

Governor's Recommended Budget Adjustments for FY 2018-19

FY 2018-19

<u>Budget Availability</u>	
Unappropriated Balance from Prior Fiscal Year	490,975,581
Over Collection of Revenues FY 2017-18	356,700,000
Reversions (estimated)	275,000,000
Transfer to Reserves:	
Savings Reserve	(184,100,000)
Repairs and Renovations Reserve	(125,000,000)
Public Safety Improvements Reserve	(100,000,000)
Information Technology Infrastructure Reserve	(50,000,000)
State Emergency Response & Disaster Relief Reserve	(139,500,000)
Beginning Unreserved Fund Balance	524,075,581
Revenues Based on Existing Tax Structure	23,871,300,000
<u>Revenue Changes</u>	
Middle Class Tax Relief & Freeze Corporate Income Tax Rate at 3.0%	110,000,000
Conformity with Federal Tax Cuts and Jobs Act	54,000,000
25% of Deed Stamp Proceeds to Conservation and Housing	(18,700,000)
Additional Funds to Golden LEAF	(5,000,000)
Film and Entertainment Rebate and Grant (effective January 1, 2019)	-
Treasurer and Insurance Nontax Transfer	1,774,475
Total Budget Availability	24,537,450,056
Enacted Budget	23,713,531,176
<u>Supporting NC's Human Capital</u>	
Additional Teachers, Principals, and Assistant Principals Salary Increases	112,728,956
Teacher Stipend for Supplies	15,000,000
State-funded Employees (excluding Teachers, Principals) - greater of \$1250/2%	246,050,147
Additional \$1,000 Recurring for LEOs and Institution-based Employees	31,881,378
Public Safety Sign-On & Recruitment Bonuses	500,000
Salary Adjustment Fund	20,000,000
Additional 1% Bonus Pool for CC and UNC Faculty	23,250,000
457 Plan for Correctional Officers	10,000,000
Retirement System Actuarial Requirements	11,717,843
Retiree Cost of Living Adjustment - 1% Recurring	46,486,705
Subtotal	517,615,029
<u>Making NC a Top Ten Educated State by 2025</u>	
Public Schools	102,503,828
Community Colleges	36,227,113
UNC System	32,600,533
Public School Bond in November 2018	-
Subtotal	171,331,474
<u>Growing Our Economy</u>	
Strengthening Rural Communities	51,200,000
NC Job Ready Fund	(60,000,000)
NC GROW Community College Grants, Finish Line Grants, Employer Training	60,000,000
Subtotal	51,200,000
<u>Helping People Live Healthy, Productive Lives</u>	
Making NC a Welcoming State for its People, Businesses, and Environment	34,185,029
<u>Keeping Communities and Correctional Facilities Safe</u>	
Strengthening & Modernizing Core Government Services, including Capital	38,379,533
<u>Technical Adjustments</u>	
	(108,427,582)
Total Expansion Items	823,918,880
Total Recommended Budget	24,537,450,056
Balance	-

Revenue and Budget Summary

for 2018-19

Table 1
Total Recommended State Budget by Function, 2018-19
(Excluding Transfers and Internal Service Funds))

	2018-19 Recommended	%
Education	\$17,707,084,194	30.98%
General Government	\$2,786,481,169	4.88%
Health and Human Services	\$21,814,357,058	38.17%
Justice and Public Safety	\$3,145,358,718	5.50%
Natural and Economic Resources	\$5,272,027,943	9.22%
Transportation	\$5,050,307,709	8.84%
Capital Improvements	\$305,934,076	0.54%
Debt Service	\$881,795,895	1.54%
Reserves and Adjustments	\$194,584,518	0.34%
Total State Budget	\$57,157,931,280	100.00%

Figure 1
Total Recommended State Budget by Function, excluding Transfers
2018-19

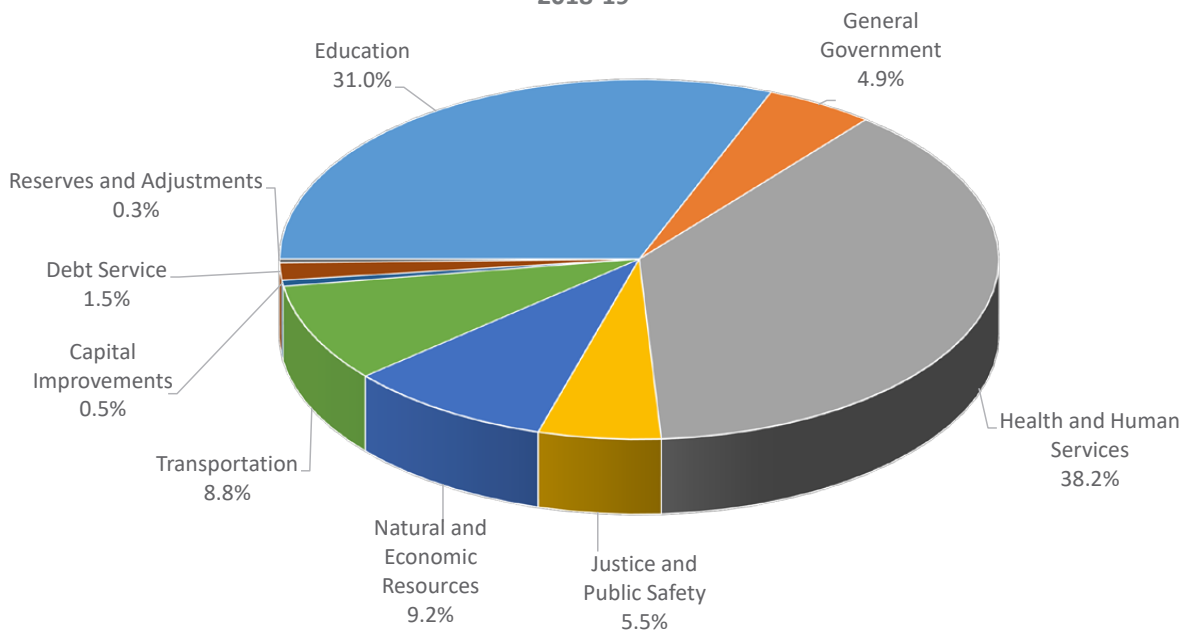


Table 2

**Total North Carolina State Budget by Function, Department, and Source of Funds
Governor Recommended Adjustments 2018-19 (Excluding Transfers and Internal Service Funds)**

Budget Code	Function	General Fund Net Appropriation	Highway Trust/ Highway Fund Transfers In	Other Revenues	Federal Revenues	Total Budget Excluding Transfers
Education						
13510	Public Schools (DPI)	9,824,986,795	59,025,029	36,329,473	1,210,193,654	11,130,534,951
23510	DPI - Special	-	-	6,362,369	-	6,362,369
23511	DPI - School Technology Fund (GF)	-	-	1,088,518	-	1,088,518
29110	DPI - Public School Building Fund	-	-	1,972,473	-	1,972,473
63501	DPI - Trust	-	-	6,173,406	-	6,173,406
63503	DPI - Trust - GF	-	-	2,355,344	-	2,355,344
63510	DPI - Trust	-	-	10,250,000	-	10,250,000
63511	DPI - Trust	-	-	140,000	-	140,000
73510	DPI - Internal Service	-	-	21,945,021	-	21,945,021
16800	NC Community Colleges (NCCCS)	1,223,088,951	-	364,244,937	18,928,304	1,606,262,192
26800	NCCCS - Special Funds	-	-	8,523,665	-	8,523,665
26802	NCCCS - Information Technology	-	-	7,591,808	-	7,591,808
66800	NCCCS - Trust	-	-	927,895	-	927,895
66801	NCCCS - Special Funds Interest Earning	-	-	5,861,617	-	5,861,617
16010	UNC - GA	42,172,369	-	46,899	-	42,219,268
16011	UNC - Institutional Programs	274,388,192	-	-	-	274,388,192
16012	UNC - Related Education Programs	109,968,501	-	16,744,733	-	126,713,234
16015	UNC - Aid to Private Institutions	162,799,754	-	-	-	162,799,754
16020	UNC - Chapel Hill - Academic Affairs	254,309,119	-	351,679,725	246,671	606,235,515
16021	UNC - Chapel Hill - Health Affairs	195,305,973	-	116,296,211	-	311,602,184
16022	UNC - Chapel Hill - Area Health Education	48,783,693	-	-	-	48,783,693
16030	NCSU - Academic	409,898,050	-	378,036,965	-	787,935,015
16031	NCSU - Agriculture Research Services	52,636,905	-	14,657,938	-	67,294,843
16032	NCSU - Agriculture Extension Services	39,195,231	-	16,086,044	-	55,281,275
16040	UNC - Greensboro	150,156,774	-	96,504,453	136,798	246,798,025
16050	UNC - Charlotte	226,376,692	-	155,038,429	150,000	381,565,121
16055	UNC - Asheville	39,500,625	-	22,428,055	10,400	61,939,080
16060	UNC - Wilmington	120,327,946	-	95,002,242	75,075	215,405,263
16065	ECU - Academic	214,357,533	-	181,282,829	139,900	395,780,262
16066	ECU - Health Services	75,014,745	-	11,075,640	-	86,090,385
16070	NC A & T	96,169,482	-	66,207,432	58,714	162,435,628
16075	Western Carolina	89,730,641	-	48,902,551	-	138,633,192
16080	Appalachian State	134,672,993	-	101,494,740	113,445	236,281,178
16082	UNC - Pembroke	54,215,428	-	27,533,325	22,837	81,771,590
16084	Winston Salem State	65,470,321	-	23,915,982	23,000	89,409,303
16086	Elizabeth City State	32,278,712	-	6,717,801	48,400	39,044,913
16088	Fayetteville State	53,048,162	-	22,006,493	-	75,054,655
16090	NC Central	84,310,559	-	49,484,925	163,948	133,959,432
16092	UNC School of the Arts	31,424,499	-	15,627,088	4,550	47,056,137
16094	NC School of Science and Math	21,459,212	-	1,158,586	-	22,617,798
56096	UNC Hospitals - Operating Fund	-	-	-	-	-
Total Education		14,126,047,857	59,025,029	2,291,695,612	1,230,315,696	17,707,084,194
General Government						
23050	DMVA - Special Revenue	-	-	693,979	-	693,979
63050	DMVA - Veterans Homes Trust	-	-	47,584,404	-	47,584,404
63416	DST - Absentee Insurance	-	-	-	-	-

**Total North Carolina State Budget by Function, Department, and Source of Funds
Governor Recommended Adjustments 2018-19 (Excluding Transfers and Internal Service Funds)**

Budget Code	Function	General Fund Net Appropriation	Highway Trust/ Highway Fund Transfers In	Other Revenues	Federal Revenues	Total Budget Excluding Transfers
23401	DST - Clean Water Bond Loan Repayment	-	-	-	-	-
63417	DST - Swain County Settlement Trust	-	-	-	-	-
21000	General Assembly - Special Fund	-	-	-	-	-
13902	Industrial Commission	131,593	-	-	-	131,593
14660	Information Technology (DIT)	73,602,001	-	-	-	73,602,001
68106	NC Auctioneer Licensing Board - Recovery	-	-	-	-	-
28211	OAH - Special Projects	-	-	-	244,929	244,929
29006	OSBM - \$75 Million R&R COPs 2007B	-	-	-	-	-
63008	OSBM - Dix Land Proceeds	-	-	-	-	-
23014	OSBM - Special Revenue	-	-	-	-	-
14100	Administration (DOA)	66,927,397	56,816	6,879,099	-	73,863,312
24100	DOA - Special	-	-	17,125,264	401,466	17,526,730
24102	DOA - Special	-	-	539,152	-	539,152
24105	DOA - Special	-	-	1,500	4,355,568	4,357,068
54100	DOA - Enterprise Fund	-	-	-	-	-
64100	DOA - Trust	-	-	681	-	681
18210	Office of Administrative Hearings (OAH)	6,204,092	-	51,966	-	6,256,058
28210	OAH - It Projects	-	-	-	-	-
64190	OSC - Proceeds Higher Ed - CC2	-	-	-	-	-
64220	OSC - Proceeds 2007A GO Public Imp	-	-	-	-	-
13300	State Auditor (OSA)	14,273,005	-	405	-	14,273,410
18025	State Board of Elections (SBE)	7,069,164	-	102,000	-	7,171,164
28025	SBE - HAVA Federal Funds	-	-	30,000	10,000	40,000
68025	SBE - NC Candidate	-	-	30,000	-	30,000
14160	Office of State Controller (OSC)	23,895,168	505,399	34,335	-	24,434,902
24160	OSC - Special Revenue	-	-	180,000	-	180,000
24171	OSC - Central Account - Special Fund	-	-	76,392	-	76,392
24172	OSC - Recovery Fund	-	-	373,157	-	373,157
11000	General Assembly	67,557,147	-	861,000	-	68,418,147
13000	Governor's Office	5,082,136	-	276,871	-	5,359,007
23000	Governor's Office - Special	-	-	12,000	6,453,226	6,465,226
23001	Governor's Office - Interest Earning - Special	-	-	1,200	-	1,200
23007	Governor's Office - Special	-	-	54,952	-	54,952
13050	Military and Veterans Affairs (DMVA)	10,216,914	-	2,400,000	-	12,616,914
24667	DIT - Reserve Fund	-	-	-	-	-
24668	DIT - Federal Grants	-	-	-	1,132,678	1,132,678
24669	DIT - Wireless Fund	-	-	108,662,500	-	108,662,500
13005	State Budget and Management (OSBM)	8,565,049	-	14,500	-	8,579,549
13085	OSBM - Special Appropriation	3,000,000	-	-	-	3,000,000
23003	OSBM - NC Education Lottery Fund	-	-	200,000	-	200,000
23004	OSBM - NC Education Lottery Reserve	-	-	2,594,265	-	2,594,265
23005	OSBM - Fines and Penalties	-	-	6,500,000	-	6,500,000
23009	OSBM - Disaster Relief - GF	-	-	-	-	-
63006	OSBM - Shamrock Oil Trust - Commission	-	-	-	-	-
63007	OSBM - Mental Health/Dev Dis/Sub Abuse Trust	-	-	1,101	-	1,101
13010	NC Housing Finance Agency (NCHFA)	30,660,000	-	-	-	30,660,000
23010	NC Housing Finance Agency - Special	-	-	10,586,683	10,225,320	20,812,003

