



Our Dollars, Our Future

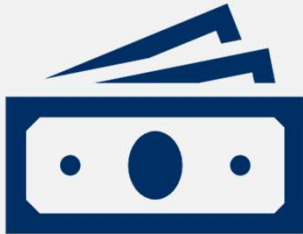
Trends & Opportunities to Align Public Budgets
with People's Priorities



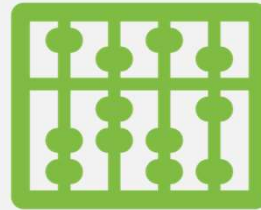
**North Carolina
Budget & Tax Center**

**Policy for and
by the people**

Agenda for Today



**Budgets
Matter**



The Budget Process



**FY23-25 Budget
in Context**



Our vision

We envision a state where every person can reach their full potential and achieve well-being through the support of trustworthy, anti-racist institutions and systems that we all participate in building.



Our mission



Document

fiscal and economic conditions



Connect

communities, leaders and those living with hardship to the policy process



Advance

proven solutions to achieve economic and racial justice in service to the common good



Budgets Matter

- **Thriving families**
- **Communities of opportunity**
- **Multi-racial democracy**



Budget Choices for the Past Decade Follow from Prioritizing Tax Cuts for the Wealthy

Public health workers are on the front lines of the fight against coronavirus. But they've bled resources for years.

Lawmakers often express respect for public health agencies, but the funding hasn't matched the rhetoric.

by Rose Hoban
March 24, 2020



EdNC

NC teacher shortage, more state school funding needed

"We don't have any teacher applicants for our vacancies," said two superintendents from rural North Carolina public school districts.

