



# State Budget Update

*Kristin Walker*  
State Budget Director

Integrity

Innovation

Teamwork

Excellence

1



## Changes at OSBM

### New faces/roles



State Budget Director  
Kristin Walker



Chief Deputy Budget Director  
Anca Grozav



Deputy Director/COO  
Michael Arnold



Chief Scientist  
David Yokum

2

2



## Changes at OSBM

### Priorities remain stable

- Manage state's resources to ensure a balanced budget
- Provide objective information and analysis
- Focus on talent management – within OSBM and across state government
- Partner with state agencies
- Pursue operational excellence
- Grounded in data and evidence

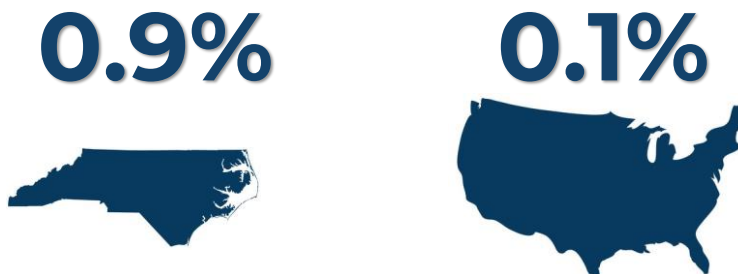
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## North Carolina's Population

➤ **10.6 million; 9th** largest state in the nation



State vs national growth rate, 2020 to 2021

Sources: US Census Bureau, July 1, 2021 Vintage Population Estimates.

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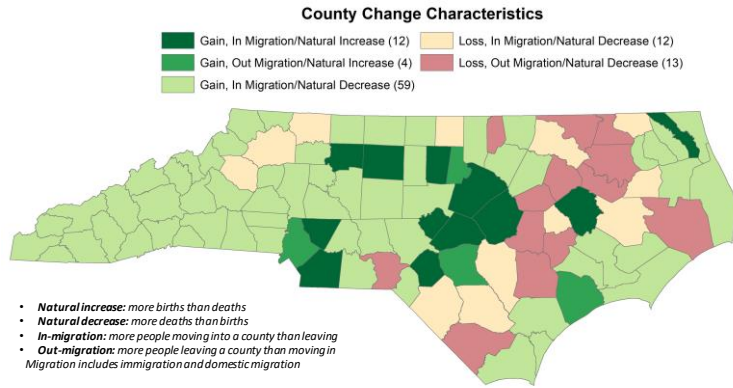


## Migration Important for Continued Growth

Population in **75 counties** grew between July 1, 2020 – July 1, 2021

Of the **25 counties** with population losses, most were located in eastern North Carolina and all were rural

Without *migration*, the population in **59 growing counties** would have decreased



Sources: US Census Bureau, July 1, 2021 Vintage Population Estimates.

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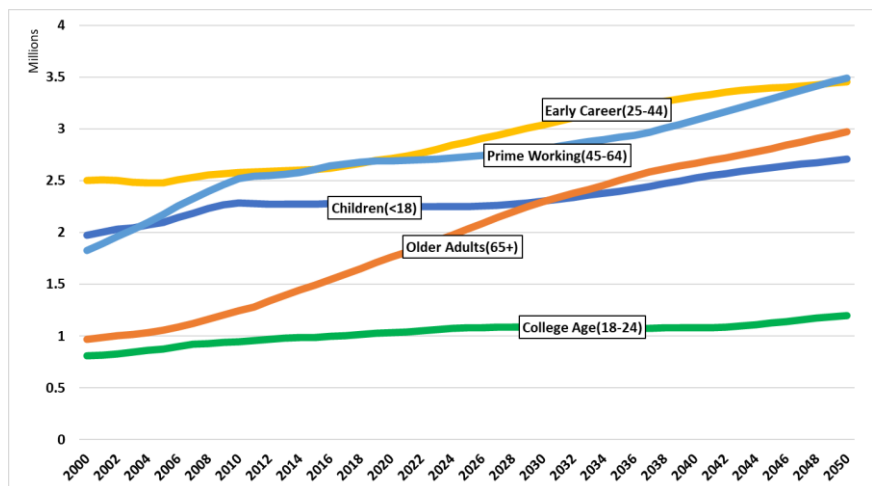
## Projected Population Growth by Age, 2020 - 2050

Population 65+ growing by roughly **50,000+** people per year as Baby Boomers age

By 2028, **1 in 5** North Carolinians to be **age 65 or older**

By 2031, there will be more older adults (65+) than children (<18)

Growth in working age population much slower than past as Baby Boomers age out of working ages



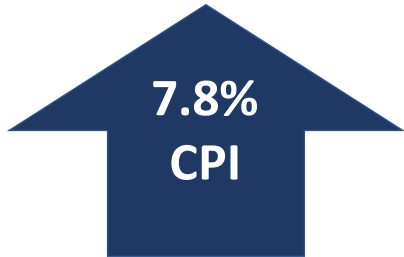
Source: North Carolina Office of State Budget and Management, Population Projections, Vintage 2021.

