

Table 1

Governor's Budget Recommendations for FY 2019-21

	FY 2019-20	FY 2020-21
Budget Availability		
Unappropriated Balance from Prior Fiscal Year	645,592,679	74,925,982
Over Collection of Revenues FY 2018-19	150,800,000	-
Reversions (estimated)	275,000,000	-
Transfers to Reserves		
Savings Reserve (above statutory requirement)	(119,607,840)	-
Capital Improvements Projects Reserve	(200,000,000)	-
Repairs and Renovations Reserve	(50,000,000)	-
Retiree Healthcare Reserve (OPEB Liability)	(50,000,000)	-
Information Technology Reserve		
Community Colleges System Modernization	(15,000,000)	-
Public Schools Business Systems Modernization	(20,000,000)	-
Financial Backbone ERP	(10,000,000)	-
Law Enforcement/VIPER	(15,000,000)	-
Court System	(15,000,000)	-
State Emergency Response and Disaster Relief Fund	(10,000,000)	-
Beginning Unreserved Fund Balance	566,784,839	74,925,982
Base Revenue Forecast	24,814,100,000	25,801,400,000
Additional Recommendations		
Remove Sunset on Historic Preservation Credit	(500,000)	(9,000,000)
Prepaid Health Plans Insurance Tax Revenues	13,200,000	201,500,000
Prepaid Health Plans Insurance Tax Revenues from Medicaid Expansion	3,300,000	74,900,000
Transfer to Savings Reserve (per G.S. 143C-4-2)	(106,000,000)	(185,800,000)
Transfer to Golden LEAF	(5,000,000)	(5,000,000)
Treasurer and Insurance Nontax Transfers	2,127,367	3,014,005
Total Budget Availability	25,288,012,206	25,955,939,987
Recommended Appropriations		
Base Budget	23,903,360,444	23,984,546,381
Must Do's		
Public School Enrollment	22,000,000	44,000,000
UNC Enrollment, NC Promise, Independent Colleges	37,000,000	77,600,000
Medicaid Rebase Adjustment	81,819,538	283,838,752
State Health Plan - Retirees	30,538,531	61,077,063
State Health Plan - Active Employees	60,768,363	123,769,031
Retirement Systems Actuarial Requirements	102,652,925	248,221,474
Subtotal	334,779,357	838,506,320

<u>Supporting NC's Human Capital</u>		
Teacher Pay Increases - Best in Southeast in 4 Years	209,749,351	390,024,270
Restore Master's Teacher Pay	6,800,000	6,800,000
Eliminate Requirement that Teachers Pay for Substitutes	6,500,000	6,500,000
State Employee Pay Increases (Greater of \$500 or 1.5% each year)	135,714,904	273,800,577
Additional \$500 Recurring Public School Noncertified Personnel	28,065,163	28,065,163
Additional \$500 Recurring LEOs and Institution-based Employees	17,837,586	17,837,586
Salary Adjustment Fund	20,000,000	20,000,000
Retirees One-Time 2% Cost of Living Adjustment	74,725,058	-
Subtotal	499,392,062	743,027,596
<u>Helping People Live Healthy, Productive Lives</u>		
Savings from Medicaid Expansion	(30,700,000)	(69,300,000)
<u>Making NC a Top Ten Educated State by 2025</u>		
Public Schools	116,339,207	71,796,414
Community Colleges	14,930,977	15,049,184
University System	27,265,207	40,328,414
Opportunity Scholarships - No New Scholarships	(61,675,000)	(44,093,750)
Invest NC Bond (\$3.9B General Obligation Bond - November 2020)	-	-
Subtotal	96,860,391	83,080,262
<u>Strengthening our Economy</u>		
Rural Rise Grant Program	5,000,000	10,000,000
Rural Infrastructure Investments	82,836,450	-
Housing Trust Fund/Workforce Housing Loan Program	22,340,000	2,340,000
Broadband & Homework Gap	35,000,000	-
NC Job Ready Fund	(30,000,000)	(65,000,000)
NC GROW, Finish Line Grants, Work-based Learning	30,000,000	65,000,000
Subtotal	145,176,450	12,340,000
<u>Keeping Communities Safe</u>		
	61,958,640	62,112,694
<u>Preserving & Growing Environmental, Agricultural, and Cultural Resources</u>		
	60,468,600	36,847,528
<u>Modernizing Core Government Services (includes debt service)</u>		
	34,229,357	45,392,177
Total Expansion Recommendations	1,309,725,780	1,971,393,606
Total Recommended Budget	25,213,086,224	25,955,939,987
Balance	74,925,982	-
Percent Growth from Prior Year	5.4%	2.9%
Percent Growth in Recurring Budget from Prior Year	4.3%	2.8%

Table 2

**Recommended General Fund Budget by Function
FY 2019-20**

	FY 2019 -20 Recommended	% of GF Budget
Education	\$ 14,560,502,992	57.75%
General Government	\$ 540,480,677	2.14%
Health and Human Services	\$ 5,687,343,954	22.56%
Justice and Public Safety	\$ 2,947,760,734	11.69%
Natural and Economic Resources	\$ 748,171,090	2.97%
Reserves and Other Adjustments	\$ 6,924,316	0.03%
Debt Service	\$ 721,902,461	2.86%
Total General Fund Budget	\$ 25,213,086,224	100.00%

Figure 1

**Recommended General Fund Budget by Function
2019-20**

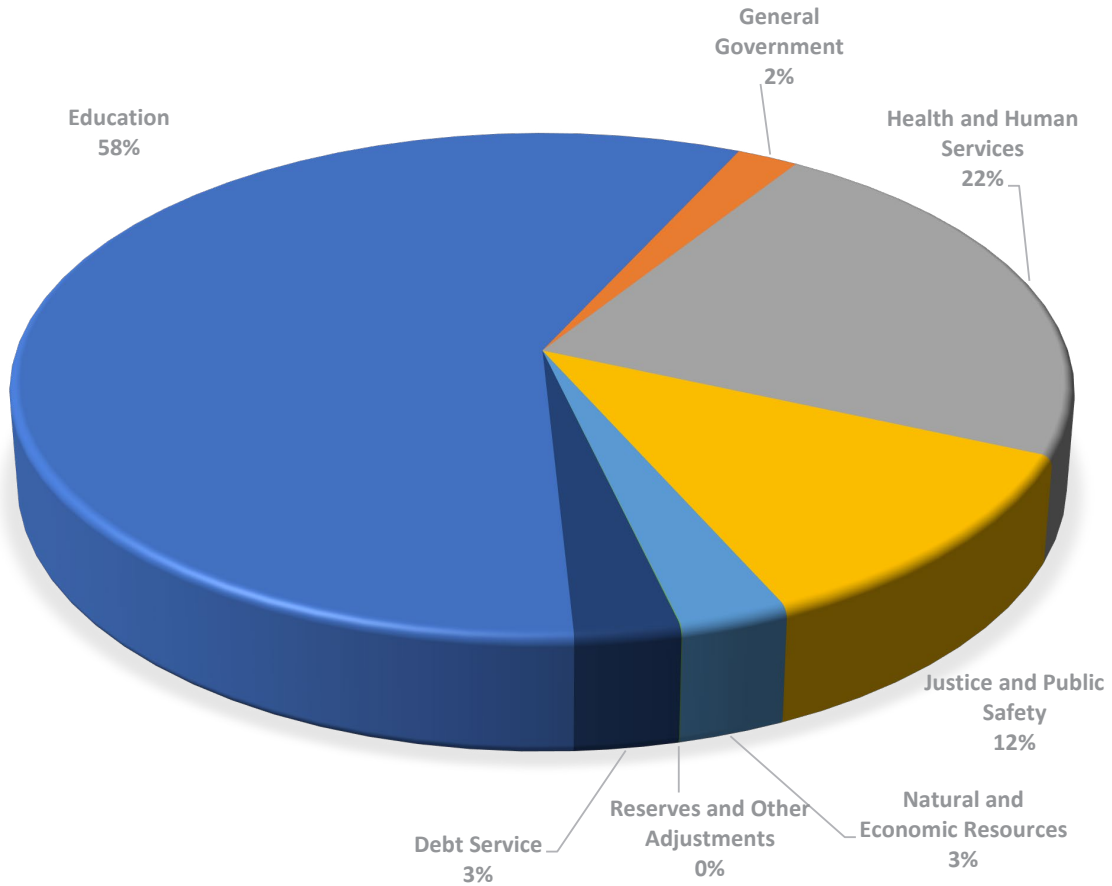


Table 3

Governor's Recommended General Fund Budget 2019-20 Adjustments

Budget Code	Function	2019-20						Increase			2019-20		Net Position Change
		Base Budget	Recurring	Nonrecurring	Positions	Recurring	Nonrecurring	Positions	Net Change	Recommended Net Appropriation			
Education													
13510	Department of Public Instruction	9,586,373,370	-	-	-	479,775,052	88,005,088	51.00	567,780,140	10,154,153,510	51.00		
16800	Community Colleges	1,168,416,399	-	-	-	50,883,848	6,761,105	2.00	57,644,953	1,226,061,352	2.00		
1600x	University System	3,092,495,985	-	(22,000,299)	-	109,792,444	-	2.00	87,792,145	3,180,288,130	2.00		
	Total Education	13,847,285,754	-	(22,000,299)	-	640,451,344	94,766,193	55.00	713,217,238	14,560,502,992	55.00		
General Government													
11000	General Assembly	69,614,420	-	-	-	2,194,955	1,824,038	-	4,018,993	73,633,413	-		
13000	Office of the Governor	5,138,354	-	-	-	1,039,838	21,961	-	1,061,799	6,200,153	-		
13005	Office of State Budget and Management	8,290,273	-	-	-	379,670	31,414	3.00	411,084	8,701,357	3.00		
13085	OSBM-Special Projects	2,000,000	-	-	-	1,000,000	-	-	1,000,000	3,000,000	-		
13010	NC Housing Finance Agency	10,660,000	-	-	-	2,340,000	20,000,000	-	22,340,000	33,000,000	-		
13050	Department of Military and Veterans Affairs	9,192,119	-	-	-	1,943,324	945,948	1.00	2,889,272	12,081,391	1.00		
13100	Office of the Lieutenant Governor	873,753	-	-	-	20,604	4,051	-	24,655	898,408	-		
13200	Department of Secretary of State	13,753,341	-	-	-	792,090	140,344	2.00	932,434	14,685,775	2.00		
13300	Office of the State Auditor	13,943,691	-	-	-	399,126	66,669	1.00	465,795	14,409,486	1.00		
13410	Department of State Treasurer	4,865,104	-	-	-	150,535	5,961	11.00	156,496	5,021,600	11.00		
13412	State Treasurer - Retirement System	29,360,641	-	-	-	350,000	-	-	350,000	29,710,641	-		
13900	Department of Insurance	40,972,188	-	-	-	1,587,758	383,113	1.00	1,970,871	42,943,059	1.00		
13902	Industrial Commission	9,309,845	-	-	-	123,325	23,389	-	146,714	9,456,559	-		
14100	Department of Administration	63,500,338	-	-	-	2,680,065	902,272	17.00	3,582,337	67,082,675	17.00		
14160	Office of the State Controller	24,328,432	-	-	-	533,643	80,723	2.00	614,366	24,942,798	2.00		
14660	Department of Information Technology	53,518,546	-	-	-	3,023,890	35,062,335	10.00	38,086,225	91,604,771	10.00		
14700	Department of Revenue	86,976,997	-	-	-	1,868,460	340,610	1.00	2,209,070	89,186,067	1.00		
18025	State Board of Elections	6,833,297	-	-	-	547,858	33,428	3.00	581,286	7,414,583	3.00		
18210	Office of Administrative Hearings	6,168,609	-	-	-	313,709	25,623	3.00	339,332	6,507,941	3.00		
	Total General Government	459,299,948	-	-	-	21,288,850	59,891,879	55.00	81,180,729	540,480,677	55.00		
Health and Human Services													
14410	Division of Central Management and Support	116,096,426	-	-	-	7,813,844	16,279,187	11.00	24,093,031	140,189,457	11.00		
14411	Division of Aging and Adult Services	45,035,448	-	-	-	72,009	983,239	-	1,055,248	46,090,696	-		
14420	Division of Child Development and Early Education	237,639,267	-	-	-	15,057,641	5,010,683	-	20,068,324	257,707,591	-		
14430	Division of Public Health	154,101,012	-	-	-	2,092,947	756,384	4.00	2,849,331	156,950,343	4.00		
14440	Division of Social Services	194,130,604	-	-	-	4,100,288	1,054,019	11.00	5,154,307	199,284,911	11.00		
14445	Division of Health Benefits	3,924,576,199	-	(48,972,385)	-	186,746,894	-	2.00	137,774,509	4,062,350,708	2.00		
14450	Services for the Blind, Deaf and Hard of Hearing	8,553,543	-	-	-	274,726	17,699	-	292,425	8,845,968	-		
14460	Division of Mental Health/Developmental Disabilities/Substance Abuse Services	742,117,807	-	-	-	10,530,021	2,384,999	11.00	12,915,020	755,032,827	11.00		
14470	Division of Health Services Regulation	18,858,056	-	-	-	551,811	105,270	-	657,081	19,515,137	-		
14480	Division of Vocational Rehabilitation	39,273,191	-	-	-	1,025,720	1,077,405	5.00	2,103,125	41,376,316	5.00		
	Total Health and Human Services	5,480,381,553	-	(48,972,385)	-	228,265,901	27,668,885	44.00	206,962,401	5,687,343,954	44.00		

