

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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HOUSE BILL 1067

Short Title: Taxpayer Protection Act.

(Public)

Sponsors: Representatives Starnes, Russell; Aldridge, Baker, Barbee, Berry, Bowie, Brown, Buchanan, Cansler, Capps, Carpenter, Clary, Cole, Crawford, Culp, Davis, Decker, Dickson, Dockham, Esposito, Gardner, Grady, Gulley, Hall, Hardy, Hiatt, Holmes, Howard, McComas, McMahan, Miner, Morgan, Morris, Owens, Rayfield, Reynolds, Sexton, Sherrill, Shubert, Thompson, Weatherly, C. Wilson, and G. Wilson.

Referred to: Finance, if favorable, Appropriations.

April 21, 1997

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 AN EMERGENCY RESERVE TRUST FUND, AND
5 PROHIBITING UNFUNDED STATE MANDATES.
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) Definitions. – The following definitions apply in this section and in G.S. 143-
12 2.3, 143-2.4, and 143-15.3A:

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

1 (2) Fiscal growth factor. – The average of the sum of inflation and
2 population change for each of the preceding three calendar years. If
3 either inflation or the population change for the preceding three calendar
4 years is negative, then that change shall be counted as zero.

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

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

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

13 (c) Base Fiscal Year for General Fund Expenditure Limit. – The total authorized
14 General Fund budget for the fiscal year beginning July 1, 1997, plus the fiscal growth
15 factor shall be used to determine the General Fund expenditure limit for the fiscal year
16 beginning July 1, 1998, which will then be used to determine the General Fund
17 expenditure limit for succeeding fiscal years.

18 (d) Decreases in General Fund Expenditure Limit. – If, on or after December 31,
19 1996, the cost of any State program or function is shifted from the General Fund to
20 another source of funding, including, but not limited to, counties or other units of local
21 government, or if moneys are transferred from the General Fund to another fund or
22 account, the General Fund expenditure limit shall be reduced by a like amount.

23 (e) Increases in General Fund Expenditure Limit. – To the extent that any percent
24 increase in appropriations for a fiscal year resulting from compliance with an existing or
25 new mandate imposed by any court or by federal law exceeds the fiscal growth factor, the
26 General Fund expenditure limit for that fiscal year shall be increased by the dollar
27 amount represented by the excess percentage. For all subsequent fiscal years, the
28 General Fund expenditure limit shall then be increased to reflect that dollar adjustment.

29 (f) Fiscal Reports. – On or before March 15 of each year, the Fiscal Research
30 Division and the Office of State Budget and Management shall issue a determination of
31 the General Fund expenditure limit for the fiscal year beginning July 1 of that year and a
32 projection of the General Fund expenditure limit for the next fiscal year. If the Fiscal
33 Research Division and the Office of State Budget and Management do not agree on the
34 General Fund expenditure limit, the lowest determination and projection shall be used.

35 **"§ 143-2.2. Increase in General Fund expenditures limited.**

36 (a) Governor Bound by General Fund Expenditure Limit. – In preparing the
37 budget for a fiscal year, the Governor shall not propose expenditures from the General
38 Fund for the ensuing fiscal period in excess of the projected General Fund expenditure
39 limit established under G.S. 143-2.1.

40 (b) General Assembly Bound by General Fund Expenditure Limit. – In enacting
41 the budget for the fiscal year, the General Assembly shall not make appropriations from
42 the General Fund in excess of the General Fund expenditure limit established under G.S.
43 143-2.1.

1 (c) No State Moneys to Be Paid in Excess of General Fund Expenditure Limit. –
2 No money shall be drawn from the State treasury if the withdrawal will result in a State
3 expenditure for any fiscal year in excess of the General Fund expenditure limit
4 established under G.S. 143-2.1. The Governor, the State Treasurer, and the State
5 Controller shall not issue or redeem any draft, check, warrant, or voucher that will result
6 in a State expenditure for any fiscal year in excess of the General Fund expenditure limit
7 established under G.S. 143-2.1.

8 (d) Revenue in Excess of General Fund Expenditure Limit Credited to Emergency
9 Reserve Trust Fund. – All General Fund revenue collected in excess of the General Fund
10 expenditure limit shall be credited to the Emergency Reserve Trust Fund at the end of
11 each fiscal year.

