

# GENERAL ASSEMBLY OF NORTH CAROLINA

## SESSION 2025

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### SENATE BILL 126

Short Title: Zero-Based Budgeting.

(Public)

Sponsors: Senators Burgin and McInnis (Primary Sponsors).

Referred to: Rules and Operations of the Senate

February 24, 2025

#### A BILL TO BE ENTITLED

AN ACT TO REQUIRE THE USE OF ZERO-BASED BUDGETING FOR STATE AGENCIES  
ON A ROTATING BASIS.

The General Assembly of North Carolina enacts:

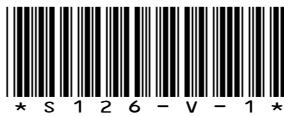
**SECTION 1.** Article 3 of Chapter 143C of the General Statutes is amended by adding a new section to read:

#### **§ 143C-3-3.1. Zero-based budgeting estimates.**

(a) Commencing with the fiscal year beginning July 1, 2025, in each even-numbered year each State agency of the executive branch designated in a scheduled year, as described in subsection (e) of this section, shall prepare and submit to the Office of State Budget and Management (OSBM) a zero-based budget plan for the fiscal biennium beginning July 1 of the following fiscal year. OSBM shall provide technical assistance to support each State agency in completing its zero-based budget plan. For purposes of this section, the term "zero-based budget" means a budget that reflects the amount of funding deemed necessary to achieve the most cost-effective performance of a State agency pursuant to an accompanying narrative delineating the tasks to be performed by the State agency together with the goals and objectives for the State agency for a period not to exceed two years. The budget shall have a zero dollar amount as its basis and shall not reflect any prior appropriation amount, adjusted or otherwise.

(b) At a minimum, a State agency's 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) A list of quantifiable program outcomes that measure the efficiency and effectiveness of each program.
- (4) For each activity, an itemized account of expenditures that would be required to maintain the activity at the minimum level of service required by the statutory authority, together with a concise statement of the quantity and quality of services required at that minimum level.
- (5) For each activity, an itemized account of expenditures required to maintain the activity at current levels of service, together with a concise statement of the quantity and quality of services being provided.
- (6) A ranking of all activities that shows the relative contribution of each activity to the overall goals and purposes of the agency at current service levels.



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1       (c) OSBM shall submit the zero-based budget plans for those State agencies required to  
2 prepare plans pursuant to the schedule set forth in subsection (e) of this section no later than  
3 when the Governor presents budget recommendations to the General Assembly under  
4 G.S. 143C-3-5.

5       (d) All statutory appropriations, as defined in G.S. 143C-1-1(d), shall be excluded from  
6 any zero-based budgeting plans.

7       (e) State agencies shall submit zero-based budget plans pursuant to the following  
8 schedule:

9               (1) In 2025, and every eight years thereafter, for the following Divisions within  
10 the Department of Health and Human Services:

- 11               a. Aging and Adult Services.
- 12               b. Child and Family Well-Being.
- 13               c. Employment and Independence for People with Disabilities.
- 14               d. Health Benefits.
- 15               e. Health Service Regulation.
- 16               f. Services for the Blind.
- 17               g. Services for the Deaf and Hard of Hearing.

18               (2) In 2027, and every eight years thereafter, for the following agencies:

- 19               a. Divisions within the Department of Health and Human Services as  
20 follows:
  - 21               1. Central Management and Support.
  - 22               2. Child Development and Early Education.
  - 23               3. Mental Health, Developmental Disabilities, and Substance Use  
24 Services.
  - 25               4. Public Health.
  - 26               5. Social Services.

27               b. Department of Public Instruction.

28               (3) In 2029, and every eight years thereafter, for the following agencies:

- 29               a. Office of Administrative Hearings.
- 30               b. Department of Adult Correction.
- 31               c. Department of Commerce.
- 32               d. Office of the State Controller.
- 33               e. State Board of Elections.
- 34               f. Office of State Human Resources.
- 35               g. Department of Information Technology.
- 36               h. Department of Justice.
- 37               i. Department of Natural and Cultural Resources.
- 38               j. Department of Revenue.
- 39               k. Department of the Secretary of State.
- 40               l. Department of State Treasurer.
- 41               m. Wildlife Resources Commission.

42               (4) In 2031, and every eight years thereafter, for the following agencies:

- 43               a. Department of Administration.
- 44               b. Department of Agriculture and Consumer Services.
- 45               c. Office of State Auditor.
- 46               d. Office of State Budget and Management.
- 47               e. Department of Environmental Quality.
- 48               f. Housing Finance Agency.
- 49               g. Indigent Defense Services.
- 50               h. Industrial Commission.
- 51               i. Department of Insurance.

1                   j.        Department of Labor.  
2                   k.        Department of Military and Veterans Affairs.  
3                   l.        Department of Public Safety."  
4                   **SECTION 2.** This act is effective when it becomes law.