Budget Code	Function	2019-20						Increase		2019-20		Net Position Change
		Base Budget	Recurring	Nonrecurring	Positions	Recurring	Nonrecurring	Positions	Net Change	Recommended Net Appropriation		
Justice and Public Safety												
12000	Judicial Branch	556,339,800	-	-	-	16,322,542	3,009,317	34.00	19,331,859	575,671,659	34.00	
12001	Judicial Branch - Indigent Defense	123,553,348	-	-	-	3,811,839	588,001	3.00	4,399,840	127,953,188	3.00	
13600	Department of Justice	50,703,096	-	-	-	3,262,377	3,218,446	13.00	6,480,823	57,183,919	13.00	
14550	Department of Public Safety	2,074,532,270	-	-	-	87,243,204	25,176,494	298.00	112,419,698	2,186,951,968	298.00	
	Total Justice and Public Safety	2,805,128,514	-	-	-	110,639,962	31,992,258	348.00	142,632,220	2,947,760,734	348.00	
Natural and Economic Resources												
13700	Department of Agriculture and Consumer Services	126,636,371	-	-	-	7,338,480	10,050,590	11.00	17,389,070	144,025,441	11.00	
13800	Department of Labor	18,137,831	-	-	-	1,726,075	84,059	1.00	1,810,134	19,947,965	1.00	
14300	Department of Environmental Quality	79,341,377	-	-	-	12,586,399	3,554,264	48.00	16,140,663	95,482,040	48.00	
14350	Wildlife Resources Commission	11,144,480	-	-	-	357,440	49,778	1.00	407,218	11,551,698	1.00	
14600	Department of Commerce	11,032,187	-	-	-	1,596,415	1,644,639	3.00	3,241,054	14,273,241	3.00	
14601	Commerce - General State Aid	16,155,810	-	-	-	-	2,500,000	-	2,500,000	18,655,810	-	
14602	Commerce - Economic Development	150,175,700	-	-	-	5,000,000	79,495,600	-	84,495,600	234,671,300	-	
14800	Natural and Cultural Resources	177,918,452	-	-	-	18,712,687	12,342,128	40.00	31,054,815	208,973,267	40.00	
14802	Natural and Cultural Resources - Roanoke Island	590,328	-	-	-	-	-	-	-	590,328	-	
	Total Natural and Economic Resources	591,132,536	-	-	-	47,317,496	109,721,058	104.00	157,038,554	748,171,090	104.00	
Debt Service												
19420	General Debt Service	715,891,443	-	-	-	4,394,638	-	-	4,394,638	720,286,081	-	
19425	Federal Reimbursement	1,616,380	-	-	-	-	-	-	-	1,616,380	-	
	Total Debt Service	717,507,823	-	-	-	4,394,638	-	-	4,394,638	721,902,461	-	
Reserves, Debt Service, and Other Adjustments												
19xxx	Reserves, Debt Service, and Other Adjustments	-	-	-	-	-	-	-	-	-	-	
19001	Contingency and Emergency Reserve	-	-	-	-	2,000,000	-	-	2,000,000	2,000,000	-	
19004	Salary Adjustments	-	-	-	-	20,000,000	-	-	20,000,000	20,000,000	-	
19005	OSHR - Market Adjustment	2,624,316	-	-	-	-	-	-	-	2,624,316	-	
19048	Reserve for Workers' Compensation	-	-	-	-	-	2,000,000	-	2,000,000	2,000,000	-	
19XX1	State Agencies - Public Safety Reserve	-	-	-	-	-	7,500,000	-	7,500,000	7,500,000	-	
19XX2	Invest NC Bond	-	-	-	-	-	-	-	-	-	-	
19XX3	2020 Census Preparation	-	-	-	-	-	1,500,000	-	1,500,000	1,500,000	-	
19XX5	Advanced Analytics and Data Interpretation	-	-	-	-	-	-	-	-	-	-	
19XX6	State Agency Insurance Coverage	-	-	-	-	2,000,000	-	-	2,000,000	2,000,000	-	
19XX7	Medicaid Coverage Gap Savings	-	(30,700,000)	-	-	-	-	-	(30,700,000)	(30,700,000)	-	
	Total Reserves, Debt Service, and Other Adjustments	2,624,316	(30,700,000)	-	-	24,000,000	11,000,000	-	4,300,000	6,924,316	-	
Direct Capital Appropriation												
19600	Capital Improvements	-	-	-	-	-	-	-	-	-	-	
	Total Direct Capital Appropriation	-	-	-	-	-	-	-	-	-	-	
Total												
		23,903,360,444	(30,700,000)	(70,972,684)	-	1,076,358,191	335,040,273	606.00	1,309,725,780	25,213,086,224	606.00	

Table 4

**Recommended General Fund Budget by Function
FY 2020-21**

	FY 2020 -21 Recommended	% of GF Budget
Education	\$ 15,086,078,129	58.12%
General Government	\$ 496,322,129	1.91%
Health and Human Services	\$ 6,022,074,525	23.20%
Justice and Public Safety	\$ 3,000,436,169	11.56%
Natural and Economic Resources	\$ 653,422,586	2.52%
Reserves and Other Adjustments	\$ (42,675,684)	-0.16%
Debt Service	\$ 740,282,133	2.85%
Total General Fund Budget	\$ 25,955,939,987	100.00%

Figure 2

**Recommended General Fund Budget by Function
2020-21**

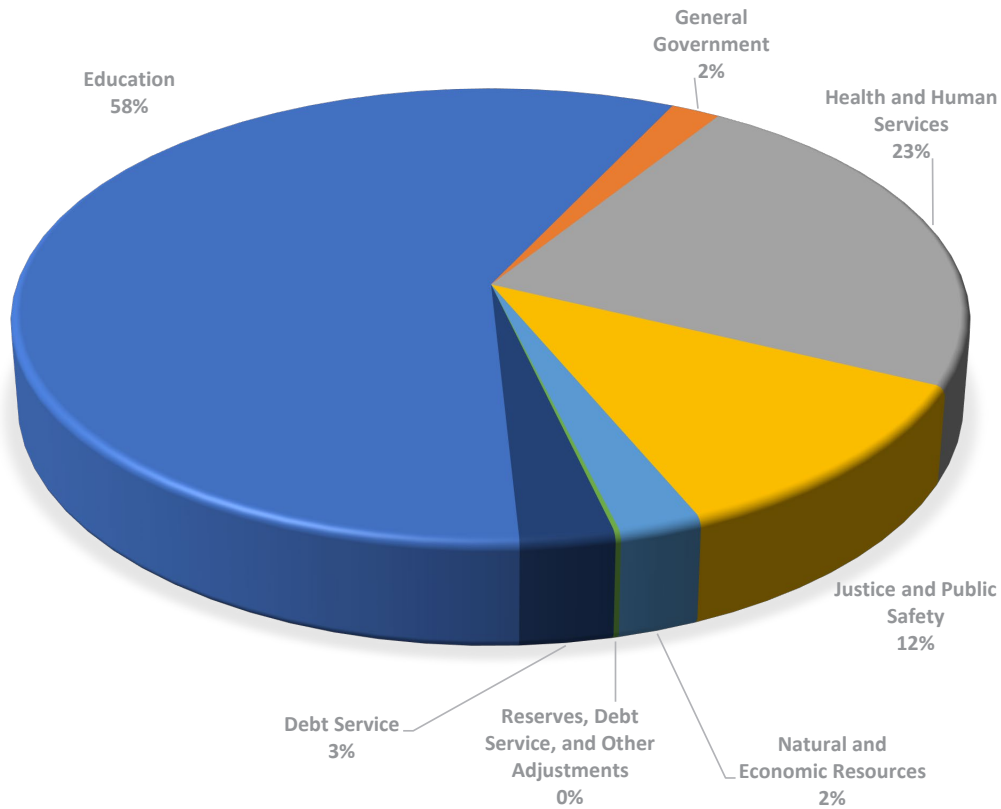


Table 5

**Governor's Recommended General Fund Budget
2020-21 Adjustments**

Budget Code	Function	2020-21						Increase			2020-21			Net Position Change
		Base Budget	Recurring	Nonrecurring	Positions	Recurring	Nonrecurring	Positions	Net Change	Net Appropriation	Recommended	Position		
Education														
13510	Department of Public Instruction	9,647,732,595	-	-	-	843,340,126	-	51.00	843,340,126	10,491,072,721	51.00	-	-	-
16800	Community Colleges	1,168,416,399	-	-	-	91,238,103	-	2.00	91,238,103	1,259,654,502	2.00	-	-	-
160xx	University System	3,102,533,207	-	-	-	230,317,699	2,500,000	2.00	232,817,699	3,335,350,906	2.00	-	-	-
	Total Education	13,918,682,201	-	-	-	1,164,895,928	2,500,000	55.00	1,167,395,928	15,086,078,129	55.00	-	-	55.00
General Government														
11000	General Assembly	69,614,420	-	-	-	4,107,009	-	-	4,107,009	73,721,429	-	-	-	-
13000	Office of the Governor	5,138,354	-	-	-	1,167,116	-	-	1,167,116	6,305,470	-	-	-	-
13005	Office of State Budget and Management	8,290,273	-	-	-	677,219	-	3.00	677,219	8,967,492	3.00	-	-	-
13085	OSBM-Special Projects	2,000,000	-	-	-	1,000,000	-	-	1,000,000	3,000,000	-	-	-	-
13010	NC Housing Finance Agency	10,660,000	-	-	-	2,340,000	-	-	2,340,000	13,000,000	-	-	-	-
13050	Department of Military and Veterans Affairs	9,192,119	-	-	-	2,159,871	-	1.00	2,159,871	11,351,990	1.00	-	-	-
13100	Office of the Lieutenant Governor	873,753	-	-	-	43,739	-	-	43,739	917,492	-	-	-	-
13200	Department of Secretary of State	13,753,341	-	-	-	1,202,458	-	2.00	1,202,458	14,955,799	2.00	-	-	-
13300	Office of the State Auditor	13,943,691	-	-	-	839,951	-	1.00	839,951	14,783,642	1.00	-	-	-
13410	Department of State Treasurer	4,865,104	-	-	-	304,870	-	11.00	304,870	5,169,974	11.00	-	-	-
13412	State Treasurer - Retirement System	29,360,641	-	-	-	700,000	-	-	700,000	30,060,641	-	-	-	-
13900	Department of Insurance	40,975,211	-	-	-	2,709,135	-	1.00	2,709,135	43,684,346	1.00	-	-	-
13902	Industrial Commission	9,310,445	-	-	-	259,385	-	-	259,385	9,569,830	-	-	-	-
14100	Department of Administration	63,500,338	-	-	-	3,637,440	-	17.00	3,637,440	67,137,778	17.00	-	-	-
14160	Office of the State Controller	24,342,448	-	-	-	1,117,917	-	2.00	1,117,917	25,460,365	2.00	-	-	-
14660	Department of Information Technology	53,518,546	-	-	-	3,435,328	-	10.00	3,435,328	56,953,874	10.00	-	-	-
14700	Department of Revenue	87,011,629	-	-	-	9,937,952	-	1.00	9,937,952	96,949,581	1.00	-	-	-
18025	State Board of Elections	6,833,297	-	-	-	802,761	-	3.00	802,761	7,636,058	3.00	-	-	-
18210	Office of Administrative Hearings	6,175,183	-	-	-	521,185	-	3.00	521,185	6,696,368	3.00	-	-	-
	Total General Government	459,358,793	-	-	-	36,963,336	-	55.00	36,963,336	496,322,129	55.00	-	-	55.00
Health and Human Services														
14410	Division of Central Management and Support	116,096,426	-	-	-	11,927,902	-	16.00	11,927,902	128,024,328	16.00	-	-	-
14411	Division of Aging and Adult Services	45,035,448	-	-	-	152,661	-	-	152,661	45,188,109	-	-	-	-
14420	Division of Child Development and Early Education	246,989,267	-	-	-	15,122,079	-	-	15,122,079	262,111,346	-	-	-	-
14430	Division of Public Health	154,145,465	-	-	-	3,551,646	-	4.00	3,551,646	157,697,111	4.00	-	-	-
14440	Division of Social Services	194,131,006	-	-	-	4,419,942	-	11.00	4,419,942	198,550,948	11.00	-	-	-
14445	Division of Health Benefits	3,924,583,382	-	-	-	427,423,603	38,897,173	2.00	466,320,776	4,390,904,158	2.00	-	-	-
14450	Services for the Blind, Deaf and Hard of Hearing	8,554,099	-	-	-	389,349	-	-	389,349	8,943,448	-	-	-	-
14460	Division of Mental Health/Developmental Disabilities/Substance Abuse Services	742,117,807	-	-	-	27,731,986	-	71.00	27,731,986	769,849,793	71.00	-	-	-
14470	Division of Health Services Regulation	18,858,056	-	-	-	1,170,017	-	-	1,170,017	20,028,073	-	-	-	-
14480	Division of Vocational Rehabilitation	39,281,853	-	-	-	1,495,358	-	5.00	1,495,358	40,777,211	5.00	-	-	-
	Total Health and Human Services	5,489,792,809	-	-	-	493,384,543	38,897,173	109.00	532,281,716	6,022,074,525	109.00	-	-	109.00

Budget Code	Function	2020-21						Increase			2020-21		
		Base Budget	Recurring	Nonrecurring	Positions	Recurring	Nonrecurring	Positions	Net Change	Net Appropriation	Recommended	Net Position Change	
Justice and Public Safety													
12000	Judicial Branch	556,558,453	-	-	-	31,712,977	-	34.00	31,712,977	588,271,430	34.00		
12001	Judicial Branch - Indigent Defense	123,557,524	-	-	-	7,602,431	-	3.00	7,602,431	131,159,955	3.00		
13600	Department of Justice	50,704,693	-	-	-	4,601,893	3,000,000	13.00	7,601,893	58,306,586	13.00		
14550	Department of Public Safety	2,074,621,806	-	-	-	147,826,392	250,000	295.00	148,076,392	2,222,698,198	295.00		
	Total Justice and Public Safety	2,805,442,476	-	-	-	191,743,693	3,250,000	345.00	194,993,693	3,000,436,169	345.00		
Natural and Economic Resources													
13700	Department of Agriculture and Consumer Services	126,641,791	-	-	-	10,059,146	-	11.00	10,059,146	136,700,937	11.00		
13800	Department of Labor	18,158,652	-	-	-	2,281,559	-	1.00	2,281,559	20,440,211	1.00		
14300	Department of Environmental Quality	79,316,254	-	-	-	13,869,297	-	48.00	13,869,297	93,185,551	48.00		
14350	Wildlife Resources Commission	11,144,480	-	-	-	711,675	-	1.00	711,675	11,856,155	1.00		
14600	Department of Commerce	11,032,187	-	-	-	1,921,107	-	3.00	1,921,107	12,953,294	3.00		
14601	Commerce - General State Aid	16,155,810	-	-	-	-	-	-	-	16,155,810	-		
14602	Commerce - Economic Development	150,175,700	-	-	-	10,000,000	-	-	10,000,000	160,175,700	-		
14800	Natural and Cultural Resources	177,922,761	-	-	-	23,441,839	-	48.00	23,441,839	201,364,600	48.00		
14802	Natural and Cultural Resources - Roanoke Island	590,328	-	-	-	-	-	-	-	590,328	-		
	Total Natural and Economic Resources	591,137,963	-	-	-	62,284,623	-	112.00	62,284,623	653,422,586	112.00		
Debt Service													
19420	General Debt Service	715,891,443	-	-	-	22,774,310	-	-	22,774,310	738,665,753	-		
19425	Federal Reimbursement	1,616,380	-	-	-	-	-	-	-	1,616,380	-		
	Total Debt Service	717,507,823	-	-	-	22,774,310	-	-	22,774,310	740,282,133	-		
Reserves, Debt Service, and Other Adjustments													
19xxx	Reserves, Debt Service, and Other Adjustments	-	-	-	-	-	-	-	-	-	-		
19001	Contingency and Emergency Reserve	-	-	-	-	2,000,000	-	-	2,000,000	2,000,000	-		
19004	Salary Adjustments	-	-	-	-	20,000,000	-	-	20,000,000	20,000,000	-		
19005	OSHR - Market Adjustment	2,624,316	-	-	-	-	-	-	-	2,624,316	-		
19048	Reserve for Workers' Compensation	-	-	-	-	-	-	-	-	-	-		
19XX1	State Agencies - Public Safety Reserve	-	-	-	-	-	-	-	-	-	-		
19XX2	Invest NC Bond	-	-	-	-	-	-	-	-	-	-		
19XX3	2020 Census Preparation	-	-	-	-	-	-	-	-	-	-		
19XX5	Advanced Analytics and Data Interpretation	-	-	-	-	-	-	-	-	-	-		
19XX6	State Agency Insurance Coverage	-	-	-	-	2,000,000	-	-	2,000,000	2,000,000	-		
19XX7	Medicaid Coverage Gap Savings	-	(69,300,000)	-	-	-	-	-	(69,300,000)	(69,300,000)	-		
	Total Reserves, Debt Service, and Other Adjustments	2,624,316	(69,300,000)	-	-	24,000,000	-	-	(45,300,000)	(42,675,684)	-		
Direct Capital Appropriation													
19600	Capital Improvements	-	-	-	-	-	-	-	-	-	-		
	Total Direct Capital Appropriation	-	-	-	-	-	-	-	-	-	-		
Total		23,984,546,381	(69,300,000)	-	-	1,996,046,433	44,647,173	676.00	1,971,393,606	25,955,939,987	676.00		

