

# Lawmakers Briefed On Looming State Budget Deficit

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A legislative budget analyst put the state's budget gap in the next fiscal year at roughly \$2.1 billion, even without any additional spending on state employee and school personnel pay raises, Medicaid increases or meeting enrollment increases for public schools, community colleges and universities.

Fiscal analyst Evan Rodenwald presented the projections to legislators during the first in a series of staff reviews of the status of the state budget. The \$2.1 billion gap comes on top of a shortfall in the current fiscal year expected to exceed \$2 billion, although Governor Bev Perdue has outlined her plan to cover that with \$897 million in various cuts, \$934 million in federal stimulus money and \$217 million in state reserves.

The \$2.1 billion figure in the next fiscal year was based on a preliminary revenue estimate of \$18.8 billion, well below the \$21.4 billion originally projected in the current fiscal year. Total revenue of \$18.8 billion in the 2009-10 fiscal year would also represent a two-year decline in revenue of \$1 billion.

The rough revenue estimate provided by Rodenwald did not take into account North Carolina's share from a federal stimulus package, which is still on the drawing board in Washington. The state could receive as much as \$3 billion over three years in funding that has a direct impact on the budget. But Rodenwald also called the federal stimulus amount a "moving target."

Legislators must also decide whether, and how, to fund traditional increases – \$200 million for public school, community college and university enrollment growth; \$100 million for teacher ABC bonuses; and employee pay raises that total \$125 million for each 1 percent increase. These costs are in addition to the infusion of state funds needed for the State Health Plan in the current fiscal year and over the next biennium.

Legislators peppered Rodenwald and legislative economist Barry Boardman with questions focusing mainly on comparisons to past downturns and shortfalls. But Rep. Thom Tillis, R-Mecklenburg, asked the legislative staffers about any uncertainty in their analysis. Rodenwald acknowledged that he was concerned about the volatility in tax collections for the remainder of the current fiscal year. That uncertainty could mean an even wider budget shortfall.