Aug 8, 2022



Source: NC Budget & Tax Center

NCBudget.org

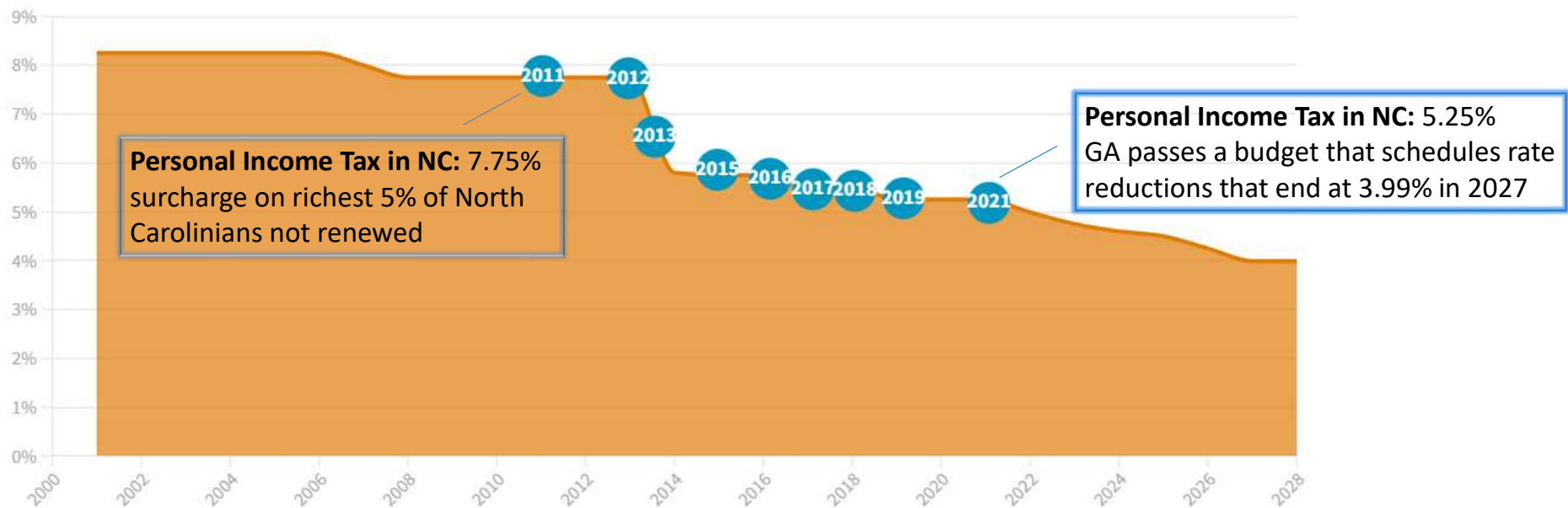
Tax changes since 2013



The Pathway to Zero: Eliminating the Tax on Personal Income

Since 2013, NC legislative leaders have been reducing the tax rate on income and making changes that have shifted the tax load from the wealthy to those with low wages. Subsequent actions by the General Assembly — like continued increases in the standard deduction or the threshold of income upon where the income tax rate is applied for most income tax filers — have not addressed the lower tax load carried by the richest 5 percent. Low- and middle-income North Carolinians now pay a total higher effective tax rate because of sales and property taxes.

Personal Income Tax Rate in NC



Source: NC Budget & Tax Center

NCBudget.org

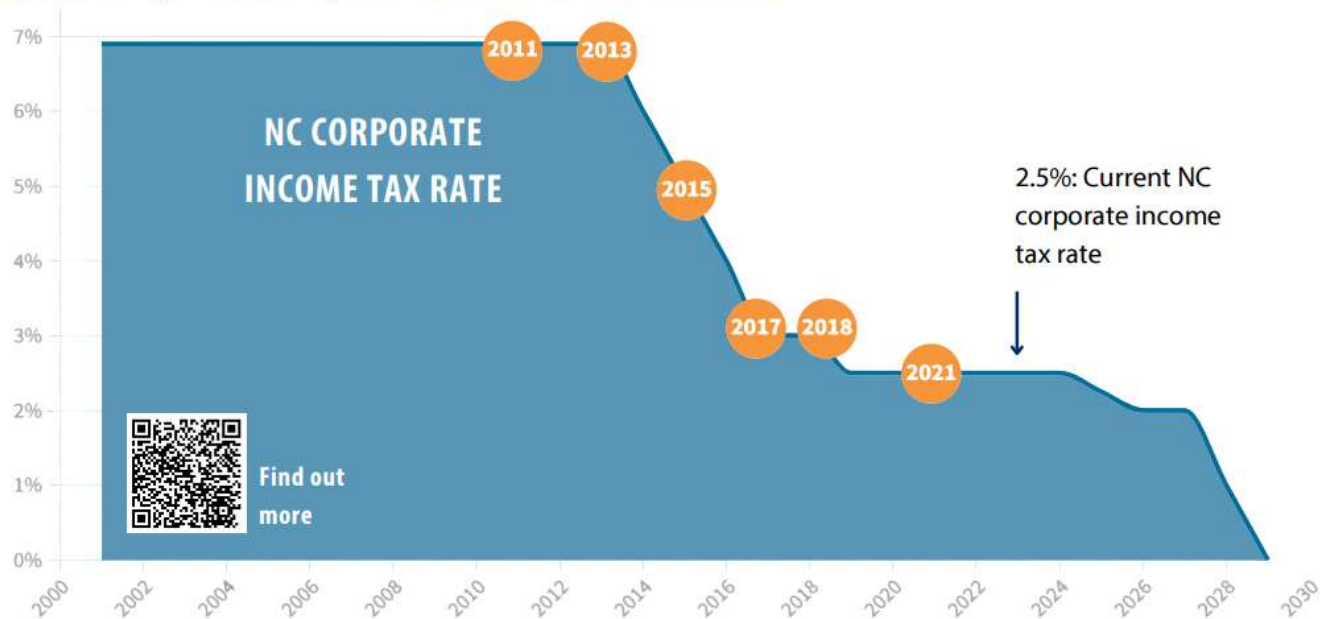
Tax changes since 2013



The Pathway to Zero: NC is Eliminating the Corporate Income Tax



North Carolina's income tax provides a critical source of public dollars to invest in opportunity across the state, but legislative leaders have been relentless in cutting the income tax rates for corporations. By 2030, the corporate income tax rate in NC will be zero.



