

Quarterly Revenue Report

Q4 FY 2023-2024 (April-June)

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ABOUT THIS DOCUMENT

The League’s quarterly Revenue Reports provide a general economic update and a summary of tax revenues collected by the state that are returned to local governments (municipalities and counties) throughout the year. These include a portion of local option sales and use taxes, utility sales taxes (on electricity, piped natural gas, telecommunications, and local video programming), beer and wine excise tax, and solid waste disposal tax. These taxes are distributed to municipalities throughout the year according to formulas outlined in state law, and relevant revenue sources will be highlighted in each quarterly report.

To view this information in a more interactive format, visit our most recent [quarterly revenue report dashboard](#). For more information on the different types of state-collected local taxes and distribution formulas, see the League’s most up-to-date “[State-Collected Local Taxes: Basis of Distribution](#)” memo.

WHAT'S NEW THIS QUARTER?

The following NC Department of Revenue (DOR) data has been released following the [League's most recent revenue report](#).

Distribution Data	Collection Period	Distribution Received
Sales & Use Tax ¹	May, June, July 2024	July, August, September 2024
Taxable Sales Data	May, June, July 2024	July, August, September 2024
Utility Sales Tax	April, May, June 2024	September 2024
Solid Waste Tax	April, May, June 2024	September 2024

¹ Distributions received are generally representative of sales three months prior and were collected by DOR two months prior. Based on state accounting guidelines, the League assumes that revenues are accrued for 90 days. Please refer to memo #1015, "[Recognition of Sales Tax and Other Revenues at Year-End](#)," issued by the LGC on March 31, 2004, for further details and guidance.

Based on the latest data, the following tables summarize our analysis of statewide trends for Q4 of 2024:

FY24 Q4 Summary		
Revenue Source	Total Distributed FY24 Q4	% Change from FY23 Q4
Sales & Use Tax	\$1.44 B	+ 3.38%
Sales & Use Tax Refunds	\$64 M	+ 6.64%
Electricity Sales Tax	\$89.6 M	+ 16.34%
Video Programming Sales Tax	\$13.7 M	- 12.24%
Telecommunication Services Sales Tax	\$5.76 M	-7.06%
Natural Gas Sales Tax	\$4.94 M	+ 3.71%
Solid Waste Tax	\$2.28 M	-4.52%

LOCAL GOVERNMENT SALES & USE TAXES

The growth in sales tax revenue distributed to local governments has slowed in recent years as the economy continues to cool off following the Covid-19 pandemic. That trend continued during the final quarter of the 2023-2024 fiscal year, although Articles 39, 40, and 42 were all elevated slightly from last year's fourth quarter numbers. The year-over-year changes in sales tax distributions this quarter are similar to the changes that local governments experienced prior to the pandemic.

Q4 Sales Tax Distributions, YoY % Change, by Article

	FY20-21-FQ4	FY21-22-FQ4	FY22-23-FQ4	FY23-24-FQ4
Art 39 % Change Y-O-Y	23.25%	14.00%	2.48%	3.24%
Art 40 % Change Y-O-Y	23.25%	14.00%	2.48%	3.24%
Art 42 % Change Y-O-Y	23.48%	13.99%	2.45%	3.25%

Summary data from the Department of Revenue show that local governments saw an increase of 3.38% over Q4 of last fiscal year.

Monthly Sales Tax Distributions Year-to-Date

Date	TOTAL DISTRIBUTED	Total % Change Y-O-Y	Difference from Last Year
May 2024	\$442,699,030.31	5.22%	\$21,968,986
June 2024	\$484,280,325.56	2.21%	\$10,476,799
July 2024	\$517,624,366.39	2.94%	\$14,796,229
Total	\$1,444,603,722.26	3.38%	\$47,242,014

Viewing gross and net sales tax collections for Q4 reflects similar growth by sales month:

Gross & Net Sales Tax Collections (by Sales Month)

FY.FQ	Gross Collections	Gross Collections % Change YOY	Net Collections	Net Collections % Change YOY
FY23-24-FQ4	\$1,512,987,869	3.46%	\$1,450,723,096	3.33%
May 2024	\$484,060,582	4.51%	\$444,593,236	5.14%
June 2024	\$500,326,623	3.72%	\$486,341,908	2.16%
July 2024	\$528,600,664	2.29%	\$519,787,952	2.90%

The United States economy has continued to cool with inflation and employment data returning to a more “normal” level. Inflation has softened, with the US Department of Labor reporting that it has [dropped to 2.5% over the last 12 months](#) . While many people are still feeling the economic impacts that the pandemic had on the supply chain, the employment market, and the housing industry, inflation and unemployment have both dropped.

12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted



Source: U.S. Bureau of Labor Statistics.



Note: The shaded areas are representative of a recession.