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Budget Code	Function	General Fund Net Appropriation	Highway Trust/ Highway Fund Transfers In	Other Revenues	Federal Revenues	Total Budget Excluding Transfers
63011	NCHFA - Partnership	-	-	7,270,972	2,000,000	9,270,972
13900	Insurance (DOI)	50,054,954	-	2,244,533	4,381,019	56,680,506
23900	DOI - Special - Interest Earning	-	-	37,465,864	-	37,465,864
23901	DOI - Special - Non-Interest Earning	-	-	1,299,669	50,000	1,349,669
23902	DOI - Special - Interest Earning	-	-	15,000	-	15,000
63901	DOI - Trust	-	-	-	-	-
63902	DOI - Trust	-	-	6,095,000	-	6,095,000
63903	DOI - Trust - Internal Service	-	-	23,135,546	-	23,135,546
13100	Lieutenant Governor (OLG)	790,527	-	-	-	790,527
14700	Revenue (DOR)	87,255,000	5,288,563	17,892,976	-	110,436,539
24700	DOR - Special	-	-	7,607,812	-	7,607,812
24704	DOR - Project Collect Tax	-	-	-	-	-
24706	DOR - Lee Tax Credits	-	-	300,000	-	300,000
24707	DOR - Tax Transaction Fees	-	-	1,882,742	-	1,882,742
24708	DOR - IT Projects	-	-	-	-	-
13200	Secretary of State (SOS)	14,209,686	-	37,478	134,316	14,381,480
23200	SOS - Special	-	-	689,174	-	689,174
63201	SOS - Trust Special Revenue	-	-	19,280	-	19,280
13410	State Treasurer (DST)	4,866,274	-	15,591,313	-	20,457,587
13412	DST - Retirement / Benefits	28,211,861	-	-	-	28,211,861
23410	DST - Combined Motor Vehicle	-	-	3,000	-	3,000
23420	DST - Appropriated IT Project	-	-	429,066	-	429,066
23450	DST - State Health Plan, Special	-	-	500	-	500
23470	DST - Supplemental Retirement Plan	-	-	2,524,537	-	2,524,537
68190	DST - Interest Public Improvement Bond	-	-	11,336,982	-	11,336,982
68188	DST - Interest Higher Ed. CC 2001A	-	-	3,048,744	-	3,048,744
68174	DST - Interest CI 1997	-	-	290,715	-	290,715
68163	DST - Bond Refund	-	-	593,810,191	-	593,810,191
68158	DST - Interest Higher Ed 2006A	-	-	19,196,825	-	19,196,825
68154	DST - Interest Public Improvement 2005A	-	-	34,260,718	-	34,260,718
68150	DST - Interest Drinking Water 2004A	-	-	23,219	-	23,219
63410	DST - Health Benefits Reserve	-	-	600,000	-	600,000
63412	DST - Escheats	-	-	193,296,363	-	193,296,363
63414	DST - Fire Loan Trust	-	-	13,450	-	13,450
63415	DST - Assurance Land Titles	-	-	945	-	945
63420	DST - State Health Plan - PPO	-	-	-	-	-
63422	DST - Legislative Retirement	-	-	22,319	-	22,319
68126	DST - Drinking Water Repayment 1999C	-	-	12,751	-	12,751
68133	DST - Interest Wastewater Repayment 2003A	-	-	26,571	-	26,571
68137	DST - Interest Drinking Water Repayment 2003A	-	-	8,566	-	8,566
68141	DST - Interest Wastewater Repayment 2003B	-	-	22,670	-	22,670
68142	DST - Interest Drinking Water Repayment 2003B	-	-	11,217	-	11,217
68149	DST - Interest Wastewater Repayment 2004A	-	-	62,265	-	62,265
68198	DST - Interest Wastewater Repayment 2002	-	-	112,325	-	112,325
68220	DST - Interest GO Public Improvement 2007A	-	-	30,170,483	-	30,170,483
68221	DST - Interest CI Limited Obligation Bonds 2008A	-	-	235,290,113	-	235,290,113
68222	DST - Interest 2/3 GO Bonds	-	-	56,085,048	-	56,085,048

**Total North Carolina State Budget by Function, Department, and Source of Funds
Governor Recommended Adjustments 2018-19 (Excluding Transfers and Internal Service Funds)**

Budget Code	Function	General Fund Net Appropriation	Highway Trust/ Highway Fund Transfers In	Other Revenues	Federal Revenues	Total Budget Excluding Transfers
69430	DST - Debt Service Clearing	-	-	400,429,913	-	400,429,913
69440	DST - Infrastructure Finance Corp.	-	-	-	-	-
69442	DST - Trust - CI	-	-	453,787	-	453,787
69444	DST - Trust - Special	-	-	329,124,084	-	329,124,084
69450	DST - Basis SWAP	-	-	5,836,628	-	5,836,628
28101	Board of Barber Examiners	-	-	674,217	-	674,217
28102	Board of Cosmetology	-	-	2,335,800	-	2,335,800
28103	Board of Opticians	-	-	195,097	-	195,097
28104	NC Psychology Board	-	-	1,089,118	-	1,089,118
28106	Auctioneer Licensing Board	-	-	437,699	-	437,699
28107	Board of Electrolysis Examiners	-	-	19,210	-	19,210
Total General Government		502,571,968	5,850,778	2,248,669,901	29,388,522	2,786,481,169
Health and Human Services						
14447	HHS - Health Benefits	22,724,194	-	21,438,171	156,680,021	200,842,386
14410	HHS - Central Administration	140,649,033	-	2,301,981	83,734,439	226,685,453
24410	HHS - Central Administration - Special	-	-	-	74,534,144	74,534,144
64410	HHS - Central Administration - Trust	-	-	292,952	-	292,952
14411	HHS - Aging	45,149,105	-	10,117,643	52,121,757	107,388,505
14420	HHS - Child Development and Early Education	281,757,315	-	12,301,353	507,372,370	801,431,038
14430	HHS - Public Health	158,112,724	569,753	119,512,245	549,748,389	827,943,111
24430	HHS - Public Health - Special	-	-	808,950	-	808,950
24432	HHS - Public Health - Special Revenue GF	-	-	482,189	-	482,189
14440	HHS - Social Services	205,204,844	-	731,565,671	961,001,345	1,897,771,860
24441	HHS - Social Services - Special	-	-	3,376,685	-	3,376,685
64442	HHS - Social Services - Trust - General Fund	-	-	2,672,099	-	2,672,099
14445	HHS - Medical Assistance	3,835,440,245	-	1,093,035,990	11,085,631,666	16,014,107,901
24445	HHS - Medical Assistance - Special	-	-	215,000,000	-	215,000,000
14446	HHS - NC Health Choice	398,169	-	(8,092)	208,653,066	209,043,143
14450	HHS - Services for the Blind, Deaf and Hard of Hearing	8,507,081	-	1,247,569	18,931,377	28,686,027
24450	HHS - Services for the Blind - Special	-	-	1,089,625	1,249,799	2,339,424
54450	HHS - Services for the Blind - Enterprise	-	-	66,363	-	66,363
64450	HHS - Services for the Blind - Trust	-	-	1,025	-	1,025
67425	HHS - Services for the Blind - Trust	-	-	5,533,315	-	5,533,315
14460	HHS - Mental Health/DD/SAS	730,738,756	-	87,705,320	83,137,243	901,581,319
24401	HHS - Mental Health - Julian Keith ADATC	-	-	18,919	-	18,919
24403	HHS - Mental Health - WB Jones ADATC	-	-	24,717	-	24,717
24404	HHS - Mental Health - NC Special Care Center	-	-	41,537	-	41,537
24406	HHS - Mental Health - Black Mountain Center	-	-	26,112	-	26,112
24460	HHS - Mental Health - Special	-	-	-	-	-
24463	HHS - Mental Health - Broughton Hospital	-	-	100,945	-	100,945
24464	HHS - Mental Health - Cherry Hospital	-	-	194,530	-	194,530
24465	HHS - Mental Health - Umstead Hospital	-	-	303,751	-	303,751
24466	HHS - Mental Health - J. Iverson Riddle Development Cente	-	-	84,308	251,516	335,824
24467	HHS - Mental Health - O'Berry Center	-	-	334,579	-	334,579
24468	HHS - Mental Health - Murdoch Center	-	-	89,575	-	89,575
24469	HHS - Mental Health - Caswell Center	-	-	216,178	309,536	525,714
64404	HHS - Mental Health - Longleaf Neuro-Medical	-	-	7,548	-	7,548

Total North Carolina State Budget by Function, Department, and Source of Funds
Governor Recommended Adjustments 2018-19 (Excluding Transfers and Internal Service Funds)

Budget Code	Function	General Fund Net Appropriation	Highway Trust/ Highway Fund Transfers In	Other Revenues	Federal Revenues	Total Budget Excluding Transfers
64405	HHS - Mental Health - Trust - Interest Bearing	-	-	75,245	-	75,245
64406	HHS - Mental Health - Black Mt. Center	-	-	8,500	-	8,500
64463	HHS - Mental Health - Broughton Hospital	-	-	43,182	-	43,182
64464	HHS - Mental Health - Cherry Hospital - Trust	-	-	21,100	-	21,100
67465	HHS - Mental Health - Umstead Hospital - Trust - Interest	-	-	16,721	-	16,721
64465	HHS - Mental Health - Umstead Hospital - Trust	-	-	12,035	-	12,035
64466	HHS - Mental Health - J. Iverson Riddle Development Cente	-	-	115,251	-	115,251
64467	HHS - Mental Health - O'Berry Center	-	-	126,610	-	126,610
64468	HHS - Mental Health - Murdoch Center	-	-	72,624	-	72,624
64469	HHS - Mental Health - Caswell Center	-	-	630	-	630
67406	HHS - Mental Health - Black Mountain Center	-	-	3,951	-	3,951
67463	HHS - Mental Health - Broughton Hospital	-	-	33,415	-	33,415
67464	HHS - Mental Health - Cherry Hospital	-	-	8,600	-	8,600
67466	HHS - Mental Health - J. Iverson Riddle Development Cente	-	-	77,109	-	77,109
67467	HHS - Mental Health - O'Berry Center	-	-	62,443	-	62,443
67468	HHS - Mental Health - Murdoch Center	-	-	184,503	-	184,503
67469	HHS - Mental Health - Caswell Center	-	-	474,067	-	474,067
54465	HHS - MH/DD/SAS - Butner Enterprises	-	-	-	-	-
14470	HHS - Health Service Regulation	19,482,107	-	14,947,297	35,425,096	69,854,500
24470	HHS - Health Service Regulation - Special	-	-	515,684	-	515,684
14480	HHS - Vocational Rehabilitation	39,055,491	-	7,487,272	98,745,721	145,288,484
24481	HHS - Disability Determination - Special	-	-	-	74,770,764	74,770,764
Total Health and Human Services		5,487,219,064	569,753	2,334,269,992	13,992,298,249	21,814,357,058
Justice and Public Safety						
14550	Public Safety (DPS)	2,114,281,816	2,123,200	37,919,168	141,250,993	2,295,575,177
24550	DPS - Other Special Grants	-	-	3,586,516	-	3,586,516
24552	DPS - Disaster After 07/01/2006	-	-	-	448,831	448,831
24553	DPS - Welfare Funds	-	-	6,293,954	-	6,293,954
24554	DPS - IT Fund	-	-	-	-	-
24555	DPS - Special Interest Bearing	-	-	357,368	4,957,815	5,315,183
54550	DPS - Licensing Boards - Interest Bearing	-	-	1,972,960	-	1,972,960
54551	DPS - ABC Commission	-	-	17,086,440	-	17,086,440
64550	DPS - Trust Funds	-	-	107,149	-	107,149
12000	Judicial - AOC	560,491,424	-	671,301	-	561,162,725
12001	Judicial - Indigent Defense	126,206,797	-	10,355,797	-	136,562,594
22001	AOC - Special Revenue Funds	-	-	23,087,938	1,428,725	24,516,663
22004	AOC - Reserve for Safe Roads	-	-	1,965,554	-	1,965,554
22005	AOC - Worthless Check Fund	-	-	153,772	-	153,772
22006	AOC - IT Fund	-	-	14,782,882	-	14,782,882
22007	AOC - Appellate Courts Printing/Comp.	-	-	672,388	-	672,388
22008	AOC - Special Revenue - GF	-	-	-	-	-
13600	Justice (DOJ)	53,790,252	-	1,160,029	4,496,037	59,446,318
23600	DOJ - Special	-	-	13,953,318	1,756,294	15,709,612
Total Justice and Public Safety		2,854,770,289	2,123,200	134,126,534	154,338,695	3,145,358,718
Natural and Economic Resources						
24340	DEQ - Coal Ash Management Fund	-	-	635,000	-	635,000
24327	DEQ - WIF Local Supplmnt Grants	-	-	-	-	-

**Total North Carolina State Budget by Function, Department, and Source of Funds
Governor Recommended Adjustments 2018-19 (Excluding Transfers and Internal Service Funds)**

Budget Code	Function	General Fund Net Appropriation	Highway Trust/ Highway Fund Transfers In	Other Revenues	Federal Revenues	Total Budget Excluding Transfers
24816	DNCR - AQM - Admissions	-	-	-	-	-
24818	DNCR - CWMTF	-	-	6,550,000	-	6,550,000
24817	DNCR - DPR - Land/Water Fund	-	-	-	-	-
24820	DNCR - DPR - Parks and Recreation Trust Fund	-	-	6,550,000	-	6,550,000
24814	DNCR - Zoo	-	-	-	-	-
14602	DOC - Economic Development	30,679,142	-	-	-	30,679,142
13700	Agriculture and Consumer Services (DACS)	137,142,546	5,351,999	30,014,015	18,066,320	190,574,880
23700	DACS - Livestock Special	-	-	5,671,871	-	5,671,871
23702	DACS - Disaster Recovery	-	-	-	-	-
23703	DACS - Tobacco Trust - Special	-	-	36,000	-	36,000
23704	DACS - Soil and Water Conservation	-	-	181,505	-	181,505
23705	DACS - Forest Development	-	-	1,138,240	-	1,138,240
53700	DACS - Raleigh Farmers Market	-	-	2,539,374	-	2,539,374
53725	DACS - Western NC Agricultural Center/Mountain Fair	-	-	2,929,679	-	2,929,679
53750	DACS - State Fair	-	-	15,501,192	-	15,501,192
63700	DACS - Trust Special	-	-	56,200	-	56,200
63701	DACS - Land Preservation and Trust Investment	-	-	-	-	-
63702	DACS - Rural Rehab Loans	-	-	771,963	-	771,963
63703	DACS - Finance Authority	-	-	550,328	-	550,328
63704	DACS - Cooperative Grading Program	-	-	7,088,125	-	7,088,125
14600	Commerce (DOC)	130,496,507	-	12,705,154	47,201,248	190,402,909
14601	DOC - State Aid	18,655,810	-	-	-	18,655,810
24600	DOC - Special Revenue	-	-	90,456	746,892	837,348
24602	DOC - Special - Disaster Relief	-	-	1,500,000	-	1,500,000
24604	DOC - Special - Morehead	-	-	11,000	-	11,000
24605	DOC - Special - Cape Fear	-	-	6,000	-	6,000
24606	DOC - Special - Clean Water Bonds	-	-	-	-	-
24609	DOC - Special Revenue - Grants	-	-	244,622	-	244,622
24610	DOC - Second Injury Fund	-	-	66,100	-	66,100
24611	DOC - IT Projects	-	-	-	-	-
24613	DOC - Special - Interest Earning Fund	-	-	2,958	-	2,958
24650	DOC - Employment Security	-	-	2,000,000	115,959,877	117,959,877
24651	DOC - Special - Workforce	-	-	5,180,115	116,648,499	121,828,614
54600	DOC - Enterprise Fund	-	-	17,180,414	352,231	17,532,645
64605	DOC - Utilities Commission	-	-	15,801,379	-	15,801,379
64612	DOC - NC Rural Electrification Authority	-	-	209,161	-	209,161
64650	DOC - ESC - Trust	-	-	7,435,000	-	7,435,000
64651	DOC - ESC - Claims/Benefits	-	-	5,000	40,000,000	40,005,000
64652	DOC - ESC - Trust Clearing	-	-	1,263,135,580	-	1,263,135,580
64653	DOC - ESC - Trust Reserve	-	-	227,500,000	-	227,500,000
64656	DOC - ESC - Trust - Unemployment	-	-	-	-	-
54641	NC Education Lottery Proceeds	-	-	2,197,508,388	-	2,197,508,388
14300	Environmental Quality (DEQ)	94,179,408	-	11,426,995	33,893,326	139,499,729
24300	DEQ - Special	-	-	45,654,850	5,451,102	51,105,952
24301	DEQ - Air Quality - Fuel Tax Special	-	-	8,278,275	-	8,278,275
24303	DEQ - Marine Fish Conservation	-	-	-	-	-
24304	DEQ - Wetlands Trust - Special	-	-	62,756,547	-	62,756,547