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## Inflation Remains High as Growth Slows



Consumer Price Index up over the past year



Real GDP growth below long-run trend over the past year

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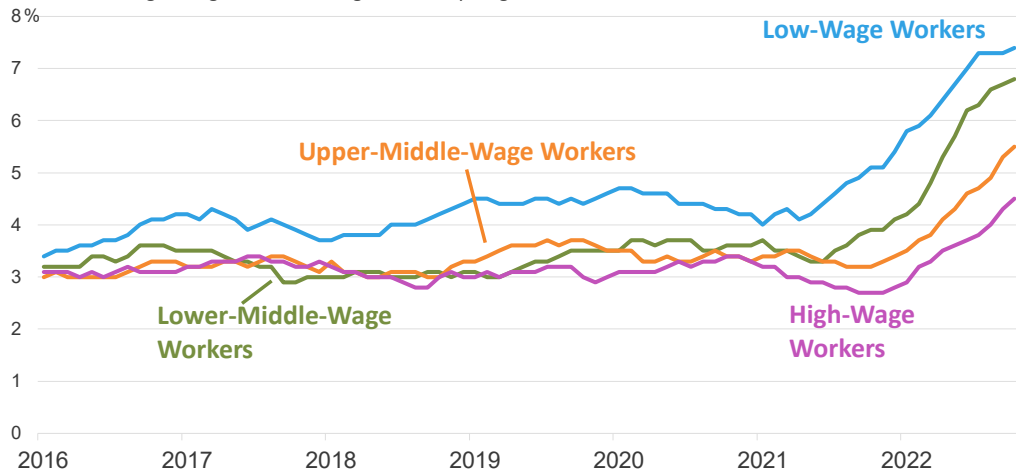
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## Wage Growth Rising But Not Keeping Pace With Inflation

### US Wage Growth Fastest For Low -Wage Workers

12-Month Moving Average of Median Wage Growth by Wage Level



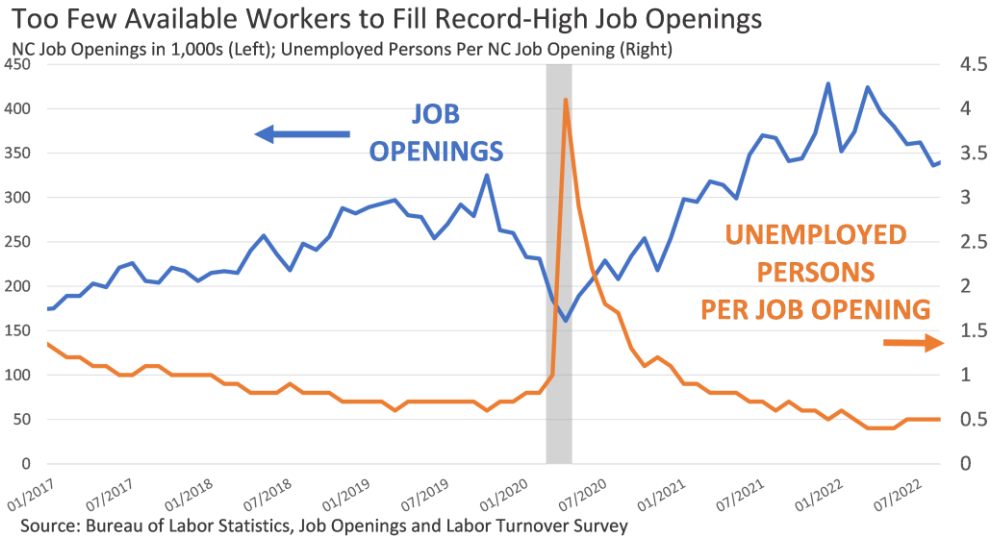
Source: Federal Reserve Bank of Atlanta, Center for Human Capital Studies

8

8



## North Carolina's Job Market Overheated But Starting to Cool



9

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## Near-Term Outlook

### Growth in 2023

- Recession expected within next 6-12 months, but will likely be mild
- Anticipated decline in US real GDP of less than 1%

### Inflation & Supply Chains

- Supply-chain challenges are improving
- Inflation has broadened from pandemic-affected sectors to include most goods and services
- Recent signs of inflation pressures easing but too early to know if trends will persist