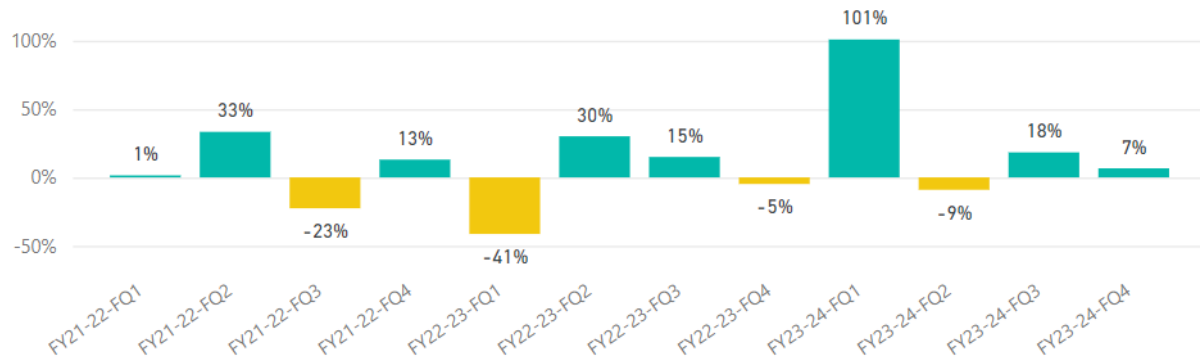
SALES TAX REFUNDS

Sales tax refunds contribute to the volatility of collections; there are no apparent trends that appear when analyzing the refund data. The timing of organizations filing for refunds, combined with DOR’s capacity to process these requests, make it difficult to track and analyze data. Still, Q4 shows the most typical year-over-year percentage change when compared to the other quarters of FY24.

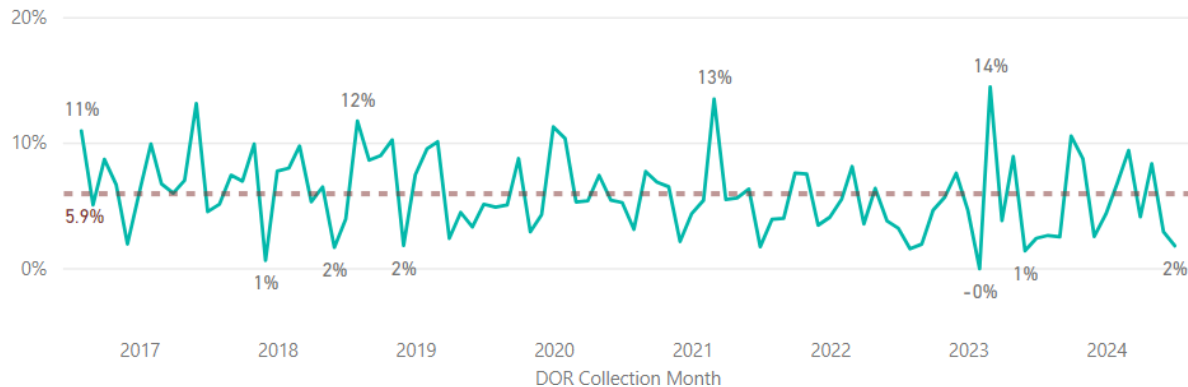
Refunds, by Quarter

FY.FQ	Refunds Last Year	Refunds This Year	Refunds as % of Collections	Refunds % Change YOY
FY23-24-FQ4	\$60,072,733	\$64,061,805	4.23%	6.64%
FY23-24-FQ3	\$78,383,392	\$92,724,507	6.63%	18.30%
FY23-24-FQ2	\$86,762,161	\$78,907,552	5.17%	-9.05%
FY23-24-FQ1	\$38,398,085	\$77,134,567	5.21%	100.88%

Quarterly Refunds YoY % Change



Monthly Refunds as % of Collections



UTILITY SALES TAXES

The Department of Revenue distributes quarterly taxes from the sales of four utility types – electricity, natural gas, telecommunication services, and video programming. The table below illustrates our assumptions of the timing between when a customer uses a utility and when the Department of Revenue collects the tax.

1- Customer Uses Utility	January	February	March
2- Billing Month	February	March	April
3- Payment Due	March	April	May
4- DOR Collection Month	April	May	June
5- Report Distributed	September		

Collections during FY24 Q4 saw a 16.34% increase in electricity and a 3.71% increase in natural gas. While telecommunications and video programming both decreased, the

net year-over-year change for all utility tax distributions was 10.05%. This is a significant increase from last year's percentage change and continues to follow an upward trend in electricity sales tax distributions.