Total North Carolina State Budget by Function, Department, and Source of Funds
Governor Recommended Adjustments 2018-19 (Excluding Transfers and Internal Service Funds)

Budget Code	Function	General Fund Net Appropriation	Highway Trust/ Highway Fund Transfers In	Other Revenues	Federal Revenues	Total Budget Excluding Transfers
24306	DEQ - Special Dry Cleaning Solvent Tax	-	-	8,160,906	-	8,160,906
24310	DEQ - Disaster Relief Programs	-	-	-	-	-
24317	DEQ - Special - GF	-	-	1,067,590	-	1,067,590
24318	DEQ - Special - Interest	-	-	1,373,700	-	1,373,700
24323	DEQ - Marine Resources Fund	-	-	5,716,047	-	5,716,047
24325	DEQ - DWR - FERC Interest	-	-	150,000	-	150,000
64301	DEQ - Waste Water Operations Training - Special	-	-	661,905	-	661,905
64303	DEQ - Solid Waste Management Trust - Special	-	-	-	-	-
64304	DEQ - Clean Water Revolving Loan	-	-	410,413	-	410,413
64305	DEQ - Commercial LUST Cleanup - Special	-	-	33,980,454	-	33,980,454
64307	DEQ - Conservation Grant Endowment	-	-	44,591	-	44,591
64311	DEQ - Water Pollution Revolving Loan	-	-	64,634,494	581,508	65,216,002
64312	DEQ - Federal Bond Revolving Loan	-	-	1,645,790	-	1,645,790
64318	DEQ - High Unit Cost Wastewater Grants 1998	-	-	-	-	-
64319	DEQ - CWSRF Federal Program	-	-	7,450,600	-	7,450,600
64320	DEQ - Drinking Water SRF	-	-	7,693,941	35,530,507	43,224,448
64323	DEQ - Drinking Water SRF Bond Match	-	-	1,034,879	-	1,034,879
14350	Wildlife Resources Commission (WRC)	11,191,997	-	-	23,821,591	35,013,588
24350	WRC - Special	-	-	2,359,169	-	2,359,169
24351	WRC - Special - Interest	-	-	22,028,521	-	22,028,521
24352	WRC - Special - Non-Interest	-	-	12,370,255	2,468,305	14,838,560
64350	WRC - Endowment	-	-	5,254,146	-	5,254,146
13800	Labor (DOL)	19,317,917	-	3,578,345	7,438,129	30,334,391
14800	Natural and Cultural Resources (DNCR)	181,036,646	-	46,279,583	6,297,764	233,613,993
14802	DNCR - Roanoke Island	555,571	-	-	-	555,571
24800	DNCR - Special	-	-	469,174	-	469,174
24801	DNCR - Art Museum	-	-	655,528	-	655,528
24803	DNCR - Special Revenue	-	-	100,000	-	100,000
24804	DNCR - Special - Tryon Palace	-	-	668,956	-	668,956
24805	DNCR - Special	-	-	101,287	-	101,287
24806	DNCR - Special Revenue - Interest	-	-	70,053	-	70,053
24807	DNCR - Historic Sites - Interest	-	-	317,035	-	317,035
24811	DNCR - Interest - Special Revenue	-	-	6,267	-	6,267
24812	DNCR - NCAC A+ Schools	-	-	520,039	-	520,039
54800	DNCR - Enterprise	-	-	53,605	-	53,605
54801	DNCR - USSNC Battleship Commission	-	-	-	-	-
54803	DNCR - Enterprise	-	-	504,300	-	504,300
54804	DNCR - Enterprise	-	-	690,042	-	690,042
Total Natural and Economic Resources		623,255,544	5,351,999	4,188,963,101	454,457,299	5,272,027,943
Transportation						
84210	DOT - Highway Fund	-	2,101,542,789	132,789,917	191,073,028	2,425,405,734
84290	DOT - Highway Trust Fund	-	1,540,500,000	-	1,084,401,975	2,624,901,975
Total Transportation		-	3,642,042,789	132,789,917	1,275,475,003	5,050,307,709
Debt Service						
19420	General Debt Service	715,891,443	50,036,452	18,653,595	95,598,025	880,179,515
19425	Federal Reimbursement	1,616,380	-	-	-	1,616,380
Total Debt Service		717,507,823	50,036,452	18,653,595	95,598,025	881,795,895

**Total North Carolina State Budget by Function, Department, and Source of Funds
Governor Recommended Adjustments 2018-19 (Excluding Transfers and Internal Service Funds)**

Budget Code	Function	General Fund Net Appropriation	Highway Trust/ Highway Fund Transfers In	Other Revenues	Federal Revenues	Total Budget Excluding Transfers
Reserves and Adjustments						
19001	Contingency and Emergency Reserve	2,000,000	-	-	-	2,000,000
19004	Salary Adjustment Reserve	5,000,000	-	-	-	5,000,000
19005	OSHR - Minimum of Market Adjustment	27,800,000	-	-	-	27,800,000
19048	Reserve for Workers' Compensation	1,500,000	-	-	-	1,500,000
19068	GF Reserve - Pending Legislation	-	-	-	-	-
19080	UNC Enrollment Growth	94,734,518	-	-	-	94,734,518
19081	Public Schools - Average Daily Membership (ADM)	-	-	-	-	-
19082	Film and Entertainment Grant	31,000,000	-	-	-	31,000,000
19083	NC Promise Tuition Plan	11,000,000	-	-	-	11,000,000
19084	Enterprise Resource Planning	10,000,000	-	-	-	10,000,000
19XX1	Bond Disclosure, Close Out, and Tax Exempt Analysis	50,000	-	-	-	50,000
19XX2	2020 Census Preparation	1,500,000	-	-	-	1,500,000
19XX3	Public Safety Reserve	-	-	-	-	-
19XX4	NC 457 Contributions for Certified State Correctional Office	10,000,000	-	-	-	10,000,000
19XX5	School Bond	-	-	-	-	-
Total Reserves and Adjustments		194,584,518	-	-	-	194,584,518
Direct Capital Appropriation						
19600	Capital Improvements	31,492,993	-	197,878,632	76,562,451	305,934,076
Total Direct Capital Appropriation		31,492,993	-	197,878,632	76,562,451	305,934,076
Total		24,537,450,056	3,765,000,000	11,547,047,284	17,308,433,940	57,157,931,280

Table 3
Recommended General Fund Budget by Function
2018-19

	2018-19 Recommended	%
Education	\$14,126,047,857	57.57%
General Government	\$502,571,968	2.05%
Health and Human Services	\$5,487,219,064	22.36%
Justice and Public Safety	\$2,854,770,289	11.63%
Natural and Economic Resources	\$623,255,544	2.54%
Transportation		0.00%
Capital Improvements	\$31,492,993	0.13%
Debt Service	\$717,507,823	2.92%
Reserves and Adjustments	\$194,584,518	0.79%
Total General Fund Budget	\$24,537,450,056	100.00%

Figure 2

General Fund Recommended Budget by Function, 2018-19

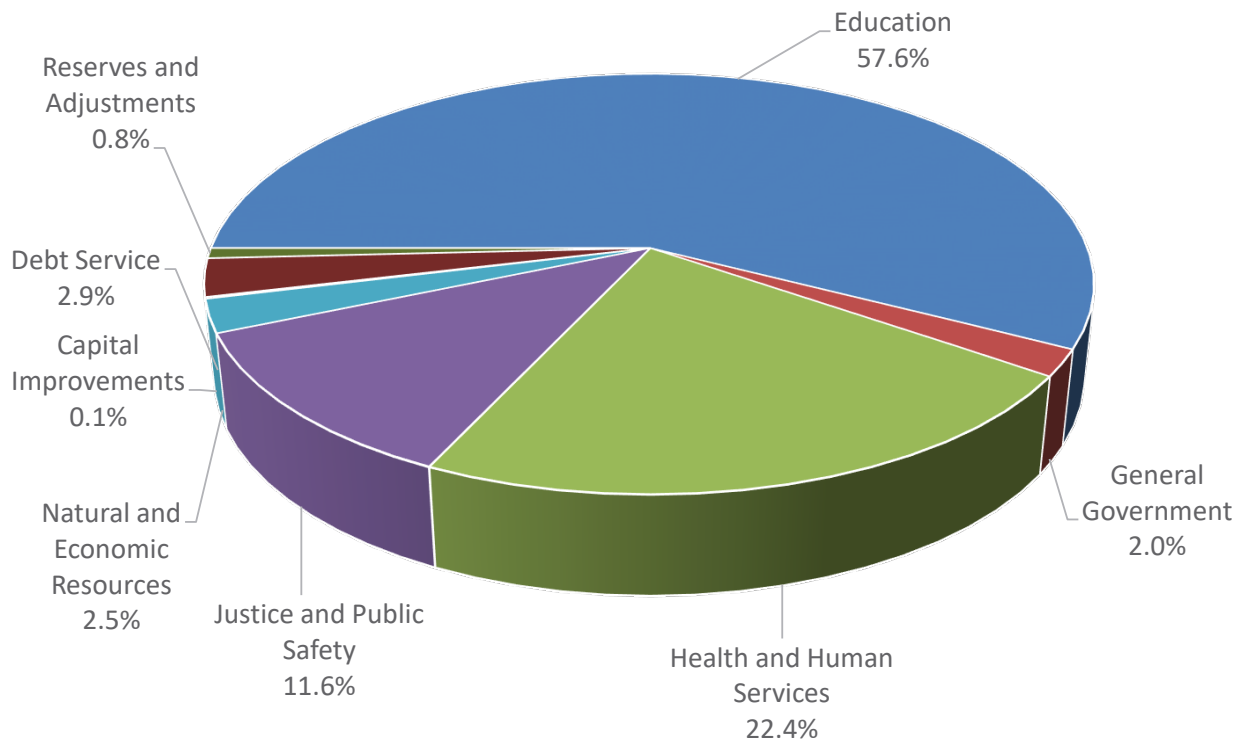


Table 4

Governor's Recommended General Fund Budget 2018-19 Adjustments

Budget Code	Function	2018-19 Enacted Budget	Decreases			Increases			Net Appropriated Positions	Net Recurring	Net Nonrecurring	Net Recurring	Net Nonrecurring	Net Change	2018-19 Recommended	Net Change	Net Position
			Net Recurring	Net Nonrecurring	Net Appropriated Positions	Net Recurring	Net Nonrecurring	Net Change									
Education																	
13510	Public Education	9,486,468,651	-	(13,299,394)	-	351,817,538	-	-	6,000	-	338,518,144	-	-	9,824,986,795	338,518,144	6,000	
16800	Community Colleges	1,141,757,845	-	-	-	56,761,106	-	-	-	24,570,000	81,331,106	-	-	1,223,088,951	81,331,106	-	
160xx	University System	2,967,775,032	-	-	-	95,797,079	-	-	-	14,400,000	110,197,079	-	-	3,077,972,111	110,197,079	-	
	Total Education	13,596,001,528	-	(13,299,394)	-	504,375,723	-	-	6,000	38,970,000	590,046,329	-	-	14,126,047,857	590,046,329	6,000	
General Government																	
11000	General Assembly	65,973,007	-	-	-	1,584,140	-	-	-	-	1,584,140	-	-	67,557,147	1,584,140	-	
13000	Governor's Office	4,976,409	-	-	-	105,727	-	-	-	-	105,727	-	-	5,082,136	105,727	-	
13005	State Budget and Management	8,255,244	-	-	-	309,805	-	-	1,000	-	309,805	-	-	8,565,049	309,805	1,000	
13010	NC Housing Finance Agency	30,660,000	-	-	-	-	-	-	-	-	-	-	-	30,660,000	-	-	
13050	Military and Veterans Affairs	8,960,743	-	-	-	1,129,171	-	-	16,250	127,000	1,256,171	-	-	10,216,914	1,256,171	16,250	
13085	OSBM - Special Appropriation	2,000,000	-	-	-	-	-	-	-	1,000,000	-	-	-	3,000,000	1,000,000	-	
13100	Lieutenant Governor	771,497	-	-	-	19,030	-	-	-	-	19,030	-	-	790,527	19,030	-	
13200	Secretary of State	13,314,943	-	-	-	888,493	-	-	5,000	6,250	894,743	-	-	14,209,686	894,743	5,000	
13300	State Auditor	13,780,531	-	-	-	492,474	-	-	-	-	492,474	-	-	14,273,005	492,474	-	
13410	State Treasurer	4,832,053	-	-	-	34,221	-	-	-	-	34,221	-	-	4,866,274	34,221	-	
13412	State Treasurer - Retirement/Benefits	28,211,861	-	-	-	-	-	-	-	-	-	-	-	28,211,861	-	-	
13900	Insurance	48,314,700	-	-	-	1,340,254	-	-	0,500	400,000	1,740,254	-	-	50,054,954	1,740,254	0,500	
13902	Industrial Commission	-	-	-	-	131,593	-	-	-	-	131,593	-	-	131,593	131,593	-	
14100	Administration	63,396,752	-	-	-	2,030,645	-	-	15,110	1,500,000	3,530,645	-	-	66,927,397	3,530,645	15,110	
14160	State Controller	23,243,476	-	-	-	651,692	-	-	-	-	651,692	-	-	23,895,168	651,692	-	
14660	Information Technology	51,646,845	-	-	-	1,955,156	-	-	4,000	20,000,000	21,955,156	-	-	73,602,001	21,955,156	4,000	
14700	Revenue	85,483,970	-	-	-	1,771,030	-	-	-	-	1,771,030	-	-	87,255,000	1,771,030	-	
18025	State Board of Elections	6,686,614	-	-	-	123,219	-	-	-	259,331	382,550	-	-	7,069,164	382,550	-	
18210	Office of Administrative Hearings	6,010,687	-	-	-	190,905	-	-	1,000	2,500	193,405	-	-	6,204,092	193,405	1,000	
	Total General Government	466,519,332	-	-	-	12,757,555	-	-	42,860	23,295,081	36,052,636	-	-	502,571,968	36,052,636	42,860	
Health and Human Services																	
14440	Social Services	205,204,844	-	-	-	-	-	-	1,000	-	-	-	-	205,204,844	-	1,000	
14450	Services for the Blind, Deaf, and Hard of Hearing	8,507,081	-	-	-	-	-	-	-	-	-	-	-	8,507,081	-	-	
14411	Aging and Adult Services	45,149,105	-	-	-	-	-	-	-	-	-	-	-	45,149,105	-	-	
14480	Vocational Rehabilitation	39,055,491	-	-	-	-	-	-	-	-	-	-	-	39,055,491	-	-	
14410	Central Administration	122,769,405	-	-	-	17,879,628	-	-	-	-	17,879,628	-	-	140,649,033	17,879,628	-	
14420	Child Development and Early Education	278,332,315	-	-	-	3,425,000	-	-	-	-	3,425,000	-	-	281,757,315	3,425,000	-	
14430	Public Health	154,985,218	-	-	-	3,117,546	-	-	4,000	9,960	3,127,506	-	-	158,112,724	3,127,506	4,000	
14445	Medical Assistance	3,801,681,212	-	(2,245,884)	-	36,004,917	-	-	2,000	-	33,759,033	-	-	3,835,440,245	33,759,033	2,000	
14446	Health Choice	396,409	-	-	-	-	-	-	-	313,635	-	-	-	398,169	1,760	-	
14447	Health Benefits	9,779,090	-	-	-	(311,875)	-	-	-	-	-	-	-	9,467,215	-	-	
14460	Mental Health/Disabilities/Substance Abuse	705,030,589	-	-	-	12,945,104	-	-	30,000	-	12,945,104	-	-	722,975,693	12,945,104	30,000	
14470	Health Services Regulation	19,396,718	-	-	-	22,427,975	-	-	2,000	3,280,192	25,708,167	-	-	45,104,893	25,708,167	2,000	
	Total Health and Human Services	5,390,287,477	-	(2,245,884)	-	95,882,669	-	(311,875)	215,000	3,606,677	96,931,587	-	-	5,487,219,064	96,931,587	215,000	