10

10



## State Revenue

### Fiscal Year 2022-23

- FY 2022-23 certified revenues projected 8% lower than FY 2021-22 due to **tax cuts** and one-time factors *but...*
- Revenue collections through October *higher than expected* due to **strong sales tax** and **corporate income tax** collections

### Looking Ahead

- Inflation-adjusted revenue growth is likely to be **below long-run averages** due to changing economic outlook and phase in of lower income tax rates
- Revenue unlikely to keep pace with inflation + population

11

11



## Upcoming Tax Cuts Will Decrease Available Revenue

### 2021 Appropriations Act

- Phases down the personal income tax rate to 3.99% by 2027
- Increases the standard deduction to \$25.5k for married filing jointly taxpayers and \$12.75k for single/married filing separately taxpayers
- Increases and expands eligibility for the child deduction
- Repeals the corporate income tax over six years from 2025-2030

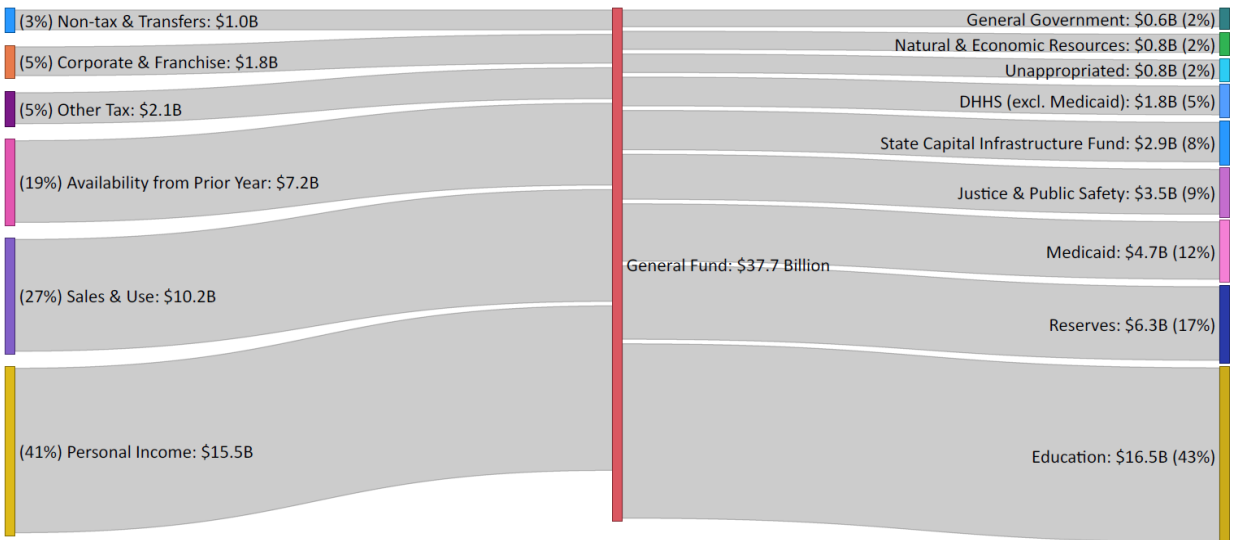
	FY2022-23	FY2023-24	FY2024-25	FY2025-26	FY2026-27
Total Tax Cuts	\$1,325.7M	\$1,990.3M	\$2,623.9M	\$3,243.9M	\$4,078.6M
Percentage of General Fund	4.2%	5.8%	7.5%	9.0%	10.9%

12

12



## Source and Uses of Funding – Fiscal year 2022-23



13

13



## Budget Development Priorities



Positioning North Carolina to create new jobs and foster economic growth and recovery



Strengthening education and workforce development systems to ensure students and jobseekers are prepared for the jobs of today and tomorrow



Promoting healthier, cleaner, safer communities



Advancing equity and diversity



Ensuring an effective, accountable, well-run state government

14

14



## Medicaid Expansion

- Under Covid Public Health Emergency, enrollment has increased by 30 percent
- NC's uninsured rate almost 2 percentage points above national average
- Under expansion...
  - 600k more people would have healthcare
  - \$1.4 billion in bonus funds from federal government
  - Could create +37,200 jobs
  - Increase annual state tax revenues by \$200 million

15

15



## Long Session Budget Development Process



16

16





## How Will OSBM Evaluate Budget Requests

### 1. Strength of business case, including details on:

- The problem
- How the request will solve the problem
- Expected impact

### 2. Use of evidence and/or data

- How likely will the program or service achieve expected outputs/outcomes? Why?
- How will agencies collect and measure program data? How does this request support data collection and analysis?

### 3. Clear agency strategic plan alignment

17

17

## Stay in touch!

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18