

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005**

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HOUSE BILL 151

Short Title: Zero-Based Budgeting. (Public)

Sponsors: Representatives Gulley; Allred, Blackwood, Brown, Capps, Cleveland, Culp, Daughtridge, Daughtry, Dollar, Folwell, Frye, Hilton, Holloway, Justus, Langdon, LaRoque, Lewis, McGee, Moore, Pate, Preston, Rayfield, Rhodes, Stam, Vinson, Walend, and West.

Referred to: Appropriations.

February 9, 2005

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR ZERO-BASED BUDGETING.

The General Assembly of North Carolina enacts:

SECTION 1. 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. New and changing demands for public services are met through excessive budget growth rather than by pruning obsolete programs and redirecting existing funds. Some programs were established so long ago that the original statutory basis has either been forgotten or is out-of-date. In time the budget is driven by inertia rather than by clear and defensible purposes. The General Assembly finds that zero-based budgeting is an effective method to counter the tendency toward perpetuation of outdated State programs.

SECTION 2. The Director of the Budget shall subject every program in State government to zero-based budget review no less often than once every five years. In order to implement this, approximately one-fifth of the budget shall be subject to zero-based budgeting in each year beginning in 2007. In 2005, the Governor shall submit a zero-based budget for agencies with a cumulative total of expenditures of at least twenty percent (20%) of the General Fund budget. To accommodate zero-based budget review, the Director of the Budget shall require agencies to prepare and submit a zero-based budget plan in addition to any other information that may be required by statute, rule, or directive. At a minimum, the plan shall contain the following information:

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

- 1 (2) For each activity, a quantitative estimate of any adverse impacts that
2 could reasonably be expected should the activity be discontinued,
3 together with a full description of the methods by which the adverse
4 impact is estimated.
- 5 (3) For each activity, an itemized account of expenditures that would be
6 required to maintain the activity at the minimum level of service
7 required by the statutory authority, together with a concise statement
8 of the quantity and quality of services required at that minimum level.
- 9 (4) For each activity, an itemized account of expenditures required to
10 maintain the activity at current levels of service, together with a
11 concise statement of the quantity and quality of services being
12 provided.
- 13 (5) A ranking of all activities that shows the relative contribution of each
14 activity to the overall goals and purposes of the agency at current
15 service levels.

16 **SECTION 3.** This act is effective when it becomes law.