

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

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1

HOUSE BILL 764

Short Title: Taxpayer Protection Act.

(Public)

Sponsors: Representatives Russell, Blust; Allen, Allred, Arnold, Barbee, Barnhart, Bowie, Brubaker, Buchanan, Cansler, Capps, Carpenter, Clary, Crawford, Creech, Culp, Daughtry, Davis, Decker, Dockham, Eddins, Edwards, Ellis, Fox, Gillespie, Grady, Gray, Gulley, Harrington, Hiatt, Hill, Hilton, Holmes, Howard, Hurley, Johnson, Justus, Kiser, McComas, McCombs, McMahan, Miner, Mitchell, Morris, Owens, Pope, Preston, Rayfield, Setzer, Sexton, Sherrill, Shubert, Starnes, Teague, Thompson, Walend, Walker, Warner, Weatherly, West, C. Wilson, and G. Wilson.

Referred to: Rules, Calendar, and Operations of the House.

March 26, 2001

A BILL TO BE ENTITLED

1
2 AN ACT TO PROVIDE GOVERNMENTAL ACCOUNTABILITY AND
3 PROTECTION TO THE TAXPAYERS BY LIMITING INCREASES IN THE
4 GENERAL FUND BUDGET, REFORMING THE BUDGET PROCESS, AND
5 ESTABLISHING AN EMERGENCY RESERVE TRUST FUND.

6 The General Assembly of North Carolina enacts:

7 **SECTION 1.** Article 1 of Chapter 143 of the General Statutes is amended by
8 adding the following new sections:

9 "**§ 143-2.1. Definitions and determination of the General Fund expenditure limit.**

10 (a) Definitions. – The following definitions apply in this section and in G.S. 143-
11 2.3, 143-2.4, and 143-15.3A:

12 (1) Credit balance. – That part of the credit balance, as determined on a
13 cash basis, not already reserved to the Emergency Reserve Trust Fund
14 or the Repairs and Renovations Reserve Account, excluding excess
15 revenue that is over the General Fund expenditure limit.

16 (2) Fiscal growth factor. – The average of the sum of inflation and
17 population change for each of the preceding three calendar years. If
18 either inflation or the population change for the preceding three
19 calendar years is negative, then that change shall be counted as zero.

1 (3) Inflation. – The percentage change in the consumer price index for the
2 United States for each calendar year as published by the Federal
3 Bureau of Labor Statistics.

4 (4) Population change. – The percentage change in State population for
5 each calendar year as reported by the Office of State Planning.

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

9 (c) Base Fiscal Year for General Fund Expenditure Limit. – The total authorized
10 General Fund budget for the fiscal year beginning July 1, 2000, increased by the fiscal
11 growth factor shall be used to determine the General Fund expenditure limit for the
12 fiscal year beginning July 1, 2001, which will then be used to determine the General
13 Fund expenditure limit for succeeding fiscal years.

14 (d) Decreases in General Fund Expenditure Limit. – If, on or after December 31,
15 2000, the cost of any State program or function is shifted from the General Fund to
16 another source of funding, including, but not limited to, counties or other units of local
17 government, or if moneys are transferred from the General Fund to another fund or
18 account, the General Fund expenditure limit shall be reduced by a like amount.

19 (e) Fiscal Reports. – On or before March 15 of each year, the Fiscal Research
20 Division and the Office of State Budget, Planning, and Management shall issue a
21 determination of the General Fund expenditure limit for the fiscal year beginning July 1
22 of that year and a projection of the General Fund expenditure limit for the next fiscal
23 year. If the Fiscal Research Division and the Office of State Budget, Planning, and
24 Management do not agree on the General Fund expenditure limit, the lowest
25 determination and projection shall be used.

26 **"§ 143-2.2. Increase in General Fund expenditure limited.**

27 (a) Governor Bound by General Fund Expenditure Limit. – In preparing the
28 budget for a fiscal year, the Governor shall not propose expenditures from the General
29 Fund for the ensuing fiscal period in excess of the projected General Fund expenditure
30 limit established under G.S. 143-2.1.

