



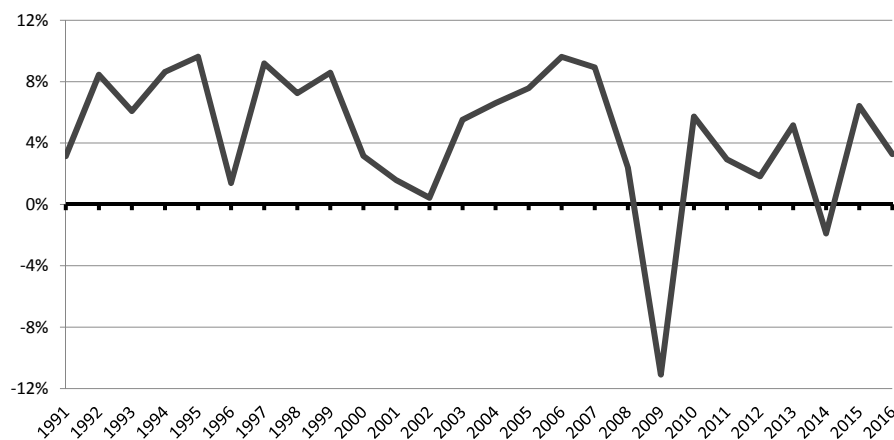
Savings Policies to Promote Long-Term Budget Stability in North Carolina

Stephen Bailey, Senior Associate, State Fiscal Health

November 30, 2016

Revenue Fluctuations in North Carolina

North Carolina Tax Collections, 1991-2016, Year-Over-Year Growth



Source: Pew analysis of North Carolina Fiscal Research Division data

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Two of the Key Characteristics for a Successful Savings Policy



1. Saves a portion of higher-than-normal revenue growth
2. Identifies clear conditions when savings can be used based on revenue or economic criteria

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Benefits of Saving Higher than Normal Tax Revenue Growth



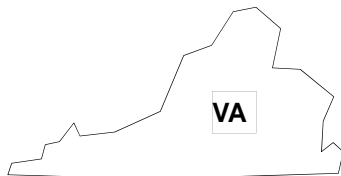
Prevents unreliable revenues from funding the general budget

Generates larger reserves to use when revenues decline

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Harnessing Volatility for Rainy Day Funds

Virginia Links Deposits to Above-Normal Revenue Growth

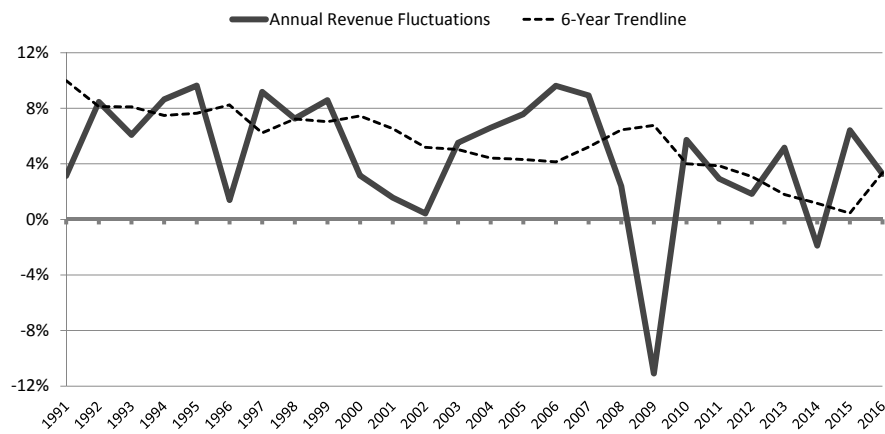


Deposits half of general revenue that exceeds the **six-year average growth rate**.

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Modeling Virginia Rule for North Carolina

6-Year Average Revenue Growth Trendline, 1991-2016

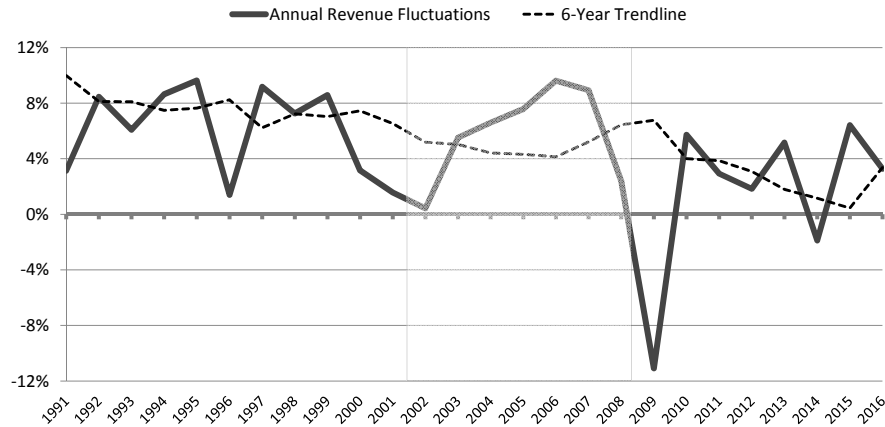


Source: Pew analysis of North Carolina Fiscal Research Division data

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Modeling Virginia Rule for North Carolina

