A BILL TO BE ENTITLED
AN ACT TO AMEND THE NORTH CAROLINA CONSTITUTION TO PROVIDE FOR TAXPAYER PROTECTIONS THAT LIMIT THE GROWTH OF STATE SPENDING TO INFLATION PLUS POPULATION GROWTH, REQUIRE YEARLY DEPOSITS IN A SAVINGS RESERVE OR UNFUNDED LIABILITY RESERVE, RETURN EXCESS REVENUE TO TAXPAYERS, AND SUBMIT TAX INCREASES TO A VOTE OF THE PEOPLE.

The General Assembly of North Carolina enacts:

SECTION 1.(a) The North Carolina Constitution is amended by adding a new Article to read:

"ARTICLE V-A
"TAXPAYER PROTECTIONS

"Section 1. Limit on growth of State spending.

(1) Spending limit. Except as provided in subsection (2) of this section, the maximum annual percentage increase in allowed State fiscal year spending shall not exceed the average inflation growth for the prior three calendar years plus the average growth in State population for the prior three calendar years before the fiscal year start. "Fiscal year spending" applies to total expenditures in the Certified Budget, net appropriations from the Highway Fund and Highway Trust Fund, and net appropriations for current operations and capital from the General Fund. "Inflation growth" means the percentage increase in implicit price deflator for gross domestic product as reported by the United States Bureau of Economic Analysis or its successor. "Population" means the number of people residing in the State, excluding Armed Forces stationed overseas, as reported annually by the United States Census Bureau. "Allowed State fiscal year spending" means the amount permitted under this formula if spending followed the formula every year since the State fiscal year that began July 1, 2018.

(2) Exception. The General Assembly may vote to increase the spending limit established under this section for a fiscal year. An increase in the spending limit for a fiscal year shall be made by an act passed by two-thirds of all the members of each house.

"Sec. 2. Uses of revenue collected in excess of spending limit.

(1) Each budget enacted by the General Assembly shall include a transfer to the Savings Reserve of fifteen percent of each fiscal year's estimated growth in State tax revenues that are deposited in the General Fund, except that if that transfer would cause the balance of the Reserve to exceed fifteen percent of the amount appropriated from the General Fund, excluding General Fund receipts, for capital and operating expenses for the prior fiscal year, then the amount transferred pursuant to this subsection shall be reduced accordingly. The General Assembly may by statute provide for the deposit of additional funds in the Savings Reserve.
(2) The General Assembly may provide for the expenditure of funds from the Savings Reserve, decline to reserve funds to the Savings Reserve, or both. An act providing for the expenditure of funds in the Savings Reserve, declining to reserve funds to the Savings Reserve, or both shall become law only if two-thirds of all the members of each house vote to pass the bill.

(3) No money shall be drawn from the Savings Reserve but in consequence of appropriations made by an act passed by two-thirds of all the members of each house. The constitutional powers of the Governor do not authorize (i) the expenditure of money in the Savings Reserve without an appropriation by the General Assembly or (ii) the diversion for other purposes of money appropriated from the Savings Reserve by the General Assembly.

(4) Any amount up to fifteen percent of each fiscal year’s estimated growth in State tax revenues that are deposited in the General Fund that would cause the Savings Reserve to exceed fifteen percent of the amount appropriated from the General Fund, excluding General Fund receipts, for capital and operating expenses for the prior fiscal year shall be transferred to the Unfunded Liability Solvency Reserve unless the State has no unfunded liability.

(5) Any amount of revenue collected in excess of the spending limit established in Section 1 of this Article and the reserves established in this Section shall be returned equally to every individual who filed a return for the tax year prior to the start of the fiscal year. For this purpose, spouses filing a joint return count as one individual."

SECTION 1.(b) Section 2(1) of Article V of the North Carolina Constitution reads as rewritten:

"(1) Power of taxation. The power of taxation shall be exercised in a just and equitable manner, for public purposes only, and shall never be surrendered, suspended, or contracted away. No law shall be enacted to impose or increase any tax, or to allow the counties, cities, or towns to do so, unless approved by a majority of the qualified voters of the jurisdiction to which the tax or increase pertains."

SECTION 1.(c) Section 22(5) of Article II of the North Carolina Constitution reads as rewritten:

"(5) Other exceptions. Every bill:

(a) In which the General Assembly makes an appointment or appointments to public office and which contains no other matter;

(b) Revising the senate districts and the apportionment of Senators among those districts and containing no other matter;

(c) Revising the representative districts and the apportionment of Representatives among those districts and containing no other matter;

(d) Revising the districts for the election of members of the House of Representatives of the Congress of the United States and the apportionment of Representatives among those districts and containing no other matter;

(e) Increasing the fiscal year spending limit established under Section 1 of Article V-A of this Constitution and containing no other matter;

(f) Declining to reserve funds to the Emergency Savings Reserve Fund, providing for the expenditure of funds from the Emergency Savings Reserve Fund, or both, as provided in Section 2 of Article V-A of this Constitution and containing no other matter,

shall be read three times in each house before it becomes law and shall be signed by the presiding officers of both houses."

SECTION 2. The amendment set out in Section 1 of this act shall be submitted to the qualified voters of the State at the general election in 2022, which election shall be conducted under the laws then governing elections in the State. Ballots, voting systems, or both may be used in accordance with Chapter 163 of the General Statutes. The question to be used in the voting systems and ballots shall be:
"[ ] FOR  [ ] AGAINST

Constitutional amendment adding the Taxpayer Protection Act to the North Carolina Constitution that would limit the growth of State spending to inflation plus population growth, require yearly deposits in a Savings Reserve or Unfunded Liability Reserve, return excess revenue to taxpayers, and submit tax increases to a vote of the people."

SECTION 3. If a majority of votes cast on the question are in favor of the amendment set out in Section 1 of this act, the State Board of Elections shall certify the amendment to the Secretary of State. The Secretary of State shall enroll the amendment so certified among the permanent records of that office. The amendment set out in Section 1 of this act becomes effective upon certification and applies to takings after that date.

SECTION 4. Except as otherwise provided, this act is effective when it becomes law.