

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

H

2

HOUSE BILL 1059
Committee Substitute Favorable 4/25/07

Short Title: Zero-Based Budgeting.

(Public)

Sponsors:

Referred to:

March 27, 2007

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 budgeting focuses only on expansion adjustments to the previous year's expenditures. This method of budgeting may no longer be sufficient to manage the competing demands of North Carolina's complex budget, its rapidly expanding education and health care expenditures, and the need to foster economic development. To meet the State's growing needs, it is necessary to examine new approaches to budgeting and management.

SECTION 2.(a) The Director of the Budget shall subject every program in State government to zero-based budget review no less often than once every six years.

SECTION 2.(b) Beginning in 2009, and in each odd year thereafter, the Governor shall submit a zero-based budget for agencies with a cumulative total of expenditures of approximately thirty-three percent (33%) 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.
- (2) For each activity, a quantitative estimate of any adverse impacts that could reasonably be expected should the activity be discontinued, together with a full description of the methods by which the adverse impact is estimated.
- (3) For each activity, an itemized account of expenditures that would be required to maintain the activity at the minimum level of service

1 required by the statutory authority, together with a concise statement
2 of the quantity and quality of services required at that minimum level.

3 (4) For each activity, an itemized account of expenditures required to
4 maintain the activity at current levels of service, together with a
5 concise statement of the quantity and quality of services being
6 provided.

7 (5) A ranking of all activities that shows the relative contribution of each
8 activity to the overall goals and purposes of the agency at current
9 service levels.

10 **SECTION 3.** Each odd year beginning in 2009, the General Assembly shall
11 prepare its budget for the fiscal year which begins on July 1 of that year by starting at
12 zero each agency or program which has been reviewed by the Director that year under
13 this act and subject the same agency program to a thorough legislative review using the
14 same criteria set forth in Section 2(b) of this act.

15 **SECTION 4.** This act is effective when it becomes law.