

## **Chapter 143C.**

### **State Budget Act.**

#### Article 1.

#### General Provisions.

##### **§ 143C-1-1. Purpose and definitions.**

(a) Title of Chapter. – This Chapter is the "State Budget Act" and may be cited by that name.

(b) The provisions of this Chapter shall apply to every State agency, unless specifically exempted herein, and to every non-State entity that receives or expends any State funds. No State agency or non-State entity shall expend any State funds except in accordance with an act of appropriation and the requirements of this Chapter. The provisions of Chapter 120 of the General Statutes shall continue to apply to the General Assembly and to control its expenditures and in the event of a conflict with this Chapter, the provisions of Chapter 120 of the General Statutes shall control. Nothing in this Chapter abrogates or diminishes the inherent power of the legislative, executive, or judicial branch.

(c) Purpose. – This Chapter establishes procedures for the following:

- (1) Preparing the recommended State budget.
- (2) Enacting the State budget.
- (3) Administering the State budget.

(d) Definitions. – The following definitions apply in this Chapter:

- (1) Appropriation. – An enactment by the General Assembly authorizing the withdrawal of money from the State treasury. An enactment by the General Assembly that authorizes, specifies, or otherwise provides that funds may be used for a particular purpose is not an appropriation.
  - (1a) Authorized budget. – The certified budget with changes authorized by the Director of the Budget through authority granted in G.S. 143C-6-4 or other statutes.
  - (1b) Availability. – The total anticipated cash available within a fund for appropriation purposes, including unreserved fund balance and all revenue and receipts anticipated in a fiscal year.
  - (1c) Base Budget. – That part of the recommended State budget that provides the baseline for the next biennium. The base budget for each State agency shall be the authorized budget for that agency with adjustments only for the following:
    - a. Annualization of programs and positions.
    - b. Reductions to adjust for items funded with nonrecurring funds during the prior fiscal biennium.
    - c. Increases to adjust for nonrecurring reductions during the prior fiscal biennium.
    - d. Adjustments for federal payroll tax changes.
    - e. Rate increases in accordance with the terms of existing leases of real property.
    - f. Adjustments to receipt projections, made in accordance with G.S. 143C-3-5(b)(2)c.
    - g. Reconciliation of intragovernmental and intergovernmental transfers.

- h. Adjustments for statutory appropriations and other adjustments as directed by the General Assembly.
- (2) Biennium. – The two fiscal years beginning on July 1 of each odd-numbered year and ending on June 30 of the next odd-numbered year.
  - (3) Budget. – A plan to provide and spend money for specified programs, functions, activities, or objects during a fiscal year.
  - (4) Budget year. – The fiscal year for which a budget is proposed and enacted.
  - (5) Capital improvement. – A term that includes real property acquisition, new construction or rehabilitation of existing facilities, and repairs and renovations over one hundred thousand dollars (\$100,000) in value.
  - (6) Repealed by Session Laws 2017-57, s. 6.6(a), effective July 1, 2017, and applicable beginning with the base budget developed for the 2018-2019 fiscal year.
  - (7) Certified budget. – The budget as enacted by the General Assembly including adjustments made for (i) distributions to State agencies from statewide reserves appropriated by the General Assembly, (ii) distributions of reserves appropriated to a specific agency by the General Assembly, and (iii) organizational or budget changes mandated by the General Assembly.
  - (7a) Repealed by Session Laws 2014-100, s. 6.4(a), effective July 1, 2014, and applicable beginning with the recommended State budget of the 2015-2017 fiscal biennium.
  - (8) Controller. – The Office of the State Controller.
  - (9) Current Operations Appropriations Act. – An act of the General Assembly estimating revenue availability for and appropriating money for the current operations and capital improvement needs of State government during one or more budget years.
  - (10) Departmental receipt. – Fees, licenses, federal funds, grants, fines, penalties, tuition, and other similar collections or credits generated by State agencies in the course of performing their governmental functions that are applied to the cost of a program administered by the State agency or transferred to the Civil Penalty and Forfeiture Fund pursuant to G.S. 115C-457.1, and that are not defined as tax proceeds or nontax revenues. Departmental receipts may include moneys transferred into a fiscal year from a prior fiscal year.
  - (11) Director. – The Director of the Budget, who is the Governor.
  - (12) Encumbrance. – A financial obligation created by a purchase order, contract, salary commitment, unearned or prepaid collections for services provided by the State, or other legally binding agreement.
  - (13) Fiscal period. – A fiscal biennium beginning in odd-numbered years or the first or second fiscal year within a fiscal biennium.
  - (14) Fiscal year. – The annual period beginning July 1 and ending on the following June 30.
  - (15) Fund. – A fiscal and accounting entity with a self-balancing set of accounts recording cash and other resources, together with all related liabilities and residual equities or balances, and changes therein, for the purpose of carrying on stated programs, activities, and objectives of State government.