Source: NCBudget.org

Source: NC Budget & Tax Center

NCBudget.org



**What impacts do you see
in your community from
public budgets?**



Building a better budget in North Carolina

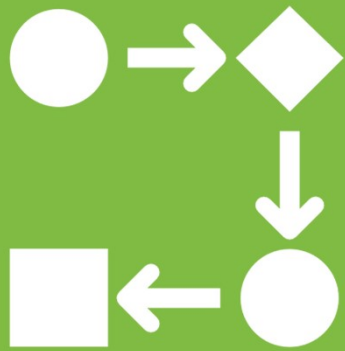


- Demanding a more transparent budget process
- Building the awareness of budget choices and their impact on our everyday lives
- Demanding a more equitable state tax code
- Making clear how public investments can lead to more equitable, anti-racist outcomes, and a stronger North Carolina

NCBudget.org



Budget Process



**Have you engaged in
the state budget
process before?**



Roadmap for State Budget Process

- Every two years the state puts together a two-year budget.
- In odd years, it is a long session to establish that biennial budget, and, in even years, it is a short session to consider revisions.
- Without a final budget, the state reverts to prior year spending with very few exceptions.

Key steps in the budget process



The Real Budget Process

Arbitrary spending cap
determined at the
outset

An incomplete analysis
of what tax decisions
will mean long-term

Final decision on
spending made by the
leaders of the House
and Senate, sometimes
with the Governor

Limited opportunity for
every legislator to ask
questions or debate

No or limited
opportunities for public
input

Limited review of needs
in community to set
priorities

Budget process becoming increasingly opaque

Early 2000s

- Budget discussed in substantive committees; chairs proposed funding priorities publicly
- Public comments often available on budget and finance matters

No final budget in 2019

- Rules changes mean rushed debate, limited time before floor votes blocks full analysis
- Budget proposals agreed to behind closed doors and presented as a conference report

2013/ Moral Mondays

- Opportunities for public comment diminished
- Spending targets set by legislators and dictate final budget development (2015 starts)



**FY 2023-25
Budget Development
in Context**

Biennial Budget Process 2023

March

- Governor's Recommended Budget Released
- Governor Budget Introduced as Legislation

April

- House Budget Proposal Released
- House Budget Introduced as Legislation
- Legislative Debate and Passage in Less than 1 Week

