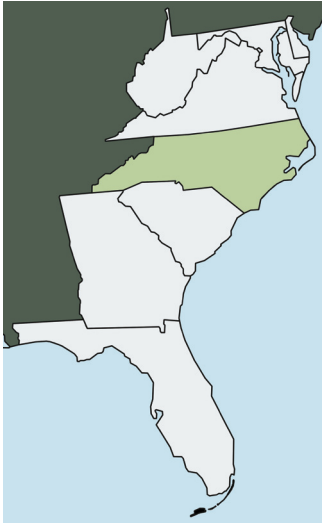


NORTH CAROLINA Budget Report Card



NORTH CAROLINA WAS ONE of only four states to achieve an A or B average in all five categories evaluated by the Volcker Alliance for fiscal 2016 through 2018. The other three were Maine, Oklahoma, and South Dakota.

The state averaged a top mark of A in budget forecasting, largely on its use of multiyear expenditure and revenue forecasts and of consensus revenue estimates. Although a consensus is not mandated by North Carolina’s constitution or statutes, the process has been adopted informally and used consistently.

North Carolina got a B average in reserve funds; its C grades in 2016 and 2017 rose to an A in 2018 after the legislature more closely tied rainy day fund policies to revenue volatility. North Carolina’s attention to its rainy day fund, which has grown tenfold since the Great Recession, paid off when Hurricane Florence hit the state in September 2018. After the storm, lawmakers authorized the drawdown of \$756.5 million from the \$2 billion Savings Reserve—the rainy day fund—to help finance recovery efforts.

The B average in legacy costs reflected the state’s lack of actuarially recommended contributions for public workers’ other postemployment benefits, mainly health care. In contrast, North Carolina funds its pensions according to actuarial guidelines, which has given it a funded ratio of 90.7 percent as of 2017—about 22 percentage points higher than the total for all states.


SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Delaware	B	A	C	B	B
Florida	A	B	C	B	B
Georgia	C	A	B	B	B
Maryland	A	C	D	C	B
North Carolina	A	B	B	B	B
South Carolina	A	A	D	B	C
Virginia	A	C	D	A	C
West Virginia	B	B	C	B	B
US AVERAGE	C	B	C	B	B


NOTE States are grouped by US Census Bureau divisions.


Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.


NORTH CAROLINA Budget Report Card

BUDGET FORECASTING					
		2016	2017	2018	
	CATEGORY GRADE	A	A	A	
	Consensus Revenue Forecasts	✓	✓	✓	
	Multiyear Expenditure Forecasts	✓	✓	✓	
	Multiyear Revenue Forecasts	✓	✓	✓	
	Revenue Growth Projections	✓	✓	✓	
3-YEAR AVERAGE A			3-YEAR TREND —		

BUDGET MANEUVERS					
		2016	2017	2018	
	CATEGORY GRADE	B	A	B	
	Deferring Recurring Expenditures	✓	✓	✓	
	Revenue and Cost Shifting	X	✓	X	
	Funding Recurring Expenditures with Debt	✓	✓	✓	
	Using Asset Sales and Up-Front Revenues	✓	✓	✓	
3-YEAR AVERAGE B			3-YEAR TREND —		

LEGACY COSTS					
		2016	2017	2018	
	CATEGORY GRADE	C	B	B	
	Public Employee OPEB Funding	X	X	X	
	Public Employee Pension Funding	✓	✓	✓	
	Public Employee Pension Funded Ratio*	88%	91%	91%	
3-YEAR AVERAGE B			3-YEAR TREND ↗		

RESERVE FUNDS					
		2016	2017	2018	
	CATEGORY GRADE	C	C	A	
	Positive Reserve or General Fund Balance	✓	✓	✓	
	Reserve Funds Disbursement Policy	X	X	✓	
	Reserve Funds Replenishment Policy	✓	✓	✓	
	Reserves Tied to Revenue Volatility	X	X	✓	
3-YEAR AVERAGE B			3-YEAR TREND ↗		

TRANSPARENCY					
		2016	2017	2018	
	CATEGORY GRADE	B	B	B	
	Consolidated Budget Website	✓	✓	✓	
	Provides Debt Tables	✓	✓	✓	
	Discloses Deferred Infrastructure Replacement Costs	X	X	X	
	Discloses Tax Expenditures	✓	✓	✓	
3-YEAR AVERAGE B			3-YEAR TREND —		

KEY

✓	Followed best practice
X	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg; 2017 data also used for 2018.