- (16) General Fund Operating Budget. – The sum of all appropriations from the General Fund for a fiscal year, except appropriations for (i) capital improvements, including repairs and renovations, and (ii) one-time expenditures due to natural disasters or other emergencies shall not be included.
- (16a) Increase the scope. – With respect to a capital improvement project, either increasing the square footage of a capital improvement project by more than ten percent (10%) of the amount authorized or programming new functions into the project.
- (17) Information technology. – As defined in G.S. 143B-1320.
- (18) Non-State entity. – Any of the following that is not a State agency: an individual, a firm, a partnership, an association, a county, a corporation, or any other organization or group acting as a unit. The term includes a unit of local government and public authority.
- (19) Nontax revenue. – Revenue that is not a tax proceed or a departmental receipt and that is required by statute to be credited to a fund.
- (20) Object or line item. – An expenditure or receipt in a recommended or enacted budget that is designated in the Budget Code Structure of the North Carolina Accounting System Uniform Chart of Accounts prescribed by the Office of the State Controller.
- (21) Performance information. – The organizational structure, agency activity statements, performance indicators, and analyses of program efficiency and effectiveness.
- (22) Public authority. – A municipal corporation that is not a unit of local government or a local governmental authority, board, commission, council, or agency that (i) is not a municipal corporation and (ii) operates on an area, regional, or multiunit basis, and the budgeting and accounting systems of which are not fully a part of the budgeting and accounting systems of a unit of local government.
- (23) Purpose or program. – A group of objects or line items for support of a specific activity outlined in a recommended or enacted budget that is designated by a nine-digit fund code in accordance with the Budget Code Structure of the North Carolina Accounting System Uniform Chart of Accounts prescribed by the Office of the State Controller.
- (24) State agency. – A unit of the executive, legislative, or judicial branch of State government, such as a department, an institution, a division, a commission, a board, a council, or The University of North Carolina. The term does not include a unit of local government or a public authority.
- (25) State funds. – Any moneys including federal funds deposited in the State treasury except moneys deposited in a trust fund or agency fund as described in G.S. 143C-1-3.
- (26) State resources. – All financial and nonfinancial assets of the State.
- (27) State revenue. – An increase, other than interfund transfers and debt issue proceeds, in the financial assets of any State governmental or proprietary fund.
- (28) Statutory appropriation. – An appropriation enacted by the General Assembly in the General Statutes that authorizes the current and future withdrawal of

funds from the State treasury during current and future fiscal years, without further act of the General Assembly.

- (29) Unit of local government. – A municipal corporation that has the power to levy taxes, including a consolidated city-county, as defined by G.S. 160B-2(1), and all boards, agencies, commissions, authorities, and institutions thereof that are not municipal corporations.
- (30) Unreserved fund balance. – The available cash balance effective June 30 after excluding documented encumbrances, unearned revenue, statutory requirements, and other legal obligations to a fund's cash balance as determined by the State Controller. Beginning unreserved fund balance equals ending unreserved fund balance from the prior fiscal year. (2006-66, s. 6.19(h); 2006-203, s. 3; 2006-221, s. 3A; 2006-259, s. 40(h); 2007-393, s. 2; 2010-31, s. 30.8; 2013-360, s. 6.12(a), (b), (h), (i); 2014-100, s. 6.4(a), (b); 2015-241, s. 7A.4(z); 2017-57, s. 6.6(a); 2018-5, s. 36.7(c).)

**§ 143C-1-2. Appropriations: constitutional requirement; reversions.**

(a) Appropriation Required to Withdraw State Funds From the State Treasury. – In accordance with Section 7 of Article V of the North Carolina Constitution, no money shall be drawn from the State treasury but in consequence of appropriations made by law. A law enacted by the General Assembly that expressly appropriates funds from the State treasury is an appropriation; however, an enactment by the General Assembly that describes the purpose of a fund, authorizes the use of funds, allows the use of funds, or specifies how funds may be expended, is not an appropriation.

