

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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SENATE BILL 1596

Short Title: Taxpayers Protection Act.

(Public)

Sponsors: Senators Speed, Hoyle, Warren; Albertson, Cochrane, and Shaw.

Referred to: Ways and Means.

May 26, 1994

A BILL TO BE ENTITLED

AN ACT TO PROVIDE GOVERNMENTAL ACCOUNTABILITY AND PROTECTION TO THE TAXPAYERS BY LIMITING INCREASES IN THE GENERAL FUND BUDGET, REFORMING THE BUDGET PROCESS, ESTABLISHING A RAINY DAY EMERGENCY RESERVE TRUST FUND, AND APPROPRIATING FUNDS TO THE SAVINGS RESERVE ACCOUNT.

The General Assembly of North Carolina enacts:

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

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

(a) The following definitions apply in G.S. 143-2.1, 143-2.3, 143-2.4, and 143-15.3A:

- (1) Credit balance. – That part of the credit balance, as determined on a cash basis, not already reserved to the Rainy Day Emergency Reserve Trust Fund or the Repairs and Renovations Reserve Account, excluding excess revenue that is over the General Fund expenditure limit.
- (2) Fiscal growth factor. – The average of the sum of inflation and population change for each of the preceding three calendar years. If either the inflation change or the population change for the preceding three calendar years is negative, then that change shall be counted as zero.

1 (3) Inflation. – The percentage in the consumer price index for the United
2 States for each calendar year as published by the Federal Bureau of
3 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) The General Fund expenditure limit for each fiscal year shall be the previous
7 fiscal year's General Fund expenditure limit increased by a percentage rate that equals
8 the fiscal growth factor.

9 (c) The total authorized General Fund budget for the fiscal year beginning July 1,
10 1993, as enacted by Chapter 321 of the 1993 Session Laws and Chapter 561 of the 1993
11 Session Laws, plus the fiscal growth factor shall be used to determine the General Fund
12 expenditure limit for the fiscal year beginning July 1, 1994, which will then be used to
13 determine the initial General Fund expenditure limit for the fiscal year beginning July 1,
14 1995.

15 (d) If the cost of any State program or function is shifted from the General Fund
16 on or after May 1, 1994, to another source of funding, or if moneys are transferred from
17 the General Fund to another fund or account, the General Fund expenditure limit shall
18 be reduced by a like amount.

19 (e) If by order of any court or by federal law, the costs of a program are
20 transferred to the State or the cost of an existing program is increased, the General Fund
21 expenditure limit shall be increased by a like amount.

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

28 **"§ 143-2.2. Increase in General Fund expenditures limited.**

29 (a) In preparing the budget for a fiscal year, the Governor shall not anticipate
30 revenue or propose expenditures from the General Fund for the ensuing fiscal period in
31 excess of the General Fund expenditure limit established under this Chapter.

32 (b) In enacting the budget for the fiscal year, the General Assembly shall not
33 anticipate revenue or make appropriations from the General Fund in excess of the
34 General Fund expenditure limit established under this Chapter.

35 (c) No money shall be drawn from the State treasury, and the Governor and the
36 State Treasurer shall not issue or redeem any draft, check, warrant, or voucher that will
37 result in a State expenditure for any fiscal year in excess of the General Fund
38 expenditure limit established under this Chapter.

39 (d) The Governor and the State Treasurer shall deposit all General Fund revenue
40 in excess of the General Fund expenditure limit into the Rainy Day Emergency Reserve
41 Trust Fund at the end of each fiscal year.

42 **"§ 143-2.3. Use of General Fund credit balance.**

43 The General Assembly shall appropriate one-fourth of any credit balance remaining
44 in the General Fund at the end of each fiscal year to the Rainy Day Emergency Reserve

1 Trust Fund. The State Controller shall reserve the lesser of (i) one-fourth of any credit
2 balance remaining in the General Fund or (ii) one and one-half percent (1.5%) of the
3 replacement value of all State buildings supported from the General Fund at the end of
4 each fiscal year to the Repairs and Renovations Reserve Account as provided in G.S.
5 143-15.3A. The General Assembly may appropriate that part of the anticipated General
6 Fund credit balance not expected to be appropriated to the Rainy Day Emergency
7 Reserve Trust Fund or reserved to the Repairs and Renovations Reserve Account only
8 for capital improvements or other nonrecurring expenditures within the General Fund
9 expenditure limit.

10 **"§ 143-2.4. Rainy Day Emergency Reserve Trust Fund.**

11 (a) There is established in the Office of the State Treasurer a Rainy Day
12 Emergency Reserve Trust Fund. The General Assembly shall appropriate one-fourth of
13 any General Fund credit balance remaining in the General Fund at the end of each fiscal
14 year to the Rainy Day Emergency Reserve Trust Fund. The Rainy Day Emergency
15 Reserve Trust Fund shall also include revenue in excess of the General Fund
16 expenditure limit deposited by the Governor and State Treasurer as provided by G.S.
17 143-2.2.