Table 6

**Highway Fund and Highway Trust Fund Budget
2019-20**

Function	FY 2019-20 Base Appropriation	Decreases			Increases			2019-20 Recommended Net Appropriation	Net Position Change	
		Net Recurring	Net Nonrecurring	Net Appropriated Supported Positions	Net Recurring	Net Nonrecurring	Net Appropriated Supported Positions			
DOT Administration	95,160,239	-	-	-	250,000	-	-	250,000	95,410,239	-
<i>Division of Highways</i>										
Administration	33,698,043	-	-	-	187,477	-	-	187,477	33,885,520	-
Construction	36,100,000	-	-	-	-	-	-	-	36,100,000	-
Maintenance	1,423,777,175	-	-	-	107,569,417	-	-	107,569,417	1,531,346,592	-
Planning and Research	-	-	-	-	-	-	-	-	-	-
OSHA Program	358,030	-	-	-	-	-	-	-	358,030	-
State Aid to Municipalities	147,500,000	-	-	-	2,500,000	-	-	2,500,000	150,000,000	-
<i>Multi-Modal</i>										
Airports	86,929,049	-	-	-	800,000	-	-	800,000	89,729,049	-
Bicycle	761,549	-	-	-	5,000,000	-	-	5,000,000	761,549	-
Ferry	45,879,026	-	-	-	5,000,000	-	-	5,000,000	50,879,026	-
Public Transportation	85,836,522	-	-	-	100,000	-	-	100,000	90,836,522	-
Railroads	39,922,269	-	-	-	-	-	-	-	40,022,269	-
Governor's Highway Safety Program	267,914	-	-	-	-	-	-	-	267,914	-
Division of Motor Vehicles	129,065,091	-	-	-	8,213,006	-	-	8,213,006	141,791,532	-
Other State Agencies	14,280,085	-	-	-	-	-	-	-	14,280,085	-
Transfer to General Fund	-	-	-	-	-	-	-	-	-	-
Other Reserves	11,838,903	(6,830,000)	-	-	15,006,739	-	-	8,176,739	20,015,642	-
Capital Improvements	-	-	-	-	11,716,031	-	-	11,716,031	11,716,031	-
Total Highway Fund	2,151,373,895	(6,830,000)	-	-	139,376,639	23,479,466	-	156,026,105	2,307,400,000	-
Administration	34,213,357	-	-	-	500,000	-	-	500,000	34,713,357	-
<i>Construction</i>										
Strategic Prioritization Program	1,405,920,004	-	-	-	20,402,437	-	-	20,402,437	1,426,322,441	-
<i>Bonds</i>										
Bond Redemption	55,877,000	-	-	-	17,310,000	-	-	17,310,000	73,187,000	-
Bond Interest	3,897,015	-	-	-	11,250,000	-	-	11,250,000	15,147,015	-
NC Turnpike Authority	49,930,187	-	-	-	-	-	-	-	49,930,187	-
Reserve for Visitor's Centers	400,000	-	-	-	-	-	-	-	400,000	-
Total Highway Trust Fund	1,550,237,563	-	-	-	49,462,437	-	-	49,462,437	1,599,700,000	-

Table 7

**Highway Fund and Highway Trust Fund Budget
2020-21**

Function	FY 2020-21 Base Appropriation	Decreases			Increases			2020-21 Recommended Net Appropriation	Net Position Change	
		Net Recurring	Net Nonrecurring	Net Appropriated Supported Positions	Net Recurring	Net Nonrecurring	Net Appropriated Supported Positions			
DOT Administration	95,175,589	-	-	-	-	250,000	-	250,000	95,425,589	-
<i>Division of Highways</i>										
Administration	33,698,043	-	-	-	187,477	-	-	187,477	33,885,520	-
Construction	36,100,000	-	-	-	-	-	-	-	36,100,000	-
Maintenance	1,423,777,175	-	-	-	198,038,227	-	-	198,038,227	1,621,815,402	-
Planning and Research	-	-	-	-	-	-	-	-	-	-
OSHA Program	358,030	-	-	-	-	-	-	-	358,030	-
State Aid to Municipalities	147,500,000	-	-	-	2,500,000	-	-	2,500,000	150,000,000	-
<i>Multi-Modal</i>										
Airports	86,929,049	-	-	-	6,700,000	2,000,000	-	8,700,000	95,629,049	-
Bicycle	761,549	-	-	-	-	-	-	-	761,549	-
Ferry	45,879,026	-	-	-	5,000,000	-	-	5,000,000	50,879,026	-
Public Transportation	85,836,522	-	-	-	-	5,000,000	-	5,000,000	90,836,522	-
Railroads	39,922,269	-	-	-	200,000	1,725,000	-	1,925,000	41,847,269	-
Governor's Highway Safety Program	267,914	-	-	-	-	-	-	-	267,914	-
Division of Motor Vehicles	129,065,091	-	-	-	9,197,390	-	-	9,197,390	138,262,481	-
Other State Agencies	14,280,085	-	-	-	-	-	-	-	14,280,085	-
Transfer to General Fund	-	-	-	-	-	-	-	-	-	-
Other Reserves	11,838,903	(6,830,000)	-	-	25,377,701	-	-	18,547,701	30,386,604	-
Capital Improvements	-	-	-	-	-	11,964,960	-	11,964,960	11,964,960	-
Total Highway Fund	2,151,389,245	(6,830,000)	-	-	247,200,795	20,939,960	-	261,310,755	2,412,700,000	-
Administration	34,213,357	-	-	-	1,000,000	-	-	1,000,000	35,213,357	-
<i>Construction</i>										
Strategic Prioritization Program	1,405,920,004	-	-	-	108,511,952	-	-	108,511,952	1,514,431,956	-
<i>Bonds</i>										
Bond Redemption	-	-	-	-	27,690,000	-	-	27,690,000	27,690,000	-
Bond Interest	-	-	-	-	29,134,500	-	-	29,134,500	29,134,500	-
NC Turnpike Authority	49,930,187	-	-	-	-	-	-	-	49,930,187	-
Reserve for Visitor's Centers	400,000	-	-	-	-	-	-	-	400,000	-
Total Highway Trust Fund	1,490,463,548	-	-	-	166,336,452	-	-	166,336,452	1,656,800,000	-

Table 8

Summary of General Fund Base Budget Adjustments, 2019-20

Budget Code	Function	2017-18 Actual	2018-19 Authorized	Base Budget Requirements	Base Budget Receipts	Base Budget	\$ Change from 2018-19 Authorized	% Change from 2018-19 Auth	Base Budget Positions
Education									
13510	Public Education	\$ 8,893,546,336	\$ 9,545,365,879	\$11,766,939,802	\$ 2,180,566,432	\$ 9,586,373,370	\$ 41,007,491	0.43%	1,052,950
16800	Community Colleges	\$ 1,122,647,235	\$ 1,185,784,017	\$ 1,561,623,007	\$ 393,206,608	\$ 1,168,416,399	\$ (17,367,618)	(1.46%)	211,850
160xx	University System	\$ 2,937,146,218	\$ 3,110,023,760	\$ 5,044,001,935	\$ 1,951,505,950	\$ 3,092,495,985	\$ (17,527,775)	(0.56%)	36,206,345
	Total Education	\$12,953,339,789	\$13,841,173,656	\$18,372,564,744	\$ 4,525,278,990	\$13,847,285,754	\$ 6,112,098	0.04%	37,471,145
General Government									
11000	General Assembly	\$ 66,200,243	\$ 67,383,397	\$ 70,475,420	\$ 861,000	\$ 69,614,420	\$ 2,231,023	3.31%	494,950
13000	Governor's Office	\$ 5,400,194	\$ 5,115,054	\$ 6,037,114	\$ 898,760	\$ 5,138,354	\$ 23,300	0.46%	52,200
13005	State Budget and Management	\$ 8,206,570	\$ 8,334,081	\$ 8,290,273	-	\$ 8,290,273	\$ (43,808)	(0.53%)	54,000
13010	NC Housing Finance Agency	\$ 14,609,159	\$ 30,660,000	\$ 10,660,000	-	\$ 10,660,000	\$ (20,000,000)	(65.23%)	0.000
13050	Military and Veterans Affairs	\$ 11,345,316	\$ 9,236,145	\$ 62,353,064	\$ 53,160,945	\$ 9,192,119	\$ (44,026)	(0.48%)	104,900
13085	OSBM-Special Projects	\$ 17,763,881	\$ 11,815,307	\$ 2,000,000	-	\$ 2,000,000	\$ (9,815,307)	(83.07%)	0.000
13100	Lieutenant Governor	\$ 843,036	\$ 861,965	\$ 873,753	-	\$ 873,753	\$ 11,788	1.37%	7,000
13200	Secretary of State	\$ 13,161,576	\$ 13,701,661	\$ 14,044,797	\$ 291,456	\$ 13,753,341	\$ 51,680	0.38%	176,883
13300	State Auditor	\$ 10,701,448	\$ 13,974,017	\$ 20,143,575	\$ 6,199,884	\$ 13,943,691	\$ (30,326)	(0.22%)	166,000
13410	State Treasurer	\$ 4,012,608	\$ 4,867,764	\$ 62,424,683	\$ 57,559,579	\$ 4,865,104	\$ (2,660)	(0.05%)	392,600
13412	State Treasurer - Retirement/Benefits	\$ 27,692,960	\$ 30,610,641	\$ 29,360,641	-	\$ 29,360,641	\$ (1,250,000)	(4.08%)	0.000
13900	Insurance	\$ 37,164,810	\$ 40,901,846	\$ 49,109,619	\$ 8,137,431	\$ 40,972,188	\$ 70,342	0.17%	452,344
13902	Industrial Commission	\$ 7,800,382	\$ 8,543,047	\$ 22,363,107	\$ 13,053,262	\$ 9,309,845	\$ 766,798	8.98%	149,000
14100	Administration	\$ 63,636,459	\$ 64,666,190	\$ 73,387,880	\$ 9,887,542	\$ 63,500,338	\$ (1,165,852)	(1.80%)	420,709
14660	Information Technology	\$ 52,376,792	\$ 62,647,147	\$ 53,914,125	\$ 395,579	\$ 53,518,546	\$ (9,128,601)	(14.57%)	102,250
14160	State Controller	\$ 19,535,747	\$ 23,604,315	\$ 25,174,460	\$ 846,028	\$ 24,328,432	\$ 724,117	3.07%	169,000
14700	Revenue	\$ 83,384,770	\$ 87,048,914	\$ 146,213,204	\$ 59,236,207	\$ 86,976,997	\$ (71,917)	(0.08%)	1,463,920
18025	State Board of Elections	\$ 5,403,635	\$ 9,944,458	\$ 6,935,297	\$ 102,000	\$ 6,833,297	\$ (3,111,161)	(31.29%)	60,000
18210	Office of Administrative Hearings	\$ 5,655,593	\$ 6,179,902	\$ 7,853,519	\$ 1,684,910	\$ 6,168,609	\$ (11,293)	(0.18%)	55,790
	Total General Government	\$ 454,895,179	\$ 500,095,851	\$ 671,614,531	\$ 212,314,583	\$ 459,299,948	\$ (40,795,903)	(8.16%)	4,321,546
Health and Human Services									
14480	Vocational Rehabilitation	\$ 37,120,406	\$ 39,407,401	\$ 150,494,601	\$ 111,221,410	\$ 39,273,191	\$ (134,210)	(0.34%)	986,250
14411	Aging and Adult Services	\$ 46,326,134	\$ 47,141,157	\$ 115,322,884	\$ 70,287,436	\$ 45,035,448	\$ (2,105,709)	(4.47%)	77,000
14440	Social Services	\$ 194,627,191	\$ 204,844,846	\$ 1,909,946,882	\$ 1,715,816,278	\$ 194,130,604	\$ (10,714,242)	(5.23%)	404,000
14450	Services for the Blind, Deaf, and Hard of Hearing	\$ 8,086,323	\$ 8,561,963	\$ 46,281,875	\$ 37,728,332	\$ 8,553,543	\$ (8,420)	(0.10%)	334,510
14410	Central Administration	\$ 120,297,999	\$ 134,112,477	\$ 213,596,948	\$ 97,500,522	\$ 116,096,426	\$ (18,016,051)	(13.43%)	962,000
14420	Child Development and Early Education	\$ 266,457,422	\$ 228,424,616	\$ 793,277,135	\$ 555,637,868	\$ 237,639,267	\$ 9,214,651	4.03%	336,000
14430	Public Health	\$ 144,363,838	\$ 156,556,353	\$ 898,572,342	\$ 744,471,330	\$ 154,101,012	\$ (2,455,341)	(1.57%)	1,947,880
14445	Medical Assistance	\$ 3,654,214,484	\$ 3,829,406,274	\$ 14,875,059,304	\$ 10,950,483,105	\$ 3,924,576,199	\$ 95,169,925	2.49%	470,500
14446	Health Choice	\$ 108,788	\$ 399,496	\$ -	\$ -	\$ -	\$ (399,496)	(100.00%)	0.000
14447	Health Benefits	\$ 9,722,864	\$ 8,920	\$ -	\$ -	\$ -	\$ (8,920)	(100.00%)	0.000
14460	Mental Health/Disabilities/Substance Abuse	\$ 676,121,355	\$ 688,415,233	\$ 1,532,807,958	\$ 790,690,151	\$ 742,117,807	\$ 53,702,574	7.80%	11,313,780
14470	Health Services Regulation	\$ 17,904,076	\$ 19,267,503	\$ 71,496,505	\$ 52,638,449	\$ 18,858,056	\$ (409,447)	(2.13%)	578,500
	Total Health and Human Services	\$ 5,175,350,880	\$ 5,356,546,239	\$20,606,856,434	\$15,126,474,881	\$ 5,480,381,553	\$ 123,835,314	2.31%	17,410,420

