

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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SENATE BILL 39

Short Title: Taxpayers Protection Act.

(Public)

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Sponsors: Senators Speed, Hoyle, Warren; Perdue, Albertson, Soles, Parnell, Kerr, Odom, Rand, Plyler, and Plexico.

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Referred to: Finance.

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January 26, 1995

A BILL TO BE ENTITLED

1 AN ACT TO PROVIDE GOVERNMENTAL ACCOUNTABILITY AND  
2 PROTECTION TO THE TAXPAYERS BY LIMITING INCREASES IN THE  
3 GENERAL FUND BUDGET, REFORMING THE BUDGET PROCESS,  
4 ESTABLISHING A RAINY DAY EMERGENCY RESERVE TRUST FUND, AND  
5 APPROPRIATING FUNDS TO THE SAVINGS RESERVE ACCOUNT.  
6

7 The General Assembly of North Carolina enacts:

8 Section 1. Article 1 of Chapter 143 of the General Statutes is amended by  
9 adding the following new sections:

10 "**§ 143-2.1. Definitions and determination of the General Fund expenditure limit.**

11 (a) The following definitions apply in G.S. 143-2.1, 143-2.3, 143-2.4, and 143-  
12 15.3A:

13 (1) Credit balance. – That part of the credit balance, as determined on a  
14 cash basis, not already reserved to the Rainy Day Emergency Reserve  
15 Trust Fund or the Repairs and Renovations Reserve Account, excluding  
16 excess revenue that is over the General Fund expenditure limit.

17 (2) Fiscal growth factor. – The average of the sum of inflation and  
18 population change for each of the preceding three calendar years. If  
19 either the inflation change or the population change for the preceding

1           three calendar years is negative, then that change shall be counted as  
2           zero.

3           (3)   Inflation. – The percentage in the consumer price index for the United  
4           States for each calendar year as published by the Federal Bureau of  
5           Labor Statistics.

6           (4)   Population change. – The percentage change in State population for  
7           each calendar year as reported by the Office of State Planning.

8           (b)   The General Fund expenditure limit for each fiscal year shall be the previous  
9           fiscal year's General Fund expenditure limit increased by a percentage rate that equals the  
10          fiscal growth factor.

11          (c)   The total authorized General Fund budget for the fiscal year beginning July 1,  
12          1994, plus the fiscal growth factor shall be used to determine the General Fund  
13          expenditure limit for the fiscal year beginning July 1, 1995, which will then be used to  
14          determine the initial General Fund expenditure limit for the fiscal year beginning July 1,  
15          1996.

16          (d)   If the cost of any State program or function is shifted from the General Fund  
17          on or after May 1, 1995, to another source of funding, or if moneys are transferred from  
18          the General Fund to another fund or account, the General Fund expenditure limit shall be  
19          reduced by a like amount.

20          (e)   If by order of any court or by federal law, the costs of a program are  
21          transferred to the State or the cost of an existing program is increased, the General Fund  
22          expenditure limit shall be increased by a like amount.

23          (f)   On or before March 15 of each year, the Fiscal Research Division and the  
24          Office of State Budget and Management shall issue a determination of the General Fund  
25          expenditure limit for the fiscal year beginning July 1 of that year, and a projection of the  
26          General Fund expenditure limit for the next fiscal year. If the Fiscal Research Division  
27          and the Office of State Budget and Management do not agree on the General Fund  
28          expenditure limit, the lowest determination and projection shall be used.

29          **"§ 143-2.2. Increase in General Fund expenditures limited.**

30          (a)   In preparing the budget for a fiscal year, the Governor shall not anticipate  
31          revenue or propose expenditures from the General Fund for the ensuing fiscal period in  
32          excess of the General Fund expenditure limit established under this Chapter.

33          (b)   In enacting the budget for the fiscal year, the General Assembly shall not  
34          anticipate revenue or make appropriations from the General Fund in excess of the  
35          General Fund expenditure limit established under this Chapter.

36          (c)   No money shall be drawn from the State treasury, and the Governor and the  
37          State Treasurer shall not issue or redeem any draft, check, warrant, or voucher that will  
38          result in a State expenditure for any fiscal year in excess of the General Fund expenditure  
39          limit established under this Chapter.

40          (d)   The Governor and the State Treasurer shall deposit all General Fund revenue in  
41          excess of the General Fund expenditure limit into the Rainy Day Emergency Reserve  
42          Trust Fund at the end of each fiscal year.

43          **"§ 143-2.3. Use of General Fund credit balance.**

1       The General Assembly shall appropriate one-fourth of any credit balance remaining in  
2 the General Fund at the end of each fiscal year to the Rainy Day Emergency Reserve  
3 Trust Fund. The State Controller shall reserve the lesser of (i) one-fourth of any credit  
4 balance remaining in the General Fund or (ii) one and one-half percent (1.5%) of the  
5 replacement value of all State buildings supported from the General Fund at the end of  
6 each fiscal year to the Repairs and Renovations Reserve Account as provided in G.S.  
7 143-15.3A. The General Assembly may appropriate that part of the anticipated General  
8 Fund credit balance not expected to be appropriated to the Rainy Day Emergency  
9 Reserve Trust Fund or reserved to the Repairs and Renovations Reserve Account only for  
10 capital improvements or other nonrecurring expenditures within the General Fund  
11 expenditure limit.

