

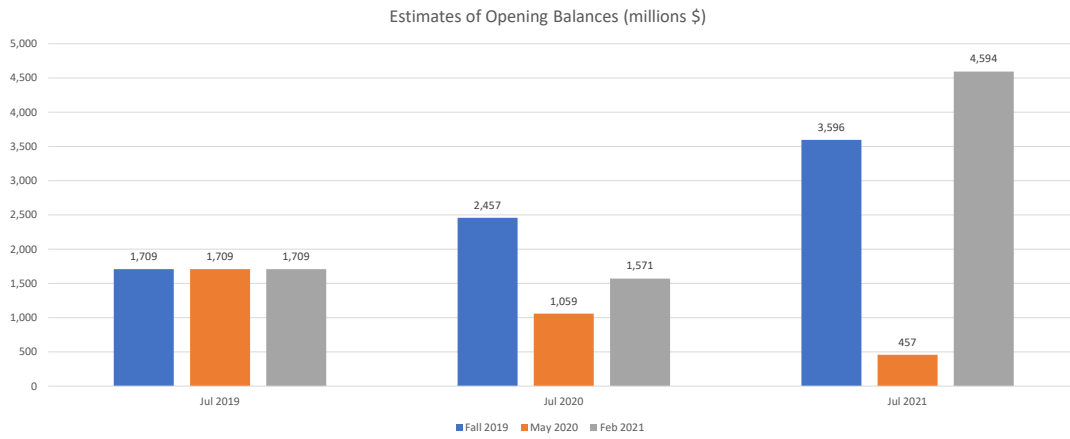
The State Budget: What In The World?

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Brief Introduction to Dan

- 18 years working day to day on state budgets as legislative budget analyst, nonprofit policy director and budget/fiscal advisor to the Governor
- 10 years as President of the Golden LEAF Foundation
- Dan Gerlach LLC provides strategic counsel to businesses, local governments, philanthropies, and nonprofits on public policy and related issues

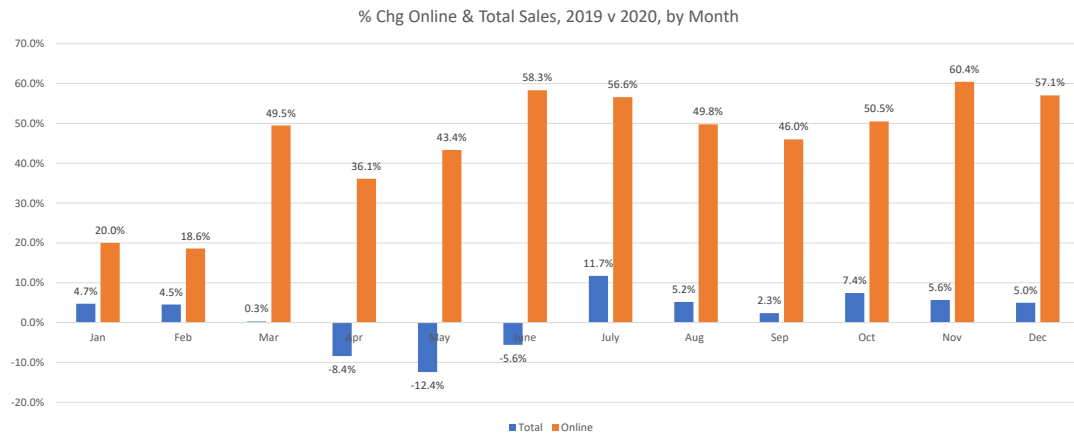
Past Impasse May Have Worked Out



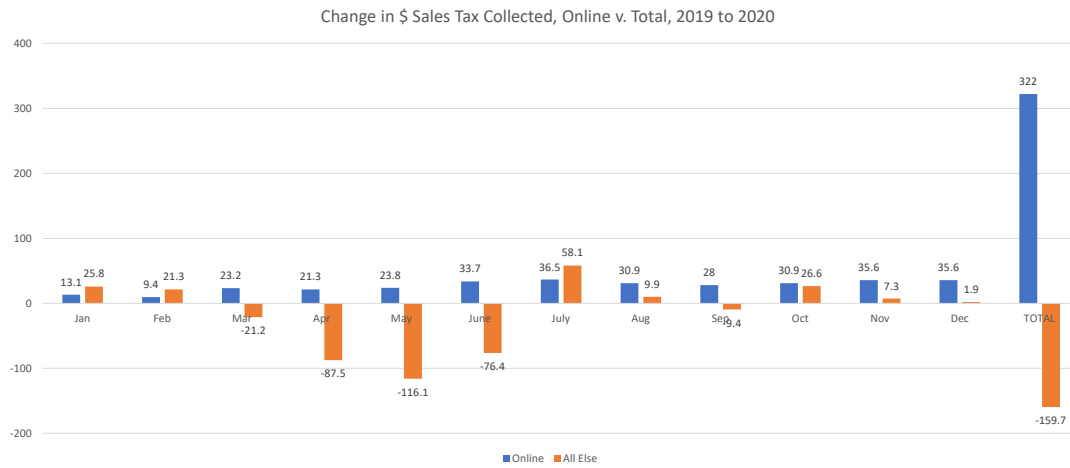
What Are the Main Drivers?