Budget Code	Function	2017-18 Actual	2018-19 Authorized	Base Budget Requirements	Base Budget Receipts	Base Budget	\$ Change from 2018-19 Authorized	% Change from 2018-19 Auth	Base Budget Positions
Justice and Public Safety									
12000	Judicial	\$ 534,184,172	\$ 560,202,260	\$ 557,476,262	\$ 1,136,462	\$ 556,339,800	\$ (3,862,460)	(0.69%)	5,962,540
12001	Judicial - Indigent Defense	\$ 121,277,068	\$ 123,577,612	\$ 133,735,671	\$ 10,182,323	\$ 123,553,348	\$ (24,264)	(0.02%)	553,000
13600	Justice	\$ 49,148,332	\$ 47,850,805	\$ 91,187,642	\$ 40,484,546	\$ 50,703,096	\$ 2,852,291	5.96%	794,885
14550	Public Safety	\$ 2,024,204,309	\$ 2,076,490,414	\$ 2,332,787,149	\$ 258,254,879	\$ 2,074,532,270	\$ (1,958,144)	(0.09%)	24,590,122
	Total Justice and Public Safety	\$ 2,728,813,882	\$ 2,808,121,091	\$ 3,115,186,724	\$ 310,058,210	\$ 2,805,128,514	\$ (2,992,577)	(0.11%)	31,900,547
Natural and Economic Resources									
13700	Agriculture and Consumer Services	\$ 148,608,280	\$ 142,669,723	\$ 185,965,999	\$ 59,329,628	\$ 126,636,371	\$ (16,033,352)	(11.24%)	1,814,620
13800	Labor	\$ 16,529,150	\$ 18,168,645	\$ 37,106,127	\$ 18,968,296	\$ 18,137,831	\$ (30,814)	(0.17%)	382,260
14300	Environmental Quality	\$ 77,725,228	\$ 95,751,327	\$ 193,918,082	\$ 114,576,705	\$ 79,341,377	\$ (16,409,950)	(17.14%)	1,116,817
14350	Wildlife Resources Commission	\$ 11,037,175	\$ 11,282,902	\$ 75,630,859	\$ 64,486,379	\$ 11,144,480	\$ (138,422)	(1.23%)	650,810
14600	Commerce	\$ 10,253,335	\$ 11,062,783	\$ 149,691,573	\$ 138,659,386	\$ 11,032,187	\$ (30,596)	(0.28%)	173,810
14601	Commerce - State Aid	\$ 20,300,810	\$ 19,680,810	\$ 16,155,810	\$ -	\$ 16,155,810	\$ (3,525,000)	(17.91%)	0.000
14602	Commerce - Economic Development	\$ 144,344,317	\$ 143,249,417	\$ 150,295,700	\$ 120,000	\$ 150,175,700	\$ 6,926,283	4.84%	0.000
14800	Natural and Cultural Resources	\$ 185,876,289	\$ 193,174,852	\$ 220,406,103	\$ 42,487,651	\$ 177,918,452	\$ (15,256,400)	(7.90%)	1,854,230
14802	Natural and Cultural Resources - Roanoke Island	\$ 555,571	\$ 590,328	\$ 590,328	\$ -	\$ 590,328	\$ -	0.00%	0.000
	Total Natural and Economic Resources	\$ 615,230,155	\$ 635,630,787	\$ 1,029,760,581	\$ 438,628,045	\$ 591,132,536	\$ (44,498,251)	(7.00%)	5,992,547
Debt Service									
19420	General Debt Service	\$ 717,587,097	\$ 715,891,443	\$ 734,545,038	\$ 18,653,595	\$ 715,891,443	\$ -	0.00%	0.000
19425	Federal Reimbursement	\$ -	\$ 1,616,380	\$ 1,616,380	\$ -	\$ 1,616,380	\$ -	0.00%	0.000
	Total Debt Service	\$ 717,587,097	\$ 717,507,823	\$ 736,161,418	\$ 18,653,595	\$ 717,507,823	\$ -	0.00%	0.000
Reserves, Debt Service, and Other Adjustments									
19xxx	Reserves, Debt Service, and Other Adjustments	\$ 49,708,000	\$ 2,167,993	\$ -	\$ -	\$ -	\$ (2,167,993)	(100.00%)	0.000
19000	General Fund Reserves	\$ 55,737,046	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.000
19004	Salary Adjustments	\$ -	\$ 20,300,000	\$ -	\$ -	\$ -	\$ (20,300,000)	(100.00%)	0.000
19005	OSHR - Market Adjustment	\$ -	\$ 6,852,512	\$ 2,624,316	\$ -	\$ 2,624,316	\$ (4,228,196)	(61.70%)	0.000
19080	UNC Enrollment Growth	\$ -	\$ 94,734,518	\$ -	\$ -	\$ -	\$ (94,734,518)	(100.00%)	0.000
19082	Film and Entertainment	\$ -	\$ 31,000,000	\$ -	\$ -	\$ -	\$ (31,000,000)	(100.00%)	0.000
19084	25-Year Law Enforcement Retirement	\$ -	\$ 37,000,000	\$ -	\$ -	\$ -	\$ (37,000,000)	(100.00%)	0.000
	Total Reserves, Debt Service, and Other Adjustments	\$ 105,445,046	\$ 192,055,023	\$ 2,624,316	\$ -	\$ 2,624,316	\$ (189,430,707)	(98.63%)	0.000
Total General Fund Operating Budget									
		\$22,750,662,028	\$24,051,130,470	\$44,534,768,748	\$20,631,408,304	\$23,903,360,444	\$ (147,770,026)	(0.61%)	97,096,205

Table 9

Summary of General Fund Base Budget Adjustments, 2020-21

Budget Code	Function	2017-18 Actual	2018-19 Authorized	Base Budget Requirements	Base Budget Receipts	Base Budget	\$ Change from 2018-19 Authorized	% Change from 2018-19 Auth	Base Budget Positions
Education									
13510	Public Education	\$ 8,893,546,336	\$ 9,545,365,879	\$ 11,828,299,027	\$ 2,180,566,432	\$ 9,647,732,595	\$ 102,366,716	1.07%	1,052,950
16800	Community Colleges	\$ 1,122,647,235	\$ 1,185,784,017	\$ 1,561,623,007	\$ 393,206,608	\$ 1,168,416,399	\$ (17,367,618)	(1.46%)	211,850
160xx	University System	\$ 2,937,146,218	\$ 3,110,023,760	\$ 5,054,039,157	\$ 1,951,505,950	\$ 3,102,533,207	\$ (7,490,553)	(0.24%)	36,206,345
	Total Education	\$12,953,339,789	\$13,841,173,656	\$18,443,961,191	\$ 4,525,278,990	\$13,918,682,201	\$ 77,508,545	0.56%	37,471,145
General Government									
11000	General Assembly	\$ 66,200,243	\$ 67,383,397	\$ 70,475,420	\$ 861,000	\$ 69,614,420	\$ 2,231,023	3.31%	494,950
13000	Governor's Office	\$ 5,400,194	\$ 5,115,054	\$ 6,037,114	\$ 898,760	\$ 5,138,354	\$ 23,300	0.46%	52,200
13005	State Budget and Management	\$ 8,206,570	\$ 8,334,081	\$ 8,290,273	\$ -	\$ 8,290,273	\$ (43,808)	(0.53%)	54,000
13010	NC Housing Finance Agency	\$ 14,609,159	\$ 30,660,000	\$ 10,660,000	\$ -	\$ 10,660,000	\$ (20,000,000)	(65.23%)	0.000
13050	Military and Veterans Affairs	\$ 11,345,316	\$ 9,236,145	\$ 62,353,064	\$ 53,160,945	\$ 9,192,119	\$ (44,026)	(0.48%)	104,900
13085	OSBM-Special Projects	\$ 17,763,881	\$ 11,815,307	\$ 2,000,000	\$ -	\$ 2,000,000	\$ (9,815,307)	(83.07%)	0.000
13100	Lieutenant Governor	\$ 843,036	\$ 861,965	\$ 873,753	\$ -	\$ 873,753	\$ 11,788	1.37%	7,000
13200	Secretary of State	\$ 13,161,576	\$ 13,701,661	\$ 14,044,797	\$ 291,456	\$ 13,753,341	\$ 51,680	0.38%	176,883
13300	State Auditor	\$ 10,701,448	\$ 13,974,017	\$ 20,143,575	\$ 6,199,884	\$ 13,943,691	\$ (30,326)	(0.22%)	166,000
13410	State Treasurer	\$ 4,012,608	\$ 4,867,764	\$ 62,458,796	\$ 57,593,692	\$ 4,865,104	\$ (2,660)	(0.05%)	392,600
13412	State Treasurer - Retirement/Benefits	\$ 27,692,960	\$ 30,610,641	\$ 29,360,641	\$ -	\$ 29,360,641	\$ (1,250,000)	(4.08%)	0.000
13900	Insurance	\$ 37,164,810	\$ 40,901,846	\$ 49,112,642	\$ 8,137,431	\$ 40,975,211	\$ 73,365	0.18%	452,344
13902	Industrial Commission	\$ 7,800,382	\$ 8,543,047	\$ 22,363,707	\$ 13,053,262	\$ 9,310,445	\$ 767,398	8.98%	149,000
14100	Administration	\$ 63,636,459	\$ 64,666,190	\$ 73,387,880	\$ 9,887,542	\$ 63,500,338	\$ (1,165,852)	(1.80%)	420,709
14660	Information Technology	\$ 52,376,792	\$ 62,647,147	\$ 53,914,125	\$ 395,579	\$ 53,518,546	\$ (9,128,601)	(14.57%)	102,250
14160	State Controller	\$ 19,535,747	\$ 23,604,315	\$ 25,188,476	\$ 846,028	\$ 24,342,448	\$ 738,133	3.13%	169,000
14700	Revenue	\$ 83,384,770	\$ 87,048,914	\$ 146,280,481	\$ 59,268,852	\$ 87,011,629	\$ (37,285)	(0.04%)	1,463,920
18025	State Board of Elections	\$ 5,403,635	\$ 9,944,458	\$ 6,935,297	\$ 102,000	\$ 6,833,297	\$ (3,111,161)	(31.29%)	60,000
18210	Office of Administrative Hearings	\$ 5,655,593	\$ 6,179,902	\$ 7,860,093	\$ 1,684,910	\$ 6,175,183	\$ (4,719)	(0.08%)	55,790
	Total General Government	\$ 454,895,179	\$ 500,095,851	\$ 671,740,134	\$ 212,381,341	\$ 459,358,793	\$ (40,737,058)	(8.15%)	4,321,546
Health and Human Services									
14480	Vocational Rehabilitation	\$ 37,120,406	\$ 39,407,401	\$ 150,528,124	\$ 111,246,271	\$ 39,281,853	\$ (125,548)	(0.32%)	986,250
14411	Aging and Adult Services	\$ 46,326,134	\$ 47,141,157	\$ 115,322,884	\$ 70,287,436	\$ 45,035,448	\$ (2,105,709)	(4.47%)	77,000
14440	Social Services	\$ 194,627,191	\$ 204,844,846	\$ 1,909,948,174	\$ 1,715,817,168	\$ 194,131,006	\$ (10,713,840)	(5.23%)	404,000
14450	Services for the Blind, Deaf, and Hard of Hearing	\$ 8,086,323	\$ 8,561,963	\$ 46,299,143	\$ 37,745,044	\$ 8,554,099	\$ (7,864)	(0.09%)	334,510
14410	Central Administration	\$ 120,297,999	\$ 134,112,477	\$ 213,596,948	\$ 97,500,522	\$ 116,096,426	\$ (18,016,051)	(13.43%)	962,000
14420	Child Development and Early Education	\$ 266,457,422	\$ 228,424,616	\$ 802,627,135	\$ 555,637,868	\$ 246,989,267	\$ 18,564,651	8.13%	336,000
14430	Public Health	\$ 144,363,838	\$ 156,556,353	\$ 898,273,086	\$ 744,127,621	\$ 154,145,465	\$ (2,410,888)	(1.54%)	1,947,880
14445	Medical Assistance	\$ 3,654,214,484	\$ 3,829,406,274	\$ 14,875,069,384	\$ 10,950,486,002	\$ 3,924,583,382	\$ 95,177,108	2.49%	470,500
14446	Health Choice	\$ 108,788	\$ 399,496	\$ -	\$ -	\$ -	\$ (399,496)	(100.00%)	0.000
14447	Health Benefits	\$ 9,722,864	\$ 8,920	\$ -	\$ -	\$ -	\$ (8,920)	(100.00%)	0.000
14460	Mental Health/Disabilities/Substance Abuse	\$ 676,121,355	\$ 688,415,233	\$ 1,532,807,958	\$ 790,690,151	\$ 742,117,807	\$ 53,702,574	7.80%	11,313,780
14470	Health Services Regulation	\$ 17,904,076	\$ 19,267,503	\$ 71,496,505	\$ 52,638,449	\$ 18,858,056	\$ (409,447)	(2.13%)	578,500
	Total Health and Human Services	\$ 5,175,350,880	\$ 5,356,546,239	\$ 20,615,969,341	\$ 15,126,176,532	\$ 5,489,792,809	\$ 133,246,570	2.49%	17,410,420

