A healthy economy is one that grows from strong pro-growth policies that restrain the growth of government, leave more resources for private investment, unleash free markets, and make smart fiscally responsible public investments.

Conservative policies pay off.

Smart decisions = economic growth = everyone benefits.
**RESTRAITN**

Third biennial budget in a row that restrains spending and keeps the growth of government below the rate of growth of inflation plus population – 2.6 percent average growth. Previous non-recession years budget growth? Average 7 percent.

**Deficits to surplus**

In January 2011, N.C. state budget had a $2.5 billion deficit. In 2014-15, there was a $445 million surplus, in 2015-16 almost $1 BILLION SURPLUS - $420 million due to additional revenue, 2 percent above budgeted amount and $530 million in lower-than-expected expenditures. Through first three months of this fiscal year - $158 million revenue surplus, 3.1 percent above revenue target with 75 percent of that coming from personal income tax collections.

**Historic savings set aside**

$1.6 billion set aside in reserves and another $411 million for a Medicaid reserve fund. 7.5 percent of the state budget. Largest balance in history of state budget. As a fund for hurricane disaster recovery, safety net for the next recession, stop gap against future tax increases. Smart.

**Year end savings reserve balance**

- **RESERVE FUNDS (in Millions)**
  - **2009**
  - **2010**
  - **2011**
  - **2012**
  - **2013**
  - **2014**
  - **2015**
  - **2016**
  - **2017**

- **$0**
- **$200**
- **$400**
- **$600**
- **$800**
- **$1,000**
- **$1,200**
- **$1,400**
- **$1,600**
RESOURCES FOR PRIVATE INVESTMENTS

North Carolina went from the highest state tax burden in the Southeast in 2010 to the lowest in the Southeast in 2017.

<table>
<thead>
<tr>
<th>TAXES:</th>
<th>2011</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORPORATE</td>
<td>6.90%</td>
<td>3%</td>
</tr>
<tr>
<td>SALES</td>
<td>5.75%</td>
<td>4.75%</td>
</tr>
<tr>
<td>PERSONAL INCOME</td>
<td>7.75%/7%/6%</td>
<td>5.49%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STANDARD DEDUCTIONS:</th>
<th>2011</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>MARRIED, FILING JOINTLY</td>
<td>$6,000</td>
<td>$17,500</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DEATH TAX</th>
<th>2011</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>$45M</td>
<td></td>
<td>repealed</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>UNEMPLOYMENT INSURANCE</th>
<th>2011</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2.8B debt</td>
<td>$2.1B reserve</td>
<td></td>
</tr>
</tbody>
</table>

What was the impact of these changes?

- **Tax savings per family***
  - 2016: $166
  - 2017: $290

- **$1 billion**
  Annual reduction in sales tax alone

- **$6 billion**
  Tax savings over seven years

*per 2014 median family income
SMARTER INVESTMENTS

State employees have received a pay increase four out of the last five years. Beginning in 2016-17, they will also be eligible for merit bonuses.

**Education**

▲ 15%

Average teacher pay increase since 2013

In 2016 alone, teachers got a 4.7 percent average pay increase – largest in the country. Potential for average teacher pay to reach $50,000 next school year, $55,000 within three years.

Funding for K-12 education has increased five out of the last six budgets, $512 million more in K-12 funding over last year’s budget.

Since 2013, funding for textbooks and digital resources has more than tripled.

MORE TEACHERS are coming to N.C. to teach than leaving. Between 2009 and 2014, 8,500 teachers from other states have gotten licenses to teach in North Carolina, while only 2,200 left jobs to teach elsewhere.

**Transportation**

▲ 8.2%

Highway and transportation funding increase over last year.

$259 million more spent.

Strategic Transportation Investments law (2013) provides a new funding formula for infrastructure based on data, focused on economic growth, ensuring better use of scarce resources.
Regulatory Reform Act of 2013 authorized sunset provisions with periodic review of over 21,000 rules. Over one-tenth (11%) of the rules reviewed so far are now slated to be eliminated.

As of October 2016:
- 8,017 rules reviewed
- 4,850 rules to remain unchanged
- 2,296 rules subject to the re-adoption process
- 871 rules to be removed.

ROLLING BACK REGULATIONS
UNLEASHING FREE MARKETS

Restraining the growth of government.
Cutting taxes.
Rolling back regulations.
Smarter investments.
For five years now.
Is it working?
YES. IT’S WORKING.

N.C. has outperformed the regional and national average in most standard measures of economic growth, including job creation, gross domestic product (GDP), and personal income.

441,600

Number of new jobs NC employers added since 2011.

