

CONSENSUS-BASED BUDGETING

*A Comparative Tool That
Saves Taxpayers \$455 Million
Next Year*

SPOTTLIGHT

#493

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ABOUT THE AUTHOR



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How consensus-based budgeting works

Most people are familiar with the concept of logrolling: accepting someone else's proposal to get their acceptance of yours. In government, it often means more programs and more spending to get a budget passed. What if it worked in reverse?

What if a legislator agreed to give up a pet project in exchange for another legislator doing the same? It almost seems impossible, but this paper shows how the concept could create the smallest budget possible based on budget plans passed by the North Carolina Senate and House.

The concept is simple. If both chambers cannot agree on priorities, reducing spending is the priority. When the two plans disagree, take the option that appropriates less recurring money over the biennium, or less total money if both budgets include only nonrecurring appropriations. If there is no difference in spending, but one plan makes a policy change or creates a new program, the status quo prevails.

A useful comparative tool

Note that in this comparison, inclusion (such as grants for film production) or exclusion (such as funding for "Raise the Age") in the consensus-based budget does not indicate a policy recommendation from the author or the John Locke Foundation. In addition, it focuses only on appropriations, not allocation of unreserved fund balances to the Savings Reserve Account or the Repair and Renovation Reserve.

Saving taxpayers \$455 million

By utilizing this tool, overall spending would total \$22.4 billion, just 0.2 percent higher than in the fiscal year that ends June 30, 2017, and \$455 million less than both the Senate and House proposed. At the end of the second year of the biennium, total spending would be \$23.0 billion, \$492 million less than the Senate and \$827 million less than the House.

Teacher pay would increase an average of 3.3 percent, equal to the House's proposal, and other state employees would receive the greater of \$750 or 1.5 percent of salary, based on the Senate's proposal. Retirees would not receive

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the one-time cost-of-living bonus proposed by the House, drawing on the Senate plan again.

Updates to the core accounting systems for public schools, the UNC System, and all state government would continue to move forward with \$31.7 million in the first year and \$37.9 million in the second year of the biennium.

Next steps

Senate and House leadership recently appointed members to the committee that will negotiate a final budget compromise. We would encourage them to adopt the consensus-based method employed here. For the casual observer of the state budget process, consensus-based budgeting is a way to assess commonalities and differences in the Senate and House budget proposals. In this way, both "insiders" and "outsiders" will benefit from this analysis.

Proposed High-Level Budgets

Below are the high-level budgets from the governor, House and Senate, along with the consensus-based budget. (More details available at johnlocke.org/research/consensus-based-budgeting)

FISCAL YEAR 2017-18

	GOVERNOR	SENATE	HOUSE	CONSENSUS
Public Education	\$9,267,081,888	\$9,000,478,792	\$9,053,966,257	\$8,873,317,456
Community Colleges	\$1,162,987,476	\$1,110,762,099	\$1,124,926,730	\$1,110,223,726
UNC System	\$2,913,768,742	\$2,885,699,431	\$2,816,178,528	\$2,851,602,444
Total Education	\$13,343,838,106	\$12,996,940,322	\$12,995,071,515	\$12,834,602,444
General Government	\$423,355,840	\$387,391,305	\$390,801,551	\$374,274,826
Health and Human Services	\$5,347,007,948	\$5,235,060,048	\$5,253,310,721	\$5,151,803,007
Justice and Public Safety	\$2,763,265,448	\$2,669,889,143	\$2,695,759,280	\$2,633,458,025
Natural and Economic Resources	\$710,171,315	\$558,186,129	\$572,356,610	\$535,480,031
Information Technology	\$59,244,688	\$51,515,580	\$51,392,048	\$51,343,361
Debt Service and Reserves	\$808,717,855	\$980,119,473	\$919,781,835	\$853,348,361
Capital	\$23,141,000	\$20,898,000	\$21,526,440	\$11,013,000
Total General Fund	\$23,478,742,200	\$22,900,000,000	\$22,900,000,000	\$22,445,323,055
CONSENSUS SAVINGS	\$1,034,419	\$454,676,919	\$454,676,919	N/A

FISCAL YEAR 2018-19

	GOVERNOR	SENATE	HOUSE	CONSENSUS
Public Education	\$9,587,001,103	\$9,340,668,173	\$9,308,446,172	\$9,070,230,756
Community Colleges	\$1,159,445,175	\$1,130,467,649	\$1,161,099,369	\$1,126,229,276
UNC System	\$2,996,706,095	\$2,951,139,151	\$2,983,992,982	\$2,965,467,102
Total Education	\$13,743,152,373	\$13,422,274,973	\$13,453,538,523	\$13,161,927,324
General Government	\$398,498,040	\$388,805,293	\$413,132,978	\$381,420,181
Health and Human Services	\$5,485,326,162	\$5,344,157,905	\$5,434,090,516	\$5,318,159,599
Justice and Public Safety	\$2,771,116,166	\$2,698,312,116	\$2,750,411,189	\$2,660,163,045
Natural and Economic Resources	\$578,680,743	\$548,889,710	\$558,582,800	\$543,036,162
Information Technology	\$59,228,313	\$51,661,844	\$51,616,433	\$51,614,561
Debt Service and Reserves	\$813,326,917	\$991,023,714	\$1,106,816,381	\$836,678,907
Capital	\$0	\$0	\$11,395,193	\$0
Total General Fund	\$23,849,328,714	\$23,445,125,555	\$23,779,584,013	\$22,952,999,589
CONSENSUS SAVINGS	\$896,329,125	\$492,125,966	\$826,584,424	N/A



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