Q4 Utility Tax Distributions, YoY % Change

	FY21-22-FQ4	FY22-23-FQ4	FY23-24-FQ4
Electricity % Change YOY	4.65%	2.93%	16.34%
Nat Gas % Change YOY	15.05%	-17.44%	3.71%
Telecom % Change YOY	-10.13%	-1.79%	-7.06%
Video % Change YOY	4.09%	-10.47%	-12.24%
Total % Change YOY	4.04%	-0.72%	10.05%

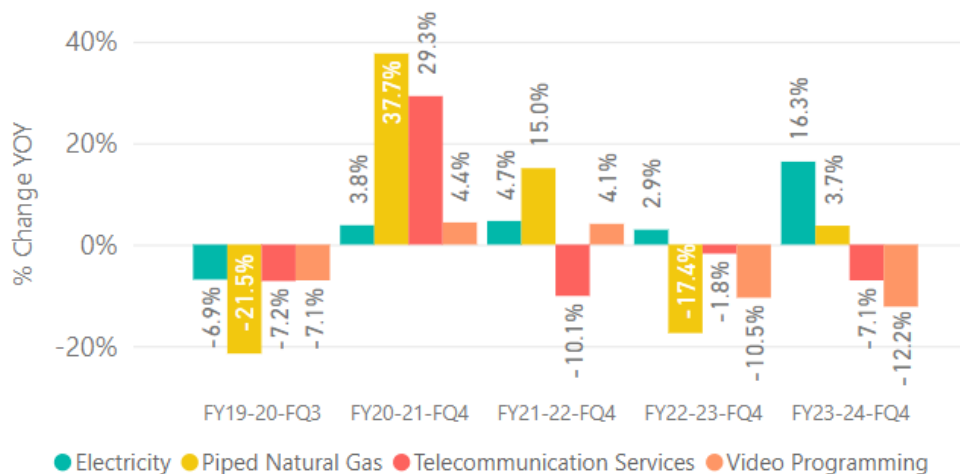
Historical dollar amounts of Q4 utility collections are shown below:

Q4 Utility Tax Distributions, YoY \$ Change

	FY21-22-FQ4	FY22-23-FQ4	FY23-24-FQ4
Sales Tax on Electricity	\$74,799,701	\$76,990,922	\$89,570,141
Sales Tax on Piped Natural Gas	\$5,772,260	\$4,765,330	\$4,942,188
Sales Tax on Telecommunication Services	\$6,310,485	\$6,197,435	\$5,760,106
Sales Tax on Video Programming	\$17,437,884	\$15,611,600	\$13,701,218
Total Distribution	\$104,320,329	\$103,565,287	\$113,973,654

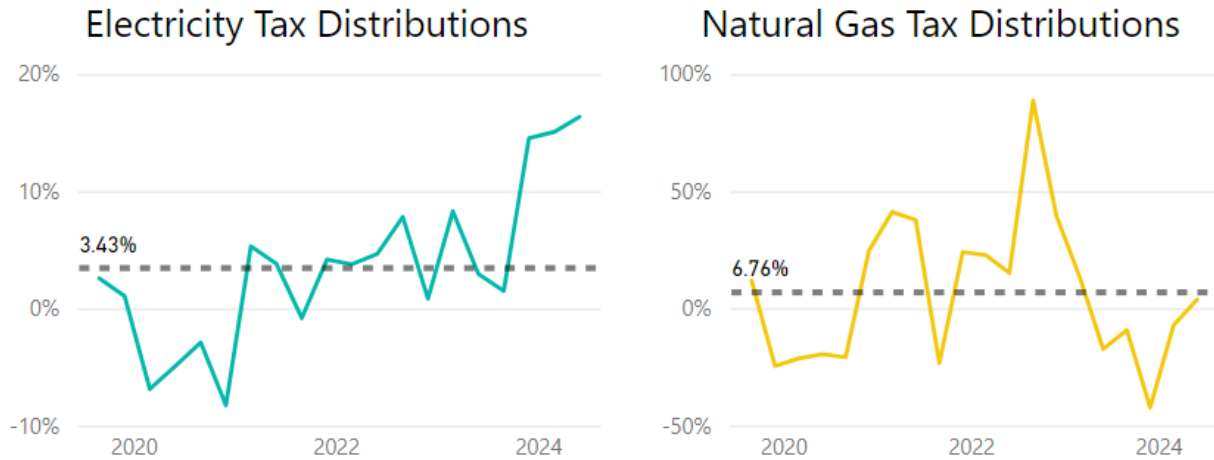
Sales tax on electricity represented roughly 79% of the total Q4 utility taxes distributed. In Q3, electricity represented about 76% of the total utility taxes that were distributed, continuing the steady upward trend of electricity taxes that we have seen in recent years.

