Climate-Index-PDF.pdf.*

[xxxvi] *"These are America's Top States for Business in 2019" by CNBC, July 10, 2019. Access online at: https://www.cnbc.com/2019/07/10/these-are-americas-top-states-for-business-in-2019.html.*

[xxxvii] *"See where North Carolina ranks in wage growth" by Triad Business Journal, April 2, 2018. Access online at: https://www.bizjournals.com/triad/news/2018/04/02/see-where-north-carolina-ranks-in-wage-growth.html.*

[xxxviii] *"North Carolina - Not Kansas - Is The Blueprint For State-Level Tax Reform" by Investor's Business Daily, February 16, 2018. Access online at: https://www.investors.com/politics/commentary/north-carolina-not-kansas-is-the-blueprint-for-state-level-tax-reform/.*

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[xliii] *Mercatus Center, State Fiscal Rankings, 2018. Access online at: https://www.mercatus.org/statefiscalrankings*

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[xlvi] *Ibid.*

[xlvii] *North Carolina General Assembly, Fiscal Research Division, NC 2018 Legislative Session Budget and Fiscal Policy Highlights. Access online at: https://www.ncleg.gov/FiscalResearch/fiscal_briefs/2018_Session_Budget_Fiscal_Briefs/Fiscal%20Brief_SL2018-5_Final_2018-07-18_frd.pdf*

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