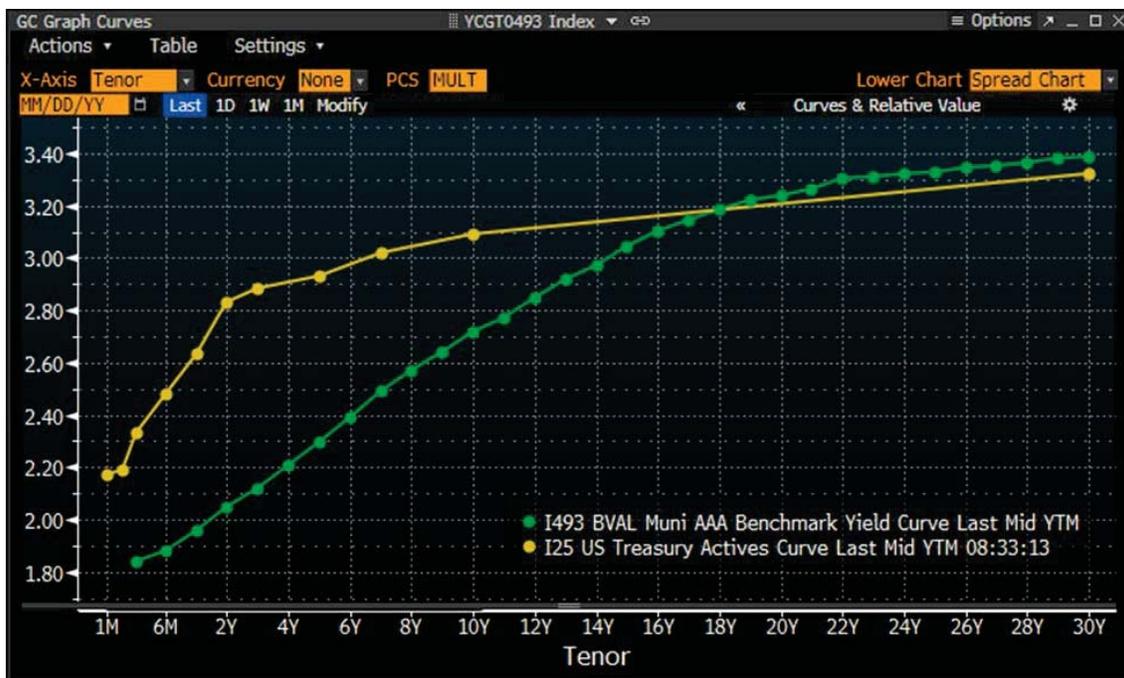




NC Taps Rainy Day Fund for Hurricane Damage

- North Carolina's Governor Roy Cooper signed into law the 2018 Hurricane Florence Disaster Recovery Act, which will allocate a generous \$850 million of state spending toward relief efforts. The state will tap its rainy day fund for the majority of the allocation limiting the state's fiscal flexibility for the remainder of FY19. The spending package will go mostly toward local governments and higher education institutions affected by the storm, specifically UNC Wilmington, UNC Pembroke and Fayetteville State University.
- UNC Wilmington, for example, was closed for four weeks after the storm. The \$850 million allocation is equal to approximately 3.6% of the state's FY19 budget. By way of comparison both Texas and Florida allocated approximately 2% of their annual budget after Hurricanes Harvey and Irma respectively.
- Investors in the municipal market are naturally concerned after major hurricanes. However, long-term negative credit impacts rarely occur from such events. The infusion of federal assistance, private insurance, and state support help rebuild communities.

Municipal vs. Treasury Yields



Source: Bloomberg

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