Q4 Utility Tax Distributions, year-over-year change (%)

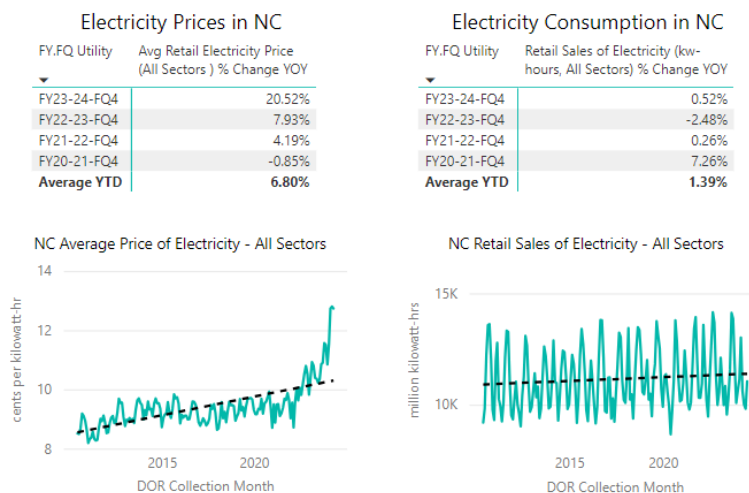


ELECTRICITY & NATURAL GAS

As shown in the tables above, electricity sales tax was up 16.3% compared to last year's Q4. Natural gas sales tax increased by 3.7%, which could represent a return to baseline year-over-year changes after several years of dramatic percentage changes noted in the graph below.



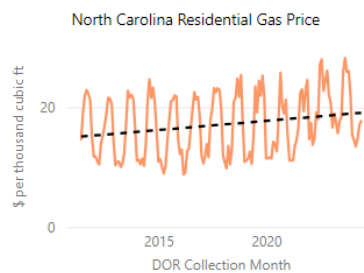
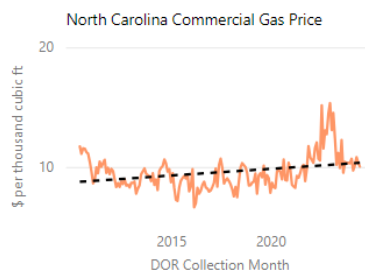
The electricity prices shown in the Q4 distribution report are reflective of consumer usage in January, February, and March. Electricity prices have risen an average of 6.8% over the course of the last four Q4 distributions; notably, Q4 of FY20-21 showed a drop in prices and a increase in consumption, which was likely caused by pandemic-driven changes in consumer behaviors. Electricity prices have increased significantly over the last two years, which is consistent with the trend of an economic “bounceback” as prices adjust to market needs and supply chains settle in to a more normal rhythm.



Natural gas prices dropped for both commercial users and residential users in North Carolina. Despite a large increase in Q4 of FY21-22, the average year-over-year percentage change for both commercial and residential users over the last four Q4 timeframes has increased 5.9%. The decreases in natural gas prices over the last several quarters likely reflects a return to baseline following the large spike in FY21-22.

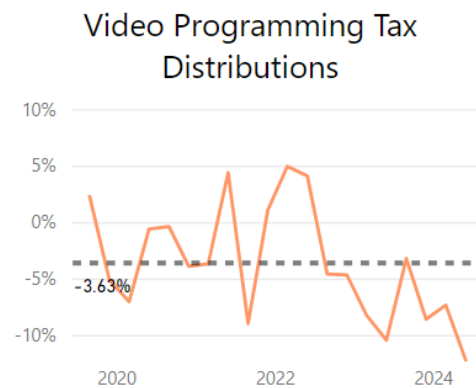
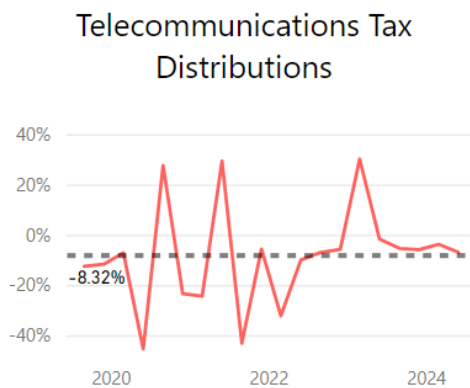
Natural Gas Prices in North Carolina

FY.FQ Utility	Average of Commercial Gas Price % Change YOY	Average of Residential Gas Price % Change YOY
FY23-24-FQ4	-6.40%	-2.33%
FY22-23-FQ4	-1.40%	-0.57%
FY21-22-FQ4	29.35%	33.31%
FY20-21-FQ4	-3.55%	-1.23%
Average YTD	4.50%	7.30%



TELECOMMUNICATIONS & VIDEO PROGRAMMING

Revenue from the telecommunications tax fell 7.06% in FY24 Q4, and revenue from the video programming tax fell by 12.24%. Though there have been occasional spikes in revenue over recent years, it is expected that revenue from both sources will continue to trend downward as consumer behaviors change.



SOLID WASTE DISPOSAL TAX

Revenue from solid waste comes from a \$2 per-ton solid waste disposal tax charged on municipal solid waste and construction and demolition debris that is deposited in a landfill in the state or transferred at a transfer station for disposal outside the state. The Department of Revenue distributes this revenue to local governments quarterly.

