

Consensus Revenue Forecasts: General Fund and Transportation Funds

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Presentation Outline

General Fund Revenue Forecast

- Consensus Process
- Forecast Summary: Uncharted Waters
- Forecast to be updated after July

Transportation Funds Revenue Forecast

- Process
- Summary
- Future Revisions

Revised General Fund Forecast

Consensus Revenue Process

- Statutory Guidelines do not address the budget revenue forecast
- Fiscal Research and the Office of State Budget and Management develop independent forecasts
- Prior to release of Governor's biennial budget, the Consensus Forecast group meets to develop a consensus forecast

Revised General Fund Forecast

Consensus Revenue Process

- In early May, after April receipts have been recorded, the legislature and/or the Governor can request a revised consensus forecast
- Depending on the budget process an additional revision after June's collections can be requested
- In even-numbered years there is a revision to the forecast for the second year of the biennium. The revised forecast usually takes place in early May

Revised General Fund Forecast

Fiscal Year	Revenue (\$ millions)	Forecast Change (\$ millions)	Percent Change
2019-20 (est.)	\$23,426.7	-\$1,643.1	-6.6%
2020-21 (est.)	\$23,466.3	-\$2,566.9	-9.9%

Revised General Fund Forecast

Biennium 2019-21 Revenues

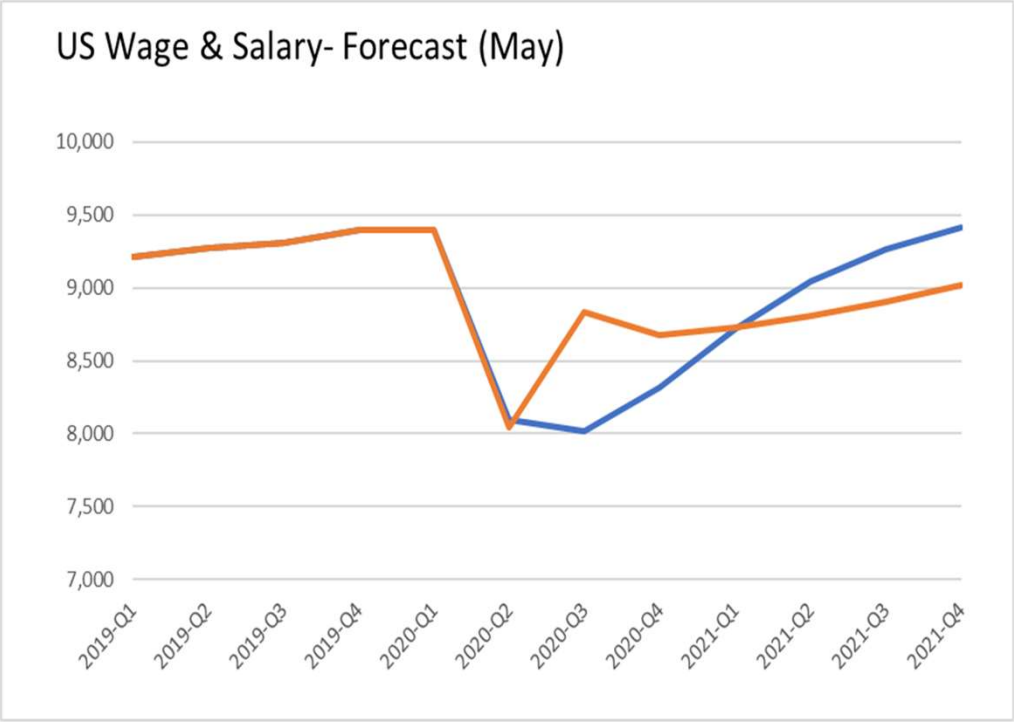
- Collections projected to be \$4.2 billion below the September 2019 forecast (-8.2%)
 - Forecast includes a shift of \$1.01 billion in revenue into next fiscal year due to delayed tax payments
 - Without the shift in payments we would have projected revenue to fall by 13.7% next fiscal year - similar to 15.5% drop during the Great Recession in FY 2008-09
 - **Key Forecast Assumption: The forecast assumes no “second wave” of the pandemic**

Revised General Fund Forecast

Forecast Summary: Uncharted Waters

- A public health crisis pushed global and national economies into a recession
 - Forecasters estimate the 2nd quarter of this year will see a drop of 7% to 10% in Gross Domestic Product
 - After the initial decline this quarter there was little agreement of the economy's path forward by national forecasters
 - Due to unprecedented nature of the ongoing health crisis these forecasts were produced under far greater uncertainty than usual

Revised General Fund Forecast



Revised General Fund Forecast

Added Uncertainty

- Federal and State actions delaying tax payments in April until July
 - State waived penalties and interest if payments made in July
- DOR lost 5+ processing days in April due to coronavirus
- April was the only full month of data relating to the pandemic – a very noisy month of data
- Given all the uncertainty the Consensus Forecast Group revised their forecast strategy to facilitate the budget process

Revised General Fund Forecast

- We did not produce the usual line-item forecast where each revenue source is forecast
- The revised forecast was a bottom line only forecast

To conclude:

- We expect to update this forecast after July to include a forecast for each revenue source
- 3 more months of economic and revenue data – including delayed payments
- Better understanding of how re-opening is going
- None of the issues with noisy April data

Revised Transportation Forecast



- State transportation revenue is allocated to two funds – the Highway Fund and Highway Trust Fund
- The Consensus Revenue Forecast for the Highway Fund and Highway Trust Fund is developed using the same timeline and process as the General Fund forecast.
- Major revenue sources include motor fuel tax, highway use tax, and DMV fees.

