

State of North Carolina 5-Year Budget Projection, Assuming Revenue Law Changes from SB 325, and Assuming Current Level of Services with Enrollment Growth and Inflation

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Consensus Revenue Forecast (Feb 2017) (1)	23,166,700,000	24,155,400,000	25,057,400,000	26,068,700,000	27,161,600,000
S.B. 325 Revenue Impact	(323,700,000)	(709,500,000)	(774,800,000)	(801,500,000)	(839,600,000)
Diversions to Savings Reserve (H.B. 7)		(92,200,000)	(123,700,000)	(147,700,000)	(158,200,000)
Total Revenues	22,843,000,000	23,353,700,000	24,158,900,000	25,119,500,000	26,163,800,000
Annual Growth Rate		2.2%	3.4%	4.0%	4.2%
Beginning Unreserved Fund Balance	415,589,522				
Total Availability (2)	23,258,589,522	23,353,700,000	24,158,900,000	25,119,500,000	26,163,800,000
Growth Rate		0.4%	3.4%	4.0%	4.2%
GENERAL FUND EXPENDITURES					
EDUCATION					
Public Schools	8,739,220,986	9,029,973,683	9,391,782,495	9,711,572,689	10,003,599,679
Enrollment (ADM) Growth (3)	35,063,034	48,502,524	67,151,245	59,920,403	67,024,118
Inflation, including additional costs associated with teacher salary schedule in S.L. 2016-94 (Note 4)	255,689,663	313,306,288	252,638,949	232,106,587	239,086,032
Subtotal Public Schools	9,029,973,683	9,391,782,495	9,711,572,689	10,003,599,679	10,309,709,829
Community Colleges	1,068,233,344	1,099,754,799	1,136,584,904	1,176,117,606	1,214,311,690
Enrollment Growth (5)	4,922,445	3,947,437	8,958,568	10,084,873	21,809,857
Inflation	26,599,010	32,882,668	30,574,134	28,109,211	29,022,049
Subtotal Community Colleges	1,099,754,799	1,136,584,904	1,176,117,606	1,214,311,690	1,265,143,596
University System	2,781,596,348	2,917,429,209	3,062,823,748	3,211,213,707	3,355,961,715
Opportunity Scholarships	20,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Inflation	69,261,749	87,231,133	82,389,959	76,748,008	80,207,485
Enrollment Growth (6)	46,571,112	48,163,406	56,000,000	58,000,000	59,000,000
Subtotal University System	2,917,429,209	3,062,823,748	3,211,213,707	3,355,961,715	3,505,169,200
EDUCATION PROJECTION	13,047,157,691	13,591,191,147	14,098,904,002	14,573,873,084	15,080,022,625
HEALTH AND HUMAN SERVICES					
Medicaid Budget	3,684,796,140	3,684,796,140	3,797,388,141	4,081,984,458	4,389,393,757
Increased Price, Utilization, and Enrollment Growth (7)	3,761,334	112,592,001	284,596,317	307,409,299	297,130,687
Subtotal Medicaid	3,688,557,474	3,797,388,141	4,081,984,458	4,389,393,757	4,686,524,444

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Remaining Health and Human Services	1,589,115,902	1,628,684,888	1,677,382,566	1,713,182,991	1,756,065,240
Health Choice Enhanced Match Rates	(42,988,656)	(43,052,011)	(11,279,627)	-	-
Inflation	39,568,986	48,697,678	47,080,052	42,882,249	44,585,739
Subtotal Remainder HHS	1,585,696,232	1,634,330,555	1,713,182,991	1,756,065,240	1,800,650,979
HEALTH AND HUMAN SERVICES PROJECTION	5,274,253,706	5,431,718,696	5,795,167,449	6,145,458,997	6,487,175,423
JUSTICE AND PUBLIC SAFETY					
Justice and Public Safety base	2,623,873,739	2,689,208,195	2,769,615,520	2,844,118,177	2,912,092,601
Inflation	65,334,456	80,407,325	74,502,657	67,974,424	69,599,013
JUSTICE AND PUBLIC SAFETY PROJECTION	2,689,208,195	2,769,615,520	2,844,118,177	2,912,092,601	2,981,691,614
AGRICULTURE AND NATURAL AND ECONOMIC RESOURCES (ANER)					
Agriculture, Natural and Economic Resources base	541,874,593	555,367,270	571,972,751	587,358,818	601,396,694
Inflation	13,492,677	16,605,481	15,386,067	14,037,876	14,373,381
ANER PROJECTION	555,367,270	571,972,751	587,358,818	601,396,694	615,770,075
GENERAL GOVERNMENT					
General Government	384,393,243	384,456,056	395,951,292	406,602,382	416,320,179
Inflation	9,571,392	11,495,236	10,651,090	9,717,797	9,950,052
GENERAL GOVERNMENT PROJECTION	393,964,635	395,951,292	406,602,382	416,320,179	426,270,231
DEBT SERVICE, EMPLOYEE BENEFITS, CAPITAL, AND OTHER RESERVES					
Debt Service (8)	727,166,339	770,458,736	790,844,850	771,852,415	742,753,931
State Health Plan Increases Over CPI (9)	26,127,974	49,433,460	81,146,439	121,920,695	165,222,851
Retirement System Increases Over CPI (10)	-	50,000,000	100,000,000	150,000,000	200,000,000
Other Operating Reserves	58,056,513	59,627,953	61,083,995	62,412,452	63,772,660
Capital (11)	-	-	-	-	-

