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5 things the N.C. General Assembly should prioritize in its initial round of bills to address COVID-19

By **LEILA PEDERSEN**, Budget & Tax Center Public Policy Analyst

For weeks now, the House Select Committee on COVID-19 has been meeting virtually, as have committee working groups on health care, education, economic support, and the continuity of state operations.

These meetings have allowed heads of agencies to present how they are responding to the current crisis and what they need to stave off anticipated long-term impacts. The message from agencies: Act now or risk the lives and livelihoods of the vast majority of North Carolinians.

As House Speaker Tim Moore and Senate President Phil Berger work to craft North Carolina's legislative response, the following priorities will help mitigate the public health impacts, speed up the economic recovery, and put the state on firmer footing for the future.

1. Maximize federal assistance

The best way to maximize the state's capacity to respond in this moment is by making full use of opportunities to use federal dollars before tapping into state reserves. Congressional actions have increased the Federal Medical Assistance Percentage (FMAP) by 6.2 percent, injected over \$4 billion into state and local government, and provided access to disaster relief and education stabilization funds.¹

2. Don't cut taxes

Lawmakers should resist the urge to cut corporate taxes. Most businesses are

¹ Office of State Budget and Management. https://www.ncleg.gov/documentsites/committees/house2019-199/Continuity%20of%20State%20Operations%20Working%20Group/4-7-20/2.%20Office%20of%20State%20Budget%20and%20Management_House_%20Continuity%20of%20Operations_2020-04-07.pdf

experiencing dramatic declines in revenues, and therefore will have little income to tax. Small business assistance and workforce stabilization are better ways to stimulate the economy than broad tax cuts, which would only deepen the revenue hole the state will be forced to crawl out of post-pandemic. That hole has been made worse by the state's recent tax cuts, which have dropped the corporate income tax rate from 6.9 percent in 2013 to 2.5 percent today.

3. Use state funds wisely

Once federal funds have been exhausted, North Carolina should tap into its more than \$1 billion in rainy day funds and more than \$2 billion in unappropriated funds. To avoid budget cuts, North Carolina should use its reserves to meet the immediate needs of our state's most vulnerable without depleting these reserves for future natural disaster needs and while investing in long-term sustainability. Legislators should appropriate dollars toward urgent and systemic needs through a comprehensive budget that provides the public with a transparent view of their priorities.

4. Don't cut services

Demand for public services like health care, housing, and public safety are rarely more important than they are today. In the past three weeks, nearly 500,000 people in North Carolina have filed for unemployment insurance, an average of 21,000 people per day.² The growing strain on our hospitals and public institutions requires urgent attention in the form of flexibility, funding, and capacity. The public sector, which is usually taken for granted, is now the only lifeline for people facing illness and financial ruin. Now more than ever, our public institutions need the staffing, capacity, and resources to deliver statewide the quality services and programming that serve as the foundation for a sound economy that delivers well-being to all.

5. Raise revenue from those most able to pay

After the Great Recession, North Carolina cut taxes for the wealthy and big corporations at the expense of everyone else. As a result of these tax cuts, the state is currently collecting at least \$3.6 billion less in revenue each year. Currently, taxpayers with the lowest income pay more of their income in taxes than millionaires pay. Restoring fairness to North Carolina's tax code will help generate the resources that are needed to respond to the current crisis and to benefit the state long-term.

During this crisis, we must pull together across racial, economic, and ideological lines. That means prioritizing the needs of our communities most at risk to the public health and economic harms of COVID-19 in this moment and asking those most insulated from economic harm to contribute their fair share. It also requires our lawmakers to lead with sound fiscal decisions that invest in the well-being of people first and build systems that can sustain our communities through the recovery from this pandemic.

2 Budget & Tax Center Analysis of Labor Market in North Carolina, accessed at: <https://www.ncjustice.org/projects/budget-and-tax-center/economy/labor-market-in-n-c/>