May

- Consensus Revenue Forecast Release
- Senate Budget

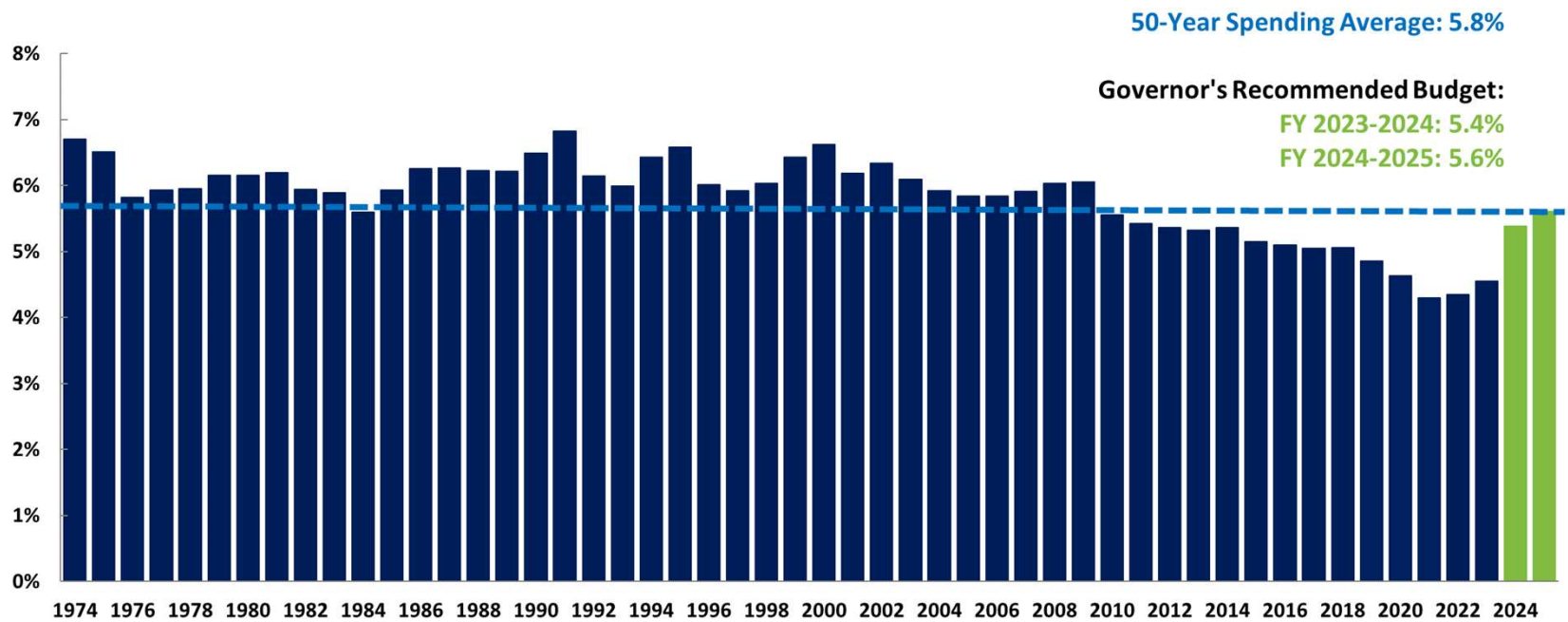
June

- Fiscal year ends



State spending billions below 50-year average

NC General Fund spending as a share of the state's economy

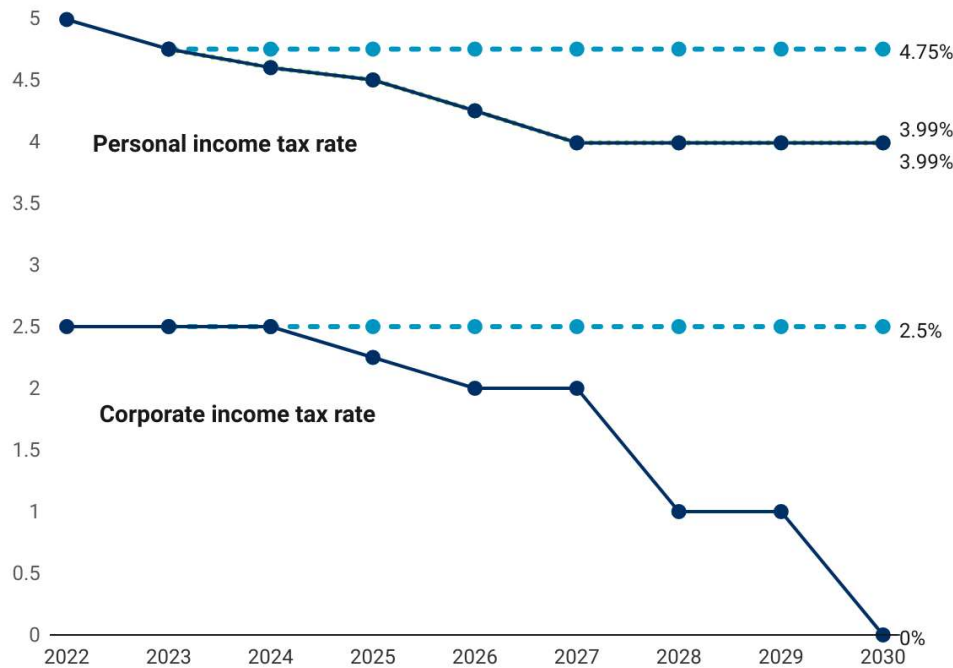


Sources: NC Budget & Tax Center analysis of 2023-2025 Governor's Recommended budget and prior enacted budgets, U.S. Bureau of Economic Analysis

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Governor's budget plan would stop personal income tax cuts for high income

