

Comparison: Projected FY 2019-20 NCGA and Governor's Budget Outlooks

		Enacted 2018-19 Recurring	Enacted 2018-19 Non-Recurring	Enacted 2018-19 Total	Projected NCGA 2019-20 Total	Governor Proposed 2018-19 Recurring	Governor Proposed 2018-19 Non-Recurring	Governor Proposed 2018-19 Total	Projected Governor 2019-20 Total
1	Unappropriated Balance		490,975,581	490,975,581	561,356,094		490,975,581	490,975,581	5,000,000
2									
3	Over Collections		356,700,000	356,700,000			356,700,000	356,700,000	
4	Reversions		275,000,000	275,000,000			275,000,000	275,000,000	
5	Earmarkings of Year End Fund Balance:								
6	Savings Reserve ¹						(184,100,000)	(184,100,000)	
7	Capital (includes water resources)		(155,201,070)	(155,201,070)					
8	Repairs and Renovations (25% of year-end unreserved fund balance)		(64,798,930)	(64,798,930)	(140,339,024)		(125,000,000)	(125,000,000)	(1,250,000)
9	Public Safety Reserve						(100,000,000)	(100,000,000)	
10	IT Reserve						(50,000,000)	(50,000,000)	
11	Disaster Reserve						(139,500,000)	(139,500,000)	
12	Beginning Unreserved Fund Balance	0	902,675,581	902,675,581	421,017,071	0	524,075,581	524,075,581	3,750,000
13									
14	Revenues Based on Existing Tax Structure ³	22,960,100,000	0	22,960,100,000	23,342,100,000	22,960,100,000	0	22,960,100,000	23,414,300,000
15									
16	Non-tax Revenues ³	911,200,000	0	911,200,000	900,000,000	911,200,000	0	911,200,000	952,200,000
17									
18	Savings Reserve (15% of Est. Tax Revenue Growth) ^{1 & 2}	(68,760,000)			(59,100,000)				(90,740,000)
19									
20	Adjustment for Pay-Go (4% net State tax revenues) ⁴				(184,856,614)				
21									
22	Total General Fund Availability	23,802,540,000	902,675,581	24,773,975,581	24,419,160,457	23,871,300,000	524,075,581	24,395,375,581	24,279,510,000
23									
24	Adjustments to Availability: 2017 Session								
25	Transfer to Savings Reserve ¹ (\$60 M transfer to Disaster Reserve)	0	(152,782,959)	(152,782,959)		0	0	0	
26	Transfer to Medicaid Transformation Reserve	0	(135,000,000)	(135,000,000)		0	0	0	
27	Subtotal Adjustments to Availability: 2017 Session	0	(287,782,959)	(287,782,959)	0	0	0	0	0
28									
29	Additional Availability Changes for 2018 Session:								
30	IRC Conformity:	59,000,000		59,000,000	71,000,000	59,000,000		59,000,000	71,000,000
31	Two bracket personal income Tax					68,000,000		68,000,000	153,000,000
32	Corporate Tax Rate at 3%					42,000,000		42,000,000	129,000,000
33	25% of Deed Stamp Tax					(18,700,000)		(18,700,000)	(19,120,000)
34	Additional Funds to Golden Leaf					(5,000,000)		(5,000,000)	(5,000,000)
35	Film & Entertainment Tax Rebate								(33,000,000)
36	Transfer from Department of Insurance	932,602		932,602	932,602	1,774,475		1,774,475	1,774,475
37	Transfer from Department of State Treasurer	25,246		25,246	25,246	0		0	0
38									
39	Revised General Fund Availability:	23,862,497,848	614,892,622	24,477,390,470	24,491,118,305	24,018,374,475	524,075,581	24,542,450,056	24,577,164,475

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40									
41	Less General Fund Net Appropriations:								
42									
43	Subcommittee Budgets								
44	Education	13,695,140,383	64,273,751	13,759,414,134	13,695,140,383	14,075,812,998	50,234,859	14,126,047,857	14,075,812,998
45	Health and Human Services	5,461,612,616	(108,399,732)	5,353,212,884	5,461,612,616	5,593,684,959	(106,465,895)	5,487,219,064	5,593,684,959
46	Justice and Public Safety	2,779,986,308	13,487,757	2,793,474,065	2,779,986,308	2,845,160,212	9,610,077	2,854,770,289	2,845,160,212
47	Agriculture, Natural and Economic Resources	557,985,929	44,782,324	602,768,253	557,985,929	586,347,614	36,907,930	623,255,544	586,347,614
48	General Government	401,389,886	33,371,189	434,761,075	401,389,886	405,674,886	23,295,081	428,969,967	405,674,886
49	Subtotal - Subcommittee Budgets	22,896,115,122	47,515,289	22,943,630,411	22,896,115,122	23,506,680,669	13,582,052	23,520,262,721	23,506,680,669
50									
51	Information Technology	51,867,625	10,026,006	61,893,631	51,867,625	53,602,001	20,000,000	73,602,001	53,602,001
52									
53	Reserves and Debt Service ⁵	871,342,341	37,000,000	908,342,341	871,342,341	909,092,341	3,000,000	912,092,341	909,092,341
54	Capital	0	2,167,993	2,167,993			31,492,993	31,492,993	
55									
56	Total General Fund Budget	23,819,325,088	96,709,288	23,916,034,376	23,819,325,088	24,469,375,011	68,075,045	24,537,450,056	24,469,375,011
57									
58	FY 2019-20 Budget Pressures ⁶								
59									
60	Class Size Reduction - Statutory Appropriation				62,000,000				62,000,000
61	Opportunity Scholarships - Statutory Appropriation				10,000,000				0
62	NC Pre-K - Statutory Appropriation				9,500,000				9,500,000
63	State Health Plan				92,000,000				92,000,000
64	Retirement System (TSERS)				62,000,000				62,000,000
65	K-12 ADM Growth				46,514,213				46,514,213
66	Community College Enrollment				3,812,214				3,812,214
67	University Enrollment Growth				44,000,000				44,000,000
68	Medicaid Federal Medical Assistance Percentage (FMAP) Changes				36,000,000				36,000,000
69	Health Choice FMAP Changes				(66,000,000)				(66,000,000)
70	Medicaid Rebase				199,000,000				199,000,000
71	DSH Adjustment based on Affordable Care Act changes (will impact availability)				50,000,000				50,000,000
72	Broughton Hospital Annualization				10,000,000				4,091,350
73	Annualization of Positions - General Assembly				2,072,710				2,072,710
74	Raise-The-Age - Program Costs				19,702,658				19,702,658
75	Motor Fleet Fee Changes				12,400,000				12,400,000
76									
77	Subtotal, FY 2019-20 Budget Pressures				593,001,795				577,093,145
78									
79	Revised Budget	23,819,325,088	96,709,288	23,916,034,376	24,412,326,883	24,469,375,011	68,075,045	24,537,450,056	25,046,468,156
80	Unappropriated Balance/Budget Gap	43,172,760	518,183,334	561,356,094	6,833,574	(451,000,536)	456,000,536	5,000,000	(469,303,681)