**Governor's Recommended General Fund Budget
2018-19 Adjustments**

Budget Code	Function	2018-19 Enacted Budget	Decreases			Increases			Net Appropriated Positions	Net Recommended Net Appropriation	Net Position Change
			Net Recurring	Net Nonrecurring	Net Appropriated Positions	Net Recurring	Net Nonrecurring	Net Change			
Justice and Public Safety											
12000	Judicial	539,023,422	-	-	-	20,221,155	1,246,847	79,750	21,468,002	560,491,424	79,750
12001	Judicial - Indigent Defense	122,280,359	-	-	-	3,920,348	6,090	2,000	3,926,438	126,206,797	2,000
13600	Justice	46,511,531	-	-	-	5,227,621	2,051,100	7,000	7,278,721	53,790,252	7,000
14550	Public Safety	2,020,592,037	-	-	-	92,273,975	1,415,804	383,050	93,689,779	2,114,281,816	383,050
	Total Justice and Public Safety	2,728,407,349	-	-	-	121,643,099	4,719,841	471,800	126,362,940	2,854,770,289	471,800
Natural and Economic Resources											
13700	Agriculture and Consumer Services	122,853,685	-	-	-	3,588,861	10,700,000	1,000	14,288,861	137,142,546	1,000
13800	Labor	17,819,951	-	-	-	1,497,966	-	-	1,497,966	19,317,917	-
14300	Environmental Quality	77,012,714	-	-	-	11,357,886	5,808,808	58,000	17,166,694	94,179,408	58,000
14350	Wildlife Resources Commission	10,843,541	-	-	-	348,456	-	-	348,456	11,191,997	-
14600	Commerce	130,158,878	-	-	-	337,629	-	1,000	337,629	130,496,507	1,000
14601	Commerce - State Aid	16,155,810	-	-	-	-	2,500,000	-	2,500,000	18,655,810	-
14602	Commerce - Economic Development	-	-	-	-	14,200,000	16,479,142	-	30,679,142	30,679,142	-
14800	Natural and Cultural Resources	174,477,424	-	-	-	5,389,242	1,169,980	12,000	6,559,222	181,036,646	12,000
14802	Natural and Cultural Resources - Roanoke Island	555,571	-	-	-	-	-	-	-	555,571	-
	Total Natural and Economic Resources	549,877,574	-	-	-	36,720,040	36,657,930	72,000	73,377,970	623,255,544	72,000
Debt Service											
19420	General Debt Service	770,458,736	(54,567,293)	-	-	-	-	-	(54,567,293)	715,891,443	-
19425	Federal Reimbursement	1,616,380	-	-	-	-	-	-	-	1,616,380	-
	Total Debt Service	772,075,116	(54,567,293)	-	-	-	-	-	(54,567,293)	717,507,823	-
Reserves and Adjustments											
19001	Contingency and Emergency Reserve	-	-	-	-	2,000,000	-	-	2,000,000	2,000,000	-
19004	Salary Adjustments	5,000,000	-	-	-	-	-	-	-	5,000,000	-
19005	OSHR - Market Adjustment	7,800,000	-	-	-	20,000,000	-	-	20,000,000	27,800,000	-
19048	Reserve for Workers' Compensation	-	-	-	-	-	1,500,000	-	1,500,000	1,500,000	-
19068	Pending Legislation	500,000	(500,000)	-	-	-	-	-	(500,000)	-	-
19080	UNC Enrollment Growth	94,734,518	-	-	-	-	-	-	-	94,734,518	-
19081	Public Schools Average Daily Membership (ADM)	48,410,289	(48,410,289)	-	-	-	-	-	(48,410,289)	-	-
19082	Film and Entertainment	31,000,000	-	-	-	-	-	-	-	31,000,000	-
19083	NC Promise Tuition Plan	11,000,000	-	-	-	-	-	-	-	11,000,000	-
19084	Enterprise Resource Planning	10,000,000	-	-	-	-	-	-	-	10,000,000	-
19XX1	Bond Disclosure, Close Out, and Tax Exempt Analysis	-	-	-	-	50,000	-	-	50,000	50,000	-
19XX2	2020 Census Preparation	-	-	-	-	-	1,500,000	-	1,500,000	1,500,000	-
19XX3	Public Safety Reserve	-	-	-	-	-	-	-	-	-	-
19XX4	NC 457 Contributions for Certified State Correctional Offic	-	-	-	-	10,000,000	-	-	10,000,000	10,000,000	-
19XX5	School Bond	-	-	-	-	-	-	-	-	-	-
	Total Reserves and Adjustments	208,444,807	(48,910,289)	-	-	32,050,000	3,000,000	-	(13,860,289)	194,584,518	-
Direct Capital Appropriation											
19600	Capital Improvements	1,917,993	-	-	-	-	29,575,000	-	29,575,000	31,492,993	-
	Total Direct Capital Appropriation	23,713,531,176	(103,789,457)	-	-	(15,545,278)	139,824,529	807,660	823,918,880	24,537,450,056	807,660
	Total										

Table 5

Highway Fund and Highway Trust Fund Budget 2018-19

Function	FY 2018-19 Base Appropriation	Reductions			Other Continuation/Expansion			2018-19 Approved Appropriation	Net Change	2018-19 Approved Appropriation	Net Position Change
		Recurring	Nonrecurring	Appropriation Supported Positions	Recurring	Nonrecurring	Appropriation Supported Positions				
DOT Administration	94,370,410	-	-	-	-	-	-	-	-	94,370,410	-
<i>Division of Highways</i>											
Administration	34,782,224	-	-	-	-	-	-	-	-	34,782,224	-
Construction	88,250,000	-	-	-	-	-	-	-	-	88,250,000	-
Maintenance	1,393,296,676	(38,994,179)	-	-	-	-	-	(38,994,179)	-	1,354,302,497	-
Planning and Research	-	-	-	-	-	-	-	-	-	-	-
OSHA Program	358,030	-	-	-	-	-	-	-	-	358,030	-
State Aid to Municipalities	147,500,000	-	-	-	-	-	-	-	-	147,500,000	-
<i>Multi-Modal</i>											
Airports	129,012,773	-	-	-	1,600,000	-	-	1,600,000	-	130,612,773	-
Bicycle	724,032	-	-	-	-	-	-	-	-	724,032	-
Ferry	44,983,375	-	-	-	-	-	-	-	-	44,983,375	-
Public Transportation	94,277,592	-	-	-	-	-	-	-	-	94,277,592	-
Railroads	43,850,362	(300,000)	-	-	-	-	-	(300,000)	-	43,550,362	-
Governor's Highway Safety Program	255,367	-	-	-	-	-	-	-	-	255,367	-
Division of Motor Vehicles	127,946,774	-	-	-	-	-	-	-	-	127,946,774	-
Other State Agencies	13,895,730	-	-	-	-	-	-	-	-	13,895,730	-
Transfer to General Fund	-	-	-	-	-	-	-	-	-	-	-
Other Reserves	27,777,636	(6,830,000)	-	-	17,526,491	-	-	10,696,491	-	38,474,127	-
Capital Improvements	10,216,707	-	-	-	-	-	-	-	-	10,216,707	-
Total Highway Fund	2,251,497,688	(46,124,179)	-	-	19,126,491	-	-	(26,997,688)	-	2,224,500,000	-
Administration	34,342,499	-	-	-	664,054	-	-	664,054	-	35,006,553	-
<i>Construction</i>											
Strategic Prioritization Program	1,406,230,340	(45,988,216)	-	-	-	-	-	(45,988,216)	-	1,360,242,124	-
<i>Bonds</i>											
Bond Redemption	40,810,187	-	-	-	-	-	-	-	-	40,810,187	-
Bond Interest	9,226,265	-	-	-	-	-	-	-	-	9,226,265	-
NC Turnpike Authority	49,814,871	-	-	-	-	-	-	-	-	49,814,871	-
Ports Authority	45,000,000	-	-	-	-	-	-	-	-	45,000,000	-
Reserve for Visitor's Centers	400,000	-	-	-	-	-	-	-	-	400,000	-
Total Highway Trust Fund	1,585,824,162	(45,988,216)	-	-	664,054	-	-	(45,324,162)	-	1,540,500,000	-

Table 6

Schedule of Savings Reserve Account Balance, 1990-91 to 2017-18, Recommended 2018-19

Fiscal Year	Beginning Balance July 1	Authorized Transfer	Authorized Reserve for Current Year	Ending Balance June 30
1990-91	\$ 141,000,000	\$ (141,000,000) ^{a)}	\$ -	\$ -
1991-92	400,000	-	41,193,253	41,593,253
1992-93	41,593,253	-	134,332,565	175,925,818
1993-94	175,925,818	(121,000,000) ^{b)}	155,678,246	210,604,064
1994-95	210,604,064	146,305,569	66,700,000 ^{c)}	423,609,633
1995-96	423,609,633	-	77,342,026	500,951,659
1996-97	500,951,659	-	-	500,951,659
1997-98	500,951,659	-	21,568,903	522,520,562
1998-99	522,520,562	-	- ^{d)}	522,520,562
1999-00	522,520,562	(485,965,824) ^{e)}	967,311	37,522,049
2000-01	37,522,049	-	120,000,000 ^{f)}	157,522,048
2001-02	157,522,048	(247,522,048) ^{g)}	90,000,000	-
2002-03	-	-	150,000,000	150,000,000
2003-04	150,000,000	391,343	116,666,064	267,057,407
2004-05	267,057,407	(153,541,447) ^{h)}	199,125,000	312,640,960
2005-06	312,640,960	-	316,151,631	628,792,591
2006-07	628,792,591	(22,933,000) ⁱ⁾	180,790,087	786,649,678
2007-08	786,649,678	-	-	786,649,678
2008-09	786,649,678	636,649,678	-	150,000,000
2009-10	150,000,000	-	-	150,000,000
2010-11	150,000,000	(37,958,589)	183,600,000	295,641,411
2011-12	295,641,411	-	123,170,924	418,812,335
2012-13	418,812,335	-	-	418,812,335
2013-14	418,812,335	-	232,537,942	651,350,277
2014-15	651,350,277	-	450,245,194	1,101,595,471
2015-16	1,101,595,471	-	473,616,801	1,575,212,272
2016-17	1,575,212,272	(100,928,370) ^{j)}	-	1,474,283,902
2017-18	1,474,283,902	-	363,928,370	1,838,212,272
2018-19	1,838,212,272	-	184,100,000	2,022,312,272

a) The General Assembly appropriated \$141.0 million; the reserve was used to balance a shortfall in revenue in 1999-91

b) The 1993 Session of the General Assembly authorized the transfer of reserves to support appropriation for the June 30 payroll restoration.

c) The 1993 Session of the General Assembly (1994 Regular Session) appropriated \$66.7 million to the reserve.

d) The 1999 Session of the General Assembly fixed the balance of the reserve for 1998-99 only at the previous year level.

e) The 1999 Session of the General Assembly authorized the use of the Savings Reserve Account to pay the first installment of the Intangibles Tax liability. The December 1999 Special Session of the General Assembly authorized the transfer of \$285,965,824 to provide funds to the Hurricane Floyd Reserve.

f) The 2000 Short Session of the General Assembly appropriated \$120 million to the reserve.

g) The 2001 Session of the General Assembly directed the State Controller to "credit" the Savings Reserve Account \$181.8 million from the General Fund but only \$90,000,000 was credited.

h) Amount transferred to Disaster Relief Reserve for 2004 Hurricane Season Recovery, per SB 7.

i) Reflects \$23.3 million transferred to the Highway Fund and the Highway Trust Fund to Replace motor fuel tax revenues reduced by the cap on the gas tax rate per Senate Bill 1741.

j) Reflects \$100,928,370 transferred due to the Disaster Recovery Act of 2016-S.L. 2016-124, HB 2 Hurricane Matthew and Western Wildfires

Table 7

Total Budget for Debt Services, 1980-81 to 2016-17; Recommended 2017-18

Fiscal Year	Authorized Budget			Per Capita*
	General Fund	Highway Fund	Total	
1980-81	62,173,700	30,329,757	92,503,457	15.73
1981-82	65,062,550	30,062,040	95,124,590	15.97
1982-83	75,020,500	38,772,567	113,793,067	18.91
1983-84	79,525,500	38,288,000	117,813,500	19.39
1984-85	76,077,250	38,401,500	114,478,750	18.57
1985-86	75,781,250	38,445,500	114,226,750	18.26
1986-87	64,506,250	38,445,500	102,951,750	16.28
1987-88	73,929,627	32,453,812	106,383,439	16.61
1988-89	71,636,370	37,295,105	108,931,475	16.80
1989-90	69,083,445	38,491,163	107,574,608	16.38
1990-91	71,259,383	37,392,600	108,651,983	16.10
1991-92	79,683,770	38,227,230	117,911,000	17.47
1992-93	89,020,478	38,018,250	127,038,728	18.59
1993-94	92,263,558	37,359,875	129,623,433	18.66
1994-95	114,837,478	27,631,295	142,468,773	20.17
1995-96	131,836,603	25,133,780	156,970,383	21.84
1996-97	129,326,640	4,978,215	134,304,855	18.38
1997-98	165,973,573	-	165,973,573	22.34
1998-99	199,286,633	28,357,925	227,644,558	30.16
1999-00	242,910,930	27,607,550	270,518,480	41.66
2000-01	268,834,550	26,857,175	295,691,725	36.12
2001-02	301,428,690	26,106,800	327,535,490	40.01
2002-03	300,016,860	25,356,425	325,373,285	39.11
2003-04	403,285,920	33,706,050	436,991,970	52.52
2004-05	489,914,203	69,589,925	559,504,128	66.16
2005-06	581,837,505	93,449,000	675,286,505	79.85
2006-07	615,382,280	91,198,625	706,580,905	77.73
2007-08	658,128,668	88,128,250	746,256,918	80.43
2008-09	685,745,499	85,460,500	771,205,999	81.74
2009-10	721,999,019	82,731,000	804,730,019	84.05
2010-11	785,563,689	79,992,750	865,556,439	89.54
2011-12	697,953,568	58,104,938	756,058,506	77.44
2012-13	784,375,261	58,161,288	842,536,549	85.45
2013-14	709,197,014	79,170,090	788,367,104	79.20
2014-15	725,337,659	60,307,448	785,645,107	78.14
2015-16	714,776,023	48,619,701	763,395,724	75.15
2016-17	704,718,618 ^{a)}	61,012,229	765,730,847	74.62
2017-18	728,782,719 ^{b)}	51,160,868	779,943,587	76.00
2018-19	717,507,823 ^{c)}	50,036,452	767,544,275	74.52