Actual and proposed corporate and personal income tax rates in NC



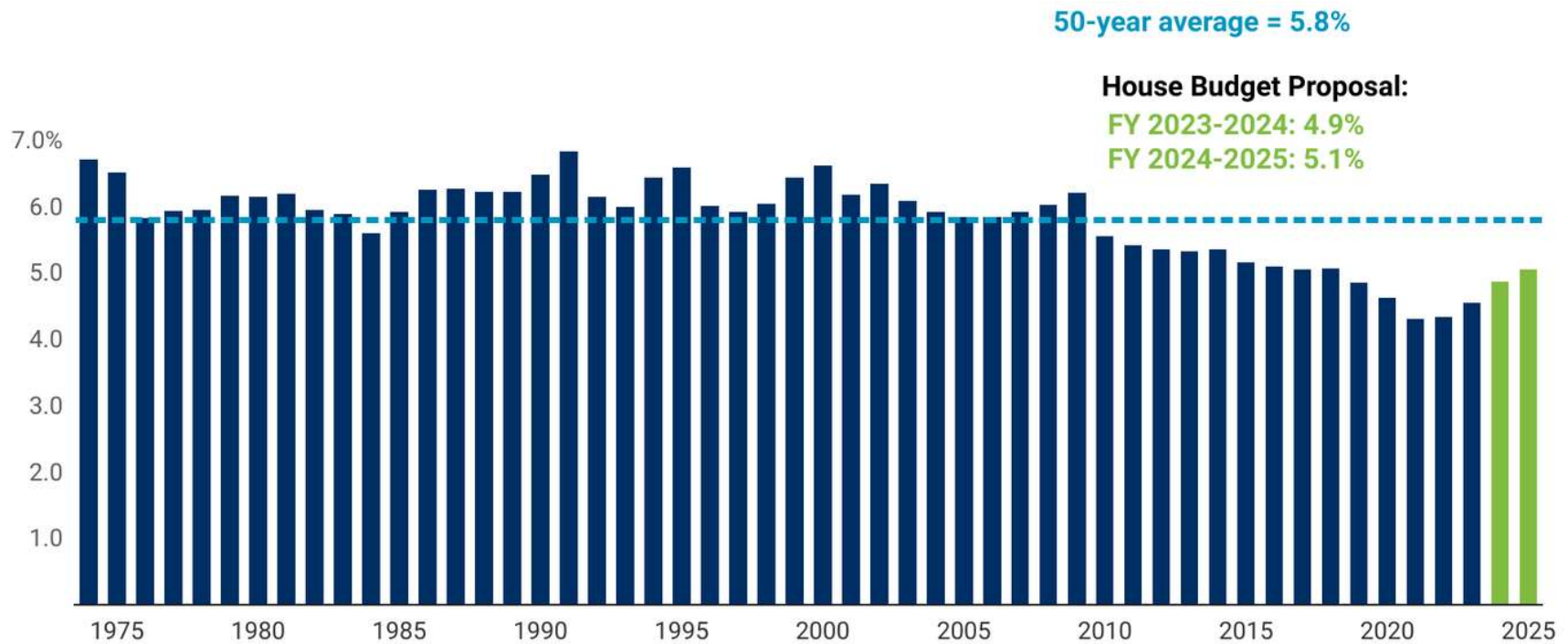
In the Governor's plan, those with incomes above \$200,000 who file joint income taxes or above \$100,000 for those who file as single, will pay a higher tax rate of 4.75% for all future years. However, North Carolinians with incomes below those thresholds will see their income tax rate decline to 4.6% in 2024 and 4.5% in 2025, the two years budgeted in this plan, and will continue to decrease until it reaches 3.99% in 2027, after which it will remain at that rate.