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Major Assumptions/Methodology: This analysis projects spending for the FY 2019-20 projected NCGA budget based on recurring expenditures in the General Assembly's FY 2018-19 enacted budget assuming no changes in State laws or scope of State programs. It also projects spending in FY 2019-20 for the projected Governor's budget based on recurring expenditures in the Governor's Recommended Budget for FY 2018-19 and assumes the following changes in his proposal: 1) the repeal of the State Infrastructure and Capital Fund, 2) the repeal of the growth in the statutory appropriations for the Opportunity Scholarship Grant Fund Reserve, 3) the freezing of the corporate income tax at 3% and the personal income tax at 5.499% for married taxpayers earning over \$200,000 filing jointly, and 4) the creation of a film and entertainment grant and rebate program.

As is customary for FRD projections, the analysis for FY 2019-20 also assumes no reversions (Note: Reversions have averaged \$397.8 million over the past five years). Lastly, this analysis does not account for additional proposed revenue or spending reductions that may be proposed in the Governor's budget recommendation for FY 2019-20 to adjust for any potential shortfalls.

Footnotes:

¹ **Savings Reserve Transfers 2018-19:** The Governor's Recommended Budget for FY 2018-19 notwithstanding the statutory requirement (G.S. 143C-4-2) to transfer 15% of the estimated growth in State General Fund tax revenues and instead transfers a flat amount of \$184.1 million from the unreserved fund balance as of June 30, 2018. Whereas the General Assembly's budget transfers the amount required by statute (\$60.8 million on line 18) plus an additional \$152.8 million (on line 25) for a total of \$221.5 million in FY 2018-19.

² **Savings Reserve Transfers 2019-20:** This analysis assumes that both the Governor's and the General Assembly's budgets transfer the amount of funds required by statute to the Savings Reserve in FY 2019-20 (see line 18). The amounts of the transfer differ due to the differences in the projected rate of growth in tax revenues for FY 2019-20 between the Governor's and the General Assembly's revenue forecasts.

³ **Estimated Tax Revenue Growth:** The General Assembly's estimated growth rate for tax revenues in FY 2019-20 is 4% whereas the Governor's estimated growth rate for tax and nontax revenue is 4.5%. The Governor's higher revenue growth rate results in an additional \$72.2 million in tax revenues based on the existing tax structure and an additional \$52.2 million in non-tax revenues.

⁴ **Pay-Go Capital:** The Governor's Recommended Budget for FY 2018-19 proposed repealing the State Capital and Infrastructure Fund (AKA Pay-Go) which requires the State Controller to transfer to the Fund 4% of each fiscal year's estimated net State tax revenues that are deposited in the General Fund and 25% of the General Fund unreserved fund balance beginning with the 2019-20 fiscal year. As a result, this analysis assumes no transfer to the Fund in the Governor's FY 2019-20 budget. Whereas this analysis assumes the General Assembly will allow the transfer of funds as required by law. For the purposes of this comparison, the amount of funding shown for Pay-Go in the General Assembly's FY 2019-20 budget is the amount in excess of what is required to pay the debt service in FY 2019-20 (see line 53). The required 25% of the General Fund unreserved fund balance is shown on line 8. The estimated amount of funds to be transferred to the Fund in FY 2019-20 is \$1,076.8 million.

⁵ **Debt Service:** For the purposes of comparison, FY 2019-20 debt service, estimated to be \$751.7 million, is shown as an expenditure in both the Governor's and the General Assembly's FY 2019-20 budget. However, effective July 1, 2019, debt service will be paid out of the State Capital and Infrastructure Fund, which will not be shown as an expenditure but rather as an adjustment to availability.

⁶ **FY 2019-20 Projected Expenditures:** This analysis assumes that, in addition to the recurring operating budget for State agencies, additional funds will be required in FY 2019-20 to support statutory appropriations and program annualizations as well as adjustments typically included in both the Governor's and General Assembly's budget for items such as enrollment in K-12 and higher education, Medicaid, the State Health Plan and retirement. This list is not meant to be exhaustive, but rather representative of most budget pressures.