Budget Code	Function	2017-18 Actual	2018-19 Authorized	Base Budget Requirements	Base Budget Receipts	Base Budget	\$ Change from 2018-19 Authorized	% Change from 2018-19 Auth	Base Budget Positions
Justice and Public Safety									
12000	Judicial	\$ 534,184,172	\$ 560,202,260	\$ 557,694,915	\$ 1,136,462	\$ 556,558,453	\$ (3,643,807)	(0.65%)	5,966,040
12001	Judicial - Indigent Defense	\$ 121,277,068	\$ 123,577,612	\$ 133,739,847	\$ 10,182,323	\$ 123,557,524	\$ (20,088)	(0.02%)	553,000
13600	Justice	\$ 49,148,332	\$ 47,850,805	\$ 91,192,205	\$ 40,487,512	\$ 50,704,693	\$ 2,853,888	5.96%	794,885
14550	Public Safety	\$ 2,024,204,309	\$ 2,076,490,414	\$ 2,332,876,685	\$ 258,254,879	\$ 2,074,621,806	\$ (1,868,608)	(0.09%)	24,590,122
	Total Justice and Public Safety	\$ 2,728,813,882	\$ 2,808,121,091	\$ 3,115,503,652	\$ 310,061,176	\$ 2,805,442,476	\$ (2,678,615)	(0.10%)	31,904,047
Natural and Economic Resources									
13700	Agriculture and Consumer Services	\$ 148,608,280	\$ 142,669,723	\$ 185,971,419	\$ 59,329,628	\$ 126,641,791	\$ (16,027,932)	(11.23%)	1,814,620
13800	Labor	\$ 16,529,150	\$ 18,168,645	\$ 37,126,948	\$ 18,968,296	\$ 18,158,652	\$ (9,993)	(0.06%)	382,260
14300	Environmental Quality	\$ 77,725,228	\$ 95,751,327	\$ 193,892,959	\$ 114,576,705	\$ 79,316,254	\$ (16,435,073)	(17.16%)	1,116,817
14350	Wildlife Resources Commission	\$ 11,037,175	\$ 11,282,902	\$ 75,630,859	\$ 64,486,379	\$ 11,144,480	\$ (138,422)	(1.23%)	650,810
14600	Commerce	\$ 10,253,335	\$ 11,062,783	\$ 149,691,573	\$ 138,659,386	\$ 11,032,187	\$ (30,596)	(0.28%)	173,810
14601	Commerce - State Aid	\$ 20,300,810	\$ 19,680,810	\$ 16,155,810	\$ -	\$ 16,155,810	\$ (3,525,000)	(17.91%)	0,000
14602	Commerce - Economic Development	\$ 144,344,317	\$ 143,249,417	\$ 150,295,700	\$ 120,000	\$ 150,175,700	\$ 6,926,283	4.84%	0,000
14800	Natural and Cultural Resources	\$ 185,876,289	\$ 193,174,852	\$ 220,410,412	\$ 42,487,651	\$ 177,922,761	\$ (15,252,091)	(7.90%)	1,854,230
14802	Natural and Cultural Resources - Roanoke Island	\$ 555,571	\$ 590,328	\$ 590,328	\$ -	\$ 590,328	\$ -	0.00%	0,000
	Total Natural and Economic Resources	\$ 615,230,155	\$ 635,630,787	\$ 1,029,766,008	\$ 438,628,045	\$ 591,137,963	\$ (44,492,824)	(7.00%)	5,992,547
Debt Service									
19420	General Debt Service	\$ 717,587,097	\$ 715,891,443	\$ 734,545,038	\$ 18,653,595	\$ 715,891,443	\$ -	0.00%	0,000
19425	Federal Reimbursement	\$ -	\$ 1,616,380	\$ 1,616,380	\$ -	\$ 1,616,380	\$ -	0.00%	0,000
	Total Debt Service	\$ 717,587,097	\$ 717,507,823	\$ 736,161,418	\$ 18,653,595	\$ 717,507,823	\$ -	0.00%	0,000
Reserves, Debt Service, and Other Adjustments									
19xxx	Reserves, Debt Service, and Other Adjustments	\$ 49,708,000	\$ 2,167,993	\$ -	\$ -	\$ -	\$ (2,167,993)	(100.00%)	0,000
19000	General Fund Reserves	\$ 55,737,046	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0,000
19004	Salary Adjustments	\$ -	\$ 20,300,000	\$ -	\$ -	\$ -	\$ (20,300,000)	(100.00%)	0,000
19005	OSHR - Market Adjustment	\$ -	\$ 6,852,512	\$ 2,624,316	\$ -	\$ 2,624,316	\$ (4,228,196)	(61.70%)	0,000
19080	UNC Enrollment Growth	\$ -	\$ 94,734,518	\$ -	\$ -	\$ -	\$ (94,734,518)	(100.00%)	0,000
19082	Film and Entertainment	\$ -	\$ 31,000,000	\$ -	\$ -	\$ -	\$ (31,000,000)	(100.00%)	0,000
19084	25-Year Law Enforcement Retirement	\$ -	\$ 37,000,000	\$ -	\$ -	\$ -	\$ (37,000,000)	(100.00%)	0,000
	Total Reserves, Debt Service, and Other Adjustmer	\$ 105,445,046	\$ 192,055,023	\$ 2,624,316	\$ -	\$ 2,624,316	\$ (189,430,707)	(98.63%)	0,000
Total General Fund Operating Budget									
		\$22,750,662,028	\$24,051,130,470	\$44,615,726,060	\$20,631,179,679	\$23,984,546,381	\$ (66,584,089)	(0.28%)	97,099,705

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

Five-Year Budget Outlook

The following fiscal analysis is presented pursuant to G.S. 143C-3-5(f)-6 and offers a five-year forecast of revenues and expenditures for General Fund net appropriations. The following assumptions¹ are made:

- The first two years (FY 2019-20 and FY 2020-21) reflect the Governor’s Recommended Budget as presented in this document.
- The subsequent three years contain the following growth factors using the Governor’s FY 2020-21 Recommended Budget as the base:
 - Tax revenues are grown by 4.0%, reflecting the 20-year historical average, adjusting for revenue-law changes, over two recessions and two economic expansions.
 - Nontax revenues are grown by 1.1%, reflecting the State Demographer’s projected population growth.
 - K12 enrollment growth is calculated using the State Demographer’s projections for growth in the population aged 5-18.
 - Community College and University enrollment growth are calculated using 5-year historical averages.²
 - Medicaid growth employs the 10-year historical average growth in state appropriations for the program to account for changes in the American Recovery and Reinvestment Act funding for Medicaid. The impact of Medicaid Expansion is included.
 - Agency budgets are grown using a forecast of the Bureau of Economic Analysis’ State and Local Government Consumption Chained Price Index combined with the State Demographer’s projections of NC population.
 - Debt service for current and proposed investments, including the Invest NC Bond, is included.

As shown by the table and graph below, expenditures are anticipated to stay below revenues throughout the five-year period.

Table 10

Five-Year General Fund Expenditure Forecast (in millions)

	FY 2019-20 Proposed	FY 2020-21 Proposed	FY 2021-22 Estimate	FY 2022-23 Estimate	FY 2023-24 Estimate
<u>Current Services Summary</u>					
Revenue/Availability	25,288.0	25,955.9	26,916.1	28,026.4	29,212.9
Expenditures Base	23,903.4	23,984.5	25,836.4	26,775.8	27,770.1
New Expenditures	1,309.7	1,971.4	1,015.5	1,069.6	1,147.5
Expenditures Total	25,213.1	25,955.9	26,851.9	27,845.4	28,917.6
 State Budget Surplus/Shortfall	 74.9	 -	 64.2	 180.9	 295.3

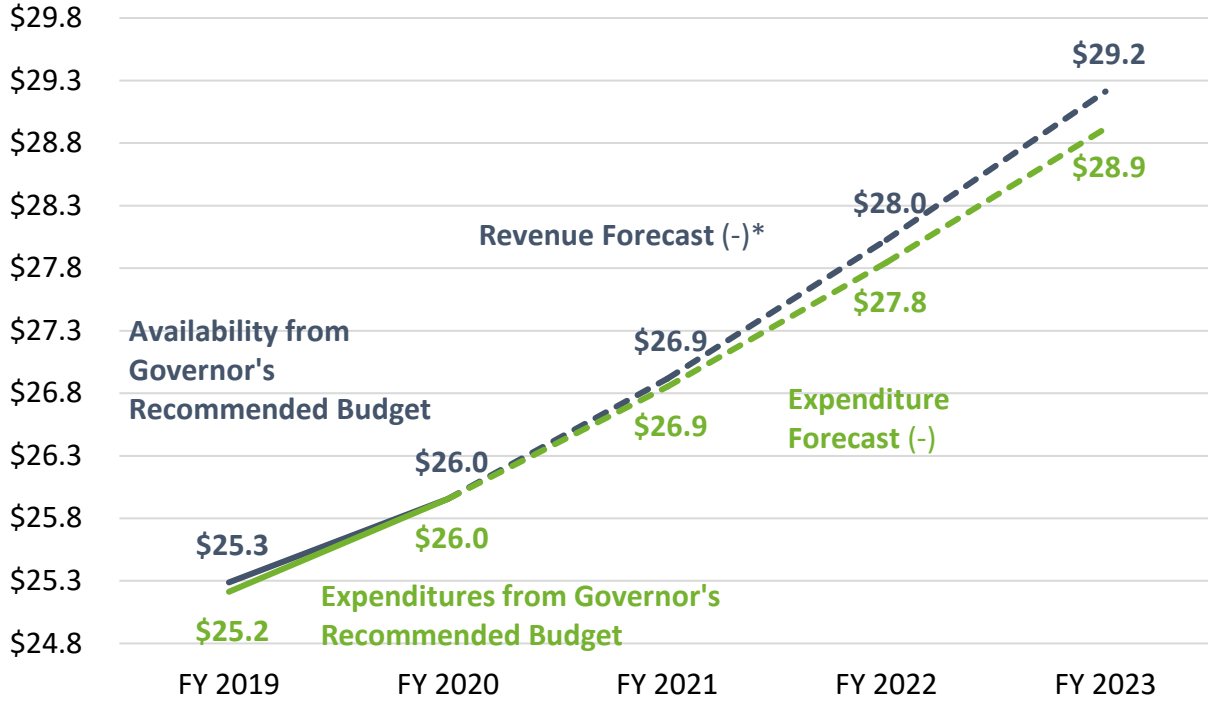
¹ Additional details and methodology are available from the Office of State Budget and Management.

² All historical averages used in the expenditure forecast are compound average growth rates.

Figure 3

General Fund Five-Year Revenue and Expenditure Forecast

Billions of Current-Year Dollars



* Includes transfers to Savings Reserves due to S.L. 2017-5.

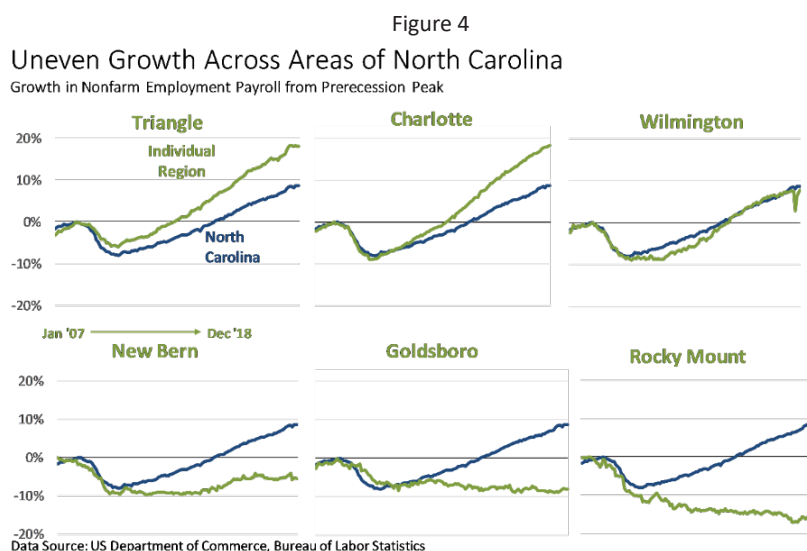
Economic Outlook

Strong Growth for Now, But Likely Not for Long

Many indicators point to a solid economic footing. The federal 2017 Tax Cuts and Jobs Act and the Bipartisan Budget Act of 2018 added fuel to an already strong economy. Nominal per capita personal income in North Carolina grew by an estimated 3.6% in 2018 and is expected to remain at that level or modestly lower in 2019. Average annual wages grew by an estimated 2.9% in nominal terms in 2018, but only 0.9% after accounting for inflation.¹ Hurricane Florence, while inflicting major damage along the coast, did not significantly impact job growth in the state. As the effects of the federal deficit-financed boost to growth fade and the labor market tightens further, economic growth will likely slow over the course of the coming biennium.

Employment Continues to Grow, Especially in Large Metro Areas

North Carolina's economy continued to produce jobs at a healthy pace in 2018, despite the increasing tightness of the labor market and the impacts of Hurricane Florence on the southeastern part of our state. As of December, state nonfarm payroll employment increased 2.0% year-over-year and an estimated 8.7% above the pre-recession peak. While employment growth in the state compared to pre-recession levels remains below the growth rates in Georgia, South Carolina, and Tennessee, North Carolina has outpaced the nation and other economic peer states. Preliminary data indicates that North Carolina's employment growth over the past year has been in the top ten among all states. September employment levels fell slightly due to Florence but bounced back above August levels in October. As in prior years, the Charlotte and Triangle² metro areas accounted for most of the state's year-over-year employment growth as of December. Other areas of the state, such as Goldsboro, New Bern, and Rocky Mount, have struggled to produce new jobs and have yet to regain pre-recession peak employment levels.³



¹ IHS Markit, US Market State Economies: NC, Winter 2018.

² The "Triangle" metro area described here is not an official metropolitan area; it is the combination of the Raleigh-Cary and Durham-Chapel Hill MSAs.