Solid Waste Tax Q4 YOY Comparison

FY.FQ	Solid Waste Tax Distribution	Solid Waste Tax % Change YOY
▼		
FY23-24-FQ4	\$2,277,742	-4.52%
FY22-23-FQ4	\$2,385,685	15.97%
FY21-22-FQ4	\$2,057,155	-3.85%
FY20-21-FQ4	\$2,139,549	3.62%

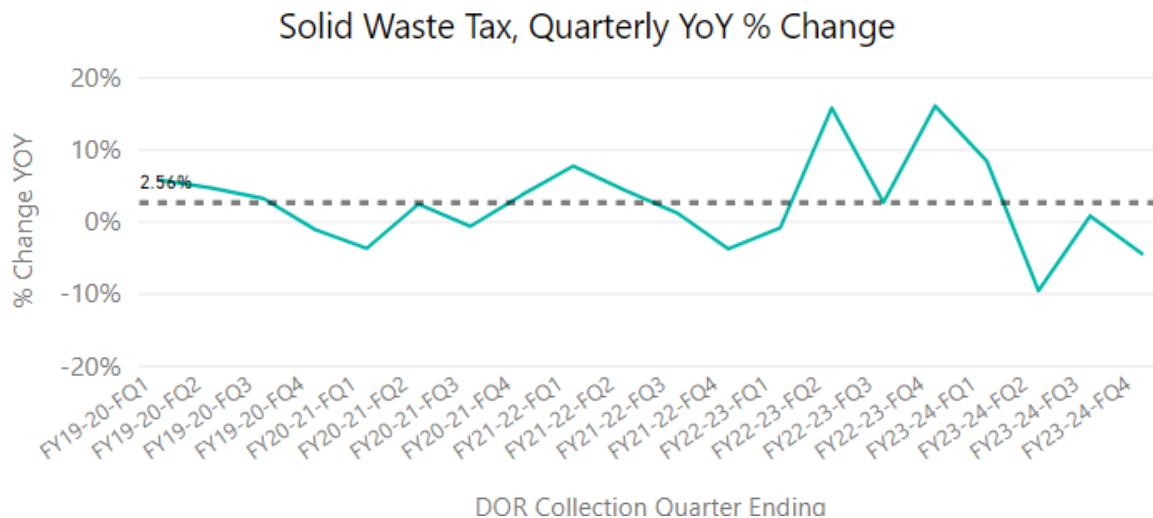
Solid Waste distributions have decreased by 1.71% in fiscal year 23-24. Last year saw a year-over-year positive increase of 8.23%, but this revenue stream has slowed down, and even decreased, in certain quarters this fiscal year. This revenue stream had two quarters of over 15% growth in fiscal year 22-23, meaning that the year-over-year changes have slowed down to become more consistent with pre-pandemic distributions.

FY24 YTD Solid Waste Tax Distributions

FY.FQ	Solid Waste Tax Distribution	Solid Waste Tax % Change YOY
▲		
FY23-24-FQ1	\$2,430,824	8.32%
FY23-24-FQ2	\$2,434,428	-9.65%
FY23-24-FQ3	\$2,295,934	0.73%
FY23-24-FQ4	\$2,277,742	-4.52%
Total	\$9,438,929	-1.71%

Solid Waste Tax Distributions - Last Fiscal Year

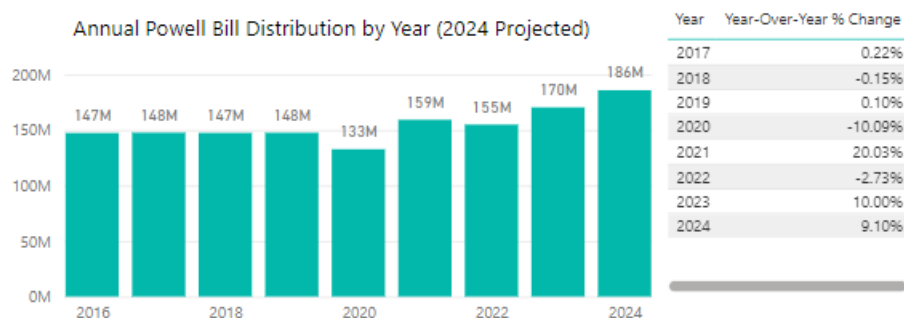
FY.FQ	Solid Waste Tax Distribution	Solid Waste Tax % Change YOY
▲		
FY22-23-FQ1	\$2,244,124	-0.96%
FY22-23-FQ2	\$2,694,366	15.70%
FY22-23-FQ3	\$2,279,202	2.61%
FY22-23-FQ4	\$2,385,685	15.97%
Total	\$9,603,377	8.23%



POWELL BILL DISTRIBUTIONS

State Street-Aid (Powell Bill) funds are distributed to eligible municipalities twice a year in October and January. Of the total annual distribution of Powell Bill funds, 75% is allocated among eligible cities based on population, and 25% is based on mileage.

The State of N.C. budget for the 2023-25 biennium increases overall Powell Bill appropriations by \$15.5 million in each of the two years, for a total appropriation of \$170.375m in FY2023-24 and \$185.875 million in FY2024-25. The October 2024 distribution to municipalities will be \$77.46 million dollars.