Our state’s better-than-average performance means that tens of thousands of North Carolinians have jobs they wouldn’t otherwise have.

Back to work

Since 2013, N.C.’s after-tax per-person income has gone up about 10 PERCENT FASTER than the national and regional averages. We have met or exceeded the U.S. per-capita income growth rate for 10 consecutive quarters, the best stretch of comparative income growth in 20 years.

During the same time period, per-person incomes rose 3.6 percent in North Carolina, 3.4 percent in the nation, and 3.3 percent in the Southeast.

North Carolina unemployment rates

Sept 2015 to Sept 2016

- NC unemployment dropped 1 percentage point.
- One of 6 states to see a decrease over the year.
- 82,600 more jobs were created, an increase of 1.9%, above the national average.

4.7%

October 2016

Lowest rate in 9 years.

Unemployment is down in all 100 counties.
Since mid-2013, North Carolina's GDP has grown at an inflation-adjusted annual rate of 3.2 percent, higher than the national (2.5 percent) and regional (2.4 percent) averages. Our 2015 GDP is the fourth fastest-growing in the U.S., ninth largest in the U.S., and 23rd largest in the world.

U6 unemployment rate

U6 unemployment rate measures all adults who aren’t working or are underemployed. N.C. rate has shown much greater improvement than has the national rate.

<table>
<thead>
<tr>
<th>Year</th>
<th>National Rate</th>
<th>NC Rate</th>
<th>Change</th>
<th>National Rate</th>
<th>NC Rate</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>14.3%</td>
<td>15.6%</td>
<td>▼ 4.4 pts</td>
<td>15.6%</td>
<td>10.2%</td>
<td>▼ 5.4 pts</td>
</tr>
<tr>
<td>2015-16</td>
<td>9.9%</td>
<td>10.2%</td>
<td></td>
<td>10.2%</td>
<td>9.9%</td>
<td></td>
</tr>
</tbody>
</table>

Largest labor-market improvement in the Southeast and the eighth-largest improvement in the nation.

Economic growth in North Carolina

Since mid-2013, North Carolina’s GDP has grown at an inflation-adjusted annual rate of 3.2 percent, higher than the national (2.5 percent) and regional (2.4 percent) averages. Our 2015 GDP is the fourth fastest-growing in the U.S., ninth largest in the U.S., and 23rd largest in the world.
TAX FOUNDATION RANKING

Tax Foundation’s annual State Business Tax Climate rankings show how well states structure their tax systems to affect economic performance. North Carolina’s rankings compared to all 50 states and D.C.?

NORTH CAROLINA’S RANKINGS

<table>
<thead>
<tr>
<th>OVERALL</th>
<th>#11</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORPORATE TAX</td>
<td>#4</td>
</tr>
<tr>
<td>INDIVIDUAL INCOME TAX</td>
<td>#15</td>
</tr>
<tr>
<td>SALES TAX</td>
<td>#19</td>
</tr>
<tr>
<td>UNEMPLOYMENT INSURANCE TAX</td>
<td>#6</td>
</tr>
<tr>
<td>PROPERTY TAX</td>
<td>#31</td>
</tr>
</tbody>
</table>

N.C. had the most dramatic improvement in the Index’s history - going from 44th to 16th in 2015, 15th in 2016, and as pro-growth reforms were fully implemented, 11th in 2017. We have the lowest corporate tax rate of any state that imposes a corporate tax.

CATO INSTITUTE RANKING

N.C. ranks 19th overall in the Cato Institute’s Freedom in the 50 States index measuring economic and personal freedoms, up from 24th in 2013.

N.C. ranks high because state taxes fell, debt and government employment fell, and we have no state-imposed minimum wage. School choice and vouchers, right-to-work laws, and criminal justice policies are also strong positives.

How to be even more free? Cato recommends that N.C. reform occupational licensing, repeal certificate-of-need laws, ensure property rights with an eminent domain constitutional amendment, and loosen regulations in the state’s insurance markets.

School choice and vouchers were strong positives for North Carolina in Cato Institute’s analysis.
The State’s growth is beginning to outpace average growth for the nation."

“Positive economic growth in 2017 would represent the eighth consecutive year of economic growth for the North Carolina economy.”

“The economy remains in a stable growth pattern.”

“The expectation is that the State will continue to experience economic growth at a slightly faster pace than the nation.”

Babson Capital/UNC Charlotte Economic Forecast 9/7/2016

2015 and 2016 “represent the strongest growth period experienced by the North Carolina economy since the recovery began in 2009.”

Babson Capital/UNC Charlotte Economic Forecast 9/7/2016

For more information contact:
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