12 **"§ 143-2.3. Use of General Fund credit balance.**

13 The State Controller shall reserve one-fourth of any credit balance remaining in the
14 General Fund at the end of each fiscal year to the Emergency Reserve Trust Fund. The
15 State Controller shall reserve three percent (3%) of the replacement value of all State
16 buildings supported from the General Fund at the end of each fiscal year to the Repairs
17 and Renovations Reserve Account as provided in G.S. 143-15.3A. The General
18 Assembly may appropriate that part of the anticipated General Fund credit balance not
19 expected to be reserved to the Emergency Reserve Trust Fund or reserved to the Repairs
20 and Renovations Reserve Account only for capital improvements or other nonrecurring
21 expenditures within the General Fund expenditure limit.

22 **"§ 143-2.4. Emergency Reserve Trust Fund.**

23 (a) Emergency Reserve Trust Fund Established. – There is established in the
24 Office of the State Treasurer a noninterest-bearing fund known as the Emergency
25 Reserve Trust Fund. The Emergency Reserve Trust Fund shall include the funds
26 reserved by the State Controller in accordance with G.S. 143-2.3. The Emergency
27 Reserve Trust Fund shall also include revenue in excess of the General Fund expenditure
28 limit credited in accordance with G.S. 143-2.2.

29 (b) Transfers From Emergency Reserve Trust Fund Permissible to Pay
30 Appropriations When Budgeted Funds Are Insufficient. – If the Director of the Budget
31 determines that: (i) pursuant to the provisions of G.S. 143-25, the aggregate revenues
32 collected and available during a fiscal year are not sufficient to pay all of the
33 appropriations for that fiscal year in full; or (ii) pursuant to the provisions of Article III,
34 Section 5(3) of the Constitution of North Carolina, receipts during a fiscal year when
35 added to the surplus remaining in the State treasury at the beginning of the fiscal year will
36 not be sufficient to meet budgeted expenditures, the Director may, in the Director's
37 discretion, transfer funds from the Emergency Reserve Trust Fund to pay the
38 appropriations for the fiscal year to the extent funds are available. If the Director of the
39 Budget decides not to transfer the funds from the Emergency Reserve Trust Fund as
40 provided in this section, the Director shall proceed as provided in G.S. 143-25 or Article
41 III, Section 5(3) of the Constitution of North Carolina to administer the budget so as to
42 prevent any overdraft or deficit.

1 (c) Two-Thirds Vote Required to Appropriate Funds From the Emergency
2 Reserve Trust Fund. – The General Assembly may make appropriations out of the
3 Emergency Reserve Trust Fund only by the affirmative vote of two-thirds of the
4 members of each house.

5 (d) Excess Funds to Be Returned to Taxpayers. – If the total of funds in the
6 Emergency Reserve Trust Fund at the end of the fiscal year exceeds an amount equal to
7 five percent (5%) of the total General Fund appropriation for the prior fiscal year, the
8 excess over five percent (5%) shall be reserved to provide tax relief to the citizens of
9 North Carolina.

10 **"§ 143-2.5. Two-thirds vote of General Assembly required to exceed General Fund**
11 **expenditure limit.**

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

16 **"§ 143-2.6. Unfunded State mandates prohibited.**

17 (a) General Laws. – No county or unit of local government shall be bound by any
18 general law enacted after December 31, 1994, requiring the county or unit of local
19 government to spend funds unless (i) funds have been appropriated by the General
20 Assembly that have been estimated at the time of enactment to be sufficient to fund the
21 expenditure, or (ii) the expenditure is required to comply with a federal law requirement
22 or is required for eligibility for a federal entitlement, which federal requirement
23 specifically contemplates actions by counties or units of local government for
24 compliance.

25 (b) Local Acts. – No county or unit of local government shall be bound by a local
26 act enacted after December 31, 1994, requiring the expenditure of funds unless the local
27 act has been approved by the county or unit of local government affected by the act."

28 Section 2. G.S. 143-15.2 and G.S. 143-15.3 are repealed. The funds in the
29 Savings Reserve Account are transferred to the Emergency Reserve Trust Fund
30 established by G.S. 143-2.4 as enacted by Section 1 of this act.

31 Section 3. This act is effective when it becomes law.