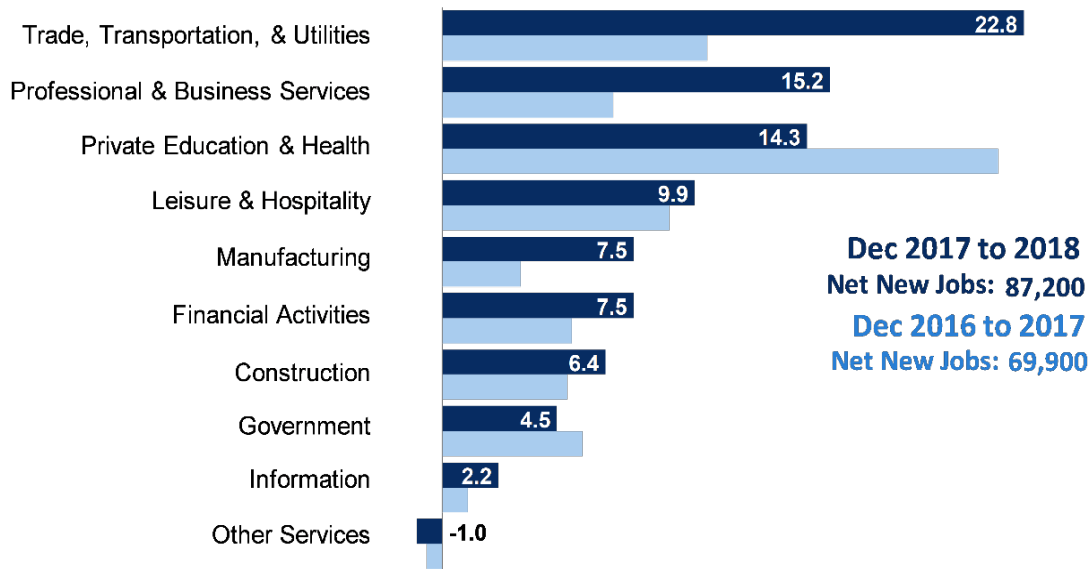
³ All figures in this section, unless otherwise noted, are from the federal-state Current Employment Statistics program of the Bureau of Labor Statistics. Note that all figures are subject to revision.

Employment growth continues to be concentrated in the largest private service industries: trade & transportation, private education & health care, and professional & business services. Construction growth had another strong year of 7.3% growth, driven largely by continued growth in housing construction in the Charlotte and Triangle regions. Manufacturing employment has continued to grow at a gradual pace but has yet to recover even half of the more than 100,000 jobs lost during the Great Recession.

Figure 5

Job Growth Strongest in Major Private Service Industries

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



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

Labor Market Stays Strong as Unemployment Dips to Lowest Level Since 2000

Preliminary data shows the state’s unemployment rate falling from 4.5% in the first quarter of 2018 to 3.6% in the fourth quarter of 2018. The state’s unemployment rate has not been this low since 2000. If North Carolina’s fourth-quarter unemployment rate is unchanged in subsequent data revisions, it would be the first time since January 2008 that the state rate was lower than the national rate. The U-6 unemployment rate – an economic indicator that in addition to unemployed persons includes marginally attached workers and part-time workers who would rather work full-time – also reached a recent low (7.5%) in the fourth quarter both in North Carolina and nationally.

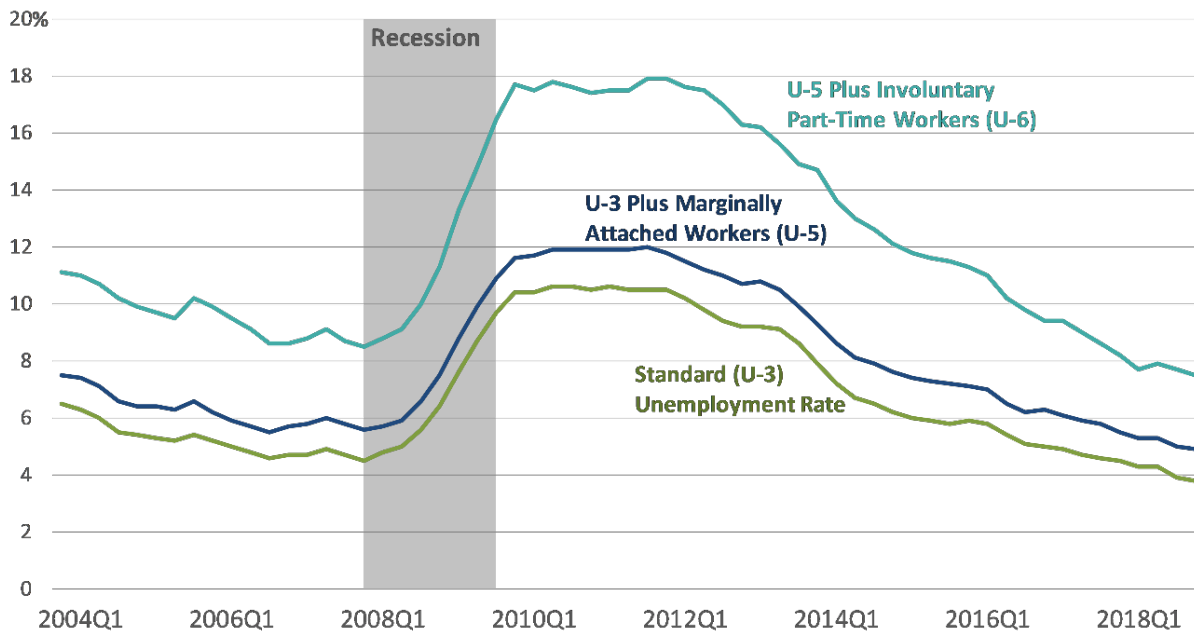
Having the lowest unemployment rate in nearly two decades strongly indicates that North Carolina’s labor market has nearly reached full employment. However, an alternative indicator, the employment-to-population ratio, suggests otherwise. Preliminary data indicates that approximately 59% of North Carolina’s potential labor force was employed in 2018. Although this is higher than the roughly 56% level in 2011, it is still far below the peak level of nearly 66% in 2000. Even focusing on the prime working-age population (ages

25-54), the preliminary 2018 level of approximately 78% is below 1999-2000 peak of nearly 83%.⁴ At this point, there is no consensus among economists whether under continuing tight state and national labor markets employers will be able to draw additional workers into the labor force from the population of adults who are not currently working or looking for work.

Figure 6

North Carolina's Unemployment Rates All Below Pre-Recession Levels

Four-Quarter Moving Averages of Seasonally Unadjusted Unemployment Rates as of 2018Q4



Federal Government Shutdown Impacted NC

Overall, the Congressional Budget Office (CBO) estimated that the federal shutdown reduced real GDP by \$3 billion in the fourth quarter of 2018 and by \$8 billion in the first quarter of 2019. Although CBO expects GDP increases for the rest of 2019 to mostly offset the effects of the shutdown, \$3 billion of that loss will never be recovered.⁵

Federal civilian employees and contractors account for a small share of total employment in North Carolina. The shutdown did, however, have some impacts on North Carolina: an estimated 2,000 EPA workers were furloughed, TSA workers and air traffic controllers worked without pay, payments to farmers for disaster relief were further delayed, and the state had to pay inspectors at meat and poultry processing plants that would have had to close otherwise.⁶ While the state and furloughed federal employees will be reimbursed, many federal contractors will not.

⁴ All figures in this paragraph are from the Expanded State Employment Status Demographic Data published by the federal-state Local Area Unemployment Statistics program.

⁵ Congressional Budget Office, *The Effects of the Partial Shutdown Ending in January 2019* (January 2019).

⁶ Jarvis, Craig. Raleigh News & Observer, "Federal Workers in RTP feeling the bite of the shutdown. If it drags on, others will too." Jan. 3, 2019.

The Big Question: Is a Recession Coming?

One of the most common questions that economists face from policymakers and the public is: When will the next recession hit? Caveats regarding the ability of economists to forecast recessions aside, only 4% of the more than 60 economists polled by Wall Street Journal in February 2019 believe the next recession will begin in 2019. However, 46% think the recession will start in 2020, 39% in 2021, and 11% in 2022.

Several indicators are causing economists to believe that a recession is likely within the next few years. One indicator is time. If the economy continues to grow beyond June 2019, the current expansion will become the longest in U.S. history. Although recent research indicates that long expansions are more likely after severe recessions,⁷ a recession generally becomes more likely as an expansion grows longer.⁸

Recent volatility in the stock market, exacerbated by trade tensions and political conflict, is a sign that investors are increasingly uncertain about the trajectory of the U.S. economy. Slowing growth in China and the rising potential of a no-deal exit of the United Kingdom from the European Union also pose risk to continued growth in the U.S. economy.

Another indicator that may portend the coming of a recession is the yield curve. The yield curve depicts the relationship between the maturity of a bond and its interest rate (i.e., its yield). Typically, a bond with a longer maturity has a higher interest rate. Since the 1960s, a recession has consistently followed within roughly one year whenever the typical relationship between maturity and interest rate was “inverted” for at least three months—that is, when longer-duration Treasury notes have had a lower interest rate than shorter-duration Treasury bills. As of February 2019, although the interest-rate spread with the strongest recession-prediction power (the ten-year Treasury note minus the three-month Treasury bill) has not gone negative, it has fallen to near zero. This “flattening” of the yield curve has prompted many economic forecasters to increase their forecast probability of a recession within the next 12-18 months.⁹

There is also concern that even a mild recession could cause a long period of slow growth or stagnation. The Federal Reserve (Fed) has typically reduced the federal funds rate by at least 5% to combat recessions in recent decades. With the Fed planning to keep interest rates at or near 2.5% for the foreseeable future,¹⁰ its main recession-fighting tool may have less power to reverse the tide of a recession. The federal government’s ability to boost the economy using fiscal policy may be similarly constrained compared to previous recessions. The most recent budget outlook of the CBO projects federal deficits averaging 4.4% of GDP over the next decade, with projected debt levels rising to 93% of GDP.¹¹ If the economy falls into recession, debt and deficit concerns may inhibit federal policymakers’ willingness to take adequate measures to mitigate the length and severity of the recession.

⁷ Tasci, M., & Zevanove, N. (2019), “Do Longer Expansions Lead to More Severe Recessions?”, Economic Commentary, (2019-02).

⁸ Castro, Vitor (2010), “The duration of economic expansions and recessions: More than duration dependence,” *Journal of Macroeconomics*, March 2010, Vol. 32 No. 1, pp. 347-365.

⁹ Bauer, Michael D., and Thomas M. Mertens (2018), “Information in the Yield Curve about Future Recessions,” FRBSF Economic Letter 2018-20 (August 27).

¹⁰ Tankersley, Jim. “Fed Explains Pause as Officials Debate Future Rate Increases.” *The New York Times* 20 Feb. 2019. Web. 22 Feb. 2019.

¹¹ Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029* (January 2019).

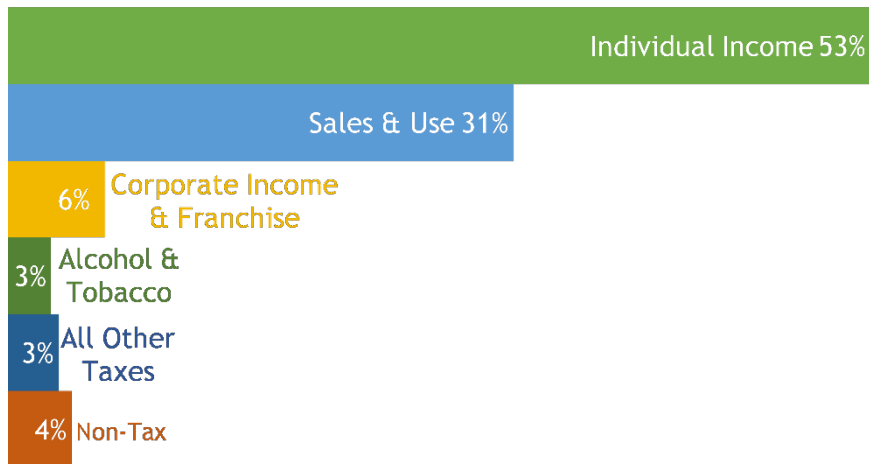
General Fund Revenue Forecast

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 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

Consensus Revenue Forecast

The consensus revenue forecast anticipates modest revenue growth for the current fiscal year (2.2%) and the first half of the 2019-21 biennium (3.0%) despite above-trend economic growth due primarily to previously enacted tax changes that reduced individual and corporate income tax revenues. The consensus forecast anticipates revenue growth in the second half of the 2019-21 biennium to rise to 4.0% in the context of decelerating – but still positive – economic growth. Following are more specific highlights of the forecast.

Current Year Revenue

The revised consensus forecast projects net General Fund revenue of \$24.08 billion in FY 2018-19. This amount is 2.2% over the \$23.57 billion collected in FY 2017-18 (see table 11). The revised consensus projection is \$150.8 million (0.6%) higher than the budgeted amount of \$23.93 billion, which is below the median year-ahead forecast error since 1991.

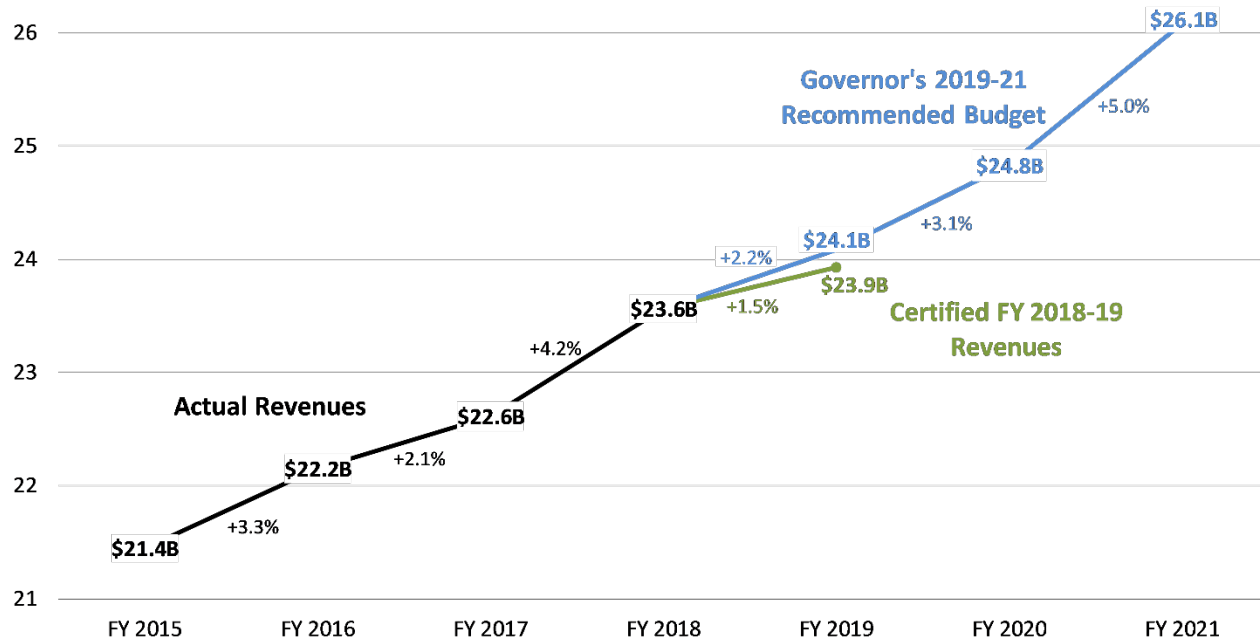
- Personal income tax collections are expected to total \$12.65 billion in FY 2018-19, an increase of 1.1% over FY 2017-18 levels. The revised consensus forecast represents a decrease in expected revenue of \$53 million compared to the budgeted amount, due to lower-than-expected estimated payments through January 2019.
- Sales and use tax collections, which comprise nearly one-third of General Fund revenue, are forecast to increase 5.5% compared to FY 2017-18. This represents an upward revision of \$118 million (1.5%) compared to the budgeted amount, driven by a combination of higher-than-expected growth in retail sales and an unexpected boost from the Supreme Court’s June 2018 decision in *Wayfair v. South Dakota*, which permitted the state to require some retailers without a physical presence in the state to collect and remit sales and use tax from purchases by North Carolina residents.