Revised Transportation Forecast

Forecast Summary: Unprecedented and Uncertain

- Like the General Fund forecast, the Transportation Fund forecast was produced under extraordinary uncertainty.
- Forecast only includes bottom line Highway Fund and Highway Trust Fund revenue estimates instead of the usual line-item estimates.

Revised Transportation Forecast

Highway Fund Revenue Forecast

Fiscal Year	Revenue (in millions)	Forecast Change (in millions)	Percent Change
2019-20	\$2,146.8	-\$156.5	-6.8%
2020-21	\$2,127.6	-\$275.5	-11.5%

Revised Transportation Forecast

Highway Trust Fund Revenue Forecast

Fiscal Year	Revenue (in millions)	Forecast Change (in millions)	Percent Change
2019-20	\$1,495.4	-\$104.3	-6.5%
2020-21	\$1,419.0	-\$237.8	-14.4%

Revised Transportation Forecast

Total Transportation Revenue Forecast

Fiscal Year	Revenue (in millions)	Forecast Change (in millions)	Percent Change
2019-20	\$3,642.3	-\$260.8	-6.7%
2020-21	\$3,546.6	-\$513.3	-12.6%
TOTAL	\$7,188.8	-\$774.1	-9.7%

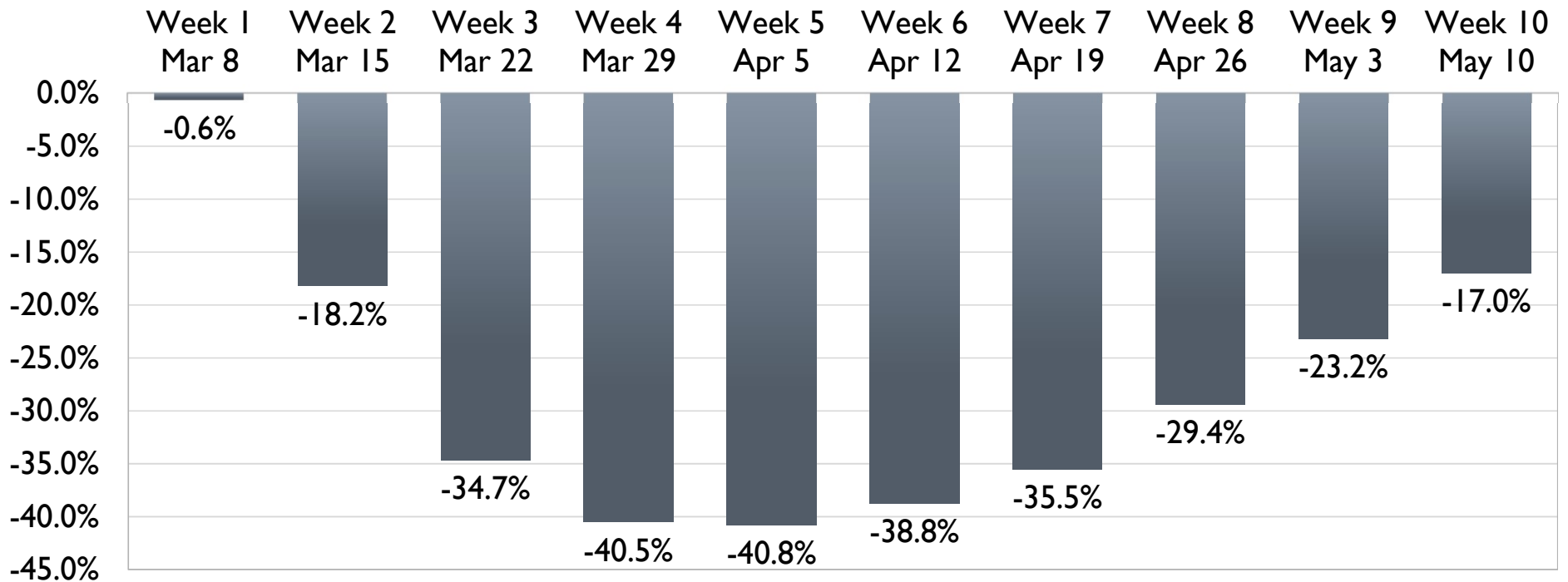
Revised Transportation Forecast

Sources of Uncertainty

- Inconsistent macroeconomic forecasts
- Delays and limited data
 - Motor fuel tax collections lag by a month
 - DOR waived penalties for motor fuel tax due from March 15-July 15
 - Some DMV offices were closed or provided limited service in April
 - Deadlines for drivers licenses and vehicle registrations have been extended by five months

Revised Transportation Forecast

Estimated Average Weekly Change in Travel in NC



Source: Preliminary estimates from NC Department of Transportation

Revised Transportation Forecast

Future Revision

- We expect to revise this forecast in August, after July collections data have been tabulated.
- We hope to have a better sense of how the pandemic is impacting car sales, motor fuel usage, & fee revenue.
- At that time, we plan to issue a line-item forecast for each revenue source.

Revised General Fund & Transportation Forecast

Total General Fund + Transportation Funds Revenue Forecast

Fiscal Year	Revenue (in millions)	Forecast Change (in millions)	Percent Change
2019-20	\$27,068.9	-\$1,903.9	-6.6%
2020-21	\$27,012.9	-\$3,080.2	-10.2%
TOTAL	\$54,081.8	-\$4,984.1	-8.4%