6-Year Average Revenue Growth Trendline, 1991-2016

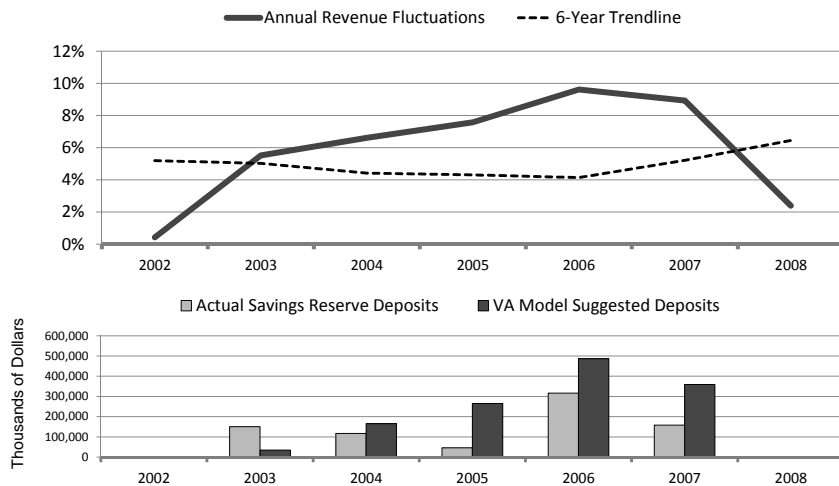


Source: Pew analysis of North Carolina Fiscal Research Division data

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Modeling Virginia Rule for North Carolina

6-Year Average Revenue Growth Trendline, 2002-2008



Source: Pew analysis of North Carolina Fiscal Research Division data

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Comparing Model Deposits v. Actual Deposits

Value of Total Savings Deposits from 2002 to 2008



VA Model Total Deposit Value	\$1,309 Million
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Actual Total Deposit Value	\$787 Million
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Extra Money Deposited in Model	\$522 Million
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Source: Pew analysis of North Carolina Fiscal Research Division data

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North Carolina is 1 of 5 States with No Withdrawal Conditions



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Benefits of Identifying Clear Withdrawal Conditions

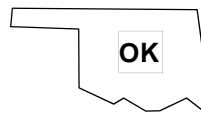


- Ensures savings are only used in times of revenue declines or economic distress
- Promotes long-term structural stability
- Sends positive signal to credit agencies

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Revenue and Economic Conditions for Fund Use

Oklahoma Uses Revenue and Indiana Uses Economic Indicator



Revenue Condition Example

When general fund revenue is projected to come in below the prior year's collections



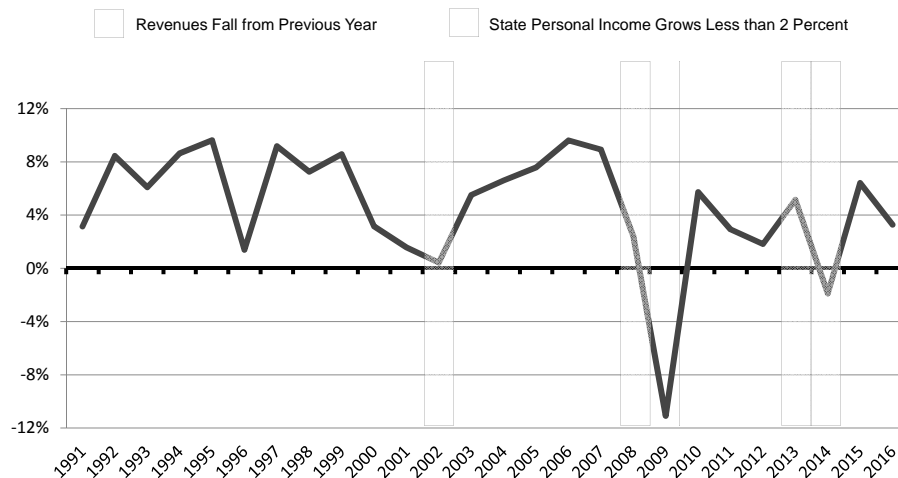
Economic Condition Example

When state personal income falls by at least 2 percent from previous year

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Modeling Withdrawal Conditions

North Carolina Tax Collections, 1991-2016, Year-Over-Year Growth



Source: Pew analysis of North Carolina Fiscal Research Division and U.S. Bureau of Economic Analysis data

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Stephen Bailey

sbailey@pewtrusts.org

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