While the FY 2018-19 revised forecast assumes continued economic growth, revenue volatility remains a risk. April always has the potential to be a volatile collection month where revenue from dividends, capital gains, and business income can result in sizable swings in income tax collections. Significant tax law changes enacted in recent years at both the state and federal levels – and the timing of taxpayer responses to those changes – may have major impacts on income tax refunds and final payments, adding greater potential short-term forecast volatility for the remainder of FY 2018-19 than is normally associated with a revenue forecast.

Figure 8

Revenue Growth Projected to Accelerate In 2019-21 Biennium

Billions of Current-Year Dollars



Source: OSBM data and projections

Revenue Outlook for 2019-21 Biennium

Reflecting the impact of individual and corporate income tax cuts effective January 1, 2019, an expectation of decelerating economic growth, and a boost to revenue growth from Medicaid expansion, the forecast estimates General Fund revenue will increase 3.1% in FY 2019-20 and 5.0% in FY 2020-21. Table 11 details this forecast, including adjustments for recommended revenue changes.

- Personal income tax collections, which account for more than half of General Fund revenue, are expected to increase 1.9% in FY 2019-20 and 3.9% in FY 2020-21. The forecast anticipates wage growth gradually declining over the biennium and nonwage income decreasing more rapidly. Despite expected economic growth above the average of the current expansion persisting into 2019, previously enacted tax changes will depress revenue growth significantly in the first year of the biennium.
- Growth in consumer spending is expected to gradually decline over the biennium due to slowing wage growth, higher interest rates, and a decline in home sales. This economic outlook, combined with a modest boost from the recent *Wayfair* decision in the first part of FY 2019-20, translates into growth in sales and use tax collections of 5.3% and 4.6% in the first and second years of the biennium, respectively, which is modestly higher than the historical average.
- Corporate profits are expected to decelerate in 2019 and level off in 2020 and 2021 after achieving nearly double-digit growth in 2018. However, corporate income and franchise tax collections are projected to grow only 0.4% in FY 2019-20 due to a reduction in the corporate income tax rate from 3.0% to 2.5% as of January 1, 2019. The forecast anticipates growth in corporate income and franchise tax collections rebounding to 4.6% in FY 2020-21.

While the General Fund forecast cautiously assumes growth below the levels attained during prior expansions, there are still significant risks to the forecast. Global and domestic economic policy uncertainty, particularly in international trade, is a significant source of risk to the consensus forecast. In addition, state revenue volatility and responsiveness to economic changes has increased in recent years. Recent tax changes also heighten revenue volatility risks, particularly in the short-term.

Recommended Revenue Changes

- **Amend Historic Rehabilitation Tax Credit and Remove Sunset** – The Governor recommends amending the provisions of the Historic Rehabilitation Tax Credit to allow the credit for non-income-producing properties to be claimed up to once every two years in disaster-declaration areas (instead of once every five years), as well as allow a 5% bonus credit for income-producing properties in disaster areas. The Governor also recommends eliminating the January 1, 2020, sunset provision from the credit. These changes would have an estimated impact of -\$0.5 million in FY 2019-20 and -\$9.0 million in FY 2020-21.
- **Extend Insurance Gross Premiums Tax to Medicaid Prepaid Health Plans** – The Governor recommends extending the insurance gross premiums tax to include Medicaid Prepaid Health Plans. This provision would be effective when the Prepaid Health Plans begin on November 1, 2019 and would have an estimated revenue impact of \$16.5 million in FY 2019-20 and \$276.4 million in FY 2020-21.

Table 11

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

	2015-16	2016-17	2017-18	2018-19	2018-19	2019-20	2020-21	%
	Actual	Actual	Actual	Budget	Revised	Budget	Budget	Change
								%
Tax Revenue								
Individual Income	11,905.2	11,969.7	12,517.5	12,704.7	12,651.3	12,891.5	13,400.2	1.9%
Sales and Use	6,559.5	7,004.0	7,337.4	7,624.9	7,742.7	8,155.6	8,530.8	5.3%
Corporate Income	1,058.2	752.2	739.0	709.6	698.3	687.0	730.4	-1.6%
Franchise	524.4	748.1	669.0	684.1	669.6	685.8	705.8	2.4%
Insurance	485.1	492.1	566.1	542.6	584.9	618.8	894.8	5.8%
Alcoholic Beverage	340.1	353.6	371.1	373.7	386.9	400.6	413.3	3.5%
Estate	4.4	0.7	10.6	0.0	0.2	0.0	0.0	-100.0%
Privilege License	39.9	29.4	32.4	29.8	34.2	34.9	35.2	2.0%
Tobacco Products	257.4	261.8	260.3	258.2	260.2	260.1	260.0	0.0%
Real Estate	61.0	67.5	72.9	74.8	79.1	83.8	86.1	5.9%
White Goods	2.1	2.5	3.9	2.6	2.3	2.6	2.7	13.0%
Scrap Tire	5.6	5.8	5.8	5.9	6.0	6.1	6.1	1.7%
Mill Machinery	46.4	47.3	46.7	4.2	4.3	0.0	0.0	-100.0%
Solid Waste	2.3	2.5	2.5	2.5	2.6	2.7	2.7	3.8%
Miscellaneous	1.6	0.3	0.4	0.3	0.3	0.3	0.3	0.0%
Total Tax Revenue	21,293.3	21,737.2	22,635.9	23,017.9	23,122.9	23,829.8	25,068.4	3.1%
Nontax Revenue								
Investment Income	37.1	61.9	93.8	99.4	143.7	183.0	203.3	27.3%
Judicial Fees	244.8	242.1	239.7	232.7	234.7	232.9	232.4	-0.8%
Insurance Department	78.5	82.8	84.5	82.7	82.1	83.7	84.6	1.9%
Disproportionate Share Receipts	147.5	164.1	161.0	163.3	163.3	164.7	142.1	0.9%
Master Settlement Agreement	127.2	131.1	143.2	139.4	139.4	139.4	139.4	0.0%
Miscellaneous	223.7	195.0	207.2	194.7	194.7	196.6	198.6	1.0%
Total Nontax Revenue	858.8	876.9	929.3	912.2	957.9	1,000.3	1,000.4	4.4%
Total General Fund Revenue	22,152.1	22,614.1	23,565.2	23,930.1	24,080.8	24,830.1	26,068.8	3.1%
								5.0%

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

Highway Fund Revenue Forecast

The Highway Fund receives funding from three sources. The primary source is the excise tax on motor fuels, of which the Highway Fund receives 71%. The second source is from the licenses and fees collected by the Division of Motor Vehicles (DMV). The last source is interest earned on investments of Highway Fund cash balances held by the State Treasurer. Table 12 shows revised projections for the Highway Fund revenue collections for FY 2018-19 and projections for the 2019-2021 biennium.

Current Fiscal Year Update

The revised consensus forecast for FY 2018-19 anticipates Highway Fund revenues finishing the year 2.8% above last year's revenue collections and more than \$34 million over budget (1.6%). The higher revised forecast is driven by better-than-expected motor fuel tax revenue, which is projected to end the year 1.8% over forecast, with a year-over-year growth of 3.6%. Fuel consumption has been boosted by an economy that has continued to expand. Revenue from licenses and fees is also expected to end the year better than anticipated. Despite revenue losses registered in fall due to Hurricane Florence, DMV fees are expected to come in 1.7% over budget and 1.5% over the prior year.

Fiscal Year 2019-21 Revenue Projections

Absent a recession, total Highway Fund revenue is expected to increase 2.1% and 4.6% over the next two years, respectively. Collections from motor fuel taxes are expected to increase 3.7% in FY 2019-20 and 3.2% in FY 2020-21. The revenue increases are due to projected higher tax rates. National CAFE standards for fuel efficiency coming online in 2020 are expected to slow the growth in motor fuel revenues in the second year of the biennium, despite a boost in aviation fuel revenue from an exemption on sales to commercial carriers that expires in January 2020. DMV license and fee revenue is expected to stay relatively flat in the first year of the biennium, mostly depressed by lower expected driver license collections. DMV revenue is anticipated to grow substantially, by 7.2%, in the second year as most fees will be adjusted for inflation (S.L. 2015-241, sec.29.30(s)). As DOT has decreased its cash balances held by the State Treasurer, we are anticipating lower interest revenue in the next two years.

Table 12

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

Source	2017-18 Actual	2018-19 Budget	2018-19 Revised	2019-20 Forecast	Year- over-year Change	2020-21 Forecast	Year- over-year Change
<u>Motor Fuels Tax</u>							
Motor Fuels*	1,390.0	1,417.6	1,442.4	1,496.6	3.8%	1,539.9	2.9%
Gasoline Inspection	16.5	15.0	15.3	15.4	0.8%	15.5	0.8%
Highway Use Reg.	0.3	0.4	0.4	0.4	2.7%	0.4	5.3%
Aviation Fuel	6.9	7.0	7.4	7.7	4.1%	13.8	78.6%
Highway Use Tax Lease	10.0	10.0	10.0	10.0	0.0%	10.0	0.0%
Total Motor Fuel Taxes	1,423.7	1,450.0	1,475.4	1,530.1	3.7%	1,579.5	3.2%
<u>Licenses and Fees</u>							
Staggered Registration	281.9	288.8	284.5	289.4	1.7%	316.6	9.4%
Driver Licenses	120.5	117.1	120.0	108.9	-9.2%	115.4	6.0%
Truck Licenses	202.2	202.3	205.2	205.1	0.0%	223.2	8.8%
Int'l Registration Plan	102.9	104.0	115.4	115.8	0.3%	115.6	-0.2%
Other Licenses and Fees	59.5	53.4	53.5	53.0	-0.9%	57.2	8.0%
Total Licenses and Fees	767.0	765.5	778.6	772.2	-0.8%	828.0	7.2%
<u>Investment Income</u>	7.7	9.0	5.0	5.1	2.0%	5.2	2.0%
Total Highway Fund Availability	2,198.4	2,224.5	2,259.0	2,307.4	2.1%	2,412.7	4.6%

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

*Does not include DOR refunds.

Highway Trust Fund Revenue Forecast

The Highway Trust Fund, established in 1989, receives support from four sources. The primary source is the highway use tax (i.e., sales tax on vehicle sales). The second source is 29% of the excise tax on motor fuels. The third source is fees on title registrations. The final source is the interest earned from investments of the Highway Trust Fund cash balances held by the State Treasurer. Table 13 shows revised projections for the Highway Trust Fund revenue collections for FY 2018-19 and projections for the 2019-2021 biennium.

Current Fiscal Year Update

FY 2018-19 revenues are expected to exceed last year's levels by 2.7% and finish the year more than 2% above the official forecast (+\$34 million). A large part of the increase over budget is due to better-than-anticipated highway use tax revenue. Vehicle sales ended 2018 on a strong note due to accessible credit and financial incentives offered to buyers. Thus, the revenue from the highway use tax is anticipated to finish \$28 million above budget (4.3% over FY 2017-18). Motor fuel tax revenue is projected to finish the year \$10 million over budget (also 4.3% growth from prior year). While fee revenues are expected to perform worse than originally anticipated, they are likely to exceed FY 2017-18 levels.

Fiscal Year 2019-21 Revenue Projections

Barring a recession, total Highway Trust Fund revenue is expected to increase 1.6% in FY 2017-18 and 3.6% in FY 2018-19. Motor fuel tax revenue is projected to grow by 3.8% and 2.9% over the next two years, respectively, due to tax rate increases and despite somewhat flat forecasted fuel consumption. Highway use tax revenue is likely to stay flat next year, as financial incentives for vehicles disappear, but grow by 2.6% in FY 2020-21. Similar to highway use tax, revenue from title registrations, miscellaneous fees, and lien recordings combined is projected to stay flat in the first year of the biennium and grow in the second due to inflation adjustments to the fees (per S.L. 2015-241, sec.29.30.(s)). Investment income is expected to decrease to lower levels during the biennium as DOT has reduced its cash balances in the Trust Fund.

Table 13

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

Source	2017-18 Actual	2018-19 Budget	2018-19 Revised	2019-20 Forecast	Year- over-year Change	2020-21 Forecast	Year- over-year Change
Fuel Taxes and Fees							
Motor Fuel Tax	571.4	585.9	596.1	618.5	3.8%	636.4	2.9%
Highway Use	797.1	803.0	831.0	833.9	0.3%	855.5	2.6%
Certificate of Title Fees	121.9	127.3	127.8	127.7	-0.1%	142.8	11.8%
Miscellaneous Title Fees	16.1	16.2	14.2	14.3	0.7%	16.4	14.7%
Lien Recording	3.7	4.2	3.3	3.3	0.0%	3.7	12.1%
Subtotal	1,510.2	1,536.5	1,572.4	1,597.7	1.6%	1,654.8	3.6%
Interest on Investments	22.3	4.0	2.0	2.0	0.0%	2.0	0.0%
Total HTF Availability	1,532.5	1,540.5	1,574.4	1,599.7	1.6%	1,656.8	3.6%

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

Population Dynamics

State Population Continues to Grow

With a population nearing 10.4 million in 2018, North Carolina remains the ninth most populous state in the nation. The state has shown strong growth by adding roughly 848,000 people between 2010 and 2018. During this period, North Carolina experienced the fourth largest numeric growth and added more people than Michigan, New York, Pennsylvania, and Ohio, combined. North Carolina’s growth was surpassed by only Texas (+3.6 million), Florida (+2.5 million), and California (+2.3 million).