18 (b) If the Director of the Budget determines that any of the circumstances set out
19 in subdivisions (1) or (2) of this subsection exist, the Director may, in the Director's
20 discretion, transfer funds from the Rainy Day Emergency Reserve Trust Fund to pay the
21 appropriations for the fiscal year in full. If the Director of the Budget decides not to
22 transfer the funds from the Rainy Day Emergency Reserve Trust Fund as provided in
23 this section, the Director shall proceed as provided in G.S. 143-25 or Article III, Section
24 5(3) of the Constitution of North Carolina to administer the budget so as to prevent any
25 overdraft or deficit.

26 (1) The Director determines pursuant to the provisions of G.S. 143-25 that
27 the aggregate revenues collected and available during a fiscal year are
28 not sufficient to pay all of the appropriations for that fiscal year in full;
29 or

30 (2) The Director determines pursuant to the provisions of Article III,
31 Section 5(3) of the Constitution of North Carolina that receipts during
32 a fiscal year, when added to the surplus remaining in the State treasury
33 at the beginning of the fiscal year will not be sufficient to meet
34 budgeted expenditures.

35 (c) The General Assembly may make appropriations out of the Rainy Day
36 Emergency Reserve Trust Fund, but such appropriations must be for nonrecurring uses,
37 and may be made only while the General Assembly is convened in Extra Session. A
38 two-thirds vote of the members of each house of the General Assembly shall be
39 necessary to appropriate funds under this subsection.

40 (d) If the total of funds in the Rainy Day Emergency Reserve Trust Fund at the
41 end of the fiscal year exceeds an amount equal to five percent (5%) of the total General
42 Fund appropriation for the prior fiscal year, the excess over five percent (5%) may be
43 appropriated by the General Assembly:

44 (1) To provide tax relief to the citizens of North Carolina;

- 1 (2) To create or increase appropriations of State dedicated funds in excess
2 of the General Fund expenditure limit; or
3 (3) For critical needs educational funds.

4 **"§ 143-2.5. Two-thirds vote of General Assembly required to exceed General Fund**
5 **expenditure limit.**

6 The General Assembly may, by a two-thirds vote of each house, make General Fund
7 appropriations for nonrecurring expenses in excess of the General Fund expenditure
8 limit for a period not to exceed 12 months beginning on the effective date of the
9 appropriations.

10 **"§ 143-2.6. Unfunded State mandates prohibited.**

11 No county or municipality shall be bound by any general law enacted after May 1,
12 1994, requiring the county or municipality to spend funds unless (i) funds have been
13 appropriated by the General Assembly that have been estimated at the time of
14 enactment to be sufficient to fund the expenditure or (ii) the expenditure is required to
15 comply with a federal law requirement or is required for eligibility for a federal
16 entitlement, which federal requirement specifically contemplates actions by counties or
17 municipalities for compliance. No county or municipality shall be bound by a local act
18 enacted after May 1, 1994, requiring the expenditure of funds unless the local act has
19 been approved by the local government affected by the act."

20 Sec. 2. G.S. 143-15.3A reads as rewritten:

21 **"§ 143-15.3A. Repairs and Renovations Reserve Account.**

22 (a) There is established a Repairs and Renovations Reserve Account as a
23 restricted reserve in the General Fund. The State Controller shall reserve to the Repairs
24 and Renovations Reserve Account at the end of each fiscal year the lesser of (i) one-
25 fourth of any ~~unreserved~~ credit balance remaining in the General Fund at the end of each
26 fiscal year or (ii) one and one-half percent (1.5%) of the replacement value of all State
27 buildings supported from the General Fund. ~~As used in this section, the term "unreserved~~
28 credit balance" means that part of the credit balance, as determined on a cash basis, not already
29 reserved to the Savings Reserve Account or the Repairs and Renovations Reserve Account.

30 (b) The funds in the Repairs and Renovations Reserve Account shall be used
31 only for the repair and renovation of State facilities and related infrastructure that are
32 supported from the General Fund. The Director of the Budget shall not use funds in the
33 Repairs and Renovations Reserve Account unless the use has been approved by an act
34 of the General Assembly."

35 Sec. 3. There is appropriated from the General Fund to the Savings Reserve
36 Account the sum of three hundred million dollars (\$300,000,000) for the 1994-95 fiscal
37 year.

38 Sec. 4. (a) It is the intent of the General Assembly that effective as of the 1994-95
39 fiscal year the State's liability for the deferral of the twelfth month of teacher payroll
40 shall be eliminated. Funds may be used from the Savings Reserve Account and, to the
41 extent necessary, may be combined with other available funds to eliminate this liability
42 and thus bring the State into conformity with the GAAP.

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

4 Sec. 5. G.S. 143-2.1 and G.S. 143-2.2(a) and (b) as enacted by Section 1 of
5 this act and Section 3 of this act become effective July 1, 1994. The remainder of this
6 act becomes effective January 1, 1995.