Consensus Revenue Forecast
Fiscal Year 2019-20 General Fund Revenue ($ millions)

- Individual Income, $12,414.8, 51.9%
- Sales and Use, $7,820.6, 32.7%
- Corporate Income, $657.8, 2.7%
- Franchise, $646.0, 2.7%
- Excise Taxes, $662.5, 2.8%
- Insurance, $655.9, 2.7%
- Other Taxes, $137.4, 0.6%
- Non-Tax, $943.6, 3.9%
Consensus Revenue Process

- Statutory Guidelines do not address the budget revenue forecasts
- 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
Consensus Revenue Forecasts

Consensus Revenue Process

- In early May, after April receipts have been recorded, the legislature and/or the Governor can request a revised consensus forecast
  - April “surprise” from individual and corporate income tax payments
- An additional revision to the General Fund forecast after June’s collections may 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 after April’s receipts are tabulated
General Fund Consensus Forecast
## Consensus Forecast

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Revenue ($ millions)</th>
<th>Y/Y Change ($ millions)</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020-21</td>
<td>$27,602.6</td>
<td>$3,663.3</td>
<td>15.3%</td>
</tr>
<tr>
<td>2021-22</td>
<td>$27,350.6</td>
<td>($252.0)</td>
<td>(0.9%)</td>
</tr>
<tr>
<td>2022-23</td>
<td>$28,461.5</td>
<td>$1,110.9</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

- Forecast projects $4.13 billion in over collections
Consensus Revenue Forecasts

FY 2020-21 Outlook

- For this fiscal year collections are well-ahead of expectations. Through January collections are $2.5 billion over what the May 2020 forecast expected.

- There are several reasons -
  - Better than expected April collections which were delayed until July
  - Federal CARES act bolstered household and business income
  - The impact of the recession has not been widespread – a K-shaped recession and recovery
Consensus Revenue Forecasts

FY 2020-21 Outlook

- Federal CARES act bolstered household and business income
  - Households have received an estimated $18 billion
  - NC businesses have received an estimated $12.5 billion
- The impact of the recession was not been widespread – a K-shaped recession and recovery
  - Most middle- and upper-income households experienced little economic distress
  - Service workers and part-time workers hit the hardest – we still have over 200,000 fewer jobs than last February
Consensus Revenue Forecasts

FY 2020-21 Outlook

- When controlling for shift of $1.08 billion
  - Individual Income increased 3.8%
  - Sales tax collections – 8.0%!
  - Corporate Income and Franchise tax – 4.9%
  - Total General Fund increased 6.0%
- Net Impact is overcollections of $4.13 billion
Consensus Forecast

FY 2020-21 assumptions on the rest of the fiscal year –

- No shift, up or down, in economic growth for second-half of fiscal year
- The effects from the pandemic begin to lessen this spring
- *Important assumption is that April expectations for refunds and final payments are met*
- Assumes federal relief/stimulus - the size and timing could impact both household and business income
Consensus Revenue Forecasts

Biennium 2021-23 Outlook

- The improved current fiscal year forecast means there is a larger revenue base to start the next biennium
- Uncertainty about the virus and federal response increase the potential for greater variation in the forecast
- Short-run partial recovery versus long-run recovery back to pre-COVID economic activity
  - Replacing small businesses lost during the recession will take longer
  - Permanent employment losses are increasing
  - Many have been unemployed a long time and that means it will take longer for the economy to heal
Biennium 2021-23 Outlook

- In FY2021-22, expect to collect $252 million less due to the billion-dollar shift of revenue
  - Adjusting for the revenue shift yields a 3.1% growth in revenue
- **Personal Income** projected to drop 2.5% below previous fiscal year due to tax shift
- **Sales tax** projected to increase by 3.1%
- **Corporate Income and Franchise** taxes are projected to fall 13.2%
Consensus Forecast

Biennium 2021-23 Outlook

- FY2022-23, expected to collect $1,110.9 million more than previous fiscal year with 4.0% growth
- **Personal Income** projected to increase 3.4% above the previous fiscal year
- **Sales tax** projected to increase by 3.7%
- **Corporate Income and Franchise** taxes are projected to grow by 3.6%
- Insurance Gross Premiums tax increases 20.5% with addition of Medicaid Managed Care provider fees
Consensus Revenue Forecasts

To summarize

- The forecast expects overcollection for this fiscal year of $4.13 billion
- Next fiscal year revenues fall (0.9%) - adjusted for tax shift it represents a 3.1% pace of growth
- The last year of the biennium revenue growth projected to increase by 4.0%
- Economic decisions will continue to be impacted by the pandemic with added uncertainty from size and timing of a federal response
- A full return to a pre-COVID economy not expected until mid-2022 – the forecast approach remained cautious given these uncertainties