

# THE ROBESONIAN

## **Evidence: NC is booming**

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The evidence is undeniable: North Carolina has outperformed regional and national averages in most standard measures of economic growth, including job creation, gross domestic product, and personal income, since conservatives took control of state government.

Since 2011 N.C. employers have added some 441,600 net new jobs. The state's official unemployment rate is 4.7 percent, the lowest rate in nine years. It's also lower than the national rate of 5 percent. Compare today's rate with 10.4 percent unemployment in January 2011.

North Carolina was one of just six states to see its unemployment rate drop from September 2015 to September 2016, as 82,600 jobs were created. That's an increase of 1.9 percent, a rate higher than the national average.

Looking beyond the "headline" unemployment rate, North Carolina has seen improvement in the U6 measure that incorporates underemployment. In 2012-13, the national U6 rate was 14.3 percent, while North Carolina's rate was 15.6 percent. By 2015-16, the national rate had dipped to 9.9 percent, while North Carolina's had dropped to 10.2 percent.

So while the national rate dropped by 4.4 percentage points, North Carolina's rate dropped by 5.4 points. This was the largest labor-market improvement in the Southeast and the eighth-largest improvement nationwide.

Since 2013, North Carolina's after-tax per-person income has gone up about 10 percent faster than national and regional averages. The state has 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 that time period, per-person incomes rose 3.6 percent in North Carolina, compared with 3.4 percent nationwide and 3.3 percent in the Southeast.

Since mid-2013, North Carolina's gross domestic product has grown at an inflation-adjusted annual rate of 3.2 percent. That's higher than the 2.5 percent national rate and 2.4 percent regional rate.

This improvement has taken place as leaders restrained government growth, unleashed free markets, and made fiscally responsible public investments.

The last three state government budgets have limited annual General Fund spending growth to an average of 2.6 percent, compared with average 7 percent growth in previous years. Faced with a \$2.5 billion budget shortfall in 2011, policymakers ended the latest budget year with a surplus of almost \$1 billion.

Through the first three months of this budget year, there's a revenue surplus of \$158 million. That's 3.1 percent higher than government projections, with 75 percent coming from personal income tax collections.

Frugal spending has helped North Carolina build rainy-day reserves from \$150 million in 2010 to \$1.6 billion today. At 7.5 percent of the General Fund budget, this is the largest reserve in state history.

Policymakers lowered and flattened tax rates, transformed a multibillion-dollar unemployment insurance debt to the federal government into a \$2.1 billion reserve fund, and repealed the dreaded "death tax." The end result is \$6 billion in tax savings over seven years. Tax savings amount to \$166 in 2016 and \$290 in 2017 for a median-income family.

Even with more frugal spending and lower taxes, conservative policymakers have awarded state employee pay increases in four of the last five years, with plans for merit bonuses in 2016-17.

Since 2013, public school teachers have seen average pay increases of 15 percent, with a 4.7 percent average pay increase this year, the largest in the country. Average teacher pay is projected to reach \$50,000 in the next school year and \$55,000 within three years. Total K-12 education funding has increased in five of the last six state budgets, including a \$512 million increase in the latest budget plan.

Government restraint also features a rollback of unnecessary regulations. More than 8,000 of the state's 21,000 state government rules have faced new scrutiny. Nearly 2,300 rules will undergo a readoption process, and 871 rules will be scrapped completely. That's 11 percent of rules reviewed that will be eliminated.

These positive changes have attracted national attention. North Carolina has jumped from No. 44 to No. 11 in the Tax Foundation's State Business Tax Climate rankings. The state has climbed from No. 24 to No. 19 in the Cato Institute's state freedom index.

The future looks good, too. The recent Babson Capital/UNC-Charlotte Economic Forecast predicts 194,500 net new jobs in North Carolina over the next two years, a 4.7 percent increase. The unemployment rate is expected to drop to 4.2 percent by December 2017.

Restraining government growth, cutting taxes, rolling back regulations, making smarter investments — that's standard operating procedure in recent years. Is it working? The numbers tell the story.