12 **"§ 143-2.4. Rainy Day Emergency Reserve Trust Fund.**

13       (a) There is established in the Office of the State Treasurer a Rainy Day  
14 Emergency Reserve Trust Fund. The General Assembly shall appropriate one-fourth of  
15 any General Fund credit balance remaining in the General Fund at the end of each fiscal  
16 year to the Rainy Day Emergency Reserve Trust Fund. The Rainy Day Emergency  
17 Reserve Trust Fund shall also include revenue in excess of the General Fund expenditure  
18 limit deposited by the Governor and State Treasurer as provided by G.S. 143-2.2.

19       (b) If the Director of the Budget determines that any of the circumstances set out  
20 in subdivision (1) or (2) of this subsection exist, the Director may, in the Director's  
21 discretion, transfer funds from the Rainy Day Emergency Reserve Trust Fund to pay the  
22 appropriations for the fiscal year in full. If the Director of the Budget decides not to  
23 transfer the funds from the Rainy Day Emergency Reserve Trust Fund as provided in this  
24 section, the Director shall proceed as provided in G.S. 143-25 or Article III, Section 5(3)  
25 of the Constitution of North Carolina to administer the budget so as to prevent any  
26 overdraft or deficit.

27           (1) The Director determines pursuant to the provisions of G.S. 143-25 that  
28 the aggregate revenues collected and available during a fiscal year are  
29 not sufficient to pay all of the appropriations for that fiscal year in full;  
30 or

31           (2) The Director determines pursuant to the provisions of Article III,  
32 Section 5(3) of the Constitution of North Carolina that receipts during a  
33 fiscal year, when added to the surplus remaining in the State treasury at  
34 the beginning of the fiscal year, will not be sufficient to meet budgeted  
35 expenditures.

36       (c) The General Assembly may make appropriations out of the Rainy Day  
37 Emergency Reserve Trust Fund, but such appropriations must be for nonrecurring uses,  
38 and may be made only while the General Assembly is convened in Extra Session. A two-  
39 thirds vote of the members of each house of the General Assembly shall be necessary to  
40 appropriate funds under this subsection.

41       (d) If the total of funds in the Rainy Day Emergency Reserve Trust Fund at the  
42 end of the fiscal year exceeds an amount equal to five percent (5%) of the total General

1 Fund appropriation for the prior fiscal year, the excess over five percent (5%) may be  
2 appropriated by the General Assembly:

3 (1) To provide tax relief to the citizens of North Carolina;

4 (2) To create or increase appropriations of State dedicated funds in excess  
5 of the General Fund expenditure limit; or

6 (3) For critical needs educational funds.

7 **"§ 143-2.5. Two-thirds vote of General Assembly required to exceed General Fund**  
8 **expenditure limit.**

9 The General Assembly may, by a two-thirds vote of each house, make General Fund  
10 appropriations for nonrecurring expenses in excess of the General Fund expenditure limit  
11 for a period not to exceed 12 months beginning on the effective date of the  
12 appropriations.

13 **"§ 143-2.6. Unfunded State mandates prohibited.**

14 No county or municipality shall be bound by any general law enacted after May 1,  
15 1995, requiring the county or municipality to spend funds unless (i) funds have been  
16 appropriated by the General Assembly that have been estimated at the time of enactment  
17 to be sufficient to fund the expenditure or, (ii) the expenditure is required to comply with  
18 a federal law requirement or is required for eligibility for a federal entitlement, which  
19 federal requirement specifically contemplates actions by counties or municipalities for  
20 compliance. No county or municipality shall be bound by a local act enacted after May  
21 1, 1995, requiring the expenditure of funds unless the local act has been approved by the  
22 local government affected by the act."

23 Sec. 2. G.S. 143-15.3A reads as rewritten:

24 **"§ 143-15.3A. Repairs and Renovations Reserve Account.**

25 (a) There is established a Repairs and Renovations Reserve Account as a restricted  
26 reserve in the General Fund. The State Controller shall reserve to the Repairs and  
27 Renovations Reserve Account at the end of each fiscal year the lesser of (i) one-fourth of  
28 any unreserved-credit balance remaining in the General Fund at the end of each fiscal year.  
29 or (ii) one and one-half percent (1.5%) of the replacement value of all State buildings  
30 supported from the General Fund. As used in this section, the term "unreserved credit  
31 balance" means that part of the credit balance, as determined on a cash basis, not already  
32 reserved to the Savings Reserve Account or the Repairs and Renovations Reserve Account.

33 (b) The funds in the Repairs and Renovations Reserve Account shall be used only  
34 for the repair and renovation of State facilities and related infrastructure that are  
35 supported from the General Fund. The Director of the Budget shall not use funds in the  
36 Repairs and Renovations Reserve Account unless the use has been approved by an act of  
37 the General Assembly."

38 Sec. 3. G.S. 143-15.2 and G.S. 143-15.3 are repealed. The funds in the  
39 Savings Reserve Account are transferred to the Rainy Day Emergency Reserve Trust  
40 Fund established by G.S. 143-2.4 as enacted by Section 1 of this act.

41 Sec. 4. This act becomes effective July 1, 1995.