

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

H

1

HOUSE BILL 3\*

Short Title: Taxpayer Protection Act.

(Public)

---

Sponsors: Representatives Russell, McCombs, Daughtry, Hayes, Brawley, Rayfield, Davis, Capps, Cocklereece; Aldridge, Arnold, Baker, Barbee, Berry, Bowie, J. Brown, Buchanan, Cansler, Carpenter, Church, Clary, Crawford, Creech, Culp, Cummings, Decker, Dickson, Eddins, Esposito, Gardner, Grady, Gray, Hiatt, Hill, Holmes, Ives, Justus, Lemmond, Linney, McComas, McMahan, K. Miller, Miner, Mitchell, Morgan, Neely, Nichols, Pate, Preston, Pulley, Reynolds, Robinson, Sexton, Sharpe, Shubert, Snowden, Tallent, Thompson, Warner, C. Wilson, G. Wilson, and Wood.

---

Referred to: Finance.

---

January 26, 1995

A BILL TO BE ENTITLED

1 AN ACT TO PROVIDE GOVERNMENTAL ACCOUNTABILITY AND  
2 PROTECTION TO THE TAXPAYERS BY LIMITING INCREASES IN THE  
3 GENERAL FUND BUDGET, REFORMING THE BUDGET PROCESS,  
4 ESTABLISHING AN EMERGENCY RESERVE TRUST FUND, AND  
5 PROHIBITING UNFUNDED STATE MANDATES.  
6

7 The General Assembly of North Carolina enacts:

8 Section 1. Article 1 of Chapter 143 of the General Statutes is amended by  
9 adding the following new sections:

10 "**§ 143-2.1. Definitions and determination of the General Fund expenditure limit.**

11 (a) Definitions. – The following definitions apply in this section and in G.S. 143-  
12 2.3, 143-2.4, and 143-15.3A:

13 (1) Credit balance. – That part of the credit balance, as determined on a  
14 cash basis, not already reserved to the Emergency Reserve Trust Fund

1           or the Repairs and Renovations Reserve Account, excluding excess  
2           revenue that is over the General Fund expenditure limit.

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

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

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

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

15          (c) Base Fiscal Year for General Fund Expenditure Limit. – The total authorized  
16          General Fund budget for the fiscal year beginning July 1, 1995, plus the fiscal growth  
17          factor shall be used to determine the General Fund expenditure limit for the fiscal year  
18          beginning July 1, 1996, which will then be used to determine the General Fund  
19          expenditure limit for succeeding fiscal years.

20          (d) Decreases in General Fund Expenditure Limit. – If, on or after December 31,  
21          1994, the cost of any State program or function is shifted from the General Fund to  
22          another source of funding, including, but not limited to counties or other units of local  
23          government, or if moneys are transferred from the General Fund to another fund or  
24          account, the General Fund expenditure limit shall be reduced by a like amount.

25          (e) Increases in General Fund Expenditure Limit. – To the extent that any percent  
26          increase in appropriations for a fiscal year resulting from compliance with an existing or  
27          new mandate imposed by any court or by federal law exceeds the fiscal growth factor, the  
28          General Fund expenditure limit for that fiscal year shall be increased by the dollar  
29          amount represented by the excess percentage. For all subsequent fiscal years, the  
30          General Fund expenditure limit shall then be increased to reflect that dollar adjustment.

31          (f) Fiscal Reports. – On or before March 15 of each year, the Fiscal Research  
32          Division and the Office of State Budget and Management shall issue a determination of  
33          the General Fund expenditure limit for the fiscal year beginning July 1 of that year and a  
34          projection of the General Fund expenditure limit for the next fiscal year. If the Fiscal  
35          Research Division and the Office of State Budget and Management do not agree on the  
36          General Fund expenditure limit, the lowest determination and projection shall be used.

37          **§ 143-2.2. Increase in General Fund expenditures limited.**

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

42          (b) General Assembly Bound by General Fund Expenditure Limit. – In enacting  
43          the budget for the fiscal year, the General Assembly shall not make appropriations from

1 the General Fund in excess of the General Fund expenditure limit established under G.S.  
2 143-2.1.

3 (c) No State Moneys to Be Paid in Excess of General Fund Expenditure Limit. –  
4 No money shall be drawn from the State treasury if the withdrawal will result in a State  
5 expenditure for any fiscal year in excess of the General Fund expenditure limit  
6 established under G.S. 143-2.1. The Governor, the State Treasurer, and the State  
7 Controller shall not issue or redeem any draft, check, warrant, or voucher that will result  
8 in a State expenditure for any fiscal year in excess of the General Fund expenditure limit  
9 established under G.S. 143-2.1.

