

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2013

H.B. 274  
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HOUSE PRINCIPAL CLERK

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HOUSE DRH80081-LBx-75 (02/21)

Short Title: Taxpayer Bill of Rights.

(Public)

Sponsors: Representatives Blust, Jones, Holloway, and Starnes (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED  
2 AN ACT TO PROVIDE GOVERNMENTAL ACCOUNTABILITY AND PROTECTION TO  
3 THE TAXPAYERS BY LIMITING INCREASES IN THE GENERAL FUND BUDGET,  
4 TO REFORM THE BUDGET PROCESS, TO ESTABLISH AN EMERGENCY  
5 RESERVE TRUST FUND, AND TO AMEND THE NORTH CAROLINA  
6 CONSTITUTION TO ESTABLISH A GENERAL FUND EXPENDITURE LIMIT.

7 The General Assembly of North Carolina enacts:

8 **SECTION 1.** G.S. 143C-1-1(d) is amended by adding the following new  
9 subdivisions to read:

10 "(12a) Fiscal growth factor. – The average of the sum of inflation and population  
11 change for each of the preceding three calendar years. If either inflation or  
12 the population change for the preceding three calendar years is negative,  
13 then that change shall be counted as zero.

14 (16b) Inflation. – The percentage change in the consumer price index for the  
15 United States for each calendar year as published by the Federal Bureau of  
16 Labor Statistics.

17 (21a) Population change. – The percentage change in State population for each  
18 calendar year as reported by the Office of State Budget and Management."

19 **SECTION 2.** Article 4 of Chapter 143C of the General Statutes is amended by  
20 adding the following new sections to read:

21 **§ 143C-4-8. Determination of General Fund expenditure limit.**

22 (a) General Fund Expenditure Limit. – The General Fund expenditure limit for each  
23 fiscal year shall be the previous fiscal year's General Fund expenditure limit increased by a  
24 percentage rate that equals the fiscal growth factor.

25 (b) Base Fiscal Year for General Fund Expenditure Limit. – The total authorized  
26 General Fund for the fiscal year beginning July 1, 2015, increased by the fiscal growth factor  
27 shall be used to determine the General Fund expenditure limit for the fiscal year beginning July  
28 1, 2016, which will then be used to determine the General Fund expenditure limit for  
29 succeeding fiscal years.

30 (c) Decreases in General Fund Expenditure Limit. – If, on or after December 31, 2015,  
31 the cost of any State program or function is shifted from the General Fund to another source of  
32 funding, including, but not limited to, counties or other units of local government, or if moneys  
33 are transferred from the General Fund to another fund or account, the General Fund  
34 expenditure limit shall be reduced by a like amount.

35 (d) Fiscal Reports. – On or before March 15 of each year, the Fiscal Research Division  
36 and the Office of State Budget and Management shall issue a determination of the General



1 Fund expenditure limit for the fiscal year beginning July 1 of that year and a projection of the  
2 General Fund expenditure limit for the next fiscal year. If the Fiscal Research Division and the  
3 Office of State Budget and Management do not agree on the General Fund expenditure limit,  
4 the lowest determination and projection shall be used.

5 **"§ 143C-4-9. Increase in General Fund expenditure limited.**

6 (a) Governor Bound by General Fund Expenditure Limit. – In preparing the budget for  
7 a fiscal year, the Governor shall not propose expenditures from the General Fund for the  
8 ensuing fiscal period in excess of the projected General Fund expenditure limit established  
9 under G.S. 143C-4-8.

10 (b) General Assembly Bound by General Fund Expenditure Limit. – In enacting the  
11 budget for a fiscal year, the General Assembly shall not make appropriations from the General  
12 Fund in excess of the General Fund expenditure limit established under G.S. 143C-4-8.

13 (c) No State Moneys to Be Paid in Excess of General Fund Expenditure Limit. – Except  
14 as provided in G.S. 143C-4-10, no money shall be drawn from the State treasury if the  
15 withdrawal will result in a State expenditure for any fiscal year in excess of the General Fund  
16 expenditure limit established under G.S. 143C-4-8. Except as provided in G.S. 143C-4-10, the  
17 Governor, the State Treasurer, and the State Controller shall not issue or redeem any draft,  
18 check, warrant, or voucher that will result in a State expenditure for any fiscal year in excess of  
19 the General Fund expenditure limit established under G.S. 143C-4-8.

20 (d) Revenue in Excess of General Fund Expenditure Limit Credited to Emergency  
21 Reserve Trust Fund. – All General Fund revenue collected in excess of the General Fund  
22 expenditure limit shall be credited to the Emergency Reserve Trust Fund at the end of each  
23 fiscal year.