Sources: NC Budget & Tax Center analysis of Governor's Budget and S.L. 2021-180



NC House budget plan spends more than recent legislative lows

NC General Fund spending as a share of the state's economy

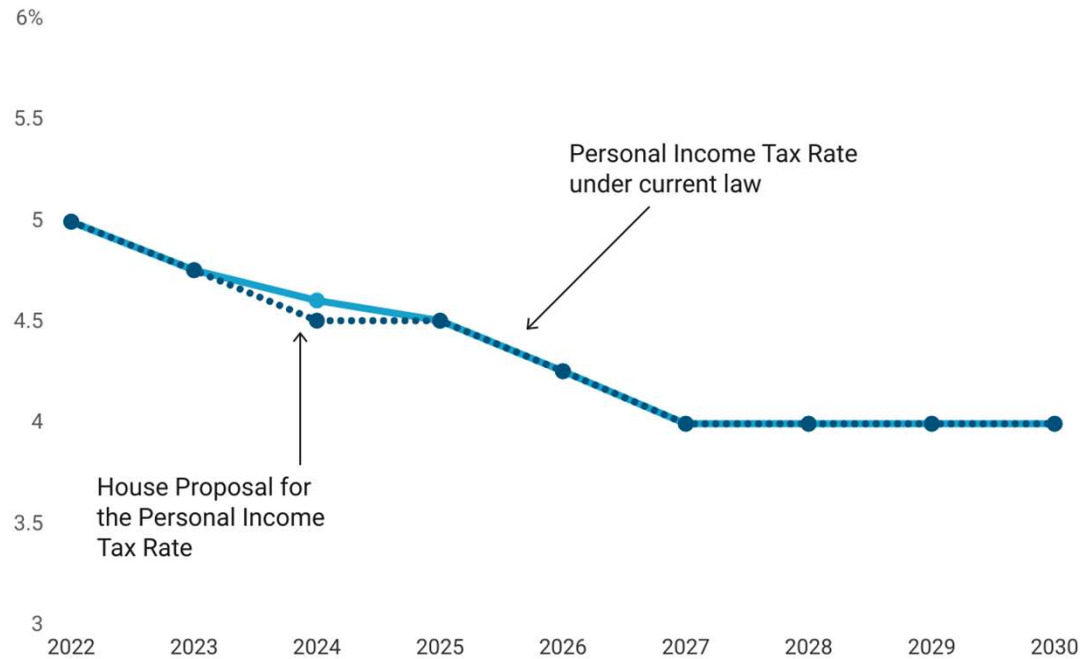


Sources: NC Budget & Tax Center analysis of 2023 Session House Bill 259 and prior enacted budgets, U.S. Bureau of Economic Analysis

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NC House budget plan would accelerate personal income tax cuts

Actual and proposed personal income tax rates



Sources: NC Budget & Tax Center analysis of S.L. 2021-180 and 2023 Session House Bill 259

Different Tax Decisions Led to Different Spending Choices

Governor's Budget	House Budget
<ul style="list-style-type: none">• Fully funds Leandro• Provides funding to stabilize the child care system and support the wages of early childhood educators• Establishes the state match necessary to draw down federal funds for environmental protection	<ul style="list-style-type: none">• Funds approximately 10% of Leandro in the first year of the budget, 7% in the second year• Provides very little state funding given 2023 funding cliff once COVID stabilization grants end• Lack of state matching funds leaves federal dollars on the table that would support climate infrastructure