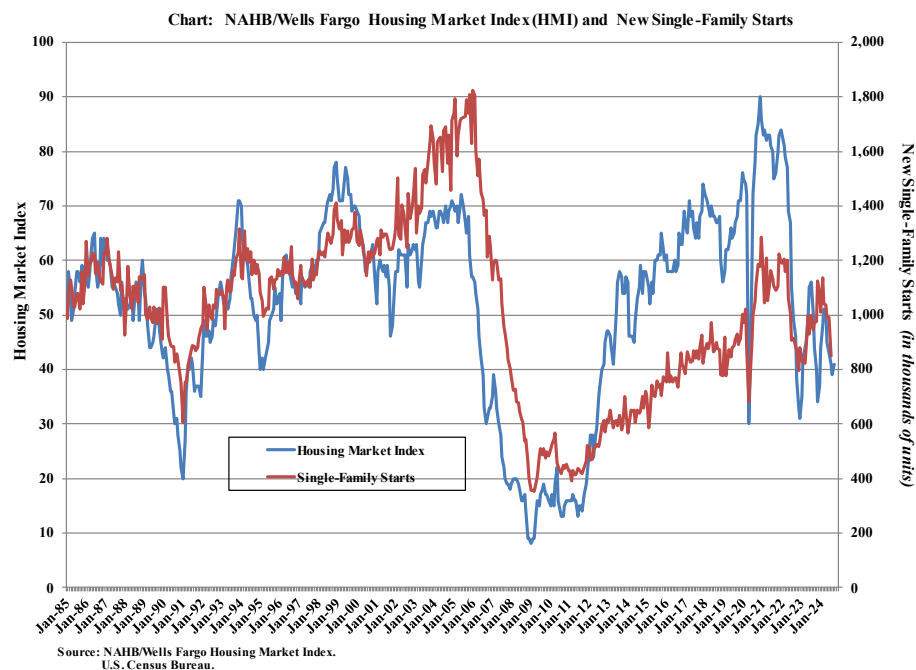


ECONOMIC UPDATE: NATIONAL OUTLOOK

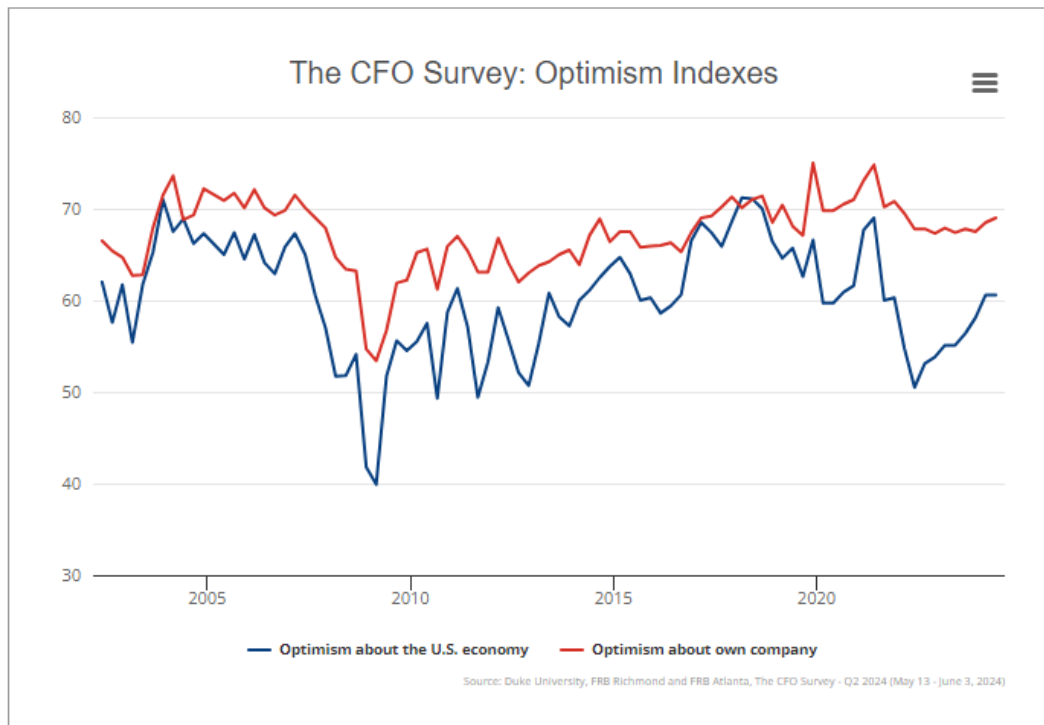
At the time this report is being written, the U.S. Bureau of Labor Statistics is reporting a [CPI figure](#) of 2.5% for the 12-month period ending in August 2024. This figure has decreased by .08% since the League's most [recent revenue report](#). In an effort to get ahead of a potential slowdown in the labor market, the Federal Reserve has cut its target rate by [half of a percentage point](#). This is the first time the Feds have cut rates

since 2020. The cut, which was larger than some economists anticipated, shows that the Federal Reserve is acting aggressively to keep the US economy on track toward a gradual slow-down of the economy in order to avoid a recession, also known as a “soft-landing.” Given the unprecedented and uncertain economic conditions triggered by the Covid-19 pandemic, the fate of the US economy has been somewhat uncertain for the past several years. While the cost of basic, everyday goods certainly impacts individual purchasing power, the housing market is also indicative of the economy’s health.