24 **"§ 143C-4-10. Two-thirds vote of General Assembly required to exceed General Fund**  
25 **expenditure limit.**

26 The General Assembly may, by an affirmative vote of two-thirds of the members of each  
27 house, make General Fund appropriations for nonrecurring expenses in excess of the General  
28 Fund expenditure limit for a period not to exceed 12 months beginning on the effective date of  
29 the appropriations."

30 **SECTION 3.** G.S. 143C-4-2 reads as rewritten:

31 **"§ 143C-4-2. ~~Savings Reserve Account~~ Emergency Reserve Trust Fund and**  
32 **appropriation of General Fund unreserved fund balance.**

33 (a) Creation and Source of Funds. – The ~~Savings Reserve Account~~Emergency Reserve  
34 Trust Fund is established as a reserve in the General Fund. The Controller shall reserve to the  
35 ~~Savings Reserve Account~~Emergency Reserve Trust Fund one-fourth of any unreserved fund  
36 balance, as determined on a cash basis, remaining in the General Fund at the end of each fiscal  
37 year. The Emergency Reserve Trust Fund shall also include revenue in excess of the General  
38 Fund expenditure limit credited in accordance with G.S. 143C-4-9(c).

39 (b) ~~Use of Funds. Two-Thirds Vote Required to Appropriate Funds From the~~  
40 ~~Emergency Reserve Trust Fund. – The ~~Savings Reserve Account~~Emergency Reserve Trust~~  
41 ~~Fund is a component of the unappropriated General Fund balance. Funds reserved to the~~  
42 ~~Savings Reserve Account~~Emergency Reserve Trust Fund shall be available for expenditure  
43 only upon an act of appropriation by the General Assembly. ~~Assembly that passes by an~~  
44 ~~affirmative vote of two-thirds of the members of each house.~~

45 (c) ~~Goal for Savings Reserve Account Balance. – The General Assembly recognizes the~~  
46 ~~need to establish and maintain sufficient reserves to address unanticipated events and~~  
47 ~~circumstances such as natural disasters, economic downturns, threats to public safety, health,~~  
48 ~~and welfare, and other emergencies. It is a goal of the General Assembly and the State to~~  
49 ~~accumulate and maintain a balance in the Savings Reserve Account equal to or greater than~~  
50 ~~eight percent (8%) of the prior year's General Fund operating budget.~~

1        (d) Transfers From Emergency Reserve Trust Fund Permissible to Pay Appropriations  
2 When Budgeted Funds Are Insufficient. – If the Director of the Budget determines that (i)  
3 pursuant to the provisions of G.S. 143C-6-2, the aggregate revenues collected and available  
4 during a fiscal year are not sufficient to pay all of the appropriations for that fiscal year in full  
5 or (ii) pursuant to the provisions of Section 5(3) of Article III of the North Carolina  
6 Constitution, receipts during a fiscal year when added to the surplus remaining in the State  
7 treasury at the beginning of the fiscal year will not be sufficient to meet budgeted expenditures,  
8 the Director may, in the Director's discretion, transfer funds from the Emergency Reserve Trust  
9 Fund to pay the appropriations for the fiscal year to the extent funds are available. If the  
10 Director of the Budget decides not to transfer the funds from the Emergency Reserve Trust  
11 Fund as provided in this section, the Director shall proceed as provided in G.S. 143C-6-2 or  
12 Section 5(3) of Article III of the North Carolina Constitution to administer the budget so as to  
13 prevent any overdraft or deficit.

14        (e) Excess Funds to Be Returned to Taxpayers. – If the total funds in the Emergency  
15 Reserve Trust Fund at the end of the fiscal year exceed an amount equal to five percent (5%) of  
16 the total General Fund appropriation for the prior fiscal year, the excess over five percent (5%)  
17 shall be reserved to provide tax relief to the citizens of North Carolina."

18        **SECTION 4.** The funds in the Savings Reserve Account are transferred to the  
19 Emergency Reserve Trust Fund established by G.S. 143C-4-2.

20        **SECTION 5.** The State Budget Act, Chapter 143C of the General Statutes, is  
21 amended by adding the following new section to read:

22 **"§ 143C-3-6. Collections for prior calendar year to be revenue estimates for next fiscal**  
23 **year.**

24        (a) In preparing the budget for a fiscal year, the Governor shall use as the State funds  
25 revenue estimate for the General Fund no more than the total State funds received for the  
26 calendar year ending December 31 immediately prior to the fiscal year, with the following  
27 changes only:

28            (1) If any revenue decreases were effective for only part of that calendar year,  
29 the revenue estimate shall be reduced by an annualized total of the impact of  
30 such decreases.

