

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

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HOUSE BILL 198

Short Title: 1991 Budget Reform Act.

(Public)

Sponsors: Representatives Pope; Abernethy, Bowman, Esposito, Grady, Grimmer, Howard, Sam Hunt, H. Hunter, Hurley, Justus, Loflin, Mavretic, Morgan, Rhyne, Russell, Wilson, and Wood.

Referred to: Appropriations.

March 4, 1991

A BILL TO BE ENTITLED

1 AN ACT TO RESTRUCTURE THE GENERAL FUND BUDGET PROCESS SO AS
2 TO ASSURE MORE STABLE BUDGETING, BY PROVIDING FOR USE OF
3 THE PRIOR CALENDAR YEAR'S COLLECTIONS AS THE REVENUE
4 ESTIMATES, LIMITING USE OF REVERSIONS TO ONE-TIME
5 EXPENDITURES, AND PROVIDING FOR A RESERVE FUND.
6

7 The General Assembly of North Carolina enacts:

8 **PART 1. STATUTORY CHANGES.**

9 ---REVENUE ESTIMATES/ANNUAL BUDGET

10 Section 1. The Executive Budget Act, Article 1 of Chapter 143 of the
11 General Statutes, is amended by adding the following new sections:

12 "**§ 143-2.1. Collections for prior calendar year to be revenue estimates for next**
13 **fiscal year.**

14 (a) In preparing the budget for a fiscal year, the Governor shall use as the State
15 funds revenue estimate for the General Fund no more than the total State funds received
16 for the calendar year ending December 31 immediately prior to the fiscal year, with the
17 following changes only:

18 (1) If any revenue decreases were effective for only part of that calendar
19 year, the revenue estimate shall be reduced by an annualized total of
20 the impact of such decreases;

- 1 (2) If the budget proposes any revenue reductions to be effective during
2 the fiscal year, the revenue estimate shall be reduced by the total
3 estimated amount of such reductions during the fiscal year;
- 4 (3) Any one-time revenues in the prior calendar year shall not be included
5 in the revenue estimates; and
- 6 (4) If the budget proposes any revenue increases due to increases in taxes
7 or fees to be enacted, or new taxes or fees to be enacted, an estimate of
8 collections of such increased or new taxes or fees may be made.
- 9 (b) In enacting the budget for a fiscal year, the General Assembly shall use as the
10 revenue estimate no more than the total State funds received for the calendar year
11 ending December 31 immediately prior to the fiscal year, with the following changes
12 only:
- 13 (1) If any revenue decreases were effective for only part of that calendar
14 year, the revenue estimate shall be reduced by an annualized total of
15 the impact of such decreases;
- 16 (2) If the budget proposes or assumes any revenue reductions to be
17 effective during the fiscal year, the revenue estimate shall be reduced
18 by the total estimated amount of such reductions during the fiscal year;
- 19 (3) Any one-time revenues in the prior calendar year shall not be included
20 in the revenue estimates; and
- 21 (4) If the budget proposes any revenue increases due to increases in taxes
22 or fees to be enacted, or new taxes or fees to be enacted, an estimate of
23 collections of such increased or new taxes or fees may be made, but
24 the revenue estimate for that fiscal year may not exceed the lower of
25 an estimate made by the Fiscal Research Division or an estimate made
26 by the Office of Budget and Management.
- 27 (c) If the budget contains an estimate of any credit balance at the end of the fiscal
28 year ending immediately prior to the beginning of the fiscal year covered by the budget,
29 one-half of that credit balance may be proposed only for capital projects, or other
30 projects with a fiscal impact only in that fiscal year.
- 31 (d) Revenue from borrowings in the prior calendar year shall not be included in
32 the estimates, unless expenditure of the funds is proposed during the fiscal year covered
33 by the proposed budget. Proposed revenue from borrowing in the proposed budget shall
34 only be included to the extent that appropriations against such borrowings are budgeted.
- 35 (e) If the General Assembly appropriates any credit balance in the State treasury
36 at the end of the fiscal year ending immediately prior to the beginning of the fiscal year
37 covered by the budget, one-half of that credit balance may be appropriated only for
38 capital projects, or other projects with a fiscal impact only in that fiscal year.
- 39 (f) The purpose of this section is to provide an estimate to be used in the budget
40 process, so that enactment of the budget need not wait until the end of the fiscal year.
41 This will enable shortening of the legislative session, as well as allowing State agencies
42 and local governments adequate time to implement the adopted budget.

1 (g) In order to provide transition in implementing this section, the Governor may
2 add to the revenue estimate under subsection (a) of this section not more than the
3 following:

4 FISCAL YEAR MAXIMUM AMOUNT TO BE ADDED

5 1992-93 ___ Not more than eighty-five percent (85%) of the
6 difference between the estimated fiscal year revenue and the
7 total State funds received for the calendar year ending
8 December 31 immediately prior to the fiscal year.

9 1993-94 ___ Not more than seventy percent (70%) of the
10 difference between the estimated fiscal year revenue and the
11 total State funds received for the calendar year ending
12 December 31 immediately prior to the fiscal year.

13 1994-95 ___ Not more than fifty percent (50%) of the difference
14 between the estimated fiscal year revenue and the total State
15 funds received for the calendar year ending December 31
16 immediately prior to the fiscal year.

17 1995-96 ___ Not more than twenty-five percent (25%) of the
18 difference between the estimated fiscal year revenue and the
19 total State funds received for the calendar year ending
20 December 31 immediately prior to the fiscal year.