- The base is higher – so growth rate can be lower, but generate same revenue
- The unbudgeted increase and consumption of online taxable purchases buoyed the sales tax
- Nonwage income – traditionally the most volatile part of the revenue base – held up better than expected
- Reduced reliance on corporate income tax reduces volatility

Tax on Online Sales Moved the Needle



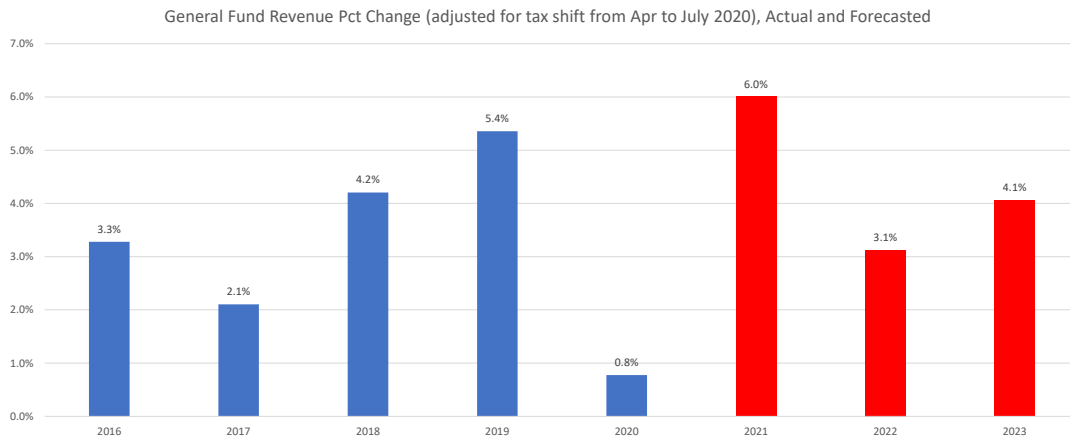
Really Moved the Needle.....



The Income Tax Story is Not Just July Shift

- July 15 deadline (rather than April 15) shifted \$1.08 billion into this tax year
- July income tax collections were up \$896 million, meaning that July was actually \$184 million BELOW last year after accounting for the shift
- Collections through January have now totaled \$1.191 billion above last year, or \$113 million ABOVE last year accounting for the shift. July has been more than offset.

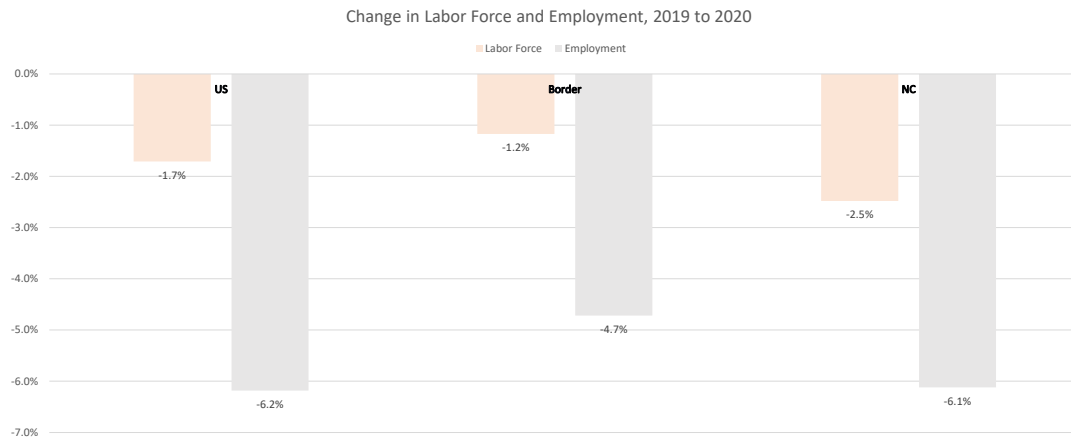
How Does This Look Historically (Trend)?



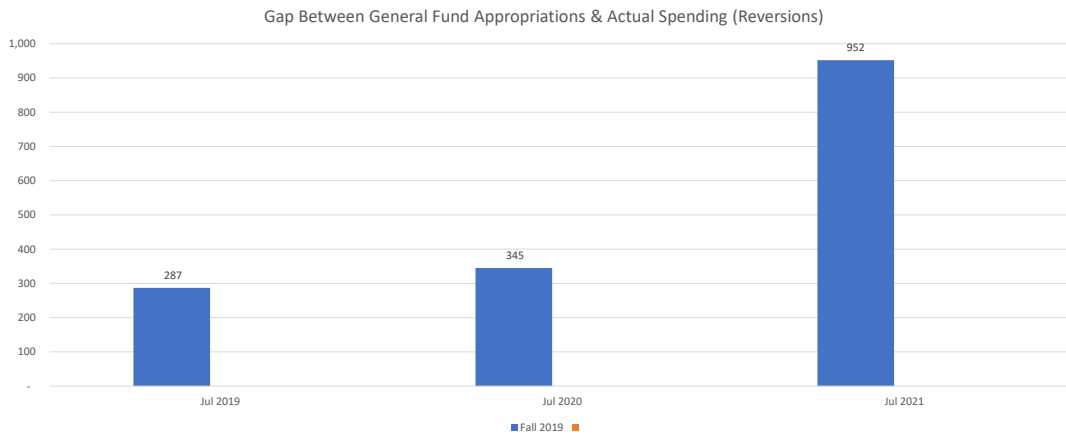
There Are Some Drags & Uncertainties

- Treasurer Investment Income will be about 80 percent down for the year
- Judicial Fees are currently down 40 percent for the year
- What are final payments in April and May on individual and corporate income tax?
- Will growth in online sales taxes abate?

And NC Trails Neighbors in Employment



Leaving on a Good Note: Spending is Down



And There's MORE Federal Money Coming!

- \$8.9 billion for NC State and Local Governments (ends 2024)
 - Some limits on the use of the funds
 - Can replace lost revenues
 - Can be used for water, sewer, and broadband
- \$4.8 billion for education (all levels)
- \$300 million (guess) for Small Business Credit Initiative
- Medicaid Expansion incentive
- And more!

Thanks for Your Time

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