31            (2) If the budget proposes any revenue reductions to be effective during the  
32 fiscal year, the revenue estimate shall be reduced by the total estimated  
33 amount of such reductions during the fiscal year.

34            (3) Any onetime revenues in the prior calendar year shall not be included in the  
35 revenue estimates.

36            (4) If the budget proposes any revenue increases due to increases in taxes or fees  
37 to be enacted or new taxes or fees to be enacted, an estimate of collections of  
38 such increased or new taxes or fees may be made.

39        (b) In enacting the budget for a fiscal year, the General Assembly shall use as the  
40 revenue estimate no more than the total State funds received for the calendar year ending  
41 December 31 immediately prior to the fiscal year, with the following changes only:

42            (1) If any revenue decreases were effective for only part of that calendar year,  
43 the revenue estimate shall be reduced by an annualized total of the impact of  
44 such decreases.

45            (2) If the budget proposes or assumes any revenue reductions to be effective  
46 during the fiscal year, the revenue estimate shall be reduced by the total  
47 estimated amount of such reductions during the fiscal year.

48            (3) Any onetime revenues in the prior calendar year shall not be included in the  
49 revenue estimates.

50            (4) If the budget proposes any revenue increases due to increases in taxes or fees  
51 to be enacted or new taxes or fees to be enacted, an estimate of collections of

1 such increased or new taxes or fees may be made, but the revenue estimate  
2 for that fiscal year may not exceed the lower of an estimate made by the  
3 Fiscal Research Division or an estimate made by the Office of State Budget  
4 and Management.

5 (c) If the budget contains an estimate of any credit balance at the end of the fiscal year  
6 ending immediately prior to the beginning of the fiscal year covered by the budget, one-half of  
7 that credit balance may be proposed only for capital projects or other projects with a fiscal  
8 impact only in that fiscal year.

9 (d) Revenue from borrowings in the prior calendar year shall not be included in the  
10 estimates unless expenditure of the funds is proposed during the fiscal year covered by the  
11 proposed budget. Proposed revenue from borrowing in the proposed budget shall only be  
12 included to the extent that appropriations against such borrowings are budgeted.

13 (e) If the General Assembly appropriates any credit balance in the State treasury at the  
14 end of the fiscal year ending immediately prior to the beginning of the fiscal year covered by  
15 the budget, one-half of that credit balance may be appropriated only for capital projects or other  
16 projects with a fiscal impact only in that fiscal year."

17 **SECTION 6.** Article V of the North Carolina Constitution is amended by adding a  
18 new section to read:

19 **"Sec. 15. General Fund expenditure limit.**

20 (1) Definitions. The following definitions apply in this section:

21 (a) Fiscal growth factor. The average of the sum of inflation and population  
22 change for each of the preceding three calendar years. If either inflation or  
23 the population change for the preceding three calendar years is negative,  
24 then that change shall be counted as zero.

25 (b) Inflation. The percentage change in the consumer price index for the United  
26 States for each calendar year as published by the Federal Bureau of Labor  
27 Statistics.

28 (c) Population change. The percentage change in State population for each  
29 calendar year as reported by the Office of State Budget and Management.

30 (2) General Fund expenditure limit. The General Fund expenditure limit for each fiscal  
31 year shall be the previous year's General Fund expenditure limit increased by a percentage rate  
32 that equals the fiscal growth factor. The Governor shall not propose expenditures from the  
33 General Fund for the ensuing fiscal period in excess of the projected General Fund expenditure  
34 limit. In enacting the budget for the fiscal year, the General Assembly shall not make  
35 appropriations from the General Fund in excess of the General Fund limit.

36 (3) Base fiscal year for General Fund expenditure limit. The total authorized General  
37 Fund budget for the fiscal year beginning July 1, 2015, increased by the fiscal growth factor,  
38 shall be used to determine the General Fund expenditure limit for the fiscal year beginning July  
39 1, 2016, which will then be used to determine the General Fund expenditure limit for  
40 succeeding fiscal years.

41 (4) Decreases in General Fund expenditure limit. If, on or after December 31, 2015, the  
42 cost of any State program or function is shifted from the General Fund to another source of  
43 funding, including, but not limited to, counties or other units of local government or if moneys  
44 are transferred from the General Fund to another fund or account, the General Fund  
45 expenditure limit shall be reduced by a like amount.

46 (5) Two-thirds vote of General Assembly required to exceed General Fund expenditure  
47 limit. The General Assembly may, by an affirmative vote of two-thirds of the members of each  
48 house, make General Fund appropriations for nonrecurring expenses in excess of the General  
49 Fund expenditure limit for a period not to exceed 12 months beginning on the effective date of  
50 the appropriations.