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RESERVES, DEBT SERVICE, & CAPITAL PROJECTION	811,350,826	929,520,149	1,033,075,284	1,106,185,562	1,171,749,442
TOTAL EXPENDITURES	22,771,302,323	23,689,969,555	24,765,226,112	25,755,327,117	26,762,679,410
Annual Growth Rate		4.0%	4.5%	4.0%	3.9%
Projected Balance (12)	487,287,199	(336,269,555)	(606,326,112)	(635,827,117)	(598,879,410)

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Current Services Major Assumptions:					
This analysis projects spending over a five year period assuming no changes in State laws or the scope of State programs. Spending projections factor in estimated growth in enrollment and cost inflation.					
Inflation factors are consumer price index projections (CPI) from Moody's economy.com website (March, 2017).					
Footnotes:					
1. The revenue estimate for the FY 2017-19 biennium is the OSBM/FRD consensus forecast issued. Estimates in later years assume annual growth based on post-recession baseline growth in General Fund revenue. (1) The revenue estimate for the FY 2017-19 biennium is the FRD/OSBM consensus forecast issued February 2017. Estimates in later years (FY20, FY21, FY22) assume ten-year average baseline growth of 4.2%. An adjustment to baseline growth was included to account for tax law changes impacting those fiscal years (baseline revenue + tax changes). Estimates of revenue diversions from HB 7 assume non-tax revenues of \$850 million.					
2. For the purposes of this analysis, and to avoid distorting the estimate of revenues flowing into and out of the General Fund, fund balances at the end of a fiscal year are not carried over to the next fiscal year. The FY 2017-18 availability estimate includes the unappropriated balance remaining from FY 2016-17, reversions and over collections from FY 2016-17, and earmarks from the unreserved fund balance of \$208 million to the Savings Reserve and \$208 million to the Repair and Renovation Reserve. Analysis assumes no revenue over collections or under collections, and no reversions beyond amounts forecast for FY 2016-17.					
3. Enrollment (ADM) growth amounts are based on enrollment projections from DPI and calculations from the Fiscal Research Division (FRD).					
4. Inflation for public schools, including additional costs associated with the teacher salary schedule, reflects not only estimates of future inflation increases, but also additional amounts associated with the teacher salary schedule in FY 2017-18 and FY 2018-19.					
5. Community College enrollment growth comes from the community college system with additional calculations from FRD.					
6. UNC enrollment growth projections in FY 2019-20 through FY 2021-22 are based on an assumption of 2% growth in enrollment.					
7. Medicaid price utilization and enrollment growth estimates assume enrollment based on Centers for Medicare and Medicaid Services (CMS) expected changes in enrollment adjusted for NC population relative to the US population. Medicaid utilization and pricing assume growth at the national rates.					
8. Debt service estimates are from the Department of the State Treasurer.					
9. Increases in the State Health Plan over CPI estimates assumed in the analysis reflect annual increases of 4%.					
10. Increases in the retirement system over CPI estimates reflect rough estimates by FRD of future amounts recommended by the actuary to fully fund future retirement system obligations over amounts that would be reflected by CPI increases.					
11. Analysis assumes no funding for capital, and no funding for Repairs and Renovations beyond the amounts earmarked by statute from the fund balance projected at the end of FY 2016-17.					
12. Total expenditures are an aggregation of spending estimates throughout this analysis, and do not reflect any spending cap the General Assembly might adopt, nor do expenditure estimates reflect any assumptions about likely budget reductions or program expansions.					