

**GENERAL ASSEMBLY OF NORTH CAROLINA**  
**SESSION 2007**

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**HOUSE BILL 1059**

Short Title: Zero-Based Budgeting. (Public)

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Sponsors: Representatives Blust, J. Harrell, Gulley, Crawford (Primary Sponsors); Blackwood, Cleveland, Current, Dollar, Faison, Folwell, Glazier, Hilton, Holloway, Hurley, Justice, Langdon, Lewis, Moore, Neumann, Samuelson, Spear, and Starnes.

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Referred to: Ways and Means, if favorable, Appropriations.

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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 five years. In order to implement this, approximately one-fifth of the budget shall be subject to zero-based budgeting in each year beginning in 2008. In 2009, the Governor shall submit a zero-based budget for agencies with a cumulative total of expenditures of at least twenty percent (20%) of the General Fund budget.

**SECTION 2.(b)** Each year thereafter, the Governor shall submit a zero-based budget for agencies with a cumulative total of expenditures of approximately twenty percent (20%) 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.

- 1           (2) For each activity, a quantitative estimate of any adverse impacts that  
2           could reasonably be expected should the activity be discontinued,  
3           together with a full description of the methods by which the adverse  
4           impact is estimated.
- 5           (3) For each activity, an itemized account of expenditures that would be  
6           required to maintain the activity at the minimum level of service  
7           required by the statutory authority, together with a concise statement  
8           of the quantity and quality of services required at that minimum level.
- 9           (4) For each activity, an itemized account of expenditures required to  
10          maintain the activity at current levels of service, together with a  
11          concise statement of the quantity and quality of services being  
12          provided.
- 13          (5) A ranking of all activities that shows the relative contribution of each  
14          activity to the overall goals and purposes of the agency at current  
15          service levels.

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

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