* Based on July 1 population estimates.

a) Does not include \$38 million appropriation to pay off Wilmington Harbor Navigation 96 Act Project

b) Does not include \$22 million appropriation to pay off Wilmington Harbor Navigation 96 Act Project

c) Does not include \$22 million appropriation to pay off Wilmington Harbor Navigation 96 Act Project

***Budget and Economic Outlook,
Revenue Forecasts, and
Demographic Analysis***

Economic Outlook

Strong Economic Fundamentals in a Slow Recovery

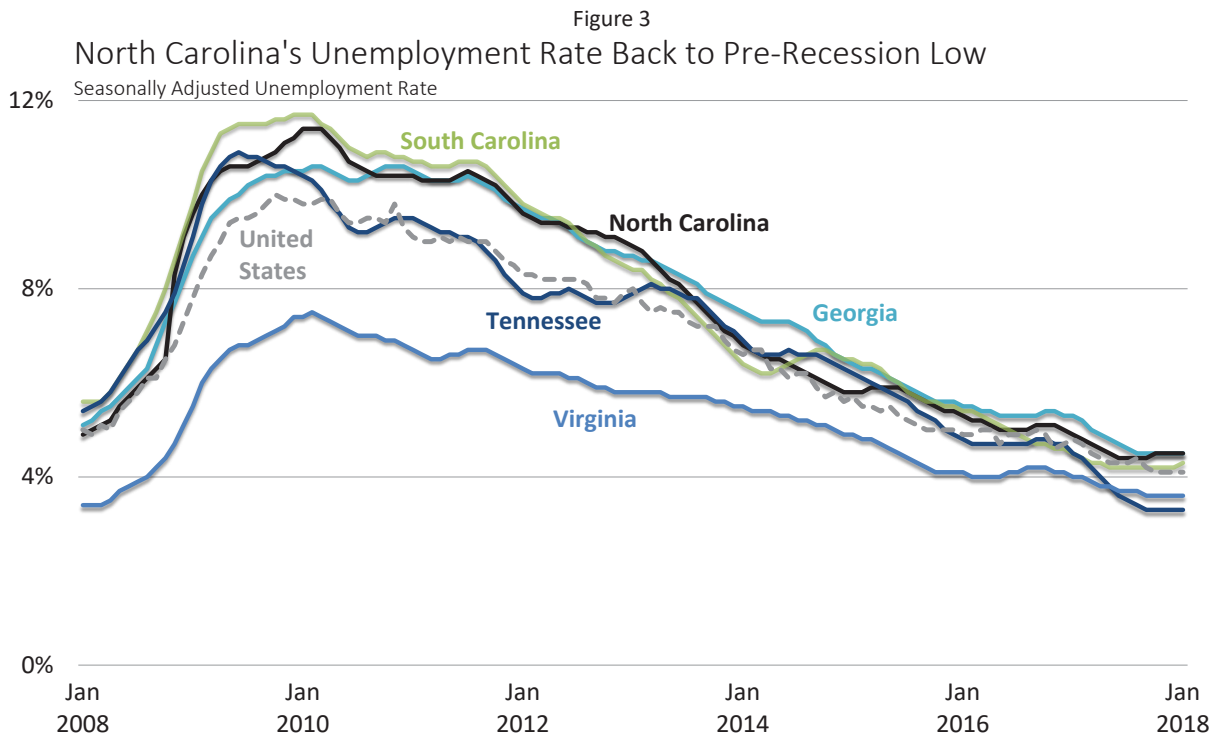
The current economic recovery is slower compared to previous recoveries on several metrics. Annual state real GDP growth has increased by 1.6% in the current expansion compared to 3.0% in the 2001-2007 expansion and 4.6% in the 1991-2001 expansion. Annual real per capita wage growth has lagged the 1991-2001 expansion. Population continues to grow, but at a slower rate compared to the previous two recoveries. However, in this slowly expanding economy, North Carolina is demonstrating strong economic fundamentals.

NC's Labor Market Keeps Tightening

The labor market in North Carolina continues to inch toward full employment and show signs of labor market tightening. The unemployment rate stayed consistent in the last half of 2017, falling to 4.4% in the third quarter of 2017 and rising slightly to 4.5% in the fourth quarter.¹ Although North Carolina's unemployment rate continues to be higher than most of its neighbors (South Carolina, Tennessee, and

Virginia), unemployment rates across the entire nation are low and, in most cases, below pre-recession levels. Broader measures of unemployment, which include so-called "marginally attached" workers and part-time workers who would rather work full time, have also reached pre-recession lows. As North Carolina joins most of its neighbors in surpassing the nation on employment gains from pre-recession levels, workers are becoming more confident in the strength of the economy. Data from the Job Openings and Labor Turnover Survey (JOLTS) shows further evidence of confidence in the labor market as hire and quit rates have increased for the Southern region.

Labor force participation in North Carolina has been gradually increasing since 2014 (from 61.1% to 61.4% in December 2017) driven by a higher rate of labor force growth compared to the civilian population. This is a deviation from trend as labor force participation has been decreasing since 2000, and is forecast to continue to do so nationwide. Factors contribut-

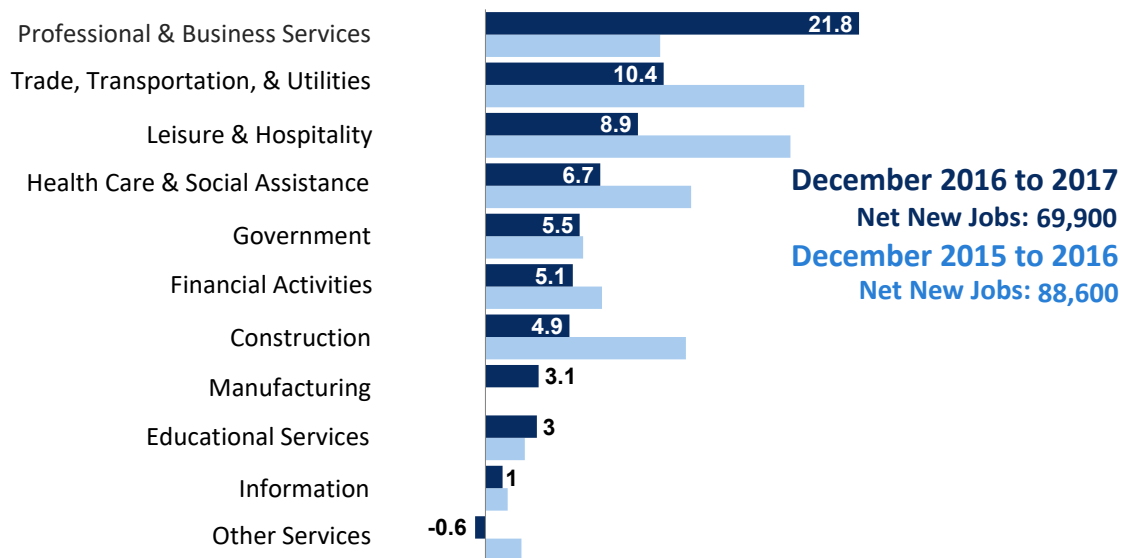


¹All figures mentioned in this section, unless otherwise noted, refer to statistics from the federal-state Local Area Unemployment Statistics program of the Bureau of Labor Statistics. Note that all figures are subject to revision.

Figure 4

Job Growth Continues to be Strongest in Professional & Business Services

Year-Over-Year Change in Payroll Employment by Industry, Thousands



Source: U.S. Department of Commerce, Bureau of Labor Statistics

ing to the downward trend include an aging population and increasing school enrollment. The labor force growing faster than the population points to brighter employment prospects encouraging many of the state’s potential workers who dropped out of the labor force, or delayed (re-) entry, in the aftermath of the Great Recession to rejoin the labor force.

Job Growth Driven by Professional and Business Services Affects State Unevenly

North Carolina’s economy continued to generate jobs for the eighth straight year.² Total nonfarm payroll increased by 1.6% in 2017 – slightly lower than the average percentage increase over the past eight years. Job creation was lower compared to 2016, but remained concentrated in service-providing industries. Professional and Business Services remained the strongest creator of job growth, accounting for 31% of new jobs. Construction and Manufacturing were the two sectors hardest hit by the Great Recession;

employment in these sectors remains well below pre-recession levels, as well as below the national recovery trend, despite an uptick in manufacturing employment during 2017.

While labor market conditions remain quite strong for North Carolina as a whole, recovery from the recession has been unevenly felt across the state (Figure 5). Because service-providing industries have driven job growth since the Great Recession, areas that had larger concentrations of harder hit goods-producing industries have not fared as well in terms of job creation. Rocky Mount had a larger concentration of manufacturing jobs that have not recovered, while Goldsboro experienced a brief resurgence in goods-producing industries in 2012 before those jobs also went away. While the Triad was also hit particularly hard by the Great Recession and job growth remains slightly below pre-recession levels, employment has been slowly recovering.

² All figures mentioned in this section, unless otherwise noted, refer to statistics from the federal-state Current Employment Statistics program of the Bureau of Labor Statistics. Note that all figures are subject to revision.

Figure 5

Job Growth Strongest in Triangle & Charlotte, Many Areas Still Struggling

Change in Nonfarm Payroll Employment by Metro Area



Data Source: U.S. Department of Commerce, Bureau of Labor Statistics. Rest-of-state includes Hickory, Jacksonville, Burlington, and Fayetteville as well as non-metro areas.

Fostering job growth and economic opportunities in areas that have yet to recover from the Great Recession remains a challenge facing the state's economy. However, there are still signs of progress across most of North Carolina as the year-over-year unemployment rate fell for nearly every county in North Carolina by an average of 0.5%. The number of counties with unemployment rates at or above 7.0% fell by half compared to December 2016, but 53 counties still have rates above the state's 2017 annual average of 4.6%.³

Tighter Labor Market Spurs Wage Growth

North Carolina and most of its neighboring states reached pre-recession per capita wage and salary levels in 2016 and growth has continued throughout 2017. Adjusted for inflation, median wage growth in

North Carolina since 2009 has increased 2.6%.⁴ But, just as job recovery has been felt unevenly across the state, workers in different income categories have experienced varying wage growth. Most of the wage gains in this recovery have been concentrated among higher earners, more so than in neighboring states (Figure 6).

Despite the distributional impacts of wage gains, the overall income picture is positive. Personal income grew by 3.8% in 2017, compared to a national average of 3.1%.⁵ Real median household income (including all sources of income, not just wages) exceeded pre-recession levels for the first time in 2015.⁶ Growth continued in 2016 reaching the highest level in the past 20 years (\$53,764), 6.7% above the 2007 level.

³ U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics.

⁴ U.S. Bureau of Labor Statistics, Occupational Employment Statistics

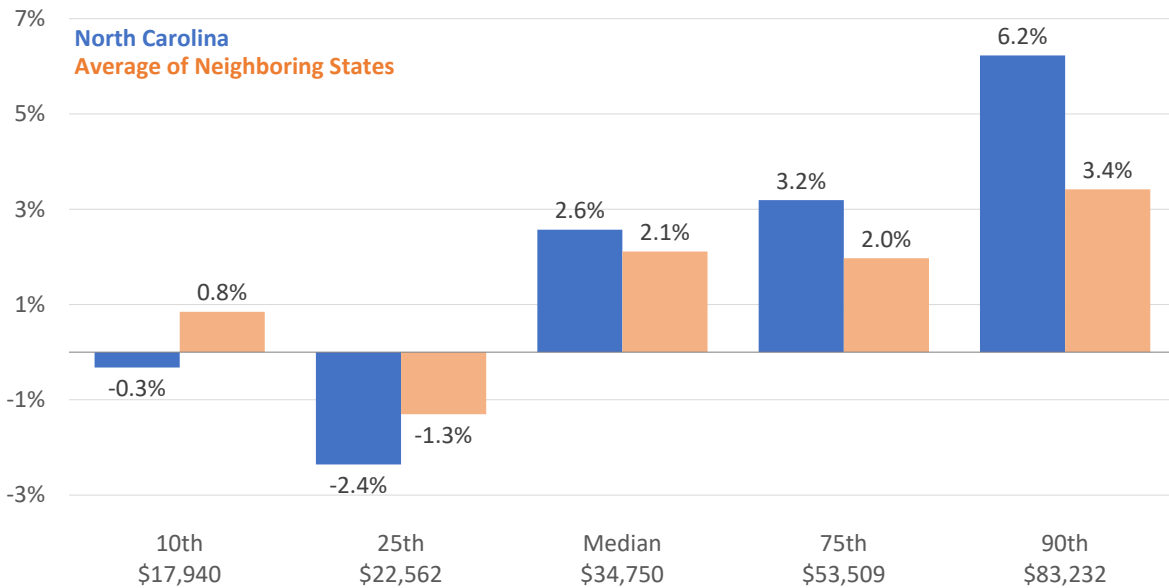
⁵ U.S. Bureau of Economic Analysis, March 2018 release of 2017 data.

⁶ U.S. Census Bureau, Small Area Income and Poverty Estimates.

Figure 6

North Carolina Wage Gains in this Recovery Concentrated Among Top Earners

Percent Change in Inflation-Adjusted Wages from 2009 to 2017 by State Annual Wage Percentile



Source: U.S. Department of Commerce, Bureau of Labor Statistics (Occupational Employment Statistics), Bureau of Economic Analysis (chain-type price index for personal consumption expenditures). Note: Dollar amounts below percentiles are for 2017 OES North Carolina annual wage percentiles. Neighboring states are Georgia, South Carolina, Tennessee, and Virginia.

Risks in the Economy

As of May 2018, the current economic expansion is the 2nd longest in Post-WWII history. If the current expansion continues beyond June 2019 it will be the longest in modern history. Economic fundamentals remain strong, and many economists continue to place a low probability (around 15%) on an imminent recession, remaining more optimistic compared to 2016.⁷ Still, there are potential concerns that point

to headwinds: home prices in North Carolina are well above the pre-recession peak (9.8% higher),⁸ and have risen faster than incomes; total household debt has been growing since mid-2013 and reached a new peak in the last quarter of 2017, increasing to \$13.15 trillion nationally; defaults on car loans have increased;⁹ and personal savings rates fell to a 12-year low in December.¹⁰

⁷ Wall Street Journal Economic Forecasting Survey.

⁸ Federal Housing Finance Agency House Price Index, All-Transactions Index.

⁹ Federal Reserve Bank of New York Consumer Credit Panel.

¹⁰ U.S. Bureau of Economic Analysis.

