

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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SENATE BILL 1419

Short Title: Taxpayer Protection Act.

(Public)

Sponsors: Senators Horton; Allran, Ballantine, Carpenter, Carrington, Cochrane, East, Forrester, Foxx, Garwood, Hartsell, Moore, Rucho, Shaw of Guilford, and Webster.

Referred to: Finance.

May 25, 2000

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 143-15.3B:

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,
15 the Repairs and Renovations Reserve Account, or the Clean Water
16 Management Trust Fund, excluding excess revenue that is over the
17 General Fund expenditure limit.

18 (2) Fiscal growth factor. – The average of the sum of inflation and
19 population change for each of the preceding three calendar years. If

1 either inflation or the population change for the preceding three calendar
2 years is negative, then that change shall be counted as zero.

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

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

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

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

16 (d) Decreases in General Fund Expenditure Limit. – If, on or after July 1, 2000,
17 the cost of any State program or function is shifted from the General Fund to another
18 source of funding, including, but not limited to, counties or other units of local
19 government, or if moneys are transferred from the General Fund to another fund or
20 account, the General Fund expenditure limit shall be reduced by a like amount.

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

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

33 **"§ 143-2.2. Increase in General Fund expenditures limited.**

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

38 (b) General Assembly Bound by General Fund Expenditure Limit. – In enacting
39 the budget for the fiscal year, the General Assembly shall not make appropriations from
40 the General Fund in excess of the General Fund expenditure limit established under G.S.
41 143-2.1.

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

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

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

4 (a) The State Controller shall transfer funds from the credit balance to the
5 Emergency Reserve Trust Fund in accordance with G.S. 143-2.4.

6 (b) The State Controller shall transfer funds from the credit balance to the Repairs
7 and Renovation Reserve Account in accordance with G.S. 143-15.3A(a).

8 (c) The State Controller shall transfer funds from the credit balance to the Clean
9 Water Management Trust Fund in accordance with G.S. 143-15.3B(a).

10 (d) If there are insufficient funds in the credit balance for the Emergency Reserve
11 Trust Fund, the Repairs and Renovations Reserve Account, and the Clean Water
12 Management Trust Fund, then the requirements of G.S. 143-2.4 shall be complied with
13 first, and any remaining funds shall be reserved and transferred to the Repairs and
14 Renovations Reserve Account, in accordance with G.S. 143-15.3A, and the Clean Water
15 Management Trust Fund, in accordance with G.S. 143-15.3B.

16 (e) The General Assembly may appropriate that part of the anticipated General
17 Fund credit balance not expected to be reserved to the Emergency Reserve Trust Fund,
18 the Repairs and Renovations Reserve Account, or the Clean Water Management Trust
19 Fund only for capital improvements or other nonrecurring expenditures within the
20 General Fund expenditure limit.

21 **"§ 143-2.4. Emergency Reserve Trust Fund.**

22 (a) Emergency Reserve Trust Fund Established. – There is established in the
23 Office of the State Treasurer a noninterest-bearing fund known as the Emergency
24 Reserve Trust Fund. The State Controller shall reserve one-fourth of any credit balance
25 remaining in the General Fund at the end of each fiscal year to the Emergency Reserve
26 Trust Fund. The Emergency Reserve Trust Fund shall include the funds reserved by the
27 State Controller in accordance with this section and shall also include revenue in excess
28 of the General Fund expenditure limit credited in accordance with G.S. 143-2.2.

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

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

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

10 **"§ 143-2.5. Two-thirds vote of General Assembly required to exceed General Fund**
11 **expenditure limit.**

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

16 **"§ 143-2.6. Unfunded State mandates prohibited.**

17 (a) General Laws. – No county or unit of local government shall be bound by any
18 general law enacted after July 1, 2000, requiring the county or unit of local government
19 to spend funds unless (i) funds have been appropriated by the General Assembly that
20 have been estimated at the time of enactment to be sufficient to fund the expenditure, or
21 (ii) the expenditure is required to comply with a federal law requirement or is required for
22 eligibility for a federal entitlement, which federal requirement specifically contemplates
23 actions by counties or units of local government for compliance.

24 (b) Local Acts. – No county or unit of local government shall be bound by a local
25 act enacted after July 1, 2000, requiring the expenditure of funds unless the local act has
26 been approved by the county or unit of local government affected by the act."

27 Section 2. G.S. 143-15.3B(a) reads as rewritten:

28 "(a) The Clean Water Management Trust Fund is established in G.S. 113-145.3.
29 The State Controller shall reserve to the Clean Water Management Trust Fund six and
30 one-half percent (6.5%) of any ~~unreserved~~ credit balance remaining in the General Fund at
31 the end of each fiscal year or thirty million dollars (\$30,000,000), whichever is greater."

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

35 Section 4. This act is effective when it becomes law.