

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005**

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HOUSE BILL 1457

Short Title: Zero-Based Budgeting. (Public)

Sponsors: Representatives Blust; Capps, Current, Hilton, Holloway, McGee, Moore, Rhodes, Starnes, and Vinson.

Referred to: Appropriations.

April 21, 2005

A BILL TO BE ENTITLED
AN ACT TO REQUIRE ZERO-BASED BUDGETING AND TO ESTABLISH A
ZERO-BASED BUDGETING CYCLE.

Whereas, the General Assembly finds that the traditional method of budget development, which relies upon incremental adjustments to expenditures made in the previous financial period, insulates governmental activities from the thorough fiscal review expected by taxpaying citizens; and

Whereas, new and changing demands for public services are met through excessive budget growth rather than by pruning obsolete programs and redirecting existing funds; and

Whereas, some programs were established so long ago that the original statutory basis has either been forgotten or is out-of-date; and

Whereas, in time the budget is driven by inertia rather than by clear and defensible purposes; and

Whereas, the General Assembly finds that zero-based budgeting is an effective method to counter the tendency toward perpetuation of outdated State programs; Now, therefore,

The General Assembly of North Carolina enacts:

SECTION 1. Article 1 of Chapter 143 of the General Statutes is amended by adding a new section to read:

"§ 143-10.8. Zero-based budgeting.

(a) The Director of the Budget shall subject every program in State government to zero-based budget review according to the following schedule:

- (1) Calendar Year 2005 and every fifth year thereafter: the Department of Health and Human Services, Division of Medical Assistance, and NC Health Choice; the Department of Crime Control and Public Safety; the Office of Administrative Hearings; the Board of Elections; the

1 Department of Labor; the Department of Community Colleges; and the
2 Community College System.

3 (2) Calendar Year 2006 and every fifth year thereafter: the Department of
4 Health and Human Services, Divisions of Facilities Services,
5 Vocational Rehabilitation, and Aging and Adult Services; the
6 Department of Juvenile Justice and Delinquency Prevention; the
7 Department of Environment and Natural Resources; the Department of
8 Administration; the Department of Cultural Resources; and the
9 Department of Revenue.

10 (3) Calendar Year 2007 and every fifth year thereafter: the Department of
11 Health and Human Services, Divisions of Education Services, Services
12 for the Blind, and Services for the Deaf and Hard of Hearing; The
13 University of North Carolina; the Department of Transportation; the
14 Department of Agriculture and Consumer Services; the Department of
15 State Auditor; the Housing Finance Agency; and the Department of
16 State Treasurer.

17 (4) Calendar Year 2008 and every fifth year thereafter: the Department of
18 Health and Human Services, Division of Mental Health,
19 Developmental Disabilities, and Substance Abuse, and Office of the
20 Secretary of Health and Human Services; the Department of Public
21 Instruction; the public school system; the Judicial Department; the
22 Department of Commerce; the Office of State Controller; the
23 Department of Insurance; and the Office of the Secretary of State.

24 (5) Calendar Year 2009 and every fifth year thereafter: the Department of
25 Health and Human Services, Divisions of Public Health, Child
26 Development, and Social Services; the Office of Governor; the Office
27 of State Budget and Management; the Office of Lieutenant Governor;
28 the Department of Justice; and the Department of Correction.

29 (b) To accommodate zero-based budget review, the Director of the Budget shall
30 require agencies to prepare and submit a zero-based budget plan in addition to any other
31 information that may be required by statute, rule, or directive. At a minimum, the plan
32 shall contain the following information:

33 (1) A description of those discrete activities that comprise the agency, and
34 a justification for the existence of each activity by reference to statute
35 or other legal authority.

36 (2) For each activity, a quantitative estimate of any adverse impacts that
37 could reasonably be expected should the activity be discontinued,
38 together with a full description of the methods by which the adverse
39 impact is estimated.

40 (3) For each activity, an itemized account of expenditures that would be
41 required to maintain the activity at the minimum level of service
42 required by the statutory authority, together with a concise statement
43 of the quantity and quality of services required at that minimum level.

- 1 (4) For each activity, an itemized account of expenditures required to
2 maintain the activity at current levels of service, together with a
3 concise statement of the quantity and quality of services being
4 provided.
- 5 (5) A ranking of all activities that shows the relative contribution of each
6 activity to the overall goals and purposes of the agency at current
7 service levels."

8 **SECTION 2.** This act becomes effective July 1, 2005.