Housing prices have increased greatly in recent years, but the Federal Reserve’s recent rate cut could help to alleviate some of that pressure. Though there continues to be a shortage in the housing supply, especially when it comes to affordable housing, the average 30-year fixed rate mortgage has fallen to [6.09%](#) as of September 19th, 2024. Though falling rates can be helpful, interest rates are only one factor among a litany of factors that influence the ever-increasing cost of home ownership.

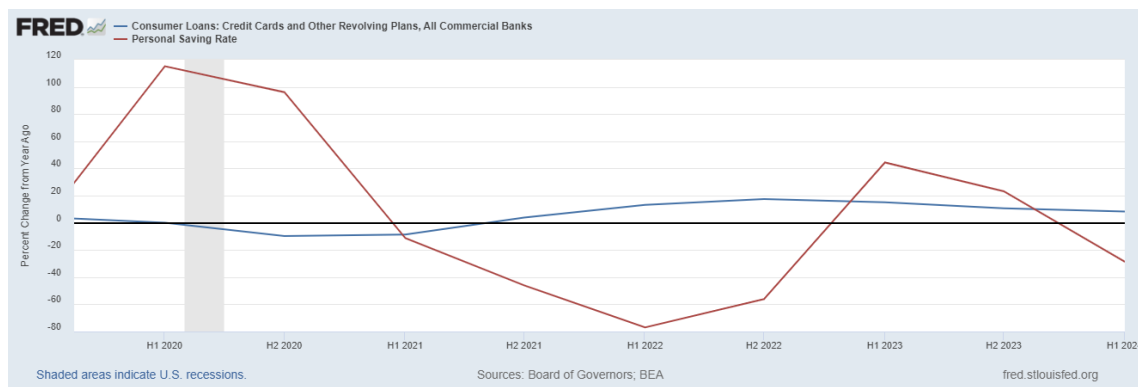


Optimism among CFO’s has evened out in recent quarters. The [quarterly CFO survey](#) conducted by Duke University and the Federal Reserve Banks of Atlanta and Richmond conducts a survey regarding monetary policy, cost pressure/inflation, and labor quality/availability. The graph below shows that optimism has been steadily rising since 2020, another indicator that the economy is bouncing back after the Covid-19 pandemic.



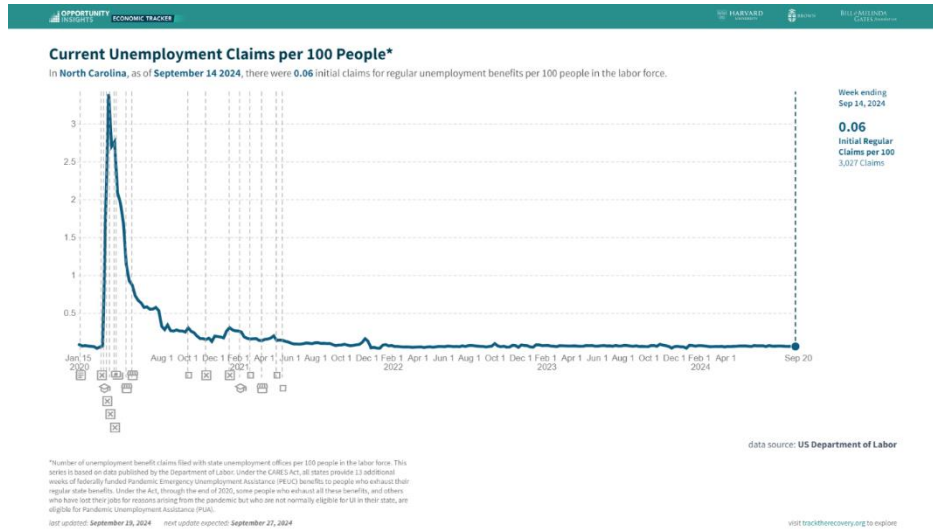
With the federal fiscal year coming to a close at the end of September, legislators in Washington D.C. have passed a temporary measure to keep the government funded through December. Federal agencies will be funded at current levels through December 20th.

The gap between personal savings and consumer loans is also an important trend that helps to indicate economic health. Year-over-year percentage changes in personal savings and consumer loans, as represented in the graph below, seem to show less tumultuous conditions for these two indicators. While personal savings grew quickly during the pandemic, consumer lending decreased. Both measures have been largely flat in recent months, but they seem to be trending in opposite directions with the personal savings rate slowly decreasing and consumer loans staying flat.