21 (h) In order to provide transition in implementing this section, the General
22 Assembly may add to the revenue estimate under subsection (b) of this section, not
23 more than the following:

24 FISCAL YEAR MAXIMUM AMOUNT TO BE ADDED

25 1991-92 ___ Not more than ninety-five percent (95%) of the
26 difference between the consensus estimated fiscal year revenue
27 and the total State funds received for the calendar year ending
28 December 31 immediately prior to the fiscal year.

29 1992-93 ___ Not more than eighty-five percent (85%) of the
30 difference between the consensus estimated fiscal year revenue
31 and the total State funds received for the calendar year ending
32 December 31 immediately prior to the fiscal year.

33 1993-94 ___ Not more than seventy percent (70%) of the
34 difference between the consensus estimated fiscal year revenue
35 and the total State funds received for the calendar year ending
36 December 31 immediately prior to the fiscal year.

37 1994-95 ___ Not more than fifty percent (50%) of the difference
38 between the consensus estimated fiscal year revenue and the
39 total State funds received for the calendar year ending
40 December 31 immediately prior to the fiscal year.

41 1995-96 ___ Not more than twenty-five percent (25%) of the
42 difference between the consensus estimated fiscal year revenue
43 and the total State funds received for the calendar year ending
44 December 31 immediately prior to the fiscal year.

1 (i) For the purpose of subsection (g) of this section, the revenue estimate is that
2 of the Director of the Budget. For the purposes of subsection (h) of this section, the
3 consensus revenue estimate is that agreed on by the Director of the Budget and the
4 Fiscal Research Division, provided that if no such agreement is reached, it means the
5 lower of the revenue estimate of the Director of the Budget and the revenue estimate of
6 the Fiscal Research Division.

7 **"§ 143-2.2. Reserve Fund.**

8 (a) There is established in the State treasury a Reserve Fund.

9 (b) The General Assembly hereby appropriates to the Reserve Fund one-half of
10 any General Fund credit balance in the State treasury at the end of the fiscal year ending
11 immediately prior to the fiscal year covered by the budget.

12 (c) If the Director of the Budget determines:

13 (1) Pursuant to the provisions of G.S. 143-25 that the aggregate revenues
14 collected and available during a fiscal year are not sufficient to pay all
15 of the appropriations for that fiscal year in full; or

16 (2) Pursuant to the provisions of Article III, Section 5(3) of the
17 Constitution of North Carolina that receipts during a fiscal year, when
18 added to the surplus remaining in the State treasury at the beginning of
19 the fiscal year will not be sufficient to meet budgeted expenditures

20 he may, in his discretion, transfer funds from the Reserve Fund to pay the
21 appropriations for the fiscal year in full. If the Director of the Budget decides not to
22 transfer the funds from the General Reserve Fund as provided in this section, he shall
23 proceed as provided in G.S. 143-25 or Article III, Section 5(3) of the Constitution to
24 administer the budget so as to prevent any overdraft or deficit.

25 (d) During any fiscal year, the Governor and Council of State may allocate out of
26 the Reserve Fund monies in a total not to exceed ten percent (10%) of the total in the
27 fund at the beginning of the fiscal year for contingencies and emergencies, as follows:
28 any institution, department, commission, or other agency or activity of the State, or
29 other activity in which the State is interested, desiring an allotment out of the Reserve
30 Fund, shall upon forms prescribed and furnished by the Director of the Budget, present
31 such request in writing to the Director of the Budget, with such information as he may
32 require, and if the Director of the Budget shall approve such request, in whole or in part,
33 he shall forthwith present the same to the Governor and Council of State, and upon their
34 order only shall such allotment be made. If the Director shall disapprove the request of
35 such an allotment out of the Reserve Fund, he shall transmit his refusal and his reason
36 therefor to the Governor and Council of State for their information.

37 Funds allocated from the Reserve Fund under this subsection may be used only
38 for the purpose for which they were allocated and may not be reallocated for another
39 purpose by the Governor and the Council of State. If the funds are not spent or
40 encumbered for the purpose for which they were allocated by the end of the fiscal year
41 and if the Governor and the Council of State do not reallocate them for that same
42 purpose, the funds shall revert to the Reserve Fund. Also, if the funds are not needed
43 for the purpose for which they were allocated, the funds shall revert to the Reserve
44 Fund.

1 Any statute providing for funds to be allocated out of the Contingency and
2 Emergency Fund provides authority for such funds to be allocated out of the Reserve
3 Fund under the procedures of this subsection, within the percentage limitation provided
4 by this subsection.

5 (e) The General Assembly may make appropriations out of the Reserve Fund, but
6 such appropriations must be for one-time use, and may be made only while the General
7 Assembly is convened in Extra Session.

8 (f) If the total of funds in the Reserve Fund at the end of the fiscal year exceeds
9 an amount equal to five percent (5%) of the total General Fund appropriation for the
10 prior fiscal year, the excess over five percent (5%) may be appropriated by the General
11 Assembly:

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

13 (2) To create or increase appropriations of State dedicated funds; or

14 (3) For purposes permitted under G.S. 143-2.1(e)."

15 Sec. 2. This act becomes effective for budgets beginning with the budget for
16 fiscal year 1991-92, except that G.S. 143-2.2, except for subsection (b), becomes
17 effective July 1, 1991.