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

14 **"§ 143-2.3. Use of General Fund credit balance.**

15 The State Controller shall reserve one-fourth of any credit balance remaining in the  
16 General Fund at the end of each fiscal year to the Emergency Reserve Trust Fund. The  
17 State Controller shall reserve the lesser of (i) one-fourth of any credit balance  
18 remaining in the General Fund or (ii) one and one-half percent (1.5%) of the replacement  
19 value of all State buildings supported from the General Fund at the end of each fiscal year  
20 to the Repairs and Renovations Reserve Account as provided in G.S. 143-15.3A. The  
21 General Assembly may appropriate that part of the anticipated General Fund credit  
22 balance not expected to be reserved to the Emergency Reserve Trust Fund or reserved to  
23 the Repairs and Renovations Reserve Account only for capital improvements or other  
24 nonrecurring expenditures within the General Fund expenditure limit.

25 **"§ 143-2.4. Emergency Reserve Trust Fund.**

26 (a) Emergency Reserve Trust Fund Established. – There is established in the  
27 Office of the State Treasurer a noninterest-bearing fund known as the Emergency  
28 Reserve Trust Fund. The Emergency Reserve Trust Fund shall include the funds  
29 reserved by the State Controller in accordance with G.S. 143-2.3. The Emergency  
30 Reserve Trust Fund shall also include revenue in excess of the General Fund expenditure  
31 limit credited in accordance with G.S. 143-2.2.

32 (b) Transfers From Emergency Reserve Trust Fund Permissible to Pay  
33 Appropriations When Budgeted Funds Are Insufficient. – If the Director of the Budget  
34 determines that: (i) pursuant to the provisions of G.S. 143-25, the aggregate revenues  
35 collected and available during a fiscal year are not sufficient to pay all of the  
36 appropriations for that fiscal year in full; or (ii) pursuant to the provisions of Article III,  
37 Section 5(3) of the Constitution of North Carolina, receipts during a fiscal year when  
38 added to the surplus remaining in the State treasury at the beginning of the fiscal year will  
39 not be sufficient to meet budgeted expenditures, the Director may, in the Director's  
40 discretion, transfer funds from the Emergency Reserve Trust Fund to pay the  
41 appropriations for the fiscal year to the extent funds are available. If the Director of the  
42 Budget decides not to transfer the funds from the Emergency Reserve Trust Fund as  
43 provided in this section, the Director shall proceed as provided in G.S. 143-25 or Article

1 III, Section 5(3) of the Constitution of North Carolina to administer the budget so as to  
2 prevent any overdraft or deficit.

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

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

12 **"§ 143-2.5. Two-thirds vote of General Assembly required to exceed General Fund**  
13 **expenditure limit.**

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

18 **"§ 143-2.6. Unfunded State mandates prohibited.**

19 (a) General Laws. – No county or unit of local government shall be bound by any  
20 general law enacted after December 31, 1994, requiring the county or unit of local  
21 government to spend funds unless (i) funds have been appropriated by the General  
22 Assembly that have been estimated at the time of enactment to be sufficient to fund the  
23 expenditure, or (ii) the expenditure is required to comply with a federal law requirement  
24 or is required for eligibility for a federal entitlement, which federal requirement  
25 specifically contemplates actions by counties or units of local government for  
26 compliance.

27 (b) Local Acts. – No county or unit of local government shall be bound by a local  
28 act enacted after December 31, 1994, requiring the expenditure of funds unless the local  
29 act has been approved by the county or unit of local government affected by the act."

30 Sec. 2. G.S. 143-15.3A(a) reads as rewritten:

31 "(a) There is established a Repairs and Renovations Reserve Account as a restricted  
32 reserve in the General Fund. The State Controller shall reserve to the Repairs and  
33 Renovations Reserve Account at the end of each fiscal year the lesser of (i) one-fourth of  
34 any unreserved credit balance remaining in the General Fund at the end of each fiscal year.  
35 or (ii) one and one-half percent (1.5%) of the replacement value of all State buildings  
36 supported from the General Fund. As used in this section, the term "unreserved credit  
37 balance" means the credit balance amount, as determined on a cash basis, before funds are  
38 reserved by the Controller to the Savings Reserve Account or the Repairs and Renovations  
39 Reserve Account pursuant to this section and G.S. 143-15.3."

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

43 Sec. 4. This act is effective upon ratification.