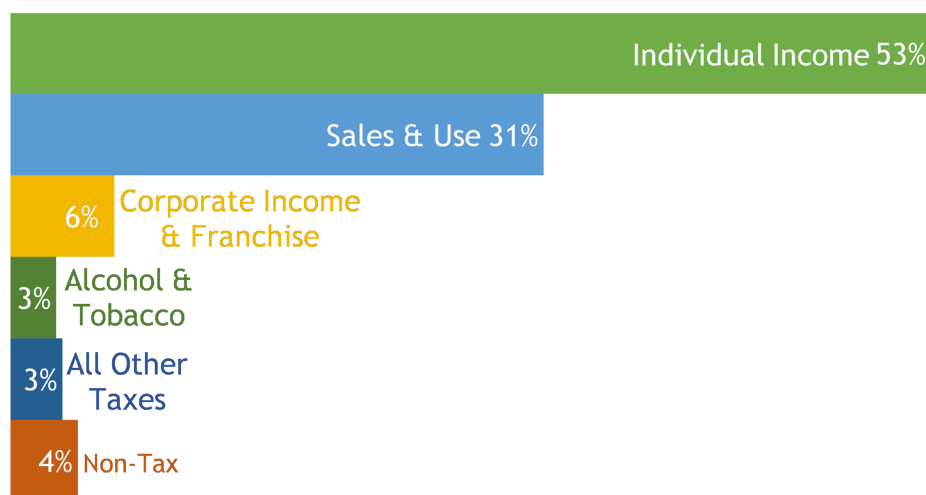
General Fund Revenue Forecast

About half of North Carolina’s total revenue originates from tax collections and other sources comprising the General Fund. The other half consists of funds from the federal government, highway funds, the Education Lottery, and other receipts and fees (e.g., tuition). General Fund own-source revenues are primarily derived from two sources:

the individual income tax and the sales and use tax. Other important sources of tax revenue include corporate income and franchise taxes, taxes on insurance premiums, and excise taxes on alcohol and tobacco products. In addition, nontax revenue, such as judicial fees and earnings from investing state funds, supports the General Fund.

Figure 7

Individual Income & Sales Taxes Comprise Vast Majority of Own-Source General Fund Revenue



FY 2017-18 General Fund Revenues - May 2018 Revised Consensus

The consensus revenue forecast anticipates steady economic and revenue growth over the remainder of the 2017-19 biennium. Specific highlights of the forecast include:

Current Year Revenue

The revised consensus forecast projects net General Fund revenue of \$23.48 billion in FY 2017-18. This amount is 3.8% over the \$22.61 billion collected in FY 2016-17 (see table 8). The revised consensus projection is \$356.7 million (1.5%) higher than the budgeted amount of \$23.13 billion, which is below the median forecast error since 1987.

- Personal income tax collections are expected to total \$12.54 billion in FY 2017-18, an increase of \$568 million (4.7%) over FY 2016-17 levels. The revised consensus forecast for current-year personal

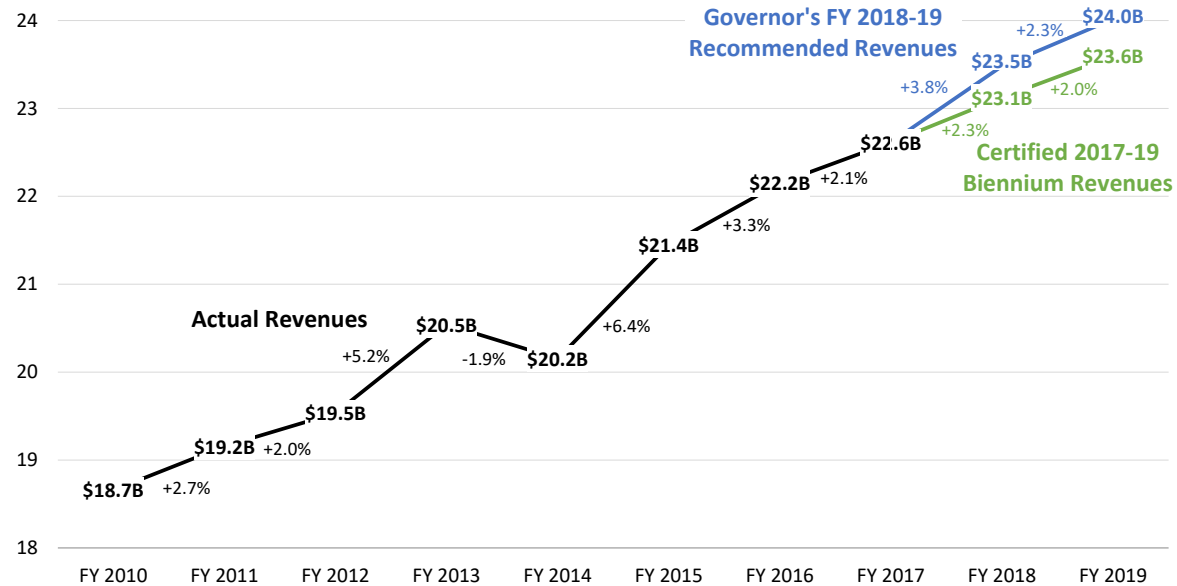
income tax collections represents an increase in expected revenue of \$196 million (1.6%) due primarily to higher-than-expected quarterly payments, particularly in December and January, as taxpayers responded to new limits on deductions in the Tax Cuts and Jobs Act by shifting state income tax payments into tax year 2017. The significant rise in stock market valuations during second half of the 2017 calendar year also contributed to the upward revision.

- Sales and use tax collections, which comprise nearly one-third of General Fund revenue, are forecast to increase 3.7% or \$258 million compared to FY 2016-17. This represents a downward revision of 1.0%, or \$72 million, compared to budget, driven primarily by lower-than-expected growth in taxable retail sales.

Figure 8

General Fund Revenue: Recent History & Forecast

Billions of Current-Year Dollars



Source: OSBM data and May 2018 revised consensus forecast

While the forecast for the remainder of FY 2017-18 only includes two additional months of revenue collections, revenue volatility remains a risk. An increase or decrease in late income tax filings and/or unexpected large income or sales tax refunds could cause deviations from anticipated year-end revenues. The likelihood of unexpected payments or refunds in May and June may be higher than normal due to taxpayer responses to recent federal tax changes.

Revenue Outlook for 2018-19 Fiscal Year

Reflecting a cautious outlook, the forecast for FY 2018-19, adjusted for recommended revenue changes, will increase a modest 2.3%, which is below long-term average growth during economic expansions. Table 8 details this forecast adjusted for recommended revenue changes.

- Personal income tax collections, which account for more than half of General Fund revenues, are expected to equal \$12.80 billion in FY 2018-19, an increase of 2.1% compared to revised consensus FY 2017-18 revenues. Personal income tax collections for FY 2018-19 are revised upward by \$287 million compared to the budgeted amount, after accounting for recommended revenue changes. Projected year-over-year growth in baseline personal income tax revenues during FY 2018-19, resulting from rising wages, a substantial increase in shareholder dividends and stock buybacks in early 2018, and an

economy that continues to expand, will be offset by tax reductions, including a tax rate decrease and an increase in the standard deduction.

- Sales and use tax collections are expected to be \$7.62 billion in FY 2018-19. Growth in consumer spending is expected to remain moderate over the rest of the biennium due to flat energy prices and stable consumer confidence. This economic outlook combined with growth from recently enacted revenue changes translates into 5.0% growth in sales and use tax collections, despite the \$75 million downward revision from the budgeted level.
- Corporate income tax collections are expected to be \$721 million in FY 2018-19, a decrease of \$13 million (-1.7%) compared to FY 2017-18. Anticipated revenues are \$24 million (3.4%) above the budgeted amount for FY 2018-19, after accounting for recommended revenue changes.
- Franchise tax collections are expected to be \$684 million in FY 2018-19, a small year-over-year decrease of \$3 million (-0.4%) compared to FY 2017-18. The small decrease reflects the impact of previously enacted tax changes.

While the General Fund forecast cautiously assumes below-trend baseline growth, there are still risks to the forecast. Recent spikes in stock market volatility, potential economic imbalances associated with

a nearly decade-long economic expansion, federal policy uncertainty, and growing household debt are among sources of risk to the consensus forecast. In addition, recent tax changes at both state and federal levels heighten revenue volatility risks.

Recommended Revenue Changes

- Create two individual income tax brackets – The Governor recommends creating an additional rate bracket for income over \$200,000 for married filing jointly taxpayers (\$100,000 for singles, \$150,000 for head of household). This bracket would affect fewer than one in 20 resident filers in North Carolina and raise an estimated \$68 million in FY 2018-19 and \$153 million in FY 2019-20.
- Freeze the corporate income tax rate at 3.0% – The Governor recommends freezing the corporate income tax rate at 3.0% for tax years beginning on or after January 1, 2019. This rate is lower than the top rate of all other states that levy a corporate income tax. This provision would raise an estimated \$42 million in FY 2018-19 and \$129 million in FY 2019-20.
- Refocus the current film grant program and add a film & entertainment tax incentive rebate program – The Governor recommends refocusing the current film grant program toward small, independent productions and commercials, and capping the whole program at \$2.5 million per year (\$250,000 per project). The rebate program would target larger productions and provide an incentive of 25% of qualified spending up to caps of \$15 million for television series, \$5 million for films, and \$250,000 for grants for commercials. The rebate is estimated to decrease revenue by approximately \$33 million starting in FY 2019-20.
- Earmark 25% of real estate conveyance tax for trust funds – The Governor recommends earmarking 25% of net real estate conveyance tax revenue and allocating that amount to the following funds: the Clean Water Management Trust Fund (35%), the Parks and Recreation Trust Fund (35%), the Farmland Preservation Trust Fund (15%), and the North Carolina Housing Trust Fund (15%). This has an estimated general fund revenue impact of -\$19 million starting in FY 2018-19.

Table 8

General Fund Revenue by Fiscal Year: Recent History and Forecast (In Millions)

	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Budget	2017-18 Revised	YoY % Change	2018-19 Budget	2018-19 Revised	YoY % Change
Tax Revenue									
Individual Income	11,078.5	11,905.2	11,969.7	12,341.4	12,537.6	4.7%	12,512.6	12,799.6	2.1%
Sales and Use	6,252.0	6,559.5	7,004.0	7,334.0	7,261.8	3.7%	7,700.3	7,624.9	5.0%
Corporate Income	1,327.7	1,058.2	752.2	732.3	733.7	-2.5%	697.4	720.9	-1.7%
Franchise	544.1	524.4	748.1	605.8	687.0	-8.2%	607.9	684.1	-0.4%
Insurance	510.7	485.1	492.1	482.4	539.0	9.5%	510.1	542.6	0.7%
Alcoholic Beverage	318.7	340.1	353.6	368.5	367.2	3.8%	376.8	373.7	1.8%
Estate	3.0	4.4	0.7	0.0	10.7	n.a	0.0	0.0	n.a.
Privilege License	41.1	39.9	29.4	26.3	31.0	5.6%	27.5	29.8	-3.9%
Tobacco Products	248.5	257.4	261.8	257.1	260.3	-0.6%	252.2	258.2	-0.8%
Real Estate	55.5	61.0	67.5	68.3	72.8	7.9%	70.4	56.1	-22.9%
White Goods Disposal	2.0	2.1	2.5	2.2	4.0	60.1%	2.2	2.6	-34.9%
Scrap Tire Disposal	5.3	5.6	5.8	5.8	5.9	2.4%	5.9	5.9	0.0%
Mill Machinery	41.1	46.4	47.3	50.2	46.9	-0.9%	0.0	4.2	-91.0%
Solid Waste Disposal	2.3	2.3	2.5	2.4	2.5	1.5%	2.5	2.5	0.0%
Other Tax Revenue	0.6	0.3	0.3	1.6	0.3	15.0%	1.6	0.3	0.0%
Total Tax Revenue	20,431.1	21,291.9	21,737.2	22,278.3	22,560.7	3.8%	22,767.4	23,105.4	2.4%
Nontax Revenue									
Investment Income	18.3	37.1	61.9	60.1	90.4	46.0%	60.6	99.4	10.0%
Judicial Fees	234.5	244.8	242.1	240.9	237.3	-2.0%	240.5	232.7	-1.9%
Insurance Department	76.3	78.5	82.8	164.7	164.7	98.9%	149.6	163.3	-0.9%
Disproportionate Share Receipts	109.0	147.5	164.1	119.7	143.2	-12.7%	119.7	139.4	-2.7%
Master Settlement Agreement	138.6	127.2	131.1	185.8	202.7	54.7%	181.5	193.7	-4.4%
Miscellaneous	440.2	223.7	195.0	75.5	82.7	-57.6%	75.5	82.7	0.0%
Total Nontax Revenue	1017.0	858.8	876.9	846.7	921.0	5.0%	827.4	911.2	-1.1%
Total General Fund Revenue	21,448.0	22,150.7	22,614.1	23,125.0	23,481.7	3.8%	23,594.8	24,016.6	2.3%

Totals may differ from the sum of their parts due to rounding.

Highway Fund Revenue Forecast

Revised Estimates for the 2017-19 Biennium

The Highway Fund receives support from three revenue sources. The primary source is the excise tax on motor fuels, of which the Highway Fund receives 71%. The second source is licenses and fees collected by the Division of Motor Vehicles. The third source is interest earned on investments of Highway Fund cash balances held by the State Treasurer and dividend payments from the NC Railroad Company. Table 9 shows revised forecast estimates for the Highway Fund revenue collections projected for fiscal years 2017-18 and 2018-19.

Current Fiscal Year Update

Fiscal year 2017-18 revenue is projected to grow by 0.9% above fiscal year 2016-17 level, but finish the year more than \$20 million below forecast. The underperformance relative to budget is due to licenses and fees revenue, which is projected to end the year 3.1% below budget. Driver licenses fees and International Registration Plan collections have been below expectations. The decline in driver licenses may be due to a decrease in population ages 16-17. However, excise tax revenues are set to finish on budget for the

year as fuel consumption has been tracking close to expectations. Consumption, which is projected to grow 1.2% over fiscal year 2016-17, has been boosted by an increase in real disposable income despite a sharp increase in gas prices.

Fiscal Year 2018-19 Revenue Projections

Total Highway Fund revenue collections in fiscal year 2018-19 are expected to increase above the revised estimates for this fiscal year by 2.5%, but come in 1.0% under budget. The estimates for the excise tax revenues have not been revised as this year's collections have been performing close to expectations. The 3.8% increase year-over-year in the motor fuel tax is expected to hold due to projected stable economic growth and a slight drop in gasoline prices (fuel consumption is expected to grow by 1.1% above current fiscal year). However, the \$22.3 million downward revision next fiscal year to the Highway Fund is driven by a decrease in projected licenses and fees revenues, as expectations of lower performance continue. Licenses and fees revenues are anticipated to drop 3.4% under the budgeted level.

Table 9

Highway Fund Revenue by Fiscal Year: Recent History and Forecast* (In Millions)

Source	2016-17 Actual	2017-18 Budget	2017-18 Revised	YoY % Change	2018-19 Budget	2018-19 Revised	YoY % Change
Motor Fuels Tax							
Motor Fuels	1,357.2	1,366.3	1,366.3	0.7%	1,417.6	1,417.6	3.8%
Gasoline Inspection	15.4	14.9	14.9	-3.5%	15.0	15.0	1.1%
Highway Use Reg.	0.3	0.4	0.4	1.2%	0.4	0.4	2.9%
Aviation Fuel Tax	2.2	5.7	6.9	214.4%	5.4	7.0	1.3%
Highway Use Short Term Lease	0.0	10.0	10.0		10.0	10.0	0.0%
Total Motor Fuel Taxes	1,375.1	1,397.2	1,398.4	1.7%	1,448.4	1,450.0	3.7%
Licenses and Fees							
Staggered Registration	282.5	287.2	287.0	1.6%	288.1	288.8	0.6%
Driver Licenses	128.4	132.5	121.0	-5.8%	134.2	117.1	-3.2%
Truck Licenses	197.7	204.2	201.2	1.8%	206.9	202.3	0.6%
International Registration Plan	103.9	109.6	101.3	-2.5%	111.0	104.0	2.6%
Other Licenses and Fees	55.9	54.8	52.9	-5.2%	52.4	53.4	0.8%
Total Licenses and Fees	768.3	788.2	763.5	-0.6%	792.6	765.5	0.3%
Investment Income	4.4	1.5	5.0	13.1%	1.5	5.0	0.0%
NC Railroad Co. Dividend Payment	3.8	4.1	3.9	1.2%	4.3	4.0	2.7%
Total Highway Fund Availability	2,151.7	2,191.0	2,170.7	0.9%	2,246.9	2,224.5	2.5%

*Totals may differ from the sum of their parts due to rounding.