(b) Reversions. – Unless otherwise provided by law, at the end of the fiscal year the unexpended, unencumbered balance of an appropriation reverts to the fund from which the appropriation was made; except that (i) an appropriation to the General Assembly shall not revert unless otherwise provided by the Legislative Services Commission, (ii) an appropriation for a capital improvement project shall revert as provided by G.S. 143C-8-11, and (iii) an appropriation for the implementation of information technology (IT) projects shall not revert until the project is implemented or abandoned. (2006-203, s. 3; 2019-250, s. 5.11.)

**§ 143C-1-3. Fund types.**

(a) Types. – The Controller shall account for State resources through use of the fund types listed in this subsection. The Controller may not establish a fund type that differs from the listed fund types unless the Governmental Accounting Standards Board has approved the use of the different fund type.

The fund types are described as follows, except that where a conflict exists between a description used in this section and the definition of the corresponding fund type issued by the Governmental Accounting Standards Board, it is presumed that the definition issued by the Governmental Accounting Standards Board shall prevail.

**Governmental Funds.**

- (1) Capital Projects Funds. – Accounts for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds or fiduciary funds. Capital outlays financed from general obligation bond proceeds should be accounted for through a capital projects fund.

- (2) Debt Service Funds. – Accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
- (3) General Fund. – Accounts for all financial resources except those required to be reported in another fund.
- (4) Special Revenue Funds. – Accounts for the proceeds of specific revenue sources, other than debt service or for major capital projects, that are legally restricted to expenditure for specified purposes.
- (5) Permanent Funds. – Accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Proprietary Funds.

- (6) Enterprise Funds. – Accounts for any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Each of these criteria should be applied in the context of the activity's principal revenue sources.
  - a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
  - b. Laws or regulations require that the activity's costs of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues.
  - c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.
- (7) Internal Service Funds. – Accounts for any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. Internal service funds should be used only if the reporting government is the predominant participant in the activity. Otherwise, the activity should be reported as an enterprise fund.

Fiduciary Funds.

- (8) Custodial Funds. – Accounts for resources held by the reporting government in a purely custodial capacity. Custodial funds are fiduciary activities that are not required to be reported in investment trust funds, pensions and other employee benefit trust funds, and private-purpose trust funds, as described in this section.
- (9) Investment Trust Funds. – Accounts for the external portion of investment pools reported by the sponsoring government.
- (10) Pension and Other Employee Benefit Trust Funds. – Accounts for resources that are required to be held in trust for pension plans, other postemployment benefit plans, and other employee benefit plans that meet certain Governmental Accounting Standards Board (GASB) criteria.
- (11) Private-Purpose Trust Funds. – Accounts for all other trust arrangements that are not required to be reported in investment trust funds and pension and other employee benefit trust funds.

(b) Designation. – If State resources are designated by law as a fund or an account within a fund and there is a conflict between the legal designation and the appropriate accounting designation of the State resources, then the Controller shall determine the appropriate designation of the State resources based on the intended use and financial treatment of the State resources as

set out in the law establishing the fund or account. The Controller shall determine the fund type of all separate funds and account for them accordingly. The Controller shall keep the total number of funds to the minimum number practical.

(c) Notwithstanding subsections (a) and (b) of this section, funds established for The University of North Carolina and its constituent institutions pursuant to the following statutes are exempt from Chapter 143C of the General Statutes and shall be accounted for as provided by those statutes, except that the provisions of Article 8 of Chapter 143C of the General Statutes shall apply to the funds: G.S. 116-35, 116-36, 116-36.1, 116-36.2, 116-36.4, 116-36.5, 116-36.6, 116-44.4, 116-68, 116-220, 116-235. (2006-203, s. 3; 2013-360, s. 6.12(c); 2019-250, s. 5.9(a).)

**§ 143C-1-4. Interest earnings credited to the General Fund; interest earnings on Highway Fund and Highway Trust Fund credited to those funds.**

(a) Interest Earnings Credited to the General Fund. – Unless otherwise provided by law, interest earned on all funds shall be credited to the General Fund.

(b) Exception for Interest Earnings on Highway Fund and Highway Trust Fund. – Interest earned by the Highway Fund and the Highway Trust Fund shall be credited to the Highway Fund and the Highway Trust Fund respectively. (2006-203, s. 3.)

**§ 143C-1-5. Chapter is applicable to The University of North Carolina.**

Except as expressly provided in G.S. 143C-1-3(c) or otherwise expressly provided by law, The University of North Carolina shall be subject to the provisions of this Chapter in the same manner and to the same degree as other State agencies. (2013-360, s. 6.12(d).)