

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001**

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HOUSE BILL 1424

Short Title: Restore Fiscal Resp. to State Budget.

(Public)

Sponsors: Representative Allred.

Referred to: Appropriations.

April 26, 2001

A BILL TO BE ENTITLED

1 AN ACT TO AMEND THE CONSTITUTION OF NORTH CAROLINA TO
2 RESTORE FISCAL RESPONSIBILITY TO THE STATE BUDGET PROCESS.
3

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** Section 5(3) of Article III of the North Carolina Constitution
6 reads as rewritten:

7 "Sec. 5. Duties of Governor.

8 ...

9 (3) Budget. The Governor shall prepare and recommend to the General
10 Assembly a comprehensive budget of the anticipated revenue and
11 proposed expenditures of the State for the ensuing fiscal period. The
12 budget as enacted by the General Assembly shall be administered by
13 the Governor.

14 The total expenditures of the State for the fiscal period covered by
15 the budget shall not exceed the total of receipts during that fiscal
16 period and the surplus remaining in the State Treasury at the beginning
17 of the period. The percentage increase in the total General Fund budget
18 appropriations, including appropriations for capital expenses, local tax
19 reimbursements, local tax sharing, and any other purposes, shall not
20 exceed the actual percentage increase for the calendar year ending
21 December 31 immediately prior to the fiscal year in the Consumer
22 Price Index for all urban consumers, as reported by the Bureau of
23 Labor Statistics of the United States Department of Labor. Also, the
24 total General fund budget appropriations shall not exceed the total
25 General Fund revenues received for the calendar year ending
26 December 31 immediately prior to the fiscal year, with the following
27 changes only:

- 1 a. If any revenue decreases were effective for only part of that
2 calendar year, the revenue estimate shall be reduced by an
3 annualized total of the impact of those decreases;
- 4 b. If the budget proposes or assumes any revenue reductions to be
5 effective during the fiscal year, the revenue estimate shall be
6 reduced by the total estimated amount of such reductions during
7 the fiscal year. To insure that the State does not incur a deficit
8 for any fiscal period, the Governor shall continually survey the
9 collection of the revenue and shall effect the necessary
10 economies in State expenditures, after first making adequate
11 provision for the prompt payment of the principal of and
12 interest on bonds and notes of the State according to their terms,
13 whenever he determines that receipts during the fiscal period,
14 when added to any surplus remaining in the State Treasury at
15 the beginning of the period, will not be sufficient to meet
16 budgeted expenditures. This section shall not be construed to
17 impair the power of the State to issue its bonds and notes within
18 the limitations imposed in Article V of this Constitution, nor to
19 impair the obligation of bonds and notes of the State now
20 outstanding or issued hereafter.

21 **SECTION 2.** G.S. 143-15.1 reads as rewritten:

22 **"§ 143-15.1. Current Operations Appropriations Act; General Fund Financial**
23 **Model.**

24 (a) The General Assembly shall enact the Current Operations Appropriations Act
25 by June 15 of odd-numbered years and by June 30 of even-numbered years in which a
26 Current Operations Appropriations Act is enacted. The Current Operations
27 Appropriations Act shall state the amount of General Fund appropriations availability
28 ~~upon which the General Fund budget is based~~ for the fiscal period covered by the Act.
29 The statement of availability shall list separately the beginning General Fund credit
30 balance, General Fund revenues, and any other components of the availability amount.

31 The General Fund operating budget appropriations, including appropriations for
32 local tax reimbursements and local tax sharing, for the second year in a Current
33 Operations Appropriations Act that contains a biennial budget shall not be more than
34 two percent (2%) greater than the General Fund operating budget appropriations for the
35 first year of the biennial budget.

36 (b) The percentage increase in the total General Fund budget appropriations,
37 including appropriations for capital expenses, local tax reimbursements, local tax
38 sharing, and any other purposes, shall not exceed the actual percentage increase for the
39 calendar year ending December 31 immediately prior to the fiscal year in the Consumer
40 Price Index for all urban consumers, as reported by the Bureau of Labor Statistics of the
41 United States Department of Labor. Also, the total General fund budget appropriations
42 shall not exceed the total General Fund revenues received for the calendar year ending
43 December 31 immediately prior to the fiscal year, with the following changes only:

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

4 (2) If the budget proposes or assumes any revenue reductions to be
5 effective during the fiscal year, the revenue estimate shall be reduced
6 by the total estimated amount of such reductions during the fiscal year.

7 (b) The General Assembly shall review the results of the General Fund Financial
8 model, a computer-based financial model used to project long-term expenditure and
9 revenue trends under various simulations, in its budget deliberations. The model shall be
10 maintained and, from time to time, updated by the Fiscal Research Division of the
11 General Assembly.

12 **SECTION 3.** The amendment set out in Section 1 of this act shall be
13 submitted to the qualified voters of the State at the general election in November 2002,
14 which election shall be conducted under the laws then governing elections in the State.
15 Ballots, voting systems, or both may be used in accordance with Chapter 163 of the
16 General Statutes. The question to be used in the voting systems and ballots shall be:

17 " FOR AGAINST

18 Constitutional amendment limiting the total General Fund budget appropriations."

19 **SECTION 4.** If a majority of the votes cast on the question are in favor of
20 the amendment set out in Section 1 of this act, the State Board of Elections shall certify
21 the amendment to the Secretary of State. The amendment becomes effective upon this
22 certification. The Secretary of State shall enroll the amendment so certified among the
23 permanent records of that office.

24 **SECTION 5.** Section 2 of this act becomes effective only if the
25 constitutional amendment set out in Section 1 of this act is approved by the qualified
26 voters of the State, as provided in Section 3 of this act.

27 **SECTION 6.** This act is effective when it becomes law.