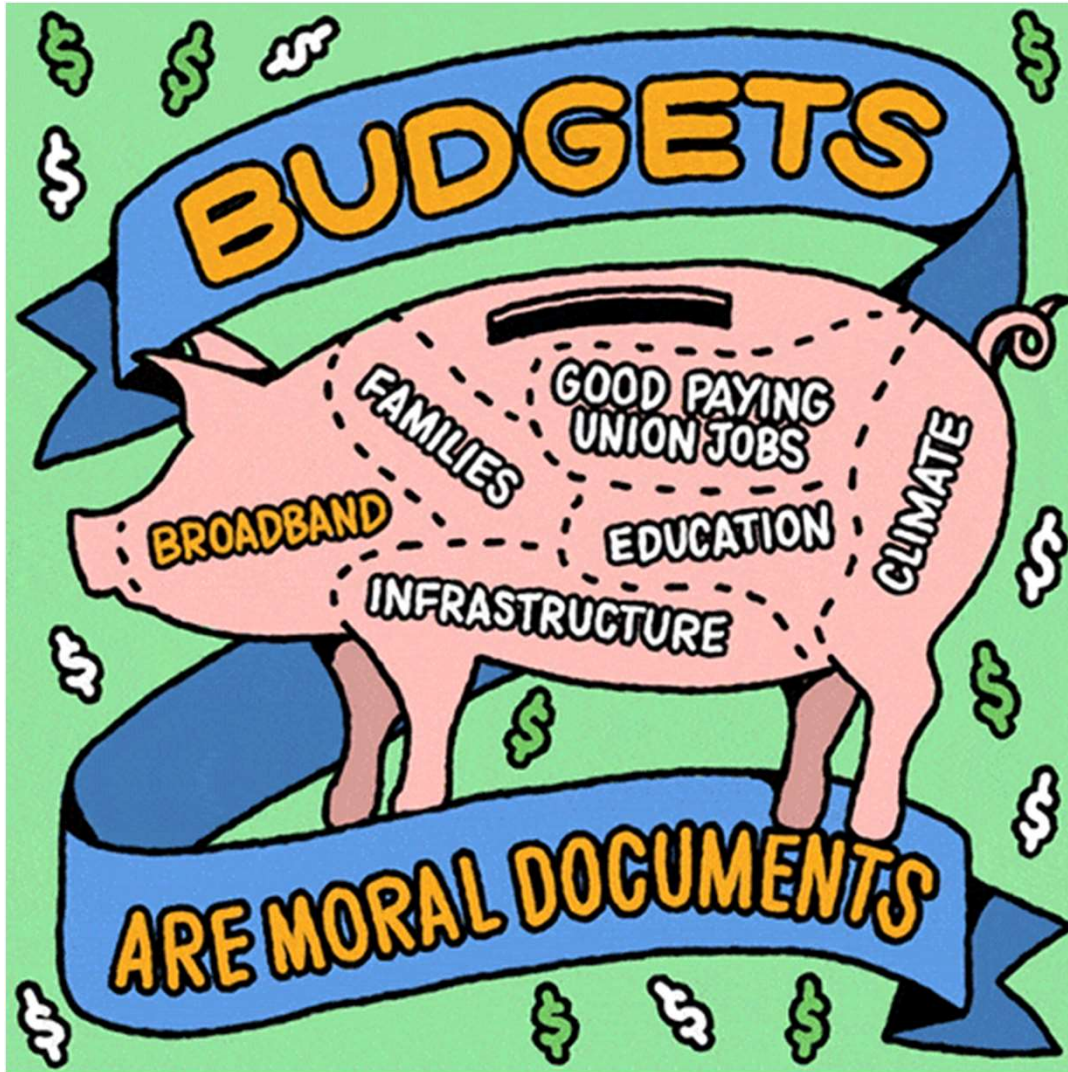


Senate Budget: What we Anticipate

- Deeper Personal Income Tax Cuts bringing rate to 2.499 percent
- Additional Tax Cuts for Businesses through franchise tax reductions
- Significant reserve funds for district projects
- Major policy decisions on environmental protections and elections



What are your priorities for a public budget?





Building a better budget in North Carolina



- Connecting more people to the budget process
- Building the awareness of budget choices and their impact on our everyday lives
- Making clear how public investments can lead to more equitable, anti-racist outcomes and a stronger North Carolina

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Ways to Engage



Emails & texts

Releases, news, action alerts and more. Sign up at

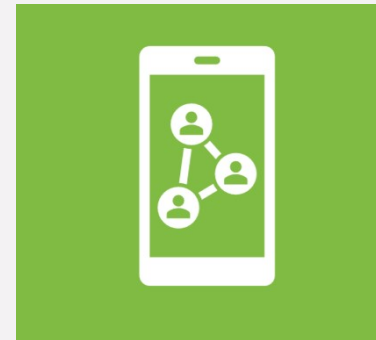
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Our Dollars, Our Future



Write a postcard to Senate and House budget writers

Submit a Letter to the Editor to your Local Paper

Host a community conversation about the state budget

NCBudget.org

Contact Us

Reach out to us for inquiries
or comments.



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