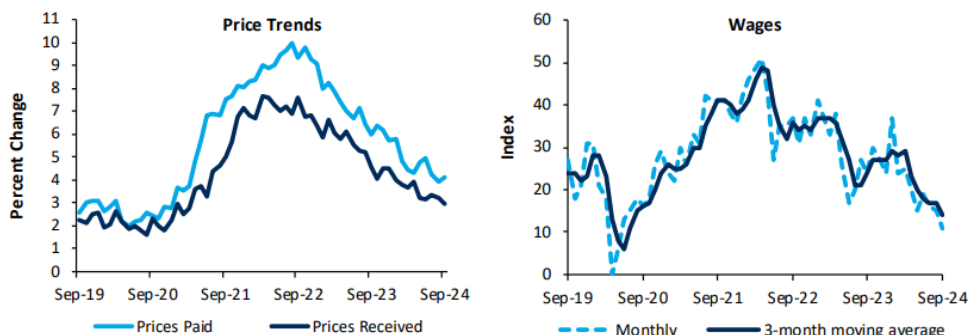


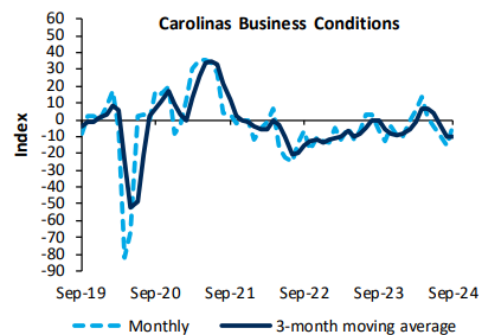
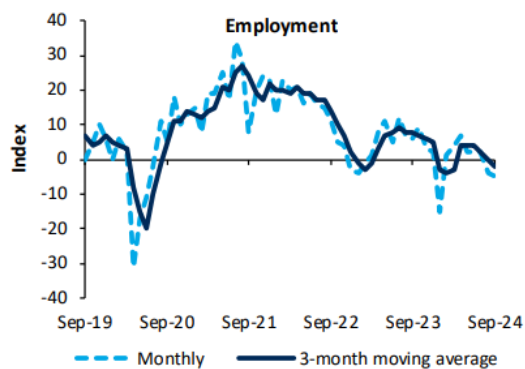
ECONOMIC UPDATE: STATE OUTLOOK

Unemployment claims in North Carolina continue to trend below the national average. As of September 14th, 2024, the United States saw 0.11 initial claims for regular unemployment benefits per 100 people in the workforce. As shown in the graph below, North Carolina saw 0.06 initial regular claims per 100 people. The number of initial claims has dropped since last quarter both statewide and nationwide.



The Richmond Federal Reserve Bank’s [September Survey of Business Activity](#) reported that business activity in the Carolinas improved slightly in September. The general business conditions index improved when compared to the August report. While the August report stated that the economy in the Carolinas had been “sluggish,” the September report tells a slightly more positive story; firms reported that they expect growth in prices paid to moderate somewhat in the future.





Dr. John Connaughton’s [September 2024 North Carolina Economic Forecast](#) projects increases in fourteen of the state’s economic sectors during 2024, with inflation-adjusted GDP growing by 2.7% when compared to 2023. This estimate is down slightly from last quarter’s report, which indicated GDP growing by 3%.

Dr. Michael Walden’s August [NCSU Index of North Carolina Leading Economic Indicators](#) predicted a relatively positive trend in North Carolina’s economy, with a worst case scenario being a “‘slowdown’, but no ‘meltdown’” for the state. In the [September iteration](#) of the same report, he highlights the weakening labor market as the biggest economic concern, but states that “North Carolina’s strong economy is an advantage for dealing with any adversity” when it comes to potential nationwide economic challenges.

As always, the League recommends that in addition to state-wide data and broad economic indicators presented in this report, municipalities should consider and factor in their individual geographic and economic factors when finalizing projections.

ADDITIONAL RESOURCES

Useful data, including some found in this report, can be found at the following links:

NC local government revenue distribution data:

<https://www.ncdor.gov/news/reports-and-statistics/local-government-distributions>

NC taxable sales data:

<https://www.ncdor.gov/news/reports-and-statistics/monthly-sales-and-use-tax-statistics>

Energy consumption and pricing data:

<https://www.eia.gov/electricity/data.php>

<https://www.eia.gov/naturalgas/data.php>

Powell Bill distribution data and other information:

<https://connect.ncdot.gov/municipalities/State-Street-Aid/Pages/default.aspx>

Other NCLM Forecasts, Revenue Reports, and our most recent Basis of Distribution Memo:

[Research & Surveys | NCLM](#)

CONTACT

For questions on this report, contact Rachael Wyant, Research Program Manager, at RWyant@NCLM.org.