



Federal Funding is Essential to Saving North Carolina's Public Services

BUDGET & TAX CENTER FACT SHEET

The COVID-19 pandemic and resulting recession are wreaking havoc on North Carolina; the state is facing a massive revenue shortfall, which will significantly affect its budget and its ability to provide crucial services. Federal funding is needed to help North Carolina, along with the local governments within it, in ensuring that health care, education, transportation, first responders, and other services continue uninterrupted. The picture is already bleak; since the pandemic started, the state has lost [61,500](#) public sector jobs. The economic gravity of the shortfall cannot be stressed enough; without further federal aid to state and local governments, North Carolina is projected to lose [156,500](#) private and public jobs by the end of 2021. The recent resurgence of the virus only compounds the urgency and should dispel all complacency.

The coronavirus pandemic has greatly harmed North Carolina's economy:

- In May, North Carolina had an unemployment rate of [12.9 percent](#), one of the highest rates ever recorded, with roughly [440,000](#) more state residents out of work compared to February.
- As of early July, approximately [1,200,000](#) North Carolinians, representing [22.5 percent](#) of the state's February labor force, have filed unemployment insurance claims since the beginning of March. Some estimates are projecting a [double-digit unemployment rate](#) well into 2021.

North Carolina's tax revenues are plummeting — creating a severe funding crisis for schools, health care, and other critical services. The North Carolina state government has projected a budget shortfall of \$1.6 billion in FY 2020 and \$2.6 billion in FY 2021, representing declines of 7 percent and 10 percent, respectively.

Cities in North Carolina are facing serious revenue shortfalls as well. Charlotte alone has recently projected a budget shortfall of \$22 million, according to [local sources](#). The National League of Cities estimates that cities will experience [\\$360 billion](#) in revenue loss through fiscal year 2022, which will force them to significantly cut spending on crucial services or raise taxes on already recession-battered residents. [Studies](#) on the Great Recession have found that forcing states to deal with severe budget constraints through austerity dampens long-term gross domestic product (GDP), prolongs spells of high unemployment, and extends recessions.

Between February and May, [61,500](#) public sector workers were laid off in North Carolina.

- The National Education Association has estimated that North Carolina could lose roughly [79,600](#) education jobs by the end of FY 2022 as a result of the decline in the state general revenues that fund education.

Absent federal action, these job losses could get much worse. A recent analysis conducted by the Economic Policy Institute estimates that without it, North Carolina will lose a combined total of [156,500](#) public and private jobs by the end of 2021.

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Health care in North Carolina is also in jeopardy. The Urban Institute has projected that Medicaid caseloads could increase by as much as [363,000](#), or 25 percent, through FY 2021 — a massive and unprecedented spike. North Carolina desperately needs help to cover those who are newly unemployed and expected to enroll in Medicaid and offset extra Medicaid costs related to coronavirus. Without proper funding, the state will be unable to treat at-risk patients, keep families healthy, or provide lifesaving care. Funding Medicaid is critical to ensuring that North Carolina can respond effectively to the coronavirus public health crisis and the current economic recession.

The Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act, which passed the House of Representatives on May 15 with bipartisan support, includes provisions that would help North Carolina avoid additional layoffs and devastating cuts to services. Specifically, it would:

- Allocate [\\$13.4 billion](#) to the government of North Carolina and [\\$9 billion](#) to its localities over the span of two years, which would save thousands of jobs, and help maintain the uninterrupted delivery of public services like health care, first responders, and safe drinking water.
- Increase North Carolina's Federal Medical Assistance Percentage (FMAP) and provide an additional [\\$3.7 billion](#) in Medicaid dollars to North Carolina over an 18-month period.
- Provide [\\$2.9 billion](#) for education in North Carolina, including [\\$1.9 billion](#) for public K-12 schools and [\\$865 million](#) to public colleges and universities, which would save [28,000 jobs](#) supporting K-12 education and [6,000](#) supporting higher education. This funding would help strengthen distance learning and teaching strategies to keep students and teachers healthy.

As the recession stretches into the second half of 2020, it is becoming increasingly clear that states and localities are at the forefront of combating the pandemic and its economic fallout. From keeping students enrolled in remote learning programs to equipping community health centers with the protective gear needed to safely treat COVID-19 patients, state and local involvement can be seen and felt everywhere.

It is likely that both the coronavirus pandemic and the recession it led to are far from over. **To help ease the financial pressures that states and localities are currently facing, it is imperative that the federal government pass legislation to:**

- 1. Allocate at least \$915 billion in direct grants to states, localities, tribes, and territories;**
- 2. Increase the Medicaid FMAP by at least 14 percentage points until June 30, 2021; and**
- 3. Provide at least \$90 billion to the Education State Stabilization Fund to support both public schools and public colleges and universities.**

Congress must act to get states and localities the aid they desperately need. North Carolina and its residents can't afford to wait.