31 (b) General Assembly Bound by General Fund Expenditure Limit. – In enacting
32 the budget for the fiscal year, the General Assembly shall not make appropriations from
33 the General Fund in excess of the General Fund expenditure limit established under
34 G.S. 143-2.1.

35 (c) No State Moneys to Be Paid in Excess of General Fund Expenditure Limit. –
36 Except as provided in G.S. 143-2.5, no money shall be drawn from the State treasury if
37 the withdrawal will result in a State expenditure for any fiscal year in excess of the
38 General Fund expenditure limit established under G.S. 143-2.1. Except as provided in
39 G.S. 143-2.5, the Governor, the State Treasurer, and the State Controller shall not issue
40 or redeem any draft, check, warrant, or voucher that will result in a State expenditure for
41 any fiscal year in excess of the General Fund expenditure limit established under G.S.
42 143-2.1.

43 (d) Revenue in Excess of General Fund Expenditure Limit Credited to
44 Emergency Reserve Trust Fund. – All General Fund revenue collected in excess of the

1 General Fund expenditure limit shall be credited to the Emergency Reserve Trust Fund
2 at the end of each fiscal year.

3 **"§ 143-2.3. Use of General Fund credit balance.**

4 The State Controller shall reserve one-fourth of any credit balance remaining in the
5 General Fund at the end of each fiscal year to the Emergency Reserve Trust Fund. The
6 State Controller shall reserve three percent (3%) of the replacement value of all State
7 buildings supported from the General Fund at the end of each fiscal year to the Repairs
8 and Renovations Reserve Account as provided in G.S. 143-15.3A.

9 **"§ 143-2.4. Emergency Reserve Trust Fund.**

10 (a) Emergency Reserve Trust Fund Established. – There is established in the
11 Department of State Treasurer a noninterest-bearing fund known as the Emergency
12 Reserve Trust Fund. The Emergency Reserve Trust Fund shall include the funds
13 reserved by the State Controller in accordance with G.S. 143-2.3. The Emergency
14 Reserve Trust Fund shall also include revenue in excess of the General Fund
15 expenditure limit credited in accordance with G.S. 143-2.2.

16 (b) Transfers From Emergency Reserve Trust Fund Permissible to Pay
17 Appropriations When Budgeted Funds Are Insufficient. – If the Director of the Budget
18 determines that: (i) pursuant to the provisions of G.S. 143-25, the aggregate revenues
19 collected and available during a fiscal year are not sufficient to pay all of the
20 appropriations for that fiscal year in full; or (ii) pursuant to the provisions of Section
21 5(3) of Article III of the North Carolina Constitution, receipts during a fiscal year when
22 added to the surplus remaining in the State treasury at the beginning of the fiscal year
23 will not be sufficient to meet budgeted expenditures, the Director may, in the Director's
24 discretion, transfer funds from the Emergency Reserve Trust Fund to pay the
25 appropriations for the fiscal year to the extent funds are available. If the Director of the
26 Budget decides not to transfer the funds from the Emergency Reserve Trust Fund as
27 provided in this section, the Director shall proceed as provided in G.S. 143-25 or
28 Section 5(3) of Article III of the North Carolina Constitution to administer the budget so
29 as to prevent any overdraft or deficit.

30 (c) Two-Thirds Vote Required to Appropriate Funds From the Emergency
31 Reserve Trust Fund. – The General Assembly may make appropriations out of the
32 Emergency Reserve Trust Fund only by the affirmative vote of two-thirds of the
33 members of each house.

34 (d) Excess Funds to Be Returned to Taxpayers. – If the total funds in the
35 Emergency Reserve Trust Fund at the end of the fiscal year exceeds an amount equal to
36 five percent (5%) of the total General Fund appropriation for the prior fiscal year, the
37 excess over five percent (5%) shall be reserved to provide tax relief to the citizens of
38 North Carolina.

39 **"§ 143-2.5. Two-thirds vote of General Assembly required to exceed General Fund**
40 **expenditure limit.**

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

1 **SECTION 2.** G.S. 143-15.2 and G.S. 143-15.3 are repealed. The funds in
2 the Savings Reserve Account are transferred to the Emergency Reserve Trust Fund
3 established by G.S. 143-2.4 as enacted by Section 1 of this act.

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