OSBM projects that the state will grow by a quarter of a million people during the next biennium, from 10.5 million people on July 1, 2019, to 10.8 million people by July 1, 2021. This is equivalent to adding an entire city about the size of Winston-Salem to North Carolina. In other words, the state will be adding a net 334 people every day or about 2,342 people every week.

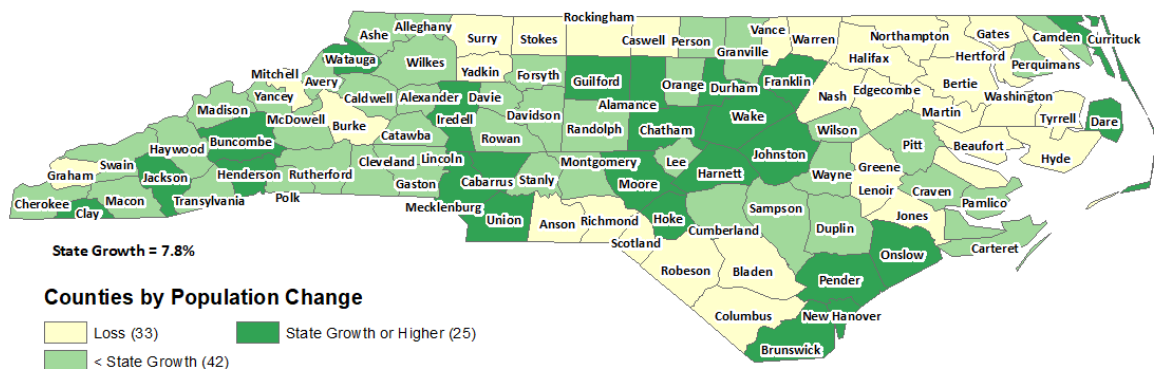
Assuming these growth trends continue, North Carolina’s population will reach 10.6 million people by 2020 – the year in which the next decennial Census is conducted. Given population trends in other states, North Carolina is expected to gain at least one Congressional seat after the 2020 Census enumeration.

Population Growth Has Been Uneven

The state saw robust population growth between 2010 and 2017 in metropolitan counties, with much of that growth occurring in the major metropolitan areas of Charlotte and Raleigh-Durham. While 25 counties grew faster than the state’s population growth of 7.8% (Figure 9), 33 counties lost population – well above the seven counties that lost population in the previous decade. Counties losing population were primarily nonmetropolitan in nature, with the largest concentration of these counties located in the northeastern and southern portion of the Coastal Plain.

Figure 9

Percentage Population Change in North Carolina Counties, April 1, 2010 - July 1, 2017



Source: North Carolina Office of State Budget & Management, Demographic & Economic Analysis Branch, Population Estimates, Vintage 2017.

Growth Slower than Previous Decades

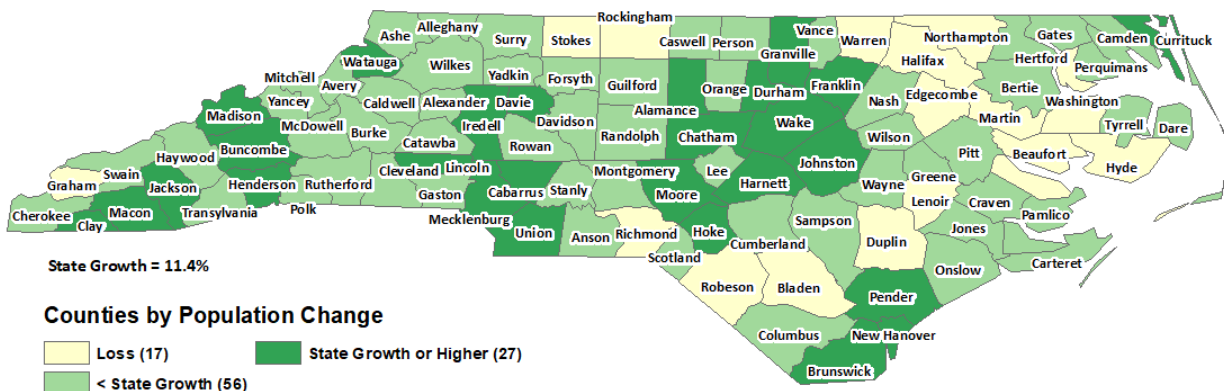
North Carolina is expected to experience slower population growth than what it experienced over the previous two decades. The slower growth is due to population aging, plus a range of other factors.

While the state grew by 21.3% during the 1990s and 18.5% during the 2000s, OSBM projects growth of 11.7% over the current decade. The projected growth resembles that experienced in the 1960s (and slower than any rate of decadal population growth since the 1860s). North Carolina is projected 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 (2019-29), OSBM projects that the population of 17 counties will decline while 27 will experience growth faster than the State of North Carolina (Figure 10). As with the growth seen so far, the counties projected to grow faster are mostly located within the major metropolitan areas of the state. Those likely to lose population during this period are mostly non-metropolitan (or rural).

Figure 10

Projected Percentage Population Change in North Carolina Counties, 2019 - 2029



Source: North Carolina Office of State Budget & Management, Demographic & Economic Analysis Branch, Population Projections, Vintage 2018.

Migration Continues to Influence Growth

During the 1950s and 1960s, more people left North Carolina than moved to the state. Beginning in the 1970s, more people started moving into the state than were leaving; and from the 1980s until today, the majority of North Carolina’s growth has been from net migration, while natural population increase (births minus deaths) has taken a secondary role.

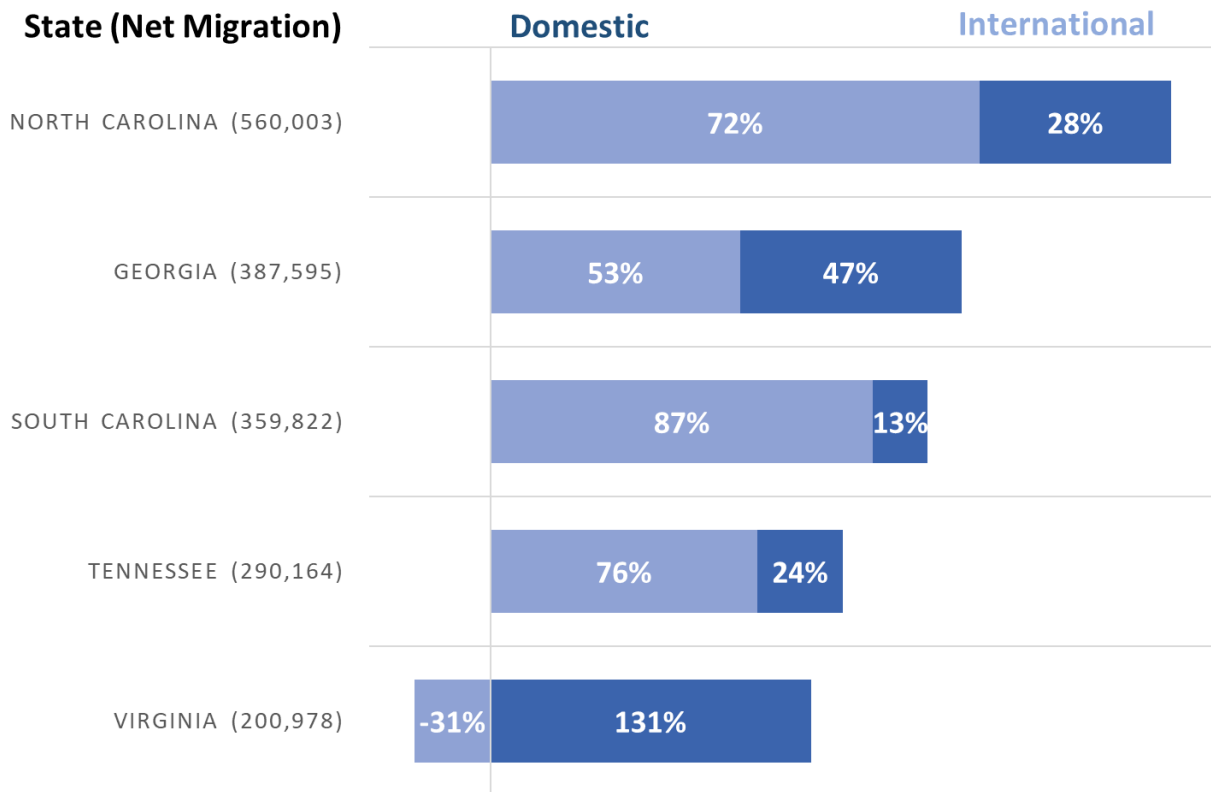
Between April 1, 2010 and July 1, 2018, 560,000 more people moved to North Carolina than left and these net migrants accounted for 66.0% of total population growth. During this same period, there were 282,000 more births than deaths. Of the 560,000 net migrants the Census Bureau estimated, the majority came from other states (72.0%), but at least 158,000 people migrated from abroad (Figure 11). Since 2010, North Carolina has added more net migrants than any of its neighbors, and it was one of only 22 states with more domestic migrants moving into the state than leaving (at 402,000 net domestic migrants) – ranked behind Florida (+1.2 million net domestic migrants) and Texas (+1.0 million net domestic migrants).

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, 82% of the state’s growth is projected to be derived from net migration.

Figure 11

More Migration to North Carolina vs Neighbors in Recent Years

Net Domestic and International Migration, April 2010 to July 2018



Source: US Census Bureau, State Population Estimates, Vintage 2018.

North Carolina’s Population Is Aging

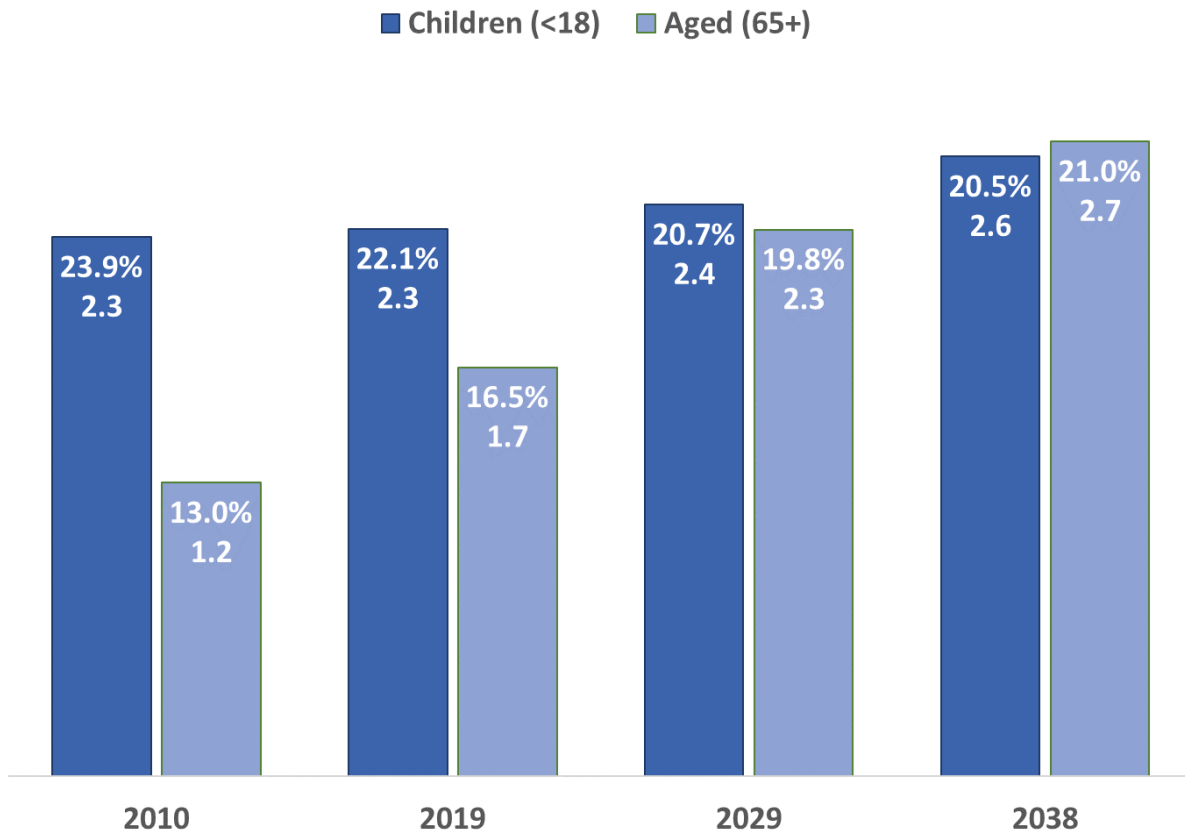
By 2030, OSBM projects that one in five North Carolinians will be at least 65 years old, and by 2035 there will be more older adults (ages 65+) than children (ages less than 18 – Figure 12). OSBM projects that between 2019 and 2029, the older adult population will increase by 584,000 people (33.7%) to 2.3 million in 2029 (from 1.7 million in 2019), and the oldest adults (ages 85+) will increase from 188,000 in 2019 to 265,000 by 2029.

In addition to its impacts on migration, 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 2018, this population grew an average of 3,725 people per year. OSBM projects that between 2019 and 2029 this population will grow by 103,000 people (4.4%).

Figure 12

More North Carolinians Age 65 and Older than Children by 2035

Percent of Total Population and Millions of People for Selected Age Groups



Source: North Carolina Office of State Budget & Management, Demographic & Economic Analysis Branch, Population Projections, Vintage 2018.

Census 2020

The next decennial census is only one year away. It is crucial that all North Carolinian households complete a census form. In preparation, Governor Cooper established the State Complete Count Commission in October 2018 through Executive Order No. 79. The chief objective of the State Complete Count Commission is to encourage full participation in the 2020 Census. The website for North Carolina Census 2020 promotion is: census.nc.gov. 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 state and local investments of time and resources for 2020 Census preparation and promotion will play an important role in ensuring every North Carolinian is counted in 2020. Having full census participation in the state is crucial as the census number affects the lives of North Carolinians in three vital ways. First, the census number is at the core of determining political representation in Congress. Second, the census provides complete data for state and local government to plan services and business to make decisions that spur economic development. Third, the census count is directly or indirectly responsible for the share of federal tax dollars that North Carolina can draw back to the state (currently estimated at \$16.3 billion annually) and the share of state funds it distributes to municipalities and counties (another \$1.5 billion distributed annually).