Highway Trust Fund Revenue

Revised Estimates for the 2017-19 Biennium

The Highway Trust Fund, established in 1989, receives support from four sources. The primary source is the highway use tax, or sales tax, on vehicle sales. The Highway Trust Fund also receives 29% of the excise tax on motor fuels. The other sources of revenue are fees on various title registrations and interest earned from investments of the Highway Trust Fund cash balances held by the State Treasurer. Table 10 shows revised projections for the Highway Trust Fund revenue collections for fiscal years 2017-18 and 2018-19.

Current Fiscal Year Update

Fiscal year 2017-18 revenue is expected to exceed last year's level by 1.0%, but come in close to \$34 million below the budgeted forecast. High vehicles sales have been declining and the growth in light trucks has subsided as all signs point to ebbing pent-up demand from the recession. Highway use tax revenue is expected to end the year 3.5% under budget, despite a 1.0% increase over fiscal year 2016-17 levels. This

loss is unlikely to be offset by motor fuel tax revenues as they are expected to finish the year on budget. Fee revenues are trending in the same direction as highway use tax collections, and are expected to finish the year \$8 million under budget.

Fiscal Year 2018-19 Revenue Projections

Total Highway Trust Fund revenue is expected to increase by 1.9% year-over-year in FY 2018-19, but to drop \$45.3 million under initial projections. This reduction from budget is in large part due to a downward revision in the highway use tax estimate (\$36.3 million below budget levels). Still, highway use tax revenue is anticipated to grow by 1.4% over the current year and fee revenue by 1.3% as the economy continues to expand. Excise tax revenue projections have not been revised and are still expected to grow 3.8% above this year as the economy continues to perform and fuel consumption continues to increase while gas prices drop slightly in fiscal year 2018-19.

Table 10
Highway Trust Fund Revenue by Fiscal Year: Recent History and Forecast*
(In Millions)

Source	2016-17 Actual	2017-18 Budget	2017-18 Revised	YoY % Change	2018-19 Budget	2018-19 Revised	YoY % Change
Fuel Taxes and Fees							
Motor Fuel Tax	554.8	564.6	564.6	1.8%	585.9	585.9	3.8%
Highway Use	784.0	820.8	791.9	1.0%	839.3	803.0	1.4%
Certificate of Title Fees	123.7	131.1	125.7	1.6%	134.6	127.3	1.3%
Miscellaneous Title Fees	15.4	16.3	16.1	4.0%	16.7	16.2	0.7%
Lien Recording	4.0	4.2	4.0	-1.4%	4.3	4.2	5.8%
Subtotal	1,481.9	1,537.1	1,502.2	1.4%	1,580.8	1,536.5	2.3%
Interest on Investments	15.2	10.0	10.0	-34.2%	5.0	4.0	-60.0%
Total Highway Trust Fund Availability	1,497.1	1,547.1	1,512.2	1.0%	1,585.8	1,540.5	1.9%

*Totals may differ from the sum of their parts due to rounding.

Population Dynamics

State Population Is Growing, But Unevenly

At 10.3 million people, North Carolina is the ninth most populous state in the nation. Population growth has remained strong, with the state growing by roughly 738,000 people between 2010 and 2017. During this period, North Carolina experienced the fifth largest numeric growth and added more people than New York, Pennsylvania, and Ohio, combined. North Carolina's growth was surpassed by only Texas, California, Florida, and Georgia.

Between July 1, 2018 and July 1, 2019, OSBM projects that the state will grow by an additional 115,000 people, from 10.4 million to 10.5 million people. This is equivalent to adding an entire city slightly smaller than Wilmington to North Carolina. In other words, the state will be adding a net 316 people every day or about 2,220 people every week.

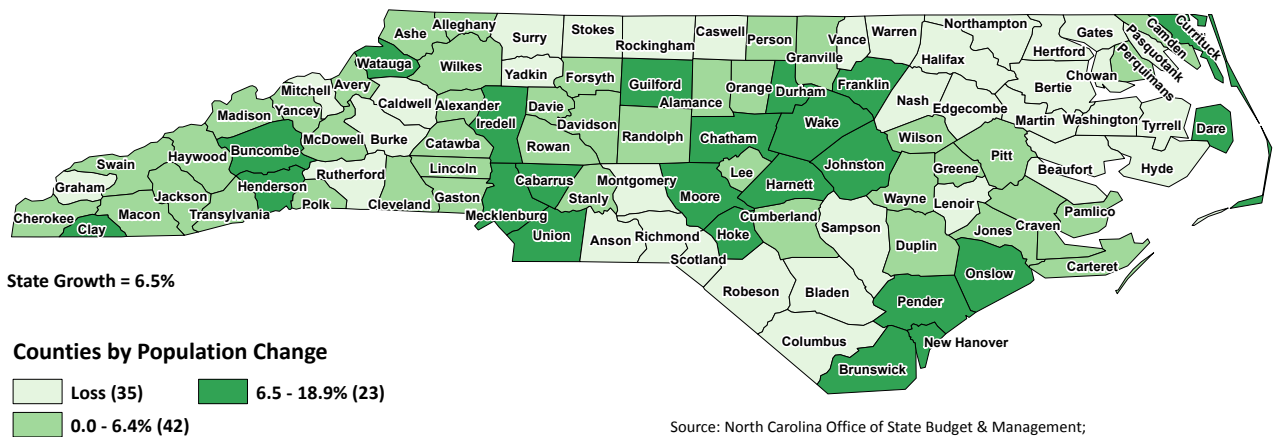
If these trends continue, North Carolina's population will reach 10.6 million people by 2020 – the year in which the next decennial Census is conducted. Given population trends in other states, North Carolina is expected to gain at least one Congressional seat after the 2020 Census enumeration.

But growth has not been distributed equally throughout the state. Between 2010 and 2016, 23 counties grew faster than the state's population growth of 6.5% (Figure 9). These faster growing counties were primarily metropolitan in nature, with much of that growth occurring in the major metropolitan areas of Charlotte and Raleigh-Durham. At the same time, 35 counties lost population – well above the seven counties that lost population in the previous decade. These counties are primarily nonmetropolitan in nature, with the largest concentration located in the northeastern and southern portions of the Coastal Plain.

In the coming years, due to a variety of factors, including an aging population, North Carolina will experience population growth slower than that experienced over the previous two decades. During the 1990s and 2000s, the state grew by 21.3% and 18.5%, respectively. OSBM projections show an expected percentage growth of 11.4% over the current decade – about the rate of growth experienced in the 1960s (and slower than any rate of decadal population growth since the 1860s). North Carolina is pro-

Figure 9

Population Change in North Carolina Counties, April 1, 2010 - July 1, 2016



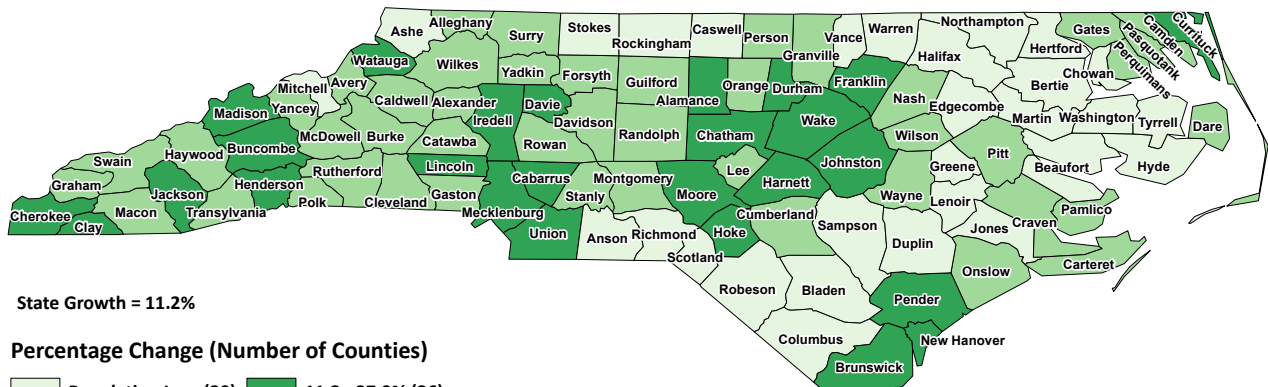
jected to add just over 1 million people during this decade – about 500,000 people less than what was added over the previous decade.

In the next ten years (2017-27), OSBM projects that the population of 29 counties will decline while 26 will experience growth faster than the State of North

Carolina (Figure 10). With few exceptions, the faster growing counties are located within the major metropolitan areas of the state. Those losing population during this period are mostly non-metropolitan (or rural).

Figure 10

Projected Population Change in North Carolina Counties, 2017 - 2027



State Growth = 11.2%

Percentage Change (Number of Counties)

- Population Loss (29)
- 11.2 - 27.9% (26)
- 0.0 - 11.1% (45)

Source: North Carolina Office of State Budget & Management; Demographic & Economic Analysis Branch, 2017-2037 Population Projections.

Migration Continues to Influence Growth

Beginning in the 1970s, North Carolina’s population grew as a result of both natural increase (more births than deaths) and net in-migration (more people moving into the state than leaving). Starting in the 1980s, the majority of North Carolina’s population growth has been attributed to net in-migration (Figure 11). Between April 1, 2010 and July 1, 2017, 474,000 net migrants contributed to North Carolina’s population growth (accounting for 64.3% of the growth), while an additional 258,000 people were added through natural increase. Of the 474,000 net migrants the Census Bureau estimated, the majority came from other states (69.1%), but at least 147,000 people migrated from abroad. The number of new migrants was surpassed by only Florida, Texas, and California.

North Carolina has added more net migrants than any of its neighbors. Two of every three of these net migrants moved from another state (domestic migrants). North Carolina was one of only 23 states

(including D.C.) with a net gain in state-to-state migrants between April 1, 2010 and July 1, 2017, behind only Florida and Texas.

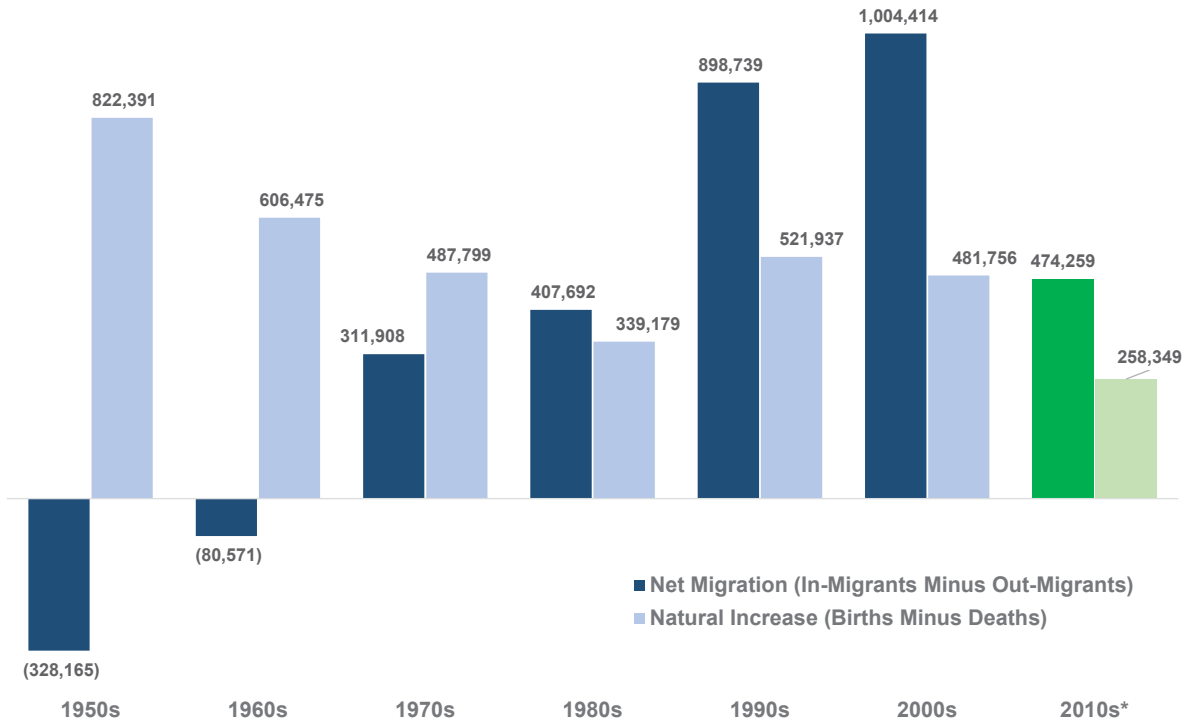
Over time, the historical migration patterns have helped shape the character of North Carolina and will continue to do so. Only 56.8% of the state’s population was born in North Carolina while another 15.0% were born elsewhere in the South (Figure 12). In 2016, 7.8% of the North Carolina population was foreign born (790,000 people). The foreign born have grown from about 5.3% of the North Carolina population in 2000 (430,000 people) to 7.8% (790,000 people) in 2016.

The importance of net migration for population growth is projected to continue due to population aging and long-term declines in fertility rates. Between 2020 and 2030, close to 81% of the state’s growth is projected to be derived from net migration.

Figure 11

Net Migration Influences Growth More than Natural Population Increase

Components of Population Change by Period, 1950 - 2017

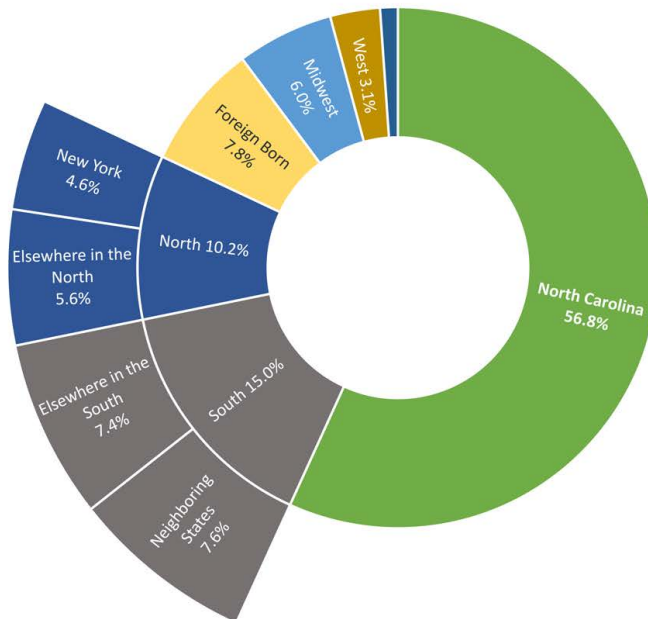


Source: US Census Bureau, State Population Estimates, Vintage 2017; Age-Specific Net Migration Estimates for US Counties, 1950-2010. Applied Population Laboratory, UW-Madison.

