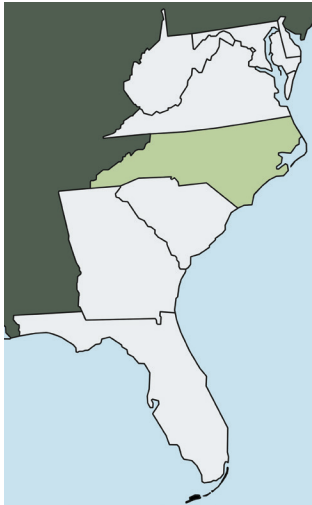# NORTH CAROLINA Budget Report Card

NORTH CAROLINA HAD A $31.6 billion liability for other postemployment benefits (OPEB), primarily health care, as of June 30, 2019. That was $7.9 billion more than the state's general fund expenditures for fiscal 2019. In that year, the state paid in about a third of the actuarially determined contribution for OPEB. The shortfall was responsible for a C average in legacy costs for fiscal 2015 through 2019 and offset a better performance with its public worker pension, which was funded consistently in line with actuarial determinations. The 2019 pension funding ratio was 88 percent, 17 percentage points above the total for all states.

The state's highest grade was a top A average in budget forecasting. North Carolina uses a consensus estimating process, a collaboration between the Office of State Budget and Management and the legislature's Fiscal Research Division. The state produces multiyear revenue and expenditure projections with the governor's recommended budget, including a fiscal analysis that considers the upcoming five years.

An improvement in reserve funds practices during the study period helped North Carolina earn a B average in the category. Policy changes in 2018 tied deposits into the Savings Reserve to historical revenue volatility and provided guidance for withdrawals. North Carolina generally avoided budget maneuvers—one-time actions to achieve balance—which resulted in a B average grade.

SOUTH ATLANTIC STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	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	C	C	B
North Carolina	A	B	C	B	B
South Carolina	A	A	D	B	C
Virginia	A	C	D	A	C
West Virginia	B	B	B	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: Preparing for the Storm* at VolckerAlliance.org.

NORTH CAROLINA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND
						'15 '16 '17 '18 '19
CATEGORY GRADE	A	A	A	A	A	
Consensus Revenue Forecasts	✓	✓	✓	✓	✓	● ● ● ● ●
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓	
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓	
Revenue Growth Projections	✓	✓	✓	✓	✓	
5-YEAR AVERAGE A						

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND
						'15 '16 '17 '18 '19
CATEGORY GRADE	B	B	A	B	A	
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	● ●
Revenue and Cost Shifting	✗	✗	✓	✗	✓	● ● ●
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓	
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓	
5-YEAR AVERAGE B						

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND
						'15 '16 '17 '18 '19
CATEGORY GRADE	B	C	B	C	C	
Public Employee OPEB Funding	✗	✗	✗	✗	✗	● ●
Public Employee Pension Funding	✓	✓	✓	✓	✓	● ● ●
Public Employee Pension Funded Ratio*	95%	88%	91%	89%	88%	
5-YEAR AVERAGE C						

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND
						'15 '16 '17 '18 '19
CATEGORY GRADE	C	C	C	A	A	
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	● ●
Reserve Funds Disbursement Policy	✗	✗	✗	✓	✓	
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓	● ● ●
Reserves Tied to Revenue Volatility	✗	✗	✗	✓	✓	
5-YEAR AVERAGE B						

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND
						'15 '16 '17 '18 '19
CATEGORY GRADE	B	B	B	B	B	
Consolidated Budget Website	✓	✓	✓	✓	✓	
Provides Debt Tables	✓	✓	✓	✓	✓	● ● ● ● ●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗	
Discloses Tax Expenditures	✓	✓	✓	✓	✓	
5-YEAR AVERAGE B						

KEY

✓	Followed best practice
✗	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.

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