Figure 12

Many North Carolinians Were Born Elsewhere

Percent of the North Carolina Population by Place of Birth



Source: U.S. Census Bureau, 2016 1-Year American Community Survey

North Carolina's Population Is Aging

By 2030, OSBM projects that one in five North Carolinians will be at least 65 years old, and by 2035 there will be more older adults (ages 65+) than children (ages less than 18). The Baby Boom generation began entering the older adult ages at the beginning of this decade, and for the next several years this age group will increase by about 58,000 people a year (Figure 13). OSBM projects that between 2017 and 2037, the older adult population will increase by just over 1 million people (63.3%) to 2.6 million in 2037, and the oldest adults (ages 85+) will more than double from 181,000 in 2017 to 381,000 by 2037.

In the previous decade the working age population (ages 18-64) increased by an average of 91,000 people a year, while in this decade it has so far increased

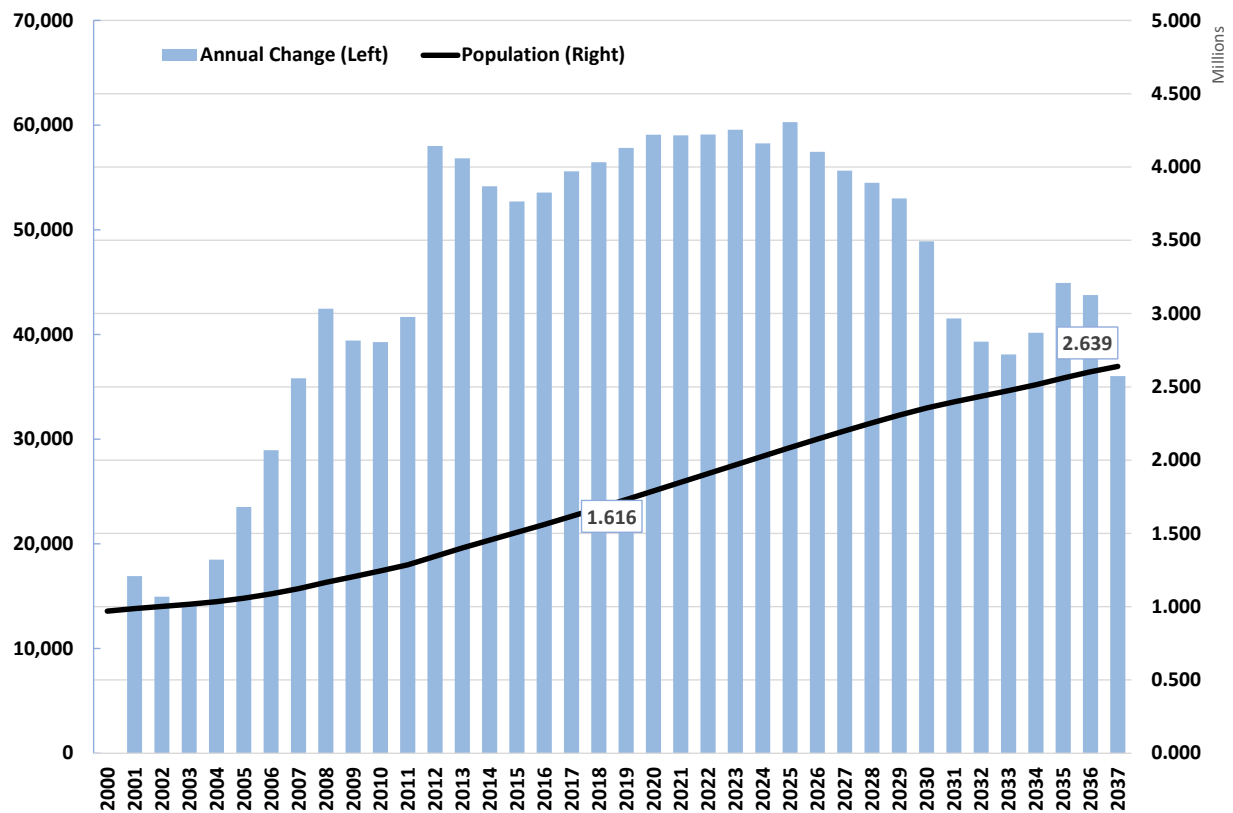
an average of 43,000 people per year (Figure 14). This is due partly to the Baby Boom generation aging into the older age group. OSBM projects that this age group will grow from 6.3 million in 2017 to 7.3 million by 2037, an increase of 982,000 people (15.5%).

The Great Recession impacted births in North Carolina above and beyond long term downward trends in fertility. As a result, the childhood population in North Carolina has grown much slower than it did prior to the Great Recession. Between 2010 and 2017, this population grew an average of 4,000 people per year (Figure 15). OSBM projects that between 2017 and 2037 this population will grow by 276,000 people (12%).

Figure 13

Older Adult Population Growing Faster Than Other Age Groups

Annual Population Change in and Population Age 65 and Older by Year, 2000-37



Source: NC OSBM, 2000-2016 Population Estimates and 2017-2037 Population Projections. Population as of July 1.

Figure 14

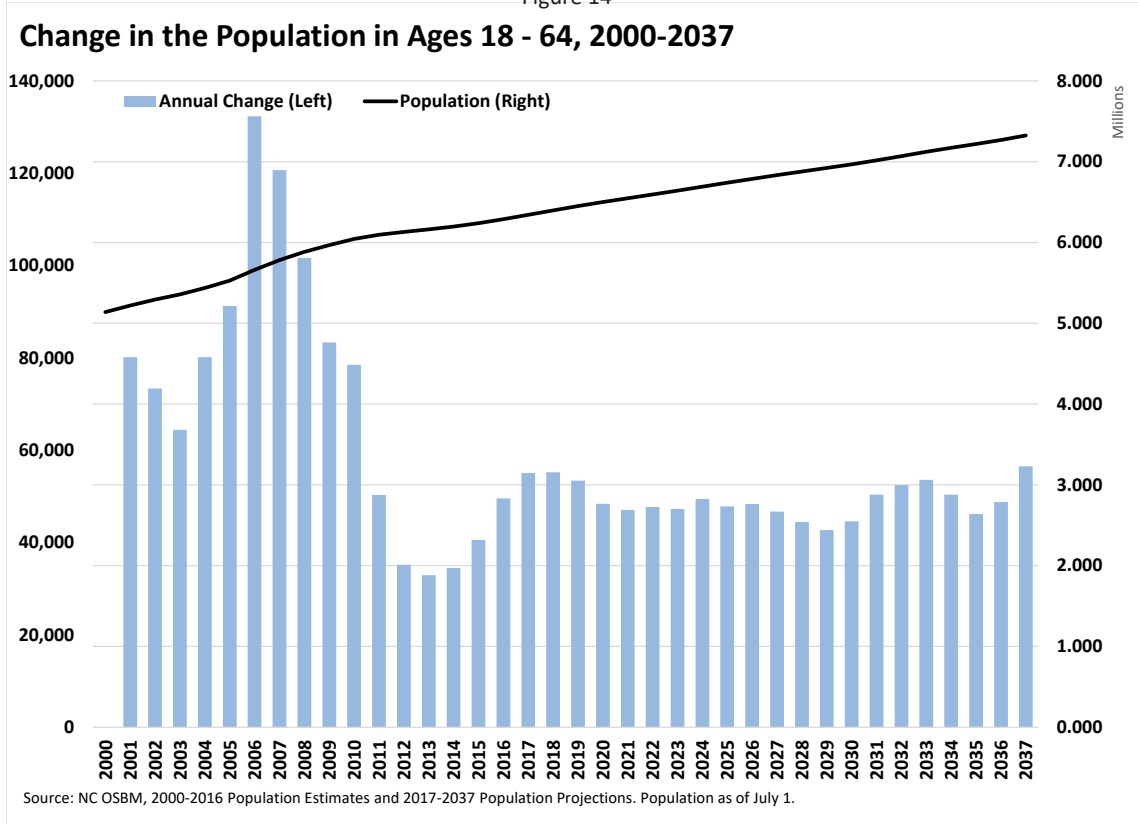
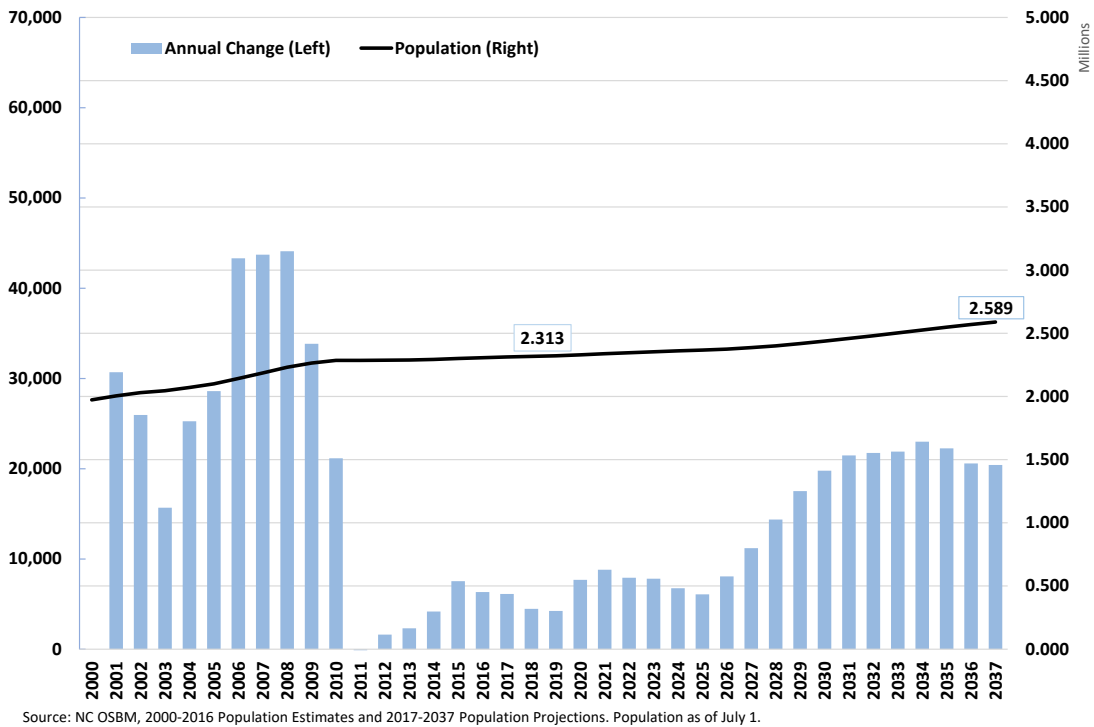


Figure 15

Childhood Population Growing Slowly

Annual Change in and Childhood Population (Ages < 18) by Year, 2000-37



Household Change

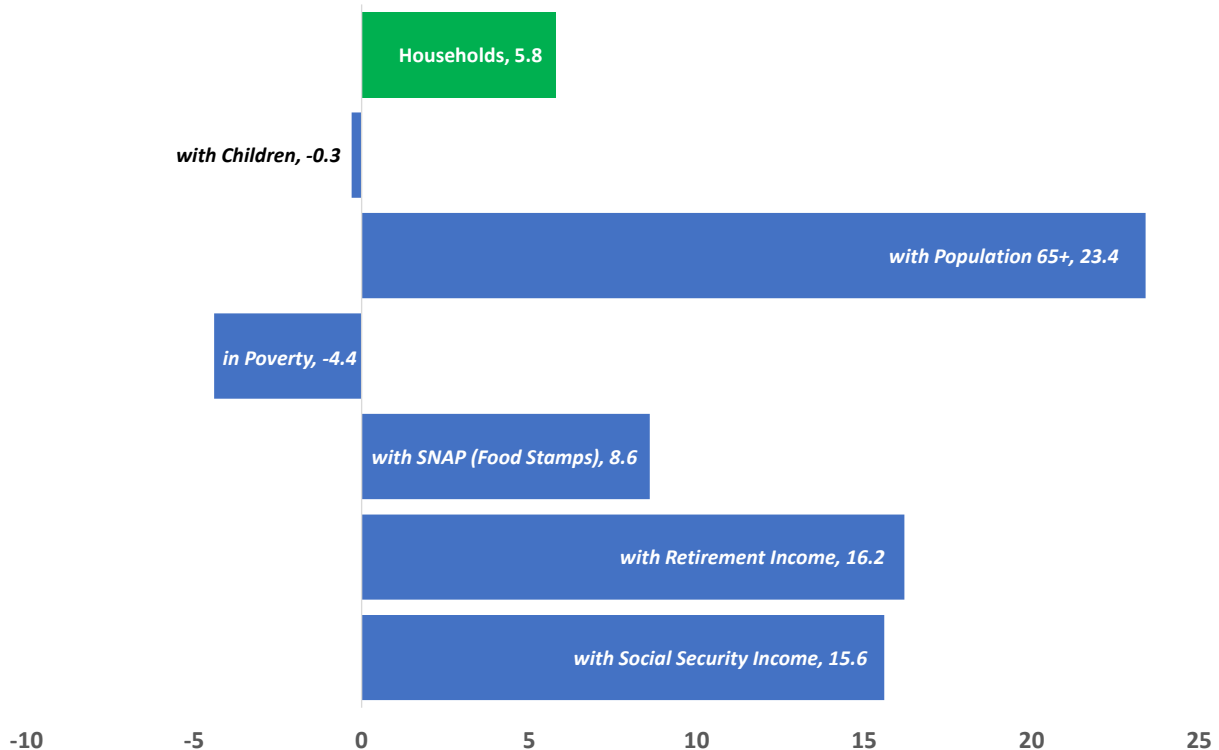
Between 2010 and 2016, household growth in North Carolina has been steady (+212,000 households or +5.8%) but slower than the growth that occurred in the previous decade (about 1.0% annually versus 2.0% annually from 2000-10). There were an estimated 3.9 million households in North Carolina in 2016. At the same time, the number of households with children has declined by an estimated 3,000 house-

holds (-0.3%), while the number of households with older adults have increased by 183,000 households (23.4%). These changes are reflected in the change in the number of households with retirement and social security income. In addition, as the economy has improved, there are fewer households in poverty (a decrease of 26,000 or -4.4%).

Figure 16

Households with Retirement Related Income Growing

Percentage Change in Households and Households by Select Characteristics, 2010-16



Source: U.S. Census Bureau, 1-Year American Community Survey, 2010 and 2016.

Census 2020

Preparations for Census 2020 have already started. State, tribal, and local governments are participating in programs to establish accurate residential address and boundary information necessary for conducting the 2020 Census. Leading up to April 1, 2020 (Census Day), communities are also encouraged to develop Complete Count Committees that will partner with the US Census Bureau to promote participation in the 2020 Census. These local investments of time and resources for 2020 Census preparation and promotion will play an important role in making sure

every North Carolinian is counted in 2020. In addition to the importance of the Census for determining political representation in Congress and providing complete data for local government services and economic development, an estimated \$16.3 billion in federal funds are distributed annually to North Carolina based directly or indirectly on numbers derived from the decennial census. Another \$1.5 billion in state funds are distributed annually to local municipalities and counties based indirectly on the decennial census.

